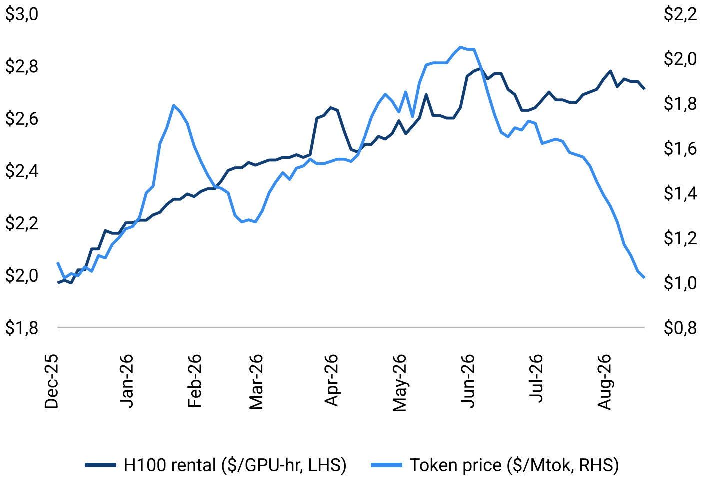
# Framing the Future | July 2026

## LLMs risk becoming a commodity?

LLM output price vs compute input cost Dec 2025 – Aug 2026




Source: 10X Investments, Bloomberg.

To run an LLM, you need GPUs; token businesses usually rent these GPUs. This is shown in the graph as H100 chip rental. The rental is collected by the compute owners; the neoclouds and the hyperscaler capacity businesses. On the other hand, the token businesses collect the token price for using LLMs. The gap is roughly the margin.

Until May, rental and price rose, and cost appeared to pass through to consumers. Since the peak, the token price is down about 50% while rental has held and edged up. The input cost is slowly increasing, while the selling price has fallen.

These token businesses, the labs and the API layer, pay the increasing rental and sell at a falling token price, so on the face of it the margin compresses on them from both sides. If the margin keeps compressing, it could point towards LLMs commoditising into a more utility-like service.

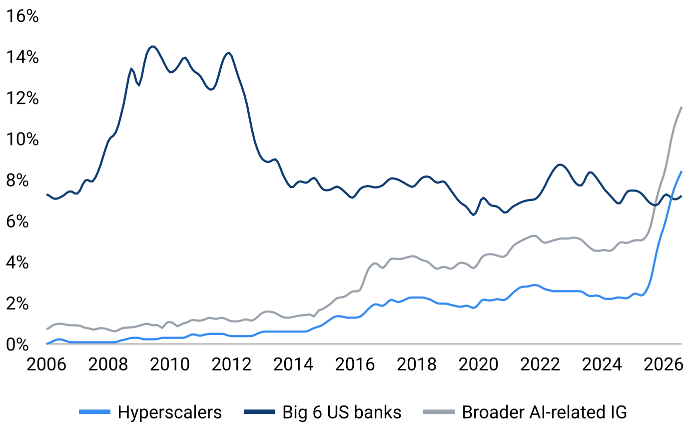
The hyperscalers and the wider AI complex have gone from a rounding error to rivalling the big six US banks as the largest source of credit risk in the investment-grade market. The measure here combines how wide a company's credit spread is with how much debt it has outstanding, so it captures the full size of the risk a segment carries, not just where its spreads trade.

These companies are funding the AI build by borrowing longer and at wider spreads than they used to, and it is that combination, more term risk at a higher price, that has taken them to the top. The level itself is not high, a little over a tenth of IG credit risk, so this is not a segment the market is dangerously exposed to.

What stands out is the speed and the direction: a group that barely registered a few years ago now leads the index, and if the borrowing keeps growing and spreads keep drifting wider, a theme that used to sit almost entirely in equities becomes something IG credit holders have to watch too.

## Hyperscalers overtake the banks in credit risk

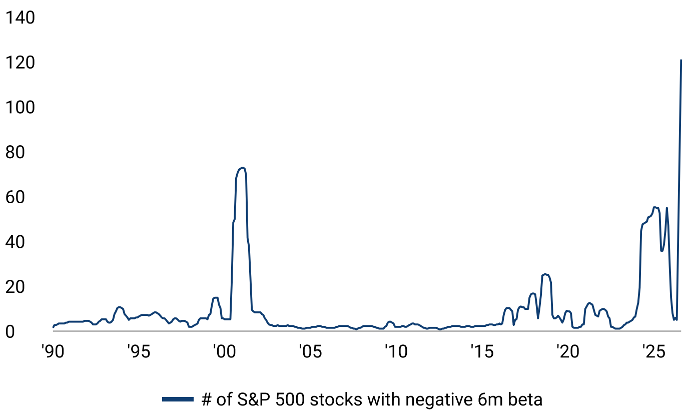
DTS contribution to US IG credit risk, 2006–2026




Note: Broader AI-related IG includes memory, networking, hyperscalers and others. Source: 10X Investments, Barclays.

## Equity exposure is diversifying equity risk

# of S&P 500 stocks with Negative Beta to Market




Source: 10X Investments, Evercore ISI, Factset.

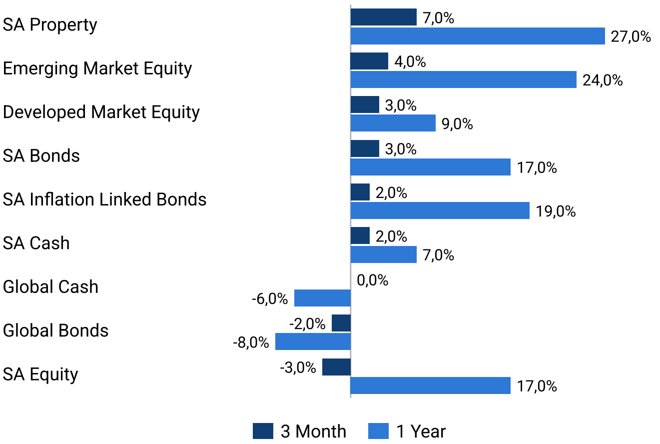
A striking feature of the current US equity market is the degree of dispersion beneath the index. The number of S&P 500 stocks with a negative six-month beta has risen to a record, reflecting the dominance of a relatively narrow group of AI-related and mega-cap stocks.

This shows that parts of the equity market are currently diversifying the cap-weighted index itself. If today's concentration ultimately unwinds through a 2000-style rotation rather than a broad systemic shock, cheaper and less crowded parts of the market could continue to offset weakness in the dominant growth trade.

For portfolio construction, this supports broadening equity exposure rather than simply reducing it, lowering reliance on a single market factor while retaining global growth exposure.

## Asset class returns to 31 July 2026

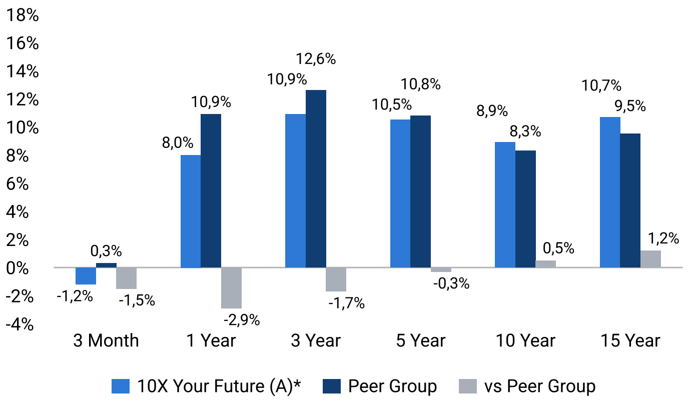
SA Property and EM Equity lead over one year (returns in ZAR)




Source: 10X Investments, Bloomberg.

## Portfolio returns to 31 July 2026

10X Your Future Fund vs Peer Group (annualised %)




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

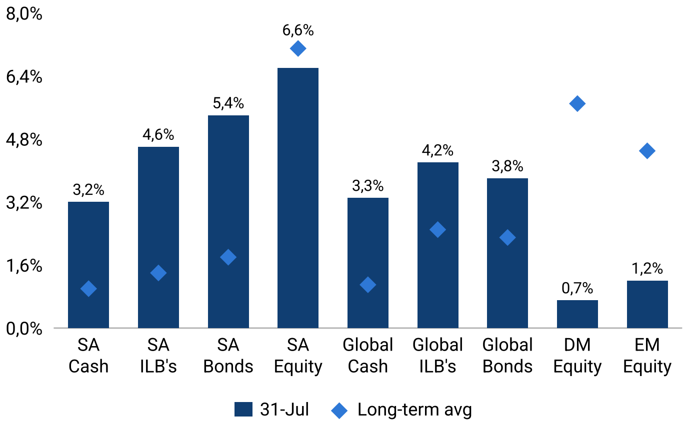
## Real (after-inflation) return expectations

Global real yields continue to move higher. This has weighed on global bond returns, but it has also improved their forward returns from this starting point. With equity and credit valuations expensive, the additional return available for taking risk has narrowed, while higher real yields now offer an alternative route to earning real returns.

South African growth and defensive assets continue to offer attractive real returns. The challenge is that they remain exposed to many of the same commodity risks. Attractive individual assets do not necessarily make a diversified portfolio, so allocations need to be assessed by their underlying risk exposures as well as their expected returns.

## 5–10 year expected real returns

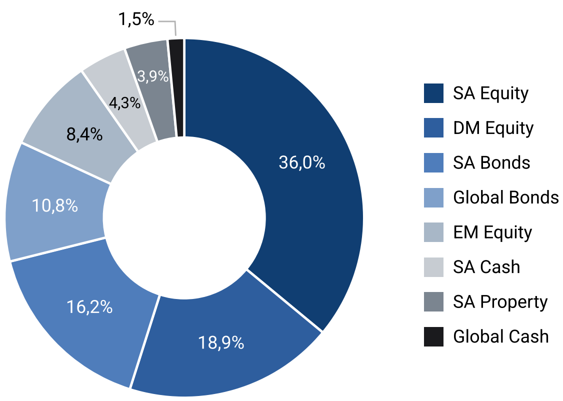
In Rands — 31 July 2026




Source: 10X Investments, Bloomberg.

## 10X Your Future Fund Asset Allocation

31 July 2026




Source: 10X Investments.

## Asset allocation

The portfolio remains defensively positioned, with 65% allocated to growth assets, reflecting compressed risk premia across markets. Within global equities, we are diversifying concentrated market-cap exposure through the S&P 500 Equal Weight Index, Global Dividend Aristocrats and global listed property.

These allocations have recently been negatively correlated with market-cap indices, allowing us to retain global growth exposure while reducing concentration risk and allocating to less expensive parts of the market with better long-term return prospects. This has also added diversification at a time when global bonds, traditionally the main counterweight to equity risk, have come under pressure as real yields have risen.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