

momentum

multi-manager

Quarterly investment report

Momentum Investments Classic Factor Portfolio Range

Q2 2025



Introduction

Assessing investment returns in an outcome-based investment context

The Momentum Investments Classic Factor Portfolio Range is managed in terms of our outcome-based investing philosophy, where we design the portfolios to maximise the probability of achieving the inflation-plus return target of each portfolio over the relevant period, while continuing to meet the portfolios' risk targets. To achieve this, our portfolio management approach conceptually starts at an (multi) asset class level, then progresses to the identification of specific investment strategies within each asset class (if appropriate) and finally ends up in the selection of (potentially more than one) investment mandates awarded to investment managers that will implement the desired investment strategies.

Given this outcome-based investing framework, when assessing the returns of the Momentum Investments Classic Portfolio Range, it is important to start by looking at the returns from the portfolios against their inflation-related targets. This allows us to answer the question: did we achieve our target over the most recent relevant period?

We then assess these returns relative to this target in terms of the following:

- The returns provided by the asset classes included in the portfolios
- The returns from the building blocks that provide the asset class exposure for the portfolio against their asset class (or strategic) benchmark. This in turn is explained by:
 1. The returns from the investment strategies (or styles) used in the building block (if any)
 2. The returns from the investment managers that were awarded the mandates used in each of the building blocks

This quarterly review thus starts with the assessment of the investment returns generated by the portfolios against their targeted investment outcomes over the most recent periods. The next section focuses on the economic environment and the returns generated by the asset classes (beta) for the most recent quarter, measured against our average real return expectations for each asset class. We review the returns from the building blocks and the underlying investment managers against their strategic investment benchmarks.

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Economic overview

Q2:2025

Sanisha Packirisamy
Chief economist



Trump tariff advances and retreats were the dominant financial market drivers in the second quarter of 2025. Global equities sharply outperformed global fixed income, with global bonds' safe-haven characteristics becoming less attractive as the quarter progressed, particularly that of US Treasuries in the new unpredictable Trump policy era. Worries about fiscal deterioration put further pressure on global bonds in the second quarter. Global cash provided the worst returns of all asset classes in the quarter, as global central banks continued to cut policy rates.

Sharp rand appreciation in the second quarter due to US dollar weakness and positive local political developments eroded the rand returns of foreign asset classes and rand commodity prices. Nevertheless, the rand platinum price provided the highest returns of all local and global asset classes in the second quarter, with the US dollar platinum price rising exponentially in June on the back of lower expectations of future electrical vehicle production and some substitution of platinum jewellery demand shifting from gold.

Amongst SA asset classes, listed property performed the strongest, with equities a close second and nominal government bonds also providing solid returns. These local asset classes all benefited from a local rate cut in the quarter, the passing of the SA budget at the third time of trying, relief about the survival of the SA coalition government, consistent positive inflation surprises and ongoing discussions about the lowering of the inflation target. However, the positive inflation news undermined the returns from inflation-linked bonds (ILBs), while the rate cut suppressed SA cash returns.

Watch our Chief Economist, Sanisha Packirisamy, and Economist Tshiamo Masike discuss the outlook of the economy.



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Asset class returns

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Herman van Papendorp
Head: Asset allocation



The returns for the asset class benchmarks for the second quarter of 2025 are reported in the first column of the table below. The next column highlights the returns for these asset classes for the previous year. These one-year returns are then converted into real returns by deducting inflation (2.8%) for the year. The final column in the table contains the returns above inflation we expect to get (on average) for these asset classes for a full market cycle.

Watch our Head of Asset Allocation, Herman van Papendorp, share his outlook on financial markets.



Asset class	Q2 2025 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	9.7%	24.6%	21.7%	5.8%
Local bonds (ALBI)	5.9%	18.4%	15.6%	3.3%
Local listed property (SAPY)	9.1%	23.9%	21.1%	7.0%
Local ILBs (ILBI)	0.9%	7.3%	4.5%	2.8%
Local cash (SteFI)	1.9%	8.1%	5.3%	1.3%
Global equity (MSCI ACWI)	7.9%	13.6%	10.8%	6.5%
Global bonds (WGBI)	4.6%	8.5%	5.7%	-0.3%
Global property	1.1%	9.4%	6.6%	4.0%
US dollar/rand**	-3.4%	-2.7%		
SA CPI*	0.9%	2.8%		

*CPI is lagged by 1 month

**A positive/negative value here reflects the effects of a depreciation/appreciation of the rand against the US dollar on global asset class returns in rand terms. As the rand gets weaker/stronger, the returns of global investments get better/worse from a local investor's perspective.

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Portfolio management

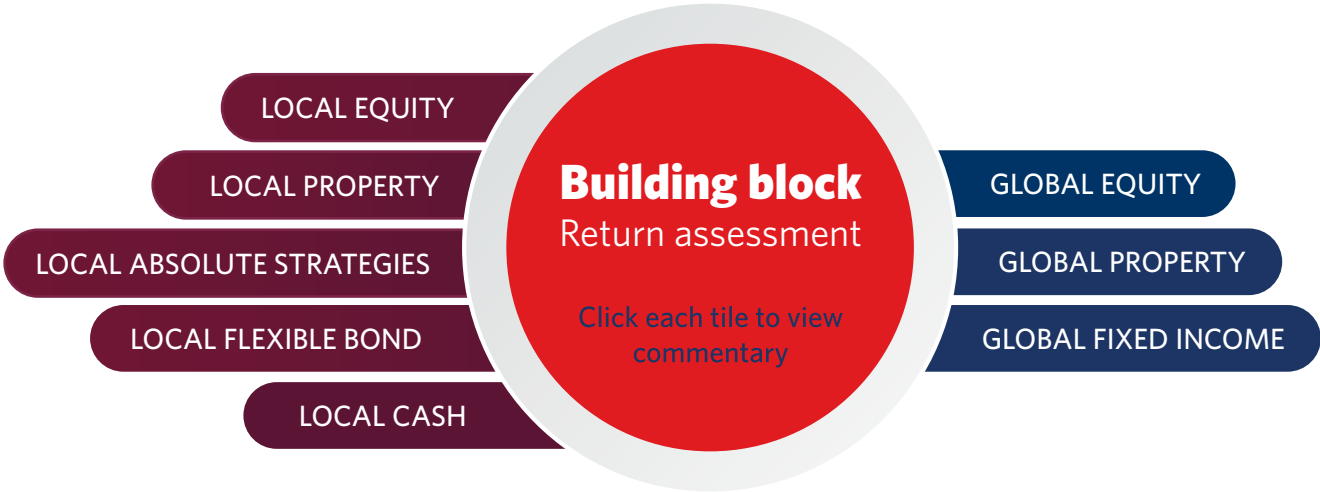
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Mohammed Sibda
Portfolio manager



No material changes were made during the last quarter apart from reducing global bond and global cash exposures. We took advantage of market volatility in early April and increased local bond and equity exposures. The portfolios are positioned for further gains in risk assets (local and global equity and property) and local bonds.

As explained above, our outcome-based investment philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate level within each asset class. We thus construct building blocks that reflect our selected investment strategies and managers that were awarded the mandates to implement these to either improve on the returns of the asset class or manage its risk profile.



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Local equity building block

The FTSE/JSE All Share Index saw solid increases across all sectors, resulting in a strong 10.2% gain for the quarter. Industrials led with an 11.8% rise, followed by Resources at 9.8%, and Financials at 8.5%. The performance was driven by platinum group metal companies, Naspers, Prosus, MTN, Capitec, AngloGold and British American Tobacco, whereas the more domestic-focused companies like Nedgroup, Standard Bank, Mr Price and The Foschini Group underperformed the overall market during the period. The SA-listed property continued its rally from the previous quarter, delivering 10.8%.The building block delivered a return of 8.6% for the quarter.

Fairtree delivered a return of 8.7% for the quarter. The exposure to Consumer Discretionary and Financial stocks significantly contributed to returns. Holdings in Naspers/Prosus, FirstRand, Sanlam, and AngloGold were the main performance drivers, whilst positions in Harmony, Standard Bank, and Aspen detracted from performance. Fairtree continues to hold a meaningful position in gold counters as they think markets will continue to be volatile in the second half of the year.

Foord delivered a return of 5.0% for the quarter. The underweight position to gold and platinum counters was the main detractor from performance. A meaningful allocation to media stock Naspers/Prosus added to returns as their share prices rose. Positions in SA Inc. companies contributed to returns, although an underweight to financials in comparison to the index detracted on a relative basis as domestically-focused banks and consumer stocks were boosted by an interest rate cut, resulting in a broad-based rally. An allocation to global beverage company Anheuser-Busch InBev contributed to returns as the share price was driven by strong earnings, improved margins from pricing and premiumization, and a weaker US dollar boosting international revenue.

However, the fund’s holding in pharmaceuticals group Aspen was the biggest detractor from returns as the share price fell following a profit warning related to a contractual dispute with Moderna, despite reporting modest earnings growth. During the quarter, holdings in global media giant Naspers / Prosus were trimmed, and the exposure to consumer discretionary businesses was increased.

Truffle achieved a return of 9.2% for the quarter. The overweight in Prosus continued to contribute positively as pleasing Tencent results with better earnings visibility were well received, but the key reason for the outperformance was Prosus financial results in June. Aspen was the largest performance detractor over the quarter as the share derated significantly following the surprise announcement of the loss of an mRNA manufacturing contract. An underweight position in Telco’s, specifically MTN, also detracted from performance. Over the quarter, Truffle sold a position in Richemont, taking profits after the luxury business share price re-rated. They also further reduced positions in SA retailers and reweighted stock positions within the SA Banks exposure by adding to Capitec, ABSA and Investec by reducing a meaningful position in Standard Bank. They added diversified miner Glencore to the fund as they remain constructive on copper and increased the weighting to Anheuser. The fund remains exposed to other large foreign-exposed businesses given strong valuation metrics and dividend yields.

MandG delivered a return of 10.1% for the quarter. The holdings in AngloGold, Spar, MTN and PSG Financial Services were strong drivers of returns. The underweight to Aspen was also a source of relative returns. MandG maintains an overweight position in AngloGold Ashanti, while avoiding Harmony Gold. They remain underweight the platinum sector due to the ongoing challenges and believe it will continue to earn below-cycle margins. This underweight stance detracted from performance during the quarter.

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Blue Alpha achieved a return of 9.4% for the quarter. The underperformance was mainly driven by the underweight in the platinum sector and a significant underweight in MTN. The view on MTN remains anchored in its consistently poor economic returns over the past decade. The core of our portfolio remains anchored in high cashflow generative businesses, which continue to perform well. Key contributors for the quarter included Capitec, BTI, FirstRand, Santam, and Bidcorp, whilst underweights in Sibanye and Impala Platinum detracted from performance.

The Satrix Momentum strategy delivered a return of 9.2% for the quarter. Over the quarter, the Momentum Factor underperformed the Capped SWIX benchmark. From an attribution perspective, overweight positions in MTN Group and AngloGold Ashanti and an underweight position in Aspen Pharmacare added value to the strategy over the quarter. Counters that detracted value from the strategy were overweight positions in Harmony Gold (HAR) and Impala Platinum (IMP) and an underweight position in Sibanye-Stillwater (SSW). At the last rebalance in June 2025, we transitioned the portfolio based on the evaluation of new factor signals and the risk levels in the portfolio. Based on these signals, Ninety One PLC, Northam Platinum, Ninety One Ltd (NY1) and Sibanye- Stillwater (SSW) were added as new positions while positions in Dis-Chem (DCP), Mr Price (MRP) and Spar (SPP) were reduced.

The Systematic Strategies managed by Momentum Asset Management delivered a return of 9.5% for the quarter. The Trending strategy delivered a return of 10.1% for the quarter. During the quarter, Investec PLC, Reinet, The Foschini Group and Truworths International were sold from the fund while British America Tobacco, Impala Platinum and Thungela Resources were introduced. The Value strategy produced a return of 8.3% for the period.

During the quarter, NEPI Rockcastle and Super Group were sold from the fund while Impala Platinum and Valterra Platinum were introduced. The Quality component produced a return of 9.5% for the quarter. During the quarter, Nedbank and Tiger Brands were sold from the fund while Impala Platinum and Valterra Platinum were introduced.

Local property building block

For the quarter ended June 2025, the SA Listed Property Index (SAPY) and the All-Property Index (ALPI) recorded total returns of 9.1% and 10.8% respectively. The second quarter of 2025 witnessed significant capital raising activity within the South African REIT sector, as several key players sought to strengthen their balance sheets, pursue strategic growth initiatives, and fund sustainable projects. This period saw a concerted effort by listed property companies to leverage market opportunities, enhance liquidity, and position themselves for future expansion amidst evolving economic landscapes.

Globally, the FTSE EPRA/NAREIT Developed Rental Net Total Return Index recorded a net total USD return of 3.3% for the quarter. The quarter's best-performing listed real estate market was Europe, which recorded a total USD return of 20.6%. The US recorded the lowest total USD return of -1.28%. Year to date, the best-performing sectors globally were Student Housing (22.1%), Diversified (20.5%) and Health Care (15.8%). The worst performing sectors were Lab Space (-22.6%), Hotels (-8.5%) and Data Centres (-7.0%). The building block delivered a quarterly return of 5.2%, underperforming the composite benchmark of 6.9%.

Catalyst produced a return of 4.6% for the quarter. From a tactical asset allocation perspective, the underweight to SA property and overweight

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global position detracted from performance relative to the benchmark. The main contributors to performance were overweight positions in Vonovia, SA Corporate, Vukile, and Unibail and an underweight position in Prologis, which underperformed the benchmark. The main detractors to performance were underweight positions in MAS and overweight positions in First Industrial, Agree Realty, Americold and Invitation Homes.

Meago produced a return of 6.2% for the quarter. The most significant positive contributors to performance within the South African holdings were the fund's overweight positions in Resilient and Dipula-B. Additional contribution to the outperformance is attributed to the underweight positions in Growthpoint, Emira and Fairvest B. The most significant positive contributors to the global listed property portfolio in the last quarter were an overweight in Healthcare Reits, which continues to benefit from the secular tailwinds supporting Senior Housing, which was decimated during Covid and continues to grow occupancy and rates. The sector trades at a substantial premium to NAV given a multi-year double-digit earnings growth profile. This was followed by diversified, storage, and multi-family REITs underweights where higher supply levels remained a concern. Data Centre Reits continued to be a positive contributor, although it was a laggard in the first quarter via profit-taking, given the extent of its outsized return in 2024.

Local absolute strategies building block

Heightened geopolitical risks, including tariff announcements around "Liberation Day" and the escalation of conflict in the Middle East, have contributed to considerable market volatility over the quarter. While tariff noise has subsequently reduced, there is little clarity over where tariffs will settle and what the impact will be on growth and inflation.

The South African equity market was one of the best-performing emerging markets in the quarter and for the half-year despite headwinds, including declining business and consumer confidence, GNU dysfunctionality, unique tensions with the US administration and a sluggish economy. The JSE All Share Index delivered a return of 10.2% in rands for the second quarter and 16.7% year to date.

South African bonds performed exceptionally well, with the FTSE/JSE All Bond Index (ALBI) up 5.9% over the quarter. Contributing factors included weaker US\$ demand, the de-escalation of trade tensions toward quarter-end and significant local developments, including the potential reduction in the inflation target from 4.5% (midpoint of the 3%-6% inflation band) to 3%.

Local inflation-linked bonds delivered a return of 0.8% over the quarter, lagging their nominal counterparts significantly, as the benefits of lower inflation expectations are less advantageous for this asset class. Against this backdrop, the building block delivered a return of 6.0%, ahead of its internal benchmark of 5.5%.

Laurium produced a return of 7.2% for the quarter. The holdings in Northam, Impala and AngloGold contributed positively to the fund's performance in the 2Q25 and the half year to June 2025. Laurium remains positive on the outlook for PGM metal prices, supported by a continuing weaker US dollar environment, lower forecast EV penetration rates and an improving outlook for platinum jewellery in China. The funds continued to benefit from the large positions in Prosus and Naspers. The funds continue to hold positions in Rand hedges like AB InBev, Bidcorp and British American Tobacco. These businesses are well diversified, with earnings growth expectations and valuations that appear attractive. Within the domestic sector, the fund holds banks, insurers such as Momentum and Sanlam, as well as Remgro, The Foschini Group, Woolworths and Mr Price.

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The fund’s fixed income exposure to South African government bonds is mainly in the belly of the yield curve, which should benefit it should the SARBs’ drive to lower the inflation target comes to fruition.

Sentio delivered a return of 5.3% for the quarter. From a contribution standpoint, the overall allocation effect was largely flat, while the selection effect was negative for equities and positive for bonds, cash, and commodities. Top contributors included positioning in Capitec, Naspers, AngloGold Ashanti, Northam, Prosus, MTN, Sibanye and Impala. Top detractors included positions in Aspen, Harmony, Sappi, Anglo American plc, Standard Bank and Truworths.

In fixed income, positive contributions came from parallel and non-parallel positioning across the yield curve. Given the extended bond rally in June, the fund prudently took profits by gradually reducing duration in this segment while increasing exposure to shorter-dated credit bonds that offered compelling yield pickup.

MandG delivered a return of 7.4% for the quarter. In terms of asset allocation, this quarter, the fund’s SA equity position added significant absolute value and was also ahead of the benchmark. The fund’s overweight allocation to SA bonds also performed well, adding to both absolute and relative returns. All other asset classes contributed positively to performance over the quarter on an absolute basis. In SA equity, the quarter delivered another strong gain with solid increases across all sectors. The fund’s overweight position in Reinet was the top contributor to relative returns for the second quarter. Not holding Harmony Gold and Aspen also significantly benefited relative performance versus the benchmark, with both names in negative territory for the quarter. However, not holding Sibanye detracted from relative value versus the benchmark as the stock gained 55%.

The Real Return strategy delivered a return of 4.2% for the quarter. Prescient achieved a return of 6.2%, benefiting from the SA equity rally in the quarter. Equity allocation at the end of the quarter was at 19%. The fund continues to hold a large allocation in shorter-dated fixed income instruments given the very attractive yields. Sanlam produced a return of 2.7% for the quarter. They are still concerned about the potential headwinds to risky assets, which include the Trump administration’s tariff policies, Middle East and EU geopolitical tensions, and still elevated equity valuations (particularly in the US). Given these concerns, equity exposure at the end of the quarter was at 12%. Within fixed income, they prefer nominal bonds over inflation-linked bonds.

Local flexible bond building block

Q2 was a particularly good quarter for fixed income asset classes, considering all the uncertainty that is prevalent in both the local and global investment backdrops. Nominal yields rallied strongly, driving listed property (9.12%) and bond (5.88%) returns. In addition, the ZAR gained a healthy 3.33% against an ailing U.S. dollar. Real yields, however, moved marginally higher, dragging ILBs to a measly 0.88% return as the buzz about the inflation target moving lower weighed heavily on the asset class. Lastly, cash (STeFI) delivered 1.86% as the lagged impact of rate cuts filters through.

All the bond sectors delivered strong absolute performances for the quarter. The 1-3 years sector was the worst-performing sector with a return of 2.76%. The 3-7 years sector had a return of 5.36%, the 7-12 years sector produced a stellar return of 6.87%, whilst the 12+ years sector delivered a return of 6.64%.

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For the quarter, the building block delivered a return of 6.6% compared to the ALBI's 5.9%. Measured over an appropriate investment term of three years, the portfolio yielded 13.8% compared to the ALBI's 13.4%. Measured over a five-year period, it yielded 11.7% compared to the 10.9% generated by the ALBI.

All the managers (Coronation, Prescient and Momentum Asset Management) outperformed the benchmark during the quarter as their longer-duration positions were rewarded. The ILB exposure was reduced further during the quarter given the possibility of a lower target.

Local cash building block

The monetary easing cycle continued in the second quarter, with a 25-basis-point cut in the repo rate at the May meeting. This move by the authorities takes the repo rate down to 7.25% (prime at 10.75%) and extends the total easing cycle which began in Sep 2024 to 100-basis-points. The traded money market responded accordingly, with rates moving lower. The 3-month Jibar rate declined 26-basis-points to 7.29%, while the 12-month rate declined by a significant 42-basis-points to 7.67%, indicating the expectation for further easing to come. Based on these Jibar rate levels, the total return for the STeFi Composite Index was 1.86% for the quarter.

Q2 was a particularly good quarter for fixed income asset classes, considering all the uncertainty that is prevalent in both the local and global investment backdrops. Nominal yields rallied strongly, driving listed property (9.12%) and bond (5.88%) returns. In addition, the ZAR gained a healthy 3.33% against an ailing U.S. dollar. Real yields, however, moved marginally

higher, dragging ILBs to a measly 0.88% return as the buzz about the inflation target moving lower weighed heavily on the asset class. Lastly, cash (STeFI) delivered 1.86% as the lagged impact of rate cuts filters through.

The credit market remains resilient, and further tightening in spreads over the quarter has contributed positively to the portfolio performance. The concerning aspect is whether spreads have overshot and what risk that poses going forward. There is no obvious trigger that would cause significant spread widening on the horizon, but the investment managers do prefer to migrate credit exposure into higher quality borrowers and shorter term-to-maturity. For the quarter, the building block delivered a return of 2.2% compared to 1.9% for the SteFI benchmark.

Global equity building block

Global markets endured a turbulent second quarter, with volatility driven by a resurgence in trade tensions, diverging policy responses and shifting investor sentiment. The quarter opened with a sharp sell-off after the US unveiled sweeping new tariffs on 2 April, triggering fears of a global trade war and reigniting stagflation concerns. Equities and bonds repriced abruptly, while implied volatility surged across asset classes. Markets rebounded swiftly, buoyed by the delayed implementation of some tariff measures, a softening in US political rhetoric and resilient macro data—particularly from the US consumer and labour markets. Markets eventually closed out higher, with further gains in June. Global equities rose 4.3% during the month, taking the Q2 return to 11.5% in USD terms. US markets led the charge, with the S&P 500 and Nasdaq both hitting fresh all-time highs, buoyed by the continued outperformance of megacap tech stocks – particularly Nvidia, which recovered sharply from its early April low to reclaim the top spot as the world's largest company by market cap.

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The major driver of returns remained the sharp and sustained weakness in the US dollar, which fell by 7% on a trade-weighted basis in Q2 and is down by 10.7% year-to-date. Emerging markets delivered a return of 6.0% in June and 12.0% for the quarter, although China was a notable laggard (3.7% in June and 2.0% in Q2), with its economy continuing to struggle and more exposed to US tariffs than most. The building block delivered a return of 7.7% which was above the benchmark return of 7.0%. Our growth style managers were the main contributors to performance over the quarter, specifically Jennison. While the main detractors from performance over the quarter were our value style managers, specifically Robeco Value.

Global property building block

The FTSE EPRA/NAREIT Developed Rental Net Total Return Index recorded a net total USD return of 3.3% for the quarter. The quarter's best-performing listed real estate market was Europe, which recorded a total USD return of 20.6%. The US recorded the lowest total USD return of -1.28%. European REIT sectors outpaced all others, led by Residential REITs, which soared 35.1% and Healthcare REITs, which gained 25.3%. Asian REITs also delivered solid returns, with Office up 15.5% and Retail rising 13.5%. Year to date, the best-performing sectors globally were Student Housing (22.1%), Diversified (20.5%) and Health Care (15.8%). The worst performing sectors were Lab Space (-22.6%), Hotels (-8.5%) and Data Centres (-7.0%). The building block delivered a return of 1.5% for the quarter.

Global fixed income building block

Geopolitical risks and US policy uncertainty increased market volatility in the second quarter of 2025. Developed market bond yields rose, with US 30-year Treasury yields exceeding 5%, driven by tariff policies, rising deficits, and concerns about inflation. Investors are still grappling with the longer-term implications of the so-called 'Big Beautiful Bill' and its effect on US debt dynamics. European bonds fared better, helped by weaker growth data and expectations of continued policy easing by the ECB. Emerging market bonds faced volatility from US trade policies, but fundamentals remain robust in these markets, with many central banks continuing to cut rates, boosting local currency bonds.

The Federal Reserve Board (the Fed) left the target range for the Federal Funds Rate unchanged at 4.25%-4.5% at the June Federal Open Market Committee (FOMC) meeting. The post-meeting statement noted concerns for increasing inflation and a lower economic growth outlook as the main reasons for the hold. The Fed also revised unemployment rate and core inflation forecasts marginally upwards, citing increased uncertainty in global markets. Financial markets are pricing in a 50-basis-point rate cut for the rest of the year. The Global Bond building block delivered a return of 0.8% for the quarter.

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Conclusion

We are mindful of the current economic environment and market volatility. We will continue to manage the portfolios prudently, ensuring that they are well diversified. Our focus is on the long-term objectives, and as such, we will resist making any knee-jerk reactions but will rather look for opportunities to increase the probabilities of achieving the stated portfolio objectives.

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