



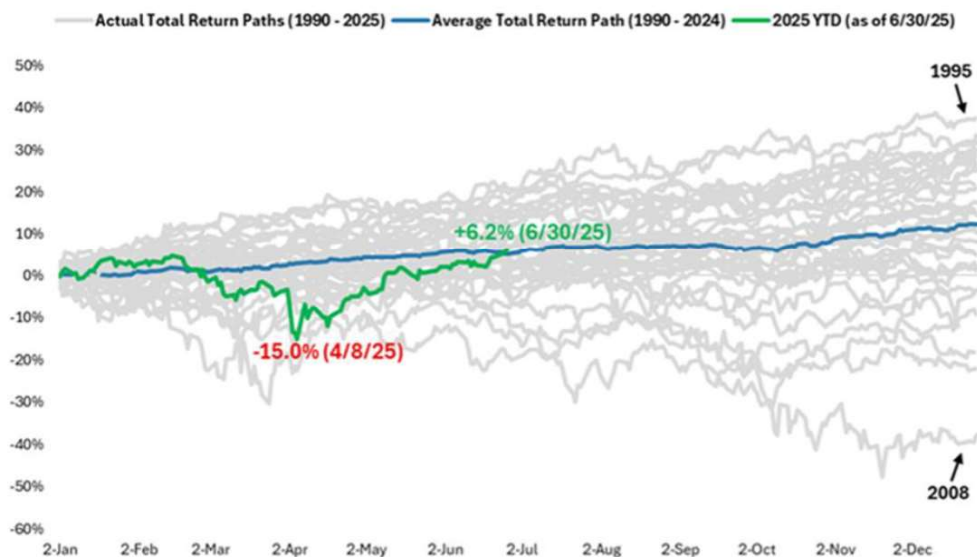
MARKETS MARCH UPWARDS

Global equity markets, including the U.S., regained strong momentum in June. The MSCI World Index rose 4.3% for the month, bringing its year-to-date return to 9.8% and an impressive 11.6% for the second quarter of 2025. This marked a solid rebound from earlier market volatility triggered by renewed tariff concerns and ongoing geopolitical tensions; including the Israel-Iran standoff, the war in Ukraine, and continued conflict in Gaza.

Investor sentiment improved notably following key trade policy developments, including a temporary halt in tariff escalations and a US–China trade truce. While risks such as inflation and trade friction remain front of mind, markets welcomed the easing in tensions. Overall, both U.S. and global equities have staged a robust recovery from the sharp April selloff.

Reflecting on the first half of 2025, the S&P 500 experienced one of the worst starts to a calendar year on record, falling 15% by April 8th amid a sharp, tariff-driven market selloff (widely referred to as Trump’s “Liberation Day 1.0”). However, following the announcement of the reciprocal tariff pause (“Liberation Day 2.0”), and the easing of trade tensions, the U.S. market has staged a remarkable recovery. By the end of June, the index has gained over 6% year-to-date, ahead of the long-term average return of the U.S. market for the first six months of a historical calendar year (see chart below). The ride, however, has certainly not been a smooth one for investors, and just a few months ago such a turnaround would have seemed highly unlikely given the prevailing uncertainty and geopolitical headwinds.

S&P 500 Annual Total Returns (1990 - 2025)



Source: Charlie Bilello

JULY 2025

HIGHLIGHTS

Global Equities Rebound Strongly:

- Markets recovered in June as tariff tensions eased.
- The MSCI World Index rose 4.3% for the month, with global equities up 11.6% in Q2.

US Recovery Surpasses Expectations:

- After a sharp April selloff, the S&P 500 is now up 6% YTD, highlighting the benefit of staying invested through volatility.

SA Equities Outperform:

- The JSE gained 2.4% in June, driven by platinum miners.
- Year-to-date returns in USD terms reached nearly 24%, outperforming the US and global benchmarks.

Rand Strength Continues:

- The rand appreciated 1.6% in June and 5.8% YTD, aided by dollar weakness and improved emerging market sentiment.

Dollar Weakens, But Remains Dominant:

- The dollar fell 10% YTD, sparking reserve currency debates, yet it still dominates 90% of FX.



MARKETS MARCH UPWARDS- *continued*

While the uncertainty surrounding geopolitical fragmentation, market sentiment, and general stagflation has yet to abate, the strong rebound in US markets underscores the importance of diversification within investment portfolios, and the reward for staying invested and sticking to a sound investment process during bouts of market volatility. Those investors who had diversified away from the U.S. market during the April selloff, or worse; disinvested altogether, would have not participated in the subsequent market rebound.

Locally, South African equities delivered strong performance in June, with the FTSE/JSE All Share Index gaining 2.4%, bringing its year-to-date return to an impressive 16.7%. The rally was led predominantly by the mining sector, driven by a sharp rise in platinum prices. Gold posted more subdued gains in the month of June, however the precious metal is up over 25% in USD year-to-date driven by the continued demand flowing from central-bank purchases globally. Materials stocks outperformed, followed by solid contributions from the financial sector in June.

The rand continued its strengthening trend, appreciating 1.6% against the US dollar in June and 5.8% for the year to date. This was supported by continued weakness in the US dollar which was down 11.6% against the euro as at the end of June; which provided a tailwind for emerging market currencies more broadly.

Measured in US dollars, the JSE surged nearly 24% in the first six months of 2025, significantly outperforming both the US equity market (+6.2%) and the broader global equity benchmark, as measured by the MSCI All Country World Index (+10.1%).

DESPITE WEAKNESS, THE DOLLAR REMAINS A GLOBAL SAFE HAVEN

The U.S. dollar has declined by around 10% against a basket of major currencies this year, prompting renewed debate over its status as the world's primary reserve currency and safe-haven asset. While these concerns are understandable, any meaningful shift in the dollar's global role would require significant structural changes and an extended length of time. Using history as a reference, it took multiple decades and two world wars for the U.S. dollar to overtake sterling and gold as the dominant reserve asset.

Since the global financial crisis, the dollar's central position in the financial system has only been reinforced. It remains on one side of nearly 90% of all foreign exchange (FX) transactions. One notable development is the growing use of FX swaps among financial institutions, which has more than doubled since 2009, according to the Bank for International Settlements. These instruments enhance dollar liquidity globally and highlight the dollar's importance in cross-border financial activity, as institutions increasingly borrow and lend in dollars synthetically via FX markets.

PORTFOLIO IMPLICATIONS

The strength in our local currency over the course of 2025 has occurred primarily as a result of dollar weakness, and to a much-lesser degree local economic and political progress. As a result, maintaining a well-diversified and meaningful allocation to global assets is still justified within a South African investment portfolio. While bouts of rand strength can and do occur, historically these periods have tended to be relatively short-lived, with the rand depreciating against the dollar by roughly 5% per annum over the long term. From its April low, the US Equity Market has rallied over 28%, and reached a new all-time high in the final week of June.

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