

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 asset classes.
- Investments may include foreign funds including, but not limited to, those managed by Orbis. Orbis is our global investment management partner which shares the same founder and investment philosophy as Allan Gray.
- Represents Allan Gray's 'houseview' for a global balanced mandate.

Investment specifics

- This portfolio is available as a linked policy issued by Allan Gray Life Limited available only to retirement funds.
- Minimum investment: R20m.
- Performance based fee.
- The Base Refundable Reserve Fee is levied on the Orbis funds.

Compliance with Prudential Investment Guidelines

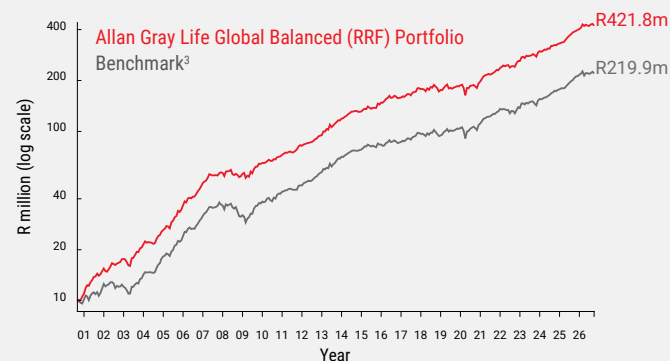
The Portfolio is managed to comply with Regulation 28 of the Pension Funds Act ("the Pension Funds Act"). Exposures in excess of the limits will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will 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 30 September 2026

Assets under management R39 423.6m

Performance^{1,2}

Value of R10m invested at inception



% Returns ^{2,4}	Portfolio ¹	Benchmark ³
Since inception	15.4	12.6
Latest 10 years	10.1	9.7
Latest 5 years	13.3	11.6
Latest 3 years	14.2	14.7
Latest 2 years	14.1	12.4
Latest 1 year	8.5	6.4
Latest 3 months	0.4	0.5

Asset allocation on 30 September 2026⁵

Asset class	Total	South Africa	Foreign
Net equities	64.1	38.7	25.5
Hedged equities	13.0	1.9	11.1
Property	1.3	0.0	1.3
Commodity-linked	2.0	2.0	0.0
Bonds	13.8	11.2	2.6
Money market and cash ⁶	5.8	3.3	2.5
Total (%)	100.0	57.0	43.0

Top 10 share holdings on 30 September 2026 (SA and Foreign)⁵

Company	% of portfolio
AB InBev	3.9
Naspers & Prosus	3.0
Glencore	2.9
AngloGold Ashanti	2.7
Standard Bank	2.2
British American Tobacco	2.1
Nedbank	2.0
Remgro	1.8
Sasol	1.6
The Walt Disney Company	1.6
Total (%)	23.8

- Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.
- The returns prior to 1 August 2015 are those of the Allan Gray Life Global Balanced Portfolio since its inception on 31 August 2000. The Investor Class Fee was levied in the underlying Orbis funds.
- Mean of Alexforbes Global Large Manager Watch. The return for September 2026 is an estimate.
- 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.
- Underlying holdings of foreign funds are included on a look-through basis.
- Includes the impact of any currency hedging.

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

The Portfolio returned 0.4% for the quarter, taking its year-to-date return to 4.8%. We are pleased with the Portfolio's progress this year, with returns well ahead of the benchmark. However, 2026 has been a notably tougher environment for local markets, with the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index returning -3.2% and 3.5% respectively, year to date. Recent market moves serve as a reminder that returns are unlikely to follow a straight line.

The weak performance of the ALSI this year is partly attributable to poor returns from many domestically focused companies. A number of businesses that previously traded at elevated valuations have seen significant declines in their share prices from the highs reached over the past few years. Examples include Foschini (-72%), WeBuyCars (-53%), Clicks (-48%) and AVI (-30%). Against this backdrop, we are increasingly finding attractive opportunities among South African companies trading at valuations well below historical levels and have selectively increased exposure to domestic businesses. At the same time, we continue to see considerable value in maintaining meaningful offshore diversification, given the wide range of possible economic and political outcomes.

While progress has been made on several domestic reform initiatives, given the scale of South Africa's challenges, improvements are likely to remain gradual. When investing in domestically focused businesses, we therefore do not assume a meaningful improvement in economic growth in the near term. Elevated oil prices have increased pressure on consumers and businesses, while the South African Reserve Bank (SARB) raised the repo rate to 7.25% in September, marking its second increase this year. Headline inflation remains above the upper end of the SARB's new 2-4% target range, making further interest rate increases likely. The upcoming local government elections on 4 November 2026 will be closely watched by investors as a test of confidence in the government of national unity's reform agenda. While political developments can affect market sentiment in the short term, we remain focused on identifying attractively valued investments rather than attempting to predict election outcomes.

A second factor behind the ALSI's weak return this year has been the decline in the gold price and the resulting weakness in precious metals shares. Despite its traditional role as a hedge during periods of uncertainty, gold ended the quarter at approximately US\$4 200 per ounce, well below the peak of approximately US\$5 400 per ounce reached earlier in the year. Much of that rally appears to have been driven by speculative buying during late 2025. This reinforces a point we frequently make: a good asset can still be a poor investment if purchased at too high a price. While we continue to recognise gold's diversification benefits and retain exposure to gold mining companies, we

remain mindful of the risks associated with concentrated exposure to any single theme. With precious metals shares now representing about a quarter of the ALSI's weight, index concentration has reached levels that we view as excessive. This reinforces the importance of active stock selection.

Global markets experienced a challenging quarter but have remained remarkably strong throughout 2026. A notable feature has been the continued dominance of a relatively small group of companies associated with artificial intelligence (AI), while much of the broader market has delivered more modest returns. We remain sceptical that the enormous levels of investment currently being directed towards data centres will ultimately earn attractive economic returns and are cautious of areas where expectations and valuations appear overly optimistic. Our offshore holdings, managed primarily by Orbis, have nevertheless benefited from selected exposure to businesses supplying critical components and infrastructure to the AI ecosystem, which contributed positively to the Portfolio's performance.

At the beginning of the year, markets anticipated interest rate cuts from the US Federal Reserve (Fed). Instead, the Fed raised rates by 25 basis points in September and reiterated its commitment to returning inflation to its 2% target, suggesting that further tightening may be required to tame inflation. A significant market development this year has been the sharp rise in long-dated US government bond yields, with 30-year Treasury bonds ending the quarter at approximately 5.6% – the highest level since 2002. Concerns around inflation and the continued deterioration of the United States' fiscal position have been key drivers. For many years, the Portfolio has held very limited exposure to developed market government bonds, but yields have now reached levels where a case can increasingly be made for having some allocation.

This year has been characterised by rising geopolitical tension, higher interest rates and increasing market concentration. While these risks are different in nature, they all highlight the importance of portfolio resilience. Protecting capital in difficult environments remains a key focus of the Portfolio. Rather than positioning the portfolio for a single outcome, we continue to build a diversified portfolio designed to perform across a range of economic environments.

During the quarter, the Portfolio added to its existing positions in Prosus and Clicks, while reducing its holdings in BHP and Sasol.

Commentary contributed by Tim Acker

Fund manager quarterly commentary as at 30 September 2026

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MSCI Index

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FTSE Russell Index

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