tam

QUARTERLY INVESTMENT PERSPECTIVE

Market context, portfolio positioning and risk considerations

Q1 2026

For professional clients and financial advisers only.
Past performance is not a reliable indicator of future results.

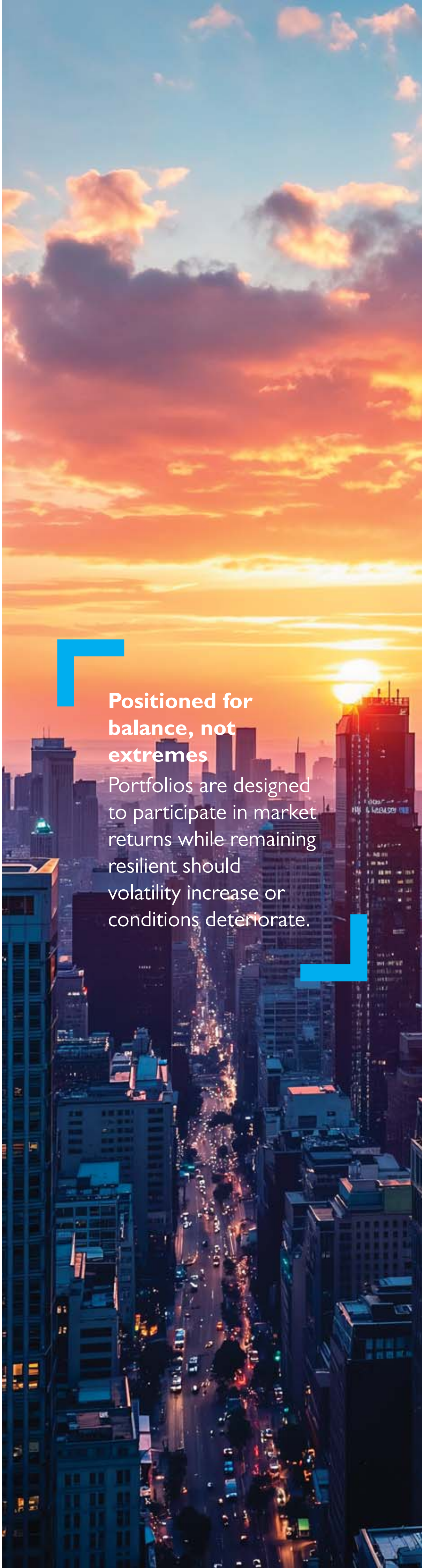
EXECUTIVE SUMMARY

The investment environment entering 2026 remains finely balanced.

Equity markets continue to be supported by resilient earnings and expectations of easier monetary policy, yet valuations in parts of the market remain elevated and market leadership is narrow. At the same time, geopolitical risks and policy uncertainty remain persistent background factors.

Against this backdrop, TAM portfolios are positioned with a modestly cautious stance on equities, a constructive but selective use of alternatives, and a neutral approach to fixed income duration and credit risk. This positioning reflects a belief that returns are still available, but that the margin for error has reduced.

Our focus remains on disciplined portfolio construction, diversification, and risk awareness. We are not attempting to predict markets, but to ensure portfolios remain robust across a range of potential outcomes.



THE CURRENT INVESTMENT ENVIRONMENT

Global economic conditions remain mixed.

Growth has moderated across several developed markets, while labour markets are beginning to show early signs of softening. Inflation has eased from recent highs, but progress remains uneven and sensitive to energy prices, wages and supply chain disruptions.

Financial markets continue to be highly responsive to changes in interest rate expectations and central bank communication. While volatility has moderated compared to recent years, it remains elevated relative to the pre-pandemic period.

Geopolitical risks remain a key influence on sentiment. Ongoing conflicts, strategic competition between major economies, and uncertainty around global trade all continue to shape investor behaviour. Markets have generally absorbed these risks so far, but they remain a potential source of disruption.

In this environment, diversification and risk discipline are increasingly important. Markets are less forgiving of disappointment, particularly where valuations leave limited room for error.

KEY THEMES SHAPING MARKETS IN 2026

Three themes are expected to remain central to markets throughout 2026.

Artificial intelligence and valuation risk

AI remains a powerful long-term growth driver. However, strong recent performance and aggressive capital expenditure plans have led to stretched valuations in certain segments of the market. Investor expectations are high, increasing sensitivity to any slowdown in earnings growth or project delays.

Central bank independence & policy credibility

Political pressure on central banks is becoming a more prominent risk. Any erosion of perceived independence could have meaningful implications for inflation expectations, bond markets and currencies, particularly the US dollar. This risk is not yet fully reflected in asset prices.

Geopolitical risk

Geopolitical tensions remain elevated and increasingly complex. Narrative-driven risks may prove inflationary through higher energy prices and supply chain disruptions. More direct disruptions to economic activity could have very different implications, potentially favouring higher quality defensive assets.

Markets remain policy sensitive

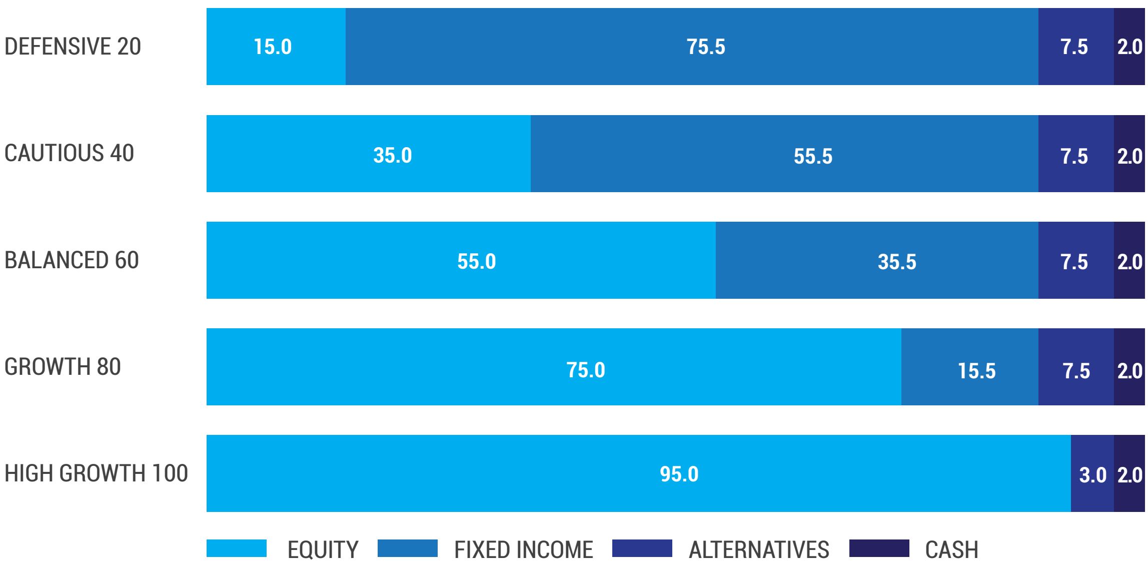
Interest rates and their impact on valuations are likely to remain a dominant driver of market performance.

PORTFOLIO POSITIONING OVERVIEW

TAM portfolios are managed within a structured asset allocation approach designed to balance valuation, macroeconomic conditions and diversification. While the detailed mechanics of this framework remain internal, its purpose is to ensure consistency, discipline and risk awareness across portfolios.

At a high level, portfolios are positioned cautiously but flexibly.

Current asset allocation by risk profile (%)



Equity positioning

Equity exposure across portfolios remains modestly below long-term neutral levels. This reflects elevated valuations, particularly in the US, and a high degree of concentration within a relatively small number of large companies.

At the same time, monetary policy remains broadly supportive and corporate earnings have so far proven resilient. As a result, portfolios retain sufficient equity exposure to participate in market returns while maintaining flexibility should conditions change.

Markets are expected to remain driven primarily by interest rate expectations and valuation dynamics rather than by economic growth alone.

Cautious, not bearish

A modest underweight to equities reflects valuation awareness and concentration risk rather than a negative outlook on markets.

THE ROLE OF ALTERNATIVES

Alternatives play an important role in portfolio diversification, particularly in an environment where both equities and bonds face distinct risks.

Alternatives exposure varies by risk profile and is deliberately risk graded. Lower risk portfolios focus on alternatives that aim to provide diversification and stability, while higher risk portfolios have greater flexibility to access more volatile assets.

Real estate is included only in lower risk and balanced portfolios. While it has a higher sensitivity to economic conditions than traditional fixed income, it shares income-generating characteristics and offers partial inflation protection through rental adjustments.

Commodity exposure is limited to higher risk portfolios only. Although commodities have delivered strong returns in recent years, they remain inherently volatile and less suitable for lower risk mandates.

Role of alternatives across portfolio risk profiles (%)

Alternatives exposure increases with portfolio risk and is carefully structured to ensure that lower risk portfolios avoid higher volatility assets such as commodities.

Risk-graded diversification

Alternatives are used selectively and in line with each portfolio's risk profile. Their role is diversification, not return chasing.

FIXED INCOME, REGIONAL POSITIONING AND RISKS

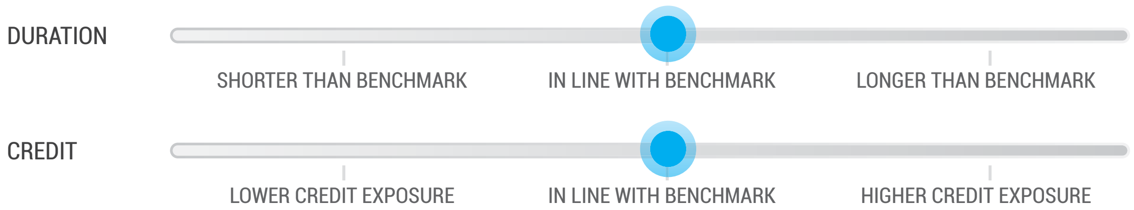
Fixed income positioning

Fixed income continues to play a stabilising role within portfolios. Duration exposure is positioned broadly in line with global benchmarks, reflecting a neutral stance.

Importantly, duration exposure is aligned with portfolio risk profiles. This is designed to avoid unintended volatility in lower risk portfolios during periods of interest rate stress.

Credit exposure remains measured, with an emphasis on quality and liquidity rather than yield maximisation. Corporate bonds represent a modest proportion of fixed income exposure, broadly in line with global benchmarks.

Fixed income positioning: duration and credit



Regional equity positioning

Regional equity exposure is guided by relative valuation considerations and broader economic dynamics rather than short-term market movements. Positioning remains diversified and is adjusted gradually as relative opportunities change.

Risks we are monitoring and outlook

We do not adjust portfolios in response to short-term market noise. However, several developments would prompt a reassessment of positioning:

- A sustained deterioration in corporate earnings
- A reacceleration of inflation driven by energy, geopolitics or policy credibility
- A material tightening in financial conditions or liquidity
- Escalation of geopolitical risks into direct economic disruption

If earnings remain supportive and inflation continues to ease, portfolios retain flexibility to increase risk. Conversely, a deterioration in these factors would warrant a more defensive stance.

What would change our view

Portfolio positioning will evolve as the balance of risk and reward changes. Adjustments are made deliberately and gradually, not in reaction to headlines.

CONCLUSION

As we move through 2026, the investment environment remains complex and uncertain. Elevated valuations, geopolitical risks and policy uncertainty coexist with ongoing opportunities for disciplined investors.

Our focus remains on structured portfolio construction, risk awareness and flexibility. We believe this approach is well suited to navigating the opportunities and challenges ahead while remaining aligned with each client's risk profile.

From the investment team

If you would like to discuss our portfolio positioning, the current market environment, or any aspect of this update in more detail, please feel free to reach out and speak with a member of our investment team.

We welcome thoughtful discussion and are always happy to provide additional context where helpful.

ERIC SYLVESTRE
Investment Manager

TAM ASSET MANAGEMENT INTERNATIONAL LIMITED
Nexteracom Tower I | Ebene | 72201 | Mauritius
+230 454 6400 | info@tamint.com | www.tamint.com

Important information

This document is intended for use by financial advisers and investment professionals only and should not be distributed to, or relied upon by, retail clients.

The information contained in this document is provided for information purposes only and does not constitute an offer, solicitation or recommendation to invest in any products or services referred to herein. Any opinions, expectations or projections expressed are those of TAM Asset Management International Limited at the time of writing and are subject to change without notice.

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested. Investments and services referred to in this document may not be suitable for all investors, and no guarantee is given as to performance or suitability.

Nothing in this document constitutes investment advice or a personal recommendation. Professional advice should be sought before making any investment decision.

TAM Asset Management International Limited is regulated by the Financial Services Commission of Mauritius and is an authorised Financial Services Provider regulated by the South African Financial Sector Conduct Authority.