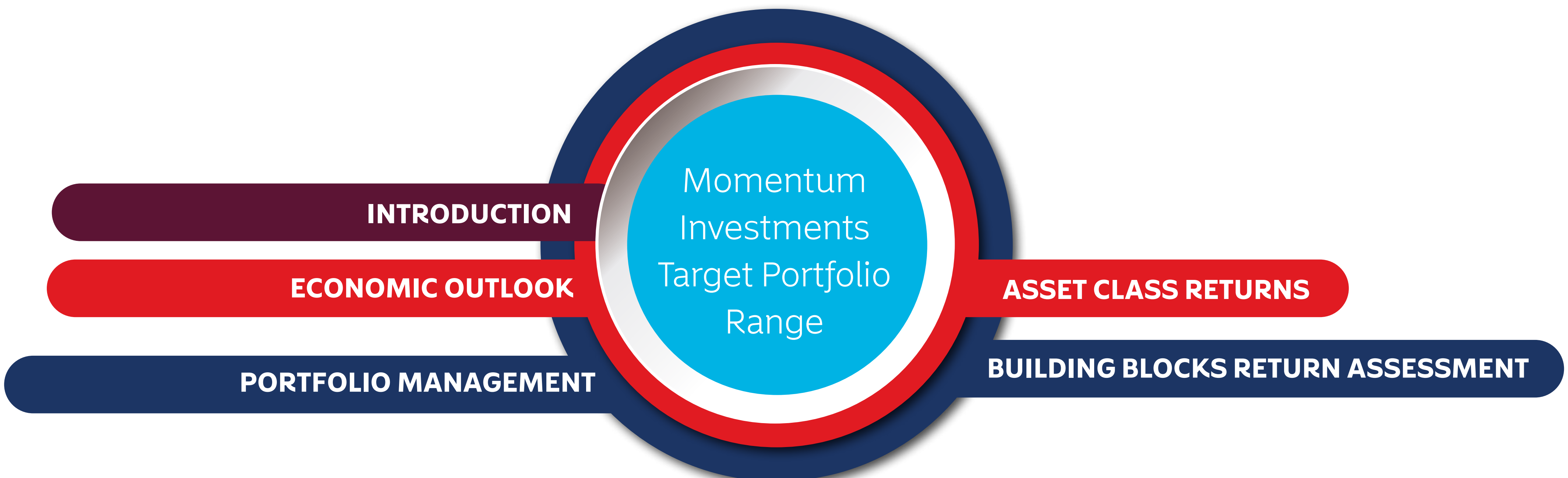
Q2 2026 Investment Report

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.

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.

INTRODUCTION
ECONOMIC OVERVIEW
ASSET CLASS RETURNS
PORTFOLIO MANAGEMENT
BUILDING BLOCKS RETURN ASSESSMENT
CONCLUSION

Asset class returns

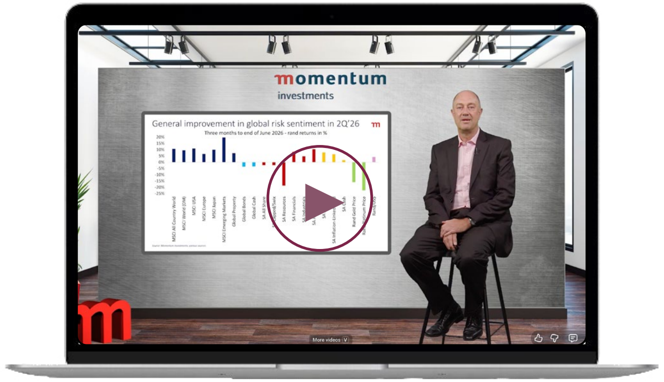
Q2 2026

Herman van Papendorp
Head: Asset allocation

INTRODUCTION
ECONOMIC OVERVIEW
ASSET CLASS RETURNS
PORTFOLIO MANAGEMENT
BUILDING BLOCKS RETURN ASSESSMENT
CONCLUSION

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

Q2 2026

Mohammed Sibda
Portfolio manager

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

Q2 2026 Commentary

Local equity building block

The JSE was weaker in rand terms over the quarter, with the FTSE/JSE Capped All Share Index down 2.4%, resources were the main drag, falling sharply as gold shares and other commodity-linked counters corrected, while financials and industrials delivered positive returns. Local Equities disappointed and continued to underperform global peers, as the resource sector weighed heavily on returns amid weaker precious metals prices, dragging resources -19.7% lower. In contrast, financials rose 8.0% and industrials gained 4.8%, while listed property was a standout performer, with the FTSE/JSE All Property Index up 10.5%.

Year to date, Small Caps have outperformed within the equity headline indices with a total return of 3.8%, while Large Caps and Mid-Caps have declined by -2.8% and -5.9%, respectively. Across sector indices, SA Financials lead with a 7.3% total return, while SA Industrials and SA Resources are down -4.0% and -12.1%, respectively.

The Target Equity building block delivered a negative return of -3.2% for the quarter. The value strategy had a challenging quarter, underperforming by 2.2% as overweight positions in Sasol and Thungela, coupled with underweight positions in MTN, Capitec and Richemont, detracted from performance. The Trending and Quality strategies fared better; the Trending fund outperformed by 40 basis points, whereas the Quality Fund underperformed by 40 basis points.

Local property building block

The SA Listed Property Index (SAPY) and the All-Property Index (ALPI) recorded total returns of 10.0% and 10.5% respectively for the quarter ended June 2026. For the year-to-date, the SA sector delivered a 4.6% return, and for the quarter it delivered a 10.5%. This resilience reflects the sector's defensive income characteristics, improving fundamentals at the property level, and continued investor appetite in an elevated risk environment. The structural investment case for SA-listed property remains sound despite the macroeconomic noise experienced in the first half of 2026. Property-level fundamentals are improving across all major sub-sectors: retail rental growth is outpacing inflation, office vacancies are recovering across all grades, and industrial property continues to deliver the strongest income growth in the sector. The building block delivered a 10.5% return for the quarter.

Local real return portfolio

The Real Return portfolio 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.

The local bond building block

Q2 was a very strong period for fixed income asset classes, based largely on a relief rally in yields post the highs reached after the middle east crisis broke, rather than any meaningful improvement in fundamental

INTRODUCTION
ECONOMIC OVERVIEW
ASSET CLASS RETURNS
PORTFOLIO MANAGEMENT
BUILDING BLOCKS RETURN ASSESSMENT
LOCAL EQUITY
LOCAL PROPERTY
LOCAL REAL RETURN
LOCAL BOND
GLOBAL EQUITY
GLOBAL PROPERTY
GLOBAL FIXED INCOME
CONCLUSION

drivers. Yields pulled back sharply as they often do post a crisis-driven overshoot once the worst-case scenario is avoided. Nominal bond yields rallied an average 78 basis points across the curve, with the ALBI delivering a 7.87% return, while ILB yields declined 48 basis points on average, boosting the IGOV to a 6.60% return. In addition, the sharp lowering in yields resulted in listed property returning 10.03% and the Zar gaining 3.24% against the USD. Lastly, cash was a distant laggard in such a strong quarter with the STeFi returning 1.67%. Despite the strong pull back in bond yields, they are still around 50 basis points s higher than where they were before the war broke.

The building block produced a return of 8.4% for the quarter, which was about 0.5% above the benchmark. A slightly longer duration position contributed to this outperformance. 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 actively managed given the sharp moves in yields and inflation expectations.

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% return. Within Emerging Markets, the Asian region gained 30.3% during the quarter, led by heavyweights Korea (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 by more than 21%, and the Dow Jones Industrial Average increased by 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 11.5% return in Rands for the quarter, which was 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.

Building block Return assessment

Q2 2026 Commentary

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.

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.