

Welcome to the Machine: The Invisible Cost of the Crowded Core

Dirk Jooste

2026

MEET **THE**
Managers





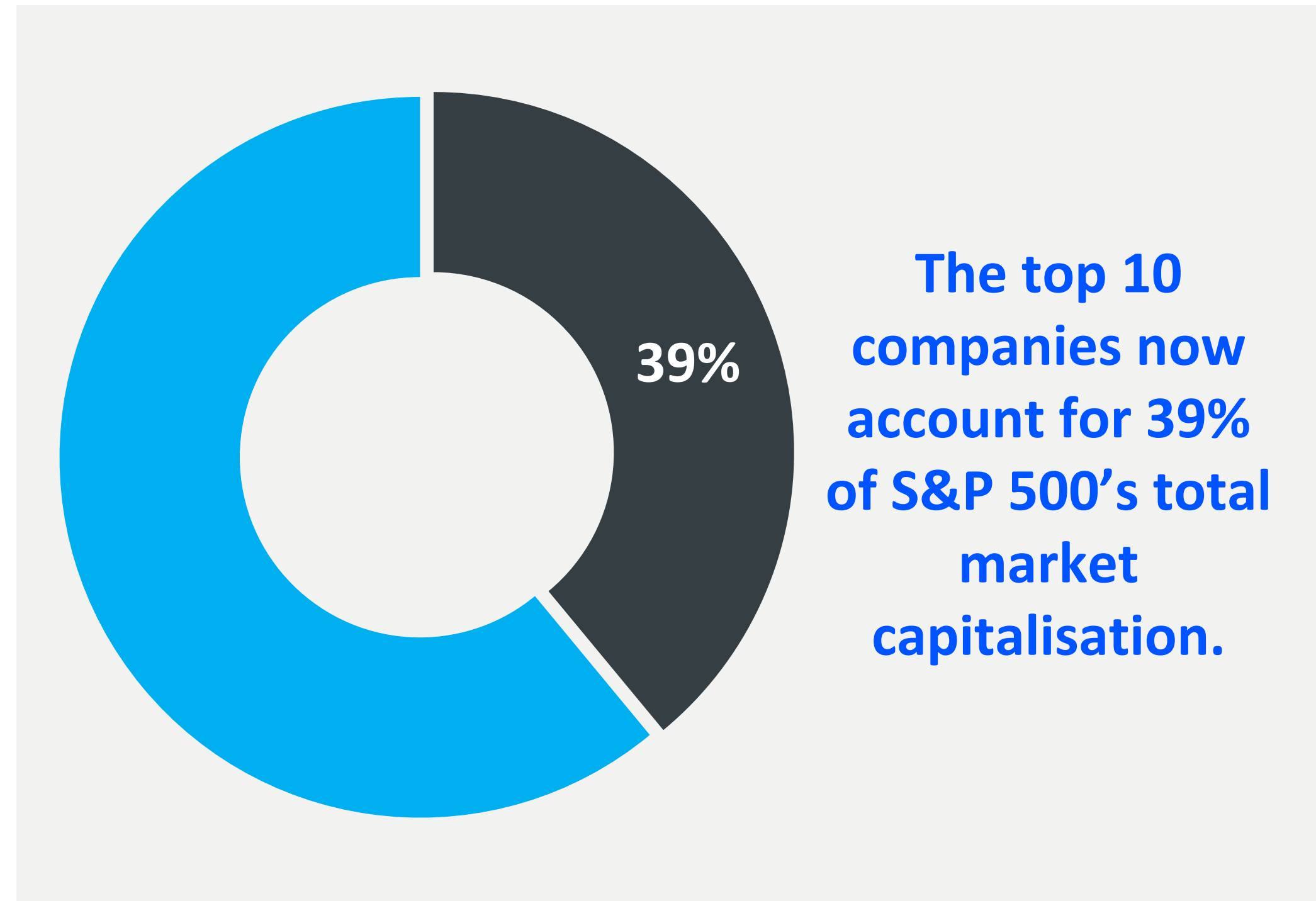
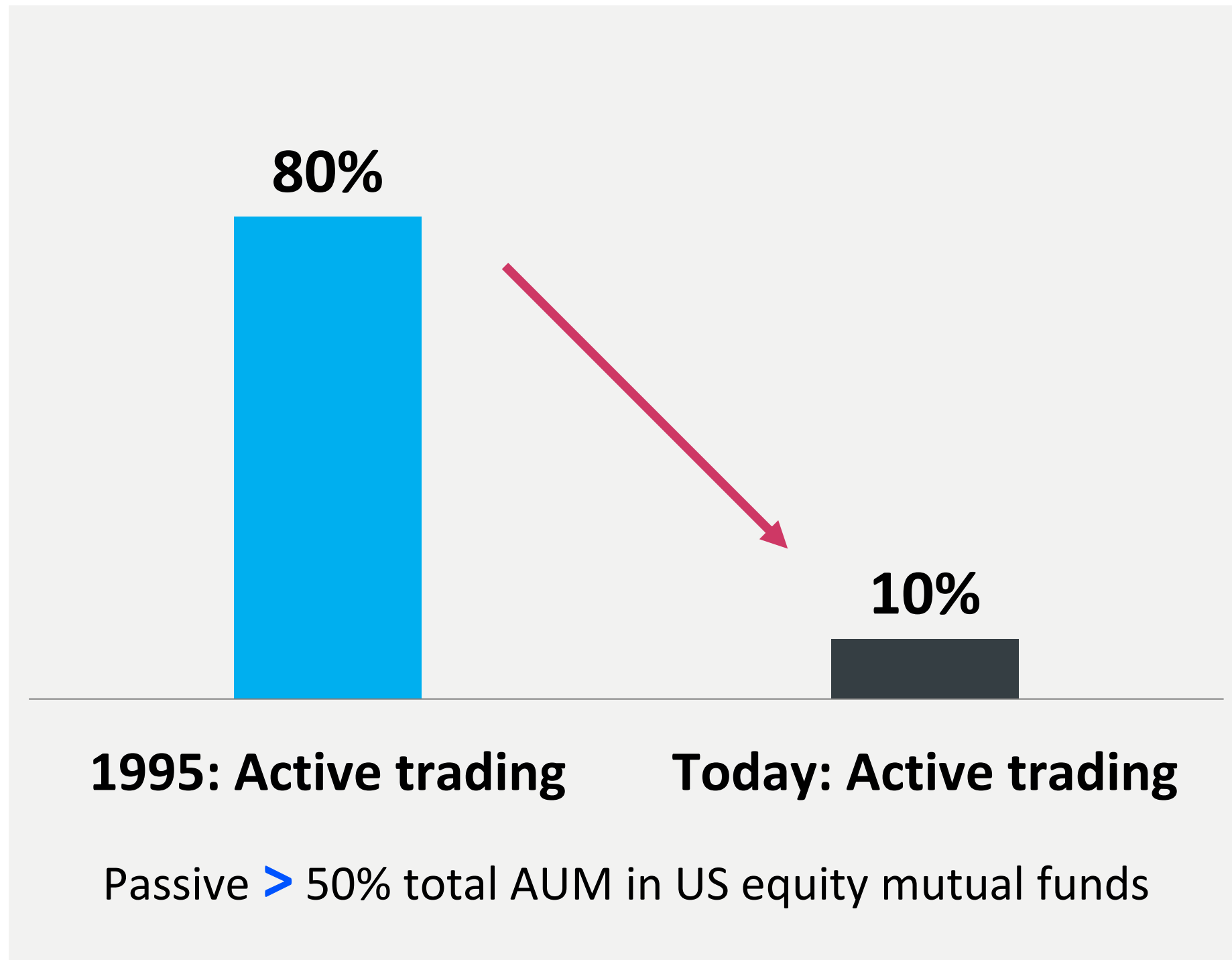
Welcome to the machine

Meet the Managers

Dirk Jooste / June 2026

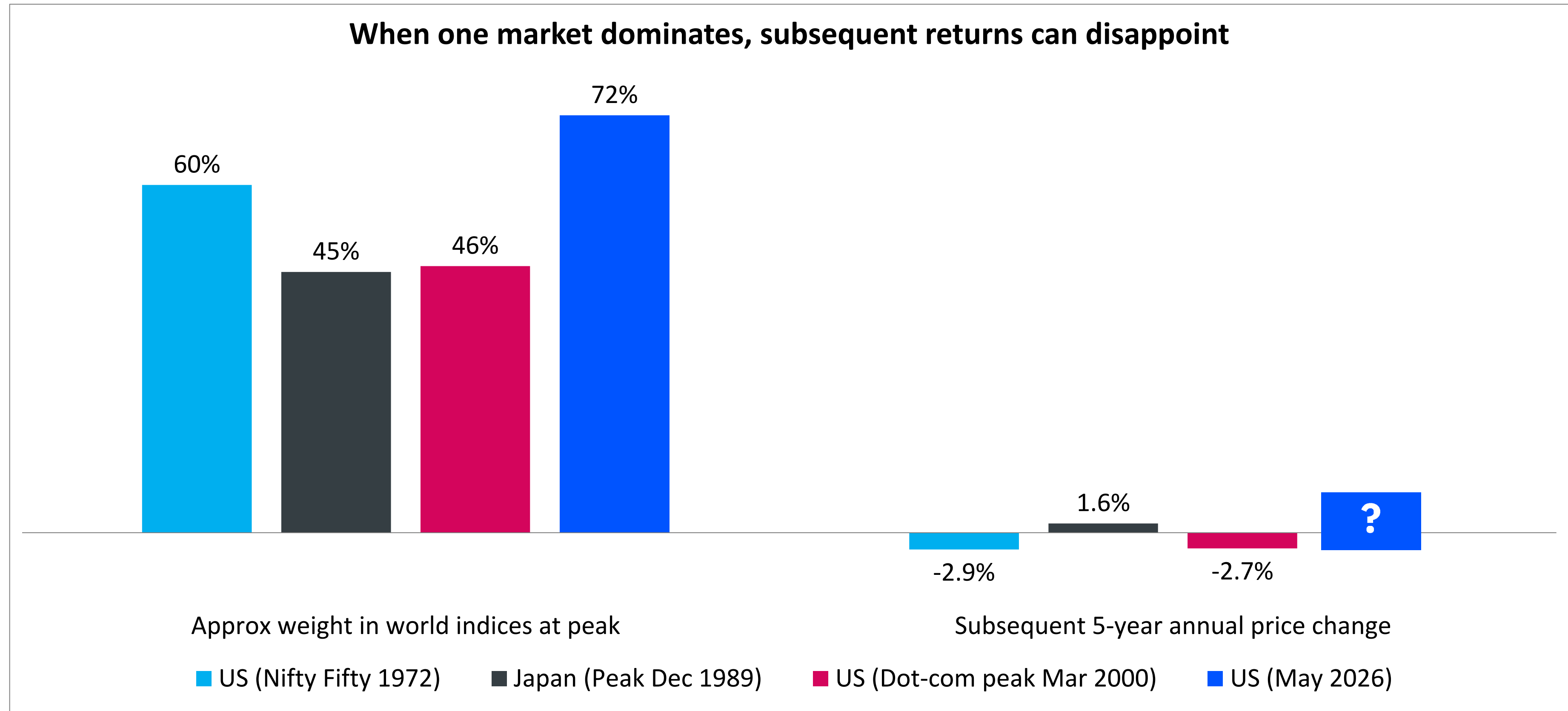
| Recap of where we are

Passive and AI dominating the market



We've been here before

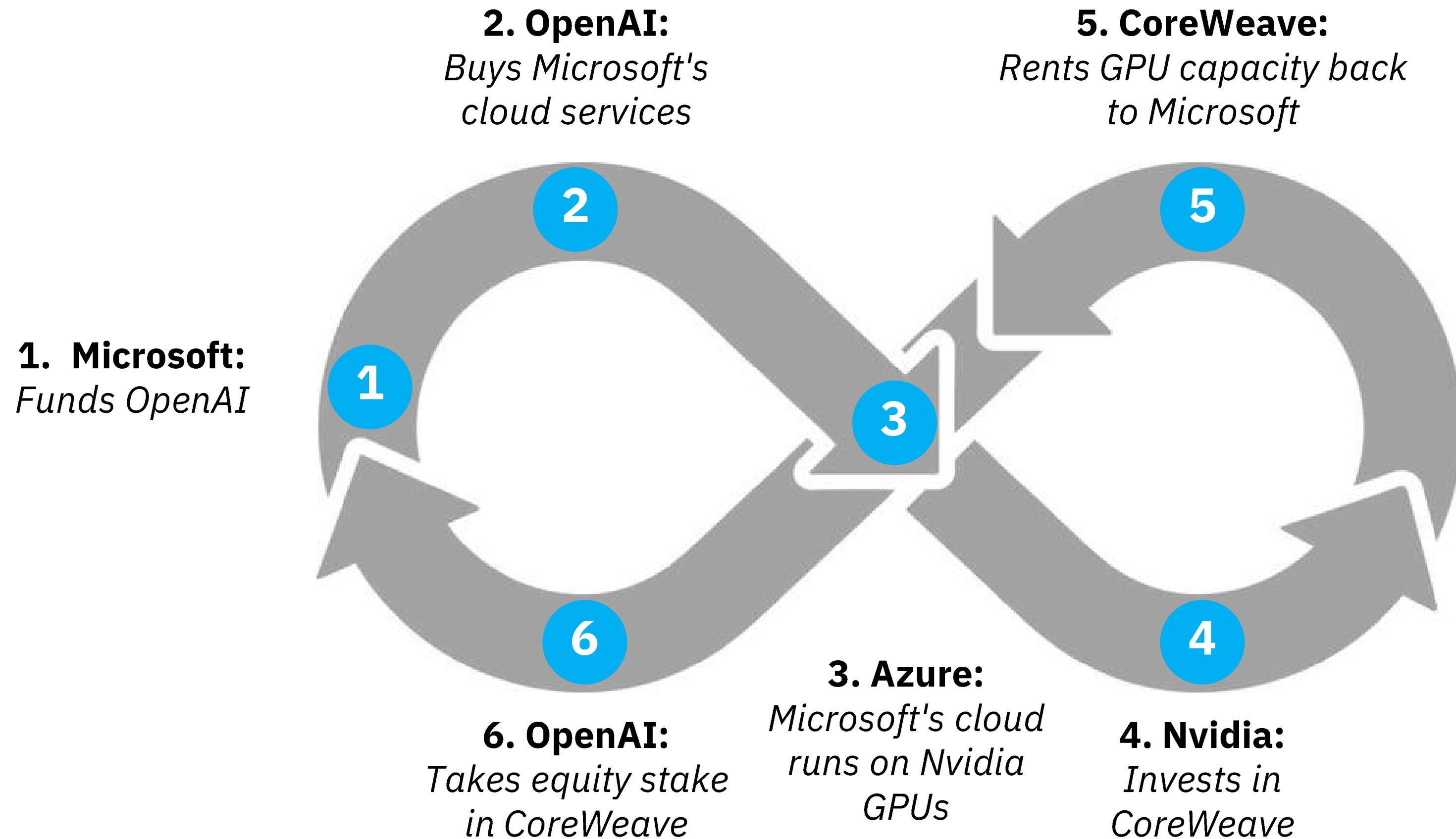
History tends to rhyme...



Source: Bloomberg, PSG Asset Management, UBS Global Investment Returns Yearbook 2026, MSCI

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Why has AI/Tech growth been so explosive?



They are simultaneously each other's suppliers, customers and investors

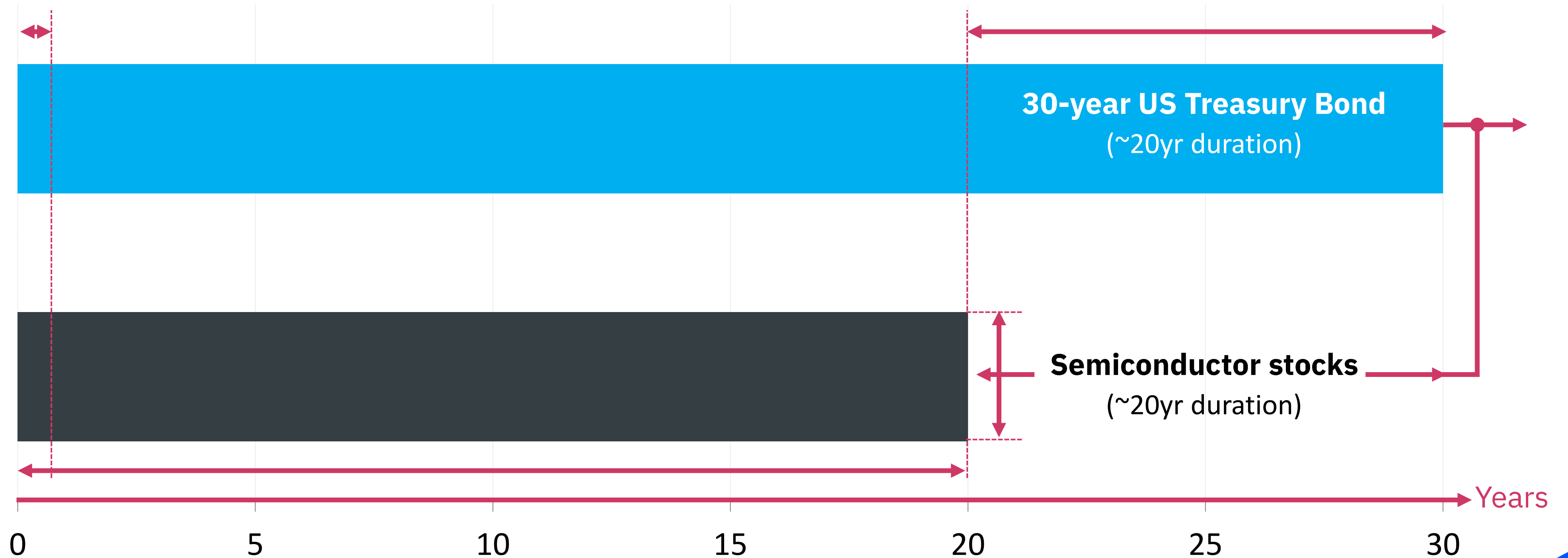


| **But there's an underappreciated risk:**
Duration

Tech stocks should behave like 20-year bonds

How long before I get my money back?

Duration timeline map



A large bet on the future

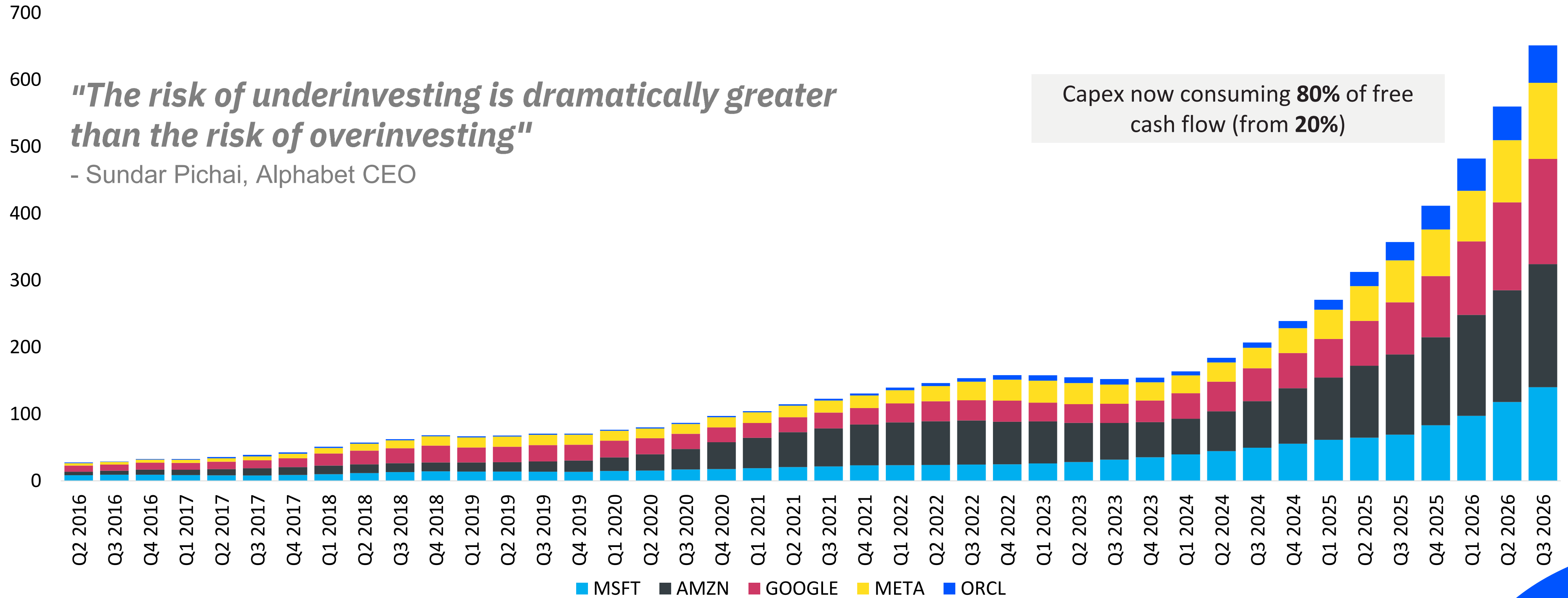
Hyperscaler capex has grown from \$20bn to over \$600bn annually

Hyperscaler Last 12 Months Capital Expenditure \$bn

"The risk of underinvesting is dramatically greater than the risk of overinvesting"

- Sundar Pichai, Alphabet CEO

Capex now consuming **80%** of free cash flow (from **20%**)



Source: Bloomberg, PSG Asset Management, Data as of 31 May 2026

Short life, longer debt

What is the useful lifespan of hardware?

Useful
life

Loan
period

The **credit ratings** for data centre financing transactions rest on **assumptions** about cash flow and **technological obsolescence** that require **demand to stay strong** and rental rates to hold up while the **loans** used to finance them are **longer than the useful life** of the hardware that they finance.



A lot has to go right

Multiple assumptions need to hold

Demand

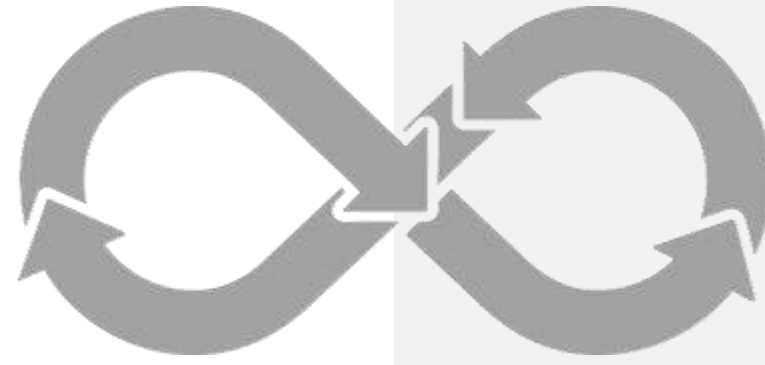
- Demand at scale uncertain
- Monetisation and economics remain unproven

Supply

- Arms race – risk of overinvestment

Duration

- Obsolescence risk
- Rising rates pressure long duration assets
- Competition for capital



G7 10 Year Bond Yield Average
(US, UK, France, Japan, Germany, Canada, Italy)



Positive correlation with equities



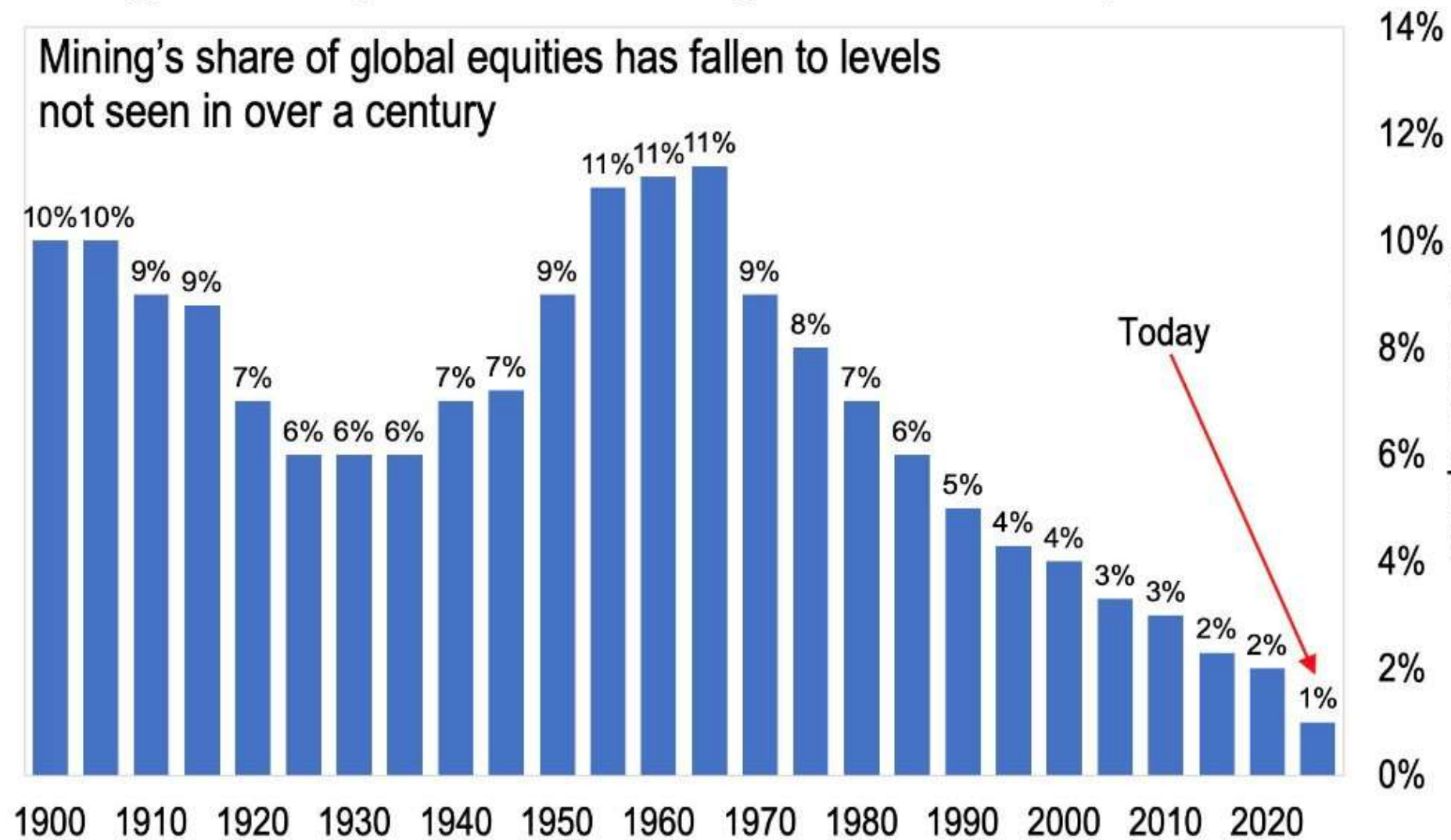
| The turn to the real economy

Opportunity: real assets

Have an important role to play in portfolios

Mining Industry as a Percentage of Global Equities

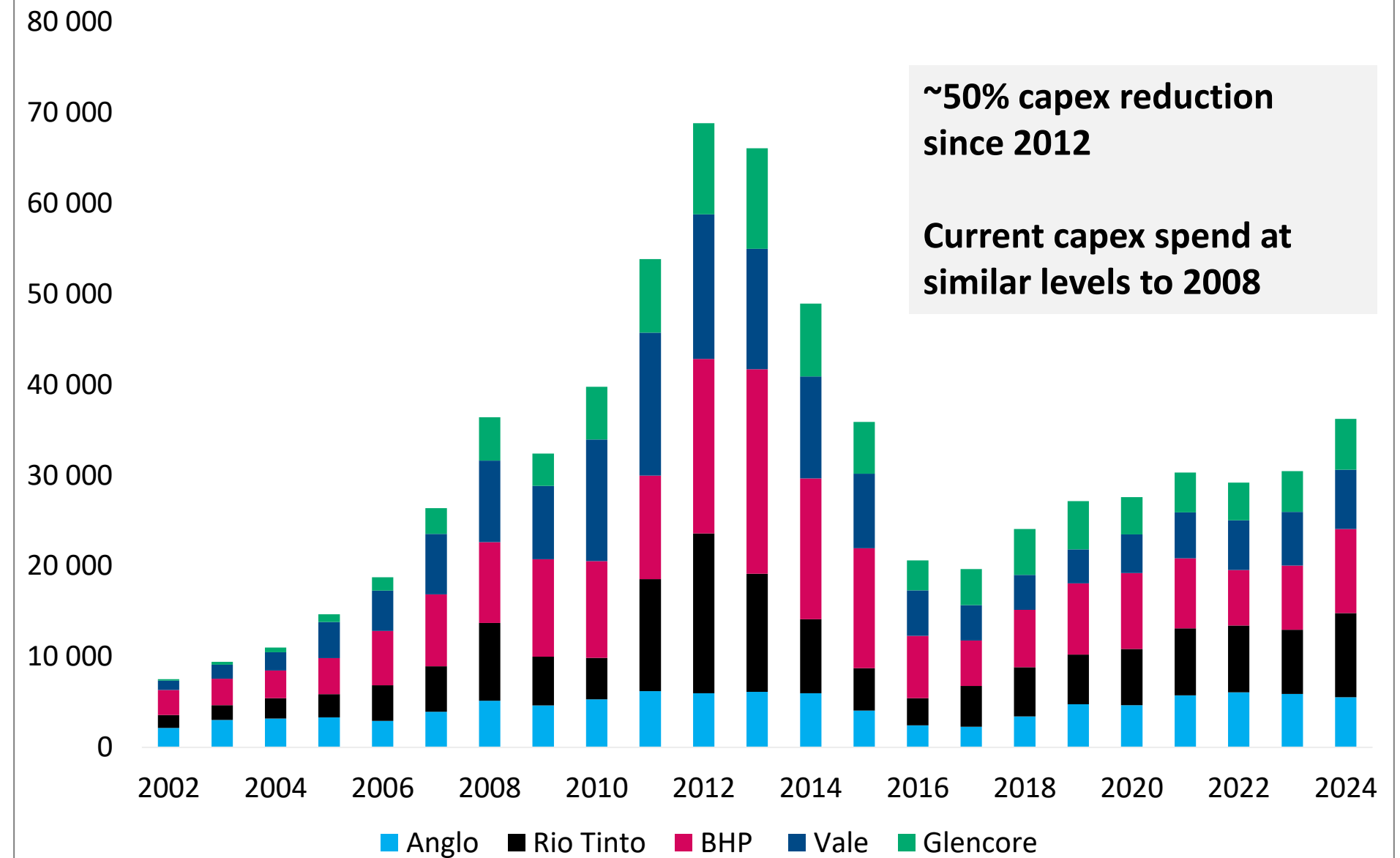
Mining's share of global equities has fallen to levels not seen in over a century



CRISIS INVESTING

Source: Statista, S&P Global Market Intelligence, Tavi Costa, Crescat Capital

Big miners' capex (nominal US\$m)



Supply side conditions very attractive

Demand headwinds starting to recede

Excellent portfolio hedge

Low valuations

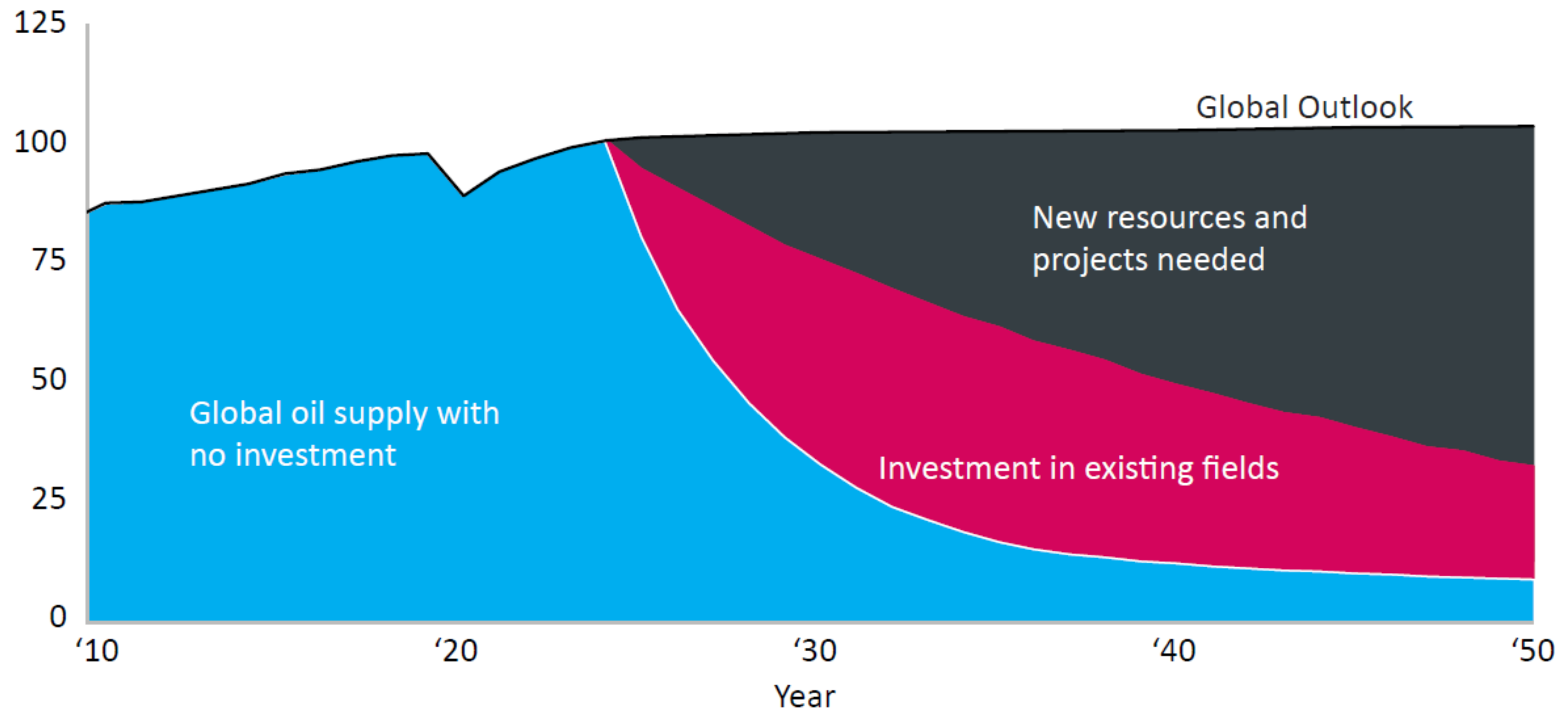


Sources: Bloomberg, Statista, S&P Global Market Intelligence, Crescat Capital, PSG Asset Management

Depletion rates and oil

Running faster and faster to stand still

Impact of depletion on oil production



Source: PSG Asset Management, ExxonMobil

Two very different capital cycle stories

“The supply side is generally easier to forecast and to observe than demand.” – Marathon AM

	AI / Tech	Mining / Energy
Capital cycle phase	Investment boom	50% reduction since 2012
Supply visibility	Accelerating supply	Supply constrained
Demand	Uncertain: monetisation at scale unproven	Energy and materials needed in any technology rollout
Valuation	Expensive , long duration	Historically cheap
Index ownership	Crowded	Under-owned
Capital discipline	Deteriorating: FCF falling	Disciplined: returns-focused



| Finding value in divergence



“If you have to choose a money manager for the next decade, choose one from South Africa or Brazil. They are the only ones who know how to manage money in an environment of high inflation, capital controls, and political interference. Most Western managers have never seen a world like the one we are entering.”

RUSSEL NAPIER



Philosophy & our 3M research process

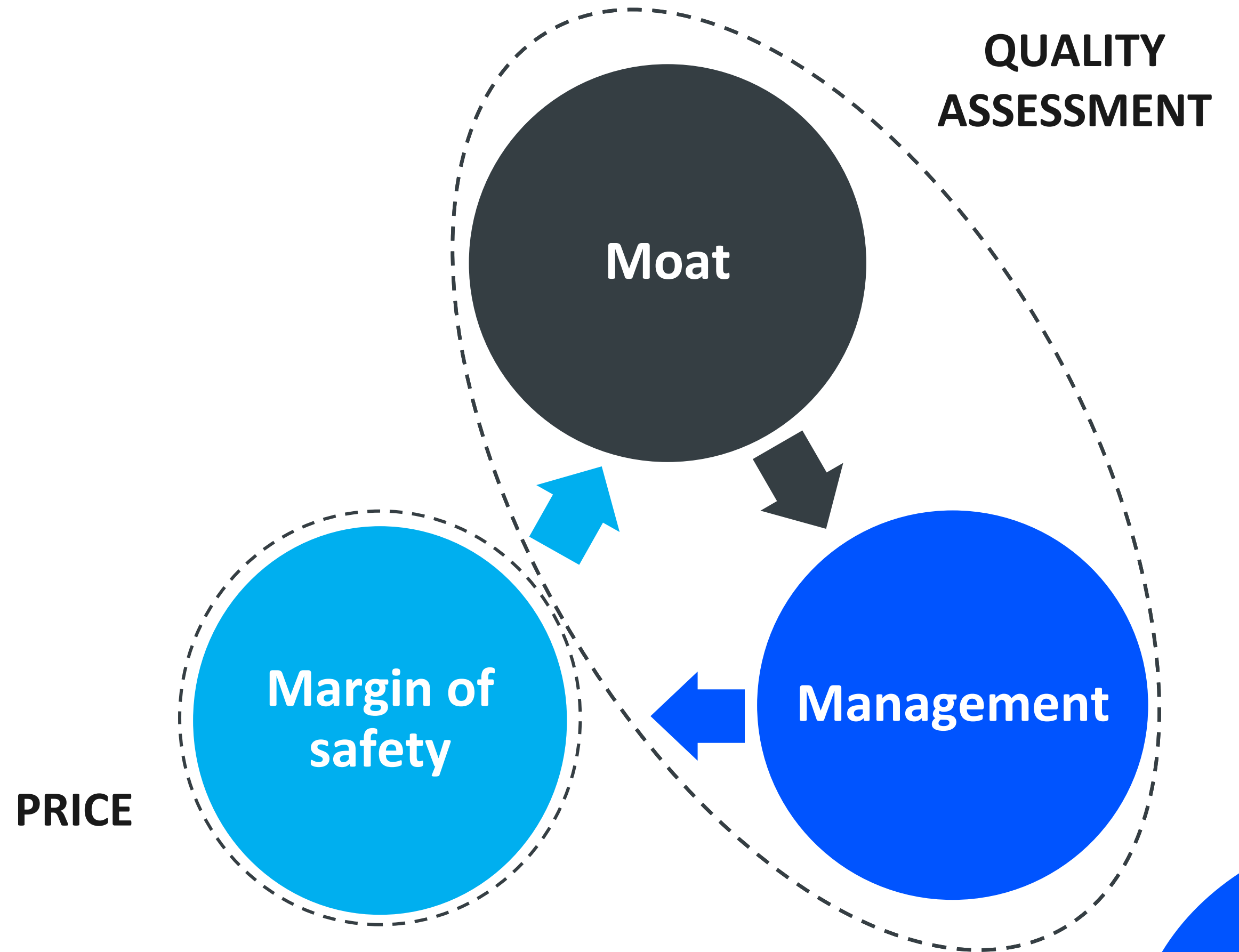
Consistently searching for mispriced quality

Inherent quality the market is missing (uncrowded areas)

Independent thought & research

L/T bottom-up investing with macro awareness

Willingness to be different (less BM constrained)



PSG Asset Management track record

Quartile ranking vs peers

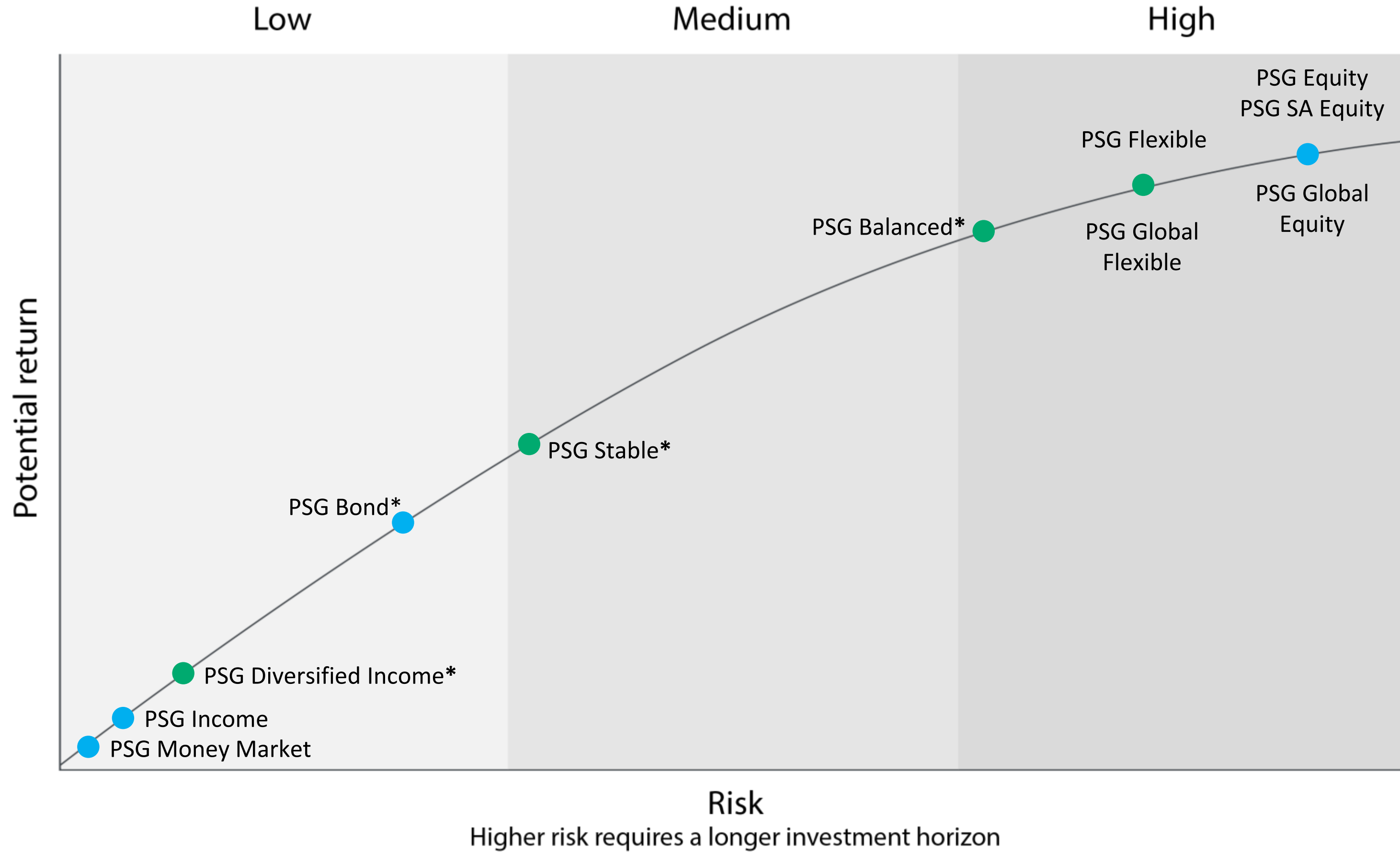
	3 Year				5 Year				Inception			
 PSG Equity	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top
 PSG Flexible	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top
 PSG Balanced	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top
 PSG Stable	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top
 PSG Global Flexible	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top
 PSG Global Equity	4th	3rd	2nd	Top	4th	3rd	2nd	Top	4th	3rd	2nd	Top



All data as of 30 April 2026; Peer groups: PSG Equity E - (ASISA) South African EQ General, PSG Flexible E - (ASISA) South African MA Flexible, PSG Balanced E - (ASISA) South African MA High Equity, PSG Stable E - (ASISA) South African MA Low Equity, PSG Global Flexible B USD - EEA Fund USD Flexible Allocation, PSG Global Equity B USD - EEA Fund Global Flex-cap Equity

A focused product range

One process across the risk spectrum



**Both global funds have
rand-denominated
feeders**

● Multi-asset funds
* Regulation 28 compliant



Case study: London Stock Exchanges Group

A differentiated AI opportunity

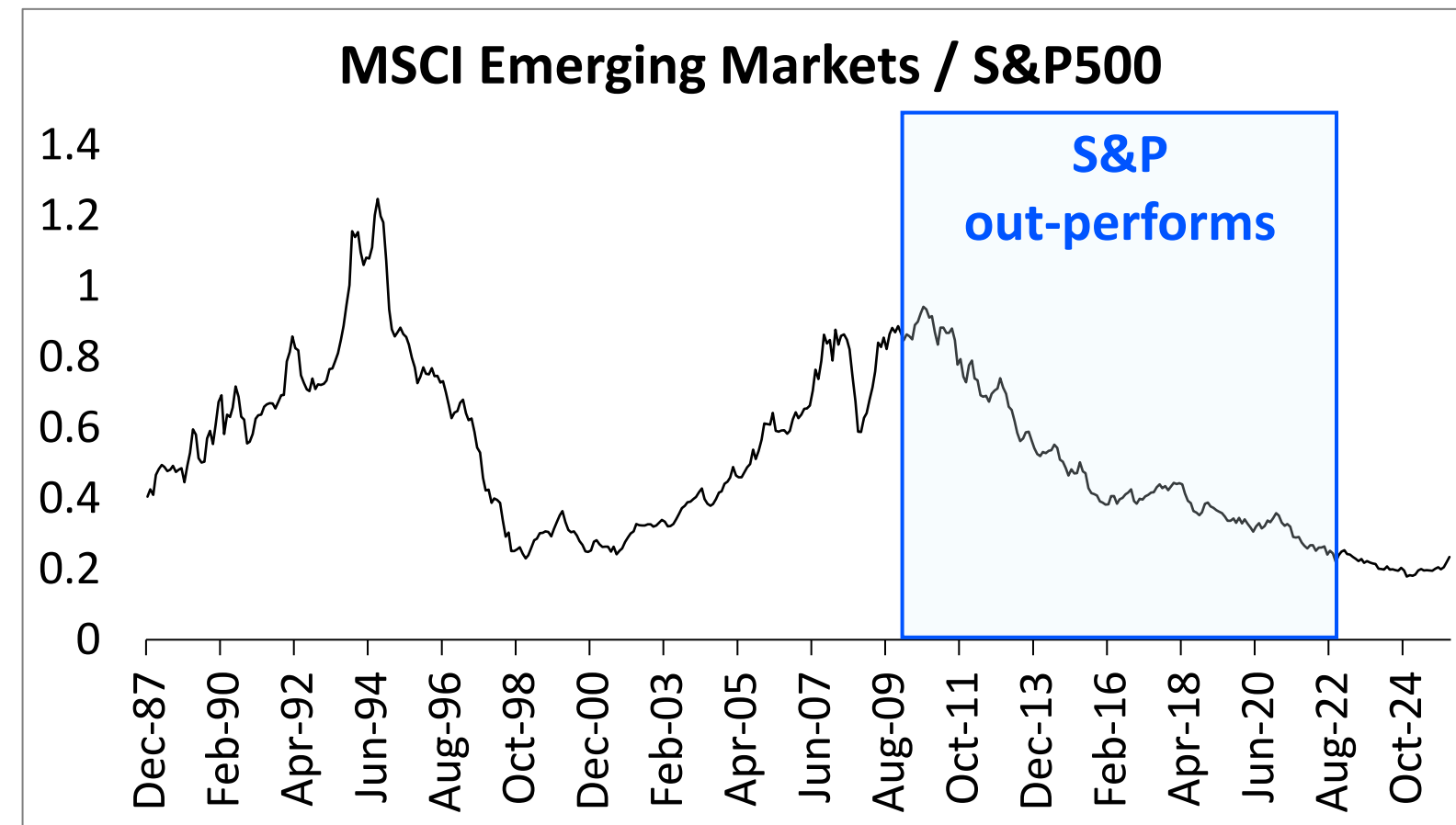
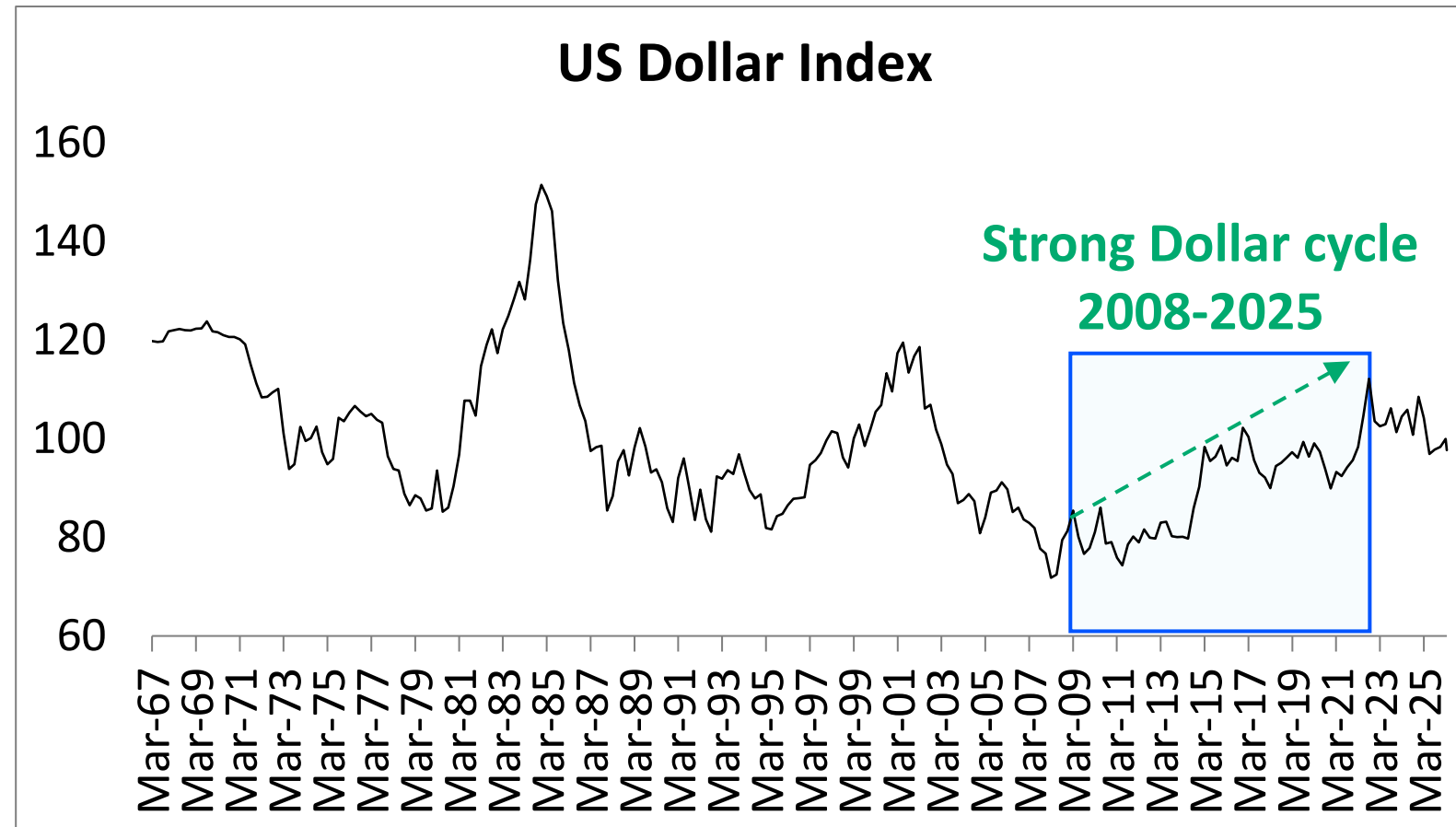
LSEG: a high-quality compounder on sale

- Viewed LSEG as high quality: valuation was the issue
- AI disruption fears drove the share price down 40%, creating our margin of safety
- 98% of data is proprietary – a moat AI cannot easily disrupt
- Quasi-monopolistic, regulatory-mandated infrastructure with high margins, all cash flows returned to shareholders
- 5% starting yield with EPS growing >10% out to 2028

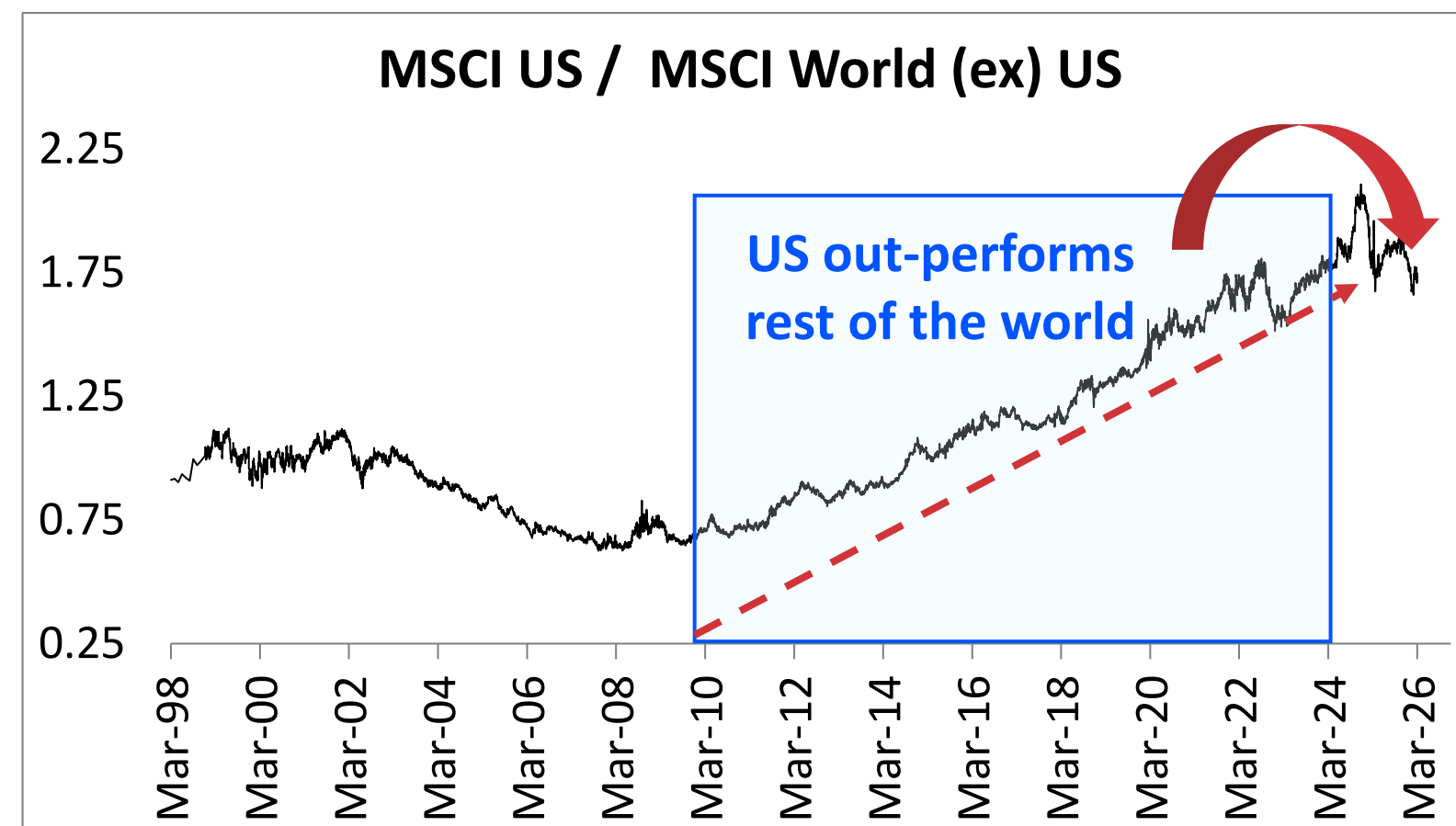
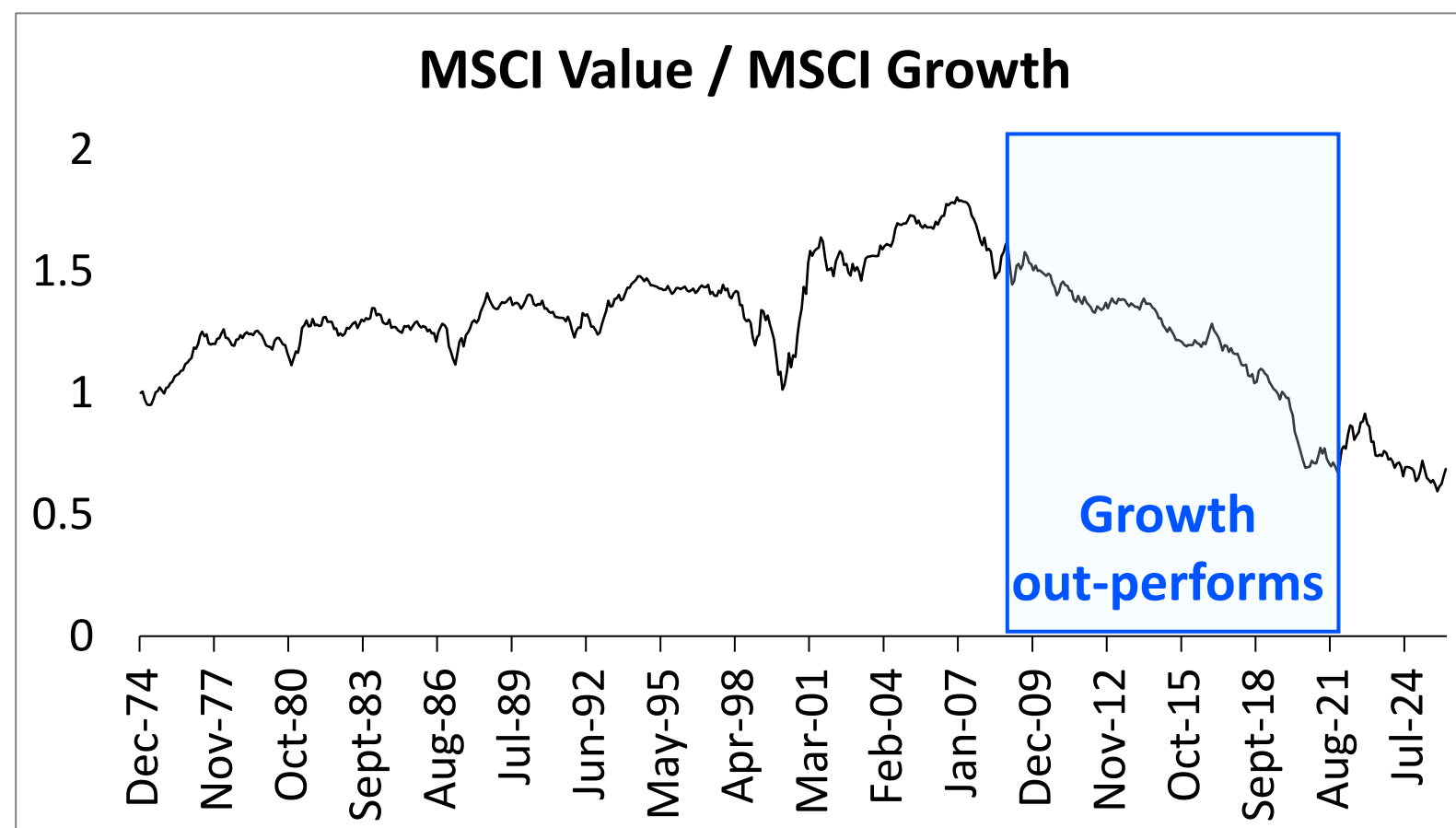


Post GFC to 2022 was a unique period in markets

Long US equities, long growth equities & long US bonds worked well for nearly 15 years ...



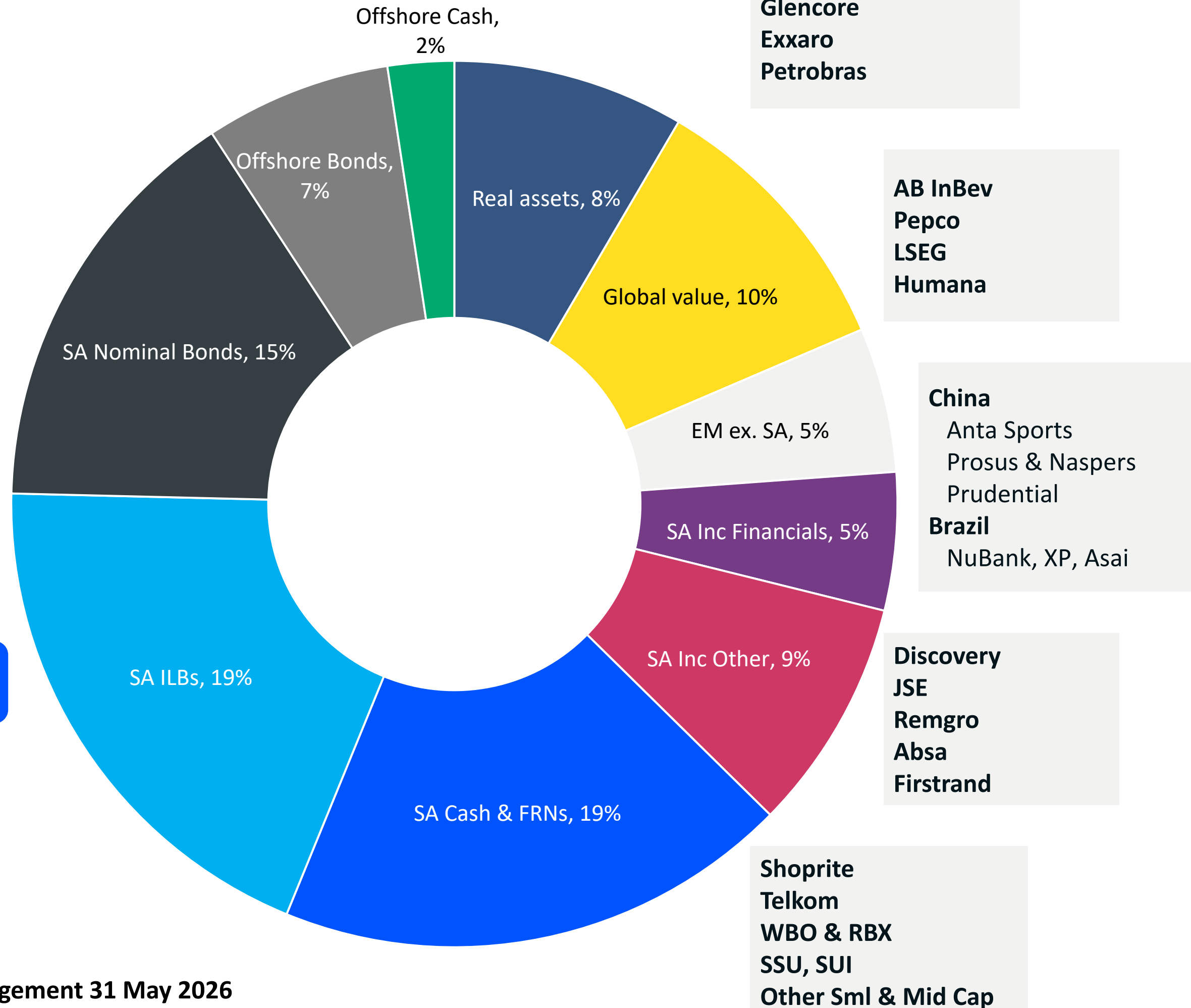
40-year bond bull market also ran from 1981 to 2020



The great rotation: still in early its innings

PSG Stable Fund

Asset Allocation



Reduced gold & platinum

Real Assets
Global value
Emerging markets
SA Inc

Inflation protection

Tail hedges

Moderated SA Inc



Where to from here?

The winning portfolio of the future looks very different to the past

Avoid permanent capital loss: buy with margin of safety

Risk management will require a fresh approach

- 60:40
- Indexation
- **Real assets & inflation protection** will play an important role

We have concerns regarding the return prospects from global indices

Expect volatility

Our funds should be well positioned to deliver attractive returns in this environment





End.
Thank you

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