seed investments

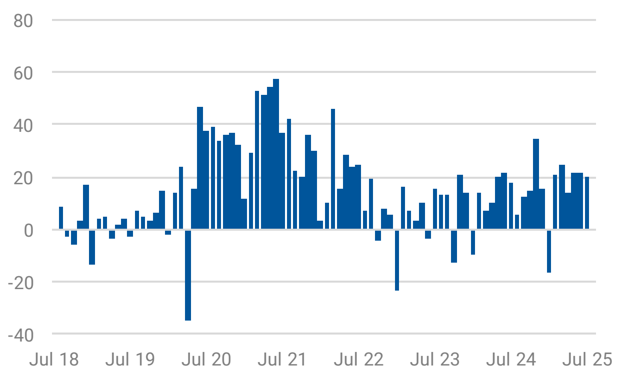
Investor Market Overview

August 2025

Market Commentary

- Domestic equities extended their positive run, lifted by resources. Gold miners continued to shine, up 22% YTD, as the yellow metal rebounded on weaker US jobs data, dovish central banks, and a softer dollar.
- The 10-year government bond yield eased to 9.6% p.a. Despite a slight uptick in inflation, which would normally push yields higher as investors seek compensation for weaker real returns, local bonds benefitted from the pullback in global yields.
- Headline CPI rose to 3.5% y/y in July (from 3.0% in June), breaking above the narrow range held since late 2024. While some of this pressure may be temporary, the rise in inflation will remain an important consideration for the SARB in its monetary policy decisions.
- **Chart below:** South Africa's trade balance remains in a surplus but narrowed to R20.3bn in July as imports (+10.2%) outpaced exports (+8.5%). As the world's largest producer of PGMs, strong prices for these metals continue to support the country's current account.
- In August, the Rand strengthened, supported by an improvement in South Africa's terms of trade and carry trade flows, as Fed rate cut expectations pointed to lower US yields.
- Global markets rose 2.5% in August, led by developed markets. Eurozone equities rebounded, China led EM gains, while India lagged after the US doubled tariffs on select imports to 50%, threatening growth prospects.
- At the Jackson Hole Conference, Fed Chair Jerome Powell flagged that rising employment risks could outweigh inflation pressures, suggesting the Fed may need to adjust rates in the upcoming meeting to support the economy.
- Core Personal Consumption Expenditure (PCE) ticked up to 2.9% y/y (from 2.8%), with tariffs expected to add to price pressures in the coming months.
- The ECB expects US tariffs to have only a marginal impact on Eurozone growth. Whilst a September rate cut appears unlikely, further easing could be considered if economic momentum weakens.

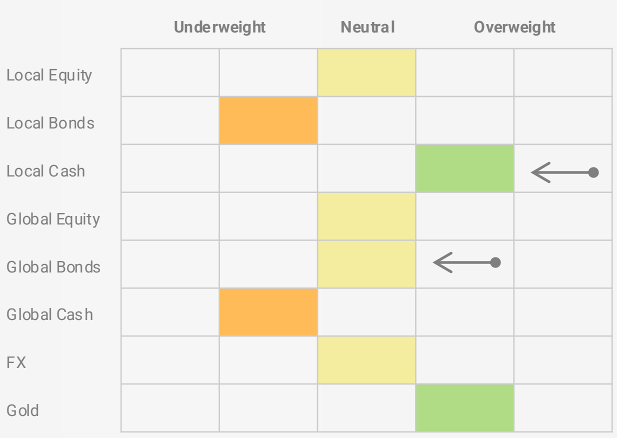
South Africa's Trade Balance (ZAR bn)



Asset Class Returns (ZAR)

MTD	YTD	1 Year	3 Years	5 Years	10 Years
Local Equity 3.5%	Local Equity 23.6%	Local Equity 25.8%	Global Equity 19.1%	Local Equity 17.2%	Global Equity 14.3%
Local Bonds 0.8%	Local Bonds 10.4%	Global Equity 15.4%	Local Equity 19.1%	Global Equity 13.0%	Local Equity 11.1%
Local Cash 0.6%	Global Equity 7.2%	Local Bonds 15.1%	Local Bonds 13.6%	Local Bonds 11.3%	Local Bonds 9.4%
Global Equity 0.3%	Local Cash 4.9%	Local Cash 7.6%	Local Cash 7.6%	Local Cash 6.1%	Local Cash 6.3%
Global Bonds -0.7%	Global Bonds 0.5%	Global Cash 4.3%	Global Cash 6.3%	Global Cash 4.0%	Global Cash 5.2%
Global Cash -1.8%	Global Cash -3.5%	Global Bonds 3.1%	Global Bonds 4.7%	Global Bonds -0.9%	Global Bonds 4.1%

Source: Morningstar (31 August 2025)



Asset Class Views

Over the past month, we downgraded our views on local cash and global bonds. Local cash remains relatively appealing but declining rates and rising inflation are eroding real yields. Global bonds also offer limited upside: while lower rates are supportive, persistent inflation is likely to keep yields range-bound.

Local bonds are less attractive than global bonds. The 10-year government bond yield has dropped to 9.6%, rewarding existing investors but leaving new buyers with lower yields and reduced margin of safety.

Local equities have returned nearly 26% over the past 12 months. Earnings growth remains on an upward trend driven mainly by resources. As valuations look fair, we maintain a neutral stance. Should the current tailwinds remain, we may look to increase exposure.

Global equities may find support from Fed rate cuts as the US labour market cools but stretched valuations and market volatility prevent us from taking a more positive stance.