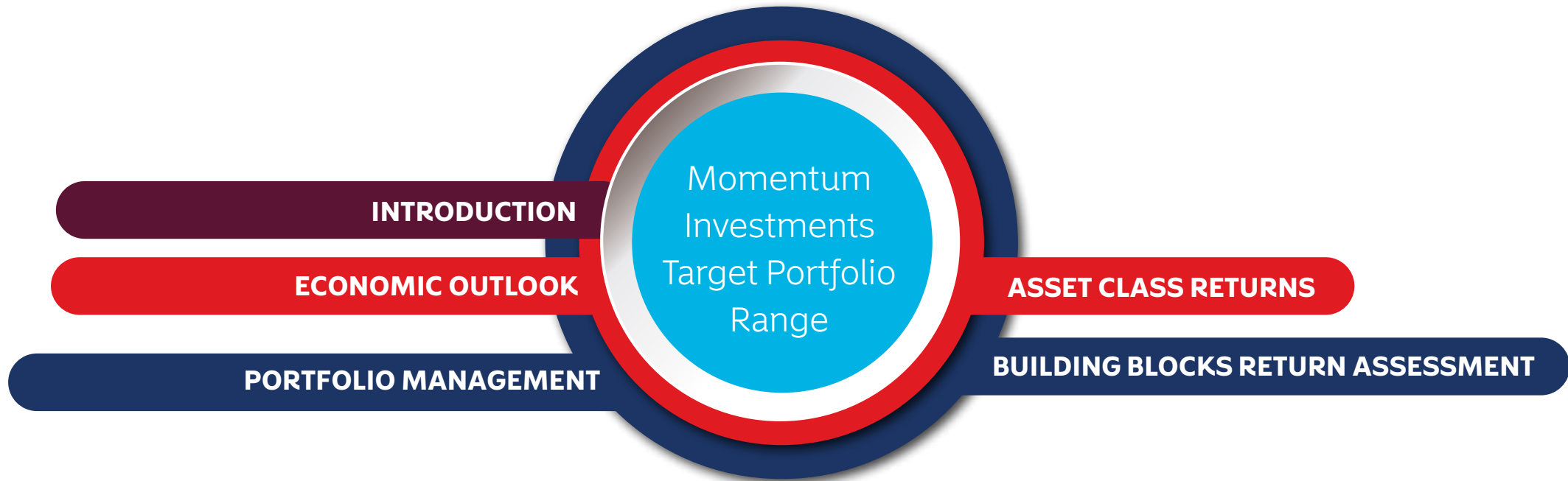


# Q1 2026 Investment Report

## 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

Q1 2026

Geopolitical risks were the primary driver of volatility this quarter, with the downturn in March largely attributable to the escalation of conflict in the Middle East. Resulting supply disruptions—particularly constraints affecting roughly 20% of global oil flows through the Strait of Hormuz—drove sharp increases in energy prices.

After a solid start to the year, with gains in January and February, markets reversed sharply in March, resulting in an overall decline in asset values for the quarter. Losses were broad-based across equities, listed property, nominal bonds, and inflation-linked bonds, while cash provided some protection. By the end of February, year-to-date returns were respectable: the all-share index was up 10%, the all-property index 7.8%, inflation-linked bonds 4.86%, nominal bonds 3.7%, and cash 1.06%. However, by quarter-end, market conditions had deteriorated, with listed property down 5.3%, nominal bonds -3.36%, inflation-linked bonds -1.13%, and equities -0.61%. Cash remained positive with a return of 1.7% over the period.

We entered 2026 with our portfolios geared up to benefit from a positive macro environment (benign inflation/ lower rates/ uptick in economic growth) and favourable valuations across most asset classes (local and global equity/local bonds and Local property). This view was rewarded in January and February of 2026, with the year-to-date returns to 28 February 2026 ranging between 4% and 5.5% (which was in line with the benchmarks despite the continued outperformance of the precious metal stocks).

However, March saw a complete reversal of both the absolute and relative returns:

1. Absolute returns were impacted by the sharp decline in local asset classes in particular
2. And relative returns were impacted by underweight positions in global bonds/global cash, as well as in local cash (the best-performing asset classes in March and the quarter). Important to note that these positions contributed to relative performance for the most part of 2025.

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# Asset class returns

## Q1 2026



**Herman van Papendorp**  
Head: Asset allocation

The returns for the asset class benchmarks for the first 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 (3.0%) for the year. The final column in the table shows the returns above inflation we expect (on average) for these asset classes over a full market cycle.

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



Asset class	Q1 2026 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	-0.5%	34.1%	31.1%	6.3%
Local bonds (ALBI)	-3.4%	19.2%	16.2%	6.8%
Local listed property (SAPY)	-4.9%	28.6%	25.6%	7.3%
Local ILBs (ILBI)	-1.3%	13.4%	10.4%	5.0%
Local cash (SteFI)	1.7%	7.3%	4.3%	1.8%
Global equity (MSCI ACWI)	-0.1%	12.1%	9.1%	5.0%
Global bonds (WGBI)	2.1%	-2.6%	-5.6%	1.8%
Global property	4.6%	2.4%	-0.6%	5.8%
US dollar/rand**	4.0%	-3.3%		
SA CPI*	0.8%	3.0%		

\*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

## Q1 2026



**Mohammed Sibda**  
Portfolio manager

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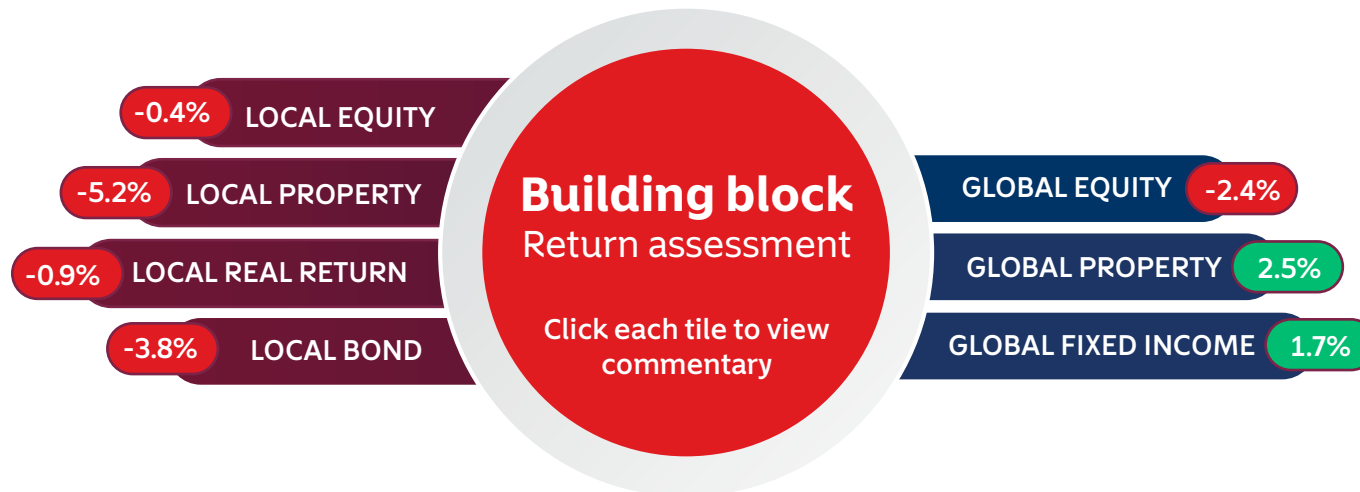


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No material changes were made during the last quarter apart from reducing global bond and global cash exposures in favour of both local bonds and property. The portfolios are positioned for further gains in risk assets (local and global equity and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

## Q1 2026 Commentary

### Local equity building block

South African equity markets entered 2026 on a strong footing, extending the positive momentum from the previous year. This strength was underpinned by a supportive global backdrop, improving sentiment toward emerging markets, and robust earnings delivery across several sectors. As a result, South African equities were among the better-performing markets globally over the trailing 12 months, reflecting both cyclical tailwinds and stock-specific drivers. Resource counters, and gold shares in particular, benefitted from the strong gold price and helped lift the FTSE/JSE All-Share to a record intra-month high in March. However, this constructive start was abruptly disrupted in March by a sharp escalation in geopolitical tensions, most notably the outbreak of conflict involving Iran, the United States and Israel. The event marked a clear inflexion point for markets, shifting the focus from growth and policy support toward uncertainty, risk aversion and the potential for broader macroeconomic disruption. South African equities delivered a mixed quarter to 31 March 2026. The FTSE/JSE All-Share Index (ALSI) decreased by 0.6%, and the FTSE/JSE Capped All-Share Index (CAPI) decreased by 0.5% during the quarter. Resources increased by 7.5%, while Industrials and Financials decreased by 8.4% and 0.2%, respectively.

The Target Equity building block produced a return of -0.4% for the quarter and 34.2% for the twelve months ending March 2026. The Value strategy benefitted from its overweight exposure to energy stocks during the quarter, resulting in strong outperformance relative to the benchmark (2.7% vs -0.5%). In contrast, the other smart beta strategies

did not fare well during the quarter. The Quality strategy delivered a negative return of -1.8%, whilst the Trending Strategy delivered a -2.1% for the quarter.

### Local property building block

By the end of February, year-to-date returns were respectable: with the all-property index up 7.8%, however, the conflict in Iran erased all these gains, with the SA-Listed Property Index (SAPY) and the All-Property Index (ALPI) eventually recording total returns of -4.9% and -5.3% respectively for the quarter ended March 2026. The SA-listed property sector enters this period of volatility stronger than it was at the wake of the COVID-19 pandemic. Company balance sheets are in a much stronger position, with loan-to-value ratios comfortably within the 30-40% range for most of the companies. The state of the South African listed property companies was surfaced again in the recent round of company results, with the key message from the results being that earnings and payout ratios are improving and underlying operating conditions are firmer than they were a year ago. Importantly, this is not being driven by a single variable. The improvement is coming through a combination of rental growth, better occupancies, lower finance costs and disciplined property-level cost control.

The building block delivered a return of -5.2% for the quarter and 29.1% for the twelve months ending 31 March 2026.

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LOCAL EQUITY

LOCAL PROPERTY

LOCAL REAL RETURN

LOCAL BOND

GLOBAL EQUITY

GLOBAL PROPERTY

GLOBAL FIXED INCOME

# Building block Return assessment

## Q1 2026 Commentary

### Local real return portfolio

It was a tough quarter for local multi-asset class portfolios as all domestic asset classes (with the exception of cash) experienced sharp declines during the quarter. However, the Portfolio delivered a positive return of 0.9% for the quarter. Abax produced a return of 1.1% for the quarter. The hedged equity and more conservative positioning worked well in March and shielded the fund from severe losses. This enabled Abax to add equity exposure in the downturn, giving the fund more equity upside exposure going forward. The equity component of the fund outperformed its benchmark in March and for the quarter. This was driven by exposure to energy-linked commodity companies such as Glencore and Sasol, as well as defensive names like Shoprite and Bidcorp. Abax used the opportunity to increase nominal bond exposure from conservative levels while retaining the inflation-linked exposure should inflation fears materialize.

Prescient delivered a 0.7% return for the quarter despite declines in equity and bond markets. The fund is conservatively positioned, but the manager took advantage of the market volatility by increasing protected equity as well as bond duration

### The local bond building block

Q1 was a very difficult start to the year for all fixed-income asset classes, as the outbreak of the Middle East conflict in March led to some of the worst monthly returns for fixed-income indices since the global financial crisis. Yields rose significantly across the board as risk premia widened on inflation and growth concerns. Nominal yields

increased an average of 85bps across the curve, with the ALBI delivering a -3.4% return, while ILB yields rose an average of 10bps across the curve, dragging the IGOV to a -1.3% return. In addition, the sharp rise in yields resulted in listed property returning -4.9% and the Zar losing 2.7% against the USD. Lastly, cash outperformed, with the STeFi returning 1.7%.

The building block delivered a return of -3.8% for the quarter and 20.0% for the year.

### Global equity building block

Global equities, as measured by the MSCI All Country World Index (ACWI), fell 3.2% in the first quarter. Emerging market equities outperformed developed markets despite Middle East-related pressures, with the MSCI Emerging Markets Index returning -0.2%, supported by strong performances in Brazil (22.1%) and Turkey (13.9%). Developed markets, represented by the MSCI World Index, fell 3.6%, though gains in the FTSE 100 (1.4%) and Nikkei 225 (0.7%) provided some offset.

Looking at developed market factor performance, High Dividend Yield and Enhanced Value were the only strategies to outperform the MSCI World Index over the quarter, delivering positive returns despite the broader market decline. Minimum Volatility also showed resilience, marginally outperforming the benchmark as investors sought some defensive positioning. In contrast, Growth, Momentum and Quality underperformed the MSCI World Index, with Momentum and Growth among the weakest performers as the unwind of prior leadership trends and pressure weighed on returns.

# Building block Return assessment

## Q1 2026 Commentary

Against this backdrop, the building block produced a return of -2.4% for the quarter, in line with the benchmark. The Sustainable Equity component underperformed the benchmark during the quarter as a result of the underweight position in energy stocks.

### Global property building block

Listed real estate lost momentum sharply in March 2026, with the strong rally seen over the first two months of the year giving way to a broad and sudden correction. The GPR 250 Index declined by 8.4% in local currency terms during the month, as all major regions came under pressure. The FTSE EPRA/NAREIT Developed Rental Net Total Return Index (the index) recorded a net total USD return of 1.2% for the quarter. The best-performing listed real estate market was the US, which recorded a total USD return of 4.9% for the quarter. Australia recorded the lowest total USD return of -10.7%. The best-performing sectors globally for the quarter in USD were Data Centres (+22.0%), Developers (+14.4%), and Net Lease (+7.5%). The worst performing sectors were Student Housing (-17.1%), Single-family housing (-10.5%), and Office (-8.4%).

The building block delivered a 2.5% return for the quarter. Rand's weakness in March contributed to these returns.

### Global fixed income building block

US Treasuries proved more resilient to the events of the quarter compared to other developed market bonds, while yields in emerging markets rose more sharply. There were several events during the quarter that contributed to increased market uncertainty, although the conflict in Iran dominated markets in March, introducing volatility and a significant sell-off in government bonds. The energy price shock and the potential pass-through into inflation saw the market pricing in interest rate hikes, even in some countries where previously rate cuts were priced. European government bond markets underperformed the US, with the region's reliance on energy imports raising market concerns over more persistent inflation. Central banks remained in wait-and-see mode during the early stage of the energy price shock. Nonetheless, the increase in energy prices has altered the expected path for policy interest rates around the globe, with central banks expected to be relatively more cautious. Indeed, interest rate hikes are now expected in some countries, including the UK and the Euro area.

The building block delivered a 1.7% return for the quarter. Rand's weakness in March contributed to these returns.

# Conclusion



Markets will continue to exhibit higher volatility in the short term due to the US-Iran conflict and the implications of higher oil prices for 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 equities, as valuations remain supportive of these asset classes.

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