# Annual Partners Report

A calendar year is largely irrelevant for any long-term investor, but a new year does provide an opportunity to take stock and collate our thinking. The world and markets are particularly fluid at the moment, making writing somewhat challenging as we move from one headline to the next. I am interested in and have views on the world we live in but prefer to keep those to myself unless they have a direct impact on a company we own. There is a fine line between being an investor and a commentator and I know which I am. In this report I will try to provide greater insight into how we think and behave, as this is what will ultimately drive future returns for all of us.

The most significant feature of our thinking, approach and behaviour is that it is completely independent of the crowd:

- We do not invest in markets, we invest in companies
- We do not compare our portfolios to the index or peer group
- We take full advantage of our size, investing where others can't
- We are naturally drawn to what is unpopular and under owned
- We tend to sell too early when our holdings become popular

The result is that as markets and indices become even more concentrated, our portfolios tend to become even more differentiated and further enhance the portfolio diversification benefit we provide within a wider equity portfolio.

In 2025 our differentiation was very well rewarded offshore where our portfolios produced returns well ahead of the market. While we were happy with the gains achieved locally, we did not keep up with the exceptional returns of the local market that were largely driven by a very select few precious metal companies.

Below is an overview of some of the key contributors to returns in 2025, together with some of the portfolio activity.

**Airtel Africa** was a standout performer during 2025, appreciating by over 200%. It is small, off the beaten path, but is an above average business with a very long growth runway ahead of it. We were able to buy it at an enormous discount at a time when Africa was deemed uninvestable and African currencies were deemed to weaken forever. On purchase the investment case was strongly supported by a potential future listing of the highly attractive mobile money business. Not much changed for the company during the year, apart from things in Africa (especially Nigeria) becoming "less bad". The path from uninvestable to "not so bad" remains a key hunting ground and source of opportunity for us. We have reduced our position into strength, but Airtel Africa remains a reasonably significant holding given the long-term growth runway for the business.

We did well out of precious metals companies, both locally and abroad where we had exposure to Anglogold, Barrick Gold, Pan African Resources, Sibanye, Valterra Platinum and African Rainbow Minerals. We have reduced or sold most of these holdings given the extreme moves and increased popularity of the sector, redirecting the proceeds to areas where we have higher conviction. Our most significant remaining holding is in **African Rainbow Minerals** where there is still a clear discount to the value of the underlying assets.

Another key source of returns in 2025 was in other commodities. While the market was largely focused on precious metals we profited handsomely in less popular commodities like coal, copper, uranium and energy where we used a basket approach to gain access to out of favour parts of the market. Significant contributors in this space include **Warrior Metcoal, NexGen Energy, Uranium Royalty Corporation** and **Teck Resources**. It has been an interesting start to the year with two commodity linked companies we own, **Glencore** and **Valaris**, subject to takeover interest. While the Glencore deal with Rio Tinto has been scrapped, the Valaris takeover by Transocean is a strong signal that assets in the offshore drilling market are undervalued.

While we still have a favourable view on commodities in general, we have been net sellers given the very strong moves. Our selling discipline may have cost us in the short-term, but is in line with our investment process and has improved the long-term return profile of our portfolios. The bulk of the proceeds of the sales have been used to add to existing positions that have lagged, but where our conviction remains high.

The fact that many of our highest conviction holdings lagged in 2025 gives us confidence going forward. Investment holding companies remain a very unloved part of the market where the time horizons of investors and owners is not always aligned. We are happy to invest alongside patient owners, but most investors are looking for quick wins to juice short-term returns. **HCI, Bollore** and **IAC** did little wrong operationally during 2025, but attracted little investor attention and we were able to increase our positions at very attractive prices. HCI has recently become fairly active through a number of value creating transactions, whilst I would be very surprised if we don’t see decent activity to unlock value at both Bollore and IAC during 2026. In the interim all three companies continue to buy back shares, quietly creating value for existing shareholders.

We have very little exposure to the local retail sector but have used weakness during the year to add to our position in the **KAL Group**. Management continues to do what they do well, looking for sensible ways to grow their existing retail operations. Unlike many other domestic retailers who seem intent on chasing growth offshore, they remain focused and disciplined within their niche areas of operation. They are unlikely to ever shoot the lights out, but given the low multiple of earnings we paid, any reasonable level of growth going forward should support sound returns for shareholders.

**Aimia Inc** is a very cheap Canadian holding company that has been a frustrating investment thus far. The mispricing was never in question, but a new leader at the helm and shareholder of reference has completely changed the investment profile in our view. We still own a very mispriced company but are now partnering with an excellent owner with a strong investment track record who is looking to turn Aimia into a permanent capital vehicle. Our conviction in the quality and return profile of Aimia has improved as a result and we added to our position during the year. There is clear urgency at the company and early moves by new management have been very encouraging.

**Seaport Entertainment Group** was a new purchase in 2025, providing access to some very good property assets in New York City and Las Vegas at a very significant discount. They have just recently completed the sale of a non-core property for $143 million which will add a significant cash buffer to an already strong balance sheet. This transaction amounts to more than half of the current market valuation of Seaport but makes up less than a quarter of the potential value of the assets they own. Even with a new mayor in NYC that is less than market friendly, we think the discount is too large given the quality of the assets they own.

We continue to find selective value in **local small and mid capitalization companies**. We are not expecting a strong South African economy anytime soon but remain comfortable with the chances that things will be "less bad" than the doomsayers keep telling us. We bought **ABSA** and **Nedbank** at very attractive prices in 2025 and also added opportunistically to both **Raubex** and **WBHO**. Construction companies are not high quality businesses, but we remain of the view that the competitive landscape (ie less competition able to do the work) makes them "less bad" than they were in the past. This should provide some support for pricing and margins going forward.

**Summary and outlook**

We live in a world dominated by momentum investors who like to chase what is working. Our edge and value proposition is not to own the biggest and most popular companies in the market, but to focus and invest in what has been ignored and left behind.

Our willingness and ability to look different is what sets us apart, but it is our knowledge of the companies we own, what they are worth and the management teams we are partnering with that allows us to sleep well at night.

Thanks, as always, for your ongoing trust, support and partnership. My commitment to managing our aligned interests is greater than ever and I look forward to embracing whatever challenges and opportunities the new year may throw at us.

Your investment partner

Sandy

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