NEDGROUP INVESTMENTS

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Quarterly review

Nedgroup Investments Core World Index Feeder Fund

As at 31 December 2024

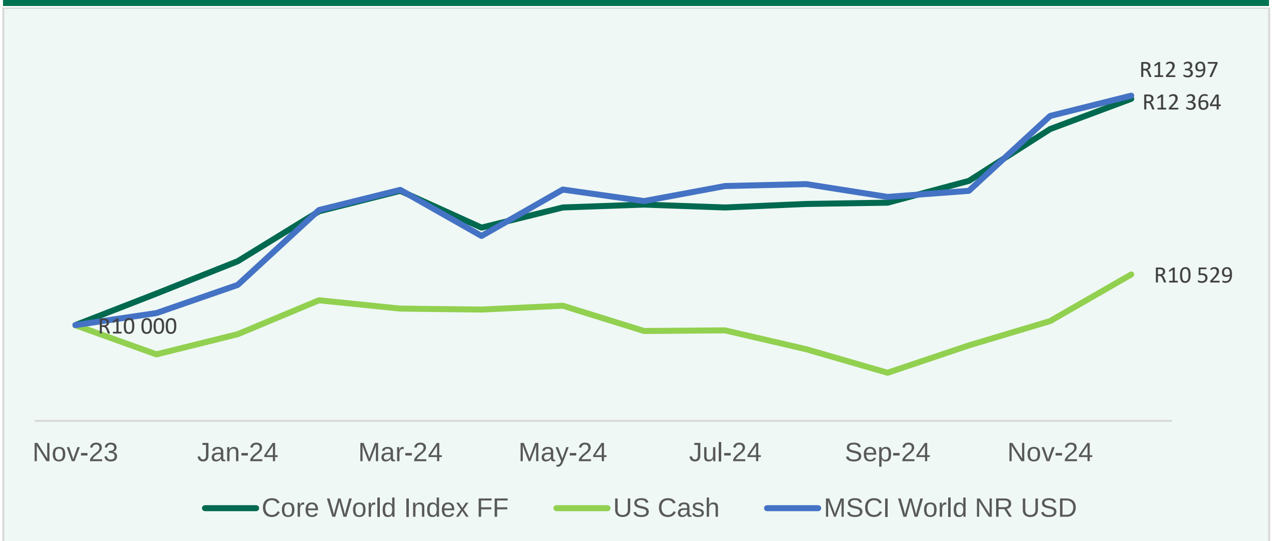
A strong year for risk assets

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%. Over the quarter, the Nedgroup Investments Core World Index Feeder Fund increased by 9.6%.

The table below compares an investment in Nedgroup Investments Core World Index Feeder Fund to US bank deposits (cash) investment over various time periods. For every R10 000 invested in the Nedgroup Investments Core World Index Feeder Fund at inception (1 November 2023), you would have R12 364 at the 31st of December 2024. This is much higher than the R10 690 you would have achieved had you invested your money in US bank deposits (cash) over the same period.

	3 Months	1 Year	Inception 1 November 2023
Growth of fund (after fees) ***(Growth in %)***	R10 962 *9.6%*	R11 970 *19.7%*	R12 364 *25.1% p.a.*
Growth of US Cash ***(Growth in %)***	R11 080 *10.8%*	R10 861 *8.6%*	R9 502 *5.9% p.a.*
Growth target (MSCI World Index) ***(Growth in %)***	R10 853 *9.3%*	R12 177 *21.5%*	R12 397 *26.7% p.a.*

Fund Return versus US Cash1 in Rand from inception ending 31 December 2024



Since the inception of the Nedgroup Investments Core World Index 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.

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

The first half of 2024 saw broad-based disinflation, and over the second half, central banks felt confident enough to start normalizing policy. 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. 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.

Donald Trump's victory for a second presidential term and the Republicans' gain of Congress drove a US equity market rally over the quarter. The market was cheered by Trump's campaign promises to cut taxes and reduce regulations, which would be pro-growth and support the US earnings outlook. However, Trump's proposed tax cuts, additional trade tariffs, and immigration clampdowns would also be inflationary. This, coupled with a strong labor market and buoyant economy, has given the US Fed reason to slow the pace of interest rate cuts in 2025.

Despite being expensive on a purchasing power parity basis, the dollar is likely to remain strong due to higher interest rates and resilient growth, especially relative to the struggling economies of Europe and China. A strong dollar would keep rising US debt concerns at bay and enable the Treasury to maintain an elevated budget deficit, which would benefit growth.

China remains sluggish, and the Chinese consumer weak. The economy continues to export deflation, with the latest PPI print at -2.5%. Notably, the steady retreat in oil prices has helped offset concerns about rising shipping costs and weak demand from China. By the end of the fourth quarter, China had delivered significant monetary policy stimulus and committed to further fiscal support.

The fiscal-monetary policy mix largely determined the slope of the yield curve. Strong risk asset performance carried over into fixed income markets. High yield bonds were the top-performing sector for the fourth year in a row as a combination of high all-in yields and tightening spreads boosted returns to over 8%. Longer duration investment grade credit underperformed against the backdrop of rising government bond yields.

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. Instability in the eurozone powerhouse economies of Germany and France undoubtedly added to the negative market view. Germany's economy has been a consistent drag on European growth in recent years, while the snap French election called by President Emmanuel Macron created uncertainty and led to a further sell-off in the equity market. The latest leg-down in relative performance came after the United States election in November, which resulted in a strong rally by US equities and negative returns for Europe through the end of the year.

The headlines in the USA have been grabbed by mega-cap technology companies, and the "Magnificent Seven," but the comparative weakness in Europe is not isolated to this segment. In many sectors of the economy, European company earnings have been lagging.

Overall, 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.

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