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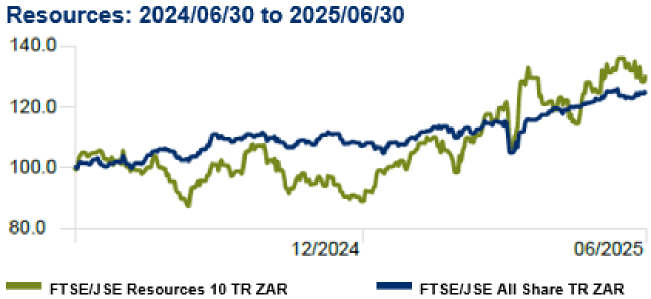
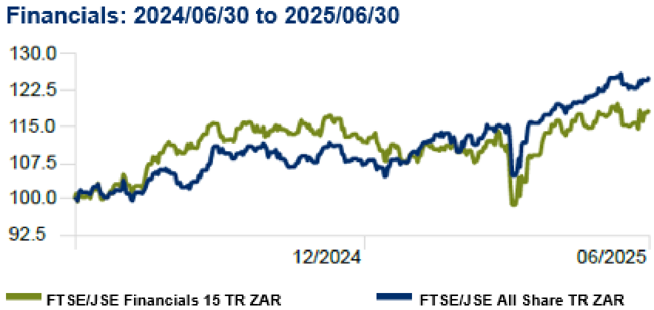
PCAM Perspectives: Monthly market review — July 2025

by PCAM Investment Team





Local markets: Another strong month for SA equity markets

June marked another strong month for the local market, with the ALSI climbing 2.4% by month-end. Platinum miners posted notable gains following a sharp spike in the platinum price, which closed the month 26.8% higher. Domestic PGM miners, Implats (+23.1%) and Northam (+26.6%), benefited from the sharp rise in the platinum price with both stocks delivering significant returns in June. Despite the strong performance in the mining sector, it was Telkom that led the pack, up 38.6% over the month. This rally was driven by a strong set of financial results that were favourably received by the market (see local company extract below for further details).

Locally-listed holding companies, Naspers (+6.8%) and Prosus (+7.8%), also delivered healthy returns in June. The recent earnings releases from both companies highlighted solid underlying fundamentals, with both companies reporting staggering headline earnings per share growth of 59.4% and 60.8% respectively. Prosus managed to grow revenues across all its operating segments, with the most notable contribution coming from its Payments and Fintech segment. A key highlight was the group’s ability to generate positive free cash flow when excluding the Tencent dividend. This reflects stronger performance from their other businesses, particularly iFood and OLX, which reported topline growth of 22% and 18% respectively.

Oil experienced a brief spike during the month, with brent crude prices nearing the $100/barrel mark following the conflict between Israel and Iran, which further heightened geopolitical tensions. The rally was short-lived as a ceasefire, brokered by the US, led to a sharp pullback in the oil price. As a result, brent crude ended June at a more subdued level of $67.6/barrel, although it remained up 5.8% over the month.

Local economic data releases

In June, headline CPI data reflected stability with the year-on-year figure for May holding steady at 2.8%. Fuel disinflation continued to ease overall price pressures. However, this was partially offset by a rise in food inflation, particularly in meat, fruit, and vegetable prices, driven by supply chain disruptions. Core inflation also remained unchanged at 3%, reflecting subdued demand, with durable goods and transport services still experiencing deflation. Despite the ongoing disinflation trend, persistent geopolitical tensions and trade uncertainty ahead of the July MPC meeting suggests the likelihood of the SARB keeping interest rates unchanged and adopting a more cautious approach.

Local labour market data also emphasised persistently high youth unemployment, which remains above 40%. Of the 42 million working-age individuals, 11 million are employed in the non-agricultural formal sector. This number rises to 17 million when including the informal and agricultural workforce, with unemployment continuing to be an overarching structural burden on the South African economy.

Local geopolitics

The 90-day pause on Trump's tariff hikes, originally set to end on 9th of July, has been extended to 1st of August. As part of the extension, Trump indicated that as things stand, South Africa would be imposed to a 30% tariff on exported goods to the US, with the possibility of an additional tariff on BRICS nations. However, Trump noted that this is "not 100% firm", leaving the door open to final negotiations. South Africa, along with several other countries, have been actively pushing to negotiate trade deals with the US to avoid the broad tariffs. So far, only two preliminary agreements, one with the UK and another with Vietnam, have been announced.

Furthermore on the geopolitical front, DA leader, John Steenhuisen, announced toward the back end of June that the DA has withdrawn from the National Dialogue with immediate effect. In his statement, Steenhuisen criticised the ANC for failing to uphold the statement of intent originally signed, particularly by not informing the coalition partners within the GNU about key political decisions made at a national level. This has once again created tension between the two parties, a recurring theme that appears likely to continue shaping South Africa's political landscape moving forward.

Offshore markets: A month on edge

The S&P 500 closed out June just shy of 6,205 points, marking a new record high. Many of the "Mag 7" stocks continued to approach or breach their all-time highs. Meta notably reached a record intraday high of $747 per share towards the end of the month, while Nvidia also hit a new record high during June as the share price approached the $158 level. Nvidia remained in the spotlight as it climbed the market cap rankings, breaking through the $4 trillion mark. Tech once again dominated the leaderboard, with seven of the top ten performers coming from the sector. Notable standouts included Oracle (+32.1%), Nvidia (+16.9%), Meta (+14%), and Broadcom (+13.9%).

In Europe, the Euro STOXX 50 declined by 1.1% in June, weighed down by uncertainty as European leaders grappled with establishing a unified position on trade negotiations with the US. On the Asian front, the Hang Seng Index closed 3.4% higher for the month. Gains were supported by China who secured a trade agreement with the US and the release of stronger-than-expected economic data. The Caixin China General Manufacturing PMI rose unexpectedly to 50.4 in June, up from 48.3 in May, and ahead of forecasts of 49. This improvement was driven by the fastest output growth since November, supported by a rise in new orders amid improved trade conditions. However, external demand remained weak, with new export orders falling for the third consecutive month. The pace of decline was slower than in May, despite the impact of additional tariffs.

Nerves on a knife's edge as global geopolitical tensions unfold

June continued to reflect the year's prevailing themes of uncertainty and geopolitical risk. What started as a tariff conflict earlier in the year escalated into actual warfare in the Middle East during the month. Midway through June, Israel launched planned strikes on nuclear and military sites in Iran, which were quickly followed by retaliatory aerial attacks targeting Israel. Israel's attacks were aimed at Iran's nuclear program, which it believed could have been used to develop a nuclear weapon in a short amount of time.

Tensions escalated further when the US entered the conflict, deploying "bunker bombers" to destroy additional nuclear development sites in Iran. Amidst the conflict, a major point of concern for global markets was the potential blockade of the Strait of Hormuz, a vital shipping channel between the northern and southern parts of the Asian continent. Both the war and fears around restricted access to the strait contributed to the spike in brent crude prices during the month.

By month-end, tensions started to ease after Israel agreed to a 60-day ceasefire, with President Trump stepping in to assist diplomatic efforts aimed at resolving the conflict between these two nations.

Global macro-economic data

During the month, softer than anticipated US economic data was released. The US consumer price index ticked up to 2.4% in May from the 2.3% level in April, coming in below expectations of 2.5%. Core inflation remained steady at 2.8% falling short of the anticipated 2.9% level. The softer reading was particularly surprising against the global backdrop of major policy uncertainty and tariff upheaval, which led to economists forecasting potentially higher prices. However, many economists believe it may be too early to see the full impact on inflation. Some suggest businesses might be holding off on major price changes due to ongoing uncertainty, while others point to a potential slowdown in underlying US growth. However, for now, it still seems likely that the Fed may have some leg room to cut interest rates soon, with two rate cuts still being priced into the backend of the year.

UK GDP data was released during June, coming in line with consensus expectations at 0.7% q/q (quarter on quarter) and 1.3% y/y (year on year). May's M4 money supply data showed an increase from -0.1% in the prior period to 0.2% during May, potentially indicating a slight shift towards a more expansionary policy stance by the BoE. This was accompanied by a stronger pound and a slight decline in core CPI, which came in at 3.5% compared to 3.8% in the previous period. The BoE is still likely to monitor CPI figures closely, as inflation remains a key factor in balancing the need to contain the cost of living with the goal of sustaining economic growth.

Parallel to these economic developments, geopolitical attention turned to NATO, which announced a significant policy shift by doubling its defence spending target to 5% of GDP by 2035. Of this, 3.5% has been designated to direct defence expenditure, with the remainder allocated to security and infrastructure-related investment. This move signals a substantial increase in future defence outlays, with Europe expected to play a major financial role in supporting this initiative.

Fun fact for the month of July

Over the last 5 years, the FTSE/JSE Capped Swix has outperformed the S&P 500 (denominated in rands) on a total return basis with the Capped SWIX returning 208% in ZAR and the S&P returning 204% in ZAR. Sometimes you do not have to look to far to be rewarded with healthy returns.

Market indicators

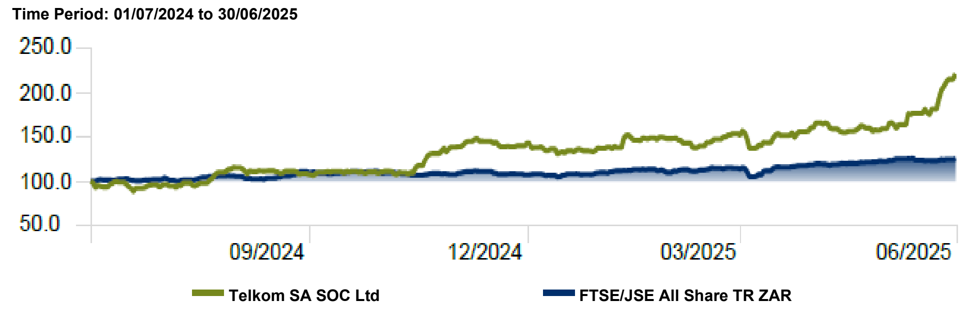
Index	Value	Jun (%)		YTD (%)	
All Share	96,430	▲	2.4%	▲	16.7%
S&P 500	6,205	▲	5.1%	▲	6.2%
FTSE 100	8,761	▲	0.0%	▲	9.5%
Rand/USD	17.771	▼	-1.6%	▼	-5.8%
Rand/GBP	24.353	▲	0.0%	▲	3.0%
Gold ($)	3,294	▲	0.2%	▲	25.3%
Platinum ($)	1334	▲	26.8%	▲	49.2%
Brent Crude ($)	67.61	▲	5.8%	▼	-9.4%

CCM rates*

Fund	Balance	Rate
CALL ACCOUNT	0.00 – 9 999.99	6.90%
	10 000 – 24 999.99	6.90%
	25 000 – 49 999.99	6.90%
	50 000 – 99 999.99	6.90%
	100 000 – 249 999.99	6.90%
CALL MONEY FUND: *Individuals*	250 000 – 999 999.99	7.09%
	1 000 000 – 9 999 999.99	7.09%
	10 000 000 upwards	7.09%

Company results

Telkom – Results for the financial year ending 28 February 2025	
Earnings per share	R5.45
Historical PE	2.43
EPS growth	102.4%
Turnover growth	3.3%
ROE	9.29%
Debt/Equity	55.17%
NAV per share	R68.26
Dividend yield	4.4%
Share price	R52.74



Nature of business

Telkom SA SOC Ltd. engages in the provision of integrated voice, data, fixed-line, mobile, information technology (IT), and data centre solutions. It operates through the following segments: Openserve, Telkom Consumer, BCX, Gyro, and Other. The Openserve segment includes broadband, optical and carrier, enterprise, and global solutions. The Telkom Consumer segment offers services such as fixed and mobile broadband, voice, content, gaming, small & medium entity information, and communication & technology solutions for individual customers. The BCX segment provides fixed, telecommunication, voice, data services, and IT goods and services to customers. The Gyro segment manages masts and towers, property development, and property management services. The Other segment consists of advertising, digital and social media advertising, electronic commerce, and Omni-channel offerings. The company was founded in October 1991 and is headquartered in Centurion, South Africa.

Latest results

Telkom recently reported robust FY25 results, with several key factors contributing to its strong performance. Revenue grew by 3.3% for the year, well above the 5-year historical average of 0.4%. Notably, free cash flow increased to R2.8 billion from R2.4 billion, reflecting improved returns on invested capital.

A significant driver of the higher free cash flow was a 19% increase in cash generated from operations, highlighting the successful implementation of Telkom's data-focused strategy. Telkom also made meaningful progress in strengthening its financial position by selling off non-core business segments and using the proceeds to pay down debt and deleverage their balance sheet.

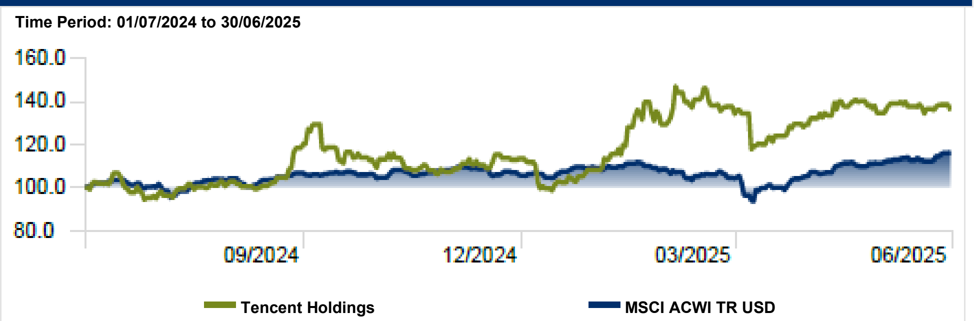
As a result of strong operational execution, improved free cash flow, and a healthier balance sheet, the company reinstated its dividend, declaring a R1.63 dividend per share - its first in four years.

We remain optimistic about Telkom's outlook. Its data-led strategy aligns well with its cost advantage, particularly through its 4.5G infrastructure and 800MHz spectrum allocation. If Telkom maintains its high service quality, we believe customers will have little incentive to switch to competing networks. This positions the company to benefit from any future rise in consumer confidence and disposable income, especially in a declining interest rate environment.

Dividend

Telkom recently declared a R1.63 dividend. This equates to a dividend yield of 4.4%. Telkom have reinstated their dividend policy of paying out 30%-40% of their free cash flow.

Tencent Holdings – Quarterly financial results for the period ending 31 March 2025	
Earnings per share	HKD 6.7
Historical PE	21.19
EPS growth	3.36%
Turnover growth	4.49%
ROE	50.44%
Debt/Equity	81.27%
NAV per share	HKD 54
Dividend yield	1.08%
Share price	HKD 421.8



Nature of business

Tencent Holdings Ltd. provides value-added services, online advertising services, and fintech and business services. It operates through the following segments: Value-Added Services, FinTech and Business Services, Online Advertising, and Others. The Value-Added Services segment is involved in online and mobile games, community value-added services, and applications across various Internet and mobile platforms. The FinTech and Business Services segment offers fintech and cloud services, which includes commissions from payment, wealth management and other services. The Online Advertising segment refers to the display-based and performance-based advertisements. The Other segment is composed of trademark licensing, software development services, software sales, and other services. The company was founded by Yi Dan Chen, Hua Teng Ma, Chen Ye Xu, Li Qing Zeng, and Zhi Dong Zhang on 11 November 1998 and is headquartered in Shenzhen, China.

Latest results

Tencent delivered a strong first quarter set of results, comfortably exceeding analyst earnings expectations. The company's outperformance was primarily driven by robust growth in its gaming and advertising segments, supported by early success in monetising AI integration across its platforms. Notably, these AI enhancements have already shown tangible benefits in ad targeting and in-game features.

While Tencent's Fintech division remained relatively soft, its business services, particularly in cloud and e-commerce, showed signs of renewed momentum. The rollout of new AI initiatives within the WeChat ecosystem, including platforms like Yuanbao, underscores Tencent's continued investment in long-term innovation. Although these efforts require sustained capital expenditure, the company has successfully balanced its commitment between technological advancements and margin expansion.

Looking ahead, we remain confident in Tencent's ability to deliver strong operational results. Its expansive digital ecosystem continues to unlock new opportunities to monetise AI across multiple segments of the business. Admittedly, we do acknowledge that in the past regulatory headwinds have historically posed challenges to businesses like Tencent, however we believe that regulators have become more supportive as the global AI race remains intact. We therefore believe Tencent is well-positioned to deliver sustainable returns supported by healthy fundamentals and continued innovation.

Dividend

Tencent currently offers a modest dividend yield of 1.08%. This is typical for many tech companies, who reinvest earnings to stay competitive and drive long-term growth.

Snippets

PCH Insight: Newsletter vol 35

Read more about what is happening at PCH in our recently published PCH Insight Vol 35 newsletter. It contains articles written by team members of each of our various wealth management services as well as a fun snapshot of our CSI and social events. This newsletter, like all previous editions, will be posted on our PCH website www.privateclient.co.za.

Dividends payable

Dividends in LDT order					
Company	**Decl**	**LDT**	**Pay**	**Amt**	**Curr**
Clicks Group Ltd. (CLICKS)	16-Apr	01-Jul	07-Jul	238	ZARc
Mr Price Group Ltd. (MRPRICE)	06-Jun	01-Jul	07-Jul	593.5	ZARc
Primary Health Properties plc (PHP)	17-Jun	01-Jul	15-Aug	1.78	GBPp
RFG Holdings Ltd. (RFG)	21-May	01-Jul	07-Jul	29.6	ZARc
Stor-Age Property REIT Ltd. (STOR-AGE)	17-Jun	01-Jul	07-Jul	53.56	ZARc
SAB Zenzele Kabili Holdings (RF) Ltd. (SABKABILI)	09-Jun	01-Jul	07-Jul	41	ZARc
Tiger Brands Ltd. (TIGBRANDS)	28-May	01-Jul	07-Jul	1216	ZARc
Tiger Brands Ltd. (TIGBRANDS)	28-May	01-Jul	07-Jul	415	ZARc
Vukile Property Fund Ltd. (VUKILE)	17-Jun	01-Jul	07-Jul	76.54	ZARc
YeboYethu Ltd. (YEBOYETHU)	17-Jun	01-Jul	07-Jul	101	ZARc
African Media Entertainment Ltd. (AME)	29-May	08-Jul	14-Jul	330	ZARc
Bytes Technology Group plc (BYTES)	13-May	08-Jul	25-Jul	6.9	GBPp
Capital Appreciation Ltd. (CAPPREC)	24-Jun	08-Jul	14-Jul	7.5	ZARc
Famous Brands Ltd. (FAMBRANDS)	19-May	08-Jul	14-Jul	195	ZARc
Netcare Ltd. (NETCARE)	19-May	08-Jul	14-Jul	36	ZARc
Premier Group Ltd. (PREMIER)	10-Jun	08-Jul	14-Jul	271	ZARc
Telkom SA SOC Ltd. (TELKOM)	10-Jun	08-Jul	14-Jul	163.05	ZARc
Telkom SA SOC Ltd. (TELKOM)	10-Jun	08-Jul	14-Jul	97.82	ZARc
Vunani Ltd. (VUNANI)	20-Jun	08-Jul	14-Jul	35	ZARc
Zeda Ltd. (ZEDA)	27-May	08-Jul	14-Jul	55	ZARc
Alexander Forbes Group Holdings Ltd. (AFORBES)	09-Jun	15-Jul	21-Jul	33	ZARc
Alexander Forbes Group Holdings Ltd. (AFORBES)	09-Jun	15-Jul	21-Jul	10	ZARc
Datatec Ltd. (DATATEC)	27-May	15-Jul	21-Jul	200	ZARc
ISA Holdings Ltd. (ISA)	23-May	15-Jul	21-Jul	16.7	ZARc
Ninety-One plc (NINETY 1P)	04-Jun	15-Jul	07-Aug	6.8	GBPp
Novus Holdings Ltd. (NOVUS)	13-Jun	15-Jul	21-Jul	55	ZARc
Ninety-One Ltd. (NINETY 1L)	04-Jun	15-Jul	07-Aug	164	ZARc
Schroder European Real Estate Investment Trust plc (SERE)	26-Jun	15-Jul	15-Aug	1.48	EURc
The Foschini Group Ltd. (TFG)	06-Jun	15-Jul	21-Jul	230	ZARc
Lewis Group Ltd. (LEWIS)	29-May	22-Jul	28-Jul	500	ZARc
Mahube Infrastructure Ltd. (MAHUBE)	30-May	22-Jul	28-Jul	15	ZARc
Tsogo Sun Ltd. (TSOGO SUN)	28-May	22-Jul	28-Jul	30	ZARc

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