

# Market Overview

## February 2026

Morningstar Investment Management  
March 2026

For Financial Advisers & Their Clients

### Global Market and Economic Summary

Global markets remained resilient despite heightened geopolitical uncertainty, with February marked by a widening performance gap between the U.S. and the rest of the world. Emerging Markets (EM) led global equity gained +5.5% versus +0.8% for Developed Markets (DM), marking the third consecutive month of EM outperformance. Over the past 12 months, EM has outperformed DM by 26.2% — the widest margin since 2009. More specifically, U.S. equities struggled over the month, as sticky inflation data and AI disruption fears put pressure on the market, while international markets — particularly Europe and Japan — continued to outperform. Within EM, strong gains in Korea (+21.8%) and Taiwan (+12.8%) were driven by ongoing investment in AI infrastructure and semiconductors. Global bonds also delivered strong returns, recording their best monthly return in 18 months. DM bonds outperformed EM bonds, as investors rotated back into traditional safe-haven assets. U.S. Treasuries benefited from a flight to safety, with 10-year yields falling below 4%, leading to outperformance in longer-duration bonds, as declining bond yields tend to push up bond prices. Meanwhile, Emerging Market Debt (EMD) continued to generate solid returns, supported by attractive yield levels.

Turning to economic growth, the U.S. economy expanded at an annualised 1.4% in Q4 2025, slowing meaningfully from 4.4% in Q3 2025 and undershooting expectations of 3%. The euro area grew by 0.3% over the q/q (quarter-over-quarter), matching the prior period and demonstrating resilience despite U.S. trade tariffs. Japan's economy grew 0.1% q/q (quarter-over-quarter), rebounding from a 0.7% contraction but missing forecasts of a 0.4% increase. The latest reading suggests the drag from U.S. tariffs, with a baseline of 15%, is gradually easing, while diplomatic tensions with China persist. It also comes as Tokyo prepares to ramp up investment through targeted public spending following a sweeping election victory by Prime Minister Sanae Takaichi. On the inflation front, the annual inflation rate in the U.S. slowed to 2.4% in January 2026, its lowest level since May 2025, down from 2.7% in each of the previous two months and below forecasts of 2.5%. The deceleration largely reflects base effects, as higher readings from a year ago drop out of the annual calculation. Annual inflation in the Euro Area came in at 1.7% in January 2026, down from 2.0% in December and marking its lowest level since September 2024. Lastly, Japan's annual inflation eased to 1.5% in January 2026 from 2.1% in the prior month, the lowest since March 2022.

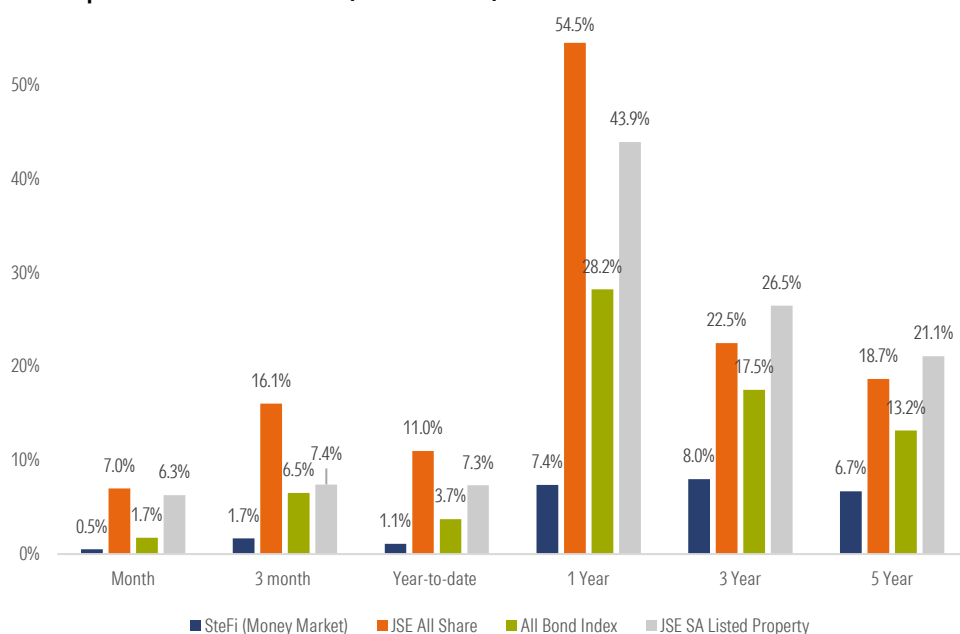
In other economic news, the U.S. Supreme Court recently deemed Trump's tariffs illegal. Within hours, however, President Trump invoked Section 122 of the Trade Act of 1974 to impose a 15% global import tariff. The tariff situation has evolved through several phases: the original "reciprocal" tariffs of 2025 that caused the Liberation Day sell-off; the legal challenges that reached the Supreme Court; and now the pivot to a universal 15% levy under a different statutory authority. This new measure is limited to a 150-day window, setting up a late-July deadline that is likely to become a key market focus.

### South African Market Update

South African equities (+7.0%) delivered another strong month, once again led by the Resources sector (+13.3%), which is now up more than 165% over the past 12 months. Gains were driven by precious metal miners, with AngloGold Ashanti (+30.3%) and Valterra Platinum (+22.7%) contributing meaningfully to performance. Financials (+7.3%) also performed well, supported by solid gains from major banks including Capitec (+9.0%) and Standard Bank (+7.6%). In contrast, Industrials (+0.1%) were broadly flat, weighed down by heavyweights Prosus (-11.6%) and Naspers (-10.7%), with SA Inc names such as Spar (-21.3%) and Clicks (-2.2%) further detracting from returns. The property sector posted strong returns over the month (+6.6%), supported by positive company updates and declining bond yields.

South African bonds (+1.7%) extended their gains as yields declined further, supported by a stable rand and a cautiously optimistic national budget. The yield curve flattened for a sixth consecutive month, with long-term yields falling faster than short-term yields (also known as a “bull flattening”), reflecting supportive global and domestic conditions.

### Exhibit 1 | SA Market Performance (Total Returns)



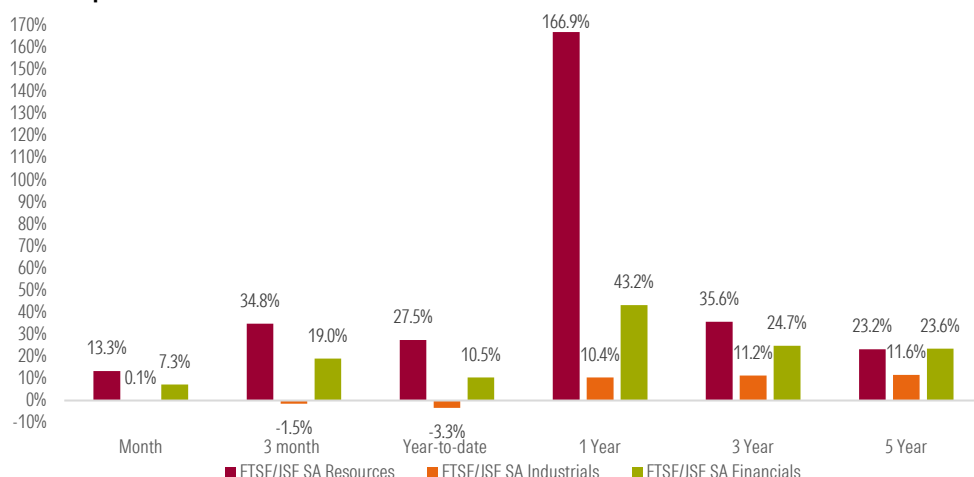
Source: Morningstar Direct as at 28/02/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

### South African Economic Update

The Minister of Finance delivered South Africa's 2026 budget, which reinforced the National Treasury's commitment to fiscal discipline and consolidation. A growing primary budget surplus underpins the strategy to stabilise and gradually reduce the debt-to-GDP ratio. Gross loan debt-to-GDP ratio stabilises at 78.9% in 2025/26 and is projected to decline to 76.5% by 2028/29. This is the first stabilisation since 2008, although slightly higher than the 77.9% Medium-Term Budget Policy Statement (MTBPS) forecast due to a reduction in nominal GDP forecasts and the Treasury's updated debt management strategy.

The main budget deficit remains unchanged at 4.5% for the 2025/26 fiscal year and is projected to decline steadily to 2.9% by 2028/29. Macroeconomic forecasts were broadly unchanged, with economic growth expected to average 1.8% and inflation 3.3% over the next three years. Tax relief measures include full inflation adjustments to personal income tax brackets and medical tax credits, as well as an increased contribution TFSA (Tax Free Savings Account) limit from R36 000 to R46 000 per year. In combination with the withdrawal of the previously proposed R20 billion tax increase, these measures should provide modest relief to consumers.

### Exhibit 2 | SA Sector Performance (Total Returns)



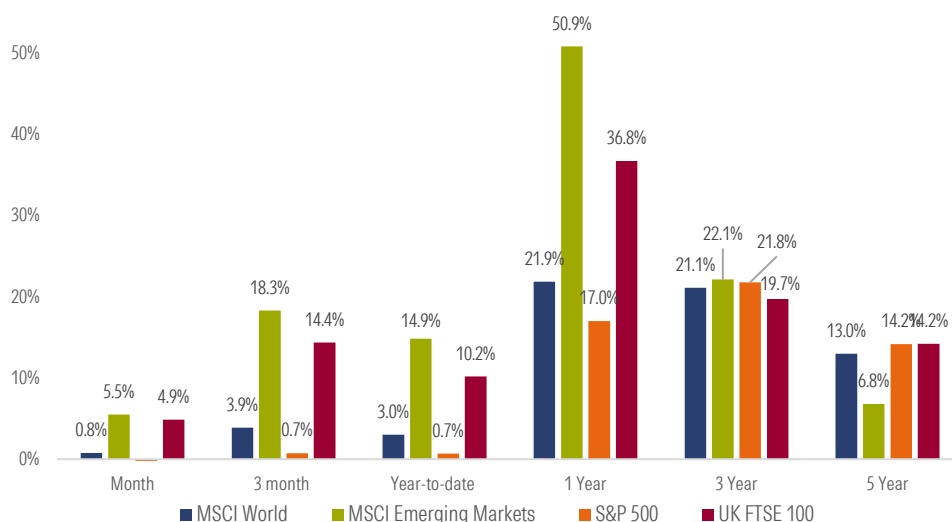
Source: Morningstar Direct as at 28/02/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Global markets remained resilient despite heightened geopolitical uncertainty, with February marked by a widening performance gap between the U.S. and the rest of the world. The **MSCI World Index** (+0.8%) posted positive returns. However, DM underperformed EM over the month, with the **MSCI Emerging Markets Index** (+5.5%) posting strong returns.

Within emerging markets, China's **Shanghai SE Composite** (+2.5%) and Korea's **KOSPI** (+19.8%) posted strong returns over the month, as strong demand for AI-related stocks (such as semiconductors) continued. In Europe, the **MSCI Europe Ex UK Index** (+2.8%) posted positive returns for the month, outperforming the broader DM composite, with the UK's **FTSE 100** (+4.9%) also ending the month meaningfully higher. Additionally, Japan's **Nikkei 225** (+9.0%) posted a strong performance over the month, after their snap election outcome in February.

In the U.S., tech-heavy **NASDAQ 100** (-2.3%) posted negative returns over the month, as concerns surrounding AI capex and the prospects of future revenue negatively affecting various tech stocks. The **S&P 500** (-0.8%) posted negative performance, as Technology and Financials detracted from returns as the fear of AI disrupting business models and credit market stress hindered returns for the respective sectors.

### Exhibit 3 | International Market Performance (Total Returns)



Source: Morningstar Direct as at 28/02/2026. Returns are in US dollars and have been annualised for periods longer than 1 year.

### **Impact on Client Portfolios**

Portfolios continued to deliver strong performance, with the majority of our funds outperforming their peer groups over the month. Despite ongoing geopolitical volatility, global equity markets remained resilient. Our overweight allocations to regions such as Korea, Latin America and broader emerging markets benefited investors, as the rotation away from U.S. equities (“ex-America” trade) gathered further momentum. Sector positioning also contributed meaningfully to outperformance. Overweight allocations to Energy, European Technology and Consumer Staples added value, while our underweight position in U.S. Technology proved supportive as leadership broadened beyond the large-cap U.S. names. Global fixed income exposures further enhanced returns. Long-duration U.S. Treasury holdings performed well as declining long-term yields lifted bond prices. Allocations to Emerging Market Debt (EMD) and global credit also made positive contributions. Locally, active equity managers delivered solid results, supported by broad-based market strength. Our overweight exposure to the attractively valued Financials sector added value, while strong performance from the Resources sector — accessed mainly through our passive equity allocations — further enhanced returns. The rand strengthened against most major currencies over the month, creating a currency headwind for offshore assets when translated into local terms. This moderated the overall contribution from global exposures for local investors, although underlying asset performance remained robust.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio, independent of the prevailing market environment.

<b>Local Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE All Share	7.01	10.99	54.49	22.52	18.68	16.75
JSE SA Listed Property	6.29	7.33	43.91	26.52	21.11	8.55
All Bond Index	1.74	3.73	28.21	17.53	13.18	11.85
STeFI	0.51	1.09	7.36	8.00	6.70	6.51
<b>Local Market Sectors</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE Top 40	7.19	11.46	57.86	22.83	18.90	17.46
JSE Mid Cap	5.38	11.98	51.93	21.47	18.10	12.63
JSE Small Cap	5.27	6.39	38.68	23.62	24.24	18.13
FTSE/JSE SA Resources	13.32	27.47	166.69	35.65	23.24	24.41
FTSE/JSE Ind/Financials	7.32	10.50	43.21	24.73	23.55	12.56
FTSE/JSE SA Industrials	0.09	-3.34	10.42	11.25	11.61	12.23
<b>Global Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
MSCI World	0.76	3.03	21.83	21.12	12.98	14.10
MSCI Emerging Markets	5.51	14.86	50.83	22.14	6.79	9.33
S&P 500	-0.76	0.68	16.99	21.80	14.19	15.59
NASDAQ 100	-2.26	-1.06	20.35	28.48	14.99	20.67
FTSE 100	4.87	10.19	36.73	19.74	14.20	10.52
SSE Composite	2.75	7.13	31.35	18.69	11.74	12.16
KOSPI TR KRW	2.46	6.92	33.17	8.71	2.25	4.71
Nikkei 225	19.84	48.68	155.32	35.93	12.37	14.09
FSE DAX	9.00	17.00	55.85	25.62	8.84	12.28
US T-Bill 3m	0.31	0.62	4.18	4.93	3.54	2.82
<b>Commodities</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
Oil Price Brent Crude	2.53	19.11	-0.67	-4.76	1.85	1.34
Gold	4.83	19.56	84.24	41.98	24.54	21.72
Platinum	2.87	6.29	150.90	35.50	14.47	15.35
Copper	1.27	5.58	25.56	9.40	5.31	8.22

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 28/02/2026.

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