



ASSET ALLOCATION

QUARTER
ONE
2026



LAURIUM
CAPITAL



As part of our ongoing commitment to keeping you informed, we would like to share a detailed update from our first 2026 asset allocation meeting, held this week. This note provides an overview of the global and domestic environment, our current views, and how we have positioned our portfolios in response.

A Remarkably Unpredictable Start to 2026

The first fifteen days of 2026 have brought an extraordinary sequence of unforeseen geopolitical and policy events. These “unknown unknowns” underscore the elevated level of uncertainty in global markets. Among the most significant developments:

- The unexpected capture of Nicolás Maduro by the U.S. administration.
- Sharp, surprise-driven movements in the oil price.
- U.S. policy proposals restricting institutional and corporate ownership of residential property.
- A proposal to cap U.S. credit card interest rates at 10%.
- Public discussion in the U.S. regarding possible acquisition of Greenland - whether through financial or military means. Most recently, indications of potential U.S. military action in Iran

Individually, each of these events had the potential to move global markets meaningfully. Collectively, their rapid succession highlights how much uncertainty investors face. Interestingly, despite the magnitude of these developments, markets have been largely unmoved - something we view with caution.

Street Expectations vs. Our Interpretation

Our broad survey of research from global and local providers shows that the market is markedly bullish on the outlook for 2026. Historically, this type of consensus optimism has often coincided with elevated risk, and for that reason, we approach it with measured scepticism.

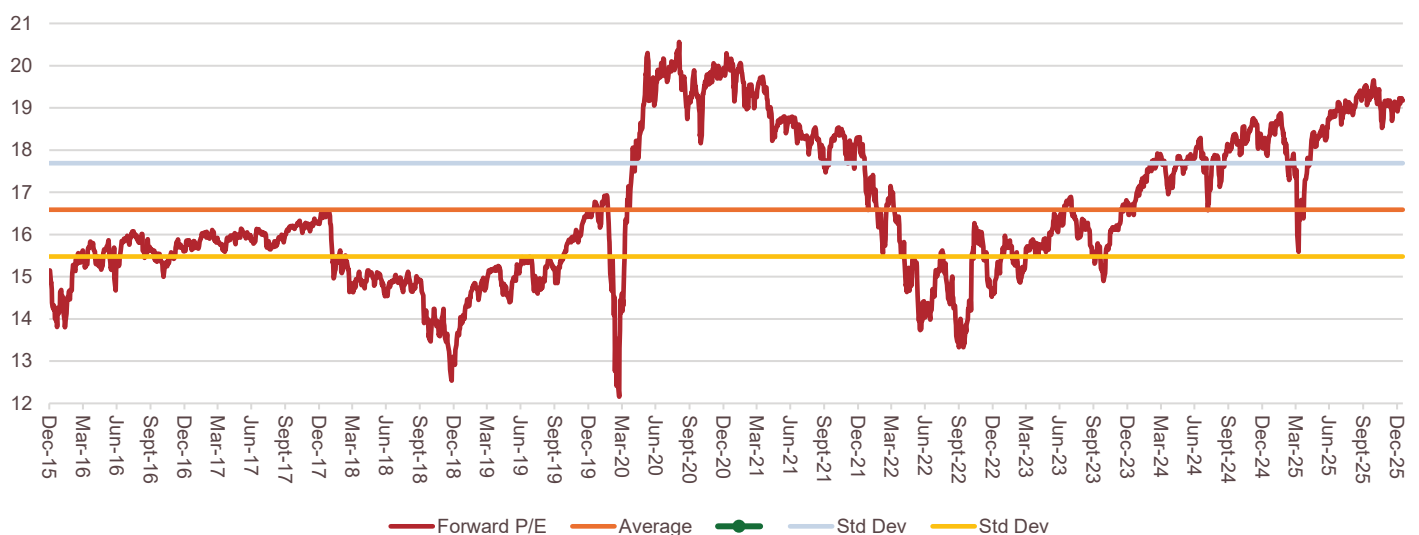
Global Growth and Equity Market Outlook

We expect global GDP growth of approximately **3% in both 2026 and 2027**.

Valuations, especially in U.S. equities and the broader MSCI World Index, remain elevated:

- Trading above **22x earnings on the S&P500** **two standard deviations above** its 10 year average. The MSCI ACWI trading at 20x fwd EPS is one standard deviation expensive relative to its 10 year average

Figure 1:
MSCI ACWI 1 year forward P/E multiple
Source: Bloomberg



Despite this, earnings momentum is strong, with:

- **approx 15% EPS growth** expected for 2026
- **Low teens EPS growth** anticipated in subsequent years

Thus, while valuations are full, they are currently supported by earnings fundamentals, while we remain constructive on the earnings fundamentals of the stocks involved in the AI thematic, we believe that there is a broader based earnings growth potential in the Us this year.

South Africa: More Constructive Than Consensus

Consensus forecasts for South Africa point to GDP growth of **1.8% in 2026**, rising slightly in 2027.

Our in house view is more constructive:

We expect **2% GDP growth in both 2026 and 2027**.

Our rationale:

Inflation is anchored following the SARB inflation targeting regime of 3% announced late in 2025, operation Vulendela is positively impacting the economy South Africa's removal from the grey list is constructive, which have together resulted in rating agency upgrades.

Whilst this is cyclically positive – South Africa will need large private sector investment to sustain this growth momentum.

- The mining sector is experiencing very high profitability, supported by exceptionally high gold, platinum, palladium, and rhodium prices, which will reduce both the current account and budget deficit.
- The economic dividend from mining profitability will filter into the broader consumer economy excellent rainfall in the northern regions should support agriculture and crop production.

Fixed Income: Strong Rally Behind Us, Yield Ahead of Us

The past year saw a significant rally in South African bonds:

- 10 year yield moved from **>12%** in mid 2024 to roughly **8.3%** today

At current levels, we see limited room for further capital appreciation. Instead, returns are likely to mirror the running yield of around 8.3–8.4%.

With the new 3% **inflation targeting regime**, real yields remain compelling:

- A running yield of 8% implies real returns of **4–4.5%**, even if inflation does not fully reach the new target.

South African Equities: Room for Earnings and Re rating

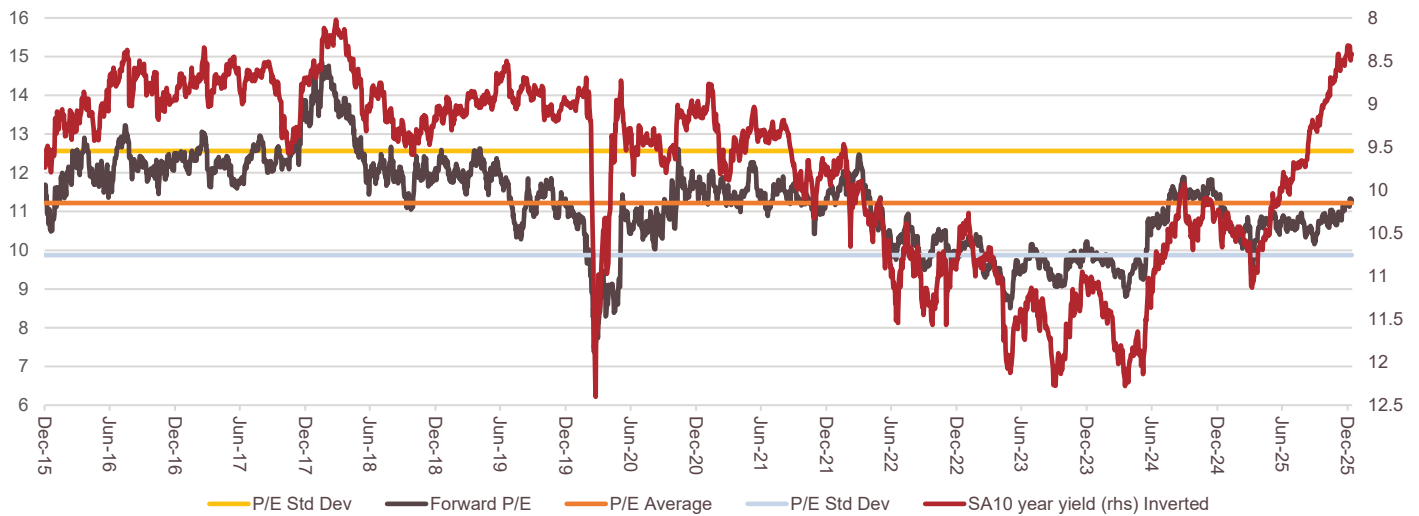
2025 was an extraordinary year for South African equities—up 42% in ZAR, the best Rand return in 20 years, and 62% in USD.

- Precious metal counters
- the Naspers/Prosus complex

Replicating this performance will be challenging even if precious metal prices continue their strong run. However, we remain positive on domestic SA equities for two key reasons:

1. **Economic dividend from mining** will support households and stimulate domestic sectors such as banks and retailers.
2. Valuation support exists:
 - The domestic SA equity basket trades at **approx 11.2x earnings**, in line with its 10 year average.
 - Meanwhile, the 10 year bond yield has already re rated sharply.
 - Historically, these two metrics move together; we expect the equity market to follow bonds

Figure 2:
Domestic SA Forward PE and 10 year bond yield.
Source: Bloomberg



We expect **mid teens earnings growth** from domestic equities in 2026, with the resource stocks pushing the FTSE JSE All Share earnings growth north of 30%.

Currency and Emerging Markets

We are constructive on emerging markets and expect moderate USD weakness.

Our base case:

- USD weakens from **1.17 USD/EUR** today to around **1.20 USD/EUR** by the end of 2026
- This should be supportive for EM flows and positive for South Africa.

Interest Rates: Expected Cuts Both Abroad and at Home

- In the U.S., we anticipate **two rate cuts** in 2026.

This will depend materially on the post Powell composition of the FOMC and the extent of political pressure applied by President Trump.

- In South Africa, with the new inflation target in place, we expect:

50 bps of rate cuts, split across the first and second halves of the year.

Portfolio Positioning: Constructive, but Cautious

Going into 2026, our stance is **constructive**, balanced with necessary caution.

Key portfolio actions:

- **Retain high equity exposure** (domestic relatively more than offshore exposure)
- **Reduced SA fixed income exposure** to neutral weight
- **Substantial protection added across all multi asset funds**

On the protection side, we have purchased out the money puts on the South African equity market. Relative to our historical use of protection strategies, the **current level of protection is the highest we have ever had.**

This reflects our recognition of the heightened uncertainty and the series of “unknown unknowns” already evident in the early days of 2026.

Closing Thoughts

While markets may appear calm, the backdrop is far from ordinary. We remain focused, vigilant, and disciplined, balancing opportunity with prudent risk management. Our portfolios are positioned to participate in growth while being protected against the unexpected.

Thank you for your continued trust and partnership.

The Laurium Capital Team



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