The Outlook

March 2026

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Iran - key economic risks in 2026.

We know that Ray Dalio's five interconnected, long-term cycles - money/debt, domestic conflict, geopolitical order, nature, and technology – had converged to create a historic, once-in-a-lifetime turning point like the 1930s-40s. The invasion of Iran by the US and Israel has now heightened global geopolitical tensions. The end won't be pretty and we wait to see the wider extent of the regime's activities and funding.

At the recent World Governments Summit in Dubai, Dalio cautioned that *the world is transitioning from a multilateral to a unilateral system, significantly increasing risk for traditional fiat currencies and US assets".* Dalio warned that *"the global economy is on the brink of a capital war, a systemic reset where money is weaponized through sanctions, debt ownership leverage, and capital controls".*

Dalio identified "*a perfect storm of three interlocking threats that could trigger a 'financial heart attack' – a sudden failure of the global economic system by the end of 2026"*. The threats are:

- ✓ US Debt Death Spiral ($38.7tr and rising),
- ✓ The Capital War and Asset Exodus, and
- ✓ AI Bubble Territory.

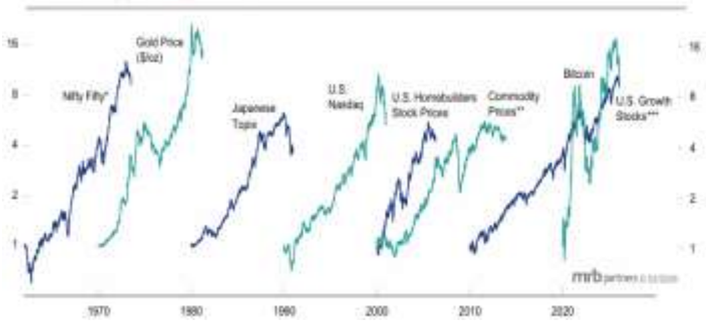
Dalio simply observed that the circumstances that allow money to flow freely through the global business orld aren't normal. First we had Nicolás Maduro's capture and now the Iran regime, for whom the stakes are existential. The challenge for Washington, its allies, and others is keeping the global economy stable. Lessons from the Libya, Iraq, and Afghanistan misadventures were not good.

Mania profiling.

Whilst Dalio didn't specifically mention Artificial Intelligence (AI), he talked about the AI arms race driving the S&P 500 to historic heights in one of the most expensive investment cycles ever.

In its Investment Theme report dated 24 February 2026 MRP Partners reported that "*manias or bubbles date back hundreds of years, but note that asset bubbles have become*

a relatively common occurrence in the post-WWII period". Apologies for the indistinct chart below, but the steep trajectories highlight the post-WWII bubbles: in date order – Nifty Fifty, gold price, Japanese Topix, Nasdaq, US Homebuilders stock prices, commodity prices, and more recently Bitcoin and US growth stocks.



MRP Partners highlight that "*all mania episodes are bred from excess liquidity, a structural theme, growing investor confidence in that theme, and an appropriate positive catalyst*. *Conversely, manias start to unwind after the asset class becomes priced for an excessively optimistic outcome, and investors begin to question if the asset class can fully monetize the elevated expectations that have developed. Often the liquidity taps are turned off via central bank tightening and/or greater market credit restraint".*

Manias provide lucrative opportunities for both long and, eventually, short investors. The challenge today is to know when to "*temporarily set aside traditional valuation metrics to avoid prematurely exiting, and yet making sure not to become caught up in the excitement and staying exposed too long"*.

A unique development this decade is that "*cryptocurrencies and US growth stocks have both benefited from two structural themes and excessive liquidity, leading to compounding manias. These asset classes recently reached extremely inflated levels, which compounds the downside risks"*. And many have added gold to this list.

Today's manias – AI, bitcoin and gold.

Investor support for **bitcoin** was rooted in anxiety about the use of quantitative easing in the aftermath of the GFC and again during Covid. Further support came we suspect, as with gold, from growing public distain of global political leadership and concern about security, trade tariffs, inflation, and the outlook for the dollar.

From the onset we took a view not to invest in bitcoin. We understood that younger investors would see bitcoin as a new-age digital medium of exchange. But we were not convinced of its pedigree as a store of wealth. Our view remains that **gold** has a historic place amongst global investors as a medium of exchange and a store of wealth.

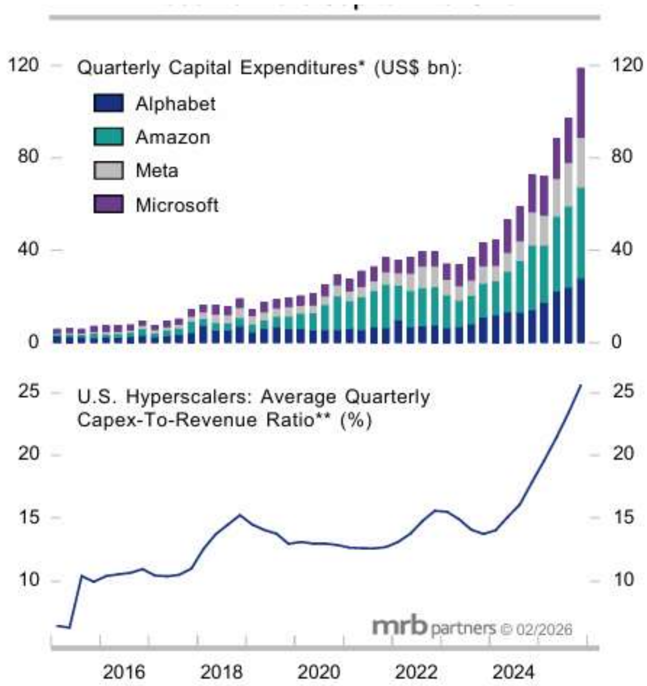
AI and AI stocks are the elephant in the room. MRP Partners note that the key investment theme was that "*US mega-cap stocks with strong secular profit growth, increasingly low capital intensity models, and massive free cash flows, would displace their competition in a "winner takes all" business environment"*. These stocks were "*deemed less cyclical and more appealing in a backdrop of heightened economic uncertainty, even secular stagnation"*.

After rising 1330% or compounding annually at 22.7% between November 2008 and December 2021, the Nasdaq index had a 35% sell-off, a 104% recovery, a 23% sell-off and a 50% recovery. This extreme price volatility was prompted by the concerns raised above and then the realization that AI was amid another giant leap forward.

At breakneck speed, the latest move is from pure software like Large Language Models toward Embodied AI (AI with a physical body). This "humanoid age" is marked by rapid advancements and high investment from companies like Tesla, Figure AI, OpenAI, Agility Robotics, NVIDIA, and Chinese competitors like Unitree and AgiBot, who are leading the way.

But here lies the rub. "*In contrast to the original theme, technology related growth companies have become more capital intensive, have eroding free cash flows, and have increasingly pro-cyclical business mode"* (see the chart below). "*The competition in the AI space has also now massively intensified*".

US technology has become more capital intensive



* Source: company filings
** Includes Meta Platforms, Alphabet, Microsoft, Amazon; source: company filings

Our investment strategy has been to avoid the MAG 7 stocks and to invest in well-positioned AI stocks within the supply chains.

Trump tariffs.

Tariffs have been a major part of President Trump's economic policy, and contrary to what he often says, US firms and consumers continue to bear the brunt of his antics. According to the World Bank, the weighted average applied tariff in 2022 was 1.5%. Prior to last week's court ruling to strike down the International Emergency Economic Powers Act (IEEPA) tariffs, the Tax Foundation estimated that US imports faced a weighted-average rate of 13.8 percent. The Tax Foundation also estimated that in 2025 the tariffs equated to an average tax increase per US household of $1,000. In place of the IEEPA tariffs, Trump immediately imposed new tariffs under S232 and S122, which the Tax Foundation estimate will tax households by a combined $600 in 2026.

Trump's goal is to wake Americans up to the insecurity of overly relying on foreigners for manufactured goods. Given the high, uncompetitive US land, rental and wage costs, and that China controls a high proportion of global critical mineral supply chains, we see a long, bumpy road ahead for Trump.

In addition, China is already well down the automated factory road. And that China has almost three times as much power generating capacity than the US (3,891GW versus 1,373GW) at around 30% lower cost, tells you who holds the trump card. Unless of course, entrepreneurs like Elon Musk march thousands of graduates out of his Optimus 3.0 Humanoid Robot Academy into next-gen factories, and so greatly reduce jobs and labour costs.

For investors, 2026 is shaping up to be a volatile and complex year, driven by the intense intersection of rapid AI advances and deepening global geopolitical fragmentation, high debt levels, the inflationary impact of the wars, the infrastructure rebuilds, and supply chain disruptions.

AI, the US economy and beyond.

Despite environmental and community group resistance to the construction of new data centres and power grids, US developers are aggressively working to embed generative AI systems into as many aspects of people's lives as fast as possible. The tech billionaires and the Trump administration, supported by many fund managers are betting big on the AI boom. In fact, AI investments have become the major driver of US economic growth.

Historically periods of dramatic technological gains were followed by job gains over time. Based on 2025–2026 data, the impact of AI on the average American worker is a combination of job restructuring and significant risks to entry-level positions, with promises of long-term productivity gains. While predictions of immediate mass unemployment have not fully materialized, AI is causing a "reset" in the US labour market, with 55,000 jobs directly linked to AI-driven cuts in 2025.

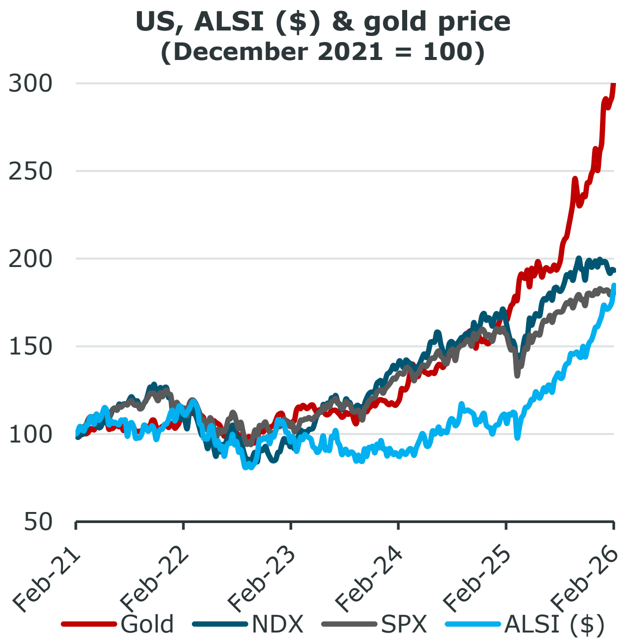
Along the Belt and Road Initiative and in Africa, Chinese companies are dominating the Engineering, Procurement, and Construction Management (EPCM) scene. Their dominance is driven by competitive pricing, fast delivery, and the ability to offer bundled financing. China's success also talks to their AI capabilities, dominance of commodity supply chains and refined metals that we have often written about.

Meanwhile, with prompting from Covid and Trump, the Europeans have belatedly woken up to the challenges that China presents. This is no more apparent than in the German auto industry, where Chinese Electric Vehicles (EVs) are anywhere from 20 to 50% cheaper.

To reclaim its manufacturing base and improve job security, Western Europe will need to impose a range of trade defence mechanisms and investment incentives, secure supply chains, ensure abundant and cheap energy, and improve its manufacturing AI. The skills base will also have to be addressed.

The US stock market.

While some fear an AI bubble, many on Wall Street see AI as a structural shift, the beginning of a multi-decade super-cycle.



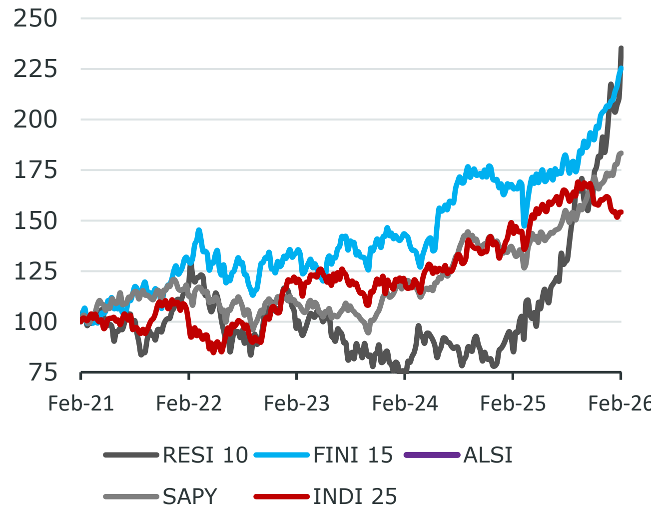
Over the past five years to February 2026 the Nasdaq and the S&P 500 have, respectively, compounded annually at 14.1% and 12.51%. In turn, the gold price and the JSE ALSI (in $), have compounded annually at +24.9% and +13.1%. And despite all the "haven" commentary, the dollar index has appreciated annually over the past 5 years by only +1.4%.

In contrast, YTD the S&P 500 and Nasdaq are up, respectively, 0.5% and 0.9%, whilst the dollar index (DXY) is down 0.73%. In turn, the gold price and the JSE ALSI (in $), are respectively, +21.8% and +15.4%.

South Africa – the JSE.

Over the past five years to February 2026 the major JSE indices have compounded annually at the following rates: RESI 10 (18.7%), FINI 15 (17.6%), ALSI (+14.2%), SAPY (+12.9%), and the INDI 25 (+9%). The miners have broadly benefitted from higher prices, whilst local businesses have fared well despite the poor political leadership and above inflation service costs. YTD the local stock market performance continues to be shaped by the explosive run in precious metals with the industrials under pressure: RESI 10 (27.2%), ALSI (9.6%), FINI 15 (8.5%), SAPY (5.9%), and the INDI 25 (-5.2%).

ALSI and major JSE indices
(December 2021 = 100)



To navigate Stage 6 (the war stage) of the Big Cycle, Ray Dalio recommends holding gold as "safe money" and international diversification, away from the US.

As illustrated above, the world is changing at an increasing rate. We are monitoring global changes, supply changes, funding sources and the effect on listed companies daily, balancing portfolios with a focus on exposure to opportunities while mitigating the risks to our daily lives.

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