Autumn 2025

Equity Fund

At a glance – our asset class views

The Ninety One Equity Fund invests in companies where expected future earnings are being revised upwards, and valuation is considered reasonable. When assessing the sustainability of these earnings revisions, we believe it is crucial to have a clear perspective on the earnings prospects for both the company and the sector in which it operates. This helps us to identify potential changes in future earnings revisions ahead of the market. From a broad sector or industry perspective, we group the market into four "clusters" or "super-sectors" based on the geographic/currency origin of revenues (global or domestic) as well as the company or sector's sensitivity to the economic cycle (cyclical or defensive).

Market sectors or "clusters"	Description	Share examples	31 March 2025			31 December 2024		
			-	0	+	-	0	+
Global cyclical	Companies that are positively geared to the global economic cycle and are less dependent on domestic economic growth.	Resources such as diversified miners (Anglo American) as well as global industrials and financials such as Quilter.		●			●	
Global defensive	Global industries and sectors that are contra-cyclical in nature.	Naspers/Prosus, Mondi as well as gold miners.		●			●	
Domestic cyclical	Companies with earnings that are sensitive to the domestic consumer, economy and interest rate cycle.	South African banks (Capitec), insurers (Sanlam), and retailers such as Mr Price.			●			●
Domestic defensive	Domestic industries and sectors that are broadly contra-cyclical in nature.	MTN, select property shares (Hyprop, Resilient).	●			●		
Offshore-listed equities	Companies that are listed on stock markets outside of South Africa.	Amazon, Microsoft, Alphabet, Intact Financial and JP Morgan.			●			●

Views expressed are those of the portfolio management team of the Ninety One Equity Fund. Earnings revisions at reasonable valuations are the primary determinants for stock selection from a bottom-up perspective. All views are as at 31 March 2025.

Global cyclical

Neutral

From a top-down perspective, we observed some deterioration in global sentiment in the early part of this year. This coincided with the beginning of the second term of US President Donald Trump and the ongoing news flow around tariff threats and geopolitical tensions. Meanwhile, global inflation levels have remained at moderate to low levels, although not quite meeting central bank targets, most notably in the US, where the number of interest rate cuts expected by the market has declined in recent months. Taking these developments into account, we remain selective in terms of our exposure to the broad global cyclical sector. More significant positions include holdings in UK wealth manager Quilter and exposure to the paper sector, where positive dynamics around raw material prices are showing signs of surfacing. From a commodity perspective, in the wake of a continued slow Chinese recovery, exposure has shifted to those diversified miners that stand to benefit from the broad decarbonisation trend. Primary overweight positions include Anglo-American and South32. There are also signs of platinum group metals (PGM) basket prices bottoming after a prolonged period of stagnation, and we see opportunities to start building positions in certain PGM miners.

Global defensive

Neutral

Exposure to this broad market sector is focused on specific opportunities with persistent growth profiles, where the majority of revenues are generated outside of South Africa. Exposure to global staples (rand hedge consumer staples) remains limited. We have maintained significant exposure to Naspers and Prosus, supported by a stabilisation in Tencent's earnings revisions profile, as well as share buybacks. Management continues to address the steep valuation discount and regulatory uncertainty around the gaming industry, although near-term uncertainty has been created by US sanction threats as well as M&A activity by Prosus in the European food delivery space. Elsewhere, with the gold price continuing to benefit from the uncertain global environment, making new all-time highs and recently breaching the US$3000/ounce level, our exposure to gold companies has provided an effective hedge for the broader portfolio. Dynamics around the strong gold price will come into question at these levels, with continuing speculation around central bank buying difficult to track. As a result, this is an area of the portfolio where we see the potential for profit-taking in the coming months.

Domestic cyclical

Positive

South Africa has not been spared the global deterioration in economic sentiment, nor has it been helped by the unexpectedly high number of targeted announcements from the Trump administration. Fundamentally, while some counters have seen a slowdown in earnings growth estimates, we still see a broadly positive environment for domestic cyclicals, with signs of solid earnings prospects in areas such as banks and insurers. The potential for fewer rate cuts from a hawkishly tilted SARB, in response to the global environment, as well as a 0.5% VAT increase, give reason to balance optimism around the SA consumer somewhat, but with valuations having returned to attractive levels in many cases, we see adequate opportunities to generate solid returns from this exposure. We have maintained our significant allocation to South African banks, actively increasing our exposure here and in other SA-facing parts of the market where we continue to see attractive earnings growth dynamics, most notably in the insurance space through counters such as Discovery, Sanlam and Outsurance. Overall, our outlook for domestic cyclicals points toward an improvement in local sentiment and business confidence (off a low base) as we move further into the year. This should support growth expectations and, in turn, support the rand, a potential positive for local inflation and interest rate expectations. This bodes well for future valuation ratings and growth expectations for local cyclicals.

Domestic defensive

Negative

Our exposure to local defensive businesses has remained limited as this sector does not offer many attractive opportunities at this point in the cycle. We do have some exposure to counters such as MTN and Tiger Brands, where we anticipate favourable dynamics in terms of earnings trajectory in the coming months. However, we do not expect this exposure to be a primary contributor to returns in the short term.

Domestic listed property has provided exceptional returns over the past 12-18 months, benefitting from favourable valuations and expectations of declining interest rates. It was also among the sectors most positively impacted following the local elections in May last year. While we still expect the interest rate cycle to turn from a headwind to a tailwind for the sector over the coming quarters, the strong performance of 2024 does give us reason to be more selective in our allocation as valuations are no longer as attractive. Fundamental improvements should drive another leg up with metrics such as the rate of negative rental reversions appearing to have bottomed and the improvement in cash generation providing a decent underpin to dividends. Potential government reforms over the coming months and years will hopefully aid this dynamic. The sector trades on a forward distributable income yield of c.9% and a c.25% discount to net asset value (NAV). We have maintained our exposure to domestic listed property through select holdings such as Hyprop and Resilient, increasing these in certain cases where we see more favourable company-specific dynamics playing out in the near future.

Offshore-listed equities

Positive

Global growth prospects have moderated somewhat in recent months. In response, we have incrementally reduced our overall offshore exposure. However, our primary focus remains bottom-up, where our earnings-focused investment approach has naturally shifted the portfolio's focus towards investments where fundamentals underpin resilient and sustainable growth trends. We maintain the sector exposure in favour of "growth" at the expense of "defensives". We remain selective with a clear focus on "earnings growth and earnings persistency", where companies have shown an ability to sustain growth momentum through bottom-up strategies around positive market share dynamics.

– **Defensives - Negative**

  From a broad sector perspective, our exposure to defensive companies remains limited in favour of more growth and cyclically driven stocks. We maintain exposure to key defensive global holdings, which include Thermo Fisher Scientific and Johnson & Johnson in the healthcare sector. In addition, we have exposure to defensive energy utilities with structural tailwinds from growing renewables businesses such as Iberdrola and Enel SPA.

– **Growth – Positive**

  Exposure to "growth" continues to be one of our more preferred offshore allocations. Even though growth trends have slowed from extremely strong levels in some cases (e.g. in US large-cap tech), the market continues to focus on "earnings growth and earnings persistency", where companies have shown an ability to sustain growth momentum through bottom-up strategies around positive market share dynamics. These opportunities are mainly expressed through holdings in the technology, communications and diversified financial services sectors. Strong earnings revisions from technology and communications sectors have supported growth in holdings such as Microsoft, Amazon.com and TKO Group.

– **Cyclicals – Positive**

  We maintain a selective approach in terms of our exposure to this broad market sector. The beginning of US President Trump's second term has created an environment of increased uncertainty, specifically around global trade dynamics, while the prospects of a sustained rate cutting cycle seem to have been down-weighted by markets.

Against this backdrop, our most notable global cyclical exposures are in stock-specific opportunities where earnings are expected to grow, and earnings revisions are positive due to structural tailwinds. Key holdings include TSMC in the semiconductor space, and North American financials such as Intact Financial and JP Morgan, as well as video game developer Take-Two Interactive. We have also increased our exposure to Europe through holdings in Schneider Electric as well as Barclays.

Important information

All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. No one should act upon such information or opinion without appropriate professional advice after a thorough examination of a particular situation. We endeavour to provide accurate and timely information but we make no representation or warranty, express or implied, with respect to the correctness, accuracy or completeness of the information and opinions. We do not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. Any representation or opinion is provided for information purposes only.

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