

# momentum

multi-manager

## Quarterly investment report

### Momentum Investments Target Portfolio Range

Q4 2025



# Introduction

## Assessing investment returns in an outcome-based investment context

The Momentum Investments Target 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 Target 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

## Q4:2025



**Herman van Papendorp**  
Head: Asset allocation

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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.

# Portfolio management

## Q4:2025

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 investing philosophy starts at the asset class level and then goes down to an investment strategy (if appropriate) and investment mandate choice 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 Return assessment

## Q4:2025 Commentary

### 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 9.8% for the quarter and 38.5% for the year. All three single-factor strategies outperformed their benchmarks in the final quarter of 2025. The Trending strategy had underweight exposures to the resources and industrial sectors and an overweight exposure to the property sector. Within the resources sector, the fund was underweight general mining stocks and overweight gold mining stocks. Within the industrial sector, the fund was underweight retail stocks and overweight food, beverage and tobacco stocks. Within the financial sector, the fund was overweight in insurance companies and underweight in financial services.

The Value strategy had moderate overweight exposures to the financial and property sectors and was underweight in the industrial sector. Within the resources sector, the fund was overweight energy and chemicals stocks and underweight general and platinum mining companies. In the industrial sector, the fund was underweight technology stocks. Within the financial sector, the fund was overweight in banks.

The Quality strategy had a material overweight exposure to the financial sector, and moderate underweight exposures to resources, industrials and property stocks. Within the resources sector, the fund was underweight in general and platinum mines. Within the industrial sector, the fund was overweight the food, beverage and tobacco cluster of stocks and underweight technology stocks. Within the financial sector, the fund was overweight insurance stocks.

### 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 31 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

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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 real return portfolio

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%, up from 10.3% at the start of the year. More broadly, yields declined against a backdrop of 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 Real Return portfolio benefitted from allocations to local equity and local bonds, delivering a return of 4.0%, which was well above the benchmark return of 0.9% for the quarter. The Fund delivered 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 return of 3.5% for the quarter. Abax are conservatively positioned and has a high allocation to floating rate notes, 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.

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### The local bond building block

Q4 saw strong performance from fixed income asset classes as global and local factors continued 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 ILBs delivering a return of 8.33%, while the ZAR gained 4.12% against the U.S. dollar.

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 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 9.1% return for the quarter. Over the twelve months, the building block delivered a return of 26.1% (an outperformance of 1.8%).

### 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

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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 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 0.6% for the quarter and 8.6% 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.

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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.

### 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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