



Investing for a
world of change

Hiking the narrow ridge: eight market themes for investors



Clyde Rossouw
Head of Quality

Clyde Rossouw, Head of Quality at Ninety One, offers investors a map as they navigate shifting US policy, dollar uncertainty and sharp market swings. From Washington to Beijing, from the JSE to the NASDAQ, investors are hiking a narrow ridge – and the ground beneath them is shifting.

1 What's the market trail telling us? We're walking a knife's edge...

The global economy is delicately balanced, with interest rates, geopolitics, US policy and trade wars all in the mix. Many investors look at global equities and see only risk: slow earnings growth, stretched valuations and mounting uncertainty. But it's important to see the bigger picture – opportunities remain for those who can navigate volatility with clarity.

2 Market breadth has increased, but the Magnificent 7 has staged a comeback.

After a broadening rally earlier in the year, the April sell-off cleared the decks. Since then, the Magnificent 7 have reasserted some leadership. It's a reminder that while diversification matters, markets are still swinging between extremes, again reinforcing the knife's-edge environment we're navigating.

3 Global equity exposure must be selective.

Story stocks have shown cracks. Real earnings, real cash flow, real resilience – that’s the anchor. The companies we hold in our global equity portfolios have continued to deliver double-digit US dollar earnings and free cash-flow growth, even as index-level returns wobble. Investors should seek exposure to businesses that have growth, not the ones that have the perception of growth and high valuation risk – because that’s where real vulnerability lies.

4 The US is transforming – or teetering.

We see two possible scenarios: a successful shift to a more balanced, less debt-fuelled economy versus the risk of slowing growth and deflationary pressure. Either way, the next phase for markets will be noisy. There is widespread chatter that this is the beginning of a major bear market for US assets, the US economy and the dollar. But, for the dollar to depreciate over time, investors have to believe that opportunities in other jurisdictions are much more compelling. Europe still faces the burden of higher defence spending, while many emerging markets are wrestling with their own idiosyncratic challenges. Just because the US has lost some of its shine doesn’t mean other countries or regions have better prospects.

5 but don’t write off US-listed stocks.

Many of our largest global equity holdings, such as Booking Holdings and Philip Morris International, may be US-listed but they earn the bulk of their revenues offshore. If the dollar weakens, their earnings get a lift, not a haircut. We believe there are significant opportunities for these companies to continue to do well, even if investors have an adverse view around the macro picture. Ultimately, it is the fundamental drivers of businesses – not top-down regional allocations that matter most.

6 South Africa? Low growth, limited depth.

The domestic story still lacks a catalyst. A few South African names like Capitec, Shoprite and Santam offer quality but limited scale. Rates may fall – which would be positive for equities – but markets have largely priced in a downward move. We are invested in select quality businesses, but concentration risk prevents larger allocations.

7 Portfolio positioning: quality at the core.

With rate cuts on the horizon, both local and global cash will become less rewarding. Bonds and gold still play a role – but global equities that demonstrate true earnings resilience stand at the heart of the Ninety One Opportunity Fund's equity allocation. The latest portfolio composition also features a 29% allocation to select South African-listed equities, many of which generate the bulk of their revenues offshore. We balance the equity weighting through diversified income exposure (bonds and cash), with gold providing some defence.

8 So, what's the bottom line?

This isn't the time for passive exposure or macro bets. It's a time for quality – for deliberate selection and high-conviction positioning. For investors traversing the narrow ridge, this means focusing on resilient companies that can deliver real growth over the longer term.

Important information

All information and opinions provided are of a general nature and are not intended to address the circumstances of any individual or entity. We are not acting and do not purport to act in any way as an adviser 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.

Collective investment scheme funds are generally medium to long term investments and the manager, Ninety One Fund Managers SA (RF) (Pty) Ltd, gives no guarantee with respect to the capital or the return of the fund. The value of participatory interests (units) may go down as well as up. Funds are traded at ruling prices and can engage in borrowing and scrip lending. The fund may borrow up to 10% of fund net asset value to bridge insufficient liquidity. A schedule of charges, fees and advisor fees is available on request from the Manager which is registered under the Collective Investment Schemes Control Act. Additional advisor fees may be paid and if so, are subject to the relevant FAIS disclosure requirements. Performance shown is that of the fund and individual investor performance may differ as a result of initial fees, actual investment date, date of any subsequent reinvestment and any dividend withholding tax. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Where the fund invests in the units of foreign collective investment schemes, these may levy additional charges which are included in the relevant Total Expense Ratio (TER). A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The ratio does not include transaction costs. The current TER cannot be regarded as an indication of the future TERs. Additional information on the funds may be obtained, free of charge, at ninetyone.com.

Ninety One SA (Pty) Ltd is an authorised financial services provider and a member of the Association for Savings and Investment SA (ASISA).

Contact information

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001
Telephone: +27 (0)21 901 1000
Client service support: 0860 500 100
Email: comcentre@ninetyone.com

—
www.ninetyone.com