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As we reflect on 2024, it's clear that many of the year's developments defied initial predictions, particularly in terms of global economic growth and market sentiment. What began as a period of concern, with recession fears and rising inflation, evolved into a year of stronger-than-expected growth and a stabilisation of inflation. This shift allowed central banks across the globe to commence rate cuts, injecting optimism into markets. Political shifts, both expected and unexpected, also played a significant role in shaping sentiment, influencing market performance, and setting the stage for the year ahead.

2024 was also a reminder of the importance of a disciplined, long-term investment approach. Despite the uncertainty, our focus on fundamental analysis and seizing attractive market opportunities paid off for our clients. This strategy enabled us to navigate volatile markets and deliver solid returns.

One of the major themes this year was the dominance of global equity markets, largely driven by a few technology giants, particularly those in the artificial intelligence (AI) space. These companies, dubbed the "Magnificent Seven," contributed significantly to the strong performance of US equities and, in turn, a stronger US dollar. While the rally in global equities was robust, particularly in the US, we believe that valuations, especially in tech stocks, are increasingly stretched. The continued rise of AI and technology presents both opportunities and risks, and we would suggest a cautiously optimistic approach.

In contrast, the South African market stood out for its resilience. South African equities, as measured by the FTSE/JSE All Share Index, returned 13.4% (in rand) for the year. Local bonds also performed exceptionally well, delivering a 17% return (in rand), significantly outpacing global bond markets, which declined by 1.7% (in US$). The local property sector was another highlight, with South African listed property returning an impressive 29.8% in rand, far outperforming global property markets (1.6% in US$).

Our disciplined investment strategy, based on valuations and long-term fundamentals, enabled us to capture above-inflation yields, particularly through our flagship funds such as the M&G Bond Fund, M&G Inflation Plus Fund, M&G Enhanced Income Fund, and M&G Property Fund. Well-timed decisions added significant value to client portfolios.

As we look ahead to 2025, we enter a year of mixed global conditions. Political shifts, particularly in the US, will continue to influence investor sentiment, and we'll monitor the Federal Reserve's approach to rate hikes closely, particularly after the dovish stance signalled nearly at the close of 2024.

At M&G Investments, we remain steadfast in our fundamental, valuation-based approach, which allow us to make strong investment choices to deliver solid returns for clients. Our strategic asset allocation, combined with a careful stock-picking approach, is designed to ensure that our portfolios remain well-positioned to deliver risk-adjusted returns, even amid short-term volatility.

As such, we remain confident in the prospects for South African equities. We expect continued positive earnings growth in 2025, albeit at a more moderate pace compared to recent years. The undervaluation of South African equities relative to global peers makes them particularly attractive as a long-term investment opportunity. However, we selectively increase exposure to global markets where value is apparent and where opportunities are presented.

In conclusion, 2024 was a year of volatility, but also one of strong performance, particularly in local markets and global equity. As we enter 2025, we remain committed to delivering value for our clients and navigating the complexities of the investment landscape with a focus on long-term growth.

We thank you for your continued trust and partnership. Here's to a prosperous 2025.