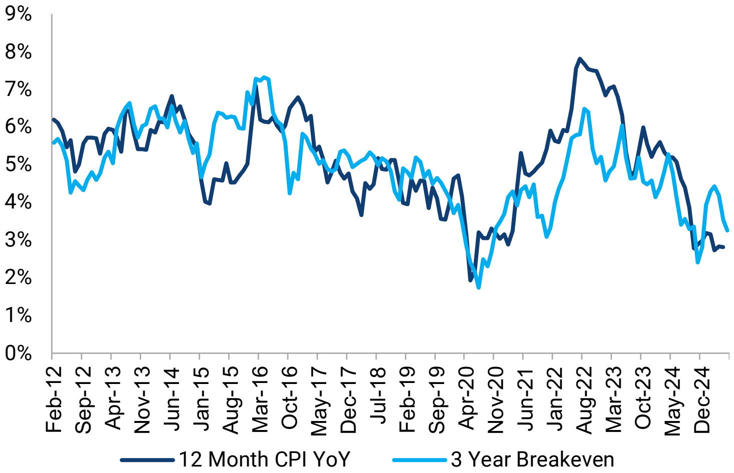
10X Global Connect – June 2025

Breakeven's track realised inflation

South African CPI YoY and 3yr inflation breakevens Feb 2012 – Jun 2025



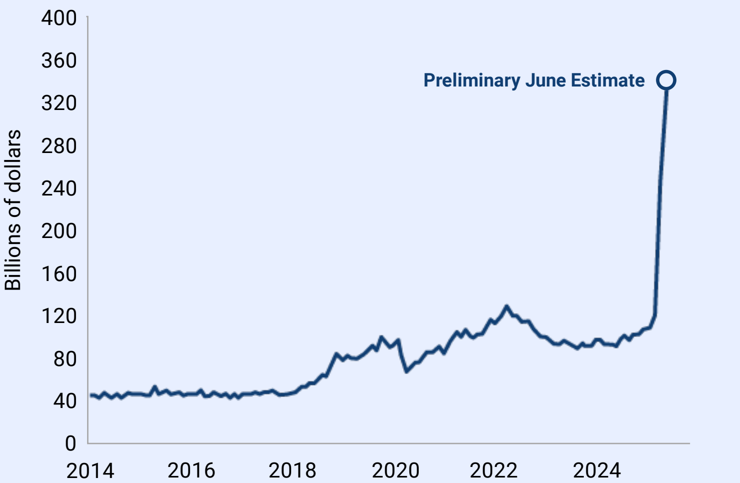
Source: Bloomberg, 10X Investments

South African bond market's implied breakeven inflation - the difference between nominal bond yields and inflation-linked bond (ILB) yields - tracks current CPI rather than anticipating future inflation. The 3-year breakeven, now close to 3%, already assumes the SARB's proposed 3% target is a certainty, leaving little inflation-risk premium in short-dated ILBs despite their still generous real yields of 4.5%.

Consensus expects headline CPI to rebound toward 4.4% over the next 18 months as base effects fade and administered prices rise. If fiscal slippage persists, inflation re-accelerates, or the SARB struggles to cement the new proposed target, breakevens could climb from this low base, making short-maturity ILBs a cheap source of asymmetric protection.

Annualised tariff revenues collected through June 2025

Annualised Federal Government Receipts from Customs Duties (SA by GS)



Source: Goldman Sachs, Bloomberg, 10X Investments

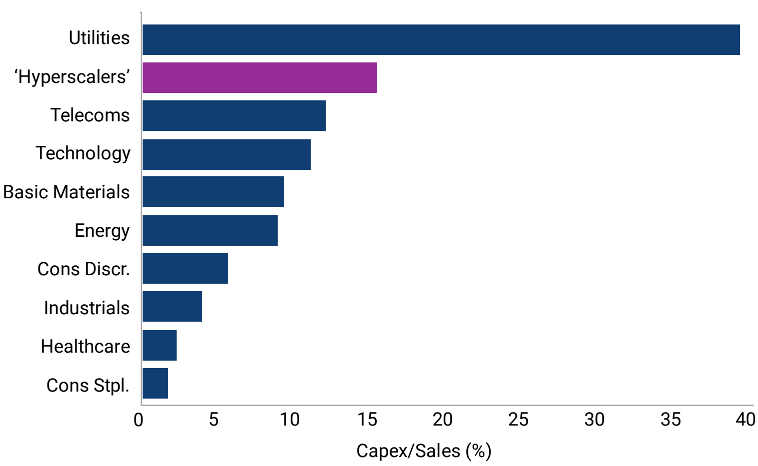
Annualised U.S. customs duty receipts have rocketed to roughly $360bn, almost triple the 2018-22 trade war peak and nearly ten times the pre-2018 norm.

Economically, tariffs are indistinguishable from a tax, but uncertainty remains about who pays. If importers absorb the hit, gross margins will compress and corporate earnings guidance should soften. If instead the charges are passed through, consumer prices will tick higher, complicating the inflation picture as the Fed weighs policy easing.

Some combination is likely, but forthcoming earnings calls, producer price prints and retail sales data should reveal where the burden is settling, and whether it poses a new drag on growth in the months ahead.

Capex/Sales – Sector comparison

Hyperscalers are Amazon, Alphabet, Apple, Meta and Microsoft



Source: ASR, Bloomberg, 10X Investments

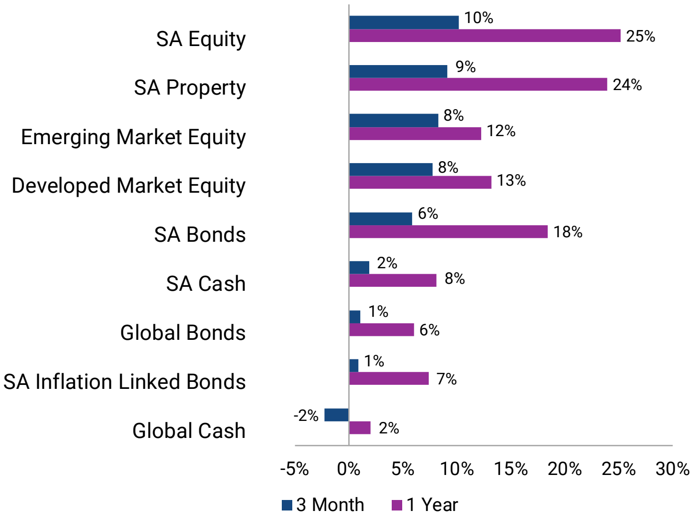
The global technology sector has undergone a structural pivot. The Hyperscalers (Amazon, Alphabet, Apple, Meta and Microsoft) now spend nearly 15% of sales revenue on capex, eclipsing telecoms, energy and basic materials, second only to utilities.

Nvidia's expected data-centre revenue roughly equals this capex spend; it books the entire amount immediately, while customers depreciate servers over six years, creating a timing mismatch that flatters current margins for the seller and buyers alike.

Persistent AI and cloud demand have pushed tech from capital-light to capital-intensive; the resulting asset build-up and faster depreciation threaten to compress future ROE and, ultimately, sector valuations.

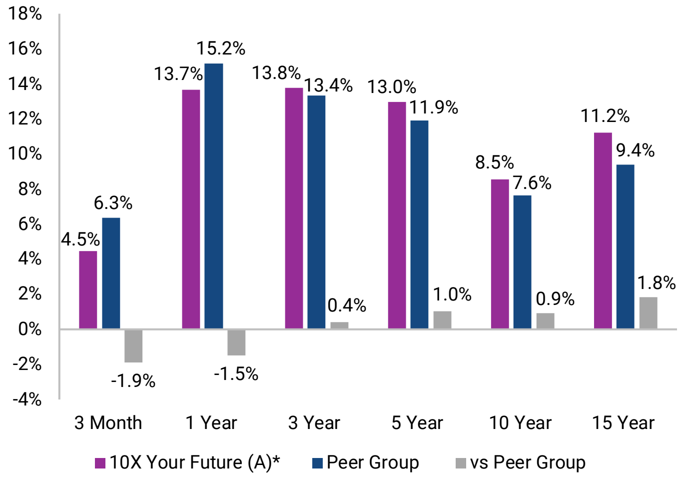
Asset class returns to 30 June 2025

SA growth assets strong



Source: 10X Investments Bloomberg

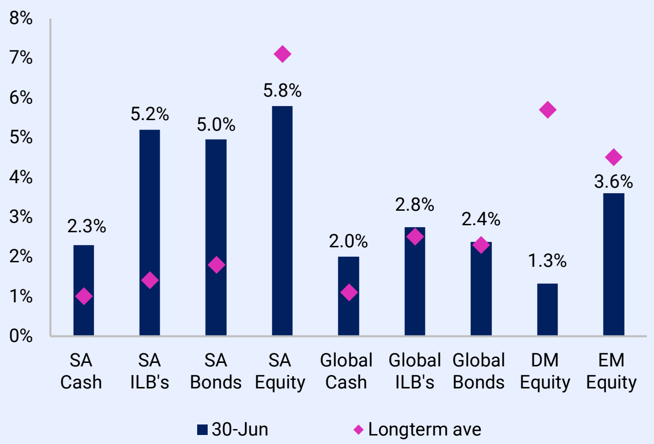
Portfolio returns to 30 June 2025



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 June 2025



Source: 10X Investments, Bloomberg

Real (after-inflation) return expectations

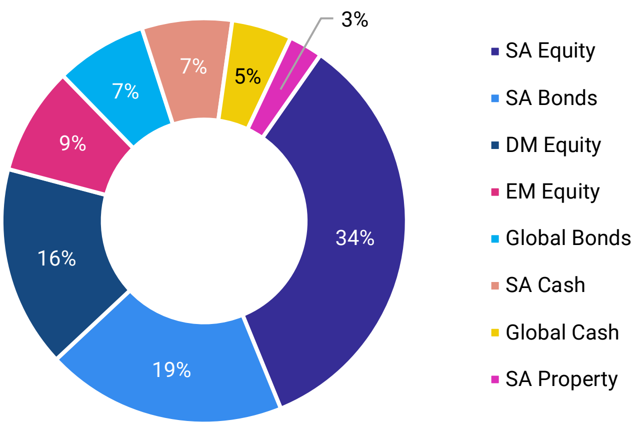
The gap between expected returns on growth and defensive assets remains unusually narrow, both locally and globally.

Elevated real yields make South African bonds compelling, yet those same rates weigh on domestic equity fair values.

Meanwhile, global equities, particularly in the US, have climbed mainly on multiple expansion. Given this backdrop, adding equity risk is hard to justify when investors can secure attractive real returns from fixed income.

10X Your Future Fund Asset Allocation

30 June 2025



Source: 10X Investments

Asset Allocation

Despite the surge in risk assets during Q2 we remained focused on delivering real returns over the next 5 years.

Given the outlook across asset classes, the portfolio remains defensively positioned with a lower allocation to growth assets.

We ensure global diversification with offshore exposure at 37%, avoiding concentration in US assets with increased exposures to other global hard currencies like the euro and the yen.

Anton Eser

Chief Investment Officer

Chris Eddy

Head of Multi Asset Funds

Disclaimer