momentum

multi-manager

Quarterly investment report

Momentum Investments Flexible Factor Portfolio Range

Q3 2025

Introduction

Assessing investment returns in an outcome-based investment context

The Momentum Investments Flexible 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

Q3:2025

Sanisha Packirisamy
Chief economist

The global economy looks set to avoid recession, but growth remains lacklustre by historical standards, with trade tensions, weak investment and structural frailties weighing on activity. Protectionism is expected to push the United States (US) inflation up as national imperatives eclipse multilateralism, while disinflation continues elsewhere. South Africa's (SA) economy is forecast to expand by a modest 1% in 2025 and 1.4% in 2026, buoyed by consumption but hampered by weak investment, fiscal strain and political fragility in the Government of National Unity (GNU). Softer inflation, however, should give the South African Reserve Bank (SARB) scope to cut interest rates further in 2026.

Strong gold and platinum prices underpinned a buoyant performance from the Resources sector of the SA equity market. As a result, the overall SA equity market provided the strongest returns of all main local asset classes in the third quarter of 2025. With strong commodity prices driving a stronger rand in the quarter, this also contributed to global asset classes underperforming local assets. SA nominal bonds rallied further in the third quarter as the SARB confirmed that the 3% bottom end of the official inflation target range was now its preferred goal. SA inflation-linked bonds (ILBs) benefited as local inflation embarked on a cyclical uptrend. SA-listed property gained from falling local bond yields and positive earnings guidance from company managements. SA cash was the clear underperforming local asset class in the third quarter as the SARB continued to cut policy rates.

Within the global asset space, global fixed income returns clearly lagged global equities in the third quarter. Fiscal concerns around the world and worries about Federal Reserve (Fed) independence undermined global bond returns. In contrast, US equity returns were supported by resilient economic growth and more aggressive Fed rate cut expectations. Moreover, as more tariff settlements with some major economies were forthcoming in the quarter, some uncertainty was removed from equity markets. A general risk-on environment caused emerging equity markets (EM) to outperform developed markets (DM).

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

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The returns for the asset class benchmarks for the third 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 (3.3%) 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	Q3 2025 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	12.8%	28.1%	24.8%	5.8%
Local bonds (ALBI)	6.9%	14.5%	11.2%	3.3%
Local listed property (SAPY)	6.7%	11.4%	8.1%	7.0%
Local ILBs (ILBI)	5.1%	7.6%	4.3%	2.8%
Local cash (SteFI)	1.8%	7.8%	4.5%	1.3%
Global equity (MSCI ACWI)	4.6%	18.0%	14.7%	6.5%
Global bonds (WGBI)	0.2%	1.6%	-1.7%	-0.3%
Global property	1.3%	0.9%	-2.4%	4.0%
US dollar/rand**	-2.9%	0.2%		
SA CPI*	**1.1%**	**3.3%**		

*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.

Portfolio management
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Mohammed Sibda
Portfolio manager

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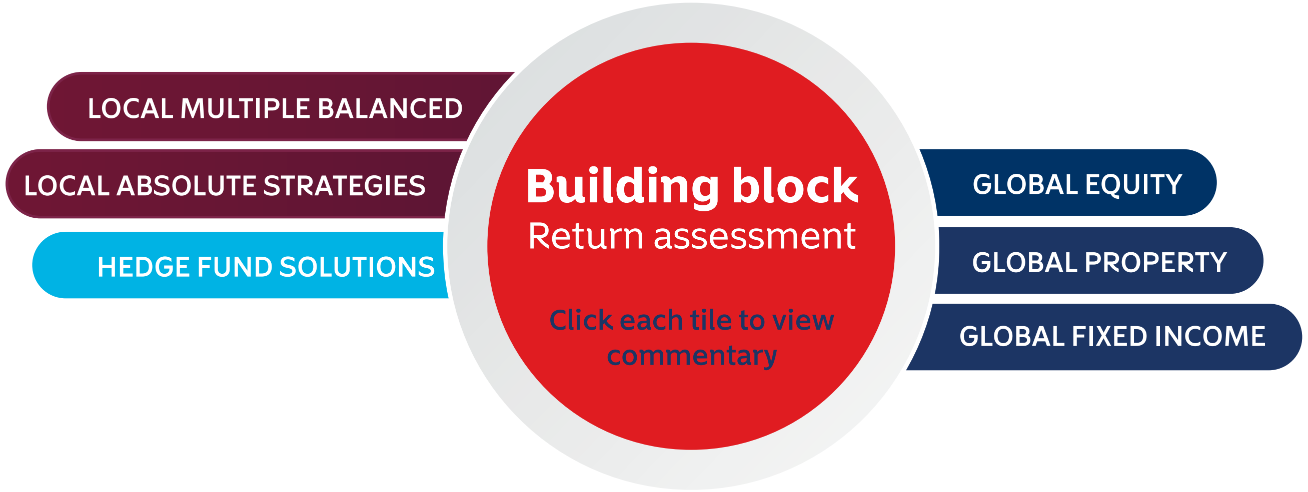
No material changes were made during the last quarter apart from reducing global bond exposures in favour of both local bonds and property. The portfolios are positioned for further gains in risk assets (local and global equity and property) and local bonds.

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.



Building block
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Local multiple balanced building block

Markets continued to power ahead during the third quarter, supported by generally accommodative monetary policy, as the US Federal Reserve embarked on rate cuts during September. Domestically, the FTSE-JSE Capped SWIX was up 12.8% for the quarter; however, the domestic rally has been somewhat narrow. Performance was largely driven by gold stocks, PGMs (platinum group metals), Naspers, Prosus and MTN. The closest proxy for a 10-year bond, the South African Government bond maturing in 2035 (R2035), rallied by 79 basis points over the quarter, driving a 6.9% rally in the All-Bond Index.

Against this backdrop, the building block delivered a return of 7.9% for the quarter.

Coronation produced a return of 5.6% for the period. The Fund's preferred domestic asset remains SA equities, which offer decent medium-return prospects. Within SA equities, sizeable exposures are held to global stocks listed locally, which provide diversification away from a challenged domestic economy. The largest amongst these include Naspers, Quilter, and Richemont. The fund continues to focus on selecting SA Inc stocks that can withstand a slow-growing economy. Examples of these include We Buy Cars, Shoprite and Capitec. 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 have benefited from a rapid rise in the metal price over the past 12 months. This underweight has detracted from performance. The fund continues to hold a meaningful allocation to SA bonds and has retained its exposure to local property despite the strong performance of this asset class.

Ninety One produced a return of 11.7% for the period. Key contributors included gold holdings, such as AngloGold Ashanti and Gold Fields, together with the Strategy's gold ETF. Holdings in Anglo American and Glencore also contributed positively to returns. The allocation to long-dated bonds and listed property also added positively to the returns. Ninety One maintains a balanced stance, favouring companies with pricing power, margin resilience, and supportive fundamentals. South African government bonds remain preferred to cash and other fixed income assets, and they continue to hold positions in gold, PGMs and diversified miners.

Abax delivered a return of 9.3% for the quarter. The performance of the portfolio over the quarter was enhanced by a broad range of positions. The exposure to the platinum sector, specifically Impala and Valterra, was the single most significant contributor, with the sector supported by growing market deficits. The timeous participation in the placement of Valterra shares in September augmented the exposure and fund returns given the 30% plus uplift in the share price after the placement. The performance of the top contributors was partially offset by companies exposed mainly to the SA consumer, most notably financials and retailers, derated during the period, despite reporting solid earnings growth on average.

Foord delivered a return of 4.7% for the quarter. The underweight to both the gold and PGM sectors were the main detractors from performance. The fund's holding in brewer Anheuser-Busch Inbev also detracted from returns as the share price declined after it reported a drop in volumes

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due to weaker demand in Brazil and China. Equity allocation was increased during the quarter, given Foord's constructive view on select SA Inc opportunities within the broader market. Exposure to Inflation-linked bonds was increased as real yields continued to offer value.

Local absolute strategies building block

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Laurium delivered a return of 10.3% for the quarter, with our exposure to South African equities and fixed income contributing to returns. Within domestic equities, the funds benefited from gold's rally. The equity component of the portfolio is exposed to gold and PGMs largely via AngloGold, Goldfields, Impala Platinum and Northam Platinum. The fund increased its exposure to Valterra Platinum via the accelerated bookbuild when Anglo American sold its remaining 19% stake. All of these were meaningful contributors to performance over the quarter. The fund benefited from its exposure to the South African government bonds as yields have rallied strongly as markets priced in the anticipated 3% inflation target.

Sentio produced a return of 7.4% for the period. Top equity contributors included positions in Precious Metals (Goldfields, Anglogold Ashanti, Impala, Valterra, Sibanye, Standard Bank, Sasol, Prosus and Naspers. Detractors included positions in Discovery, Foschini, Pepkor, Mondi, Nedbank, Anhaeuser-Busch, Outsurance and Bidcorp. In Fixed Income, returns were also solid, while the fund had reduced duration in July following a strong rally moving to a slight underweight duration position but maintaining an overweight allocation in the 15-20 year segment of the curve due to attractive carry and roll.

MandG delivered a return of 9.1% for the quarter. In terms of asset allocation, the fund's SA equity position added significant absolute value. South African bonds also contributed strongly to performance over the quarter, followed by inflation-linked bonds. In SA equity, the third quarter delivered further strong performance. With gold and platinum mining stocks leading the rally, the fund's overweight position in AngloGold Ashanti (up 53.5%) was the top contributor to the fund's relative returns for the third quarter. The underweight position in Capitec (down -2.2 for the quarter) also proved beneficial. Not holding Discovery and Nedbank Group also added to relative performance versus the benchmark, with both names in negative territory for the quarter, reflecting persistent local economic pressures. However, the overweight in The Foschini Group detracted from absolute and relative returns.

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The Real Return component delivered a return of 4.7% for the quarter. Sanlam Investment Management produced 3.5% for the quarter. They are, on balance, still concerned about the potential headwinds to risky assets, more than we are positive on the tailwinds. These include the Trump administration's tariff policies, Middle East tensions and EU geopolitical tensions, and still elevated equity valuations (particularly in the US). The strategy remains focused on capital preservation and continues to hold most of the assets in income asset classes rather than equity.

Prescient delivered a return of 6.0% for the period. The allocation to protected equity and income was the main driver of returns for the quarter. Additional performance was generated from the holding in the Clean Energy Fund.

Hedge fund solutions building block

Momentum Moderate fund of hedge fund

Despite good contributions from both equity long /short and the fixed income strategies to the Momentum Moderate fund of hedge funds' performance, the lead contributor was a thematic equity long short strategy, which had a good performance turnaround in the third quarter. Participation by some of the underlying funds in the merger arbitrage and event-driven trade opportunities, like in bookbuilds for Valterra, Hyprop, and Lighthouse, added solid short-term gains. The big positions in ABSA, Bell, Coronation, Grindrod, and long position, Naspers/Prosus, were also among the key performance drivers. On the fixed income strategies, contributions came from the active curve positioning and tactical duration exposure, leaning towards a long position in the belly, despite ultra-long bonds' outperforming. A sustained long position in the resources, technology, and semiconductor sectors also added positively to the portfolio's 3.4% net of fees for the quarter.

Momentum Aggressive hedge Fund

The Momentum Aggressive hedge outperformed its benchmark of 50% Swix plus 50% SteFI by over 1% net of fees for the quarter. A significant uptick in corporate actions in the SA market was among the opportunities that positively contributed to the portfolio. The opportunities included long positions in Adcock Ingram, Reinet, Zeder, Curro, and Mas Real Estate. The exposure to selected miners, especially the gold, platinum, and copper producers, such as Valterra Platinum, AngloGold, Northam, and Glencore, contributed positively following strong prices in the respective commodities. Select stocks in the technology and semiconductor sectors were also positive for the portfolio, following the AI exuberance, especially in China. Detractors from performance included a long position in Pepkor, alongside the retail sector as well as short positions in select resource stocks.

Momentum portable alpha hedge fund

The Momentum portable alpha hedge fund solution continued its stellar performance, outperforming Capped SWIX for the quarter. As usual, contributions to the Momentum portable alpha solution came from various sources, including contributions from both alpha and beta strategies. Merger arbitrage strategies were a standout, generating strong gains. The long exposures to MultiChoice Group, ABSA Pref's, and African Rainbow Capital contributed positively. Tactical event-driven trades, such as participating in bookbuilds for Valterra, Hyprop, and Lighthouse, also added towards alpha strategies, while the beta exposure also contributed towards the 14.4% return net of all fees for the third quarter.

Global equity building block

Global equities finished strongly in the third quarter, with tech and AI leaders driving the gains in the S&P 500 and Nasdaq, while better-than-expected earnings also added gains to the rest of the equity market. Outside of the US, Emerging Markets (EM) had a better quarter than Developed Markets (DM), led by China and commodity-linked markets like South Africa.

The MSCI World Index was up 4.4% in rand terms, and the MSCI USA and S&P 500 indices both rose by 4.9%. The Nasdaq 100 Index ended the period up 5.8% with four stocks (Tesla, Alphabet, Nvidia and Apple) accounting for over half of the S&P 500's quarterly return. The MSCI Europe Index gained 0.6%, and the MSCI United Kingdom Index was up 2.8%.

Within emerging markets, the MSCI China Index was up 17.2% for the quarter, while the MSCI India Index was down 10.3%. The MSCI Emerging Markets Index had a very strong quarter, ending the period up 7.4%. Against this backdrop, the Global Equity Building Block delivered a return of 4.4% over the quarter, in line with its MSCI AC World benchmark.

Global property building block

Globally, the FTSE EPRA/NAREIT Developed Rental Net Total Return Index (the index) recorded a net total USD return of 3.5% for the quarter. The best performing listed real estate market was Australia, which recorded a total USD return of 12.5% for the quarter. The UK recorded the lowest total USD return of -7.3%. Year to date, the best performing sectors globally are Health Care (+31.2%), Diversified (+29.1%) and Malls (+28.6%). The worst performing sectors are Cold Storage (-34.2%), Data Centres (-10.9%) and Lab Space (-5.70%). The Rand's strength over the quarter detracted from performance.

Against this backdrop, the Global Property building block delivered a return of 0.0% for the quarter, which was below the benchmark of 1.4%.

Global fixed income building block

Global fixed income markets were shaped by moderating inflation, uneven growth, and recalibrated central bank stances. U.S. Treasuries traded in a volatile range, with the 10-year yield ending the quarter near 3.95%, down around 25 basis points as softer growth data offset lingering inflation concerns. In Europe, Bund yields fell to 2.25%, with spreads tightening across peripherals as the ECB maintained policy stability after earlier cuts. UK Gilts rallied after the BoE's 25 bp rate reduction to 4.75%. Japanese government bonds saw limited movement, with the

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10-year JGB anchored around 0.95% as the BoJ maintained its cautious normalisation path. Credit markets remained firm, U.S. high yield spreads tightened to 350 basis points, supported by strong liquidity and light issuance, though investor positioning turned more defensive into quarter-end.

Against this backdrop, the building block delivered a return of -2.2% for the quarter, which was above the benchmark return of -2.7%. The Rand's strength of close to 3% against the US Dollar detracted from the asset class returns.

Conclusion

We are mindful of the current economic environment and market volatility. We will continue to manage the portfolios in a prudent manner, ensuring that the portfolios are well diversified. Our focus is on the long-term objectives and will continue to look for opportunities to increase the probabilities of achieving the stated portfolio objectives.