

INVESTMENT FORUM



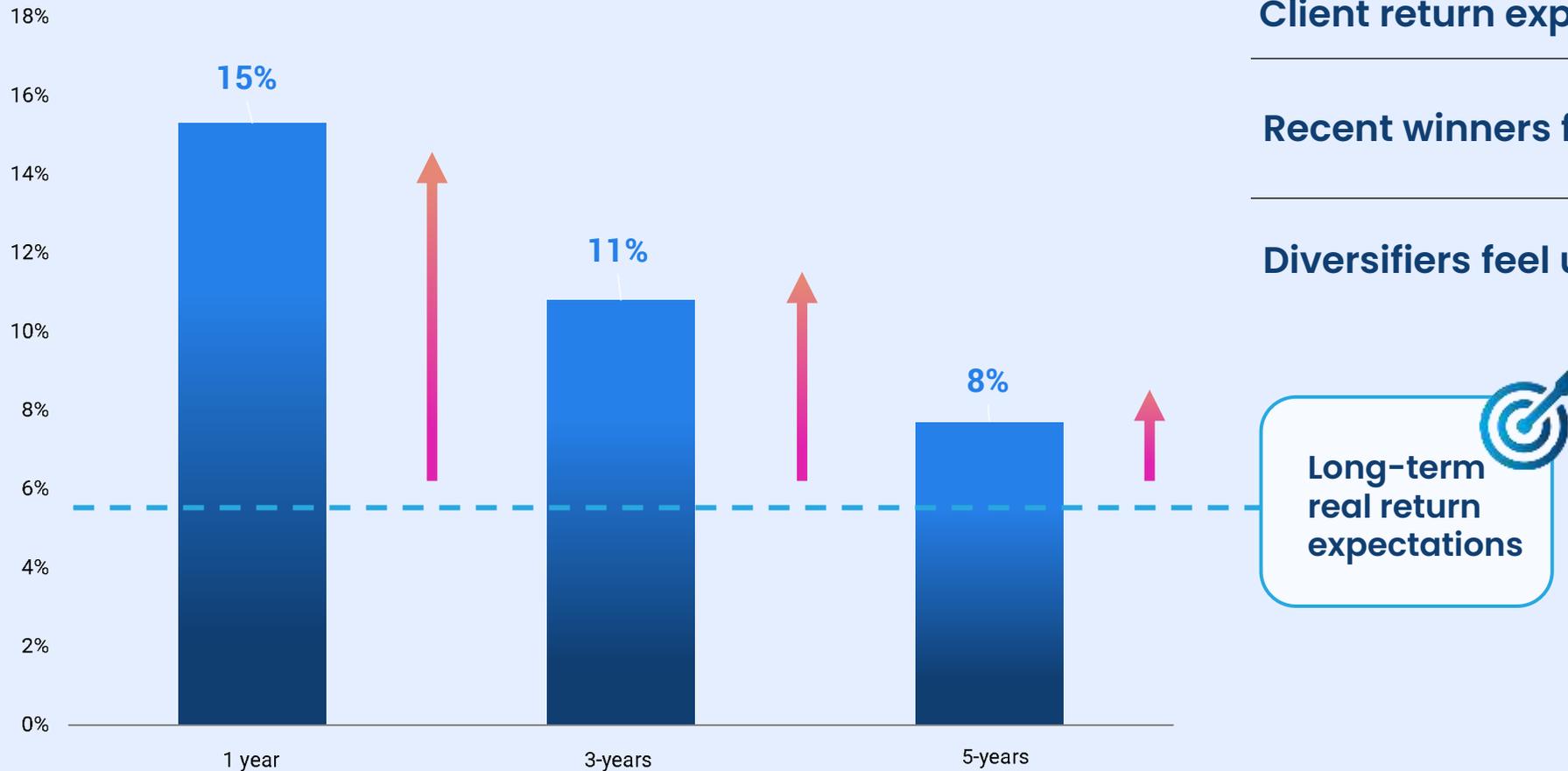
# When markets change but behaviour doesn't

A practical investing playbook for return expectations and decision quality

# The hidden benchmark is **recent returns**

## SA Balanced Funds have enjoyed very strong returns

1-, 3-, and 5-yr after inflation returns to SA High Equity Balanced Funds – 31 Dec 2025



Client return expectations drift higher

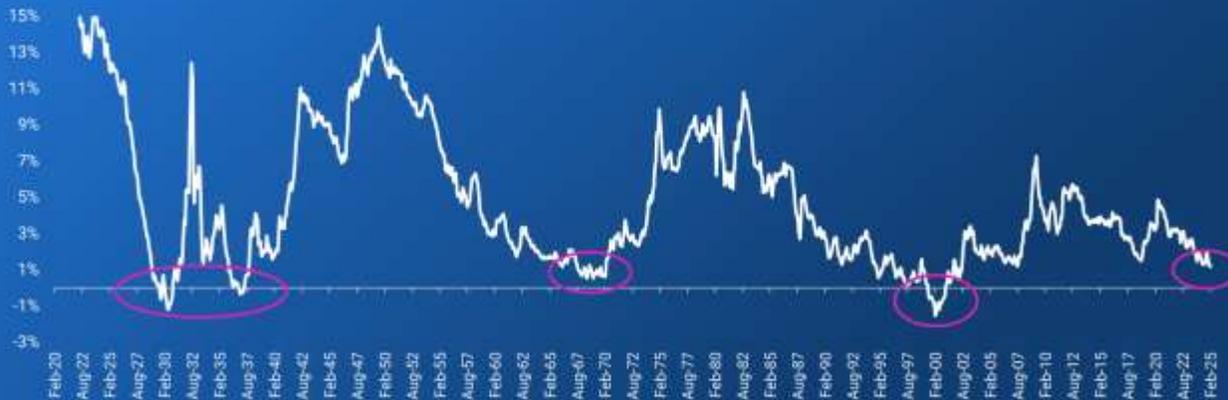
Recent winners feel safer

Diversifiers feel unnecessary

# Last year was about bubble risk, this year is about expectation risk

## 4 bubbles over the last 100 years

US Equity is expensive in absolute terms and relative to US fixed income  
US Equities excess CAPE yield (CAPE EY - 10Y Real Yield) Jan 1920 - Jan 2025



Source: IOX Investments, Shiller



Bubble dynamics can run longer than expected



The story can stay intact



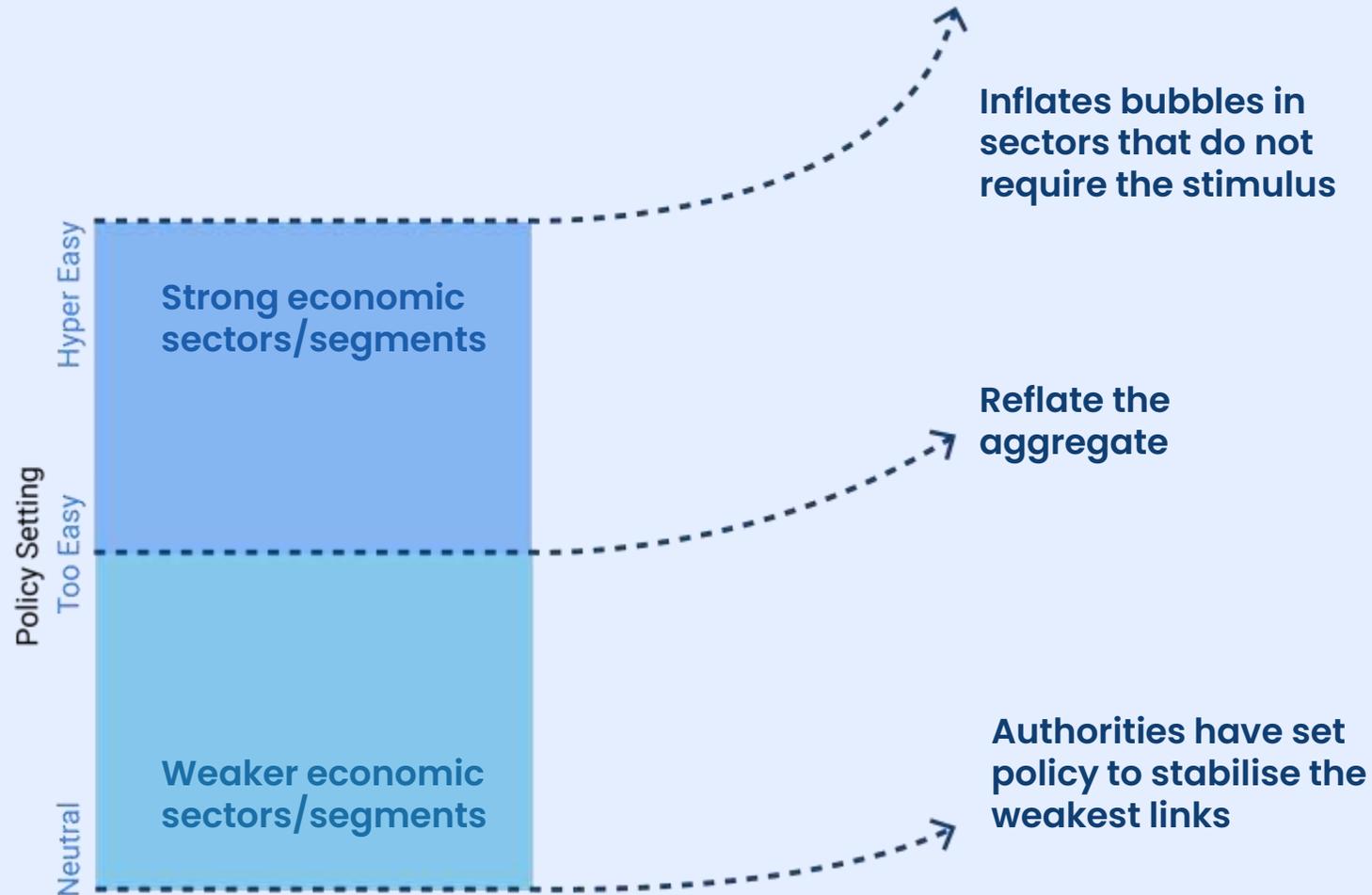
The cost is paid through lower forward returns

# How bubbles get **built**



# Policy often protects the weakest, but inflates the strongest

The next bubble is often born out of the ashes of the previous bubble



# Concentration is how dominant stories show up at market peaks

The world's top ten largest companies by market capitalisation

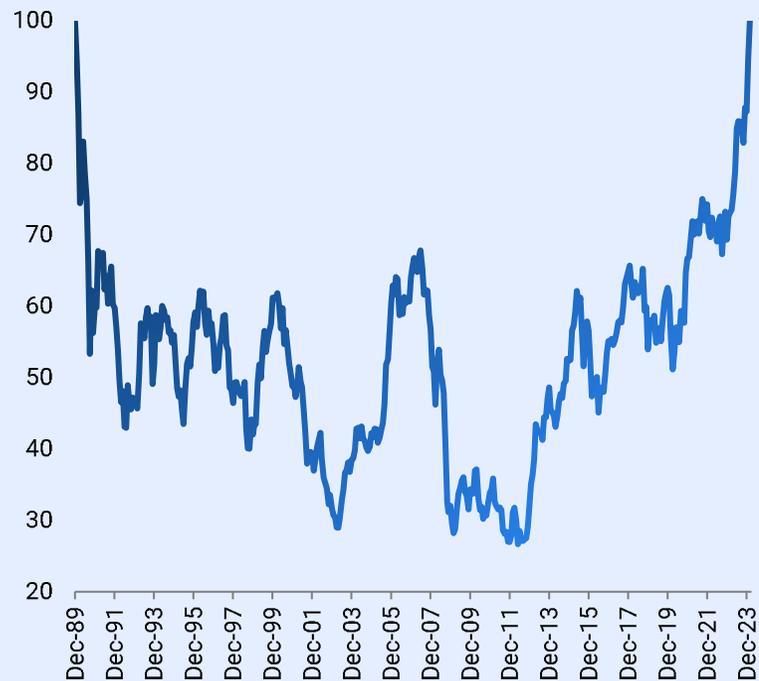
1990 - Japan	2000 - TMT bubble	2010 - China	2025 – Tech/AI
NTT	Microsoft	Exxon Mobil	NVIDIA
Bank of Tokyo-Mitsubishi	General Electric	PetroChina	Apple
Industrial Bank of Japan	NTT DoCoMo	Apple	Alphabet
Sumitomo Mitsui Banking	Cisco Systems	BHP Billiton	Microsoft
Toyota Motors	Walmart	Microsoft	Amazon
Fuji Bank	Intel	ICBC	Meta Platforms
Dai Ichi Kangyo Bank	NTT	Petrobras	Broadcom
IBM	Exxon Mobil	China Construction Bank	Tesla
UFJ Bank	Lucent Technologies	Royal Dutch Shell	TSMC
Exxon	Deutsche Telekom	Nestle	Saudi Aramco

# The story can be true **and still produce poor long-term outcomes**

What expectations are baked in at what price

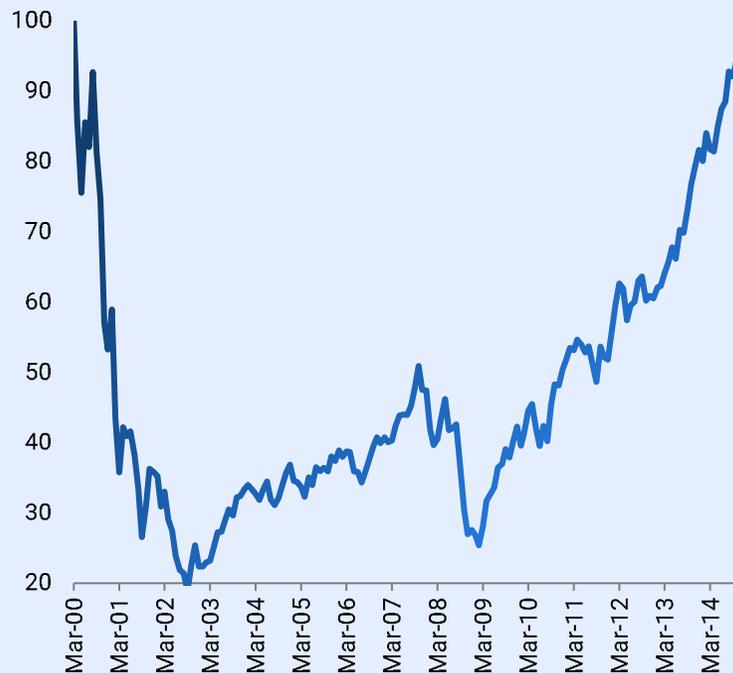
## Japan – 57% DD & 34 yrs to recover

MSCI Japan Dec 1989- Mar 2024



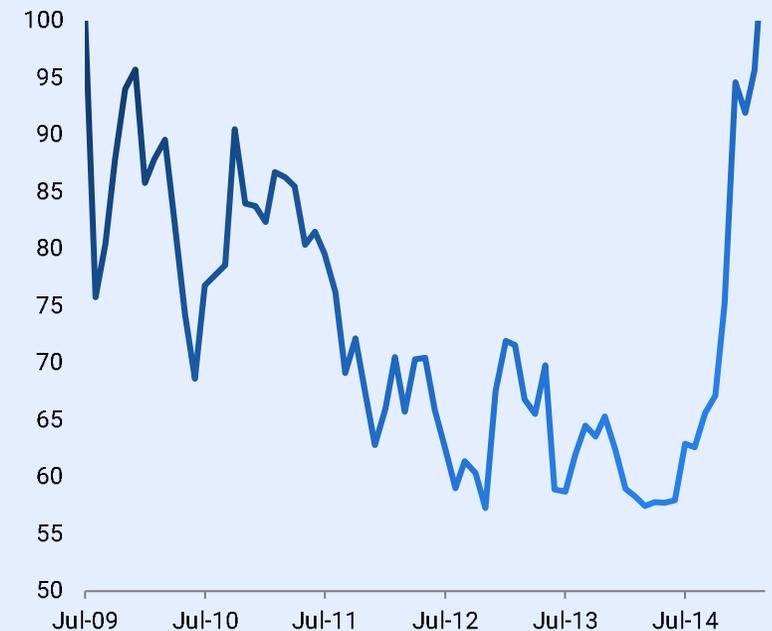
## NASDAQ – 81% DD and 15 yrs to recover

NASDAQ Index Mar 2000 – Feb 2015



## China – 44% DD and 6 yrs to recover

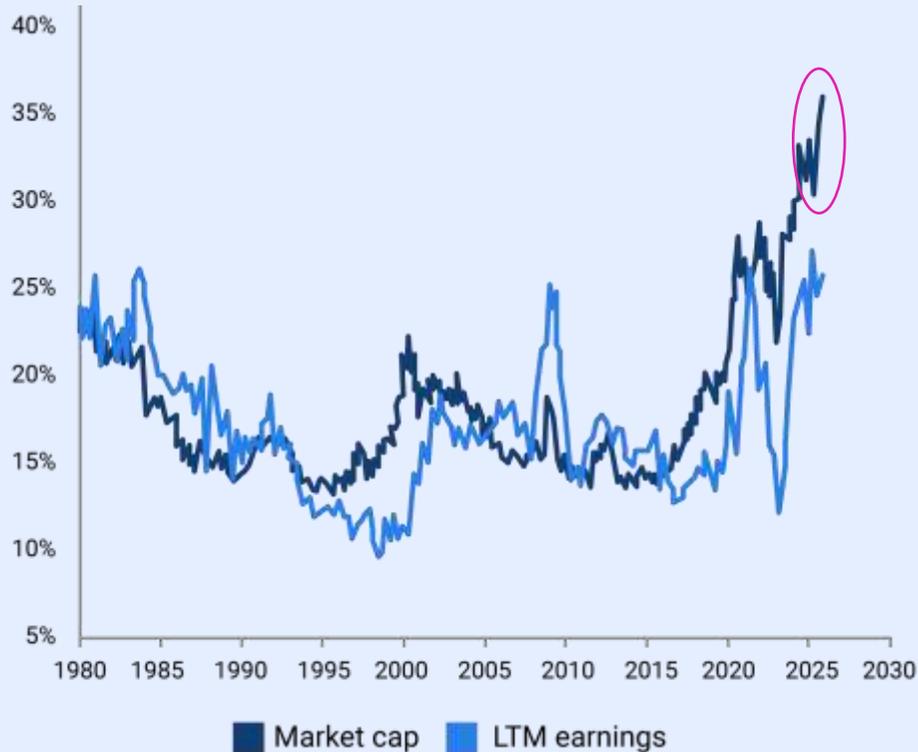
CSI 300 Jul 2009 –



# Warning signs

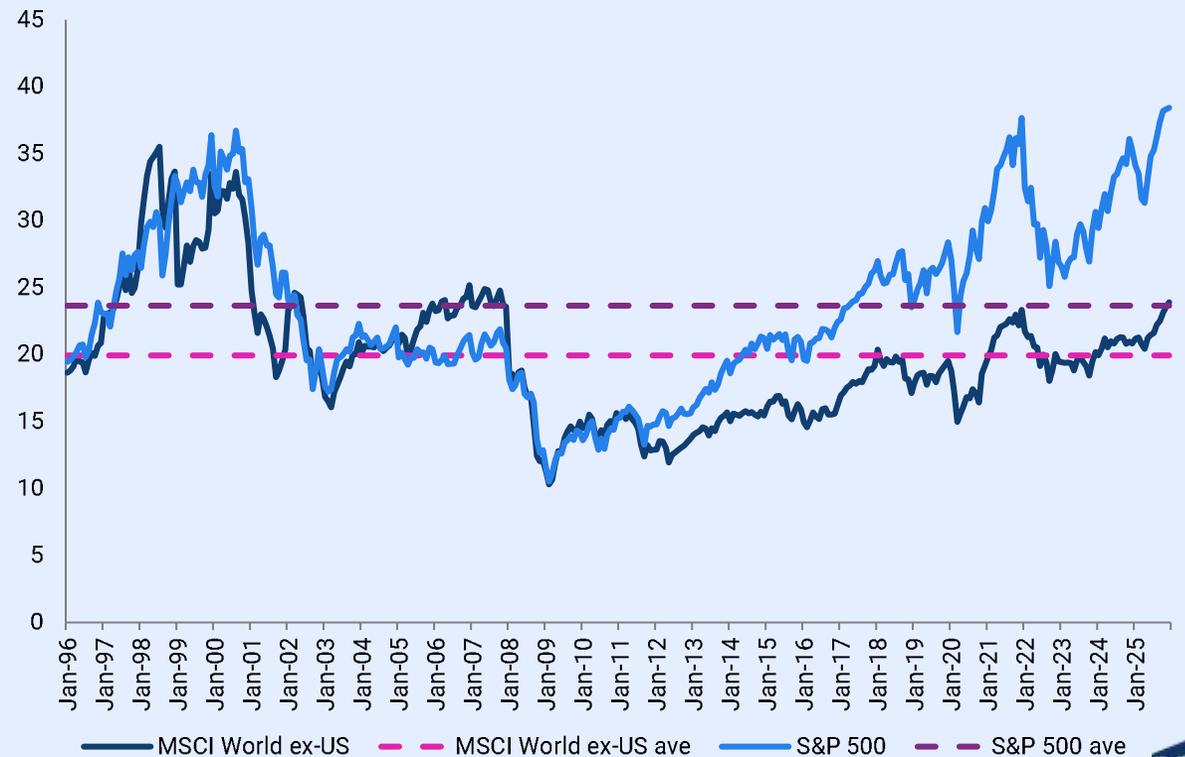
Theme concentration together with valuations which imply certainty of outcome

## Contribution of the 7 largest stocks in the S&P 500



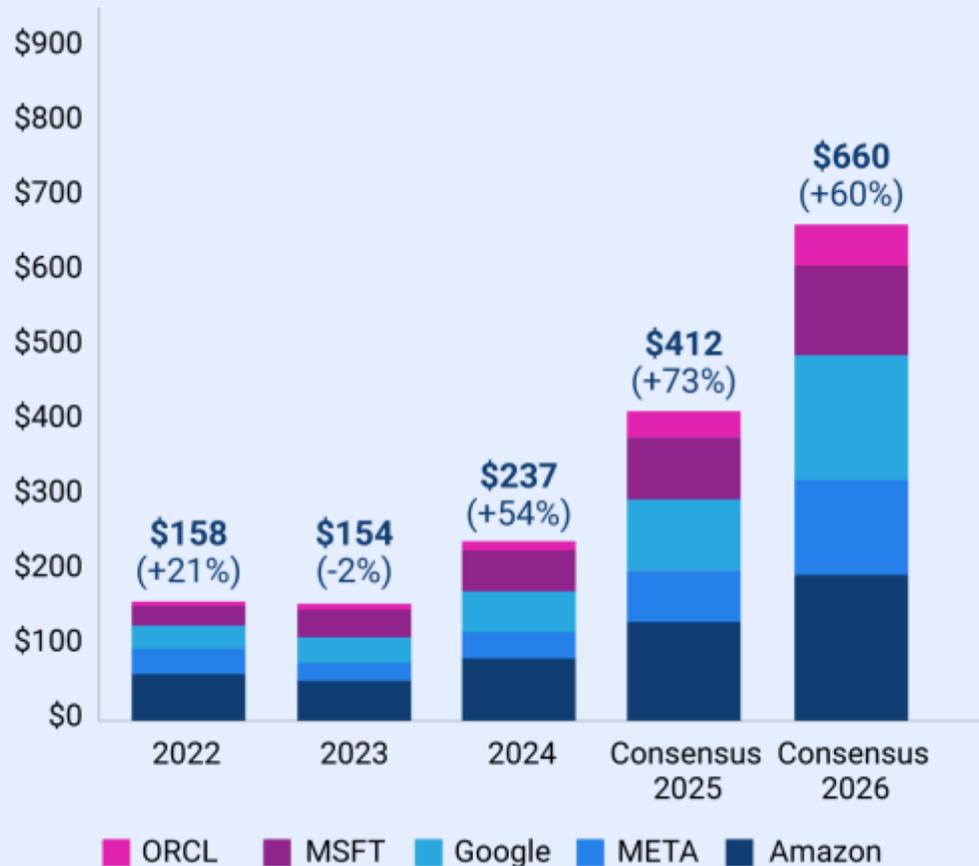
## MSCI USA vs MSCI World ex-US CAPE Ratios 1995 – 2025

Extreme valuations in the US vs ex-US



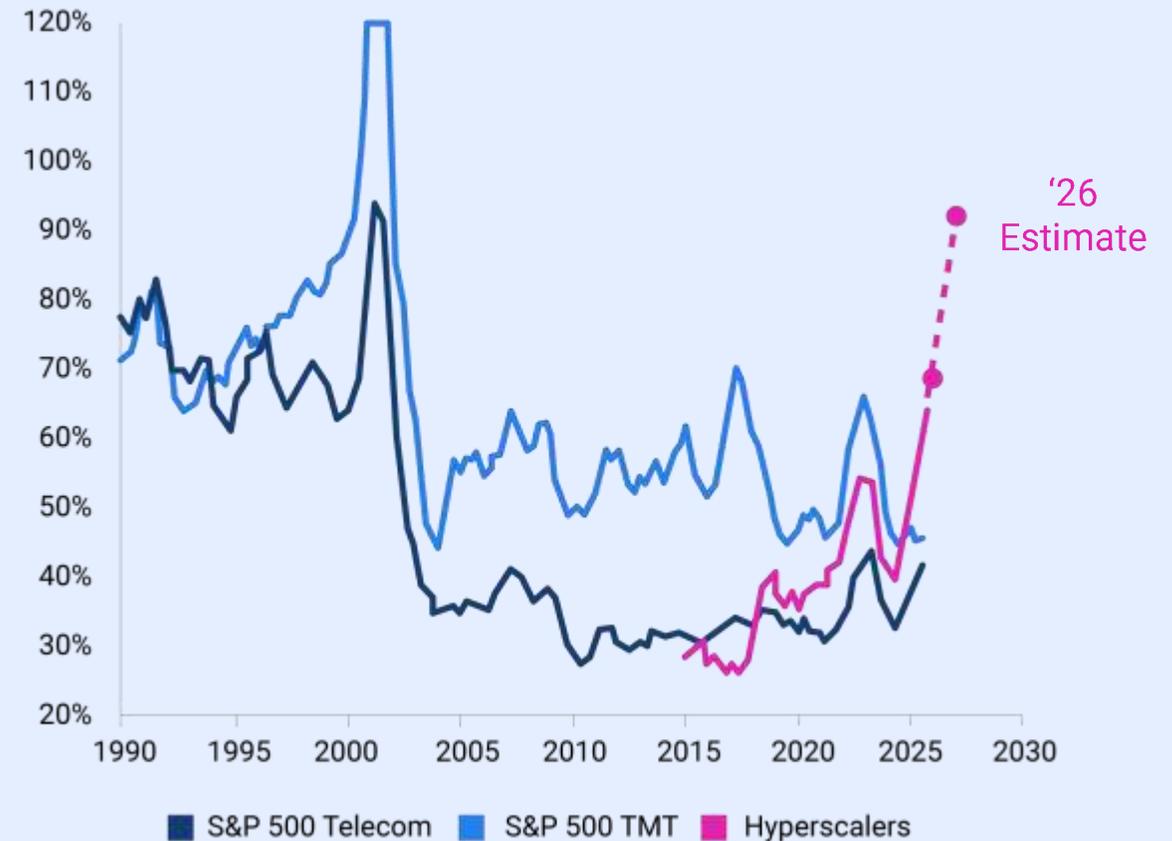
# The phase shift is **from story to economics**

## Hyperscaler capex (USD billions)



Source: FactSet, Goldman Sachs Global Investment Research

## Capex as % of cash flow from operations



Source: Compustat, FactSet, Goldman Sachs Global Investment Research

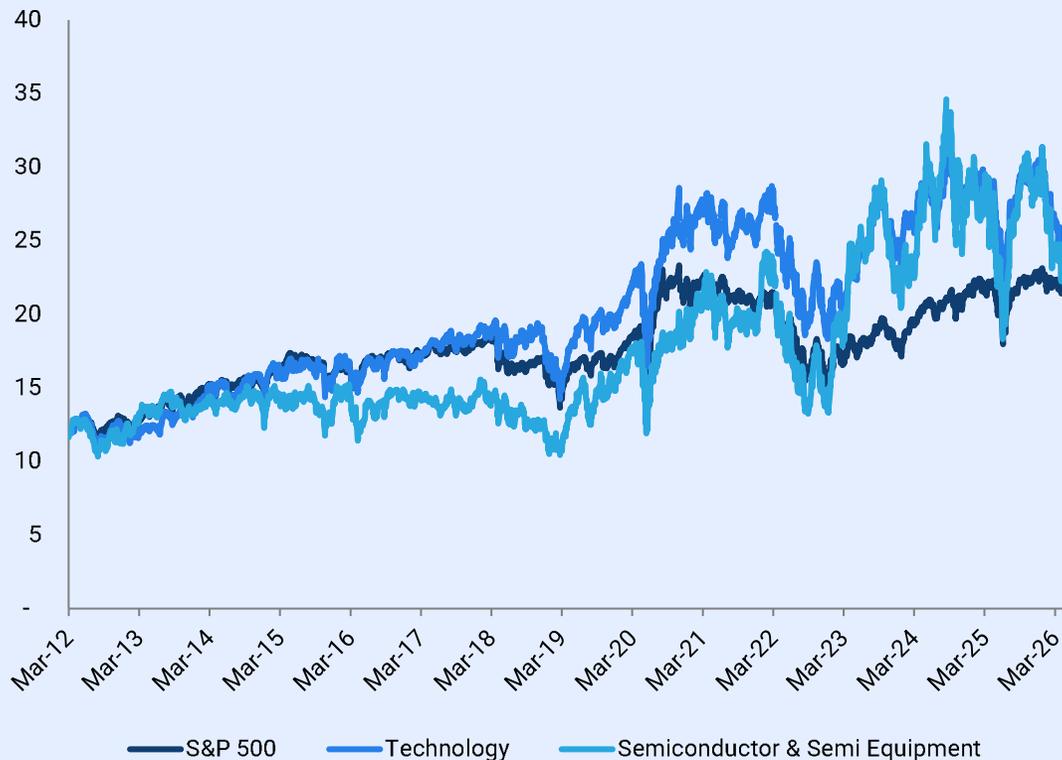


# The optimism has moved **from price into earnings**

A bubble may be forming in earnings expectations

## Forward PE valuations

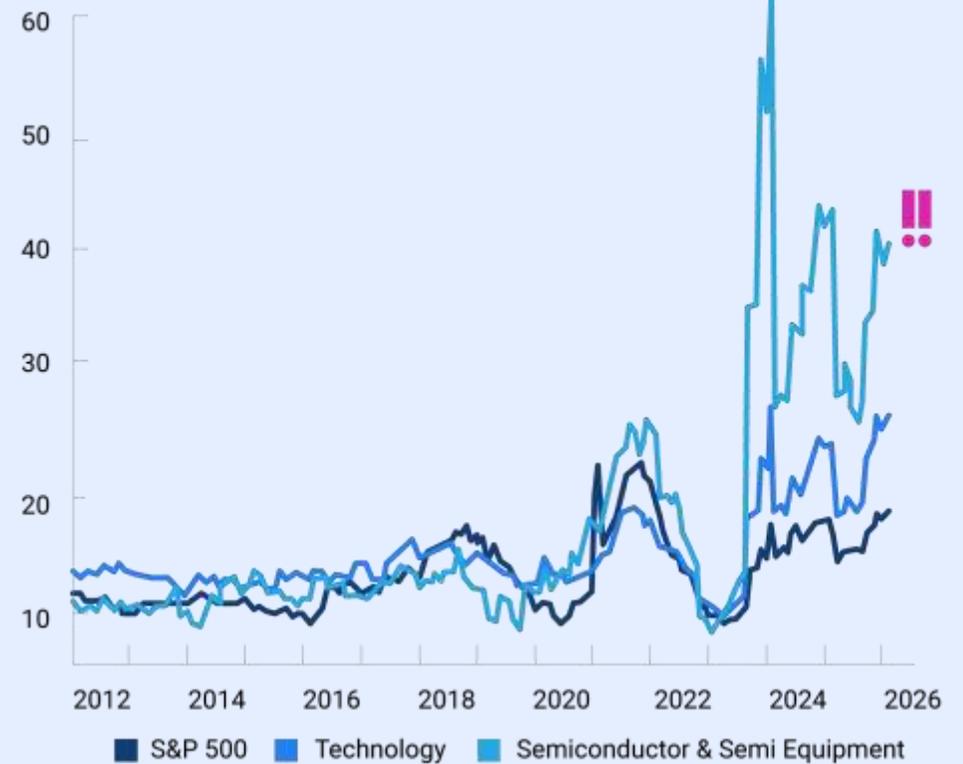
Jan 2012 – Feb 2026



Source: Bloomberg

## Long-term earnings growth forecasts (%)

Jan 2012 – Feb 2026



Source: Refinitiv I/B/E/S Global Aggregates

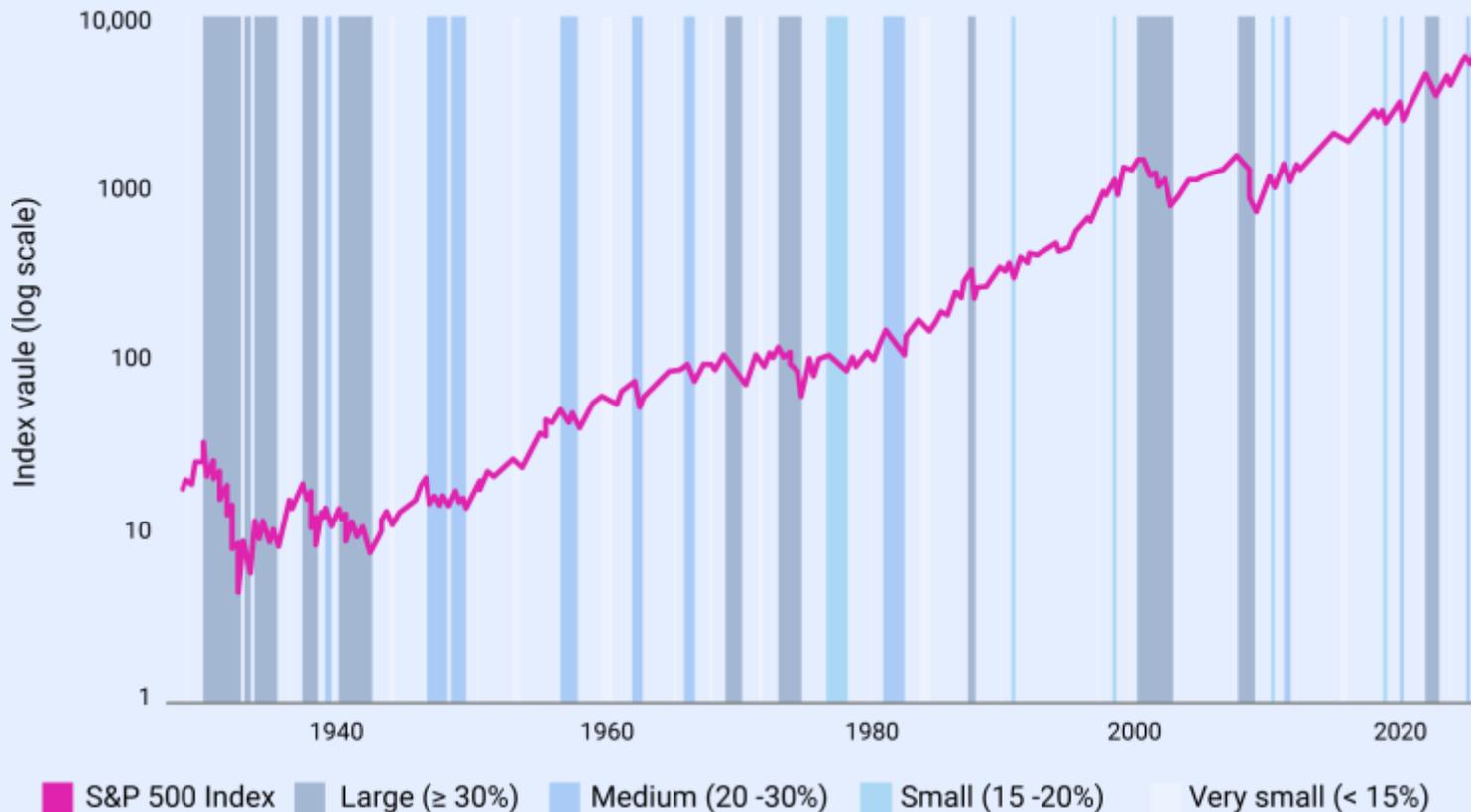


# What history can tell us about drawdowns

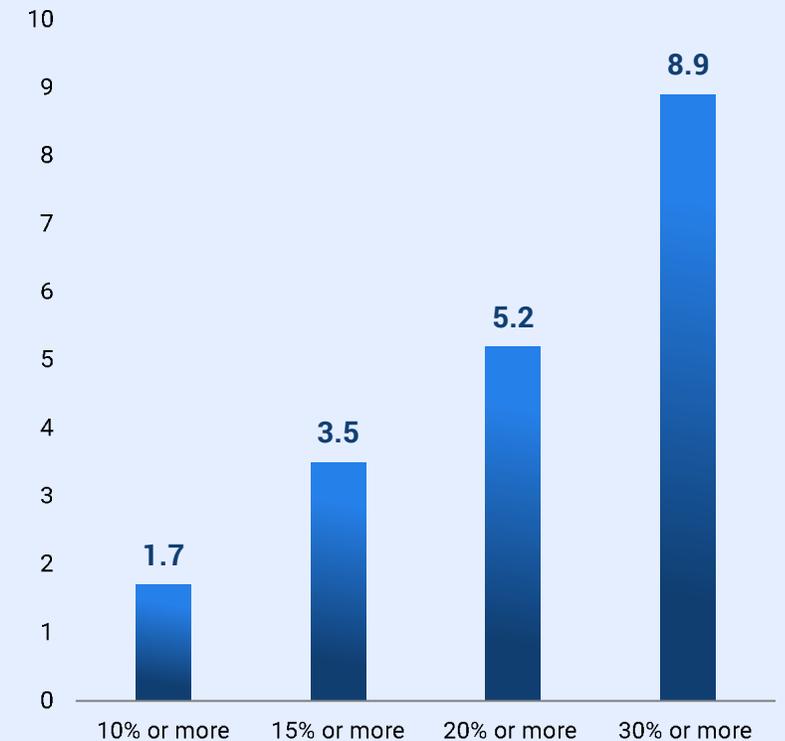
They are common, 59 drawdowns over the last 100 years

## Drawdown incidence: this is your base rate

S&P daily index history with drawdown periods by severity



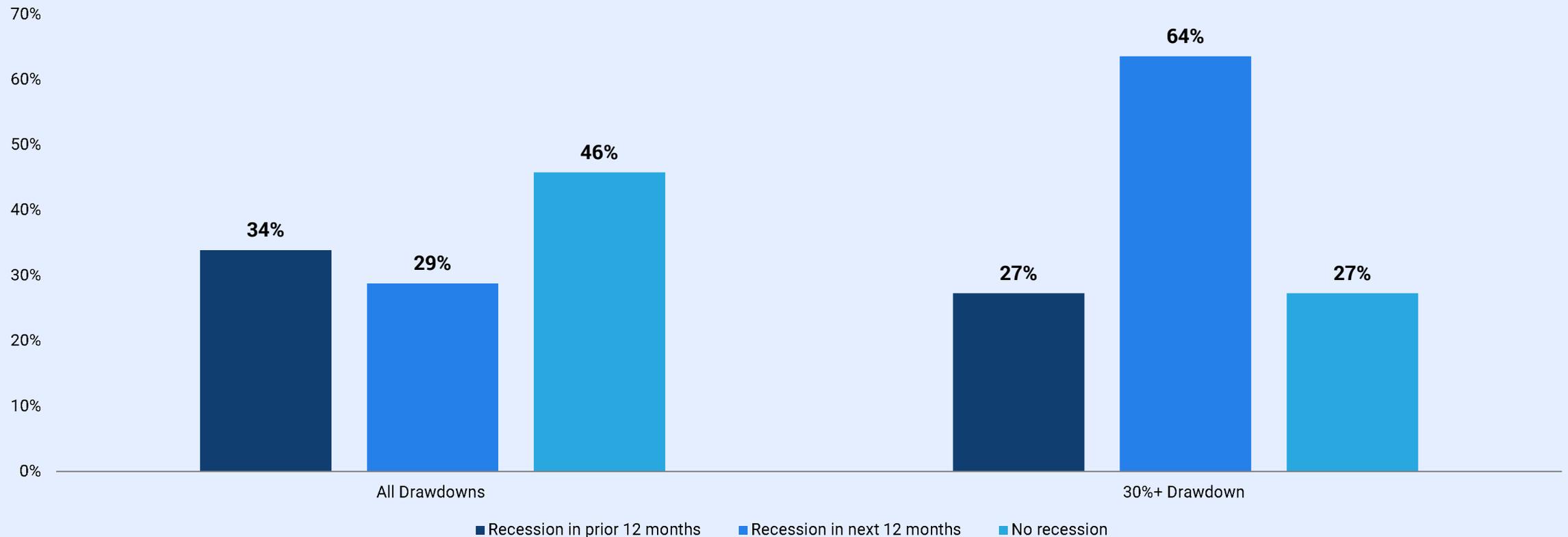
## Drawdown frequency in years



# Strong economy does not immunise markets

Economic pain often follows large drawdowns rather than preceding them

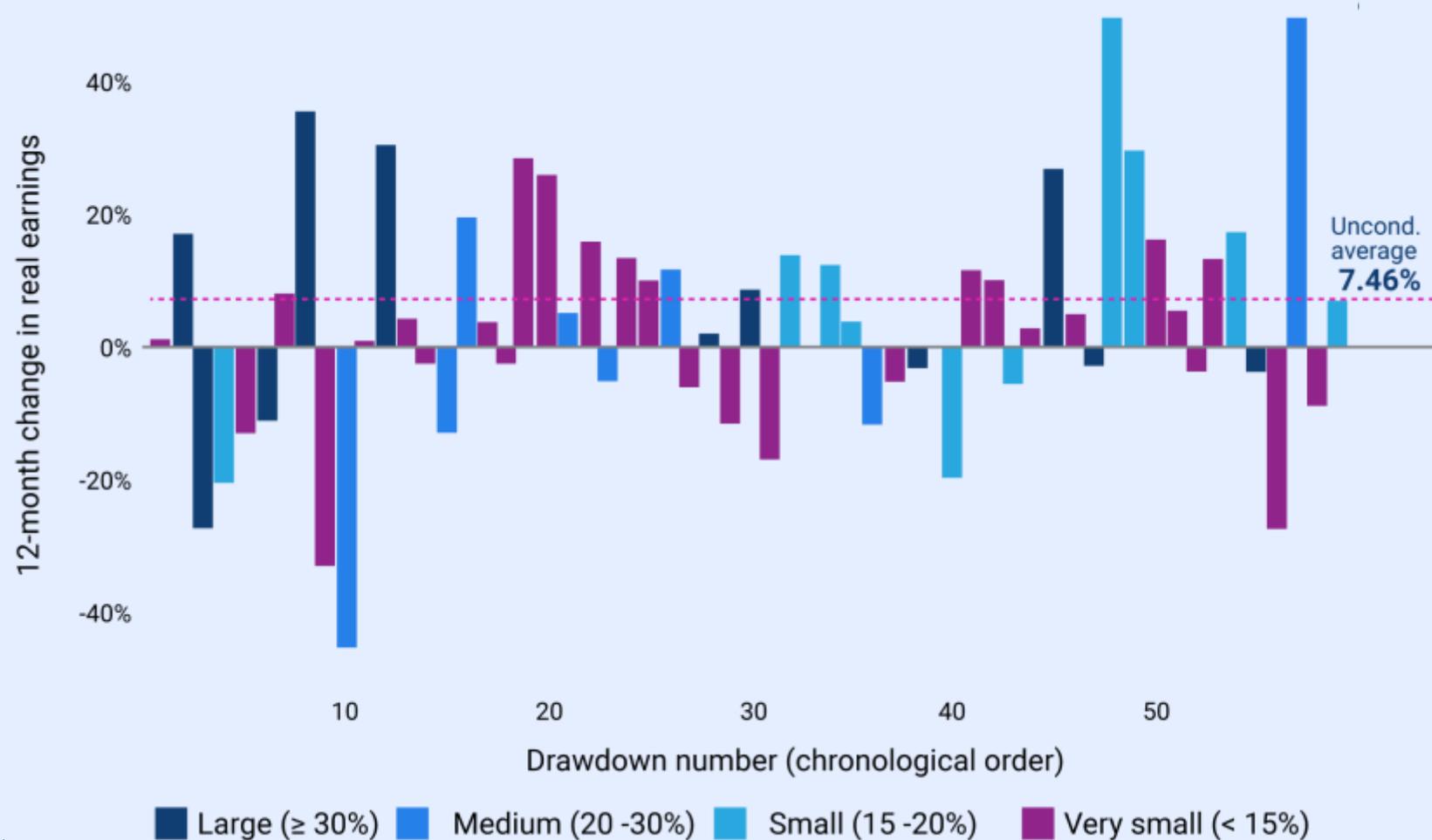
## Occurrence of recessions around drawdowns



# Strong earnings are not a shield

## Earnings don't tell you much about drawdowns

Real earnings change in 12 months prior to each drawdown



# What history says **makes drawdowns more likely**

3 recurring conditions across market peaks

Characteristic	Low volatility	Inflation too high or too low	Elevated valuations
Observation	~73% had lower 12 month volatility than long run average of 18.4%	~73% had inflation above 2.5% or below 1%	~73% valuations where 1.6x higher than 3 year CAPE ratio
Today	Lower S&P vol at 15.5%	CPI in Jan came in cooler at 2.4%	S&P CAPE Ratio 39x (6x higher than 3-year ave)

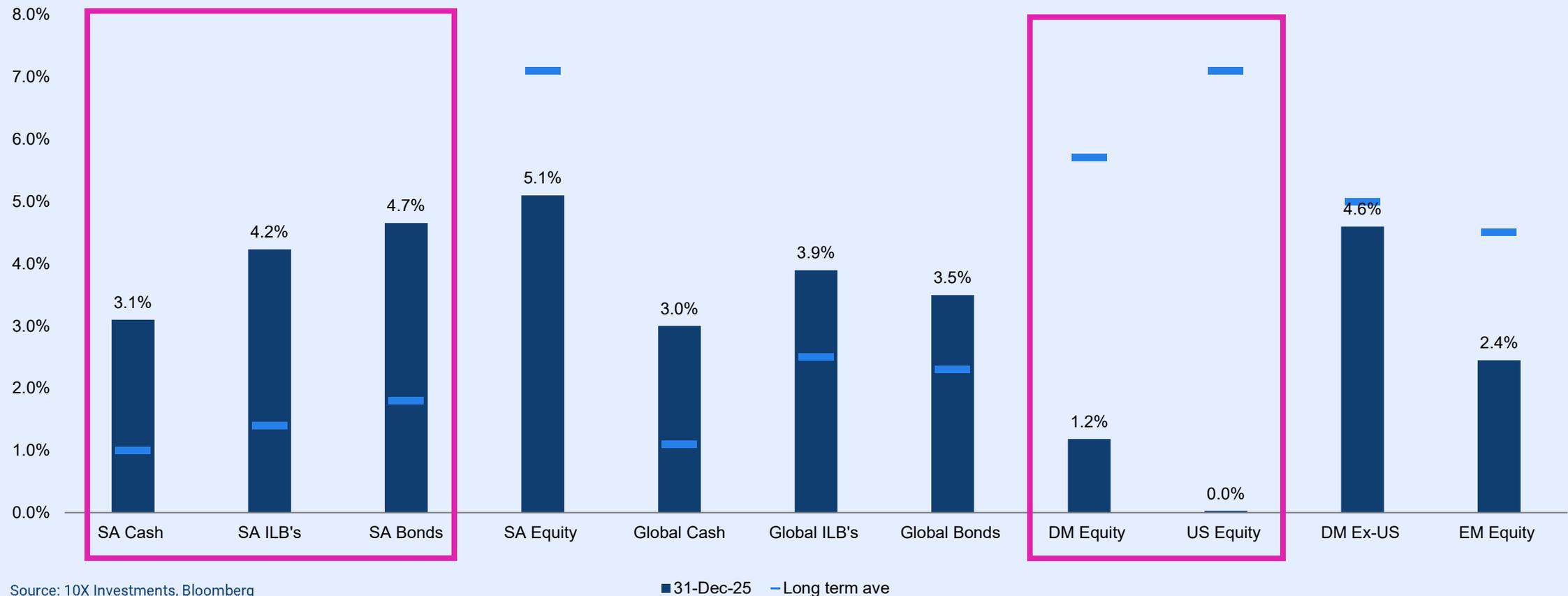


# Asset class **return expectations**

SA Bonds & US Equities represent largest disconnects

## SA Bonds attractive, US Equities expensive

5-10 year expected real returns in Rands as at 31 December 2025



Source: 10X Investments, Bloomberg

■ 31-Dec-25 — Long term ave



# Prepare, don't predict

The edge is not predicting the trigger, but preparing for a range of outcomes



**Strong stories can stay true**

---



**That does not mean they can stay investable at any price**

---



**The edge is making better decisions before the market forces your hand**

---

AND FINALLY...

# Questions?

# Thank you

**Cape Town Office**

The Terraces, 14th Floor, Office 01401

34 Bree Street, Cape Town, 8001

**Call:** +27 (0) 21 412 1010

**Email:** [intermediaries@10x.co.za](mailto:intermediaries@10x.co.za)

**Visit:** [www.10x.co.za](http://www.10x.co.za)



**Your Future\_**

# Important Information

10X Fund Managers (RF) (Pty) Ltd (the “Manager” or “10X FM”), Registration number 2006/006498/07, is a company incorporated in South Africa registered as a manager of collective investments schemes in securities in terms of Section 42 of the Collective Investments Schemes Control Act, 45 of 2002 (“CISCA”) and is regulated by the Financial Sector Conduct Authority (“FSCA”). The Manager administers Unit Trusts and is also issuer of both passively managed exchange traded fund (“ETF”) portfolios and actively managed exchange traded fund portfolios (“AMETFs”) which listed on the JSE in the Exchange Traded Funds sector and the Actively Managed Exchange Traded Funds sector of the JSE’s Main Board, respectively.

Unit Trusts, ETFs, AMETFs and are collective investment schemes portfolios (“CIS portfolios”) in terms of CISCA – however, as ETFs and AMETFs are listed on the JSE, they are therefore also regulated by the JSE. Unit Trusts, ETFs and AMETFs may seem similar in nature as they both hold a basket of shares but there are many differences between them. The differences not only lie within the investment strategy but also in: Trading – AMETFs and ETFs are listed on the JSE; Transparency – You know exactly what shares the AMETF or ETF holds; Costs – as AMETFs and ETF are listed on an exchange, they may incur normal costs associated with listed securities including brokerage, settlement costs, Uncertified Securities Tax (UST), other statutory costs and administrative costs; Fees and minimum investment differs between the funds. The investment objective of each of the 10X FM Unit Trust and ETF portfolios is to replicate as far as possible the price and yield performance of a specified Index (or such other investment mandate approved by the regulator). The investment objective of each of the 10X AMETF portfolios is to provide access to a single portfolio of underlying assets or securities which are discretionarily managed in terms of a predetermined strategy.



# Important **Information**

CIS portfolios are generally medium to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Actual investment performance of the portfolios and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the Manager free of charge. There are no performance fees charged in the portfolios. The Manager does not provide any guarantee either with respect to the capital or the return of the portfolios. The portfolios may from time to time invest in foreign securities which could be accompanied by additional risks such as macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks as well as potential limitations on the availability of market information.

Additional details and information on each of the CIS portfolios such as investment objectives, benefits, index or benchmark, performance and tracking error, annual reports, brochures, minimum disclosure Documents (“MDDs”) and quarterly general investor reports can be viewed on the 10X website [www.10x.co.za](http://www.10x.co.za) and will also be made available to investors on request free of charge, the application form for investment in the Unit Trust portfolios will be made available to investors on request. The Investment Management of the portfolios is outsourced to 10X Investments (Pty) Ltd, FSP number 28285, an authorised Financial Services Provider (“FSP”) under the Financial Advisory and Intermediary Services Act, 2002 (“FAIS Act”). This document and any other information supplied in connection with 10X FM is not “advice” as defined and/or contemplated in terms of the FAIS Act, and, therefore, investors are encouraged to obtain their own independent advice prior to investing or buying participatory interests in the CIS portfolios issued by the Manager.

