Quarterly Commentary

M&G Investments

M&G Global Property Feeder Fund

Global Property ZAR-denominated

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 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).

Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

United States

Growing concerns over tariff threats had a significant impact on US equity markets. Escalating trade tensions, particularly with China, triggered fears of a renewed trade war, which weighed heavily on investor sentiment.

The US administration's threats to impose additional tariffs on key imports spooked investors, leading to heightened volatility in major stock indices. Sectors most vulnerable to tariffs, such as manufacturing, technology, and consumer goods, experienced sharp declines, while companies reliant on global supply chains saw their stock prices suffer. The uncertainty surrounding trade policies not only impacted corporate earnings expectations but also increased the risk of a broader economic slowdown, contributing to a cautious outlook for US equities during the quarter.

The dominance of the "Magnificent 7" began to unravel following the release of China's low-cost AI model, DeepSeek, and growing concerns over their high valuations. This, combined with uncertainty around trade wars, meant the group faced a rough quarter, with a 15% decline, led by Tesla, Apple and Nvidia.

Meanwhile, US consumer price inflation eased to 2.8% year-on-year in February, down from 3.0% in January. However, market observers believe this decrease is temporary, as long-term inflation expectations continued to rise. In line with expectations, the Federal Reserve kept the federal funds rate unchanged at 4.50%.

Both the US equity market and US dollar sold off on concerns around the potential impact trade wars could have on the US economy. US equity markets ended the quarter down with the NASDAQ being the worst performer delivering -10.3%, the S&P 500 with -4.3% and the Dow Jones with -0.9%.

United Kingdom

The UK's economic landscape saw Labour Chancellor Rachel Reeves announce a £4.8 billion cut in welfare spending and a crackdown on tax avoidance, alongside a downward revision of the 2025 growth forecast from 2% to 1%. Inflation showed signs of easing, with the UK's Consumer Price Index (CPI) dropping to 2.8% y/y in February, slightly below the expected 2.9%. This, coupled with a 25-basis point rate cut by the Bank of England in February as policymakers responded to growing economic concerns, added to the market's optimism.

While European markets faced volatility due to tariff worries and trade tensions, hopes for a European-led peace initiative regarding Ukraine lifted sentiment, benefiting the FTSE 100, despite underlying economic challenges.

The FTSE 100 Index posted an impressive 9.4% gain (in US dollars) for the quarter.

Eurozone

European equity markets outperformed their US counterparts, with Financials delivering particularly strong performance.

Germany was a key driver for the region's market performance for the quarter. The country's decision to lift the debt ceiling benefited defence-related shares, as increased spending in that sector led to outperformance compared to other areas of the market. Further to this, political stability following Germany's elections added to investor optimism, boosting market sentiment and helping the DAX deliver robust returns of 15.8%. France's CAC 40 also delivered a respectable 10.4% (all in US dollars).

Eurozone inflation showed signs of moderation, with the Consumer Price Index (CPI) for February coming in at 2.3% y/y, slightly below expectations, but still within range. The European Central Bank (ECB) cut interest rates by 25 basis points to 2.5%, signalling a potential for further cuts, and also lowered its economic growth forecast for the fourth consecutive time, now projecting 0.9% growth for 2025.

Risk profile

Risk of not earning meaningful inflation-beating returns over the long-term

HIGHER LOWER

LOWER HIGHER

Variability of returns over the short-term

Fund facts

Fund objective

To provide investors with capital growth over the long-term by investing in a diversified portfolio of global property securities.

Investor profile

Investors seeking long-term capital growth from a diversified portfolio of global property securities. The recommended investment horizon is 7 years or longer.

Investment mandate

The Fund is a feeder fund and, other than assets in liquid form and currency contracts, invests only in one underlying fund - the M&G Global Property Fund. Quantitative analysis of individual companies, proprietary data analysis and machine learning are used to identify securities for potential inclusion by the fund managers. Through this underlying fund, the Fund has exposure to a diversified portfolio of global property securities that may include REITs and equity securities of companies engaged in real estate activities. The underlying fund may invest in other collective investment schemes and financial derivative instruments.

Investment manager of the underlying fund

M&G Investment Management Ltd (UK)

Fund managers of the underlying fund

Gautam Samarth
Michael Cook

ASISA category

Global - Real Estate - General

Benchmark

FTSE EPRA/NAREIT Global REITs Index (Net)

Inception date

24 November 2021

Fund size

R1 932 086

Annualised performance	A class	Benchmark	B class
1 year	-2.6%	1.8%	-2.5%
2 years	6.7%	7.5%	6.8%
3 years	1.0%	3.7%	1.2%
Since inception	-0.2%	1.7%	-

Sources: M&G Investments, Morningstar & Deutsche Securities

Japan

Escalating trade tensions, tariffs and shifting monetary policy contributed to market volatility and weighed on markets in Japan for the quarter. The announcement of a 25% tariff by the US on auto imports sparked major concerns in Japan, due to the country's large auto export sector. In addition, public dissatisfaction with fiscal policies erupted in protest action against the Ministry of Finance.

Japan's annual consumer price index slowed to 3.7% y/y in February 2025 from 4.0% y/y in January, slightly above the expected 3.5%. In a widely expected move, the Bank of Japan maintained its benchmark interest rate at 0.5%.

Against this challenging backdrop, the Nikkei was down 5.3% (in US dollars) for the quarter.

China

Despite tariff jitters, AI enthusiasm boosted tech stocks. Markets were boosted by the surprise release late in January of China's low-cost AI model, DeepSeek, sparking the tech rally. China also announced stimulus plans to boost consumption, which were well-received by the market.

Meanwhile, CPI contracted by 0.7% y/y in February 2025. The People's Bank of China (PBOC) maintained its key lending rates, keeping the one-year Loan Prime Rate (LPR) at 3.1% and the five-year LPR at 3.6%. This decision aligned with market expectations.

Boosted by positive sentiment and the latest AI developments and stimulus announcements, the Hang Seng delivered a strong 15.9% for the first quarter (in US dollars).

Currency

The US dollar weakened against a basket of major currencies in the quarter. The rand strengthened 2.5% to the US dollar but weakened against both the euro (-1.5%) and pound sterling (0.5%), but in a very orderly manner.

Performance

The M&G Global Property Feeder Fund produced a return of -0.7% (A class, net of fees, in Rand) for the quarter, versus the -1.1% recorded by its benchmark. For the 12 months to 31 March, the fund delivered -2.6% compared to the benchmark's 1.8% return.

Absolute returns were supported by the resilience of the REIT sector, in contrast to the weak performance of the S&P 500 Index in the quarter.

Over the quarter, the fund navigated a contrasting global environment, and whilst the REIT sector generally outperformed the global equity market, it continued to face headwinds driven primarily by global macroeconomic uncertainty. Overall, while active stock selection remained the key driver of performance, each month brought its own set of challenges and opportunities, highlighting the importance of diversification and tactical positioning within the portfolio.

In January, stock selection played a crucial role in mitigating broader underperformance. The emphasis on constraining active country exposures kept style and idiosyncratic risks as the primary components of risk in the portfolio.

February's fund performance was broadly in-line with the benchmark. Within the portfolio, sector performance was notably mixed. Active positioning was again key, with modest country exposures and idiosyncratic opportunities - as well as benefiting from portfolio underweights - playing a decisive role.

The fund outperformed in March. Reinforcing the month's performance were strong stock selection effects. However, challenges remained, emphasising the delicate balance of active management and risk mitigation in an evolving market landscape.

Strategy and positioning

Overall, the quarter highlighted the benefits of a diversified portfolio that manages systemic risks and tactically exposes to idiosyncratic sources of returns. Despite the turbulent macroeconomic backdrop, the consistent focus on active stock selection, managing country exposures, and strategic positioning within the REIT sector allowed the fund to capture relative outperformance in challenging market conditions.

Outlook

Moving forward, the emphasis on navigating interest rate and macroeconomic uncertainties will remain central to the portfolio construction and active management approach. □

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Invest now

Application forms

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Sources: M&G Investments, Morningstar & Deutsche Securities