Absolute Balanced Fund

Market context

The consensus coming into 2025 was for a continuation of US exceptionalism under a new Republican administration. Instead, investors were served with unpredictable trade policy, leading to heightened volatility, weaker US growth expectations, and a shift in leadership abroad.

In the US, equity markets struggled weighed down by renewed trade tensions, inflation concerns and the unwinding of big tech dominance. The S&P 500 posted its worst quarterly return in three years, while investor sentiment shifted toward more traditional sectors.

In contrast, European equities delivered strong returns, buoyed by a structural shift in fiscal policy towards higher defence spending and relative economic resilience. UK equities followed suit, supported by large-cap banks and defence firms.

South African equities delivered a standout performance, with the All Share Index gaining 9.0%, outpacing the MSCI World (-1.8%) and MSCI Emerging Markets (+2.9%) in US dollar terms. The rally was underpinned by a significantly stronger resources sector, fuelled by a surge in precious metal prices. Gold was the standout performer, as investors sought safe-haven assets amid growing geopolitical uncertainty and the implementation of global trade tariffs.

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Performance

For the quarter, the portfolio underperformed its comparative index.

On an absolute basis, notable stock-specific contributors included AngloGold Ashanti, Gold Fields, MTN and Harmony Gold. Conversely, returns were negatively impacted by exposure to FirstRand Bank, Woolworths, and Glencore.

Relative to the Capped SWIX, our underweight positions in Mr Price, Clicks, and Old Mutual contributed positively to performance, as did overweight exposure to British American Tobacco. Meanwhile, overweight positions in Spar, Famous Brands, and Santam were among the leading detractors from relative performance over the period.

Outlook

The convergence of escalating global protectionism and renewed domestic political uncertainty marks not just a turning point but a profound test of investor discipline and conviction. What began as posturing has crystallised into policy, and markets are now contending with the reality of structurally higher trade barriers, more fragmented global supply chains, and increasingly unpredictable policy responses. At the same time, South Africa’s fragile political equilibrium – once a source of optimism – is showing signs of severe strain. For investors, the challenge lies in discerning whether these shifts are momentary tremors or indicative of a deeper, longer-lasting inflection in the global and local investment landscape.

This is not a moment for sweeping macro bets or reactionary positioning. It is a time for humility, discipline, and clarity. Amid the noise, we remain anchored by our process: a focus on earnings power, valuation discipline, and risk-aware portfolio construction. Our approach is designed not to chase headlines but to endure them – building portfolios that can absorb shocks, adapt to change, and deliver durable returns across cycles. High-quality businesses with pricing power, strong balance sheets, and recurring revenues offer the best defence in times like these, and the best path to long-term compounding when the dust eventually settles.

We recognise that uncertainty can breed both risk and opportunity. Volatility may rise, but it also resets expectations and creates entry points. For now, our stance remains cautious, measured, and deliberate. We will continue to assess developments with clear eyes and steady hands, prepared to act only when the evidence, not emotion, justifies it. In a world where policy direction is increasingly erratic and geopolitical alignment more fractured, investors must embrace resilience over-reaction and process over-prediction. This is the true test; one we are well-positioned to meet.

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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.

Ninety One is an authorised financial services provider.

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