INTUITION
12 DECEMBER 2025

2025: a roller-coaster year

As the year draws to a close, we take the opportunity to reflect on the year and evaluate some of the calls we made. Overall, this year has been hugely volatile – yet markets have mostly rallied to record highs. In fact, our market has been one of the top performers this year. However, the local market's performance has been much more bifurcated than we expected. On the other hand, we were right to predict a continued recovery in listed property. Perhaps most contrary to our initial expectations, however, was the weaker dollar – catalysed by intense US policy unpredictability and Fed tensions.

Michael Porter

Another year is fast slipping into memory. It's hard to believe that we're nearly a quarter of the way through the century. For those who share my sense that the Covid lockdown was not too long ago, we have already lived more than half a decade since then – a rather frightening thought.

Reflecting upon 2025, I have spent some time reading through our Intuition writings published this year. Each year we take the time to look back on the year that's been, which we consider a highly valuable exercise to undertake. Reflection allows us to assess the validity of our decisions – and question whether the reasoning behind those calls deserves applause or further critique – a process that we believe helps refine our skills over time.

From a global perspective, the election of Trump towards the end of last year affirmed our view that 2025 would be a volatile year – and that it was. Yet few could have foreseen the level of turbulence experienced in markets this year.

We predicted that US markets would likely outperform, supported by Trump's pro-business stance, but that hasn't materialised. Despite delivering stronger profit growth than other markets - largely driven by AI - the US has been a relative laggard this year, held back by subdued sentiment. Much of this stemmed from the unpredictability of US policy and Trump's rash hostility towards the Fed, which largely caught us off guard. This inconsistent messaging and overt political criticism of the Fed led investors to question the reliability of the US Dollar as a reserve currency, causing it to weaken significantly, which contradicted our initial expectations.

SPEED READ

- **Global turbulence generally exceeded our expectations, driven by US policy unpredictability and Fed tensions, which led to a weaker dollar.**
- **Tariffs created less near-term inflation than expected, though elevated inflation expectations persist, and fewer US rate cuts generally confirmed a higher-for-longer environment.**
- **Volatility reinforced our emphasis on quality-focused portfolios. Global markets ultimately rallied despite sharp drawdowns around Liberation Day – highlighting the lesson that market volatility creates valuable opportunities.**
- **SA assets surprised positively, benefiting from policy progress and structural improvements, though growth was softer and market performance more concentrated than we had expected.**

We expected Trump's tariff agenda to lead to inflationary pressures passed onto consumers, which, in turn, would imply higher rates in the US than otherwise expected. As it turned out, the initial tariff announcements on April 2nd (dubbed "Liberation Day") were more drastic than many anticipated, causing global markets to drop significantly. However, the trade war eventually unfolded more gradually than generally expected. Indeed, US rate cuts have been fewer than what consensus had projected. However, the inflationary impulse from tariffs has not yet flowed through meaningfully to consumer prices. Notwithstanding this, inflation expectations remain elevated relative to historical norms, suggesting that the effects may still lie ahead.

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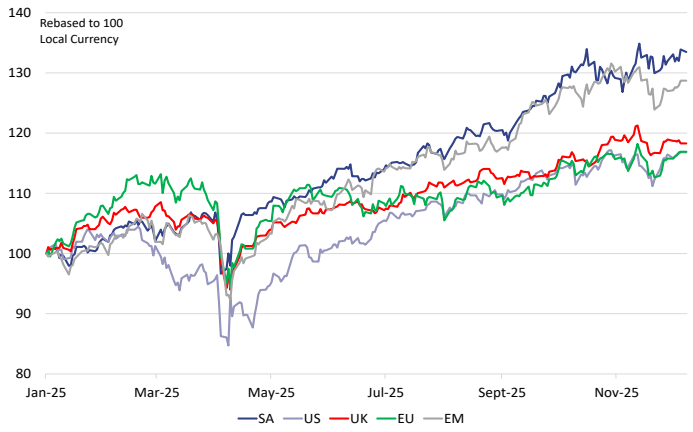
In many respects – and in all honesty – the uncertainty experienced during the year left us with more questions than answers. Hence, we believed that our portfolio construction should focus on quality – companies that could survive the tough times but also thrive should conditions improve.

GLOBAL MARKET PERFORMANCE YTD

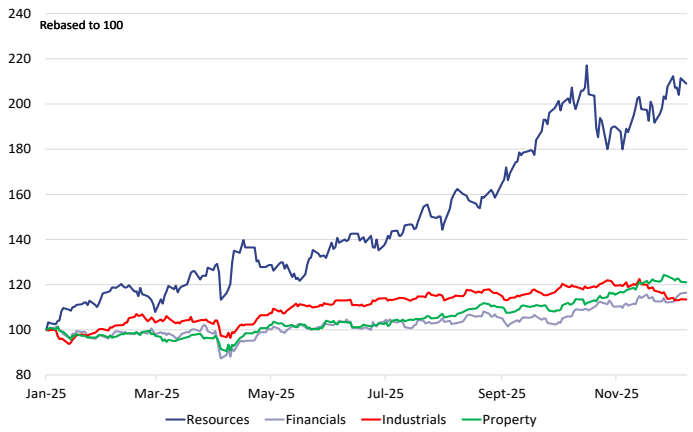


The US market has largely lagged other markets this year, restrained by subdued investor sentiment. However, valuations of US equities remain elevated relative to history.

Despite extreme volatility, particularly around Liberation Day, global markets have mostly rallied to record highs. Therein lies the lesson: markets can be extremely unpredictable, but volatility creates valuable opportunities, and riding through the waves often leads to strong returns in the end.

Turning to our views on local markets, we entered the year feeling increasingly optimistic about the local outlook. Following the formation of the GNU, the recovery story remained intact, driven by a set of factors unique to SA – policy reform, the absence of load shedding, a cyclical recovery, and higher growth as the country would rebuild after a lost decade. These sentiments largely played out. However, growth in the economy was not as strong as we had initially expected. Despite this, many positives emerged, including SA's removal from the grey list, an upgrade to our

LOCAL SECTOR PERFORMANCE YTD



The local market's performance this year has been concentrated in a few sectors.

DOLLAR INDEX

The US dollar has weakened significantly against other currencies this year.

sovereign credit rating, and a surprisingly optimistic mid-term budget announcement, which included confirmation of a lower inflation target.

While we expected strong domestic returns this year, the JSE's underlying performance contradicted our prediction that returns would largely be driven by a broad-based profit catch-up in SA-centric sectors. Instead, the rally was narrowly driven by the mining sector – thanks to surging gold and PGM prices – and large stocks like Naspers. While the retail sector lagged the JSE, specific retailers tied to our "supported consumer" theme performed well, reinforced by lower inflation and rate cuts. On the other hand, we were right to foresee a continued recovery in listed property, which saw improving operating metrics and strong distribution growth.

We have recently articulated our view for 2026 in our recent Insight seminars. I would encourage you to read last week's intuition article or listen to the recording of our Insight presentation if you missed it.

Next year promises to be an exciting year for local markets, as the structural shift towards a lower inflation target feeds into higher valuations. Hence, we see significant rerating potential across SA assets. Globally, markets are expected to remain volatile. Valuations look stretched in the US, making us cautious – and informing our decision to remain positioned in quality companies, while exploiting the cyclical themes that we deem appropriate for portfolios.

This issue rounds off our writing for 2025. We would like to wish you a Merry Christmas and a happy holiday time with your loved ones.

Next year's first Insight seminars will be announced in January.

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Topic: TBC

Natal Midlands

Date:	Thurs, 12 March 2026
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	Tues, 10th March
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	N/A
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm