SecureWealth
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Quarterly Commentary | December 2025

"There are decades when nothing happens, and there are weeks when decades happen."

Vladimir Lenin

Summary for 2025:

Global markets had an excellent year, with Emerging Markets having their finest year since 2008. The Rand had its best year in 15 years. Over 47 stock markets worldwide trade at all-time highs, as do precious metals and many commodities. Government debt, household debt, and leverage in America have also never been higher. If one adds unprecedented geo-political risk, it is our opinion that extreme caution is warranted.

South Africa and the Rand

The South African Rand affects our portfolios more than any other asset class in the world. Every single one of our clients has money offshore in some shape or form, and the performance of the Rand has either a negative or positive bearing on our performance. In 2025 the Rand strengthened **13.88% against the USD,** which is negative for all our portfolios in Rand terms.

*2025 = +13.88%

2024 = (-**2.92**%)
2023 = (-**6.95**%)
2022 = (-**5.88**%)
2021 = (-**8.14**%)
2020 = (-**4.68**%)

2019 = +2.62%
2018 = (-13.76%)
*2017 = +11.10%
2016 = +12.67%
2015 = (-25.13%)

2014 = (-9.30%)
2013 = (-19.10%)
2012 = (-4.56%)
2011 = (-18.10%)
2010 = +11.86%

The reason for the strong performance of the Rand is that commodities, specifically precious metals, are trading at all-time highs. High commodity prices are a positive for South Africa, as we are one of the largest exporters of commodities in the world, especially the platinum group metals and to a lesser degree, gold. This improves our overall financial health, which filters through to our currency.

Study the graphic to the left, which shows the Rand's performance since 2010. The only time over the last 15 years the Rand has gained against the USD in two consecutive years was 2016 and 2017.

PSG Wealth's Chief Investment Officer, Adriaan Pask notes that further reasons for local optimism include:

- South Africa's credit rating being upgraded by S&P Global.
- Having the grey listing removed.
- Eskom's latest financials point to a strengthening financial position.
- Transnet is showing signs of recovery.

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- The Reserve Bank lowered the inflation target, which should be supportive of the economy.
- The Government of National Unity, albeit fragile, is an improvement to previous administrations.

While we welcome the news above, South Africa still faces the same long-term challenges it has had for decades. The unemployment rate is 32%, one of the worst in the world. Many municipalities are bankrupt, leading to poor, if not completely absent public service delivery. Furthermore, SA is ranked as the 82nd most corrupt country globally with a score of 41/100 (100 = virtually no corruption). It may seem like an overly negative picture, but it is our responsibility to put aside naïve optimism and address the facts.

In April of last year, global markets and the Rand were crashing. We are not convinced that just nine months later the ANC and the Rand have miraculously turned the corner on the back of soaring precious metal prices. Much deeper reforms are necessary to restore lasting confidence in South Africa. Higher commodity prices on their own are not going to cut it.

Furthermore, the ANC continues to aggravate America by siding with, amongst others, China, Russia, Iran and most recently the deposed President of Venezuela. The ANC ideology is still rooted in liberation principles incorporating socio-economic transformation. It has been a disaster in the past for Africa, and South Africa will not be spared if those policies are stubbornly continued. It is also quite evident that the ANC is fixated on expropriation of land without compensation and race laws that have created new discrimination and hostility, which is harmful to the economy. We live in one of the most volatile and corrupt Emerging Markets in the world, and unexpected events can happen at short notice.

We thus feel that clients, who do not need a monthly income to live upon, are far better off having all or most of their money invested overseas, even if that means suffering the consequences of a strong Rand for extended periods. We feel that even those clients who need a monthly income should still have at least 30% of their money offshore in our opinion. Just in case!

There have been numerous false dawns over the past 31 years in South Africa during ANC rule. The election of Cyril Ramaphosa in February 2018 was an occasion for enormous optimism amongst most South Africans, us included. However, after President Ramaphosa's appointment in February 2018, the Rand lost 35% against the Dollar during the next 5 years.

The GNU too, has its challenges. The litmus test will be whether the GNU can persevere through the upcoming municipal elections in South Africa at the end of this year. It is with a jaundiced eye that we now watch the present euphoria towards the Rand.

Global Markets

We cannot remember a modern time with more volatility and higher geo-political risk than right now. President Trump absolutely thrives on chaos. Just over the past couple of weeks America has:

- Kidnapped the President of Venezuela in a military operation.

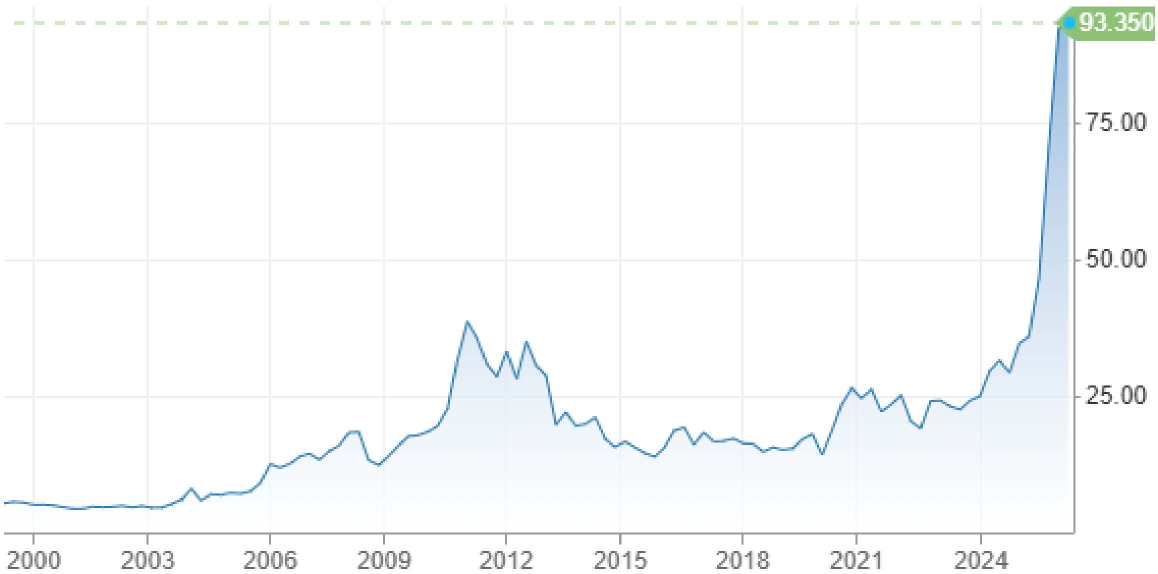
- Indicated that America will buy Greenland.
- Threatened Cuba and cut off all aid to Cuba from Venezuela.
- Struck Colombia with military strikes.
- Signaled land strikes against Mexican cartels.
- Instituted a criminal investigation into the Federal Reserve chair, Jerome Powell.
- Indicated it might take military action against Iran.
- Slapped 10% tariffs on all goods for 8 European countries.

This, against the backdrop of some of the most expensive markets in history. Global markets are on edge, and the slightest misjudgment could cause havoc. Irrespective of your opinion of President Trump, one thing we can all agree upon, is that he is inconsistent. Inconsistency breeds uncertainty, and financial markets do not like uncertainty.

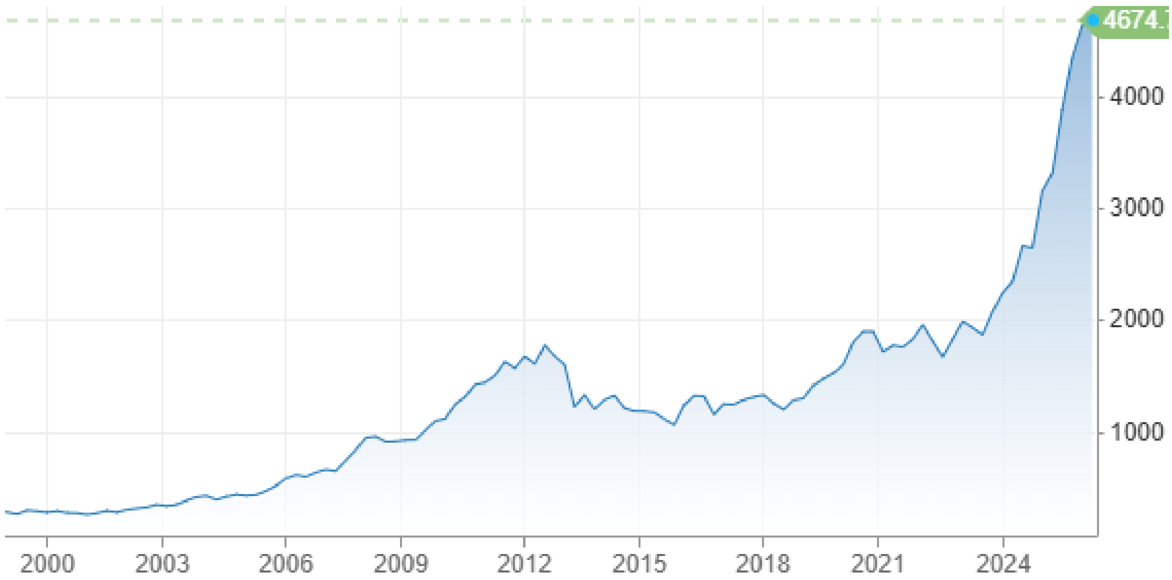
Just before the crash in 2008, Chuck Prince, the former Citigroup CEO, stated: ***"as long as the music is playing, you've got to get up and dance. We're still dancing."*** We feel that is what is happening right now. The market party is in full swing, but for us, this is not a game; we are responsible for clients' livelihoods and their retirements.

Warren Buffet is quoted as saying, "everyone knows the party will end, but everyone plans to leave just on time." Nobody rings a bell to warn you, but time after time, investors stop dancing far too late. We'd prefer to leave earlier, even if that means missing out on the last leg-up of performance. As such, we decided late last year to reduce risk as much as we were comfortable with in most of our portfolios. We sold out of gold positions bought 3 to 4 years ago. The two charts of gold and silver below clearly illustrate how incredibly expensive these two commodities are, and what's frightening is that the Rand is largely dependent on those charts.

Silver: 2000 to 2026



Gold: 2000 to 2026



Further concerns regarding these expensive markets:

- Gold is at a record high – up 72% this past year.
- Silver is at a record high – up 194% the past year.
- Lithium was up 111% the past year.
- Platinum was up 178% the past year.
- Copper and palladium are at record highs.
- Home prices in the US, Portugal, Australia, and the Netherlands are at record highs.
- Global government debt is at record highs in the US, Japan, Greece and Italy.
- Household debt in the US, Switzerland, Australia, Canada, and South Africa is at record highs.

<u>Silver is the standout case in these markets:</u>

1. It is up 30% this year alone, and up over 194% over the last 12 months.
2. An ounce of silver is now worth more than one barrel of oil.
3. One ounce equates to 28 grams – the equivalent of one AA battery.

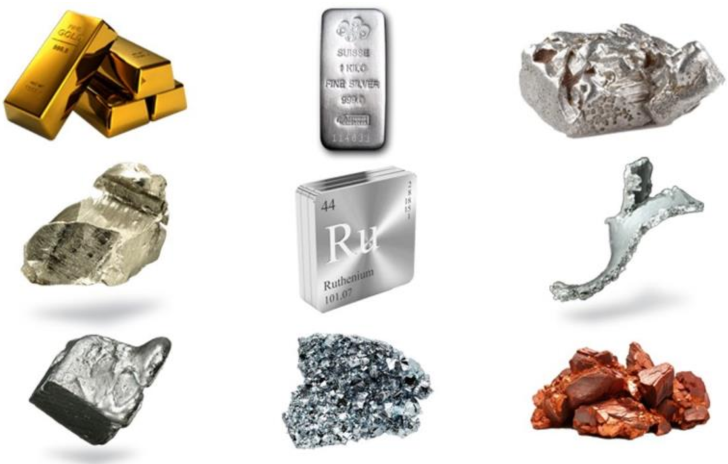
In March of 2022, when we bought gold for the first time, there were no experts. Now there is a pundit on every corner, each of whom predicted the latest historic price rise long before it happened. It can be extremely difficult to block out the noise, especially in the modern era with TV, social media, instant news, bloggers, and many other sources of information. It is our job to ascertain what we think trades at discounts and premiums to their intrinsic value, and act accordingly.

Precious Metals

As we have discussed, the main reason why the Rand has had a stellar year is precious metals. Prices have soared, but the jury is out whether that can continue. Precious metals are a group of elements that are inherently rare and of high value, having desirable properties and are used in almost all facets of everyday life.

Types of Precious Metals:

1. **Gold** – investment in bullion, bars, and coins, mostly as a stable source of value.
2. **Silver** – the highest electrical and thermal conductivity of all metals, despite being inert.
3. **Platinum** – vital for catalytic converters to decrease harmful exhausts, and medical equipment.
4. **Palladium** – unreactive to the atmosphere, lightweight and scratch resistant.
5. **Rhodium** – extremely hard metal used for plating jewelry given its resistance to corrosion.
6. **Iridium** – most corrosion- and temperature-resistant metal known to man.
7. **Osmium** – has the highest melting point of any platinum metal and is used in pens and needles.
8. **Ruthenium** – mostly used as an alloying agent to increase desirable properties in other metals.



Globally, South Africa holds the largest reserves of platinum group metals (PGM), which include platinum itself, palladium, rhodium and iridium. Thus, the latest leg-up in commodity prices will quite clearly translate into a better economic standing for South Africa. Our concern, however, is that the increase in commodity prices is masking severe cost increases elsewhere:

- Electricity costs have increased 16% year-on-year.
- Water costs have gone up 11% year-on-year.
- Labor costs have risen 6% year-on-year.

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Due to the current commodity bonanza South Africa has a unique opportunity to benefit. We would like nothing more than to see South Africa with a stable, robust democracy, and an economy growing sufficiently to offset the existing unemployment crisis. There are still difficult and contentious reforms that will have to be implemented by the GNU before we gain the confidence to store more of our clients' savings in South Africa.

We welcome the surge in commodity prices – one of the most important drivers of growth for South Africa – but unless we can arrest the decline in economic output and high unemployment, eventually our currency, which ultimately serves as the temperature for the overall health of our nation, will suffer.

To conclude, during 2025 we had an excellent year for long-standing clients. For new clients we struggled to add risk in markets that are clearly expensive and deeply overbought. However, we have taken advantage of a strong Rand and transferred money overseas for those new clients.

We would like to thank you for your ongoing support and wish you all the best for 2026!

Sincere regards

Mike Carruthers　　Maryka Smit　　Matt Carruthers

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