



2025 MARKET REVIEW | QUARTER 2

SOUTH AFRICAN ASSET CLASS RETURNS

Quarter 2 | 2025

Currency: South African Rand

<div>Best</div> <div>↑</div> <div>↓</div> <div>Worst</div>	SA Equity 10,2	SA Equity 25,2	Global Equity 77,8	SA Property 115,9	Global Equity 299,1
	SA Property 9,1	SA Property 23,9	SA Property 72,1	SA Equity 113,9	SA Equity 162,3
	Global Equity 7,9	SA Bonds 18,4	SA Equity 63,4	Global Equity 98,5	SA Bonds 140,7
	SA Bonds 5,9	Global Equity 13,6	SA Bonds 45,7	SA Bonds 67,7	Global Property 112,5
	SA Cash 1,9	Global Property 9,3	SA Cash 25,2	SA Cash 35,7	SA Cash 92,1
	Global Property 1,6	SA Cash 8,1	Global Property 22,9	Global Property 31,9	Global Bonds 53,8
	Global Bonds 1,3	Global Bonds 6,1	Global Bonds 13,5	Global Bonds -9,7	SA Property 34,3
	Last Quarter	1 Year	3 Year	5 Year	10 Year

GLOBAL ASSET CLASS RETURNS

Quarter 2 | 2025

Currency: US Dollar

<div>Best</div> <div>↑</div> <div>↓</div> <div>Worst</div>	EM Equity 12,2	DM Equity 16,8	DM Equity 68,0	DM Equity 101,9	DM Equity 189,9
	DM Equity 11,6	EM Equity 16,0	EM Equity 33,9	EM Equity 42,0	EM Equity 66,5
	EM Property 10,7	DM Property 12,4	EM Bonds 24,8	DM Property 34,7	DM Property 50,3
	DM Property 4,7	EM Property 11,8	DM Property 14,5	EM Bonds 8,8	EM Bonds 40,0
	DM Bonds 4,0	EM Bonds 9,4	DM Bonds 1,2	EM Property -15,9	EM Property 3,0
	EM Bonds 2,5	DM Bonds 8,2	EM Property 0,3	DM Bonds -16,1	DM Bonds 0,1
	Last Quarter	1 Year	3 Year	5 Year	10 Year

CURRENCY COMPARISONS

Quarter 2 | 2025

Currency comparisons

The rand ended Q2 at **17.78 against the dollar**, strengthening from Q1 levels as global risk sentiment improved and the U.S. dollar weakened. Early quarter volatility, driven by tariff shocks and surging U.S. Treasury yields, faded by June as markets stabilised and expectations of Fed rate cuts firmed.

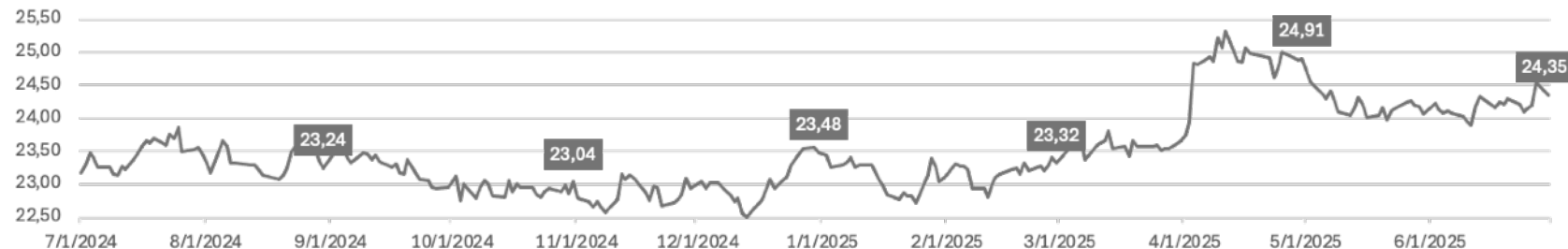
GBP/ZAR and EUR/ZAR closed at 24.35 and 20.83 respectively, with moves reflecting both cross-currency strength supported by easing inflation and more stable macro indicators. The rand was broadly supported by **low inflation (2.8%)** and the SARB's cautious 25 bps rate cut, which aligned with global easing trends while maintaining policy credibility.

Political friction within the GNU persisted but eased toward quarter-end, helping to improve sentiment. Despite ongoing global uncertainty, the rand held firm.

USD/ZAR



GBP/ZAR



EUR/ZAR



GLOBAL EQUITY RETURNS | YEAR TO DATE






Quarter 2 | 2025

Returns quoted in US Dollars



THE GLOBAL SCENE SUMMARY

Quarter 2 | 2025

REGION/CATEGORY	SUMMARY	CONSENSUS/MOOD
South Africa	South Africa still faces familiar challenges such as high unemployment, weak infrastructure, poor public services, and entrenched corruption, all of which continue to weigh on confidence and long-term growth. However, signs of easing political tensions, more responsible government spending plans, improved electricity supply, resilient bond and currency markets, stronger precious metal prices, low equity market valuations, and a firmer export environment, alongside clearer local policy direction, contribute to a more constructive outlook.	Moderately Optimistic 
United States	Economic data softened, but strong earnings (especially in tech), fiscal stimulus (government spending), and AI investment support the outlook. Risks remain around inflation and fiscal sustainability (U.S high debt to GDP).	Moderately Optimistic 
Europe & UK	Falling inflation and fiscal tailwinds support markets, but structural reform is still needed, and growth remains uneven. Political fragmentation adds uncertainty.	Moderately Cautious 
China	Growth remains under pressure due to weak demand and U.S trade tensions. Policy remains supportive but sentiment is fragile. The equity markets provide pockets of good value, especially in companies with exposure to AI.	Cautious 
Emerging Markets	Rebound in EM equities driven by Asia (notably Korea and Taiwan), while other regions lag. US dollar weakness provided some relief, but performance remains uneven. South Africa has been a notable outperformer relative to other emerging countries.	Moderately Cautious 

THE GLOBAL SCENE

Quarter 2 | 2025

GLOBAL

SOUTH AFRICA

AMERICA

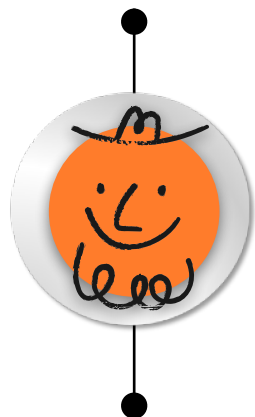
EUROPE
& UK

CHINA

EMERGING
MARKETS



ECONOMIC MOOD



MODERATELY OPTIMISTIC

The second quarter of 2025 saw global markets recover strongly despite early volatility driven by US trade tariffs. Equities rallied as tariff pauses and expectations of interest rate cuts alleviated recession fears, while strong corporate earnings, particularly in the tech sector, supported risk appetite.

In the US, a modest GDP contraction was offset by resilient consumer sentiment and continued corporate investment in AI and productivity-enhancing technologies. South Africa delivered stable growth, supported by strong performance in the resource sector and easing inflation, with improving fiscal policy signals. Europe benefited from falling inflation, fiscal stimulus, and solid sector-specific growth — particularly in **industrials, financials, and real estate** — while the UK saw the fastest quarterly GDP growth in the G7. In contrast, China's outlook weakened amid soft domestic demand and sharply declining exports, with sentiment remaining fragile despite policy support.

Improved inflation dynamics, **supportive** policy shifts, and sector-led earnings strength supported a broadly positive market tone. However, elevated fiscal and geopolitical risks underscore the need for selective and diversified positioning.

THE GLOBAL SCENE

Quarter 2 | 2025

SOUTH AFRICA

GLOBAL

AMERICA

EUROPE
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CHINA

EMERGING
MARKETS

ECONOMIC MOOD



MODERATELY OPTIMISTIC

Economic Growth:

Q1 GDP grew by **0.1% QoQ / 0.8% YoY**, showing stability despite political noise. Support came from **resource exports, policy signals**, and fiscal discipline including reversal of the proposed VAT increase, revised budget and positive diplomatic engagements.

Inflation & Interest Rates:

Inflation remains **contained**: annual CPI at **2.8%**, core at **3.0%** – the lowest since July 2021. This has contributed to a rally in equity markets. SARB cut the **repo rate by 25 bps** in May. Monetary policy remains data-driven but aligned with a global easing bias - ECB and BoE also **lowering interest rates as global inflation falls** - which supports further rate cuts if inflation remains low.

Corporate Earnings:

The resources sector led earnings strength, with **gold and platinum** miners benefiting from rising precious metals prices. Financials and industrials also contributed positively to the JSE All Share **YTD returns of 16.62%**.

Valuations:

SA equity market returned **10.2% in Q2**, indicating improving sentiment and relatively attractive valuations in select sectors such as resources, financials and industrials, which appear relatively undervalued compared to historic levels and provide opportunity for higher rates of return.

Risks & Outlook:

South Africa continues to face structural challenges such as high unemployment, weak infrastructure, and governance concerns, which weigh on long-term growth. However, the near-term outlook has improved. Easing political tensions within the GNU, clearer policy signals, and more disciplined fiscal messaging have supported sentiment.

Resilient bond and currency markets, improved electricity supply, firmer export conditions, low equity valuations, and rising precious metal prices have all contributed to a more constructive backdrop. Continued progress on reform and global stability will be key to sustaining this momentum.

THE GLOBAL SCENE

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MARKETS

ECONOMIC MOOD



MODERATELY OPTIMISTIC

Economic Growth:

Q1 GDP contracted by **0.5%**, marking the first decline in three years, primarily due to **front-loaded imports ahead of tariff risk**. Despite this, **consumer sentiment held up**, and growth is expected to **rebound in 2026**, driven by **fiscal stimulus, tax reform, and AI-led investment**.

Inflation & Interest Rates:

Headline CPI rose to **2.7% year-on-year in June**, up from **2.4% in May**, driven by tariff-related price increases and sticky services inflation. Core CPI climbed to 2.9%, reflecting persistent wage and input cost pressures. Inflation remains **above the Fed's 2% target**, which may delay the timing of rate cuts.

The Fed remains on **pause**, with a “wait and see” approach. Market pricing suggests **rate cuts likely later in the year**, with ~65 bps priced in. Treasury yields peaked mid-quarter before easing. Which suggests **investors became less concerned about runaway inflation** by quarter-end, reflecting confidence that inflation may stay under control despite the initial tariff shock.

Corporate Earnings:

Q1 earnings were strong, with **S&P 500 earnings rising 13% year-on-year**, led by the technology and AI-related sectors. **Over 75% of companies** in the index **beat analyst expectations**, with upside surprises across a range of sectors including tech, consumer discretionary, and industrials. These results helped drive investor confidence and supported broad market gains, with the **S&P 500 up 6.73% year-to-date by the end of Q2**.

Valuations:

Valuations remain elevated, particularly in tech, but are supported by strong earnings growth and margin stability. While US stocks are still expensive, strong earnings growth has helped justify those prices, making valuations a bit more reasonable.

Risks & Outlook:

Key risks include debt sustainability, tariff uncertainty, and high equity valuations. However, earnings strength, tech leadership, and fiscal stimulus (government spending) support a positive medium-term outlook. Most managers remain constructively positioned toward US equities.

THE GLOBAL SCENE

Quarter 2 | 2025

GLOBAL

SOUTH AFRICA

AMERICA

EUROPE
& UK

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MARKETS

ECONOMIC MOOD



MODERATELY CAUTIOUS

Economic Growth:

Eurozone growth was **subdued but resilient**, supported by **fiscal spending** in defence and infrastructure. **UK GDP grew 0.7% QoQ**, the fastest in the G7.

Inflation & Interest Rates:

Eurozone CPI was **1.9%** in May, below the ECB target. UK inflation was **3.4%**, still elevated but falling. Both regions saw improving inflation dynamics. ECB cut rates twice in Q2, now at **2.00%**, signalling end of the easing cycle. BoE cut **25 bps to 4.25%**. Monetary policy is expected to ease cautiously across the region.

Corporate Earnings:

Earnings growth was **sector specific**. Industrial and defence stocks outperformed, particularly in Germany and the UK. Real estate also recovered while energy and healthcare underperformed.

Valuations:

Still **lower than US**, offering relative value in select sectors. Valuation upside is dependent on **broader earnings growth** and progress on **structural reforms** including measures to **boost productivity, reduce regulatory burdens** and **improve capital market integration**. Financials, industrials, and infrastructure remain favoured.

Risks & Outlook:

Structural risks remain (fragmented recovery, dependency on global demand). However, the combination of **fiscal support, falling inflation, and sector-specific earnings** provides a base for cautious optimism.

THE GLOBAL SCENE

Quarter 2 | 2025

GLOBAL

SOUTH AFRICA

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MARKETS

ECONOMIC MOOD



CAUTIOUS

Economic Growth:

Growth continued to **decelerate**. Exports to the US plunged **35% YoY**, industrial output slowed, and retail demand remained weak. Confidence was fragile due to tariff impacts and soft internal demand.

Inflation & Interest Rates:

Inflation remained muted with **March CPI at 0.1% YoY**, well below expectations. Demand-side weakness continued to suppress inflation.

Corporate Earnings:

PBoC eased policy via **required reserve ratio (RRR)** and **repo rate cuts** but held prime rates steady. Policy remains **measured but accommodative**.

Valuations:

Valuations remain **depressed**, though some rebound occurred. Foreign flows favoured Hong Kong listings over mainland A-shares. Sentiment is highly cautious.

Risks & Outlook:

China continues to face **elevated policy and trade-related uncertainty**, particularly around **U.S. tariffs and shifting global supply chains**. Domestically, **weak consumer demand**, a **subdued property market**, and **fragile investor sentiment** are limiting growth momentum and capping market upside.

While there have been signs of targeted state support, including modest monetary easing and sector-specific stimulus, these efforts have so far fallen short of restoring broad confidence. Outlook remains **weak and asymmetric**.

THE GLOBAL SCENE

Quarter 2 | 2025

GLOBAL

SOUTH AFRICA

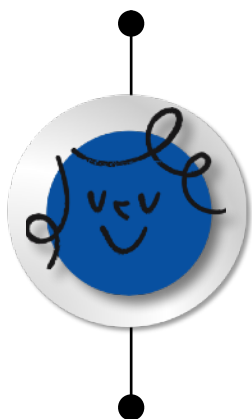
AMERICA

EUROPE
& UK

CHINA

EMERGING
MARKETS

ECONOMIC MOOD



MODERATELY CAUTIOUS

Economic Growth:

EM growth was **uneven across regions**. Asia led with strong rebounds in South Korea and Taiwan, driven by semiconductor exports and AI optimism. India underperformed on valuation concerns, while Latin America rebounded after a weak 2024. Overall, EM benefited from **improved trade momentum**, **weaker USD**, and **resilient consumer trends** in some regions.

Inflation & Interest Rates:

Inflation pressures varied widely. Many Asian economies saw **moderate inflation**, while **commodity-importing regions benefited** from falling energy prices. Broadly, inflation remained **contained**, allowing for accommodative policy where needed. EM central banks adopted **mixed stances**, with some (like Brazil) tightening further, while others maintained or cut rates. Overall, **policy was more flexible**, reflecting stable inflation and improving external balances.

Corporate Earnings:

Earnings were **strongest in Asia**, especially in tech-related sectors. South Korea, Taiwan, and selected Chinese large caps outperformed. Latin American earnings improved on currency strength and stabilizing growth. EM corporates generally **benefited from lower USD funding pressure**.

Valuations:

EM equities continue to trade at a **discount to developed markets**, with notable **value in Asia ex-China**. Selective opportunities exist in tech, consumer, and industrials, though **valuation dispersion remains high** across regions and sectors.

Risks & Outlook:

Risks include **ongoing trade uncertainty**, **China's structural slowdown**, and **regional political instability**. However, improving macro stability, stronger external accounts, and supportive currency dynamics offer a **constructive medium-term outlook**, especially in Asia.

INTERACTIVE FUNDS OUTLOOK & BEYOND

Interactive Income Prescient Fund:

The recent outperformance of the fund reflects the benefits of holding both **select duration exposure** and **high-quality credit allocations**, particularly in a quarter marked by interest rate volatility and shifting inflation expectations. While the SARB initiated a 25 bps rate cut in May, local bond markets remain attractive, continuing to offer **elevated real yields** relative to both inflation and global peers.

The fund remains strategically positioned in the **belly of the curve** — medium-term maturities typically between 5 and 10 years — which offer a compelling balance between **yield enhancement** and **moderate interest rate risk**. This part of the yield curve is especially appealing in an environment where **inflation is contained** and the **policy rate has turned**, allowing investors to lock in **inflation-beating income** without taking on the heightened volatility associated with long-dated bonds.

On the credit front, the portfolio remains **conservatively positioned**, favouring **high-quality issuers** while avoiding lower-rated, high-yield names where current market spreads do not offer sufficient compensation for risk.

Looking ahead, we maintain a **cautious yet constructive stance**, favouring **enhanced yield strategies** and selective duration while continuing to manage credit risk carefully. The fund is well-positioned to **deliver consistent, real returns** through changing market cycles, providing investors with a stable, income-focused solution in a risk-conscious framework.

Interactive Balanced Prescient Fund of Funds:

The fund delivered strong performance for the quarter, supported by broad gains across South African equities, property, and global markets. Local equity exposure — especially value and dividend-focused strategies — contributed meaningfully as inflation eased and interest rate expectations stabilised. Standout contributors included **Satrix Top 40 Index (+10.24%)**, **Fairtree SA Equity Prescient (+8.31%)**, and **Satrix Dividend Plus Index (+8.18%)**, all benefiting from improved investor confidence and strong company earnings. We continue to follow a **diversified balanced strategy** to manage ongoing uncertainty around interest rates, global trade, and geopolitical risks. In addition to growth-oriented investments, the fund holds **defensive assets** such as **income-generating strategies**, **global property**, and **diversified international equity**, which helped reduce volatility and protect capital during periods of market stress.

South Africa's macro environment improved over the quarter, with **low inflation (2.8%)**, an initial **25 bps rate cut by the SARB**, and signs of stabilising politics under the GNU. Globally, easing concerns around tariffs and inflation, along with expectations of monetary policy easing, supported equity markets and risk sentiment.

As part of the fund's ongoing optimisation, we have introduced the **Interactive Equity Prescient Fund** as the core local equity holding. This actively managed portfolio focuses on companies trading below intrinsic value or offering strong long-term growth potential. It replaces four previous mandates — **Satrix Top 40**, **Fairtree Equity Prescient**, **Prescient Core Top 40**, and **Prescient Core All Share** — allowing for a **more focused, valuation-driven approach** while maintaining broad sector diversification. This change strengthens the fund's alignment with our investment philosophy and improves the consistency of performance attribution.

INTERACTIVE FUNDS OUTLOOK & BEYOND

Interactive Global Equity Prescient Fund of Funds:

The fund delivered a strong rebound in Q2, returning **+4.62%**, supported by broad-based global equity strength, particularly in the US technology sector. The **Invesco QQQ Trust** led the way with a **+13.82% return**, driven by renewed enthusiasm for artificial intelligence and the outperformance of the “Magnificent Seven” mega-cap tech stocks. The **iShares Core S&P 500 ETF (+7.19%)** also contributed significantly, as investor sentiment turned more optimistic amid softer inflation data and an expected shift in Federal Reserve policy.

Beyond the US, the **Vanguard FTSE All-World ex-US ETF (+7.83%)** reflected strong international equity participation, especially in developed Asia and Europe. These gains helped offset weaker performance from dividend-focused strategies such as the **Schwab US Dividend Equity ETF**, which declined **-7.45%** as investors rotated away from defensives toward growth.

Factor-based strategies remained core contributors to performance. The **iShares MSCI USA Quality Factor ETF (+3.58%)** and the **VanEck Morningstar Wide Moat ETF (+3.06%)** demonstrated the fund’s focus on high-quality, fundamentally strong businesses capable of weathering volatility.

Looking forward, we maintain a **balanced approach across growth, quality, and value strategies**. While US valuations remain elevated, the combination of resilient earnings, a possible rate-cutting cycle, and constructive global sentiment supports continued participation in equity upside. Our emphasis remains on **long-term compounding and capital preservation** through **factor and geographic diversification**.

Interactive Equity Prescient Fund:

We are excited to announce the launch of the Interactive Equity Prescient Fund on 16 April 2025. This actively managed South African equity portfolio focuses on maximizing total returns through medium to long-term capital growth. The fund invests at least 80% in JSE-listed equities across diverse sectors, with flexibility to hold up to 20% in cash or money market instruments during volatile or uncertain market conditions.

Grounded in a long-term investment philosophy, the fund targets undervalued companies with strong growth potential across the South African market. This disciplined, valuation-driven approach seeks to capture attractive opportunities while managing risk through diversification.

Looking ahead, the fund is well positioned to benefit from improving domestic economic conditions and sustained global demand for resources, particularly in the platinum group metals sector. At the same time, it remains cautious on consumer-facing sectors facing cost pressures and muted spending.

The fund’s flexible mandate allows it to navigate market volatility prudently and selectively invest in high-quality opportunities as they arise. Overall, this approach aims to deliver consistent medium to long-term growth while balancing risk in a dynamic environment.

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