



Prosperity

June 2025

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Private Clients
by  Old Mutual Wealth

ECONOMIC UPDATE

The global economic and political landscape has shifted dramatically in the first half of 2025, with June delivering more than its fair share of turbulence. Tensions in the Middle East escalated after Israel struck nuclear and military sites in Iran. Iran responded with a missile barrage and the US soon joined in, bombing three nuclear facilities in Iran. Predictably, oil prices spiked from US\$66 to over US\$81 a barrel, but dropped quickly after a truce, ending the month at US\$67 – nearly 10% lower than at the start of the year. This provides some relief in an increasingly uncertain global economy.

The main driver of uncertainty remains President Trump's erratic trade policy. The US and China reached a deal in June that reduces the scale of proposed tariffs but keeps them well above levels seen earlier this year. China will lower tariffs on US imports and resume rare earth exports. Talks with other countries are ongoing, but the 90-day suspension of "reciprocal tariffs" is nearing expiry. Most expect the US tariff rate to eventually settle between 10% and 15%, up from 2% - 3%, which is where it was at the start of the year. This will raise consumer prices and pressure business margins. While manageable, the uncertainty makes planning difficult - arguably more damaging than the tariffs themselves.

For now, economic data looks resilient, aided by front-loading of imports and early consumer spending ahead of tariff hikes. This distorts the data and suggests that the full picture will only emerge in time.

Equity markets remain calm, seemingly taking the view that as long as tariffs aren't at extreme levels (as they were briefly in that first week of April), everything will be fine. However, cracks are emerging, with central banks outside the US cutting interest rates.

The US Federal Reserve has been on hold since the start of the year, despite Trump's pressure. Fed Chair, Jerome Powell, whose term ends in May 2026, has signalled that he needs more evidence before cutting rates. He effectively wants to see whether tariffs lead to a once-off price increase or persistent inflation. Outside the US, tariffs are not inflationary, and central banks can focus on economic growth concerns due to lower export earnings. In June, several European central banks and Mexico cut rates. Switzerland cut to zero, aiming to keep the franc from strengthening too much. The US dollar, once a safe haven, has been one of the main casualties of Trump's erratic policies, losing 10% on a trade-weighted basis this year. Instead, many investors have turned to gold and the Swiss franc for safety.

Locally, SA is caught in the global uncertainty, with domestic politics adding more complexity. Just after the Government of National Unity (GNU) marked one year, its stability is in question. President Ramaphosa fired DA deputy minister Andrew Whitfield over an unapproved offshore trip in February, widely seen as a pretext. The DA, angered by the move, is staying in the GNU, but has withdrawn from the National Dialogue. Tensions between the ANC and the DA - the coalition's largest parties – have deepened. Whether this is a fatal blow remains to be seen.

Coalition politics brings new challenges, and SA is not the only country that experiences political turmoil from time to time. In the US, for example, long-established political norms are being upended daily. However, unlike the US, SA (after a decade of economic stagnation and with rising government debt levels) cannot afford political dysfunction and lost credibility. For now, the GNU holds as the national interest demands political stability. Polls show public support for the GNU, and no party wants to be blamed for its collapse. From an investment perspective, it is encouraging that key economic policies (structural reform under Operation Vulindlela and fiscal) predate the GNU. They could outlive it too, at least until the next election in 2029.

Despite all this, local markets have had a stellar first half. Bonds and equities rallied, even as growth forecasts were cut. GDP rose just 0.6% in Q1, and full-year forecasts have dropped from 2% to between 1% and 1.5%. Global trade headwinds are the main culprit, but it is notable that mining and manufacturing activity have not picked up meaningfully, even after the end of persistent loadshedding. On the brighter side, consumer spending is growing at a decent pace, supported by falling inflation, lower interest rates and another round of two-pot pension withdrawals. With consumer inflation below 3% in May and the oil price spike proving temporary, there is still room for another rate cut at the July Monetary Policy Committee meeting.

MARKET UPDATE

After a volatile start to the month, global equity markets bounced back strongly in June. The MSCI World Index gained 4.3%, supported by easing inflation in key markets and renewed investor confidence.

In the US, May's headline inflation came in softer than expected at 2.4% year-on-year, up slightly from April's 2.3%. Equity markets rallied across the board, with the S&P 500 rising 5.0%, the Dow up 4.3%, and the Nasdaq leading with a 6.6% gain.

UK inflation eased to 3.4% in May from 3.5%, though the FTSE 100 ended the month flat. In Asia, Chinese equities responded positively to continued fiscal and monetary support aimed at reviving domestic demand and stabilising the property market. China's official manufacturing PMI edged up to 49.7 in June, lifting sentiment. The Hang Seng gained 3.4%, the Shanghai Composite rose 2.9%, and Japan's Nikkei surged 6.6%.

The JSE also had a solid month, with the All Share Index up 2.2%. The performance was led by the Resi-10, which jumped 4.8% on the back of a sharp rally in platinum prices. The Indi-25 added 2.2%, while the Fini-15 edged up 0.8%, rounding off a strong showing for local equities.

The rand strengthened by 1.6% against the US dollar in June, helped by improving risk appetite. In commodities, platinum soared 28.5%, driven by strong Chinese demand. Gold ended marginally higher at US\$3 312 per ounce, up 0.4%. Brent crude rose 5.8% to US\$67.63 a barrel, reflecting the impact of the Middle East conflict that erupted on 13 June.

GLOBAL EQUITIES



Adobe

Adobe reported strong second-quarter results, with revenue rising 11% year-on-year to US\$5.87 billion (in both reported and constant currency terms). Growth was supported by robust demand across its Digital Media and Digital Experience segments, underpinned by increasing adoption of AI-powered tools. Diluted earnings per share came in at US\$5.06, up 13% from the previous year, while operating cash flow reached a record US\$2.19 billion.

Both revenue and earnings per share exceeded analyst expectations. Operating margins were also strong at 35.9%, similar to the same period last year. The Digital Media segment (which includes the group's Creative Cloud solutions, Adobe Express and Photoshop) was the main driver of the outperformance. The segment's net new annual recurring revenue (ARR) outpaced revenue growth for the period, which bodes well for growth in the coming quarters. The current quarter marks the fourth consecutive quarter that Adobe has beaten revenue expectations, which was further supported by management's positive outlook.

Despite the strong results and an improved outlook, Adobe's share price showed little reaction on the day the quarterly results were results. A key concern for investors is whether new AI tools from competitors will threaten Adobe's competitive edge. While this risk is worth monitoring closely, we are encouraged by how Adobe has integrated its own AI tools into many of its existing products (e.g. AI Assistant in Acrobat) and is disclosing revenue from these tools separately. We believe Adobe's AI services could attract new users who would be willing to pay for better productivity tools, which is positive for Adobe's business model.

LOCAL EQUITIES



Ninety-One

Global asset manager, Ninety One reported full-year 2025 results affected by persistently high interest rates across major economies, which dampened investor appetite for risk assets. The group experienced net outflows of £4.9 billion, primarily in the first half. However, as inflation eased and lower interest rate expectations strengthened, net inflows returned in the second half.

Despite the tough backdrop, assets under management (AuM) grew 4% to £130.8 billion. Adjusted operating revenue rose by 1%, while the adjusted operating profit margin dipped slightly to 31.2%

from 32.0%. Adjusted earnings per share declined by 3% to 15.5p, consistent with the 1% fall in adjusted operating profit. The board declared a final dividend of 6.8p per share, bringing the full-year dividend to 12.2p per share.

The Sanlam transaction, announced in November 2024, is progressing well. Under this agreement, Ninety-One will become Sanlam's primary active investment manager, with AuM increasing by approximately £17bn and gaining access to Sanlam's extensive retail distribution network. Sanlam will also serve as an anchor investor in Ninety One's international private and specialist credit investment strategies. Operative agreements were signed in March, and shareholders approved the share issuance in April. The transaction will close in two tranches: the UK portion is expected to conclude by mid-June and the South African portion by year-end, subject to regulatory approvals. Ninety-One plans to issue approximately 13 million shares in June and 112 million shares later in the year, giving Sanlam a 12.3% equity stake. The deal is expected to deepen Ninety One's presence in the SA savings market and support long-term growth.



Mr Price

SA apparel retailer, Mr Price reported full-year results that highlighted a marked contrast between the two halves of the year. A muted retail environment weighed on the first half, while stronger sales momentum and fewer markdowns drove a much-improved second half. As a result, overall revenue rose by 7.9% to R40.9bn, with a 0.5% market share gain for the year.

Gross margin improved by 0.8% to 40.5%, driven by reduced markdowns and better stock management across all segments. Cash sales, which remain the dominant revenue source, increased by 7.9%, making up 89.3% of total revenue. Credit sales grew modestly, reflecting the group's cautious credit approval strategy. The group's expense to revenue was maintained within target, allowing for the operating margin to expand by 0.2% to 14.2%. Headline earnings per share increased by 10.7%. Mr Price continued to generate strong cash flows, achieving a 94.9% conversion ratio (above its medium-term target) and ending the year with R4.1bn in cash and no debt.

Looking ahead, the group remains cautious amid global and local uncertainty. Management remains focused on executing its existing strategy, with limited appetite for large acquisitions. Capital expenditure of R1.6bn will largely support investments in stores, technology and the group's supply chain.

Naspers delivered strong full-year 2025 results, reflecting its resilience and focus on profitable, long-term growth. Revenue rose 20% to US\$7.2 billion, core headline earnings jumped 46%, and free cash flow improved by US\$593 million. E-commerce profits grew by over 100% year-on-year, outperforming peers with topline growth twice as fast.

The results were supported by solid Tencent performance and the continued success of Naspers' share buyback programme, which has created over US\$50 billion in value to date. This drove a 15% increase in Net Asset Value (NAV) per share in FY25. With a strong balance sheet and disciplined capital allocation, Naspers is rewarding shareholders with a proposed 100% increase in dividends. The group also continues to invest in building a leading lifestyle e-commerce ecosystem, underpinned by an AI-first strategy.

In FY25, Naspers invested US\$7 billion to deepen its regional presence, including the US\$1.7 billion acquisition of Latin American online travel platform, Despegar. It also announced a conditional €4.1 billion deal to acquire Just Eat Takeaway.com, expanding its European food delivery operations. Looking ahead, Naspers aims to build a US\$100 billion ecosystem (excluding Tencent) powered by cutting-edge AI technologies and strong operating momentum.

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