Bateleur Capital Quarterly Report

2Q26

bateleur capital

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Introduction

The first half of calendar 2026 was an eventful one for both global and domestic equity investors, with relatively subdued returns at index level, masking extreme sector and share price volatility beneath the surface.

We would contextualise the current equity investment environment as one of the more complex and dynamic since our firm's formation in 2004.

Complex, as the extent of future disruption to almost all industries from the rapid advancement of AI is still largely unknown. Data providers, software companies and knowledge-intensive consultancies have thus far been judged as AI casualties, incurring steep year-to-date ("YTD") share price losses. However, it may well prove premature to conclude that these industries are in terminal decline.

Dynamic, due to the extraordinary valuations being assigned to the perceived AI winners in both the public (SpaceX at a USD 2tn valuation) and private markets (Anthropic and OpenAI, each around a USD 900bn valuation). From a fundamental standpoint, it will take exponential revenue growth from these current loss-making entities to justify the current valuations. It is also by no means fait accompli that the current perceived AI winners will be the future winners.

While investor attention in the first quarter of 2026 focused on the Iranian conflict and its implications for global energy supply, this was short-lived, and was quickly eclipsed in the second quarter by the rapid acceleration in AI model capabilities at the frontier labs; Anthropic's Claude in particular.

These model advancements were accompanied by soaring demand from users, who quickly experienced improvements in productivity, our own firm included.

The hyperscalers – Amazon Web Services, Microsoft Azure, Google Cloud, and Meta – are responding to this elevated demand with an unprecedented capital deployment programme. Combined annual capex is expected to approach USD 740bn this year and exceed USD 900bn in 2027, up from roughly USD 425bn as recently as 2025. These are economy-moving numbers that will materially support US GDP growth for at least the next two years.

The immediate beneficiary of this buildout is the memory chip supply chain, where demand has visibly outstripped supply. SK Hynix and Micron, the dominant producers of high-bandwidth memory for AI accelerators, have raised prices by between 500% and 600% over the past three years, and are now generating operating margins approaching 80%.

Consensus estimates have SK Hynix generating net income of USD 210bn in 2027, which would rank it among the three most profitable companies in the world; Micron is forecast to earn a comparable USD 180bn. Three years ago, both were reporting operating losses.

Explosive margin expansion, insatiable demand, and earnings projections that defy gravity are clear warning signs of a cyclical bubble forming in memory. Yet, the hyperscalers, foundries, financial research analysts, and even Elon Musk, see this demand cycle extending at least through to 2028.

At Bateleur, we remain focused on delivering on the investment objectives of our fund suite. For the majority of our funds, these are to generate returns that meaningfully exceed inflation over the medium term, while preserving capital. We attempt to not get caught up in market exuberance, however compelling the narrative.

We have thus far avoided chasing the high-flying AI favourites. There is no doubt that the technology will be transformative, but we are disciplined about what we are willing to pay for this transformation. Valuations that require flawless execution across an extended horizon, in industries with no established earnings history, do not clear the bar.

Our preferred expression of the AI theme is through our funds' established technology holdings: Amazon, Microsoft, Google, and Tencent. Each will be a net beneficiary of rising compute demand through their cloud businesses. Each can fund its data centre requirements through a combination of existing cash flows and limited external funding where needed. Each is expected to generate a satisfactory return on incremental spend. And, most importantly, each trades at a rational valuation, ranging from twelve times forward earnings for Tencent to twenty-five times for Amazon.

Attractive returns are also available in less exciting industries outside of technology. Globally, our funds' non-technology holdings include Anheuser-Busch InBev ("AB InBev"), Coca-Cola Hellenic Bottling Company ("Coca-Cola HBC"), Vinci, Honeywell, and Philip Morris – businesses with proven, durable economic models that we believe are structurally less exposed to AI disruption. They also serve as a deliberate counterweight to the volatility inherent in our technology positions.

The domestic picture is more constrained. South Africa's 2026 GDP growth has been revised down to 1.2%, the product of an elevated oil price in the first half, weaker precious metal prices, painfully slow reform, and the SARB's decision to raise rates in response to supply-side inflation, a policy response we regard as both restrictive and incorrect.

With oil retracing towards USD 72 a barrel on the prospect of a Middle East ceasefire, the conditions for further hikes have diminished considerably. Rate relief, however, remains a 2027 story at present.

Against this backdrop, we still find sound value in domestically focused equities, which trade well below historical valuations. Our selection criteria are unchanged: near-term earnings growth, durable compounding characteristics, robust cash generation, conservative balance sheets, and attractive dividend yields.

We continue to favour management teams with a clear and demonstrable command of capital allocation, a quality that remains in short supply in the local market. We discuss this theme, and the companies that adopt it, in the body of this report.

While the overall environment remains challenging, we remain disciplined in our investment approach, confident in the positioning of the funds, and appreciative of the continued support you place in our team.

Kevin Williams

10th July 2026

Thematic Drivers of our Funds

In addition to reporting on fund performance and positioning, we use these quarterly letters to discuss thematic drivers of our funds. This quarter we focus on the discipline of capital allocation, as well as the investment case for Tencent.

The Discipline of Capital Allocation

> *"There are essentially five choices for deploying capital – investing in existing operations, acquiring other businesses, issuing dividends, paying down debt, or repurchasing stock – and three alternatives for raising it – tapping internal cash flow, issuing debt, or raising equity. Think of these options collectively as a tool kit.* ***Over the long term, returns for shareholders will be determined largely by the decisions a CEO makes in choosing which tools to use."***

William N. Thorndike, The Outsiders (2012)

In *The Outsiders*, William Thorndike studied eight CEOs whose companies delivered extraordinary long-term shareholder returns. Over their tenures, these CEOs outperformed the S&P 500 by a wide margin: USD 10,000 invested with each, on average, grew to more than USD 1.5mn over roughly a quarter of a century.

What set them apart was a disciplined, investor-like approach to one task that many executives neglect: the allocation of capital.

Table 1: Outsider CEOs and Respective Track Records

CEO	Company	Tenure	CEO Return p.a.	S&P 500 p.a.
John Malone	TCI	1973-1998	30.3%	14.3%
Bill Anders	General Dynamics	1991-2008	23.3%	8.9%
Katharine Graham	The Washington Post	1971-1993	22.3%	7.4%
Warren Buffett	Berkshire Hathaway	1965-2011	20.7%	9.3%
Henry Singleton	Teledyne	1963-1990	20.4%	8.0%
Bill Stiritz	Ralston Purina	1981-2000	20.0%	14.7%
Tom Murphy	Capital Cities	1966-1995	19.9%	10.1%
Dick Smith	General Cinema	1962-2005	16.1%	9.0%
Average (8 CEOs)			**21.6%**	**10.2%**

Source: The Outsiders, Harvard Business Review

Thorndike's central argument is that a CEO has two distinct jobs: to run the operations well and to allocate the cash those operations produce. The second role is often underappreciated. Many executives reach the CEO seat because they are strong operators, yet over a long tenure it is often their capital allocation decisions that compound into the dominant driver of value per share.

Across very different industries, these "Outsider" CEOs treated capital allocation as a core responsibility. Several common principles stand out:

- **Per-share value over company size:** They focused on value per share, not simply on growth in revenue, earnings or market capitalisation. Several deliberately shrank the share count, and at times the business itself, when doing so increased the value of each remaining share.
- **Cash flow, not reported earnings:** They managed for long-term free cash flow, rather than the short-term optics of reported earnings or quarterly market expectations.
- **Intelligent contrarianism:** They deployed capital aggressively when assets were cheap and waited patiently when they were not – buying back stock heavily when it was undervalued and issuing shares or selling assets when prices were rich.
- **Decentralised operations, centralised capital:** They kept head offices lean and pushed operational accountability down into the businesses, while retaining capital allocation decisions at the centre.
- **Buybacks as an investment:** Share repurchases were treated as an investment to be judged on expected return, not a gesture of good faith to the market.

The lesson for investors is clear. Exceptional shareholder returns are built over many years through rational decisions about where each unit of capital can earn the highest risk-adjusted return. This disciplined, owner-like mindset is exactly what we look for in management teams, and increasingly what we encourage through our engagement with the companies owned in our funds.

Capital Allocation in a South African Context

While a number of South African companies have built reputations for operational excellence, the track record on capital allocation across the market has been demonstrably poor. The JSE still carries the scars of value-destructive offshore expansions and low-return capital projects, many of which appear to have been driven more by scale and misaligned incentives (many management teams are remunerated based on the size of the business) than by an uncompromising focus on shareholder value per share.

Encouragingly, this is starting to change. A growing number of management teams are moving away from growth for its own sake and placing greater emphasis on return on invested capital, prudent reinvestment, and the return of surplus cash to shareholders.

Few companies illustrate this shift more clearly than Netcare, which in recent years has become a textbook example of the outsider playbook applied locally.

Historically, South Africa's private healthcare sector was defined by heavy capital expenditure, with operators focused on building new facilities and expanding bed capacity. As the regulatory environment became more demanding and macroeconomic pressures intensified, Netcare's leadership shifted away from expansionary capital expenditure towards improving returns on the capital already invested in the business.

That pivot has been most visible in Netcare's share repurchase programme. Recognising that the market was undervaluing the its structural cash generation capabilities, the company began buying back its own shares. Since the programme began in September 2023, Netcare has repurchased over 193 million shares, equivalent to 13.4% of its issued share capital. Importantly, the buying has been sustained rather than sporadic, continuing in tranches through 2026.

These buybacks are not being presented as financial engineering. They are framed explicitly as a return of excess cash to shareholders and are being executed while the share trades below management's assessment of intrinsic value.

The broader capital allocation approach is equally disciplined:

- **Dividends remain meaningful:** Netcare paid 85.0 cents per share in dividends for FY2025, equivalent to 62% of adjusted headline earnings.
- **Funding is internally generated:** Both dividends and buybacks are being funded from cash generated by the business, while financial gearing remains conservative.
- **Reinvestment is selective:** Capital expenditure is focused on higher-return capacity and digital projects rather than indiscriminate expansion.

The result is a steadily shrinking share count, improving per-share metrics and strong relative performance against the broader listed healthcare sector (Charts 1 and 2).

Chart 1: Netcare Shares in Issue & HEPS

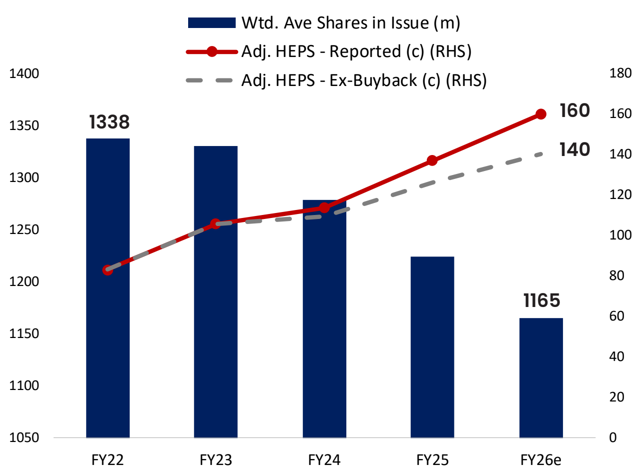
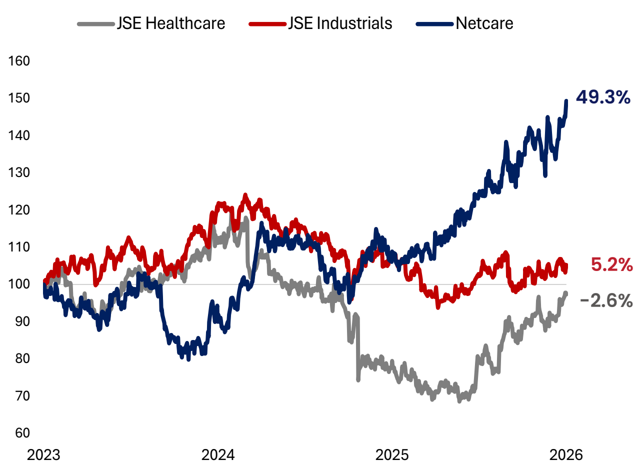


Chart 2: Netcare Total Return vs JSE Healthcare Index



Source: Company Reports; Bloomberg

Netcare is not an isolated case. A small but growing number of JSE-listed CEOs are adopting a more deliberate, per-share approach to capital allocation. We see similar evidence at Sun International, AVI, Hudaco, Premier Group, Bidcorp and Southern Sun, where prudent reinvestment is increasingly being combined with meaningful returns of capital through dividends and buybacks.

Welcome as this is, these companies remain the exception rather than the rule. Across the broader market, such discipline is rarely adopted voluntarily. More often, management teams are reluctant to engage with outside proposals or simply do not appreciate the benefits of rational capital allocation. We see this as both an opportunity and a responsibility to engage directly and press for change.

The Value of Engagement

Reinet Investments provides a useful example of why engagement matters. Over the past two years, the Rupert-controlled investment holding company has sold the majority of its core investments, including its stake in Pension Insurance Corporation ("Pensions Corp") and its long-held position in British American Tobacco ("BATS"). This has materially changed the investment proposition, leaving the portfolio far more heavily weighted to cash and placing capital allocation squarely at the centre of the shareholder debate.

Yet, despite the scale of this shift, shareholders received little clarity from management on the strategy for Reinet's future investment portfolio or the intended use of the proceeds. Given the company's reluctance to engage directly, we communicated our concerns to Reinet and subsequently wrote to the JSE to highlight the need for greater transparency and accountability. Encouragingly, there has since been some progress: in June 2026 Reinet announced the resumption of a share buyback programme of up to EUR 500mn, and for the first time investors will be able to access the upcoming AGM online and submit questions to the board. These are constructive steps. A buyback at a discount to NAV is a sensible use of capital, and improved access to the AGM should strengthen shareholder oversight. However, they are only first steps. Reinet still needs to provide a clearer articulation of its strategy, its capital allocation framework and how it intends to protect and grow value per share from here. Our preferred path forward is for a more significant return of capital to shareholders.

Our engagement does not end with Reinet. We are making similar cases at Italtile, Life Healthcare and Remgro, where we believe a sharper focus on capital allocation can drive value creation for shareholders. For long-term shareholders, this shift towards disciplined capital allocation is one of the more underappreciated value drivers in the local market and one we will continue to champion through our engagement with the companies owned in our funds.

Tencent: A Leading Global Technology Franchise at a Rare Discount

Tencent's share price has fallen 35% from its October 2025 peak – and now trades at a multi-year low valuation multiple of approximately 12 times forward earnings.

This move lower, driven by valuation compression rather than any permanent impairment to the earnings power of the business, can, in our view, largely be explained by misplaced negative sentiment surrounding Tencent's AI strategy. In addition, a rare market dynamic where capital flows have favoured the more immediate beneficiaries of the AI infrastructure build-out (such as semiconductors and hardware) further exacerbated pressure on the share price.

A Clearer AI Strategy and Structural Distribution Advantage in WeChat

One of the main concerns in the market is the perception that Tencent has been a laggard in AI, unable to compete with state-of-the-art model capabilities, and lacking a clear strategy to implement and monetise this technology across its various business units.

This concern overlooks Tencent's history of deliberate, cautious execution - whether in its monetisation of advertising, where the company has long been wary of raising ad loads to preserve an enjoyable user experience, its highly compliant response to regulatory crackdowns in its gaming franchise, or its measured rollout of AI across its ecosystem today.

Emerging evidence points to a turning point, with Tencent's innovation engine starting to re-accelerate. The company undertook a meaningful restructuring of its AI capabilities, rebuilding its foundation model team around newly recruited senior researchers from leading AI labs, improving model pre-training, and integrating AI into its existing ecosystem.

We are already seeing early positive momentum from Tencent's renewed AI focus.

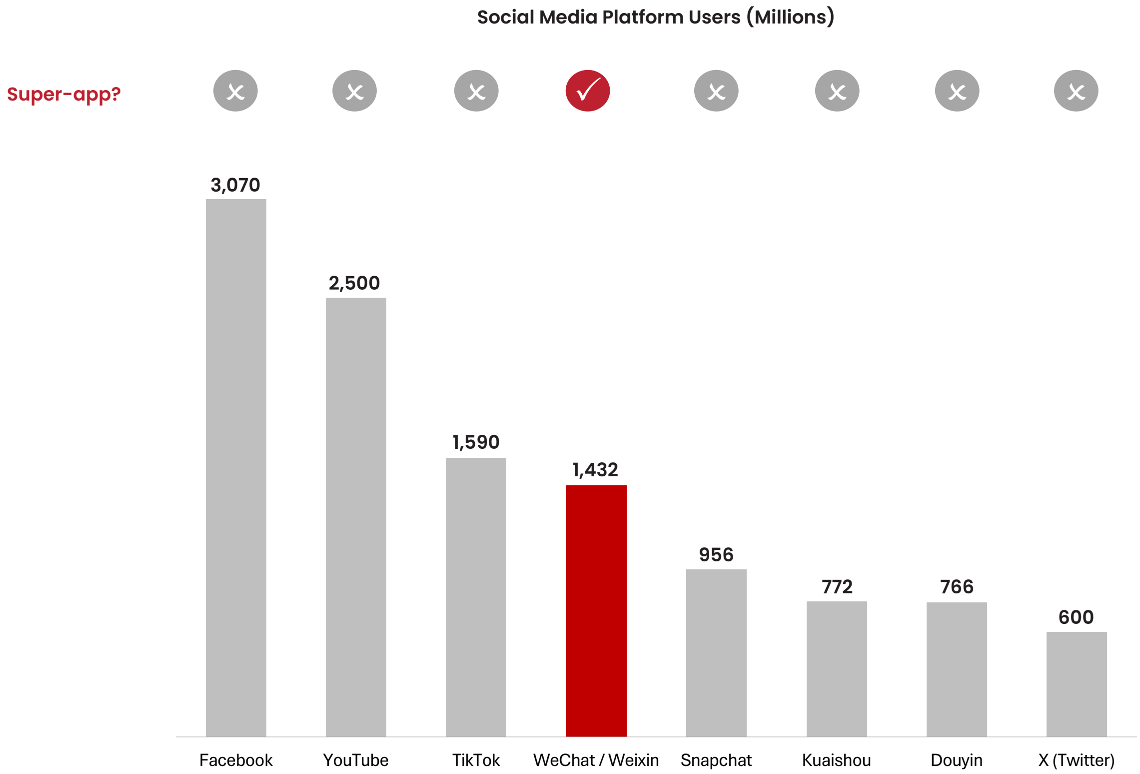
In April 2026, Tencent released an upgraded version of its open-source model (HY3), which was well received by developers for its stronger agentic capabilities – demonstrating competitive operational metrics relative to peers. In addition, WorkBuddy, Tencent's equivalent to Anthropic's Claude Cowork, has become the most widely used productivity agent in China and is a key driver of accelerating Tencent Cloud growth.

More important than the standalone strength of its models and product updates is the emergence of an increasingly clear direction of Tencent's AI ambitions. Tencent is positioning itself as the core distribution layer for AI, using its dominant social ecosystem to connect a vast user base with both its own internally developed AI tools, and those from external providers.

Tencent's core competitive moat is WeChat, a high-utility, deeply engaged ecosystem of more than 1.4 billion monthly active users (Chart 3 overleaf).

WeChat functions as a super-app spanning payments, commerce, content, and services, with few substitutes and high switching costs. Tencent is now looking to connect this base to a single agentic solution which consumers can interact with in natural language.

Chart 3: WeChat - The Only True "Super-App" of Scale Globally



Source: Company Reports

Healthy Core with Underappreciated Cloud Optionality

Gaming remains a core earnings pillar, growing across both domestic and international markets - international games passed USD 10bn of revenue in 2025 (up 33% year-on-year) while domestic games gross receipts grew in the teens. AI is already contributing at the margin, with management pointing to gains in player engagement and development efficiency that should further support margins over time.

Tencent's advertising business is in a structurally improved position. Marketing services revenue grew 20% year-on-year in the first quarter, accelerating from 17% in the previous quarter. Management pointed to AI as a driver of improved performance driven by enhanced targeting rather than higher ad loads, which remain the lowest in the industry.

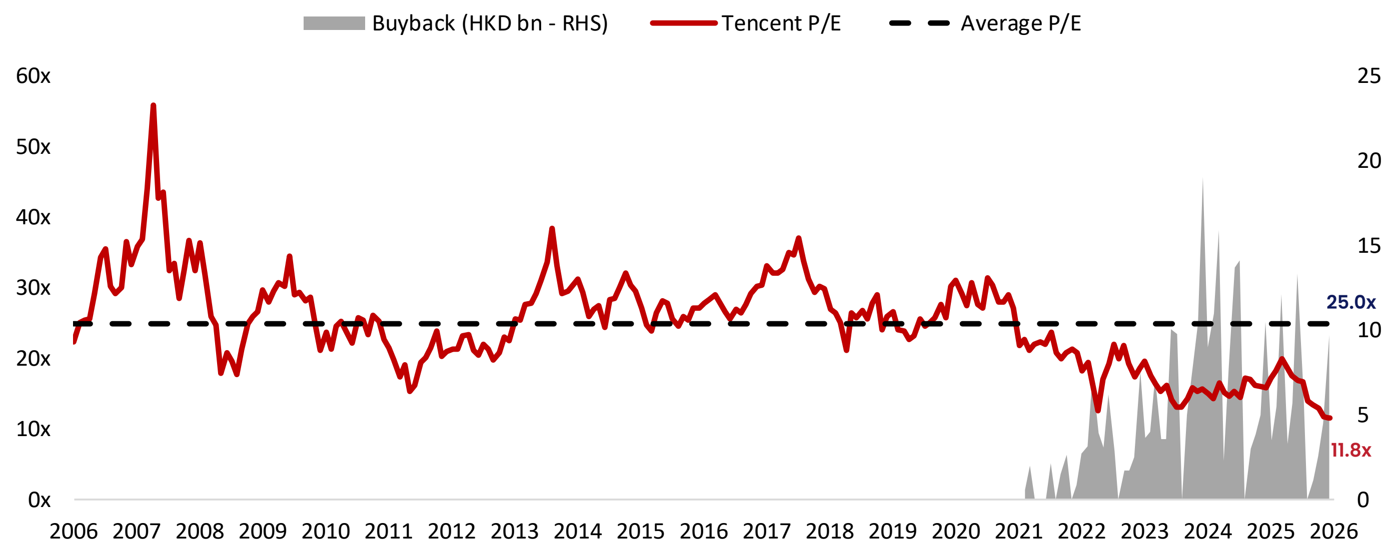
Tencent Cloud remains an underappreciated asset within the group, benefiting from both internal AI demand and growing enterprise adoption, with adjusted operating profit rising meaningfully in 2025. Management has deliberately delayed monetising AI through the cloud, prioritising internal workloads instead - but as domestic chip supply improves, that spare capacity can increasingly be sold externally.

Astute Capital Allocators Investing for the Agentic Era

Tencent's capital allocation remains disciplined and conservative. The company is highly profitable (despite a drag from AI investments) and can comfortably fund its investment cycle due to its strong balance sheet that is currently in a net cash position.

In addition, Tencent holds a portfolio of listed and unlisted investments comprising nearly a third of the current market capitalisation. Given this position, the business has continued to return excess capital to shareholders, executing meaningful share buybacks as the stock has de-rated (Chart 4).

Chart 4: Share Repurchases Ramping at Depressed Valuations



Source: Bloomberg

Tencent's investment case is premised on a resilient and growing core earnings base and a rapidly evolving AI capability set. In our view, the company is transitioning from a perceived laggard to a differentiated AI deployer, leveraging a scaled distribution platform with a captured, technologically astute audience of 1.4 billion monthly active users. The current valuation sits on the wrong side of a market narrative fixated on immediate AI winners, which makes this a rare dislocation in a high-quality franchise, just as it begins to convert its structural advantages into AI-driven growth.

Quarterly Performance

At Bateleur Capital, we have maintained a consistent investment process across our suite of equity-centric funds since inception. This approach naturally leads to shared holdings and similar themes, tailored to the specific parameters of each mandate. To avoid repetitive reading in the pages that follow, we recommend focusing on the specific funds in your portfolio or those of interest to you.

Returns in Review

The net performance of the Bateleur funds is tabled below, and has been annualised over various periods.

The majority of our funds are managed with an absolute return focus, where our consistent investment process prioritises companies growing their earnings and dividends over the medium term with strong cash flow and positive shareholder return potential.

Over the medium term, the funds have protected capital and delivered positive real returns, successfully outperforming their respective benchmarks.

Annualised Net Returns as at 30 June 2026	Track Record*	1 Year	3 Years	5 Years	Inception
Unit Trusts					
Bateleur Flexible Prescient Fund	16	**6.8%**	**9.0%**	**9.4%**	**12.8%**
Benchmark: CPI +4%		8.5%	8.2%	9.1%	9.0%
Bateleur SA Flexible Prescient Fund	2	**12.6%**			**12.3%**
Benchmark: CPI +4%		8.5%			8.4%
Bateleur FR SA Equity Fund	10	**11.4%**	**11.2%**	**12.1%**	**7.2%**
Benchmark: FTSE/JSE Capped All Share Index		19.4%	17.8%	14.7%	8.2%
Hedge Funds					
Bateleur Long Short Prescient RI Hedge Fund	21	**13.9%**	**15.1%**	**14.0%**	**14.7%**
Benchmark: CPI +4%		8.5%	8.2%	9.1%	9.3%
Bateleur Market Neutral Prescient RI Hedge Fund	18	**7.9%**	**8.2%**	**9.2%**	**9.5%**
Benchmark: STeFI		6.9%	7.6%	6.6%	6.3%
Bateleur Special Opportunities Prescient RI Hedge Fund	8	**20.9%**	**18.4%**	**17.3%**	**15.6%**
Benchmark: CPI +4%		8.5%	8.2%	9.1%	8.7%

Note: Please refer to performance disclaimers at the end of the report - all fund figures in the pages to follow are net of fees.
**Track record in years*

Bateleur Flexible Prescient Fund

The Bateleur Flexible Prescient Fund is a multi-asset fund with a 16-year track record of achieving long-term real capital growth. The fund has the flexibility to invest across a broad mix of asset classes both locally and offshore - including equities, bonds, property and cash. This makes the fund suitable for investors seeking inflation-beating growth with prudent risk management, adaptable asset allocation and offshore exposure.

The Bateleur Flexible Prescient Fund registered a flat performance over the first half of 2026. As comparisons over the same period, the JSE All Share Index ("ALSI") declined 3.0% before fees, the All Bond Index ("ALBI") rose 4.2%, and cash ("STeFI") returned 3.3%. In the sixteen-year period since inception in July 2010, the fund has compounded at 12.8% per annum net of fees, ahead of its CPI +4% benchmark of 9.0% per annum gross of fees.

A breakdown of the return by strategy as well as the top individual contributors and detractors is shown in the table below.

Fund Attribution

Return by Strategy	1H26	Top Contributors	%	Top Detractors	%
JSE-Listed Equities	0.9%	Glencore	0.8%	Naspers/Prosus	-2.5%
Foreign-Listed Equities	-0.4%	TSMC	0.8%	Reinet	-1.0%
Government Bonds	0.0%	Standard Bank	0.8%	Accenture	-0.8%
Costs & Other	-0.5%	Sun International	0.6%	Microsoft	-0.6%
Total	0.0%	Remgro	0.5%	Valterra Platinum	-0.5%

Source: Bateleur Capital

Performance Commentary

The fund benefitted from not holding any gold equities during the first half of 2026. While domestic stock picking was generally sound, performance was negatively impacted by sharp share price declines in Naspers and Prosus, as well as Reinet.

In the case of Naspers and Prosus, their major underlying investment Tencent continues to execute strongly, but has been affected by negative AI sentiment and the flow of funds into 'in vogue' East Asia memory chip stocks (SK Hynix and Samsung). We remain confident in Tencent's revenue and earnings outlook, which is discussed in detail earlier in this report.

Following the receipt of the proceeds from the sale of its holding in Pensions Corp, cash (mainly Euros) comprises 83% of Reinet's current NAV, with the remaining 17% residing in unlisted fund investments. Communication from the company on its investment plans and future strategy has been extremely poor, resulting in the shares' discount to NAV widening to 35% (and at a 21% discount to its cash holdings).

Reinet recently announced a share buyback programme of c. 9% of its shares outstanding over the next year. We believe a more material buyback should be undertaken, and the current onerous fee structure relaxed. Our ultimate preference is for a far more significant return of capital to shareholders. We will continue to engage with the company including at the upcoming AGM in August.

Foreign-listed equities were a marginal detractor over the period. Good gains in TSMC, Honeywell and Aker BP were negated by large share price declines in Amazon and Microsoft, especially over the month of June. We remain constructive on the earnings prospects and valuation for both companies.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
JSE-Listed Equities	65.0%	0.0%	65.0%
Foreign-Listed Equities	24.4%	3.2%	21.2%
Government Bonds	0.0%	0.0%	0.0%
Cash	10.6%	-3.2%	13.8%
Total	100%		100%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

Although JSE-listed equity exposure at the end of June (65.0%) remained at the same levels as the prior quarter-end, activity levels beneath the surface remained healthy.

Commodity holdings were reduced via partial profitable sales of Glencore and Impala Platinum, while weightings were increased in companies displaying defensive characteristics, including AVI, Bidcorp, Bidvest, Premier Group and Shoprite.

Allocation to foreign equities increased by 3.2% to 24.4% at the end of June, funded from available cash resources. New foreign additions included Coca-Cola HBC and lithium-ion battery manufacturer CATL. The fund exited its holding in Accenture following pedestrian results and a subdued outlook statement.

Weightings were further increased in defensive companies AB InBev, BATS and Philip Morris. Holdings in Amazon and Microsoft were also upweighted following share price weakness arising from the general rotation into semiconductor stocks and other key beneficiaries of the unprecedented AI data centre buildout currently taking place.

Bateleur SA Flexible Prescient Fund

The Bateleur SA Flexible Prescient Fund is a multi-asset fund that follows a disciplined investment process and aims to achieve sustainable capital growth in real terms. The fund has the flexibility to invest across a broad mix of local asset classes - including equities, bonds, property and cash. This makes the fund suitable for investors wanting a 'building block' approach, and for those seeking inflation-beating growth with prudent risk management, and adaptable asset allocation concentrated within South Africa.

The Bateleur SA Flexible Prescient Fund registered a 2.7% gain over the first half of 2026, slightly lagging its CPI +4% benchmark that returned 3.2%. Since inception in September 2023, the fund has compounded at 12.3% per annum, ahead of its CPI +4% benchmark of 8.4% per annum.

Fund returns have been generated at volatility below that of the overall SA equity market (an average of 8.0% for the fund since inception vs 9.1% for the ALSI over the same measurement period).

A breakdown of the return by strategy as well as the top individual contributors and detractors is shown in the table below.

Fund Attribution

Return by Strategy	1H26	Top Contributors	%	Top Detractors	%
JSE-Listed Equities	2.7%	Standard Bank	1.1%	Naspers/Prosus	-2.8%
Government Bonds	0.1%	Glencore	1.0%	Reinet	-1.1%
Cash	0.4%	Sun International	0.8%	Valterra Platinum	-0.7%
Costs & Other	-0.5%	Anheuser-Busch InBev	0.8%	Impala Platinum	-0.5%
Total	2.7%	FirstRand	0.7%	Northam Platinum	-0.4%

Source: Bateleur Capital

Performance Commentary

Local equities have experienced a volatile period, with the FTSE/JSE Capped ALSI declining as a constrained domestic economy, a firmer US dollar and a sharp reversal in precious metals weighed on returns, while global 'AI winners versus losers' sentiment drove weakness in the large technology names (Naspers/Prosus). Fund performance benefitted from its limited exposure to the precious metals sector (zero gold exposure), sound stock picking in diversified resources and select mid-capitalisation opportunities.

FirstRand and Standard Bank both extended their gains YTD, supported by reassuring updates that reinforced strong underlying performance, medium-term earnings growth and improving returns on equity. More broadly, the banks continue to offer a compelling combination of high and rising returns on equity, robust capital positions and attractive dividend yields, while trading on undemanding valuation multiples - a mix we expect to keep supporting the holdings as domestic sentiment improves.

Glencore returned 25% YTD, aided by volatility in energy markets, which supported its industrial and marketing earnings, and by a broader re-rating of the group as investors began to appreciate the scale of the group's copper growth and project pipeline. With the shares still at a discount to major diversified peers, we see scope for that gap to narrow over time, and would not rule out corporate action, including Glencore emerging as an M&A target given the scarcity of quality copper exposure.

Sun International also contributed positively after releasing a voluntary trading update indicating improved revenue growth, pointing to continued strong momentum in its online sports betting business, SunBet. The share continues to screen attractively, offering a combination of low-teens earnings growth and a high single-digit dividend yield.

While domestic stock picking was generally sound, performance was negatively impacted by sharp share price declines in Naspers, Prosus and Reinet, together with weakness across the PGM miners.

In the case of Naspers and Prosus, the shares tracked the weak share price action in Tencent. Additionally, sentiment was compounded by renewed concern around Prosus's core e-commerce holdings, primarily heightened competition in the Latin American food delivery market and a slower-than-expected turnaround of Just Eat Takeaway in Europe. We remain confident in Tencent's strategy and positioning and expect the group to emerge as a major beneficiary of AI over the medium term, and to remain the ultimate driver of value creation at Naspers and Prosus.

Reinet was a disappointment this quarter. Having completed the disposal of its Pensions Corp stake, the company now sits on a very large cash balance representing the majority of NAV. While the exit crystallised significant value, the shares de-rated on uncertainty around how and when this capital will be redeployed, with management providing limited additional colour alongside its full-year results. Encouragingly, near quarter-end Reinet announced a sizeable buyback programme that is value-accretive at the current discount. We continue to engage with management on its capital allocation plans and the opportunity to unlock value.

Valterra Platinum, Impala Platinum and Northam Platinum declined as the precious metals trade reversed sharply from a very strong start to the year. The pullback was driven by broader macro factors, a stronger US dollar and concerns over global growth, rather than any deterioration in the medium-term supply picture, with the platinum market still expected to remain in deficit.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
JSE-Listed Equities	90.2%	3.7%	86.5%
Government Bonds	0.0%	0.0%	0.0%
Cash	9.8%	-3.7%	13.5%
Total	100%		100%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

Equity exposure was increased over the quarter. The fund initiated new positions in Pepkor, Astral and South32, and added to existing holdings in AVI, Premier Group and Netcare. The PGM miners were topped up near quarter-end following significant share price declines.

The fund exited positions in Reunert and Sasol and reduced exposure after strong share price gains in Glencore and Sun International.

More broadly, the portfolio reduced exposure to diversified resources and increased its allocation to consumer and financial holdings.

The fund continues to hold a healthy cash weighting of 9.8% that can be deployed into new investment opportunities and currently holds no government bonds.

Bateleur FR SA Equity Fund

The Bateleur FR SA Equity Fund is a South African equity fund which aims to deliver returns in excess of the FTSE/JSE Capped All Share Index over the medium to longer term, while maintaining acceptable risk parameters. The fund invests in selected shares across all sectors and across the spectrum of large, mid and small-cap companies. Although permitted to invest in offshore jurisdictions, the fund is intended as a core 'building block' for investors and accordingly focuses on South African markets.

The Bateleur FR SA Equity Fund registered a 1.1% gain over the first half of 2026, ahead of its FTSE/JSE Capped ALSI benchmark that declined by 2.8%.

A breakdown of the return by strategy as well as the top relative contributors and detractors is shown in the table below.

Fund Attribution

Return by Strategy	1H26	Top Relative Contributors	%	Top Relative Detractors	%
JSE-Listed Equities	1.4%	Gold Fields	1.6%	MTN	-1.3%
Costs & Other	-0.3%	Glencore	1.2%	Reinet	-0.9%
Total	1.1%	Sun International	0.9%	Naspers/Prosus	-0.6%
		Sibanye Stillwater	0.8%	Anglo American	-0.4%
		Premier Group	0.6%	BHP Group	-0.3%

Source: Bateleur Capital

Performance Commentary

Local equities have experienced a volatile period, with the FTSE/JSE Capped ALSI declining as a constrained domestic economy, a firmer US dollar and a sharp reversal in precious metals weighed on returns, while global 'AI winners versus losers' sentiment drove weakness in the large technology names (Naspers/Prosus). Fund performance benefitted from its limited exposure to the precious metals sector (zero gold exposure), sound stock picking in diversified resources and select mid-capitalisation opportunities.

The fund holds no exposure to gold equities (Gold Fields, AngloGold, Harmony & Sibanye Stillwater), which came under pressure during the second quarter, and contributed 3.2% to relative performance.

Glencore returned 25% YTD, aided by volatility in energy markets, which supported its industrial and marketing earnings, and by a broader re-rating of the group as investors began to appreciate the scale of the group's copper growth and project pipeline. With the shares still at a discount to major diversified peers, we see scope for that gap to narrow over time, and would not rule out corporate action, including Glencore emerging as an M&A target given the scarcity of quality copper exposure.

Sun International also contributed positively after releasing a voluntary trading update indicating improved revenue growth, pointing to continued strong momentum in its online sports betting business, SunBet. The share continues to screen attractively, offering a combination of low-teens earnings growth and a high single-digit dividend yield.

Premier Group posted an excellent full-year result, with headline earnings per share growth of 28%. The acquisition of Rhodes Food Group closed in the final month of the financial year and is expected to contribute in the year ahead alongside the ramp-up of capital projects in the key Millbake division. Premier Group remains well positioned to deliver strong earnings growth over the medium term.

Performance was, however, weighed down on a relative basis by the fund's lack of exposure to MTN, a strong performer within the benchmark, as well as by sharp declines in the share prices of Reinet and Naspers/Prosus.

The fund maintains no exposure to MTN. We continue to regard its qualitative profile as below average - telecommunications operators are capital-intensive, face intense competition and regulatory pressure, and remain structurally exposed to foreign exchange risk across their African markets.

Reinet was a disappointment this quarter. Having completed the disposal of its Pensions Corp stake, the company now sits on a very large cash balance representing the majority of NAV. While the exit crystallised significant value, the shares de-rated on uncertainty around how and when this capital will be redeployed, with management providing limited additional colour alongside its full-year results. Encouragingly, near quarter-end Reinet announced a sizeable buyback programme that is value-accretive at the current discount. We continue to engage management on its capital allocation plans and the opportunity to unlock value.

Naspers and Prosus detracted as the shares tracked continued weak sentiment toward Tencent, caught up in the market's 'AI winners versus losers' trade. Sentiment was compounded by renewed concern around Prosus's core e-commerce holdings, primarily heightened competition in the Latin American food delivery market and a slower-than-expected turnaround of Just Eat Takeaway in Europe. We remain confident in Tencent's strategy and positioning and expect the group to emerge as a major beneficiary of AI over the medium term, and to remain the ultimate driver of value creation at Naspers and Prosus.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
JSE-Listed Equities	98.3%	2.9%	95.4%
Cash	1.7%	-2.9%	4.6%
Total	100%		100%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

During the quarter, the fund initiated three new positions: Astral Foods, Pepkor and South32 while adding to existing positions in BATS, AVI and Premier Group. The PGM miners were topped up near quarter-end following significant share price declines.

Exposure was reduced in Glencore and Reinet while Sasol and Reunert were exited.

More broadly, the portfolio reduced exposure to diversified resources and increased its allocation to consumer and financial holdings.

Bateleur Long Short Prescient RI Hedge Fund

The Bateleur Long Short Prescient RI Hedge Fund is our flagship hedge fund and longest-running fund with a 21-year track record. The fund is a long/short equity hedge fund and is suitable for investors looking to benefit from equity market growth while safeguarding their capital during times of market uncertainty, ultimately aiming to achieve superior returns at lower volatility compared to equity markets over the medium to longer term.

The Bateleur Long Short Prescient RI Hedge Fund registered a 5.4% net return over the first half of 2026. As comparisons over the same period, the ALSI declined 3.0% before fees, ALBI gained 4.2%, while cash (STeFI) returned 3.3%. In the twenty-one-and-a-half-year period since inception in January 2005, the fund has compounded at 14.7% per annum net of fees, ahead of its CPI +4% benchmark of 9.3% per annum gross of fees.

Fund returns have been generated without significant leverage and at volatility well below that of the overall SA equity market (7.7% for the fund since inception vs 15.4% for the ALSI over the same measurement period).

A breakdown of the top individual contributors and detractors over the six-month period is shown in the table below.

Fund Attribution

Top Contributors	%	Top Detractors	%
PPC	2.5%	Naspers/Prosus	-1.9%
Sun International	1.8%	Reinet	-1.0%
Premier Group	1.2%	City Lodge Hotels	-0.5%
Glencore	1.0%	Short 1	-0.4%
Rhodium ETF	0.7%	Santam	-0.4%

Source: Bateleur Capital

Performance Commentary

Top contributors over the period included mid-caps: PPC, Sun International and Premier Group, where the fund has sizeable weightings.

Under new CEO Matias Cardarelli, PPC has increased EBITDA by 67% over the past two years with profit margins expanding from 12% to 20% in the process. These results were achieved without any uplift in external demand, but through improvements in competitiveness, cost and capital discipline.

Further margin uplift is expected from the 2028 financial year, once the new Western Cape cement plant is completed and commissioned. Any improvement in external cement demand will be welcomed, and is incrementally accretive to margins, but is not part of our investment case.

Sun International was discussed in our previous quarterly, but still offers compelling value on an estimated 8.5 P/E multiple to December 2026 and 8.7% dividend yield – and remains a core holding.

Premier Group recently reported excellent full-year results with headline earnings per share growth of 28%. The acquisition of Rhodes Food Group is expected to further support earnings growth in the year ahead, alongside the commissioning of major capital projects in Premier Group's Millbake division.

Material detractors were limited to Naspers/Prosus and Reinet.

In the case of Naspers and Prosus, their major underlying investment Tencent continues to execute strongly but has been affected by negative AI sentiment, and the flow of funds into ‘in vogue’ East Asia memory chip stocks (SK Hynix and Samsung). We remain confident in Tencent’s revenue and earnings outlook, which is discussed in detail earlier in this report.

Following the receipt of the proceeds from the sale of its holding in Pensions Corp, cash (mainly Euros) comprises 83% of Reinet’s current NAV, with the remaining 17% residing in unlisted fund investments. Communication from the company on its investment plans and future strategy has been extremely poor, resulting in the shares’ discount to NAV widening to 35% (and at a 21% discount to its cash holdings).

Reinet recently announced a share buyback programme of c. 9% of its shares outstanding over the next year. We believe a more material buyback should be undertaken and the current onerous fee structure relaxed. Our ultimate preference is for a far more significant return of capital to shareholders. We will continue to engage with the company including at the upcoming AGM in August.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
Core Long Equities	91.4%	5.1%	86.3%
Short Positions	-4.2%	1.0%	-5.2%
Liquid Investments and Cash	12.8%	-6.1%	18.9%
Net Exposure	87.2%	6.1%	81.1%
Gross Exposure	95.6%	4.1%	91.5%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

During the period under review, the fund fully exited its commodity holdings in Valterra and Glencore. Domestically, investments were initiated in CA Sales Holdings, a fast-moving consumer goods (“FMCG”) business, and hospital group Netcare.

New foreign holdings included Italian based engineering group Maire, and US industrial group Honeywell.

Following these recent additions, net equity exposure increased to 87.2% at period end, up from 81.1% at the end of March. The fund remains unlevered, with gross exposure of 95.6% at the end of the quarter.

Bateleur Market Neutral Prescient RI Hedge Fund

The Bateleur Market Neutral Prescient RI Hedge Fund was launched in 2008 and expanded on our hedge fund capabilities. The fund is a relative value equity hedge fund that is generally positioned to be market neutral and is suitable for investors looking for returns in excess of cash on an annual basis, and at lower levels of volatility compared to the JSE All Bond Index while prioritising capital preservation.

The Bateleur Market Neutral Prescient RI Hedge Fund registered a 2.8% gain over the first half, below its STeFI benchmark of 3.3%. Since inception in July 2008, the fund has compounded at 9.5% per annum net of fees. As additional comparisons over the same period, STeFI has compounded at 6.3% per annum, and the ALBI at 10.4%.

Fund returns have been generated at volatility well below that of the ALBI (2.8% for the fund since inception vs 7.5% for the ALBI over the same measurement period).

A breakdown of the top strategy contributors and detractors is shown in the table below.

Fund Attribution

Top Contributors	%	Top Detractors	%
Market Pairs	1.4%	Technology & Telecoms	-2.1%
Retail & Food Producers	0.8%	Holding Companies	-0.3%
Financials	0.3%	Healthcare	-0.1%
Property	0.1%		
Oil & Commodities	0.0%		

Source: Bateleur Capital

Performance Commentary

The fund delivered an acceptable performance in the first quarter, characterised by the JSE's deep drawdown in March when the fund produced a positive result and displayed capital preservation characteristics. However, second quarter performance was muted and below internal expectations.

The market pairs strategy benefitted from directional long exposure to stock-specific opportunities, for example Sun International (reduced), Rainbow Chicken and Combined Motor Holdings. In addition, tactical short exposure to JSE ALSI futures supported returns with gains partially locked in on market weakness.

The fund was active in the retail & food producers strategy – transacting in several successful paired transactions in AVI, Pepkor, Shoprite and Tiger Brands (all long) relative to Clicks and Woolworths (both short). Premier Group, the largest contributor to the strategy's YTD profits, reported excellent full-year financial results with headline earnings per share growth of 28%. The recently concluded acquisition of Rhodes Food Group is expected to further support earnings growth in the year ahead alongside the commissioning of capital projects at Premier Group's Millbake division. A global position, based on a material valuation differential between PepsiCo (long) and Coca-Cola (short) detracted from returns – the position was maintained.

Returns in the financial sector were supported by long exposure to banks (FirstRand and Standard Bank) versus select life insurers (short). Second quarter returns were negatively impacted by long exposure to

ABSA relative to Nedbank and Old Mutual (both short). ABSA's voluntary trading update for the six months ending June 2026 was below expectations and included a revised near-term ROE target of 15% (from the previously guided 16%), leading to share price weakness. ABSA continues to offer good relative value, trading at an estimated December 2026 P/E ratio of 6.9 times and a dividend yield of 8.0%.

The oil & commodities strategy gave up gains achieved in the first quarter to produce a flat YTD return. Key second quarter detractors included South32 (long) versus diversified miners (Anglo American and BHP Group – both short) that currently trade at high valuation multiples based on their copper exposure. South32 offers an attractive entry into the copper market with mining projects in favourable jurisdictions (North America) accompanied by a growing production profile and a debt free balance sheet. Post period end South32 announced an agreement to sell its global aluminium portfolio to Alcoa for an implied enterprise value of up to USD 5.6bn, shifting South32's strategic focus toward copper and base metals (lead and zinc). The transaction positions South32's equity to re-rate over time closer to that of pure-play copper miners as its projects scale production.

The technology & telecoms strategy was negatively impacted by exposure to Naspers (long) and further curtailed by loss making global pairs, being Microsoft (long) versus Apple (short) and Booking (long) versus Airbnb (short) – partially offset by a profitable position in Amazon (long) versus Walmart (short). Naspers' share price declined 26% in the first half, tracking continued weak sentiment towards Tencent, caught up in the 'AI winners versus losers' trade. However, we remain confident in Tencent's investment case, strategic approach to AI (with further evidence of AI deployment in their consumer facing applications over the period) and its future growth prospects, which continue to be supported by an attractive valuation multiple, estimated at twelve times December 2026 earnings.

Within the holding companies strategy, Reinet (long) detracted from fund returns. Following the disposal of its Pensions Corp stake, which left 83% of Reinet's NAV in cash, there was an expectation of meaningful capital returns that did not materialise when the company reported financial results in May. Instead, the release lacked clarity regarding the future investment and business activities of Reinet and management's intent with the uncharacteristically large cash holding in the fund. Management's opaque commentary was not well received, with the discount to NAV widening from 18% to the current level of 35%, or alternatively a 21% discount to just the cash on hand at Reinet with all listed and unlisted fund investments valued at zero.

Encouragingly, the company announced a sizeable (c. 9% of shares in issue) buyback programme that is value-accretive at the current deep discount to NAV. While this is a step in the right direction, a more material buyback or the distribution of all cash holdings of the investment vehicle will be strategic options targeted when we engage with management.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
Equity Holdings	28.7%	0.1%	28.6%
Futures & Index Holdings	-5.6%	0.3%	-5.9%
Liquid Investments & Cash	76.9%	-0.4%	77.3%
Net Exposure	23.1%	0.4%	22.7%
Gross Exposure	85.7%	-6.4%	92.1%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

During the period, net and gross exposures remained within conservative parameters. At period end, gross exposure was in line with past trends while net exposure was above historic levels based on the attractive valuations of domestic-facing companies.

Bateleur Special Opportunities Prescient RI Hedge Fund

The Bateleur Special Opportunities Prescient RI Hedge Fund is a long/short equity hedge fund that seeks to capture value opportunities primarily in South African equities, where the value is likely to be unlocked over a period of two to three years. The fund was launched in 2018 and is suitable for investors who are more tolerant of risk and short-term volatility, and are seeking superior returns over the medium to long term.

The Bateleur Special Opportunities Prescient RI Hedge Fund registered an 8.4% gain over the first half, outperforming its CPI +4% benchmark of 5.2%. Since inception in February 2018, the fund has compounded at 15.6% per annum net of fees. As comparisons over the same period, its benchmark has compounded at 8.7% per annum before fees, and the JSE Mid Cap Index at 7.4%.

A breakdown of the top individual contributors and detractors is shown in the table below.

Fund Attribution

Top Contributors	%	Top Detractors	%
Sun International	2.9%	Reinet	-1.6%
Premier Group	1.7%	Astral Foods	-0.4%
PPC	1.3%	Life Healthcare	-0.3%
Rainbow Chicken	1.0%	Mpact	-0.2%
Italtile	0.7%		

Source: Bateleur Capital

Performance Commentary

The fund profited from fundamental, long-term holdings that continue to deliver pleasing financial and operational results against a tough macro backdrop. The largest YTD contributors were Sun International, Premier Group, PPC, Rainbow Chicken and Italtile while Reinet was a significant detractor.

Among the top contributors Premier Group and PPC reported financial results in the period.

Premier Group reported excellent full-year financial results with headline earnings per share growth of 28%. The recently concluded acquisition of Rhodes Food Group is expected to further support earnings growth in the year ahead alongside the commissioning of capital projects at Premier Group's Millbake division.

Under new CEO Matias Cardarelli, PPC has increased EBITDA by 67% over the past two years with profit margins expanding from 12% to 20% in the process. These results were achieved without any uplift in external demand, but through improvements in competitiveness, cost and capital discipline.

Further margin uplift is expected from the 2028 financial year, once the new Western Cape cement plant is completed and commissioned. Any improvement in external cement demand will be welcomed, and is incrementally accretive to margins, but is not part of our investment case.

Sun International was discussed in our previous quarterly but still offers compelling value on an estimated 8.5 times P/E multiple to December 2026 and 8.7% dividend yield – and remains a core holding.

Rainbow Chicken is expected to continue to benefit from favourable input costs and firm poultry prices. A combination of a low valuation multiple and very strong balance sheet, where we estimate that net cash on the balance sheet could be up to 30% of the current market capitalisation, continues to support the investment case.

Reinet reported financial results for the year ending March 2026 at the end of May. Following the disposal of its Pensions Corp stake, which left 83% of Reinet's NAV in cash, there was an expectation of meaningful capital returns that did not materialise when the company reported financial results. Instead, the release lacked clarity regarding the future investment and business activities of Reinet and management's intent with the uncharacteristically large cash holding in the fund. Management's opaque commentary was not well received, with the discount to NAV widening from 18% to the current level of 35%, or alternatively a 21% discount to just the cash on hand at Reinet with all listed and unlisted fund investments valued at zero.

Encouragingly, the company announced a sizeable (c. 9% of shares in issue) buyback programme that is value-accretive at the current deep discount to NAV. While this is a step in the right direction, a more material buyback or the distribution of all cash holdings of the investment vehicle will be strategic options targeted when we engage with management.

Astral, Life Healthcare and Mpact weighed on performance. However, exposure was maintained as the underlying investment case for each remains intact.

Asset Allocation

Asset Allocation	30 June 2026	% Change Q/Q	31 March 2026
Equity Holdings	93.2%	5.1%	88.1%
Liquid Investments & Cash	6.8%	-5.1%	11.9%
Net Exposure	93.2%	5.1%	88.1%
Gross Exposure	93.2%	5.1%	88.1%

Source: Bateleur Capital

Portfolio Changes and Current Positioning

At period end there were 20 core long positions in the fund and no short positions. The top 10 positions made up 61% of the fund's exposure and the fund was 93% invested. The portfolio is attractively priced, trading on an estimated twelve-month forward P/E ratio of 9.3 times and offering a 6.0% dividend yield.

We have prioritised companies with proven management teams and strong cash-generation abilities that can continue to deliver earnings and dividend growth and remain confident in the ability of portfolio holdings to create shareholder value.

HEDGE FUNDS
Bateleur Long Short Prescient RI Hedge Fund
Lead Class Performance
Inception date of the Fund
January 2005 — Fund 1 Partnership
October 2016 — Retail CIS Hedge
Highest rolling 1 year return: Fund 52.1% | Benchmark 73.0%
Lowest rolling 1 year return: -12.1% | Benchmark -37.6%
Bateleur Market Neutral Prescient RI Hedge Fund
Lead Class Performance
Inception date of the Fund
July 2008 – MN Fund Partnership
Oct 2016 – Qualified CIS Hedge
Reclassified to Retail CIS Hedge Fund from 20 December 2022
Highest rolling 1 year return: Fund 19.8% | Benchmark 28.2%
Lowest rolling 1 year return: -3.7% | Benchmark -5.6%
Bateleur Special Opportunities Prescient RI Hedge Fund
Lead Class Performance
Inception date of the Fund
1 February 2018
Reclassified to Retail CIS Hedge Fund from 20 December 2022
Highest rolling 1 year return: Fund 90.6% | Benchmark 51.9%
Lowest rolling 1 year return: -27.6% | Benchmark -23.7%

UNIT TRUSTS
Bateleur Flexible Prescient Fund
A1 Class Performance
Inception date of the Fund July 2010
Highest rolling 1 year return: Fund 39.0% | Benchmark 54.5%
Lowest rolling 1 year return: -7.2% | Benchmark -18.4%
Bateleur SA Flexible Prescient Fund
A2 Class Performance
Inception date of the Fund August 2023
Highest rolling 1 year return: Fund 25.2% | Benchmark 54.5%
Lowest rolling 1 year return: 4.9% | Benchmark 13.4%
Bateleur FR SA Equity Fund
B6 Class Performance
Inception date of the Fund April 2015
Highest rolling 1 year return: Fund 54.4% | Benchmark 55.3%
Lowest rolling 1 year return: -25.5% | Benchmark -24.5%

The forecasts are based on reasonable assumptions, are not guaranteed to occur and are provided for illustrative purposes only.

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