BRENTHURST GLOBAL WEALTH

INVEST BETTER with BRENTHURST

BUILDING WEALTH SINCE 2004

IN THIS ISSUE

Traditional benchmarks remain useful, but investors should not rely on them alone.

Modern portfolio management increasingly focuses on personal outcomes, risk, tax efficiency and long-term objectives, rather than simply outperforming market indices or comparing returns against standard benchmarks.

JHB (HQ)	+27 (0) 11 799 8100
JHB (SANDTON)	+27 (0) 10 035 1391
PTA	+27 (0) 12 347 8240
CAPE TOWN	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
CLAREMONT	+27 (0) 21 100 3901
STELLENBOSCH	+27 (0) 21 882 8706
PAARL (VAL DE VIE)	+27 (0) 21 100 3901
GEORGE	+27 (0) 44 050 6057
MAURITIUS	+ 230 5843 5215

ARE BENCHMARKS STILL RELEVANT?

RUAN BREED | FINANCIAL ADVISOR, BRENTHURST STELLENBOSCH

For decades, the FTSE/JSE All Share, the S&P 500 and the MSCI World have served as the yardsticks against which many portfolios are measured. Managers are hired against them, fired against them, and remunerated against them. The question worth asking in 2026 is whether those yardsticks still measure what we think they measure.

THE CONCENTRATION PROBLEM

The original case for a market-cap-weighted index was simple: it gave you cheap, diversified exposure to a broad opportunity set. That premise no longer holds the way it used to.

By the end of 2025, the top ten holdings in the S&P 500 accounted for close to 40% of the index, up from roughly 20% to 28% between 1990 and 2010. Seven US technology names, the so called Magnificent 7, drove the bulk of returns. The Russell 1000 Growth is even more lopsided, with its top ten contributing around three-quarters of 2025's calendar-year return.

The MSCI World, which many South African investors hold for "global" exposure, derives almost 70% of its weight from a single country and around 27% from just ten stocks.

 Brenthurst Wealth Management (PTY) LTD FSP No. 7833

IS JSE ANY DIFFERENT? THINK AGAIN.

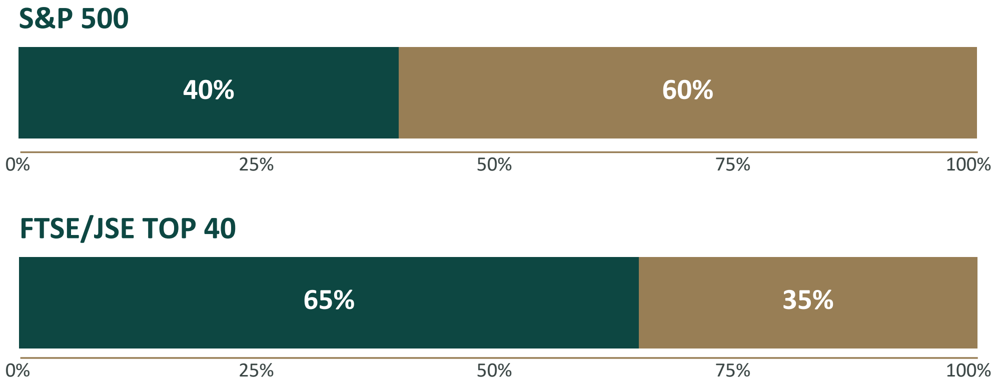
The JSE is arguably the more extreme case. Naspers and Prosus together still sit at close to 20% of the Top 40, and the top ten names hover around two-thirds of the index. When an investor buys “broad SA equity” through a Top 40 tracker, what they are actually buying is a geared bet on Tencent, two or three banks, and a handful of resource counters. Especially the latter.

TOP TEN SHARE OF INDEX WEIGHT. S&P 500 VS FTSE/JSE TOP 40 (END-2025).

Top 10 stocks

Rest of index

Sources: Brown Advisory, FactSet, FTSE Russell, JSE constituent data.



WHY THIS MATTERS (MECHANICALLY)

By construction, a market-cap-weighted index operates as a momentum vehicle. As prices rise, passive inflows must buy more of these higher-priced stocks to maintain their weights. When prices fall, the process reverses. This reflexive loop amplifies in both directions, causing the index to behave less like a market proxy and more like a concentrated thematic fund - an emerging reality which is increasingly taking shape. A process driven primarily by momentum and trading volumes. This dynamic is not a speculative forecast; it is pure arithmetic, and a global actuality. Brown Advisory's recent research highlights the top-ten stock concentration of 62% in Germany, 57% in France and 47% in China. Ultimately, rising concentration is not a US issue; it is the issue.

WHAT IT MEANS FOR PORTFOLIO MANAGEMENT

THREE PRACTICAL IMPLICATIONS FOLLOW:

Performance evaluation needs more nuance. Judging an active manager against a hyper-concentrated index in a year when seven stocks did the heavy lifting will almost always make a properly diversified manager look weak. That is not failure; it is the benchmark behaving badly. The honest comparison is against the manager’s stated opportunity set, peer group and risk-adjusted return. How does an index make certain adjustments to protect capital? It doesn’t.

Risk has to be measured separately. Investors benchmarked solely to the JSE Top 40 are, whether they realise it or not, accepting that close to a quarter of their domestic equity risk is reliant on one counter. That is a conversation worth having before the next drawdown, not after. Active share, sector exposure, and stress-tested drawdowns tell you more about real risk than tracking error ever will.

Goal alignment matters more than relative ranking. Most investors are not trying to beat an index. They are funding retirement, preserving capital after a business sale, matching a living annuity drawdown, or hedging rand risk. For those mandates, absolute return targets such as CPI plus 5%, drawdown limits and liability matching are more meaningful measures of success than a quarterly horse race. Sequencing risk also comes to mind.

SO, ARE BENCHMARKS STILL RELEVANT?

Yes, but in a narrower role than the industry often assigns to them. A benchmark is a useful reference point. It is a poor proxy for the economy, a worse proxy for an opportunity set, and a dangerous one to confuse with an investor's actual objective.

We still measure performance against indices because investors and trustees expect it and because comparability matters. We pair it with absolute return targets, peer group context, downside metrics, and a clear view of what each portfolio is meant to achieve. The discipline is to use the benchmark as the gauge, not the goal.

The more useful question in today's market is not, "Did we beat the index?"
BUT RATHER, "DID THE PORTFOLIO DO ITS JOB?"

RUAN BREED
FINANCIAL ADVISOR, BRENTHURST STELLENBOSCH

Ruan joined Brenthurst Wealth in 2021 as a Wealth Manager in our Stellenbosch office. He obtained his BCom in Financial Sciences from the University of Pretoria in 2018 and subsequently enrolled with CIMA (Chartered Institute for Management Accountants) as a prospective CGMA candidate. In addition, he completed a Diploma in Investment Management at the University of the Free State.

Before joining Brenthurst, Ruan gained valuable experience in the tax and advisory field at Crowe Tax and Advisory Services in Stellenbosch.

Ruan is fully qualified to provide advice on all investment matters.

PHONE: +27 (0) 21 882 8706 | **EMAIL:** ruan@brenthurstwealth.co.za

STAY UP TO DATE
FOLLOW US ON SOCIAL MEDIA

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR NINE OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

EMAIL US:
invest@brenthurstwealth.co.za

BRENTHURST OFFICES

Johannesburg	**+27 (0) 11 799 8100**	**Claremont**	**+27 (0) 21 100 3901**
Sandton	**+27 (0) 10 035 1391**	**Bellville**	**+27 (0) 21 914 9646**
Pretoria	**+27 (0) 12 347 8240**	**Stellenbosch**	**+27 (0) 21 882 8706**
CPT Waterfront	**+27 (0) 21 418 1236**	**Val de Vie Estate**	**+27 (0) 21 100 3901**
George	**+27 (0) 44 050 6057**	**Mauritius**	**+230 5843 5215**

SATELLITE OFFICES

LIMPOPO: Ruan Breed | +27 82 551 3299
FREE STATE: Iniel Van Zyl | +27 72 298 3212
NORTH WEST: Maria Smit | +27 79 696 6860
MPUMALANGA: Marise Reinach | +27 72 795 3604
KWAZULU-NATAL: Arin Ruttenberg | +27 84 582 8581