

Portfolio description and summary of investment policy

The Portfolio invests in a mix of shares, bonds, property, commodities and cash. The Portfolio can invest a maximum of 45% offshore. The Portfolio typically invests the bulk of its foreign allowance in a mix of funds managed by Orbis Investments, our offshore investment partner. The maximum net equity exposure of the Portfolio is 40%. The Portfolio's net equity exposure may be reduced from time to time using exchange-traded derivative contracts on stock market indices. The Portfolio is managed to comply with the investment limits governing retirement funds. Returns are likely to be less volatile than those of an equity-only portfolio or a balanced portfolio. The Portfolio is a pooled portfolio offered by Allan Gray Life and is only available to members of the Allan Gray Umbrella Retirement Fund.

Portfolio objective and benchmark

The Portfolio aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Portfolio's benchmark is the Consumer Price Index, plus 3%.

How we aim to achieve the Portfolio's objective

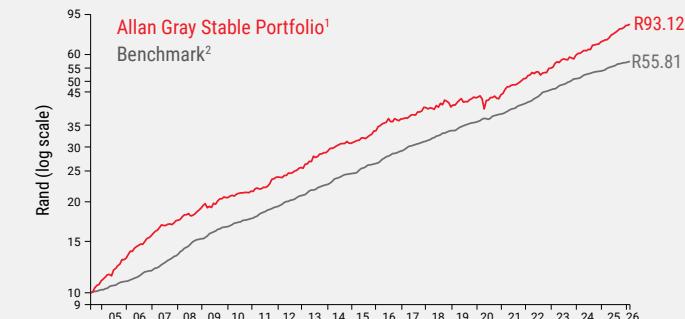
A major portion of the Portfolio is typically invested in money market instruments. We seek to deploy the Portfolio's cash by investing in shares when they can be bought at a significant discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares, we may allocate a low weight to shares or partially hedge the Portfolio's stock market exposure in consideration of the Portfolio's capital preservation objectives. The Portfolio may also invest in bonds, property and commodities. The Portfolio's bond and money market investments are actively managed.

Portfolio history

The Portfolio is managed in the same way as the Allan Gray Life Global Stable Portfolio. When assessing the Portfolio's performance and risk measures over time, for periods before its inception (16 August 2017), the returns of the Allan Gray Life Global Stable Portfolio can be used. The combined history reflects the performance and risk of the strategy over the long term.

Performance net of all fees and expenses

Value of R10 invested at alignment



% Returns	Portfolio ¹	Benchmark ²	CPI inflation ³
Cumulative:			
Since alignment (1 August 2004)	831.2	458.1	203.8
Annualised:			
Since alignment (1 August 2004)	10.9	8.3	5.3
Latest 10 years	8.8	7.7	4.8
Latest 5 years	11.5	7.9	5.0
Latest 3 years	11.5	7.0	3.9
Latest 2 years	12.9	6.3	3.3
Latest 1 year	14.0	6.5	3.6
Year-to-date (not annualised)	0.8	0.4	0.2
Risk measures (since inception)			
Maximum drawdown ⁴	-10.3	-0.7	n/a
Percentage positive months ⁵	75.7	98.1	n/a
Annualised monthly volatility ⁶	5.2	1.4	n/a
Highest annual return ⁷	27.5	15.0	n/a
Lowest annual return ⁷	-6.9	4.9	n/a

Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a portfolio that complies with retirement fund investment limits

Annual management fee

Allan Gray charges a fixed fee of 0.70% p.a. on the Portfolio assets excluding the portion invested in the range of Orbis funds. This fee is presently exempt from VAT.

A portion of the Portfolio may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark. Orbis pays a marketing and distribution fee to Allan Gray.

Total expense ratio (TER) and transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of the actual expenses incurred by the Portfolio over a one-year and three-year period (annualised). Since Portfolio returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns. Transaction costs are disclosed separately.

**Top 10 share holdings on
31 December 2025 (SA and Foreign)
(updated quarterly)⁸**

Company	% of portfolio
AB InBev	2.8
AngloGold Ashanti	2.0
British American Tobacco	1.9
Standard Bank	1.3
Woolworths	1.3
Remgro	1.2
Gold Fields	1.1
Nedbank	1.1
Marriott International Inc	1.1
Richemont	1.0
Total (%)	14.9

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

**Since inception, the Portfolio's
month-end net equity exposure has
varied as follows:**

Minimum	23.2% (September 2025)
Average	31.5%
Maximum	40.1% (December 2018)

Asset allocation on 31 January 2026⁸

Asset class	Total	South Africa	Foreign
Net equities	27.3	14.0	13.2
Hedged equities	21.2	10.7	10.6
Property	0.9	0.0	0.8
Commodity-linked	2.1	1.7	0.4
Bonds	34.9	29.0	5.9
Money market and cash ⁹	13.7	11.0	2.7
Total (%)	100.0	66.4	33.6¹⁰

9. Includes the impact of any currency hedging.

10. The Portfolio can invest a maximum of 45% offshore. Market movements may periodically cause the Portfolio to move beyond these limits. This must be corrected within 12 months.

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

**Total expense ratio (TER) and transaction costs for
periods ending 31 December 2025 (updated quarterly)**

1- and 3-year TER and transaction costs breakdown	1yr %	3yr %
Total expense ratio¹¹	1.53	1.06
Fee for benchmark performance	0.73	0.73
Performance fees	0.77	0.30
Other costs excluding transaction costs	0.03	0.03
Transaction costs (including VAT)¹²	0.06	0.05
Total investment charge	1.59	1.11

11. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs.

12. Transaction costs are a necessary cost in administering the Portfolio and impacts Portfolio returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of financial product, the investment decisions of the investment manager and the TER.

Faced with the prospect of "Liberation Day" tariffs, multiple armed conflicts around the world, burgeoning government debt burdens and continued middling growth among the major economies outside of the United States, investors may be forgiven for approaching the markets in 2025 with apprehension. All told, though, 2025 will go down as another respectable year in terms of investment returns. And for South African investors, it will be remembered as being more than just respectable.

The FTSE/JSE All Share Index (ALSI) delivered a remarkable return of 42% in 2025, its highest annual return since the mid-2000s. This placed it among the best-performing stock markets globally in a year in which emerging markets dominated the leaderboard. To put this return into context, the ALSI has delivered an average annual return of 16% since 2019.

Central to this outperformance was the gold rally. The price of the metal surged 65% over the year to an all-time high, with 12% of that gain generated in the final quarter of the year alone. Heightened fiscal and inflation worries, geopolitical concerns and a White House advocating for ever-looser monetary policy form a heady mix for gold bugs. While buying by central banks remains an important underpin, more recently it has been investor demand, in the form of gold-backed exchange-traded funds, that has driven the price higher as the debasement trade gathers pace. The only time gold delivered stronger returns was in 1979, during a period marked by widespread inflation concerns.

The "lesser" precious metals in the basket were the major winners in 2025, with the prices of silver and platinum more than doubling, while palladium delivered an impressive gain of about 80%. On the back of these moves, precious metal producers listed on the JSE delivered returns ranging from 125% to 305% for the year. In previous commentaries, we have highlighted the increasingly concentrated nature of the local index. Gold and platinum miners now account for 26% of its weight compared to 10% at the start of 2025. The return profile from this sector is highly erratic and poses a headwind to future gains at the index level if metal prices were to cool.

Similarly, the local bond market continued its rally with the FTSE/JSE All Bond Index (ALBI) adding 9% in the last quarter of the year, bringing the annual return to 24%. This performance builds on strong 2024 returns, taking the two-year annualised return to an impressive 21%. While South African government bonds have closely tracked emerging market credit spreads, which are near all-time lows, there are also local factors at play. Key measures outlined in November's Medium-Term Budget Policy Statement found favour with investors. These include reducing the inflation target to 3%, utilising additional Gold and Foreign Exchange Contingency Reserve Account (GFECRA) proceeds to bolster the fiscus and cutting weekly bond auction levels. In addition to these measures, interest rate cuts from the South African Reserve Bank provided further support. The yield on the benchmark 10-year bond has returned to levels last seen in the early 2010s, a period when the nation's finances were far healthier, highlighting the market's bullish outlook.

At the end of 2025, 33% of the Portfolio was invested in direct offshore assets. While the stronger rand created a headwind during the year, the underlying Orbis funds delivered strong performance on both an absolute and relative basis.

The Portfolio returned 14.1% for the year, outperforming its benchmark by 7.8%. With many asset prices at or near multi-year highs locally and abroad, the prospect of future headline index returns remaining elevated looks less clear. Given the Portfolio's emphasis on capital stability, current valuation levels are an important factor in deciding the overall asset allocation.

During the quarter, the Portfolio trimmed positions in gold miners and added to existing positions in Mondi, Spar and Shoprite.

Commentary contributed by Sean Munsie

**Portfolio manager
quarterly commentary
as at 31 December 2025**

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