# QUARTERLY INVESTMENT COMMENTARY
# 31 DECEMBER 2025

## CONTRARIUS AUSTRALIA BALANCED FUND

## Quarterly Investment Commentary

The Fund's Class A units returned 5.6% for the quarter versus (0.2)% for the Benchmark[1]. For the calendar year, the Fund's Class A units returned 32.7% versus 7.9% for the Benchmark. As we have highlighted previously, our investment philosophy is not benchmark cognisant and our portfolios would normally vary materially from the Benchmark. The Fund's returns are therefore likely to deviate from those of the benchmark. Investors are reminded that given the long-term, contrarian, valuation-based investment philosophy, there will be times when the Fund will materially underperform its benchmark in the short-term in order to achieve its objective of long-term outperformance.

At quarter-end the Fund's total net share exposure was 74%, comprising a 28% net exposure to domestic shares and a 46% net exposure to global shares. The Fund gains its exposure to global assets by way of investment in units of Contrarius Global Balanced Fund (Australia Registered) ("Global Fund"). The Fund's allocation to shares reflects our assessment of the available opportunities and their relative attractiveness compared to assessed opportunities available in other assets. At quarter-end the Fund held 9% in commodity linked instruments, 6% in fixed income instruments and 3% in cash and other net current assets[2].

This quarter we discuss South32—the Fund's largest domestic shareholding at quarter-end.

## South32

Open a financial news app and you'll be greeted with headlines of quarterly earnings misses, monthly economic data prints, and excitement about a 10-week trading update, with share prices swinging around in response. A focus on the short-term—next year's earnings or the next Fed meeting—is a hallmark of investment markets. It is also, in our view, a potential pitfall for investors because it can take one's attention away from the major structural changes underway that may ultimately have a greater impact on future investment returns. Think of the airline passenger noticing the left-to-right bumps from turbulence while forgetting that they are travelling forward at 900 kilometres per hour. Companies or even whole industries may be undergoing significant changes in plain sight, that go largely unnoticed as the next earnings report takes the spotlight. A great illustration of this, in our view, is the transformation happening at South32.

### *Background*

In 2015, BHP spun out a collection of mining assets that it no longer wanted into a new entity called South32. These assets were burdened with some combination of higher costs, shorter mine life, riskier jurisdiction, or thornier rehabilitation issues. A truly diversified miner, South32 had so many moving parts that the market likely found it overwhelming to monitor and difficult to value. First impressions matter, and many market participants likely continue to view South32 as a complicated mix of BHP's leftovers. Look more closely, and one finds a company undergoing a transformation.

### *Simplification*

We'll start with the most obvious change: simplification. Gone are South32's coal mining operations in South Africa and Australia. These required significant reinvestment, carried meaningful rehabilitation costs, were the biggest source of greenhouse gas emissions, and, in the case of the Australian assets, were sold at a reasonable price. Gone too are its manganese refineries in Tasmania and South Africa as well as a Colombian nickel operation struggling to compete with Indonesian producers. Company-wide staff numbers are down from over 15,000 to about 8,000. These actions go a long way towards simplifying a complex company, however simplification is only part of the story.

### *Portfolio Shifts*

Since 2015, South32 has added three base metals operations to its portfolio—Hermosa, Ambler, and Sierra Gorda—which share crucial common characteristics. All three have long potential operating lives, are located in favourable jurisdictions, and are focused on the metals required for decarbonisation (e.g. copper, zinc and silver). Grouping the assets on South32's balance sheet by commodity type, one can clearly see the shift away from carbon-intensive assets and towards "green metals" over time, a trend that is likely to continue as investment in these three assets progresses.

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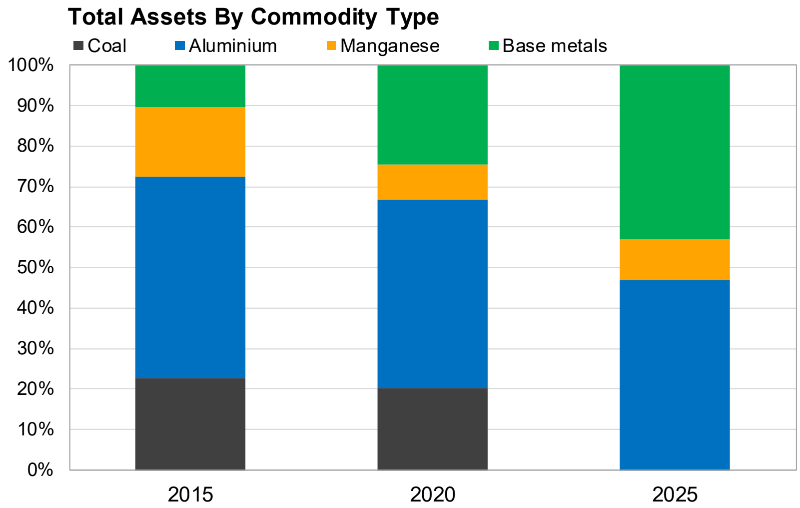
[1] *The benchmark for the Fund is a custom benchmark comprising: 36% S&P/ASX 300 Accumulation Index; 24% S&P/ASX Australian Government Bond Index; 24% MSCI World Index (net dividends reinvested), expressed in AUD; and 16% J.P. Morgan Global Government Bond Index (net coupons reinvested), expressed in AUD ("Benchmark").*

[2] *Underlying holdings of Contrarius Global Balanced Fund (Australia Registered) are included on a look-through basis.*



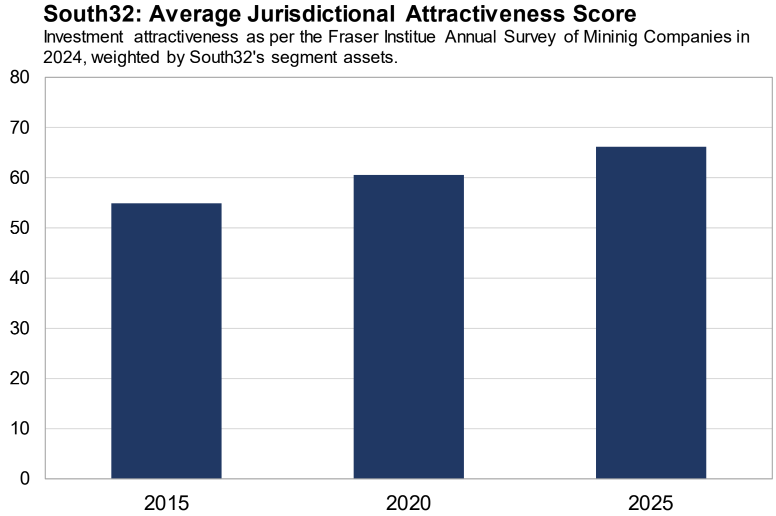

Note: The figures above are based on total underlying assets as disclosed in the segment information notes of South32's annual reports, and exclude "Group and unallocated items/eliminations" and discontinued operations. The "coal" category includes thermal and metallurgical coal mining operations, "aluminium" includes bauxite mining, alumina refining, and aluminium smelting operations, and "base metals" includes copper, zinc, lead, silver, and nickel mining operations.

Sources: South32, Contrarius Research

This pivot is timely. The global energy transition is creating a synchronized boom in green metal requirements that existing supply chains appear ill-equipped to meet. Copper and aluminium—key components in electricity grids, EVs, and renewables—are facing looming structural deficits. Industry forecasts suggest a copper shortfall of millions of tonnes by 2030, while the aluminium market is expected to tighten significantly as early as 2026 due to power constraints and rising demand from the auto and solar sectors. Silver has been in a structural deficit for a number of years driven by rising industrial demand, notably from silver-intensive solar panels. By divesting coal and adding to its copper, zinc, silver and aluminium investments, South32 has repositioned its portfolio for a decarbonising world.

At the same time, demand is being fuelled by the advancement of AI technologies, of which a metal such as copper is a physical enabler. It is estimated that data centres require roughly 27 tonnes of copper per megawatt of capacity for cooling and power distribution. Ultimately AI-driven productivity gains may translate into stronger economic growth, which we think bodes well for South32's growing exposure to copper, zinc, silver, and aluminium.

Pleasingly, these changes have been accompanied by a tangible upgrade to the location of the company's portfolio of assets. While ranking the attractiveness of a given mining jurisdiction is inherently subjective, one approach is to use the most recent Investment Attractiveness Index Scores from the Fraser Institute's Annual Survey of Mining Companies. Weighted by assets, South32's average score has improved significantly over the past decade, as shown in the chart below. Continued investment in attractive jurisdictions such as Alaska and Arizona should result in further improvement. Interestingly, using the same approach, South32's score of 66 compares reasonably well with our estimates for Rio Tinto (68) and BHP (70).




Note: Segment assets are based on total underlying assets as disclosed in the segment information notes of South32's annual reports, and exclude "Group and unallocated items/eliminations" and discontinued operations.

Sources: Fraser Institute, South32, Contrarius Research

***The Future***

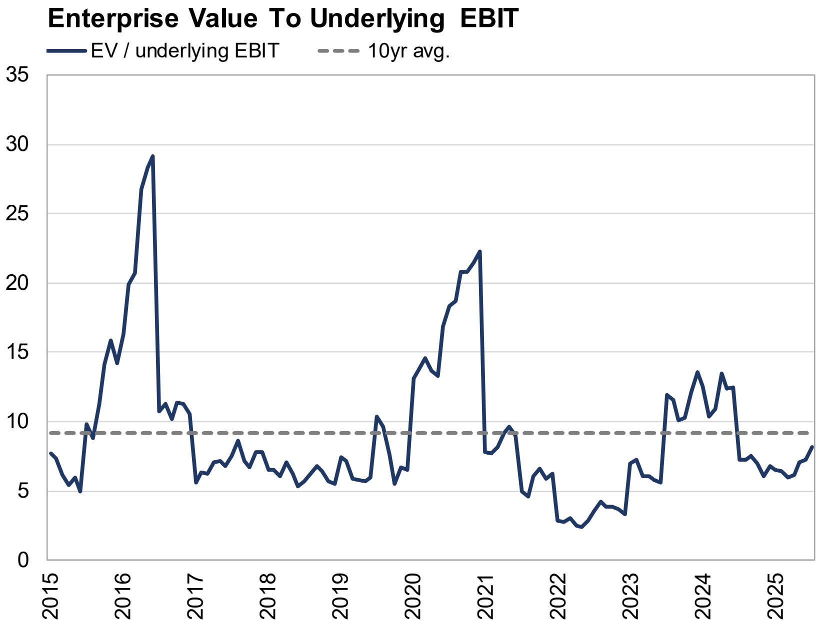
The bulk of South32's growth capital expenditure is being directed towards its Hermosa asset in Arizona, which offers multi-decade exposure to critical minerals within a single US-based district-scale asset. Hermosa hosts a number of large high-grade polymetallic deposits as well as potential exploration upside. Of these, the "Taylor" zinc-lead-silver project is currently under construction and has attractive forecasted economics (particularly at the current silver price) with an estimated initial operating life of 28 years. It is the first mining project admitted to the FAST-41 permitting process, and appears to have leveraged US policy support regardless of which party occupies the White House. The US regulatory environment appears more of a tailwind than a headwind these days, with bipartisan support for domestic production and a decoupling from Chinese supply chains. Hermosa looks set to become South32's flagship asset.

Ambler Metals, of which South32 owns 50%, holds high-grade polymetallic deposits in Alaska. The Trump administration's recent approval of the Ambler Access Road goes a long way to securing project viability. Ambler's copper-zinc "Arctic" project is the most advanced with very attractive forecasted economics and a 13-year mine life, within a broader district that holds a lot of potential.

South32 acquired a 45% interest in the Sierra Gorda copper mine in 2021. The Chilean mine has been producing copper since 2014, but owing to its enormous resource base still has a 24-year expected operating life. In addition, recent exploration results suggest meaningful resource upside potential, along with an option to process surface stockpiles. The operation is investigating increasing annual output with study results expected soon.

***Summary***

South32's unique expansion potential in critical metals is in our view particularly attractive given that it aligns the company with strong secular trends: the green energy transition, AI led productivity improvements, and the continued industrialization of the developing world. Despite its transformation and attractive future prospects, the ratio of South32's enterprise value to underlying earnings before interest and tax is currently below its historic average—disparity which appeals to long-term, fundamental, bottom-up investors like ourselves.




Sources: Bloomberg, Contrarius Research

Taking its Taylor project into account, we estimate that South32 is trading on a single digit multiple of underlying earnings at current spot prices. This is before considering the upside potential from Ambler Metals, a Sierra Gorda expansion, or further commodity price upside.

In a market starved of high quality, long-life, near-term growth options, South32 appears a very attractive proposition for one of the mining majors. This, however, is not part of our investment case, and given our view on South32's prospects we hope the company remains independent long enough for the Fund to realise the significant value we see. At quarter-end, South32 is the Fund's largest domestic shareholding.

## Conclusion

At quarter-end 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 74% (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 Communication Services, Consumer Discretionary, Information Technology, and Materials 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 Accumulation Index and MSCI World Index, respectively. We believe that valuation disparity within the market creates meaningful opportunities for contrarian investors like ourselves.

**Past performance is not indicative of future performance. The Fund's unit prices fluctuate and are not guaranteed. Returns may decrease or increase as a result of currency fluctuations. When making an investment in the Fund, an investor's capital is at risk.**

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The Fund was registered with the Australian Securities and Investments Commission on 9 December 2022. The Australian Registered Scheme Number ("**ARSN**") is 664 224 604. The inception date of the Fund is 16 May 2023. The Fund is offered by Equity Trustees Limited ("**Equity Trustees**") (ABN 46 004 031 298, AFSL 240975), as the Fund's Responsible Entity. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Equity Trustees has appointed Contrarius Investment Advisory Pty Limited ("**Contrarius Australia**") (ABN 48 618 145 449, AFSL 506315), an Australian incorporated company, to invest and manage the assets of the Fund. Contrarius Australia is the sole distributor of the Fund in Australia.

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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. © 2026 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 2026, J.P. Morgan Chase & Co. All rights reserved.

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