

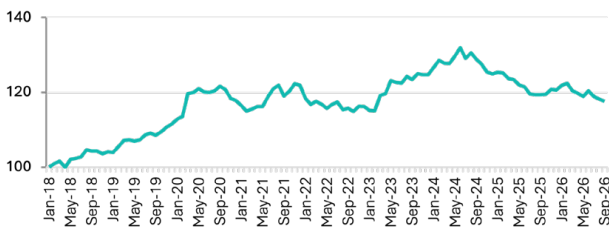


Quality Time

Over the past 20 years, Quality as a style has outperformed the global market by roughly 2.7% a year, with similar volatility and shallower drawdowns. The past two years have been a clear exception: Quality lagged as market leadership narrowed sharply around AI, semiconductors and momentum, while capital rotated out of highly rated quality compounders even as their underlying earnings continued to grow.

Encouragingly, history suggests that periods this weak have often been followed by some of Quality's strongest forward returns.

Quality/World Relative Index



Source: Factset, 29 September 2026

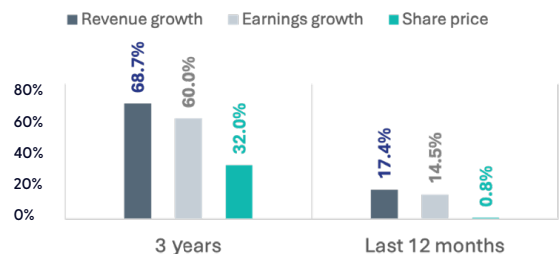
Lost Ground

- Quality has declined 11.5% against MSCI World since June 2024, the biggest slide since 2007.
- 2025 was its second-worst year against the market in 25 years, and 2026 is negative so far.
- The businesses were not the problem: earnings kept growing.
- Narrow leadership was further worsened by index flows feeding the same few winners.

Earnings Gravity

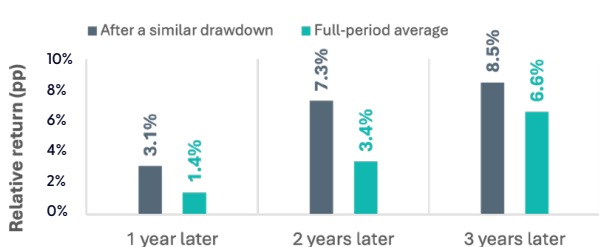
- Return decompositions of global equities show that over shorter periods, valuation changes can overwhelm fundamentals, while earnings growth dominates over the long run.
- Over the last three years, performance was driven mostly by a falling valuation multiple, not by slowing businesses.
- Robeco research shows that valuation multiples tend to mean-revert, so a lower starting multiple leaves earnings growth more room to show up in the share price.

Fundamentals vs Price



Source: Factset, 29 September 2026

After an 8% drawdown



Source: Factset, 29 September 2026

Mind the Gap

- Historically, deep quality drawdowns have created attractive forward return setups: after the four prior drawdowns of >8%, Quality outperformed the market over the following one, two and three years.
- The starting valuation is also much better today. Quality's premium to the broader market has fallen to roughly 27%, below its long-run average of around 33% and well below the 50% premium seen two years ago.
- At the same time, the earnings engine is still running: our Global Quality Core holdings are expected to grow earnings by around 21% over the year ahead.

Staying the Course

Quality is starting from a much better place today: the businesses are still compounding, valuations have reset, and history suggests periods of pronounced underperformance have often been followed by stronger forward returns.

The views expressed above are those of the Advantage Securities Investment Team and are based on our analysis, interpretation of publicly available information, and professional judgement at the time of writing.

Advantage Solutions (Pty) Ltd, FSP No 18490 and Advantage (Pty) Ltd, FSP No 47564 are Authorised Financial Services Providers, collectively referred to as Advantage.
T: (021) 936 9500 | T: (011) 463 9600

For the disclaimer, please click on General Disclaimer [here](#).