

## Portfolio objective and benchmark

This portfolio is for risk-averse institutional investors. It aims to offer superior returns to money market investments with limited capital volatility whilst striving for capital preservation over any two-year period. In terms of Allan Gray's risk-profiled range, this portfolio has less risk of capital loss than the Balanced Portfolio. The benchmark is the Alexforbes 3-month Deposit Index plus 2% or CPI plus 3%.

## Product profile

- Conservatively 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.
- We attempt to limit the risk of capital loss by holding shares with limited downside or attractive dividend yields and/or hedging stock market exposure.
- Modified duration of the fixed interest portfolio will be conservative.

## 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 or fixed 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.

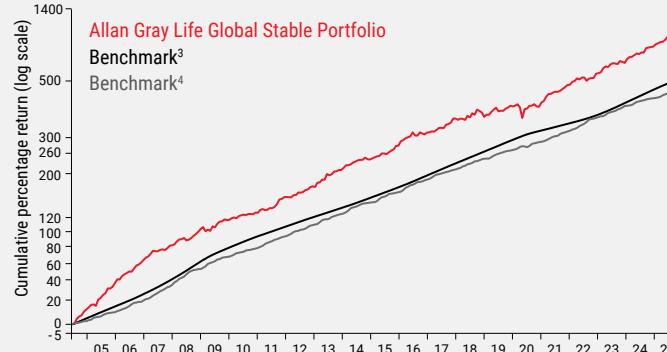
## Portfolio information on 30 September 2025

Assets under management

R5 549m

### Performance<sup>1</sup>

Cumulative performance since inception<sup>2</sup>



1. Performance is gross of Allan Gray fees. Underlying Orbis fund returns are net of fees.

2. Since alignment date (1 August 2004).

3. Alexforbes 3-month Deposit Index plus 2%.

4. CPI plus 3% p.a. The return for September 2025 is an estimate. CPI inflation has been calculated based on the most recent rebased values from Stats SA, reflecting the data as at 31 August 2025 (source: Iress).

5. Investment returns are annualised (unless stated otherwise), except for periods less than one year. Performance as calculated by Allan Gray as at 30 September 2025.

6. Underlying holdings of foreign funds are included on a look-through basis.

7. Includes the impact of any currency hedging.

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

## Top 10 share holdings on 30 September 2025 (SA and Foreign) (updated quarterly)<sup>6</sup>

% Returns <sup>5</sup>	Portfolio <sup>1</sup>	Benchmark <sup>3</sup>	Benchmark <sup>4</sup>
Since inception <sup>2</sup>	11.6	8.9	8.4
Latest 10 years	9.9	8.5	7.8
Latest 5 years	12.8	8.1	7.9
Latest 3 years	13.5	9.7	7.1
Latest 2 years	13.5	9.9	6.5
Latest 1 year	14.5	9.6	6.1
Latest 3 months	3.3	2.2	1.4

## Asset allocation on 30 September 2025<sup>6</sup>

Asset class	Total	South Africa	Foreign
Net equities	23.2	10.2	13.0
Hedged equities	26.0	13.8	12.2
Property	1.1	0.1	1.0
Commodity-linked	2.2	1.6	0.6
Bonds	34.0	28.5	5.5
Money market and cash <sup>7</sup>	13.6	11.1	2.5
<b>Total (%)</b>	<b>100.0</b>	<b>65.3</b>	<b>34.7</b>

The FTSE/JSE All Share Index (ALSI) added to its impressive gains in the latest quarter, returning 12.9% and taking its year-to-date return to a remarkable 31.7%. It is seldom that returns from the local equity market rank near the top of global performance tables across multiple time periods, but now is such a time. Over the last five years, the ALSI has generated a US dollar return of 18.3% per annum, ahead of both the S&P 500 and the MSCI World indices at 16.5% and 14.4% respectively.

Key to the recent bout of outperformance has been gold, with the price of the metal up 47% thus far this year, including 12% in the last month alone. This last leg higher coincided with the market starting to price in multiple US Federal Reserve interest rate cuts owing to a weakening labour market in the United States. Concerns around increasing political influence on the central bank's actions also likely contributed. Prospects for looser monetary policy conditions ahead, while US inflation continues to run stubbornly above target, heighten the appeal of gold. Only 1979, when inflation concerns were widespread, saw better returns for the metal at this point in the year.

On the back of this move, the share prices of local gold miners have more than doubled so far in 2025. Platinum group metal producers have recently joined the market rally, with the shares up nearly 50% just in September. This, as platinum regained its allure as a precious metal. We have previously highlighted the concentrated nature of the local index, with precious metal producers now holding a 24% weight. Historically, the return profile from this sector has been highly erratic due to the cyclical nature of metal prices and the economics for the miners being eroded over time by cost creep and value-destructive capital allocation decisions.

Similarly, the local bond market continued its rally, with the FTSE/JSE All Bond Index (ALBI) adding 6.9% in the last quarter, taking the year-to-date return to 14.0%. While the South African Reserve Bank (SARB) opted to hold rates at its most recent Monetary Policy Committee meeting, the shift towards a more dovish future stance is evident. The SARB has also introduced the possibility of lowering the inflation objective to 3% versus the previous 3% to 6% band.

Experience elsewhere suggests that once inflation settles in the 1% to 3% range, it usually stays there. The current band is too high and wide relative to the low prevailing inflation that the SARB wishes to lock in. With administered prices and public sector wages still expected to outpace overall inflation, government support is clearly required. While discussions between the SARB and National Treasury are ongoing, the bond market has cheered the prospect of a new, lower target.

At quarter end, roughly 35% of the Portfolio was invested in direct offshore assets. Although the stronger rand this year has presented a headwind, performance from the underlying Orbis funds has been strong on both an absolute and relative basis.

The Portfolio has returned 11.2% year to date, outperforming its benchmark by 4.2%. With many asset prices, both locally and offshore, at or near multi-year highs, the prospect of future benchmark returns remaining elevated looks less clear. In our opinion, the Portfolio's current defensive positioning, in terms of its stock selection, 23% net equity weight (which is below the 40% maximum), sizeable asset allocation towards hedged equities, and lower-duration bond holdings should assist it in meeting its return objective, even if markets consolidate and digest their recent rallies in the near term.

During the quarter, the Portfolio continued to lighten its exposure to floating-rate notes in favour of fixed instruments. On the equities side, we initiated a new position in Shoprite, added to existing positions in Richemont and Spar, and trimmed the Portfolio's exposure to British American Tobacco and gold miners.

**Fund manager quarterly commentary as at 30 September 2025**

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