QUARTERLY MARKET REVIEW
Q2 2025

NEDGROUP INVESTMENTS

MARKET REVIEW

The table below provides a review of key domestic and international investment indicators for the past quarter, as well as over longer periods.

South African asset classes (in rands)

(Performance over periods to 30 June 2025)

Asset class	Indicator	3 months	1 year	3 years	5 years	LT-average*
Equity	Shareholder Weighted Index	10.2%	25.2%	17.8%	16.4%	12.2%
Property	Listed Property Index	10.2%	25.2%	16.1%	14.4%	11.2%
Bonds	All Bond Index	9.1%	23.9%	19.8%	16.6%	6.9%
Cash	STeFI Call	5.9%	18.4%	13.4%	10.9%	5.9%
Inflation	CPI (one month in arrear)	1.8%	7.8%	7.5%	6.0%	5.5%

Source: Morningstar

Global asset classes (in dollars)

(Performance over periods to 30 June 2025)

Asset class	Indicator	3 months	1 year	3 years	5 years	LT-average*
Equity	MSCI All Country World Index (ACWI)	11.7%	16.7%	17.9%	14.2%	8.7%
Property	FTSE EPRA/NAREIT Developed TR USD	4.7%	12.4%	4.6%	6.1%	6.2%
Bonds	Barclays Global Aggregate TR USD	4.5%	8.9%	2.7%	-1.2%	4.3%
Cash	US 3-month deposits	1.1%	4.7%	4.7%	2.9%	3.7%
Inflation	US CPI (one month in arrear)	0.7%	2.4%	3.2%	4.6%	3.1%

Source: Morningstar

Currencies

(Performance over periods to 30 June 2025)

Currency	Value at Month-end	3 months	1 year	3 years	5 years	LT-average*
Rand / Dollar	R 17.77	3.5%	2.8%	-2.7%	-0.4%	-5.9%
Rand / Sterling	R 24.35	-2.5%	-5.2%	-6.5%	-2.5%	-4.6%
Rand / Euro	R 20.87	-4.8%	-6.2%	-6.4%	-1.3%	-6.8%

Source: Morningstar

** Updated annually from 1900, or longest available period*

Returns for periods longer than 12 months are annualised.

INTERNATIONAL MARKET COMMENTARY

The second quarter of 2025 was marked by sharp swings in sentiment, and surprisingly resilient asset returns. Despite one of the most volatile starts to a quarter in recent memory—triggered by a sweeping escalation in global tariffs—major equity markets recovered strongly, supported by solid economic data, an easing of trade tensions, and a temporary reprieve in inflation concerns.

Markets were volatile from the outset where on the 2nd of April President Trump unveiled a wide-ranging tariff programme far exceeding market expectations, with baseline rates of 10% across the board, and significantly higher levels targeting China (34%), Japan (24%), and the EU (20%). The announcement sent global markets into a tailspin with the S&P 500 suffering its fifth-largest two-day fall since World War II, while longer-dated Treasuries sold off sharply.

However, the turmoil was short-lived. A 90-day delay for non-retaliating countries, announced on 9 April, prompted a dramatic rebound in risk assets. The S&P 500 surged +9.5% on the day—its best single-session performance since the depths of the GFC—while bond markets stabilised, albeit at higher yield levels. Sentiment improved further in May after the U.S. and China unexpectedly agreed to a temporary rollback of tariffs, easing concerns about a near-term recession. Market relief was compounded by a solid April jobs report, which showed nonfarm payrolls rising by 177,000.

Despite continued noise around trade—including a proposed 50% tariff on the EU, later delayed, and legal challenges to the White House's tariff authority—markets proved resilient. The Dollar weakened notably, posting its worst first-half performance since 1973, while U.S. equities continued their march higher. Investors appeared reassured by a combination of constructive U.S.-China talks and broad-based economic stability. U.S. and European flash PMIs for June remained in expansionary territory, and Germany's Ifo business climate index hit a 12-month high.

Geopolitical risk flared in June after Israel launched airstrikes on Iranian nuclear facilities, sparking a retaliatory exchange involving missile strikes on a U.S. base in Qatar. Oil markets responded swiftly, with Brent Crude spiking over 7% in a single session—the largest daily move since 2022. However, tensions de-escalated quickly. A ceasefire was brokered less than two weeks later, helping oil prices retrace their gains and allaying fears of a wider regional conflict.

Fiscal concerns also returned to the fore. Moody's downgraded the U.S. sovereign credit rating from Aaa to Aa1, citing rising deficits and political gridlock. This coincided with the narrow passage of a new tax bill through the House, aimed at extending prior Trump-era cuts. While still pending in the Senate, the proposal added fuel to long-end yield pressures.

Given this backdrop, equities were well supported, with the global index up by +9.3%, with the US (+11.2%) and Asia Ex-Japan (+8.5%) leading the way whilst Europe ex-UK (+3.0%) and UK (+2.4%) lagged after a strong Q1. In terms of equity styles, growth stocks (+17.3%) outperformed value (+6.1%), and small-cap stocks (+12.5%) rose more than large caps (+9.3%). There was also wide variation in sector performance, with IT (+23.3%) and Communication Services (+17.9%) being the strongest two sectors, while Healthcare (-3.5%) and Energy (-3.5%) lagged significantly.

Fixed income markets were positive supported by yields falling. Looking at the details, global government bonds (+1.5%) finished the quarter above water, but lagged Investment Grade Credit (+2.0%), Global High Yield (+3.1%) and global emerging market debt (+3.1%).

In the real assets space, global real estate (+5.1%) and global infrastructure (+8.5%) were well bid, due to their sensitivity to fall interest rate. Finally, Commodities (-3.1%) had a challenging quarter despite Gold (+5.2%) being a clear stand out, supported be geopolitical tensions and purchases from central banks.

Numbers reported in US dollars

DOMESTIC MARKET COMMENTARY

Q2 2025 was highly volatile, as anticipated, especially following President Donald Trump's announcement of proposed global import tariffs on 2 April 2025, dubbed Liberation Day. Trump proposed a 30% tariff on all imports from South Africa, effective from 1 August 2025. Fortunately, markets nearly recovered by the end of April after the US agreed to suspend tariffs on the rest of the world (excluding China) for 90 days, up to the 9 July 2025 deadline. The JSE dropped -8.6% during its early April lows but rebounded to end the month +2.8% higher.

On the domestic political front, South Africa's Government of National Unity (GNU) celebrated its one year anniversary on 14 June 2025. Relations between the ANC and DA have been strained, with tensions at times threatening the coalition's stability. The first major test was the 2025/26 Budget, which the other GNU partners opposed because the ANC had not discussed a two percentage point VAT increase before the vote. A revised budget proposing a 1% VAT increase was later presented and passed, but the DA opposed this too, successfully challenging the increase in court. Eventually, Parliament approved a third version of the budget on 11 June 2025, which excluded a VAT increase altogether. The second major challenge to the GNU's stability came when the President dismissed the DA's Deputy Minister of Trade and Industry at the end of June. Despite these tensions, both the ANC and DA remain committed to the GNU coalition

In the second quarter of 2025, domestic assets delivered positive returns, with bonds underperforming equities. The FTSE/JSE All Bond Index rose by + 5.9% over the quarter. The rand strengthened by 3.1% against a weaker US dollar to R17.7 but declined by 5.4% against a stronger euro. The FTSE/JSE SA Listed Property Index gained + 9.1%, while the FTSE/JSE All Share Index increased by +10.2%. The Software and Computer Services sector was the primary contributor, returning +20.8%, with Naspers and Prosus gaining +22.1% and +17.8%, respectively, following strong earnings reports.

Prosus's Capital Markets Day left investors optimistic about the new management team's focus on improving the profitability of the company's broader investment portfolio. In contrast, the Pharmaceuticals and Biotechnology sector had a weaker quarter, declining by - 25.8%, driven by Aspen. Precious metals continued to perform strongly, delivering a year-to-date return of +78.2%, driven by a resilient gold price, while platinum miners benefitted from a shift in investor demand for alternatives.

Source: Various, including the Market Review by NPW Investment Research

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