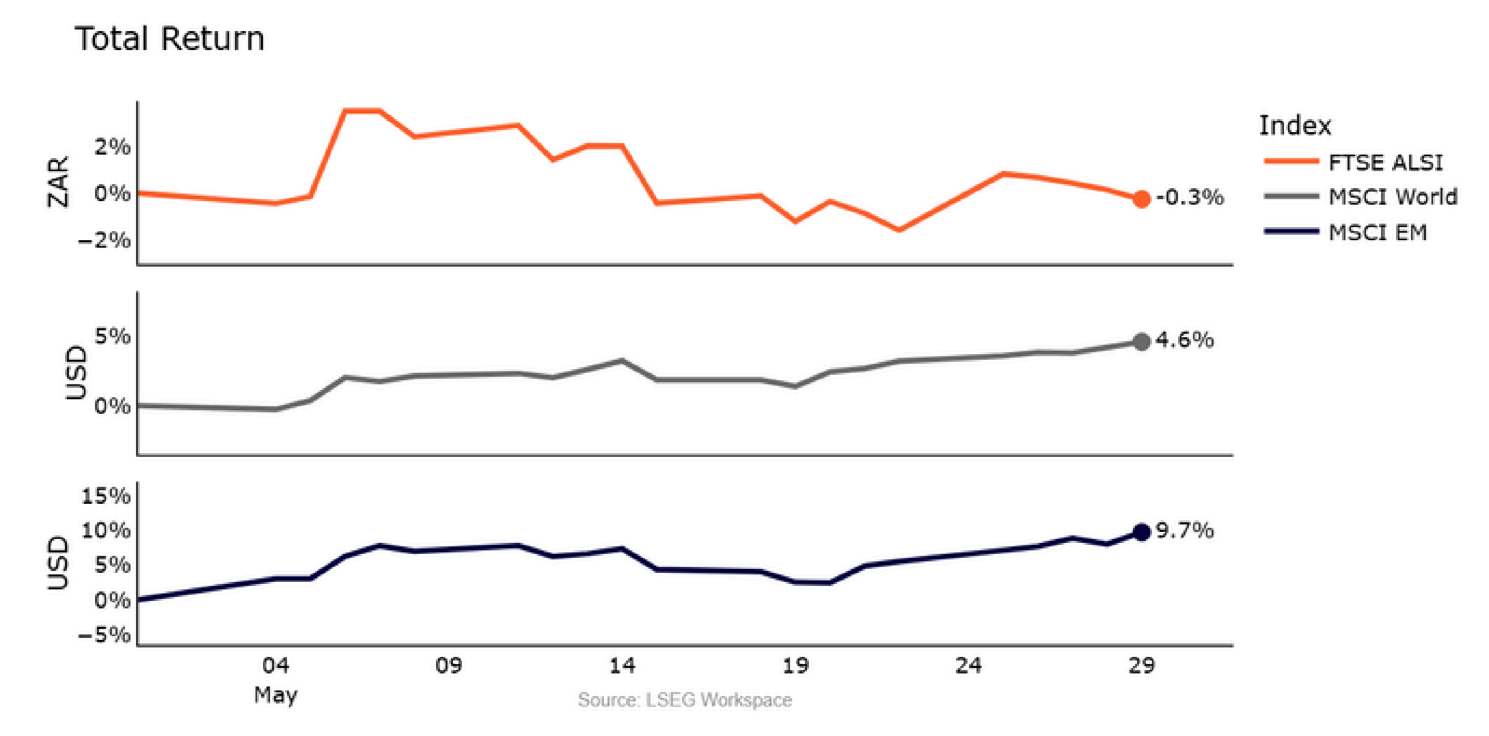
MONTHLY *Wrap-up*

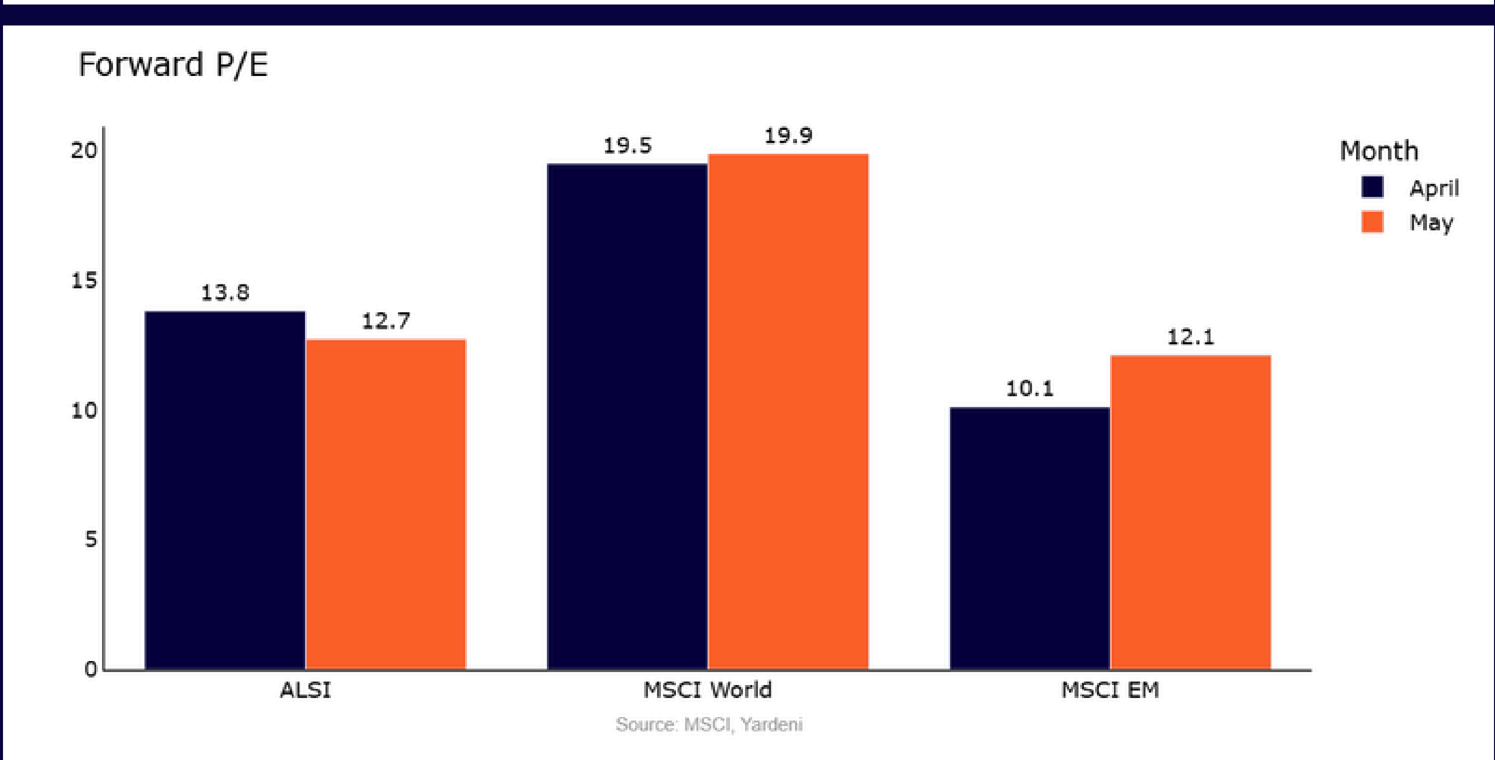
NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

May 2026

May was another constructive month for investors, with global equity markets extending their recovery and South African bonds delivering strong returns. While inflation remains above central bank targets, much of the recent pressure appears linked to higher energy prices rather than excessive economic demand, raising the possibility that inflation could moderate as oil prices continue to ease. Markets appear increasingly focused on resilient economic fundamentals, supporting a positive outlook for both equities and bonds.

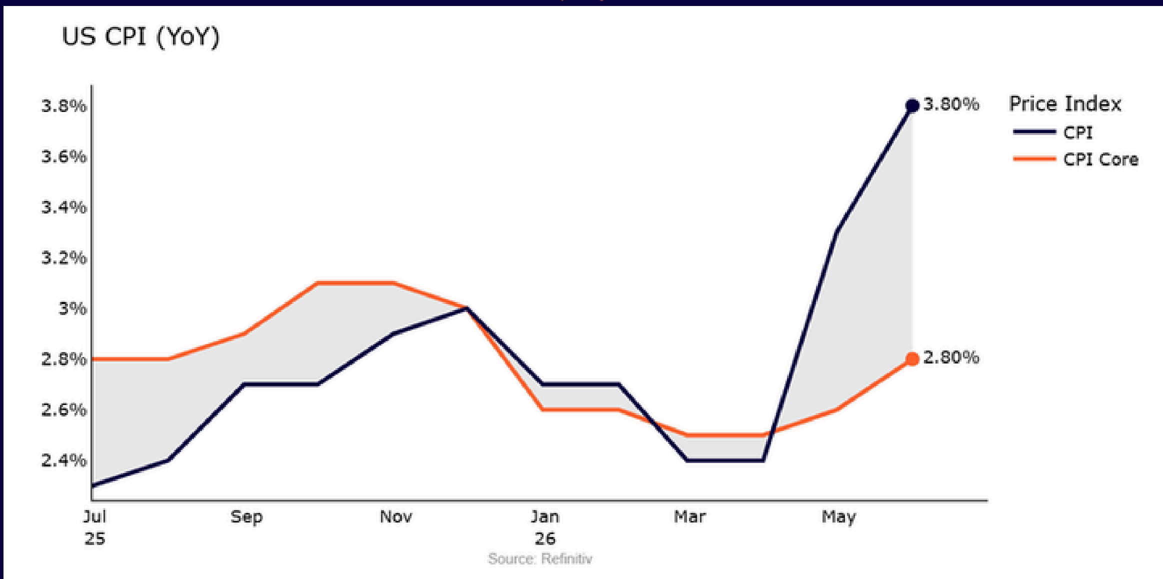
EQUITIES

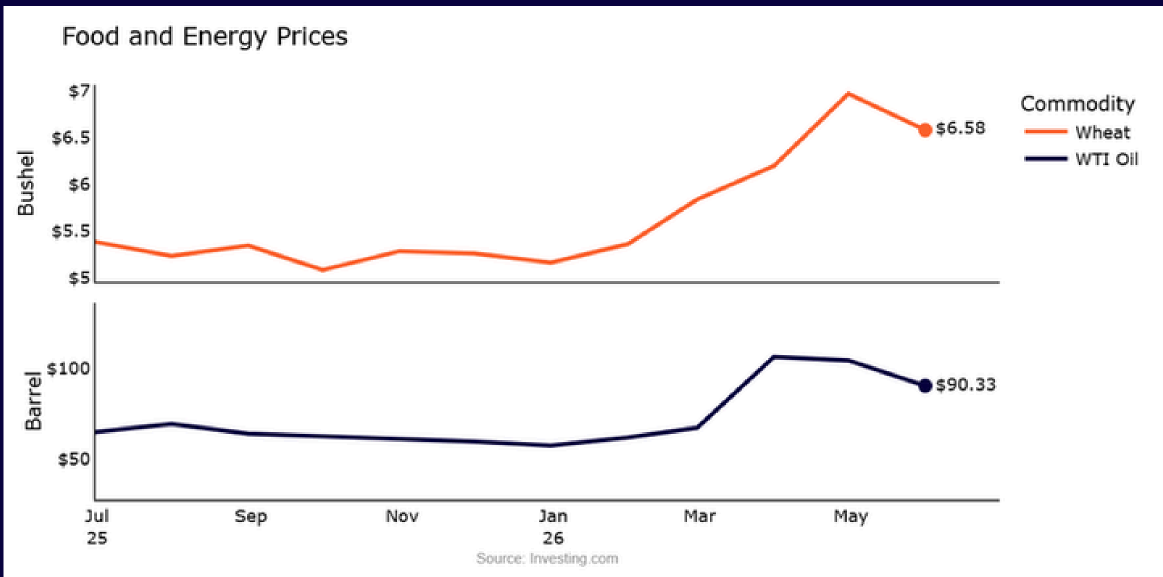


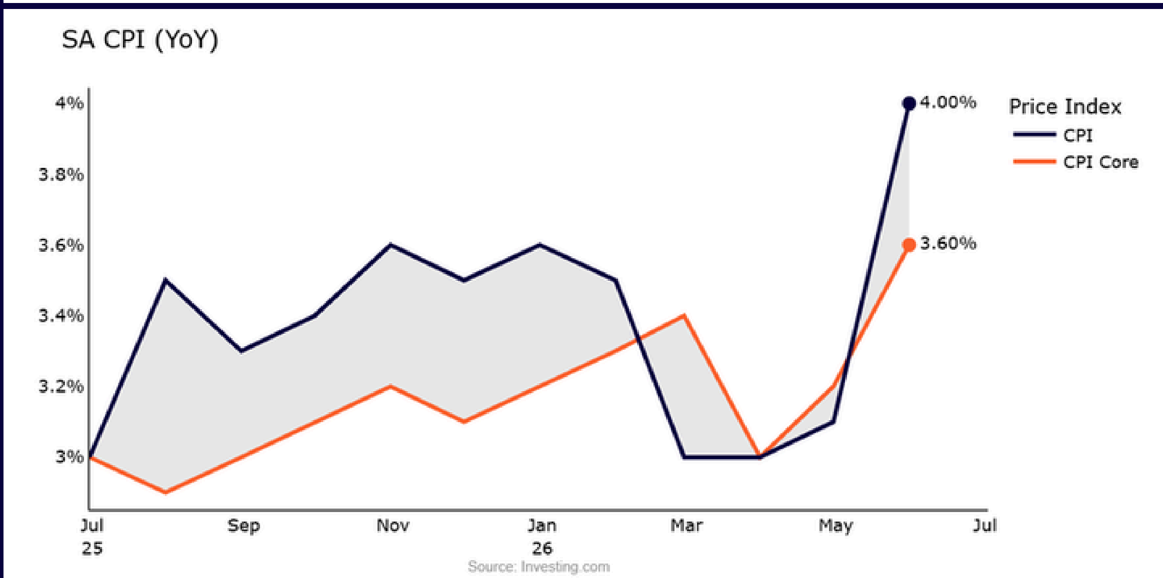


- Global equity markets continued to build on their recovery in May, with developed and emerging markets delivering strong gains despite ongoing concerns around inflation and interest rates. The resilience of risk assets suggests investors remain focused on the underlying strength of economic activity rather than short-term macro noise.
- Emerging markets were particularly strong during the month, reflecting improving investor sentiment and a broader appetite for risk as fears of a prolonged slowdown continue to ease.
- South African equities lagged global peers and ended the month largely unchanged. While local market performance was subdued, diversified portfolios with offshore exposure benefited meaningfully from stronger international markets.
- The broader bull market remains intact, supported by healthy economic fundamentals and a market that appears increasingly willing to look through temporary inflationary pressures.

INFLATION

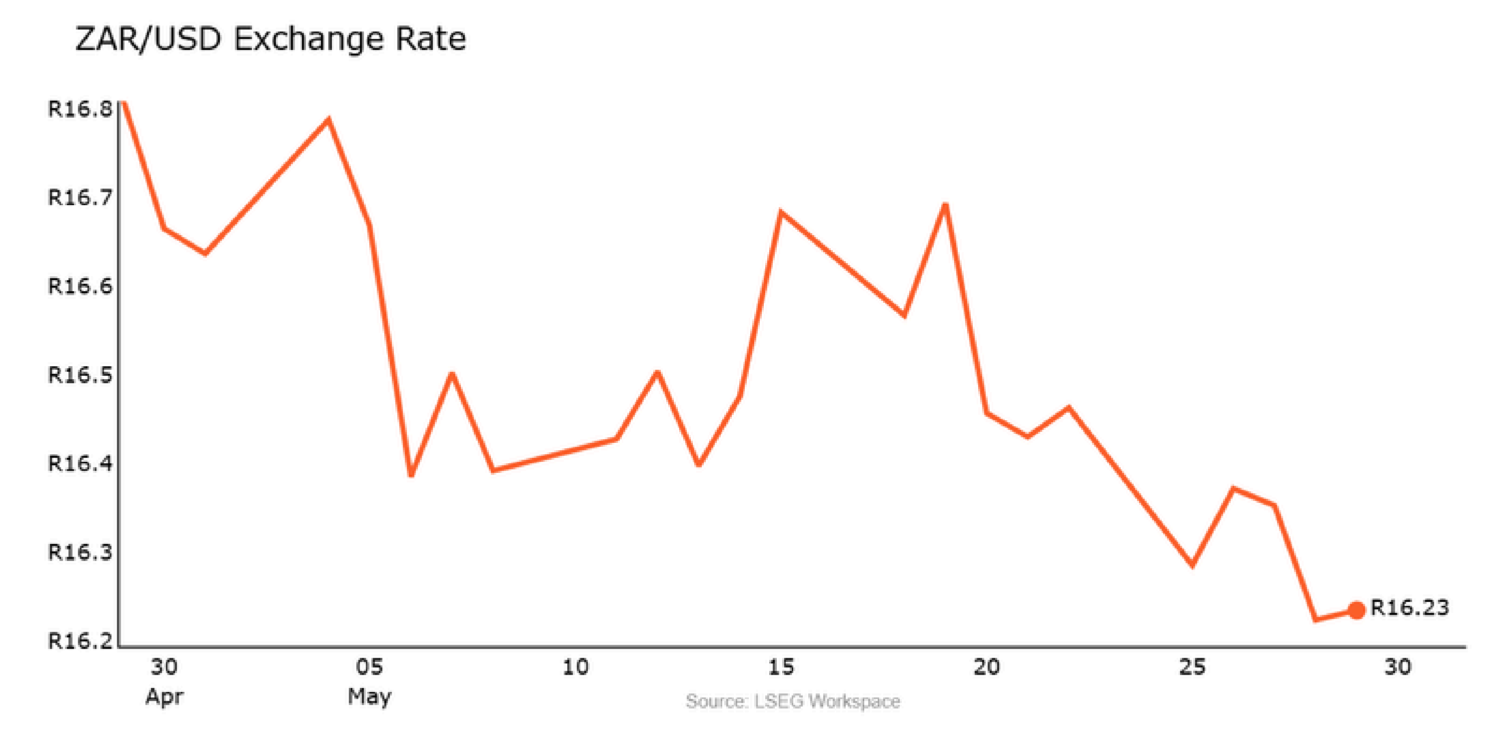


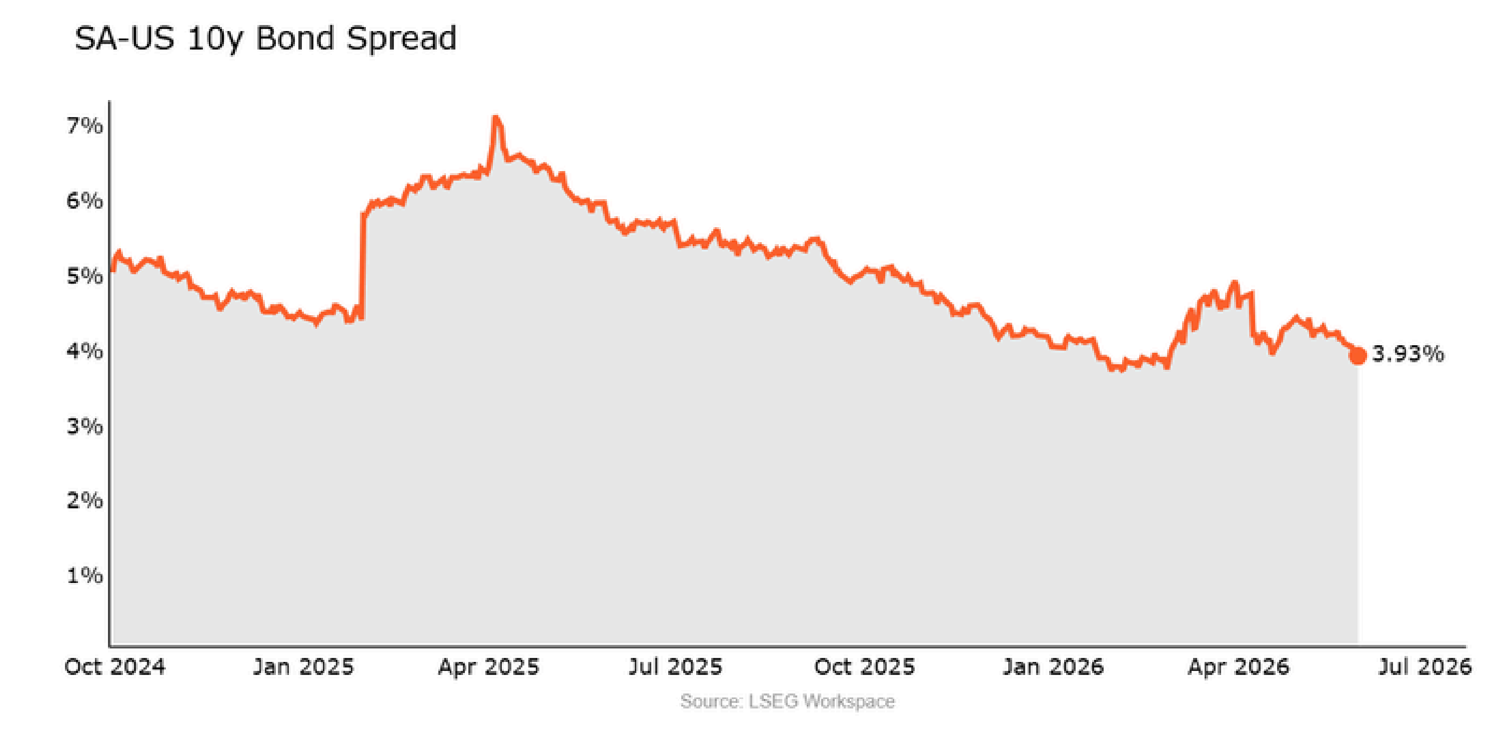




- Inflation remains a key area of focus, but the recent increase appears to be driven largely by higher energy prices rather than excessive economic demand. This distinction is important, as supply-driven inflation tends to be less persistent than inflation caused by an overheating economy.
- Oil prices have already begun retreating from recent highs, suggesting some of the inflationary pressure may ease in the coming months as lower energy costs work their way through supply chains.
- Both US and South African inflation remain above the levels preferred by central banks, but current readings are still significantly below the peaks experienced in recent years.
- Markets appear increasingly comfortable with the view that recent inflation strength could prove temporary, which has helped support positive performance across both equity and bond markets.

LOCAL vs ECONOMY

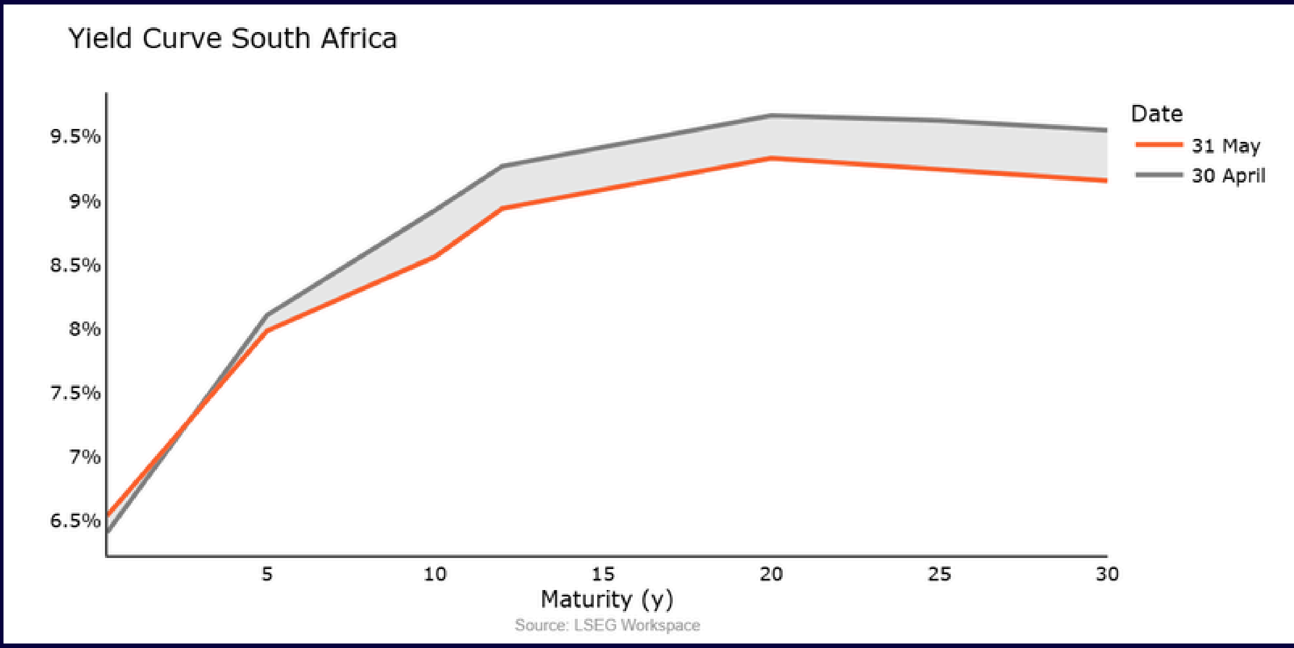


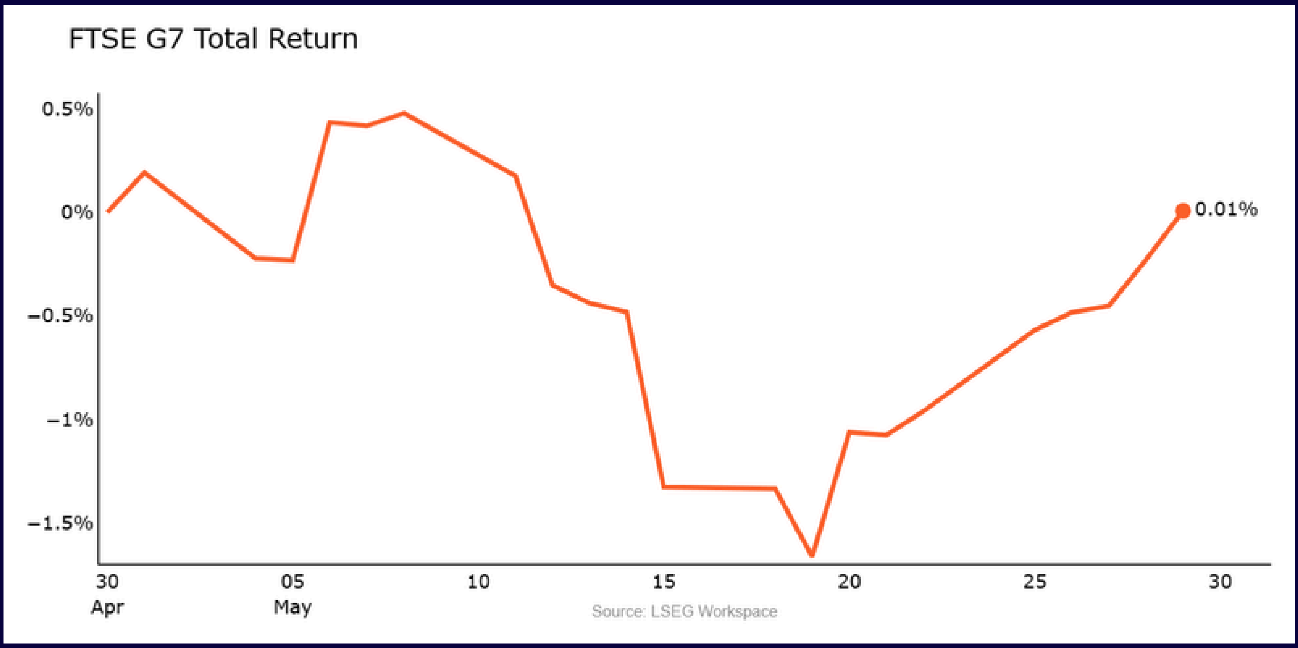


- The South African Reserve Bank responded to higher inflation with a rate increase during May, while global investors continue to assess whether other major central banks will follow a similar path.
- Importantly, the current inflation backdrop differs from a traditional overheating cycle. If inflation is primarily driven by supply side factors such as oil, higher interest rates may have a limited impact on bringing prices down.
- The rand strengthened meaningfully against the US dollar during the month, reflecting improving global risk sentiment and renewed investor confidence in higher yielding emerging market assets.
- While economic challenges remain, markets are increasingly focused on the structural strengths underpinning growth rather than reacting to short term inflation volatility.

BONDS


ALBI Total Return
3%
2.5%
2%
1.5%
1%
0.5%
0%
−0.5%
−1%
2.91%
05
May
10
15
20
25
30
Source: LSEG Workspace


Yield Curve South Africa
9.5%
9%
8.5%
8%
7.5%
7%
6.5%
Date
31 May
30 April
5
10
15
20
25
30
Maturity (y)
Source: LSEG Workspace


FTSE G7 Total Return
0.5%
0%
−0.5%
−1%
−1.5%
0.01%
30
Apr
05
May
10
15
20
25
30
Source: LSEG Workspace

- South African bonds delivered another strong month, benefiting from both attractive income yields and capital appreciation as investor confidence improved.
- Local bonds continue to stand out from a valuation perspective, with long-dated government bonds still offering yields above 9%, providing a compelling return opportunity relative to many developed market alternatives.
- The narrowing gap between South African and US bond yields reflects growing investor appetite for local fixed-income assets and improving perceptions of South African risk.
- Bond market performance highlights that fixed income remains an important contributor to portfolio returns, particularly in an environment where investors are seeking both income and diversification.