Date: June 29, 2026

Author: Lonwabo Maqubela

A new investment regime

For much of the post-Cold War period, investors benefited from a relatively stable geopolitical environment, falling interest rates, expanding global trade, and the deepening integration of capital markets. These conditions created a powerful tailwind for financial assets and allowed investors to focus primarily on economic and corporate fundamentals.

That environment has changed.

Today's investment landscape is increasingly shaped by geopolitical conflict, strategic competition between major powers, deteriorating fiscal positions, elevated inflation risks, and rapid technological disruption. Events that were once considered tail risks are becoming recurring features of the global investment backdrop. The challenge for institutional investors is no longer how to predict individual shocks, but rather how to build portfolios capable of withstanding an era characterised by persistent uncertainty and structural change. The convergence of these forces has created an environment defined by a few key themes:

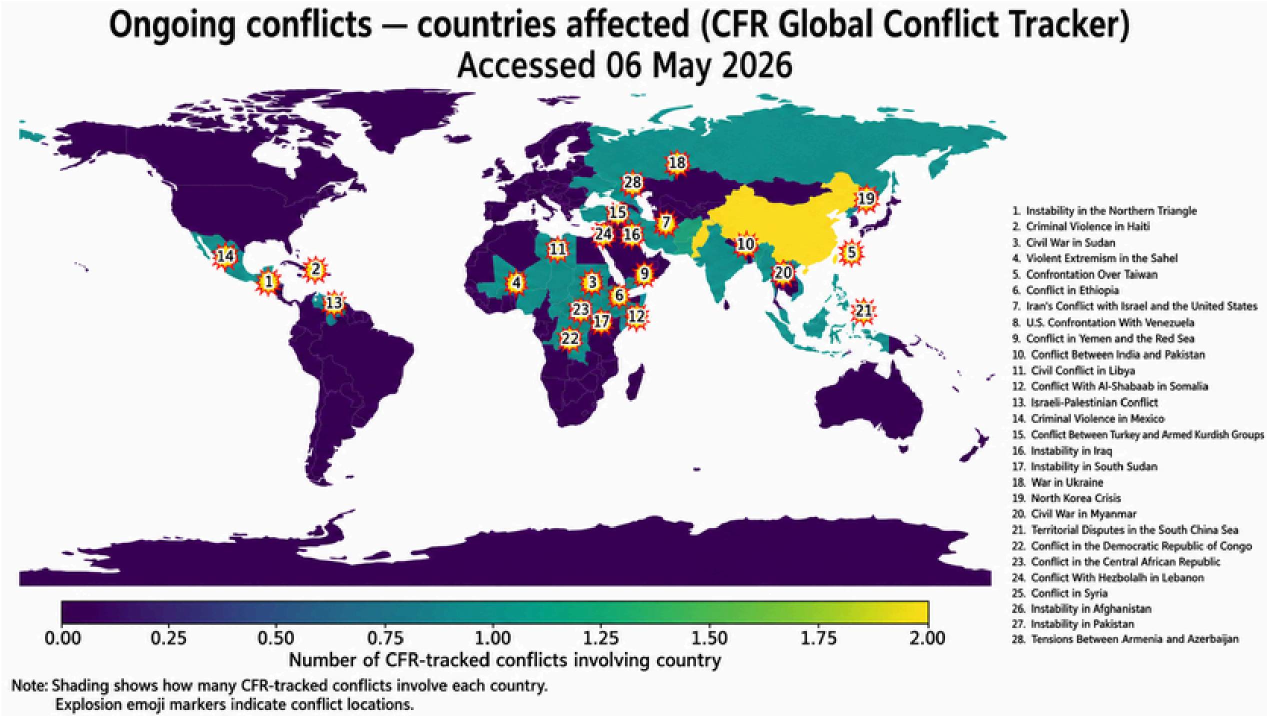
1. Escalating geopolitical tensions
2. Pressure on the global rules-based order
3. Fiscal strain
4. Market concentration
5. Unprecedented technological transformation

Understanding the dynamics of each of these themes is critical for long-term capital allocation decisions.

1. Geopolitical risk has become structural

Geopolitical instability is no longer a temporary disturbance to markets; it is increasingly becoming a structural feature of the global economy. The growing number of active conflicts around the world [Figure 1] reflects a weakening of traditional stabilising institutions and a rise in strategic competition among nations.

Figure 1: Global conflict map



Source: CFR Global Conflict Tracker

Recent developments in the Middle East illustrate this reality. The progression from negotiations with Iran to direct military escalation demonstrates how quickly diplomatic engagement can coexist with, and ultimately give way to confrontation. Repeated episodes of near-agreement followed by reversals have highlighted the challenges of achieving durable settlements in an environment characterised by low trust and competing strategic objectives.

Perhaps more concerning for investors is the risk of escalation dynamics. History shows that conflicts often begin as limited actions intended to achieve specific objectives but can evolve into broader confrontations as each side responds and seeks to re-establish deterrence. The economic consequences extend beyond military expenditure to include disruptions to trade routes, energy markets, supply chains and business confidence. For investors, geopolitical risk must therefore be viewed not as a series of isolated events but as an ongoing source of volatility that can materially influence inflation, growth, and asset valuations.

2. The global rules-based order is under pressure

Alongside rising geopolitical tensions, the institutions that have historically underpinned global stability are facing growing challenges.

The post-World War II international framework was built around organisations such as NATO, the United Nations, the World Trade Organization, the World Health Organization, and the International Criminal Court. These institutions helped provide predictability, encourage cooperation and establish mechanisms for resolving disputes.

Today, however, these institutions are increasingly being bypassed, challenged or weakened. Trade disputes are increasingly managed through tariffs rather than multilateral processes. Collective security arrangements face growing strain. Climate commitments have become more fragmented, while global health coordination has weakened following shifts in political priorities. The common theme is a move away from institutional restraint towards more transactional and unilateral decision-making.

At the same time, leadership quality and policy consistency have become increasingly important investment considerations. Frequent policy changes, weakening institutional memory and governance challenges can amplify uncertainty and increase the risk of policy mistakes.

For institutional investors, this shift implies a world where political decisions may have a greater influence on economic outcomes and where assumptions regarding global co-operation should be revisited.

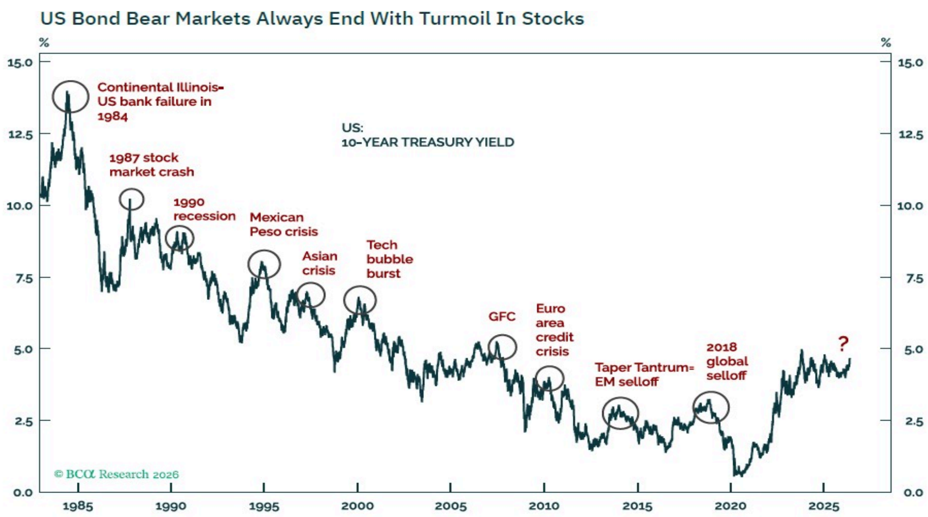
3. Fiscal stress and macroeconomic fragilityGeopolitical risks play out in markets and the real economy

Beyond geopolitics, macroeconomic conditions are becoming more complex.

Government debt levels have risen significantly across developed economies as fiscal deficits continue to expand. Higher debt burdens inevitably lead to higher financing costs, particularly in an environment where interest rates are no longer anchored near zero.

The bond market has begun to reflect these concerns [Figure 2}. Rising yields suggest investors are demanding greater compensation for sovereign risk, inflation uncertainty and fiscal deterioration. Historically, periods of bond market stress have often preceded broader market volatility.

Figure 2: Bond markets are reflecting heightened risks



Source: BCA Research

Compounding these challenges is the unwinding of quantitative easing. For more than a decade, central bank asset purchases suppressed bond yields and supported financial asset valuations. As central bank balance sheets contract and liquidity conditions normalise, markets are being forced to reprice risk in a less supportive environment.

Energy markets remain another important transmission channel. Historically, many U.S. recessions have been preceded by oil price shocks. While economies are less energy-intensive than in previous decades, sustained increases in energy costs still create inflationary pressures that can force central banks to maintain tighter monetary conditions, ultimately weighing on growth.

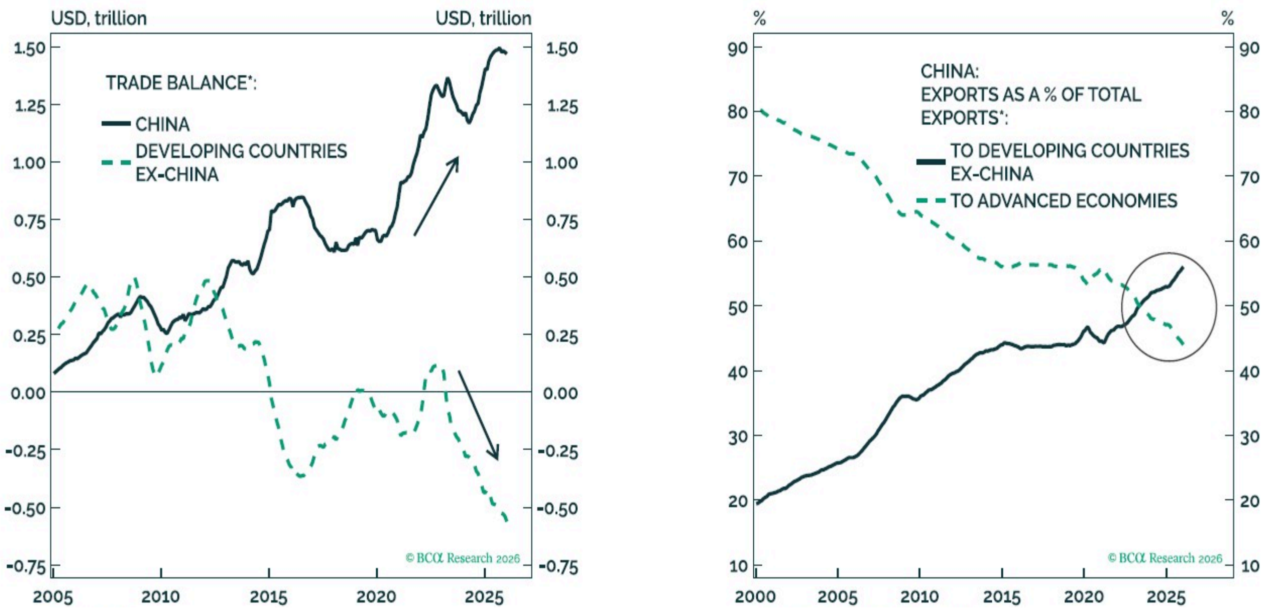
Meanwhile, a notable disconnect has emerged between financial markets and consumers. Equity markets continue to trade near record highs, driven largely by technology-related earnings expectations, while consumer confidence remains subdued and household financial stress is rising. Such divergences have historically proven difficult to sustain indefinitely.

4. When elephants fight, it is the grass that suffers

The strategic rivalry between the United States and China remains one of the defining issues for global investors. While both nations continue to emphasise the importance of stability, Taiwan remains a critical flashpoint. Chinese leadership has consistently framed Taiwan as a core sovereignty issue, making it clear that mismanagement of the issue could significantly damage bilateral relations.

Beyond security considerations, China's growing export footprint is reshaping the economic landscape of developing nations. As advanced economies seek to reduce dependence on Chinese imports and institute tariffs, many emerging markets are increasingly absorbing China's exports [Figure 4]. While this may support short-term growth and trade activity, it also raises concerns about competitiveness, industrial development and long-term economic resilience in developing countries.

Figure 3: Developing countries increasingly absorb more of China’s exports



Source: IMF and BCA calculations

5. Artificial intelligence: evolution or revolution?

The rise of artificial intelligence represents another profound force reshaping investment markets. AI has already triggered one of the largest waves of capital expenditure in modern history. Semiconductor demand, cloud infrastructure investment and data centre construction are growing at extraordinary rates as companies position themselves for an AI-driven future. Yet history suggests that technological innovation does not automatically translate into shareholder returns. Several risks warrant careful consideration.

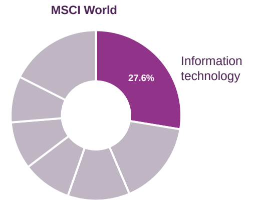
1. Market leadership has become increasingly concentrated in a small number of technology companies whose valuations assume continued exceptional growth.
2. The scale of capital investment required to support AI development raises questions about future returns on invested capital.
3. While AI promises significant productivity gains, it may also lead to meaningful labour market disruption, creating broader economic and political challenges.

For investors, the key distinction is between technological transformation and investment opportunity. The long-term winners of the dot.com boom were not the network deployers but rather the businesses that were able to benefit from the internet use case. We expect that the winners in an AI-enabled economy will likely transition from the infrastructure to businesses that are able to deploy AI into their operations and new business case.

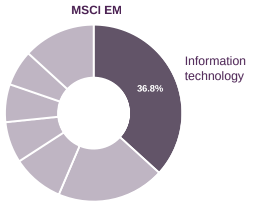
6. The diversification challenge

One of the most significant implications of the current environment is that diversification has become more difficult.

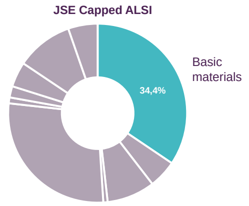
Figure 4: Benchmark concentration



Led by Nvidia and Apple, the 10 largest names make up 27% of the World index



Led by TSMC and Samsung, the 10 largest names make up 38% of the EM index



Led by Gold Fields and AngloGold, Precious metals comprise 25% of the ALSI

MSCI World Top 10	27.0%
Nvidia Corp	5.6%
Apple Inc	4.6%
Microsoft Corp	3.3%
Amazon.Com Inc	2.9%
Alphabet Inc Class A	2.6%
Broadcom Inc	2.2%
Alphabet Inc Class C	2.1%
Meta Platforms Inc Class A	1.5%
Tesla Inc	1.2%
Jpmorgan Chase & Co	1.0%

MSCI EM Top 10	37.6%
TSMC	14.1%
Samsung Electronics Ltd	7.5%
SkHynix Inc	5.7%
Tencent Holdings Ltd	3.0%
Alibaba Group Holding Ltd	2.4%
Mediatek Inc	1.3%
Delta Electronics Inc	1.1%
China Construction Bank Corp H	0.9%
Samsung Electronics Non Voting	0.8%
Hon Hai Precision Industry Ltd	0.8%

JSE Capped ALSI Top 10	50.0%
Goldfields	8.0%
Naspers	7.9%
Anglogold Ashanti PLC	6.7%
FirstRand Ltd	5.2%
Standard Bank	4.8%
Capitec	4.4%
MTN	4.1%
Valterra Platinum Limited	4.1%
Anglo American PLC	2.7%
Absa Group Ltd	2.3%

Source: MSCI, iShares.com, Bloomberg

Global equity valuations remain elevated across many markets. Traditional alternative stores of wealth, including several commodities and digital assets, have become increasingly correlated with equity markets during periods of stress. Benchmarks themselves have become more concentrated, with a small number of companies accounting for a growing share of major global indices [Figure 4].

Perhaps most importantly, the traditional 60/40 portfolio structure faces new challenges. The positive correlation that has emerged between equities and bonds reduces the diversification benefits that investors historically relied upon during market downturns.

In a world where traditional diversification tools are less effective, active portfolio construction becomes increasingly important.

Building resilient portfolios in an uncertain world

The defining feature of today's investment landscape is not any single geopolitical conflict, economic challenge or technological breakthrough. Rather, it is the interaction of these forces and the uncertainty they collectively create.

Successful investing in this environment is less about forecasting every shock and more about building portfolios with resilience, optionality and valuation discipline. This requires a disciplined, clear decision-making framework with emotional and psychological resilience to implement it.

- **Perspective**: One important behavioural feature of markets is that the first reaction to geopolitical shocks is often negative. Investors sell first and analyse later. Risk premia rise, oil and safe-haven assets may spike, and equities often fall as investors attempt to price uncertainty. But over time, markets also adapt. The impulse to sell is not the appropriate reaction after the initial shock. Rather investors should firstly assess whether the market is now rewarding them for the scenario.
- **Diversification**: Navigating various market risks must go beyond the benchmark and the traditional 60/40 framework. Index exposure may embed hidden concentration risks while bonds may not always diversify equity risk. Alternative store-of-wealth assets may also become more correlated to equities during stress. True diversification requires understanding underlying risk drivers, not simply owning more asset classes.

- **Resilience**: Portfolios should be built for resilience and anti-fragility. This means owning companies with balance sheet strength, pricing power, resilient cash flows and management teams able to adapt. It also means recognising that some companies can benefit from volatility, dislocation or higher nominal growth.
- Selective: Investors should have selective technology exposure, but with clear distinctions. The objective is not to own technology blindly. It is to identify the businesses where innovation can translate into durable economics, while avoiding areas where hype, overinvestment or disruption risk is not adequately priced.
- **Thoughtfully responsive**: Investors must remain active, valuation-led and scenario-aware. The current environment rewards investors who can distinguish between price and value, between temporary fear and permanent impairment, and between fashionable narratives and durable cash flows. The world is becoming more unstable, but instability does not eliminate opportunity.

Our approach remains constant: embracing the right risks, at the right value, for the long term.