M&G Unit Trust Quarterly Commentary

Income, Multi-asset, Property/Equity, Global and Target Income Fund

Q1 2025

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Quarterly Commentary

M&G Money Market Fund

Income

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism. However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general. Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global equity (as measured by the MSCI All Country World Index) fell 1.8% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars). Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars). Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Performance

Due to the relatively conservative manner in which we manage the fund, we don't typically expect the fund to perform in the top decile or even quartile of its peer group. We are uncompromising with respect to risk management and aim to achieve the best possible result within this conservative (in our opinion) framework.

In this context, we are pleased with the returns that the fund has delivered of late.

Over the past quarter, the M&G Money Market Fund generated 1.9% (A class, net of fees), which was 12bps ahead of its benchmark. The fund continues to perform well relative to peers, with a ranking of 12th out of 37 funds over the past year (Morningstar).

Positioning

South African fixed income assets had a somewhat challenging start to the year, as was the case in most other countries. The South African government bond curve moved higher by about 25bps on average, and the curve also steepened, such that back-end bonds lost money over the quarter. The money market curve also steepened, with the very front-end pulled down by the SARB's January rate cut, while the longer-dated NCD yields didn't change much.

Floating rate NCD spreads continued their downward trend, and when compared to fixed-rate NCDs, implying no further rate cuts by the SARB. This is roughly consistent with the FRA curve, which is currently pricing in one further rate cut. FRA market is positioned for the repo rate to bottom at 7.25% in this cycle, and this view has not changed over the quarter. This view seems reasonable to us. The SARB estimates the neutral real repo rate at between 250bps and 300bps, and if you add this to the mid-point of the inflation target band (4.5%), that would suggest a neutral repo rate of 7% to 7.5%.

The treasury bill curve was broadly unchanged over the quarter, and these instruments are still looking attractive to us relative to shorter-dated NCDs, especially the 6-month and 9-month tenors.

The fund's duration decreased somewhat over the quarter from 66 days to 58 days. Apart from this, the fund positioning is little changed from a quarter ago.

Annualised performance	A class	Benchmark	X class
1 year	8.5%	8.0%	8.5%
3 years	7.8%	7.3%	7.8%
5 years	6.3%	5.8%	6.3%
7 years	6.6%	6.0%	6.6%
10 years	6.8%	6.2%	6.8%
20 years	7.0%	6.6%	-
Since inception	7.4%	7.1%	-

Disclaimer

Risk profile

Risk of not earning meaningful inflation-beating returns over the long-term

HIGHER — LOWER

LOWER — HIGHER

Variability of returns over the short-term

Fund facts

Fund objective

To protect the capital of investors in an absolute sense, while providing income in excess of short-term bank deposit rates. Investors' capital remains highly liquid. While this is a low-risk fund, investors should be aware that the possibility of capital loss does exist. This could happen should an issuer of an underlying investment in the fund default.

Investor profile

Risk-averse individuals requiring a short-term investment with protection from equity and bond market-type volatility. Capital protection is more important than long-term capital growth. The recommended investment horizon is 1 – 12 months.

Investment mandate

South African short-term, highly liquid money market instruments with a maturity of less than 13 months. The weighted average duration of the underlying assets may not exceed 90 days and the weighted average legal maturity may not exceed 120 days. The Fund is managed to comply with regulations governing retirement fund investments (Reg. 28).

Fund managers

Roshen Harry
René Prinsloo

ASISA category

South African - Interest Bearing - Money Market

Benchmark

STeFI Call Deposit Index

Inception date

9 April 2002

Fund size

R1 759 003 070

AA+(ZA)(f) GCR RATINGS www.GCRratings.com

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

M&G High Interest Fund

Income

This fund is capped to new investors.

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism. However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general. Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global equity (as measured by the MSCI All Country World Index) fell 1.8% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars). Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars). Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

In South Africa, Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government. On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve. For inflation-linked bonds, the Composite Inflation-Linked Bond Index also delivered 0.7% for the quarter, with a similar steepening of the curve for those instruments (all in rand).

Performance

The M&G High Interest Fund performed adequately over this more challenging period, returning 2% (A class, net of fees) for the first quarter and outperforming its benchmark by 5bps.

For the year, the fund delivered a return of 8.7% (A class, net of fees), delivering a 39bps outperformance to its benchmark.

Positioning

South African fixed income assets had a somewhat challenging start to the year, as was the case in most other countries. The South African government bond curve moved higher by about 25bps on average, and the curve also steepened, such that back-end bonds lost money over the quarter. The money market curve also steepened, with the very front-end pulled down by the SARB's January rate cut, while the longer-dated NCD yields didn't change much.

Floating rate NCD spreads continued their downward trend, and when compared to fixed-rate NCDs, implying no further rate cuts by the SARB. This is roughly consistent with the FRA curve, which is currently pricing in one further rate cut. FRA market is positioned for the repo rate to bottom at 7.25% in this cycle, and this view has not changed over the quarter. This view seems reasonable to us. The SARB estimates the neutral real repo rate at between 250bps and 300bps, and if you add this to the mid-point of the inflation target band (4.5%), that would suggest a neutral repo rate of 7% to 7.5%.

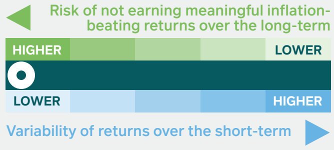
The treasury bill curve was broadly unchanged over the quarter, and these instruments are still looking attractive to us relative to shorter-dated NCDs, especially the 6-month and 9-month tenors. For the M&G High Interest Fund specifically, the fact that the fund can hold longer-dated instruments makes TBs a less compelling investment relative to what else is available, and we remain uninvested in TBs.

This quarter we were successful in auctions of new

Annualised performance	A class	Benchmark	X class	D class
1 year	8.7%	8.3%	8.8%	8.9%
3 years	8.0%	7.5%	8.1%	8.2%
5 years	6.3%	6.2%	6.4%	6.5%
7 years	6.7%	6.5%	6.8%	6.9%
10 years	7.0%	6.7%	7.1%	7.2%
Since inception	6.6%	6.4%	-	-

Sources: M&G, Morningstar & Deutsche Securities

Risk profile



Fund facts

Fund objective

To maximise the current level of income above money market and current account yields, while providing maximum capital stability and a high degree of liquidity. This actively managed fund invests in slightly longer duration instruments than money market funds. The daily unit price will move slightly, in line with the performance of its holdings.

Investor profile

Individuals requiring a higher yield than that from a money market or current account, without taking on unnecessary risk. Capital stability and a high income yield are more important than long-term capital growth. The recommended investment horizon is 3-12 months, or longer depending on income needs and risk profile.

Investment mandate

The Fund invests in a flexible mix of non-equity securities. Its maximum weighted average duration is 180 days and the maximum tenor of any one instrument is 36 months. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

Fund managers

Roshen Harry
René Prinsloo

ASISA category

South African - Interest Bearing - Short Term

Benchmark

STeFI Composite Index measured over a rolling 12-month period

Inception date

8 December 2010

Fund size

R12 442 280 106

M&G Investments

instruments issued by Pepkor, Standard Bank, Nedbank and Absa. Funds were deployed into these instruments from the maturing I2025 government ILB which was a long-held position in the fund. The fund duration, at 44 days, remains fairly low and relatively unchanged over the quarter.

Credit trends

Total credit issuance (excluding government issuances) was off to a slow start in Q1 2025 with only R27.1bn issued, compared to R54.1bn in Q4 2024. The Q1 issuance was down 14% compared to the same quarter in the prior year (Q1 2024: R31.7bn issued). Rolling 12 months issuance to Q1 2025 sits at R165.5bn compared to R143.6bn for the 12 months to Q1 2024, an increase of 15%.

The make-up of issuance for the quarter followed established trends - issuance being almost exclusively floating-rate notes, with auctions accounting for 58% of placements by volume.

Data compiled by RMB's Credit Research team indicates that banks and financial issuers dominated primary market issuance for the quarter contributing to 52% of gross issuance, followed by corporates at 27%. Standard Bank was the largest bank/financials issuer of the quarter, raising R2.5bn in senior bonds, and R1.5bn in an Additional Tier 1 capital instrument. Pepkor Holdings was the largest corporate issuer for the quarter, having raised R3.3bn.

Zeda Financing Ltd held its inaugural debt capital markets auction in March 2025. The auction was well-supported, with more than R2.3bn in bids received. A total of R850m was issued across a 3- and 5-year notes offering, resulting in a subscription rate of 3.2x. Industrial Development Corporation issued its inaugural sustainable use of proceeds bonds in March 2025, raising R2.046bn across 5, 7, 10 and 12-year notes. The auction was 1.7x oversubscribed.

Transnet privately placed a R2.2bn 3-year senior unsecured and non-guaranteed floating rate note at 320 basis points (bps) over 3-month JIBAR, making it the largest SOE issuer year-to-date. This is the first non-guaranteed term note issued by Transnet in the local debt capital market since February 2022.

Numerous rating actions took place during the quarter. During February 2025, Moody's upgraded Barloworld Ltd national scale by one notch, to Aa1.za from Aa2.za. Moody's noted that the rating action reflects that Barloworld has maintained, and is expected to continue to maintain, adequate credit metrics despite a downturn in the commodity cycle, which has caused a decline in demand for heavy equipment in its main market of Southern Africa.

GCR has assigned Motus an initial long term issuer rating of AA-(za) on the back of its leading market position in the South African automotive industry, and strong financial profile. The ratings also reflect Motus' product and geographic diversification, which has helped sustain earnings growth and a moderate gearing and liquidity profile.

GCR has placed Octodec Investments rating of A-(za) on negative outlook due to sluggish financial performance, which has added to funding and liquidity pressure. GCR noted that the negative outlook reflects the weak operating environment that has hampered an improvement in Octodec's key property performance metrics over the past three years. As a result, key gearing and liquidity metrics have deteriorated slightly, which may continue if there is no meaningful improvement in property performance. M&G has no exposure to Octodec.

GCR has downgraded Accelerate Property Fund's national scale credit rating to C(za) from B(za) on increasing material risk of a near-term default or restructuring/distressed debt exchange. The outlook remains on rating watch negative. M&G has no exposure to Accelerate Property Fund.

During March, Moody's upgraded GreenHouse Funding 5 (RF) Ltd's B notes to A3.za(sf) from Baa3.za(sf). The rating action was prompted by an increase in credit enhancement.

Fixed rate spreads closed the quarter -2.7 bps lower over the first quarter of the year. Floating rate credit spreads closed -0.5 bps lower over the first quarter of the year.

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Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

M&G Income Fund

Income

Q1 2025

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Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Performance

The M&G Income Fund delivered a pleasing performance over this more challenging period, returning 2.2% for the quarter and outperforming its benchmark by 33bps (A class, net of fees). It also performed well against peers, falling in the second quartile of the peer group over one year and the top decile over the past quarter (Morningstar).

Positioning

South African fixed income assets had a somewhat challenging start to the year, as was the case in most other countries. The South African government bond curve moved higher by about 25bps on average, and the curve also steepened, such that back-end bonds lost money over the quarter. The money market curve also steepened, with the very front-end pulled down by the SARB's January rate cut, while the longer-dated NCD yields didn't change much.

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The treasury bill curve was broadly unchanged over the quarter, and these instruments are still looking attractive to us relative to shorter-dated NCDs, especially the 6-month and 9-month tenors. For the M&G Income Fund specifically, the fact that the fund can hold longer-dated instruments makes TBs a less compelling investment relative to what else is available, and we remain uninvested in TBs.

The past quarter saw the maturity of the I2025 government ILB, which was a long-held position in the fund. Apart from that, there were few other changes to the fund over the quarter.

Credit trends

Total credit issuance (excluding government issuances) was off to a slow start in Q1 2025 with only R27.1bn issued, compared to R54.1bn in Q4 2024. The Q1 issuance was down 14% compared to the same quarter in the prior year (Q1 2024: R31.7bn issued). Rolling 12 months issuance to Q1 2025 sits at R165.5bn compared to R143.6bn for the 12 months to Q1 2024, an increase of 15%.

The make-up of issuance for the quarter followed established trends - issuance being almost exclusively floating-rate notes, with auctions accounting for 58% of placements by volume.

Data compiled by RMB's Credit Research team indicates that banks and financial issuers dominated primary market issuance for the quarter contributing to 52% of gross issuance, followed by corporates at 27%. Standard Bank was the largest bank/financials issuer of the quarter, raising R2.5bn in senior bonds, and R1.5bn in an Additional Tier 1 capital instrument. Pepkor Holdings was the largest corporate issuer for the quarter, having raised R3.3bn.

Zeda Financing Ltd held its inaugural debt capital markets auction in March 2025. The auction was well supported, with more than R2.3bn in bids received. A total of R850m was issued across a 3- and 5-year notes offering, resulting in a subscription rate of 3.2x. Industrial Development Corporation issued its inaugural sustainable use of proceeds bonds in March 2025, raising R2.046bn across 5, 7, 10 and 12-year notes. The auction was 1.7x oversubscribed.

Transnet privately placed a R2.2bn 3-year senior unsecured and non-guaranteed floating rate note at 320 basis points (bps)

Annualised performance	A class	Benchmark	D class
1 year	10.1%	8.3%	10.2%
3 years	9.1%	7.5%	9.3%
5 years	7.5%	6.2%	7.6%
7 years	7.6%	6.5%	7.8%
Since inception	7.8%	6.7%	-

Risk profile

Risk of not earning meaningful inflation-beating returns over the long-term

HIGHER LOWER

LOWER HIGHER

Variability of returns over the short-term

Fund facts

Fund objective
The Fund's objective is to maximise income while providing investors with relative capital stability. This is achieved by investing in a diversified portfolio of non-equity securities in the South African market.

Investor profile
Investors who are looking to maximise their income return over the short-to-medium term without assuming too much risk of capital loss. The recommended investment horizon is 1-2 years, or longer depending on income needs and risk profile.

Investment mandate
The Fund invests in a flexible mix of non-equity securities in the South African market. It is suitable for short-to-medium term investors looking for an actively managed interest-bearing fund. Compared to traditional money market and enhanced cash funds, the Fund can have a longer weighted average duration (max 24 months) with no limit on the maximum maturity period for any one instrument. The Fund is managed to comply with regulations governing retirement fund investments (Reg. 28).

Fund managers
Roshen Harry
René Prinsloo

ASISA category
South African - Interest Bearing - Short Term

Benchmark
STeFI Composite Index measured over a rolling 12-month period

Inception date
6 December 2016

Fund size
R322 811 170

Sources: M&G, Morningstar & Deutsche Securities

over 3-month JIBAR, making it the largest SOE issuer year-to-date. This is the first non-guaranteed term note issued by Transnet in the local debt capital market since February 2022.

Numerous rating actions took place during the quarter. During February 2025, Moody's upgraded Barloworld Ltd national scale by one notch, to Aa1.za from Aa2.za. Moody's noted that the rating action reflects that Barloworld has maintained, and is expected to continue to maintain, adequate credit metrics despite a downturn in the commodity cycle, which has caused a decline in demand for heavy equipment in its main market of Southern Africa.

GCR has assigned Motus an initial long term issuer rating of AA-(za) on the back of its leading market position in the South African automotive industry, and strong financial profile. The ratings also reflect Motus' product and geographic diversification, which has helped sustain earnings growth and a moderate gearing and liquidity profile.

GCR has placed Octodec Investments rating of A-(za) on negative outlook due to sluggish financial performance, which has added to funding and liquidity pressure. GCR noted that the negative outlook reflects the weak operating environment that has hampered an improvement in Octodec's key property performance metrics over the past three years. As a result, key gearing and liquidity metrics have deteriorated slightly, which may continue if there is no meaningful improvement in property performance. M&G has no exposure to Octodec.

GCR has downgraded Accelerate Property Fund's national scale credit rating to C(za) from B(za) on increasing material risk of a near-term default or restructuring/distressed debt exchange. The outlook remains on rating watch negative. M&G has no exposure to Accelerate Property Fund.

During March, Moody's upgraded GreenHouse Funding 5 (RF) Ltd's B notes to A3.za(sf) from Baa3.za(sf). The rating action was prompted by an increase in credit enhancement.

Fixed rate spreads closed the quarter -2.7 bps lower over the first quarter of the year. Floating rate credit spreads closed -0.5 bps lower over the first quarter of the year.

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Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

M&G Bond Fund

Income

Q1 2025

Market overview

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Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars). Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars). Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve. For inflation-linked bonds, the Composite Inflation-Linked Bond Index also delivered 0.7% for the quarter, with a similar steepening of the curve for those instruments (all in rand).

Performance

The M&G Bond Fund performance was somewhat disappointing over the first quarter both in an absolute and relative sense (0.4% versus 0.7% for the All Bond Index, A class, net of fees). The returns against the peer group were also underwhelming, landing the fund in the third quartile over the quarter, and in the second quartile over the past year (Morningstar).

The longer-term returns, 10.5% over three years and 11.8% over five years, continue to stack up very well against the benchmark and peer group though, as evidenced by the recent performance awards. The M&G Bond Fund won at the 2025 Raging Bull Awards for best South African interest-bearing variable-term fund for three-year straight performance, category winner at the recent Profile Unit Trust Awards for three-year straight performance, and won at the inaugural FundHub Industry Performance Awards in the South African interest-bearing variable-term fund category over three years (all awards for the performance period to end December 2024).

In addition, we've reduced the annual management fee (AMF) of the A class of the M&G Bond Fund by 0.15% effective from 1 April 2025.

Positioning

South African fixed income assets had a somewhat challenging start to the year, as was the case in most other countries. The South African government bond curve moved higher by about 25bps on average, which places its bond move close to the median of a peer group of countries over this period. The quarter also saw a reasonably significant steepening of the

Annualised performance	A class	Benchmark	B class
1 year	19.9%	20.2%	20.1%
3 years	10.5%	9.8%	10.7%
5 years	11.8%	11.7%	12.0%
7 years	8.0%	8.3%	8.2%
10 years	8.0%	8.4%	8.2%
20 years	8.4%	8.6%	8.7%
Since inception	9.8%	10.1%	-

Risk profile

Risk of not earning meaningful inflation-beating returns over the long-term

HIGHER LOWER

LOWER HIGHER

Variability of returns over the short-term

Fund facts

Fund objective
To maximise income while securing steady capital growth. This is achieved by investing in a diversified portfolio of bonds in the South African market.

Investor profile
Individuals that require a high level of income from their capital investment with relatively low risk. The recommended investment horizon is 1-3 years, or longer when used as strategic exposure to the asset class.

Investment mandate
The Fund invests in a combination of government, semi-government and corporate bonds, and other interest-bearing securities. No duration constraints apply. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

Fund managers
Roshen Harry
René Prinsloo

ASISA category
South African - Interest Bearing - Variable Term

Benchmark
FTSE/JSE All Bond Index

Inception date
27 October 2000

Fund size
R1 017 912 197

Awards
Raging Bull: 2024
Fundhub: 2024
Profile: 2024

Sources: M&G, Morningstar & Deutsche Securities

curve, with the front-end of the curve relatively unchanged, the 10-to-15-year part around 30bps weaker, and the back end selling off by more than 40bps.

As mentioned previously, the fund maintains a neutral duration position relative to its benchmark, and to a degree this shielded the fund somewhat from underperforming. Nevertheless, the first quarter was a challenging period for the fund, as we had significant exposure to the 15 to 20-year part of the curve, and the steepening in this area detracted from performance. We remain convinced that this part of the curve shows good relative value, and have added to our position over the quarter, albeit in a duration-neutral manner.

Fixed rate credit spreads remain at historically low levels and are in fact negative for the better-quality issuers. In such an environment, we expect the fund to remain uninvested in credit.

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M&G Enhanced Income Fund

Multi-asset

Q1 2025

Market overview

US Treasury bond yields reversed course in the first quarter of the year. After having bounced sharply from their cyclical lows in mid-September up to their peak levels in mid-January (just ahead of the US presidential inauguration), yields rallied to end March at the lows of the first quarter, especially at the short end of the term structure, which saw the yield curve steepen. Global financial markets have been on high alert and busy reacting to headlines emanating from the White House ever since. High volatility seems to be the new normal under Trump 2.0. tariffs have garnered the most attention and while this was discounted by the market, it is the actual level of tariffs levied and on which products or countries versus expectations that matters most for asset prices. Whether tariffs are in fact implemented or just threatened for geopolitical aims is another factor for markets to weigh. The economic implication of aggressive tariff increases is ultimately higher prices and slower global growth.

US Treasury bond yields were remarkably stable in January with yield changes across the term structure showing a slight bull steepening bias. The December labour report showed much higher-than-expected monthly nonfarm payrolls and a lower-than-forecasted unemployment rate, alongside as expected average hourly earnings figures. Prior nonfarm payrolls were revised higher again. The bond market sold off on the report's release but recovered a few days later. The January FOMC decision to hold rates steady was widely anticipated. The Committee began the process of normalising interest rates from very restrictive levels in earnest at its September meeting but the enduring strength of the economy, higher-than-expected inflation readings and uncertainties around the new administration's economic policies gave them cause to pause in January.

February was a month of two halves for the US Treasury bond market. Yields started the month rising with a bear flattening bias headed into the 12 February CPI release, which saw all measures of US consumer price inflation printing higher-than-expected. For the rest of the month, yields rallied hard with a bull steepener taking hold. Two reasons come to mind when describing the rally. Firstly, new US Treasury Secretary Scott Bessent made it clear in February that this administration is more concerned with monitoring the US 10-year Treasury yield rather than the Federal Funds rate as it's a better reflection of borrowing costs. Also, they can have an influence on bond yields via fiscal policy. Secondly, US real economic data releases came out weaker than forecast and fears of a looming recession grew. The January labour report showed lower-than-expected monthly nonfarm payrolls and a lower-than-forecasted unemployment rate, alongside higher-than-expected average hourly earnings figures. Prior nonfarm payrolls were revised higher again. The bond market sold off on the report's release until the CPI release five days later. Following the wide range of new tariffs announced, the University of Michigan's one-year inflation expectation jumped. This coupled with the upside realised inflation surprise places the FOMC in a difficult position and the result has seen a market that anticipates stable policy rates.

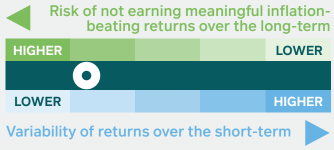
US Treasury bond yields showed a mixed performance in March with the short end rallying and the long end selling off, resulting in a steepening of the yield curve. The short end was supported by weak economic data. The ISM manufacturing data at the start of the month was weak, not only the headline data but more so the details. The February labour report showed slightly lower-than-expected monthly nonfarm payrolls and a marginally higher-than-forecasted unemployment rate, alongside lower-than-expected average hourly earnings figures. Prior nonfarm payrolls were revised lower this time. The bond market initially sold off on the report's release but reversed those losses and some more during the following trading session. While the February CPI inflation release was lower-than-expected at both the headline and core level, bond yields still rose. PPI inflation also printed lower-than-expected in February for both the headline and core measures. The preliminary University of Michigan survey was woeful. Sentiment, current conditions and expectations were all worse-than-expected, while inflation expectations for both the near- and long-term horizons jumped. The Empire State Manufacturing Index collapsed as well. Soft or sentiment survey data have been severely impacted by the new administration's actions on tariffs preceding "Liberation Day". The FOMC held rates steady and bond yields managed to rally a tad on the day of the announcement.

Brent crude oil prices were basically unchanged in the first quarter of 2025, after having increased over the previous quarter. Energy prices were relatively stable, trading within a similar narrow range as the previous quarter. The US dollar index declined in the first quarter, reversing most of the stellar gains made in the previous quarter. The currency lost support around the time of the Trump inauguration and has not looked back. The weak US dollar environment for the year to date saw the rand exchange rate recover to its strongest level since mid-December. The rand was one of the better-performing emerging market currencies against the US dollar in the first quarter in both spot and total return terms despite the executive order imposed by President Trump on South Africa. The cost of SOAF protection via the CDS market has been on a rising trend this year. It moved out of the range held over the previous six months which saw some of the lowest levels post Covid.

Locally, SA nominal bond yields rose steadily over the course of the first quarter with a steepening bias. Both local and global factors played a part in this move. The local National Budget impasse as well as the impact of Trump tariffs on the global economy were to blame. The future of the GNU was also at risk for most of the

Annualised performance	A class	Benchmark	T class	X class	D class
1 year	11.1%	8.3%	11.3%	11.0%	11.4%
3 years	9.4%	7.5%	9.6%	9.4%	9.7%
5 years	8.4%	6.2%	8.6%	8.3%	8.7%
7 years	7.2%	6.5%	7.5%	7.2%	7.6%
10 years	7.1%	6.7%	7.4%	7.2%	7.6%
Since inception	7.9%	7.0%	-	-	-

Risk profile



Fund facts

Fund objective

To maximise total returns in excess of the benchmark over a rolling 36-month period, while seeking to protect capital and reduce volatility through active asset management.

Investor profile

Individuals requiring an actively managed income solution that provides a high income return together with moderate capital growth. The recommended investment horizon is 1 to 3 years.

Investment mandate

The Fund invests in a diversified mix of local and foreign equity, bonds, listed property and cash. The Fund may also invest in derivatives and other collective investment schemes. Asset allocation is actively and tactically managed to achieve the Fund's objectives. The intended maximum limits are Equity 10%, Listed Property 25% and Foreign 45%. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

Fund managers

Roshen Harry
Bulent Badsha

ASISA category

South African - Multi-Asset - Income

Benchmark

STeFI Composite Index measured over a rolling 36-month period

Inception date

1 July 2009

Fund size

R848 590 888

Sources: M&G, Morningstar & Deutsche Securities

quarter. Inflation-linked bond yields were mixed on the quarter with the short end rallying on VAT related impacts and the long end selling off on fiscal/global considerations thereby leading to a steepening.

SA bond yields rose modestly in January, underperforming US Treasuries over the month. The local market returned to full trading hours and market participants returned from the holiday period for the resumption of weekly government bond auctions, the first MPC meeting of the year and the receipt and subsequent deployment of coupon flows. Local real economic activity data released in January were poor, especially the PMI and vehicle sales figures while inflation remains well contained. Consumer price inflation increased but printed lower-than-expected at 3.0%. The MPC of the SARB lowered the repo rate by a further 0.25% to 7.50% in January. This decision was widely expected, but the voting split of the committee was a surprise as only four members supported the reduction with two members favouring an unchanged stance. The MPC remains concerned over the upside risks to inflation and has looked through the current "transitory" trough.

SA nominal bond yields rose in February, showing a bear steepening bias. However, inflation-linked bonds rallied with a bull steepener. The highlight or lowlight of the month was the no-show budget. For the first time in history the government failed to deliver the National Budget. The ANC attempted to sneak in a 2% VAT increase into the final budget after agreeing to a budget with its ruling coalition partners in the GNU only two weeks before the budget. They even threatened to walk away from their coalition partners in favour of the left-leaning parties, if they did not accept it. The ANC failed to appreciate that the country is no longer run out of Luthuli House but rather a multi-party coalition. Bond yields and the rand initially sold off on the news of the budget postponement, but this was only short-lived as market participants took heart from the coalition parties resolve to keep the ANC in check.

SA nominal bond yields rose in March, showing a bear steepening bias. However, inflation-linked bonds fared better, with the front-end rallying and the back end selling off somewhat thereby leading to a steepener. The bond market was affected by both global developments emanating from the White House, as well as local negotiations among the GNU party members surrounding the budget impasse with headline risks acute on both fronts. The MPC of the SARB met in March and decided to pause the rate-cutting cycle with the repo rate held steady at 7.50%. The decision was not unanimous as four members voted in favour, while two favoured a 25bps rate cut. The committee has only cut rates by a cumulative 75bps despite CPI inflation collapsing. This has been due to the heightened local political and Trump Tariff risks. The inflation forecast for 2025 was lowered materially at this meeting, therefore according to market the window remains open for a rate cut at the May MPC meeting.

Performance

Over the 12 months to 31 March 2025, the M&G Enhanced Income Fund delivered a total return of 11.1%, which compares favourably to both the benchmark (STeFI Composite) return of 8.3% and the ASISA category average gain of 11%. More importantly, over the past three years the Fund provided an annualised return of 9.4% which was comfortably ahead of the benchmark return of 7.5% and the peer average of 8.5%.

Strategy and positioning

At the start of the quarter, the fund reduced duration via the interest rate swap market. This decision added value to the fund as yields rose steadily over the quarter. For some time, the implied real yields from nominal bonds have been more attractive than those offered by inflation-linked bonds. Therefore, most of the fund's duration exposure has been to nominal rates instead of real rates, though some exposure to inflation-linkers was always maintained due to the relatively high absolute level of real yields available and the fact that they provide a form of insurance to the portfolio. The fund started buying short dated ILB exposure ahead of the February budget and continued to do so over the course of the quarter. Short end linkers rallied in the quarter and this added value. The preference thus far has been in the shorter end of the yield curve, but with the steepening the long end has begun to look attractive also. During the quarter, most of the positioning in our property teams favoured defensive, yet high yielding SA listed property stocks was switched in favour of units in their multi award-winning property fund. Foreign bond exposure remains to short-dated US treasury bonds instead of corporate credit due to the tightness of spreads. A change was made to the foreign bond positions currency hedge, where it was fully currency hedged before and changed to partially long US dollars during the quarter. Over the quarter, risk was managed tactically especially over the local budget. The fund remains drawdown focussed, cyclically aware and tactically alert.

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Sources: M&G, Morningstar & Deutsche Securities

Quarterly Commentary

M&G Inflation Plus Fund

Multi-asset

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Emerging and Developed Markets

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

South Africa

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve.

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

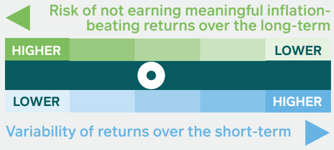
United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed

Annualised performance	A class	Objective[1]	T class	X class	B class
1 year	13.7%	6.6%	13.9%	13.7%	14.2%
3 years	8.9%	8.6%	9.2%	8.9%	9.4%
5 years	12.6%	8.2%	12.8%	12.6%	13.1%
7 years	6.9%	8.1%	7.3%	7.0%	7.5%
10 years	6.3%	8.4%	6.7%	6.4%	6.9%
20 years	9.9%	9.1%	-	-	10.5%
Since inception	10.8%	9.1%	-	-	-

[1] Objective: CPI + 5% p.a. over rolling 3 years gross of fees; less long-term TIC of applicable class. For A class objective above a TIC of -1.6% was used.

Risk profile



Fund facts

Fund objective

The primary objective is to outperform CPI by 5% before fees (which is 3.4% after fees for the A class) over a rolling 3-year period. The secondary objective is to reduce the risk of capital loss over any rolling 12-month period.

Investor profile

Individuals looking for a low- to medium-risk multi-asset fund. Individuals and retirees who want to protect their investment from the detrimental effects of inflation over time. The recommended investment horizon is 3 years or longer.

Investment mandate

The Fund invests in a diversified mix of local and foreign equity, bonds, listed property and cash. The Fund may also invest in derivatives and other collective investment schemes. Asset allocation is actively and tactically managed to achieve the Fund's objectives. The intended maximum limits are Equity 40%, Listed Property 25% and Foreign 45%. The Fund is managed to comply with regulations governing retirement fund investments (Regulation 28).

Fund managers

Sandile Malinga
Michael Moyle
Leonard Krüger

ASISA category

South African - Multi-Asset - Low Equity

Benchmark

CPI

Objective (before fees)

CPI+5% p.a. measured over a rolling 3-year period

Inception date

1 June 2001

Fund size

R19 016 430 815

Awards

Raging Bull: 2013
Morningstar: 2015

Sources: M&G, Morningstar & Deutsche Securities

signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

The Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Commodities

In the flight to safety against the backdrop of geopolitical and trade tensions, investors flocked to gold, driving up prices and ending the quarter as a standout performer. Commodity prices were further supported by China's latest stimulus measures. Gold and silver ended the quarter north of 19% and copper rallied to 11.1% (in US dollars). The PGM sector also saw increases with platinum, palladium and rhodium prices all rising. On the soft commodity side, coffee was the star after rising 18.75% during the quarter.

South Africa

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Despite concerns over tariffs, the rand strengthened on dollar weakness. The JSE All Share Index (ALSI) posted a solid 5.9% gain for the quarter in rand terms, and in US dollar terms, it rose by 9%, outpacing both developed and emerging markets. This rally was largely driven by a stronger performance in the resources sector, on the back of the surge in gold and platinum group metal (PGM) prices.

Performance

The M&G Inflation Plus Fund returned 1.5% (A class, net of fees) in the first quarter of 2025, underperforming its objective. However, for the 12-month period ending 31 March 2025, it delivered 13.7% (A class, net of fees) versus its objective of 6.6%. The fund has returned 10.8% per annum since its inception in 1999 (A class, net of fees), compared to its objective of 9.1%.

In terms of asset allocation this quarter, the fund's overweight SA equity position added significant value on an absolute basis, however it returned slightly less than the benchmark. The fund's underweight allocation to international equity and favourable stock selection kept it in positive territory on an absolute and relative basis versus the negative returns experienced by the benchmark.

The fund's overweight positions in SA bonds, ILBs and cash proved beneficial, contributing to performance on an absolute basis and against the benchmark. Given SA property's challenging quarter, the fund's stock selection (although underweight versus the benchmark) in this sector detracted from absolute and relative returns.

Within SA equity, the strong rally for the quarter was very concentrated in a few bigger names and the fund's overweight position in MTN (up 34%) was the top contributor to performance.

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Sources: M&G, Morningstar & Deutsche Securities

The next biggest contributor to performance this quarter was AngloGold Ashanti (up 66%) on the back of strong performance in the precious metal and mining space. Gold was significantly up in the month of March.

Not holding Harmony Gold Mining detracted from relative performance as it delivered well during the quarter. Our overweight position in The Foschini Group (down -26%) held back absolute and relative performance.

Strategy and positioning

The start of the year saw the South African market outperform global peers when looking at both the local equity and bond market. We saw very strong moves in the SA equity market as measured by the FTSE/JSE Capped Swix Index, which returned 5.9% for the quarter against the -3.8% fall in global equities as measured by the MSCI All-Country World Index (both in rand). The bond market was more subdued, adding 70bps, but this was also ahead of the flat performance for the Bloomberg Global Aggregate Bond Index (in rand).

Our broad preference continues to be overweight South African domestic assets and underweight foreign exposure. We have seen some earnings expectations upgrades in our market during the quarter, but it has mostly been limited to a few sectors, such as precious metals & mining and communication services. The effect is that our market still screens cheap when looking at pure fundamentals, such as price-to-book (1.79x) and forward price-to-earnings ratio (10.10x). On the bond side, we still see value as real bond yields are trading in excess of our fair value and we continue to hold an overweight to nominal bonds across all our funds. Fundamentals for the local property sector have also improved somewhat on the back of a retracement in price for that asset class after very strong positive performance in 2024.

Within our global positioning in our funds, we are currently neutral equities, overweight bond duration and cash, and underweight property and credit exposure. We kept our overall positioning fairly intact during the quarter.

The valuation for the MSCI All Country World Index 12-month forward P/E ratio reduced from 18.35x at the start of the year to 17.25x by the end of the quarter. This is mainly due to the downward move in US equity markets, with the S&P ratio moving from above 22x at the start of the year to closer to 20x by the end of March.

Out of interest, this ratio reduced drastically for the so called "Magnificent 7" stocks from 34.5x to 28.7x in the first three months of 2025. This can be explained by various factors such as the news end January on DeepSeek AI developments in China being at reduced cost and increased efficiency compared to US counterparts, as well as the impact of tariffs on global trade and the US economy. At the same time, we saw the forward P/E ratio for World excluding the US, as well as emerging markets move slightly higher on the back of relative price outperformance.

We made no changes to our global equity positioning in our funds on the back of these moves, as we believe there's still room for the trend to continue. As such, we continue to have a short position to the US market, counter-balanced by long positions to China, Mexico, South Korea, and a few other developed and emerging countries.

On the bond side, we continue to hold our existing position to long-dated US treasuries in our funds with an overweight duration position. We also still maintain our position to Brazilian bonds, which we added at the end of last year. New positions we engaged with in the asset class were adding UK gilts and German bunds during the sell-off in global bond markets during the first few weeks of January. We have seen a retracement in yields to lower levels for the former since adding the position to the funds, while for German bunds we saw a significant sell-off in yields in March due to a raise in the debt ceiling in that region post their election. As at the end of the first quarter, bund yields have retraced back to the levels where we engaged the position at the start of the year.

We maintain our underweight position to global corporate credit given that credit spreads are still trading at very compressed levels, even after moving slightly higher recently. We continue to view the risk-reward for holding those instruments as unappealing.

Moving on to our holdings in local asset classes, we have cut our SA equity position to neutral in our funds on the back of the significant outperformance of our market compared to other markets during the first quarter. We view this as a tactical trade due to relative market moves but still see SA equities as fundamentally cheap when looking at valuation metrics such as the 12-month forward P/E ratio (10.1x) and Price-to-Book ratio (1.79x).

We have kept our property positioning unchanged during the quarter, after making use of market opportunities during the previous year to reduce the underweight we have in place to that asset class. At present, we still have a small underweight to neutral position to property in our funds, consistent with where we started the year.

In terms of bonds, we continue to hold a reasonable overweight to SA nominal bonds in our funds, given that fundamentals for that asset class are mostly unchanged from where we ended 2024. We still see real yields currently at attractive levels and have made no significant changes to our holdings across funds during the first quarter of the year.

Our house-view portfolios continue to have no meaningful exposure to SA inflation-linked bonds (ILBs) as our preference has been for nominal bonds in favour of ILBs, even after the strong outperformance we saw in nominal bonds during 2024. We do, however, hold some inflation-linked bonds in our real return portfolios, such as the M&G Inflation Plus Fund. Real yields for these instruments are attractive at current levels but given liquidity constraints, we continue to leave our preference in the fixed income space unchanged at current levels. We have made no changes to our ILB holdings across the funds that do hold a position to these instruments.

Finally, our portfolios remain tilted away from SA cash as we see better risk-adjusted returns from deploying excess cash into nominal bonds at this stage. Real cash yields continue to offer relatively high returns after the rate-cutting cycle ended up being very shallow, but we view the extra return on offer in bonds as sufficient to compensate us for the additional level of risk involved in holding the asset class. □

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Multi-asset

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Emerging and Developed Markets

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

South Africa

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve.

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

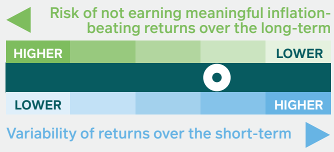
Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed

Risk profile



Fund facts

Fund objective

To achieve steady long-term growth of capital and income by investing in a diversified combination of domestic and international assets, where the asset allocation is tactically managed.

Investor profile

A suitable fund for retirement provision and for those individuals looking to tilt their portfolio to value with controlled risk exposure. The recommended investment horizon is 5 years or longer.

Investment mandate

The Fund conforms to the regulations governing retirement fund investments (Regulation 28). Intended maximum limits: Equity 75%, Listed Property 25% and Foreign 45%.

Fund managers

Sandile Malinga
Michael Moyle
Leonard Krüger

ASISA category

South African - Multi-Asset - High Equity

Benchmark

ASISA South African - Multi-Asset - High Equity Category Average

Inception date

2 August 1999

Fund size

R26 965 285 249

Annualised performance	A class	Benchmark	T class	X class	B class
1 year	14.3%	12.4%	14.6%	14.3%	14.9%
3 years	9.6%	8.9%	9.9%	9.6%	10.1%
5 years	15.6%	13.4%	15.9%	15.7%	16.2%
7 years	9.0%	8.5%	9.3%	9.1%	9.6%
10 years	7.8%	7.0%	8.2%	8.0%	8.5%
20 years	11.5%	9.9%	-	-	12.3%
Since inception	12.6%	11.1%	-	-	-

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

The Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Commodities

In the flight to safety against the backdrop of geopolitical and trade tensions, investors flocked to gold, driving up prices and ending the quarter as a standout performer. Commodity prices were further supported by China's latest stimulus measures. Gold and silver ended the quarter north of 19% and copper rallied to 11.1% (in US dollars). The PGM sector also saw increases with platinum, palladium and rhodium prices all rising. On the soft commodity side, coffee was the star after rising 18.75% during the quarter.

South Africa

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Despite concerns over tariffs, the rand strengthened on dollar weakness. The JSE All Share Index (ALSI) posted a solid 5.9% gain for the quarter in rand terms, and in US dollar terms, it rose by 9%, outpacing both developed and emerging markets. This rally was largely driven by a stronger performance in the resources sector, on the back of the surge in gold and platinum group metal (PGM) prices.

Performance

The M&G Balanced Fund outperformed its benchmark by 1.5% in the first quarter of 2025, returning 2.2% (A class, net of fees). For the 12-month period ending 31 March 2025, its return was 14.3% (A class, net of fees) versus the 12.4% delivered by the benchmark. The fund has delivered an annual return of 12.6% since its inception in 1999 (after fees), compared to its benchmark of 11.1% per annum over the same period.

In terms of asset allocation this quarter, the fund's overweight SA equity position added significant value on an absolute basis, however it returned slightly less than the benchmark. The fund's underweight allocation to international equity and favourable stock selection kept it in positive territory on an absolute and relative basis versus the negative returns experienced by the benchmark.

The fund's underweight position in SA cash proved beneficial, contributing positively on an absolute basis and against the benchmark. However, the overweight position in international cash detracted from value relatively and versus the benchmark given the US dollar weakened against some major currencies during the quarter.

Within SA equity, the strong rally for the quarter was very

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Sources: M&G, Morningstar & Deutsche Securities

concentrated in a few bigger names and the fund's overweight position in MTN (up 34%) was the top contributor to absolute and relative performance. The next biggest contributor to performance this quarter was AngloGold Ashanti (up 66%) on the back of strong performance in the precious metal and mining space. Gold was significantly up in the month of March.

Not holding Harmony Gold Mining detracted from relative performance as it delivered well during the quarter. Our overweight position in The Foschini Group also slightly held back relative performance (down -26%).

Strategy and positioning

The start of the year saw the South African market outperform global peers when looking at both the local equity and bond market. We saw very strong moves in the SA equity market as measured by the FTSE/JSE Capped Swix Index, which returned 5.9% for the quarter against the -3.8% fall in global equities as measured by the MSCI All-Country World Index (both in rand). The bond market was more subdued, adding 70bps, but this was also ahead of the flat performance for the Bloomberg Global Aggregate Bond Index (in rand).

Our broad preference continues to be overweight South African domestic assets and underweight foreign exposure. We have seen some earnings expectations upgrades in our market during the quarter, but it has mostly been limited to a few sectors, such as precious metals & mining and communication services. The effect is that our market still screens cheap when looking at pure fundamentals, such as price-to-book (1.79x) and forward price-to-earnings ratio (10.10x). On the bond side, we still see value as real bond yields are trading in excess of our fair value and we continue to hold an overweight to nominal bonds across all our funds. Fundamentals for the local property sector have also improved somewhat on the back of a retracement in price for that asset class after very strong positive performance in 2024.

Within our global positioning in our funds, we are currently neutral equities, overweight bond duration and cash, and underweight property and credit exposure. We kept our overall positioning fairly intact during the quarter.

The valuation for the MSCI All Country World Index 12-month forward P/E ratio reduced from 18.35x at the start of the year to 17.25x by the end of the quarter. This is mainly due to the downward move in US equity markets, with the S&P ratio moving from above 22x at the start of the year to closer to 20x by the end of March.

Out of interest, this ratio reduced drastically for the so called "Magnificent 7" stocks from 34.5x to 28.7x in the first three months of 2025. This can be explained by various factors such as the news end January on DeepSeek AI developments in China being at reduced cost and increased efficiency compared to US counterparts, as well as the impact of tariffs on global trade and the US economy. At the same time, we saw the forward P/E ratio for World excluding the US, as well as emerging markets move slightly higher on the back of relative price outperformance.

We made no changes to our global equity positioning in our funds on the back of these moves, as we believe there's still room for the trend to continue. As such, we continue to have a short position to the US market, counter-balanced by long positions to China, Mexico, South Korea, and a few other developed and emerging countries.

On the bond side, we continue to hold our existing position to long-dated US treasuries in our funds with an overweight duration position. We also still maintain our position to Brazilian bonds, which we added at the end of last year. New positions we engaged with in the asset class were adding UK gilts and German bunds during the sell-off in global bond markets during the first few weeks of January. We have seen a retracement in yields to lower levels for the former since adding the position to the funds, while for German bunds we saw a significant sell-off in yields in March due to a raise in the debt ceiling in that region post their election. As at the end of the first quarter, bund yields have retraced back to the levels where we engaged the position at the start of the year.

We maintain our underweight position to global corporate credit given that credit spreads are still trading at very compressed levels, even after moving slightly higher recently. We continue to view the risk-reward for holding those instruments as unappealing.

Moving on to our holdings in local asset classes, we have cut our SA equity position to neutral in our funds on the back of the significant outperformance of our market compared to other markets during the first quarter. We view this as a tactical trade due to relative market moves but still see SA equities as fundamentally cheap when looking at valuation metrics such as the 12-month forward P/E ratio (10.1x) and Price-to-Book ratio (1.79x).

We have kept our property positioning unchanged during the quarter, after making use of market opportunities during the previous year to reduce the underweight we have in place to that asset class. At present, we still have a small underweight to neutral position to property in our funds, consistent with where we started the year.

In terms of bonds, we continue to hold a reasonable overweight to SA nominal bonds in our funds, given that fundamentals for that asset class are mostly unchanged from where we ended 2024. We still see real yields currently at attractive levels and have made no significant changes to our holdings across funds during the first quarter of the year.

Our house-view portfolios continue to have no meaningful exposure to SA inflation-linked bonds (ILBs) as our preference has been for nominal bonds in favour of ILBs, even after the strong outperformance we saw in nominal bonds during 2024.

Finally, our portfolios remain tilted away from SA cash as we see better risk-adjusted returns from deploying excess cash into nominal bonds at this stage. Real cash yields continue to offer relatively high returns after the rate-cutting cycle ended up being very shallow, but we view the extra return on offer in bonds as sufficient to compensate us for the additional level of risk involved in holding the asset class.

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Sources: M&G, Morningstar & Deutsche Securities

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M&G Property Fund

Property

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts. Global sentiment was shaken by President Trump's "Liberation Day" announcement of widespread U.S. tariffs.

Global equity (as measured by the MSCI All Country World Index) fell 1.8% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

In South Africa, the FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government. The DA's rejection of the budget added further political uncertainty.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Performance

For the quarter, the M&G Property Fund delivered -4.9% versus the All Property Index which returned -4.3%. Over three years, the fund delivered an outperformance of 1.5% to the benchmark.

We are proud that the M&G Property Fund has won the Raging Bull Award for consistent 3-year performance for both 2023 and 2024, as well as the Best SA real estate – general fund at the Profile Unit Trust Awards for 2024.

Positive relative contributions came from overweight positions in Sirius Real Estate and NepiRockcastle, while detractors included overweight exposure to MAS Real Estate and Hyprop, and an underweight in Growthpoint.

SA listed property underperformed other domestic asset classes, including SA equities (5.9%) and SA bonds (0.7%).

Strategy and positioning

The sector gave back some of 2024's gains as political and fiscal uncertainty in South Africa triggered a 30bps rise in the 10-year bond yield by end-March. Optimism around the Government of National Unity faded amid disagreements over the proposed budget, raising concerns about coalition stability.

Fund positioning was adjusted in response to higher valuations. The portfolio remains tilted toward quality, growth-oriented REITs with strong balance sheets and high income-generating potential.

Sirius and NepiRockcastle are standout operators well positioned for macro tailwinds.
Hyprop and Vukile offer exposure to a recovering SA retail market, where rent affordability is at decade lows.

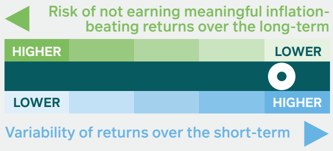
Sector Fundamentals

SA listed property fundamentals remain broadly stable. Vacancies are declining. Retail rental reversions have turned positive. Office reversions remain negative, but oversupply is being absorbed. Industrial assets continue to benefit from low vacancies and rising construction costs.

Recent financial results (for the December 2024 reporting period) reaffirmed the stabilisation thesis.

Annualised performance	A class	Benchmark	D class
1 year	20.0%	20.1%	20.1%
2 years	20.7%	20.2%	21.0%
3 years	12.6%	11.1%	13.0%
Since inception	17.5%	16.3%	-

Risk profile



Fund facts

Fund objective

The Fund seeks to maximise long-term growth from investing in South African listed property markets.

Investor profile

Investors who seek exposure to South African listed property as part of a diversified portfolio. Alternatively, investors looking for a growing income stream but who are willing to be exposed to capital volatility. The recommended investment horizon is 5 years or longer.

Investment mandate

The Fund is an actively managed portfolio investing primarily in South African listed property instruments and assets in liquid form. The Fund may invest in other collective investment schemes and in financial derivative instruments. No direct investment in physical property may be made.

Fund managers

Yusuf Mowlana
Rahgib Davids

ASISA category

South African - Real Estate - General

Benchmark

FTSE/JSE All Property Index

Inception date

9 July 2020

Fund size

R993 630 736

Awards

Raging Bull: 2023, 2024

Sources: M&G, Morningstar & Deutsche Securities

Growthpoint surprised positively, with earnings upgrades driven by a stronger SA portfolio and improved performance at the V&A Waterfront.

MAS Real Estate, a Q4 2024 top performer, fell 30% following market disappointment around a JV resolution proposal.

On the transactional front, Vukile and Lighthouse Capital continued accretive acquisitions in Iberia. Shaftesbury Capital sold 25% of Covent Garden to Norway's sovereign wealth fund at book value.

Outlook

While a deep dive on global trade tensions is beyond this commentary, it's fair to say tariffs are a headwind for global growth, equity valuations, and earnings certainty.

We continue to focus on resilient companies less exposed to direct tariff impacts, though second-order effects are inherently unpredictable.

While not a time for aggressive risk-taking, recent price declines have improved valuation entry points. The Fund remains anchored by a disciplined investment process focused on quality, sustainability, and risk-aware value creation.

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Disclaimer

Sources: M&G, Morningstar & Deutsche Securities

Quarterly Commentary

M&G Investments

M&G Dividend Maximiser Fund

Equity

Q1 2025

Market overview

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Performance

The M&G Dividend Maximiser Fund delivered a return of 2.4% (A class, net of fees) for the first quarter of 2025, outperforming its benchmark (the average of the general equity funds) by 0.5%. For the year ended 31 March 2025, the fund returned 18.1% (A class, net of fees), outperforming its benchmark by 0.3%. For the 3-year period ending 31 March 2025, the absolute performance of the Fund has been satisfactory, with an absolute return of 9% per annum over this period, outperforming the benchmark by 1.9% per year.

The Fund's dual focus of buying undervalued companies with strong cash flows and dividends remains core.

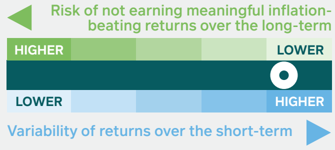
During the first quarter of 2025, new US policies, particularly on tariffs, increased the level of market uncertainty, which we think will cause risk premiums to rise across the world. In the short term, we may see risk premiums shrink for a few "safe haven" assets, like gold and US treasuries, but generally we think risk premiums and credit spreads could rise across the board. The broad-based tariffs that that were announced against most of the US trading partners will also likely cause countries to question the word "partner". This may cause countries to re-evaluate how much capital they deploy into US treasuries. We have witnessed countries such as China redeploying the capital from their maturing US treasury holdings into other assets, such as gold, over the last few years.

We think that the macroeconomic uncertainty together with the gold price rally into the face of rising real US interest rates and the large central bank buying of gold from China warrants a more risk-conscious approach to this difficult-to-value asset. For this reason, we are holding a larger gold company position than would normally be the case at this point in the cycle where gold miners are earning elevated margins. The material and relatively fast move lower in Chinese bond yields has also increased the relative attractiveness of gold to the Chinese market. Our overweight position to Anglogold, which was up by 67% in the quarter, was a contributor to performance over the last quarter, but this outperformance was more than offset from us not holding Harmony Gold, which was up by 77% in the quarter. Harmony Gold was the Fund's second largest detractor from performance for the quarter.

The fund's overweight position in MTN was the largest contributor to performance over the quarter. The market has been very concerned about the risks of doing business in Nigeria, where MTN has a significant business. While we do not disagree that investing in Nigeria requires a higher risk premium, we think that MTN presents excellent value and continues to be one of the larger overweight positions in the fund. MTN is trading on a dividend yield of over 6%, which we think should be able to grow over the next five years. MTN has been steadily reducing debt levels on its balance sheet by realising non-core assets like their tower assets. We think that this process will not only ensure a stable and growing dividend but will also reduce any balance sheet risk. In our opinion, the current MTN Group share price is attributing low value for MTN Nigeria, despite it historically being the group's largest contributor to both operating profit and group value. The market has chosen to focus on the near-term negative impacts of the weaker naira on MTN Nigeria's operating costs – primarily its tower leases – and appears to assume that none of the increased cost can either be recovered from the consumer or shared with its service providers. Our view is that profit margins in Nigeria will recover both through the renegotiation of tower lease contracts and the recent regulatory approval for an industry-wide tariff increase. We are witnessing substantial price increases in many businesses in Nigeria currently as companies attempt to restore their profit margins post the significant currency depreciation. The underlying demand for voice and data services continues to be robust across most of MTN's markets, including Nigeria, while there is upside opportunity from the scaling of the Group's mobile money offering. Our quarrel with the market therefore on MTN is that it is focusing on the short term rather than the long term. In January 2025, the Nigerian Telecoms regulator announced that they would allow for telecoms operators to take up to 50% price increases. This caused substantial outperformance of MTN in January 2025.

Annualised performance	A class	Benchmark	T class	B class	F class
1 year	18.1%	17.7%	18.1%	18.4%	18.4%
3 years	9.0%	7.1%	9.5%	9.4%	9.9%
5 years	19.0%	16.5%	19.4%	19.4%	19.8%
7 years	10.2%	7.9%	10.7%	10.6%	11.0%
10 years	8.3%	6.1%	8.8%	8.7%	-
20 years	13.6%	10.8%	-	-	-
Since inception	15.3%	12.6%	-	-	-

Risk profile



Fund facts

Fund objective

To provide broad-based exposure to shares that offer value and medium- to long-term growth. The portfolio managers seek to invest in companies where returns can be achieved from any or all of growth in earnings, growth in dividends and a re-rating of its share price; however, there will be a bias towards companies offering high but sustainable dividend yields.

Investor profile

Investors with a higher risk tolerance looking for out-performance of the average SA General Equity Fund without taking on greater risk of loss. The recommended investment horizon is 7 years or longer.

Investment mandate

The Fund invests in companies that meet the portfolio managers' value criteria. The Fund will have a bias towards investment in companies offering high, sustainable dividend yields; however, it is not restricted from investing in companies offering earnings growth or possible market re-rating. The intended maximum limits are Equity 100%, Property 10% and Foreign 45%.

Fund managers

Ross Biggs
Kaitlin Byrne

ASISA category

South African - Equity - General

Benchmark

ASISA South African - Equity - General Category Average

Inception date

2 August 1999

Fund size

R4 446 709 877

Awards

Raging Bull: 2006, 2008

Morningstar/Standard & Poor's: 2007, 2009

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

While global turmoil and the associated volatility has affected assets around the world, the South African political developments unfolding simultaneously have only added to investors' concerns. Parliament's adoption of the 're-drafted' national budget without the support of the DA has significantly increased the risk that the GNU unravels in its current form. This uncertainty caused a reversal in the first quarter of some of the rally that we had seen in SA-exposed companies during 2024.

The retail sector in particular fell in the last quarter. The Fund not holding Mr Price was the second largest contributor to performance. This outperformance was however offset by the Fund's overweight position to Spar.

Mr Price has long been regarded as a good quality business, which has consistently grown. We think that this growth though is getting a lot harder for the business because of a much more competitive market in South Africa with the entry of more competitors aimed at Mr Prices' customer base. Mr Price has been trying to grow by investing in businesses outside its core business and this has substantially reduced the return on equity that the core business generates. We think that Mr Price is expensively valued and see better opportunities in the market.

We continue to have an overweight position to Spar. The Board and the Executive team of Spar have moved swiftly to address the key operational challenge in the core South African business, which was caused by a poor software implementation in the main distribution centre in Spar's biggest region, KwaZulu Natal. Loyalty levels from franchisees have improved and we think the South African business of Spar will return to earning the good returns that we have seen it deliver in the past. We think that the return of the group's focus to its key South African and Irish businesses will generate good returns for shareholders. Encouragingly, the Board has also announced a review of the Swiss business, which currently earns a return well below its' cost of capital. We think that through these initiatives, Spar should be able to deliver good earnings and rerate off what we think is a very low rating for the quality of this business.

We continue to think that Banks sector looks relatively more attractive than the retail sector and we remain overweight the banks sector. South Africa has a very well-regulated banks sector and credit risk within the large banks have generally been very well managed through cycles. We think that good earnings and dividend growth in the banking sector should provide a good opportunity to generate alpha within this sector by being overweight relatively undervalued banks. We continue to be prefer Standard Bank, ABSA and Investec, which are substantially cheaper than Capitec.

We think that South African banks continue to trade at undemanding valuations.

When evaluating the future cash flows of a business, it is also important to consider both the operational and financial leverage within the company. Where there is slowing growth, high fixed costs and operational leverage can mean a fall in profits. High debt and financial leverage can similarly impact cash flows negatively. A combination of both high operational leverage and financial leverage can be fatal to a company in a recessionary environment. The risk of increasing company bankruptcies is rising.

It is worth mentioning that when we construct our portfolios, we do not do so based on a particular view or outcome as we think it is not possible to consistently predict what oil prices or inflation rates might do for instance. We rather look to construct portfolios with many different and diversified ideas, all of which we think have favourable pay-off profiles. In this way, we hopefully have portfolios which can deliver good returns under many different economic environments.

We acknowledge that while it is very difficult to forecast the future and we do not make any attempt to do this, we do spend a lot of time thinking about the economic cycles that various sectors are in, and where valuations are. In this way, we aim to make money for our clients through these cycles and continue to try and buy companies that have proven dividend and cash flow track records, and which can withstand the normal upheavals that occur in markets over time. We aim to continue building risk-cognisant portfolios that seek to add value through stock selection relative to the benchmark.

There are many high-quality South African companies with sound business models and strong, well-capitalised balance sheets that are trading at undemanding valuations. We're in a position where we have flexibility to add attractive assets opportunistically. We are, however, mindful of the possibility of further market surprises and are ready to take advantage of opportunities that arise.

The main detractor from performance for the quarter and the year related to the Fund's approximately 20% offshore exposure to the M&G Global Equity Fund. The M&G Global Equity Fund returned -4.9% over the quarter in South African. Over the full year, the M&G Global Equity Fund returned 4.8%, which was substantially below the benchmark return of 17.7%. Our total offshore weighting of 23%, consisting of approximately 20% in the M&G Global Equity Fund and 3% in the M&G Africa Equity Fund, can be viewed in context of the maximum allowable offshore limit of 45% for this fund. The Fund's low weighting to offshore reflects that we think the South African market is relatively attractively priced.

We acknowledge that while it is very difficult to forecast the future and we do not make any attempt to do this, we do spend a lot of time thinking about the economic cycles that various sectors are in, and where valuations are. In this way, we aim to try make money for our clients through these cycles and continue to try buy companies that have proven dividend and cash flow track records, and which can withstand the normal upheavals that occur in markets over time. We aim to continue building risk-cognisant portfolios that seek to add value through stock selection relative to the benchmark.

Strategy and positioning

In our view, the tariffs that Trump is imposing are bringing increased uncertainty to consumers, businesses and investors across the world. The longer this uncertainty persists, the more likely businesses are going to delay and reduce investment; and the more likely that global growth will slow, and returns on capital will deteriorate as operational gearing kicks in. Risk premiums are likely to rise in this environment. The cost of capital is rising.

We continue to think that the South African equity market is attractively valued over the medium term due to the prevailing levels of pessimism reflected in share prices and valuations. The Price to Book of the JSE remains close to 1.8X as at the end of March 2025, which we think is an attractive valuation level even given the heightened uncertainty in the market. We think that the South African rand is also attractively priced. In a recession scenario, these valuation levels together with sound stock picking should provide some margin of safety.

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Sources: M&G, Morningstar & Deutsche Securities

The Fund's relatively low offshore exposure reflects our view that the SA market and SA currency represent very good value. Today, we continue to think that Emerging Markets and African equities represent good value, and we think the SA rand is attractive. The Fund has approximately 20% allocated offshore. We also have a further 3% in African markets excluding South Africa, which we think are very attractively priced.

The focus of the fund continues to be on finding companies that are undervalued, and which are paying good dividend yields with the potential to pay growing dividends over the long run. We are confident that we have built a portfolio of attractively priced stocks that in aggregate is cheaper than owning the index, yet still capable of delivering attractive underlying growth independent of the economic cycle in which we find ourselves.

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Disclaimer

M&G Equity Fund

Equity

Q1 2025

Market overview

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global equity (as measured by the MSCI All Country World Index) fell 1.8% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars). Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

In South Africa, the FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve. For inflation-linked bonds, the Composite Inflation-Linked Bond Index also delivered 0.7% for the quarter, with a similar steepening of the curve for those instruments (all in rand).

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Performance

During the quarter the M&G Equity Fund returned 0.6% (A class, net of fees) compared to the average fund in the sector, which returned 1.9%. Over one year, the fund has returned 17.6% (A class, net of fees) compared to 17.7% for the average equity fund.

Contributing towards performance are long-standing overweights in MTN and zero positions on Mr Price, AVI, Truworths and Nedbank. Detracting from performance for the quarter were the fund's underweight positions to the gold sector, Foschini and Spar, as well as the M&G Global Equity Fund.

Strategy & positioning

During the quarter, MTN received good news in the sense that the Nigerian telecommunications regulator afforded all telco operators a regulated price increase of 50%. This follows the sharp depreciation of the naira and associated pressures this brought on MTN by way of costs and margin pressure, from which the price increase would bring some relief. This was the first price increase afforded to the telcos in Nigeria in over a decade and should permit the company to continue to maintain the necessary spend for the network and to recover some margins lost. The 50% increase in tariffs saw the share rally from R90 to R123 by the end of the quarter.

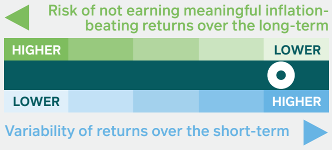
Chinese stocks enjoyed a strong rally over the quarter (albeit they have fallen in the current global sell off) but the shift in sentiment saw Tencent enjoy a strong recovery, after it had fallen in January after being designated a Chinese Military Company by US Department of Defense. Tencent, however, ended the quarter up 19%, on the back of a strong set of financial year 2024 results reported on 19 March. The fund's combined holding in Naspers and Prosus benefitted from the underlying price performance of Tencent.

Among the notable changes to the portfolio over the quarter was the decision to narrow the gold sector underweight and exit Glencore. The gold price remains supportive of earnings upgrades for SA gold producers, while geopolitical uncertainty provides ongoing support for gold. In contrast, Glencore remains in an earnings downgrade cycle with coal prices having fallen.

Anything that happened over the past quarter has been largely overshadowed by the announcement on "Liberation Day" by President Trump of the imposition of widespread tariffs. Within South Africa, the DA voted against the budget proposed by the Minister of Finance announcement thus calling into question

Annualised performance	A class	Benchmark	B class	F class
1 year	17.6%	17.7%	17.9%	17.8%
3 years	7.8%	7.1%	8.2%	8.8%
5 years	19.9%	16.5%	20.3%	20.9%
7 years	10.4%	7.9%	10.8%	11.4%
10 years	8.5%	6.1%	8.9%	-
20 years	13.9%	10.8%	-	-
Since inception	15.4%	12.6%	-	-

Risk profile



Fund facts

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Fund managers

Chris Wood
Yusuf Mowlana

ASISA category

South African - Equity - General

Benchmark

ASISA South African - Equity - General Category Average

Inception date

2 August 1999

Fund size

R6 784 370 428

Awards

Raging Bull: 2006, 2007, 2008

Morningstar/Standard & Poor's: 2007, 2008

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

the stability of the Government of National Unity in its current form. A discussion of the tariffs is perhaps beyond the scope of this fund commentary but suffice to say that it would likely be negative for global growth, asset prices and perceived certainty of earnings forecasts within equity markets. The managers have been focusing on selecting companies which will not be adversely affected by the imposition of tariffs but at the same time predicting second-order effects, and how other participants (read: countries imposing reciprocal tariffs) may react, is a guessing game at best. While it's not an ideal time to take on risk, it is fair to say that asset prices have declined and are more attractive than they were before.

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Quarterly Commentary

M&G SA Equity Fund

Equity

Q1 2025

Market overview

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

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SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter. SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve. For inflation-linked bonds, the Composite Inflation-Linked Bond Index also delivered 0.7% for the quarter, with a similar steepening of the curve for those instruments (all in rand).

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

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Performance

The M&G SA Equity Fund delivered a return of 5.1% (F class, net of fees) for the first quarter of 2025, underperforming its benchmark which delivered a return of 5.8%. For the 12 months ended 31 March 2025, the Fund returned 20.4% (F class, net of fees), underperforming its benchmark by 2.5%. Over the 3-year period ending 31 March 2025, the Fund return was 7.7% per annum, underperforming the benchmark by 0.5% per year.

During the first quarter of 2025, new US policies, particularly tariffs, increased the level of market uncertainty, which we think will cause risk premiums to rise across the world. In the short term, we may see risk premiums shrink for a few "safe haven" assets, like gold and US treasuries, but generally we think risk premiums and credit spreads could rise across the board. The broad-based tariffs that that were announced against most of the US trading partners will also likely cause countries to question the word "partner". This may cause countries to re-evaluate how much capital they deploy into US treasuries.

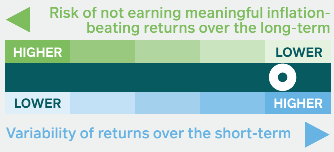
We have witnessed countries such as China redeploying the capital from their maturing US treasury holdings into other assets, such as gold over the last few years.

We think that the macroeconomic uncertainty together with the gold price rally into the face of rising real US Interest rates and the large central bank buying of gold from China warrants a more risk-conscious approach to this difficult-to-value asset. For this reason, we are holding a larger gold company position than would normally be the case at this point in the cycle where gold miners

Annualised performance	B class	Benchmark[1]	F class
1 year	21.8%	22.9%	20.4%
3 years	9.0%	8.2%	7.7%
5 years	20.7%	18.7%	19.3%
7 years	9.0%	8.2%	7.8%
10 years	8.2%	7.1%	-
20 years	13.4%	12.4%	-
Since inception	14.6%	12.9%	-

[1] The Fund's benchmark changed from the FTSE/JSE All Share Index (TR) to the FTSE/JSE Capped SWIX All Share Index (TR) on 1 July 2017.

Risk profile



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Investor profile

Investors with a higher risk tolerance who are looking for out-performance of the South African equity market, while limiting volatility relative to the fund's benchmark. The recommended investment horizon is 7 years or longer.

Investment mandate

The Fund can invest in any company listed on the JSE that meet the portfolio managers' value criteria. The Fund seeks out value by attempting to capture all components of return over time, including high dividend yield, earnings growth and possible market re-rating. The Fund will not invest in any foreign markets. The intended maximum limits are Equity 100%, Property 10% and Foreign 0%.

Fund managers

Ross Biggs
Chris Wood
Aadil Omar
Leonard Krüger

ASISA category

South African - Equity - SA General

Benchmark

FTSE/JSE Capped SWIX All Share Index

Inception date

21 September 2000

Fund size

R41 367 529 011

Please note that the B Class is only available to large retirement funds and institutional investors. The F Class was launched on 01/07/2016.

Sources: M&G, Morningstar & Deutsche Securities

are earning elevated margins. The material and relatively fast move lower in Chinese bond yields has also increased the relative attractiveness of gold to the Chinese market. Our overweight position to Angogold, which was up by 67% in the quarter, was the second largest contributor to performance over the last quarter. This outperformance was however more than offset from the fund not holding Harmony Gold which was up by 77% in the quarter.

The fund's overweight position in MTN was the largest contributor to performance over the quarter. The market has been very concerned about the risks of doing business in Nigeria, where MTN has a significant business. While we do not disagree that investing in Nigeria requires a higher risk premium, we think that MTN presents excellent value and continues to be one of the larger overweight positions in the fund. MTN is trading on a dividend yield of over 6%, which we think should be able to grow over the next five years. MTN has been steadily reducing debt levels on its balance sheet by realising non-core assets like their tower assets. We think that this process will not only ensure a stable and growing dividend but will also reduce any balance sheet risk. In our opinion, the current MTN Group share price is attributing low value for MTN Nigeria, despite it historically being the group's largest contributor to both operating profit and group value. The market has chosen to focus on the near-term negative impacts of the weaker naira on MTN Nigeria's operating costs – primarily its tower leases – and appears to assume that none of the increased cost can either be recovered from the consumer or shared with its service providers. Our view is that profit margins in Nigeria will recover both through the renegotiation of tower lease contracts and the recent regulatory approval for an industry-wide tariff increase. We are witnessing substantial price increases in many businesses in Nigeria currently as companies attempt to restore their profit margins post the significant currency depreciation. The underlying demand for voice and data services continues to be robust across most of MTN's markets, including Nigeria, while there is upside opportunity from the scaling of the Group's mobile money offering. Our quarrel with the market therefore on MTN is that it is focusing on the short term rather than the long term. In January 2025, the Nigerian Telecoms regulator announced that they would allow for telecoms operators to take up to 50% price increases. This caused substantial outperformance of MTN in January 2025.

While global turmoil and the associated volatility has affected assets around the world, the South African political developments unfolding simultaneously have only added to investors' concerns. Parliament's adoption of the 're-drafted' national budget without the support of the DA has significantly increased the risk that the GNU unravels in its current form. This uncertainty caused a reversal in the first quarter of some of the rally that we had seen in SA-exposed companies during 2024.

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We continue to think that the South African equity market is attractively valued over the medium term due to the prevailing levels of pessimism reflected in share prices and valuations. The Price to Book of the JSE remains close to 1.8X as at the end of March 2025, which we think is an attractive valuation level even given the heightened uncertainty in the market. We think that the South African rand is also attractively priced. In a recession scenario, these valuation levels together with sound stock picking should provide some margin of safety.

The focus of the fund continues to be on finding companies that are undervalued, and which can grow earnings and dividends over the long run. While we navigate this complex market environment, we continue to stay true to our long-term, prudent, valuation-driven investment philosophy supported by rigorous risk control. We strongly believe this approach leads to sustainable investment performance over time. □

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Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

M&G Global Bond Feeder Fund

Global Income ZAR-denominated

Q1 2025

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

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Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

United States

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The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

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The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

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Eurozone

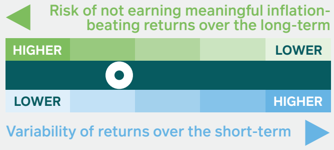
European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank

Annualised performance	A class	Benchmark	B class
1 year	-2.2%	-0.1%	-1.8%
3 years	4.6%	6.2%	5.0%
5 years	-0.3%	-0.8%	0.1%
7 years	5.1%	6.0%	-
10 years	4.0%	4.9%	-
20 years	7.5%	7.8%	-
Since inception	7.1%	7.4%	-

Risk profile



Fund facts

Fund objective

The Fund's objective is to generate investment returns through exposure to global bonds and interest-bearing instruments over the medium term.

Investor profile

Investors seeking returns from a diversified portfolio of global debt and fixed income securities. The recommended investment horizon is 2 years (or longer when used as strategic exposure to the asset class). Although the Fund's investment universe is global, units are priced in rands. Investors can therefore invest without having to personally expatriate rands.

Investment mandate

The Fund is a feeder fund and, other than assets in liquid form and currency contracts, invests only in one underlying fund – the M&G Global Bond Fund, a US dollar denominated fund domiciled in Ireland. Through this underlying fund, the Fund has exposure to a diversified portfolio of global debt and fixed income securities, other collective investment schemes and financial derivative instruments.

Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Eva Sun-Wai
Robert Burrows

ASISA category

Global - Interest Bearing - Variable Term

Benchmark

Bloomberg Global Aggregate Bond Index

Inception date

27 October 2000

Fund size

R937 243 435

Awards

Raging Bull: 2006, 2008, 2013, 2024

Morningstar/Standard & Poor's: 2007, 2009, 2013

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

(ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

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Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The Global Bond Feeder Fund returned 0.7% (A class, net of fees, in rand), versus 0.1% from its benchmark, the Bloomberg Global Aggregate Bond Index. For the 12 months ending 31 March, the fund delivered -2.2% compared to the benchmark's -0.1% return.

Fixed income markets delivered positive returns for the quarter including US Treasuries and US investment grade corporate bonds. Local currency emerging market sovereign debt also performed well.

Relative performance was particularly strong in January and benefitted from the fund having a position in inflation-linked bonds. Furthermore, higher beta emerging market rates experienced some relief in the month, providing a modest boost to performance. Our long JPY position, also performed well, reaffirming its status as a safe haven.

Credit allocations continued to weigh on relative performance in March, with the fund being underweight. Currencies experienced mixed results in the month. Positions in Japan have been profitable year-to-date, driven by an underweight in Japanese Government Bonds (JGBs) combined with long positions in JPYEUR and JPYCHF. However, underweights in EUR and GBP against a neutral USD position weighed on performance. One of the largest contributors to outperformance was the overweight NOK positioning, with Scandinavian currencies performing exceptionally well during the month.

Strategy and positioning

In January, we reduced the fund's credit risk further. (At month end, we had an underweight in investment-grade credit and an outright short position in high yield.)

In February, we started to shift away from our bias to be long US inflation-linked bonds (TIPS), as they had performed well, but would be unlikely to continue to do well if there was a continuation of weakness in business and consumer confidence. In credit, we reduced some exposure to names which had performed well. In the primary market we participated in a new issue from Johnson & Johnson. In FX, we shifted some of our position in JPYEUR, to JPYCHF. This adjustment was based on our expectation that the euro may become more volatile and see more upside if there is a resolution to the conflict in Russia/Ukraine.

The broad theme during March was to continue de-risking the portfolio. In rate markets, noteworthy adjustments included reallocating holdings within Europe from KFWs to DBRIs, all within the 7 to 9-year range. Additionally, the fund moved towards longer positions in German bunds and BTPs due to the steepening of curves.

We rotated US credit shorts into European positions, prompted by the underperformance of US credit default swaps relative to those in Europe. Furthermore, there was a shift in the portfolio towards higher quality assets, with sales of BBB/A financials in favour of supranational and quasi-sovereigns.

In emerging markets, the fund continues to reflect a preference for Latin American currencies, which are currently delivering attractive yields relative to other portions of the market. During the month, exposure was switched from USD-denominated Romanian bonds into newly issued euro-denominated assets.

Key FX trades included partially closing out an AUD hedge and establishing outright positions in NZD due to its relative underperformance. Additionally, we reduced the fund's long JPY position.

Outlook

Looking ahead, we will likely continue de-risking amid US tariff-caused volatility, adjusting duration and credit allocations. Credit allocations remain challenging, with a shift towards higher quality assets and tight spreads.

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0860 105 775

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Application forms

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Sources: M&G, Morningstar & Deutsche Securities

Quarterly Commentary

M&G Global Inflation Plus Feeder Fund

Global Multi-Asset ZAR-denominated

Q1 2025

Market overview

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

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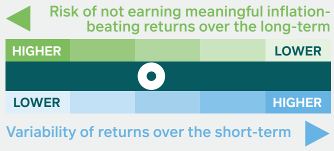
Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below

Annualised performance	A class	Benchmark[1]	B class
1 year	-0.9%	-0.4%	-0.5%
3 years	7.8%	12.3%	8.1%
5 years	5.2%	4.5%	5.5%
7 years	8.1%	9.1%	8.5%
10 years	6.4%	6.8%	6.8%
20 years	7.4%	7.5%	-
Since inception	7.4%	7.4%	-

[1] The Fund's benchmark changed from the ASISA Global - Multi Asset - Low Equity Category Mean to Global Inflation on 1 November 2018.

Sources: M&G, Morningstar & Deutsche Securities

Risk profile



Fund facts

Fund objective

The Fund is priced in rands and its objective, expressed in US dollar terms, is to outperform global inflation while aiming to preserve capital over the medium term.

Investor profile

Investors seeking to preserve the real value of their capital, in US dollar terms, by investing in a diversified portfolio of global assets. The recommended investment horizon is 3 years or longer. Since units are priced in rands, investors can invest without having to expatriate rands.

Investment mandate

The Fund is a feeder fund and, other than assets in liquid form and currency contracts, invests only in one fund – the M&G Global Inflation Plus Fund, a US dollar denominated fund domiciled in Ireland. Through this underlying fund, the Fund has exposure to a diversified portfolio that may include equity and property securities, cash, bonds and commodities. The Fund may invest up to 40% in equity securities (excl. property) and up to 25% in property securities.

Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Craig Simpson
Aaron Powell

ASISA category

Global - Multi-Asset - Low Equity

Benchmark

Global inflation

Inception date

1 March 2004

Fund size

R151 315 228

Awards

Raging Bull: 2019, 2021

M&G Investments

expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

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Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

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Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G Global Inflation Plus Feeder Fund produced a return of -0.4% (A class, net of fees, in rand) for the quarter, whilst global inflation (based on the OECD G7 CPI index) measured -1.6%. For the 12 months to 31 March, the fund delivered -0.9% and global inflation measured -0.4% (for the rolling year ended 15 February 2025).

Fixed income investments were the main driver of gains over the quarter. Cash and currency exposure in aggregate also supported absolute returns whilst equity and property had modest positive contribution.

Within the fund's fixed income holdings, absolute returns were driven by both core exposure and tactical positions. Fixed income markets recorded positive returns across various sectors, including US Treasuries and US investment grade corporate bonds. Local currency emerging market sovereign debt also performed well. Tactical holdings of long-dated US Treasuries and Brazilian sovereign bonds recorded gains, while positions in long-dated German bunds cost some performance.

Within global equities, our core exposure chosen by machine learning recorded a loss. However, our tactical positions made a positive contribution.

Losses on the portfolio's core equity construction strategy were mainly due to the fall in value of the US equity market in the quarter. Absolute performance was driven by our preference for non-US equities. Over the quarter, the core equity portfolio experienced modestly heightened volatility as index-level moves and aggressive rotations of investment style performance impacted stocks within the market, with some stocks performing very badly and others performing well on a relative basis. Clearly, during this turbulent time, our portfolio which aims to capitalise on idiosyncratic opportunities with tightly constrained exposures at country and sector level saw some beneficial and some detrimental style exposures.

Tactical holdings in equities aided relative performance, with our positions in non-US equities, outperforming US equities, where we are underweight.

Strategy and positioning

At the start of the quarter, we added to positions in 30-year UK gilts, taking the fund's target weighting from 0.5% to 2.5%. We also began a new position in 30-year German bunds with a target weighting of 2.8%. These investments were in response to episodic price action in UK and German long-dated bonds. Developed bonds offer attractive value given the level of real yields and have exhibited diversification properties during equity weakness.

Outlook

The economic policy environment remains very chaotic, prompting volatility in markets. As ever, it is our aim to use that volatility to our investors' advantage by shifting asset allocation in response to opportunities as we see them.

We are fairly neutral on equities, but we retain our preference for non-US equities versus the US. Non-US equities still appear attractively valued despite the recent price action. However, the speed and magnitude of moves in non-US versus US equities in the quarter gives pause for thought.

We like long-dated US Treasuries as an attractively priced form of portfolio insurance. Long-dated UK gilts also look good value to us, given inflation expectations and as the Bank of England base rate remains elevated. We retain positions in a well-diversified basket of emerging market government bonds in local currency, as they appear to us to be an attractive source of medium-term returns.

Cash real yields are elevated and attractive, in our view, as well as uncorrelated to other asset classes. Higher liquidity provides flexibility to respond to tactical opportunities. □

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Sources: M&G, Morningstar & Deutsche Securities

M&G Global Balanced Feeder Fund

Global Multi-Asset ZAR-denominated

Q1 2025

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Annualised performance	A class	Benchmark	B class
1 year	2.9%	2.8%	3.4%
2 years	11.5%	12.6%	11.9%
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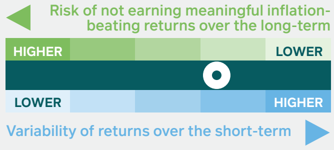
5 years	10.5%	10.6%	10.7%
Since inception	9.2%	11.3%	-

Risk profile



Fund facts

Fund objective

The Fund's objective is to provide investors with capital growth over the long-term by investing in a diversified portfolio of global assets.

Investor profile

Investors seeking long-term capital growth from a diversified portfolio of global assets. The recommended investment horizon is 5 years or longer. Although the Fund's investment universe is global, units are priced in rands. Investors can therefore invest without having to personally expatriate rands.

Investment mandate

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Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Craig Simpson
Aaron Powell

ASISA category

Global - Multi-Asset - High Equity

Benchmark

65% MSCI All Country World Index TR (Net), 5% FTSE EPRA/NAREIT Global REIT Index, 25% Bloomberg Global Aggregate Bond Index,5% US 1m Treasury Bill

Inception date

28 June 2018

Fund size

R1 929 546 914

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

Japan

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The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G Global Balanced Feeder Fund produced a return of -0.6% (A class, net of fees in rand) for the quarter, versus the -2.5% recorded by its benchmark. For the 12 months to 31 March, the fund delivered 2.9% compared to the benchmark's 2.8% return.

Fixed income investments were the main driver of gains over the quarter though was well supported by gains from the TAA positions within equity portfolio. Property exposure contributed modestly to returns.

Within the fund's fixed income holdings, absolute returns were driven by core exposure and tactical positions. Fixed income markets recorded positive returns across various sectors including US Treasuries and US investment grade corporate bonds. Local currency emerging market sovereign debt also performed well. Tactical holdings of long-dated US Treasuries and Brazilian sovereign bonds recorded gains, while positions in long-dated German bunds cost some performance.

Within global equities, our core exposure chosen by machine learning recorded a loss. However, our tactical positions made a positive contribution.

Losses on the portfolio's core equity construction strategy were mainly due to the fall in value of the US equity market in the quarter. Absolute performance was driven by our preference for non-US equities. Over the quarter, the core equity portfolio experienced modestly heightened volatility as index-level moves and aggressive rotations of investment style performance impacted stocks within the market, with some stocks performing very badly and others performing well - on a relative basis. Clearly, during this turbulent time, our portfolio - which aims to capitalise on idiosyncratic opportunities with tightly constrained exposures at country and sector level - saw some beneficial and some detrimental style exposures.

Strategy and positioning

At the start of the quarter, we added to positions in 30-year UK gilts, taking the fund's target weighting from 0.5% to 2.0%. We also began a new position in 30-year German bunds with a target weighting of 2.5%. These investments were in response to episodic price action in UK and German long-dated bonds. Developed bonds offer attractive value given the level of real yields and have exhibited diversification properties during equity weakness.

Outlook

The economic policy environment remains very chaotic, prompting volatility in markets. As ever, it is our aim to use that volatility to our investors' advantage by shifting asset allocation in response to opportunities as we see them.

We are fairly neutral on equities, but we retain our preference for non-US equities versus the US. Non-US equities still appear attractively valued despite the recent price action. However, the speed and magnitude of moves in non-US versus US equities in the quarter gives pause for thought.

We like long-dated US Treasuries as an attractively priced form of portfolio insurance. Long-dated UK gilts also look good value to us, given inflation expectations and as the Bank of England base rate remains elevated. We retain positions in a well-diversified basket of emerging market government bonds in local currency, as they appear to us to be an attractive source of medium-term returns.

Cash real yields are elevated and attractive, in our view, as well as uncorrelated to other asset classes. Higher liquidity provides flexibility to respond to tactical opportunities. □

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Sources: M&G, Morningstar & Deutsche Securities

M&G Global Property Feeder Fund

Global Property ZAR-denominated

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Annualised performance	A class	Benchmark	B class
1 year	-2.6%	1.8%	-2.5%
2 years	6.7%	7.5%	6.8%
3 years	1.0%	3.7%	1.2%
Since inception	-0.2%	1.7%	-

Risk profile

Risk of not earning meaningful inflation-beating returns over the long-term

HIGHER LOWER

LOWER HIGHER

Variability of returns over the short-term

Fund facts

Fund objective

To provide investors with capital growth over the long-term by investing in a diversified portfolio of global property securities.

Investor profile

Investors seeking long-term capital growth from a diversified portfolio of global property securities. The recommended investment horizon is 7 years or longer.

Investment mandate

The Fund is a feeder fund and, other than assets in liquid form and currency contracts, invests only in one underlying fund - the M&G Global Property Fund. Quantitative analysis of individual companies, proprietary data analysis and machine learning are used to identify securities for potential inclusion by the fund managers. Through this underlying fund, the Fund has exposure to a diversified portfolio of global property securities that may include REITs and equity securities of companies engaged in real estate activities. The underlying fund may invest in other collective investment schemes and financial derivative instruments.

Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Gautam Samarth
Michael Cook

ASISA category

Global - Real Estate - General

Benchmark

FTSE EPRA/NAREIT Global REITs Index (Net)

Inception date

24 November 2021

Fund size

R1 932 086

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G Global Property Feeder Fund produced a return of -0.7% (A class, net of fees, in Rand) for the quarter, versus the -1.1% recorded by its benchmark. For the 12 months to 31 March, the fund delivered -2.6% compared to the benchmark's 1.8% return.

Absolute returns were supported by the resilience of the REIT sector, in contrast to the weak performance of the S&P 500 Index in the quarter.

Over the quarter, the fund navigated a contrasting global environment, and whilst the REIT sector generally outperformed the global equity market, it continued to face headwinds driven primarily by global macroeconomic uncertainty. Overall, while active stock selection remained the key driver of performance, each month brought its own set of challenges and opportunities, highlighting the importance of diversification and tactical positioning within the portfolio.

In January, stock selection played a crucial role in mitigating broader underperformance. The emphasis on constraining active country exposures kept style and idiosyncratic risks as the primary components of risk in the portfolio.

February's fund performance was broadly in-line with the benchmark. Within the portfolio, sector performance was notably mixed. Active positioning was again key, with modest country exposures and idiosyncratic opportunities - as well as benefiting from portfolio underweights - playing a decisive role.

The fund outperformed in March. Reinforcing the month's performance were strong stock selection effects. However, challenges remained, emphasising the delicate balance of active management and risk mitigation in an evolving market landscape.

Strategy and positioning

Overall, the quarter highlighted the benefits of a diversified portfolio that manages systemic risks and tactically exposes to idiosyncratic sources of returns. Despite the turbulent macroeconomic backdrop, the consistent focus on active stock selection, managing country exposures, and strategic positioning within the REIT sector allowed the fund to capture relative outperformance in challenging market conditions.

Outlook

Moving forward, the emphasis on navigating interest rate and macroeconomic uncertainties will remain central to the portfolio construction and active management approach. □

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Disclaimer

Sources: M&G, Morningstar & Deutsche Securities

M&G Global Equity Feeder Fund

Global Equity ZAR-denominated

Q1 2025

Market overview

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Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

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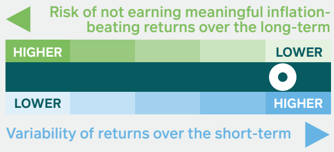
Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank

Annualised performance

Annualised performance	A class	Benchmark	B class
1 year	4.1%	3.9%	4.4%
3 years	14.3%	15.5%	14.7%
5 years	16.0%	15.9%	16.4%
7 years	14.5%	16.2%	-
10 years	11.9%	13.5%	-
20 years	11.4%	13.6%	-
Since inception	8.6%	10.0%	-

Risk profile



Fund facts

Fund objective

To provide investors with capital growth over the long-term by investing in a diversified portfolio of global equity securities.

Investor profile

Investors seeking long-term capital growth from global equity securities. The recommended investment horizon is 7 years or longer. Although the Fund's investment universe is global, units are priced in rands. Investors can therefore invest without having to personally expatriate rands.

Investment mandate

The Fund is a feeder fund and, other than assets in liquid form and currency contracts, invests only in one underlying fund – the M&G Global Equity Fund. Quantitative analysis of individual companies, proprietary data analysis and machine learning are used to identify securities for potential inclusion by the fund managers. The Fund has exposure to a diversified portfolio that may include common stocks and shares, depository receipts, REITs, other collective investment schemes and financial derivative instruments.

Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Gautam Samarth
Michael Cook

ASISA category

Global - Equity - General

Benchmark

MSCI All Country World Index (Net)

Inception date

18 February 2000

Fund size

R1 966 154 856

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

(ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

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Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G Global Equity Feeder Fund produced a return of -5.1% (A class, net of fees, in rand) for the quarter versus the -3.8% recorded by its benchmark. For the 12 months to 31 March, the fund delivered 4.1% compared to the benchmark's 3.9% return.

Absolute performance was mainly driven by losses on US equities in the quarter, which fell due to new tariff measures and growing concerns about valuations of big technology firms.

Over the quarter, the portfolio experienced modestly heightened volatility as index-level moves and aggressive rotations of investment style performance impacted stocks within the market, with some stocks performing very badly and others performing well - on a relative basis. Clearly, during this turbulent time, our portfolio - which aims to capitalise on idiosyncratic opportunities with tightly constrained exposures at country and sector level - saw some beneficial and some detrimental style exposures.

In January, the portfolio delivered strong returns, outperforming its benchmark. Portfolio performance benefited from robust stock selection, particularly in the United States, despite minor detractors from industrial and small-cap exposures.

In contrast, February presented a more challenging landscape, with the portfolio underperforming. Global equity markets displayed considerable variation in performance, and the significant style rotations became apparent. Developed markets retraced modestly, while emerging markets posted marginal gains, reflecting a broader rotation away from growth attributes towards more value-based metrics.

March continued the prevailing challenges for global equities, with the portfolio marginally underperforming in the month. The early part of the month saw the portfolio perform relatively well, but a significant market rotation on 28 March - triggered by adverse macroeconomic data and geopolitical events - caused significant style rotations. This period underscored the heightened impact of systemic risk drivers and the broader volatility inherent in global markets.

Sector allocation adjustments during March proved critical in managing risk. While overweight positions in certain sectors, such as Financials, detracted from overall performance, the underweight exposure to higher-risk US names provided some degree of defence. Robust stock selection within regions such as South Korea, alongside a well-considered counterweighting of macroeconomic headwinds, allowed for a degree of mitigation against adverse market movements.

Strategy and positioning

The portion of the fund managed using its proprietary machine learning model is approximately 90%, with the balance of approximately 10% remaining in strategic ETFs. The ETF allocation is primarily used for liquidity purposes.

Outlook

Overall, the quarter has presented a mixed performance relative to the benchmark during a period of significant macroeconomic turbulence impacting all segments of the market. Strong returns in January, offset by subsequent months of underperformance, reinforced our mantra of placing trust in our investment approach and maintaining discipline in our implementation - the portfolio's robust construction and diversification remain its key strengths.

The consistent application of our bottom-up investment strategy, positions the portfolio well to capitalise on investor sentiment, and we look forward to macroeconomic stabilisation once the 'first 100 days' of the US presidency passes. As market uncertainties ease and stabilisation occurs, the strategically diversified portfolio is well placed to exploit new opportunities and deliver resilient performance in the future. □

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Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

M&G 2.5% Target Income Fund

Target Income

Q1 2025

Market overview

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Emerging and Developed Markets

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South Africa

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve.

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

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Annualised performance	A class	CPI	B class
1 year	13.0%	3.2%	13.4%
2 years	11.1%	4.4%	11.5%
3 years	9.8%	5.2%	10.2%
5 years	16.4%	4.8%	16.8%
Since inception	8.6%	4.7%	-

Fund facts

Fund objective

To target an annual income return of 2.5%, with a secondary objective of growing capital. While a 2.5% annual income return is targeted, the actual income return may vary.

Investor profile

Income drawing investors who want to invest in a fund that aims to earn 2.5% income per year. Subject to this level of income return being achieved, investors also want capital growth over time. Given the level of targeted income return, it's likely that the real value of capital after targeted income drawdowns will grow over the long term.

Investment mandate

The Fund invests in a flexible mix of local and foreign equity, bonds, property and cash. The Fund can also invest in derivatives and other collective investment schemes. The Fund is not managed to conform to the regulations governing retirement fund investments (Reg. 28). The Fund is not limited in terms of allocation to asset classes, currencies or geographies.

Income distribution

The income earned from the Fund's underlying assets will be distributed quarterly. Typically, investors will reinvest these distributions. Regular drawdowns, which could be made monthly, quarterly, half-yearly or yearly, will be funded through the sale of units.

Fund managers

Sandile Malinga
Michael Moyle
Leonard Krüger

ASISA category

Worldwide - Multi-Asset - Unclassified

Primary objective

2.5% Income return p.a.

Inception date

2 April 2019

Fund size

R93 505 574

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

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The Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Commodities

In the flight to safety against the backdrop of geopolitical and trade tensions, investors flocked to gold, driving up prices and ending the quarter as a standout performer. Commodity prices were further supported by China's latest stimulus measures. Gold and silver ended the quarter north of 19% and copper rallied to 11.1% (in US dollars). The PGM sector also saw increases with platinum, palladium and rhodium prices all rising. On the soft commodity side, coffee was the star after rising 18.75% during the quarter.

South Africa

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Despite concerns over tariffs, the rand strengthened on dollar weakness. The JSE All Share Index (ALSI) posted a solid 5.9% gain for the quarter in rand terms, and in US dollar terms, it rose by 9%, outpacing both developed and emerging markets. This rally was largely driven by a stronger performance in the resources sector, on the back of the surge in gold and platinum group metal (PGM) prices.

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G 2.5% Target Income Fund returned 1.6% (A class, net of fees) for the first quarter of 2025 and 13% for the 12-month period ending 31 March 2025.

In terms of asset allocation this quarter, the fund's SA equity position contributed the most to performance on an absolute basis. The fund's positions in SA bonds and cash also added value. Given SA property's challenging quarter, the fund's allocation to this sector detracted from absolute returns.

The fund's positions in international equity and fixed income returned positively. However, its allocation to international cash detracted from performance given the US dollar weakened against some major currencies during the quarter.

Within SA equity, the strong rally for the quarter was very concentrated in a few bigger names and the fund's position in MTN (up 34%) was the top contributor to performance. The next biggest positive contributor this quarter was AngloGold Ashanti (up 66%) on the back of strong performance in the precious metal and mining space. Gold was significantly up in the month of March. However, our holdings in The Foschini

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M&G Investments

Group (down -26%) detracted from performance.

Strategy and positioning

The start of the year saw the South African market outperform global peers when looking at both the local equity and bond market. We saw very strong moves in the SA equity market as measured by the FTSE/JSE Capped Swix Index, which returned 5.9% for the quarter against the -3.8% fall in global equities as measured by the MSCI All-Country World Index (both in rand). The bond market was more subdued, adding 70bps, but this was also ahead of the flat performance for the Bloomberg Global Aggregate Bond Index (in rand).

Our broad preference continues to be overweight South African domestic assets and underweight foreign exposure. We have seen some earnings expectations upgrades in our market during the quarter, but it has mostly been limited to a few sectors, such as precious metals & mining and communication services. The effect is that our market still screens cheap when looking at pure fundamentals, such as price-to-book (1.79x) and forward price-to-earnings ratio (10.10x). On the bond side, we still see value as real bond yields are trading in excess of our fair value and we continue to hold an overweight to nominal bonds across all our funds. Fundamentals for the local property sector have also improved somewhat on the back of a retracement in price for that asset class after very strong positive performance in 2024.

Within our global positioning in our funds, we are currently neutral equities, overweight bond duration and cash, and underweight property and credit exposure. We kept our overall positioning fairly intact during the quarter.

The valuation for the MSCI All Country World Index 12-month forward P/E ratio reduced from 18.35x at the start of the year to 17.25x by the end of the quarter. This is mainly due to the downward move in US equity markets, with the S&P ratio moving from above 22x at the start of the year to closer to 20x by the end of March.

Out of interest, this ratio reduced drastically for the so called "Magnificent 7" stocks from 34.5x to 28.7x in the first three months of 2025. This can be explained by various factors such as the news end January on DeepSeek AI developments in China being at reduced cost and increased efficiency compared to US counterparts, as well as the impact of tariffs on global trade and the US economy. At the same time, we saw the forward P/E ratio for World excluding the US, as well as emerging markets move slightly higher on the back of relative price outperformance.

We made no changes to our global equity positioning in our funds on the back of these moves, as we believe there's still room for the trend to continue. As such, we continue to have a short position to the US market, counter-balanced by long positions to China, Mexico, South Korea, and a few other developed and emerging countries.

On the bond side, we continue to hold our existing position to long-dated US treasuries in our funds with an overweight duration position. We also still maintain our position to Brazilian bonds, which we added at the end of last year. New positions we engaged with in the asset class were adding UK gilts and German bunds during the sell-off in global bond markets during the first few weeks of January. We have seen a retracement in yields to lower levels for the former since adding the position to the funds, while for German bunds we saw a significant sell-off in yields in March due to a raise in the debt ceiling in that region post their election. As at the end of the first quarter, bund yields have retraced back to the levels where we engaged the position at the start of the year.

We maintain our underweight position to global corporate credit given that credit spreads are still trading at very compressed levels, even after moving slightly higher recently. We continue to view the risk-reward for holding those instruments as unappealing.

Moving on to our holdings in local asset classes, we have cut our SA equity position to neutral in our funds on the back of the significant outperformance of our market compared to other markets during the first quarter. We view this as a tactical trade due to relative market moves but still see SA equities as fundamentally cheap when looking at valuation metrics such as the 12-month forward P/E ratio (10.1x) and Price-to-Book ratio (1.79x).

We have kept our property positioning unchanged during the quarter, after making use of market opportunities during the previous year to reduce the underweight we have in place to that asset class. At present, we still have a small underweight to neutral position to property in our funds, consistent with where we started the year.

In terms of bonds, we continue to hold a reasonable overweight to SA nominal bonds in our funds, given that fundamentals for that asset class are mostly unchanged from where we ended 2024. We still see real yields currently at attractive levels and have made no significant changes to our holdings across funds during the first quarter of the year.

Our house-view portfolios continue to have no meaningful exposure to SA inflation-linked bonds (ILBs) as our preference has been for nominal bonds in favour of ILBs, even after the strong outperformance we saw in nominal bonds during 2024.

Finally, our portfolios remain tilted away from SA cash as we see better risk-adjusted returns from deploying excess cash into nominal bonds at this stage. Real cash yields continue to offer relatively high returns after the rate-cutting cycle ended up being very shallow, but we view the extra return on offer in bonds as sufficient to compensate us for the additional level of risk involved in holding the asset class.

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Disclaimer

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M&G 5% Target Income Fund

Target Income

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

Emerging and Developed Markets

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

South Africa

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve.

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing

Annualised performance	A class	CPI	B class
1 year	17.2%	3.2%	17.6%
2 years	10.2%	4.4%	10.6%
3 years	8.9%	5.2%	9.3%
5 years	12.0%	4.8%	12.4%
Since inception	7.6%	4.7%	-

Fund facts

Fund objective

To target an annual income return of 5%, with a secondary objective of growing capital. While a 5% annual income return is targeted, the actual income return may vary.

Investor profile

Income drawing investors who want to invest in a fund that aims to earn 5% income per year. Subject to this income return being achieved, investors also want capital growth over time. The relatively high targeted income return means there's an appreciable possibility that the real value of capital after targeted income drawdowns will not be maintained over the long term.

Investment mandate

The Fund invests in a flexible mix of local and foreign equity, bonds, property and cash. The Fund can also invest in derivatives and other collective investment schemes. The Fund is not managed to conform to the regulations governing retirement fund investments (Reg.28). Besides a max. total equity exposure of 85%, the Fund is not limited in its allocation to asset classes, currencies or geographies.

Income distribution

The income earned from the Fund's underlying assets will be distributed quarterly. Typically, investors will reinvest these distributions. Regular drawdowns, which could be made monthly, quarterly, half-yearly or yearly, will be funded through the sale of units.

Fund managers

Sandile Malinga
Michael Moyle
Leonard Krüger

ASISA category

Worldwide - Multi-Asset - Unclassified

Primary objective

5% Income return p.a.

Inception date

2 April 2019

Fund size

R188 816 939

Sources: M&G, Morningstar & Deutsche Securities

economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

The Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

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Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G 5% Target Income Fund returned 2.3% (A class, net of fees) for the first quarter of 2025 and 17.2% (A class, net of fees) for the 12-month period ending 31 March 2025.

In terms of asset allocation this quarter, the fund's SA equity position contributed the most to performance on an absolute basis. The fund's positions in SA bonds and cash also added value. Given SA property's challenging quarter, the fund's allocation to this sector detracted from absolute returns.

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Our broad preference continues to be overweight South African domestic assets and underweight foreign exposure. We have seen some earnings expectations upgrades in our market during the quarter, but it has mostly been limited to a few sectors, such as precious metals & mining and communication services. The effect is that our market still screens cheap when looking at pure fundamentals, such as price-to-book (1.79x) and forward price-to-earnings ratio (10.10x). On the bond side, we still see value as real bond yields are trading in excess of our fair value and we continue to hold an overweight to nominal bonds across all our funds. Fundamentals for the local property sector have also improved somewhat on the back of a retracement in price for that asset class after very strong positive performance in 2024.

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Out of interest, this ratio reduced drastically for the so called "Magnificent 7" stocks from 34.5x to 28.7x in the first three months of 2025. This can be explained by various factors such as the news end January on DeepSeek AI developments in China being at reduced cost and increased efficiency compared to US counterparts, as well as the impact of tariffs on global trade and the US economy. At the same time, we saw the forward P/E ratio for World excluding the US, as well as emerging markets move slightly higher on the back of relative price outperformance.

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M&G 7% Target Income Fund

Target Income

Q1 2025

Market overview

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However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

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Global

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Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

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South Africa

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United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

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Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

Annualised performance	A class	CPI	B class
1 year	17.9%	3.2%	18.3%
2 years	10.6%	4.4%	10.9%
3 years	8.9%	5.2%	9.3%
5 years	11.5%	4.8%	11.9%
Since inception	7.6%	4.7%	-

Fund facts

Fund objective

To target an annual income return of 7%, with a secondary objective of growing capital invested. While a 7% annual income return is targeted, the actual income return may vary.

Investor profile

Income drawing investors who want to invest in a fund that aims to earn 7% income per year. Subject to this income return being achieved, investors also want capital growth over time. The very high level of targeted income return means it is most likely that the real value of capital after targeted income drawdowns will be eroded over the long term.

Investment mandate

The Fund invests in a flexible mix of local and foreign equity, bonds, property and cash. The Fund can also invest in derivatives and other collective investment schemes. The Fund is not managed to conform to the regulations governing retirement fund investments (Reg. 28). Besides a max. total equity exposure of 70%, the Fund is not limited in terms of allocation to asset classes, currencies or geographies.

Income distribution

The income earned from the Fund's underlying assets will be distributed quarterly. Typically, investors will reinvest these distributions. Regular drawdowns, which could be made monthly, quarterly, half-yearly or yearly, will be funded through the sale of units.

Fund managers

Sandile Malinga
Michael Moyle
Leonard Krüger

ASISA category

Worldwide - Multi-Asset - Unclassified

Primary objective

7% Income return p.a.

Inception date

2 April 2019

Fund size

R347 248 658

Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

The Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Commodities

In the flight to safety against the backdrop of geopolitical and trade tensions, investors flocked to gold, driving up prices and ending the quarter as a standout performer. Commodity prices were further supported by China's latest stimulus measures. Gold and silver ended the quarter north of 19% and copper rallied to 11.1% (in US dollars). The PGM sector also saw increases with platinum, palladium and rhodium prices all rising. On the soft commodity side, coffee was the star after rising 18.75% during the quarter.

South Africa

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Despite concerns over tariffs, the rand strengthened on dollar weakness. The JSE All Share Index (ALSI) posted a solid 5.9% gain for the quarter in rand terms, and in US dollar terms, it rose by 9%, outpacing both developed and emerging markets. This rally was largely driven by a stronger performance in the resources sector, on the back of the surge in gold and platinum group metal (PGM) prices.

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G 7% Target Income Fund returned 1.6% (A class, net of fees) for the first quarter of 2025 and 17.9% for the 12-month period ending 31 March 2025.

In terms of asset allocation this quarter, the fund's SA equity position contributed the most to performance on an absolute basis. The fund's positions in SA bonds and cash also added value. Given SA property's challenging quarter, the fund's allocation to this sector detracted from absolute returns.

The fund's positions in international equity and fixed income returned positively. However, its allocation to international cash detracted from performance given the US dollar weakened against some major currencies during the quarter.

Within SA equity, the strong rally for the quarter was very concentrated in a few bigger names and the fund's position in MTN (up 34%) was the top contributor to performance. The next biggest positive contributor this quarter was AngloGold Ashanti (up 66%) on the back of strong performance in the precious metal and mining space. Gold was significantly up in the month of March. However, our holdings in The Foschini Group (down -26%) detracted from performance.

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Sources: M&G, Morningstar & Deutsche Securities

M&G Investments

Strategy and positioning

The start of the year saw the South African market outperform global peers when looking at both the local equity and bond market. We saw very strong moves in the SA equity market as measured by the FTSE/JSE Capped Swix Index, which returned 5.9% for the quarter against the -3.8% fall in global equities as measured by the MSCI All-Country World Index (both in rand). The bond market was more subdued, adding 70bps, but this was also ahead of the flat performance for the Bloomberg Global Aggregate Bond Index (in rand).

Our broad preference continues to be overweight South African domestic assets and underweight foreign exposure. We have seen some earnings expectations upgrades in our market during the quarter, but it has mostly been limited to a few sectors, such as precious metals & mining and communication services. The effect is that our market still screens cheap when looking at pure fundamentals, such as price-to-book (1.79x) and forward price-to-earnings ratio (10.10x). On the bond side, we still see value as real bond yields are trading in excess of our fair value and we continue to hold an overweight to nominal bonds across all our funds. Fundamentals for the local property sector have also improved somewhat on the back of a retracement in price for that asset class after very strong positive performance in 2024.

Within our global positioning in our funds, we are currently neutral equities, overweight bond duration and cash, and underweight property and credit exposure. We kept our overall positioning fairly intact during the quarter.

The valuation for the MSCI All Country World Index 12-month forward P/E ratio reduced from 18.35x at the start of the year to 17.25x by the end of the quarter. This is mainly due to the downward move in US equity markets, with the S&P ratio moving from above 22x at the start of the year to closer to 20x by the end of March.

Out of interest, this ratio reduced drastically for the so called "Magnificent 7" stocks from 34.5x to 28.7x in the first three months of 2025. This can be explained by various factors such as the news end January on DeepSeek AI developments in China being at reduced cost and increased efficiency compared to US counterparts, as well as the impact of tariffs on global trade and the US economy. At the same time, we saw the forward P/E ratio for World excluding the US, as well as emerging markets move slightly higher on the back of relative price outperformance.

We made no changes to our global equity positioning in our funds on the back of these moves, as we believe there's still room for the trend to continue. As such, we continue to have a short position to the US market, counter-balanced by long positions to China, Mexico, South Korea, and a few other developed and emerging countries.

On the bond side, we continue to hold our existing position to long-dated US treasuries in our funds with an overweight duration position. We also still maintain our position to Brazilian bonds, which we added at the end of last year. New positions we engaged with in the asset class were adding UK gilts and German bunds during the sell-off in global bond markets during the first few weeks of January. We have seen a retracement in yields to lower levels for the former since adding the position to the funds, while for German bunds we saw a significant sell-off in yields in March due to a raise in the debt ceiling in that region post their election. As at the end of the first quarter, bund yields have retraced back to the levels where we engaged the position at the start of the year.

We maintain our underweight position to global corporate credit given that credit spreads are still trading at very compressed levels, even after moving slightly higher recently. We continue to view the risk-reward for holding those instruments as unappealing.

Moving on to our holdings in local asset classes, we have cut our SA equity position to neutral in our funds on the back of the significant outperformance of our market compared to other markets during the first quarter. We view this as a tactical trade due to relative market moves but still see SA equities as fundamentally cheap when looking at valuation metrics such as the 12-month forward P/E ratio (10.1x) and Price-to-Book ratio (1.79x).

We have kept our property positioning unchanged during the quarter, after making use of market opportunities during the previous year to reduce the underweight we have in place to that asset class. At present, we still have a small underweight to neutral position to property in our funds, consistent with where we started the year.

In terms of bonds, we continue to hold a reasonable overweight to SA nominal bonds in our funds, given that fundamentals for that asset class are mostly unchanged from where we ended 2024. We still see real yields currently at attractive levels and have made no significant changes to our holdings across funds during the first quarter of the year.

Our house-view portfolios continue to have no meaningful exposure to SA inflation-linked bonds (ILBs) as our preference has been for nominal bonds in favour of ILBs, even after the strong outperformance we saw in nominal bonds during 2024.

Finally, our portfolios remain tilted away from SA cash as we see better risk-adjusted returns from deploying excess cash into nominal bonds at this stage. Real cash yields continue to offer relatively high returns after the rate-cutting cycle ended up being very shallow, but we view the extra return on offer in bonds as sufficient to compensate us for the additional level of risk involved in holding the asset class.

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