CUSTODIAN
INSIDE THE CASTLE

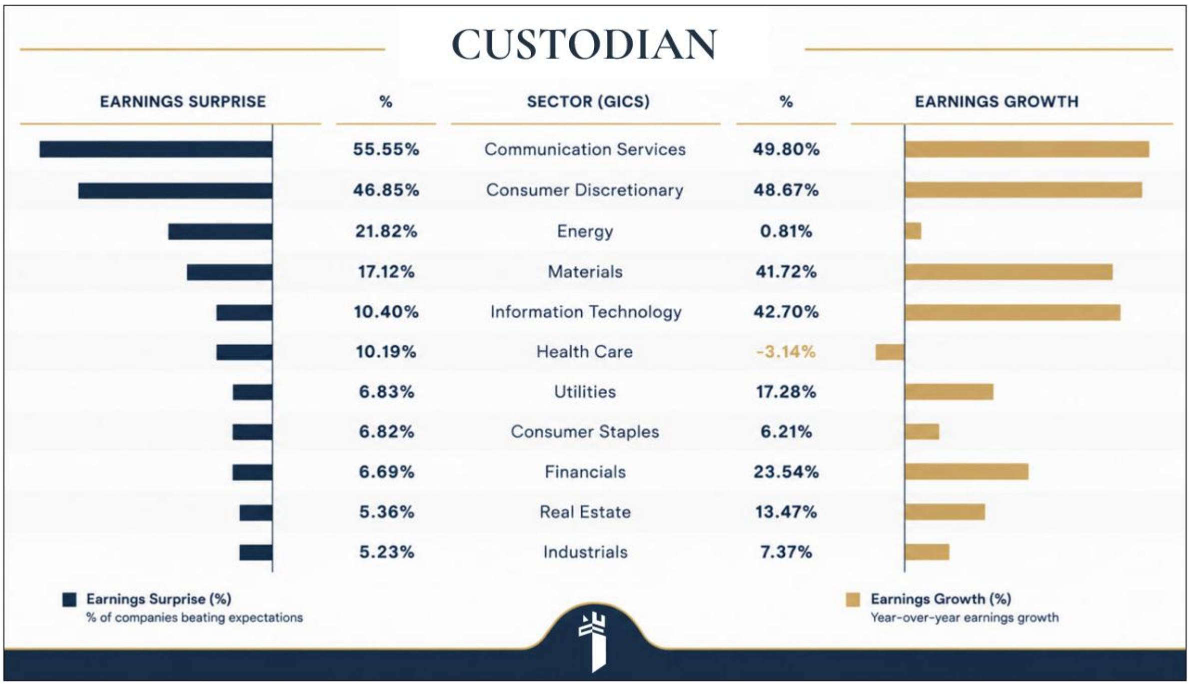
Market rebound but few shoulders are carrying it.

A DEEPER LOOK INTO THE MARKET AND EARNINGS

WHAT HAPPENED

THE DRIVING ENGINE

April saw another strong month in global equities as markets pushed higher despite the straight of Hormuz staying closed. The first-quarter earnings season in the US has taken everyone by surprise (pun intended). More than 80% of S&P 500 companies produced earnings growth (Right) and positive earnings surprises (Left).



Source: Bloomberg, Custodian. Data as of 11 May 2026.

Importantly, this is not just a “big tech” story. This was broad and across almost all sectors, with margins holding up better than feared and forward guidance generally stabilising rather than deteriorating.

This matters because in periods of uncertainty like this, share prices often reflect irrational anxiety from world news, not the company's actual fundamental reality. That gap eventually closes based on fundamentals, which all circle back to why we own shares (in the company or business), to own part of future its earnings.

EARNINGS ARE THE ENGINE OF RETURNS.

DIVING DEEPER

MARKETS REBOUNDED BUT NOT EVERYONE WAS INVITED

We are seeing pockets of strong performance from companies that were previously written off as structurally weak, like Intel (a company down in the doldrums a short while ago), now benefiting from an anticipated turnaround and AI infrastructure tailwind in its favour. The story of Intel is not unique, with only 24% of the S&P 500 members dragging the index up over the last 3months, an incredibly rare occurrence over the last 50 years.

This has made it a difficult environment for general diversified or quality-focused portfolios. The past few months have seen the lowest number of ASISA Global Equity General Funds outperforming the ACWI in the last decade.

We have seen that a narrative can often beat fundamentals. In this environment, companies linked to the "AI build out" saw aggressive price movements while other companies on the peripherals remained largely overlooked for extended periods.

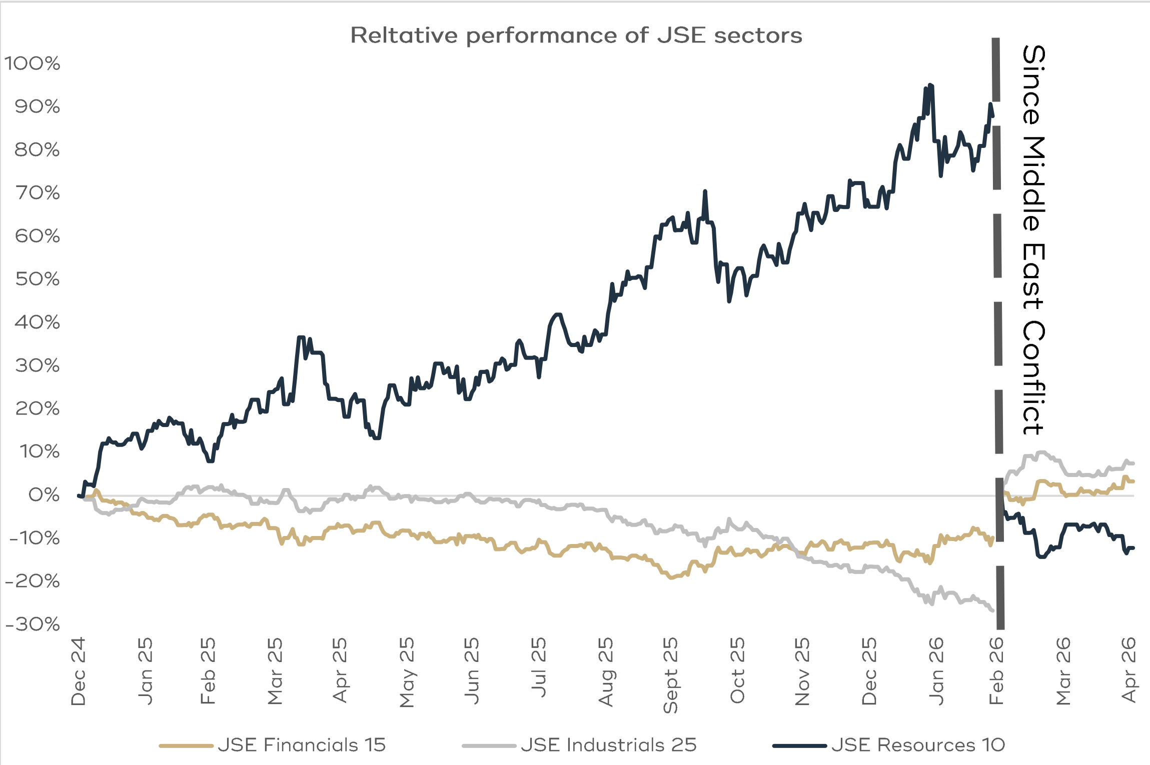
The current "AI build out" has largely focused on the infrastructure behind AI. We believe a second wave will be one centred on areas like Power, Fibre Optics and the effective application of AI. As the initial euphoria fades, focus is likely to shift further along the supply chain toward companies that can successfully monetise AI adoption.

IT REMAINS IMPORTANT TO MAINTAIN DISCIPLINE AND AVOID CHASING SPECULATIVE MOVERS SIMPLY BECAUSE THEY ARE PERFORMING WELL IN THE MOMENT.

BACK HOME

A BRIEF U-TURN

The JSE Resources 10 Index delivered exceptionally strong performance through 2025 and into the early part of 2026 until the start of the Middle East Conflict, supported by firmer commodity prices and elevated global appetite for hard assets.



Source: Morningstar, Custodian. Data as of 30 April 2026.

However, as uncertainty and global risk-off sentiment intensified, Resources reversed course and have since become the largest detractor from local market performance.

WHEN MARKETS BECOME NARROW, DISCIPLINE BECOMES AN ADVANTAGE.

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HAPPY INVESTING