CLUCASGRAY
ASSET MANAGEMENT

An Authorised Financial Services Provider, FSP 50733

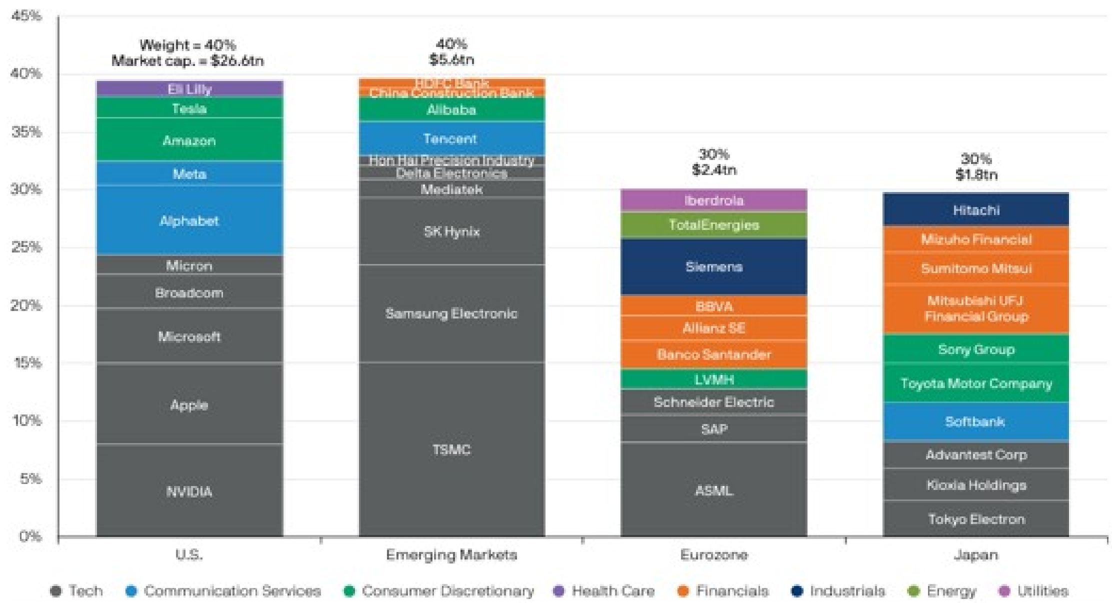
"Opportunity is not a lengthy visitor" Stephen Sondheim

Index Concentration Versus A Broader Opportunity Set

The current concentration of indices is a global phenomenon – as demonstrated in the JP Morgan chart below, the top 10 companies across 4 major markets make up between 30% and 40% of the various indices. The dominance of the technology companies within the indices is equally striking. Passive investment strategies have served investors well, but concentration of this order does mean that a passive allocation carries some latent risks.

Top 10 companies in regional indices

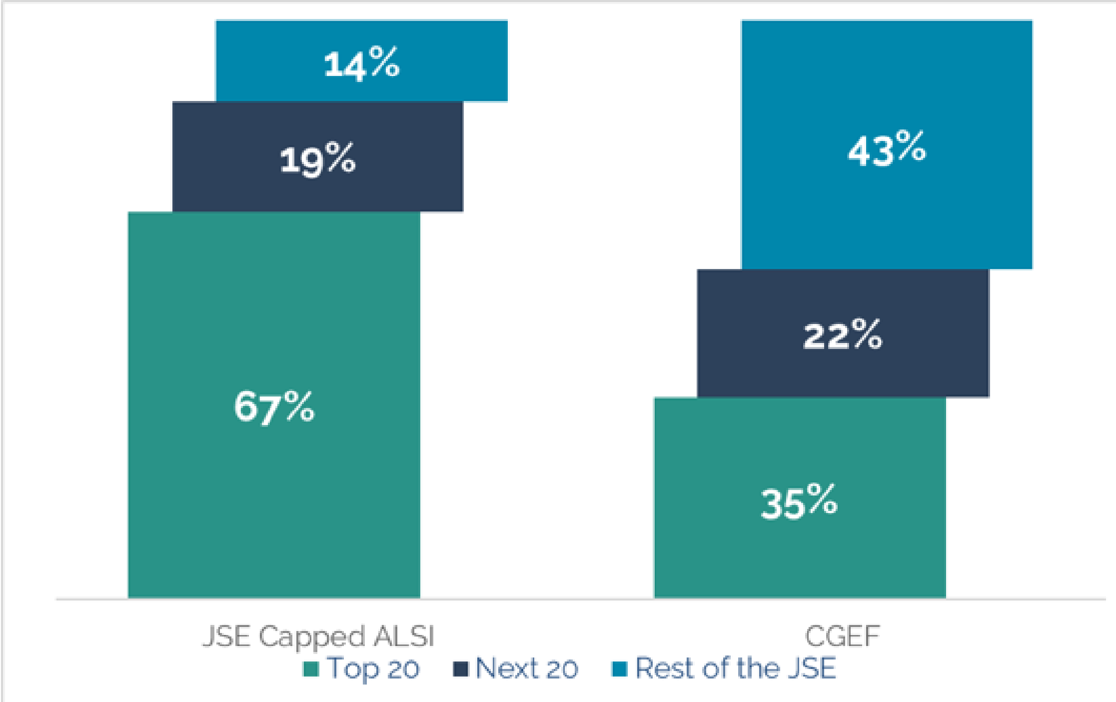
Exhibit 7: Index weight on the first day of the current month



Source: Bloomberg, J.P. Morgan Asset Management. All markets are represented by their respective MSCI index except for the U.S., which is the S&P 500. Eurozone is MSCI European Monetary Union Index. Past performance is no guarantee of future results. *Guide to the Markets – U.S.* Data are as of June 8, 2026.

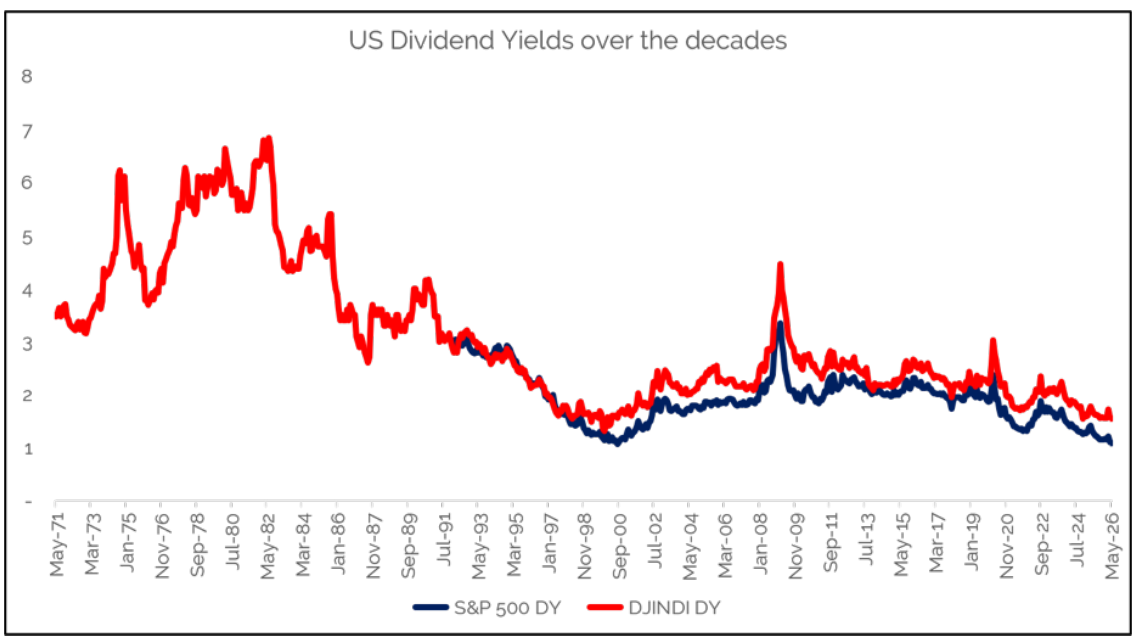
There is growing evidence of significant valuation dispersion within these indices – i.e. the difference between the most and least expensive stocks is high by historic standards. This dispersion has created a broader opportunity set, with many sectors and companies having been "left behind" from a valuation perspective.

In South Africa, the picture is not materially different. Below we show the makeup of the JSE Capped All Share Index, and how the top 40 makes up 86% of the market cap. The ClucasGray Equity Prescient Fund strives to generate Alpha from differentiated sources, by investing across the market cap spectrum. Whilst the fund does have 57% exposure to companies that are in the Top 40, it is the 43% that consists of medium and smaller sized companies that differentiates the portfolio. We attempt to take advantage of mispriced opportunities, regardless of their index weight.



Source: ClucasGray Asset Management, June 2026

The below chart is a useful reminder that valuation is never absolute. It shows the Dividend Yields of the S&P 500 & Dow Jones Industrial Index over the decades. On the face of it, they look expensive, with Dividend Yields as low as they have been at any point in the last 50 years. We use dividend yields as it removes the vagaries of comparing accounting conventions across decades – implicitly a low dividend yield correlates with a high PE multiple.



Source IGraph, Iress, June 2026

It is not for us to declare with certainty that US Equities, or indeed any market, is "wrongly" priced. Beauty, as the saying goes, remains in the eye of the beholder. Many investors today look at the large global technology and AI-related businesses and see the potential for extraordinary earnings growth over the coming decade. Through that lens, elevated valuation multiples may appear entirely justified.

Our task has never been to win debates around what should or should not trade on a particular multiple. We have long accepted that markets are made up of differing views, expectations and time horizons. In many respects, that diversity of opinion is precisely what creates opportunity. While we may personally struggle to justify paying very high multiples for certain index-heavyweights, we are equally cautious not to dismiss those who do. Strong businesses can continue to exceed expectations for far longer than many anticipate.

Instead, we continue to anchor ourselves to the same process that has guided ClucasGray Asset Management over many years. We ask a simpler question: does the investment case present an opportunity to generate a return that we find appealing relative to the risks involved? Our framework consistently draws us toward companies where the combination of steady earnings growth, elevated dividend yields and undemanding valuation multiples creates a favourable balance of outcomes. Individually, none of these metrics is sufficient. Together, however, the interplay between earnings, valuation and cash returns to shareholders has historically proven to be a powerful driver of long-term investment returns.

This approach can at times lead us away from the largest index constituents and toward areas of the market that are less fashionable or less crowded. That differentiation inevitably creates periods where our portfolios look very different from broader indices. Yet history has repeatedly shown that patient capital, applied with discipline and valuation awareness, is often rewarded over time. Given the current opportunity set available to us, we continue to believe that investors who are willing to remain patient are likely to be well rewarded.

If there is any interest in meeting up to discuss the funds, please don't hesitate to get in contact with Alex Holmes on Alex@ClucasGray.co.za.

Regards

Andrew, Grant, Alex and the CGAM team

ClucasGray Equity Prescient Fund | Net Annualised Performance Figures to 30 June 2026

	1 Year	3 Years	5 Years	10 Years	Since Inception* (Annualised)
Fund*	21.1%	17.5%	16.2%	11.1%	12.6%
Class A2**	20.1%	16.5%	15.3%	10.2%	11.7%
FTSE/JSE Capped All Share Index	18.5%	17.6%	13.8%	9.5%	12.0%
SA Equity General Peer Group	16.0%	15.6%	13.4%	8.9%	11.3%

* Inception 1 October 2011

** Highest Fee Class

Benachmark changed from the Swix TR to the FTSE/JSE Capped All Share from 1 January 2026

Source: Prescient Fund Services June 2026

Highest Rolling 1 Year Return ** 56.0%

Lowest Rolling 1 Year Return ** -30.3%

ClucasGray Equilibrium Prescient Fund | Net Annualised Performance Figures to 30 June 2-26

	1 Year	3 Years	5 Years	10 Years	Since Inception* (Annualised)
Fund*	17.4%	15.5%	13.7%	10.6%	10.5%
Class C**	16.7%	14.8%	13.1%	9.9%	9.9%
SA Multi Asset High Equity Peer Group	12.4%	12.5%	10.9%	8.2%	8.0%

* Inception 16 January 2015

** Highest Fee Class

Source: Prescient Fund Services June 2026

Highest Rolling 1 Year Return * 34.2%

Lowest Rolling 1 Year Return * -17.6%

ClucasGray Flexible Income Prescient Fund | Net Annualised Performance Figures to 30 June 2026

	1 Year	3 Years	Since Inception* (Annualised)
Fund*	14.7%	14.0%	11.2%
Class B1**	14.6%	13.9%	11.1%
SA Multi Asset Income Peer Group	10.9%	11.1%	9.7%

* Inception 15 February 2022

** Highest Fee Class

Source: Prescient Fund Services June 2026

Highest Rolling 1 Year Return * 20.0%

Lowest Rolling 1 Year Return * 3.3%

CGAM SA Balanced Prescient Fund | Net Annualised Performance Figures to 30 June 2026

	1 Year	Since Inception* (Annualised)
Fund*	21.6%	18.1%
Class B1**	21.1%	17.7%
CPI+4% Benchmark	9.2%	15.9%

* Inception 10 July 2023

** Highest Fee Class

Source: Prescient Fund Services June 2026

Highest Rolling 1 Year Return * 38.1%

Lowest Rolling 1 Year Return * 12.6%

Click Here to view the June 2026 ClucasGray Equilibrium Prescient Fund MDD

Click Here to view the June 2026 ClucasGray Equity Prescient Fund MDD

Click Here to view the June 2026 ClucasGray Flexible Income Prescient Fund MDD

Click Here to view the June 2026 CGAM SA Balanced Prescient Fund MDD

Click Here to visit our Website

Our funds are available on the following platforms:

AIMS | Allan Gray | Glacier | Momentum
NinetyOne | Multilect | Old Mutual | Prescient | Prime | Stanlib

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ClucasGray Asset Management (Pty) Ltd is an independent investment management company registered in South Africa, company registration number 2019/060149/07 and authorised financial services provider under the Financial Sector Conduct Authority (FSCA) registration number 50733. The main business of ClucasGray is the provision of investment management services to private and institutional clients.

Annualised performance: Annualised performance shows longer term performance rescaled to a 1-year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.
Highest and Lowest Returns: The highest and lowest returns for any 1 year over the period since inception have been shown.
NAV: The net asset value represents the assets of a Fund less its liabilities.

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