Baobab Equity AMC
31 July 2026

BAOBAB INVESTMENT MANAGEMENT

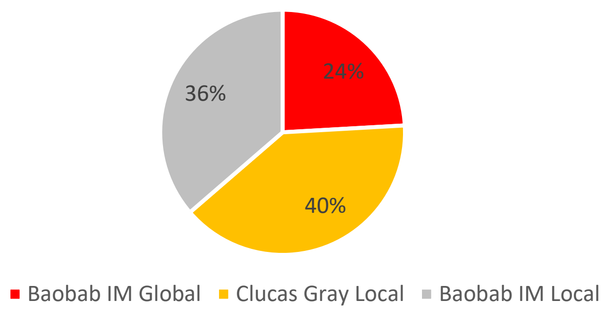
Investment structure and objective

The Baobab Equity Actively Managed Certificate is a locally listed structured equity note. The objective is to provide long-term capital growth ahead of the South African equity market by holding a focussed but differentiated portfolio of shares.

Investment strategy

The Baobab Equity AMC will represent the best equity ideas of two value-conscious boutique managers, Baobab Investment Management and ClucasGray Asset Management (CGAM). 60% of the portfolio will be invested by Baobab Investment Management in their best local and global investment ideas. The remaining 40% will be allocated to the CGAM Focussed Equity Note, a concentrated portfolio reflecting their 10-15 highest conviction local equity holdings. The combination provides a compelling, highly differentiated and complimentary proposition within a traditional equity portfolio.

Current allocation



Key Features

- Two boutique managers in one solution
- Unconstrained by size, index or peer group
- Exposure to under-owned areas of the market
- Ability to invest in small and mid-cap shares
- Differentiated local and global equity exposure

General Fund Information

Investment Managers	Sandy Le Roux (Baobab) Andrew Vintcent (CGAM)
Product Classification	Actively Managed Certificate
Issuer	Standard Bank
Risk Profile	High
Investment Time Horizon	5-7 Years
Benchmark	JSE Allshare Total Return
Annual management fee	0.7%
Isin	ZAE000326542
JSE Stock Code	AMC009
Inception date	15 September 2023

Performance

	Baobab Equity AMC	JSE Allshare Total Return
Since inception (Annualised)	14.6%	19.1%
1 Year	17.5%	17.2%

Top 10 Holdings - 30 June 2026 (in alphabetical order)

Absa	KAL Group
African Rainbow Minerals	Old Mutual
Bollore	People Inc
Glencore	Truworths
HCI	Zeda

Quarterly Commentary - 30 June 2026

2026 has been a crazy year, in general life as well as investment markets. The JSE Allshare Index started the year off strongly but has given up all of its gains to be down 3% as at the end of June. Given this backdrop we are pleased with the year to date return of 4.1% for the Baobab Equity AMC, having avoided the weakness in most large components of the index.

Baobab commentary

The complex macro environment, in combination with persistent speculation and stretched valuations in some areas, does provide an ongoing challenge. Our simple response to the environment is to remain disciplined and stay in our lane. That means investing in cheap companies that we understand, leaving the momentum and narrative chasing to others. One company that wandered into our lane at the end of the quarter was Prosus.

Despite being such a large part of the local index we have not owned Prosus or Naspers for many years. The strength and narrative around semi-conductor stocks has sucked capital out of Chinese shares, leaving Tencent trading at an attractive valuation and providing a good entry point into Prosus. It also fits well into our basket of high quality emerging market shares that we have been able to buy at attractive prices in recent months. Other holdings in this basket include Kaspi and Nu Bank.

Not much has been going right at Afrimat of late. Despite the operational challenges we still rate management highly and think the aggregates business provides solid support. At current prices we see plenty of optionality should other parts of the business get “less bad” and we have re-initiated a position in this company which we have owned and sold in the past.

Software stocks are another area that was previously too richly priced to really interest us. 2026 has seen a sharp selloff across the whole sector given the very real threat that AI poses to many companies going forward. The extreme weakness enabled us to re-enter a position we last bought during Covid. We think Par Technology will survive the AI onslaught and have been monitoring the execution and progress of the company and quality CEO since we sold it 5 years ago.

Our active approach to stock selection has been rewarded this year with key contributions coming from Seaport Entertainment, People Inc, Glass House Brands and Glencore. Long-term core holding Bollore has had a solid year and management has been very active. At the end of the quarter the company paid a special dividend of over 30% of the market capitalization, a big portion of which will flow back to them via the holding company structure. This will enable the very astute owner managers to add value through further buybacks or corporate activity at what remains a very depressed valuation.

Looking ahead we expect the environment to remain challenging and volatile. We will continue to balance the ongoing macro risks with the selective opportunity we are still finding at an individual stock level. Through all of this we remain confident that a disciplined and sensible approach will continue to produce the desired long-term returns.

CGAM commentary

The current concentration of indices is a global phenomenon – the top 10 companies across 4 major markets make up between 30% and 40% of the various indices. The dominance of the technology companies within the indices is equally striking. Passive investment strategies have served investors well, but concentration of this order does mean that a passive allocation carries some latent risks. In South Africa, the picture is not materially different and the top 40 makes up 86% of the market cap.

It is not for us to declare with certainty that US Equities, or indeed any market, is “wrongly” priced. Beauty, as the saying goes, remains in the eye of the beholder. Many investors today look at the large global technology and AI-related businesses and see the potential for extraordinary earnings growth over the coming decade. Through that lens, elevated valuation multiples may appear entirely justified.

Our task has never been to win debates around what should or should not trade on a particular multiple. We have long accepted that markets are made up of differing views, expectations and time horizons. In many respects, that diversity of opinion is precisely what creates opportunity. While we may personally struggle to justify paying very high multiples for certain index-heavyweights, we are equally cautious not to dismiss those who do. Strong businesses can continue to exceed expectations for far longer than many anticipate.

Instead, we continue to anchor ourselves to the same process that has guided ClucasGray Asset Management over many years. We ask a simpler question: does the investment case present an opportunity to generate a return that we find appealing relative to the risks involved? Our framework consistently draws us toward companies where the combination of steady earnings growth, elevated dividend yields and undemanding valuation multiples creates a favourable balance of outcomes. Individually, none of these metrics is sufficient. Together, however, the interplay between earnings, valuation and cash returns to shareholders has historically proven to be a powerful driver of long-term investment returns.

This approach can at times lead us away from the largest index constituents and toward areas of the market that are less fashionable or less crowded. That differentiation inevitably creates periods where our portfolios look very different from broader indices. Yet history has repeatedly shown that patient capital, applied with discipline and valuation awareness, is often rewarded over time. Given the current opportunity set available to us, we continue to believe that investors who are willing to remain patient are likely to be well rewarded.

DISCLAIMER

Glossary

"AMC" means actively managed certificates, being notes issued by an issuer which offer investors exposure to the performance of a single portfolio of underlying assets which are discretionarily managed by a third party in terms of a pre-determined strategy.