

# Q4 2025 | INTERACTIVE MARKET REVIEW

Outperformance, Dispersion and Artificial Intelligence

## EXECUTIVE SUMMARY

### Dispersion Dominated Equity Markets

**2025 was a year of extreme dispersion**, not broad-based market gains. A narrow group of companies drove a disproportionate share of returns, while many fundamentally sound businesses lagged.

### Interactive Funds Outperform

The Interactive SA Equity Prescient Fund delivered **32,46%** for the year & outperformed peers by approximately **7.41%**. Interactive Balanced Fund delivered **21,93%** for the year & outperformed its peer group by approximately **3.17%**. Reflecting disciplined portfolio construction rather than market timing.

7.41%

### AI Heightened Concentration Risk

**Artificial Intelligence dominated headlines**, but returns were concentrated in a small subset of infrastructure and platform beneficiaries, increasing valuation and concentration risk across global equity indices.

### Resilience Defined Outcomes

**The defining feature of the year** was not optimism, it **was resilience**, as many widely feared outcomes failed to materialise.



## MARKET BACKDROP: What Actually Happened (Not What Was Feared)

1

Throughout 2025, investors were confronted with an almost continuous stream of negative headlines:

Restrictive monetary policy lingering longer than expected.

Escalating geopolitical tension (US–China trade policy, European political instability, Middle East conflict).

Elevated government debt levels, particularly in the US.

Concerns around an “AI bubble” reminiscent of the dot-com era.

**Yet Markets Proved Resilient.**



2

Importantly, **inflation continued to fall without triggering recession**, a key reason why worst-case scenarios failed to materialise.

**Worst-case outcomes that largely did NOT happen:**

No deep US recession

No disorderly bond market collapse

No systemic financial crisis

No collapse in corporate earnings

Inflation fell, interest rates stopped rising, and economic growth slowed without tipping into recession. This combination supported asset prices, but returns were uneven, with a narrow group of large US technology and AI-related companies driving much of the market’s gains.

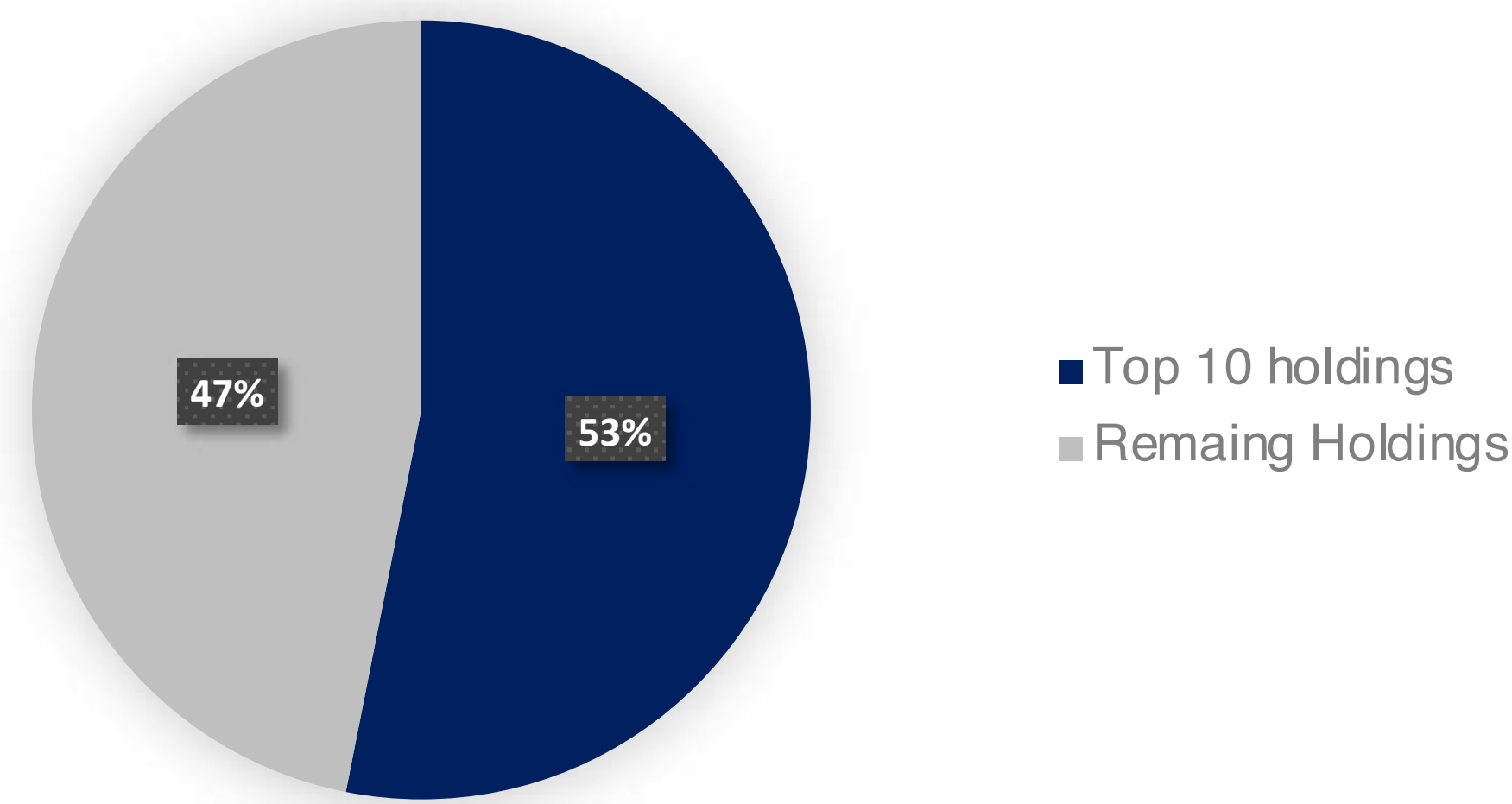




## MARKET BACKDROP: What Actually Happened (Not What Was Feared)

The top ten biggest companies have been responsible for **53% of annual returns in the S&P 500**  
These companies now **constitute approximately 40% of the index market cap**, up from 18% a decade ago.

### Contribution to Index Return



	S&P 500 Weighting %	1 Year Return %
NVIDIA Corp	7.04	38.92
Apple Inc	6.57	9.04
Microsoft Corp	6.52	15.59
Alphabet Inc Class	4.16	65.74
Amazon.com Inc	3.91	5.21
Meta Platforms Inc Class A	2.76	13.09
Broadcom Inc	2.40	50.65
Tesla Inc	1.88	11.36
Berkshire Hathaway Inc Class B	1.72	10.89
JPMorgan Chase & Co	1.47	37.32
TOTAL	38.43%	

This environment rewarded active decision-making and penalised indiscriminate exposure to index heavyweights

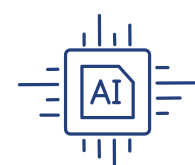


## ARTIFICIAL INTELLIGENCE: Where Returns Came From and Where Risk Is Building

**Artificial intelligence was the dominant market theme of 2025**, but returns were not evenly shared. The distinction between where capital was invested and where returns accrued is critical.

### Where Money Was Invested:

Most AI investment flowed into infrastructure, not applications:



**Chip  
Manufacturing**



**Data  
Centers**



**Cloud  
Platforms**

Some companies funded and ran the AI systems, while others supplied the technology that powered them, including **Microsoft, Amazon, Alphabet, NVIDIA** and **TSMC**.

### Where Returns Were Concentrated:

Despite broad investment activity, equity returns were narrow.

- **NVIDIA, Microsoft, Alphabet and Meta Platforms** accounted for a disproportionate share of global equity gains



- Many other AI-related companies delivered far more modest returns

### Why This Matters

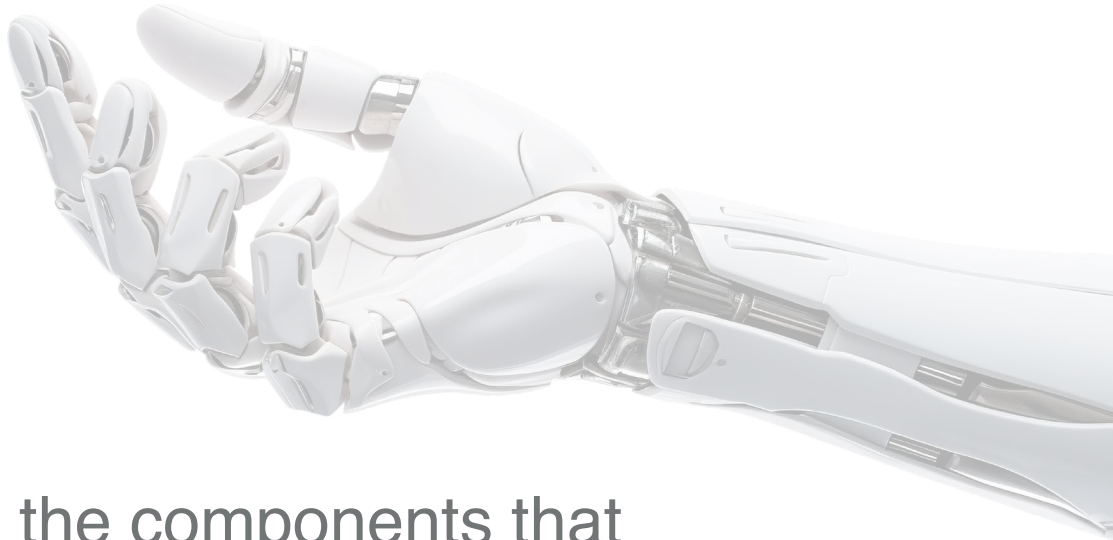
- Leading companies trade at elevated valuations
- Market returns are increasingly sensitive to earnings disappointments
- Equity indices have become more concentrated

As a result, **index exposure now offers less diversification** than in the past, **increasing the importance of portfolio construction**.



EXECUTIVE SUMMARY	MARKET BACKDROP	ARTIFICIAL INTELLIGENCE	FUND PERFORMANCE	2026 LOOKING AHEAD	ASSET CLASS RETURN
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## ARTIFICIAL INTELLIGENCE: Where Returns Came From and Where Risk Is Building



Approximately USD 500 billion of AI-related investment was deployed during 2024 and 2025

A select few companies are investing in AI known as hyperscalers & others are making revenue from AI demand – hardware.

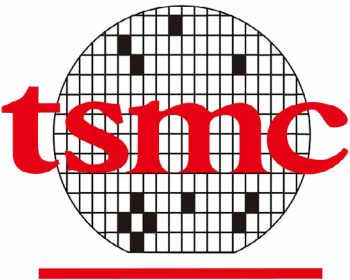
**HYPERSCALERS:**

Hyperscalers invest in AI to build and deliver AI solutions:

Company	Annual Spend	Returns %
Amazon	\$67 billion	5.21
Microsoft	\$49 billion	15.59
Alphabet	\$38 billion	65.74
Meta Platforms	\$34 billion	13.09
Total	\$188 billion	

**AI HARDWARE:**

Semiconductor and hardware companies supply the components that enable those solutions. Although both are critical to AI development.



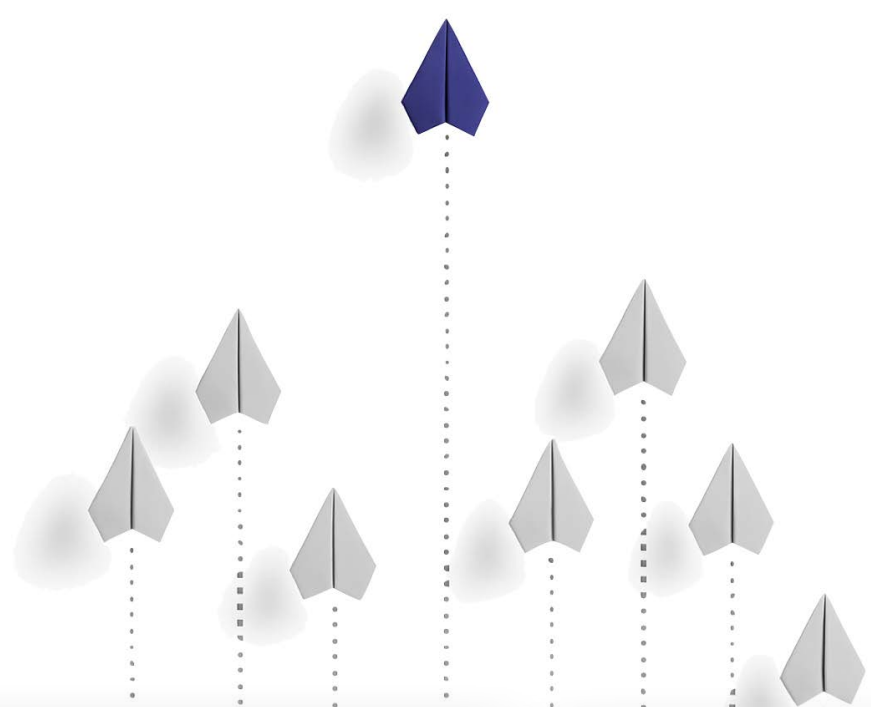
Company	Annual Spend	Returns %
NVIDIA	\$60 billion	38.92
TSMC (advanced nodes)	\$25 billion	55.93
Broadcom	\$20 billion	50.65
ASML	\$25 billion	55.84
Total	\$130 billion	





# Interactive Balanced Prescient Fund of Funds

Outperformed Peers by **Over 3%** Year-to-Date

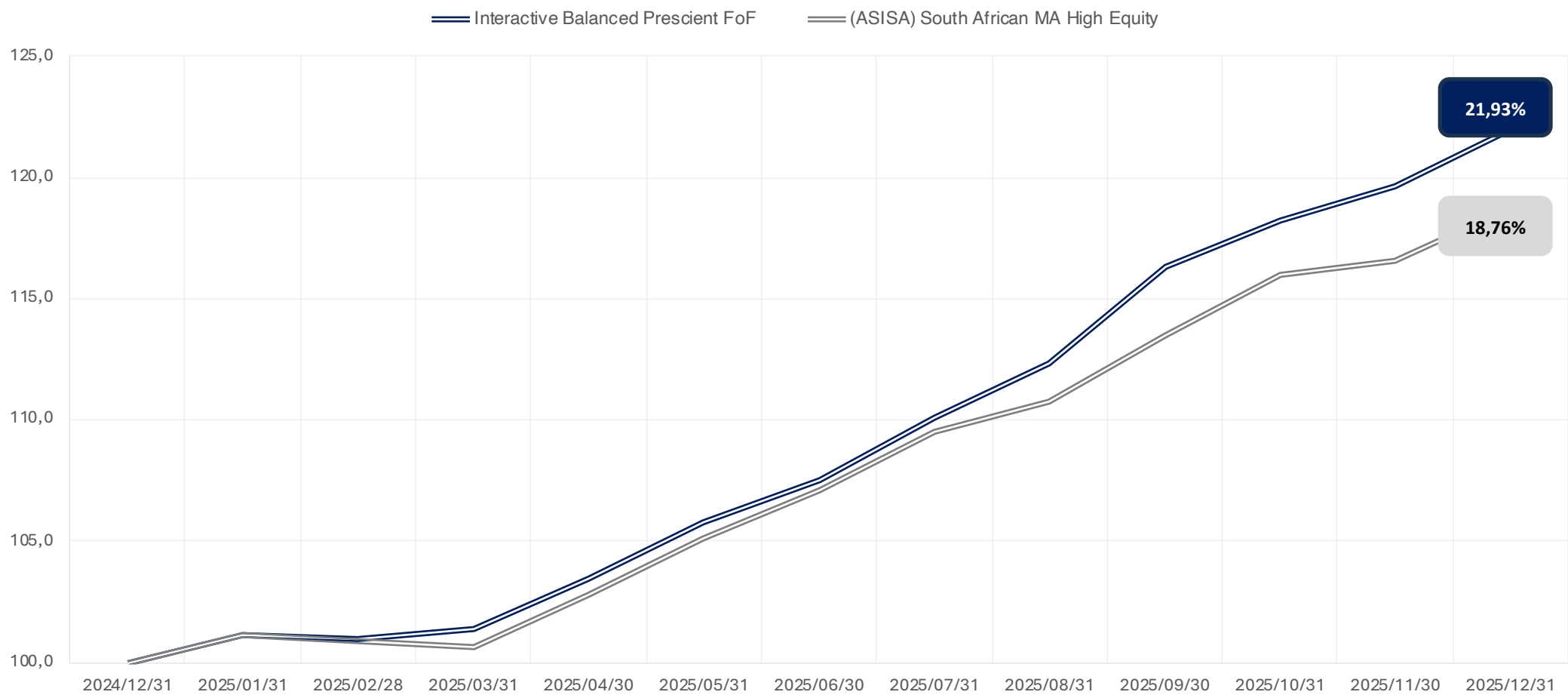


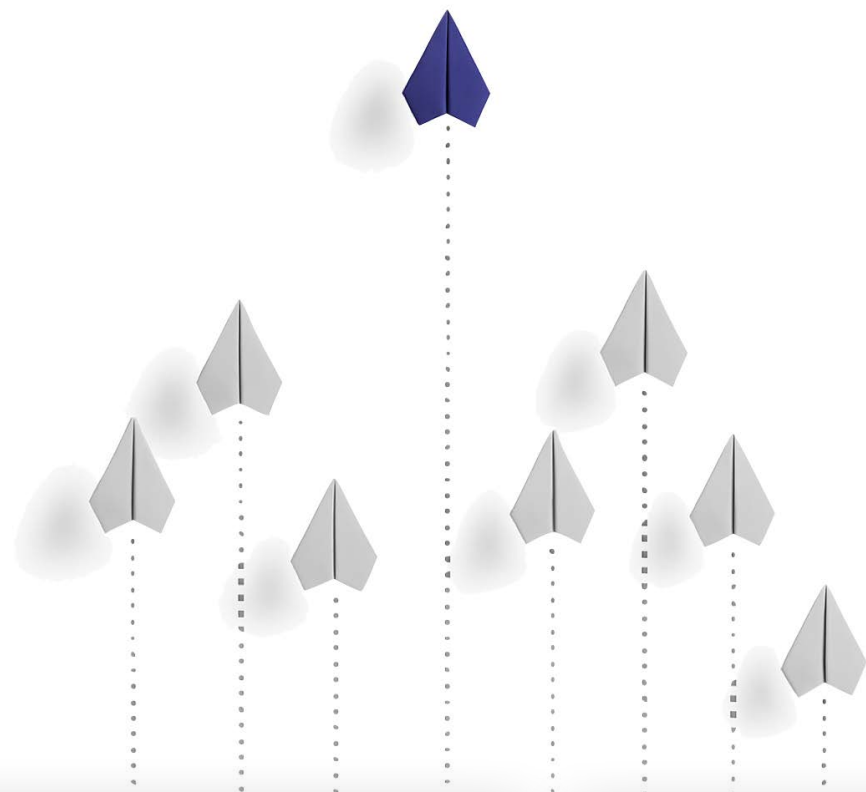
Delivered a **21.93% year-to-date return.** Outperforming the ASISA Multi Asset high Equity category **by 3.17%**

Performance was supported by **domestic equities, listed property and income assets.**

Returns were **broad-based,** reflecting diversified asset allocation rather than a single theme.

## BALANCED FUND VS PEER GROUP (1 Year Performance)





Outperformance achieved through **disciplined valuation and quality focus**, not reliance on a single stock or theme

Performance driven by a broad recovery across **resources and domestic financials**

**Delivered 32.46% for the year, outperforming the ASISA SA Equity General benchmark by over 7.41%** fundamentally sound businesses lagged.

## Interactive SA Equity Prescient Fund

Material **Outperformance** Through Broad-Based Exposure



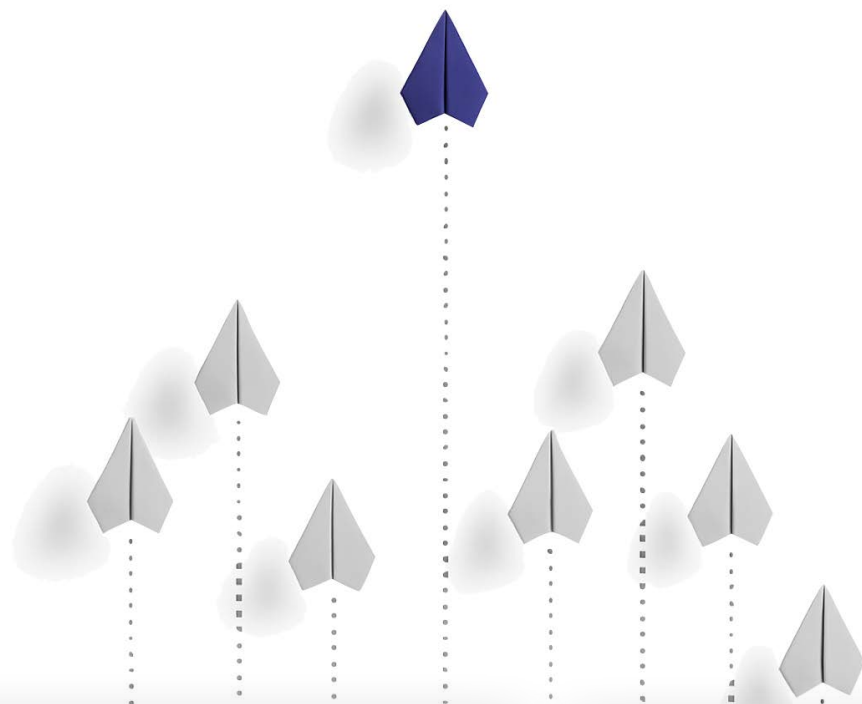
Past 1 Quarter		
Attribution: Winners	Stock Return %	Contribution %
Firststrand Ltd	25,51	1,71
Anglogold Ashanti PLC	22,54	1,39
Standard Bank Group Ltd	27,91	1,15
Capitec Bank Holdings Ltd	25,36	0,92
Absa Group Ltd	37,62	0,79
Total		5.96%
Attribution: Losers	Stock Return %	Detraction %
Naspers Ltd	-7,62	-0,75
Prosus NV	-11,58	-0,72
Mr Price Group Ltd	-8,97	-0,15
Foschini Group Ltd	-18,64	-0,12
Mondi PLC	-11,39	-0,03
Total		-1.77%





## Interactive Global Equity Prescient Fund of Funds

Resilient Performance in a Volatile Global Environment



Returns broadly in line with benchmark despite **a strengthening Rand and elevated volatility.**

Supported by **quality-focused and diversified global exposure,** including non-US equities.

Positioned for **long-term global growth,** with an emphasis on quality and diversification over market cycles.

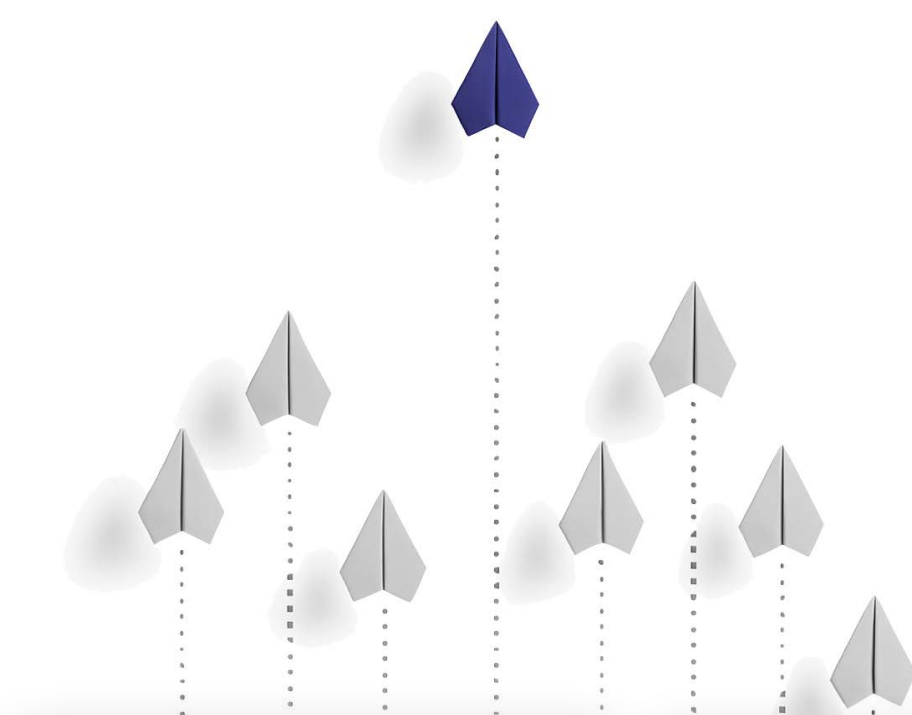


Past 1 Year		
Attribution	ETF Return %	Contribution/ Detraction %
Vanguard FTSE All-Wld ex-US ETF	16.25	5.01
Invesco QQQ Trust	4.84	0.72
iShares Core S&P 500 ETF	3.48	0.52
Vanguard Dividend Appreciation ETF	0.26	0.09
VanEck Morningstar Wide Moat ETF	-0.59	0.08
iShares MSCI USA Quality Factor ETF	-1.08	-0.02
Schwab US Dividend Equity ETF™	-8.28	-0.98
Total		5.42 %



# Interactive Income Prescient Fund

Stable Income and Capital Preservation



Delivered a **2.54% return in Q4 2025**, supported by disciplined portfolio construction.

Benefited from **strong local bond performance** and easing inflation expectations.

Positioned to preserve capital and benefit from **gradual interest-rate normalisation.**



EXECUTIVE SUMMARY	MARKET BACKDROP	ARTIFICIAL INTELLIGENCE	FUND PERFORMANCE	2026 LOOKING AHEAD	ASSET CLASS RETURN
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## LOOKING AHEAD: What Matters More Than Predictions

### As We Move Into 2026:

Markets are no longer cheap

2026

Concentration risk remains elevated


2026

AI optimism must be matched by earnings delivery and improving unit economics


2026

### Key Takeaways for Advisors and Clients:


Strong returns **do not imply low risk**




**Dispersion creates opportunity** for active portfolios



AI is a powerful theme, **but not all beneficiaries are equal**



Diversification and valuation discipline **matter more now than ever**



### Closing Thought:

2025 reminded investors that markets can climb a wall of worry, but they rarely do so evenly. The role of a portfolio is not to predict headlines, but to navigate concentration, manage risk, and participate where fundamentals justify it.

That remains the cornerstone of how Interactive invests.





# ASSET CLASS RETURNS

## Global Asset Classes

As of 31/12/2025

Periodic Table					
Currency: US Dollar					
Best	EM Equity 4,8	EM Equity 34,4	DM Equity 80,3	DM Equity 81,5	DM Equity 231,7
	DM Equity 3,2	DM Equity 21,6	EM Equity 60,1	EM Equity 25,6	EM Equity 133,7
	EM Bonds 2,4	EM Property 15,5	EM Bonds 29,2	DM Property 20,4	DM Property 51,6
	DM Property -0,5	EM Bonds 11,1	DM Property 25,2	EM Bonds 7,7	EM Bonds 50,4
	EM Property -0,9	DM Property 10,7	EM Property 9,1	EM Property -17,3	EM Property 19,9
Worst	DM Bonds -0,9	DM Bonds 5,6	DM Bonds 3,6	DM Bonds -21,0	DM Bonds -2,2
	Last Quarter	1 Year	3 Years	5 Years	10 Years

## South African Asset Classes

As of 31/12/2025

Periodic Table					
Currency: Rand					
Best	SA Property 16,3	SA Equity 42,4	SA Property 85,5	SA Property 155,2	Global Equity 240,5
	SA Bonds 9,0	SA Property 30,6	SA Equity 76,5	SA Equity 136,2	SA Equity 221,6
	SA Equity 8,1	SA Bonds 24,2	Global Equity 73,4	Global Equity 96,2	SA Bonds 196,5
	SA Cash 1,8	Global Equity 7,9	SA Bonds 59,7	SA Bonds 80,5	SA Cash 92,8
	Global Equity -0,7	SA Cash 7,5	SA Cash 26,0	SA Cash 37,6	SA Property 64,4
	Global Bonds -4,4	Global Property -2,5	Global Property 20,6	Global Property 31,3	Global Property 58,8
Worst	Global Property -4,5	Global Bonds -6,2	Global Bonds 4,5	Global Bonds -6,7	Global Bonds 11,1
	Last Quarter	1 Year	3 Years	5 Years	10 Years



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