OLD MUTUAL MULTI-MANAGERS

INSTITUTIONAL REPORT Q4 2024

Contents

BUSINESS UPDATE

KIEYAM GAMIELDIEN
MANAGING DIRECTOR

LEADERSHIP IN A CHALLENGING WORLD

It is hard to believe that the first month of 2025 is already behind us. January is typically a time for reflection, resetting, and planning for the year ahead. I trust that, for the most part, 2024 was a year of wins and that the start of 2025 has reignited your motivation to achieve your goals. Of course, the losses along the way should not be overlooked, as they provide invaluable lessons that help us grow – ultimately leading to stronger communities.

Achieving individual goals contributes to broader community, national, and global progress. Institutions like the United Nations and alliances such as the G20 and BRICS work to align these efforts, creating environments where individuals and societies can truly thrive.

This spirit of collective progress was a key theme at the 55th annual meeting of the World Economic Forum (WEF in Davos, Switzerland. This year's theme, "Collaboration in the Intelligent Age", prompted me to reflect on how effectively we are merging collaboration which is a soft skill, with intelligence which a hard skill. While some individuals naturally excel in one area more than the other, both skills are essential and can be developed, particularly for leaders who are navigating today's fast-paced and complex world.

As a business and part of the global community, Old Mutual was once again represented in the WEF, led by our Group CEO, Iain Williamson, as part of the South African delegation. We also continue our partnership with the Africa Collective at WEF, an initiative that aligns perfectly with Old Mutual's commitment to driving collective action and collaboration to address global challenges.

The WEF took place just as South Africa was celebrating its 2024 Matric results in January, an important milestone for young people completing their basic education. These results primarily assess intelligence and the ability to acquire and apply knowledge. However, the broader life skills developed throughout schooling are just as important. Extracurricular activities, sports, and leadership roles foster critical soft skills such as teamwork, conflict resolution, leadership, and collaboration, all of which are essential for success in today's world.

As a country, we are aware of our economic and social challenges, but we can take pride in the resilience and adaptability demonstrated in 2024. We ended the year as one of the best-performing currencies against a strong US dollar. The FTSE/JSE Capped SWIX Index delivered a 13% return, bonds rose by 17%, and property surged by 30%. The Matric pass rate reached its highest level in history, a significant achievement. There were also remarkable successes in sports, arts, and culture. These milestones highlight the power of visionary leadership that balances collaboration and intelligence across all sectors, including the Government of National Unity (GNU), business, civil society, the judiciary, communities, and families.

While we celebrate progress, we must also acknowledge that there is still much work to be done. The 2025 Global Risks Report by the WEF highlights pressing global challenges such as environmental crises, geopolitical conflicts, societal polarisation, inequality, and the disruptive rise of generative AI-driven misinformation. I believe we can overcome these challenges by upholding shared values and working together as a global community.

As we look ahead to the rest of the year, let us embrace the lessons of the past, celebrate our progress, and strive for a future defined by collaboration, intelligence, and shared purpose.

Together, we can turn today's challenges into tomorrow's victories.

Kieyam

INSTITUTIONALOVERVIEW

Following the implementation of the two-pot system during the third quarter of 2024, withdrawals from savings pots continued during the fourth quarter. The latest figures from SARS published in January 2025 reflected total withdrawals of over R43 billion by more than 2.6 million retirement fund members. Although it is difficult to know exactly how people are using these withdrawals, it is hoped that much of it is going to pay off debt, which should leave many South Africans in a slightly better financial position.

Consumers received further financial relief in November when the SA Reserve Bank cut interest rates by another 25 basis points. This followed a similar cut in the previous quarter. Despite some signs of discord, the much-vaunted GNU is holding together and has lifted optimism about the South African economy. The lights have stayed on (well mostly) and attention is being given to the railways and ports to ensure we are able to efficiently export the commodities and goods we produce.

Over in the United States, Donald Trump was re-elected as President in one of the biggest political comebacks of all time. His unpredictability and disregard for convention is likely to lead to heightened uncertainty and hence volatility over the next few years. Nonetheless, the US stock market and the dollar strengthened in the wake of his election. Europe as a whole and the UK remain weak economically, although the picture is not uniform with industrial powerhouse, Germany, along with France both struggling while Spain appears to be enjoying strong growth. Amongst emerging markets, China continues to struggle to return to its erstwhile strong growth path after strict Covid-19 lockdowns. India is enjoying a solid boom, while Nigeria has been gripped by a foreign currency crisis.

ANDREW DAVISON
HEAD | INSTITUTIONAL

Generally lower inflation across the globe led to cuts in interest rates by many central banks, with the United States of particular relevance to global investors. Trump's election to the White House has, however, raised fears of inflationary pressure with future rate cuts now expected to be more limited. Hopes of an end to the two major conflicts in Gaza and Ukraine have grown and a ceasefire agreement between Israel and Hamas was announced as we entered 2025.

After 2022 where no major asset class beat inflation and 2023 where every asset class beat inflation, 2024 was another solid year in which the only major asset class not to beat inflation was global bonds. The Old Mutual Multi-Managers range of solutions has delivered another year of solid returns for our institutional investors. Diversification across asset classes, sectors, geographies, and asset managers ensures that our solutions are well positioned to navigate the complex and uncertain global environment.

During the past quarter we released our Responsible Investing 2024 report providing an update on our actions, initiatives, and engagements to further our commitment to sustainable and responsible investing, discussing the evolving global thinking on ESG and exploring some of the practical challenges encountered. We also detail examples of asset managers' efforts to uphold sound ESG practices and include the results of our annual survey of asset managers' progress on transformation.

QUARTERLY PERFORMANCE REVIEW

ROLAND GRÄBE
CHIEF INVESTMENT OFFICER

MARKET ENVIRONMENT

The loose monetary policy applied by governments worldwide was successful, to a great extent, in mitigating the recession that would typically follow a period of such low economic activity as experienced during the Covid-19 lockdowns in 2020 and 2021. Such medicine does not come without a price and the two years that followed saw inflation shooting up across the developed world, as well as in most emerging markets. Last year we finally saw inflation stabilising and approaching the target midpoint of different countries. This led to interest rate cuts finally providing some relief to battling consumers.

Falling interest rates (especially coupled with some economic growth) are in the 'Goldilocks' zone, providing impetus to bond markets through falling yields, but also boosting equity markets through the application of lower discount rates to future earnings.

ASSET PRICES

Global equity and SA bonds were very strong performers last year and direct beneficiaries of both interest rate cuts and improving sentiment. With the SA growth story remaining more of a future hope than a current reality, SA bonds outperformed SA equity for the third year in a row. But with SA equity finally outperforming inflation by a substantial margin, it is pleasing to see some positivity in our local market, coupled with increased interest by global managers looking for value amongst the emerging market stock indices. With US equities, and more especially the large technology-focused market leaders, continuing to rally, investors fear and hope for a theme rotation that seems long overdue.

OUR SOLUTIONS

The tailwinds of 2024 should leave most investors satisfied, depending on their risk profile and time horizon. Cash and cash plus mandates returned between 8% and 9%, which in real terms are quite exceptional, even though returns from cash will likely be somewhat lower. Multi-asset class strategies with a local focus returned around 12% to 14%, depending on the exact focus and offshore allocation. Global equity was again the place to be, although the more conservative strategies benefitted significantly from the strong performance in local bonds.

OUR MANAGERS

Seldom in the spotlight, our local property managers Sesfikile and Catalyst achieved returns around 30% last year, in line with their market benchmark. Other strong returns from more core holdings included M&G's 18% return in fixed income, as well as Coronation's equity fund return of around 17%, with both managers well ahead of market indices and well ranked in their peer groups. Our global fixed income solution outperformed the bond market by a significant margin, with Morgan Stanley and PGIM boasting the best returns in this space. Lastly, Baillie Gifford continued to be our best performing global equity manager, with the more value-focussed Harris & Associates struggling the most in what was a very concentrated, growth-driven market.

OUR POSITIONING AND OUTLOOK

Compared to peers as well as our own strategic targets, our two largest tilts were our underweight offshore equity exposure coupled with an overweight position in local fixed income. Our smaller tilts included a lower total offshore exposure as well as a slightly higher allocation to the local equity market. We are quite cautiously positioned as we expect significant market volatility at best, and softer global markets at worst, in the year to come. Though certainly not in bubble territory, we do believe some parts of the US market to be priced for perfection, which is usually a prelude to some degree of pain when company results fail to meet optimistic future assumptions. We are, however, quite bullish on many other markets, with most emerging markets (bar India), Europe, UK, China and South Africa all attractively valued. After strong gains, SA bonds remain attractive to us, but we certainly do not expect returns of the order achieved last year. SA cash does for the moment still offer good real returns, but the window is closing, and we are therefore focusing more on growth assets where we see a better risk-adjusted opportunity. The biggest challenge for South Africa this year will be to grow our economy in real terms. Even just a small improvement is likely to be a positive catalyst to bring some belief into our local stocks, and it will not take much for global investors to come back to a market they have largely ignored in recent times.

OLD MUTUAL MULTI-MANAGERS INSTITUTIONAL SOLUTIONS AND BENCHMARK RETURNS
PERIOD ENDING 31 DECEMBER 2024

	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Inflation plus 1-3%	**1.18%**	**12.22%**	**8.91%**	**9.93%**	**8.83%**	**12.16%**	14-Oct-99
CPI + 2%	0.50%	4.99%	7.38%	6.98%	7.01%	7.54%	
Inflation plus 3-5%	**1.21%**	**14.11%**	**9.38%**	**12.28%**	**9.67%**	**13.45%**	30-Jun-03
CPI + 4% p.a	0.99%	7.05%	9.48%	9.08%	9.11%	9.34%	
Inflation plus 5-7%	**1.18%**	**14.11%**	**9.44%**	**12.69%**	**9.68%**	**13.38%**	14-Oct-99
CPI + 6% p.a	1.47%	9.10%	11.57%	11.17%	11.20%	11.76%	
Max 28	**1.40%**	**14.83%**	**10.26%**	**13.03%**	**9.61%**	**12.92%**	14-Oct-99
CPI + 6.5% p.a	1.59%	9.62%	12.09%	11.69%	11.72%	12.28%	
Moderate Tracker	**0.13%**	**13.40%**	**8.64%**	**10.80%**		**10.70%**	11-Oct-19
CPI + 4% p.a.	0.99%	7.05%	9.48%	9.08%		8.93%	
Balanced Tracker	**0.21%**	**14.56%**	**9.42%**	**11.73%**		**11.63%**	11-Oct-19
CPI + 5% p.a	1.23%	8.07%	10.47%	10.09%		9.94%	
Defensive Balanced	**3.38%**	**13.19%**	**9.87%**	**10.52%**	**8.92%**	**11.22%**	1-Oct-02
CPI + 3% p.a	0.99%	7.05%	9.48%	9.08%	9.11%	9.37%	
Managed	**3.32%**	**15.76%**	**11.21%**	**12.75%**	**9.65%**	**11.93%**	1-Apr-10
Median of Alex Forbes Global Large Manager Watch	1.91%	14.48%	9.63%	11.13%	8.74%	10.77%	
Money Market	**2.24%**	**9.44%**	**8.14%**	**6.93%**	**7.39%**	**8.25%**	1-Aug-00
STeFI 3 Month	1.96%	8.20%	6.93%	5.82%	6.32%	7.42%	
CPI Inflation	**0.00%**	**2.93%**	**5.27%**	**4.89%**	**4.91%**		

Annualised returns are shown for periods greater than 1 year.

Returns are gross of Old Mutual Multi-Managers and underlying investment manager charges.

"CPI" refers to the SA Consumer Price Index headline year-on-year rate as provided by Statistics South Africa but lagged by one month due to the timing of the release of the latest inflation figures.

Sources: Old Mutual Multi-Managers & I-Net

LOCAL AND GLOBAL MARKET COMMENTARY

IZAK ODENDAAL
CHIEF INVESTMENT STRATEGIST

GLOBAL

Global equities were negative in December, with the hawkish Fed messaging weighing on sentiment. The MSCI All Country World Index lost 2.3% in December in dollars and was down 0.9% in the final quarter. However, the 12-month return was a solid 18%.

The US led the pack in 2024, with the S&P 500 Index returning more than 20% for the second consecutive year. Despite a negative December (-2.4%), the fourth quarter saw a positive 2.4% return, while the 12-month return was 25%. This strong performance was in turn again led by the mega-cap technology shares. This means index concentration, as measured by the weight of the top 10 shares, increased further during the year to hit multi-decade highs. The equal-weighted version of the S&P 500, where each of the 500 stocks have the same 0.2% weight, returned only 13% in 2024.

Japanese equities gained 4% in December and 5% in the final quarter of the year in yen terms. This means the Nikkei 225 Index ended the year with a strong 21% return. The Japanese market was partly boosted by a weaker yen. The yen lost 11% in 2024, closing at ¥157 per dollar.

Eurozone equities were marginally negative in December and lost 2.9% in euros in the fourth quarter. The 9.5% calendar-year return of the Euro Stoxx 600 Index lagged the US by some distance, especially since the euro lost 6% against the US dollar in 2024, closing the year at $1.04.

Emerging markets were flat in December but down sharply for the fourth quarter, with the MSCI Emerging Markets Index losing 8% in the last three months of the year. The US election and shifting interest rate outlook boosted the dollar, while reignited fears of a trade war has negatively impacted China and other large exporters. Hopes of large-scale fiscal stimulus in China have not given Chinese shares a sustained boost beyond the one-off jump in September. The MSCI China Index ended the year 19% higher, while the overall MSCI Emerging Markets Index returned 8% in dollars.

Global bond yields rose during the third quarter as expectations for US rate cuts were pared back. This trend accelerated after the November US election and the December Federal Reserve monetary policy meeting. The benchmark US 10-year Treasury yield rose from 3.7% at the start of October to end the year at 4.5%. The month of December alone saw a 40-basis point rise. The policy-sensitive two-year yield rose by less, but still ended the quarter at 4.2%. This means the US yield curve is no longer inverted. Corporate bond yields did not increase as much, implying that credit spreads tightened further. The Bloomberg Global Aggregate Bond Index lost 2% in December and 5% in the final quarter in dollar terms to end the year down 1.7%.

Listed property was sharply weaker in December as bond yields rose, capping a tough quarter. The FTSE/EPRA Nareit Developed Index lost 7% in dollars in December and 9% in the quarter. This left the 2024 calendar year return at only 2%.

Commodities were mostly negative in December, partly due to a stronger dollar. The gold price pulled back 1% but the closing price of $2 616 per ounce was an impressive 27% higher than the start of the year. Brent crude oil rebounded towards the end of the year, rising 2% in December to close at $74 per barrel. This was 4% lower over 12 months and is therefore not an inflationary threat yet. Palladium and Platinum were negative in 2024, losing 18% and 9% respectively. Both were weaker in December. Iron ore, which is very sensitive to the outlook for Chinese investment spending, ended the year down 27%.

LOCAL

South African equities were softer in December, capping a negative fourth quarter. The FTSE/JSE Capped SWIX lost 0.3% in the month and 2.1% in the quarter. However, 2024 returns remain respectable at 13.4%, well ahead of inflation and cash.

Resources led the decline in the fourth quarter, losing 9% to end the year down 8.6%. Financials pulled back in the quarter but still posted a very strong 23% return for 2024. Industrials were flat in the quarter and ended the year with a 18.5% return.

South African bonds were marginally negative in December, with the JSE All Bond Index losing 0.3% in the month. However, the fourth quarter was positive with a 0.4% return, while the 2024 return of 17.2% was the best calendar year in the past two decades. Cash (Stefi Composite) delivered 8.5% in 2024.

Local listed property remains the top rand asset class for the year, despite a marginally negative final quarter. The FTSE/JSE All Property Index returned 0.7% in December (quarterly returns were dragged down by a weak October) to lift the 2024 return to 30%.

The rand pulled back sharply in December, losing 4.3% against the US dollar. It also means that the fourth quarter saw a large fall of 8.7%. However, the rand's 3% decline for the year made it one of the best performing against a globally strong dollar.

Note: All bond, equity and property returns are total returns including reinvested dividends/interest unless stated otherwise. Data as of 31 December 2024.

Sources: Iress, LSEG, national statistical agencies and central banks.

MARKET INDICES PERFORMANCE TABLE

	3 Months	1 Year	3 Years	5 Years	10 Years
SA Equities					
JSE AllShare (J203T)	-2.13%	13.44%	8.68%	12.16%	9.03%
JSE Capped SWIX (J433T)	-2.14%	13.41%	8.50%	10.30%	6.93%
JSE INDI (J257T)	0.24%	18.48%	9.99%	13.51%	8.37%
JSE RESI (J210T)	-10.07%	-7.23%	-5.88%	5.97%	6.57%
JSE Top 40 (J200T)	-3.43%	10.65%	7.91%	12.15%	9.06%
JSE Midcaps (J201T)	-1.55%	15.41%	8.76%	7.26%	6.44%
JSE Smallcaps (J202T)	7.06%	35.58%	17.47%	20.79%	9.68%
JSE All Property Index (J803T)	-0.37%	29.81%	12.13%	4.73%	2.03%
SA Bonds					
ALBI	0.43%	17.18%	10.25%	9.56%	8.65%
Global Equities					
MSCI ACWI (Net)	8.42%	21.24%	11.49%	16.86%	14.71%
MSCI EM (Net)	0.73%	10.93%	3.72%	7.98%	8.84%
Global Property Bmark	-1.11%	4.15%	-0.65%	5.12%	7.35%
SA Cash					
STeFI	2.01%	8.46%	7.23%	6.16%	6.67%
Inflation & Forex					
SA CPI	0.00%	2.93%	5.27%	4.88%	4.91%
ZARUSD	-8.29%	-2.75%	-5.39%	-5.78%	-4.85%

Currency: ZAR

ASSET CLASS AND MANAGER REVIEWS Q4 2024

SA EQUITY
TINTSWALO MUKANSI | INVESTMENT ANALYST

The South African equity market had a weak final quarter. The realities facing the Chinese economy became more evident and the market sought more detail on potential stimulus measures. While in November, the landslide election of Donald Trump was interpreted as inflationary. As a result of the US election outcome, global yields began a steady rise. The local equity market declined 2.1%. The local equity building block outperformed by 1.1% (after fees). Coronation and M&G had a particularly strong quarter, outperforming by 1.9% and 2.4% respectively (after fees). Coronation saw the higher quality companies they own remain resilient in the declining market. On the other hand, M&G's more value shares bounced strongly in the final quarter. Both managers also had a resources underweight.

Over one year, the portfolio outperformed the market by 1.4%. M&G and Coronation outperformed by 2.4% and 4.3% respectively (after fees). Coronation had a strong start to 2024 as the market continued to perceive risk in the market – this benefitted their quality style bias. M&G had a particularly strong third and fourth quarter which was driven by dovish global central banks and local risk-on sentiment following the formation of the Government of National Unity (GNU). Ninety One and the boutique managers marginally underperformed by 0.5% and 0.7% respectively (after fees).

The outperformance of the fund over five years has been strong. It has delivered 12.2%, while the market delivered 10.3%.

SA FIXED INCOME
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

Stable Income Fund
The Stable Income Fund is a blend of the Coronation Defensive Income Fund, Futuregrowth Interest Plus Fund, M&G Income Fund, and Matrix Stable Income Fund. The benchmark for this fund is the STeFI Composite. The fund aims to achieve at least 1% p.a. over the benchmark on a net basis. From a risk management perspective, it is designed to deliver at least cash over a three-month rolling.

At year end, the fund held money market exposure (less than 12 months), fixed rate exposure, floating rate exposure, and inflation linked exposure. This diversified exposure across various fixed income asset classes resulted in a combined weighted average modified duration slightly less than a year with an annualised yield close to 9.0%. Portfolios remain tilted away from SA cash as the interest rate-cutting environment will lead to lower positive real cash rates over the medium term. SA inflation is likely to remain subdued and below 4.5% as long as the ZAR does not weaken significantly above ZAR 19 per USD. This leaves the SARB with room for more interest rate relief, with potentially modest repo cuts of 50 to 75 basis points (bps). This should result in an SA real repo rate of 2.75% to 3.0% which compares favourably to a terminal US real repo of 1.5%. Considering this, managers continue to favour quality floating rate exposure to one-year fixed deposit rates.

Active Income Fund
The Active Income Fund is a blend of the Aluwani Flexible Income Fund, Terebinth Strategic Income Fund, and Prescient Income Provider Fund. The benchmark for this fund is the STeFI Composite Index. The fund aims to achieve at least 2% p.a. over the

benchmark on a net basis. From a risk management perspective, the fund is designed to provide stability by aiming not to lose capital over a three month-rolling.

The fund is primarily exposed to fixed rate bonds, floating rate bonds, domestic cash, and offshore (hedged). It has a marginal allocation to SA property. Being prudently diversified across these asset classes, its modified duration is just over two years with an annualised yield close to 10%. Managers favour floating rate exposure at the short end of the yield curve and are concentrating fixed rate exposure in the 10-year area of the yield curve where they see the greatest value relative to the associated risk. With credit spreads continuing to tighten, managers have favoured floating rate assets with government exposure underlying, reducing the overall credit risk in the fund.

Fixed Income

The fixed income solution is a blend of active bond funds comprising Coronation, M&G, Aluwani, and Futuregrowth. At year end, the fund has a duration of about 5.8 and a yield marginally over 10%. SA government bonds spent half of last year languishing at the bottom of the performance table before turning course in the second half of the year following an unexpected positive turn in the SA political landscape. The risk premium in SA bonds has reduced significantly and, although absolute levels remain high at around 10% in the 10-year SAGB relative to global bond yields and other assets, SA bonds seem well priced for their underlying risks. The absolute level of bond yields is still attractive given their long-term trading history, however, the risk premium and protection offered by these bond yields have reduced significantly leaving them, at best, at fair value.

The world is entering a very uncertain period in which global borrowing levels are at all-time highs, with global yields at risk of pushing higher given the possible change in policy given recent geopolitical developments. As such, local bond investors need to remain vigilant in a landscape of increasing risk. Inflation-linked bonds (ILBs) have been the worst-performing asset class within fixed income for the last couple of years. However, one requires diversification and something that offers insurance in the event the base case doesn't materialise. ILBs are such an asset class, primarily because of their inherent risk-offsetting attributes and current valuation. ILBs offer protection if inflation materialises higher than expectations. At current levels, the real yields on offer are historically high in excess of 4.5% across the curve, which implies a guaranteed return CPI + 4.5%.

SA PROPERTY
NOSIBUSISO NQGONDOYI |
HEAD OF PROPERTY AND HEDGE

The local listed property sector finished the quarter down 0.40% and posted a negative quarterly return for the first time in 2024 as broader macroeconomic trends sparked fresh concerns into markets. This was following a strong prior quarter which saw the local listed property sector post a return just short of 20%. The SIS SA Property composite posted a return of -0.30% for the quarter and outperformed the benchmark with Catalyst contributing positively to returns. The fund ended the year up 29.8% and broadly in line with the benchmark on the back of an improvement in sector-specific fundamentals and rising bond yields. The fund continues to be ahead of the benchmark over the medium to long term.

ALTERNATIVE: HEDGE
NOSIBUSISO NQGONDOYI |
HEAD OF PROPERTY AND HEDGE

South African equities (Capped SWIX) recorded a return of -2.1% for the quarter. Hedge funds performed well against this backdrop and delivered a positive 2.2% return and fully hedging the negative equity market move. This positive return was generated at a lower net exposure and beta to the equity market. The Fund is up 19.4% over the 12-month period to December and 6% ahead of the SA equity market return of 13.4%. The Fund remains ahead of equities over all trailing periods, including 10 years where it delivered an annualised equity alpha of 3.0% net of fees. We are pleased that the fund has continued to display strong capital preservation and capital growth properties over the short and the long term. Hedge funds continue to prove their worth as a valuable source of return diversification, more so during periods of volatile markets.

GLOBAL EQUITY

ANDREEA BUNEA | HEAD OF GLOBAL

Following an impressive performance year to date, global equity markets finished the fourth quarter marginally in the red, with the MSCI ACWI down 1% in US dollars. The US market continued to be supported by strong performance from some of the 'Magnificent Seven' stocks, while other regional markets came under pressure amid worries over trade tariffs post Donald Trump's victory in the presidential election. Despite this setback, global equities delivered an impressive 17.5% for the 2024 calendar year, driven predominantly by the US and ongoing support for the AI theme. Growth stocks extended their lead against value stocks throughout the quarter, outperforming their value counterparts by 14% for the calendar year. Sticky inflation and strong GDP growth in the US has led the market to price in fewer interest rate cuts by the Fed for 2025, leading to a rise in US bond yields during the quarter, which negatively affected interest rate sensitive sectors such as utilities and real estate. Emerging Markets were down 7.8% in US dollars for the quarter, highlighting concerns about the impact of Trump's proposed tariffs, particularly on China. The global equity building block marginally underperformed during the quarter, driven predominantly by the active managers. This is not surprising given that narrow market leadership continued to drive performance. Montrusco struggled the most due to negative sentiment that affected several high conviction stocks they hold. Ninety One, on the other hand, managed to match the index performance for the quarter, supported by its high conviction positions, such as VISA and Booking Holdings. Harris, Orbis, and Wellington, our value plays in the fund, finished the quarter in line with the specialist style index. Harris' largest contributors were financials and communication services, while healthcare and consumer discretionary detracted during the quarter. Orbis, on the other hand, continued to benefit from its high conviction calls to South Korean financials and US industrials. The manager was replaced with Wellington Global Quality Value. The strategy focuses on identifying resilient businesses, with deep expertise and high R&D and asset barriers, and sustainable dividends, which trade at attractive valuations. These characteristics allow the fund to enjoy value tailwinds, while also providing downside protection. We are confident that the diversified nature of the portfolio can add to the stability of our global equity strategy, while preserving style diversification. Our emerging markets manager marginally underperformed the specialist index during the quarter, driven by stock selection in China. The overall strategy maintains a balanced exposure to various sectors, with a marginal tilt in favour of cheaper areas of global markets, such as Europe and UK, at the expense of the US.

GLOBAL FIXED INCOME

SHAWN THOMAS | HEAD OF GLOBAL FIXED INCOME & ALTERNATIVE INVESTMENTS

The Global Fixed Income building block posted a net return of 7.8% (ZAR) in the last quarter, outperforming its composite benchmark by 47 basis points (bps). Over the 12 months ending in December, the building block returned 8.3% (ZAR), outperforming the composite benchmark by 324 bps.

Through the final quarter of 2024, the market saw multiple rate cuts from the Fed and significant change to the outlook of cuts in 2025, as the markets saw inflation stop and slightly reverse its downward trend. A series of softer than expected data releases in August had markets pricing in a potential 50 bp rate hike, which was eventually delivered by the Fed in September, the first rate cut since the hiking cycle began. The US rate markets tempered expectations for rate cuts in 2025, cutting an additional 25 bps in November and December and currently pricing in between one and two cuts next year. From a performance perspective, exposure to risk proved advantageous in 2024, with US leveraged loans, European high-yield bonds, and US high-yield bonds delivering strong returns. Additionally, EM hard-currency sovereign bonds performed well over the year. However, long US treasuries and US long investment-grade corporate bonds detracted from performance, both in the fourth quarter and for the year.

GLOBAL PROPERTY
NOSIBUSISO NQGONDOYI | HEAD OF PROPERTY AND HEDGE

The fourth quarter of 2024 saw Global Reits claw back some of the gains recorded in the prior quarter on the back of sector-specific dynamics and broader macroeconomic trends. Just when inflationary pressures seemed to be easing, offering relief from decades-high interest rates, Trump's pro-business policies have introduced a new uncertainty while risks associated with higher inflation and growing budget deficits are becoming evident, particularly in the bond market. The index as measured by the FTSE EPRA/NAREIT Developed Index recorded a -9.7% USD return for the quarter. Europe was the worst performing region with a total USD return of -17.8%, while the Asia Pacific region (APAC) and the US were down 13.7% and 6.8% respectively. The SIS International Property Composite finished the quarter down 9.5% and slightly ahead of the benchmark, with Resolution the only manager that contributed positively to benchmark relative returns. For the year, the US was the best performing region, and the best performing sectors globally were health care, data centres, and apartments. The fund ended the year in positive territory with a 1.0% return and ahead of the benchmark return of 0.9%. The fund remains ahead of the benchmark over the longer term.

BALANCED MANDATES
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

The Managed Fund comprises a blend of Coronation, Ninety One, M&G, and Allan Gray.

Looking at the fund's asset allocation, there is a high exposure to growth assets (local and global equity). Locally, clothing retailers have seen substantial gains, banks all saw double-digit returns, and other financial services also saw strong gains (Discovery up 41% and Capitec 58%). Strong performances from select food producers and food retailers contributed to the local equity market performance. It is the relative underperformance of many of the multinationals listed on the JSE and the major mining companies that has dragged down the market's overall performance. The fund's performance was further augmented by significant performance from the bond market. Global bonds detracted from fund performance owing to weakness in rising global bond yields.

ABSOLUTE RETURN MANDATES
AMEER AMOD | HEAD OF ABSOLUTE AND FIXED INTEREST

The Absolute Defensive Balanced Fund comprises a blend of Coronation, Ninety One, and Sanlam Investments.

Local bonds were a large contributor to the fund's returns over the past year. SA government bonds shone as they outperformed their emerging and developed market peers. Starting yields at the beginning of the year embedded a large risk premium, as investor concerns around both the outcome of our elections and the trajectory of the government's debt in a weak growth environment persisted. The positive election outcome triggered a sharp downward move in local bond yields and delivered very strong returns for investors. Managers continue to think that a healthy exposure to SA bonds is appropriate given the fund's real return objectives. Inflation remains well-behaved and is expected to stay close to the midpoint of the current target band.

The fund also benefited from its exposure to risk assets, global, and local equities. Global equity market indices were tricky to beat in the last year, given the index concentration. Nevertheless, we saw a broad opportunity set and believed the stock-picking environment was fertile for the patient investor. Managers are cognisant of downside risks but believe this allocation provides necessary diversification for clients. Some managers have also protected a portion of this allocation with relatively cheap put protection. Smaller allocations in the fund namely SA property, SA cash, offshore cash, and offshore fixed income have also contributed positively to returns. As a collective, these exposures provide beneficial diversification in the fund and add to the robustness of portfolio returns.

The fund has been prudently managed during very volatile and uncertain times, and 2025 is expected to be no different.

The fund's preferred asset class is local equities, which have delivered pleasing returns over the past year. The holdings of SA equities comprise global stocks listed on the JSE, selected resource counters, as well as domestic stocks ("SA Inc."). The fund holds an underweight position in the resources sector, given reasonably full valuations. China's shift to less infrastructure-heavy growth remains a headwind to demand, contributing to a weaker outlook for many commodities. Managers have incrementally built a small position in the PGM miners where a slower transition to electric vehicles will sustain demand for longer whilst underinvestment in mines contributes to declining supply. This should result in a tight market for several years, bringing considerable cash flows to those miners who are sufficiently well positioned to benefit. The fund continues to have a meaningful allocation to global assets. This broad basket of global equities and exposure to global bonds offers compelling risk-adjusted returns.

Within fixed income, local bond yields offer a significant premium above inflation. Developed market bonds offer attractive real yields and have potential diversification qualities if growth disappoints, whilst emerging market sovereign bonds present attractive real and nominal yields.

US cash real yields are elevated and attractive, as well as uncorrelated with other asset classes. Liquidity provides flexibility to respond to tactical opportunities which could potentially be return enhancing for the fund.

The high offshore exposure, combined with a high equity allocation, serve the fund well to deliver its medium-term return expectations.

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