

# Discovery Equity Fund

28 February 2026

## Market background

Financial markets were broadly positive in February. US Treasury yields declined, while global equities rose on resilient economic data. Tech stocks had a weaker month, selling off amid concerns about potential AI disruption.

South African equity markets delivered gains over the month, with the JSE All Share Index rising despite some early volatility. Market performance was driven primarily by strength in the resources sector, as precious-metals producers continued to benefit from supportive gold and platinum prices amid sustained global demand for safe-haven assets.

Finance Minister Enoch Godongwana delivered the 2026 National Budget. The Minister highlighted stronger-than-expected revenue collection, ongoing fiscal consolidation efforts, and a commitment to expenditure discipline. These developments support an improving medium-term fiscal outlook and enhance policy credibility as the government continues to deliver a primary surplus. The bond market responded positively, with longer-dated bond yields falling. The rand strengthened and remained relatively resilient on the back of improving fiscal indicators and broader positive sentiment towards South African assets, finishing the month at R15.94 to the US dollar.

## Performance review

For the month, the portfolio underperformed the benchmark.

Among the largest detractors from relative performance was the portfolio's overweight positions in Mastercard and S&P Global. Our overweight exposure to both companies was driven by strong signals in earnings expectations and quality factors, with low volatility, historic growth, and historic profitability among the key contributors in the quality category.

Adding to relative performance were overweight positions in AngloGold Ashanti and Sasol. Our decision to hold an overweight position in AngloGold Ashanti was driven by strong signals in earnings expectations, quality, and momentum, with forecast and historic growth and historic profitability as the key contributors in the quality category. Our exposure to Sasol, meanwhile, was driven by strong signals in value and momentum. Within the value category, key contributors included price-to-sales, earnings yield and cash flow yield.

## Outlook and strategy

The portfolio's investment philosophy and process aim to deliver consistent returns for investors. We follow a multi-style investment approach, which is dynamically adjusted to ensure that relative risk is actively managed throughout the business cycle.

We prefer shares that are trading at a discount relative to the market, with positive momentum, positive earnings expectations and low downside risk.

Positive quality refers to good financial health, low volatility and downside risk, while positive value indicates that the stock is trading at an attractive value.

Some of the portfolio's largest overweight positions include Mastercard and Astral Foods, while significant underweights include FirstRand and Valterra Platinum.



Our overweight position in Astral is largely driven by positive earnings expectations, strong momentum, and attractive valuation. The key contributors in the value category include earnings yield, dividend yield and cash flow yield. Our positioning in Mastercard, meanwhile, is driven by positive earnings expectations and strong quality factors. The key contributors in the quality category include low volatility, historical growth, and historical profitability.

In terms of the portfolio's underweights, in our view, FirstRand displays poor value and negative earnings expectations, with earnings yield and cash flow yield the key contributors in the value category. Valterra, meanwhile, displays poor value, with earnings yield and cash flow yield the key contributors in this category.