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NEDGROUP INVESTMENTS

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Quarterly review

Nedgroup Investments Core Guarded Fund

As at 30 June 2025

Markets Rebound Amid Trade and Geopolitical Turmoil

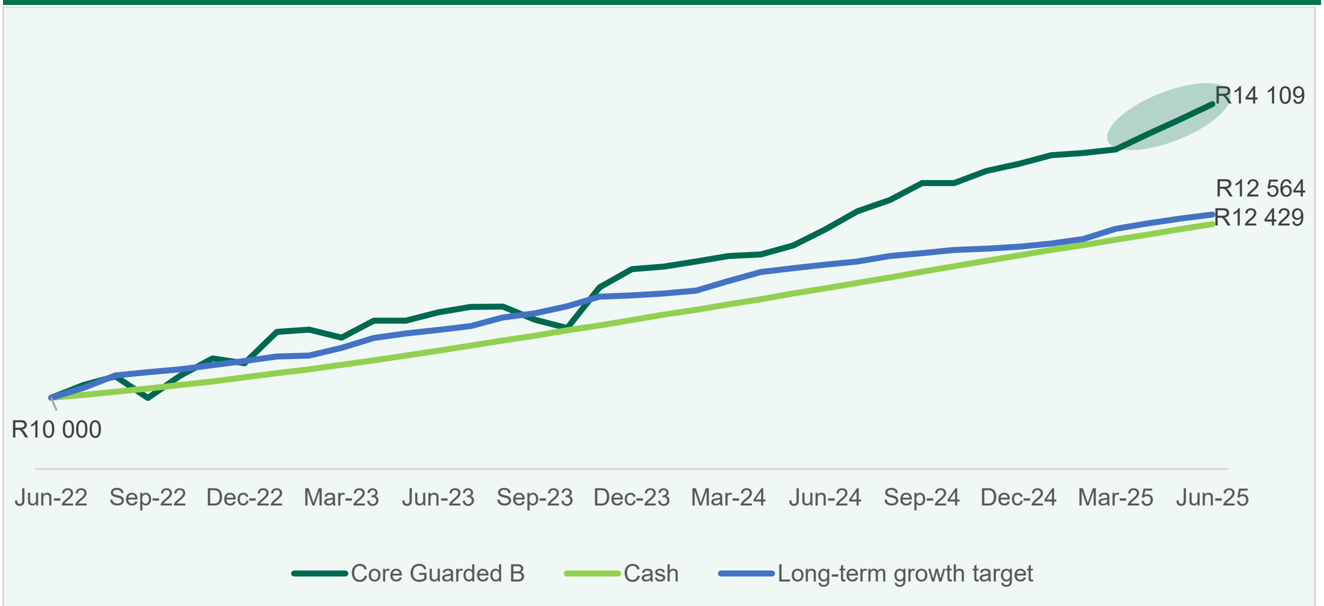
The second quarter of 2025 unfolded under a cloud of heightened geopolitical tension and economic uncertainty, testing the resilience of global markets and policymakers alike. A dramatic shift in U.S. trade policy, escalating conflict in the Middle East, and diverging central bank strategies all contributed to a volatile yet ultimately resilient financial landscape. The Nedgroup Investments Core Guarded Fund increased by 4.7% 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 R14 109 at the 30th of June 2025. This is lower than the R12 429 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 470 *4.7%*	R11 419 *14.2%*	R14 109 *12.2% p.a.*	R16 633 *10.7% p.a.*	R18 433 *9.1% p.a.*	R41 690 *9.7% p.a.*
Growth of cash ***(Growth in %)***	R10 180 *1.8%*	R10 779 *7.8%*	R12 429 *7.5% p.a.*	R13 362 *6.0% p.a.*	R15 105 *6.1% p.a.*	R24 349 *5.9% p.a.*
Growth target (inflation+3%) ***(Growth in %)***	R10 164 *1.6%*	R10 590 *5.9%*	R12 564 *7.9% p.a.*	R14 944 *8.4% p.a.*	R16 901 *7.8% p.a.*	R33 693 *8.2% p.a.*

Fund Return versus Cash[1] and the Long-term growth target for 3 years ending 30 June 2025



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, history 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

In a move that stunned global markets, President Donald Trump declared a sweeping overhaul of U.S. trade policy in what he dubbed "Liberation Day." Far from symbolic, the announcement introduced a broad set of tariffs that marked the most aggressive turn toward protectionism in nearly a century. The average U.S. import tariff surged from 2.5% to 24%, with most nations facing a flat 10% levy and strategic rivals hit even harder.

Markets reacted swiftly. Major indices tumbled on fears of a deepening trade war, slower global growth, and rising inflation. The scale and abruptness of the tariff regime sent shockwaves through supply chains and diplomatic circles alike. The global response remains a critical variable. China and the European Union, among others, hold significant leverage—ranging from retaliatory tariffs to control over rare earth minerals vital to high-tech industries. Currency dynamics will also play a role: a stronger dollar could cushion inflationary effects, while tit-for-tat measures risk amplifying economic disruption.

Despite the turbulence, equity markets staged a remarkable comeback. The S&P 500 notched a record high by the end of June, fully recovering from an 18.8% drawdown in April. Global equities followed suit, with the MSCI All Country World Index climbing 11.7% for the quarter. Emerging markets led the charge, outperforming developed peers with a 12.2% gain.

This rebound was fuelled in part by easing geopolitical tensions. A brief but intense 12-day conflict between Israel and Iran in mid-June sent oil prices soaring above $80 per barrel. However, a U.S.-brokered ceasefire helped stabilize the region, and crude prices eventually settled back to $67. Adding to the optimism was a tentative trade agreement between Washington and Beijing. The proposed deal would grant the U.S. access to critical rare earth elements, while easing restrictions on certain Chinese imports—a potential thaw in an otherwise frosty relationship.

Monetary policy responses varied across regions. The European Central Bank continued its easing trajectory, cutting interest rates by 25 basis points in June—its eighth reduction in a year, totalling a 2% decline since mid-2024. The move reflects easing inflation and a cautiously improving economic outlook. In contrast, the Bank of England held rates steady at 4.25%, signalling a wait-and-see approach. Meanwhile, the People's Bank of China paused after a May rate cut, part of a broader effort to support a slowing economy amid trade headwinds.

Bond markets remained volatile, buffeted by geopolitical developments and concerns over U.S. fiscal health. A pending budget reconciliation bill raised alarms about long-term debt sustainability, keeping pressure on long-term yields. The Bloomberg Global Aggregate Bond Index still managed a 4.5% return for the quarter.

The U.S. dollar weakened notably, falling 7% against a basket of major currencies. Investor sentiment has been rattled by the Trump administration's aggressive policy shifts, and currency markets are adjusting accordingly.

As the world enters the second half of 2025, the outlook remains uncertain. Much will depend on how global powers navigate the new trade landscape, whether diplomatic efforts can prevent further conflict, and how central banks balance growth and inflation risks. For now, markets have proven surprisingly resilient—but the road ahead is anything but smooth.

South African assets delivered solid returns in the second quarter of 2025, despite mounting global trade tensions and renewed political uncertainty at home. Nominal government bonds outperformed inflation-linked securities in June, widening the performance gap after a 1.7% monthly gain. In Q2, domestic bonds returned 5.9%, while the FTSE/JSE All Share Index gained 10.2%. Listed property also performed strongly, rising 9.1%. The rand appreciated 3.1% against the U.S. dollar but weakened 5.4% against the euro.

However, the outlook is clouded by external and internal risks. A proposed 30% U.S. tariff on South African exports—potentially ending AGOA trade benefits—could shave 0.2% to 0.5% off GDP, depending on how key commodities like gold are treated. While 75% of South Africa's U.S. exports are commodities with limited substitutes, offering some demand resilience, the broader economic impact could still be significant. Domestically, the emergence of a Government of National Unity (GNU) initially boosted investor confidence, raising hopes for reform and policy coordination. But recent developments have reignited concerns about the GNU's cohesion and long-term viability, weighing on sentiment.

Economic growth remains tepid. Real GDP rose just 0.1% in Q1 2025, down from 0.4% in the previous quarter. The current account deficit narrowed slightly to R35.6 billion, aided by improved terms of trade. Headline inflation held steady at 2.8% in May, slightly above expectations. The South African Reserve Bank is reviewing its 3–6% inflation target range, with market participants divided on the feasibility of a lower target.

Navigating this complex environment requires a disciplined, diversified approach. With global trade dynamics in flux and local politics in transition, we are still focused on building resilience rather than making tactical bets.