Asset Class Returns 2026 and beyond - When old lessons meet new realities

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Asset Class Outlook 2025: How did we do?

Global Scorecard

What we expected:

Chinese Equities

Gold

MSCI World

What happened:

Gold

Chinese Equities

MSCI World

Asset Class Outlook 2025: How did we do?

Local Scorecard

What we expected:

SA Equities

SA Inflation-Linked Bonds

SA Nominal Bonds

What happened:

SA Equities

SA Property

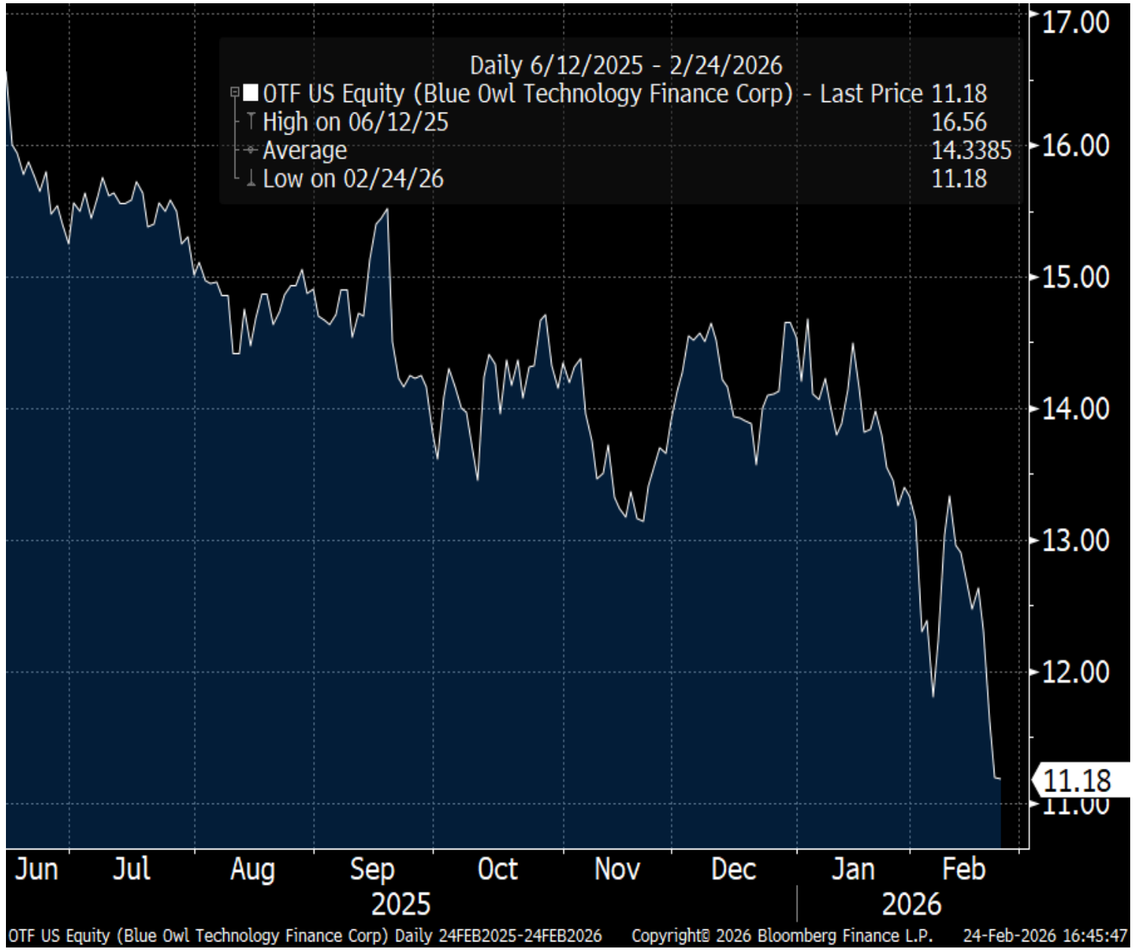
SA Nominal Bonds

Old Lesson:
The trend is your friend

New Reality: Complacency is the enemy

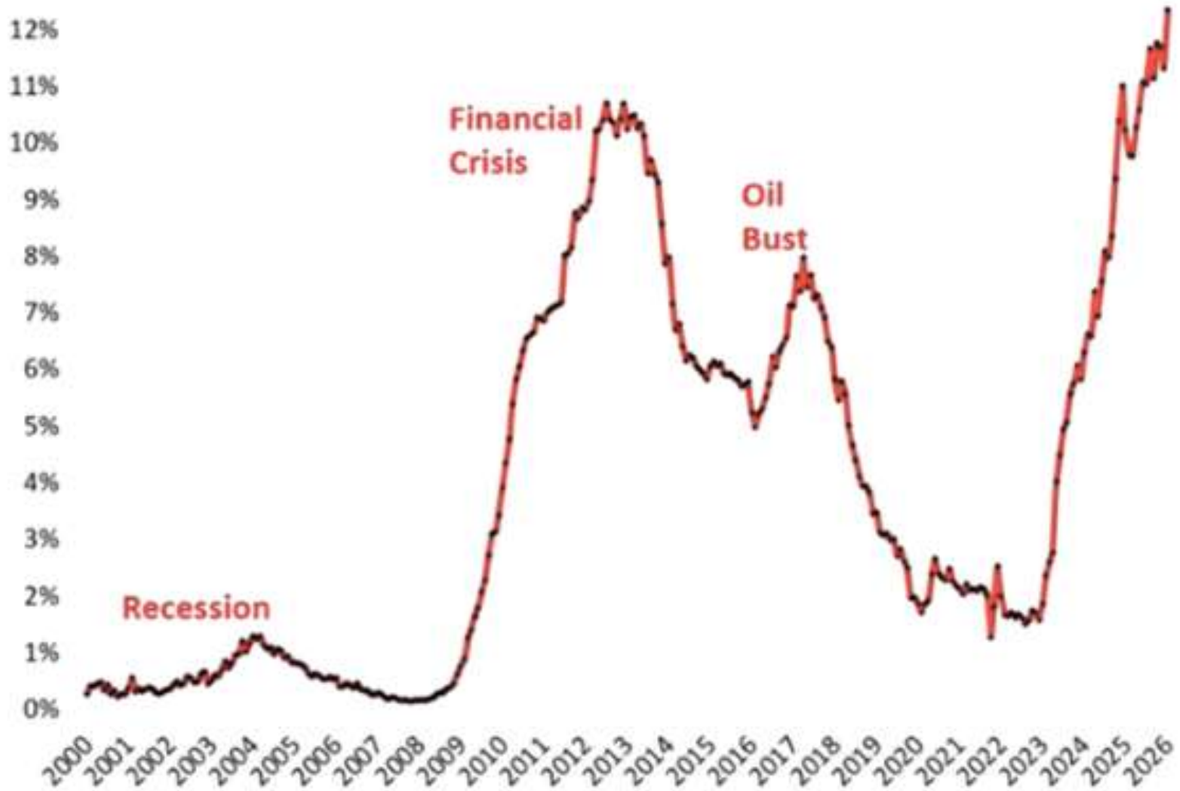
Pay attention to rising risks and negligible risk premiums

The private credit market is under strain

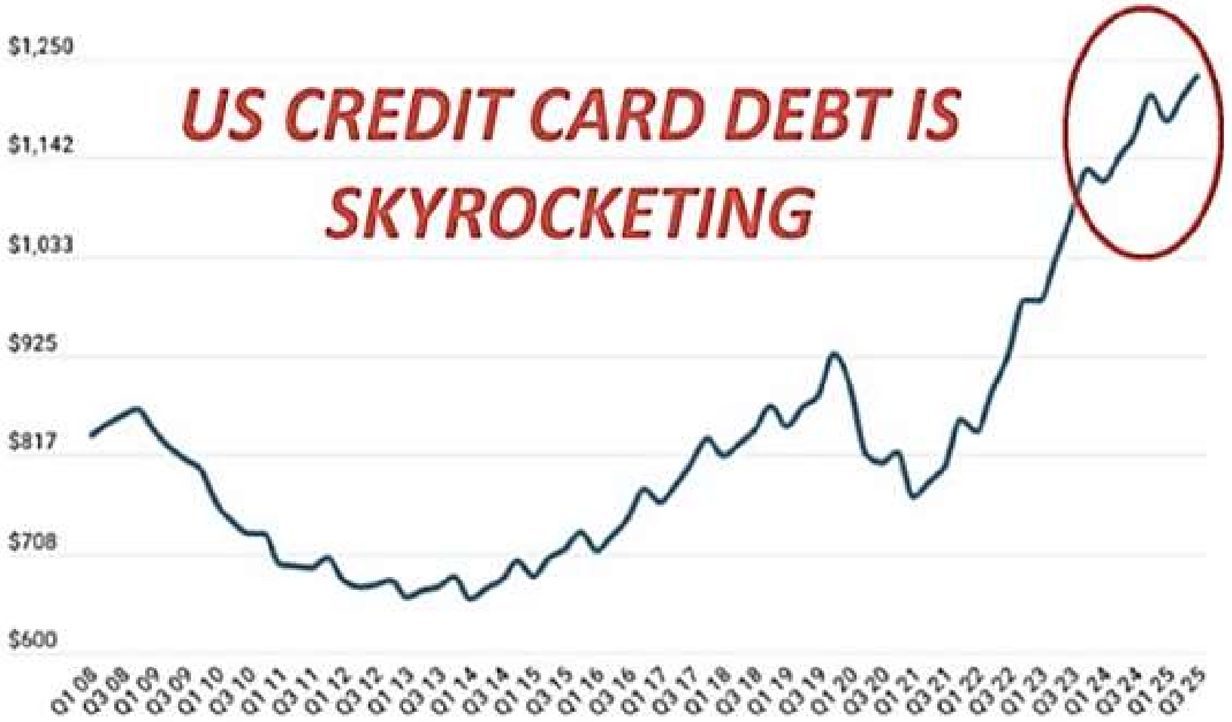


Strain in real estate and consumer credit

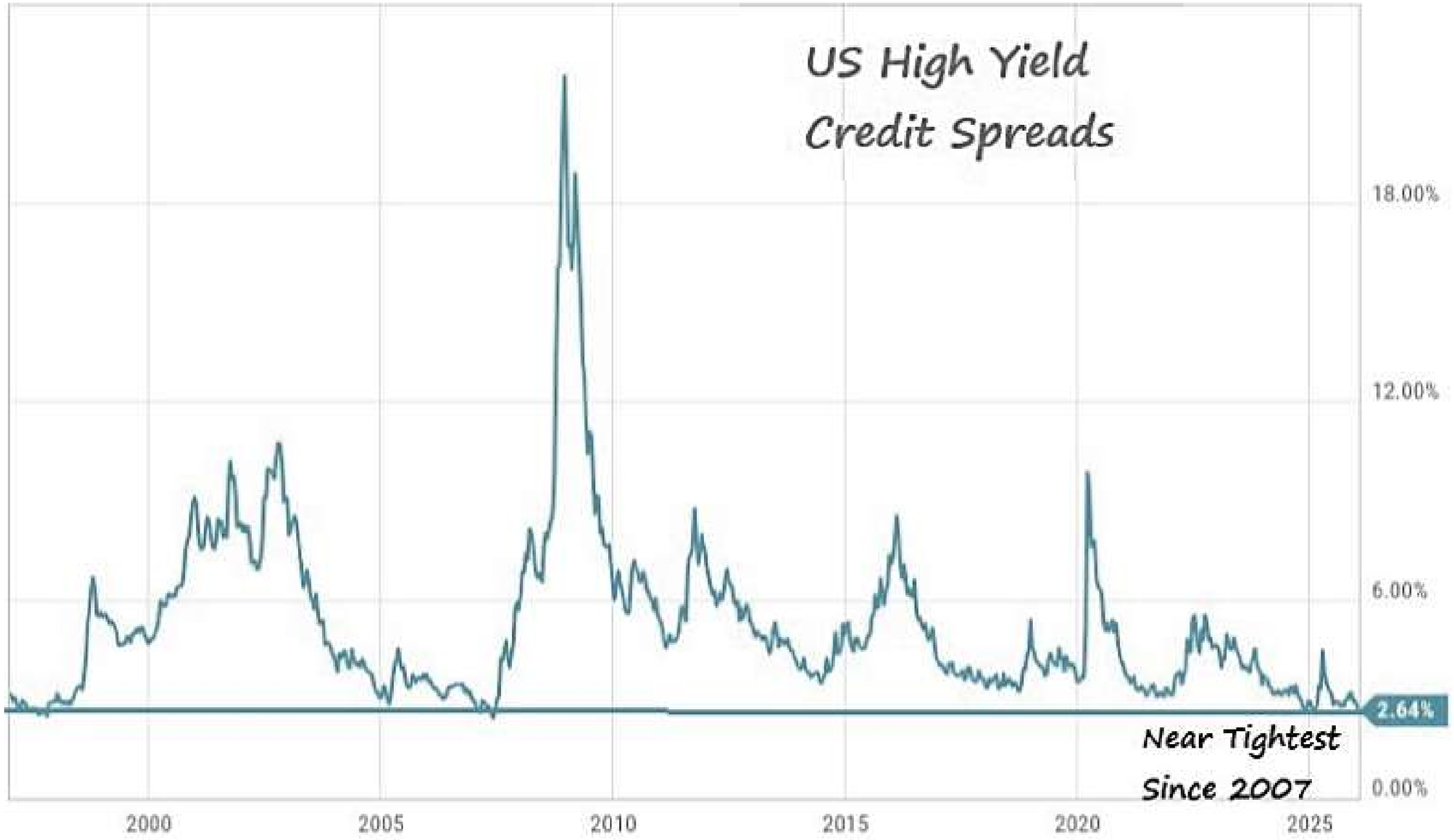
Office CMBS Delinquency Rate %



Total Outstanding Credit Card Balances, 2008 to present



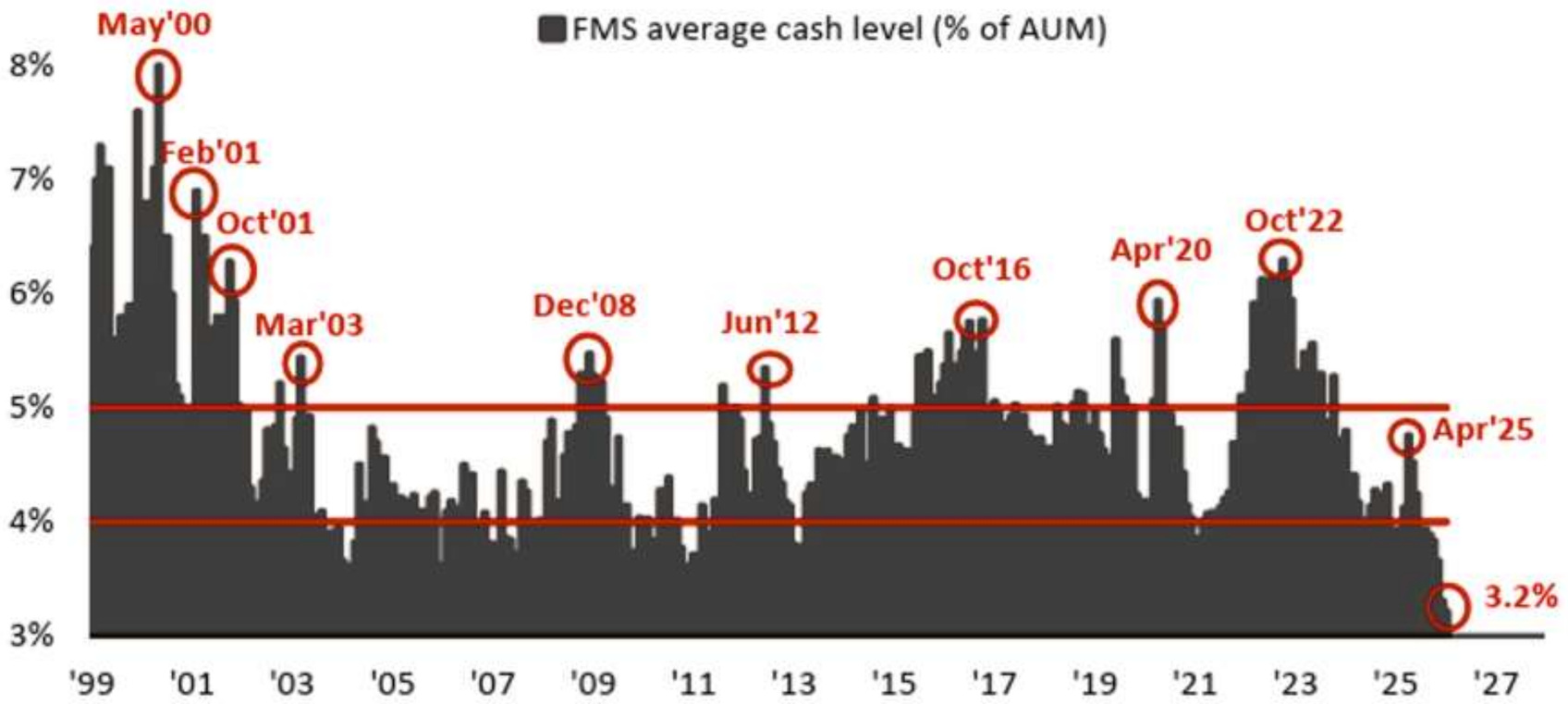
But high yield credit spreads are at record lows



Source: Y Charts, Charlie Bilello

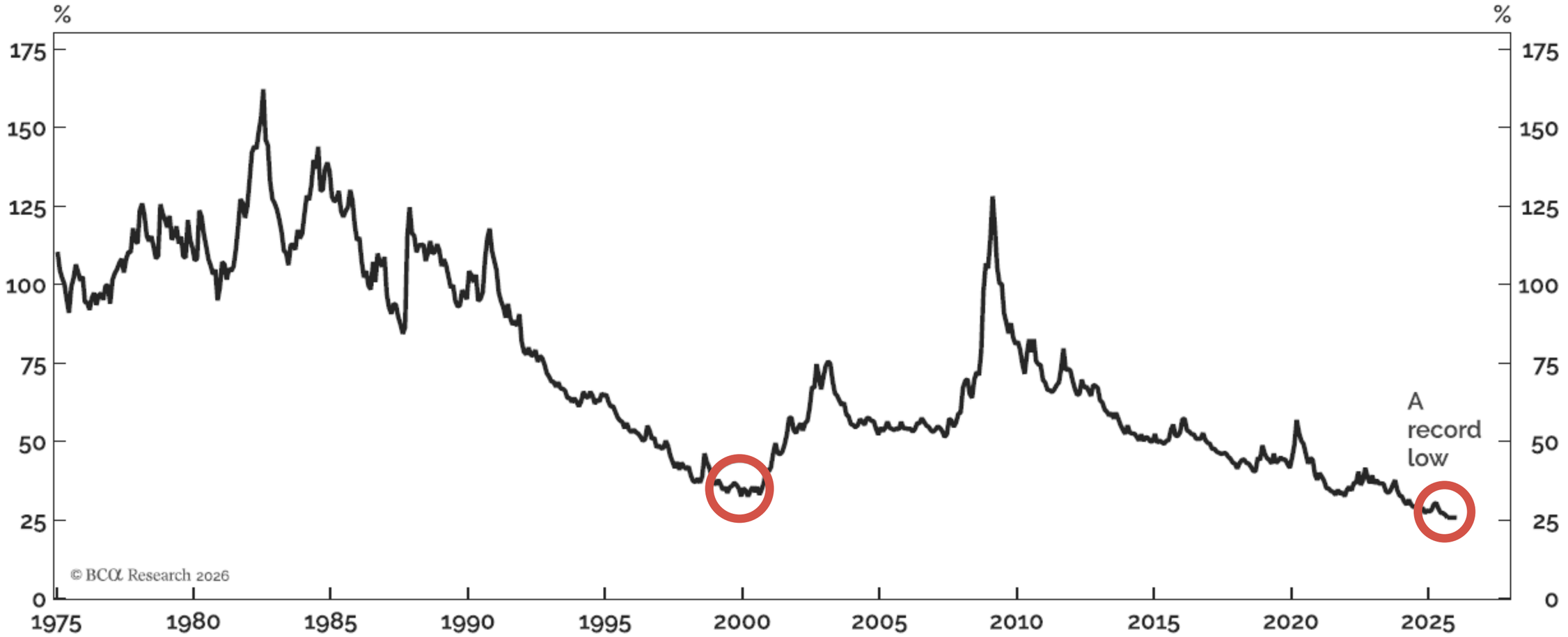
Fund managers don’t have much dry powder

Cash is once again trash



Private investor cash is also at record lows

US Aggregate Investable Funds as a % of US Equity Market Cap

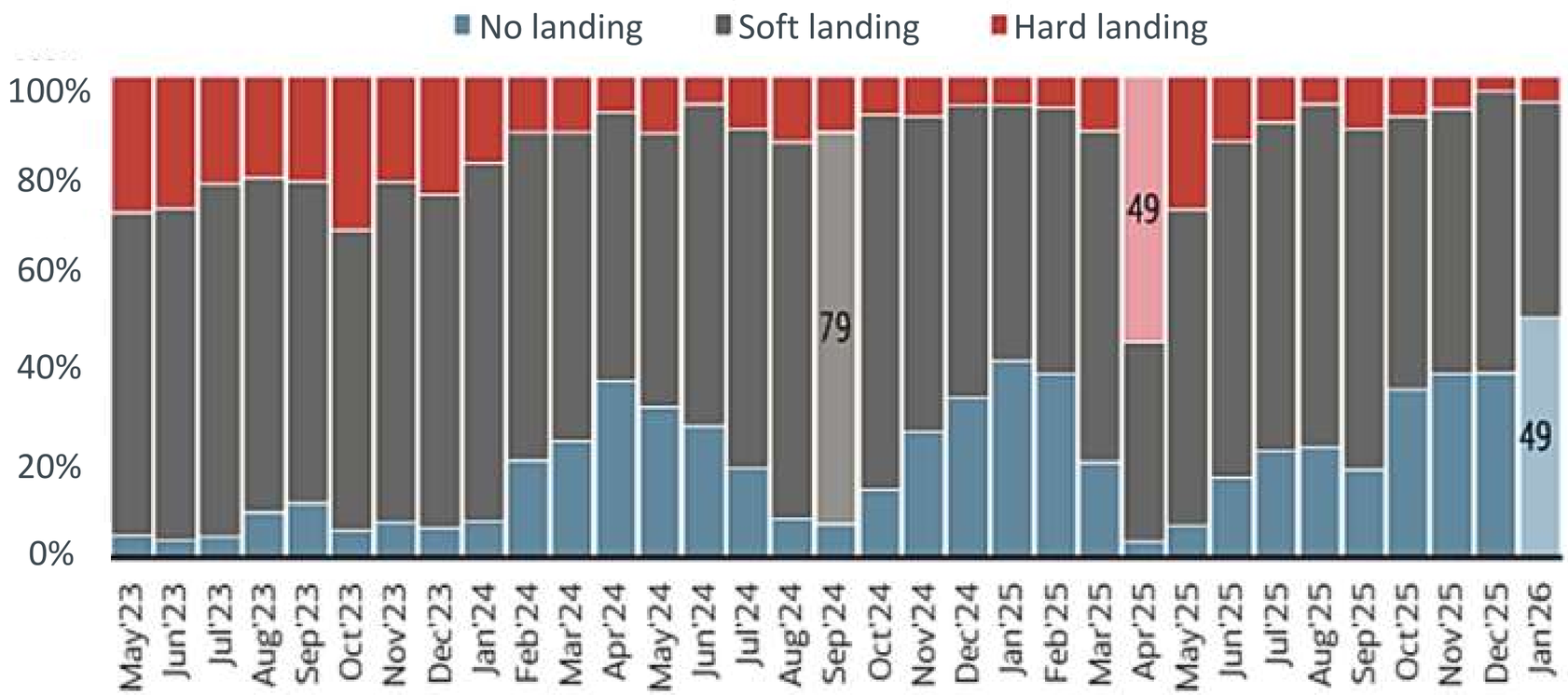


*INCLUDING MONEY MARKET FUNDS, TIME AND SAVING DEPOSITS OF HOUSEHOLDS AND INVESTMENT ORGANIZATIONS, AND CHECKABLE DEPOSITS OF INVESTMENT ORGANIZATIONS; SOURCE: BCA CALCULATIONS
**WILSHIRE 5000 MARKET CAP

No one is anticipating a downturn

Investor base case is ‘no landing’ for first time in 3 years - despite all the risks

What is the most likely outcome for the global economy in the next 12 months?

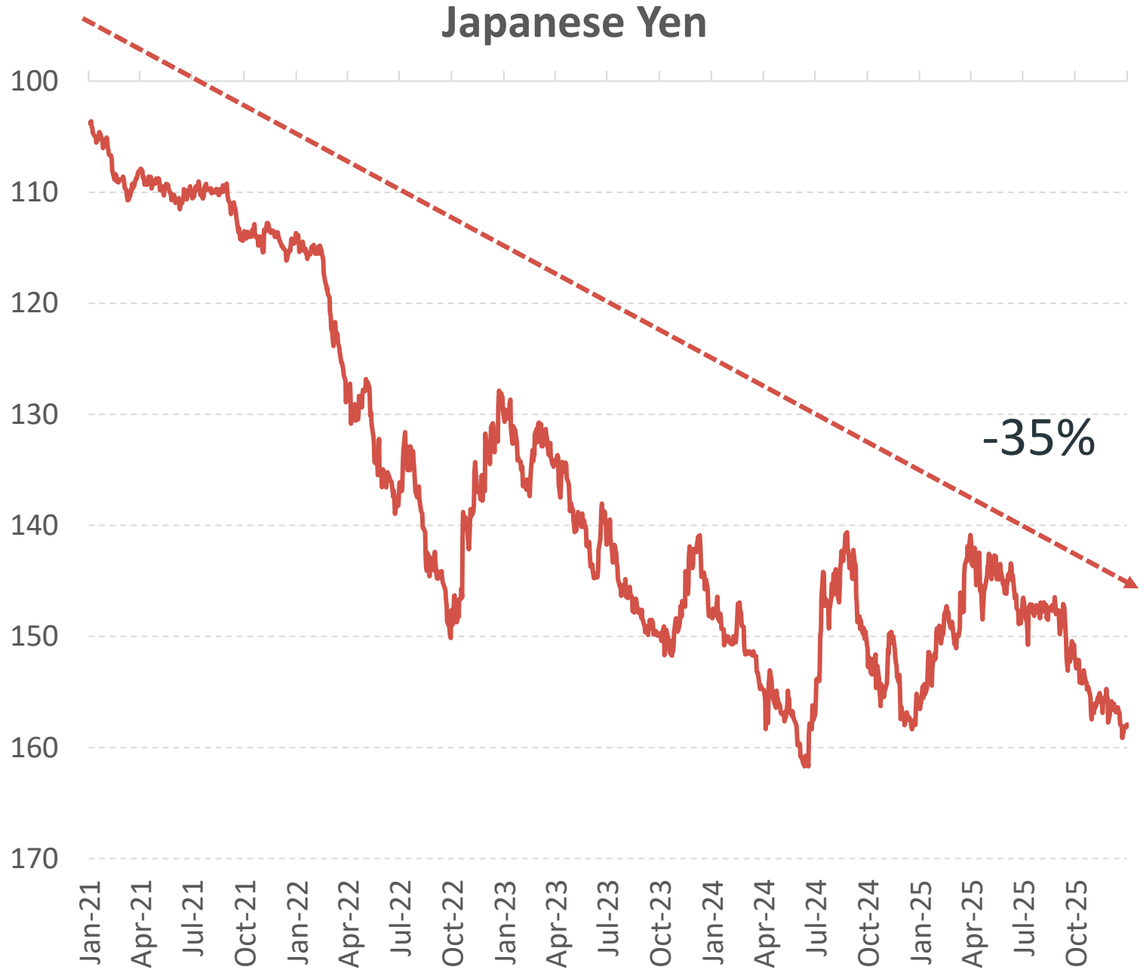


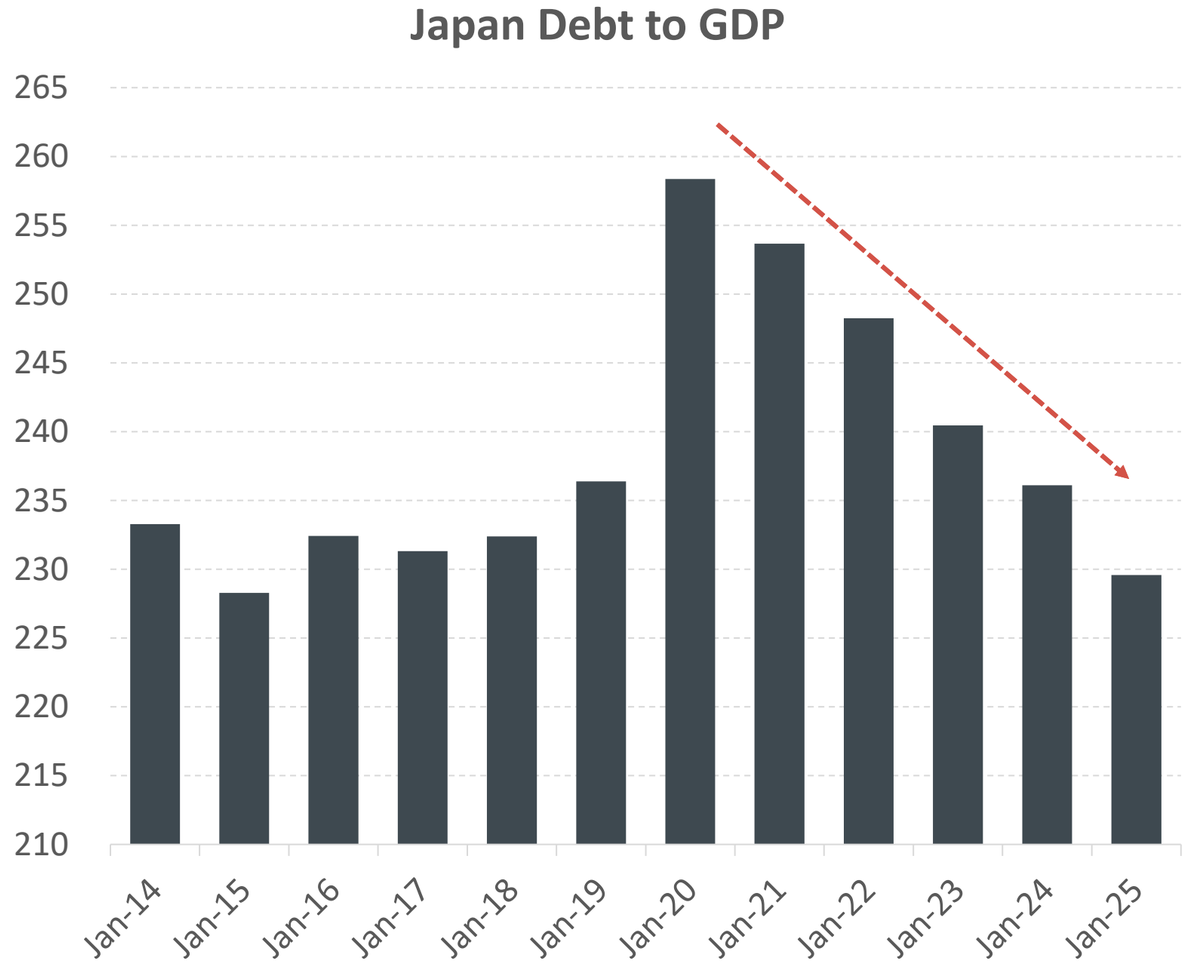
Source: BofA Global Fund Manager Survey

Old Lesson:
Inflation is a problem for governments

New Reality: Inflation is a solution for governments

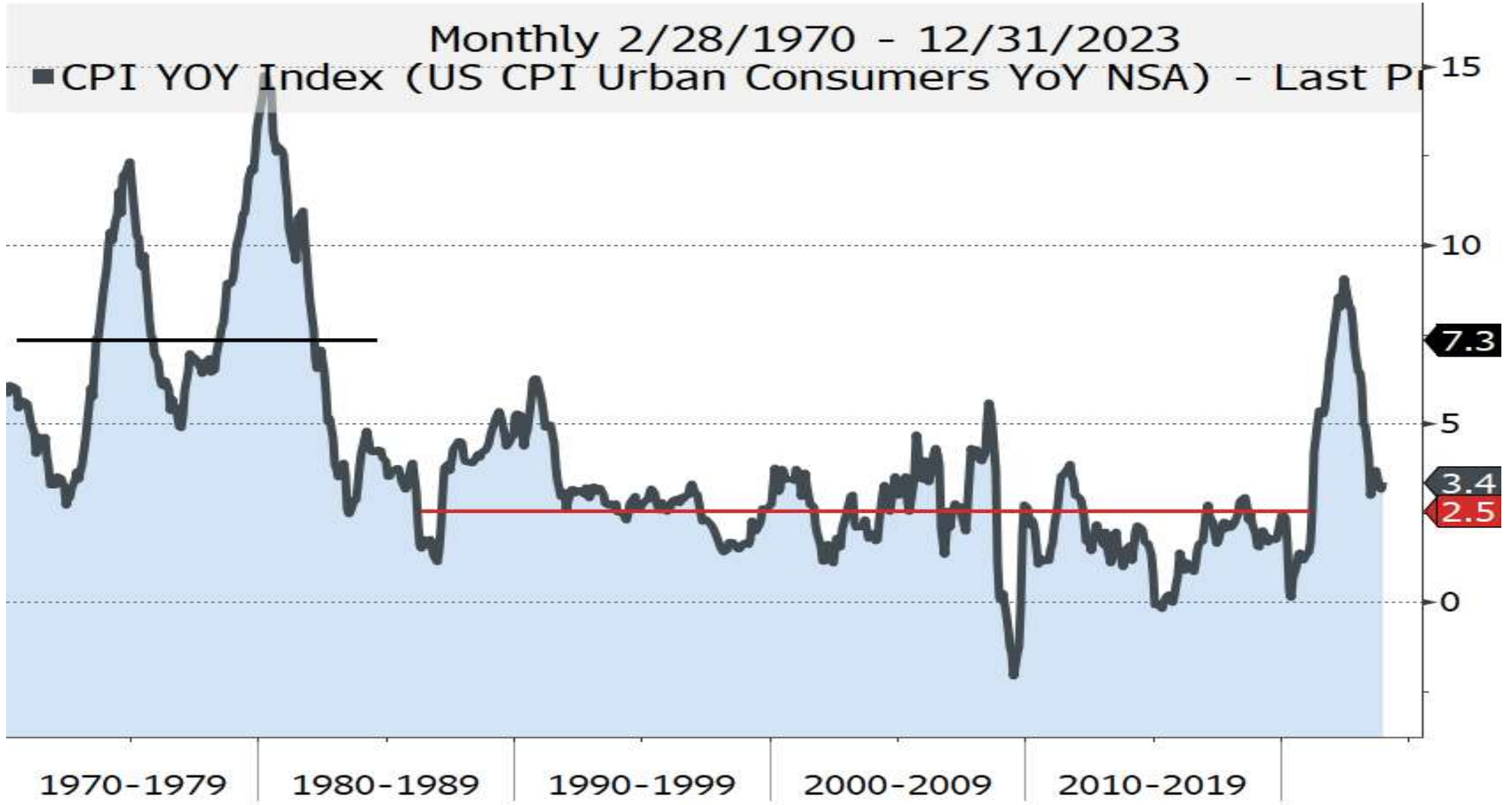
Lock in low rates and allow higher inflation and weaker currency





Post WW2 inflation peaked in the painful 70's

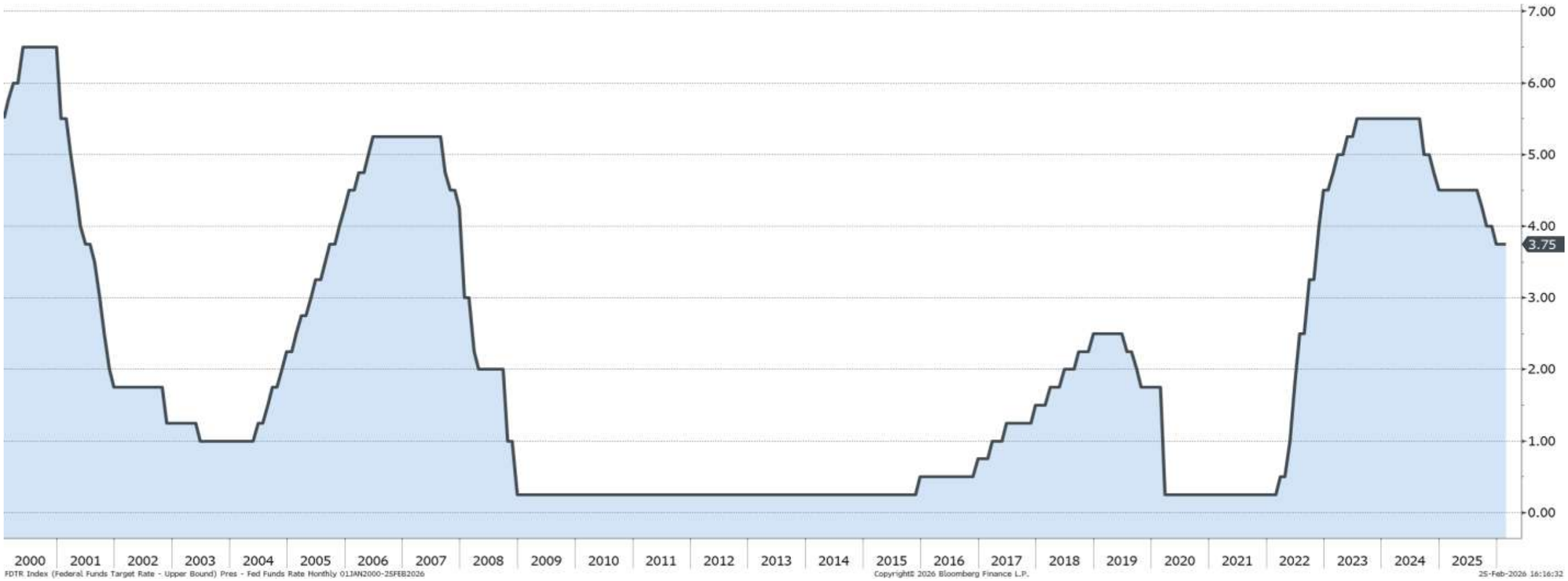
Moderate inflation created a stable macro environment



Source: Bloomberg

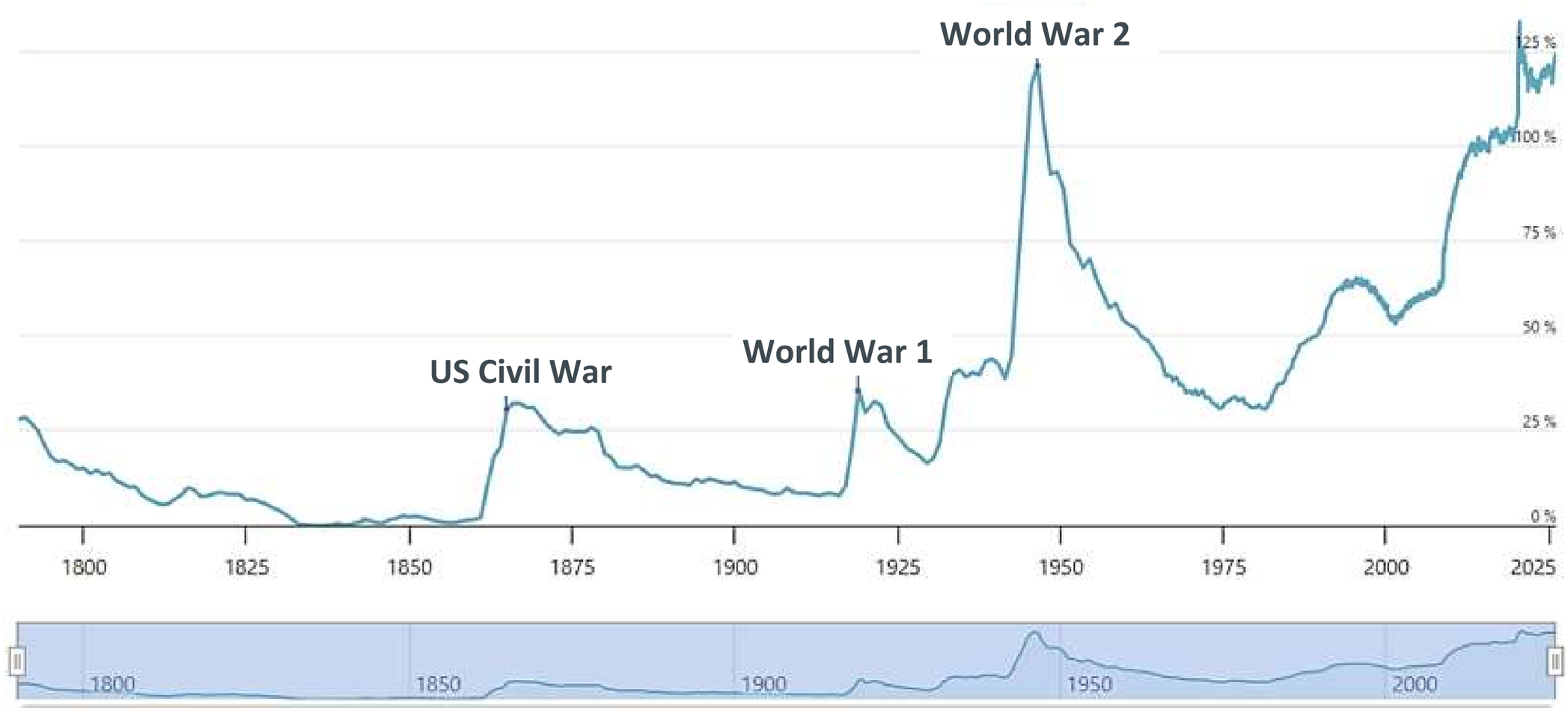
Since then rates used aggressively to tame inflation

U.S. Fed Funds Rate



Rate hikes may not be an option when inflation spikes

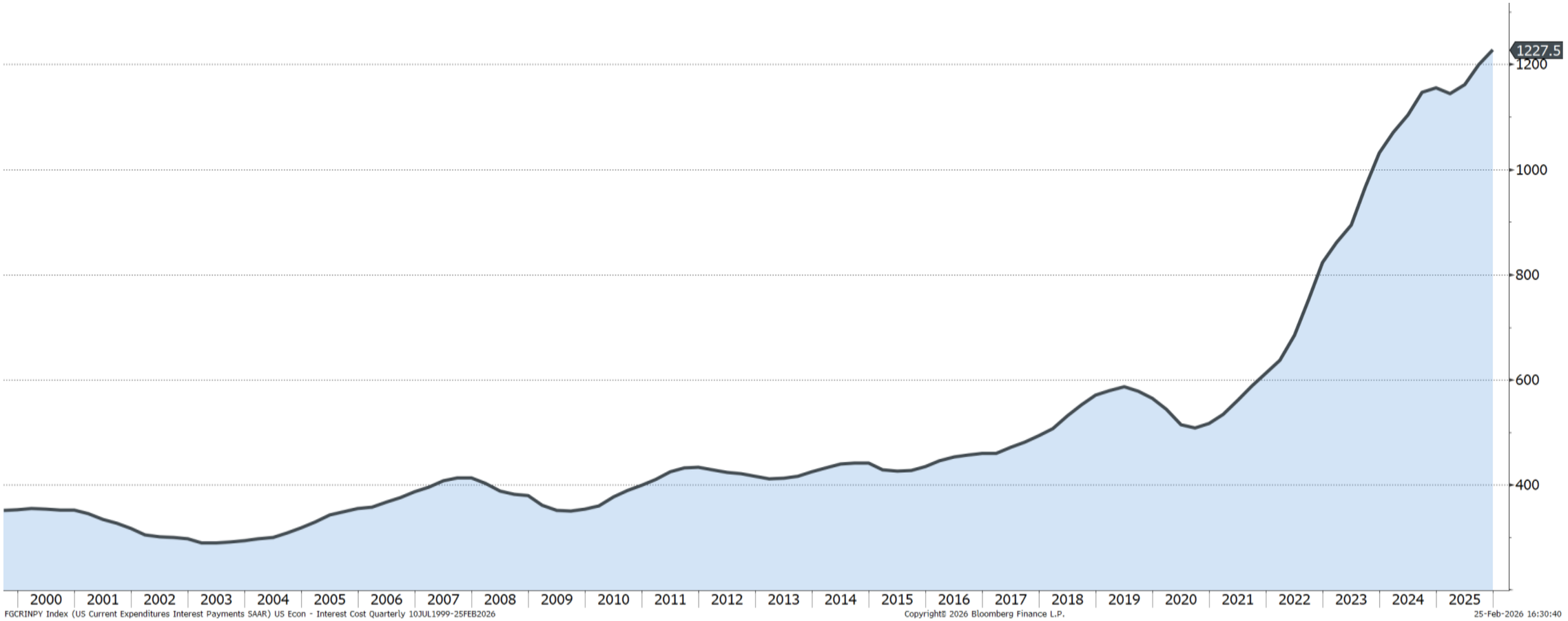
(Government) Total Public Debt / GDP Ratio



US funding costs have risen dramatically

US interest costs now above $1 trillion per annum

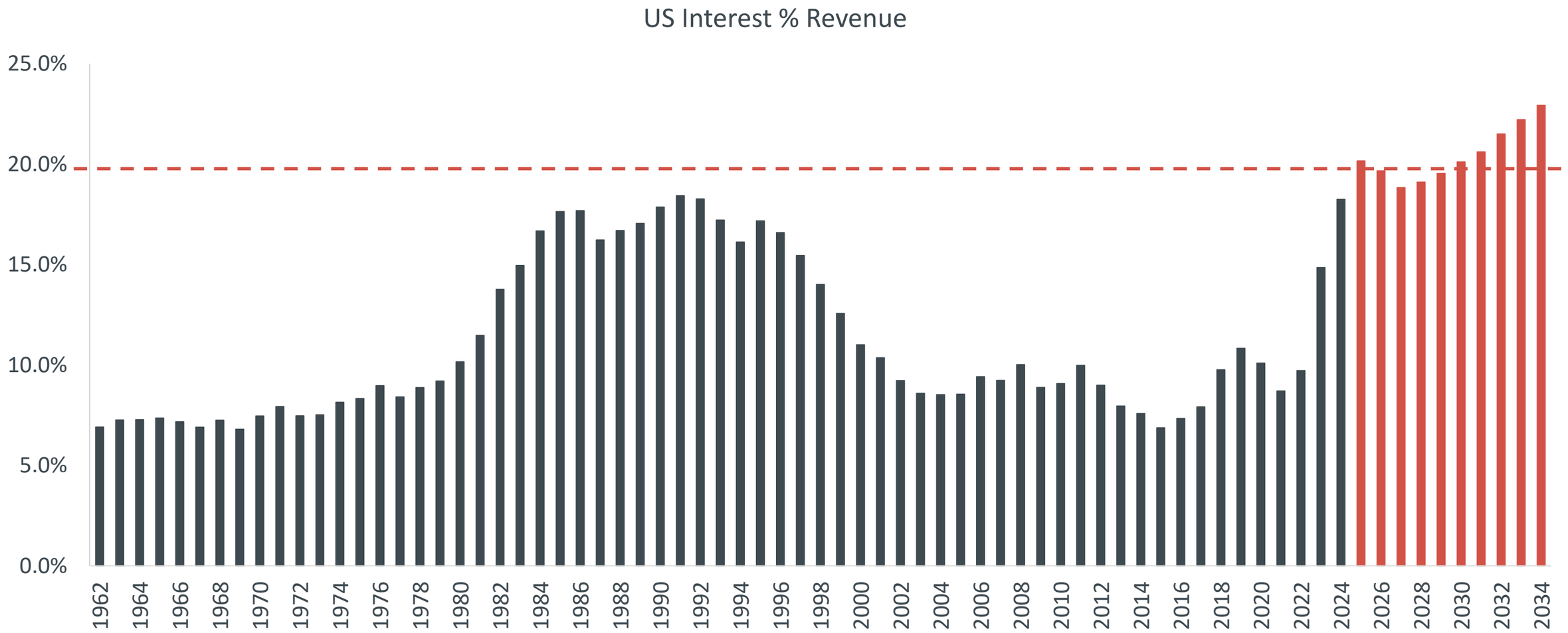
US Current Expenditures Interest Payments



Source: Bloomberg

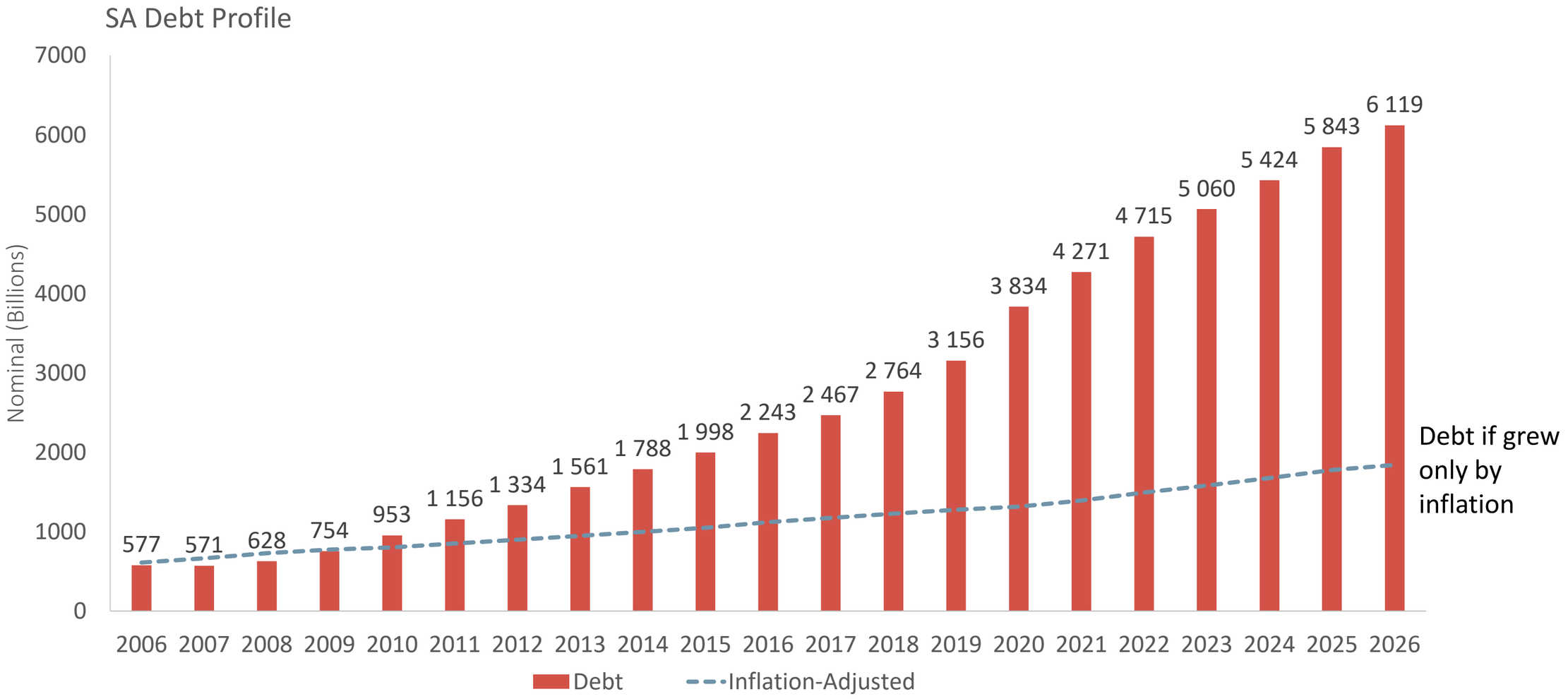
US interest costs are now >20% of government revenue

Now at similar levels to those last seen during economic crises



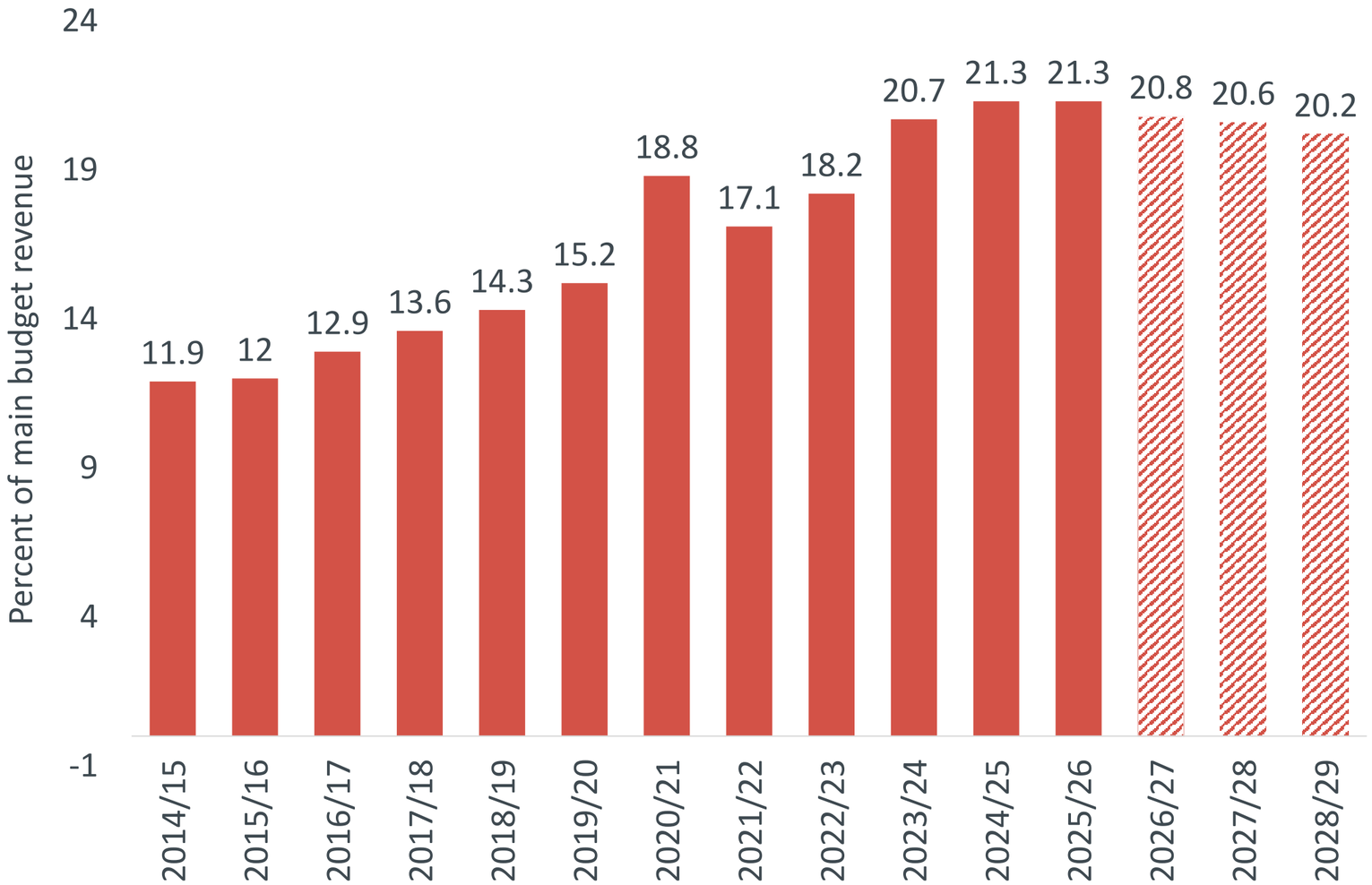
South Africa also has a massive debt problem

Government debt has more than doubled since 2017



South Africa debt costs also above 20% of Revenue

Debt-service costs to revenue



Source: National Treasury

Own assets that protect against inflation

Gold, Utilities, Inflation-linked Bonds

Gold & Materials

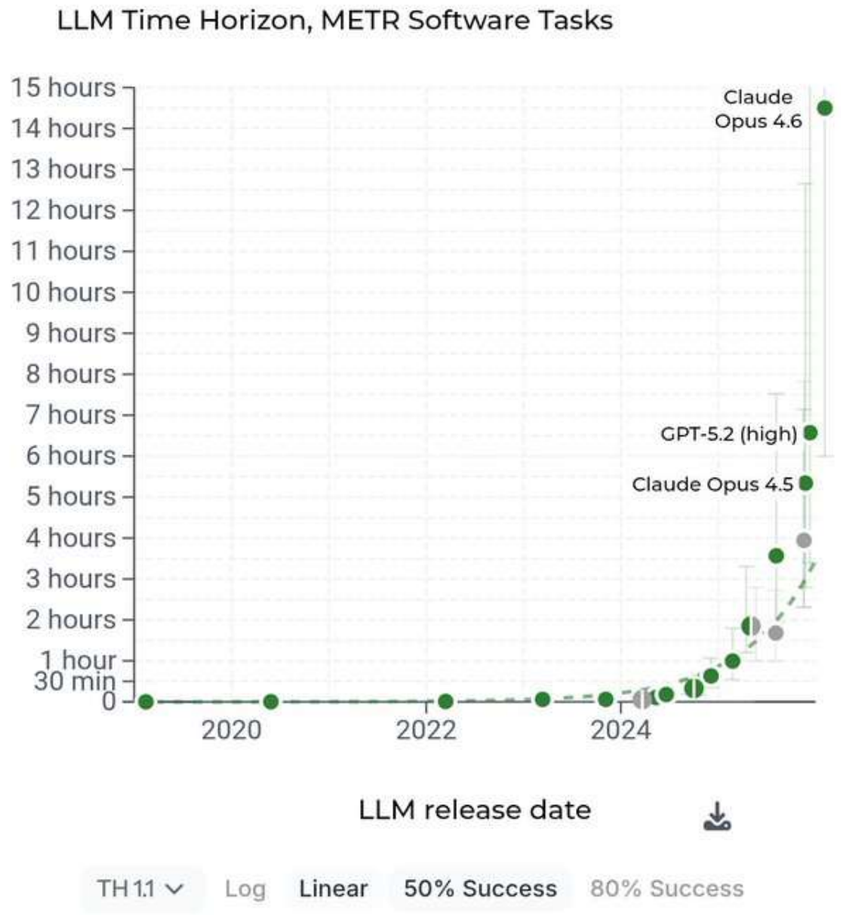
Utilities Companies

Inflation-linked Bonds

Old Lesson:
Demographics is destiny

New Reality: Economic output delinking from demographics

Gap between AI & Humans widening

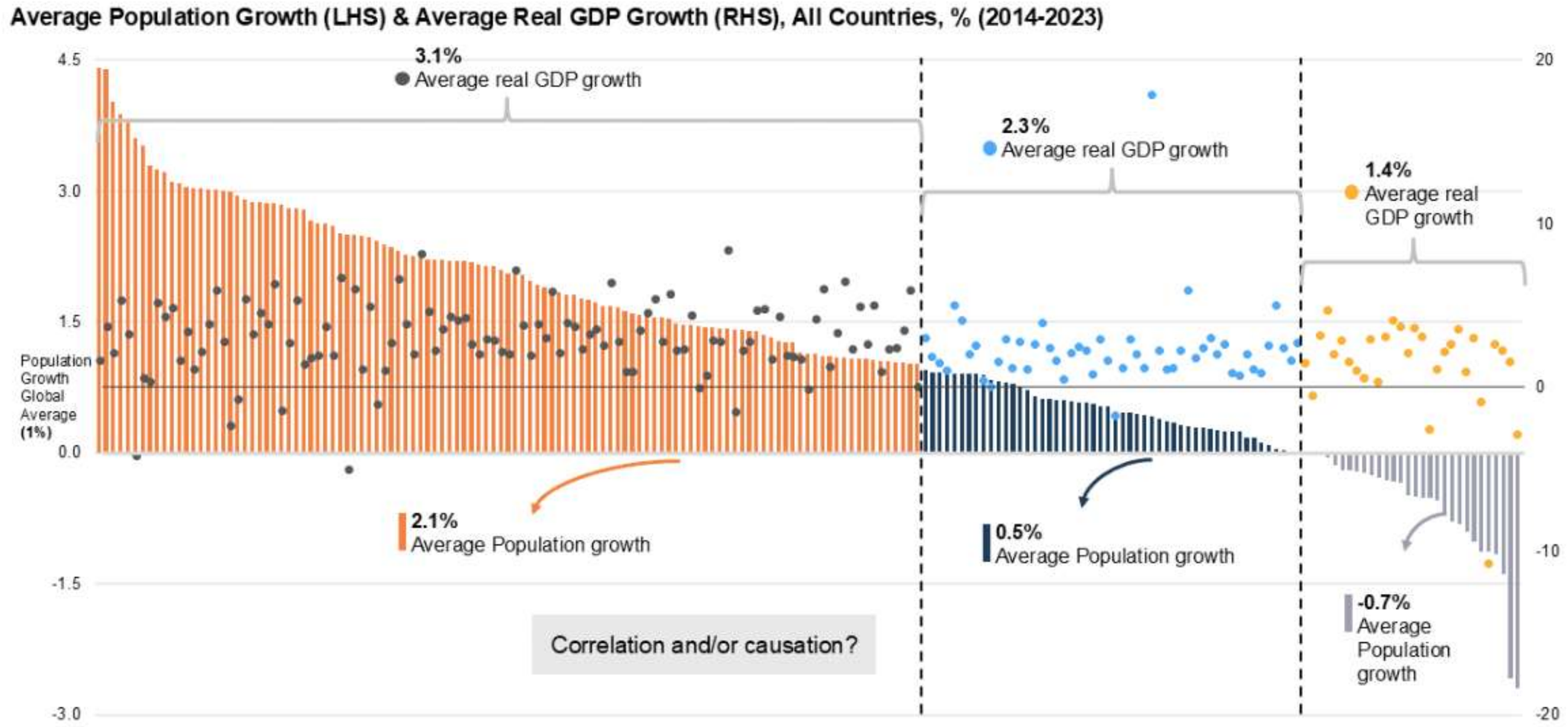


Share prices for back office companies reflect new reality

Source: METR, Bloomberg

Higher population growth = higher economic growth

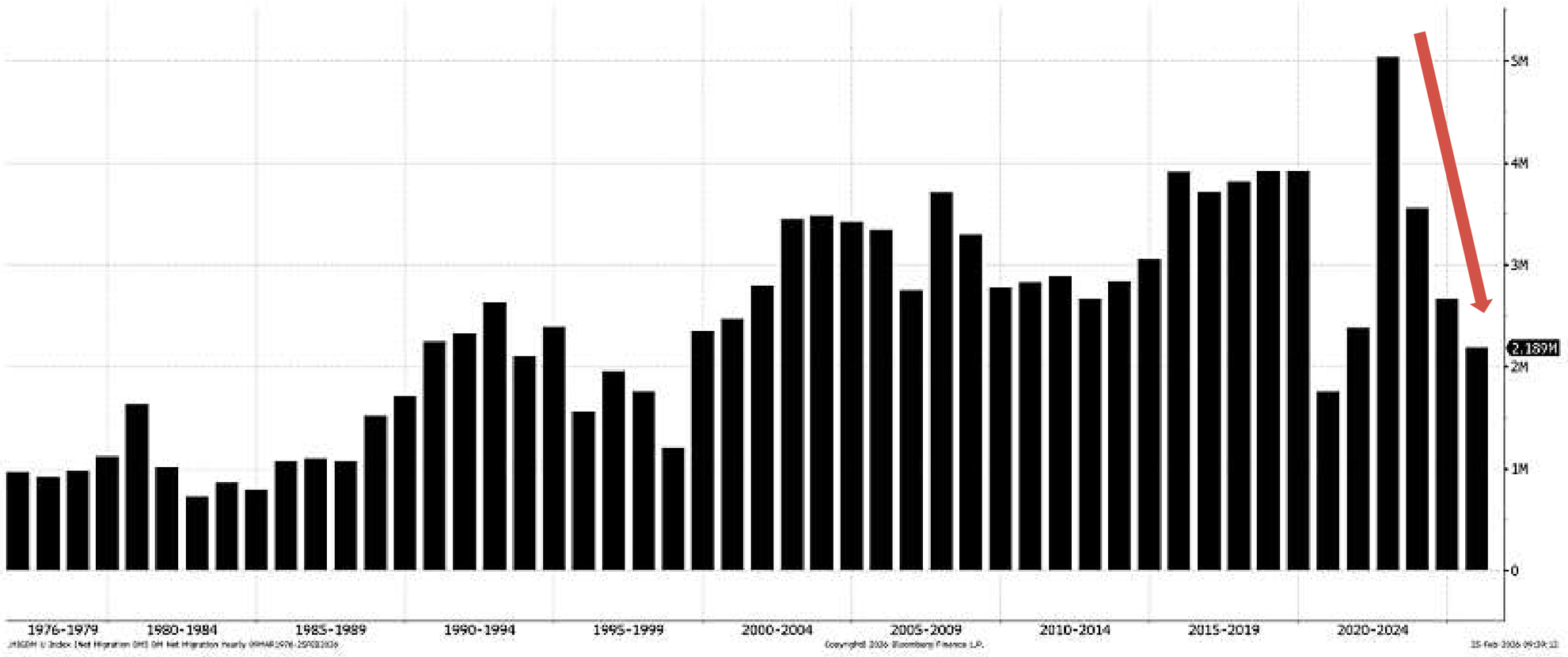
Countries with higher average population growth had higher average real GDP growth



Source: IMF World Economic Outlook 2024, Andaman Partners Analysis

Immigration into developed markets is being curtailed

Net Migration into US/Canada/UK/Europe/Australia has peaked



Layoffs are a winning strategy

Block shares pop more than 20% as plan announced to reduce workforce by almost half

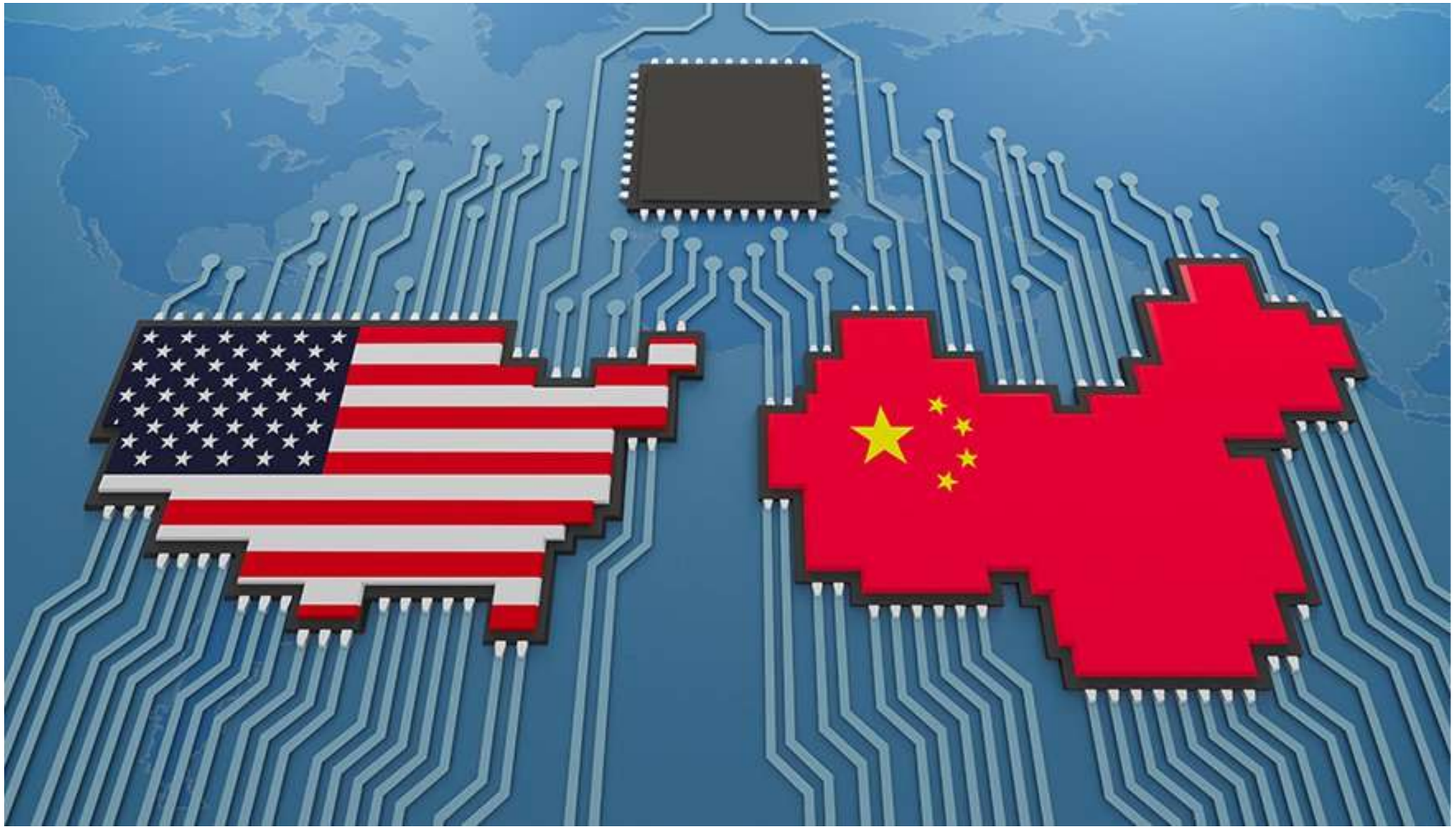
FC Fast Company

Jack Dorsey makes a grim prediction about the future of work as he lays off 4,000 Block employees in AI push

Block Inc Share Price

Technological leadership matters most

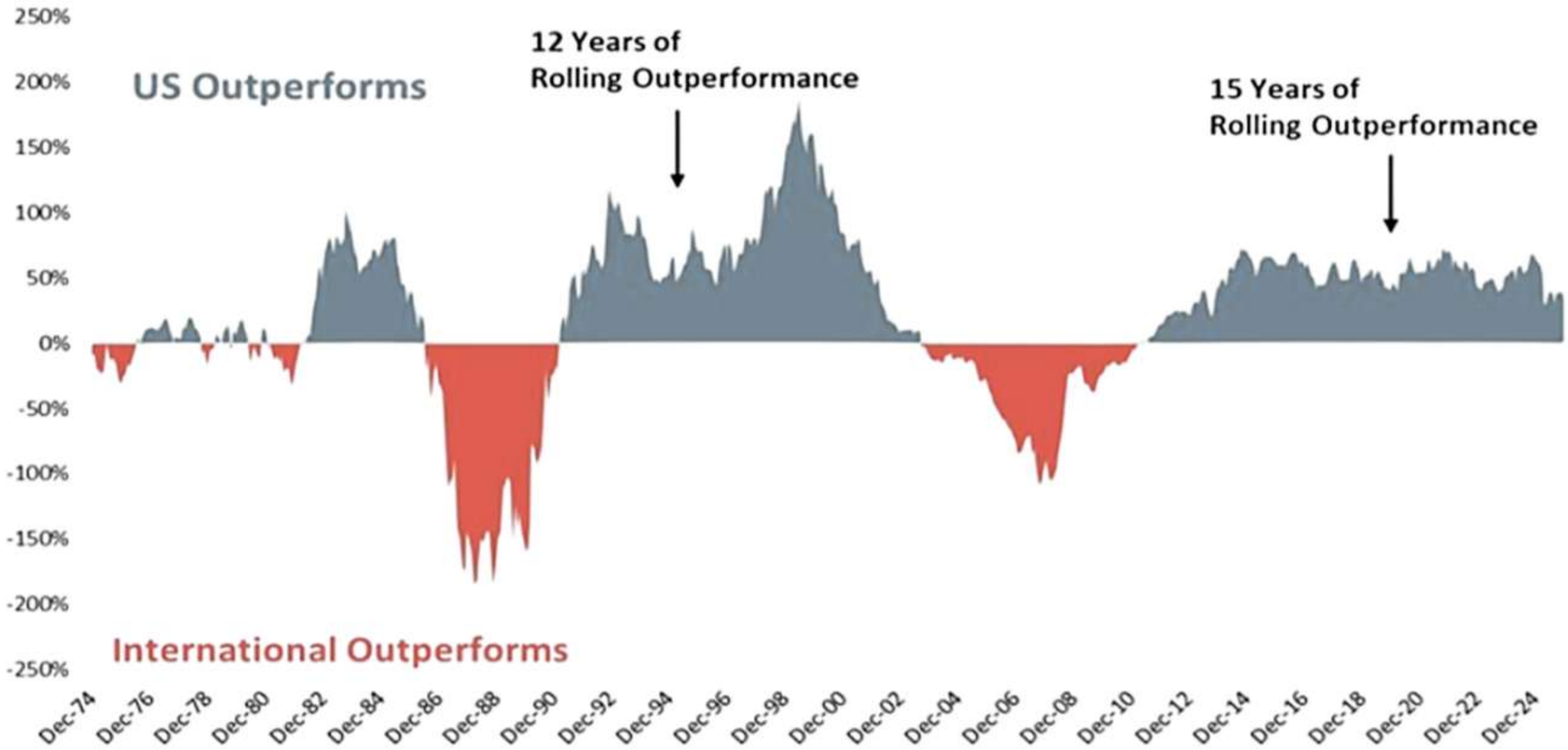
Demographics won’t matter for countries at the forefront of technology



Old Lesson:
USD assets form the core of a global portfolio

New Reality: Need to invest beyond the US

Rolling 5-year Total Returns for S&P500 minus MSCI World ex-US

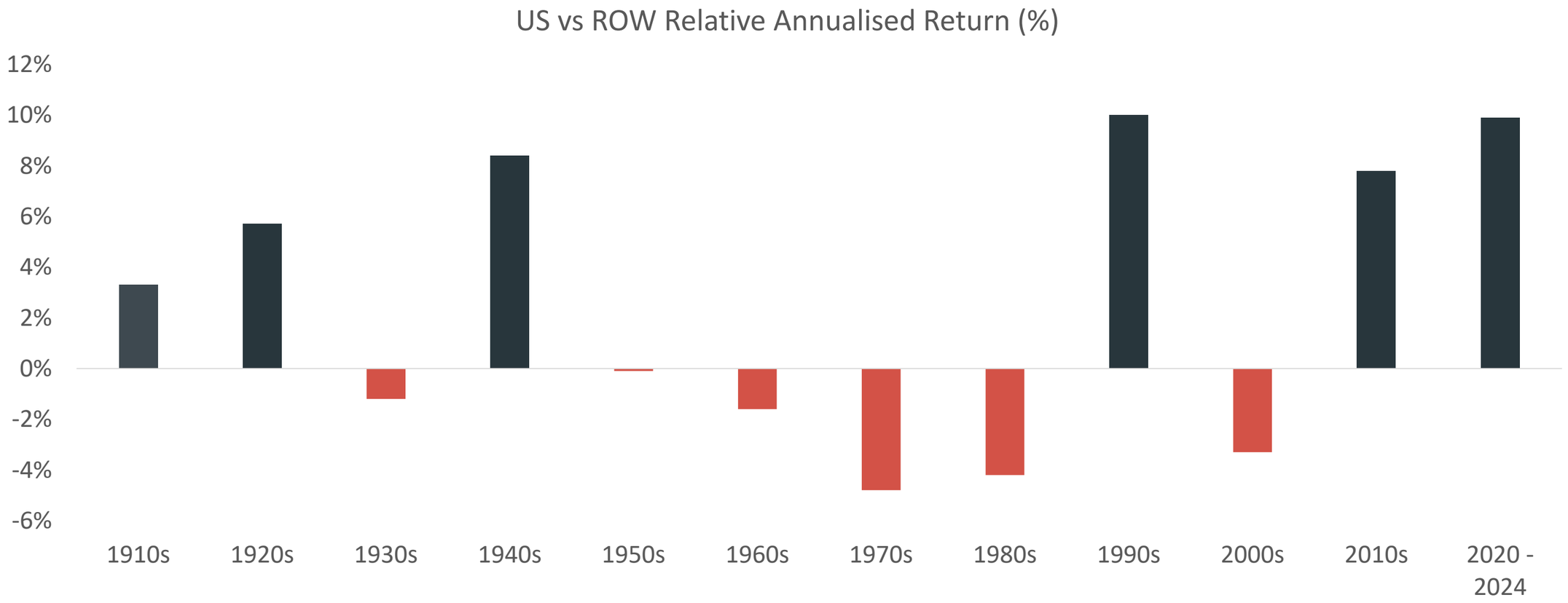


Source: Y-Charts, Charlie Bilello

Market leadership is cyclical, not permanent

Since the 1900s, US equities have lagged international peers half the time

Average Annual Stock Market Returns by Decade, US vs Rest of World



Source: UBS, DMS Databse, 2024, Breakout Capital Calculations. Expressed in USD

The Role of the US Dollar

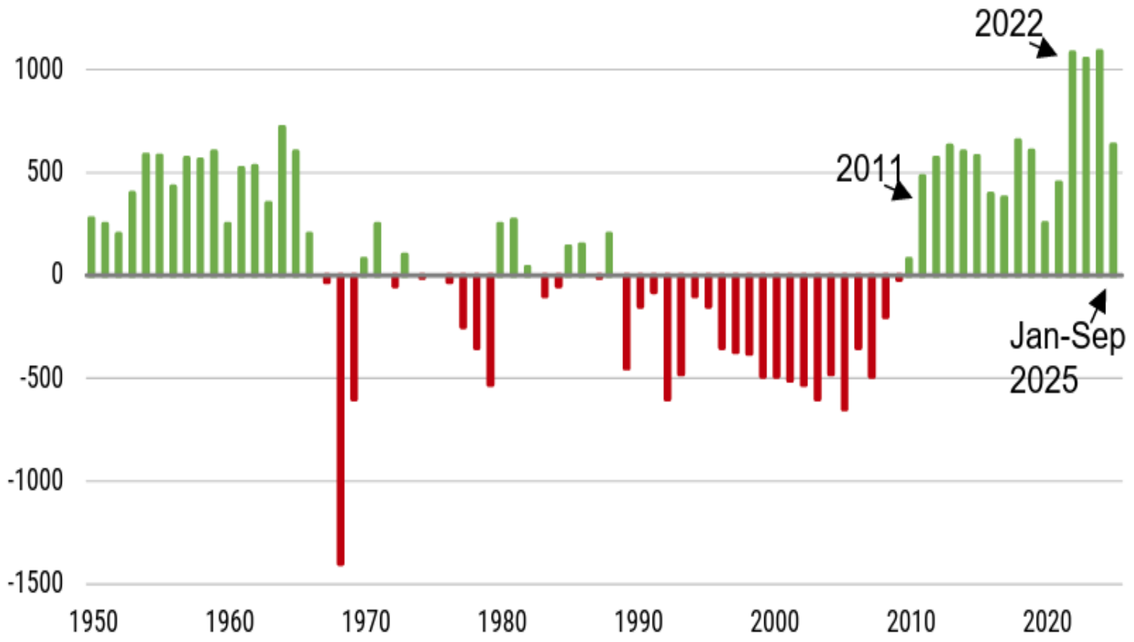
A new phase?

Source: RBC Wealth Management, Bloomberg: Monthly data through 09/30/25

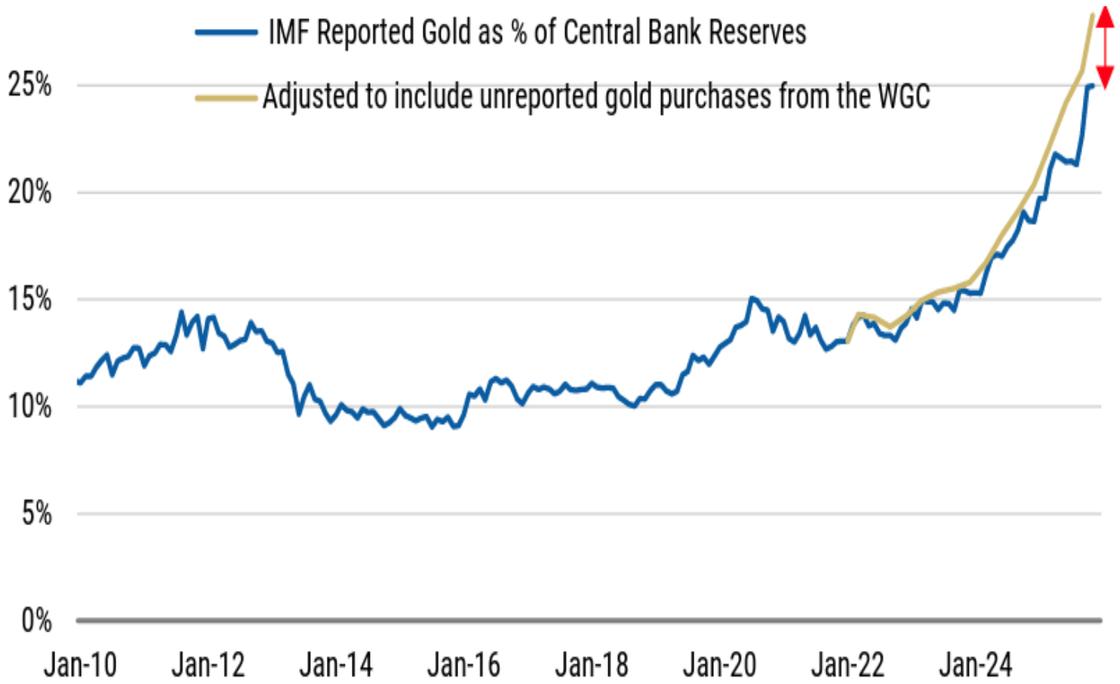
Governments diversifying away from dollar towards gold

Hedging fiscal and geopolitical risks

Central Bank Annual Net Purchases of Gold

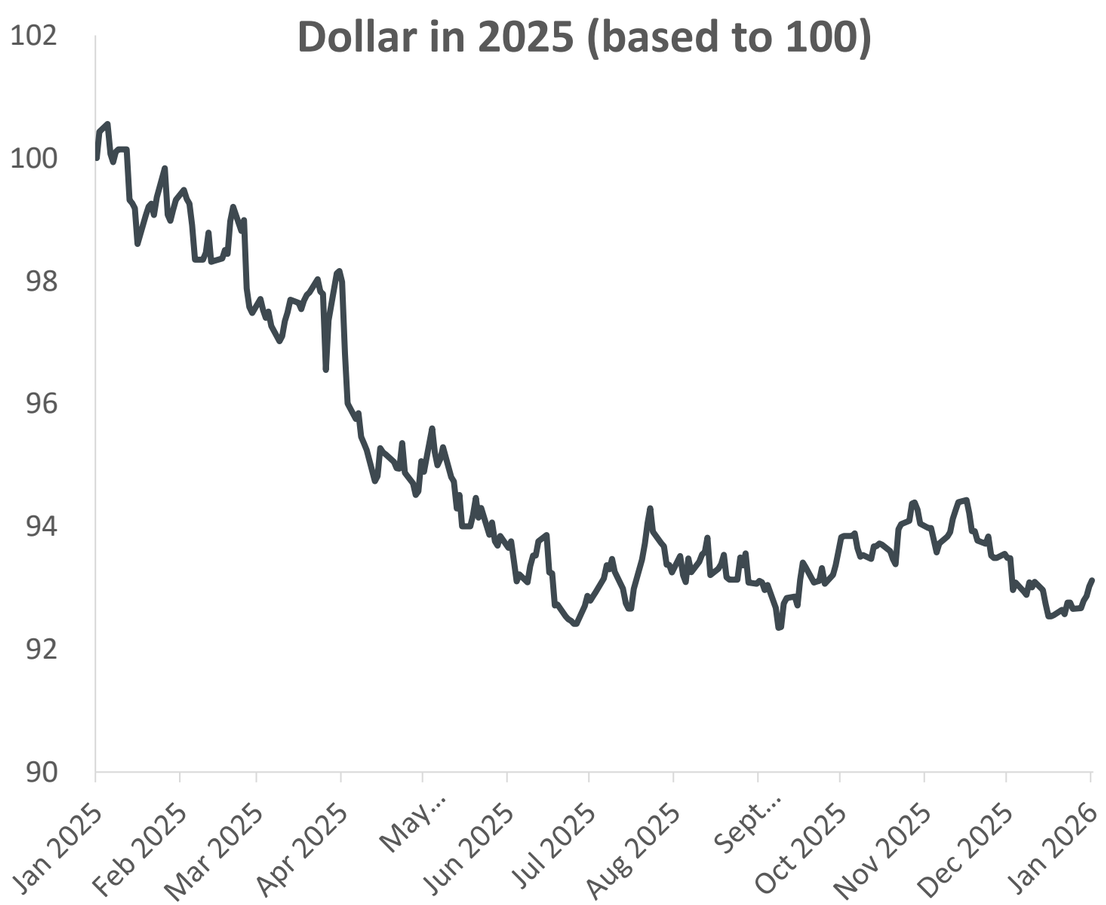


Gold as Share of Reserves



Source: World Gold Council

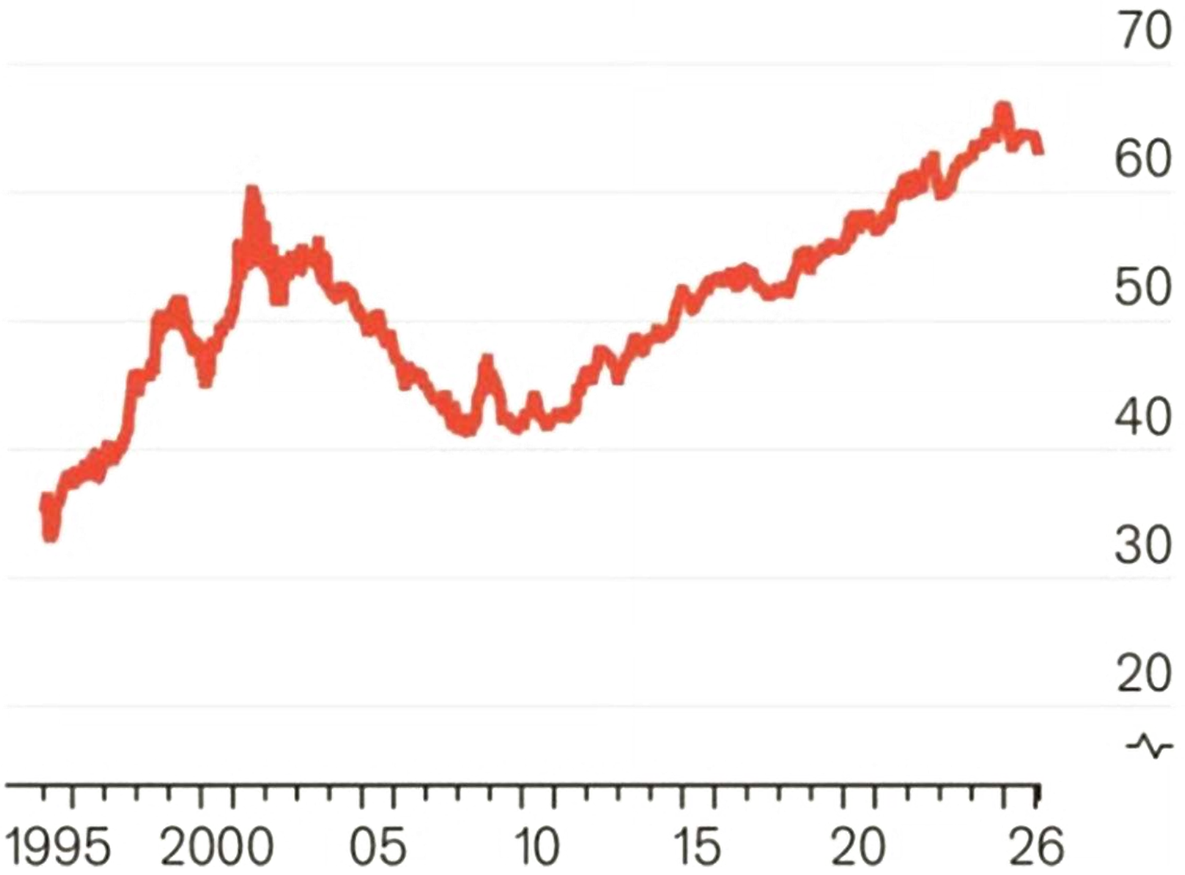
Dollar is losing ground as gold gains momentum



Foreign investors are massively overweight US equities

Weaker dollar reduces weight of US assets, forcing benchmark-oriented investors to sell

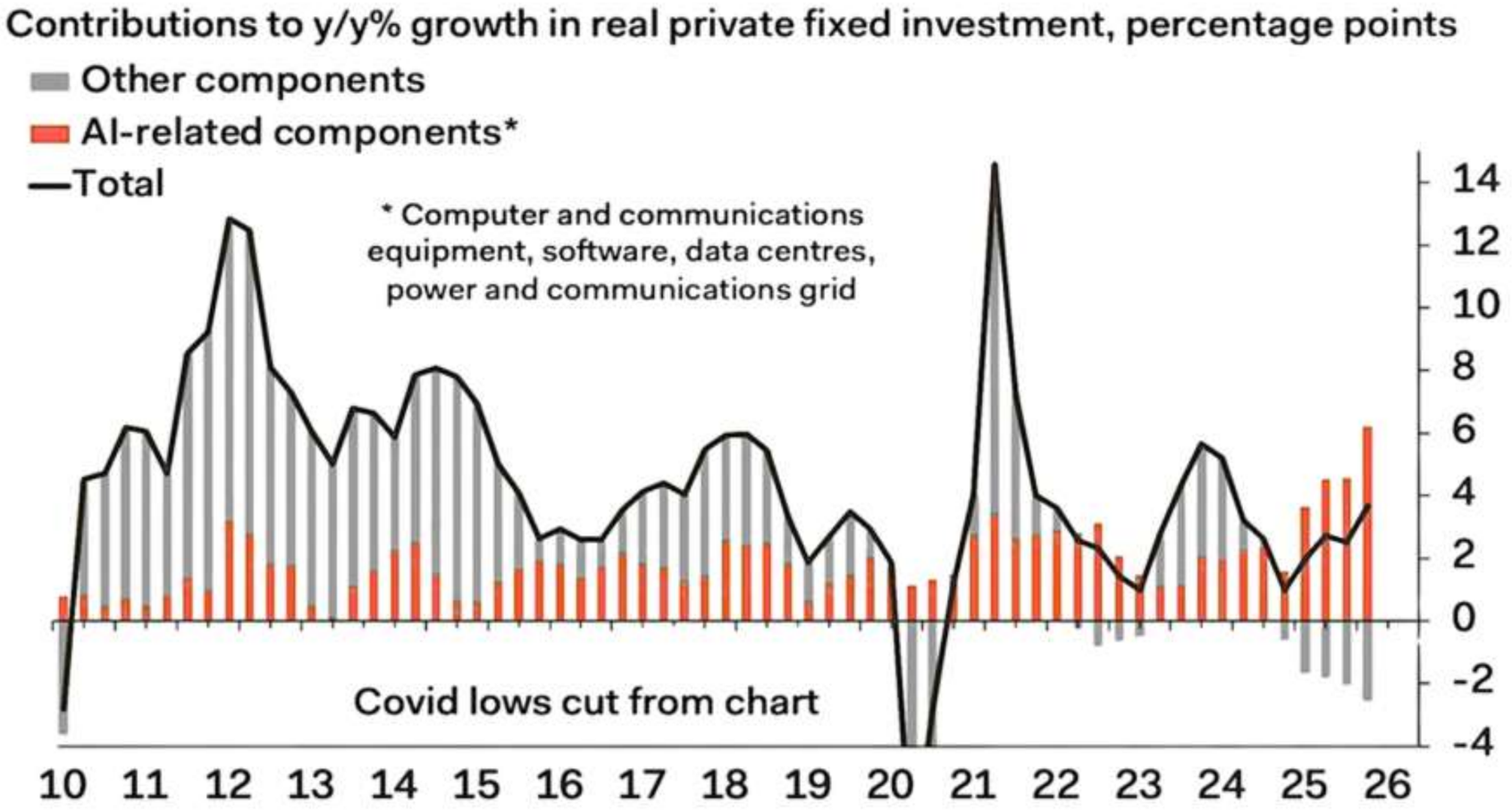
Share of US equities in MSCI All-Country World Index (%)



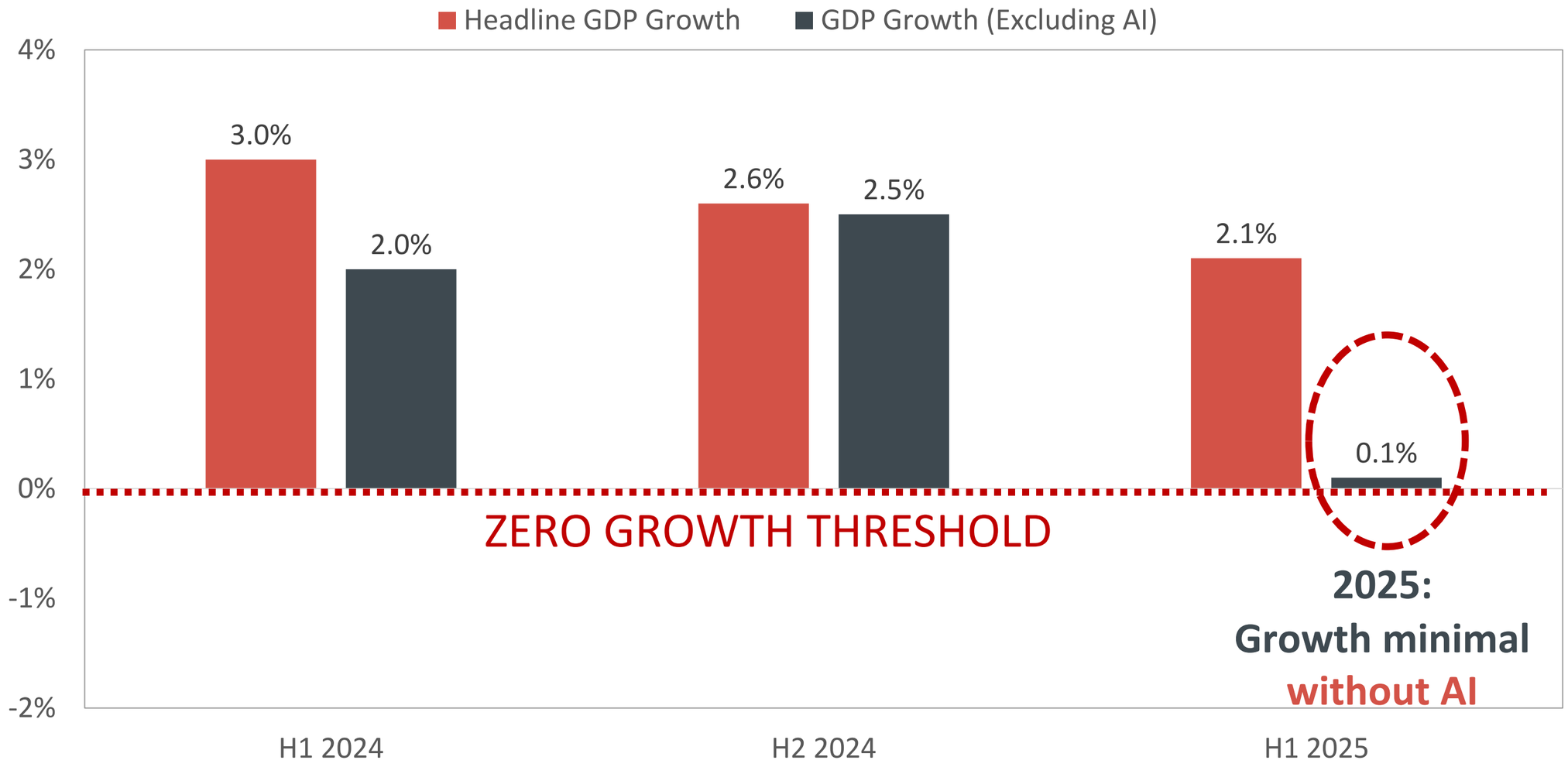
Source: MSCI

All is not well – no investment outside of AI capex

Weakness elsewhere offset by AI-related spend

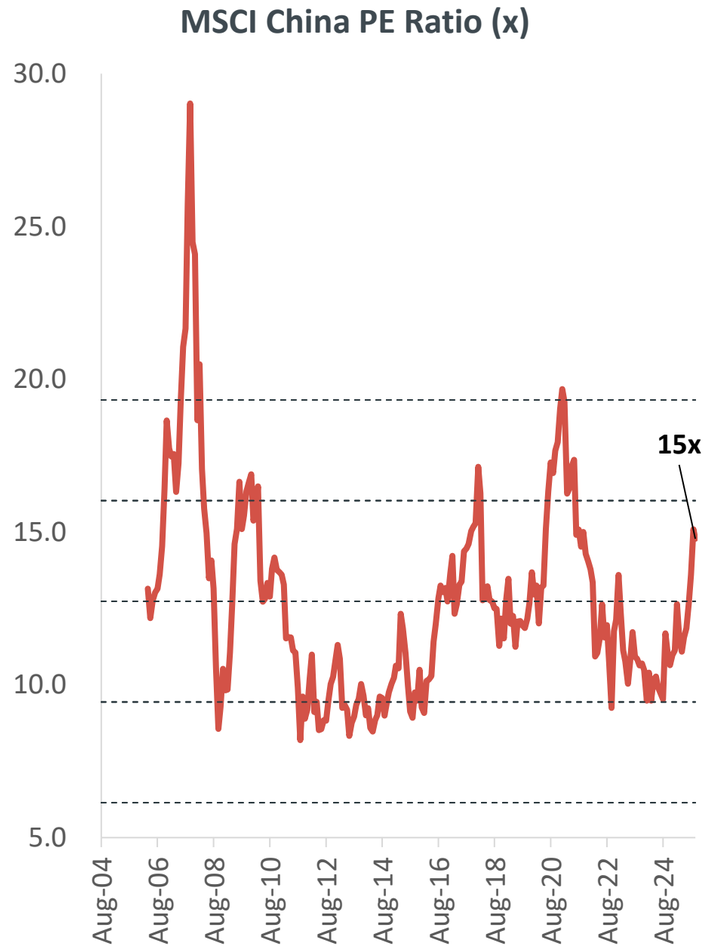


Without AI, US economic growth would be close to zero



US still expensive - better value in other regions

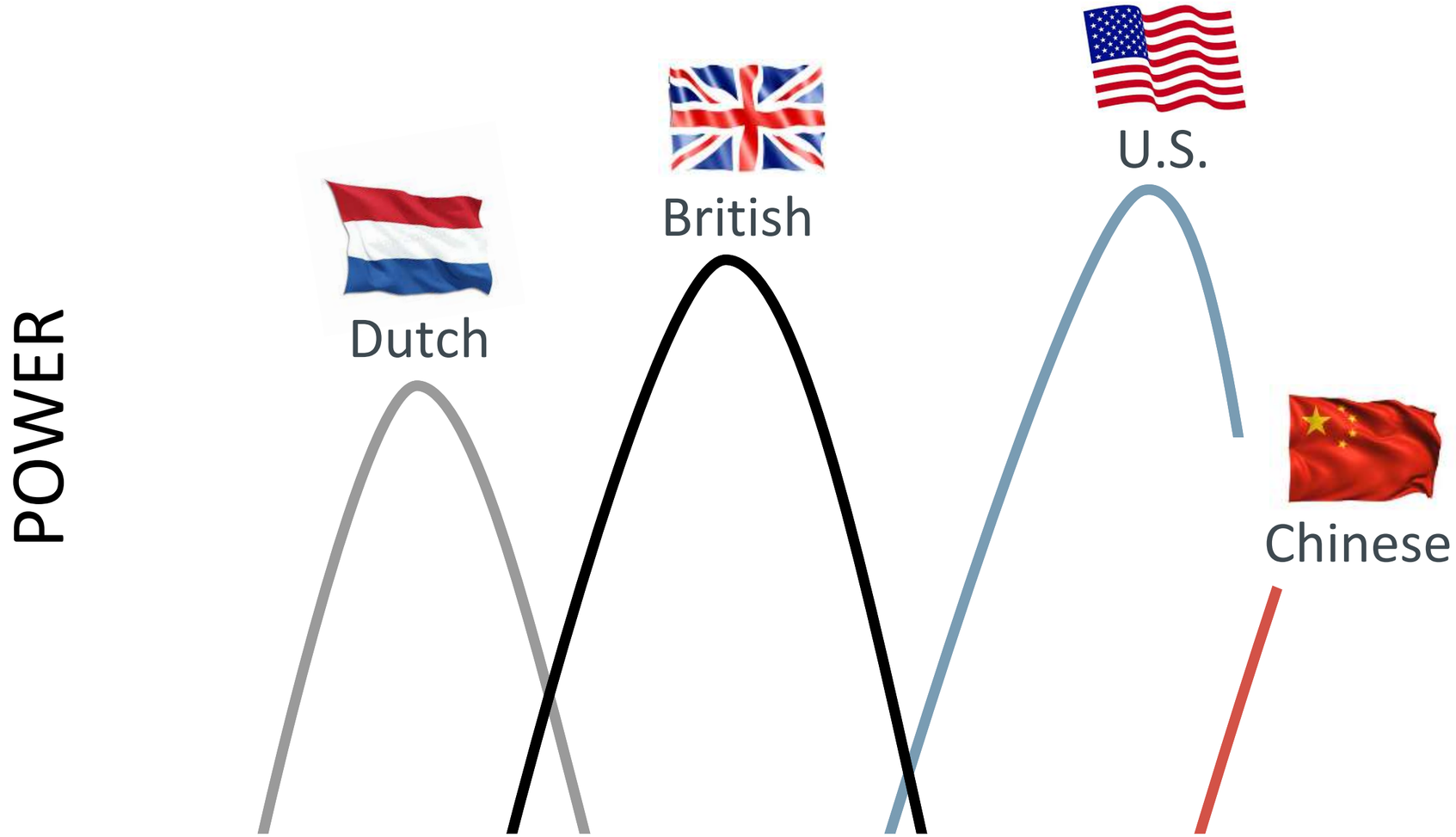
Valuation comparison across regional markets



Source: Bloomberg

The world order is changing

US is on the decline, while China is on the rise

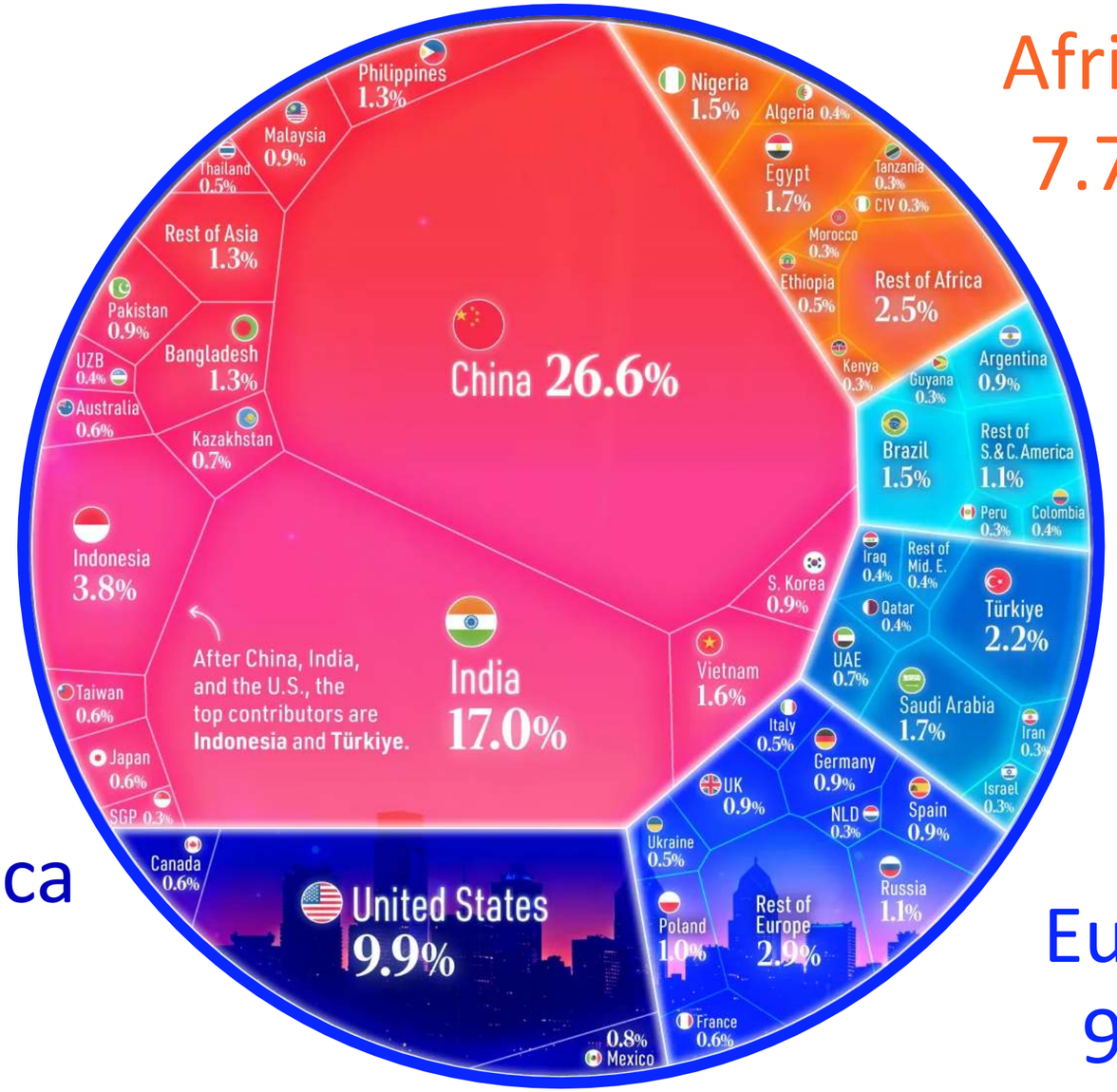


Source: Ray Dalio, The Changing World Order

Asia Pacific almost 60% of global economic growth in 2026

Asia Pacific
59.4%

North America
11.4%



Africa:
7.7%

S&C America
4.4%

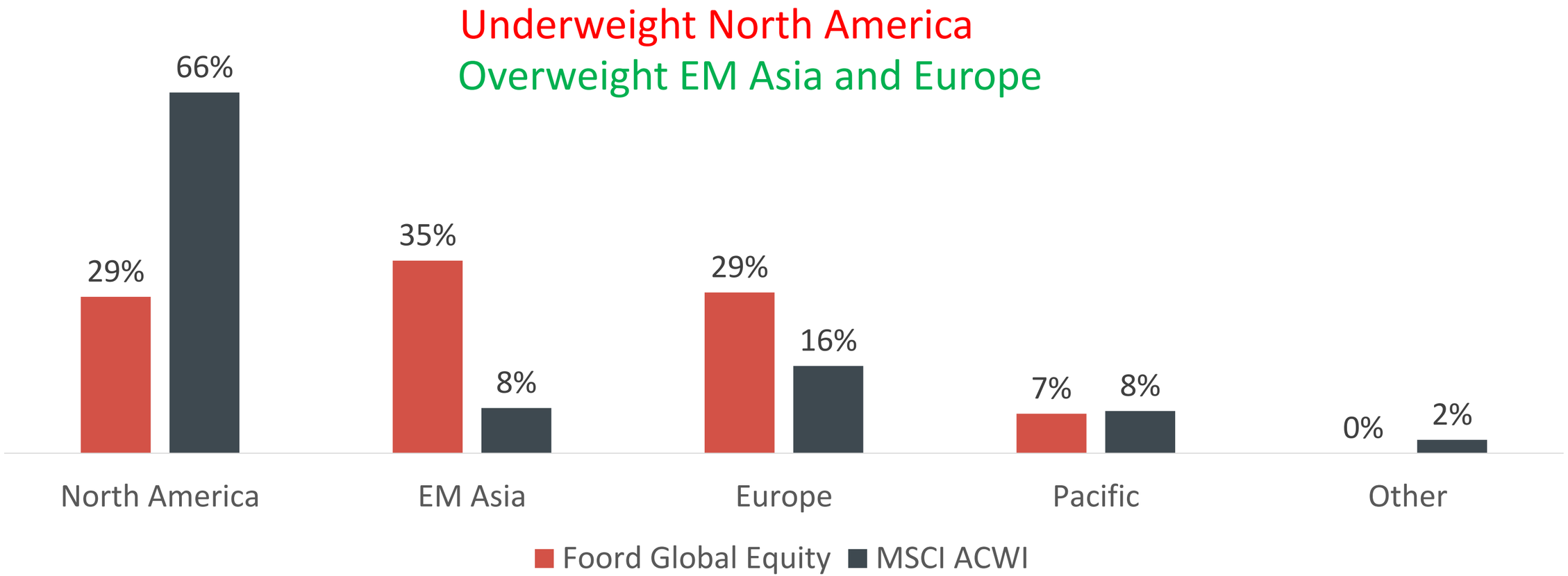
Middle East
6.4%

Europe
9.5%

Source: Visual Capitalist, IMF

Foord Global Equity is invested far more broadly than the index

Foord Global Equity vs MSCI AC World Index — 31 January 2026

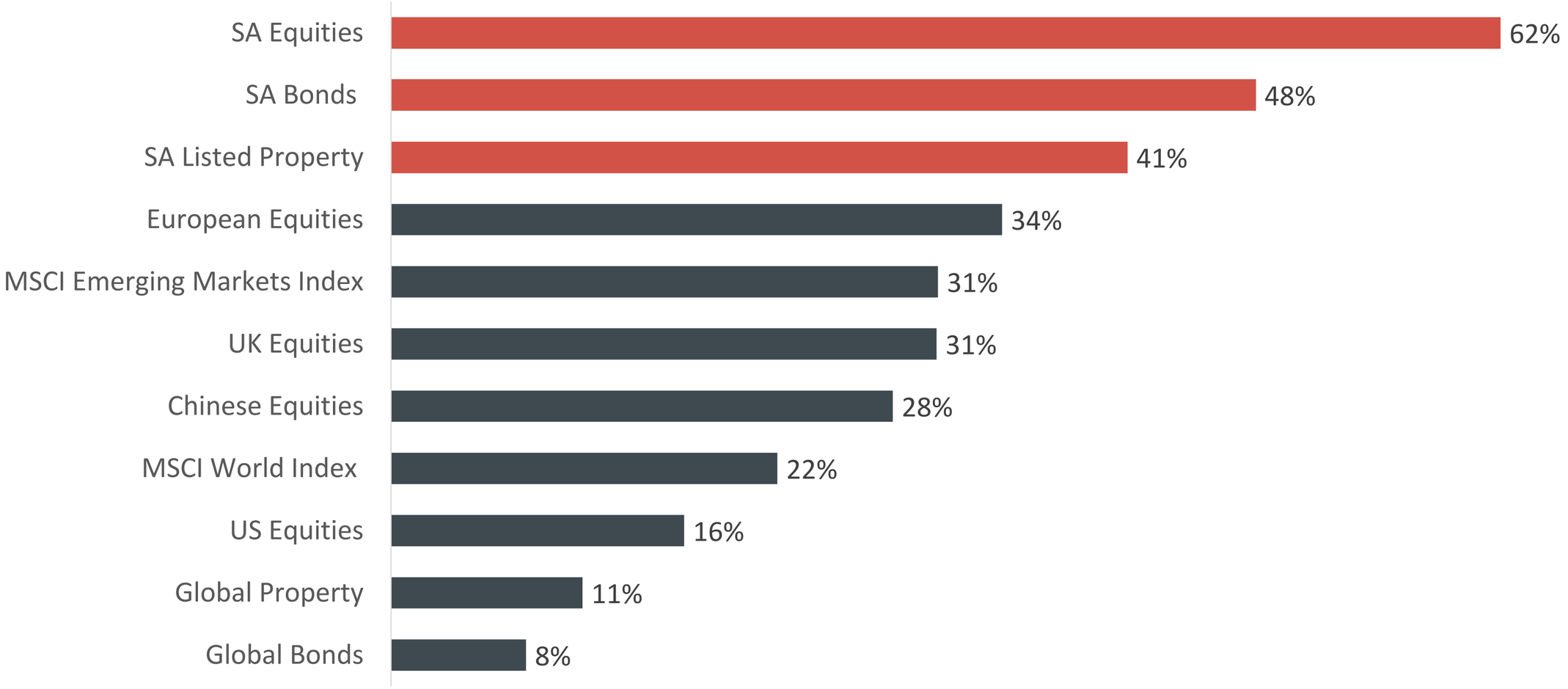


Source: MSCI

Old Lesson:
South African policies drive local outcomes

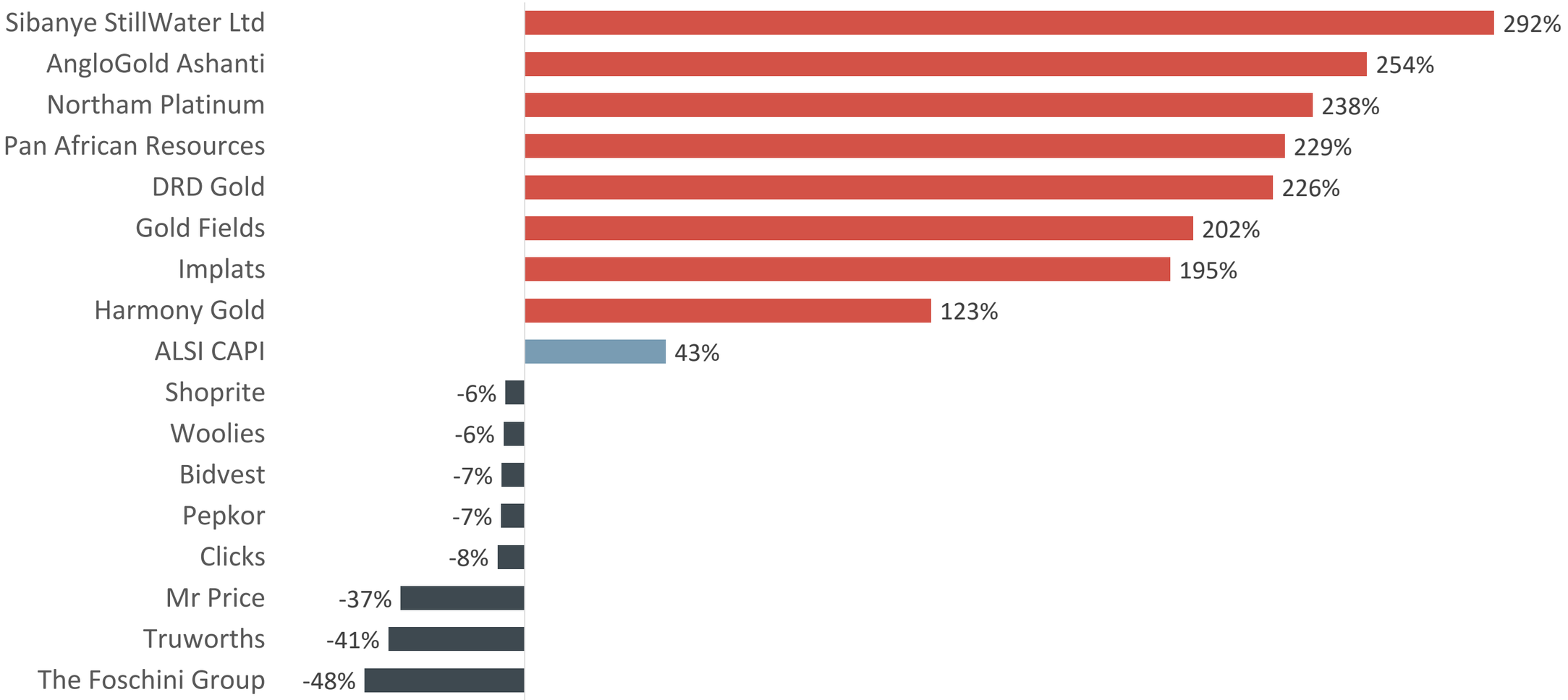
New Reality: Global conditions drive local outcomes

2025 a standout year for South African assets (USD)



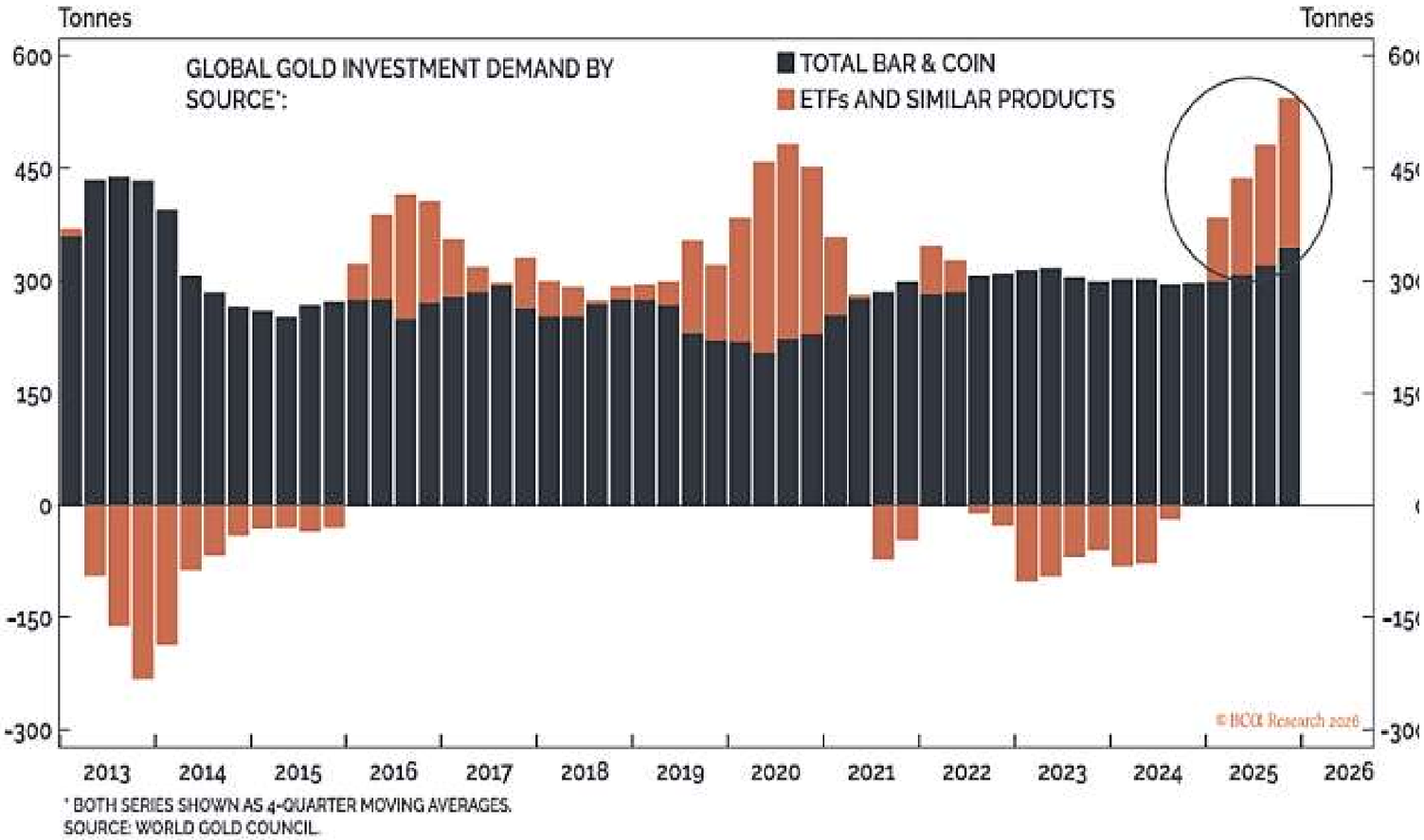
SA returns were not driven by SA growth in 2025

Precious metals the main engine of stock market returns



South Africa benefited from speculative rise in metals

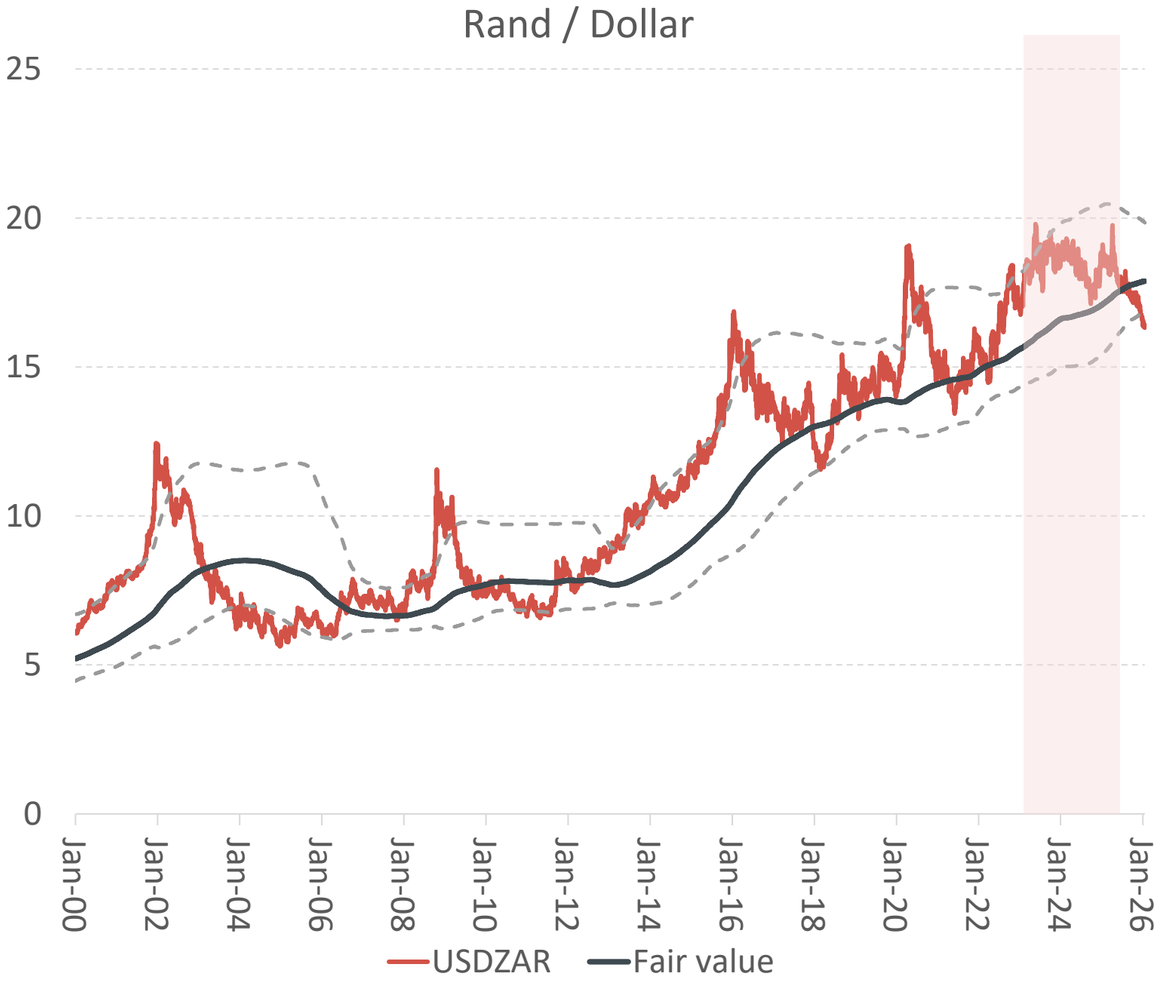
China experiencing a metals frenzy

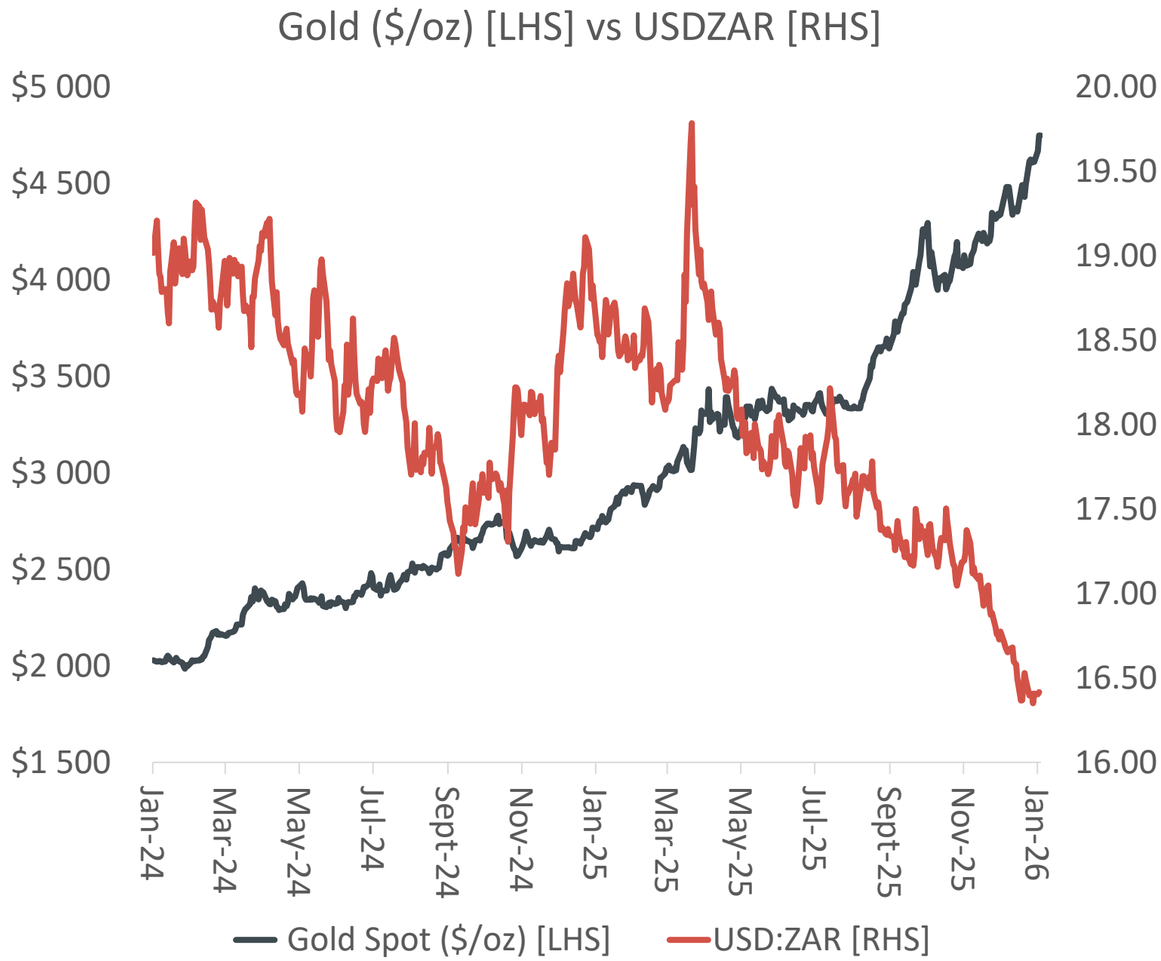


Source: BCA Research

Rand strength driven by weaker dollar, higher gold price

Dollar weakness combined with strong terms of trade and better flows





Stronger rand and weaker oil price = lower inflation

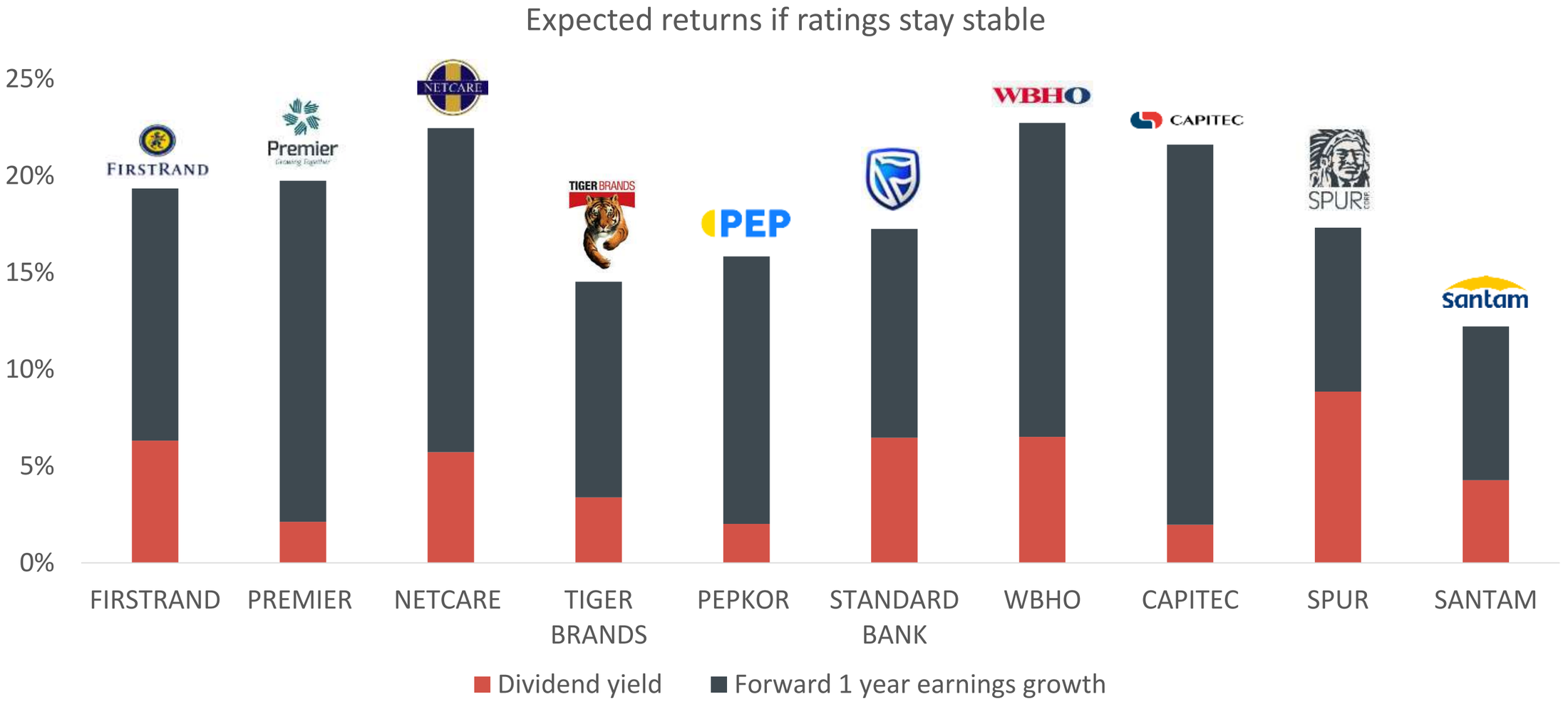
Vulnerable to a reversal of fortunes – externalities matter

INFLATION TARGET

The Minister of Finance has decided to **reduce the inflation target to 3 per cent, with a 1 percentage point tolerance band** on either side to accommodate normal economic fluctuations. The revised target will benefit all South Africans, especially poorer households.

Protect by focusing on fundamentals at a company level

Earnings growth and dividends will drive strong returns - even in absence of a re-rating



What does this all mean for asset class returns?

Global Asset Class Outlook

Expected Nominal Returns in USD

	2025	10 Year Average pa	
US Equities	16.4%	12.8%	
MSCI World	21.6%	12.7%	
Chinese Equities	28.1%	3.3%	
Global Property	10.7%	4.2%	
Global Bonds	7.5%	0.5%	
US Cash	4.0%	%	
Gold	64.6%	15.1%	

* Historic numbers to 31/12/2024. Expected returns are not a forecast, but an expected range if returns based on a reasonable outcome given current valuations and assuming forward yields and earnings

SA Asset Class Outlook

Expected Nominal Returns in ZAR

	2025	10 Year Average pa	
SA Equity	42.6%	12.4%	
SA Property	30.6%	5.1%	
SA Bonds	24.2%	11.5%	
SA ILBs	15.4%	%	
SA Cash	7.3%	6.3%	

* Historic numbers to 31/12/2024. Expected returns are not a forecast, but an expected range if returns based on a reasonable outcome given current valuations and assuming forward yields and earnings

Need to be forward-looking in your approach

Deliver solid returns while protecting against worst case scenario

- Diversify away from US assets and the US dollar
- Invest in companies at the forefront of technology, but priced attractively
- Buy assets that will provide you with inflation protection
- Invest in a broad set of SA Inc equities with distinct, specific drivers
- Now is not the time to be complacent

THANK YOU

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SOURCES

This document contains past performance information.

Performance is calculated on a NAV to NAV basis, fund returns are presented net of fees and other fund level expenses for the most expensive retail class. Income is reinvested on the ex-dividend date. Individual investor performance may differ as a result of the actual investment date, the date of reinvestment of income and withholding taxes. Periods greater than one year are annualised to show the average twelve month return. Actual annual figures are available on request.

External sources used:

1. Factset/IRESS MD SA/Bloomberg
2. BEA gov.
3. BofA Global Research
4. Federal Reserve
5. The Conference Board (© The Conference Board, Inc)
6. Bank of America
7. Yale/ Shiller data, Foord calculations
8. Goldman Sachs Global Investment Research