MitonOptimal

MONTHLY ECONOMIC & MARKET DATA

As of 2025/12/31

MONTHLY COMMENTARY

Global Market Overview

Global markets entered the final month of 2025 with momentum already moderating, and December ultimately confirmed a transition from a broad risk-on environment to a more selective, late-cycle phase. While global equities delivered positive returns for the year, the final quarter highlighted growing valuation sensitivity, slowing growth dynamics, and increasing dispersion between regions, sectors, and styles.

In USD terms, the MSCI World Index finished the year up 21.09%, but December returns of -2.47% reflected broad-based weakness across developed markets. US equities were at the centre of this consolidation. The S&P 500 ended 2025 up 17.43%, while the Nasdaq 100 returned 20.77%, yet both indices declined sharply in December (-3.23% and -3.92% respectively). This pullback underscored mounting investor fatigue with concentrated mega-cap technology leadership following an extended period of outperformance, particularly as earnings expectations softened and valuations remained elevated. Although market breadth showed tentative improvement, returns continued to rely disproportionately on a narrow subset of stocks, reinforcing late-cycle concerns.

By contrast, value-oriented and broader market exposures demonstrated greater resilience. This shift aligned with a gradual rotation toward sectors offering stronger cash flows, more defensive characteristics and less sensitivity to long-duration discount rates. Equal-weighted and value-tilted indices continued to attract interest as investors sought diversification away from crowded growth trades.

Emerging markets extended their relative outperformance during 2025. The MSCI Emerging Markets Index delivered a robust 33.57% return in USD, materially ahead of developed markets. Performance was supported by firm commodity prices, selective EM value exposure and periods of US Dollar softness. Asian markets remained mixed: Hong Kong equities ended the year strongly (32%) but corrected in December, while Japan’s Nikkei 400 rose 25% for the year before softening as tighter monetary policy and currency strength weighed on exporters.

Global listed property remained under pressure. The S&P Global REIT Index jumped 8.88% for the year after declining 1.11% in December, as higher real yields, refinancing risk and uneven fundamentals continued to weigh on the sector. Despite easing inflation, property markets remained vulnerable to long-term rate expectations, reinforcing the need for selectivity and balance-sheet discipline.

From a macro perspective, December was dominated by Central Bank signalling rather than major surprises. The US Federal Reserve delivered its third rate cut of 2025, lowering the policy rate to 3.50–3.75%, while emphasising that future easing would be slower and increasingly data-dependent. Inflation continued to moderate, labour markets cooled further and consumer confidence weakened, pointing to slower—but still positive—growth ahead. In Europe, the ECB remained firmly on hold with inflation close to target and growth proving more resilient than initially feared. China continued to exhibit a divided recovery, with external demand offsetting persistent domestic weakness. Collectively, these dynamics reinforced a late-cycle global backdrop where valuation discipline, diversification and active risk management have become increasingly important.

All performance figures in USD, unless otherwise stated

South African Market Overview

On the local front, South African assets delivered one of their strongest calendar-year performances in decades, decisively outperforming global peers across equities, bonds and listed property. The FTSE/JSE All Share Index surged 42.40% in ZAR during 2025, translating into an exceptional 62.17% return in USD, reflecting a powerful combination of valuation re-rating, falling bond yields, currency strength and robust commodity exposure.

Listed property was a standout contributor. The FTSE/JSE SA Listed Property Index gained 30.56% for the year, as the sharp decline in long-dated bond yields triggered a significant re-rating across the sector. After several years of underperformance driven by balance-sheet stress and rising funding costs, improving confidence in the interest-rate outlook and stabilising fundamentals prompted renewed investor demand. This re-pricing highlighted the asymmetric upside that emerges when deeply discounted assets encounter improving macro conditions.

South African bonds also delivered exceptional outcomes. The All Bond Index returned 24.24% for the year, benefiting from anchored inflation expectations, improving fiscal discipline and a meaningful compression in term premia. The decline in 10-year government bond yields—from above 11% earlier in the year to below 9% by December—signalled a material shift in investor confidence. Notably, this rally occurred despite persistent political uncertainty, underscoring the growing credibility of monetary policy and South Africa’s improving macro resilience.

December itself was more subdued but remained constructive. Local equities advanced modestly, bonds continued to firm and the Rand strengthened materially, with USD/ZAR declining by more than 3% during the month. While Rand strength detracted from offshore returns in ZAR terms, it further enhanced the relative attractiveness of domestic assets and reinforced the benefits of maintaining meaningful local exposure through 2025.

Macroeconomic data continued to show incremental improvement. South Africa recorded 0.5% GDP growth in Q3, extending the expansion to a fourth consecutive quarter, while year-on-year growth reached 2.1%, the strongest since Q3 2022. Inflation eased to 3.5% in November, remaining comfortably near the lower end of the SARB’s target range and providing scope for a supportive interest-rate environment. Although manufacturing activity remained under pressure, broader economic momentum was supported by household spending, government expenditure and a rebound in fixed investment. Overall, 2025 marked a decisive turning point for South African risk assets, where low expectations met improving fundamentals and attractive valuations.

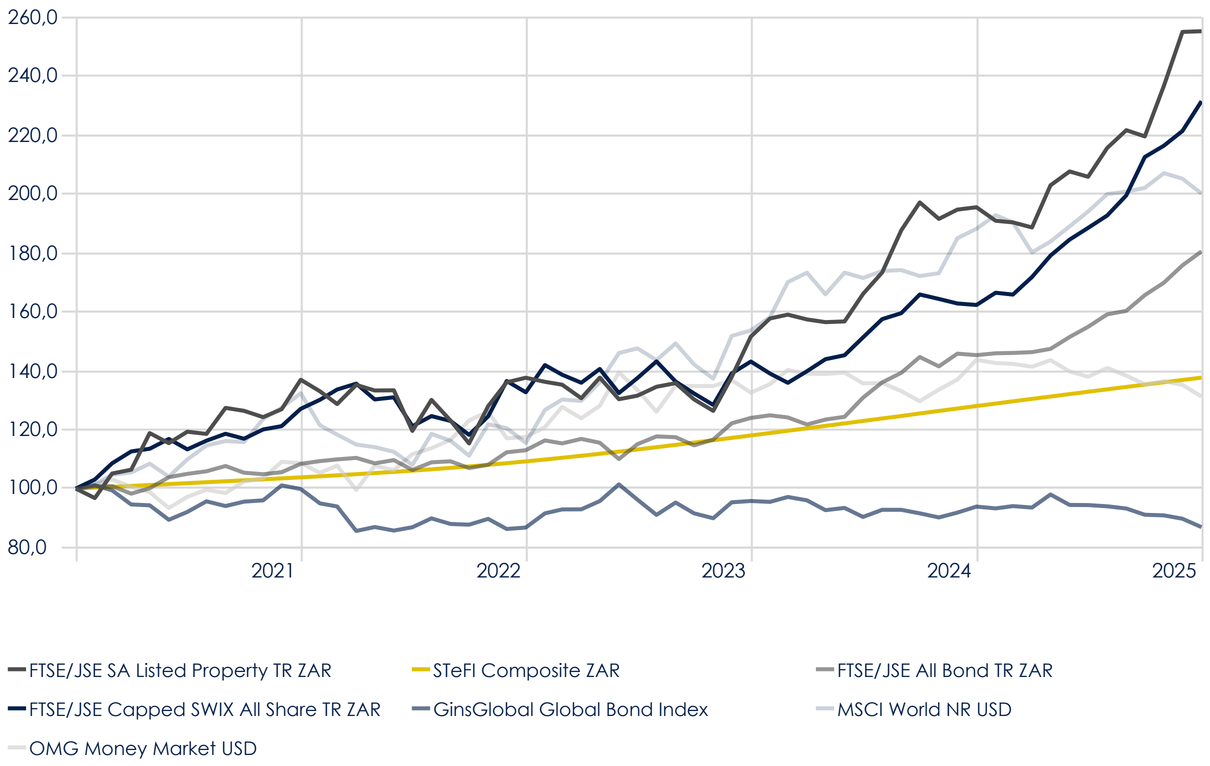
All performance figures in ZAR, unless otherwise stated
Source of all data: Morningstar, unless otherwise stated

MARKET INDICES

INDEX PERFORMANCE IN ZAR

	1 Month	6 Months	1 Year	3 Years	5 Years	10 Years
FTSE/JSE All Share TR ZAR	4,57	22,03	42,40	20,85	18,76	12,39
FTSE/JSE Top 40 NR ZAR	4,68	23,03	46,77	20,42	18,11	11,88
FTSE/JSE Mid Cap TR ZAR	4,53	18,94	30,96	18,36	16,77	10,21
FTSE/JSE Small Cap TR ZAR	2,38	19,32	21,46	22,33	25,65	12,28
FTSE/JSE Indl 25 TR ZAR	1,79	2,07	19,22	17,91	14,54	8,95
FTSE/JSE Financial 15 TR ZAR	7,34	20,01	27,17	23,50	21,48	10,23
FTSE/JSE Resources 10 TR ZAR	5,56	66,33	144,17	24,23	21,93	21,91
FTSE/JSE SA Listed Property TR ZAR	0,09	24,00	30,56	22,86	20,61	5,10
STeFI Composite ZAR	0,58	3,60	7,52	8,01	6,60	6,78

KEY INDEX PERFORMANCE OVER 5 YEARS

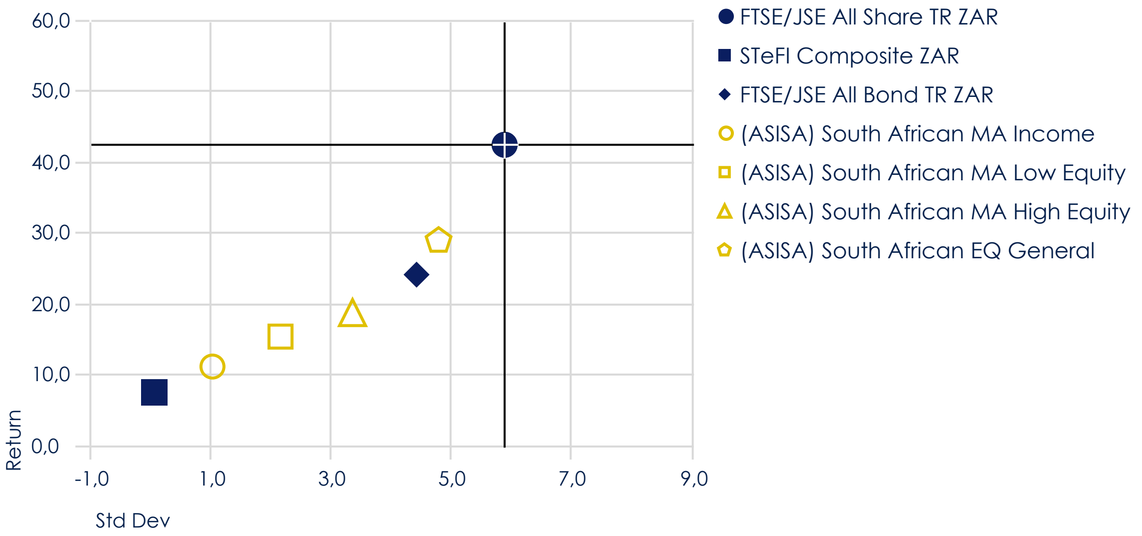


ASISA SECTOR PERFORMANCE

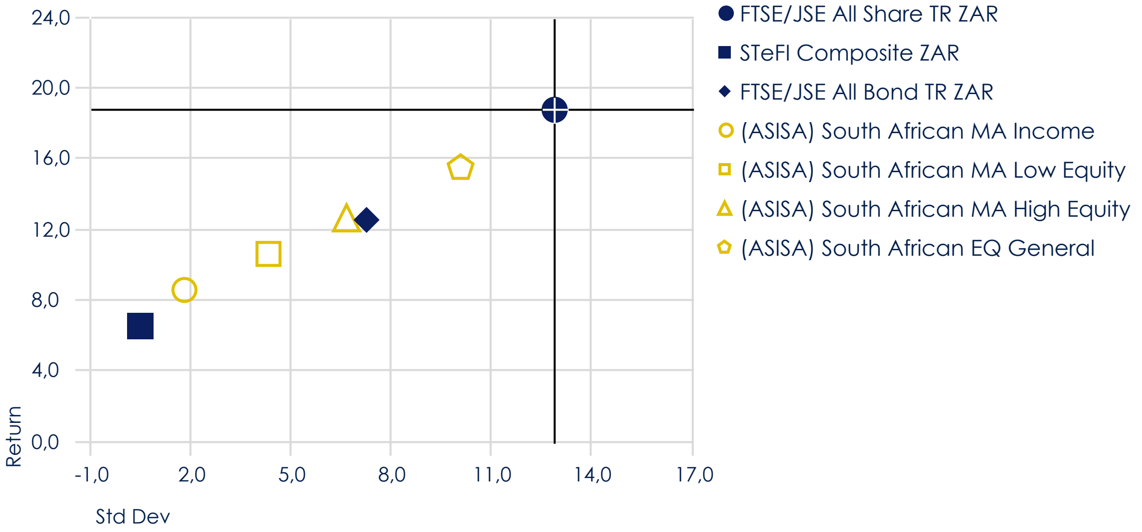
	1 Month	6 Months	1 Year	3 Years	5 Years	10 Years
(ASISA) South African IB SA Money Market	0,58	3,57	7,42	7,71	6,33	6,72
(ASISA) South African MA Income	1,04	6,65	11,04	10,21	8,53	8,04
(ASISA) South African MA Low Equity	1,32	9,28	15,51	12,92	10,62	7,96
(ASISA) South African MA High Equity	1,87	10,91	18,76	14,79	12,69	8,44
(ASISA) South African MA Flexible	2,63	11,98	20,57	15,19	13,29	8,51
(ASISA) South African EQ General	3,78	16,81	28,88	16,19	15,44	9,10
(ASISA) Wwide MA Flexible	-0,06	5,86	11,46	14,84	10,79	7,87

SA CHARTS

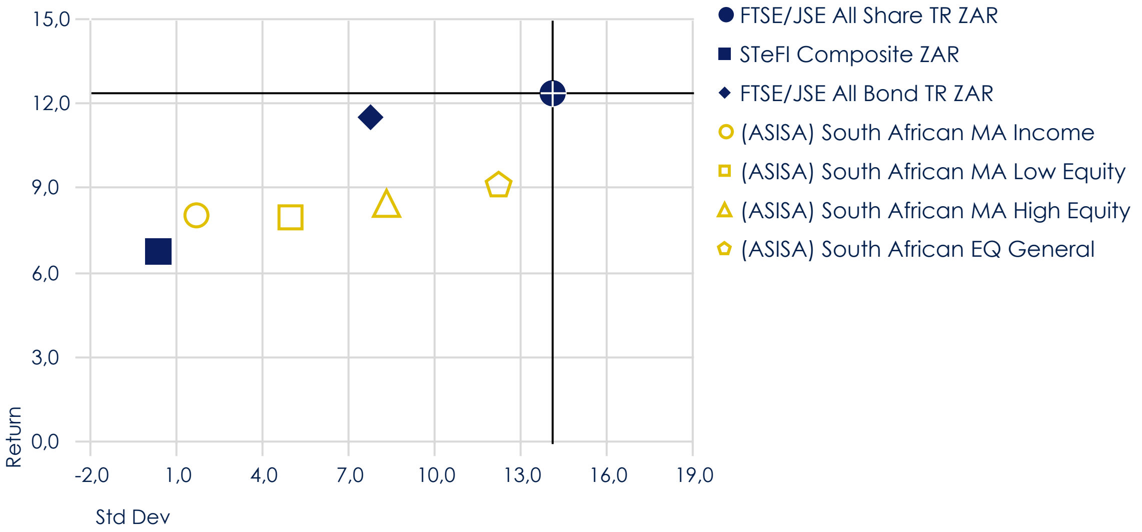
RISK / REWARD: 1YEAR



RISK / REWARD: 5 YEARS



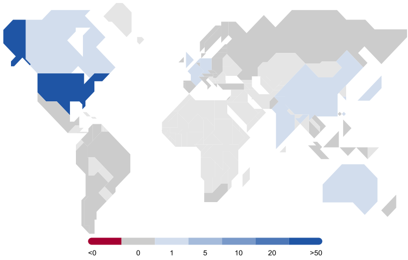
RISK / REWARD: 10 YEARS



GLOBAL AND SA CHARTS

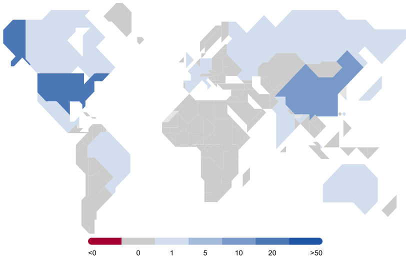
MSCI ACWI

Country Exposure



	%
United States	63,9
Japan	4,9
United Kingdom	3,2
Canada	3,1
China	3,1
Switzerland	2,3
Taiwan	2,2
France	2,1
Germany	2,1
India	1,7

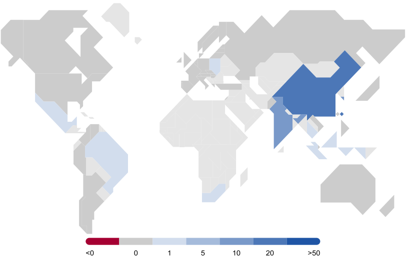
Revenue Exposure



	%
United States	44,8
China	11,3
Japan	4,4
United Kingdom	3,4
Germany	3,1
India	2,8
Canada	2,7
Taiwan	2,1
France	2,1
Singapore	1,8

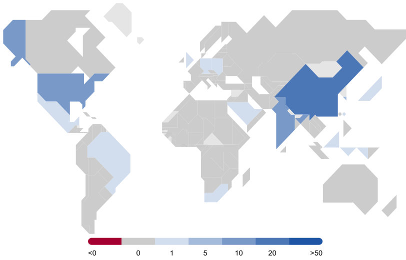
MSCI EMERGING MARKETS

Country Exposure



	%
China	27,0
Taiwan	20,4
India	15,3
South Korea	13,3
Other Countries	5,8
Brazil	4,3
South Africa	3,7
Mexico	1,9
Malaysia	1,2
Indonesia	1,2

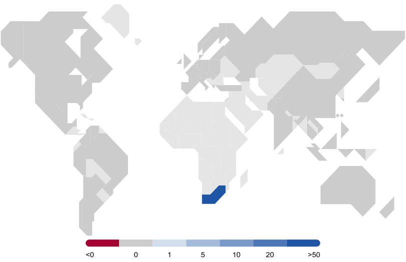
Revenue Exposure



	%
China	30,0
United States	16,5
India	12,7
South Korea	5,9
Taiwan	4,4
Brazil	3,7
Saudi Arabia	2,6
Japan	1,8
South Africa	1,6
Mexico	1,6

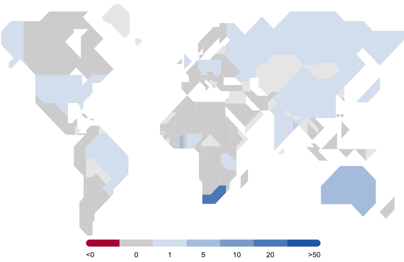
MSCI SOUTH AFRICA

Country Exposure



	%
South Africa	97,4
Other Countries	2,6

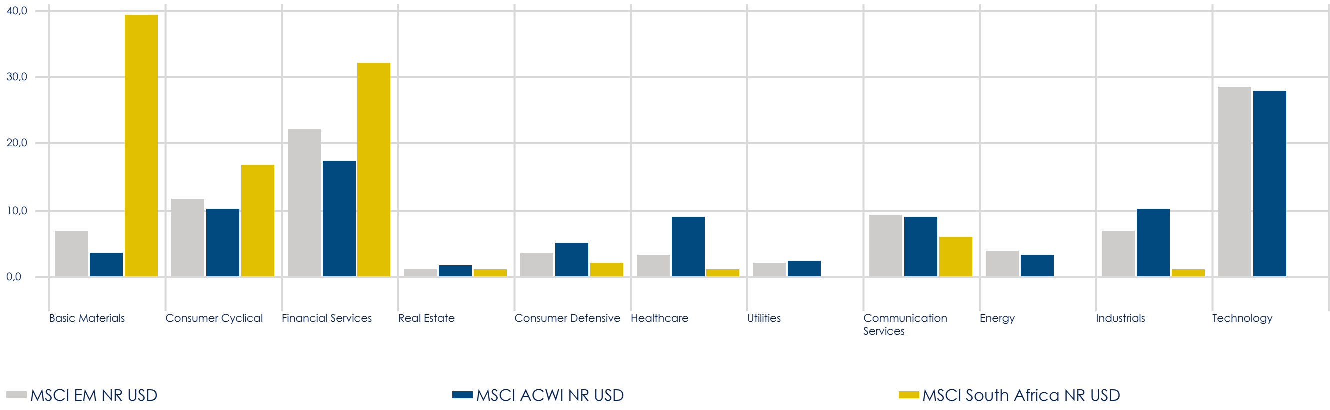
Revenue Exposure



	%
South Africa	40,0
Australia	7,2
Ghana	6,7
United Kingdom	4,5
Japan	3,8
United States	3,2
Tanzania, United Republic Of	3,2
Germany	2,6
Brazil	2,5
Russia	2,5

GLOBAL AND SA CHARTS

COMPOSITION OF WORLD INDICES



DISCLAIMER

Source of all data: Morningstar (unless otherwise stated).

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