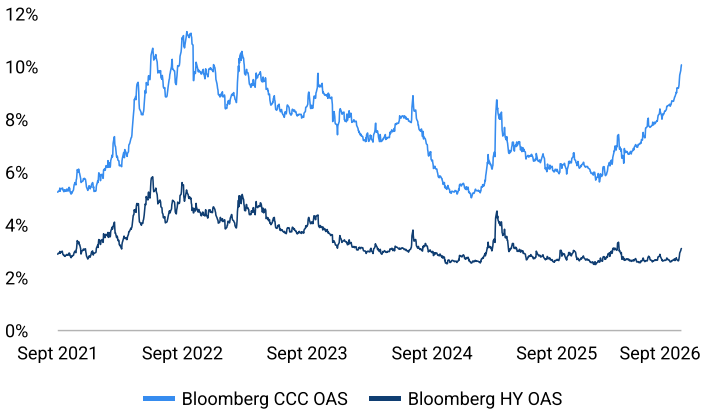
Credit stress in pockets

US high yield credit spreads, Sept 2021 – Sept 2026



Source: Bloomberg, 10X Investments.

CCC spreads have nearly doubled since January and are close to their 2022 peak, while broad high yield has only started to widen in recent weeks. The steady CCC move points to deteriorating fundamentals in the most leveraged borrowers, who feel higher refinancing costs first. Their stress has usually spread to the wider market with a lag.

The HY index is dominated by stronger BB issuers, so the headline spread can stay low while conditions at the bottom worsen. CCC spreads now trade at more than three times HY, against around two times for most of the period.

At around 3%, HY spreads offer little cushion if defaults rise, and the extra yield available today looks small relative to the downside if the broader market catches up.

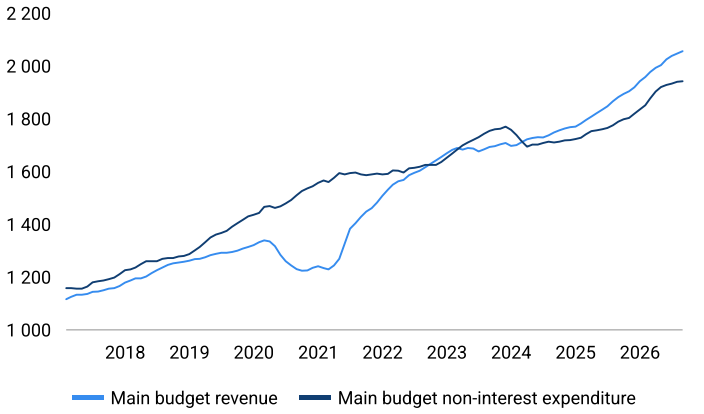
SA's fiscal position continues to improve. Main budget revenue grew by around 10% y/y in August, double the 5.0% growth in non-interest expenditure, lifting the primary surplus to 1.4% of GDP. The gains are broad-based, led by an 18.5% rise in corporate income tax on the back of the commodity windfall.

The quality of the improvement warrants caution. Corporate tax gains are cyclical and tied to commodity prices, which leaves revenue exposed to the recent softness in precious metals.

This sets up a strong Medium-Term Budget Policy Statement and strengthens the case for a ratings upgrade. Sustaining it will require Treasury to bank the windfall rather than spend it, and to anchor the debt ratio on structural rather than cyclical revenue.

Revenue is outpacing spending

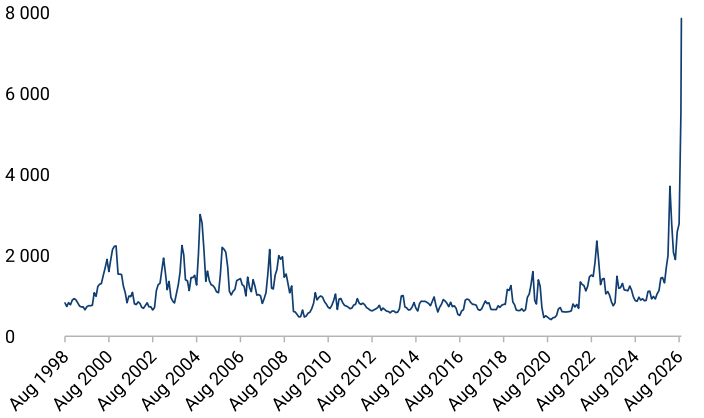
Main budget revenue vs non-interest expenditure, 12m rolling (Rbn)



Source: National Treasury, RMB Global Markets Research.

Freight is becoming a material cost in the fuel chain

Baltic Dirty Tanker Index, Aug 1998 – Sept 2026



Source: Bloomberg, 10X Investments.

The Baltic Dirty Tanker Index is now more than twice its previous record, following a sustained climb through 2025 rather than the short-lived spikes of 2004, 2008 and 2022. Benchmark oil prices are quoted before shipping, so the cost of moving crude has risen sharply without appearing in the headline oil price.

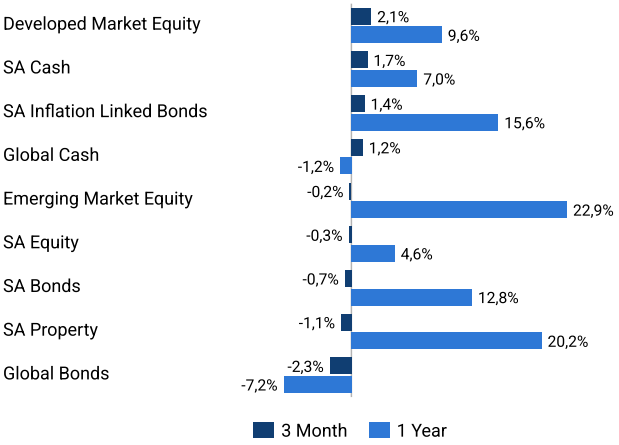
Refiners furthest from supply absorb this first. As the marginal ones cut runs, product supply tightens and crack spreads widen. High crude rates also pull vessels away from product routes, lifting the cost of shipping fuel itself.

Product importers such as South Africa are most exposed, paying both higher product prices and higher freight. Fuel inflation can build even with a stable oil price, a risk that forecasts anchored to the oil price may be missing.

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Asset class returns to 30 September 2026

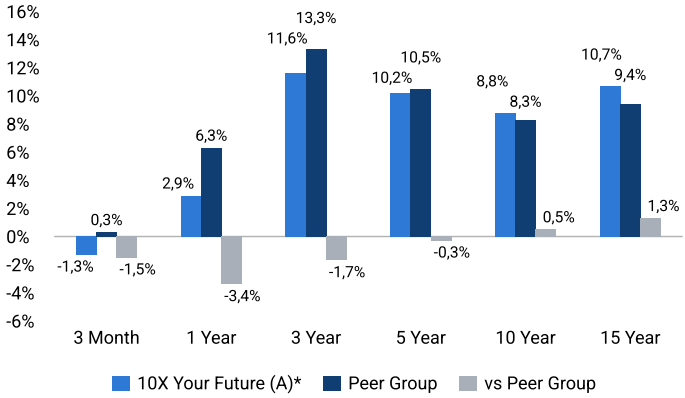
Rate sensitive asset struggling



Source: 10X Investments, Bloomberg.

Portfolio returns to 30 September 2026

10X Your Future Fund vs Peer Group (annualised %)



Source: 10X Investments, Morningstar; CPI lagged by 1 month; * returns prior to March 2019 are those of the 10X Umbrella Pension Fund adjusted for the Class A fee.

Real (after-inflation) return expectations

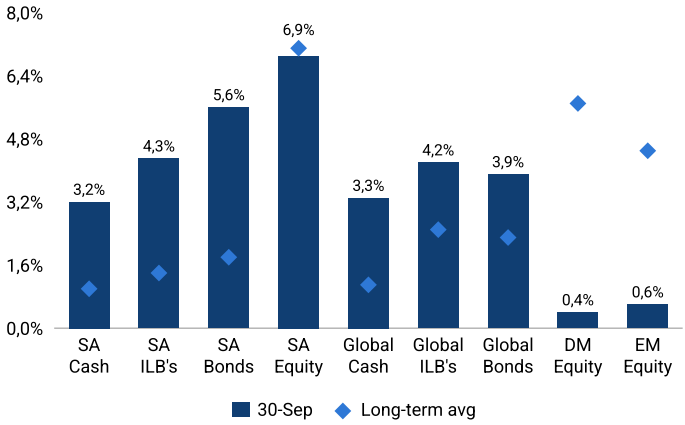
Global real rates rose sharply over the month, materially improving the forward-looking real return outlook for global fixed income. This also raises the hurdle that growth assets need to clear.

SA equity came under significant pressure as softer precious metals prices drove a derating. The sell-off outpaced the move in SA bonds, lifting forward equity returns slightly, although SA bonds continue to offer competitive real returns at current yields.

Globally, stretched equity valuations against that higher hurdle leave little compensation for taking equity risk. As a result, the cost of positioning more conservatively at this point in the cycle is lower than usual.

5–10 year expected real returns

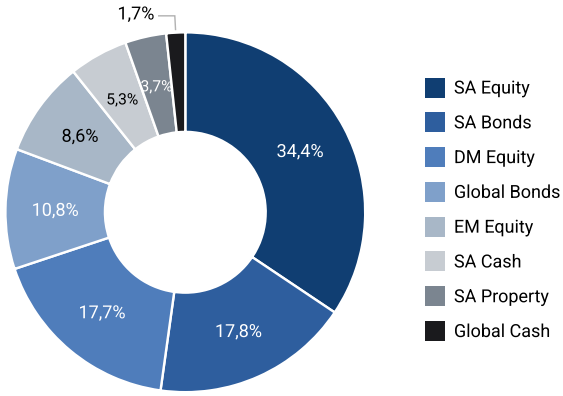
In Rands — 30 September 2026



Source: 10X Investments, Bloomberg.

10X Your Future Fund Asset Allocation

30 September 2026



Source: 10X Investments.

Asset allocation

The portfolio remains defensively positioned in response to compressed equity risk premiums, with higher allocations to local and global bonds.

Locally, we favour short-dated linkers and nominal bonds in the belly of the curve. Globally, we are adding duration into the bond sell-off.

We added back some SA equity towards month-end as the sell-off improved valuations. However, we continue to view hard currency as a key diversifier, given the high correlation across SA assets.

Global equity exposure remains broadly diversified, which limits concentration risk.



WRITTEN BY
Chris Eddy
Head of Investments

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