

# Quarterly performance overview: Q1 2026

As of 31 March 2026

This market overview for the first quarter\* (January to March) of 2026 is intended to help you contextualise the performance of your investment, as shown on your fund statement, in light of overall market performance.

## MARKET OVERVIEW

It's been a volatile start to the year for investors, with markets pulled in different directions by a mix of global events.

Early in the quarter, pressure began to build as large US technology companies came under scrutiny during earnings season, with investors questioning how quickly investments in AI will translate into profits. At the same time, trade tensions resurfaced after the US introduced a flat 10% tariff on imports, adding another layer of uncertainty. However, the biggest driver of market movements was the escalation of conflict in the Middle East. This disrupted global oil and gas supply, particularly with concerns around the closure of the Strait of Hormuz and pushed oil prices sharply higher in March. As energy costs rose, markets became more worried about inflation than economic growth. This shift weighed on both shares and bonds, while investors became more cautious overall.

Central banks, including those in the US, UK, Europe and Japan, chose to keep interest rates unchanged in March as they assessed the situation. Importantly though, expectations changed: markets moved away from anticipating rate cuts and, in some cases, began pricing in possible rate increases instead.

Against this backdrop, global markets struggled. Shares declined broadly, with the MSCI All Country World Index falling 3.2% over the quarter. Developed markets were slightly weaker, down 3.6%, although pockets of strength in the UK and Japan helped limit losses. Emerging markets held up relatively well, declining just 0.2%, supported by strong performances in countries like Brazil and Turkey. Global property was one of the few areas to deliver a positive return, rising 0.9% (all returns in US dollars).

In the US, major equity indices ended the quarter lower, with the S&P 500 down 4.3%, the Dow Jones down 3.2%, and the Nasdaq down 7.0%. The US dollar strengthened as investors sought safer assets, while bond markets experienced some volatility as expectations around interest rates shifted.

In Europe and the UK, higher energy prices added to inflation concerns and kept central banks cautious. While the UK market managed a modest gain, most European markets ended the quarter lower as growth slowed and uncertainty increased.

Japan stood out as a relative bright spot, with the market supported by a weaker yen and expectations of supportive policy, while China showed resilience despite mixed economic data, helped by stronger industrial activity and increased lending.



Commodities were a key theme throughout the quarter. Oil prices surged due to supply disruptions, while other commodities, including precious metals, were more volatile and delivered more modest gains. Notably, traditional “safe haven” assets like gold did not provide consistent protection during periods of market stress.

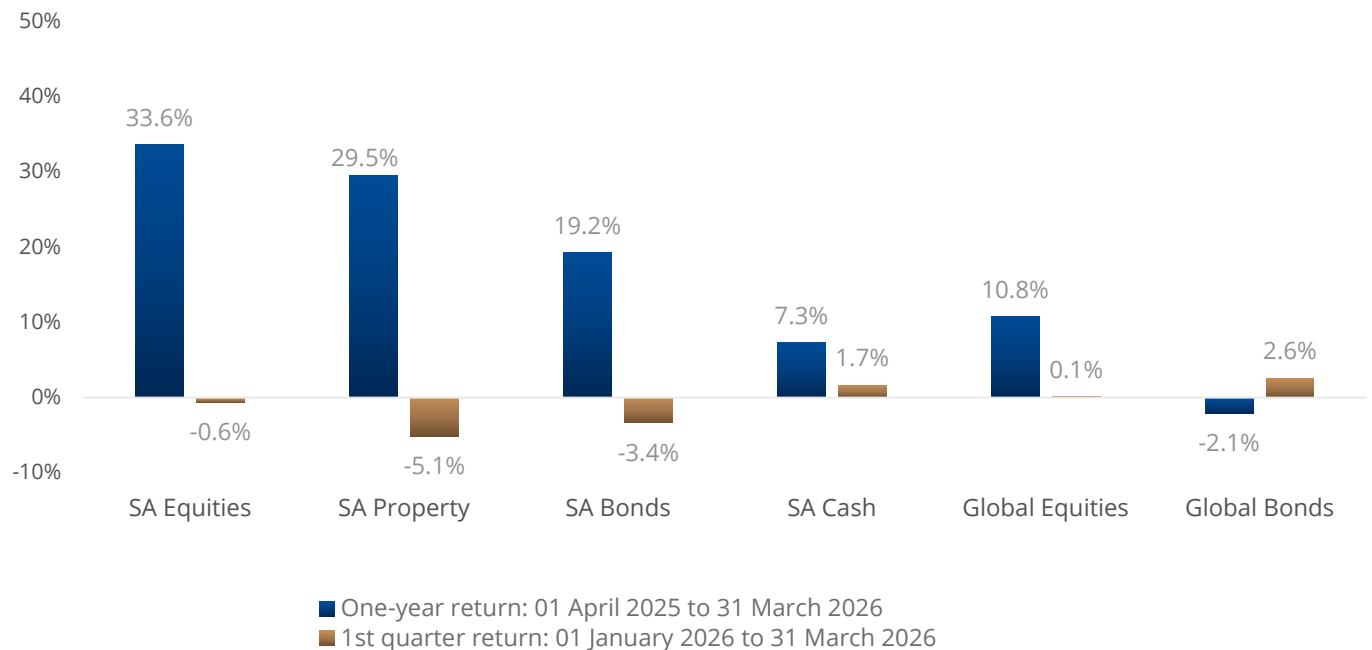
Locally, South African markets reflected the global uncertainty. After a strong start to the year, sentiment weakened in March, and the FTSE/JSE All Share Index ended the quarter slightly down at -0.6% in rand terms. Performance across sectors was mixed. Resource shares performed well, supported by higher commodity prices, but this was offset by declines in industrials, property and financials.

The bond market also came under pressure. Rising inflation concerns pushed yields higher, particularly for longer-term bonds, resulting in negative returns for the quarter. Inflation-linked bonds followed a similar pattern. In contrast, cash delivered a steady and positive return, providing some stability during a volatile period.

Inflation in South Africa eased slightly, and the Reserve Bank kept interest rates unchanged. However, similar to global trends, expectations shifted towards the possibility of future rate increases rather than cuts. Finally, the rand weakened over the quarter, particularly against a stronger US dollar, and to a lesser extent against the pound and euro.

Overall, the quarter was shaped by uncertainty, driven largely by geopolitical risks and rising energy prices, which led to more cautious markets and a challenging environment for investors.

#### Asset class returns for the first quarter\* of 2026 and the past year



Source: Morningstar, 8 April 2026 | \*Quarter taken as three calendar months ending 31 March 2026

Over a one-year period, all asset classes with the exception of global bonds provided positive returns, with South African equities providing the highest returns overall, followed by South African listed property and bonds. Over the last quarter, returns were under pressure. Global bonds were the best performing asset class for the quarter followed by cash, with all other asset classes either flat or negative.



Investors are reminded of the importance of having a well-diversified portfolio that includes liquid, inflation-hedged investments that can protect them during times of high inflation. In addition, they are encouraged to stay invested and remain committed to their investment goals. By sticking to the long-term investment strategy that you and your financial adviser have drawn up, you have a much better chance of reaching the financial future you aspire to.

## **EFFECT OF MARKETS ON DISCOVERY FUNDS (ALL PERIODS UP TO 31 DECEMBER 2025)**

### **Local equities**

The Discovery Equity Fund performed in the top 50% of its sector over 3,7 and 10 years.

### **Local multi-asset fund range**

The Discovery multi-asset funds, including our Balanced Fund Range and Cogence Discovery Dynamic Asset Optimiser Fund Range, offer clients access to top-performing, multi-asset solutions managed by industry leaders.

The Discovery Balanced Fund performed in the top 50% of its sector over 1 year, while the Cogence Discovery Balanced Dynamic Asset Optimiser Fund performed in the top 50% of its sector over 1 and 7 years.

The Cogence Discovery Moderate Dynamic Asset Optimiser was a top quartile performer over 7 and 10 years, while the Discovery Moderate Balanced Fund was in the top 50% of its sector over 1 year.

### **Local property**

The Discovery Flexible Property Fund performed in the top 50% of its sector over 6 months and 1 and 7 years.

### **Local bonds and cash**

The Discovery Money Market Fund performed in line with its peer group average over 5 and 7 years.

### **Global funds**

The Discovery Global Equity Feeder Fund performed in the top 50% of its sector over 3,5, 7 and 10 years, while the Discovery Global Value Equity Feeder Fund performed in the top quartile over 1, 3,5 and 10 years.

### **Target Retirement Date Funds**

The Discovery Target Retirement Date Funds aim to give clients strong, inflation-targeted performance. Investors in these funds are reminded of the purpose of these funds, which is to maximise the probability of reaching long-term retirement savings goals.



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This information is not advice, as defined and contemplated in FAIS. The value of a portfolio can go down, as well as up, as a result of changes in the value of the underlying investments, or of currency movement. An investor may not recoup the full amount invested. The policy benefits of the linked policies are determined solely on the value of the assets, or categories of assets, to which the policies are linked. Past performance is not necessarily an indication of future performance. The performance figures of the investment portfolio are based on a lump sum investment, over the respective periods shown. The performance figures of the investment portfolio underlying the investment linked insurance policies will differ from the performance returns of the policies, due to Discovery Life's administration and policy fees (if applicable). The underlying funds may levy their own charges. Actual trade prices may differ marginally. Forecasts, illustrations, hypothetical data, and examples are for illustrative purposes only, and are not guaranteed to occur. Any projections contained in the information are estimates only and are not guaranteed to occur. The projections are subject to market influences and contingent upon matters outside the control of the company, so may not be realised in the future.

<p><b>CIS disclosures: Long only portfolios (CIS in securities) Risks (portfolio specific)</b></p> <p><b>Derivatives:</b> There is no assurance that a portfolio's use of a derivative strategy will succeed. A portfolio's management may employ a sophisticated risk management process, to oversee and manage derivative exposures within a portfolio, but the use of derivative instruments may involve risks different from, and, in certain cases, greater than, the risks presented by the securities from which they are derived.</p> <p><b>Exposure to foreign securities:</b> Foreign securities within portfolios may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.</p> <p><b>Money market portfolios:</b> A money market portfolio is not a bank deposit account. A constant price (CNAV) is applied to a participatory interest. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument, and in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in the case of abnormal losses, it can have the effect of reducing the capital value of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures, and in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.</p> <p><b>Fund of funds:</b> A fund of funds is a portfolio that invests in portfolios of collective investment schemes (unit trusts) that levy their own charges, which could result in a higher fee structure for the fund of funds.</p> <p><b>Feeder funds:</b> A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levies its own charges, and which could result in a higher fee structure for the feeder fund.</p> <p><b>Drawdown:</b> The potential magnitude of loss - the largest peak-to-trough decline in returns over the period, also known as the maximum drawdown.</p> <p><b>Liquidity:</b> The risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit).</p> <p><b>Equities:</b> The value of equities may vary according to company profits and future prospects, as well as more general market</p>	<p><b>General</b></p> <p>Collective Investment Schemes (unit trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending (i.e. borrowing and lending of assets). The manager does not provide any guarantee, either with respect to the capital or the return of a portfolio. Any forecasts and/or commentary in this document are not guaranteed to occur. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of all fees and charges, inclusive of VAT and maximum commissions, is available on request from us or from your financial adviser. Forward pricing is used.</p> <p><b>Redemptions</b></p> <p>The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. The ability of the portfolio to repurchase, is dependent upon the liquidity of the securities and cash of the portfolio. A manager may suspend repurchases for a period, subject to regulatory approval, to await liquidity, and the manager must keep the investors informed about these circumstances.</p> <p><b>Yields</b></p> <p>The yield for bond, income and money market portfolios is historic and is calculated quarterly.</p> <p><b>Prices</b></p> <p>The latest prices and TERs are published daily in the Business Report (South Africa's National Financial Daily) and are made available on our website <a href="http://www.discovery.co.za">www.discovery.co.za</a>.</p> <p><b>Performance fees</b></p> <p>Performance fees are not levied on the portfolios.</p>	<p>Illustrative investment performance is for illustrative purposes only.</p> <p><b>Valuations and transaction cut-off times</b></p> <p>Pricing date is daily, except weekends and public holidays. Valuation point is at 16h00 on each pricing date, except at month-end, where it will be at 17h00. Offers to repurchase participatory interests must be received by 16h00 on each pricing date.</p> <p><b>Additional information</b></p> <p>For additional information on the portfolio, refer to the following documents, available on our website, from your financial adviser, or on request from the manager, free of charge.</p> <ul style="list-style-type: none"> <li>• Application forms</li> <li>• Annual report</li> <li>• Fee schedule</li> <li>• Quarterly General Investor Report</li> </ul> <p><b>Complaints and conflicts of interest</b></p> <p>The complaints policy and procedure, as well as the conflicts of interest management policy, are available on our website <a href="http://www.discovery.co.za">www.discovery.co.za</a>. Associates of the manager may be invested within certain portfolios, and the details thereof are available from the manager.</p> <p><b>Closure of the portfolio</b></p> <p>The manager has the right to close certain portfolios to new investors, in order to manage them more efficiently, in accordance with their mandates.</p> <p><b>Contact details.</b></p> <p><b>CIS Manager</b></p> <p>Discovery Life Collective Investments (Pty) Ltd, registration number 2007/008998/07, 1 Discovery Place, Sandton, 2196, <a href="http://www.discovery.co.za">www.discovery.co.za</a>. The manager is registered as a manager of collective investment schemes, in terms of the Collective Investment Schemes Control Act. The manager, through Discovery Holdings Limited, is a member of the Association for Savings and Investment South Africa (ASISA).</p> <p><b>Trustee</b></p> <p>Standard Chartered Bank (Johannesburg Branch), registration number 2003/020177/10, 2<sup>nd</sup> Floor, 115 West Street, Sandton, 2196, P O Box 782080, Sandton, 2146, <a href="http://www.standardchartered.com/za">www.standardchartered.com/za</a>. The trustee is registered as a trustee of collective investment</p>
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factors. In the event of a company default, the owners of their equity rank last in terms of any financial payment from that company.

**Bonds:** The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises. Bonds issued by major governments and companies, will be more stable than those issued by emerging markets or smaller corporate issuers. If an issuer experiences financial difficulty, there may be a risk to some, or all, of the capital invested. Any historical or current yields quoted should not be considered reliable indicators of future performance.

For a detailed description of these risks, and other risks that are relevant to the portfolio, please refer to the CIS risk disclosure document, available on the website:  
<http://www.discovery.co.za/assets/discoverycoza/corporate/risk-disclosure.pdf>

#### **Performance returns**

Lump-sum performance returns are being quoted. Income distributions, prior to deduction of applicable taxes, are included in the performance calculations. NAV to NAV figures have been used for the performance calculations, as calculated by the Manager at the valuation point defined in the deed, over all reporting periods. Investment performance calculations are available for verification upon request by any person. Reinvestment of income is calculated on the actual amount distributed per participatory interest, using the ex-dividend date NAV price of the applicable class of the portfolio, irrespective of the actual reinvestment date. The performance is calculated for the fee class. The individual investor performance may differ, as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. The rate of return is calculated on a total return basis, and the following elements may involve a reduction of the investor's capital: interest rates, economic outlook, inflation, deflation, economic and political shocks or changes in economic policy. Annualised returns are period returns re-scaled to a period of one year. This allows investors to compare returns of different assets that they have owned for different lengths of time. All period returns greater than one year have been annualised. Returns for periods less than one year have not been annualised. A cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period of time involved. Actual annual figures are available to the investor on request.

schemes, in terms of the Collective Investment Schemes Control Act.

#### **Investment Manager of the Discovery Aggressive Dynamic Asset Optimiser Fund of Funds, Discovery Conservative Dynamic Asset Optimiser Fund of Funds, and the Discovery Moderate Dynamic Asset Optimiser Fund of Funds**

Cogence (Pty) Ltd - Registration number 2009/011658/07. FSP Number 52242. Contact [Info@cogence.co.za](mailto:Info@cogence.co.za)

#### **Investment Manager of all other portfolios**

Ninety One SA (Pty) Ltd, registration number 1984/011235/07, FSP number 587, 36 Hans Strijdom Avenue, Foreshore, Cape Town, 8001, [www.ninetyone.com](http://www.ninetyone.com), 0860 110 161.

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