Umthombo Wealth Equity Report for Quarter ended 30 September 2025

UMTHOMBO WEALTH

Contents

3 Economic food for thought

6 Equity Fund Range performance

11 Portfolio insights

14 Umthombo Wealth team update

15 Company and sector insights

- 15 Old Mutual
- 16 Sappi
- 18 CA Sales
- 19 Mining & Resources: Rotation Beneath the Surface
- 20 ESG – Buried Emissions: How Landfills Are Quietly Fueling the Climate Crisis

Economic food for thought

Market Context: Entering 2025

As we write this report, the third quarter of 2025 has just drawn to a close. With most of the year behind us, we now have a clearer view of the key events and drivers that have shaped markets so far, but also the early signs of trends that may shape what comes next.

Following Donald Trump's election in late 2024, it was almost inevitable that markets would begin the year with a bang- and they did. On 2 April, Trump declared the day "Liberation Day" and unveiled a sweeping new tariff policy: a baseline 10% tariff on most imports effective 5 April, alongside higher "reciprocal" tariffs aimed at specific countries from 9 April. He framed this move as freeing the U.S. from economic "enslavement" by trade deficits and restoring American industrial capacity and sovereignty.

Volatility and Global Risk Appetite

Markets thrive on stability, predictability, and certainty. Consequently, the new tariff regime plunged investors into muddied waters, making trade flows, operational costs, global supply chains, and corporate earnings projections far less predictable. While President Trump tested the world's power dynamics, the geopolitical backdrop-including escalating conflicts in the Middle East and Eastern Europe-only intensified the anxiety.

This extreme market nervousness was tangibly demonstrated by the VIX index (the market's measure of volatility): the April 2025 spike's size was surpassed only by the Global Financial Crisis and COVID-19. The key takeaway is clear: the start of the year was categorically defined by fear.

South Africa's Market Performance

Given the volatility of the first half of 2025 and the fact that the U.S. has sustained a bull market since 2008, a bearish pivot seemed fundamentally probable. Yet markets once again defied expectations. Following the initial shocks of the year, global equities mounted a powerful recovery, with most major indices, including the S&P 500 and Nasdaq 100 (U.S.), the Nikkei 225 (Japan), the FTSE 100 (U.K.), the TA-35 and TA-125 (Israel), and India's BSE Sensex and Nifty 50, reaching record highs by the end of the third quarter. The rally was broad-based and fuelled by renewed optimism, fiscal stimulus and rapid technological advances, underscoring the resilience of global risk appetite.

The "Terrific Ten" and the Gold Effect

South Africa's equity market joined the global upswing, with the JSE All Share Index surpassing 100,000 points for the first time in July and closing above 110,000 at the time of writing. However, unlike many of its global peers, the local rally was not rooted in confidence about domestic economic prospects. GDP growth expectations have been revised down to just 1% from 2% last year.

Instead, gains were driven primarily by the resources sector, particularly precious metals such as gold and PGMs, as well as Telcos and China-linked tech counters such as Naspers and Prosus. Gold hit a record high and platinum rebounded sharply, reinforcing the view that South Africa's market performance was buoyed by external forces rather than internal fundamentals.

This is illustrated by the concentration of market movers in a select group of ten stocks, South Africa's "terrific ten," if you will. The top movers include Gold Fields, AngloGold Ashanti, Naspers, MTN, Harmony Gold, British American Tobacco, Sibanye Stillwater, Impala, Prosus, and Northam Platinum.

The "terrific ten" shows that the JSE remains heavily influenced by forces outside the domestic economy, with gold clearly emerging as the main driver. But what drives gold? As noted earlier, anxiety was a key force behind markets in the first quarter. Even as most global indices returned to bull mode, that underlying sense of unease did not disappear-it simply shifted into the gold market.

For centuries, gold has been viewed as a safe haven during periods of economic uncertainty and market volatility. Historically, its rallies have been triggered by market fears, inflation or crisis events such as the Global Financial Crisis or the early 1980s when inflation surged and the dollar weakened. In those instances, gold's momentum was largely driven by investors seeking safety. In recent years, however, a new dynamic has emerged, with central banks themselves becoming significant buyers, signalling a broader and more structural shift in the forces supporting the gold price.

In recent years, particularly in emerging markets such as Russia, China, India and Turkey, central banks have been buying gold aggressively. Their aims are to hedge against geopolitical uncertainty, inflation and, most importantly, to diversify away from the US dollar.

This state-level accumulation forms part of a broader trend known as de-dollarization, where countries seek to reduce their reliance on the US dollar in global trade, reserves and financial transactions. Gold surges in this context are now more strategic than speculative, and demand is increasingly structural.

Implications of a Weaker Dollar

The US dollar has enjoyed its reign as the world's reserve currency since the end of World War II. While we are not suggesting that this dominance will end abruptly, it is important to consider the implications of a weaker dollar in the years ahead. Irrespective of other nations' ambitions, the Trump administration is actively pursuing a weaker dollar to boost US exports and improve America's terms of trade. This reflects a modern mercantilist approach that emphasises trade balances as a means of building national wealth.

What we find most striking is not the potential impact on the United States itself, but how a structurally weaker dollar could reshape capital flows, commodity prices and currency dynamics in emerging markets. A dollar-bearish environment typically benefits these economies by easing dollar-denominated debt burdens, attracting capital inflows and supporting export revenues through higher commodity prices and stronger local currencies.

For South Africa, the effects could be especially pronounced given its export-oriented economy and close ties to global commodity cycles.

What would a dollar-bearish world mean for emerging markets, and South Africa in particular? Generally, a weaker dollar benefits emerging markets by easing dollar-denominated debt burdens, attracting capital inflows and boosting export revenues through higher commodity prices and stronger local currencies. For South Africa, the impact could be especially significant.

South Africa is among the most dollar-sensitive markets in the world, with movements in the US dollar having a direct and often amplified effect on the rand, commodity prices and local asset valuations. When the dollar weakens, the rand typically strengthens as global investors rotate into higher-yielding emerging market assets. This also raises the dollar value of South Africa's commodity exports, providing a meaningful tailwind to both the economy and fiscal revenues.

The country's dollar sensitivity is rooted in its economic structure. South Africa's equity market and export base are heavily skewed toward commodities such as gold, platinum, coal and iron ore, all of which are priced in dollars.

A softer greenback generally supports commodity prices, improving export revenues, profitability and tax collections. At the same time, a weaker dollar reduces the cost of servicing dollar-denominated debt for both government and corporates, improving balance sheets and market sentiment.

Given these dynamics, South Africa stands out as one of the markets most leveraged to a weaker dollar environment. Resource companies such as Anglo American, BHP Group, Gold Fields, and Sibanye Stillwater would benefit from higher commodity prices and stronger margins. At the same time, a firmer rand and lower imported inflation would support banks and retailers through improved consumer spending and credit growth.

Other companies could also benefit indirectly from a stronger emerging market theme, including asset managers like Ninety-One and Coronation, banks such as Standard Bank and FirstRand, and tech or trade-linked firms with exposure to global EM flows, such as Naspers, Prosus, or Bidcorp. In short, in a scenario of a significantly weaker dollar, investors would likely want exposure to foreign assets, commodities, and EM-linked domestic counters.

SARB and Inflation Targeting

Following the theme of central banks, our very own SARB made a monumental announcement this year. It kept the official inflation target band unchanged at 3% to 6% but shifted its focus towards the lower end of the range, around 3%, instead of the long-standing midpoint of 4.5%. The move aims to lock in low inflation after CPI hovered near 3%, helping to lower borrowing costs over time and anchor expectations. Formal adoption still requires Treasury approval.

In July 2025, the SARB announced its preference to target 3%, the bottom of the 3%–6% band. By September, the SARB and National Treasury issued a joint statement, with Treasury expected to formalise the change. At present, 3% serves as the operational target but has not yet been legally adopted. Inflation is forecast to peak at 3.6% by mid-2026 and settle at 3% by the end of 2027.

This might sound technical, but it's actually a big deal. The SARB isn't just aiming to keep inflation under control; it's signalling a real shift towards building a low-inflation environment for the long run. That matters because lower and more stable inflation can ease borrowing costs, boost business confidence, and make long-term investment decisions easier. It also helps shape behaviour, as people who believe inflation will stay near 3% are likely to adjust how they price goods or negotiate wages.

That said, the shift does not come without risks or trade-offs. A more aggressive inflation target could mean interest rates stay higher for longer to keep price pressures contained, which is not an ideal outcome for South Africa's already fragile growth outlook. In an economy still grappling with weak demand and high unemployment, tighter monetary conditions risk stifling momentum just as recovery begins to take hold. While we can remain hopeful, we are under no illusion about the constraints South Africa faces. With administered prices still elevated, government debt standing at around 77% of GDP (high for an emerging market), and various cost-push pressures at play, the ideal scenario of low inflation and low interest rates is far from guaranteed.

Conclusion

With most of the year behind us, it is clear what has driven markets in 2025 and how quickly conditions can shift. Emerging markets, and South Africa in particular, have been among the bright spots, with the JSE All Share Index up 32% year-to-date, the MSCI Emerging Markets Index gaining around 28%, and the S&P 500 rising approximately 15%. If these trends continue, this could signal a new dawn for South African and emerging market assets. Our strong exposure to quality small and mid-cap companies, resilient industrials, and a refreshed approach to mining and resources positions us to benefit from this momentum. And if markets shift, we remain confident in our ability to navigate South Africa's ever-changing waters.

Equity fund range performance

Umthombo Wealth Equity funds breakdown

Umthombo Wealth has four equity offerings that accommodate a range of client risk/return solutions. Our offerings include low tracking error benchmark cognisant funds and non-benchmark cognisant high tracking error funds.

Fund name	Conservative Fund	Moderate Fund	Best House View Fund	Unconstrained Fund
Type of fund	Benchmark cognisant	Benchmark cognisant	Non-benchmark cognisant	
	High IR	With constraints	High conviction	No constraints
Number of shares	50 to 75	30 to 60	20 to 30	10 to 25
Tracking error	< 3%	3% to 5%	> 5%	> 5%

1. Moderate Fund

Our Moderate offering represents our constrained best house view active positioning relative to any specific benchmark. The share count ranges between 30 and 60, targeting a tracking error of less than 5% over a rolling three-year period. The Moderate offering is ideal for clients seeking an actively managed solution with certain constraints. It provides a balanced approach that aims to capture opportunities while managing risk.

Fund Information

Portfolio Managers:	Alexander Duys, CFA, CAIA, Matthew/ Lauren Zunckel, CFA, Jandre Pieterse
Benchmark:	CAPPED SWIX Total Return
Inception date:	1st January 2016
Investment vehicle:	Segregated only
Fund size:	R8.06n (invested within the Moderate offering)

Umthombo Wealth Equity composite performance. (net of fees)

Performance	Client Equity Portfolios		
	Composite	Benchmark*	Alpha
Inception Date	1st Nov 2016		
1 Month	7.22%	6.61%	0.62%
3 Months	14.06%	12.88%	1.18%
6 Months	24.10%	24.34%	-0.24%
1 Year	27.10%	28.92%	-1.82%
2 Years	26.09%	27.11%	-1.03%
3 Years	21.93%	21.93%	0.00%
4 Years	16.64%	15.98%	0.66%
5 Years	18.17%	17.33%	0.84%
6 Years	14.10%	13.10%	1.00%
7 Years	11.87%	10.74%	1.13%
8 Years	10.74%	9.39%	1.35%
Number of years	8.83		
Since Inception	149.05%	125.26%	23.79%
Since Inception (Ann)	10.88%	9.63%	1.25%
Downside Risk	2.09%	2.36%	
Volatility	3.79%	4.13%	
Sortino Ratio	1.86	1.11	
Sharpe Ratio	1.02	0.64	
Tracking error (inception)	3.01%		
Information ratio	0.42		

**Benchmark: Capped SWIX Total Return (TR) from 1st November 2016 until 30th of November 2019. 1st December 2019 until current is SWIX Total Return (TR).*

WHENEVER YOU SEE A SUCCESSFUL BUSINESS,
SOMEONE ONCE MADE A COURAGEOUS DECISION.

Peter F. Drucker

2. Conservative Fund

Our Conservative offering represents our most cautious active positioning relative to any specific benchmark. The share count ranges between 50 and 75, targeting a tracking error of less than 3% over a rolling three-year period. The aim is to achieve a high information ratio. Our Conservative offering is ideal for clients seeking a core-satellite approach.

Fund Information

Portfolio Managers:	Alexander Duys, CFA, CAIA, Matthew/Lauren Zunckel, CFA, Jandre Pieterse
Benchmark:	CAPPED SWIX Total Return
Inception date:	1st January 2016
Investment vehicle:	Segregated only
Fund size:	R803m (invested within the Conservative offering)

Performance	Client Equity Composite		
	Composite	Benchmark*	Alpha
Inception Date		1st April 2020	
1 Month	6.86%	6.53%	0.33%
3 Months	13.13%	12.77%	0.36%
6 Months	22.93%	23.70%	-0.78%
1 Year	24.50%	28.13%	-3.63%
2 Years	24.00%	26.76%	-2.76%
3 Years	20.40%	21.59%	-1.19%
4 Years	15.10%	15.75%	-0.65%
5 Years	16.73%	17.13%	-0.40%
Number of years	5.50		
Since Inception	158.75%	168.31%	-9.55%
Since Inception (Ann)	18.87%	19.66%	-0.79%
Downside Risk	1.50%	1.58%	
Volatility	3.75%	3.89%	
Sortino Ratio	7.92	8.00	
Sharpe Ratio	3.17	3.25	
Tracking error (inception)	2.03%		

**Benchmark: SWIX Total Return (TR) from 1st April 2020 until 31st of July 2022. 1st August 2022 until the current Capped SWIX Total Return (TR).*

YOUR MOST UNHAPPY CUSTOMERS ARE YOUR GREATEST SOURCE OF LEARNING.

Bill Gates, co-founder of Microsoft

3. Best House View Fund (BHVF)

Our Best House View Fund (BHVF) offering represents our most convicted active positioning relative to any specific benchmark. The share count ranges between 20 and 30, with all positions being overweight compared to the benchmark, without any positions at neutral or underweight. The offering does not have a specific tracking error target but is expected to exceed 5% without a cap. Our BHVF offering showcases our capability to add value when minimal limitations are in place. It provides an opportunity for clients who seek a high conviction approach with the potential for significant outperformance.

Fund Information

Portfolio Manager:	Alexander Duys, CFA, CAIA
Benchmark:	CAPPED SWIX Total Return
Inception date:	1st January 2016
Investment vehicle:	Segregated only
Fund size:	R290m (invested within the BHVF offering)

Performance	Client Equity Portfolios		
	BVHF Composite	Capped SWIX TR	Alpha
Inception Date		1st October 2021	
1 Month	6.62%	6.53%	0.10%
3 Months	14.19%	12.77%	1.42%
6 Months	25.29%	23.70%	1.58%
1 Year	24.43%	28.13%	-3.70%
2 Years	25.15%	26.76%	-1.61%
3 Years	21.74%	21.59%	0.15%
Number of years	4.00		
Since Inception	90.77%	81.76%	9.01%
Since Inception (Ann)	17.52%	16.11%	1.41%
Downside Risk	1.31%	1.77%	
Volatility	3.18%	3.68%	
Sortino Ratio	8.03	5.16	
Sharpe Ratio	3.31	2.47	
Tracking error (inception)	5.09%		
Information ratio	0.28		

SEE THINGS IN THE PRESENT, EVEN IF THEY ARE IN THE FUTURE.

Larry Ellison, co-founder of Oracle

4. Unconstrained Fund

Our Unconstrained offering represents our most strongly held conviction on an absolute basis. The Unconstrained fund incorporates our best and highest conviction ideas. The share count ranges between 10 and 25, providing greater flexibility in portfolio construction compared to the Best House View Fund (BHVF). The offering does not have a specific tracking error target but is expected to have a tracking error higher than 5%, without a cap. Our Unconstrained offering exemplifies our ability to add substantial value when no limitations are in place.

Fund Information

Portfolio Managers:	Matthew/Lauren Zunckel, CFA
Benchmark:	CAPPED SWIX Total Return
Inception date:	1st January 2019
Investment vehicle:	Segregated only
Fund size:	R1.06m (invested within the Unconstrained offering)

Umthombo Wealth Equity Model performance

	Model Equity Portfolios							
Performance	Best House View	Benchmark	Moderate	Benchmark	Conservative	Benchmark	Unconstrained	Benchmark
Inception Date	1st Jan 2016		1st Jan 2016		1st Jan 2016		1st Jan 2019	
1 Month	6.91%	6.53%	7.61%	6.53%	7.17%	6.53%	6.51%	6.53%
3 Months	14.52%	12.77%	14.65%	12.77%	13.68%	12.77%	12.45%	12.77%
6 Months	26.11%	23.70%	24.50%	23.70%	23.50%	23.70%	21.53%	23.70%
1 Year	25.60%	28.13%	27.59%	28.13%	25.78%	28.13%	20.30%	28.13%
2 Years (Ann)	26.34%	26.76%	26.69%	26.76%	25.22%	26.76%	25.07%	26.76%
3 Years (Ann)	23.10%	21.59%	22.76%	21.59%	21.82%	21.59%	21.76%	21.59%
4 Years (Ann)	18.96%	16.11%	17.95%	16.11%	16.64%	16.11%	17.94%	16.11%
5 Years (Ann)	20.71%	18.83%	20.68%	18.83%	19.29%	18.83%	21.36%	18.83%
6 Years (Ann)	18.25%	14.47%	16.43%	14.47%	15.13%	14.47%	17.75%	14.47%
7 Years (Ann)	16.14%	11.89%	13.90%	11.89%	12.80%	11.89%		
8 Years (Ann)	14.74%	10.68%	12.70%	10.39%	11.59%	10.39%		
Number of years	9.75	9.75	9.75	9.75	9.75	9.75	6.75	
Since Inception	248.00%	159.34%	207.61%	153.34%	185.43%	153.34%	201.31%	128.17%
Since Inception (Ann)	13.64%	10.27%	12.22%	10.00%	11.36%	10.00%	17.75%	13.00%
Downside Risk	1.69%	2.29%	2.02%	2.29%	2.08%	2.29%	1.74%	2.55%
Volatility	3.47%	4.12%	3.81%	4.12%	3.88%	4.12%	3.48%	4.47%
Sortino Ratio	3.94	1.43	2.58	1.31	2.09	1.31	6.17	2.35
Sharpe Ratio	1.91	0.79	1.37	0.73	1.12	0.73	3.09	1.34
Tracking error (inception)	5.31%		3.05%		1.93%		6.89%	
Information ratio	0.64		0.73		0.70		0.69	

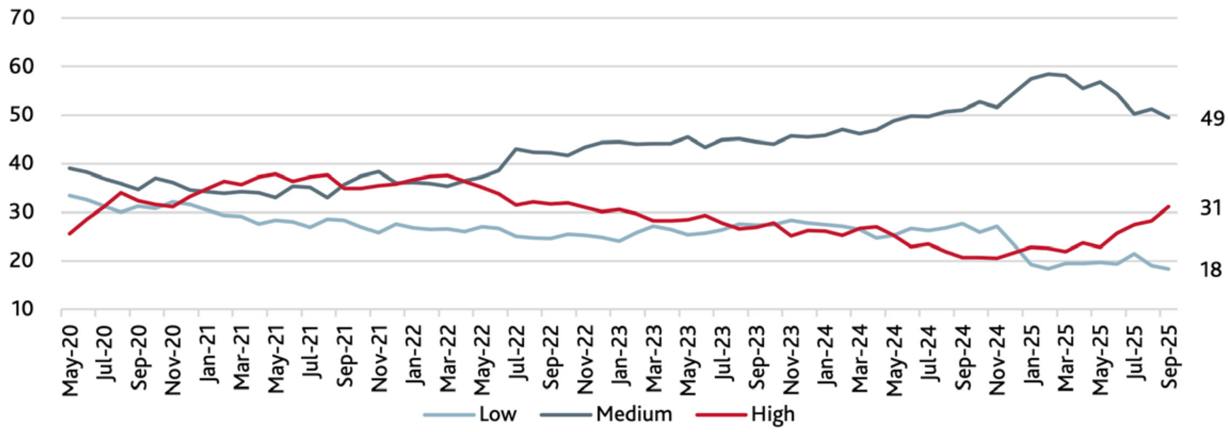
Portfolio insights

For the quarter to September, the resources index on the All Share is up a staggering 42%. This compares with Financials, up only 1%, and Industrials, up only 2%. These price movements have driven significant changes in our portfolios, from a composition and risk perspective.

Forecast risk, for example, has increased materially in our portfolios, as top-down driven resource shares make up a bigger part of the portfolio by virtue of their price performance. Further driving this trend has been herd mentality, with managers rushing into the resources sector, specifically the Golds and PGMs, to avoid their underweight positions becoming greater.

This drives further price appreciation, and in turn, further manager buying. Cheap SA Inc stocks like financials and some of the industrials have been sold off to fund these trades. We have been forced to manage our positioning in the resources sector as well, and from a risk mitigation perspective have maintained an underweight position in certain instances relative to the index, which necessitated buying materially as benchmark weights increased during the quarter.

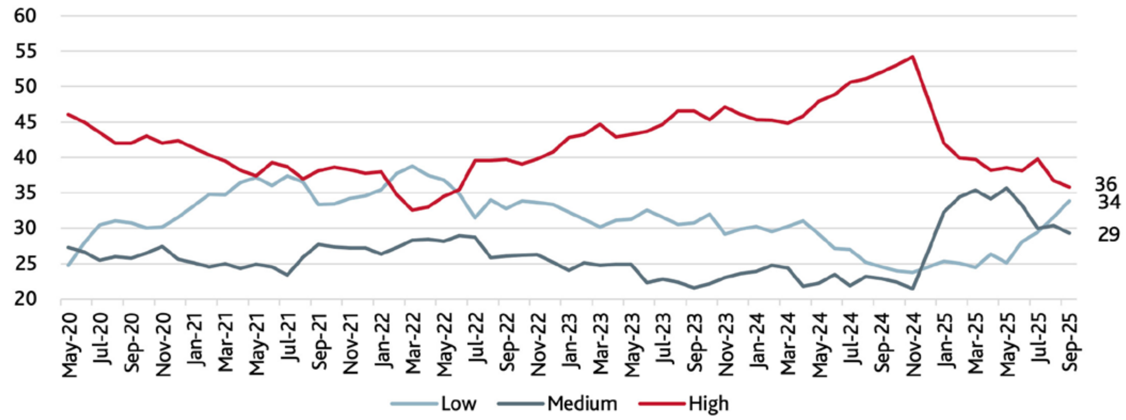
Forecast Risk Time Series - Moderate



Source: Apex, Umthombo estimates

As a result of the above dynamic, our conviction levels in our portfolios have dropped. While we retain a significant number of high conviction calls, we have been forced to reduce exposure in this area to manage our underweight risk in the Golds and PGMs. High conviction positions remain the largest "bucket" in our portfolios, however low conviction positions, and especially the Golds and PGMs, have caught up and are almost on par with our high conviction bucket at 36%. Exposure to medium conviction stocks is at 29% of the portfolio.

Conviction Level Time Series - Moderate



Source: Apex, Umthombo estimates

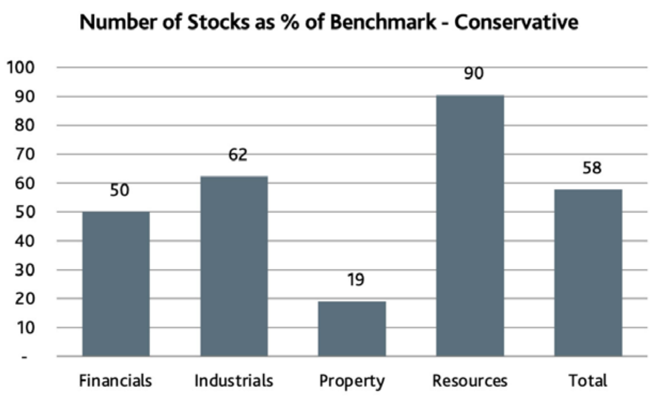
We emphasise a risk management approach in increasing our resources positioning. We are cautious in chasing winners, and the extent to which many of the Golds and PGMs have run in the short term does mean a pullback is possible. On the other hand, we are mindful of a longer-term perspective and note the current resources weight in the overall index remains low relative to history. Given lack of conviction in the gold price call in particular, we cannot rule out further increases in the relative weighting.

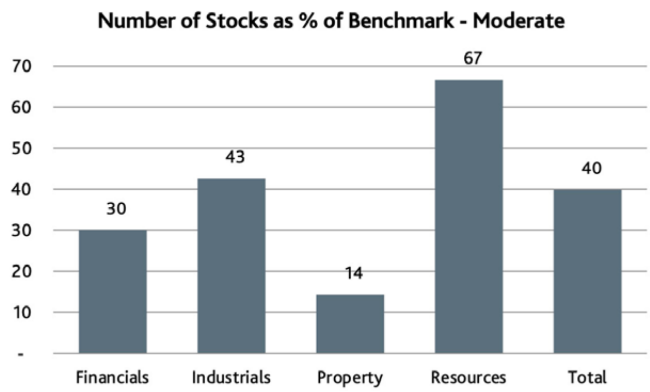
Gold has continued to surprise us this year, and has now surpassed $4000, due to continued central bank buying, combined with a US rate cut, we now cannot rule out an extension of the rally, and must thus consider it as a potential scenario in determining our portfolio positioning. We will be adaptive in our approach and proactive in taking profits should evidence build that the cycle is over. However, as it stands, momentum remains exceptionally strong, and the demand drivers show no signs of abating.

Source: Investec

Our portfolios normally perform best during weaker or sideways moving markets. Our portfolios exhibit lower beta characteristics with a focus on cash flows and higher quality companies trading at attractive valuations. This year in markets has, thus far, been precisely the opposite environment, with higher beta, lower quality shares racing ahead, and investors selling higher quality cheaper companies to fund chasing the resource shares.

In attempting to mitigate the risk in this unfavourable cycle, we have also broadened our exposure to resources in terms of share count, reducing stock picking risk. Bottom-up approaches are inherently more limited in resources as this sector is more top down driven. Our conservative fund has 90% of the resource shares in the benchmark, while our Moderate fund has 67%. This is significantly higher than historical levels. While this reduces scope for alpha generation in the resources sector, we retain much more concentrated positioning in the other sectors, where our conviction remains high on our stock calls.

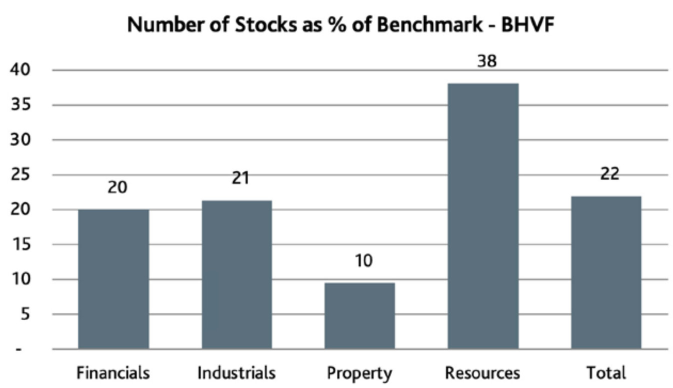


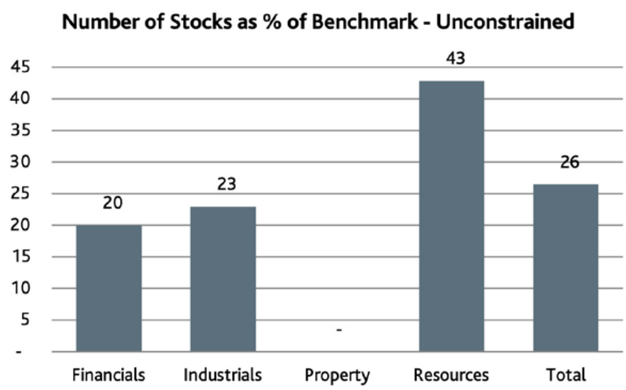


Source: Apex, Umthombo estimates

Our higher conviction funds have exhibited largely similar trends, with higher and broader allocations to resources than historically. Given the intensity of this cycle, for the Golds in particular, we felt it prudent to manage shorter term performance risk, as a protracted cycle could lead to significant underperformance. The funds remain quite concentrated; however, resources have the broadest allocation of stocks for to manage the risk.

For financials, industrials and property, stock picks remain quite concentrated and reflect our best calls only in those respective sectors. Thus, while we have reduced active risk and potential for alpha generation in resources, we retain potential for substantial alpha generation in financials, industrials and property.





Source: Apex, Umthombo estimates

"IF YOU ARE NOT WILLING TO RISK THE UNUSUAL,
YOU WILL HAVE TO SETTLE FOR THE ORDINARY."

Jim Rohn

Umthombo Wealth team update

New Joiners

Please join us in welcoming all the new members who joined Umthombo Wealth Equity this quarter. We're delighted to have fresh talent on board, each bringing unique skills and perspectives that we're confident will strengthen our team and hopefully add a touch of alpha along the way.

Jandre Pieterse

Assistant Portfolio Manager

BScng (Chemical)

Jandre joins Umthombo Wealth Equity with extensive experience in mining and industrials, previously at Visio and Rezco Asset Management. With a Chemical Engineering degree from the University of Pretoria, he combines technical insight with strong financial analysis to identify high-potential opportunities across sectors.

Nyiko Mnise, CFA®, FRM®

Assistant Portfolio Manager

B.Econ.Sci.(hons),Economics

Nyiko joins Umthombo Wealth as Assistant PM, bringing experience in pricing analytics, market risk, and business lending from Standard Bank Group and Standard Bank South Africa. A CFA® and FRM® charterholder with degrees in Economics and Mathematical Sciences from the University of the Witwatersrand, he leverages his skills in quantitative analysis, financial modelling, and risk management to support our equity portfolio management team.

Bulelwa Ndara

ESG Analyst

BCom Accounting

Bulelwa joins Umthombo Wealth as an ESG Analyst, specialising in ESG and governance. She previously worked as a Governance Consultant at Forvis Mazars Advisory and as a sell-side ESG Analyst. With a strong accounting foundation and a passion for responsible business, Bulelwa brings valuable insight to our sustainability efforts.

Tshepo Kgaphola

Trainee Analyst

BCom Finance

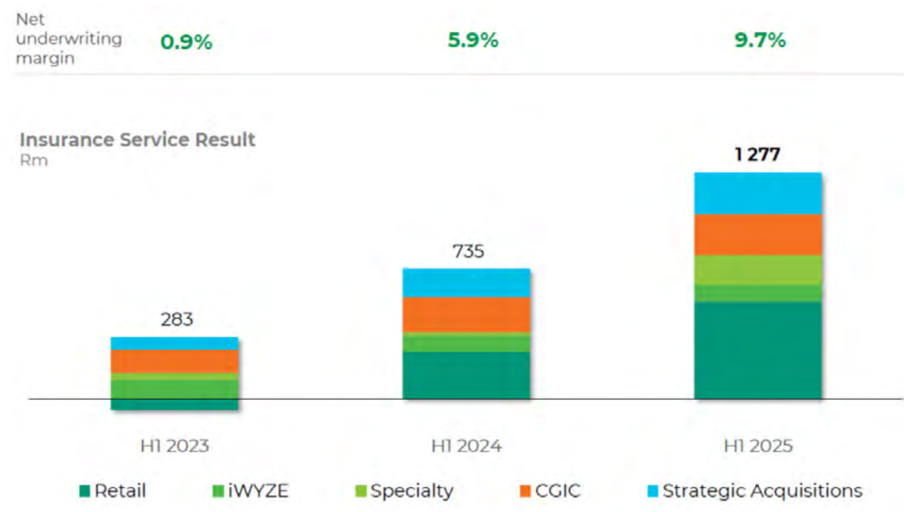
Tshepo joins Umthombo Wealth as an Equity Analyst Trainee. He holds a BCom in Banking, Corporate Finance, and Securities Law from the University of the Witwatersrand. During his time at Wits, he served as Finance and Investment Director for the ABSIP Student Chapter, leading JSE-focused initiatives.

Company and sector insights

OLDMUTUAL

Old Mutual recently reported a strong set of interim results, boosted by an exceptional performance from the short-term insurance business. Strong investment performance driven by positive equity market returns also assisted in driving the 31% increase in headline earnings per share. The Mass and Foundation business reported a poor result, with results from operations down 15% due to higher lapses and lower new business margins.

We are cautious on the result from the short -term insurance business. It is clear the market is enjoying a period of very high underwriting margins and that these are unlikely to be sustainable. Old Mutual's short-term insurance business reported an underwriting margin of 9.7%, well above the target of 4–6%. The short-term insurance business is cyclical and goes through cycles of higher and lower margins as natural or other disasters strike from time to time.



Source: H1 2025 Old Mutual Results Presentation

Our preference within the life insurance sector has always been Sanlam, given its higher quality of earnings. However, given Old Mutual trades at a discount to Sanlam (historically justified in our view), our interest is now piqued given a change in the management team. Specifically, the new CEO, Jurie Strydom has just assumed his new role, and although details of a new strategy remain relatively scarce, some indication was given at the recent results presentation. Specific reference was made to a focus on return on embedded value and cash generation.

This could potentially address our concerns over subpar earnings quality compared to Sanlam. Additionally, we have long felt Old Mutual is a massive business that has lost momentum and needs new focus, something which a new management team can bring. This will help to unlock much value we feel is trapped in the share.

We are also aware of some investor activism behind the scenes, which is pushing management along on this path, something that can also assist in regaining momentum.

Old Mutual trades at a price to Group equity value of 0.7x, which is in line with history. Management will be looking to close this gap to Group Equity Value, and we think they have successfully identified cash generation specifically as a potential lever to do this. This will also enable a higher dividend, compared to the 6.6% dividend yield the share currently trades on. While we will not be taking a position in the company yet, we will watch developments at the upcoming Capital Markets Day closely, where the new strategy will be unveiled. Should management identify a realistic path to closing the discount to Group Equity Value, we will strongly consider buying the stock for our client portfolios.

sappi

Asymmetric Upside: Structural Transformation Masked by Cyclical Downturn

Sappi stands out as one of the most compelling turnaround stories in the Resources sector and is a new overweight in the funds.

Over the past five years, management has structurally reshaped the business by closing or converting loss-making assets, reducing reliance on graphic paper, and commissioning the PM2 packaging plant in the U.S.

Despite these improvements, Sappi's share price fell to GFC and COVID-era lows, trading at a record discount to book value of 70% amid investor concerns over leverage. Net debt peaked near USD 2 billion (around 3× Net Debt/EBITDA) as its latest capex cycle overlapped with a cyclical trough in dissolving wood pulp (DWP) prices.

One of the biggest historical investor complaints around Sappi has been its lack of free cash flow generation, causing it to trade on a depressed valuation multiple.

Looking ahead, we see a strong free cash flow inflection:

- Capex should fall by more than USD 200 million annually.
- DWP prices are recovering.
- As PM2 ramps up to scale, it will move from burning cash to generating cashflows.
- Normalised FCF yields could be 20 to 30%.
- Crucially, lenders have relaxed covenant terms, and liquidity remains sufficient, materially reducing dilution risk.

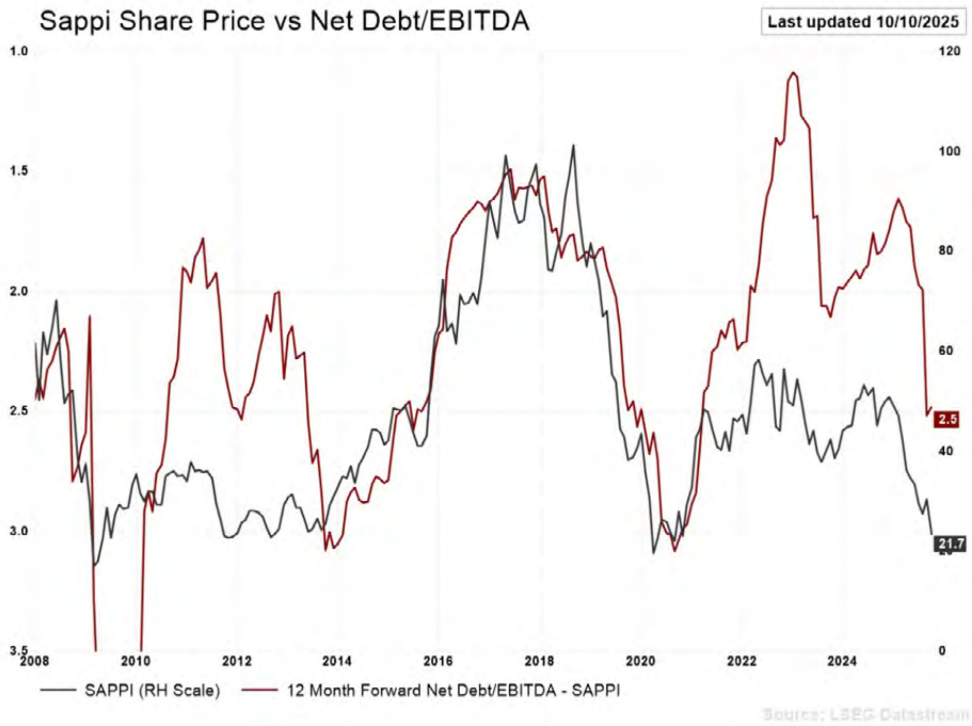
We see many reasons to be constructive on the outlook for DWP, which is one of the biggest drivers of Sappi's earnings:

- The current downturn was caused by uncertainty in the aftermath of the tariff war, which will eventually subside.
- A recent supply outage in South America has helped tighten the market, causing prices to start ticking up.
- Prices are still well below the marginal cost of production (~$815/mt vs $900/mt)
- It seems that virtually all the swing capacity has swung from pulp to DWP production, limiting supply growth from here.
- Longer term, as textile demand continues to grow, and cotton production remains fairly stagnant, demand for viscose has to fill the gap, benefitting DWP demand,

Sappi has an abundance of value, and it now finally has an abundance of potential catalysts to unlock that value:

- The relaxation of covenants should relieve the market's fear of a rights issue.
- An improving DWP price.
- Completing the ramp up at PM2.
- Improving FCF generation, leading to de-gearing and a debt-to-equity conversion
- Eventually a macro recovery.
- Potential M&A target, especially for a DWP consumer looking to vertically integrate.

The below chart shows how correlated Sappi's share price is to its leverage levels – typically the ideal time to buy Sappi is when its net debt peaks:



In our view, Sappi offers exceptional upside with mitigated downside, making it one of the most attractive contrarian opportunities in the space.

CA Sales Holdings is a fully integrated fast-moving consumer goods (FMCG) distribution, merchandising, and warehousing business operating across Southern and Eastern Africa.

The group provides route-to-market solutions for several leading global consumer brands, including Tiger Brands, Mondelēz, Diageo, and Unilever, ensuring their products reach retail shelves quickly and efficiently.

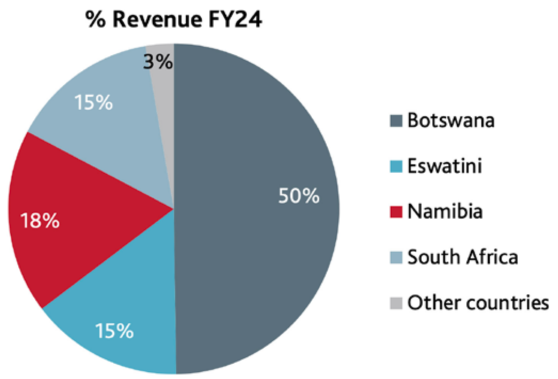
Unlike pure logistics operators, CA&S's value lies in its ability to connect multinational FMCG companies with African consumers through strong sales execution, marketing, and retail visibility. The group's established presence in Botswana and Namibia, together with a growing footprint across the broader Southern and Eastern African region, positions it well to capture growth in under-served and informal retail markets.

CA&S exists to bridge the gap between large multinational brands and consumers in otherwise hard-to-reach markets. Leveraging its deep local networks, the group distributes FMCG goods to remote and informal retail channels across Botswana, Namibia, and the wider Southern African region, while expanding into Eastern Africa to capture new growth opportunities.

History and Listing

CA Sales is a relatively small mid-cap company with a long history in the FMCG distribution space. Its roots trace back to CIC Holdings, an FMCG distributor that was previously part of the PSG stable. Its origins trace back to CIC Holdings, formerly part of PSG, which was sold to Imperial Holdings in 2010. The former CIC management team later regrouped to establish what is now CA&S Group, with PSG taking an early stake. The group listed on the Botswana Stock Exchange in 2017 and obtained a secondary JSE listing in 2022. Current CFO Frans Reichert previously held the same role at CIC Holdings, providing valuable continuity in leadership.

As can be ascertained from the graph below, the bulk of CA & Sales' revenue is derived from Botswana, the 'Diamond Kingdom'. While diamonds may sound glamorous, the country's heavy reliance on the gemstone has not exactly been a success. Recent years' sharp decline in diamond prices has left an economy anchored to mining under pressure, which is reflected in the relatively subdued performance of the company's core operations there.



Source: CA Sales financials, Umthombo Wealth

Overall, revenue growth was very muted at 4%, but expanding margins allowed operating profit and PAT to grow more meaningfully, highlighting healthy operating leverage. Gross profit, EBIT, and net income margins all improved slightly, while headline earnings per share rose around 16%, showing that the business can convert modest revenue gains into stronger profit growth. While the 16% bottom-line growth is commendable, it is notably below their usual 20% CAGR.

Growth Ambitions and East African Expansion

This may be a slight bump in the road for CA Sales' broader ambitions. The FMCG group is guiding towards revenue of around R20 billion by FY26, compared to R12.6 billion achieved in FY24 (year-end December). While we do not believe this target is entirely realistic, it does reflect the scale of management's ambition and strategic intent. Importantly, these targets are not unfounded as the group has a credible plan to drive profitable growth.

Following its JSE listing, management indicated plans to expand into faster-growing East African markets, including the acquisition of a 35% stake in Tradco Group for R108.4 million. Unlike its core SADC markets of Botswana and Namibia, which have populations of roughly 2.5 million and 3 million respectively, East Africa is emerging as the continent's key hub for both economic and demographic growth, which if tapped correctly could pay off in both a population and financial dividend.

South African Market Opportunity

The group also has further plans and levers to grow its bottom line. A first point of call does not mean the Centurion-headquartered company has to look beyond its home market. South Africa remains a surprisingly strong growth opportunity, particularly in the informal trade sector, which research shows is worth R716 billion. To put this in perspective, Shoprite's revenue from South Africa was R174 billion in 2023.

In line with this strategy, CA Sales Holdings acquired a 49% stake in Roots Sales (Pty) Ltd, a South African company specializing in sales, merchandising, and delivery solutions for the informal market. The acquisition was completed on March 25, 2024, for R70 million. This deal has already boosted South Africa's contribution in the latest results, with SA growth standing at 13% and operating margins exceeding those of the group's core markets.

Investment Considerations

We believe the easy gains have already been made, as the stock has more than doubled since late 2022 and currently appears fairly priced. However, a credible investment case could still be feasible if we see consistent and sustainable margin expansion, a successful route-to-market in Anglophone East Africa, a supportive economy in their core market of Botswana, and continued strong contributions from South Africa.

If CA Sales continues to expand, reach new milestones, and maintain growth across its key markets, it could become the next breakout mid-cap on the JSE, representing a very exciting and compelling opportunity.

Mining & Resources: Rotation Beneath the Surface

After a year dominated by precious metals, particularly Gold and PGMs, the resources sector is beginning to show early signs of rotation towards diversified miners and base metals. While this transition remains tentative, it has started to reflect in both equity performance and positioning, as investors look beyond defensive havens toward cyclical recovery themes.

Positioning Overview

Base Metals – Turning the Corner

We remain overweight base metals, primarily copper and aluminium, through Glencore and South32 (new addition).

The sector is benefiting from tight supply dynamics despite a still-sluggish global macro backdrop. Copper production disruptions and aluminium's constrained capacity growth — particularly China's self-imposed 45 Mt cap — have created a favourable setup ahead of any cyclical upturn. As global growth stabilises, we see further upside for both metals.

Glencore offers undervalued, leveraged exposure to copper, optionality on a recovery in coal, and potential upside from M&A activity.

South32 provides geared aluminium exposure at a discounted multiple. With manganese operations at Gemco now restarted, a strong balance sheet, and multiple growth projects receiving little credit in current valuations, we see attractive risk-reward potential.

Iron Ore – Selective Participation

We maintain a selective approach to iron ore exposure. While we expect short-term seasonal strength, the medium-term outlook remains challenged by significant supply growth and structurally declining Chinese steel demand.

We are therefore overweight Afrimat, where we see substantial value in its diversified operations beyond iron ore (Lafarge Cement in particular), and underweight BHP and Kumba, where earnings are more dependent on iron ore.

PGMs – Constructive but Near-Term Cautious

We are constructive on the longer-term PGM outlook, underpinned by tightening supply fundamentals and a likely transition from destocking to restocking. However, following a strong price recovery, share valuations now reflect much of this optimism.

We are therefore positioned close to equal weight for the time being, awaiting more attractive entry levels to add exposure.

Gold – Balancing Tailwinds and Cycle Risks

Gold's remarkable run has been supported by persistent macro tailwinds — de-dollarisation, central bank buying, and U.S. fiscal pressures. However, risks are building this is now one of the longest gold cycles on record, and valuations relative to other commodities are stretched.

We are tactically managing our exposure between equal weight and a small underweight, ready to move more decisively underweight when signs of a cycle turn become clearer. Our preference remains AngloGold, given its strong free cash flow, operational excellence, conservative balance sheet, and disciplined capital allocation.

We are more cautious on Harmony Gold, where elevated capex requirements will likely weigh on cash generation and heighten downside risk in any gold correction.

Sappi – Asymmetric Upside

Sappi is a new overweight position and one of the most compelling turnaround opportunities in the Resources sector. Management has structurally reshaped the business, shifting from graphic paper toward higher-margin packaging and dissolving wood pulp (DWP).

Despite this progress, the share price remains depressed after a capex cycle that coincided with weak DWP prices. With capex now normalising, PM2 ramping up, and DWP prices recovering, free cash flow yields could reach 20–30%. Relaxed covenants further reduce risk, offering asymmetric upside. The company's investment case is detailed in the Sappi – Asymmetric Upside section.

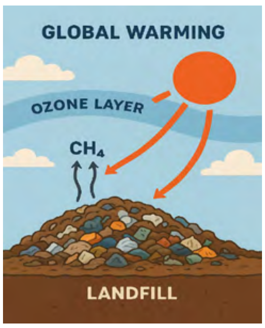
Buried Emissions: How Landfills Are Quietly Fueling the Climate Crisis

On the outskirts of every South African city, beyond winding roads and city lights, lies vast mountains of waste we have used and discarded.

The silent evidence of our ever-increasing consumption. From a distance, they appear still and harmless, but beneath the surface are layers of food scraps, plastic, paper, and forgotten leftovers that quietly decompose, releasing gases that drift into the air — unseen, but powerful enough to warm the planet.

Source: World Resources Institute

Each banana peel, plastic wrapper, or half-eaten meal plays its part. As organic waste breaks down in the oxygen-starved layers of a landfill, it releases methane (CH4) — a greenhouse gas over 80 times more effective at trapping heat than carbon dioxide (CO2). Although methane doesn't linger in the atmosphere as long as CO_2, its short-term impact is fierce. It's a silent accelerant of climate change, born from the waste we create, bury, and forget.



According to the UN Environment Programme, methane is not just a by-product from agriculture and the extraction and transportation of energy; it's also created from the decomposition of organic waste in landfills. And in South Africa, these landfills are multiplying. The country now produces over 50 million tonnes of waste each year, roughly 2.5% of the world's total, yet only a third is recycled. The rest is dumped into landfills, many of which are non-compliant, outdated, or unlicensed; creating toxic hotspots that pollute the air, soil, and groundwater.

Recognising the urgency, government introduced the National Waste Management Strategy (NWMS) under the National Environmental Management: Waste Act (2008). Its mission is simple in theory but complex in practice: to shift South Africa from a "throwaway" culture to a circular economy, where waste becomes a resource, not a burden. Yet implementation remains an issue. Many municipal systems are fragmented, infrastructure is aging, especially in rural and informal communities where collection services are limited and often resort to open dumping or burning, with devastating health and environmental consequences.

A nine-year UKZN Study involving more than 30 000 participants offers a striking look into the impact of landfills on surrounding communities.

The study found that people living close to landfills are more likely to suffer from several chronic clinical conditions and those that lived as close as 5km had a greater likelihood of being diagnosed with asthma, TB, diabetes, or depression. A stark reminder that poor waste management does not just harm the planet; it harms people, especially in vulnerable and underserved communities.

Yet, amidst these challenges, hope is emerging from unexpected places. Across South Africa, a vibrant informal waste sector has quietly been driving the recycling economy for decades.

Between 60,000 and 90,000 waste pickers, recover up to 90% of post-consumer paper and packaging, saving municipalities R300 million to R750 million annually in landfill costs.

Their work reduces emissions, creates livelihoods, and keeps valuable materials in circulation. Still, they remain under-recognised and without formal employment, representing one of the greatest untapped opportunities in South Africa's green transition.

In tandem, the private sector is beginning to lead by example. Various companies such as Shoprite Holdings, Mr Price Group, Sasol, and Sappi Limited are rethinking their waste footprints by setting goals to achieve zero organic waste to landfill, investing in recycling and bio-energy initiatives within their supply chain, and embracing the circular economy. Their efforts signal a shift: businesses are realising that good environmental stewardship is not just about compliance but about resilience, reputation, and responsibility.

South Africa's landfills tell a story of buried emissions, forgotten waste, and hidden opportunity. They remind us that the things we throw away never truly disappear. But they also reveal a path forward: through innovation, inclusion, and collaboration, the waste beneath our feet could fuel not destruction, but change.

As South Africa works toward its Net Zero 2050 goal and updates its Nationally Determined Contributions (NDCs) under the Paris Agreement, improving landfill governance and tackling methane emissions offers one of the most effective climate wins. By licensing and modernising waste facilities, investing in relevant technology, empowering informal waste collectors, and driving behavioural change in households, the country can cut emissions while creating jobs, increasing awareness and improving public health.

The challenge is obvious but so it the opportunity. What we choose to do without waste today will shape the air we breathe, water we drink and the world we leave behind for future generations.

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