

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 All Share Index, including dividends, but with a lower risk of capital loss. The benchmark is the FTSE/JSE Capped 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

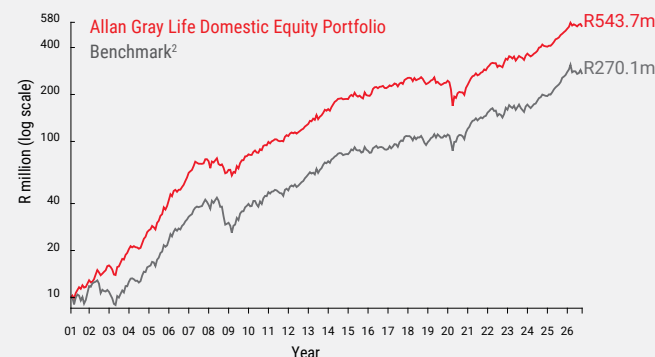
- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds and medical schemes.
- Minimum investment: R20m.
- Performance based fee.

Portfolio information on 30 September 2026

Assets under management	R4 692.4m
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Performance gross of fees

Value of R10m invested at inception¹



% Returns ³	Portfolio	Benchmark ²
Since inception ¹	16.8	13.7
Latest 10 years	9.1	11.5
Latest 5 years	14.3	13.9
Latest 3 years	16.6	19.3
Latest 2 years	14.1	16.3
Latest 1 year	11.0	5.6
Latest 3 months	-0.5	-0.3

Sector allocation on 30 September 2026

Sector	% of equities ⁴	% of Capped ALSI ²
Financials	26.2	29.5
Basic materials	22.2	32.5
Consumer staples	22.1	8.9
Consumer discretionary	10.4	5.3
Technology	7.6	9.3
Industrials	4.6	2.2
Energy	2.8	0.7
Healthcare	2.3	1.2
Real estate	0.9	5.0
Telecommunications	0.8	5.4
Total (%)	100.0	100.0

- Since alignment date (1 February 2001).
- FTSE/JSE Capped All Share Index. From 1 October 2020 to 31 December 2025, the benchmark was the FTSE/JSE Capped Shareholder Weighted All Share Index. The benchmark prior to 1 October 2020 was the FTSE/JSE All Share Index.
- Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 September 2026.
- Includes listed property.

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

Top 10 share holdings on 30 September 2026

Company	% of portfolio
Naspers & Prosus	7.5
AB InBev	7.4
Glencore	5.4
Standard Bank	5.2
AngloGold Ashanti	4.8
British American Tobacco	4.6
Nedbank	4.4
Remgro	3.7
FirstRand	3.3
Sasol	3.1
Total (%)	49.5

Asset allocation on 30 September 2026

Asset class	Total
Net equities	97.5
Property	0.8
Money market and cash	1.6
Total (%)	100.0

The Portfolio returned -0.5% for the quarter, slightly behind the benchmark's return of -0.3%. Year to date, relative performance remains strong, with the Portfolio returning 3.0% versus the benchmark's return of -3.1%.

Our portfolios continue to be built from the bottom up, with valuation and a margin of safety driving decisions rather than compelling market narratives. This patient approach tends to be rewarded when market returns are muted or negative, and we are pleased to see that pattern persist in the current environment.

While the overall year-to-date performance of the local equity market has been weak, the performance of individual shares has diverged significantly.

Within commodity-related equities, broadly speaking, one did not want to own precious metals miners and wanted to own almost everything else. Following weaker precious metals prices, the share prices of most major gold and platinum group metals (PGM) miners are down year to date, many by double digits, with the exception of AngloGold, which is up 7%. In contrast, on the back of a strong copper price, Anglo American, BHP and Glencore are all up around 30% year to date. At the top end of the market, fuelled by significantly higher oil prices, Sasol is up over 100%. The Portfolio has benefited from being underweight precious metals miners, although it does hold AngloGold and is overweight Glencore, Sasol and BHP. More recently, we have trimmed some of these positions into strength, although we continue to hold large positions in several diversified miners.

At the other end of the spectrum, two of the worst-performing shares year to date are Naspers and Prosus. They are effectively the same company, with Chinese technology group Tencent as their primary asset. Despite reporting strong full-year earnings, the share prices of Naspers and Prosus are both down over 30%, as investors have become sceptical of Tencent's artificial intelligence (AI) spending and the long-term risks AI poses to its business model. We have been adding to Naspers and Prosus as the shares have continued to de-rate, while managing the overall position size for idiosyncratic risk.

An economy under strain has kept pressure on consumers and, by extension, the retailers most exposed to them. That pressure is visible in how South Africans are shopping, not only in how much they are spending. Grocery volumes have held up reasonably well, but the composition of spending has shifted sharply towards value. Retailers such as Shoprite and Boxer have been the clear winners, while Pick n Pay's core business and Spar have lost ground, squeezed by both market pressures and internal execution challenges. Independent and informal retailers, such as spaza shops, traders and independent wholesalers, have also continued to take market share, having benefited from questionable cost structures and from not facing the same regulatory and compliance burden as listed retailers. The relative performance of the winners versus the losers is reflected in their share prices: Shoprite and Boxer are both up over 10% year to date, while Pick n Pay is down more than 20% and Spar more than 50%.

None of the listed clothing retailers have seen their share prices rise this year, although the spread between them remains extreme. The "best" performer has been

Mr Price, down 7% year to date, while Foschini has fallen a staggering 43%. Pepkor and Truworths sit somewhere in between.

Pharmacy retailers are also down, but arguably for a different reason. Former market darling Clicks is down 38% year to date and close to 50% from its peak in December 2024. The company has yet to report results to the end of August 2026, but based on its semi-annual results to February 2026, turnover was still growing and headline earnings per share had risen by 8.1%. Yet the share fell more than 8% on the day the company announced its results, with the market unimpressed by full-year earnings guidance. There are some growing concerns around renewed competition from Dis-Chem and Shoprite, and some market missteps, but, in our view, this is less a story of a broken business than of a business being de-rated from an unusually rich multiple. Clicks traded at more than 30 times earnings for a long period, a rating that only holds up if growth stays exceptional. Now trading at closer to 15 times earnings with a return on equity still comfortably above 30%, the stock screens far more interesting to us than it did 12 months ago. We would rather own a good retailer after the market has taken the froth out of the price than pay up for the same business when everyone agrees it is wonderful.

Recently, we have been buying Clicks and several other retailers, as the market has priced them as if the current squeeze on consumers is permanent rather than cyclical. With the benefit of hindsight, we bought some of these shares, notably Spar, too soon, which has detracted from performance.

One final point is worth stressing. Much of this commentary refers to the Portfolio being overweight or underweight. This is meant to highlight where we differ from the market, not to describe how we construct the portfolio, which is built from the bottom up and remains benchmark-agnostic. Precious metals miners provide an apt example. At quarter-end, gold and PGM shares made up 10% of the Portfolio's equity exposure. We think these counters are attractive and deserve a place in the portfolio, but we cap our overall exposure, as performance would otherwise be driven disproportionately by movements in gold and PGM prices – factors outside management's control. In contrast, precious metals miners accounted for 24% of the FTSE/JSE All Share Index at quarter-end. The index will do very well if gold and PGM prices rally, but this leaves passive investors disproportionately exposed to single-factor risk.

The market remains volatile, and in many instances, the gap between our estimate of intrinsic value and market prices continues to widen. Experience suggests that this gap eventually closes, but rarely on a timetable convenient to anyone. Our task is simply to continue buying quality businesses at a discount to what we believe they are worth and to let time do the rest.

During the quarter, the Portfolio added to its existing positions in Clicks and Prosus and reduced its holdings in BHP and Glencore.

Commentary contributed by Rory Kutisker-Jacobson

Fund manager quarterly commentary as at 30 September 2026

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