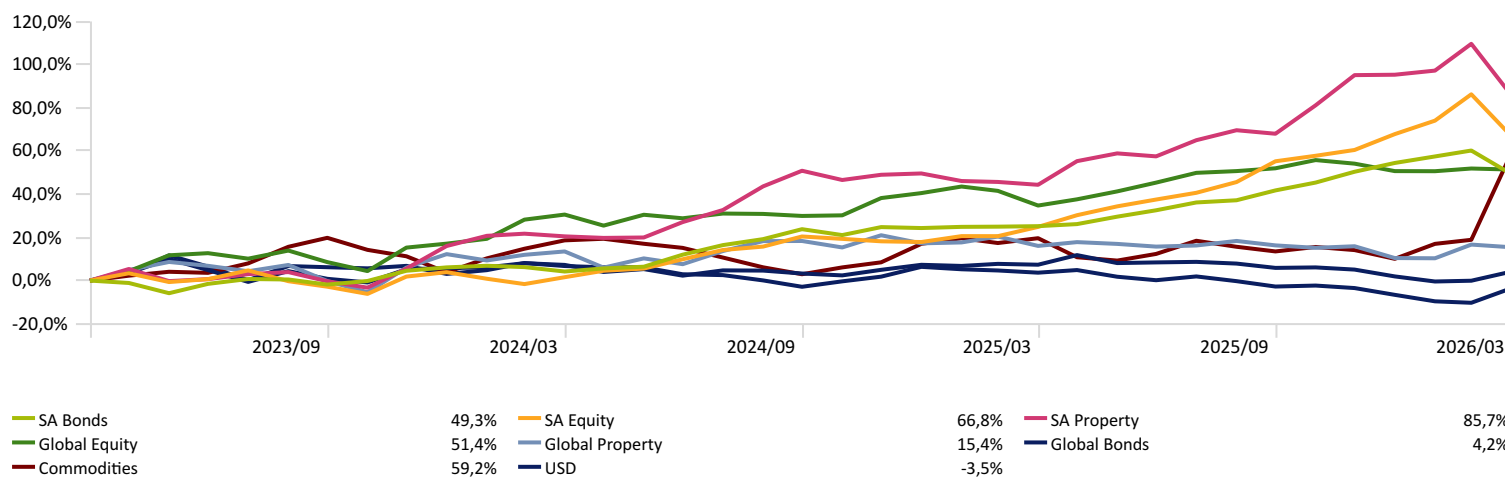


SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	-6,8	-3,4	-3,4	19,2	14,3
SA Equity	-10,5	-0,6	-0,6	33,6	18,6
SA Property	-11,4	-4,9	-4,9	28,6	22,9
Global Bonds	4,2	2,2	2,2	-3,0	1,4
Global Equity	-0,3	0,5	0,5	12,4	14,8
Global Property	-1,1	4,5	4,5	-0,5	4,9
Commodities	33,9	44,6	44,6	33,1	16,8
USD	7,5	3,3	3,3	-6,9	-1,2

3 YEAR CUMULATIVE RETURNS in ZAR



CALENDAR YEAR RETURNS in ZAR

Year	SA Bonds	SA Equity	USD	Glb Equity	Glb Equity	Commodities	Commodities	Glb Equity	SA Property	SA Equity	Commodities
2016	15,4	21,0	16,2	22,8	22,2	52,5	34,3	30,5	29,0	42,4	44,6
2017	10,2	17,2	14,8	20,6	14,7	41,3	6,6	19,3	20,0	30,6	4,8
2018	2,6	12,3	10,7	14,3	8,7	36,9	4,3	13,6	17,2	24,2	3,3
2019	-1,7	10,2	7,7	12,0	7,0	29,2	3,6	10,1	13,4	7,2	2,2
2020	-4,3	-1,0	4,4	10,3	5,0	28,4	0,5	9,7	12,7	-4,6	0,5
2021	-6,7	-2,8	0,1	3,9	-3,3	8,7	-10,7	9,3	5,7	-5,0	-0,6
2022	-9,9	-4,2	-8,5	1,9	-19,9	8,4	-13,0	7,5	3,2	-5,9	-3,4
2023	-11,7	-9,5	-25,3	-2,8	-34,5	3,5	-20,9	2,9	1,4	-12,2	-4,9
YTD											

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	4,9	1,3	1,3	-0,7	0,8
USD	7,5	3,3	3,3	-6,9	-1,2
GBP	5,5	1,3	1,3	-4,9	1,0
JPY	5,5	1,8	1,8	-12,5	-6,9

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

SA OVERVIEW	<b>SA EQUITY</b>	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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**SECTORAL RETURNS**

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	-10,5	-0,6	-0,6	33,6	18,6
Basic Materials	-15,8	7,5	7,5	91,7	27,9
Consumer Goods	-2,4	-0,1	-0,1	8,6	10,4
Consumer Services	-10,7	-11,9	-11,9	-8,5	4,3
Financials	-9,6	-0,2	-0,2	29,2	23,4
Health Care	-3,5	9,2	9,2	-1,2	-0,6
Industrials	-6,5	-1,0	-1,0	0,0	4,6
Technology	-3,6	-22,3	-22,3	-4,8	9,3
Telecommunication	-7,2	11,4	11,4	50,8	16,6

**ALSI Contributors YTD (Approximate)**

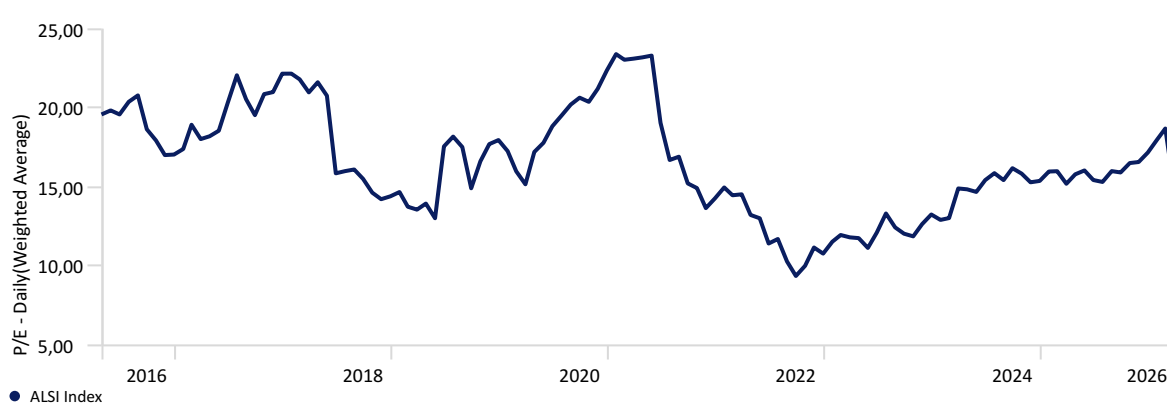
	Weight	Return	Contribution
Anglogold Ashanti PLC	6,4	20,1	1,2
Sasol, Ltd.	0,8	112,2	0,8
Gold Fields Ltd	8,2	7,8	0,6
MTN Group Ltd	3,6	15,3	0,5
Glencore PLC	1,2	40,9	0,4
Standard Bank Group Ltd	4,4	4,8	0,2
BHP Group Ltd	0,9	19,7	0,2
Discovery Ltd	1,4	9,6	0,1
Exxaro Resources Ltd	0,5	25,5	0,1
Anheuser-Busch InBev SA/NV	1,2	10,2	0,1

**ALSI Detractors YTD (Approximate)**

	Weight	Return	Contribution
Naspers Ltd Class N	8,4	-22,0	-2,1
Prosus NV Ordinary Shares - Class N	2,4	-25,3	-0,7
Harmony Gold Mining Co Ltd	2,1	-24,1	-0,5
Compagnie Financiere Richemont SA Class A	1,8	-18,0	-0,4
Sibanye Stillwater Ltd Ordinary Shares	2,1	-13,5	-0,3
Sanlam Ltd	2,0	-9,7	-0,2
Impala Platinum Holdings Ltd	2,7	-7,2	-0,2
Pepkor Holdings Ltd	1,1	-12,8	-0,1
Firststrand Ltd	5,3	-2,2	-0,1
Clicks Group Ltd	0,9	-12,4	-0,1

**Current ALSI Metrics**

P/E	11,3
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,2
P/S	1,9
Debt/Capital	30,0

**Historical P/E**

**MARKET CAP RETURNS**

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	-8,2	-2,3	-2,3	27,7	21,1
Mid Caps	-11,7	-1,2	-1,2	29,4	18,3
Top 40	-10,9	-0,6	-0,6	35,2	18,5

**STYLE BASED RETURNS**

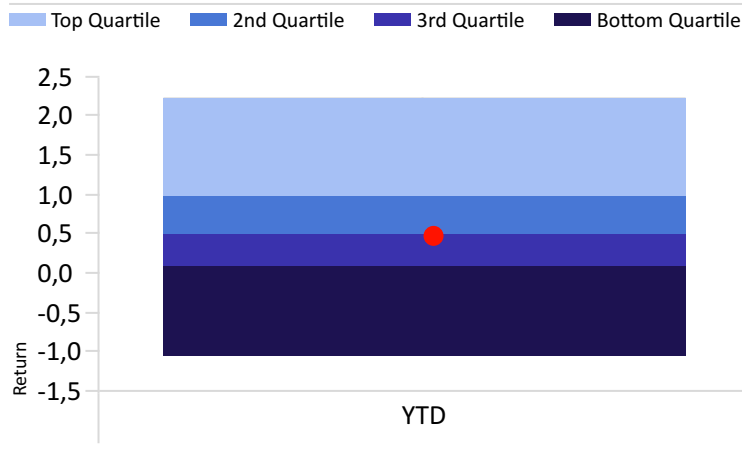
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	-8,9	-3,4	-3,4	28,0	19,2
JSE Value	-12,1	2,3	2,3	39,7	17,4

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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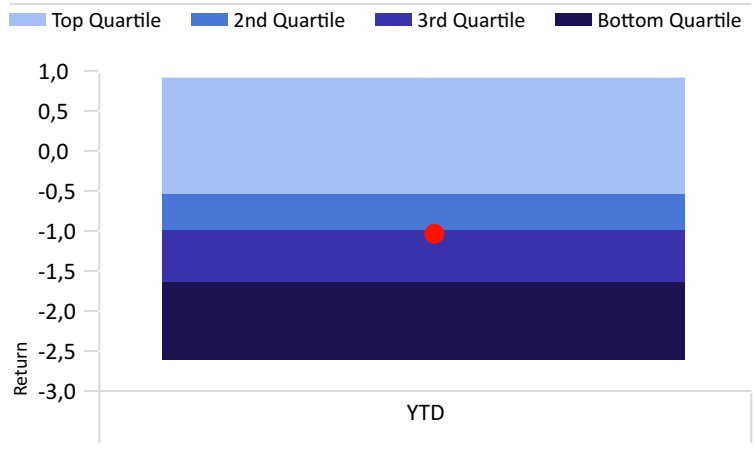
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	-1,3	0,5	0,5	9,8	9,6
(ASISA) SA MA Low EQ	-4,1	-1,0	-1,0	13,2	11,2
(ASISA) SA MA Med EQ	-5,1	-1,2	-1,2	15,4	11,9
(ASISA) SA MA High EQ	-5,8	-1,5	-1,5	16,2	12,6
(ASISA) SA EQ General	-8,4	-1,0	-1,0	25,2	15,0
(ASISA) SA RE General	-11,2	-5,1	-5,1	26,3	20,7
(ASISA) Glb MA Low EQ	2,2	1,3	1,3	0,4	5,4
(ASISA) Glb MA Flex	-0,9	-1,4	-1,4	3,3	7,8
(ASISA) Glb MA High EQ	-0,9	-2,0	-2,0	4,7	8,7
(ASISA) Glb EQ General	-2,5	-3,6	-3,6	4,8	10,8

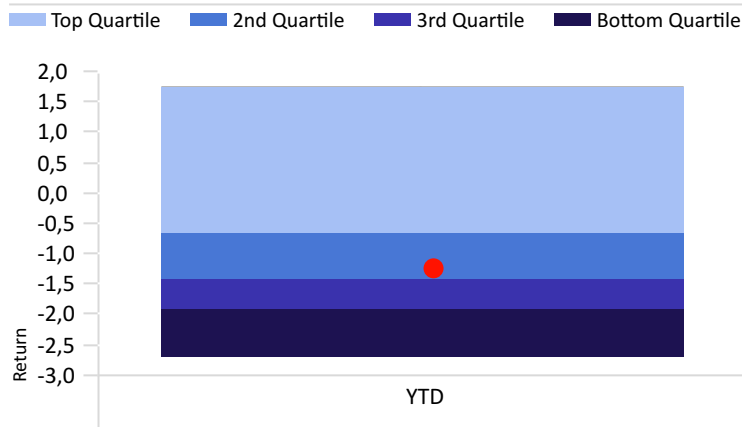
SA MA INCOME



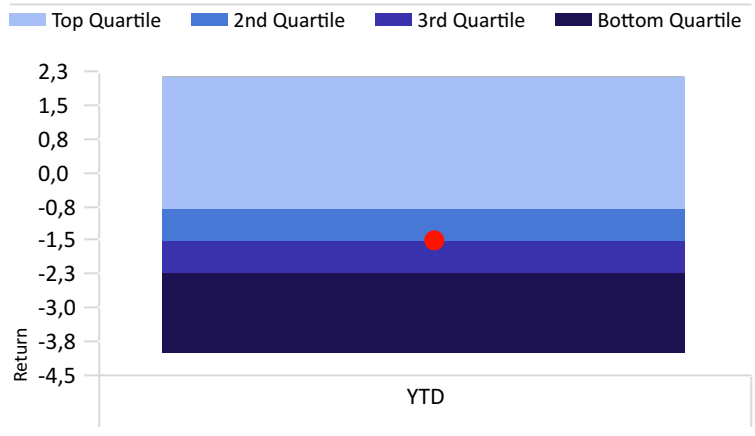
SA MA LOW EQUITY



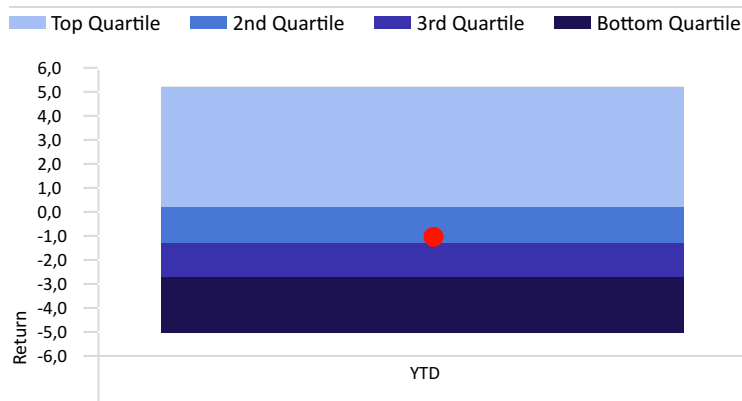
SA MA MED EQUITY



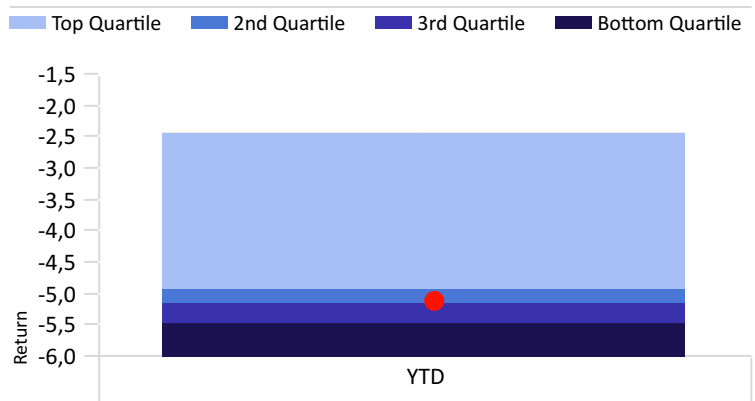
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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**LOCAL COMMENTARY**

March marked a sharp reversal in fortunes for South African financial markets, with most asset classes delivering negative returns amid a combination of global risk aversion, commodity price weakness and rising domestic bond yields. The FTSE/JSE Capped All Share Index declined 10.5% over the month, ending the local market’s run as one of the best-performing global equity markets in recent periods.

The broad-based equity sell-off was driven primarily by a significant correction in the resources sector, particularly precious metals, which had previously underpinned the market’s strong performance. Gold and platinum counters came under severe pressure as underlying commodity prices retreated sharply during the month. Gold prices declined materially through March before recovering modestly towards month-end, while platinum prices experienced an even steeper pullback.

As a result, gold and platinum mining shares were the largest detractors from overall market performance, with the sector accounting for a substantial portion of the index decline. This highlights the extent to which recent equity market strength had been concentrated in commodity-linked sectors.

The weakness was not confined to resources. Financials, particularly the banking sector, also came under pressure, with share prices declining meaningfully and erasing gains accumulated earlier in the year. This reflects growing concerns around the domestic economic outlook, as well as the impact of rising bond yields on valuation multiples and funding conditions.

Industrial shares were similarly weaker, contributing to the broad-based nature of the sell-off.

In contrast, energy-exposed resource counters were a notable area of resilience. Companies with exposure to coal and energy markets delivered strong gains during the month, supported by higher energy prices. This provided a partial offset to losses elsewhere on the market but was insufficient to prevent the overall decline.

South African bonds experienced a significant sell-off in March, with the FTSE/JSE All Bond Index recording one of its weakest monthly performances on record. Yields rose sharply across the curve, with the 10-year government bond yield increasing to approximately 9.3%.

The move higher in yields reflects a combination of global and domestic factors. Globally, a stronger US dollar and rising risk aversion contributed to capital outflows from emerging markets. Domestically, concerns around inflation, particularly in the context of rising energy prices, placing additional upward pressure on yields.

The increase in bond yields represents a meaningful tightening in financial conditions and weighed on other asset classes, including equities and listed property.

The rand weakened significantly during March, declining by approximately 5.9% against the US dollar and making it one of the worst-performing major currencies over the period. The depreciation reflects a shift in global investor sentiment towards safe-haven assets, particularly the US dollar, amid heightened uncertainty.

The weaker currency more than offset gains earlier in the year, leaving the rand marginally weaker on a year-to-date basis. However, it remains stronger on a 12-month view, highlighting the volatility that continues to characterise currency movements.

The South African Reserve Bank (SARB) maintained its policy rate at 6.75% at its March meeting, in line with market expectations. The decision followed the release of February inflation data, which showed price pressures broadly aligned with the SARB’s revised 3% target.

However, the policy outlook has become more uncertain. The recent increase in energy prices introduces upside risks to inflation, particularly if sustained. At the same time, the weaker rand could contribute to imported inflation pressures.

As a result, while inflation remains relatively contained for now, the path of monetary policy will depend on the extent to which these risks materialise in the coming months.

March’s market correction should be viewed in the context of the strong gains delivered by South African assets in preceding months, particularly within the resources sector. The pullback in commodity prices underscores the inherent volatility of these markets and the sensitivity of the local equity market to global commodity cycles.

The divergence between energy-related resource stocks and precious metals producers also highlights the importance of underlying commodity dynamics in driving sector performance.

At the same time, the simultaneous weakness across equities, bonds and the currency points to a broader tightening in financial conditions, driven by both global and domestic factors.

March was a challenging month for South African investors, characterised by a broad-based sell-off across asset classes. The sharp correction in commodity prices, particularly precious metals, weighed heavily on equity market performance, while rising bond yields and a weaker rand added to the negative sentiment.

Despite the severity of the drawdown, it follows a period of strong performance and serves as a reminder of the cyclical and volatile nature of South African markets. Looking ahead, key drivers will include the trajectory of global commodity prices, the persistence of energy-related inflation pressures and the resulting implications for monetary policy.

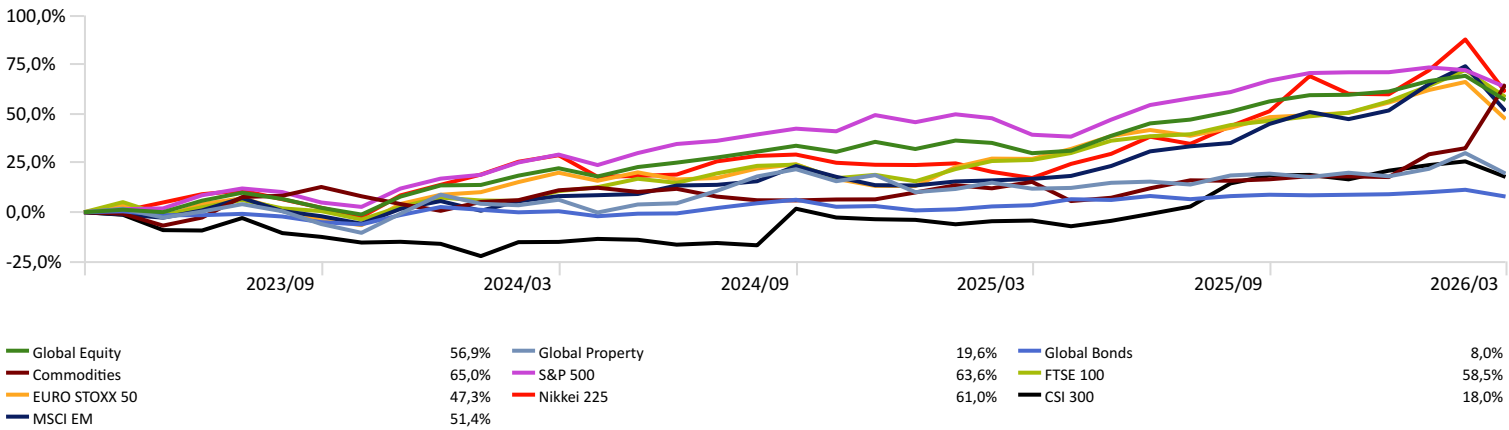
While near-term risks have increased, particularly in the context of tighter financial conditions, the medium-term outlook will remain closely tied to global dynamics and domestic policy credibility.

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	-7,3	-2,7	-2,7	20,7	16,2
Global Property	-8,0	1,2	1,2	6,9	6,2
Global Bonds	-3,1	-1,1	-1,1	4,3	2,6
Commodities	24,5	40,0	40,0	43,0	18,2
S&P 500	-5,0	-4,4	-4,4	17,4	17,8
FTSE 100	-8,0	1,4	1,4	25,2	16,6
EURO STOXX 50	-11,4	-5,4	-5,4	15,9	13,8
Nikkei 225	-14,3	0,7	0,7	37,2	17,2
CSI 300	-6,2	-2,6	-2,6	23,2	5,7
MSCI EM	-13,1	-0,2	-0,2	29,6	14,8

3 YEAR CUMULATIVE RETURNS in USD



CALENDAR YEAR RETURNS IN USD

Year	Best	2nd Best	3rd Best	4th Best	5th Best	6th Best	7th Best	8th Best	9th Best	10th Best	Worst
2016	S&P 500 (11,2)	MSCI EM (37,3)	NASDAQ 100 (0,0)	NASDAQ 100 (39,5)	NASDAQ 100 (48,9)	Glb Property (30,0)	FTSE 100 (-7,0)	NASDAQ 100 (55,1)	NASDAQ 100 (25,9)	EU STOXX (40,9)	Glb Property (1,5)
2017	MSCI EM (11,2)	NASDAQ 100 (33,0)	Glb Bonds (-1,2)	CSI 300 (36,9)	CSI 300 (38,1)	S&P 500 (28,2)	Glb Bonds (-16,2)	S&P 500 (25,7)	S&P 500 (24,5)	DAX (39,5)	FTSE 100 (1,4)
2018	NASDAQ 100 (7,3)	CSI 300 (32,3)	Glb Property (-4,7)	S&P 500 (30,7)	Nikkei 225 (24,5)	NASDAQ 100 (27,5)	EU STOXX (-17,7)	DAX (24,5)	CSI 300 (14,5)	FTSE 100 (35,1)	Nikkei 225 (0,7)
2019	Glb Property (5,8)	EU STOXX (28,1)	S&P 500 (-4,9)	Glb Property (24,1)	MSCI EM (18,3)	FTSE 100 (17,3)	DAX (-17,7)	EU STOXX (22,7)	DAX (11,4)	MSCI EM (33,6)	MSCI EM (-0,2)
2020	Nikkei 225 (5,6)	DAX (28,1)	Nikkei 225 (-7,9)	EU STOXX (23,8)	S&P 500 (17,8)	EU STOXX (14,0)	S&P 500 (-18,5)	Nikkei 225 (22,6)	Nikkei 225 (8,8)	Nikkei 225 (29,0)	Glb Bonds (-1,1)
2021	DAX (3,8)	Nikkei 225 (25,6)	FTSE 100 (-14,1)	DAX (23,2)	DAX (12,9)	DAX (7,6)	Nikkei 225 (-19,1)	FTSE 100 (14,3)	FTSE 100 (7,7)	CSI 300 (26,0)	CSI 300 (-2,6)
2022	Glb Bonds (2,1)	FTSE 100 (22,5)	MSCI EM (-14,6)	FTSE 100 (22,0)	EU STOXX (9,3)	CSI 300 (-1,2)	MSCI EM (-20,1)	Glb Property (11,0)	MSCI EM (7,5)	NASDAQ 100 (21,0)	EU STOXX (-4,3)
2023	EU STOXX (1,1)	S&P 500 (21,1)	EU STOXX (-16,9)	Nikkei 225 (21,9)	Glb Bonds (9,2)	MSCI EM (-2,5)	Glb Property (-25,8)	MSCI EM (9,8)	EU STOXX (2,4)	S&P 500 (17,4)	S&P 500 (-4,4)
2024	FTSE 100 (-0,2)	Glb Property (9,4)	DAX (-22,2)	MSCI EM (18,4)	Glb Property (-7,9)	Nikkei 225 (-4,4)	CSI 300 (-26,7)	Glb Bonds (5,7)	Glb Property (2,4)	Glb Property (8,6)	NASDAQ 100 (-5,8)
2025	CSI 300 (-15,4)	Glb Bonds (7,4)	CSI 300 (-27,7)	Glb Bonds (6,8)	FTSE 100 (-8,8)	Glb Bonds (-4,7)	NASDAQ 100 (-32,4)	CSI 300 (-11,2)	Glb Bonds (-1,7)	Glb Bonds (8,2)	DAX (-9,1)
YTD											

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-2,4	-1,9	-1,9	6,7	2,0
GBP	-1,9	-2,0	-2,0	2,2	2,2
JPY	-1,9	-1,5	-1,5	-6,0	-5,8
CNY	-0,8	1,2	1,2	5,0	-0,2

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	<b>O/S EQUITY</b>	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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**GLOBAL SECTORAL RETURNS**

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	-6,8	-6,6	-6,6	13,2	20,5
MSCI ACWI/Health Care	-8,4	-4,6	-4,6	4,3	5,2
MSCI ACWI/Materials	-11,6	6,6	6,6	34,1	11,2
MSCI ACWI/Technology	-6,6	-6,7	-6,7	33,4	24,8
MSCI ACWI/Industrials	-10,8	2,4	2,4	25,9	18,2
MSCI ACWI/Cons Staples	-8,8	3,3	3,3	6,2	5,0
MSCI ACWI/Cons Discretionary	-8,6	-10,9	-10,9	5,6	9,9
MSCI ACWI/Energy	10,4	33,6	33,6	39,1	18,7

**MSCI ACWI Contributors YTD (Approximate)**

	Weight	Return	Contribution
Exxon Mobil Corp	0,7	42,0	0,3
Johnson & Johnson	0,7	18,7	0,1
ASML Holding NV	0,6	19,3	0,1
Applied Materials Inc	0,3	33,2	0,1
Caterpillar Inc	0,4	24,0	0,1
Shell PLC	0,3	29,4	0,1
GE Vernova Inc	0,3	33,7	0,1
Costco Wholesale Corp	0,5	15,7	0,1
Micron Technology Inc	0,5	18,4	0,1
Walmart Inc	0,7	11,8	0,1

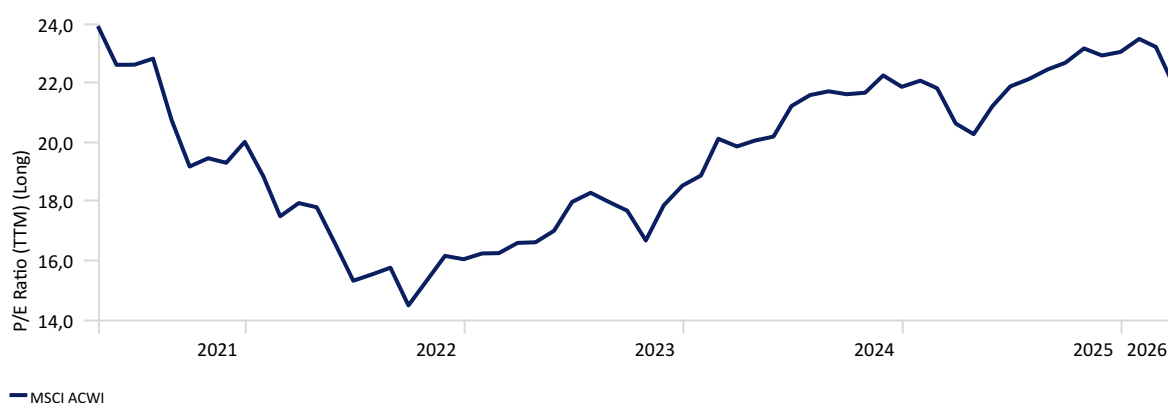
**MSCWI ACWI Detractors YTD (Approximate)**

	Weight	Return	Contribution
Microsoft Corp	3,9	-23,3	-1,0
NVIDIA Corp	5,6	-6,5	-0,4
Apple Inc	4,9	-6,6	-0,3
Tesla Inc	1,5	-17,3	-0,3
Amazon.com Inc	2,7	-9,8	-0,3
Meta Platforms Inc Class A	1,8	-13,3	-0,2
Broadcom Inc	1,9	-10,4	-0,2
Alphabet Inc Class A	2,3	-8,1	-0,2
Alphabet Inc Class C	2,0	-8,5	-0,2
Eli Lilly and Co	1,1	-14,3	-0,2

**Current MSCI AC Metrics**

P/E	17,7
P/B	3,0
P/EBITDA	22,0
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

**Historical P/E**



**MARKET CAP RETURNS**

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	-8,2	1,1	1,1	26,0	13,4
MSCI ACWI Mid Cap	-8,1	-0,4	-0,4	18,4	12,8
MSCI ACWI Large Cap	-7,0	-3,7	-3,7	20,3	17,3

**STYLE BASED RETURNS**

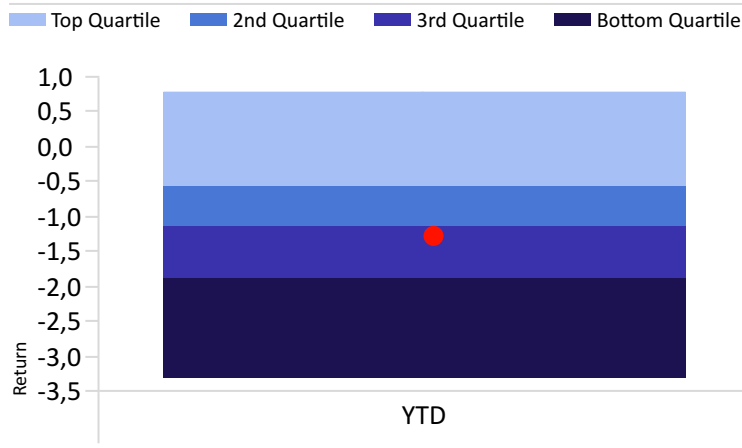
	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	-6,9	1,2	1,2	17,8	14,7
MSCI ACWI Growth	-7,5	-7,7	-7,7	21,3	18,0

SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	<b>CATEGORY AVERAGES</b>	DM COMMENTARY	DISCLAIMER
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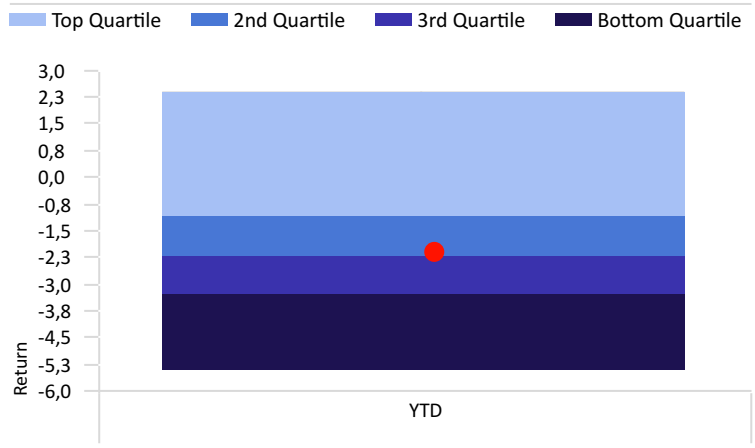
**CATEGORY AVERAGES in USD**

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	-5,0	-1,9	-1,9	7,9	6,7
(ASISA) Glb MA Flex	-7,8	-4,6	-4,6	11,0	9,1
(ASISA) Glb MA High EQ	-7,8	-5,1	-5,1	12,5	10,0
(ASISA) Glb EQ General	-9,4	-6,7	-6,7	12,6	12,2
EAA Fund USD Cautious	-3,6	-1,3	-1,3	6,6	6,0
EAA Fund USD Moderate	-5,4	-2,1	-2,1	10,2	8,1
EAA Fund USD Flexible	-5,3	-2,1	-2,1	10,7	7,9
EAA Fund USD Bond - ST	-0,6	0,2	0,2	3,8	4,4
EAA Fund USD Aggressive	-6,7	-3,2	-3,2	12,3	9,7
EAA Fund USD HY Bond	-1,4	-0,9	-0,9	5,9	7,1

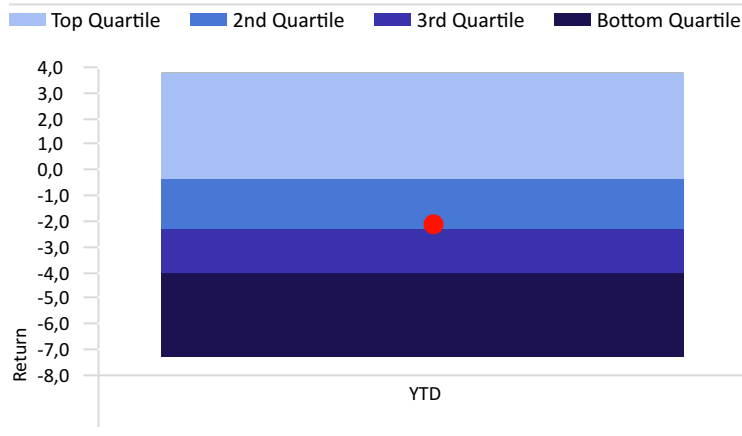
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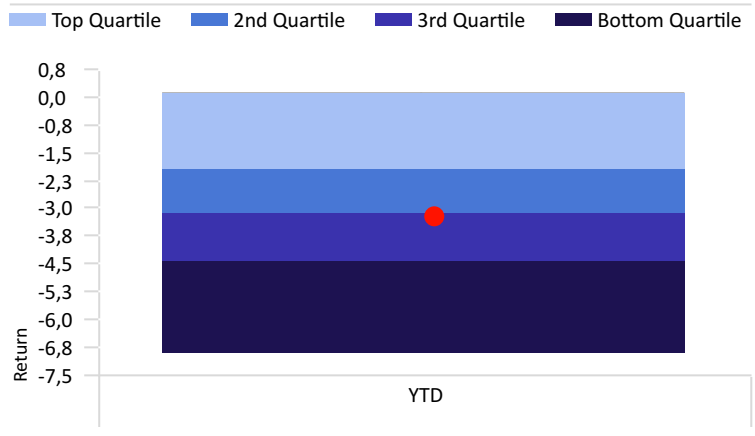
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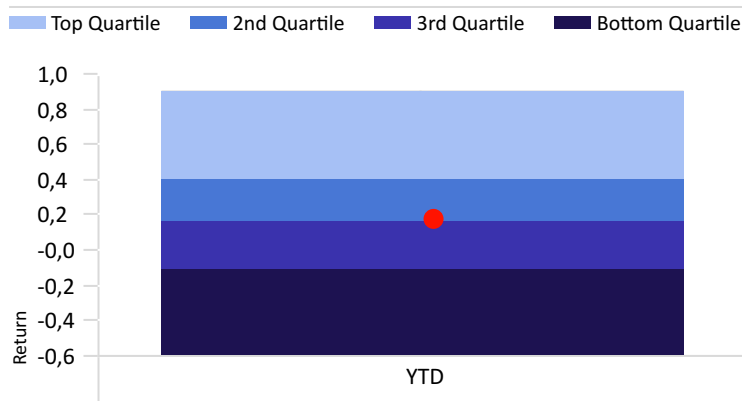
**EAA USD FLEXIBLE ALLOCATION**



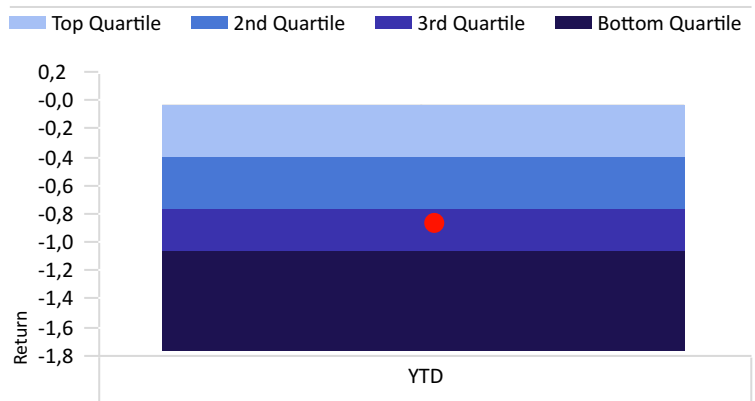
**EAA USD AGGRESSIVE ALLOCATION**



**EAA USD DIVERSIFIED BOND - SHORT TERM**



**EAA USD HIGH YIELD BOND**



SA OVERVIEW	SA EQUITY	ASISA CATEGORIES	SA COMMENTARY	O/S OVERVIEW	O/S EQUITY	CATEGORY AVERAGES	DM COMMENTARY	DISCLAIMER
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**OFFSHORE COMMENTARY**

**Q1 2026 Global Market Commentary**

Pre-conflict market positioning reversed sharply, with gold and EM equities selling off as the US dollar strengthened.

The first quarter of 2026 was a turbulent one for investors, with markets navigating several competing forces simultaneously. Mega-cap technology companies faced heightened scrutiny through the fourth quarter earnings season, while tariffs re-entered the spotlight after the US Supreme Court struck down the use of IEEPA to underpin the reciprocal tariff regime introduced in 2025, prompting the administration to fall back on a blanket 10% levy on all imports. The dominant theme of the quarter, however, was a sharp escalation in Middle East tensions that materially disrupted oil and gas supply. Across both equities and bonds, inflation risk rather than growth risk became the primary market concern, and positioning that had built up ahead of the conflict was rapidly unwound, most visibly in gold and emerging market stocks, while the US dollar strengthened.

Commodities were the standout asset class for the quarter, with the Bloomberg Commodity Index gaining 24.4%. The Middle East conflict caused significant damage to regional energy infrastructure and effectively shut the Strait of Hormuz, sending oil and gas prices sharply higher. Brent crude surged 63% in March alone, its biggest monthly move in forty years. Grain prices also climbed, reflecting the Strait's importance as a transit route for food-related commodities.

Government bonds were volatile throughout the period and sold off meaningfully as rising energy costs stoked inflation fears. Short-duration bonds bore the brunt of the repricing, with markets rapidly shifting from anticipating rate cuts at major central banks to pricing in rate hikes.

Within equities, the earlier rotation out of large-cap technology supported value stocks, which returned 1.3% versus a decline of 8.4% for growth. Emerging market equities edged down just 0.1%, holding up better than developed markets, which fell 3.5%, despite facing particular headwinds from Middle East developments.

**Equities**

Japan's export-heavy TOPIX Index was the best-performing major equity market for the quarter, rising 3.6%, despite softening toward period end. A weaker yen and the LDP's decisive win in the February snap election, which markets interpreted as a precursor to additional growth-oriented stimulus, underpinned Japanese stocks.

European equities struggled, with the MSCI Europe ex-UK Index declining 2.3% amid the heightened geopolitical backdrop. The spike in European gas prices fell short of 2022 extremes but was sufficient to cloud the region's growth outlook. The UK proved more resilient, with the FTSE All-Share returning 2.4%, aided by its natural commodity exposure and a softer sterling.

The MSCI Emerging Markets Index finished the quarter marginally lower at -0.1%. AI-driven optimism had lifted Taiwanese and Korean equities in the early weeks of the year, but sentiment deteriorated as the conflict unfolded and investors assessed Asia's vulnerability to energy supply disruption, given that over 80% of oil and gas transiting the Strait of Hormuz is bound for the region. The MSCI Asia ex-Japan Index fell 1.1%.

US equities lagged, with the S&P 500 down 4.3% for the quarter. Technology stocks faced a difficult environment from the outset, with investor concern growing that next-generation AI capabilities could erode the SaaS business model. US software stocks fell 23% between the start of the year and 27 February. Even after reporting strong fourth quarter earnings, the hyperscalers came under increasing pressure to justify the returns being generated from accelerating AI capital expenditure. During the initial weeks of the Middle East conflict, technology proved somewhat more defensive than the broader market as investors favoured quality, though the sector still declined 3.8% in March, compared to a 5.0% fall for the wider US market.

**Fixed Income**

UK Gilts were the weakest sovereign bond market over the quarter, falling 2.0%. Gilts had actually led sovereign markets prior to the conflict, as softening inflation data built expectations for near-term Bank of England rate cuts. The energy shock reversed that dynamic, exposing the UK's significant dependence on natural gas to upside inflation risk. The BoE's March meeting took a notably hawkish turn, with the committee signalling readiness to act and the unanimous hold decision itself surprising markets, particularly given that even the MPC's most dovish member acknowledged the possibility of rate rises. Any prospect of fiscal support for households facing higher energy costs added further upward pressure on Gilt yields, given limited room for fiscal expansion.

European government bonds also weakened, declining 0.6% over the quarter. The ECB held rates at its March meeting but clearly flagged the potential for hikes ahead. Its updated projections placed headline inflation at 3.1% year on year in the second quarter of 2026, before fully incorporating the March peak in energy prices.

Japanese Government Bonds fell 1.6% for the quarter. Longer-dated JGBs came under pressure ahead of the February election as markets priced in a more expansionary fiscal stance under Prime Minister Takaichi. The Bank of Japan kept its options open at the March meeting, indicating its greater concern lay with inflation risks to the upside rather than growth risks from the energy shock.

US Treasuries were the relative standout in sovereign fixed income, ending the quarter broadly flat. As a net energy exporter, the US is better insulated from the inflationary effects of higher oil and gas prices than its European or Asian peers. A softening labour market also provided some offset to price pressures, with February non-farm payrolls contracting by 92,000 against consensus expectations for a gain of 60,000. The FOMC left rates unchanged at its March meeting and retained its projection for a single cut later in the year.

In credit, spreads widened across the ratings spectrum. US high yield held up better than its European counterpart, returning -0.5% versus -1.7%, while global investment grade bonds declined 1.3%. Emerging market debt fell 1.1%, pressured by a combination of US dollar strength and elevated geopolitical risk.

**Conclusion**

The first quarter of 2026 served as a reminder that economic and geopolitical shocks can arrive with little warning and reshape the investment landscape rapidly. The situation in the Middle East remains fluid, and the precise path of the conflict is difficult to forecast with any confidence. That said, our base case is for a gradual de-escalation in the near term, as the incentive structure for many of the key parties involved points toward restraint rather than further escalation. What is clear, however, is that both the inflation and growth outlook carry meaningful uncertainty from here, and that environment demands a disciplined approach to portfolio construction. Investors would be well served by maintaining diversification across assets that can perform in different scenarios, protecting against both a sustained inflation resurgence and a sharper deterioration in economic activity. Core bonds have faced headwinds in recent months, but their role as a portfolio stabiliser should not be underestimated. In a scenario where the conflict proves protracted and recession risks build, high-quality fixed income is likely to reassert itself as a critical buffer against broader portfolio drawdown.

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