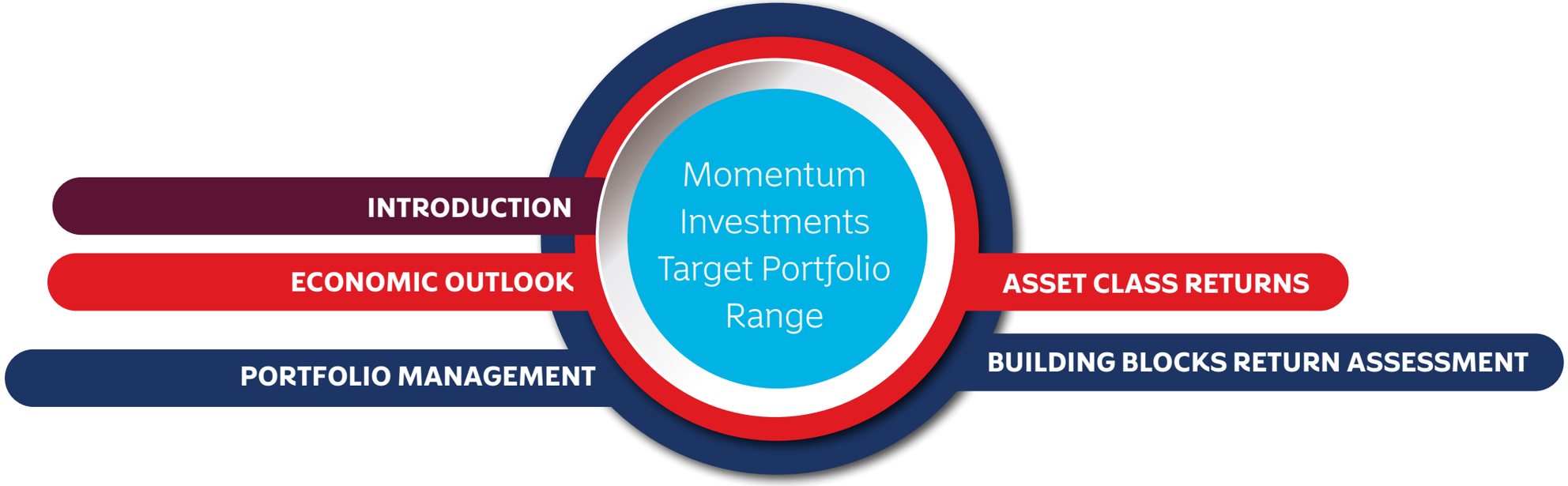
momentum
multi-manager

Q3 2026 Investment Report

Momentum Investments Target Portfolio Range



Introduction

Assessing investment returns in an outcome-based investment context

The Momentum Investments Target Factor Portfolio Range is managed in terms of our outcome-based investing philosophy, where we design the portfolios to maximise the probability of achieving the inflation-plus return target of each portfolio over the relevant period while continuing to meet the portfolios' risk targets. To achieve this, our portfolio management approach conceptually starts at an (multi) asset class level, then progresses to the identification of specific investment strategies within each asset class (if appropriate) and finally ends up in the selection of (potentially more than one) investment mandates awarded to investment managers that will implement the desired investment strategies.

Given this outcome-based investing framework, when assessing the returns of the Momentum Investments Target Portfolio Range, it is important to start by looking at the returns from the portfolios against their inflation-related targets. This allows us to answer the question: did we achieve our target over the most recent relevant period?

We then assess these returns relative to this target in terms of the following:

- The returns provided by the asset classes included in the portfolios
- The returns from the building blocks that provide the asset class exposure for the portfolio against their asset class (or strategic) benchmark. This in turn is explained by:
  1. The returns from the investment strategies (or styles) used in the building block (if any)
  2. The returns from the investment managers that were awarded the mandates used in each of the building blocks

This quarterly review thus starts with the assessment of the investment returns generated by the portfolios against their targeted investment outcomes over the most recent periods. The next section focuses on the economic environment and the returns generated by the asset classes (beta) for the most recent quarter, measured against our average real return expectations for each asset class. We review the returns from the building blocks and the underlying investment managers against their strategic investment benchmarks.

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Economic overview

Q3 2026

A sharp rebound in oil prices and higher agricultural commodity prices driven by an escalation in the United States (US)-Iran conflict reignited global inflation concerns. The combination of tighter monetary policy, elevated inflation projections, solid economic growth forecasts and concerns about fiscal sustainability resulted in negative global bond returns in the quarter. Rising bond yields also caused global listed property to deliver the weakest overall asset-class returns, reversing almost all the positive returns achieved in the second quarter. With indicators continuing to point to a robust global growth picture and reported profit numbers remaining strong, global equity returns outpaced all other global asset classes in the third quarter, with developed market (DM)equities sharply outperforming emerging market (EM) equities.

Within EM, semiconductor-heavy Korea produced significantly negative returns during the quarter after a phenomenal run in recent quarters, with returns still up by almost 100% year to date. Outside equities, cash was the only other global asset class to record positive returns during the quarter. Sharp increases in underlying commodity prices propelled the platinum and gold exchange-traded funds (ETFs) to the highest returns among all asset classes in the third quarter and drove strong returns in the Resources subsector of the South African (SA) equity market.

However, negative returns in the Financials sector and, in particular, the Industrials sector pushed the overall SA equity market into slightly negative territory for the quarter.

Although SA bonds could not escape the downdraft from global bonds in the third quarter, the 49 basis points (bps) rise in local yields was smaller than the increases recorded in many DMs. Consequently, both SA nominal bonds and listed property posted smaller negative returns than their global counterparts. Rising local inflation expectations and higher policy rates meant that SA cash and inflation-linked bonds (ILBs) were the only SA asset classes outside the commodity ETFs to deliver positive returns in the third quarter.

Performance was flat to negative for the quarter. Absolute performance was impacted by the negative performance of local asset classes over the quarter. Overweight positions to global equity contributed to performance. During the quarter, we increased the global cash allocation as yields became more attractive.

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Asset class returns
Q3 2026



Herman van Papendorp
Head: Asset allocation

The returns for the asset class benchmarks for the third quarter of 2026 are reported in the first column of the table below. The next column highlights the returns for these asset classes for the previous year. These one-year returns are then converted into real returns by deducting inflation (4.4%) for the year. The final column in the table contains the returns above inflation we expect to get (on average) for these asset classes for a full market cycle.

Watch our Head of Asset Allocation, Herman van Papendorp, share his outlook on financial markets.



Asset class	Q3 2026 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	-0.3%	5.6%	1.2%	6.3%
Local bonds (ALBI)	-0.7%	12.8%	8.5%	6.8%
Local listed property (SAPY)	-1.1%	20.2%	15.9%	7.3%
Local ILBs (ILBI)	1.4%	15.6%	11.3%	5.0%
Local cash (SteFI)	1.7%	7.0%	2.6%	1.8%
Global equity (MSCI ACWI)	1.7%	11.4%	7.0%	5.0%
Global bonds (WGBI)	-2.9%	-7.5%	-11.9%	1.8%
Global property	-5.8%	-1.8%	-6.2%	5.8%
US dollar/rand**	0.9%	-1.5%		
SA CPI*	**0.9%**	**4.4%**		

*CPI is lagged by 1 month
**A positive/negative value here reflects the effects of a depreciation/appreciation of the rand against the US dollar on global asset class returns in rand terms. As the rand gets weaker/stronger, the returns of global investments get better/worse from a local investor's perspective.

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Portfolio management
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Mohammed Sibda
Portfolio manager

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No material changes were made during the last quarter apart from reducing global bond and global cash exposures in favour of both local bonds and property. The portfolios are positioned for further gains in risk assets (local and global equity and property) and local bonds.

As explained above, our outcome-based investing philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate choice level within each asset class. We thus construct building blocks that reflect our selected investment strategies and managers that were awarded the mandates to implement these to either improve on the returns of the asset class or manage its risk profile.





Building block Return assessment

Q3 2026 Commentary

Local equity building block

SA equities had a challenging quarter. The FTSE/JSE All Share Index produced a return of -0.3%. Gains in heavyweight resource shares resulted in the sector rallying to deliver a return of 16.6% but were largely offset by sharp domestic market corrections in retail and locally focused banking stocks, with declines in financials (-3.7%) and industrials (-10.0%).

The building block posted a -0.9% return for the quarter. The Quality and Trending Strategies underperformed during the quarter. The Tending fund's performance was impacted by overweight positions in MTN, BTI, Pepkor and Tiger Brands. The Quality strategy was impeded by overweight positions in AVI and other Consumer Staple counters as well as from the underweight positions to Sasol. The Value Strategy had a strong quarter, recording a performance of 0.8%; the overweight position in Sasol and the underweight position in MTN were the largest contributors to performance.

Local property building block

The third quarter of 2026 remained challenging for South African risk assets. Listed property, equities and bonds all delivered negative returns over the quarter, with only cash in positive territory. The SA Listed Property Index (SAPY) and the All-Property Index (ALPI) recorded total returns of -1.1% and -1.5% respectively for the quarter ended September 2026. SA listed property has delivered positive returns year-to-date (ALPI 3.05%), despite a weaker third quarter. Operational performance continues to improve, earnings growth remains resilient and companies retain good access to capital. Although rate expectations have become less favourable following the September rate hike, investors are increasingly focused on company-specific execution and balance sheet quality. The building block delivered a return of -1.5% for the quarter.

Local real return portfolio

The third quarter of 2026 remained challenging for South African risk assets. Listed property, equities and bonds all delivered negative returns over the quarter, with only cash in positive territory. The Portfolio, however, delivered a 1.2% return for the quarter as the defensive positioning of both managers were vindicated.

Prescient produced a 1.1% return for the period. The strategy is tilted towards high-yielding income assets given the attractive yields. The strategy also has an allocation to protected equity, which should benefit the Fund if equity markets rally from current levels.

Abax delivered a 1.2% return during the period. This strategy too has the majority of its assets in high-yielding income assets. The Fund also holds Inflation-linked bonds within the bond component. The fund holds a 30% exposure in local equity; a portion of which is protected.

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The local bond building block

Q3 was a difficult quarter for fixed income asset classes. Uncertainty was elevated, driven largely by the global macro environment, with several significant risks weighing on the market. Yields moved higher across the board, which negatively impacted total returns from the various asset classes. Nominal bond yields rose an average of 41 basis points across the curve, with the ALBI delivering a -0.68% return, while ILB yields were up by 36 basis points on average, although still managing to deliver a 1.44% return as elevated inflation accrual provided a substantial buffer.

The building block delivered a -0.8% return for the quarter, marginally below the benchmark. A slightly longer duration position detracted from performance. The Fund continues to hold a slight overweight duration position relative to the ALBI given the attractive real rates relative to shorter-dated bonds. Duration positions are being managed actively given the sharp moves in yields and inflation expectations.

Global equity building block

Global Equity benefited from earnings upgrades across almost all markets, with particularly strong momentum in the US, Japan and AI-driven parts of EMs, mostly Korea and Taiwan. These upgrades were strong enough to offset rising rates. As a result, outside Korea, equity risk premia were not meaningfully raised. MSCI World markets returned +2.0%, while the S&P outperformed the MSCI World ex-US, with Japan matching the S&P performance in the quarter.

Emerging Markets and Frontier Markets each lost -0.2%. Within MSCI EM, the LatAm and EMEA regions gained 4.0% and 3.1% respectively in Q3, while the Asian region posted a loss of -1.0%.

The building block delivered a 2.6% return for the quarter, which was marginally ahead of the benchmark.

Global property building block

After a strong first half, global listed real estate hit turbulence in the third quarter. The GPR 250Index fell 5.8% in local currency, with September in particular losing 5.2%. Rising bond yields, stubborn “higher for longer” rate expectations and a fresh dose of geopolitical anxiety pushed investors to reprice the sector. Europe took the biggest hit, sliding 8.3%. The Americas followed at -6.2%, then Asia at -2.9% and Oceania at -2.7%. The best-performing sectors globally for the quarter in USD were Health Care, Industrial, and Hotels with total returns of -1.2%, -2.8% and -2.9%, respectively. The laggards for this quarter were Cold Storage (-13.7%), Gaming Net Lease (-12.2%) and Apartment (-11.4%). The building block delivered a -6.6% return for the quarter.

Global fixed income building block

Central banks shifted decisively towards tighter monetary policy as resilient economic activity gave policymakers scope to act. September’s flash composite PMIs reached a five-year high in the US and a three-year high in the eurozone, reinforcing expectations of further rate rises and higher-for-longer borrowing costs. The US Federal Reserve raised the Federal Funds target range by 25 basis points to 3.75%-4.00%. The Fed

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signalled that further rate rises could follow. Elsewhere, the European Central Bank delivered a further rate hike in September, raising its deposit rate by 25 basis points to 2.50%, warning that inflation was likely to remain above target for an extended period. The Bank of Japan also tightened policy, lifting its rate to 1.25%. However, the Bank of England took a more cautious approach, holding at 3.75%. The recent oil price spike is merely one development pointing to the increasing difficulty which central banks face in meeting their inflation targets. Yields across Developed Nations rose to levels last seen before the GFC, with the US 10-year breaching the 5% level. European and Japanese bond markets were also weaker during the quarter. The building block delivered a return of -2.6% during the quarter.

Conclusion

Markets will continue to exhibit higher levels of volatility in the shorter term as a result of the US-Iran conflict and the implications of higher oil prices on global inflation and interest rate policy. Against this backdrop, portfolio construction remains disciplined and deliberate. We are ensuring that the portfolio remains well diversified and are cognizant of the need to be both flexible and nimble in this particular environment. We do, however, continue to hold slight overweight positions in both local and global equity as valuations are still supportive of these asset classes.

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