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

Performance and positioning

The Fund delivered a 4.9% return for the quarter, ahead of the 1.9% returned by the benchmark, as global asset prices continued to rise after the "Liberation Day" sell-off in the second quarter of the year. The Fund's long-term performance remains compelling, with 4.1% alpha versus the benchmark since its inception.

Global asset markets continued their rise in the quarter, with the MSCI World Index up 7.6% in US dollars (USD), while the rand strengthened by 2.5% over the period. Continued USD weakness remains a key trend globally and is benefiting non-USD assets and gold in particular. MSCI Emerging Markets was up 11% for the quarter, with South African equities performing better, up 13%. Given the incredibly strong gold price over the last 12 months, we have seen the gold sector driving almost half of the FTSE/JSE Capped SWIX's absolute return.

Over the quarter, the Fund benefited from its overweight position in global and emerging market equities, where strong alpha compounded on top of the relevant index returns. The key detractor to performance was our gold underweight position within South African equity.

A notable trade in the quarter was the rotation of some SA nominal government bonds into inflation linkers. Within SA equity, we were buyers of MTN while reducing Prosus/Naspers and switching the remainder of our Anglo American into Glencore. Prosus/Naspers remains a core holding within the Fund.

Within SA equity, there has not been a meaningful change this quarter in our core positioning, in that the portfolio remains weighted towards global shares, and our exposure to the SA economy is dominated by the banking sector and a selection of winning companies across the market. Our gold underweight has risen this quarter as the sector continues to dramatically outperform on the back of an ever-rising gold price. Typically at these points in the commodity cycle, we would aim to have no exposure to a given commodity in order to protect against capital loss. However, we feel this cycle in particular has a far wider range of outcomes and unknowns, which make a zero-position unjustifiable at this point. Continued attacks on the US Federal Reserve's independence by the White House, strong buying of gold by central banks and unsustainably rising government debt balances are key features of this cycle, which result in supernormal levels of uncertainty.

Whilst local bonds performed well in absolute terms during the quarter, they were still overshadowed by the returns delivered by risk assets. Our concentrated positioning further down the curve delivered good results as the yield on the R214 (2041 maturity) declined 68 basis points (bps) to just over 10%. We rotated some of this exposure into inflation-linked bonds, where we believe there is value, thanks to the ~4.5% breakeven rates over the next decade. While the Reserve Bank Governor is intent on reducing our inflation targets, we believe there are a number of structurally high inflation components that will make his 3% target unachievable.

We continue to hold a large position in a diversified basket of property stocks despite the strong returns of the last few years and a positive contribution to portfolio outperformance. Continued strong operational performance and lower interest rates have combined to support the sector; however, we believe that starting yields and the growth outlook remain compelling from here.

Global equities continued their 2025 rally with Emerging Markets outperforming Developed Markets year-to-date. We still find exceptional stock picking opportunity within the global equity universe and maintain a large weighting within the Fund to both Emerging and Developed Market equities.

Over the quarter, we did reduce our exposure to global corporate credits as yield gaps compressed to incredibly low levels. Our exposure has reduced to below 4.5% as the total USD yield reduced towards 6%, making it less attractive relative to the investment universe. We retain our aversion to global sovereign debt due to our longer-term concerns around fiscal sustainability and starting debt positions.

Whilst the future is always uncertain and recent years have delivered strong absolute and relative performance, we remain optimistic about the future return environment. Thanks to continued active asset allocation, the Fund has exposure to attractive assets across geographies and asset classes, and offers a robust investment proposition. In these turbulent times, our long-term, valuation-driven approach remains the foundation of our investment process, delivering the desired outcomes for clients.

Portfolio managers
Neville Chester, Nicholas Stein and Nicholas Hops
as at 30 September 2025