NEDGROUP INVESTMENTS

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Quarterly review

Nedgroup Investments Core Global Feeder Fund

As at 31 December 2023

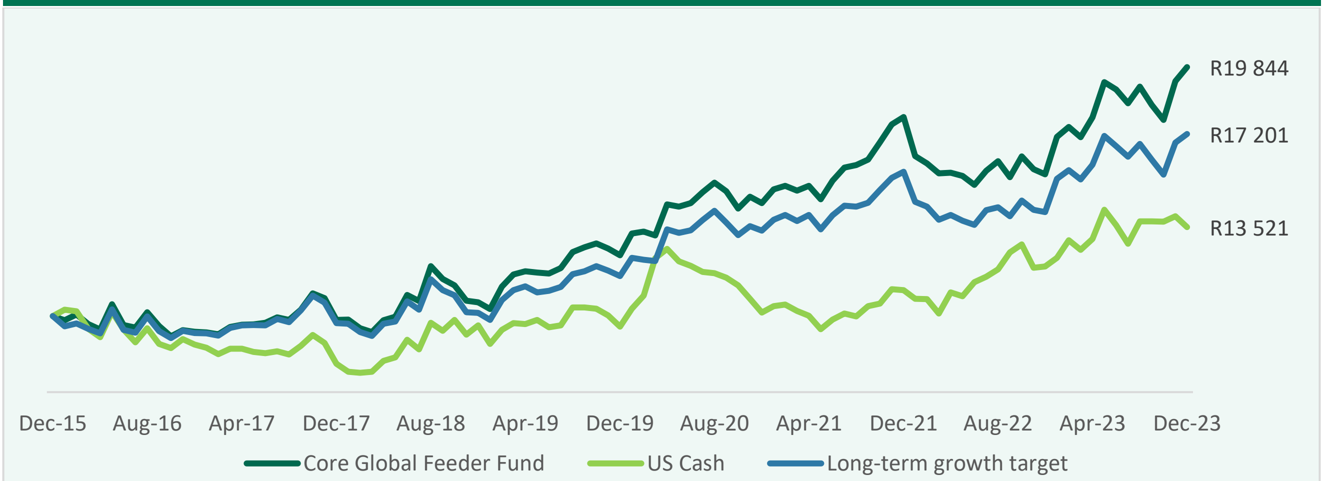
Interest rates and central bank expectations continued to influence markets throughout 2023

The fourth quarter started out with low expectations as rising long-term interest rates extended the decline in the S&P 500, taking asset and portfolio values down. We saw the stock and bond markets reaching crescendo lows near the end of October as investor sentiment and confidence declined. With the release of positive third-quarter economic data and business activity reports coupled with better than feared corporate earnings results, markets began to turn. Over the quarter, the Nedgroup Investments Core Global Feeder Fund increased by 8.1%.

The table below compares an investment in Nedgroup Investments Core Global Feeder Fund to US bank deposits (cash) investment over various time periods. For every R10 000 invested in the Nedgroup Investments Core Global Feeder Fund at inception (4 January 2016), you would have R19 844 at the 31st of December 2023. This is much higher than the R13 521 you would have achieved had you invested your money in US bank deposits (cash) over the same period.

	Value of R10,000 investment in Nedgroup Investments Core Global Feeder Fund versus US Cash[1]					
	3 Months	1 Year	3 Years	5 Years	7 Years	Inception 4 January 2016
Growth of fund (after fees) ***(Growth in %)***	R10 814 *8.1%*	R12 715 *27.1%*	R13 711 *11.1% p.a.*	R18 807 *13.5% p.a.*	R21 135 *11.3% p.a.*	R19 844 *8.9% p.a.*
Growth of US Cash ***(Growth in %)***	R9 838 *-1.6%*	R11 298 *13.0%*	R13 326 *10.1% p.a.*	R14 032 *7.0% p.a.*	R15 234 *6.2% p.a.*	R13 521 *3.8% p.a.*
Growth target (Global MA High Equity Mean) ***(Growth in %)***	R10 629 *6.3%*	R12 181 *21.8%*	R12 849 *8.7% p.a.*	R16 984 *11.2% p.a.*	R18 434 *9.1% p.a.*	R17 201 *7.0% p.a.*
Change in Dollar exchange rates ***(Change in %)***	R18.92 to R18.28 *3.5%*	R17.04 to R18.28 *-7.48%*	R14.64 to R18.28 *-7.58% p.a.*	R14.77 to R18.28 *-4.92% p.a.*	R14.35 to R18.28 *-4.24% p.a.*	R15.46 to R18.28 *-2.07% p.a.*

Fund Return versus US Cash1 in Rand from inception ending 31 December 2023



Since the inception of the Nedgroup Investments Core Global Feeder Fund it has done better than US cash. However, it is to be expected that occasionally there will be periods where the fund does not beat US cash over 5 years. Over the long term[2], a portfolio such as Nedgroup Investments Core Global Feeder Fund would have delivered a higher return than US cash around 86% of the time over any 5-year period.

1. We used the ICE Bank of America 3-month deposit rate for US cash returns converted into Rands
2. Based on Global market returns from 1997 to 2018 (source Morningstar) using the same long-term equity allocation and fees.

Economic and market review

In the fourth quarter, inflation data softened faster than expectations and neutral monetary policy guidance from the Federal Reserve led to a rapid change in investor confidence. As a result, both stock prices and long-term interest rates reversed direction, and we experienced one of the more powerful rallies in both the stock and bond markets than we have seen in recent years. With global equity and bond markets experiencing a significant rally in the last two months, this led to positive returns for the fourth quarter and improved returns over 12 months.

Despite existing challenges and elusive inflation targets, policy makers' lack of resistance in December meetings didn't alter the market's perception of peak interest rates, suggesting a shift might be coming. Particularly, dovish statements from US policy makers paved the way for further reduction in bond yields, even though mixed US labour market data led markets to delay the timing of the first interest rate cut. In the bond market, after causing much pain for investors in the first 10 months of the year, the yield on the 10-year US Treasury ended the year roughly where it started at about 3.9%. In December, global bond yields continued to decrease significantly. The Bloomberg Global Aggregate Bond Index rose by 4.2% in December, resulting in a substantial quarterly return of 8.1%. This left the returns for 2023 positive at 5.7%. Concurrently, gold performed well over the quarter, increasing by 11.6%.

If one looks at the S&P500 which was up by approximately 26.3% over the past year, the stock market performance has primarily been driven by 10 companies. Those 10 companies make up over 30% of the S&P 500 (Apple and Microsoft combined accounting for almost 14% of the overall index), pushing most of the return in the index this year. Meanwhile, after some volatility, the MSCI World and MSCI Emerging Markets ended the year ahead by about 24.4% and 10.3%, respectively.

In November, Chinese inflation figures remained in deflation, with a headline CPI of -0.5% year-on-year. Inflation rates across European countries fell, with Eurozone headline inflation for November dropping to 2.4% year-on-year from 2.9% the previous month. UK inflation also slowed to 3.9% year-on-year from 4.6% in October, marking the lowest figure in nearly two years. This trend has been aided by lower energy prices, but the removal of energy subsidies across the region is expected to increase future inflation figures. In the US, headline inflation slowed to 3.1% year-on-year in November, decelerating at a slower rate, while core inflation remained steady at 4.0%.

In the end, 2023 turned out to be a good year for both stock and bond investors. As we enter 2024, the US economy has thus far avoided the feared recession and a re-acceleration of inflation. The Federal Reserve has turned from hawkish to neutral and now sounds more dovish about the year to come, providing a good backdrop to start the year. Monetary and fiscal policy are huge drivers of the global economy, and one needs to pay attention to not only policy action, but also associated Fed speak as it can indicate how policy makers are leaning and give clues to future direction.

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