

# momentum

multi-manager

## Quarterly investment report

Momentum Investments Flexible Factor Portfolio Range

Q4 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

## Q4:2025



**Sanisha Packirisamy**  
Chief economist

SA asset classes outperformed global assets in December and the 4Q25, partly due to commodity price-induced rand strength. Amongst global assets, equity returns outpaced those from fixed income in both December and 4Q25 as the Fed continued to cut interest rates, with global property providing the worst returns of all asset classes. Of all the main DM equity markets, only Europe gave higher returns in December and 4Q25 than EM equities. Within SA asset classes, nominal government bonds provided slightly higher returns than equities and ILBs in the fourth quarter, with SA cash the clear return laggard.

Falling local policy rates and bond yields made SA financials (Banks in particular) the equity sector winner in the fourth quarter, although sharp commodity price rises (particularly PGMs) also supported the resources sector. In sharp contrast, SA industrial shares gave negative returns in the quarter (SA Retailers and Naspers/Prosus were the underperformers). SA-listed property was the best-performing local asset class after the platinum ETF in 4Q25, driven by falling bond yields and positive profit momentum in the sector. Despite the heightened uncertainty induced by the second Trump presidency, 2025 turned out to be an exceptional year for SA investors due to rampant PGM and gold prices, with broad-based, strong absolute returns generated across asset classes, particularly among local assets. The sharp rise in PGM and gold prices in 2025 made the SA resources sector the standout return performer in the year.

Ongoing geopolitical uncertainty throughout the year, rising expectations for Fed rate cuts, worries about the future independence of the Fed and a weakening US dollar supported gold prices and later PGM prices as an alternative to gold. Although the strong showing by the SA resources sector was the predominant reason SA equities were the best-performing main asset class in 2025, the SA financial and industrial sectors also played positive supporting roles, as the SARB cut interest rates and bond yields fell rapidly. It is worth noting that performance in the Industrial sector was driven by Telecoms (MTN and Vodacom), Naspers/Prosus and BTI.

SA nominal bonds firmly outperformed ILBs in 2025 on the back of downside inflation surprises, the introduction of a lower inflation target and a decline in SA's sovereign risk premium as the country was removed from the Financial Action Task Force's (FATF) greylist and SA's sub-investment grade sovereign rating was upgraded by S&P rating agency. These developments increasingly enticed foreign investor flows into the SA bond market as the year unfolded. SA-listed property provided higher returns than the local fixed-income asset classes in 2025, on the back of the geared impact of lower local bond yields and accelerating earnings momentum. Cash was the clear lagging SA asset class in the year, as returns were eroded by local interest rate cuts.

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



# Asset class returns

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**Herman van Papendorp**  
Head: Asset allocation

The returns for the asset class benchmarks for the fourth 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 (3.5%) 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	Q4 2025 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	8.9%	42.6%	39.1%	6.3%
Local bonds (ALBI)	9.0%	24.2%	20.7%	6.8%
Local listed property (SAPY)	16.3%	30.6%	27.1%	7.3%
Local ILBs (ILBI)	8.3%	15.6%	12.1%	5.0%
Local cash (SteFI)	1.8%	7.5%	4.0%	1.8%
Global equity (MSCI ACWI)	-0.6%	8.0%	4.6%	5.0%
Global bonds (WGBI)	0.1%	7.5%	4.1%	1.8%
Global property	-4.4%	-2.8%	-6.3%	5.8%
US dollar/rand**	-3.8%	-12.1%		
SA CPI*	0.2%	3.5%		

\*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 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.



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# Building block Return assessment

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### Local multiple balanced building block

Risk assets capped a strong year with further gains in Q4, supported by resilient global growth and easing policy signals. South African markets closed out 2025 on a strong note, with the JSE All Share Index climbing 8.1% in Q4 to deliver an annual return of 42.4%. The market advanced steadily over the quarter, supported by robust performance in resource-linked sectors, particularly gold and platinum miners, as prices for precious metals rose. The market performance was led by Precious Metals (214.6%), Telecoms (72.6%), Tobacco (48.7%) and Technology (33.7%). In contrast, Paper (-47.5%), HealthCare (-14.3%) and General Retailers (-23.4%) underperformed.

South African local currency bonds also had a strong quarter and year overall. The 10-year government bond yield ended 2025 at 8.2%, having started at 10.3%. More broadly, yields declined amid benign inflation dynamics, strong demand for South African bonds (from both domestic and foreign investors), and a rating upgrade: Standard & Poor's raised South Africa's sovereign credit rating from 'BB-' to 'BB', with a positive outlook.

The building block delivered a return of 7.6% for the quarter and 28% for the calendar year.

Coronation produced a return of 6.5% for the quarter and 27.4% for the year. The Fund has a meaningful allocation 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. The Strategy's domestic stock selection remains focused on picking winning franchises. This basket of stocks continued to demonstrate faster revenue growth and market share gains. The Strategy 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. Coronation is concerned about the capital losses that shareholders in gold miners could incur if some of the sector's froth dissipates. The Strategy 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. Coronation has trimmed holdings as share prices have risen. The Strategy remains underweight on SA government bonds. Within this fixed income basket, they have increased exposure to inflation-linked bonds (ILBs), which sold off as inflation retreated. The Fund still owns a healthy allocation to selected listed property counters.

Abax delivered a return of 9.1% for the quarter and 28.7% for the year. It continues to outperform its benchmark and CPI +5% objective over all annualised periods. Most of the performance during the year was driven by meaningful allocations to SA nominal bonds, exposure to platinum counters and banking stocks, as well as a basket of structured equity notes. Looking ahead, Abax is cautiously optimistic about 2026 prospects. They anticipate a broader-based rally in 2026 as improving macro conditions should drive a re-rating of domestic sectors, particularly banks and consumer-related shares. This view is reflected in their increased

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exposure to local equities. Lower bond yields, improving credit growth, declining impairments, and attractive valuations underpin their positive outlook for South African banks. They also expect household consumption to accelerate as the cumulative benefits of lower inflation, easing interest rates, fuel price relief, and real wage growth feed through to the economy, supporting select consumer holdings such as Pepkor, Zeda, Woolworths, and Truworths. They have reduced their nominal bond exposure as they feel a meaningful compression in risk premia has already taken place, suggesting that much of the valuation support is now reflected in prices.

Foord delivered a return of 7.4% for the quarter and 20.6% for the year. South African equities were the largest contributors to returns over the quarter, with the JSE extending its rally as resource stocks surged on stronger metals prices and financials rebounded after months of selling. SA bonds contributed meaningfully to returns, with local bonds rallying strongly on moderating inflation, and the SARB's repo rate cut helped by lower borrowing needs and renewed foreign demand for SA bonds. The fund continued to benefit from its allocation to gold. The fund's holdings in Naspers/Prosus detracted from returns this quarter-having performed well for much of 2025, the final quarter of the year saw Chinese shares giving back some gains as investors took profits. Equity allocation was increased during the quarter, this was funded by reducing the exposure to both nominal and inflation linked bonds which returned solid returns during the year.

Ninety One delivered a return of 8.1% for the year and 34.1% for the year. Key contributors for the quarter included exposure to

SA-listed property, which was the standout performance for the quarter, supported by falling yields and solid company updates. The strong rally in SA bond yields provided both direct returns and a tailwind to rate-sensitive domestic equities as 'SA Inc.' exposures (banks and insurers) benefitted from the bond tailwind supporting the broadening in market performance and supportive company updates. The healthy allocation to platinum and gold counters also contributed meaningfully to returns.

The portfolio added to SA bond duration early in the quarter and increased exposure to banks and insurers on weakness, reflecting improving domestic fundamentals and the supportive rate backdrop. Precious metal exposure was actively managed, with top-ups to gold and PGMs made during periods of weakness, and profits taken in Tiger Brands after a strong run to help fund opportunities.

### Local absolute strategies building block

Risk assets capped a strong year with further gains in Q4, supported by resilient global growth and easing policy signals. South African markets closed out 2025 on a strong note, with the JSE All Share Index climbing 8.1% in Q4 to deliver an annual return of 42.4%. The market advanced steadily over the quarter, supported by robust performance in resource-linked sectors, particularly gold and platinum miners, as prices for precious metals rose. The market performance was led by Precious Metals (214.6%), Telecoms (72.6%), Tobacco (48.7) and Technology (33.7%). In contrast, Paper (-47.5%), HealthCare (-14.3%) and General Retailers (-23.4%) underperformed.

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South African local currency bonds also had a strong quarter and year overall. The 10-year government bond yield ended 2025 at 8.2%, having started at 10.3%. More broadly, yields declined amid gentle inflation dynamics, strong demand for South African bonds (from both domestic and foreign investors), and a rating upgrade: Standard & Poor's raised South Africa's sovereign credit rating from 'BB-' to 'BB', with a positive outlook.

The building block delivered a return of 6.6% for the quarter and 26% for the calendar year.

MandG outperformed its objective over the quarter and is also significantly ahead over the year. Over the longer term, the fund remains ahead of its objective over the 3- and 5-year periods. The Fund produced returns of 8.3% over the quarter and 31% over the year. Over the quarter, all domestic asset classes contributed positively to performance. In terms of asset allocation, this quarter, the fund's equity and bond exposure contributed similarly to returns. Within SA equity, the fourth quarter's gains were led by strong performances in Financials and Resources. The fund's overweight positions in Absa (32.2%) and Standard Bank (22.9%) were the top two contributors to returns. The overweight position in AngloGold Ashanti (19.3%) also added value. However, the overweight positions in The Foschini Group and Prosus detracted from returns, with both in negative territory for the quarter.

MandG retained their neutral position in SA equities during the quarter. The biggest active decision during the quarter was to add marginally

to SA property to a neutral exposure. They made no active changes to SA nominal bonds during the quarter and continue to hold an overweight position. They continue to hold ILBs in the fund due to the favourable yields at which those instruments started the year.

Sentio delivered a return of 7.4% and 26% for the year. These returns were also ahead of their inflation objective. Strong moves in SA's equity, bonds and currency fundamentally laid the foundation for a strong performance of the Sentio Absolute Return Fund over 4Q25 and the calendar year. During the quarter, Equities were the top contributor, followed by derivatives and notes. Property and Bonds also contributed to performance. For 4Q25, the top equity contributors included positions in Precious Metals (Anglogold Ashanti, Impala, Valterra, Sibanye), Banks (Standard Bank, Firststrand, Absa) and MTN. Top detractors included positions in Naspers/ Prosus, Retailers (Foschini, Mr Price, Clicks) and Bidcorp. In Fixed Income, Sentio had reduced duration in 3Q following a strong rally, but momentum in commodities, a weaker US dollar and inflows to EM assets were right tail risks that could maintain the rally in risk assets. As such, Sentio included fixed income derivatives for optionality that would allow for further upside gains should the rally continue, which subsequently occurred. The fund continued to reinvest in shorter-dated credit bonds that offered compelling yield pickup as maturities arose.

Laurium delivered a return of 6.7% for the quarter and 30.9% for the year. The allocation to local equity and local bonds was the main driver of returns during the course of 2025. Over the quarter, contributors included the allocation to SA Banks, Gold and Platinum counters. The slight long bond duration position also added to returns. Laurium maintains a

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constructive view of domestic asset equity; however, this is balanced with necessary caution given some geopolitical risks. Key portfolio actions included maintaining a moderate overweight equity position, reducing SA fixed income exposure to neutral weight, and they have bought protection added within the Fund.

The Real Return block benefitted from the allocation to local equity as well as local bonds, delivering a return of 4.0%, which was well above the benchmark return of 0.9% for the quarter. The Fund produced an impressive return of 16.4% for the year, which was comfortably ahead of the target return of 6.5%.

Prescient delivered a return of 4.5% for the quarter and 23% for the year. The fund continues to hold protected equity and has a healthy allocation to high-yielding income assets.

Abax delivered a 3.5% return for the quarter. Abax are conservatively positioned but has been opportunistically increasing its net equity exposure.

Both managers are wary of incurring capital losses and have taken the necessary steps to protect their funds from a significant market correction.

### Hedge fund solutions building block

#### *Moderate Hedge*

Momentum Moderate fund of hedge funds' performance remained sturdy in the fourth quarter, averaging 1% per month. This was achieved almost equally through equities and fixed income strategies. The performance of the fund closely tracked its target of Cash+4% on the 12 months basis. The lead contributors for the fund were a thematic equity long-short and corporate structure arbitrage strategies. The 4<sup>th</sup> quarter was characterised by improved market breadth, which SA capital rotated meaningfully into SA Inc. stocks. This benefitted the fund through holdings in financials, which included SA banks such as Nedbank, Sanlam, ABSA, FirstRand, and other stocks such as Coronation and Momentum. The strategy delivered a return of 3.0% for the quarter and 10.9% for the year.

#### *Aggressive Hedge*

Following outstanding returns achieved by the FTSE/JSE Capped SWIX Index, the Momentum Aggressive hedge managed to capture some of the index performance in the 4<sup>th</sup> quarter and 12-month period. The fund performed in line with its benchmark of 50% Swix plus 50% SteFI, achieving a nominal return of 23% net of fees for 2025.

Equity long/short strategies with a long bias contributed the most in the 4<sup>th</sup> quarter and throughout the 12 months of 2025. Funds with a tilt towards macro thematic plays contributed, driven by long positions in precious metals. While the long position in the technology and media sectors contributed well over the past 12 months, the exposure detracted in the 4<sup>th</sup> quarter.

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### *Portable Alpha*

Momentum portable alpha hedge fund solution continued its stellar performance for the 4<sup>th</sup> quarter and 12-month period. Contributions came from various sources, including both alpha and beta strategies. The equity long/short strategy was the standout contributor, followed by the multi-strategy, as they had strong gains from beta exposure. The long position in the financial sector delivered a positive contribution over the quarter, through Nedbank, Sanlam, ABSA, FirstRand, Coronation, and Momentum.

The strategy delivered a return of 11% for the quarter and 48% for the year.

### **Global equity building block**

For the quarter, MSCI EM and MSCI World posted US\$ total return gains of 4.8% and 3.2% respectively in 4Q25. Within World markets, the European region gained 6.3%, while the North American and Pacific regions gained 2.7% and 2.2% respectively. LatAm was the best-performing region within EM during the quarter, gaining 8.4%. The Asian and EMEA regions posted similar total returns of 4.6% and 4.0% over the quarter. Top country performance within EM in 4Q25 came from Korea (27.4%), Chile (25.5%), Colombia (18.5%), Hungary (18.4%) and Poland (14.7%). South Africa was the sixth-best EM market, posting a US\$ gain of 14.2% (9.7% in local currency). Of the larger countries, the worst performance over the quarter came from Saudi Arabia (-7.6%) and China (-7.3%). Overall, Emerging Markets benefited from dollar weakness but were constrained by trade uncertainty.

Generally, 2025 reaffirmed that liquidity, policy credibility and technological leadership ultimately overwhelmed even the most dramatic geopolitical events. Global markets delivered strong but narrow gains in 2025, punctuated by sharp bouts of volatility. The S&P 500 rose 17.4% for the year despite an early “Liberation Day” tariff shock that triggered one of the sharpest two day drops on record and left the index down >15% from January highs.

The three year cumulative US equity return reached 82%, but breadth stayed thin: only 30% of S&P 500 constituents outperformed, with Nvidia (39%) and Alphabet (65%) contributing ~30% of the index’s gain. Notably, returns were earnings led (US EPS 13.5%) with only modest multiple expansion (2.5%), reversing the pattern of 2023–24. Outside the US, performance was stronger: MSCI World ex US returned 31.8% as US exceptionalism was questioned and the trade weighted dollar fell 9.5%. Further dollar weakness is likely as rate differentials narrow, and USD hedging costs decline.

Communication Services (31%) and IT (23%) led MSCI World sectors alongside Financials (26%) on easier conditions, while Consumer Staples (6%) and Discretionary (7%) reflected subdued broad based spending. The MSCI World ex the US was up 31.8%, showing the largest outperformance of the rest of the world relative to the US since ’09, marking the end of a period of US stock market exceptionalism despite all the AI hype. The Nasdaq was 20.7% higher, with the “Magnificent 7” up 25%, but seeing big dispersion in those gains: Alphabet was up 65%, while Amazon was up just 5%. Rand strength over the quarter and throughout 2025 detracted from returns.

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Against this backdrop, the building block delivered a return of 0.8% for the quarter and 9.0% for the twelve months.

### Global property building block

The FTSE EPRA/NAREIT Developed Rental Net Total Return Index (the index), recorded a net total USD return of -1.1% for the quarter. The best-performing listed real estate market was the United Kingdom (UK), which recorded a total USD return of 5.8% for the quarter. Canada recorded the lowest total USD return of -1.9%. The best-performing sectors globally for the quarter in USD terms were Industrial (8.1%), Health Care (4.3%), and Hotels (2.9%). The worst performing sectors were Lab Space (-40%), Student Housing (-16.9%), and Gaming Net Lease (-9.7%). For the year, the best performing sectors globally in USD were Health Care (36.7%), Malls (24.2%), and Industrial (22.2%). The worst performing sectors were Lab Space (-46.1%), Cold Storage (-36.5%), and Data Centres (-14.4%).

Rand strength over the quarter and during the course of 2025 detracted from returns.

Against this backdrop, the building block delivered a return of -4.1% for the quarter and -3.6% for the twelve months.

### Global fixed income building block

Global Fixed Income markets in 2025 were shaped by diverging central bank policies, geopolitical risks, and inflation dynamics. US Treasuries rallied as the Fed cut rates by 50bps in 4Q amid slowing growth and moderating inflation, while quantitative tightening tapered. European bonds fell sharply, driven by dovish ECB and BOE policies, Germany's fiscal expansion, and stagnant growth. Japanese yields rose slightly as the BoJ tightened to support banks amid moderate inflation. Emerging market bonds saw mixed flows, supported by weaker US yields but constrained by trade tensions and currency volatility. Credit spreads tightened modestly, reflecting resilient corporate fundamentals. Bond markets were broadly supportive during 2025: US Treasuries delivered a 6.2% return; high-grade and high-yield outperformed on carry; and emerging market hard currency debt was the standout at 12.4% as the dollar softened and tariff fears ebbed. Rand strength over the quarter and during the course of 2025 detracted from returns.

Against this backdrop, the building block delivered a return of -3.4% for the quarter and -4.9% for the twelve months.

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## 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 we will continue to look for opportunities to increase the probabilities of achieving the stated portfolio objectives.

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