

Market Overview

December 2025

Morningstar Investment
Management
January 2026

Global Market and Economic Summary

Global equities ended December on a positive note, capping a strong year for both Developed Markets (DM) and Emerging Markets (EM), despite a backdrop of unusually high uncertainty. The rally was broad-based, although indices with heavy Technology and Resource exposure were the standout performers in 2025. In the U.S., equities were essentially flat in December but still recorded a third consecutive year of double-digit gains, delivering a total return of 17.9% for the calendar year. Within EM, South Korea (+9.8%) and Taiwan (+4.7%) outperformed in December, supported by robust demand for semiconductors linked to artificial intelligence (AI). Global bonds underperformed most other major asset classes both in December and for the year as a whole. The global aggregate bond index was particularly weighed down by index heavyweights Japan, Germany and France, where 10-year government yields rose across the board. In the U.S., Treasury returns were weak in December as yields climbed across the curve, though over the full year, U.S. bonds fared relatively well, with the 10-year yield declining in 2025, supporting higher Treasury prices.

Turning to central bank actions, as expected, the Federal Reserve (Fed) cut the benchmark interest rate by 0.25% to 3.50%-3.75%, marking the third reduction this year. The Fed cited expectations of stronger economic growth in 2026 and a moderation in inflation as key factors supporting the rate cut. Meanwhile, the European Central Bank (ECB) held its main refinancing rate unchanged at 2.15% and the deposit facility rate at 2.0% for a fourth consecutive meeting in December, maintaining a steady policy stance amid mixed economic signals. The Bank of England (BoE) lowered its policy rate by 0.25% to 3.75% in a narrow 5–4 vote, reflecting policymakers' attention to persistent economic slack and easing inflation pressures. In contrast, the Bank of Japan (BoJ) raised its policy rate by 0.25% to 0.75% in December, the highest level in roughly 30 years. In other economic news, China showed continued signs of slowing economic growth, mainly due to weak domestic demand evident in both property investment and consumer spending. In the U.S., labour market data pointed to slower employment growth, with revised figures indicating modest job creation and a slight rise in unemployment – a classic indicator of cooling labour demand. For the Fed, whose dual mandate is to control inflation while supporting employment, these trends could justify further monetary easing. However, as Chair Powell highlighted, the recent slowdown in job growth may reflect declining net immigration rather than underlying economic weakness.

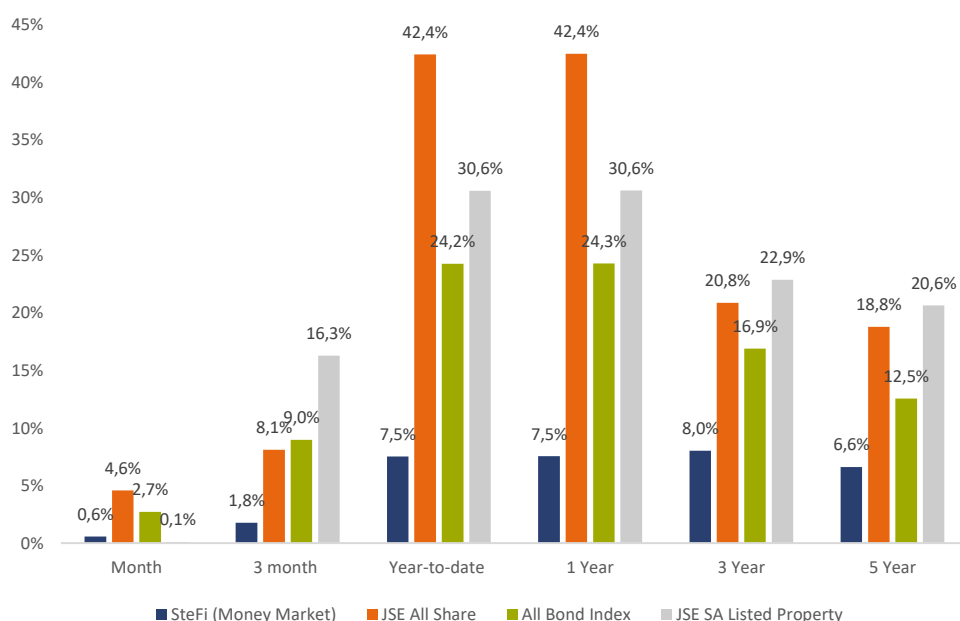
South African Market Update

South African assets had yet another strong month, supported by surging precious metal prices, structural reforms, improving inflation, better fiscal discipline, political stability and a more reliable power and infrastructure outlook. South African equities (+4.6%) posted positive performance over the month, pushing the performance for the year to +42.4%, the best annual return since 2005. The market displayed broad strength over the month, as Resources (+5.7%), Financials (+7.7%) and Industrials (+1.9%) all posted gains. Specifically,

Banks and Precious Metal Miners were the standout performers over the month, with Impala Platinum (+22.2%), Valterra Platinum (+18.4%), ABSA (+14.9%) and Firstrand (+11.4%) being some of the top performers. In contrast, the Retail sector continued to face challenges, with the sector being dragged down by Mr Price (-15.2%), Clicks (-3.1%) and Shoprite (-1.3%). The Property sector (+0.1%) ended the month flat, ending the year +30.6% higher.

South African bonds (+2.7%) delivered strong returns in December, subsequently delivering the best calendar-year return (+24.2%) since 1999. The strong bond market was supported by the Rand, which recorded its first annual gain against the U.S. dollar in six years. Key factors driving this performance included improved prospects for fiscal consolidation, the reduction of the inflation target to 3% and a favourable global backdrop, all of which contributed to pushing the local yields lower across all maturities.

Exhibit 1 | SA Market Performance (total returns)

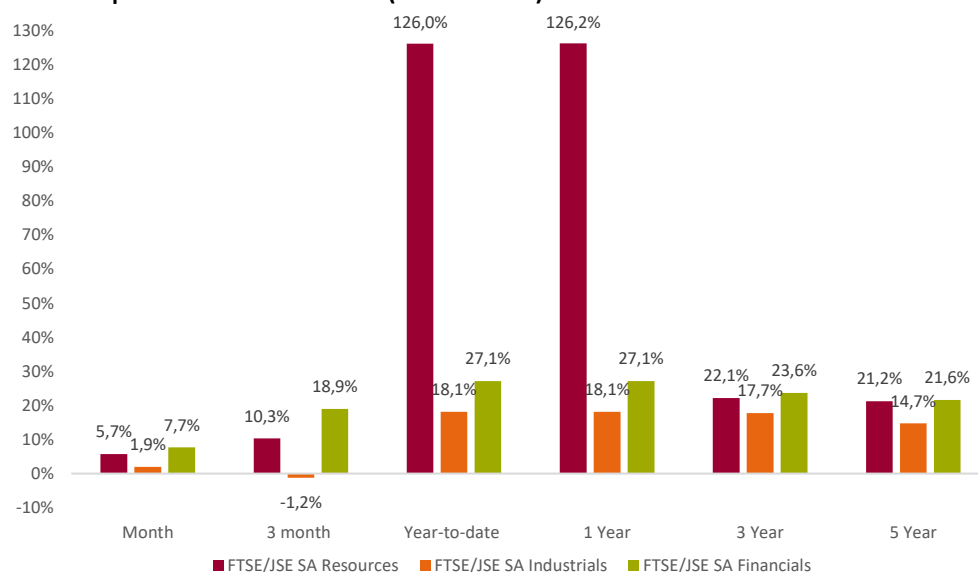


Source: Morningstar Direct as at 31/12/2025. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African Economic Update

The South African economy expanded by 0.5% quarter-on-quarter (q/q) in Q3 2025, following an upwardly revised 0.9% growth in the previous quarter, marking the fourth consecutive quarter of expansion. On a year-on-year (y/y) basis, GDP grew 2.1% in Q3 – the fastest pace since Q3 2022. Headline inflation moderated slightly to 3.5% y/y in November (from 3.6%), just below consensus expectations of 3.6%, while core inflation ticked up marginally to 3.2%, in line with forecasts.

In other economic news, the South African Rand traded near 16.5 per USD, its strongest level since 2022, extending a rally that began in April 2025. Over the year, the Rand gained more than 10% against the U.S. Dollar, supported by rising precious metal prices and improving domestic fundamentals, including a favourable inflation outlook, credible monetary policy, stronger fiscal management, political stability, enhanced power supply, and increased infrastructure investment. A softer U.S. dollar, following the Federal Reserve's recent 25-basis-point rate cut, provided additional support to emerging-market currencies, adding momentum to the rand.

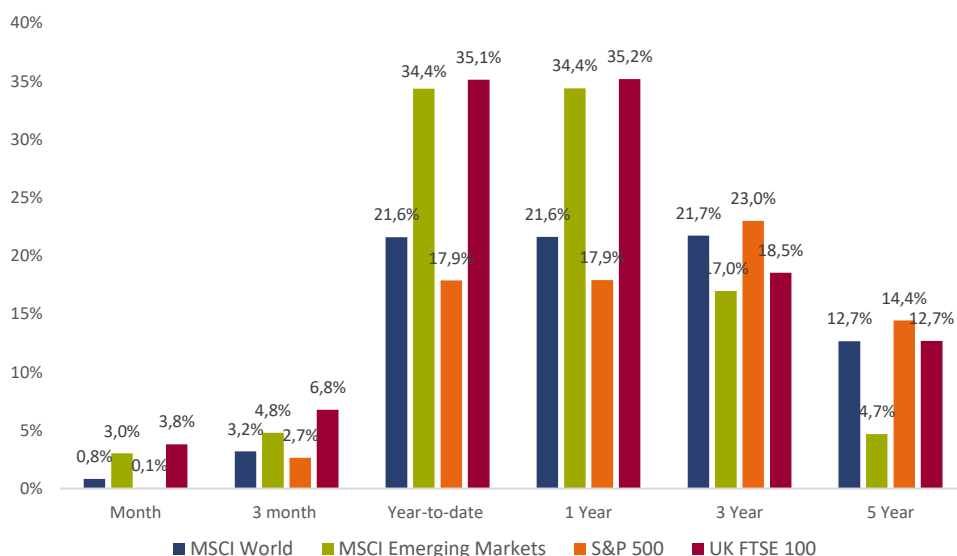
Exhibit 2 | SA Sector Performance (total returns)

Source: Morningstar Direct as at 31/12/2025. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Global equity markets had a positive December, capping what was, despite extremely elevated policy uncertainty, a very impressive year for both Developed Markets (DM) and Emerging Markets (EM). The **MSCI World Index** (+0.8%) posted marginally positive returns. However, DM underperformed EM over the month, with the **MSCI Emerging Markets Index** (+3.0%) posting strong returns.

Within emerging markets, China's **Shanghai SE Composite** (+3.4%) and Korea's **KOSPI** (+9.5%) posted positive returns over the month, as strong demand for AI-related stocks (such as semiconductors) continued. In Europe, the **MSCI Europe Ex UK Index** (+3.9%) posted positive returns for the month, outperforming the broader DM composite, with the UK's **FTSE 100** (+3.8%) also ending the month higher. Additionally, Japan's **Nikkei 225** (-1.3%) posted weak performance over the month.

In the U.S., tech-heavy **NASDAQ 100** (-1.0%) posted weak returns over the month, as concerns surrounding AI capex and the prospects of future revenue negatively affecting most tech stocks. The **S&P 500** (-0.3%) posted marginally negative performance, as Utilities, Consumer Staples and Real Estate detracted from returns.

Exhibit 3 | International Market Performance (total returns)

Source: Morningstar Direct as at 31/12/2025. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on Client Portfolios

Portfolios delivered solid performance in December, supported by continued momentum in both local equity and local bond allocations. Although global equity market returns were generally subdued over the month, our overweight positions in attractively valued segments of developed and emerging markets continued to contribute positively to portfolio performance. Sector positioning also aided returns, with tilts toward Healthcare and Consumer Staples, alongside underweights in Technology, proving beneficial over the month. Regional overweights to Korea and Latin America also added meaningfully to returns. Within global fixed income, returns were also generally muted. Long-duration U.S. Treasury exposures detracted from returns over the month as longer-term yields declined. This was largely offset by positive contributions from UK Gilts and global credit allocations, which contributed to portfolio returns. Locally, active equity managers delivered strong returns over the month, benefiting from broad-based market strength. Performance was further enhanced by overweights to the attractively priced Financials sector and the high-performing Resources sector, both of which contributed significantly to returns. In the local bond market, longer-duration positioning outperformed as yields declined across the curve, driving gains in local fixed income. The rand strengthened meaningfully against the U.S. dollar over the month, creating a currency headwind for offshore assets when translated back into local terms and dampening the contribution from global exposures.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio, independent of the prevailing market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	4.57	42.40	42.40	20.85	18.76	16.03
JSE SA Listed Property	0.09	30.56	30.56	22.86	20.61	7.91
All Bond Index	2.70	24.24	24.24	16.89	12.54	11.66
STeFI	0.58	7.52	7.52	8.01	6.60	6.52
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	4.71	47.66	47.66	21.20	18.96	16.68
JSE Mid Cap	4.53	30.96	30.96	18.36	16.77	11.55
JSE Small Cap	2.38	21.46	21.46	22.33	25.65	16.97
FTSE/JSE SA Resources	5.72	126.03	126.03	22.10	21.21	22.23
FTSE/JSE	7.69	27.09	27.09	23.62	21.60	11.55
Ind/Financials						
FTSE/JSE SA	1.94	18.10	18.10	17.73	14.72	13.48
Industrials						
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	0.84	21.60	21.60	21.72	12.66	15.34
MSCI Emerging	3.02	34.36	34.36	16.98	4.67	8.52
Markets						
S&P 500	0.06	17.88	17.88	23.01	14.42	17.29
NASDAQ 100	-0.67	21.02	21.02	33.20	15.30	22.88
FTSE 100	3.81	35.13	35.13	18.53	12.69	10.60
SSE Composite	3.95	36.60	36.60	19.16	10.28	12.58
KOSPI TR KRW	3.39	23.68	23.68	8.52	1.35	6.59
Nikkei 225	9.84	83.17	83.17	20.31	4.09	9.07
FSE DAX	0.39	29.47	29.47	19.98	5.96	10.62
US T-Bill 3m	0.31	4.29	4.29	4.99	3.41	2.79
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-3.72	-17.59	-17.59	-10.86	3.27	1.77
Gold	4.22	67.41	67.41	34.04	18.27	19.18
Platinum	35.73	143.81	143.81	29.25	17.15	15.99
Copper	7.78	33.04	33.04	9.87	7.36	9.11

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 31/12/2025.

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