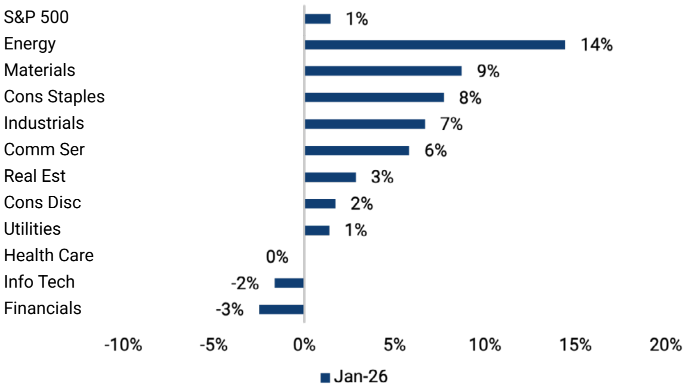
Framing the Future | January 2026

CMA Signals and Portfolio Implications

Big rotation under the surface

S&P 500 sector performance Jan 2026



Source: 10X Investments, BLS.

January was a deceptively calm month for the S&P 500, up about 1%, but dispersion beneath the surface was significant. Energy led sharply at roughly +14%, with Materials, Staples and Industrials also strong, while parts of last year's leadership, Financials and Tech, were down.

When the index is steady, but leadership rotates, low index volatility can mask real shifts in positioning and preferences as investors rotate towards underowned, cheaper parts of the market and away from crowded winners. In that environment, the main risk isn't the headline level; it's staying anchored to yesterday's winners while the market moves on.

Highest term premium in over a decade

US 10Y term premium (ACM) Dec 1997 - Dec 2025

US government bonds have quietly moved from "return-free risk" to "risk with a return". Real yields are now some of the most attractive we've seen in roughly 20 years, and the term premium has pushed to its highest level in more than a decade.

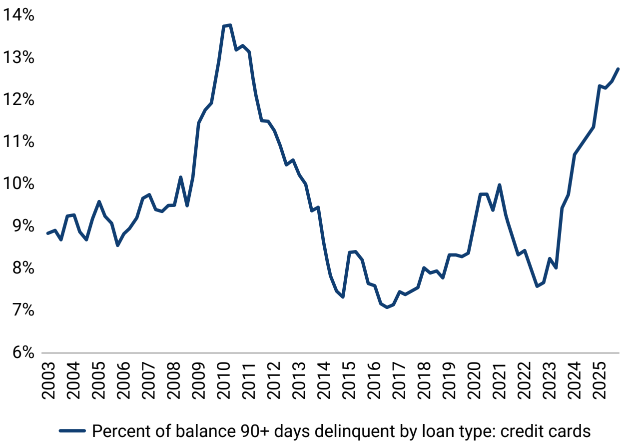
This means investors are finally being paid to take duration risk again. The irony is that positioning and sentiment are still anchored in the rear-view mirror. The experience of a brutal bond sell-off over the past four years, from the near 0% yields, has left most investors reluctant to allocate.

But the forward-looking setup has changed. Higher real carry and a rebuilt term premium stack the odds differently than the last cycle, even if it still feels uncomfortable to own.

Source: 10X Investments, Bloomberg.

Job market hiring is coming to a standstill

Rolling 3-month average change in NPF



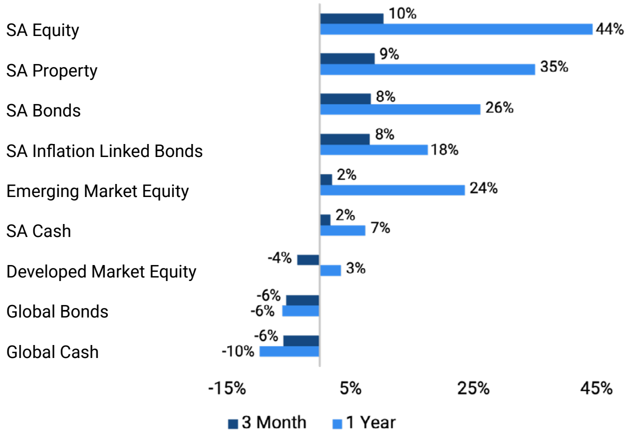
Source: Charles Schwab, New York Fed Consumer Credit Panel/Equifax, as at 31 December 2025.

Credit card delinquencies are rising again, back near levels last seen after the GFC. That matters because unsecured credit is where household stress shows up first, especially for the lower half of the K as savings buffers fade and borrowing costs stay high.

The risk is that resilience has been concentrated among asset owners. If elevated equity and property valuations come under pressure, the top half of the K can weaken too, and what looks contained can spread into a broader demand slowdown.

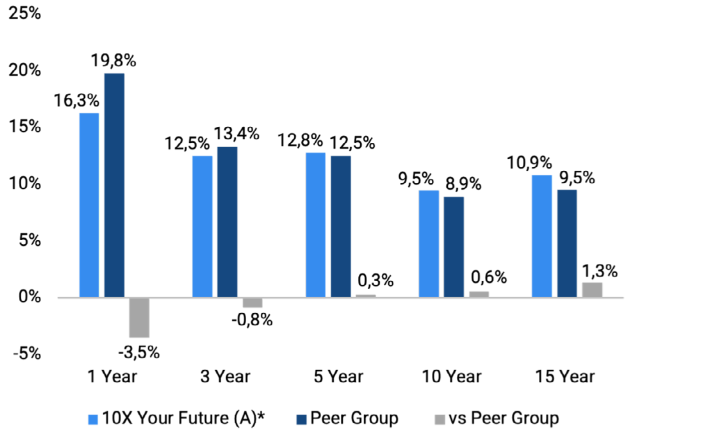
Asset class returns to 31 January 2026

Strong Rand a headwind to global assets



Source: 10X Investments, Bloomberg.

Portfolio returns to 31 January 2026



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

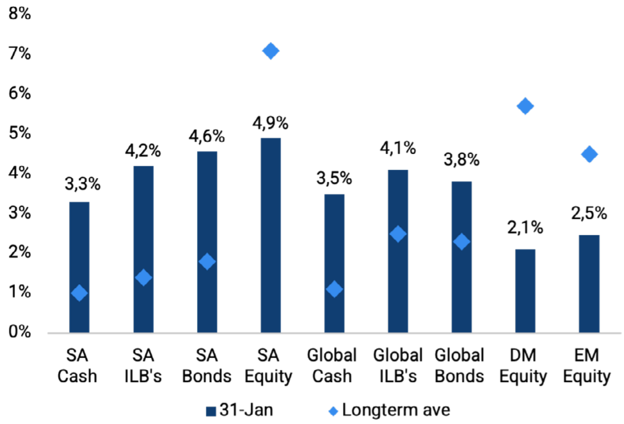
Real (after-inflation) return expectations

Risk premiums continue to compress across growth assets, flattening return expectations and, when one accounts for this on a risk-adjusted basis, the return outlook indicates that investors should be more defensively positioned as compensation for taking market risk is somewhat limited.

We continue to see local bond yields compress, with the curve flattening which is in contrast to global yield curves which continue to steepen and are offering adequate term premium for the first time in decades.

5-10 year expected real returns

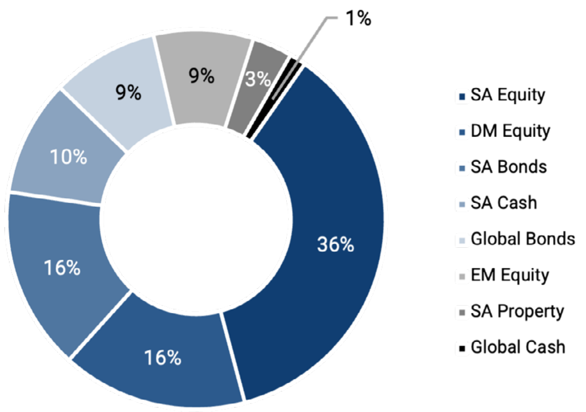
in Rands - 31 January 2026



Source: 10X Investments, Bloomberg.

10X Your Future Fund Asset Allocation

31 January 2026



Source: 10X Investments.

Asset allocation

Set against the return outlook, our portfolio remains defensively positioned with a lower allocation to growth assets.

Defensive asset classes continue to deliver attractive real returns. During the month we extended global duration as global long-end yields sold off materially.

We continue to favour diversification away from global market cap exposure, reducing the concentration risk in our portfolios.

WRITTEN BY

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