

# Discovery Global Multi-Asset Fund

31 December 2025

## Market background

Risk assets capped a strong year with further gains in Q4, supported by resilient global growth and supportive policy shifts. Global equities extended their advance, with the MSCI All Country World Index up around 3% in Q4 (USD) and ending the year 22% higher. Markets looked through a brief November wobble on AI valuation concerns and sticky inflation, resuming their climb in December as the US Federal Reserve delivered another rate cut and Chair Jerome Powell adopted a more dovish tone.

By region, emerging markets outperformed advanced-economy equities, with a c.5% Q4 gain lifting the MSCI EM Index to a c.34% return for the year. US equities modestly lagged the global index in the final quarter and, over the full year, underperformed by the widest margin since the Global Financial Crisis. Even so, despite headwinds from trade policy uncertainty, elevated technology valuations and China's AI-driven rally boosting Asian markets, the S&P 500 still ended the year close to record highs. Other developed markets also posted positive returns in 2025, including the UK's FTSE All-Share (+6% in Q4), Germany's Dax (+3%) and Japan's Topix (+9%), with the latter reaching a record year-end level on AI optimism and a better-than-feared outcome to US trade talks. By sector, materials and healthcare led in Q4, while energy lagged due to concerns about oversupply in oil prices.

Global fixed income ended the year shaped by diverging regional policy paths, following heightened volatility in Q4. In the US, rate cuts supported the front end and drove a bull steepening, but uncertainty around growth, inflation and internal Fed debate kept markets finely balanced heading into 2026. Europe and Japan were more decisively hawkish: the ECB signalled an end to easing as inflation stabilised and fiscal pressures pushed yields higher, while Japan's exit from ultra-loose policy gathered pace amid persistent inflation and political uncertainty. The UK sat between these poles, with easing inflation and a December rate cut supporting a late-year rally, even as fiscal concerns and cautious guidance capped gains.

Gold rose another 12% in Q4 to end 2025 at about US\$4,319 per troy ounce, taking its annual gain to almost 65%, the strongest performance since the 1970s.

South African markets ended 2025 strongly, with the JSE All Share Index up 8.1% in Q4 and 42.4% for the year. Gains were steady through the quarter, led by resource-linked sectors, particularly gold and platinum miners, as precious metal prices rose.

Local currency bonds also performed well. The 10-year government yield fell from 10.3% to 8.2% over the year, supported by benign inflation, strong domestic and foreign demand, and a sovereign rating upgrade, with Standard & Poor's raising South Africa to BB with a positive outlook.

Economic data surprised on the upside, with GDP growth of 2.1% year-on-year in December, above expectations, driven by household consumption and exports. The rand ended the year at R16.56/USD, among the strongest emerging market performers, supported by higher precious metals prices and improved external balances.



## Performance review

The Fund delivered a positive absolute return in US dollars and outperformed its benchmark by 0.52% (60% MSCI AC World NR40% Citigroup WGB).

Relative performance was driven primarily by equities, with the Fund's overweight position in risk assets continuing to perform well, supported by the liquidity backdrop. Stock selection added to relative returns with large-cap US and global technology holdings, including Alphabet and TSMC, alongside selected financials and cyclicals outperforming broad index returns. These were partially offset by volatility in broader index exposure and by stock-specific detractors, particularly in Europe and Japan.

Within fixed income, positions in developed market government bonds added to returns early in the period as bond yields rallied amid the Federal Reserve's rate-easing.

A position in gold also contributed as prices continued to rally, driven by safe haven demand and falling interest rates. Currency exposure detracted as the South African rand appreciated, supported by improving economic fundamentals.

Over the quarter, the portfolio maintained a constructive risk stance reflecting the ongoing supportive policy backdrop. Equity exposure remained overweight relative to the benchmark and increased over the quarter. Key regional exposures remained within the US where the shift by the Federal Reserve towards a risk management approach to policy along with improving economic momentum within the US economy added tailwinds despite valuations. New positions were initiated in Meta, reflecting confidence in the company's earnings resilience and balance sheet strength within the broader US technology complex, along with Abbot Labs and Wuxi Aptech, which provide attractive exposure to the improving medtech sector. A number of single-name positions were exited on the other hand where risks were judged to be rising or gains had largely been realised, including Twillo, Kweichow Moutai, Synopsys and Lonza.

Fixed-income exposure was broadly unchanged; the strategy continues to hold an allocation to defensive government bonds to provide diversification against negative growth risks.

Gold exposure was closed following strong performance early in the period with prices reaching new historic highs.

## Outlook and strategy

The US economy has weathered the tariff storm over the last eight months better than many investors had expected, with economic data remaining buoyant and inflation pressures benign. This has been supported by strong disinflationary forces from the housing sector, which continue to underpin progress. As we look ahead to 2026, growth is expected to remain robust and broaden, supported by the lagged impact of monetary easing, improving liquidity conditions as the Fed returns to balance-sheet expansion, and front-loaded fiscal spending that continues to support consumer spending. There are early signs of this broadening evident within the credit cycle, where momentum is no longer confined to previously dominant areas such as private credit, but is spreading more widely. Delayed tariff pass-through and broader disinflationary forces are expected to contain inflation to a greater extent than consensus expects, keeping the door open to further easing from the Fed. However, as we move into the second half of the year, upside risks may increase as demand recovers and base effects become less supportive. Against this backdrop, we expect US risk assets to remain supported, with scope for a broadening in performance drivers as liquidity conditions ease. The labour market, however, remains a key risk to monitor.

In Europe, monetary policy has been eased, with policy rates now at neutral levels. This is supporting an emerging economic recovery and a new credit cycle. The headwinds from recent tariff announcements are expected to weigh on growth in the coming quarters, albeit to a lesser extent than previously feared, while the latest budget proposals in



Germany and across Europe to increase defence spending are expected to provide ongoing support to growth. A lagging policy reaction function from the ECB in the coming quarters raises the prospects of a reflationary environment as we move into 2026, creating a potential supportive backdrop for European currencies and risk assets, absent a renewed escalation in tariffs.

In China, easing measures have become less forceful in the near term, with the credit impulse once again rolling over. While the authorities continue to prioritise domestic consumption as a driver of growth, the “special action plan” outlines a broad set of measures aimed at shifting the growth model away from high-value-added industry and exports towards domestic consumption, a transition accelerated by the escalation in trade conflict. However, their ability to materially ease policy is constrained by weak domestic confidence and elevated debt levels. The introduction of “anti-involution” policies has renewed hopes for an end to deflation and a recovery in nominal earnings. While we continue to expect policymakers to take the necessary steps to support a sustained recovery in consumption, near-term domestic risk assets have repriced significantly, and renewed weakness in the property sector adds to the headwinds facing consumption, suggesting limited asymmetry.

As a result of our central investment roadmap, as discussed above, we continue to believe that risk assets will remain supported by easing fiscal and monetary conditions. Prospective liquidity easing by key central banks further supports this view, while improving credit cycles suggest the potential for broader market drivers. In fixed income, we maintain a healthy allocation to defensive government bonds, given potential downside risks and a lack of value in credit markets. This provides dry powder to deploy during episodes of market volatility. In currency markets, while we continue to believe the medium-term path for the US dollar is weaker, stronger near-term economic momentum and upside inflation risks could lead to short-term upside for the currency.