BELMONT
ASSET MANAGEMENT

Market Commentary

For the Quarter Ending 30 June 2026

The second quarter of 2026 was characterised by optimism around AI-driven technology, an easing of the Iran-related energy shock and expectations of interest rates being higher for longer. Global equities posted strong gains in April and May, before moving broadly sideways in June as a more hawkish US Federal Reserve (Fed) tempered momentum. Inflation remained elevated particularly in the US and Europe, although the sharp decline in oil prices reduced expected inflationary pressures in the Eurozone.

The Fed left interest rates unchanged, while the European Central Bank (ECB) and the Bank of Japan (BoJ) tightened monetary policy further. In contrast, China maintained an accommodative stance to support slowing domestic growth. Against this backdrop, the International Monetary Fund forecasts global gross domestic product (GDP) growth of 3.1% in 2026, down from around 3.4% in recent years, reflecting a resilient but moderating global economy.

INDEX	3 Mth Total Return in USD (%)	3 Mth Total return in EUR (%)	3 Mth Total Return in GBP (%)
MSCI World	13.8	14.6	13.0
S&P 500 (US)	15.2	16.1	14.5
FTSE Europe ex-UK	13.3	14.1	12.5
FTSE All Share (UK)	5.4	6.2	4.7
TOPIX (Japan)	12.0	12.9	11.3
MSCI Emerging Markets	24.1	25.0	23.3
MSCI AC Asia ex- Japan	27.7	28.7	26.9

The US

The S&P 500 Index rose by 15.2% in US Dollars.

The US economy remained resilient despite rising inflation and pressure on household incomes. First quarter GDP growth expanded by an annualised 2.1%, supported by steady consumer spending and robust business investment. Labour market conditions remained healthy with solid payroll growth, unemployment holding at 4.3% and business activity indicators remaining in expansionary territory. However, inflation remained sticky, with consumer price inflation (CPI) rising to 4.2% year-on-year in May from 3.8% in April.

Against this backdrop, the Fed left its key policy rate unchanged at 3.50–3.75% but adopted a more hawkish stance. Kevin Warsh, who succeeded Jerome Powell as Fed Chairman, signalled that interest rates were likely to remain higher for longer and that further tightening was possible if inflation persisted.

Europe

Eurozone

The FTSE Europe ex-UK Index rose by 14.1% in Euros and by 13.3% in US Dollars.

Eurozone GDP remained subdued in the first quarter of 2026 and early second quarter data pointed to weaker activity. CPI rose to 3.3% year-on-year in May from 3.2% in April, driven by higher oil and gas prices that weighed on household purchasing power. Against this backdrop, the ECB adopted a more hawkish stance and raised its deposit rate by 0.25% to 2.25%.

However, the signing of the US-Iran Memorandum of Understanding and the reopening of the Strait of Hormuz triggered a sharp fall in oil prices, leading policymakers to revise down the expected inflation peak to around 3.2%, well below the roughly 4.0% feared at the height of the crisis. As energy price pressures eased, sentiment indicators began to recover.

UK

The FTSE All Share Index rose by 4.7% in Sterling and by 5.4% in US Dollars.

The UK economy posted a stronger-than-expected GDP expansion in the first quarter, signalling a modest but uneven recovery. Inflation remained above target, with CPI easing to 2.8% year-on-year in May. The Bank of England held rates steady at 3.75%, citing ongoing risks from elevated energy prices and persistent services inflation.

Poor local election results in May put pressure on Prime Minister Keir Starmer. He announced his resignation as Labour Party leader after a by-election victory for key rival Andy Burnham, who is expected to succeed Starmer.

Japan

The TOPIX Index rose by 14.4% in Yen and by 12.0% in US Dollars.

Inflation remained steady in May, unchanged from April and broadly in line with expectations. The Bank of Japan raised its policy rate by 0.25% to 1.0% in June and indicated the possibility of further tightening as it gradually moves away from its long-standing ultra-loose stance.

The Yen continued to be weak over the quarter, reaching a nearly 40-year low against the US Dollar. The currency weakness provided support for exporters.

Emerging Markets

The MSCI Emerging Markets Index rose by 24.1% in US Dollars. This performance was dominated by strong gains in the technology-oriented markets of Taiwan and Korea.

China: The MSCI China Index fell by 6.6% in US Dollars. China's inflation remained subdued highlighting continued weakness in domestic demand. The People's Bank of China left its key lending rates unchanged, maintaining an accommodative policy stance while fine-tuning liquidity conditions through the introduction of overnight repos to improve short-term money market functioning and policy transmission.

Brazil*:* The MSCI Brazil Index fell by 8.1% in US Dollars. Market sentiment deteriorated as polls showed President Lula establishing a lead over opposition right-wing senator Flavio Bolsonaro in the October presidential election race. The central bank cut rates as expected but the cycle is likely to be shallow in the face of persistent inflation.

India: The MSCI India Index rose by 10.2% in US Dollars. Towards the end of the quarter Indian equities were buoyed by a sharp decrease in the oil price which helped to alleviate inflation concerns.

South Africa: The MSCI South Africa Index fell by 1.7% in US Dollars as weakness in the resources sector outweighed gains elsewhere in the market.

INDEX	3 MTH TOTAL RETURN IN ZAR (%)	6 MTH TOTAL RETURN IN ZAR (%)	12 MTH TOTAL RETURN IN ZAR (%)
FTSE JSE TOP 40	(3.2)	(3.9)	18.6
FTSE JSE RESOURCE 10	(19.7)	(13.9)	43.1
FTSE JSE FINANCIAL 15	8.2	7.9	29.5
FTSE JSE INDUSTRIAL 25	4.2	(4.9)	(2.9)

The Economy

South Africa's economic environment remained challenging during the second quarter of 2026. Although tensions in the Middle East eased, the effects of the heightened geopolitical tension continue to linger in South African financial markets. Disruptions to key energy supply routes contributed to higher oil prices, placing renewed upward pressure on global inflation and reducing expectations that major central banks would ease monetary policy as quickly as previously anticipated. Domestically, the South African Reserve Bank maintained its focus on price stability, while the local economy continued to face subdued growth. Although structural reforms to electricity generation, logistics and transport remained supportive of the medium-term outlook, persistent infrastructure constraints and weak domestic demand continued to weigh on economic activity. The sharp decline in precious metal prices also presented a headwind for South Africa. As mining remains an important contributor to exports, employment and tax revenue, lower gold and platinum prices weakened sentiment towards the sector and reduced support from one of the country's key sources of foreign earnings. While it is too early to assess the longer-term impact, the correction highlights South Africa's continued exposure to global commodity cycles.

The JSE

South African equities experienced a mixed quarter, with sector performance largely driven by movements in global commodity markets. The FTSE/JSE Top 40 Index declined during the second quarter of 2026 as weakness in the resources sector outweighed gains elsewhere in the market. The FTSE/JSE Resource 10 Index recorded a sharp decline following a significant correction in gold and platinum prices, reversing part of the strong gains achieved over the previous year. Whether this represents the beginning of a more sustained trend or a temporary pullback remains uncertain and will depend largely on the direction of commodity prices and global economic conditions. In contrast, financial shares delivered another strong quarter, supported by resilient corporate earnings and improved investor sentiment. Industrial shares also posted positive quarterly returns, although the sector remained negative over longer measurement periods, reflecting a more gradual recovery. Overall, market performance during the quarter was characterised by a clear divergence between sectors. Resource shares came under pressure as commodity prices retreated, while financials and, to a lesser extent, industrials provided support for the broader market.