



CONTRARIUS SOUTH AFRICA

QUARTERLY COMMENTARY

30 JUNE 2025

**CONTRARIUS BCI EQUITY FUND
CONTRARIUS BCI BALANCED FUND
CONTRARIUS BCI SA EQUITY FUND**

Each quarter, the Quarterly Commentary provides us with the opportunity to share our latest thinking and to discuss the investment case for securities held by the Funds. In this quarter's commentary we discuss JSE Limited, a position held by the Funds since their inception and at quarter-end one of the Funds' Top 10 share holdings.

JSE LIMITED

The Johannesburg Stock Exchange is 137 years old having been founded in November 1887 to facilitate capital raising for mining and financial companies during the South African gold rush. More recently the JSE itself listed on its own Main Board on 7 June 2006 after demutualising in 2005. The JSE operates as the primary securities exchange in South Africa, facilitating the listing, trading, clearing, and settlement of equities, bonds, and derivatives. Its key business divisions include Capital Markets (equities and bonds trading), Information Services (market data and analytics), Post-Trade Services (clearing and settlement through JSE Clear and Strate), and Issuer Services (supporting companies with listings and regulatory compliance).

Why Own a Listed Stock Exchange?

When analysing the JSE we find it helpful to compare it with its global stock exchange peers. Stock exchanges have generally been excellent businesses and investments. They tend to hold oligopolistic or monopolistic positions, have high margins, with low capital expenditure requirements, and high returns on investment. Over the last twenty years, investing in a basket of listed stock exchanges has been a highly lucrative strategy.

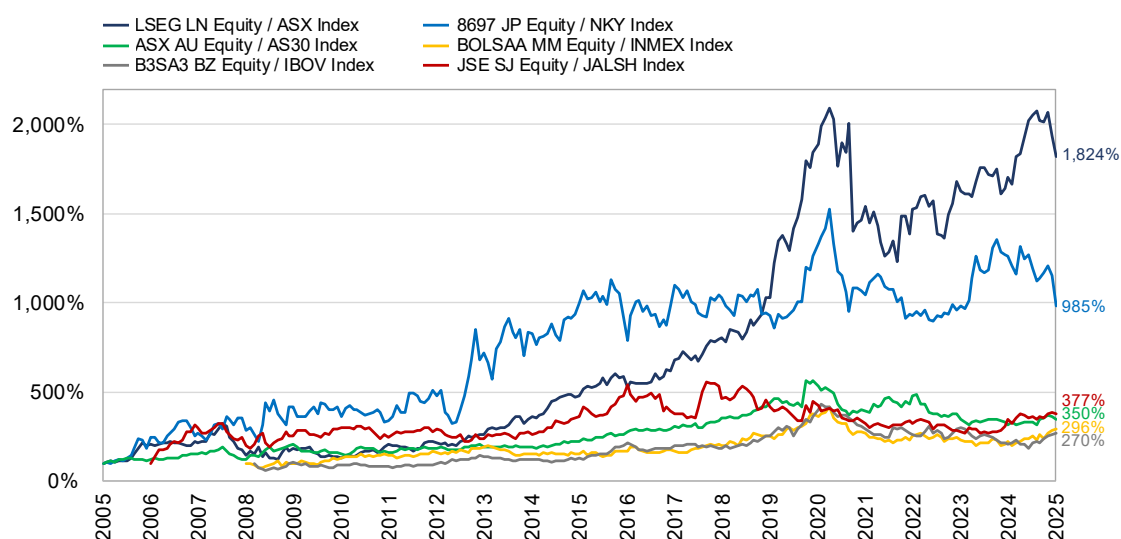
Table 1: 20 Year Stock Exchange Total Return (in ZAR) (or since stock exchange listing, if sooner)

JSE	Peer Exchanges									
JSE	LSE	Nasdaq	ICE	Euronext	Japan Exchange Group	Deutsche Borse	Bolsa Mexicana	B3 (Brazil)	HKEX (Hong Kong)	ASX (Australia)
1596%	5727%	4604%	8937%	1522%	6912%	3856%	681%	366%	9500%	2271%

Sources: Bloomberg, Contrarius Research.

Additionally, they tend to outperform their local market indices. The below chart details the JSE and a number of its peers relative to their respective market indices. In each case, the stock exchange has materially outperformed its respective local market index.

Chart 1: Performance of listed stock exchange companies relative to their respective local market indexes



Note: 20-year chart data where available. Otherwise, data from inception.

Sources: Bloomberg, Contrarius Research.

JSE's Relative Valuation

Stock exchanges tend to trade at lofty multiples, even compared to some of the most renowned companies globally. Below is a table of current EV-to-sales metrics of the JSE, its stock exchange peers and certain South African listed and global companies.

Table 2: Enterprise Value to Sales Ratio

JSE	Peer Exchanges										Global Company Comparisons				
JSE	LSE	Nasdaq	ICE	Euronext	Japan Exchange Group	Deutsche Borse	Bolsa Mexicana	B3 (Brazil)	HKEX (Hong Kong)	ASX (Australia)	Richemont	Microsoft	Meta Platforms	Amazon	Philip Morris Int.
3.2	7.3	12.6	13.2	9.7	8.2	9.2	4.8	7.7	11.9	12.3	4.2	13.8	10.8	3.7	8.6

Sources: Bloomberg, Contrarius Research.

Stock exchanges' high EV-to-sales multiples are justified by a track record of high earnings growth, high margins, market outperformance, and promising future prospects.

We believe the JSE also fits this mould. Yet, fortunately, we're able to invest in the JSE at about 11 times its next twelve months earnings. The JSE expects to pay out between 67% to 100% of earnings in dividends. Companies with high dividend payout ratios often sacrifice earnings growth in order to return cash to shareholders. We do not believe the JSE is such an example. We see the JSE as able to maintain a high payout ratio while simultaneously benefiting from secular growth, an attractive prospect for any investor.

A low earnings multiple with a high dividend payout ratio, yet with reasonable growth prospects, sounds too good to be true. We believe this is in part due to the general pessimistic attitude towards 'S.A. Inc' shares, and in part to recent JSE specific issues.

JSE's Recent Difficulties

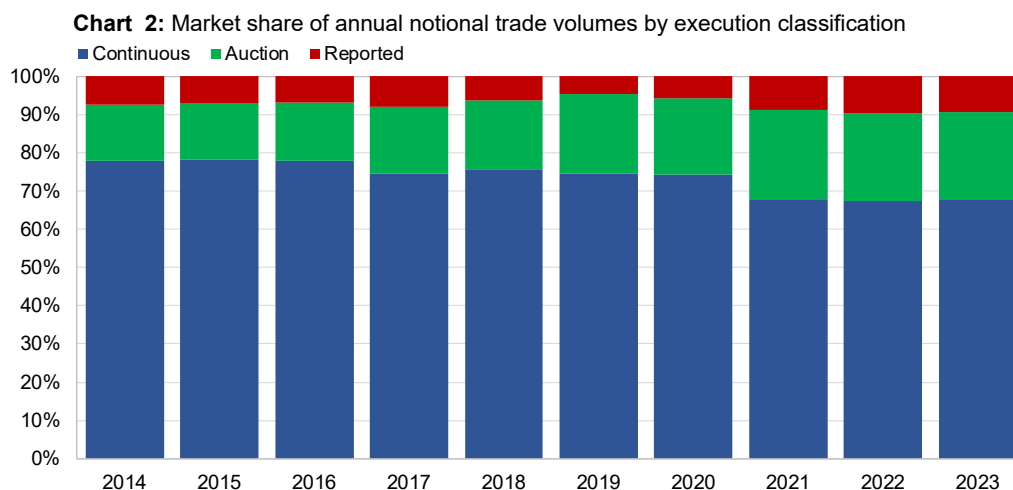
The number of shares listed on the JSE has fallen drastically from its peak of over 600 to below 300. Its revenue from equity trading is lower than ten years ago. Its Primary Market revenues (from listings and secondary offerings) didn't grow from 2015 to 2023. And to make matters worse, an aggressive competitor (A2X) has entered the fray, putting an end to its near monopoly in equity trading. The stock exchange is not immune to South Africa's challenges either. The South African economy has generally stagnated in recent years. While GDP grew at 4.5% per annum between 2003 to 2008, it grew at just 1.6% per annum from 2008 to 2018, and at only 0.5% per annum from 2018 to 2024. Consistent foreign capital outflows have also occurred, with the JSE equities market experiencing net outflows from foreign trading every year since 2015.

JSE's Challenges Are Not Unique

However, these issues are neither insurmountable nor unique, as other listed exchanges have successfully overcome similar hurdles. For instance, the number of listed entities on the ASX has plateaued since 2007. UK domestic listings have shrunk from close to 3,000 domestic companies to closer to 1,600, and the number of Mexican listings has also nearly halved. Or take the inclusion of a new competitor—the ASX, LSE, Euronext, Bolsa Mexicana and others have all had new entrants disrupt their markets. A2X (the JSE competitor) went live in October 2017 with the backing of African Rainbow Capital. By comparison, the ASX and LSE's competition comes from an established exchange group, CBOE (formerly BATS Global). A2X's CEO notes that prior to the success of Chi-X Europe (now owned by CBOE), there were 23 failed attempts to compete against the LSE in the UK. This highlights how difficult it is to challenge the primary exchange.

Why is it so challenging to compete against stock exchanges?

Incumbents often benefit from inertia, along with regulatory and infrastructure advantages. One such example relates to the Official Closing Price. The official closing price of a listed security in most markets is determined by the closing auction on the primary listing venue. Passive investment vehicles and ETFs often require trading at the official closing price to minimise tracking errors. As such, the shift from active to passive investing has led to an increasing importance of the official closing price and the closing auction. Take, for instance, the LSE—despite intense competition from CBOE, it has maintained its dominant position, in part due to its monopoly in controlling the official closing price mechanism for UK securities. The JSE also benefits from this phenomenon. And the importance of the closing auction in South Africa has increased over time.



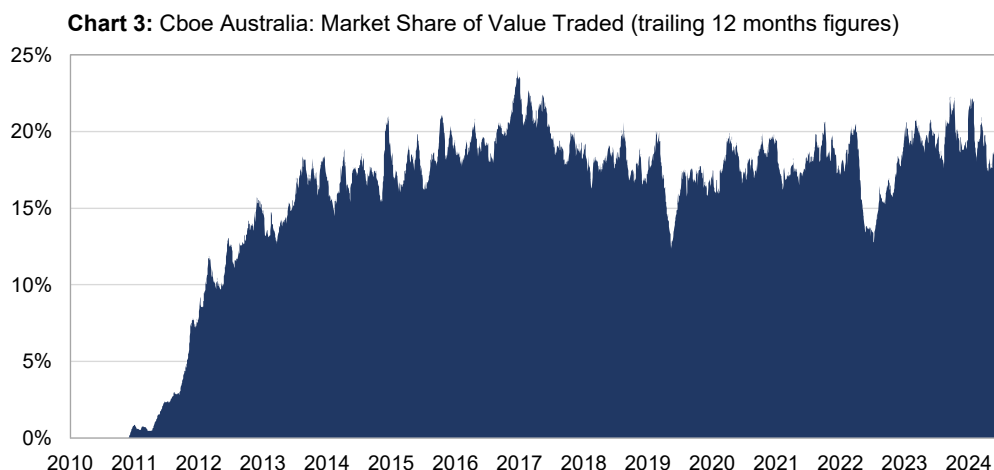
Note: The continuous category includes only volumes and trade types executed during continuous trading sessions (e.g. AT & XT). Auction includes only uncrossing trades across all auction sessions, and Reported includes only reported activity.

Source: Johannesburg Stock Exchange, Contrarius Research.

The JSE has other incumbent benefits ranging from a near-monopoly on primary capital raising, deeper liquidity, near-monopolies on asset classes other than equities, and the benefits of being able to lower prices where A2X competes while raising prices elsewhere to compensate.

What would a successful new entrant look like?

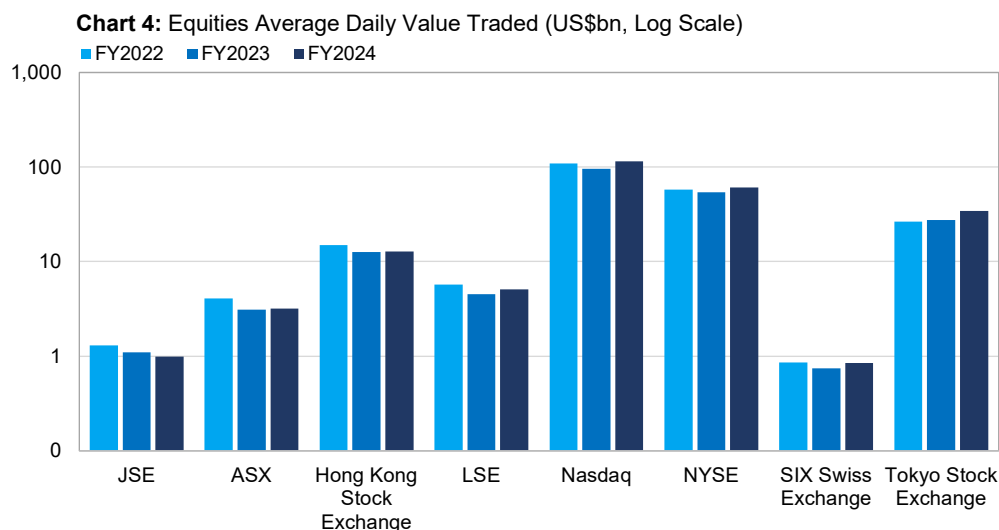
We are not naïve to the possibility of A2X being a formidable competitor. While A2X currently only has a single digit percent share, it has an internal target of 20% to 30% market share within five years. We note the comparison with global new entrant peers: CBOE Europe has nearly a 25% market share across Europe, while CBOE Australia rapidly grew market share but has struggled to maintain a market share above 20%. Even when successful, the new entrant's market share appears to plateau around this percentage.



Source: Bloomberg, Contrarius Research.

Diversifying away from Equity Trading

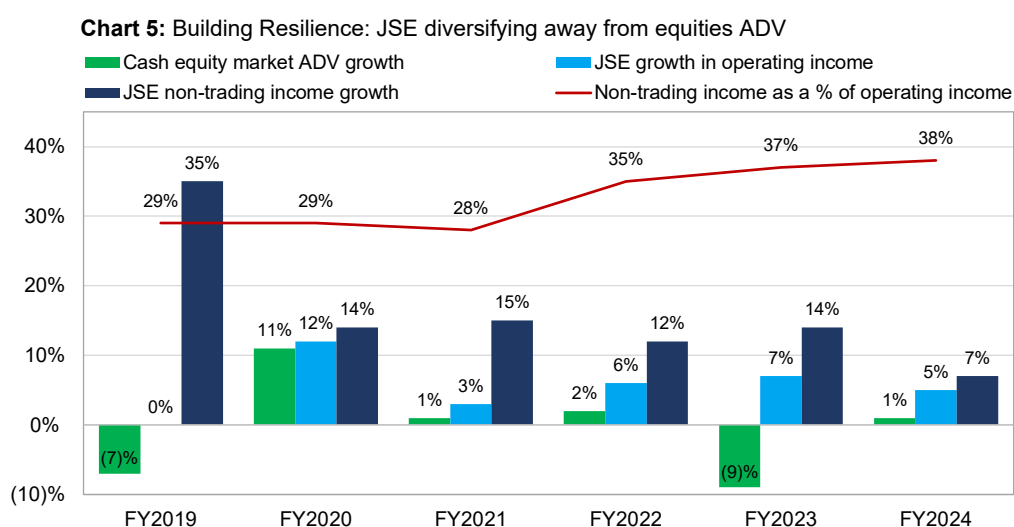
Historically, the JSE's earnings were correlated with the average daily volume (ADV) of equities traded on the JSE. Given that ADV has shrunk in nominal terms since 2016, the JSE has been swimming against the tide. But as shown below, again, this is not specific just to the JSE.



Source: Johannesburg Stock Exchange, Contrarius Research.

Yet despite these headwinds, JSE revenue per share has increased nearly 50% over the last decade. The JSE has worked hard to find secular growth that does not just rely on a rebound in equities ADV, with a deliberate focus on maximising and monetising its proprietary data and other asset classes. Over the last five years, non-trading income has grown 81.5% and now accounts for about 38% of operating income. This growth has been led by investor services (including transfer secretarial services to issuers, share register maintenance, issuer communication, corporate action assistance, share scheme management etc), information services (fees tied to market data and indices) and colocation services (where high frequency traders, investment banks and institutional brokers locate servers in JSE data centres to minimise latency).

Notably, 2023 was a key year with equities ADV shrinking considerably, yet JSE operating income grew.



Source: Johannesburg Stock Exchange, Contrarius Research.

We believe there's ample room for future growth from these divisions.

What about South African economic growth?

As we have discussed in previous Quarterly Commentaries, there are green shoots in the South African economy. These include the formation of the GNU, lower interest rates, stable inflation and reduced load shedding. The World Bank expects GDP growth to bounce back towards 1.8% per annum to 2028. We expect the JSE to be a significant beneficiary of a rebounding South African economy.

Average Daily Volume (ADV)

The JSE's growth prospects in information services, investor services and asset classes outside of equity trading make it an attractive investment, even assuming a flat equities ADV. However, ADV appears particularly correlated with the VIX. With global conflicts and tariff uncertainty, the VIX has been strong in 2025. Consequently, year to date, ADV is up over 25%. As shown in Chart 5, the JSE grew operating income in FY2021, FY2022, FY2023 and FY2024 despite flat or declining ADV. We anticipate meaningful growth in operating income with ADV growth of 25%.

CONCLUSION

The JSE has been fighting a tide of negativity, but we believe that is about to change. In our view, we're purchasing a secular growth story, at a near 6% dividend yield, with a strong balance sheet and on eleven times what we believed to be cyclically depressed earnings. For this reason, the JSE is the Funds' top holding at quarter end. We believe the JSE exemplifies the type of opportunities available on the JSE.

Contrarius BCI Equity Fund

Fund Holdings as at 30 June 2025

Statement of Net Assets (Unaudited)

Security	Market Value ZAR 000's	% of Fund
South African Equity	26,114	64.0
JSE	2,104	5.2
Sun International	1,933	4.7
Glencore	1,902	4.7
African Rainbow Minerals	1,861	4.6
Naspers	1,840	4.5
Prosus	1,218	3.0
Famous Brands	1,186	2.9
Valterra	1,150	2.8
PPC	1,047	2.6
Spur	982	2.4
Tsogo Sun	963	2.4
City Lodge	726	1.8
Southern Sun	718	1.8
South32	690	1.7
Nedbank	682	1.7
Kumba Iron Ore	674	1.7
Sasol	635	1.6
Discovery	631	1.5
Investec	599	1.5
Harmony Gold Mining	597	1.5
Italtile	568	1.4
Aspen Pharmacare	526	1.3
Standard Bank	520	1.3
Positions less than 1%	2,362	5.8
Foreign Equities	14,121	34.6
Tesla	2,087	5.1
Warner Bros. Discovery	1,866	4.6
Paramount Global - B	1,714	4.2
NVIDIA	1,394	3.4
TSMC - ADR	897	2.2
Fox - B	556	1.4
Caesars Entertainment	516	1.3
Positions less than 1%	5,090	12.5
Total Equities	40,236	98.6
Net Current Assets	578	1.4
Net Assets	40,814	100.0
Direct Assets	31,986	78.4
Investments in CIS - Contrarius Global Equity Fund	8,827	21.6
Net Asset Value per Share	ZAR 1.0602	
Shares in Issue	38,495,651	

Notes:

Portfolio holdings are provided on a look-through-basis.
Sums may not total due to rounding.

Contrarius BCI Balanced Fund

Fund Holdings as at 30 June 2025

Statement of Net Assets (Unaudited)

Security	Market Value ZAR 000's	% of Fund
Equities		
South African Equity	6,517	37.3
JSE	523	3.0
Sun International	483	2.8
Glencore	475	2.7
African Rainbow Minerals	465	2.7
Naspers	460	2.6
Prosus	304	1.7
Famous Brands	296	1.7
Valterra	286	1.6
PPC	261	1.5
Spur	245	1.4
Tsogo Sun	241	1.4
City Lodge	182	1.0
Southern Sun	179	1.0
Positions less than 1%	2,117	12.1
Foreign Equities	6,923	39.7
Paramount Global - B	634	3.6
Tesla	617	3.5
Warner Bros. Discovery	600	3.4
NVIDIA	454	2.6
Coinbase Global - A	298	1.7
TSMC - ADR	275	1.6
The Swatch Group - Bearer Shares	271	1.6
Caesars Entertainment	257	1.5
Kering	254	1.5
Micron Technology	244	1.4
Estée Lauder Companies	240	1.4
ASML Holding - US listing	239	1.4
Crocs	231	1.3
Fox - B	216	1.2
Intel	211	1.2
Dell Technologies - C	200	1.1
Positions less than 1%	1,683	9.6
Total Gross Equities	13,440	77.0
Equity-linked derivatives	(601)	(3.4)
Total Net Equities	12,839	73.5
Hedged Equities	601	3.4
Fixed Income Instruments		
South African Fixed Income Instruments	2,168	12.4
South African Government Bond 10 Years	1,703	9.8
South African Government Bond <1 Year	465	2.7
Foreign Fixed Income Instruments	149	0.9
Positions less than 1%	149	0.9
Total Fixed Income Instruments	2,317	13.3

Statement of net assets for Contrarius BCI Balanced Fund continued on next page.

QUARTERLY PORTFOLIO DISCLOSURES (CONTINUED)

Statement of Net Assets (Unaudited) (continued)

Security	Market Value ZAR 000's	% of Fund
Commodity-linked Securities		
South African Commodity-linked Securities	973	5.6
NewGold Issuer	973	5.6
Foreign Commodity-linked Securities	143	0.8
Positions less than 1%	143	0.8
Total Commodity-linked Instruments	1,116	6.4
Total Securities	16,873	96.7
Cash and Other Net Current Assets	583	3.3
Net Assets	17,456	100.0
 Direct Assets	 10,114	 57.9
Investments in CIS - Contrarius Global Equity Fund	3,702	21.2
Investments in CIS - Contrarius Global Balanced Fund	3,640	20.9
 Net Asset Value per Share (Class A)	 ZAR 1.0842	
Shares in Issue (Class A)	16,100,000	

Notes:

Portfolio holdings are provided on a look-through-basis.
Sums may not total due to rounding.

Contrarius BCI SA Equity Fund

Fund Holdings as at 30 June 2025

Statement of Net Assets (Unaudited)

Security	Market Value ZAR 000's	% of Fund
JSE	934	8.0
Sun International	857	7.3
Glencore	842	7.2
African Rainbow Minerals	825	7.0
Naspers	815	6.9
Prosus	540	4.6
Famous Brands	525	4.5
Valterra	510	4.3
PPC	463	3.9
Spur	436	3.7
Tsogo Sun	427	3.6
City Lodge	322	2.7
Southern Sun	318	2.7
South32	305	2.6
Nedbank	302	2.6
Kumba Iron Ore	299	2.5
Sasol	282	2.4
Discovery	280	2.4
Investec	265	2.3
Harmony Gold Mining	265	2.3
Italtile	252	2.1
Aspen Pharmacare	233	2.0
Standard Bank	230	2.0
Thungela Resources	168	1.4
Gold Fields	136	1.2
Spar	120	1.0
Positions less than 1%	615	5.2
Total Equities	11,566	98.5
Net Current Assets	179	1.5
Net Assets	11,746	100.0
Net Asset Value per Share	ZAR 0.9991	
Shares in Issue	11,756,287	

Notes:

Sums may not total due to rounding.

Important Information for Investors.

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