momentum

multi-manager

Quarterly investment report

Momentum Investments Enhanced Factor Portfolio Range

Q1 2025

Introduction

Assessing investment returns in an outcome-based investment context

The Momentum Investments Enhanced 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 a (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 Enhanced Portfolio Range: It is important to start by examining the portfolios' returns 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 respective 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 starts by assessing 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.

Economic overview

Q1:2025

Sanisha Packirisamy
Chief economis

The inauguration of Trump and his subsequent policy changes were the dominant driving forces for financial markets throughout the first quarter of 2025. As the barrage of Trump's executive orders that aggressively transformed the geopolitical and global trade landscape gained momentum during the quarter, financial market uncertainty about the implications of his actions increased investor anxiety. The initial investor interpretation of the proposed Trump campaign policy mix — comprising higher tariffs, tighter immigration controls, deregulation, and tax cuts — was that it would be broadly reflationary over the medium term, with expectations of stronger US economic growth accompanied by a moderate rise in inflation. However, market focus in the first quarter of this year increasingly pivoted towards the near-term downside risks for the US and global economies, particularly the adverse growth implications of substantial tariff increases. This shift has elevated concerns around a potential recession or a stagflationary environment globally, marked by significantly weaker growth alongside higher inflationary pressures. As a result, the more growth-supportive components of the policy agenda, including deregulation and prospective tax relief, have receded in prominence within the current investment narrative.

Against this backdrop, a more risk-off market sentiment prevailed as the first quarter progressed. As a result, global equities meaningfully underperformed global bonds in the quarter, with global bond returns flat versus negative global equity returns.
As the perceived ultimate global safe-haven asset, US bonds performed exceptionally well in the quarter, with 10-year yields falling by 31 basis points (bps). In contrast, other developed market (DM) bond yields generally rose in the quarter, with European 10-year yields up 34 basis points. The latter was in direct response to the German parliament's relaxation of the country's strict 'debt brake' rules to substantially boost future defence and infrastructure spending in a major policy shift that should underpin economic activity in the coming years. Within the global equity space, the standout trend in the quarter was the large discrepancy between US equity returns, which were sharply negative, and European equity returns, which were significantly positive. US equity returns were also negatively impacted during the quarter by a significant sell-off in large technology stocks.

Despite some rand appreciation in the first quarter of 2025 (primarily due to US dollar weakness), SA asset classes strongly outperformed global assets in rand terms. On the back of sharp increases in gold and platinum prices, as the dollar weakened and trade tensions intensified, the SA resources sector had a very robust performance, supporting the overall SA equity market. In contrast, the rise in SA bond yields (10-year yields up by 32 basis points in the quarter) as worries about global risk appetite and local political stability surfaced, had a negative bearing on both SA-listed property and the financial sector, with both down in the quarter.

For a detailed economic outlook by our chief economist, Sanisha Packirisamy, please click **here**.

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Portfolio management
Q1:2025

Mohammed Sibda
Portfolio manager

There were no material changes to portfolio positionings during the quarter. However, we reduced global bond and global cash exposures in early April. These asset classes provided protection during the fallout and also benefited from the Rand's weakness. The proceeds were switched into local equity and local cash.

No other changes were made as we are mindful of further market weakness given the economic uncertainty. We are also comfortable with our overall positioning as our portfolios are diversified across asset classes, geographies and strategies. We will, however, continue to look to take advantage of market volatility.

Underperformance over the quarter was a result of:

1. Marginal overweight to global equity
2. Underperformance of Local equity- underweight position to Gold stocks and overweight positions in SA Banks detracted from performance

Portfolio Performance Overview

The Enhanced Range underperformed over the quarter and 12 months.

The underperformance over the 12 months is explained by:

1. The Global Equity block, which delivered a return of 3.3% vs 4.4% (in Rands)
2. The underweight local equity position during the shift to the new long-term SAA has also contributed to some of the Factor7 portfolio's underperformance.

VIEW LATEST FACT SHEETS

Asset class returns
Q1:2025

Herman van Papendorp
Head: Asset allocation

The first column of the table below reports the returns for the asset class benchmarks for the first quarter of 2025. The next column highlights the returns for these asset classes for the previous year. These one-year returns are converted into real returns by deducting inflation (3.1%) 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.

For a detailed financial market outlook report from the Head of Asset allocation, Herman van Papendorp, please click **here**.

Asset class	Q1 2025 returns	Nominal returns for the previous 12 months	Real returns for previous 12 months*	Expected real return (p.a.)
Local equity (Capped SWIX)	5.8%	22.9%	19.7%	5.8%
Local bonds (ALBI)	0.7%	20.2%	17.0%	3.3%
Local listed property (SAPY)	-3.5%	19.8%	16.7%	7.0%
Local ILBs (ILBI)	0.6%	8.9%	5.8%	2.8%
Local cash (SteFI)	1.9%	8.3%	5.1%	1.3%
Global equity (MSCI ACWI)	-3.7%	4.4%	1.2%	6.5%
Global bonds (WGBI)	2.6%	2.1%	-1.0%	-0.3%
Global property	-0.7%	1.8%	-1.3%	4.0%
US dollar/rand**	-2.5%	-3.0%		
SA CPI*	**1.3%**	**3.1%**		

*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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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 who were awarded the mandates to implement these to either improve the returns of the asset class or manage its risk profile.

Local equity building block

The JSE Capped SWIX Index posted gains of 5.8%, heavily driven by The JSE Capped SWIX Index posted gains of 5.8%, heavily driven by the Resources sector, which delivered a return of 30%, benefiting from soaring gold and PGM prices. Industrials also delivered a positive return of 3.1%, while Financials and property were in the red with -1.8% and -4.2% respectively.

As a result, the building block had a challenging quarter, underperforming with a return of 3.5%. Over the last 12 months, it was roughly in line with the benchmark but has outperformed overall in longer periods.

The Satrix momentum fund returned 4.2%, underperforming its Capped SWIX benchmark return of 5.8%. The Momentum factor strategy underperformed during the volatile quarter. Positive contributions came from overweight positions in Harmony Gold and AngloGold Ashanti, alongside an underweight in Anglo American. However, overweight holdings in Mr Price, Truworths, and Spar detracted significantly from relative performance. The portfolio was rebalanced in March based on new factor signals.

Truffle's quarter-end performance was in line with the capped SWIX. However, they had a strong 12 months, outperforming by just under 3%.

The portfolio was supported by defensive positioning and from rotating out of SA retailers (underweight Mr Price and Foschini contributed positively) and into more foreign-exposed industrials (overweights in Anheuser-Busch and Prosus added value). Underweights in property and oil, and a marginal overweight in gold, also helped. The main detractor was an underweight position in Telcos, particularly MTN, which rallied strongly. The fund maintained a defensive stance, adding to BAT and FirstRand while reducing Pepkor.

BlueAlpha underperformed, returning 2.3% against its benchmark's 5.85%. Underperformance was primarily driven by exposure to domestic cyclicals ("SA Inc" stocks), which performed poorly amid GNU uncertainty and trade war fears. Underweights in MTN and platinum stocks were major detractors. Positive contributions came from Gold Fields, Foschini, New Gold Issuer, Prosus, and Pepkor, while Harmony Gold, MTN, Truworths, AVI, and Impala Platinum detracted. The fund prefers Capitec, FirstRand, AVI, and Shoprite domestically and added to BTI and Anheuser-Busch globally.

Fairtree returned 4.4%, underperforming its Capped SWIX benchmark. Performance was significantly boosted by positions in the gold sector (Goldfields, AngloGold) and certain discretionary/industrial stocks (Prosus, Naspers, Anheuser). However, holdings in domestic-facing stocks, particularly retailers (Mr Price, Truworths, Foschini) and financials (FirstRand), detracted notably, alongside Glencore, as softer-than-expected trading updates and GNU concerns weighed on sentiment. The fund remains bullish on gold and maintains diversification amidst market uncertainty.

M&G delivered a return of 5.3%, slightly underperforming its Capped SWIX benchmark. Key positive contributors were an overweight position in MTN, which rallied on news of potential Nigerian tariff increases, and an overweight in Anglogold. Not holding the underperforming Mr Price also added value. Major detractors included not having the strongly performing Harmony Gold and an overweight position in Spar, which faced operational challenges. The fund maintains a value approach, favouring banks (Standard Bank, ABSA, Investec) over retailers and holding a larger-than-usual gold position due to elevated uncertainty.

Foord lagged its benchmark during the quarter as SA equities rallied on surging gold/PGM stocks, delivering a return of 0.9%. Despite this very poor quarter, they are still just about in line with the benchmark over the 12 months. Positive contributions came from holdings in Naspers/Prosus (boosted by Tencent/China stimulus), gold producers (benefiting from the gold price surge), Anheuser-Busch InBev (stronger earnings), and an underweight to financials. Positions in mid-cap SA Inc. companies detracted significantly as confidence fell due to budget/GNU uncertainty. Cash holdings enhanced absolute returns. Strategically, SA equities were slightly reduced, cash increased, Naspers/Prosus trimmed, exposure to quality consumer discretionary names increased, and the underweight to financials was maintained while selectively adding banks. Commodity exposure remained low (except gold), and property was avoided.

The Systematic strategies building block delivered a return of 3.9% for the quarter. Each of the underlying strategies had a disappointing quarter. However, the high allocation to the Capped SWIX tracker component within the building block helped improve the performance.

Local property building block

The SA Listed Property Index (SAPY) and the All-Property Index (ALPI) recorded a total return of -3.5% and -4.3% respectively for the quarter ending 31 March 2025. Year-to-date, SA-listed property has experienced a pullback following a strong performance in 2024, in line with a broad sell-off in global bond markets. This weakness was exacerbated by rising global trade tensions, increased economic uncertainty, and shifting expectations around monetary policy. In March, several central banks in advanced economies, including the SARB, held monetary policy meetings, all of which highlighted the risks posed by trade tariffs to their forecasts.

Globally, the FTSE EPRA/NAREIT Developed Rental Net Total Return Index recorded a net total USD return of 1.5% for the quarter. The quarter's best-performing listed real estate market was Japan, which recorded a total USD return of 9.1%. Australia recorded the lowest total USD return of -0.9%. The best performing global sectors for the quarter were Healthcare at 15.6%, Gaming Net Lease at 11.5%, and Traditional Net Lease at 10.6%, while the worst performing sectors for the quarter were Data Centers at -15.6%, Hotels at -12. 7% and Lab Space at -3.5%.

The building block delivered a negative return of -2.4% in the quarter, which was marginally ahead of the benchmark return of -2.8%.

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Catalyst posted a negative return of -2.7% for the quarter. From a tactical asset allocation perspective, the underweight to SA property and overweight global position detracted from performance relative to the benchmark. The main performance contributors were overweight positions in Vici Properties, Cellnex, CTP and Klepierre, which outperformed relative to the benchmark, and an underweight position to Mas PLC, which underperformed the benchmark. The main performance detractors were underweight positions in Growthpoint and overweight positions in Digital Realty, Hyprop, Vonovia and Stor-age, which underperformed.

Meago delivered a return of -2.0% for the quarter. The overweight positions in Serius and SA Corporate were the most significant positive contributors to performance. The largest performance detractors were overweight positions in Burstone and underweight in Primary Health.

Direct property building block

The direct property portfolio returns for the quarter ending 31 March 2025 were 4.3% net of fees against the CPI+5% benchmark of 1.60%. The South African property market in Q1 of 2025 reflects a mix of resilience and caution, shaped by interest rates, economic conditions, shifting buyer demand and load shedding.

The SAPOA Office Vacancy Survey for Q1 2025 shows a slight increase in South Africa's office vacancy rate to 13.6%, signalling a gradual move toward market equilibrium. Vacancy rates vary across office grades, with prime and A-grade spaces becoming more resilient due to tenant preference for hybrid work-friendly environments. Prime-grade vacancies decreased marginally to 6.8%, while A-grade vacancies slightly rose to 12.2%.

In Q4 2024, South Africa's institutional-owned shopping centres maintained a steady trading performance. Data from 150 centres covering about 150 million square meters showed a record high trading density of R42,049/m². Retail sales grew by 5.7%, with large malls experiencing slightly slower growth than the overall retail sector.

South Africa's industrial property sector remains resilient, driven by growth in e-commerce, logistics, and manufacturing. Key trends include increased demand for strategically located distribution centres near urban areas, with a focus on sustainability-tenant preferences now favour energy-efficient warehouses with solar power and water-saving features.

Local absolute strategies building block

The building block delivered a return of 3.4% for the quarter, outperforming its benchmark of 2.6%. For the year, it achieved a return of 17.9%, outperforming the benchmarks' 16%.

Sentio delivered a return of 3.8% for the quarter, outperforming its CPI + 4% target (2.30%). Strong equity selection drove performance, bouncing back from Q4 2024. Top contributors included positions in gold stocks (Goldfields, Anglogold, Harmony), platinum (Impala), industrials (MTN, Prosus, Naspers, Anheuser-Busch), and Standard Bank. Detractors were mainly domestic consumer/retail stocks (Truworths, Foschini, Shoprite, Pepkor, Woolworths, Motus, Bidvest), Nedbank, and Anglo American. The fund maintained an overweight duration position in fixed income, adding exposure in the 15-20 year area, favouring nominal bonds for their compelling real yields (~9%). The fund remains cautious given global policy uncertainty and potential recession risks.

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Laurium delivered a return of 3.8% for the quarter. Performance was driven by positions in South African government bonds, AngloGold, Prosus (benefiting from the China tech rally), AB InBev, Impala Platinum, Northam Platinum, Remgro, and Momentum. Retail shares such as The Foschini Group, Woolworths, and Motus detracted from performance. Within local equity the manager favours banks like FirstRand/ABSA, insurers like Momentum/Sanlam, Remgro, TFG, Woolies, and rand hedges like AB InBev, Bidcorp, and BAT.

M&G delivered a return of 3.3% for the quarter. The overweight equity position added significant absolute value but slightly underperformed its strategic benchmark. Overweight bonds and neutral ILBs contributed positively. Property stock selection detracted, though the underweight position helped relative returns. Within equity, overweight positions in MTN (+34%) and AngloGold Ashanti (+66%) were top contributors. Not holding Harmony Gold and holding in The Foschini Group (-26%) detracted. The fund tactically reduced its equity exposure to neutral during the quarter but still views SA equities as fundamentally cheap. It maintains an overweight position in nominal bonds due to attractive real yields and a small underweight/neutral stance in property.

The Real Return component delivered 2.6% for the quarter. Prescient delivered a return of 4.2% for the quarter, outperforming its CPI + 3% benchmark (2.0%). Performance benefited from the SA equity rally in March. The fund employs a strategy using index options for downside protection, with adequate equity exposure at ~30.1%. The portfolio held substantial nominal bonds (~57%), money market (~0.6%), inflation-linked bonds (~7%), and infrastructure debt (~5%).

Sanlam delivered a return of 1.2% for the quarter. Performance was driven by fixed income assets, given still attractive real yields in enhanced cash (CPI+4-5%) and bonds (up to CPI+8%). Equity exposure was further reduced during the quarter in favour of fixed income. Nominal bonds are preferred over ILBs, and the funds remain cautious on local listed property due to high bond yields.

Local flexible bond building block

Q1 was a difficult quarter for fixed income asset classes as both nominal and real yield rose across the board. Nominal bond and ILB yields moved higher, dragging total returns down as a result, with the ALBI (0.70%) and the IGOV (0.63%) struggling to eke out positive returns. The high beta asset classes were volatile with listed property delivering a negative return of -3.51%, and the ZAR surprising the upside with a 2.76% positive return. Cash (STeFI) was king on a risk-adjusted basis with a return of 1.89% for the quarter.

Currently, credit exposure in the building block is at the lowest levels it has been for many years with Prescient only investing in South African government debt at present.

For the quarter, the building block delivered a return of 0.68% compared to the ALBI's 0.70%. Measured over an appropriate investment term of three years, the building block yielded 9.5% compared to the ALBI's 9.8%. Measured over a five-year period, it yielded 12.3% compared to the 11.7% generated by the ALBI. The latter period includes the worst performance experienced by the ALBI at the start of the COVID-19 pandemic in 2020.

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All the bond sectors delivered weak absolute performances for the quarter. The 1-3-years sector was the best-performing sector, with a return of 2.08%. The 3-7-years sector had a return of 2.02%. The 7-12-years sector had a return of a mere 0.87%. The 12+ years sector was the weakest performer, with a negative return of -0.69%.

At the end of the quarter, the bond sector exposures were as follows:

- 1-3 -years 12.76%
- 3-7-years 19.19%
- 7-12-years 35.17%
- 12-plus-years 32.87%

At the end of the quarter, Prescient had an exceptionally large exposure to the 7-12-years sector of the yield curve. The overweight positioning in this sector contributed marginally to the quarter's relative return. Prescient had no exposure to any of the other sectors.

Coronation on the other hand, ended the quarter being marginally overweight the 12+-years sector (44.43). Coronation's exposure to ILBs (6.05%) detracted from the relative returns, as did Listed Property (2.65%), as these two asset classes delivered 0.63% and -3.51% respectively for the quarter. Coronation's exposure to the 7-12-years sector was 30.04%.

Local cash building block

The monetary easing cycle continued in Q1, with a 25bp cut in the repo rate at the January meeting. This move by the authorities takes the repo down to 7.50% (prime at 11.00%), as they inch policy towards neutral from the current restrictive setting, which is much more appropriate for the benign growth and stable inflation environment we are experiencing. The traded money market responded accordingly, with rates moving lower. The 3-month Jibar rate declined 19 bps to 7.56%, while the 12-month rate declined less significantly, by 3 bps to 8.09%. Based on these Jibar rate levels, the total return for the STeFi Composite Index was 1.89% for the quarter.

Credit spreads have compressed significantly, led by the banks, but increasingly everything else is following. Investors are not really being compensated adequately for taking term credit risk, and investment managers preferred shorter-dated, more defensive exposure. There is not a lot of opportunity for new issuance or further spread compression at the moment.

For the quarter, the building block delivered a return of 2.24% compared to 1.89% for the SteFI benchmark.

For the year, the building block delivered a return of 9.87% against the SteFI benchmark of 8.28%. It consistently met its objective of capital preservation by maintaining positive returns on a one-year rolling basis. Both investment managers had a high exposure to floating-rate notes, which provided a fair degree of liquidity while also providing above-benchmark yields.

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Hedge fund solutions building block

Momentum Moderate fund of hedge funds were negatively affected by a select equity long/short funds that held long positions in stocks such as ABSA, Kaap Agri, Reunert, Bell, and Coronation. A large position in the Naspers/Prosus discount trade was also a net detractor as the widened discount to NAV persisted for the quarter. The positive contribution from the fixed income strategy for the quarter was not big enough for the fund to outperform. The Momentum portable alpha hedge fund solution and Momentum Aggressive hedge captured most of the market upside, outperforming their respective benchmarks for the quarter. Contribution in the portable alpha solution came from various sources. However, the lead contributors were multi-strategy and equity long-short funds that were long precious metals (gold and platinum) and consumer discretionary stocks. The market neutral as a strategy detracted the most. A short position in consumer staples, selective financials, and long positions in the real estate sector contributed negatively to portfolio performance.

Momentum Aggressive hedge also benefited from long positions in stocks with exposure to gold, platinum, and consumer discretionary stocks. It further benefited from short positions in a couple of JSE-listed apparel retailers. On the other hand, some domestically focused longs, which traded down on sentiment, slightly detracted from the portfolio's performance.

Special opportunities building block

The Special Opportunities Fund returned 2.18% for the first quarter of 2025. As reported in Q4'2024, the Momentum Africa Real Estate Fund ("MAREF") was pursuing the sale of the two Ghanaian assets, but unfortunately, had terminated discussions with the potential purchaser whose exclusivity period had lapsed without much progress in their due diligence. Both properties are currently generating positive cash flow, 61% and 88% net, respectively. Pipeline for new leases also looks promising, and many of the major delinquent tenants have been removed. Dollar illiquidity remains a challenge, but MAREF managed to expatriate $1.3m to Mauritius in January and February. There are four legal challenges with the tenant of the Kenyan development and the GP, the developer, and their counsel believe that they have a strong defence in all four matters.

The local property fund (MPOF) management team continues to work towards the realisation of assets across the portfolio, having successfully realised several assets across the portfolio. At the time of writing, the team had concluded the sale of two of the assets in the portfolio: Makro Carnival City (previously subject to competition commission approval) and Build It Hammerdale. Unconditional competition commission approval has been received, and MPOF has received the proceeds from the disposals, but has not yet distributed them to investors. The fund manager is arranging for the distribution of those proceeds, net of any refinance requirements, that will be retained for one of the assets in the portfolio, being Chuma Mall.

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The Corporate Debt Strategy remains the largest allocation in the fund and continues to contribute positively to the overall portfolio. No new direct opportunities were executed over the quarter. The team was previously pursuing one direct opportunity but terminated due to the unavailability of capital to invest. We have not made any further cash distributions during the past quarter.

Global equity building block

The first quarter of 2025 marked the beginning of a new era, both geopolitically, as the Trump administration reshapes the global order, and economically, with nationalism replacing globalisation. Trump 2.0's sweeping policy changes – tariffs, deregulation, and protectionism – have heightened uncertainty, damaging consumer and business confidence and raising recession fears. March's market performance reflected this growing unease. A wave of new tariffs and escalating trade tensions has weighed on investor sentiment, while the US has reinforced its focus on China as its primary geopolitical adversary. European allies face mounting pressure to increase defence spending, with Germany taking extraordinary steps to loosen fiscal constraints and fund military expansion. Equity markets saw increased volatility amid these shifts. The combination of tariff uncertainty and concerns over US AI competitiveness extended the sell-off in megacap tech. The MSCI World declined by -4.5% in March, with the 'Magnificent 7' falling by -9.7%. The S&P 500 dropped -5.7%, erasing year-to-date gains. Chinese equities continued to rally, with MSCI China up 2.0% in March and 15% year-to-date (YTD), as policy easing, regulatory support, and AI optimism boosted sentiment.

Against this backdrop, the Global Equity Building block delivered a negative return of -3.1% for the quarter, ahead of the benchmark returns of -3.8%.

Global property building block

Globally, the FTSE EPRA/NAREIT Developed Rental Net Total Return Index (the index) recorded a net total USD return of 1.5% for the quarter. The quarter's best-performing listed real estate market was Japan, which recorded a total USD return of 9.1%. Australia recorded the lowest total USD return of -0.9%. The best performing global sectors for the quarter were Healthcare at 15.6%, Gaming Net Lease at 11.5%, and Traditional Net Lease at 10.6%, while the worst performing sectors for the quarter were Data Centers at -15.6%, Hotels at -12. 7% and Lab Space at -3.5%. The Rand strengthened slightly against a weakening USD, while weakening somewhat against the Euro and Pound.

Against this backdrop, the Global Property building block delivered a negative return of -0.9% for the quarter.

Global fixed income building block

The first quarter of 2025 saw a significant shift in the global macroeconomic landscape, marked by rising divergence across regions. US exceptionalism came under pressure as heightened policy uncertainty and political risk triggered a drop in sentiment and revived recession fears. In contrast, Germany's fiscal policy pivot under a new incoming administration led to an improved sentiment across Europe. The German parliament approved the relaxation of strict debt limits, allowing defence and security spending

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to bypass budget constraints and establishing a €500bn infrastructure fund over 12 years. This triggered the largest daily jump in Bund yields since reunification in 1990, although markets partially recovered by quarter-end amid renewed tariff concerns ahead of US "Liberation Day." US Treasuries outperformed as weaker economic data drove yields lower. In corporate credit, US dollar-denominated investment grade and high-yield bonds outperformed their euro counterparts. In the UK, gilt yields edged higher as stagflation concerns and fiscal vulnerability, highlighted in the Spring Statement, weighed on sentiment. In Asia, Japanese bond yields rose on stronger growth and inflation, while China's deflationary backdrop kept yields subdued. Overall, regional macro policy changes drove pronounced divergence across fixed-income markets. The Rand strengthened slightly against a weakening USD, while weakening somewhat against the Euro and Pound.

Against this backdrop, the Global Bond building block delivered a negative return of -0.1% for the quarter.

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.