

## Market Update

- The JSE ALSI grew by 2.2% in June. This was lead by a rally in commodities, particularly precious metals and due to foreign inflows with global investors favouring emerging markets.
- The S&P 500 returned 5% with strong corporate earnings and trade optimism playing its part.
- The MSCI ACWI was up 4.4% with both emerging markets and developed markets producing good performance. Cooling inflation easing trade risks were key factors.
- EuroSTOXX 50 was slightly down for the month mostly due to profit taking after a great rally in the first half of the year and the UK was level for the month.

## Economic Update

- SA's private sector activity slowed down in June, reflecting softening demand. Business confidence fell due to persistent economic uncertainty.
- The Rand strengthened during the month supported by encouraging data and a rebound in global investor confidence.
- The Prime Lending Rate remained unchanged at 10.75%
- The US Federal Reserve held interest rates steady again, reiterating a cautious stance because of sticky inflation in the US.
- Eurozone inflation slowed further in June, increasing hopes of a further decrease in interest rates. Consumer confidence grew due to stabilising demand across European Trade Partners.
- China's economy continued to grow, a positive signal for SA mining-linked exports.
- Geopolitical tensions rose in the month after the US strikes in Iran, causing some volatility in the energy markets.

## Looking ahead

- The SARB are meeting on 31 July to discuss interest rates. Soft inflation and subdued business activity should hopefully indicate a decrease in rates at the meeting.
- Trump's 90-day tariff pause comes to an end in July. We will be looking to see what tariffs will go into effect and how those will impact the markets.

## Lessons for Long Term Wealth – The Effects of Inflation

Inflation is one of the most persistent threats to your long-term wealth because it reduces what your money can buy over time. When inflation is high, you need your portfolio to outpace rising prices, or your 'real' (inflation-adjusted) returns could be much lower than they appear on paper.



This bar shows the effects of inflation. If R100 has an 8% return on average each year over 10 years, but inflation is 6% per year, it erodes a large portion of the actual value of the investment.

### Different Investments during inflation:

Cash: loses value quickly when interest is below inflation.

Bonds: Fixed returns are less attractive unless inflation has been priced in.

Commodities: Can rise with inflation, especially energy and gold.

Property: Can often keep pace as rents and values adjust.

Equity: Companies can raise prices (pass it onto the consumers) offering some inflation protection.

## Ridgetop Round Up

James has successfully passed his CFA level II exam, which has deepened his investment expertise. We look forward to supporting him as he begins his preparation for Level III in pursuit of the full CFA Charter.

Until next time, stay invested and let your money work for you, because inflation never sleeps, but neither does compounding.

The Ridgetop Team

*"The big money is not in the buying and selling, but in the waiting."  
- Charlie Munger*

## Glossary

- **Real Return:** The return to your portfolio after adjusting the portfolio for the effects of inflation over the period.
- **JSE ALSI:** (Johannesburg Stock Exchange All Share Index): The primary stock exchange of South Africa, measuring the performance of all listed companies in South Africa.
- **MSCI ACWI:** A global equity index which tracks shares from both developed markets and developing markets. Used as a representative of worldwide share performance.
- **S&P 500:** The primary stock exchange of the USA. Measuring the performance of the largest 500 companies in the USA. Used as a benchmark for US equity performance.
- **Prime Lending Rate:** The reference rate for various loans which is closely tied to the South African Reserve Bank's Repo rate.