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WASHINGTON'S PERSIAN SHOCKWAVE

TRUMP'S DISRUPTIVE TREND

Just as markets had begun to move past the lingering effects of President Trump's "Liberation Day" tariffs introduced in April last year, a fresh geopolitical shock emerged. In late February, the United States, alongside Israel, initiated military offensives against long-standing adversary Iran. Global markets reacted sharply: risk assets, including equities and emerging market exposures, sold off, oil prices surged, and bond valuations declined amid renewed inflation concerns.

At the time of writing, a fragile ceasefire between Iran and the US/Israel lasted only a few days, falling short of the originally proposed two-week period. The United States has since moved, according to President Trump, to impose a blockade in response to Iran's informal restrictions in the Strait of Hormuz. With further policy shifts and volatility from the Trump administration likely, we assess the outlook for the Chinese economy and markets within this evolving geopolitical landscape. Notably, China does not appear to be the primary focus of US policy at present.

The quarter ending 31 March 2026 was significantly affected by developments in Iran. China's onshore benchmark, the CSI 300 Total Return Index, began the year strongly but ended the quarter down 2.57% following the March sell-off. Offshore markets were more adversely affected, with the MSCI China Total Return Index declining by 8.94% over the same period. Both indices have since recovered, supported by initial reports of a ceasefire and subsequent indications of ongoing negotiations between Iran and the United States.

Having navigated multiple market dislocations over the past decade, our Shanghai-based investment team has developed considerable expertise in managing volatility. The current geopolitical shock has been no exception, and our China strategies have continued to demonstrate resilience during the recent period of market stress. As at the end of March 2026, year-to-date and first quarter returns were as follows:

- > The flagship Prescient China Balanced Fund returned -0.22% (net of fees, USD), effectively preserving capital during the recent volatility.
- > The Prescient China Equity Fund, focused on onshore equities, declined by 1.66% (net of fees, USD) for the quarter, while outperforming the CSI 300 Total Return Index by 0.91%.

Maintaining a disciplined and responsive investment approach during periods of heightened volatility has enabled us to generate consistent alpha. With the likelihood of further external shocks remaining elevated, we continue to monitor developments closely to position our China strategies to meet and exceed their return objectives.

THE IRAN CONNECTION

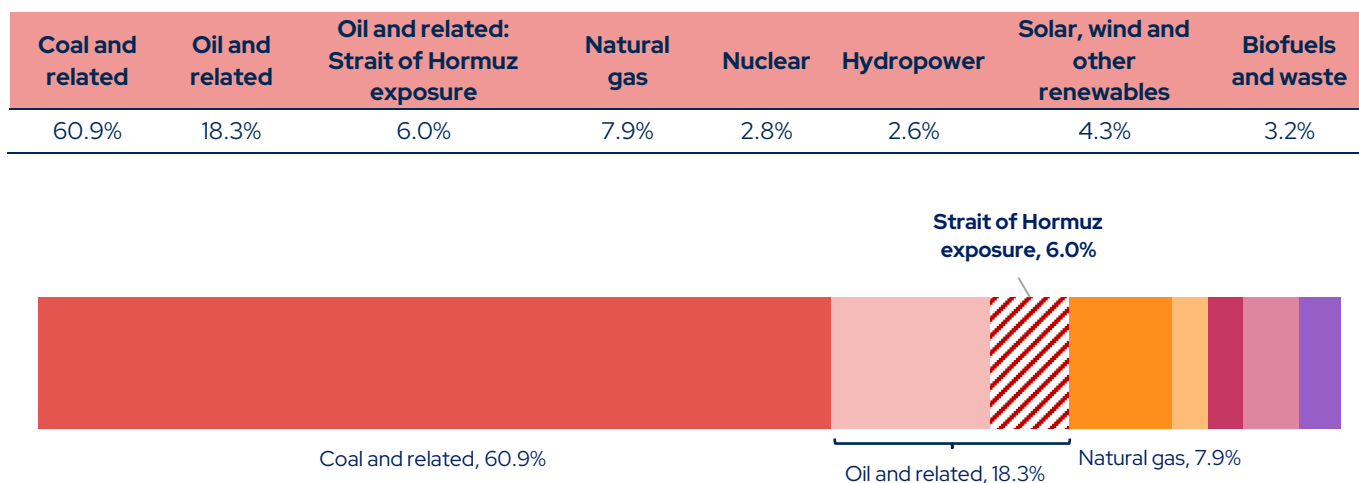
While our quarterly China commentary would ordinarily focus largely on domestic developments, the events of this quarter necessitate a broader perspective. In particular, the conflict in Iran, and its implications for the global economy, including China, has become a central consideration.

Prior to the recent escalation in tensions between Iran and the US–Israel alliance, the Strait of Hormuz was not widely recognised by the general public as a critical chokepoint for the global economy. As the conflict has unfolded, various narratives have emerged regarding the underlying motivations for the attack on Iran, including suggestions that it is intended to disrupt China’s economic lifeline. While such claims appear speculative, we do not seek to engage with conjecture. As always, our analysis is grounded in observable data, which we draw upon to inform our investment views and which we share in this commentary.

According to International Energy Agency (IEA) data for 2023, oil and related products accounted for 18.3% of China’s total energy consumption. Data from China’s National Bureau of Statistics (NBS) for 2025 indicates that this figure has remained broadly stable at 18.2%. Although this represents a meaningful share, China’s reliance on oil is notably lower than that of several regional peers, including India (24.7%) and Japan (36.5%).

Estimates suggest that approximately 50% of China’s oil imports originate from the Middle East, including around 12% comprising re-labelled Iranian oil. When domestic production is taken into account, roughly one-third of China’s total oil supply is exposed to flows through the Strait of Hormuz. This equates to approximately 6% of China’s overall energy consumption, indicating that while the exposure is non-negligible, it remains relatively contained in the context of the broader energy mix.

Figure 1: China’s Energy Mix – 2023



Sources: IEA, Prescient (based on latest available release as of April 2026)

Since the onset of the conflict in Iran and the subsequent informal restrictions in the Strait of Hormuz, Iran has indicated a willingness to allow “non-hostile” vessels, including those destined for China, to transit without interference. While Chinese shipping is not entirely insulated from disruption, the impact is expected to be materially less severe than for vessels serving US-aligned economies in Asia, such as Japan. As a result, we estimate that only a portion of the approximately 6% of China’s total energy supply exposed to the Strait is affected, which remains manageable.

Turning to natural gas, a similar proportion, around 30%, of China’s liquefied natural gas (LNG) imports is potentially exposed to disruption via the Strait of Hormuz. However, this headline figure overstates the overall risk. China produces approximately 60% of its gas domestically, while around 40% of its imports are delivered via pipeline from regions such as Central Asia and Russia. Consequently, LNG imports account for roughly 24% of total gas consumption, with only about 8% of this segment exposed to the current conflict. When expressed as a share of total energy consumption, given that gas constitutes approximately 8% of China’s energy mix, the disruption equates to an estimated 0.6% of overall energy supply.

In terms of preparedness, China appears less insulated than developed Asian economies such as Japan and South Korea, but comparatively better positioned than many emerging market peers, including India and South Africa. Japan and South Korea rely almost entirely on imported crude oil, leaving them more vulnerable to global supply disruptions and necessitating the maintenance of substantial strategic reserves. China does not publish official data on its strategic petroleum reserves; however, credible estimates suggest coverage of approximately 96 to 180 days of import demand. Given that the Strait of Hormuz remains at least partially operational, subject to the extent of US enforcement measures, China’s overall risk exposure appears contained, with a meaningful share of oil imports continuing to flow. A more detailed comparison is presented in Figure 2 below.

Figure 2: Oil Reserves Comparison

Country	Days covered	Source
China	96-180	CGEP, Domestic Chinese institutional analysis
Japan	228-254	Reuters
South Korea	208	Reuters
India	20-74	Reuters, Indian Ministry of Petroleum and Natural Gas
South Africa	14	SA news

Sources: As per table, summarised by Prescient (based on latest available release April 2026)

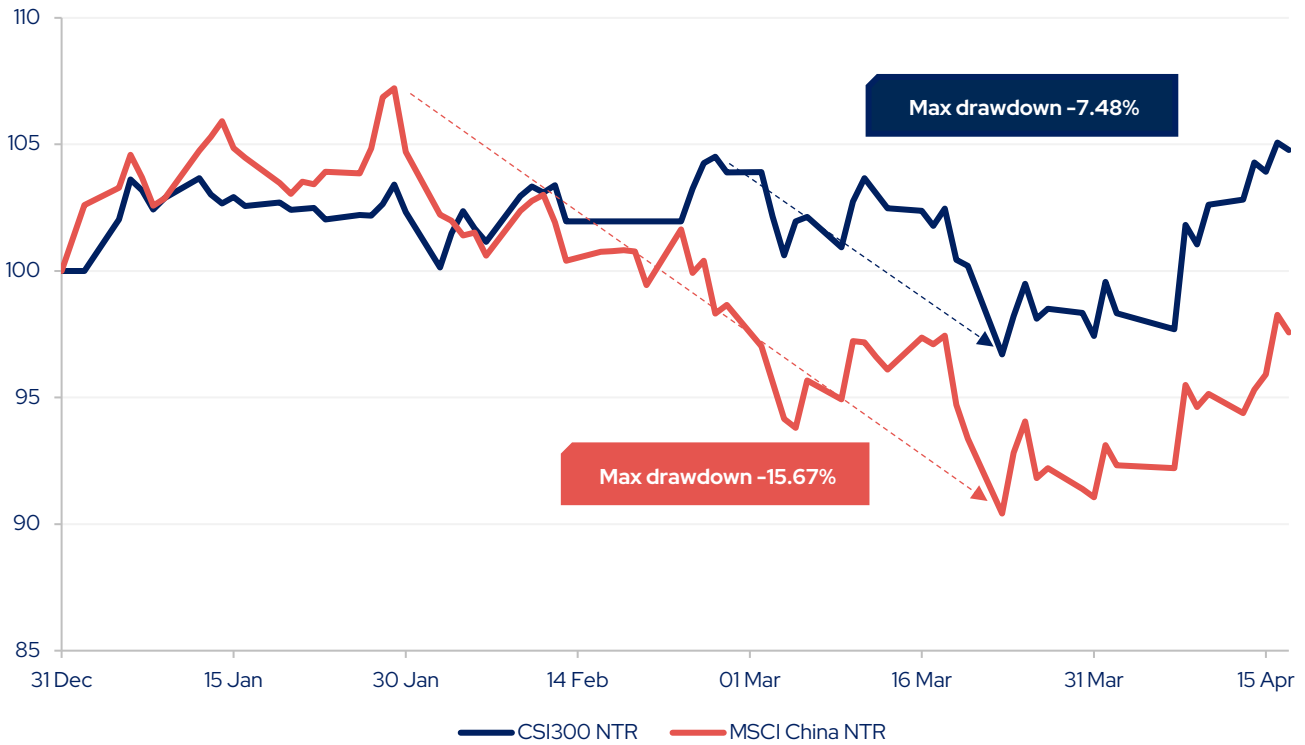
Amid the significant volume of commentary across both traditional and social media regarding the situation in Iran, it is easy for sentiment to become overly negative with respect to the global economic outlook. While the ongoing conflict is undoubtedly tragic and could have meaningful adverse implications for the global economy should conditions deteriorate further, China remains relatively well positioned.

Geographically removed from the conflict and supported by the scale and resilience of its domestic economy, China is better insulated than many of its global peers. This provides a degree of stability and capacity to withstand external shocks, even in a more challenging global environment.

MARKET REACTIONS

The sharp reaction in global markets following the US and Israeli military strikes on Iran and its leadership requires little emphasis. Chinese markets were also affected, although the impact was more pronounced in offshore listings, particularly in Hong Kong. This market has historically exhibited higher volatility than the onshore A-share market and tends to display greater sensitivity to global risk sentiment during periods of uncertainty.

Figure 3: CSI300 vs MSCI China - 2026 YTD



Sources: Bloomberg, Prescient (as of 17 April 2026)

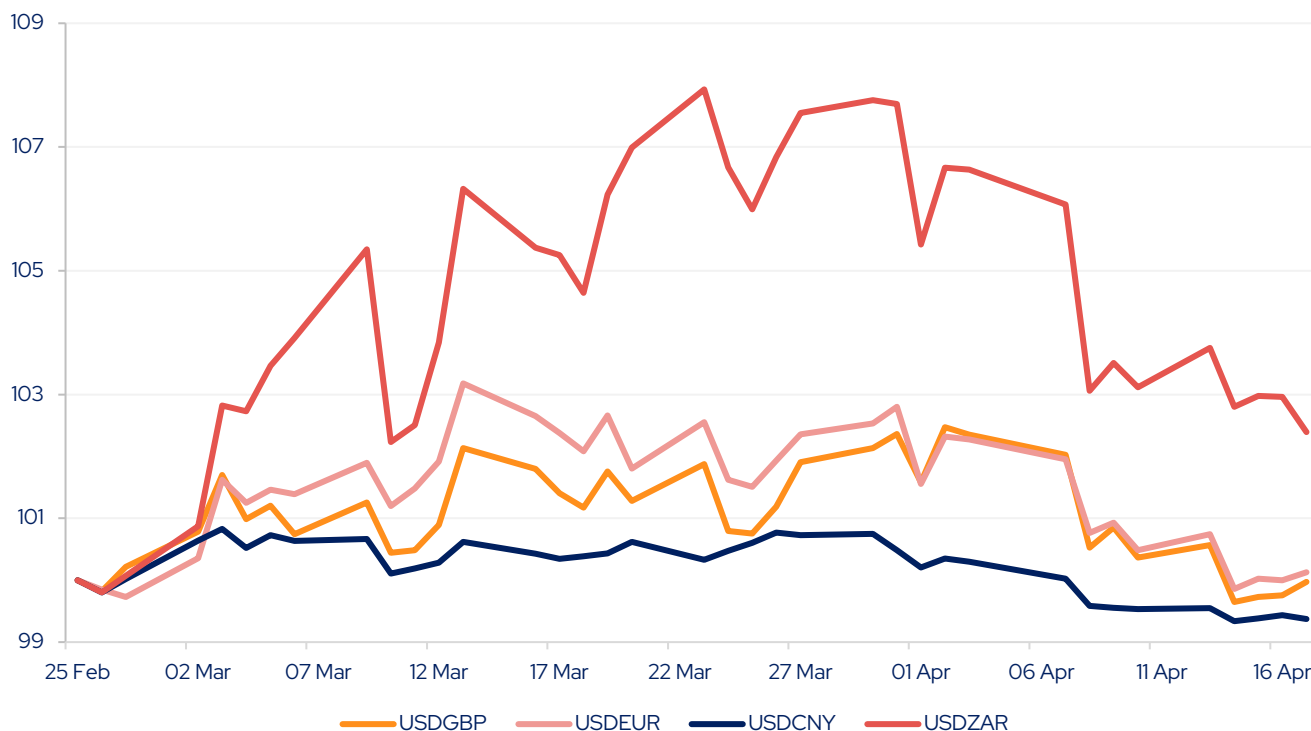
Since 25 February 2026, the MSCI China Total Return Index declined by 9.3% as at the end of March, while the onshore A-share benchmark, the CSI 300 Total Return Index, recorded a more modest decline of 6.5% over the same period. Figure 3 above highlights the relatively higher volatility exhibited by the MSCI China Index in recent months.

Over the longer term, our internal analysis indicates that the MSCI China Index has demonstrated significantly higher sensitivity to global equity markets, with correlation levels often approaching nearly twice those observed for the onshore CSI 300 Index.

On the currency front, movements in the Chinese Yuan (CNY) may have surprised many investors, as it proved to be one of the more stable major currencies during March 2026. Prior to their subsequent recoveries in April, both Sterling and the Euro depreciated notably against the US dollar, declining by 2.4% and 2.8%, respectively, between 25 February and the end of March.

By comparison, CNY weakened by just 0.5% over the same period, exhibiting minimal volatility in the exchange rate. In contrast, the South African Rand, often viewed as a proxy for global risk sentiment, fell by nearly 8% at its weakest point before recovering by mid-April.

Figure 4: Currency movements since Iran War

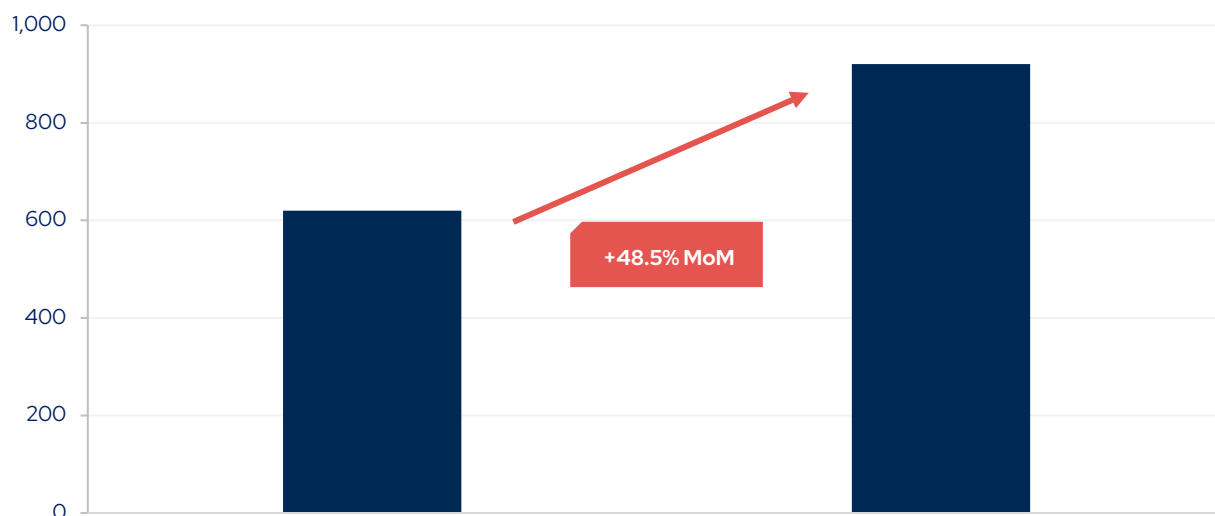


Sources: Bloomberg, Prescient (as of 17 April 2026)

In the absence of any significant intervention by the People’s Bank of China (PBoC) during March to support the exchange rate, and with policy adjustments such as the removal of the FX forward reserve requirement effectively lowering the cost of shorting the Chinese yuan, we believe the currency’s relative strength and stability over the period were largely market-driven.

One notable development during March was the sharp increase in CNY transactions processed through the Cross-Border Interbank Payment System (CIPS), which rose by nearly 50% month-on-month. This may point to the yuan’s emerging role as a settlement currency in certain segments of global trade, particularly in transactions affected by US sanctions. While we do not view this short-term surge as definitive evidence of a structural shift, the conflict in Iran appears to have further accelerated the broader trend of CNY internationalisation.

Figure 5: CIPS Average Daily Volume (CNY billions)



	February 2026	March 2026
CIPS Average Daily Volume	619.74	920.45

Sources: CIPS, Prescient (as of March 2026)

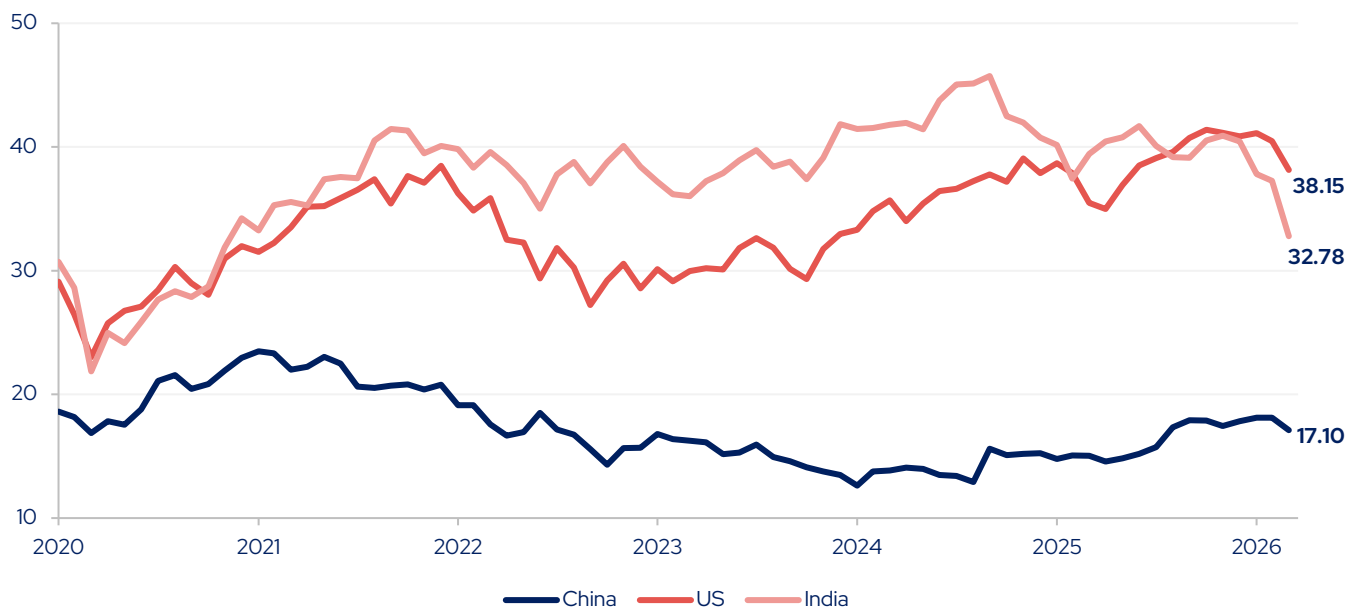
FROM HERE FORWARD

Following the fragile and at times inconsistent ceasefire brokered by Pakistan and China, global markets have largely recovered most, if not all, of the losses incurred during March 2026. A key question at present is whether markets are adequately pricing in the risk of a renewed escalation in Iran. More specifically, which markets would prove most resilient in a scenario where the United States commits ground forces and the conflict becomes protracted, similar to the situation in Russia and Ukraine?

Our view remains that onshore Chinese equities are likely to be among the least affected across major global markets. This is largely due to the domestic orientation of earnings, with the CSI 300 Index deriving close to 90% of its revenues from within China. This characteristic continues to underpin our overweight position in onshore A-share equities within our multi-asset strategies.

From a valuation perspective, onshore A-shares remain attractive on both an absolute and relative basis. Our internally calculated cyclically adjusted price-to-earnings (CAPE) ratio for the CSI 300 Index stood at 17.10 as at the end of March 2026, broadly in line with its long-term historical average. By contrast, while the US and India have retreated from peak CAPE levels, they remain elevated at 38.15 and 32.78, respectively, well above their respective historical norms. On a relative basis, this implies that investors are currently able to access comparable earnings streams in China at a discount of approximately 48–55% relative to the US and Indian markets.

Figure 6: CAPE ratio – China vs US and India



Sources: Bloomberg, Prescient (as of March 2026)

A closer examination of corporate earnings in China highlights that gross margins remain relatively low compared to global peers, particularly those represented in the S&P 500. At the index level, gross margins for the CSI 300 are, on average, only slightly more than half of those observed in the S&P 500.

In this context, the Chinese government’s “anti-involution” campaign provides a basis for potential margin expansion across the market, creating scope for positive earnings surprises. More broadly, a market characterised by lower margins and more modest valuation multiples may offer greater upside during periods of economic strength, while also demonstrating relative resilience in the event that the Iran-related shock intensifies.

Figure 7: Index Gross Margin



Sources: Bloomberg, Prescient (as at 31 December 2025)

PRESCIENT POSITIONING & PERFORMANCE

THE BEST GREATER CHINA ALLOCATION FUND - MORNINGSTAR

Our flagship, all-in-one flexible China strategy, the Prescient China Balanced Fund, has continued its strong performance in 2026 following a solid 2025. The fund has largely preserved capital for investors despite the pullbacks across global equity markets, particularly in emerging markets, triggered by the conflict in Iran.

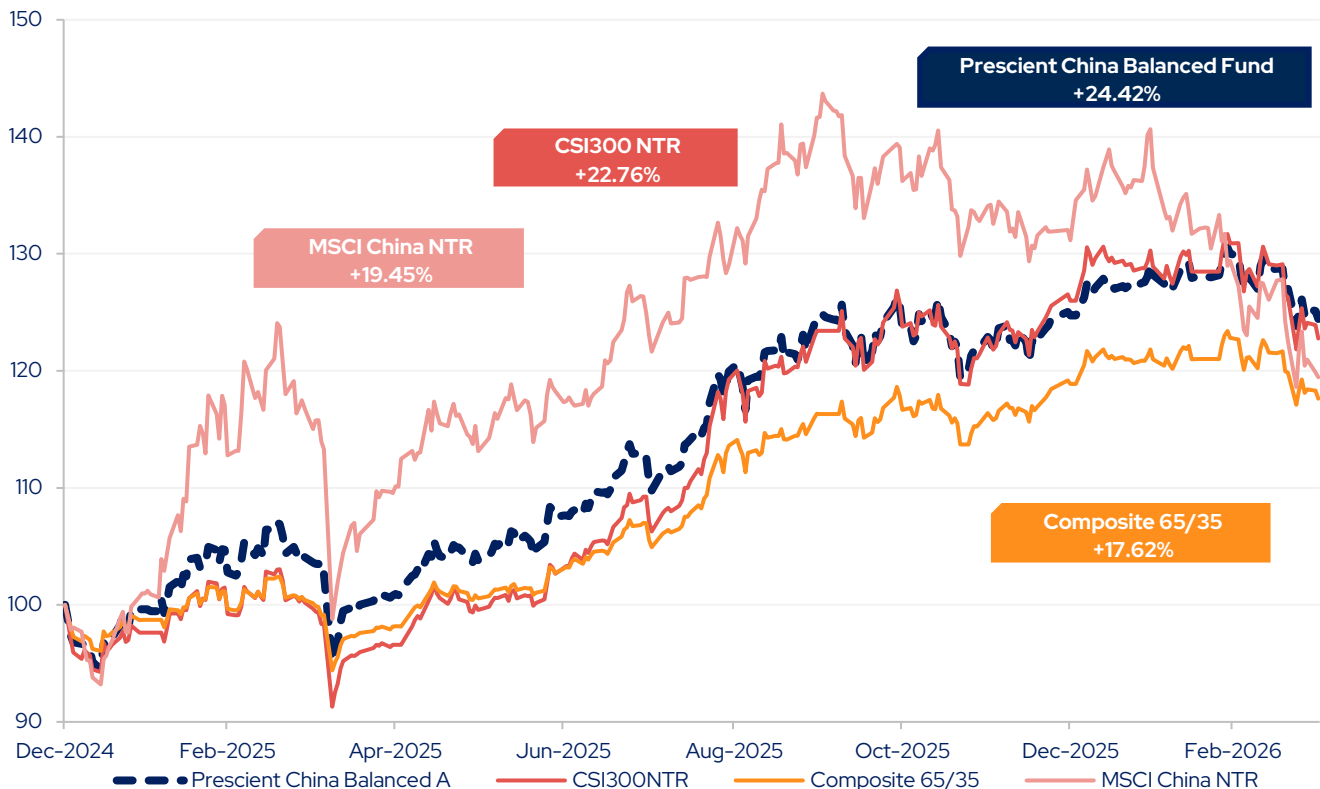
The fund remains ranked first by Morningstar over five years within the EEA Greater China Allocation peer group and is ranked second over the ten-year period ending March 2026 within the same category.

Relative to key Chinese benchmarks, the Prescient China Balanced strategy has outperformed both pure equity indices and a representative 65/35 composite index during periods of heightened market stress, including the 2025 “Liberation Day” tariff shock and the 2026 Iran conflict. Since the beginning of 2025, the strategy has delivered a return of 24.42% (USD, net of fees), outperforming the onshore A-share benchmark, the CSI 300 Total Return Index, by 1.66%, and the MSCI China Total Return Index by 4.97%, while maintaining significantly lower volatility.

Figures 8 and 9 below present the detailed performance metrics.

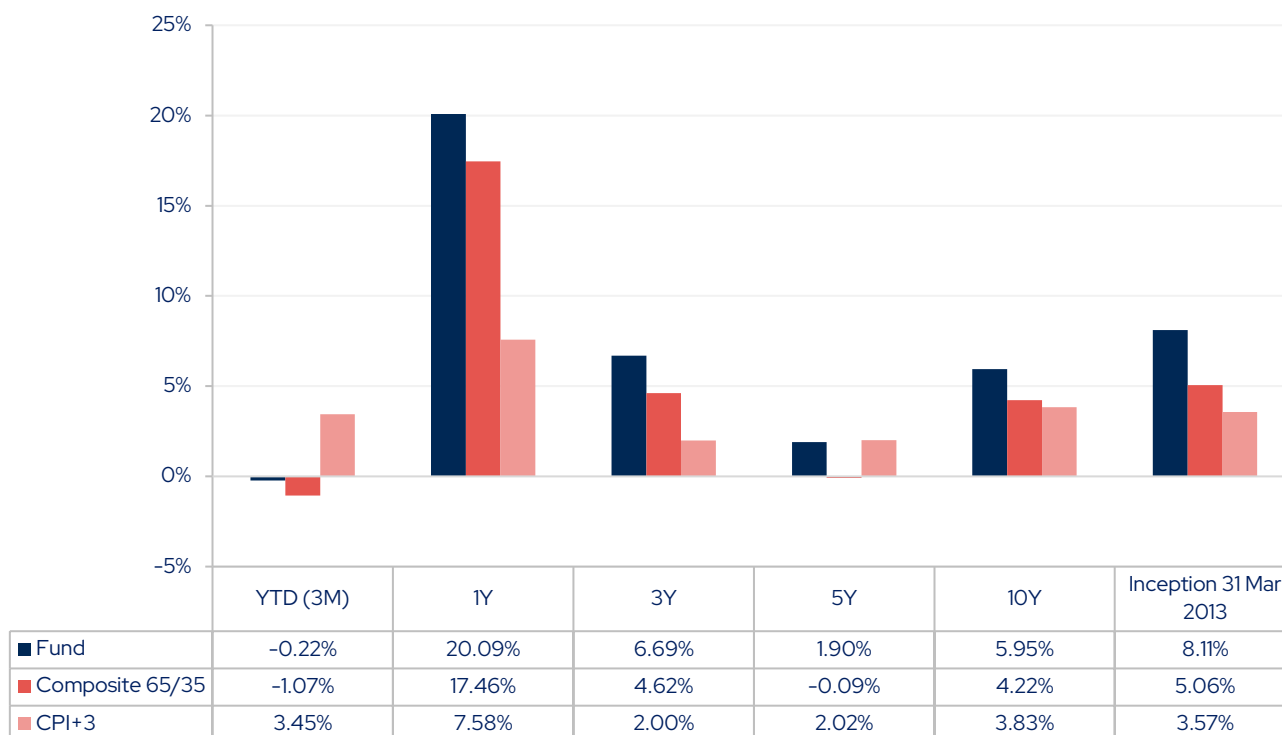
Figure 8:

Prescient China Balanced Fund – Performance since December 2024 (Illustrative Performance)



Sources: Prescient, Bloomberg (as of 31 March 2026), Composite: 65% CSI300 and 35% CSIIBond

Figure 9: Prescient China Balanced Fund – USD A Class Net



Source: Prescient, Bloomberg – 31 March 2026, Composite: 65% CSI300 and 35% CSIIBond

Returns longer than one year have been annualised.

	Fund	Benchmark
Highest rolling 1 year	116.81	17.08
Lowest rolling 1 year	-26.97	-7.82

At the start of 2026, we repositioned the strategy to a neutral equity allocation of approximately 65%, reducing exposure to the Chinese technology sector in favour of an overweight stance in onshore A-shares. This positioning has proven beneficial during the first quarter, given the heightened volatility in Chinese technology stocks and the broader Hong Kong market.

We continue to adopt a dynamic approach to asset allocation and portfolio protection, aiming to capture upside opportunities while carefully managing downside risks amid the potential for further market volatility. Our current positioning reflects a cautiously constructive outlook on Chinese equities, while retaining the flexibility to increase equity exposure should market conditions become more supportive.

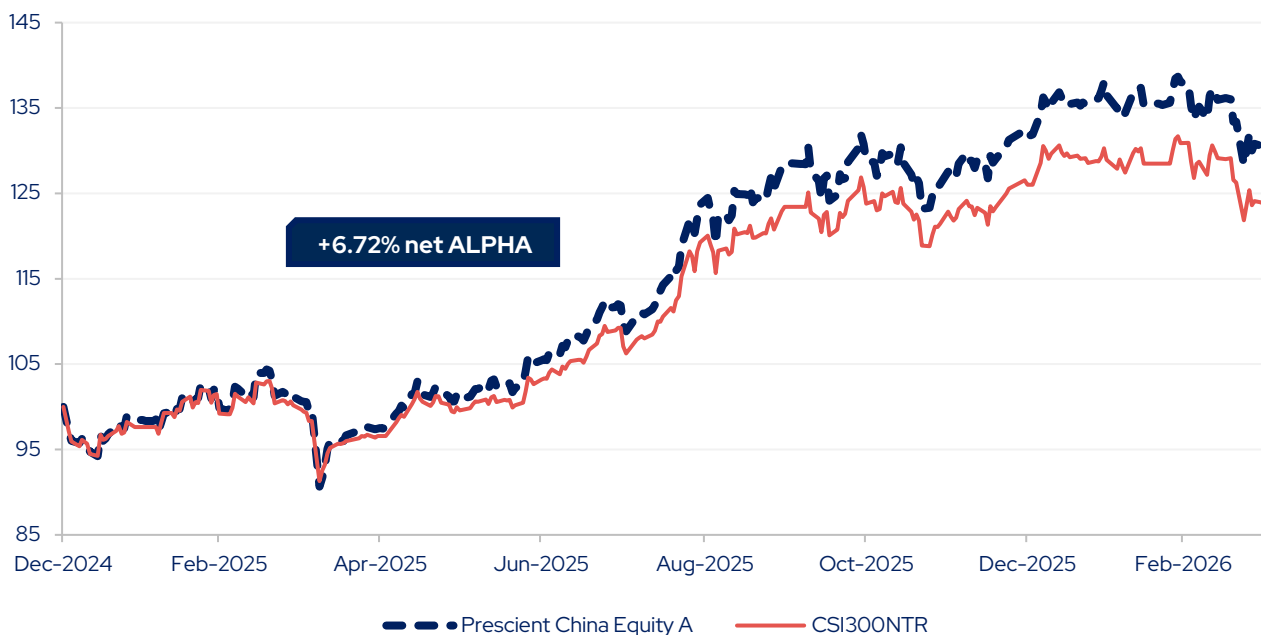
PRESCIENT CHINA EQUITY

The Prescient China Equity Fund, our onshore A-share-focused pure China equity strategy, outperformed the CSI 300 Total Return Index by 0.91% (net of fees) in the first quarter, delivering a total return of -1.66% in USD.

Since the beginning of 2025, the strategy has outperformed the CSI 300 Total Return Index by 6.71% over a 15-month period, with a tracking error of approximately 2%. This period provides a clear illustration of the strategy's design: to deliver index-like risk characteristics while generating consistent and meaningful alpha over the market cycle.

Figure 10:

Prescient China Equity Fund – Performance since December 2024 (Illustrative Performance)



Source: Prescient, Bloomberg – 31 March 2026

In 2025, our tactical allocations to Growth and Momentum factors, alongside our structural positioning in Quality, were key contributors to outperformance. This pattern has broadly continued into 2026, with exposures to Momentum and small-cap stocks delivering the most significant contributions to alpha thus far.

Quality factors have also continued to contribute positively to performance. While the magnitude of alpha generated has been more modest, it has exhibited greater consistency and lower volatility.

Looking ahead, we remain focused on positioning the strategy to generate alpha across a broad range of market conditions.

Figure 11: Prescient China Equity Fund – USD A Class net – Detailed Performance (%)

Fund Name	1Y	Since inception (31 October 2018)	Highest rolling 1Y	Lowest rolling 1Y
Prescient China Equity Fund - A Class	28.62	8.54	59.95	-33.50
Benchmark: CSI300 Total Return Index	23.16	7.05	58.23	-36.09

Sources: Prescient, Bloomberg (as at 31 March 2026). Returns longer than one year have been annualised.

THE OPTIMISTIC PANDA

Recent economic data from China continues to present a mixed, yet broadly encouraging, picture. GDP growth for the first quarter of 2026 exceeded consensus expectations, reaching 5%. Inflation data also showed encouraging signs, with producer price inflation (PPI) turning positive at 0.5% year-on-year, the first positive reading in 41 months. Consumer price inflation (CPI) and core CPI rose by 1.0% and 1.1% year-on-year, respectively, maintaining positive momentum.

On the less favourable side, retail sales growth fell short of expectations of 2.3%, increasing by a modest 1.7%, while youth unemployment, the jobless rate for those aged 16–24, rose from 16.1% in February to 16.9% in March. This mixed data backdrop is likely to reinforce the case for policymakers to maintain, and potentially expand, supportive measures, including targeted consumption stimulus and policies aimed at small and medium-sized enterprises (SMEs), which remain the largest source of employment in China. At the central government level, there remains ample capacity for additional debt issuance to support fiscal stimulus, which we expect will be deployed in a measured and pragmatic manner.

On the geopolitical front, President Trump's visit to China is now scheduled for mid-May 2026, having been delayed due to the conflict in Iran. Barring further postponements, we anticipate a favourable outcome, potentially including positive announcements and bilateral agreements between China and the United States. This expectation is partly informed by recent rhetoric, including President Trump's comments on Truth Social, where he noted that the upcoming meeting "will be a special one and, potentially, historic". While such statements should be interpreted with caution, they nonetheless point to a potentially improving tone in China–US relations.

Much of our outlook from the previous quarter remains unchanged. With China expected to be among the more resilient major economies should the conflict in Iran persist, we have become incrementally more bullish on Chinese risk assets, particularly given that market levels remain broadly similar to those seen at the start of January 2026.

For South African investors, our China multi-asset strategy, the Prescient China Balanced Feeder AMETF, listed in March 2026, is now accessible in ZAR on the JSE via standard brokerage platforms under the ticker: **PANDA**.

We look forward to engaging with many of our clients and readers over the coming months at events in South Africa. Please do not hesitate to contact us should you require any assistance or wish to discuss China-related investment opportunities further.

Disclaimer:

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A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Annualised performance shows longer-term performance rescaled to a one-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 for any one year over the period since inception have been shown. NAV is the net asset value represents the assets of a Fund less its liabilities.

The investment performance is for illustrative purposes only. The investment performance is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown and the income is reinvested on the reinvestment date.

Representative Office: Prescient Management Company (RF) (Pty) Ltd is registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). For any additional information such as fund prices, fees, brochures, minimum disclosure documents and application forms, please visit www.prescient.co.za.

The Prescient China Balanced Fund, the Prescient China Equity Fund, and the Prescient China Growth Enhanced Absolute Return Fund are registered and approved under section 65 of CISCA.

Prescient