ARYSTEQ

ASSET MANAGEMENT

FROM THE CIO'S DESK

Quarterly Review

Q3 2026

Dean Isaaks: Chief Investment Officer



Staying the Course: Discipline, Conviction and Opportunity in Uncertain Markets

As I write my first quarterly investment review in my capacity as Chief Investment Officer, I am conscious of both the responsibility that comes with this role and the importance of the trust our clients place in us to manage their capital. Arysteq has been built on a clear investment philosophy, grounded in fundamental research, disciplined valuation and a long-term approach to investing. My focus is to build on these foundations while continuing to strengthen our investment process, deepen our collective expertise and foster a culture of open debate, accountability and shared conviction. Markets will inevitably present periods of uncertainty and volatility, but our responsibility remains unchanged: to make considered decisions, remain disciplined in our approach and allocate capital where we believe the long-term value proposition is compelling.

The third quarter of 2026 was characterised by a renewed focus on inflation, rising energy prices and a corresponding shift in global interest-rate expectations. After a period in which markets had become increasingly comfortable with the prospect of lower interest rates, the environment changed materially as renewed disruption to shipping through the Strait of Hormuz drove a sharp increase in oil prices. Brent crude rose approximately 42% over the quarter, reaching US$114 per barrel, reigniting inflation concerns and putting pressure on global bond markets.

The resulting repricing of interest-rate expectations was one of the defining features of the quarter. The US Federal Reserve raised interest rates for the first time in three years, while the European Central Bank also tightened policy. In South Africa, the Reserve Bank increased the repo rate to 7.25% in September, while the Bank of Namibia increased its rate to 7.00% in October. Locally, inflation accelerated to 5.4% in September, largely reflecting higher fuel and transport costs.

Bond markets responded sharply. US Treasury yields moved to levels last seen before the global financial crisis, with the 10-year yield rising above 5%, while South African government bond yields also increased significantly. Equity markets proved more resilient, although performance varied considerably between regions, sectors and individual companies.

This environment reinforced an important investment principle: markets do not move in isolation, and changes in inflation, interest rates, commodity prices and investor expectations can have very different implications for different asset classes and businesses. It is precisely during periods such as these that disciplined investment processes, thoughtful portfolio construction and a focus on underlying value become particularly important.

Fund performance and portfolio positioning

Despite the more challenging market environment, the majority of our funds delivered encouraging results during the first nine months of the year, with several outperforming their respective benchmarks.

Our Arysteq Global Opportunities Fund continued to benefit from strong stock selection across a diversified range of global markets and sectors. The Fund returned 16.8% year to date, outperforming the MSCI World Index return of 10.8%. Micron Technology was the largest contributor, reflecting strong demand and investment across the semiconductor industry. However, performance was not dependent on technology alone, with financial services, healthcare, energy and industrial holdings also making meaningful contributions. We remain conscious of elevated valuations in parts of global markets and continue to favour businesses where the underlying fundamentals and purchase price provide an adequate margin of safety.

The Arysteq SA Equity Fund also delivered positive relative performance in a difficult local equity market. The Fund returned 3.0% year to date, compared with a decline of 3.1% in the FTSE/JSE Capped All Share Index. Selected resource and energy-related investments, particularly Sasol, gold and diversified mining companies, supported performance. This was partly offset by weakness in Naspers and Prosus. We continue to see opportunities among selected JSE-listed companies where we believe market prices do not adequately reflect underlying business value. Our approach remains bottom-up and valuation-driven, rather than relying on broad sector or market forecasts.

The Arysteq Property Fund delivered a positive return in September, although it continued to lag its benchmark over the year to date. The listed property sector faced competing influences, with improving property-sector income and distribution growth offset by higher bond yields and financing costs. Performance also varied considerably between individual property companies. We remain selective, placing particular emphasis on asset quality, balance-sheet strength, sustainable income streams and management's capital-allocation decisions. In a capital-intensive sector, these characteristics are important in determining which businesses can create sustainable long-term value.

In fixed income, the Arysteq Bond Fund benefited from the positioning decisions made earlier in the year. The Fund returned 6.9% year to date, compared with 2.6% for its benchmark. Our earlier reduction in South African government bond exposure, increased allocation to Namibian bonds and shorter duration helped cushion the impact of rising yields. We continue to favour selective opportunities along the middle of the yield curve, where we believe the balance between yield and interest-rate risk is more attractive. We are also mindful of the increased domestic borrowing requirement in Namibia and the potential implications for bond supply and longer-dated yields.

The Arysteq Money Plus Fund returned 6.1% year to date, outperforming its benchmark's 5.3%. Higher short-term interest rates have improved reinvestment opportunities, and the Fund has started increasing its exposure to floating-rate instruments to benefit from further potential rate increases. At the same time, maintaining adequate liquidity remains important, allowing the portfolio to reinvest maturing investments at more attractive yields as market conditions evolve.

Our multi-asset funds also delivered encouraging results. The Arysteq Real Return Fund returned 10.2% for the nine months to September, compared with its inflation-plus benchmark return of 5.9%. Diversification across asset classes and regions supported performance, with offshore equities, selected South African shares and fixed income all contributing. During the quarter, we modestly increased commodity exposure and cash while reducing overall equity exposure, reflecting the changing inflation and interest-rate environment.

The Arysteq Balanced Fund had a particularly strong third quarter, returning 6.1% against its benchmark's 3.9%. This brought its year-to-date return to 11.6%, more than double the benchmark's 5.2%. Equity exposure remained the principal driver of returns, supported by the performance of our global and South African equity portfolios. The Fund also benefited from its fixed-income positioning, while changes in asset allocation and increased cash balances provided flexibility as market conditions evolved. We remain positioned for long-term growth, with a focus on businesses with strong balance sheets and pricing power.

Taken together, the performance of our funds highlights the importance of diversification, active portfolio management and disciplined security selection. While not every investment or fund outperformed its benchmark, our objective is to construct portfolios that can navigate different market environments without compromising the investment principles on which they are built.

Our investment outlook

Looking ahead, inflation and interest rates are likely to remain important drivers of market performance. Higher energy prices, geopolitical uncertainty and the prospect of further monetary tightening create challenges for both equity and fixed-income investors. In Namibia, the potential for further interest-rate increases, together with the Government's higher domestic borrowing requirement, will require careful consideration when assessing opportunities in the local bond market.

In equities, we remain mindful that strong market performance can sometimes obscure the underlying risks associated with valuations. Parts of the global market continue to reflect elevated expectations, while individual businesses and sectors offer very different prospective returns. We believe opportunities remain available, both internationally and within the JSE, but selectivity will be increasingly important. We are not seeking to predict short-term market movements or identify the next dominant investment theme. Instead, we continue to focus on businesses with sound economics, capable management teams and attractive valuations.

In fixed income, higher yields are creating opportunities to lock in more attractive returns, although the timing and extent of further interest-rate increases remain uncertain. We will continue to manage duration carefully, assess credit and sovereign risks, and take advantage of opportunities where the compensation for risk is attractive.

For our multi-asset portfolios, flexibility and diversification remain particularly important. We recognise the value of maintaining exposure to growth assets over the long term, while ensuring that portfolios are appropriately positioned to withstand periods of higher inflation, market volatility and changing monetary policy.

A disciplined approach in changing markets

At Arysteq, our investment philosophy remains grounded in three principles: the long term, investing as a team and maintaining a margin of safety. We believe that successful investing requires patience and the ability to look beyond short-term market movements. It also requires the willingness to challenge our own assumptions, recognise when we are wrong and continuously improve our investment process. Our collaborative approach is intended to bring different perspectives into investment decisions, reduce the influence of individual biases and improve the quality of our collective judgement.

Ultimately, we cannot control market outcomes, geopolitical developments or the direction of interest rates. What we can control is the quality of our research, the discipline with which we value investments and the risks we are prepared to accept on behalf of our clients. Periods of uncertainty often create opportunities for investors who remain patient and disciplined. Our focus remains on allocating capital where we believe the relationship between price and underlying value is attractive, while positioning portfolios to compound wealth over the long term.

Thank you for your continued confidence in Arysteq Asset Management.

Dean Isaaks

Chief Investment Officer

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