



Quarterly review

Nedgroup Investments Core Global Feeder Fund

As at 31 December 2024

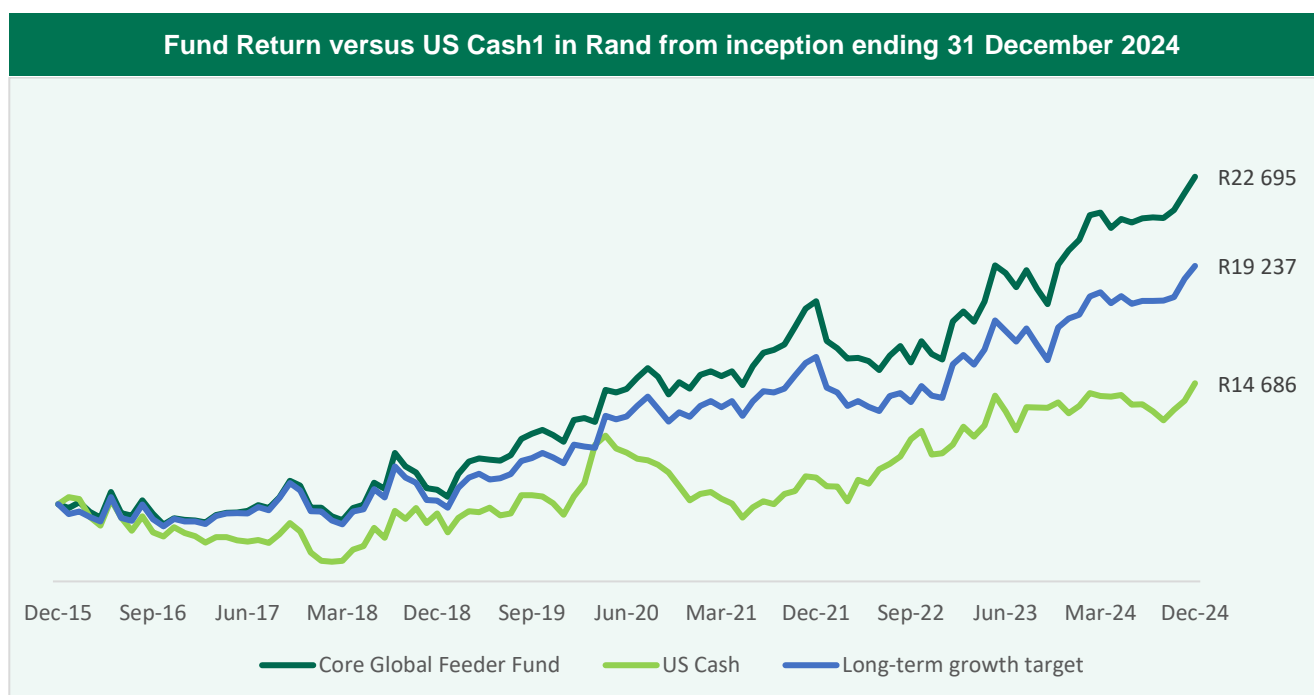


A strong year for risk assets

Despite a weak fourth quarter, risk assets delivered strong returns in 2024. US equity markets outperformed other developed market peers over the year, supported by technology stocks like Nvidia, which gained 171.2%. Continued US strength helped developed market equities deliver total returns of 19.2%. Over the quarter, the Nedgroup Investments Core Global Feeder Fund increased by 4.5%.

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 R22 695 at the 31st of December 2024. This is much higher than the R13 254 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 757 4.5%	R11 437 14.4%	R12 702 8.3% p.a.	R18 283 12.8% p.a.	R23 026 12.7% p.a.	R22 695 9.5% p.a.
Growth of US Cash (Growth in %)	R11 080 10.8%	R10 861 8.6%	R13 315 10.0% p.a.	R15 317 8.9% p.a.	R18 079 8.8% p.a.	R14 686 4.4% p.a.
Growth target (Global MA High Equity Mean) (Growth in %)	R10 753 7.5%	R11 184 11.8%	R12 243 7.0% p.a.	R16 606 10.7% p.a.	R19 785 10.2% p.a.	R19 237 7.5% p.a.



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 term², 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



For more than a year, the global economic narrative has been dominated by two main macro trends: slowdown and disinflation. As these trends took hold, the next chapter was expected to involve broad and substantial rate cuts. This was seen as a careful calibration of policy rates in response to improving inflation dynamics, rather than a panic-driven rush to stave off recession.

Global equity and bond markets ended the third quarter on a positive note, buoyed by policy makers setting a favourable tone for risk assets. While markets anticipated the first interest rate cut from the US Federal Reserve (US Fed) in September, incoming data led to adjustments in the expected size of the cut. Meanwhile, China delivered significant monetary policy stimulus and committed to further fiscal support. Equity markets firmed in response, and bond markets broadly benefited from lower yields.

Earlier this year, the US seemed to diverge from the global trend of disinflation and rate cuts. However, as noted in our June update, “US inflationary pressures are increasingly narrow and, given a normalizing labour market and anchored inflation expectations, the disinflation process is set to resume.” For the second consecutive quarter, global forecasts remained largely unchanged. This stability might seem at odds with the considerable market volatility experienced, particularly during an acute episode in early August. However, this volatility reflects uncertainty about timing rather than direction. Notably, the steady retreat in oil prices has helped offset concerns about rising shipping costs and weak demand from China.

In August, US headline inflation declined to 2.5% year-over-year, slightly below expectations, while core inflation remained steady at 3.2%. Producer prices also fell, coming in below expectations. The US Fed cut the policy rate by 50 basis points, a more significant move than many had anticipated. The median forecast for the interest rate trajectory over the forecast period also declined, indicating more cuts are expected. Federal Reserve Chair Jerome Powell described the decision as a “recalibration” of policy.

Elections remain a key source of uncertainty. With the US heading to the polls in early November, the next update should provide a clearer sense of policy direction. Kamala Harris’s takeover of the Democratic nomination has shifted the probabilities of the election outcome but does not appear to materially affect policy risks as long as congressional chambers remain split. A Democratic or Republican sweep, however, would have significant consequences across most asset classes, with opposite implications for the USD and mixed results for equities. The presidential race remains a coin toss, but a split Congress is likely.

The fiscal-monetary policy mix will largely determine the slope of the yield curve. Assuming a soft landing and no near-term recession, we foresee the yield curve driven by macro fundamentals in most election scenarios. Strong risk asset performance carried over into fixed income markets. High yield bonds were the top performing sector for the fourth year in the row as a combination of high all-in yields and tightening spreads boosted returns to over 8%. Longer duration investment grade credit underperformed against backdrop of rising government bond yields.

The first half of 2024 saw broad based disinflation and over the summer central banks felt confident they could start normalising policy. However, the last mile proved harder than markets anticipated and, outside of Europe, investors pared back their hopes for rate cuts. Against this backdrop, global government bonds returned -3.1% over 2024.

In the eurozone, growth forecasts have fluctuated within a tight range since last December. The region is slowly emerging from the shock of the Ukraine war, but progress is hampered by poor performance in its largest economy. Easing inflation has allowed the European Central Bank (ECB) to cut interest rates by 25 basis points each in June and September. It remains to be seen whether the ECB will move again in October or wait until December. Inflation has notably decreased to 2.2% year-over-year in August but may tick up again due to base effects.



Investors can reflect on a good year. Continued AI excitement drove equities to deliver strong returns, and high starting yields helped cushion bonds from some of the impact of rising yields. This meant a global 60/40 portfolio of developed market equities and investment grade bonds delivered a 10.8% total return.



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