AUGUST 2026

Market Overview

GRAYSWAN

August felt calm but was not. World shares kept climbing in local-currency terms on some of the most bullish offshore fund manager sentiment on record, though the same return was flat once converted to Rand, while buying protection (hedging) against a fall stayed unusually cheap.

At home, South African shares rose 4.6%, led almost entirely by mining and resource shares, inflation eased to 4.3%, and the Rand had one of its best months of the year, though gold's weight on our stock exchange keeps climbing and a single gold mining company now outweighs Naspers. Our market summary ends with an outline of how our range of GraySwan unit trust funds are positioned.

Unless stated otherwise, all growth and return figures in this document are quoted in Rand (ZAR).

1. The Scoreboard: Resources Lead

South African shares rose 4.6% in August, almost entirely on the back of mining and resource shares, up 26.4% in the month alone.

1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS
SA Equities 4.6%	Global Equities 2.0%	SA Equities 18.4%	SA Equities 20.0%	SA Equities 15.9%
SA Bonds 0.7%	SA Equities 2.0%	SA Bonds 16.5%	SA Bonds 16.7%	Global Equities 14.2%
Global Equities 0.0%	SA Bonds 0.8%	Global Equities 10.2%	Global Equities 14.3%	SA Bonds 11.7%
Global Bonds -2.2%	US Dollar -0.4%	Global Bonds -8.6%	Global Bonds -2.5%	US Dollar 2.1%
US Dollar -2.5%	Global Bonds -1.3%	US Dollar -8.8%	US Dollar -5.1%	Global Bonds -0.7%

Datasource: Morningstar. Returns longer than one year annualised.
MSCI World (Global Equities), FTSE WGBI (Global Bonds), Beassa ALBI (Bonds), USD/ZAR (US$), FTSE/JSE All Share (SA Equities)

What each type of investment and JSE sector returned to end-August 2026, in Rand terms, periods longer than a year shown as a yearly rate Source: The Corion Report

South African shares are up 18.4% over one year, ahead of world shares' 10.2%. Inside the local market, one sector did nearly all the work: mining and resource shares rose 26.4% in a single month and 57.1% over the past year, while industrial shares (retail, media, telecoms and other non-mining companies) fell 5.8% in August and are down 10.3% over the year.

Global bonds is the one broad asset class to have lost money over the past year, down 8.6% in Rand (such reflects the weak Dollar).

> **GRAYSWAN VIEW** One sector, mining and resources, is carrying most of South Africa's shares strong year. We hold that strength, but with caution – our market seems attractive versus its long-term average but there are some headwinds appearing.

> **RISK CAVEAT** A market this dependent on one sector's strength is exposed if the sector turns and this is a risk that needs to be monitored and managed.

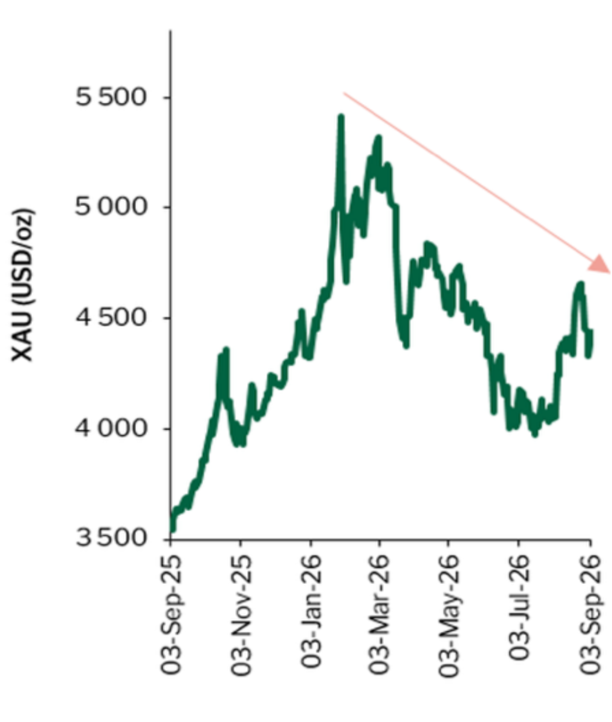
2. A Rand that Keeps Surprising

The Rand had one of its best months of the year, but Nedbank's own research warns a more hawkish Fed could narrow the rate gap that has supported it.

Exhibit 1: DXY stronger since Feb lows

Source: Bloomberg

Exhibit 2: Gold weaker since Feb highs



Source: Bloomberg

USDZAR versus the Dollar index and gold, Nedbank CIB Markets Research (Walter de Wet) · GraySwan, form the narrative brief.

USDZAR traded around 16.25 in August, still about 13% weaker than its long-run fair value near 14.36, though that gap is expected to close only slowly. Nedbank's currency research, argues the US Federal Reserve could still hike by up to 0.75 percentage points over the next six months, against about 0.50

percentage points already priced in and such would narrow the rate gap that has supported the Rand this year.

GRAYSWAN VIEW The Rand has earned its strength this year, but we would not chase more of it, given the real risk of a more hawkish Fed than markets expect. Below R16 to the USD we are moving more monies offshore.

RISK CAVEAT A more hawkish Fed than markets expect could narrow the interest-rate gap that has supported the Rand this year.

3. The Fed(erer) Keeps Climbing

The Fed, like Roger "Fed"erer on his mountain, may not be finished climbing.

Tennis all-time great Roger Federer, out hiking in the Alps this year, still climbing well after most would have called it a day.

GRAYSWAN VIEW A playful picture with a serious point underneath it: markets may be underestimating how much further US interest rates still have to climb and therein lies a risk but also an opportunity.

4. Inflation Eases, Rates Do Not Follow

Local inflation eased to 4.3% in July, but the Reserve Bank now faces renewed hike risk rather than a steady cutting cycle.

Inflation eased to 4.3% in July from a two-year high of 5.0% in June 2026. The Reserve Bank has not been cutting, though: it raised the policy rate by 25 basis points to 7.0% in May and held it there in July, with two of its six members voting for a further rise. Unemployment rose to 33.6%, its highest since 2022, and gold had its strongest month in a while.

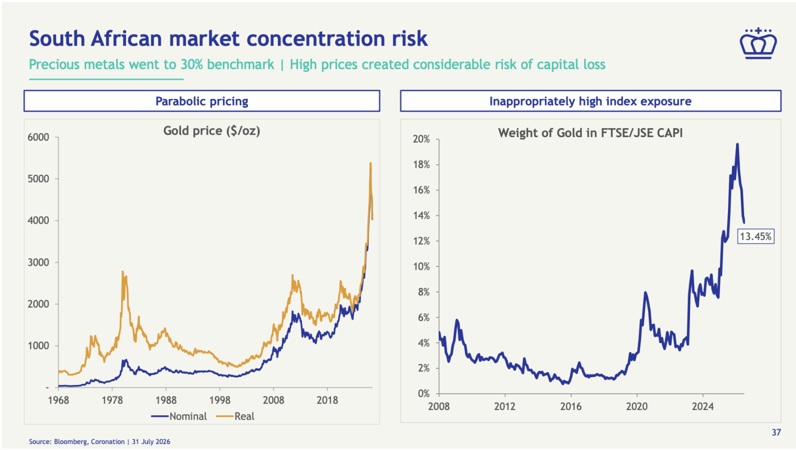
GRAYSWAN VIEW Lower local inflation is real relief, but it has not turned into further rate cuts.

5. Cheap, but Facing Real Headwinds

South African shares still screen cheap, but gold's climbing weight on the JSE, and a single gold miner outweighing Naspers, now drive more of the story than we would like.

Local shares remain attractive relative to their own history and to developed markets and have beaten world shares over one and three years. But gold's weight in the JSE's main index has climbed to 13.45%, and Gold Fields, a single gold mining company at about 8% of the index, now outweighs Naspers by market value.

Four risks temper the case: high oil prices, less certain rate cuts, gold behaving more like a risky asset than a safe one, and the upcoming local government elections.



Gold's price, and its weight in the JSE's main index · Coronation, 31 July 2026

GRAYSWAN VIEW South African shares still look attractive and we hold a meaningful weight, but we hold that weight with care given gold's heavy weight and off course the local election ahead.

RISK CAVEAT Gold and platinum shares, this year's biggest driver of JSE gains, have started moving with other risky assets instead of protecting against a broader fall, and the index now carries single-share concentration in Gold Fields that most investors would not necessarily choose deliberately.

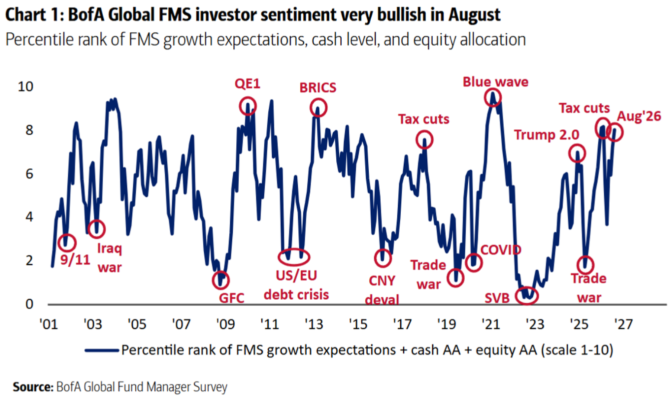
6. Fund Managers are Almost as Excited as Ever

A closely watched offshore fund manager survey reached one of its most bullish readings on record in August, historically a warning sign rather than a green light.

Investor sentiment reached one of its most bullish readings on record in August, comparable to prior periods of market euphoria.

The share of fund managers expecting a "no landing" outcome has climbed from near zero in 2024 to over half of respondents by August 2026.

Extreme readings like this have historically worked better as warnings than as confirmations of further gains.



Percentile rank of growth expectations, cash levels and share allocation · BofA Global Fund Manager Survey

GRAYSWAN VIEW Extreme optimism has usually been a better contrarian signal than a confirmation of more gains. We treat this reading as a reason for caution, not as a forecast of a fall.

RISK CAVEAT A consensus view such as this means a surprise would move many portfolios in the same direction at the same time. We don't mind being contrarian in our approach as we're investing for superior risk adjusted returns and not just returns.

7. Calm on the Surface, Insurance on Sale

The VIX (the Cboe Volatility Index), Wall Street's fear gauge, spent August near its lowest levels of the year, making protection against a market fall unusually cheap to buy.

World shares kept climbing in August in local-currency terms, in a broad rally not led by only a handful of companies, even though the same return was flat once converted to Rand. The VIX spent the month near its lowest levels of the year, and history going back to 1990 shows volatility has usually picked up from September through year end. Insurance against a fall is unusually cheap right now, which is the case for buying some rather than waiting.

GRAYSWAN VIEW Cheap insurance against a fall does not need a forecast to make sense. It is on sale because so few people expect trouble, which is exactly when it is worth buying and we do so.

RISK CAVEAT A quiet market can turn quickly once conditions change adversely, and insurance bought after a fall costs far more than insurance bought before one. We don't mind being early and potentially paying away insurance premiums even whilst the market continues to rise. It's when the tide goes out that our clients Sleep Well At Night (SWAN).

8. The Priciest Market Since the Pandemic

The S&P 500 now trades at almost the same price tag as its pre-pandemic peak, but bonds pay far more today, leaving less room for error.

The S&P 500 closed August at 7,686, trading at 19.4 times expected profits, close to its own 30-year average, but that is almost the same price tag as February 2020's pre-pandemic peak of 19.2 times, while the safe 10-year US bond yield is far higher today, 4.8% against 1.6% then. A longer-run measure that smooths ten years of profits puts the market at 41.9 times against a 28.8 times average.

GRAYSWAN VIEW The market is priced almost like early 2020's peak, but bonds now pay far more, which leaves less room for error if rates keep rising.

RISK CAVEAT A market priced almost like its pre-pandemic peak has less room to absorb rising bond yields without a fall in share prices.

9. Ten Companies, Forty Percent

Ten technology-linked companies now make up about 40% of the entire American share market, a level of concentration seen at prior historical peaks.

What strategists call the "AI Big 10" now make up roughly 40% of the total value of the American share market, a level that sits alongside history's most concentrated market episodes, from 1830s railroads at 63% to the 1999 dot-com bubble at 41%. (The chart's Japan comparison uses a different, world-share basis and is shown for context, not as a directly comparable figure.) Every earlier episode eventually came back down, though not always quickly.

Investors who think they are spread across many companies through a world share index are, in practice, more concentrated in a handful of names than the index's size suggests.

History of US share market concentration by era (Japan measured against world share value, every other episode against the US market alone) · BofA Global Research

GRAYSWAN VIEW History does not say when a concentrated market corrects, only that it eventually does. The lesson is to know how much of your world share exposure really sits in ten companies and whether buying some protection makes sense.

RISK CAVEAT Every prior period of comparable market concentration eventually unwound, though the timing and severity varied widely.

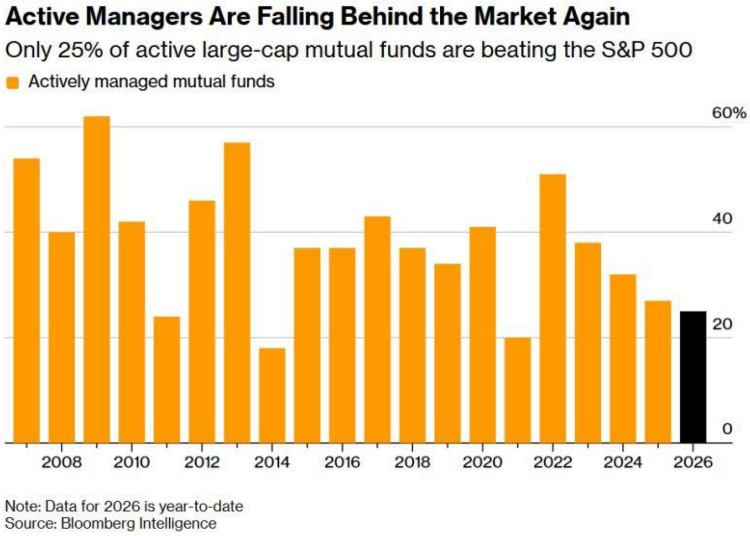
10. Trackers Beat Active Managers, & Earnings Still Support the Rally

Only about a quarter of actively managed US share funds have beaten the index this year, while strong profit growth is the honest case for staying invested.

For well over a decade, only around a quarter of actively managed large American share funds have beaten the S&P 500 in any given year. That's why our clients are mostly just invested in the index. Selecting active managers who think they can beat this market is a loser's game.

The first index fund turned 50 this year. Congratulations Mr. Bogle!

Alongside that caution, consensus estimates still point to S&P 500 profit growth of 25% to 30% year on year through the second half of 2026.



American shares are up 12% for the year to end-August after an in-year fall of about 9%, which J.P. Morgan's own analysts call "pacing for an extremely normal year."

Share of actively managed large-cap US mutual funds beating the S&P 500, by year, 2007 to 2026 · Bloomberg Intelligence

GRAYSWAN VIEW The odds facing an investor who picks an actively managed US Equity fund today are worse than the headlines suggest, which is why we build offshore portfolios around low-cost trackers, plus we buy protection when insurance costs are cheap.

11. Bonds Stopped Behaving Like Insurance

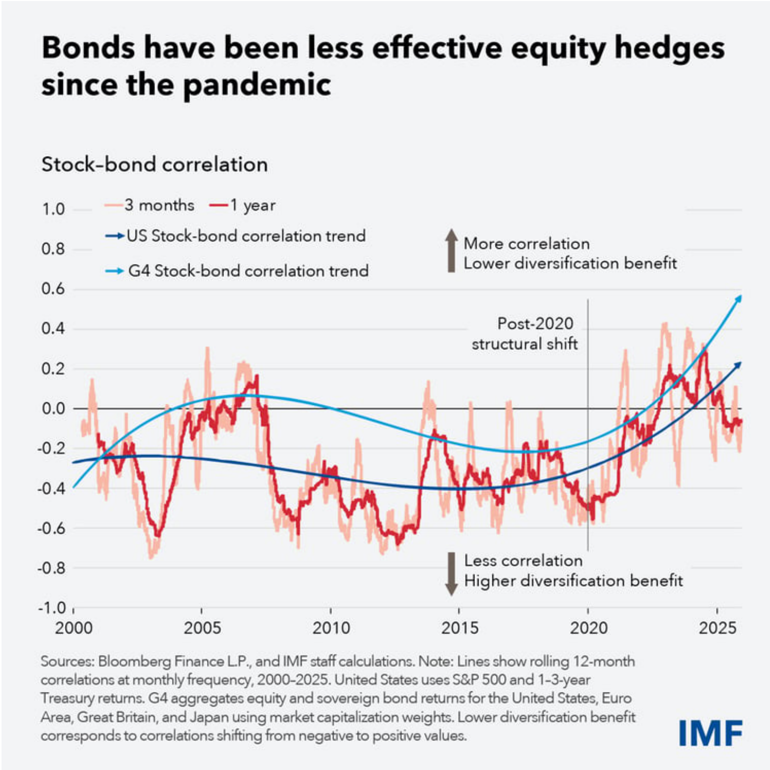
Government bonds have increasingly fallen together with shares since the pandemic, so we now protect offshore shares directly rather than relying on bonds alone.

For most of the 2000s and 2010s, offshore bonds cushioned a portfolio when shares fell.

IMF research shows that relationship has broken down since the pandemic, with shares and bonds increasingly falling together in market stress, most clearly in 2022.

Ten-year government bond yields have also risen together across the US, UK, France, Germany and Japan over the past year, and US core inflation is running near 3.3%.

We would rather protect offshore share exposure directly than rely on bonds to do that job.



Stock-bond correlation, 2000 to 2025 · IMF staff calculations

GRAYSWAN VIEW **Offshore b**onds used to be the seatbelt for a balanced portfolio. Since the pandemic they have not reliably worked that way, so we protect offshore shares directly instead of just relying on offshore bonds.

RISK CAVEAT A bond bought today can lose money if yields keep rising, at the same time as shares fall, rather than cushioning that fall the way it once did.

12. Gold Is Now Trading Like a Risk, Not a Shelter

Gold and platinum shares, this year's biggest driver of JSE gains, have started falling alongside other risky assets rather than acting as a safe haven.

Gold rose about 10% in August alone, its strongest monthly gain since January, tracking growth in the amount of money circulating around the world this year.

But gold and platinum group metals have recently pulled back sharply on the prospect of further US rate hikes, the same risk that pressures other risky assets, rather than moving the other way as a defensive holding should.

Gold spot price versus global money supply, as at 18 August 2026 · Bloomberg, analysis by Tavi Costa, Azuria Capital

GRAYSWAN VIEW Gold still earns its place as a long-run diversifier, but its recent behaviour looks more like a risky asset than a safe one. That changes how much we are willing to size it, not whether we hold it at all. We have cut back and taken profits after the recent strong rally. We'll buy in again when we find lower levels and will yet again accumulate such for the longer term.

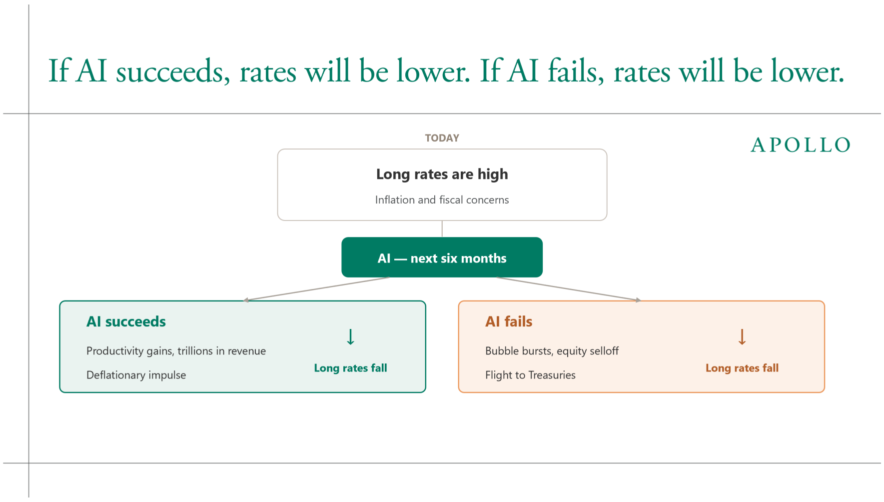
RISK CAVEAT Gold's changing behaviour means it may not protect a portfolio the way investors expect from it in a genuine risk-off period.

13. Two Ways the Next Six Months Could Go for Rates

One economist argues long interest rates are likely to end up lower whichever way the AI investment boom resolves over the next six months.

Apollo Global Management's chief economist argues long rates are high today mainly because of inflation and government borrowing, but that the success or failure of artificial intelligence could matter more over the next six months.

If AI succeeds, the efficiency gains should push prices, and rates, lower. If it fails, investors rushing into safe government bonds would also pull rates lower, through a much rockier route for share prices.



"Think Six Months Ahead", The Daily Spark with Dr Torsten Slok, Chief Economist · Apollo Global Management, 29 August 2026. For illustrative purposes only, not investment advice.

GRAYSWAN VIEW We do not need to guess which AI outcome plays out. We partially protect our offshore share exposure, while insurance is still cheap.

RISK CAVEAT This is a single strategist's illustrative framing of two possible outcomes, not a forecast we are making or relying on for our own positioning.

14. Use the Strong Rand to Add Offshore

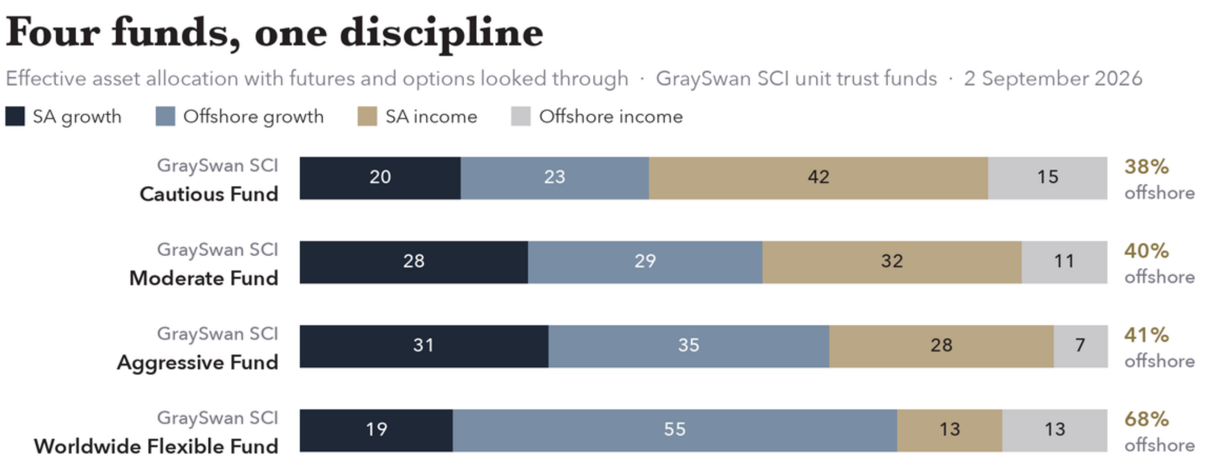
With USDZAR trading below 16.00 for periods in August, the Rand cost of buying offshore assets has been meaningfully cheaper than in recent years.

Our strategic preference remains a meaningful weight in South African shares. But for clients who hold less offshore than they would like, today's stronger Rand is a useful window to add to it, rather than waiting and hoping for an even better rate that history suggests may not arrive.

GRAYSWAN VIEW A stronger Rand gives us a practical opening to top up offshore exposure for clients who need more of it. We are not forecasting that the strength continues much further.

15. Positioned for This Market – Our Unit Trusts

Growth assets (equities and property) run from 43% in our GraySwan SCI Cautious fund to 74% in our GraySwan SCI Flexible fund and offshore assets range from 38% to 68% respectfully.



THE HEDGE BOOK

The puts are struck below the market, so the unit trust funds take the first part of a fall themselves. The cover limits a deep decline. It is not a guarantee against loss. This month, none of the unit trust funds carry South African share insurance, held instead through futures alone. Offshore, S&P 500 and world share puts, about 9% to 10% below the market, cover roughly a fifth of offshore shares. Currency puts guard part of the Dollar exposure against further Rand strength, and a small gold position carries bought call options, upside participation only, never downside cover.

Source: GraySwan unit trust fund data as at 2 September 2026. Effective exposure; hedge percentages are of the relevant sleeve.
Bar segments are independently rounded and may not sum to 100.

GraySwan SCI Cautious Fund, GraySwan SCI Moderate Fund, GraySwan SCI Aggressive Fund and GraySwan SCI Worldwide Flexible Fund · Effective allocation and hedge book, futures and options counted in · As at 2 September 2026 · Source: GraySwan

Offshore shares carry insurance or hedges struck 9% to 10% below the market, covering roughly a fifth to a quarter of each fund's offshore shares, and the Rand is insured against further strength on part of the Dollar exposure.

This month, none of the four unit trust funds carry any South African share insurance as we have a positive medium to long term outlook on our market. Some of our long equity exposure is held through futures, a low-cost choice we manage dynamically as we increase or decrease market exposure.

Probably our most interesting underlying strategy is our Gold exposure, held through bought call options which adds upside participation with very limited downside.

GRAYSWAN VIEW Positioning is where a view becomes accountable: insured offshore equity, a patient equity allocation at home for now, a risk managed Gold position and such all dynamically reviewed and adjusted as prices and our views move.

RISK CAVEAT Option premiums are a real cost if markets stay calm but we're willing to pay some cost to make sure our clients investments are partially protected against unforeseen blackswans. This is a snapshot at 2 September 2026, not a promise of future positioning. South African share exposure is currently unprotected against a fall – we are considering buying such exposure as the cost of insurance decreases further.

Important Information

Sleep Well At Night

GRAYSWAN