

AUGUST 2026

Monthly Houseview Tactical Asset Allocation

The committee maintains its moderate overweight position in South African equities, funded through underweight allocations to both offshore and local cash. While global markets continue to face uncertainty from geopolitical tensions, inflation risks and elevated bond yields, South African equities remain attractively valued relative to global peers and continue to offer the most compelling risk–reward opportunity. The asset class is supported by improving fiscal credibility, ongoing reform momentum, recovering corporate earnings and a favourable commodity backdrop.

In addition, recent developments in the US Treasury market and growing concerns around US fiscal sustainability could, in the near term, encourage greater investor diversification into non-USD-denominated assets. While domestic growth constraints may limit the extent of rand appreciation, the committee believes there is still scope for further rand strength, particularly given South Africa's attractive real interest rates and improving fiscal trajectory and foreign investor interest. The committee remains neutral across all other asset classes.

TAA HOUSEVIEW AT A GLANCE

Asset Class	--	-	Neutral	+	++
SA Cash					
SA Bonds					
SA ILB					
SA Property					
SA Equity					
Foreign Cash					
Foreign Bonds					
Foreign Equity					
Foreign Property					

Key Developments Shaping Asset Markets

Global markets continue to navigate a complex environment characterised by elevated geopolitical tensions, persistent inflation risks, diverging growth outcomes and evolving expectations for monetary policy. While risk assets have remained resilient, particularly in technology and AI-related sectors, market leadership has become increasingly selective as investors place greater emphasis on earnings quality, cash generation and sustainable growth. Valuation dispersion across regions and asset classes remains significant, creating a differentiated investment environment rather than one where broad-based risk-taking is rewarded.

The global macroeconomic backdrop remains broadly supportive of risk assets, although growth momentum has moderated from earlier quarters. Softer consumer activity and signs of labour-market weakness have emerged across several major economies, while inflation has generally eased alongside lower energy prices. This has allowed most central banks to maintain their current policy stance, although the risk of renewed or second-round inflationary pressures remains. In the US, economic activity remains relatively resilient despite some moderation in the labour market, while inflation continues to trend lower but remains above target. Markets therefore expect a cautious Federal Reserve, although the path of monetary policy remains uncertain. Elevated fiscal deficits and sovereign borrowing requirements continue to place upward pressure on long-dated bond yields. Meanwhile, AI-related investment remains an important driver of corporate earnings, but investor focus is increasingly shifting towards companies with strong balance sheets, robust cash generation and credible returns on investment. China continues to face subdued domestic demand, slowing growth and weakness in the property sector, while the Eurozone has shown modest improvement. Global manufacturing remains in expansionary territory, although momentum has moderated amid geopolitical tensions, tariff uncertainty and energy-market risks. Emerging markets have generally benefited from supportive global liquidity conditions and a weaker US dollar.

South Africa's domestic backdrop continues to improve, supported by stronger fiscal dynamics, resilient tax revenue collection, ongoing structural reforms and political stability under the Government of National Unity. Inflation has surprised on the downside, with July CPI easing to 4.3%, while fiscal metrics continue to

improve. Supportive commodity prices and relatively high real interest rates remain favourable for domestic assets, although weak economic growth and elevated unemployment continue to constrain the broader economy.

Global equity markets recovered during August following the technology-led sell-off in July. Developed markets have benefited from renewed strength in US technology shares and resilient corporate earnings, although market leadership has broadened beyond the Magnificent Seven as investors increasingly differentiate between companies based on earnings quality and cash-flow generation. Asian markets have also benefited from continued investment in technology and AI, while emerging markets have been supported by improving capital flows and a weaker US dollar. South African equities have been among the stronger-performing markets, supported by attractive valuations, stronger gold and precious-metal prices, improving fiscal confidence and continued foreign investor interest. Resource shares have particularly benefited from higher precious-metal prices and increased demand for defensive and safe-haven assets, providing an important tailwind for the domestic economy and local financial markets.

Bond markets remain challenged by elevated sovereign debt levels, persistent inflation risks and high long-term global yields. South African government bonds have nevertheless attracted foreign inflows and continue to offer relatively attractive yields, although the valuation opportunity has become less compelling following their strong rerating over the past year. Offshore property remains constrained by elevated financing costs and higher-for-longer interest rates, while South African listed property is supported by improving operating fundamentals, attractive income yields and the prospect of stronger dividend growth.

Inflation continues to moderate across major economies but remains above central-bank targets in several jurisdictions. In the US, softer labour-market data and easing price pressures have reduced expectations for further monetary tightening, although energy prices, fiscal spending and geopolitical developments continue to pose upside risks. Combined with substantial government borrowing requirements, these factors are keeping term premia and long-dated bond yields elevated. The US Treasury's expanded long-term bond buyback programme could provide near-term support by improving Treasury-market liquidity and reducing pressure on longer-dated yields, which would be broadly supportive of global risk assets, including equities, precious metals and emerging markets. However, the longer-term implications for financial conditions and the US dollar will depend on the interaction between Treasury issuance, Federal Reserve policy and investor demand for US government debt. Geopolitical tensions in the Middle East remain an additional source of market volatility, particularly through their potential impact on energy prices and inflation. This has also supported demand for defensive and inflation-sensitive assets, with precious metals and platinum group metals performing strongly.

Global liquidity remains broadly supportive, although it is becoming less abundant and more selective than during the post-Covid period. The Federal Reserve's balance-sheet reduction has so far been partly absorbed through the normalisation of reverse repo balances rather than a significant decline in banking-system reserves. With reverse repos now largely depleted, further quantitative tightening is more likely to draw directly on bank reserves, while increased usage of the standing repo facility provides an early indication that funding conditions may be getting tighter. This suggests that liquidity could become a greater constraint over time, favouring companies with strong balance sheets, sustainable cash flows and genuine earnings growth over more speculative areas of the market. In the near term, however, Treasury buybacks should provide some offset by supporting market liquidity and financial conditions. The overall backdrop therefore remains constructive for risk assets, particularly quality growth, emerging markets and precious metals, while potentially weighing on the US dollar as capital flows diversify into non-USD assets. This environment supports maintaining a preference for fundamentally supported assets and reinforces the tactical overweight to South African equities and underweight to foreign cash, where the combination of attractive valuations, commodity support, improving domestic fundamentals and potential emerging-market inflows provides a favourable relative opportunity.

TAA VIEWS

Main Asset Classes

SA Bonds – Neutral

While South African government bonds continue to offer attractive nominal and real yields relative to developed markets, much of the valuation opportunity has narrowed following strong performance and significant spread compression. Persistent inflation risks and the potential for upward pressure on global bond yields could also limit further capital gains. The attractive carry and improving domestic fundamentals therefore support maintaining exposure, but the reduced valuation cushion limits conviction to a neutral position.

SA Inflation-Linked Bonds – Neutral

Inflation-linked bonds remain an important source of protection against persistent inflation and potential second-round effects, while also providing diversification within the domestic fixed-income allocation. However, current breakeven inflation rates appear to incorporate a meaningful portion of the available inflation protection, reducing the valuation advantage of the asset class. The sensitivity of ILBs to changes in real yields also presents a risk to capital returns should global or domestic real rates move higher or stay at the current level for longer. As a result, the asset class remains useful as a portfolio hedge, but the current valuation does not provide sufficient asymmetry to justify an overweight position.

SA Listed Property – Neutral

Improving operating fundamentals, stronger balance sheets and resilient dividend growth continue to support the domestic listed property sector. Should domestic interest rates decline, this could provide an additional tailwind through reduced funding costs and improved investor sentiment. Nevertheless, listed property remains highly sensitive to interest rates, while consumer affordability pressures and uncertainty around inflation continue to weigh on the outlook. The combination of improving underlying fundamentals and ongoing interest-rate sensitivity leaves the risk-reward profile broadly balanced, supporting a neutral allocation.

SA Equity – Moderately Overweight

South African equities remain our highest-conviction tactical position, supported by a combination of attractive valuations and improving domestic fundamentals. Despite recent outperformance, the market continues to trade at a meaningful discount to developed-market peers and its own historical levels, providing a margin of safety that is less evident in several offshore markets. Fiscal outcomes are improving, reform momentum is gaining traction, load-shedding risks have reduced significantly and business confidence has stabilised. Stronger gold and platinum group metal prices have also provided support to earnings expectations and investor sentiment. Importantly, our analysis suggests that concerns around widespread margin compression from inflation may be overstated, with many companies demonstrating resilience through previous inflationary periods. Taken together, the attractive starting valuations, improving fundamentals, commodity support and favourable relative risk–reward profile make South African equities the preferred tactical exposure.

Foreign Cash – Moderately Underweight

Foreign cash remains the primary funding source for the overweight South African equity position. While US dollar cash continues to benefit from relatively strong US economic fundamentals and elevated interest rates, the medium-term return potential is less compelling than that of risk assets. The dollar also appears relatively fairly valued following a prolonged period of strength, limiting the scope for further appreciation. At the same time, the rand is supported by South Africa's relatively high real interest rates, improving fiscal dynamics, ongoing reforms and the potential for stronger capital inflows. Reducing excess foreign cash therefore offers an opportunity to improve expected portfolio returns while maintaining sufficient liquidity.

Foreign Bonds – Neutral

Higher starting yields have improved the return potential of global bonds and restored some of their attractiveness as an income-generating and diversifying asset. However, the outlook remains finely balanced. Persistent inflation, large fiscal deficits and rising sovereign borrowing requirements could keep long-term yields elevated, while uncertainty around the timing and extent of future central-bank easing adds further volatility. The improved carry supports maintaining exposure, but limited recession risk limits the case for a more aggressive allocation.

Foreign Equity – Neutral

Global equities continue to benefit from resilient corporate earnings, relatively robust economic growth and the ongoing investment cycle associated with artificial intelligence and technology. These positives, however, are increasingly reflected in market valuations, particularly within US growth sectors. High market concentration also leaves global equity portfolios vulnerable to disappointments from a relatively small number of large companies, while geopolitical uncertainty and interest-rate sensitivity remain important risks. Although the long-term structural growth outlook remains attractive, elevated valuations reduce the margin of safety and keep the risk–reward profile broadly balanced, supporting a neutral allocation.

Foreign Property – Neutral

Offshore property fundamentals have improved alongside stabilising economic conditions and a gradual recovery in investor sentiment towards interest-rate-sensitive assets. However, elevated global borrowing costs continue to constrain the sector, with higher financing costs weighing on valuations and cash flows. Structural challenges across parts of the global property market also remain relevant. A sustained decline in interest rates could provide a meaningful catalyst, but current yield compensation does not yet offer sufficient upside relative to the risks. For now, the balance of improving fundamentals and persistent financing pressures supports a neutral position.

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