

M&G Property Fund

Property

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism.

However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general.

Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts. Global sentiment was shaken by President Trump's "Liberation Day" announcement of widespread U.S. tariffs.

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars).

Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars).

In South Africa, the FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%. Property had a challenging quarter with -4.2% (as measured by the All Property Index).

Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity

(GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government. The DA's rejection of the budget added further political uncertainty.

On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025. As expected, the South African Reserve Bank (SARB) kept the repo rate unchanged at 7.5% in March, maintaining a cautious stance after the rate cut in January.

Performance

For the quarter, the M&G Property Fund delivered -4.9% versus the All Property Index which returned -4.3%. Over three years, the fund delivered an outperformance of 1.5% to the benchmark.

We are proud that the M&G Property Fund has won the Raging Bull Award for consistent 3-year performance for both 2023 and 2024, as well as the Best SA real estate – general fund at the Profile Unit Trust Awards for 2024.

Positive relative contributions came from overweight positions in Sirius Real Estate and NepiRockcastle, while detractors included overweight exposure to MAS Real Estate and Hyprop, and an underweight in Growthpoint.

SA listed property underperformed other domestic asset classes, including SA equities (5.9%) and SA bonds (0.7%).

Strategy and positioning

The sector gave back some of 2024's gains as political and fiscal uncertainty in South Africa triggered a 30bps rise in the 10-year bond yield by end-March. Optimism around the Government of National Unity faded amid disagreements over the proposed budget, raising concerns about coalition stability.

Fund positioning was adjusted in response to higher valuations. The portfolio remains tilted toward quality, growth-oriented REITs with strong balance sheets and high income-generating potential.

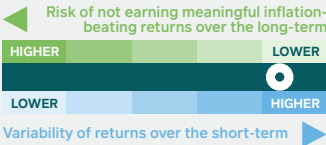
Sirius and NepiRockcastle are standout operators well positioned for macro tailwinds. Hyprop and Vukile offer exposure to a recovering SA retail market, where rent affordability is at decade lows.

Sector Fundamentals

SA listed property fundamentals remain broadly stable. Vacancies are declining. Retail rental reversions have turned positive. Office reversions remain negative, but oversupply is being absorbed. Industrial assets continue to benefit from low vacancies and rising construction costs.

Recent financial results (for the December 2024 reporting period) reaffirmed the stabilisation thesis.

Risk profile



Fund facts

Fund objective

The Fund seeks to maximise long-term growth from investing in South African listed property markets.

Investor profile

Investors who seek exposure to South African listed property as part of a diversified portfolio. Alternatively, investors looking for a growing income stream but who are willing to be exposed to capital volatility. The recommended investment horizon is 5 years or longer.

Investment mandate

The Fund is an actively managed portfolio investing primarily in South African listed property instruments and assets in liquid form. The Fund may invest in other collective investment schemes and in financial derivative instruments. No direct investment in physical property may be made.

Fund managers

Yusuf Mowlana
Rahgib Davids

ASISA category

South African - Real Estate - General

Benchmark

FTSE/JSE All Property Index

Inception date

9 July 2020

Fund size

R993 630 736

Awards

Raging Bull: 2023, 2024

Annualised performance

	A class	Benchmark	D class
1 year	20.0%	20.1%	20.1%
2 years	20.7%	20.2%	21.0%
3 years	12.6%	11.1%	13.0%
Since inception	17.5%	16.3%	-

Growthpoint surprised positively, with earnings upgrades driven by a stronger SA portfolio and improved performance at the V&A Waterfront.


MAS Real Estate, a Q4 2024 top performer, fell 30% following market disappointment around a JV resolution proposal.

On the transactional front, Vukile and Lighthouse Capital continued accretive acquisitions in Iberia. Shaftesbury Capital sold 25% of Covent Garden to Norway's sovereign wealth fund at book value.

Outlook

While a deep dive on global trade tensions is beyond this commentary, it's fair to say tariffs are a headwind for global growth, equity valuations, and earnings certainty.


We continue to focus on resilient companies less exposed to direct tariff impacts, though second-order effects are inherently unpredictable.

While not a time for aggressive risk-taking, recent price declines have improved valuation entry points. The Fund remains anchored by a disciplined investment process focused on quality, sustainability, and risk-aware value creation. 

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Application forms

An electronic copy of this document is available at www.mandg.co.za

Disclaimer

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