



Quarterly review

Nedgroup Investments Core Diversified Fund

As at 31 March 2025

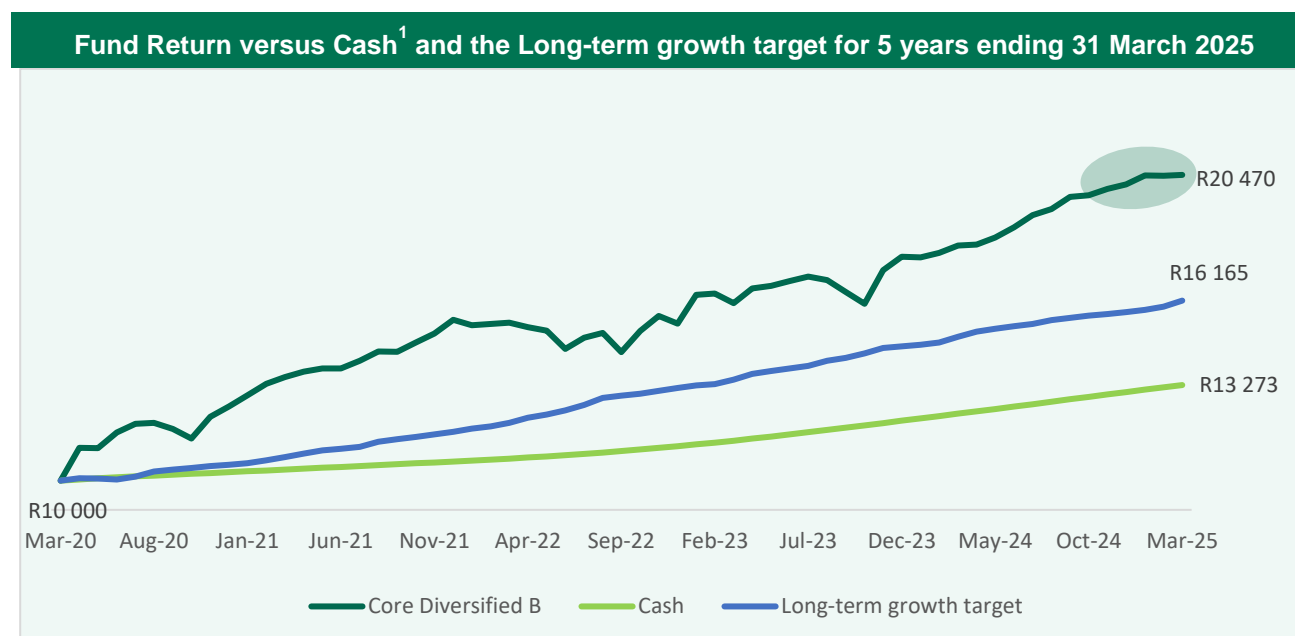


Equity and Bond Markets Start the Year on a Positive Note Amid Volatility

Equity and bond markets began 2025 positively despite volatility, with US technology stocks underperforming due to the release of China's advanced AI model, causing significant losses for Nvidia. Oil prices rose due to geopolitical tensions and cold weather, while US inflation data showed mixed signals. European and Asian markets performed better, supported by policy measures and geopolitical developments, while sovereign bond markets and gold saw gains amid global economic uncertainties. Over the quarter, the Nedgroup Investments Core Diversified Fund increased by 1.6%.

The table below compares an investment in Nedgroup Investments Core Diversified Fund to a bank deposit (cash) investment and its growth target over various time periods. For every R10 000 invested in the Nedgroup Investments Core Diversified Fund five years ago, you would have R20 470 on the 31st of March 2025. This is slightly higher than the R13 273 you would have received 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 Diversified Fund versus Cash ¹ and the Growth target | | | | | | |
|---|-----------------|------------------|-----------------------|-----------------------|----------------------|--------------------------------|
| | 3 Months | 1 Year | 3 Years | 5 Years | 7 Years | Inception 31 August 2009 |
| Growth of fund (after fees) (Growth in %) | R10 164 1.6% | R11 338 13.4% | R13 282 9.9% p.a. | R20 470 15.4% p.a. | R18 943 9.6% p.a. | R48 735 10.7% p.a. |
| Growth of cash (Growth in %) | R10 182 1.8% | R10 798 8.0% | R12 340 7.3% p.a. | R13 273 5.8% p.a. | R15 074 6.0% p.a. | R24 573 5.9% p.a. |
| Growth target (inflation+5%) (Growth in %) | R10 253 2.5% | R10 831 8.3% | R13 497 10.5% p.a. | R16 165 10.1% p.a. | R19 401 9.9% p.a. | R45 566 10.2% p.a. |



The Nedgroup Investments Core Diversified Fund has a long-term growth target of 5% above inflation (around 10% per year) over 5-year periods. The fund has provided returns closer to cash over the past 5 years. However, history² demonstrates that two thirds of the time a fund such as this would have achieved or surpassed its long-term target. This confirms the importance of being invested for the long term. In fact, if you increase your investment horizon, the risk of underperforming this target decreases.

¹ We used the STeFI call deposit rate for cash returns

² Based on SA market returns from 1960 to 2018 (source Firer 2006) using the same long-term equity allocation and fees.



The year 2025 began with a positive outlook for both equity and bond markets, despite elevated levels of volatility. However, US equity markets underperformed compared to other developed markets, primarily due to a significant downturn in technology stocks. This was triggered by the release of the latest Chinese artificial intelligence model, DeepSeek, which demonstrated greater efficiency at a lower cost, utilizing fewer advanced chips than current US industry leaders.

One of the most notable impacts was on Nvidia, a leading chip-maker, which experienced a staggering loss of nearly \$600 billion on January 27th, marking one of the largest one-day drawdowns in US market history. Although Nvidia managed to regain some stability, it still ended the month with a 10.6% loss. The technology sector, which has been trading at high valuations due to the anticipated future earnings from artificial intelligence and other technological advancements, faced significant pressure.

Sanctions on Russia and Iran by the US, coupled with cold weather in the Northern Hemisphere, led to a rise in oil prices in January. President Trump, during his address at the World Economic Forum, urged OPEC members to reduce oil costs, which resulted in some price retracement. Oil prices decreased by 4.7% in February due to increased supply from OPEC+ members and growth concerns following US tariff announcements on China, Canada, and Mexico. European gas prices fell by 17.2% as peace talks progressed.

Sovereign bond markets faced initial duress due to higher global bond yields and the implications of a new US administration. However, a downside surprise in US inflation and a sell-off in US technology shares alleviated pressure on bond yields. Tightening credit spreads drove positive returns across high yield and investment-grade markets, with the Bloomberg Global Aggregate Bond index returning 2.6%. Gold gained 19.0%, reaching new highs above \$3000 an ounce. The US dollar depreciated by 3.2% in March, bringing the quarterly decline to 3.9%.

US inflation data continued to show mixed signals, with headline inflation rising to 3.0% year-over-year in January, above expectations, while core inflation edged up to 3.3%. The US Federal Reserve (US Fed) maintained policy rates, as anticipated by the market. Federal Reserve Chair Jerome Powell acknowledged the somewhat elevated inflation levels but omitted references to progress towards the 2% inflation target. He indicated the potential for an extended pause in policy adjustments, stating that the committee "does not need to be in a hurry to adjust our policy."

Inflation in the Euro area eased to 2.4% year-over-year in February, slightly above expectations. German elections saw high voter turnout and significant losses for centrist parties, with the Christian Democratic Union (CDU) needing to form a coalition government. UK inflation rose to 3.0% in February, with wage data showing upward pressure. The Bank of England cut interest rates by 25 basis points in February. Chinese inflation increased to 0.5% year-over-year, reflecting seasonal spending trends, while producer prices remained in deflationary territory.

The first quarter of 2025 has been marked by significant market volatility, driven by geopolitical developments, policy uncertainty, and mixed economic data. While technology stocks faced headwinds, other sectors and regions showed resilience, highlighting the complex and interconnected nature of global financial markets. Investors will continue to navigate these challenges, seeking opportunities amid the evolving landscape.

The South African economy experienced a mixed first quarter of 2025, marked by both challenges and opportunities. The equity markets showed resilience despite global volatility, with the JSE All Share Index rising by 3.2%, benefiting from a weaker US dollar and strong performance in the mining sector, driven by a 5.4% increase in gold prices and a 4.8% rise in platinum prices. However, the country faced headwinds from persistent load shedding, which hampered industrial output and economic growth, with GDP growth estimated at a modest 0.7% for the quarter.

Inflation remained a concern, with consumer prices rising to 5.8% year-over-year in March, up from 5.5% in February, due to higher energy costs and supply chain disruptions. The South African Reserve Bank (SARB) maintained a cautious stance, keeping the repo rate unchanged at 7.25% to balance inflation control with the need to support economic recovery. On the fiscal front, the government continued its efforts to stabilize public finances, though progress was slow amid ongoing social and economic pressures, with the budget deficit projected to remain at 6.3% of GDP for the fiscal year.

Overall, while South Africa navigated a complex economic landscape, the outlook for the remainder of the year hinges on addressing structural issues such as energy supply and leveraging global economic trends to foster sustainable growth.



Disclaimer

Nedgroup Collective Investments (RF) Proprietary Limited is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust portfolios. Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A schedule of fees and charges and details of our awards are available on request from Nedgroup Investments. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. Nedgroup Investment Advisors (Pty) Ltd (the 'Investment Manager') an authorised as a financial services provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652), is the appointed Investment Manager of the Management Company.

Certain Nedgroup Investments unit trust portfolios include international assets, whereby a change in the exchange rates may cause the value of those investments to rise and fall. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Please note that Nedgroup Collective Investments (RF) Proprietary Limited is not authorised to and does not provide financial advice. This presentation is of a general nature and intended for information purposes only. It is not intended to address the circumstances of any investor and cannot be relied on as legal, tax or financial advice, either express or implied. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this presentation. Nedgroup Collective Investments (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).