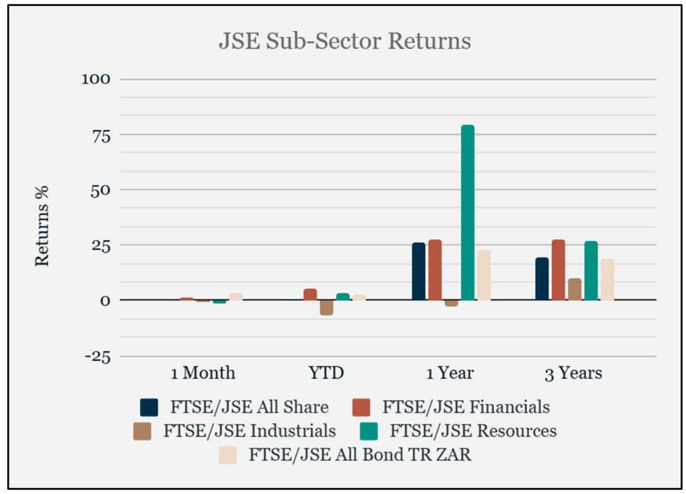
Monthly Review May 2026

STAR INVESTMENT PARTNERS

South African Market

South African equities faced a challenging month in May, with the FTSE/JSE ALSI returning (0.27%), leaving the index marginally positive year-to-date at 0.76%. The JSE's underperformance relative to global markets was largely structural, as the local bourse has limited exposure to the AI and semiconductor-linked stocks that dominated global returns. Resources declined (1.39%) and industrials fell (0.88%), as lower commodity prices and concerns around global growth weighed on resource-linked counters, while fading gold-price momentum also became a headwind. Consumer-facing sectors remained under pressure from higher fuel costs, tighter monetary policy and weaker disposable income, while financials proved more resilient, rising 1.09% on expectations of wider net interest margins. Overall sentiment remained cautious, reflecting a hawkish policy environment and continued uncertainty around global growth, despite pockets of strength in domestically exposed counters.

Headline inflation accelerated to 4.0% y/y in May, up from 3.1% in April and the highest reading since August 2024. The increase was driven mainly by sharply higher fuel prices, which lifted transport inflation, while housing and utilities also added pressure. Food inflation moderated to 2.9%, but core inflation rose to 3.6%, highlighting broader underlying price pressures. The data moves inflation further away from the SARB's preferred 3% target and reinforces the risk that elevated energy prices could keep policy cautious in the months ahead.



Source: Morningstar (Returns more than 1 year are annualized)

The South African Reserve Bank raised the repo rate by 25 basis points to 7.00% at its May MPC meeting, marking its first interest rate hike since May 2023. The decision reflected a pre-emptive response to rising inflation risks, as higher oil prices linked to the Middle East conflict pushed inflation forecasts higher and weakened the case for further easing. The SARB now expects headline inflation to average 4.4% in 2026 and 3.7% in 2027, before returning to the 3% target in 2028. While the banks Quarterly Projection Model (QPM) baseline points to one hike this quarter followed by eventual easing, the Bank's risk scenarios suggest further tightening could be required if energy and food-price pressures broaden into second-round inflation effects. Overall, the decision signals a more cautious policy stance as the SARB seeks to protect inflation credibility in a more uncertain global environment.

Asset Class Performance (ZAR):

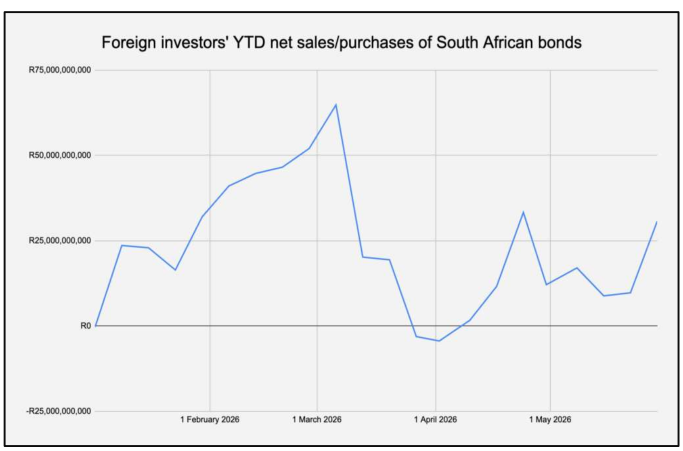
As of 31st May 2026	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.87	10.10	17.69	14.53	15.17	13.38
Global Property	(3.30)	7.41	2.25	4.07	6.01	4.76
Global Bond	(2.78)	(1.87)	(8.75)	(4.17)	0.67	0.29
Global Cash	(2.72)	(0.76)	(6.64)	(1.98)	7.12	2.68
SA Equity	(0.27)	0.76	25.84	19.41	15.46	11.66
SA Property	0.62	0.84	23.95	25.46	17.40	4.35
SA Bond	2.91	2.71	22.41	19.00	12.29	11.03
SA Cash	0.55	2.71	6.90	7.66	6.58	6.30

ZAR/USD (negative = Rand strength)	(2.84)	(1.94)	(9.72)	(6.37)	3.38	0.32
Gold	(4.51)	1.11	18.50	17.16	17.94	10.72
Brent Crude Oil	(21.70)	47.85	29.20	1.16	9.41	6.67

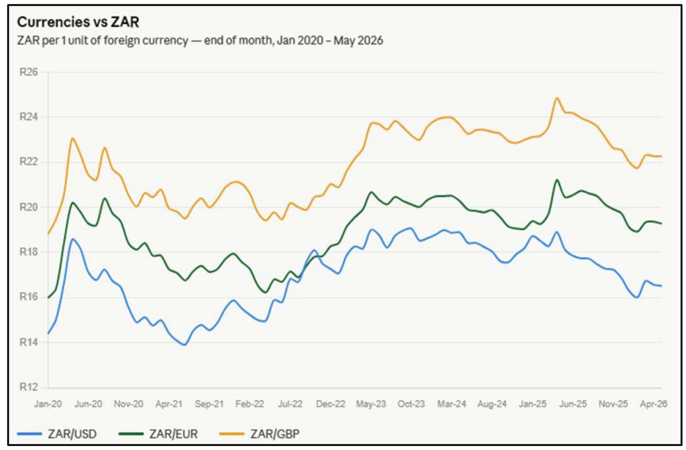
*Returns more than 1 year are annualized.

The Rand was among the better-performing liquid currencies in May, gaining 2.84% against the US Dollar and moving back into positive territory year-to-date up 1.94%, closing the month at R16.24/USD. The SARB's 25 basis point rate hike to 7.00% further underpinned the Rand by signalling a proactive response to rising inflation risks and preserving South Africa's attractive real yield differential. The Rand also benefited from a period of Dollar softness in the first half of May, before the greenback partially recovered. The combination of supportive carry, improved risk appetite and firmer local bond demand helped offset some of the external pressure from elevated energy prices. The Rand's outlook remains closely tied to global energy prices and geopolitical developments, particularly given South Africa's vulnerability as a net oil importer.

South African bonds were the standout domestic asset class in May, with the FTSE/JSE All Bond Index gaining 2.91% and extending its year-to-date return to 2.71%. The rally was supported by stronger demand for duration and improved fiscal confidence, rather than inflation protection alone. Sentiment was also helped by better global risk appetite, lower oil prices on hopes of a lasting Middle East ceasefire, and some easing in global bond yields. The 10-year government bond yield declined toward approximately 8.6% by month-end, reflecting a degree of local-market resilience underpinned by the SARB's decisive pre-emptive rate hike and the associated signal of institutional credibility. Overall, the move highlighted the continued appeal of South African bonds when high real yields are supported by credible policy and improving foreign investor appetite.



Source: JSE, SARB



Source: SARB / exchangerates.org

The ceasefire optimism that gained momentum in late May also eased domestic inflation expectations at the margin, providing further support for bond prices. Foreign demand added to the positive momentum, lifting year-to-date net purchases to R30.71 billion. This marked a notable recovery in appetite following the sharp outflows seen earlier in the conflict, as elevated real yields, a firmer Rand and improved global risk sentiment drew investors back into local fixed income. While the mid-month period still saw some volatility in line with global bond-market turbulence, South African bonds proved relatively resilient. The outlook remains conditional on the inflation trajectory, global yields and the durability of ceasefire negotiations.

South Africa's growth outlook for 2026 remains under pressure from the sustained impact of the Iran conflict, with higher energy costs weighing on household real disposable income and the SARB's 25 basis point rate hike adding further strain. Recent high-frequency data points to a more fragile backdrop, with the Absa Manufacturing PMI easing to 50.8 in May from 52.6 in April, remaining only marginally in expansionary territory as business activity and new sales orders softened. The SARB has also lowered its growth forecasts, noting that higher global uncertainty and reduced disposable income are likely to weigh on both investment and household consumption. That said, the medium-term outlook is not uniformly negative, with South Africa's improving credit trajectory, resilient terms of trade and renewed foreign appetite for local bonds providing support.

STAR INVESTMENT PARTNERS

Global Markets

Global equity markets remained constructive in May as investors continued to price in geopolitical de-escalation and easing oil prices. The MSCI ACWI gained 5.04%, building on April's strong recovery and lifting year-to-date returns to 12.65%. AI enthusiasm remained a key driver of performance, with technology stocks leading gains while energy and utilities lagged as oil prices declined. In the US, earnings remained supportive, led by the technology sector, while broader profit growth outside of tech also showed resilience. The S&P 500 rose 5.26% over the month, with the technology sector once again topping the rankings. Emerging markets delivered one of their strongest months in recent years, rising 9.71%, supported by sharp gains in South Korea and Taiwan as AI-linked semiconductor exposure continued to attract capital. Overall, the easing in oil prices helped reduce stagflation concerns and supported the continuation of the AI-driven equity rally.

US headline inflation accelerated to 3.8% y/y in May, up from 3.3% in April and its highest level since 2023. The increase was driven largely by the oil shock, with energy prices rising 17.9% y/y, while shelter and food costs also added pressure. Core inflation edged higher to 2.8%, suggesting that price pressures were beginning to broaden beyond energy alone. The hotter inflation print has reduced the likelihood of near-term Fed rate cuts and increased market sensitivity to any further signs of second-round inflation effects.

Source: Bloomberg opinion

The Federal Reserve kept the federal funds rate unchanged at 3.50% to 3.75% at their last meeting in April, with no scheduled FOMC meeting taking place during the month. The key development was the leadership transition, with Kevin Warsh sworn in as the 17th Federal Reserve Chair on 22 May. Warsh takes over at a difficult point in the cycle, with inflation still above target, growth momentum softening, and the FOMC facing a more divided policy backdrop. His first meeting as Chair is scheduled for 16 to 17 June, where markets will closely assess his tone and early policy signals. With inflation risks still elevated, investors expect the Fed to remain cautious, leaving little room for near-term rate cuts and keeping the possibility of tighter policy on the table should price pressures persist.

Asset Class Performance (USD):

As of 31st May 2026	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	5.04	12.65	31.22	22.50	11.42	13.04
Global Property	(0.28)	9.89	14.00	11.31	2.55	4.45
Global Bond	0.25	0.41	1.74	2.50	(2.62)	0.00
Global Cash	0.31	1.54	4.10	4.84	3.63	2.38
SA Equity	2.84	3.09	40.31	27.71	11.69	11.33
SA Property	3.76	3.17	38.20	34.19	13.56	4.04
SA Bond	6.12	5.09	36.49	27.28	8.62	10.71
SA Cash	3.69	5.09	19.20	15.15	3.11	5.99

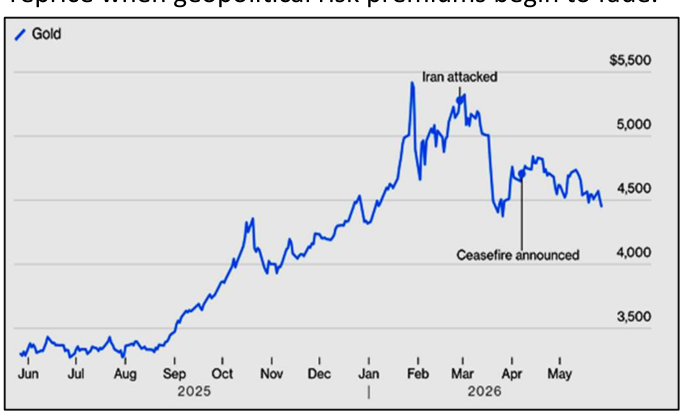
ZAR/USD (negative = Dollar strength)	2.92	1.98	10.76	6.80	(3.27)	(0.32)
Gold	(1.53)	3.45	32.13	25.32	14.09	10.40
Brent Crude Oil	(19.26)	51.27	44.05	8.20	5.84	6.36

*Returns more than 1 year are annualized.

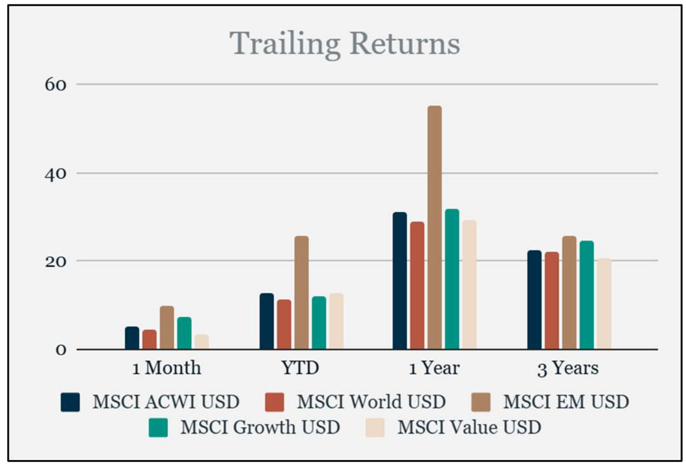
European equity markets delivered modest gains in May, with the Euro Stoxx 50 rising 2.34% as easing oil prices and ceasefire optimism provided some relief to energy-exposed economies. The ECB kept rates unchanged at its April meeting but signalled that a June hike remained on the table, as energy-driven inflation persisted across the eurozone. The FTSE 100 gained a subdued 0.68%, held back by its structural tilt toward energy and financials, while Asian markets were among the strongest performers globally. Japan's Nikkei surged 11.91%, supported by its semiconductor and technology supply-chain exposure, while China remained the notable laggard, with the Hang Seng declining (1.76%).

The US Dollar delivered a modest gain in May, with the DXY index rising 0.88% against a basket of major currencies. The Dollar was notably stronger against the Yen and Pound, but remained broadly range-bound against the Euro. The greenback was pulled in competing directions, with higher US inflation and rising rate-hike expectations providing support, while ceasefire optimism and lower oil prices temporarily reduced safe-haven demand. Overall, the Dollar's resilience reflected the market's view that US rates may need to remain higher for longer if inflation pressures persist.

Commodities were mixed in May, with Brent crude recording its largest monthly decline since March 2020, falling (19.26%) in USD terms to close near $92/bbl. The decline was driven by growing optimism around a potential US-Iran agreement and hopes that shipping through the Strait of Hormuz could normalise, despite the conflict remaining unresolved by month-end. Gold fell (1.53%) during May, as improving risk appetite and a firmer Dollar reduced safe-haven demand. Overall, the moves highlighted how quickly commodity markets can reprice when geopolitical risk premiums begin to fade.



Source: Bloomberg



Source: Morningstar (Returns more than 1 year are annualized)

Global fixed income delivered marginally positive returns in May, although this masked significant intra-month volatility. Global government bonds gained 0.25%, despite a mid-month sell-off in sovereign bonds as higher US inflation and ongoing concerns around US fiscal sustainability pushed the 10-year Treasury yield toward 4.6%, before it eased back to close the month near 4.45%. Euro high-yield bonds were the standout performer, gaining 1.0% as European risk sentiment benefited from ceasefire hopes, while emerging market bonds also delivered solid returns of approximately 0.8%. Overall, fixed income markets remained caught between attractive starting yields and the risk that inflation could stay higher for longer. The key risk for global bond investors remains the stickiness of core inflation; should the oil-driven shock begin to filter into wages and services, the tentative recovery in bond markets could come under renewed pressure.

US economic growth was revised lower in the second estimate for Q1 2026, with GDP growth cut to 1.6% annualised from 2.0%, mainly reflecting weaker investment and consumer spending. The labour market, however, remained resilient, with nonfarm payrolls increasing by 172,000 in May, comfortably ahead of expectations, while March and April payrolls were revised higher by a combined 93,000 jobs. While the economy is not showing signs of a sharp deterioration, elevated energy prices and broader inflation pressures linked to the Iran conflict continue to weigh on household purchasing power. As a result, the outlook for the remainder of 2026 remains cautious, with labour-market strength reducing the urgency for rate cuts, while persistent inflation risks limit the Fed's ability to provide policy support if growth slows further.

Historic Asset Class Performance Matrix

The performance matrix below shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for SA and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31st May 2026.

	YTD	5/2026	5/2025	5/2024	5/2023	5/2022	5/2021	5/2020	5/2019	5/2018	5/2017	5/2016	5/2015
Best	Global Equity 10.1	SA Equity 25.8	SA Property 32.5	SA Property 20.3	Global Equity 28.0	SA Property 15.5	SA Equity 38.1	Global Fixed Income 27.5	Global Property 26.3	SA Fixed Income 10.4	SA Fixed Income 13.4	Global Property 40.5	SA Property 31.7
	Global Property 7.4	SA Property 24.0	SA Equity 27.3	Global Equity 17.3	Global Fixed Income 20.1	SA Equity 11.0	SA Property 37.3	Global Equity 26.9	Global Fixed Income 17.6	Global Equity 8.6	SA Cash 7.0	Global Fixed Income 38.3	Global Property 22.6
	SA Fixed Income 2.7	SA Fixed Income 22.4	SA Fixed Income 21.8	SA Fixed Income 13.0	SA Equity 8.5	Global Property 10.2	Global Equity 12.5	SA Fixed Income 6.4	Global Equity 12.7	SA Equity 8.0	SA Property 3.7	Global Equity 23.1	Global Equity 21.6
	SA Cash 2.7	Global Equity 17.7	Global Equity 8.8	SA Cash 8.2	Global Property 7.8	SA Fixed Income 5.6	SA Fixed Income 11.1	SA Cash 6.3	SA Fixed Income 7.7	SA Cash 6.8	SA Equity 2.2	SA Property 9.4	SA Fixed Income 9.4
	SA Property 0.8	SA Cash 6.9	SA Cash 7.9	SA Equity 6.3	SA Cash 6.3	Global Equity 5.4	Global Property 7.3	Global Property 1.8	SA Cash 6.6	Global Property 0.9	Global Equity -1.0	SA Equity 6.3	SA Equity 8.5
	SA Equity 0.8	Global Property 2.2	Global Property 7.4	Global Property 2.7	SA Fixed Income 0.3	SA Cash 3.7	SA Cash 3.6	SA Equity -6.0	SA Equity 2.4	Global Fixed Income -1.8	Global Property -14.6	SA Cash 6.2	SA Cash 5.6
Worst	Global Fixed Income -1.9	Global Fixed Income -8.8	Global Fixed Income 2.5	Global Fixed Income -5.9	SA Property -2.3	Global Fixed Income -2.2	Global Fixed Income -19.0	SA Property -45.9	SA Property -4.8	SA Property -6.5	Global Fixed Income -16.4	SA Fixed Income 1.0	Global Fixed Income 5.3

Source: Morningstar Direct