



Quarterly review

Nedgroup Investments Core Guarded 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%. The Nedgroup Investments Core Guarded Fund increased by 2.1% over the quarter.

The table below compares an investment in Nedgroup Investments Core Guarded Fund to bank deposits (cash) investment over various time periods. For every R10 000 invested in the Nedgroup Investments Core Guarded Fund three years ago, you would have R12 792 at the 31st of December 2024. This is lower than the R12 234 you would have achieved had you invested your money in bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market increase, which helps to contextualise the returns experienced over the past few years.

Value of R10,000 investment in Nedgroup Investment Core Guarded Fund versus Cash ¹ and the Growth target						
	3 Months	1 Year	3 Years	5 Years	7 Years	Inception 29 January 2010
Growth of fund (after fees) (Growth in %)	R10 209 2.1%	R11 251 12.5%	R12 792 8.6% p.a.	R15 978 9.8% p.a.	R17 655 8.5% p.a.	R39 223 9.6% p.a.
Growth of cash (Growth in %)	R10 194 1.9%	R10 816 8.2%	R12 234 6.9% p.a.	R13 238 5.8% p.a.	R15 044 6.0% p.a.	R23 491 5.9% p.a.
Growth target (inflation+3%) (Growth in %)	R10 075 1.4%	R10 602 7.5%	R12 752 8.8% p.a.	R14 714 8.1% p.a.	R17 005 8.0% p.a.	R32 490 8.3% p.a.



The Nedgroup Investment Core Guarded Fund has a growth target of 3% above inflation (around 8% per year) over 3-year periods. The Fund has almost reached its target over the last 3 years. However, history² demonstrates that one-third of the time, a fund such as the Nedgroup Investments Core Guarded Fund, would have underperformed its long-term growth target over any 3-year period. The other two-thirds of the time it would have achieved or exceeded its long-term target.

¹ We used the STeFI call deposit rate for cash returns



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. A Democratic sweep could be negative for equities due to more expansive regulation and potential tax increases for corporations and higher income earners.

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 January. Inflation has notably decreased to 2.2% year-over-year in August but may tick up again due to base effects.

In South Africa, second-quarter GDP met expectations, growing by 0.4%. The absence of loadshedding and improvements in logistics supported production, while increased consumer spending boosted expenditure. The current account narrowed, supported by an improved goods trade surplus. Business and consumer confidence improved in the third quarter, influenced by cautious optimism around the government of national unity, lower inflation, and the prospect of lower interest rates. The South African Reserve Bank (SARB) cut its key lending rate by 25 basis points, the first cut in this cycle. Domestic assets delivered positive results in the third quarter, with the FTSE/JSE All Bond Index gaining 3.9% and the Rand appreciating against the US dollar by 3.1%. Local

equity markets also strengthened, with the FTSE/JSE All Share gaining 4.0%, and the property sector continued its recovery, making it the best-performing asset class over this period.



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