



QC

Quarterly Commentary
Vol. 4 31 December 2025

ALLAN GRAY

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COMMENTS FROM THE CHIEF OPERATING OFFICER

Mahesh Cooper



We are privileged as a business to be part of a bigger ecosystem designed to not only generate wealth for clients over the long term, but also ensure the business can act as a force for good.

Last year was categorised by market-moving headlines, shifts in the global monetary order, divergent monetary policy, AI flexing its muscle, and gold regaining its sheen. There were many major global news events – war, elections, tariffs, to name a few.

On the local front, 2025 was the strongest single year for the equity and bond markets in almost 20 years, with the FTSE/JSE All Share Index returning 42% and the FTSE/JSE All Bond Index returning 24%. There was also some progress on South Africa's reform agenda and infrastructure rehabilitation.

Thanks to these factors, sentiment feels more positive. However, economic growth remains lacklustre. To achieve the 5% GDP growth the country desperately needs after more than a decade of stagnation requires accelerated investment in infrastructure. While we are seeing policy reform, much depends on the pace and consistency of execution, alongside a tougher stance on crime and corruption. In a comprehensive analysis, [Raine Adams assesses](#) whether the country is at an inflection point.

Investment review

As discussed in our chief investment officer [Duncan Artus's investment update video](#), available on our website, we had strong absolute and good relative performance across most of our funds, with the funds of our offshore partner, Orbis, performing particularly strongly. This was despite not being invested in the market darlings – a typical feature of our shared investment philosophy. We generally prefer to look for opportunities in unloved areas of the market, where we can find shares priced below our estimate of their true worth. We believe this is less risky than investing in expensive shares that the market assumes will continue to rise in price.

[Jithen Pillay shares an interesting example](#) of this in Anheuser-Busch InBev, which, along with other consumer staple stocks, has had a tough time of late. Jithen opens the tap on the risks and opportunities inherent in the investment case, illustrating how our deep research challenges some of the provocative headlines currently circulating.

There are plenty of examples of investing against the grain in Orbis' realm. You can read more about these in

[Adam R. Karr's annual president's letter](#). As Adam aptly notes, strong performance today is the result of decisions made some time ago; several long-held positioning choices that shifted from headwinds to tailwinds. Adam touches on how Orbis continues to adapt and explore opportunities in which to invest clients' capital.

Investing offshore using rands

Appetite for investing offshore, including in Orbis' funds, remains healthy. Given many investors' preference for using rands to invest in rand-denominated offshore funds, we are pleased to advise that we have added a third way to use rands to access the Allan Gray - Orbis global feeder strategies. In early December, we launched actively managed exchange-traded funds (AMETFs) – the Allan Gray - Orbis Global Equity Feeder AMETF and the Allan Gray - Orbis Global Balanced Feeder AMETF. Unit trusts and AMETFs are, for all intents and purposes, the same thing. The main difference is that the AMETFs are listed on and traded through a stock exchange, while unit trusts are not listed and typically made available via investment platforms and/or directly from the unit trust management company. Our AMETFs are currently available via stockbrokers and online trading platforms. We plan to make them available via Allan Gray later in 2026. You can learn about the other ways to access these rand-denominated strategies via [our website](#).

Adopting a long-term approach in personal investing

Building long-term wealth is the culmination of habits formed and sustained over time, rather than grand gestures or perfect decisions. Results come from small actions that are easy to repeat – a concept known in behavioural science as “micro wins”. In this quarter's Investing Tutorial, [Thandi Skade explores](#) how focusing on manageable micro wins can help investors build momentum, remain disciplined and let time do the heavy lifting.

Maximise your benefits before the end of the tax year

We have written about retirement products and tax-free investments (TFIs) extensively over the years (see the “[Latest insights](#)” section of our website). As a reminder, these products benefit from tax-free growth while you are invested – a big win if you invest for the long term. Every year, you can make a pre-tax contribution to your retirement funds of up to 27.5% of the greater of your taxable income or remuneration, capped at R350 000 per tax year. You forfeit this benefit if you do not make use of it each

tax year. There are also lifetime benefits to contributing in excess of the allowable limits, as [Carla Rossouw explains in her piece](#).

The other annual tax benefit the government offers is the ability to invest after-tax money in a TFI – up to R36 000 per tax year (and a maximum of R500 000 over your lifetime).

If you have not yet maximised your contributions for the current tax year and would like to do so, please ensure we receive your contributions before the February deadlines – provided in Carla's piece.

10 years for Allan & Gill Gray Foundation

December marked 10 years since Allan, Gill and the Gray family transferred their controlling interests in Allan Gray and Orbis to [Allan & Gill Gray Foundation](#). Essentially, Allan & Gill Gray Foundation owns the majority share of the Allan Gray Group in SA, Allan Gray Australia and Orbis. Allan & Gill Gray Foundation has two purposes: 1) to promote the long-term success of the asset management businesses for their respective clients, and 2) to devote the economic benefits that it receives from asset management businesses to charitable causes.

According to Allan: “... *philanthropy is a natural extension of what Orbis and Allan Gray already do each and every day. Just as these firms strive to promote their clients' financial security and peace of mind, so too will Allan & Gill Gray Foundation strive to make a positive difference to the common good.*”

We are privileged as a business to be part of a bigger ecosystem designed to not only generate wealth for clients over the long term, but also ensure the business can act as a force for good.

Thank you for your continued trust in us, and all the best for 2026.

Kind regards



Mahesh Cooper

TIPPING POINT OR FALSE DAWN? SOUTH AFRICA'S DEFINING QUESTION

Raine Adams



The reform agenda has crossed a threshold, with early signs of progress emerging ... Translating these green shoots into sustained economic growth ... will now hinge on the pace and consistency of implementation ...

Raine Adams unpacks progress on South Africa's reform agenda and infrastructure rehabilitation, noting that momentum could accelerate if reform alignment and macroeconomic tailwinds are sustained, signalling a potential inflection point.

An air of optimism is breaking through the gloom that has shaped South African news flow in recent years. The risk of loadshedding has receded, freight transport woes appear to have turned a corner, and the government of national unity (GNU), while not without strain, has held thus far.

At the same time, powerful rallies in gold and platinum prices have bolstered the fiscus, the rand has strengthened, and a benign inflation outlook creates scope for further interest rate cuts. These factors support consumption and moderate economic growth over the near term.

While consumption sustains today, investment secures tomorrow. Despite improved sentiment, South Africa's gross fixed capital formation – spending on construction,

machinery, equipment and other productive assets – remains anaemic, as shown in **Graph 1**, limiting the economy's medium-term growth potential.

To achieve the 5% GDP growth that South Africa truly needs after more than a decade of stagnation requires a continued focus on rebuilding and expanding dilapidated infrastructure that weighs on productivity and competitiveness. In acknowledgement of the work required, the government launched Operation Vulindlela in 2020 – a structural reform agenda aimed at addressing entrenched failures in state-owned monopolies and, under Phase II from 2025, widespread dysfunction in local government. Five years on, and with a boost from the GNU, some positive results are emerging.

In addition, as debt-servicing costs ease from a base that currently absorbs 20-22% of national revenue, fiscal space should open for higher public infrastructure investment. This begs the question: Can the alignment of reform momentum and macroeconomic tailwinds deliver an inflection point for South Africa's economic fortunes?

Electricity reform

After enduring 335 days of loadshedding in 2023, South Africans are acutely aware of the importance of a reliable power supply for economic growth. The current absence of loadshedding reflects not only improved supply, but also lower demand, easing pressure on the grid. In the second half of 2025, average monthly peak demand ran nearly 3 gigawatts (GW) below the 2021 pre-loadshedding baseline – a material delta given that each stage of loadshedding reflected a roughly 1 GW supply–demand shortfall.

A key driver of lower demand has been the government’s 2021 decision, albeit overdue, to lift the licensing cap on embedded generation, unlocking rapid deployment in the commercial and industrial sectors. Together with household deployment, rooftop solar capacity has more than tripled, rising from 2.3 GW in July 2022 to around 7.5 GW today – broadly equivalent to the capacity of all grid-connected utility-scale renewable energy projects. However, weaker demand also reflects the cumulative impact of electricity tariffs roughly doubling over the past five years, weighing on energy-intensive industries.

On the supply side, Eskom’s improved performance has been aided by the return to service of three Kusile units

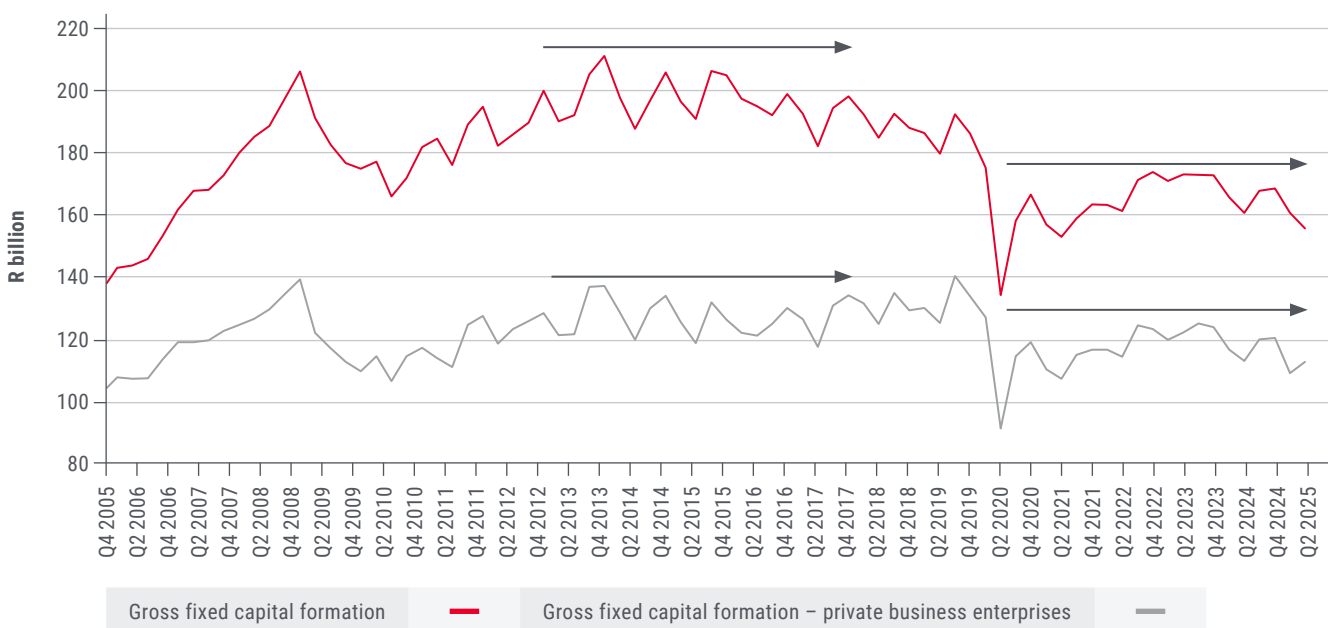
and the commissioning of its final two units – collectively, 3.6 GW of nominal capacity against an average 28 GW of available dispatchable capacity in 2023. Despite some tightness towards mid-2025, the system is now enjoying its largest supply buffer in years. See **Graph 2** on page 6.

With operational stability restored, institutional reform is now progressing. Steps towards market liberalisation include the functional separation of the National Transmission Company South Africa (NTCSA)¹, legislation requiring NTCSA to become a fully independent system operator within five years, the planned launch of the South African Wholesale Electricity Market (SAWEM) in April 2026², and the ongoing granting of electricity trading licences to private-sector participants.

From an energy-mix perspective, South Africa remains reliant on an ageing coal fleet, with significant decommissionings scheduled towards 2030. However, gas-fired replacement capacity envisaged under the newly gazetted Integrated Resource Plan remains materially behind schedule.

By contrast, renewable generation potential is ample: Around 220 GW of projects are in the pipeline (more than is needed), including 72 GW at advanced stages. The binding constraint has shifted decisively to the transmission network,

Graph 1: South Africa’s gross fixed capital formation over two decades



Sources: Bloomberg, Allan Gray research. Reflects real gross fixed capital formation based on constant 2015 prices.

¹ Currently it remains a wholly owned subsidiary of Eskom Holdings.

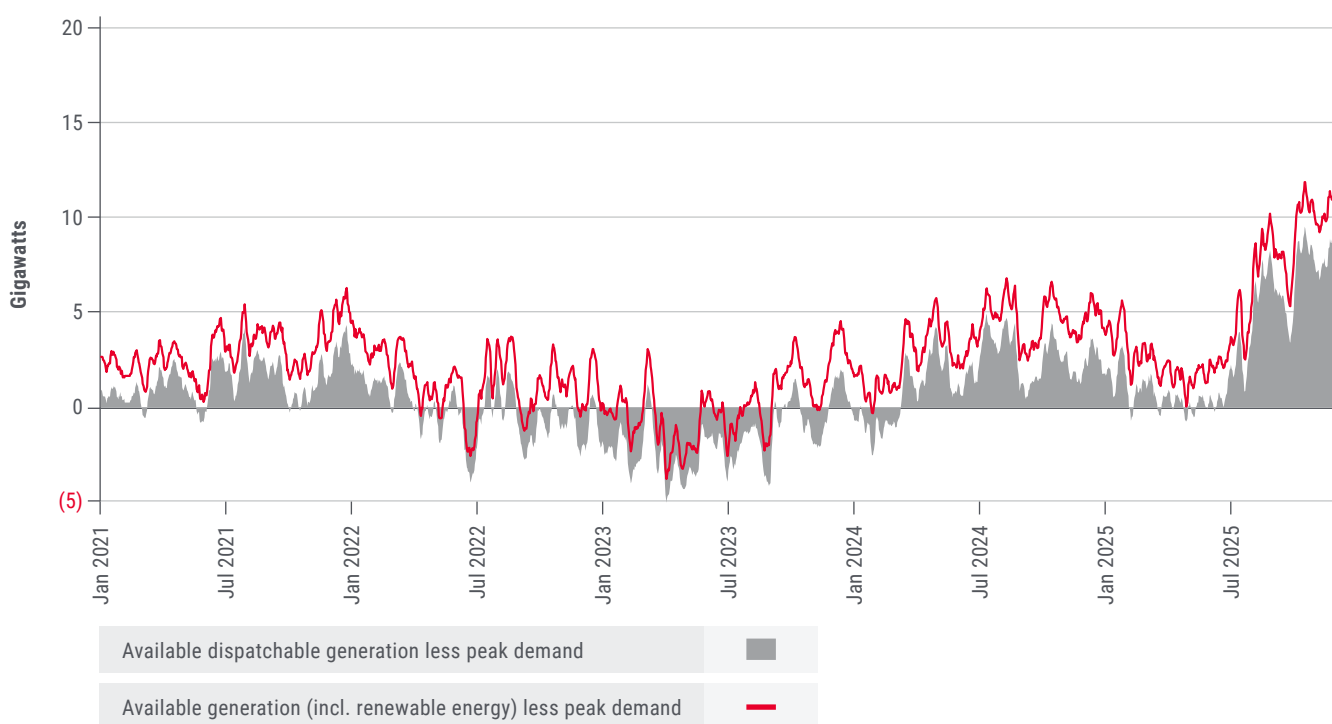
² There is ongoing consultation over the pricing methodology to be used to make SAWEM viable for independent power producers.

where connection capacity is largely exhausted in key renewable-resource provinces.

Addressing this will require a major grid expansion. The NTCSA's Transmission Development Plan envisages

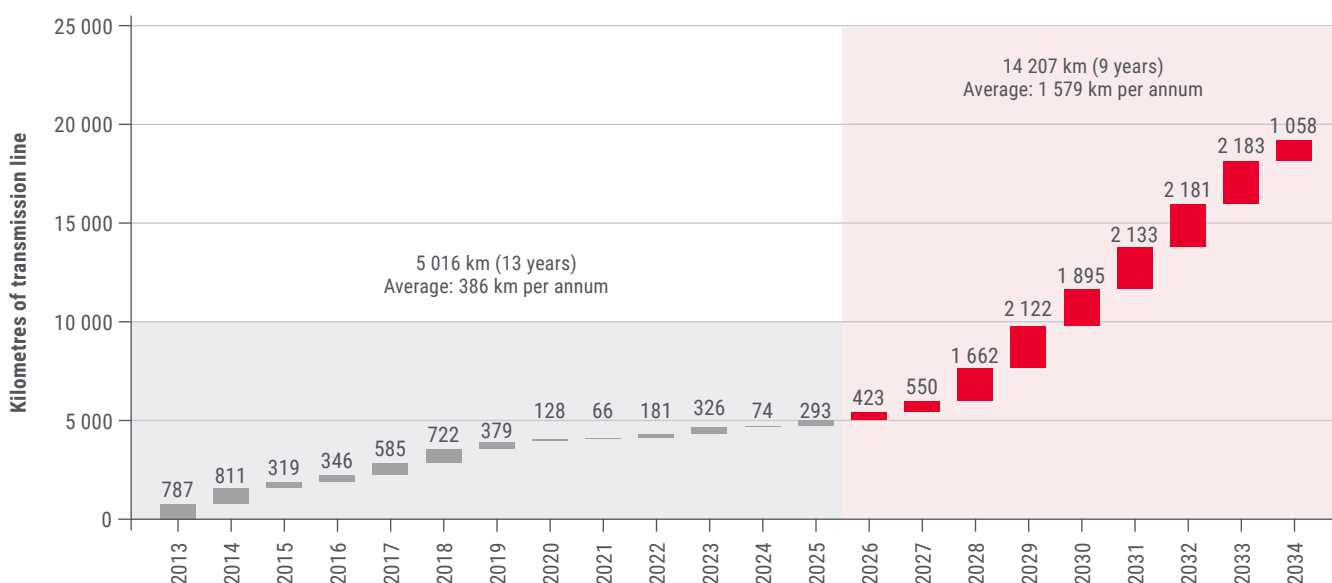
approximately R440bn of investment to build more than 14 000 km of new high-voltage transmission lines and add significant transformer capacity – implying a fourfold increase in annual build rates relative to the past decade, as shown in **Graph 3**. Encouragingly, the private sector

Graph 2: Eskom supply less national grid demand from January 2021 to December 2025



Sources: Eskom, National Transmission Company South Africa weekly system status reports, Allan Gray research. A one-week rolling average was used.

Graph 3: Projected transmission line buildout under the Transmission Development Plan



Sources: Transmission Development Plan 2025 - 2034, Eskom, Allan Gray research

is being mobilised for the first time, with the first pre-qualified bidders under the Independent Transmission Programme appointed in December 2025³. Execution risks nevertheless remain material, reflecting worldwide transformer shortages and acute skills constraints amid rapid electrification, as well as local land acquisition complexities.

Despite reform momentum, the escalation in municipal debt owed to Eskom's Distribution business remains a serious overhang, surging from R2.4bn in 2014 to R74bn in 2024, to over R100bn today. This complicates Eskom's unbundling and, if unresolved, threatens gains stemming from National Treasury's R230bn debt relief package. Eskom has begun implementing Distribution Agency Agreements with financially distressed municipalities to restore sustainability, though resistance from organised local government persists. Finally, Eskom's recent operational improvements have not been cost-free, with staff expenses rising 34% over the past two years – a trend that warrants monitoring.

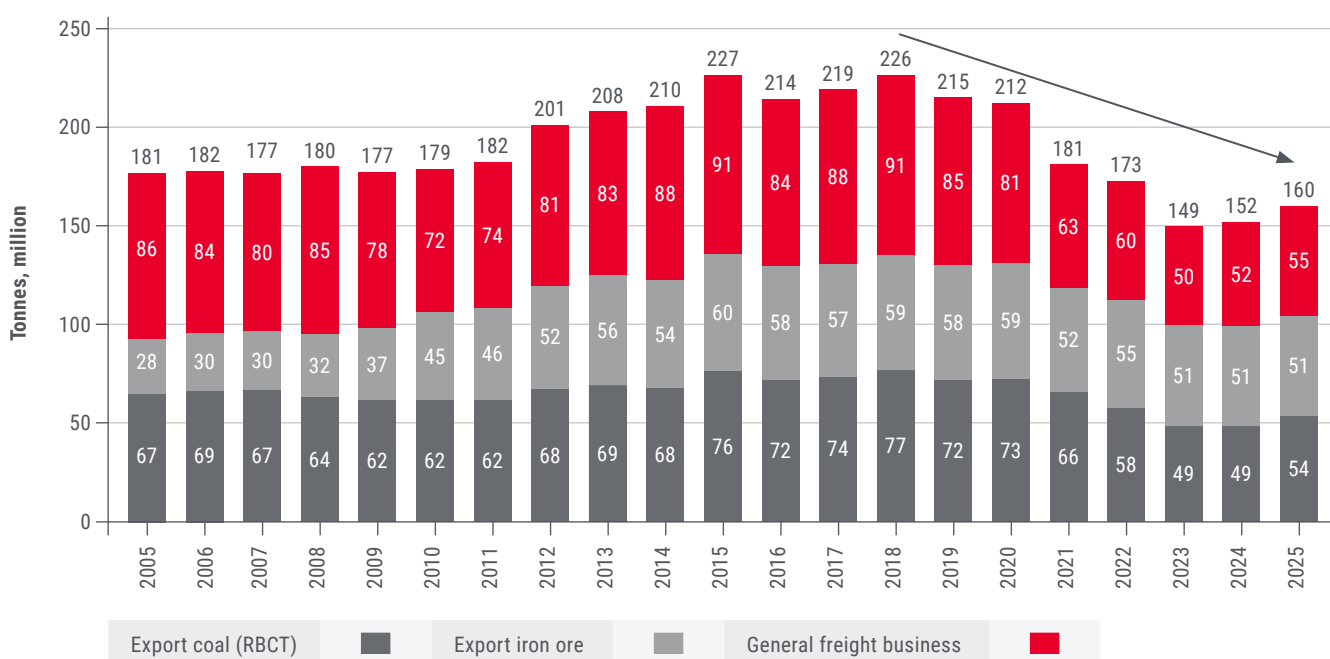
Transport

Today, for every tonne of freight moved by rail in South Africa, roughly six tonnes are transported by road. This is not only significantly more expensive for long-distance, bulk freight, but also imposes heavy burdens on road infrastructure,

while increasing road accident rates. Transnet's freight rail volumes fell sharply from 226 million tonnes (Mt) in 2018 to 149 Mt in 2023, as shown in **Graph 4**. While the current management team has begun to reverse this trend – lifting volumes to 160 Mt in 2025 and sustaining an upward trajectory – the rail network remains constrained by chronic underinvestment and requires substantial rehabilitation. Transnet's financial outlook has been stabilised following the provision of a further R146bn of government guarantees from National Treasury in 2025, enabling a renewed focus on capital expenditure.

The sector's outlook has also improved under an ambitiously target-driven minister of transport. In 2025, 11 private train-operating companies were conditionally awarded freight rail slots. While we doubt the feasibility of delivering the announced 20 Mt of additional freight by the 2026/27 financial year, the direction of travel is positive, signalling greater openness to private sector participation. Traxtion's subsequent announcement of a R3.4bn rolling stock investment – the largest private freight rail investment in our history – represents a meaningful vote of confidence. Lastly, while delayed, plans have been announced for private sector capital to be mobilised directly into the rail network, most likely

Graph 4: Transnet Freight Rail volumes over two decades by financial year



Sources: Transnet, Allan Gray research

³ The associated Credit Guarantee Vehicle remains to be finalised.

through concessions. Further work is required to tackle security risks and cable theft.

At the ports, much of the post-COVID-19 underperformance reflects underinvestment in equipment over the prior decade. The new management team is advancing a solid procurement pipeline. Transnet’s recent court victory also cleared the way for a 25-year concession at Durban Port’s Pier 2, to be operated by global player ICTSI. This is very positive given that Pier 2 handles 72% of the Durban Port’s throughput and nearly half of South Africa’s container volumes.

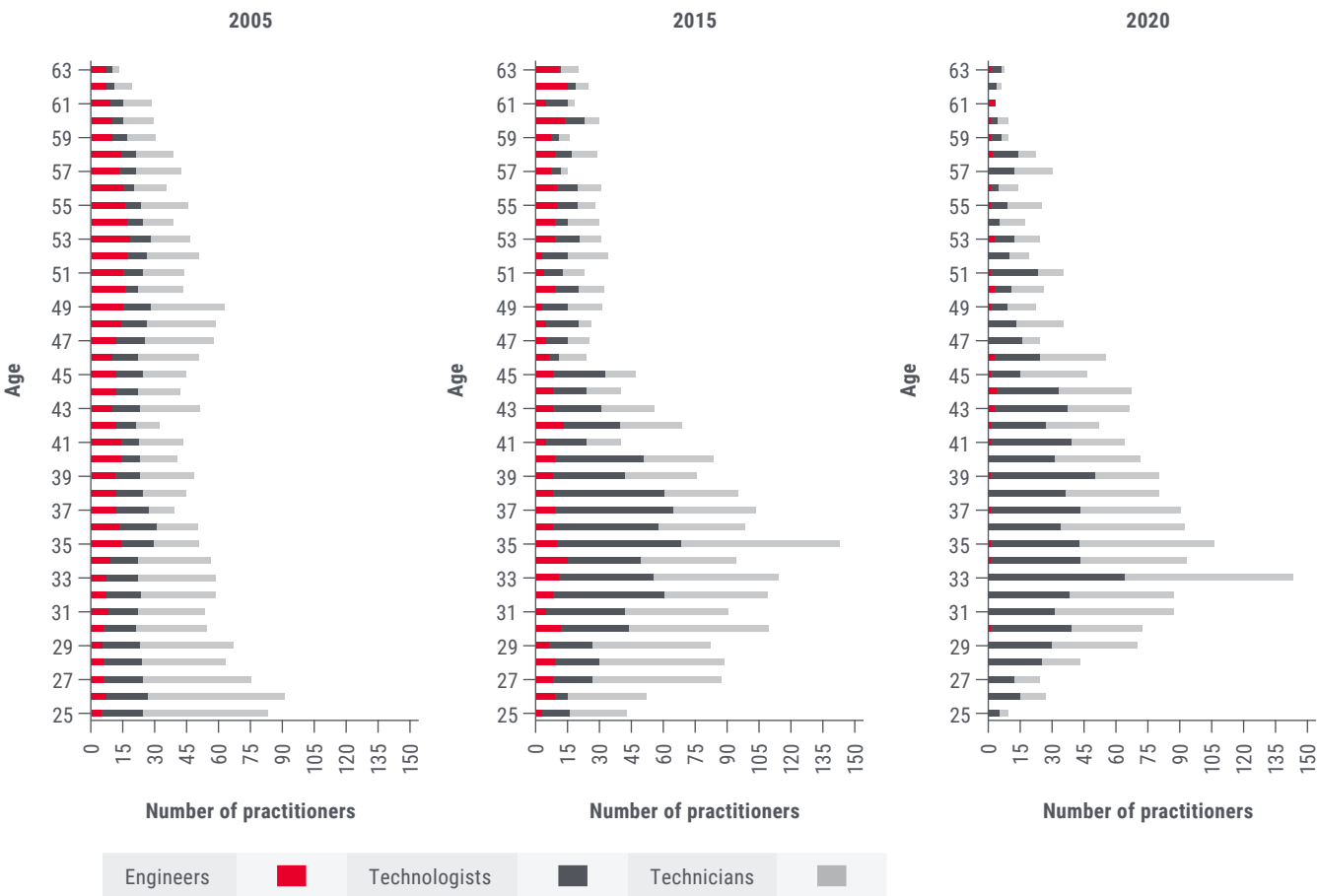
Water

In 2024, we highlighted the escalating crisis in South Africa’s water and wastewater infrastructure in an [article](#) on our website. Alongside rapidly deteriorating water quality and widespread untreated wastewater discharges, non-revenue water has reached 47% nationally, driven largely by physical leaks.

Addressing these failures requires urgent intervention, particularly given the heavy reliance on often-dysfunctional municipalities as water service authorities. As **Graph 5** illustrates, local government has suffered a significant loss of civil engineering capacity – which is concerning given its responsibility for extensive reticulation networks, reservoirs and associated infrastructure.

Encouragingly, several interventions are underway, with a highly capable director general at the Department of Water and Sanitation building confidence. Since late 2024, National Treasury has started withholding the Local Government Equitable Share – the mechanism through which municipal governments receive unconditional funding from national revenues – of defaulting municipalities until current obligations, especially water bills, are paid. While this does not yet resolve arrears, early signs suggest improved payment discipline on current accounts.

Graph 5: Civil engineering practitioners in local government by qualification



Source: Charts recreated based on the South African Institution of Civil Engineering’s SAICE 2022 Infrastructure Report Card for South Africa⁴.

⁴ SAICE source: Numbers and Needs, 2005, 2015; and LGSETA WSP, 2020. As a result of recreation, there may be minor numerical discrepancies.

Secondly, Treasury has launched the R54bn, six-year Metro Trading Services Reform Programme. To access funding, metros must develop and implement Performance Improvement Action Plans. Annual grant allocations will be based on independent assessments across 30 performance indicators, such as non-revenue water reduction, ring-fencing of water revenues and creating single-point accountability. Albeit overdue, the slow shift towards “pay for performance” is an encouraging move in the right direction.

Finally, the Water Services Amendment Bill, approved by cabinet in September 2025, strengthens the regulatory framework by clearly separating the roles of Water Service Authority (WSA) and Water Service Provider (WSP). Under the Bill, WSPs must hold an operating licence from the Department of Water and Sanitation, and the minister is empowered to compel a WSA to appoint an alternative licensed WSP where performance failures persist.

Major challenges remain

While the above developments are positive, they must be tempered by persistent news flow underscoring deeply entrenched corruption and powerful organised crime networks. Much of the evidence provided in the 2018 Zondo Commission and more recently the Madlanga Commission has been extremely damning, yet high-profile arrests, dismissals and accountability remain absent. The outlook will be shaped by several milestones, including the recent appointment of a new National Director of Public Prosecutions, at a time when the National Prosecuting Authority urgently needs to strengthen its credibility and effectiveness. This will be followed by upcoming local government elections, which could yield improvements in key metros such as Johannesburg, but where coalition dynamics and systemic corruption within the public service may prove difficult to manage. Beyond this, attention will turn to the ANC’s leadership transition at its 2027 National Conference.

While many reforms have been legislated and therefore offer some continuity, President Cyril Ramaphosa’s successor will have important implications for South Africa’s political and institutional trajectory. Although a lower probability, downside political scenarios cannot yet be fully discounted. Foreign relations add a further layer of risk, as ties with the United States have soured amid South Africa’s deepening engagement with more contentious international partners.

Weak capacity and governance, particularly at local government level, also remain a significant constraint,

as much of the above is easier said than done, and the acute skills shortage at municipal level cannot be easily reversed. This has the potential to slow the implementation of certain reforms. At the same time, the domestic construction sector – once highly capable of delivering large-scale infrastructure projects – has been hollowed out by years of policy uncertainty and economic stagnation and may take time to rebuild.

We continue to monitor indicators for evidence of a more durable inflection, particularly a sustained breakout in gross fixed capital formation.

Closing thoughts

We have long believed that South Africa’s reform process would unfold over a longer horizon than consensus expectations – a view that has thus far been borne out. That said, momentum can shift rapidly when macroeconomic and structural tailwinds align. We continue to monitor indicators for evidence of a more durable inflection, particularly a sustained breakout in gross fixed capital formation.

The reform agenda has nonetheless crossed a threshold, with early signs of progress emerging: greater stability in and performance from state-owned enterprise leadership, the gradual opening of historically monopolised sectors to private-sector expertise and competition, and a stronger legislative emphasis on accountability. Translating these green shoots into sustained economic growth – even at a 3%-plus pace – will now hinge on the pace and consistency of implementation, alongside a far tougher stance on crime and corruption. On both fronts, we believe South Africa’s track record warrants some caution.

Accordingly, our portfolio positioning does not “bet the farm” on South Africa’s economic recovery. Local equity exposure remains anchored in defensive rand hedges such as British American Tobacco and Anheuser-Busch InBev (see [Jithen Pillay’s piece](#) on page 11). In this context, it is worth noting that in 2025 – a year of lacklustre domestic economic growth – South African government bonds

performed remarkably well, and the FTSE/JSE All Share Index returned over 40%. However, it was not SA Inc. stocks that drove this performance; rather, it was the gold and platinum group metal miners rallying well over 100% on the back of higher metal prices. Many SA Inc. counters, including quality retailers like Shoprite, Clicks and Mr Price, declined in value. As such, among SA Inc. stocks we are seeing

greater opportunities, but valuation remains paramount. Our domestic positioning favours businesses where we believe the economic risks are already more than reflected in prices, and businesses capable of delivering growth even if the recovery unfolds more slowly than hoped, providing downside protection while still allowing clients to participate in a moderate growth outcome.

Raine first joined Allan Gray in 2011 as a CA trainee and is currently an ESG analyst in the Investment team. She holds a Bachelor of Business Science (Honours) degree in Finance and a Postgraduate Diploma in Accounting, both from the University of Cape Town. Raine is a qualified Chartered Accountant.

AB INBEV: CATCHING UP OVER A BEER

Jithen Pillay



After not holding AB InBev for a few years ... on valuation concerns, we have used the period of underperformance to build back a meaningful position ...

Jithen Pillay outlines the reasons behind the relative underperformance of Anheuser-Busch InBev (ABI), implications for the company's prospects, and our latest thinking on the risks and opportunities when considering ABI for our clients' portfolios.

We last wrote about ABI in our [Q4 2022 Quarterly Commentary](#). In the three years since, it has been a disappointing share to own on a relative basis, rising 5% in South African rand (ZAR) and 8% in US dollars (US\$) versus the FTSE/JSE All Share Index (ALSI), which rose 59% in ZAR and the US-centric S&P 500 delivering 78% in US\$ over the same period. Given this, it is worth revisiting the investment case.

Consumer staples versus other sectors

It is not just ABI that has had a tough time. After peaking in 2015, the MSCI Consumer Staples Index is trading back to where it was in 1999 versus the MSCI World Index. Contributing factors are both market-related and company-specific. At a market sector level, the timing of our last ABI commentary coincided with the launch of ChatGPT,

in November 2022. This “ChatGPT moment” catalysed global markets into a new era of artificial-intelligence-induced optimism, rewarding mostly US technology companies seen at the forefront of the build-out. Investors’ active pursuit of higher-risk assets came at the expense of the “boring” consumer staples sector.

Locally, returns have been dominated by the precious metal miners as the gold price has more than doubled over the last three years. With the precious metal subsector now comprising more than a quarter of the index, looking at the ALSI’s headline performance in isolation hides the long tail of shares that have struggled to match the outsized returns.

At a company level, there is also increasing concern about the growth algorithm employed by some of the consumer staples companies: pushing prices too high to offset weak volume growth and emerging market currency depreciation, and using cheap debt to boost profits by undertaking expensive acquisitions and/or buying back shares.

Concerns about long-term consumption

For any company, but particularly one in the consumer staples sector, sustainable revenue growth is predicated on a balanced trade-off between volume and price. On the former, there is a lot of noise in long-term consumption patterns, particularly for the alcoholic beverage category in the US. We have conducted extensive research into these factors and briefly outline our thoughts on the most important below.

The impact of weight-loss drugs

The last three years coincided with the emergence and increasing penetration of GLP-1 drugs specifically for weight management (Ozempic being the most famous). These drugs work by controlling appetite and suppressing the reward mechanism in the brain, ultimately reducing the dopamine-induced pleasure gained from food and drink consumption. As a result, investors are nervous about the long-term impact they will have on food and beverage producers. While it is still too early to draw definitive conclusions, it is likely that GLP-1s will reduce alcohol consumption for high-volume consumers on these drugs.

The change in youth drinking habits

Driven by survey data out of the US, there are many headlines predicting the death of alcoholic beverages as young people claim to be shunning the category due to health concerns. Our research reveals the reality is not as sensational:

- **Survey data alone is unreliable.** People generally under-report their vices, even if they do not consume to excess.
- **The objective data is less dramatic.** Absolute US per capita alcohol consumption is within its long-term range, and the proportion of post-tax income spent on alcohol is flat.
- **People are entering adulthood later in life.** According to the US Census, the number of 25- to 34-year-olds still living at home has doubled since 1980. In addition, socialising trends have also changed over the last 15 years, with the take-up of social media, which turbo-charged during the COVID-19 pandemic. Alcohol is the original social lubricant; a move to a virtual world is a headwind for consumption.

The cannabis alternative

To the extent that people consume alcohol to “take the edge off”, cannabis is mooted as a credible alternative.

Looking at the Netherlands (where cannabis was decriminalised in 1976), Canada (federally legalised in 2018) and the US states that have legalised recreational use thus far (the first occurred in 2014), the data is inconclusive, ranging from increased alcohol consumption to some substitution.

Trading on 16 times our estimate of normal earnings, we believe ABI is an attractive proposition considering both the high quality of its economics and the risks outlined ...

Putting reasonable numbers to the above headwinds, we do not believe they are insurmountable challenges for alcohol/beer volumes over the near term. There are also several mitigating factors:

- The aforementioned risks mostly focus on the US, where beer volumes have been declining for more than a decade. Beer volumes in most emerging markets, where ABI has a stronger-than-average presence, continue to grow.
- People may drink less, but drink better. What is lost in volume can be recouped from consumers moving up the pricing ladder (a trend called “premiumisation”, discussed further on).
- Beer is promoted as the drink of moderation; if health concerns escalate, it should win share from spirits. Where alcoholic beer is not healthy enough, the brewers are also scaling their low/no alcohol portfolios. Spain is the leader, with zero-alcohol beer comprising 14% of total beer consumption. By contrast, non-alcoholic beer in the US is still in its infancy. Zero beer is generally higher-margin compared to alcoholic beer: marketed at a premium price but without the excise burden. ABI is growing quickly in the zero-alcohol beer category.

The investment thesis still holds

Many of the reasons we wrote about three years ago, in support of ABI’s investment case, continue to hold true today:

Beer is gaining volume share

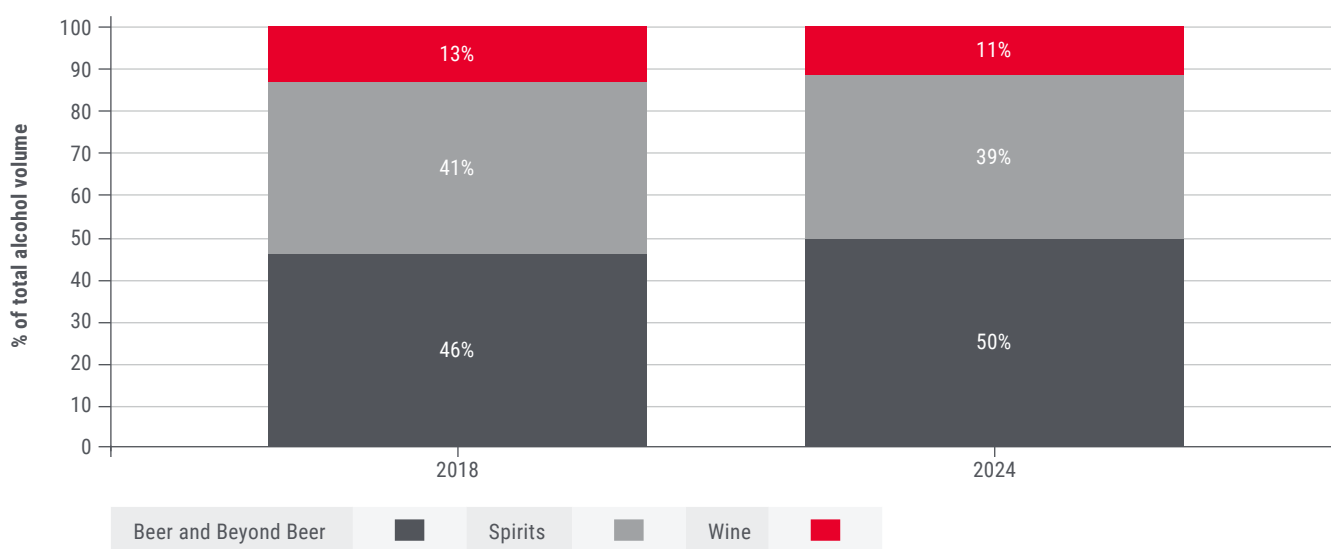
Globally, beer (including adjacencies) is winning share of throat away from wine and spirits, comprising 46% share of total alcohol volume in 2018 versus 50% in 2024 (see **Graph 1**). This includes a sharp headwind from the US (the largest beer profit pool globally), where beer has lost 10% volume share to spirits over the last 15 years. Increasing affordability pressures should support beer relative to other alcoholic beverages going forward, as should the moderation theme, given beer's lower alcohol content. ABI is the largest and most profitable brewer globally and will naturally benefit if the beer category grows.

ABI is premiumising

Rather than pushing pricing above inflation for core beer brands, ABI is encouraging consumers to trade up to newer aspirational brands. As consumers have become more fickle, this requires a strong innovation pipeline and superior brand-building competence to ensure the product portfolio is in the sweet spot of consumer demand. Fortunately, ABI leads peers on its ability to launch and scale new beverages.

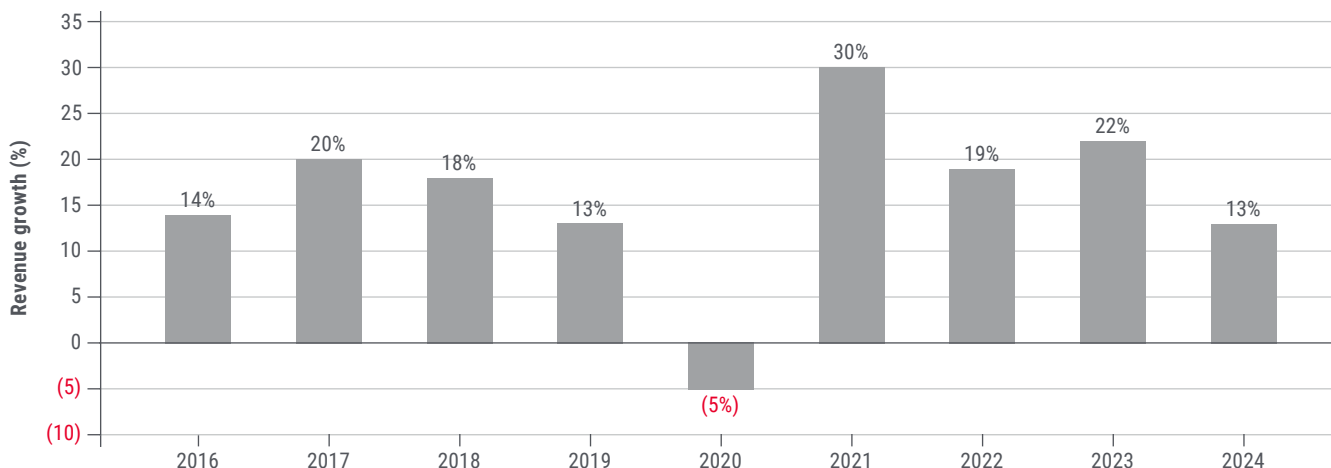
Corona is a good example: a beer known as "superpremium" outside Mexico, given its 20% higher price relative to other premium beers. Corona is growing revenue quickly in foreign markets, as shown in **Graph 2**. Regardless of brand, beer is

Graph 1: Alcohol consumption by category



Sources: IWSR Drinks Market Analysis, Allan Gray research

Graph 2: Corona revenue growth outside Mexico



Sources: Company reports, Allan Gray research

a simple beverage made using a handful of ingredients. Given similar production costs, the incremental revenue from a consumer buying a Corona instead of a Castle Lite falls more directly to the bottom line.

Opportunity for margin recovery

We believe current margins are below normal. ABI earns more than 50% of its revenue from emerging markets. Beer is sold in local currency, and ABI's policy is to price in line with local inflation. In contrast, up to 50% of production costs are denominated in US\$ and, since 2019, ABI has experienced high US\$ increases in key commodity input costs (e.g. barley and aluminium). This dynamic is evident in **Graph 3**. We believe there is scope for ABI's margins to increase from the 2024 base, on more supportive input prices and a weaker US dollar. This is in addition to the premiumisation benefit described earlier.

Increasing returns to shareholders

Following ABI's US\$103bn debt-funded purchase of South African Breweries (SAB) in 2016, very strong cash

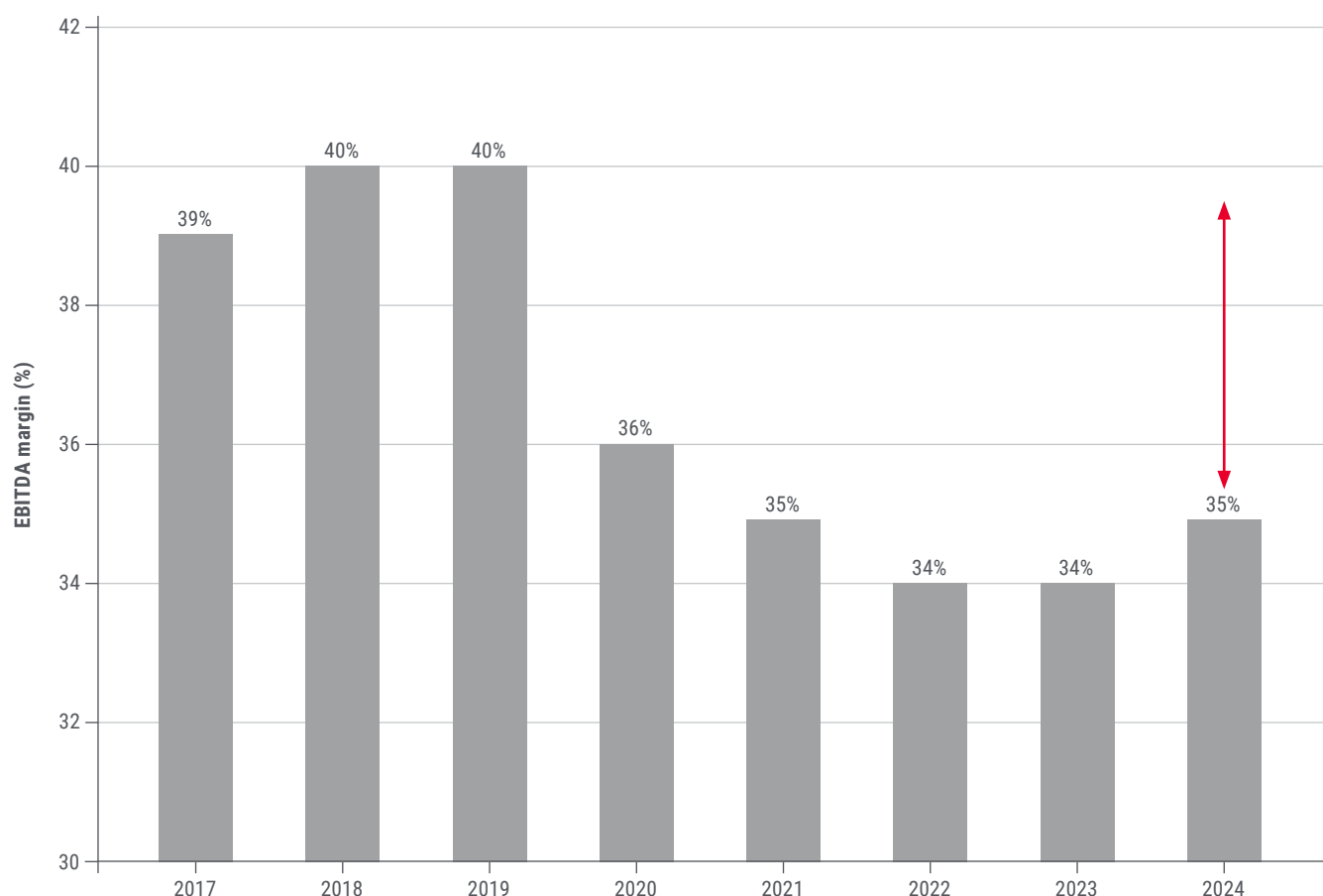
generation since then has allowed ABI to repay more than US\$50bn of this. With its net debt now at more manageable levels, this increases scope for ABI to translate its superior cash conversion ability into higher returns to shareholders via dividends and share buybacks.

The future is inherently uncertain, but an investor can swing the odds in their favour by the price they pay for an asset.

ABI in our clients' portfolios

SAB was a big winner for our clients up to being acquired. After not holding ABI for a few years thereafter on valuation

Graph 3: ABI margins below normal



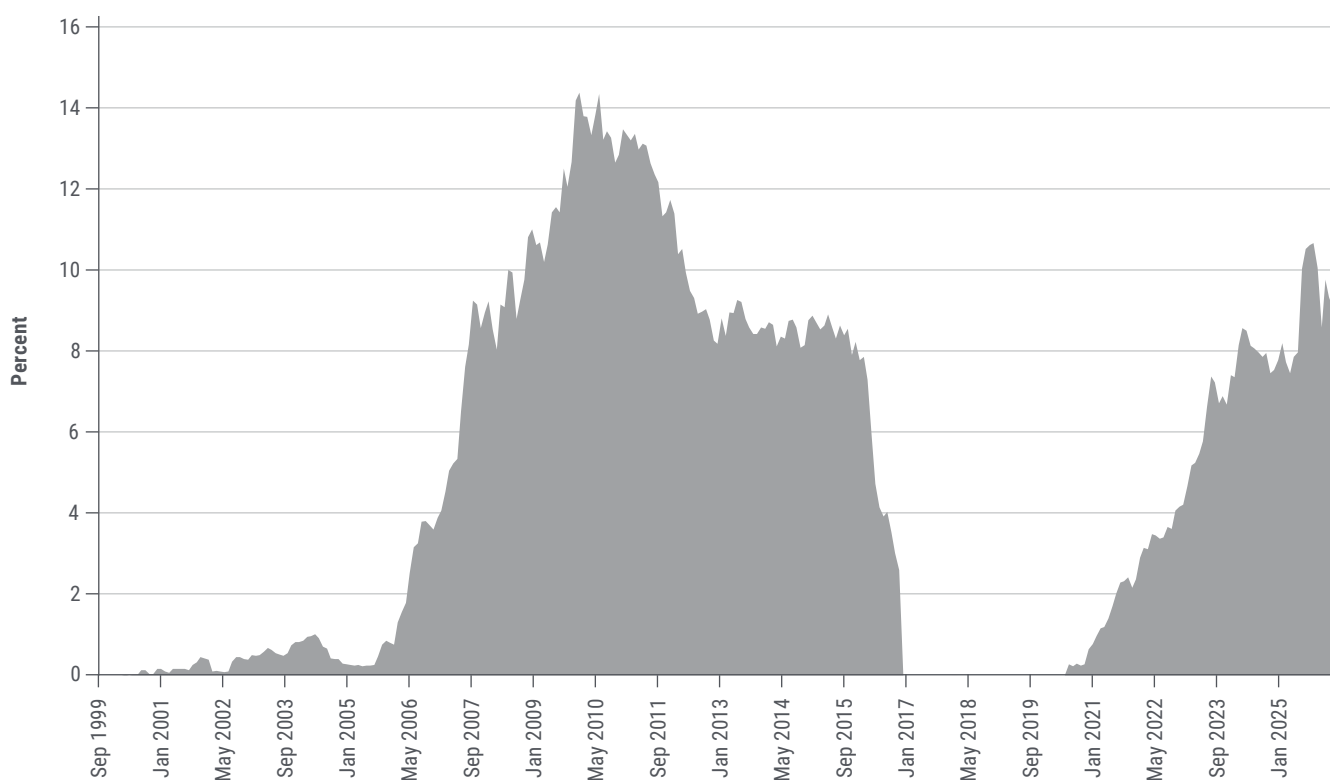
Sources: Company reports, Allan Gray research

concerns, we have used the period of underperformance to build back a meaningful position, as can be seen in **Graph 4**.

Famous investor Seth Klarman once opined: “Being very early and being wrong look exactly the same 99% of the time.” The future is inherently uncertain, but an investor can swing the odds in their favour by the price they pay for an asset. Trading on 16 times our estimate of normal earnings,

we believe ABI is an attractive proposition considering both the high quality of its economics and the risks outlined earlier. At a portfolio level, ABI tends to behave differently in times of market chaos, it is a natural hedge against South Africa/China risks (both are small in its business mix), and its core product is unlikely to be disrupted by artificial intelligence. ABI is now our clients’ largest domestic equity position.

Graph 4: Shares owned in SAB/ABI as a percentage of Allan Gray’s domestic equities



Source: Allan Gray research

Jithen joined Allan Gray in 2013 as a CA trainee before joining the Investment team as an analyst. He was appointed as a portfolio manager in December 2023 and currently manages portions of the equity and domestic balanced mandates. Jithen is a director of Allan Gray Proprietary Limited. He holds a Bachelor of Business Science degree in Finance and Accounting and a Postgraduate Diploma in Accounting, both from the University of Cape Town. Jithen is a qualified Chartered Accountant (SA) and a CFA® charterholder.

ORBIS: PRESIDENT'S LETTER 2025

Adam R. Karr



Our edge is not that we can predict what happens next. It is that we can adapt and do so without changing our principles. Our philosophy and core values remain constant.

In his annual President's letter, Adam R. Karr, from our offshore partner, Orbis, reviews the strong performance of the Orbis portfolios over the past 12 months, reflects on how this raises the bar for the future and discusses why adaptability remains essential for future success.

Last year, I wrote that adaptability feels more essential than ever. It feels even truer today. Change across markets, geopolitics and technology has not slowed; it has accelerated. Against that backdrop, 2025 was an exceptional year for Orbis clients. On a firm asset-weighted basis, client capital appreciated 37.1%. The Orbis funds collectively outperformed their benchmarks by 12.4% net of fees and rank among the best in their respective peer groups. What matters most to me, though, is the human side. Behind every basis point is a person: a retirement, a family, a future.

Performance in a year often reflects decisions made in prior years. We are now seeing the payoff from work we have done since 2022 to strengthen our investment

process and improve how we serve you. It took a phenomenal team effort across investments, client service, operations and technology.

I am proud of what we achieved and mindful of how quickly markets can humble us. A great year never reduces the need for great work. It raises the bar for what we do next.

Looking back: Performance

We are an active, value-oriented manager. Our goal is to own good businesses at meaningful discounts to what we think they are worth, even when that means looking very different from the index. That willingness to be out of step is uncomfortable, but it is a prerequisite for compounding over a full market cycle.

In 2025, we delivered excellent results (all figures are net of fees¹):

- **Global Balanced:** 40% return; +22% vs. benchmark
- **Emerging Markets:** 51% return; +13% vs. benchmark

- **International:** 50% return; +13% vs. benchmark
- **Global Equity:** 38% return; +12% vs. benchmark²
- **Japan:** 34% return; +7% vs. benchmark

Clients have asked why results were so strong. Part of the answer is that several long-held positioning choices moved from headwind to tailwind: value stocks outside the US; an overweight in emerging markets; and an underweight the US dollar. More importantly, stock selection added meaningfully. Since early 2022, we have strengthened the team, sharpened our research process and invested in our decision-making tools. That work showed up in returns.

One year is only a chapter. What matters is our ability to compound over time. Over the past three and five years, client capital grew at an annualised rate of 21.6% and 12.5% on a firm asset-weighted basis. Over the same periods, we delivered annualised net relative returns of 3.2% and 3.0%.

The power of ants

To bring our team's work to life, I will share a story from a talk in South Africa last year at a conference hosted by our sister company, Allan Gray Proprietary Limited. I opened with an analogy that surprised some: ants.

It may sound like an odd comparison. But there is a lot investors can learn from ants, because they have endured for millions of years by adapting.

E.O. Wilson, one of the world's great evolutionary biologists, called ants "the little things that run the world".

In *The Superorganism*, Wilson and Bert Hölldobler describe how insect societies can function like a single organism: thousands of individuals coordinating through division of labour and communication so that the colony behaves as one coherent system – a superorganism.

That lens is useful for investors because it raises questions like:

- **What does it take for a system to endure?**
- **How do dispersed efforts become coherent, compounding results?**

Ants offer three simple lessons: resilience, adaptability and long-term orientation.

A colony is not built around a single point of failure; it absorbs shocks and keeps functioning. When the environment shifts, ants adjust. They do not waste energy insisting yesterday's map still applies; they invest in sensing and response. And they think in seasons, not days. Ants are an extreme example of compounding over time. Their "design" assumes change and endures through it.

Orbis as a superorganism

At Orbis, our ambition is to operate as a superorganism: a team and culture that synthesise thousands of individual judgments into one coherent outcome (the results we deliver for clients).

Since reshaping parts of our process in 2022, the average performance of the team's recommendations has been about 19% per annum.

Like an ant colony, our strength is distributed. We have 40+ equity research analysts globally, backed by 10+ colleagues in our quant, risk and decision-analytics teams. There is no single "star" that makes Orbis work; it relies on a rigorous, repeatable framework.

We push decision-making to where the expertise lives, closest to the information. Analysts originate, test and refine ideas. Portfolio managers then synthesise those insights, ensuring the best ideas shine through.

Communication is the glue. In an ant colony, the glue is pheromones. At Orbis, it is rigorous debate, shared research, proprietary tools and a culture that prizes independent thinking. This is how we translate bottom-up work into a unified set of investments with risk awareness.

The clearest expression of that system has been the strength of our stockpicking engine: the analysts putting forward their highest-conviction recommendations. Since reshaping parts of our process in 2022, the average

¹ These are the asset-weighted net-of-fee returns of all share classes in each Strategy. This return may differ from the return of any individual share class.

² MSCI All Country World Index.

performance of the team's recommendations has been about 19% per annum. That compares to less than 12% for the average stock in the FTSE World Index, and nearly 16% for its capitalisation-weighted return. These are recommendations, not live portfolios, but they reflect the opportunity set our process is generating, as shown in **Graph 1**.

For those managing client capital at Orbis, this engine has been a genuine differentiator: a pipeline of high-conviction ideas from which to build portfolios. In our Global Equity Strategy, for example, we have been moving capital with velocity to the most compelling opportunities as they emerge – exactly the outcomes we set out to enable a few years ago. Tip of the hat to my co-managers in our Global Equity Strategy, Ben Preston and Graeme Forster; they have been exceptional.

Stepping back, my goal as president is straightforward: select great people, match them to roles that play to their superpowers, and create conditions for them to do their best work. That means high standards, clarity of roles, excellent tools, candid feedback and protected focus. It also means humility. Markets evolve, competitors adapt, and we will keep learning, refining and improving.

Adaptability in the portfolio

Ant colonies manage a simple trade-off: exploit versus explore.

When conditions are stable, colonies exploit; they optimise what is working. When they sense disruption, they explore – sending more foragers outward to map what has changed, find new resources and identify threats. Exploration rises with uncertainty; exploitation dominates in stability.

Today, we are exploring more.

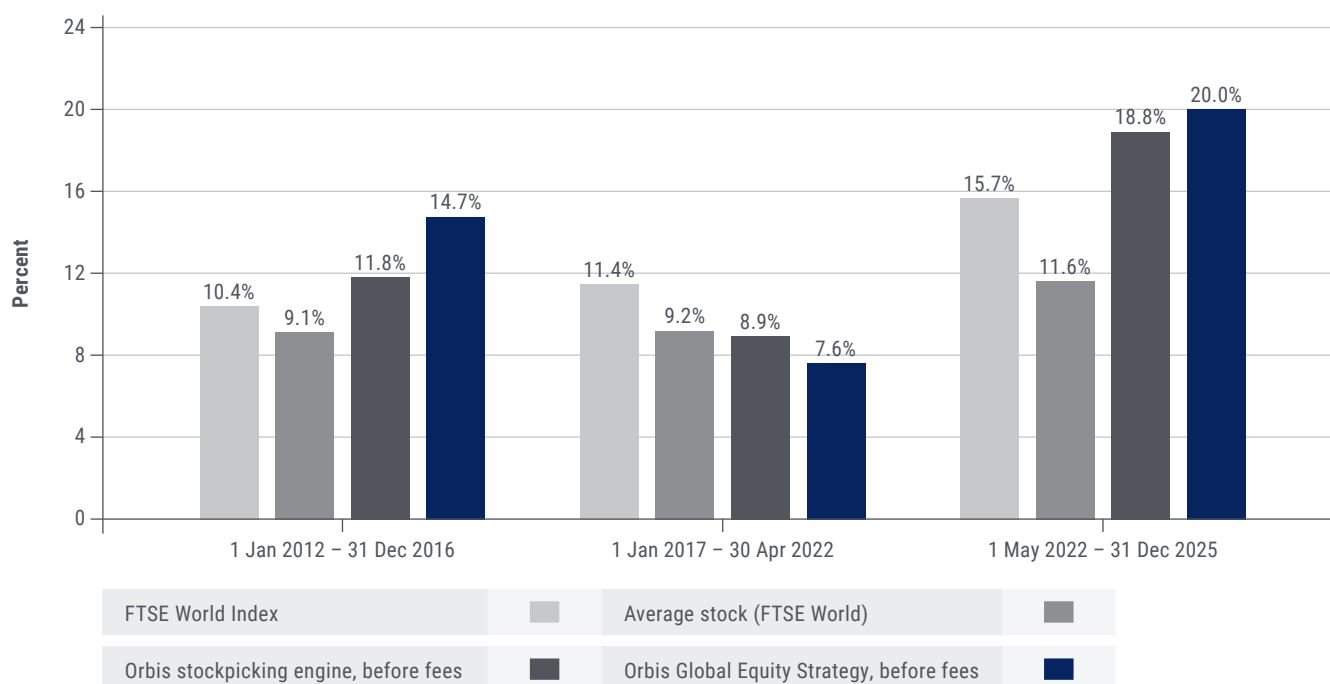
Shifting geopolitics, changing trade regimes, rapid technological adoption and extreme index concentration are reshaping the world. In periods like this, adapting matters.

Our edge is not that we can predict what happens next. It is that we can adapt and do so without changing our principles. Our philosophy and core values remain constant.

In practice, that means we are doing what you hired us to do. We are looking for businesses that have been overlooked, misunderstood, or left behind by crowded narratives. We are backing management teams and cultures that adapt as technology and incentives shift.

Graph 1: The value generation of our investment process

Annualised returns under different portfolio management structures



Sources: FTSE, LSEG Datastream, Orbis. "Average stock (FTSE World)" shows the equal-weighted, weekly rebalanced performance of FTSE World Index constituents. The "Orbis stockpicking engine" shows the equal-weighted, weekly rebalanced performance of stocks recommended by Orbis analysts. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning.

And we are insisting on resilience: a margin of safety that does not depend on a single perfect scenario.

Many clients have asked us if there is still upside left, both absolute and relative. The honest answer is that we do not know. Markets rarely move in a straight line. When things are uncertain, the best response is the same one that ants take: explore.

Our research pipeline is strong, and I'm energised by what the team is finding. They search where enthusiasm is low and misunderstanding is high, and they have been returning to the colony full of ideas. I am equally confident in the repeatable process and tools we've built to synthesise those ideas into our portfolios.

An example: Healthcare

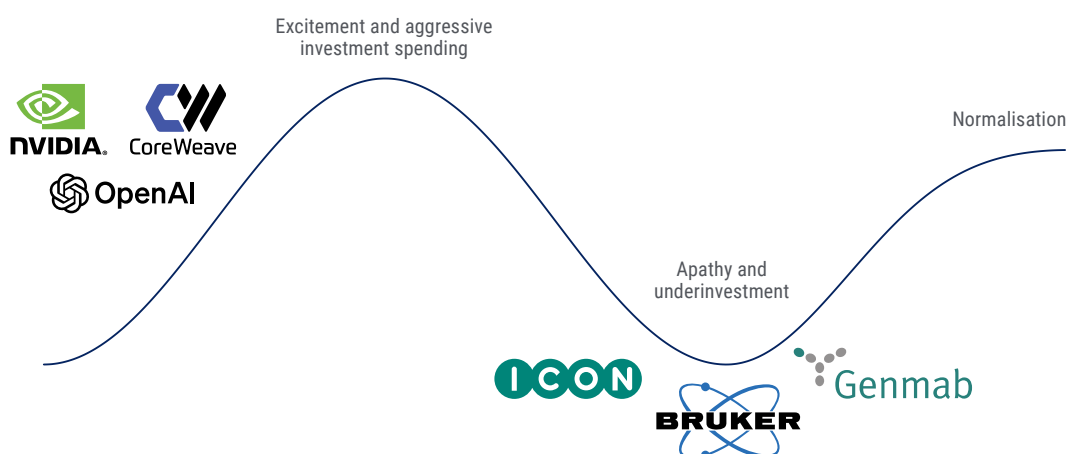
Healthcare is an illustration of what exploration looks like in practice.

Over the past few years, investor enthusiasm and capital have flowed disproportionately toward anything AI-related, as illustrated in **Graph 2**. As with prior cycles (PCs, the internet, mobile, the cloud), it has driven extraordinary innovation and, at times, extreme pockets of speculation.

That matters because the indices do not look cheap, and when leadership becomes narrow and crowded, markets can become fragile. In that environment, defensive characteristics and company-specific drivers matter more, especially when enthusiasm wavers.

Graph 2: A classic “capital cycle” dynamic

AI and healthcare positioned at different stages of the investment cycle



Sources: Company information, Orbis. Illustrative purposes only.

Graph 3: Healthcare: resilient performance during market downturns

Cumulative returns of MSCI World Health Care Index vs. World Index*, indexed to 100 on 1 Jan 1995



Sources: LSEG Datastream, MSCI, Orbis. *World Index refers to the MSCI World Index. Indices are net of withholding tax, in USD.

Until recently, investors had left healthcare behind – see **Graph 3** on page 19. Yet outcomes in the sector often hinge on idiosyncratic factors (research productivity, clinical data, regulatory approvals, execution and capital allocation) that reward rigorous fundamental work. That is in our wheelhouse, and we see compelling opportunities in select companies like Genmab, Bruker and ICON.

Pulling it all together

Markets rewarded investors again in 2025, but the backdrop is complicated. Valuations are stretched, and index concentration is near historic extremes.

In contrast, we offer something different: a portfolio of durable cash flows, bought at sensible prices, diversified across regions and currencies, and built to adapt. Our first job is not to chase what is working; it is to protect your capital from permanent loss. That is resilience you can own.

That is why we anchor our work on intrinsic value, interrogate risk from multiple angles and focus on management teams that have shown the ability to adapt.

Ultimately, equity returns are delivered by people – by how effectively organisations convert talent into output over time. I loved Adrian Courtenay's *The Super Organisation Secret*, which reinforced something we believe: cultures that align around a clear mission, clarify roles and enable high-quality decision-making tend to compound their advantages.

That is true for Orbis, and it is true for many of the businesses we want to own. We are seeking to build a superorganism at Orbis: adaptable, resilient and long-term. We also seek to invest in companies led by individuals who convert dispersed effort into coherent, compounding value creation. I see that first-hand in leaders such as Brad Jacobs (QXO), Ron Clarke (Corpay) and Kristo Käärmann (Wise).

Time as our friend

Ants endure because they adapt over time. Compounding rewards the same behaviour.

I often talk about the “power of N”: the number of years you give a good decision to work.

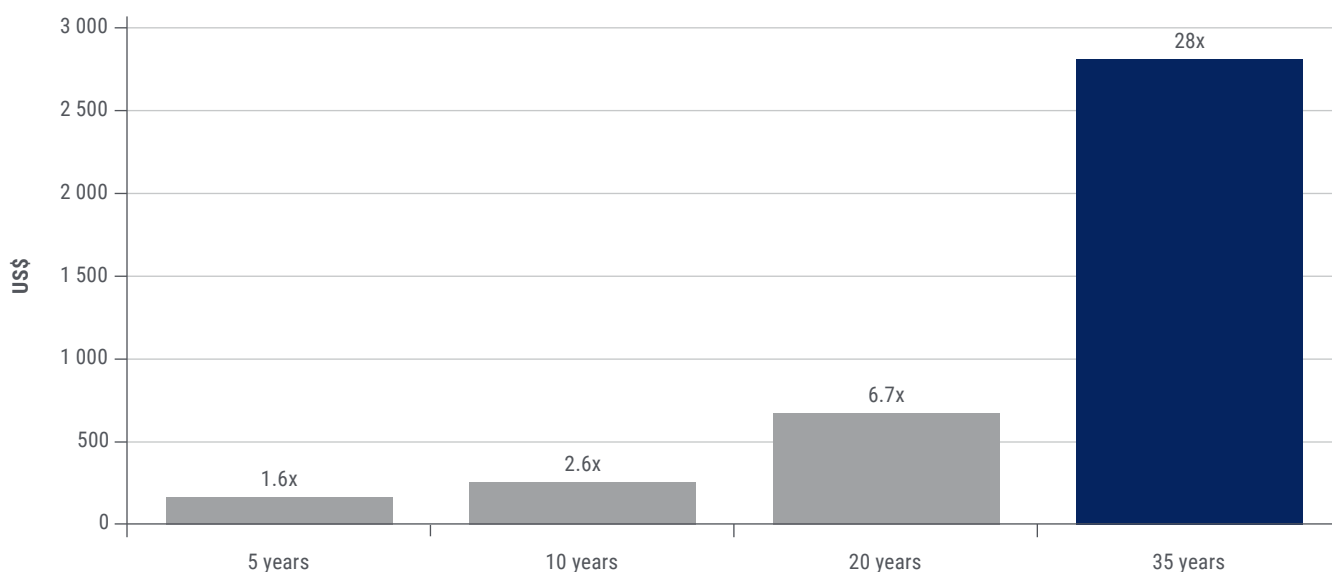
$$\text{Client Wealth} = \text{Invested Capital} \times (1 + R)^N$$

We work relentlessly to maximise R – the return you earn – while managing risk. But N is different. N is time, and it is powerful. It is also in your hands: the choice to remain invested and allow compounding to work through the inevitable noise along the way.

When N is long, small edges can be massive over time. That is why we care about durability and continuity: in our process, in our team, and in the businesses we own. Our goal is simple: to give your capital the best chance to compound over many years, as shown in **Graph 4**.

Graph 4: The power of N

Value of US\$100 invested at 10% p.a. over different time periods



Source: Orbis

We ask you to judge us over full cycles, including the difficult years. The only performance that matters is the kind you can stay invested through, and that requires not just returns, but resilience.

Gratitude and commitment

2025 was a special year. It was also the product of thousands of unglamorous efforts: bottom-up research, debate, risk review, operational excellence, technology investment and client partnership, all done well.

Thank you for your trust. Darren Johnston (our chief operating officer) and I, along with the entire Orbis team, don't take responsibility lightly. Trust compounds the same way returns do: through small, consistent actions over time. We will show up with humility, adaptability, and a long-term mindset; working every day to keep earning it.

As I close, I want to reaffirm my commitment to you:

Our firm's success begins and ends with delivering best-in-class investment performance. As it was on day one, I am certain that what we aspire to achieve will not be easy. But how we show up is in our control and we are determined to deliver. Here is my commitment to you:

- *relentless focus;*
- *transparent and direct engagement;*
- *entrusting others;*
- *a culture of inclusion;*
- *the courage to be different;*
- *an appetite for feedback;*
- *and a willingness to change what isn't working.*

Thank you for entrusting us. With your support, we will keep N (time) working in your favour.



Adam joined Orbis in 2002 and is Orbis' President and head of the Investment teams. He directs client capital in the Orbis Global Equity Strategy and has overall accountability for the Strategy. He is a director of Orbis Holdings Limited and Orbis Allan Gray Limited. Adam holds a Bachelor of Arts degree in Economics from Northwestern University and a Master of Business Administration from Harvard University. He is also a trustee at Northwestern University and the founder and chair of SEO Scholars San Francisco.

THE LONG-TERM BENEFITS OF MAXIMISING YOUR RETIREMENT FUND CONTRIBUTIONS

Carla Rossouw



... “excess contributions” ...
are carried over and can
reduce your tax liability in
the current and future years ...

Retirement funds offer valuable annual tax benefits, but these are lost if you do not act each year. Conversely, if you exceed the annual limits, there is no penalty – the benefits roll over to future years. As we approach the end of the tax year on 28 February, Carla Rossouw reminds us of the advantages of these products and how to maximise them over time.

Contributions to pension, provident and retirement annuity (RA) funds are tax-deductible, within certain limits. This serves as an incentive to save for your retirement and be rewarded by means of an annual deduction to be claimed against your taxable income. In addition, you benefit from growth free of any tax (including dividends tax, income tax on interest and capital gains tax) while you are invested – a big win if you invest for the long term.

If you are a member of a company pension or provident scheme, you can supplement your retirement savings by contributing to an RA in your own name. You can make regular or ad hoc contributions, allowing you to bump up your retirement investment when you can.

You may claim a tax deduction of up to 27.5% of the greater of taxable income or remuneration from your employer each tax year, subject to an annual ceiling of R350 000 (across all your retirement products). While monthly expenses can make it difficult to reach, never mind exceed, the contribution limits, there is no penalty for exceeding them. Contributions made above this limit are known as **“excess contributions”**. These are carried over and can reduce your tax liability in the current and future years, as explained in detail below.

Of course, it is important to be aware of the product restrictions built into retirement funds: Your underlying investments need to comply with the retirement fund investment limits, withdrawals are restricted before retirement, and the bulk of your investment must be used to purchase a pension-providing product at retirement, such as a living annuity (LA) or guaranteed life annuity.

What are the benefits of contributing above the allowable annual limits?

1. Reduces your tax liability in future working years

If you contribute more than the annual limits, these excess

contributions roll over indefinitely. They are carried forward and can be used to reduce your tax liability in future years in which you contribute below the annual ceiling – until the full excess amount is depleted. See the detailed example on page 25.

2. Reduces your tax bill on any cash lump sum you take at retirement

When you retire, you may withdraw up to R550 000 tax-free (less any previous withdrawals).

Your accumulated excess contributions can further reduce the taxable portion of any cash lump sum you choose to take. The excess amount is applied before the retirement tax table is used, effectively creating a larger tax-free portion of your retirement benefit.

There is often confusion around the R550 000 tax-free benefit. Ensure you understand the fine print:

- The R550 000 is a lifetime tax-free cap; it is not available at each instance of withdrawal or retirement. It applies across all your retirement funds and LAs (i.e. those from Allan Gray and other third-party fund providers), even after you have passed away.
- As shown in **Table 1**, the first R550 000 of the taxable portion of a lump sum benefit is taxed at 0%. If there is no taxable portion remaining after excess contributions have been deducted, the R550 000 tax-free benefit is forgone. (See Point B in the example on page 25.)
- The tax bill on the retirement cash lump sum takes all taxable cash lump sum withdrawals you have previously received into account, including severance benefits and cash lump sums withdrawn from an LA (which is allowed if the value of an account falls below the prescribed limits). Any tax-free amount previously

received will therefore reduce the R550 000 tax-free portion available at the time of exit.

3. Reduces your tax bill on your LA income in retirement

If you retire with unused excess contributions, these can be used to reduce the taxable portion of your annuity income. However, it is important to consider the following:

- **Excess contributions reduce the annuity income value, not the PAYE tax on the annuity income.** An excess contribution of R100 does not reduce tax paid by R100 – it reduces the tax that would have been payable on the R100 based on your marginal tax rate, to a maximum of R45 (45% of R100, with 45% being the highest income tax bracket at the time of writing).
- **The value of excess contributions erodes over time due to inflation.** Assuming an annual inflation rate of 5%, the real value of an excess contribution of R100 made today, but used in 10 years' time, reduces to R61.
- **The exemption is only available on assessment when you complete your tax return.** You will still pay PAYE on your LA income throughout the year. When you file your tax return, SARS will apply your excess contributions and you may receive a refund.
- **Excess contributions are applied on a "first come, first served" basis.** If you take a cash lump sum from a retirement fund before your next tax return is submitted, SARS will first use your excess contributions to reduce the taxable portion of that lump sum. Any remaining excess will be applied to your LA income.

SARS will automatically apply the exemption if it has your contributions on record. This reinforces the importance of declaring your retirement fund contributions when filing

Table 1: Retirement tax table (2025/2026)

Taxable income from lump sum benefits	Rate of tax
R0 - R550 000	0% of taxable income
R550 001 - R770 000	18% of taxable income above R550 000
R770 001 - R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

Source: SARS

a tax return each year. If you believe SARS has applied the wrong amount, you can lodge an objection.

4. Reduces the tax on cash lump sums received by your beneficiaries

When you pass away and your beneficiaries or nominees elect to take a cash lump sum from your retirement fund or LA, SARS taxes this lump sum in your hands according to the retirement tax table.

The calculation takes any previous taxable lump sums you received into account, and the taxable portion of the cash your beneficiaries take can be reduced by any remaining excess contributions.

A few points to note:

- Any excess contributions used when you pass away are included in your estate for estate duty purposes, even if your spouse is a beneficiary.
- Any excess contributions not used against a cash lump sum fall away. These are not classified as deemed property in your estate and cannot be used to reduce the tax bill for heirs drawing LA income.

SARS must have a record of all contributions made to your retirement funds to apply tax calculations correctly. An ITA34 issued by SARS reflects the excess contributions on record for you at the time you filed your most recent tax return.

Deadlines for 2025/2026 tax concessions

You may claim a tax deduction of up to 27.5% of the greater of taxable income or remuneration from your employer each tax year, subject to an annual ceiling of R350 000 (across all your retirement products). The other annual tax benefit the government offers is the ability to invest R36 000 per tax year (up to a maximum contribution of R500 000 over your lifetime) of after-tax money in a tax-free investment (TFI). As with your retirement funds, you benefit from growth free of any tax (including dividends tax, income tax on interest and capital gains tax) while you are invested in a TFI.

If you are planning to make use of the tax concessions offered through your retirement funds or TFI for the 2025/2026 tax year, please make sure we receive your instruction, supporting documents and payment well in advance of the 28 February 2026 deadlines, shown in **Table 2**.

Table 2: Cut-off dates for TFI and RA contributions for the tax year ending 28 February 2026

Payment method	Cut-off dates		Instruction submission
	Allan Gray Tax-Free Investment	Allan Gray Retirement Annuity Fund	
Electronic collections	26 February 2026	26 February 2026*	Clients and advisers can submit these contribution instructions via their secure online accounts.**
Electronic funds transfers	Electronic collections only		
Withdrawals from AGUT accounts	25 February 2026		
Withdrawals from AGLP accounts	24 February 2026		

*As banks have different processing timelines, electronic funds transfers may need to be made earlier than this date to ensure the money reflects in the RA bank account by the 28th.

**Please note that interaccount transfers can only be made to accounts in an individual's own name. If the transfer relates to any other scenario, the relevant form will be available for download via Allan Gray Online.

Note: Contributions to investments made from a third-party individual or entity bank account may require additional documentation, which could lead to delays in the processing of clients' instructions.

Example

A. How your excess contributions affect your tax liability while you are working

Table 3 reflects the assumptions for our example and shows taxable income, retirement fund contributions and the amounts contributed in excess of the limits. Remember, tax deductions are capped at R350 000 per tax year.

- In Year 1, your contribution to your retirement fund of R495 000 exceeds the R350 000 limit, so you can claim a tax deduction of R350 000; R145 000 is carried over to the next tax year.
- In Year 2, you again contribute above the limit, this time by R200 000. After applying the R145 000 from Year 1, you end the year with R345 000 in accumulated excess contributions.
- In Year 3, your contribution drops to R220 000, which is R130 000 below what you could have contributed in that tax year. You are therefore able to use R130 000 of your carried over excess contributions to reach the R350 000 annual limit, reducing your tax liability for that year.

B. Determining your tax liability on your cash lump sum and LA income at retirement

Now, assume you continue contributing to your RA for another eight years:

- RA value at retirement: R4 500 000
- Total excess contributions: R2 000 000
- No previous cash lump sum taken

At retirement, you may take one-third of your RA as a cash lump sum:

- One-third of R4 500 000 = R1 500 000

i) What is the tax on your cash lump sum?

For tax purposes, your excess contributions (R2 000 000) are deducted *before* applying the retirement tax table:

$$\text{R1 500 000 (lump sum)} - \text{R2 000 000 (excess contributions)} = \text{R0 taxable}$$

This means:

- Your entire R1 500 000 cash lump sum is tax-free.
- You forfeit the R550 000 lifetime tax-free benefit (discussed earlier in Point 2), because there is no taxable portion for SARS to apply it to.

ii) What happens with the remaining excess contributions in retirement?

You still have R500 000 of excess contributions left:

- $\text{R2 000 000} - \text{R1 500 000} = \text{R500 000}$

This can reduce the taxable portion of your **LA income** after retirement.

Assume your first year's annuity income is R150 000:

- R150 000 is deducted from the R500 000 excess contributions.
- You pay no tax on your annuity income.

Remaining excess contributions after Year 1:

- $\text{R500 000} - \text{R150 000} = \text{R350 000}$

This means:

- Your LA income will remain tax-free until the R350 000 is used up in future years.

It is important to note that in this scenario, you effectively forfeit the annual tax rebate offered by SARS, as excess contributions available are applied from the first rand of income earned.

Table 3: An example of how excess contributions are generated and applied while working and contributing to your retirement fund

	Tax year 1	Tax year 2	Tax year 3
Taxable income	R1 800 000	R2 000 000	R2 200 000
Contribution	R495 000 (27.5%)	R550 000 (27.5%)	R220 000 (10%)
Amount above annual cap	R145 000	R200 000	(R130 000)
Excess contribution carried over	R145 000	R345 000	R215 000

Source: Allan Gray

C. What happens when you *pass away* before using all your excess contributions

If you pass away in Year 2 of retirement, and your beneficiaries elect to receive R100 000 of the death benefit in cash (with the remainder used to purchase LAs), then:

- Your remaining R350 000 excess contributions are first used to reduce the taxable portion of that cash lump sum.
- Because the excess contributions exceed the R100 000 cash amount, the full R100 000 is tax-free.

- The R100 000 used to reduce the taxable lump sum is then treated as part of your estate and may be subject to estate duty.

The R250 000 balance of your excess contributions (R350 000 – R100 000) is not carried over to the new annuitants. However, beneficiaries can reduce the tax they pay on the annuity income using their own excess contributions on record with SARS from contributions they have made to retirement funds in their own names.

Carla joined Allan Gray in 2006 and is head of the Tax team. She has an Honours degree in Management Accounting, a Higher Diploma in Tax Law and a Postgraduate Diploma in Financial Planning, all from Stellenbosch University.

THE COMPOUNDING POWER OF MICRO WINS

Thandi Skade



... successful outcomes are rarely achieved as a result of a single decisive moment. More often, it is the outcome of ordinary decisions repeated faithfully over time.

Compounding is usually discussed and understood in financial terms, but is the effect of compounding behaviour equally powerful? Thandi Skade looks at three scenarios, using the Allan Gray Balanced Fund, to assess the impact of behaviour. She leaves us with a few ideas to consider as we review our financial resolutions for the year ahead.

Think about the last time you said to yourself: “This time, I’m going to get serious about my finances.” The commitment may have followed a financially difficult period, or a strong market rally, or a moment of inspiration. At the time, the intention probably felt genuine – but did it last? For most of us, it doesn’t, and that’s the trouble with motivation.

Motivation is often described as the spark that ignites change. The problem is that sparks fade and motivation fluctuates with our mood, environment and perceived progress. When progress feels slow or life gets in the way, our motivation often dwindles. This is one of the reasons many well-intentioned financial resolutions fall by the wayside within weeks of a new year.

Psychologists and behavioural scientists draw an important distinction between motivation and momentum: Motivation may trigger action, but momentum sustains it.

Motivation fades while momentum endures

Motivation feels powerful in the moment, but it is inherently unstable. In contrast, momentum is built gradually through repeated behaviours that are easy to replicate and psychologically sustainable.

James Clear, author of *Atomic Habits*, captures this idea in his book, noting that people do not rise to the level of their goals – they fall to the level of their systems. In other words, our outcomes are shaped less by intention and more by everyday behaviour.

For long-term investors, this distinction is important. Given the unpredictable nature of financial markets, the long time horizons associated with investing, and the absence of instant gratification, investment plans that rely on sustained motivation are vulnerable to distractions and inertia. However, those anchored in momentum tend to be resilient.

Momentum is not necessarily built through grand gestures or perfect decisions; more often, it is built through small actions that are easy to repeat – a concept known in behavioural science as “micro wins”. The idea is rooted in the belief that small, repeatable actions create a sense of progress that encourages and reinforces repetition. Over time, these small reinforcements build momentum, shape habits and support consistent behaviour even when motivation wanes.

Why micro wins work when big intentions fail

Most of us fall short of achieving our financial goals not because we lack good intentions, but because these goals can feel emotionally demanding. This is particularly true for long-term goals. Saving for retirement, investing through market volatility, or committing to a decades-long financial plan requires sustained effort, which comes with an emotional load. This increases the likelihood of disengagement over time.

When goals feel difficult, distant or unforgiving, a natural response is avoidance. This shows up in different ways, such as putting off budgeting until “next month”, waiting for the “right time” to invest, pausing debit order contributions after a setback, and disengaging when progress feels slow or imperfect.

Behavioural research shows that completing a manageable task – such as finalising your monthly budget or making an initial contribution to an investment – triggers the release of dopamine (the feel-good hormone), which encourages repetition. While the financial impact of a single micro win may be modest, the behavioural impact is not. Each small success provides psychological reinforcement, which, in turn, increases the likelihood of repeating the behaviour and gradually turning intention into habit.

Research into perfectionism helps to explain why this matters. In *The Perfection Trap*, psychologist Thomas Curran discusses how unrealistically high standards can undermine persistence rather than support it. When progress must be flawless to count, falling short feels like failure. Over time, this all-or-nothing mindset can lead to procrastination, disengagement and abandonment.

Micro wins disrupt this pattern. By design, they lower the psychological barrier to action and make it easier to start, continue and resume after interruptions, while progress becomes something that can be maintained imperfectly, rather than something that must be executed flawlessly.

Compounding behaviour and investment outcomes

If micro wins help us sustain habits and behaviours in our day-to-day lives, can the principle be applied to the way we approach long-term investing? And, more specifically, does the way we structure our investment contributions (i.e. the behaviour) influence our outcomes over time? And if so, how?

Long-term investing provides a particularly useful environment to test this idea, because progress is slow and occurs over time, feedback (or gratification) is delayed, and participation needs to be sustained through favourable *and* volatile market conditions.

To explore the proposition, we compared three contribution behaviours against real-time market movements and return data of the [Allan Gray Balanced Fund](#) over a 20-year period, measured between 1 January 2006 and 31 December 2025. Facing identical market conditions and an assumed inflation rate of 5%, **Graph 1** plots and compares the outcomes of the three behavioural scenarios outlined below.

Scenario 1: Decisions as a system

An investor makes a lump sum investment of R12 000 (the equivalent value of R1 000 monthly debit order contributions collected over one year) at the start of the investment. They repeat this contribution behaviour at the beginning of each year over the period, with no escalations. The investment’s final market value is R857 248.

Scenario 2: Automation as a system

An investor starts an investment with R1 000 monthly debit order instruction that gets collected on the first day of every month, with no escalations. The final market value of their investment is R815 275.

Scenario 3: Automation with escalation as a system

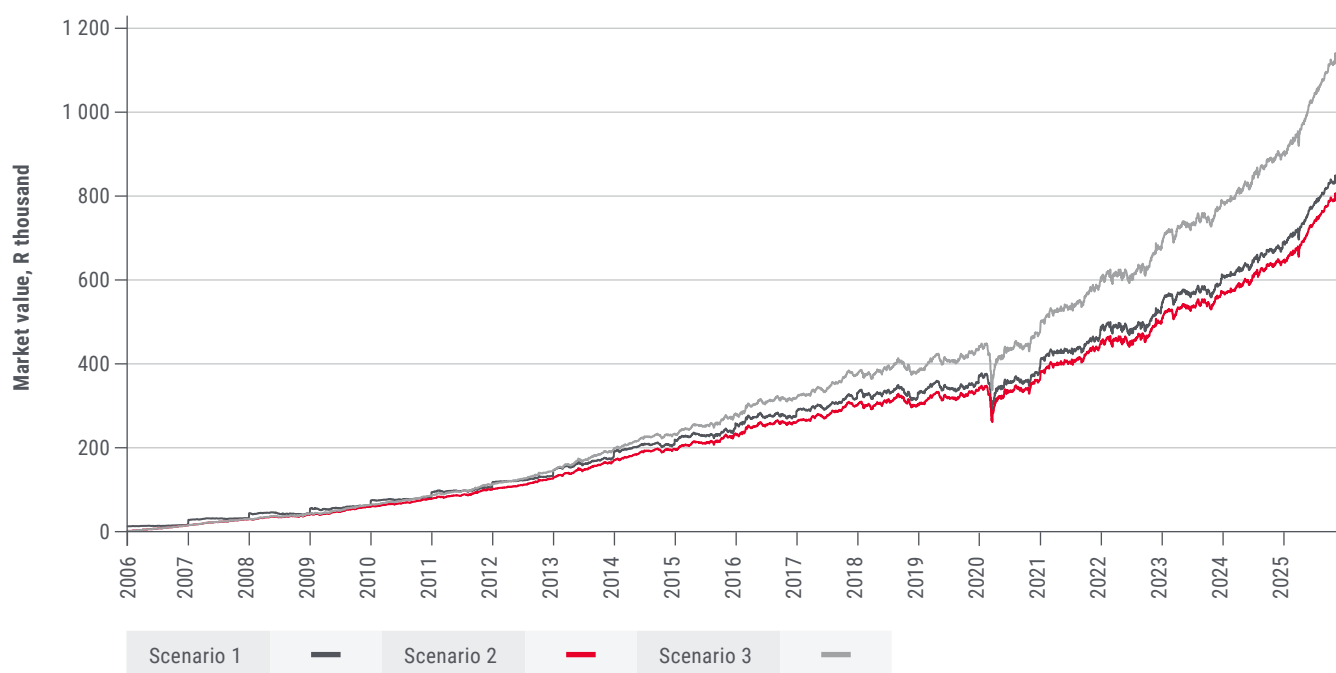
An investor starts an investment with R1 000 monthly debit order instruction that gets collected on the first day of every month. They opt to escalate their monthly contribution by 5% annually to match the assumed inflation rate and protect the purchasing power of their investment. The final market value of their investment is R1 153 962.

In all three scenarios, all distributions are reinvested, and the total is net of fees.

Three paths, varying outcomes

The first two scenarios assume identical total contributions

Graph 1: Outcomes of three behavioural scenarios over 20 years



Assumptions: Real returns based on the performance of the Allan Gray Balanced Fund between 1 January 2006 and 31 December 2025; all distributions reinvested; inflation rate of 5%.

Source: Allan Gray

to focus the comparison on behaviour, while the third scenario introduces a small, systematic increase to examine whether gradual progression changes the outcome over time. Viewed together, the scenarios highlight three important insights.

Firstly, small actions are behaviourally powerful even when their immediate financial impact appears modest. Scenario 1 benefits from earlier exposure to the market, with each annual contribution invested in full at the start of the year. While this boosted returns during this period, it also relied on a single, high-effort decision made at a specific point in time. Scenario 2 exchanges some of that potential upside for a system that is easier to sustain.

Secondly, our data shows that adding a layer of progression, in the form of inflation-adjusted annual escalations on top of a repeatable system, materially improves investment outcomes over time – as illustrated by Scenario 3. No single decision drives the result; instead, a series of small decisions accumulates into a meaningful difference: the capital compounds alongside the behaviour.

Finally, systems create consistency. Despite the results across the scenarios varying, the consistent behaviour – either actioned monthly or annually – resulted in compounding returns over time. As shown in **Graph 2**

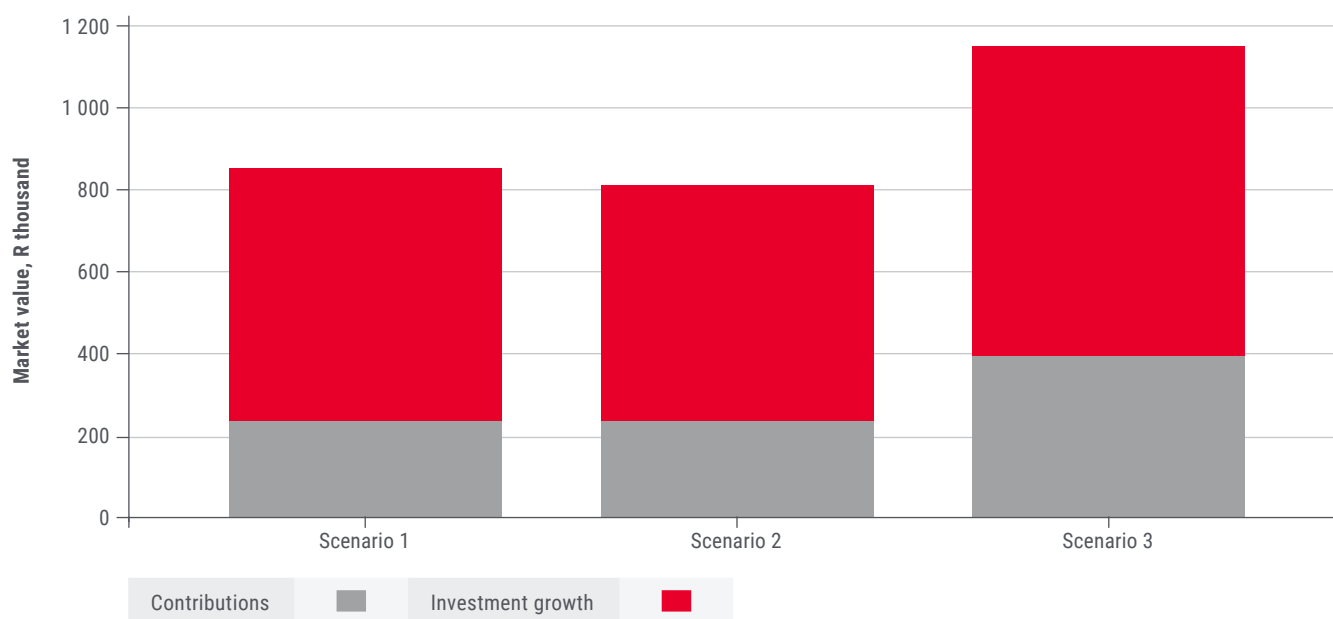
on page 30, more than two-thirds of the final market values across the scenarios came from investment growth.

Progress over perfection in practice

Translating the principle of micro wins into action doesn't require dramatic changes or flawless execution. In fact, the most effective behavioural shifts are often the least conspicuous. The aim is not to optimise every decision, but to design defaults that make steady progress easier. Here are a few ideas to consider:

- **Make consistency the default:** Regular debit orders are one of the simplest ways to turn intention into action. This matters because decision fatigue is a real phenomenon, and even well-intentioned investors are more likely to delay or disengage when repeated effort is required.
- **Let progress happen gradually:** Small, incremental and scheduled annual escalations, whether linked to time, salary increases or inflation, allow progress to compound without demanding noticeable lifestyle changes.
- **Rebound from lapses:** If life happens and you find yourself needing to pause contributions, it is important to treat the interruption as temporary, not a failure, and to resume your contributions as circumstances allow.

Graph 2: The power of compounding



Assumptions: Real returns based on the performance of the Allan Gray Balanced Fund between 1 January 2006 and 31 December 2025; all distributions reinvested; inflation rate of 5%.
Source: Allan Gray

The quiet power of consistency

In long-term investing, successful outcomes are rarely achieved as a result of a single decisive moment. More often, it is the outcome of ordinary decisions repeated faithfully over time.

Motivation may spark action, but momentum carries these actions forward. Focusing your investment approach on

small, repeatable actions makes it easier to stay invested when motivation fades.

As we settle into the new year and focus on our financial resolutions, let the quiet power of consistency compound, and allow time to do the heavy lifting.

Thandi joined Allan Gray in 2020 and is a communications manager in the Marketing team. She holds a Bachelor of Social Science degree in Media & Writing and Politics from the University of Cape Town.

Allan Gray Balanced and Stable Fund asset allocation as at 31 December 2025¹

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign	Total	SA	Foreign
Net equities	65.8	39.0	26.8	24.8	11.0	13.8
Hedged equities	9.3	3.5	5.8	23.7	14.0	9.7
Property	1.2	0.2	1.0	0.9	0.1	0.8
Commodity-linked	3.6	3.1	0.4	2.2	1.8	0.3
Bonds	15.6	11.0	4.6	35.0	28.7	6.3
Money market and cash ²	4.7	3.5	1.1	13.4	11.1	2.3
Total	100.0	60.3	39.7³	100.0	66.7	33.3³

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

¹ Underlying holdings of foreign funds are included on a look-through basis.

² Includes the impact of any currency hedging.

³ The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

Allan Gray Equity Fund net assets as at 31 December 2025

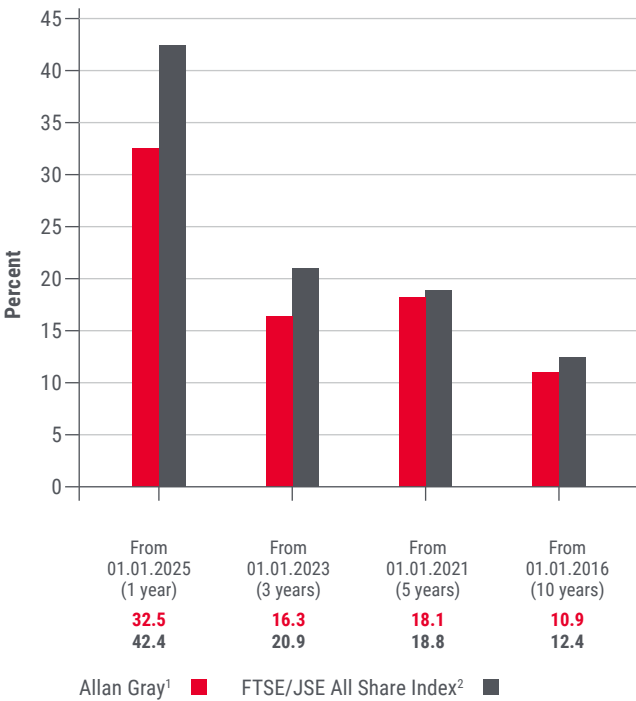
Security	Market value (R million)	% of Fund
South Africa	32 687	57.4
Equities	31 915	56.0
Resources	8 802	15.5
AngloGold Ashanti	2 196	3.9
Glencore	1 737	3.0
Gold Fields	969	1.7
Sasol	675	1.2
Exxaro	600	1.1
Northam Platinum	573	1.0
Positions individually less than 1% of the Fund	2 052	3.6
Financials	7 958	14.0
Standard Bank	1 743	3.1
Nedbank	1 262	2.2
Remgro	1 223	2.1
FirstRand	946	1.7
Investec	644	1.1
Positions individually less than 1% of the Fund	2 141	3.8
Industrials	15 154	26.6
AB InBev	2 969	5.2
Naspers & Prosus	2 653	4.7
British American Tobacco	1 787	3.1
Woolworths	1 209	2.1
Mondi	924	1.6
Positions individually less than 1% of the Fund	5 613	9.9
Cash	530	0.9
Currency hedges	243	0.4
Foreign	24 277	42.6
Equities	2 881	5.1
Walt Disney Company	1 211	2.1
Positions individually less than 1% of the Fund	1 669	2.9
Equity funds	21 438	37.6
Orbis Global Equity Fund	9 225	16.2
Orbis SICAV International Equity Fund	6 491	11.4
Allan Gray Frontier Markets Equity Fund	3 354	5.9
Orbis SICAV Japan Equity (Yen) Fund	1 221	2.1
Allan Gray Africa ex-SA Equity Fund	999	1.8
Orbis SICAV Emerging Markets Equity Fund	148	0.3
Bonds	18	0.0
Positions individually less than 1% of the Fund	18	0.0
Cash	183	0.3
Currency-linked futures	-243	-0.4
Totals	56 964	100.0

Note: There may be slight discrepancies in the totals due to rounding. For other fund-specific information, please see the monthly factsheets.

Investment track record – share returns

Allan Gray global mandate share returns vs. FTSE/JSE All Share Index before fees			
Period	Allan Gray¹	FTSE/JSE All Share Index²	Out-/Under- performance
1974 (from 15.6)	−0.8	−0.8	0.0
1975	23.7	−18.9	42.6
1976	2.7	−10.9	13.6
1977	38.2	20.6	17.6
1978	36.9	37.2	−0.3
1979	86.9	94.4	−7.5
1980	53.7	40.9	12.8
1981	23.2	0.8	22.4
1982	34.0	38.4	−4.4
1983	41.0	14.4	26.6
1984	10.9	9.4	1.5
1985	59.2	42.0	17.2
1986	59.5	55.9	3.6
1987	9.1	−4.3	13.4
1988	36.2	14.8	21.4
1989	58.1	55.7	2.4
1990	4.5	−5.1	9.6
1991	30.0	31.1	−1.1
1992	−13.0	−2.0	−11.0
1993	57.5	54.7	2.8
1994	40.8	22.7	18.1
1995	16.2	8.8	7.4
1996	18.1	9.4	8.7
1997	−17.4	−4.5	−12.9
1998	1.5	−10.0	11.5
1999	122.4	61.4	61.0
2000	13.2	0.0	13.2
2001	38.1	29.3	8.8
2002	25.6	−8.1	33.7
2003	29.4	16.1	13.3
2004	31.8	25.4	6.3
2005	56.5	47.3	9.3
2006	49.7	41.2	8.5
2007	17.6	19.2	−1.5
2008	−13.7	−23.2	9.6
2009	27.0	32.1	−5.1
2010	20.3	19.0	1.3
2011	9.9	2.6	7.4
2012	20.6	26.7	−6.1
2013	24.3	21.4	2.9
2014	16.2	10.9	5.3
2015	7.8	5.1	2.7
2016	12.2	2.6	9.6
2017	15.6	21.0	−5.4
2018	−8.0	−8.5	0.5
2019	6.2	12.0	−5.8
2020	−3.5	7.0	−10.5
2021	28.9	29.2	−0.3
2022	13.1	3.6	9.6
2023	8.7	9.3	−0.6
2024	9.3	13.4	−4.1
2025 (to 31.12)	32.5	42.4	−9.9

Returns annualised to 31.12.25



An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R499.5 million by 31 December 2025. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R25.1 million. Returns are before fees.

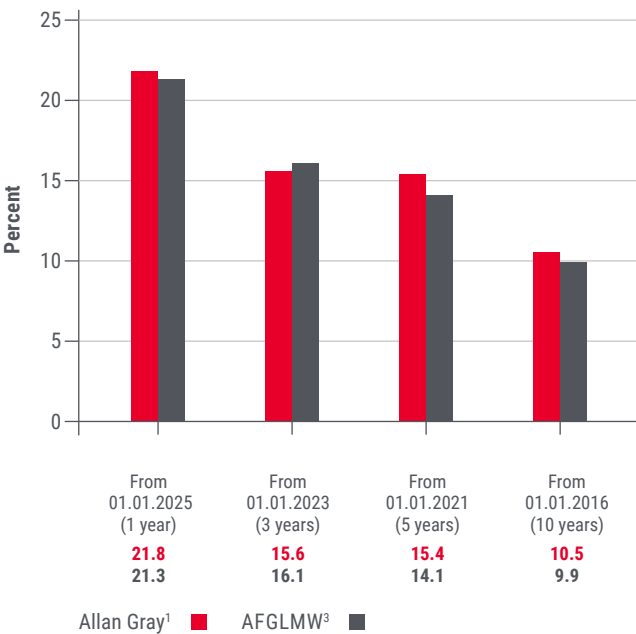
¹ Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
² Prior to July 1995, an internally derived JSE All Share benchmark was used.

Note: Listed property included from 1 July 2002. Inward listed securities included from November 2008 to November 2011.

Investment track record – balanced returns

Allan Gray global mandate total returns vs. Alexforbes Global Large Manager Watch before fees			
Period	Allan Gray¹	AFGLMW³	Out-/Under- performance
1974	–	–	–
1975	–	–	–
1976	–	–	–
1977	–	–	–
1978	34.5	28.0	6.5
1979	40.4	35.7	4.7
1980	36.2	15.4	20.8
1981	15.7	9.5	6.2
1982	25.3	26.2	−0.9
1983	24.1	10.6	13.5
1984	9.9	6.3	3.6
1985	38.2	28.4	9.8
1986	40.3	39.9	0.4
1987	11.9	6.6	5.3
1988	22.7	19.4	3.3
1989	39.2	38.2	1.0
1990	11.6	8.0	3.6
1991	22.8	28.3	−5.5
1992	1.2	7.6	−6.4
1993	41.9	34.3	7.6
1994	27.5	18.8	8.7
1995	18.2	16.9	1.3
1996	13.5	10.3	3.2
1997	−1.8	9.5	−11.3
1998	6.9	−1.0	7.9
1999	80.0	46.8	33.1
2000	21.7	7.6	14.1
2001	44.0	23.5	20.5
2002	13.4	−3.6	17.1
2003	21.5	17.8	3.7
2004	21.8	28.1	−6.3
2005	40.0	31.9	8.1
2006	35.6	31.7	3.9
2007	14.5	15.1	−0.6
2008	−1.1	−12.3	11.2
2009	15.6	20.3	−4.7
2010	11.7	14.5	−2.8
2011	12.6	8.8	3.8
2012	15.1	20.0	−4.8
2013	25.0	23.3	1.8
2014	10.3	10.3	0.0
2015	12.8	6.9	5.8
2016	7.5	3.7	3.8
2017	11.9	11.5	0.5
2018	−1.4	−2.1	0.7
2019	6.5	10.9	−4.4
2020	5.3	6.3	−1.0
2021	20.4	21.9	−1.5
2022	9.9	1.2	8.7
2023	14.3	13.1	1.3
2024	10.9	14.0	−3.1
2025 (to 31.12)	21.8	21.3	0.4

Returns annualised to 31.12.25



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R53.6 million by 31 December 2025. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R11.4 million. Returns are before fees.

¹ Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
³ Consulting Actuaries Survey returns used up to December 1997. The return for December 2025 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexforbes Global Large Manager Watch.

Note: Listed property included from 1 July 2002. Inward listed securities included from November 2008 to November 2011.

Allan Gray South African unit trusts annualised performance (rand)
in percentage per annum to 31 December 2025 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return ⁹	Lowest annual return ⁹
High net equity exposure (Up to 100%)									
Allan Gray Equity Fund (AGEF) Market value-weighted average of South African - Equity - General category (excl. Allan Gray funds) ¹	57.0	01.10.1998	19.2 14.6	10.2 9.7	16.9 16.6	17.2 16.8	26.7 28.2	125.8 73.0	-24.3 -37.6
Allan Gray SA Equity Fund (AGDE) FTSE/JSE All Share Index, including income	5.2	13.03.2015	9.0 11.4	9.7 12.4	17.2 18.8	15.9 20.8	30.1 42.4	57.3 54.0	-32.0 -18.4
Allan Gray - Orbis Global Equity Feeder Fund (AGOE) MSCI World Index, including income, after withholding taxes ²	31.4	01.04.2005	14.6 14.5	12.4 13.2	15.1 15.0	21.8 20.2	21.5 6.8	78.2 54.2	-29.7 -32.7
Allan Gray - Orbis Global Equity Feeder AMETF (AGOGE) ³ MSCI World Index, including income, after withholding taxes	0.1	11.12.2025	- -	- -	- -	- -	- -	- -	- -
Allan Gray - Orbis Global Equity Prescient Feeder Fund (AGOEPA) ⁴ MSCI World Index, including income, after withholding taxes	6.9	01.09.2025	- -	- -	- -	- -	- -	- -	- -
Medium net equity exposure (40% – 75%)									
Allan Gray Balanced Fund (AGBF)	242.3	01.10.1999	15.1	9.8	15.0	15.6	24.0	46.1	-14.2
Allan Gray Tax-Free Balanced Fund (AGTB) Market value-weighted average of South African - Multi Asset - High Equity category (excl. Allan Gray funds) ⁵	4.8	01.02.2016	10.0 11.7/9.0	- 8.7	14.9 12.9	15.6 15.0	23.8 19.1	31.7 41.9/30.7	-13.4 -16.7/-10.3
Allan Gray - Orbis Global Balanced Feeder Fund (AGGF) ⁶ 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index ⁶	16.7	03.02.2004	11.8 10.9	10.8 8.4	16.5 8.3	19.8 12.5	22.0 1.6	55.6 38.8	-13.7 -17.0
Allan Gray - Orbis Global Balanced Feeder AMETF (AGOGB) ³ 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	0.1	11.12.2025	- -	- -	- -	- -	- -	- -	- -
Allan Gray - Orbis Global Balanced Prescient Feeder Fund (AGOBPA) ⁴ 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	5.5	01.09.2025	- -	- -	- -	- -	- -	- -	- -
Low net equity exposure (0% – 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate as supplied by FirstRand Bank, plus 2%	60.7	01.07.2000	11.3 8.5	8.6 7.6	11.5 7.7	12.1 9.2	14.8 8.6	23.3 14.6	-7.4 4.6
Very low net equity exposure (0% – 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate as supplied by FirstRand Bank	0.9	01.10.2002	6.6 6.1	4.6 5.5	5.4 5.5	4.8 7.0	3.2 6.4	18.1 11.9	-8.2 2.5
Allan Gray - Orbis Global Optimal Fund of Funds (AGOO) The simple average of the benchmarks of the underlying funds	1.1	02.03.2010	7.2 5.7	3.8 2.6	9.8 4.7	6.9 5.0	1.1 -3.2	39.6 35.6	-12.4 -19.1
No to very low net equity exposure (0% – 10%)									
Allan Gray Income Fund (AGIN) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	2.8	01.05.2024	13.8 7.9	- -	- -	- -	13.8 7.5	13.8 8.2	11.6 7.5
No equity exposure									
Allan Gray Bond Fund (AGBD) FTSE/JSE All Bond Index (total return)	10.5	01.10.2004	9.7 9.6	11.2 11.5	11.7 12.5	15.9 16.9	22.7 24.2	22.7 26.1	-2.6 -5.6
Allan Gray Money Market Fund (AGMF) Alexforbes Short-Term Fixed Interest (STeFI) 3-month Index ⁷	27.7	01.07.2001	7.7 7.5	7.2 6.8	7.0 6.5	8.4 7.9	7.9 7.3	12.8 13.3	4.3 3.8
Allan Gray Interest Fund (AGIF) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	2.5	01.05.2024	11.4 7.9	- -	- -	- -	11.6 7.5	11.6 8.2	10.5 7.5

¹ From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index, including income (source: Iress).
² From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
³ These funds were launched on 11 December 2025. We will report their performance information in our Quarterly Commentary from 31 December 2026. They are currently available to trade via the Johannesburg Stock Exchange and will be available via Allan Gray later in 2026.
⁴ These funds were launched on 1 September 2025. We will report their performance information in our Quarterly Commentary from 30 September 2026.
⁵ From inception to 31 January 2013, the benchmark of the Allan Gray Balanced Fund was the market value-weighted average return of the funds in both the Domestic Asset Allocation Medium Equity and Domestic Asset Allocation Variable Equity sectors of the previous ASISA Fund Classification Standard, excluding the Allan Gray Balanced Fund (source: Morningstar).
⁶ From inception to 31 May 2021, this Fund was called the Allan Gray - Orbis Global Fund of Funds and its benchmark was 60% of the FTSE World Index, including income, and 40% of the J.P. Morgan Global Government Bond Index (source: Bloomberg). From 1 June 2021, the Fund's investment mandate was changed from a fund of funds structure to a feeder fund structure investing solely in the Orbis SICAV Global Balanced Fund. To reflect this, the Fund was renamed and the benchmark was changed.
⁷ From inception to 31 March 2003, the benchmark was the Alexforbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011, the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector, excluding the Allan Gray Money Market Fund. From 1 November 2011 to 19 August 2024, the benchmark was the Alexforbes Short-Term Fixed Interest (STeFI) Composite Index.
⁸ This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Allan Gray total expense ratios and transaction costs for the 3–year period ending 31 December 2025

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.03%	0.46%	0.04%	0.12%	1.65%	0.08%	1.74%
Allan Gray SA Equity Fund	1.00%	–0.70%	0.01%	0.04%	0.35%	0.10%	0.45%
Allan Gray Balanced Fund	1.02%	0.44%	0.04%	0.14%	1.64%	0.06%	1.70%
Allan Gray Tax-Free Balanced Fund	1.31%	N/A	0.04%	0.14%	1.48%	0.06%	1.55%
Allan Gray Stable Fund	1.01%	0.41%	0.03%	0.16%	1.60%	0.04%	1.64%
Allan Gray Optimal Fund	1.00%	0.00%	0.02%	0.15%	1.18%	0.10%	1.28%
Allan Gray Bond Fund	0.50%	N/A	0.01%	0.08%	0.58%	0.00%	0.58%
Allan Gray Income Fund ¹	0.75%	N/A	0.01%	0.11%	0.87%	0.00%	0.87%
Allan Gray Interest Fund ¹	0.65%	N/A	0.01%	0.10%	0.75%	0.00%	0.75%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray - Orbis Global Equity Feeder Fund	1.15%	0.82%	0.07%	0.00%	2.03%	0.11%	2.14%
Allan Gray - Orbis Global Balanced Feeder Fund	1.10%	2.16%	0.07%	0.00%	3.33%	0.08%	3.40%
Allan Gray - Orbis Global Optimal Fund of Funds	1.00%	0.17%	0.08%	0.00%	1.25%	0.12%	1.36%
Allan Gray - Orbis Global Equity Feeder AMETF ²	1.15%	0.82%	0.07%	0.00%	2.03%	0.11%	2.14%
Allan Gray - Orbis Global Balanced Feeder AMETF ²	1.10%	2.16%	0.07%	0.00%	3.33%	0.08%	3.40%
Allan Gray - Orbis Global Equity Prescient Feeder Fund ³	1.15%	0.82%	0.07%	0.00%	2.03%	0.11%	2.14%
Allan Gray - Orbis Global Balanced Prescient Feeder Fund ³	1.10%	2.16%	0.07%	0.00%	3.33%	0.08%	3.40%

¹ Since this unit trust has not yet been in existence for three years, the TER and transaction costs are based on actual data, where available, and best estimates.

² The TER and transaction costs for this unit trust are estimates based on the past performance of the corresponding Allan Gray - Orbis unit trust. This unit trust has the same investment policy, objective and benchmark as the corresponding Allan Gray - Orbis unit trust. Actual TER data will be used from one year after the unit trust's inception date. The total investment charge excludes the costs of trading via the JSE, which are borne by the investor.

³ The TER and transaction costs for this unit trust are estimates based on the past performance of the corresponding Allan Gray - Orbis unit trust. This unit trust has the same investment policy, objective and benchmark as the corresponding Allan Gray - Orbis unit trust. Actual TER data will be used from one year after the unit trust's inception date.

Note: The total expense ratio (TER) is the annualised percentage of the Fund’s average assets under management that has been used to pay the Fund’s actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged), VAT and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and FSCA Investor Protection Levy and VAT thereon) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They 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. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor’s objective and compared against the performance of the Fund. The TER and other funds’ TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

Foreign domiciled funds annualised performance (rand) in percentage per annum to 31 December 2025 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return ⁶	Lowest annual return ⁶
High net equity exposure								
Orbis Global Equity Fund MSCI World Index, including income, after withholding taxes ¹	01.01.1990	17.4 13.9	12.5 13.2	15.3 15.0	22.0 20.3	20.8 6.8	87.6 54.2	-47.5 -46.2
Orbis SICAV Japan Equity (Yen) Fund Tokyo Stock Price Index, including income, after withholding taxes	01.01.1998	14.1 9.7	10.1 8.4	13.5 9.3	18.9 16.4	17.7 10.4	94.9 91.0	-40.1 -46.4
Orbis SICAV Emerging Markets Equity Fund² MSCI Emerging Markets Index, including income, after withholding taxes ²	01.01.2006	13.8 12.2	9.6 8.6	14.0 6.8	23.7 15.5	32.5 17.8	58.6 60.1	-34.2 -39.7
Allan Gray Africa ex-SA Equity Fund (C class) MSCI Emerging Frontier Markets Africa ex-SA Index ³	01.01.2012	13.1 8.9	11.0 9.6	19.2 12.2	21.0 10.9	43.7 25.5	65.6 43.9	-24.3 -29.4
Allan Gray Australia Equity Fund S&P/ASX 300 Accumulation Index	04.05.2006	13.4 11.8	11.1 9.0	11.4 9.3	9.6 9.9	11.5 5.0	99.5 55.6	-55.4 -45.1
Allan Gray Frontier Markets Equity Fund (C class) MSCI Frontier Emerging Markets Index	03.04.2017	14.2 8.3	- -	20.2 10.4	25.2 18.4	28.9 26.0	45.2 28.5	-11.0 -12.8
Medium net equity exposure								
Orbis SICAV Global Balanced Fund 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	01.01.2013	15.2 12.6	11.3 8.2	16.8 8.3	20.1 12.4	21.9 1.6	54.4 40.2	-9.8 -12.1
Allan Gray Australia Balanced Fund The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and J.P. Morgan Global Government Bond Index expressed in AUD (16%). All returns shown are net of fees and assume reinvestment of distributions.	01.03.2017	10.5 8.7	- -	11.6 6.2	12.6 8.9	15.1 1.7	29.1 25.1	-5.3 -8.3
Low net equity exposure								
Orbis SICAV Global Cautious Fund⁴ US\$ bank deposits + 2%	01.01.2019	8.7 7.2	- -	10.3 8.2	10.7 6.4	9.1 -6.0	26.6 34.6	-8.0 -20.4
Allan Gray Australia Stable Fund Reserve Bank of Australia cash rate	01.07.2011	9.0 5.4	5.4 1.7	4.7 2.2	4.3 2.7	1.2 -1.4	32.7 28.8	-8.9 -15.5
Very low net equity exposure								
Orbis Optimal SA Fund (US\$) US\$ bank deposits	01.01.2005	9.1 7.4	4.5 3.0	11.1 6.1	6.6 4.3	-2.7 -7.9	48.6 57.9	-15.7 -25.6
Orbis Optimal SA Fund (Euro) Euro bank deposits	01.01.2005	7.2 5.6	3.3 2.0	8.4 3.4	7.8 5.7	6.3 1.7	44.1 40.2	-19.3 -20.9
No equity exposure								
Allan Gray Africa Bond Fund (C class)⁵ FTSE 3-Month US T Bill + 4% Index ⁵	27.03.2013	13.0 7.7	11.4 7.7	11.3 10.0	16.6 8.2	10.6 -4.4	31.4 36.5	-7.4 -12.3

Performance as calculated by Allan Gray

¹ From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.

² From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.

³ From inception to 31 October 2023, the benchmark was the Standard Bank Africa Total Return Index.

⁴ Return information through to the class inception date on 29 February 2024 is based on the returns that would have resulted from an investment in the Shared Investor RRF Class (C) at Fund inception with no subsequent transactions, if this class of the Fund had existed then. Returns from that date are actual returns of this class of the Fund (Class RRFC).

⁵ From inception to 31 December 2020, this Fund was called the Allan Gray Africa ex-SA Bond Fund and its benchmark was the J.P. Morgan GBI-EM Global Diversified Index. From 1 January 2021, the Fund's investment mandate was broadened to include South African investments. To reflect this, the Fund was renamed and the benchmark was changed.

⁶ This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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The trustee/custodian of the Allan Gray Unit Trust Scheme and the Allan Gray ETF Scheme is Rand Merchant Bank,

a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

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The trustee/custodian of the Prescient Unit Trust Scheme is Nedbank Investor Services. The trustee/custodian's physical address is 2nd floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort 1709. The trustee/custodian can be contacted at: Tel: +27 (0)11 534 6557 or www.nedbank.co.za.

Collective investment schemes in securities (unit trusts or funds) are generally medium- to long-term investments. Except for the Allan Gray Money Market Fund, where the Investment Manager aims to maintain a constant unit price, the value of units may go down as well as up.

Past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee regarding the capital or the performance of its funds. Funds may be closed to new investments at any

time in order to be managed according to their mandates. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending.

Performance

Performance figures are provided by the Investment Manager and are for lump sum investments with income distributions reinvested. Where annualised performance is mentioned, this refers to the average return per year over the period. Actual investor performance may differ as a result of the investment date, the date of reinvestment and applicable taxes. Movements in exchange rates may also cause the value of underlying international investments to go up or down. Certain unit trusts have more than one class of units and these are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, which is the total market value of all assets in the Fund, including any income accruals and less any permissible deductions from the Fund, divided by the number of units in issue.

For Allan Gray unit trusts, forward pricing is used and fund valuations take place at approximately 16:00 each business day. Purchase and redemption requests must be received by the Management Company by 11:00 each business day for the Allan Gray Money Market Fund, and by 14:00 each business day for any other Allan Gray unit trust fund to receive that day's price. Unit trust prices are available daily on www.allangray.co.za.

For our co-named unit trusts, forward pricing is used and fund valuations take place at approximately 17:00 each business day. Purchase and redemption requests must be received by Prescient by 14:00 each business day to receive that day's price. Unit trust prices are available daily on www.prescient.co.za.

For our feeder actively managed exchange-traded funds (AMETFs), forward pricing is used and fund valuations take place at approximately 17:00 each business day. Final net asset value prices are available daily on www.allangray.co.za, with intraday prices published three times a day. Exchange-traded funds can also be traded intraday on the Johannesburg Stock Exchange (JSE) during exchange trading hours. Intraday trading is not possible via Allan Gray. Trading on the JSE will incur additional costs

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Investors must make sure that they understand the nature of their choice of funds and that their investment objectives are aligned with those of the fund(s) they select.

A feeder fund is a unit trust that invests in another single unit trust, which charges its own fees. A feeder AMETF is an actively managed exchange-traded fund that invests in a single unit trust, which charges its own fees. A fund of funds is a unit trust that invests in other unit trusts, which charge their own fees. Allan Gray does not charge any additional fees in its feeder funds, feeder AMETFs or fund of funds.

The Allan Gray Money Market Fund is not a bank deposit account. The Fund aims to maintain a constant price of 100 cents per unit. The total return an investor receives is made up of interest received and any gain or loss made on instruments held by the Fund. While capital losses are unlikely, they can occur if, for example, one of the issuers of an instrument defaults. In this event, investors may lose some of their capital. To maintain a constant price of 100 cents per unit, investors’ unit holdings will be reduced to the extent of such losses. The yield is calculated according to applicable ASISA standards. Excessive withdrawals from the Fund may place it under liquidity pressure; if this happens, withdrawals may be ring-fenced and managed over a period of time.

Additional information for retirement fund members and investors in the tax-free investment account, living annuity and endowment

The Allan Gray Retirement Annuity Fund, Allan Gray Pension Preservation Fund, Allan Gray Provident Preservation Fund and Allan Gray Umbrella Retirement Fund

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In accordance with section 11(i) of the Botswana Income Tax Act (Chapter 52:01), an amount accrued to any person shall be deemed to have accrued from a source situated in Botswana where it has accrued to such person in respect of any investment made outside Botswana by a resident of Botswana, provided that section 11(i) shall not apply to foreign investment income of non-citizens resident in Botswana. Botswana residents who have invested in the shares of the Fund are therefore requested to declare income earned from this Fund when preparing their annual tax returns. The Facilities Agent for the Fund in Botswana is Allan Gray Botswana (Pty) Ltd at 2nd Floor, Building 2, Central Square, New CBD, Gaborone, where investors can obtain a prospectus and financial reports.

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