

momentum

multi-manager

Quarterly investment report

Momentum Passive Lifestage Portfolio Range

Q4 2025



Introduction

Assessing investment returns in an outcome-based investment context

The portfolio range has a lifestage model, which allows a member of a retirement fund to switch from a more aggressive investment portfolio with longer terms to retirement to more conservative and, ultimately, defensive portfolios as a member approaches retirement. The lifestage model uses a combination of asset classes, managed by multiple investment managers with different investment strategies to achieve its objectives. The lifestage philosophy uses the 'term to retirement' as a proxy for the risk a member can adopt. This means, for example, the asset classes in which members of a retirement fund would invest 10 years from retirement will have a different emphasis from those closer to retirement. It stands to reason that when a member of a retirement fund has a long-term investment horizon, the member should be invested in growth asset classes, which would include a significant allocation to higher-yielding asset classes and strategies also characterised by a higher level of risk (such as local equities and property as well as global equities). Although these asset classes are volatile, they provide returns above inflation over the long term. However, as a member moves to a medium-term investment horizon, the exposure to volatile asset classes should be gradually reduced to protect members in a retirement fund from being exposed to unnecessary volatility.

Momentum's purpose is to enhance the lifetime financial wellness of people, their communities, and their businesses, building a reputation for innovation and trustworthiness. In this way, we aim to become the preferred lifetime financial wellness partners to our clients. In keeping with the financial wellness framework, we have developed an investment philosophy that maximises the probability

of you achieving your unique investment goals. We call this investment approach Momentum Investments' outcome-based investing. In response to the ever-evolving investment landscape, we manage our portfolios in such a way that they set their sights beyond mere benchmarks and instead focus on the things that matter the most to you - ensuring we maximise the probability of you achieving your investment goals. This portfolio range is managed using the outcome-based investment philosophy.

When assessing the returns of the Momentum Passive Lifestage Portfolio Range, it is important to start by looking at the returns from the portfolios against their inflation-related targets. This allows Momentum Investments to answer the question: Did the portfolio achieve its desired outcome over the most recent relevant time period? The returns are then further assessed 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 portfolios against their asset class (or strategic) benchmarks.

This quarterly review thus starts with a review of the investment returns generated by the portfolios against their targeted investment outcomes over the most recent periods. This is followed by an assessment of the economic environment and the returns generated by the asset classes (beta) in the most recent quarter against those Momentum Investments expects them to achieve on average. The returns from the building blocks used in the portfolios against their strategic investment benchmarks for this period are then reviewed.

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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

Q4:2025



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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Local equity building block

The FTSE/JSE All Share Index (ALSI) and the Shareholder Weighted Index (SWIX) increased by 8.1%, while the Capped Shareholder Weighted Index (Capped SWIX) increased by 8.9% during the quarter. Resources and Financials increased by 5.7% and 7.7%, respectively, while Industrials decreased by 1.2%.

PGM and gold equities, financials (banks and insurers) and domestic property stocks drove the overall equity market performance in the fourth quarter. The breakdown of the Capped SWIX calendar-year return of 43% was very narrow, with only the PGM equities, gold equities, telco stocks, British American Tobacco and domestic property stocks beating the Capped SWIX Index.

The building block delivered a return of 8.9% for the quarter and 42.6% for the year.

Local property building block

The SA Listed Property Index (SAPY) and the All-Property Index (ALPI) recorded total returns of 16.3% and 16.7% respectively for the quarter ended December 2025.

Operational fundamentals across the property sector continued to improve during the quarter. Within sectors, the industrial sector remained the strongest performer, recording the lowest vacancy rate and maintaining rental growth at 7.3%. While total returns moderated

from prior highs due to a slowdown in capital growth, the sector continued to demonstrate robust income resilience. The retail sector delivered steady performance, with vacancies at 4.4% and above-inflation rental growth of 4.8%, according to MSCI data. Overall returns were underpinned by strong income generation and moderate capital appreciation. Community shopping led total returns at 7%, followed by neighbourhood and small regionals at 6.2%, respectively, while regional shopping centres continued to lag slightly, posting total returns of 4.6%. The office sector showed signs of gradual recovery in Q4 2025, with national vacancy rates declining to 12.8% – the lowest level since 2020. Performance varied across property types with demand concentrated in P and A-Grade offices, where vacancies fell to 6% and 10.5%, respectively, as occupiers continued to favour modern, energy-efficient space. Vacancy rates in B and C grade properties, however, remain elevated at 16.5%, respectively.

The building block delivered a return of 16.7% for the quarter and 30.5% for the twelve months ending December 2025.

Local bond building blocks

Q4 saw a strong performance from fixed -income asset classes as global and local factors continue to drive both nominal and real yields lower. Nominal yields rallied by 98 bps across the curve, driving large bond (8.96%) and listed property (16.27%) total returns. Real yields rallied around 47 bps, resulting in ILB's returning 8.33%, while the ZAR gained 4.12% against the U.S. dollar.

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The SA bond market had a remarkable year, with yields compressing significantly across the curve. The 10-year SA government bond (SAGB) ended the year at 8.20%, while the 30-year SAGB compressed by more than 200bps to 8.95%. This propelled the performance of the 12-year-plus area of the curve to 31.21% for the 2025 calendar year, which is well ahead of the FTSE/JSE ALBI's return of 24.24%. Nominal bond returns far outstripped the returns from other fixed income assets, with cash returning 7.28% over the year and inflation-linked bonds (ILBs) returning 15.42%. Credit continues to perform very well. The compression in both bank and non-bank credit spreads continues, with investors being paid a lower risk premium for taking on credit and term risk. In general, investment managers are much more selective at these levels and prefer to maintain credit exposure in higher quality issuers and with shorter term-to-maturity.

The building block delivered a 8.3% return for the quarter.

Global equity building block

The MSCI Emerging Markets (EM) and MSCI World posted total returns of 4.8% and 3.2%, respectively, for the quarter ended 31 December 2025. 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,

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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 showing 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.

Against this backdrop, the building block delivered a return of -0.1% for the quarter and 7.6% 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.

Building block Return assessment

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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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