

Discovery Equity Fund

30 April 2026

Market background

Financial markets surged in April, defying significant geopolitical tensions. Global equities delivered their strongest monthly gain since the post-pandemic rally in late 2020, led by a renewed rally in technology and AI-linked stocks. The US-Iran conflict kept oil prices elevated and complicated the inflation outlook, while government bonds came under pressure as higher energy prices pushed out expectations for central bank rate cuts. Despite this, investor sentiment improved markedly as markets looked through near-term risks and focused on resilient corporate earnings and structural growth themes. Global equities, as measured by the MSCI All Country World Index, returned 10.2% in US dollar terms over the month.

In the United States, equities rebounded strongly as investors returned to AI-linked and growth stocks. The technology-heavy Nasdaq rose 15.3%, while the S&P 500 gained 10.5%. Semiconductor and AI-related shares led the rally, supported by strong earnings and renewed confidence in AI capital spending. The Federal Reserve maintained a cautious stance, leaving rates unchanged, signalling that persistent inflation pressure could keep policy tighter for longer.

South African equity markets edged higher over the month, with the JSE All Share Index gaining 1.6%, though the path was volatile. The geopolitical shock weighed on South Africa's trade balance and inflation outlook as higher oil prices and rand weakness dampened sentiment. A brief reprieve arrived mid-month when a temporary ceasefire between the US and Iran was announced, prompting a sharp relief rally. April also saw the largest fuel price increases in South Africa's history, while Eskom's new 8.76% electricity tariff hike took effect simultaneously, creating significant inflationary headwinds. The rand remained under pressure throughout, finishing the month at approximately R16.67 to the US dollar.

Performance review

For the month, the portfolio outperformed the benchmark.

Among the largest contributors to relative performance were overweight positions in Broadcom Inc. and Alphabet Inc. Our overweight exposure to Broadcom was driven by strong signals in earnings expectations, quality and momentum, with low volatility, historic growth and historic profitability as the key contributors within the quality category. Similarly, our exposure to Alphabet was driven by strong signals in quality, earnings expectations and momentum, with low volatility, historic growth and historic profitability, the key contributors in the quality category.

Detracting from relative performance were overweight positions in Astral Foods and DRDGOLD. Our overweight in Astral was driven by strong signals in earnings expectations, momentum, and valuation, with cash flow yield, earnings yield, and dividend yield the key contributors in the valuation category. Our exposure to DRDGOLD was driven by strong signals across quality, valuation, earnings expectations and momentum, with forecast growth, historic growth and historic profitability prominent in the quality category, and earnings yield, cash flow yield and book yield prominent in the value category.



Outlook and strategy

The portfolio's investment philosophy and process aim to deliver consistent returns for investors. We follow a multi-style investment approach, which is dynamically adjusted to ensure that relative risk is actively managed throughout the business cycle.

We prefer shares that are trading at a discount relative to the market, with positive momentum, positive earnings expectations and low downside risk.

Positive quality refers to good financial health, low volatility and downside risk, while positive value indicates that the stock is trading at an attractive valuation.

Some of the portfolio's largest overweight positions include Astral Foods and ASML, while significant underweights include FirstRand and Standard Bank.

Our overweight position in Astral is driven by positive earnings expectations, strong quality, positive momentum and attractive valuation factors. The key contributors in the valuation category include cash flow yield, earnings yield and dividend yield, while historic growth is prominent in the quality factors. Our positioning in ASML, meanwhile, is driven by positive earnings expectations, positive momentum and strong quality factors, with low volatility, forecast growth and historic profitability the key contributors in the quality category.

In terms of the portfolio's underweights, in our view, FirstRand displays poor valuation, negative earnings expectations and negative momentum, with earnings yield and cash flow yield the key contributors in the valuation category. Standard Bank, meanwhile, displays poor valuation and negative momentum, with earnings yield and cash flow yield the key contributors in the valuation category.