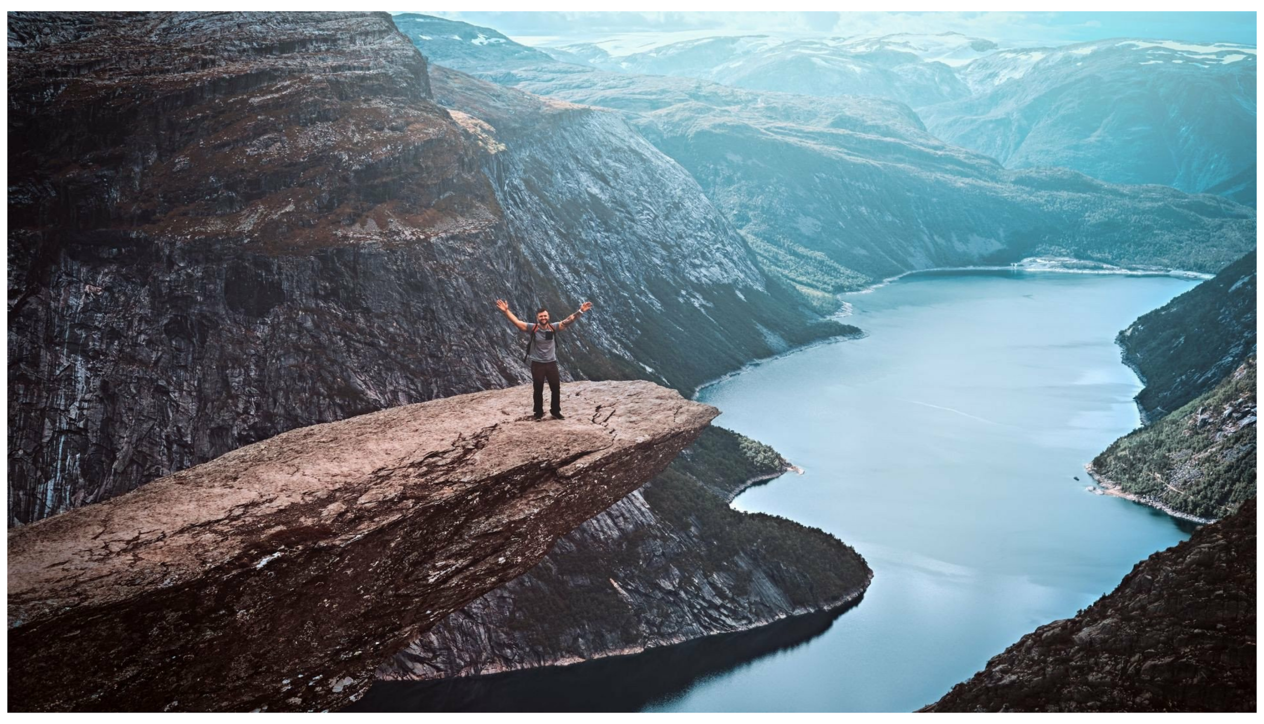

2025 Lessons

As I close out my final newsletter of the year, it feels fitting to look back at what 2025 taught us. While there's still a month left and financial markets can always have a surprise or two in reserve, some themes are already unmistakable. This year served up plenty of volatility, plenty of noise, and ultimately plenty of opportunity.

Here are the 5 lessons that mattered most in 2025

1) Upside volatility arrives fast

We all understand that volatility isn't risk, especially when it's to the upside. Real risk is permanent capital loss. Certain assets, such as US equities, experienced "stomach-churning" drawdowns in the first half of the year, but rebounded sharply in the second half, rewarding investors who stayed focused on the long term.

2) One great year can rescue several weaker ones

Portfolios that had been treading water since 2020, particularly after the difficult 2022, suddenly saw their five-year returns flip from low single digits to around 12.5% compounded for global equities. A single outsized year doesn't just add to the record, it rewrites it. Risk-asset returns remain lumpy, and missing the strong years can be very damaging.

3) Emerging Markets (EM) finally outperformed

2025 was a standout year for EM. This strength came despite massive monetary expansion or a global "risk-on" backdrop. China rebounded off a low base, but Brazil and India also posted strong gains. South Africa's JSE surged 35% on the back of strong resource gains.

4) Developed markets outside the US delivered - with no AI influence

While attention remained glued to the Magnificent Seven, developed markets ex-US quietly posted standout results. Japan delivered a third consecutive 20%+ year on the back of governance reforms, buybacks, and modest reflation. Europe's winners came from banks and defence, boosting the EuroStoxx50 up 32% in US dollars.

5) Bonds matter again

After years of frustration, global bonds reasserted their relevance. With real yields normalising, fixed income once again offered genuine income and genuine diversification. Investors were compensated for holding duration, and this was especially the case for South African bonds which have delivered a return of 28% in US dollar terms this year.

Conclusion

This year reminded us once again that markets don't move in straight lines, and the biggest gains often arrive just when investors least expect them. Staying invested beats market timing. Diversification beat concentration. And patience beats perfection. If 2025 taught us anything, it's that long-term investing remains simple, but never easy.

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