Hosking Partners®

Avoiding bubbles and un-earthing gems: A Capital Cycle Approach

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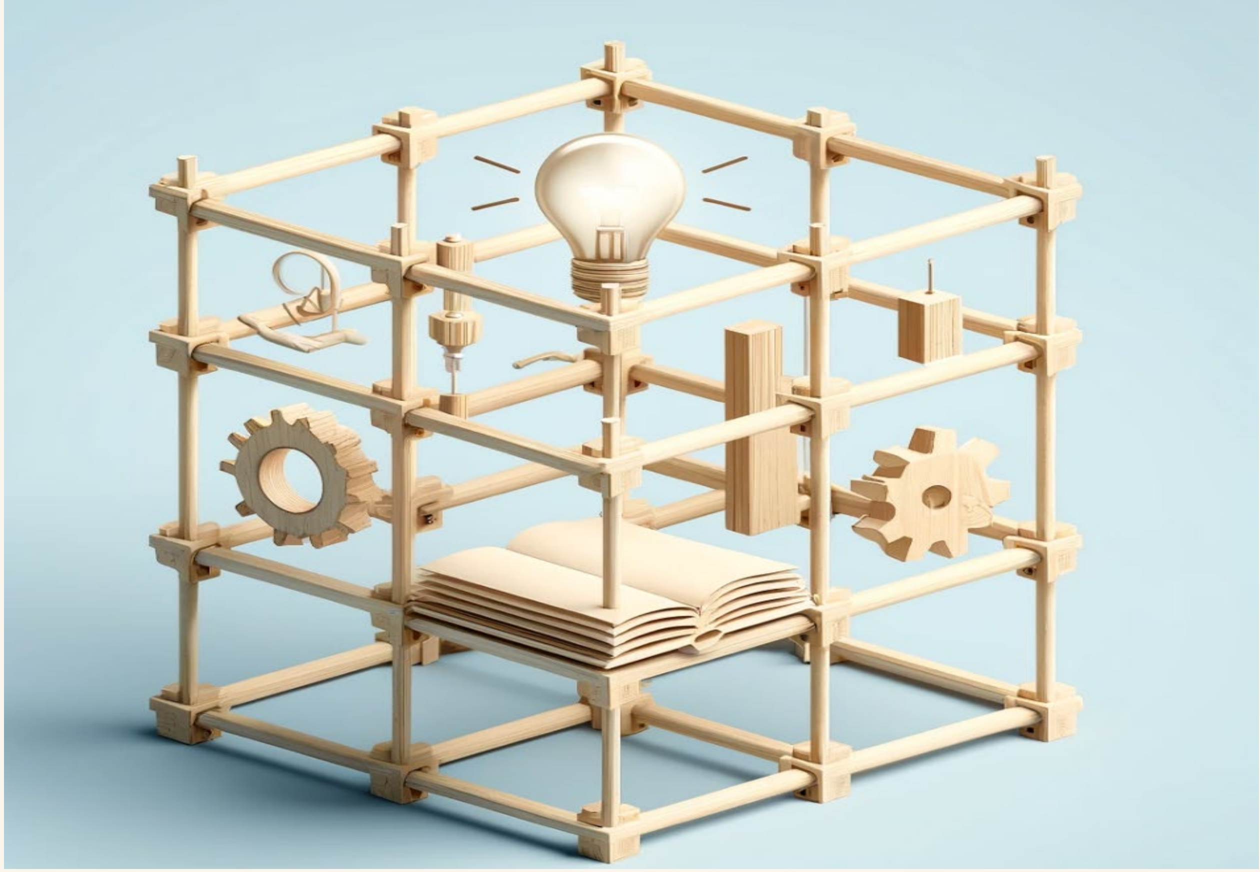
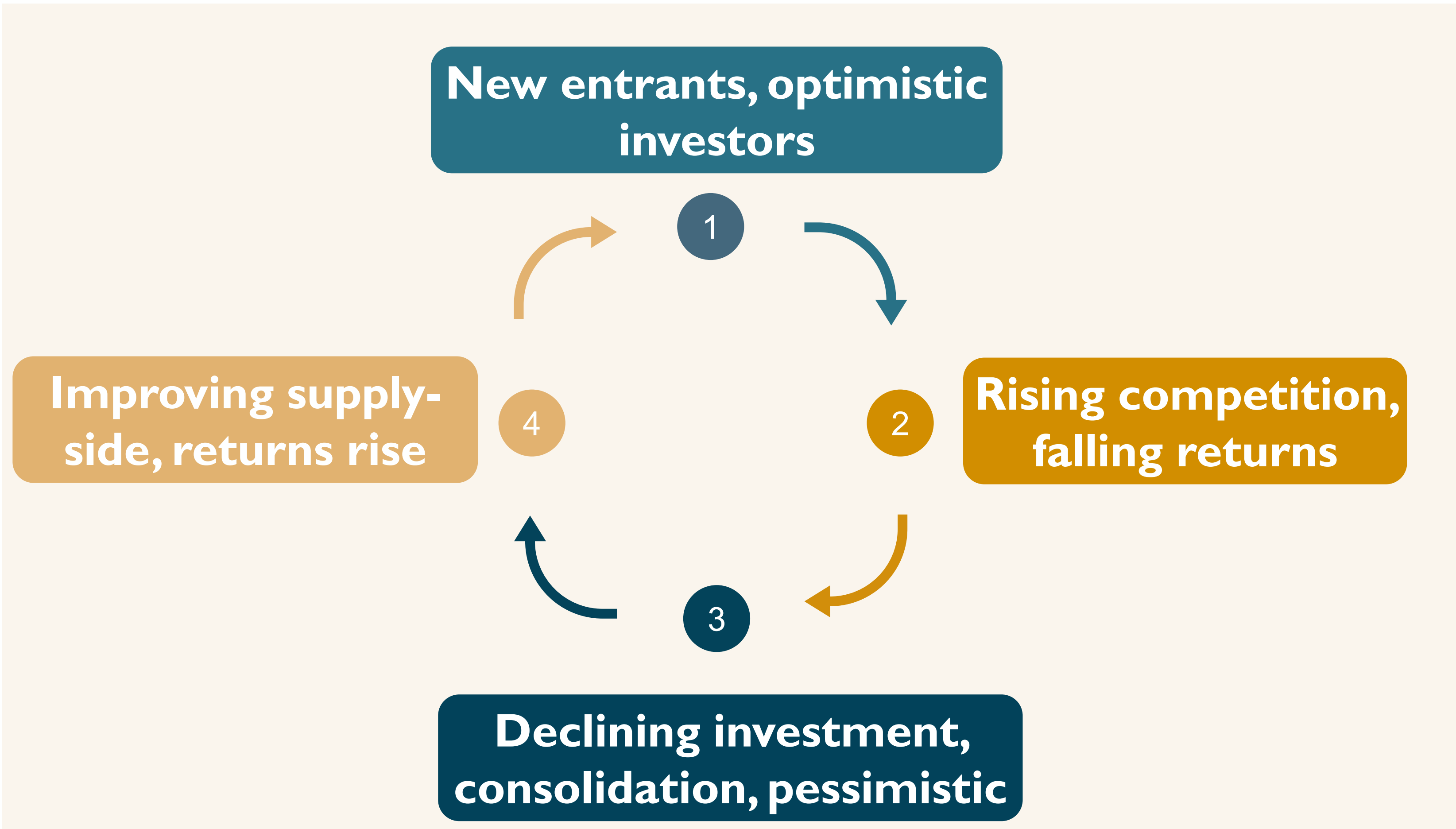
The Capital Cycle: A framework for contrarian thinking



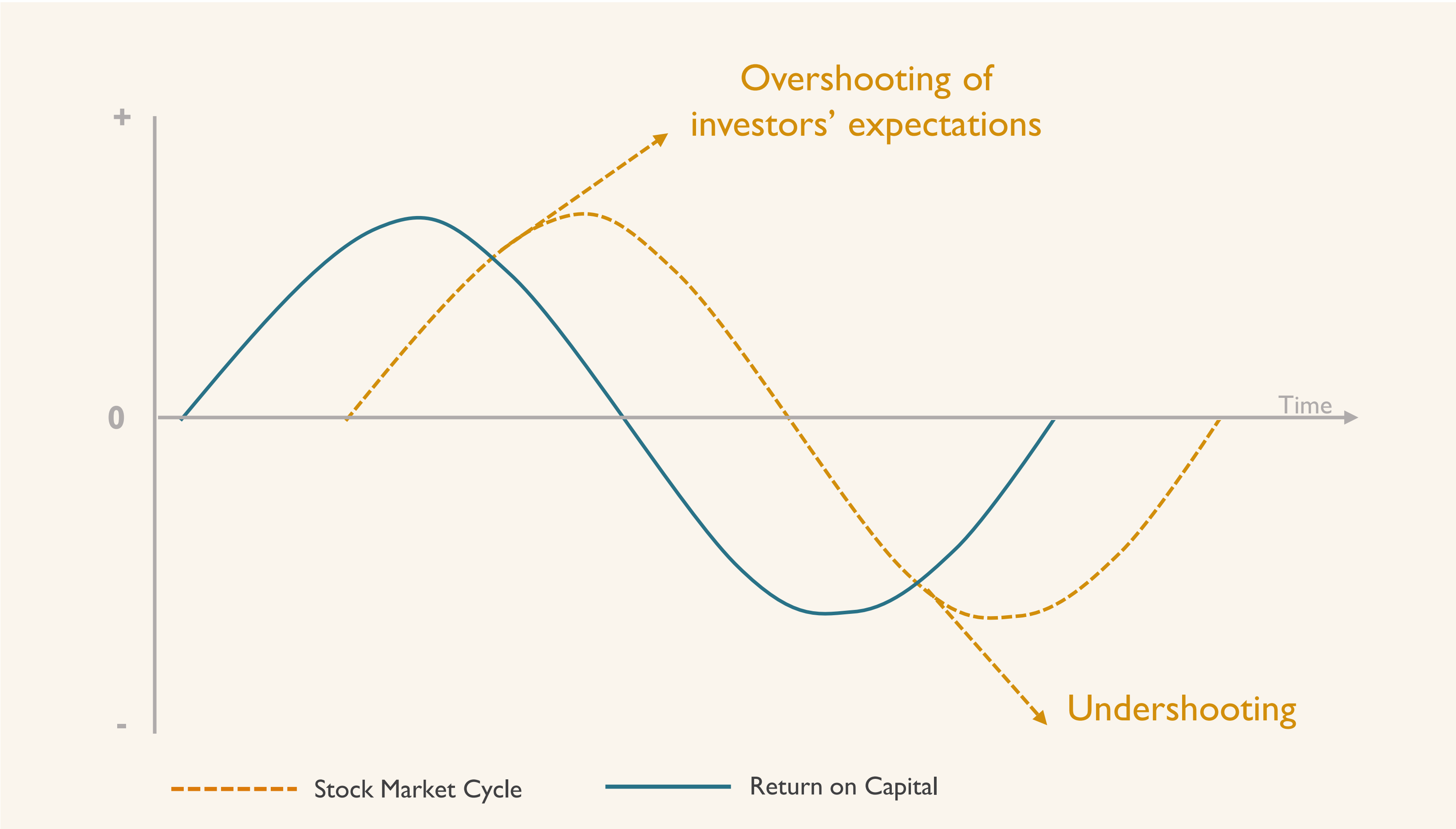
Source: Hosking Partners.

The Capital Cycle



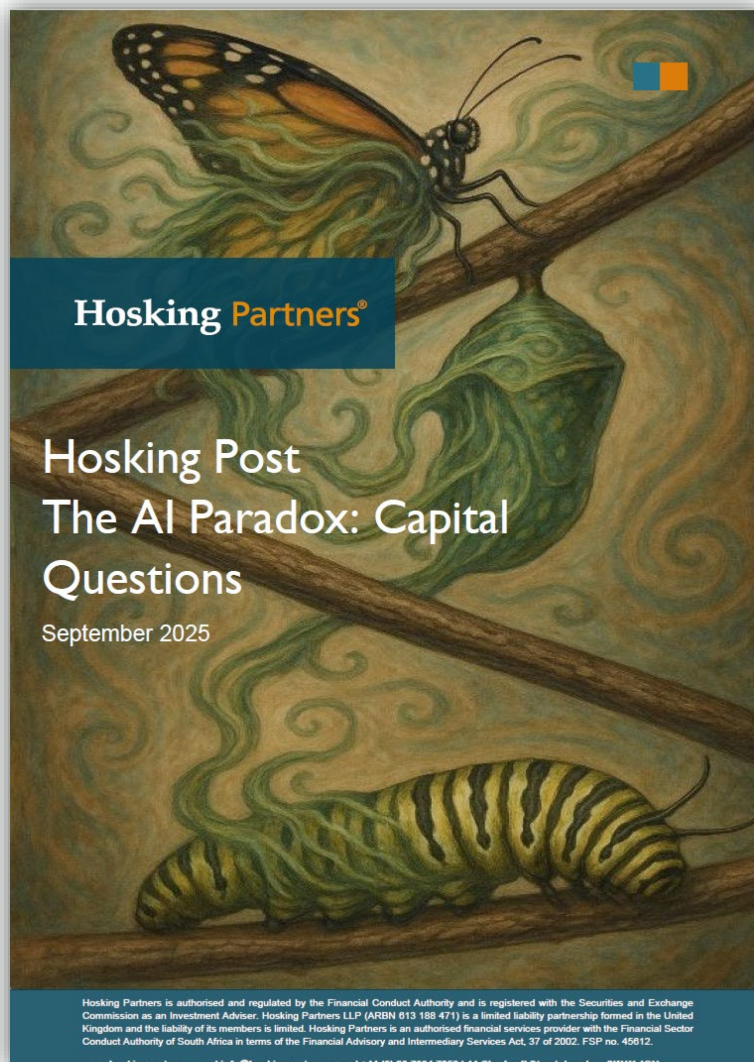
Source: Hosking Partners.

The Capital Cycle



Source: Hosking Partners.

Bubble avoidance



Source: https://www.hoskingpartners.com/articles/the-ai-paradox%3A-capital-questions

The trillion dollar question

$3 - $4 - $5 Trillion

AI Datacentre spend to 2030

Source: Morgan Stanley $3tr, Nvidia $4tr, McKinsey $5tr. 2024 US GDP US$30 trillion.

The trillion dollar question (part 2)

$3 - $4 - $5 Trillion

Revenue required to generate a 10% ROIC

Source: Hosking Partners estimates. Sep 2025.

“If we end up misspending a couple of hundred billion dollars, I think that is going to be very unfortunate, obviously”

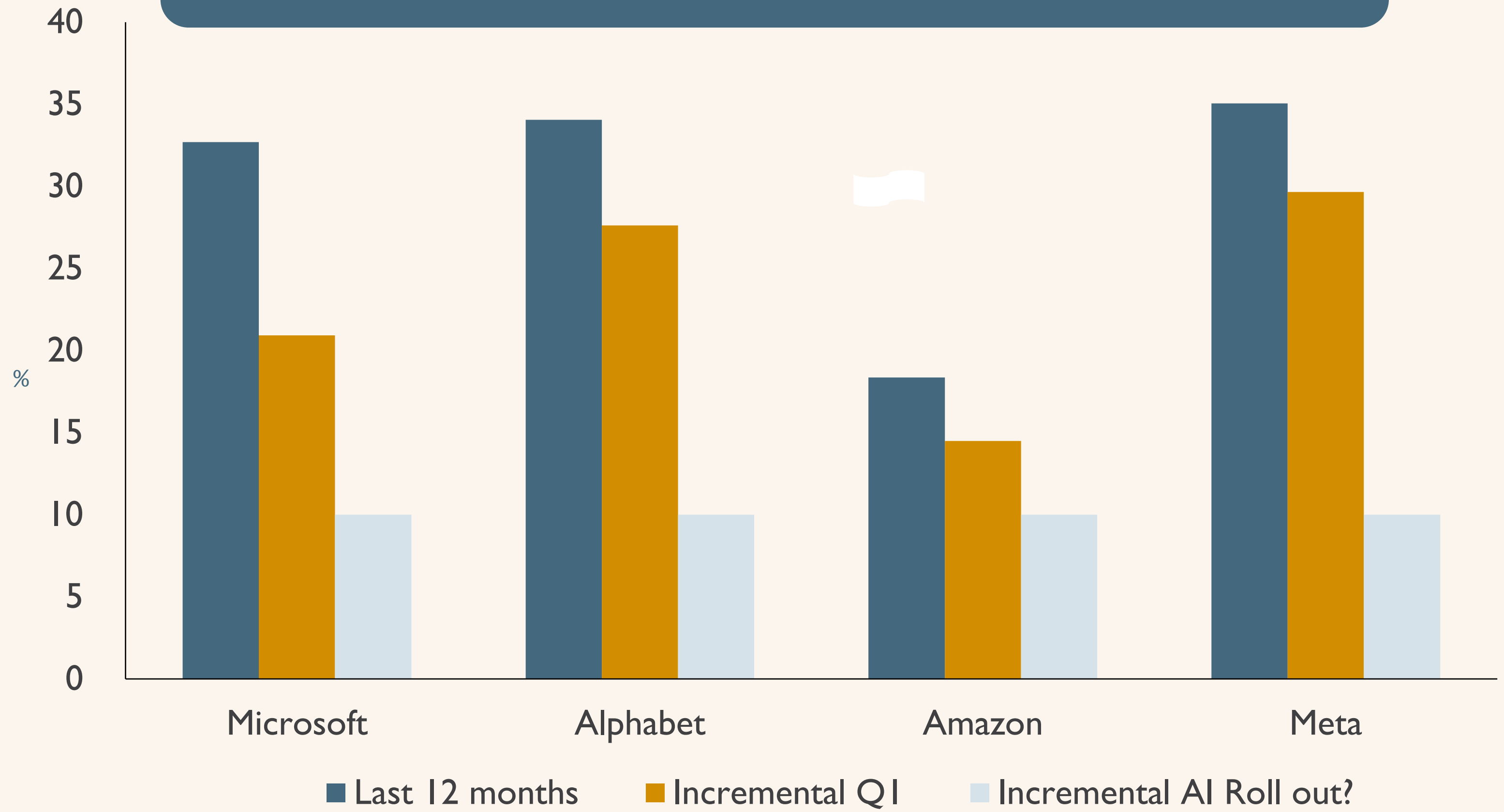
Source: Google Images (Creative Commons). https://finance.yahoo.com/news/mark-zuckerberg-says-meta-misspending-100400585.html

"I am willing to go bankrupt rather than lose this race"

Source: Google Images (Creative Commons). Larry Page quote is not directly attributable but has been widely reported.

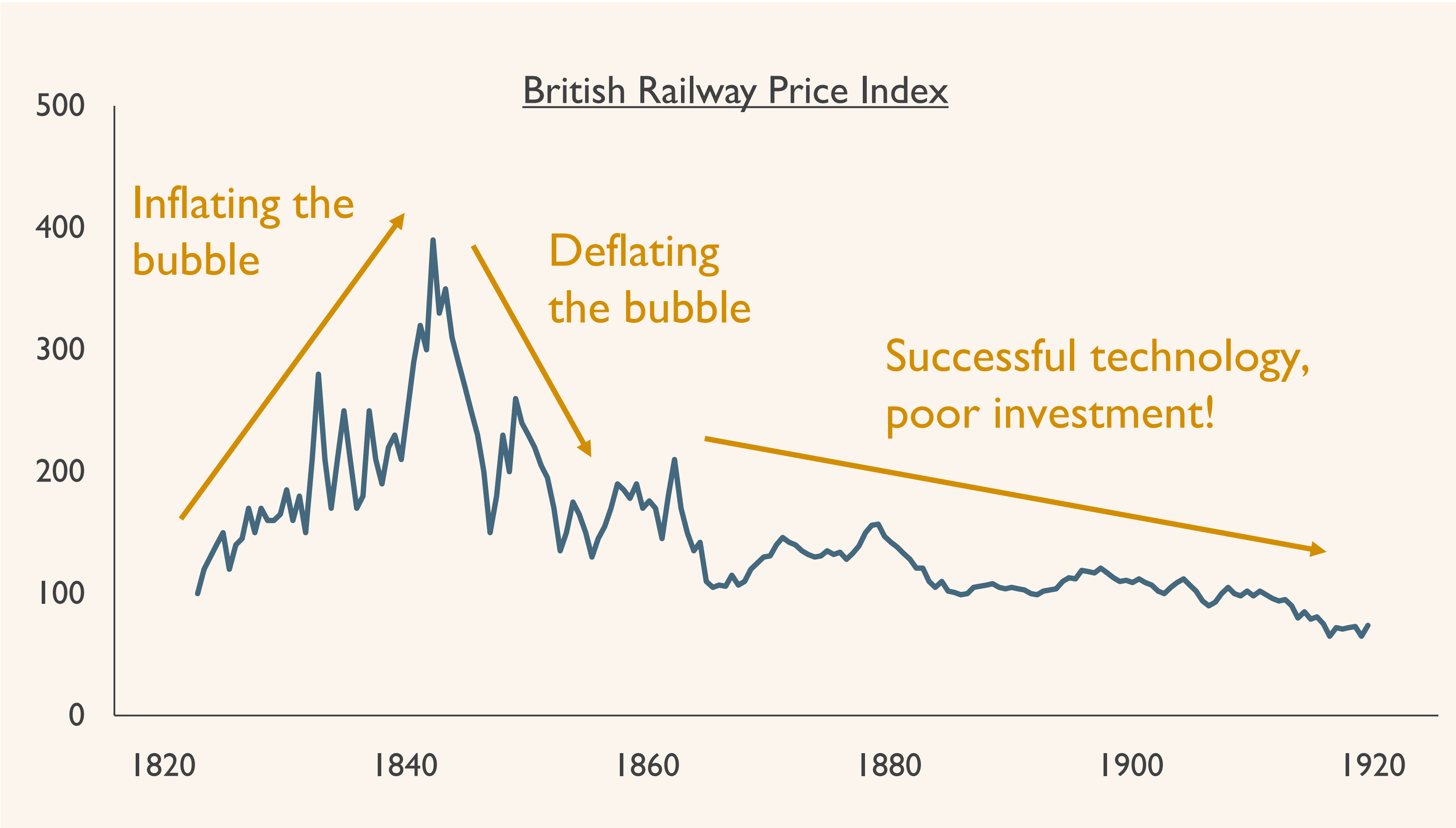
A reversal in return on invested capital

“It is a company’s return on capital, not changes in quarterly earnings, which primarily determines the direction of its share price”



Source: Empirical Research Partners Analysis. ROIC defined as EBIT divided by the average of beginning and end of period Invested Capital (Shareholders' Equity + Long-Term Debt). Incremental ROIC is the increase in EBIT from Q1 2024 to Q1 2025, divided by the change in invested capital over that same period. Quote by Edward Chancellor.

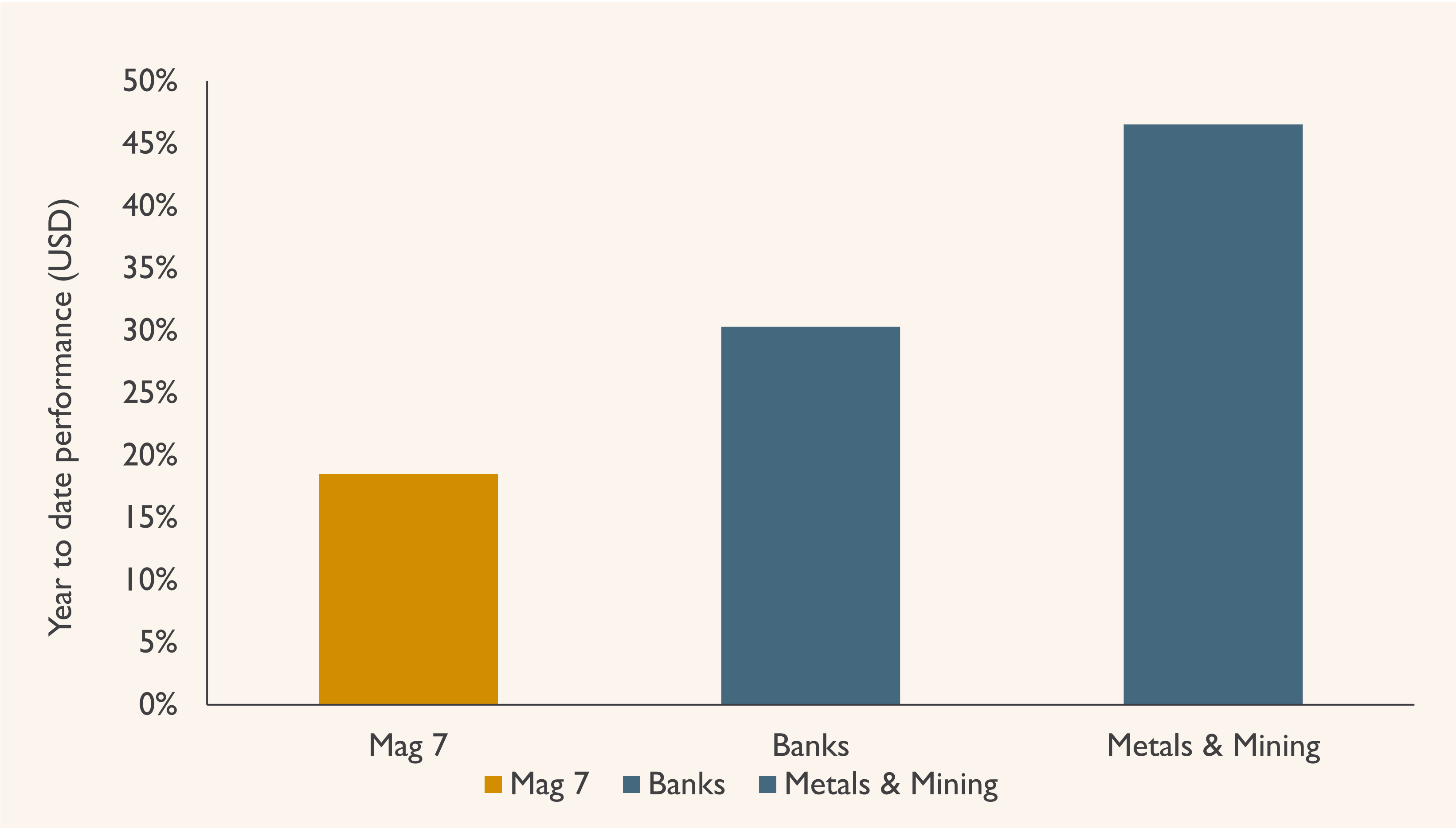
An asylum of railway lunatics



Source: Chart reconstructed from - The Growth and Fluctuation of the British Economy 1790-1820 (2 vols.), Oxford: Oxford University Press, 1953. K.C. Smith and G. F. Horne, An Index Number of Securities, 1867-1914, London and Cambridge Economic Service Special Memorandum, no.37. Banker's Magazine and Railway Times (various issues 1849 to 1868). "Engines That Move Markets" by Alasdair Nairn. D.G. Gayer, W.W. Rostow and A. J. Schwartz.

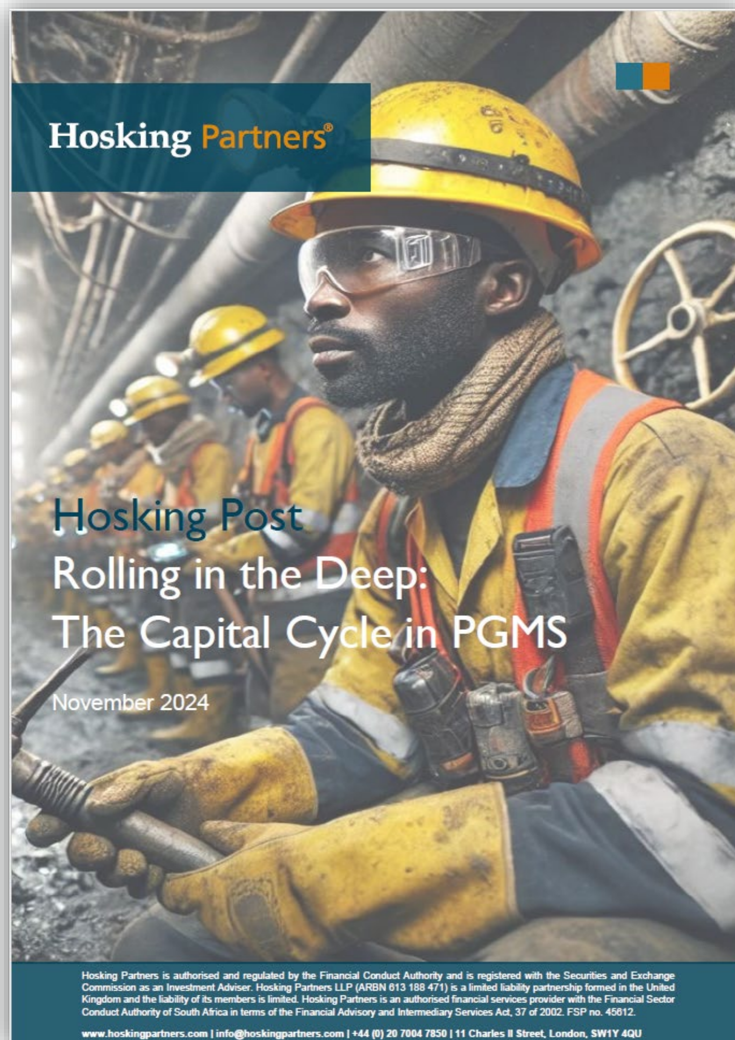
The tide has turned

Old economy stocks outperforming Mag 7



Source: FactSet. Mag 7 index cap weighted. MSCI AC World/Banks Index, MSCI AC World/Metals & Mining Index. As at 30 Sep 2025.

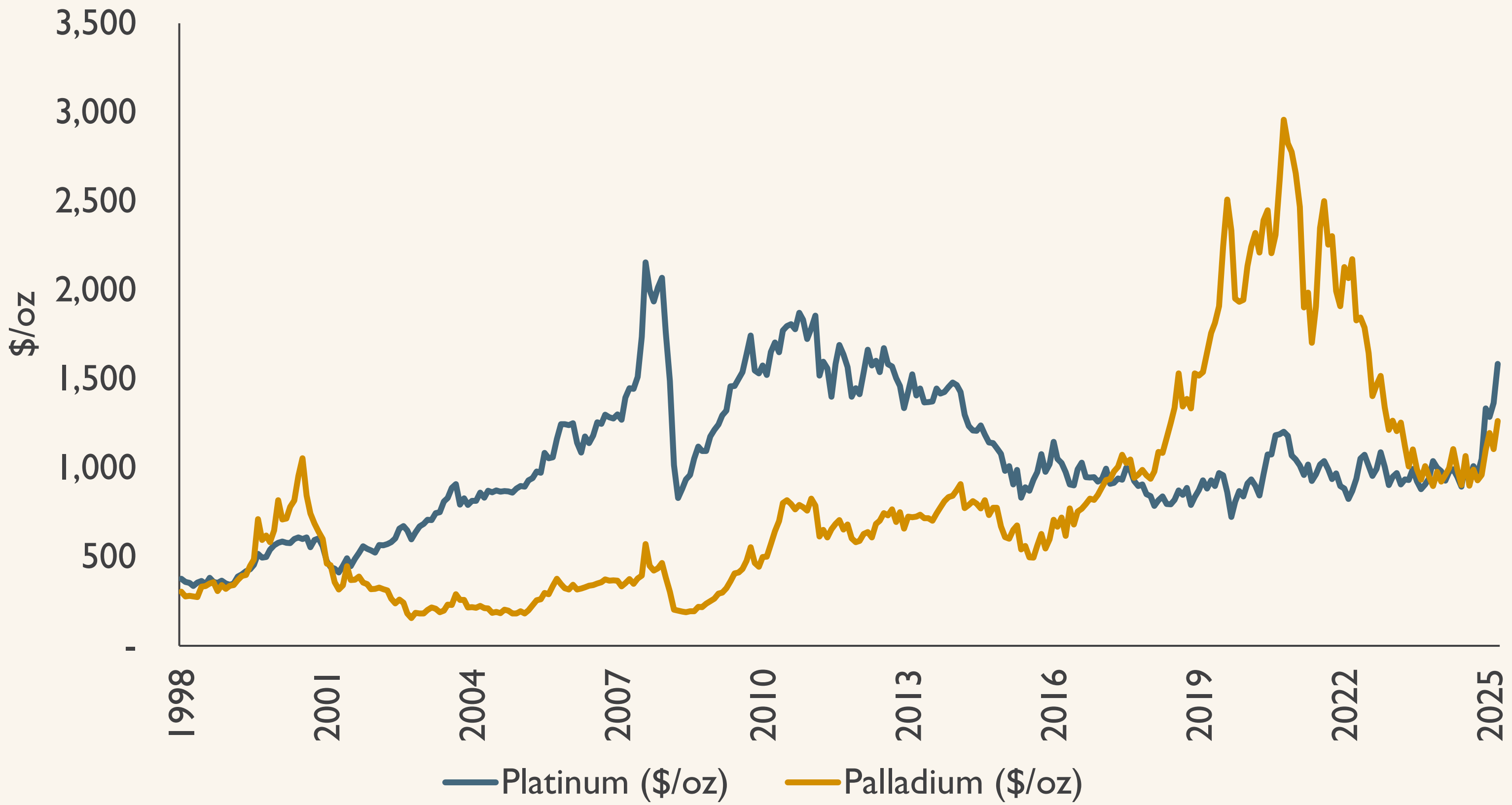
Unearthing gems



Source: https://www.hoskingpartners.com/articles/rolling-in-the-deep%3A-the-capital-cycle-in-pgms

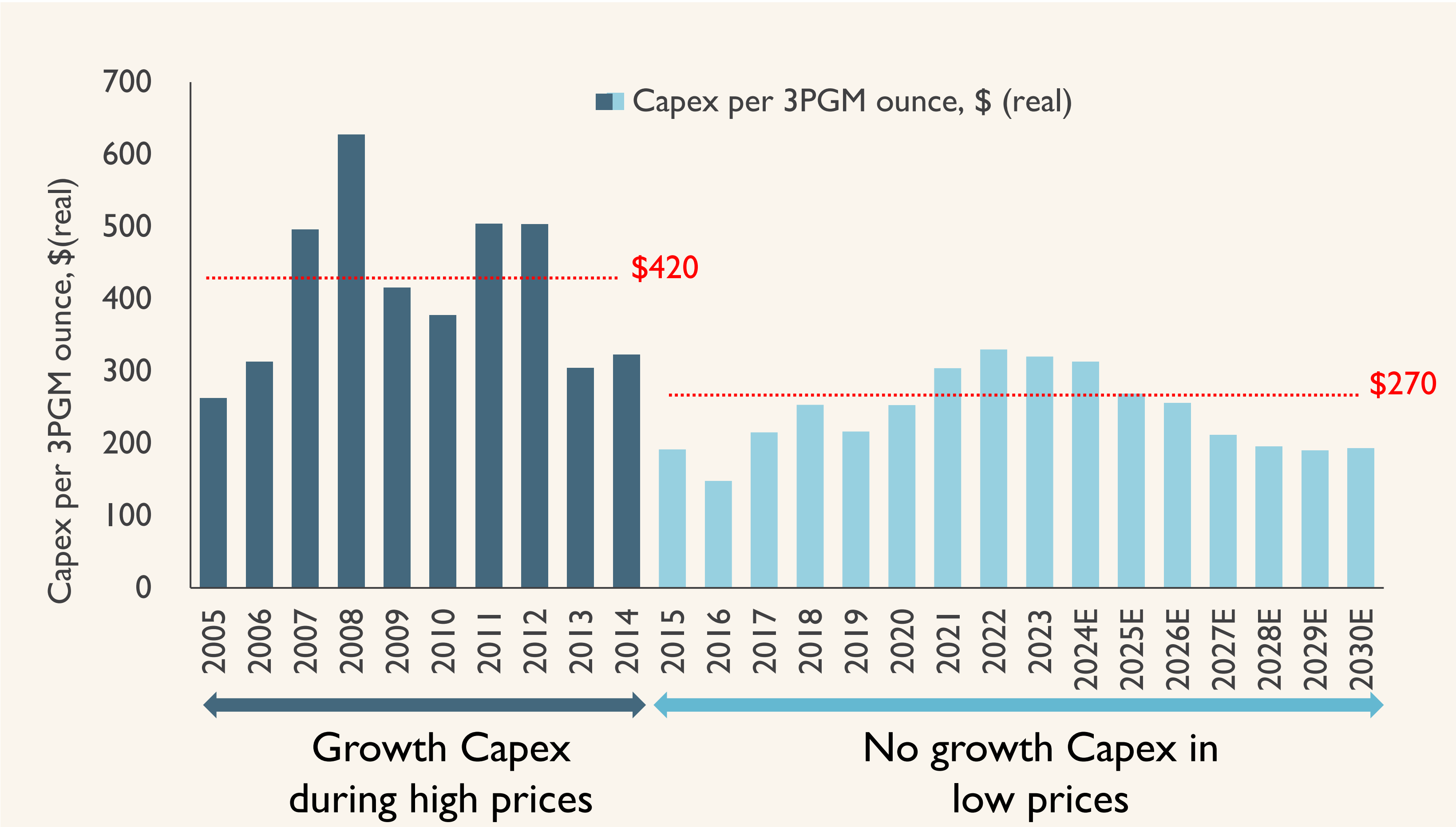
Source: Hosking Partners.

Platinum - three decades of going nowhere…until boom!



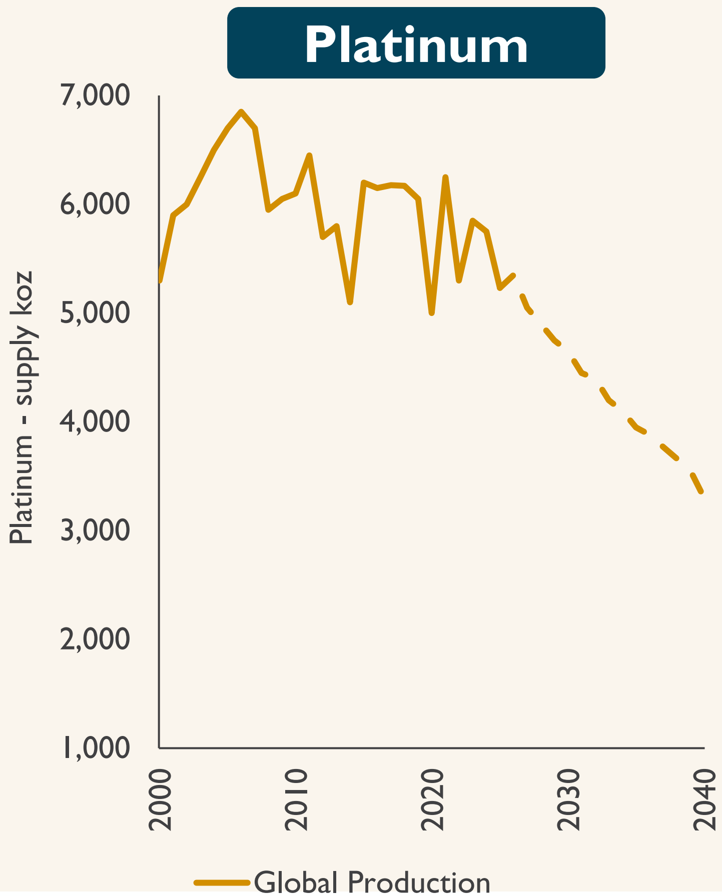
Source: Hosking Partners. FactSet. For period 31 Jul 1989 to 30 Sep 2025.

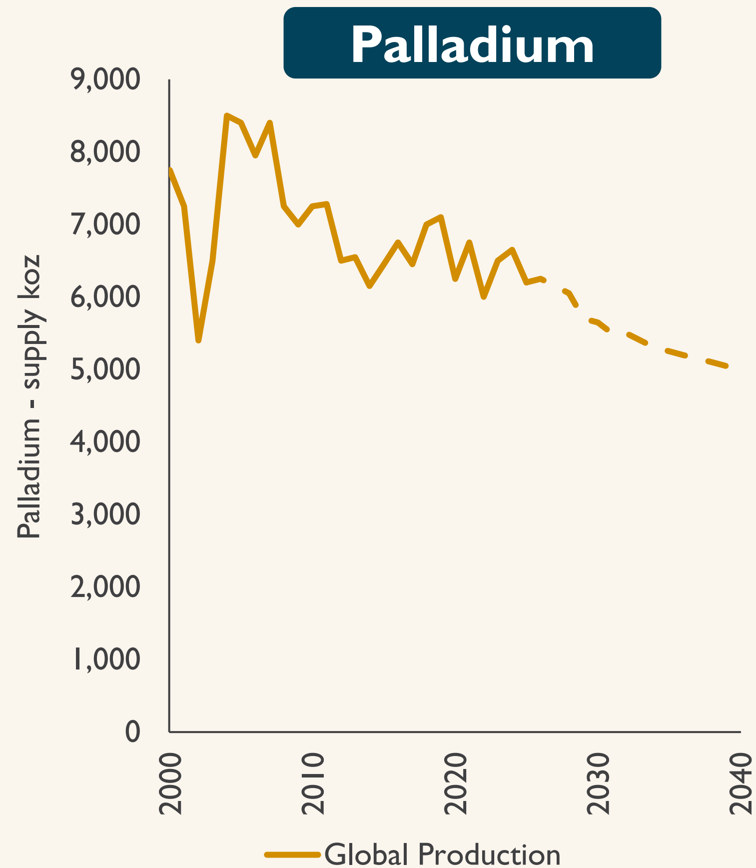
The industry has not invested in new supply



Source: UBS. Sector Keys: South African Mining. 09 Sep 2024. Capital intensity ($/oz real). Johnson Matthey Company date, UBS estimates.

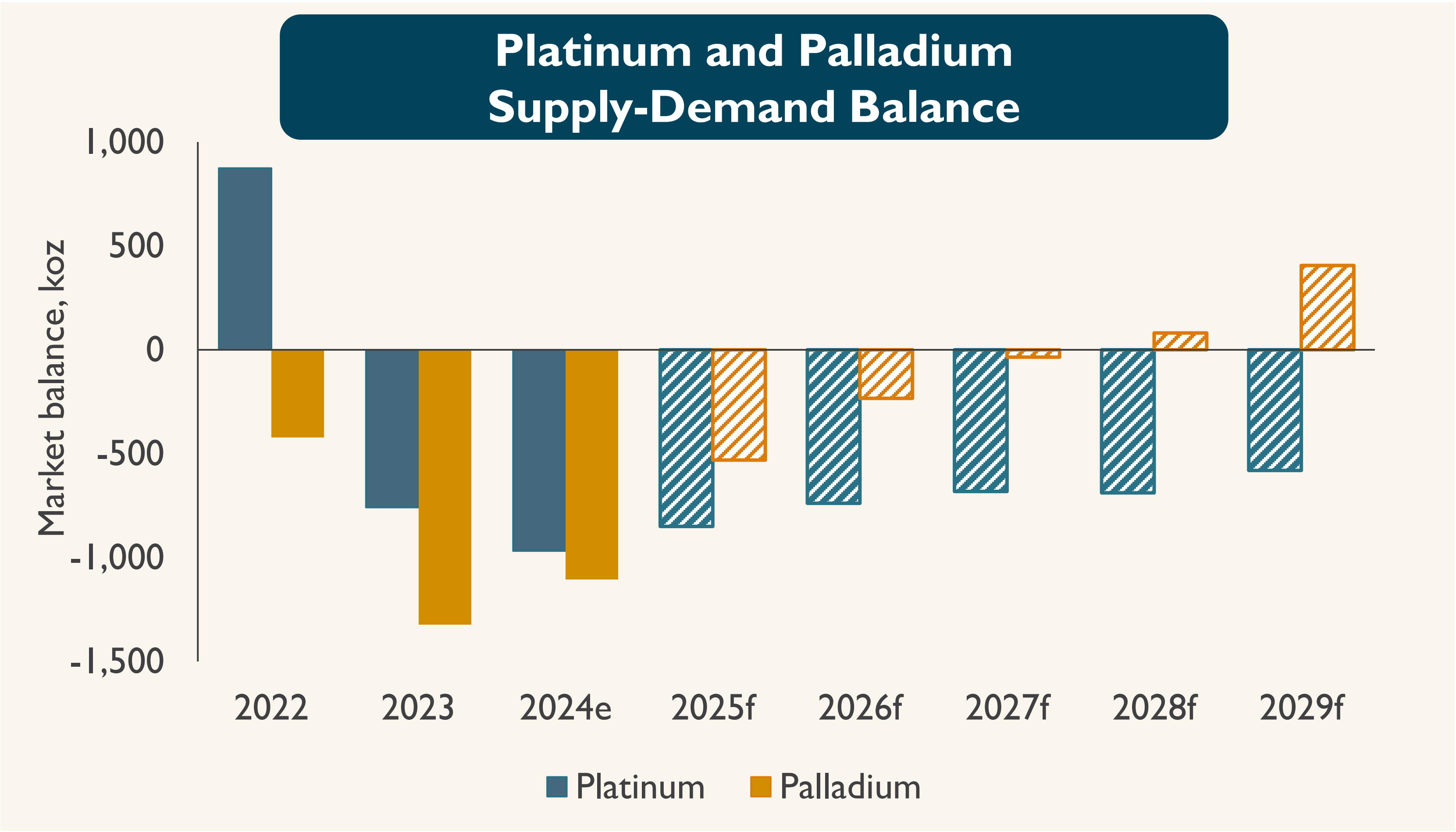
The supply of ounces is falling…fast!





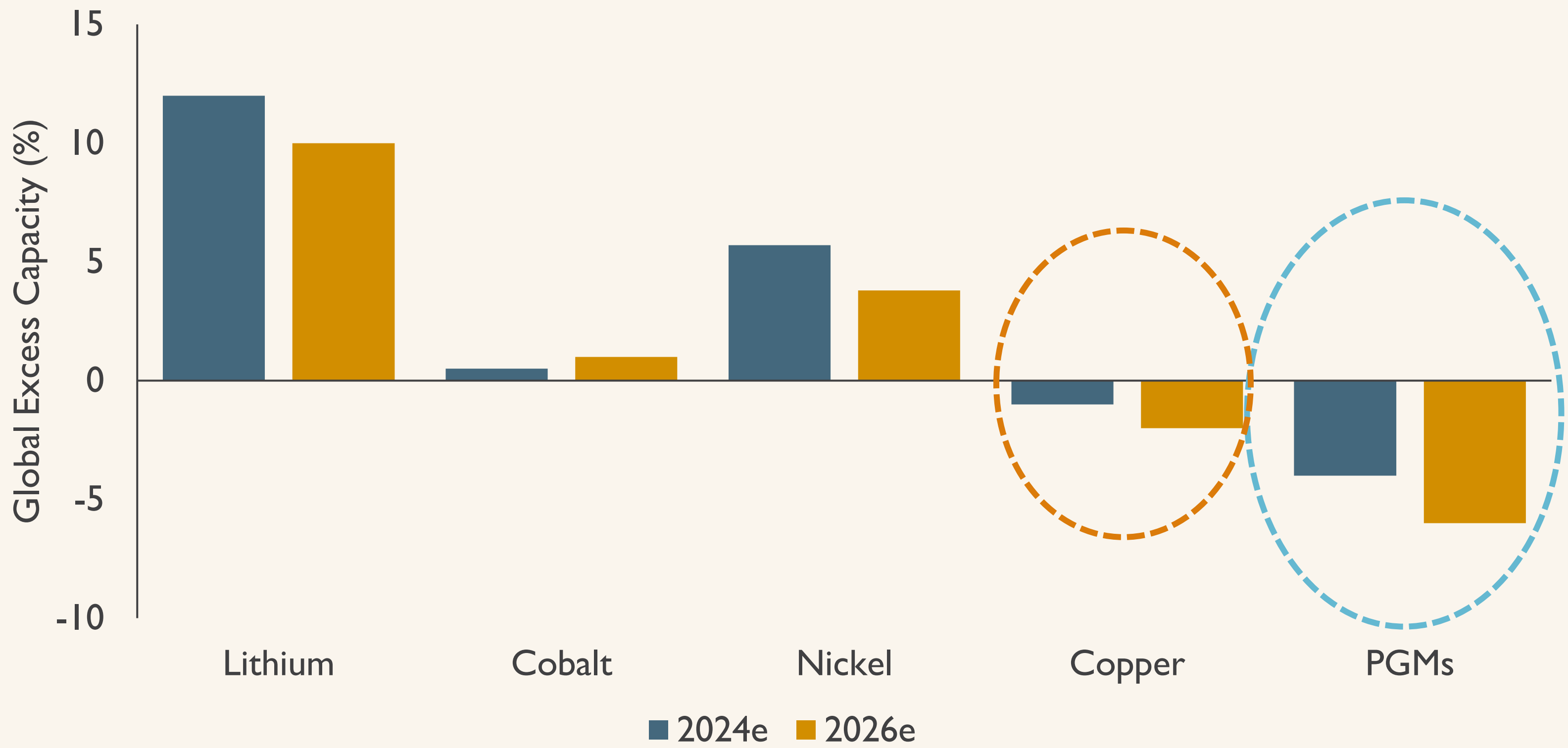
Source: Northam Platinum Holdings – operational and financial results for the year ended 30 Jun 2025.

…Leading to a looming PGM deficit



Source: WPIC – Platinum Essentials. Q2 2025. Metals Focus 2022 to 2023 (palladium) and 2022 to 2025f (platinum), Company guidance, WPIC Research.
All estimates for platinum from 2026f to 2029f included in this report are WPIC forecasts, with the exception of mine supply which is based solely upon publicly published company guidance. Palladium estimates from 2024e to 2029f in this report are WPIC forecasts, again with the exception of public company guidance for mine supply.

The Capital Cycle – the good, bad & ugly



Source: Hosking Partners. BNP Paribas Exane estimates, Refinitiv. May 2024.

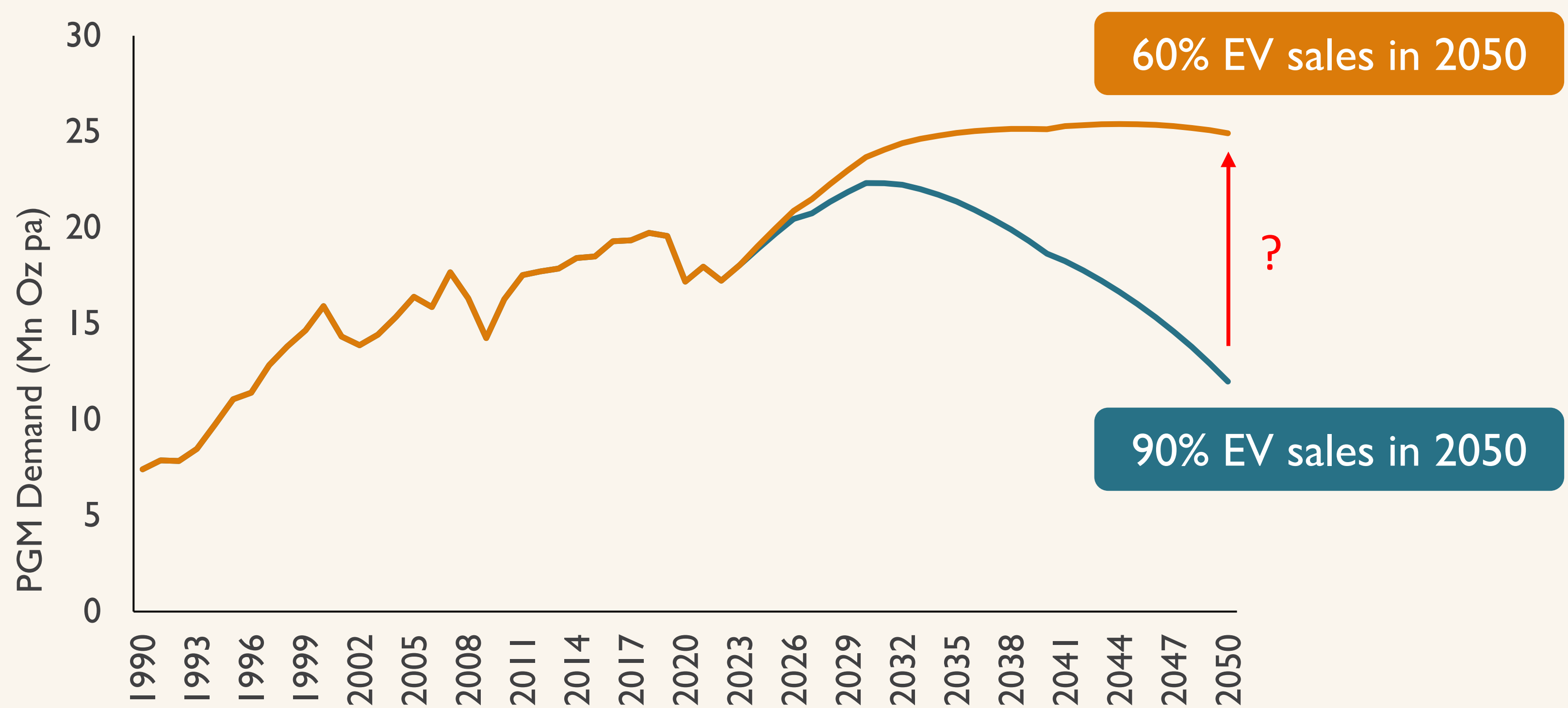
“Prediction is difficult, especially about the future!”

Niels Bohr

Source: Niels Bohr

Upside for PGMs?

If BEVs plateau, PGM demand remains robust



Source: Thunder Said Energy, data shows PGM demand encompassing platinum, palladium and rhodium. Sep 2024.

Replacement cost analysis – a forgotten art?

Source: https://www.angloamericanplatinum.com/media/multimedia-library/process, Rustenburg base metal refinery.

Partners in a new build?

Robert Mugabe

Julius Malema

Vladimir Putin

Source: Alamy.

Smelting assets valued below replacement cost

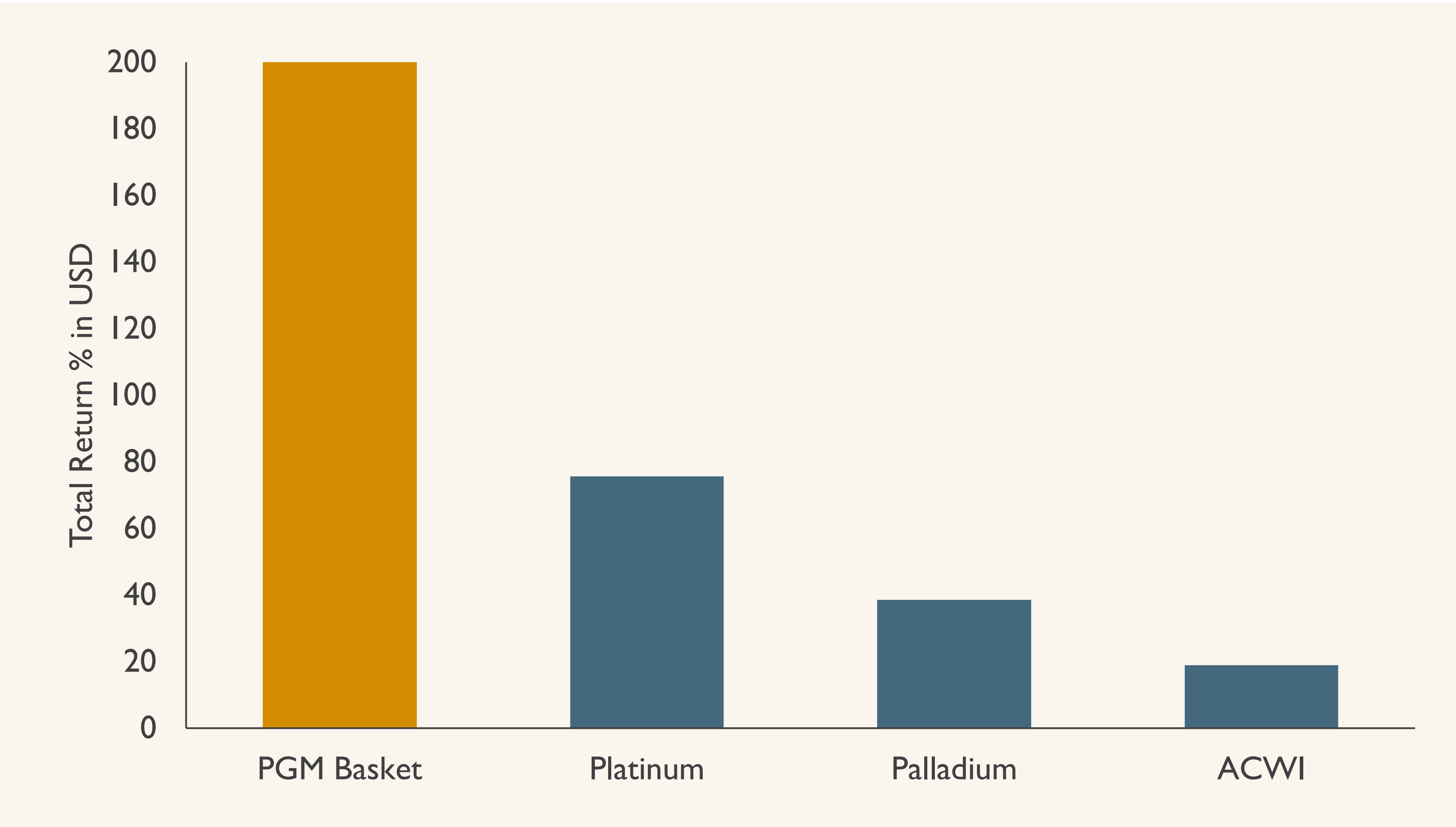
Stocks	Enterprise Value ($bn)	Replacement Cost est. ($bn)	Discount to replacement cost
IMPLATS Distinctly Platinum	11.4	17.2	66%
Valterra PLATINUM	18.5	22.5	82%
SYLVANIA PLATINUM LIMITED	200m	240m	83%
Sibanye Stillwater	8.9	9.7	91%
Average			81%

Source: FactSet, Hosking Partners estimates. Alamy, company websites. USD. Sylvania Platinum figures in USDm. Weighted averages for replacement cost and peak earnings totals based on the enterprise value. Oct 2025. The portfolio holds all of these securities. This does not represent all the securities purchased or sold. Further details of the calculation methodology and a list showing every holding's contribution to overall performance during the period is available upon request.

The Hosking Partners PGM basket

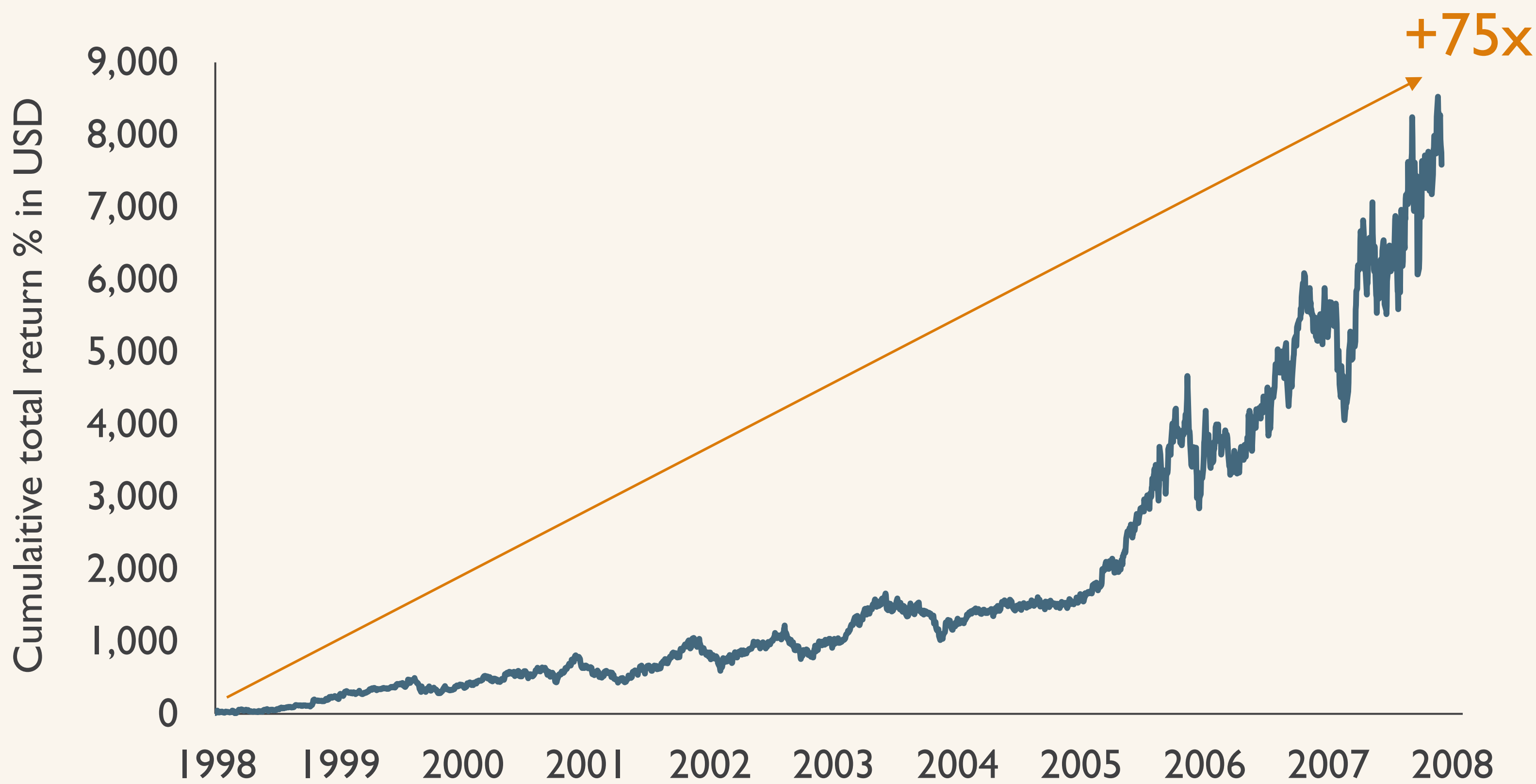
Source: Alamy, company websites. Some images have been cropped. The portfolio holds all of these securities. This does not represent all the securities purchased or sold. Further details of the calculation methodology and a list showing every holding's contribution to overall performance during the period is available upon request.

Returns 2025 YTD of the basket



Source: FactSet. Total returns in USD from 01 Jan 2025 to 01 Oct 2025. PGM basket consists of Chalice Mining, Impala Platinum, Northam Platinum, Sibanye Stillwater, Sylvania Platinum and Valterra Platinum. This does not represent all the securities purchased or sold. Further details of the calculation methodology and a list showing every holding's contribution to overall performance during the period is available upon request.

The ten year 75 bagger!



Source: FactSet. Impala Platinum total return in USD for period 30 Jun 1998 to 30 Jun 2008. The portfolio holds this security. This does not represent all the securities purchased or sold. Further details of the calculation methodology and a list showing every holding's contribution to overall performance during the period is available upon request.

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GLOSSARY OF TERMS

Number of securities - total number of stocks held in the portfolio or index. **Weighted Average** - calculated by the sum of multiplying the metric by the weight of each stock, then dividing that number by the sum of the weight of each stock. **Harmonic Average** - this figure is used to discount the effect of extreme outliers on the mean figure. A weighted harmonic average has been used to calculate the P/E, PB and P/S ratios. **Market cap** - the equity market value of a stock held in the portfolio or index. It is calculated by shares outstanding times the stock price. Market capitalisation is based on the ultimate parent company, if not this is not available then it is based on the security listing. **Price to Earnings using FY1 Est** - a ratio to compare a stock's price and its earnings per share using the FY1 EPS estimate. It is calculated by dividing the price per share by the EPS estimate. **Price to Book** - a ratio used to compare a stock's market value to its book value. It is calculated by dividing the stock price by the latest quarter's book value per share. **Price to Sales** - a ratio that compares a stock's price to its revenues. It is calculated by dividing the stock price by the sales per share. **Dividend Yield** - a ratio that indicates how much a company pays out in dividends each year relative to its share price. It is calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock. **Net Margin** - a ratio of net profits to revenues which shows how much of each dollar earned by the company is translated into profits. It is calculated by dividing net profit over revenue. **Emerging markets exposure** - percentage of the portfolio held in emerging market stocks. **Active Share** - measures the degree of active management and is calculated as by the sum of the absolute difference in weight of the portfolio and index, divided by 2. Cash excluded. **Turnover** - a measure of how frequently assets are bought and sold. It is calculated by taking the lower of purchases or sales divided by the average market value for the period. Portfolio rebalances are included in the turnover figures. Turnover figures previously reported (28th February 2023 and prior) excluded 2022 rebalances. **ETFS** - The Sector & Industry GICS classification for all ETFs held in the portfolio are unclassified and therefore are not shown in the Sector reports.

RISK

Hosking's strategy focuses on equities and equity-type securities primarily traded publicly on global markets. Hosking's strategy involves a risk of loss that clients should understand and be prepared to bear. Hosking will provide details of material risks prior to a client investing with Hosking. Such risks include

Valuation Risk - Hosking may invest in securities that are either unlisted or de-listed, have had their trading or listing suspended or which are otherwise thinly traded. It may not always be possible to obtain a reliable valuation and any discrepancy between the valuation applied to such securities and the value they may realise may adversely impact the value of the client's portfolio and any fees calculated by reference to the value or performance of the client's portfolio. **Counterparty, Settlement and Credit Risk** - Counterparty risk is the risk of loss caused by the failure of a counterparty to meet its obligations, including the risk that a party my default in its payment obligations and settlement failure. Where Hosking invests in fixed income securities, derivatives and synthetic securities, clients may be exposed to the risk that the issuer or counterparty may default under the terms of such securities or instruments. 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During this period a portion of a client's capital would be committed to the securities purchased thus preventing investment in other opportunities. **Illiquid Securities** - Clients' assets may include a significant proportion of securities and other instruments for which no market exists and/or which are restricted as to their transferability and/or are unlisted or thinly traded. The ability to acquire or dispose of such investments at a price and time which Hosking deems advantageous may be impaired and sale of any such investments may be possible only at substantial discounts. Clients may therefore be prevented from liquidating unfavourable positions promptly which may lead to substantial losses. **Currency Risk** - A significant proportion of a client's portfolio will be invested in securities denominated in currencies other than the client's base currency. The value of such investments and any income received may fall in value against the client's base currency and currency fluctuations may increase (as well as reduce) any fees calculated by reference to the value or performance of the client's portfolio. Dependence on the **Manager and Key Persons** - The successful implementation of Hosking's investment programme depends to a large degree on the skill and acumen of Hosking, its members, officers and employees. 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In addition, performance fee may create an incentive for Hosking to make investments that are riskier or more speculative than would be the case if there was no performance fee in place.

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RISK (cont.)

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- Where Hosking places orders with brokers under the influence of favourable fees or commission rates or other benefits (such as broker hospitality);
- Where Hosking makes a trading error;
- Where a member or employee of Hosking places a personal trade ahead of a client transaction or has an outside interest which may conflict with the interests of Hosking and/or its clients;
- Where Hosking's remuneration or the remuneration arrangements for a member or employee of Hosking encourages behaviour which is not in the interests of clients;
- Where Hosking is required to provide valuations of certain investments which may influence the performance track record and fees paid to Hosking;
- Where Hosking is required to exercise rights on behalf of clients;
- Conflicts arising where clients invest via a pooled fund (such as liquidity terms and preferential treatment) or where clients with differing fee arrangements are managed "side by side".

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