Autumn 2025

Worldwide Flexible

At a glance – our asset class views

	31 March 2025			31 December 2024		
Asset allocation	-	0	+	-	0	+
Equities			●			●
- Cyclicals			●			●
- Growth			●			●
- Defensives	●			●		
Listed property		●			●	
Bonds		●			●	
- Developed market bonds	●			●		
- Emerging market bonds			●			●
Cash		●		●		

All views expressed are those of the portfolio management team of the Ninety One Worldwide Flexible Fund, as at 31 March 2025.

We believe in a fully flexible, actively managed approach which integrates multiple levers of return regarding asset allocation, currency exposure and asset selection and leverages off Ninety One's well-resourced global research platform across asset classes.

Equities

Positive

While equities remain our preferred asset class over the longer term, we have marginally reduced our allocation in recent months. This is based mostly on top-down considerations, with some deterioration in sentiment visible in global markets from relatively lofty levels towards the end of 2024. Over recent weeks, uncertainty around economic policy and market sentiment has escalated triggered by various announcements specifically regarding tariffs on major trading partners of the US, as well as shifts in geopolitical alliances. While we maintain our positive outlook for the equity market, we recognise the moderation in growth expectations which prompted a marginal reduction in our exposure to US equities in favour of cash and other regional opportunities, especially in Europe.

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From a bottom-up perspective, we see sufficient signs of solid earnings prospects in the domestic market in areas such as banks and insurers. We see limited reason to change portfolio positioning based on momentary news flow, which is likely to be at least partly short-term noise and, as a result, has not changed our overall positive view on equities at this stage. The structural environment remains favourable for growth assets, and political uncertainty in the US is not one-sided, with potential corporate tax cuts and a possible boost to earnings expectations globally—which will have knock-on effects for local equities.

As 2025 unfolds, we are cautiously optimistic about an increase in public-private partnerships, which could support capex in both public and private sectors—looking through concerns around the functioning of the GNU in the wake of the recently delayed and disputed budget, among other challenges on the political front.

While sentiment towards South Africa has declined somewhat this year, the rand has remained resilient. This has helped tame inflation expectations and continues to support the case for additional rate cuts from the South African Reserve Bank (SARB) despite the uncertain environment.

Our bottom-up, earnings-focused investment approach has naturally shifted the portfolio towards investments where fundamentals underpin resilient and sustainable growth trends. We remain selective, with a clear focus on 'earnings growth and earnings persistency'—prioritising companies that have demonstrated an ability to sustain growth momentum through bottom-up strategies, particularly those driven by 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. That said, 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.

Domestically, we have some exposure to companies such as MTN and Tiger Brands—where we anticipate favourable dynamics playing out in terms of the trajectory for earnings in the coming months. However, we do not expect this exposure to be a primary contributor to returns in the short term. 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 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.

— Cyclicals (Positive)

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

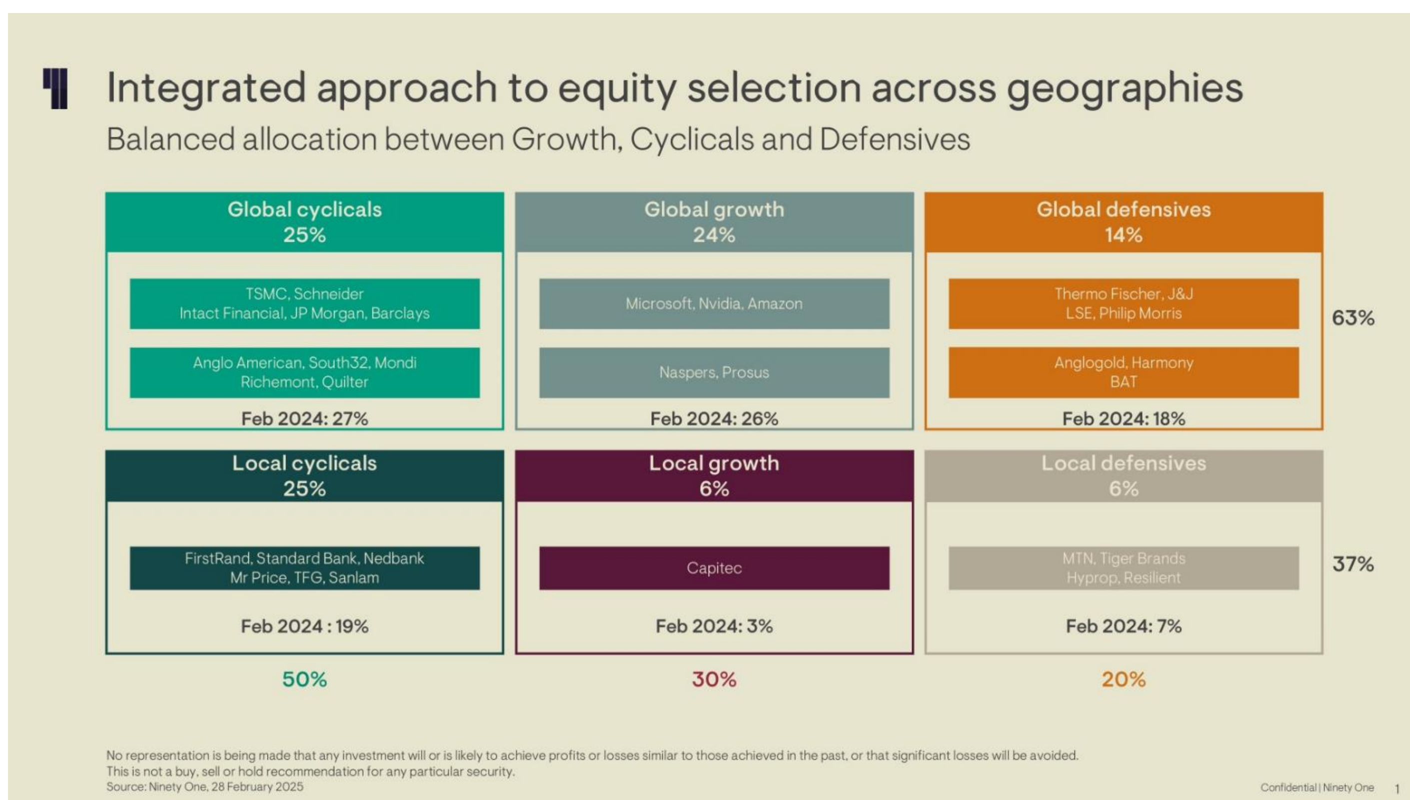
Domestically, South Africa has not been immune to the global deterioration in economic sentiment—further weighed down by the unexpectedly high number of targeted announcements from the Trump administration. Fundamentally, while some counters have seen a slowdown in earnings growth estimates, we still 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.

– 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'. 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.

We have also maintained our position in Capitec Bank, which continues to actively grow its market share at the expense of the large legacy SA banks.



Listed property

Neutral

Benefitting from attractive valuations and expectations of declining interest rates, domestic listed property has delivered exceptional returns over the past 12–18 months. 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 headwind to tailwind for the sector over 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 mainly through 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.

Bonds

Neutral

- Developed market bonds (Negative)

  We continue to have zero exposure to global bonds following the sale of our last remaining position in ultra-long German government bonds in late 2024, locking in strong returns for our clients after a period of sustained yield compression over the previous few quarters. This decision has proved particularly helpful for the portfolio in hindsight following the decision of the newly elected German government to pursue a historic spending programme largely centred on defence and infrastructure. This was ostensibly in response to the change in international policy direction of the US under President Trump, which has expressed its desire to cut back on the defence support it provides to the rest of the world. With the potential for similar developments elsewhere in Europe and globally, there is reason to see a broader increase in government borrowing in many major economies. Given potential upward pressure on inflation as global trade policy uncertainty escalates, coupled with increased government borrowing in regions such as Europe, we remain comfortable excluding DM bonds from the portfolios for the time being.

- Emerging market bonds (Positive)

  We have maintained a healthy allocation to SA bonds. The market's positive reaction to the GNU announcement continued into the latter part of 2024 as bonds benefitted more from an increase in interest from foreign investors than other local asset classes. While most of the sentiment-driven returns could be in the price at this point, we believe yields could decline further as potential government reforms take shape and begin to reignite the economy. Near-term challenges exist in the form of the contested budget presented by Treasury recently, and uncertainty over how the necessity of additional revenue-raising measures (i.e., the 0.5% increase in VAT for this year and next year) will be balanced with the need to relieve pressure on the consumer to create a more pro-growth environment. However, we believe political and economic conditions are more conducive to navigating these challenges than they have been in recent years. Potential rate cuts will also further assist yields heading into 2025, with inflation well under control.

  In terms of selection, while we are only marginally longer than the JSE All Bond Index from a duration perspective, our preference is for the belly and long end of the curve—which offers the best risk-adjusted returns in our view. We remain underweight the short end of the government maturity curve. More recently we reduced our underweight to the ultra-long end as yields became more favourable on a risk-adjusted basis.

  We have limited exposure to credit. The asset class remains susceptible, in our view, to a sell-off on any signs of distress after a period of tight monetary policy in SA. Rate cuts will take time to reflect, and the potential for credit events remains an obstacle to significant exposure to this part of the market. This, alongside constrained liquidity in the secondary market, restricts our allocation.

  We prefer local nominal debt over inflation-linked bonds (ILBs). The asset class does not look attractive relative to nominal bonds on an inflation break-even basis based on our inflation expectations profile. In addition, the asset class remains highly illiquid, hence our preference for nominal bonds.

Cash (Neutral)

Even though cash does not protect investors against inflation over the long term, it provides the safety of capital preservation—at least in nominal terms—while also providing us with liquidity to invest when opportunities arise. When the risk of capital loss on other assets rises substantially and correlations converge, cash serves as an appropriate temporary investment. In light of our reduced equity allocation compared to the end of last year, we are currently maintaining a higher allocation to cash as we navigate market uncertainties and assess opportunities to redeploy this capital.

Currencies

The portfolio is managed on a globally integrated basis. Starting in early 2024 we actively increased domestic exposure. This was the case for much of the year, although we did make marginal increases to offshore exposure in the wake of the US election outcome.

The decision to shift from offshore bonds to domestic SA equities was driven by a relative investment case, rather than a specific currency view. This move was made after the rand had weakened and was trading at the lower end of its long-term fair-value range, based on long-term purchasing power parity estimates. As a result, we were comfortable increasing the portfolio's rand exposure without making any adjustments through hedging.

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