

MARKET OVERVIEW

The second quarter of 2025 was strong for financial markets, even though global tensions and geopolitical uncertainty continued. Locally, listed property was the top performer, growing by 10.8%.

Local shares rose by 9.7%, and global shares rose by 11.5% in United States Dollar (USD) terms, or 7.7% in Rand terms. The Rand also got stronger, gaining more than 3% against the USD.

Over the past year, local assets outperformed global assets. Local shares and local property delivered returns of over 20%, while local bonds delivered 18.4%.

	3 months	6 Months	1 year
SA Equity (Capped SWIX)	9.7%	16.1%	24.6%
SA Bonds (ALBI)	5.9%	6.6%	18.4%
SA Property (ALPI)	10.8%	6.1%	25.9%
SA Cash (STeFI)	1.9%	3.8%	8.1%
SA Inflation Linked Bonds (CILI)	0.9%	1.6%	7.3%
Global Equity (MSCI World (\$))	11.5%	9.5%	16.3%
Global Equity (MSCI World (R))	7.7%	3.1%	13.1%
Global Bonds (WGBI (\$))	4.6%	7.3%	8.5%
Global Bonds (WGBI (R))	1.0%	1.0%	5.6%

Global Markets

Trade issues continued into the second quarter. In April, US President Donald Trump announced broad new tariffs, including on South African goods that are exported to the US. This caused panic in equity markets, with investors moving to safer assets like gold and US Treasuries. In response to the market sell-off, the US implemented a 90-day pause on the tariffs to allow trade talks. A deal between the US and China helped calm markets and lifted global share prices. While trade deals with major economies such as the European Union (EU), Japan, Canada, and South Korea are still in progress, markets are hopeful that an all-out trade war will be avoided.

Interest Rates and Inflation

US inflation fell to 2.4% in May, which was its lowest level since 2021. The US Federal Reserve kept interest rates steady in June but said it may cut rates twice more in 2025, with possible future cuts in 2026 and 2027. Interest rate cuts should keep growth strong and help US companies, which have already shown strong earnings in the second quarter.

In Europe, inflation fell below 2% for the first time since September 2024. The European Central Bank responded with a small interest rate cut in June.

Geopolitical Tensions

Global tensions remain a concern. A short-lived clash between India and Pakistan released fears but ended quickly. The tension in Gaza also worsened, with Israel and Iran launching air strikes. After 12 days, the US helped negotiate a ceasefire. The war in Ukraine continued, with Russia gaining ground despite pressure from the US to end the war.

Local News and Economy

The South African Reserve Bank (SARB) cut interest rates by 0.25% in May, as inflation eased to 2.8%. This helped households and businesses, but the slow pace of the rate cuts may not be enough to boost economic growth. The Reserve Bank preferred to cut interest rates gradually to bring South Africa's (SA) target in line with other emerging markets. The economy grew by only 0.1% in the first quarter.

In May, SA finally passed its 2025 Budget after tensions within the Government of National Unity (GNU). This, together with a more stable electricity supply and the possibility of SA being removed from the Financial Action Task Force grey list later this year, boosted investor confidence. However, urgent interventions are needed in transport, water infrastructure, and other key areas to create jobs and grow the economy.

Key Takeaway

Even with trade issues, global conflict, and slow local growth, markets performed well in the second quarter. This shows how hard it is to predict market movements. As you're saving for retirement, which requires a long-term focus, avoid reacting to short-term changes. Speak to a financial adviser if you're unsure or if you're planning on making changes.

INVESTMENT PERFORMANCE SUMMARY AS AT 30 JUNE 2025

The table below provides the gross return of each portfolio over the 1, 3, 5 and 10 year periods ending 30 June 2025.

Category	Portfolio	1 Year	3 Years	5 Years	10 Years
Default	Old Mutual Absolute Smooth Growth	12.1%	11.3%	11.5%	8.9%
	Target: Inflation + 6%	9.2%	10.7%	11.4%	11.1%
Market Linked	Old Mutual Multi-Managers Inflation Plus 5-7%	14.6%	14.3%	14.5%	9.7%
	Old Mutual Profile Edge28	16.7%	13.4%	15.1%	9.1%
	Coronation Managed	20.8%	18.5%	16.8%	10.7%
	Target: Inflation + 6%	8.7%	10.6%	11.4%	11.1%
	M&G Balanced	20.8%	15.4%	15.2%	10.2%
	Old Mutual Multi-Managers Balanced Tracker*	15.5%	15.5%	13.7%	8.8%
	Target: Inflation + 5%	7.7%	9.6%	10.3%	10.0%
Smooth Bonus	Old Mutual Absolute Smooth Growth	12.1%	11.3%	11.5%	8.9%
	Target: Inflation + 6%	9.2%	10.7%	11.4%	11.1%
	Old Mutual Coregrowth 100	10.4%	9.3%	8.6%	8.2%
	Target: Inflation + 3%	6.1%	7.6%	8.3%	8.0%
Shari'ah	Old Mutual Investment Group Shari'ah Composite Fund	9.4%	11.8%	12.5%	8.5%
	Target: Inflation + 4.5%	7.7%	9.2%	9.9%	9.5%
Money Market	Futuregrowth 120-day Money Market**	9.0%	8.4%	6.7%	7.3%
	Target: Inflation	3.0%	4.5%	5.1%	4.8%

* Old Mutual Multi-Managers Balanced Tracker w.e.f 1 July 2024 and Old Mutual Investment Group Balanced Index prior.
** Old Mutual SA Money Market Fund prior to May 2024 and Futuregrowth 120-day Money Market from 1 June 2024

INVESTMENT SWITCHES: WHAT YOU NEED TO KNOW UNDER THE TWO-POT SYSTEM (FROM 1 SEPTEMBER 2024)

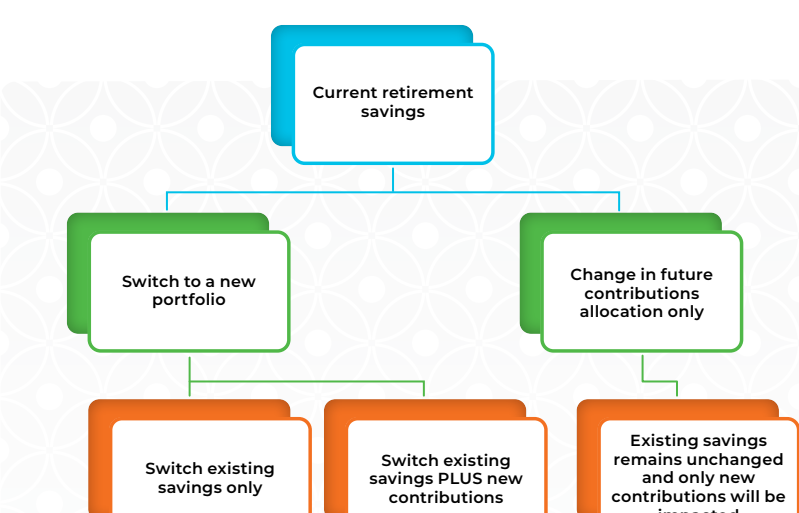
Quick recap: What is the Two-Pot System?

From 1 September 2024, your retirement savings are split into three parts:

- Vested Pot:** All your savings before 1 September 2024.
- Savings Pot:** 1/3rd of contributions from 1 September 2024 onwards. Can be accessed before retirement (with limits).
- Retirement Pot:** 2/3rds of contributions from 1 September 2024 onwards. Preserved for retirement.

How Investment Switches Work

Your existing savings (Vested, Savings, and Retirement) will remain in your current investment portfolio. Only new contributions will be invested according to your new selection, as shown in the diagram on the right:



Note: All future contributions will be allocated to the Savings Pot (1/3) and Retirement Pot (2/3). No future contributions will be allocated to the Vested Pot.

Examples of switches:

Example	Switch Date	What is switched?	Investment split post change
A member switching existing savings and future contributions to Coronation and M&G portfolios in equal shares	2 September 2024	All existing savings and future contributions will be invested in the new portfolios chosen	50% Coronation, 50% M&G. No more investment in AGP Smooth (or any previously selected portfolio). Each new portfolio will include a Vested, Savings, and Retirement Pot.
A member switching only future contributions, keeping existing savings in AGP Smooth (or any other current portfolio) unchanged	23 September 2024 onwards	Only future contributions will switch. Existing savings stay in the current portfolio.	Existing savings stay in AGP Smooth (or any other current choice), with a Vested, Savings, and Retirement Pot. Future contributions will be invested 50% in Coronation and 50% in M&G, each with a Savings and Retirement Pot.

Key Reminders

- You cannot select different portfolios for the Savings and Retirement Pots. Each investment portfolio will have its own Retirement, Savings and Vested pot.
- The timing of your switch affects how much money is allocated to the new portfolios.
- If you're unsure what's best for your situation, please speak to a financial adviser. Investment decisions can have a big impact on your retirement.

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