

A nighttime photograph of a city skyline, likely Hong Kong, featuring several illuminated skyscrapers. In the foreground, a multi-level highway interchange is visible, with long-exposure light trails from cars creating bright white streaks. A large, semi-transparent red graphic overlay is positioned across the top and left side of the image. The text '1 AVE' is written in a stylized, yellow, outlined font on the right side of the red overlay. The main title 'FIRST AVENUE' is in large white letters, and 'INVESTMENT MANAGEMENT' is in smaller white letters below it, both on the left side of the red overlay. In the bottom left corner, a dark red rectangular box contains the text 'Portfolio Management Report: Q3 2025' in white.

1 AVE

FIRST AVENUE

INVESTMENT MANAGEMENT

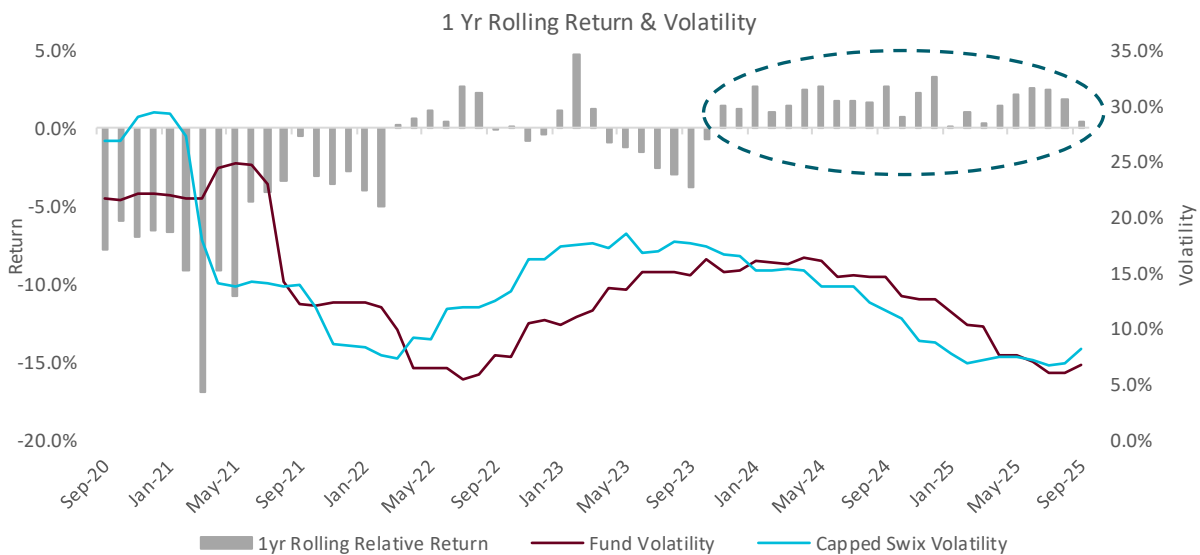
Portfolio
Management
Report:
Q3 2025

INVESTMENT DISCUSSION:

AVOIDING STUPIDITY IS EASIER THAN SEEKING BRILLIANCE

The portfolio's streak in outperforming the benchmark on a rolling 12-month basis every month since December 2023 remained intact at the end of the third quarter. This is no mean feat given the narrowness of the leadership of the JSE (concentration of winners). Need I remind you that in the last 12 months to September 30, precious metals single-handedly drove the Johannesburg Securities Exchange up 24%.

Figure 1: Rolling 12 months Relative Returns & Volatility vs CAPPED SWIX



Source: Statpro, First Avenue

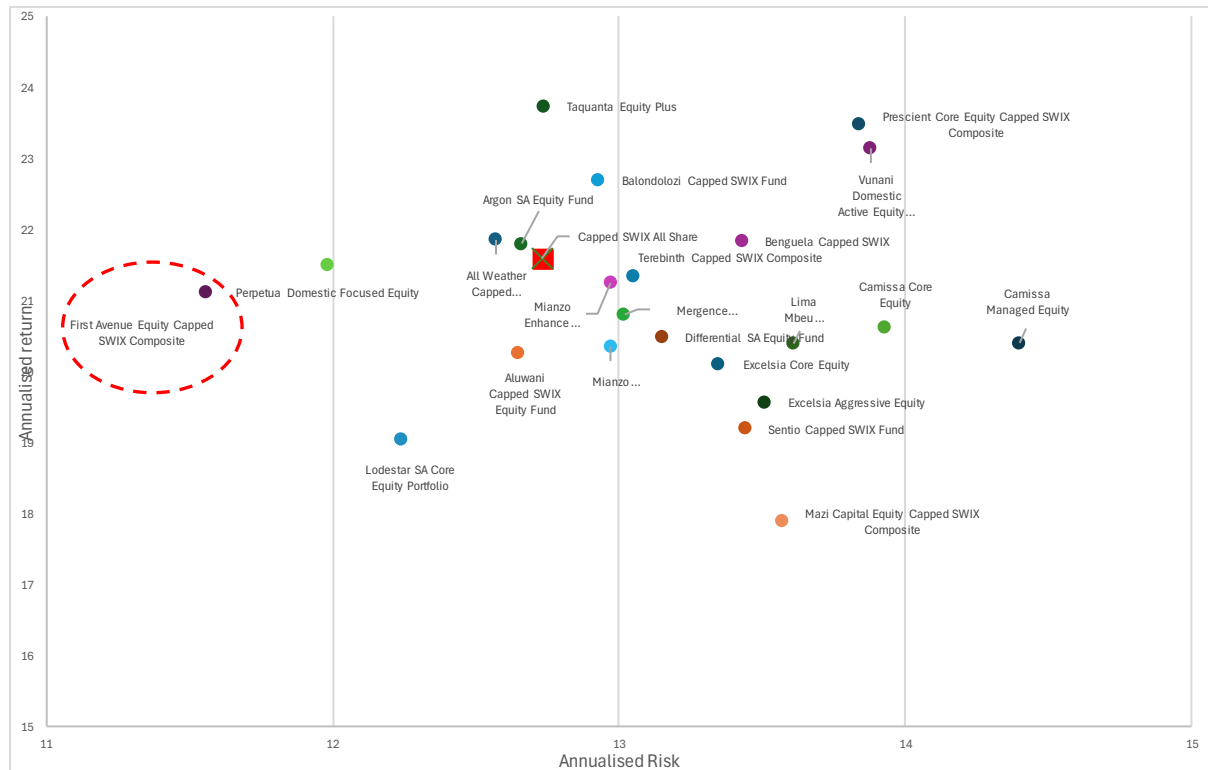
That we matched up well against the unorthodox stance of the market while being underweight precious markets is a testament to excellent stock selection on our part and relative risk management. In previous portfolio management reports, we have been at pains to communicate that our approach to portfolio management addresses the twin threats of (i) systematic (macro) risk and (i) systemic (company specific) risk. The portfolio is arranged in a manner that recognizes the role of high beta stocks in cycling around high-quality companies that compound wealth for decades at a time.

The cyclical role played by high beta stocks in periodically driving the market higher is disproportionately larger on the JSE than it is in the world's leading money centers (e.g. New York Stock Exchange). In other words, converting beta into alpha is of utmost importance on the JSE. The most critical of this beta is the one linked to global growth (Resources) rather than the one linked to domestic growth (S.A. Inc.).

The proof of our success in optimizing high-beta cyclical stocks linked to global growth stocks and high-quality stocks with an enduring track record of compounding market returns can be seen in the risk-return chart match-up against our peers. While high beta cyclical companies enhance portfolio returns during cyclical bouts in the stock market, high quality companies produce not only enduring alpha but as importantly, buoy the portfolio in times of dislocations between share prices and fundamentals namely, corrections and crashes. As such, high quality companies endow the portfolio with low volatility (defensiveness). Figure 2 shows that our portfolio has the lowest volatility while

posting respectable returns (on a 3yr basis) relative to peers. Not reaching for yield enroute to relative outperformance is a necessary ingredient for producing a sustainable Information Ratio. While the chart is not that legible, we have circled where First Avenue’s location. We rank first in low volatility.

Figure 2: 36-month Risk Return Analysis: First Avenue vs Peers

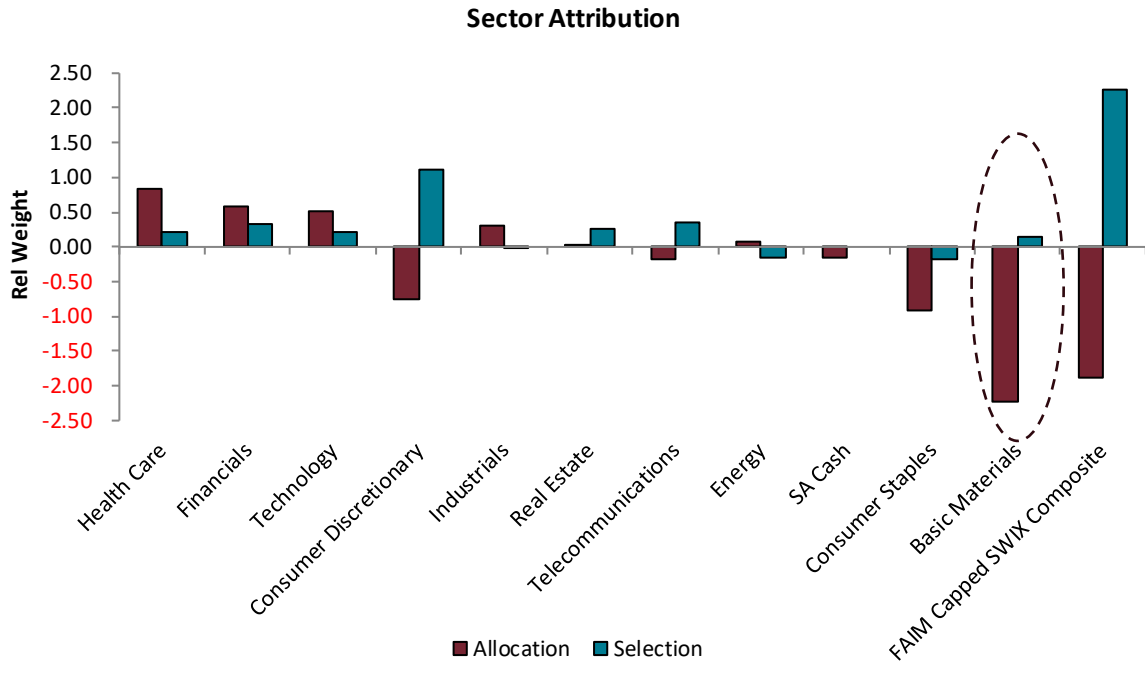


Source: 274 BEE Survey September 2025

Managers in the top right quadrant have “flooded the zone” – generated performance from packing their portfolios with high beta global cyclicals, namely precious metals, at the expense of high-quality compounding companies. In other words, they have taken on high volatility enroute to producing high returns. Theirs is the mastery of timing to avoid high volatility hurting them when share prices of high beta global cyclicals fall with the same ferocity they exhibited on the way up.

Attribution analysis of our portfolio bears out our assertion that stock selection in the high beta cyclicals linked to global growth is of utmost importance in risk management. The chart below shows that while being underweight the resources sector detracted from alpha, we registered a positive contribution from stock selection in the sector. Furthermore, our stock selection was positive in 8 out of 10 sectors and both sector allocation and stock selection were positive in 4 out of 10 categories. Overall, stock selection more than compensated for what sector allocation took away, resulting in a positive alpha for the year.

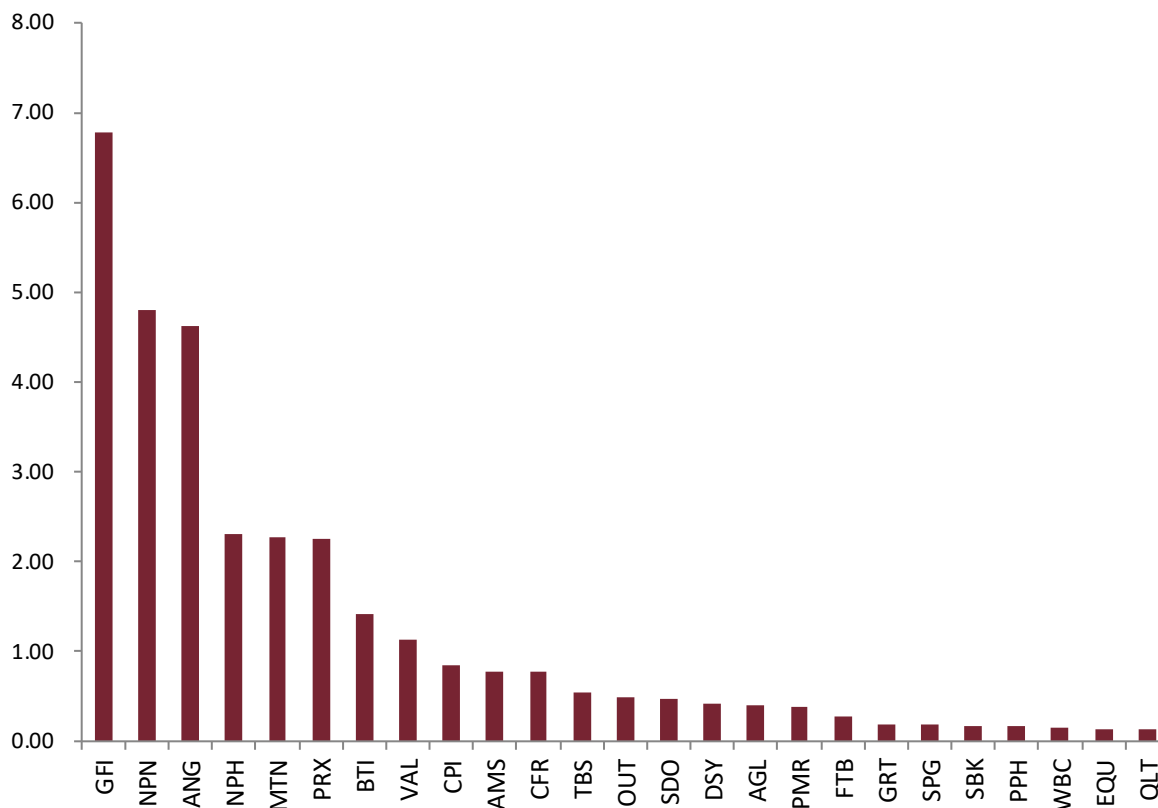
Figure 3: Capped SWIX Sector Allocation and Stock Attribution: 12Months to Sept 2025



Source: Stapro, First Avenue

You can see below the contribution to fund returns of high beta cyclicals linked to global growth (Anglogold, Goldfields, Northam, Valterra) along with high quality compounding companies (Quilter, Outsurance, Discovery, Capitec).

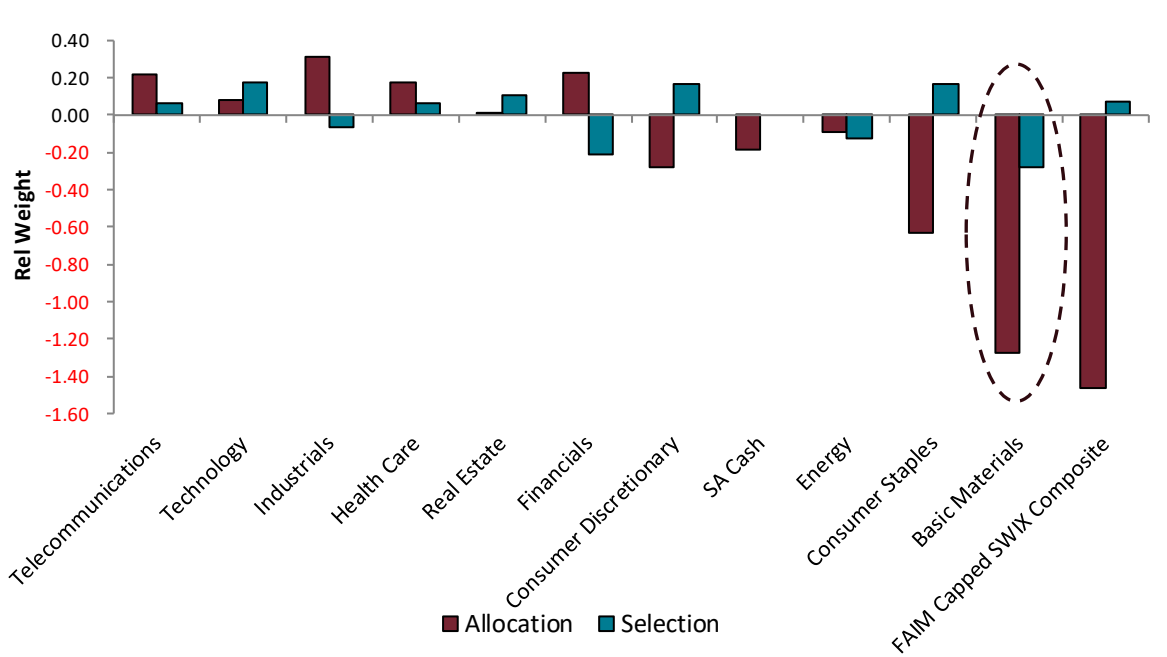
Figure 4: Top 25 Contributors – 12months ending Sept 2025: Capped Swix Composite



Source: Statpro, First Avenue

Just so you do not think we benefitted disproportionately from high beta cyclicals linked to global growth, especially precious metals, please know that we wear our underperformance in Q3 as a badge of honor. Our underperformance was precisely because of our underweight of the gold and PGM sectors (and the resources sector in general). In August, we reduced the 1% overweight in AngloGold to neutral benchmark. As well, we reduced our overweight of Northam and Valterra in the same month which gave effect to us entering September underweight PGMs. You can imagine our delight at the correction taking place now in October in precious metals (gold and PGMs). We will fare well because we are benefiting from the very underweights (to gold and PGMs) that hurt us in Q3.

Figure 5: Attribution - Sector Allocation vs. Stock Selection CAPPED SWIX Funds Q3'2025



Source: First Avenue, Statpro

Let's turn our attention to an example of a high-quality company with proven compounding qualities, Clicks. The company's brilliance is in avoiding stupidity rather than seeking genius. Charlie Munger may very well have been referring to Clicks when he spoke at the Westco Shareholders Annual Meeting in 1989 when he said:

"It is remarkable how much long-term advantage people like us have gained by consistently trying to be NOT stupid, instead of trying to be very intelligent"
Charlie Munger, 1989

Singleness of approach (simplicity) is a greatly underestimated factor of success. Consistency though, pairs well with avoiding stupidity precisely because stupidity interrupts consistency.

Yet the genius of Clicks' business model is its consistent simplicity (as opposed to complexity). What about the simplicity of Clicks' business is so hard to replicate? It is that Clicks (i) cultivates a competitive advantage/economic moat (ii) extracts maximum value from that moat, and then (iii) introduces the next logical moat (guided by client demand) to its arsenal of weaponry that allows it to eke out incremental growth in cash rich earnings. In other words, rather than let growth fall off the S curve as earnings reach its natural share of a particular moat, the company renews corporate value by monetizing a new moat. This allows Clicks to:

- Maintain, if not widens, an already large spread between economic profits (ROIC) and cost of capital (WACC).
- Compound growth in free cash flow per share at a higher rate than the cost of capital over a 20yr period, a rarity only enjoyed by Capitec in the local market (and a tiny minority of companies around the world).
- Generate Free Cash Flow Return on Investment Capital enduring above the cost of capital, again second only to Capitec locally.

The second bullet point is so powerful because it renders traditional valuation methods such as the Discounted Cash Flow (DCF) impotent in measuring the fundamentals of the company to produce a valuation. When the Compound Average Growth Rate (CAGR) of free cash flows is greater than the discount rate, the resulting value is infinite. Infinity (pragmatically speaking versus literally speaking) means that R1 invested in Clicks has outperformed ALL competing opportunities in the economy (e.g., SA Govt Bonds, an index of the JSE, Direct Property, an index of Venture Capital and Private Equity companies in the country, an index of hedge funds, and so on). We introduced Clicks into our portfolios on April 07, 2015, at R91. Today, just a little over 10yrs later it is worth R370 (having touched R403.89 on Dec. 04, 2024). To put this in perspective, the company went public in 1996 at R3.70 per share and a market capitalization of R915. So, in 29years, the company has gone from R3.70 to R370 per share, the company has increased 100-fold. You would be hard pressed to come across returns venture capital, private equity, and hedge fund returns have sustained returns at this rate over a similar period. You would be hard pressed to find an equity manager that has produced comparable returns. And this is only half the story. It excludes a rich vein of dividends. Again, all of this is only second to Capitec. When we equity managers speak with management of companies like Clicks and Capitec, we should put some respect in our tone and choice of words. They are doing our job for us.

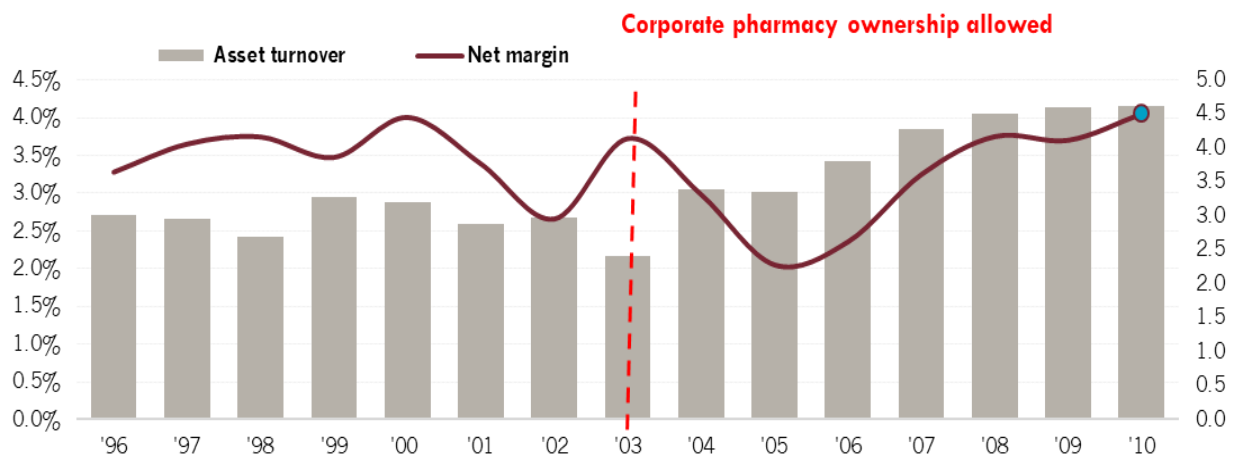
Clicks' qualities are hard to replicate because, from initiating its first moat in 2003, as it now possesses three (3) economic moats.

Efficient Scale Advantages (2000-2010)

Not all scale advantaged businesses are efficient (e.g., ESKOM) but all efficient businesses are either scaled or meet the minimum requirements for scale. Clicks' scale bestows it with lower capex costs per customer and lower unit fixed costs per incremental customer.

The first moat Clicks developed in the early 2000s was scale efficiency in the health and beauty retail segment. The company built the largest network of retail stores specializing in health and beauty products. **The company strategy was not breadth of product (many SKUs) but rather depth (few SKUs). This allowed the company to be a material (if not critical) customer to a few suppliers.** In this regard, Clicks runs the same play Costco utilizes in the US, while Dischem employs the exact opposite strategy (a la Walmart). Adding pharmacies to the same store improved space utilization (an indicator of scaled advantages), and operating and net margins (a feature of scale efficiencies). This occurred after Clicks converted some Links pharmacy franchises into in-store corporate owned pharmacies.

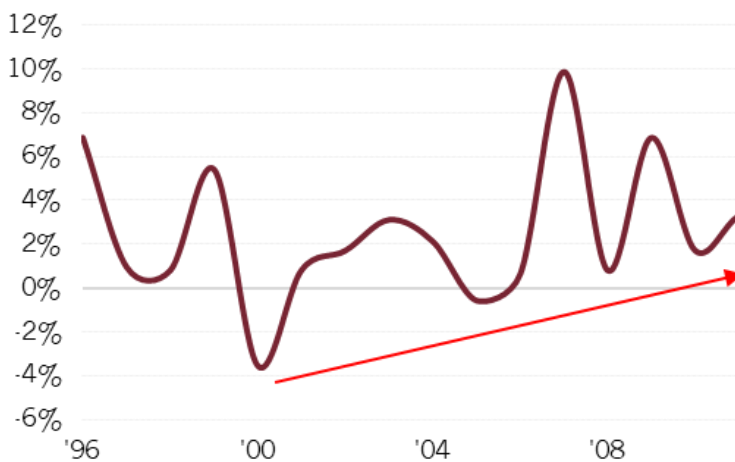
Figure 6: Asset Turn and Net Profit Margins



Source: Company Data, First Avenue, Avior Capital Markets

As the customer base grew, the company spread all its fixed costs (capital plus operating expenses) over a much-enlarged revenue base, lowering unit costs. Given CLS' large number of stores, they were able to take advantage of being granted corporate pharmacy licenses, improving their asset turnover and net margins from these stores (the company simply reduced front shop space to accommodate space for the pharmacy). This allowed Clicks' free cash flow margins to improve from 2000 to 2010, with their operating margins following suit (after the initial costs of rolling out the pharmacies). Free cash flow margins improved between 2000 and 2010 even as operating margins fell momentarily on pharmacy relocation from franchise owned to store incorporation.

Figure 7: Free Cash Flow Margins improved since 2000 to 2010



Source: Company Data, First Avenue, Avior Capital Markets

Figure 8: Despite Operating Margins declining on pharmacy openings



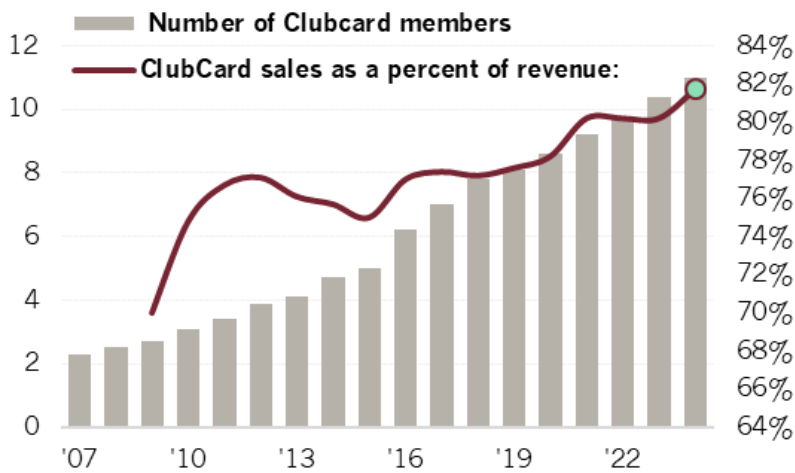
Source: Company Data, First Avenue, Avior Capital Markets

Switching Costs (2010-2019)

The next moat to incrementally contribute to earnings growth was switching costs through the development of/investment in the Clicks Card. The Clicks Card did a great job to achieve the Holy Grail of retailing, induce repeat customers. Pairing that with promotional stock from suppliers led to the 3 for the price of 2 strategy.

Clicks has expanded its *ClubCard* membership base by offering cashback rewards and expanding its store network. Revenue per member slowed between 2016 and 2018 as the group prioritised adoption, but this strategy has paid off, with revenue per member rising above the long-term average from 2021. The number of Clubcard members has increased five-fold since 2010 while, at the same time, the penetration of Card member sales is at 82% from 69% over the same period.

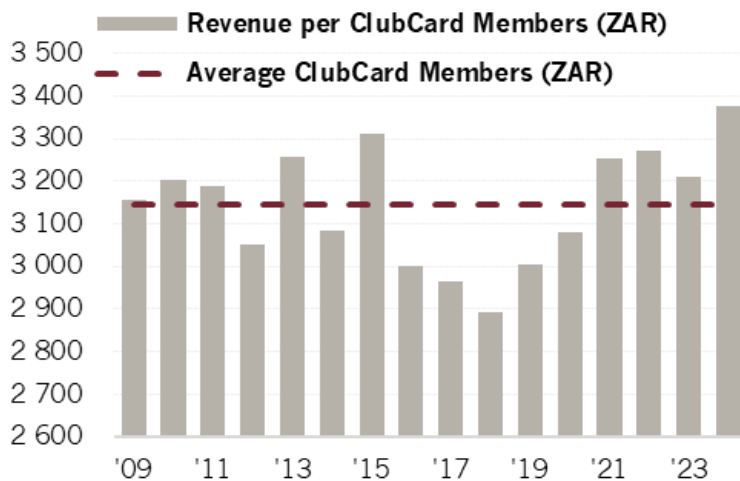
Figure 9: ClubCard Members and ClubCard Sales Penetration



Source: Company Data, First Avenue, Avior Capital Markets

Along the way, the average spend per member is now at an all-time high.

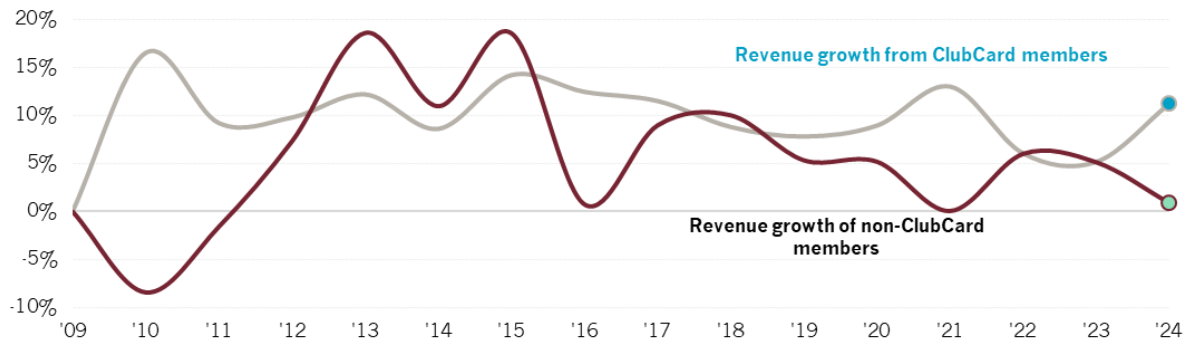
Figure 10: Revenue per ClubCard Member (ZAR)



Source: Company Data, First Avenue, Avior Capital Markets

It is noteworthy that the revenue growth from ClubCard members has historically been more robust and outpaced non-ClubCard members. Overall, revenue growth from ClubCard members has been more consistent and robust than revenue from non-card shoppers.

Figure 11: Revenue Growth Clubcard vs non-ClubCard Members



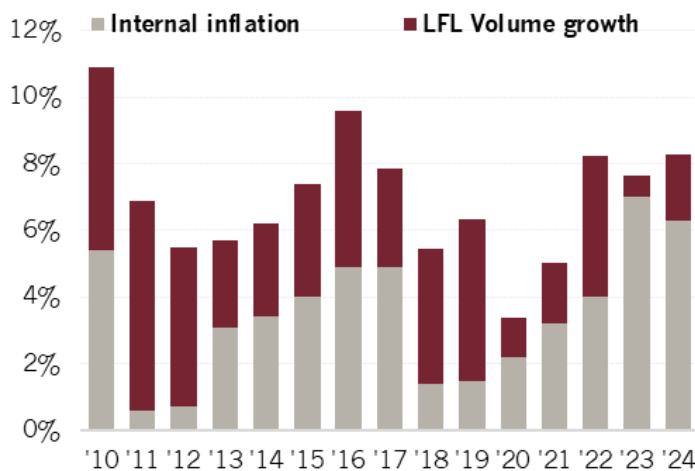
Source: Company Data, First Avenue, Avior Capital Markets

The ClubCard has been a key driver of:

- Customer retention,
- Repeat purchases, and
- Sustaining strong like-for-like (LFL) revenue growth.

This growth has been underpinned by notably resilient LFL volume gains, demonstrating the program’s effectiveness in driving footfall and basket size. As a result, the higher sales throughput has translated into robust cash generation, supporting an improvement in Clicks’ free cash flow margin over time. This has helped maintaining strong LFL growth.

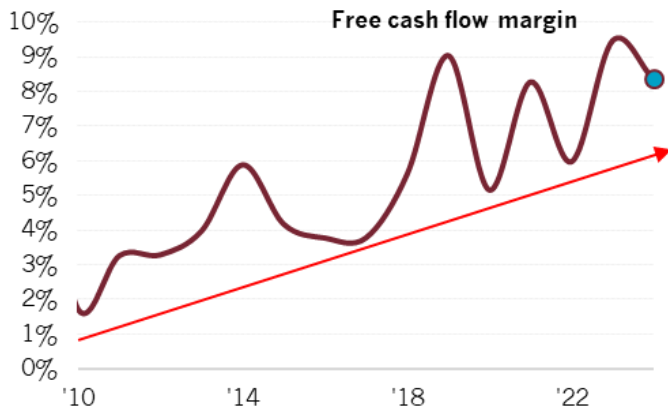
Figure 12: Like-for-Like Growth



Source: Company Data, First Avenue, Avior Capital Markets

Helping power free cash flow margins higher.

Figure 13: Free Cash Flow Margins (2010-2020)



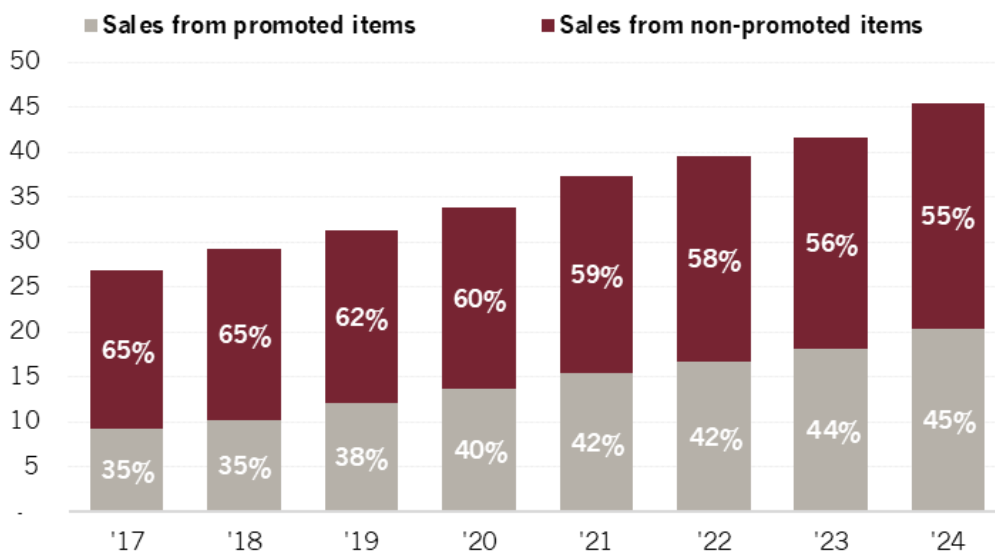
Source: Company Data, First Avenue, Avior Capital Markets

Intangible Assets (Pricing Power): 2020 -

The third moat management has recently introduced to sustain industry leading earnings growth is pricing power.

Since Covid-19 began in 2020, consumers are increasingly price conscious, looking for items on promotions. This has reflected in CLS' sales mix towards promoted items. Consumers are increasingly looking for promotions without compromising utility value.

Figure 14: Revenue on Promotional SKUs vs Non-Promotional SKUS as a % of Total

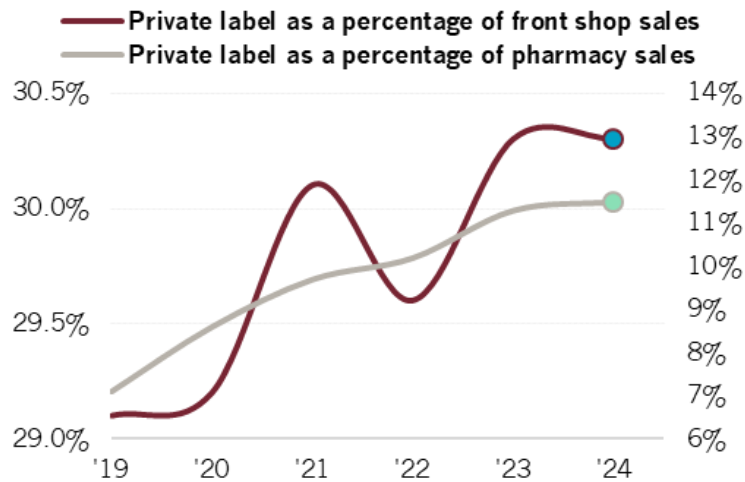


Source: Company Data, First Avenue, Avior Capital Markets

As a client-led business (rather than product-led business), Clicks appealed to the consumer's search for non-premium branded and priced options by introducing a private label brand, Clicks. Possessing product performance comparable to premium brands but priced between generic products and premium product, the label has exhibited both price and volume growth since introduction. This

reflects strong customer acceptance and perceived quality. Pricing resilience is particularly evident in categories such as baby care, where products like nappies continue to record robust volume growth despite year-on-year price increases. Compare the organic nature of Clicks' approach to baby care to to Dischem's acquisition of Baby City for R430m to see why Clicks' fundamentals are far superior Dischem's. Furthermore, the utility value of Clicks branded nappies in the eyes of the customer is just as favorable as that of Huggies (the premium nappy brand in the world). Yet the price difference between the two is material. Unlike Dischem, Clicks thought up a simple plan that avoids the risk that goes along with attempts at genius. Genius!

Figure 15: Private Label Sales as a % of Front Shop/Pharmacy (%)



Source: Company Data, First Avenue, Avior Capital Markets

Simultaneously with the shift to promotions, consumers are also moving towards cheaper pharmaceutical generics.

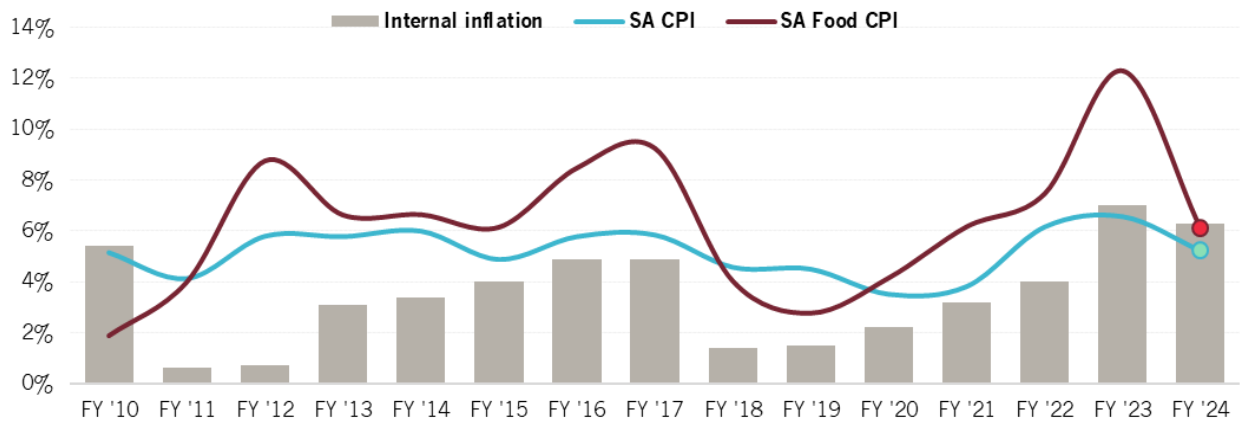
Figure 16: Generics as a % of Pharmacy Revenue



Source: Company Data, First Avenue, Avior Capital Markets

CLS is well placed for the price-conscious consumer, ensuring that its internal inflation has remained lower than SA's CPI and Food CPI. As a result, internal product inflation comes in below CPI.

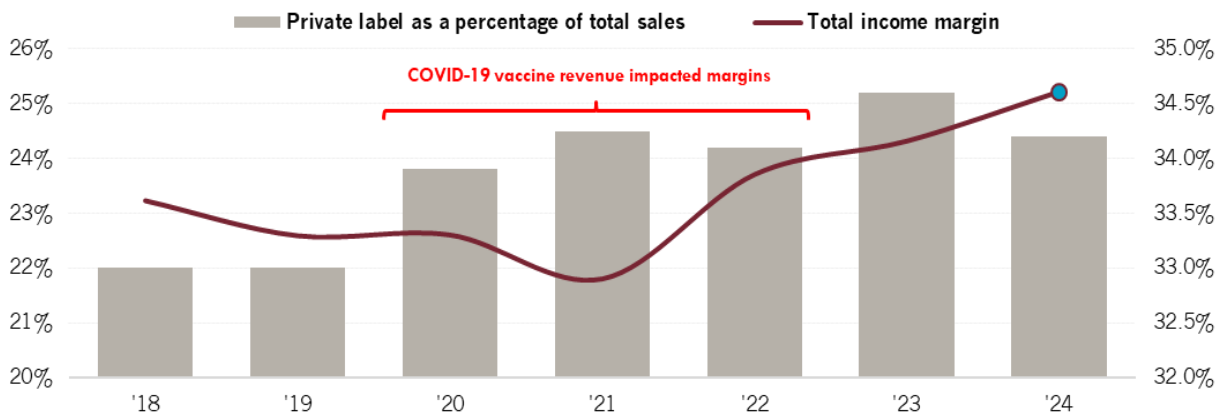
Figure 17: Internal Inflation vs. S.A. CPI and Food Inflation



Source: Company Data, First Avenue, Avior Capital Markets

The strategic shift to both promotional pricing, generics, and higher value private label has driven improvements in CLS Retail total income margin.

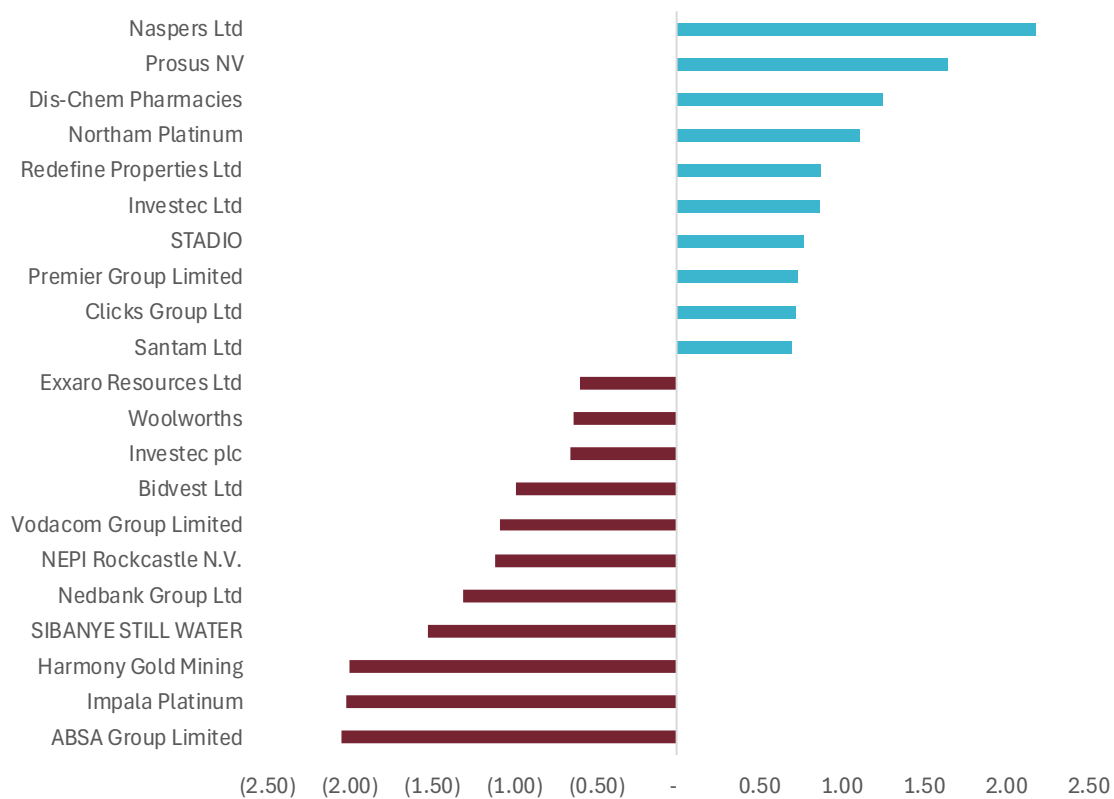
Figure 18: Private Label as % Total Revenue vs. Retail Total Income Margin



Source: Company Data, First Avenue, Avior Capital Markets

Portfolio Holdings

Figure 19: Top Ten Under-weights and Over-weights: Q3 2025



Source: First Avenue

Global Equity Strategies:

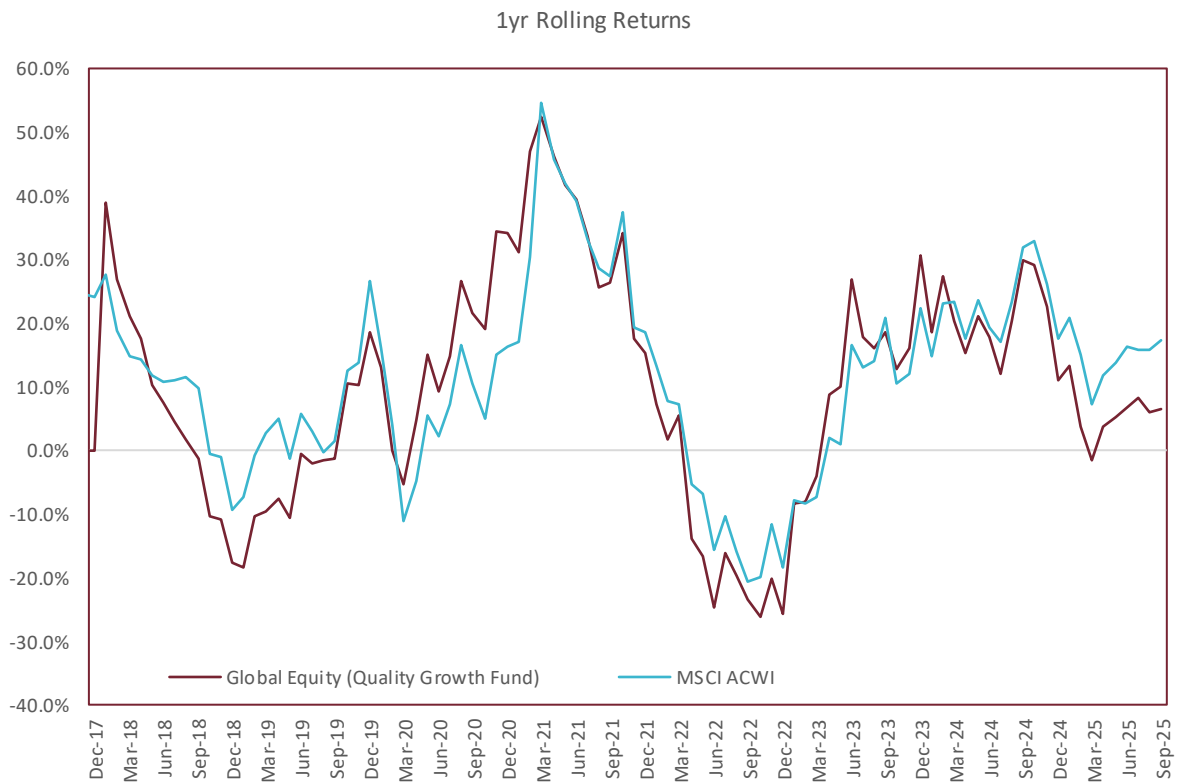
A. Quality-Growth Strategy – A clearly slowing down US economy is bad in a good way

The strategy is a high active share, high tracking error, and long duration. As much as it is excellent for long term wealth creation, it is more susceptible to exogenous factors than endogenous factors. The Quality of the businesses in the portfolio addresses fundamental risk better than other styles. Fraught with macroeconomic and geopolitical uncertainties, the fund initially suffered on April 2 when Trump announced tariffs. Steadfast in our belief in quality and growth, we took the opportunity to add several great companies during the correction. Those additions stood us in such good stead because we closed the quarter at parity to the market. We appreciate that we lag the benchmark over 1 year basis. That is because of the underperformance of the US small cap ETF, Russell 2000, in the past 12 months. Fortunately, the ETF has turned around but has made-up lost ground.

The great misfortune we suffered was a 40% decline in The Trade Desk which fell from a 4% weight to 2.27% weight. Leader in programmatic advertising in the open internet whose track record of high growth was priced in, TTD reported slowing growth because of price undercutting by Amazon's Demand Side Platform. Where TTD charges a take rate of 20c on an advertising dollar, Amazon's DSP charge 3c. We are pleased to report that TTD has now responded by throwing in value added services that Amazon does not have at its disposal or would contradict its business model if it provided them. These value-added services solidify the veracity of outcomes when an advertiser works through TTD

rather than Amazon, other walled gardens (Google, Meta) or any other provider (Applovin). We expect this response to result in not only maintaining client retention but also increasing market share and growth. We are confident that a return to high growth for TTD will come in handy in closing the gap against the benchmark.

Figure 20: Quality Growth Strategy vs. MSCI ACWI (Sept 2025)



Source: Statpro, First Avenue

We are building what we would like to suggest is a unique proposition by a local manager. Quality Growth is a strategy that requires the guardrails of Quality to extract growth from the economy. The latter, on its own, can be so difficult to handicap that it is often deemed speculative. Quality, on the other hand, requires a track record in the fundamentals of a company that grounds an investment case (gives management the right to sail further away from the shore). Quality Growth investing counts among its luminaries distinguished investors such as John Maynard Keynes, Phillip Fisher (Motorola), Charlie Munger (Costco), and yes often enough, Warren Buffett (Coca Cola). These folks demonstrated admirable skill at beating the market over long periods of time. It is simply an unenviable task to beat the market for even a decade, let alone for as long as the luminaries of Quality Growth investing have. They popularized companies that hitherto were unknown to the wider investment community. In next quarter’s report, we will show you an illustration of how differentiated our portfolio is relative to the average global equity fund on offer in South Africa.

Despite the setback to long-term returns in the quarter, we are confident that when this fund turns 10 years old in 2027, it will serve as a reliable local alternative to the best Quality Growth funds in the world. The secret to outperforming in the decade ahead is to have a more balanced exposure across different sectors, market caps, and countries. The outright dominance of the “tech” sector and large caps in market leadership over the last 10 years will be severely tested in the next 10. The idea is to

find Quality companies, at reasonable valuations, across the world that are best positioned for growth domestically (e.g., Cintas, Hemnet Group) or globally (Rheinmetall, Novo Nordisk).

Figure 21: Top Ten Holdings: Global Equity Quality/Growth Fund Q3 2025

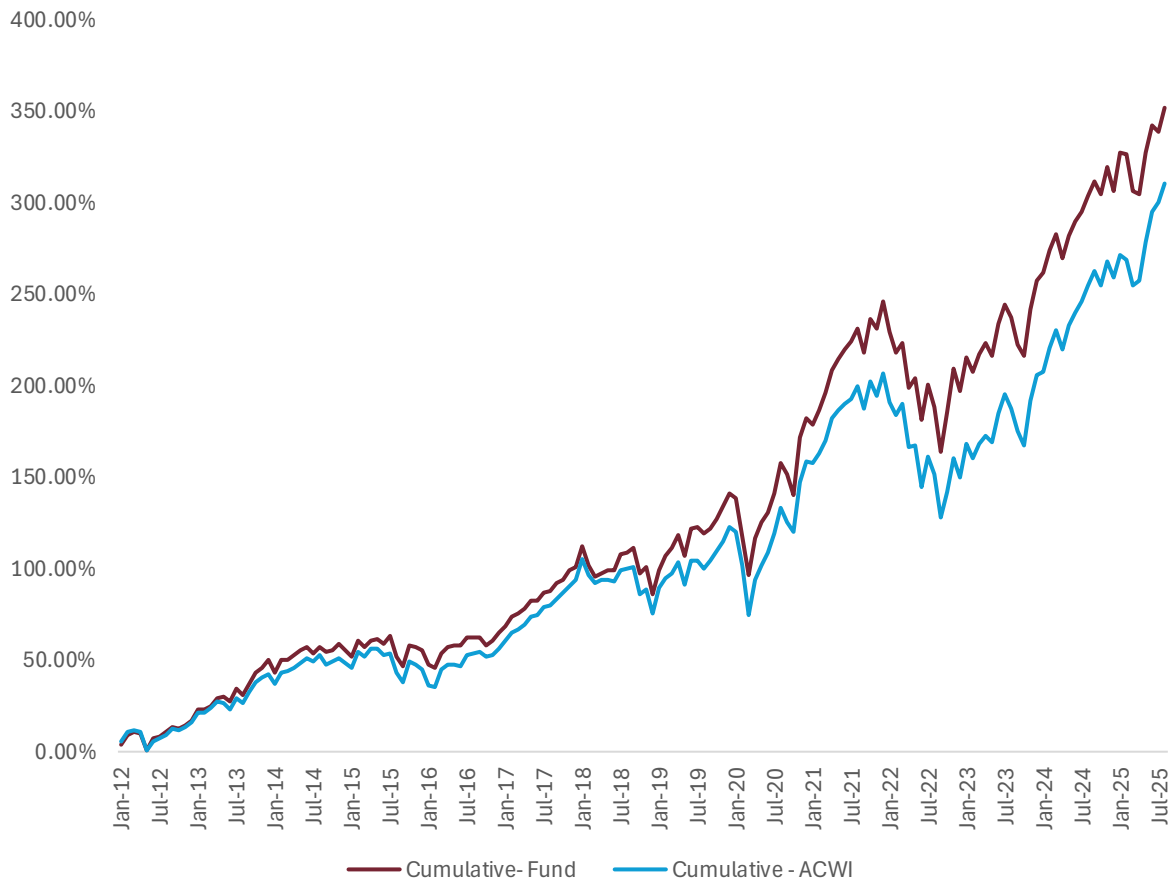
Top 10 Holdings	
Global Quality Growth Fund	
iShares Trust - iShares Russell 2000 ETF	10.18%
Alphabet Inc.	4.34%
Microsoft Corporation	3.01%
Berkshire Hathaway Inc.	2.97%
The Trade Desk, Inc.	2.74%
Amazon.com, Inc.	2.49%
iShares MSCI Europe Mid Cap UCITS ETF	2.39%
Rheinmetall AG	2.22%
Ferrari N.V.	2.15%
LVMH Moët Hennessy	2.07%

Source: First Avenue

B. Global Top 100 Quality Companies Fund – Low Tracking Error, Low Active Share

The low tracking error, low active share proposition of this strategy lends itself very well to institutional client risk controls. The objective of this strategy is to outperform the index by 1.5% per annum. Consequently, the strategy has outperformed the index by a cumulative 25% since inception. While all the constituents of the portfolio bear the financial signature of Quality, the appropriate characterization of the portfolio is Large Cap Blend. The scalability of this strategy allows it to play the role of Core in a core satellite portfolio construct.

Figure 22: Top 100 Global Equity Fund vs. MSCI ACWI: since Inception (US\$) to Sept 2025



Source: Statpro, First Avenue

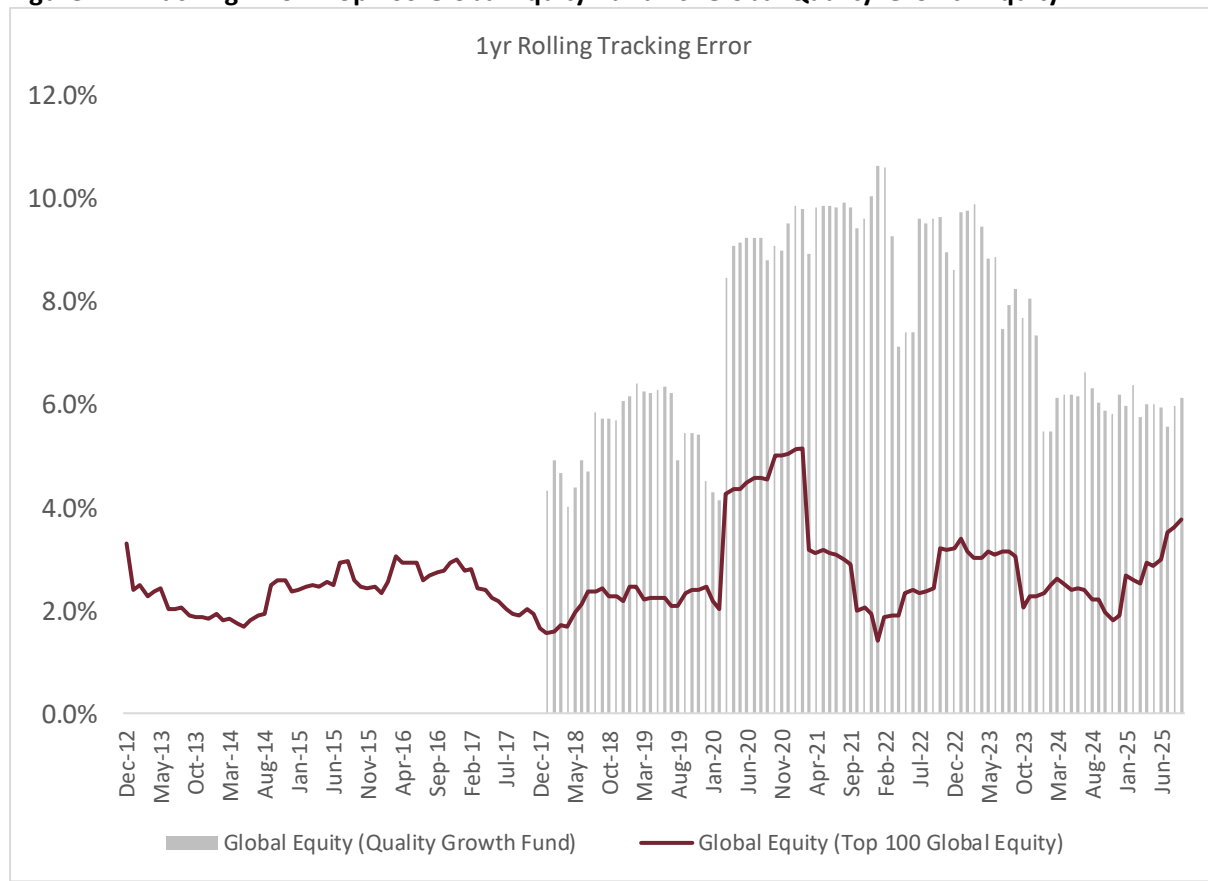
Figure 23: Top Ten Holdings: Top 100 Global Equity Fund Q3 2025

Top 10 Holdings	
Global Quality Growth Fund	
Broadcom Inc	2.11%
Tesla Inc	1.84%
Oracle Corp	1.81%
Netflix Inc	1.65%
Nvidia Corp	1.57%
Philip Morris Int	1.52%
Goldman Sachs Group	1.44%
AT & T Inc	1.44%
HSBC Holdings PLC	1.43%
Walmart Inc	1.41%

Source: First Avenue, Curro

The two propositions could not be more different, and their use in client solutions could not be more different. The Global Top 100 is better suited to perform the role of a Core allocation to replace the index (MSCI ACWI). It sports a tracking error range of between 2.7% and 4.5%, an active share of 65%, and a very low portfolio turnover (<5%). Its volatility is marginally above that of the index yet outperforms the index by 1.5% per annum over 12 years. The Quality Growth proposition exhibits a much higher tracking error (6-12%), an active share of 89%, and a portfolio turnover of 2%. Its volatility is much higher than that of the index. It is a typical satellite strategy with an aggressive alpha objective. That said, we are proud to say it produces outcomes that rank with the very best international funds available in South Africa. In addition, both propositions stand head and shoulders above the BEE cohort of global equity strategies.

Figure 24: Tracking Error: Top 100 Global Equity Fund vs. Global Quality Growth Equity



Source: First Avenue, Statpro

Disclaimer

First Avenue Investment Management is an Authorized Financial Service Provider (FSP 42693).

The content of this presentation and any information provided may be of a general nature and may not be based on any analysis of the investment objectives, financial situation or particular needs of the client (as defined in the Financial Advisory Intermediary Services Act). As a result, there may be limitations as to the appropriateness of any information given. It is therefore recommended that the client first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the client prior to acting upon such information and to consider whether any recommendation is appropriate considering the client's own objectives and particular needs.

Any opinions, statements and any information made, whether written, oral, or implied are expressed in good faith.

***First Avenue Investment Management (Pty) Limited** is approved as an Authorised Financial Service Provider in terms of the Financial Advisory and Intermediary Services Act, 2002. (FSP 42693)*

Registration Number 2008/027511/07

Registered Offices

Address: 61 Katherine street, Sandton, 2196

Telephone: (+27-11) 772-2484

Lead Author: Hlelo Giyose

© 2025 First Avenue Investment Management

All rights reserved

www.firstavenue.co.za