NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

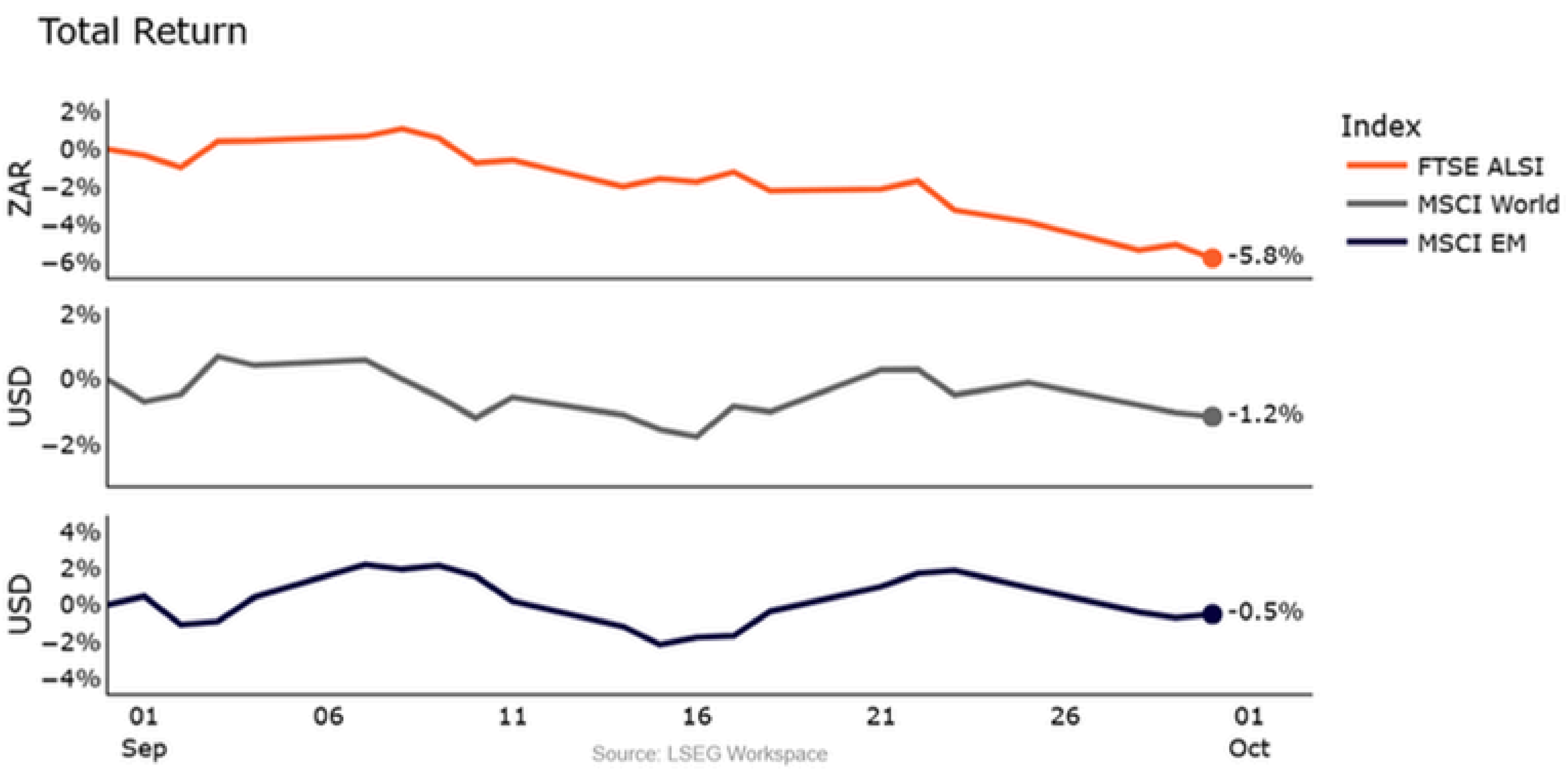
MONTHLY *Wrap-up*

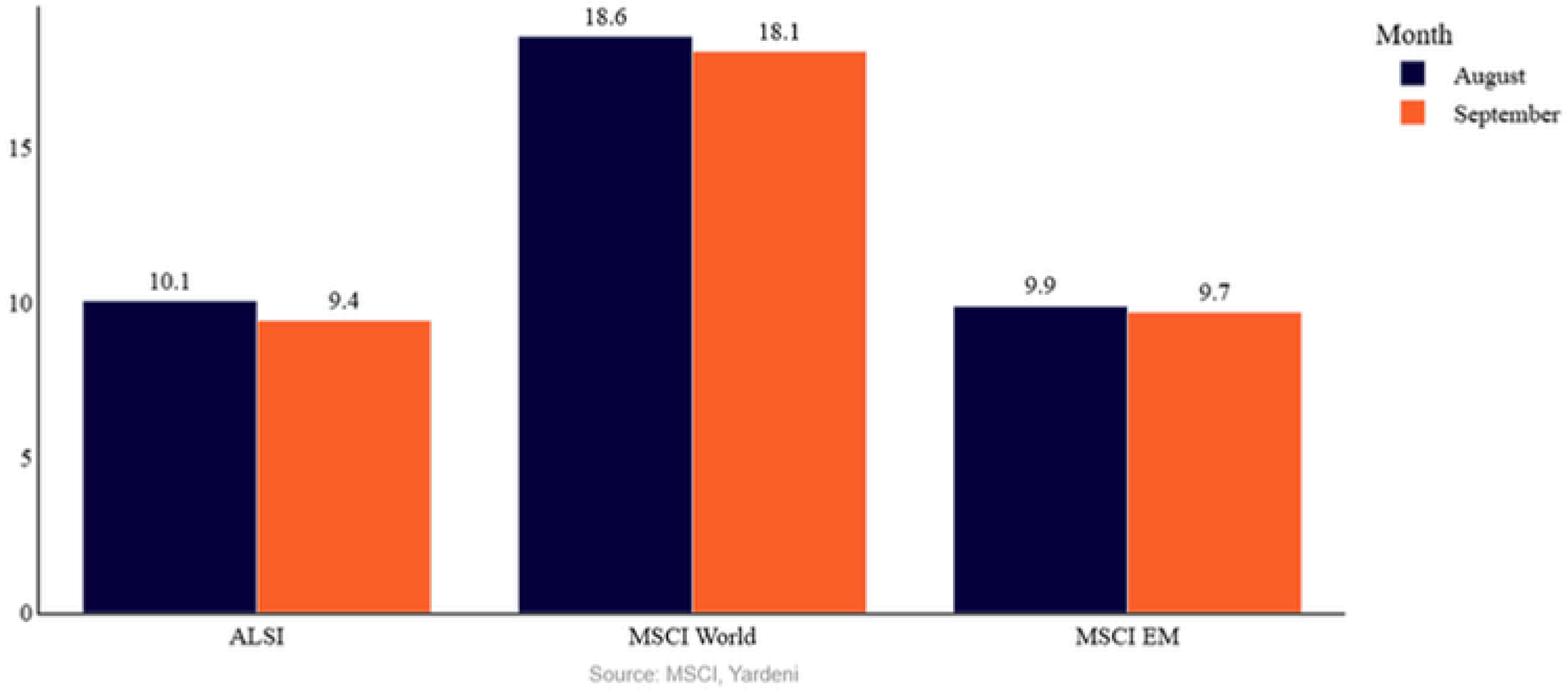
September 2026

September was a more challenging month for markets, with South African equities falling sharply as precious-metal miners and banks came under pressure, while offshore equities proved more resilient. Despite the volatility, attractive local valuations, strong US corporate earnings and moderating inflation continue to support our constructive outlook. South African and long-dated US bonds have also become increasingly compelling following recent weakness, with the potential for lower inflation and interest rates providing further support.

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Equities

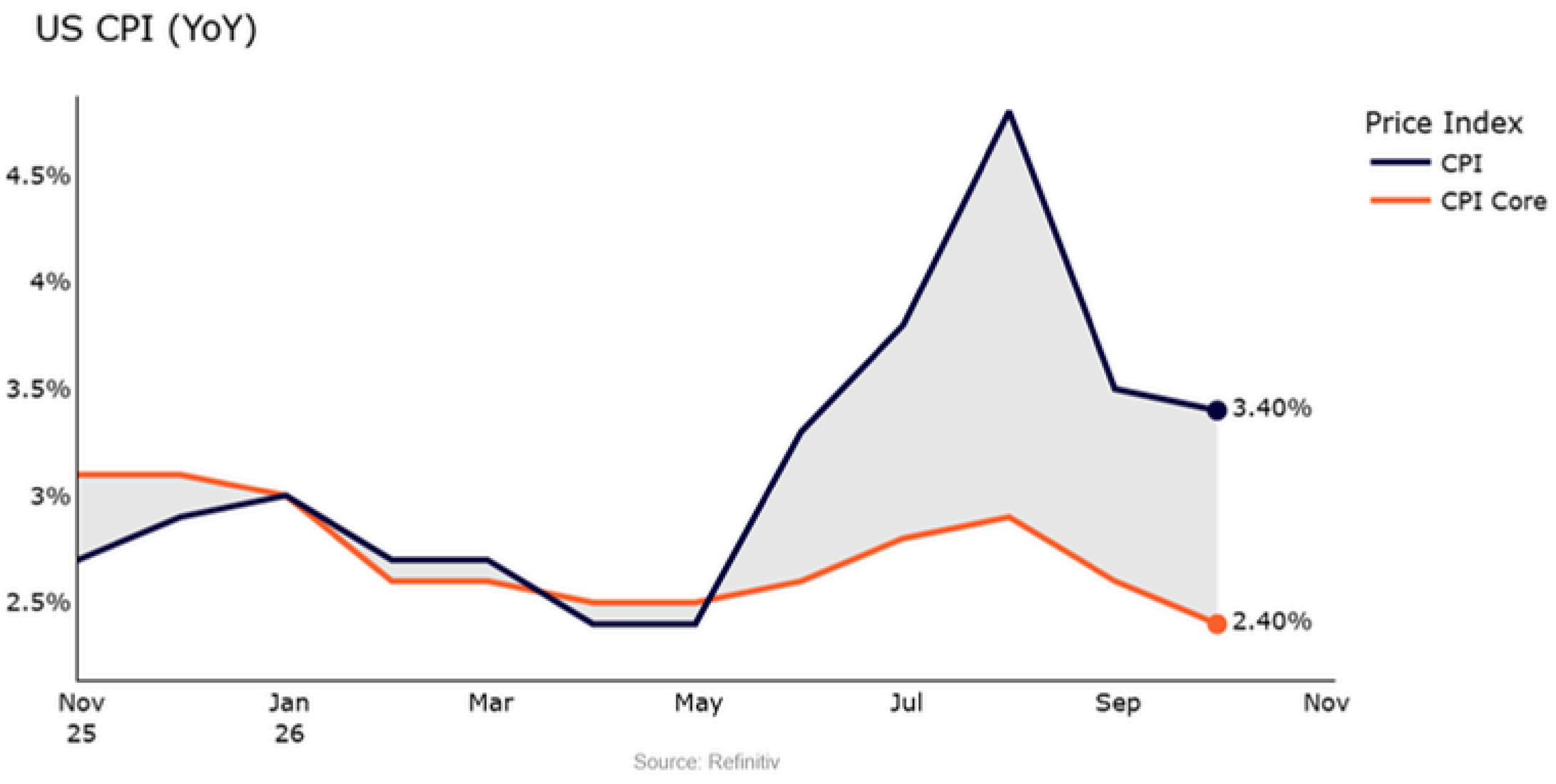


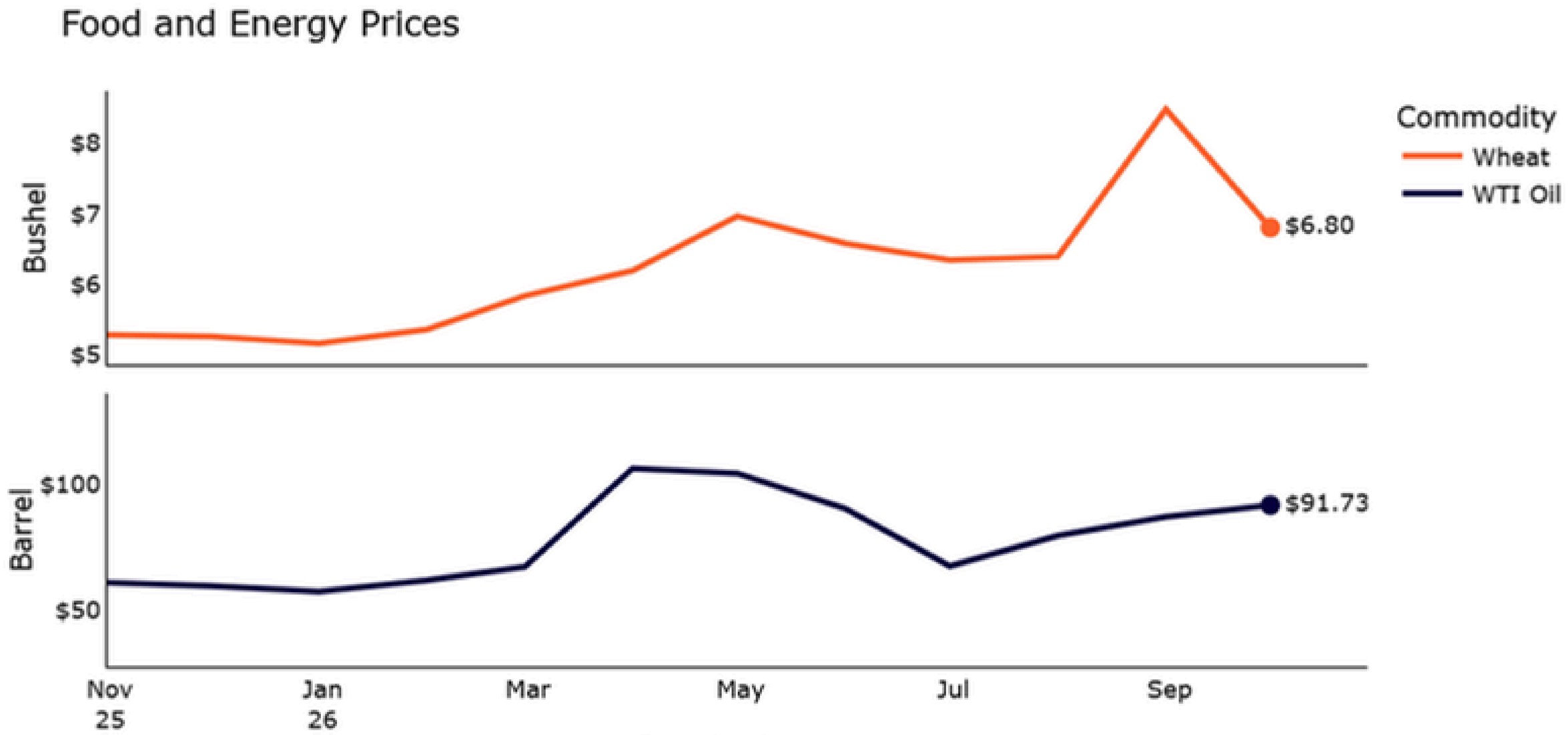


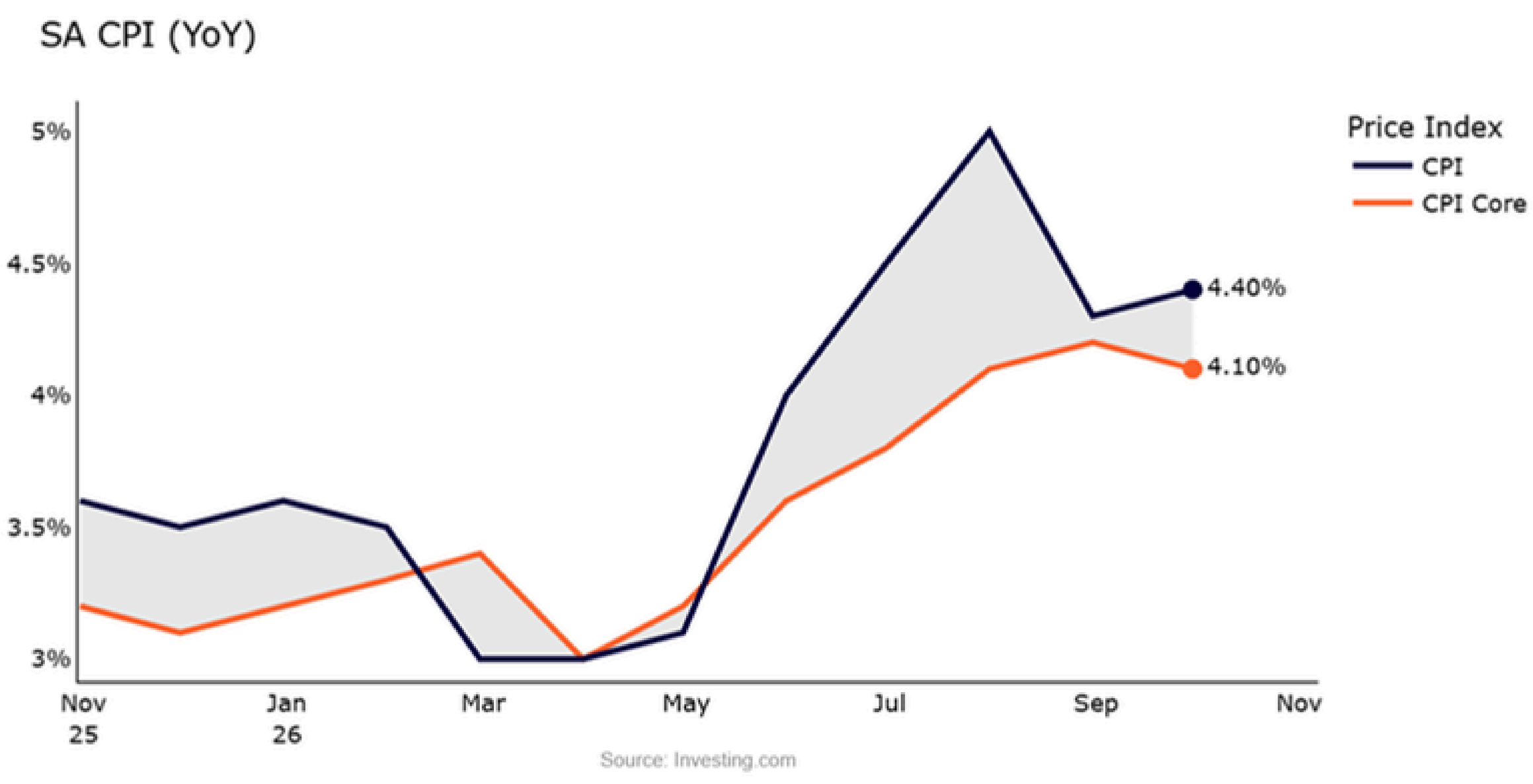
- South African equities had a difficult September, with the All Share Index falling around 5.8%, largely driven by a sharp pullback in precious-metal miners, particularly gold and platinum, following their strong run earlier in the year.
- Local banks also weakened amid the changing interest-rate environment, with rates having risen locally and the US also beginning to raise rates.
- The weakness was largely a local event: the MSCI World fell only 1.2%, while emerging markets declined by around 0.5%

- Despite the sell-off, South African and emerging-market valuations remain attractive, with the local market trading on a forward P/E below 10x. The trade-off is that earnings growth is less certain than in developed markets.
- US equities remain more expensive, with the MSCI World trading at roughly twice the forward P/E of emerging markets, but this premium is supported by considerably stronger earnings visibility.
- US corporate earnings, particularly among the major technology companies, remain exceptionally strong, with continued earnings beats and robust cash generation. Technology and semiconductor stocks performed particularly well despite the broader equity-market consolidation.
- Overall, the current pullback is viewed as a healthy consolidation rather than a deterioration in the underlying bull-market outlook, creating opportunities to add to attractive assets.

INFLATION



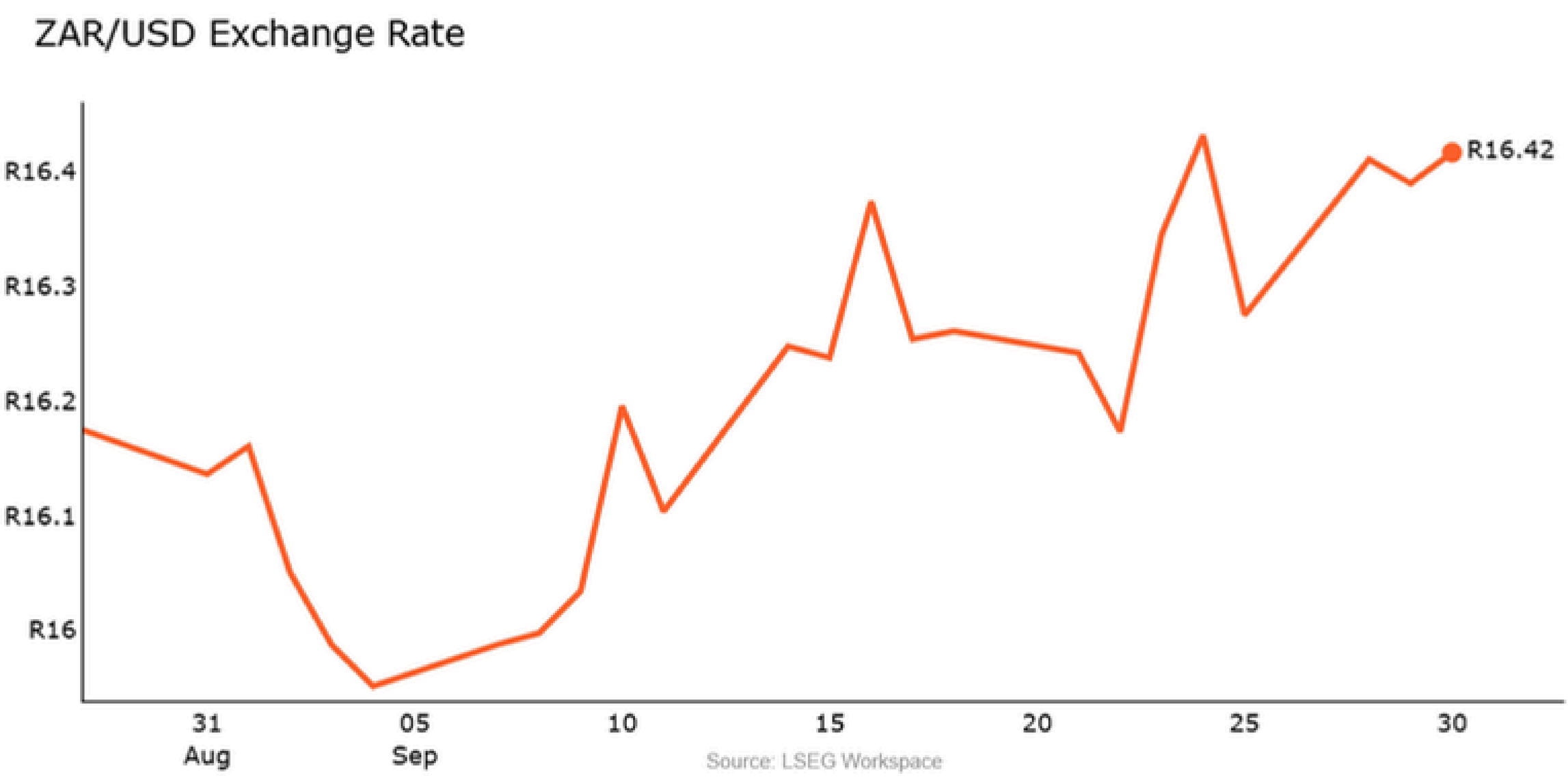




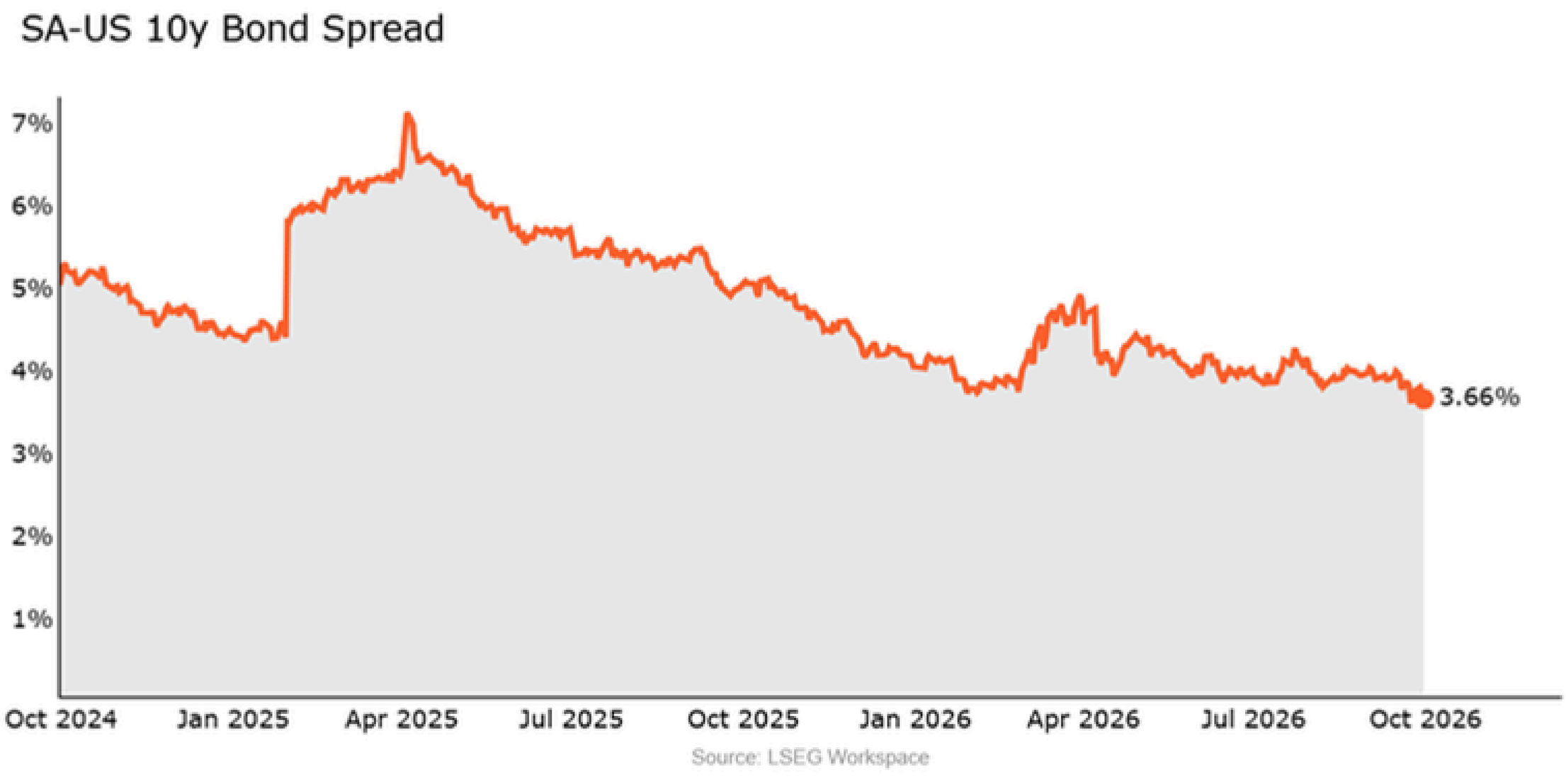
- US inflation came in below expectations, at 3.4%, while core inflation eased to 2.4%. Both figures were below consensus expectations, despite higher oil prices.
- The key consideration is the composition of the inflation number. With oil prices elevated, there is potential for inflation to fall further if energy prices normalise.
- This supports the view that the market may be overestimating the persistence of inflation, particularly in the US Treasury market, where valuations continue to imply relatively sustained inflationary pressure.

- South African inflation remains somewhat above the midpoint of the target range at 4.4%, but similarly shows no evidence of runaway inflation.
- If oil prices eventually moderate, Paul expects deflationary forces to become increasingly apparent, potentially creating room for significantly more aggressive interest-rate cuts than currently priced into markets.

LOCAL VS US ECONOMY



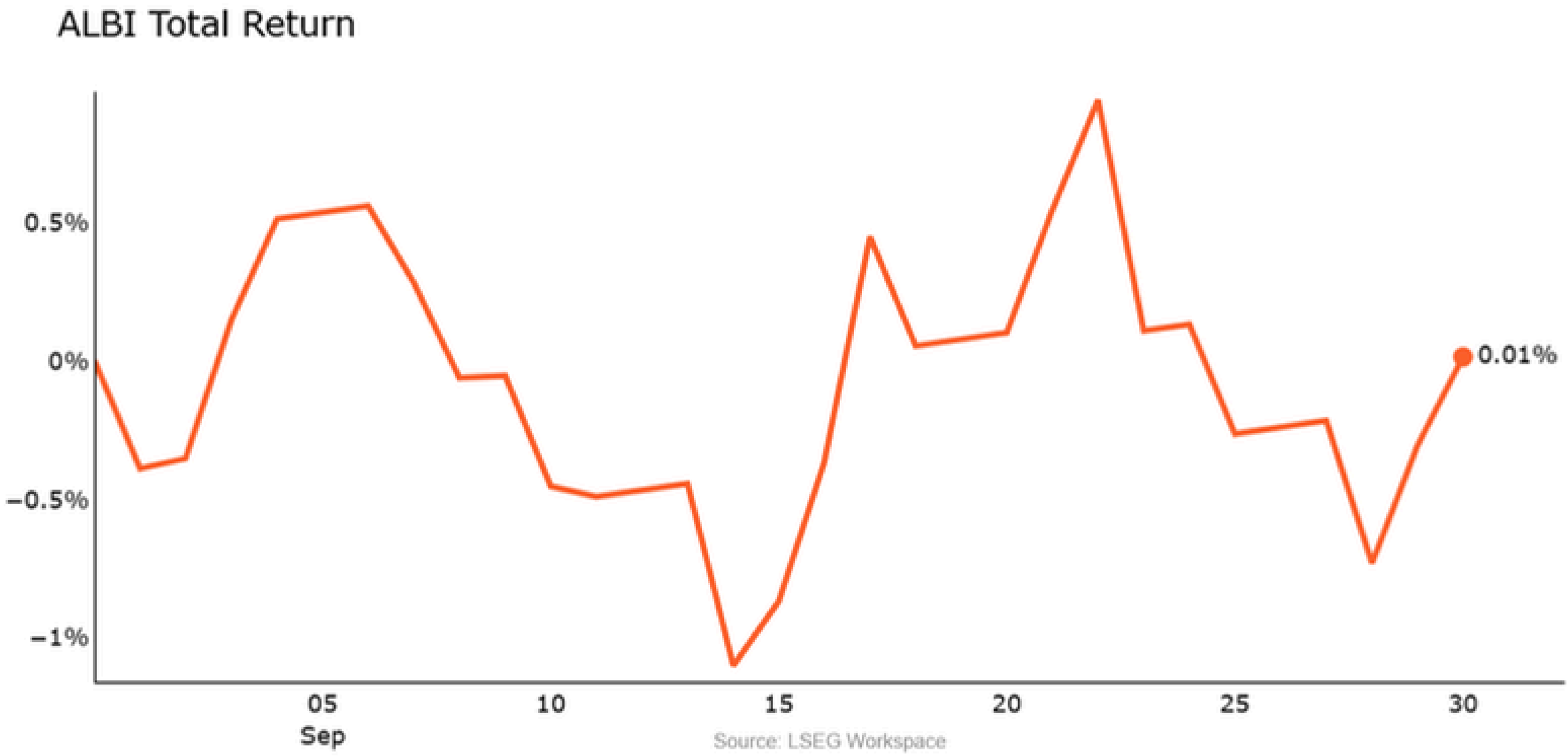
Source: LSEG Workspace



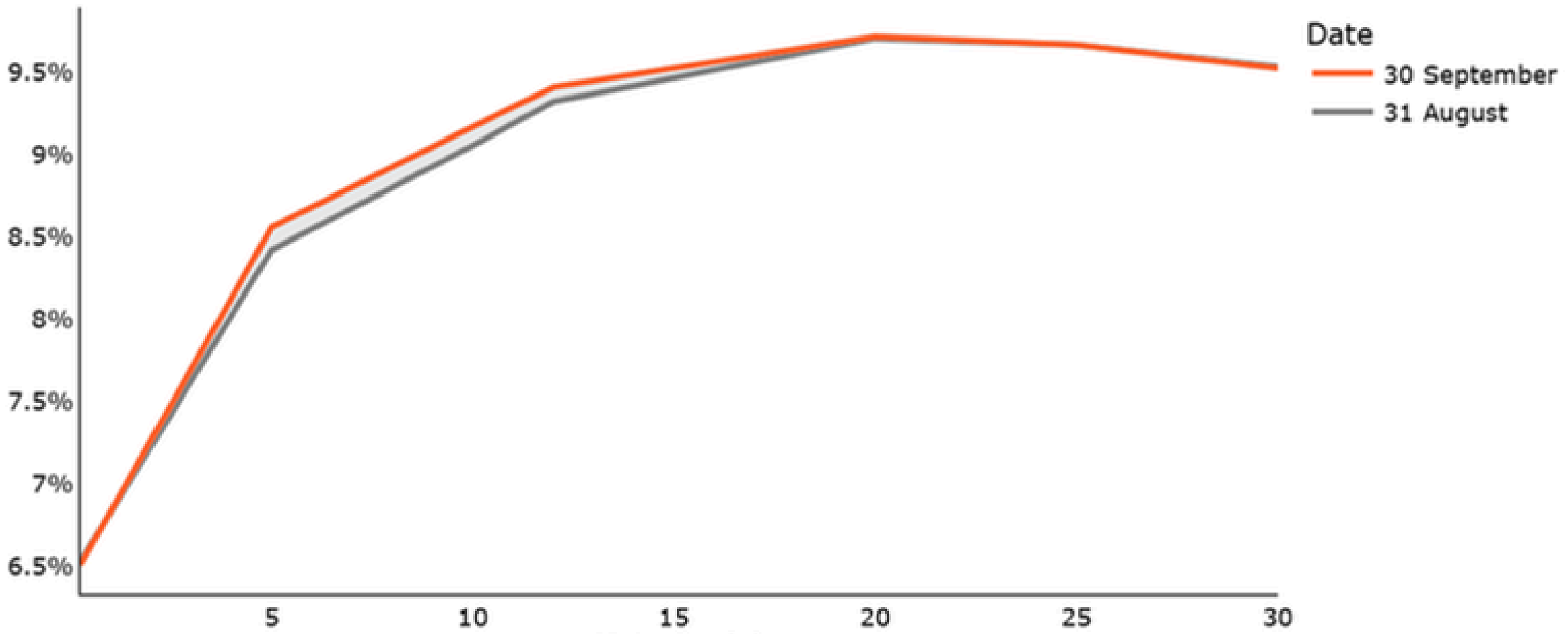
Source: LSEG Workspace

- The Rand weakened slightly during September, moving from around R16.20/$ to R16.42/$ over the month.
- The divergence between local and offshore markets remains important: South African assets offer substantially cheaper valuations, while the US continues to provide greater visibility around economic growth and corporate earnings.
- The investment case for South African assets is therefore increasingly driven by valuation and the potential for lower interest rates, rather than superior near-term economic growth.
- In the US, the combination of resilient corporate earnings, strong cash generation and moderating inflation continues to underpin the preference for US equities despite their higher valuations.

BONDS

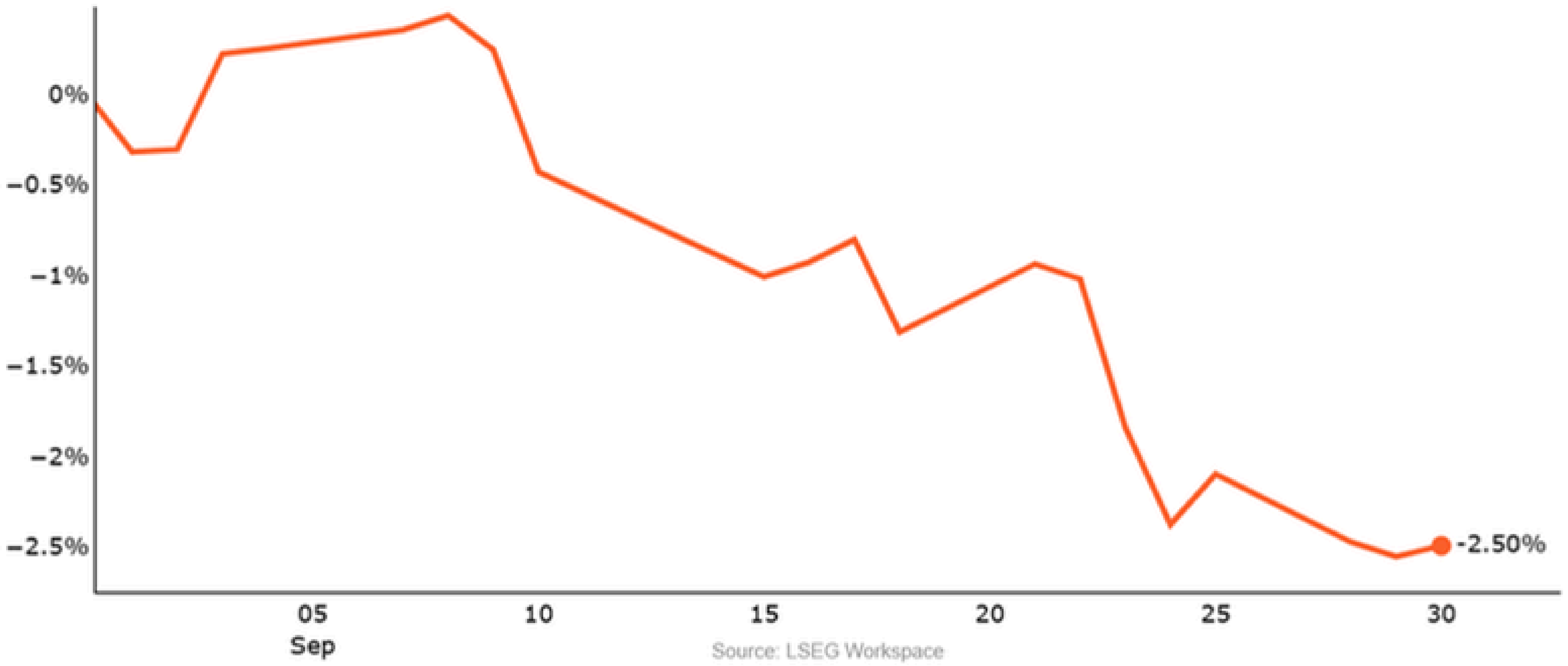


Yield Curve South Africa



Source: LSEG Workspace

FTSE G7 Total Return



Source: LSEG Workspace

ICE US Treasury 20+ Year Index Total Return

Source: LSEG Workspace

- South African bonds remain attractive, with the local market broadly flat over September after considerable intra-month volatility.
- SA bond spreads remain above 3.6%, providing an attractive yield relative to developed-market alternatives.
- The combination of relatively high yields and the potential for lower inflation and interest rates provides scope for both income and capital appreciation from local bonds.
- Offshore bonds experienced a significant sell-off: G7 government bonds fell around 2.5% in US-dollar terms, while long-dated US Treasuries declined by approximately 5%.
- Rather than viewing this as a deterioration in the bond outlook, Paul sees the sell-off as a buying opportunity, as the market appears to be pricing in more persistent inflation than he believes will ultimately materialise.
- Overall, the outlook for bonds remains positive, particularly if the anticipated disinflationary environment develops and central banks are able to cut rates more aggressively than currently expected.



Prefer to watch?

Catch up on September in five minutes

Our CIO, Paul Fouché, unpacks the month's market moves in the latest Monthly Wrap-up video.

Watch on YouTube →

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