



Prosperity

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Private Clients
by  Old Mutual Wealth

ECONOMIC UPDATE

When Donald Trump won the US presidential election last November, investors and the public at large expected him to live up to his reputation as a dealmaking businessman. US equities surged, the dollar strengthened and consumer confidence improved, reinforcing the idea of US exceptionalism.

However, since his January inauguration, the opposite has occurred. Consumer sentiment has dropped, the US stock market has lagged global peers and the dollar has weakened. Instead of pro-business policies, Trump has imposed steep tariffs, showing little interest in negotiation. This includes tariffs on Mexico and Canada, long-time US trading partners, as well as 25% duties on steel, aluminium and auto imports, despite objections from US businesses in those industries. Large tariff increases were also applied to other countries, although these have temporarily been paused. Some retaliation from US trading partners has since been seen.

In the short term, tariffs will slow growth and push consumer prices higher, but uncertainty remains. If businesses pass on costs, inflation could rise, as seen during the 2021 – 2022 supply chain crisis. Alternatively, companies may absorb costs to avoid losing sales, ultimately reducing profit margins. Many may also delay expansion and hiring until there is greater certainty.

While sentiment indicators (“soft” data) have deteriorated, “hard” data on employment, income and spending have mostly held up. But as tariffs take effect and Federal worker layoffs mount, this may change. US inflation has also been stubbornly high, even before most tariffs hit. All this uncertainty places the US Federal Reserve, the most important central bank in the world, in a difficult position. It held its interest rate unchanged at 4.5% in March, anticipating slower growth and slightly higher inflation in 2025. The Fed has considerable room to cut rates if the economy falters, but elevated inflation may delay action.

An unexpected consequence of Trump’s trade and security stance is Germany’s shift toward higher infrastructure and defence spending. Incoming chancellor Friedrich Merz secured a constitutional amendment to fund hundreds of billions of euros in new investments, reversing years of fiscal restraint. The EU is following suit, boosting common defence spending. While military expansion will take time, it could partially offset US tariffs on key European exports and support economic confidence, alongside European Central Bank rate cuts.

Meanwhile, the South African Reserve Bank kept its repo rate at 7.5%, with a four-to-two vote, despite consumer inflation slowing to 3.2% in February. Core inflation, excluding food, fuel and energy prices, was 3.4%. The Bank also lowered its 2025 inflation forecast to 3.6%, but global uncertainty, rather than local conditions, is driving its caution.

A too-narrow gap between SA and US interest rates could trigger capital outflows, weakening the rand, fuelling inflation, and destabilising expectations. The appropriate spread depends on market sentiment – higher investor anxiety means higher rates are needed to compensate for risk. If global conditions stabilise, a rate cut may follow.

MARKET UPDATE

Uncertainty over tariffs weighed heavily on global equity markets in March, with the MSCI World Index falling 4.4%. US markets saw significant monthly declines: the S&P 500 dropped 5.8%, the Dow Jones fell 4.2%, and the Nasdaq Composite led the losses with an 8.2% decrease. In the UK, the FTSE 100 lost 2.6%, driven by fears over the global impact of US tariffs.

The Hang Seng rose 0.8% and the Shanghai Composite increased by 0.4%. In contrast, Japan’s Nikkei dropped 4.1%, its lowest point since September 2024. By the end of the first quarter of 2025, US markets were lagging their European and Asian counterparts.

In SA, the JSE All Share Index hit a record high of 90 149.7 on 19 March, closing the month up 3.1%, mainly due to strong performance in the mining sector. The Resi-10 index surged 19.5%, while the Indi-25 dropped 0.6%, and the Fini-15 rose 0.2% during the month.

The rand gained 2% against a weakening US dollar in March. Brent crude oil rose 2.1% to US\$74.74 per barrel, and gold prices soared, peaking at US\$3 145/oz before closing at US\$3 123/oz, a 9.3% gain for the month.

However, markets have continued to decline in early April. Tariff uncertainties remain a major concern, contributing to further losses in global equities. The MSCI World Index continues to slide, with US equities seeing additional losses as market volatility persists. The rand, while benefiting from a weaker dollar in March, has faced increased pressure in early April alongside the broader market decline.

GLOBAL EQUITIES



Berkshire Hathaway

Berkshire Hathaway delivered strong results in 2024, driven by improved performance in insurance, railroads and manufacturing, along with notable pre-tax investment gains. These results remain sensitive to market-driven fluctuations in the value of its equity portfolio. Insurance was a key earnings contributor, with underwriting profits rising across GEICO, Berkshire Hathaway Primary Group, and Reinsurance Group. Investment income also climbed, boosted by higher interest rates and equity exposure. While energy and railroad segments were stable, BNSF saw volume declines amid weaker economic conditions.

The company maintains strong financial health, with ample liquidity and a robust balance sheet. Its US\$271.6 billion investment portfolio saw shifts in major holdings like Apple and Occidental. In his annual letter, Warren Buffett noted disciplined capital allocation but limited opportunities for large acquisitions due to high valuations.



Accenture

Accenture reported interim results at the upper end of guidance, with revenue up 8.3% in local currency and adjusted earnings per share rising 6%. In a challenging macro environment marked by high interest rates and political uncertainty, managed services grew a solid 11%, while consulting grew 6%.

Despite ongoing uncertainty, management raised their revenue growth outlook but narrowed the range for margin expansion, reflecting pricing pressure. Generative AI bookings remained strong and may surpass US\$4bn in FY 2025. Key growth areas – cloud, Industry X, cybersecurity and digital transformation – continued to deliver double-digit gains, underscoring Accenture's ongoing relevance in the IT space.

LOCAL EQUITIES



Bidcorp

Bidcorp delivered strong interim results for 2025 despite a tough trading environment. Revenue rose 7.1% in constant currency, though foreign currency impacts limited reported growth to 3.6%. Earnings per share increased 10% to R12.67, aided by disciplined

cost control. Regional performance was mixed: the UK grew its core foodservice revenue by 6%, Emerging Markets rose 2.7% despite softer activity in China, and Australasia saw solid growth while managing cost-of-living challenges.

Backed by a strong balance sheet and good cash flow, the board declared a 6.7% higher interim dividend of R5.60. While food inflation has eased, wage-driven cost inflation persists. Management remains positive on future growth, supported by an active acquisition pipeline across key markets.



FirstRand

FirstRand reported a 10% rise in normalised earnings per share for the first half of 2025, in line with guidance. The unchanged R3bn provision for the UK motor finance probe was well received, though uncertainty lingers with key updates expected in April and May.

Commercial lending and deposits held up well, while retail credit growth was muted in a tough environment. Credit impairments appear to have peaked in 2024, prompting a slight easing in lending criteria, which should support stronger advances in the second half of 2025. Management also noted that potential private equity realisations could lift non-interest revenue. The dividend rose 10% to R2.19, mirroring earnings growth.



Shoprite

Shoprite delivered a strong half-year performance, with group sales up 9.6%, driven by 10.4% growth in its SA supermarkets. Checkers led the way with double-digit gains across Checkers (+13.5%), LiquorShop (+14.2%) and Sixty60 (+47.1%), maintaining its position as SA's fastest-growing premium grocer for a fifth year. Shoprite and USave focused on affordability, while easing internal inflation (1.9% vs 8% last year) supported strong volumes and continued market share gains. Gross margin rose 30bps to 23.9%, with trading profit up 13.5% and trading margin improving to 5.8%. The interim dividend increased 6.7% year-on-year.

Shoprite acquired the remaining 50% of Pingo Delivery, now fully consolidated, and reclassified its furniture business (ex-Angola and Mozambique) as discontinued ahead of a planned sale to Pepkor. Management remains upbeat, expecting improved inflation trends in the second half of 2025. Full-year capex is projected at R8bn, supporting store growth, upgrades and tech investments.



Sanlam

Sanlam posted strong 2024 results, with net financial services up 14% to R14.1bn and operational earnings rising 24% to R18.5bn. New business volumes grew 6% to R420bn, driven by investment management inflows and stable insurance performance. Life Insurance new business reached R103bn, with growth in SA and Asia. SA retail mass grew 6%, boosted by Capitec and Assupol, while the affluent segment rose 8% on strong single-premium sales. However, policy churn and fewer large corporate deals slowed overall growth. Investment Management volumes increased 8% to R297bn, led by retail multi-management and wealth inflows. General Insurance earnings rose 40%, fuelled by Santam's 68% profit increase. Pan-Africa general insurance grew 25%, though Côte d'Ivoire and Angola lagged.

Sanlam advanced its capital strategy with key deals, including a 60% stake in MultiChoice's insurance arm and expanding its Indian holdings. SanlamAllianz had a strong first year, with 31% NRFFS growth in constant currency.



Standard Bank

Standard Bank reported 3% loan growth in 2024, reflecting weak consumer credit and high impairments, especially in mortgages and unsecured loans. Performance improved in the second half with rising commercial credit demand and stronger trading activity, boosting non-interest revenue. Headline earnings rose 4% (14% excluding FX), supported by a 22% earnings increase in Africa Regions.

Looking ahead, easing inflation, lower rates and stronger growth are expected to lift earnings and loan growth in 2025. New 2026–2028 targets focus on leading infrastructure and energy financing, growing private banking and scaling across Africa. Return on equity dipped to 18.5% but is expected to rise to 18% – 22%, aided by plans to cut the cost-to-income ratio below 50%.



OUTsurance

OUTsurance delivered strong interim results, with normalised earnings up 52.9% to R2.16bn, driven by disciplined underwriting, fewer disaster claims and solid investment income. Youi, its Australian arm, more than doubled operating profit. Short-term gross premiums rose 17.4% to R18.9bn, with new business premiums up 17.9% to R5.7bn. The claims ratio improved to 53%

(from 59.1%), aided by milder weather. The interim dividend rose 44.8% to 88.6c per share. The group remains well-capitalised with a 2.4x solvency ratio.

OUTsurance Ireland, launched in May 2024, posted a R246m loss due to start-up costs and IFRS 17 provisions. While these early-stage losses were anticipated, management remain optimistic about the long-term prospects of the Irish business.



MTN

MTN's 2024 results reflected solid operational performance but were weighed down by currency and macroeconomic challenges, especially in Nigeria and Sudan. Reported service revenue fell 15.4% to R177.8bn and EBITDA declined 33.5%, with margins dropping to 32%.

On a constant currency basis, service revenue rose 13.8%, driven by strong data (+21.9%) and fintech (+28.5%) growth. Data users grew 7.7% to 157.8m, and fintech transactions rose 15.3% to 20.3bn. A final dividend of 345cps exceeded guidance, showing management's confidence. The second half showed signs of stabilisation, with improved revenue trends, cost savings, and momentum in key markets, positioning MTN for a stronger 2025.

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