



The fund was up 8.4% in the third quarter of 2025. It has returned 10.6% pa over the last 10 years (up 8.4% pa for competitors). Since its inception in 2009, it has returned 11.0% pa.

Economic backdrop

Global economic activity is slowing due to increased US tariffs and uncertainty surrounding generally chaotic and aggressive US foreign policy. Financial conditions, which tightened meaningfully in the immediate aftermath of the April US tariff announcements, have moderated due to a sharp rise in asset prices.

Erratic US government policy continues to result in subdued consumer and business sentiment in the US and reduced investment, although the decline in business investment has been less severe than expected due to resilient AI-driven spending. The US labour market is softening as companies delay hiring amid tariff uncertainty and AI-driven change, which is creating lower confidence, skill mismatches, and more cautious workforce planning. Consequently, US economic growth is beginning to weaken from a previously robust rate.

China's nominal economic growth has been weak due to ongoing deflation and the consequences of a weak property market. The economy is now being further undermined by the escalating trade war with the US, which is expected to negatively impact Chinese exports and manufacturing. Positively, however, Chinese consumer confidence and spending may be improving from historically low levels, buoyed by more aggressive monetary and fiscal stimulus, and targeted structural state interventions that have had some success in improving local consumption.

The Japanese and European economies are being negatively affected by both the sharp increase in US tariffs and the continued uncertainty surrounding future tariff actions. There has been some front-loading of export activity ahead of tariff implementation, with underlying weakness now becoming more evident. Europe's economy, which has been stagnating due in part to its export link to a weak manufacturing sector in China, will start to benefit from higher domestic fiscal stimulus. German business confidence, while having retreated recently, remains structurally higher due to the lifting of the debt ceiling and the associated increase in fiscal spending on infrastructure and defence.

South African activity has been supported by higher precious-metal export receipts and a mild recovery in real consumption as falling inflation and interest rates ease household pressure. Yet, a significant increase in online betting has diverted spending from other goods and services. A more enduring lift to economic growth is, however, structurally constrained by the acute underperformance of transport infrastructure, poor service delivery from weak and revenue-hungry municipalities, inadequate (albeit improved) electricity supply and low business confidence. Disappointingly, the recent moderate increase in investment off very low levels has not yet been accompanied by any notable job creation.

In recent years, there has been progress made in moving to reform the economy through Operation Vulindlela and the partnership between government and business leaders that is targeting key priority areas needing reform. Additionally, the Government of National Unity has brought about positive leadership changes in key ministries and a renewed commitment by government to accelerate initiatives that address the country's structural problems.

Markets review

Global markets were strongly positive in the third quarter (up 7.4% in US dollars), with top contributors being Hong Kong (up 13.5%), Japan (up 9.1%) and the US (up 8.1%). Emerging markets were also very strong, (up 10.9% for the quarter), with outperformance from China (up 20.8%) and South Africa (up 20.6%).

In rand terms, the local equity market was up 12.9% in the quarter. Resources outperformed (up 50.9%), boosted by robust performances from Pan African Resources (up 83.1%) and Goldfields (up 77%). Other standout positive performers include Valterra Platinum (up 56.6%), Anglogold (up 53.3%), Sibanye (up 52.8%) and Northam Platinum (up 47.6%).

Industrials were up 4.2% for the quarter, with the most notable performances from Prosus (up 22.1%), Naspers (up 13.4%) and British American Tobacco (up 8.5%). Weak performances were delivered by Bytes (down 23.5%), Truworths (down 21.0%), Aspen (down 18.9%) and Mondi (down 17.4%).

Financials lagged the rest of the market (up only 0.9%), with listed property up 6.7%, banks up 2.1%, life insurance down 4.2% and non-life insurance down 8.9%. Strong movers included: Old Mutual (up 10.6%), Growthpoint (up 10.0%) and Ninety One (up 8.8%). Weak performances were delivered by Santam (down 10.3%), Outsurance (down 8.5%) and Discovery (down 8.3%).

Fund performance and positioning

Both local and foreign equity portfolios contributed positively, with key contributors including the fund's PGM holdings, Exxaro, Sasol and AngloGold. Mondi, Aspen and Altron contributed negatively.

Global equity contributed positively, with key contributors being Micron, Johnson Electric and Fuji Electric. Bellway, Charm Care and Persimmon contributed negatively.

Currently, our portfolios have high exposure to PGM and other basic material companies together with a diverse range of other mispriced stocks, including an array of deeply discounted local mid-cap stocks.

Stock snapshot

Datatec, a key fund holding, operates mainly through two businesses: Logicalis - a leader in IT and cloud managed services, and Westcon - a distributor of IT hardware and software. Datatec is growing strongly, driven by the structural shift toward cybersecurity, software and cloud services. Historically focused on hardware distribution, the company is increasingly moving toward more recurring revenue streams that require less working capital, generate higher returns and improve cash flow.

Today, software and services account for more than 55% of sales, yet, in our assessment, the current share price does not reflect the improving quality of earnings and stronger business economics. Datatec continues to strategically review potential actions that could unlock value, including the possible sale of one or more divisions. The holding company currently carries high central costs and winding down this structure could create significant further upside for shareholders. With executive management owning over 18% of the business and subsidiary managers holding equity directly in their businesses, management interests are strongly aligned with shareholders in pursuing actions that maximise value.

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