ABAX EQUITY PRESCIENT FUND

31 March 2026

COMMENTARY Q1 2026

The first quarter of 2026 saw a stark contrast between improving domestic fundamentals and a sharply deteriorating global environment. While South Africa benefited from ongoing structural reforms and fiscal consolidation, global markets were unsettled by geopolitical shocks; notably the late-February attack on Iran by the United States and Israel. This triggered a broad market sell-off, with energy-importing countries like South Africa experiencing more pronounced declines.

March was particularly difficult for South African equities, ranking among the weakest periods historically, especially in USD terms. The All Share Index (ALSI) fell -10.5% in rand terms and -16.7% in USD terms - its worst monthly performance since March 2020 (Covid). Losses were led by Resources (-15.2%), followed by Financials (-9.9%) and Industrials (-5.2%). This erased earlier gains, leaving the ALSI down -0.6% for the quarter.

The Abax Equity Prescient Fund outperformed its benchmark in March as well as 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. Quarterly performance also benefited from positions in diversified miners (Glencore, Anglo American), Valterra, and select domestic mid-cap stocks including Sun International and Raubex.

The escalation of conflict in the Middle East has shifted investor focus to the impact on energy prices, inflation, and global growth. The effective closure of the Strait of Hormuz since 1 March - previously responsible for roughly 25% of global seaborne oil trade - represents a significant supply shock. As a result, interest rate expectations have turned more hawkish, with forecasts now pointing to a 25bps rate hike in South Africa in May 2026, with rate cuts only resuming from 2027.

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.

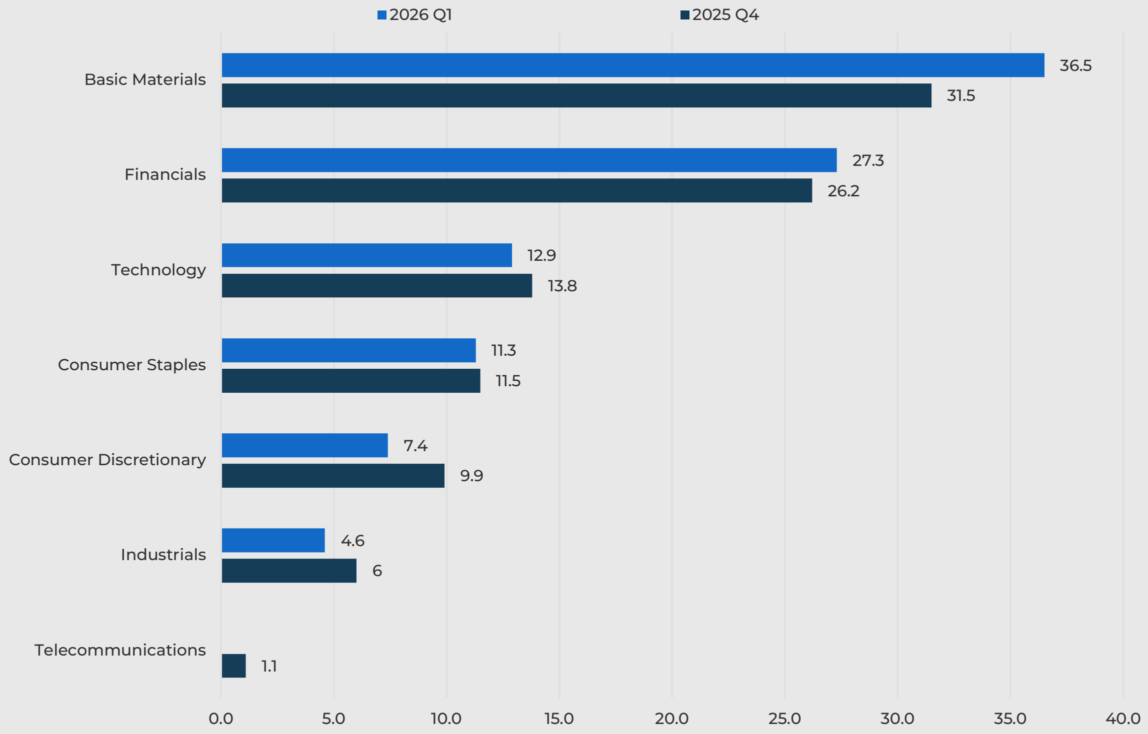
This geopolitical shock has disrupted what had been a supportive global backdrop, introducing downside risks to growth. This stands in contrast to South Africa's otherwise positive domestic trajectory. Prior to the conflict, inflation expectations had declined significantly following the SARB's adoption 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.

In this environment, the portfolio remains diversified and focused on fundamentals. Geopolitical dynamics continue to support commodity demand, driven by supply security concerns, rearmament, and technological competition. Higher metal prices are improving cash generation, strengthening balance sheets, and supporting shareholder returns in the sector, justifying continued exposure to select resource companies.

Naspers/Prosus remains a key position, with the recent share price weakness seen as unjustified given Tencent's strong FY25 performance. South African banks - including FirstRand, Standard Bank, and Capitec - also continue to offer value, supported by resilient earnings and visible shareholder returns.

Although recent market moves have been painful, they have created more attractive valuation opportunities. The ALSI now trades at approximately 9x 12-month forward earnings, representing a discount to both its historical averages and to other emerging markets (around a 21% discount).

SECTOR 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.

DISCLAIMER