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ALLAN GRAY

How Booking.com changed the way we travel

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CONTENTS

COMMENTS FROM THE CHIEF OPERATING OFFICER

Mahesh Cooper

When it comes to successful investing, the single most important variable is the price you pay. Most compelling are those rare opportunities to buy at deeply discounted prices.

The FTSE/JSE All Share Index (ALSI) returned 12.9% in the third quarter, taking its year-to-date return to a remarkable 31.7%. Over the last five years, the ALSI has generated a US dollar return of 18.3% per annum, ahead of both the S&P 500 and the MSCI World indices at 16.5% and 14.4% respectively. It is unusual for the local equity market to rank near the top of global performance tables across multiple time periods. Our core unit trusts have performed well, but on a note of caution – the level of returns above inflation is higher than one would expect through the cycle.

Gold has been driving the market rally, with the price of the metal up 47% this year to end-September, and the share prices of local gold miners more than doubling so far in 2025 as a result. Platinum group metal producers have also recently joined the party.

However, this does not mean the whole market has done well. SA Inc. shares are floundering, and many others are treading water. Removing the metals from the mix dulls the lustre of this performance, highlighting the risks of a concentrated index: Concentration is risky as a shift in sentiment in the dominant group can significantly shift index performance. Precious metal producers are a case in point, with the group now making up a quarter of the local index weight. But this has not been the case consistently, as Matthew Patterson discusses in his article, which looks at shifts in the index over time.

Changes in indices are normal and expected; this is not unique to South Africa. Consider how massively concentrated in technology the S&P 500 is today versus 10 years ago, when the top five companies were diversified across technology, energy, healthcare and financials. While indices change in composition, and weightings see-saw, we prefer not to attempt to predict what will happen next; rather, we do what we have always done: avoid what is expensive, and pursue those shares trading at a discount to intrinsic value.

A treasure hunt

Homing in on a relatable example, Booking.com is a best-in-class share that has been a prominent feature in our top 10 client holdings for the last few years. Booking.com can be credited with changing how we travel. Users of this online travel agency attest to the fact that the company has introduced flexibility into the booking process, enabling travellers to transact in their own language and currency and to curate trips tailored to their specific needs. Given Booking.com's dominant position and the threat of AI disruption, some argue that the share is now mature, with few remaining growth prospects. Thalia Petousis disagrees, taking us on Booking.com's journey and mapping out where she sees value.

In our pursuit of value, we often find ourselves peeling back the layers of holding companies to reveal hidden opportunities. Remgro and Reinet, which both have their origins in the Rupert family's business interests, are holding companies in our clients' portfolios that trade at substantial discounts to the sum of their parts. Jonty Fish and Malwande Nkonyane share some insights into their investment theses and explain why recent actions suggest that there is a high probability of these discounts unlocking over time.

Opportunity is often lurking on the fringes, or in unloved areas …

When it comes to successful investing, the single most important variable is the price you pay. Most compelling are those rare opportunities to buy at deeply discounted prices. Of course, it is natural to feel you may be missing out by not investing in the market darlings, but the moment to derive value from those now-expensive shares has more than likely passed.

Opportunity is often lurking on the fringes, or in unloved areas, as Graeme Forster and Mo Zhao from our offshore partner, Orbis, illustrate in their piece that highlights cutting-edge companies within the biotechnology sector.

We further explore this theme and our ideas in the latest episode of *The Allan Gray Podcast*. Portfolio manager Rory Kutisker-Jacobson chats to Mark Dunley-Owen from Orbis about a range of global investment prospects beyond those currently in vogue. You can subscribe to our podcast via our website or your favourite podcast platform.

How to access Orbis investments

One of the ways to access the innovation in biotech described earlier is via Orbis' Global Equity Fund. This is one of a small range of diverse offshore funds Orbis offers, designed to meet the needs of a broad spectrum of investors.

Horacia Naidoo-McCarthy and Radhesen Naidoo explore the role of offshore investing in building portfolio resilience, describe the core funds in Orbis' range and outline the available routes for South Africans to access Orbis' investment expertise.

Protect your investments from fraudsters

Fraudsters are always looking for new ways to gain access to your personal details, bank accounts and investments. Keeping your investments secure is a collaborative effort: We are constantly working with our clients, security experts, law enforcement and other financial services providers to stay one step ahead. Unfortunately, our efforts alone will not stop all their attempts. Awareness is key in avoiding scams, along with doing what you can to protect the security of your investments. In this quarter's Investing Tutorial, Twanji Kalula offers some simple steps you can take to safeguard your long-term wealth throughout your investment journey. You can also visit our fraud and cybersecurity portal and insights page on our website.

As we enter the last quarter of the year, I want to take a moment to thank you for your continued trust and partnership. It is something we deeply value and never take for granted.

Kind regards

Mahesh Cooper

HOW BOOKING.COM CHANGED THE WAY WE TRAVEL

Thalia Petousis

Booking.com's best-in-class profit margins are not only thanks to its offering, but also the result of a culture of efficiency and cost control ...

Booking.com is a best-in-class share that has been a prominent feature in our top 10 client holdings for the last few years. It has both taken market share and maintained some of the healthiest margins in the travel industry. Thalia Petousis takes us on a journey to unpack its success.

Prior to the internet revolution of the 1990s, travel planning was an arduous process. Aspiring tourists accumulated physical inventories of paper maps, guidebooks, traveller's cheques and entertainment brochures. Notepads filled with local language phrases and word-of-mouth recommendations were crammed into overflowing backpacks. It was against this messy backdrop that Booking.com would come to join the league of some of the greatest companies in the world that cut their teeth by solving real-world problems and unmet customer needs.

Booking.com is the amalgamation of three internet start-ups that each began with barely more than a single employee and an idea. Geert-Jan Bruinsma, a computer science student in Amsterdam who had also done a brief stint as a hotel night porter, set up a booking website named Bookings.nl in 1996 using a single server under his desk. His goal was to make the difficult process of booking hotel rooms in foreign countries, which often involved translation issues and complex contact details, much simpler. In the US in 1997, Priceline.com was the brainchild of Jay Walker, who developed a "name your own price" travel system whereby a customer would bid what they were prepared to pay for a particular flight or hotel booking – the inverse of the traditional customer-retailer relationship. This business model might easily have become a casualty of the dotcom bubble were it not for a chance meeting at a travel trade show with Bruinsma's Bookings and a third travel start-up – ActiveHotels.com. ActiveHotels.com was founded by two cousins in the UK who felt that they could build a better and more locally relevant business than Expedia, Hotels.com and Lastminute.com by focusing on niche *independent* hotels.

Fast-forward to today, and those three start-ups have become Booking.com, the world's largest online travel agency, offering 31 million accommodation room listings and handling 1.1 billion room night bookings in 2024 alone.

An investor who bought the share 25 years ago would have earned a 16% annualised dollar return on average in every following year, or almost double the return of the US stock market. In 2024, Booking.com handled a gross bookings value of US$166bn – almost double that of its closest competitor. It charged an average revenue commission of 14%, on which it earned a net profit margin of 24%. This is almost three times wider than the net profit margin of the next largest travel player, Expedia. What has contributed to Booking.com's success?

The key to Booking.com's business-class competitive edge: Letting the customer choose

Echoing back to Bruinsma's vision, Booking.com was founded on the key principle of always giving your customer *flexibility* – from transacting in their own language and currency to making payment via a local app, as well as "naming the price" by filtering on the accommodation's cost. Perhaps most importantly, Booking.com saw the future in allowing each customer to carefully curate their own vacation by offering them the flexibility of any accommodation type they desire – from hotels to apartments and campsites, or even a glass-and-ice igloo from which to watch the Northern Lights in Finland. As the company watched the demise of package holiday giants, it hardened its resolve to always give the customer as much *choice* as possible, regardless of the unit economics of that particular accommodation. In fact, the average daily room rate across all accommodations booked on Booking.com was US$134 in 2024, which was virtually unchanged from 2007 – harking back to Priceline's desire to let customers state their own budget.

As budget travel has gained popularity, customers have increasingly chosen aparthotels – which combine the features of a hotel with the convenience of a serviced apartment – and other alternative offerings. On this point of flexibility, Booking.com's chief executive officer, Glenn Fogel, has often remarked that a customer will start out on their platform looking for a niche private apartment and end up booking at a chain hotel, or vice versa, as their itinerary fleshes out and they change their mind. Booking.com must therefore allow them that change and must never keyhole their offering into what makes the most sense from a corporate profitability standpoint.

The competitive moat inked over decades

Booking.com's competitive moat also rests on its scale. Its app, via which it sells more than 50% of its room nights, has been downloaded more than 500 million times by customers. These network effects work in both directions: Hotels are attracted to the online travel agent with the most customers, who are, in turn, attracted to the online travel agent with the most hotels. The barrier to entry this creates is formidable. New entrants struggle to match both Booking.com's supply and its technology, which has been built up via years of mergers, acquisitions and in-house development.

When Google launched its Book on Google product using a standardised application-processing interface to onboard hotels, there were market concerns about an existential threat to Booking.com's business. These fears were eventually proven unfounded – the contracts that Booking.com had inked over decades by sending armies of people to roam the world's travel destinations and sit down for coffee with independent hoteliers in the far-flung islands of Greece and remote areas of the Italian Dolomites, were too difficult to replicate. Added to this, Google did not want the burden of customer-servicing responsibilities that Booking.com had perfected over years of call centre upgrades and itinerary management trial and error. Another consideration was that Booking.com is Google's largest travel customer – contributing almost US$6bn to advertising spend per year, or 14% of Google's paid search revenue.

> Booking.com also has refreshingly conservative accounting practices, a pristine balance sheet, and it runs a structural net cash position.

Carving out an "independent" niche

Booking.com's edge has also been in cornering the independent and European travel market, where it has a 67% share of EU online travel bookings, or 46% of total EU travel bookings. While chain hotels dominate in the US, Europe's travel market – as well as its food offering – is interlaced with bespoke and niche independent players who reflect the continent's cultural diversity. Given that independents often lack the in-house tech and budget to advertise widely, invest in state-of-the-art booking and payment systems, or manage a customer's itinerary and ongoing booking support, Booking.com can add value and also get hotels "on the map". Independent hotels in Europe that sign up to Booking.com can see up to 60% of their bookings come from this channel.

Pristine balance sheet and high free cash flow returns to shareholders

Booking.com's best-in-class profit margins are not only thanks to its offering, but also the result of a culture of efficiency and cost control, and structuring its business around a *variable* expenses model to create a safeguard during travel downturns. The company has also built brand loyalty over time by leveraging its app and the associated *direct* customer revenue outside of hits from Google's paid search.

Although its performance advertising spend has risen from US$2.3bn in 2014 to US$6.5bn in 2024 – a 10% per annum capital growth rate – Booking.com has actually become more efficient at marketing spend over time, in part by leveraging AI algorithms to target customers better. As can be seen in **Graph 1**, Booking.com spent on average 3.8% per gross booking on customer acquisition in 2024 – lowering the figure from a peak of 5.1% in 2016 (ignoring the COVID-19 period), which translates into a 7% wider profit margin as a percentage of revenue.

Booking.com also has refreshingly conservative accounting practices, a pristine balance sheet, and it runs a structural net cash position. Over 2014 to 2024, it made US$148bn of revenue and US$43bn of operating profit. This translated into 100% free cash flow conversion, and it returned this full US$43bn amount to shareholders via share buybacks and dividends – as shown in **Graph 2**.

Is Booking.com too big to grow further?

Given Booking.com's dominant position and the threat of AI disruption, some argue that the share is now mature, with few remaining growth prospects. We think that misses the mark for a few reasons:

Travel market leverage: Accommodation revenue has continued to grow at "GDP plus-plus" for structural reasons: When people achieve larger incomes, they spend incrementally more of that additional income on travel.

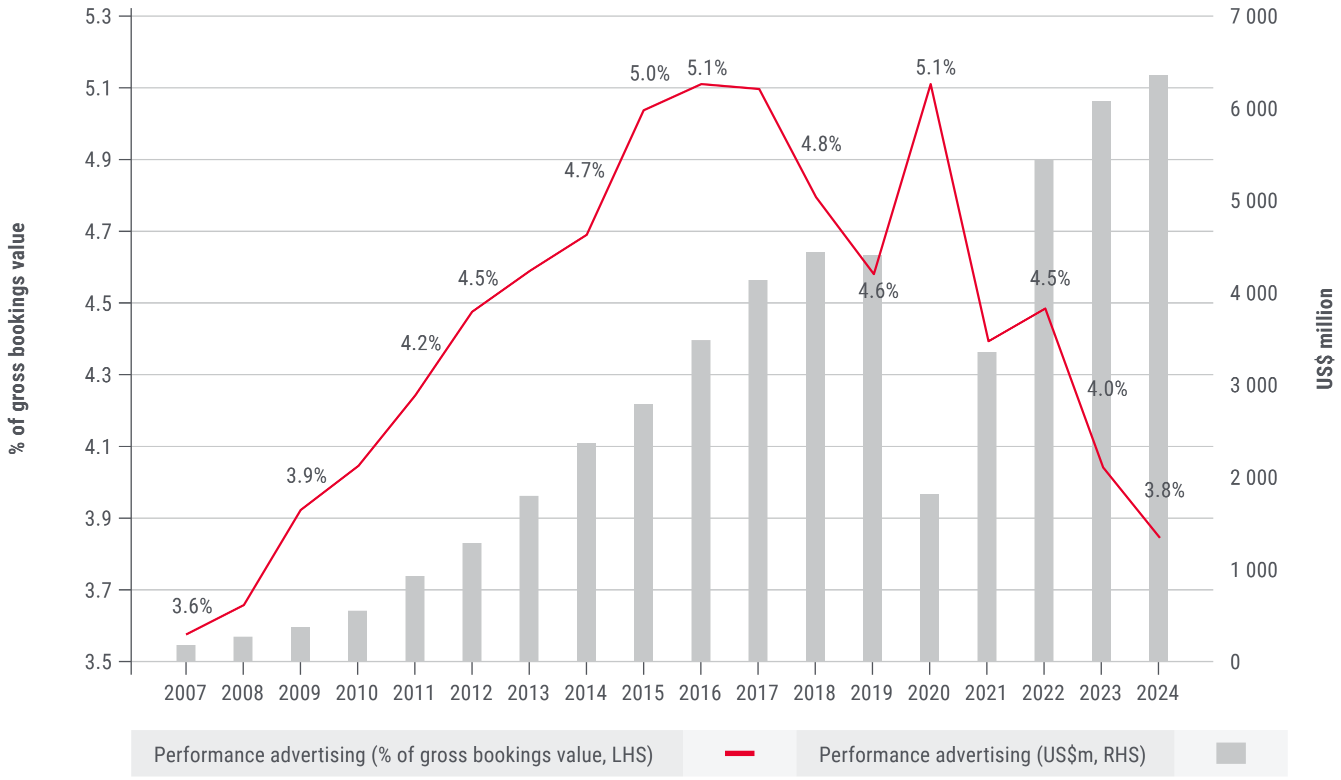
Incremental revenue growth opportunities: Although Booking.com is the dominant online travel agent in Europe, future revenue growth should be underpinned by the ongoing incremental shift from offline to online travel as the younger population replaces older tourists who still use legacy methods of travelling, like physical travel agents. Booking.com has also been taking a larger share of the alternative accommodation, US and Asia-Pacific markets, where it is far from dominant.

> Booking.com's battle cry is to make it easier for everyone to experience the world, converting lookers into bookers ...

The Connected Trip vision: Booking.com has been talking about its holy grail Connected Trip for many years, and AI might just be the tool that allows this vision to be realised. The idea is for Booking.com to provide a seamless and personalised end-to-end experience – a one-stop shop for travellers. Booking.com hopes to reduce travel friction for users while creating new revenue streams by capturing a larger share of travel wallets through the cross-selling of flights, tours, dining and "experiences". The latter is a highly fragmented travel vertical, whereby tourists book bolt-on tours via a litany of sometimes unreliable websites. This vertical is economically attractive because customer acquisition costs can be nil for incremental revenue: Booking.com already knows, based on bookings, when a customer will be in a specific location. From there, it can easily market a tour or activity that fits seamlessly into the customer's itinerary. Although AI trip planners are still somewhat unreliable, once developers figure out how to clean and tokenise the input data to generate sensible and replicable itineraries, Booking.com can slot its offerings into ChatGPT's itinerary output to create this seamless booking vision. To this end, Booking.com recently added supply to its sites of in-destination tours and activities in 1 700 cities.

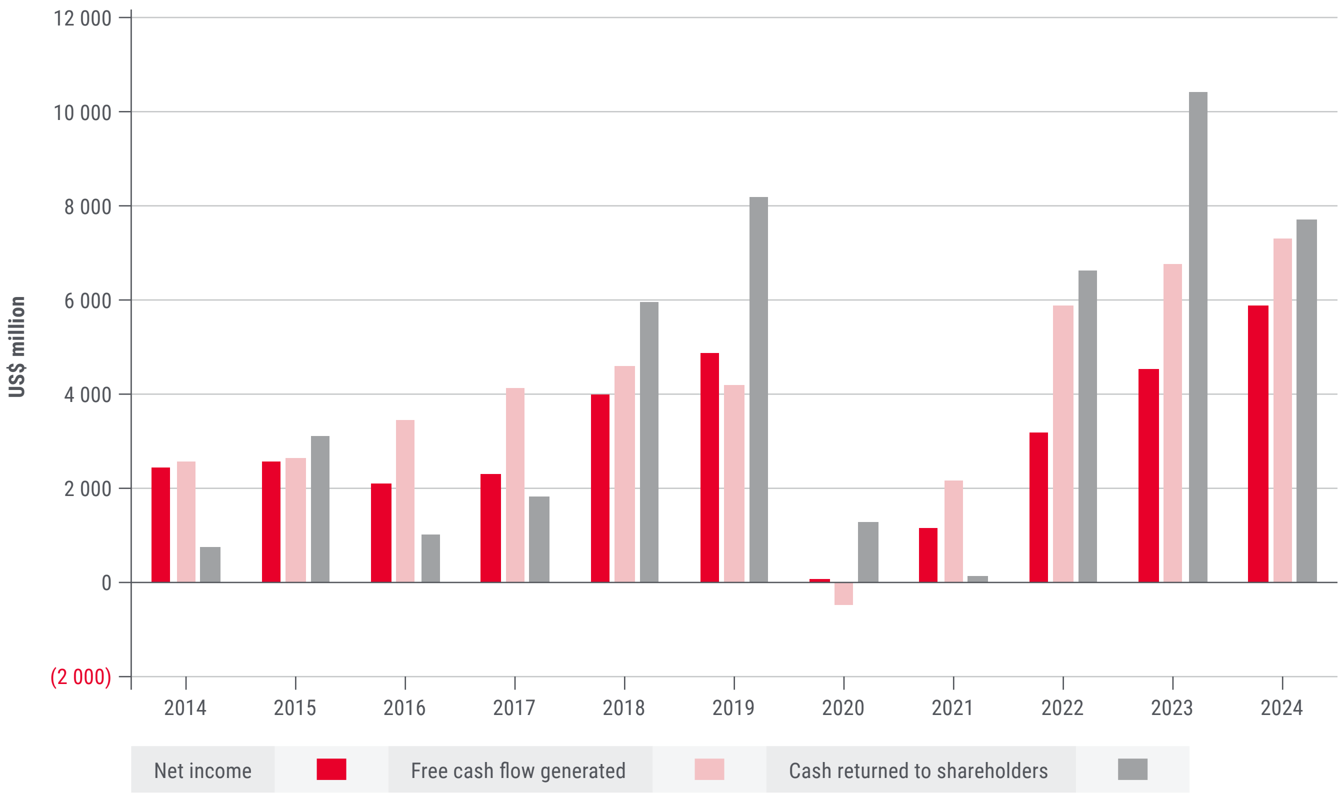
Margin leverage opportunities: Booking.com can grow margins via continued advertising efficiency gains. By driving marketing leverage, it can also achieve general leverage as it does not need another office building or layer of management for its incremental traveller. Booking.com can also continue to lower fixed costs as it utilises AI call centre chatbots and reduces its physical footprint.

Graph 1: Leveraging AI for customer acquisition



Sources: Allan Gray calculations, company annual reports

Graph 2: Pounding shareholders with high cash returns



Sources: Allan Gray calculations, company annual reports

Converting lookers into bookers

Booking.com's battle cry is to make it easier for everyone to experience the world, converting lookers into bookers, and offering would-be travellers freedom of choice and the ability to travel within their stated budget. In addition to changing how we travel, during its rise, Booking.com also turned all the other online travel agencies into converts, reshaping how they thought about (narrower) commissions and forcing them to add an option in many listings to cancel the booking with a full refund.

Like most of the greatest acquisitions in internet history, Priceline's inspired purchase of Bookings.nl and ActiveHotels.com saved the company from falling into obscurity, cementing its spot as a market leader. With its Connected Trip vision, Booking.com is fighting off complacency by keeping its eye on a bigger prize.

Thalia joined Allan Gray as a fixed interest trader in 2015 and was appointed as a portfolio manager in 2019. She started her career in the South African fixed interest market in 2010. Thalia currently manages the money market portfolio, the bond portfolio, the Africa fixed interest portfolio, as well as portions of the balanced fixed interest portfolios. She holds a Master of Commerce degree in Mathematical Statistics from the University of Cape Town and is a CFA® charterholder.

PEELING BACK THE LAYERS IN REMGRO AND REINET

Jonty Fish and Malwande Nkonyane

Remgro and Reinet are great examples of holding companies in our clients' portfolios that trade at substantial discounts to the sum of their parts, for different reasons. Jonty Fish and Malwande Nkonyane share some insights into their investment theses.

It is not unusual for holding companies to trade at a discount to the sum of their underlying investments. Tax, head office costs, management and performance fees, or lack of disclosure in investee companies are just a few examples of the different reasons investors may value a holding company below its net asset value (NAV). **Graph 1** on page 10 illustrates the discount to NAV over the years for Remgro and Reinet. The stories of the two groups are outlined below.

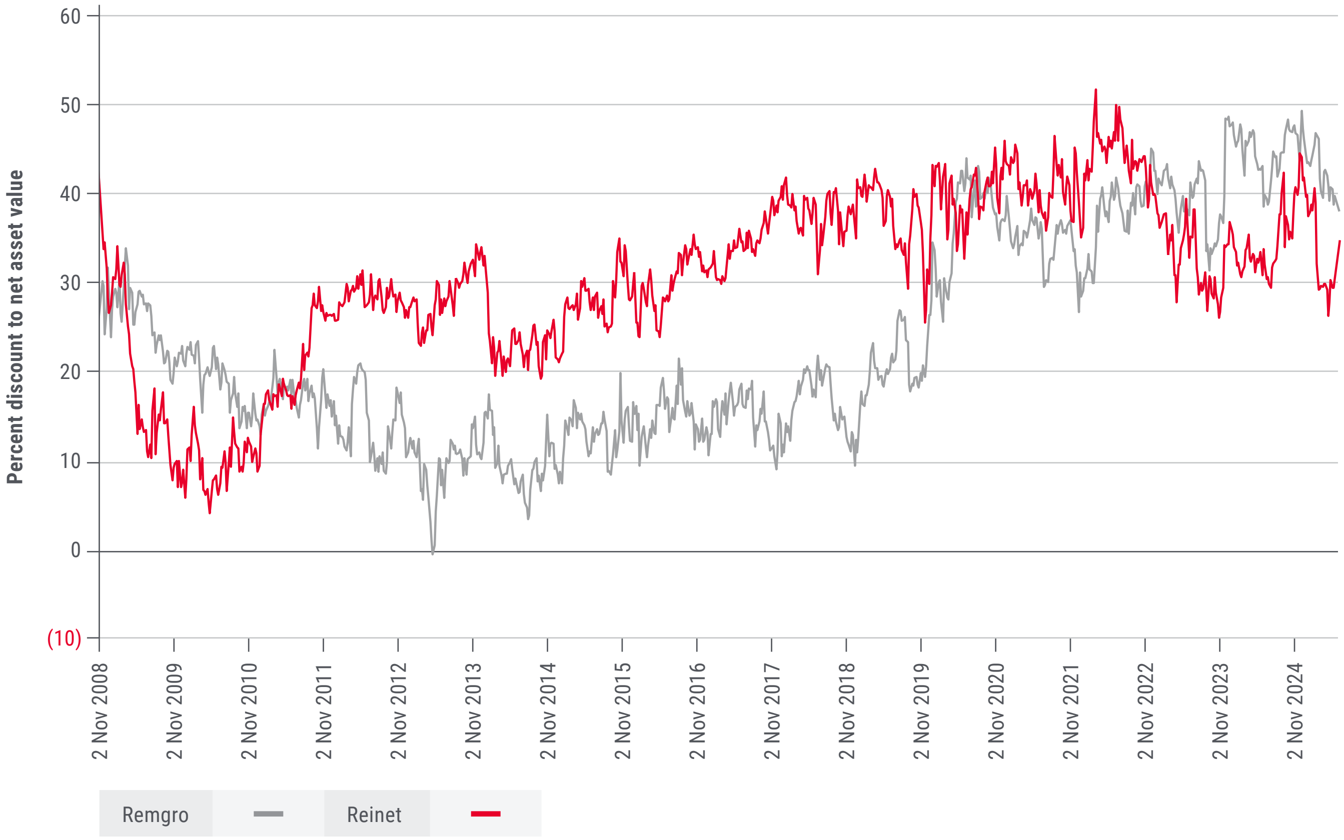
Remgro: From tobacco roots to diversified holdings

Remgro's history dates back to the 1940s, when the founder, Dr. Anton Rupert, established a tobacco company that would later become Rembrandt. Over the years, Rembrandt's tobacco interests grew significantly, first through the consolidation of its holdings with Rothmans International, the world's fourth-largest cigarette manufacturer at the time, and later merging those interests with British American Tobacco (BAT), the world's second-largest cigarette producer. Rembrandt also expanded beyond tobacco into sectors such as wine and spirits, financial services, mining, printing and packaging, medical services, engineering and food – although tobacco continued to underpin most of the group's value.

In the early 2000s, Rembrandt was restructured to form Remgro and VenFin, with Remgro housing the tobacco, financial services, mining and industrial interests, and VenFin housing the telecommunications and technology interests. Remgro remained a predominantly tobacco play until 2008, when BAT was unbundled.

Today, Remgro is a diversified investment holding company, with over 20 underlying investee companies, spanning many sectors, including consumer products, infrastructure, financial services and healthcare – to name a few.

Graph 1: Remgro and Reinet – discount to net asset value



Sources: Anchor Stockbrokers, Allan Gray analysis

The top five investments make up close to 70% of NAV, as shown in **Graph 2**. If you drink Heineken beer, Savanna or Amarula, use Flora margarine, eat Yum Yum peanut butter, are insured by OUTsurance or Discovery, bank with FNB, or have visited a loved one at a Mediclinic hospital, you have interacted with one of Remgro's many investee companies.

Perhaps less familiar are Remgro's industrial assets. One example is Air Products South Africa, which manufactures and distributes industrial and specialty gas products in the Southern African region. It has managed to grow its topline at faster than 10% per year for the last decade – an incredibly rare achievement for an SA-based business. Globally, listed peers trade on very high price-to-earnings multiples (>20 times), given their high quality and defensive nature.

Historically, Remgro has traded at an average discount to its NAV of around 20%, with narrower periods of less than 10% and recent extremes reaching close to 50%. At the time of writing, Remgro's discount to NAV is close to 40%, well above the long-term average. A delayed deal between Vodacom and South Africa's largest fibre operator, Maziv – a subsidiary of Community Investment Ventures Holdings (CIVH), which is majority-owned by Remgro, integration issues at Heineken Beverages, and earnings pressure at Mediclinic Switzerland have soured investor sentiment. Despite acknowledging that some of the market's concerns are valid, we think prevailing pessimism is overdone, especially since quantifiable reasons for the discount (tax and head office costs) justify a discount less than 10%.

To put the current discount into context, at today's price, you can get Remgro's share in OUTsurance + 75% of their stake in Mediclinic + their share of CIVH + the cash Remgro holds for a value close to the current market capitalisation. In other words, we think the market is placing a nil value on a large portion of Remgro's investments.

While the exercise above is not necessarily the best way to think about the discount, it does highlight the value currently being left on the table.

Recent positive developments also point towards a higher probability of the discount narrowing. These include:

- The recent approval of the Vodacom/Maziv deal with updated terms valuing Maziv at a large premium to management's value. Not only does this affirm Maziv's value, but it also highlights Remgro's tendency to value its unlisted investee companies conservatively.
- Heineken Beverages overcoming its integration issues, allowing the business to focus on reigniting growth. We think this business could be worth more than Remgro management's current valuation.
- Good execution of cost control initiatives at Mediclinic Switzerland, combined with lower Swiss interest rates, that should be a tailwind for earnings.
- Unbundlings and restructurings, which have unlocked value for shareholders. Over the last few years, investment holding company RMH, logistics company Grindrod and, more recently, eMedia Holdings have been unbundled. Rand Merchant Investment Holdings' structure was simplified, which led to serious value unlock for shareholders in relation to the direct OUTsurance listing. RCL Foods also sold Vector Logistics and unbundled Rainbow Chicken to create more disciplined focus within each of the businesses.

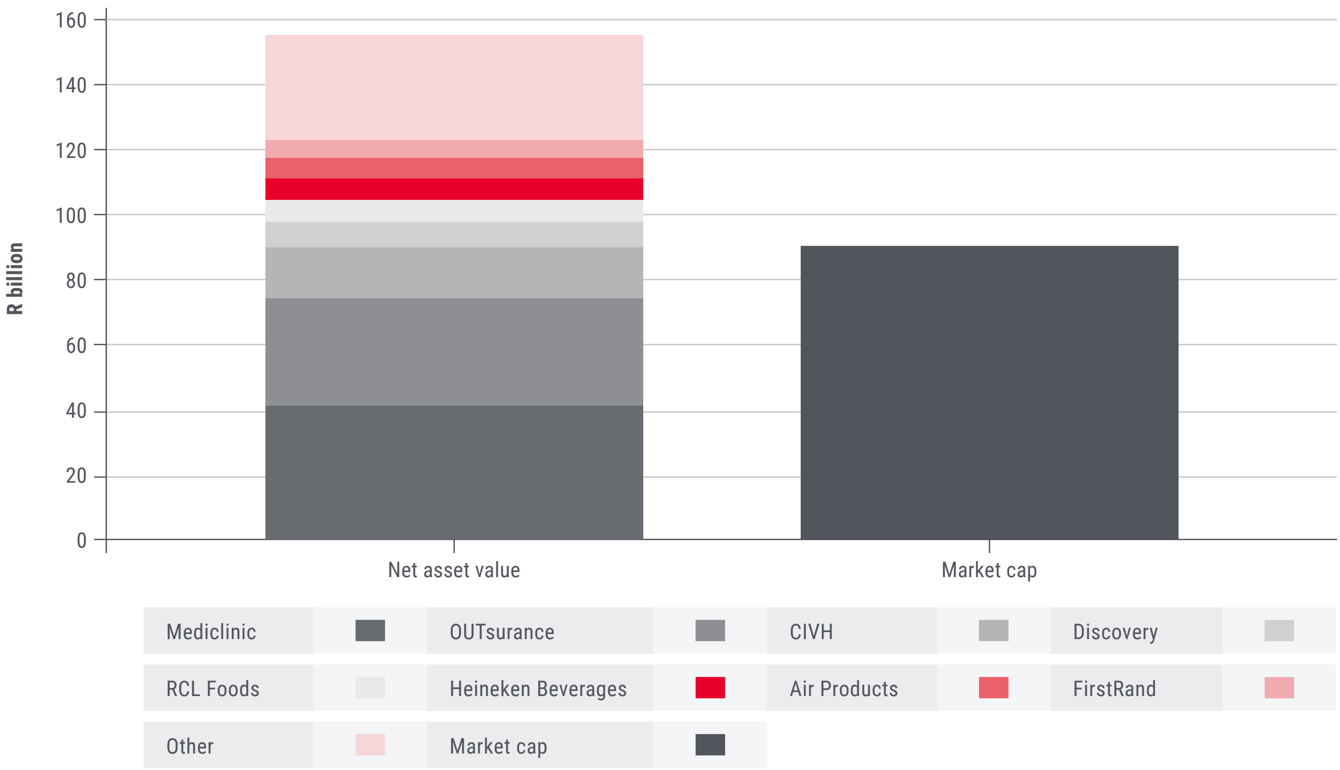
These initiatives highlight Remgro management's focus on unlocking the discount and creating value for shareholders. We think that makes for a compelling investment case.

Reinet: A deep-value opportunity hidden in plain sight

Reinet also has its origins in the Rupert family's business interests. In 2008, Richemont spun off its stake in BAT into a newly listed Luxembourg-based investment vehicle called Reinet Investments, following changes in Luxembourg tax laws. Since then, Reinet has evolved into a diversified investment holding company, with a focus on long-term value creation through a mix of listed and unlisted assets.

Reinet's most significant investment was in 2012, with an initial GBP400m (around R5bn at the time) stake in Pension Insurance Corporation, a specialist insurer

Graph 2: Remgro net asset value vs. market capitalisation



Source: Allan Gray analysis

focused on taking over defined benefit pension liabilities from UK corporates. Pension Insurance Corporation's clients include the pension schemes of multinational corporations such as Rolls-Royce and TotalEnergies. This investment has grown substantially over the years, benefiting from structural tailwinds as employers sought to de-risk their defined benefit pension obligations, combined with excellent execution from a highly skilled management team.

By the end of 2021, Reinet had raised its stake in Pension Insurance Corporation to 49.5%, with the investment growing to account for nearly half of Reinet's NAV. To date, we have estimated the internal rate of return (IRR) of this investment to be 13% per year in British pounds (GBP). Over the same period (2012-2025), the FTSE/JSE All Share Index (ALSI) returned just 2.2% per year in GBP terms.

Unlocking the value

In January 2025, Reinet announced the full disposal of its BAT stake, raising approximately R31.6bn in cash. This move significantly increased the company's liquid assets and marked a strategic pivot away from its legacy holdings.

Just six months later, Reinet revealed that Pension Insurance Corporation shareholders and Athora, a European retirement and savings firm backed by Apollo Global Management, had agreed to a sale of Pension Insurance Corporation to Athora for GBP5.9bn (after dividend entitlements). This transaction further bolsters Reinet's balance sheet and unlocks substantial value from its largest unlisted holding.

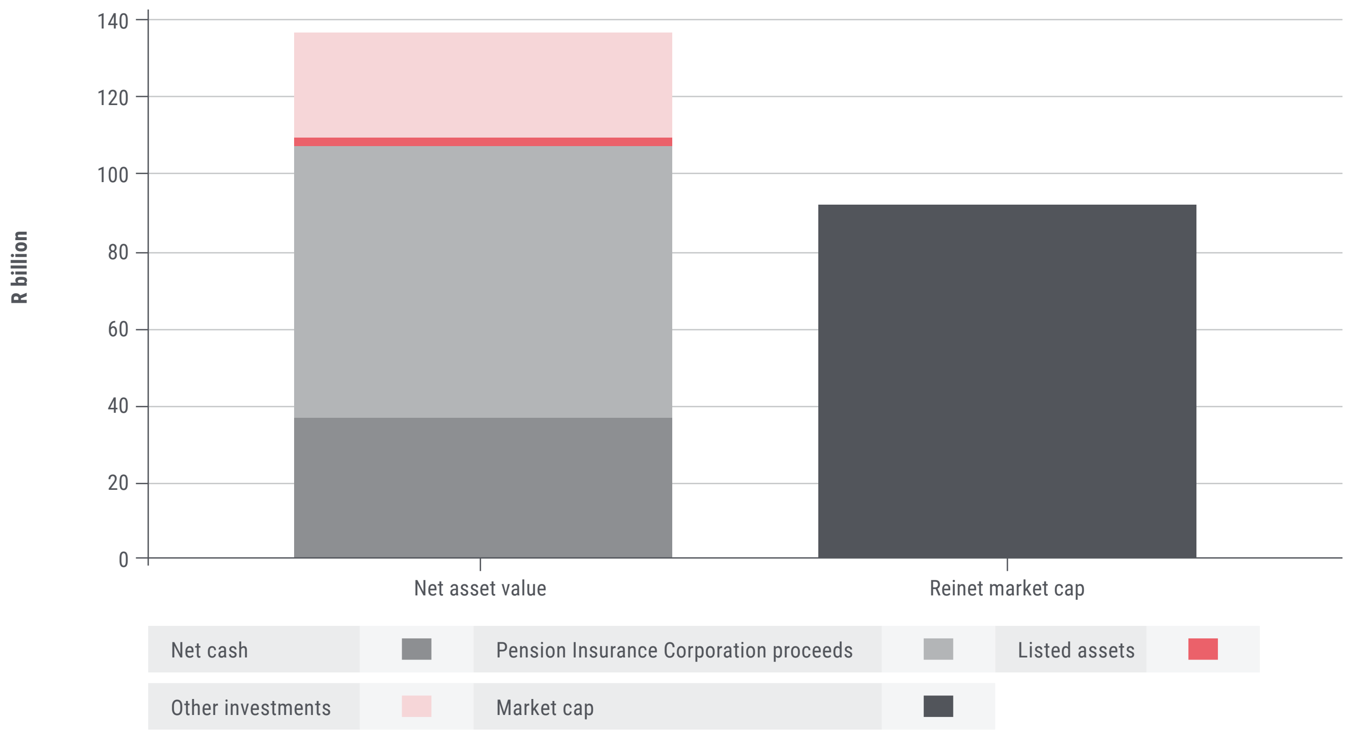
What makes Reinet's valuation particularly compelling is that its market capitalisation is now lower than the combined value of its net cash and Pension Insurance Corporation sale proceeds, as shown in **Graph 3**.

Of course, with any investment opportunity that appears to be attractive at first glance, one has to further investigate any underlying risks. For Reinet, our main considerations are:

Fee structure

Reinet's assets are managed by its general partner, Reinet Investments Manager (the "Investment Manager"). The Investment Manager charges shareholders a fixed annual management fee based on NAV and a performance fee based on total shareholder return over a one-year period. These fees can erode shareholder value over time, particularly in periods of underperformance. We have made provisions for fees payable to Reinet in our valuation.

Graph 3: Reinet net asset value vs. market capitalisation



Source: Allan Gray analysis

Private equity valuations
Reinet has R14bn in outstanding commitments to private equity funds. Due to limited disclosure, these assets are often difficult to value independently and are therefore subject to valuation discounts by the market. The current 33% discount to NAV already reflects investor scepticism regarding the private equity holdings. In fact, the market is effectively assigning zero value to these assets. This creates a margin of safety: If the private equity funds deliver even modest returns, they could add upside without requiring a rerating of the rest of the portfolio.

In our view, patience is not just a virtue here – it is likely to be rewarded.

Capital allocation uncertainty: The biggest unknown
What could truly unlock value for shareholders is thoughtful capital allocation. Reinet has multiple strategic options:

- **Return capital to shareholders via buybacks or special dividends.** Reinet's management has shown a willingness to act when discounts become excessive: Most recently in 2022, the discount narrowed from 50% to 27% following a buyback programme. The current set-up, where the market capitalisation is below the value of liquid assets, creates a strong incentive for management to act again.
- **Wind down the structure, distributing assets directly.** Reinet may opt to wind down its structure and distribute assets directly, as the Investment Manager earns lower management fees on cash holdings and no fees on most private equity assets. This reduces the financial incentive for the Investment Manager to maintain the current structure, making a wind-down more appealing from its perspective.
- **Reinvest selectively.** Reinet also has the option to invest in more transparent or liquid assets. By taking a long-term approach and identifying companies experiencing structural tailwinds, such as the case of Pension Insurance Corporation in 2012, Reinet could generate value for shareholders.

Patience pays off
Recent actions and momentum at both Remgro and Reinet suggest that there is a high probability of the discounts unlocking over time. For long-term investors, these discounts provide both a meaningful margin of safety and potential upside. In our view, patience is not just a virtue here – it is likely to be rewarded.

Jonty joined Allan Gray in 2020 as a CA trainee and is currently an analyst in the Investment team. He holds a Bachelor of Business Science degree in Finance and Accounting and a Postgraduate Diploma in Accounting, both from the University of Cape Town. Jonty is a qualified Chartered Accountant (SA).

Malwande joined Allan Gray in 2023 as an analyst in the Investment team. He holds a Bachelor of Science degree in Actuarial Science and Mathematical Statistics and an Honours degree in Mathematical Statistics, both from the University of the Witwatersrand.

ORBIS GLOBAL EQUITY: BIOTECH BREAKTHROUGHS IN A CROWDED MARKET

Graeme Forster and Mo Zhao

In an increasingly competitive and crowded market, the biotech sector offers unique opportunities to capitalise on overlooked, undervalued shares. Graeme Forster and Mo Zhao from our offshore partner, Orbis, highlight cutting-edge companies within the sector, indicating how the Orbis Global Equity Fund is positioned to benefit from long-term innovation and breakthroughs in biotech.

Investing is ultimately about the balance between price and value – what you pay versus what you get. Most often, "value" depends on uncertain future outcomes, and the key risk is overpaying for a flock of expensive birds in a distant bush. Far more compelling are those rare opportunities to buy at deeply discounted prices that give little or no credit to future upside.

At a time when the broader market looks increasingly expensive and concentrated, we've been able to find deeply undervalued and idiosyncratic opportunities in select biotech shares, which have fallen out of favour, as shown in **Graph 1**. During the pandemic, investors eagerly funnelled capital into the sector, but since then their attention – and their money – has shifted to the shiny new promise of artificial intelligence (AI). Meanwhile, scientists in biotech never stopped innovating, working relentlessly to turn breakthrough research into new medicines.

As a result, companies like Alnylam Pharmaceuticals, Genmab, Insmed and CRISPR Therapeutics – together representing roughly 8% of the Orbis Global Equity Fund (Global Equity) – have quietly built innovative drug discovery and development platforms that are delivering life-changing therapies to patients, yet have attracted only a fraction of the AI darlings' capital flows. For example, at today's prices, you can buy Genmab equity for the value of their existing drugs alone and pay very little for perhaps their most valuable asset – a proven and highly productive research and development (R&D) platform.

In the following section, we take a closer look at each of these opportunities in turn.

Alnylam Pharmaceuticals

This company stands at the forefront of RNA-interference

(RNAi) therapeutics, a technology capable of silencing specific gene expressions and reducing harmful proteins. After decades of development, RNAi has proven safe and effective in treating serious diseases like transthyretin amyloid cardiomyopathy (ATTR-CM). Each of Alnylam's four marketed medicines and two partnered medicines were invented in-house – a remarkable R&D productivity streak, highlighting its scientific prowess.

> This stronger-than-expected sales ramp puts Alnylam firmly on track to achieve profitability this year ...

Earlier this year, Alnylam received regulatory approval for its next-generation ATTR-CM medicine, Amvuttra. We believe Amvuttra represents a best-in-class treatment that will significantly benefit patients. With the first commercial quarter results now in, Amvuttra has exceeded market expectations by a wide margin, validating our initial thesis. Alnylam's management team, led by CEO Dr. Yvonne Greenstreet, continues to demonstrate both scientific rigour and strong commercial execution. This stronger-than-expected sales ramp puts Alnylam firmly on track to achieve profitability this year and strengthens its position among biotech giants like Vertex and Gilead.

Genmab

Distinguished by its proven antibody discovery engine that has yielded eight approved medicines, Genmab is approaching patent expirations for its flagship product, Darzalex, in the late 2020s and early 2030s. Investors routinely flee when a patent cliff looms, fixating on the certain loss of legacy revenue while discounting whatever might replace it. Genmab sits squarely in that sentiment trough. Today its shares trade for less than the value of already approved drugs, implying the world-class pipeline and discovery engine are worth nothing.

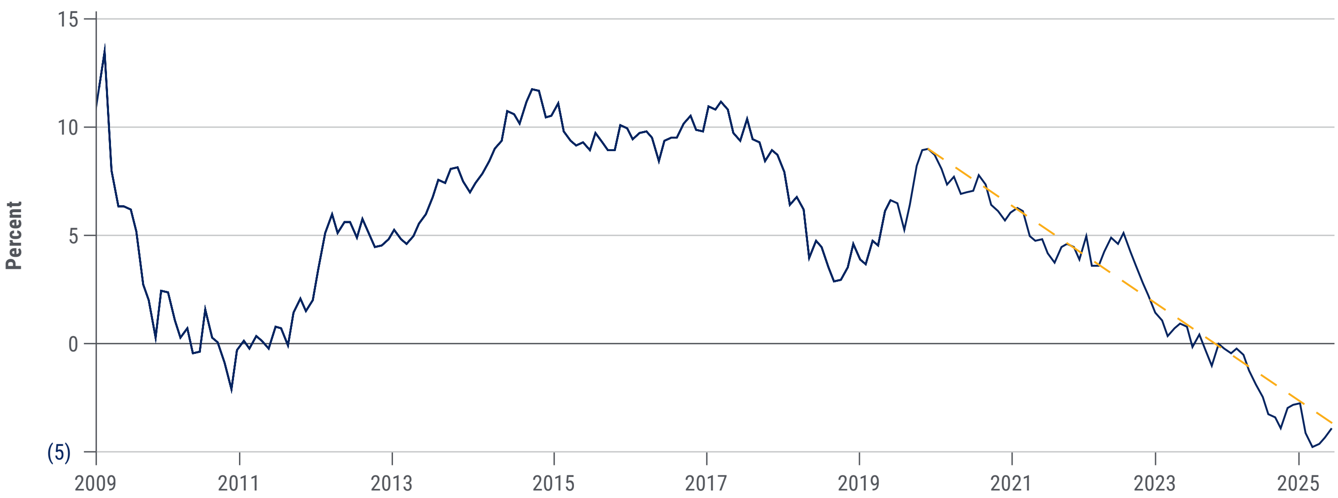
Meanwhile, a slate of late-stage assets and a growing roster of partnered drugs are only beginning to contribute revenue, with sales and royalties that extend well into the 2030s. Genmab's R&D machine is still run by its scientist-founder, Dr. Jan van de Winkel, whose more than two-decade tenure and sizeable equity stake have fostered disciplined capital allocation and scientific excellence. The company's recent acquisition of ProfoundBio adds antibody-drug-conjugate technology that slots neatly into Genmab's core expertise, expanding the opportunity set without stretching the balance sheet. Yet, the market still treats Genmab as a single-product story, allowing investors to buy the stock at a price that's lower than the value of its commercialised drugs' cash flows alone and get a world-class discovery platform for free.

Insmed

The newest addition to our biotech holdings, Insmed, has achieved a major milestone with the recent U.S. Food and

Graph 1: Biotechnology sector fell out of investor favour after the COVID surge

MSCI World Biotechnology Index vs. MSCI World Index, 10-year rolling relative returns (annualised)



Sources: LSEG Datastream, MSCI, Orbis

Drug Administration (FDA) approval of brensocatib (brand name: BRINSUPRI) for bronchiectasis – with a clean label and strong pricing. This marks the first approved therapeutic option for patients with this chronic lung disease, whose quality-of-life burden is comparable to that of chronic obstructive pulmonary disease. We anticipate a rapid adoption curve that should push the company towards sustained profitability.

Insmed has created significant shareholder value through disciplined R&D bets. A continuation of this strategy should lead to further value creation that the market is not pricing into the shares.

The attraction, however, goes well beyond a single drug. The second pipeline asset, TPIP, has now achieved key clinical validation in the treatment of pulmonary arterial hypertension as well as idiopathic pulmonary fibrosis, reinforcing its potential as a transformative therapy for patients suffering from deadly lung diseases. Combined with its already approved ARIKAYCE for mycobacterium avium complex lung disease, the launch of brensocatib and the progress of TPIP are helping Insmed build a powerful respiratory disease franchise – a disease-focused strategy that has proven lucrative for other biotech leaders.

Despite a recent rally following BRINSUPRI approval and TPIP clinical readouts, shares remain well below our estimate of their intrinsic value, leaving substantial room for multi-year appreciation. Insmed is led by its long-time CEO, Will Lewis, who took the helm when the company's market capitalisation was under US$100m (now US$30bn). During his tenure, the company has created significant shareholder value through disciplined R&D bets. A continuation of this strategy should lead to further value creation that the market is not pricing into the shares.

CRISPR Therapeutics

Five years ago, CRISPR was a popular stock among growth-oriented investors, known for pioneering CRISPR (clustered regularly interspaced short palindromic repeats) gene-editing technology. However, the biotech sentiment implosion has been so profound that we can now buy CRISPR at a discount to just the cash on its balance sheet plus the value of its commercialised therapy, Casgevy, which is used to treat sickle cell disease and transfusion-dependent beta-thalassemia.

Guided by scientist-CEO Dr. Samarth Kulkarni, CRISPR Therapeutics became the first company to get a CRISPR-based therapy approved by regulators. Because every patient must clear eligibility screens, undergo stem cell harvesting and be treated at a steadily expanding network of specialised centres, uptake follows a measured, step-like curve, unlike conventional drugs that generate revenue almost immediately after approval.

Our market assessment suggests Casgevy is a multibillion-dollar opportunity with a strong competitive position and no visible patent cliff. And partnering with Vertex gives Casgevy the commercial muscle it deserves while allowing CRISPR to remain research-focused. Despite this, the market's expectations remain muted, constrained by the therapy's unusual launch trajectory. That disconnect in share price is magnified by the company's healthy balance sheet: Management raised substantial capital when financing was readily accessible, enabling CRISPR to keep funding high-upside research while many peers are slashing budgets.

> ... it's been exciting to see a number of compelling bottom-up ideas emerging from our "stockpicking engine".

For biotech investors, long-term returns hinge on two things: whether drug sales ultimately exceed market expectations, and whether each additional dollar of R&D earns an attractive return. Companies that succeed at both compound capital over time, while those that fail destroy it. That's why our research emphasises two essentials: identifying underappreciated drugs and backing disciplined management teams with a proven ability to allocate capital. As summarised in **Table 1**, Global Equity currently owns four businesses we believe meet this high bar, each trading at undemanding valuations that offer limited downside and meaningful upside.

Taking a step back, it's been exciting to see a number of compelling bottom-up ideas emerging from our "stockpicking engine". At a time when global equity markets – particularly in the US – are broadly expensive and increasingly concentrated, it's nice to be able to find pockets of idiosyncratic value that don't require heroic assumptions about the future.

Table 1: Idiosyncratic upside at attractive prices – overview of Orbis Global Equity biotech holdings

Company	Country	Market capitalisation	Weight in Orbis Global Equity	Thesis summary
Alnylam Pharmaceuticals	USA	US$60bn	2.8%	RNAi leader with a string of in-house drug discoveries; Amvuttra launch set to beat expectations and drive profitability.
Genmab	Denmark	US$18bn	2.7%	World-class antibody engine priced as a single-product story; investors get the discovery platform for free.
Insmed	USA	US$30bn	1.5%	Building a respiratory disease franchise; brensocatib and TPIP provide multi-year upside beyond current valuation.
CRISPR Therapeutics	Switzerland	US$6bn	0.9%	Trading near cash plus Casgevy; first CRISPR therapy approved, with multibillion-dollar potential the market underappreciates.

Source: Orbis. Data is based on a representative account for the Orbis Global Equity Strategy.

Orbis
Invest Differently

Graeme joined Orbis in 2007 and is a director of Orbis Holdings Limited. He directs client capital in the Orbis Global Equity Strategy and is responsible for the Orbis International Equity and Optimal Strategies. Graeme holds a Master of Arts (Honours) degree in Mathematics from the University of Oxford and a Doctor of Philosophy degree in Mathematical Epidemiology and Economics from the University of Cambridge. He is also a CFA® charterholder.

Mo joined Orbis in March 2024 and is a member of the London-based Global Investment team, researching shares in the healthcare sector. She previously worked as a biotech venture capital investor at 6 Dimensions Capital. Mo holds a Bachelor of Sciences (Honours) degree in Biological Sciences from Peking University, a Master of Business Administration from London Business School and a Doctor of Philosophy degree in Physiology from the University of Cambridge.

HOW TO UNLOCK VALUE THROUGH OFFSHORE INVESTING

Horacia Naidoo-McCarthy and Radhesen Naidoo

The volatility of 2025 has underscored the importance of diversification. Global markets have swung from sharp declines to record highs, reminding us that a resilient portfolio requires thoughtful planning and the right tools to weather change. Offshore exposure remains a key lever for long-term growth and stability in an unpredictable world. Horacia Naidoo-McCarthy and Radhesen Naidoo explore the role of offshore investing in building portfolio resilience and outline the available routes to access the investment expertise of our offshore partner, Orbis.

Investors in the FTSE/JSE All Share Index (ALSI) have seen impressive year-to-date returns of 31%, driven largely by a strong rebound in commodity prices as gold and other metals have regained their lustre. However, it is worthwhile remembering that seasons change, and South Africa represents less than 0.5% of global equity markets. Offshore investing continues to offer access to a broader universe of currencies, regions and industries – including high-growth areas like technology, renewable energy and biotechnology. It also provides a buffer against rand volatility and local economic and political risks.

Orbis' core fund range

Our offshore partner, Orbis – which has the same owner, investment philosophy and approach as Allan Gray – has been patiently cultivating wealth since 1989. With a long-term track record of performance superior to the benchmark, a focus on preserving client capital and a small range of funds suited to different risk profiles, Orbis may serve as an important diversifier in a broader portfolio. The Orbis Global Equity, Orbis SICAV Global Balanced and Orbis SICAV Global Cautious funds form Orbis' core range and are good examples of offshore funds with differentiated positioning that aim to deliver superior risk-adjusted returns over the long term.

Orbis Global Equity Fund

The Orbis Global Equity Fund aims to outperform the MSCI World Index by being fully invested in global equities with growth potential that are overlooked or may have fallen out of favour. The Fund is well suited to investors with an investment horizon of more than five years. Through patience and discipline, it has built an almost 36-year track record by consistently applying a valuation-driven approach and resisting the temptation to chase trends. This long-term success reflects an enduring commitment to understanding the fundamentals of businesses and the ability to remain invested through cycles of volatility and change.

Over the past five years, the Orbis Global Equity Fund has outperformed the World Index, driven by its share selection, which is highly differentiated from the World Index and peers. While the world has been obsessed with artificial intelligence and US exceptionalism, the Fund has uncovered opportunities elsewhere, where the expectations were lower – and the opportunity to add value is therefore higher. It has found opportunities in Japanese and Brazilian stock markets – markets which can be ignored, yet offer rich opportunities for contrarian investors. The Orbis article on page 14 unpacks the investment case for biotechnology shares, including Alnylam Pharmaceuticals, a company at the forefront of RNA-interference therapeutics.

> This long-term success reflects an enduring commitment to understanding the fundamentals of businesses and the ability to remain invested through cycles of volatility and change.

For investors seeking exposure across a globally diversified range of asset classes, Orbis offers two funds tailored to different risk appetites: the Orbis SICAV Global Balanced Fund and Orbis SICAV Global Cautious Fund, both presenting compelling options – delivering strong absolute returns while actively managing risk.

Orbis SICAV Global Balanced Fund

The Orbis SICAV Global Balanced Fund aims to earn superior risk-adjusted returns to the 60/40 Index[1] by blending global equities (typically 40-75% of the Fund), fixed income and commodities. It offers a well-balanced portfolio – ideal for moderate-risk investors with a medium-term horizon of three to five years. Since its inception in 2013, the Fund has outperformed its benchmark and managed to deliver strong returns while maintaining a lower risk profile.

The Orbis SICAV Global Balanced Fund's recent performance has been buoyed by its contrarian stance. As a result of changing tides since 2020, the Fund has leaned into areas in which the world has underinvested, such as energy, defence and industrials, as discussed in the Q2 2025 factsheet commentary, available on our website.

As inflation fears linger, the Fund's gold position has added value for clients, as gold's role as a borderless, anti-dollar asset has re-emerged, offering both inflation protection and a store of value (covered in our Q2 2025 Quarterly Commentary and episode 28 of *The Allan Gray Podcast*). The Orbis SICAV Global Balanced Fund's positioning reflects a deliberate shift away from consensus, rooted in valuation discipline and a global search for resilient, long-term opportunities.

Orbis SICAV Global Cautious Fund

The Orbis SICAV Global Cautious Fund has at its disposal the same tools as the Orbis SICAV Global Balanced Fund, but the key difference is that its exposure to riskier assets will be materially lower through the cycle; it is therefore better suited to more risk-averse investors. The Fund typically maintains a net equity exposure of 0-40%, with a core allocation to fixed income – reflecting its cautious stance and focus on capital preservation. It was launched to South African investors in 2024, but has a longer-term track record – since 2019 – and has delivered returns ahead of its benchmark[2] over all periods.

What are the available channels for offshore investing?

Once you have aligned your goals, risk appetite and time horizon with fund strategy, an intentional step towards long-term growth starts with planting that first seed via the channel of your choice. Investors in our core local funds get access to some offshore exposure; those looking for additional exposure can select from multiple channels.

There are several factors to consider when making your selection, including whether you prefer to invest in rands

[1] 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index.
[2] US$ bank deposits + 2%.

or foreign currency. The South African Reserve Bank has rules regarding how much money individuals and companies are allowed to take offshore. These are known as the "offshore allowance" or "foreign exchange limits". When you invest in foreign currency, you use your individual offshore allowance, and need to obtain a tax clearance certificate from the South African Revenue Service (SARS) for an amount greater than R1 million per year.

Offshore investing is essential in building and managing a resilient portfolio. Choosing the right manager – one who can skilfully navigate changing seasons – is key.

The offshore options available through Allan Gray are explained below. Further details and articles are available on our website.

1. Invest in offshore managers via the Allan Gray Offshore Investment Platform

The Allan Gray Offshore Investment Platform simplifies offshore investing by offering access to a curated list of offshore unit trusts, including those described earlier from Orbis, at lower minimum investments than going directly to the managers themselves. With this option, you will use your own offshore allowance.

The platform allows for investments in foreign currency as well as rands. Allan Gray can facilitate the conversion of your rands to foreign currency if you choose this route. You can monitor and manage your portfolios through our secure Allan Gray Online portal, with dedicated support available through our Client Service Centre.

Of course, you can also go to the individual managers, including Orbis, directly; however, it is worth keeping in mind that investing directly with an offshore manager can be administratively intensive as it introduces a range of operational and regulatory considerations – for example, each region would have its own anti-money-laundering requirements (similar to FICA in South Africa), and you would need to manage tax reporting obligations across borders. In addition, it would be more challenging to have a consolidated view of your global investment holdings compared to investing via a platform. Lastly, as mentioned earlier, offshore fund managers often have higher minimum investment requirements than offshore investment platforms, as platforms can aggregate multiple clients' underlying assets to allow for lower minimums.

2. Invest offshore via the Allan Gray Offshore Endowment

The Allan Gray Offshore Endowment is a long-term, investment-linked product designed to grow wealth efficiently – especially for investors with a marginal tax rate above 30%. This product has been structured to provide greater flexibility than traditional endowment products and offers access to a range of offshore funds, including the Orbis funds. Other features include estate-planning benefits (continuity and transfer of wealth upon your death) and protection from creditors, depending on how your investment is structured.

With this option, you will use your own offshore allowance, and may make contributions and withdrawals in rands, US dollars, euros or British pounds. There are, however, some restrictions on withdrawals.

As with the Allan Gray Offshore Investment Platform, client servicing is through the local Allan Gray team, and you have access to your investment through our secure Allan Gray Online portal.

3. Invest offshore in rands via rand-denominated offshore funds

You can also access offshore markets through rand-denominated offshore unit trusts, which offer a convenient route to global exposure. Although your investment is priced in rands, your investment performance will be determined by the performance of the underlying offshore assets and the daily currency movements. You do not need to buy foreign currency or get tax clearance from SARS, as you do not use your own offshore allowance – you use the offshore allowance of the unit trust management company in whose funds you invest.

We offer three Allan Gray-Orbis rand-denominated offshore investment strategies, as shown in **Table 1**. There are different routes to access these strategies, determined by the product you choose:
the Allan Gray-Orbis Global Equity Feeder Fund,
Allan Gray-Orbis Global Balanced Feeder Fund or
Allan Gray-Orbis Global Optimal Fund of Funds.

To broaden access to our rand-denominated offshore strategies, we have also recently launched two new co-named unit trusts in conjunction with another management company, Prescient, to enable investors to access the strategies for discretionary investments via our Local Investment Platform. Because exchange control regulations limit the amount unit trust management companies can invest offshore, rand-denominated unit trusts may need to restrict or close investments from time to time – as has been the case with our feeder funds. Our new co-named unit trusts allow us to use Prescient's offshore capacity, which, in turn, allows you additional access to the strategies. It also gives us more flexibility to manage offshore capacity across our products.

You can access the Allan Gray-Orbis Global Equity Prescient Feeder Fund and the Allan Gray-Orbis Global Balanced Prescient Feeder Fund, as well as rand-denominated offshore funds from other managers, via our Local Investment Platform.

Focused investment outcomes

While access routes to offshore funds may vary, each with its own advantages and limitations, the overarching investment objective of growing long-term wealth on behalf of our clients remains unchanged. Offshore investing is essential in building and managing a resilient portfolio. Choosing the right manager – one who can skilfully navigate changing seasons – is key. Our diverse offshore solutions are designed to meet the needs of a broad spectrum of investors, and we are continually refining the experience with care and intention.

Table 1: Allan Gray-Orbis rand-denominated offshore funds

Allan Gray-Orbis fund	Fund objective	Investable universe	Minimum investment horizon	Net equity and offshore exposure
Global Equity Feeder Fund*	Higher returns than world stock markets, without greater risk of loss.	Invests only in the Orbis Global Equity Fund, which invests in global shares.	5 years	Up to 100% net equity exposure. Up to 100% offshore exposure.
Global Balanced Feeder Fund*	Long-term investment returns by balancing capital growth, income generation and the risk of loss in global markets.	Invests only in the Orbis SICAV Global Balanced Fund, which invests in a mix of offshore assets including shares, fixed income and commodity-linked instruments.	3-5 years	40-75% net equity exposure. Up to 100% offshore exposure.
Global Optimal Fund of Funds*	Long-term capital growth with better returns than those from foreign cash.	Invests in the Orbis Optimal SA Fund, a strategy that offers the potential for higher returns than foreign currency bank deposits over the long term, regardless of stock market conditions.	3-5 years	0-20% net equity exposure. Up to 100% offshore exposure.

*Not compliant with Regulation 28.

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

Radhesen is joint head of the Institutional Clients team and head of Orbis Client Servicing in South Africa. He joined Allan Gray in 2012 as a business analyst and also worked as a performance analyst at Orbis. Radhesen holds a Bachelor of Science (Honours) degree in Actuarial Science from the University of the Witwatersrand and is a qualified actuary.

THE ALSI'S EVOLUTION IN A CHANGING ECONOMY

Matthew Patterson

... the ALSI remains a useful reference for understanding the market's shifting shape, and for comparing our performance to the broader market.

Recent changes in the composition of the FTSE/JSE All Share Index (ALSI) have sharply reduced the dominance of global giants and boosted the influence of local shares. But this is just the latest chapter in a long story. Indices are always evolving, reflecting shifts in economies, markets, methodologies and investor demand. Matthew Patterson explains why understanding the ALSI's evolution matters for investors – even as our investment philosophy endures and our approach remains unchanged, regardless of index weights.

From its origins in the gold-fuelled speculation of the late 19th century to today's digital trading floors, the Johannesburg Stock Exchange (JSE) has long been at the heart of South Africa's capital markets. More than just a marketplace for shares, it reflects the changing face of the South African economy. Its most well-known index, the FTSE/JSE All Share Index (ALSI), captures the market's pulse and provides a standard against which many local equity investors measure their success.

Indices are never static, as reflected in the changes to major indices worldwide over the decades – from the US's S&P 500 to Japan's TOPIX. For example, the composition of the S&P 500 has shifted from being heavily weighted towards industrials to being heavily weighted towards the technology giants today, as the US economy has evolved. The ALSI is no exception.

Looking back

South African indices have evolved over time, as shown in **Image 1**. Launched around 1949, the Rand Daily Mail (RDM) Industrial Index was the leading benchmark for the South African market until 1978. Although details of its construction are scarce, we know it was weighted by company size (market capitalisation). By 1978, the need for a more comprehensive and representative measure of the market led to the introduction of the JSE Actuaries Equity Indices. This new suite of indices, which included the original ALSI, broadened coverage to include more companies across all sectors – covering about 80% of the listed market – and was linked to the older RDM indices from 1960 to 1978 for continuity. At the time, resource shares made up 68% of the ALSI, as seen in **Graph 1**, reflecting the sector's outsized role in the economy.

Image 1: Evolution of JSE indices from 1949 to 2025

01. 1949

South Africa's first index, the Rand Daily Mail Industrial Index (RDM100), is introduced.

03. 2002-2003

JSE partners with FTSE in 2002 to launch the FTSE/JSE Africa Index Series and adopts a free-float methodology, with the SWIX launching in 2003.

Rand Daily Mail Industrial Index → **JSE Actuaries Equity Indices** → **FTSE/JSE Africa Index Series** → **Index harmonisation**

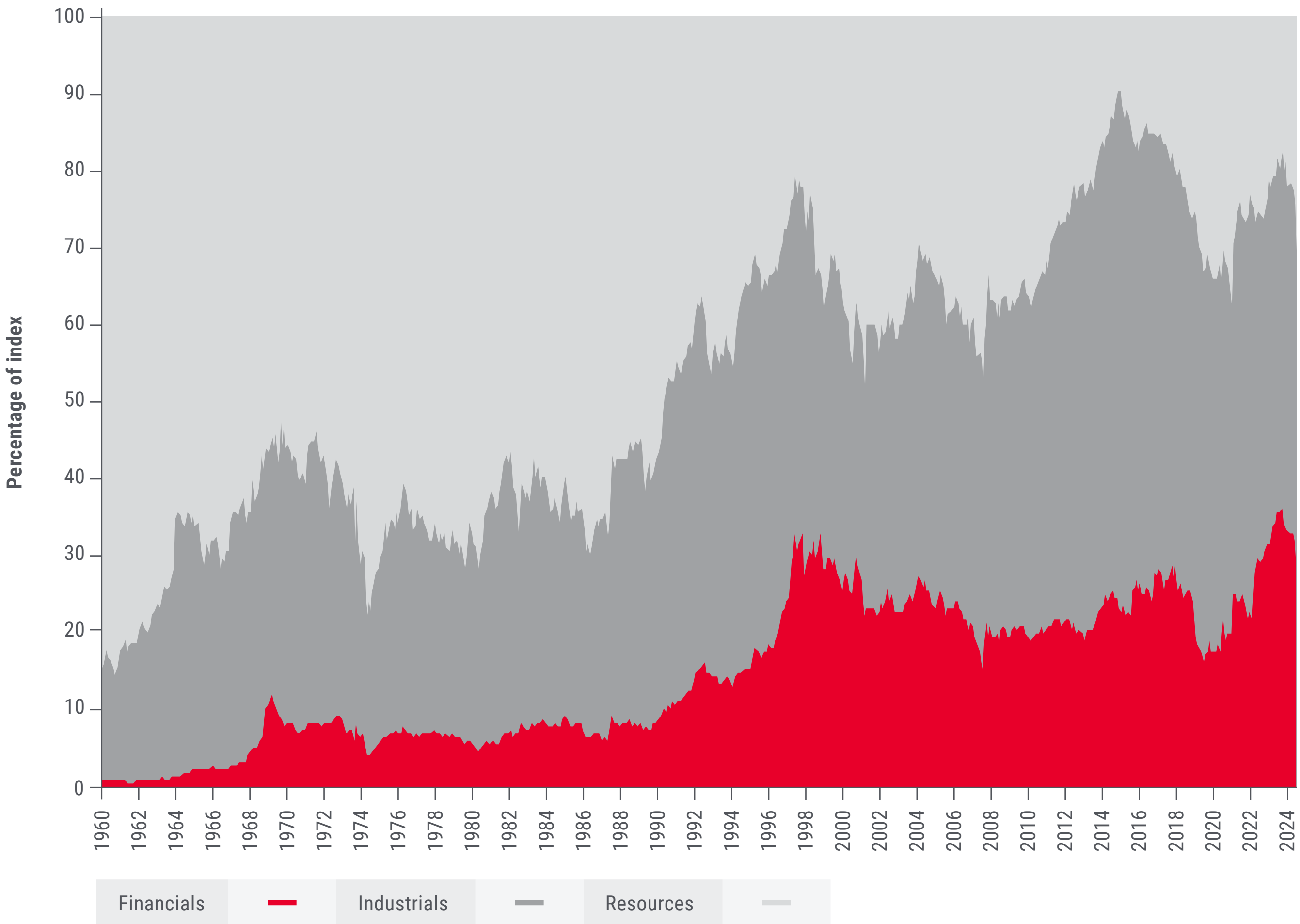
02. 1978

JSE Actuaries Equity Indices replace the RDM100 index – the JSE All Share Index (ALSI) is introduced.

04. 2024-2025

JSE harmonisation project initiated to align the indices: Phase 1 aligns "vanilla" and SWIX indices; Phase 2 results in the termination of the SWIX codes.

Graph 1: Estimated sector concentration levels over time



Sources: Allan Gray research, Iress, Deutsche Bank Securities, Fleming Martin, The Board of Executors

By the end of the 1980s, resources still dominated, but the seeds of diversification were being sown. In the 1980s and 1990s, the ALSI's composition shifted as industrial and financial companies gained ground. In 1995, the ALSI's methodology expanded to include nearly all JSE-listed companies, with only a few exclusions for foreign-dominated holdings – reflecting a more diverse and interconnected market.

For years, the indices counted every share, even those locked away overseas or held by founding families who would never sell. It was like tallying every seat in a stadium, even those permanently reserved and never available. Then, in 2002, the JSE partnered with FTSE to launch the FTSE/JSE Africa Index Series. It adopted a free-float methodology that only counts the shares available for public trading. This resulted in an investable index, providing a truer reflection of what investors could actually buy.

Harmonisation: One set of indices

Despite these improvements, inconsistencies remained. In the late 1990s and early 2000s, several South African companies moved their primary listing overseas, mainly to London, to more easily access global capital. To prevent a major outflow of domestic assets, the South African Reserve Bank "grandfathered" these firms, treating them as local for regulatory purposes.

> ... the ALSI will finally be what many assumed it was: a fair, investable reflection of the South African market.

This resulted in two sets of indices: the "vanilla" indices (which include the ALSI) and the Shareholder Weighted Indices (SWIX). "Vanilla" refers to the version of the indices that comprises the full global market capitalisation of grandfathered shares: While technically South African, in practice, these shares were about as local as a Nando's in London. By contrast, the SWIX only counts the shares that one can actually buy on the JSE. Asset managers have favoured the SWIX and Capped SWIX (which caps weightings to reduce concentration risk) as benchmarks, as they better reflect the investable universe for local investors.

Over time, the number of grandfathered companies shrank. Brewer SABMiller was acquired by AB InBev, miner Billiton merged with BHP, and luxury goods company Richemont's special shares – known as depositary receipts, which are certificates that let investors trade a foreign company's stock on the local market – disappeared. By 2024, only miner Anglo American, paper and packaging company Mondi and financial services company Investec remained as key outliers.

> The ALSI's evolution reflects the shifts in the economy, in regulation and in global capital flows.

To resolve these anomalies and bring greater consistency, the JSE launched the harmonisation project. In March 2024, the first phase of the project aligned the vanilla and the SWIX indices, making their weighting methodologies identical. In practical terms, the individual stock weights in the vanilla indices are now identical to those in the SWIX. By the end of December 2025, the SWIX will be discontinued, and the ALSI will finally be what many assumed it was: a fair, investable reflection of the South African market.

Impact and evolution: Less London, more Johannesburg

Harmonisation sharply reduced the weight of global giants like Anglo American and Mondi, upweighting other constituents – especially financials – and reducing the ALSI's indirect offshore exposure by treating grandfathered shares the same as all other local shares. Corporate actions (as discussed earlier) also accelerated the shift towards a more locally reflective ALSI.

As South Africa's economy has diversified, so have its markets. The top 10 shares have always dominated the ALSI, but the market leaders and sector compositions have shifted over time, as illustrated in **Table 1**. In 1990, the market leaders were resource companies with a few industrial heavyweights. Today, the 10 largest companies by market capitalisation still account for about half of the market, but with greater sector diversification and much fewer cross-holdings. The composition of the 10 largest shares changes regularly, but within

Table 1: Market leadership changes over time

Top 10 South African shares by size

1990	2000	2010	2020	Today
De Beers	**Anglo American**	**Billiton (BHP)**	**Naspers**	**Naspers**
Anglo American	**Richemont**	**Anglo American**	**BHP (Billiton)**	Gold Fields
Gencor	**De Beers**	SABMiller (AB InBev)	**Richemont**	AngloGold Ashanti
Richemont	Amplats (Valterra)	MTN	**Anglo American**	**FirstRand**
SA Breweries (AB InBev)	Old Mutual	Sasol	FirstRand	Prosus
Minorco	Billiton (BHP)	**Richemont**	Sibanye-Stillwater	**Standard Bank (Stanbic)**
Sasol	Dimension Data	**Standard Bank (Stanbic)**	Mondi	Capitec
Rembrandt	FirstRand	Naspers	**Standard Bank (Stanbic)**	Valterra (Amplats)
Driefontein	Stanbic (Standard Bank)	Implats	**Implats**	MTN
Rustenburg	Nedcor (Nedbank)	AngloGold Ashanti	British American Tobacco	**Anglo American**
Total weight: 45%	**Total weight: 51%**	**Total weight: 59%**	**Total weight: 60%**	**Total weight: 51%**

Resources | Industrials | Financials

Note: Bold indicates companies that remained in the top 10 from the preceding period.
Sources: Allan Gray research, JSE Market Data, Deutsche Bank Securities, Fleming Martin, The Board of Executors

a relatively small group. Of the top 10 in 1990, only Anglo American has remained a consistent member of this elite group. Since the modern ALSI was launched in 2002, only 24 unique shares have featured in the top 10.

Sector shifts: The ALSI's changing face

The ALSI's evolution is not just about individual companies; it also reflects dramatic sector shifts. Resources fell from 85% of the index in 1960 to under 10% by 2015, replaced by industrials, banks and consumer stocks. More recently, this trend has partially reversed, with resources rebounding to 30% of the index today, as shown earlier in Graph 1, driven largely by the gold bull market.

A decade ago, the ALSI was dominated by global multinationals and diversified miners. Today, banks, gold miners and technology giant Naspers/Prosus lead the index, as highlighted in **Graph 2** on page 26. Capitec has grown from a rounding error to nearly 4% of the index. Gold miners, buoyed by global uncertainty and central banks buying gold, have increased their index weight by 1 300%. Meanwhile, the major multinationals have shrunk from 30% to just 7% of the index due to delistings, fraud (Steinhoff) and index methodology changes.

Why does this matter for investors?

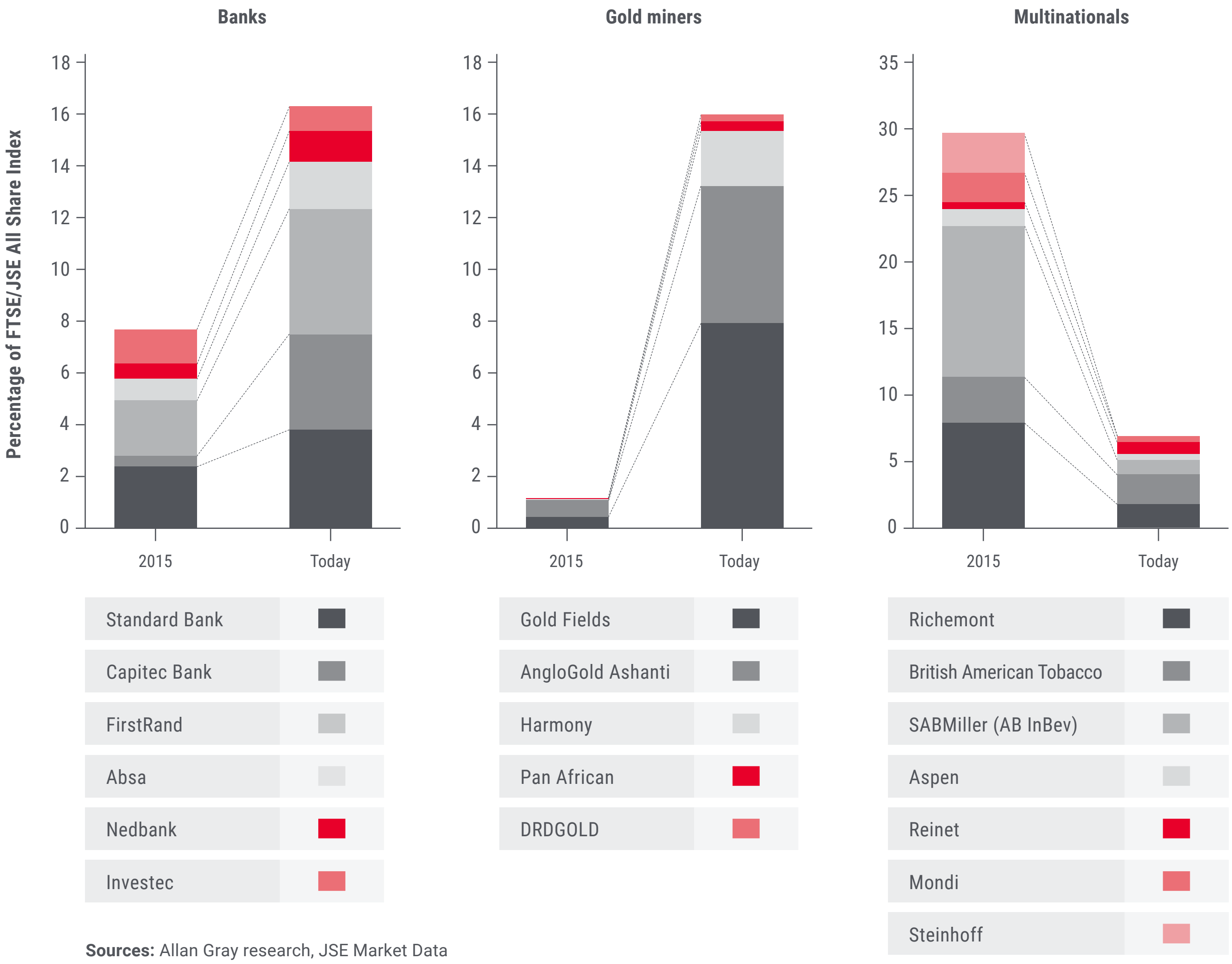
The ALSI's evolution reflects the shifts in the economy, in regulation and in global capital flows. Harmonisation is simply the latest step.

When you hear that the ALSI is up or down, ask: What has actually moved underneath? The details matter. Investors who assume the ALSI is still dominated by large rand-hedged firms may be surprised to find that it is now driven by local banks, gold miners and Naspers/Prosus.

Crucially, as mentioned earlier, a changing index does not change how Allan Gray invests. As bottom-up investors, we build our portfolios company by company, focused on long-term value creation, while being mindful of risk. For us, risk means the permanent loss of client capital.

We manage risk by limiting how much we hold in each share, ensuring exposure reflects our assessment of its underlying risk, regardless of its index weight. As a result, we are comfortable looking different from the ALSI, as shown by our current positioning in **Table 2**. Even so, the ALSI remains a useful reference for understanding the market's shifting shape, and for comparing our performance to the broader market. The ALSI is best used as a mirror, not a map.

Graph 2: Shifts in FTSE/JSE All Share Index sector weights



Sources: Allan Gray research, JSE Market Data

Table 2: Top 10 local shares in the Allan Gray Equity Fund vs. the ALSI

Rank	Allan Gray Equity Fund		FTSE/JSE All Share Index	
	Share	% of local equity	Share	% of local equity
1	**Naspers/Prosus**	10.2%	**Naspers/Prosus**	16.2%
2	AB InBev	9.1%	**Gold Fields**	7.9%
3	**AngloGold Ashanti**	6.4%	**AngloGold Ashanti**	5.3%
4	**British American Tobacco**	5.8%	FirstRand	4.9%
5	Glencore	5.1%	**Standard Bank**	3.8%
6	**Standard Bank**	4.9%	Capitec	3.7%
7	Remgro	3.8%	Valterra Platinum	3.3%
8	Woolworths	3.8%	MTN	3.1%
9	**Gold Fields**	3.5%	Anglo American	2.5%
10	Nedbank	3.5%	**British American Tobacco**	2.2%

Note: Bold indicates companies that appear in the top 10 of both the Allan Gray Equity Fund and the FTSE/JSE All Share Index.
Sources: Allan Gray research, JSE Market Data

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.

HOW TO SAFEGUARD YOUR INVESTMENTS

Twanji Kalula

... beyond basic awareness, there are proactive steps you can take to reduce the risk of fraud and protect your investments.

Given the prevalence of fraud and investment scams, it may feel as though you need to build a financial fortress to protect your investments. Twanji Kalula offers some simple steps you can take to safeguard your long-term wealth throughout your investment journey.

Financial historians have traced one of the earliest recorded cases of financial fraud back to 300 B.C., when two Greek sea merchants, Hegestratos and Zenosthemis, attempted to sink their vessels in the hope of cashing in their insurance policies. Although financial systems have evolved significantly over the centuries since, fraudsters continue to target financial services providers, and investors, in the digital age.

In South Africa, financial institutions detect and prevent thousands of cases of fraud each year. However, despite these ongoing efforts, fraud attempts remain prevalent. The Association for Savings & Investment South Africa (ASISA) recorded a 26% year-on-year uptick in the number of fraud cases affecting investors in 2024 and, according to a recent report, South Africans lost in excess of R2.7bn to financial crime in 2024.

As an investor, beyond basic awareness, there are proactive steps you can take to reduce the risk of fraud and protect your investments.

Sound investment vehicles make for a safer investment journey

Astute criminals study human nature and use this knowledge to play into victims' hopes and worries. From Ponzi schemes to cryptocurrency cons, scams remain rife as would-be investors are lured by promises of enticing returns, often for little effort. Many fraudulent schemes bank on our innate "fear of missing out" on a great investment opportunity to rush our investment decision-making.

When it comes to investing, the adage rings true: If it sounds too good to be true, it probably is. Any investment that promises extremely high returns, particularly in the short term, should be approached with trepidation.

Always understand the underlying investment
When considering any investment, seek to understand how your capital will be used to generate returns. Investors typically earn returns by investing in an asset that either increases in value over time or generates income. Many assets do both. If an investment provider cannot explain how returns are generated, or the investment requires the investor to recruit other people to generate returns, something is amiss.

Invest with reputable financial institutions
To evaluate whether an investment is sound, confirm that the investment provider is registered and has a proven track record. In South Africa, the conduct of financial institutions is regulated by the Financial Sector Conduct Authority (FSCA). Legitimate financial institutions are issued with a financial services provider (FSP) number, which can be verified with the FSCA.

Get the right advice
Financial planning can be complex, and professional financial advice has many proven long-term benefits. With this knowledge in mind, many criminals win their victims' confidence by pretending to be knowledgeable financial professionals.

When considering the services of a financial professional, such as an independent financial adviser, it is worth doing additional research to confirm that they are adequately qualified and in good standing with an appropriate professional body, such as the Financial Planning Institute of Southern Africa (FPI). Members of the FPI have to adhere to a strict code of ethics and meet numerous requirements to acquire and retain their professional designations.

Know who you are talking to
Another trick that scammers use to defraud investors is impersonating employees of reputable financial institutions – particularly via social media platforms. Exercise caution when someone claiming to be a representative of an established company tries to solicit new investments via social media platforms such as WhatsApp, Telegram, LinkedIn or Facebook, as they may be using a fake or compromised account to do so.

Unsolicited phone calls from what appears to be a financial institution should also be treated with care. When in doubt, hang up and contact the entity using their official, verified contact information to resolve any matter. Do not divulge ANY personal information, including one-time pins (OTPs), passwords and pins, as no financial services company will ask you for this information.

Contact us via our official channels
Allan Gray employees do not use social media or any instant messaging platform to initiate new investments, manage existing investment accounts, or engage with clients about their investments. If you would like to start a new investment or transact on an existing investment account, please do so via Allan Gray Online or by contacting our Client Service Centre.

... many criminals win their victims' confidence by pretending to be knowledgeable financial professionals.

How to protect your investments from cybercrime

As an Allan Gray client, using the Allan Gray Online portal is the most secure way to manage your investment accounts. Below are some best practices to safeguard your investments against cybercrime when managing your online investment accounts.

Prioritise password hygiene
Protect every investment account with a unique, complex password that includes alphanumerics and special characters. Never use a password for more than one online account. Try to avoid accessing your investment account on public computers and devices. Keep your contact details up to date to ensure you are notified of any activity on your account.

Multifactor authentication provides an additional layer of protection to online accounts. All Allan Gray Online accounts currently use two-factor authentication, which requires investors to enter a password and an OTP to log in. To further enhance our clients' account security, we will be rolling out mandatory multifactor authentication in the coming months.

OTPs and passwords should never be shared. Allan Gray employees will never ask you to divulge this information.

Transact through verified channels

Fraudsters often attempt to steal investment contributions by intercepting or falsifying communication and providing incorrect bank account details to unsuspecting victims. Guard against following prompts received via email, SMS or WhatsApp, even if these appear to come from a legitimate source.

When starting a new Allan Gray investment, or making an additional contribution to an existing investment, opt for our electronic collection or debit order facilities. If you would prefer to initiate the payment on your end, use the Allan Gray banking details on your bank's list of pre-approved beneficiaries.

Protect sensitive information

Personal details are currency for criminal syndicates. A widespread, sophisticated cybercriminal practice known as "phishing" aims to trick unwitting investors into sharing sensitive personal information by phone, email or SMS. By impersonating reputable organisations, including banks, cellular network operators, courier companies and investment managers, criminals create fake scenarios that require would-be victims to share account numbers, passwords, OTPs and other details that can be used to access and compromise investment accounts.

Be vigilant when engaging with any communication about your investments to avoid being compromised by phishing. There are two things to be especially aware of:

1. **Urgency:** Most phishing attempts try to create a sense of alarm to spur investors into taking immediate action. View any urgent request to change a password, verify details, avoid an account being suspended or prevent a fraud attempt with scepticism. Avoid opening attachments or clicking on links in emails and SMSs without verifying their authenticity, as they may be harmful.

2. **Inaccuracy:** One of the easiest ways to spot a phishing attempt is to look out for flaws in the communications you receive. When it comes to emails, always check the sender's address to ensure it contains the correct domain name. Similarly, hover over any links to ensure you are being directed to a legitimate website. Phishing attempts are also often riddled with spelling and grammatical errors. That said, criminals are increasingly using artificial intelligence to improve the quality of their communications, so the absence of errors does not necessarily mean that an email or SMS is authentic.

Keeping your devices' internet browsers, operating systems and antivirus software up to date offers additional protection against known phishing attacks.

If you are in any doubt about the authenticity of a communication related to your Allan Gray investment, please contact our Client Service Centre or your independent financial adviser directly before taking any action.

Remain engaged

At Allan Gray, we often speak about staying the course, which includes encouraging our clients to track their investment progress over time. Investment accounts that are not engaged with are more likely to be compromised (and this is less likely to be discovered). Review your quarterly statements, keep your information up to date and stay abreast of developments to ensure that your investments, and by extension your financial future, remain safe.

Key contacts

Allan Gray Client Service Centre
0860 000 654
+27 21 415 2301 (Outside South Africa)

Financial Sector Conduct Authority
www.fsca.co.za

Financial Planning Institute of Southern Africa
www.fpi.co.za

Twanji joined Allan Gray in 2019 and is a communications manager. He holds a Bachelor of Arts (Honours) degree in Media Theory and Practice from the University of Cape Town and a Master of Science degree in Corporate Communication and Public Affairs from Robert Gordon University.

Allan Gray Balanced and Stable Fund asset allocation as at 30 September 2025[1]

	Balanced Fund % of portfolio			Stable Fund % of portfolio		
	Total	SA	Foreign	Total	SA	Foreign
Net equities	64.5	37.4	27.2	23.7	9.9	13.8
Hedged equities	9.2	3.3	5.9	24.6	14.0	10.6
Property	1.2	0.1	1.0	0.9	0.1	0.9
Commodity-linked	3.5	2.9	0.6	2.1	1.6	0.5
Bonds	15.6	11.7	4.0	34.4	28.5	5.8
Money market and cash[2]	5.9	5.5	0.4	14.3	16.0	−1.7
Total	**100.0**	**60.9**	**39.1[3]**	**100.0**	**70.1**	**29.9[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 2025

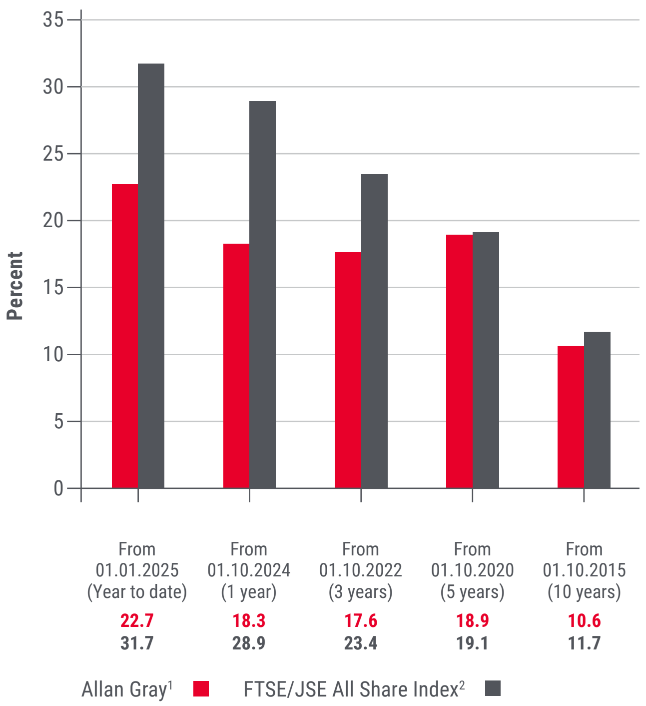
Security	Market value (R million)	% of Fund
South Africa	**31 030**	**56.5**
Equities	**29 795**	**54.2**
Resources	**8 244**	**15.0**
AngloGold Ashanti	1 921	3.5
Glencore	1 511	2.7
Gold Fields	1 036	1.9
Sasol	673	1.2
Northam Platinum	589	1.1
Positions individually less than 1% of the Fund	2 514	4.6
Financials	**7 200**	**13.1**
Standard Bank	1 463	2.7
Remgro	1 134	2.1
Nedbank	1 032	1.9
FirstRand	937	1.7
Investec	661	1.2
Positions individually less than 1% of the Fund	1 973	3.6
Industrials	**14 350**	**26.1**
Naspers & Prosus	3 052	5.6
AB InBev	2 707	4.9
British American Tobacco	1 741	3.2
Woolworths	1 126	2.0
Mondi	1 000	1.8
Positions individually less than 1% of the Fund	4 725	8.6
Cash	**983**	**1.8**
Currency hedges	**253**	**0.5**
Foreign	**23 926**	**43.5**
Equities	**2 596**	**4.7**
Walt Disney Company	1 234	2.2
Positions individually less than 1% of the Fund	1 363	2.5
Equity funds	**21 307**	**38.8**
Orbis Global Equity Fund	9 215	16.8
Orbis SICAV International Equity Fund	6 404	11.7
Allan Gray Frontier Markets Equity Fund	3 278	6.0
Orbis SICAV Japan Equity (Yen) Fund	1 251	2.3
Allan Gray Africa ex-SA Equity Fund	1 011	1.8
Orbis SICAV Emerging Markets Equity Fund	148	0.3
Bonds	**18**	**0.0**
Positions individually less than 1% of the Fund	18	0.0
Cash	**257**	**0.5**
Currency-linked futures	**−253**	**−0.5**
Totals	**54 955**	**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 (to 30.09)	**22.7**	**31.7**	**−9.0**

Returns annualised to 30.09.25



An investment of R10 000 made with Allan Gray on 15 June 1974 would have grown to R462.8 million by 30 September 2025. By comparison, the returns generated by the FTSE/JSE All Share Index over the same period would have grown a similar investment to R23.2 million. Returns are before fees.

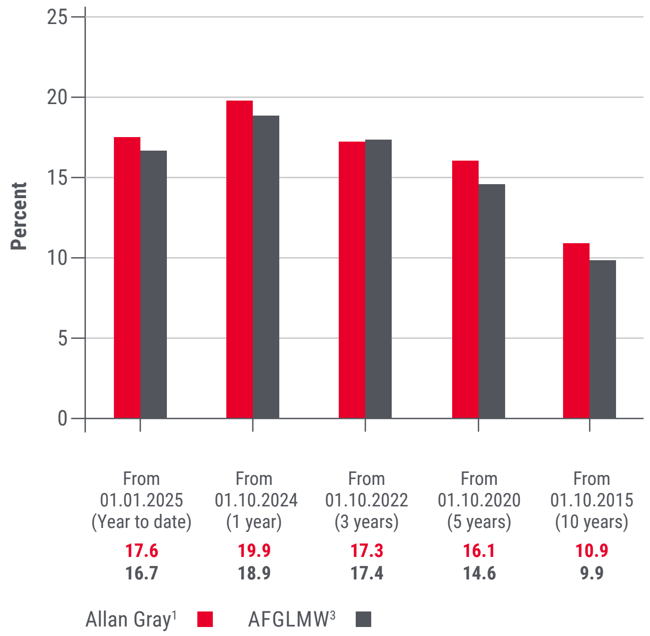
[1] Allan Gray commenced managing pension funds on 1 April 1977, with performance measurement starting on 1 January 1978. The returns prior to 1 January 1978 are of individuals managed by Allan Gray, and these returns exclude income. Returns are before fees.
[2] Prior to July 1995, an internally derived 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 (to 30.09)	**17.6**	**16.7**	**0.9**

Returns annualised to 30.09.25



An investment of R10 000 made with Allan Gray on 1 January 1978 would have grown to R51.8 million by 30 September 2025. The average total performance of global mandates of Large Managers over the same period would have grown a similar investment to R11.0 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 2025 is an estimate. The return from 1 April 2010 is the average of the non-investable Alexforbes 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 2025 (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]	**55.0**	**01.10.1998**	**19.2** 14.5	**10.3** 9.2	**18.1** 17.6	**19.5** 18.9	**22.8** 22.2	**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**	**8.4** 10.9	**9.4** 11.7	**18.0** 19.1	**17.1** 23.4	**16.8** 28.9	**57.3** 54.0	**−32.0** −18.4
Allan Gray-Orbis Global Equity Feeder Fund (AGOE) MSCI World Index, including income, after withholding taxes[2]	**31.8**	**01.04.2005**	**14.8** 14.7	**14.6** 15.2	**16.0** 15.3	**25.0** 22.3	**25.0** 17.7	**78.2** 54.2	**−29.7** −32.7
Allan Gray-Orbis Global Equity Prescient Feeder Fund (AGOEPA)[3] MSCI World Index, including income, after withholding taxes	**6.2**	**01.09.2025**	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –
Medium net equity exposure (40% – 75%)									
Allan Gray Balanced Fund (AGBF) **Allan Gray Tax-Free Balanced Fund (AGTB)** Market value-weighted average of South African - Multi Asset - High Equity category (excl. Allan Gray funds)[4]	**236.1** **4.5**	**01.10.1999** **01.02.2016**	**15.1** **9.9** 11.7/8.9	**10.1** **–** 8.7	**15.5** **15.4** 13.4	**17.2** **17.3** 16.3	**20.8** **20.5** 17.3	**46.1** **31.7** 41.9/30.7	**−14.2** **−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]	**17.1**	**03.02.2004**	**12.0** 11.1	**12.6** 10.2	**17.0** 8.0	**23.0** 14.0	**28.6** 11.0	**55.6** 38.8	**−13.7** −17.0
Allan Gray-Orbis Global Balanced Prescient Feeder Fund (AGOBPA)[3] 60% MSCI World Index with net dividends reinvested and 40% J.P. Morgan Global Government Bond Index	**5.1**	**01.09.2025**	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –	**–** –
Low net equity exposure (0% – 40%)									
Allan Gray Stable Fund (AGSF) Daily interest rate, as supplied by FirstRand Bank, plus 2%	**59.2**	**01.07.2000**	**11.3** 8.5	**9.0** 7.6	**11.8** 7.5	**12.5** 9.1	**14.3** 8.9	**23.3** 14.6	**−7.4** 4.6
Very low net equity exposure (0% – 20%)									
Allan Gray Optimal Fund (AGOF) Daily interest rate as supplied by FirstRand Bank	**0.9**	**01.10.2002**	**6.7** 6.1	**4.9** 5.5	**5.8** 5.4	**4.1** 7.0	**6.4** 6.7	**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	**1.0**	**02.03.2010**	**7.7** 6.0	**5.9** 4.0	**9.9** 3.1	**9.2** 5.9	**11.0** 6.7	**39.6** 35.6	**−12.4** −19.1
No to very low net equity exposure (0% – 10%)									
Allan Gray Income Fund (AGIN) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	**2.1**	**01.05.2024**	**13.3** 8.0	**–** –	**–** –	**–** –	**11.6** 7.8	**12.7** 8.2	**11.6** 7.8
No equity exposure									
Allan Gray Bond Fund (AGBD) FTSE/JSE All Bond Index (total return)	**10.4**	**01.10.2004**	**9.4** 9.2	**9.8** 9.8	**11.2** 12.1	**14.5** 15.7	**14.4** 14.5	**22.0** 26.1	**−2.6** −5.6
Allan Gray Money Market Fund (AGMF) Alexforbes Short-Term Fixed Interest (STeFI) 3-month Index[6]	**29.0**	**01.07.2001**	**7.7** 7.5	**7.2** 6.7	**6.9** 6.4	**8.4** 7.9	**8.2** 7.6	**12.8** 13.3	**4.3** 3.8
Allan Gray Interest Fund (AGIF) Alexforbes Short-Term Fixed Interest (STeFI) Composite Index	**2.3**	**01.05.2024**	**11.1** 8.0	**–** –	**–** –	**–** –	**10.6** 7.8	**10.8** 8.2	**10.5** 7.8

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 1 September 2025. We will report their performance information in our Quarterly Commentary from 30 September 2026.
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 into 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 2025

	Fee for benchmark performance	Performance fees	Other costs excluding transaction costs	VAT	Total expense ratio	Transaction costs (incl. VAT)	Total investment charge
Allan Gray Equity Fund	1.04%	0.63%	0.04%	0.13%	1.84%	0.09%	1.93%
Allan Gray SA Equity Fund	1.00%	−0.57%	0.01%	0.06%	0.51%	0.11%	0.62%
Allan Gray Balanced Fund	1.02%	0.45%	0.04%	0.15%	1.66%	0.06%	1.72%
Allan Gray Tax-Free Balanced Fund	1.31%	N/A	0.03%	0.14%	1.48%	0.07%	1.55%
Allan Gray Stable Fund	1.01%	0.40%	0.03%	0.16%	1.60%	0.04%	1.64%
Allan Gray Optimal Fund	1.00%	0.00%	0.02%	0.15%	1.17%	0.11%	1.28%
Allan Gray Bond Fund	0.50%	N/A	0.01%	0.08%	0.58%	0.00%	0.58%
Allan Gray Income Fund[1]	0.75%	N/A	0.01%	0.11%	0.87%	0.00%	0.87%
Allan Gray Interest Fund[1]	0.65%	N/A	0.01%	0.10%	0.75%	0.00%	0.75%
Allan Gray Money Market Fund	0.25%	N/A	0.00%	0.04%	0.29%	0.00%	0.29%
Allan Gray-Orbis Global Equity Feeder Fund	1.10%	0.91%	0.06%	0.00%	2.07%	0.11%	2.18%
Allan Gray-Orbis Global Balanced Feeder Fund	1.10%	2.59%	0.07%	0.00%	3.75%	0.07%	3.82%
Allan Gray-Orbis Global Optimal Fund of Funds	1.00%	0.16%	0.08%	0.00%	1.25%	0.12%	1.37%
Allan Gray-Orbis Global Equity Prescient Feeder Fund[2]	1.10%	0.91%	0.06%	0.00%	2.07%	0.11%	2.18%
Allan Gray-Orbis Global Balanced Prescient Feeder Fund[2]	1.10%	2.59%	0.07%	0.00%	3.75%	0.07%	3.82%

[1] Since this unit trust has not yet been in existence for three years, the TER and transaction costs are based on actual data, where available, and best estimates.
[2] The TER and transaction costs for this unit trust are estimates based on the past performance of the corresponding Allan Gray-Orbis unit trust. This unit trust has the same investment policy, objective and benchmark as the corresponding Allan Gray-Orbis unit trust. Actual TER data will be used from one year after the unit trust's inception date.

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

Foreign domiciled funds annualised performance (rand) in percentage per annum to 30 September 2025 (net of fees)

	Inception date	Since inception	10 years	5 years	3 years	1 year	Highest annual return[6]	Lowest annual return[6]
High net equity exposure								
Orbis Global Equity Fund MSCI World Index, including income, after withholding taxes[1]	**01.01.1990**	**17.6** 14.2	**14.8** 15.2	**16.5** 15.4	**25.6** 22.2	**25.2** 17.3	**87.6** 54.2	**−47.5** −46.2
Orbis SICAV Japan Equity (Yen) Fund Tokyo Stock Price Index, including income, after withholding taxes	**01.01.1998**	**14.3** 9.8	**12.8** 10.8	**13.4** 9.6	**23.1** 19.7	**22.3** 17.5	**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**	**14.0** 12.5	**12.1** 10.2	**14.9** 7.7	**28.5** 16.6	**40.1** 17.4	**58.6** 60.1	**−34.2** −39.7
Allan Gray Africa ex-SA Equity Fund (C class) MSCI Emerging Frontier Markets Africa ex-SA Index[3]	**01.01.2012**	**13.2** 9.2	**11.0** 10.7	**20.1** 14.0	**21.4** 14.9	**51.9** 36.9	**65.6** 43.9	**−24.3** −29.4
Allan Gray Australia Equity Fund S&P/ASX 300 Accumulation Index	**04.05.2006**	**13.2** 12.1	**13.1** 11.9	**13.7** 11.9	**12.3** 14.6	**−0.6** 6.0	**99.5** 55.6	**−55.4** −45.1
Allan Gray Frontier Markets Equity Fund (C class) MSCI Frontier Emerging Markets Index	**03.04.2017**	**14.2** 8.2	**–** –	**20.3** 10.3	**27.9** 18.3	**42.8** 26.2	**45.2** 23.2	**−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**	**15.5** 13.0	**13.1** 10.1	**17.6** 7.9	**23.4** 13.8	**28.9** 10.6	**54.4** 40.2	**−9.8** −12.1
Allan Gray Australia Balanced Fund The custom benchmark comprises the S&P/ASX 300 Accumulation Index (36%), S&P/ASX Australian Government Bond Index (24%), MSCI World Index (net dividends reinvested) expressed in AUD (24%) and J.P. Morgan Global Government Bond Index expressed in AUD (16%). All returns shown are net of fees and assume reinvestment of distributions.	**01.03.2017**	**10.7** 9.3	**–** –	**13.0** 6.9	**16.1** 11.6	**13.0** 6.1	**29.1** 25.1	**−5.3** −8.3
Low net equity exposure								
Orbis SICAV Global Cautious Fund[4] US$ bank deposits + 2%	**01.01.2019**	**9.4** 7.8	**–** –	**9.7** 6.1	**13.0** 5.7	**16.7** 6.9	**26.6** 34.6	**−8.0** −20.4
Allan Gray Australia Stable Fund Reserve Bank of Australia cash rate	**01.07.2011**	**9.3** 5.7	**7.4** 3.7	**5.2** 1.7	**6.1** 3.7	**−0.2** −0.3	**32.7** 28.8	**−8.9** −15.5
Very low net equity exposure								
Orbis Optimal SA Fund (US$) US$ bank deposits	**01.01.2005**	**9.4** 7.6	**6.7** 4.6	**11.0** 4.0	**7.6** 3.7	**9.9** 4.7	**48.6** 57.9	**−15.7** −25.6
Orbis Optimal SA Fund (Euro) Euro bank deposits	**01.01.2005**	**7.6** 6.0	**5.3** 3.4	**9.4** 2.4	**11.8** 8.1	**13.2** 8.2	**44.1** 40.2	**−19.3** −20.9
No equity exposure								
Allan Gray Africa Bond Fund (C class)[5] FTSE 3-Month US T Bill + 4% Index[5]	**27.03.2013**	**13.1** 8.1	**12.8** 9.2	**10.2** 9.6	**18.4** 7.5	**17.0** 8.7	**31.4** 36.5	**−7.4** −12.3

Performance as calculated by Allan Gray

1 From inception to 15 May 2023, the benchmark was the FTSE World Index, including income.
2 From inception to 31 October 2016, this Fund was called the Orbis SICAV Asia ex-Japan Equity Fund and its benchmark was the MSCI Asia ex-Japan Index. From 1 November 2016, the Fund's investment mandate was broadened to include all emerging markets. To reflect this, the Fund was renamed and the benchmark was changed.
3 From inception to 31 October 2023, the benchmark was the Standard Bank Africa Total Return Index.
4 Return information through to the class inception date on 29 February 2024 is based on the returns that would have resulted from an investment in the Shared Investor RRF Class (C) at Fund inception with no subsequent transactions, if this class of the Fund had existed then. Returns from that date are actual returns of this class of the Fund (Class RRFC).
5 From inception to 31 December 2020, this Fund was called the Allan Gray Africa ex-SA Bond Fund and its benchmark was the J.P. Morgan GBI-EM Global Diversified Index. From 1 January 2021, the Fund's investment mandate was broadened to include South African investments. To reflect this, the Fund was renamed and the benchmark was changed.
6 This is the highest or lowest consecutive 12-month return since inception. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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The trustee/custodian of the 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.

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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.

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