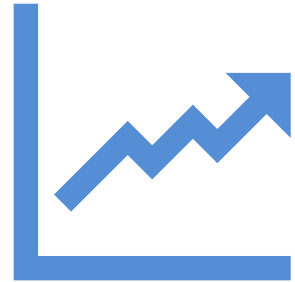


“The intelligent investor is a realist who sells to optimists and buys from pessimists.”

Benjamin Graham

SecureWealth Performance

We are having an excellent year for our clients who have been with us over the longer term, with many seeing year-on-year returns in the high teens. While this gives us a lot of confidence, it must be said that it's easy to generate returns like these at the moment. Global markets are running hard, and there are very few assets classes that haven't performed well since the end of Q1. It's our job to focus on what we think is the more important task - protecting these returns, which is far more difficult. Why?



By selling now and banking profits, you run the risk of missing out on further gains as the market continues to soar. But lurking just out of sight is the possibility of a harsh correction that could obliterate all the hard-earned returns the last few years. We feel that locking in gains, lowering portfolio risk, and waiting patiently for better value is the prudent course.

As such, for new clients we are being extremely cautious as markets are trading at all-time highs. We are now reducing risk, and it would be disingenuous for us to be buying the same assets for our new clients, that we are exiting for our older clients.

Herewith the main reasons for our outstanding performance year to date:

- **Gold:** We bought gold shares 3 years ago when they were in the gutter, and these companies are now having a record year on the back of a historic gold price. This decision has raised our long-term returns, and we are taking advantage of our good fortune. If one looks across the valley, we are very positive on gold, but we are deeply concerned about the present status in global markets, which we elaborate on later in the commentary.
- **SA Equities:** We bought South African shares before the general election in May last year, and this too was an inspired decision. If one studies the quote above, by Benjamin Graham, we bought when investors were most pessimistic and prices were cheap, and we are now reducing risk to SA companies, when investors are most optimistic.
- **Global Emerging Markets:** We prefer emerging markets to developed markets because they offer far better value. These markets are also having an excellent year with year-to-date returns in the funds

we favour ranging from 20% to 45%. This is perhaps one of the few sectors that we are not taking profits from, as our underlying thesis is that they will still outperform over the long-term. Emerging markets has years to catch up on their developed market peers – and this is something we do not want to miss out on.

- **US Dollar:** We have not favoured the US Dollar for years and this has benefitted our clients enormously this year. Most news headlines will point to a structurally weaker Dollar for a myriad of reasons, and whilst some definitely give one pause for thought, we are sticking to our philosophy of buying cheap assets. Thus, we are now actively buying the US Dollar as we feel it offers compelling value for South African investors. To cite an example, the Rand is only down against the dollar 1% over the past 5 years. We prefer to own US Dollars rather than Rands at this price, especially with the slew of political concerns that South Africa is still facing.

Global Markets

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.” - William Ward

Since April 8th, at the height of the tariff war between President Trump and the rest of the world, markets have been on an upward trajectory. One could argue this is a result of the boom in AI or gold, inflation is supposedly under control, tariffs are no longer a threat or that peace deals are seemingly being struck between most warring factions. Regardless, investors have become very used to seeing their portfolios move up, and only up. Your lay-man would argue that this is a good thing, and while we agree that consistent growth is obviously preferable, we have become concerned about how it all ends.

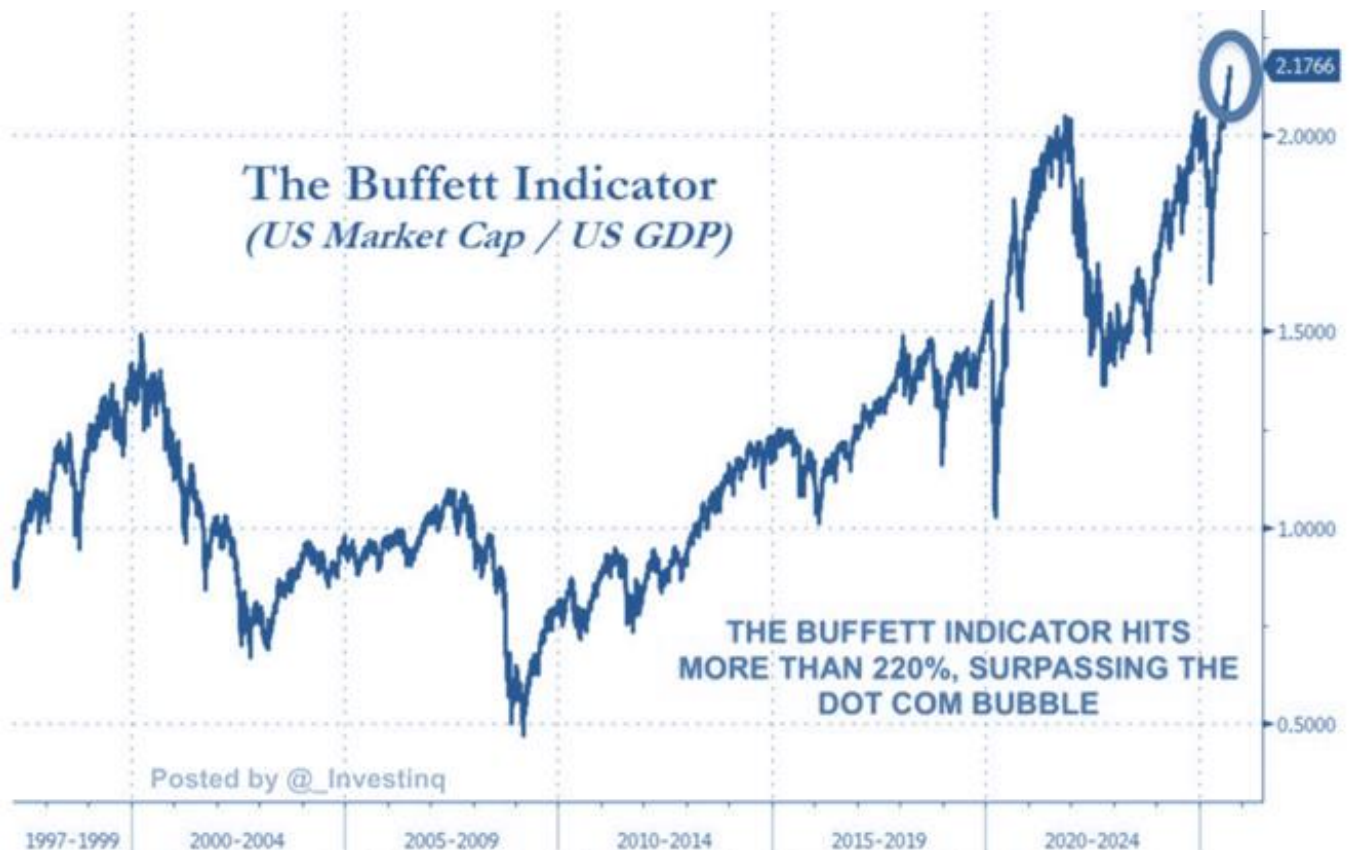


It's common knowledge that the US, and especially the Magnificent 7 (Google, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), are **extremely expensive**, fuelled by one of the single greatest tech bull markets of the modern era. With this, we feel a sense of complacency has taken hold among investors – and this complacency has led to record levels of leverage and debt, and a general lack of concern for what we think are some pressing issues. As such, instead of simply riding the wave, we have been cutting back risk where it's done well, preferring to hold low-risk, interest-earning, dividend-paying funds and stocks. And until such a time that markets have retered to a level that we are comfortable to hold risky assets, this will be the case.

We would consider ourselves **“realists,”** if one refers to the quote above. We are adjusting the sails to take advantage of the prevailing winds gusting through global financial markets currently.

As mentioned, above, we do have concerns. Here are just a few:

- **Leverage** is at an all time high in the US. Leverage is money borrowed by investors to speculate in markets. When markets decline, brokerages call in these loans, which leads to forced selling and further declines. It's great when everything seemingly only moves up, but when the tide turns, being over-leveraged is the quickest way to erase all those gains.
- **The Buffett Indicator, which at a fundament level evaluates risk**, has just reached a new high. It is higher now than it was in 1999.

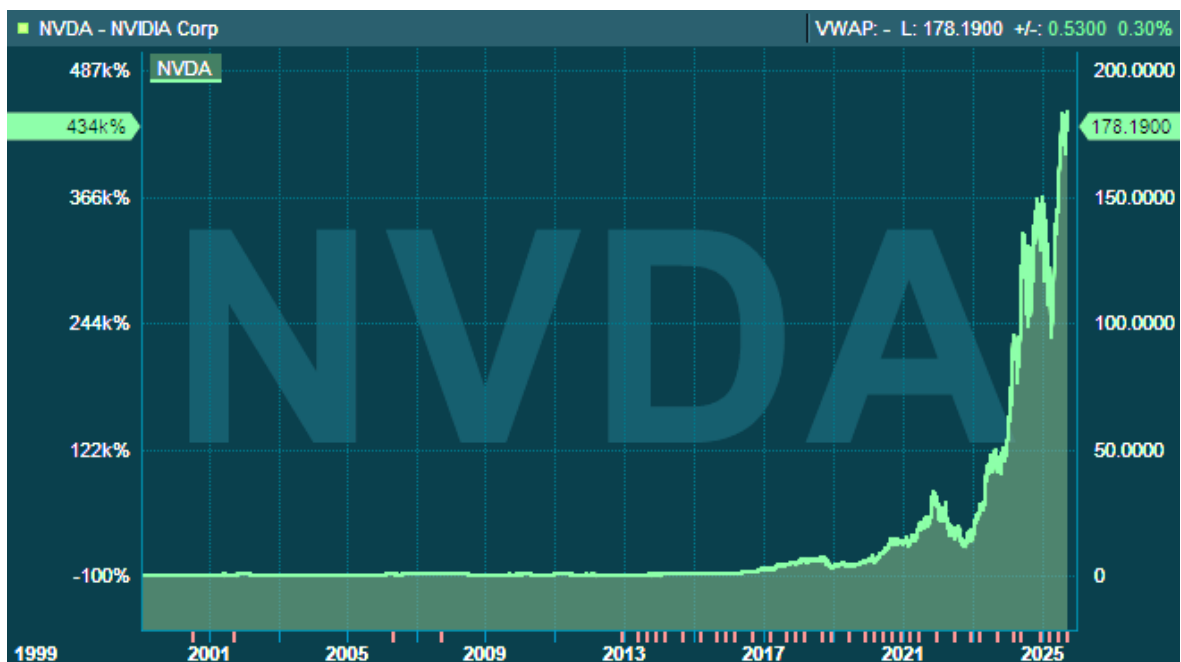


- **The Shiller P/E ratio (or CAPE Ratio)** is a stone's throw away from its second highest multiple in 150 years. As a reminder, this ratio is simply the price of the S&P 500 compared to the earnings (again, a measure of value) over the last 10 years, adjusted for inflation. The higher the value, the more expensive.
- **For years now, the US market has been extremely narrow.** Effectively, a large majority of the performance of the S&P 500 has come solely from 5 to 10 stocks in the last decade, and that has now reached a boiling point with the Magnificent 7. The below graph shows that if you strip out the

dominance of the largest companies, the PE ratio drops from 23x to 17x. Although both expensive, this illustrates perfectly the extent to which the Magnificent 7 have biased the S&P upwards.



- **Global debt** has soared to unsustainable levels, which is forcing most central banks to keep interest rates low (and thus control their debt levels). However, this stokes inflation, which can quickly get out of hand. A few scary examples of some of the debt levels (measured by Debt to GDP) of developed countries: Japan (237%), Italy (135%), US (124%), France (113%), Canada (111%).
- **Modern financial crises** are like flash floods. Computer-driven trading, combined with the herd mentality of millions of retail investors, led to brutal sell-offs, as experienced in April this year, and during the Covid crash.
- **Nvidia**, who we have spoken about comprehensively in the past, is just one American company that is larger than the entire German stock market (including SAP, Deutsche Bank, Mercedes-Benz, BMW, Volkswagen, and DHL). This is completely unprecedented. See the price of Nvidia below:



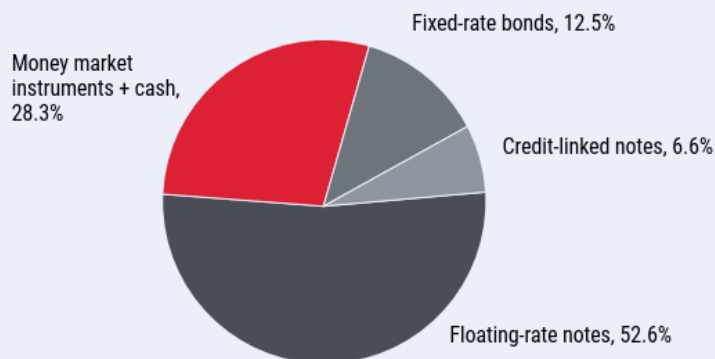
So we ask ourselves – how do we mitigate these risks?

1. **Allan Gray:** We met with Thalia Petousis of Allan Gray this week. Thalia manages the money market, interest and income funds at Allan Gray. Once again, her cautious approach reminded us that we cannot find a finer investment house in South Africa to safeguard your savings. This confidence is extended to Orbis and Allan Gray Australia (Allan Gray's sister companies) overseas. We have long standing clients, family, friends, and our own savings invested with Allan Gray. Furthermore, our business depends on the manner in which Allan Gray conducts itself. The administration and technology afforded to ourselves, in order to manage your savings safely and effectively, whilst adhering to all legislation, is without peer, not only in South Africa but also globally.
2. **Coronation Portfolio Managers:** We met with Coronation four weeks ago, and the behaviour in which they go about their profession, also instills an enormous amount of faith in us.
3. **Investec:** We are trimming exposure to Newmont and Naspers in our personal share portfolios for certain clients. Newmont is the largest gold miner in the world, one of the top three best performing stocks in the US this year. We added exposure to Anheuser-Busch and bought back into deve. The brewer and distiller are the two largest alcoholic beverage companies in the world. The two purchases rhyme with our defensive outlook. The pie chart to the right indicates our top 10 largest holdings as of the end of Q3. We are still identifying undervalued stocks across the globe.
4. **We are reducing risk where possible for most clients,** specifically older clients and those dependent on a regular monthly income. Certain products attract capital gains tax (CGT), and there is nothing we can do about it. The alternative are losses, which is the greater of the two evils.



5. **Allan Gray Money Market and Interest Funds:** In the near future, we will exit the Allan Gray Money Market Fund, which has served as a backstop for our retirement products, in favour of the Allan Gray

Asset allocation on 30 September 2025

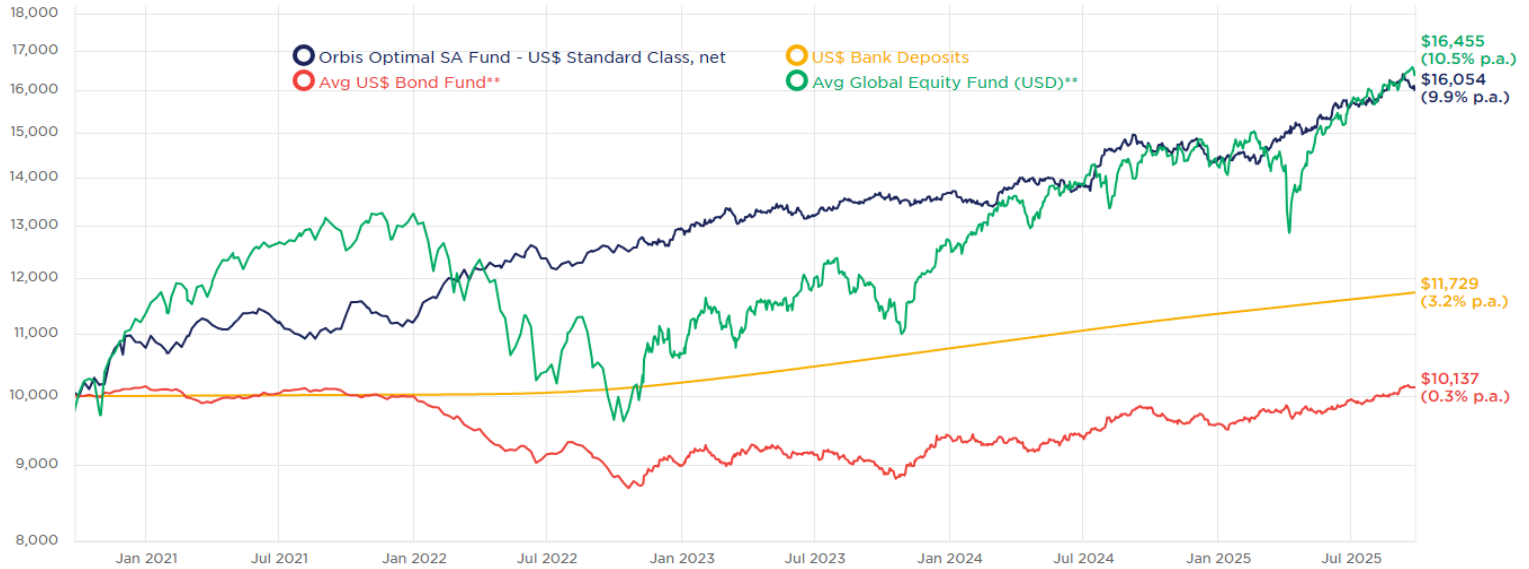


Source: Allan Gray Interest Fund Factsheet

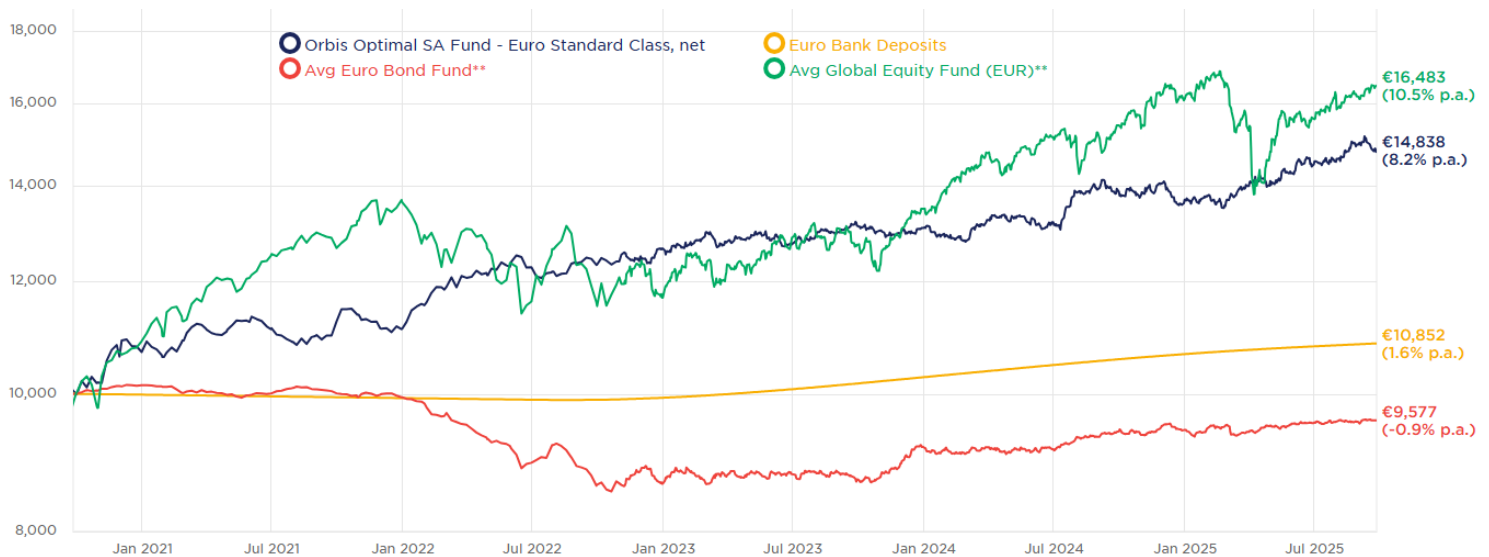
Interest Fund. This after meeting Thalia, as mentioned earlier. We can add 2% to 3% extra annual returns, by taking slightly extra risk, which we feel is warranted in the fixed income space. The diagram to the left illustrates the Allan Gray interest fund, which spreads risk around – not just investing in short-term notes and deposits from National Treasury or the main banks. Slightly longer duration is added in the form of floating-rate notes and fixed-rate bonds.

6. **US Treasuries:** We have transferred a considerable amount of funds for clients (including German foreign nationals) to a low risk Coronation fund that invests predominantly in US treasuries and debt backed by the German and British governments. The capital is always denominated in ZAR but invested in USD. Most of these funds will eventually be reallocated to more exciting opportunities, but only if the markets afford us a compelling discount.
7. **Inflation-Linked Bonds:** We recently added Inflation-Linked Bonds (ILBs) to some client portfolios. These bonds are a cost-effective way to prevent the erosion of your savings from future inflation. Currently, headline inflation stands at 3.30% as of August 2025, which we are not convinced is sustainable given tariff pressures from the US. Further, if gold retreats off its highs, we should see Rand depreciation, which will translate into more expensive oil and goods. With ILBs, if inflation rises in South Africa, like it did without warning in Turkey, your savings should be protected.
8. **Japan and Global Emerging Markets:** These two markets have produced excellent returns this past year. If the US sells off, we can almost guarantee that most global markets will follow suit, including EM and Japan. However, we are confident that these cheaper markets will recover quickly and go onto produce decent returns in the years to come.
9. **Orbis Optimal SA Fund (USD and EUR):** We continue to have the bulk of our clients' savings invested in these two low risk options overseas. The funds hedge out market risk, but are still producing excellent returns considering the amount of risk that has been taken. Herewith charts of the two funds over 5 years:

USD: 5 years



EURO: 5 years



Legend: Orbis Optimal SA Fund | Average Global Equity Fund | Average Bond Fund | Bank Deposits

Source: Orbis.com

For most of our clients, we are operating on approximately 40-50% risk in a portfolio. That means that the balance of the money is invested in safer or low risk assets. This excludes younger clients who are enjoying a heftier risk allocation, but have much longer runways to tolerate the increased volatility.

Our compass thus remains unchanged. We continue to strive to produce acceptable returns, but are always extremely mindful of risk. Piloted by realism, we will embrace volatility not with trepidation, but with confidence that we can take advantage of that unpredictability.

We thank you for your ongoing support.

Sincere regards



Mike Carruthers



Maryka Smit



Matt Carruthers