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

Performance

Global markets ended 2025 with exceptionally strong gains across most risk assets, despite elevated geopolitical uncertainty and a shifting global trade order. The Fund delivered a 2.9% return for the quarter and 19.1% for the 12 months, marking another year of double-digit performance and pleasing real returns.

The return drivers were broad-based, with strong returns from local equities (28%), global equities (12.2%), SA bonds (24.6%), and SA property (26%).

Fund positioning

2025 proved to be a year of broad-based recovery and structural shifts. The end of US exceptionalism was confirmed by the largest relative outperformance of non-US equities since 2009, as global allocators diversified towards international markets. The Dollar Index ended the year down 9.5%.

Commodities, particularly precious metals, had a stellar year – silver (+127%), platinum (+127%), gold (+65%), and copper (+43%) – all supporting resource-heavy markets like South Africa. Energy-related commodities struggled, with oil dropping 20%.

The reset of the global trade order, a rise in self-interest and resource nationalism have thus far seen limited hits to global growth and inflation. The global macro backdrop featured resilient growth and widespread monetary easing. This, coupled with an AI race, propelled many markets far higher. In South Africa (SA), the adoption of a lower inflation target and credible fiscal anchor helped stabilise debt metrics, setting the stage for continued investor confidence and capital inflows.

Total fund equity exposure ended the year at slightly below 70%. We remain constructive on both SA and global equities, although we have reduced our position subsequent to the strong performance following the tariff tantrum sell-off in April (where our overall equity position peaked at close to 75%).

Focusing on SA equity specifically, while the JSE Capped SWIX Index climbed 43% in 2025, returns were very narrow and concentrated in gold and PGM sectors. When excluding these sectors, returns were more muted (+22%). While SA faces a number of issues (weak municipalities, ANC succession, poor education outcomes in the longer term), there has been a shift in sentiment towards a more positive view locally. High precious metals prices and low oil prices provide a strong tailwind, rail and energy performance is greatly improved, our fiscal position is more stable, and our removal from the FATF grey list aids sentiment. We ended the year with a small overweight in SA Inc. stocks within the SA equity building block, having been underweight at the start of 2025.

On the global equity front, we continue to find good value across multiple sectors and geographies. Our position in global emerging market equities is the highest it has been in over a decade, reflecting both concerns around the US dollar, as well as very attractive valuations on offer.

Total bond exposure ended the year at c. 18%. A drop in SA inflation expectations to within the SARB's new lower target band coupled with an improvement in fiscal consolidation credibility saw SA bonds return an impressive 24% for the year. While a large part of the rally was arguably justified, we now see limited value in SA government bonds and no value in global sovereign bonds. The Fund reduced exposure to global credit as spreads tightened and valuations became less compelling. At year-end, credit exposure stood near 5%. In our SA bond holdings, we shifted from only holding nominal bonds towards a balance of instruments that include inflation-linked bonds.

Our somewhat low SA government bond exposure should be seen in the context of our large SA property exposure, which ended the year at over 10% of fund. Most of the counters held in the Fund provide high starting yields not far off government bond levels, with attractive growth on top of this. Local property stocks are expected to benefit from lower short- and long-dated interest rates, increased solar provision, inflation that is lower than escalation rates, and improved rental tension. Debt levels, which spiked during the Covid lockdown, have now returned to more normal levels, improving the quality of balance sheets within the sector.

Outlook

After several periods of strong double-digit returns from the Fund, we remain optimistic about the portfolio's outlook for continued robust returns over the long term. Prospective returns across risk assets are high, and the Fund continues to hold an immaterial cash balance.

Portfolio managers
Neville Chester, Nicholas Stein and Nicholas Hops
as at 31 December 2025