LAURIUM CAPITAL

LAURIUM STABLE PRESCIENT FUND

Quarterly Commentary | June 2026

Q2 2026 was a strong quarter for global risk assets, although June provided a clear reminder that the market backdrop had become more complicated. Over the quarter, global equities delivered robust USD returns, with the MSCI ACWI up 15.1% and MSCI Emerging Markets up 24.2%. The strongest leadership came from Asia, where the MSCI Taiwan gained 49.0% and MSCI Korea rose 87.6% in USD terms, driven by an extraordinary AI-related semiconductor boom. However, June was weaker, with the MSCI World down 0.7%, the S&P 500 off 1.3% and MSCI EM down 1.4%, as investors reassessed the path of US interest rates and took profits in some of the quarter's strongest winners.

The key shift was the Federal Reserve's hawkish pivot under new Chairman Kevin Warsh. The S&P 500 still delivered a total return of 15.2% for the quarter, its best quarter in six years, supported by AI infrastructure spending, resilient earnings and a successful SpaceX IPO. But the June FOMC meeting altered the tone of markets. Warsh signalled that the next move in rates was more likely to be a hike than a cut, pushing two-year Treasury yields sharply higher on the day and lifting the dollar. Strong May payrolls of 172,000 reinforced the hawkish case, while fed funds futures moved from pricing almost no chance of a July hike before the meeting to roughly a 33% probability by month-end. Softer PCE inflation later in June provided only a brief reprieve.

Trade and geopolitics also added volatility. The US-Iran conflict dominated the early-quarter narrative because of its implications for oil prices and inflation expectations, but easing oil prices and progress around ceasefire discussions helped risk appetite recover. Trade policy remained unsettled as President Trump raised tariffs on EU auto imports to 25% in May, while a Supreme Court ruling against part of the broader tariff framework forced the US Treasury to refund nearly $22 billion in tariff revenue. US-China relations were more stable, with Beijing indicating it would accept some tariff increases within the existing negotiation framework.

The AI semiconductor theme remained the defining equity story of the quarter, even though June was more volatile. SK Hynix reported a five-fold jump in quarterly profit, surpassed a $1 trillion market capitalisation and announced a $29.4 billion US ADR listing, while Nvidia and SK Hynix formalised a multi-year partnership to develop next-generation AI memory chips. TSMC reported a 35% rise in Q1 revenue and 30% monthly sales growth in May, confirming the resilience of AI demand despite geopolitical uncertainty.

In South Africa the rand strengthened over Q2, moving from R16.94/USD on 31 March to R16.39/USD on 30 June, a gain of around 3.2% despite the DXY which measures the USD against its key trading partners rising 1.2% over the same period. This reflected improving geopolitical conditions, lower oil prices, attractive carry and sustained foreign demand for local bonds.
The rand was supported by the SARB's first rate hike in three years. Foreign investors were net buyers of South African bonds, helping the SA 10-year bond rally from ~9.2% at the end of March to ~8.2% at the end of June.

South African equities declined by 2.4%in the quarter to June 2026 delivering a -2.8% YTD return. Resource counters, particularly gold and PGMs, after a strong 1Q26, were the primary drivers of this negative 2Q26 return. Banks and industrials performed strongly in 2Q26.

The Laurium Stable Prescient Fund returned 1.8% for the second quarter of 2026. The quarter was driven by strong returns from South African government bonds, the fund's allocation to global equities through the Laurium Global Active Equity Fund, and domestic financials and property. These gains were partly offset by weakness in gold and PGM counters, softer performance from Prosus, and a small drag from corporate credit and equity hedges.

South African government bonds were the largest source of return, contributing 1.4% over the period. The main gains came from exposure across the curve, with the 2033 bond contributing 0.3%, the 2035 bond 0.2%, the 2030 bond 0.2%, the 2032 bond 0.1% and the 2044 bond 0.1%. This reflected the rally in local bonds during the quarter as investors responded positively to improved fiscal sentiment, ratings support and lower long-dated risk premia, despite modest economic growth and some renewed inflation concerns, on the back of higher oil prices which moderated into quarter end.

The fund's offshore equity exposure through the Laurium Global Active Equity Fund added 0.7%. Within listed equities, domestic cyclicals and rate-sensitive shares performed well. FirstRand contributed 0.3% and was the largest individual equity contributor. The position benefited from continued strength in banks and from our preference for FirstRand within the sector. Anheuser-Busch InBev contributed 0.2% after we switched out of British American Tobacco at the start of the period on relative valuation grounds. Mr Price also contributed 0.2% after we reduced Foschini and switched into higher-conviction retail names where we saw better valuation support and cleaner operating outlooks.

South African listed property also made a solid positive contribution at sector level. We remained moderately underweight the asset class relative to base case, which detracted from relative positioning, but stock selection within property was positive. During the quarter we participated in the Vukile accelerated bookbuild at an attractive discount, adding to a sector where valuations and income yields remain supportive.

The main detractors came from precious metals exposure. Gold Fields detracted 0.5%, Impala Platinum detracted 0.5%, and AngloGold Ashanti detracted 0.4%. Valterra Platinum also detracted 0.2%. The weakness in these positions more than offset a small positive contribution from Anglo American.

Elsewhere, Clicks detracted 0.2%, we used the weakness to build exposure because we believe the market has been too penal in pricing in a series of temporary operational and competitive pressures that should normalise.

Over the quarter, local markets were shaped by an improving but still fragile domestic backdrop. Economic growth remained modest, inflation concerns resurfaced through fuel and food risk, and the Reserve Bank raised rates earlier in the quarter before holding steady through June. Even so, domestic financial assets that are sensitive to fiscal credibility and lower risk premia performed better, with banks, property and bonds all firmer. The fund benefited from that backdrop through its bond holdings, domestic financials and selected consumer names, while its resources exposure was the main offset.

The portfolio remains diversified across income assets, local and offshore equities, and listed property. The fixed income component continues to provide income and capital stability, while equity exposure remains focused on shares where valuation support and stock-specific upside justify the risk.

Inflation both locally and in the US should moderate into year end. We believe there is a low probability of further rate hikes this year. In this scenario the USD is likely to weaken modestly which should be good for commodities, emerging markets and the SA equity market.

* Performance declaration for Laurium Stable Prescient Fund (Class A2)	FUND	BENCHMARK (CPI +3% p.a.)
Annualised return since inception	+10.2%	+7.8%
Cumulative return since inception	+108.4%	+76.5%
1 Year	+12.3%	+8.0%
3 Years (annualised)	+12.0%	+7.5%
Highest rolling 1-year return (since inception)	+22.8%	
Lowest rolling 1-year return (since inception)	-4.3%	
Fund inception date	1 December 2018	