

Please note that the commentary is for the retail class of the Fund.

Performance

The Fund returned 25.0% for the year (0.6% for the quarter), supported by strong global and local equity markets and pleasing alpha offshore. A low gold weighting in the South African equity basket materially detracted from relative performance over the year. The Fund has performed well against its peer group over all meaningful time periods.

Fund positioning

Global markets delivered a third consecutive year of strong returns, with the MSCI All Country World Index returning 21% for the 12 months in USD (3.1% in Q4). US dollar weakness was a tailwind to these returns. The dollar index (DXY) declined -9.5% against a basket of currencies. Market returns were supported by economic growth, well-contained inflation and interest rate cuts. Returns from the global markets basket excluding the US were even stronger, with the MSCI All Country World ex US Index rising 32% over the year versus the S&P 500 Index's 18% (3% in Q4). Annualised returns mask high levels of volatility within the period. President Trump's return to the White House heralded drastic changes to both domestic policy and international relations. The implementation of a punitive tariff regime in April led to a dramatic sell-off in markets, with the S&P 500 declining -19% (Nasdaq -24% off its February high). For an actively managed fund such as this, volatility can create compelling opportunities. The sell-off allowed us to buy many winning businesses at undemanding valuations. The window one had to act within was brief. Markets subsequently recovered strongly, with the S&P rising 39% off early April lows.

The US market remains concentrated with the Top 10 stocks in the S&P 500 comprising roughly 40% of this index. This concentration is the result of exceptional growth by a few mega-cap technology companies (the Magnificent 7). Exploding artificial intelligence (AI) demand is fuelling dizzying levels of capital expenditure for these businesses. Passive investors face considerable risk from this concentrated benchmark exposure given the uncertainty inherent in the unprecedented levels of investment that companies are making in the AI land grab. The range of outcomes for AI in the years ahead is wide. As rapid AI adoption will disrupt many existing moats, we are rigorously re-examining investment cases to ensure portfolios remain positioned for resilience and growth.

Emerging markets (EM) had an outstanding year, with the MSCI EM Index rising 34% for the 12 months in US dollars (+5% in Q4). Our basket of EM stocks has comprised winning businesses such as TSMC, Mercado Libre, Coupang, Sea, and Grab, which benefit from strong fundamentals in rapidly growing segments. These businesses keep adding products and services to their ecosystems, further entrenching users. Even after the good year, we continue to find many winning businesses trading at attractive multiples.

Despite lacklustre Chinese economic growth, the MSCI China Index ended the year 31% in USD. China is the only country that can challenge the US with its coordinated long-term policymaking, high levels of education, work ethic, innovation, and scale. It already leads the world in more technology fields than people realise, including solar, wind, electric vehicles, batteries, drones, robots, AI, ecommerce, and high-end manufacturing. The Fund has selective exposure to leading Chinese businesses, including battery manufacturing.

The attractive value across our global basket of stocks continues to support a meaningful allocation to global equities. It brings valuable diversification to a South African portfolio with its varied investment drivers, attractive valuation opportunity, and access to many winning business models not available on the local exchange.

Having risen steadily over the last two years, the price of gold rose by a staggering 65% in 2025. In addition to ongoing geopolitical uncertainty, the US dollar's status as a global reserve currency is under debate. Unpredictable US policy, challenges to Fed independence, a highly indebted US sovereign, and the weaponisation of the US dollar have all contributed. Central bank purchases (in USD) reached new highs in 2025. Investment demand surged. After four years of net selling, gold ETFs recorded record inflows on the back of elevated buying from the US and China. Whilst gold's appeal as a financial and strategic asset has increased, the frenzied pace of buying (particularly in the second half of 2025) suggests that current prices are artificially high. Although we strongly sympathise with the reasons for the rally in the gold market, we think the market is very extended and that it has entered a speculative frenzy. This has been a feature of virtually all commodity cycles in the past. We have been here before and seen how sentiment can shift when least expected. We therefore remain very underweight the gold sector, as painful as that may be for our performance while the market continues to rally.

In South Africa, there were many clear signs of progress during the year. The GNU matured, navigating heated debates on issues such as the budget. Power availability, rail freight, and port volumes all improved. The strengthening of some key institutions resulted in SA being removed from the FATF grey list. The consumer continued to recover, helped by lower inflation and interest rates. Despite these positives, economic growth remained lacklustre. Optimistic GDP forecasts established on the wave of early GNU optimism were revised lower.

The fiscal outlook improved, helped by ongoing fiscal discipline and a narrowing deficit. Favourable macroeconomic tailwinds included soaring precious metal prices and a lower oil price. Tax collection exceeded expectations. The SARB formally adopted a 3% inflation target, anchoring expectations lower and increasing confidence that this could be sustained. The rand strengthened 12% against the USD over the year.

The FTSE/JSE Capped Shareholder Weighted Index (CSWIX) delivered outstanding returns for the year, up 43% (+9% in Q4), propelled by a substantial rise in the precious metal shares. The index, excluding the precious metal shares, rose 22%. The Resources Index rose a very meaningful 126% for the year (+10% in Q4) with returns dominated by the precious metals miners. The Industrials Index rose 18% for the year (-1% in Q4). Whilst the Financials Index with its higher domestic exposure lagged resources, it still delivered a solid return (+27% for the year, and notably +19% in Q4).

Despite the strong returns delivered in 2025, we continue to see value in our basket of JSE-listed equities. The basket has sizeable exposure to many of the global stocks listed locally as well as to winning domestic businesses. The global shares are expected to deliver strong earnings for a variety of reasons (growing franchises, cyclical recovery, etc.) and trade with attractive upside. Holdings include Naspers, Quilter, Richemont, Bidcorp, and Aspen amongst others.

Whilst lower inflation and interest rates brought consumers relief during 2025, the weak economy and lack of job growth offered little support for domestic retailers. Revenue growth was generally weak. Mr Price's announcement of its intention to acquire a European value retailer was seen as indicative that the SA market lacks growth prospects. Banks generally performed well against this backdrop as bad debts retreated, and costs were tightly controlled. The Fund's domestic stock selection remains focused on picking winning franchises. This basket of stocks continued to demonstrate faster revenue growth and market share gains. An exception was WeBuyCars, which disappointed the market with slower trading attributed to both changing market conditions and capacity constraints. We believe the disappointment will be short-term in nature. The agile, data-led pricing model should allow WBC to adapt to market changes whilst the business continues to invest heavily in its footprint.

The Fund has held an underweight position in the resources sector for some time. A meaningful part of this is in the gold shares which comprise 17% of the index on a look-through basis. We are concerned about the capital losses that shareholders in gold miners could incur if some of the sector's froth dissipates. The locally listed gold miners are high-cost producers (in the 3rd and 4th quartiles), whose prospects are highly leveraged to gold price moves. They have benefited materially from the metal's rapid price rise. At current prices, both gold and the gold shares trade above our assessment of long-term fair value. The Fund built a position in the PGM miners in the second half of 2024. The investment was premised on tighter supply-demand fundamentals. The PGM basket rose dramatically during 2025 (+63%) due to underinvestment in mines, muted scrap supply and slowing EV adoption outside China. As share prices have risen, we have trimmed holdings. Whilst Anglo American was buoyed by restructuring and M&A activity during the year, other diversified miners were weaker. During the year, the Fund increased its holding in Glencore which trades on attractive multiples. Talks of a potential merger with Rio Tinto post-year-end highlight the inherent value in Glencore's portfolio, particularly its attractive copper assets.

Outlook

The Fund is focused on generating compelling long-term risk-adjusted returns. Despite the strong global equity markets in 2025, our basket of global and domestic equities has attractive upside. Whilst uncertainty can cause near-term fluctuations, this basket should deliver good medium-term returns. The Fund has maintained meaningful offshore exposure. In addition to the return prospects, this provides valuable diversification away from a single sovereign and weak domestic economy. This diversified, global basket positions the Fund well to deliver its medium-term return expectations.

Portfolio managers

Karl Leinberger and Sarah-Jane Alexander
as at 31 December 2025