Prosperity

JULY 2026

Economic and Market Overview

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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.

July 2026: The Market's Balancing Act
Sean explores the balancing act currently shaping markets, from evolving inflationary pressures to changing investor expectations around AI.

The discussion examines whether rising memory chip prices could contribute to a new wave of goods inflation, why Sean believes recent interest rate decisions may have been a policy mistake, and how a more measured approach from the US Federal Reserve could reshape monetary policy.

Sean also unpacks one of the market's biggest contradictions: why semiconductor companies continue to outperform while the businesses funding the AI infrastructure buildout have fallen out of favour, and why that disconnect cannot persist indefinitely.

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June was characterised by easing geopolitical tensions, shifting interest rate expectations and continued momentum in the AI-driven rally. Below we summarise the key economic developments, market movements and updates from selected portfolio holdings.

ECONOMIC UPDATE

The second quarter of 2026 was shaped by three key macroeconomic themes: continued investment in artificial intelligence (AI), the US-Iran war and shifting expectations for US monetary policy.

The AI investment cycle continued to support global markets, particularly companies supplying the infrastructure underpinning the rapid expansion of data centres. Its impact is increasingly being felt across the broader economy, from construction activity in the US to semiconductor exports in Taiwan and Korea, and equipment manufacturers in Japan. At the same time, companies funding these investments are increasingly redirecting cash flows towards AI infrastructure while raising debt and equity to finance additional capital expenditure. Longer-term questions remain around AI's impact on jobs, business models and society.

Geopolitical developments improved during the month following the signing of a Memorandum of Understanding between the US and Iran, with a peace process now underway. While negotiations are likely to remain uneven, easing tensions have already contributed to a meaningful decline in oil prices. Brent crude ended the month not far above levels seen before the conflict began. Although still higher than at the start of the year, current prices are more manageable for the global economy and should ease pressure on household spending and business margins.

The moderation in energy prices has also reduced upward pressure on global interest rates. While the European Central Bank and the Bank of Japan raised rates during June, the outlook for further policy tightening has improved. The Bank of England and several other central banks may now be less inclined to proceed with further increases. In South Africa, lower fuel prices and a stable rand have similarly reduced the likelihood of additional interest rate hikes.

The US Federal Reserve remains a key focus for investors. Newly appointed Chair Kevin Warsh reaffirmed the Fed's commitment to price stability at his first policy meeting while signalling that the central bank is likely to provide less forward guidance than in the past. As a result, investors may need to rely more heavily on incoming economic data when assessing the future path of US interest rates.

Although markets continue to price in a modest US hiking cycle, expectations are likely to evolve as new economic data emerges. With US interest rates already relatively high and other major central banks becoming less inclined to tighten policy further, the US dollar strengthened during the month.

MARKET UPDATE

Global equity markets experienced a more volatile month in June. Despite opening the month at record highs, the MSCI World Index ended June 0.8% lower.

US markets delivered mixed returns. The Dow Jones Industrial Average gained 2.5% to a fresh record high, while technology shares weakened, with the Nasdaq declining 2.8% and the S&P 500 falling 1.1%. In the UK, the FTSE 100 edged 0.8% higher following another month of volatile trading.

Asian markets also produced mixed results. China's Shanghai Composite gained 0.6%, supported by an improvement in manufacturing activity. In contrast, the Hang Seng Index fell 9.1% as semiconductor shares came under pressure. Japan remained the standout performer among major markets, with the Nikkei rising 5.6% despite volatility in the AI sector.

Locally, the FTSE/JSE All Share Index declined 3.8%, underperforming global markets. A sharp fall in resource shares offset positive returns from financials and industrials, with the Resi-10 declining 16.4% while the Fini-15 and Indi-25 gained 2.6% and 1.9%, respectively.

The rand weakened 0.9% against the US dollar to close the month at R16.38. Commodity prices also retreated sharply, with Brent crude oil falling 21.5% to US$72.92 per barrel, gold declining 11.8% to US$4,005.95 per ounce, and platinum dropping 19.1%.

COMPANY UPDATES

Richemont

Richemont completed the sale of Swiss watchmaker Baume & Mercier to Italy's Damiani Group, marking another step in the luxury group's strategy of focusing on its strongest brands. While Baume & Mercier is one of Switzerland's oldest watchmakers, the brand occupies a more accessible segment of the luxury market than Richemont's flagship maisons, including Cartier, Van Cleef & Arpels, Jaeger-LeCoultre and Vacheron Constantin.

The transaction comes as the global luxury industry adjusts to softer demand, particularly in China. Against this backdrop, Richemont continues to refine its portfolio by concentrating investment behind its highest-return jewellery and watch maisons while simplifying the broader group.

The transaction reinforces Richemont's disciplined approach to portfolio management, with management continuing to focus investment on the group's strongest jewellery and watch maisons.

Ninety One

Ninety One delivered a strong recovery in its full-year 2026 results. Closing assets under management increased 31% to £171.8bn, supported by the completion of the Sanlam transaction, which contributed approximately £18.3bn in assets under management. Positive market performance and a return to net inflows of £2.8bn helped reverse the £4.9bn of net outflows recorded in FY2025.

Management fees increased 9% to £617.3m, driven by higher average assets under management, while adjusted operating profit rose 12% to £211.3m, ahead of market expectations. Adjusted earnings per share increased 12% to 17.4p and the board increased the full-year dividend by 9.8% to 13.4p per share, while also expanding its share buyback programme.

Management remains focused on growing the business across international public markets, Southern Africa and private markets. Early signs of renewed demand for emerging market strategies are encouraging, with confidence that recent inflows can be sustained.

Ninety One continues to benefit from a highly scalable, cash-generative business model supported by a diversified global distribution network. Combined with improving fund flows and continued international expansion, the business remains well positioned to deliver sustainable earnings growth over the long term.

Stor-Age

Stor-Age reported solid full-year 2026 results, although performance differed across its two key markets. Group distributable income per share increased 5.1% to 129.29 cents and the board declared a final dividend of 56.6 cents per share.

The South African portfolio continued to perform well, with rental income increasing 9.6%, supported by higher occupancy and rental rate growth. Net property operating income rose 10.2%, reflecting strong demand and effective revenue management. While closing occupancy eased slightly from the previous year, this was largely due to increased leasing of smaller units.

In contrast, the UK portfolio remained under pressure. Rental income increased modestly, but higher operating costs and continued promotional activity resulted in a slight decline in net property operating income.

Stor-Age continues to benefit from the defensive characteristics of the self-storage sector, supported by long-term trends such as urbanisation and downsizing. Its entrepreneurial management team continues to identify additional growth opportunities through initiatives such as third-party property management, while the group's attractive unit economics and disciplined capital allocation continue to support the long-term investment case.

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