AFFINITY CAPITAL MANAGEMENT

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January 2026 | Investment Report

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ECONOMIC OVERVIEW

Rating agencies warned that repeated standoffs could undermine confidence in US debt as the global safe asset.

January in Review

The Economist reported that Iran's supreme leader, Ayatollah Ali Khamenei, warned America that an attack on his country would spark a "regional war," even as officials signalled they would enter talks to try to avoid military action. Earlier, Donald Trump said Iran was "seriously talking" to America. He has sent significant naval forces to the region and threatened Iran with attack if it does not abandon its nuclear programme. Despite the hostile rhetoric, both sides still leave the door open for talks, though trust remains minimal. Gulf states and other global powers are urging restraint, fearing disruption to oil markets and regional stability.

President Trump threatened escalating tariffs (from 10% to 25%) on eight NATO countries unless Greenland is sold to the US. This sparked backlash from the European Union and led to the suspension of a trade deal. Markets reacted negatively, with US and European equities dipping amid heightened geopolitical risk.

The 56th World Economic Forum (WEF) meeting brought together over 60 heads of state and 3,000 participants. Key themes included geopolitical conflict, sovereign debt, AI risks, and declining trust. India showcased its largest-ever delegation, while President Trump's remarks on Greenland dominated headlines.
The US President delivered a combative address, reiterating his demand that Denmark sell Greenland to the United States. He framed the territory as a strategic necessity, while highlighting US economic strength and downplaying European influence. Although he stated he would not use force, his rhetoric unsettled leaders and overshadowed broader WEF discussions.

Business leaders were left uncertain about the direction of US trade policy, while European officials viewed the remarks as destabilising. The speech underscored Trump's preference for economic pressure over multilateral cooperation.
The South African Reserve Bank (SARB) kept the repo rate unchanged at 6.75%, following a split decision, with two of the six members favouring a 25bps cut. Inflation remains close to 3.6%, and the decision reflects continued caution amid global uncertainty and rand volatility.

Earlier in the month, at the World Economic Forum in Davos, SARB Governor Lesetja Kganyago indicated that the prime lending rate, long used as the benchmark for consumer loans, may soon be abolished as part of broader reforms to interest rate structures. The central bank's view is that commercial banks already price loans according to borrower risk profiles, making the traditional "prime plus/minus" framework increasingly redundant.
The International Monetary Fund upgraded its global GDP growth forecast for 2026 to 3.3%, up from 3.1%, citing strong investment in artificial intelligence, easing trade frictions, and supportive fiscal and monetary conditions. Inflation is expected to continue declining gradually, reaching 3.8% in 2026.

South Africa's growth forecast was also revised slightly higher to 1.4%, although this remains below the level required to support meaningful job creation.
The US Federal Reserve held its benchmark interest rate steady at 3.5% to 3.75% at its 28 January meeting, pausing after three consecutive rate cuts in late 2025. Inflation remains "somewhat elevated," with two members dissenting in favour of a cut. Markets are now pricing in the possibility of further easing later in 2026.

In late January 2026, US President Donald Trump nominated Kevin Warsh, a former Federal Reserve governor and economic adviser, to succeed Jerome Powell as Chair of the Federal Reserve. The nomination reflects Trump's preference for lower interest rates and signals a significant shift in leadership at the world's most influential central bank.

Chinese growth is projected to slow from 4.9% in 2025 to 4.4% in 2026, reflecting subdued domestic demand and ongoing structural headwinds. This deceleration is weighing on the broader East Asia and Pacific region, where growth is also expected to reach 4.4% in 2026. However, some Asian economies, including Vietnam, Indonesia and India are showing resilience, with policy support helping to offset weaker global trade.

While diplomatic activity has intensified, Russia shows little willingness to make concessions, and analysts warn the war is unlikely to end in 2026

ECONOMIC OVERVIEW

CONTINUED

Global markets started the year strongly, showing little regard for the geopolitical turmoil during January. Developed market equities (as measured by the MSCI World Index) gained 2.3% in US dollar terms, while emerging markets clearly outperformed, delivering a robust 8.9% return for the month. South African equities added 3.7% for the month, despite a sell-off of over 4% on the last trading day of January. Resources (+12.5%) led the charge and did more than enough to offset the performance of industrial stocks (-3.4%).

South African equities gained 3.7% for the month, despite a sell-off of more than 4% on the final trading day of January. The resources sector (+12.5%) led the gains and more than offset the weaker performance of industrial stocks (-3.4%).

South African bonds continued their consistent performance, gaining 1.9% for the month and recording their thirteenth positive monthly return. This marks the longest streak in over 26 years, supported by a firmer rand and growing investor confidence in improved fiscal outcomes from the South African government.

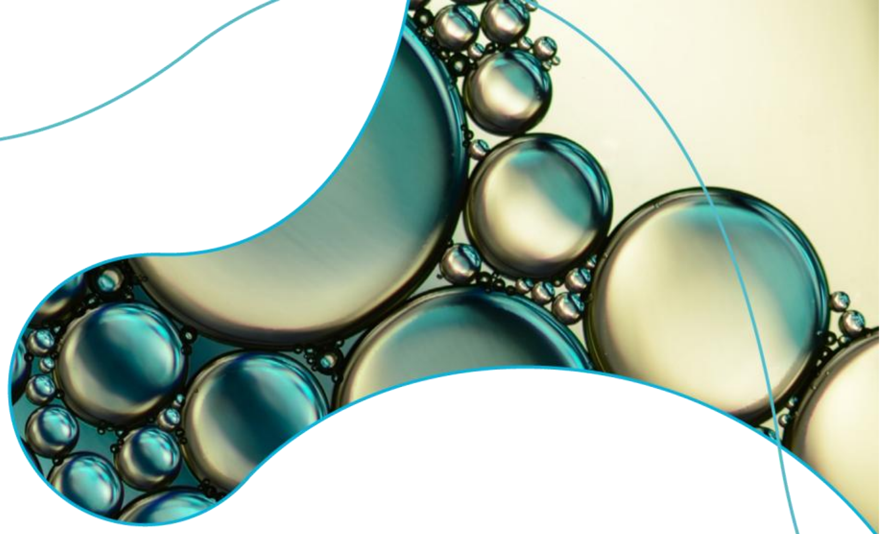
Gold prices surged in January 2026, climbing more than 25% during the month before retreating slightly at month end. The metal closed just over USD 5 000 per ounce internationally.

Silver also experienced a tumultuous month. It began the year at around USD 70 per fine ounce, rallied to approximately USD 116 on 28 January, and then pulled back to USD 84 by month-end.

MARKET INDICES[1] **(All returns in Rand except where otherwise indicated)**	**31 January 2026**		
	3 months	12 months	5 years[2]
SA equities (FTSE/JSE All Share Index)	10.3%	44.4%	18.4%
SA property (S&P SA REIT Index)	12.3%	49.5%	23.0%
SA bonds (FTSE/JSE All Bond Index)	8.3%	26.1%	12.8%
SA cash (STeFI)	1.7%	7.5%	6.6%
Global developed equities (MSCI World Index)	-4.3%	3.1%	14.8%
Emerging market equities (MSCI Emerging Markets Index)	1.3%	23.4%	7.2%
Global bonds (Bloomberg Barclays Global Aggregate Index)	-6.1%	-6.7%	-0.5%
Rand/dollar[3]	-7.5%	-14.1%	1.3%
Rand/sterling	-3.4%	-5.1%	1.3%
Rand/euro	-4.6%	-1.7%	0.9%
Gold Price (*USD*)	18.4%	67.6%	20.6%
Oil Price (Brent Crude, *USD*)	8.6%	-7.9%	4.8%

1 Source: Factset
2 All performance numbers in excess of 12 months are annualized
3 A negative number implies fewer rands are being paid per US dollar, so it implies a strengthening of the rand

AFFINITY INVESTMENT APPROACH



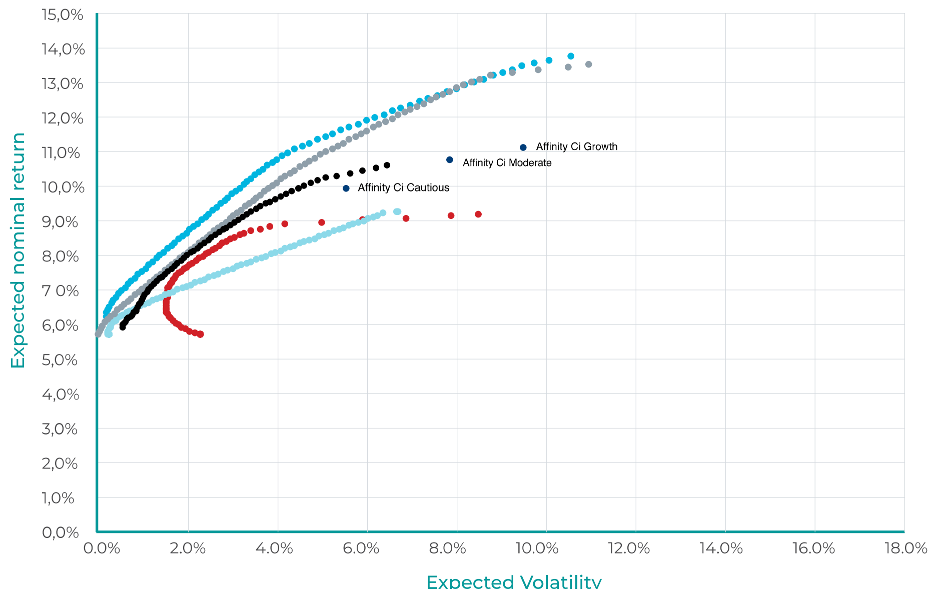
Affinity Capital Management has been established as a collaborative business that works hand in hand with financial advisors and their clients. We believe that investment solutions should not be created in isolation. A collaboration between advice and asset management ensures that investment products are designed solely with the clients' needs in mind. Our investment approach primarily focuses on balancing client return outcomes with risk management.

We have adopted a long-term strategic asset allocation framework as a basis for our investment solutions. Over long investment time horizons comparisons between active managers and passive strategies show that very few active mangers outperform an efficient frontier and thus a core component of our solutions utilises passive and rules-based strategies to access the market optimally. Active managers are included in our solutions where they have a proven track record of generating excess returns. Since asset allocation is the greatest predictor of portfolio volatility, we construct our portfolios with a clear mindset to risk mandates using a building block approach. This allows us to increase risk and returns in a predictable and measurable manner, creating distinct portfolios by simply increasing or decreasing the weightings of asset classes. An additional layer of portfolio risk management is introduced through diversification both across asset classes and within asset classes. We devote a great deal of time and resources aimed at identifying and extending our asset class categories and how best to access them.

Finally, we believe that a dynamic asset allocation framework can add value to portfolio returns when asset class return profiles and correlation behaviours are understood in different market regimes. Ongoing management of our investment solutions thus centres on understanding market regimes and the behaviours of asset classes in different market cycles. Through our proprietary models we assess certain lead indicators of market cycles and use this to position portfolios optimally for the expected market environment. Based on the signal strength of the lead indicators we will then implement appropriate tilts to the long-term Strategic Asset Allocation weightings.

Asset class return expectations and correlations change in different market cycles. We have thus adopted a dynamic asset allocation approach, which allows us to tilt away from our long term strategic asset allocations through different market cycles. The size of these tilts is informed by the signal strength of various lead indicators. We are currently positioning our portfolios between a contraction and recovery cycle.

Comparison of efficient frontiers through market cycles.
Forward looking Affinity fund positioning



PERFORMANCE

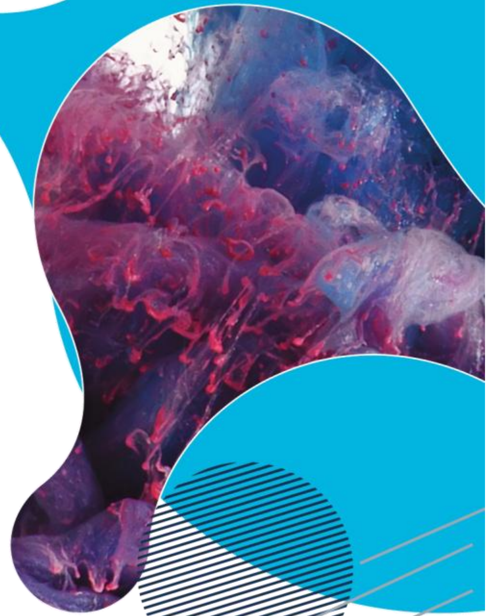
Indices	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	10 Years	YTD
SA Equities (JSE All Share Index)	3.7%	10.3%	23.8%	44.4%	31.4%	18.9%	18.4%	13.1%	3.7%
JSE Preference Shares (J251)	-1.4%	0.9%	0.3%	16.5%	20.9%	14.6%	19.7%	12.7%	-1.4%
SA Property (South African Listed Property Index)	1.0%	8.9%	19.5%	35.0%	27.8%	23.7%	21.6%	5.5%	1.0%
SA Bonds (SA All Bond Index)	1.9%	8.3%	15.6%	26.1%	21.4%	16.5%	12.8%	11.2%	1.9%
ILBs (Barclays South Africa Government Inflation Linked Bond)	1.2%	8.2%	14.7%	17.4%	12.3%	10.8%	9.8%	6.4%	1.2%
SA Cash (STeFI)	0.6%	1.7%	3.6%	7.5%	8.0%	8.0%	6.6%	6.8%	0.6%
Global Equities (MSCI All Countries World Index, $)	3.0%	4.1%	13.1%	22.4%	21.8%	19.6%	12.5%	13.3%	3.0%
Developed Market Equities (MSCI World Index, $)	2.3%	3.4%	11.8%	20.1%	21.0%	19.9%	13.4%	13.7%	2.3%
Emerging Market Equities (MSCI Emerging Market Index, $)	8.9%	9.5%	24.1%	43.7%	28.7%	17.3%	5.8%	10.5%	8.9%
Global Bonds (Bloomberg Barclays Global Aggregate,$)	0.9%	1.4%	3.3%	8.6%	4.3%	3.2%	-1.8%	1.3%	0.9%
RAND/DOLLAR	-3.2%	-7.5%	-11.3%	-14.1%	-7.1%	-2.7%	1.3%	0.1%	-3.2%
RAND/STERLING	-1.3%	-3.4%	-8.0%	-5.1%	-3.6%	0.9%	1.3%	-0.2%	-1.3%
RAND/EURO	-2.0%	-4.6%	-7.8%	-1.7%	-2.8%	0.3%	0.9%	1.0%	-2.0%
Solutions	**1 Month**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**10 Years**	**YTD**
Affinity Income Solution	0.9%	3.3%	6.8%	12.8%	11.8%	11.2%	9.4%	7.3%	6.8%
Affinity Ci Cautious Fund	1.3%	3.7%	7.8%	14.1%	14.7%	12.3%	9.9%	7.0%	7.8%
Affinity Ci Moderate Fund	1.6%	3.7%	8.1%	14.7%	15.7%	12.6%	10.6%	7.0%	8.1%
Affinity Moderate Solution (Non Reg 28)	0.4%	0.8%	2.7%	6.7%	11.6%	11.1%	9.0%	6.2%	2.7%
Affinity Ci Growth Fund	1.7%	3.5%	7.7%	14.2%	15.7%	12.5%	10.6%	7.2%	7.7%
Affinity Growth Solution (Non Reg 28)	0.6%	0.8%	2.8%	7.1%	12.1%	11.3%	9.3%	7.5%	2.8%
Affinity High Growth Solution (Non Reg 28)	-0.2%	-1.4%	-1.1%	1.5%	9.4%	10.1%	8.3%	7.4%	-1.1%
Affinity Global Cautious Solution	1.1%	2.2%	4.3%	8.1%	8.5%	7.6%	3.4%	4.4%	4.3%
Affinity Global Cautious Restricted	1.1%	2.5%	4.7%	8.4%	8.5%	7.3%	4.4%	4.4%	4.7%
Affinity Global Moderate Solution	1.4%	2.8%	5.3%	9.7%	10.3%	8.9%	3.8%	5.6%	5.3%
Affinity Global Moderate Restricted	1.6%	3.2%	5.8%	10.0%	10.9%	9.1%	5.0%	6.0%	5.8%
Affinity Global Growth Solution	1.8%	3.5%	6.3%	10.9%	12.4%	10.3%	4.8%	6.8%	6.3%
Affinity Global Growth Restricted	1.3%	3.3%	6.3%	10.8%	13.4%	10.9%	6.3%	7.8%	6.3%

Low
Low Medium
Medium
Medium High
High

LESS RISK/ RETURN

MORE RISK/ RETURN

ZAR returns
USD returns



AFFINITY PERFORMANCE

January Update

Over the past month, the Affinity solution range delivered broadly positive performance, with returns largely aligned to risk profiles. The income, cautious, moderate and growth-oriented solutions posted modest gains, reflecting supportive market conditions across most asset classes. Local balanced and growth strategies were the strongest contributors over the period, while global solutions also delivered steady positive returns, benefiting from offshore exposure.

The exception was the Affinity High Growth Solution, which experienced a small drawdown over the month, highlighting the higher short-term volatility inherent in more aggressive portfolios. Overall, one-month performance remains constructive, with outcomes consistent with long-term objectives and risk positioning across the range..

AFFINITY PORTFOLIOS

The Affinity strategies invest in strategic asset allocations that have high probabilities of achieving the respective return targets of the various portfolios on a risk adjusted basis. The asset allocation process allows for dynamic asset allocation based on various leading indicators of macro economic regimes. As of late, the OECD indicator suggests that the global economy moved towards an economic slowdown regime and the Affinity portfolios are positioned to mitigate any volatility and allocate to asset classes that are expected to perform well in this regime and underweight the other asset classes that are expected to underperform (within certain limitations). This framework is designed to work (and is best evaluated) over longer investment periods (typically longer than a quarter, a year or even 3 years).

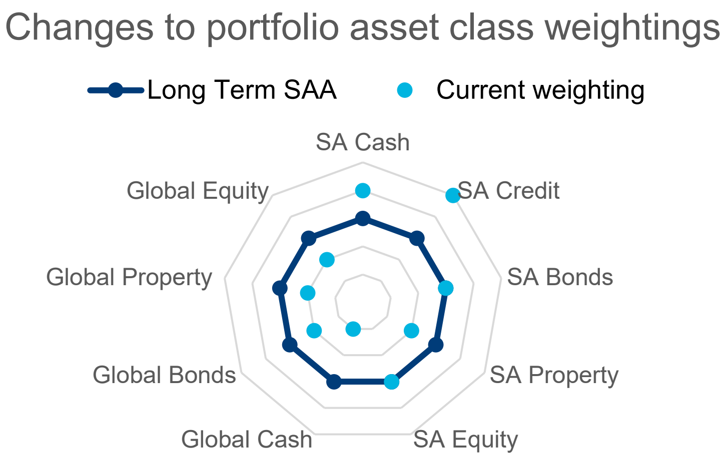
In September and October, the Affinity Ci Cautious, Affinity Ci Moderate and Affinity Ci Growth repositioned the local equity strategies. The 36One SA Equity Fund was introduced as well as a S&P DSW 100 Index. The S&P DSW 100 is a custom-built index to access the local equity market. The Affinity investment committee believes the inclusion of new strategies have a high probability to capture upside when the local equity market recover. The allocation to asset classes did not change.

Source: Morningstar Direct & Advantage

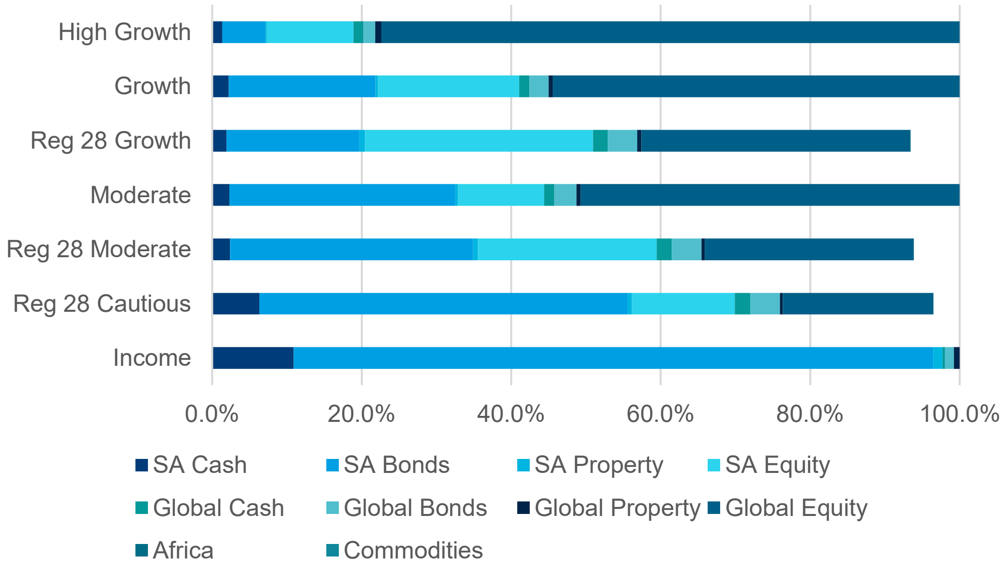
…Currently the Affinity funds move towards a neutral to underweight these growth asset classes to ultimately minimize market volatility through this period…

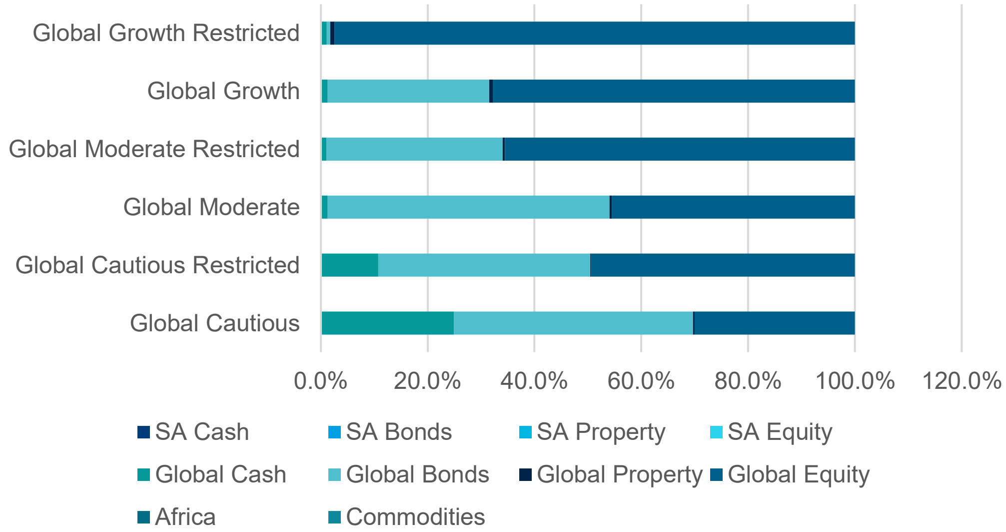
Weighting of asset classes

Our asset allocation models indicate that we fall within an economic expansionary regime, thus local government bonds have been increased and within local equities, the level of protection should be reduced in favour of direct equity market exposure and thus the weighting of Methodical (a protected equity manager) was reduce further. With regards to the portfolio's offshore exposure, the expansionary regime supports our portfolios holding more global equities.



ASSET ALLOCATION ACROSS SOLUTIONS





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