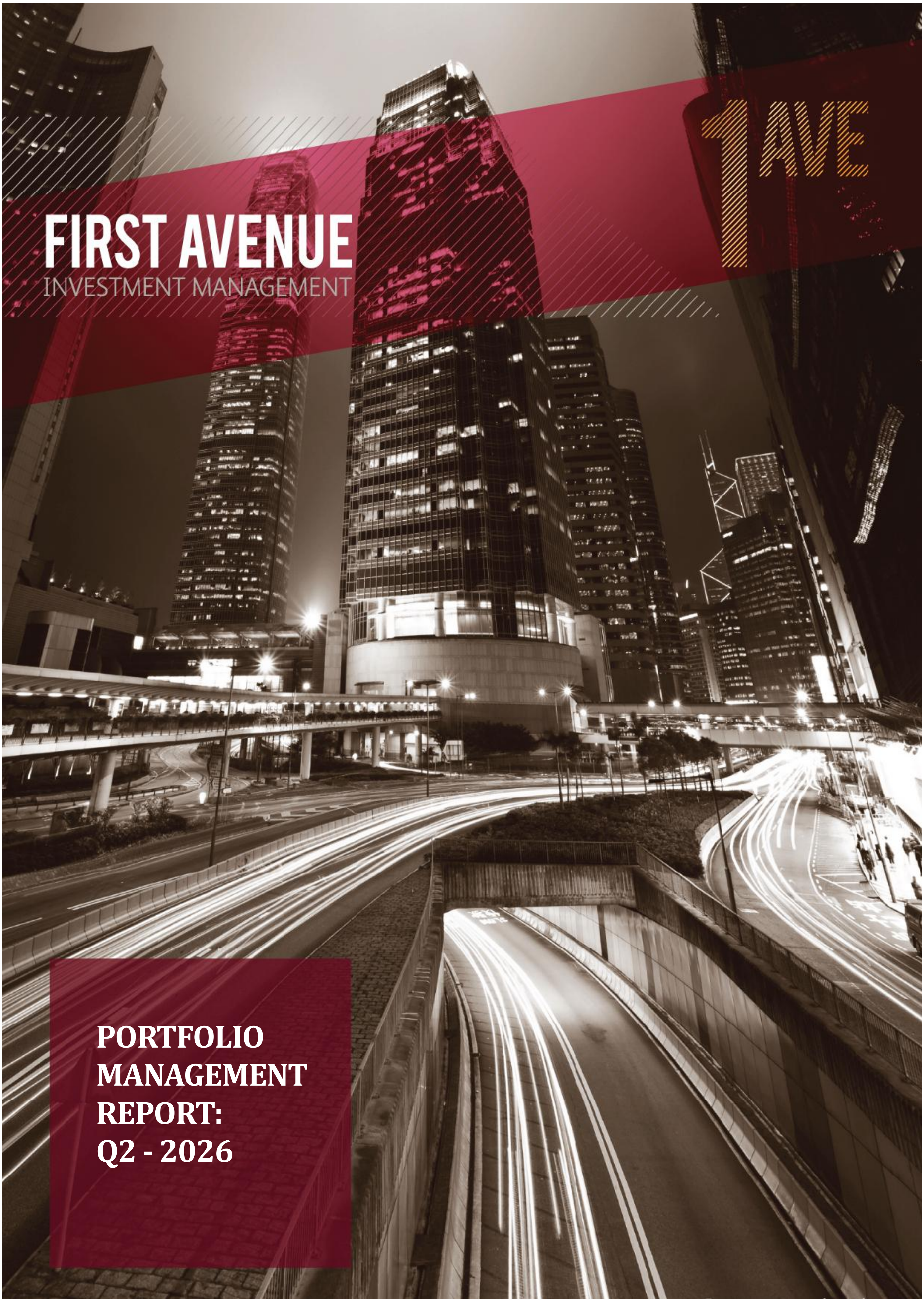


FIRST AVENUE
INVESTMENT MANAGEMENT

PORTFOLIO MANAGEMENT REPORT: Q2 - 2026

YOU PICK STOCKS TO MAKE MONEY...

BUT YOU CONSTRUCT A PORTFOLIO TO MANAGE CLIENT EMOTIONS

It is popular to hear investment analysts elucidate on the investment merits or demerits of a stock they know very well about. Stock picking is so seductive that financial database companies have television channels such as Bloomberg are built around it. Stock pickers are right often enough that you may think that to make money one simply assembles a collection of analyst recommendations (expert opinions) into a portfolio. If you did that, your clients would fire you in short order for the courage of your convictions. And if by the grace of God, you were not fired for your convictions, you would be fired for the cost of your omissions. The most intentional of clients is often betrayed by his emotions as your sure-bets (stock picks) swoon and swan. Why? Because sure-bets ebb without anything else in the portfolio flowing. This is the definition of diversification that we have gone to great lengths to illustrate to you in past reports. Our portfolio consists of three layers of bets in order of both importance and proportional representation, namely:

- Sure bets, or compounders, whose absence can cause long-term investors irreparable harm through the cost of omission.
- Global cyclicals (leveraged to global growth) whose presence exacts a cost of conviction if an investor is wrong.
- Fallen angels that exhibit latent qualities to turn around

In all three cases, we are aware that in general, systematic or macroeconomic factors are responsible for about half (50%) of the move in the price of a share. Idiosyncratic or microeconomic effects account for 30%, and systemic or industry effects, the remaining 20%. Given that “sure bets” (compounders) dominate the portfolio, we maximize the contribution of returns from idiosyncratic effects. This portion of the portfolio both endows our portfolio with a signature of Quality and buoys it during periods of market distress (hence the comparatively low volatility nature of our overall returns). The second layer of our portfolio, globally cyclicals, is a recognition on our part that risk has a cost, namely, higher returns. This layer attempts to capture the contribution of returns from macroeconomic (systematic) effects. The third layer, where we look for a turnaround in the fortunes of fallen angels, is even risker, and at times, goes unrewarded. This layer attempts to maximize the contribution of returns from industry or systemic effects.

We diversify the portfolio for the different looks the market pitches us (fastballs, curveballs, forkball, slider, sinker, changeup or down, etc.). You cannot be a world class portfolio manager if you cannot hit most types of pitches. The investment outcomes below prove our hit rate in a period in which the world has pitched all sorts of problems at the market (tariffs, wars, gold, oil, market concentration, etc.).

Figure 1: Performance Table - Capped ALSI Composite vs. Benchmark Q2 2026

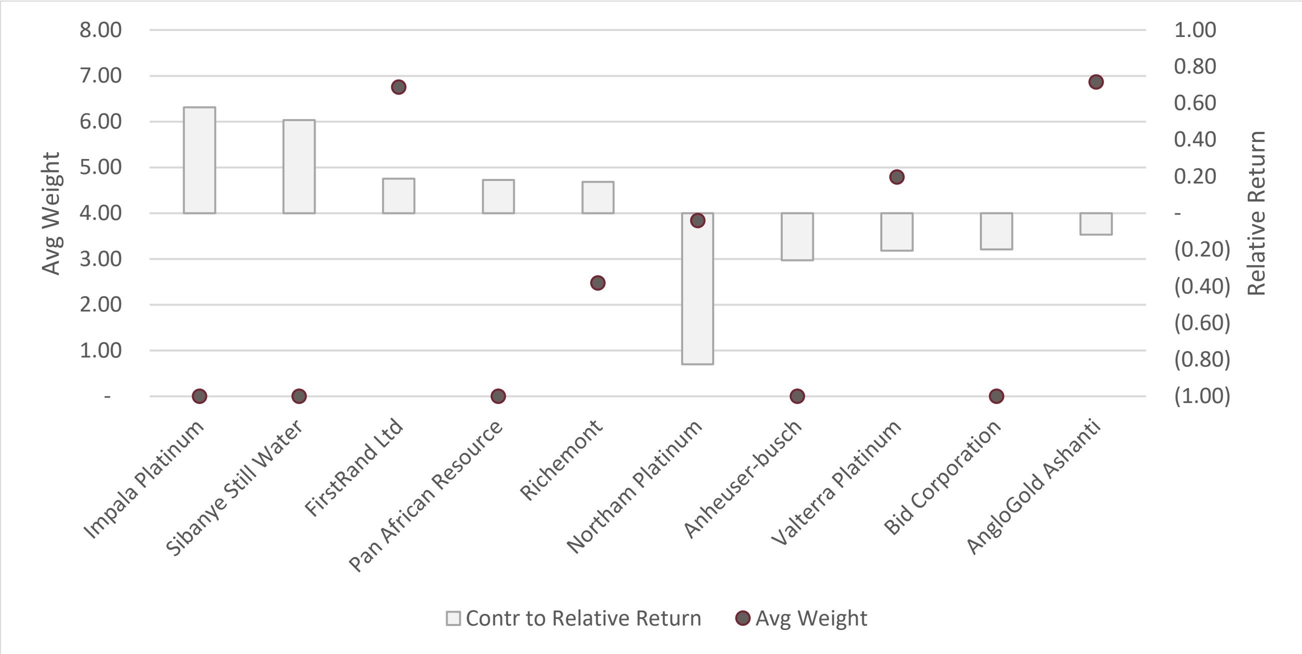
	First Ave SA Equity (Capped SWIX/ALSI Composite)	JSE Capped SWIX/ALSI Index	Relative
Quarter:	-1.31%	-2.36%	1.05%
YTD	-1.74%	-2.80%	1.06%
1 Year:	17.39%	19.37%	-1.98%
2 Years:	22.15%	21.93%	0.22%
3 Years:	18.59%	17.83%	0.75%
4 Years:	16.89%	16.73%	0.16%
5 Years:	14.91%	14.70%	0.21%

Source: First Avenue, Statpro

Some of the stocks that helped produce the outcomes above were derided by investors at the time we introduced them to the portfolio. They were in fact contrarian calls on our part (e.g. the resuscitation of Tiger Brands, a fallen angel, to its former glory). Today, after a successful turnaround, it is a “sure bet” in many other portfolios across the market. Our returns over the past 3yrs would have been poorer for not having owned it. Tiger Brands is doing a great job at scaling over the wall of worry about growth in South Africa. We refer to this wall of worry as the “South African Discount”. More on this discount in next quarter’s report.

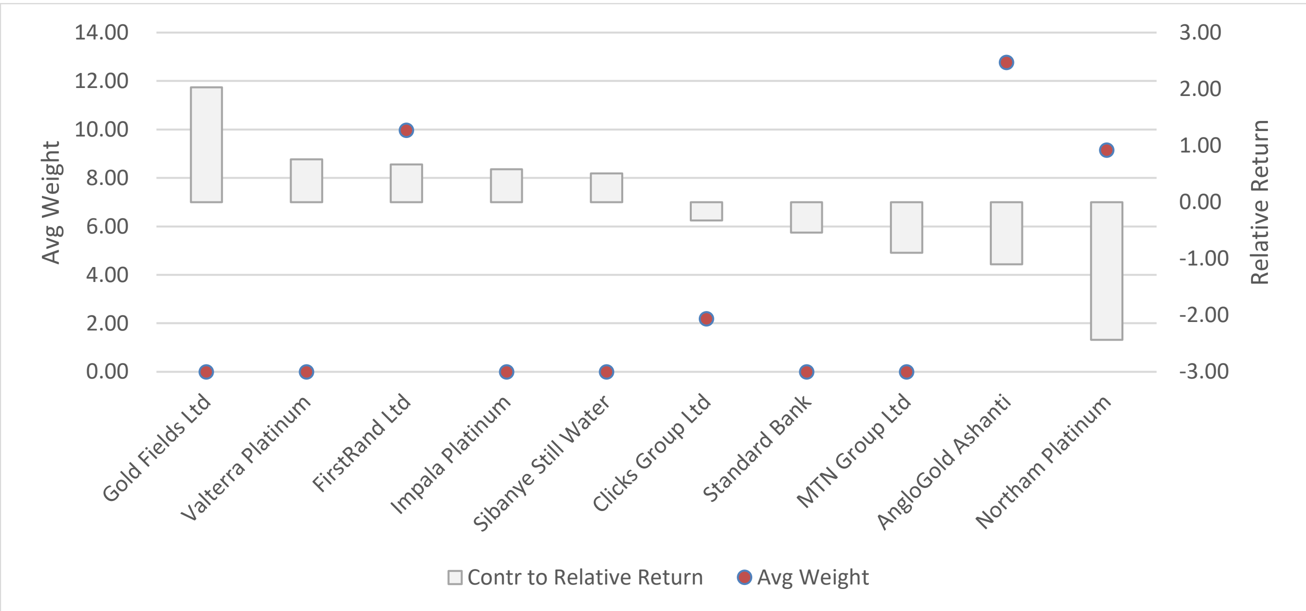
Returning to the quarter under review, it is pleasing that our stock picking within the medium risk layer of the portfolio (high beta global cyclicals mostly comprised of mining stocks) was impeccable. The contribution from overweights in AngloGold and Valterra outperformed the detraction of not holding any Impala Platinum, Sibanye Stillwater, and Pan African Resources. The “Global Premium” these stocks attract is what we tend to use to negate the “South African Discount”. And boy, have they done their job and some! Chief among these are Billiton (the best mining company in the world) and AngloGold (the second-best gold mining company in the world after Agnico Eagle).

Figure 2: 3m months Stock Attribution Analysis: SA Equity (Capped ALSI Composite)



Source: First Avenue, Statpro

Figure 3: 3m Stock Attribution First Avenue SCI Focused Quality Equity Fund (Top 20 Stock portfolio)



Source: First Avenue, Statpro

Our largest negative active bet in banks is ABSA Group. During the quarter, ABSA Group shares were loved by most investment analysts, and dotted most portfolios in the market. Kenny Fihla, a seasoned banker from Standard Bank, was appointed Chief Executive Officer of ABSA Group. His appointment was heralded as a turning point in the prospects of the bank. We of course know him well and wish him likewise. However, even he must have been dumbfounded by the euphoria that swept thinking caps off the heads of local investors. The euphoria would have contrasted with his two decades plus experience at Standard Bank. Here's what only an experienced banker knows. Banks are the one type of business where culture towers above all factors in producing tangible, quantitative outcomes. A bank is a matching institution. It leverages capital raised from equity holders to match:

- Deposits (lenders) with borrowers (often but not always the same depositors) to generate net interest income
- Importers and exporters through Letters of Credit to generate
- Customers with merchants as either an acquiring or issuing bank in credit card transactions
- Sellers and buyers of securities through trading
- Producers and offtake buyers through project finance

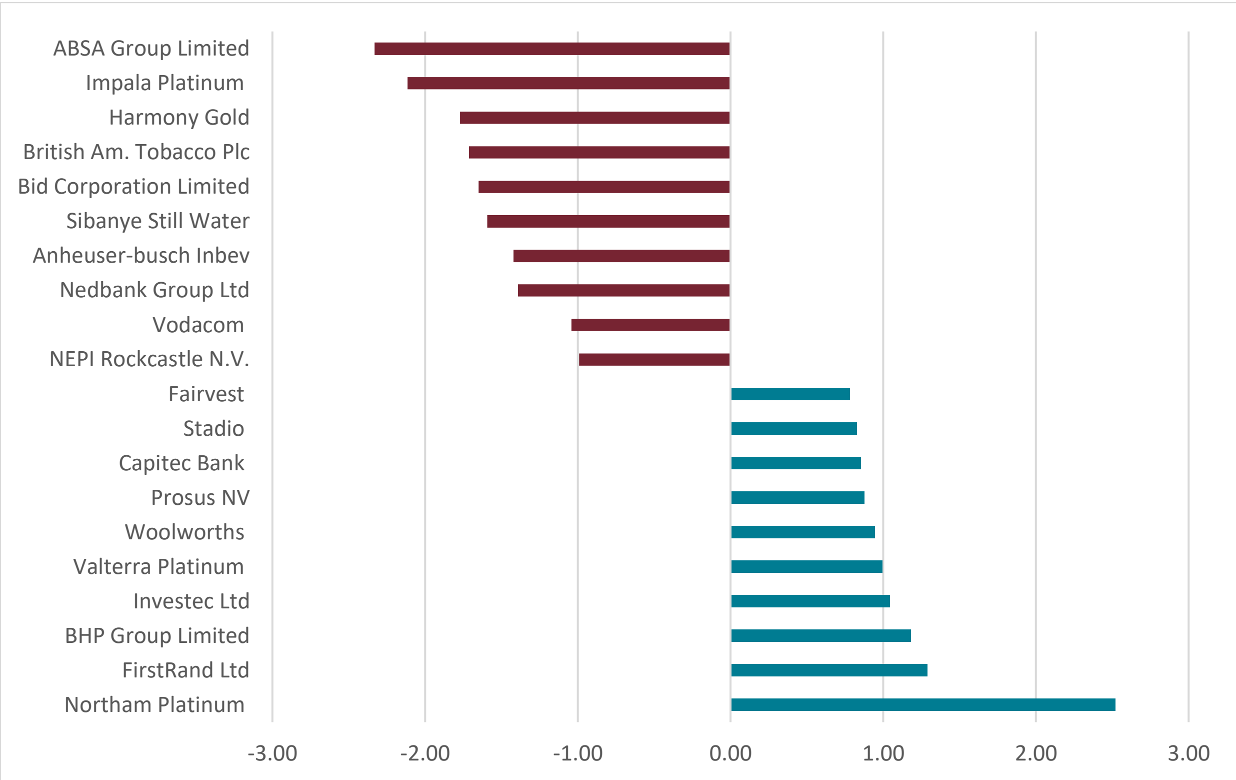
We can go on, and on, but you get the idea. The one thing banks do not do is invest in risk. They intermediate between parties who wish to take risk and parties who wish to profit from risk. Banks have a mandate unique only to them, from the Central Bank, to create or shrink money through double entry bookkeeping. Most people think the success of banks at creating money (raising deposits and lending) is reflected in their net interest margin (NIM). This ratio is only an estimate of a bank's prowess in deposit taking and lending. Consider NIMs the equivalent of gross margins found in non-financial enterprises. The ultimate prowess of a bank's ability to expand or shrink its balance sheet is in the net-bad debt charges or covered loan ratios (CLRs). Subtract this from NIMs to put a final number to management's understanding of risk. Plot it over time and you see a culture emerging.

We'll give you another example of how culture can be measured in quantifiable terms in a bank. We do not rise to the level of our goals. We fall to the level of our systems. In this case, you can measure the metabolic cost of running the matching process in a bank by simply looking at the cost-to-income (CTI) ratio. I cannot explain it better than pointing out that the largest deposit taker and lender in the United States, JP Morgan (JPM), has a 47% CTI ratio. Absa's CTI ratio in fact worsened from 53.2% in FY24 to 53.8% in FY25. In other words, it takes ABSA Group a full 8% more metabolic energy than JPMorgan to run the matching process. Meanwhile, JPMorgan does this in a market with both the largest number of banks in the world (8'000) and the most complex financial products in the world. JPM did not get to a 47% CTI ratio on the day, or even in the same year Jamie Dimon was appointed CEO any more than will it happen, as investors thought, when Kenny Fihla was appointed CEO of Absa Group. How long did it take? Well, how long has Jamie Dimon been CEO of JPM? 20yrs. When he took over, the bank's cost-to-income ratio was 71%. This is a long-term project for Kenny as it was for Jacko Maree at Standard Bank. How long was Jacko Maree CEO of Standard Bank Group? 13 years. He took the bank's CTI ratio from 65% to 56.8% in 2013 when he vacated the seat. The cultural glidepath Jacko placed the bank on sees its current CTI ratio at 50.2%. Kenny knows he doesn't have Jamie Dimon's 20yrs or Jacko's 13yrs. His job is to reduce Absa's metabolic spend per unit of matching and identify a successor that can continue that for the next 20yrs. In historical context, he needs to have the courage of a John F. Kennedy who, despite a short time in office, proposed sweeping Civil Rights legislation in 1964 and then find his Lydon B. Johnson who both expanded the package of legislation and made sure it passed.

But how does Kenny set Absa on a path to be a metabolically efficient matching machine? The source of a bank's "intelligence reconnaissance" on matching opportunities is its economic and technology research department. To illustrate, JPM employs the largest number of PhDs in the finance industry in the United States, and by extension in the world. This cohort of economic and technological soldiers feeds various departments with an understanding of problems and opportunities in the domestic and global economy. Second, an equally significant proportion of these PhDs are data scientists who enable the bank to process opportunities and thwart threats efficiently. If you don't believe us, think about this. The Federal Reserve Bank of the United States employs the largest number of PhDs in the America and by default the world, for the purpose of maintaining stability in the national and global system. Naturally, the Fed oversees all banks in the U.S.

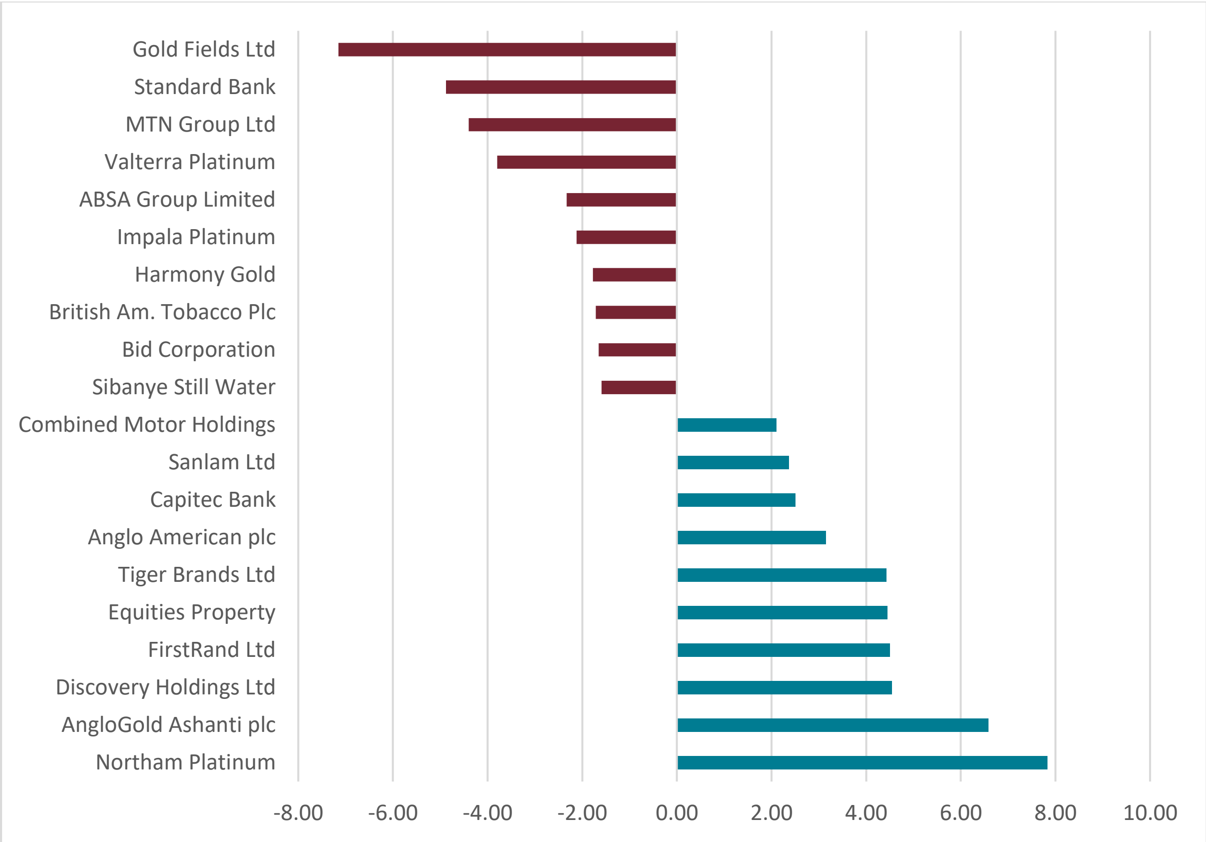
Applying this to South Africa reveals interesting insights. Absa employs the largest number of PhDs in the financial services industry in the country, and by extension, the continent. Yet its matching efficiency ranks second worst (Capitec, First Rand, Standard Bank, Investec, Absa, and Nedbank) in the industry. Here's another anomaly. Absa employs more PhDs than the South African Reserve Bank! How does it bring up the rear when it is more stacked than the regulator? Kenny must replace these heavy chains of habit with talent. There are a few key deliverables that we are watching for that would interest us in Absa should they begin to emerge.

Figure 4: Top 10 Active Bets SA Equity (Capped ALSI Composite) Q2 2026



Source: First Avenue, Statpro

Figure 5: Top 10 Active Bets First Avenue SCI Focused Quality Equity Fund (Top 20 Stock portfolio) Q2 2026

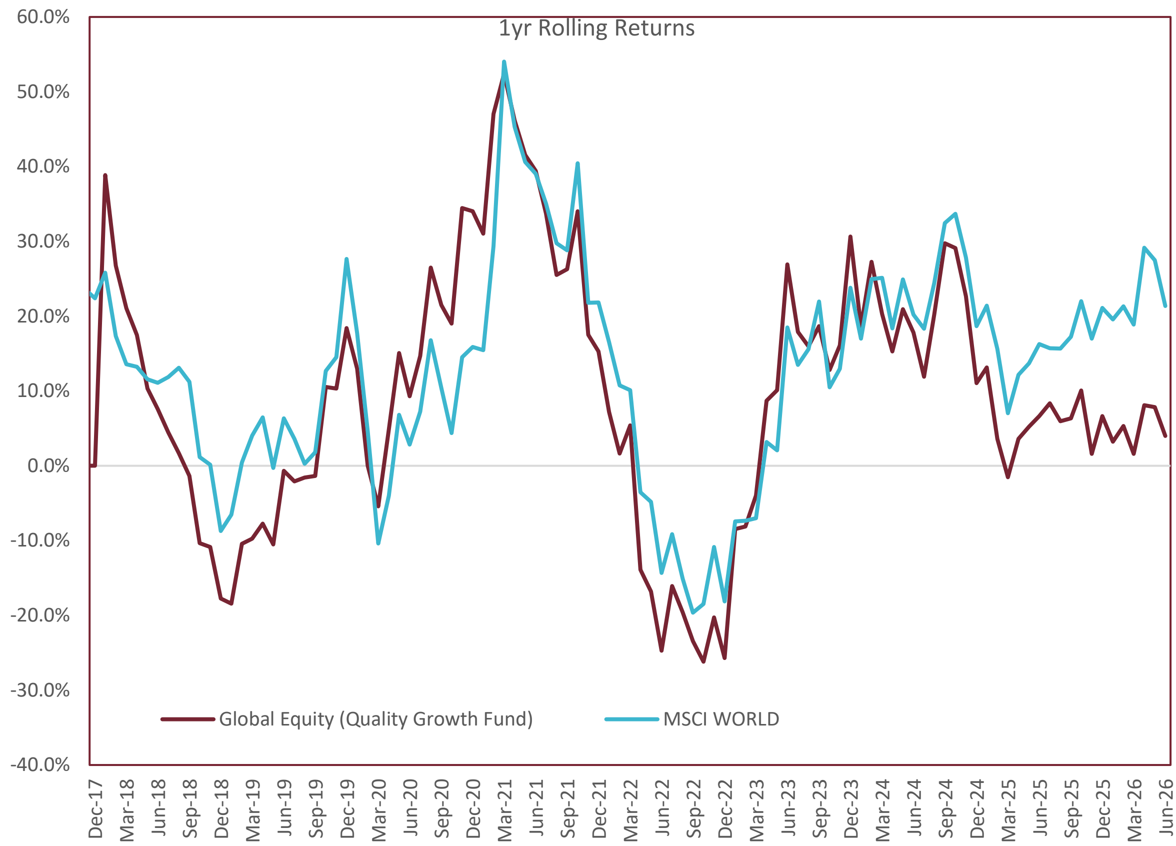


Source: First Avenue, Statpro

A. Quality Growth Global Equity Strategy – High Tacking Error, Active Share, & Duration

In last quarter's report, we communicated our analysis that the relative underperformance had bottomed out. In the last four (4) years, returns have concentrated on large caps referred to as the Magnificent 7, all based in the US. Holdings distributed along the market cap spectrum in Europe and the US means that the Quality Growth fund had lagged the market. While the fund underperformed the MSCI World Index in Q1'2026, in this quarter it in fact recovered spectacularly as to out-perform the index. In addition to clawing back losses against the index, the strategy now ranks between first and second quartile among local other global equity offerings in the local market.

Figure 10: Quality Growth Strategy vs. MSCI World (Q2 2026)



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, 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 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 years. The idea is to find Quality companies, at reasonable valuations, across the world that are best positioned for growth domestically (e.g., Cintas, Rheinmetal, Progressive Insurance Corporation, Sumitomo Electrical Industries) or globally (RPRX, Rolls Royce).

Figure 11: Top Ten Holdings: Global Equity Quality/Growth Fund Q2 2026

Top 10 Holdings	
Global Quality Growth Fund	
ALPHABET	5.37%
ASM INTL	3.90%
KLA	3.08%
BERKSHIRE HATHWAY	2.88%
TAIWAN SEMICNDCTR	2.69%
CROWDSTRIKE	2.57%
ASML HOLDING	2.56%
AMAZON.COM INC	2.50%
BANCO BILBAO	2.39%
APPLE	2.28%

Source: First Avenue

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

This fund ranks between no. 1 and no. 5 among global equity offerings in the country each year going ten years back. The low tracking error, low active share proposition of this fund 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 12: Top 100 Global Equity Fund vs. MSCI ACWI: since Inception (US$) to Q2 2026

Source: Statpro, First Avenue

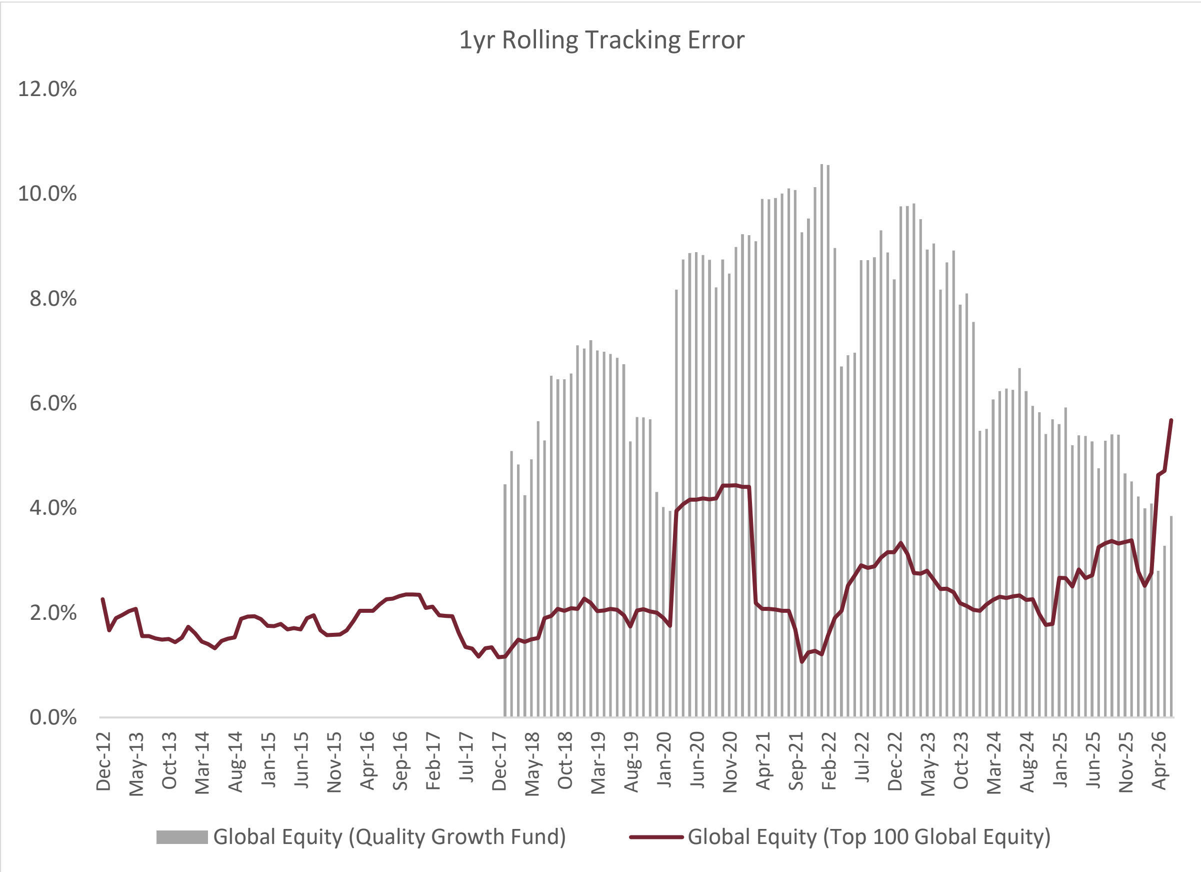
Figure 13: Top Ten Holdings: Top 100 Global Equity Fund Q2 2026

Top 10 Holdings	
Global Top 100 Fund	
Nvidia Corp	3.21%
Apple Inc	2.46%
Micron Tech	1.39%
Morgan Stanley	1.27%
Applied Material Inc	1.27%
Royal Bk Canada	1.25%
Goldman Sachs Group	1.24%
Merck & Co	1.23%
Lam Research Corp	1.23%
Kla-Tencor Corp	1.22%

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 14: 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.

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

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

Lead Author: Hlelo Giyose