BELMONT
ASSET MANAGEMENT

MARKET COMMENTARY – QUARTER ENDED 31 MARCH 2026

Global equities fell in the first quarter of 2026 as early optimism was overtaken by an escalation in Middle East tensions, which triggered a sharp rise in oil and gas prices. The resulting energy shock reignited concerns about inflation and the prospect of tighter monetary policy and led to a broad-based risk-off move across markets, with both equities and government bonds declining.

INDEX	3 MTH TOTAL RETURN IN USD (%)	3 MTH TOTAL RETURN IN EUR (%)	3 MTH TOTAL RETURN IN GBP (%)
MSCI WORLD	-3.6	-1.7	-1.6
S&P 500 (US)	-4.3	-2.5	-2.4
FTSE EUROPE EX-UK	-3.9	-2.0	-2.0
FTSE ALL SHARE (UK)	0.4	2.4	2.4
TOPIX (JAPAN)	2.1	4.1	4.2
MSCI EMERGING MARKETS	-0.2	1.8	1.8
MSCI AC ASIA EX- JAPAN	-1.2	0.7	0.8

The US

The S&P 500 Index fell by 4.3% in US Dollars.

A strong start to the year was overtaken by rising geopolitical risks. The US and Israeli strikes on Iran disrupted energy flows through the Strait of Hormuz, driving a surge in oil prices and increasing uncertainty around the global outlook. The resulting energy shock reignited inflation concerns, led markets to scale back expectations for rate cuts and triggered a broad-based pullback in equities.

While the US economy entered 2026 on a solid footing, conditions became more uncertain over the quarter. Growth continued to be supported by consumption and strong investment particularly in AI-related sectors, but the inflation outlook became more challenging as energy prices rose.

The Federal Reserve kept its policy rate unchanged at 3.50%–3.75% during the quarter, maintaining a cautious, data-dependent stance amid resilient growth, mixed inflation signals and heightened geopolitical uncertainty. Markets ended the period pricing in little additional easing in 2026. The nomination of Kevin Warsh as the next Federal Reserve (Fed) Chairman was viewed as relatively market-friendly, although broader policy uncertainty remained elevated.

Europe

Eurozone

The FTSE Europe ex-UK Index fell by 2.0% in Euros and by 3.9% in US Dollars.

Early in the year, inflation eased and growth remained modest, allowing the European Central Bank (ECB) to keep its policy rate unchanged at 2.0% and to maintain a data-dependent stance. Economic indicators such as Gross Domestic Product (GDP) growth, low unemployment and Purchasing Managers Index (PMI) readings signalled resilience.

However, the situation shifted in March as rising oil prices pushed inflation higher and slowed economic activity. The ECB continued to keep its policy rate unchanged but warned that it could raise them should inflation risks persist.

UK

The FTSE All Share Index rose by 2.4% in Sterling and by 0.4% in US Dollars.

UK equities were supported by the relatively large weighting in the energy sector, along with weaker Sterling which helped export-oriented larger companies.

As in the Eurozone, the UK interest-rate outlook shifted during the quarter as rising energy prices increased inflation concerns. Early in the period, markets had expected rate cuts later this year, with some anticipating a move as soon as March. However, the Bank of England (BoE) left interest rates unchanged at 3.75% in March and adopted a more hawkish tone, leading investors to price in the possibility of rate increases later this year.

Meanwhile, data from the Office for National Statistics showed that the UK economy expanded by just 0.1% year-on-year in the fourth quarter of 2025. UK inflation was unchanged at 3.0% in February.

Japan

The TOPIX Index rose by 3.6% in Yen and by 2.1% in US Dollars.

Japanese equities delivered positive returns overall for the quarter. In particular, stocks rose strongly in February after a landslide victory for the LDP in the House of Representatives election. This boosted expectations for political stability and pro-growth policies. However, as in other regions, Japanese equities experienced a pullback in March due to higher energy prices and energy supply concerns.

In March, the Bank of Japan left interest rates unchanged at 0.75% as expected, but warned that higher energy prices risk stoking underlying inflation. During the month, worries that the Middle East conflict could be prolonged and push energy prices higher intensified, contributing to a sharp pullback in global equities including Japan on fears of stagflation.

Emerging Markets

The MSCI Emerging Markets Index fell by 0.2% in US Dollars.

China: The MSCI China Index fell by 8.9% in US Dollars. Economic data pointed to stabilisation rather than a strong recovery. Manufacturing activity was close to expansion territory by the end of the quarter and exports continued to provide support. However, domestic demand remained subdued, inflation pressures were modest, and corporate earnings expectations stayed restrained.

Brazil*:* The MSCI Brazil Index rose by 19.2% in US Dollars. Latin American markets delivered strong gains, supported by the global re-pricing of energy and an improving policy backdrop. Brazil, in particular, benefited from rising confidence that a disinflationary environment could allow the start of an interest-rate easing cycle, although policymakers continued to emphasise a gradual and cautious approach.

India: The MSCI India Index fell by 18.1% in US Dollars. India was one of the largest underperformers among emerging markets with growth concerns, reliance on oil imports and expensive valuations weighing on the market.

South Africa: The MSCI South Africa Index fell by 3.2% in US Dollars.

INDEX	3 MTH TOTAL RETURN IN ZAR (%)	6 MTH TOTAL RETURN IN ZAR (%)	12 MTH TOTAL RETURN IN ZAR (%)
FTSE JSE TOP 40	(0.6)	6.9	35.2
FTSE JSE RESOURCE 10	7.2	18.2	95.6
FTSE JSE FINANCIAL 15	(0.3)	18.6	29.0
FTSE JSE INDUSTRIAL 25	(8.7)	(10.6)	4.4

The Economy

The South Africa's economy showed early signs of stabilisation during the first quarter of 2026, supported by an improvement in business sentiment and a more constructive policy environment. Confidence was lifted by a well-received State of the Nation Address and a smoother fiscal process, which helped reduce near-term political uncertainty and improved the operating environment for business. This improvement was reflected in the RMB/BER Business Confidence Index, which rose to 47, its highest level since 2015. However, despite the improvement in sentiment, the recovery remains uneven and structurally constrained, with weak domestic demand, infrastructure bottlenecks, and elevated borrowing costs continuing to weigh on activity.

The JSE

The FTSE/JSE Top 40 Index declined marginally by 0.6% in Q1 2026, reflecting a lack of overall market direction but with significant divergence between sectors. Resources remained the key driver of performance, with the FTSE/JSE Resource 10 Index gaining 7.2% over the quarter and 95.6% over 12 months, supported by strong commodity prices. Financials were broadly flat in the quarter, with the FTSE/JSE Financial 15 Index down 0.3%, although longer-term performance remains resilient, supported by stable earnings and generous valuations. Industrials underperformed, with the FTSE/JSE Industrial 25 Index declining 8.7%, reflecting ongoing pressure on consumer demand and weaker global growth conditions, despite remaining positive over the 12-month period. Overall, the JSE continues to reflect a clear divergence between resource-driven and domestically exposed sectors, with sector performances heavily influenced by the macroeconomic background.