Amplify SCI* Wealth Protector Fund

Fund Commentary | Q2 2026

Saul Miller
Senior Portfolio Manager
Truffle Asset Management

"The market's swift move past the Iran conflict, despite it remaining formally unresolved, is a reminder of how quickly attention rotates to the next pressing question, in this case the evolving economics of the AI stack and a new Fed chair finding his footing."

Market overview

Oil: the market moves on

The conflict in Iran remains unresolved with a fragile ceasefire punctuated by isolated incidents. Markets, however, have largely moved on. The Strait of Hormuz has partially reopened, and while the world is still learning to route around residual disruption, the oil price has retraced as the market once again begins to factor in the medium-term risk of excess supply. The normalisation of refined product availability will take longer, given the time required to repair infrastructure and restore normal flow. Encouragingly, peak inflationary pressure from the conflict appears to be behind us, and fears of more persistent second-round effects have started to subside.

US: inflation and interest rates

New US Federal Reserve (Fed) Chair Kevin Warsh moved quickly to establish his independence, opening with a more hawkish tone than markets had expected. As oil prices slumped, he softened this stance, acknowledging that inflation risks had come down, however, he has continued to stress a commitment to price stability. The market is currently pricing a little over one more hike this year.

The significant reduction in inflation expectations, as reflected in inflation swaps, alongside retreating oil prices, has pushed short-term real yields up from 1% to a considerably more restrictive 1.8%, effectively tightening monetary policy regardless of what the Fed does next.

The K-shaped economy remains firmly intact. Earnings growth and enthusiasm for AI continue to lift the S&P 500, supporting the wealth effect and spending among higher-income consumers.

However, overall consumer confidence remains lacklustre, and the labour market is slightly softer.

Given mixed economic data and monetary policy that has already tightened via the bond market, we think further rate hikes are unlikely. However, given the persistently elevated levels of inflation since the Covid pandemic, the Fed will want clear evidence of a sustained decline before it entertains any cuts. Real long-bond rates of 2.3% remain broadly consistent with long-run GDP growth expectations.

The AI story continues to evolve

One of the defining investor questions in AI is how value will ultimately be captured across the value chain. Of the four layers that make up the chain today, semiconductors capture the bulk of gross profit share, while hosting companies (hyperscalers such as Amazon and Microsoft that rent out compute capacity), foundational large language models (OpenAI, Anthropic) and applications show little value accrual. For the economics to prove sustainable, value extraction will eventually need to migrate upwards to these other layers. We believe that path is likely to remain murky before a more economically rational equilibrium can emerge.

Leading Western large language models face growing competition from open-source alternatives, typically Chinese, which are proving 'good enough' for less complex work at a fraction of the price. This is pressuring pricing and market share at the model layer, with potential knock-on effects for the hyperscalers hosting these Western models. Weaker model economics could translate into softer rental demand and near-term hosting overcapacity, interrupting hyperscaler capital spending and, ultimately, demand at the semiconductor layer.

The picture is further complicated by participants integrating across the chain in both directions. Anthropic and OpenAI are building vertical applications, like Claude for Legal, with ambitions extending into hosting and chip design. The hyperscalers are developing their own AI chips in an effort to erode Nvidia's dominance.

In short, while players across the value chain are encroaching on one another's territory in response to the dynamics within their own layer, the greater

Amplify SCI* Wealth Protector Fund

Fund Commentary | Q2 2026

Saul Miller
Senior Portfolio Manager
Truffle Asset Management

"The market's swift move past the Iran conflict, despite it remaining formally unresolved, is a reminder of how quickly attention rotates to the next pressing question, in this case the evolving economics of the AI stack and a new Fed chair finding his footing."

risk is that open-source models' ability to pressure Western models and the application layer could compress margins across the chain before value has had the chance to migrate upwards. Pressure on large language model profitability may be a contributing factor to OpenAI's delayed IPO. Given that semiconductor companies are already earning most of the profit in the chain, and given how extremely high their margins are, particularly in memory, the risk to this segment is becoming more of a concern. We continue to see opportunities in select technology companies that have been punished on the perception that they are not optimally positioned for AI, Tencent being one such example.

Commodities: oil downside risk

Over the medium term, the risk for oil is to the downside. Prior to the Iran conflict, there was already concern about excess supply and once countries have rebuilt their inventories, these concerns will likely deepen. Additional supply is coming from low-cost producers such as the UAE, which has now also left OPEC. Its cost of drilling is roughly half of Saudi Arabia's, and it holds an estimated two million barrels of spare capacity.

US shale is now a major driver of the oil price, with an extraction cost of around $65, while renewables and EVs continue to steadily grow their share of the energy mix.

Gold has pulled back from January highs and now sits in a more neutral territory. The long-term drivers behind central banks' continued accumulation of gold should hold, and dollar weakness should provide a modest additional tailwind.

South Africa: lacklustre growth

South Africa's terms of trade remain favourable, with precious metal prices still elevated and the oil price meaningfully lower. The economy is still in a phase of structural disinflation, and the currently elevated cyclical inflation reading should peak soon. This, combined with fiscal prudence evidenced by a primary surplus, has resulted in a sovereign credit upgrade from Fitch and an upgrade to Moody's credit outlook. This has been positive for the rand and domestic bond yields, both of which should remain supported. This in turn should help underpin South African equity valuations.

Reform momentum continues, with Transnet making tangible progress. Municipalities remain a problem area; the White Paper released in March is promising in intent but carries very long implementation timelines.

South African economic growth unfortunately remains lacklustre, a factor we continue to weigh carefully in our sector positioning. The consumer remains under pressure, and as a result we continue to favour more defensive retailers and banks that stand to benefit from a more buoyant corporate sector.

Conclusion

The market's swift move past the Iran conflict, despite it remaining formally unresolved, is a reminder of how quickly attention rotates to the next pressing question, in this case the evolving economics of the AI stack and a new Fed chair finding his footing. We continue to favour positioning that is not overly reliant on any single narrative resolving in our favour, while using South Africa's improving fiscal and ratings trajectory, and periods of volatility more broadly, to add to compelling opportunities as they arise.

Portfolio performance and positioning

Performance

Global equity markets performed well in the quarter with the MSCI World Index returning 13.3% in rand. Locally, SA equities struggled through the quarter driven by a significant de-rating across precious metal stocks.

Amplify SCI* Wealth Protector Fund

Fund Commentary | Q2 2026

Saul Miller
Senior Portfolio Manager
Truffle Asset Management

"The market's swift move past the Iran conflict, despite it remaining formally unresolved, is a reminder of how quickly attention rotates to the next pressing question, in this case the evolving economics of the AI stack and a new Fed chair finding his footing."

Foreign equity exposure was the largest contributor to fund performance. A meaningful exposure to Taiwan Semiconductor and Samsung added to performance, although we have now taken profits in these positions. Exposure to US healthcare also contributed given an improved earnings outlook.

Within local equity, exposure to property counters lifted performance as the sector benefited from easing geopolitical tensions and a potential end to the war. Adding to duration over the quarter also contributed to performance as the bond market recovered.

Our exposure to precious metals, especially Impala Platinum and Gold Fields, detracted from performance.

The fund maintained exposure to Naspers and Prosus. Despite strong fundamentals and earnings performance in Tencent, the share continued to weaken given the overall risk-off appetite and broader sell-off across Chinese tech stocks as investors reacted to AI concerns.

Positioning

The fund remains well diversified in the current environment. We continue to hold a meaningful position in SA property counters given the supportive environment and have added to companies with attractive valuations. We increased fund exposure to local bonds over the quarter taking the opportunity to add to duration at higher yields.

Within foreign equity, we trimmed exposure to European banks and semiconductors especially in respect of Samsung.

The environment remains highly uncertain, however, with valuations of quality businesses at compelling levels, we are finding opportunities while maintaining a strong margin of safety as we head into the second half of 2026.

Disclaimer

Sanlam Collective Investments (RF) (Pty) Ltd ("SCI") is a registered and approved Manager in terms of the Collective Investment Schemes Control Act. Collective investment schemes are generally medium- to long-term investments. Past performance is not necessarily a guide to future performance, and the value of investments/units /unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available from the Manager on request. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. The Manager does not provide any guarantee with respect to either the capital or the return of a portfolio. The manager has the right to close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Income funds derive their income primarily from interest-bearing instruments. The yield is current and is calculated on a daily basis. If the fund holds assets in foreign countries it could be exposed to the following risks regarding potential constraints on liquidity and the repatriation of funds: macro-economic,political, foreign exchange. The Manager retains full legal responsibility for the cobrand portfolios. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Forward pricing is used. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Performance is calculated for the portfolio and the individual investor performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. Amplify SCI* Wealth Protector Fund maximum fund charges include: Manager initial fee (max.): 0.00%; Manager annual fee (excl. VAT): 0.87%; Total Expense Ratio (TER): 1.04%. The Manager retains full legal responsibility of the third-party portfolio. The registered name of the fund is Amplify Sanlam Collective Investments Wealth Protector Fund.

*Sanlam Collective Investments
Truffle Asset Management is a licenced financial services provider
(FSP no: 36584)

INTELLIGENT IMPACT THAT MATTERS