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Quarterly Commentary
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ALLANGRAY

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SINCE 1973



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COMMENTS FROM THE CHIEF OPERATING OFFICER

Mahesh Cooper



In a world that has become overly focused on the now and the temporary, our focus remains on understanding the long-term economics of businesses ...

At Allan Gray, long-term investing is more than a time horizon; it is the foundation of our investment philosophy. Since our inception in 1973, we have believed that the potential to earn long-term returns does not come from predicting short-term market movements, but from identifying assets trading below their intrinsic value and allowing time for that value to be realised. Our long-term track record reflects our commitment to this approach.

How long is long term?

Long term is not a specific time frame. It is a period long enough for fundamentals to outweigh short-term noise. In investing terms, that generally means more than five years. This may sound long, but time allows businesses to grow and strategies to bear fruit. It is the mechanism through which research, judgement and compounding translate into returns. It also helps separate temporary market sentiment from true worth.

In a world that has become overly focused on the now and the temporary, our focus remains on understanding the long-term economics of businesses and investing where we believe there is value. In this edition of our Quarterly Commentary, we offer a range of articles that reflect this view.

Foundations for improved local outcomes

Successful long-term investing is made possible through diversification – i.e. investing across asset classes, sectors and geographies. Given that our local market represents less than 0.5% of global equity markets and is highly concentrated, investing offshore is key. It gives investors access to sectors and companies that are simply not available locally, and offers protection against a range of home-country risks.

Following the 2022 National Budget, the South African Reserve Bank confirmed that the offshore investment limits for all investment and product providers, including retirement funds, would be aligned at 45%. This was very positive news for South African investors, especially for retirement fund members, as it represented a significant relaxation in exchange control regulations and the flexibility to benefit from the global opportunity set.

However, some maintain that the limits are too generous and that they are responsible for the local savings pool shrinking. In their in-depth analysis, Sandy McGregor and Matthew Patterson strongly disagree. They argue that there is a shortage of opportunity, not money, and that forcing investors to allocate more assets locally would constrain diversification, increase risk and ultimately weaken the economy. They go on to show how offshore diversification, in fact, contributes to the health of the savings pool and that policy should be directed at sustaining this important asset. Their ideas are expanded on in the latest Allan Gray Podcast, which you can access via our website or your favourite podcasting platform.

The long-term lens

Pieter Koornhof revisits South African hospitality and entertainment group Sun International. Interestingly, 25 years ago, our previous chairman, Simon Marais, wrote a Quarterly Commentary article on the company, which we have dug out of the archives for your interest. Together, the original analysis, republished on page 15, and Pieter's piece illustrate how our investment philosophy has remained consistent, even as markets, businesses and our understanding of them have evolved. More than 50 years of investing has produced a rich archive of our investment thinking, and we will reshare pieces from time to time.

... our investment philosophy has remained consistent, even as markets, businesses and our understanding of them have evolved.

We share our long-term investment philosophy with our offshore partner, Orbis. It should therefore not be surprising that a long-term message threads through Mark Dunley-Owen's piece. Mark notes that success can take decades to unfold in great companies. Patience, consistency and an extended time horizon let our clients own businesses with potential that are not yet priced as greats. He delves into the investment cases for Anta Sports, a Chinese company with a portfolio of sportswear brands, Japanese electronic entertainment company Nintendo and British bakery and fast-food chain Greggs – companies Orbis believes are undervalued and have the potential to exceed expectations over time.

Patience pays off

Compounding can have a powerful effect on wealth creation over time, as returns generate further returns. However, long-term outcomes depend not only on growth, but also on limiting losses. Preserving more capital when markets fall leaves more available to benefit from future growth. Thandi Skade explores the interplay between creating growth and managing downside risk, drawing on the performance of the Allan Gray Balanced Fund.

Volatile periods feed our temptation to act, and with technology accelerating the flow of information and making action almost effortless, patience may be an enduring investment advantage. In this quarter's Investing Tutorial, Daniella Bergman offers some pointers on how to practise patience as an investor.

Thank you for trusting us with your long-term investments.

Kind regards



Mahesh Cooper

CHANGING OFFSHORE INVESTMENT LIMITS: A SOLUTION LOOKING FOR A PROBLEM

Sandy McGregor and Matthew Patterson



South Africa's investment shortfall does not stem from a lack of domestic capital, but from weak public sector governance, limited competitive advantages and too few viable opportunities. Forcing retirement funds and other institutional investors to allocate more assets locally would constrain diversification, increase risk and ultimately weaken the savings pool on which financial stability depends. According to Sandy McGregor and Matthew Patterson, a better policy response would be to strengthen public sector institutions and create conditions that allow private capital to be invested where sound opportunities exist.

In February 2022, the South African Reserve Bank confirmed that the offshore investment limits for all investment and product providers had been set at 45%. This meant that the foreign investment limit for retirement funds, as stated in Regulation 28 of the Pension Funds Act, was also increased to 45%. Since then, the decision has been occasionally questioned, notably by Minister of Finance Enoch Godongwana, who said in February 2024 that it was a grave mistake. While he may have had second thoughts about his statement, others have said that South African savings institutions should be forced to invest a greater proportion of their assets locally to promote domestic growth. However, there are strong reasons to believe that these concerns are misplaced and that investors in unit trusts, the beneficiaries of pension funds and insurance policies, and the economy as a whole, have benefited from the increased foreign allowance.

The preservation of the value of the institutional savings pool

At the end of June 2026, South African institutional savings, being the aggregate of unit trusts, life insurers, public sector pension funds and private pension funds, stood at an estimated R16.1tn. This asset is equivalent to a little over 200% of South Africa's gross domestic product (GDP). Some 31.8%, or about R5 131bn, of these savings were invested in foreign assets. Prior to the increase of the foreign allowance to 45% in 2022 (from 30% outside Africa plus an additional 10% in Africa ex-SA previously), the proportion in foreign assets was 28.6%. This accumulated pool of savings is of critical importance to the stability of the South African economy. It underpins the pension

system and is the most important source of funding for the fiscal deficit.

South African equity market lacks diversification opportunities

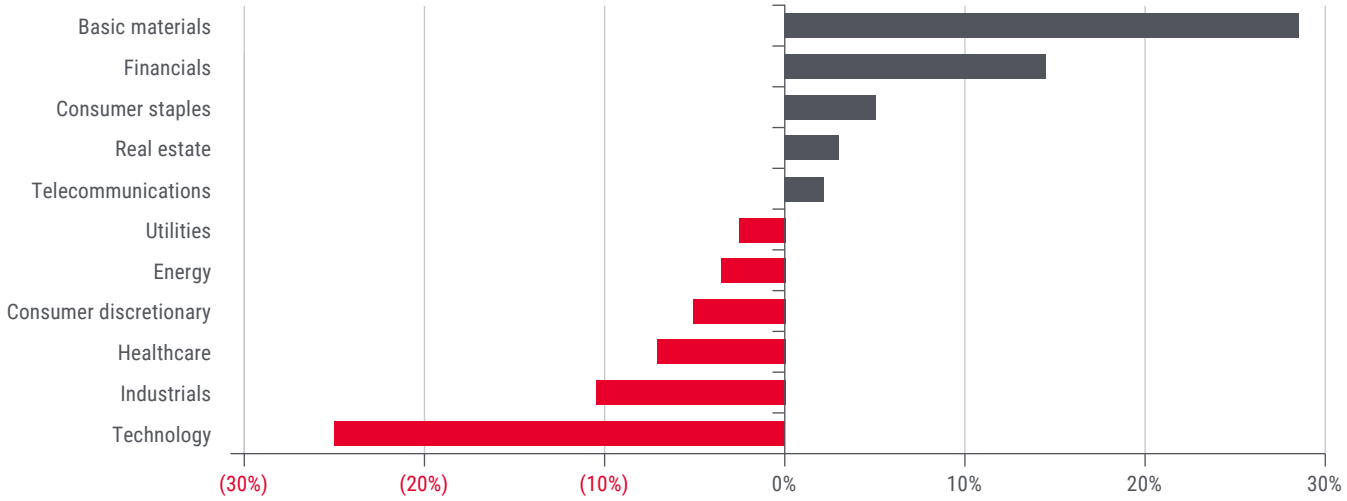
A key investment principle is that a portfolio should have a diversified spread of assets to optimally manage risk. The South African equity market cannot, on its own, provide this breadth. Although the composition of the Johannesburg Stock Exchange (JSE) has changed considerably over time, it has remained concentrated and structurally different from the world market. Today, it is heavily weighted towards mining and financial companies, while several important global industries are poorly represented or absent. **Table 1** shows the market value of companies listed in South Africa as at 30 September 2026, while **Graph 1** shows how different the composition of the South African equity market is from that of the global market.

Table 1: Market value of listed companies in South Africa (as at 30 September 2026)

	R billion	Percent
Mining companies[1]	8 311	36.5
Naspers and Prosus	1 972	8.7
AB InBev	2 191	9.6
British American Tobacco	1 905	8.4
Richemont	1 885	8.3
SA banks[1]	1 963	8.6
Other companies in the Top 40[1]	2 310	10.1
Total Top 40[1] constituents	**20 536**	**90.2**
Other listed companies	2 226	9.8
Total[2]	**22 763**	**100.0**

Note: There may be slight discrepancies in the totals due to rounding.
[1] In the FTSE/JSE Top 40 Index.
[2] Includes the shares in the FTSE/JSE All Share and Fledgling indices.
Source: LSEG Workspace

Graph 1: South Africa's over- and underweights vs. the global stock market* (as at 30 September 2026)



*The market value of the combined FTSE/JSE All Share and Fledgling indices industry weights relative to those in the FTSE Global Total Cap Index.
Sources: Allan Gray research, JSE Market Data, FTSE Russell

In September 2026, basic materials and financials accounted for 61.6% of the local market's free float capitalisation, compared with 18.4% of the FTSE Global Total Cap Index. Consequently, the fortunes of local investors depend on commodity prices, domestic credit conditions and the profitability of the financial sector. At the same time, the local market has relatively little exposure to many of the industries driving the world economy. Technology is underrepresented by 25 percentage points, while industrials and healthcare are underrepresented by 10.4 and 7.1 percentage points respectively. These sectors have attracted considerable global investment in recent years, but they are barely represented in South Africa. Utilities are absent. Apart from Sasol, there are no oil shares. A portfolio confined to the local market therefore excludes large parts of the global investment opportunity set. Any reduction in the freedom of domestic investors to diversify their portfolios beyond what is locally listed will reduce their ability to optimally manage their savings.

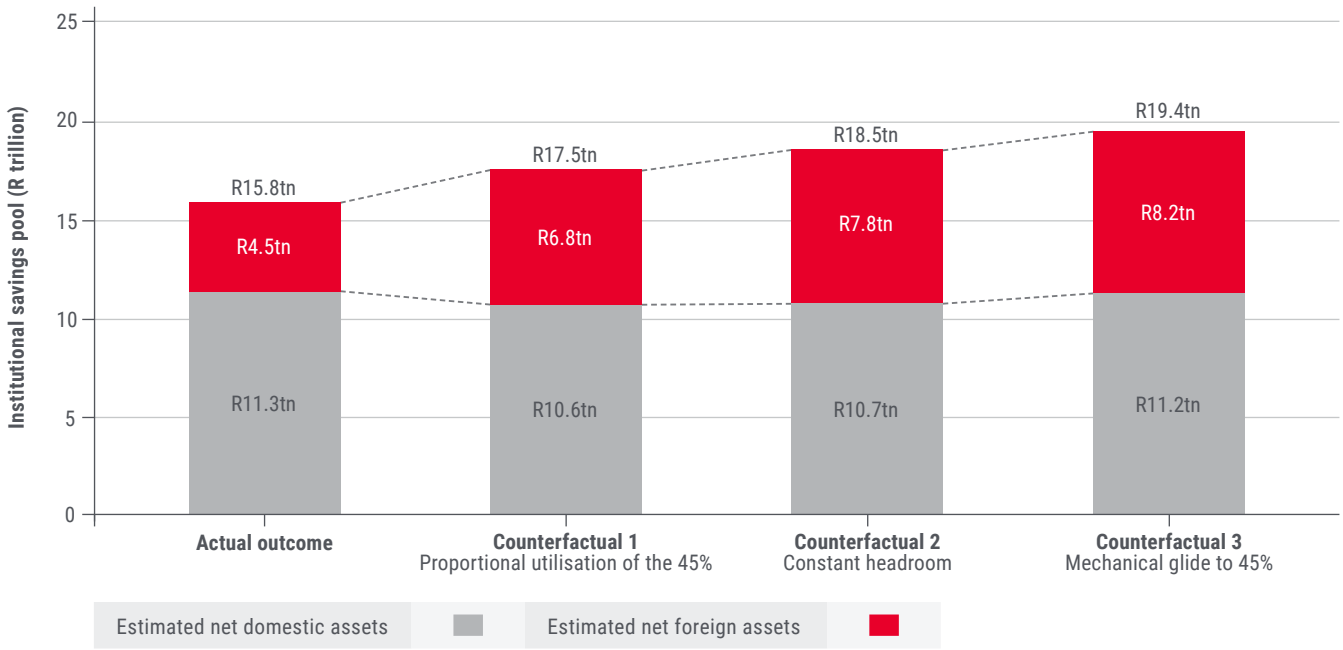
South Africa now accounts for only about 0.4% of the FTSE Global Total Cap Index. The 45% offshore allowance enables investors to create portfolios that are better aligned with the global opportunity set. Its purpose is not to express a negative view of South Africa – it is to avoid making the retirement savings of South Africans dependent on a market in which two sectors account for almost two-thirds of value and several important global industries are barely represented. The offshore allowance therefore plays an important role in preserving the value of the savings pool.

The cost of restricting the offshore allowance

Reduced diversification could expose the savings pool to greater concentration risk, which in the long term can reduce returns. Poor investment returns erode households' capacity to spend and reduce the pool of domestic capital required to finance government deficits. Financial stability promotes economic growth. South Africa enjoys such financial stability because it has a large savings pool. Policy should be directed at sustaining this important asset.

It is possible to estimate the potential cost of historical offshore restrictions by formulating counterfactuals (hypothetical scenarios) showing how a larger foreign allowance might have affected the size of the savings pool during a period when foreign assets outperformed domestic assets. **Graph 2** shows the results under various hypothetical alternatives, illustrating possible historical outcomes under the stated assumptions rather than establishing what would necessarily have occurred.

Graph 2: The impact of an earlier liberalisation of the offshore limit on the South African savings pool (as at 31 December 2025)



Note: There may be slight discrepancies in the totals due to rounding.
Sources: Allan Gray research, South African Reserve Bank quarterly bulletins

Counterfactual 1 assumes that a 45% allowance was applied from 2011, and that institutions constituting the savings pool each used the same proportion of that allowance, which they applied to the actual limit in March 2015. For example, an institution which used two-thirds of its allowed offshore capacity would have used two-thirds of 45%. It is assumed that institutions would have gradually rebalanced their portfolios towards the target foreign allocations applicable under the 45% counterfactual regime by March 2015.

> … a reduction in Regulation 28 limits would be a flawed policy choice that would merely make South African investors poorer.

On this basis, the total savings pool would have reached an estimated R17.5tn by the end of 2025, rather than the actual R15.8tn. The domestic component would have been R10.6tn rather than R11.3tn. In this scenario, at no point does the foreign allocation reach the 45% limit; it peaks at less than 42%. The resulting allocations are also broadly consistent with those the institutions themselves have chosen since the limit was increased in 2022.

Counterfactual 2 assumes that investors maintained the same percentage point margin below the greater limit as they did when actual limits applied. For example, an investor that was eight percentage points below the old limit would remain eight points below the new 45% limit, giving it a foreign allocation of 37% by March 2015. Under these conditions the savings pool would have increased to R18.5tn in 2025, compared with R17.5tn under Counterfactual 1. Relative to the actual outcome, domestic assets would have been an estimated R0.6tn lower, while the total savings pool would have been R2.7tn larger. At its peak, the aggregate foreign allocation would have subsequently reached, but not exceeded, the 45% ceiling.

In **Counterfactual 3**, it is assumed that all institutions increased their foreign allocation to the full 45% by March 2015. In this case, the savings pool would have reached R19.4tn in 2025, 23% more than the actual outcome, with domestic assets just R0.1tn less than the actual outcome. Given the relative outperformance of foreign assets, there would have been a continuing repatriation of funds to comply with the 45% limit, with the consequence that the domestic asset pool would have declined only marginally.

In each case there would indeed have been less money invested domestically, but the total savings pool would have been much larger. In Counterfactual 1, domestic assets would have been R0.7tn lower, while the pool would have been R1.7tn larger. In this scenario, it is estimated that for every rand that was not invested at home, the savings pool would have increased by approximately R2.40.

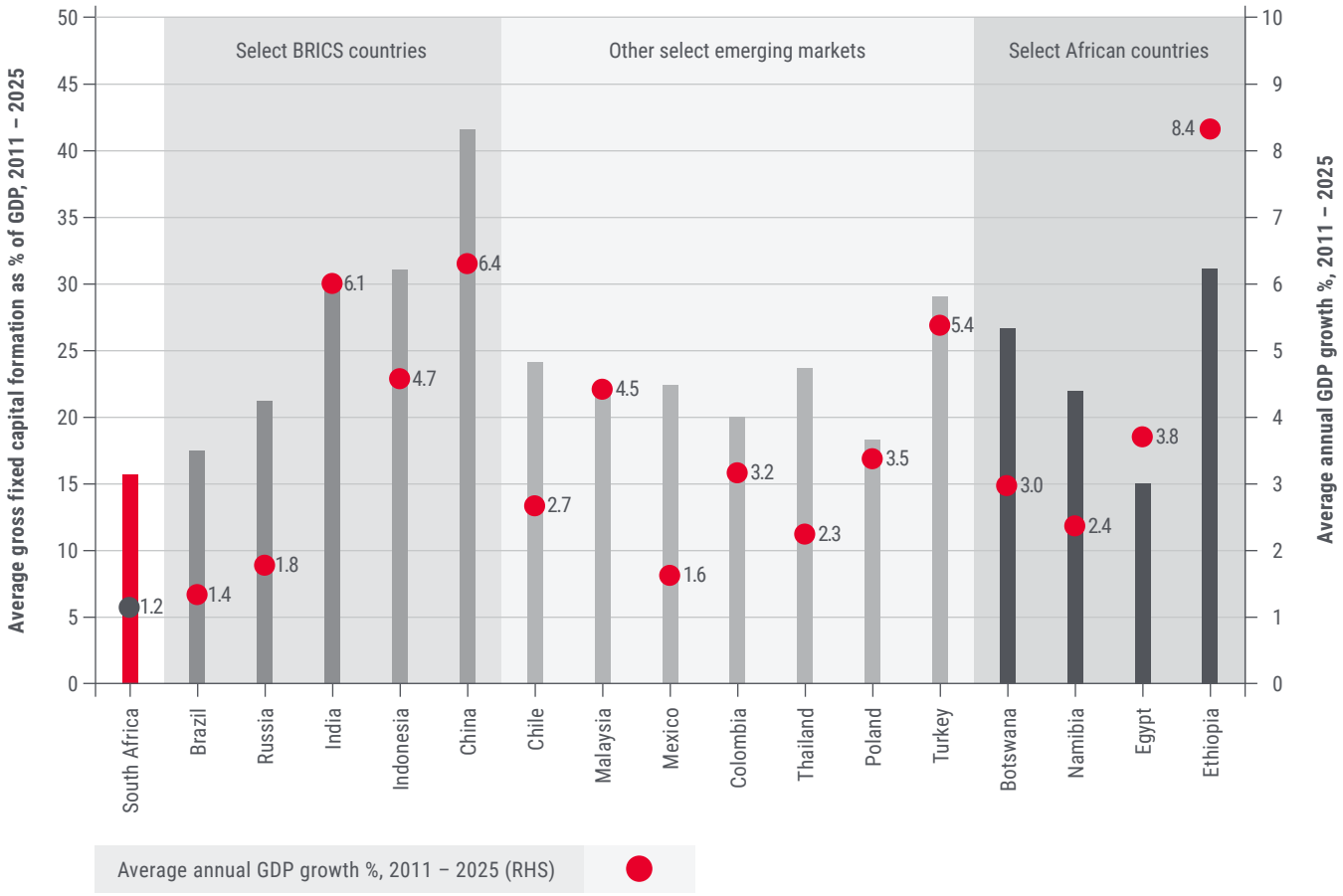
This illustrates the potential cost of restricting the offshore allowance in a period when foreign assets outperform local assets and investors take advantage of this. It may marginally increase the amount invested domestically, but could do so at the cost of a reduction in the savings pool. Given the higher interest rates prevailing in South Africa, a smaller domestic asset pool would not necessarily reduce the balance held in local bonds and cash. In that case, local equity holdings would likely be reduced. These scenarios suggest that a reduction in Regulation 28 limits would be a flawed policy choice that would merely make South African investors poorer.

South Africa's investment drought

It has become commonplace to blame South Africa's economic stagnation on underinvestment. As shown in **Graph 3** on page 8, over the past 15 calendar years, fixed investment in South Africa has averaged about 16% of GDP, compared with approximately 42% in China and more than 20% in most emerging markets. The countries which invested the most tended to grow the fastest. However, this underinvestment is not the consequence of a lack of money. Where there is a credible business model, the required investment is made. There has been notable success in rolling out solar and wind power. The telecommunications industry has invested heavily to upgrade its networks. Banks have invested in a modern digital financial system. The mining industry continues to invest where it finds opportunities. The growth in agricultural production and exports is a remarkable success story, entirely due to the entrepreneurial initiative of private sector farmers. There has been substantial investment in the Western Cape's tourism potential.

The common theme is that this was all done by the private sector responding to opportunity. The shortage is not of money;

Graph 3: Correlation between investment and growth



Sources: Allan Gray research, World Development Indicators, World Bank Group

it is of projects that offer an acceptable prospective return. The South African corporate sector is generally well capitalised and, when it requires funding, has access to a well-functioning capital market. It can afford to invest.

Over the past 25 years, the infrastructure owned and operated by the public sector has been decimated by a combination of incompetence and corruption. While Operation Vulindlela has started to resurrect institutions such as Eskom and Transnet, this has been an exercise in fixing what was broken. The causes of this institutional failure persist throughout the state sector. Local government performance varies considerably across the country, with many municipalities outside the Western Cape facing serious challenges. The major impediment to mobilising private capital to grow public sector investment remains. Without drastic reform of the governance of state institutions, private sector investment will not be forthcoming. Coercion to force such investment would be a stealth tax on investors to promote a misallocation of resources, which would result in slower economic growth.

Private business invests where it believes there is an opportunity. It seeks a market. South Africa's competitive advantages have been eroded in recent years by the rise of Asia, notably China, as the manufacturing superpower. While there will always be niche opportunities, notably in trade with Africa, our competitive advantages are now largely found in the mining, agriculture and tourism sectors. Cheap electricity used to be an important competitive advantage, but with the collapse of Eskom, this has been lost and will be impossible to resurrect.

The absence of competitive advantages is the biggest impediment to South African economic growth. One of the reasons the government's economic initiatives so often fail is that they focus on industries such as steel, in which South Africa can no longer compete in international markets. Probably the best example of an underexploited competitive advantage lies in tourism, where the private sector would readily finance growth, provided the state supplies a crime-free environment, roads and water.

Changing Regulation 28 will end in tears

The idea that Regulation 28 can be used to promote economic goals is a good example of a solution looking for a problem. The low level of investment in South Africa is due to factors unrelated to the availability of money. The equity market provides a parallel warning. Restricting foreign investment would not create technology, healthcare or industrial companies on the JSE; it would merely require investors to hold more of a concentrated market. Rational projects will be financed without complex risk-sharing schemes. If public sector governance issues are fixed, investment will flow naturally into projects to improve services to households. Investors will always hold some bonds and cash to diversify their portfolios. A larger asset pool increases the amount available for investing in bonds.

Given the shortage of viable investment opportunities, coercion imposing investment obligations on institutions subject to Regulation 28 would encourage investment in marginally economic and irrational ventures, which would not otherwise proceed. This misallocation of resources would impose a cost on the economy as a whole, the outcome of which would be reduced economic growth and living standards. Financial oppression of investors, forcing them to invest in such projects, will always end in tears.

Sandy joined Allan Gray as an investment analyst and economist in 1991. Previously, he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years, where much of his experience was focused on investment-related activities. Sandy was a director of Allan Gray Limited from 1997 to 2006.

Matthew joined Allan Gray in 2020 as a client service consultant in Retail Client Services and is currently a business analyst in the Institutional Clients team. He holds a Bachelor of Commerce degree in Industrial and Organisational Psychology, Financial Management, Economics and Psychology from Stellenbosch University.

NAVIGATING SETBACKS AND SUCCESSES AT SUN INTERNATIONAL

Pieter Koornhof



In investing, there is no room for complacency as even a fast-growing company requires constant reassessment.

Since the late 1990s, Allan Gray clients have held positions of varying size in Sun International, a casino and resort operator founded in 1967. Over nearly three decades, the long-term investment case has evolved repeatedly as the company achieved great successes, suffered nearly fatal challenges, and reinvented itself. Pieter Koornhof discusses how Allan Gray's views on the company have changed over time and shares the lessons long-term investors can learn from this journey.

In a 2001 Quarterly Commentary article, Simon Marais, Allan Gray's chairman at the time, discussed the different ways in which a company's accounting earnings may not be an accurate reflection of its true earnings power. This can be true to both the upside and the downside. Indeed, complexity, frequent acquisitions, and the (often) wide discretion afforded by accounting standards are sometimes abused to present a company's financial results in an overly optimistic light.

However, as Simon eloquently explained, the opposite can also be true: "Accounting conventions can sometimes also understate the true value of a company and thus offer attractive investment opportunities." Simon pointed to Sun International as an example of such an opportunity.

We have republished his full article as part of this Quarterly Commentary for ease of reference. Please see page 15.

Opening bids

Back in 2001, Sun International was investing significant capital to build several brand-new casinos, resorts and hotels. The capital expenditure was incurred upfront and in cash. However, accounting standards required that this expenditure be recognised as an expense called "depreciation", which is deferred over many years in the company's accounts. This mismatch between the upfront cash expenditure and deferred accounting expense was crucial as the reported accounting earnings were understating Sun International's true earnings power. The company's accounts were further complicated by two additional factors:

- While under construction, the new assets were not generating income, but once completed, would start

generating revenues, providing a further boost to Sun International's cash earnings.

- Sun International had taken on a large amount of debt to fund the construction of these assets and, as a result, had to make large interest payments. Once the new assets opened, the new revenues could enable rapid repayment of the debt, further boosting earnings growth as the interest charges fell away.

These factors meant that Sun International was well positioned for its cash earnings to grow rapidly over the coming years and to far exceed its accounting earnings. The market underappreciated this, enabling Allan Gray to build a material position in Sun International at a cheap valuation on behalf of its clients. Simon's insight proved to be correct: Sun International's share price rose from R30 per share at the time of his article to over R100 per share by 2007, as shown in **Graph 1**.

Double or nothing

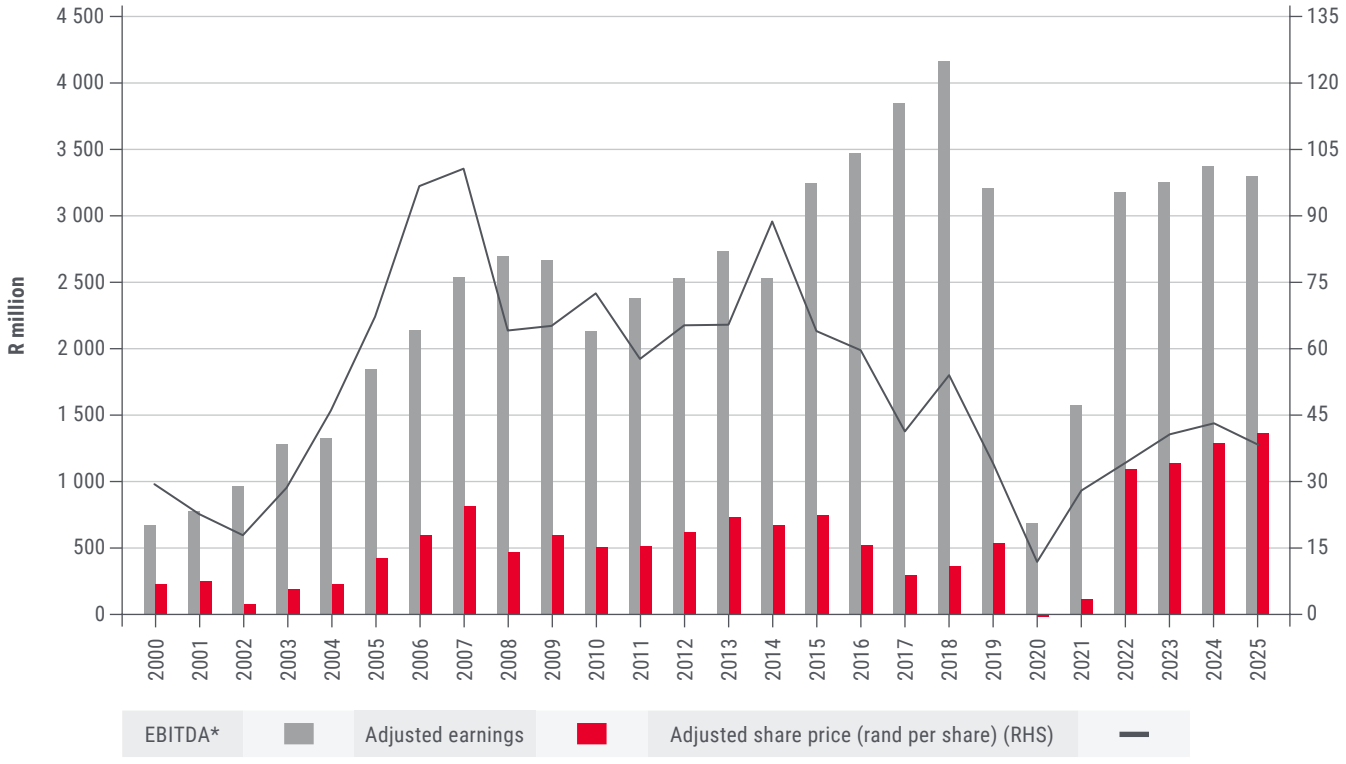
After the highs of 2007, Sun International underwent a tough period that highlights two further investment lessons:

1. Simon pointed out that "companies that manage to grow their earnings faster than inflation over long periods are invariably good long-term investments. Yet no company can do this consistently." In investing, there is no room for complacency as even a fast-growing company requires constant reassessment. Competition, technology, regulatory changes, macroeconomic shifts and a host of other risks can derail a company's growth trajectory.

2. Growing earnings is important, but how such earnings are applied or reinvested by a company's management team is often just as important. This decision is called "capital allocation". Allan Gray's investment process includes detailed analysis of the management team's capital allocation skill and track record when investing in a company.

By 2019, Sun International faced several external challenges and had scored some own goals, causing the share price to fall from a peak of over R130 per share in 2007 to roughly R40 per share. Revenue growth at its casinos had slowed as weak economic growth in South Africa put pressure on consumer expenditure, gambling lost share to goods,

Graph 1: Sun International share price and valuation



*Earnings before interest, taxes, depreciation and amortisation.
Pre-August 2004 figures are the old Sun International (SA) share price, rescaled to match the merged Sun International (SUI) share price level. Only the size of each month's move is carried over, not the original rand price. The figures have also been adjusted for material corporate actions.
Sources: Company financials, LSEG Workspace, Allan Gray research

services and other leisure activities, and the hotel market was oversupplied following the 2010 FIFA World Cup boom. Sun International's management had also spent the high earnings generated in the 2000s and taken on considerable debt to invest in acquisitions and projects that destroyed value and/or generated disappointing returns. These included:

- Building and acquiring hotels, resorts and casinos in several African and Latin American countries that underperformed for a variety of reasons
- Investing too much capital to renew the licences and/or exclusivity of underperforming assets such as the Boardwalk Casino in Gqeberha and The Maslow in Johannesburg
- Investing too much capital to build its new Time Square Casino in Pretoria
- Overcapitalising underperforming resorts such as Sun City

"You've got to know when to hold 'em, know when to fold 'em." – Kenny Rogers, "The Gambler"

Sun International was already on the back foot due to the headwinds described above. Then in 2020, the COVID-19 pandemic hit. South Africa had especially harsh lockdowns with casinos, resorts and hotels remaining shut for many months. Sun International's revenue dropped to almost zero overnight, but it still had to incur fixed costs, including wages, essential maintenance and the interest on its sizeable debt load. Its debt peaked at R15.0bn in June 2020 – more than 200 times its earnings before interest, taxes, depreciation and amortisation (EBITDA) at the height of the pandemic. For context, companies like Sun International usually keep their debt below 3.0 times EBITDA, so these were truly exceptional circumstances.

The market began pricing in Sun International going into financial distress. Its share price fell to a low of R11 per share in May 2020 and its market capitalisation (i.e. the total market value of all its shares) fell to a low of R1.1bn, down from a peak of R17.4bn in 2007 and from R5.5bn at the end of 2019.

It is easy to forget that in mid-2020, it was still highly uncertain how long lockdowns would last, whether an effective vaccine would be found, and what the recovery trajectory would look like, especially for travel, leisure and public spaces. At the time, our Investment team was doing frequent projections of companies' cash burn and debt levels to work out how many months they could survive in lockdown before going bankrupt.

In June 2020, Sun International announced a R1.2bn rights issue at R9 per share, which was funded by its shareholders, including Allan Gray clients. This infusion of liquidity would buy the company enough time to ride out an extended lockdown, give its bankers enough headroom to extend the repayment terms and relax the covenants on its debt, and allow it to continue paying wages and other fixed costs.

... its management made a very savvy investment that is likely to define the company over the next decade.

Duncan Artus, our current chief investment officer, presciently noted in a 2014 Quarterly Commentary article on Sun International that "when a company or industry goes through a prolonged difficult period, change invariably comes about". Many of the changes needed to restore Sun International to growth were already underway when COVID-19 hit, although these had taken longer than expected to materialise. However, the COVID crisis gave Sun International renewed impetus to reshape the company. This included:

- Cutting a material portion of the cost base
- Exiting the African and Latin American operations at decent prices
- Restructuring smaller underperforming casinos
- Investing sensibly to refresh some assets that had favourable long-term prospects

The road to recovery was rocky, partly due to the reimposition of several rounds of lockdowns and continued severe restrictions on operations for a few years after the initial lockdown was lifted. Despite this, the rights issue proved to be a shrewd investment as Sun International's share price recovered to over R40 per share by 2023.

Online gambling raises the stakes

Despite these positive changes, Sun International faced a new challenge post COVID: the rise of online gambling.

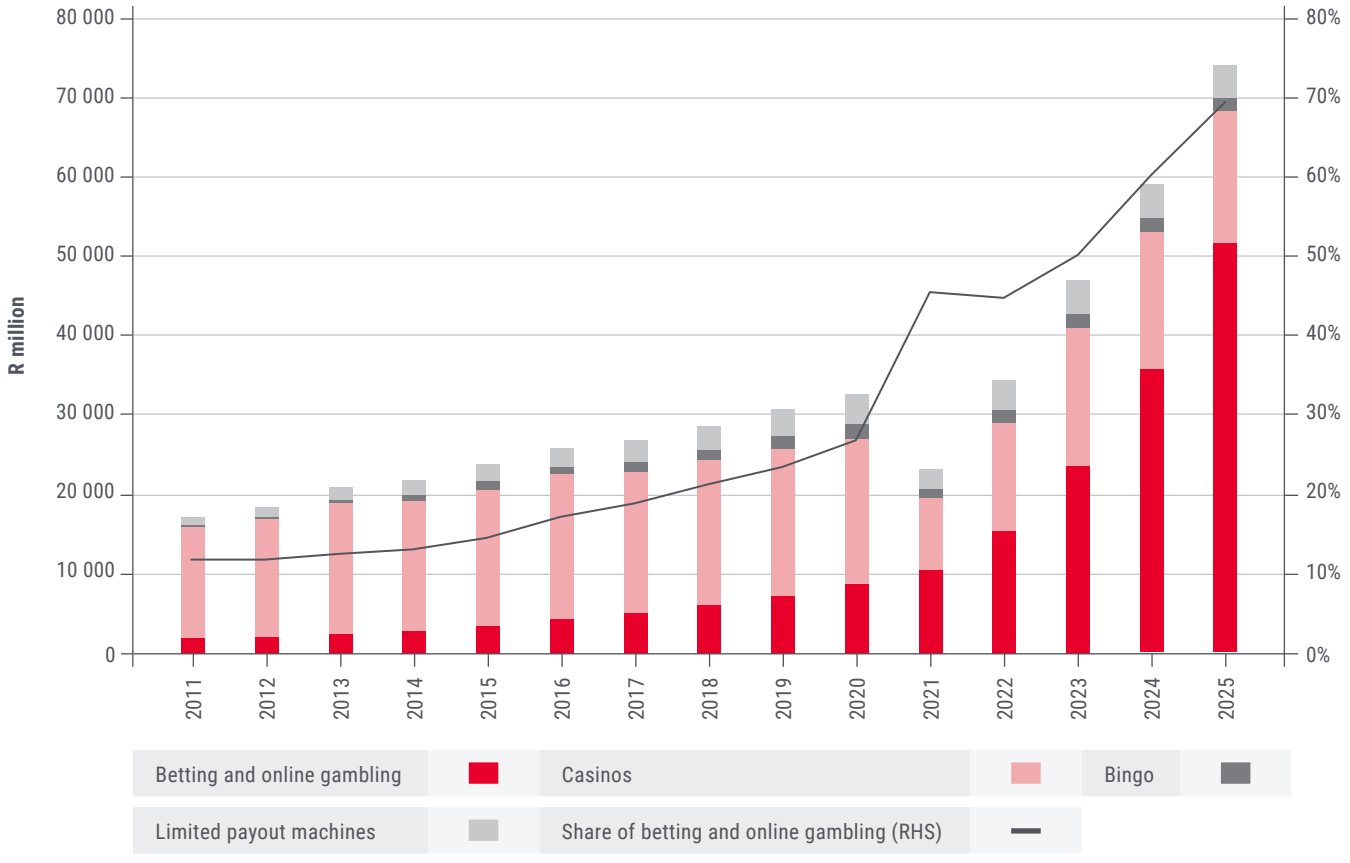
As shown in **Graph 2**, online gambling went from less than a quarter of gross gambling revenue in South Africa in 2019 to over 70% by 2025. This came as more online gambling licences became available, and as increasing smartphone penetration and COVID lockdowns drew punters to play online. Online gambling has grown the overall gambling market, but also cannibalised a sizeable portion of land-based gambling. It has also raised concerns over an increase in problem gambling and financial pressure on vulnerable customers.

While Sun International made some capital allocation mistakes in the 2010s (as discussed earlier), its management also made a very savvy investment that is likely to define the company over the next decade. They were early to see the potential of online gambling in South Africa and accordingly invested to grow Sunbet, Sun International's online gambling offering. While it took some time to gain traction, Sunbet is now Sun International's largest asset by earnings, as shown in **Graph 3** on page 14. It is well positioned to continue its rapid growth in the coming years. This is enabled by its differentiated product offering: It typically caters to a wealthier demographic than other online betting providers and leverages Sun International's land-based casinos to provide an omnichannel offering.

Sunbet is well positioned to continue its rapid growth in the coming years.

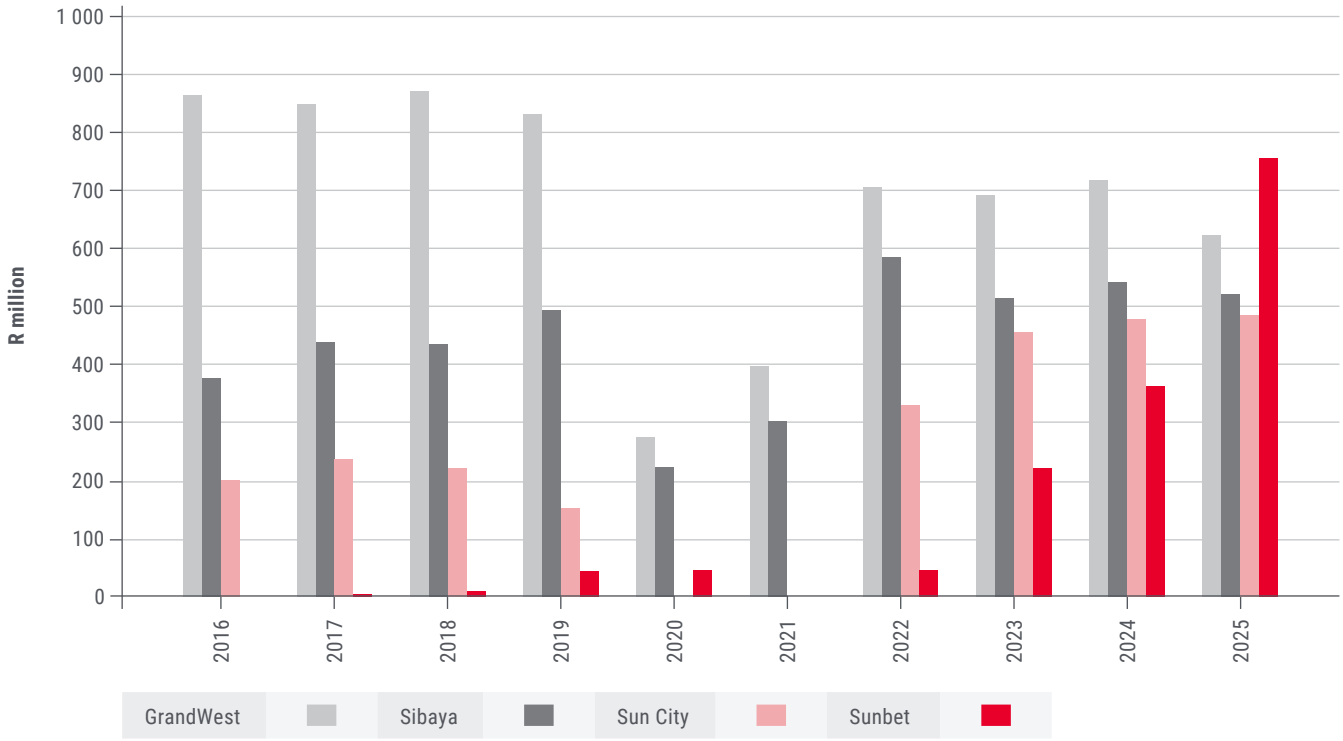
After the explosive growth of the last few years, regulatory changes are also coming to online gambling. These are yet to be finalised, but are likely to include advertising restrictions, a national online gambling tax and moving licensing from provincial gambling boards to a national one. These changes could be very disruptive, and a fine balance has to be achieved. If online gambling taxes are pitched too high, they risk driving customers into illegal channels, where they have less protection, while also costing the fiscus billions in lost tax revenue.

Graph 2: South African gross gambling revenue per mode (R million)



Sources: NGB statistics, Allan Gray research

Graph 3: Sun International omnichannel earnings (R million)*



*Earnings shown in the graph are earnings before interest, taxes, depreciation and amortisation (EBITDA).
Sources: Company financials, Allan Gray research

If they are set too low, they incentivise more entrants and higher marketing spend, which can increase problem gambling, and disadvantage land-based casinos, which are typically larger employers. The online gambling industry is still in its infancy in South Africa, and significant changes are likely in the coming years as it matures.

Shuffle and deal again

Sun International again finds itself at a pivotal moment in its history. Ulrik Bengtsson took over as CEO in 2025 and has a strong background in both online and land-based gambling. He has laid out a bold omnichannel strategy, which includes investment in technology and new products to gain further market share online and drive synergies between Sunbet's online offering and Sun International's land-based casinos and resorts. The company is again investing heavily upfront to deliver this strategy. It therefore finds itself in a position reminiscent of 2001, namely where its accounting earnings may not be an accurate reflection of its true earnings power due to the high current level of investment.

History is not necessarily destined to repeat itself (if only investing was so easy!) and circumstances are very different from what they were in 2001. As a start, Sun International's balance sheet is healthy, with net debt of less than 2.0 times its EBITDA, and it is not chasing offshore acquisitions. On the other hand, the omnichannel strategy it is pursuing has had varying degrees of success in other jurisdictions, so it remains to be seen how it will fare in South Africa. Sun International will also have to ensure that its land-based casinos and resorts remain relevant to customers in an increasingly digital world. In the coming years, we will see if the house always wins.

Pieter joined Allan Gray in 2013 and was appointed as a portfolio manager in December 2023. He currently manages portions of the institutional domestic equity mandates and the SA equity portfolio. Pieter holds a Master of Business Administration from the University of Oxford, and is a qualified Chartered Accountant (SA) and a CFA® charterholder.

More than 50 years of investing has produced a rich archive of research and investment thinking. While much of it remains proprietary, our Quarterly Commentary articles, which have been shared with clients since 2000, are available via the Literature library on our website. From time to time, we will share a piece from the archive to explore how our thinking has evolved. Below is Simon Marais' 2001 article on Sun International – best read alongside Pieter Koornhof's current analysis on page 10. You can access the full Q3 2001 Quarterly Commentary on our website.

Quarterly Commentary

30 September 2001

Q3



Seeing through the smoke and mirrors

Simon C. Marais

Chairman, Allan Gray Limited [2001 – 2015]
Equity Portfolio Manager and Analyst

"The most room for earnings manipulation is where a company is involved in mergers or acquisitions."

Companies that manage to grow their earnings faster than inflation over long periods are invariably good long-term investments. Yet no company can do this consistently. In fact, all companies in South Africa have encountered at least one period during the last 20 years in which their earnings were under pressure. The major challenge for us as managers of your money is to try and find those companies that will show real earnings growth over long periods of time and whose shares are reasonably priced. At the same time it is equally important to avoid paying high prices for shares in companies which appear to offer strong earnings growth, but where a careful analysis will indicate that the growth is unsustainable.

To ascertain whether a company's growth is due to long-term business fundamentals or to factors that may be of a temporary nature, is far from easy. In many cases the stock market, with its hundreds of highly educated analysts, will not be aware of the lack of real growth in a company until it is too late. A typical example is the growth through the issue of highly priced shares (e.g. Dimension Data) that we highlighted in our March 2000 quarterly.

Why would the growth of a company not be sustainable, especially if the company has a record of five or more years of spectacular growth? The main reason is that the growth reported by the company may not be a fair reflection of the true increase in the earnings of the company's operations. Accountants have significant latitude when it comes to reporting a company's earnings. While the earnings numbers may be narrowly defined in a simple operating company, the scope for reporting different numbers increases dramatically with an increase in the complexity of a company's structure.

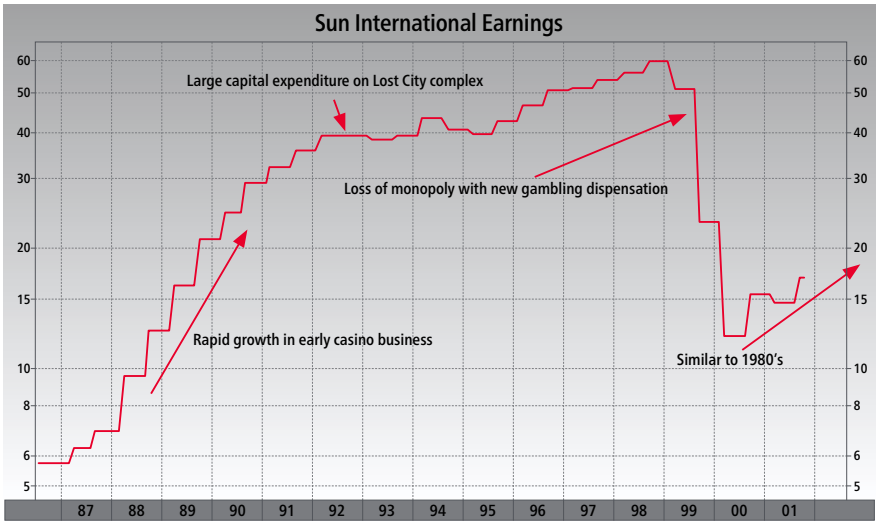
The most room for earnings manipulation is where a company is involved in mergers or acquisitions. For example, assume Company A acquires Company B and merges their operations. The details of both companies are listed below:

	A	B	New A
Net Assets	100	100	200
Earnings	10	10	20

Not much complication here. But this is before potential 'enhancement' by A's corporate accountants. For example, it can be decided that certain of Company B's stock is obsolete and must be written down to a more 'realistic' level - say by R10. In addition, it may be deemed prudent to create a reserve against potential bad debts in B (another R10 provision). Further provisions amounting to R30 for costs associated with the merger can also be motivated.

The statement of New A's accounts after the merger would now read:

Net Assets (With total provisions of R50)	150
Earnings	20



Source: Inet

Still nothing that appears alarming. If anything, the second set of accounts appear more conservative. But the same is not true for future earnings.

Assume that the merger is not as successful as originally planned and New A shows no earnings growth for the next two years, i.e. earnings stay at R20. However, during the first year, the company may sell half the stock that it wrote down as obsolete. This will add R5 to profits (half the R10 by which the value of the stock was decreased during the merger).

New A will thus unveil earnings of R25 - an increase of 25% over the previous year's result. In year two the company may find that the bad debts actually pay their accounts adding R10 to profits giving total earnings of R30 or growth of 20%. At this stage management can confidently state that the merger has been a huge success and that the outlook is excellent since they have R35 of their reserves still intact to help bolster future earnings - despite the true economic picture being one of stagnation and unexciting prospects.

Given the complexity of modern business, it is very difficult to determine whether the numbers published after a merger are real. Therefore at Allan Gray, we are extra careful about investing in companies that make constant acquisitions. While a well-timed acquisition can certainly add value, the quality of the results of a company with frequent acquisitions is much more difficult to ascertain than a single operating entity with easily comparable results.

Accounting conventions can sometimes also understate the true value of a company and thus offer attractive investment opportunities. This is most clearly illustrated in the case of SISA (Sun International South Africa), one of our clients' major investments. Their effective exposure to SISA is further enhanced by the fact that it accounts for a large portion of the value of Kersaf, another of our clients' major investments.

SISA has two major businesses: A resorts and hotel division that includes Sun City and the Table Bay Hotel in Cape Town, as well as a number of casinos. SISA was awarded licences in Gauteng, Cape Town, Durban, Port Elizabeth, Kimberley, Bloemfontein and Pietersburg, and have either recently completed their casinos or are in the process of constructing them. In a new casino business, accounting rules may hide the value of the company. The following table sets out the major operating statistics for a new casino as reported in the company's income statement. The terms are explained below the headings.

Gross Turnover	100

The total amount of money that the casino makes from its customers. For illustration purposes this number was taken to be R100.

Net Turnover	73

The casino has to pay VAT and various other levies amounting to about 27 cents in the Rand leaving it with R73.

Operating Costs	(40)

The cash costs incurred by the casino such as staff costs, electricity, security, etc. Accountants put expenses in brackets to indicate that they are negative numbers.

EBITDA	33

An acronym to ensure most people do not understand accounts! This is the earnings before interest, tax and depreciation. Another interpretation is the cash flow out of a business before the banks and receiver have been paid (a very temporary phenomenon) and before the business has made provision for maintaining its operations.

Interest	(12)

All SISA's casinos were built with about 60% debt. The typical interest charge on this debt is 12% of gross sales.

Depreciation	(12)

On the casino building and equipment.

Net Profit	9

This would be the earnings reported by SISA. For simplicity, tax has been ignored.

Note that most of the costs are fairly fixed. A small decline in gross revenue by R1 to R99 would reduce net profit by almost R1 or 10%. This explains the recent disappointing earnings results of SISA (they reported earnings per share of 17 cents versus expectations of 18 cents), because in some operations the revenue was a little below expectation.

The value of SISA lies in the fact that the current reported net profit is a poor reflection of the true underlying earnings power of the company. Since the assets are all brand new, very little money has to be spent on maintenance for a number of years. The free cash flow that management can use to repay debt is thus R21 instead of the reported R9 earnings.

With the strong cash flow, it is easy to work out that SISA can repay the debt on its casinos in four years. If we assume that the casino business grows at 8% p.a. for the next four years, this will yield revenue 36% higher than current levels. Assume the same growth in casino costs. The income

statement by 2005 will now look something like this:

Gross Revenue	**136**

Our assumption of 36% growth.

Net Revenue	**99**

Charges of 27% as above.

Costs	**(54)**

36% increase in costs.

EBITDA	**45**
Interest	**0**

SISA has repaid all debt.

Depreciation	**(12)**

This number remains fixed.

Net Profit	**33**

The net profit of SISA's casino operations is thus expected to increase from R9 to R33 or 38% p.a. even though we only assumed 8% growth (in line with costs which are likely to equal inflation) in the casino revenue. This is due to the high cash flow used to repay debt and the large fixed depreciation charge. SISA's total earnings will grow somewhat slower, since the resorts business will grow more in line with revenue. However, total earnings growth should still average 20% p.a. or more. This was the case in the 1980's as shown in the graph.

The share price of both SISA and Kersaf has fallen significantly after the 11 September attacks since there is an expectation of reduced tourism which could therefore impact on earnings. SISA is trading at about 10 times earnings at the moment. This may not look particularly cheap on the surface, but a closer analysis as simplified above, indicates that these earnings will show significant increases over the medium-term despite some shortterm weakness in the aftermath of the attacks. For a history and our expectations of earnings, see the graph. We believe it offers far better value than many other companies with better histories, but where current earnings' levels may be difficult to sustain beyond the immediate future.

THE OVERLOOKED SIDE OF LONG-TERM COMPOUNDING

Thandi Skade



Participating in growth remains essential to building long-term wealth, but so, too, is remaining resilient when markets become more challenging.

In long-term investing, compounding enables you to earn returns on returns already generated. Given enough time, this can have a powerful effect on wealth creation. However, long-term outcomes are not solely influenced by the positive returns an investment earns; they are also influenced by the losses it avoids when markets weaken. Over time, limiting losses while still participating in market gains can preserve more capital for future growth and may reduce the time spent recovering. Drawing on the Allan Gray Balanced Fund's experience across multiple market downturns, Thandi Skade examines how this relationship has played out.

Compounding holds a near-mythical status in long-term investing. It is typically explained as returns generating further returns, which, over time, can accelerate growth. While true, this only tells part of the story.

Investment returns are rarely delivered in a straight line. Periods of positive performance ahead of the benchmark (outperformance or alpha) are often interspersed with periods of weaker performance as markets move through different cycles. For investment managers, this means that identifying opportunities for growth is only one half of the equation; managing the downside risk that erodes accumulated gains forms the other half.

Drawdowns, which are periods when an investment delivers negative returns, reduce the capital available for future growth. The investment must first regain the value lost before it can begin creating new wealth. Beyond potentially depleting your capital base, drawdowns also come with a time cost: Every month a portfolio spends recovering from losses is a month that is not spent compounding from its previous peak.

The time to recovery comes at a cost

The effect of a loss extends beyond the immediate decline in value because losses and gains are not symmetrical: A 10% loss requires an 11.1% gain to recover, while a 50% loss requires a 100% gain. The larger the decline, the greater the subsequent return required, because that return is earned from a smaller capital base, and positive returns are initially rebuilding lost value, not creating new wealth.

How long it takes for the investment to return to its prior peak also influences long-term outcomes. While smaller losses don't necessarily guarantee a faster recovery, the returns that follow ultimately determine how long recovery takes.

Compounding needs growth and participation

If losses matter to long-term outcomes, it might seem logical to want to avoid risk altogether. However, an investment that avoids market risk may sacrifice the growth needed to achieve a long-term goal. Equally, pursuing growth without regard for downside can expose accumulated wealth to setbacks that require substantial return and time to repair. It is a balancing act.

The Allan Gray Balanced Fund provides a useful case study of how participating in growth while limiting losses can support long-term compounding.

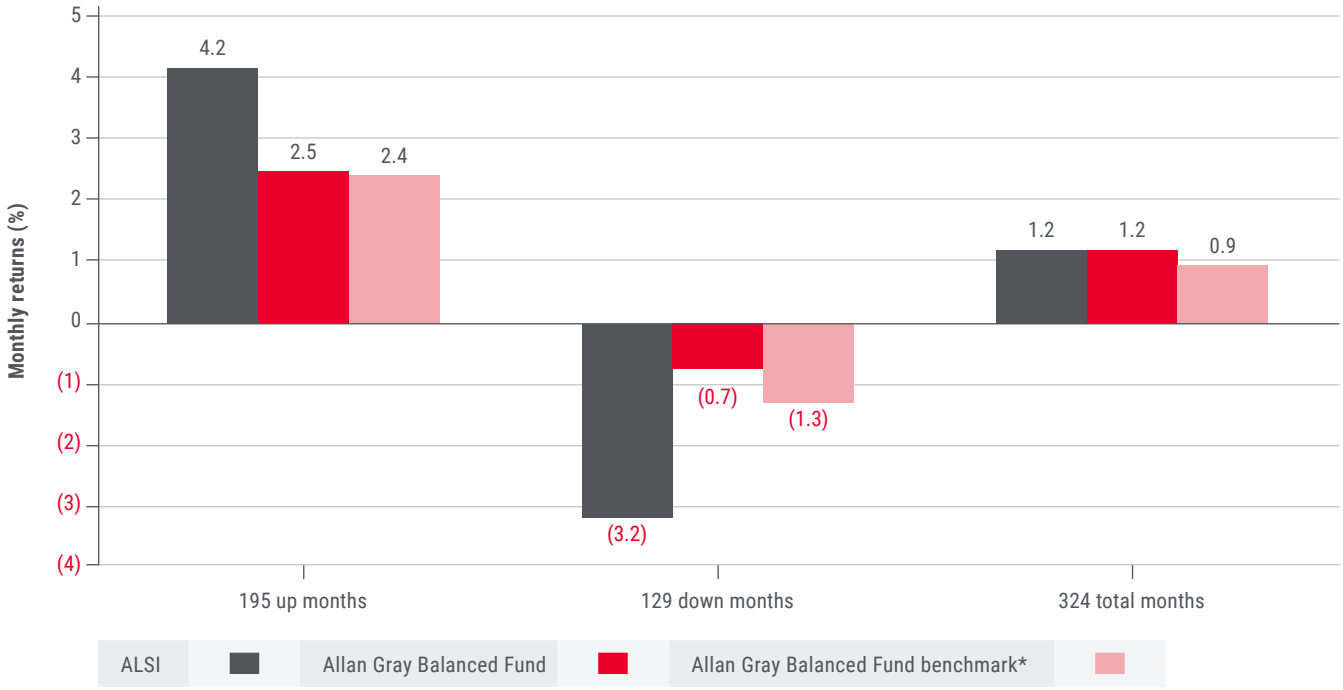
How the Allan Gray Balanced Fund participates in growth while limiting losses

One way to assess whether an investment successfully balances growth and downside risk protection is to consider how much it participates in rising markets and how much it loses when markets fall. The Allan Gray Balanced Fund aims to create steady, long-term wealth for investors by balancing income generation, capital growth and risk of loss across a diversified selection of asset classes. Its objective is to outperform the average performance of similar unit trusts without taking on additional risk.

Comparing the Allan Gray Balanced Fund returns with those of the FTSE/JSE All Share Index (ALSI) during rising and declining equity market months provides a view of how it has participated in market growth and limited losses.

Over the period from 1 October 1999 to 30 September 2026, the Allan Gray Balanced Fund generally returned less than the market in months when the ALSI returns were positive, but it also experienced substantially less downside when markets declined. As shown in **Graph 1**, during the ALSI's 195 up months, the Allan Gray Balanced Fund delivered an average monthly return of 2.5%, compared with 4.2% for the ALSI. During the ALSI's 129 down months, however, the Allan Gray Balanced Fund declined by an average of just 0.7%,

Graph 1: Average returns during rising and falling equity markets (1 October 1999 – 30 September 2026)



*The Allan Gray Balanced Fund benchmark is the market value-weighted average of the South African - Multi Asset - High Equity category (excluding Allan Gray funds). 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).
Source: Allan Gray research

compared with 3.2% for the ALSI. It also delivered positive returns in 49 of the ALSI's 129 negative months.

In other words, the Allan Gray Balanced Fund traded some upside participation for materially better downside protection. This means that a larger portion of its accumulated capital remained invested during difficult periods, reducing the amount of future growth needed to recover earlier losses.

... a smaller drawdown can preserve more capital and leave less ground to recover.

Relative to the ALSI, the Allan Gray Balanced Fund participated in just over half of the market's gains when share prices were rising, but experienced only around a quarter of the losses when markets were falling. It also captured more of the ALSI upside and less of the ALSI downside compared to its benchmark.

The monthly return pattern offers another perspective. Over the 324 months from 1 October 1999 to 30 September 2026, the Allan Gray Balanced Fund delivered positive returns in 229 months, compared with 195 months for the ALSI.

What can past drawdowns teach long-term investors?

The importance of preserving capital becomes especially apparent during major market downturns, when losses can significantly increase both the return required to recover and the time spent doing so. The dot-com decline, the global financial crisis (GFC) and the COVID-19 pandemic disrupted markets in different ways. Each period offers a different perspective on the relationship between the size of a loss, the gain required to recover and the time taken to regain a previous peak.

During the dot-com decline, the Allan Gray Balanced Fund experienced a materially smaller drawdown than both its benchmark and the ALSI, declining by 12.5%, compared with 19.2% for its benchmark and 27.6% for the ALSI. It therefore needed a smaller gain to recover – 14.3%, compared with 23.8% and 38.1% for its benchmark and the ALSI respectively. It recovered to its previous peak in four months, compared with nine months for both comparators. In this instance, losing less left more capital invested, less ground to make up and less time spent recovering.

The GFC was a more challenging test. The Allan Gray Balanced Fund declined by 15.4% between 22 May and 20 November 2008, while the ALSI declined by 45.4% over the same period. To recover to its previous peak, the Allan Gray Balanced Fund needed to gain 18.2%, compared with the 83.0% gain required by the ALSI. The Allan Gray Balanced Fund regained its previous peak in August 2009, more than a year before the ALSI did, in November 2010. It also recovered ahead of its benchmark.

This illustrates how a smaller drawdown can preserve more capital and leave less ground to recover. It also shows why both the absolute size of a loss and the loss relative to the market matter. Losing less may create better conditions for an earlier recovery, but it does not guarantee the fastest recovery in every market environment. The returns that follow, which are derived from asset allocation and stock selection, contribute to long-term outcomes.

This was evident during the COVID-19 pandemic. The Allan Gray Balanced Fund's maximum drawdown was 25.4% between 20 January and 23 March 2020, compared with 23.3% for its benchmark over the same period. While the Allan Gray Balanced Fund did not limit losses relative to its benchmark during this drawdown, it still declined materially less than the ALSI, which fell by 35.2%. All three recovered to their previous peaks within eight months.

... limiting losses lowers the return required to recover and preserves a larger capital base for future growth.

Taken together, these periods reinforce the fact that limiting losses lowers the return required to recover and preserves a larger capital base for future growth.

Preserving the conditions for long-term compounding

Losing less and therefore compounding from a larger base has a meaningful effect on long-term outcomes.

The Allan Gray Balanced Fund's long-term returns provide an illustration of this principle.

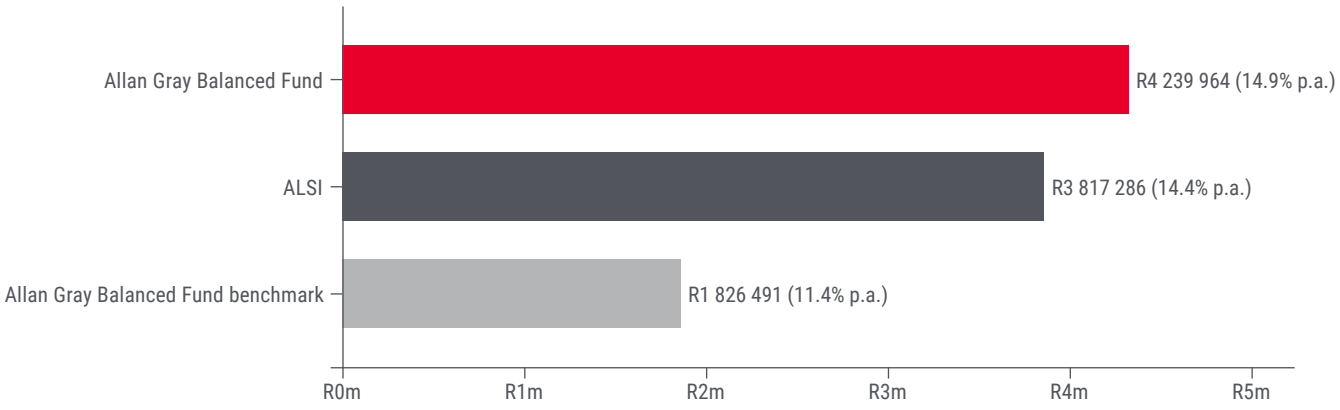
Graph 2 compares the outcomes of a hypothetical R100 000 investment in the Allan Gray Balanced Fund, its benchmark and the ALSI from 1 October 1999 to 30 September 2026.

Over the full period, the Allan Gray Balanced Fund outperformed both its benchmark and the ALSI. It did not need to match every equity market rally to achieve this outcome. Participating in growth was important, but so was limiting the losses when markets declined. Asset allocation, stock selection and the order in which returns occurred also contributed to its long-term performance.

What should long-term investors take from this?

Compounding is often associated with the positive return periods experienced by an investment. However, long-term outcomes are shaped just as much by what happens when markets weaken. The losses that you experience along the way affect the capital available for future growth and the return required to recover. Participating in growth remains essential to building long-term wealth, but so, too, is remaining resilient when markets become more challenging. That is the overlooked side of long-term compounding.

Graph 2: Long-term growth reflects both gains and losses



Source: Allan Gray research. Hypothetical R100 000 investment from 1 October 1999 to 30 September 2026.

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

ORBIS GLOBAL BALANCED: THE QUIET COMPOUNDERS

Mark Dunley-Owen



We are particularly excited when we can own companies that remind us of the greats, but are not priced as such. Anta Sports, Nintendo and Greggs fit that mould.

Successfully identifying businesses with enduring competitive advantages requires a disciplined, valuation-driven approach. While many consumer businesses face challenges such as shifting preferences, intense competition and uncertain growth prospects, some high-quality companies remain overlooked and underappreciated despite their strong fundamentals. Mark Dunley-Owen from our offshore partner, Orbis, highlights how Anta Sports, Nintendo and Greggs exhibit the characteristics of proven long-term winners and explains why their attractive valuations present compelling investment opportunities for patient investors.

Investing requires having a view of the future. This is hard, especially for businesses that operate in unpredictable industries. Consumer businesses fit this category because tastes change often and technology has made it easier for others to copy a product or find the next big thing. As a result, many consumer businesses have struggled with slower growth, lower margins and tougher competition. Share prices have fallen, with some of them near historical lows. They look cheap, which excites value investors like us. We have looked at but rejected many of them, usually because the business appears structurally damaged or is poorly managed. That is how our process works. As bottom-up investors, we reject many more ideas than we buy.

We have, however, found some consumer businesses that trade at compelling prices. These are not the ones whose share prices have fallen the most, but rather businesses that remind us of proven winners while not being priced as such.

A proven winner is a company that has compounded profits and value for decades. The sporting analogy is a GOAT – the "Greatest of All Time". Sporting GOATs are often disputed. Is it Novak Djokovic or Roger Federer or Rafael Nadal in tennis? Some cases are clearer. Mikaela Shiffrin won 110 Alpine Ski World Cup races and is the only skier to have won in all six of the sport's disciplines. Kelly Slater won 11 world surfing titles and was both the youngest champion, at 20, and the oldest, at 39. What distinguishes the GOATs is the ability to

maintain an edge and execute at the highest level, repeatedly, over long time periods. The same is true in business. Company GOATs such as Apple, Berkshire Hathaway and Costco are rare but excellent investments and have created enormous wealth for their shareholders.

While obvious in hindsight, few investors have the foresight to buy these companies early and the patience to hold them for decades. The lesson, and focus of this commentary, is to find companies that share qualities with the GOATs but are not yet appreciated as such. In essence, we try to buy great businesses at ordinary prices.

Anta Sports vs. Fast Retailing

Clothing is among the hardest businesses to predict. Few clothing businesses compound value over decades, and the industry is littered with once-popular companies that later disappointed. Gap was a leading business in the 1990s, but its shares have gone nowhere for two decades and remain below their 2000 peak. Nike is the seminal sportswear company, but its total return has lagged the MSCI World Index by 85% over the last five years. Even Lululemon, a recent darling known for its yoga-inspired activewear, is struggling to stay relevant.

Fast Retailing is a notable exception – its share price is up nearly 20 times in 20 years. It owns Uniqlo, the Japanese brand that has grown from a single store in 1984 to a global chain. Uniqlo sells clothes that put function and price ahead of fashion. They are designed for everyday life, appeal to a wide range of people, and are constantly being made better. Fast Retailing's founder, Tadashi Yanai, remains its president and a large shareholder. He believes that "Without a soul, a company is nothing", a philosophy that defines Uniqlo. Employees carry pocket cards with his founding principles, such as "Put customers first", "Give back to society" and "Disrupt yourself before others do".

Fast Retailing is an exceptional business, but the market recognises that, so its shares trade at a punchy 39 times next year's expected earnings. The company can stay exceptional and still be a poor investment from today's starting price.

We own a business that reminds us of Uniqlo but is priced more like Gap. Anta Sports is a Chinese company with a portfolio of sportswear brands. It is often compared to Nike, but its co-founder, Ding Shizhong, famously said, "We don't want to be the Nike of China, but the Anta of the world."

Like Uniqlo, Anta's own brand sells affordable, well-made basics. Its broader portfolio includes brands like Fila, Descente and Kolon Sport, which it operates in China through a mix of ownership and partnership arrangements. These are more specialised, but all offer high quality at attractive prices. Anta is also the largest shareholder in Amer Sports, which has revitalised the Arc'teryx brand, transitioning its strong technical roots towards luxury outdoor wear. Never ones to rest on their laurels, Anta recently agreed to buy a 29% stake in Puma with the goal of repeating their past success of turning around brands in China.

Anta and Fast Retailing share many similarities. Both grew out of small family businesses. Both founding families remain involved and invested alongside outside shareholders. Both put function and price ahead of fashion. Both spend consistently on innovation while also controlling costs. Both have long records of steady growth, industry-leading profit margins and strong cash generation.

Financially, Anta appears to us the better business of the two. It has grown revenue faster over the last decade, earns a higher operating profit margin, and turns more of its reported profit into actual cash.

> … we expect Anta to successfully navigate this cycle, as it has earlier ones. Earnings should continue to compound …

As shown in **Graph 1** on page 24, despite its superior fundamentals, Anta trades at a significant discount to Fast Retailing – 11 times next year's expected earnings versus 39 times. Why would two similar businesses with similar strengths trade at such different multiples? In our view, this is mostly because Anta is Chinese. Consumer spending in China is in a cyclical downturn after a housing bubble, and geopolitical tension has further dented household wealth and confidence.

Some "China discount" is justified, but it does not change Anta's operational and financial track record. Given time, we expect Anta to successfully navigate this cycle, as it has

earlier ones. Earnings should continue to compound and drive a reappraisal of its multiple to recognise its quality, providing substantial upside from today's price.

Vivienne Westwood, the British fashion designer, advised, "Buy less. Choose well. Make it last." Wise words for buying clothes *and* for investing in clothing companies. Anta qualifies on both counts.

Nintendo vs. LEGO

Few would dispute that LEGO is the GOAT of toys. Its name is an abbreviation of the Danish phrase "leg godt", meaning "play well", a theme that runs through everything it does. Founded in 1932, it originally sold wooden toys, survived two factory fires, switched to plastic toys and reinvented itself with the interlocking bricks. Four generations of the founding family later, it is the world's largest toy company by revenue and has been named "Toy of the Century" by both *Fortune* magazine and the Toy Retailers Association (formerly the British Association of Toy Retailers).

LEGO sells plastic bricks, but its real product is imagination. A single brick does little on its own, but combined with others, it allows people to build endless creations. This system of play has proved timeless, enabling LEGO to remain popular for decades in an industry known for short-lived fads.

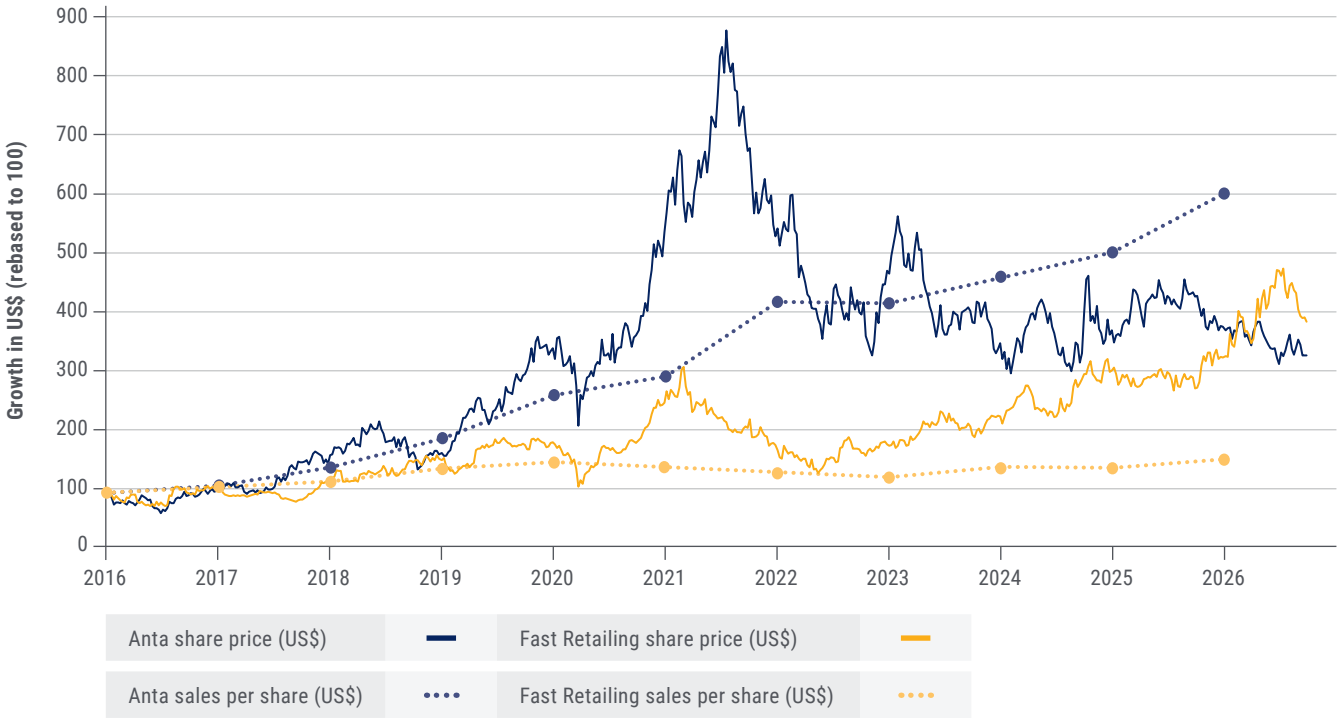
LEGO is privately owned, so we cannot own it. We can, however, look for a company that has a similar set of characteristics.

Holding games back until they meet Nintendo's quality bar is the hallmark of a long-term mindset ...

Nintendo predates LEGO and was founded in 1889 in Kyoto. It originally sold Japanese playing cards, then tried everything from taxis to instant rice before focusing on what it is known for today – high-quality, long-life video games such as Donkey Kong, Super Mario and Zelda.

As with LEGO, the Nintendo experience matters as much as its products. Nintendo's philosophy is well captured in the way it describes the Switch 2 experience, creating moments to be enjoyed "all together, anytime, anywhere" with an appeal that spans cultures and generations. Quality and consistency come first with management prioritising the

Graph 1: Share price and sales per share for Anta and Fast Retailing (US$, rebased to 100)



Sources: LSEG Datastream, Orbis

integrity of Nintendo's characters and the players' experience over short-term targets. Unlike other gaming companies, it has kept control of its ecosystem, allowing it to design hardware and software that work seamlessly together and extend its characters into other areas such as theme parks and films. *The Super Mario Bros. Movie*, whose box office success helped boost sales across the Mario franchise, is a good example of how success in one format can deepen fans' connection with the Nintendo characters and reinforce interest in its games.

We have owned Nintendo for several years. The shares did well initially as investors came to appreciate its intellectual property and the successful release of its new Switch 2 console, but sold off recently on earnings pressure from a delayed game release schedule and the rising cost of the memory chips used in its consoles. We see both as short-term noise. Holding games back until they meet Nintendo's quality bar is the hallmark of a long-term mindset, and memory is expensive because of extreme demand from AI data centres. Both should normalise over the coming years. We are patient owners while they do.

Greggs vs. Ikea

As with LEGO, many would consider Ikea the GOAT of furniture. Founded in 1943 by Ingvar Kamprad, it popularised functional furniture sold in flat-packed boxes and assembled at home. It is now the largest furniture retailer in the world.

... we view owning Greggs shares as remarkable value for money.

Ikea's vision is "to create a better everyday life for the many people" by offering "a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them". It does this by balancing price, quality and function. Ikea's first rule, "to maintain an extremely low level of prices", matters as much as their approach to quality, where they believe "throw-away products are not Ikea". Products often start with a defined function and a target price, and are then engineered backwards to meet these goals, epitomised by the one-euro LED light bulb.

Greggs appears to be a very different business to Ikea, but it comes from similar humble beginnings. Founded in 1939, it began with John Gregg delivering fresh eggs and yeast by bicycle to families around Newcastle in the north of England. It is now the UK's leading seller of food-on-the-go. It is famous for its sausage rolls, selling more than 100 million a year.

Patience, consistency and a long time horizon let us own businesses that compound wealth.

Greggs' purpose is to make "great-tasting and freshly prepared food that's accessible to everyone", surprisingly similar to Ikea's vision of a "better everyday life for the many people". Both are synonymous with value for money. They do this by constantly investing in and simplifying their business to minimise costs. Greggs' food is typically priced well below its food-on-the-go peers and on a par with grocery stores. A regular Americano, for example, is around 30-40% cheaper than at Pret A Manger or Starbucks.

Greggs' secret weapon is their supply chain. They sell a high volume of a few simple products. Most are made in its own central bakeries, transported frozen, delivered once daily to the shops, then baked in-store and in small batches to be sold fresh to customers. Controlling the process from start to finish lets Greggs make and deliver its products with industrial efficiency, while the shops create the smell and experience of a local bakery.

The similarities with Ikea go deeper. Both treat affordability as part of their purpose, retain their original regional identity and believe that prioritising customers and employees helps rather than hurts shareholder returns. Greggs remains headquartered in its founding city, Newcastle, with simplicity and humility core to the company. "Greggs is for everyone" explicitly puts customers and staff first. It has shared 10% of profits with employees for decades.

Ikea is privately held, but Greggs is publicly listed and we are enthusiastic owners of its shares. Many global investors ignore Greggs, viewing it as an ex-growth company at the mercy of the weak macroenvironment in the UK. We view it as a

best-in-class operator, priced at an attractive multiple of earnings, paying a healthy dividend, with profit growth that should accelerate as its supply chain investments are completed.

Much like Ikea's furniture or Greggs' sausage rolls, we view owning Greggs shares as remarkable value for money.

Common lessons

Great companies share common lessons. Their success takes decades to unfold. They experience setbacks along the way. They put customers first. They stay humble and true to their guiding principles. They keep reinvesting in their business.

Investing is similar. Patience, consistency and a long time horizon let us own businesses that compound wealth. We are particularly excited when we can own companies that remind us of the greats, but are not priced as such. Anta Sports, Nintendo and Greggs fit that mould. Like the rest of the portfolio's holdings, we believe they are underappreciated, undervalued and have the potential to exceed expectations over the coming years.

Orbis
Invest Differently

Mark joined Allan Gray in 2009 as an equity analyst. He started managing a portion of the fixed interest and stable portfolios in 2011 and 2013 respectively, and was appointed as a portfolio manager in 2012. Mark joined Orbis in 2020 as a member of the Bermuda Investment team. He is currently a director of Orbis Investment Management Limited and a portfolio manager for the Orbis Multi-Asset and Optimal Strategies. Mark holds a Bachelor of Business Science (Honours) degree in Finance and Information Systems from the University of Cape Town and is a CFA® charterholder.

THE PATIENCE PARADOX: THE CHALLENGE OF LONG-TERM INVESTING

Daniella Bergman



In a world preoccupied with speed, patience may be one of the few advantages that cannot be automated, outsourced or accelerated.

Technology has accelerated the flow of information and made action almost effortless, yet long-term investing still requires time. In a world defined by speed, patience may be an enduring investment advantage. Daniella Bergman explores how investors can strengthen this underused muscle.

The "Marshmallow Test", conducted by Walter Mischel and colleagues at Stanford University, is one of psychology's best-known experiments. Children could eat one marshmallow immediately or wait for the researcher to return and receive two. The study became closely associated with delayed gratification and self-control.

Later, researchers at the University of Rochester examined the role of trust in the above process. Before facing a similar choice, children experienced either a reliable environment, in which an adult kept a promise, or an unreliable one, in which the promise was broken. Those in the unreliable environment waited for less time. This was not necessarily impulsive: If a future reward seems uncertain, taking what is available may be rational.

Together, the studies suggest that patience is not simply a fixed virtue or an act of willpower; it is supported by perspective, strategy and trust. We are more willing to wait when the future reward is credible. There are interesting parallels and learnings for long-term investors.

The danger of confusing activity with progress

For much of history, faster access to information offered an edge. Those who received data or news first could act before others. Technology has democratised many of these advantages. Market data, company announcements and commentary are widely available; AI can summarise information quickly; trades can be executed almost instantly. Investors increasingly experience markets at the pace of a social media feed, with every development inviting a response.

Businesses, however, operate on longer cycles. A mine can take years to develop; an insurer builds value over time; a retailer may need several reporting cycles to show that its customer acquisition strategy is working. This creates

a tension: Investors have never had more ability to act, yet sound long-term outcomes require no intervention. Compounding is difficult to see in its early stages, and a lack of visible progress can prompt action even when the investment case remains intact. In this environment, patience may provide a durable edge.

What pressures us to act?

Beyond access to information, several behavioural tendencies pull investors towards impatience:

- **Present bias** makes immediate rewards more attractive than larger future ones.
- **Loss aversion** encourages us to escape short-term discomfort.
- **Recency bias** gives disproportionate weight to recent, vivid news.
- **Action bias** makes intervention feel more responsible than restraint.
- **Overconfidence** encourages the belief that we can time our exit and re-entry.
- **Cognitive ease favours information that is easy to process.** In an AI-driven environment, a fluent response can feel more credible than a nuanced expert view simply because it requires less mental effort.

These tendencies become especially powerful during uncertainty. Even investors with a long-term horizon can find today's anxiety more compelling than tomorrow's potential reward.

Delayed gratification must … be developed deliberately.

Building patience into the process …

Modern life is designed around immediacy: instant communication, same-day delivery, real-time entertainment and rapid answers. We have become accustomed to quick feedback, even where worthwhile outcomes remain distant. Delayed gratification must therefore be developed deliberately.

In *The Science of Self-Discipline*, Peter Hollins argues that achieving goals depends less on motivation and more on learning to manage our emotions, impulses and habits. He says success is less dependent on exceptional willpower than on systems that make it easier to choose long-term rewards over short-term gratification. For investors, this means preparing in advance rather than relying on resolve during a market sell-off.

These systems do not remove uncertainty; they create space for thoughtful consideration. In an age increasingly mediated by algorithms, wisdom requires us to slow down, weigh different perspectives and exercise human judgement. However, restraint is sustainable only when investors have reason to trust the process and the decisions behind it.

In an age increasingly mediated by algorithms, wisdom requires us to slow down, weigh different perspectives and exercise human judgement.

… and trust in the system

Research by Goldman Sachs into the neuroscience of trust suggests that people use similar biological processes to judge the trustworthiness of a person, organisation and technology. The brain evaluates perceived intentions and reliability cues, even when they come from AI. A polished interface or convincing answer may inspire trust without making the underlying system trustworthy.

This matters in investing. AI has broadened access to information and analysis, but its speed, opacity and capacity for authoritative-sounding errors mean a healthy degree of scepticism must be applied in the research process. Investors should avoid shortcuts, test theses and question the accuracy of information they receive.

Trust must be earned through transparent, consistent processes, clear explanations of how technology is used, accountable human oversight and consistent behaviour. This takes active engagement, time and patience. Judgement cannot be outsourced.

Patience is not passive

Patience should not be confused with inactivity. It means continuing when rewards are not yet visible, following a sound process and making decisions based on long-term

objectives rather than emotion. A patient investor remains focused on fundamentals, valuation and the long-term thesis.

Investing is an extended exercise in delayed gratification. It asks us to forgo some consumption today, endure volatility and remain committed to a sound process in pursuit of future outcomes. This requires discipline, trust in the process and confidence in the investment manager, supported by a reasonable basis for believing that patience will be rewarded – a basis in the form of a long-term track record achieved by the consistent application of an investment philosophy and process.

Technology has made information abundant and transactions seamless. However, it has not altered a fundamental truth: Time remains a key ingredient in long-term wealth creation. In a world preoccupied with speed, patience may be one of the few advantages that cannot be automated, outsourced or accelerated.

How to practise patience as an investor

- **Keep a written long-term plan.** Recording why you invested can provide an anchor during uncertainty and help prevent knee-jerk decisions. Include if-then scenarios that indicate how you will respond to specific market events. For example: "If markets fall sharply, I will revisit my investment objective, time horizon and investment thesis before making changes." This can make disciplined behaviour more automatic and reduce emotionally driven decisions.
- **Check your portfolio less often.** Once you have a long-term plan, frequent monitoring – more than once a quarter – increases the risk of reacting to short-term noise rather than long-term fundamentals.
- **Measure progress against goals, not market movements.** Focus on whether you are on track to meet your objectives, rather than whether your portfolio is up or down this month.
- **Remember that short-term volatility is normal.** Market declines are part of long-term investing, not necessarily evidence that something is wrong.
- **Lengthen your time horizon.** Before acting, ask whether today's news is likely to matter in five years. Many short-term concerns fade when viewed through a longer lens.

In the end, the lesson of the Marshmallow Test may not be about self-control alone; it is about the willingness to wait when the future reward is credible and worth pursuing. Long-term investing asks the same of us: not simply to resist the first marshmallow, but to build the trust and discipline required to wait for the second.

Daniella joined Allan Gray in 2008 and is the content and PR lead. Previously, she filled various writing and editing roles in financial services and financial publishing, mainly in the United Kingdom. Daniella holds a Bachelor of Journalism degree from Rhodes University.

Allan Gray Balanced and Stable Fund asset allocation as at 30 September 2026[1]

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	South Africa	Foreign	Total	South Africa	Foreign
Net equities	66.8	38.0	28.8	30.1	15.1	15.0
Hedged equities	7.9	1.9	6.0	18.4	8.4	10.0
Property	0.8	0.0	0.8	0.7	0.0	0.6
Commodity-linked	2.3	1.9	0.4	1.7	1.3	0.3
Bonds	16.8	11.5	5.3	35.9	29.5	6.4
Money market and cash[2]	5.3	3.7	1.7	13.2	9.6	3.5
Total	**100.0**	**57.0**	**43.0[3]**	**100.0**	**64.0**	**36.0[3]**

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

[1] Underlying holdings of foreign funds are included on a look-through basis.
[2] Includes the impact of any currency hedging.
[3] The Fund can invest a maximum of 45% offshore. Market movements may periodically cause the Fund to move beyond these limits. This must be corrected within 12 months.

Allan Gray Equity Fund net assets as at 30 September 2026

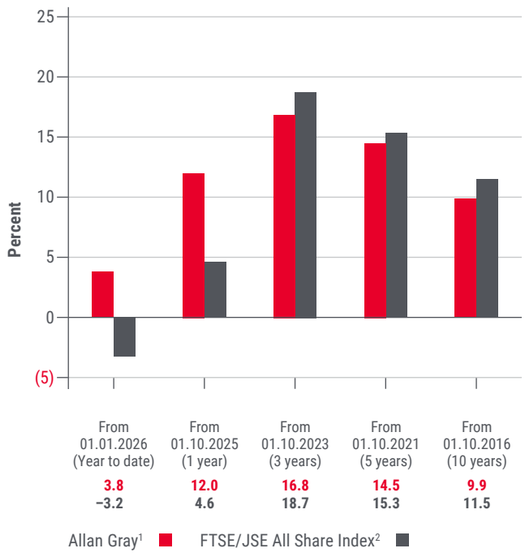
Security	Market value (R million)	% of Fund
South Africa	**32 129**	**53.6**
Equities	**30 997**	**51.7**
Resources	**8 280**	**13.8**
AngloGold Ashanti	2 012	3.4
Glencore	1 939	3.2
Sasol	1 125	1.9
Exxaro	643	1.1
Positions individually less than 1% of the Fund	2 560	4.3
Financials	**7 603**	**12.7**
Standard Bank	1 776	3.0
Remgro	1 419	2.4
Nedbank	1 341	2.2
FirstRand	804	1.3
Positions individually less than 1% of the Fund	2 262	3.8
Industrials	**15 114**	**25.2**
AB InBev	2 939	4.9
Naspers & Prosus	2 255	3.8
British American Tobacco	1 530	2.6
Woolworths	857	1.4
Mondi	795	1.3
Richemont	684	1.1
Mr Price	613	1.0
Positions individually less than 1% of the Fund	5 441	9.1
Cash	**1 132**	**1.9**
Foreign	**27 765**	**46.4**
Equities	**2 985**	**5.0**
Walt Disney Company	1 189	2.0
Booking Holdings	871	1.5
Positions individually less than 1% of the Fund	926	1.5
Equity funds	**24 708**	**41.3**
Orbis Global Equity Fund	9 878	16.5
Orbis SICAV International Equity Fund	7 527	12.6
Allan Gray Frontier Markets Equity Fund	3 755	6.3
Orbis SICAV Japan Equity (Yen) Fund	2 259	3.8
Allan Gray Africa ex-SA Equity Fund	1 130	1.9
Orbis SICAV Emerging Markets Equity Fund	158	0.3
Bonds	**18**	**0.0**
Positions individually less than 1% of the Fund	18	0.0
Cash	**54**	**0.1**
Totals	**59 894**	**100.0**

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

Investment track record – share returns

Allan Gray global mandate share returns vs. FTSE/JSE All Share Index before fees			
Period	**Allan Gray[1]**	**FTSE/JSE All Share Index[2]**	**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
2026 (to 30.09)	**3.8**	**–3.2**	**7.0**

Returns annualised to 30.09.26



An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R518.4 million by 30 September 2026. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R24.3 million. Returns are before fees.

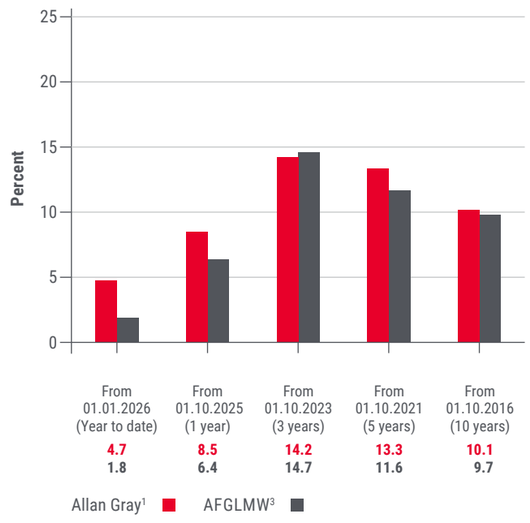
[1] Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
[2] Prior to July 1995, an internally derived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

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

Investment track record – balanced returns

Allan Gray global mandate total returns vs. Alexforbes Global Large Manager Watch before fees			
Period	**Allan Gray[1]**	**AFGLMW[3]**	**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
2026 (to 30.09)	**4.7**	**1.8**	**2.9**

Returns annualised to 30.09.26



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R56.2 million by 30 September 2026. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R11.7 million. Returns are before fees.

[1] Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
[3] Consulting Actuaries Survey returns used up to December 1997. The return for September 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 30 September 2026 (net of fees)

	Assets under management (R billion)	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[7]	Lowest annual return[7]
High net equity exposure (Up to 100%)									
Allan Gray Equity Fund (AGEF) Market value-weighted average of South African - Equity - General category (excl. Allan Gray funds)[1]	**59.9**	**01.10.1998**	**18.9** 14.1	**9.7** 8.9	**14.3** 12.6	**16.5** 16.2	**10.3** 5.0	**125.8** 73.0	**–24.3** –37.6
Allan Gray SA Equity Fund (AGDE) FTSE/JSE All Share Index, including income	**5.3**	**13.03.2015**	**8.6** 10.3	**8.6** 11.5	**13.3** 15.3	**15.6** 18.7	**9.8** 4.6	**57.3** 54.5	**–32.0** –18.4
Allan Gray - Orbis Global Equity Feeder Fund (AGOE) MSCI World Index, including income, after withholding taxes[2]	**35.3**	**01.04.2005**	**14.8** 14.5	**13.6** 14.9	**15.9** 13.8	**19.5** 15.9	**15.7** 9.1	**78.2** 54.2	**–29.7** –32.7
Allan Gray - Orbis Global Equity Feeder AMETF (AGOGE)[3] MSCI World Index, including income, after withholding taxes	**0.2**	**11.12.2025**	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –
Allan Gray - Orbis Global Equity Prescient Feeder Fund (AGOEPA) MSCI World Index, including income, after withholding taxes	**9.4**	**01.09.2025**	**17.1** 9.3	**–** –	**–** –	**–** –	**16.0** 9.1	**21.0** 9.9	**16.0** 9.1
Medium net equity exposure (40% – 75%)									
Allan Gray Balanced Fund (AGBF)	**256.1**	**01.10.1999**	**14.9**	**9.5**	**13.0**	**14.6**	**8.9**	**46.1**	**–14.2**
Allan Gray Tax-Free Balanced Fund (AGTB) Market value-weighted average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[4]	**6.0**	**01.02.2016**	**9.8** 11.4/8.3	**9.5** 8.3	**13.1** 10.1	**14.5** 12.5	**9.1** 3.1	**31.7** 41.9/30.7	**–13.4** –16.7/–10.3
Allan Gray - Orbis Global Balanced Feeder Fund (AGGF)[5] 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index[5]	**17.9**	**03.02.2004**	**11.9** 10.7	**11.8** 9.3	**16.8** 7.4	**17.8** 8.2	**10.1** 1.4	**55.6** 38.8	**–13.7** –17.0
Allan Gray - Orbis Global Balanced Feeder AMETF (AGOGB)[3] 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	**0.3**	**11.12.2025**	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –
Allan Gray - Orbis Global Balanced Prescient Feeder Fund (AGOBPA) 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	**7.1**	**01.09.2025**	**11.7** 1.2	**–** –	**–** –	**–** –	**10.4** 1.4	**13.5** 1.6	**10.4** 1.4
Low net equity exposure (0% – 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate as supplied by FirstRand Bank, plus 2%	**63.7**	**01.07.2000**	**11.2** 8.5	**8.6** 7.6	**10.4** 8.2	**11.4** 8.9	**8.4** 8.2	**23.3** 14.6	**–7.4** 4.6
Very low net equity exposure (0% – 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate as supplied by FirstRand Bank	**0.8**	**01.10.2002**	**6.8** 6.1	**4.6** 5.5	**6.1** 6.1	**7.2** 6.8	**10.9** 6.1	**18.1** 11.9	**–8.2** 2.5
Allan Gray - Orbis Global Optimal Fund of Funds (AGOO) The simple average of the benchmarks of the underlying funds	**1.1**	**02.03.2010**	**6.8** 5.4	**3.9** 3.6	**8.1** 4.6	**1.2** 0.2	**–7.1** –4.1	**39.6** 35.6	**–12.4** –19.1
No to very low net equity exposure (0% – 10%)									
Allan Gray Income Fund (AGIN) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	**4.2**	**01.05.2024**	**11.9** 7.6	**–** –	**–** –	**–** –	**10.0** 7.0	**14.2** 8.2	**10.0** 7.0
No equity exposure									
Allan Gray Bond Fund (AGBD) FTSE/JSE All Bond Index (total return)	**11.2**	**01.10.2004**	**9.5** 9.4	**10.2** 10.3	**11.6** 12.1	**16.3** 17.7	**12.7** 12.8	**26.4** 28.2	**–2.6** –5.6
Allan Gray Money Market Fund (AGMF) Alexforbes Short-Term Fixed Interest (STeFI) 3-month Index[6]	**28.0**	**01.07.2001**	**7.7** 7.5	**7.2** 6.7	**7.5** 7.0	**8.2** 7.6	**7.3** 6.8	**12.8** 13.3	**4.3** 3.8
Allan Gray Interest Fund (AGIF) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	**3.9**	**01.05.2024**	**10.0** 7.6	**–** –	**–** –	**–** –	**8.5** 7.0	**11.7** 8.2	**8.5** 7.0

[1] From inception to 28 February 2015, the benchmark was the FTSE/JSE All Share Index, including income (source: Iress).
[2] From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
[3] These funds were launched on 11 December 2025. We will report their performance information in our Quarterly Commentary from 31 December 2026. They are currently available to trade via the Johannesburg Stock Exchange and will soon be available via Allan Gray.
[4] 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).
[5] 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.
[6] 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.
[7] 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 30 September 2026

	Fee for benchmark performance[1]	Performance fees	Other costs excluding transaction costs	Total expense ratio	Transaction costs	Total investment charge
Allan Gray Equity Fund	1.13%	0.43%	0.04%	1.60%	0.09%	1.70%
Allan Gray SA Equity Fund	1.15%	–0.56%	0.01%	0.60%	0.10%	0.70%
Allan Gray Balanced Fund	1.13%	0.48%	0.04%	1.65%	0.07%	1.72%
Allan Gray Tax-Free Balanced Fund	1.45%	N/A	0.05%	1.50%	0.08%	1.57%
Allan Gray Stable Fund	1.13%	0.45%	0.03%	1.61%	0.04%	1.66%
Allan Gray Optimal Fund	1.15%	0.00%	0.03%	1.18%	0.11%	1.29%
Allan Gray Bond Fund	0.57%	N/A	0.01%	0.58%	0.00%	0.58%
Allan Gray Income Fund[2]	0.86%	N/A	0.01%	0.87%	0.00%	0.87%
Allan Gray Interest Fund[2]	0.75%	N/A	0.01%	0.75%	0.00%	0.75%
Allan Gray Money Market Fund	0.29%	N/A	0.00%	0.29%	0.00%	0.29%
Allan Gray - Orbis Global Equity Feeder Fund	1.10%	1.15%	0.06%	2.31%	0.13%	2.44%
Allan Gray - Orbis Global Balanced Feeder Fund	1.10%	2.74%	0.07%	3.91%	0.09%	3.99%
Allan Gray - Orbis Global Optimal Fund of Funds	1.00%	0.16%	0.08%	1.24%	0.13%	1.37%
Allan Gray - Orbis Global Equity Feeder AMETF[3]	1.10%	1.15%	0.06%	2.31%	0.13%	2.44%
Allan Gray - Orbis Global Balanced Feeder AMETF[3]	1.10%	2.74%	0.07%	3.91%	0.09%	3.99%
Allan Gray - Orbis Global Equity Prescient Feeder Fund[4]	1.10%	1.15%	0.06%	2.31%	0.13%	2.44%
Allan Gray - Orbis Global Balanced Prescient Feeder Fund[4]	1.10%	2.74%	0.07%	3.91%	0.09%	3.99%

[1] For the Tax-Free Balanced, Bond, Income, Interest and Money Market funds, this figure reflects a fixed annual management fee, as these funds do not charge performance fees.
[2] 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.
[3] Since this unit trust has not yet been in existence for three years, the TER and transaction costs 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. The total investment charge excludes the costs of trading via the JSE, which are borne by the investor.
[4] Since this unit trust has not yet been in existence for three years, the TER and transaction costs 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.

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) 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) are shown separately. All TER components and transaction costs include VAT, where applicable. 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 30 September 2026 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[7]	Lowest annual return[7]
High net equity exposure								
Orbis Global Equity Fund MSCI World Index, including income, after withholding taxes[1]	**01.01.1990**	**17.6** 14.0	**13.9** 15.0	**16.5** 13.9	**20.0** 15.9	**15.6** 9.5	**87.6** 54.2	**–47.5** –46.2
Orbis SICAV Japan Equity (Yen) Fund Tokyo Stock Price Index, including income, after withholding taxes	**01.01.1998**	**13.9** 10.1	**10.7** 11.4	**11.1** 11.7	**11.0** 15.7	**2.8** 19.2	**94.9** 91.0	**–40.1** –46.4
Orbis SICAV Emerging Markets Equity Fund[2] MSCI Emerging Markets Index, including income, after withholding taxes[2]	**01.01.2006**	**13.7** 13.0	**10.8** 10.8	**15.7** 10.8	**19.2** 18.5	**7.5** 22.8	**58.6** 60.1	**–34.2** –39.7
Allan Gray Africa ex-SA Equity Fund (C class) MSCI Emerging Frontier Markets Africa ex-SA Index[3]	**01.01.2012**	**14.2** 8.9	**16.1** 10.8	**17.8** 10.9	**25.7** 12.0	**28.6** 4.1	**65.6** 43.9	**–24.3** –29.4
Allan Gray Australia Equity Fund S&P/ASX 300 Accumulation Index	**04.05.2006**	**13.6** 11.7	**10.9** 9.9	**12.2** 8.5	**11.7** 8.9	**19.7** 2.2	**99.5** 55.6	**–55.4** –45.1
Allan Gray Frontier Markets Equity Fund (C class) MSCI Select Emerging and Frontier Markets Access Index (US$)[4]	**03.04.2017**	**14.1** 8.2	**–** –	**18.9** 10.6	**19.2** 14.9	**13.8** 9.3	**45.2** 34.4	**–11.0** –12.8
Medium net equity exposure								
Orbis SICAV Global Balanced Fund 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	**01.01.2013**	**15.2** 12.1	**12.2** 9.2	**17.2** 7.5	**18.2** 8.3	**10.4** 1.8	**54.4** 40.2	**–9.8** –12.1
Allan Gray Australia Balanced Fund The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and J.P. Morgan Global Government Bond Index expressed in AUD (16%). All returns shown are net of fees and assume reinvestment of distributions.	**01.03.2017**	**10.8** 8.6	**–** –	**12.6** 6.1	**13.0** 6.8	**10.9** 1.3	**29.1** 25.1	**–5.3** –8.3
Low net equity exposure								
Orbis SICAV Global Cautious Fund[5] US$ bank deposits + 2%	**01.01.2019**	**8.5** 6.9	**–** –	**10.4** 7.9	**8.4** 2.1	**2.7** 0.8	**26.6** 34.6	**–8.0** –20.4
Allan Gray Australia Stable Fund Reserve Bank of Australia cash rate	**01.07.2011**	**9.0** 5.5	**5.9** 3.0	**6.0** 4.4	**3.8** 2.0	**5.6** 3.9	**32.7** 28.8	**–8.9** –15.5
Very low net equity exposure								
Orbis Optimal SA Fund (US$) US$ bank deposits	**01.01.2005**	**8.7** 7.2	**4.9** 4.4	**9.3** 5.8	**1.0** 0.0	**–5.2** –1.2	**48.6** 57.9	**–15.7** –25.6
Orbis Optimal SA Fund (Euro) Euro bank deposits	**01.01.2005**	**6.8** 5.5	**3.2** 2.8	**7.0** 3.6	**1.5** 0.6	**–9.5** –6.2	**44.1** 40.2	**–19.3** –20.9
No equity exposure								
Allan Gray Africa Bond Fund (C class)[6] FTSE 3-Month US T Bill + 4% Index[6]	**27.03.2013**	**12.9** 7.6	**12.1** 7.8	**11.3** 9.8	**14.4** 3.8	**10.3** 2.6	**31.4** 36.5	**–7.4** –12.3

Performance as calculated by Allan Gray

[1] From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
[2] From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.
[3] From inception to 31 October 2023, the benchmark was the Standard Bank Africa Total Return Index.
[4] From inception to 31 March 2026, the benchmark was the MSCI Frontier Emerging Markets Index. From 1 April 2026, the Fund's investment mandate was broadened and the benchmark was changed.
[5] Return information through to the class inception date on 29 February 2024 is based on the returns that would have resulted from an investment in the Shared Investor RRF Class (C) at Fund inception with no subsequent transactions, if this class of the Fund had existed then. Returns from that date are actual returns of this class of the Fund (Class RRFC).
[6] 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.
[7] 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

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The trustee/custodian of the Allan Gray Unit Trust Scheme and the Allan Gray ETF Scheme is Rand Merchant Bank, a division of FirstRand Bank Limited. The trustee/custodian can be contacted at RMB Custody and Trustee Services: Tel: +27 (0)11 301 6335 or www.rmb.co.za.

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.

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

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

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

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

Performance

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

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

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

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

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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.

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