

FOREWORD

Issue 77 – Q1 2026

The world has not been short of explosive events these past few months. Accordingly, we have had much to write about in this quarter's bumper issue of *Foreword*. We lead with *The Risks Markets Are Ignoring*, in which Dave Foord argues that geopolitics and rising debt levels are becoming ever more central to market risk.

We have two articles on the Iran war. In *Counting the Cost of War*, Brian Arcese examines the economic and market consequences of war in the Middle East. In *Safe Harbour When Shocks Strike*, Paul Cluer reflects on a bruising month for markets and on how Foord's safety-first positioning helped to protect capital during the turmoil.

Dalphin Hou makes the case for looking past the noise to the longer-term attractions of parts of Asia in *Emerging Asia — Opportunities Beyond the Headlines*. Linda Eedes returns to first principles in *Old Lessons, New Market Realities*, exploring how enduring investment truths are being tested by a changing world.

We also include an update from Foord Singapore CEO Wei Lu Tan on plans to amalgamate Foord's two mirror global equity funds into a single Luxembourg-domiciled structure. We close, as always, with *Markets in a Nutshell*, our regular snapshot of global and South African market performance.

Regards

Paul Cluer
Managing Director



THE RISKS MARKETS ARE IGNORING

Investors are often taught to focus on economics. DAVE FOORD, founder of Foord Asset Management, argues that politics usually has the louder voice — and that debt and credit risk are likely to shape markets more profoundly than many investors expect.

Investors like clean theories. One of the neatest is that economics drives politics, and politics merely reacts. Real life is seldom that tidy. Politics has always had the upper hand — it shapes trade, taxes, currencies and the rules of the game. It decides who pays, who borrows and, when things go wrong, who gets rescued. Economics still matters, but politics often decides how it matters, and to whom.

There is nothing new about that. The post-war order did not emerge from markets acting spontaneously: it was built by politicians at Bretton Woods (see Did You Know?), with the Americans firmly in charge. What followed was a remarkable period of growth, globalisation and relative stability, underpinned by the dollar and American power. The system worked well for many countries; it worked especially well for the United States.

That order is now fraying. America is becoming more inward-looking. Donald Trump is the noisiest expression of that trend, but not the cause of it. A growing number of Americans no longer see why they should bankroll a global system while public finances weaken at home. Debt is too high, inequality too entrenched and public patience too short. Protectionism is an easy political sell in such an environment. And while it may feel protective now, over time it usually proves costly.

Debt is the bigger problem. Across the developed world, governments have become comfortable making promises they cannot afford. Europe has ageing populations, weak growth and large social commitments. America has also grown used to heavy government spending, especially since the COVID-19 pandemic. Politicians of all persuasions find it easier to spend than to explain how the spending will be paid for. The bill always turns up — the only question is when.

That is why inflation remains such an important danger. Investors tend to see it as a policy failure. Governments may find it more useful than that because inflation reduces the real value of debt, making it easier to repay. For heavily indebted states, it can be a quiet form of relief. It is not a cure, but it is a transfer — away from savers and towards debtors, away from financial claims and towards real assets. That is one reason why gold and other real assets are being taken more seriously again.

The dollar remains central to the global financial system. It is still the cleanest dirty shirt available. There is no obvious currency alternative with the same depth, tradability and global use. But that should not be mistaken for permanence. Confidence in paper money has limits. Central banks have been buying gold for a reason. Real assets have one attractive feature that currencies do not: they are not someone else's liability.

If sovereign debt is one source of risk, credit is another. Here the greater vulnerability may lie out of sight — private lending has grown rapidly in an era of easy money. Risk has not disappeared; it has simply moved. When money is cheap for long enough, lending standards weaken and complacency sets in. Problems are easiest to ignore when recent losses are scarce. That is usually when they are being priced too cheaply.

The March 2026 oil shock is a reminder that geopolitics can still jolt markets without warning. But it is not the main story. The larger story is that politics is becoming more interventionist, debt more burdensome and credit risk less properly priced. Those forces will not vanish with the next ceasefire or the next market rally.

For investors, the lesson is straightforward. Risk is not short-term market swings. Risk is the permanent loss of capital. In a world shaped by politics, burdened by debt and lulled by easy money, caution is not cowardice. It is common sense.



COUNTING THE COST OF WAR

Conflict in the Middle East has put energy prices back at the centre of markets. Portfolio manager BRIAN ARCESE writes that higher oil prices do more than unsettle inflation forecasts: they complicate central bank policy, squeeze household spending and leave investors facing the awkward mix of weaker growth and sticky prices.

Geopolitical risk returned with a bang in 2026. The war on Iran has done what Middle Eastern wars so often do: it has pushed energy back to the centre of the investment picture. The region remains critical to global oil supply, so when shipping routes are disrupted and supply is less secure, crude prices rise and volatility spikes. This matters well beyond commodity markets. Dearer energy costs feed into transport, production and, before long, the general cost of living.

The oil shock has come at an inconvenient moment for policymakers. Global inflation had been easing from earlier peaks, but it had not disappeared. Central bankers were hoping for a gentler path forward from here; higher oil prices now make that harder, adding fresh price pressure just as growth is starting to lose momentum. Fears of stagflation — stagnant growth, job losses and rising prices — are perhaps overblown for now.

For share markets, the problem is not only that costs rise and profit margins come under pressure. It is also that households have less left over once they have paid for fuel, transport and electricity. That tends to show up quickly at the tills. Companies are squeezed from both sides: input costs rise just as sales growth weakens. Richly valued parts of the market — especially US share markets, where share prices remain close to record highs — leave little room for earnings disappointment in that sort of environment.

Bond markets have not offered their usual refuge for uneasy equity investors. Slower growth would ordinarily support bonds, but higher inflation can keep bond yields higher — and bond prices lower — than investors had hoped. The classic 60:40 portfolio (60% equity, 40% bonds) looks a little less dependable than usual if both asset classes fall in tandem.

That is why dynamic asset allocation and diversification matter more during periods like this. Not all markets are equally exposed, and not all valuations start from the same place. Parts of Asia, including China, still trade on more modest ratings than many developed markets, despite their own worries. When the outlook is clouded, price matters more, not less.

Including non-correlated investments into portfolios remains sensible. For instance, gold can still earn its keep when geopolitical stress, currency nerves and inflation worries arrive together. Liquidity matters, too. Cash may be unexciting, but it gives investors room to manoeuvre when markets dislocate and better opportunities appear.

Building resilient portfolios does not depend on predicting the path of the war. The more useful lesson is simpler. War raises the price of energy. Dearer energy prices drive up inflation, weigh on growth and make life harder for consumers, companies and central banks alike. For investors, the sensible response is much the same as ever: stay patient, stay selective and do not pay too much for optimism.



SAFE HARBOUR WHEN SHOCKS STRIKE

March was a brutal month for investors. Oil surged, bonds fell and share markets sank as the war on Iran turned into a full-blown energy shock. Against that backdrop, Managing Director PAUL CLUER writes that Foord's conservatively positioned funds held up well, showing again that capital preservation matters most when markets come under stress.

Investors began March in a reasonably cheerful mood. Inflation seemed to be fading, interest rates looked more likely to fall than rise, and the rich world appeared to have put its worst economic worries behind it. By month-end, the mood had changed sharply.

The Israeli-American attack on Iran, and the effective closure of the Strait of Hormuz to oil traffic, produced a classic supply shock. Brent crude surged 63% in March. Equities and bonds fell globally. Europe was among the worst hit. South African assets and the rand tumbled. Even gold came under pressure as investors sold what they could to raise cash.

What unsettled markets was not only the jump in energy prices, but the absence of any quick fix. Oil traders were not responding to diplomatic rumour so much as to physical reality: damaged infrastructure, disrupted shipping, scarcer insurance and the slower work of restarting production, refining and transport. Strategic reserve releases bought time but did not create supply. As so often in markets, hope and logistics were telling different stories.

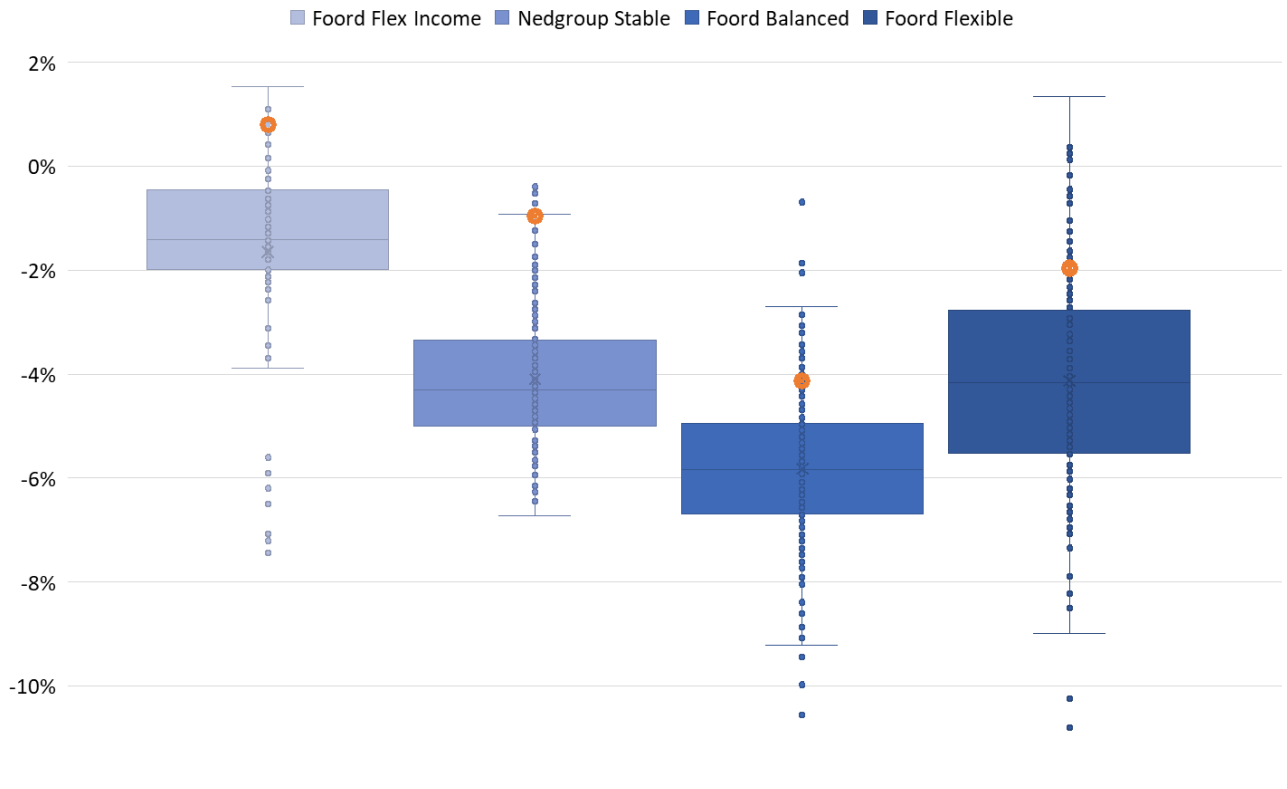
It was in that setting that Foord's safety-first investment positioning mattered. The Foord funds had for some time avoided the frothiest parts of the market and had been constructed more defensively than many peers. That caution was not a prediction of war, but an acknowledgement that expensive assets, narrow leadership and complacent markets leave little room for external shocks. Diversification, judicious asset allocation, a preference for safer equities and bonds, some non-correlated investments and derivative hedging at the margin all helped to soften the blow.

The result was that the Foord funds performed near the top of their respective peer groups in March. Given the market rout, this meant our funds typically declined much less than benchmarks and peers. Protecting investors against loss is, after all, a hallmark of the Foord investment philosophy.

The box-and-whisker charts show the range of returns for the peer group sectors of Foord's key investment strategies for March 2026. Each box contains the middle 50% of fund returns, while each whisker encloses the upper and lower quartiles. Outliers are shown as single dots, with the Foord funds shown as orange circles.

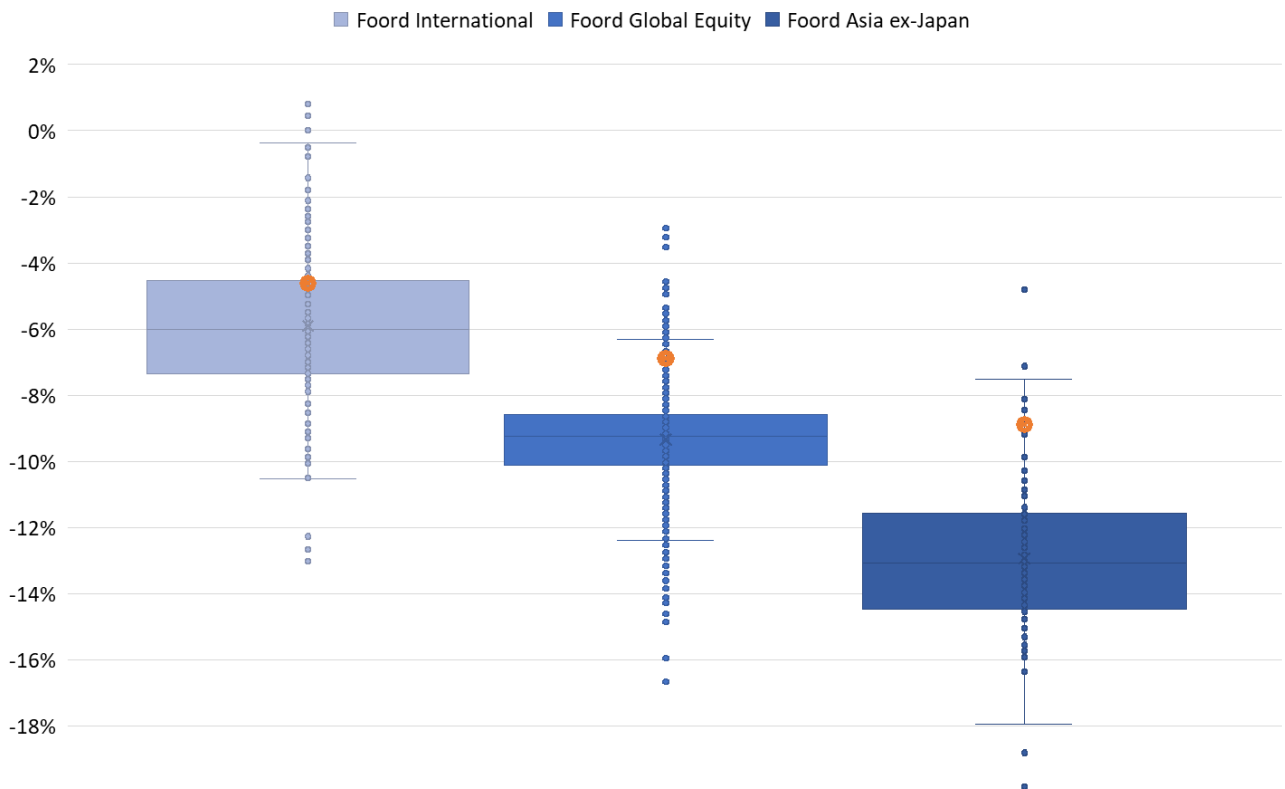
Every Foord fund shown outperformed at least 75% of comparable funds. Some ranked near the very top of their sectors for the month. Most encouragingly, the more defensive products did exactly what they were meant to do. The Foord Flex Income Fund and Nedgroup Investments Stable Fund stood out. In sectors designed for shorter time horizons and lower tolerance for loss, that resilience mattered. We were stunned that some peer group funds lost 6% or more in a single month.

MARCH 2026 RETURNS



Within the Foord global funds, the pattern was similar. Our Foord Asia ex-Japan Fund declined almost 9% but outperformed 90% of funds with a similar investment objective. A focus here on better quality companies at better valuations paid off. The same was true of the Foord Global Equity Fund. The Foord International Fund was perhaps not quite as resilient as might have been expected. The derivative hedges worked as designed, but the fund's precious metals investments weighed on returns, with gold failing to offer protection in a month when liquidity mattered more.

MARCH 2026 RETURNS



March was an unusually vivid reminder that markets do not only rise and fall on earnings and interest rates alone. Politics can move inflation, currencies, capital flows and valuations all at once. In such conditions, portfolios built for several plausible outcomes, with liquidity preserved and balance maintained, are likely to prove more useful than those built around a single optimistic view of how quickly calm will return.



EMERGING ASIA — OPPORTUNITIES BEYOND THE HEADLINES

Asia lies close to many of the world's current fault lines, which is one reason investors approach it nervously. DALPHIN HOU of Foord Singapore argues that this wariness may be obscuring a simpler point: in a more fractured world, the region's importance may be growing, not shrinking.

Investors are being asked to make long-term decisions in a murkier world. Growth is uneven, inflation less predictable and geopolitics no longer mere background noise — it now shows up in energy prices, freight costs and the price investors are willing to pay for the future.

Asia, sitting as it does near trade disputes, technology controls, contested shipping lanes and the rivalry between America and China, can seem more of a complication than an opportunity. But for all the talk of diversification and de-risking, much of the world still depends on Asia to make things, move things and, increasingly, to buy them too.

Dependence on Asia is easiest to see in the digital economy, which, for all its lofty language, still relies on a great deal of hard physical effort. Chips must be made, packaged, tested and shipped. Data centres need memory, storage and power. Networks need hardware as well as software. Much of that work remains concentrated in North Asia. Taiwan and South Korea are relevant because they do difficult things, at scale, that others cannot quickly copy. In a world more anxious about resilience and security of supply, that matters more, not less.

China is altogether a more complicated but also more interesting, story. The case for investing there is not that all is suddenly well. In fact, the property development sector remains weak, confidence has been damaged and foreign investors have good reason to be cautious. This, however, will not always be so. Chinese households still spend a much smaller share of national income than households in richer economies, saving more. Even a modest shift towards spending more at home could matter in an economy of that size. The point is not that China is on the verge of a golden age of investment — rather, when share prices already incorporate too much bad news, investors do not need perfection for the investment maths to work.

There is also a simpler portfolio point to be made for investment in in the region. Many portfolios described as global have become overly concentrated. Whether through indices or conviction, they own several versions of the same American theme: large technology firms, expensive growth and the assumption that yesterday's winners will go on winning. American exceptionalism has been a profitable trade while it has worked, but it has also made diversification a sideshow. Asia outside of Japan offers something genuinely different: different industries, different valuations and different routes to growth. Therefore, investing in the region is not merely another way of buying the same idea.

Supply chains are undoubtedly fraying at the edges — but this can also strengthen the companies that sit at the centre of regional networks. Platforms that handle shopping, payments, logistics, advertising and entertainment can become more valuable as activity gathers around a few scaled systems. The same is true of industrial hardware: Asian manufacturers of semiconductors, advanced manufacturing equipment and other hard-to-replace components do not become less important in a fractured world, they become more so.

None of this makes emerging Asia an inherently safer place to invest than the West. The investment thesis is rather that much of the region's risk is already reflected in prices, with valuations orders of magnitude lower than those of equivalent Western firms. For investors whose portfolios have become crowded into the same American trade, the Foord Asia ex-Japan Fund offers another way to spread risk: through Asia's industrial strength, its underappreciated consumer markets and a set of businesses whose prospects may be better than the headlines allow.



OLD LESSONS, NEW MARKET REALITIES

For decades, investors could rely on a familiar playbook. Today, that playbook is being tested. Old lessons still matter, but Investment Executive LINDA EEDES writes that new realities are reshaping where returns may come from in the years ahead.

LESSON 1: THE TREND IS YOUR FRIEND

New reality: Complacency is costly

For much of the past 15 years, momentum has worked. Buying what was rising, and staying fully invested, was rewarded. But markets now look unusually complacent. Geopolitical tensions are elevated, debt levels are high and stress is visible in parts of the private credit market, yet asset prices remain rich and risk premia thin.

The lesson is not to abandon equities, but to avoid blind momentum. Capital needs to be allocated selectively to where risk is being properly rewarded. Holding cash in portfolios as dry powder also provides protection and flexibility when conditions change.

LESSON 2: INFLATION HURTS GOVERNMENTS

New reality: Inflation may help governments

Historically, governments treated inflation as something to be defeated. But with debt burdens now exceptionally high, inflation may increasingly become part of the solution. Higher inflation erodes the real value of debt and eases fiscal pressure, even if it makes consumers poorer.

Japan has, in recent years, shown how higher inflation, combined with currency weakness, can help stabilise government debt levels. For investors, that changes the playbook. Assets that help preserve real returns — gold, commodities, infrastructure, utilities and inflation-linked bonds — become more important.

LESSON 3: DEMOGRAPHICS DRIVE GROWTH

New reality: Technology can offset demographics

It has long been understood that population growth underpins economic growth. Technology, especially artificial intelligence, may weaken that link. AI is increasingly able to perform complex tasks, lift productivity and reduce reliance on labour.

At the same time, political resistance to immigration is rising across developed markets. The implication is clear: future economic growth may depend less on demographics and more on technological innovation. That shifts the focus towards economies and companies at the frontier of innovation, most notably the US and China.

LESSON 4: US ASSETS ANCHOR PORTFOLIOS

New reality: US exceptionalism may be a poor strategy

US assets have dominated global portfolios for more than a decade, reinforcing the belief that they should remain the core allocation indefinitely. However, history suggests otherwise — market leadership is cyclical, not permanent.

US valuations remain elevated, while opportunities are emerging in Europe, China and broader emerging markets. Central banks are adjusting too, increasing gold holdings and reducing reliance on US Treasuries. For investors, the case for broader diversification — across geographies and currencies — is strengthening.

LESSON 5: LOCAL ISSUES DRIVE LOCAL RETURNS

New reality: Global forces drive local returns

South African investors often focus on domestic policy and reform. Those matter, but recent returns have been shaped more by global forces than by local ones. Commodity prices and capital flows have done more to drive South African asset performance than any meaningful acceleration in local growth.

That is a useful reminder to look beyond the domestic narrative. Investors should prioritise businesses with strong, independent earnings drivers, rather than assuming that favourable external conditions will last.

POSITIONING FOR THE NEW REALITY

So where should investors look for returns?

Inflation protection — gold, commodities, utilities and inflation-linked bonds

Global diversification — increasing allocations outside the US

Selective equities — quality businesses with strong independent drivers and attractive valuations

Liquidity — holding cash to take advantage of volatility.

Above all, this is no time for complacency. The world is changing quickly as well as structurally. Old assumptions are being tested, and past trends are no longer enough. As the old saying goes, it is better to be roughly right than precisely wrong. In today's environment, that means building resilient, diversified portfolios that can adapt as new realities unfold.



FOORD GLOBAL EQUITY FUND: SAME STRATEGY, NEW HOME

Foord plans to bring its Singapore-domiciled Foord Global Equity Fund together with its Luxembourg counterpart in the second quarter. Foord Singapore CEO WEI LU TAN writes that the change is not about the investment strategy, but about where it resides.

Foord's global equity strategy may soon have a single home. We plan to combine the Singapore-domiciled Foord Global Equity Fund with Foord Global Equity Fund (Luxembourg), the UCITS (Undertakings for Collective Investment in Transferable Securities in the European Union) version of the same strategy. The two funds already share the same investment objective and are run using the same approach. In practice, they operate as mirror portfolios.

The story goes back more than a decade. The Singapore fund was launched in 2012. A year later, Foord established the Luxembourg fund as a mirror portfolio to support distribution of the strategy in Europe and other markets. Over time, Luxembourg became the home of Foord's wider offshore fund range. Rather than continue to maintain two parallel versions of the same global equity portfolio, we would rather house the strategy in one place.

There is no change to the investment objective, strategy or team. This is merely an administrative and legal consolidation of a strategy that exists in two jurisdictions. If approved, investors in the Singapore fund will receive shares in the corresponding Luxembourg share classes, and the Singapore unit trust will then be closed. Foord Asset Management Singapore will continue as a licensed investment manager in Singapore and continue to sub-manage Foord's Luxembourg products.

The benefits are practical rather than dramatic. The amalgamation should improve overall tax and cost outcomes and help to streamline operations. Running one vehicle rather than two mirror portfolios reduces duplication for us and confusion for investors. It also places the strategy within the class-leading Luxembourg UCITS structure already used for Foord's other global funds.

The proposal is subject to investor approval in Singapore and, if passed, would be implemented in the second quarter. Foord will bear all costs associated with the fund merger. For investors in the Singapore Foord Global Equity Fund, the change will be more visible on paper than in substance. It is a tidying-up exercise, but a sensible one. The same global equity strategy would continue, just from one address rather than two. In fund management, as elsewhere, simpler is usually better.



DID YOU KNOW? BRETTON WOODS

Bretton Woods was the 1944 conference in New Hampshire at which 44 countries designed the post-Second World War international financial system. The objective was to forestall the competitive currency devaluations and economic turmoil that had culminated in the Great Depression.

The conference created the International Monetary Fund and what became the World Bank, and it put the US dollar at the centre of the new order. Other currencies were tied to the dollar, while the dollar itself was convertible into gold.

Although many countries attended, the United States dominated the negotiations. That mattered because the new system gave Washington unusual influence over the rules of global finance. For the next quarter-century it helped deliver greater monetary stability, stronger trade and a long stretch of post-war growth.

The Bretton Woods system began to unravel in 1971, when the United States ended the dollar's convertibility into gold and major currencies gradually moved to floating exchange rates. But its legacy endures. The dollar remains the world's principal reserve currency, and the institutions created at Bretton Woods — the IMF and the World Bank — still sit near the heart of the global financial system.



MARKETS IN A NUTSHELL

	WORLD	SOUTH AFRICA
Equities	Global equities erased earlier risk-on gains after a late-quarter energy shock compounded geopolitical risks — developed and emerging markets all traded lower, with European stocks falling most	The JSE retraced its early gains in March to end flat for the quarter after resource counters led the declines — rand weakness in the risk-off trade was insufficient to buoy mining stocks, which fell on lower metals prices
Bonds	Global developed market bond yields rose (and bonds fell) after investors pared rate-cut hopes as the US-Iran war stoked inflationary fears — Chinese bonds bucked the trend, given its much lower inflation and different energy mix	SA bonds tracked global bond markets weaker on inflation worries — the SARB kept the repo rate at 6.75% and warned that higher oil, gas and fertiliser prices had shifted risks to the inflation outlook upward
Currencies	The US dollar was dominant during the market rout — expectations of more hawkish US Federal Reserve monetary policy and late-quarter risk aversion supported the greenback	The rand weakened against the US dollar from overbought levels — global risk-off sentiment and the oil shock late in the quarter outweighed earlier support from the domestic backdrop
Commodities	Gold’s record rally hit a wall in March, with its haven status slipping on forced sovereign selling for liquidity reasons — copper fell on global growth worries, but oil prices surged 60% on the Iranian chokehold on Middle Eastern crude deliveries through the Strait of Hormuz	
Economy	The global economy entered 2026 on steadier footing than expected, with the IMF still projecting 3.3% growth for the year — but the quarter ended with greater geopolitical and inflation uncertainty	South Africa extended its run of quarterly (low) growth and inflation cooled to 3% — but the economy enjoys only modest momentum and now faces headwinds from higher oil prices and rand weakness
Monetary and fiscal policy	The US Federal Reserve kept rates unchanged and signalled elevated uncertainty, with inflation still above target — but other central banks have become decidedly hawkish, with the Reserve Bank of Australia already raising interest rates twice this year	The SARB kept the repo rate at 6.75%, while the National Budget 2026 struck a firmer fiscal tone after windfall mining taxes — debt is set to stabilise this year and the previously pencilled-in R20 billion tax increase was withdrawn



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