

ABSOLUTE GROWTH PORTFOLIO (AGP) COMMENTARY



MARCH 2025

GLOBAL ECONOMICS

The ongoing tariff announcements, government layoffs, forced deportations and policy uncertainty appear to have dampened consumer and business confidence in the United States (US), this has raised the probability that the US economy will enter recession towards the end of the year.

This higher probability of a US recession and the ongoing tariff wars have the potential to slow down the global economic growth. European countries are realising that there's a need to bolster their military strength outside of the US, implying higher defense spending which could be good for their Gross Domestic Product (GDP) growth.

China showed signs of recovery, with their manufacturing activity being the highest in March, as indicated by the Purchasing Managers' Index (PMI) data. Domestic demand has improved due to increased fiscal stimulus, higher debt issuance and monetary easing.

The Federal Reserve Bank's (Fed) preferred inflation measure, the Personal Consumption Expenditures (PCE) deflator, remained unchanged on a year-on-year basis in February. Core inflation was higher than expected at 2.8%, which will be taken into consideration when the Fed decides on the future interest rate path.

The US Dollar has softened over the past few weeks as prospects of a weaker US economy became more prevalent, versus better Euro area conditions becoming stronger.

SA ECONOMICS

Locally, GDP data was released which indicated that the economy grew by 0.6% in the last quarter of 2024, although the weak PMI data remains concerning. The much-anticipated budget speech was delivered where fiscal consolidation was still at the centre of the speech and a phased 1% VAT hike was announced. The VAT hike is still contentious issue between the biggest parties in the Government of National Unity (GNU) coalition. Consumer confidence has improved as per the South African Reserve Bank's (SARB) March Bulletin, which shows that the debt servicing costs as a share of disposable income has declined.

Inflation remained unchanged at 3.2%, while SARB kept interest rates the same, citing global risks on the horizon.

The Rand continued to be resilient amid geopolitics tensions and a risk off environment below 18.50 ZAR/USD.



CORPORATE

DO GREAT THINGS EVERY DAY

ASSET CLASS RETURNS AS AT 31 MARCH 2025

Asset Class	1 month	1 year	3 years	5 years	10 years
Local Equities (C. SWIX)	3.6%	22.9%	8.2%	18.7%	6.8%
Local Bonds (ALBI)	-0.5%	20.2%	9.8%	11.7%	8.4%
Local Cash	0.6%	8.0%	7.3%	5.9%	6.4%
Local Property	-1.5%	20.1%	11.1%	18.4%	0.4%
Global Equities MSCI World (USD)	-4.5%	7.0%	7.6%	16.1%	9.5%
Emerging Markets (USD)	0.6%	8.1%	1.4%	7.9%	3.7%
Global Bonds (USD)	0.3%	-0.5%	-5.3%	-5.0%	-2.2%
USD/ZAR	-1.4%	-2.4%	6.8%	3.6%	4.8%

Sources: Old Mutual Chief Economist, Old Mutual Multi - Managers Chief Investment Strategist, Old Mutual Return Repository.

Globally, Emerging Markets (EMs) equities outperformed the Developed Markets (DMs) equities in March, due to concerns about the US economic growth and policy uncertainty that has been introduced. Within the developed markets, non-US stocks outperformed US stocks, as the latter posted the worst quarterly returns since 2022. Within the EMs, Chinese equities performed well due to recovery in domestic demand and renewed foreign investor confidence.

Locally, equities led the markets, propelled higher by the gold stocks as the price of gold surpassed \$3 000 USD for the first time in March. With renewed inflation fears and geopolitical risks, central banks have been buying gold and investors protecting their portfolios against the weakening USD. Local bonds ended the month marginally negative as global policy uncertainty weighed on emerging markets.

FUND PERFORMANCE AS AT 31 MARCH 2025

Fund	1 month	1 year	3 years	5 years	10 years
AGP Smooth*	1.00%	12.19%	11.28%	9.85%	9.08%
AGP Stable*	0.96%	11.68%	10.77%	9.36%	8.58%
Inflation	0.90%	3.20%	5.20%	4.90%	5.00%

* Returns net of capital charges gross of Investment Management Fees. Past performance is not an indicator of future performance
Sources: Old Mutual Chief Economist, Old Mutual Multi - Managers Chief Investment Strategist, Old Mutual Return Repository.

All the smoothed bonus underlying portfolios are diversified across regions and asset classes. Full allocation to local equities in the growth portfolios, Absolute Growth Portfolios (AGP), worked well to further strengthen the Bonus Smoothing Reserve level (BSR) to put the portfolio in a position to continue to declare above inflation bonuses. As shown in the table above, AGP portfolios have returned above inflation returns for the short term and the long term. BSR levels for all the portfolios are in the strong position of 5-10% range enabling the invested members to not experience the volatility that is expected to continue in the market.

ECONOMIC OUTLOOK

The link below provides a detailed global and local economic overview written and supplied by Johann Els, the group chief economist at Old Mutual: [PowerPoint Presentation](#)