

REZCO

South Africa: Climbing a Wall of Worry

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2026

MEET +HE
Managers



Meet The Managers 2026

SA: Climbing a Wall of Worry

Tailwinds + Worry = Opportunity

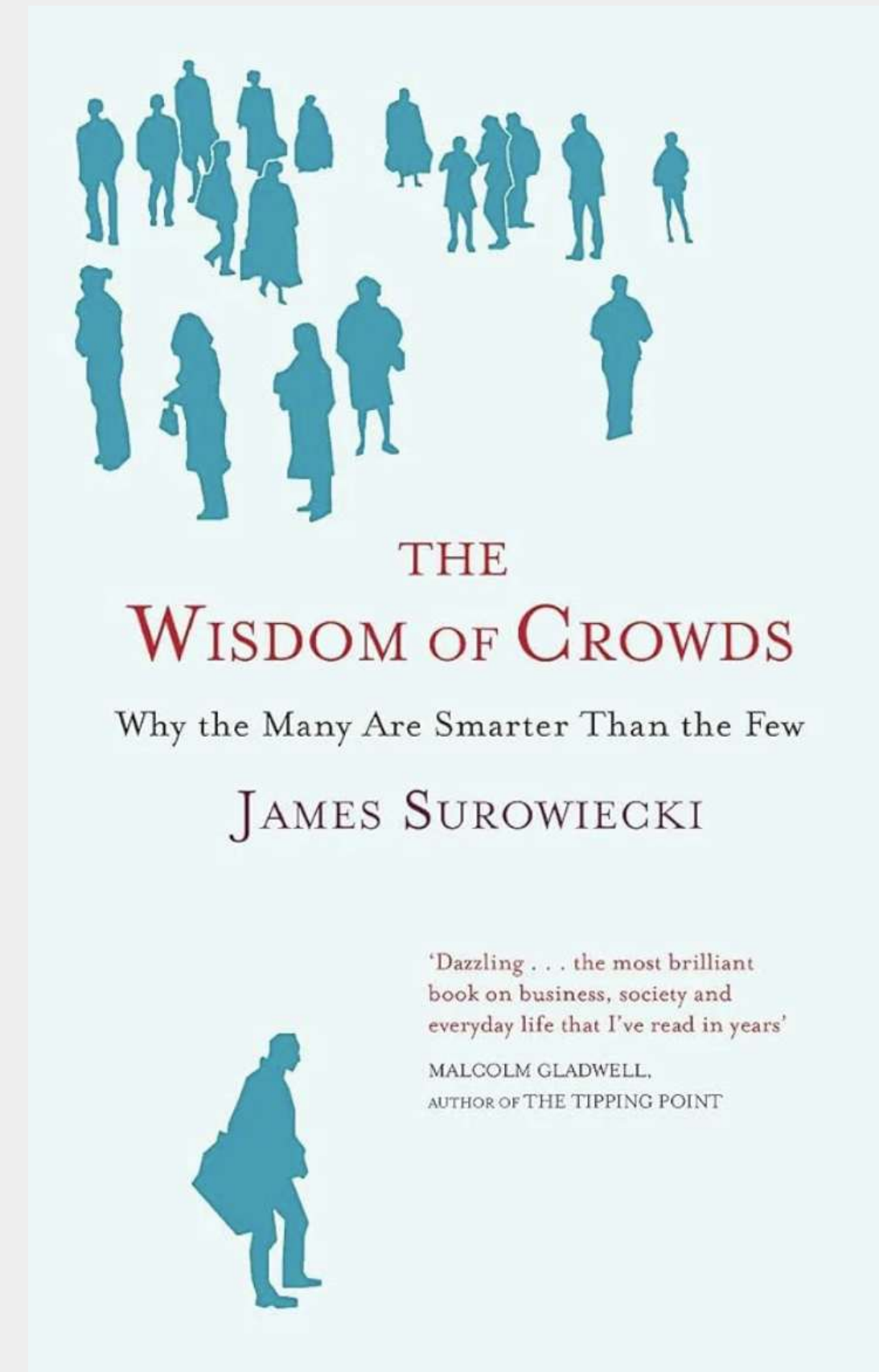
June 2026



Why is 'Climbing a Wall of Worry' important?

Wisdom of Crowds in Financial Markets:

- Tension and debate
- Diversity of opinions
- Diverse incentives or goals
- Back and forth flows of money
- Independent decision making



Passive Investing & The Market System

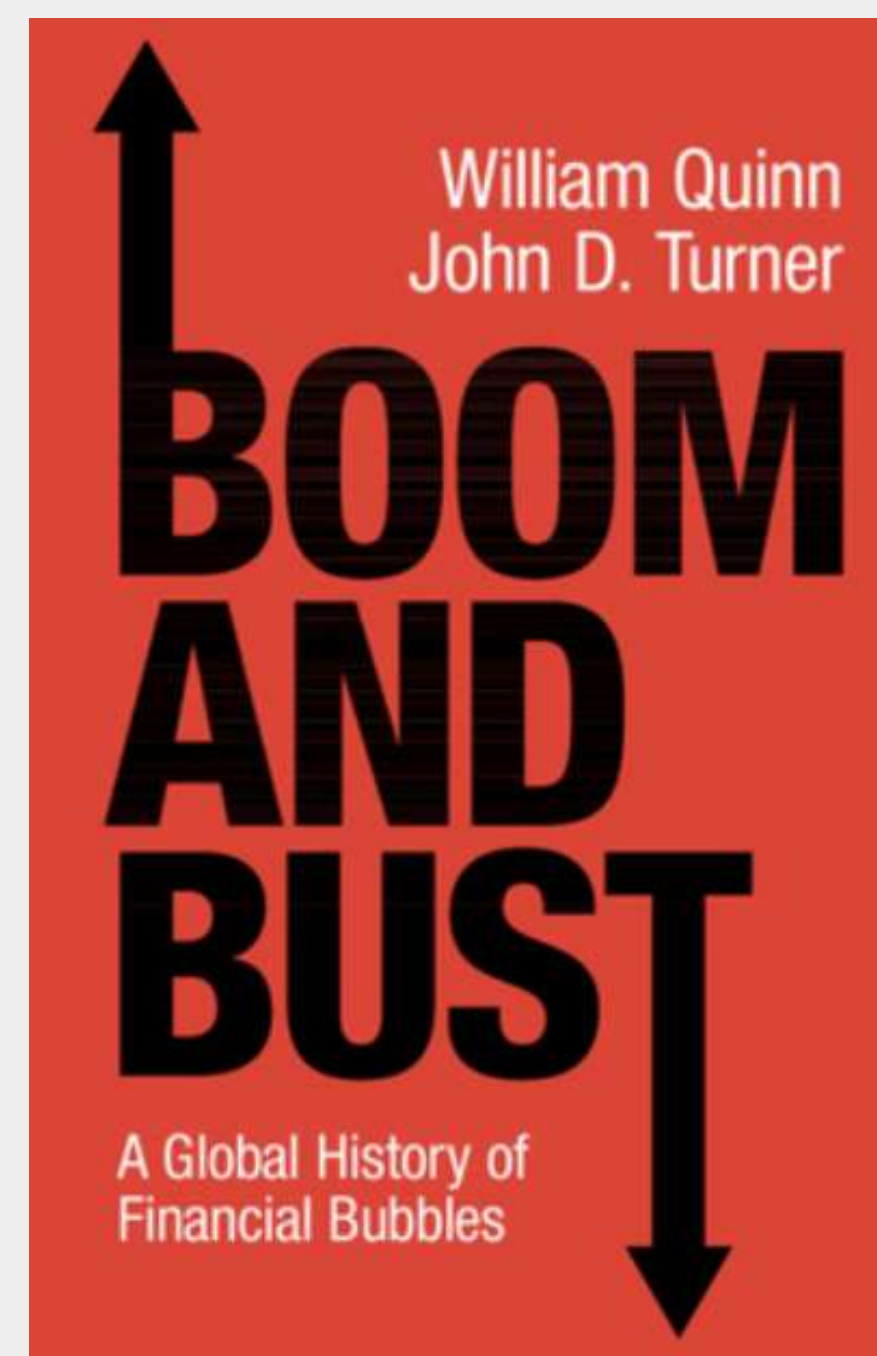
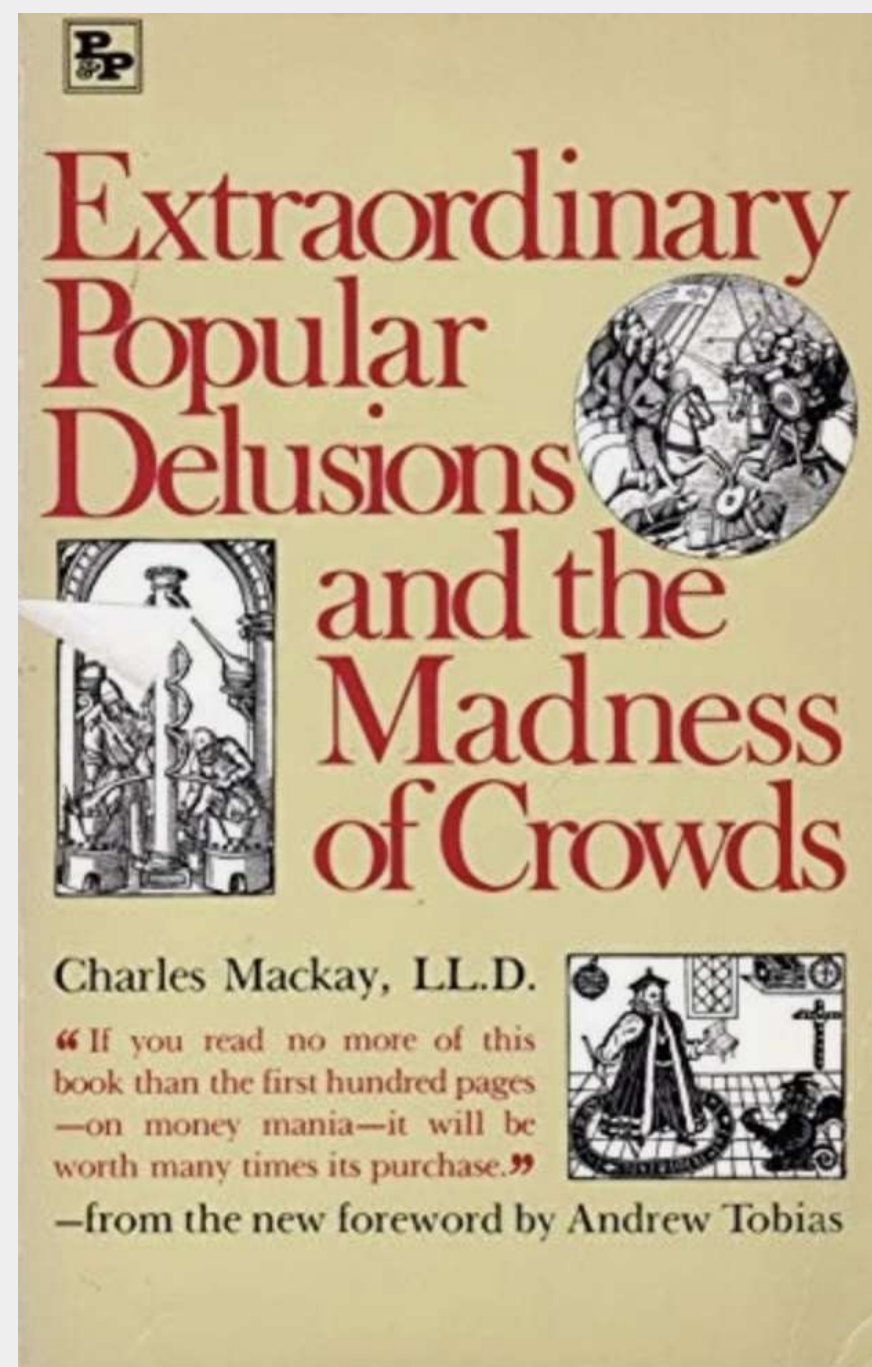
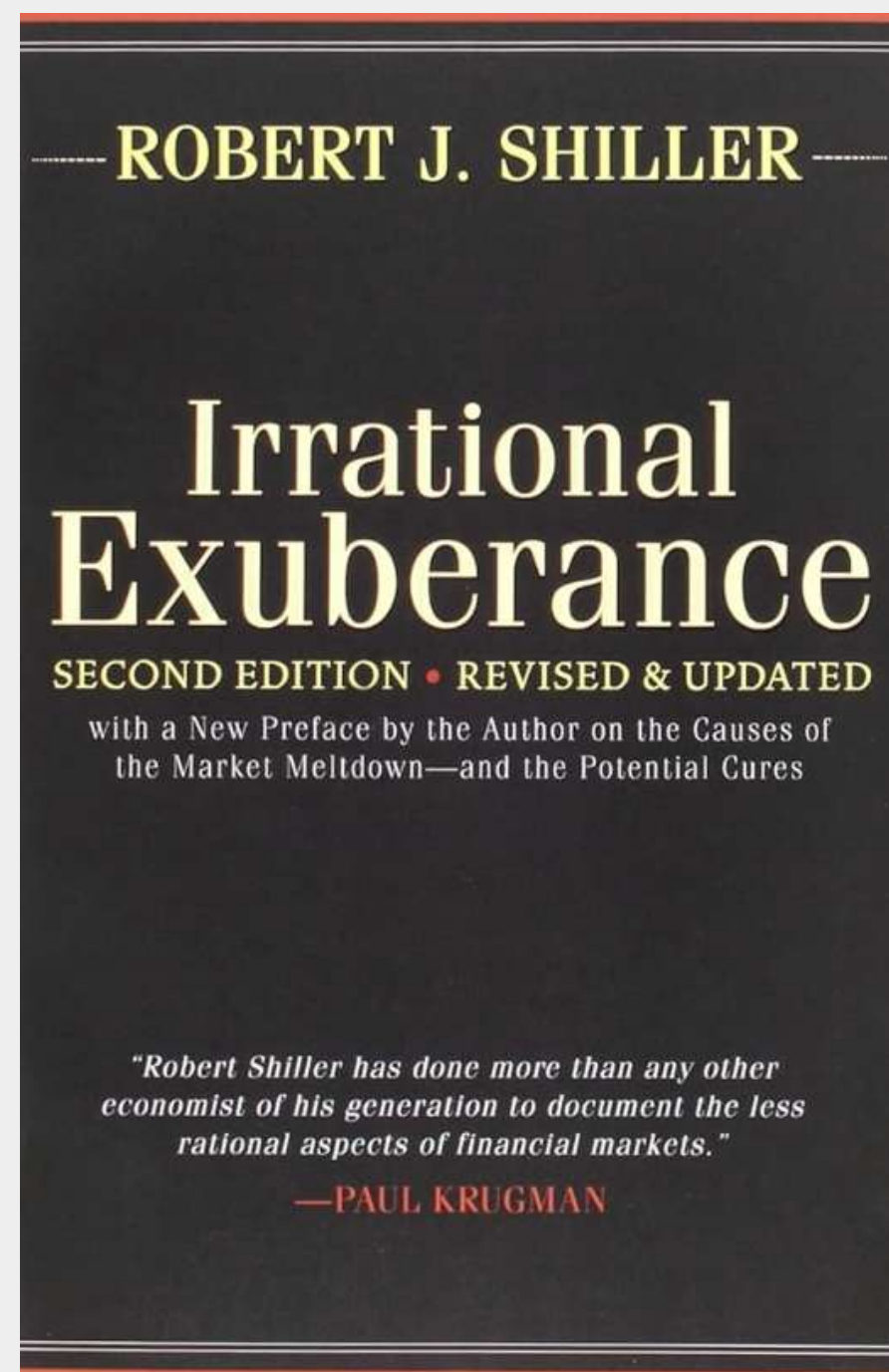
Rely on pricing via the wisdom of crowds



Source: LSEG Datastream / Rezco

Crowds can become herds

When everyone agrees, no wall of worry, exuberance, bubbles...

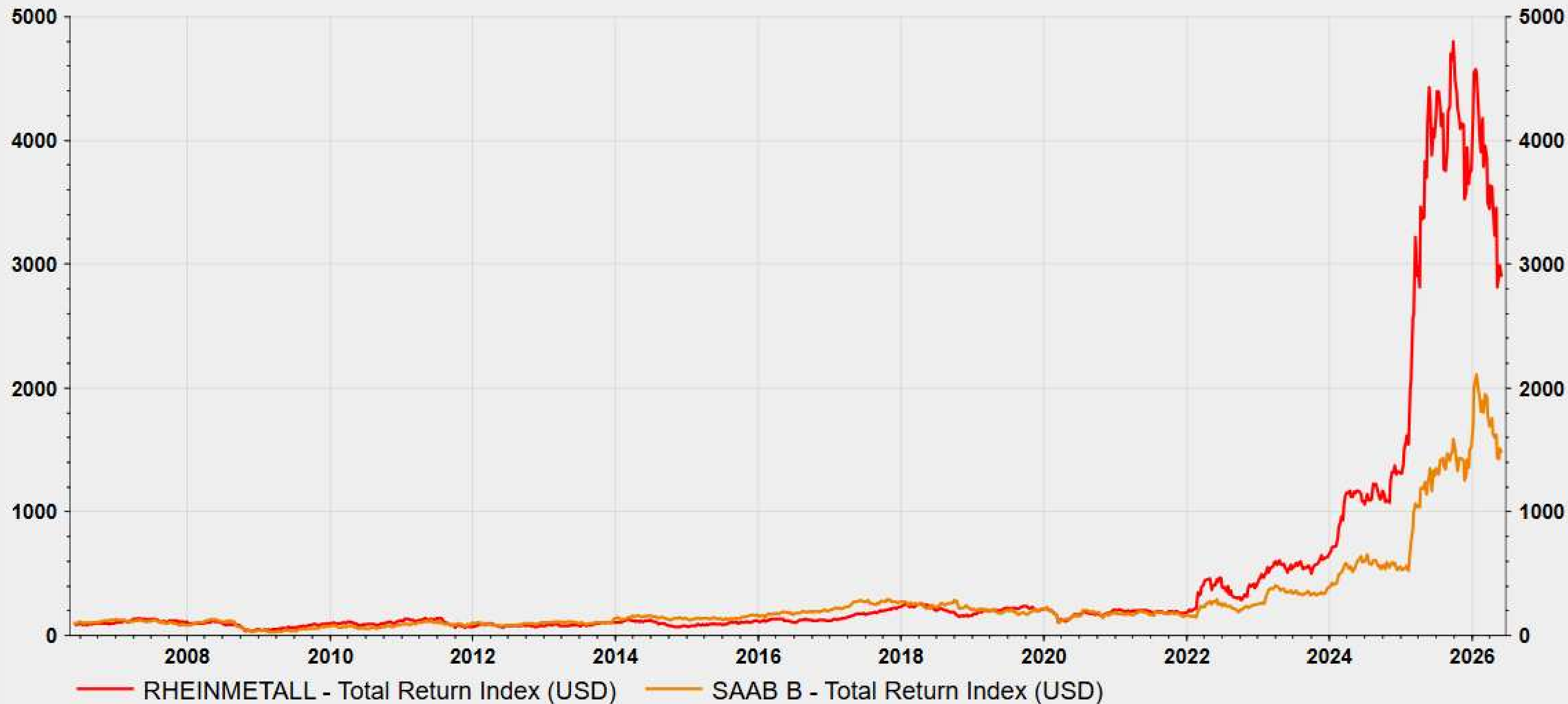


Semiconductors - 30 Years (log scale)



Source: LSEG Datastream / Rezco

European Defence Shares



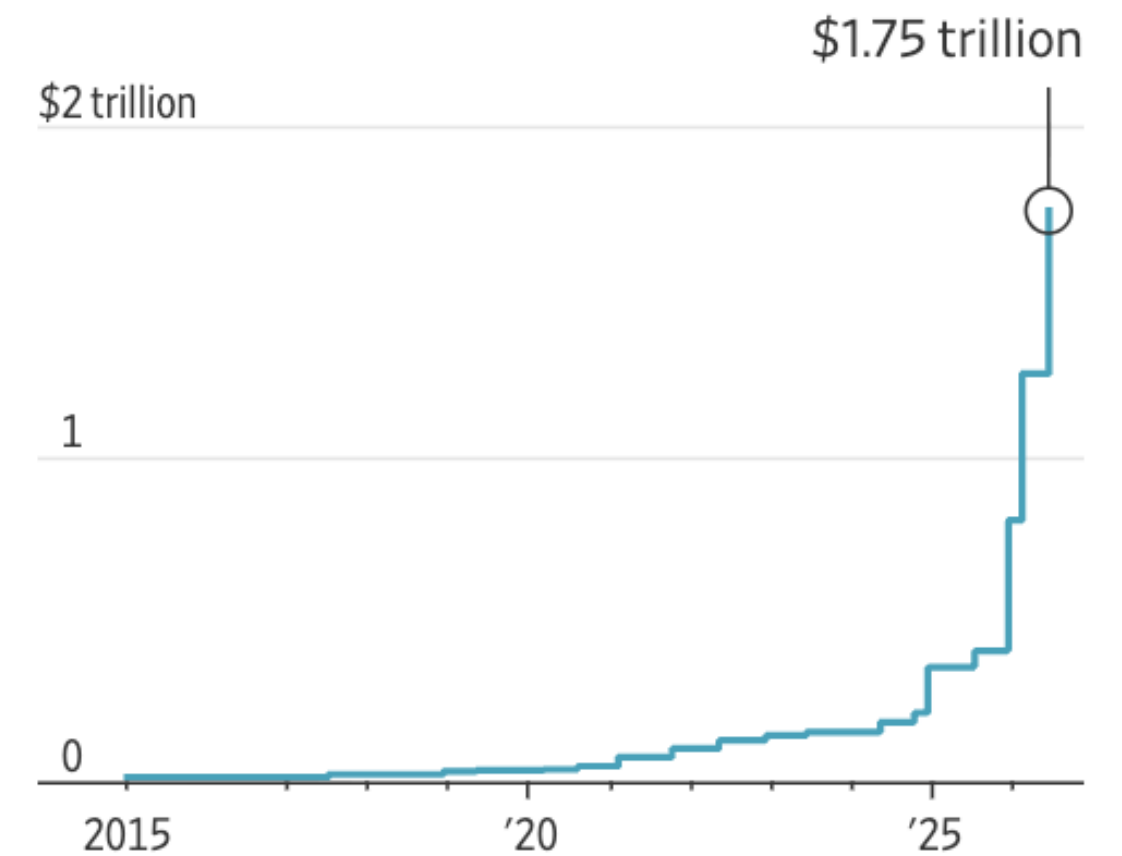
Source: LSEG Datastream / Rezco

The Market System is now Flawed

2025 Revenue USD18.7bn; Net Profit USD -4.9bn; Valuation USD1.75tn
23 Banks working on the IPO

The screenshot shows a Bloomberg article page. At the top, the Bloomberg logo is on the left, and 'My Account' with a search icon is on the right. Below the logo is a navigation bar with categories: Live TV, Markets, Finance, Economics, Industries, Tech, Politics, Businessweek, Opinion, Video, and More. The article title is 'SpaceX — To Boldly Raise Money Where No IPO Has Gone Before' by John Authers, a columnist. The sub-headline reads: 'The final frontier is efficiency, as some of the world's biggest companies land on indexes.' The date is 'June 2, 2026 at 6:12 AM GMT+2'. Below the text is a small photo of John Authers and a bio: 'By John Authers. John Authers is a senior editor for markets and Bloomberg Opinion columnist. A former chief markets commentator at the Financial Times, he is author of "The Fearful Rise of Markets."' The main image is a Starship spacecraft orbiting Mars. At the bottom, a caption reads: 'Seeking out strange new corporate share structures. Source: CBS Photo Archive/Getty'.

SpaceX valuation, monthly



Source: staff and news reports

Gold Miners



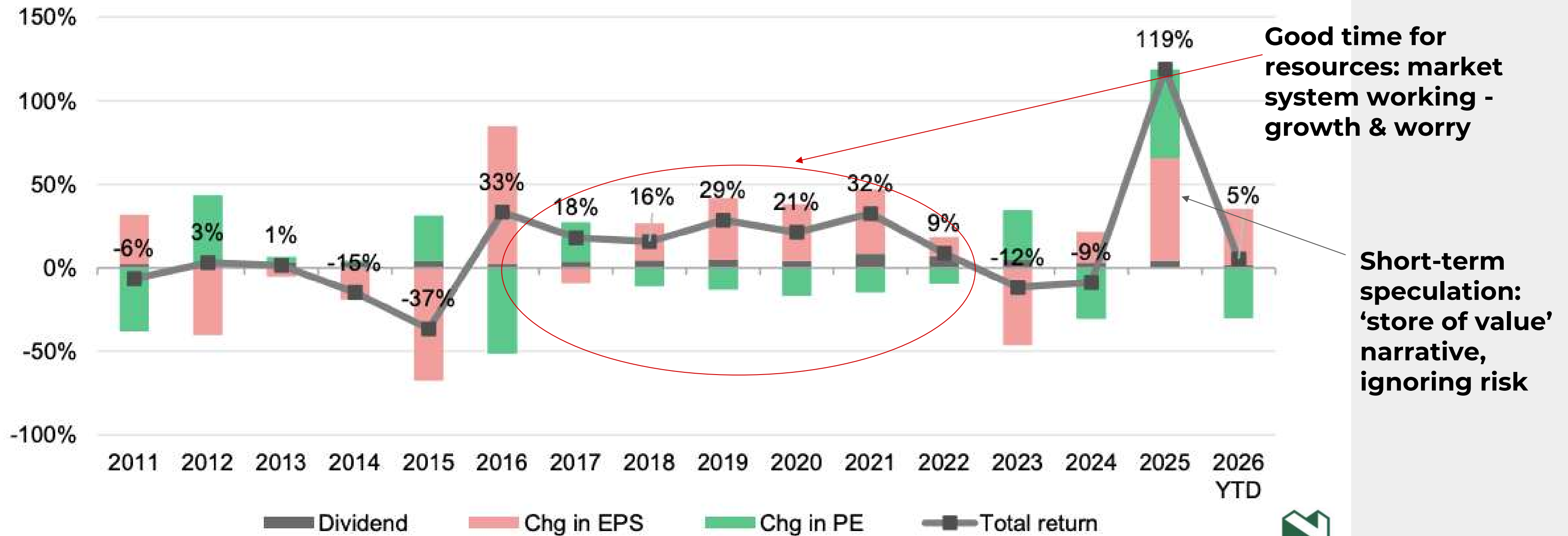
— Gold fields real total return since inception to end of April 2026

Source: LSEG Datastream / Rezco

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SA Mining Shares - 2025 was an outlier

JSE Resources: Earnings, P/E and dividend contribution to total returns, yoy



Source: Bloomberg, Nedbank Research



Short-Term Market Lesson: Take maximum risk, buy every dip



Source: LSEG Datastream / Rezco

Momentum + Flows + Narrative are self referencing

Long-Term Market Lesson: Markets climb a wall of worry



Rezco's philosophy since inception

Buy **quality companies**
with **compounding earnings growth**
at **cheap multiples.**

Risk managed and diversified portfolios



Good investment cases have risk and uncertainty

Counterintuitively, we seek opportunity within uncertainty and aim to take good risks; if we cannot identify the investment's flaw, we are likely missing it.

However, human behaviour naturally favors the perceived safety of price momentum.

Currently in the portfolio:

Discovery - cash gen sustainability, efficacy of Vitality

Netcare - their main competitor states Netcare's strategy is costly and ineffective

Mr Price - SA clothing retail is broken and the CEO made a horrible acquisition

Shoprite - law of large numbers and low food inflation

Omnia - cyclical commodity play

WBHO - where is the revenue now?

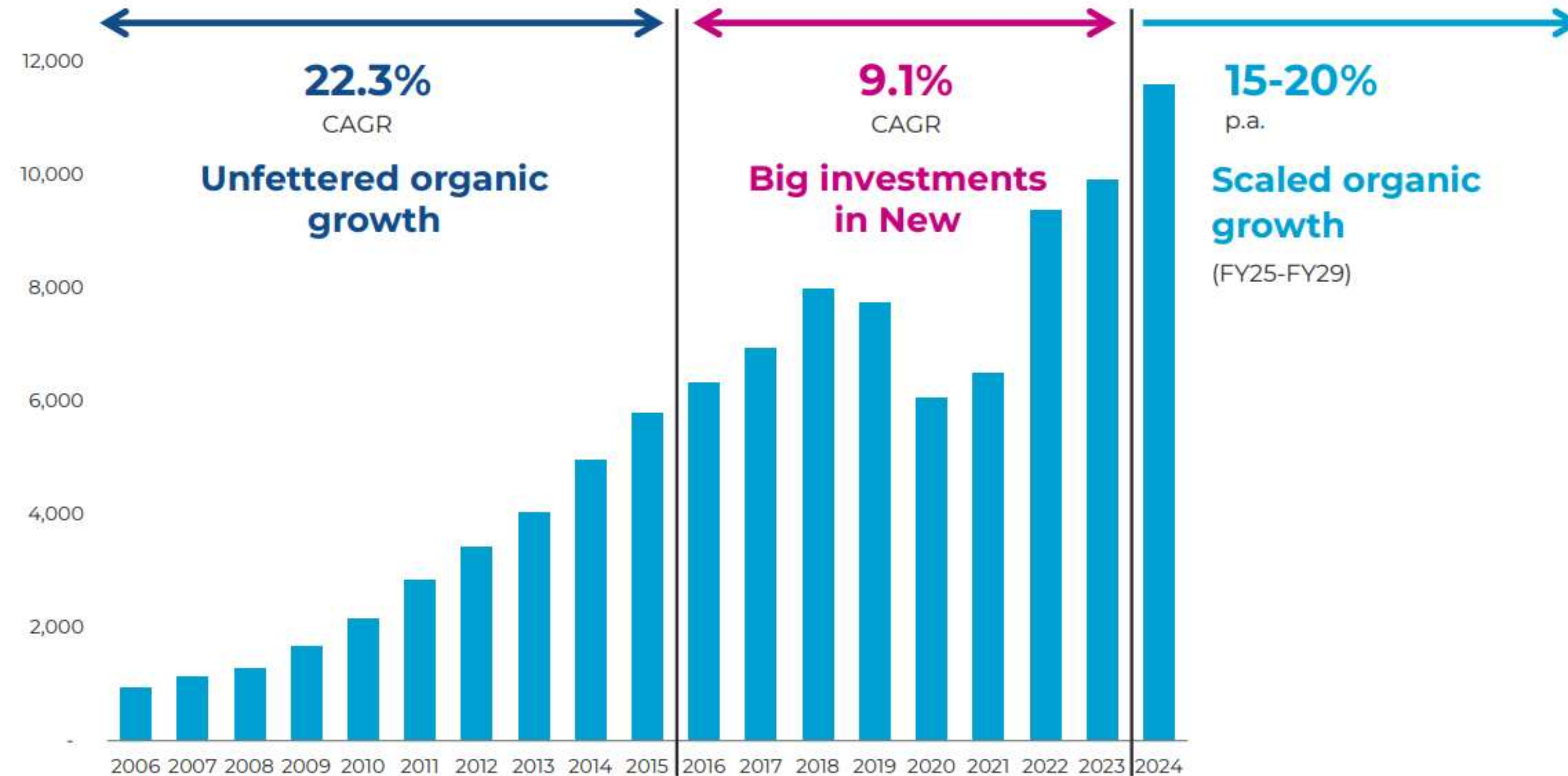
Araxi - software dev vs AI, big acquisition

Woolworths - Checkers 6060



Discovery Example: Long Term Compounding

Operating profit by phase of growth, Rm

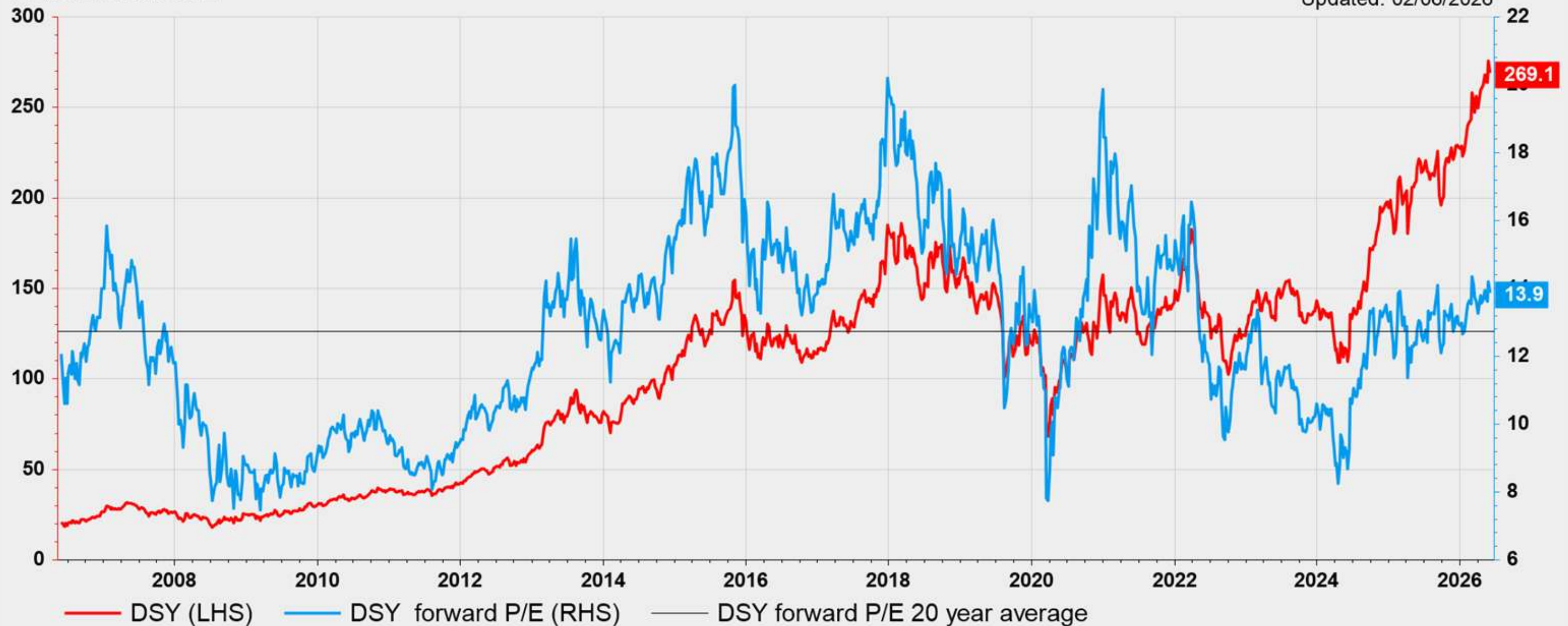


Long Term Compounder - how it plays out

The reality is often messier

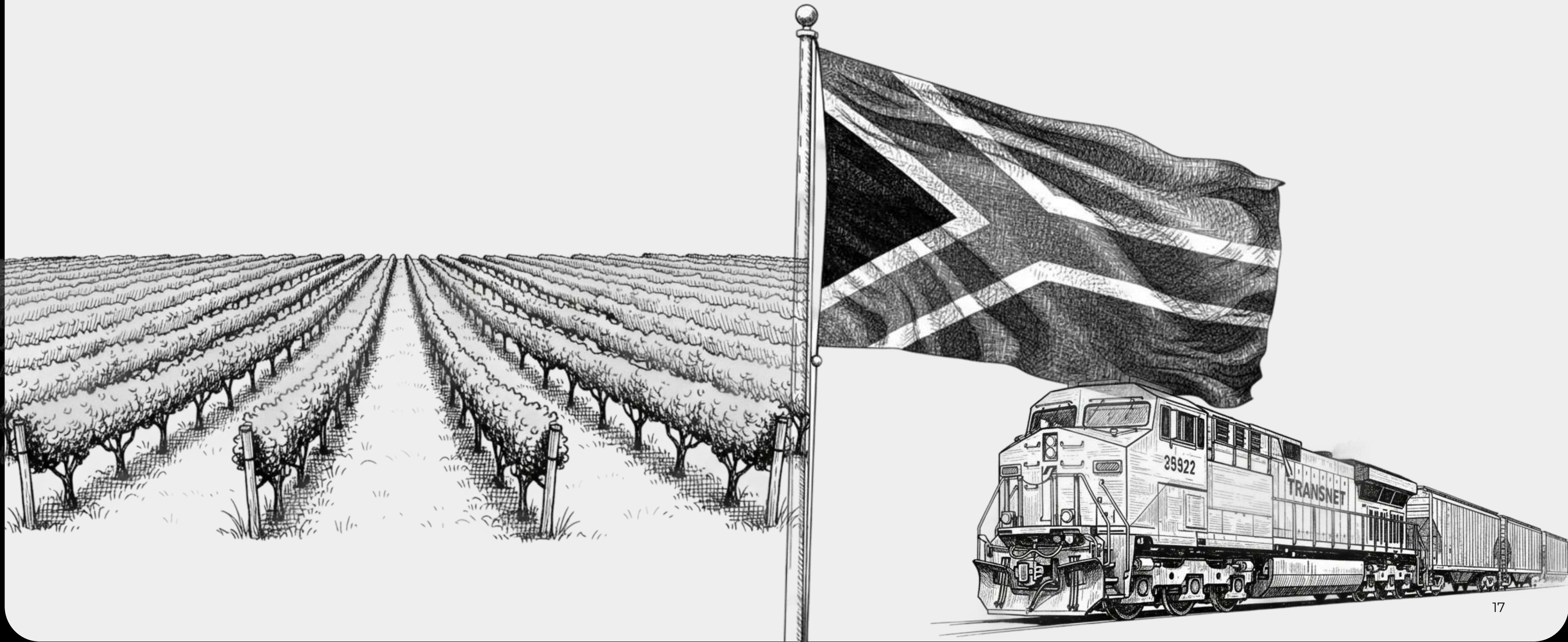
DSYJ.J

PRICE CHANGE



Source: LSEG Datastream / Rezco

**SA Economy:
Are we on a new growth path?
And what growth is priced in?**



Long Term SA GDP Growth

2% is a lot better (but also not good enough)

SOUTH AFRICA GDP Growth

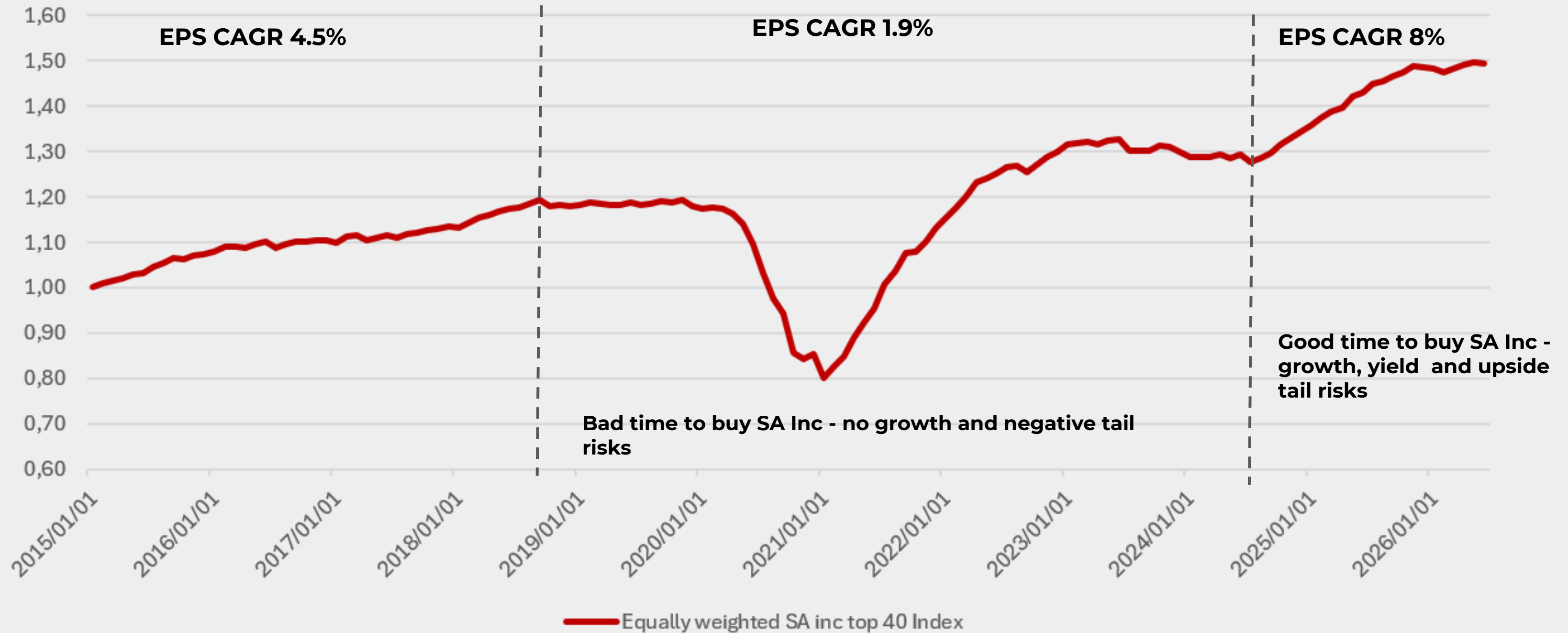


Source: LSEG Datastream / Rezco

Growth trend is building - patience needed

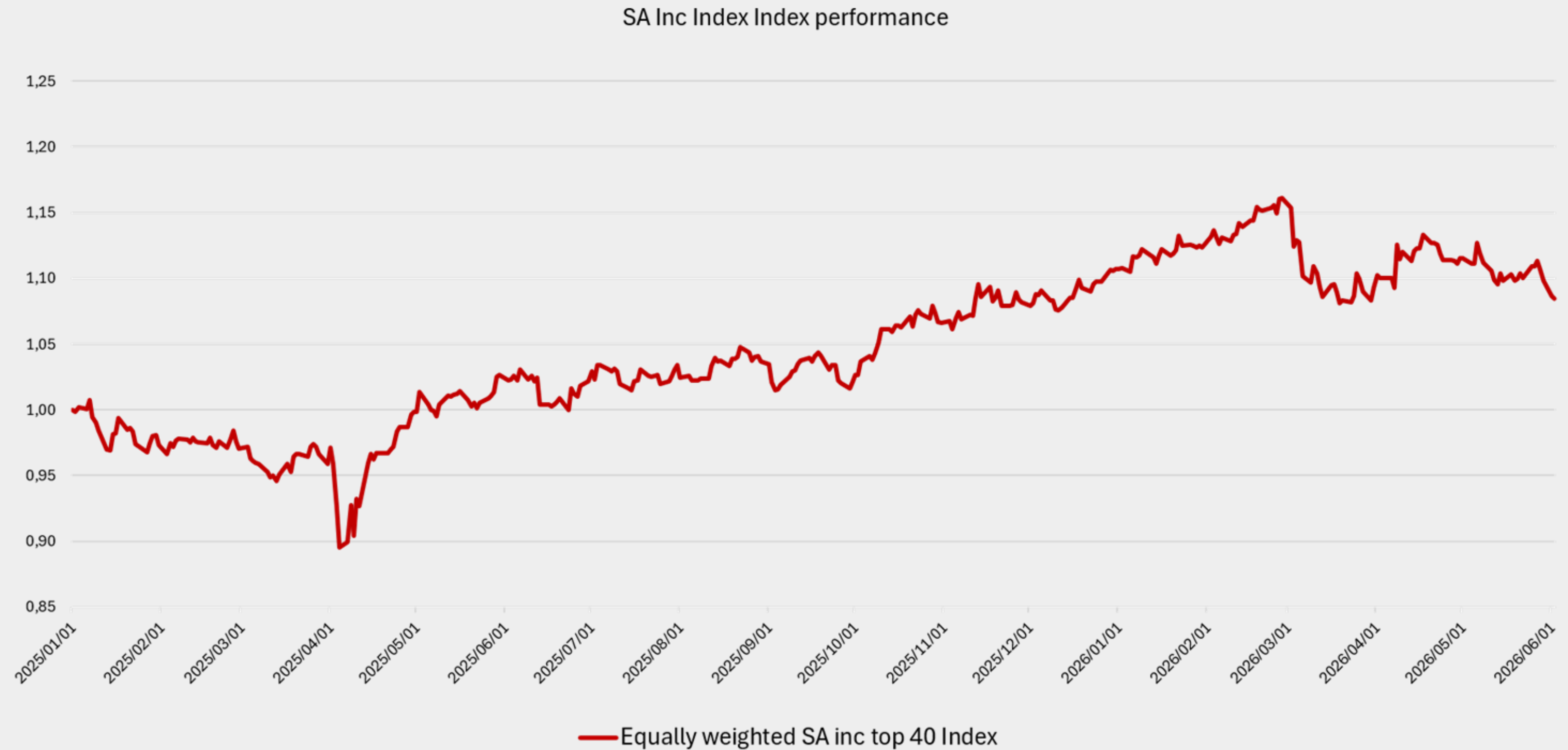
Expectations suggest SA is on a new growth path (wisdom of crowds)

Equally weighted SA inc top 40 Index forward EPS rebased to 2015



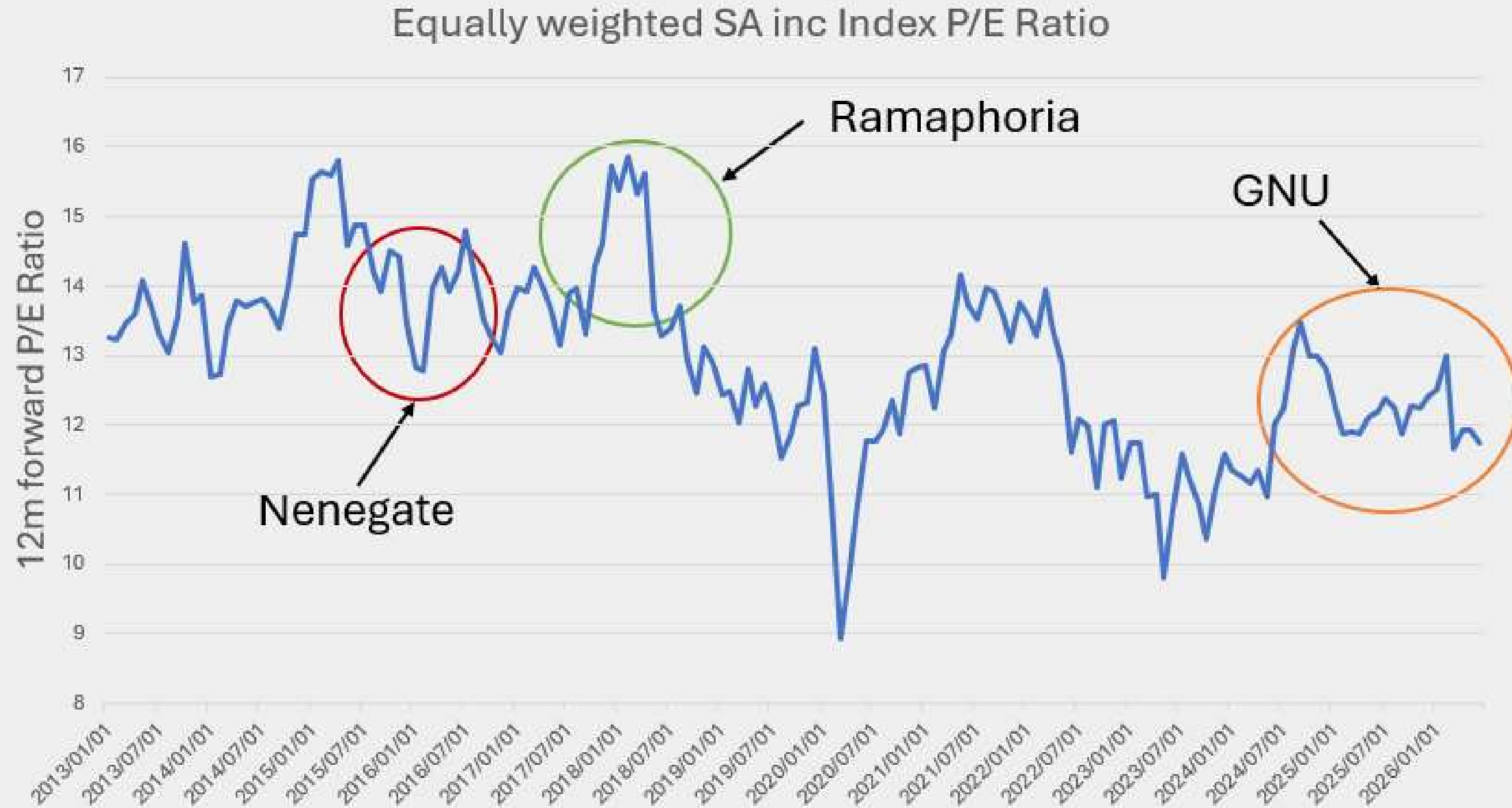
Earnings rising faster than share prices

SA Inc Index is getting cheaper



SA Inc PE - Massive Undervaluation

There is a lot of 'worry' built in here

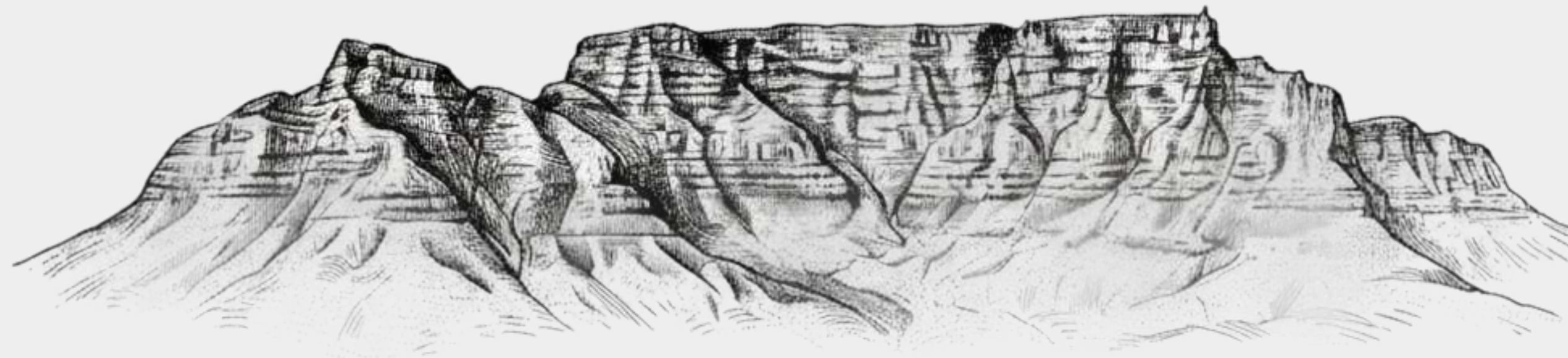


Source: Refinitiv Datastream. Construction: A custom basket of equities, equally weighted consensus forward P/Es of the largest 40 largest JSE stocks each month, excluding miners, oil & paper producers or where a majority of the stocks earnings are derived from outside South Africa.

It doesn't feel like a new growth path

There is no euphoria, and that is the point

Investors must be patient with being uncomfortable - the reform path is not clear, but the data is pointing in the right direction



Market Price of RSA Country Risk - massive fall

Long Term Yield Spread : SA 10 yr Bond Yield minus USA 10 yr yield



Cost of Insurance against SA Defaulting on USD Debt

Market has reduced the CDS spread due to reduced risk of default



ZAR / USD: Strong despite global risk and local issues

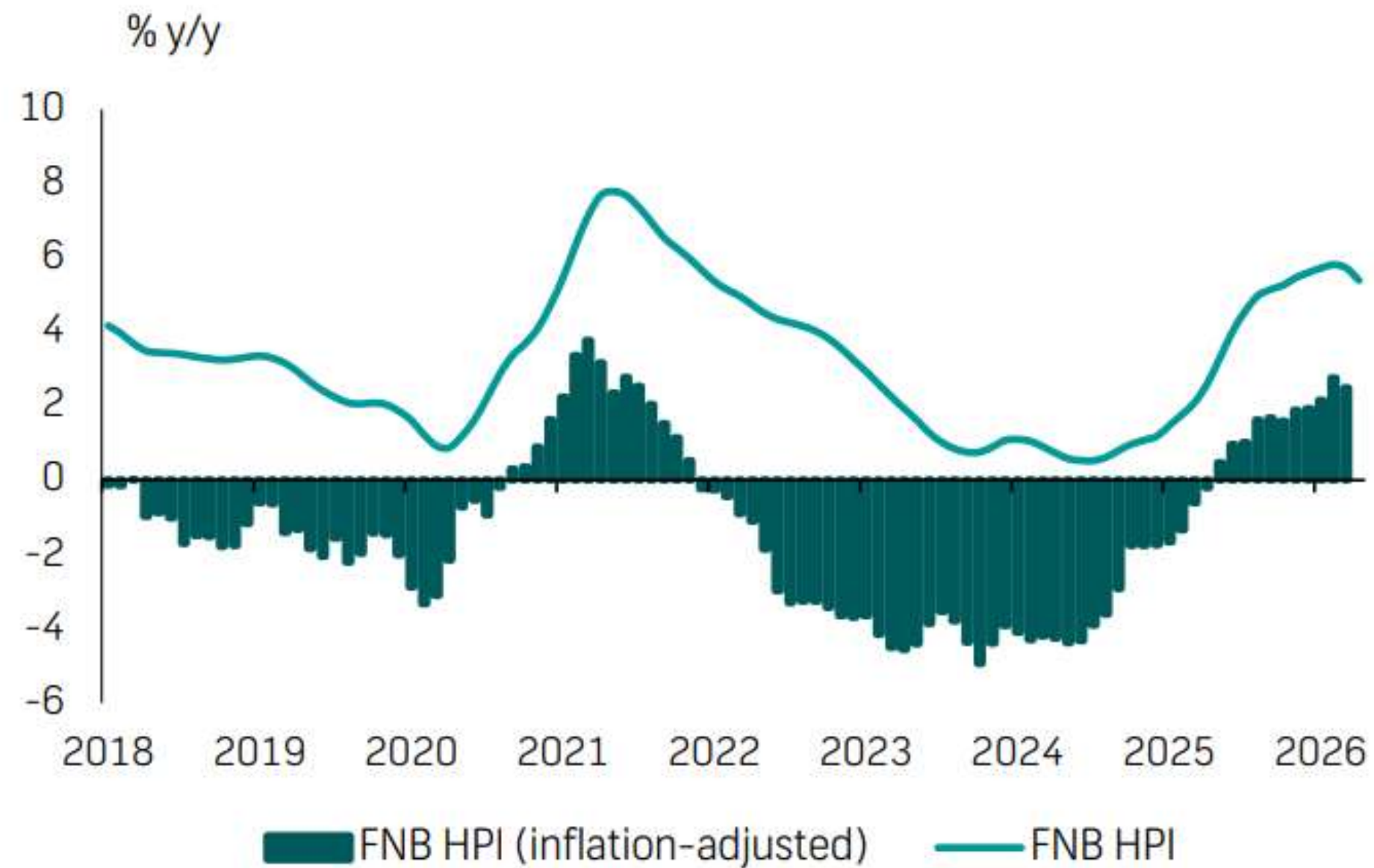
Emerging Market FX prices country risk rapidly



Source: LSEG Datastream / Rezco

House Prices Turning - Long Term Confidence

Figure 1: FNB HPI



Source: FNB Economics

Fiscal Austerity: Cutting Waste, not Growth

SA primary budget balance as % of GDP

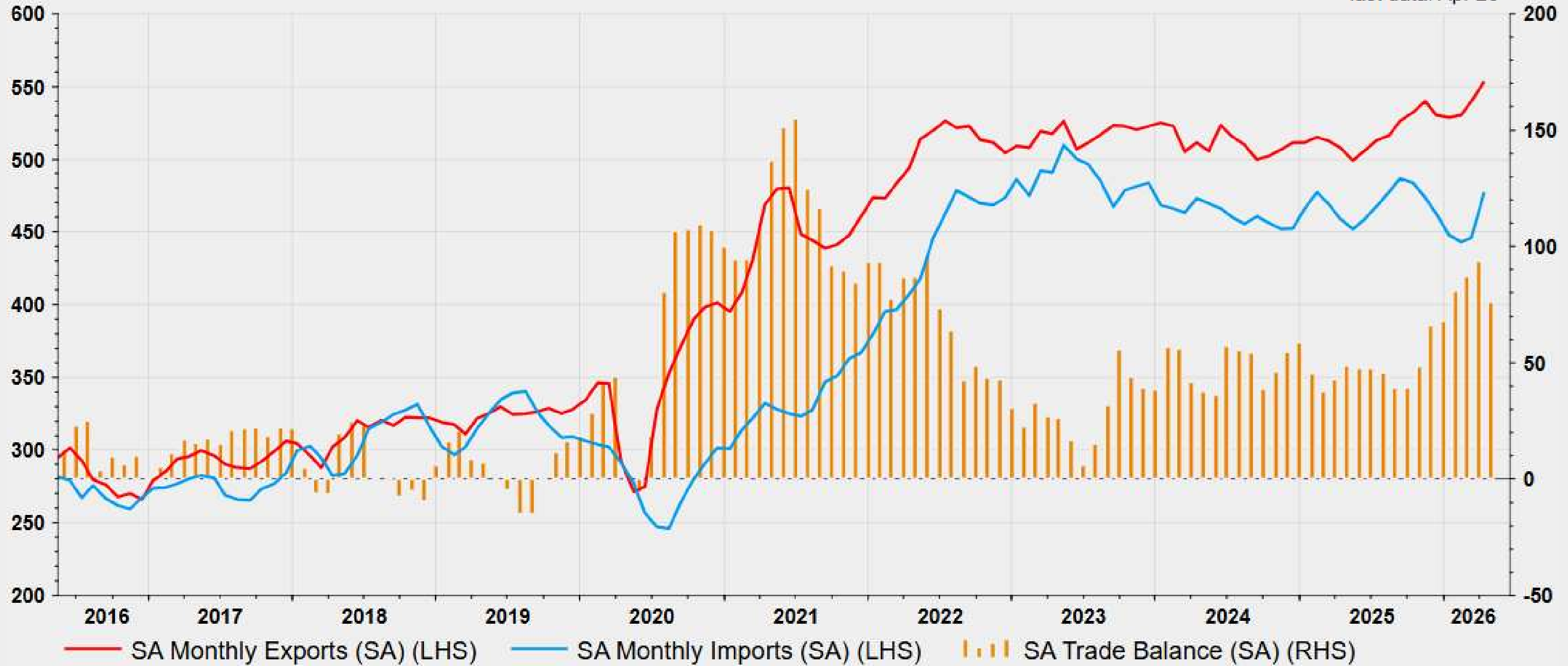


Source: LSEG Datastream / Rezco

Economic Tailwinds

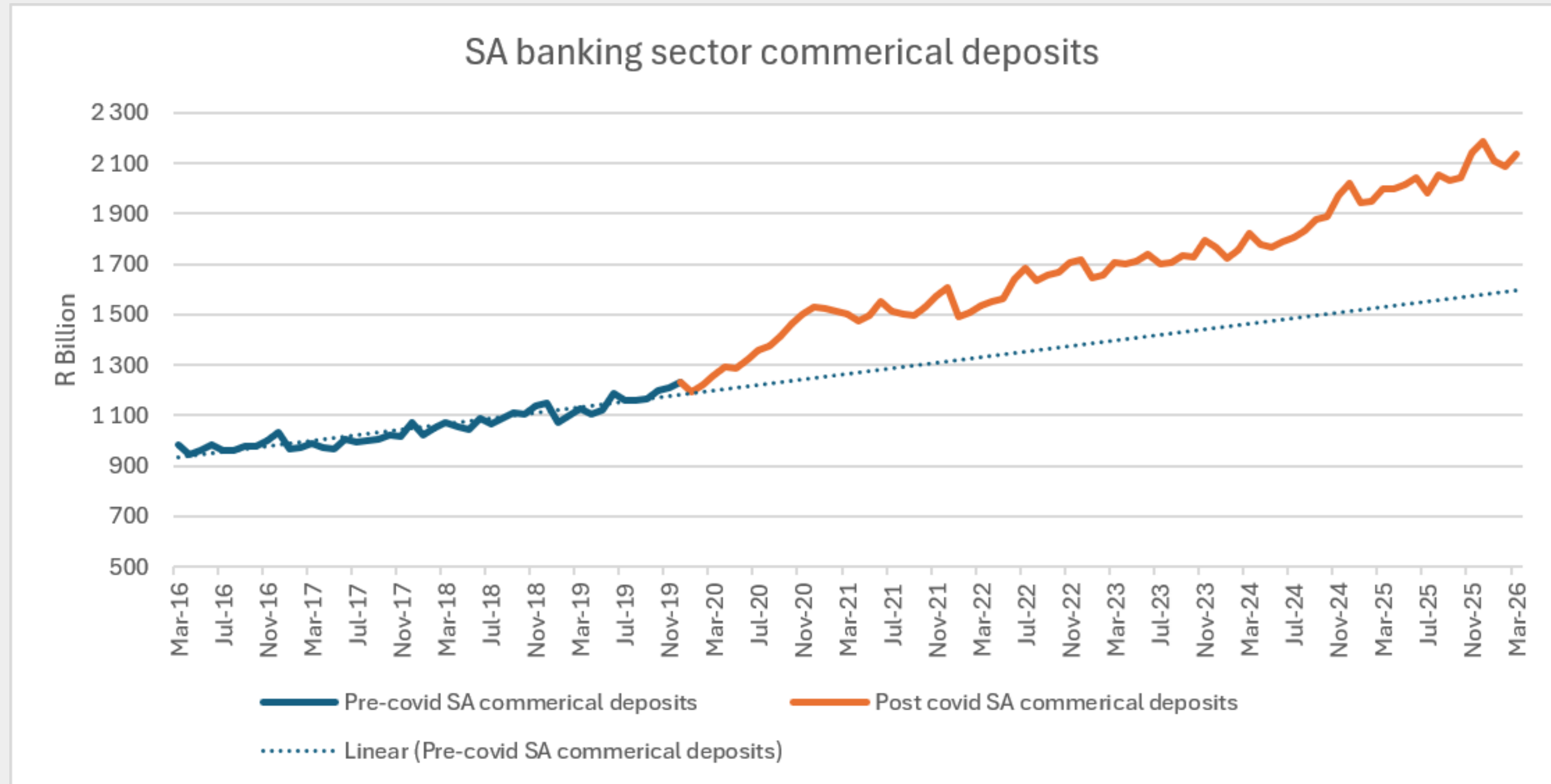
SA Trade Balance Trends

updated: Jun 26
last data: Apr 26



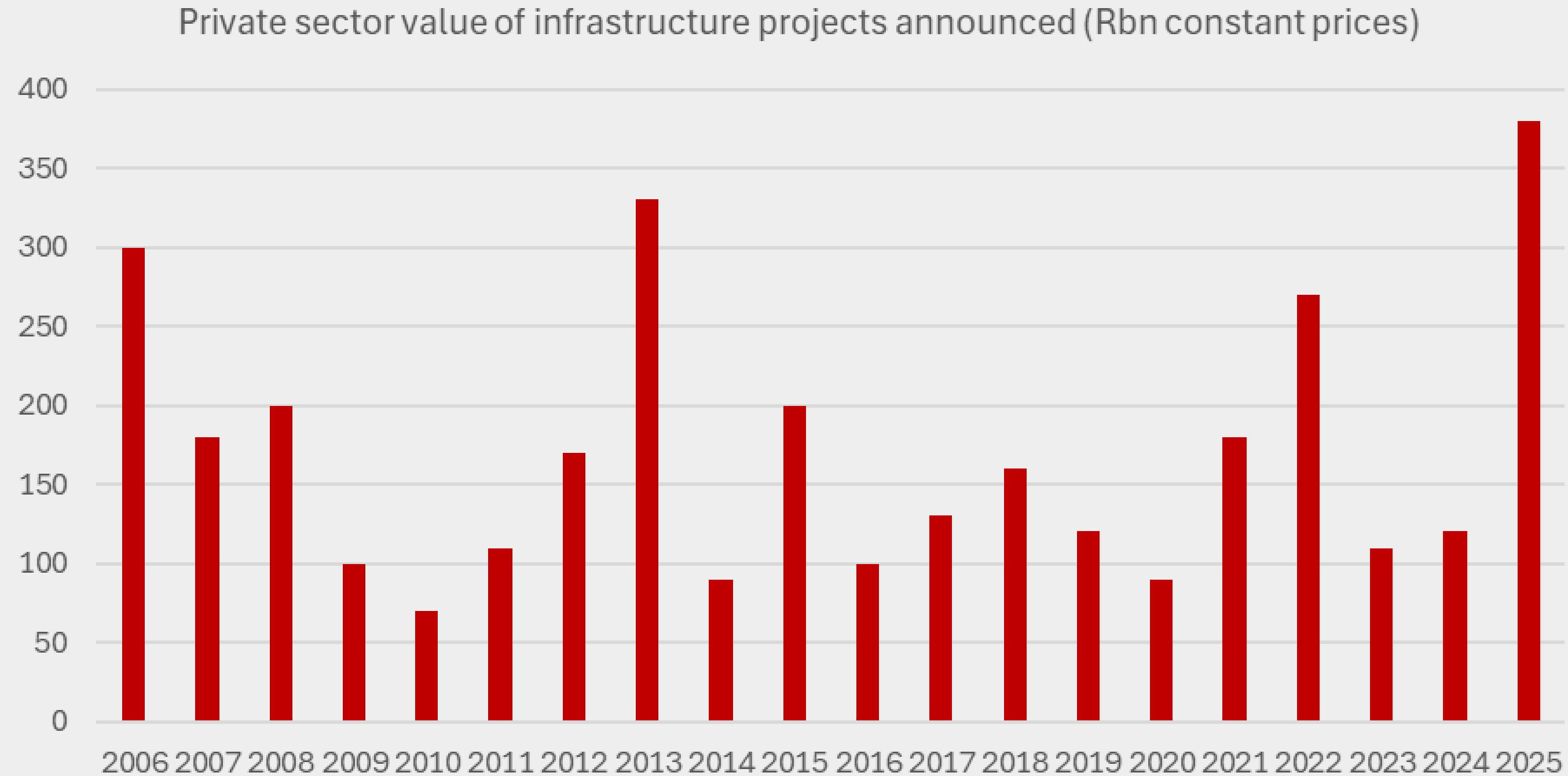
Source: LSEG Datastream / Rezco

Deposits - confidence needed to spend



Confidence leads to investment (slowly)

And government are talking about R1tn infrastructure plans



Source: Nedbank Capital Expenditure Project Listing

Our View

Based on company fundamentals, macro drivers, risk management

NOT

Momentum, Size, Benchmark Weight

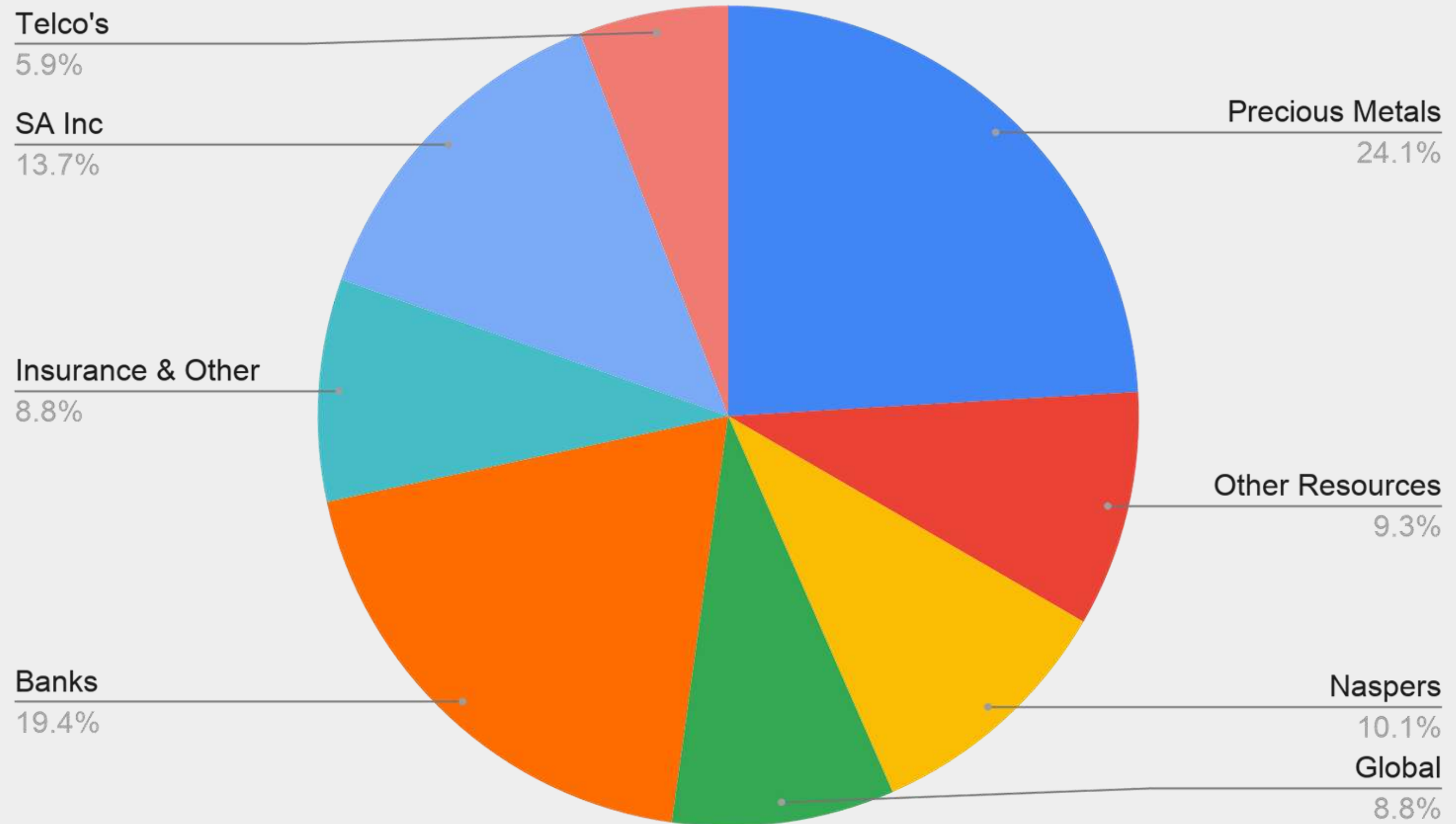
Currently:

1. SA Macro best in 15 years and comparable to the 2004-2007 period
2. SA Inc is cheap and neglected
3. The 'surviving' good SA companies have strengthened through a very tough decade

Not a good time to buy the index (global or local)

Global risks worry us more on SA than domestic risks (inflation and Hormuz)

Capped ALSI: Great opportunities not well represented



Back to Basics: Time to be patient

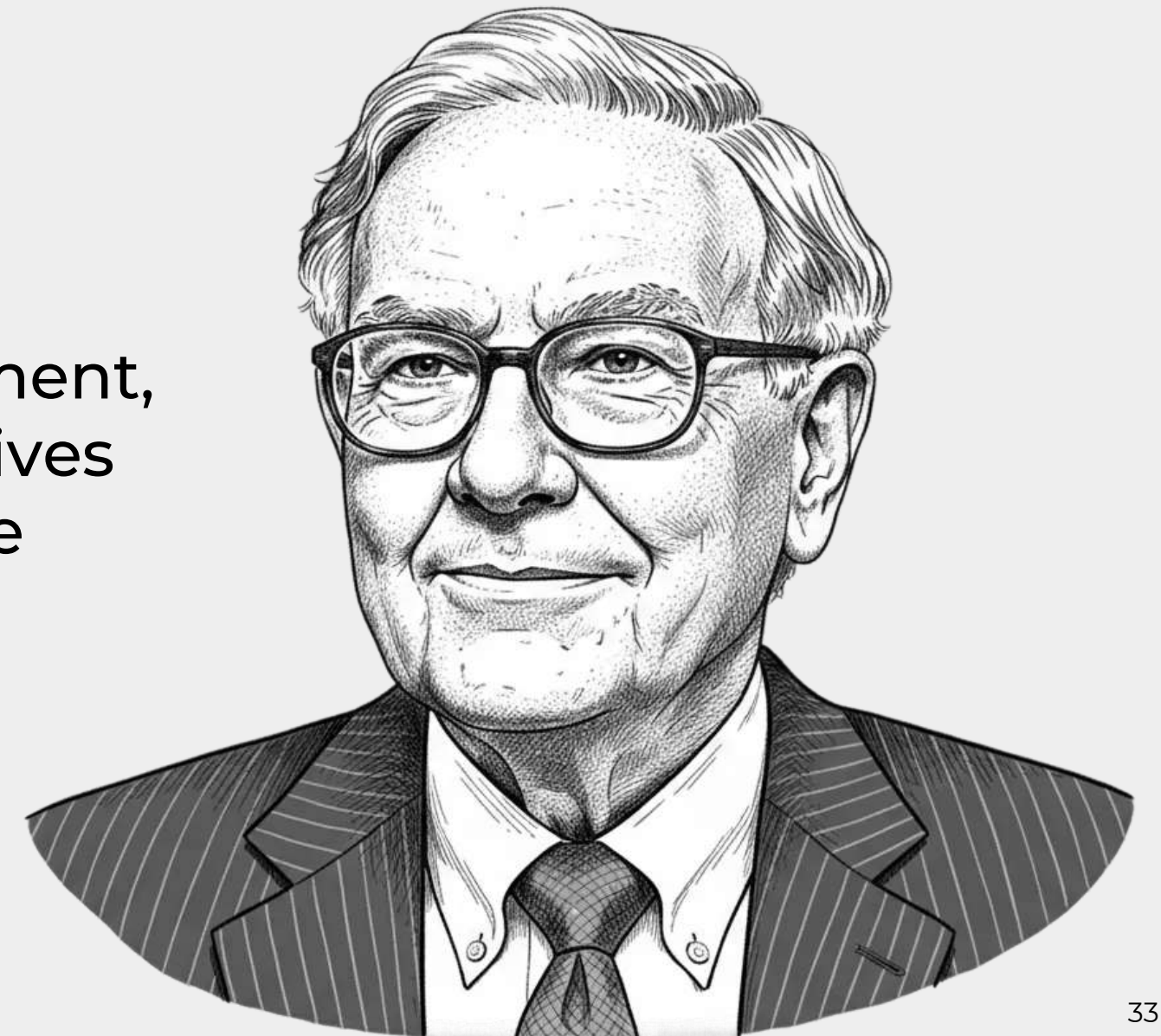
Advice from Warren Buffett:

BE PATIENT

“The stock market is a device for transferring money from the impatient to the patient.”

BE OK WITH BEING DIFFERENT

“The most important quality for an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd.”

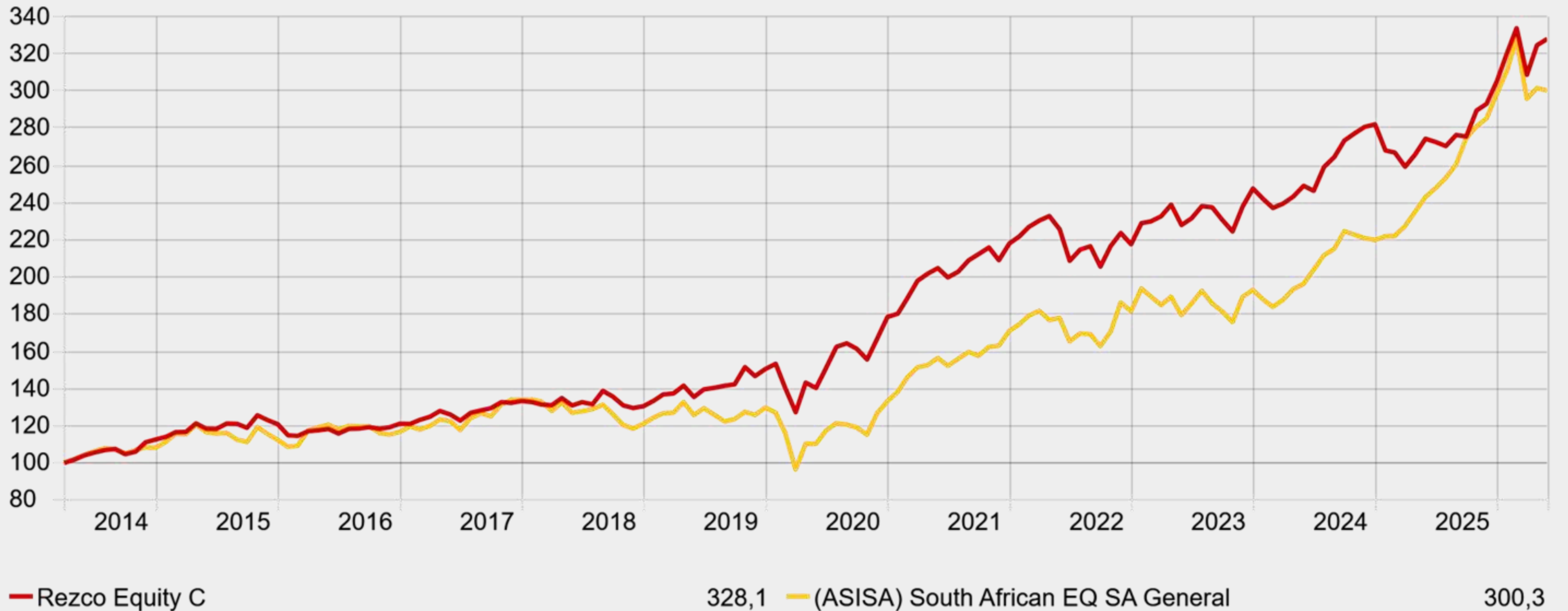


Rezco Equity Fund - Since Inception

CUMULATIVE RETURNS - Since Inception

Time Period: Since Common Inception (2014/04/01) to 2026/05/31

Currency: Rand Source Data: Total Return



Thank You



What are we all about at Rezco!

We Invest in Compounding Earnings Streams

{good value with positive earnings trends + quality}

Manage Portfolio Reward/Risk not Tracking Error

{manage total risk not the risk relative to the peers/benchmark; try avoid negative tail risks}

Discipline & Patience

*{discipline to stay away from what we **don't** want to do, patience to **stick to the fundamentals** of investing}*

Macro matters

{it drives earnings expectations and valuations, and impacts portfolio risk decisions}

Understanding the market system

{important to frame opportunity and risk as well as manage emotion}

Disclaimer

Preserving Capital* & Creating Wealth.

*While the portfolio manager will attempt to minimise risk, it is possible that the investor could incur losses, including the loss of principal invested.

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