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THE RETURN OF HARD MONEY: NAVIGATING A HARD POWER WORLD

"If you don't own gold, you know neither history nor economics." Ray Dalio

This statement, provocative as it sounds, captures the spirit of the present moment. Gold's ascent this year has not been merely a market phenomenon; it is a historical signal. Every era of excessive debt, political polarisation, and monetary experimentation eventually reaches a point where confidence in fiat systems wanes, and investors rediscover the simplicity of scarcity. They rediscover gold.

The 12 months to September have been a study in contrasts, a vivid reminder of how swiftly sentiment and value can shift. The global benchmark MSCI All Country World Index returned 17.8% in US dollar, while the three and five-year returns stood at 23.7% and 14.1% respectively, over the 12 months. By comparison, MSCI South Africa Index returned 37.7% in US dollar over the same period, 26.8% over three years, and 16.3% over five years, outperforming global markets across all time horizons.

The idea that South Africa has outperformed global markets over three and five years would have sounded improbable not long ago, yet here we are. This reiterates that South Africa's character as a commodity producer endures and can deliver bursts of strong performance.

Our views on gold and other precious metals

Gold's rally this year echoes that of the great surges of the 1970s. Though the details differ, the forces are familiar: geopolitical tension, monetary strain, and a loss of faith in paper money.

In 1971, after President Richard Nixon ended the dollar's convertibility into gold, prices jumped nearly 20%, marking the beginning of a free market era for the metal. The US was running large deficits, funding a costly war, and facing inflationary pressure. It was a world losing faith in paper promises. Gold, climbing to around 3 850 US dollars per ounce this year, tells a similar story. Tensions between the US and China, currency discussions among the BRICS, and ongoing fiscal expansion have all eroded confidence in the dollar's permanence. In both eras, hard power in the form of wars, trade tariffs, sanctions, and political coercion drove investors toward hard value.

In 1978, gold rose nearly 50% during a period of surging inflation, oil shocks, and Cold War tension, a similar phenomenon to today's Middle East conflicts, the ongoing war in Ukraine, and inflationary pressures from a fractured global order. The difference is that gold is now a deeply financialised asset, with ETFs, futures, and algorithms amplifying every move, but the motive force remains unchanged.

History shows that gold's weight within the JSE's indices has shifted dramatically from barely 2% in the mid-2010s to nearly 30%

at its 1980s peak. Roughly a quarter of the FTSE/JSE Capped SWIX Index is made up of precious metals, with gold representing about 16.9% and the platinum group metals (PGMs) 8.5%. The current advance ranks as the fourth-largest rally from trough to peak, surpassed only by the great surges of the 1970s, the flight to safety during the dot-com crash in 2001, and the surge that followed the Global Financial Crisis in 2008. With these insights, it is clear, yet again, that as hard power rises, markets will rediscover the virtue of hard money. Our view is that gold's performance this year is not an anomaly; it reflects the macroeconomic regime we are in, which is a combination of slow growth, sticky inflation, and widening fiscal deficits. In this environment, gold is the rational beneficiary of policy incoherence, where monetary easing meets fiscal excess and the world's search for safety collides with declining faith in paper money.

South Africa: A relative winner in emerging markets

South African equities and bonds have been standout performers within global and emerging markets (EM) this year, supported by resource strength and attractive yields. South African government bonds have ranked among the best-performing emerging sovereign markets this year, alongside Turkey, Mexico, and Brazil, underpinned by high nominal and real yields and improving fiscal sentiment.

Equities have been equally impressive. The MSCI South Africa Index rose 52.3% in US dollar year-to-date, outpacing the MSCI Emerging Markets Index, which gained 25.2%. The drivers were precious metals that doubled and were up 181.9%, telecoms up 52.1%, and technology up 51.5%, while healthcare, general retail, construction, and general industrials lagged.

Historically, when South Africa's precious metals basket rallies by more than 20%, real GDP growth tends to recover to around 2% year-on-year within six months. If history does indeed rhyme, this surge could provide a tailwind for South African growth into 2026. With South Africa producing about 80% of the world's PGMs and ranking as the ninth-largest gold producer globally, this cycle bodes well for domestic companies that still trade at attractive valuations.

OUR POSITIONING

In line with our previous quarterly view, we remain constructive on PGMs and selected South African miners, as the demand for internal combustion engines (ICE) persists longer than the market anticipated, and supply constraints in PGMs remain underappreciated.

South Africa: Selective optimism

Despite South Africa's outperformance relative to broader EMs, valuations remain appealing. The MSCI South Africa Index trades on a 12-month forward P/E of 12.0 times, about one standard deviation below the EM average of 15.4 times. A weaker US dollar and rising metals prices have improved SA's terms of trade, with positive implications for both the fiscus and corporate earnings momentum. Importantly, South African equities remain under-owned, leaving room for further re-rating as global investors re-engage with the market.

We continue to allocate capital toward underappreciated quality companies whose earnings resilience and leadership strength are not yet fully priced in.

- **Naspers/Prosus** continue to benefit from improved capital allocation and Tencent's structural AI-driven growth.
- **Bidcorp** remains a global leader in food services, combining steady cash generation with defensible scale advantages.
- **AB InBev** is emerging from a period of margin pressure with scope for meaningful re-rating.
- Among domestic names, **Old Mutual** and **Absa** are compelling turnaround stories. Both have new leadership, a sharper focus on returns, and early signs of execution discipline. The market has not yet captured the progress being made in either business.

The case for PGMs

Our conviction in PGMs has deepened through extensive work on the automotive, mining, and energy transition value chains. The evidence points to tightening fundamentals and a multi-year supply deficit.

Despite rapid growth in electric vehicles (EV), battery electric penetration remains well below policy targets, only 15.6% in Europe, versus the 25% required by now, constrained by high electricity costs and inadequate charging and grid infrastructure.

The rollback of EV subsidies across major economies (Germany, the US, China, and South Korea) is slowing adoption further, meaning the ICE still accounts for more than 80% of global vehicle sales.

This prolongs robust demand for PGMs in catalytic converters, especially with stricter emissions standards and rising loadings in hybrids and plug-in hybrids. According to our analysis, palladium loadings have increased by 1% Compound Annual Growth Rate globally over the past decade, and rhodium loadings by 2%, reflecting tougher environmental standards, particularly in EMs.

On the supply side, the story is equally compelling: global primary 3E production is forecast to decline by 1.1 million ounces by 2030, driven mainly by falling South African output amid years of underinvestment and ageing shafts.

Capital intensity has collapsed, with industry capex still 60% below its 2012–2015 peak, only two new projects (Two Rivers Merensky and Ivanplats Phase 1) are likely to add meaningful production this decade.

We hold meaningful exposure to Northam Platinum and Valterra, two companies with high-quality ore bodies, disciplined balance sheets, and superior platinum exposure. Northam's free cash flow is most sensitive to rising basket prices, offering asymmetric upside, while Valterra's sustained capital investment positions it as one of the few producers able to maintain output as the rest of the sector retrenches.

The thesis is straightforward:

- Demand for catalysed vehicles remains resilient.
- Supply is constrained and declining.
- New projects are scarce.
- Investor interest is returning.

In short, we see scarcity being repriced. In a world rediscovering the value of real assets, PGMs, particularly platinum, represent one of the most underappreciated expressions of "hard value."

PERFORMANCE COMMENTARY

The third quarter of 2025 was a strong period in absolute terms but mixed in terms of relative performance across most strategies, supported by robust commodity prices, a weaker US dollar and resilient global equity markets. However, performance leadership remained highly concentrated.

Market breadth and alpha

Market breadth on the JSE was exceptionally narrow. Around 15% of the listed shares generated positive alpha, while around 85% underperformed. A handful of precious metal counters, including DRDGOLD, AngloGold Ashanti, Valterra Platinum and Gold Fields, drove most of the market's excess returns, delivering between +60% and +100% alpha over the quarter. The remainder of the market lagged meaningfully, with the weakest quartile trailing the benchmark by 30% to 50%. This pattern reflects a market driven by hard asset momentum rather than broad-based earnings growth.

For diversified portfolios, this presented a challenging alpha environment. Managers with deliberate exposure to gold, PGMs, and quality cyclicals benefited materially, while portfolios tilted toward domestic, consumer, or defensive sectors struggled to keep pace.

Multi-asset funds

Multi-asset portfolios delivered solid absolute returns in a narrow and volatile market. They were broadly third quartile in the quarter. The **Old Mutual Balanced Fund** returned 5.9% for the quarter and 14.3% year-to-date, placing it in second-quartile performance. The **Old Mutual Flexible Fund** gained 6.2%, supported by higher equity exposure, while the **Old Mutual Stable Growth Fund** (4.4%) and **Old Mutual Moderate Balanced Fund** (5%) were more muted given their lower risk budgets.

Our **core range** continued to lead its peer group.

- **Old Mutual Core Balanced Fund** returned 7.4% for the quarter, 15.6% year-to-date, and first quartile across all time horizons.
- **Old Mutual Core Moderate Fund** delivered 6.8% for the quarter, 14.0% year-to-date, keeping it at first quartile.
- **Old Mutual Core Conservative Fund** returned 5.8% for the quarter, 11.9% year-to-date, and remained steady at the top quartile over three and five years.

These results reflect the benefits of disciplined asset allocation, meaningful resource exposure, and risk-balanced diversification.

Equity funds

Equity fund performance reflected the narrow market structure.

- **Old Mutual Managed Alpha Equity Fund** led the platform, returning +13.9% in quarter three and +32.5% year-to-date, ranking first quartile over one, three, and five years. Its exposure to gold, select industrials and disciplined factor tilts added significant value.
- **Old Mutual Investors' Fund** gained 10.2% in the quarter and 24.9% year-to-date, while Old Mutual ESG Equity Fund rose 9.6% for the quarter and 26.7% year-to-date, both ranking third quartile due to lighter exposure to precious metals.
- **Old Mutual Equity Fund** delivered a quarterly performance of 4.9% and 12.1% year-to-date, remaining fourth quartile given a broader domestic tilt and lower concentration in resource names.

The divergence in outcomes highlights how concentrated leadership shaped alpha this year: those positioned for gold and resource strength outperformed, while diversified portfolios lagged despite solid absolute gains.

Specialist and thematic funds

- **Old Mutual Gold Fund** was a clear standout for this quarter, returning 52.3% and 148.7% year-to-date, and maintaining first-

quartile rankings across all timeframes. This performance mirrors gold's surge toward $4 000 per ounce, driven by geopolitical risk, fiscal excess, and declining faith in fiat systems.
- **Old Mutual Mid & Small Cap Fund** delivered 6.8% for the quarter and 12.7% year-to-date, placing second quartile.
- **Old Mutual SA Quoted Property Fund** gained 5.0% in quarter three and 11.8% year-to-date, aided by stabilising bond yields and improved sentiment toward listed property.

Global funds

Global portfolios provided meaningful diversification benefits.

- **Old Global Managed Alpha Fund** was up 12.5% for the quarter and 21.4% year-to-date. Our flagship global strategy continues to be outstanding. It's generated top-quartile performance in a very competitive global investment landscape over 7 years.
- **Old Mutual Global Islamic Equity Fund** returned 7.4% in quarter three and 16.0% year-to-date, remaining top quartile across three- and five-year periods.
- **Old Mutual Global ESG Equity Fund** delivered 6.2% in the quarter and 21.0% year-to-date, maintaining strong relative positioning.

Frontier markets and index strategies

Frontier-market funds continued to perform well.

- **Old Mutual African Frontiers Fund** was positive at 5.9% for quarter three and 40.4% year-to-date and sits at the second quartile over one year and top quartile over three years.
- **Old Mutual African Frontiers Flexible Income Fund** delivered a 9.6% for the quarter, 19.9% year-to-date, and is top quartile over three years.

Passive strategies tracked underlying market strength closely.

- **Old Mutual RAFI 40 Index Fund** was up 17.4% in the quarter and 39.8% year-to-date, remaining first quartile across all periods.
- **Old Mutual Capped SWIX Index Fund** delivered 12.5% for the quarter and 30.2% year-to-date.
- **Old Mutual Top 40 Index Fund** returned 14.3% in the quarter under review and 36.5% year-to-date.

Global index funds also delivered consistent results.

- **Old Mutual MSCI Emerging Market Selection Fund** was positive for this quarter at 8.4% and 18.6% year-to-date, a first-quartile performance.
- **Old Mutual FTSE RAFI All World Fund** delivered 4.3% for the quarter and 10.0% year-to-date, a second quartile position.

SUMMARY

The quarter reminded us of the fact that markets often rhyme with history. Leadership was narrow, and a few gold and PGM counters carried the JSE, much as a handful of mega-cap tech stocks have lifted global indices. Such concentration often signals transition, not stability. Beneath the surface, we see a market quietly repricing for a harder world.

That world is one where developed markets wrestle with debt saturation, rising refinancing costs, and fading confidence in fiat currencies. The age of soft money is ending; fiscal fragility in advanced economies is replacing it with hard power, hard assets, and hard choices.

For South Africa, this shift is doubly significant. Stronger PGM and gold prices directly support the fiscus through higher tax receipts and royalties, improving debt dynamics and investor confidence. The fiscal tailwind from mining often spills over, lowering risk premia, strengthening the rand, and restoring space for consumer recovery. As that cycle plays out, we see genuine opportunity not only in resources but in quality South African consumer names that stand to benefit from improved confidence, easing rates, and real wage recovery.

For any further information pertaining to our Core Global Equity Strategy, please don't hesitate to contact us.



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