INVESTMENT MANAGERS

1 April 2026

LETTER TO ELEMENT INVESTORS

Following a good start to the year in global markets, the outbreak of the USA-Iran war has sharply altered global prospects. The subsequent spike in oil and energy-related prices, the sell-off in risk-assets and subsequent volatility, uncertainty and “fog of war” is well publicised. Thus, I am not going to write on this. Rather I want to use to brief letter to explain (1) How our portfolios *entered* this period, & (2) What our *subsequent* investment decisions have been.

How our portfolios enter this period:

Towards the end of last year, we trimmed our global technology exposure, built our global defensive overweights (consumer staples and healthcare) and, more importantly, built a small overweight oil & gas allocation across our portfolios (we saw opportunity here with overly low energy prices). Likewise, we were equivalently underweight more cyclical sectors, like consumer discretionary and financials. On the local front, we shifted some capital back from overseas, invested into broader sectors that should benefit from South African growth (recovery) while maintaining our preference for the higher quality local businesses. Throughout our portfolios, we have maintained a healthy weighting in a diversified gold (and, indeed, broader resource including energy), though we did take some profit here towards the end of last year.

In other words, we entered this period of heightened risk reasonably well positioned.

Our investment responses:

The main variable that our Investment Committee (IC) has decided to focus on is not the details of the US-Iran war, but rather the *duration* of it. More pertinently, the duration of the war’s disruption to global *energy* markets. Simply put, the longer this disruption last, the higher the average price of energy in the world, and, thus, the greater the upside risk to inflation, downside risk to consumer disposable income and resulting economic, fiscal and monetary responses. And, in the end, it is *these* variables that directly impact global markets.

Our IC’s view is that this disruption will last longer than the market was initially pricing and, thus, we quickly reduced what little consumer discretionary (and interest rate sensitives) we had, trimmed our energy-hungry AI-oriented investments further, and redeployed this capital towards further energy investments, inflationary hedges and some more unique opportunities.

Hence, we are *still* overweight defensives with a good allocation to diversified energy and gold. We now hold *less* cyclicals and consumer discretionary investments and have built in some added inflation hedges where appropriate and where available to our mandates.

As always, I am available if anyone wishes to discuss our funds or underlying investments.

Kind regards,

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