Please note that the commentary is for the retail class of the Fund.

The first quarter of 2025 was characterised by heightened geopolitical risks and volatility, as well as divergent outcomes for the equity markets of various countries. The Fund returned -0.2% for the quarter and 13.9% for the last 12 months. The long-term return of the Fund remains pleasing.

Contribution to performance was driven by our holdings in local equities, with foreign equities offsetting this.

Fund positioning

The quarter was defined by several very big trends or themes. The optimism that existed around a pro-business and pro-growth US presidential term faded swiftly, being replaced by huge tariff uncertainty and policy flip-flops. The likely outcome of all of this is reduced investment, reduced consumer confidence, higher inflation, and generally lower growth. To this end, the quarter saw the worst US underperformance (using the S&P 500 Index as reference) versus the rest of the world (using MSCI World ex US) since 2009, with the S&P 500 down 4%. We discuss what happened post quarter-end later in the commentary.

With this as a backdrop, gold proved its safe-haven status, with the metal climbing from $2 600/oz to over $3 000/oz by quarter-end.

Europe, used to acting at a more measured pace, moved quickly to boost military spend, as the US moves to remove its own “backstop”. This saw the Eurostoxx 600 end the quarter 12% higher, driven by defence stocks.

China, which a few years ago had left business high and dry, has taken steps to bring the private sector back in the fold. Coupled with its increasing dominance in areas like EV production, robotics, and AI (think DeepSeek), sentiment towards China has turned decidedly more positive. The Hang Seng Index closed c.16% higher.

On the domestic front, GNU optimism has faded (indeed, at the time of writing, its survival remains up in the air). The growth high road feels off the table for now. The local economy certainly isn’t helped by US tariffs, higher inflation, and increased uncertainty. A lower oil price provides some small respite. While the JSE ended the quarter 6% higher (as measured by the FTSE/JSE Capped SWIX), the market was extremely narrow, and this return was dominated by gold and PGM counters.

We remain constructive on both local and foreign equities, with a mild overweight position at quarter end. Minimal top-level changes took place over the quarter. Within local equities, key changes were adding to Glencore, Shoprite and Bidcorp, with Naspers/Prosus and Anheuser-Busch InBev used as funding sources.

While we normally confine our comments to what happened up to quarter end, it would be remiss to ignore the US tariffs, their continued escalation and the subsequent stock market rout that occurred subsequent to quarter end. The three-day fall in the S&P 500 was within a whisker of being worse than the 1987 crash. While painful, we are excited by the opportunities being presented by indiscriminate selling. The temptation is to seek out safer asset classes as the status quo feels like it will last forever. However, as Covid and most other crises have shown, they will come to an end. Typically, the stock market recovers before the crisis ends and, sadly, no one taps you on the shoulder at the market bottom! We have used the opportunity to buy up equities. We could, of course, be early here, but timing of these things is hard, and we believe it is the correct action to maximise long-term fund returns.

Our view on bonds remains unchanged. We are wary of government debt levels and the ability to get these under control, both domestically and abroad. SA government bond yields, at 11%, arguably compensate for the risks; however, we remain underweight. We continue to hold a basket of global credits. While the absolute yields remain reasonable, credit spreads are tight. We would look to use any spread widening post recent events to add here.

We retain our overweight position in SA property stocks. Our holdings are focused on higher quality names like Nepi Rockcastle and Attacq.

Outlook

Post the recent equity market sell-off, we think valuation levels are very attractive and will serve investors with a long-term time horizon and patience well in the fullness of time. We remain confident the Fund will continue to deliver attractive risk-adjusted returns over the long term, despite the tough economic climate we find ourselves in today.

Portfolio managers
Neville Chester, Nicholas Stein and Nicholas Hops
as at 31 March 2025