

**QC**

**Quarterly Commentary**  
Vol. 1 31 March 2026

**ALLAN GRAY**

**INVESTING THROUGH DISRUPTION:  
LESSONS FROM HISTORY FOR THE AGE OF AI**  
PAGE 04

**PAN AFRICAN RESOURCES: THE GOLDEN GOOSE?**  
PAGE 14

# Dis-Chem: A great business at a great price?

PAGE 10

**HIGHER DISCRETIONARY ALLOWANCE:  
THE OPPORTUNITY TO INVEST MORE OFFSHORE**  
PAGE 18

**ORBIS GLOBAL EQUITY: THE ART OF ADAPTABILITY  
IN TURBULENT MARKETS**  
PAGE 21

**MIND THE GAP**  
PAGE 25

**MAXIMISING NEW TAX BENEFITS TO BOOST  
LONG-TERM INVESTMENT OUTCOMES**  
PAGE 30

*Allan Gray*®  
SINCE 1973



## CONTENTS

COMMENTS FROM THE CHIEF OPERATING OFFICER Mahesh Cooper	2
INVESTING THROUGH DISRUPTION: LESSONS FROM HISTORY FOR THE AGE OF AI Nshalati Hlungwane	4
DIS-CHEM: A GREAT BUSINESS AT A GREAT PRICE? Jonty Fish	10
PAN AFRICAN RESOURCES: THE GOLDEN GOOSE? Andrew Boulton	14
HIGHER DISCRETIONARY ALLOWANCE: THE OPPORTUNITY TO INVEST MORE OFFSHORE Daniel van Andel	18
ORBIS GLOBAL EQUITY: THE ART OF ADAPTABILITY IN TURBULENT MARKETS Ben Preston	21
MIND THE GAP Horacia Naidoo-McCarthy	25
MAXIMISING NEW TAX BENEFITS TO BOOST LONG-TERM INVESTMENT OUTCOMES Shaun Duddy	30
ALLAN GRAY BALANCED, STABLE AND EQUITY FUND PORTFOLIOS	34
INVESTMENT TRACK RECORD	36
PERFORMANCE AND TOTAL EXPENSE RATIOS AND TRANSACTION COSTS	38
IMPORTANT INFORMATION FOR INVESTORS	44

## COMMENTS FROM THE CHIEF OPERATING OFFICER

**Mahesh Cooper**



... long-term, valuation-oriented investing is not about predicting how change will unfold; it is about investing in undervalued businesses ... that will thrive when circumstances change.

**T**he first quarter of 2026 reminded us that investors should always expect the unexpected. After a buoyant start to the year, a series of disquieting events have caused disruption, with the focus being the Iran war, which has many living under the fear and uncertainty of conflict conditions. Beyond the human toll, the war has unsettled the global economy, leading to supply shocks in the oil and gas markets, affecting the prices of global assets across the board – in particular, energy-related stocks and precious metals.

At home, the year appeared to hold much promise: Inflation seemed to be under control, and evidence of progress on South Africa's reform agenda and infrastructure rehabilitation, in addition to increased appetite for emerging market risk, contributed to the strengthening of the rand to around R15.74/US\$ during the first quarter of 2026 – a level not seen since 2022. The well-received 2026 National Budget provided a further tailwind. These factors, along with surging precious metal prices, sent the local market soaring to new highs.

However, as geopolitical tensions in the Middle East have intensified, global investors have yo-yoed into and out of

emerging market currencies and assets, causing the rand to weaken and strengthen on the back of global sentiment, driven by markets wanting the conflict in the Middle East resolved. These movements in the markets and currencies underscore how quickly external global shocks can overshadow local events.

### **Making rational decisions in an irrational world**

This Quarterly Commentary touches on several of the themes described above. [Nshalati Hlungwane's piece](#) on investing through disruption sets the scene. In a world where AI is reshaping all aspects of life, causing uncertainty and exuberance in equal measure, Nshalati reminds us that this is not the first time a technological revolution has made waves. She takes us on a journey spanning railways and ringtones, introducing us to the successes and failures along the way. A critical takeaway: History reveals that remaining rational is key.

Everyone wants to know what will happen next – with the war, the markets, AI – but the crystal ball is as murky as ever.

Luckily, long-term, valuation-oriented investing is not about predicting how change will unfold; it is about investing in undervalued businesses with sound economics that will thrive when circumstances change. This sums up our investment philosophy, and this quarter, we offer some neat examples of its application.

In an illustration of how a household name can hold investment potential, [Jonty Fish delves into](#) the investment case for Dis-Chem, one of the largest retail pharmacies in South Africa: a defensive business with a long growth runway, strengthening returns on capital, and a durable moat – which, in our view, is available at a fair price.

Moving from a fairly new investment (we started adding Dis-Chem to our client portfolios at the end of last year) to one that has retained a place in our portfolios since 2009, [Andrew Boulton discusses](#) Pan African Resources – our preferred gold holding and a top performer within its peer group. Our ongoing assessment of company fundamentals has led us to maintain exposure to this gold miner, which has delivered spectacular returns for our clients.

Much has changed since the start of the year that is largely outside your control. What remains in your control is your commitment to your investment goals and objectives.

We share our investment philosophy and approach with our offshore partner, Orbis, and in this dynamic, shifting investment environment, Orbis can attest to resilience, responsiveness and adaptability being key. Being adaptable does not mean deviating from our investment philosophy; on the contrary, it requires a sharp focus on fundamentals and responsiveness to new information that may change the assessment of a company's value. [Ben Preston, from Orbis, guides us](#) through some of the disciplined decisions Orbis has made during this time of heightened volatility.

### **Discipline and commitment compound**

Discipline is essential for sound investment decisions, but it can be difficult to maintain amid change and uncertainty.

All the number-crunching, modelling and scenario-planning can go out the window in the face of the biggest disruptor of all: human behaviour. Such behaviour, shaped by recent experience and generational memory, often overrides data, history, and fundamentals. In today's shifting environment, it is important to be aware of behavioural biases and not succumb to them, as [Horacia Naidoo-McCarthy explains](#) in her piece.

Much has changed since the start of the year that is largely outside your control. What remains in your control is your commitment to your investment goals and objectives. Linked to this is your ability to make the most of the investor-friendly changes National Treasury recently introduced.

While life is getting more expensive in the wake of the knock-on impact of oil price hikes, if you do have spare capacity, it is worth maximising your tax-free investment and retirement fund contributions. In this quarter's Investing Tutorial, [Shaun Duddy reveals](#) the benefit of compounding by getting in early, while [Daniel van Andel discusses](#) the doubling of the single discretionary allowance – a change that gives those of you looking to increase your offshore diversification more capacity to do so – without additional admin. Our Offshore Investment Platform and Offshore Endowment are great options to consider.

In these times of ongoing volatility, I thank you for your continued trust in us.

Kind regards



Mahesh Cooper

# INVESTING THROUGH DISRUPTION: LESSONS FROM HISTORY FOR THE AGE OF AI

**Nshalati Hlungwane**



... long-term investing is not about predicting how technological change will unfold; it is about identifying resilient businesses ... that will thrive under changing circumstances ...

*It is generally accepted that artificial intelligence (AI) is reshaping industries and society. However, this is not the first time we are experiencing a technological revolution that inspires uncertainty, speculation and exuberance; there have been plenty of transformative disruptions in the past when, in the early stages, it was difficult to predict outcomes. From an investment perspective, history reminds us that identifying the long-term winners is rarely straightforward. Nshalati Hlungwane shares some enduring lessons from previous waves of technological disruption, including the railway and telecommunications booms, and discusses how they can help us navigate the unknowns of AI.*

Over the last few years, AI has dominated news headlines and investor attention, with AI companies experiencing extraordinary growth. Listed AI darling Nvidia<sup>1</sup> has seen its market capitalisation grow 13 times over the past five years, from US\$340bn to US\$4.3tn,

while Anthropic<sup>2</sup>, a private US-based AI company, is valued at US\$380bn following a recent funding round – a twofold increase in less than six months. These numbers are eye-watering. Is this a bubble? Are we going through a step change? Will those who just observe miss out?

Although history may not repeat itself, it does rhyme. Technological disruption in the past has prompted similar questions – and revealed there will always be some winners and many losers. The spoiler alert is that there is no way of knowing who the winner will be, how a technology will spread, or if it will have a lasting impact. Rather than trying to guess, we focus on company fundamentals and valuation-driven analysis in our bid to deliver long-term returns.

## Looking back

As shown in **Figure 1** on page 6, history teaches us important lessons:

<sup>1</sup> A US-based technology company that designs high-performance chips and software.

<sup>2</sup> An AI research company that develops large language models, most notably the Claude AI assistant. It is one of the main competitors of OpenAI, the developer of ChatGPT.

- Technological disruption does not necessarily reward the earliest participants. Some firms fail, others merge, and new entrants emerge with better business models or more effective ways of applying the technology. Sometimes the largest beneficiaries are not even directly invested, but capitalise on newfound economic opportunities created by the deployment of the technology.
- Investors rush to participate, valuations rise sharply, and companies expand aggressively. Eventually, reality sets in as expectations exceed what can be delivered in the short term.
- Technological disruption is typically followed by a period of exorbitant capital expenditure on expanding the infrastructure required to unlock the technology. Industries requiring large upfront investment can experience cycles of overinvestment and consolidation.
- The adoption of a new technology takes time. Infrastructure may be built long before the most valuable applications emerge.
- When large capital expenditure forms part of the new technology's development, sufficient time is needed to generate sustainable revenues to recover those initial costs.

Looking back at previous periods of disruptive innovation, such as the development of British railways in the 19th century and the telecommunications boom of the late 1990s, offers valuable perspective on how new technologies evolve, and how investors can navigate a changing world. As futurist Roy Amara observed: "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run."<sup>3</sup>

### The railway revolution

Before railways, Britain's transport system was dominated by horse-drawn vehicles on roads, canals for heavy freight, and coastal shipping for long-distance bulk transport. The introduction of railway lines was initially met with safety concerns, but the economics of moving large volumes of both passengers and freight at faster speeds and lower cost made their expansion inevitable.

Establishing a company was relatively straightforward back then. Importantly, investors initially only had to pay

about 10% of the capital required, with the remainder called later as construction progressed. The success of the first railway lines sparked early waves of excitement and encouraged new capital formation. Enthusiasm intensified in the mid-1830s after the UK's parliament approved dozens of new lines. However, this surge proved short-lived: A financial panic and recession soon reversed fortunes, sending railway stocks into decline. The true boom arrived in the 1840s.

"We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run."

Petitions for new railway companies surged from 63 in 1843 to over 560 in 1845, driven by a growing middle class, easy access to capital, strong economic conditions and lower interest rates. Railway share prices doubled between 1843 and 1845, while capital expenditure rose from about GBP5m prior to 1843 to a peak of GBP44m in 1847, as shown in **Graph 1** on page 7. This frenzy became known as the British Railway Mania.

However, the boom proved unsustainable. Given that investors had committed only 10% of the required capital upfront, many found themselves unable to meet further payments when construction costs escalated. At the same time, economic conditions deteriorated. Interest rates rose, food prices increased after poor harvests, and the optimistic financial projections of many railway companies proved unrealistic.

Nearly one-fifth of planned track was abandoned, and the industry entered a long phase of consolidation through mergers and acquisitions. Over the following decades, railway shares delivered poor returns.

While hundreds of railway companies emerged during the 1840s, only a few remained and dominated. The businesses that proved more resilient and profitable were the steel manufacturers, which supplied the raw materials for the construction of railways, coal producers, which used

<sup>3</sup> This adage about forecasting the effects of technology became known as Amara's law.

**Figure 1: The disruption playbook**



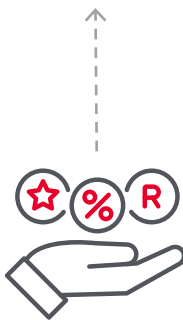
**A new technology idea emerges**

A disruptive innovation takes shape that could alter how existing problems are approached. However, applications and impacts are unclear.



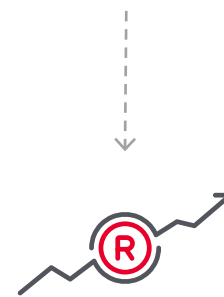
**Investor enthusiasm builds**

Market participants get excited about the possibilities. A narrative of the transformative impact of the technology is extrapolated well into the future.



**Spillover benefits accrue beyond early innovators**

Widespread adoption of the innovation drives productivity gains over time.



**Capital expenditure accelerates**

Companies invest heavily in infrastructure and capacity despite uncertainty surrounding the technology.



**Physical and digital infrastructure is built**

Technology proliferates through networks, platforms and physical assets, setting the stage for future integration and consolidation.



Source: Allan Gray

the railways as routes to market, and the locomotive manufacturers. Much like the “pick and shovel” firms that benefited during the gold rush, these companies prospered by enabling the growth of the broader ecosystem rather than speculating on its success.

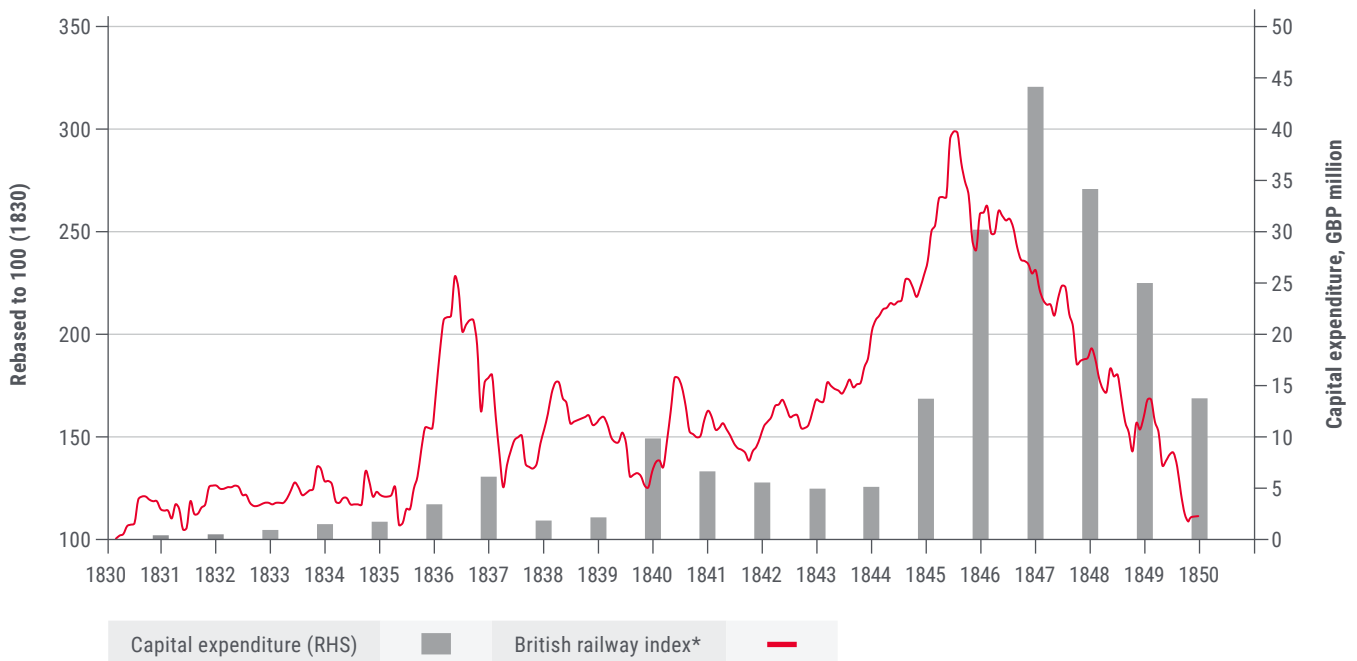
Yet despite the financial turbulence, railways transformed society. They reduced transportation costs, connected cities and rural areas, which accelerated urbanisation, and even led to the standardisation of time zones.

While returns varied significantly depending on entry point, many investors who bought during periods of peak optimism experienced disappointing long-term outcomes, but the infrastructure they financed became foundational to modern economies.

**The telecoms boom**

A similar pattern emerged more than a century later in the US. In the mid-90s, telecoms was seen as the next great growth engine. The 1996 US Telecommunications Act, which aimed

**Graph 1: Index of British railway share prices and railway capital expenditure**



\*Estimated, rebased to 100 = 1830.

Source: Allan Gray research, estimated based on work by Andrew Odlyzko ("Collective hallucinations and inefficient markets: The British Railway Mania of the 1840s", Research paper, 2010)

to deregulate<sup>4</sup> the sector, coincided with increasing internet use, falling mobile phone costs, and major advances in fibre-optic technology. Expectations soared that connectivity would reshape the way people worked, communicated and consumed media.

The result was a wave of new entrants and heavy investment across the industry. Between 1997 and 2000, telecom stocks surged, with the Nasdaq Telecommunications Index rising more than sixfold, as shown in **Graph 2** on page 8.

Much of the capital flowing into the sector funded long-haul fibre-optic networks. From 1996 to 2001, US telecom companies invested heavily in fibre-optic infrastructure, spending an estimated US\$444bn<sup>5</sup> and laying more than 30 million kilometres of cable. Investors believed these networks would become immensely valuable as internet use expanded and demand for bandwidth soared, reflecting the notion that "if you build it, they will come", and an anticipation of new applications that would lead to increased demand for the infrastructure.

However, the industry dramatically overestimated near-term demand. By the early 2000s, it became clear that network capacity far exceeded actual usage. At one point, as much as 90% of installed fibre remained unused. Several major players, including WorldCom and Global Crossing, collapsed under the weight of their debt-fuelled expansion.

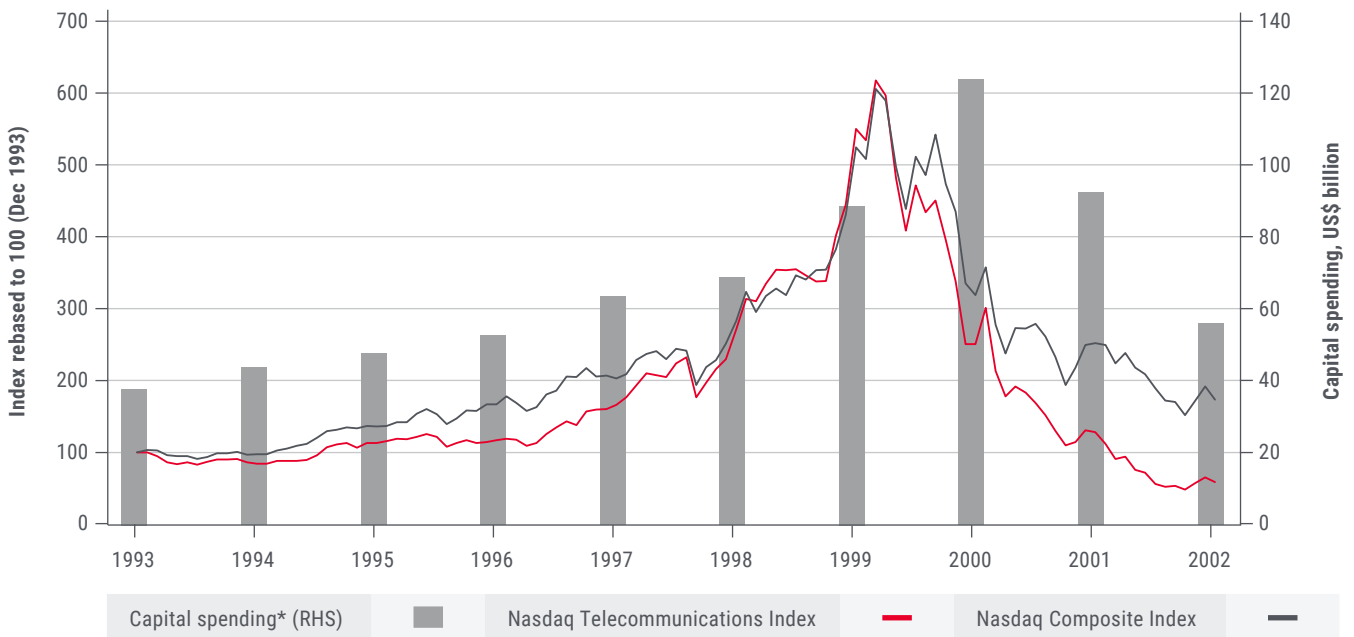
Yet the story did not end there. This abundant and inexpensive infrastructure later supported new digital use cases that were not anticipated at the time. Early streaming media and the rise of large web platforms began to use the excess capacity – but the real demand surge came with the emergence of the smartphone. Companies such as Apple and Samsung rely heavily on high-capacity fibre backbones to carry rapidly growing mobile data traffic, while platforms like YouTube and Netflix thrive on the widespread availability of fast internet.

The infrastructure eventually proved enormously valuable, but much of the economic value accrued to companies that built services and products on top of it, rather than those that had financed its construction.

<sup>4</sup> It was aimed at enabling competition from local telephone services. Prior to the Act coming into effect, the US telecommunication sector consisted of highly regulated monopolies in local service, competitive producers of long-distance services, and a large number of relatively small-scale internet producers.

<sup>5</sup> This number and those shown in Graph 2 are estimates from different sources and therefore not the same.

**Graph 2: The surge in the telecommunication sector – performance and expenditure**



\*Capital investment by publicly traded telecommunication companies (estimated).

Source: Indices: Allan Gray research, sourced from Bloomberg. Capital expenditure: Allan Gray research, estimated based on research by Mark Doms ("The Boom and Bust in Information Technology Investment", *Economic Review*, 2004)

## Using yesterday's lessons to guide us through today

We are living through the latest wave of technological disruption. While it certainly echoes past episodes, there are also distinct differences.

### Similarities

- Global equity markets, as reflected in the MSCI World Index, have been driven by AI-related companies, showing a familiar pattern of investor exuberance.
- AI companies are investing heavily in data centres and computing infrastructure, with spending exceeding US\$400bn in 2025 and expected to rise above US\$600bn this year – see **Graph 3**. (By comparison, South Africa's GDP is around US\$450bn.) This follows the pattern of considerable capital expenditure on infrastructure buildout.

### Differences

- The pace of adoption is far faster than that of previous disruptions: OpenAI's ChatGPT reached 100 million users within two months<sup>6</sup>.

- Earlier technologies mainly improved efficiency by automating existing tasks; AI goes further, operating with a degree of autonomy.

Companies across sectors are investing heavily in AI, and the technology is often portrayed as transformative. While this may prove true, it remains unclear how AI will evolve, or which companies will capture the most value. As illustrated, periods of rapid innovation are often marked by high expectations, heavy investment and elevated valuations, creating both opportunity and risk.

## Discipline in the face of disruption

AI is having, and will likely continue to have a profound impact on the global economy in the years ahead. As Ben Preston from our offshore partner, Orbis, notes in his article available on our website, "[Is AI a bubble, or is the best yet to come?](#)", the challenge for investors is not determining whether the technology will matter, but rather how to participate. Orbis has been able to buy the sellers of picks and shovels that have turned out to be clear beneficiaries of AI, such as Taiwan Semiconductor Manufacturing Company<sup>7</sup>, Nebius<sup>8</sup> and SK Square<sup>9</sup>, without having to pay high multiples.

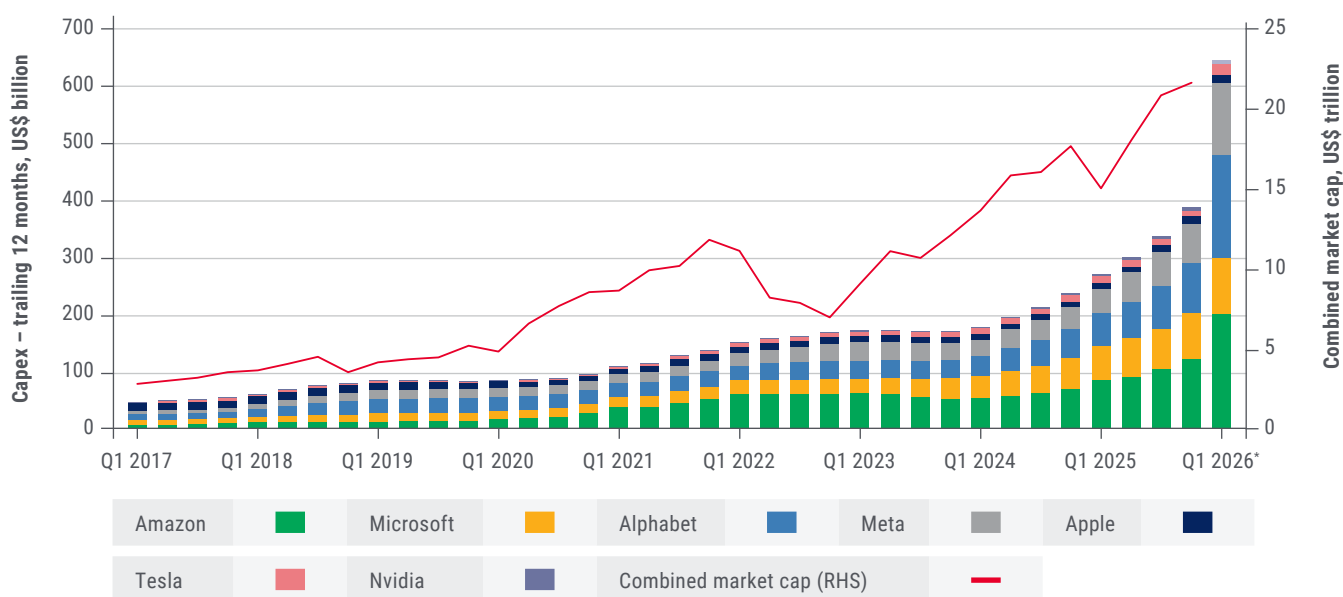
<sup>6</sup> It took TikTok about nine months after its global launch to reach 100 million users, and Instagram two and a half years, according to data from Sensor Tower.

<sup>7</sup> Taiwan-based manufacturer of advanced semiconductor chips, producing the critical hardware that powers modern computing and AI.

<sup>8</sup> Dutch AI infrastructure company that provides the specialised cloud computing capacity needed to train and run large-scale AI models.

<sup>9</sup> South Korea-based technology investment company focused on semiconductors and ICT, with major holdings, including SK Hynix.

### Graph 3: Big tech's massive spend



The stacked bars show capex by major global technology companies on the LHS axis, measuring capex on a trailing 12-month basis. This means the total amount each company has spent over the most recent 12 months, updated each quarter. The red line (RHS axis) shows the combined market capitalisation of these companies over the period.  
 \*Per capex guidance for 2026, where available, or consensus estimates.  
**Sources:** Allan Gray research, LSEG Datastream

Ultimately, long-term investing is not about predicting how technological change will unfold; it is about identifying resilient businesses with sound economics and strong management that will thrive under changing circumstances – and owning them at reasonable valuations. This is what we aim to do through the disciplined application of our investment philosophy.

AI may transform industries in ways that are difficult to foresee today, but if history offers one clear lesson, it is that maintaining discipline and perspective during periods of technological excitement remains a valuable advantage.

**Nshalati** joined Allan Gray as a manager in Retail Client Services in 2016. She is currently a manager in the Institutional Clients team. Nshalati holds a Bachelor of Commerce (Honours) degree in Economics from Rhodes University and a Master of Arts degree in Development Studies from the University of Sussex. She is a CFA® charterholder.

# DIS-CHEM: A GREAT BUSINESS AT A GREAT PRICE?

**Jonty Fish**



... given the improvements management is implementing, we think there is significant upside to margins.

*Finding great businesses at a fair price is not always easy, especially given that the resource and banking sectors currently dominate the FTSE/JSE All Share Index. However, our deep research process is designed to uncover opportunities. Jonty Fish shares why we believe Dis-Chem, one of the largest retail pharmacies in South Africa, meets the definition of a great business at a fair price, and potentially a great business at a great price.*

It was Charlie Munger who famously said, “A great business at a fair price is superior to a fair business at a great price.”

## What makes a great business?

There is not necessarily one definition, but broadly, a great business should have:

1. A long runway for growth
2. Stable or non-cyclical earnings
3. High returns on capital, protected by a durable moat
4. A sound balance sheet
5. Strong free cash flow conversion

We believe Dis-Chem meets all five criteria and is in the process of strengthening an already solid position.

### 1. A long runway for growth

Since the pharmacy market was liberalised in South Africa in 2003, corporate pharmacies have grown market share rapidly. The two main players, Dis-Chem and Clicks, now make up about half of the total dispensary market, having squeezed out many of the smaller players. This consolidation has translated into strong and consistent revenue growth for both businesses. Over the past decade, Clicks has grown revenue at approximately 8% per annum. Dis-Chem, starting from a smaller base and effectively playing catch-up, has grown faster at 11.7% per annum over the same period, as illustrated in **Graph 1**.

There is reason to believe that this consolidation theme will continue well into the future, as it is incredibly hard for independent pharmacies to compete with large groups. Lack of scale to reinvest in price, low front-shop percentages (where higher-margin products are sold), no loyalty programmes, and no succession planning are just a few

reasons why the consolidation theme should continue to play out.

Dis-Chem itself has large store roll-out plans. In 2023, it shifted its plans (partly as regulations changed) from opening roughly 20-25 new stores per year to 40-50 new stores per year, which will essentially double the store base by 2030. While execution has been slower than expected, there is still plenty of opportunity to increase the store base.

## 2. Stable or non-cyclical earnings

Pharmacy sales are generally resilient through economic cycles. Medicine is non-discretionary, and consumers are unlikely to reduce essential healthcare spending even when under pressure.

The front shop further enhances defensiveness, with a significant portion of sales coming from staple categories such as personal care, hygiene and cleaning products. This combination results in earnings that are more stable than those of many other retail formats. As shown in Graph 1, there are no negative swings in revenue.

## 3. High returns on capital, protected by a durable moat

Dis-Chem's return on capital has dropped over the last decade, as shown in **Graph 2** on page 12, which may

concern some investors. However, we believe this decline is due to fixable issues, rather than a structural decline in the quality of the business.

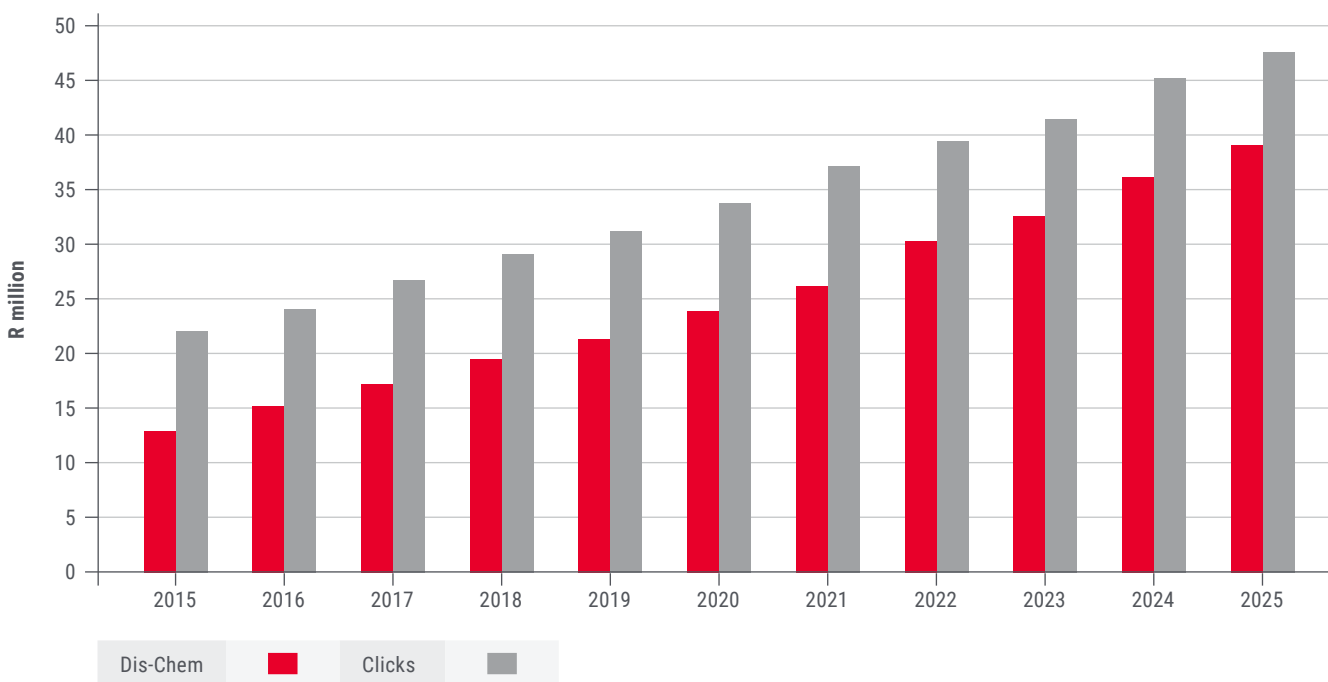
Investing is inherently forward-looking. Markets often anchor to recent history, but value is created by anticipating what a business can earn in the future, not what it earned in the past. In our view, the current return profile does not fully reflect the earnings power of a more efficient, better optimised Dis-Chem and return on capital should return to levels well above the company's cost of capital. Several factors support this view:

### Cost-cutting measures and margin improvements:

Dis-Chem's operating costs have exceeded revenue growth. Management has initiated plans to reduce these costs, some of which are already bearing fruit. These include moving to a centralised store management system, which will improve efficiency and make it easier to manage headcount, shifting to more pharmacy assistants, who can be three times cheaper than pharmacists, and reducing the headcount of a costly management layer.

These initiatives, combined with a maturing store base and increasing scale (expanding total income margins), have given management confidence that it can achieve an 8% retail margin over the longer term, which is significantly

**Graph 1: Dis-Chem and Clicks revenue, 2015-2025**



Sources: Company reports, Allan Gray research

higher than its current 4.7% margin (yet much lower than that of its competitor, Clicks, at just above 10%, which is structurally higher in part due to product mix). Even if it doesn't get to the 8% margin, our calculations suggest there is room to increase that margin by close to 2% if things go to plan.

**New store sizes have better economics:** Part of the decline in return on capital has been due to opening stores too large for their catchment areas. Management has shifted its strategy to opening smaller stores. These stores have shorter payback periods and higher returns on capital.

**Better data and analytics:** Management has strengthened its use of data through specialised teams and platforms, including initiatives under its innovation arm, X, bigly labs. This is enabling them to better understand customer behaviour, refine promotional strategies and roll out their store network with greater precision. The recent launch of Better Rewards and its early traction further reinforce management's improved use of data to strengthen the core business. This more disciplined, data-driven approach should improve new store economics and drive greater consistency across the existing store base.

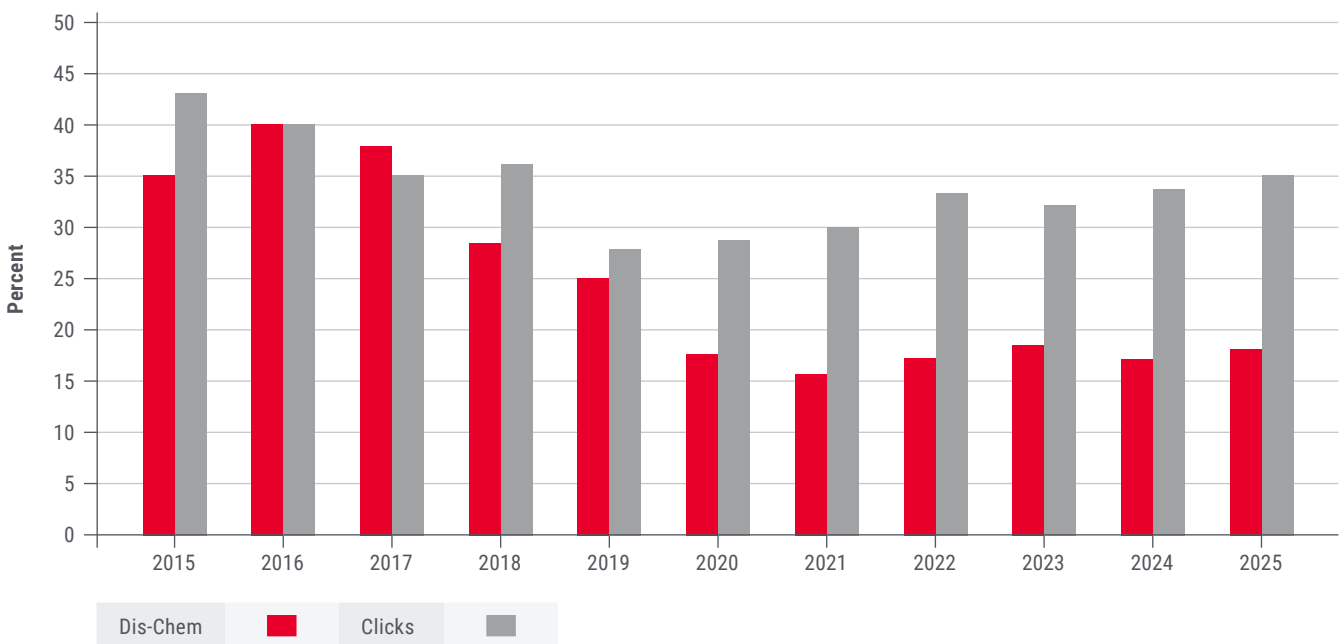
Importantly, these improving returns are protected by a durable moat built on two pillars: ownership of the script and scale:

- **Owning the script** is strategically valuable for two key reasons. Firstly, pharmacies are highly regulated; not just anyone can sell scheduled medication. Licensing requirements, compliance standards and regulatory oversight create meaningful barriers to entry, limiting new competition.

Secondly, the script embeds customers into the ecosystem. Chronic patients return monthly to collect medication, creating predictable, recurring foot traffic. This steady demand anchors store traffic and drives high-frequency visits, which, in turn, support sales of higher-margin front-shop products. We all know what happens: You head into a Dis-Chem or Clicks wanting to buy one item and end up coming out with 10. Sometimes those deals are just too good.

- **Scale** is another serious advantage, creating a powerful virtuous cycle for Dis-Chem. As store numbers and sales volumes grow, procurement volumes rise, improving bargaining power with suppliers and lowering costs. These savings are reinvested into lower pricing and better promotions, strengthening the value proposition and attracting more customers. Higher traffic then drives further volume growth, reinforcing scale advantages. This self-reinforcing loop makes it increasingly difficult for smaller competitors to match pricing without materially eroding their own profitability.

**Graph 2: Dis-Chem and Clicks return on capital, 2015-2025**



Sources: Company reports, Allan Gray research

#### **4. & 5. Balance sheet strength and free cash flow**

Dis-Chem maintains modest levels of debt, providing financial resilience and balance sheet flexibility. In addition, we expect a high proportion of earnings to convert into free cash flow over our forecast period. Ultimately, shareholders receive cash, not accounting earnings. A business that consistently turns profits into cash gives management flexibility, reduces risk, and creates real value for shareholders.

#### **Getting better than a fair price**

At first glance, Dis-Chem does not appear cheap at 23 times trailing earnings; however, given the improvements management is implementing, we think there is significant upside to margins. Based on our estimates, Dis-Chem is trading on just 16 times our normal earnings. For a defensive

business with a long growth runway, strengthening returns on capital, and a durable moat, this is an attractive entry point. This also screens as attractive relative to Clicks, trading on 22 times trailing earnings, which we view as having a more limited store roll-out pipeline and less scope for margin expansion.

No investment is without risk, and execution on margin recovery and store roll-out will be key. However, the risk-reward appears attractive. If management falls short of its margin targets, we believe investors still own a great business at a fair price. If management delivers, investors are likely to own a great business at a great price. We like those odds.

Allan Gray clients now own just over 10% of Dis-Chem.

**Jonty** joined Allan Gray in 2020 as a CA trainee and is currently an analyst in the Investment team. 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. Jonty is a qualified Chartered Accountant (SA).

## PAN AFRICAN RESOURCES: THE GOLDEN GOOSE?

**Andrew Boulton**



... we continue to watch PAN's journey into its new Australian territory with great enthusiasm, and we expect PAN to continue delivering more golden eggs in the future.

*Locally listed gold miner Pan African Resources has long been one of our preferred exposures to the gold sector, and it has been a golden goose for our clients, delivering returns far in excess of the market since its listing. Andrew Boulton sifts through the gravel to reveal what glimmers beneath the surface.*

**T**o paraphrase veteran investor Warren Buffett, superior long-term wealth is often built by owning the goose that lays the golden eggs, rather than the golden egg itself.

Pan African Resources (PAN) has been nothing short of a golden goose for our clients: Over the past three years, PAN shares have increased in value from R3.68 per share (end March 2023) to R31.50 per share at the time of writing (end March 2026) – an approximate ninefold return, including dividends reinvested. That is equivalent to a compounded return of 108% per year over the last three years.

While higher gold prices have provided a tailwind for all gold miners, PAN has been the top performer within

the group, far exceeding the total returns of its locally listed gold-mining peers, as shown in **Graph 1**.

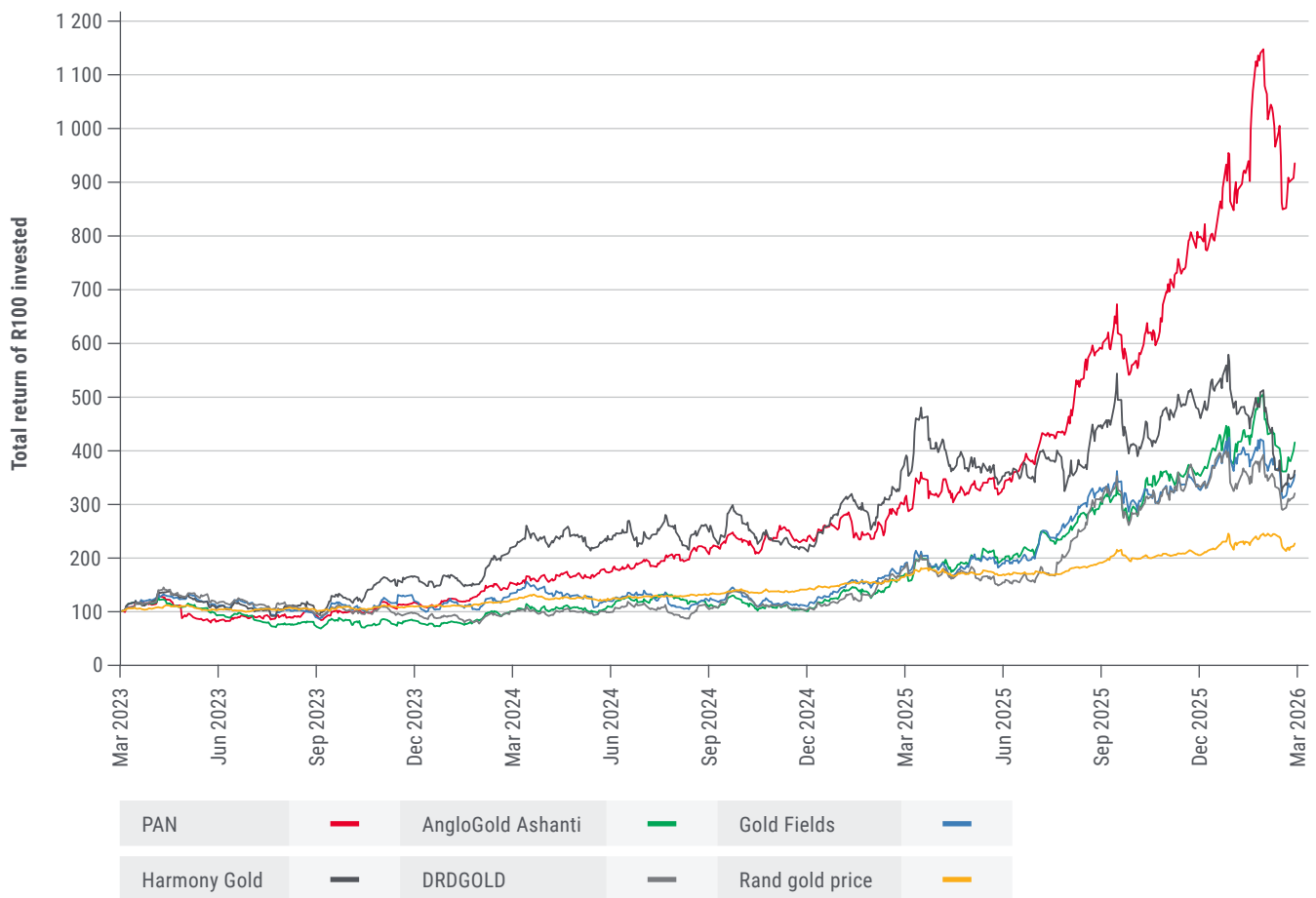
Over the longer term, shareholder returns have also been impressive. Since listing on the JSE in 2007, PAN has delivered a total return of approximately 50-fold (including reinvested dividends), or a compounded return of 23% per year over 19 years. This is significantly higher than the market's average return of 11% per year over the same time frame. How exactly have they done this?

### **The secret sauce: Turning waste into gold**

PAN listed on the JSE after acquiring a Barberton gold-mining complex in South Africa. This included a group of conventional underground mines that have operated since the 1880s, producing around 80-100 thousand ounces (koz) of gold per year at the time of acquisition.

While further exploring the Barberton complex, PAN identified a distinct opportunity that would later shape the future of the company: reprocessing gold tailings dumps.

Graph 1: PAN vs. local peers, March 2023 – March 2026\*



\*Total return of R100 invested.  
Source: Bloomberg

Tailings dumps typically refer to waste stockpiles generated by historical gold processing. These often contain significant amounts of low-grade gold, partly due to the inefficient historical recovery methods. Advances in technology, combined with in-house technical expertise, allowed PAN to extract this gold at favourable economics.

## An additional benefit of the strategy was its positive impact on society ...

A key advantage of the tailings strategy was its largely mechanised nature, which allowed for a lower-cost production profile relative to that of most other conventional mining methods. An additional benefit of the strategy was its positive impact on society: Reprocessing historical waste

sites enabled land rehabilitation, improving the environment for future generations. A win-win scenario for all stakeholders.

### Rinse and repeat

Following the success of its Barberton Tailings project in 2013, PAN replicated its tailings strategy with a series of strategic acquisitions and delivered many golden eggs in the process:

- **2013-2018:** PAN acquired the historical Evander mines and successfully deployed its tailings strategy, this time having access to larger tailings dumps. While Barberton tailings only produced around 20 koz of gold annually, Evander tailings produced around 50 koz of gold per year since 2018.
- **2023:** PAN deployed its tailings strategy again after acquiring the historical Mogale tailings dumps, producing around 50 koz of gold over the trailing 12 months reported.

- **2025:** PAN acquired the historical Tennant Creek mining complex (TCMG) located in Australia, and is once more deploying a similar strategy.

As a result, the increase in gold produced by PAN from tailings has been so significant that it now exceeds the amount of gold produced from underground mines, as shown in **Graph 2**. Given that production from tailings is lower-cost, it generates a higher profit per ounce of gold and improves PAN's overall profitability, as illustrated in **Graph 3**. Including the production from TCMG (guided to be around 50 koz), PAN is expected to further increase its gold production from tailings and other surface sources over the next year.

### The Lollapalooza effect

Charlie Munger, Buffett's long-term business partner, introduced the term "Lollapalooza" to describe scenarios where multiple forces act in concert to produce an extreme outcome. Over the last three years, PAN's extreme returns have emerged from a Lollapalooza scenario:

**PAN's growing production from lower-cost tailings ounces + leverage from the higher gold prices = an approximate ninefold return over three years**

Our clients have benefited from these spectacular returns, as our long-term investment philosophy and continuous assessment of bottom-up company fundamentals have led us to maintain exposure to PAN since 2009. A Lollapalooza for our clients.

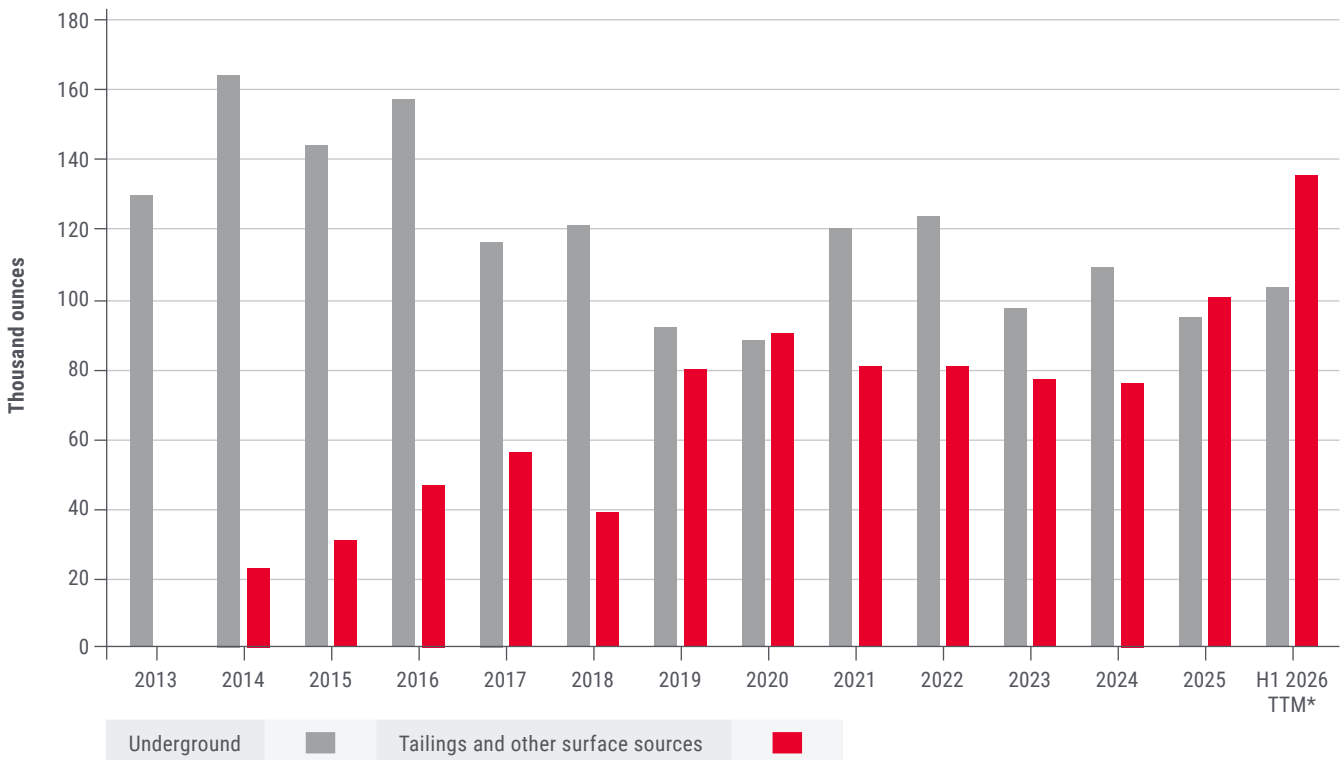
As we have realised some of these gains on behalf of our clients, our holdings of PAN's shares in issue have reduced (in percentage terms). However, our clients' notional exposure (in billions of rands) is still higher than a year ago.

Our clients have benefited from these spectacular returns ...

### Golden opportunities?

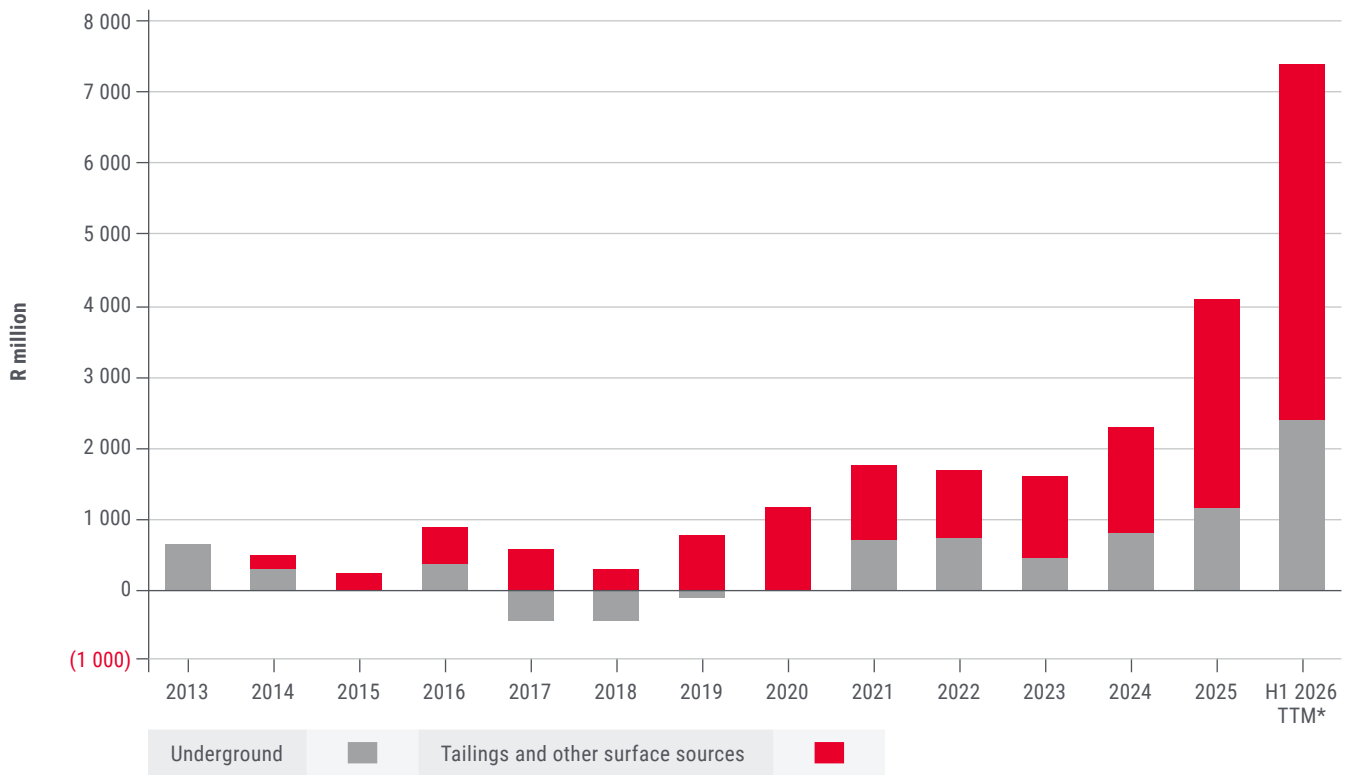
While we don't pay much attention to the short-term fluctuations of the gold price, we do continue to watch PAN's journey into its new Australian territory with great enthusiasm, and we expect PAN to continue delivering more golden eggs in the future.

**Graph 2: PAN gold production**



\*Trailing 12 months  
Sources: Company reports, Allan Gray research

**Graph 3: PAN profitability (revenue less all-in sustaining costs)**



\*Trailing 12 months  
**Sources:** Company reports, Allan Gray research

For readers interested in our longer-term views on gold, see our previous gold-related articles, available via the ["Latest insights"](#) section of our website, and listen to [episode 28](#) of The Allan Gray Podcast, "Gold in the age of fiscal dominance", available via our website or your favourite podcast platform.

**Andrew** joined Allan Gray in 2022 as an analyst in the Investment team. He holds a Bachelor of Business Science degree specialising in Finance with Accounting from the University of Cape Town.

## HIGHER DISCRETIONARY ALLOWANCE: THE OPPORTUNITY TO INVEST MORE OFFSHORE

**Daniel van Andel**



The increase ... is an exciting development for all investors wanting to streamline and simplify the process of investing in foreign currency-denominated funds.

*Thanks to the increase in the single discretionary allowance, from 17 April 2026, investors can use the Allan Gray Offshore Investment Platform and Allan Gray Offshore Endowment to expatriate and invest up to R2m per year offshore without having to obtain prior approval from the South African Revenue Service. This is a welcome change, giving those who wish to diversify their investments globally a greater ability to do so without having to follow what can be an administration-intensive tax clearance process. Daniel van Andel elaborates.*

**T**he single discretionary allowance (SDA) was introduced by the South African Reserve Bank (SARB) and formalised in 2008 as part of its exchange control liberalisation. Individuals are granted a new allowance each calendar year, which can be used for any offshore purpose, including offshore investing and other offshore spending, without prior approval from the South African Revenue Service (SARS).

Earlier in the year, National Treasury announced an increase in the SDA from R1m to R2m to account for inflation and

currency fluctuations since it was last adjusted. If you are considering taking advantage of the increased allowance, it is important to be aware of the following:

- For 2026, you can use the full R2m at your disposal, even though the change only took effect on 8 April.
- The SDA is granted to South African resident individuals aged 18 and above, meaning you can consider using more than one individual's SDA in your planning, depending on your situation and household. Although minors do not receive a full SDA, the travel allowance they receive has also doubled, from R200 000 to R400 000.
- The SDA covers not only offshore investments, but also all other foreign expenditure, like credit card spend when travelling abroad, which must be factored in when deciding how much to invest.

If you are looking to invest more than R2m, you can do so by applying for a tax clearance certificate from SARS, which allows for additional offshore investment of up to

R10m annually. This is called the foreign investment allowance. Amounts above R12m require special approval from the SARB.

### **Benefits of investing through the Allan Gray Offshore Investment Platform**

Offshore investing is sometimes perceived as being inaccessible, complex, and reserved for the very wealthy. We have tried to address these factors by simplifying the offshore investment process and offering access to global managers at minimums that are more accessible than going to the managers directly.

Approximately 30 000 of our clients have used their own allowances to invest in foreign currency-denominated funds via the [Allan Gray Offshore Investment Platform](#) or Allan Gray Offshore Endowment, and more than 8 000 of our clients regularly contribute to their offshore investments in any given year. For these clients, and others who aim to grow their offshore portfolios, the higher allowance will help simplify the process and remove friction.

Our offshore platform allows investors to access foreign currency-denominated funds, like those offered by our sister company, Orbis. Through our offering, we aim to provide the same ease of use, value for money and service orientation that you are accustomed to from investing in local currency investment options. Some features of our service include:

- You can manage your local and offshore platform investments holistically through our secure Allan Gray Online website.
- Platform administration fees are based on your total investments with us across our local and offshore investment platforms.
- You can make investment contributions in either foreign currency or rand. For the latter, we can facilitate currency conversions via our authorised dealer at preferential rates.

There are several reasons to consider using your own allowance to invest through our offshore platform, rather than investing in rand-denominated funds that invest in offshore assets:

- You get access to a broader range of global fund managers that may not be accessible via the rand-denominated vehicles.

- Investments are in foreign currency, in funds managed by a global manager, and can therefore be withdrawn and paid to an offshore bank account registered in your name.
- Offshore investments are taxed differently from rand-denominated investments for capital gains purposes: Capital gains are calculated in the applicable foreign currency rather than in rand. This means that, if the rand weakens, it is more tax-efficient to be invested in a foreign currency-denominated fund, while if the rand strengthens, it is more tax-efficient to be invested in a rand-denominated fund.
- VAT does not apply to the fees charged for administration and investment management, as the investments held are offshore in nature.

Through our offshore offering, we aim to provide the same ease of use, value for money and service orientation that you are accustomed to ...

### **Tax and estate-planning advantages of the Allan Gray Offshore Endowment**

The [Allan Gray Offshore Endowment](#), launched in 2023, is an investment-linked product issued by the Guernsey branch of Allan Gray Life Limited. This product is Guernsey-domiciled, but is integrally linked to our offshore platform offering. This means that when you invest in our Offshore Endowment, you enjoy the benefits and features described above. In addition, there are specific benefits associated with offshore endowment products:

- For individual investors in an endowment, the income tax rate is fixed at 30% and the effective capital gains tax rate at 12%. By contrast, individuals can pay income tax of up to 45% and capital gains tax of up to 18% when investing in their own capacity. The product therefore becomes tax-efficient if your marginal tax rate is above 30% and can reduce tax payable by up to a third. Furthermore, the calculation, deduction and payment of any tax due are managed in the endowment, meaning that you do not receive

tax certificates and do not have to account for the investment in your tax returns for income and capital gains (however, it should still reflect in your statement of assets).

- Endowments offer estate-planning continuity and flexibility when it comes to the transfer of wealth to your appointed beneficiaries on your death. No offshore will is required, and executor fees do not apply, although the offshore endowment will still form part of your estate for estate duty calculation purposes. Capital gains tax is not realised and paid on your death, provided that the investment continues and is not paid out. Overall, the process allows for quicker payment of proceeds, as well as greater continuity when transferring wealth from one generation to the next.
- The total value of your investment will be protected from creditors during your lifetime, provided that the endowment is issued on your life or the life of your spouse, and has been in force for at least three years.

### **Consider an independent financial adviser if you need more guidance**

The increase in the SDA is an exciting development for all investors wanting to streamline and simplify the process of

investing in foreign currency-denominated funds. We have designed the Allan Gray Offshore Investment Platform to help facilitate this journey. There are many important reasons to diversify your portfolio by investing offshore, and plenty of options available either via our offshore platform into foreign currency-denominated funds, or via investing in rand-denominated vehicles that contain offshore exposure.

There are many important reasons to diversify your portfolio by investing offshore ...

You may wish to consult an independent financial adviser, who can help you determine the appropriate level of offshore exposure to meet your long-term investment goals, and help you select the offshore product and fund(s) that are appropriate for your needs and circumstances.

**Daniel** joined Allan Gray in 2009 and is currently the head of Platform and Adviser Proposition. He was previously a manager in the Retail Product Development team. Daniel holds a Bachelor of Commerce in Economics from Stellenbosch University, an Honours in Economics from the University of South Africa and a Master of Business Administration from Warwick Business School. He has passed all three levels of the CFA® charterholder examinations.

# ORBIS GLOBAL EQUITY: THE ART OF ADAPTABILITY IN TURBULENT MARKETS

**Ben Preston**



We seek to reorientate the portfolio continuously towards the most attractive shares.

*Against a backdrop of heightened volatility, rapid advances in artificial intelligence and ongoing geopolitical tension, an adaptable, disciplined and valuation-driven investment approach is essential. Ben Preston from our offshore partner, Orbis, discusses how the Orbis Global Equity Fund is positioned to navigate the constantly evolving global landscape by tilting towards attractive shares and selectively identifying undervalued opportunities in the market.*

The first quarter of 2026 was an eventful one, bringing further significant developments in artificial intelligence (AI), a sharp sell-off in software-as-a-service shares (nicknamed the “SaaS-pocalypse”), a loss of confidence in previously hot private credit funds, and, tragically, the outbreak of another war in the Middle East. We extend our thoughts and best wishes to all those caught up in that conflict and we hope for a swift resolution.

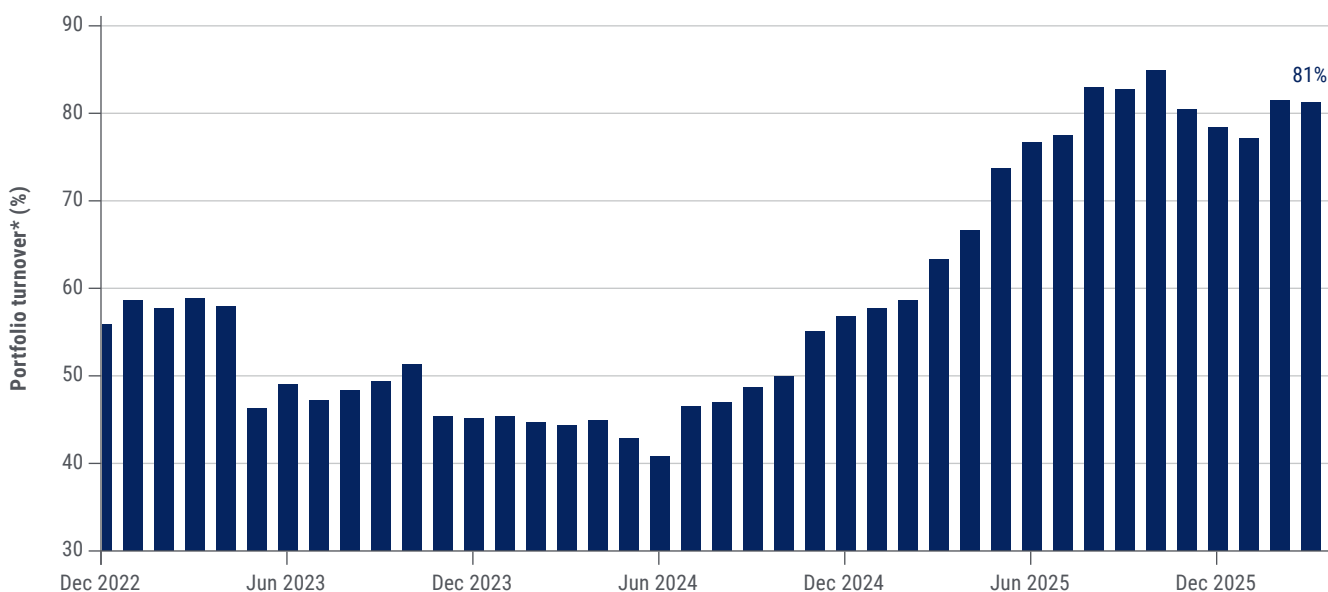
Stock markets were modestly positive in the first two months of the year – before hostilities – but declined sharply in March, with the MSCI World Index ending

the quarter down by 3.6%. Against that background, the [Orbis Global Equity Fund](#) fared better, generating a modest positive return.

As we have previously stressed, navigating a volatile and dynamically shifting investment environment requires adaptability. Importantly, being adaptable doesn’t mean shortening our investment horizon. Far from it – we appraise the fair value of companies as if we’re planning to own them forever. Rather, it means being responsive to new information that can change a company’s share price, our assessment of its intrinsic value, and therefore the all-important gap between the two.

We seek to reorientate the portfolio continuously towards the most attractive shares. The faster things are moving, the greater the opportunity to actively adjust. It should therefore come as no surprise that our recent turnover has been higher than usual, as shown in **Graph 1** on page 22. We believe this to be healthy and perfectly consistent with a disciplined, long-term investment philosophy.

**Graph 1: 12-month portfolio turnover for the Orbis Global Equity Strategy**



\*12-month portfolio turnover is calculated as the lesser of total security purchases or sales over the period, divided by the average net asset value. Cash, cash equivalents and short-term government securities are not included. Data is for a representative account for the Orbis Global Equity Strategy.  
**Source:** Orbis

As well as adaptability, a changing market environment also tends to reward humility. We will not shy away from admitting our mistakes or identifying ways to learn from them, those being critical ingredients for continuous improvement. This quarter, as usual, has brought its fair share.

In particular, we will aspire to humility regarding our ability to predict the future. Last quarter, we highlighted a simple but powerful dynamic: We don't have to be right all the time, as long as our winners win more than our losers lose. This attractive feature – positive “skew” – helped to differentiate performance relative to the losses suffered by the benchmark index.

Indeed, positive skew is a highly valuable portfolio attribute that often gets overlooked. It is tempting to believe that a high hit rate is the key to outperforming. But the nature of market pricing – a competitive tug of war between buyer and seller in an uncertain world – effectively makes it impossible to pick only winners.

That's where skew helps. It's not complicated; it just means identifying shares with vastly more upside than downside, and it's one of the key benefits that result from a contrarian investment approach that emphasises margin of safety. The more volatile and uncertain the investment environment, the more valuable this skew becomes.

Three of our top winners this quarter were semiconductor manufacturers – “picks and shovels” to the AI boom – while seven of our top losers were healthcare-related companies, as shown in **Table 1**. Positive skew meant that the outperformance from the semiconductors more than offset the losses on healthcare.

### Healthcare

The biggest detractor was ICON, a clinical trial company whose shares fell heavily after reporting financial irregularities related to revenue recognition. With the benefit of hindsight, we would place greater weight on earlier public signals around class actions and management culture. Consistent with our mindset of continuous improvement, we are working on our process for identifying cultural red flags. ICON was sold during the quarter, as was IQVIA, another clinical trial company, which was not implicated in any financial wrongdoing.

US-managed care organisations UnitedHealth and Elevance were detractors for the quarter and have also now been sold. Highly dependent on government-funded programmes, these companies received disappointing news that proposed 2027 reimbursement rates for Medicare Advantage will fall well short of what's required to keep up with the rising cost of care. At best, this will delay the earnings recovery we had been expecting; at worst, it threatens it altogether if the 2027 rates are a sign of things to come. Our concern is

**Table 1: Top 10 relative contributors (latest quarter, gross)**

Positive contributors (%)		Negative contributors (%)	
SK Square	1.4	ICON	(0.8)
Samsung Electronics	1.2	UnitedHealth Group	(0.4)
XPO	0.7	IQVIA Holdings	(0.4)
Taiwan Semiconductor Mfg	0.7	Bruker	(0.3)
Westlake	0.7	Genmab	(0.3)
QXO	0.4	Insmed	(0.3)
Mitsubishi Estate	0.4	Sea	(0.2)
EQT	0.4	Alnylam Pharmaceuticals	(0.2)
Techtronic Industries	0.3	Constellation Software	(0.2)
BAE Systems	0.3	NetEase	(0.2)

Sources: MSCI, Orbis. Performance attribution is gross of fees, relative to the MSCI World Index, and based on a geometric model, with daily linking. Data is for a representative account for the Orbis Global Equity Strategy.

that the US government now seems intent on squeezing healthcare expenditure, and managed care companies are an easy target.

It can be painful to lock in losses by selling underperforming shares, but it's often the right thing to do. We continually reassess the fair value of the shares we hold, and if the share price no longer stacks up well against the value on offer, we can best serve our clients by dispassionately rotating the capital into more attractive ideas.

Elsewhere in healthcare, we kept positions in biopharma and equipment-makers, where we remain enthusiastic.

### Semiconductors

Notwithstanding a recent sell-off in Korean equities, given the country's reliance on imported energy, our semiconductor holdings have been strong performers for the quarter and, especially, since purchase. During the quarter, we have taken profits on SK Square, a particularly large contributor, and have now raised more in cash from net sales than it cost us to establish the position. Still, it remains a large holding, reflecting what we see as the value on offer.

Aside from the here-and-now of the Iran conflict, the bigger long-term theme that will shape the future of the semiconductor sector is AI. Here, the debate rages on: Is it, or is it not, a bubble?

Broadly, we acknowledge valid points on both sides of that debate. Extraordinary levels of capital expenditure are certainly a concern, particularly when much of it is funded by newly raised capital rather than reinvested profits. On the other hand, it is clear that real intrinsic value is being created. Despite being only a few years old, ChatGPT has already amassed almost a billion regular users worldwide, while Anthropic already has over 500 corporate customers spending at least US\$1m per year, and nine over US\$100m. Companies do not spend such sums lightly.

All that demand requires vast amounts of computing power – both logic and memory – and there are only a few companies capable of supplying it. The portfolio holds Taiwan Semiconductor Manufacturing Company for the logic, and Samsung Electronics and SK Hynix (held via the deeply discounted holding company SK Square) for the memory. Insatiable demand for more compute has driven earnings to unprecedented cyclical highs. All three stocks have been exceptionally rewarding.

A key question is whether their currently high earnings can be maintained or will fall back as the cycle fades. As usual, we would rather consider both possibilities than pin our hopes on just one, and it's this exercise that convinces us that the upside/downside skew is still in our favour.

With the shares priced at very reasonable earnings multiples, the stock market is treating the AI boom as a

normal (albeit large) semiconductor cycle, signalling that earnings are widely expected to revert to lower levels. Recent breakthroughs in memory compression have fuelled these fears. If earnings do indeed moderate, the shares will likely be weak, but not disastrous – because that bearish outcome is already priced in.

But a far more bullish scenario is also possible, namely that more computing power will improve the capabilities of AI, thus creating more user demand that will, in turn, necessitate more computing power. That dynamic would power a self-perpetuating feedback loop without a natural upper limit, one to be enjoyed by only a small number of companies that have the scale and technical know-how to become critical providers of a revolutionary technology.

We remain confident of the power of our investment philosophy to generate superior returns over time.

### Rest of the portfolio

We have also made adjustments elsewhere in the portfolio. We started the year with little to no exposure to software, which has historically been one of the more expensive areas of the market. But when there is widespread fear, such as today's concerns about disruption, that often plays to our strengths; it creates opportunities to be selective. Not all software business models are the same, so when

software shares sold off, we asked a simple question: Will there be fundamental disruption to this business or not? That has guided our focus towards companies with defensive network effects and proprietary data sets – including a new position in the software-enabled credit bureau Experian.

At the same time, we have been looking for opportunities to strengthen the resilience of the portfolio. The conflict in the Middle East has severely constrained the flow of energy out of the Persian Gulf, but initial moves in the share prices of energy producers were relatively muted, indicating that the market expected the disruption to be short-lived.

What if it's not? We were able to take advantage of the market's apparent complacency and made some purchases of shares that should give clients increased protection against an adverse scenario, while also being good absolute value even absent an energy crunch. To that end, we have added to the portfolio's energy exposure through EQT, a natural gas producer in the Appalachian Basin that we believe will benefit from AI-fuelled data centre demand for reliable "behind the meter" power, and Shell, a diversified energy business and keystone global liquefied natural gas producer.

As a reminder, our focus is on long-term returns, and clients should not expect positive relative returns each quarter or each year. Historically, we have outperformed the MSCI World Index in 57% of quarters, 61% of calendar years, 75% of 10-year periods, and 100% of 20-year periods since inception<sup>1</sup>. We remain confident of the power of our investment philosophy to generate superior returns over time.

---

<sup>1</sup> This is the asset-weighted net-of-fee return of all share classes in the Strategy. This return may differ from the return of any individual share class. The Orbis Global Equity Strategy inception date is 1 January 1990.



**Ben** joined Orbis in 2000. He directs client capital in the Orbis Global Equity Strategy. Ben holds a Master of Arts (Honours) degree in Mathematical Sciences from the University of Oxford and is a CFA® charterholder.

## MIND THE GAP

**Horacia Naidoo-McCarthy**



... markets do not reward prediction; they reward robust processes applied consistently over the long term.

*Periods of change are uncomfortable, but they are rarely unprecedented. Markets, economies, and geopolitical landscapes often swing between extremes. As bottom-up, valuation-oriented investors focused on the long term, we look to understand the rules of the environment in which we are investing rather than predict the next shift. Horacia Naidoo-McCarthy offers a structured way to think about today's investment landscape and the behavioural pitfalls that often accompany regime change.*

“Mind the gap” is a famous safety warning used on the London Underground advising passengers to be careful of the gap between the train door and the platform edge. The familiar phrase is often used as a reminder to heed potential risks, differences or oversights, and navigate with care – a worthwhile warning in today's investment environment.

### **In perpetual motion**

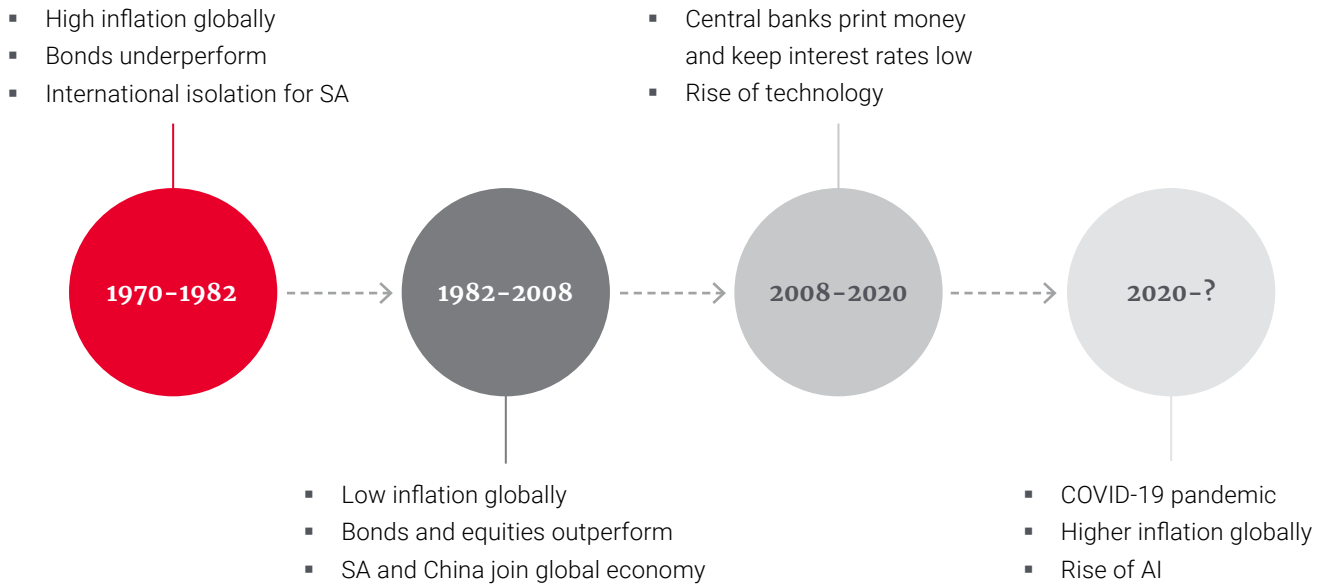
Change is a constant factor in life and investing, and while we know this intuitively, it nevertheless stirs up feelings of uncertainty. The investment environment is constantly

shifting, as shown in **Figure 1** on page 26. The past 50 years have included times of high and low inflation, rising and falling bond and equity markets, and phases of global integration followed by fragmentation.

These shifts are not anomalies; they are features of long-term market history. Each market cycle brings new reasons to believe “this time is different”, yet the contributing factors – changing expectations, where money flows, and human behaviour – are similar. Recognising this can help investors avoid overreacting to short-term noise and remain anchored to long-term principles.

History shows regime shift is usually accompanied by the ascendancy of an asset, sector or geography. Looking back over the last 40 years or so, a pattern emerges: Market leaders in one cycle rarely dominate the next. As shown in **Figure 2** on page 26, over time, market leadership has rotated from Japanese financials during the late-1980s bubble to US technology during the technology, media and telecommunications (TMT) era, to China-linked banks and commodities around the

**Figure 1: Regime shifts over the past 50 years**



Source: Allan Gray

**Figure 2: Shifts in economic regimes often usher in new market leaders**

Japan bubble Dec 1989	TMT bubble Mar 2000	GFC/China bubble Oct 2007	AI boom Dec 2024
Nippon Telegraph	Microsoft	Exxon Mobil	Apple
Industrial Bank of Japan	Cisco	General Electric	Nvidia
Sumitomo Bank	General Electric	China Mobile	Microsoft
Fuji Bank	Intel	Industrial and Commercial Bank	Amazon
Mitsubishi Bank	NTT Mobile Comm	Microsoft	Alphabet
Exxon	Vodafone	Gazprom	Meta Platforms
Dai-ichi Kangyo Bank	Exxon Mobil	Royal Dutch Shell	Tesla
General Electric	Nippon Telegraph	China Petroleum	Broadcom
Tokyo Electric	Walmart	China Construction Bank	Berkshire
Sanwa Bank	Nokia	China Life Insurance	Taiwan Semiconductor Manufacturing Company

Source: Orbis, top 10 stocks globally by market capitalisation

global financial crisis, and most recently to US megacap growth stocks during the AI boom.

The point of looking back is not to try to predict exactly what comes next, but to challenge the instinct to carry recent patterns forward without question – a common behavioural trap that can impact investor outcomes.

[Nshalati Hlungwane discusses](#) some fascinating examples of investing through disruption in her piece on page 4.

## Why do investors keep falling into the same behavioural traps?

Behaviour, shaped by recent experience and generational memory, often overrides data, history, and fundamentals. In today's shifting environment, it is important to be aware of these behavioural biases and not succumb to them.

### 1. Recency bias in a shifting market environment

Investors tend to project today's dominant themes into the future – not because the evidence supports it, but because human psychology leans towards continuity. Several forces in the current environment create fertile ground for this behavioural trap:

#### Persistent inflation and higher-for-longer rates

For much of the last four decades, investors have been accustomed to global inflation and interest rates trending downwards. However, post COVID-19, inflation has proven to be stickier than expected, driven by geopolitics, policy choices, defence spending and supply constraints.

Rising inflation often leads to higher interest rates, and investors reasonably expect greater compensation for taking on more risk in holding shares. This is particularly true of companies whose earnings and profits are expected far into the future. This also means inflation does not affect all companies equally – some sectors, business models and countries are less vulnerable than others. Today, in the US, despite persistent inflation, stock market performance has been resilient, and this may reinforce the belief that “this time is different” when the underlying trend may be reversing.

#### US exceptionalism and market concentration

2025 was the first year since 2017 that markets outside the US outperformed the US. Nevertheless, the MSCI World Index remains dominated by a narrow group of US megacap tech stocks, as shown in Figure 2. Concentration has skewed index performance, widening the gap between prices and fundamentals, and has been further amplified

by passive flows. This exceptionalism has spilled beyond markets into foreign policy, further entrenching the belief that the US is uniquely insulated from global pressures.

### South African investors favour global over local equities

The exceptional run in US equities has anchored expectations of what “normal” returns look like. Over and above the performance, given the relatively small size of the South African market, the inherent local risks and the fact that many sectors and companies are simply not available, South African investors see offshore markets as superior.

While global shares have indeed outperformed local shares over the last decade and a half, and the other factors cannot be ignored, the prior decade tells a different story, suggesting there is opportunity for considered stockpicking. From 2000-2010, local shares, largely driven by the global commodities boom and supportive foreign flows, outperformed global shares. This culminated in local shares outperforming global shares by 4.1% over the longer than two-decade period, as shown in **Graph 1** on page 28.

#### A reconfigured global order

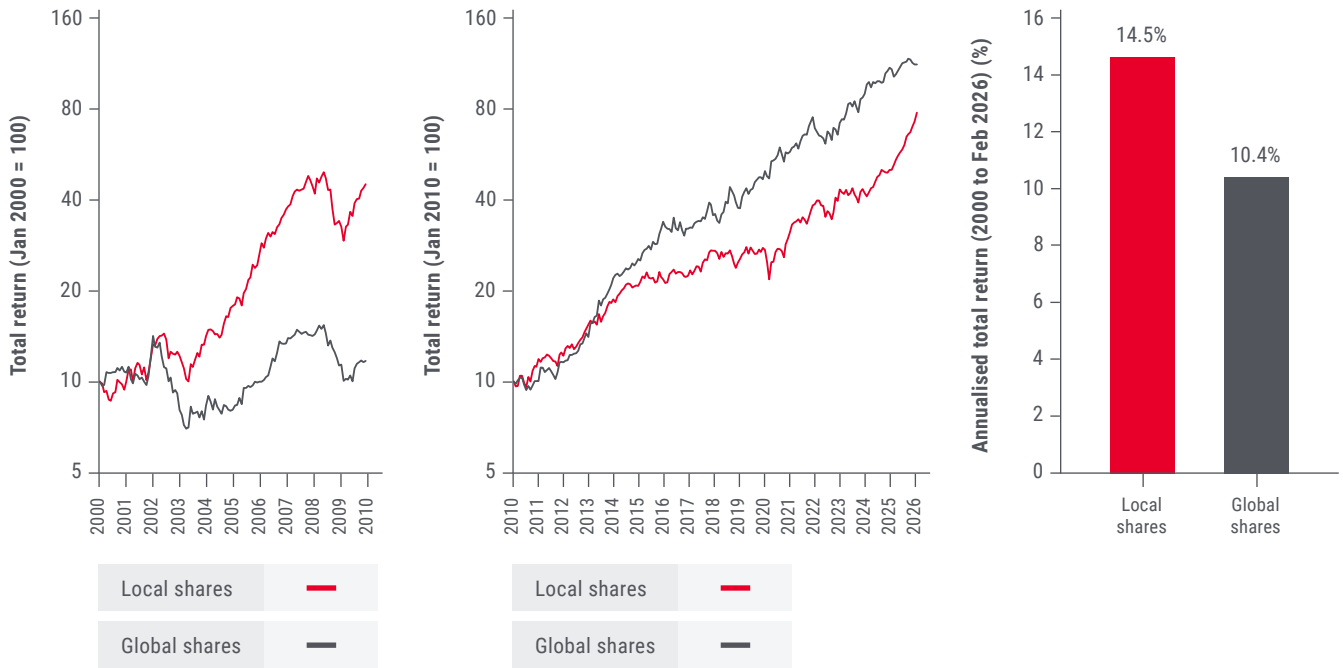
COVID-19 exposed supply chain vulnerabilities and accelerated deglobalisation. Geopolitical tensions, tariff cycles and multiple conflicts have deepened fragmentation. Meanwhile, AI is reshaping global power dynamics – shifting influence towards data, computing infrastructure, semiconductor control, and the ability to set technological standards. It is not just a technological development – it is a structural force accelerating geopolitical divergence.

**The behavioural takeaway:** When markets appear resilient despite rising fragility, recency bias thrives. Investors focus on what has worked – US tech, offshore exposure, concentration – and underplay the possibility of regime change. Index-level strength can mask increasing vulnerability.

### 2. Generational anchoring: Why lived experience shapes risk perception

Best-selling author and investor Morgan Housel notes that people's understanding of risk is shaped less by theory and more by the era they grew up in. Research also suggests that the economic and market conditions people experience early in their working lives can shape what different generations come to regard as “normal”. These mental reference points tend to persist over time and can meaningfully influence investor behaviour. The lived experiences of different age groups are reflected in **Figure 3** on page 28.

**Graph 1: Local and global equities have traded places in performance leadership over the past two decades**



**Sources:** Allan Gray research, LSEG Workspace. Local shares represent the FTSE/JSE All Share Index (total return). Global shares represent the MSCI World Index (total return, net of withholding taxes).

**Figure 3: Generational differences influence perceptions of the rand-dollar exchange and stock market dynamics**

<b>Year of birth</b>	1998	1987	1978	1969
<b>Current age</b>	28	39	48	57
<b>Exchange rate</b>	<b>R17/US\$1</b> (5-year average: 2019-2024)	<b>R11/US\$1</b> (5-year average: 2011-2016)	<b>R8/US\$1</b> (5-year average: 1999-2004)	<b>R3/US\$1</b> (5-year average: 1990-1995)
<b>Formative market experiences</b>	<b>US tech dominance</b>	<b>Global stocks beat SA stocks</b>	<b>Three bubbles: 2000, 2008, 2021</b>	<b>Low global inflation (&lt;4%)</b>

**Source:** Allan Gray research

### Two investors, two realities

A 48-year-old today, who entered the workforce in 2001 when the rand traded at R8 to the US dollar and who lived through the tech bubble, the global financial crisis and the deflation of the “everything bubble”, will naturally view volatility and currency moves differently from a 28-year-old, who has only ever known the rand to be around R17/US\$ and a world dominated by US tech giants.

These lived experiences become default assumptions.

They influence:

- what feels safe,
  - what feels expensive,
  - what feels like a risk, and
  - what feels like opportunity,
- even when long-term data tells a different story.

**The behavioural takeaway:** Generational memory is a powerful anchor. When left unexamined, it morphs into behavioural bias – especially in environments where historical patterns are breaking down.

### How these factors influence investment decisions

The interplay between recency bias and generational anchoring is visible in how investors have allocated capital in recent years. These biases create illusions of inevitability, obscuring cyclical reality. There are many consequences:

- Opportunities in undervalued areas are overlooked in favour of popular, overvalued areas.
- Risk is underestimated where valuations are stretched, and overestimated where valuations have been punished, often due to poor sentiment.
- Investors misread the early signs of regime transitions, assuming that the status quo will endure indefinitely.

A valuation-driven approach aims to counter these biases by grounding decisions in fundamentals rather than narratives, momentum or generational assumptions.

### Bridging the gap

Periods of uncertainty are not unprecedented; they reflect shifts in investment regimes where leadership rotates and familiar patterns lose relevance. How investors interpret these shifts depends heavily on recent and generational experience. When these go unchecked, they harden into biases that obscure opportunity and magnify risk.

By minding the gap ...  
we position ourselves  
to invest thoughtfully  
through shifting regimes.

Ultimately, markets do not reward prediction; they reward robust processes applied consistently over the long term. Even a disciplined investment philosophy will experience periods of discomfort, and at times be wrong in outcome despite being right in process. History rarely follows the same script, yet it often revisits familiar themes, reminding us that resilience lies not in prediction, but in adaptability, the disciplined application of a consistent investment philosophy and a clear-eyed focus on fundamentals. By minding the gap – between past and present, experience and evidence, perception and reality – we position ourselves to invest thoughtfully through shifting regimes.

**Horacia** joined Allan Gray in 2017 and is a manager in the Institutional Clients team. She holds a Bachelor of Science (Honours) and a Master of Science in Genetics, both from the University of KwaZulu-Natal, as well as a Doctor of Philosophy in Human Genetics from the University of Cape Town.

# MAXIMISING NEW TAX BENEFITS TO BOOST LONG-TERM INVESTMENT OUTCOMES

**Shaun Duddy**



... now is an opportune time to review your personal budget and financial plan and assess whether you can take advantage of any of the recent changes.

*The 2026 National Budget, delivered on 25 February, offered good news for investors, with no major tax increases and stronger-than-expected revenue collection. National Treasury introduced measures designed to encourage long-term investing, including an increase in the annual tax-free investment (TFI) contribution limit, an upward bump in the tax-deductible retirement fund contribution limit, and the doubling of the single discretionary allowance for offshore investing. In addition, all income tax brackets, thresholds and rebates were adjusted for inflation, offering welcome real relief after two consecutive years of unchanged tax tables. Shaun Duddy homes in on the TFI and retirement fund limit increases, explaining how they create meaningful opportunities for investors to take practical steps to strengthen their long-term investment outcomes.*

**F**rom 1 March 2026, you can contribute up to R46 000 per year to a TFI, up from R36 000 previously, although the lifetime contribution limit remains unchanged at R500 000. At the same time, investors can enjoy an additional tax break on retirement fund contributions, with the annual cap increasing from R350 000 to R430 000.

While monthly expenses can sometimes make it difficult to take advantage of these increased limits, if you do have space in your budget, or receive an unexpected windfall, these changes make a big difference over time. Specifically, they allow investors to allocate capital earlier and access tax benefits sooner. Over the long term, additional time in the market can have a meaningful impact on investment outcomes.

## **Why tax matters for long-term investors**

Investment returns are typically subject to various forms of tax. In a standard local discretionary unit trust investment, this may include interest taxed at marginal rates (subject to exemptions), dividends subject to withholding tax, and capital gains tax when assets are sold. Over time, these taxes reduce the amount of capital available for reinvestment. This lowers the base from which future returns compound, leading to materially different outcomes over long investment horizons.

By way of example, consider **Graph 1**, which shows how an investment of R10 000 in the [Allan Gray Balanced Fund](#)

at the end of 2005 would have grown to R89 587 (11.6% annual return) by the end of 2025 before tax. For an investor in the lowest marginal tax bracket (18%), the investment would have grown at approximately 10.7% per year to around R76 490 after applicable taxes. For an investor in the highest marginal tax bracket (45%), the same investment would have grown to only R65 487 over the same period (9.8% annual return) – a reduction of 26.9% overall or 1.7% per year<sup>1</sup>.

Tax-efficient investment structures, such as TFIs and retirement funds, are designed to reduce or eliminate this drag, allowing a greater proportion of returns to remain invested and compound over time.

### TFI contributions: The benefit of reaching your lifetime limit sooner

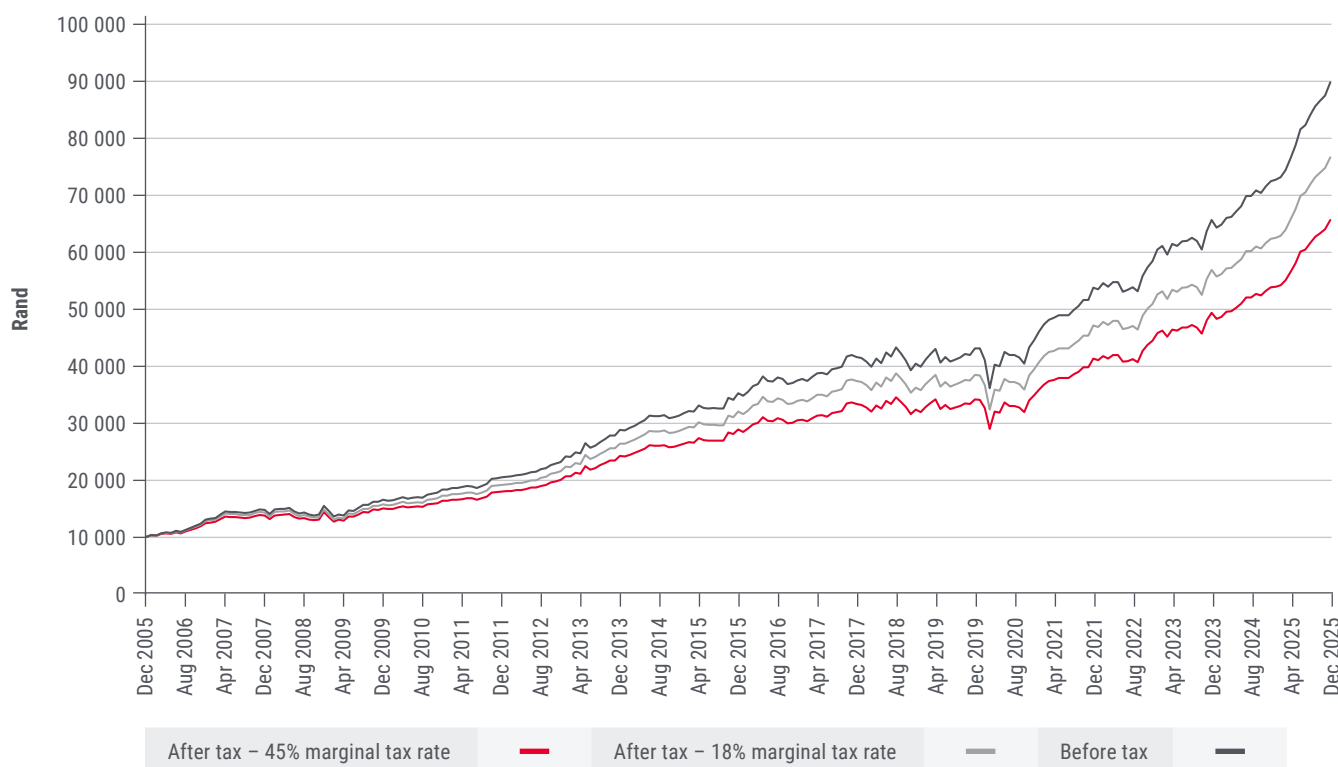
National Treasury introduced TFIs in 2015 to encourage higher levels of household savings in South Africa.

These vehicles allow investors to earn returns free from tax on interest, dividends and capital gains, within specified limits. The increase in the annual contribution limit from R36 000 to R46 000 is the first adjustment since 2021.

As the lifetime limit has not been adjusted, the increased annual TFI contribution limit means that you are able to invest more every year and therefore reach your lifetime limit around three years earlier (in around 11 years rather than 14), giving your contributions more time to compound over the long term.

Consider two investors who both fully use the R500 000 lifetime limit and earn a return of 11.6% per year, in line with the Allan Gray Balanced Fund’s annualised performance over the 20 years ended 31 December 2025<sup>2</sup>. Investor A contributes R36 000 per year and reaches their lifetime limit in just under 14 years, while Investor B contributes R46 000 per year and reaches their lifetime limit in just under 11 years.

**Graph 1: Before vs. after tax – the value of R10 000 invested in the Allan Gray Balanced Fund**



Source: Allan Gray research

<sup>1</sup> Source: Allan Gray research. Based on Allan Gray Balanced Fund returns to 31 December 2025. Assumed that all tax exemptions have already been utilised and that all income is reinvested.

<sup>2</sup> The Allan Gray Tax-Free Balanced Fund, available for use within TFIs, was launched in 2016 and has since delivered returns that have closely mirrored those of the Allan Gray Balanced Fund over time.

As shown in **Graph 2**, despite contributing the same total amount, Investor B, who invested earlier, would have a portfolio value that is 13.8% higher after 14 years (approximately R173 080 more in rand terms), purely due to the compound effect of having contributed higher amounts earlier. This gap widens over longer periods of time, increasing to approximately R334 015 after 20 years.

The difference arises not from how much is invested, but from when it is invested. This illustrates the importance of time in the market as a driver of long-term outcomes.

The new limit allows a greater portion of contributions to qualify for immediate tax relief.

**Retirement fund contributions: The benefit of bringing forward tax relief**

Contributions to pension, provident and retirement annuity (RA) funds are tax-deductible within prescribed limits (currently up to 27.5% of the greater of taxable income or total remuneration, subject to the annual cap), and returns

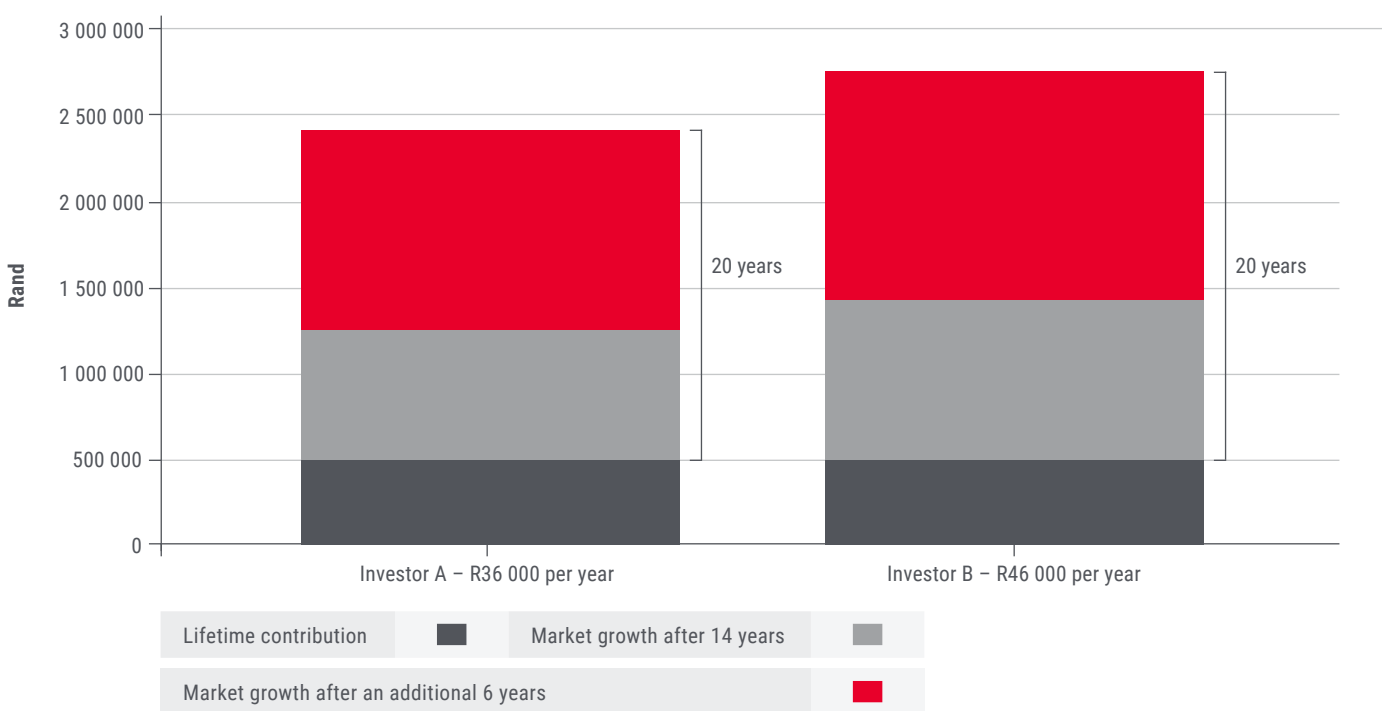
within these products are not taxed while invested. These features make retirement funds a compelling proposition for long-term investors.

The increase in the annual monetary cap on tax-deductible retirement fund contributions from R350 000 to R430 000 is particularly relevant for higher-income earners (earning above R1.27m per year) who maximise their contributions, or those who previously contributed above the deductible threshold.

Under the previous cap, contributions above R350 000 were treated as “excess contributions”, with the associated tax benefit carried forward to future years. This was covered in detail in [Carla Rossouw’s piece last quarter](#), “The long-term benefits of maximising your retirement fund contributions”, available via our website. The new limit allows a greater portion of contributions to qualify for immediate tax relief.

As with TFIs, the significance of this change also lies in timing. For example, consider an investor contributing R430 000 per year to a retirement fund. Under the old limit, only R350 000 of this amount would be tax-deductible in the same tax year, with the remaining R80 000 treated as an excess contribution. Under the new limit, the full R430 000 is deductible in the same tax year.

**Graph 2: The benefit of investing tax-free earlier**



Source: Allan Gray research

While deferred tax relief is not lost, its real value will likely erode over time due to inflation. Assuming an annual inflation rate of 5%, an excess contribution of R80 000 used only after 10 years would be worth just R49 113 in today's terms. Accessing tax relief sooner preserves its real value.

Contributions made earlier in the tax year allow capital to benefit from tax-efficient compounding for longer.

### **Making effective use of tax benefits**

The significance of the changes introduced in the [2026 Budget](#) lies less in the absolute increases in limits and more in how they influence the timing of investment and

access to tax relief – both of which can have a substantial impact on long-term outcomes.

The new tax year began on 1 March 2026, so now is an opportune time to review your personal budget and financial plan and assess whether you can take advantage of any of the recent changes. Contributions made earlier in the tax year allow capital to benefit from tax-efficient compounding for longer. TFI investors can benefit by using the R46 000 annual limit earlier in the year; retirement fund investors may consider how the higher deductible cap fits into their broader contribution strategy. Of course, budget constraints may not immediately allow this, but remember, even partial use, applied consistently over time, can be beneficial.

While tax-efficient structures offer clear advantages, they form only one part of a broader investment strategy. Factors such as liquidity needs, investment horizon, asset allocation and costs remain equally important in determining long-term outcomes.

**Shaun** joined Allan Gray in 2010 and currently heads up the Retail Product Development team. Previously, he fulfilled roles as a business analyst and manager in the same team. Shaun holds a Bachelor of Business Science degree in Actuarial Science from the University of Cape Town.

## Allan Gray Balanced and Stable Fund asset allocation as at 31 March 2026<sup>1</sup>

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	South Africa	Foreign	Total	South Africa	Foreign
Net equities	67.3	40.2	27.1	30.0	15.8	14.2
Hedged equities	7.8	1.8	5.9	18.9	8.8	10.1
Property	1.1	0.1	1.0	0.8	0.0	0.8
Commodity-linked	2.7	2.3	0.4	1.9	1.5	0.3
Bonds	15.1	9.7	5.4	35.8	28.7	7.1
Money market and cash <sup>2</sup>	6.0	4.0	2.0	12.6	9.5	3.2
<b>Total</b>	<b>100.0</b>	<b>58.2</b>	<b>41.8<sup>3</sup></b>	<b>100.0</b>	<b>64.3</b>	<b>35.7<sup>3</sup></b>

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

<sup>1</sup> Underlying holdings of foreign funds are included on a look-through basis.

<sup>2</sup> Includes the impact of any currency hedging.

<sup>3</sup> 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 March 2026

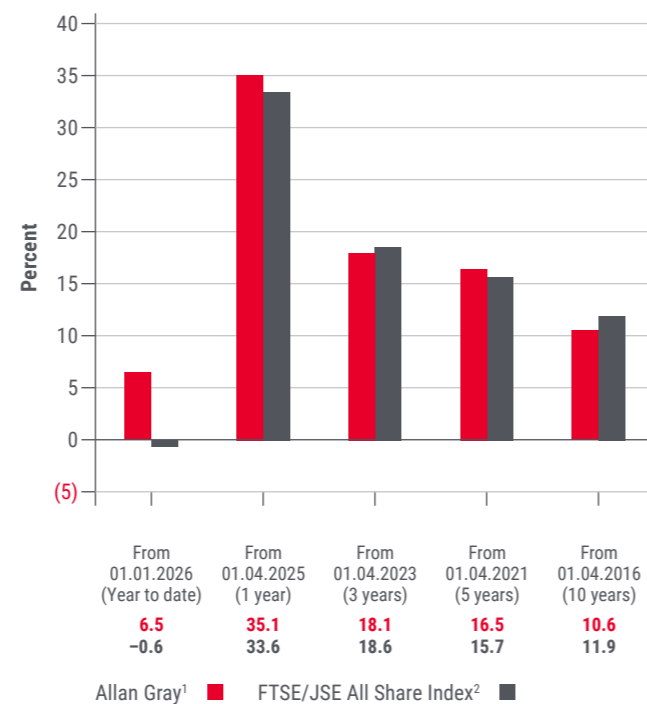
Security	Market value (R million)	% of Fund
<b>South Africa</b>	<b>33 083</b>	<b>56.6</b>
<b>Equities</b>	<b>32 623</b>	<b>55.9</b>
<b>Resources</b>	<b>9 779</b>	<b>16.7</b>
Glencore	2 297	3.9
AngloGold Ashanti	2 221	3.8
Sasol	1 238	2.1
Exxaro	831	1.4
Gold Fields	745	1.3
BHP Group	617	1.1
Positions individually less than 1% of the Fund	1 830	3.1
<b>Financials</b>	<b>7 625</b>	<b>13.1</b>
Standard Bank	1 807	3.1
Remgro	1 262	2.2
Nedbank	1 159	2.0
Investec	742	1.3
FirstRand	688	1.2
Positions individually less than 1% of the Fund	1 967	3.4
<b>Industrials</b>	<b>15 218</b>	<b>26.1</b>
AB InBev	3 157	5.4
Naspers & Prosus	2 351	4.0
British American Tobacco	1 785	3.1
Woolworths	1 146	2.0
Mondi	872	1.5
Positions individually less than 1% of the Fund	5 908	10.1
<b>Cash</b>	<b>460</b>	<b>0.8</b>
<b>Foreign</b>	<b>25 315</b>	<b>43.3</b>
<b>Equities</b>	<b>2 874</b>	<b>4.9</b>
Walt Disney Company	1 035	1.8
Booking Holdings	851	1.5
Positions individually less than 1% of the Fund	988	1.7
<b>Equity funds</b>	<b>22 300</b>	<b>38.2</b>
Orbis Global Equity Fund	9 473	16.2
Orbis SICAV International Equity Fund	6 714	11.5
Allan Gray Frontier Markets Equity Fund	3 579	6.1
Orbis SICAV Japan Equity (Yen) Fund	1 256	2.2
Allan Gray Africa ex-SA Equity Fund	1 125	1.9
Orbis SICAV Emerging Markets Equity Fund	153	0.3
<b>Bonds</b>	<b>18</b>	<b>0.0</b>
Positions individually less than 1% of the Fund	18	0.0
<b>Cash</b>	<b>124</b>	<b>0.2</b>
<b>Totals</b>	<b>58 399</b>	<b>100.0</b>

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 Gray <sup>1</sup>	FTSE/JSE All Share Index <sup>2</sup>	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	32.5	42.4	-9.9
<b>2026 (to 31.03)</b>	<b>6.5</b>	<b>-0.6</b>	<b>7.1</b>

### Returns annualised to 31.03.26



An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R531.8 million by 31 March 2026. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R25 million. Returns are before fees.

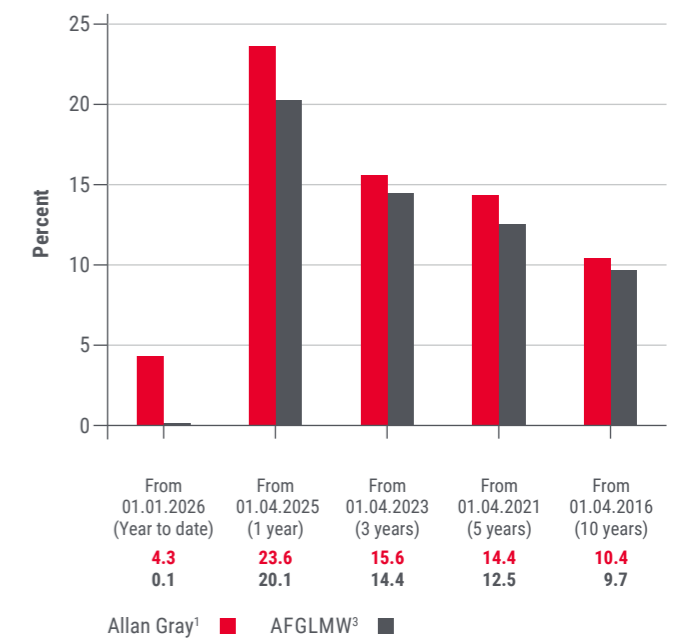
<sup>1</sup> Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.  
<sup>2</sup> Prior to July 1995, 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 Gray <sup>1</sup>	AFGLMW <sup>3</sup>	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	21.8	21.8	0.0
<b>2026 (to 31.03)</b>	<b>4.3</b>	<b>0.1</b>	<b>4.2</b>

### Returns annualised to 31.03.26



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R56 million by 31 March 2026. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R11.5 million. Returns are before fees.

<sup>1</sup> 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.  
<sup>3</sup> Consulting Actuaries Survey returns used up to December 1997. The return for March 2026 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 March 2026 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return <sup>8</sup>	Lowest annual return <sup>8</sup>
<b>High net equity exposure (Up to 100%)</b>									
<b>Allan Gray Equity Fund (AGEF)</b> Market value-weighted average of South African - Equity - General category (excl. Allan Gray funds) <sup>1</sup>	58.4	01.10.1998	19.1 14.4	9.8 9.0	14.9 13.3	16.9 15.3	25.9 23.9	125.8 73.0	-24.3 -37.6
<b>Allan Gray SA Equity Fund (AGDE)</b> FTSE/JSE All Share Index, including income	5.3	13.03.2015	9.2 11.1	9.3 11.9	15.2 15.7	16.9 18.6	30.2 33.6	57.3 54.5	-32.0 -18.4
<b>Allan Gray - Orbis Global Equity Feeder Fund (AGOE)</b> MSCI World Index, including income, after withholding taxes <sup>2</sup>	31.1	01.04.2005	14.5 14.2	12.8 13.7	13.5 13.4	19.3 15.2	21.4 9.7	78.2 54.2	-29.7 -32.7
<b>Allan Gray - Orbis Global Equity Feeder AMETF (AGOGE)<sup>3</sup></b> MSCI World Index, including income, after withholding taxes	0.1	11.12.2025	- -	- -	- -	- -	- -	- -	- -
<b>Allan Gray - Orbis Global Equity Prescient Feeder Fund (AGOEPA)<sup>4</sup></b> MSCI World Index, including income, after withholding taxes	7.4	01.09.2025	- -	- -	- -	- -	- -	- -	- -
<b>Medium net equity exposure (40% - 75%)</b>									
<b>Allan Gray Balanced Fund (AGBF)</b>	253.2	01.10.1999	15.2	9.7	13.9	15.8	24.3	46.1	-14.2
<b>Allan Gray Tax-Free Balanced Fund (AGTB)</b> Market value-weighted average of South African - Multi Asset - High Equity category (excl. Allan Gray funds) <sup>5</sup>	5.4	01.02.2016	10.2 11.5/8.5	9.8 8.2	13.9 10.8	15.7 12.2	24.2 15.0	31.7 41.9/30.7	-13.4 -16.7/-10.3
<b>Allan Gray - Orbis Global Balanced Feeder Fund (AGGF)<sup>6</sup></b> 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index <sup>6</sup>	17.4	03.02.2004	11.9 10.7	11.6 8.7	16.5 8.0	18.8 8.7	22.5 3.4	55.6 38.8	-13.7 -17.0
<b>Allan Gray - Orbis Global Balanced Feeder AMETF (AGOGB)<sup>3</sup></b> 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	0.2	11.12.2025	- -	- -	- -	- -	- -	- -	- -
<b>Allan Gray - Orbis Global Balanced Prescient Feeder Fund (AGOBPA)<sup>4</sup></b> 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	6.2	01.09.2025	- -	- -	- -	- -	- -	- -	- -
<b>Low net equity exposure (0% - 40%)</b>									
<b>Allan Gray Stable Fund (AGSF)</b> Daily interest rate as supplied by FirstRand Bank, plus 2%	62.4	01.07.2000	11.3 8.5	8.7 7.6	11.1 7.8	12.1 9.1	15.1 8.4	23.3 14.6	-7.4 4.6
<b>Very low net equity exposure (0% - 20%)</b>									
<b>Allan Gray Optimal Fund (AGOF)</b> Daily interest rate as supplied by FirstRand Bank	0.9	01.10.2002	6.8 6.1	4.7 5.5	6.5 5.7	7.3 7.0	7.4 6.2	18.1 11.9	-8.2 2.5
<b>Allan Gray - Orbis Global Optimal Fund of Funds (AGOO)</b> The simple average of the benchmarks of the underlying funds	1.1	02.03.2010	7.4 5.8	4.4 3.2	10.3 5.5	6.3 3.6	3.2 -1.6	39.6 35.6	-12.4 -19.1
<b>No to very low net equity exposure (0% - 10%)</b>									
<b>Allan Gray Income Fund (AGIN)</b> Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	3.2	01.05.2024	12.3 7.8	- -	- -	- -	12.3 7.3	14.2 8.2	11.6 7.3
<b>No equity exposure</b>									
<b>Allan Gray Bond Fund (AGBD)</b> FTSE/JSE All Bond Index (total return)	10.4	01.10.2004	9.4 9.3	10.2 10.4	11.4 12.2	13.5 14.3	17.9 19.2	26.4 28.2	-2.6 -5.6
<b>Allan Gray Money Market Fund (AGMF)</b> Alexforbes Short-Term Fixed Interest (STeFI) 3-month Index <sup>7</sup>	27.4	01.07.2001	7.7 7.5	7.2 6.7	7.2 6.7	8.4 7.8	7.6 7.0	12.8 13.3	4.3 3.8
<b>Allan Gray Interest Fund (AGIF)</b> Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	3.4	01.05.2024	10.5 7.8	- -	- -	- -	10.6 7.3	11.7 8.2	10.5 7.3

<sup>1</sup> From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index, including income (source: Iress).

<sup>2</sup> From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.

<sup>3</sup> 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.

<sup>4</sup> These funds were launched on 1 September 2025. We will report their performance information in our Quarterly Commentary from 30 September 2026.

<sup>5</sup> 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).

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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 March 2026

	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%	0.70%	0.04%	0.13%	1.91%	0.09%	1.99%
Allan Gray SA Equity Fund	1.00%	-0.62%	0.01%	0.06%	0.44%	0.10%	0.55%
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%	0.07%	1.55%
Allan Gray Stable Fund	1.01%	0.41%	0.03%	0.16%	1.61%	0.04%	1.65%
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 <sup>1</sup>	0.75%	N/A	0.01%	0.11%	0.87%	0.00%	0.87%
Allan Gray Interest Fund <sup>1</sup>	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	1.11%	1.36%	0.06%	0.00%	2.54%	0.12%	2.66%
Allan Gray - Orbis Global Balanced Feeder Fund	1.10%	3.16%	0.07%	0.00%	4.33%	0.08%	4.41%
Allan Gray - Orbis Global Optimal Fund of Funds	1.00%	0.17%	0.08%	0.00%	1.25%	0.12%	1.37%
Allan Gray - Orbis Global Equity Feeder AMETF <sup>2</sup>	1.11%	1.36%	0.06%	0.00%	2.54%	0.12%	2.66%
Allan Gray - Orbis Global Balanced Feeder AMETF <sup>2</sup>	1.10%	3.16%	0.07%	0.00%	4.33%	0.08%	4.41%
Allan Gray - Orbis Global Equity Prescient Feeder Fund <sup>3</sup>	1.11%	1.36%	0.06%	0.00%	2.54%	0.12%	2.66%
Allan Gray - Orbis Global Balanced Prescient Feeder Fund <sup>3</sup>	1.10%	3.16%	0.07%	0.00%	4.33%	0.08%	4.41%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 March 2026 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return <sup>6</sup>	Lowest annual return <sup>6</sup>
<b>High net equity exposure</b>								
<b>Orbis Global Equity Fund</b> MSCI World Index, including income, after withholding taxes <sup>1</sup>	01.01.1990	17.5 13.8	13.3 13.7	14.4 13.6	20.3 15.4	23.6 10.6	87.6 54.2	-47.5 -46.2
<b>Orbis SICAV Japan Equity (Yen) Fund</b> Tokyo Stock Price Index, including income, after withholding taxes	01.01.1998	14.0 9.7	11.2 10.2	11.5 9.8	15.2 14.3	11.0 17.4	94.9 91.0	-40.1 -46.4
<b>Orbis SICAV Emerging Markets Equity Fund<sup>2</sup></b> MSCI Emerging Markets Index, including income, after withholding taxes <sup>2</sup>	01.01.2006	13.9 12.2	10.8 9.3	13.5 6.8	20.1 13.4	34.9 20.6	58.6 60.1	-34.2 -39.7
<b>Allan Gray Africa ex-SA Equity Fund (C class)</b> MSCI Emerging Frontier Markets Africa ex-SA Index <sup>3</sup>	01.01.2012	13.7 8.5	13.4 9.4	17.2 11.5	19.9 7.7	52.1 6.9	65.6 43.9	-24.3 -29.4
<b>Allan Gray Australia Equity Fund</b> S&P/ASX 300 Accumulation Index	04.05.2006	13.6 11.9	11.1 9.8	11.1 9.4	9.6 8.9	17.2 14.1	99.5 55.6	-55.4 -45.1
<b>Allan Gray Frontier Markets Equity Fund (C class)</b> MSCI Frontier Emerging Markets Index	03.04.2017	14.6 8.7	- -	21.0 12.9	24.8 18.0	29.5 27.8	45.2 34.4	-11.0 -12.8
<b>Medium net equity exposure</b>								
<b>Orbis SICAV Global Balanced Fund</b> 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	01.01.2013	15.5 12.4	12.3 8.6	17.2 8.1	19.5 8.9	24.4 4.2	54.4 40.2	-9.8 -12.1
<b>Allan Gray Australia Balanced Fund</b> 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	11.1 8.7	- -	12.2 6.8	12.9 6.9	20.0 7.5	29.1 25.1	-5.3 -8.3
<b>Low net equity exposure</b>								
<b>Orbis SICAV Global Cautious Fund<sup>4</sup></b> US\$ bank deposits + 2%	01.01.2019	9.4 7.5	- -	11.3 8.9	10.6 5.9	10.1 -1.0	26.6 34.6	-8.0 -20.4
<b>Allan Gray Australia Stable Fund</b> Reserve Bank of Australia cash rate	01.07.2011	9.3 5.7	5.8 2.4	5.8 3.7	4.7 3.7	8.5 6.2	32.7 28.8	-8.9 -15.5
<b>Very low net equity exposure</b>								
<b>Orbis Optimal SA Fund (US\$)</b> US\$ bank deposits	01.01.2005	9.3 7.6	5.6 4.1	11.8 6.7	6.8 3.7	3.5 -3.0	48.6 57.9	-15.7 -25.6
<b>Orbis Optimal SA Fund (Euro)</b> Euro bank deposits	01.01.2005	7.3 5.6	3.8 2.4	9.5 4.5	6.9 3.9	7.5 1.3	44.1 40.2	-19.3 -20.9
<b>No equity exposure</b>								
<b>Allan Gray Africa Bond Fund (C class)<sup>5</sup></b> FTSE 3-Month US T Bill + 4% Index <sup>5</sup>	27.03.2013	13.1 8.0	12.3 7.7	12.2 10.7	17.1 7.7	15.6 0.7	31.4 36.5	-7.4 -12.3

Performance as calculated by Allan Gray

- <sup>1</sup> From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
- <sup>2</sup> 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.
- <sup>3</sup> From inception to 31 October 2023, the benchmark was the Standard Bank Africa Total Return Index.
- <sup>4</sup> 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 RRF C).
- <sup>5</sup> 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.
- <sup>6</sup> 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.

# IMPORTANT INFORMATION FOR INVESTORS

## Information and content

The information in and content of this publication are provided by Allan Gray as general information about the company and its products and services. ("Allan Gray" means Allan Gray Proprietary Limited and all of its subsidiaries and associate companies, and "the company" includes all of those entities.) Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

For the Allan Gray unit trusts, Allan Gray Unit Trust Management (RF) (Pty) Ltd (the "Management Company") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Allan Gray Unit Trust Scheme and actively managed exchange-traded funds (AMETFs) under the Allan Gray ETF Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). The Management Company is incorporated under the laws of South Africa and has been approved by the regulatory authority of Botswana to market its unit trusts in Botswana, however, it is not supervised or licensed in Botswana. Allan Gray (Pty) Ltd (the "Investment Manager"), an authorised financial services provider, is the appointed investment manager of the Management Company and is a member of the Association for Savings & Investment South Africa (ASISA).

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](http://www.rmb.co.za).

For the co-named unit trusts, Allan Gray (Pty) Ltd (the "Investment Manager" or "Allan Gray"), an authorised financial services provider, is appointed to act in the capacity of investment manager.

Prescient Management Company (RF) (Pty) Ltd ("Prescient") is registered as a management company under the Collective Investment Schemes Control Act 45 of 2002, in terms of which it operates unit trust portfolios under the Prescient Unit Trust Scheme, and is supervised by the Financial Sector Conduct Authority (FSCA). Prescient is incorporated under the laws of South Africa and is the management company of our co-named unit trusts. Prescient retains full legal responsibility for any third-party-named portfolio. The content and information may not be reproduced or distributed without the prior written consent of Prescient and the Investment Manager. Prescient's registration number is 2002/022560/07. Its physical address is Prescient House, Westlake Business Park, Otto Close, Westlake 7945, and its postal address is PO Box 31142, Tokai 7966. Prescient can be contacted at: Tel: 0800 111 899, [info@prescient.co.za](mailto:info@prescient.co.za) or [www.prescient.co.za](http://www.prescient.co.za).

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](http://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](http://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](http://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](http://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

such as the bid/offer spread (not exceeding 0.80% of the intraday price), brokerage and Strate fees.

Permissible deductions may include management fees, brokerage, securities transfer tax, auditor's fees, bank charges and trustee fees. A schedule of fees, charges and maximum commissions is available on request from Allan Gray. For more information about our annual management fees, see the [frequently asked questions](#), available on our website.

## Benchmarks

### Bloomberg Index Services Limited

Bloomberg® and the indices referenced herein (the "Indices", and each such index, an "Index") are service marks of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg") and/or one or more third-party providers (each such provider, a "Third-Party Provider,") and have been licensed for use for certain purposes to Allan Gray Proprietary Limited (the "Licensee"). To the extent a Third-Party Provider contributes intellectual property in connection with the Index, such third-party products, company names and logos are trademarks or service marks, and remain the property, of such Third-Party Provider. Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg's licensors, including a Third-Party Provider, approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither Bloomberg nor Bloomberg's licensors, including a Third-Party Provider, shall have any liability or responsibility for injury or damages arising in connection therewith.

### FTSE/JSE indices

The FTSE/JSE indices referenced herein are calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE indices are the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE indices' values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

### FTSE Russell Index

Source: London Stock Exchange Group plc and its group

undertakings (collectively, the “LSE Group”). © LSE Group 2026. FTSE Russell is a trading name of certain of the LSE Group companies. “FTSE®” “Russell®”, “FTSE Russell®”, is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indices or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indices or data and no party may rely on any indices or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

#### **J.P. Morgan Index**

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan’s prior written approval. Copyright 2026, J.P. Morgan Chase & Co. All rights reserved.

#### **Morningstar Research (Pty) Ltd**

© 2026 Morningstar. All Rights Reserved. The information, data, analyses and opinions (“Information”) contained herein: (1) include the proprietary information of Morningstar and Morningstar’s content providers; (2) may not be copied or redistributed except as specifically authorised; (3) do not constitute investment advice; (4) are provided solely for informational purposes; (5) are not warranted to be complete, accurate or timely; and (6) may be drawn from fund data published on various dates. Morningstar is not responsible for any trading decisions, damages or other losses related to the Information or its use. Please verify all of the Information before using it and don’t make any investment decision except upon the advice of a professional financial adviser. Past performance is no guarantee of future results. The value and income derived from investments may go down as well as up.

#### **MSCI Index**

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever

with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

#### **Understanding the funds**

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

(comprising the Allan Gray Umbrella Pension Fund and Allan Gray Umbrella Provident Fund) are all administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider and approved pension funds administrator under section 13B of the Pension Funds Act 24 of 1956. Allan Gray (Pty) Ltd, also an authorised financial services provider, is the sponsor of the Allan Gray retirement funds.

The Allan Gray Tax-Free Investment Account, Allan Gray Living Annuity and Allan Gray Endowment are administered by Allan Gray Investment Services (Pty) Ltd, an authorised administrative financial services provider, and underwritten by Allan Gray Life Limited, an insurer licensed to conduct investment-linked life insurance business as defined in the Insurance Act 18 of 2017. The underlying investment options of the Allan Gray individual life and retirement products are portfolios of collective investment schemes in securities

(unit trusts or funds) and life-pooled investments.

### **Tax note**

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.

### **Copyright notice**

© 2026 Allan Gray Proprietary Limited

All rights reserved. The content and information may not be reproduced or distributed without the prior written consent of Allan Gray Proprietary Limited.

### **About the paper**

The Allan Gray Quarterly Commentary is printed on paper made from trees grown specifically for paper manufacturing. The paper is certified by the Forest Stewardship Council (FSC), an organisation which promotes responsible management of the world's forests.

© 2026 ALLAN GRAY PROPRIETARY LIMITED

**Directors**

Executive

D M Artus BBusSc (Hons) CFA CMT  
M Cooper BBusSc FIA FASSA MBA  
J V Pillay BBusSc (Hons) CA (SA) CFA

Non-Executive

W B Gray BCom MBA CFA (Irish)  
I S Liddle BBusSc (Hons) CFA  
L Mdluli BAcc BCom (Hons) CA (SA)  
Z P Sikhakhane BBusSc (Hons) MBA

**Company Secretary**

C E Solomon BBusSc (Hons) CA (SA)

**Registration number**

2005/002576/07

**Business address**

1 Silo Square  
V&A Waterfront  
Cape Town  
8001

P O Box 51318  
V&A Waterfront  
Cape Town  
8002  
South Africa

**Client Service Centre**

T 0860 000 654 or +27 (0)21 415 2301  
E [info@allangray.co.za](mailto:info@allangray.co.za)  
[www.allangray.co.za](http://www.allangray.co.za)



ALLAN GRAY