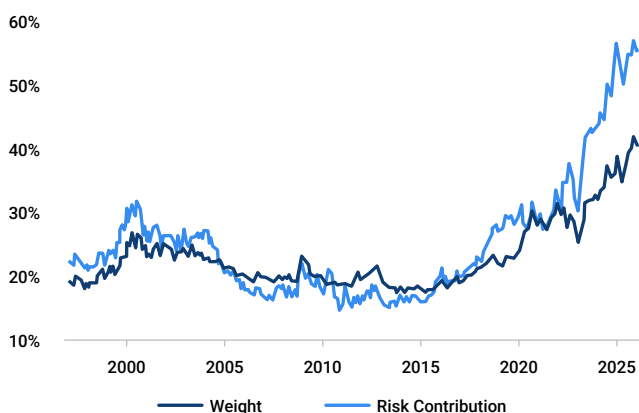


Even greater risk concentration

Weight and risk concentration of the 10 largest companies in the S&P 500 Jan 1997 – Dec 2025



Source: 10X Investments, S&P, Bloomberg, DE Shaw.

The S&P 500 has become increasingly concentrated, but the more important point is that risk concentration has risen even faster than index weight. The ten largest companies now make up just over 40% of the index, yet account for closer to 55% of its risk, highlighting how narrow leadership has become beneath the surface.

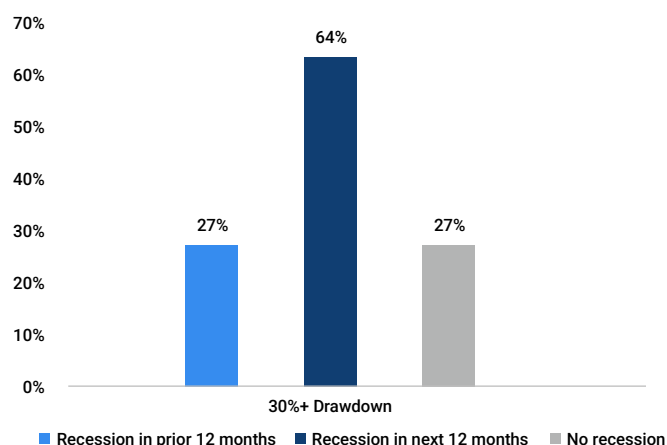
That does not mean concentration must unwind immediately, but it does mean index exposure is less diversified than it appears. When a small group of stocks drives such a large share of both returns and risk, portfolio outcomes become more dependent on continued strength from a narrow part of the market.

Over the past 98 years, there have been 11 equity drawdowns of 30% or more. The humbling lesson is that markets are forward-looking. They typically reprice before the economic data clearly turns, and by the time the slowdown is obvious, a meaningful part of the drawdown may already have happened.

Importantly, the relationship can also run the other way. Market weakness does not just reflect a deteriorating economy, it can also help cause one by tightening financial conditions, weakening confidence and slowing spending. That is why portfolio positioning should not be anchored primarily to the current economic outlook. The more useful discipline is to focus on the risk being taken today, the reward on offer for taking it, and whether that trade-off remains attractive from a forward-looking perspective.

Economic pain typically follows drawdowns

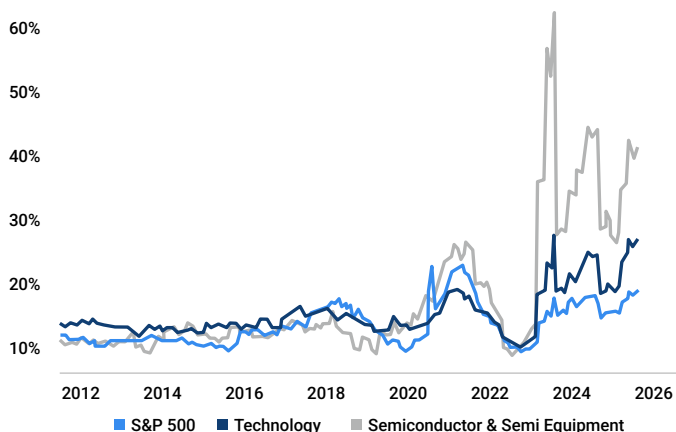
Occurrence of recessions around drawdowns since 1929



Source: 10X Investments, Bloomberg.

Long-term earnings growth forecasts (%)

January 2012 – February 2026



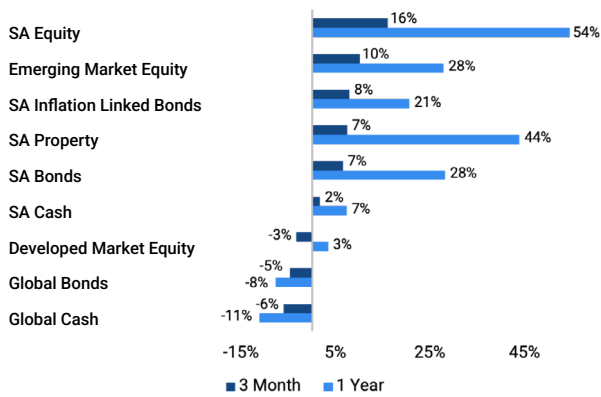
Source: 10X Investments, Bloomberg.

Current valuations are not just reflecting strong recent earnings, but very strong earnings growth still being assumed well into the future. Long term growth expectations for technology and semiconductors have moved to exceptionally elevated levels, implying that a meaningful amount of future success is already embedded in today's prices. That leaves limited room for disappointment.

The key risk is that markets do not need a collapse in fundamentals to reset. They simply need future earnings growth to be less exceptional than what is currently priced in. When expectations are these elevated, even solid outcomes can disappoint.

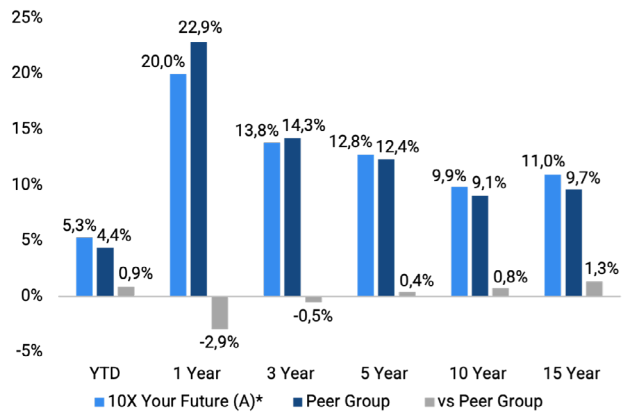
Asset class returns to 28 February 2026

Strong Rand a headwind to global assets



Source: 10X Investments, Bloomberg.

Portfolio returns to 28 February 2026



Source: 10X Investments Morningstar, * returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee.

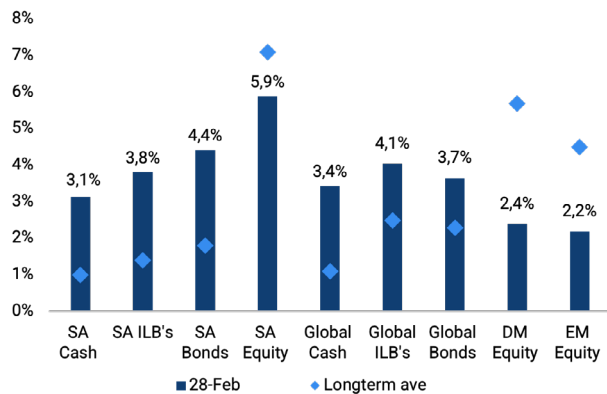
Real (after-inflation) return expectations

SA real yields have continued to compress as the external backdrop has remained supportive, reducing the valuation cushion in SA bonds. Relative to SA cash, the additional return on offer is now fairly limited once duration risk is considered.

More broadly, growth asset valuations remain compressed relative to the risks being assumed. In many cases, markets still price in a favourable macro and earnings backdrop, leaving less room for disappointment and limiting forward-looking risk adjusted returns.

5-10 year expected real returns

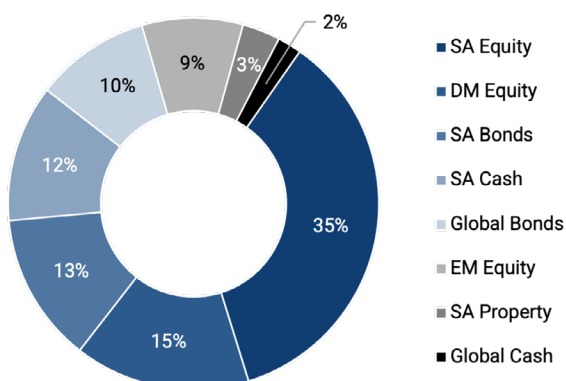
in Rands – 28 February 2026



Source: 10X Investments, Bloomberg.

10X Your Future Fund Asset Allocation

28 February 2026



Source: 10X Investments.

Asset allocation

Overall, the portfolio remains defensively positioned, with 63% allocated to growth assets, reflecting the compressed return outlook across asset classes. Over the month, we reduced exposure to SA inflation linked bonds as real yields compressed, reallocating to SA cash where relative value improved on a risk adjusted basis.

Despite the lower risk profile, the fund remains well positioned to meet its real return objectives. Importantly, it is doing so while taking materially less risk, which we believe remains appropriate given the current opportunity set.



WRITTEN BY

Chris Eddy

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