November 2025

Monthly Houseview Tactical Asset Allocation

We have decided to maintain a moderately overweight position in SA equity, funded by local and offshore cash.

Figure 1: Houseview Tactical Asset Allocation

Asset Class	--	-	Neutral	+	++
SA Cash		■			
SA Bonds			■		
SA Inflation-Linked Bonds			■		
SA Listed Property			■		
SA Equity				■	
Foreign Cash		■			
Foreign Bonds			■		
Foreign Equity			■		
Foreign Property			■		

Synopsis

Here is our investment case for December 2025:

- We have kept a moderately overweight position in SA equity as we believe it will continue to outperform local and offshore cash on the basis of attractive valuations, improving sentiment, ample global liquidity, structural support for gold and potentially more stimulus from China, which may also drive the recovery of foreign investors' appetite for EM and SA assets.

TAA overview

Global equities delivered positive returns in October, with the MSCI Emerging Markets Index gaining 4.2%, outperforming the MSCI World Index by 2.2%. This was largely driven by signs of easing inflation and trade tensions, which supported sentiment, despite investors becoming increasingly cautious about the limited upside and growing downside risk. SA fixed income and local property also outperformed their offshore peers over the month. While developed market equities started to see some correction taking place during the first half of November, SA and emerging market equities largely held up. However, sentiment turned south by the middle of the month. Despite strong earnings data in the US, and while global growth is still positive and liquidity accommodative, investors are showing increasing concern over the AI investment case and the breadth and sustainability of the strong rally we have seen so far this year, with valuations and perfect scenarios priced in by the market. That cautiousness or fatigue led to most equity markets experiencing some degree of volatility for the month to date in November. The S&P 500 and the MSCI World Index fell by roughly 2.0% and the MSCI Emerging Markets Index fell by 4.2% as October leaders such as Korea and Taiwan saw close to a 6.0% reversal. While SA equities were behind the MSCI Emerging Markets Index in October, it managed to hold up and gained c.1.0% during November.

S&P Global's upgrade of SA's long-term foreign currency sovereign credit rating from BB- to BB on 14 November and maintenance of a positive outlook (the first upgrade in 20 years) certainly boosted sentiment and signalled an acknowledgement of progress made in power supply and logistics reforms and improved fiscal management. SA nominal bonds and ILBs also continued to outperform the WGBI in November, delivering roughly 2.4% respectively. Global bonds remain under pressure in the face of rate cut uncertainty. The US Dollar Index strengthened by 2.1% in

October and by 0.3% for the month to date in November, driven by a combination of a potential rate cut pause by the Fed in December and the relative economic resilience of the US over other large economies. The rand did strengthen to R17.03/$ by 13 November, and even briefly broke the R17 level, but then weakened to R17.26/$ closer to month end.

From a TAA perspective, we have kept our views unchanged from last month and remain moderately overweight in SA equities, funded by local and offshore cash. We prefer SA equities due to attractive valuations, while falling interest rates should provide a supportive backdrop. Momentum is likely to be restored to the market after the credit rating upgrade and positive MTBPS (Medium-Term Budget Policy Statement). In addition, we have not yet observed any notable recovery in offshore investment flows into this asset class, which – if they materialise in the coming months – could provide more support to the local bourse. While one of the biggest risks is that the cyclical nature of resources may negatively influence the SA equity market, the momentum in the gold price remains bullish after the recent pull back.

Figure 2: SA equity sales to foreigners (net)

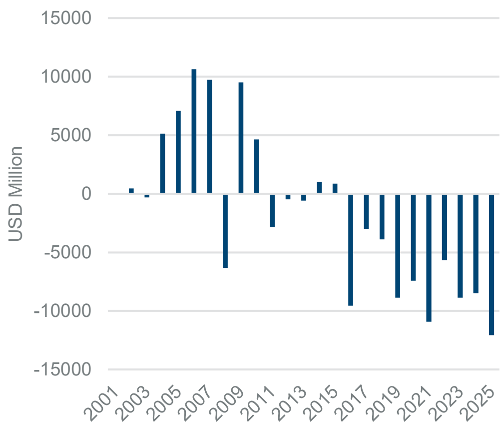


Figure 3: Gold price momentum

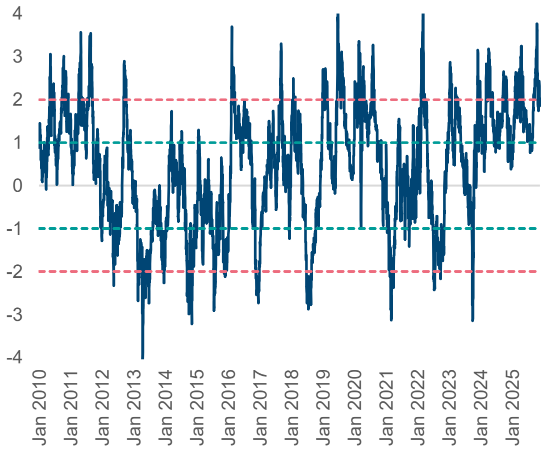


Figure 4: China and Germany PPI (YoY)

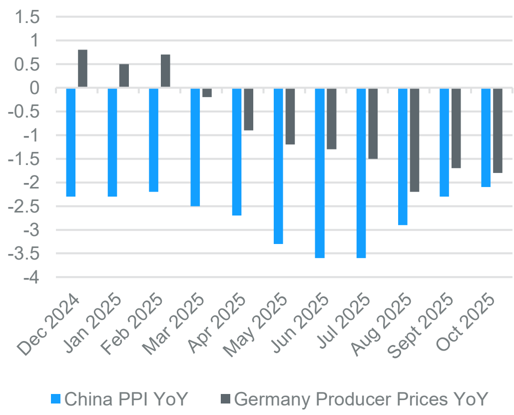
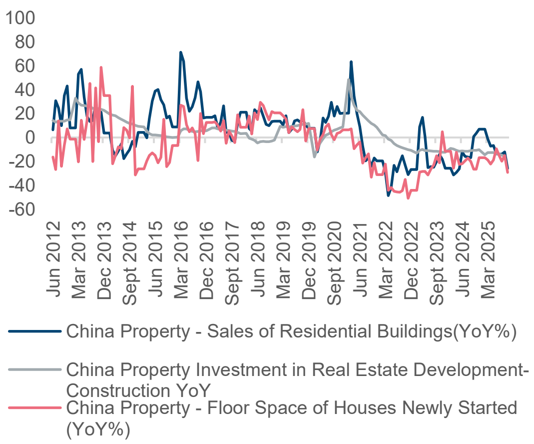


Figure 5: China property data



Source: Bloomberg, Mentenova

Regarding inflation, we believe SA will continue to benefit from the goods deflation from China and Germany. While risk appetite is improving in China, the latest weak property data suggests a more meaningful stimulus is needed to drive private consumption in the country amid trade uncertainty and structural reforms. Just this year alone, China has announced several major infrastructure projects, such as the 1.2 trillion-yuan Yarlung Tsangpo river hydropower project in Tibet; the additional 800 billion-yuan funding to support c.1500 key construction projects, ranging from ecological restoration to water conservation; urban neighbourhood renewal projects; and other transportation network expansion projects to support regional development and connectivity. These types of current and future stimulus could drive investors' sentiment towards emerging markets as a whole, providing support for SA's mining sector and terms of trade.

Apart from local equities, we also have a favourable view of local nominal bonds, largely driven by lower inflation, the positive MTBPS and S&P credit rating upgrade, and the lower probability of an inflation surprise. Moody's rating review scheduled for 5 December could potentially drive further gains for this asset class. However, it is not yet significant enough for us to move into a moderate overweight position.

We chose to continue funding the SA equity overweight position by local cash and offshore cash. The USD may remain relatively strong in the near term, after weakening by nearly 8.0% for the year to date, given the potential rate cut pause in December. The US economy remains resilient, with the non-farm payroll increasing by 119k in September, despite unemployment ticking up from 4.3% in August to 4.4% over the same month. Over the medium-term horizon, we expect there still to be a meaningful probability of the greenback weakening, driven by the Trump administration's agenda and the consequences of the US government's policy stances.

YANNI YANG, CFA, FRM, CAIA, CIPM
C +27 84 802 3784 **T** +27 11 447 7716

3rd Floor, Oxford & Glenhove Building 2,
114 Oxford Road, Rosebank, Johannesburg
www.mentenova.co.za

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