QUARTERLY INVESTMENT COMMENTARY
30 JUNE 2025

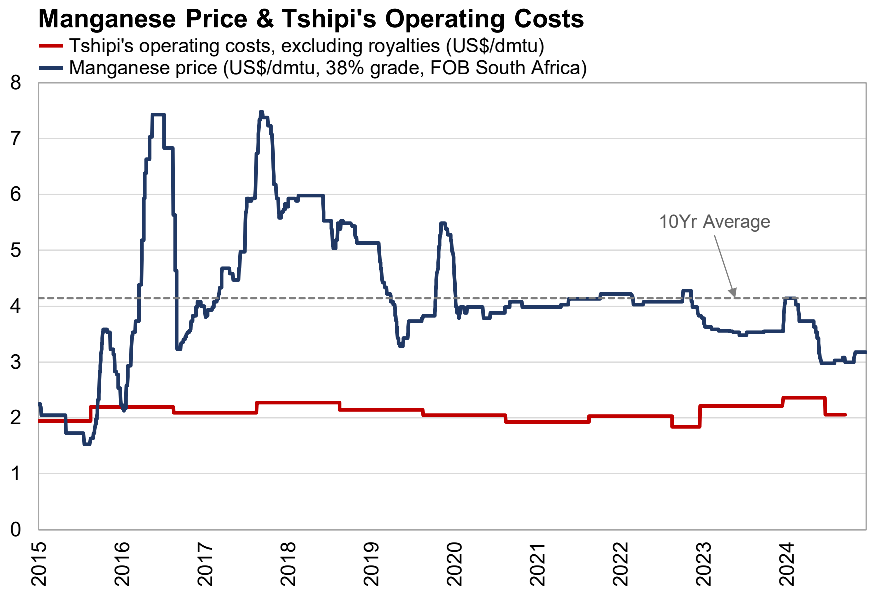
CONTRARIUS AUSTRALIA BALANCED FUND

Quarterly Investment Commentary

The ASX is home to a wide range of mining companies. Within the S&P/ASX 300 Index, the Metals and Mining grouping includes 52 companies that carry a combined 16% weighting. While most investors would be well aware of the mining majors operating in the iron ore, copper, gold or coal spaces, there are a number of smaller mining companies with attractive assets that get far less attention. At times, one or more of these companies may become mispriced and offer the potential for outsized investment returns. This quarter, we discuss two such opportunities currently held by the Fund.

Jupiter Mines

Jupiter Mines owns a 49.9% interest in a large open pit manganese mine in South Africa called Tshipi. Tshipi has three key attributes central to a sensible mining investment: low operating costs, low financial leverage, and a long mine life. Put together, these attributes create a higher likelihood of surviving the commodity price downswings and thriving in the upswings. The Tshipi deposit was discovered in 2006, mining commenced in 2012 and ramped up to full production by around 2018. Since then, Tshipi has been profitable every year with operating costs averaging $2.10/dmtu, about half of the relevant manganese benchmark price over the period. Since repaying all outstanding borrowings in 2017, Tshipi has held no debt on its Balance Sheet. Ore reserves indicate a mine life of around 24 years, with a further 100 years of additional resources (albeit at a lower grade). Furthermore, Jupiter Mines has a good history of passing through its share of Tshipi's earnings to shareholders as dividends.

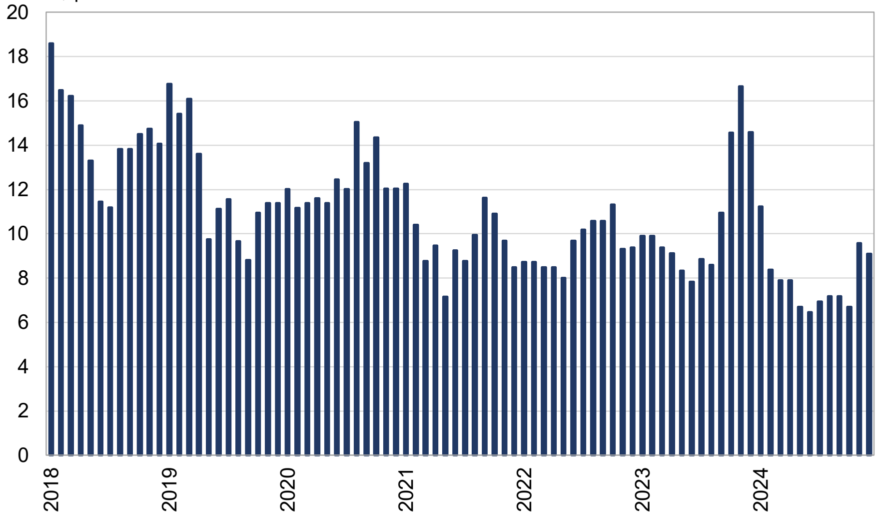


Sources: Bloomberg, Jupiter Mines, Contrarius Research

South Africa is endowed with 75% of the world's manganese resources and produces about half of global volumes that hit the seas. While not without its issues, South Africa has demonstrated reasonably stable mineral royalty rates over time (much to the envy of Australian coal mining companies) and steady corporate tax rates. The country's well-publicised electricity problems have improved sharply over the past year. Meanwhile, the Government of National Unity offers the first hint of political optimism in a very long time. For Tshipi specifically, as the company's biggest operating cost, logistics is the key. Poor maintenance and reliability issues have restrained South Africa's rail and port capacity leading to an increasing amount of manganese ore being trucked over 1,000 kilometres to ports around the country resulting in higher costs. Here too, there are positive signs. Policy reforms targeting efficiencies and private investment in South Africa's transportation infrastructure appear promising, while Transnet (the government-run logistics provider) has announced a number of rail and port-related improvement and expansion initiatives over the next few years.

As seen above, the price of manganese has been weak for the past few years, and is currently trading 23% below its ten-year average (15th percentile). As a key input for steelmaking, particularly reinforced bars, weakness in China's real estate market appears to be weighing on the manganese price. Jupiter Mines' share price has followed suit and the company trades on about 10x recent earnings. Were the manganese price to revert to its ten-year average, we estimate that one is paying less than 7x earnings. Also, when compared to the quantity of ore reserves held, the company is trading at relatively low levels, as shown below. Given the quality of its assets, we believe that the market is undervaluing Jupiter Mines.

Ratio of Enterprice Value to Reserves
A$ per tonne



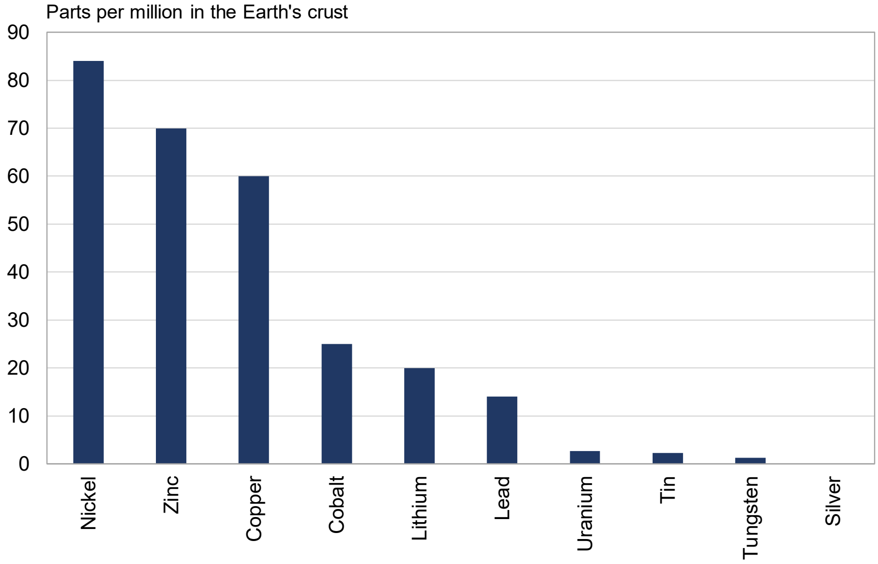
Sources: Bloomberg, Jupiter Mines, Contrarius Research

A recently announced industry transaction emphasises this. In the deal, a large JSE-listed mining company, Exxaro Resources, has agreed to acquire a handful of manganese mining interests, including the other 50.1% of Tshipi. The deal looks to be valuing the assets that Jupiter Mines owns at approximately $0.32 per Jupiter Mines' share. The share price ended the quarter at $0.20.

METALS X

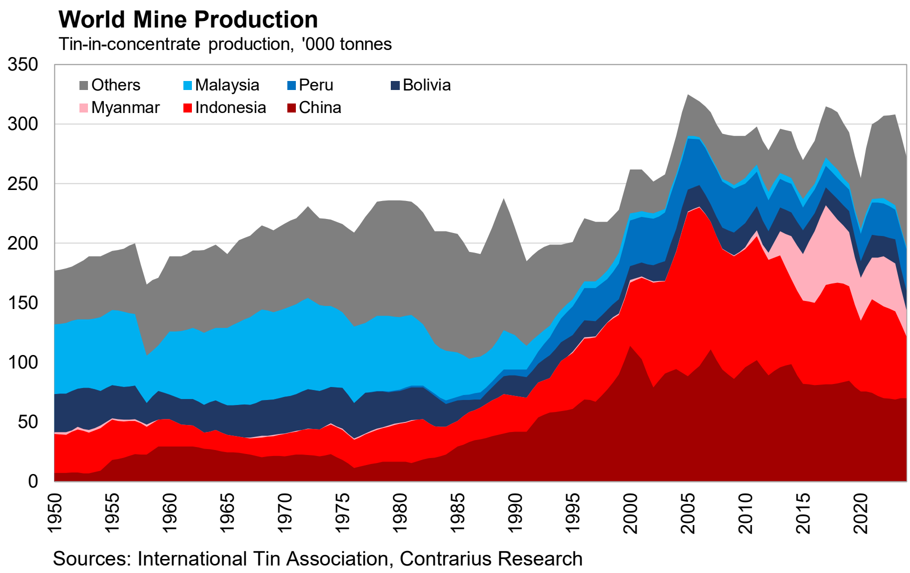
Next, we turn to tin. Mankind has taken advantage of tin's unique properties for millennia, from Bronze Age tools to preserving food in tin-plated steel cans. Today, tin's primary use is as a solder, particularly for connecting electronic components such as those found in semiconductor chips. The metal's low melting point and high conductivity make it ideal for forming reliable electrical joints without damaging the components. The arrival of generative AI, with its enormous computational requirements, has led to a jump in semiconductor demand. Tin is a fraction of the cost of a semiconductor chip, yet vital to its use. Add to this the growing demand from solar panels and electric & autonomous vehicles, tin demand is on the rise.

Abundance of Selected Industrial Metals
Parts per million in the Earth's crust



Sources: CRC Handbook of Chemistry and Physics, Contrarius Research

Tin isn't all that abundant in the Earth's crust. Relative to other industrial metals such as nickel, zinc, copper, and lead, tin is quite rare to find and supply is surprisingly concentrated. About 70% of primary supply comes from mines in China, Myanmar, Peru and Indonesia. This raises the risk of supply disruptions. Recent events illustrate this point. For more than a year mining has been suspended at Myanmar's largest tin mine as authorities implement stricter mining regulations in the region. Indonesia has started to restrict refined tin exports as it encourages domestic value-added processing. The recent expansion of a major tin mine in the Democratic Republic of Congo helped alleviate these supply shocks, but operations were temporarily halted and personnel evacuated in March as non-state armed groups advanced in the direction of the mine. With geopolitics darkening and resource nationalism in focus, tin supply looks increasingly vulnerable.



In our view, growing demand and vulnerable supply is a favourable combination for the tin price going forward. There has already been some price response with the metal currently changing hands at US$33,845 per tonne, 45% above its fifteen-year average. However, adjusted for inflation, we estimate a premium of only 17%.

That brings us to Metals X, an ASX-listed company that owns a 50% interest in the Renison Tin Mine in Tasmania. The mine is a large-scale operation in a stable jurisdiction. The reserve life is about 10 years, although six years ago the estimate was also 10 years meaning the operation has been able to find nearby resources and convert them into reserves over time. In 2024, with an average LME tin price of US$30,300 per tonne, Metals X generated over A$60 million in underlying after-tax profits, placing the company on about 8x earnings. Interestingly, this analysis ignores A$260 million of net cash and investments on Metals X's Balance Sheet, more than half of its entire market capitalisation. The enterprise value is thus less than 4x underlying earnings, a deep discount to fair value, in our view.

Summary

Our long-term, fundamental, bottom-up investment approach helps us unearth attractive investment opportunities in overlooked areas of the market. In the mining space, Jupiter Mines and Metals X are two current examples. In our view, taking advantage of such opportunities methodically over time has the potential to generate superior returns for investors over the long-term.

Conclusion

At the end of June, the Fund is overweight foreign assets, by way of investment in units of the Global Fund. The Fund's direct and indirect exposure to shares of 72% (net of hedging) is meaningfully higher than its benchmark, and is determined by an assessment of the attractiveness of selected shares relative to assessed opportunities available in other assets.

On a look-through basis, the Fund is overweight selected Consumer Discretionary, Communication Services and Information Technology shares. The composition of the Fund's Australian and global share portfolios are extremely different to the current composition of the S&P/ASX 300 Index and MSCI World Index, respectively. We believe that valuation disparity within the market creates meaningful opportunities for contrarian investors like ourselves.

NOTICES

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Sources. The benchmark for the Fund is a custom benchmark comprising: 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX iBoxx Australian Government Index; 24% MSCI World Index (net dividends reinvested), expressed in AUD; and 16% J.P. Morgan Global Government Bond Index (net coupons reinvested), expressed in AUD ("Benchmark"). The Benchmark index values are calculated by BNP Paribas Australia using end of day index level values licensed from S&P Dow Jones, MSCI and J.P. Morgan. S&P/ASX 300 Accumulation Index, S&P/ASX Australian Government Bond Index ("Indexes") and associated data are a product of S&P Dow Jones Indices LLC, its affiliates and/or their licensors and has been licensed for use by Contrarius Australia. © 2025 S&P Dow Jones Indices LLC, its affiliates and/or their licensors. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Neither S&P Dow Jones Indices LLC, SPFS, Dow Jones, their affiliates nor their licensors ("S&P DJI") make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and S&P DJI shall have no liability for any errors, omissions, or interruptions of any index or the data included therein. MSCI World Index ("MSCI Data"): For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "as is" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilising any MSCI Data, models, analytics or other materials or information. J.P. Morgan Global Government Bond Index (the "GBI Global Index"): Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The GBI Global Index is used with permission. Copyright 2025, J.P. Morgan Chase & Co. All rights reserved.

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