ABAX BALANCED PRESCIENT FUND

31 March 2026

COMMENTARY Q1 2026

Market Overview

Global markets started the year well, but were unsettled by the late February attack on Iran by the United States and Israel. This triggered a broad market sell-off in March (S&P 500: -5%) with energy-importing countries like South Africa experiencing pronounced declines (ALSI: -9%).

These sharp falls erased the gains delivered in Jan/Feb and left the S&P down 4.3% and the ALSI 0.6% lower in Q1.

The escalation of the conflict in the Middle East has shifted investor focus to the impact on energy prices, inflation, and global growth. Interest rate expectations have quickly turned hawkish. For example, in SA forecasts now point to a 25bps rate hike in May 2026; with rate cuts only resuming in 2027. SA Government bonds bore the brunt of this shift, falling 6.8% in March, and taking the year-to-date returns to -3.4%.

This geopolitical shock has disrupted what had been a supportive global backdrop, introducing downside risks to growth. This stands in contrast to South Africa's otherwise positive domestic trajectory. Prior to the conflict, inflation expectations had declined significantly following the SARB's adoption of a 3% target, with February inflation printing at that level. The February 2026 Budget was also among the most constructive in recent years. However, the oil shock now complicates the near-term trade-off between inflation and growth, with outcomes dependent on the duration and severity of the conflict.

The longer the conflict persists, the greater the risk of second-order effects, including stagflation, which are not yet fully reflected in global equity markets. While outcomes remain uncertain, there are signs that President Trump may seek a resolution amid weakening political support ahead of the November midterms and negative market reactions. Iran, meanwhile, has been significantly weakened across military, political, and economic fronts. A ceasefire and reopening of the Strait will likely take weeks to negotiate, with alternative outcomes still possible – an escalation in hostilities is plausible as well as Trump possibly ending the Iranian campaign with the Strait remaining closed (leaving Iran's regime in control of the world's most important energy chokepoint). Market volatility is likely to stay elevated until greater clarity emerges.

Although recent market moves have been painful, they have created more attractive valuation opportunities.

Performance

The Abax Balanced Prescient Fund produced a return of -2.3% (net of fees, most expensive fee class) for the quarter compared to the peergroup of -1.5%. Over the past year, the fund is +13.9% vs the peergroup of +16.2%. Over longer periods the fund is ranked amongst the top quartile of the peergroup and has delivered low double-digit (12.0% p.a.) returns since inception in December 2011.

For Q1, the largest contributors were energy related holdings (Glencore, Thungela, Aker BP and Sasol), SK Square (Korean holding company with a stake in SK Hynix) and our S&P 500 and ALSI hedges.

By far the largest negative contributor was Prosus, which fell 25% in Q1. We have used weakness to add materially to our position, and at 5% of the portfolio we consider this a full weighting. The market is cautious on near-term margin pressure from Tencent's AI investments, but we view the long-term monetisation optionality as underappreciated. Tencent's price-earnings multiple is well below historical levels at <14x. In addition, Naspers discount to NAV remains elevated, offering an additional margin of safety.

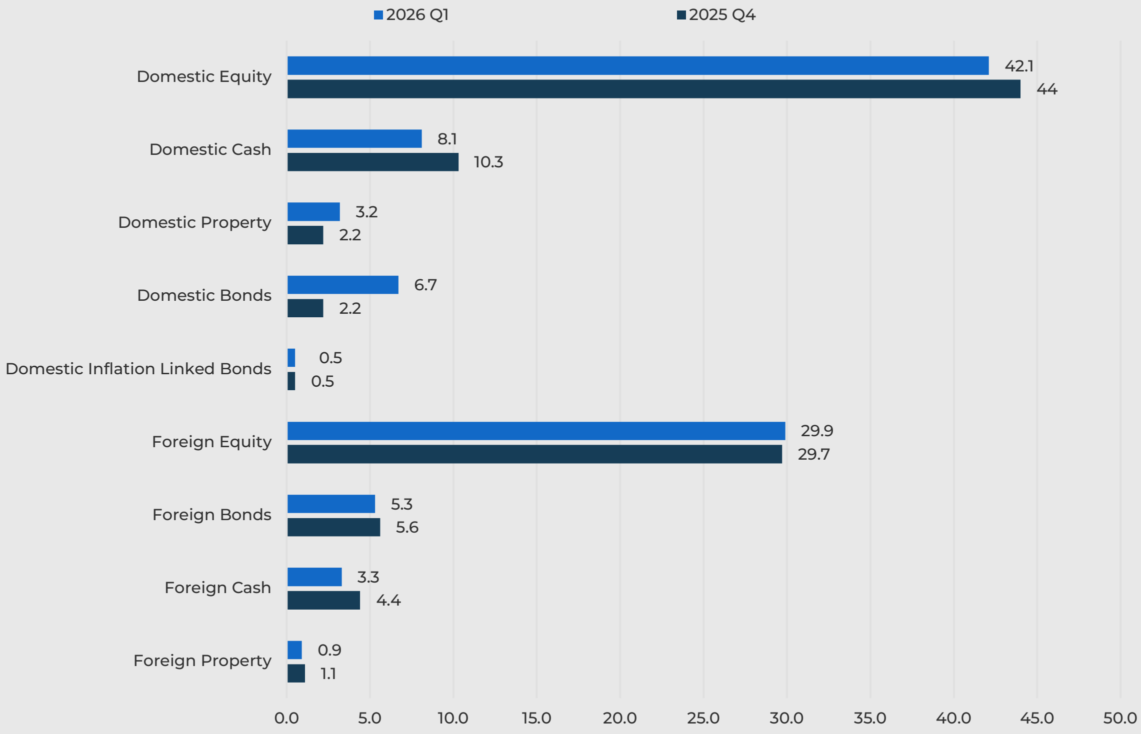
Other notable activity includes the re-engagement in SA Bonds and additions to our SA Property holdings. We sold our holdings in energy and coal stocks (Aker BP, Kazatomprom and Thungela) and trimmed Glencore after they all rose sharply. We added some of the proceeds to Gold and Platinum miners which fell materially in March. Offshore, we topped up holdings that we think are quality growing businesses being unduly punished over fears of them being disrupted by AI or (the other side of the coin) allocating too much capex to AI build-out that may dilute their operating metrics (largest purchases over the quarter include WIX, Adobe, London Stock Exchange, Booking.com, Meta and Amazon).

Conclusion

In navigating this environment, we have prudently used the recent market weakness to incrementally increase our equity exposure as well as portfolio duration.

We have endeavoured to build a robust portfolio consisting largely of real assets (stocks, convertible bonds, property, commodity companies and inflation-linked bonds) to try to protect and growth the real wealth of our investors. We have done this by being well diversified across asset classes, geographies and individual securities; by favouring high quality but undervalued stocks with strong balance sheets that have the firepower to repurchase shares and by selectively hedging some equity beta with derivative overlays.

ASSET ALLOCATION (%)



RESPONSIBLE INVESTING

A successful transition to a sustainable economy depends on urgent and transformational change from the corporate sector. Engaging with investee companies is a key tool to keep corporate activity within planetary boundaries and tackle social inequality.

Notable engagements during 2026Q1:

- **Shoprite:** Engagement with Group Executives as well as ShopriteX and Sixty60 management regarding the company's strategy and growth initiatives. Various issues were discussed including food security and delivery driver safety, together with actions taken to reduce these risks.
- **Reunert:** Specific engagement with the Remuneration Committee Chair regarding the Remuneration Policy Implementation Report.
- National Treasury: Contributed to the ASISA Submission on the Draft National Online Gambling Tax Discussion Paper.
- **Valterra Platinum:** Visit by Board Chair, Remuneration committee members to discuss the Remuneration policy.

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