



# FLAGSHIP

ASSET MANAGEMENT



## Quarterly Telescope Q1 2026

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# 01

## We are a global specialist investment boutique

Flagship is a specialist global asset manager founded in 2001.

We are 100% independent and fully owned by staff and directors.

Our mission is to be the navigators and global authority of your complete investment future, wherever it may lead.

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# 02

## We manage global portfolios in three distinct strategies

Global Equity | Global Flexible | Global Fund of Funds

We believe in a focused approach to fund management

Our longest running Funds have track records spanning over two decades

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# 03

## We are long term investors who manage diversified portfolios

We use a dynamic investment strategy and active risk management to build robust, diversified equity portfolios.

Our unconstrained approach allows us to navigate diverse market conditions and identify opportunities wherever they arise.



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# The Flagship Global Investment Team



## **Philip Short BSc (Maths), CFA**

Philip is a fund manager of the global funds at Flagship and brings specialist macroeconomic expertise to the global team. Philip has gained 20 years' experience in the industry at JP Morgan, Fairtree Capital and Old Mutual as an analyst and portfolio manager. He completed his Bachelor of Science in Mathematics at the University of Pretoria and is a CFA charter holder.



## **James Hayward BEng (Civil), CFA**

JD is a fund manager of the global funds at Flagship, having joined in 2021 as an equity analyst. At the completion of his degree, JD worked in the engineering and fintech start-up industries while pursuing further studies in investments. JD holds an Engineering degree from Stellenbosch University and is a CFA charter holder.

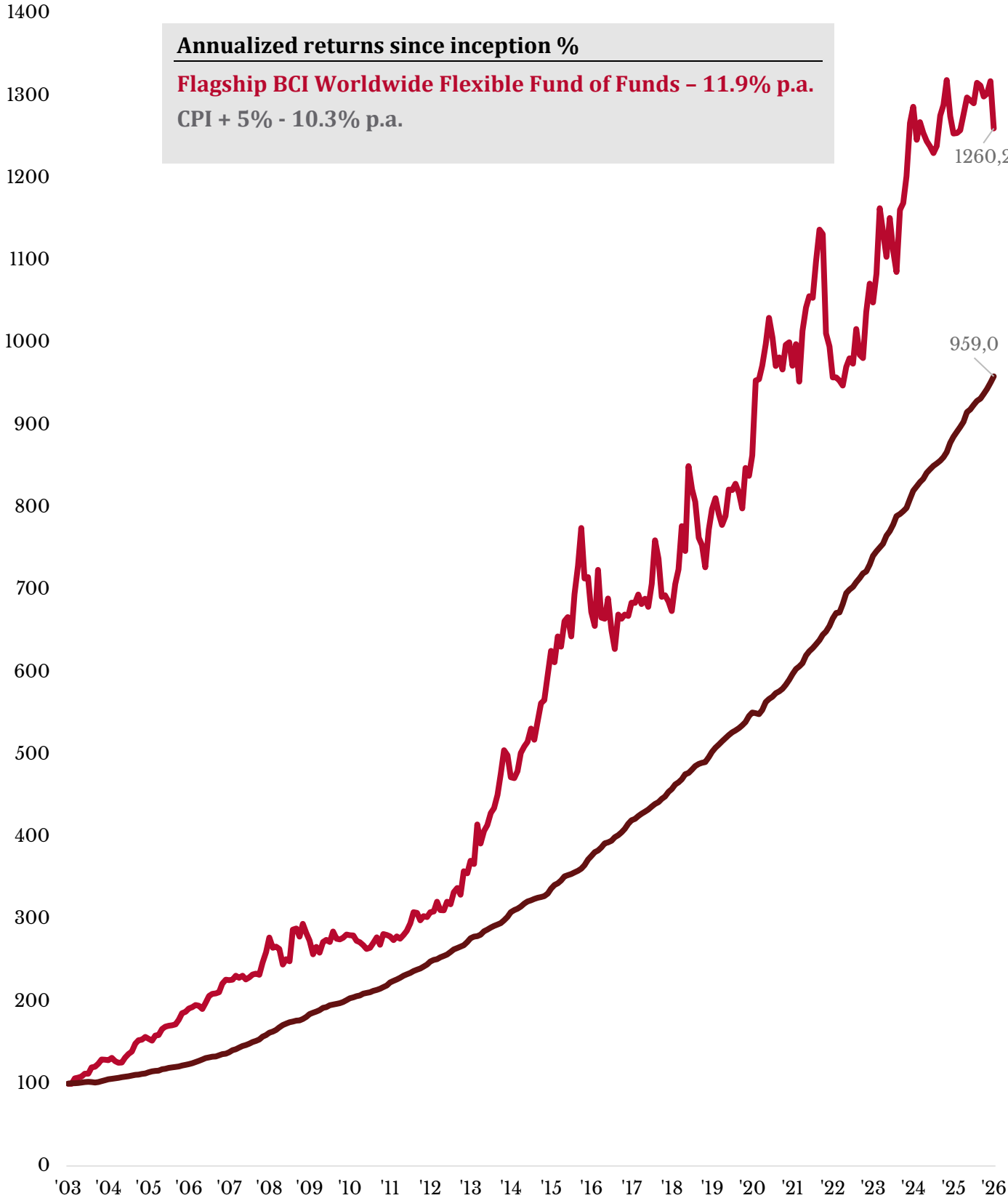


## **Paul Floquet CA (SA), CFA**

Paul is a fund manager of the global flexible strategies at Flagship, as well as portfolio manager of the Flagship IP Balanced Fund. He qualified as a chartered accountant in 1995 with Deloitte and Touche and gained international investment experience with JP Morgan and Merrill Lynch. He became a portfolio manager and director at Flagship in 2004. Paul is a CFA charter holder.

# The Power of Long-term Compounding

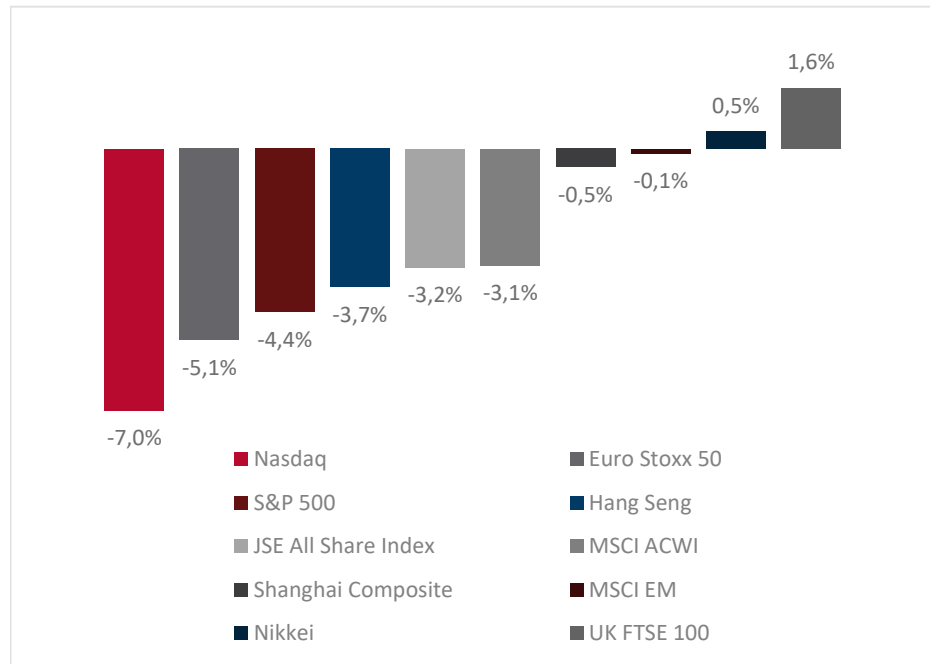
The **Flagship BCI Worldwide Flexible Fund of Funds** (net of all fees) vs. SA CPI +5%  
from 3 April 2003 to 31 March 2026 (23 years)





# Global Market Commentary

Chart 1: YTD Global Index returns in USD (Dec 31 2025 to 31 March 2026)



After recording several quarters of strong returns, global markets hit a speedbump during the first quarter of 2026, mainly due to a vastly different geopolitical outlook than at the start of the quarter. The ongoing war in Iran and the Middle East, and the subsequent closure of the Strait of Hormuz, will be discussed in more detail later in this Telescope.

In the US, both the Nasdaq and S&P 500 struggled, returning -7% and -4.4% respectively for the quarter. What was really eye catching, was the dispersion of returns within the S&P. Unlike previous quarters, there was very little contribution from the Magnificent Seven, all of which experienced subdued quarters. Performance was largely dominated by AI and AI infrastructure related companies such as SanDisk (up 148% YTD), Lumentum Holdings, Corning Incorporated, Micron and Coherent (the last three are all holdings in the FAM funds) while energy and chemical producers delivered stellar returns in the second half of the quarter as Middle East tensions started to build. Notables were APA Corp, also a fund holding, increasing by 79%. Chemical producers Dow Inc. and LyondellBasell both gained more than 70%, as the crude oil supply shock translated into shortages of the chemicals and plastics that are produced as byproducts of the refining process. On the other end of the spectrum, almost everything software related, and especially SAAS (software as a service) continued to get hammered. Examples include Applovin, Workday, Robinhood and Trade Desk, all down more than 40% during the quarter. The main driver here is the fear that these business models are becoming almost completely replicable with much cheaper AI-driven tools. While certain companies do indeed face uncertain futures, this selloff will also create fantastic buying opportunities, and we are closely monitoring for potential entry points.

Looking at sector performances for the quarter, we clearly see the effect of the war. The iShares Global Energy ETF increased by 39.6% during the first quarter, while the Global Materials sector was also strong, gaining 12.1%. On the opposite end of the spectrum, we find Consumer Discretionary, which declined by 7%. The return of Global Technology was muted, declining by 2.6%. When looking at the US IT sector in isolation, we see the effect of the 'SAAS-pocalypse' as it has come to be known, with the sector declining by 5.4% during the quarter.

While certain companies do indeed face uncertain futures, this selloff will also create fantastic buying opportunities, and we are closely monitoring for potential entry points.



European equities also struggled, with the Euro Stoxx 50 closing the quarter down 3.8% (-5.1% in USD). The standout major equity indices this quarter were those of the UK and Japan, with the FTSE 100 and Nikkei 225 gaining 3.4% and 2.1% respectively (measured in local currencies). Both returns are eroded slightly if measured in USD, as the dollar strengthened against most major currencies over the past couple of months. When looking at smaller markets, specifically emerging markets, there were some stellar performances to start off the year: iShares Brazil ETF increased by 23% YTD, Mexico gained 10.7%, and South Korea, one of the world's strongest markets in 2025, continued its rich run of form, ending the quarter 28.7% higher. This does come with some volatility, though. The KOSPI (South Korean Stock Index) experienced its worst day on record, dropping 12% in a single session, before recovering about half the loss the next day. Putting this all together, the MSCI ACWI declined by 3.1% during the quarter.

Commodities experienced serious volatility during the quarter. The main beneficiary was, of course, crude oil, with International Energy Agency (IEA) executives calling the scale of the disruption to markets "unprecedented" as Brent Crude Futures rose 94.5% YTD, with a 63.3% rise coming in March alone. The one major mitigating factor however, that was not present during previous oil crises, is the scale of US production, now the world's largest producer of crude oil. So large was the scale of the disruption, that for only the 6th time in its 50-year history did the IEA initiate an emergency release of oil stockpiles. Gold delivered a much more subdued quarter, rising by "only" 8.1%, but this move also incorporates a large drawdown of 11.6% during March, one of the bullion's worst months on record. This large negative move might be surprising to some readers, especially given the turbulent geopolitical climate, and gold's traditional appeal as a safe haven. The move was instead driven by a) profit taking after an already historical run in the gold market, and b) the market's concerns about resurging inflation. If we do see a resurgence in inflation, this would (theoretically) limit the Fed's ability to cut rates, with the possibility of rate hikes back on the table. Higher rates are generally not supportive of a higher gold price, as the available yield on treasuries now becomes more attractive.

Another major talking point from the first quarter was the increasing vulnerability (seemingly) of the private credit market. Post the GFC, risky borrowers had to go looking for funding outside of the traditional banking system. This gave rise to the ± \$3 trillion private credit market. Large chunks of this market have been funding software startups and, given the torrid time facing software stocks in the listed market, it is only rational to assume plenty of the unlisted names will be facing the same headwinds. This led to investors to reduce exposure to these funds, and that fear spread quickly – leading to something akin to a bank run as the industry was hit by a wave of redemption requests amid growing worries over the quality of loans. By the end of the quarter, almost all the world's largest private credit players were restricting investor withdrawals as requests far exceeded the amounts normally seen over similar timeframes. This includes Morgan Stanley, KKR, Blue Owl, Blackstone, Blackrock, Apollo Global Management, etc. If this pattern sounds familiar, it's because it is. The last time funds started blocking investors from access to their money, we saw the collapse of Bear Stearns and the start of the GFC. Nothing to see here...move along.

The global economy and, by extension, markets, remain in uncertain territory. Front and centre, Trump's Middle Eastern war, which he described as "very complete, pretty much" a couple of weeks ago, still rages on. In the meantime, we fully expect some of the volatile market moves to persist.

By the end of the quarter, almost all the world's largest private credit players were restricting investor withdrawals as requests far exceeded the amounts normally seen over similar timeframes.



Despite this uncertainty, there is one number that steadily keeps rising, and currently keeps markets not far off their all-time highs...corporate earnings.

Consensus estimates for global corporate earnings continues to be revised higher, and until this changes, markets will remain elevated. Whether this pans out to be true, or whether analysts are just slow to adjust their estimates remains to be seen. The coming earnings season might provide some insight to this, and we continue to monitor the situation closely.

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## Flagship Strategy Performance

The performance of the Flagship strategies over Q1 '26 and 1 yr to 31 Mar '26, net of fees, is shown below:

Global Equity Strategy	Q1 '26	%Δ 1YR
Flagship Global Equity Fund (USD) *	-6.4%	13.1%
Flagship BCI Global Icon Feeder Fund (ZAR)	-3.1%	4.7%
Flexible Strategy	Q1 '26	%Δ 1YR
Flagship Worldwide Flexible Fund (USD) *	-6.3%	11.5%
Flagship BCI Worldwide Flexible Fund (ZAR)	-2.8%	3.3%
Fund of Funds Strategy	Q1 '26	%Δ 1YR
Flagship BCI Worldwide Flexible Fund of Funds (ZAR)	-2.9%	0.5%

\*1 year performance is based on the actual returns data of a live portfolio managed under current portfolio processes and philosophies, net of real trading costs and management fees, albeit official inception date of these funds is 23 April 2025.

After giving up ground against most major currencies over the course of the last year (including a big slide against the ZAR), the US dollar recovered some losses this quarter, finishing 2.3% stronger against the ZAR. Over the course of the last year, though, the USD is still about 7.5% weaker vs the ZAR. We like to highlight the USDZAR currency movements and make sure our investors are aware of the implications of a stronger ZAR. Over the last couple of quarters, the stronger ZAR has detracted from the performance of Flagship's ZAR denominated funds, which invest, by and large, offshore. Given our global focus, we believe our investors are specifically looking for offshore exposure (companies and industries not readily available in the local market) and in the long term, ZAR depreciation will be a tailwind to performance. Short-term underperformance on the back of a strong ZAR, although still very painful, is to be expected from time-to-time. Timing currency markets is close to an impossible task, and we prefer to look through this short-term noise and focus on our core tasks.

The **Flagship Global Equity Fund (USD)** declined by 6.1% during the quarter, more than its MSCI ACWI benchmark which declined by 3.1%. The fund performed strongly during January and February but gave up those gains during a very volatile March. Over the last year, the fund is now up 13.1% in USD. The **ZAR denominated feeder fund** on the other hand, declined by only 3.1% during the quarter, but gained only 4.7% during the last year. These results are severely affected by the direction of the USDZAR relationship, as explained earlier.

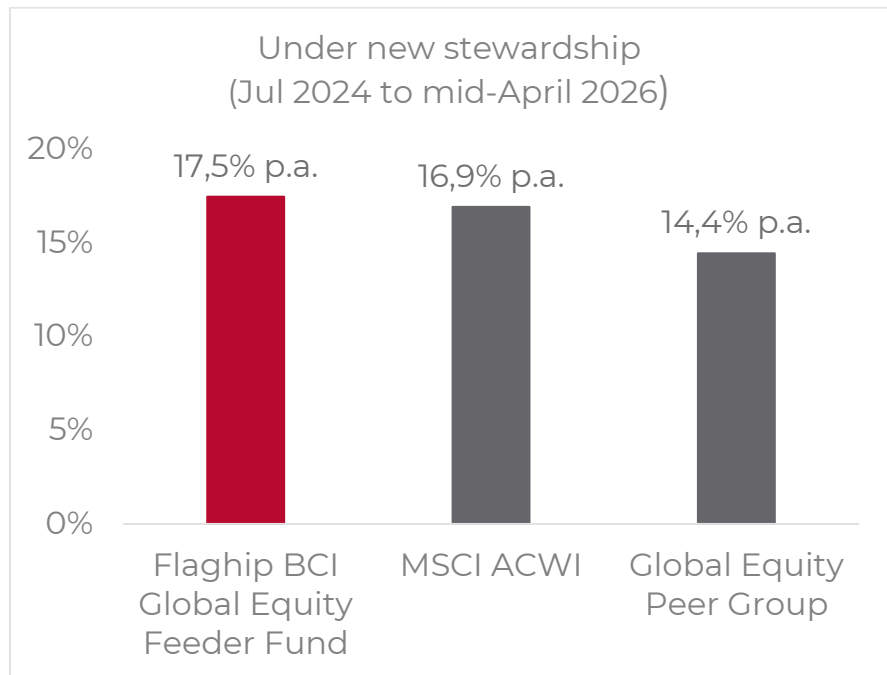
The biggest contributors to performance during the quarter were Corning Inc, APA Corp and Valaris, while the main detractors were Blue Label Unlimited, Novo Nordisk and Micron. In the previous Telescope we published an article about revisiting the Novo Nordisk investment case, having reopened a position towards the end of Q4 last year. Subsequently, however, the position moved against us, and in line with our risk management system, the holding was sold down to zero.

Since the current global team's implementation of their proprietary investment process (July 2024), we are pleased to inform investors that the global equity fund (17.5% p.a. in US\$) is currently ahead of both its MSCI ACWI benchmark (16.9% p.a.) and peer group (14.4% p.a.) as the fund's new strategy approaches its 2-year track record.

[We] are pleased to inform...that the global equity fund (17.5% p.a.) is currently ahead of both its MSCI ACWI benchmark (16.9% p.a.) and peer group (14.4% p.a.) over this period, as the fund's new strategy approaches its 2-year track record.



We only expect a meaningful divergence in performance once the emergence of a major correction/bear market becomes apparent. This has not been the case over the...the last two years.



The **Flagship Worldwide Flexible Fund** (\$/ZAR) delivered a performance footprint very similar to that of the Equity fund over the course of the quarter and the last year. We would like to take this opportunity to again remind investors that this is by design. Our investment process is centered on a strict risk management system, allowing us to run the flexible fund in an equity centric manner. Over the long term, this will serve fund performance well, as equities are the best performing asset class over sufficiently long periods of time. We only expect a meaningful divergence in performance should/when the emergence of a major correction/bear market becomes apparent. This has not been the case over the course of the last two years.

As is the case with the global equity fund, the biggest contributors to performance during the quarter were Corning Inc, APA Corp and Valaris, while the main detractors were Blu Label Unlimited, Novo Nordisk and Beiersdorf.

The **Flagship Worldwide Flexible Fund of Funds** (ZAR) strategy returned -2.9% during the quarter, largely in line with most of its underlying funds and global equity indices. Over the course of the year, the fund is flat if measured in ZAR, and up 8.5% when measured in USD. We note the slight underperformance of the Fund of Funds compared to the other internally managed funds, and this continues to be monitored closely. The Fund of Funds has a long track record of steady, low volatility performance. We generally do not change the underlying managers, unless we see evidence of style drift or significant, unexplained underperformance vs similar peers. This is currently not the case, and we continue to hold the same set of underlying managers.

The top performing holdings were Guinness Emerging Markets and Ranmore Global Equity, while the main detractor was the Guinness Global Innovators Fund.



## Asset Allocation

The starting point for this quarter's asset allocation segment must be the war in Iran. The Strait of Hormuz – which Iran has taken active military control of – is the world's most critical maritime chokepoint. While often discussed solely in terms of crude oil, it is the primary artery for a wide array of industrial and agricultural commodities. With the *de facto* closure of the strait following the March 4 escalation, the siege has now locked in roughly one-fifth of global energy and one-third of global agricultural inputs. Oil prices have nearly doubled, natural gas prices in Europe and Asia peaked higher at 93% and 140%, respectively. Natural gas is not just an energy source for fertiliser, it is the primary chemical feedstock. In nitrogen-based fertilisers (like Urea and Ammonia), gas accounts for 60% to 80% of total production costs. This should translate into higher food prices. In short, higher energy prices mean higher prices in everything. The magnitude of this inflation-driven event will depend on the duration of the war in the Middle East, and perhaps even thereafter, if Iran decides to weaponize the Strait whenever it feels the need.



With the *de facto* closure of the Strait following the March 4 escalation, the siege has now locked in roughly one-fifth of global energy and one-third of global agricultural inputs.

It is important to note that approximately 20% of South African exports are precious metals (e.g. gold, palladium), and approximately 20% of South African imports are oil and refined petroleum. For two years, up until the war, South Africa has been in the fortunate position where its largest exports (precious metals) went up in value as gold and PGMs become more valuable, while the largest import (oil and refined petroleum) came down in price. This positively affected South Africa's terms of trade and, therefore, helped strengthen the Rand against most global currencies. With oil and refined petroleum prices nearly doubling in the last month, imports have now become more expensive, reversing the terms of trade. The Rand has gone from R15.90/USD the day before the war to R17.00 by the end of March. I fear South Africa is in for some pain in the coming months as fuel and food prices are expected to move even higher.

With so much happening, it's appropriate to describe our asset allocation investment process. Given the thousands of tickers flashing green and red 24/7, we find it useful to have a relevant, repeatable, and pragmatic dashboard.



Firstly, we look at global equity **valuations** in absolute and relative terms.

We do not buy or sell on valuations in isolation, as valuations do not tell the whole story. For long periods of time, equity markets can remain expensive for longer than what appears rational and there could be good reasons that warrant high valuations, such as strong earnings growth and increased global liquidity.

Secondly, we consider companies' **earnings** growth. You would expect a company with strong earnings growth to have a higher PE multiple than a similar company with weaker earnings growth. To measure this, we would look at a forward PE divided by earnings growth, to give you a PEG (PE divided by Growth) ratio. A PEG below 1.0x is considered cheap, between 1.0 and 1.5x as fairly valued, and above 1.5x as expensive. We do this on a company as well as on an index basis, such as the S&P 500.

Thirdly, we look at **global liquidity**, as measured by global money supply. Global liquidity measures the total stock of currency and liquid assets in the system. The more liquidity in the system, the more money is in the system. The more money in the system, the more supportive it is for asset prices.

Lastly, we consider **inflation** expectations and its potential to move **interest rates**, which in turn feeds into global liquidity. With energy prices higher, inflation expectations have moved higher as well.

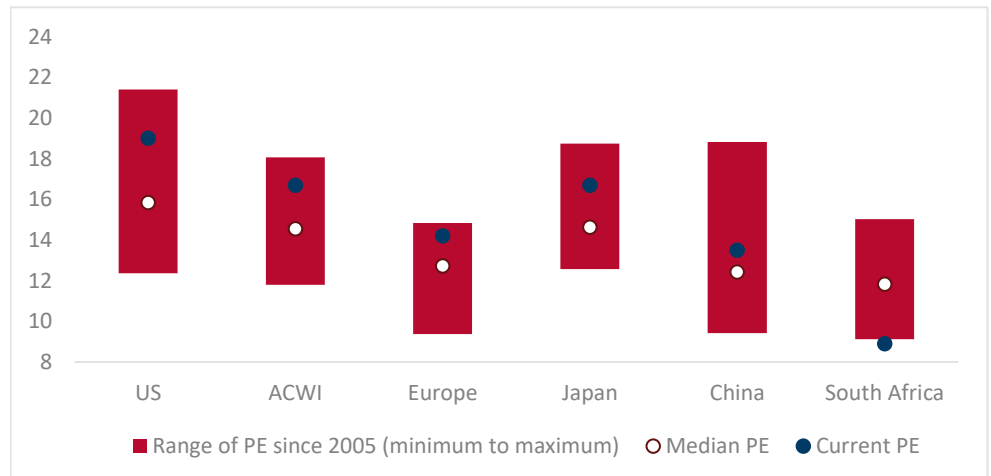
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Source: Flagship Asset Management, Gemini

Looking at global equity **valuations**, in the chart below we can see various geographies' forward PEs in absolute terms and relative to their own history and to other geographies.

Chart: Range of forward PEs since 2005



Source: Flagship Asset Management, Bloomberg

Note: Range of PEs is taken from the 10<sup>th</sup> to 90<sup>th</sup> percentile to remove outliers.

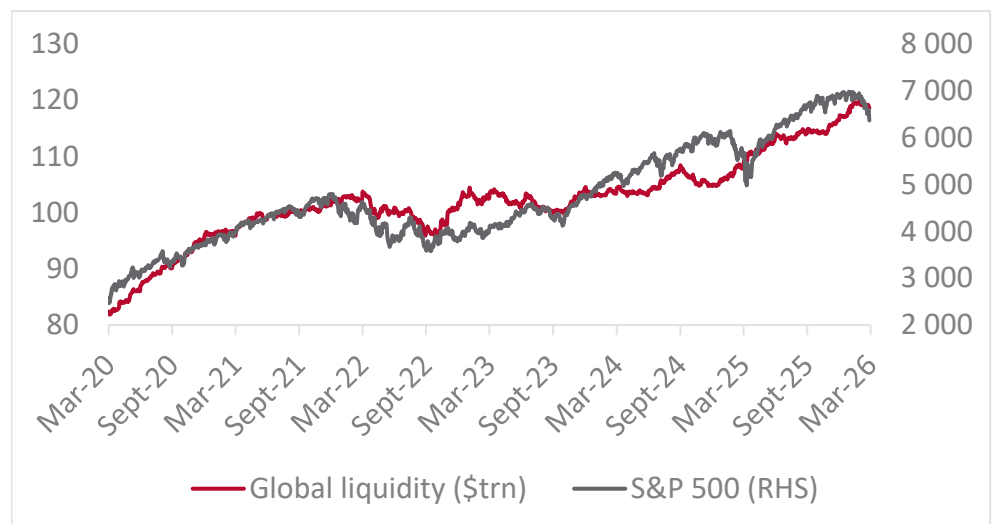


The All Country World Index (ACWI) is currently 10% off its peak, which was on 26 February, just before the war begun. Since 2005, the ACWI's forward PE has traded in a range between 12x and 18x. The current forward PE is 16.7x and its 21-year median forward PE is 14.6x; it is currently trading at a 14% premium to its long term history. In this one slide, we can see that all the regional indices are trading above their 21-year history, except South Africa, which is trading at 8.9x, well below its long term median of 11.8x, and below the 10<sup>th</sup> percentile range.

If we look at the same regions' PEG ratios, we have the following: the US is at 1.2x, ACWI at 1.5x, Europe at 3.0x, Japan at 1.3x, China at 1.5x, and South Africa at 0.8x. Adjusting for growth (i.e. using PEG ratios) we see the US's S&P 500 is cheaper than ACWI, Europe, Japan and China. South Africa is trading in deep value territory. The caveat with South Africa is that the precious metals companies, which make up 25% of the JSE All Share Index, are cyclical and *could* be close to peak earnings, meaning that its PE and PEG multiples can go higher very quickly.

Turning to **global liquidity**, one can see in the chart below how closely it correlates with the S&P 500 Index.

**Chart: Global liquidity and the S&P 500**



Source: Flagship Asset Management, Bloomberg

On March 1 2026, the direction of our global liquidity measure turned downward (negative), making us more cautious on global markets. Some of the reasons why the velocity of money supply would turn negative:

- Global financial conditions have tightened. The S&P 500 is down approximately 9% to 31 March '26, leading to a contraction in "shadow liquidity" and increased margin requirements.
- Geopolitical instability has driven rotation into the US\$. This "dollar squeeze" drains liquidity from Emerging Markets, Asia and Europe, as their local-currency purchasing power for energy imports diminishes.
- With Brent Crude surging past \$100/barrel (peaking near \$120), the "inflation tax" erodes the purchasing power of existing money supply. Morgan Stanley estimates that for every 10% rise in oil, this has cut 0.35% from real liquidity buffers.

Tying this to higher inflation expectations (due to higher commodity prices, and that on aggregate global Central Banks are now more hawkish post the start.../

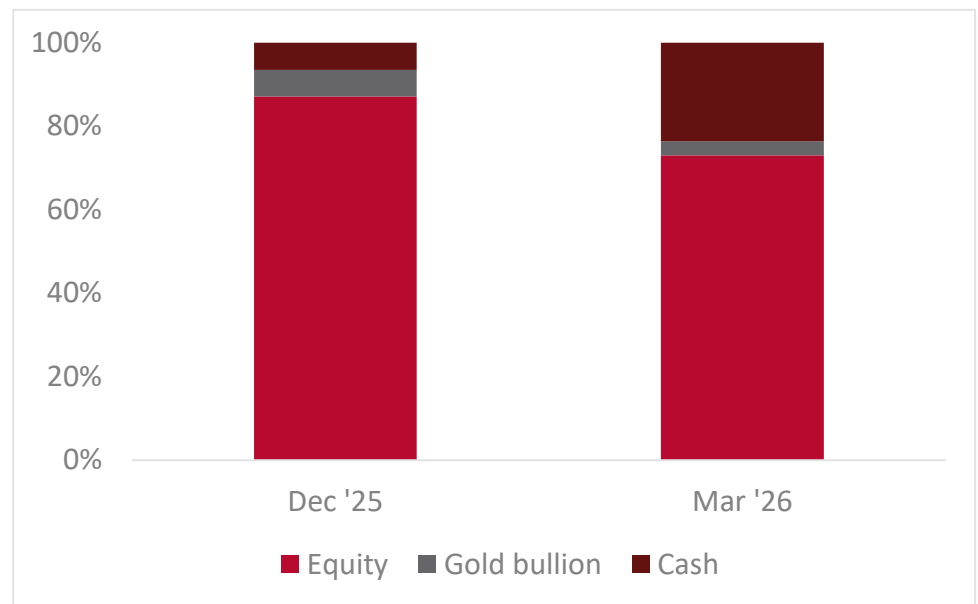
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of war), this will further burden global liquidity. One can see from forward agreements that markets are expecting the US's Federal Reserve to stay put on interest rates by year end. The ECB and the BoE are expected to hike interest rates by 0.6% and 0.4%, respectively, into slowing economies, and the Bank of Japan to hike by 0.4%. Higher interest rates will further dampen global liquidity.

Given all of the above, we began cutting our equity exposure on March 1.

**Chart: Flagship Worldwide Flexible Fund asset allocation  
end of Q4 '25 & Q1 '26**



Source: Flagship Asset Management, Bloomberg

With inflation expectations continuing to persist, at least in the short term, we hold zero bonds.

Regarding our outlook for global markets, the longer the war in the Middle East lasts, the worse it will be for the majority of financial assets. Our global funds do hold several global energy and basic material companies and those have benefited from the conflict in the region. If the Federal Reserve aggressively cuts rates into this inflationary environment to appease President Trump, or if ...material Quantitative Easing program is initiated whereby money is digitally printed, equity markets should turn positive at the expense of even higher sustained inflation, which would effectively kick the can down the road. Good for equity prices in the short term, bad for them in the mid to longer term, bad for bonds. In this environment, we expect gold to be the main beneficiary.

As always, we are on the lookout for new data points. The world economy is dynamic and can change quickly. We believe the best place to view, and invest, is in a global context where there are a myriad of opportunities and not to confine one's investment options to South Africa alone. We also believe that being a boutique asset manager means we have the ability to move quickly to avert negative outcomes and seize opportunities when they arise.

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## Conflict and Uncertainty. Is This Time Different?

As a rule, markets hate uncertainty. Coupled with uncertainty we often see capital flights to perceived safe haven assets. An oil supply shock, the likes of what we are currently seeing in the Middle East, is no different in that it introduces a lot of uncertainty. It is also not a new occurrence, however, as there have historically been several similar events that we can use to assess the effects.

What investors should realise is that geopolitical shocks, such as the current situation in Iran, don't simply destroy value uniformly. They redistribute it. Every crisis that has rattled the global economy over the past five decades has produced winners on the one hand, while punishing some sectors on the other. Understanding this process might provide one with a sense of relative calm during periods of turmoil in the market.

The pattern is cleaner than one might think. Supply disruptions inflate the price of whatever is being disrupted. Military escalation drives spending toward defence and away from consumer discretionary. Financial crises send money toward hard assets and away from paper ones. While these events can cause large dislocations in markets, the bounce-back is sometimes equally fast, and sitting on the sidelines while the market recovers can hurt performance, especially if an investor has already taken the pain from the initial shock.

### **The 70's Oil Shocks**

The first historical precedent for current events and the subsequent sector rotation is the two 1970's OPEC oil embargoes. In October 1973, Arab members of OPEC responded to Western support for Israel in the Yom Kippur War by cutting oil production and placing an embargo on exports, mainly to the United States. The price of crude oil quadrupled rapidly over the coming months, jumping from roughly \$3 per barrel to north of \$12. The 1979 Iranian Revolution produced a second shock, with prices doubling again. These events led to a stagflation shock in the US, as high energy-driven inflation led to weak economic growth. In this case, the persistence of the shock was important, as it was not just a temporary shock, but rather a weaponized structural constraint. The mechanism was simple but powerful: oil is a base layer input across the entire economy. A sharp increase in its price acts as a handbrake on both production and consumption.

The obvious winners were energy companies. Oil majors like Shell, BP, Exxon, Mobil all saw profits surge as higher prices flowed directly to their income statements. Domestic US energy producers, previously squeezed by cheap imported oil, suddenly became economically viable.

The obvious losers, on the other hand, were also quite predictable, but the range might have been surprisingly broad. Airlines, whose operating costs are dominated by fuel, saw margins collapse. The auto industry faced a new challenge in the form of Japanese manufacturers, who had built smaller and more efficient cars, and were now well positioned to exploit the crisis. The US auto industry, to this day, has not recovered its dominance.

Utilities, often a beneficiary of uncertain times, present a more complex picture. Electric utilities, on the one hand, faced a rise in input costs, but were then, on the other, capped in terms of their prices as the government tried to shield consumers from the steep rise in prices. This led to an acceleration of nuclear power and other alternative sources, and thus the winning hand in this scenario was that of engineering and construction firms involved in those projects.

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### **The 90's Gulf War**

Iraq's invasion of Kuwait in August 1990 provides another example of the market's reaction during an oil price shock. In this case, however, the conflict was resolved relatively swiftly. Again, oil spiked sharply, roughly doubling over a period of 3-4 months and lifting energy stocks, before collapsing once the coalition's military success became apparent. The entire episode was resolved within seven months.

Defence contractors like Lockheed Martin and Raytheon were winners as the conflict triggered a reassessment of US military spending priorities. Underperformers were again companies linked to travel due to sharp rises in fuel costs.

Similarly, duration is important, because, as the conflict was resolved relatively quickly, impacts were temporary, rather than structural.

### **9/11, Afghanistan, Iraq**

The 9/11 attacks produced one of the sharpest single-week declines in US market history as the S&P fell by nearly 12% in a single week (despite being closed for 4 days in the immediate aftermath of the attack). Again, there were some obvious, immediate losers. Airlines were hit hard as travel demand collapsed in the immediate panic. While the travel and hospitality sector recovery was inevitable, it took years to reach pre-attack levels.

The subsequent decade of war produced a sustained boom for the winners you might expect - defence and intelligence contractors. Companies involved in surveillance technology, military contracting, and cybersecurity experienced extraordinary growth as government spending towards national security ballooned.

### **The 2014 Oil Price Collapse**

Unlike previous oil crises, 2014 saw a dramatic fall in oil prices, driven by increased U.S. shale production and OPEC's decision not to cut supply. This episode is interesting in that it shows the mirror image of geopolitical supply shocks. Instead of scarcity, abundance drove market rotation.

In this case, we saw transportation and consumer discretionary sectors outperforming, while energy-related industries were the losers.

### **Russia's Invasion of Ukraine**

Russia's invasion of Ukraine provides a more recent blueprint for what one might expect in a similar geopolitical shock. The war immediately removed significant volumes of natural gas, wheat, and fertiliser from global markets. The clear winner, again, was the energy sector as the S&P 500 Energy.../

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index rose roughly 65% in 2022, a year in which the broader index fell approximately 18%. This conflict, again also led to a major overhaul of the European defence sector, with re-direction of government spending leading to multi-year, multi-billion-dollar contracts for defence companies. Agricultural commodities also spiked sharply, benefiting fertiliser producers and farming-adjacent businesses. Food inflation rippled through consumer staples margins.

The losers, this time, were the consumers of cheap, Russian energy. European industrials, especially in Germany, which were heavily reliant on Russian gas, was particularly vulnerable.

### **A consistent pattern**

Across these events, a consistent pattern emerges. Conflicts and crises create shortages and shortages creates pricing power for those who supply it, whether that be energy, food, or weapons.

- Inflationary supply shocks: Energy and commodities outperform
- Demand shocks: Consumer defensives outperform
- Security threats: Defence stocks outperform

What is equally striking is the speed of recovery. Short conflicts create volatility; prolonged disruptions create structural change. The data consistently shows that investors who panic-sell at the peak of geopolitical fear tend to crystallise losses that reverse within months. On the other hand, investors who understands which supply chains are being disrupted, who produces the disrupted commodity, and who will be paid to restore security, are better placed than investors who simply watch the indices fall and reacts to the headline.

What is equally striking is the speed of recovery. Short conflicts create volatility; prolonged disruptions create structural change.



## In conclusion

Flagship's global investment process is centered on a comprehensive, active risk management system that has been designed to let our winners run, while cutting our losses sooner. Our funds own a highly diversified selection of businesses across industry groups that we believe are favorably positioned compared to their peers from a multifactorial perspective.

We believe this combination of a proprietary risk management system, used in conjunction with our approach of considering several factors before a stock or manager can be included in our portfolios, will lead to superior risk-adjusted returns across our range of funds.

While we recognize and appreciate that investing is a long-term endeavour, we also realize that most investors do not want to endure prolonged periods of relative underperformance. We believe our approach strikes a middle ground whereby we can deliver alpha (or excess performance relative to one's benchmark) over the long-term, while shielding investors from protracted periods of negative alpha, compared to the benchmark.

We write these Telescopes so that our investors know what it is we are doing, and why we are doing it. For many of you, we are the caretakers of your global investments, and we would like to use this opportunity to thank you for the trust you place in us and emphasize how deeply committed we are to the responsibility that we hold.

With best regards,

The Flagship Global Team



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**Disclaimer**

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