Quarterly performance overview: Q2 2026

As of 30 June 2026

This market overview for the second quarter* (April to June) of 2026 is intended to help you contextualise the performance of your investment, as shown on your fund statement, in light of overall market performance.

MARKET OVERVIEW

Global equities delivered an impressive second quarter, with markets posting their strongest gains since 2020. Investors looked beyond geopolitical tensions in the Middle East, encouraged by resilient company earnings, easing conflict risks and continued investment in artificial intelligence (AI). The easing of tensions between the US and Iran helped calm markets, with oil prices retreating after earlier volatility and concerns over disruptions to global trade routes subsiding.

Strong corporate earnings remained the key driver of returns, particularly among companies benefiting from the global AI investment boom. While performance broadened as the quarter progressed, a relatively small group of large technology companies continued to account for much of the market's gains.

US equities enjoyed one of their strongest quarters in years. A resilient economy, robust labour market and better-than-expected company earnings supported investor confidence despite expectations that interest rates may stay higher for longer. Technology remained the standout sector, although gains became more diversified towards quarter-end as investors rotated into industrial and defensive companies. Smaller companies also participated in the rally, signalling broader market strength.

European markets also delivered their best quarter since 2020. Lower oil prices helped ease inflation concerns, while technology, financials and industrials benefited from improving sentiment. The European Central Bank raised interest rates for the first time since 2023 but maintained confidence that inflation remains manageable.

The UK market produced positive returns, although gains lagged broader global markets due to its heavy exposure to energy companies, which weakened as oil prices fell. Mid-sized companies performed better, supported by improving economic data and continued overseas interest in undervalued UK-listed businesses.

Emerging markets significantly outperformed developed markets, recording their strongest quarterly return since 2009. South Korea and Taiwan led the gains, supported by surging global demand for semiconductors and AI infrastructure. Although technology stocks experienced bouts of volatility late in the quarter, the long-term AI investment story remained intact.

China delivered modest gains despite a volatile backdrop. Mainland shares proved relatively resilient, supported by government policy and continued investment in advanced manufacturing and technology. Hong Kong-listed technology companies, however, remained under pressure as investors questioned the pace of earnings growth. Economic data pointed to stabilisation rather than a meaningful acceleration in growth.

Japan experienced a mixed quarter. Equity markets benefited from improving economic activity, although higher inflation prompted further interest rate increases from the Bank of Japan, while the yen remained weak against the US dollar.

Commodity markets were mixed during the quarter. Oil prices fell sharply as tensions in the Middle East eased and fears of supply disruptions faded. Gold also retreated as expectations of higher interest rates reduced demand for traditional safe-haven assets.

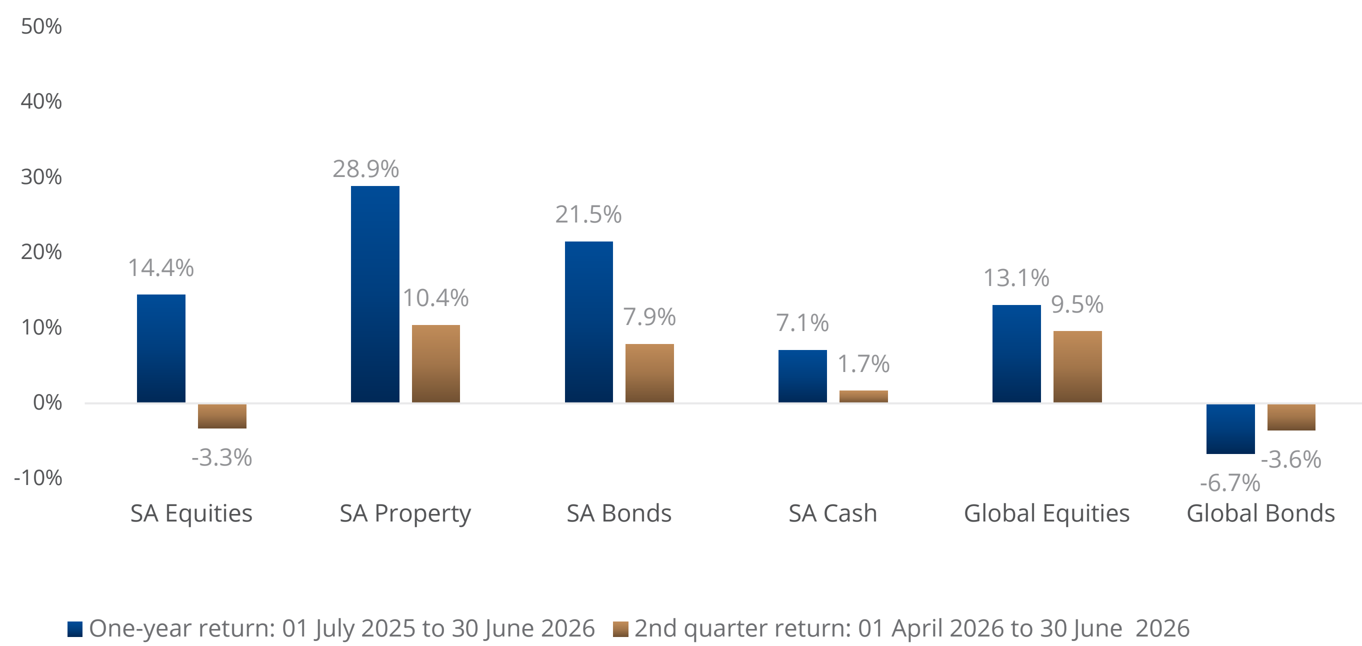
Copper was the exception, posting gains on the back of strong demand linked to electrification and AI infrastructure, alongside ongoing supply constraints. Most other industrial and agricultural commodities weakened as lower energy costs, improved supply conditions and concerns over global growth weighed on prices.

South African markets navigated a volatile quarter but ended on a firmer footing. Early market weakness, driven by higher oil prices and geopolitical uncertainty, eased as tensions in the Middle East subsided. Local bonds recovered strongly after mid-quarter weakness, supported by stronger-than-expected economic growth and sovereign credit rating upgrades.

The South African Reserve Bank increased the repo rate by 25 basis points to 7% in response to rising inflation risks. The rand weakened during the height of the market uncertainty but recovered much of its losses as commodity prices stabilised.

Looking ahead, inflation remains the key factor for investors. The path of interest rates will largely depend on whether recent inflationary pressures prove temporary, while improving economic fundamentals continue to provide a supportive backdrop for local markets

Asset class returns for the second quarter* of 2026 and the past year



Source: Morningstar, 7 July 2026 | *Quarter taken as three calendar months ending 30 June 2026

Over a one-year period, all asset classes with the exception of global bonds provided positive returns, with South African listed property providing the highest returns overall, followed by South African bonds and equity.

Over the last quarter, South African listed property was the best performing asset class, followed by global equities and South African bonds, with all other asset classes either flat or negative.

Investors are reminded of the importance of having a well-diversified portfolio that includes liquid, inflation-hedged investments that can protect them during times of high inflation. In addition, they are encouraged to stay invested and remain committed to their investment goals. By sticking to the long-term investment strategy that you and your financial adviser have drawn up, you have a much better chance of reaching the financial future you aspire to.

EFFECT OF MARKETS ON DISCOVERY FUNDS (ALL PERIODS UP TO 31 DECEMBER 2025)

Local equities

The Discovery Equity Fund performed in the top 50% of its sector over 3,7 and 10 years.

Local multi-asset fund range

The Discovery multi-asset funds, including our Balanced Fund Range and Cogence Discovery Dynamic Asset Optimiser Fund Range, offer clients access to top-performing, multi-asset solutions managed by industry leaders.

The Discovery Balanced Fund returned 10.33% to clients over 1 year to 30 June 2026 and an annualised 9.71% over 5 years, while the Cogence Discovery Balanced Dynamic Asset Optimiser Fund performed in the top 50% of its sector over 7 and 10 years.

The Cogence Discovery Moderate Dynamic Asset Optimiser was a top quartile performer over 7 and 10 years, while the Discovery Moderate Balanced Fund returned 10.86% over 1 year to June 2026 and an annualised 9.35% over 5 years.

Local property

The Discovery Flexible Property Fund performed in the top 50% of its sector over 1, 5 and 7 years.

Local bonds and cash

The Discovery Money Market Fund performed in line with its peer group average over 1 and 5 years, returning 6.98% and an annualised 6.91% respectively.

Global funds

The Discovery Global Equity Feeder Fund performed in the top 50% of its sector over 3,5, 7 and 10 years, while the Discovery Global Value Equity Feeder Fund performed in the top quartile over 5 years.

Target Retirement Date Funds

The Discovery Target Retirement Date Funds aim to give clients strong, inflation-targeted performance. Investors in these funds are reminded of the purpose of these funds, which is to maximise the probability of reaching long-term retirement savings goals.

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This information is not advice, as defined and contemplated in FAIS. The value of a portfolio can go down, as well as up, as a result of changes in the value of the underlying investments, or of currency movement. An investor may not recoup the full amount invested. The policy benefits of the linked policies are determined solely on the value of the assets, or categories of assets, to which the policies are linked. Past performance is not necessarily an indication of future performance. The performance figures of the investment portfolio are based on a lump sum investment, over the respective periods shown. The performance figures of the investment portfolio underlying the investment linked insurance policies will differ from the performance returns of the policies, due to Discovery Life's administration and policy fees (if applicable). The underlying funds may levy their own charges. Actual trade prices may differ marginally. Forecasts, illustrations, hypothetical data, and examples are for illustrative purposes only, and are not guaranteed to occur. Any projections contained in the information are estimates only and are not guaranteed to occur. The projections are subject to market influences and contingent upon matters outside the control of the company, so may not be realised in the future.

CIS disclosures: Long only portfolios (CIS in securities)

Risks (portfolio specific)

Derivatives: There is no assurance that a portfolio's use of a derivative strategy will succeed. A portfolio's management may employ a sophisticated risk management process, to oversee and manage derivative exposures within a portfolio, but the use of derivative instruments may involve risks different from, and, in certain cases, greater than, the risks presented by the securities from which they are derived.

Exposure to foreign securities: Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

Money market portfolios: A money market portfolio is not a bank deposit account. A constant price (CNAV) is applied to a participatory interest. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses, it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures, and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Fund of funds: A fund of funds is a portfolio that invests in portfolios of collective investment schemes (unit trusts) that levy their own charges, which could result in a higher fee structure for the fund of funds.

Feeder funds: A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges, and which could result in a higher fee structure for the feeder fund.

Drawdown: The potential magnitude of loss - the largest peak-to-trough decline in returns over the period, also known as the maximum drawdown.

General

Collective Investment Schemes (unit trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Any forecasts and/or commentary in this document are not guaranteed to occur. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from us or from your financial adviser. Forward pricing is used.

Redemptions

The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The ability of the portfolio to repurchase, is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity, and the manager must keep the investors informed about these circumstances.

Yields

The yield for bond, income and money market portfolios is historic and is calculated quarterly.

Prices

The latest prices and TERs are published daily in the Business Report (South Africa's National Financial Daily) and are made available on our website **www.discovery.co.za**.

Illustrative investment performance is for illustrative purposes only.

Valuations and transaction cut-off times

Pricing date is daily, except weekends and public holidays. Valuation point is at 16h00 on each pricing date, except at month-end, where it will be at 17h00. Offers to repurchase participatory interests must be received by 16h00 on each pricing date.

Additional information

For additional information on the portfolio, refer to the following documents, available on our website, from your financial adviser, or on request from the manager, free of charge.

- Application forms
- Annual report
- Fee schedule
- Quarterly General Investor Report

Complaints and conflicts of interest

The complaints policy and procedure, as well as the conflicts of interest management policy, are available on our website **www.discovery.co.za**. Associates of the manager may be invested within certain portfolios, and the details thereof are available from the manager.

Closure of the portfolio

The manager has the right to close certain portfolios to new investors, in order to manage them more efficiently, in accordance with their mandates.

Contact details.

CIS Manager

Discovery Life Collective Investments (Pty) Ltd, registration number 2007/008998/07, 1 Discovery Place, Sandton, 2196, www.discovery.co.za. The manager is registered as a manager of collective investment schemes, in terms of the Collective Investment Schemes Control Act. The manager, through Discovery Holdings Limited, is a member of the Association for Savings and Investment South Africa (ASISA).

Trustee

Liquidity: The risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit).
Equities: The value of equities may vary according to company profits and future prospects, as well as more general market factors. In the event of a company default, the owners of their equity rank last in terms of any financial payment from that company.
Bonds: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises. Bonds issued by major governments and companies, will be more stable than those issued by emerging markets or smaller corporate issuers. If an issuer experiences financial difficulty, there may be a risk to some, or all, of the capital invested. Any historical or current yields quoted should not be considered reliable indicators of future performance.

For a detailed description of these risks, and other risks that are relevant to the portfolio, please refer to the CIS risk disclosure document, available on the website: http://www.discovery.co.za/assets/discoverycoza/corporate/risk-disclosure.pdf

Performance fees
Performance fees are not levied on the portfolios.

Performance returns
Lump-sum performance returns are being quoted. Income distributions, prior to deduction of applicable taxes, are included in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the Manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. The performance is calculated for the fee class. The individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The rate of return is calculated on a total return basis, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. All period returns greater than one year have been annualised. Returns for periods less than one year have not been annualised. A cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period of time involved. Actual annual figures are available to the investor on request.

Standard Chartered Bank (Johannesburg Branch), registration number 2003/020177/10, 2nd Floor,115 West Street, Sandton, 2196, P O Box 782080, Sandton, 2146, www.standardchartered.com/za. The trustee is registered as a trustee of collective investment schemes, in terms of the Collective Investment Schemes Control Act.

Investment Manager of the Discovery Aggressive Dynamic Asset Optimiser Fund of Funds, Discovery Conservative Dynamic Asset Optimiser Fund of Funds, and the Discovery Moderate Dynamic Asset Optimiser Fund of Funds

Cogence (Pty) Ltd - Registration number 2009/011658/07. FSP Number 52242. Contact Info@cogence.co.za

Investment Manager of all other portfolios
Ninety One SA (Pty) Ltd, registration number 1984/011235/07, FSP number 587, 36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001, www.ninetyone.com, 0860 110 161.

The investment managers are authorised financial services providers (FSP), as discretionary FSPs, in terms of Section 8 of the Financial Advisory and Intermediary Services Act (FAIS). This information is not advice, as defined in FAIS. Please be advised that there may be representatives acting under supervision.