Allan Gray Life Domestic Balanced Portfolio

Inception date: 1 September 2001

31 December 2025

Portfolio objective and benchmark

This portfolio is for institutional investors with an average risk tolerance. It aims to offer long-term returns superior to the benchmark, but at lower risk of capital loss. In terms of Allan Gray's risk-profiled range, this portfolio has a higher risk of capital loss than the Stable Portfolio, but less than the Absolute Portfolio. The benchmark is the mean performance of the large managers as surveyed by Alexforbes.

Product profile

- Actively managed pooled portfolio.
- Investments selected from all local asset classes.
- Represents Allan Gray's 'houseview' for a domestic balanced mandate.

Investment specifics

- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Compliance with Prudential Investment Guidelines

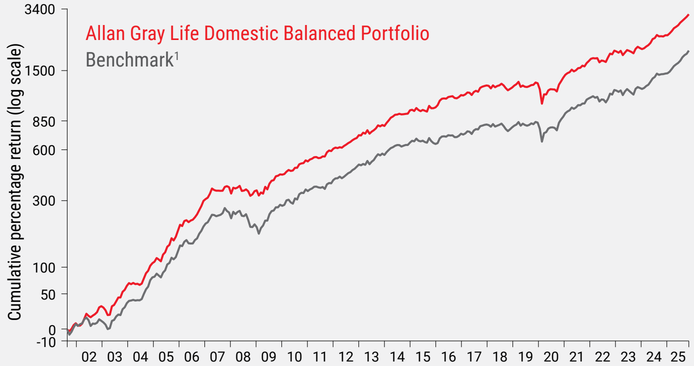
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within the prescribed regulatory time period. Allan Gray Life Limited does not monitor compliance with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28) on behalf of retirement funds invested in the pool.

Portfolio information on 31 December 2025

Assets under management	R10 716m

Performance gross of fees

Cumulative performance since inception



1. Mean of Alexforbes Domestic Large Manager Watch. The return for December 2025 is an estimate.
2. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 31 December 2025.

Note: There may be slight discrepancies in the totals due to rounding.

% Returns[2]	Portfolio	Benchmark[1]
Since inception	15.4	13.6
Latest 10 years	11.0	10.8
Latest 5 years	16.0	16.5
Latest 3 years	15.9	17.6
Latest 2 years	19.7	22.4
Latest 1 year	27.9	29.8
Latest 3 months	7.4	7.7

Asset allocation on 31 December 2025

Asset class	Total
Net equities	68.4
Hedged equities	1.7
Property	0.6
Commodity-linked	3.2
Bonds	22.3
Money market and cash	3.8
Total (%)	**100.0**

Top 10 share holdings on 31 December 2025 (updated quarterly)

Company	% of portfolio
AB InBev	6.5
Naspers & Prosus	5.6
Glencore	4.2
AngloGold Ashanti	4.2
Standard Bank	3.5
British American Tobacco	3.4
Nedbank	2.7
Woolworths	2.4
FirstRand	2.2
Mondi	2.1
Total (%)	**36.8**

Fund manager quarterly commentary as at 31 December 2025

The Portfolio delivered a strong absolute return of 28% in 2025, lagging its benchmark by 2%. Over the last three years, the Portfolio has achieved an annualised return of 16% compared to an inflation rate of 4%. Some investors may prefer to think in hard currency. With the rand relatively strong, US dollar returns have been very healthy at 45% over one year and 17% per annum over three years. These results were supported by robust returns from the equity and the bond markets. It is important to remember that such outcomes are well ahead of long-term averages, so a degree of caution and moderation of expectations is warranted.

A key feature of the equities market's strength in 2025 was its narrowness. Index performance was driven by a handful of shares rather than broad-based gains. Gold and platinum mining companies were notable winners, benefiting from exceptionally strong precious metal prices. This strength is at least partly the result of speculative buying, which could reverse. A striking development is that these mining shares now account for roughly a quarter of the FTSE/JSE All Share Index, so further gains or a reversal in these shares would have an outsized impact. However, the market's narrow performance is a source of some concern. Our approach has been to take profits in some areas that have done exceptionally well. At the end of the year, the weight of gold and platinum mining shares was 12% of equities, or 9% of the Portfolio as a whole. In our view, this provides sizeable exposure to further upside but limits downside risk. Another aspect of this narrow performance is that, despite the index being near record highs, many local shares have performed poorly. With valuations in several areas of the market now well below their historical averages, this is where we are finding more opportunities.

Alongside the bull market in precious metals, the other important story in South African financial markets in 2025 was the exceptional strength of the bond market. Compared to two years ago, the contrast is stark: At that time, both local and foreign investors were decidedly sceptical about South African bonds as the country faced the uncertainty of looming national elections, weak economic growth and severe loadshedding. Since the May 2024 elections, South Africa has been among the top-performing bond markets globally, with the FTSE/JSE All Bond Index returning 44% over this period. South African bonds have rerated significantly versus our emerging market peers, such as Brazil. We think that the balance of risk in the bond market is now to the downside, and therefore, we prefer an allocation to local shares over local bonds.

During the quarter, we added to the Portfolio's positions in AB InBev and Naspers, and trimmed positions in Prosus and the platinum-linked exchange-traded fund (ETF).

Commentary contributed by Tim Acker

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FTSE/JSE All Share Index, FTSE/JSE Capped Shareholder Weighted All Share Index and FTSE/JSE All Bond Index

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MSCI Index

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