



Prosperity

AUGUST 2026

Economic and Market Overview
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Private Clients
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PODCAST

MARKETS & MEANING



Each month, Sean Ashton, Head of Investments, steps back from the headlines to focus on the forces shaping markets and what they mean for long-term investors.

August 2026: When Markets Overshoot: Inside South Korea's Tech Sell-Off

In our latest episode, Sean unpacks the sharp sell-off in South Korea's stock market and explains why it may have had less to do with company fundamentals than many investors assume.

The discussion explores how leverage, retail participation and investor positioning can amplify market moves, even when underlying businesses continue to deliver strong earnings. Sean also examines what investors should watch for as markets stabilise, before sharing his views on the South African Reserve Bank's latest interest rate decision and why not all inflation shocks should be met with higher interest rates.

It's a timely conversation on looking beyond short-term market volatility and focusing on what is really driving prices.

LISTEN NOW



July was characterised by renewed geopolitical uncertainty, evolving interest rate expectations and continued debate around the scale of investment in AI. Below we summarise the key economic developments, market movements and updates from selected portfolio holdings.

ECONOMIC UPDATE

The ceasefire between the US and Iran proved short-lived, with renewed attacks pushing oil prices higher during July. Refined fuel prices, particularly diesel, rose even more sharply as global refining capacity remained constrained, partly due to attacks on Russian refineries. While crude oil prices remained below historic peaks, higher fuel costs are expected to place renewed upward pressure on inflation while weighing on economic activity.

Despite the renewed conflict, the most likely long-term outcome remains an eventual truce. An extended war would be costly for both sides, while countries in the region continue investing in infrastructure that will ultimately reduce reliance on the Strait of Hormuz.

Even against this backdrop, the global economy has remained resilient. The International Monetary Fund lowered its 2026 global growth forecast to 3%, below the long-term average but still indicative of continued expansion. Growth is expected to improve next year as the effects of the conflict begin to fade. At the same time, the ongoing investment cycle in artificial intelligence (AI)

continues to provide meaningful support for economic activity, although the longer-term impact of AI on productivity, employment and inflation remains uncertain.

The scale of AI-related capital expenditure is also attracting increasing scrutiny. While companies continue investing hundreds of billions of dollars in new data centres, investors are becoming more selective as they assess which businesses are likely to generate attractive long-term returns. This contributed to significant divergence in equity market performance during the month, particularly within the technology sector.

The growing funding requirements of AI infrastructure are also contributing to increased borrowing by both companies and governments, adding to upward pressure on long-term bond yields.

Against this backdrop, central banks have adopted a cautious approach. During July, the European Central Bank, Bank of England, Bank of Canada, Bank of Japan, US Federal Reserve and South African Reserve Bank all left interest rates unchanged as policymakers balanced inflation risks against slowing economic growth.

The US Federal Reserve's decision attracted particular attention. While Chair Kevin Warsh reiterated his commitment to price stability, his communication suggested a more measured approach than markets had anticipated, contributing to higher long-term bond yields as investors reassessed the outlook for US interest rates.

Locally, the South African Reserve Bank also surprised markets by leaving rates unchanged. Although a further increase remains possible should inflationary pressures persist, the policy rate was already restrictive before the conflict began, providing some protection against a temporary rise in inflation. As a result, the outlook for interest rates will continue to depend on how inflation and economic growth evolve over the coming months.

MARKET UPDATE

Despite significant volatility within technology shares, the MSCI World Index ended the month 0.5% higher.

Regional performance varied. In the US, the Nasdaq declined 3.2%, recording its largest monthly pullback since March 2025, while the S&P 500 edged 0.1% lower. The Dow Jones Industrial Average outperformed, gaining 0.3% after briefly reaching a new record high. UK equities also delivered a strong month, with the FTSE 100 advancing 3.5%.

Asian markets were similarly mixed. China's manufacturing PMI slipped back into contractionary territory during July. The Hang Seng nevertheless gained 13.1%, while the Shanghai Composite declined 6.4%. Japan underperformed, with the Nikkei falling 8.1% after its recent strong run.

Locally, the FTSE/JSE All Share Index gained 1.1%, with all major sectors ending the month higher. Resource shares rose 2.2%, financials gained 1.2% and industrials increased 0.3%.

The rand weakened 1.0% against the US dollar following the South African Reserve Bank's decision to leave interest rates unchanged. Commodity prices strengthened during the month, with Brent crude oil rising 23.6%, while gold and platinum gained 0.9% and 6.2%, respectively.

GLOBAL HOLDINGS



ASML

ASML delivered a strong second-quarter result, with revenue increasing 21% to €9.3bn and earnings per share of €7.58, both ahead of expectations. Demand remained robust across both logic and memory chip customers, while higher Installed Base Management sales supported margins.

Management increased full-year revenue guidance to €43bn - €45bn, up from €36bn - €40bn, while gross margin guidance was raised to 54% - 56% from 51% - 53%. The planned expansion in production capacity continues to support the long-term investment case. [Click here](#) to read more about our long-term investment case for ASML.



Atlas Copco

Atlas Copco reported a strong second quarter, with revenue increasing 9% and orders rising 27%, reflecting broad-based demand across its end markets. The Vacuum Technique division continued to benefit from elevated semiconductor-related investment, while North America and Asia delivered particularly strong growth.

The improving order book supports a favourable outlook for earnings. Combined with the group's exposure to long-term industrial and semiconductor investment trends, Atlas Copco remains well positioned for continued growth.



Netflix

Netflix reported mixed second-quarter results, with revenue increasing 13.4% while earnings per share exceeded expectations by 2.5%. Although management reaffirmed full-year guidance, weaker-than-expected third-quarter guidance weighed on investor sentiment.

Management expects content spending to grow more slowly than revenue, supporting continued margin expansion and stronger free cash flow. However, investors are looking for a new growth catalyst beyond live sports, advertising and gaming, and the latest results did little to change that view. With the share price having weakened over the past month and following the results, we believe the risk-reward is becoming increasingly attractive. We remain confident in Netflix's long-term growth prospects.



Alphabet

Alphabet delivered another strong quarter, with revenue increasing 24% and Google Cloud revenue surging 82% to US\$24.8bn. Google Search, YouTube and Cloud all continued to deliver robust growth.

Management remains exceptionally bullish on the group's AI opportunity and is accelerating investment to meet strong demand. Capital expenditure doubled to US\$44.9bn during the quarter, while full-year 2026 capex guidance was increased to US\$195bn - US\$205bn (up from US\$180bn - US\$190bn). Management reiterated that these investments continue to be assessed under a strict return on invested capital (ROIC) framework.

Despite the strong quarterly results, the share declined as investors become increasingly concerned about the pace, scale and potential returns of AI-related spending by hyperscalers. Alphabet retains a strong balance sheet, ending the quarter with a net cash position of US\$144bn. Management continues to see significant long-term growth opportunities driven by advances in AI.



Danaher

Danaher delivered a mixed second-quarter result, with revenue increasing 5.5% to US\$6.27bn and adjusted earnings per share rising 8% to US\$1.94, both ahead of expectations.

Management increased full-year adjusted EPS guidance to US\$8.45 - US\$8.60, from US\$8.35 - US\$8.55, while narrowing core revenue growth guidance to 3% - 4%. During the quarter, Danaher concluded its US\$10bn acquisition of Masimo's patient monitoring business. The acquisition is expected to be immediately earnings accretive, contributing around US\$0.07 per share for the remainder of 2026. Despite the acquisition, Danaher's balance sheet retains capacity for further acquisitions, aided by the group's strong free cash flow generation.



HCA Healthcare

Hospital group HCA Healthcare reported second-quarter results broadly in line with expectations, with revenue increasing 8.7% to US\$20.2bn and adjusted earnings per share rising 11% to US\$7.59.

Management reduced full-year adjusted EBITDA guidance to US\$15.4bn-US\$16.1bn and adjusted EPS guidance to US\$28.70-US\$30.50, reflecting a larger-than-expected impact from Affordable Care Act exchange disenrollment. Even so, the business continues to generate strong cash flow and return capital to shareholders.

S&P Global

S&P Global

S&P Global delivered a strong second-quarter 2026 result, with organic revenue increasing 11% and adjusted earnings per share rising 23% to US\$4.83. Ratings and Indices remained the primary drivers of growth.

Reflecting strong cash generation, management raised its full year share repurchase target to more than US\$7bn, almost US\$3bn above prior guidance. Full-year adjusted EPS guidance was restated to exclude Mobility at US\$17.50 – US\$17.75, implying double-digit earnings growth, although the restatement means it is not directly comparable with prior guidance.



Meta

Meta reported second-quarter headline earnings below expectations after one-off legal and restructuring charges affected the quarter. Excluding these items, underlying profitability remained strong, with revenue continuing to grow by more than 20%.

Management continues to invest heavily in AI while expecting operating income to remain above 2025 levels. Meta's scale, cash generation and AI leadership continue to support its long-term growth outlook.

Amphenol

Amphenol

Connector and cable manufacturer Amphenol reported record second-quarter 2026 results, with revenue increasing 55% to US\$8.8bn and adjusted EPS growing 67% to US\$1.35, both materially ahead of expectations.

Profitability also exceeded forecasts, with adjusted operating margin reaching 29.8%, 150 basis points above consensus, supported in part by S\$80m in net tariff recoveries. The business generated US\$1.2bn in free cash flow during the quarter, enabling continued investment in bolt-on acquisitions while returning US\$515m to shareholders through dividends and share repurchases.

Management issued a strong outlook for the third quarter, guiding revenue of US\$9.3bn – US\$9.4bn and adjusted EPS of US\$1.40 – US\$1.42, both well ahead of prior market

expectations. Record orders continue to provide strong visibility into growth for the remainder of the year.



Microsoft

Microsoft delivered a strong fourth-quarter result, exceeding expectations with revenue growth of 17% and an operating margin that remained resilient despite significant investment in AI infrastructure. The performance was driven by Azure, where revenue grew 43%, alongside continued strength across the company's cloud businesses. Copilot also gained further traction, reaching 30 million paid seats and providing clear evidence of Microsoft's ability to monetise its AI investments.

Management's outlook for full-year 2027 was equally encouraging. Revenue is expected to grow at a double-digit rate, while operating margin is forecast to decline by less than 1% despite significant new capacity coming online. Azure growth is expected to accelerate further to around 45% in the first quarter of 2027. Although capital expenditure will remain elevated, Microsoft is still expected to generate strong free cash flow, underscoring the strength of its business model and cash-generating ability.



Fortinet

Fortinet delivered an excellent second-quarter result, with diluted earnings per share increasing 43.9% as customers continued investing in network security. Strong growth across both Product and Services revenue prompted management to upgrade full-year guidance.

The company continues to benefit from growing demand for AI-driven cybersecurity solutions and remains well positioned to deliver long-term growth.



Schneider Electric

Schneider Electric reported a strong first-half result, with revenue increasing 9.8% and adjusted earnings per share growing 20.7%, both ahead of expectations. Growth was supported by continued demand across Energy Management and Industrial Automation.

Following the strong first half, management upgraded full-year guidance, reflecting confidence in continued demand across its end markets. Schneider Electric remains well positioned to benefit from long-term structural trends, including grid modernisation and expanding data centre infrastructure.



Amazon

Amazon delivered another strong quarter, with revenue increasing 20% while operating income grew 44%, driven by continued momentum in AWS, advertising and subscription services. AWS demand remained exceptionally strong as customers expanded their investment in generative AI.

Management increased capital expenditure guidance to US\$220bn, up from US\$200bn, to support additional AI infrastructure while maintaining confidence in the long-term returns from these investments. The continued shift towards higher-margin services businesses remains central to Amazon's long-term investment case.

LOCAL HOLDINGS



Prosus

Prosus delivered a strong set of full-year 2026 results, with revenue increasing 57% to US\$9.7bn, core headline earnings per share rising 24% and free cash flow improving by US\$493m.

The group continued to strengthen its ecosystem through the acquisitions of Despegar and Just Eat Takeaway, while disposing of non-core assets to simplify the portfolio. Management expects full-year 2027 to be an investment year, with increased spending to support growth across its key platforms.

Prosus continues to trade at a meaningful discount to both its net asset value and the value of its Tencent stake. While the group's underlying businesses continue to improve profitability and cash generation, the current valuation remains attractive relative to its underlying assets.



Naspers

Naspers reported a solid full-year 2026 performance, with revenue increasing 51% to US\$10.8bn, core headline earnings rising 24% and free cash flow improving by US\$522m.

Through Prosus, the group expanded its ecosystem with the acquisitions of Despegar and Just Eat Takeaway while continuing to simplify the portfolio through the disposal of non-core assets. Management has positioned full-year 2027 as an investment year as it continues investing for long-term growth.

Naspers continues to trade at a significant discount to both its net asset value and the value of its Tencent stake. While the group's underlying businesses continue to improve profitability and cash generation, the current valuation remains attractive relative to its underlying assets.



Valterra Platinum

Valterra Platinum delivered a strong first-half 2026 result, with revenue increasing 93% year-on-year and EBITDA of R33.4bn exceeding expectations. Higher PGM sales volumes, the operational recovery at Amandelbult and disciplined cost control supported strong cash generation, allowing the group to declare an interim dividend of R57 per share.

Management maintained full-year production guidance of 3.0 to 3.4 million ounces. While cash unit costs are expected to finish towards the upper end of the R19,000-R20,000/oz guidance range, all-in sustaining cost guidance remains unchanged.

Supported by a strong balance sheet, disciplined capital allocation and continued operational improvement, Valterra Platinum remains well positioned to create long-term shareholder value.



CONTACT US

CAPE TOWN

PINELANDS

Old Mutual Wealth, Mutualpark, Jan Smuts Drive, Pinelands, 7405
Tel: 021 524 4678

STELLENBOSCH

97 La Gratitude, Dorp Street, Stellenbosch, 7600
Tel: 021 861 5300

NEWLANDS

22 Kildare Street, Newlands, 7700
Tel: 021 524 4678

GEORGE

1st Floor, Building 5, 27 York Street, George
Tel: 082 823 2731

JOHANNESBURG

2nd Floor, Lacey Oak House, Bally Oaks Office Park, Ballyclare Drive, Bryanston, 2191
Tel: 011 245 3805

PRETORIA

6th Floor 180, Maine, Park Lane West, 197 Amarand Ave, Menlyn, 0181
Tel: 012 369 7236

KWAZULU NATAL

74 Old Main Road, Unit 7, Kloof
Tel: 031 767 7300

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