Truffle
Asset Management

Annual Investor Letter

JANUARY 2026

South Africa is lining up for a good year

Truffle delivered strong financial returns across all strategies last year. Good stock selection and asset allocation were supported by robust local equity performance, positive returns across all asset classes and notable rand strength. Globally, the year was characterised by greater resilience than anticipated, despite ongoing global policy uncertainty and geopolitical tensions. Inflation moderated across major economies, enabling a gradual easing in financial conditions and supporting risk assets. Global equities delivered solid returns, led by a narrow group of large-cap technology stocks, while bond markets benefited from declining yields in the latter part of the year. While volatility resurfaced periodically, 2025 ultimately rewarded disciplined positioning and diversification in an environment where opportunities remained selective rather than broad-based.

Despite weak economic performance, South Africa ranked among the best-performing markets globally (CAPI 42.6% in rands). This reflected attractive starting valuations, rising commodity prices and improving sentiment. Our local equity positioning was a key driver of outperformance: meaningful exposure to precious metals and financials served our portfolios well. As 2025 progressed, we reduced exposure to selected foreign-exposed businesses within our local equity allocations, including Anheuser-Busch and Bidcorp, in favour of domestically orientated companies.

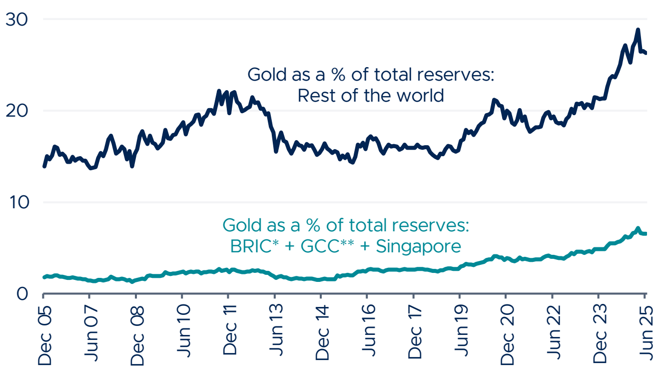
Multi-asset funds also benefited from strong offshore stock selection, particularly in European defence, consumer staples and the financial sector. These gains were partially offset by rand strength, which tempered translated returns.

Looking ahead: broadening global returns

Global equity returns in 2026 are likely to be driven by earnings growth rather than further valuation expansion. In the US, we expect market leadership to broaden as sectors outside of technology contribute more meaningfully. With earnings growth projected in the low-to-mid teens, total returns in the low-teens appear achievable, although dispersion across sectors and styles is likely to increase.

Our current local equity positioning reflects our continued preference for South African financials and miners. The local economic backdrop remains supportive for financials, whilst improved auto-catalyst demand expectations, tighter PGM supply dynamics and ongoing central bank diversification away from the US dollar continue to support precious metals.

Chart 1: Central bank buying of gold to continue



Source: World Gold Council, IMF, Alpine Macro calculations.
**Excludes Russia ** Saudia Arabia, UAE, Qatar, Bahrain, Kuwait and Oman*

Global growth remains supportive

We enter 2026 with moderately optimistic global sentiment. While many of the tail risks that dominated markets over the past two years remain present, they appear to be less intense. Geopolitical tensions are still complex and difficult to forecast, yet their market impact has softened. Tariffs, which once threatened to reignite inflation, have largely been absorbed across global value chains, with cost pressures shared between producers and corporate margins rather than passed on fully to consumers.

This dynamic helps explain why inflation has remained relatively benign even as growth has held up. It is also reflected in the resilience of broader equity markets beyond mega-cap concentration, as evidenced by the performance of equal-weighted indices. This environment supports wider participation across sectors rather than reliance on a narrow group of technology leaders.

Weakening dollar means a more supportive South African backdrop

The US dollar faces a convergence of structural pressures heading into 2026. Valuations remain elevated relative to history, while rising fiscal deficits and accommodative monetary policy erode traditional support for dollar strength. Most significantly, central banks continue to diversify reserves away from dollar holdings as they seek to reduce concentration risk.

"For South African investors, a weaker dollar trajectory supports rand stability, enhances the attractiveness of domestic assets and strengthens the case for commodity exposure."

This creates a more favourable backdrop for emerging-market assets and commodity-linked currencies. For South African investors, a weaker dollar trajectory supports rand stability, enhances the attractiveness of domestic assets and strengthens the case for commodity exposure.

China's policy stance remains pragmatic, with an emphasis on achieving sustainable growth whilst rebalancing its economy, rather than engineering a sharp cyclical rebound. While this limits upside surprise, it meaningfully reduces downside risk.

Against this backdrop, emerging markets should continue to deliver reasonable relative performance, supported by improved terms of trade and more stable global financial conditions.

South Africa: Positive momentum building

South Africa enters 2026 in a more constructive position than in recent years. Bond yields have declined meaningfully, reflecting improved fiscal credibility and a more responsible budget framework. While the realised deficit may modestly exceed expectations, it is occurring from a position of realism rather than excessive optimism.

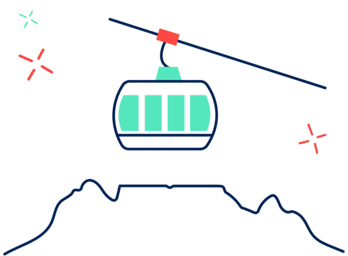
"Bond yields have declined meaningfully, reflecting improved fiscal credibility and a more responsible budget framework."

Political risks remain, with municipal service delivery and corruption at the top of the list. However, the balance of outcomes has shifted incrementally to the positive side. Importantly, South Africa is also benefiting from global capital reallocation as investors seek exposure to emerging markets and commodities. Real yields remain attractive on a relative basis, and implied inflation has consistently exceeded realised outcomes.

The lack of compelling value in traditional fixed income continues to constrain duration exposure. While nominal bond yields are attractive, relative opportunities remain more compelling in equities and listed property, where expected returns remain meaningfully higher. Portfolio construction, therefore, continues to favour selective growth assets over duration.

Investment implications

Our 2026 outlook is constructive but selective. Global growth appears durable, tail risks are easing rather than escalating, South Africa's relative positioning has improved incrementally, and dollar weakness provides additional support for emerging market and commodity exposure. However, we remain mindful that global market shocks could happen at any time.



We remain overweight equity and property, underweight duration, and focused on areas where structural earnings power can compound through noise:

- **Domestic financials are benefiting from curve steepening and operational efficiency.**
- **Quality South African equities with pricing power and reasonable valuations.**
- **Selective offshore exposure positioned for broadening returns beyond tech concentration.**
- **Commodity-linked exposures benefiting from dollar weakness and supply-demand fundamentals.**

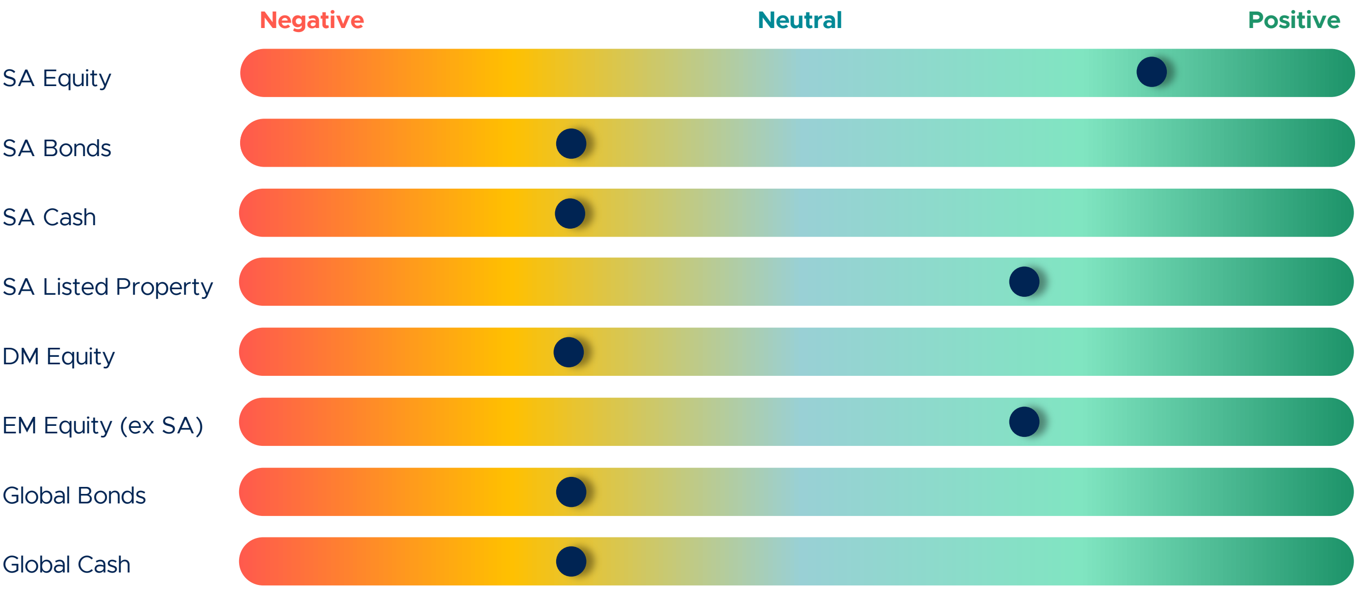
This environment increasingly rewards differentiation over blanket risk-on or risk-off positioning. As always, our focus remains on separating signal from noise and positioning for fundamental delivery over narrative.

We look forward to building on our strong performance in 2025 while remaining acutely focused on achieving optimal long-term financial outcomes for our clients. While South Africa appears well supported by current macroeconomic factors, we remain mindful of prevailing local risks, evolving geopolitical risks, and the rapid evolution of the AI value chain, all of which could reshape global markets quickly. Having welcomed a number of new team members over the last 2-3 years, we have established a diverse, experienced and skilled investment team. Our open and dynamic culture is unchanged, and we continue to leverage in-depth research and rich debates to guide our investment decisions.

Importantly, this year, Truffle reaches adulthood. As we mark 18 years of steady growth, navigating changing and challenging markets, and remaining committed to a consistent philosophy, we thank our clients, employees and partners for sharing this journey. We are deeply grateful for the meaningful role you have played in shaping our business as we enter the next chapter.

Iain Power
Chief Investment Officer

Asset Class Views



Views shown represent Truffle's view on an asset class as at 31 December 2025. Asset allocation in our multi-asset mandates will reflect this view, however on a relative basis.

Equity

A supportive economic backdrop boosted the performance of local financial counters in the second half of 2025, with the sector benefiting from a downward revision in local interest-rate expectations, driving a valuation re-rating, particularly for banks. Resilient bank fundamentals, including earnings outlook, also benefited. Platinum stocks performed well, particularly in Q4 2025, supported by firmer pricing, improving auto-catalyst demand expectations, and tighter supply dynamics.

In 2025, we added to positions in ABSA and FirstRand, given compelling valuations and strong dividend yields, while reducing some of the foreign-exposed names, including Anheuser and Bidcorp, in favour of SA companies. Heading into 2026, we continue to favour SA banks on valuation grounds, supported by solid earnings forecasts. We have also maintained an overweight in PGMs as constrained supply supports the platinum price.

While the global equity allocation outperformed in USD terms, a significantly stronger rand in 2025 offset some of the gains. Our funds have benefitted from exposure to defence company Indra Sistemas and semiconductor exposure, and we maintain healthy exposure to defence, financials and semiconductor sectors. We have also added to US healthcare and increased exposure to European banks.

Saul Miller
Portfolio Manager

Fixed Income

The end of 2025 proved to be a transformative period. In the US, the Federal Reserve delivered two additional rate cuts amid softening economic data, despite a "data shutdown" that clouded the reporting landscape and added uncertainty to policymaking.

South Africa's economic outlook enjoyed a meaningful reset during the quarter, buoyed by a supportive external environment of a weakening dollar and surging precious metal prices – the rand appreciating by approximately 4% against the dollar over the quarter. Domestically, sentiment shifted following a series of landmark developments: the removal from the FATF grey list, an S&P ratings upgrade, and the formal adoption of a new 3% inflation target announced at the November Medium Term Budget Speech.

This improved macro-economic landscape and the benign inflation trajectory enabled the SARB to cut the repo rate by 25bps and adopt a less hawkish stance. We anticipate sustainably low inflation through 2026, driven by moderating food and fuel costs alongside downward pressure from imported goods.

While SA markets have rallied hard and further gains are plausible, we believe local bonds may now be over-extended. Looking ahead, we remain positive on South Africa's growth prospects as structural reforms begin to translate into a sustained upward trend in GDP, providing a compelling long-term foundation for domestic investment.

Going into 2026, we have some major events on our radar that could very well alter our views. These include the transition of the new Fed chair, the evolution of geopolitical tensions & trade wars, and the SA local government elections. It's likely to be another eventful year for both global and domestic markets.

Raihan Allie
Fixed Income Portfolio Manager

Property

South African listed property ended the year at a post-pandemic high of 30.6% following a sharp uplift in the last quarter of 2025. The strong Q4 rally was underpinned by improving macro-economic conditions, including South Africa's removal from the FATF grey list, a sovereign credit rating upgrade, and the SARB's revision of the inflation target to 3%, which supports lower financing costs and an improved valuation outlook. These tailwinds were reinforced by resilient property fundamentals, driving robust like-for-like (LfL) net operating income (NOI) growth.

While macroeconomic uncertainty continues to cloud the timing of further interest rate cuts, the SARB's adoption of the lower 3% inflation target and tighter lending margins support the medium-term property outlook.

Whilst recent improvements in operations, balance sheets, and governance have supported performance, they are now largely embedded in earnings. Our forward outlook, therefore, relies on sustainable earnings growth, primarily driven by continued solar energy initiatives and further interest cost savings over the medium term. Though property fundamentals remain constructive across most SA subsectors, we maintain a disciplined allocation approach, favouring resilient subsectors such as convenience and township/rural retail, logistics, and select alternative segments.

Despite the recent SA re-rating, we continue to view property as offering superior value relative to bonds, supported by its medium-term total return outlook and disciplined monitoring of risk premiums and yield spreads. In global markets, persistent PNAV (price-to-Net Asset Value) discounts present selective buying opportunities, which we monitor closely while remaining cognisant of ongoing geopolitical and macroeconomic volatility that affects property risk premiums.

Pranita Daya
Property Analyst

ESG Update

We continue to monitor ESG-related regulatory developments and industry trends that affect the investment landscape. Recent key developments are summarised below.

Rising costs from extreme weather

The economic cost of extreme weather events has doubled over the past five years to almost US$1 trillion in 2025, according to Bloomberg Intelligence. This has implications for insurers and financial services companies with exposure to high-risk regions. COP30 in November 2025 recognised the growing impact of climate damage by calling for a tripling of adaptation finance by 2035, reflecting the increasing frequency and severity of storms, floods, droughts, and wildfires.

Climate policy taking a backseat to economic growth

During the fourth quarter, several countries softened or delayed climate commitments in favour of economic priorities. Notable examples include the EU stepping back (with conditions) from its 2035 phase-out of internal combustion engines, regulatory flexibility in Canada's methane-reduction rules, proposed rollbacks of energy-efficiency targets in Germany, and the US halting greenhouse gas reporting requirements for large emitters while allowing federal EV subsidies to lapse.

While COP30 called for stronger national commitments, no clear roadmap emerged for transitioning away from fossil fuels. In parallel, the EU materially narrowed the scope of its sustainability directives by raising employee thresholds, significantly reducing the number of companies subject to these regulations. This reduced regulatory intensity is likely to persist into 2026, despite expectations that global coal demand may have peaked in 2025, with implications for coal-exposed companies.

Social risks and legal outcomes

Recent court rulings reinforced the financial materiality of social risks. BNP Paribas's share price fell sharply following a ruling related to human rights violations, while Lloyd's declined after announcing higher-than-expected provisions linked to the UK motor finance investigation. In response, we enhanced our monitoring of legal proceedings and potential share-price risk triggers across investee companies.

Affordability and wealth inequality

Affordability emerged as a growing theme in the latter part of 2025, with US initiatives to reduce pharmaceutical prices and investigations into food pricing practices potentially increasing volatility for affected companies. Debates around wealth taxation also gained prominence, with policy outcomes in Switzerland and the UK highlighting rising global attention on wealth inequality.

Key ESG-related engagements

Our engagements in the latter part of 2025 focused on emerging financial risks, regulatory exposure and long-term sustainability of business models.

Online gambling

We engaged with banks and retailers on the potential impact of online gambling on consumer affordability, credit risk and discretionary spending. We expect this issue to become increasingly relevant and will continue engagement in this area.

Water stewardship

We initiated engagements with companies where water security is operationally material, recognising water scarcity and municipal reliability as growing risks in South Africa. In 2026, we plan to expand these engagements and participate in a collaborative asset-manager initiative focused on municipal water risk management.

Coal-related lung disease class action

Engagements with companies affected by an ongoing coal-related class action focused on case status and potential outcomes. While proceedings remain unresolved, we have assessed possible financial implications based on precedent cases.

Other investigations and regulatory matters

We engaged with companies facing investigations or regulatory actions to assess remediation progress, regulatory engagement, and potential financial exposure, including matters related to compliance failures, FDA warnings, and antitrust investigations.

Vuyolwethu Nzube
ESG Analyst

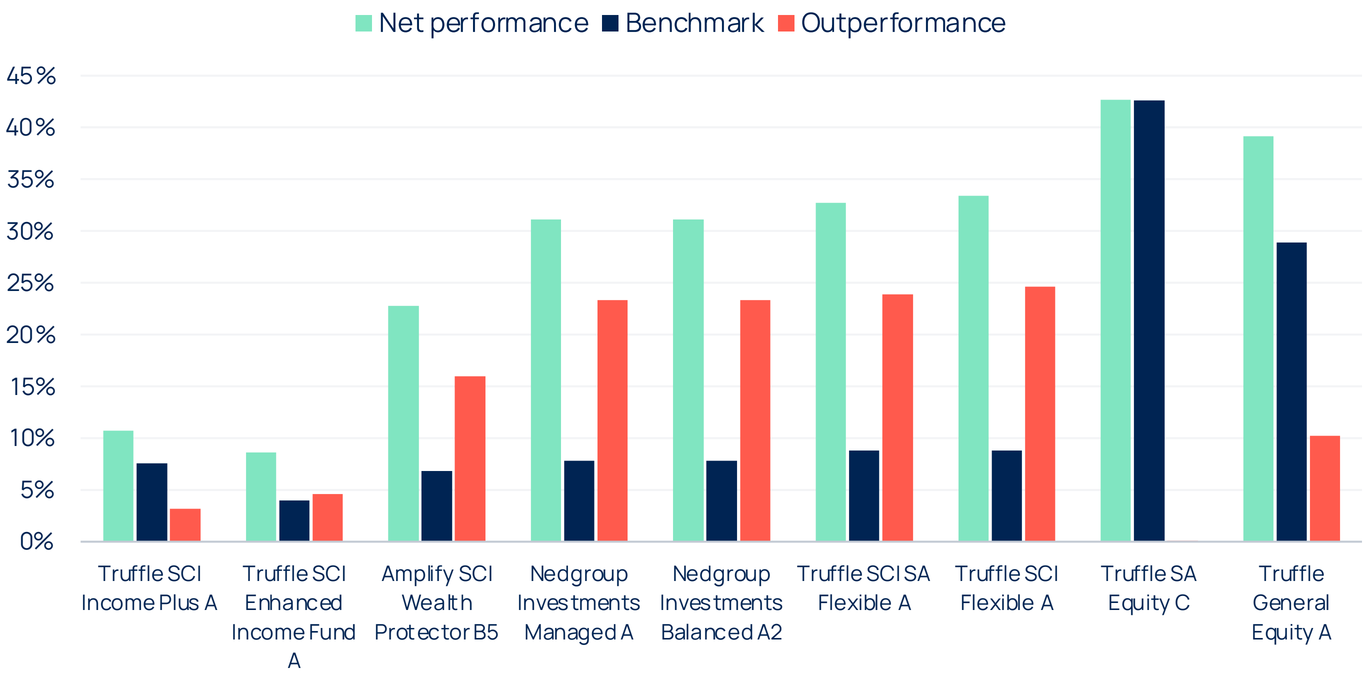
CIO letter | Asset views | ESG update | Business update | Insights | Performance

Business Update

Investment performance in 2025

Pleasing one-year performance across our fund range in 2025 was driven by both good stock selection and asset allocation. While the majority of our mandates are long-term in nature, and we do not pursue short-term outcomes alone, it's important to recognise and report on a good year, given its positive impact on longer-term outcomes.

Chart: Truffle core fund range performance (net of fees) for the year ending 31 December 2025



Truffle fund range ASISA peer rankings	One year	Since inception
Amplify SCI Wealth Protector B5	**1**/154	**1**/99
Nedgroup Investments Balanced A2	**3**/214	**1**/58
Truffle SCI General Equity A	**19**/102	**1**/40
Truffle SCI Income Plus A	**7**/44	**1**/21
Truffle SCI SA Equity C	**15**/68	**1**/18
Nedgroup Investments Managed A	**4**/215	**3**/138
Truffle SCI Flexible A	**4**/48	**3**/20
Truffle SCI SA Flexible A	**6**/50	**5**/50
Truffle SCI Enhanced Income Fund A	**8**/126	**8**/118

Source: Truffle Asset Management. Morningstar data as at 31 Dec 2025.
See full disclaimer on Page 11.

Top of its class. Year after year.

The Truffle SCI Income Plus Fund is ranked **#1** over **3, 5** and **7 years**.*

Discover Fund >

**Morningstar data as at 31 Dec 2025 in the ASISA short-term interest-bearing category.*

Funds update

Truffle SCI General Equity Fund invests offshore

The Truffle SCI General Equity Fund has historically mirrored the Truffle SCI SA Equity Fund. As noted in our July 2025 newsletter, we have broadened the scope of the fund by allocating to offshore equities in the second half of the year, offering investors access to a more geographically diversified, Truffle-managed equity portfolio. This shift aligns with recent ASISA category changes and positions Truffle equity funds within both the SA - Equity - General and SA - Equity – SA General categories.

The benchmark for the Truffle SCI General Equity Fund will change to the ASISA South African Equity General category average with effect from 1 March 2026. This change reflects the shift to the investment approach and portfolio construction and provides investors with a more appropriate and transparent comparison against peers with similar investment objectives.

The fund's foreign equity allocation was maintained at around 10% during H2 2025, following the introduction of offshore counters. We chose not to increase the offshore weighting given the relative value in the local opportunity set. In terms of our offshore equity allocations (as noted previously in this report), we maintain healthy exposure to defence, financials and semiconductor sectors. We have also added to US healthcare and increased exposure to European banks.

JSE harmonisation

The FTSE/JSE simplified its index range by merging the SWIX and vanilla versions of its equity indices into a single methodology. Historically, these indices differed in how they treated foreign shareholdings, but those differences have largely disappeared over time.

Since March 2024, the vanilla indices have been recalculated using the SWIX methodology, making the two versions identical in construction and weighting. The final step was the formal decommissioning of the SWIX indices, which occurred on 31 December 2025.

Impact on Truffle equity mandates

Truffle equity mandates initially benchmarked to the Capped SWIX have transitioned to the Capped All Share (CAPI) index. Given that the CAPI has been calculated using the same methodology as the Capped SWIX since March 2024, the two indices are effectively identical. There will therefore be no change to the investment strategy, no portfolio rebalancing, and no impact on performance. The only change is an administrative update to rename the benchmark in Investment Management Agreements (IMA) and reporting.

Truffle welcomes the simplification of the FTSE/JSE indices, particularly since the constituent weights of the vanilla and SWIX indices have converged over time.

Team members

Maintaining strength across our investment, client and operational teams means adding expertise and skill that enables us to consistently deliver both superior investment performance and exceptional client service.

In the second half of 2025, **Noluvuyo Yumata** joined our investment team as a fixed income analyst focusing on credit. With six years of experience as a quantitative and credit risk analyst, including building credit models and conducting in-depth research, Noluvuyo brings a wealth of insight and thoughtful precision to our credit process. Achieving her MSc in Mathematical Sciences (UCT), Noluvuyo combines a strong analytical foundation with a passion for investments.

We are also excited to extend a full-time role to one of our budding interns, **Namhla Faku**. While navigating varying market cycles in the asset management industry requires a depth of experience, Truffle also values the importance of upskilling young people and supporting transformation within the industry.

Namhla was recognised as a strong candidate for the Truffle internship programme and has proved her dedication and commitment within our portfolio operations team, adding significant value to critical processes.

We look forward to your contributions as we head into 2026. Welcome, Noluvuyo and Namhla!

Noluvuyo Yumata
Fixed Income Analyst
M.Sc, B.Sc. (Hons)

Namhla Faku
Portfolio Administrator
B.Com. (Hons)

Insights

Latest investment perspectives written by our team and trusted industry voices.

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A muscle-building year

By: Pranita Daya
Reading time: 4 mins

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	Annualised Performance Relative to Benchmark								
	Inception Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Highest	Lowest
Truffle SCI Income Plus Fund A	22 Sep 2016	10.76%	11.03%	9.60%	9.26%	-	9.94%	12.99%	6.19%
STeFI Composite ZAR		*7.52%*	*8.01%*	*6.60%*	*6.52%*	-	*6.74%*	-	-
Truffle SCI Enhanced Income Fund A	03 Oct 2023	14.77%	-	-	-	-	14.19%	14.77%	12.96%
110% STeFI Composite ZAR		*8.31%*	-	-	-	-	*8.87%*	-	-
Amplify SCI Wealth Protector Fund B5	15 Aug 2016	22.84%	14.12%	13.19%	12.72%	-	11.07%	22.84%	4.06%
CPI + 3% over a rolling 3-year period		*6.80%*	*6.98%*	*8.00%*	*7.58%*	-	*7.59%*	-	-
Nedgroup Investments Managed Fund A (1)	01 Nov 2003	31.11%	16.18%	16.16%	14.66%	-	11.95%	31.11%	0.60%
CPI + 4%		*7.80%*	*7.98%*	*9.00%*	*8.58%*	-	*8.59%*	-	-
Nedgroup Investments Balanced Fund A2	11 Oct 2011	31.13%	14.92%	13.63%	13.70%	9.67%	12.36%	31.13%	-3.17%
CPI + 4%		*7.80%*	*7.98%*	*9.00%*	*8.58%*	*8.80%*	*8.94%*	-	-
Truffle SCI SA Flexible Fund A	12 Apr 2024	32.65%	-	-	-	-	27.28%	32.65%	32.65%
CPI + 5%		*8.80%*	-	-	-	-	*7.81%*	-	-
Truffle SCI Flexible Fund A	18 Nov 2010	33.36%	16.04%	14.41%	14.46%	10.27%	13.29%	33.36%	-4.61%
CPI + 5%		*8.80%*	*8.98%*	*10.00%*	*9.58%*	*9.80%*	*10.05%*	-	-
Truffle SCI SA Equity Fund C (2)	27 Jul 2012	41.90%	19.71%	18.77%	17.35%	-	15.73%	41.90%	3.61%
FTSE/JSE Capped All Share (3)		*42.61%*	*20.36%*	*18.27%*	*13.88%*	-	*12.00%*	-	-
Truffle SCI General Equity Fund A	18 Nov 2010	39.15%	18.81%	18.00%	17.04%	11.88%	13.59%	39.15%	-4.47%.
FTSE/JSE Capped All Share (4)		*42.61%*	*20.36%*	*18.27%*	*14.39%*	*11.27%*	*11.83%*	-	-

(1) Truffle Asset Management has been the investment manager since December 2015.
(2) Fee class launch date (C class) is 01/08/2018.
(3) Benchmark changed from SWIX to Capped SWIX (now Capped All Share) on 13 November 2017.
(4) Benchmark changed from ALSI to Capped SWIX (now Capped All Share) on 01 May 2019.

Disclaimer
Returns are annualised since inception. Highest and lowest annual returns since inception. Performance data source: © Morningstar. Returns are net of fees. Data as at 31 December 2025.

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