



—
Investing for a
world of change

Taking Stock

Spring 2025

—
This is the copyright of Ninety One and its contents may not be re-used
without Ninety One's prior permission.

Contents

Positioning for the next play
Siobhan Simpson

Jeremy Gardiner

Duane Cable
and Sumesh Chetty

Trinisha Chanka

Jason Borbora-Sheen
and Adam Furlan

Welcome to Taking Stock

Welcome to Taking Stock

Positioning for the next play

In sport, momentum can swing in a heartbeat. A captain might reshuffle fielding positions, a bowler might deliver a game-changing yorker, or Rassie might unleash the 'Bomb Squad' at just the right moment. Winning teams aren't those chasing every play; they're the ones reading the rhythm of the game and positioning for what's next. It's the difference between kids chasing the ball haphazardly and professionals anticipating where it will land.

If we extend this analogy to investing, are we on the cusp of a momentum shift? And if so, are you positioned for the next play?

| Are we on the cusp of a momentum shift?

For much of the past decade, investors in South Africa were rewarded for playing defence. Conservative investors seeking income were well compensated, thanks to significant real yields and steady returns on offer. It's no surprise that income funds attracted the lion's share of unit trust flows, while household bank deposits surged to nearly R1.9 trillion. Yet, the 'free lunch' of high real yields is fading. With rates likely to move lower and inflation stabilising, the defensive line-up that worked so well may no longer be sufficient.

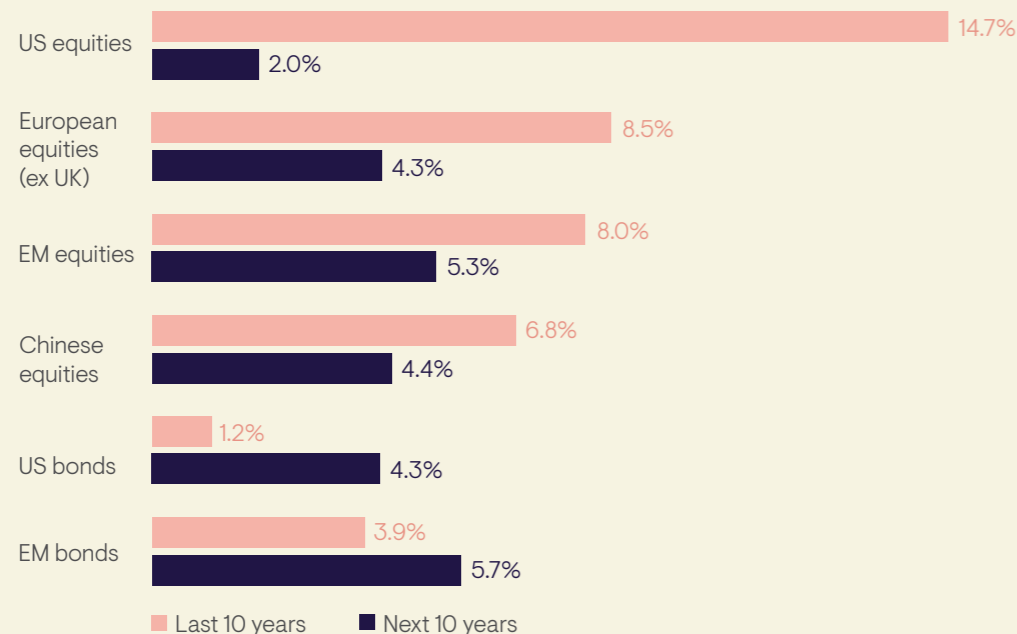
We believe the game is changing. A weaker dollar and a more supportive rate environment are laying the foundations for a new offensive play. After the dominance of US exceptionalism, the opportunity set is widening, not only across emerging market equities, but also in select developed regions where valuations have reset and fundamentals are improving. Historical realised returns compared with expected forward returns suggest investors could face a markedly different outlook than the one that shaped the past decade. The challenge now is not whether capital will be deployed, but how and when to bring it into play.

Siobhan Simpson
Head of SA Unit Trusts

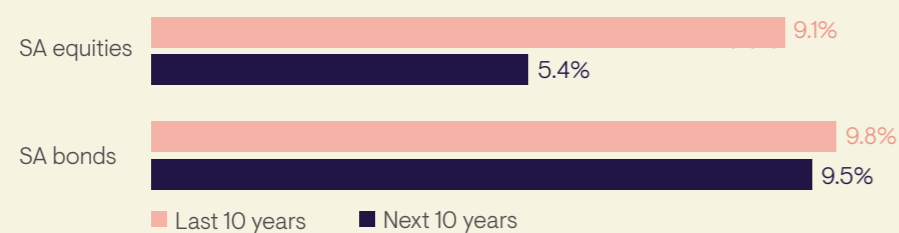


A new investment landscape takes shape

Global markets – returns in USD



South Africa – returns in ZAR



Source: Bloomberg and Ninety One's 2025 Capital Market Assumptions, as at 30 September 2025. These estimates are gross of fees (returns can be reduced by management fees and other expenses incurred) and reflect the view of Ninety One's multi-asset team, while the views of other teams across Ninety One may differ. Performance does not guarantee future results. Actual returns could be materially higher or lower than projected.

Globally, the investment playbook is also evolving. Exchange-traded funds (ETFs) have become a US\$17.1 trillion market, projected to reach US\$25 trillion by 2030¹. Crucially, the fastest-growing segment is no longer passive trackers, but actively managed ETFs (AMETFs). Nearly half of all new ETF launches in 2024 were AMETFs, and global assets in the segment are expected to quadruple to US\$4 trillion within 5 years. This growth reflects investor demand for tools that combine the liquidity and efficiency of listed instruments with the insight and adaptability of active management.

1. www.ey.com.

Closer to home, Ninety One is playing its part in this evolution. We're excited to announce the launch of our first AMETFs, with which we're expanding access to our active strategies in a listed format. This is an important milestone for our South African business and reflects not only our commitment to innovation but also to evolving with client needs.

This is an important milestone for our South African business.

And just as teams renew themselves for the next season, so too does ours. The appointment of David Knee as Head of Global Multi-Asset and Horatius Maluleka as South Africa CIO adds both depth and fresh energy to our leadership. Their arrival strengthens collaboration across asset classes, enhances our research-led approach, and ensures we have the right blend of experience and innovation to navigate the next phase of the game.

Success, in markets as in sport, is rarely about a single spectacular move. It is built on resilience, adaptability, and the readiness to act when the opening comes. The Springboks' recent World Cup and Rugby Championship triumphs remind us that not every match needs to be won to lift the ultimate trophy. Roger Federer, too, won barely more than half the points he ever played, yet converted that into more than 80% of matches and 20 Grand Slam titles. The lesson is clear: you don't need to win every point – you need to win the right ones.

As investors, our challenge is the same: stay disciplined, build depth in the squad, and have the conviction to take the shot when it matters most. That is how long-term success is forged: not in chasing every trend, but in being positioned for the moments that count.

Thank you for your continued support.

Siobhan Simpson
Head of SA Unit Trusts

Beyond the rally



Jeremy Gardiner
Director

2025 has been an exhausting year.

Growth forecasts at the beginning of the year were strong and the world was optimistic. Three months later, Donald Trump “tariffed” the world on 2 April – so-called Liberation Day. Suddenly “worst-case” tariff forecasts were factored into growth expectations and equity markets plunged.

Fund managers globally, finding their portfolios way overexposed to US assets (the average global equity fund was 72% invested in US equities), started to reallocate out of the US and into Europe, the UK and emerging markets. It’s important to stress that this was not a bet against the US, nor a reason to exit the US, but more prudent diversification after years of portfolios becoming increasingly overweight the US.

So, as we near the end of the year, let’s take stock of where we are and **what we can expect from 2026.**

| What can we
expect from 2026?

Global markets post April's trauma seem to have largely **digested the tariff news**. However, Trump needs tariffs lower. Having Brazil, India and China at 50% or above will be felt by Americans, and he can't risk a spike in inflation, so expect a softening of tariffs shortly: Brazil, India, China and hopefully even South Africa.

Trump needs tariffs lower.

Thank heavens for the **oil price**, which has played a major role in keeping inflation low and providing relief to consumers. Having started the year at US\$75 per barrel, the oil price has spent most of the year around current levels of US\$65. The US consumer is thus fairly robust, and given that they constitute 70% of the US GDP number, the economy is in reasonable shape.

In terms of geopolitics, the **ceasefire in the Middle East** is holding, and hopefully the momentum can see both sides adhering to the agreement details.

As we approach the fourth year of the **Russia-Ukraine** conflict, it is, first of all, amazing that Ukraine has managed to hold back mighty Mother Russia for this long. But what's becoming clear is that no amount of Trump shouting is going to get Volodymyr Zelensky to forfeit land, while Vladimir Putin needs something to save face. He can't put Russia through war for four years, with close to a million men killed or wounded, and then walk away with just a ceasefire. Any solutions, however, would be beneficial in terms of stimulating a risk-on environment, supporting emerging markets – the so-called "risk dividend".

Any solutions would be beneficial in terms of stimulating a risk-on environment.

Looking ahead, lower oil prices keeping inflation under control, softer tariffs, and interest rates heading down (with a few extra cuts for Trump) all point to firming growth, healthy corporate earnings and market opportunities. However, sky-high technology share prices, stretched valuations and leveraged retail investors, not to mention an unpredictable president, are a dangerous cocktail, so tread carefully.

By contrast, as global investor attention finally turns to **emerging markets**, South Africa too is feeling better.

We have indeed come a long way since the dark depths of mid-2023. To me, that was when we as a country hit "**rock bottom**".

We have indeed come a long way since the dark depths of mid-2023.

It was pre-GNU, the ANC was large and in charge, and everything was broken. We were limping post "state capture", we had just been grey-listed, we had level 6 load-shedding (with rumours it could go up to level 15), the railways and ports were broken, and on top of that, the US had just accused us of supplying Russia with weapons.

Adding insult to injury, it was midwinter and South Africans were cold and depressed. It was essentially our **Winter of Discontent!**

Two years later, things are looking better. The GNU is functioning, albeit imperfectly, and progress is being made. Visa backlogs have been cleared; Home Affairs is being digitised; Operation Vulindlela has essentially fixed electricity; and railways and ports have made significant progress. Their next focus is on water, crime and municipalities – fixing the country one step at a time.

We're off the grey list, growth is improving, gold is up 50% this year, and the JSE is one of the top-performing stock markets globally in dollar terms this year – yet it remains reasonably priced.

Bottom line

From the depths of despair mid-2023, South Africa has been trending slowly in the right direction. Momentum looks set to continue, with a positive medium-term outlook for the next couple of years.

It's a long time since we've been able to say that.

When playing
it safe becomes
risky

fast



Duane Cable
Head of SA Quality



Sumesh Chetty
Portfolio Manager

The fast view

- **The return trade-off is changing** – conservative investors face tougher choices between safety and growth, with fewer easy wins.
- **Yield alone is no longer enough** – rate cuts and modest inflation mean real returns from cash and bonds are under pressure.
- **Multi-asset low equity funds deserve renewed attention** – they can offer more flexibility, smoother participation and a hedge against inflation.
- **The Ninety One Cautious Managed Fund is built for this** – a risk-aware blend of quality assets that can manage shifting regimes.

For conservative investors – especially those preserving capital in retirement – the goal isn't to beat benchmarks. It's to stay invested, stay protected and stay ahead of inflation. Real returns, low volatility and consistent income matter most.

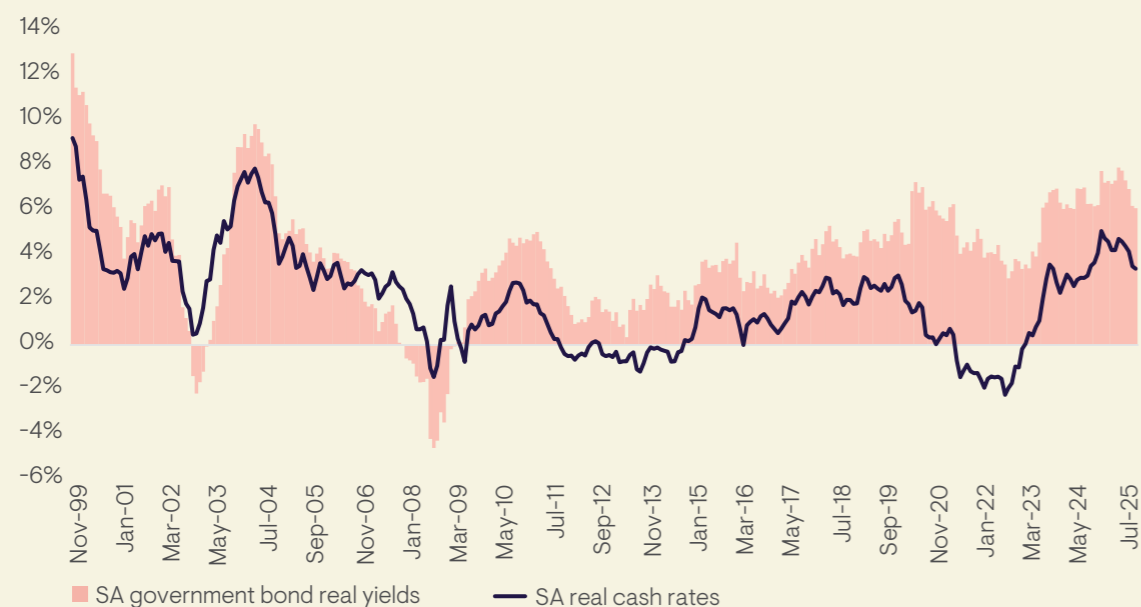
Yet many portfolios today fall into one of two traps: taking on too much risk at the wrong time or being too cautious to meet future spending needs. Both can quietly derail long-term plans.

view

When yield doesn't cut it

For much of the past decade, South African conservative investors enjoyed the benefits of high real yields. Whether through cash, money market, or flexible income funds, investors could generate attractive returns without leaning too far into risk. It was a golden period for fixed income – steady, sufficient, and largely unchallenged.

Figure 1: Real cash and bond rates



Source: Ninety One and Bloomberg, November 1999 to 31 August 2025.

But that favourable dynamic is fading. As policy rates trend lower coupled with modest official inflation, the real yield advantage that once made fixed income compelling, is steadily eroding. Put simply, we believe nominal bond and cash yields are likely to come down. In the short term, investors may still benefit from capital gains as yields decline. But over the medium term, we expect local bonds to deliver more modest outcomes – likely in the mid- to high-single digits. That's still reasonable but meaningfully lower than the levels seen in recent years.

Many portfolios still reflect the world as it was – high real yields and a bond cushion that did much of the work. But that world is changing. And investor allocations that don't evolve with it risk falling behind.

Anchoring to what worked in the past can be dangerous. When the regime changes, the opportunity set shifts – often subtly, but meaningfully. And by the time it's obvious, the window may be closing.

This leaves conservative investors at a crossroads: either settle for structurally lower returns, or rethink how portfolios are built – with a more balanced, forward-looking design. The key is to structure portfolios that are fit for purpose, not just familiar.

The elephant in the room

Official inflation may appear modest, but it doesn't reflect the true cost pressures faced by many investors, particularly those in or nearing retirement. Medical inflation, education fees and food costs often rise significantly faster than official inflation. These real-world expenses don't pause when portfolios underdeliver. Inflation is personal.

Preserving capital in name is not enough. It must be preserved in purchasing power – and that means building in the ability to beat your inflation, not just the published figure.

As yield levels fall, conservative portfolios that rely solely on fixed income will find it harder to keep pace with these rising costs. The need for measured participation in growth assets becomes essential.

The illusion of safety

The cautious label is often associated with a reluctance to invest in equities. But there's a difference between avoiding volatility and managing risk. The former may feel safe in the moment but can result in sustained underperformance when conditions change.

Portfolios that rely too heavily on fixed income today face three unappealing paths: stretch for credit risk, extend duration, or accept lower returns. None serve long-term capital preservation well – particularly for investors drawing income.

What's needed is not more risk – but the *right* risk, taken deliberately and with discipline. Avoiding all growth exposure isn't conservative. It's incomplete.

A smarter role for multi-asset low equity funds

Multi-asset strategies with low equity exposure offer a potentially more adaptable framework. They balance income and the rewards of growth. These strategies also provide flexibility to shift to different asset classes as conditions evolve. And they allow for smoother compounding – the kind that builds wealth quietly and consistently.

The Ninety One Cautious Managed Fund is designed for this. We don't rely on any single source of return. Instead, the Fund blends high-quality equities, local and global, with government bonds, inflation-linked instruments, and cash – each playing a role, each sized with care. There are no passengers.

In practice, this means adjusting allocations when conditions shift. A good example is June 2024, when we meaningfully increased our exposure to South African government bonds. Post-election, the political backdrop felt more stable, and yields provided investors with an unusually attractive cushion. That was the moment to act. But that case has now faded. Today, with yields moving lower and official inflation lower, we are shifting towards growth assets – adding to domestic, and to a lesser extent, global equities – where we see a more durable opportunity for conservative investors. This is not market timing. It’s long-term readiness. When real yields are compelling, we tilt towards income. When equities offer value, the portfolio participates. When risk is mispriced, we hold more cash. The result is a portfolio that doesn’t need perfect conditions to deliver steady outcomes.

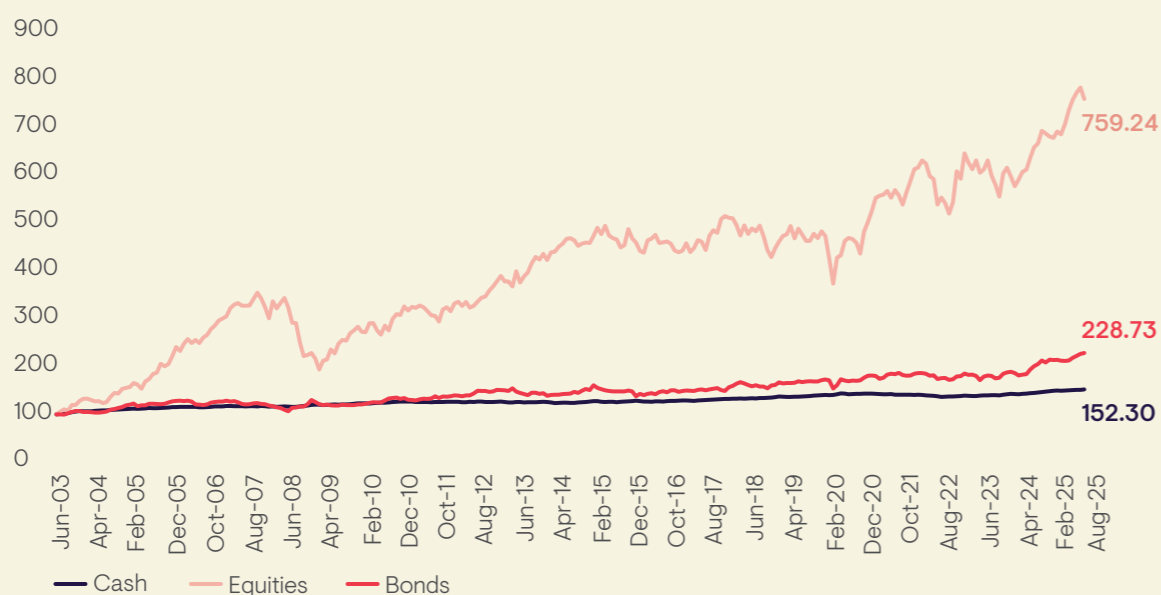
Participation matters more than prediction

Investors don’t need to predict the next interest rate move or equity rally. What matters more is *being positioned to benefit* when those shifts occur.

As yields fall, the relative appeal of growth assets increases. Equities, in particular, become more attractive in a lower-rate world, and portfolios that are unwilling or unable to participate may miss the upside.

Figure 2: Real wealth index

Purchasing power growth: SA equities vs SA bonds and cash



Source: Bloomberg and Ninety One. Data from 30 June 2003; indexed to 100, adjusted for CPI. SA equities – Capped SWIX. SA bonds – ALBI, SA cash – STeFI Composite.

Since 2003, SA equities have created ~3.3x more real wealth than SA bonds.

Crucially, when we add equities, they must be the right equities. Not all companies provide the same valuation protection or compounding potential. Our focus remains on businesses with durable competitive advantages, consistent cash generation and balance sheet strength. These are the kinds of holdings that can help conservative investors participate in upside without taking on unrewarded risks.

Staying invested is the real edge

One of the most overlooked drivers of long-term performance is behaviour. When volatility spikes, many conservative investors reduce risk just as the recovery begins. It’s the retreat, not the volatility itself, that causes lasting damage.

Staying invested through the cycle requires confidence in the portfolio and clarity in the process. Multi-asset funds, if well designed, can provide that. By smoothing the return path and reducing emotional decision-making, they help investors avoid the costliest mistake: leaving at the wrong time.

The real strength of a cautious strategy isn’t just in avoiding drawdowns – it’s in managing them well enough to stay invested. Protecting capital on the downside matters deeply but so does being positioned to participate when conditions improve. It’s that balance – resilience through volatility and readiness for recovery – that defines long-term success.

A better foundation for conservative investors

Today’s conservative investor faces a more complex set of challenges than a decade ago: lower yields, rising personal inflation and narrow equity leadership. The solution isn’t to abandon caution, it’s to redefine it.

Caution doesn’t mean sitting still. It means being prepared. The Ninety One Cautious Managed Fund offers a more complete approach. It doesn’t avoid risk – it manages it.

For investors seeking to preserve capital in real terms – not just in theory, but in practice – this approach offers a stronger foundation for the road ahead.

Actively managed ETFs signal a new chapter for South African investors

fast



Trinisha Chanka
Sales Manager

The fast view

- Exchange-traded funds (ETFs) are moving into a new phase with the rise of actively managed strategies.
- Globally, the adoption of actively managed ETFs (AMETFs) is accelerating.
- Younger, digital-first investors and intergenerational wealth transfers could drive future demand.
- Aligning settlement cycles across unit trusts and ETFs, as well as broader access on LISP¹ platforms in South Africa, could encourage greater ETF adoption among professional investors.

1. Linked Investment Service Provider (LISP).

view

The first ETF launched in South Africa as early as 2000, but ETFs remained on the periphery for many years. Although South Africa was an early adopter, the market developed slowly over the next two decades. In contrast, the US has been leading the ETF pack, accounting for more than two-thirds of global assets. While the US has been the big growth story (largely driven by region-specific tax considerations), ETF adoption is broadening across the world. The US is still growing at a healthy 18% per year, versus 26% for the rest of the world. Globally, the industry is worth US\$17.1 trillion, with assets projected to grow to US\$25 trillion by 2030.²

ETF adoption is broadening across the world.

ETFs began to gain real traction in South Africa just before Covid-19, with the local market averaging annual growth of more than 18% over the past 5 years. Today, South Africa's ETF industry is worth R224 billion,³ with demand continuing to grow as the sector evolves.

Historically, ETFs were limited to passive strategies, but regulatory changes have created opportunities for active investment managers. Unlike traditional passive ETFs, which simply replicate indices, actively managed ETFs aim to deliver better outcomes by dynamically responding to market conditions and uncovering opportunities through research and portfolio manager skill.

Regulatory changes have created opportunities for active investment managers.

2. Bloomberg, J.P. Morgan Asset Management, Guide to ETFs. Data as at 31 July 2025.
3. State of the South African Exchange Traded Product Industry, ETFSA, 30 September 2025.

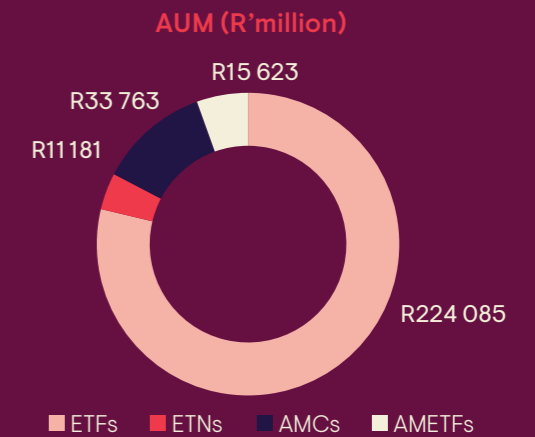
Overview of the exchange-traded product (ETP) market in South Africa

Accelerating growth

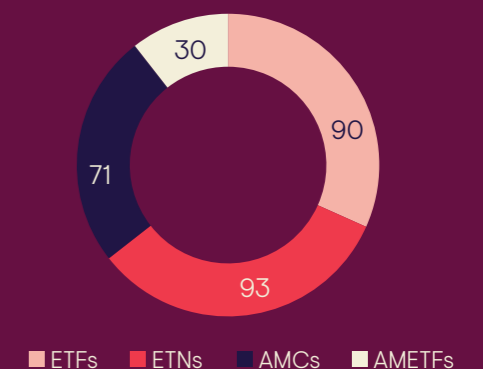
R285bn
AUM

284
Products

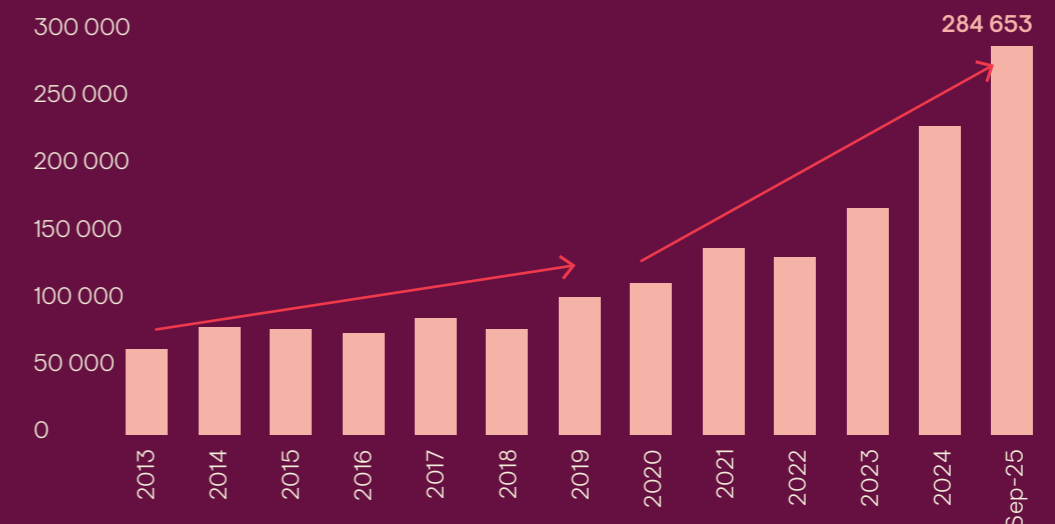
17.4%
5 year CAGR



Number of products



Total ETP market capitalisation (R'million)



Source: ETFSA, State of the South African Exchange Traded Product (ETP) Industry, as at 30 September 2025. South Africa's ETP market comprises investment products listed on the JSE that trade intraday and give investors exposure to an underlying asset, index or strategy. ETPs include ETFs, AMETFs, actively managed certificates (AMCs) and exchange-traded notes (ETNs).

Ninety One’s entry into the AMETF space brings its investment expertise to a broader investor base and reflects the key themes influencing the evolution of investing:

Active ETFs growing their share of global ETF flows

With more than 12 000 ETFs listed worldwide, the industry has become a central part of the global investment landscape. Recent regulatory changes across the US, Europe, Asia and now South Africa have paved the way for active management within ETFs. Since then, most ETF launches have been AMETFs. According to BlackRock,⁴ almost half of all global ETF launches in 2024 were AMETFs.

Active ETFs are steadily increasing their share of global ETF net flows, with assets expected to reach US\$4 trillion in the next 5 years. While AMETFs still represent a small slice of total active assets globally, surveys from Brown Brothers Harriman and J.P. Morgan⁵ show that many institutional investors, fund managers and advisors plan to increase allocations in the near term.

Some managers have even converted their mutual funds into AMETFs. Regulators recognise the growing interest in AMETFs, and some are considering allowing mutual funds to launch ETF share classes. These trends support the expected increase in AMETF adoption.

Ease of trading and accessibility fuelling increased adoption of AMETFs

Some of the factors driving adoption are the enhanced trading and accessibility that ETFs offer. Investors can trade intraday, invest smaller amounts and access investment exposures easily on an exchange. From a manager’s (or issuer’s) perspective, an exchange listing provides distribution to a wider investor network and removes the need to place the ETF on multiple platforms. This supports a more digital and cost-effective servicing model.

Coupled with the potential to outperform passive benchmarks, it is little surprise that AMETFs are attracting increased attention.

ETFs appeal to younger investors

Across the world, the appeal of ETFs to younger investors (Millennials and Gen Z) stems from advantages that align closely with their digital-native lifestyles. Younger generations manage much of their lives through smartphone apps, and investing is no exception. ETFs, which trade on stock exchanges, can be bought and sold instantly throughout the trading day via user-friendly brokerage apps. This provides a sense of control and immediacy – appealing to a digital-first generation.

ETFs are well positioned to benefit from the significant intergenerational wealth transfer expected over the coming decades, as assets move to younger, tech-savvy heirs.⁶ This trend is global, but relevant for South Africa too, and could reinforce the appeal of ETFs for the next generation of investors. For advisors, these shifts highlight the opportunity to engage early with younger clients, guiding them as they combine digital investing habits with long-term financial planning.

Aligning settlement cycles in South Africa and LISP accessibility

In today’s fast-paced global markets, operational efficiency and rapid settlement cycles are becoming increasingly important. Advances in technology have allowed most exchanges to shorten settlement cycles over time. Globally, exchanges have moved from T+5 to T+3 and then to T+2 – which became the standard in the US, most of Asia and Europe. More recently (2024), the US has adopted T+1, with the UK and Europe announcing plans to follow suit. Other markets are likely to come under pressure to keep pace with these exchanges.

The JSE has a settlement cycle of T+3 for equities. The global trend of a T+1 cycle may put pressure on the JSE to align with international markets. For AMETFs (which trade like equities or shares), such a change would also bring their settlement cycle in line with that of unit trusts, enabling investors to switch seamlessly between the two. Aligning settlement cycles between unit trusts and ETFs may make ETFs easier to use for professional investors, such as discretionary fund managers, funds of funds and financial advisors using model portfolios. Currently, ETFs are mainly accessible via share portfolios on LISPs. To enable ETFs to be more widely used in funds of funds or model portfolios, operational hurdles need to be overcome. This is key to driving broader adoption among professional investors.

Active management now on the JSE

The Johannesburg Stock Exchange (JSE) is evolving into a sophisticated, multi-instrument trading hub, enabling AMETFs to integrate seamlessly into this modern ecosystem. Investors now have access to a broad ‘supermarket’ of instruments via the JSE – from traditional equities and passive ETFs to AMETFs, exchange-traded notes and structured products. This means AMETFs are just as easily available on a familiar, well-regulated platform as any other listed asset.

4. BlackRock, Decoding active ETFs.

5. 2025 Global ETF Investor Survey by Brown Brothers Harriman (BBH) and 2024 Trackinsight Global ETF Survey.

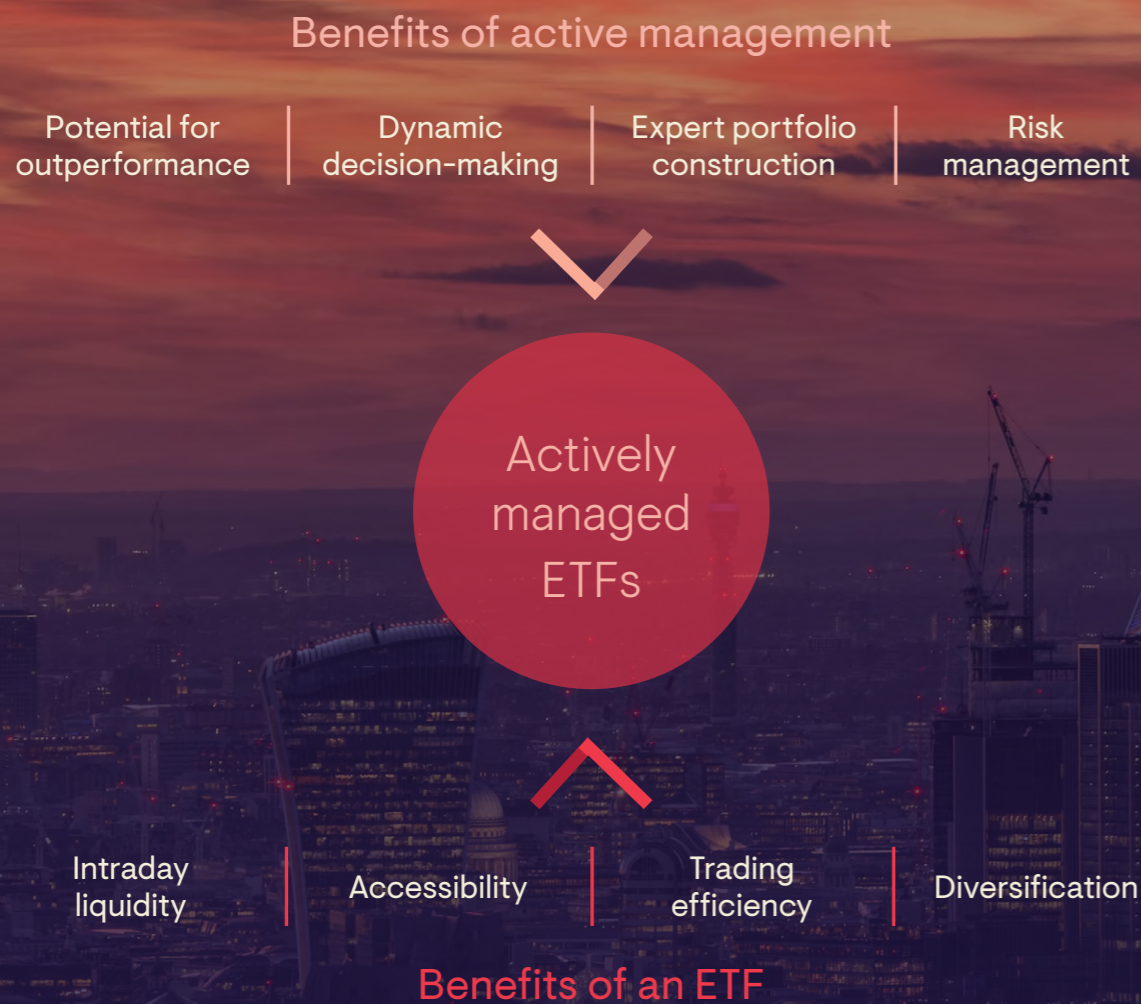
6. The great wealth transfer and the rise of the family office, Ninety One, June 2025.

Combining the benefits of active management with the efficiency of ETFs

Ninety One's actively-managed ETFs

Ninety One recently announced the launch of two JSE-listed actively managed exchange-traded funds. The launch marks a significant milestone for the firm's South African business and reinforces its leadership in actively managed strategies.

The *Ninety One Diversified Income Prescient Feeder Actively Managed ETF (91DINC)* and the *Ninety One Global Diversified Income Prescient Feeder Actively Managed ETF (91GINC)* grant investors **access to multiple asset classes within each ETF**. This represents a significant distinction from passive counterparts historically available on the exchange, which typically track a single-asset index. Furthermore, our AMETFs provide diversified exposure to **asset classes that are currently less accessible**, such as credit or emerging market debt.



The rise of AMETFs signals a structural shift in how investors can access active management. With regulatory support, growing investor demand and evolving market infrastructure, South Africa is entering a new phase of investment innovation. As markets continue to develop, AMETFs may well become an integral bridge between traditional active funds and the dynamic world of exchange-traded investing.

South Africa is entering a new phase of investment innovation.

91DINC Diversified Income ETF (ZAR-based)

91DINC gives investors access to Ninety One's well-established multi-asset income strategy in a listed format, targeting stable, enhanced cash returns with downside risk management. The portfolio is Regulation 28 compliant and diversified across local bonds, credit, cash, property and offshore assets, with a strong focus on income generation and capital preservation.

91GINC Global Diversified Income ETF (ZAR feeder into USD fund)

91GINC offers offshore diversification through a global, low-duration, multi-asset income strategy aiming to deliver US dollar cash +1.5% over rolling 12-month periods, with no negative returns, also over rolling 12-months. With a focus on high-quality fixed income assets and built-in currency diversification, the Fund seeks to deliver consistent yield while limiting drawdowns.

Ninety One's Diversified Income and Global Diversified Income AMETFs will list on 12 November 2025. The newly launched AMETFs are managed by Ninety One's global fixed income and credit team comprising more than 70 investment professionals.

Where to find yield when the world is changing

Fast



Jason Borbora-Sheen
Portfolio Manager



Adam Furlan
Portfolio Manager

The fast view

- While global government bond markets wrestle with fiscal and political concerns, high-quality global credit offers a steady source of income.
- In South Africa, government bonds remain attractive, with the spread between 30-year and 10-year maturities among the widest globally.
- We believe our global and South African income funds are ideally positioned to participate in these pockets of value, while protecting against the volatility.

VIEW

Global bond markets are navigating a difficult transition. Growth forecasts have been revised marginally higher, but the path remains fragile. Inflation has moderated, yet renewed tariff pressures, shifting commodity prices and supply-side constraints have kept policymakers wary. Fiscal deficits are widening, while political turbulence adds another layer of complexity. The result is an unsettled global outlook: one in which opportunities still exist, particularly within investment-grade credit, but where caution needs to be exercised. Against this backdrop, South African government bonds, by contrast, are proving remarkably resilient, supported by orthodox monetary policy and attractive real yields.

Together, these dynamics highlight the nuances across fixed-income markets, underscoring the importance of selectivity and risk management in the search for diversified income exposure. We believe our global and South African diversified income funds are ideally positioned to navigate the complexities of this environment, while capturing the pockets of opportunities currently on offer.

South African government bonds, by contrast, are proving remarkably resilient.

A fragile global outlook

The headline data suggest the world economy is holding up better than expected. Growth forecasts have been nudged higher, and fears of recession have thus far been avoided. But this resilience is uneven and uncertain. The US continues to show momentum, although the recent steepening of the yield curve suggests investor unease. In Europe, the recovery has slowed, and Japan remains behind the curve in addressing persistent inflation.

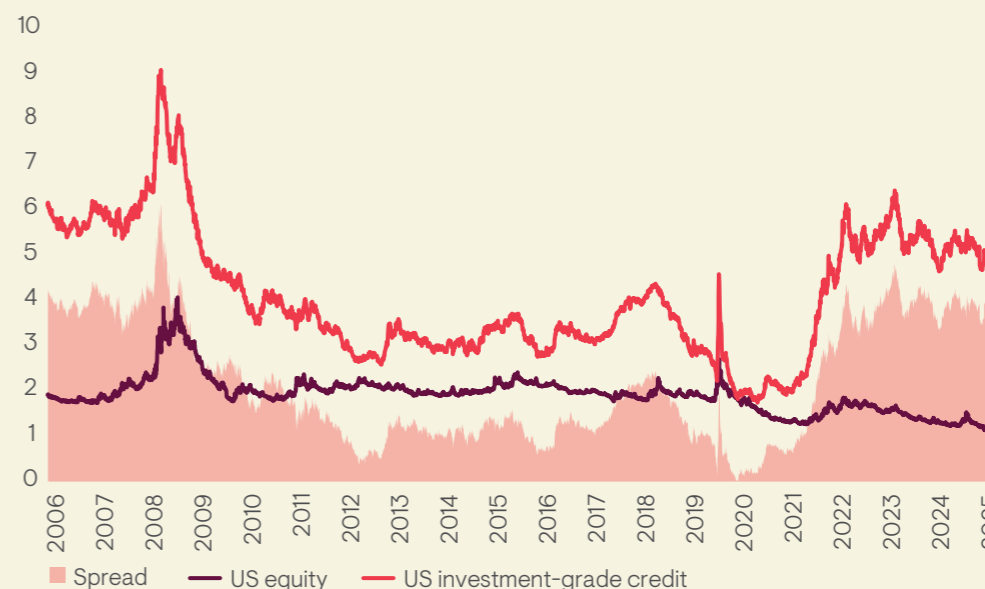
Tariff policy is a growing risk. The potential re-escalation of trade disputes threatens to exacerbate price pressures as central banks continue their efforts to bring inflation back to target. For investors, the implication is that disinflation cannot be taken for granted, and that monetary easing will be slower and more conditional than markets had hoped.

Fiscal dynamics are also weighing on sentiment. In the UK, France and the US, larger deficits and heavy bond issuance have pushed longer-dated yields higher. Political instability, from French leadership turmoil to debates around the independence of the US Federal Reserve (Fed), compounds the challenge. Developed market bonds are behaving erratically, particularly at the long end, and investors are increasingly wary of duration exposure.

Investment-grade credit stands out

While global government bond markets wrestle with fiscal and political concerns, high-quality global credit has offered a steady source of income. As shown in the graph below, the yield differential between investment-grade credit and equities remains attractive, and flows into the asset class confirm its defensive appeal. Investors seeking yield without stepping into riskier territory continue to favour high-quality issuers, supporting valuations.

Figure 1: Yield differential between credit and equities



Source: Bloomberg and Ninety One, as at 31 October 2025.

Our Global Diversified Income Fund reflects this reality. The portfolio has select exposure to investment-grade credit and favours alternative credit assets such as mortgage-backed securities (MBS) and high-quality collateralised loan obligations (CLOs), harnessing strong demand for reliable yield.

At the same time, we have been selective with government bond duration, adding exposure to US Treasuries where the case for further rate cuts is building, while avoiding the longer end of yield curves where fiscal stress and political noise are distorting valuations. The result is a cautious but constructive positioning: seeking resilient income in the parts of the market where fundamentals remain supportive.

The South African outlook paints a contrasting picture

If developed markets highlight the risks, South Africa highlights the opportunities. South African government bonds have outperformed their global peers in recent months, supported by a combination of policy credibility and compelling valuations.

Since early April, the yield on the 10-year South African government bond (SAGB) has fallen considerably. The curve remains exceptionally steep: the spread between 30-year and 10-year maturities is among the widest globally. That steepness reflects risk premia, which, in our view, are excessive given the country's fiscal and monetary stance.

The South African Reserve Bank has reinforced its reputation for orthodoxy by shifting its focus to the lower bound of its inflation target, aiming towards 3%. This commitment was recently underscored by a joint statement with the National Treasury, which has itself remained committed to fiscal consolidation and generating primary surpluses. The alignment of monetary and fiscal policy has bolstered investor confidence and set South Africa apart from many of its peers.

The alignment of monetary and fiscal policy has bolstered investor confidence.

The rand, too, has been better supported. Solid terms of trade, firm commodity demand, particularly from precious metals, and a weaker US dollar have provided a firmer base. While volatility is inevitable, the currency is far better anchored than in previous cycles.

It is no surprise, then, that foreign interest in SAGBs has increased. For global investors seeking carry in a world of uncertain growth and fragile disinflation, South Africa offers one of the most attractive opportunities in fixed income today.

The case for diversification

Diversified income strategies are designed to capture sources of yield where opportunities are evident, while managing the risks inherent in a volatile world. Our philosophy is built on 'participate and protect': portfolios are structured to capture attractive yield, while striving to withstand shocks. This discipline allows us to stay invested when others are forced to retreat, delivering income without sacrificing resilience.

The Global Diversified Income Fund illustrates this approach. The portfolio maintains a BBB+ average credit rating (global investment grade), annualised volatility below 1%, and a yield close to 5%. It is positioned with overweight allocations to high-quality credit, selective exposure to US Treasuries, and the use of FX options to guard against currency swings.

Domestically, the South African Diversified Income Fund applies the same principles. Duration is managed conservatively at around 1.8 years in nominal bonds, with minimal inflation-linked or offshore currency exposure. Yet the Fund is constructive on the long end of the curve, recognising the potential for flattening as excessive risk premia unwind.

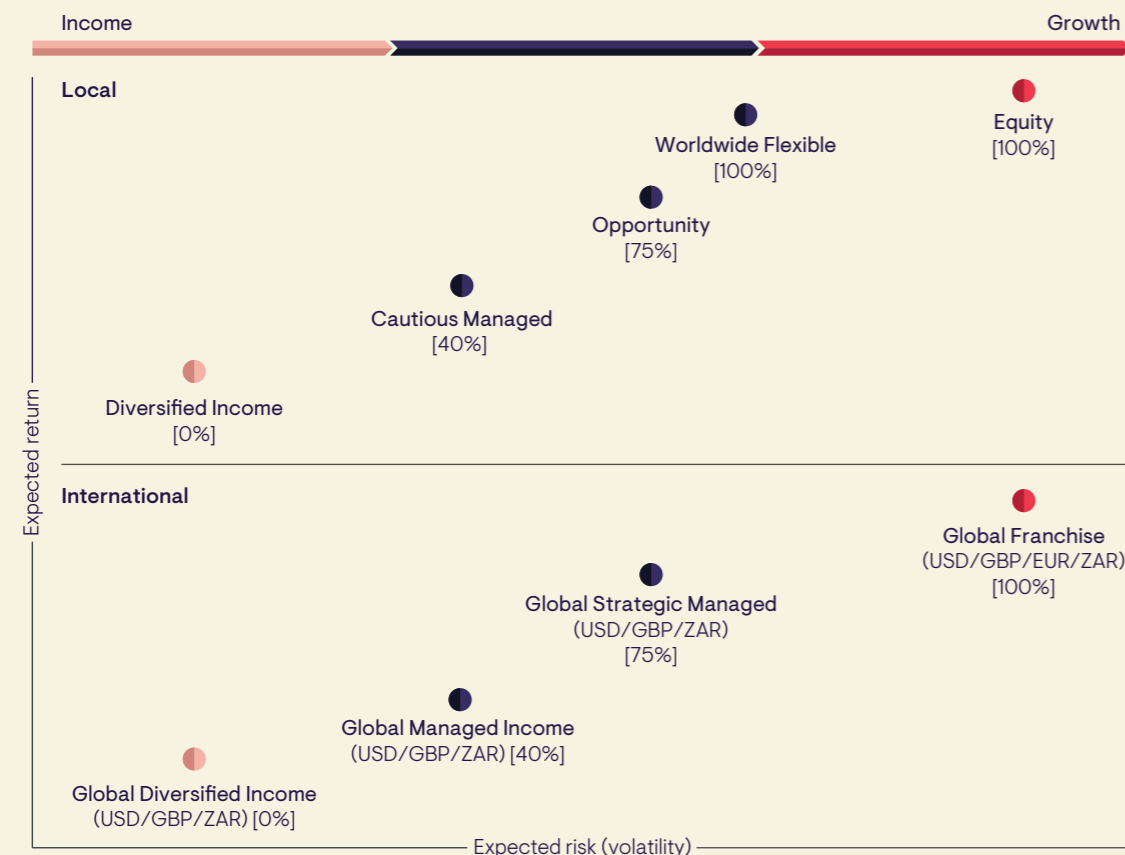
Conclusion

Understandably, risks, while mitigated, cannot be ignored. Inflation could re-accelerate, particularly if tariff disputes escalate. Political volatility remains a constant in both developed and emerging markets. But for investors willing to look beyond the noise, the opportunities are real.

For conservative investors seeking income with discipline, we believe our global and South African diversified income funds offer a way to participate in these pockets of value, while protecting against the volatility and uncertainty that defines today's fixed-income markets.



Ninety One core fund range



Note: [] indicates maximum in equities. Our offshore funds are available as feeder funds. The expected risk and volatility may not be achieved, and the value of your investment may go down as well as up. Please refer to our Core fund range page on our website.

Change is opportunity

We're always ready to invest in it.



Investing for a world of change

Change is a leap. And there will be many moments in life when you will face it. At Ninety One, we understand that within this uncertainty lies potential. We believe progress happens when you move with change – not against it.

For over 30 years, we've been committed to seeking out the best investment opportunities, wherever in the world they may be.

ninetyone.com/change-is-opportunity

Ninety One is an authorised financial services provider.

Important information

All information, representations and opinions provided are of a general nature and provided for information purposes only. Forecasts, opinions and commentary reflect current views and are not guaranteed to occur. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. No one should rely or act upon such information or opinion without appropriate professional advice. We endeavour to provide accurate and timely information but 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. If specific funds are mentioned please refer to the relevant fact sheet for the necessary information regarding those funds.

Ninety One Fund Managers SA (RF) Pty Ltd, "the Management Company", is registered as a management company under the Collective Investment Schemes (CIS) Control Act 45 of 2002. The Management Company has outsourced its portfolio management to Ninety One SA (Pty) Ltd (the Manager), a member of the Association for Savings and Investment South Africa (ASISA). CIS are generally medium to long-term investments, the value of which may go down as well as up. Past performance is not necessarily a guide to future performance. The Management Company does not provide any guarantee either with respect to the capital or the return of a portfolio. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges may be requested from the Management Company. Where performance fees are charged, these are applied daily and quoted net of fees with income reinvested. Though portfolio performance is shown, individual performance may differ depending on factors such as initial fees, date of actual investment and reinvestment of earnings and withholding tax where applicable. Fluctuations or movements in exchange rates may cause the value of the underlying international investments to go up or down. Where the fund may invest in foreign securities, it can be exposed to specific material risks, such as potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political, foreign exchange, tax and settlement risks, and potential limitations on the availability of market information. The Management Company may close the fund to new investors or stop additional investments by existing investors, to ensure the fund remains in line with its investment mandate or objectives. If there are too many withdrawals from the fund, it could impact its liquidity. In such cases, withdrawal instructions may be processed differently to safeguard the fund.

Exchange-traded funds (ETFs) are listed on an exchange and may incur additional costs. Whilst both unit trusts and ETFs are regulated and registered under the Collective Investment Schemes Control Act, ETFs trade on stock exchanges just like any other listed, tradable security. Actively managed ETFs offer exposure to CIS and differ from other ETFs which track indices because the fund manager actively selects and adjusts the fund's holdings and asset allocation to try to outperform a benchmark. Unlike a unit trust, which can be bought or sold only at the end of the trading day, an ETF can be traded intraday, during exchange trading hours.

Some offshore funds are sub-funds of the Ninety One Global Strategy Fund which is a UCITS société anonyme under the laws of the Grand Duchy of Luxembourg, is supervised by the Commission de Surveillance du Secteur Financier and managed by Ninety One Fund Managers UK Limited. For further information on the Fund including application forms and a schedule of fees and commissions, please contact Ninety One. Fund fact sheets, prices and English language copies of the Prospectus, Report and Accounts and Articles of Incorporation and local language copies of the Key Investor Information Documents may be obtained from our website and free of charge from the following country specific contacts: Luxembourg – Ninety One Global Strategy Fund, 49 avenue J.F. Kennedy, L-1855 Luxembourg. The sub-funds offered for public sale in South Africa are approved under the South African Collective Investment Schemes Control Act.

The Fund is a sub-fund of the Ninety One Premier Funds PCC Ltd (the Management Company) managed by Ninety One Guernsey Limited, Gategny Court, Gategny Esplanade, St Peter Port, Guernsey, GY11WR, Channel Islands. For further information on the Fund including application forms and a schedule of fees and commissions, please contact Ninety One. Fund fact sheets, prices and English language copies of the Prospectus, Report & Accounts and Articles of Incorporation and local language copies of the Key Investor Information Documents may be obtained from our website and free of charge from the Management Company. The sub-funds offered for public sale in South Africa are approved under the South African Collective Investment Schemes Control Act.

A feeder fund is a portfolio that invests in a single portfolio of a CIS, which levies its own charges, and which could result in a higher fee structure for the feeder fund.

Certain Ninety One funds are offered as long-term insurance policies issued by Ninety One Assurance Limited, a registered insurer in terms of the Long-term Insurance Act.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. Ninety One Investment Platform (Pty) Ltd and Ninety One SA (Pty) Ltd are authorised financial services providers. © 2025 Ninety One. All rights reserved. Issued by Ninety One, November 2025.

Contact information

36 Hans Strijdom Avenue
Foreshore, Cape Town 8001

Telephone: +27 (0)21 901 1000
Client service support: 0860 500 100
Email: clientservice@ninetyone.com

Please contact our Advisor Service Centre on telephone: 0860 444 487.
Alternatively, please contact your Ninety One investment consultant.

www.ninetyone.com

