

Market Overview

May 2026

Morningstar Investment Management
June 2026

For Financial Advisers & Their Clients

Global Market and Economic Summary

Global risk assets delivered solid returns in May 2026, with markets largely looking through ongoing geopolitical uncertainty and several equity indices reaching new highs. The month was driven by three dominant themes: Middle East geopolitical risk, higher-for-longer inflation concerns and the continued AI-driven equity rally. Markets fluctuated between fears of an oil supply shock and optimism around strong technology earnings and potential diplomatic progress between the US and Iran. Global equity markets ended the month higher, with technology-heavy indices leading performance. While Developed Markets (DM) (+4.5%) continued on a positive trend and posted strong performance over the month, Emerging Markets (EM) (+9.7%) outperformed most other asset classes, led by the strong returns of Korea (+26.5%) and Taiwan (+16.2%). Global fixed income returns were more muted over the month, with longer-dated US Treasury yields ending the month higher, reflecting concerns about inflation, fiscal deficits and energy prices, subsequently pushing bond prices down. In contrast, UK Gilts performed relatively well as the UK's disinflation and a deteriorating labour market caused yields to decrease over the month, pushing prices higher. Lastly, credit market allocations contributed to returns as credit spreads tightened over the month, causing credit allocations to outperform sovereign bonds.

The dominant macro theme in May was the renewed upward pressure on inflation, largely driven by energy markets following escalating tensions in the Middle East and concerns over global oil supply disruptions. In the US, inflation rose to 3.8% in April 2026 (released in May), up from 3.3% in March, marking the highest level since May 2023 and above expectations of 3.7%. The increase was primarily driven by energy prices, which surged 17.9% year-on-year (y/y). In the UK, inflation eased to 2.8% in April, down from 3.3% in March, below expectations and the lowest level since March last year, reflecting a sharp slowdown in housing and services inflation. In the Euro Area, inflation was confirmed at 3.0% in April, the highest since September 2023 and well above the ECB's 2% target. In Japan, inflation edged lower to 1.4% from 1.5%, showing more stable price dynamics relative to other developed markets.

In other economic news, following the end of Jerome Powell's term on 15 May 2026, Kevin Warsh was confirmed as the next Chair of the Federal Reserve. Powell will remain on the Federal Reserve Board of Governors but will not take on any further leadership role.

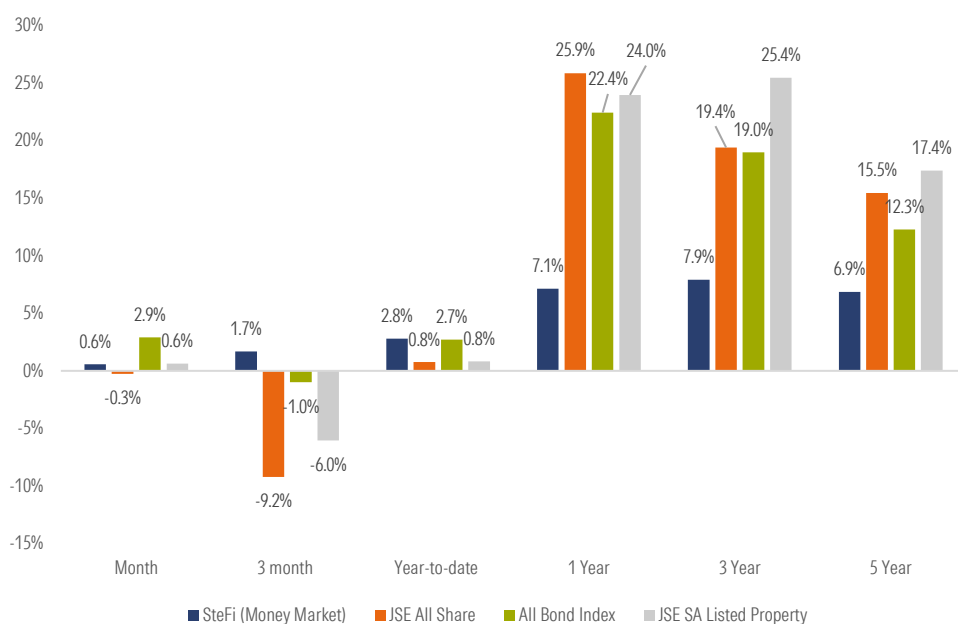
South African Market Update

South African equities (-0.3%) underperformed both DM and EM equities over the month of May. Financials (+0.9%) posted decent performance over the month, with local banks such as Firstrand (+4.8%), Capitec (+4.4%) and ABSA (+1.8%) providing some relief. In contrast, Resources (-1.0%) lost some of its recent strong momentum and posted negative returns over the month, subsequently becoming the worst-performing local sector over the last three months (-18.0%). Similarly, the Industrials sector (-0.7%) continued to struggle, as index heavyweights Naspers (-5.1%) and Prosus (-8.3%) detracted from performance, with SA Inc. stocks such as Spar (-24.6%), Pick 'N Pay (-5.4%) and Clicks (-10.8%) struggling over the month. Lastly, Property (+0.6%) posted a lacklustre performance over the month, bringing year-

to-date returns to +0.8% as investor sentiment weakened towards the month-end following the SARB's (South African Reserve Bank) 0.25% rate hike.

South African bonds (+2.9%) were the top-performing local asset class, outperforming both developed and emerging market bonds and recovering much of March's losses. The yield curve shifted lower across all maturities, with bonds in the 5-10 year segment outperforming as investors continued to favour this part of the curve due to its lower sensitivity to policy rate hikes relative to shorter-dated bonds, as well as its greater market liquidity. The SARB's decision to raise the policy rate further reinforced confidence that monetary policy remains firmly focused on achieving the inflation target and preserving the Bank's credibility.

Exhibit 1 | SA Market Performance (Total Returns)



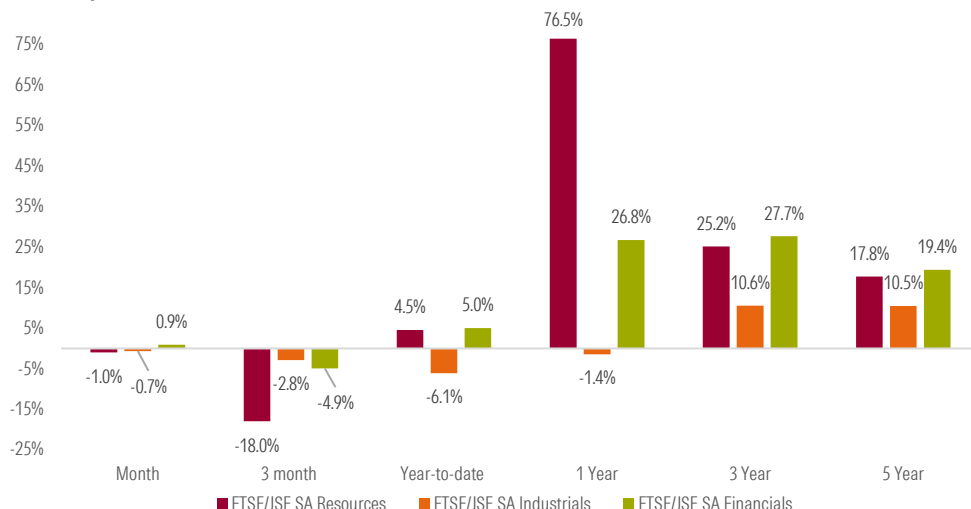
Source: Morningstar Direct as at 31/05/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African Economic Update

The SARB's Monetary Policy Committee (MPC) raised the repo rate by 0.25% to 7.0%, marking its first rate hike since May 2023. This follows a prolonged period of unchanged policy rates after the MPC last reduced the repo rate to 6.75% in November 2025. The decision was not unanimous, with two of the six committee members voting to leave rates unchanged.

Local headline inflation accelerated to 4.0% y/y in April (data released in May), up from 3.1% in March. This was the highest reading since August 2024 and reflected the largest monthly inflation increase (1.1%) since July 2022. Looking ahead, inflation risks remain tilted to the upside, primarily due to higher oil prices. In addition, the National Treasury's planned phased withdrawal of the R3/litre fuel subsidy is expected to place further upward pressure on inflation. Second round inflation effects, such as rising food inflation, also present a medium-term risk, which could delay the return of inflation to the SARB's 3% target.

Exhibit 2 | SA Sector Performance (Total Returns)



Source: Morningstar Direct as at 31/05/2026. Returns are in South African Rand and have been annualised for periods longer than 1 year.

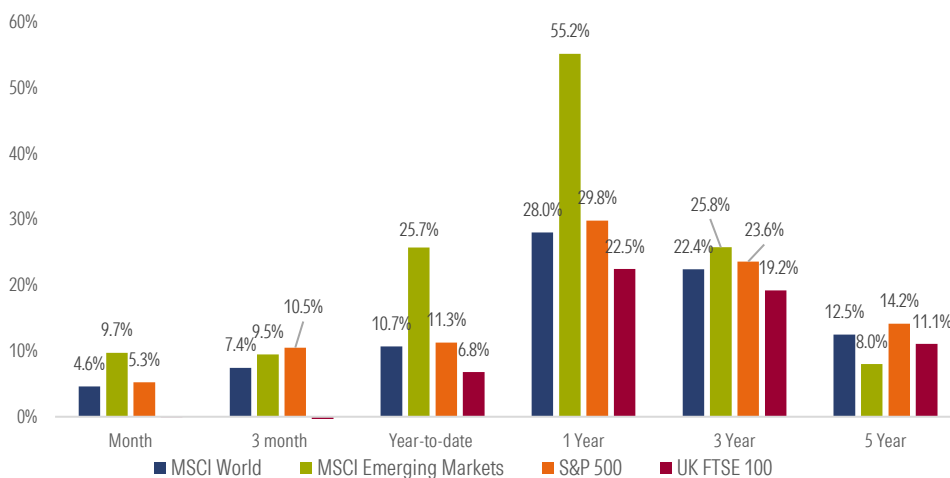
Global Market Update

The **MSCI World Index** (+4.5%) posted strong returns. However, DM underperformed EM over the month, with the **MSCI Emerging Markets Index** (+9.7%) posting strong returns over the month and being the standout performer over the month. On a YTD basis, EM is still ahead of DM.

Within emerging markets, China's **Shanghai SE Composite** (-0.1%) recorded negative returns. The broader EM market was positively affected by Korea's tech-heavy **KOSPI** (+26.5%), as the country benefited from being a key part of the global AI supply chain. In Europe, the **MSCI Europe Ex UK Index** (+3.7%) posted positive returns for the month, whereas the UK's **FTSE 100** (-0.1%) posted marginally negative returns and subsequently underperformed the broader DM composite. Additionally, Japan's **Nikkei 225** (+9.0%) posted significant returns over the month, participating in the market's risk-on sentiment.

In the US, tech-heavy **NASDAQ 100** (+10.6%) posted strong returns over the month, benefitting from a rotation back into AI-linked stocks. Similarly, the **S&P 500** (+5.3%) posted strong performance, as US company earnings grew 30% y/y, mainly driven by the Tech sector.

Exhibit 3 | International Market Performance (Total Returns)



Source: Morningstar Direct as at 31/05/2026. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on Client Portfolios

After April's euphoria, markets remained constructive in May as investors continued to price in geopolitical de-escalation. However, trade tensions and inflation concerns lingered throughout. Against this backdrop, portfolios delivered strong absolute returns, generally outperforming peers over the month. Global risk assets extended April's momentum. An overweight to Emerging Markets – including a dedicated Korea allocation – was the standout contributor, while targeted positions in European Tech and Japan added further to Developed Market returns. Global fixed income was more mixed. Longer-dated US Treasuries weighed on relative performance, ending the month only marginally positive, while UK Gilts and Global Credit more than offset this drag and contributed positively to overall fixed income returns. Locally, active equity managers struggled alongside a weak local equity market, delivering lacklustre absolute returns. In contrast to their global counterparts, local bond allocations produced strong returns over the month and contributed positively to portfolio performance. Lastly, the rand strengthened against the US dollar, creating a currency headwind for offshore assets when translated into local terms.

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.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	-0.27	0.76	25.84	19.41	15.46	15.03
JSE SA Listed Property	0.62	0.84	23.95	25.46	17.40	7.47
All Bond Index	2.91	2.71	22.41	19.00	12.29	11.27
STeFI	0.56	2.79	7.13	7.93	6.86	6.49
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	-0.20	0.71	27.51	19.11	15.81	15.58
JSE Mid Cap	-3.55	-3.83	16.65	18.89	11.92	10.65
JSE Small Cap	0.39	1.48	23.61	23.94	19.17	17.46
FTSE/JSE SA Resources	-0.99	4.52	76.40	25.23	17.79	21.41
FTSE/JSE Ind/Financials	0.93	5.05	26.77	27.70	19.39	11.77
FTSE/JSE SA Industrials	-0.66	-6.08	-1.41	10.61	10.48	11.28
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	4.61	10.70	27.99	22.42	12.47	15.43
MSCI Emerging Markets	9.71	25.74	55.15	25.77	8.03	11.48
S&P 500	5.26	11.27	29.78	23.61	14.15	17.37
NASDAQ 100	10.58	20.45	43.09	29.60	18.17	23.98
FTSE 100	-0.07	6.80	22.46	19.24	11.06	10.46
MSCI Europe Ex UK	3.71	7.38	19.99	18.09	9.09	12.25
SSE Composite	-0.11	5.84	29.21	10.04	1.12	5.26
KOSPI TR KRW	26.48	93.63	191.79	45.32	16.60	21.03
Nikkei 225	8.97	30.70	61.19	25.82	11.73	14.08
US T-Bill 3m	0.31	1.56	4.01	4.80	3.73	2.87
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-19.26	51.27	44.05	8.20	5.84	5.21
Gold	-1.42	4.08	38.70	32.27	19.06	19.64
Platinum	-1.74	-13.52	79.74	24.27	10.47	13.55
Copper	6.83	10.23	28.91	15.43	3.46	10.66

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 31/05/2026.

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