

Discovery Balanced, Moderate Balanced, Cautious Balanced Funds

30 April 2026

Market background

Financial markets rebounded in April, defying heightened geopolitical tension. Global equities delivered one of their strongest monthly gains in years, led by a renewed rally in technology and AI-linked stocks, even as the US-Iran conflict kept oil prices elevated and complicated the inflation outlook. Government bonds came under pressure as higher energy prices pushed out expectations for rate cuts, while credit markets benefited from the improved risk backdrop.

Equity market leadership was concentrated in growth areas. Semiconductor and AI-related shares led the rally, supported by strong earnings, renewed confidence in AI spending and improving sentiment towards mega-cap technology companies. The advance was not limited to technology, however, with consumer discretionary and industrials also benefitting from the recovery in risk appetite and optimism around AI infrastructure, automation and capital spending.

Commodities were mixed but remained central to market behaviour. Oil was volatile as hopes of progress in negotiations and the reopening of the Strait of Hormuz rose and faded, while industrial metals advanced on supply disruption and resilient demand. Gold was broadly flat, underperforming relative to the scale of geopolitical uncertainty, even as exchange-traded fund (ETF) holdings rose.

In South Africa, the JSE All Share Index delivered gains despite early volatility. Resources stocks led performance, supported by firm precious metal prices amid sustained global demand for safe-haven assets. The 2026 National Budget signalled improving fiscal dynamics, with the deficit narrowing and debt projected to have peaked, marking the end of 17 consecutive years of debt accumulation.

The rand strengthened marginally and remained relatively resilient on the back of improving fiscal indicators and broader positive sentiment towards South African assets, finishing the month around R16.70 to the US dollar.

Performance

The portfolio delivered a positive absolute return over the month. Gains across most asset classes reversed March's losses and left performance positive year to date.

Key contributors:

- Property was the strongest-performing asset class, more than reversing its March weakness.
- Offshore equities rebounded strongly, despite rand strength, supported by improved global risk appetite.
- South African and Brazilian bonds contributed positively against a backdrop where developed market bonds struggled.
- South African equities, including Anglo American, Richemont and local banks such as Standard Bank and Capitec, benefitted in the risk-on environment.
- Global banks recovered as sentiment improved following the March weakness.
- AI-related holdings, including semiconductor, industrial and utility names benefitted from continued confidence in the AI investment cycle.
- Big tech holdings, particularly Amazon and Alphabet, recovered strongly after lagging earlier in the year.



Key detractors:

- The gold commodity ETF detracted in rand terms as rand strength offset support from the underlying gold price.
- Precious metals holdings struggled over the month.
- Healthcare holdings came under pressure following profit-taking.
- Energy holdings detracted as oil prices retraced amid improved risk appetite and signs of conflict de-escalation.

Early in the month, the portfolio redeployed part of the cash raised in March, when equity exposure was reduced in response to rising geopolitical risk. Half of this cash was added back to local and global equities, while the balance was retained to provide flexibility should volatility return. The additions were focused on areas where weakness had created more attractive opportunities. Exposure to gold and PGM shares was topped up, along with diversified miners locally and globally. Selected South African bank holdings were also increased. The portfolio also reviewed holdings across sectors in light of the changed market environment. Where the investment case had become less compelling, or conviction was lower on a six- to 12-month view, capital was rotated into stronger ideas within the same sectors. Currency protection was reduced during the month. Having added hedges in March as geopolitical risks escalated, the portfolio removed half of this protection in early April as risk appetite improved.

Outlook and strategy

The macro backdrop remains constructive, although it is being tested by geopolitical uncertainty. The key variable remains the duration of the disruption. A short-lived conflict is more likely to represent a volatility event than a fundamental turning point. A prolonged disruption, however, could significantly affect supply chains, inflation expectations and risk appetite.

For now, we remain constructive on risk assets but not fully allocated. The portfolio has added back risk selectively, while retaining cash to provide flexibility should volatility return. We are not attempting to time the duration of the conflict, but believe recent developments suggest the risk of escalation has moderated rather than intensified. Our Compelling Forces framework continues to anchor positioning. From a fundamental perspective, the latest earnings season has been very strong. US earnings have surprised positively, while Europe has been solid, with meaningful upgrades across several markets and sectors. The macro tailwinds and momentum we saw coming into the year are flowing through into corporate results. That said, earnings data is backwards-looking, and we remain alert to the possibility that a prolonged conflict could affect supply chains, margins or demand.

The artificial intelligence investment cycle remains a significant structural support. Recent company updates suggest that we are still in the middle stages of this capex cycle rather than approaching the end. We remain invested in selected companies exposed to this theme, while recognising that expectations are high and that leadership can change quickly amid rapid technological disruption.

The main change to the fundamental backdrop is monetary policy. Earlier in the year, markets expected the easing cycle to provide an additional tailwind. Rising inflation risks suggest the rate-cutting cycle may be largely in the base, even if material rate hikes look unlikely. However, fiscal support in the US and Europe, together with AI-related capex, should still provide support for growth.

Valuations remain fair to full. In some areas, earnings have been upgraded while share prices have not fully rerated, as investors remain concerned about whether current growth can be sustained. This creates opportunity but also raises the hurdle for stock selection. Earnings delivery is therefore critical, and we remain focused on companies with strong fundamentals, resilient margins and clear competitive advantages.

Market price behaviour has improved since March. The sell-off triggered a degree of capitulation and flushed out some speculative positioning. As a result, markets are now climbing a “wall of worry” rather than being driven by crowded optimism. This gives us more comfort than we had earlier in the year, when market internals appeared more vulnerable to an external shock.



Within fixed income, we continue to hold a reduced but meaningful position in South African government bonds, along with exposure to Brazilian bonds. Both offer attractive real yields and the potential for inflation-beating returns, particularly if capital values reprice favourably.

We also continue to hold gold exposure. Gold remains useful across a range of scenarios. If the conflict worsens and policymakers are forced to support growth through rate cuts, that should be supportive for precious metals. If conditions remain difficult and liquidity support is required, that should also favour gold and weigh on the dollar.

Overall, we are constructive but remain nimble. The portfolio is positioned to participate in areas where fundamentals remain strong, particularly AI-linked capex, select equities and emerging market bonds with attractive real yields. At the same time, we are not fully allocated and retain the ability to add risk if markets correct. In the absence of a clear resolution, markets may remain choppy and sideways over the next few months, but the underlying earnings and capex backdrop remains supportive.