Sanlam Investments

Multi-Manager

ELECTION UNCERTAINTY

Sanlam Investments Multi-Manager's investment approach



Sanlam Investments Multi-Manager's approach is grounded in disciplined portfolio construction, manager research and market research. We build truly diversified portfolios and make tactical adjustments based on valuations and long-term fundamentals. This helps portfolios remain resilient when unexpected events occur. Elections may influence markets in the short term, but we do not position portfolios for a single political outcome. Brexit showed the risk of doing so, even when an outcome appears highly likely.

1

Sanlam Investments Multi-Manager's approach during periods of election uncertainty

Sanlam Investments Multi-Manager does not position portfolios for a specific election result. Instead, we build diversified portfolios around long-term valuation opportunities, disciplined portfolio construction and robust risk management.

Elections can create uncertainty and short-term volatility, particularly in the lead-up to voting. Over time, however, investment outcomes are influenced more by fundamentals such as company earnings, economic growth, inflation, interest rates and valuations. Some political events, such as Brexit, can have a significant short-term impact. South African local government elections are less likely to cause a reaction of that scale.

2

Indicators Sanlam Investments Multi-Manager will monitor immediately after the elections

- **Market reaction:** movements in equities, bonds, currencies and credit markets
- **Political developments:** policy announcements, cabinet appointments, unexpected results and changes in political leadership
- **Policy signals:** fiscal and economic policy changes. These are less likely after South African local government elections, but more relevant around the US midterm elections
- **Economic expectations:** changes in inflation, interest-rate and economic growth forecasts
- **Confidence and earnings:** business and consumer confidence, as well as corporate earnings expectations
- **Global developments:** trade and geopolitical events that could affect markets

3

How Sanlam Investments Multi-Manager will determine whether market moves are temporary or structural

Sanlam Investments Multi-Manager assesses whether a market move is driven mainly by short-term sentiment or by a lasting change in fundamentals. Temporary moves are usually caused by uncertainty, headlines or fear-driven reactions.

A move is more likely to be structural when it is supported by meaningful changes in economic growth expectations, company earnings, monetary or fiscal policy, trade relationships, long-term risk premiums or valuation frameworks.

If the underlying fundamentals have not changed, Sanlam Investments Multi-Manager may view the market dislocation as an investment opportunity rather than a reason to make major portfolio changes.

4 What could cause Sanlam Investments Multi-Manager to change its outlook

- Significant shifts in fiscal or monetary policy
- Meaningful changes in trade policy or tariffs
- A deterioration in geopolitical stability
- Sustained changes in inflation or interest-rate expectations
- A material impact on company earnings or economic growth
- Evidence that an election outcome has changed the long-term fundamentals supporting asset values
- In South Africa, local government elections are unlikely to have major immediate market consequences. Sanlam Investments Multi-Manager will therefore have time to assess whether changes at municipal level improve or weaken service delivery and the conditions needed to support medium-term economic growth.

5 How long election effects may last

Historically, election-related volatility is often short-lived. It may ease within days or weeks as uncertainty clears and markets receive more information.

The effects may last longer if an election leads to major policy changes or alters the economic outlook, although this is not Sanlam Investments Multi-Manager's base case for the current local government elections. Markets ultimately refocus on earnings, growth, inflation, interest rates and other fundamentals.

6 Whether election risks are already reflected in market prices

Markets continuously reflect available information, including polling data and investor expectations. Election risk is therefore already included in prices to some extent.

Unexpected results or policy surprises may not be fully priced in, so volatility can still rise around an election. In South Africa, popular or extreme campaign statements can affect markets in the short term as parties compete for votes. However, local markets have matured and are generally less influenced by this rhetoric than they were in the past.

Sanlam Investments Multi-Manager considers valuations a more reliable guide to future returns than trying to predict election results. Brexit is a useful example: positioning a portfolio for what appears to be a certain outcome can still cause harm if events unfold differently.

7

Portfolio exposure to policy outcomes

Sanlam Investments Multi-Manager portfolios are designed to remain resilient across a range of outcomes. Diversification across asset classes, sectors, regions and investment styles reduces dependence on any single policy result.

Some sectors may be more sensitive to specific policy changes, but Sanlam Investments Multi-Manager's portfolio construction process seeks to avoid excessive exposure to one political or economic scenario. We therefore do not expect local government elections to have a severe effect on portfolios. The US midterm elections may have a greater impact on South African investors, although this is moderated by the fact that they do not determine the country's president.

8

Where volatility could create opportunities

- High-quality companies or markets affected by temporary price declines
- Undervalued equity markets
- Emerging-market assets
- Selected bond opportunities if yields rise too far, possibly after a negative reaction to results in key metropolitan areas
- Currency movements that create attractive entry points
- Sectors affected more by election sentiment than by changes in their underlying fundamentals
- As active asset allocators, Sanlam Investments Multi-Manager can invest when valuations become especially attractive.

9

Indicators to monitor post-election

- **Policy delivery:** whether implementation matches campaign promises, including whether local government creates better conditions for service delivery
- **Rates and inflation:** bond yields, inflation expectations, central-bank commentary and interest-rate expectations
- **Companies and confidence:** company earnings revisions, as well as business and consumer confidence
- **Markets and capital flows:** currency movements and flows into or out of emerging markets
- **Global developments:** changes in trade policy and the broader geopolitical environment
- **What matters most:** markets generally care less about who won than about what the result means for growth, inflation, earnings and valuations. These factors are more important for medium- to long-term investment returns.

Sanlam Investments Multi-Manager's key message: Stay diversified, stay disciplined and avoid making portfolio decisions based solely on election outcomes. Elections can influence short-term sentiment, but long-term returns are typically driven by fundamentals and valuations rather than politics.



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