

Market Overview

October 2025

Morningstar Investment Management
November 2025

For Financial Advisers & Their Clients

Global Market and Economic Summary

Global markets extended their gains in October, as risk assets posted broad-based gains supported by resilient economic growth, an increasingly accommodative monetary policy backdrop and rising corporate earnings expectations. In the U.S., the “AI investment” narrative came under pressure as markets began reassessing the balance between aggressive capex spending and near-term earnings growth. Despite these headwinds, overall earnings for the sector have continued to trend higher. The technology sector once again led global equity performance, as evidenced by the performance differential between the NASDAQ (+4.8%) and the broader S&P 500 (+2.3%) over the month. Emerging Markets (EM) outperformed their Developed Market (DM) counterparts over the month, with Korea (+18.1%) and Japan (+11.8%) being the standout performers of the respective regions. Global bond markets also delivered positive returns in October, as declining yields and a shift in major central banks' actions provided broad-based support. However, toward the month-end, U.S. Treasury yields spiked higher following Federal Reserve Chair Jerome Powell's comments that there was “no guarantee of further cuts.” The 10-year Treasury yield rose sharply to 4.10%, its highest level since early October, leading to a late-month bond sell-off that erased much of the fixed-income gains over the month.

In other economic news, late-month trade talks between the U.S. and China lifted global sentiment, with both sides agreeing on a one-year trade deal that would pause steeper U.S. tariffs and limit China's export controls on rare earth minerals – a critical component in the AI supply chain. In monetary policy news, the U.S. Federal Reserve continued its rate-cutting cycle in October, lowering the Federal Funds rate by -0.25% to a target range of 3.75%–4.00%. However, Chair Jerome Powell cautioned that an additional cut at the December meeting is “not a foregone conclusion,” signalling a more data-dependent approach as policymakers weigh the balance between easing inflation pressures and sustaining economic growth. Elsewhere, the European Central Bank (ECB) opted to keep its main policy rate unchanged at 2.00%, reflecting continued resilience in the euro area's economic activity, a firm labour market and inflation that remains above its 2% target. Meanwhile, the Bank of Japan (BoJ) kept its short-term policy rate unchanged at 0.5% – the highest level since 2008 – extending its pause since the last hike in January.

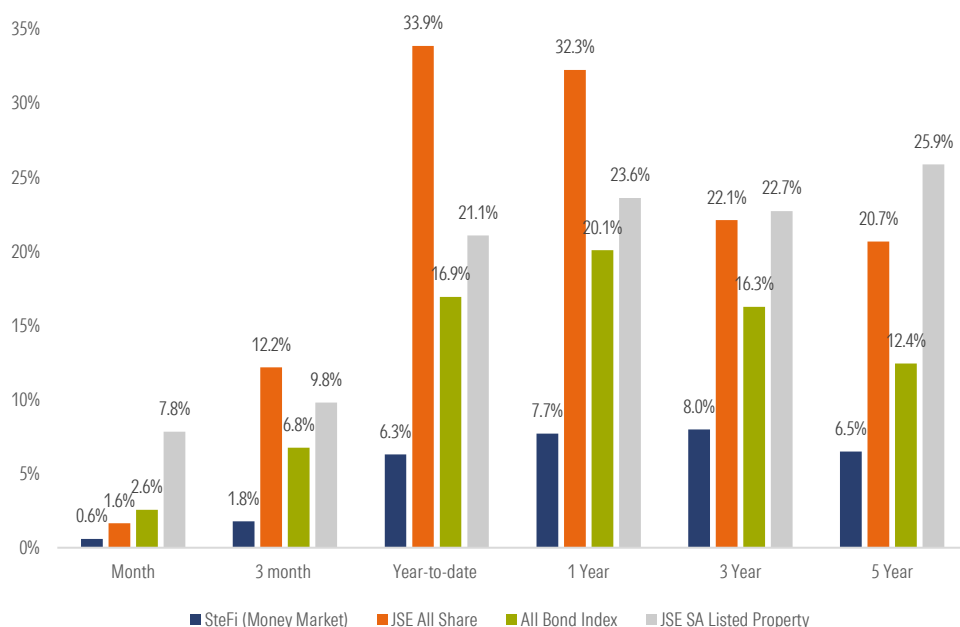
South African Market Update

South African equities (+1.6%) posted positive performance over the month, extending their strong rally. However, the local equity market underperformed both its DM and EM counterparts. Within the local equity market, there has been a divergence from the recent trend, where the All Share Index (ALSI) saw broad-based gains that were not dominated by the Resources sector. The Resources sector (-4.8%) detracted from overall returns, as weakness in precious metals weighed heavily on performance. Gold and platinum miners faced sharp declines amid softer commodity prices. Notably, Impala Platinum (-15.5%), Harmony Gold (-7.0%), Gold Fields (-7.0%) and Thungela Resources (-12.5%) all posted steep losses over the month. In contrast, Industrials (+1.8%) and Financials (+8.5%) posted strong performance over

the month, with “SA Inc” stocks such as Discovery (+11.6%), Capitec Bank (+11.0%), Firststrand (+9.2%), Spar (+10.8%) and Shoprite (+7.9%) contributing strongly to performance. The Property sector (+7.8%) posted its strongest monthly performance this year, buoyed by declining bond yields and solid operational updates, with stocks such as Growthpoint (+15.4%) and Redefine Properties (+8.7%) posting strong returns over the month.

South African bonds (+2.6%) delivered strong returns in October, supported by a combination of favourable global conditions and improving domestic fundamentals. Locally, subdued inflation expectations, a modestly improved fiscal outlook and a more credible monetary policy contributed to a broad-based decline in yields across the curve, lifting bond prices over the month. Confidence was further supported by a more stable rand and growing expectations that the South African Reserve Bank (SARB) may eventually lower its inflation target, reinforcing the medium-term disinflation narrative. The country’s recent removal from the Financial Action Task Force (FATF) “grey list” also boosted investor sentiment and could help in potentially attracting incremental foreign inflows. At the same time, recent interest rate cuts by the U.S. Federal Reserve have boosted the appeal of the country’s high-yielding bonds.

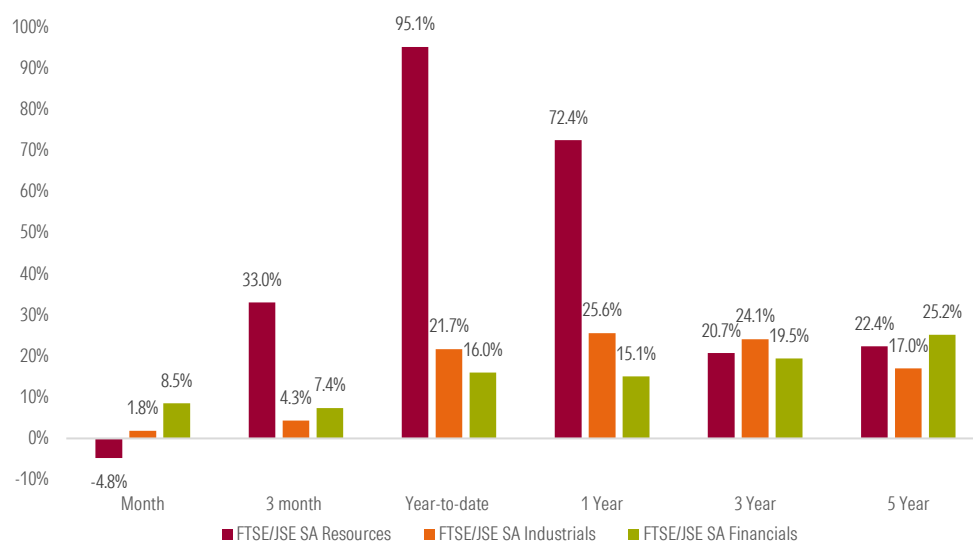
Exhibit 1 | SA Market Performance (total returns)



Source: Morningstar Direct as at 31/10/2025. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African Economic Update

In other economic news, South African assets have seen strong performance this year, supported by progress on fiscal consolidation, the stability of the coalition government (GNU), alongside structural improvements such as more reliable electricity and increased infrastructure investment. Turning to inflation, South Africa's annual inflation rate ticked up to 3.4% in September 2025 from 3.3% in August, slightly below market forecasts of 3.5%.

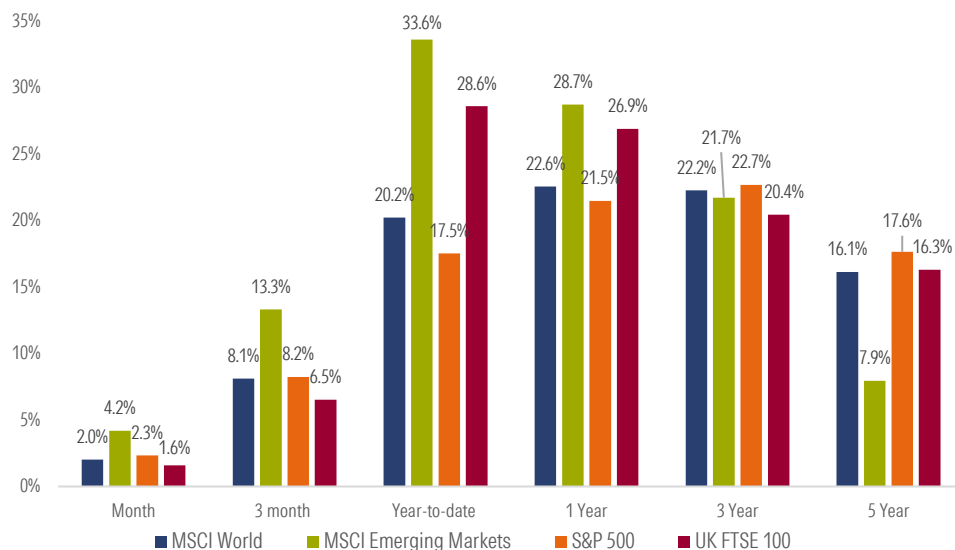
Exhibit 2 | SA Sector Performance (total returns)

Source: Morningstar Direct as at 31/10/2025. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Most equity markets ended the month higher, with many major indices being at or near all-time highs. The **MSCI World Index** (+2.0%) posted positive returns, but underperformed emerging markets over the month, with the **MSCI Emerging Markets Index** (+4.2%) posting strong positive returns.

Within emerging markets, China's **Shanghai SE Composite** (+1.9%) performed well, supported by improving US-China trade relations. Furthermore, Korea's **KOSPI** (+18.1%) posted another month of astronomical returns for the month, supported by stronger semiconductor exports, coupled with continued AI-driven demand. In Europe, the **MSCI Europe Ex UK Index** (+0.5%) posted lacklustre returns for the month, underperforming the broader DM composite, with the UK's **FTSE 100** (+1.6%) ending the month modestly higher. Additionally, Japan's **Nikkei 225** (+11.8%) posted its best monthly return in three decades, as expectations of aggressive fiscal stimulus under new Prime Minister Sanae Takaichi acted as a tailwind.

In the U.S., tech-heavy **NASDAQ 100** (+4.8%) posted strong returns over the month, as continued enthusiasm for AI benefited tech stocks. The **S&P 500** (+2.3%) continued its positive momentum over the month, supported by strong performance from some of the Mega-cap tech stocks.

Exhibit 3 | International Market Performance (total returns)

Source: Morningstar Direct as at 31/10/2025. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on Client Portfolios

Portfolios delivered decent performance in October, supported by gains across both equity and bond allocations. Globally, our overweight positions in attractively valued segments of developed and emerging markets – particularly in South Korea and Japan – added meaningfully to portfolio returns. Global bonds also contributed positively, with funds holding longer-duration U.S. Treasuries, U.S. Mortgage-Backed Securities (MBS) and global credit contributed to portfolio returns. Locally, active equity managers delivered solid returns over the month, as overweight positions in the more attractively valued Financials and Industrials sectors provided resilience and helped offset the impact of weakness in the Resources sector. In the local bond market, managers with longer-duration exposures generally outperformed, benefiting from a decline in yields across the curve that supported bond prices. As a result, local fixed income allocations made a positive contribution to overall portfolio returns. The rand weakened marginally against the U.S. dollar over the month, creating a modest currency tailwind and enhancing offshore asset performance when translated back into local terms.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio, independent of the prevailing market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	1.64	33.90	32.25	22.14	20.67	15.17
JSE SA Listed Property	7.84	21.10	23.60	22.75	25.88	6.40
All Bond Index	2.56	16.94	20.09	16.27	12.44	11.40
STeFI	0.59	6.30	7.70	7.99	6.49	6.53
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	1.34	39.07	35.85	23.26	20.83	15.94
JSE Mid Cap	1.36	19.51	17.12	14.75	18.38	10.40
JSE Small Cap	5.04	13.29	21.22	19.90	28.90	15.12
FTSE/JSE SA Resources	-4.79	95.12	72.38	20.73	22.35	19.58
FTSE/JSE Ind/Financials	8.52	15.97	15.07	19.46	25.21	10.28
FTSE/JSE SA Industrials	1.82	21.72	25.59	24.13	16.98	14.24
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2.02	20.21	22.53	22.25	16.12	14.05
MSCI Emerging Markets	4.19	33.59	28.69	21.72	7.95	8.65
S&P 500	2.34	17.52	21.45	22.68	17.64	16.00
NASDAQ 100	4.81	23.78	30.95	32.44	19.47	21.64
FTSE 100	1.59	28.58	26.86	20.43	16.30	8.96
SSE Composite	0.50	29.44	23.21	21.46	13.59	10.82
KOSPI TR KRW	1.93	21.07	20.62	11.93	2.93	5.86
Nikkei 225	18.12	79.92	59.06	24.09	9.95	—
FSE DAX	11.83	36.47	35.21	24.79	11.26	10.49
US T-Bill 3m	0.33	3.63	4.41	5.02	3.28	2.76
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	-2.91	-11.88	-9.88	-11.80	11.68	-2.10
Gold	4.87	53.75	46.72	34.76	16.34	18.61
Platinum	1.15	74.04	59.70	19.34	13.28	9.65
Copper	4.79	20.82	10.78	10.87	8.35	7.36

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 31/10/2025.

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