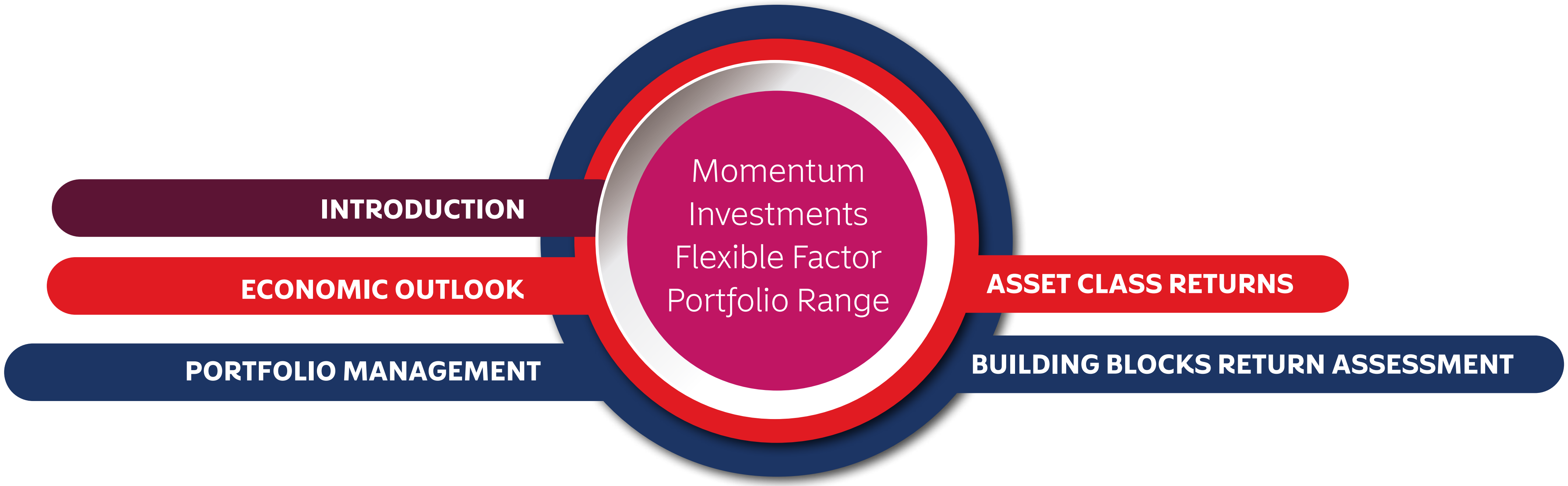
momentum
multi-manager

Q2 2026 Investment Report

Momentum Investments Flexible Factor Portfolio Range



Introduction

Assessing investment returns in an outcome-based investment context

The Momentum Investments Flexible 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 Classic 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

Q2 2026

The Iran war remained the dominant influence on global markets during the second quarter of 2026, with investor sentiment swinging repeatedly between fears of further escalation and hopes for a negotiated settlement. Elevated oil prices throughout April and May pushed global inflation expectations higher and prompted markets to reassess the likely path of interest rates. Strong United States (US) economic data, especially labour market indicators, combined with more hawkish-than-expected commentary from new Federal Reserve (Fed) Chair Kevin Warsh, reinforced expectations that the next US policy move could be an interest rate hike rather than a cut.

More bearish inflation and monetary policy expectations, together with ongoing concerns about fiscal profligacy, drove developed market (DM) bond yields to multi-decade highs, causing global bonds to produce the weakest returns among the global asset classes in the second quarter, while also weighing on precious metal prices. As a result, the gold and platinum exchange-traded funds (ETFs) were the weakest-performing investments for South African (SA) investors during the quarter. The decline in precious metal prices, combined with rand strength, also placed considerable pressure on SA resource shares.

Although local financial and industrial companies generated positive returns, their gains were insufficient to offset losses in the resources sector, resulting in negative overall returns for the SA equity market in the period. Improving confidence that the Iran conflict would ultimately move towards resolution benefited SA fixed-income assets and listed property, with the latter ending the quarter as the best-performing local asset class. Global equities were the strongest-performing asset class in the quarter, supported by resilient US corporate earnings, continued enthusiasm around artificial intelligence (AI)-driven investment themes and moderating stagflation fears.

Emerging markets (EM) significantly outperformed DMs, largely due to exceptional gains in semiconductor-heavy markets such as South Korea and Taiwan. Within DMs, the US delivered the strongest performance, with technology companies once again acting as the primary drivers of returns.

Performances were positive for the quarter. Absolute performance was driven by global equity, local and global property as well as local bonds. Relative performance was driven by both asset allocation and stock selection. Overweight positions in global equity and local property contributed to returns whilst the underweight positions in global bonds and global cash also contributed to performance over the period. Underweight positions in gold and platinum counters were the primary drivers within equity portfolios.

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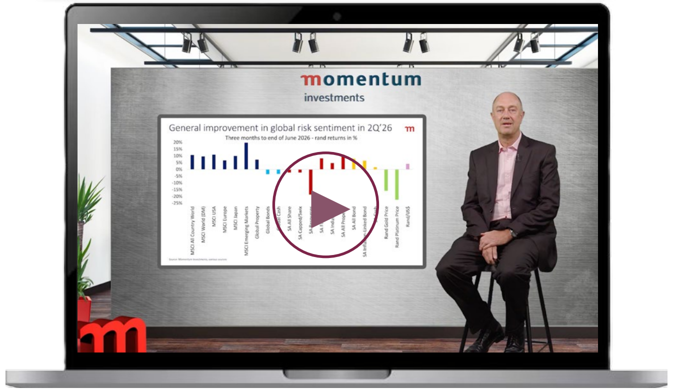
Asset class returns

Q2 2026

Herman van Papendorp
Head: Asset allocation

The returns for the asset class benchmarks for the second 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 (4.5%) 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	Q2 2026 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	-2.4%	19.4%	14.9%	6.3%
Local bonds (ALBI)	7.9%	21.5%	17.0%	6.8%
Local listed property (SAPY)	10.0%	29.7%	25.2%	7.3%
Local ILBs (ILBI)	6.6%	19.8%	15.3%	5.0%
Local cash (SteFI)	1.7%	7.1%	2.6%	1.8%
Global equity (MSCI ACWI)	10.2%	14.5%	10.0%	5.0%
Global bonds (WGBI)	-3.4%	-6.7%	-11.2%	1.8%
Global property	4.2%	5.5%	1.0%	5.8%
US dollar/rand**	-3.4%	-4.2%		
SA CPI*	**2.4%**	**4.5%**		

*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.

Portfolio management

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Mohammed Sibda
Portfolio manager

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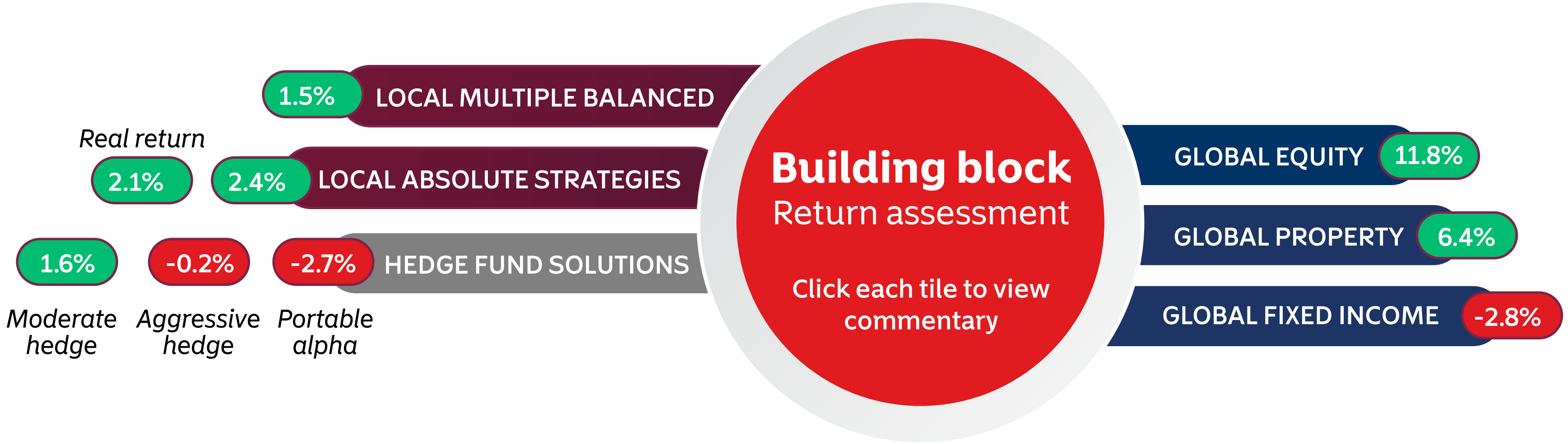
No material changes were made during the last quarter apart from reducing global bond and global cash exposures in favour of both local bonds and property. The portfolios are positioned for further gains in risk assets (local and global equity and property) and local bonds.

As explained above, our outcome-based investment philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate 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

Q2 2026 Commentary

Local multiple balanced building block

The local balanced portfolio benefited from the rebound in local bonds and local property. The portfolio recorded a return of 1.5% for the period.

Abax delivered a 0.8% return over the quarter and 24.1% over the past 12 months. It continues to outperform its benchmark and target of CPI +5% over all annualised periods. The portfolio delivered a solid outcome during the quarter, benefiting from strong contributions across a diverse range of holdings. Domestic positions including Zeda, Sun International, Raubex and Dipula Properties were among the key contributors. The principal detractors from performance were Optasia, Naspers, as well as Sasol and Glencore. Abax remains constructive on the investment outlook, while recognising that the environment is likely to remain characterised by heightened uncertainty and volatility, as such the portfolio remains well diversified and firmly grounded in a disciplined, fundamentals-driven investment process.

Coronation had a good quarter, delivering a 2.7% return for the period. Absolute performance was driven by the SA bank exposure, select industrial companies, as well as the allocation to SA nominal Bonds and listed property. Underweight positions in gold and platinum stocks contributed to relative performance for the period. The Strategy continues to hold very little cash, reflecting the breadth of attractive investment opportunities available within domestic equity markets. Coronation believes that current portfolio valuations provide significant upside potential. While short-term market volatility is inevitable, they remain confident that the Strategy is well positioned to deliver attractive double-digit returns over the medium to long term.

Foord produced a return of 3.2% for the quarter. The allocation to South African equities contributed to returns, as holdings in Anheuser-Busch InBev, Omnia and Aspen gained, whilst the underweight positions in the platinum and gold miners that sold off added value. The fund's preference for inflation-linked bonds again added value as attractive real yields continue to reward the preference for inflation protection. Naspers and Prosus detracted from returns as sentiment towards their underlying Chinese internet exposure weakened.

Ninety One delivered a negative return of -0.2% for the quarter. Key contributors included the exposure to banks, listed property and nominal bonds. However, the positions in gold and platinum counters were the primary detractors from both absolute and relative performance. The portfolio maintained its positioning through April and May as the war progressed and markets endured volatility, with most activity concentrated in June once conditions began to stabilise. Profit-taking dominated the quarter's trims, and the proceeds were recycled into new opportunities. Global diversified miners were reduced as gains from the earlier commodity rally were locked in, alongside further profit-taking in Anglo American and Glencore. Some of this cash generated was deployed by adding to MTN and AB InBev on weakness.

Building block Return assessment

Q2 2026 Commentary

Local absolute strategies building block

The absolute strategies portfolio benefited from the rebound in local bonds and local property. The portfolio recorded a return of 2.4% for the period.

Laurium delivered a 2.3% return for the quarter. Performance was aided by a bond allocation of around 40% during the quarter. Within local equity, underweights in Sibanye Stillwater, Gold Fields and Northam Platinum were the largest contributors as PGM and gold stocks sold off. Overweights in Anheuser-Busch InBev, Mr Price and FirstRand also added value, supported by attractive valuations, resilient fundamentals and, in FirstRand's case, a strong higher-rate banking backdrop. The main detractors over the quarter were overweight positions in Prosus, AngloGold Ashanti and Impala Platinum. Prosus declined as Tencent, which accounts for most of its net asset value, weakened amid concerns about AI competitiveness and a late-quarter tech sell-off.

Sentio delivered a return of 2.8% for the period. Within Domestic Equity, positive contributions included positions in MTN, select Banks (Standard Bank, Capitec, Firstrand), Discovery, Shoprite, Glencore and Anglo American. Detractors included positions in precious metals which sold off during the war (Goldfields, Sibanye, Impala, Northam, Valterra), as well as Naspers and Prosus, which suffered from a sell-off in Tencent due to as the Chinese government constrained South-Bound flows to avoid capital flight. Positions in select Retail (Clicks, Pepkor) also detracted. In Property, positive contributors were positions in NEPI RockCastle, Redefine, Vukile and Hyprop. In Fixed Income, the fund reduced duration early in the quarter and maintained a duration neutral position as valuations were getting stretched and increased geopolitical tensions were on the rise.

MandG produced a 2.5% return for the quarter. The fund's position in SA nominal and inflation-linked bonds contributed meaningfully to performance given the strong returns from these assets over the quarter. Conversely, the allocation to SA equities detracted as equities were the weakest-performing domestic asset class. Positive stock selection aided returns through underweight exposure to the Platinum Group Metals (PGM) sector and not holding Sasol as both continued to retrace earlier gains. The banking sector outperformed during the quarter and remains the largest sector overweight positions.

Real Return strategy

The Real Return strategy delivered 2.1% return for the quarter. Both managers, Prescient and Abax delivered similar returns for the quarter. Both strategies are defensively positioned, placing a greater emphasis on capital protection given the risks prevalent in markets.

Hedge fund solutions building block

Portable Alpha

The Momentum Portable Alpha hedge fund solution posted a negative return of -2.7% and experienced a similar drawdown to the equity market. The challenges for the fund were reflective of local equity market conditions. The alpha strategies through a market-neutral and, to a lesser extent, fixed income arbitrage, contributed positively to the portfolio, though not big enough to steer it to positive numbers in the second quarter. The derivative strategies, that is, short index futures and especially put options, contributed positively and further provided opportunities to trade the market volatility around futures close-out in mid-June. The local financial sector also contributed, as the sector recovered post-March sell-off. This is attributed to holdings of Capitec, FirstRand and various insurance stocks. Rand hedge holdings through Richemont and Anglo American performed well, while the basket of midcap stocks also contributed to a lesser extent. The fixed-income arbitrage strategies as a diversifier contributed positively to the portfolio through the recovery in SA nominal bonds.

Aggressive Hedge

The Momentum Aggressive Hedge Fund recorded a -0.2% for the quarter, reflecting challenges in the local equity market conditions. As the hedged equity mandate, the fund managed to protect some of the market downside, leading to the outperformance of the Capped All Share Index. The fund benefited mostly from low-volatility equity long/short, fundamental bottom-up equity stock-pickers, and high-frequency trading strategies. On the sector and stock level, semiconductor holdings drove most of the positive performance, led by memory and AI infrastructure names, including Taiwan Semiconductor, SK Hynix, AMD, Micron, Western Digital, and Seagate. The insurance, luxury, and retail sector holdings also contributed positively to the portfolio. The active trading strategy also benefited the Momentum Aggressive hedge fund, especially with a well-timed entry and exit from the Sasol position.

Moderate Hedge

The Momentum Moderate fund of hedge funds protected capital during the quarter and delivered over 1.6% in the second quarter. The primary support came from both equity long/short and fixed income strategies. Positive performance can be attributed to the long position in semiconductors, led by memory and AI infrastructure names including Taiwan Semiconductor, SK Hynix, AMD, Micron, Western Digital, and Seagate. The insurance, luxury, and retail holdings also contributed positively to the portfolio. Other meaningful gains were as a result of a large Naspers discount trade, successfully unlocking value that had been held back by Q1 market dislocations. Standout results from a few mid-cap stocks and long exposure to select South African-focused industrials, specifically Momentum, Omnia, Grindrod, and Araxi, added to the performance of the moderate fund solution.

Global equity building block

Global equities rebounded strongly in the second quarter, recovering from the late first-quarter risk-off sell-off. Developed markets rose sharply, led by the US and Europe, while China was a notable laggard. The equity rally remained heavily influenced by the AI and semiconductor theme, with investors continuing to reward companies linked to the capital expenditure cycle. This supported US and selected Asian markets, but also left market leadership narrow and valuations in parts of the market increasingly stretched.

MSCI Emerging Markets produced a positive return of 24.1% while Developed Markets delivered a 13.9%. Within Emerging Markets, the Asian region gained 30.3% during the quarter, led by heavyweights Korea

Building block Return assessment

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(87.6%) and Taiwan (48.9%), while China declined 6.6%. Within the US, the S&P 500 index rose by nearly 15% over the period, the Nasdaq Composite jumped more than 21%, and the Dow Jones Industrial Average increased nearly 13%. Semiconductors logged their best-ever first half (the VanEck chip ETF up 75.5%), and small-caps notched their strongest first half since 1991.

The building block delivered a 11.8% return in Rands for the quarter, ahead of the benchmark return of 11.3%.

Global property building block

Global listed property ended June with confidence restored, recovering from the sharp March correction that had raised questions about whether the sector's rebound was losing momentum. The performance over the quarter was strongly positive and broad-based. The FTSE EPRA/ NAREIT Developed Rental Net Total Return Index recorded a net total USD return of 10.91% for the quarter. The best performing listed real estate market was the UK, which recorded a total USD return of 18.57% for the quarter. Japan recorded the lowest total USD return of -3.79%. The best-performing sectors globally for the quarter in USD were Cold Storage (36.89%), Hotels (26.51%) and Single-Family Housing (22.20%). The worst-performing sectors were Gaming Net Lease (-0.21%), Manufactured Housing (0.23%) and Net Lease (4.66%).

The building block delivered a 6.4% return for the quarter. Rand strength detracted from returns during the period.

Global fixed income building block

The second quarter was a positive quarter for global bond markets overall, although volatility remained elevated. The Middle East conflict remained in full focus, with the direction of bond yields tracking energy markets extremely closely. As escalation fears intensified mid-quarter, government bond yields rose to multi-year highs before reversing on encouraging signs of a potential US-Iran agreement. Performance diverged across global government bond markets. Japan and the US underperformed overall, while within the eurozone Germany lagged non-core and peripheral markets. The US Treasury curve flattened, as yields rose in shorter maturities but fell slightly at the longer-dated end of the curve. Stronger-than-expected data reinforced expectations that monetary policy would need to remain restrictive.

Against this backdrop, the building block delivered a return of -2.8% for the quarter. Rand strength detracted from returns during the period.

Building block Return assessment

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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 cognisant of the need to be both flexible and nimble in this particular environment. We do, however, continue to hold slightly overweight positions in both local and global equity as valuations are still supportive of these asset classes.

Disclaimer:

If you need more information about our investment portfolio solutions, email us at emailus@momentum.co.za or go to momentum.co.za.