Allan Gray Life Domestic Equity Portfolio

31 December 2025

Portfolio objective and benchmark

This portfolio is for institutional investors requiring management of a specific equity portfolio. It aims to offer superior returns to that of the FTSE/JSE Capped Shareholder Weighted All Share Index, including dividends, but with a lower risk of capital loss. The benchmark is the FTSE/JSE Capped Shareholder Weighted All Share Index, including dividends.

Product profile

- Actively managed pooled portfolio.
- Represents Allan Gray's 'houseview' for a specialist equity-only mandate.
- Portfolio risk is controlled by limiting the exposure to individual counters.

Investment specifics

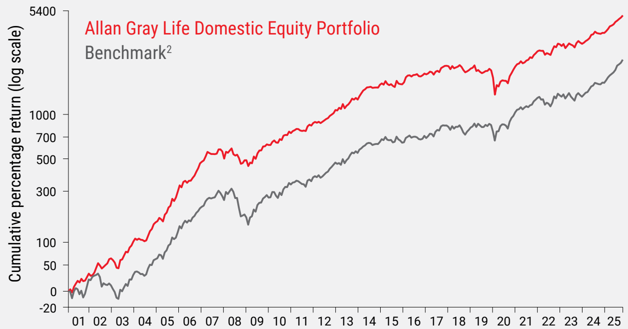
- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Portfolio information on 31 December 2025

Assets under management	R5 144m

Performance gross of fees

Cumulative performance since inception[1]



% Returns[3]	Portfolio	Benchmark[2]
Since inception[1]	17.3	14.3
Latest 10 years	10.4	12.3
Latest 5 years	18.0	18.3
Latest 3 years	16.5	20.4
Latest 2 years	20.2	27.2
Latest 1 year	30.3	42.6
Latest 3 months	7.7	8.9

Sector allocation on 31 December 2025 (updated quarterly)

Sector	% of equities[4]	% of Capped SWIX[2]
Financials	26.5	27.7
Basic materials	23.4	32.1
Consumer staples	21.3	9.1
Consumer discretionary	9.4	5.8
Technology	8.6	12.0
Industrials	4.4	2.1
Energy	2.9	0.6
Healthcare	2.0	1.0
Real estate	0.9	4.7
Telecommunications	0.8	4.8
Total (%)	**100.0**	**100.0**

1. Since alignment date (1 February 2001).
2. FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 was the FTSE/JSE All Share Index.
3. 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.
4. Includes listed property.

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

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

Company	% of portfolio
Naspers & Prosus	8.5
AB InBev	7.3
Glencore	5.3
AngloGold Ashanti	5.2
Standard Bank	5.2
British American Tobacco	5.1
Nedbank	4.3
FirstRand	3.8
Mondi	3.2
Remgro	2.9
Total (%)	**50.8**

Asset allocation on 31 December 2025

Asset class	Total
Net equities	98.0
Hedged equities	0.0
Property	0.9
Commodity-linked	0.0
Bonds	0.0
Money market and cash	1.1
Total (%)	**100.0**

Fund manager quarterly commentary as at 31 December 2025

2025 was a year for the history books. Heightened geopolitical tensions created and then seemingly resolved trade wars, and artificial intelligence (AI)-induced optimism dominated global markets. In South Africa, the near collapse of the government of national unity early in the year and a strained relationship with the United States were overshadowed by the strong tailwind provided by rising precious metal prices that lifted the FTSE/JSE All Share Index (ALSI). A cursory glance at 2025's returns hides the sharp volatility that persisted during the year.

Globally, the MSCI World Index delivered a third consecutive year of strong double-digit returns, rising by 21% in 2025 to close the year at a near all-time high. This performance was supported by the US, which comprises 72% of the index. As has been the case over the last three years, the breadth of this performance was narrow. Just seven stocks, the aptly named "magnificent seven", accounted for 46% of the S&P 500's performance in 2025 – largely fuelled by the promise of their AI advancements fundamentally changing the world and strengthening their business prospects. Futurist Roy Amara sums up the current investor psyche towards AI well: In the short term, people often overestimate the impact of a new technology while underestimating the long-term impact.

In the fullness of time, AI will almost certainly alter the way we interact and work. However, in the shorter term, it remains uncertain which AI hyperscaler will emerge as the winner and how these companies will appropriately monetise and fund their ambitions. What is more visible is that the five largest public AI hyperscalers plan to collectively spend more than US$1.5tn over the next three years. To put this into context, South Africa's annual GDP stands at around US$450bn. This raises two primary concerns: Firstly, this capital expenditure will pose a material headwind to the earnings of these companies in the coming years, which we think is underappreciated. Secondly, the S&P 500 trades on a high multiple of these elevated earnings expectations and is fast approaching levels last seen during the 2000s technology bubble.

Locally, the ALSI delivered a 42% return in 2025 – its best calendar year in two decades, with the index near an all-time high. Similar to the US, performance was narrow. Precious metal miners rallied sharply, more than doubling and contributing 58% of the ALSI's return for the year. The Portfolio delivered strong absolute returns but lagged relative to the ALSI due to an underweight position in the precious metal sub-sector. Collectively, gold and platinum group metal miners now represent over 25% of the ALSI. While we have a constructive view on the gold price over the longer term, in the short term, the price will likely be volatile amid shifting geopolitical and macroeconomic conditions. South African gold miners also have a poor long-term track record. Historically, gold price windfalls have often been eroded by poor cost discipline and value-destructive expansion. As such, we have been selective about the precious metal miners included in the Portfolio, favouring companies more likely to return free cash flow to shareholders.

Borrowing from Sir John Templeton, "Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria." Given current valuations, we are concerned about the prospects for absolute returns. In South Africa, a slow reform agenda, anaemic capital investment and infrastructure concerns underpin our view that meaningful economic growth will remain elusive. Therefore, the Portfolio is positioned defensively to protect capital and is skewed towards defensive rand hedges – British American Tobacco and AB InBev are good examples. Where the Portfolio holds South African-exposed stocks, they are businesses that we believe can sustain earnings growth even in a weaker-than-expected economic environment.

During the quarter, we added to the Portfolio's positions in Mr Price and Naspers, and trimmed positions in Prosus and gold miners.

Commentary contributed by Jithen Pillay

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

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MSCI Index

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