

NAM CORONATION CAPITAL PLUS FUND

QUARTERLY COMMENTARY Q3-2026

Please note that the commentary is for the retail class of the Fund.

Performance

The third quarter of 2026 (Q3) was characterised by a resilient July and August, followed by a pull-back in September. The war in the Middle East continued to weigh on energy markets. Late in the quarter, the attack on Saudi oil infrastructure once again pushed oil prices above \$100 per barrel. Renewed inflation concerns prompted central banks to resume tightening: the US Federal Reserve raised rates by 25 basis points (bps) to a range of 3.75%-4.0% in September, and US 10-year yields rose more than 50bps in that month alone to end at 5.3% – a level not seen since 2007. Global equity markets were resilient in the face of higher bond yields, but gains remain extremely narrow, with the group of AI-related technology shares continuing to rally while the broader market struggled. Over the quarter, the MSCI ACWI gained 1.6% in US dollar terms, while the MSCI Emerging Markets Index was marginally negative (-0.4%) and global government bonds (as measured by the FTSE WGBI) declined 2.4%.

Domestically, the quarter was equally uneven. SA Resources rose 15%, driven by strong precious and industrial metals prices through August, before giving back a portion of these gains in September as gold fell. SA Industrials and SA Financials declined, leaving the Capped All Share Index marginally lower (-0.3%) for the quarter. After pausing in July, the South African Reserve Bank hiked the repo rate by 25bps to 7.25% in September, citing the persistence of the oil-driven supply shock and the risk of second-round inflation effects. SA bonds (-0.7%) and listed property (-1.5%) both ended the quarter slightly lower, with cash (+1.7%) delivering a positive return.

Against this backdrop, the Fund returned -1.4% for the quarter and 1.7% over the last 12 months. Over longer periods, the Fund has delivered 12% p.a. over three years and 9.6% p.a. over five years, comfortably ahead of its CPI + 4% target. Since inception, the Fund has returned an annualised 8.9%.

The performance of our global equity funds has been disappointing. Global equity makes up the bulk of the Fund's global allocation, and global assets were the largest detractor (-0.6%) from return over the quarter. The rise of a handful of AI stocks has resulted in an increasingly narrow market. While the S&P 500 rose 2.3% for the quarter, the equally-weighted index declined c. 2%, and by quarter-end barely 25% of S&P 500 constituents were trading above their 50-day moving average. This narrowness, together with the de-rating of several of our holdings, explains the negative contribution from our global equity allocation.

We are in an era of unprecedented and rapid technological advancement that will affect many industries and business models. The recent release of consumer agents such as Meta's Muse, and their potential impact on advertisers' revenue streams, is one example. We are not complacent. We continually rethink and challenge our assumptions about the long-term prospects of the businesses we hold. Over the year, we have refined our holdings, exiting online travel agencies, where AI agents could disintermediate the customer relationship. We also added to and initiated positions in semiconductor and hyperscaler



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companies, the infrastructure providers that stand to benefit, when their shares came under pressure. We believe the valuations and prospects of what we own are very attractive.

The Fund's SA equity allocation was also a detractor from performance (-0.7%). Naspers/Prosus is the largest SA equity holding and also the largest detractor from performance. This was principally due to weakness in Tencent, reflecting fears of disruption from AI, despite significant investment in building its own AI capabilities. We think the opposite is true. Tencent has leading positions in gaming, advertising, payments, and cloud, and owns China's most important digital platform, Weixin, with 1.4bn daily average users. This is a significant digital ecosystem containing years of consumer history, making this an ideal home for a consumer agent. Its workplace AI tools are also gaining traction rapidly, being built into how companies work every day. We believe these revenue streams will prove more enduring than much of the AI revenue that the market is currently rewarding.

Despite this, Tencent trades on just 11 times earnings excluding its investment portfolio (about 20% of the market cap) while we expect low-teens earnings growth over the next five years. We see significant upside in the Tencent share price. Prosus magnifies the opportunity. Its market value is about 20% below the value of its c. 23% Tencent stake alone, so investors effectively get roughly \$40bn of other assets (food delivery, classifieds, and payments businesses) for less than nothing. At the same time, the group is buying back c. 4% of its shares each year at a deep discount to intrinsic value, which adds meaningfully to value for remaining shareholders. Whilst the recent weakness is disappointing, we believe the valuation and business prospects are incredibly attractive.

South African bonds were a strong positive contributor to the Fund's return in the quarter. Our bond holdings returned 1.0% despite rising yields, aided by inflation-linked bonds which returned 1.5% as inflation expectations rose on the back of higher oil prices. Our focus on containing duration also protected capital: bonds of one to three years' maturity returned 2.0%, while the smaller allocation to longer-dated bonds declined as yields rose.

Namibian government bonds had a challenging quarter, weighed down by the global bond selloff and a weaker domestic fiscal backdrop. Yields widened across most of the curve, with the long end experiencing the greatest pressure amid under-allocated auctions and limited demand for duration. While spreads relative to South Africa tightened as South African yields rose more sharply, absolute pressure on longer-duration bonds remained. Treasury bills, by comparison, delivered steady but modest returns as the Bank of Namibia maintained the repo rate at 6.75%.

Portfolio Actions and Fund Positioning

We were active during the quarter, using price volatility to reposition the portfolio while keeping the Fund's overall risk exposure broadly unchanged. Total equity exposure ended the quarter at c. 65% of the Fund, and total risk assets (equity and property) at c. 69%, comfortably within the Fund's 75% limit. We have maintained the Fund's put option protection on US equities, which covers c. 30% of our global equity exposure.

We added SA nominal government bonds during the quarter, principally in the 10-year space (R2037). With the 10-year yield back at around 9%, we believe SA bonds continue to offer attractive real yields even after allowing for a higher near-term inflation path. We also modestly increased our allocation to inflation-linked bonds, which provide valuable protection should oil-driven inflation prove more persistent than expected. We continue to actively manage duration risk.

We continue to avoid any exposure to global sovereign bonds – our surprise is not that yields are rising (given the precarious fiscal positions in which governments find themselves) but that the market took so long to begin to price this.

Outlook

The environment entering the final quarter of the year is more challenging than many anticipated at the start of 2026. Oil prices above \$100 per barrel have revived inflation, and central banks that had been easing are now tightening again. We expect SA interest rates to remain higher for longer, and for Namibian rates to follow suit, while the conflict in the Middle East and policy unpredictability under the Trump administration will likely keep volatility elevated. The rise in global bond yields, driven in part by heavy issuance to fund AI-related capital expenditure, adds a further source of pressure on asset valuations.

We believe the Fund is well positioned for a range of outcomes. Our sizeable allocation to SA nominal and inflation-linked bonds provides a dependable anchor of real income, with inflation-linkers offering protection should inflation prove stickier than expected. In equities, the narrow, technology-led nature of global markets has been a headwind for our valuation-driven approach, but the upside to fair value in our holdings, both on the JSE and offshore, remains high, and put protection helps cushion the portfolio against a sharper broader market drawdown. We remain confident in the Fund's ability to protect capital and deliver on its CPI + 4% objective over the medium term.

Portfolio Managers

Charles de Kock, Pallavi Ambekar & Neill Young

as at 30 September 2026