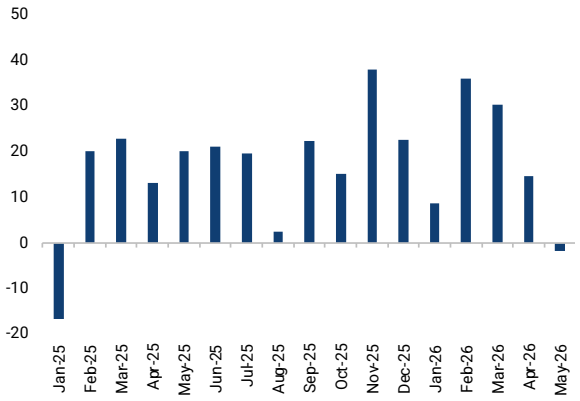
Back to a trade deficit

South Africa Monthly Trade Balance Jan 2025 - May 2026



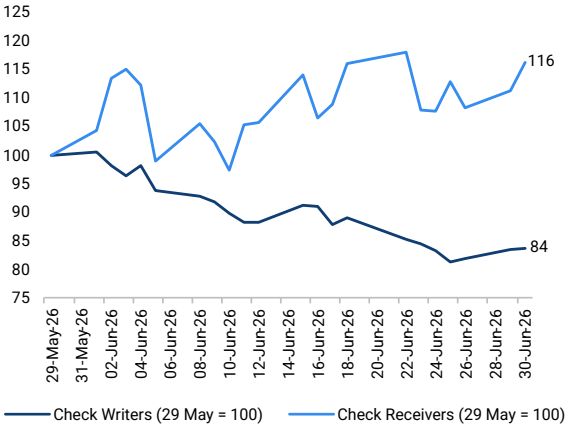
Source: 10X Investments, SARS, Bloomberg.

South Africa's trade balance slipped into a small deficit in May. This was the first monthly shortfall in well over a year, after a steady run of surpluses. The swing was almost entirely an export story. Precious metals and vehicles dragged the headline lower, while imports were steady and oil played no real part.

Precious metals, the largest mover, is also the most volatile line, so June could easily reverse it. The surplus has narrowed onto a few big export lines, with little underneath to absorb a weak month in any of them. When the metals price softened, nothing else was large or steady enough to offset it, and the balance tipped. The concentration matters more than the deficit. When the surplus swings this heavily on precious metals, a soft month there will pull the whole number down, and it did.

Check payers vs check receivers

US Hyperscalers vs AI Semis June 2026



Source: 10X Investments, Bloomberg.

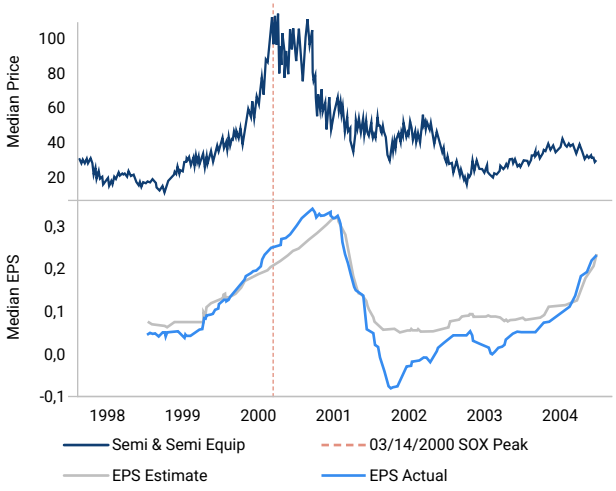
The AI trade split in two through June. Rebased to end-May, the chipmakers are up to 116 while the hyperscalers spending on them are down to 84, a 32-point gap in a month.

That opposition nets off in a cap-weighted index, so headline volatility stays low and the benchmark looks calm. Underneath sits one of the sharper rotations of the cycle: capital leaving the hyperscalers and crowding into the chips. We do not read the low index vol as risk going away. It has changed shape, from direction into dispersion, and now sits in the single names rather than the index level.

What matters over our horizon is what the spread actually reflects. One reading is a genuine return-on-capex problem for the hyperscalers. The other is momentum crowding into the chips. The two are hard to tell apart while the index stays quiet, and they resolve very differently the day capex guidance wobbles.

The market reprices before analysts do

Semi and Semi equipment price vs earnings 1999 - 2004



Source: Bloomberg, RenMac, 10X Investments.

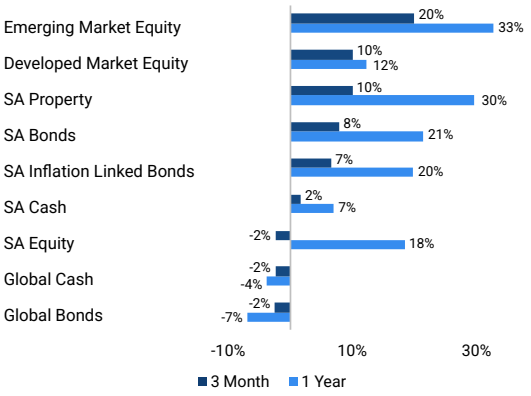
If your plan is to wait for the fundamentals to turn before getting out, 2000 is the warning. Semis peaked with the SOX in March 2000 with nothing flashing red. Reported earnings and consensus estimates kept rising for the better part of a year after the price had turned.

Price moves first and estimates follow. The SOX had shed much of its value before the estimate line even flattened, and consensus stayed above reported earnings the whole way down. Analysts revise off realised data and off each other, so they confirm a turn last rather than first. Rising earnings are not the all-clear they feel like.

By 2004 semi earnings had recovered to near their prior peak, but the median stock still traded near a third of its high. The business came good; the price never did. That is the trap. Waiting for the fundamentals to confirm an exit means leaving far too late.

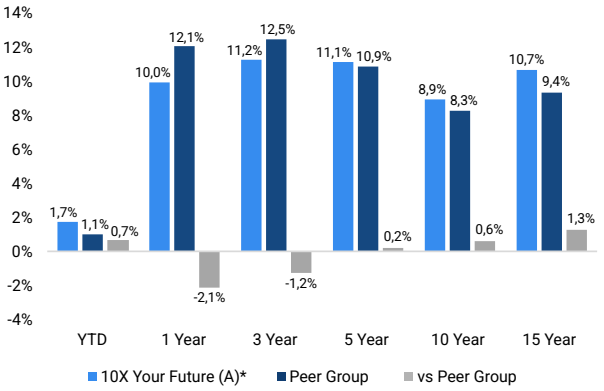
Asset class returns to 30 June 2026

Global equity rallies on back of AI trade



Source: 10X Investments, Bloomberg.

Portfolio returns to 30 June 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

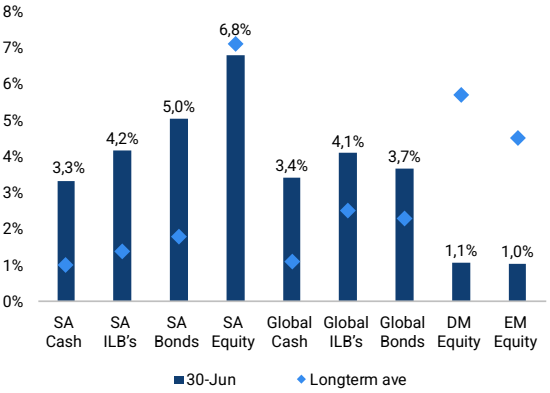
Elevated real rates continue to underpin attractive real returns on defensive assets, with a narrower distribution of outcomes than growth assets carry.

SA equities offer sizeable real returns over the next 10 years, in line with history. The path is uncertain, with a wide distribution of outcomes driven mainly by the direction of precious metals over the short term.

Global headline benchmark exposure still offers muted long-term real returns from this starting point. Current pricing discounts unsustainably high cyclical earnings growth continuing into perpetuity.

5-10 year expected real returns

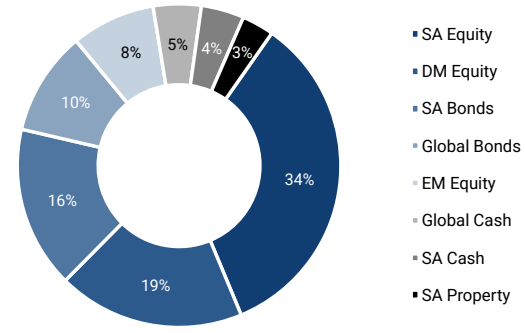
in Rands - 30 June 2026



Source: 10X Investments, Bloomberg.

10X Your Future Fund Asset Allocation

30 June 2026



Source: 10X Investments.

Asset allocation

The portfolio remains defensively positioned, with growth assets at 64%, below our neutral weight, given compressed risk premiums.

Real rates continue to rise globally while breakeven inflation compresses. This is driving a rotation from global bonds into global inflation-linked bonds. Rising real rates are equally a headwind for growth assets, so we continue to keep our growth exposure well diversified, with a focus on reducing concentration risk and improving earnings visibility through strategies like S&P 500 Equal Weight and Global Dividend Aristocrats.



WRITTEN BY
Chris Eddy
Head of Investments

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