South African Market

The local equity market bounced back in March after February's flat performance. The FTSE/JSE ALSI index reached multiple record highs during the month, breaking through the 90,000 level by mid-month. The index finished the month up 3.55%, outperforming both emerging-market peers as well as US equities. When measured in Dollar terms, the South African index gained nearly 5%, compared to the S&P 500's (5.63%) loss. Soaring gold prices drove South African mining stocks to their best monthly performance on record, with the resource sector surging 20.88%, which helped shield the country's index from the turmoil seen in the global markets. March largely continued the year's prevailing trends, with precious metals and several large-market-cap stocks driving market gains, while the broader market remained stagnant.

Local inflation held steady at 3.2% year-over-year, following three consecutive increases from previous lows. This marks the highest inflation level in four months, with rising production costs being the main driver. The inflation rate remains well below the South African Reserve Bank's 4.5% target midpoint. Food and non-alcoholic beverage inflation increased to 2.8% from 2.3%, primarily due to maize farming and manufacturing pressures. Transport continued experiencing deflation, offering some economic relief. Core inflation, excluding volatile food and energy prices, continued declining to 3.4%.

Source: Bloomberg

The South African Reserve Bank maintained the repo rate at 7.50%, pausing its rate-cutting cycle as risks from Donald Trump's global trade war and the country's stalled national budget outweighed successful inflation control. While some policy adjustments by major global banks are anticipated this year, new inflationary risks suggest rates will likely remain elevated longer than previously expected. The central bank has dropped "restrictive" and "accommodating" terminology when describing its current policy, but forward-looking real interest rates stand at 3.9%, significantly higher than the 2.5% estimated neutral rate. Though the next meeting occurs in May, prevailing uncertainty suggests the bank will likely continue holding off on rate cuts.

Asset Class Performance (ZAR):

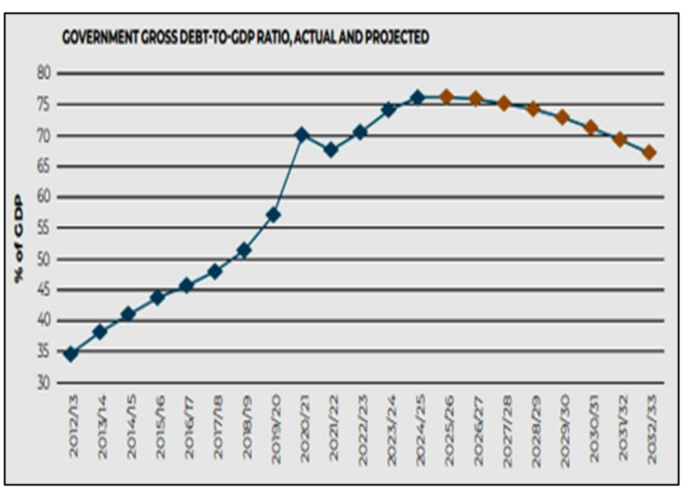
As of 31st March 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(4.74)	(4.00)	3.67	15.26	16.20	13.71
Global Property	(3.47)	(0.80)	3.39	4.11	8.14	7.65
Global Bond	(0.34)	(0.17)	(0.93)	4.80	(1.92)	4.35
Global Cash	(0.60)	(1.47)	2.08	12.76	3.26	6.27
SA Equity	3.55	5.94	22.95	9.41	19.06	9.04
SA Property	(0.90)	(3.51)	19.83	11.74	18.97	1.44
SA Bond	0.19	0.70	20.16	9.83	11.73	8.41
SA Cash	0.61	1.82	7.98	7.26	5.83	6.20

ZAR/USD (negative = Rand strength)	(1.14)	(2.62)	(2.56)	7.95	0.67	4.24
Gold	8.48	14.00	28.98	20.11	10.81	11.71
Brent Crude Oil	(0.69)	(3.40)	(18.75)	(5.14)	27.08	7.26

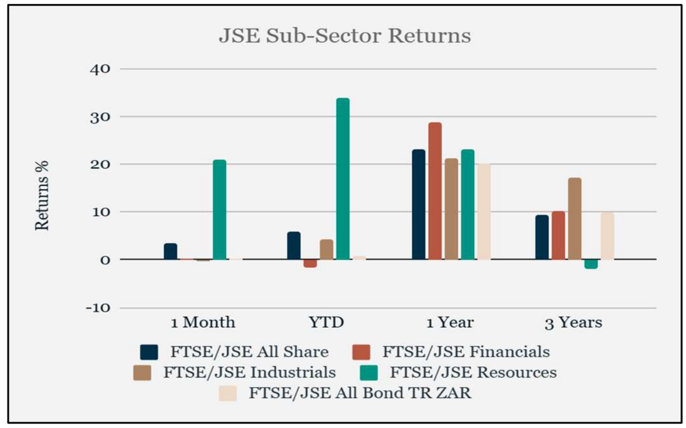
*Returns more than 1 year are annualized.

Trade in the Rand was highly volatile throughout the month as negotiations between the African National Congress (ANC) and Democratic Alliance (DA) over the stalled budget extended through most of the period. US President Donald Trump's tariff plans further contributed to uncertainty surrounding both the Dollar and potential impacts on the Rand. With South Africa initially excluded from proposed tariffs (though later included as of April 2) and reports emerging of policy agreements on the tabled budget, the Rand recovered to close the month at R18.38/USD, gaining 1.14%. However, both issues came to prominence in early April, with the Budget passing in the national assembly and South Africa's inclusion on the tariff list triggering a local currency sell-off.

South African bond yields continued their upward trajectory in March, reflecting a balance between investor caution amid global uncertainties. Despite improved investor sentiment from fiscal consolidation efforts and the Government of National Unity formation, persistent concerns remained about the government's capacity to achieve sustainable economic growth and fiscal discipline. These doubts intensified in March following the budget speech and emerging tensions between the ANC and DA. Nevertheless, the All-Bond index (ALBI) demonstrated resilience with a slight 0.19% gain. The yield on South African 10-year government bonds reached 10.71%, up from 10.52% in the previous month. The yield spread between South African and US 10-year bonds widened further to 6.37% as developed bond markets also delivered strong returns.



Source: National Treasury



Source: Morningstar (Returns more than 1 year are annualized)

Finance Minister Enoch Godongwana delivered the 2025 National Budget Speech in March, after a delay from the original February date due to disagreements within the GNU over the proposed 2% VAT increase. While the budget addressed economic status and growth projections, the major sticking point was the increase in VAT, which has still been pushed through, albeit at a revised 0.5% annual increase over the next two financial years. This "targeted" approach failed to resolve GNU tensions, as the ruling ANC supported the revised budget while the Democratic Alliance maintained its opposition to any non-temporary tax increases. As the National Treasury continues to face persistent spending pressures, concerns over fiscal sustainability continue to mount. SA has run a budget deficit every year since 2008, with the shortfall expected to reach 4.6% of GDP in the 2025/26 fiscal year, before narrowing to 3.5% by 2027/28. However, the 'primary' balance, which excludes interest payments and reflects the difference between non-interest spending and tax revenues, has shifted from a deficit to a surplus.

On April 1, the US government announced 30% reciprocal tariffs on South African goods, primarily targeting agricultural products and minerals, including vehicles and precious metals exports. South Africa's automotive and textile sectors will be particularly affected by these tariffs. The country previously exported approximately R35 billion worth of vehicles to the US (6.5% of total vehicle exports), making the US South Africa's third-largest vehicle export destination. While South Africa had previously enjoyed duty-free access under the African Growth and Opportunity Act (AGOA), the implementation of these new tariffs potentially terminates the country's eligibility for these benefits.

Global Markets

Global financial markets experienced substantial volatility in March, primarily triggered by intensifying trade tensions following US President Trump's announcement of new tariffs, geopolitical uncertainties, and growing concerns about a global trade war. The heightened uncertainty from unpredictable US trade policies caused the MSCI ACWI to drop (3.81%), marking its worst performance since October 2023. Tariff-related news hit US equity markets the hardest, with major indices such as the S&P 500 and Nasdaq Composite experiencing their worst quarters since 2022. The decline extended beyond US markets, with the broader MSCI World index of developed markets falling (4.30%). In contrast, emerging markets managed to secure positive returns of 0.67% in USD terms for the month, bolstered by China's ongoing recovery as investors responded favorably to government initiatives aimed at stimulating consumption.

Consumer prices in the US remained relatively stable, but the reassurance from the modest CPI report may prove short-lived as it didn't fully reflect the impact of President Donald Trump's administration's widespread tariffs. These tariffs have sparked higher consumer inflation expectations and led economists to revise their forecasts upward. US inflation declined to 2.8% from the previous month's 3.0%, providing consumers some relief after four consecutive months of increases. The avian flu outbreak created an egg shortage, driving prices up by an additonal 10.4%.

Source: Morningstar (Returns more than 1 year are annualized)

Core inflation, which excludes volatile food and energy components, registered at 3.1% year-over-year, its lowest level since April 2021.

The Federal Open Market Committee maintained its key borrowing rate between 4.25%-4.5%, where it has remained since December, amid growing concerns about how tariffs will affect the slowing economy. This follows January's pause after three consecutive rate cuts beginning last September, which collectively reduced the Fed funds rate from 5.5% to 4.5%. In its statement following the meeting, the FOMC highlighted increased uncertainty and noted that tariffs likely contributed significantly to the Fed's elevated inflation forecast. The committee also indicated the Fed will attempt to distinguish between "nontariff inflation" and "tariff inflation" in its analyses for the next projection.

Asset Class Performance (USD):

As of 31st March 2025	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	(3.81)	(1.50)	6.74	6.75	15.52	9.07
Global Property	(2.52)	1.78	6.45	(3.58)	7.51	3.25
Global Bond	0.63	2.43	2.00	(2.94)	(2.50)	0.08
Global Cash	0.37	1.09	5.10	4.43	2.66	1.92
SA Equity	4.57	8.70	26.58	1.33	18.36	4.58
SA Property	0.07	(1.00)	23.38	3.49	18.27	(2.70)
SA Bond	1.17	3.31	23.72	1.73	11.08	3.97
SA Cash	1.60	4.47	11.18	(0.66)	5.21	1.86

ZAR/USD (negative = Dollar strength)	1.15	2.69	2.63	(7.36)	(0.67)	(4.07)
Gold	9.54	16.97	32.80	11.24	10.16	7.14
Brent Crude Oil	0.29	(0.89)	(16.35)	(12.14)	26.33	2.88

*Returns more than 1 year are annualized.

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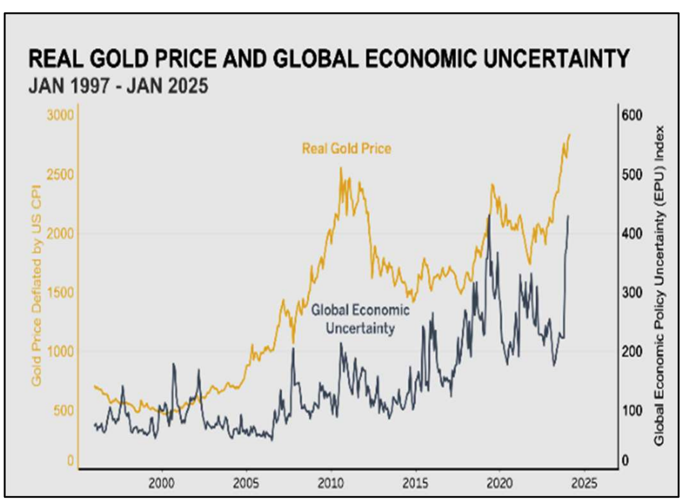
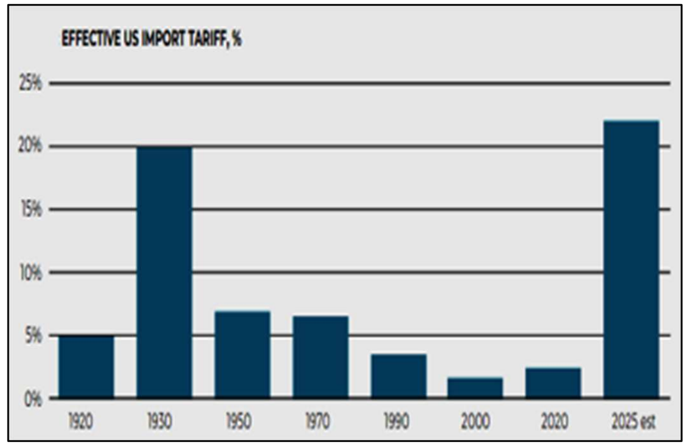
March marked a significant shift in the global macroeconomic landscape. US economic dominance continued to face challenges as heightened policy uncertainty triggered a sharp decline in sentiment and increased recession concerns. Global government bonds, nonetheless delivered positive returns in March, gaining 0.63% with yields falling (and prices rising) in response to weaker economic activity data. Despite growing concerns about US economic growth, the US 10-year government borrowing rate finished the month unchanged at 4.2% per annum.

The After a strong start to the year, the US Dollar declined against most major currencies for the second consecutive month, weakening by (3.23%) as positions became overextended and weaker US economic data compared to Europe led to some position unwinding. Soft data, including business and consumer expectations, has continued to deteriorate over the past 2 months as US growth expectations have turned negative. Gold continued its remarkable performance as investors sought safe havens like gold and US Treasuries amid uncertainty created by President Trump's unpredictable tariff threats. Gold prices reached new historic highs during March, peaking at $3,100 per ounce and closing the month with a 9.67% gain. Gold prices have risen 16.97% year-to-date, marking the best start to a year since 1986, benefiting from its reputation as a hedge against economic and geopolitical instability. Major institutions like Goldman Sachs have also raised their future gold price targets, suggesting that tariff issues will continue driving prices higher until the tit-for-tat campaign reaches some conclusion.



Source: Macrotrends



Source: Petersen Institute for International Economics, Fitch Ratings

UK inflation decreased more than anticipated, offering consumers temporary relief before an expected resurgence in price growth. Consumer prices increased by 2.8% year-on-year, down from the previous month's 3.0% rise. However, this slowdown will likely be brief, as significant price increases are already predetermined, with next month's energy bill hikes and national insurance changes expected to push inflation back above 3%. The Bank of England maintained its benchmark interest rate at 4.5%, keeping monetary policy steady as the economy faces global trade uncertainties and potential stagnation. While a May rate reduction remains possible, policymakers will want to evaluate April's increase in business costs and assess potential tariff impacts before implementing another rate cut.

Global economic uncertainty intensified in March, primarily due to US trade policy dominating headlines throughout the month. On March 4th, initial 25% tariffs on Canadian and Mexican exports to the US took effect but were suspended by the end of the first week after sending economic shockwaves. On April 2nd, US President Donald Trump announced his highly anticipated 'reciprocal' tariffs on US imports, which exceeded many experts' expectations in scope and severity. This represented a major escalation in the ongoing trade "war" and will likely increase prices for American consumers and manufacturers. The tariffs will affect more than 100 trading partners, including the European Union, China, and Britain. The tariffs were calculated using an unusual methodology based on overall trade deficits rather than specific products or sectors, making it extremely difficult for affected countries to propose immediate solutions.

Historic Asset Class Performance Matrix

The performance matrix below shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for SA and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31st March 2025.

	YTD	3/2025	3/2024	3/2023	3/2022	3/2021	3/2020	3/2019	3/2018	3/2017	3/2016	3/2015	3/2014
Best	SA Equity 5.9	SA Equity 22.9	Global Equity 31.2	Global Cash 24.8	SA Property 27.1	SA Equity 54.0	Global Fixed Income 29.9	Global Property 39.9	SA Fixed Income 16.2	SA Fixed Income 11.0	Global Fixed Income 28.6	SA Property 41.4	Global Equity 35.0
	SA Cash 1.8	SA Fixed Income 20.2	SA Property 20.5	Global Equity 12.6	SA Equity 18.6	SA Property 34.4	Global Cash 26.2	Global Equity 24.5	SA Equity 9.6	SA Cash 7.0	Global Property 26.7	Global Property 36.1	SA Equity 23.6
	SA Fixed Income 0.7	SA Property 19.8	Global Property 14.8	Global Fixed Income 10.5	Global Property 16.5	Global Equity 31.1	Global Equity 8.6	Global Cash 24.3	SA Cash 6.8	Global Equity 5.8	Global Cash 21.6	Global Equity 21.6	Global Property 18.9
	Global Fixed Income -0.2	SA Cash 8.0	Global Cash 12.5	SA Fixed Income 5.8	SA Fixed Income 12.4	SA Fixed Income 17.0	SA Cash 6.6	Global Fixed Income 19.6	Global Equity 2.2	SA Equity 2.5	Global Equity 16.8	Global Cash 15.3	Global Fixed Income 15.8
	Global Property -0.8	Global Equity 3.7	SA Cash 8.1	SA Cash 5.7	Global Equity 5.5	Global Property 12.5	SA Fixed Income -3.0	SA Cash 6.6	Global Fixed Income -4.4	SA Property 1.5	SA Cash 6.0	SA Equity 12.5	Global Cash 14.8
	Global Cash -1.5	Global Property 3.4	Global Fixed Income 5.2	SA Equity 4.9	SA Cash 3.6	SA Cash 3.8	Global Property -3.9	SA Equity 5.0	SA Property -7.1	Global Property -8.3	SA Property 4.6	SA Fixed Income 12.4	SA Cash 4.9
	SA Property -3.5	Global Cash 2.1	SA Fixed Income 4.2	SA Property -3.4	Global Cash -1.0	Global Fixed Income -14.8	SA Equity -18.4	SA Fixed Income 3.5	Global Property -9.5	Global Cash -8.4	SA Equity 3.2	Global Fixed Income 8.5	SA Property 1.1
Worst	Global Equity -4.0	Global Fixed Income -0.9	SA Equity 1.5	Global Property -4.9	Global Fixed Income -7.4	Global Cash -17.3	SA Property -47.9	SA Property -5.7	Global Cash -10.5	Global Fixed Income -11.8	SA Fixed Income -0.6	SA Cash 5.6	SA Fixed Income 0.6

Source: Morningstar Direct