10X Global Connect – September 2025

Low Cash Yield, Higher De-Rating Risk

S&P 500 free cashflow yield Dec 1999 – Sept 2025

Source: 10X Investments, Bloomberg.

The S&P 500's free cash flow (FCF) yield has been trending lower for two decades and now sits near cycle lows. Investors are receiving less cash per dollar of equity value.

This is the right lens through which to view the AI build-out. FCF yield reflects the net impact of the capex companies are committing to today, ignoring depreciation's timing. Thinner free cash leaves less room for buybacks, putting more of the return burden on genuine profit growth.

From here, it's about monetisation vs. capital intensity. If AI spend converts to revenue and pricing power, FCF rebuilds, and the yield improves. If not, the market will skew to more cyclical, lower-ROE profiles, raising the risk of valuation compression from today's low cash yield.

Gold Miners Now a Material Slice of the JSE

Weight of Gold sector in FTSE/JSE All Share Dec 2014 – Sept 2025

Source: 10X Investments, FTSE/JSE, Peresec.

The year's strong JSE performance has been powered by gold miners, whilst SA Inc. has lagged. That rally has lifted the index's gold weight from 1.6% (2014) to over 16% today. This is an outsized exposure by global standards.

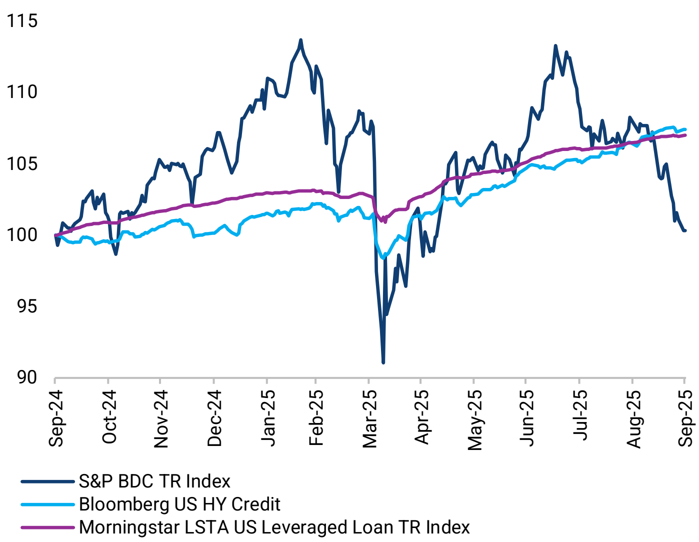
The move reflects the ongoing "de-basement" trade and heavy central bank accumulation supporting the gold price.

But miners are not the metal, they provide leveraged exposure with added operational and cost-inflation risk.

Positioning sizing should reflect both the total gold exposure (miners + any bullion) and sensitivity in the portfolio, being mindful of the concentration now embedded in JSE index exposure.

Cracks showing in private credit

Total return indices 30 Sept 2024 – 30 Sept 2025



Source: 10X Investments, Bloomberg.

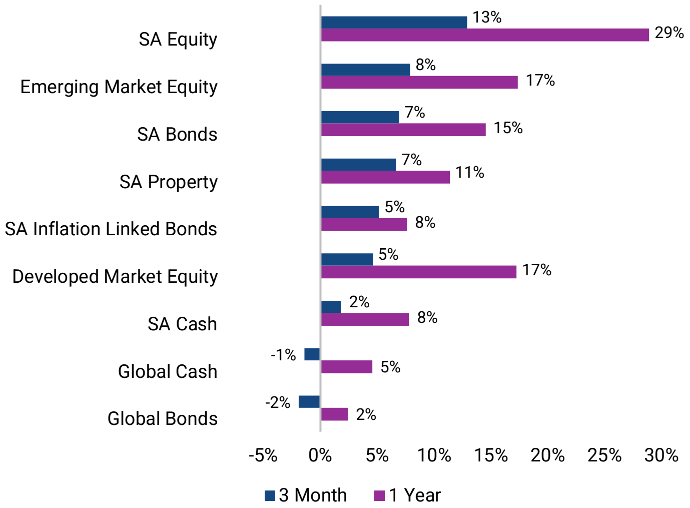
Business Development Companies (BDCs) are listed vehicles that hold portfolios of private credit loans, giving a daily mark-to-market view on an otherwise illiquid asset class.

Their recent disconnect from high-yield bonds and leveraged loans signals tighter private credit conditions as higher funding costs bite and a 2025–26 refinancing wave approaches.

With private markets now much larger and slower to reprice, more valuation risk likely sits in the unlisted market than the listed market.

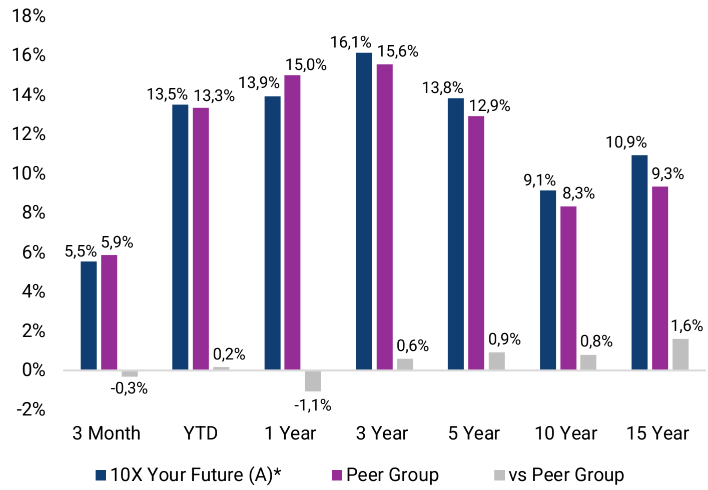
If private market write downs emerge, spillover to public assets, already at multi-decade high valuations, is likely. This is not the time to reach for return but rather favour quality balance sheets, liquidity, and durable FCF.

Asset class returns to 30 September 2025



Source: 10X Investments Bloomberg.

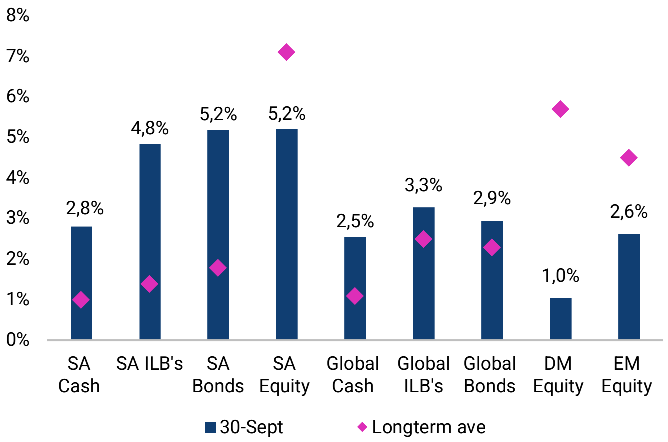
Portfolio returns to 30 September 2025



Source: 10X Investments Morningstar; * returns prior to March 2019 are those of 10X Umbrella Pension Fund adjusted for Class A fee.

5-10 year expected real returns

in Rands - 30 September 2025



Source: 10X Investments, Bloomberg.

Real (after-inflation) return expectations

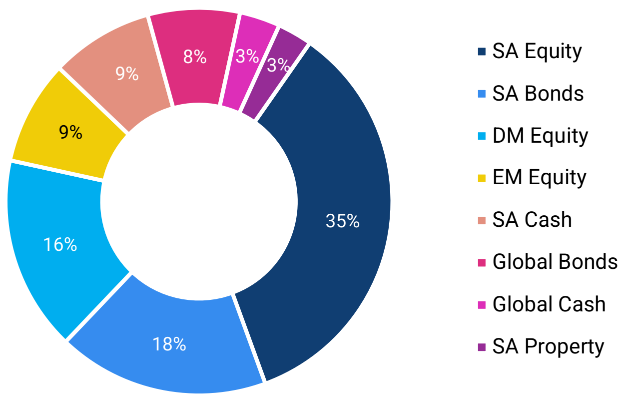
Over the last 5 years, the average high equity balanced fund has delivered CPI+8% returns, well above the through-the-cycle norms.

With equity return expectations compressing across major markets over the last 12 months, investors should moderate forward assumptions.

The positive offset is that defensive assets continue to offer compelling real yields. Bonds and cash are priced to deliver real returns broadly in line with equities, improving portfolio efficiency without reaching for risk.

10X Your Future Fund Asset Allocation

30 September 2025



Source: 10X Investment.

Asset Allocation

The portfolio remains defensively positioned with a lower allocation to growth, in line with our return expectations across asset classes in order to generate real returns with lower risk over the next 5 years.

The portfolio remains well diversified, with 37% invested offshore, and a higher allocation to the Euro and Yen.

We have extended duration in global bonds, locking in elevated real yields and adding ballast to counter elevated equity valuations.

Chris Eddy
Head of Investments

Disclaimer