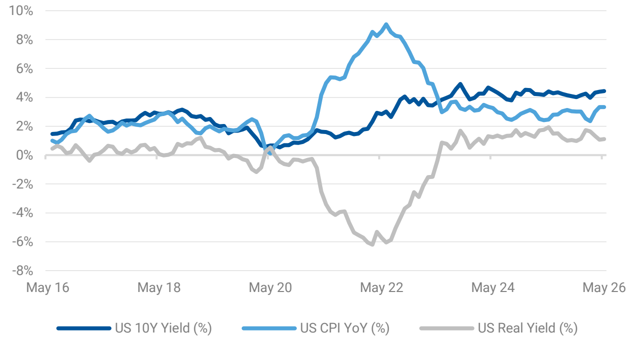
Investor Market Overview

May 2026

Market Commentary

- South African equities delivered a muted performance in May, with the FTSE/JSE All Share Index declining 0.3%.
- The FTSE/All Bond Index delivered 2.9% for the month. South Africa's 10-year government bond yield declined to 8.6% by month-end, moving against the global trend of rising bond yields and providing some support to local fixed income.
- South Africa's latest inflation print came in at 4.0% year-on-year, reaching that level for the first time since 2024 as the pass-through effects of higher energy prices began to materialise in the data.
- In response to mounting inflationary pressures, the South African Reserve Bank raised its benchmark interest rate by 25 basis points during the month, marking its first rate increase since mid-2023.
- The rand strengthened during May against the US dollar (+2.6% for the month), appreciating 10.8% over 12 months.
- **Chart below:** US Treasury yields moved higher for a third consecutive month, with the 10-year Treasury yield ending May just below 4.5%.
- Investors increasingly priced in the risk that central banks may need to maintain restrictive monetary policy, or potentially tighten further, to contain energy-driven inflation pressures.
- Global equities continued their strong advance in May, with the MSCI All Country World Index (ACWI) gaining 5.2% in US dollar terms.
- Developed market equities produced solid returns during the month, although gains were highly concentrated. Performance was driven predominantly by companies providing the infrastructure enabling artificial intelligence adoption, with semiconductor manufacturers leading the rally. Outside of AI-related sectors, market breadth remained weak.
- Emerging markets outperformed developed markets, advancing 9.7% in May and extending year-to-date gains to 25.6%. Similar to developed markets, however, returns were heavily concentrated, with a handful of Asian semiconductor companies accounting for a significant portion of the index's gains.

US 10Y Treasury Yields vs CPI (%)

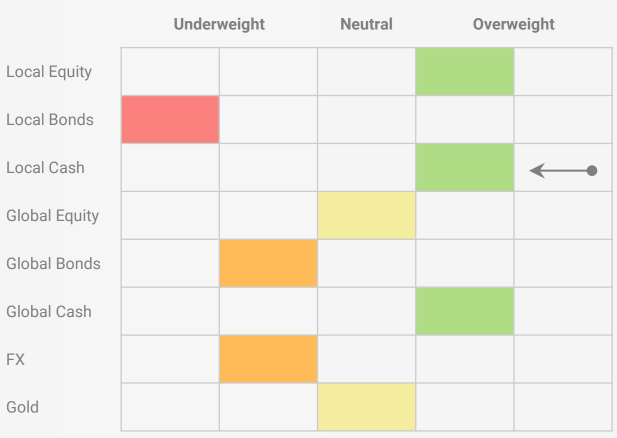


Source: Seed Investments

Asset Class Returns (ZAR)

MTD	YTD	1 Year	3 Years	5 Years	10 Years
Local Bonds 2.9%	Global Equity 9.6%	Local Equity 25.8%	Local Equity 19.4%	Local Equity 15.5%	Global Equity 13.1%
Global Equity 2.0%	Local Bonds 2.7%	Local Bonds 22.4%	Local Bonds 19.0%	Global Equity 15.2%	Local Equity 11.7%
Local Cash 0.6%	Local Cash 2.7%	Global Equity 16.8%	Global Equity 14.3%	Local Bonds 12.3%	Local Bonds 11.0%
Local Equity -0.3%	Local Equity 0.8%	Local Cash 6.9%	Local Cash 7.7%	Global Cash 7.2%	Local Cash 6.3%
Global Bonds -2.7%	Global Cash -0.8%	Global Cash -6.6%	Global Cash -2.0%	Local Cash 6.6%	Global Cash 2.8%
Global Cash -2.7%	Global Bonds -1.8%	Global Bonds -7.4%	Global Bonds -3.1%	Global Bonds 1.7%	Global Bonds 1.0%

Source: Morningstar (31 May 2026)



Asset Class Views

We maintain a slightly overweight local equity position. While the SARB's latest rate hike warrants some caution, this is offset by above-average local equity positioning among peers, a constructive outlook for the rand, and supportive views from our global research partner. With the SA 10-year government bond yield declining to around 8.6%, prospective returns have become less compelling. We have downgraded cash one notch to slightly overweight. Higher inflation, rising from 3.1% to 4.0%, has reduced real returns. Nevertheless, cash continues to generate positive real returns, and with the SARB maintaining a relatively hawkish stance, it remains an attractive defensive allocation.

We maintain a neutral view on global equities. Markets have remained resilient despite ongoing geopolitical uncertainty, with investor optimism continuing to be driven by artificial intelligence-related infrastructure. Elevated oil prices continue to pose an inflation risk, reinforcing expectations that major central banks may keep monetary policy restrictive for longer. While the US 10-year Treasury yield remains near 4.5%, real (inflation-adjusted) yields are not sufficiently attractive to warrant a more constructive view on global bonds.