

2026 Mid-Year Investment Outlook

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Perpetua
INVESTMENT MANAGERS

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On my mind



The AI dilemma: celebrating today's profits, underwriting tomorrow's disruption

Many of the world's major equity markets are trading at or near all-time highs. These include the United States, Japan, Taiwan and South Korea (until recently), as well as broader global indices such as the MSCI World and MSCI All Country World Index.

Strong markets are not necessarily dangerous markets. Earnings have remained supportive, particularly among companies benefiting from artificial intelligence. However, in many cases valuations are above historical averages, leaving less room for disappointment.

At the same time, benchmarks have become increasingly concentrated.

TSMC, Samsung Electronics and SK Hynix now account for close to one-third of the MSCI Emerging Markets Index. In the United States, benchmarks have been concentrated over the last few years. In South Africa, precious-metals companies represent more than 20% of the Capped ALSI – having peaked at more than 30% in 2025. What appears to be a diversified index may therefore contain a significant exposure to one investment theme, commodity cycle or small group of companies.

This matters because concentration can become self-reinforcing. As the largest companies outperform, their benchmark weights rise. Passive funds are then required to own more of them, while active managers face increasing relative risk if they hold less.

The concern is not that these are poor businesses. Many of them occupy critical positions in the global technology supply chain and are producing strong earnings. The concern is that a growing share of investors' capital has become dependent on the same outcome: that the AI investment cycle continues to deliver exceptional growth.

Traditional sources of portfolio protection have also become less dependable.

Government bonds have historically provided income and diversification during equity market weakness. More recently, inflation uncertainty, fiscal deficits and rising government borrowing have at times caused bonds and equities to fall together.

Gold and the Japanese yen have also not always behaved as investors might have expected during periods of market stress. This does not mean that these assets have permanently lost their defensive characteristics. It does, however, mean that investors can no longer assume that yesterday's safe havens will always provide protection tomorrow.

The market is focused mainly on the first-order effect: the profits earned from building AI.

The more difficult question is what happens when the technology works.

As AI becomes more capable and widely adopted, it will increasingly perform tasks currently completed by people. It may complement many workers and create new industries, but it is also likely to replace certain jobs and reduce demand for labour in parts of the economy.

During the global financial crisis, US unemployment reached approximately 10%. That level of social and economic disruption required extraordinary intervention from governments and central banks. AI-related disruption may unfold more gradually, but its effects could ultimately be broader.

This creates the central dilemma of the current market cycle.

Every improvement in AI capability strengthens today's investment thesis. Better models support more spending on chips, data centres and power infrastructure. Stronger adoption supports the earnings of the companies supplying them. However, every improvement also raises the possibility of greater labour displacement, political pressure and economic disruption.

If the benefits of AI accrue mainly to the owners of capital while the costs are borne more widely by workers, governments may face growing demands for redistribution, retraining, income support and new forms of taxation. These longer-term consequences are difficult to forecast and appear to receive far less attention than the near-term profits currently being capitalised by markets.

The AI dilemma: celebrating today's profits, underwriting tomorrow's disruption

There is therefore a contradiction at the heart of today's optimism.

Markets are assigning increasingly high values to the companies expected to make AI more intelligent and more pervasive. Yet the more successful they are, the greater the possibility that the economic and social adjustment becomes more difficult.

This is not an argument to avoid AI or to expect an imminent market collapse. Technological revolutions can last longer and create more value than sceptics expect. It is, however, an argument for recognising that the margin of safety has narrowed.

It requires genuine diversification, valuation discipline, resilience, scenario analysis and a willingness to look different from increasingly concentrated benchmarks.

The irony of the current cycle is that the better AI becomes, the stronger today's market celebration and potentially the more difficult tomorrow's adjustment.

Lonwabo Maqubela
Chief Investment Officer



Asset Allocation



Current asset class positioning

Current asset allocation positioning versus Strategic asset allocation

ASSET CLASS	CURRENT VIEW	RATIONALE	KEY MESSAGE
 SA Equities	 Slightly Overweight	Attractive stock-specific opportunities remain despite a subdued growth outlook.	Earnings momentum and valuation support a cautiously constructive stance.
 Global Equities	 Neutral	Strong earnings but elevated valuations warrant selectivity.	Maintain meaningful exposure but focus on quality and earnings resilience.
 SA Government Bonds	 Slightly Overweight	High real yields, attractive carry and roll-down opportunities.	Attractive risk-adjusted returns in a supportive domestic environment.
 Global Bonds	 Selective / Tactical	Favour US TIPS and UK Gilts; building conviction in Japan; opportunistic in Brazil.	Be selective across markets and durations to enhance returns.
 Credit	 Underweight	Attractive carry but spreads remain relatively tight.	Limited margin for error at current spread levels; prioritise capital preservation.
 Property	 Underweight	Structural pressure on balance sheets, funding costs and demand limit upside.	Challenging operating environment and limited near-term catalysts.
 Cash	 Neutral	Maintained for optionality and liquidity.	Provides flexibility to respond to emerging opportunities and risks.

Fixed Income



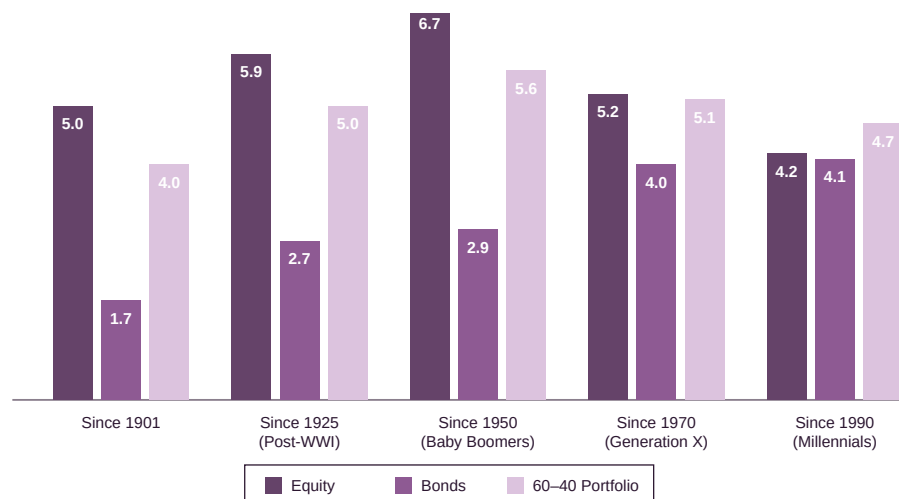
Fixed income: Rethinking the playbook

For decades, government bonds served two important roles in investor portfolios:

1. Generating a predictable income stream.
2. Diversifying equity risk.

This combination underpinned the success of the traditional 60/40 portfolio which delivered attractive risk-adjusted returns since 1970 [Figure 1]. During periods of economic weakness, investors typically sought the safety of government bonds, driving bond yields lower and bond prices higher as equity markets sold off. This negative relationship between equity returns and bond returns provided the diversification benefit that investors had come to rely on.

Figure 1: Long-term performance in annualised real returns: World



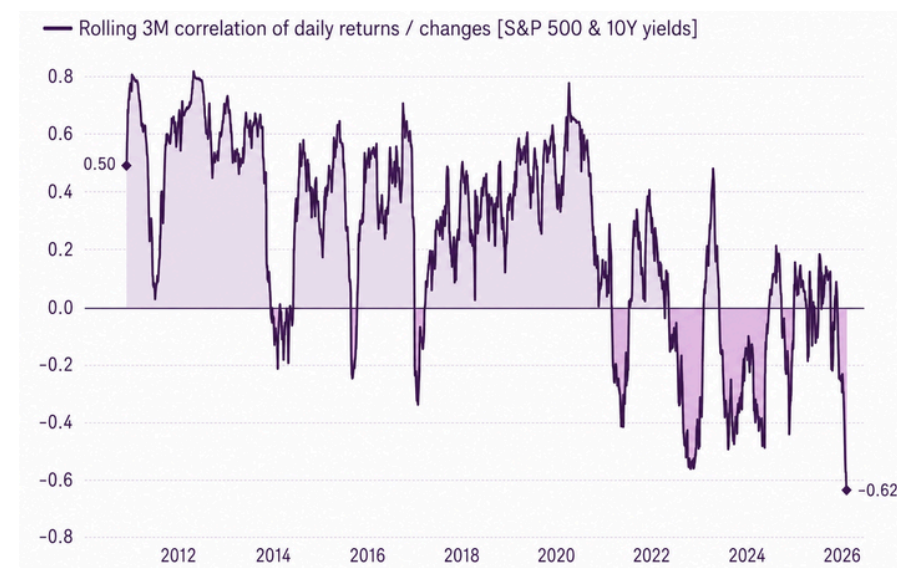
Source: CFA Institute

Bonds have become an additional source of volatility

That historical dynamic between bonds and equities is being challenged today as inflation has re-emerged as the dominant macroeconomic force, while larger fiscal deficits, higher government borrowing requirements and rising term premia have fundamentally altered the behaviour of sovereign bond markets. As a result, bond yields and stock prices increasingly move in opposite directions [Figure 2] which means that bond prices tend to move in the same direction as equities.

This subtle shift has resulted in bond yields becoming an additional source of volatility, rather than cushioning equity drawdowns.

Figure 2: Bond yields and stocks are negatively correlated.



Source: Bloomberg, Sherwood

Rethinking the role of fixed income



The question facing investors today is how to navigate an environment where the traditional relationship between equities and government bonds no longer holds.

Where does fixed income fit in this new world, and how should investors think about its role?

That requires a new playbook.

Traditional playbook	The new playbook
Growth shocks hurt equities	Inflation shocks hurt both equities and bonds
Bonds hedge recessions	Bonds don't automatically hedge inflation
US Treasuries are the default safe haven	Opportunities are increasingly global
Buy and hold duration	Manage duration and hedge risk dynamically

Our roadmap

Three investment decisions for the new fixed income landscape



1. Rethink where you own duration

If inflation is falling, why are yields still so high

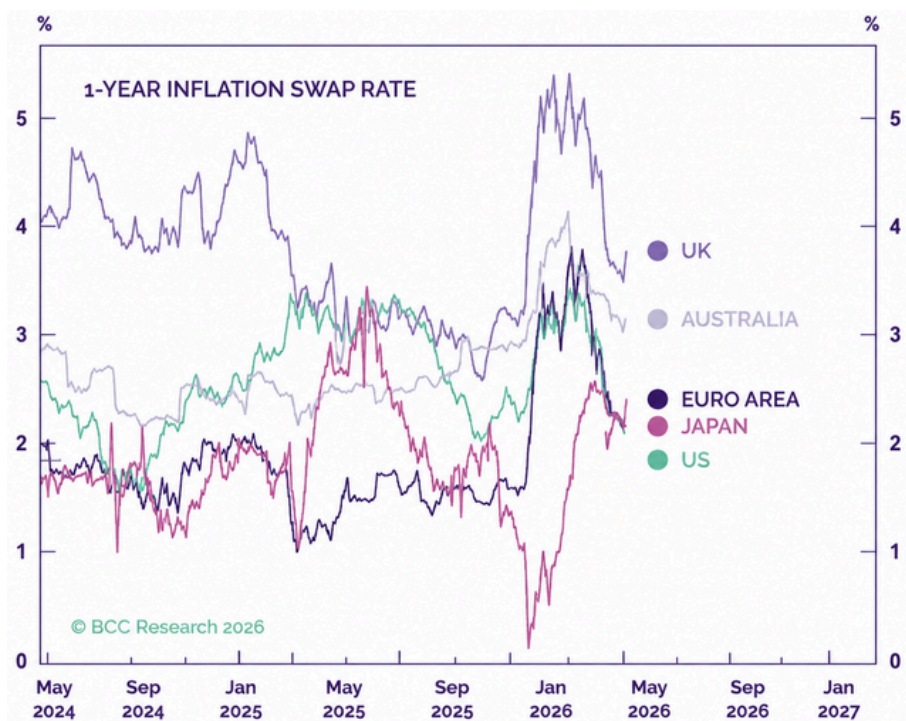
The biggest mistake investors can make today is to assume that lower inflation automatically translates into lower bond yields.

As discussed in our **2026 Investment Outlook**, several structural forces are contributing to a more disinflationary environment. Beyond the gradual de-dollarisation of the global financial system, the energy market is also undergoing a structural transformation. Increased investment in renewable energy, greater electrification of transport and improving energy efficiency are gradually reducing the world's dependence on oil.

Investment Decision	Key Question	What we'll explore	Active skill
1. Rethink where you own duration	If inflation is falling, why are long-term yields still elevated?	Why U.S. Treasuries behave differently today and where duration still offers value.	Macro
2. Broaden your global opportunity set	If not all government bonds are equal, where should investors be allocating?	U.S. TIPs, U.K. Gilts, Japan, Brazil and South Africa.	Relative value
3. Become more dynamic in implementation	How can investors express these views more efficiently?	Using overlays, derivatives and active risk management to improve portfolio outcomes.	Risk management

While geopolitical events will continue to create periods of supply disruption and price volatility, these structural shifts are expected to contribute to longer-term demand destruction, placing downward pressure on oil prices over time. Combined with Brent crude stabilising below US\$80 per barrel, these trends have helped anchor inflation expectations. This is reflected in one-year US inflation swap rates, which have fallen back towards 2%, suggesting that markets increasingly expect inflation to remain contained [Figure 3].

Figure 3: 1-year inflation swap rate: inflation expectations have come down



Source: Bloomberg, BCA Research LP

Under normal circumstances, lower inflation expectations would translate into lower government bond yields. Yet despite this backdrop, 10-year U.S. Treasury yields continue to trade above 4%.

Term premia is driving bond yields today

Bond yields today are no longer being driven solely by inflation and monetary policy expectations. Increasingly, they reflect the growing influence of fiscal policy.

In simple terms, nominal bond yields can be thought of as comprising three components:

Nominal bond yield = Expected inflation + Real yield + Term premium

Today U.S. treasuries:

4.5% = 2.2% + 2.15% + 0.15%

While inflation expectations have eased, real yields remain elevated and investors are demanding a higher term premium to compensate for rising government borrowing requirements, persistent fiscal deficits and increasing treasury issuance. Put differently, the market is requiring greater compensation to lend to governments for longer.

This explains why long-dated U.S. Treasury yields remain elevated despite inflation continuing to moderate.

What does this mean for duration?

Duration has to earn its place in the portfolio.

If developed market government bonds no longer provide the same diversification benefits, while emerging markets continue to offer structurally higher real yields, has the strategic allocation between developed and emerging market bonds fundamentally changed?

Increasingly, these are the questions guiding our duration allocation decisions:

- Real yield: What am I earning?
- Fiscal compensation: Am I being adequately compensated for the fiscal, inflation, currency and political risks I am taking?
- Policy optionality: What upside do I capture if central banks begin easing?
- Relative value: Is there a better opportunity elsewhere?

Rather than viewing duration as a single asset class, we increasingly compare opportunities across markets to identify where investors are being best compensated for the risks they are taking.

2. Broaden your global opportunity set

Having established that U.S. Treasuries can no longer be viewed as the default diversifier, the focus shifts to identifying where investors are best compensated for taking duration risk.

Today, the global bond opportunity set is more diverse than it has been in decades, requiring investors to compare markets on a relative value basis rather than treating government bonds as a single asset class [Table 1].

Table 1: Where do we currently see value across global bond markets

Asset Class	Nominal Yield	Real Yield	Key Driver	Perpetua View
South African Government Bonds	8.50%	4.30%	High real yields, supportive fundamentals and a stable monetary policy path.	Preferred
U.S. Treasuries	4.50%	1.50%	High nominal yields, but fiscal concerns and rising term premium limit capital appreciation.	Neutral
U.S. Inflation-backed securities (TIPs)	N/A	2.20%	Breakeven inflation of 2.2% offers attractive inflation protection at current real yields.	Overweight
U.K. Gilts	4.90%	1.70%	Attractive yields with greater scope for monetary easing than currently priced.	Positive
Japanese Government Bonds	2.85%	0.85%	Structural regime change. Improving relative value, but awaiting confirmation from policy normalisation and capital flows.	Watching / Building conviction
Brazilian Government Bonds	14.50%	9.80%	Exceptionally high real yields, but fiscal uncertainty and currency volatility require selective implementation and active FX management.	Opportunistic

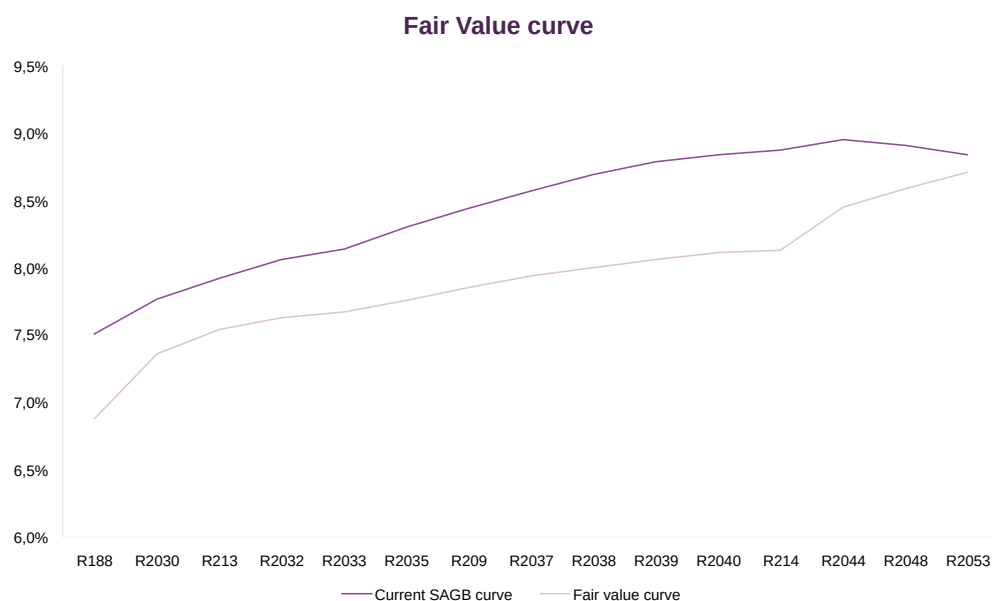
Why South Africa remains our preferred market

Our portfolio positioning continues to favour South African government bonds, supported by attractive real yields, a credible central bank and a gradually stabilising fiscus.

While structural growth remains subdued and the political backdrop warrants monitoring ahead of the 2026 local government elections, these risks are partially reflected in current valuations.

Following the strong performance of South African bonds over the past two years, we believe it is time to return to the fundamental drivers of fixed income returns: carry, roll-down and coupon income. Our preference therefore remains the belly and longer end of the curve, particularly out to the R2040's, where investors continue to be well compensated through attractive carry, roll-down and coupon income while retaining optionality should yields decline further [Figure 4].

Figure 4: South African government bond curve vs. fair value.



Source: Bloomberg, Perpetua Research

Japan: A market worth watching

While South Africa remains our preferred allocation within emerging markets, some of the most interesting developments in fixed income are beginning to emerge in developed markets. Changing monetary policy, shifting capital flows and evolving currency dynamics are reshaping the investment landscape, raising an important question:

Are Japanese government bonds finally investable?

For more than two decades, Japan's bond market was largely irrelevant to global investors. Ultra-low yields, yield curve control and persistent deflation meant there was little incentive to own Japanese government bonds (JGBs).

That regime is now changing.

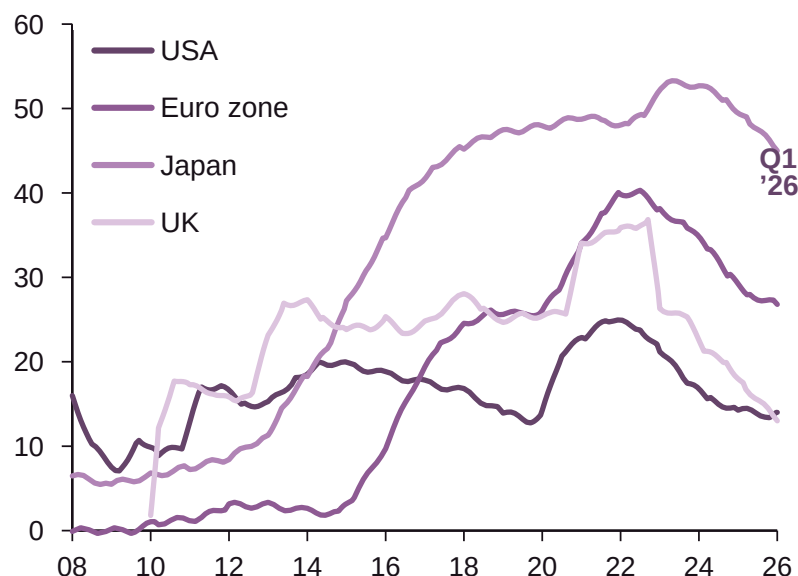
The Bank of Japan (BoJ) has exited negative interest rates, lifted policy rates to 1%, the highest level in more than three decades, and continues to reduce its bond purchases as quantitative easing is gradually unwound. Inflation has become more durable, wage growth has accelerated and long-term JGB yields have repriced sharply.

The key question is whether this marks the beginning of a structural opportunity.

The incentives are changing but the capital hasn't followed yet

There are several reasons why capital has yet to return:

1. The BoJ still owns half the Japanese government bond market [Figure 5]. This keeps yields artificially low, with markets unable to price sufficient risk premia, reducing investor confidence and contributing to a weaker yen. They are, however, tapering their purchases in a bid to restore the price-discovery mechanism, while increasing the number of bonds to be absorbed by the market. Already, its holdings have fallen by nearly 20% from a peak in late 2023. The resulting upward pressure on yields would intensify should the BoJ reduce its purchases or raise rates too quickly, with direct implications for debt service costs and broader financing conditions.

Figure 5: Major central bank holdings of their own government's bonds

Source: Haver Analytics

2. Investors don't know where terminal rates are. Where is the policy stopping? The BOJ estimates that Japan's neutral policy rate lies between 1.1% and 2.5%, implying that further tightening may still be required. Markets, however, are currently pricing only one additional 25bp hike this year.

3. The yen remains volatile, with several factors weighing on it:

- The gap between Japan's ultra-low interest rates and those in the U.S. and other major economies, encouraged investors to borrow cheaply in yen and invest in higher-yielding assets overseas. The resulting capital outflows have put persistent pressure on the Japanese currency.
- While the Bank of Japan raised its benchmark interest rate in June to the highest in 31 years, the rate remains low by international standards. Inflation has run above the 2% target almost continuously since 2022, however, the policy rate has only been raised by a total of 110bps since the 2024 exit from negative interest rates.

- This is why in the last BOJ meeting, more hawkish members were calling for faster rate hikes to bring the policy rate closer to neutral. This would combat some of the weakness in the yen.
- Higher energy prices also weigh on the yen by worsening Japan's terms of trade.
- Mounting global inflation stemming from the Middle East conflict has also shifted expectations around the trajectory of U.S. interest rates, from cuts to hikes, making dollar-denominated assets even more attractive, further undermining the local currency. As long as investors believe U.S. interest rates will remain well above those in Japan, borrowing yen to fund higher-yielding overseas assets remains an attractive trade.

Historically, Japanese investors earned significantly higher yields by investing abroad, particularly in U.S. Treasuries. However, once the cost of hedging the currency exposure is taken into account, that advantage has largely disappeared [Table 2].

Table 2: 10y bond yields and forex hedging costs

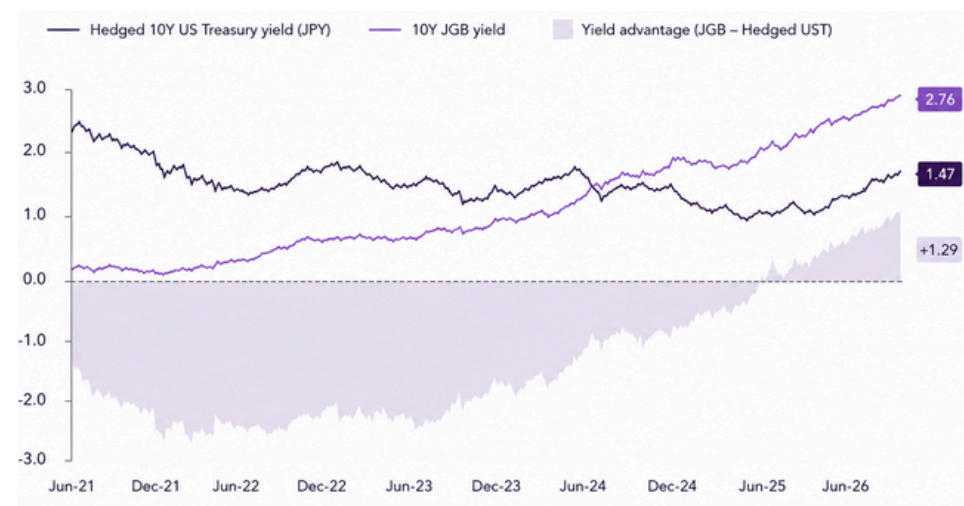
	10Y Yield (%)	3M FX Hedge Cost (bp)	Yield after 3M FX Hedging (%) (Annualised)
US Treasury	4.40	289	1.51
UK Gilt	4.70	287	1.83
Germany Bund	2.80	143	1.37
France OAT	3.60	143	2.17
Australia Govt	4.70	376	0.94
Japan JGB	2.70	0	2.70

Source: Bloomberg, data as at 30 Jun 2026

Today, a Japanese investor purchasing a fully hedged 10-year U.S. Treasury earns approximately 1.5%, compared with 2.7% on a domestic Japanese government bond. This cross-over happened in June 2024 [Figure 6], where for the first time in many years, domestic Japanese government bonds became more attractive than fully hedged U.S. Treasuries for Japanese investors.

In other words, Japanese investors either stay unhedged in foreign bonds or gradually shift back towards local government bonds.

Figure 6: Relative value: Hedged US Treasury yield vs. 10y JGB Yield



Source: Bloomberg, Perpetua research

Interestingly, the opposite is also true for foreign investors. A U.S. dollar-based investor can currently earn an attractive yield pickup by purchasing Japanese government bonds on a fully hedged basis. While the nominal yield on a 10-year JGB is only around 2.7%, the currency hedge currently adds almost 290 basis points, resulting in a hedged yield of approximately 5.6% [Table 3].

Table 3: Foreign investors buying Japanese bonds

If investing in 10Y JGB

	Fully Hedged (3M Forex Hedge)	Unhedged (Exposed to Forex)
10Y US Treasury yield	4.40	4.40%
Less: 3M Forex cost	(2.90)	-
Net yield to investor (JPY)	1.51%	4.40% + Forex

Source: Bloomberg

The investment case for Japan is therefore no longer about yield alone. Instead, it is about recognising that the incentives driving global capital flows are gradually changing. Domestic investors are beginning to earn a high by keeping capital at home, while foreign investors can now access attractive hedged yields in Japanese government bonds.

The challenge is that these improving economics have yet to translate into sustained capital inflows. Until investors gain greater confidence around the Bank of Japan's terminal policy rate, the pace of quantitative tightening and a more stable yen, capital is likely to remain cautious.

What would increase our conviction?

Japan is moving from a market that investors ignored to one they can no longer afford to ignore. While our conviction is building, we believe the following developments would provide greater confidence that the regime change is becoming self-sustaining:

- BOJ policy rates move closer to neutral, reducing the interest-rate differential with the U.S.

- Quantitative tightening continues without disrupting JGB market functioning, allowing price discovery to improve.
- FX hedging costs continue to narrow, making domestic Japanese assets increasingly attractive relative to overseas alternatives.
- USD/JPY stabilises, with a sustained appreciation in the yen signalling that carry trade dynamics are beginning to unwind.
- Japanese investors begin repatriating overseas assets, providing a structural source of demand for domestic bonds.

3. Becoming more dynamic in implementation

Having identified the various fixed income opportunities, the next step is determining how best to express those views.

Increasingly, derivatives and overlay strategies allow portfolio managers to separate investment views from implementation decisions, improving flexibility without fundamentally altering the underlying portfolio. The objective is no longer simply to own the right assets, but to express each investment view in the most efficient way possible.

The active fixed income toolkit



Managing duration

Rather than convincing. Rather than selling high-conviction bond positions, duration overlays allow managers to tactically adjust interest-rate exposure while maintaining the underlying investment.

EXAMPLES / TOOLS

-  Interest rate swaps
-  Futures
-  Curve positioning
-  Duration overlays



MONETISING VOLATILITY

Separate uncertainty from risk, but don't eliminate the opportunity.

Options and dynamic overlays allow portfolios to benefit from periods of heightened volatility, turning uncertainty into an additional source of return while preserving downside protection.

EXAMPLES / TOOLS

-  Options (payer / receiver)
-  Volatility strategies
-  Option overlays / collars
-  Dispersion & volatility trades



EXPLOITING RELATIVE VALUE

Separate one market view from another.

Rather than taking broad directional positions, relative value strategies isolate the specific market view that matters most to express investment ideas more precisely and potentially generate more consistent returns.

EXAMPLES / TOOLS

- Linkers vs. Nominals
- Belly vs. Long End
- UK vs. US vs. Japan

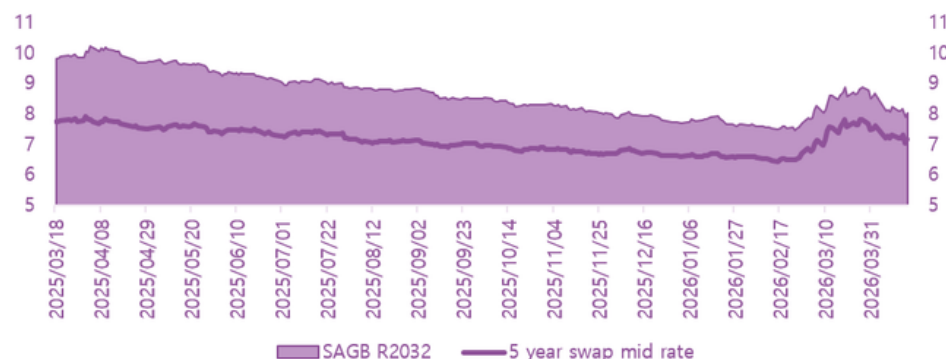
a. Managing duration

Separate timing from conviction

Suppose we have a positive long-term view on South African government bonds but believe yields could rise in the near term. The traditional approach would be to sell the bond and wait for a better entry point.

However, duration can be managed independently of the underlying investment. Interest rate swaps and futures allow portfolio managers to temporarily reduce or increase duration while maintaining their strategic bond exposure. When valuations improve, the hedge can simply be removed [Figure 7].

Figure 7: Using a five-year interest rate swap to temporarily reduce duration on an R2032 bond.



Source: Bloomberg

The swap closely mirrors the bond's interest-rate sensitivity, allowing duration to be actively managed without selling the underlying bond.

b. Monetising volatility

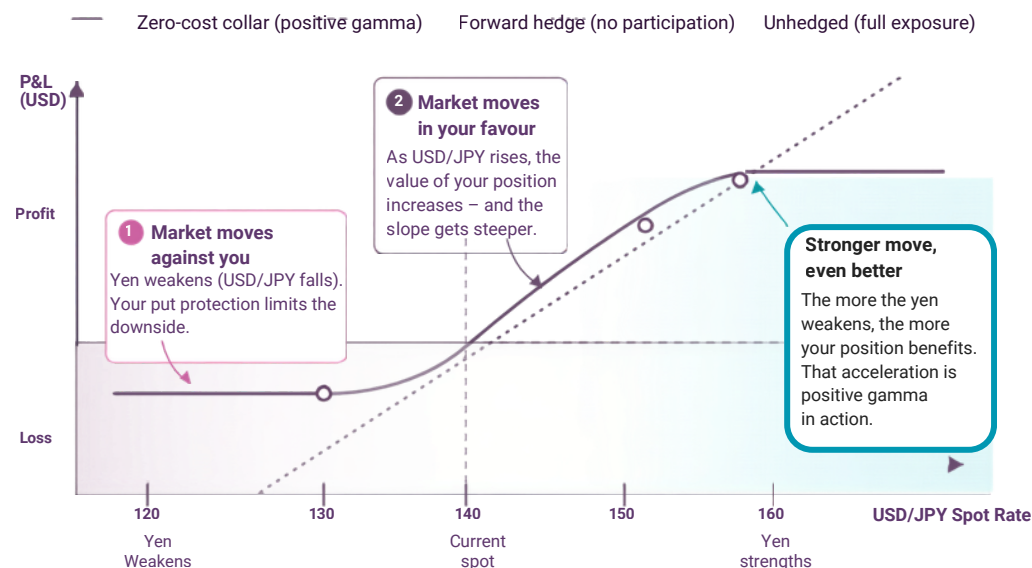
Separate the asset from the currency, but don't eliminate the opportunity

Suppose we believe Japanese government bonds offer an attractive investment opportunity but remain cautious on the outlook for the yen.

The traditional approach would be to fully hedge the currency using a forward contract. While this removes the currency risk, it also removes any potential benefit should the yen unexpectedly appreciate.

An alternative is to use a zero-cost collar [Figure 8].

Figure 8: Zero cost collar on USD/JPY



Rather than locking in a single exchange rate, the strategy establishes a floor that protects against significant currency weakness while retaining some participation should the yen strengthen. In other words, the hedge becomes dynamic rather than static.

The objective is not simply to hedge currency risk, but to retain exposure to favourable market moves. As the currency begins to move in our favour, we seek to remove the downside protection and allow the position to participate more fully in further gains.

In option terminology, this is referred to as maintaining positive gamma. In simple terms, positive gamma means the position becomes increasingly beneficial as market moves accelerate in your favour. Rather than capping returns, the hedge becomes more valuable the larger the move.

This transforms currency hedging from a defensive exercise into an active source of portfolio return. Rather than simply reducing risk, currency overlays can preserve downside protection while creating additional sources of return when markets move favourably.

c. Exploiting relative value

Separate one market view from another.

Rather than taking broad directional positions, relative value strategies isolate the specific market view that matters most. By removing unwanted sources of risk, portfolio managers can express investment ideas more precisely and potentially generate more consistent returns.

Instead of...	We isolate...
Inflation vs. Rates	Linkers vs. Nominals
Curve Shape	Belly vs. Long End
Countries	UK vs. US vs. Japan

The objective is not to predict the direction of markets, but to identify where one asset offers better value relative to another.

Our portfolio positioning

The traditional 60/40 portfolio relied on government bonds to provide both income and diversification. As that relationship evolves, we believe fixed income portfolios must become more dynamic.

Our portfolios therefore remain positioned around three core convictions:

- Selective duration, where valuations remain attractive. This is reflected in our continued preference for South African government bonds, particularly in the belly and longer end of the curve, where carry, roll-down and coupon income make the most sense.
- A broader global opportunity set, allocating capital where policy, valuation and currency dynamics are most compelling. Our global allocation continues to favour U.S. TIPs while being underweight nominal U.S. Treasuries. We have selectively added Brazilian government bonds and continue to monitor Japan for more attractive entry opportunities.
- Active implementation, using derivatives and relative value strategies to improve portfolio efficiency and broaden the sources of return. Increasingly we use interest rate swaps and currency hedging to manage risk dynamically and generate additional sources of alpha.

Pooja Tanna
Portfolio Manager



South African Credit



South African Credit: Margin for safety continues to narrow

The rules have changed - but not in the way many expected

When we published our 2026 Investment Outlook, we argued that South African credit was entering a period of structural transition. The implementation of FLAC (read more on FLAC [here](#)), the transition from JIBAR to ZARONIA, and exceptionally tight credit spreads all pointed towards a market where pricing would increasingly be shaped by new structural anchors rather than simply liquidity and demand. Those structural changes have occurred, yet the market response has been very different from what many anticipated.

Corporate credit spreads have continued to tighten despite economic headwinds, low growth, elevated inflation and higher interest rates. In some cases, they now offer little or no meaningful spread pick-up over bank paper, with certain issuers pricing at or even below bank funding levels. Importantly, this repricing has not been limited to corporate credit but has been notably broad-based.

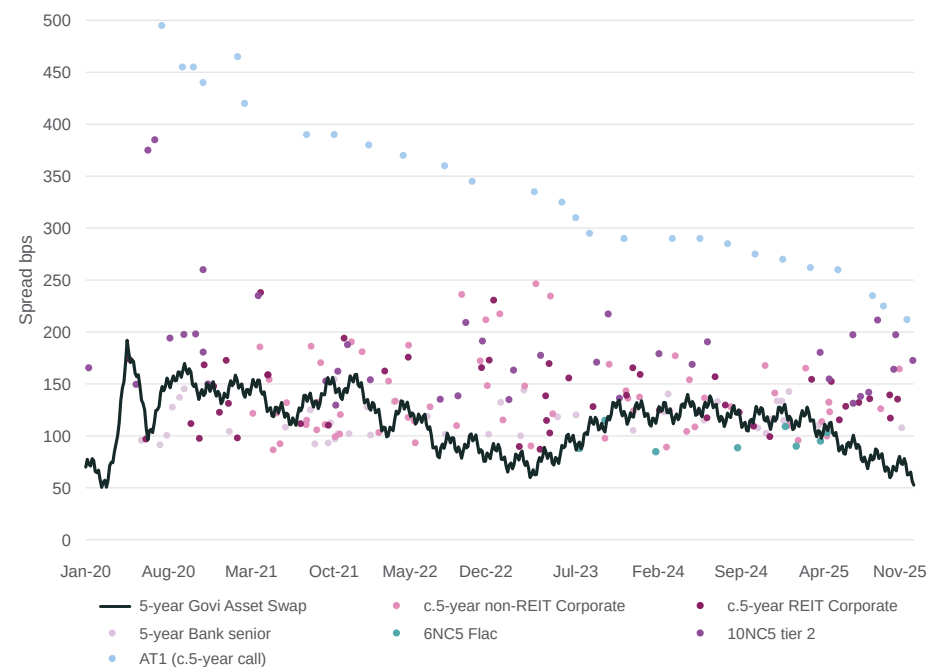
The compression has extended across:

- SA Government Bond (SAGB) asset swap spreads;
- Floating-rate SAGBs spreads; and
- Across bank funding spreads.

Even the large volume of bank FLAC issuance, arguably the most significant regulatory change to bank funding in decades, continues to be comfortably absorbed by abundant market liquidity with spreads tightening. The story of 2026 thus far has therefore not been one of improving credit fundamentals but one of continued overwhelming demand, despite elevated macro risk.

This represents an important transition in how South African fixed-income markets should be viewed. Pricing is increasingly being driven by liquidity and technical factors rather than by traditional macro relationships. The question for investors is therefore no longer whether credit remains attractive, it is whether today's pricing still provides sufficient margin for error. The opportunity is no longer to maximise yield through ever-tighter spreads, it is to earn high-quality income while preserving flexibility should pricing normalise, in our view.

Figure 1: Average credit spreads at issuance



Source: Standard Bank Research, Perpetua Research

Why the old relationships have broken down

The first half of 2026 has challenged several long-held assumptions about pricing.

The introduction of FLAC was expected to establish a new, wider funding benchmark for South African banks, reflecting explicit loss-absorbing features and structural subordination. While FLAC has undoubtedly changed the bank capital structure and will become the new reference point for senior bank funding over time, investors have so far demanded a far smaller premium than many expected.

The same has been true of the transition from JIBAR to ZARONIA. The introduction of the Credit Adjustment Spread (CAS) was intended to preserve economic equivalence between the outgoing and incoming benchmark rates. In theory, investors should have demanded additional spread compensation reflecting the lower underlying overnight reference rate relative to JIBAR. Instead, much of that spread compensation over ZARONIA was simply competed away as demand for floating-rate assets overwhelmed this structural change.

Rather than viewing FLAC and benchmark reform as isolated events, we believe they illustrate something broader:

1. FLAC's structural subordination did not command the premium many expected.
2. More bank issuance did not materially increase funding costs.
3. Benchmark reform did not materially increase compensation.
4. Geopolitical risks and higher inflation did not widen funding spreads.

Liquidity has, for now, outweighed all these structural changes.

Neither development suggests that FLAC or benchmark reform were unimportant. Rather, they demonstrate something arguably more significant in that liquidity remains too abundant to overwhelm even major structural changes in market architecture.

This is perhaps the clearest illustration of what has changed beneath the surface, where markets are no longer being priced solely by economic fundamentals. Increasingly, they are being priced by the interaction between regulation, liquidity and the scarcity of investable assets.

Quality of yield continues to matter more than the quantity of yield

Over recent years investors benefited from two independent return drivers:

1. contractual carry
2. ongoing spread compression.

Looking ahead, the second engine appears far less reliable because at today's valuations future returns are increasingly likely to be generated through income rather than further spread compression. That naturally shifts the emphasis towards the quality of yield rather than the quantity. This changing opportunity set reinforces a broader principle that has emerged throughout 2026. In today's market, not all yield is created equally.

Where additional yield is sought, we believe it should increasingly be earned through:

- stronger structures;
- shorter spread duration;
- explicit support; and
- resilient floating-rate income, rather than accepting progressively weaker compensation for credit risk.

This continues to reinforce our preference for floating-rate instruments and structured credit. These segments provide resilient income while preserving greater flexibility should spreads eventually normalise.



Margin for error has narrowed

One of the more interesting developments this year has been that several issuers have enjoyed rating upgrades while underlying credit risks have become more complex. Municipal finances continue to deteriorate despite isolated improvements elsewhere.

Development finance institutions increasingly find themselves financing sectors experiencing greater structural stress. Policy execution remains central to the outlook for several state-owned entities. These developments do not necessarily imply imminent defaults, but they do reinforce the importance of distinguishing between improving sentiment and improving fundamentals where spreads on issuances continue to tighten.

Credit risk has therefore become more nuanced rather than uniformly weaker.

We continue to monitor:

- Municipal deterioration;
- Increasing concentration of development finance institutions in stressed sectors;
- Execution risk at selected SOEs; and
- Valuation risk as spreads continue to tighten.

These risks matter because today's spread levels leave less room for disappointment. When credit spreads are wide, investors enjoy a meaningful cushion against unexpected events. Today that cushion has become considerably thinner with the principal risk being therefore less about defaults but more about valuation. With tight spreads, even relatively modest repricing can outweigh a significant proportion of annual income, particularly for longer-duration credit.

Credit looks expensive - but income still matters

One of the more interesting features of today's market is that credit can simultaneously appear expensive yet fulfils a role in generating stable income. On a spread basis, credit is expensive. Our positioning is therefore not based on a prediction of materially wider spreads, nor is it an outright negative view of South African credit. Rather, it reflects our assessment that the balance of risks continues to shift to the downside.

Our portfolio positioning

We continue to favour:

- Shorter-duration floating-rate exposure.
- High-quality bank credit.
- Liquid structured credit.

This allows us to preserve optionality rather than chasing yield down the credit spectrum for incremental spread.

We remain cautious of:

- Extending duration where spread compensation is limited.
- Accepting progressively weaker compensation for credit risk for the sake of diversification.
- The low level of spread embedded in off-shore structured credit products priced in Rands.



Until spreads once again provide a more meaningful margin for error our preference remains to collect high-quality income while preserving the flexibility to redeploy capital as relative value evolves across issuers. Credit no longer has a monopoly on attractive income. Credit now competes within a much richer fixed-income universe than it has for several years. The question is no longer simply whether credit offers value, but whether it offers the best risk-adjusted opportunity relative to the alternatives.

Ryan van Breda
Portfolio Manager



Domestic equities



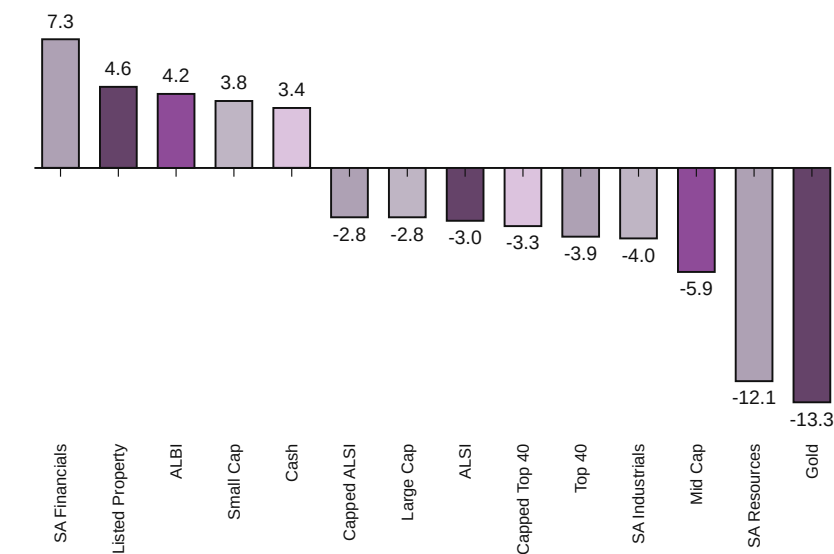
South African equities: balancing offence and defence

As we watch the final stages of the 2026 FIFA World Cup, one attribute of the best teams stands out: the ability to transition seamlessly from defense to attack. We believe a similar balance is required in the current domestic equity market. Investors need to remain mindful of the risks, while also being prepared to take advantage of attractive valuation opportunities where the fundamentals remain intact.

2026 to date

South African equities, based on the JSE All Share Index (ALSI) have returned -3.0% in the first half of 2026, underperforming both the All Bond Index (ALBI), which has returned 4.2%, and cash, which has returned 3.4% [Figure 1].

Figure 1: YTD returns to June 2026



Source: FactSet, SBG Securities analysis.

The Resources sector has led the decline, perhaps unsurprisingly after its 120% return in 2025. In **our 2026 Investment Outlook**, we noted that the global backdrop - shaped by geopolitical shocks, technological disruption, benchmark concentration and an evolving global order - had made it increasingly difficult to assess underlying fundamentals in the short term.

In such an environment, short-term cyclical factors can sometimes be priced as though they are structural. At the sector level, businesses which are exposed to global macroeconomic conditions, including oil prices, the AI investment cycle, China technology and the correction in precious metals, have had the largest positive and negative impact on benchmark returns in 2026.

South African equities: a valuation outlier in global equity markets

Notwithstanding an attractive starting point, South African equities have de-rated materially relative to other global markets on a forward earnings basis with the price: earnings (P/E) multiple at 8.1 compared to 10.9 at the end of February, and the long term average of 11.7. This has occurred at a time when many global equity indices are trading near all-time highs and, in many cases, above their long-term average valuation levels [Figure 2].

Figure 2: YTD returns to June 2026

	12m Fwd PE		
	Current	as of Feb end	Change
Taiwan (china)	22.5	20.3	10.8%
Italy	12.9	12.7	1.5%
Spain	13.6	13.6	0.6%
Eurozone (LC)	15.4	15.8	-2.5%
Germany	14.7	15.3	-3.9%
Switzerland	19.1	19.9	-3.9%
US	20.8	21.7	-4.2%
India	20.6	21.5	-4.4%
World	19.1	20.1	-4.9%
Japan	16.8	17.9	-6.2%
World ex US	15.8	16.8	-6.3%
France	14.7	15.9	-7.3%
UK	12.5	14.4	-13.5%
China	10.2	11.8	-13.6%
EM	11.2	13.4	-16.6%
Brazil	8.0	10.4	-23.3%
South Africa	8.1	10.9	-26.0%
Korea	6.6	10.0	-34.2%

Source: JP Morgan Research

Valuation levels plus earnings forecasts make for good prospective returns

Valuation captures only a part of the investment case. It must be assessed alongside future earnings expectations, the sustainability of dividends and the likely path of medium-term earnings growth.

We therefore consider four key questions:

- Are earnings forecasts deteriorating?
- Are earnings expected to grow over the medium term?
- Are investors being paid to wait through attractive dividend yields?
- What level of fundamental return can reasonably be expected from earnings growth and income?

For the market as a whole, earnings expectations remain relatively robust and have moderated by only 2.3%. The Paper and Packaging sector has seen the largest earnings downgrade, as higher oil-related chemical costs have placed pressure on margins. Nonetheless, earnings growth forecasts over the next two to three years remain healthy at approximately 18% per annum. When coupled with dividend yields, fundamental return expectations remain anchored at attractive levels [Figure 3].

Naturally, these forecasts are subject to several risks:

- Commodity price exposure: earnings expectations remain sensitive to commodity prices, particularly PGMs, gold, copper, coal and iron ore.
- Chinese imports: Chinese-produced goods are increasingly finding a home in the domestic market at sub-economic prices. This is positive for consumers, but more challenging for local businesses.
- Currency weakness: weakening African currencies and higher inflation could affect expected earnings, particularly in the telecommunications sector.
- Benign topline: Years of low revenue growth for domestically focused businesses may place further pressure on margins.
- Profitability under pressure: Intensifying competition could result in additional margin compression.
- Consumption patterns: Changing consumer preferences, combined with an inability to adapt, may negatively affect the financial performance of certain businesses.
- Diversification risk: In an effort to re-accelerate growth, management teams may seek diversification opportunities that increase the risk of capital allocation errors.

We spend time considering both the evolution and mitigation of these risks. We see evidence of these factors across several sectors in the domestic market. In our previous [commentary](#), we expressed the view that a diversified basket of undervalued businesses could provide both defense and offence in the current market environment.

Figure 3: Expected fundamental returns by sub- sector

	Are earnings expectations worsening?	Are earnings expected to grow?	Am I getting paid while I wait?	How much should I expect to earn based on the fundamentals?
	1Yr EPS revisions past 3M	3YR EPS CAGR	Dividend Yields	Fundamental Return expectations (DY +EPS)
Banks	-0,1%	13,0%	5,5%	18,5%
Diversified financials	-2,9%	4,0%	6,3%	10,3%
Insurance	-1,5%	10,0%	4,7%	14,7%
Property	-4,5%	5,0%	6,7%	11,7%
Gold	-6,0%	22,0%	6,6%	28,6%
PGMs	-2,8%	58,0%	9,3%	67,3%
Diversified Miners	8,1%	39,0%	3,9%	42,9%
Oil and Chemicals	9,8%	13,0%	5,6%	18,6%
Paper and packaging	-51,8%	11,0%	3,0%	14,0%
Food and Drug	-5,6%	1,0%	3,6%	4,6%
Discretionary Retail	-5,3%	8,0%	4,7%	12,7%
Food Producers	0,4%	12,0%	6,4%	18,4%
Healthcare	-5,3%	7,0%	3,4%	10,4%
Industrials	-2,5%	8,0%	3,8%	11,8%
Telcos	3,8%	27,0%	3,3%	30,3%
Technology	-8,6%	15,0%	2,0%	17,0%
Beverages	-0,5%	14,0%	1,9%	15,9%
Tobacco	-3,8%	7,0%	5,4%	12,4%
Luxury	-4,8%	7,0%	2,1%	9,1%
JSEALSI (Weighted average)	-2,3%	18,0%	4,9%	22,9%

Source: RMB Morgan Stanley Research

Maintaining a defensive posture

We have maintained a defensive posture in several ways.

In our Balanced strategies, we purchased zero cost collars which enabled us to participate in some of the market beta, while protecting the downside.

We are also of the view that that counters trading on high sustainable dividend yields such as Kumba (11%), Coronation (11%), Exxaro (9.5%) Truworths (8.7%), Nedbank (8%) and ABSA (7.9%) are also good portfolio anchors.

As tensions around the Strait of Hormuz intensified, our diversified portfolio included both beneficiaries of higher oil prices, such as Sasol, and beneficiaries of lower inflation expectations, such as selected retailers. This has enabled us to participate as the market transitions towards an environment of improving inflation expectations.

While we believe we own attractive businesses, we have taken care to avoid companies with balance sheets that we consider vulnerable in a downturn, as well as businesses facing complex execution risks.

We also own selected gold and PGM counters that trade at discounts to our assessment of fair value, even under more conservative commodity price assumptions. As prices normalise towards long-term levels, these more modestly valued counters have retained value relative to more operationally leveraged peers that have higher operating cash costs and sustaining capital expenditure costs.

In the article that follows, "Finding opportunity in a beaten down sector", we consider the Retail sector in more detail. We explain how we have diversified our exposure within the sector, seeking to mitigate company-specific risks while taking advantage of what we consider to be attractive entry levels. We also now own selected names typically associated with higher-quality businesses.

Retaining offensive exposure

At the same time, we have retained offensive exposure through selected businesses where we believe the market is not fully recognising the underlying opportunity.

This includes growing businesses where valuation levels are either modest, such as Naspers and Prosus, or do not fully reflect the long-term growth potential, such as AdvTech.

It also includes businesses undertaking high-probability self-help initiatives that could unlock value over time. PPC is one such example. Management led by Matias Cardarelli have taken initiatives to improve operational stability. This has resulted in a lower cost base, adding 5% to profit margins, even though domestic cement demand remains subdued.

The Gaming sector also offers profitability upside from current levels. As Sun International and Tsogo embark upon operational efficiencies, increased online penetration and improved capital allocation (including debt reduction and share buybacks), we expect per share earnings growth despite weak consumer demand.

Finally, we own fundamentally sound businesses that we believe can defend and grow earnings from current levels, but which are trading on single-digit price-earnings multiples. Nedbank and ABSA are good examples, with both being diversified businesses that can grow earnings in real terms and both trade on dividend yields of 7.8%. Should macro-economic conditions improve, they will participate in the recovery.

Thoughtfully differentiated positioning

Our objective in client portfolios is to maximise returns while maintaining a modest level of absolute risk. This has resulted in portfolios that differ from the benchmark. We believe this positioning gives clients a more robust path to achieving their return objectives.

It allows us to remain defensive where risks are elevated, while also retaining the ability to participate in selected valuation opportunities where the fundamentals remain attractive. The result is a portfolio that, in our view, is capable of both playing defense and transitioning into offence when conditions allow.

Lonwabo Maqubela
Chief Investment Officer



Domestic equities: feature



South African Retail: finding opportunity in a beaten down sector

South African Retail sector: a tough decade

The South African retail industry has not been a rewarding place to have been invested in over the last few years, with many of the listed retailers having performed poorly over most time periods in the past decade [Figure 1]. Some shares are trading at similar levels to where they were 15 years ago, and sentiment towards the entire sector is currently very negative. After years of weak consumer growth, valuation compression and self-inflicted mistakes, shares in the sector have been heavily beaten down and we believe that there are some good investment opportunities

Figure 1 Total return over the last 10 years

Food and Drug Retail							
	Shoprite	Spar	Pick N Pay	Boxer	Woolworths	Clicks	Dis-Chem
1 Yr Total Return	9,7%	-59,8%	-22,9%	21,7%	1,5%	-37,9%	4,1%
3 Yr Total Return	41,9%	-57,6%	-37,0%	N/A	-20,3%	-7,2%	45,8%
5 Yr Total Return	117,8%	-73,8%	-48,2%	N/A	13,3%	1,9%	13,2%
10 Yr Total Return	130,8%	-71,4%	-56,8%	N/A	-10,8%	127,5%	N/A

Apparel Retail					
	TFG	Mr Price	Truworths	Woolworths	Pepkor
1 Yr Total Return	-51,3%	-15,5%	-12,6%	1,5%	-17,5%
3 Yr Total Return	-28,9%	41,8%	25,6%	-20,3%	42,9%
5 Yr Total Return	-55,0%	4,1%	49,0%	13,3%	19,8%
10 Yr Total Return	-32,0%	19,7%	34,6%	-10,8%	N/A

Figure2: Price performance



*Note all figures to 30 June 2026

Source: FactSet; Bloomberg

- A fragile consumer recovery

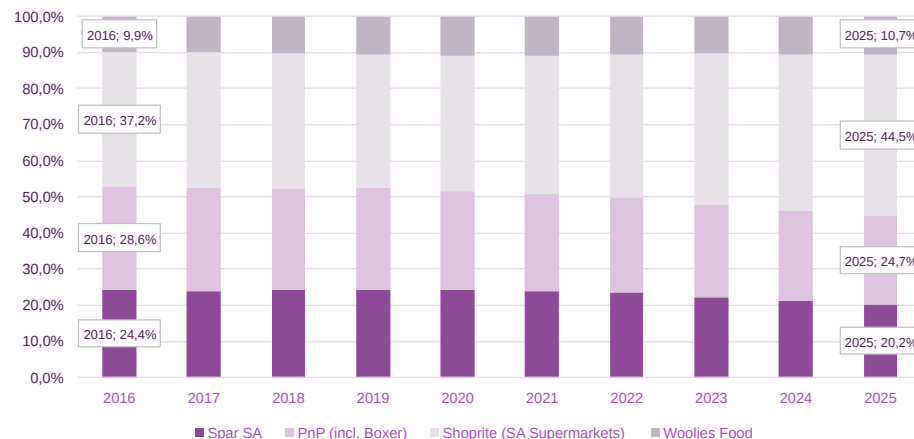
For most of the past decade, South African retailers have operated against an extremely difficult macro backdrop. As the local economy remains constrained by structural issues that restrict growth, the average consumer continues to be under enormous pressure – unemployment remains high (with the official rate at 32.7% in Q1 2026), and real GDP per capita remains below its 2013 peak. As a result, retailers have been forced to compete for share in a largely stagnant market, leaving little room for volume growth whilst margins come under pressure as fixed costs become harder to leverage. More recently, the macro tailwind from lower inflation and rate cuts has started to fade, and the US-Iran conflict has resulted in higher fuel costs and higher inflation. This resulted in the SARB raising rates at the end of May and highlights just how fragile the consumer recovery is. The further squeeze on disposable income is unwelcome news for retailers and investors alike, with share prices coming under further pressure.

South African Retail: finding opportunity in a beaten down sector

- **Food retail: Shoprite widens the gap against peers**

Despite the unfavourable economic environment in South Africa, **Shoprite** has shown how innovation, execution, and the benefits of increasing scale in retail can give one an advantage over competitors. Whilst they may have gotten lucky with the timing of their Sixty60 launch (a couple of months before the start of the pandemic in 2020), Shoprite took full advantage of this fortuitous timing and used this opportunity to take market share, grow their brand presence, and drive their on-demand offering to scale. Over the last twelve months, Sixty60 generated c.R22bn in revenue (and now accounts for c.8.3% of Group revenue) and continues to grow at a rapid clip (+35% in their latest 1H26 results). In FY25, Sixty60 alone generated more incremental revenue (c.R6.1bn) than any of the peers! Shoprite's execution has been almost flawless, but they have also benefited from the missteps of peers, Pick 'n Pay and Spar. The struggles of Pick 'n Pay and Spar are also great case studies in terms of how incredibly difficult the food retail business is, and how fragile retail moats can turn out to be when execution slips (see Figure 3 below).

Figure 3: SA Food Retail Market Share*



*Note the above figure assumes the four companies make up 100% of the market

Source: Company data

Pick 'n Pay's underinvestment and lack of strategic clarity led to a rapid decline in business performance and the urgent need to raise capital, which included selling some of its stake in star performing asset, Boxer, to survive. They are now in the middle of an incredibly difficult turnaround, which has seen their breakeven margin target pushed out by another year, as well as a further sale of their stake in Boxer as Pick 'n Pay burns through cash. Turnarounds of this nature are inordinately difficult even in the best of circumstances and become far harder when dominant competitors (Shoprite and Woolworths Food) continue to execute with precision.

Whilst **Spar** is a wholesaler as opposed to a retailer, their fortunes have also taken a major knock as they have been mired in corporate governance concerns, distractions from poor offshore acquisitions, and a problematic SAP project that has seen management take their eyes off the ball in a very competitive local market where they continue to cede share to the likes of Checkers and Woolworths Food.

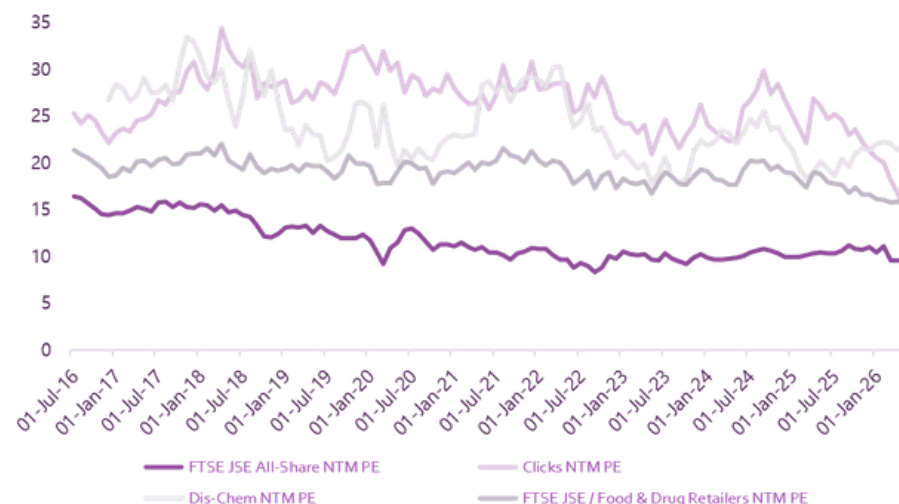
The SAP rollout has impacted the Group's KZN region, where deteriorating service levels to retailers has led to lower loyalty rates, resulting in lost sales and a decline in profitability. Having exited their underperforming businesses in Switzerland and Poland, and with a new management team in place, Spar's focus must return squarely to repairing the core South African business. The upside from this self-help story could be meaningful, but realising it will require disciplined execution, and a more favourable consumer environment.

- **Drugstore retail: quality under pressure**

The drugstore/pharmacy retail sector has historically been one of the more attractive areas of South African retail: defensive business models with high levels of repeat purchase, and a long runway for independent pharmacy consolidation with attractive returns on capital. This has seen businesses like **Clicks** and **Dis-Chem** trade at significant premiums compared to the rest of the retail sector and the overall market (see Figure 3 below). Recent evidence suggests the competitive intensity in the sector is increasing as Dis-Chem has overhauled its rewards program, an area where Clicks has executed so well over the last decade. This has raised concerns that the sector is entering a price war that will likely pressure earnings growth over the next couple of years.

Perhaps a bigger long-term threat is the increasing competition from the likes of Shoprite who also has a growing pharmacy presence through its Medirite brand. In a world where consumers increasingly value convenience, the Sixty60 app has become habitual for many shoppers, and Shoprite is well positioned to use their fast growing on-demand platform to expand their product offering. Investors are taking a cautious approach to these increasing competitive threats, and we have seen Clicks trade at its lowest forward earnings multiple since 2012.

Figure 4: Clicks and Dis-Chem forward earnings multiple compared to the JSE ALSI and JSE Food & Drug Retail Index



Source: FactSet

- **Apparel and homeware retail: fighting for share of a stagnant wallet**

The apparel and homeware sector has always been the most competitive retail sector, with much lower barriers to entry compared to the food and drug sector. Over the last few years a number of developments have made the operating environment that much more challenging: the consumer remains constrained, with industry participants fighting for a share of a stagnant pie. There has been increased competition from online retailers such as Temu and Shein, and there has been a significant rise in online gambling and betting that has taken share of wallet away from retailers that sell discretionary products like clothing and shoes. This has resulted in the management teams of these retailers searching for growth via acquisitions, and we have seen an increase in corporate activity over the last few years. Since 2021 TFG, Mr Price and Pepkor have spent approximately R15bn in total on acquisitions (this figure increases to c.R26bn when including Mr Price's final 15% buyout of Studio 88 and their NKD acquisition).

Pepkor appears to be well positioned in the current environment given its low-price model that serves the value-conscious consumer, however their credit-driven growth strategy over the last couple of years does introduce a level of fragility to the investment case. As they look to evolve from an apparel retailer into a broader consumer platform with a financial services offering (including the launch a bank), execution risk has also increased.

Mr Price remains one of the higher quality apparel retailers – with a strong value proposition and a cash generative business model that has historically earned superior returns on capital. However, the recent acquisition of German value retailer, NKD, has changed the market's perception of the company, increasing both execution and capital allocation risk. Investors remain sceptical of the transaction with the share price falling 20% in the week following the announcement. Management will need to show that this deal can generate adequate returns and avoid the value destruction that has defined many South African retailers' offshore expansion efforts over the past decade.

With perhaps the weakest capital allocation track record of all the SA apparel retailers, the current operating environment has forced **TFG's** management to re-think their growth strategy (which has come at a substantial cost) and focus on improving profitability and reducing complexity. This is another self-help story and will require strong execution and disciplined cost management. Given the discretionary nature of their product offering, the macro environment going forward will also play a big role.

Truworths is a mature business that has taken a more conservative approach to growth over the last few years and therefore has a much more limited growth profile. With the share trading on a dividend yield of 9% and forward earnings multiple of just 7.5x, the market is discounting no growth for this business going forward. In a more competitive apparel market, management needs to prove that the business can remain relevant to a consumer that has become more value conscious.

Portfolio positioning: selective exposure to quality and self-help

We believe the opportunity set in the retail sector is compelling at the moment, with many of the stocks trading at valuations that we haven't seen since Covid, or in some cases for the last 10-15 years. Despite the challenging conditions these companies are facing – some of which are their own doingself-inflicted, and some of which are linked to the operating environment – we think many retailers are now trading at prices which seem to suggest as if that the current weak consumer environment persists indefinitely. We believethink there are some attractive self-help investment stories, but they do carry elevated execution risk, which is reflected in our position sizing. In a weak trading environment that may persist for some time, one would want to be exposed to the most durable companies that can take control of their destiny and whose futures are not determined solely by the external environment.

We have therefore been using the recent weakness over the past few months to increase our exposure to the higher quality names such as Clicks and Shoprite, while retaining exposure to Spar, Woolworths, Mr Price and TFG.

Lonwabo Maqubela
Chief Investment Officer



Thomas Blamey
Senior Analyst



Global Equities



Global equities: : a world in disruption, rethinking opportunities

The headline performance numbers for the first half of 2026 look calm and possibly benign: global equities rose by roughly 10-11%, the S&P 500 returned about 10%, and most major markets ended the period higher, with the most notable exception being China. Underneath those steady figures, though, the market changed shape in ways that surprised many and that matters a great deal for how portfolios should be built from here. The companies that led were not the ones that led last year. Leadership moved across borders, down the size scale, and along the technology supply chain. For a fund manager who cares about what a business is worth, this was one of the more interesting six months in recent memory. This commentary:

- reviews how equities performed in the second quarter and the first half of 2026,
- explains what drove those moves,
- looks closely at the artificial intelligence theme that sits at the centre of the market,
- sets out a regional outlook for the rest of the year,
- and closes with what all of this means for a bottom-up value approach.

How markets performed

A quiet first quarter scare, then a powerful rebound in quarter two

The year did not begin quietly. The S&P 500 started 2026 near 6 845, drifted for a few weeks, then fell sharply in March when conflict involving the United States, Israel and Iran broke out. Oil prices surged towards \$112 a barrel as the market worried about the Strait of Hormuz, through which a large share of the world's crude and liquefied natural gas passes, and inflation fears returned. At its worst point the S&P 500 was down about nine percent from its high.

The second quarter told the opposite story. As the geopolitical conflict in the Middle East appeared to move towards resolution, oil fell back sharply, and strong corporate earnings reassured investors that spending on artificial intelligence was starting to pay off. The result was one of the strongest quarters this century. The S&P 500 rose by roughly 14% over the three months, its best quarter since the post-pandemic rebound of 2020, and the Nasdaq Composite gained over 21%. Small companies, which had lagged badly, came roaring back: the Russell 2000 (US Small Caps) rebounded more than a quarter from its April low and posted its best first half since 1991 [Figure 1].

Figure 1: Second-quarter and year-to-date returns at a glance

Index / region	Q2 2026 – USD returns	H1 2026 – USD Returns
MSCI World	13.80%	9.70%
MSCI ACWI	14.90%	11.30%
S&P 500 (US)	15.20%	10.20%
Nasdaq Composite	21.60%	13.10%
Russell 2000 (US Small Caps)	21.50%	22.60%
MSCI Eurozone	14.90%	10.10%
MSCI EAFE	10.80%	9.40%
MSCI UK	4.10%	6.20%
MSCI Japan	14.20%	16%
MSCI Emerging Markets	24.10%	23.90%
MSCI China	-6.60%	-15%
MSCI Korea	87.60%	118.90%
MSCI India	10.10%	-9.90%

Source: MSCI Index Factsheets; JP Morgan Guide to the Markets at 30 June 2026; FactSet

The widest gap between regions in a long time

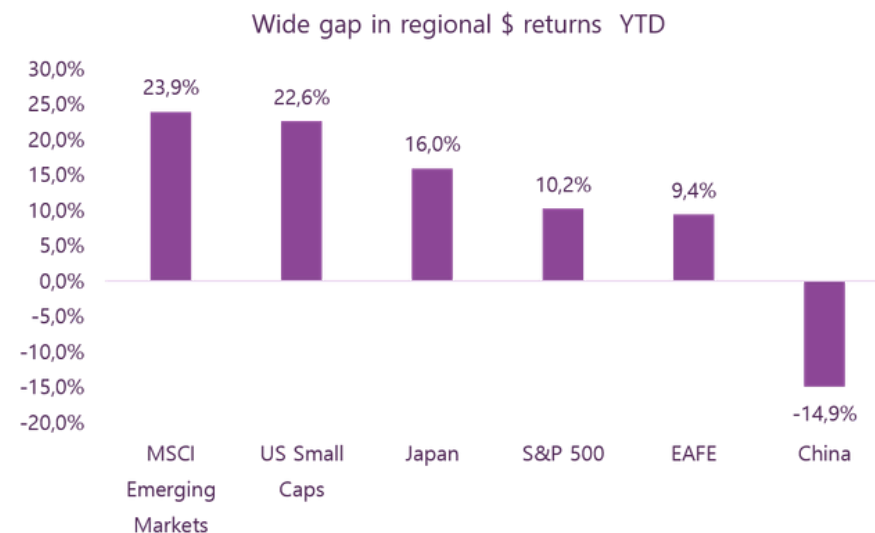
The most striking feature of the half-year was how far apart regions finished [Figure 2]. The United States was, unusually, closer to the middle of the pack than the top. Emerging markets rose about 24%, and the standouts were the chip-making economies of Asia. South Korea's Kospi Index more than doubled and Taiwan surged, both carried by semiconductor demand. Japan rose strongly in local currency terms (Nikkei rose 39% in Yen YTD), helped by a new pro-growth government, a weaker yen that lifted exporters, and continued corporate governance reform, though a good deal of that gain was given back once returns were measured in US dollars.

Europe & UK delivered a mixed bag of performance. Larger markets such as Germany, France and the UK held back the region while the Netherlands performed strongly. Europe's dependence on imported energy during the Middle East scare and by its limited exposure to the AI names that drove other markets were notable contributors to less exciting performance.

China and India were notable losers year-to-date with both markets delivering negative returns.

Overall, a thoughtfully regionally diverse global portfolio (as opposed to a portfolio constructed in line with the regional benchmark weights favouring high exposure to US) was the positioning that enhanced returns year to date, however this needed to be critically intersected with the right sectors.

Figure 2: Dispersion in regional returns year-to-date



Source: MSCI Index Factsheets at 30 June 2026

Sector winners and losers

At sector level, two areas did the heavy lifting. Energy was the strongest sector over the first quarter as the oil price spiked, giving it a large early lead. With the dissipation of the war on Iran in the second quarter and normalisation of oil supply, Energy released some of its first quarter gains during quarter two, however it still posted the second best performing sector year-to-date. Technology then took over in the second quarter, with the sector rising close to 40% among large companies as the AI trade reasserted itself. Industrials also did well, helped by the spread of AI-related spending into physical infrastructure such as power and cooling. Consumer Discretionary and Healthcare were the clear laggards year-to-date with mixed earnings, and other defensive corners of the market such as Consumer Staples were left behind during the risk-on rally [Figure 3].

Figure 3: Dispersion in regional returns year-to-date

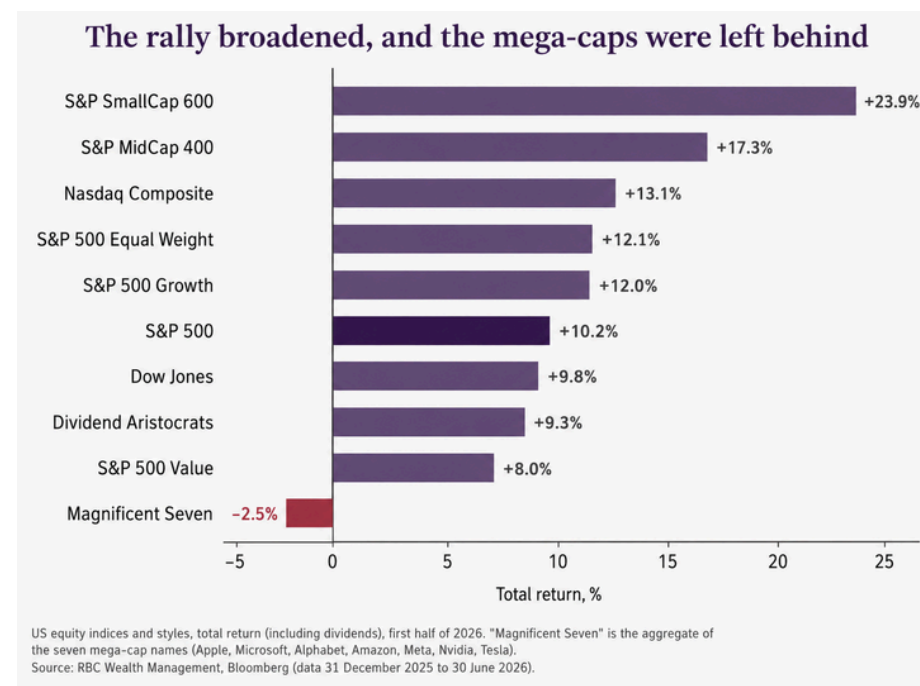
Sector	Q2% (USD)	YTD% (USD)	12M% (USD)
Energy	-13.0	16.2	25.7
Materials	0.1	6.6	26.3
Industrials	12.6	15.4	22.9
Consumer Discretionary	6.5	-5.1	3.5
Consumer Staples	1.6	5.0	4.2
Health Care	6.5	1.7	15.3
Financials	11.2	3.8	14.1
Information Technology	39.1	29.7	50.5
Utilities	0.0	8.4	16.3
Real Estate	5.7	5.7	5.8
Communication Services	6.0	-2.3	12.8

Source: Bloomberg at 30 June 2026

Breadth: the rally widened, and leadership moved

For three years the US market had been carried by a handful of mega-cap technology names. The first half of 2026 broke that pattern in two ways. First, the rally broadened by size: small and mid-cap indices outpaced the S&P 500 by a wide margin, and the equal-weighted version of the index beat the standard cap-weighted one. Second, and more surprising, leadership within technology moved away from the largest names. The so-called Magnificent Seven that we have discussed in previous commentaries were marginally negative as a group, while the other 493 companies in the index rose around 15% [Figure 4].

Figure 4: Wide range of performance with the US market



What drove the market

Four forces shaped global equities during the first half of 2026, and it is worth separating them because they pull in different directions.

1. **Earnings did the real work.** Consensus earnings growth for the S&P 500 in 2026 was revised up from about 14% at the start of 2026 to more than 23% by the end of June, a rare jump at this stage of a cycle. Second-quarter earnings are expected to grow more than twenty percent for the second quarter running, with revenue growth in double digits. Rising profits, rather than rising valuations, carried the market. The forward price-to-earnings multiple actually fell over the half, from about 22.5x to roughly 20x.
2. **Geopolitics moved from headwind to tailwind.** The Middle East conflict that hurt markets in March eased through the second quarter. Oil fell heavily, with US crude down about thirty percent over the quarter, which relieved inflation worries and lowered input costs, particularly for energy-importing economies in Europe and Asia.
3. **Monetary policy became less friendly.** A new Federal Reserve chair, Kevin Warsh, took office in May and struck a notably firmer tone on inflation. With core inflation drifting higher, the market moved from expecting rate cuts at the start of the year to pricing the possibility of rate rises, and longer-dated bond yields climbed. This is an important shift: it means equity investors can no longer count on falling rates to lift valuations, which places more of the burden on genuine earnings and cash flow.
4. **Volatility was real but short-lived.** There were two clear bouts of stress, in March and again in June, and a sharp sell-off in semiconductors at the very start of July as investors took profits. Each time the market recovered quickly. The lesson many investors drew is that resilience should not be mistaken for calm; the underlying environment is more prone to sudden moves than the smooth half-year returns suggest.

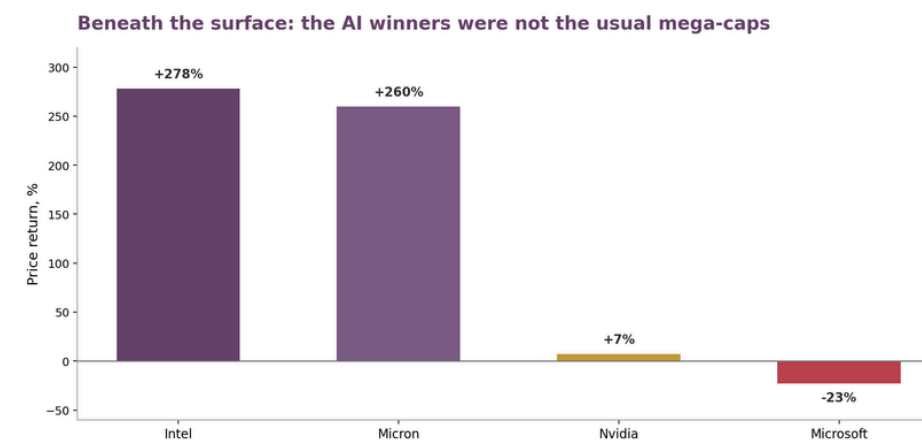
The theme that matters most: artificial intelligence

Artificial intelligence (AI) remains the single most important driver of earnings, capital spending and returns in global equities. However, the way it expressed itself in 2026 was different from previous years, and understanding that shift is central to positioning.

The winners moved down the supply chain

In earlier years the gains flowed to the large software and platform companies. This year they flowed to the makers of the physical components that AI needs, the "picks and shovels" of the build-out. Memory chips became the key bottleneck, and the companies that supply them led the market. Within the US, the semiconductor index rose almost ninety percent over the second quarter alone, its best quarter since the measure began in 1994. The contrast at the level of individual companies was stark. Some chip and memory names more than tripled over the half, while a number of the largest platform companies fell. The other losing technology cohort in 2026 were the software names. This is the clearest example of the market changing beneath the surface [Figure 5].

Figure 5: New set of winners in technology in 2026



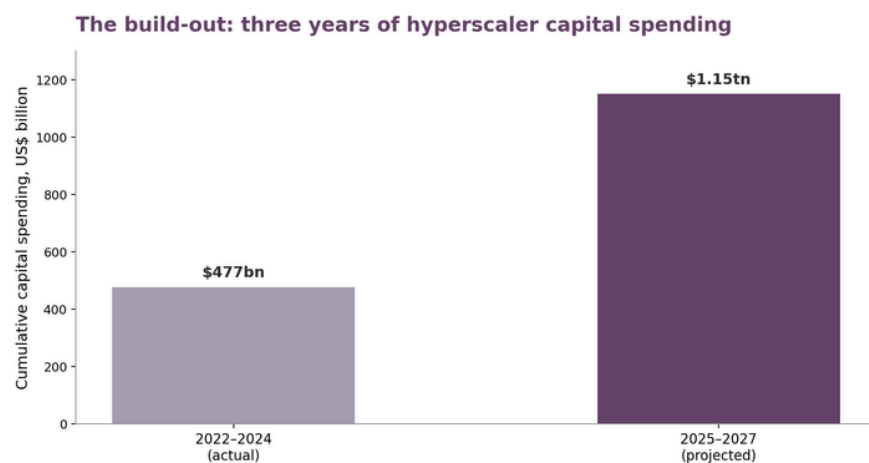
Selected large-cap technology shares, price return, first half of 2026. "Picks and shovels" (chip and memory makers) led, while parts of Big Tech lagged. Source: CNBC, MarketWatch/LSEG (data to 30 June 2026).

The same pattern held across borders. Technology shares outside the United States did far better than their US counterparts, because that is where much of the chip manufacturing sits. Emerging-market technology rose more than 90% and European technology rose close to 45%, against a gain of under 20% for US technology. For a global investor, this is a reminder that owning a theme and owning the most expensive expression of that theme are not the same thing.

What is fuelling it, and how it is being paid for

The demand comes from the enormous capital spending of the large cloud providers. Goldman Sachs projects that combined spending by these companies between 2025 and 2027 will reach about \$1.15trillion, more than double the amount spent in the previous three years. In 2026 alone the largest players are expected to spend somewhere between \$700-725billion, up more than three-quarters on the prior year, with the great majority going to AI infrastructure [Figure 6].

Figure 6: Actual vs projected hyperscaler capex



Combined capital expenditure of the largest cloud and AI infrastructure providers ("hyperscalers").
Source: Goldman Sachs projections, 2026.

The important change is how this is being funded. In the early part of the cycle, spending came out of the companies' own cash flow, which put a natural limit on how fast it could grow. That has shifted, and a growing share is now being financed with debt. Capital spending has climbed to somewhere between 45-47% of revenue for these firms, a level that looks more like a utility or a heavy industrial than a traditional technology company.

What to watch and the risks

For an investor, the questions worth tracking are straightforward, even if the answers are not:

- **Does the spending translate into revenue?** The central risk is that capital spending keeps accelerating while the revenue from AI services grows more slowly. If that gap persists, the logic that supports today's valuations weakens.
- **How concentrated is demand?** A large share of chip demand comes from a very small number of buyers. For the leading chipmaker, two customers account for close to 40% of data-centre revenue. A pullback by even one large spender would ripple through the whole chain.
- **Is the financing sound?** Funding the build-out with debt while interest rates are no longer falling raises the cost of any disappointment. This is the feature of the current cycle that is most different from the past.
- **Does history rhyme?** The pattern of extraordinary revenue growth concentrated in one supplier, funded by a handful of customers, echoes the telecom and networking boom of 1999 and 2000. The comparison is not exact, but the structural similarity is worth keeping in mind.
- **None of this argues for avoiding the theme.** It argues for owning it thoughtfully, paying attention to who actually earns durable cash flow, and being disciplined about the price paid. The useful starting point is to separate the companies spending heavily on AI from the companies being paid by that spending, and then, among those being paid, to separate businesses with contracted or regulated income from those simply selling components into a cycle. The market is beginning to draw exactly these lines, as the early enthusiasm for anything with an AI label gives way to a closer look at business models and cash generation.

As we assess the opportunity set, we consider the following inputs:

- **Move along the value chain rather than crowd the obvious names.** The AI value chain runs from chips, memory and networking through custom silicon, servers, power, grid equipment and cooling to the data centres themselves. Each layer has very different economics, and the most talked-about names are not always where the best value sits.
- **Favour contracted or regulated cash flow.** Utilities and power producers with data-centre supply agreements, grid and transmission operators, energy pipelines, tower companies and the data-centre owners that lease space to the large cloud providers on long contracts all get paid whether or not the AI return on investment arrives on schedule. That contracted income means there is no sudden earnings cliff if spending slows, which is exactly the protection a cautious investor wants.

- **Separate durable moats from merely durable demand.** Memory is essential to every AI system, but its pricing is commodity-like and cyclical, and server assembly runs on thin margins. Strong demand does not always mean strong or lasting profits, so it is worth distinguishing the parts of the chain with real pricing power from those without. For this reason we are cautious on the sustainability of the semi-conductor stock earnings. At the same time we believe certain software companies have been oversold as though their historic moats will now be permanently eroded.
- **Look beyond the sellers to the adopters.** Some of the better value lies in ordinary businesses using AI to widen their own margins, and in embedded software that sits deep inside regulated or complex industries, where switching costs are high and AI improves the product rather than replacing it. These companies often carry latent AI exposure that the market has not yet priced.
- **Insist on a margin of safety and a sound balance sheet.** With a growing share of the build-out funded by debt and interest rates no longer falling, the cost of any disappointment is higher. Balance-sheet strength and a sensible entry price matter more than they did earlier in the cycle.

We believe the “easy” phase of owning anything AI-related is ending, and the reward is shifting towards businesses whose earnings an investor can actually stand behind.

Regional outlook for the rest of the year

United States

The US market enters the second half with strong earnings momentum but full valuations and a less supportive Federal Reserve. The broadening of the rally into smaller companies and beyond the mega-caps is encouraging for active investors, because it widens the field of opportunity. History offers some comfort: in every instance since 1990 when the S&P 500 rose at least nine percent in the first half, it also rose in the second. That is a tendency, not a promise, and the main risks, namely higher inflation, possible rate increases and renewed geopolitical stress, are all live.

Europe & United Kingdom

Europe remains the value corner of the developed world. It carries less AI exposure, which held it back this year, but it also trades at a meaningful discount and benefits from rising defence and infrastructure spending. Banks have been a quiet source of strength, outperforming the wider market for several years. If energy prices stay contained and there is progress on regional conflicts, Europe's low starting valuation gives it room to catch up. The UK continues to offer value and income. The FTSE 100 reached record highs earlier in the year as investors looked for defensive, cash-generative businesses, and it still trades on a modest multiple relative to global peers. Front-loaded fiscal and defence spending, and the end of the rate-cutting cycle, point to infrastructure and defence as areas of opportunity. It is not a market that will lead a technology-driven rally, but it is a sensible place to find durable dividends at reasonable prices.

Japan

Japan has been one of the year's genuine success stories. A pro-growth government, ongoing governance reform that is returning cash to shareholders, and renewed foreign interest have combined to draw capital back to a market that spent decades going nowhere. The main risk is the currency: a weak yen has flattered local returns and helped exporters, but any sharp reversal, or intervention by the Bank of Japan, would change the maths for overseas investors. Japanese banks stand out as a way to benefit from rising domestic rates.

China and Emerging Markets

China lagged the wider emerging-market rally, weighed down by weak domestic demand and a property sector still working through its problems. The picture is not uniformly negative. Policymakers appear increasingly willing to support the equity market through higher dividends and buybacks, the next five-year plan will set the direction for favoured industries, and China has real strength in AI applications, electric vehicles and the supply chains for clean energy. The case is selective rather than broad: valuations are undemanding and the diversification benefit is real, but earnings durability and policy dependence call for care.

Emerging markets were the best-performing region of the half, led by the Asian chip economies. That strength is closely tied to the AI supply chain, which is both the opportunity and the risk: these markets would be among the most exposed if the semiconductor cycle cooled. Outside the chip story, emerging markets still trade at a wide discount to developed markets and benefit from a softer US dollar, which makes them a meaningful place to look for value.

Positioning for a bottom-up value approach

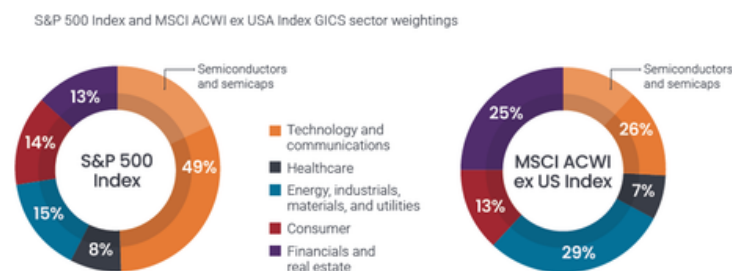
For an investor who starts with the individual business and its price, the shape of this market is more encouraging than the index-level valuations might suggest. The concentration that has defined recent years is beginning to loosen, and that is where the opportunity lies.

Several conclusions follow from the year so far:

- **Breadth is a fundamental value investor's friend.** When a small group of stocks drives everything, valuation discipline is punished. As leadership widens to smaller companies, to overlooked quality businesses, and to markets outside the United States, the reward for careful stock selection improves.
- **The best way to own AI may not be the obvious one.** The theme is real, but the most crowded and expensive names are not the only way to access it. Chip and memory makers, power and infrastructure suppliers, and companies quietly using AI to improve their own margins can offer better value than the headline platforms.
- **Geography matters again.** Europe, the UK, Japan and selected emerging markets all trade at discounts to the United States and offer genuine income and cash generation. A globally minded value portfolio has more to work with today than at any point in several years [Figure 7].
- **Quality and balance sheets matter more with rates higher.** With the era of ever-falling interest rates apparently over, companies that fund themselves prudently and generate real cash are better placed than those relying on cheap financing and optimistic forecasts.

Set against a market where the ten largest US companies still make up close to forty percent of the index, roughly double their share of a decade ago, a disciplined focus on what businesses are actually worth looks less like a constraint and more like an advantage.

Figure 7: A balanced sector opportunity set outside the US



Source: S&P Global, MSCI, Data as of 31 May 2026

Looking out to the rest of 2026

The first half of 2026 was less about the level of the market and more about its composition. Beneath a steady headline return, leadership rotated in three directions at once:

- across regions, as Asia and parts of the emerging world outpaced the United States;
- down the size scale, as small and mid-cap companies overtook the mega-caps;
- and along the technology supply chain, as the makers of chips, memory and power infrastructure led while several of the largest platform names fell behind.
- Two deeper shifts sat underneath that rotation. Earnings, rather than falling interest rates, did the work of carrying the market higher, and the AI build-out moved to a newer and more debt-dependent way of funding itself.

The question for the second half is whether this leadership endures or reverses. Much of what led was cyclical, momentum-driven and, in the case of smaller companies and semiconductors, now trading on fuller valuations, which leaves it more exposed if growth softens, rates stay high, or AI spending disappoints. The more defensive and quality-oriented parts of the market lagged and, in several cases, look better value as a result. We expect the gap between leaders and laggards to stay wide, and we think that kind of environment rewards selectivity and valuation discipline more than a simple bet on the momentum of the past six months. Our focus for the rest of the year is on businesses whose earnings and cash flows we can stand behind, rather than on chasing leadership that has already re-rated.

Delphine Govender
Portfolio Manager



South African Politics



South African Politics: Fragile stability

impeachment risks and local polls threaten SA market confidence

Earlier this year, we cautioned about two major political events in 2026 that have the potential to destabilise the confidence of the markets in the Government of National Unity (GNU) and multi-party coalitions governing arrangements in South Africa.

We identified them as:

1. The resurgence of the Phala Phala impeachment risk.
2. Fragmentation of government at the local government level after the elections due to take place in November.

Both political risks have evolved significantly over the last few months.

The "holding pattern" has officially broken, and we are entering an incredibly high stakes period that will test the durability of the Government of National Unity (GNU).

The potential triggers essentially point to the same structural vulnerability. We hold a view that the current market stability is built on a fragile political consensus that could quickly unravel under internal constitutional pressure or external electoral shifts.

The Phala Phala impeachment battle

The threat of a sudden presidential exit or a highly destabilising impeachment trial has once again flared up due to a major legal shift.

- **Trigger:** In a landmark ruling on May 8, 2026, the Constitutional Court revived the Phala Phala impeachment process. It ruled that the ANC-dominated Parliament's 2022 vote to block the Section 89 independent report (which found a prima facie case against the President) was unconstitutional and invalid.
- **Escalation:** The ConCourt ordered Parliament to refer the report to an official Impeachment Committee.
- **Ramaphosa's response:** Realising the immense danger of facing a highly publicised, forensic parliamentary trial with witnesses and cross-examinations, President Ramaphosa launched an urgent legal challenge in late May 2026. He is currently asking the courts to completely throw out and nullify the 2022 report before the parliamentary committee can start its work.

- **Market outlook:** The political temperature has spiked. Opposition parties like the EFF and ATM are fighting Ramaphosa's bloc while the Democratic Alliance (DA), a key partner in the GNU, has publicly stated they will participate fully in the Impeachment Committee and will not shield wrongdoing. If Ramaphosa's legal bid fails to nullify the report, the risk of his resignation to avoid public parliamentary cross-examination will reach its highest point since late 2022.

Fragmentation & the 2026 Local Government Elections (LGE)

The timeline for the municipal elections has officially been locked in, crystallising the exact window of market vulnerability.

- **Timeline:** President Ramaphosa formally announced Wednesday, November 4, 2026, as the date for the Local Government Elections (LGE). The Independent Electoral Commission officially launched the campaign under the tagline "Get Up, Show Up, Vote."
- **Changing voter landscape:** The country is seeing a massive surge in voter engagement, particularly among youth. Following the first major voter registration weekend in late June 2026, over 477,000 new voters registered, an astounding 80% of whom are under the age of 30. A total of 508 political parties have registered to contest these elections.
- **The reality of fragmentation:** This youth wave and the sheer volume of minor parties may favour anti-establishment, smaller, and populist parties.
- **Market outlook:** The November 4 polls are being widely treated as a referendum on the GNU. The immediate risk is twofold.

A fracturing of major metros (Johannesburg, Tshwane, Ekurhuleni) into even more unmanageable, volatile multi-party coalitions. If the ANC or DA suffer severe losses to smaller, localized fringe parties on November 4, internal party revolts could trigger an exit from the national grand coalition, effectively threatening the stability of the GNU itself by the end of the year.

Summary of market concerns

The reality is that investors have priced in the "GNU Honeymoon" whilst also remaining cautious of a potential structural breakdown.

- We have noticed this arising from the lack of foreign investor interest in local equities, ignoring cheap valuations.
- Despite the healthy performance by local asset classes over the past two years, valuations have not re-rated to a level that inspires increased confidence in our market.

Through early 2026, South Africa saw a notable rebound in investor and business sentiment, driven by fiscal discipline in the 2026 Budget, the absence of load shedding, and the steady implementation of structural reforms via Operation Vulindlela. Considering the market has actively bought into this stability, any sudden disruption will likely trigger a sharp corrective reaction rather than a mild wobble.

What to watch for

We are now moving into a narrow, high-volatility window. Between Ramaphosa's current legal battles to stop his impeachment and the rapidly approaching November 4 Election Day, the structural integrity of the GNU will face its toughest trials yet.

We illustrate the potential impact to investments impact as follows:

If the risk materialises as...	Short-term market reaction (Rand & Bonds)	Long-Term economic impact (FDI & Growth)
Ramaphosa resigns; GNU holds with a centrist successor.	Moderate, brief shock. Volatility for few weeks before steadying.	Long-Term economic impact (FDI & Growth)
Ramaphosa resigns; ANC fractures toward populist coalitions.	Severe, sustained shock. Heavy capital flight; credit rating upgrades reversed.	Long-Term economic impact (FDI & Growth)
November elections yield heavy fragmentation, but GNU stands.	Minor volatility. Market expects local friction but focuses on national policy.	Long-Term economic impact (FDI & Growth)
November elections trigger the total collapse of the national GNU.	Extreme panic. Rupture of the reform narrative that drove the 2025/2026 market recovery.	Long-Term economic impact (FDI & Growth)

Patrick Ntshalintshali
Portfolio Manager



Team



Portfolio Management Team



Lonwabo Maqubela is Perpetua's Chief Investment Officer since May 2026. He is also one of Perpetua's equity and balanced portfolio managers. He has over 19 years' investment management experience. He joined Perpetua as one of the firm's first team members in 2012. Lonwabo began his journey with Perpetua as an analyst and was promoted to a portfolio manager in 2014. Prior to that Lonwabo was an investment professional at Allan Gray Limited and Stanlib Asset Management. He is a qualified CA(SA) and CFA charterholder.



Delphine Govender is an Executive Director and has portfolio management responsibilities over all asset classes as well as leading the global equity capability. Delphine is a co-founder of Perpetua and prior to establishing the firm in 2012, she had been a portfolio manager and executive director at Allan Gray since 2005 and 2006 respectively. She has 28 years' investment experience is a qualified CA(SA) and CFA charterholder.



Patrick Ntshalintshali is one of Perpetua's equity and balanced portfolio managers. He is responsible for the portfolio risk management aspects of the equity portfolios and direct mentoring of analysts. He is also a Executive Director of Perpetua and fills the role of Head of Portfolio Risk. Patrick has 30 years' experience in the investments industry spanning primarily listed equity investments as well as private equity. He holds a BCom Hons degree and an EDP.



Pooja Tanna is the portfolio manager for Perpetua's fixed income products which include the following strategies - Enhanced Cash, Domestic Bond Fund, and Flexible Fixed Income Fund. She also manages the fixed income assets within Perpetua's multi-asset class funds and is responsible for leading income assets at the firm. Pooja has over 21 years' financial services experience of which the past 18 years has been spent directly in the field of fixed income - across fixed income trading, interest rate structuring, derivatives trading and portfolio management. She holds a BSc and BSc Hons degree in Mathematical Statistics.



Ryan van Breda is the portfolio manager for credit (Public and Private markets). Ryan has over 20 years working experience in the financial services and investment industry of which 11 years has been spent in the positions of being a portfolio manager in credit and structuring at Prescient Investment Management and Ngwedi Investment Managers. Most recently Ryan focused on structured and sustainable finance. He also launched the Prescient Clean Energy and Infrastructure Debt Fund. He has a B Com (Hons), M Com and also is a FRM.

Invest with us

Mandate	Fund strategy
Perpetua Domestic Focused Equity	The Perpetua Domestic Focused Equity portfolio aims to deliver superior risk-adjusted returns relative to the market benchmark in the medium to long term by using Perpetua's bottom-up research and stock selection, and high conviction portfolio construction within a defined risk-conscious investment process. The portfolio is suitable for investors who are seek long term alpha generation from a strategy benefiting from strong stock selection while seeking to minimise permanent capital loss.
Perpetua Domestic Core Equity (ALSI)	The Perpetua Domestic Core Equity portfolio aims to deliver superior risk-adjusted returns relative to the market benchmark in the medium to long term by using Perpetua's bottom-up research and stock selection while controlling the risk of underperformance in the short term through portfolio construction. The portfolio is suitable for investors who seek long term alpha generation while limiting the risk of short-term underperformance.
Perpetua Domestic Core Equity (Capped ALSI)	The Perpetua Domestic Core Equity portfolio aims to deliver superior risk-adjusted returns relative to the market benchmark in the medium to long term by using Perpetua's bottom-up research and stock selection while controlling the risk of underperformance in the short term through portfolio construction. The portfolio is suitable for investors who seek long term alpha generation while limiting the risk of short-term underperformance.
Perpetua Global Focused Equity	The Perpetua Global Equity UCITS Fund aims to outperform the benchmark MSCI All Country World Index in the medium to long term by using Perpetua's bottom-up research and stock selection to build a high conviction portfolio within a defined risk-conscious investment process, consisting of shares listed on developed and emerging market stock exchanges. The Fund is suitable for investors who accept short term volatility in the pursuit of long-term alpha generation. The strategy is available as a segregated portfolio for clients investing in excess of \$25m.
Perpetua Global Core Equity	The Perpetua Global Core Equity portfolio aims to deliver superior risk-adjusted returns relative to the MSCI World Index in the medium to long term by using Perpetua's bottom-up research and stock selection while controlling the risk of underperformance in the short term through portfolio construction, limiting the tracking error. The portfolio is suitable for investors who seek long term alpha generation while limiting the risk of short-term underperformance.
Perpetua Developed Market Focused Equity	The Perpetua Developed Market Focused Equity portfolios aims to outperform the benchmark MSCI World Index in the medium to long term by using Perpetua's bottom-up research and stock selection to build a high conviction portfolio within a defined risk-conscious investment process, consisting of shares listed on developed market stock exchanges. The Fund is suitable for investors who accept short term volatility in the pursuit of long term alpha generation.
Perpetua International Focused Equity	The Perpetua International Focused Equity portfolios aims to outperform the benchmark MSCI EAFE or MSCI World ex-US Index in the medium to long term by using Perpetua's bottom-up research and stock selection to build a high conviction portfolio within a defined risk-conscious investment process, consisting of shares listed on developed market stock exchanges outside of the USA. The Fund is suitable for investors who accept short term volatility in the pursuit of long term alpha generation.

Mandate	Fund strategy
Perpetua Domestic Balanced	The Perpetua Domestic Balanced portfolio is a multi-asset class portfolio investing in equities, bonds, cash and commodities in South Africa, subject to the restrictions of Regulation 28. The Fund is managed in a manner to deliver returns above long term target of SA CPI+5%. The strategy benefits from Perpetua's top-down macro-driven asset allocation process combined with bottom-up fundamental asset class research and stock-picking.
Perpetua Global Balanced	The Perpetua Global Balanced portfolio is a multi-asset class portfolio investing in equities, bonds, cash and commodities in the domestic and global markets subject to the restrictions of Regulation 28. The Fund is managed in a manner to deliver returns above long term target of SA CPI+5%. The strategy benefits from Perpetua's top-down macro-driven asset allocation process combined with bottom-up fundamental asset class research and stock-picking.
Perpetua Cash Enhanced	The Perpetua Cash Enhanced portfolio is designed for investors who have a need for a competitive return while avoiding any capital loss in the short term. It will aim to deliver returns 1.0% per annum above the Short-Term Fixed Interest rate (STeFI) benchmark before fees, and will do so by investing in short-term credit opportunities, notes, derivatives, short-dated government bonds and collective investment schemes/funds.
Perpetua Flexible Fixed Income	The Perpetua Flexible Fixed Income portfolio provides investors with a blend of stability, income and capital appreciation. The fund aims to deliver outperformance against 120% of the STeFI benchmark by investing in credit opportunities, duration positions, structured notes, derivatives and alternative strategies. The fund aims to minimise volatility by utilising the various instruments in the fixed income universe.
Perpetua Domestic Bond portfolio	The Perpetua Domestic Bond portfolio seeks to generate capital and interest returns by investing primarily in South African government, parastatal and corporate bonds. The portfolio aims to deliver excess returns by investing in fixed income instruments offering superior yields which actively managing duration and credit, thereby limiting downside risk.

For more information on our products, view them on our [website](#).

Performance ended 30 June 2026	Inception date	1 year	3 years	5 years	10 years
Perpetua Domestic Focused Equity	November 2012	18.8%	17.7%	16.9%	9.5%
<i>JSE Capped ALSI</i>		19.4%	17.8%	14.7%	9.8%
Active return		-0.6%	-0.1%	+2.2%	-0.3%
Perpetua Core Domestic Equity (ALSI)	July 2015	17.4%	16.8%	14.4%	9.4%
<i>JSE ALSI</i>		18.4%	17.6%	13.8%	9.5%
Active return		-1.0%	-0.8%	+0.6%	-0.1%
Perpetua Domestic Core Equity (Capped ALSI)	January 2021	19.4%	17.5%	15.2%	-
<i>JSE Capped ALSI</i>		19.4%	17.8%	14.7%	-
Active return		0.0%	-0.4%	+0.5%	-
Perpetua Global Focused Equity (USD)	February 2019	14.7%	13.6%	5.3%	-
<i>MSCI ACWI (Net) (USD)</i>		24.2%	20.2%	11.5%	-
Active return		-9.5%	-6.6%	-6.2%	-
Perpetua Global Core Equity (ZAR)	September 2023	9.1%	-	-	-
<i>MSCI World (ZAR)</i>		12.0%	-	-	-
Active return		-3.6%	-	-	-
Perpetua Developed Market Focused Equity (USD)	October 2021	11.6%	15.6%	-	-
<i>MSCI World (USD)</i>		21.3%	19.2%	-	-
Active return		-9.7%	-3.6%	-	-

Performance ended 30 June 2026	Inception date	1 year	3 years	5 years	10 years
Perpetua Domestic Balanced	January 2014	19.8%	18.0%	15.7%	10.1%
<i>70% Capped ALSI, 20% ALBI, 5% CILI, 5% STeFI</i>		19.3%	17.1%	13.7%	9.6%
Active return		+0.5%	+0.9%	+2.0%	+0.5%
Perpetua Global Balanced	August 2013	10.8%	12.3%	12.1%	9.4%
<i>ASISA SA Multi Asset High Equity Category Average</i>		12.3%	12.6%	11.0%	8.3%
Active return		-1.5%	-0.3%	+1.1%	+1.1%
Perpetua Enhanced Cash	November 2024	9.0%	-	-	-
<i>STeFI</i>		7.0%	-	-	-
Active return		+1.9%	-	-	-
Perpetua Flexible Fixed Income	April 2024	13.2%	-	-	-
<i>120% of STeFi</i>		8.5%	-	-	-
Active return		+4.7%	-	-	-
Perpetua Domestic Bond*	April 2015	20.3%	17.0%	12.5%	-
<i>87.5% ALBI, 12.5% STeFi</i>		19.6%	16.4%	11.6%	-
Active return		+0.7%	+0.6%	+0.9%	-

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