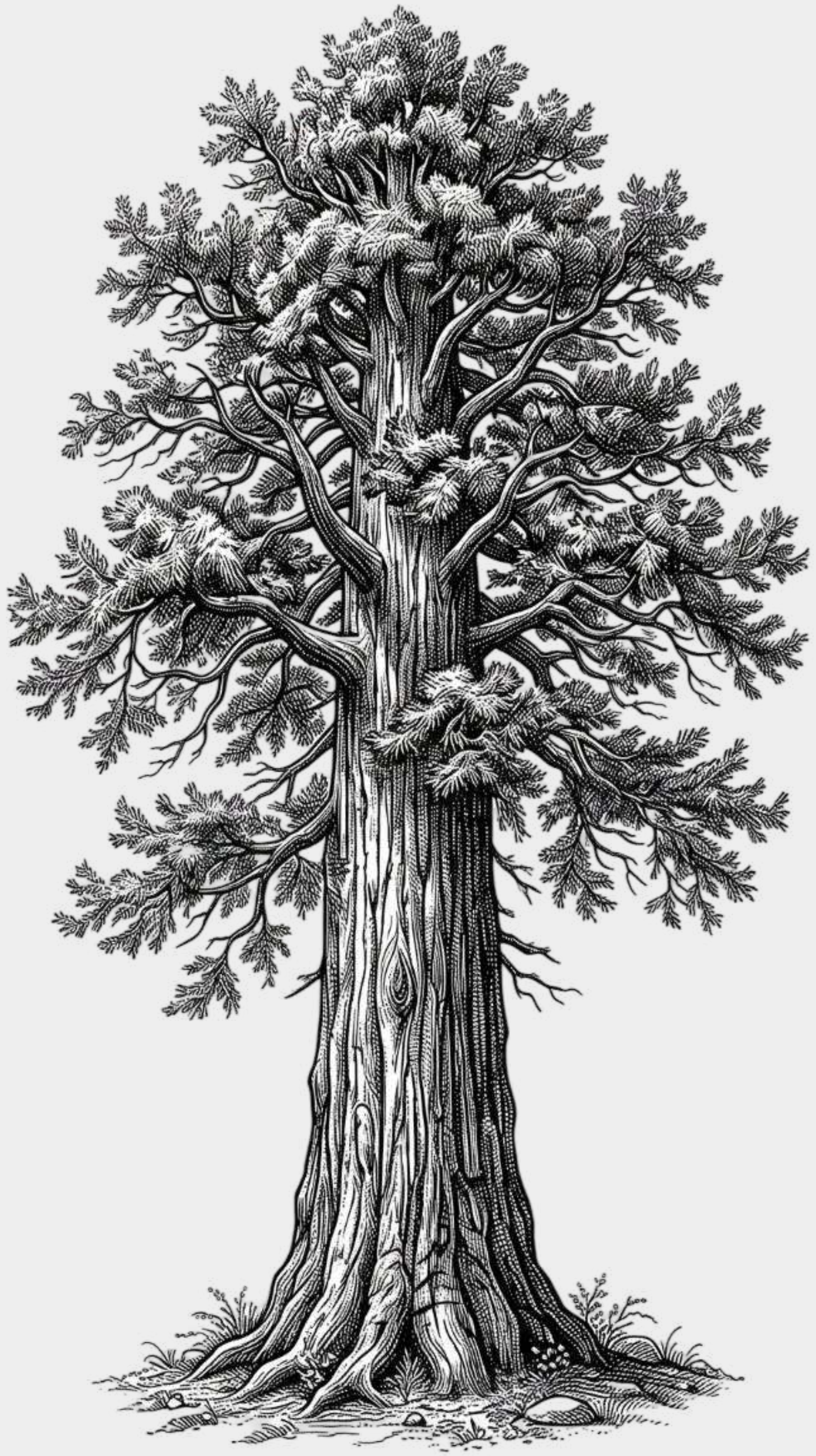
REZCO

LIVE WEBINAR

Investing into Compounding Earnings

Long cycles & patience



16 July 2026

Speakers

Rob Spanjaard

Chief Investment Officer

Simon Sylvester

CEO, Portfolio Manager

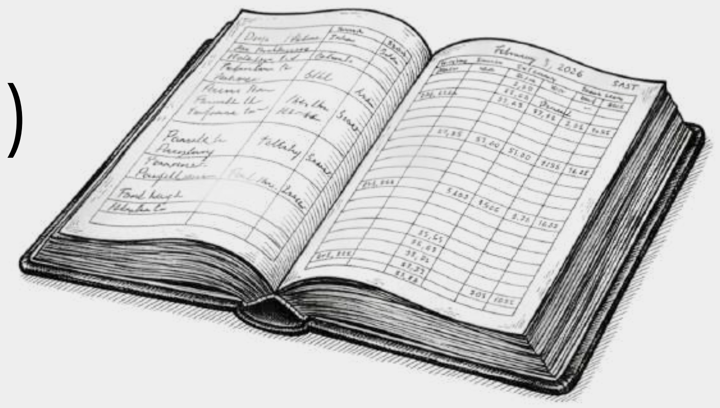
Event Logistics

Recording: a link will be emailed to registrants after the webinar

CPD points: allocated to those who registered with their ID number

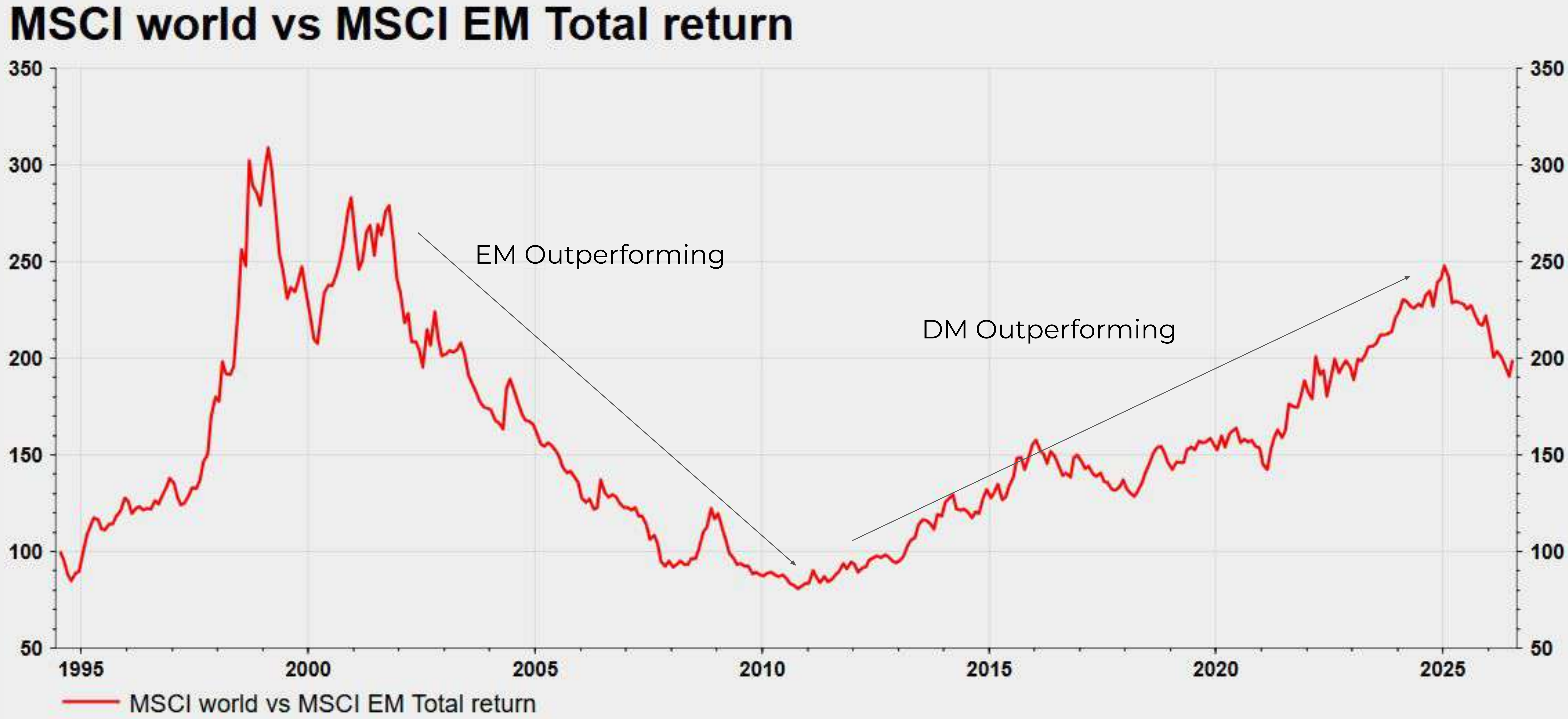
Q&A: submit questions anytime via the Questions tab; we’ll answer live or on the board

Slides: we’ll share the PDF after the session (where permitted)



Market Cycles can be long - pays to be patient

Developed Markets relative to Emerging Market Equity Performance



Source: LSEG Datastream / Rezco

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Market Cycles can be long - pays to be patient

Rotation: S&P 500 Market Cap to Equal weight

Source: LSEG Datastream / Rezco

REZCO

Rezco’s philosophy since inception

Buy **quality companies**

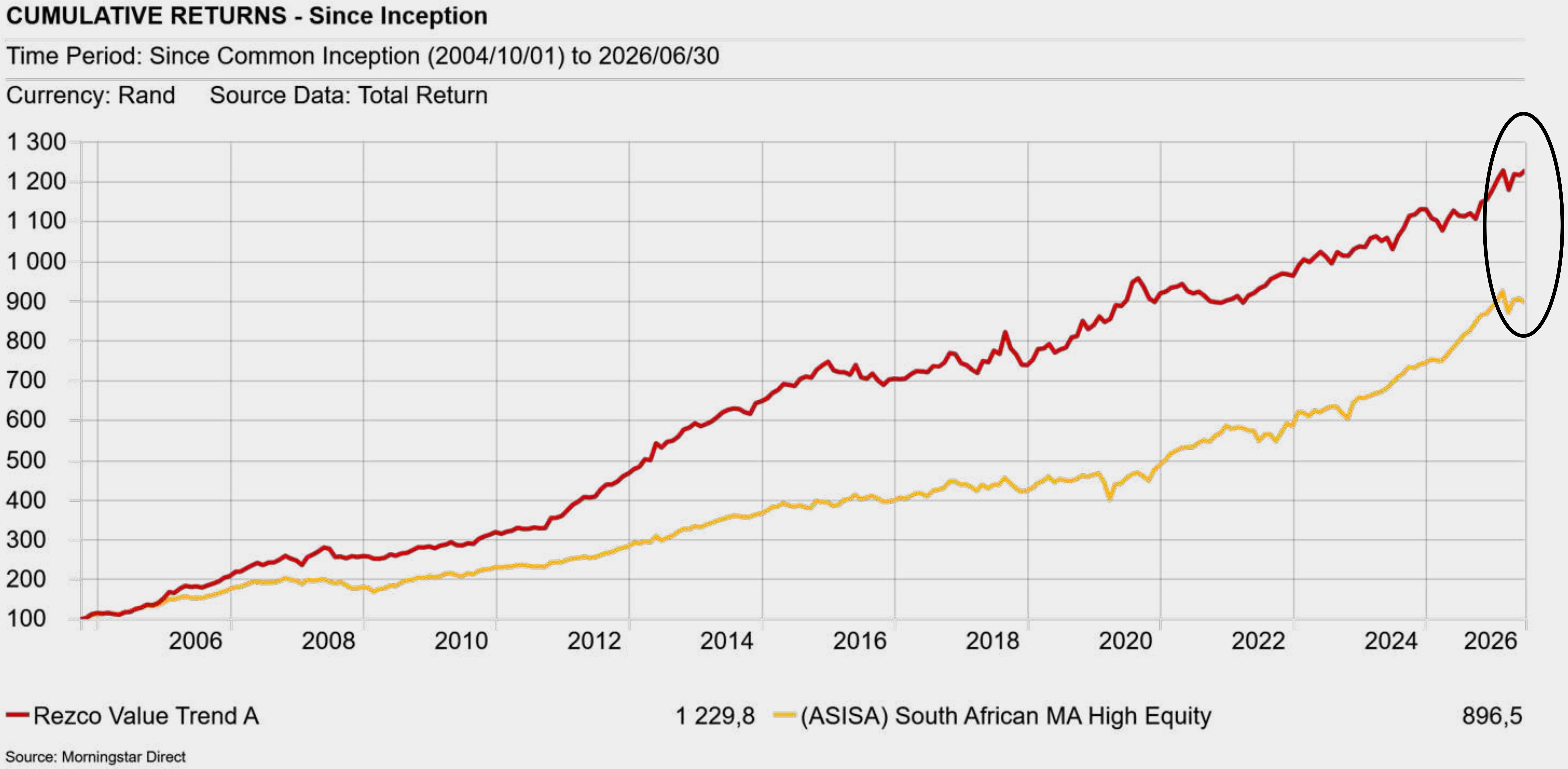
with **compounding earnings growth**

at **fair multiples.**

Risk managed and diversified portfolios

Rezco Value Trend Fund

Since Inception



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Rezco Equity Fund

Since Inception

CUMULATIVE RETURNS - Since Inception

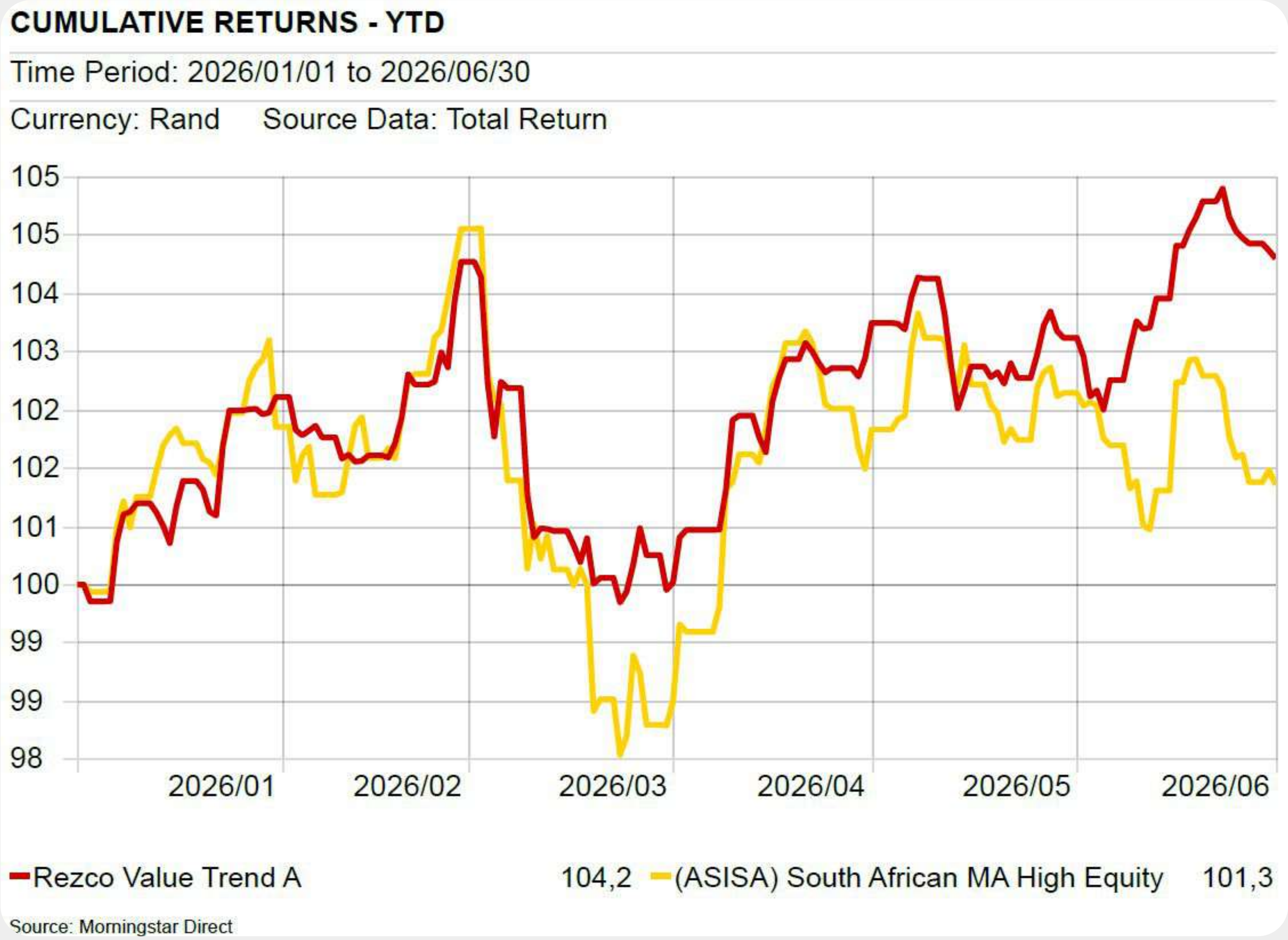
Time Period: Since Common Inception (2014/04/01) to 2026/06/30

Currency: Rand   Source Data: Total Return

Source: Morningstar Direct

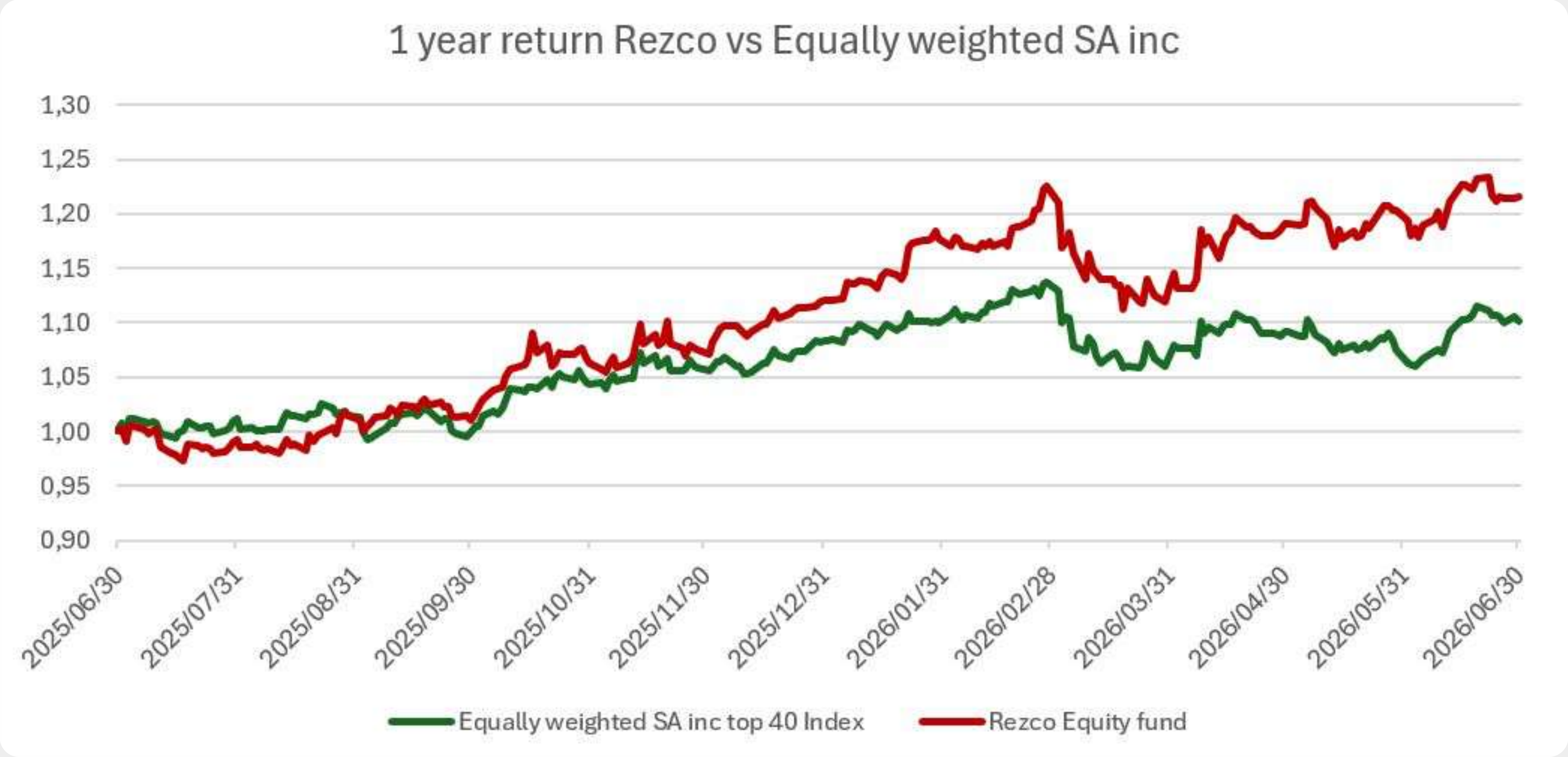
YTD: Still early, but starting to work well

Not a prediction, but cycles are normally long, we stick to our knitting



Stock picking is always important

Not a simple macro call

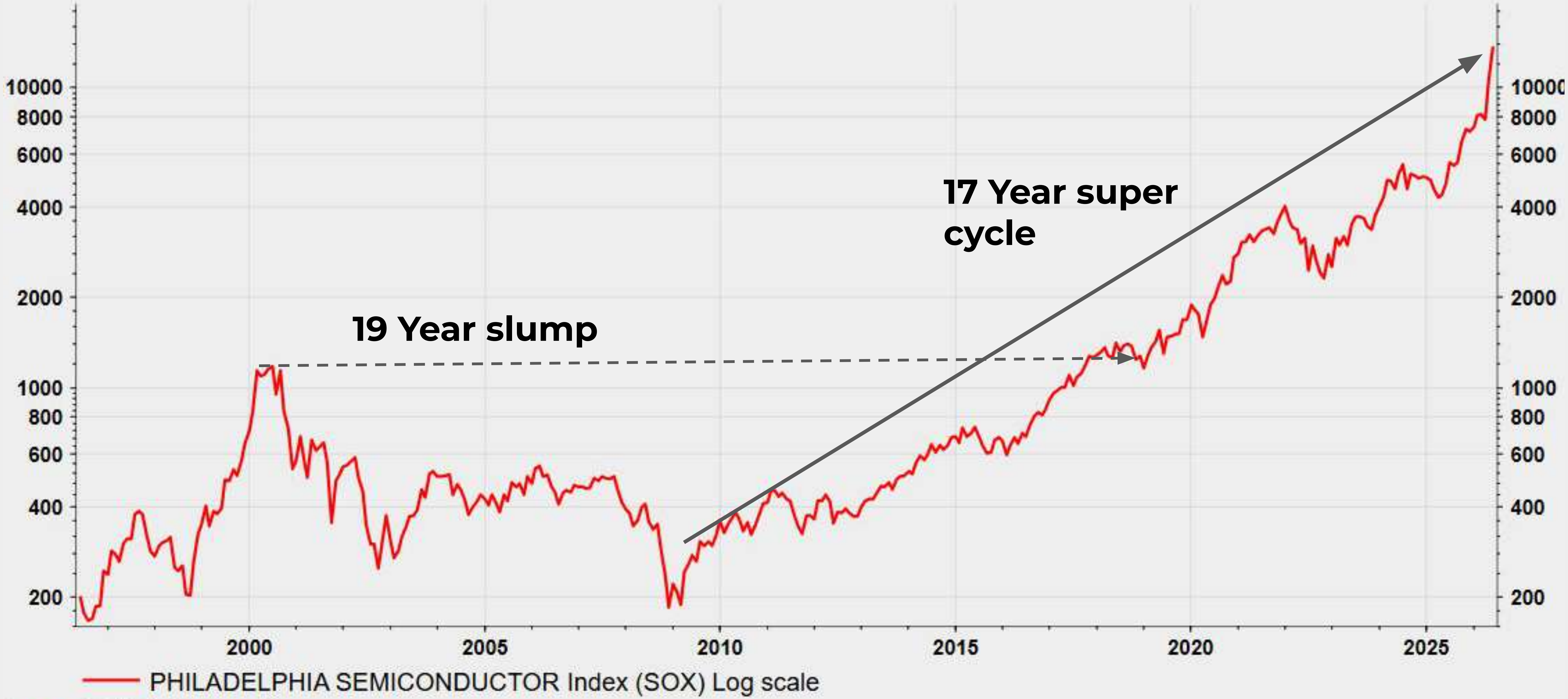


LONG CYCLES & PATIENCE:

Hunt for opportunity, avoid risk.

Semiconductors

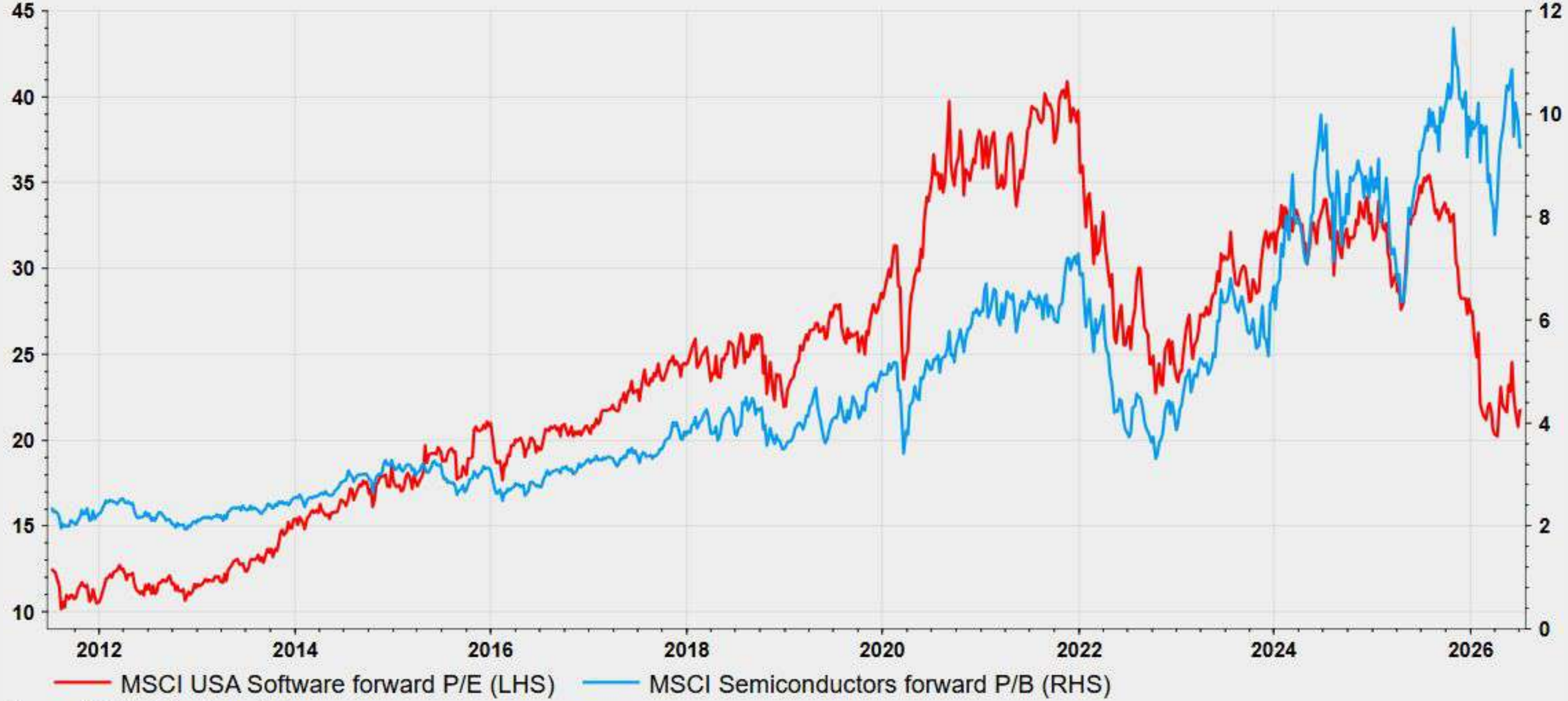
The Starting Point Matters



Source: LSEG Datastream / Rezco

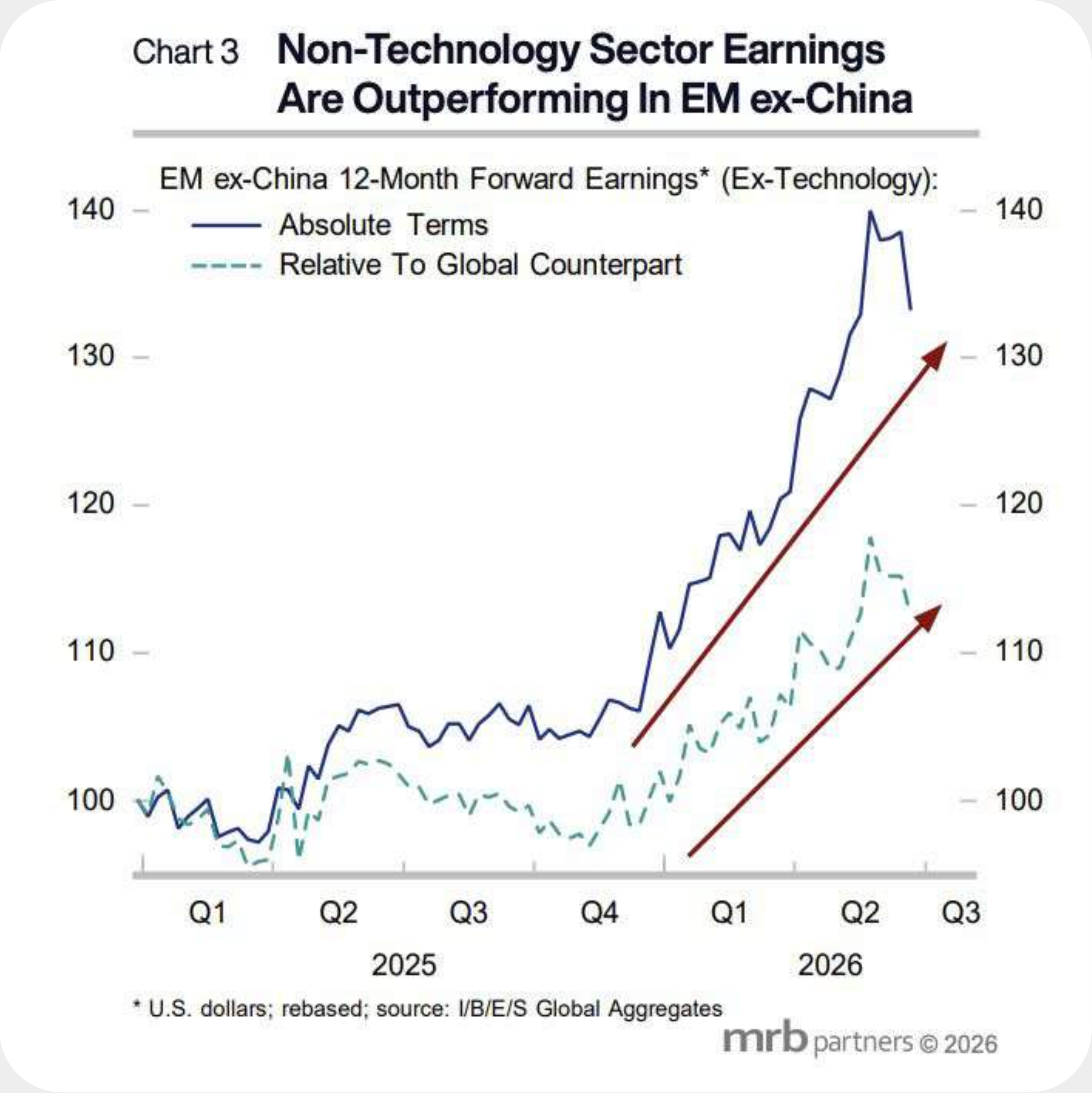
Flows have become important valuation drivers

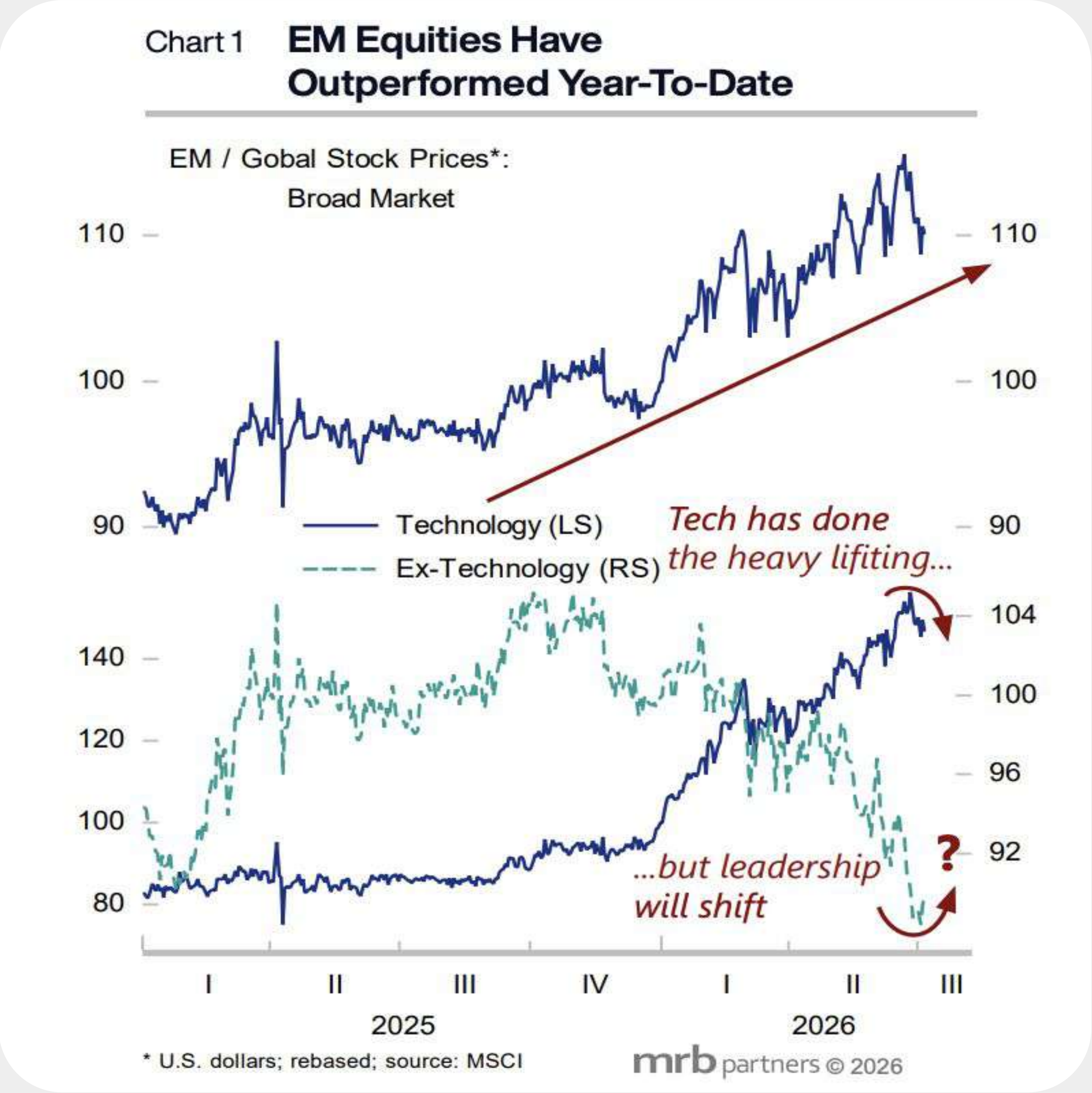
Selling software to fund hardware



Source: LSEG Datastream / Rezco

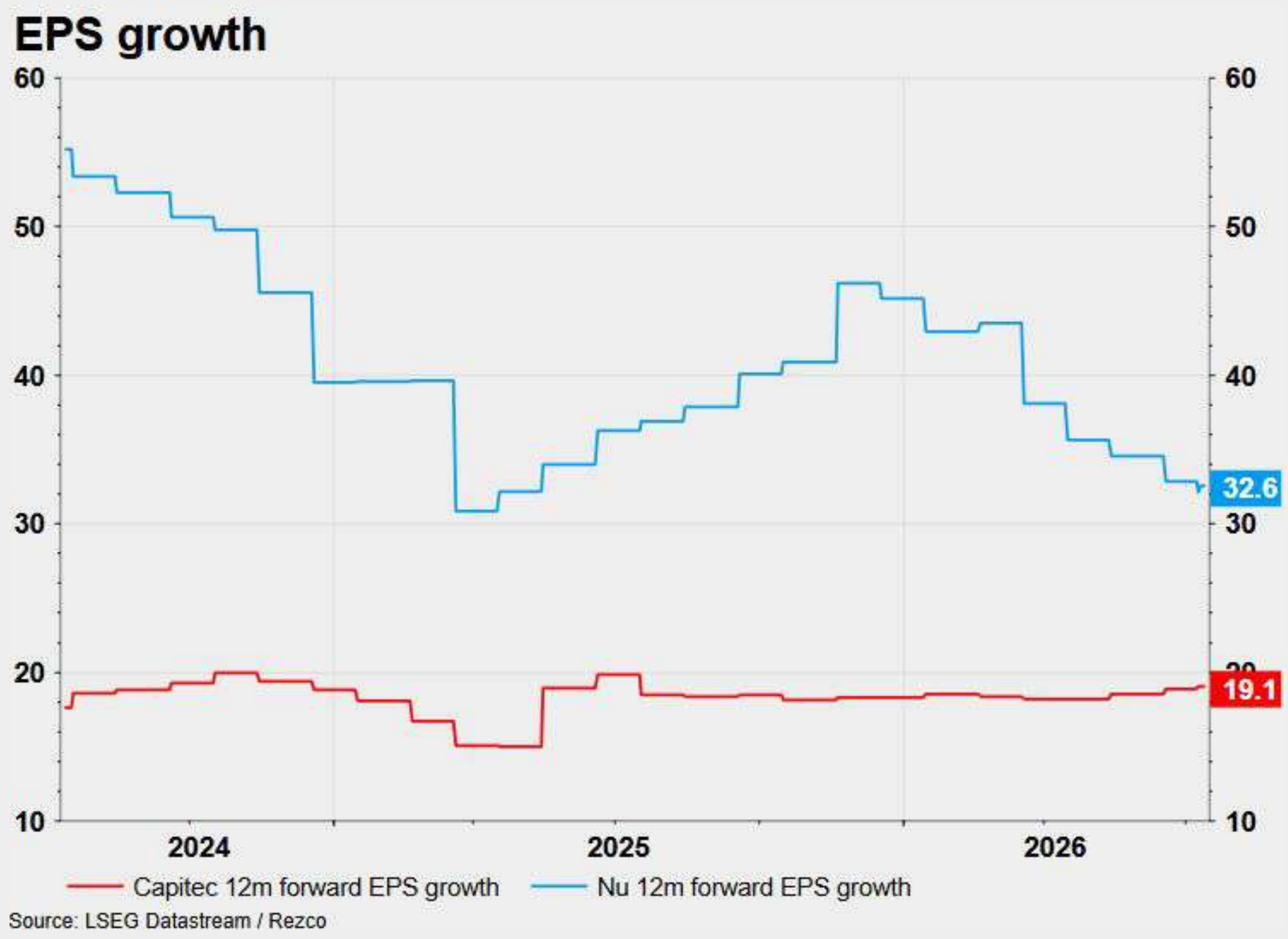
Fair opportunities under the surface

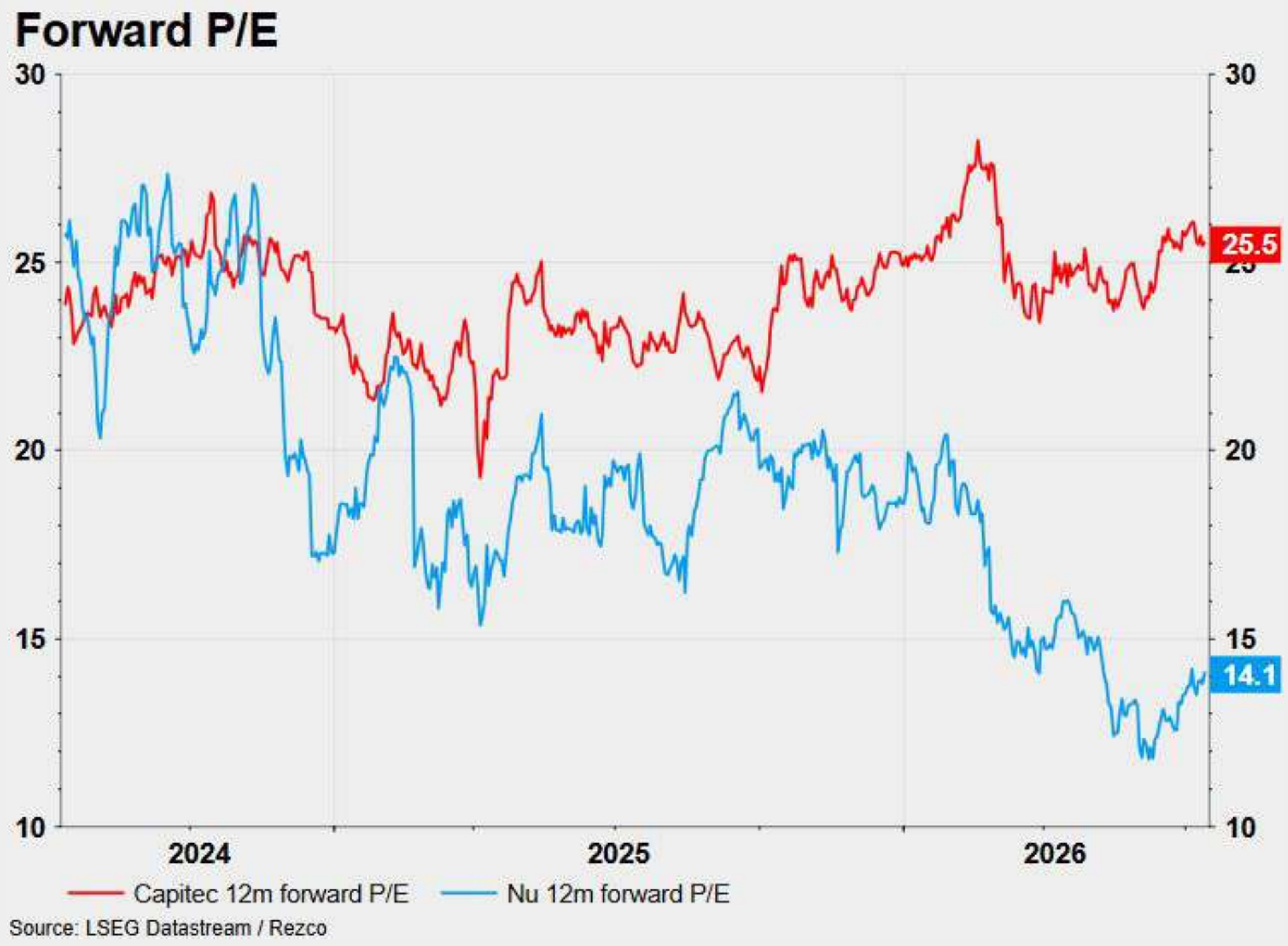




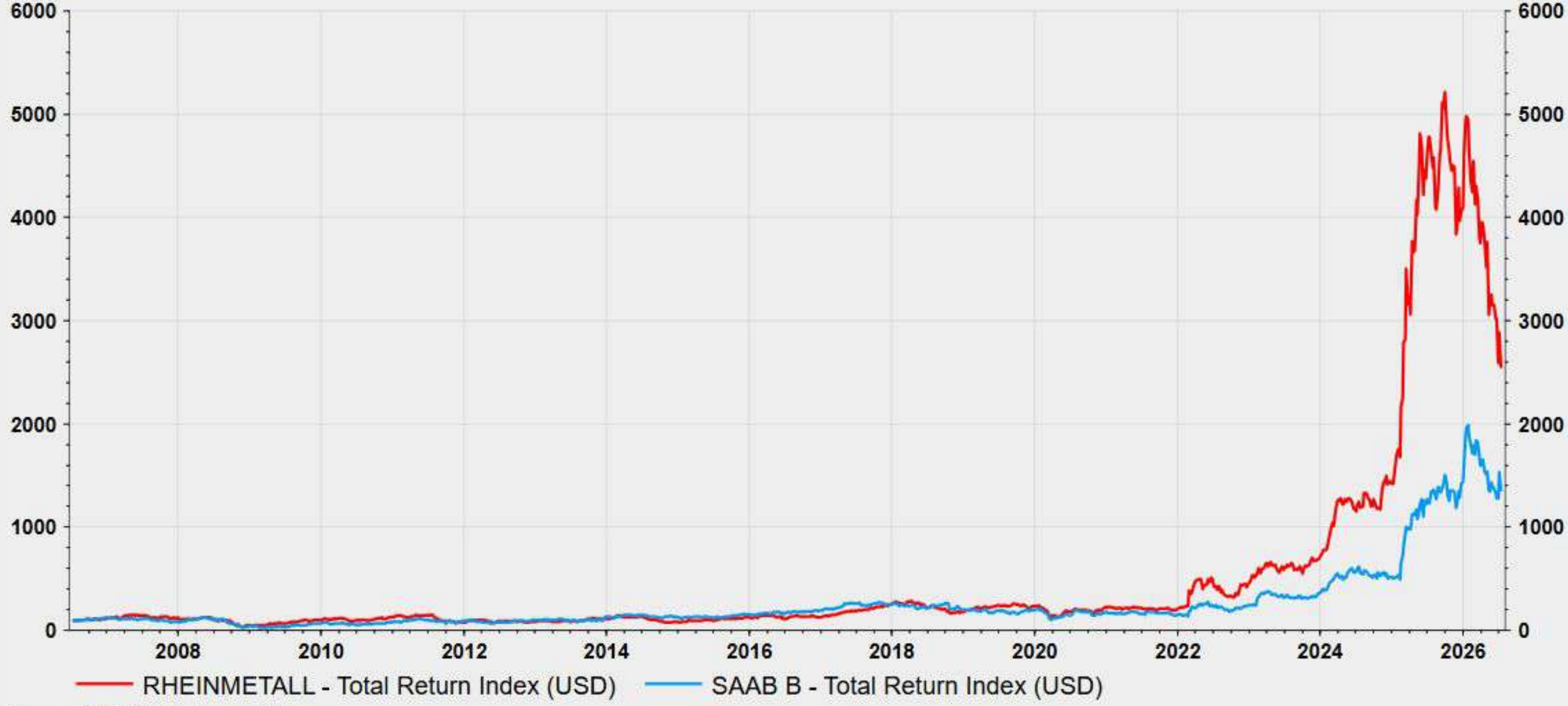
On the hunt for opportunity

Understanding the market system becomes important





Flows + Narrative can create outright distortions in both directions



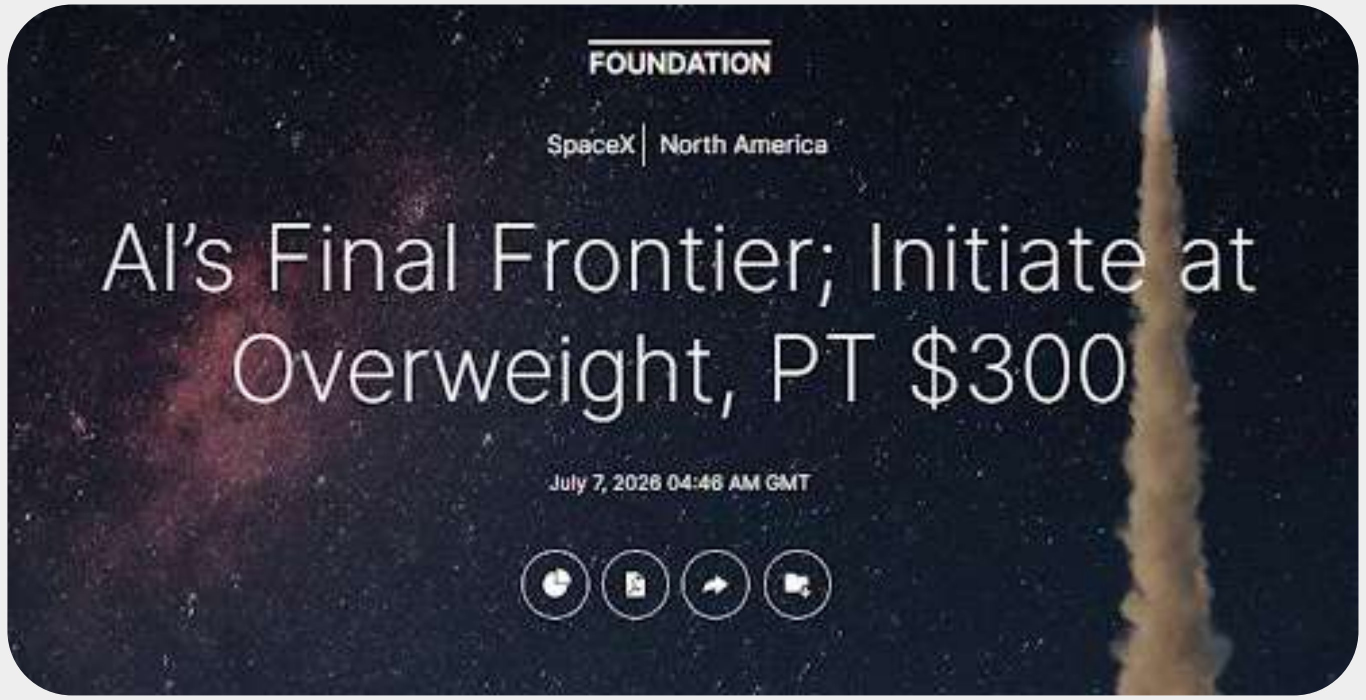
Source: LSEG Datastream / Rezco

Wrong Answer:

Ignore earnings, predict flows (index buying)

SpaceX

SpaceX sell-off wipes $1tn from Musk's rocket group



citi

Space Exploration Technologies (SPCX.O) | Buy

Potential for $900+; Initiating at Buy

07 Jul 2026 05:00:00 ET

CITI'S TAKE

We are initiating on SPCX with a Buy rating and $200 price target, implying ~25% upside by year-end. We believe this price target is a milestone along the path to $900+ which becomes realistic assuming key engineering achievements are demonstrated at scale. Ultimately, the successful deployment of Starship will establish the most affordable and scalable path to unlocking the economic potential of space, in our view, giving SPCX access to trillion-dollar markets that no other company can realistically tap into. SPCX is at the beginning of a particularly catalyst-rich 2-3 years which we expect will result in the company establishing dominant positions in multiple high-value markets – namely Connectivity and AI. Join us for 10+ hours of webcasts on The Space Economy and Future of AI on July 8th.

Temptation is high:

Ignore earnings, predict flows

Bloomberg

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BREAKING **Trump Backs Off 20% Fee For Strait of Hormuz Shipments** Read more

Markets

Two Millennium Trading Pods Made About $3.7 Billion Last Month

By Nishant Kumar
July 6, 2026 at 5:30 PM GMT+2

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Millennium Management ...
Private company

Two teams focused on trading index changes at Millennium Management made billions of dollars between them in June, lifting the multistrategy hedge fund's monthly gains.

Pods run by Glen Scheinberg and Pratik Madhvani made about $3.7 billion in total last month, according to people with knowledge of the matter. The gains accounted for more than half of the about $6.6 billion profit generated by Millennium before fees in June, the people said, asking not to be identified because the details are private.

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IBM: Casino like volatility

For extra gearing try: Trade 2X Long IBM Daily ETF (IBX)

"The year is barely half over and already we've witnessed headlines announcing IBM's biggest one-day decline since 2000 in February, its biggest one-day rally since 1968 in May, a new record high in June and, just today, its biggest one-day plunge since 1968." - Bloomberg Opinion

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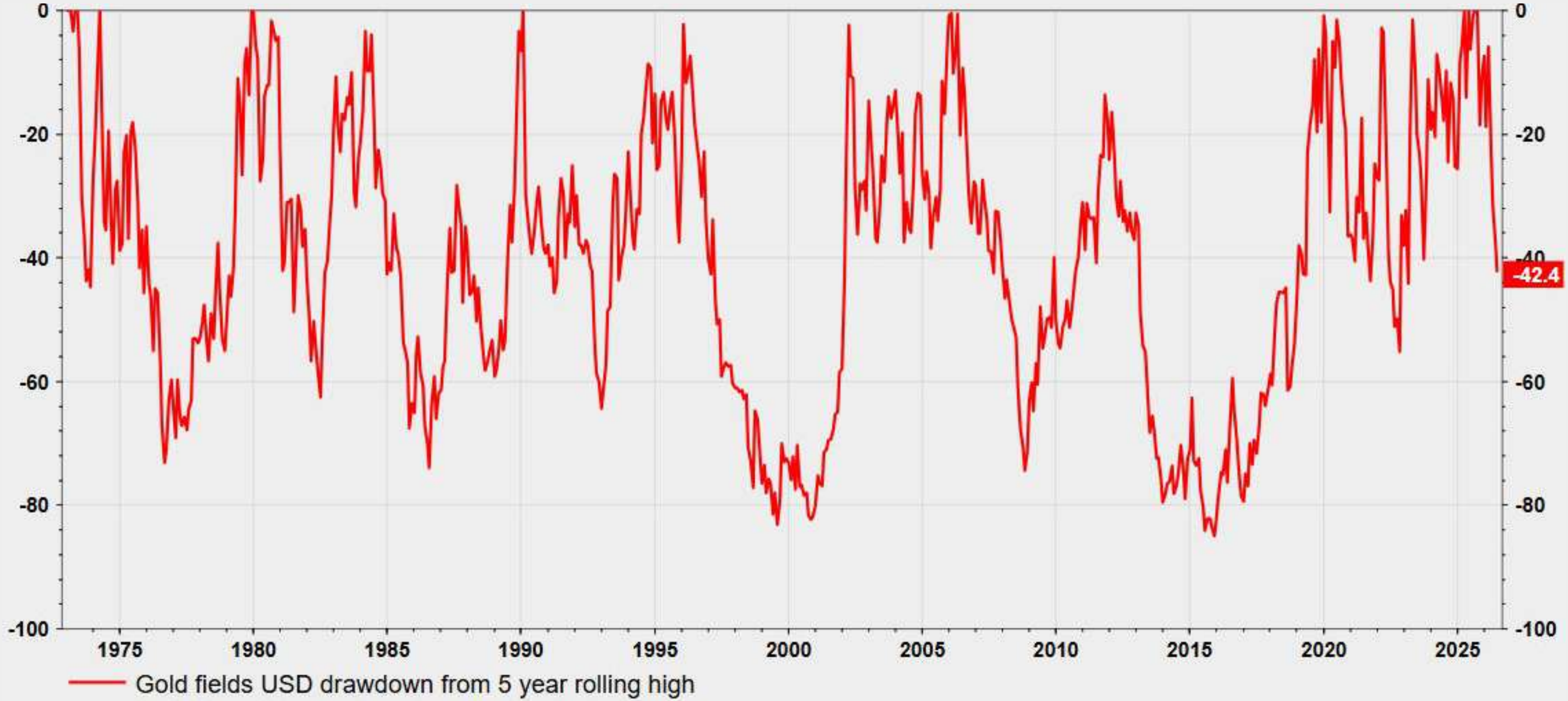
SA has its own share of the show: Gold Miners

Source: LSEG Datastream / Rezco

Miners Are Not the Same as the Metal



Source: LSEG Datastream / Rezco

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Careful of a narrative fitted to the price

Cautious on PGM: Fundamentals will Eventually Win

Global Auto Sales to June 2026

	BEV y/y	PHEV y/y	HEV y/y	ICE y/y	Total y/y	% of total
Australia	115%	115%	14%	-24%	0%	2%
China	-3%	-26%	-	-30%	-19%	30%
EU	43%	19%	14%	-15%	7%	20%
India	85%	-	21%	19%	22%	8%
Japan	203%	-5%	3%	-5%	3%	4%
Korea	103%	-	-3%	-21%	0%	3%
UK	27%	35%	5%	1%	10%	5%
US	-28%	-46%	16%	-7%	-6%	28%
Total	8%	-14%	12%	-13%	-5%	100%
% of total	20%	7%	17%	56%	100%	

The Market System

A lot of debate by some really clever people

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Passive Flows, Active Woes: Passive Investing and the Decline of Active Mutual Fund Alpha

68 Pages • Posted: 19 Jun 2026 • Last revised: 29 Jun 2026

Hannah Unterberg
University of California, Irvine - Paul Merage School of Business

Date Written: June 06, 2026

Abstract

This paper studies whether the secular shift toward passive investing has affected active fund performance through flow-induced demand effects. Using U.S. equity fund data (1984-2024), I document a decline in active fund performance after 2010, with average annual four-factor alpha falling by around one percentage point and the previously positive relation between Active Share and performance reversing. These patterns contrast with theories predicting improved performance as the active sector shrinks. A flow-driven framework shows that capital reallocations toward passive funds generate asymmetric price pressure, penalizing funds' active tilts. Flow-induced demand significantly impacts fund returns, with the effects of passive flows persisting over multiple years. Controlling for flow-induced trading can explain the negative Active Share-performance relationship, suggesting that underperformance reflects structural demand headwinds rather than declining manager skill. Higher-frequency tests exploiting plausibly exogenous, beginning-of-month passive flows provide additional evidence.

Keywords: Mutual Funds, Fund Flows, Passive Investing, Institutional Demand

July 2026

Dear Fellow Investor,

This half yearly letter is lengthier than usual as I am using it to inform you about some changes in the way we manage Fundsmith Equity Fund ('Fund').

However, first the table below shows the performance of our Fund and other comparators during the first half of 2026 and since inception.

% Total Return	1st Jan to 30th June 2026	Inception to 30th June 2026	
		Cumulative	Annualised
Fundsmith Equity Fund[1]	-2.9	+592.6	+13.1
Equities[2]	+11.2	+530.9	+12.5
UK Bonds[3]	+0.7	+32.1	+1.8
Cash[4]	+1.8	+25.7	+1.5

The Fund is not managed with reference to any benchmark; the above comparators are provided for information purposes only.
[1] T Class Accumulation shares, net of fees priced at midday UK time, Inception, 1.11.2010, source: Bloomberg.
[2] MSCI World Index, £ Net, priced at close of business US time, source: www.msci.com.
[3] Bloomberg Series-E UK Govt 5-10 yr Bond Index, source: Bloomberg.
[4] £ Interest Rate, source: Bloomberg.

The Less-Efficient-Market Hypothesis

Clifford Asness

KEY FINDINGS

- A relatively efficient stock market is important for society.
- The author believes the stock market has gotten less efficient over his (now quite long) career.
- If so, this means disciplined, value-based stock picking is both riskier and likely more rewarding in the long term.

ABSTRACT

Market efficiency is a central issue in asset pricing and investment management, but while the level of efficiency is often debated, changes in that level are relatively absent from the discussion. The author argues that over the past 30+ years markets have become less informationally efficient in the relative pricing of common stocks, particularly over medium horizons. He offers three hypotheses for why this has occurred, arguing that technologies such as social media are likely the biggest culprit. Looking ahead, investors willing to take the other side of these inefficiencies should rationally be rewarded with higher expected returns, but also greater risks. He concludes with some ideas to make rational, diversifying strategies easier to stick with amid a less-efficient market.

What we are all about at Rezco!

We Invest in Compounding Earnings Streams

{good <u>value</u> with positive earnings <u>trends</u> + quality}

Manage Portfolio Reward/Risk not Tracking Error

{manage total risk not the risk relative to the peers/benchmark; try avoid negative tail risks}

Discipline & Patience

*{discipline to stay away from what we **don't** want to do, patience to **stick to the fundamentals** of investing}*

Macro matters

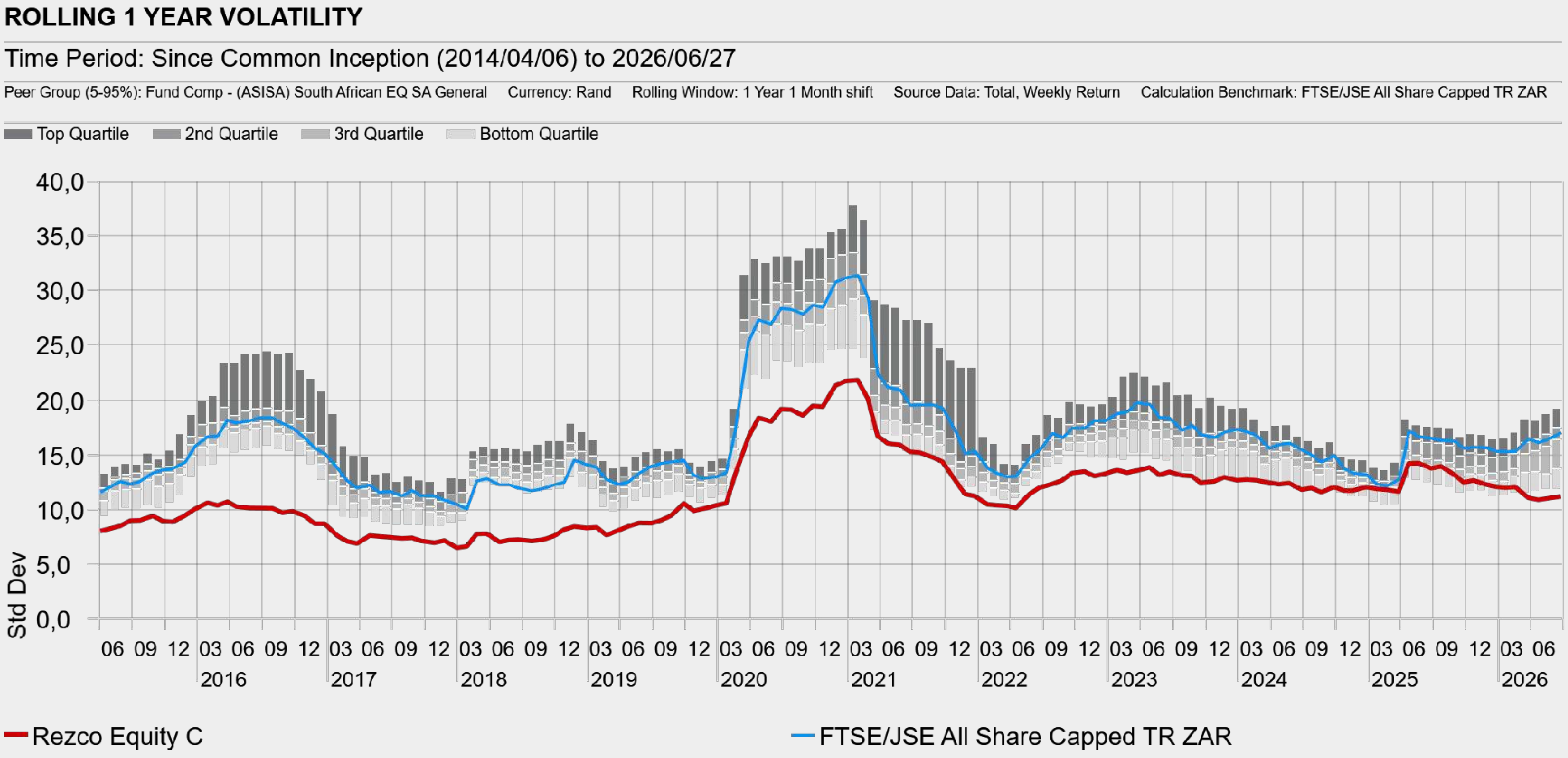
{it drives earnings expectations and valuations, and impacts portfolio risk decisions}

Understanding the market system

{important to frame opportunity and risk as well as manage emotion}

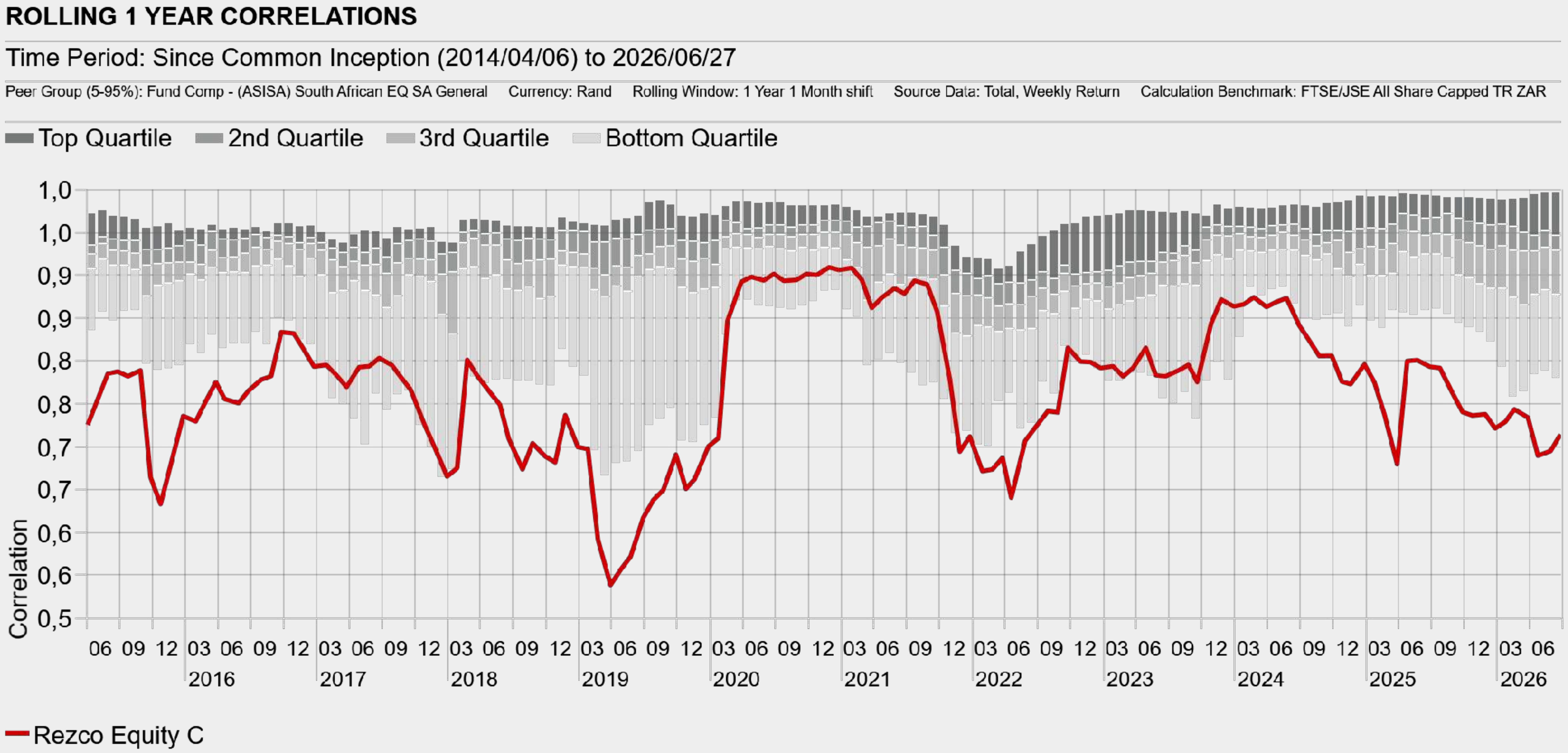
Rezco Equity Fund
Fundamental characteristics

Not market timing, we always run lower risk



Source: Morningstar Direct

We Invest in Companies we Think Make Good Investments



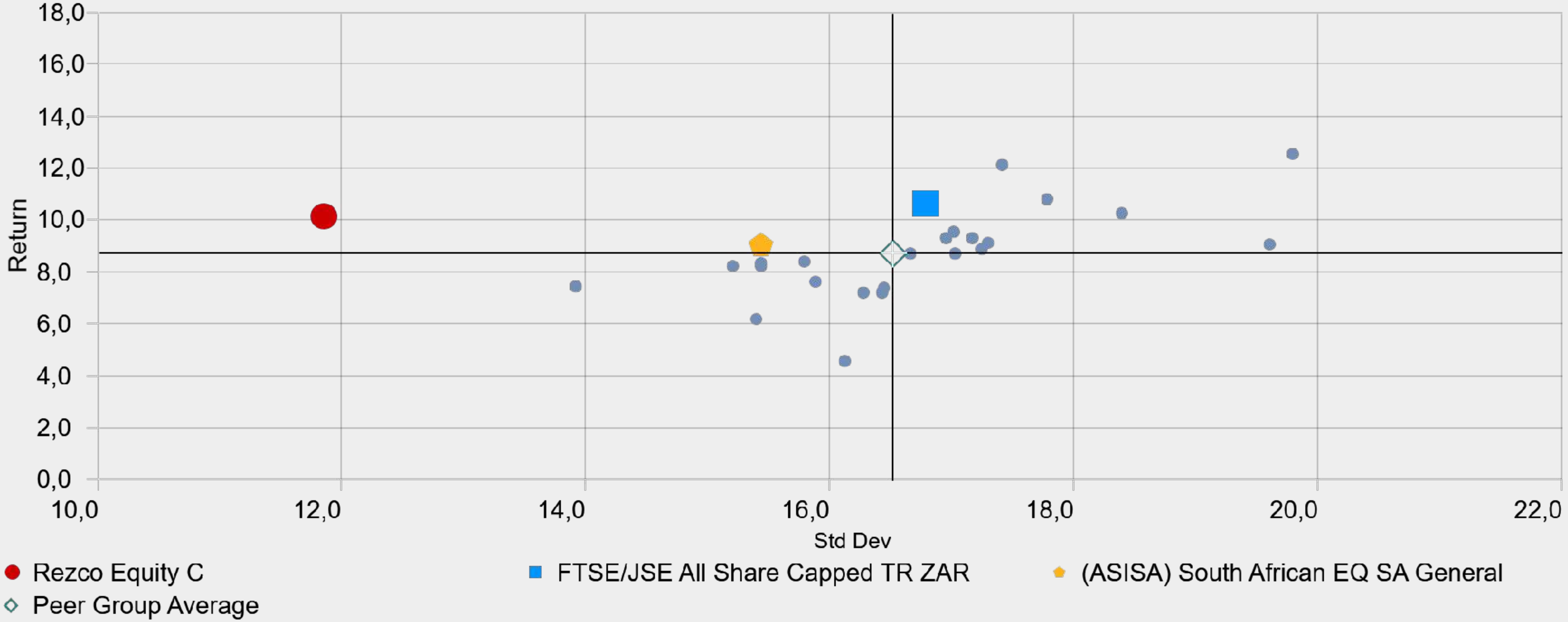
Source: Morningstar Direct

Sit Outside the Normal Bounds on the Peer Scatters

RISK-RETURN PROFILE

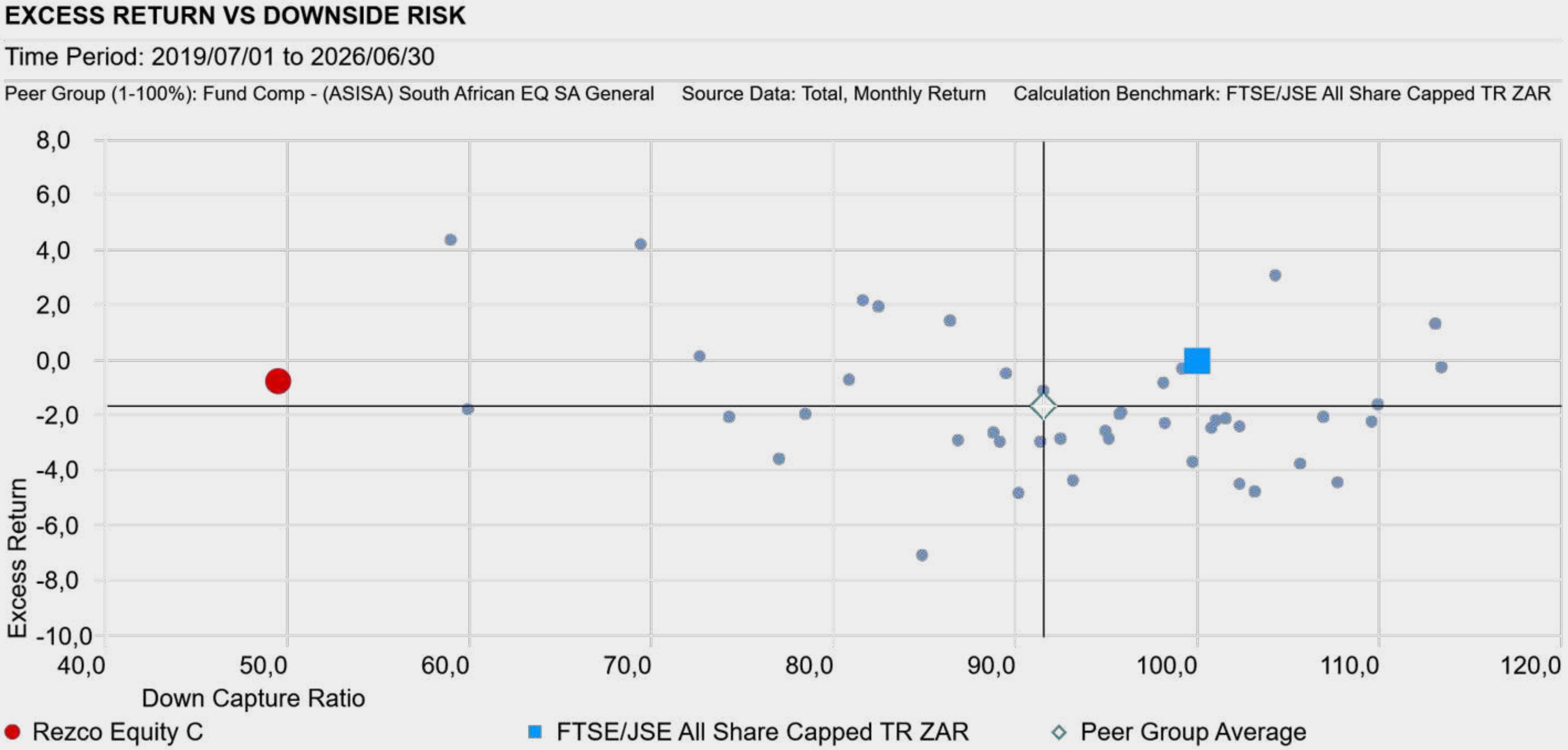
Time Period: Since Common Inception (2014/04/06) to 2026/06/20

Peer Group (1-100%): Fund Comp - (ASISA) South African EQ SA General   Currency: Rand   Source Data: Total, Weekly Return   Calculation Benchmark: FTSE/JSE All Share Capped TR ZAR



Source: Morningstar Direct

Risk is permanent capital loss, but markets always go up?



Source: Morningstar Direct

Rezco Equity Fund - Since Inception

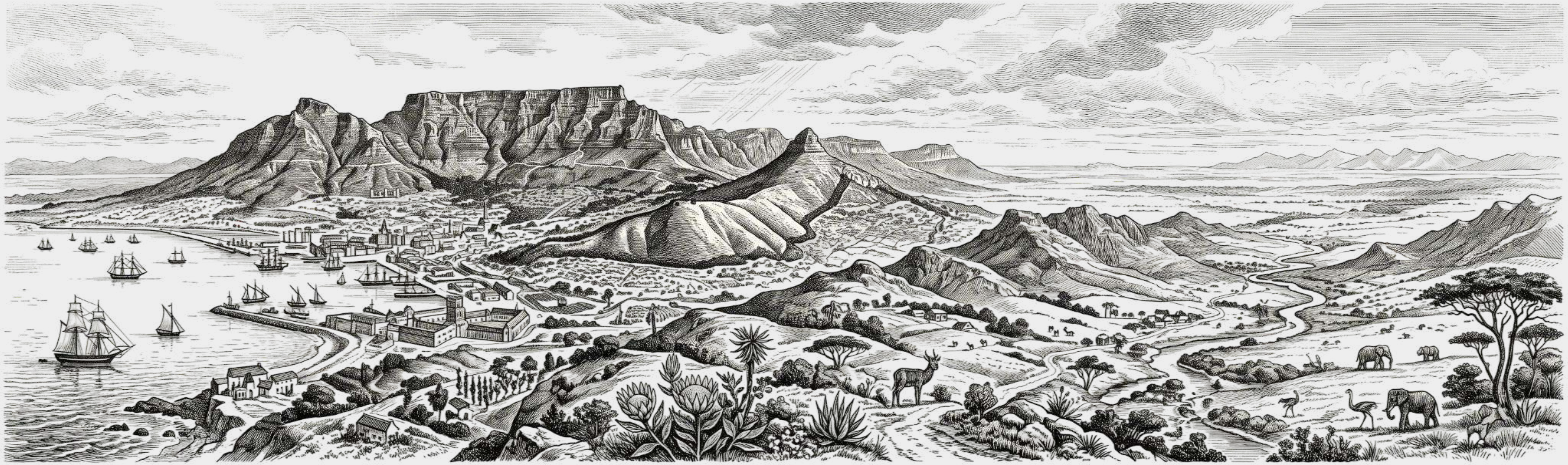
CUMULATIVE RETURNS - Since Inception

Time Period: Since Common Inception (2014/04/01) to 2026/06/30

Currency: Rand   Source Data: Total Return

Source: Morningstar Direct

SA Macro



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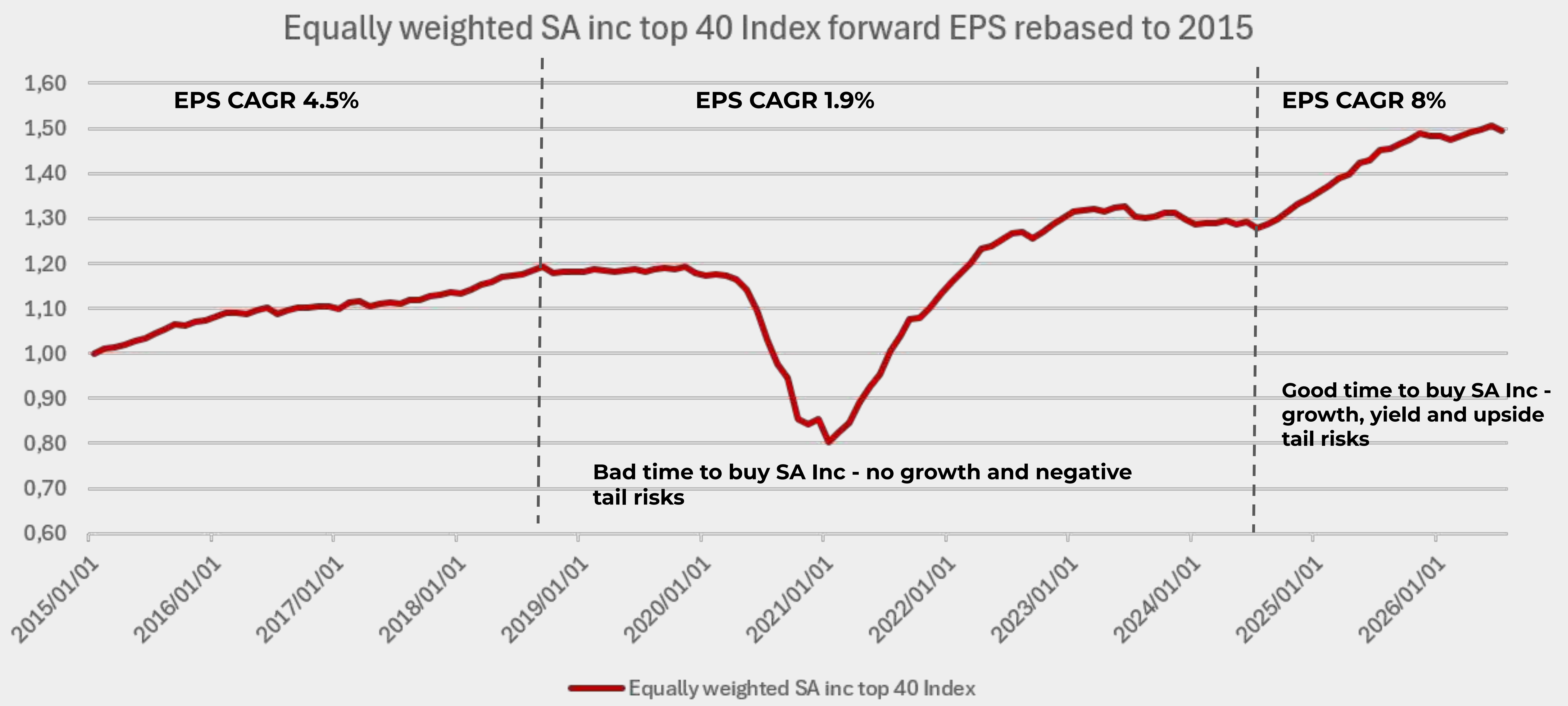
Ingredients for good investments:

- ➔ Growth
- ➔ Risk
- ➔ Valuation
- ➔ Quality
- ➔ Cash (dividends or reinvestment)

Growth trend is building - patience needed

Expectations suggest SA is on a better growth path



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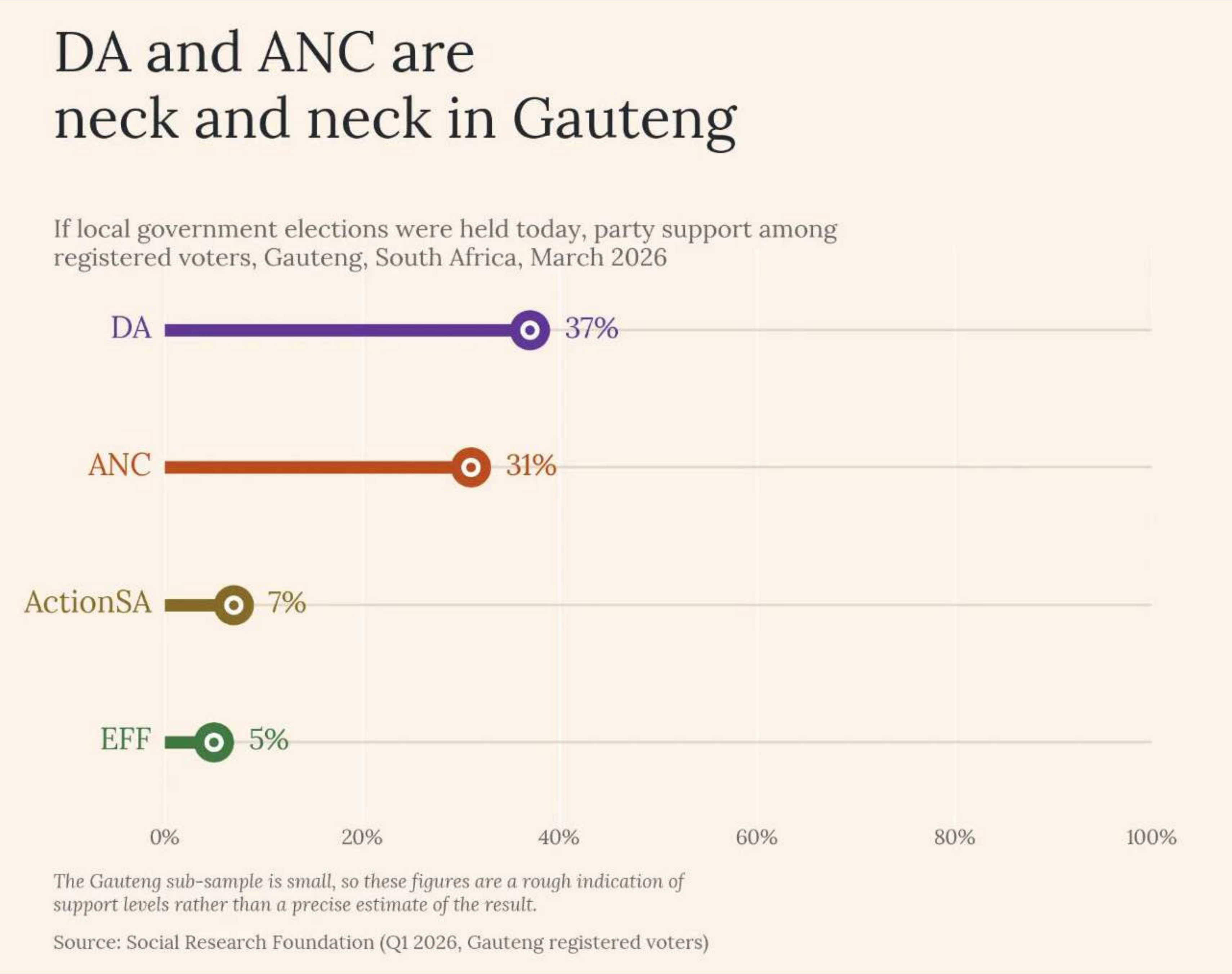
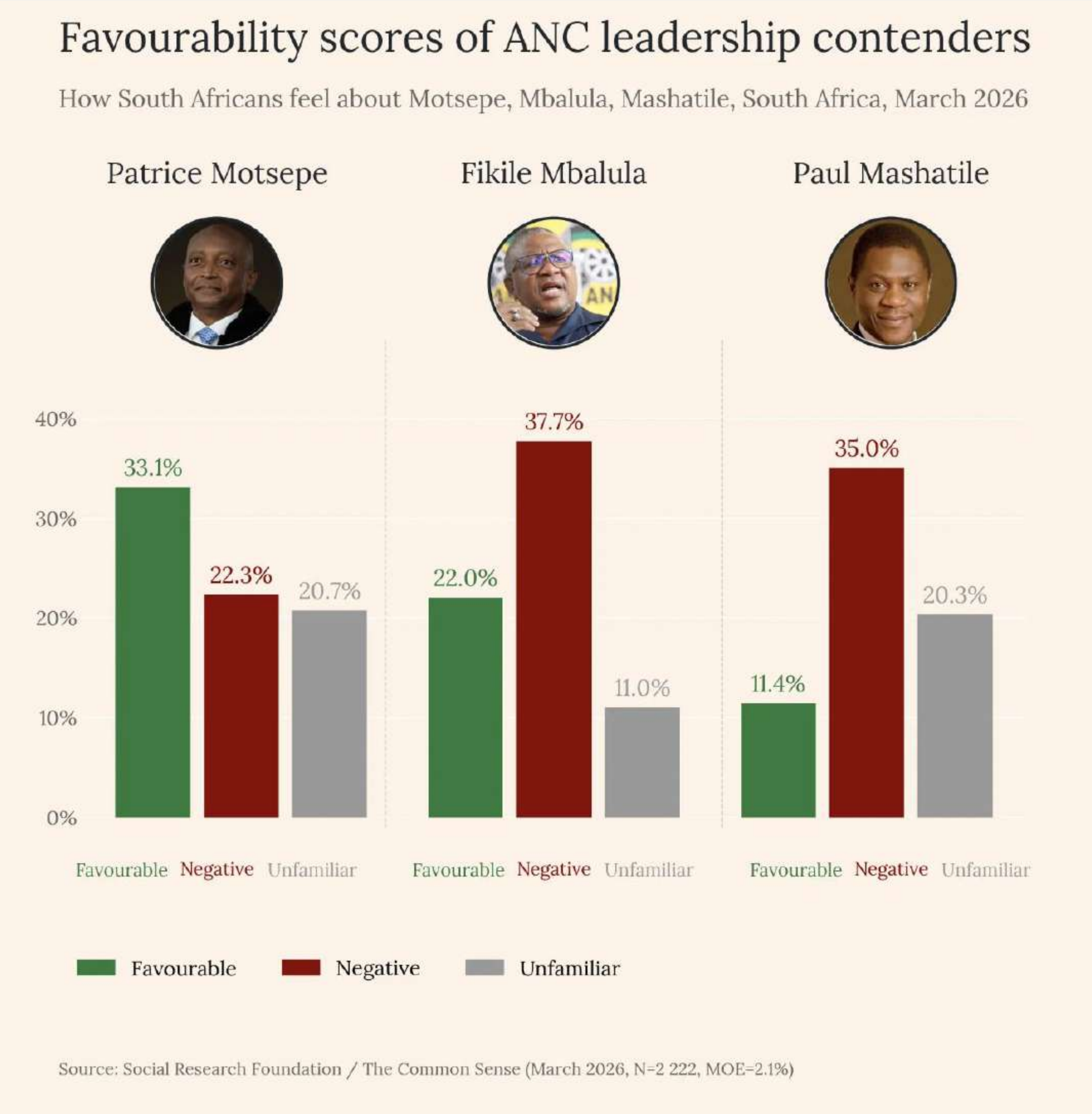
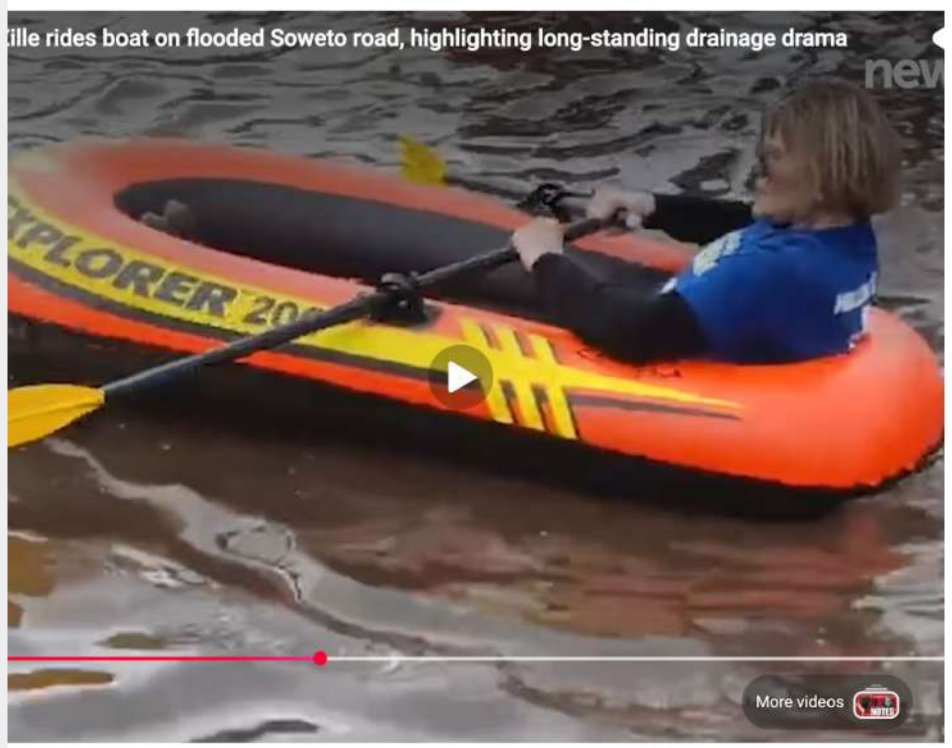
Political Risk Scenarios are Now Two Sided

Pre 2024 Election the probabilities had a massive negative tail skew





The fact Zille might win shows how things have changed in South Africa



DAILY MAVERICK

JOHANNESBURG

THE INTERVIEW

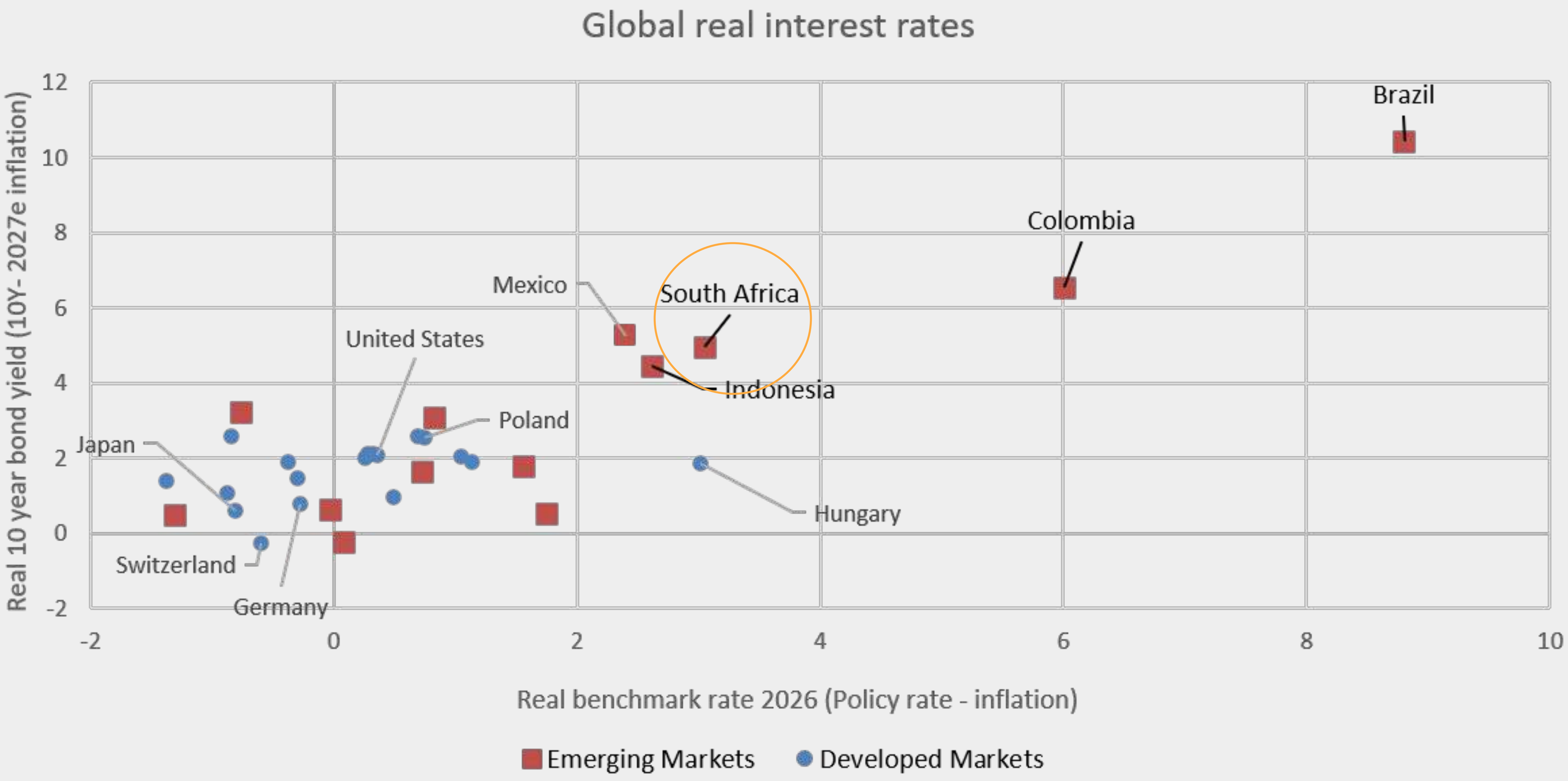
From DJ Gogo to Mayor? Zille chases 500,000 votes for a majority

After nine months of canoes, potholes and viral videos, Helen Zille's campaign is entering a more serious phase. The DA believes 500,000 votes could deliver an outright majority in Johannesburg – but low voter registration and voter apathy may prove the biggest obstacles.

By Ferial Haffajee

22 Jun 2026

SA: Running one of the highest real yields globally



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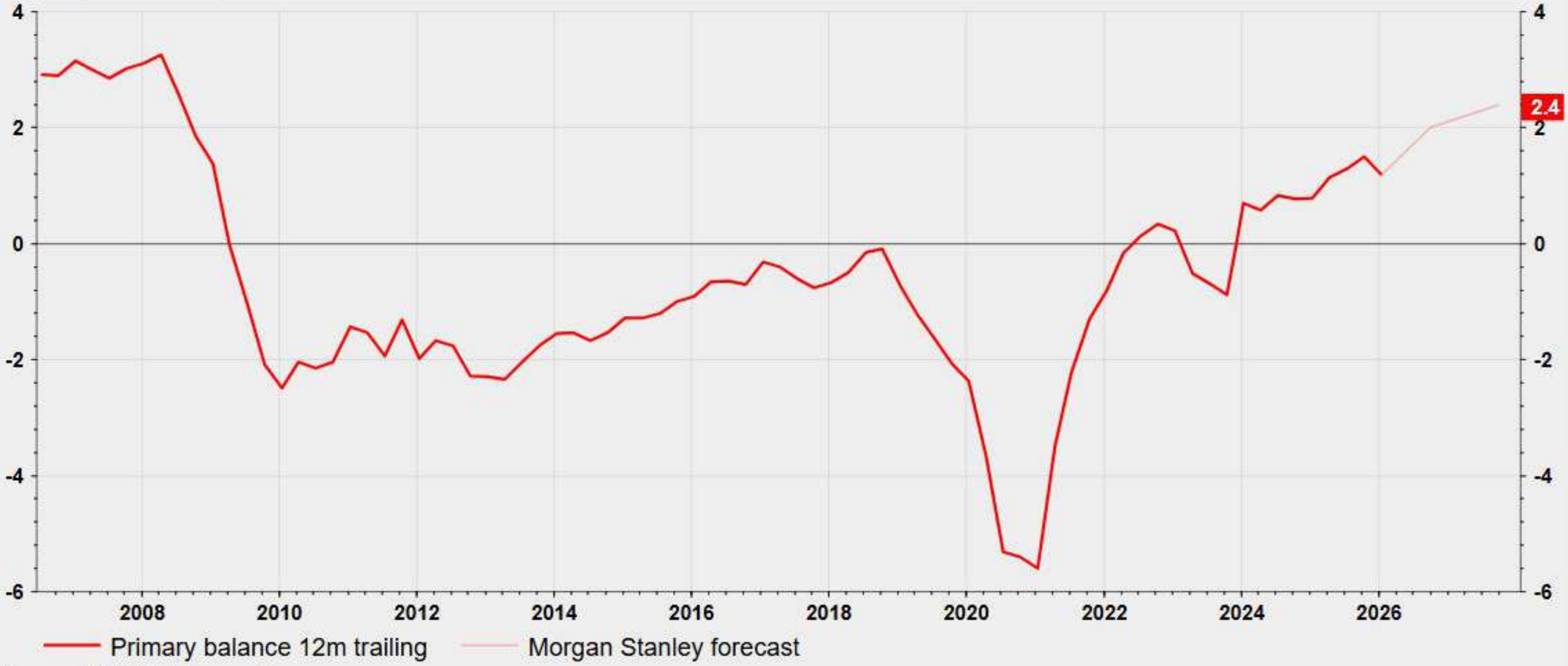
Interest Rates

Lots of room to cut: long term tailwind (short term hurting the retailers)

Source: LSEG Datastream / Rezco

Fiscal Austerity: Cutting Waste, not Growth

SA primary balance as % of GDP



Source: LSEG Datastream / Rezco

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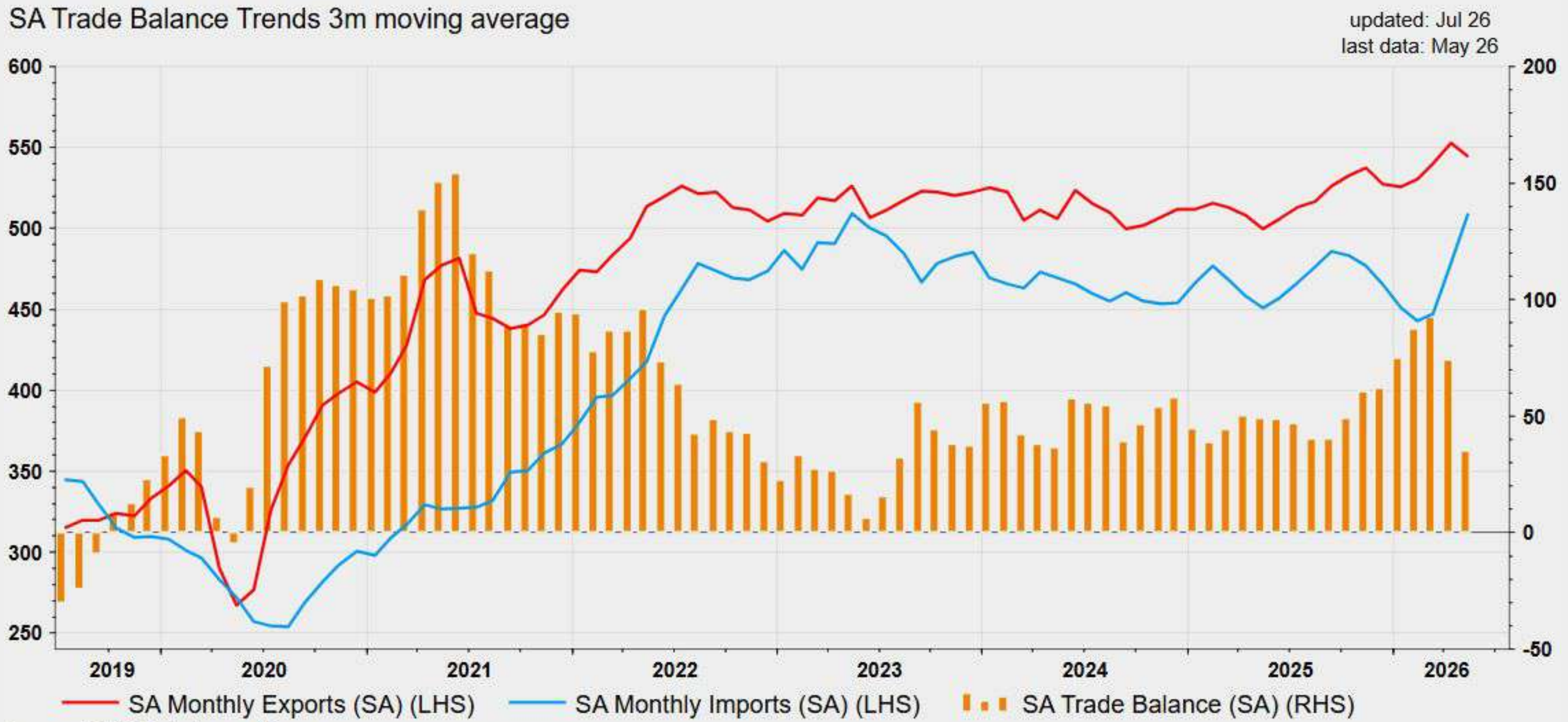
Economic Tailwinds



Source: LSEG Datastream / Rezco

Market Price of RSA Country Risk - massive fall

Long Term Yield Spread : SA 10 yr Bond Yield minus USA 10 yr yield

Source: LSEG Datastream / Rezco

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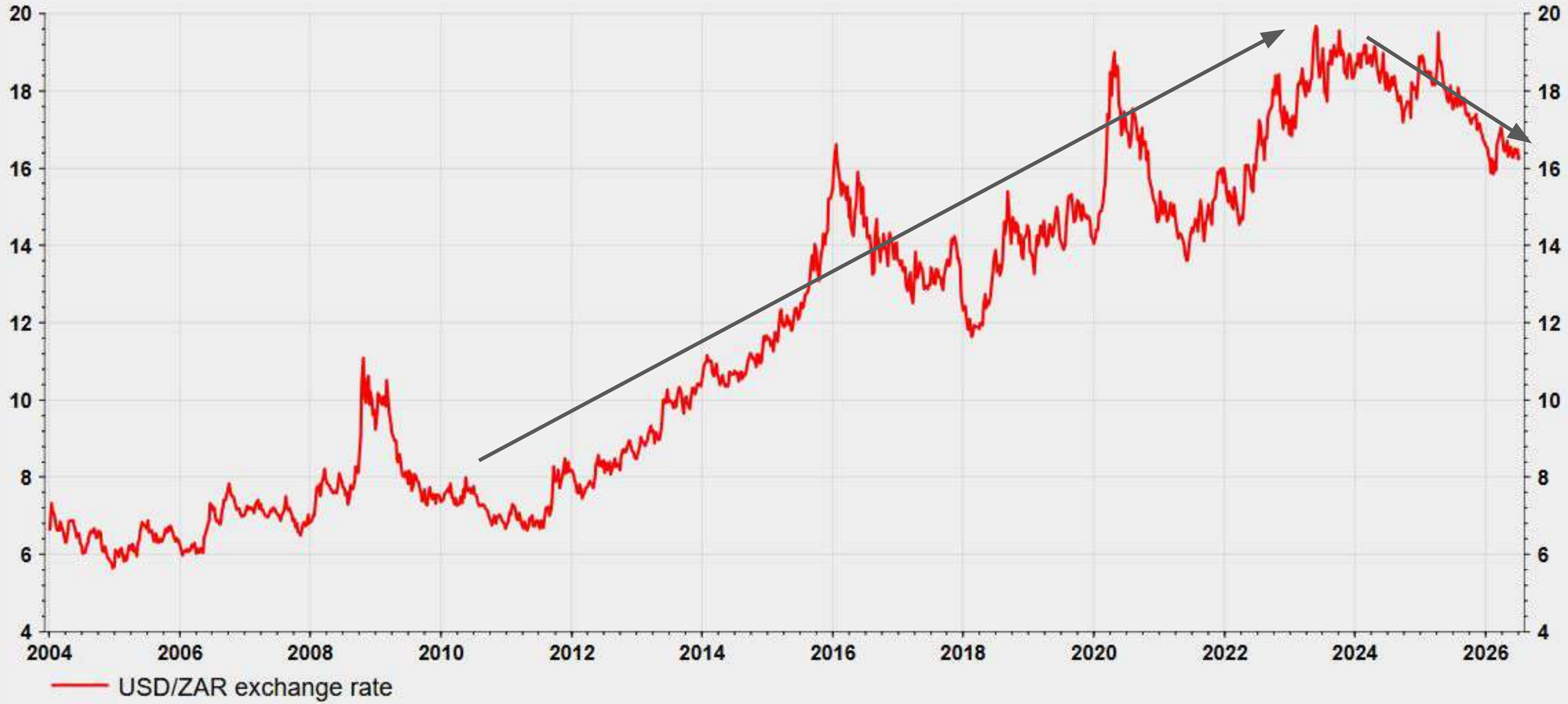
Cost of Insurance against SA Defaulting on USD Debt

Market has reduced the CDS spread due to reduced risk of default

ZAR / USD: Strong despite global risk and local issues

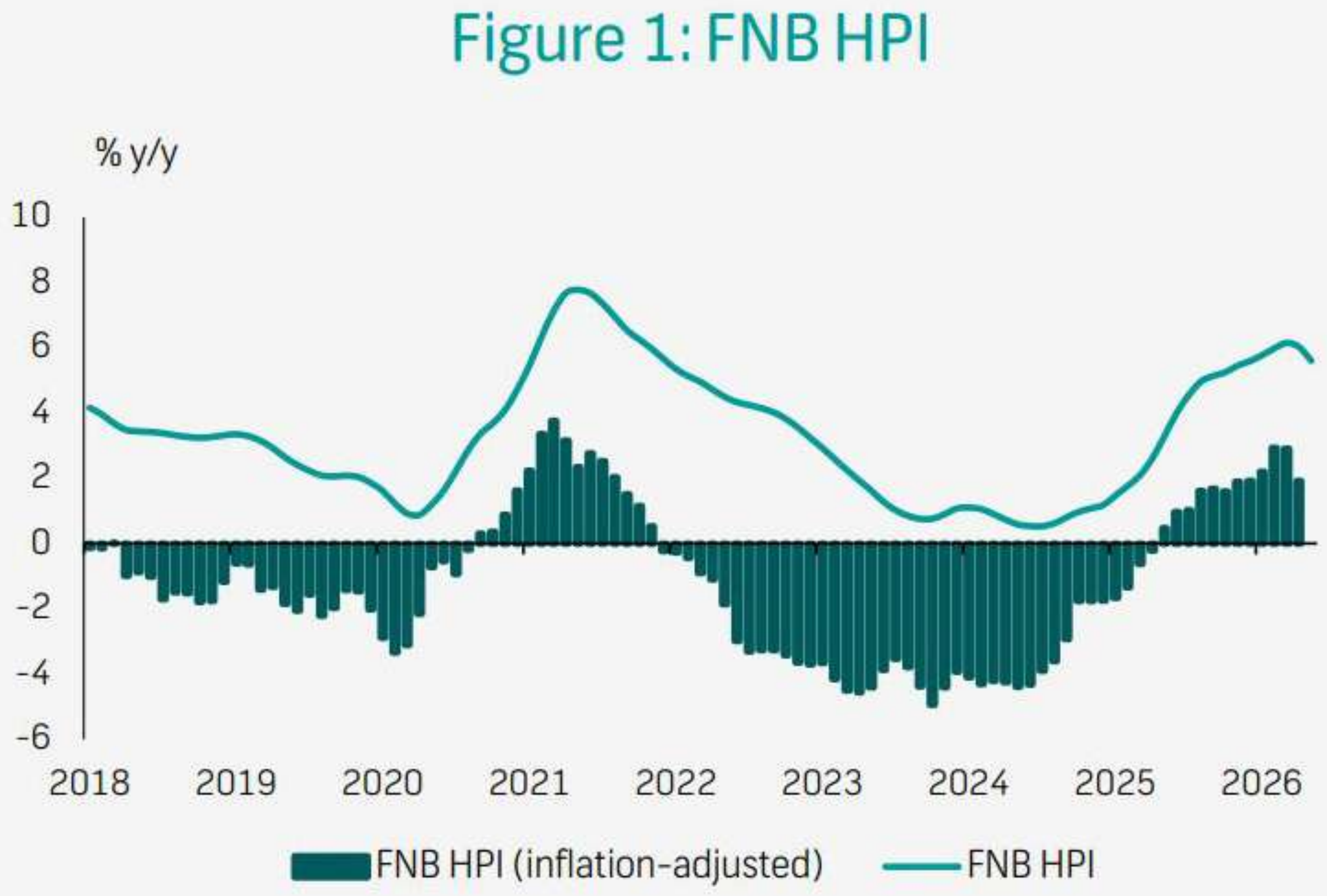
Emerging Market FX prices country risk rapidly



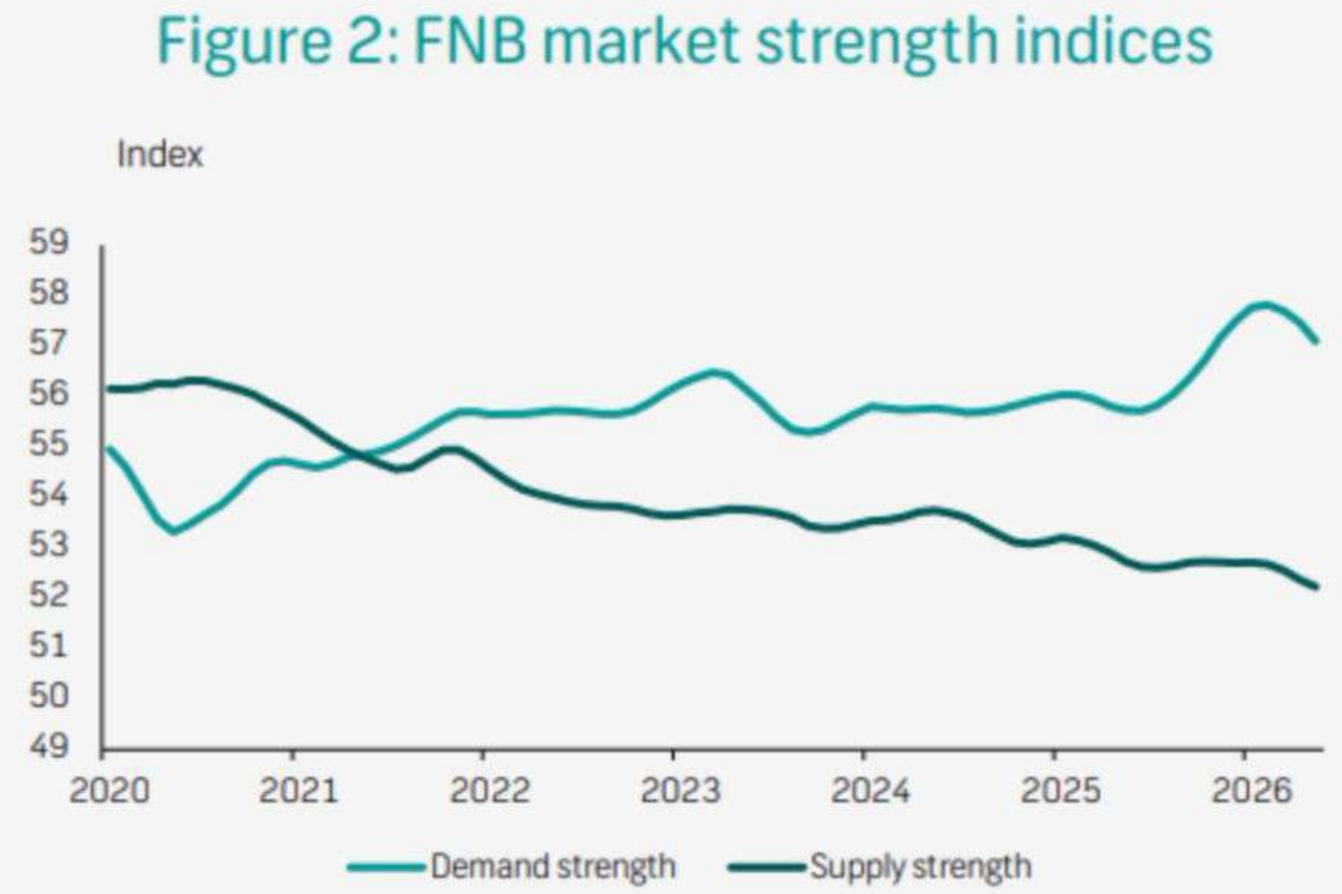
Source: LSEG Datastream / Rezco

House Prices Turning

Long Term Confidence



Source: FNB Economics



Source: FNB Economics

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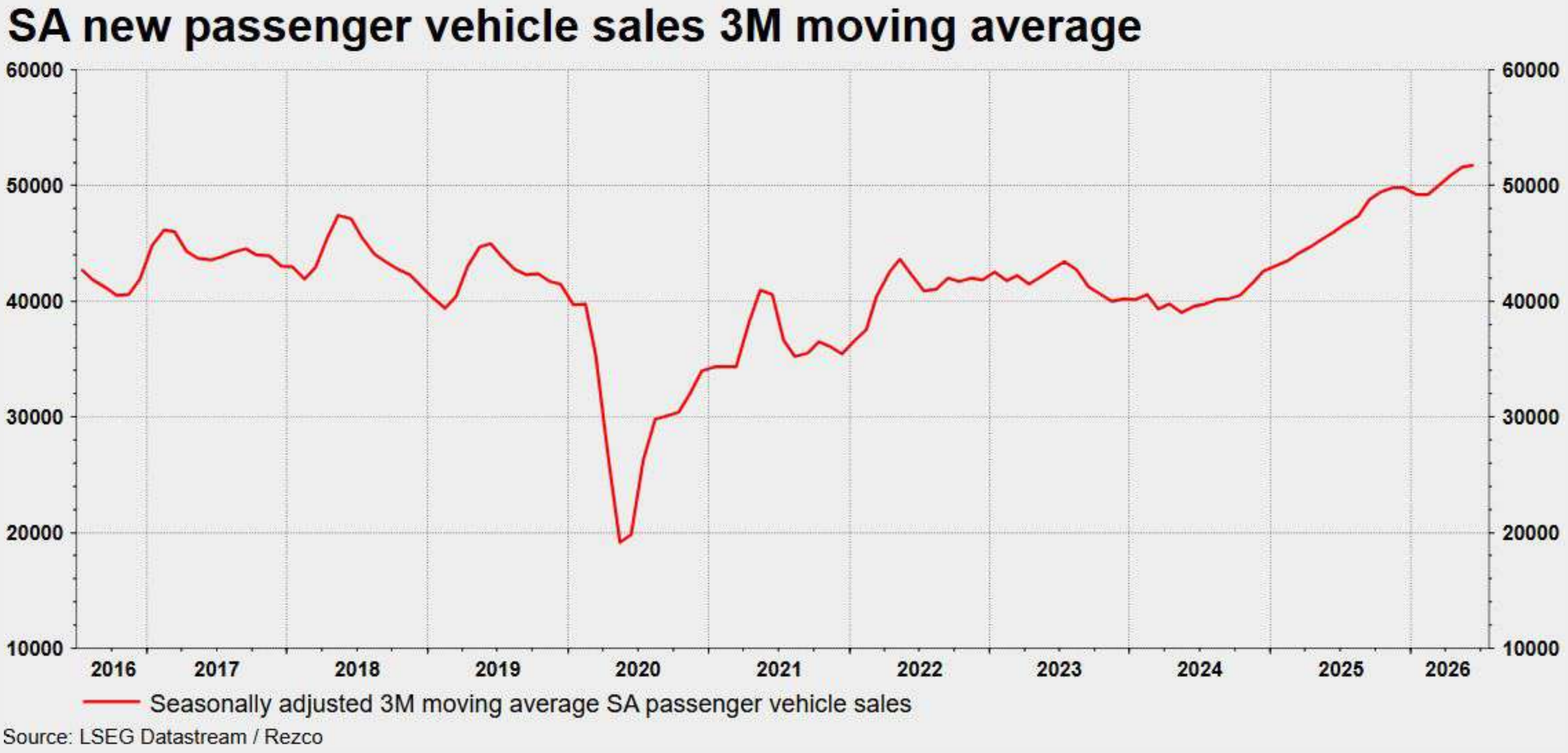
Vehicle sales

Supported by financing and desirability of new ranges



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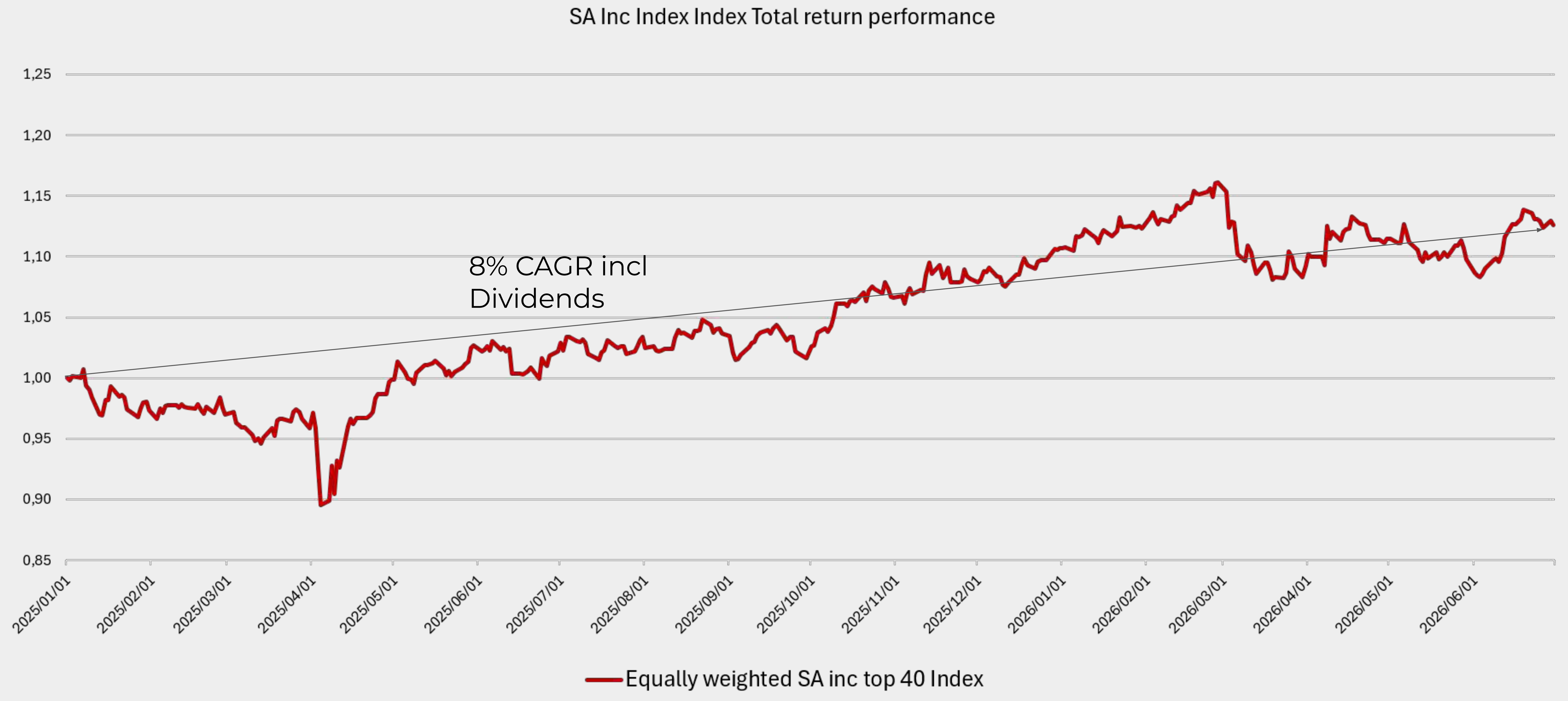
Earnings rising faster than share prices

SA Inc Index is getting cheaper



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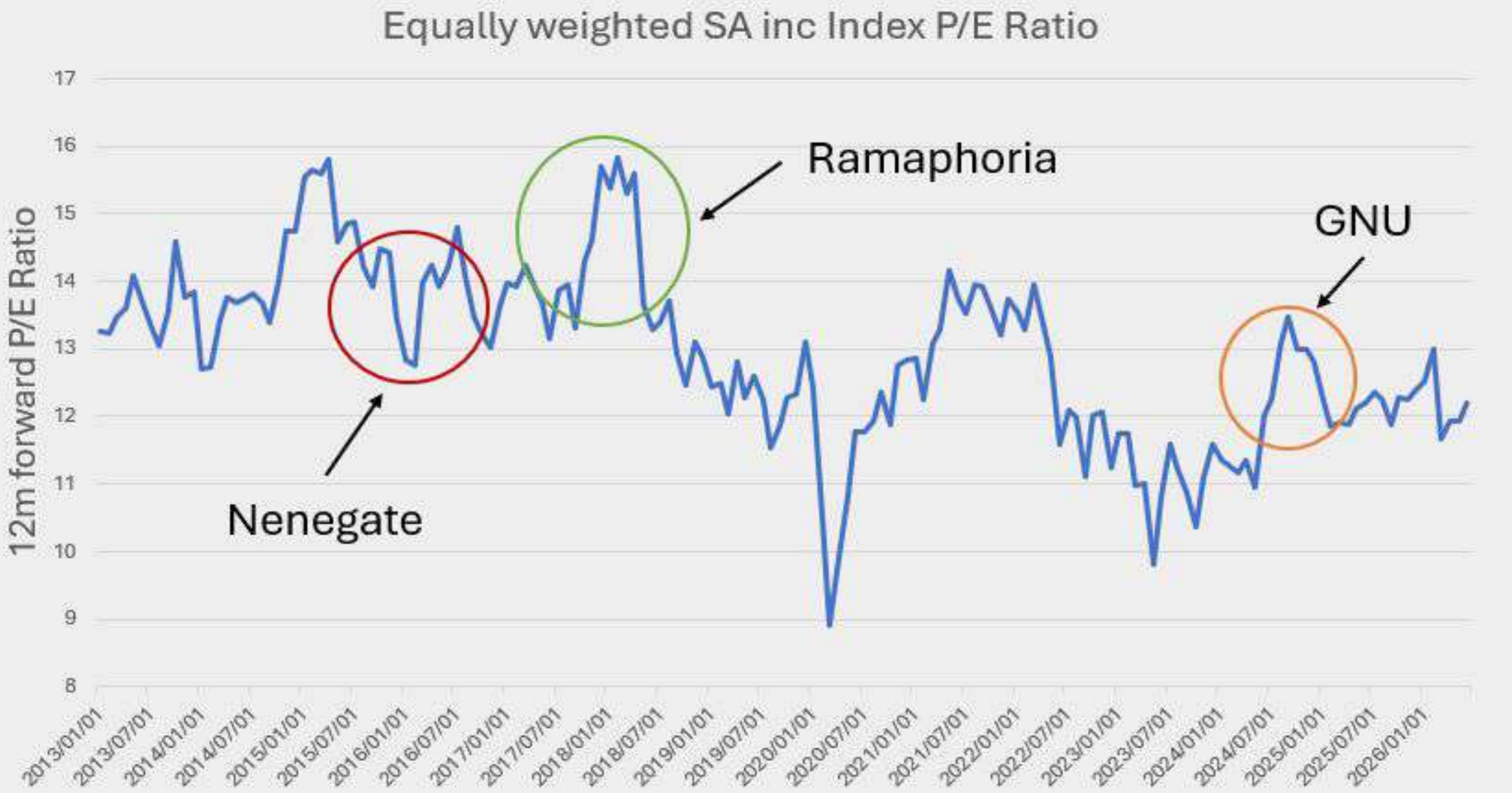
SA Inc PE - Massive Undervaluation

Lower Risk, Better Growth, Lower Valuation



Source: Refinitiv Datastream. Construction: A custom basket of equities, equally weighted consensus forward P/Es of the largest 40 largest JSE stocks each month, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

Ingredients for good investments:

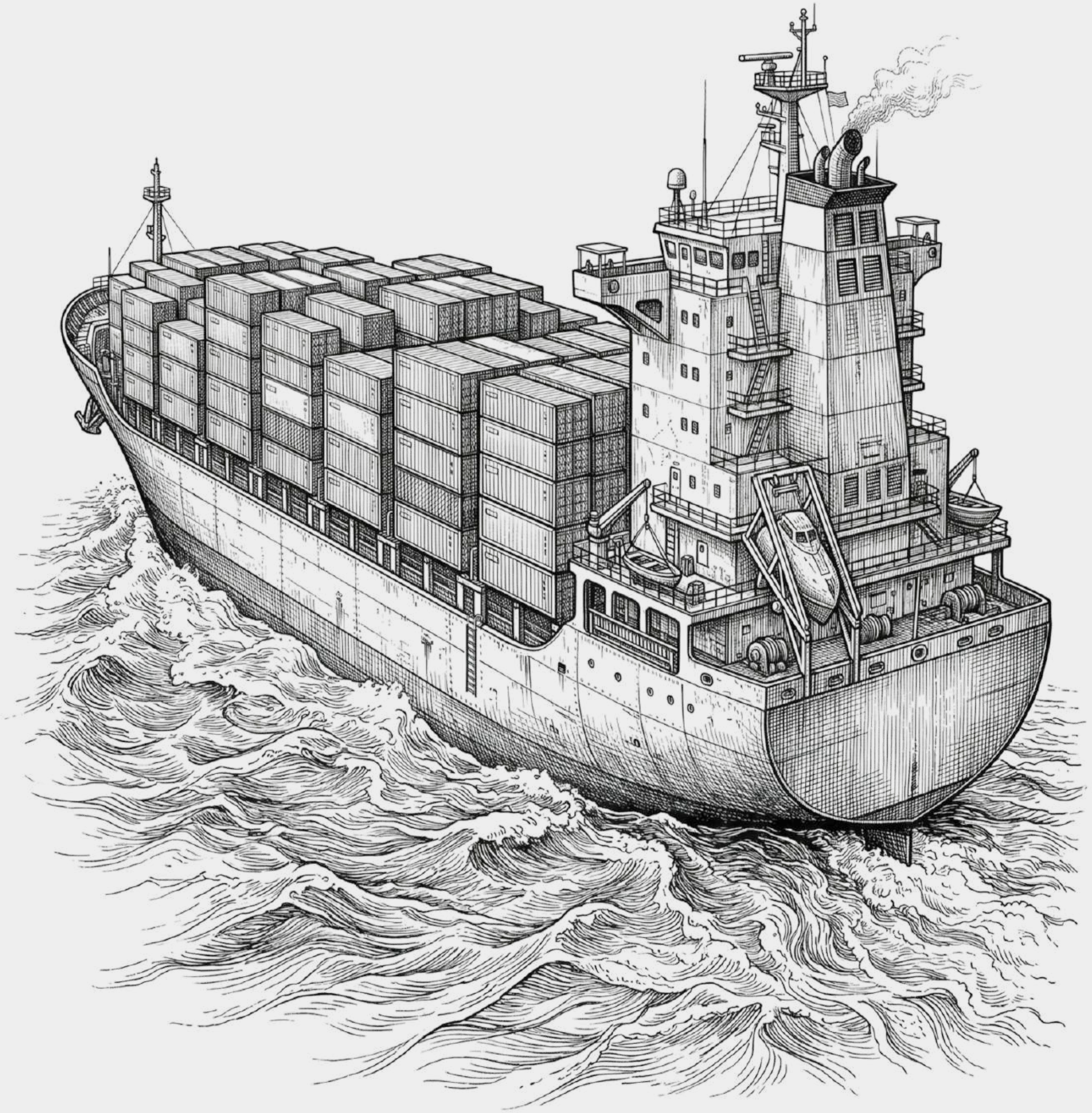
- Growth: *improving off a low base*
- Risk: *decreased significantly*
- Valuation: *cheaper relative to history*
- Quality: *'survivors' forged into resilient businesses*
- Cash (dividends or reinvestment): *cash generation essential to navigating the tough decade SA has been through*

SA Inc is ticking all the right boxes!

SA Inc is not a simple macro call,

it is an opportunity set in which to do the hard work and select good investments.

GLOBAL MACRO



The Strait of Hormuz is only one factor

Over time the bottleneck risks likely diminish to something manageable

The real issue over the medium term:

Inflation

Fed is resetting back to fundamentals

The Target is really 2%

Source: LSEG Datastream / Rezco

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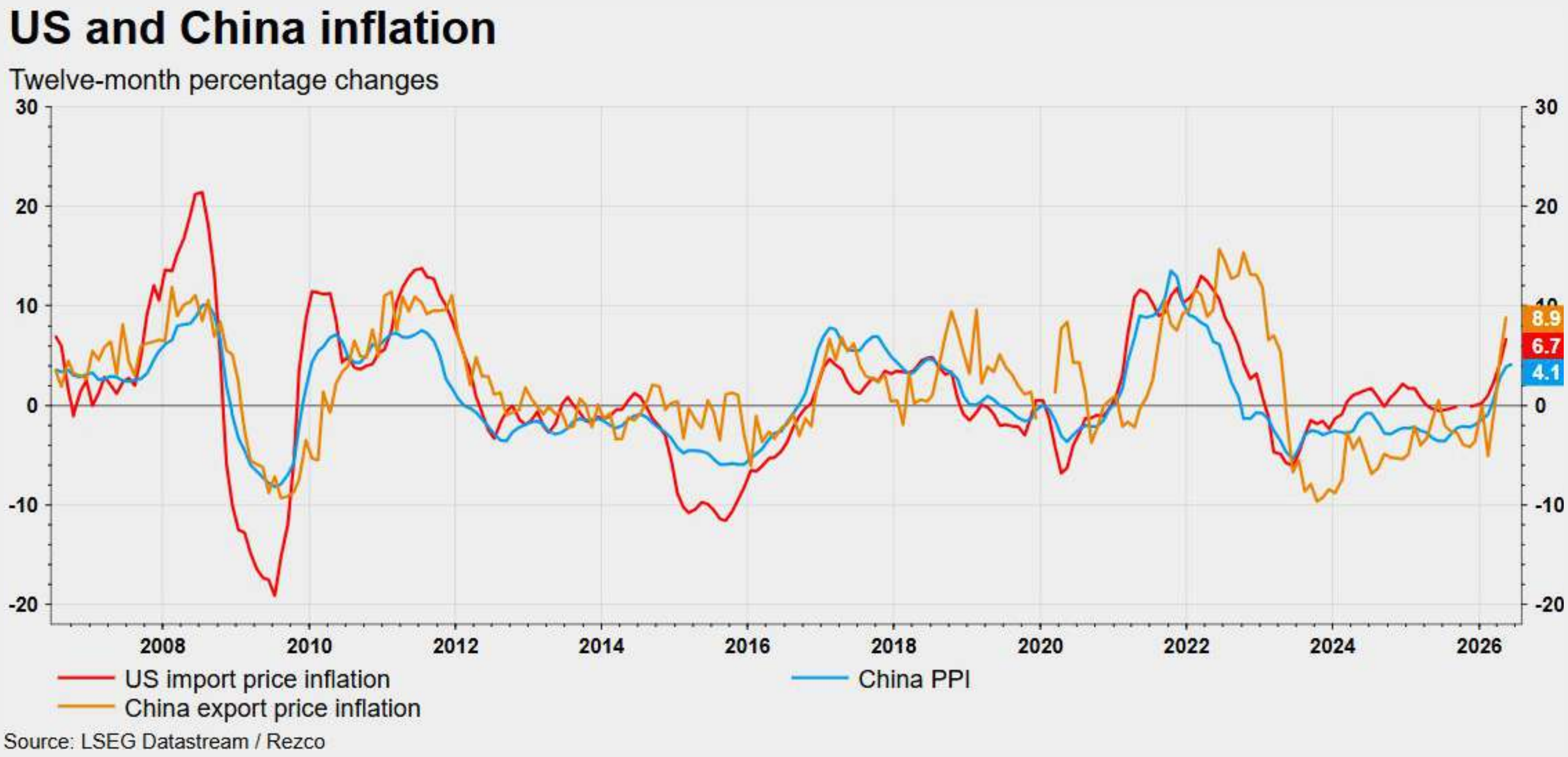
Watch the Bond Markets: 30 Year Yields

Bond Markets are paying attention, equities are distracted trading 3x leveraged semi ETFs

Source: LSEG Datastream / Rezco

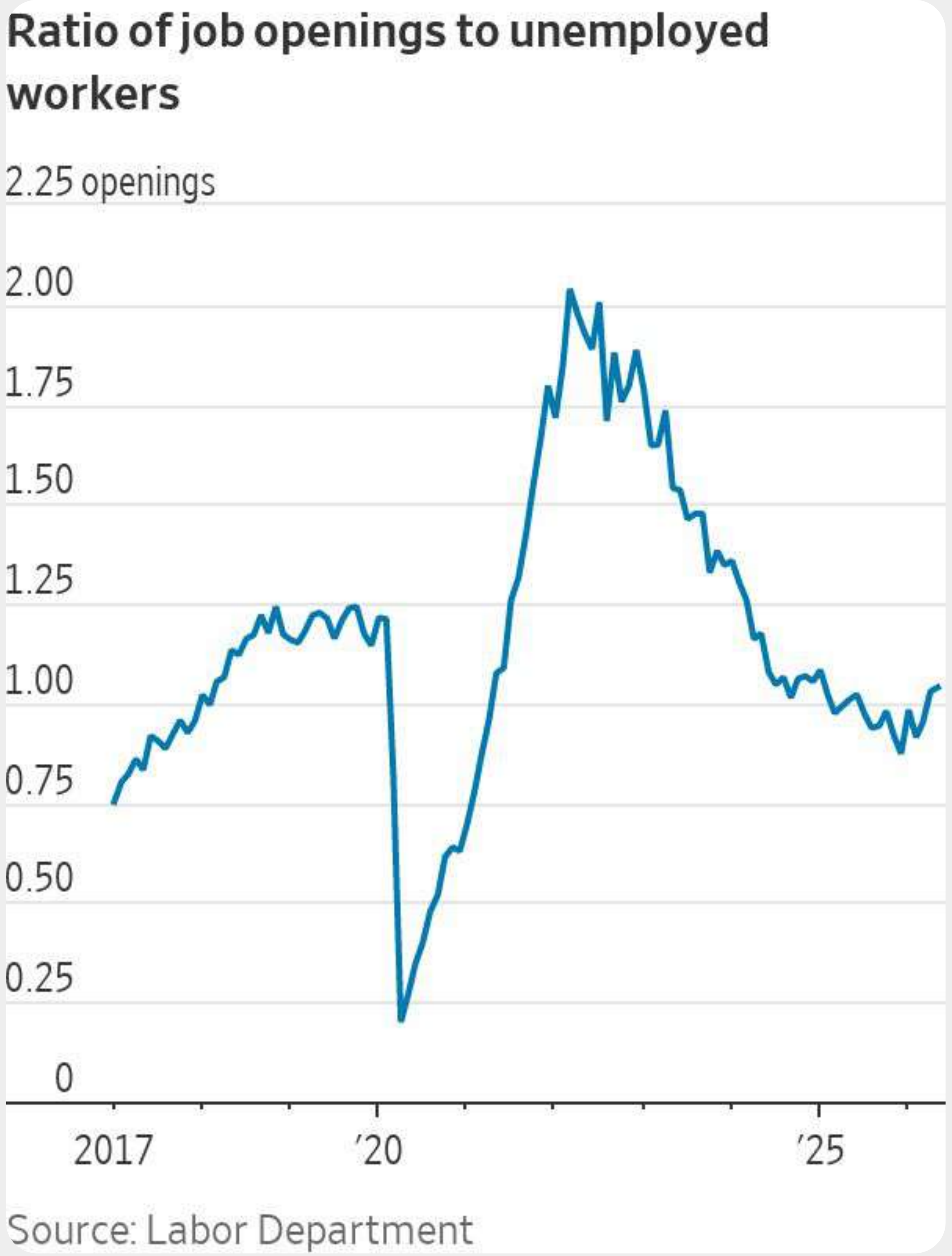
Broad Inflation Drivers

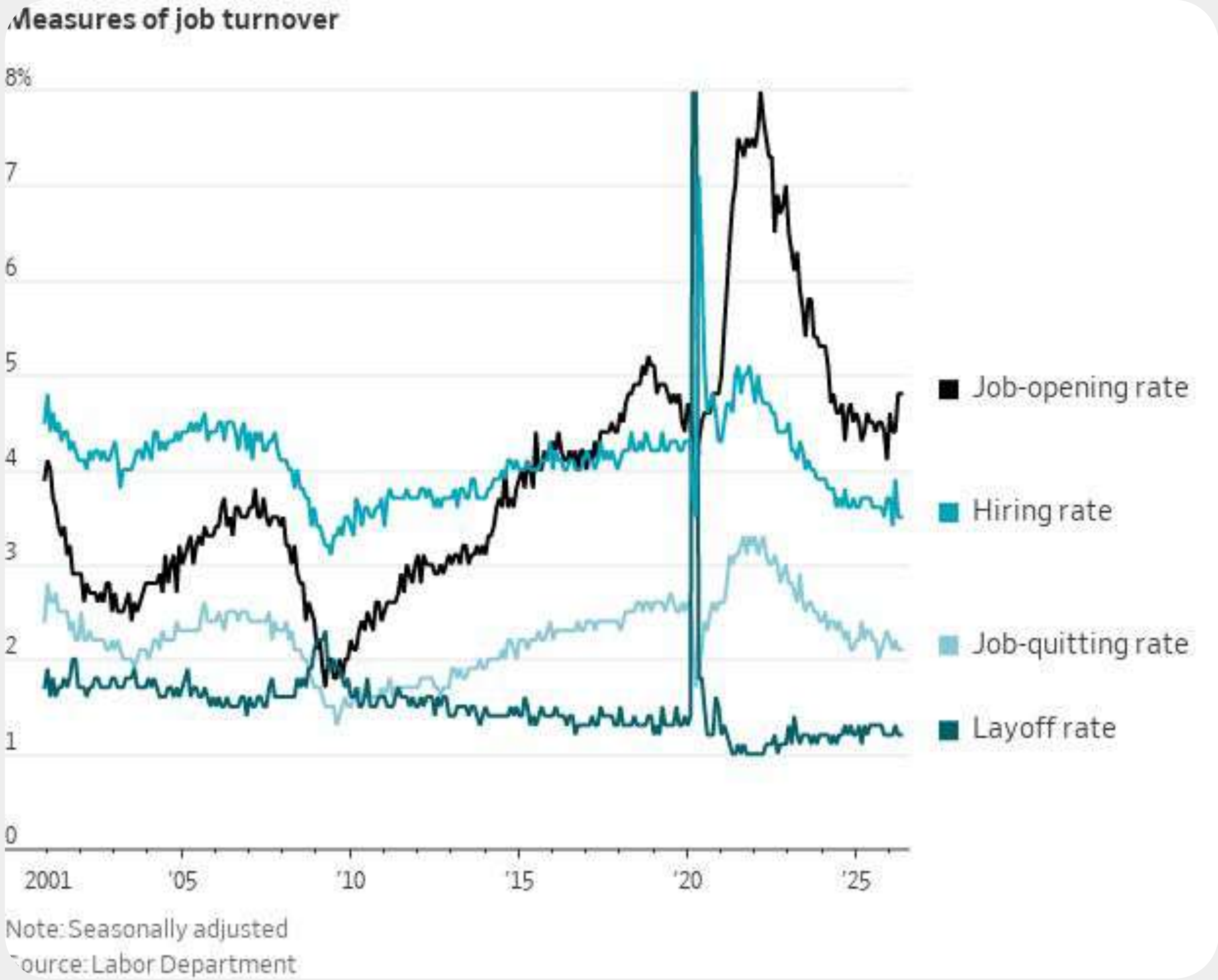
Global Supply Chains, China no longer supply deflation (or bond buying)



AI not replacing workers, nor deflationary

US Labour Market has stabilised

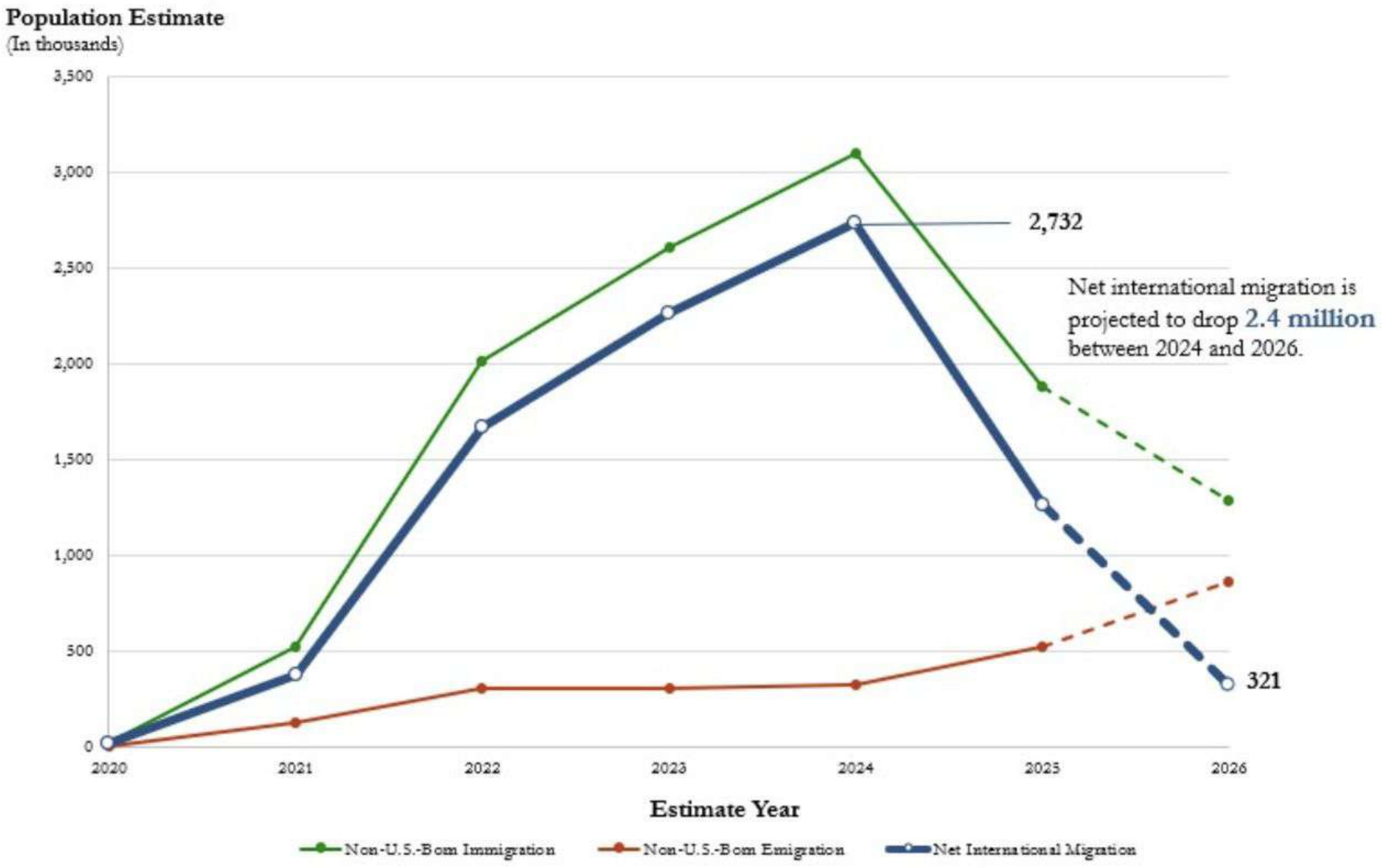




Broad Inflation Drivers

Multi-Year impact from changing migration

Figure 1. Estimates of Net International Migration Components: 2020 to 2026



Note: The dashed line from 2025 to 2026 indicates a projection.
Source: U.S. Census Bureau, Vintage 2025 Population Estimates.

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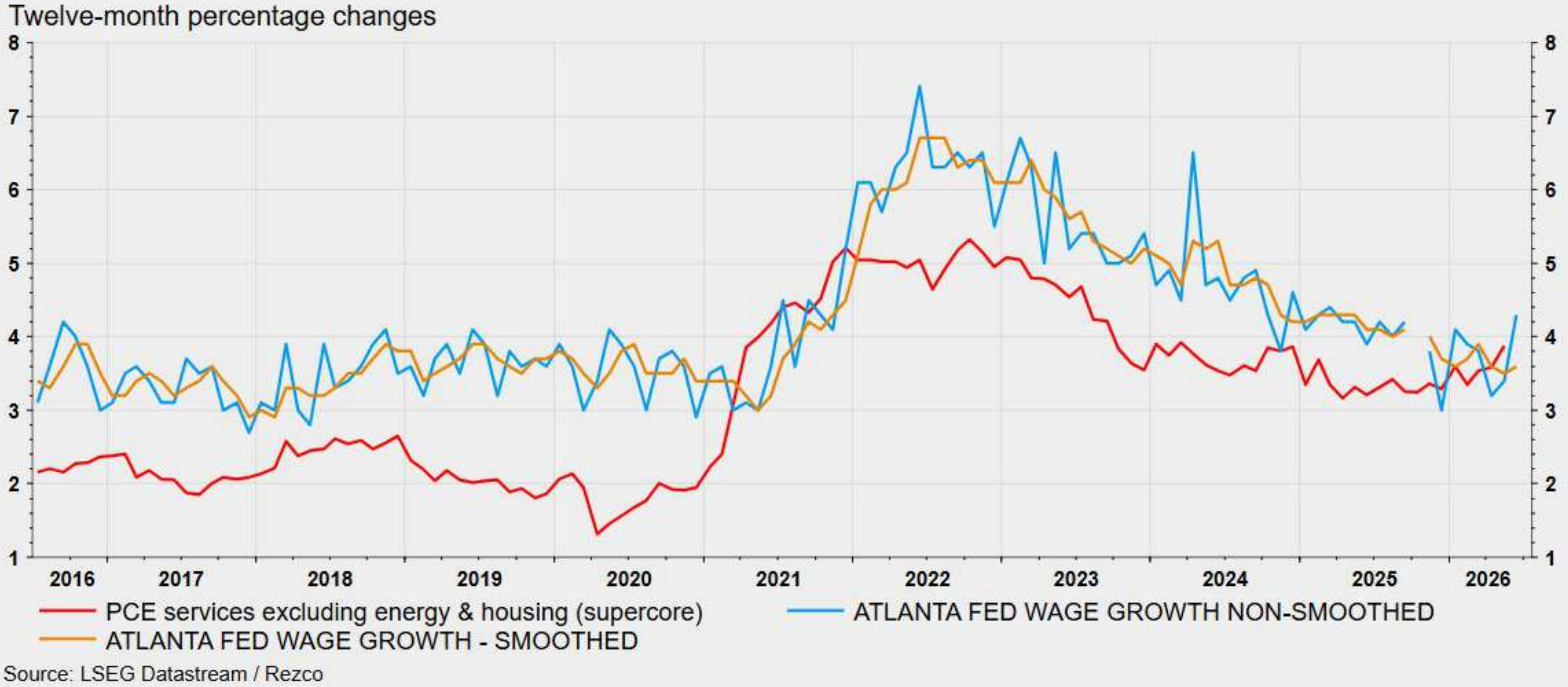
Services Inflation Can Get Sticky

US super core inflation and wage growth



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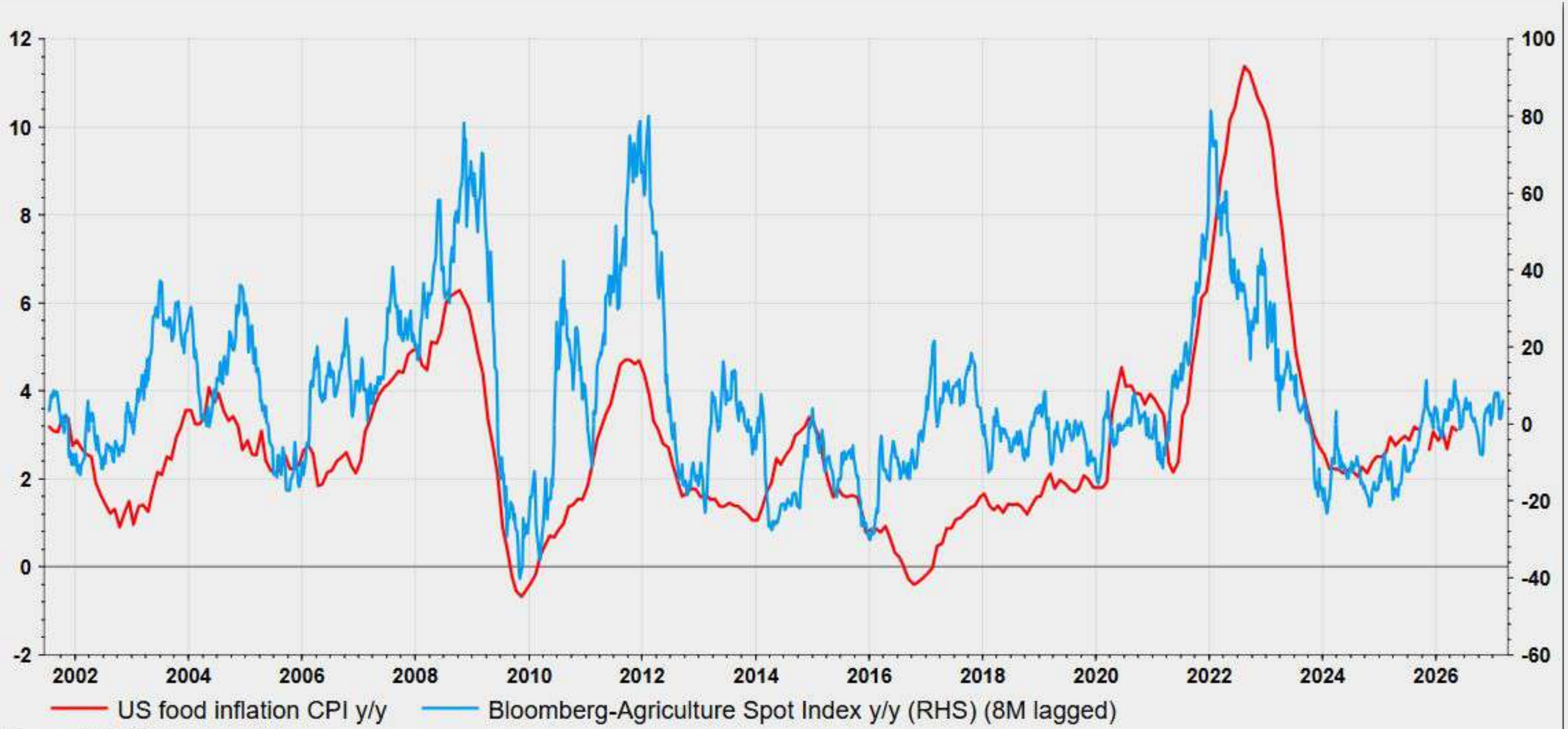
Food is part of the target, but gets ignored



Source: LSEG Datastream / Rezco

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Broad food inflationary drivers

Underlying trends show persistency not a spike

Source: LSEG Datastream / Rezco

Inflation more than just the brent futures price

A lot more happening in the world than just the Strait of Hormuz

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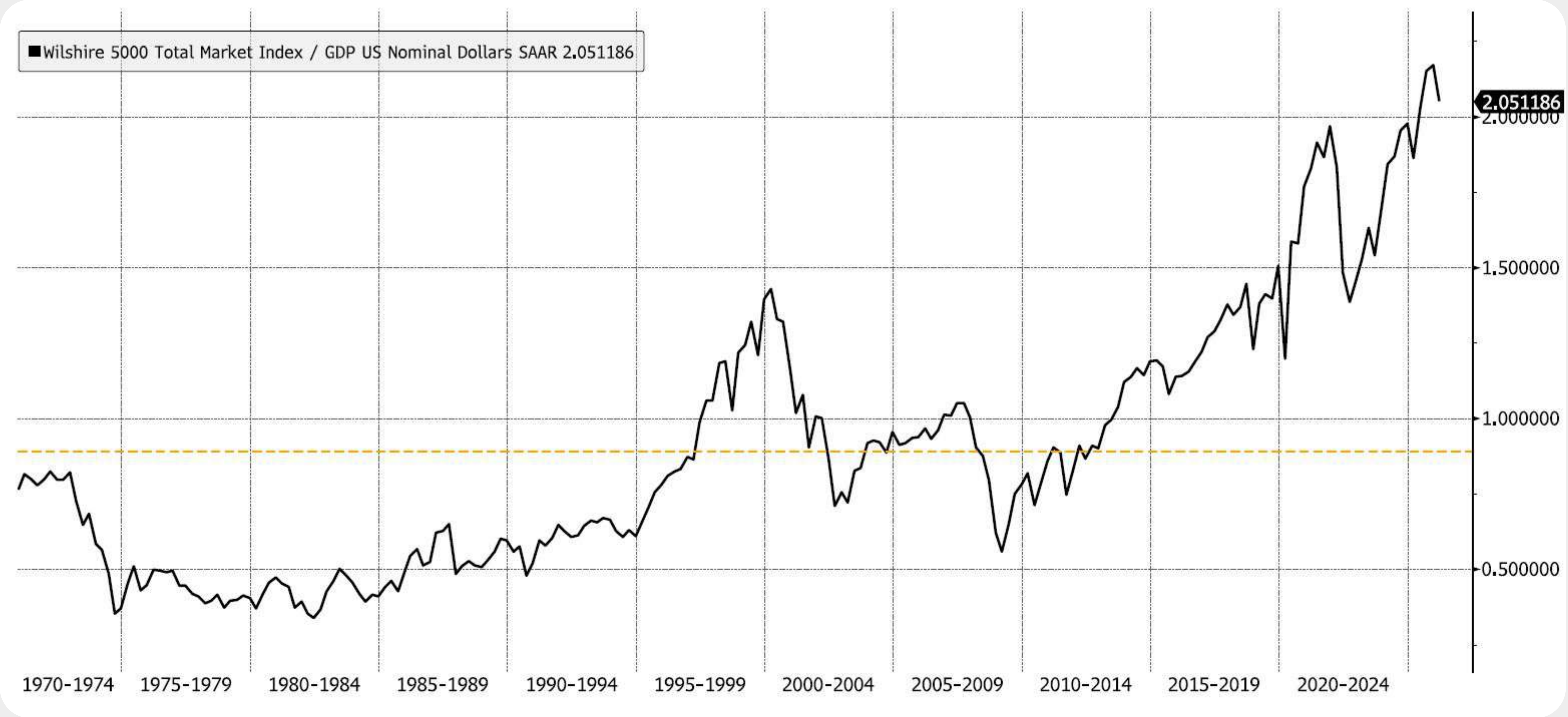
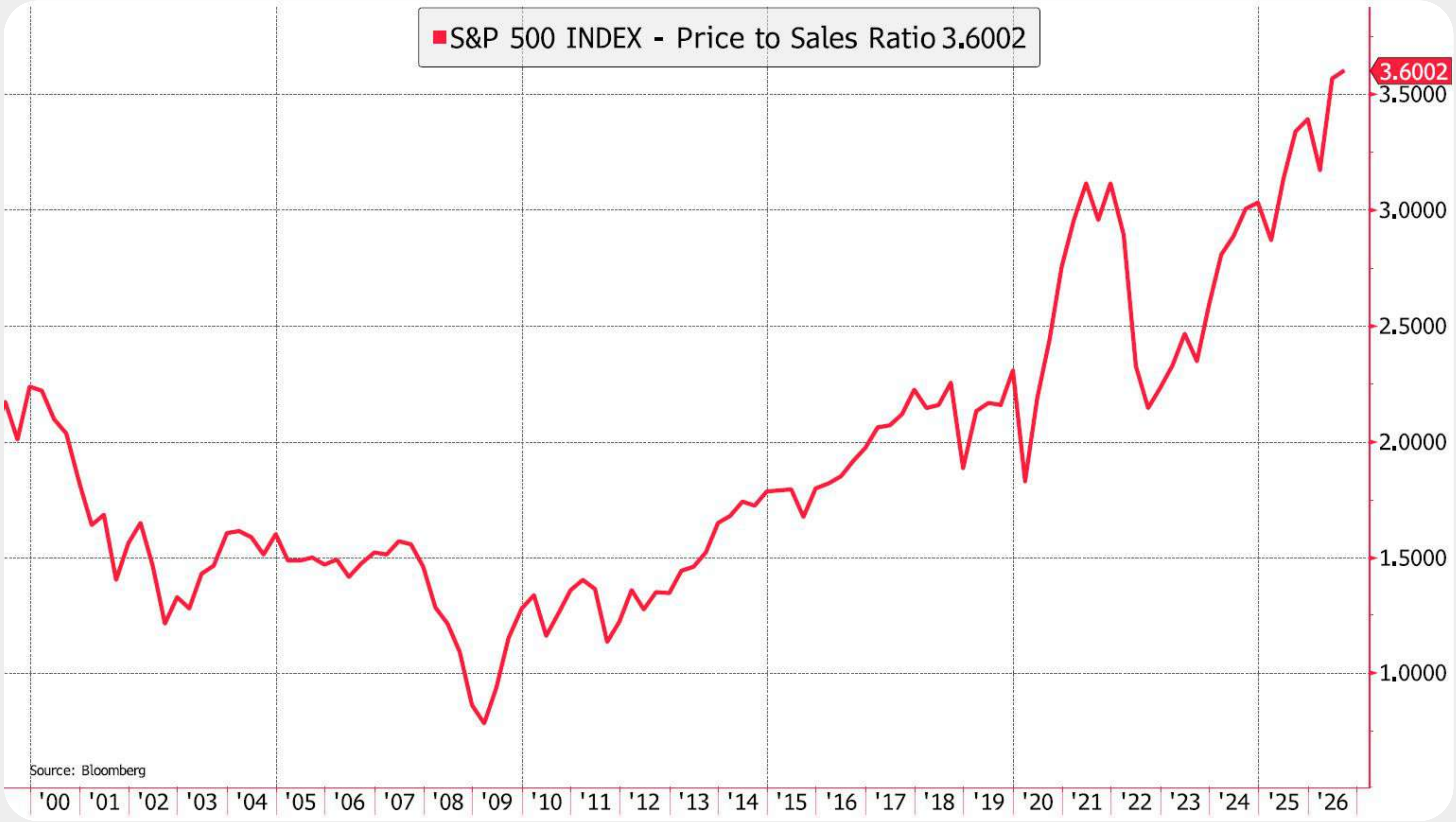
Buffett Indicator: markets are booming

Wealth Effect and confidence are in full force (add in private capital)



REZCO

Market is Priced for Perfection

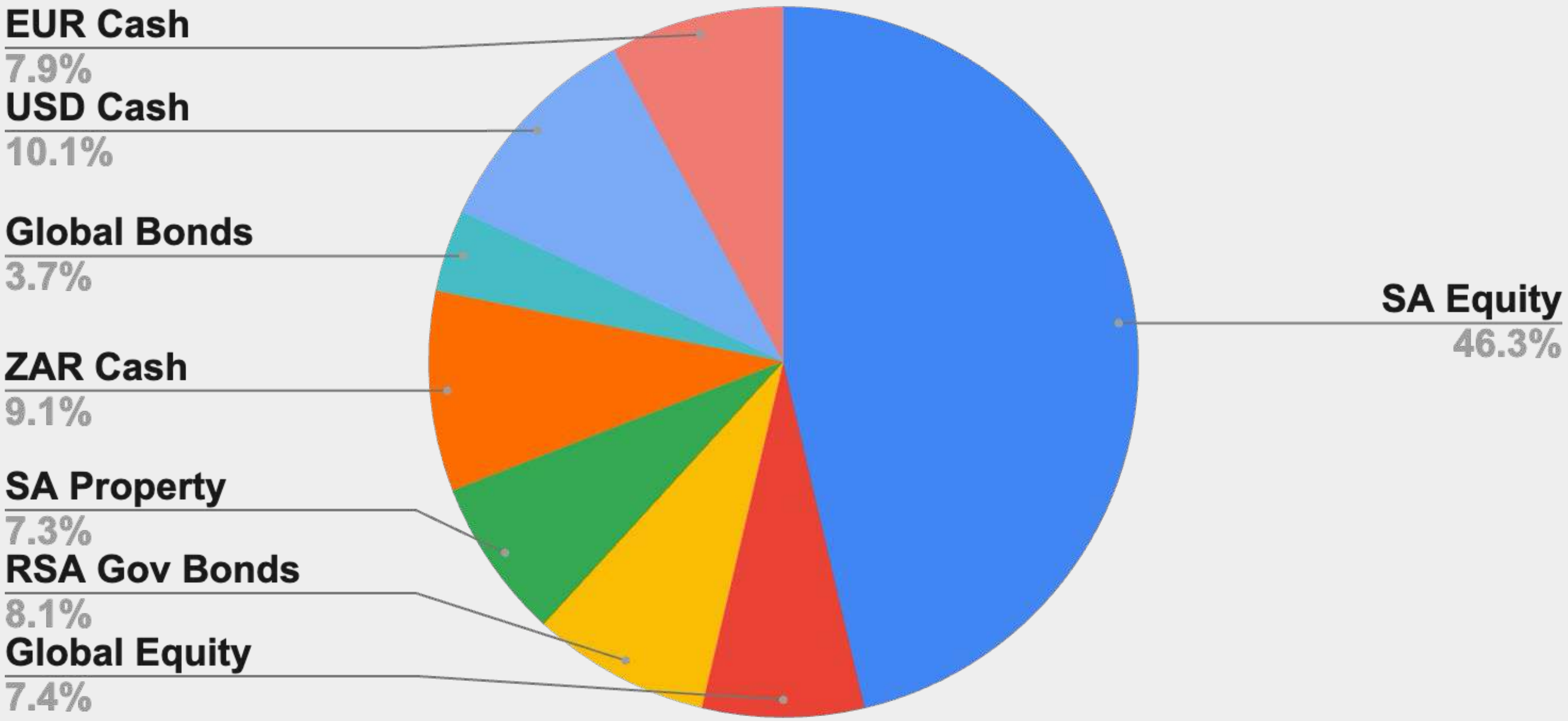


REZCO

FUND POSITIONING

Rezco Value Trend

Risk Budget heavily weighted to SA; Offshore Cash and Equity to Diversify



Rezco Equity Fund Portfolio:

Diversified set of great investments

Rezco’s philosophy since inception

Buy **quality companies**

with **compounding earnings growth**

at **cheap multiples.**

Risk managed and diversified portfolios

Back to Basics: Time to be patient

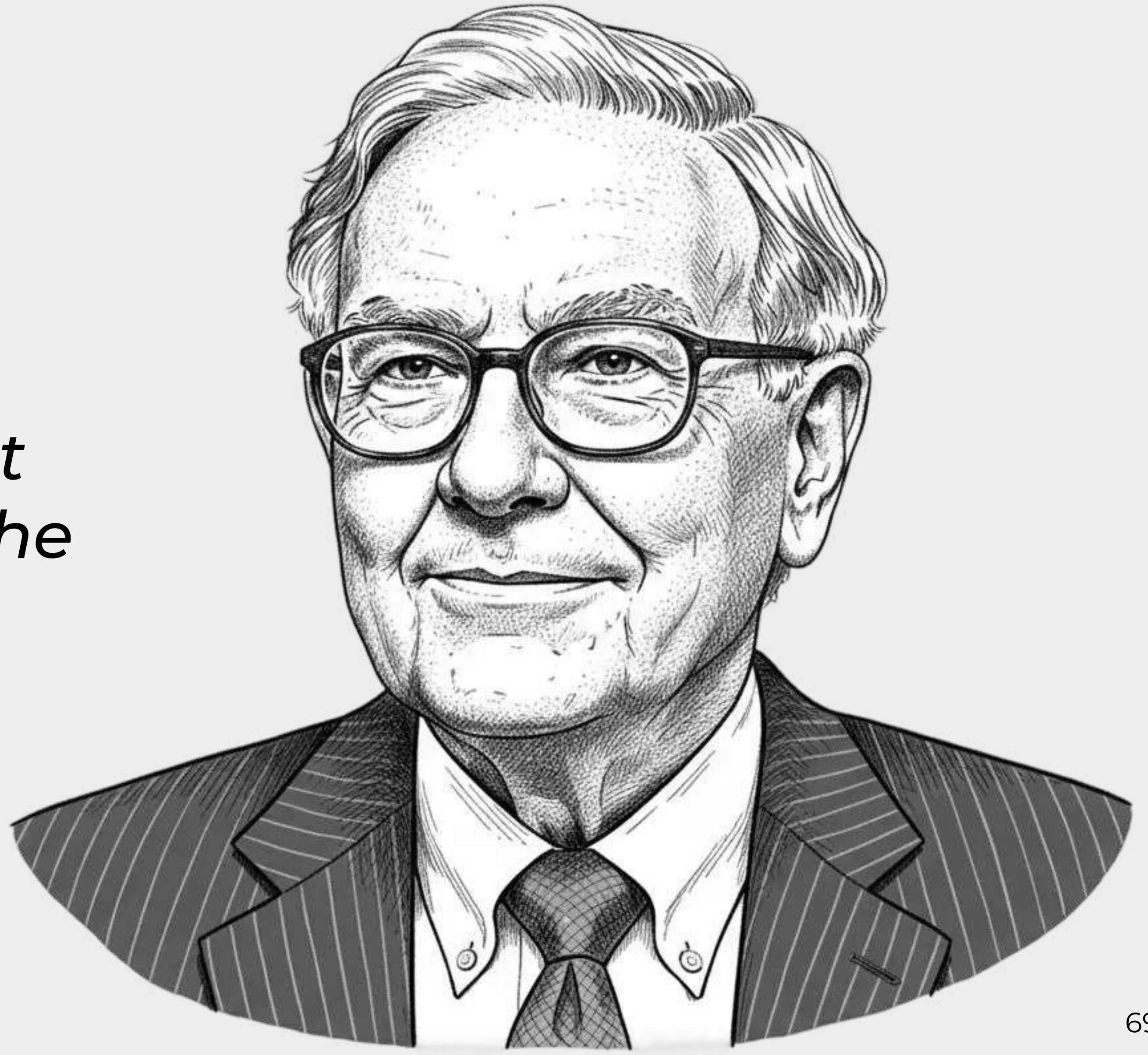
Advice from Warren Buffett:

BE PATIENT

"The stock market is a device for transferring money from the impatient to the patient."

BE OK WITH BEING DIFFERENT

"The most important quality for an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd."



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Preserving Capital* & Creating Wealth.

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Thank You