NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS OPPORTUNITY FUND

Quarter Two, 2025

Nedgroup Investments Opportunity Fund

Performance to 30 June 2025	Fund Performance[1]	ASISA category average[2]	Inflation + 5%
3 months	4.9%	5.7%	2.1%
12 months	23.3%	14.2%	8.0%
3 years	14.0%	12.4%	10.0%
5 years	16.6%	10.7%	10.5%
Since inception (March 2012)	11.4%	8.7%	10.3%

Market Overview

Heightened geopolitical risks, including tariff announcements around "Liberation Day" and the escalation of conflict in the Middle East, contributed to considerable market volatility over the quarter. While tariff noise has subsequently reduced, there is little clarity over where tariffs will settle and what the impact will be on growth and inflation.

Global equity markets ended the first half of 2025 on a strong footing despite uncertainties and market volatility. Heading into the second half of the year, the trajectory of global equities is closely tied to the outcomes of trade negotiations - markets await clarity as the US tariff pause nears expiration. Market-friendly developments such as US tax reform, deregulation and the possibility of lower interest rates will be top-of-mind.

The South African equity market was one of the best performing emerging markets in the quarter and for the half-year despite headwinds such as declining business and consumer confidence, GNU dysfunctionality, unique tensions with the US administration and a sluggish economy (real GDP growth slowed to only +0.1% in 2025Q1). The JSE All Share Index (ALSI) lifted +10.2% in rands for the second quarter and +16.7% year to date. The US$ returns are more impressive (ALSI +23.9% year to date) given the rands appreciation against the US dollar. Economic activity in South Africa is expected to gain modest traction with equities potentially rallying further due to an improving domestic backdrop and US$ weakness.

Global bond markets delivered modest gains despite the volatility, with the Bloomberg US Treasury Index returning 0.8% for the quarter. Softening inflation data, some easing of geopolitical tensions toward the end of the quarter, and a more dovish market tone contributed to a gradual decline in yields.

South African bonds performed exceptionally well, with the FTSE/JSE All Bond Index (ALBI) up 5.9% over the quarter. Contributing factors included weaker US$ demand, the de-escalation of trade tensions toward quarter-end, and significant local developments. The South African Reserve Bank (SARB) published a research paper outlining the potential benefits of a lower inflation target and urged National Treasury to agree timeously, arguing that implementing such a change during a period of low inflation would minimise transition costs. The potential reduction in the inflation target from 4.5% (mid-point of the 3%-6% inflation band) to 3%, drove both the rand (+3.3%) and nominal bond yields stronger. Local inflation-linked bonds delivered 0.8% over the quarter, lagging their nominal counterparts significantly, as the benefits of lower inflation expectations are less advantageous for this asset class.

Portfolio Commentary

The Nedgroup Opportunity Fund delivered a return of 4.9% and 6.8% (net of fees, most expensive fee class) for the quarter and year to date, respectively.

The strong performance for the past twelve months placed the Nedgroup Opportunity Fund ahead of peers by 9.1%, ranking it in the top 1% relative to the peer group over 1, 5 and 10 years, and since inception. The fund continues to achieve its real return objective of CPI + 5% over all annualised periods.

[1] Net return for the Nedgroup Investments Opportunity Fund, A1 class. Source: Morningstar (monthly data series).

[2] ASISA multi-asset medium equity category.

Top 5 winners and losers for 2025Q2:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
R2040	14.4%	1.0%	Alibaba Group	1.5%	-0.3%
TBC Bank	3.8%	0.6%	Autohome	1.7%	-0.2%
BATS Notes	1.8%	0.5%	JD.Com	1.3%	-0.2%
EPE Capital	0.9%	0.3%	Leonteq Note	0.1%	-0.2%
Brait	1.6%	0.2%	ZAR/USD Hedge	2.8%	-0.2%

Last quarter, our exposure to Chinese tech counters were part of the top contributors however these became the largest detractors due to April's sharp escalation in tariff threats triggering market turmoil which saw China briefly flirting with a bear market. While the tariff conflict with the US is disruptive; China's trade diversification continues and their export reliance on the US has declined meaningfully over the past decade (< 3% of GDP today). The combination of policy support and efforts to restore confidence as well as stabilise the residential property market, together with attractive equity market valuations are expected to support further stock market gains.

TBC Bank continued to deliver, over the quarter and past 12 months, off the back of strong fundamentals, growing credit demand, and digital innovation in Georgia. The bank's consistent profitability, low NPL ratios, and commitment to shareholder returns through dividends and buybacks boosted investor sentiment, even amid broader geopolitical uncertainty.

Locally, South African Government Bonds (SAGB) bonds delivered robust returns, driven by indications from the Treasury and SARB that inflation targets could be lowered. This added to the strong performance over the past 12 months which was driven by easing inflation and global rate cut hopes. This benefited our exposure to the R2040.

EPE Capital Partners has been well supported as there is an imminent chance of Optasia listing which could unlock further value. A continued recovery in the operating metrics of Virgin Active also bodes well for value unlock of this asset.

Top 5 winners and losers for last 12M:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
R2040	15.4%	3.6%	Sasol	1.6%	-1.3%
TBC Bank Group	3.2%	2.5%	Sasol Note	0.3%	-0.4%
Brait	1.4%	1.8%	Kumba Iron Ore	0.4%	-0.2%
Qifu Technology	1.6%	1.4%	BHP Note	0.3%	-0.2%
Naspers/Prosus	1.3%	1.2%	S&P 500 Hedge	-0.8%	-0.2%

Brait's performance over the year remained mixed but contributed positively with a relatively lower weighting. A significant recovery in the Premier share price drove NAV and the Brait share price.

Despite the strong performance from Qifu, we continue to see substantial value in the share and added to our position. As a reminder, QIFU is a Chinese fintech company that provides lending through the use of a tech platform driven by AI. They achieve this through partnerships with financial institutions enabling a very low cost to income ratio, as well as a capital light model. Using AI they can credit score customers accurately resulting in low delinquency rates making it an attractive source of loans for financial institutions. The business model is capital light, enabling them to achieve an ROE of >27% on an equity base of 50%.

Naspers/Prosus gave strong returns over the year thanks to a rebound in Tencent and improved sentiment around Chinese tech, especially in AI. Regulatory easing in China and active buyback programs helped narrow the NAV discount. During the market volatility in April, we used the opportunity to lock in the gains and rotate to undervalued Chinese tech stocks. We no longer have exposure to Naspers or Prosus.

Sasol had a volatile year marked by shifting oil prices, environmental scrutiny, and operational challenges. While earlier periods saw gains from stronger commodities and cash flow, recent macroeconomic, regulatory risks and a poor trading update weighed on performance.

Kumba delivered strong earnings early in the year, thanks to robust Chinese iron ore demand, however it ended weaker due to softening prices and continued logistical issues.

Current positioning and outlook

South African bonds and equities ended up having a strong quarter amid easing political concerns following the eventual approval of the national budget and improved domestic rate expectations. During April's market volatility, we reduced our inflation linked bond exposure and deployed to a basket of quality domestic equities and rotated from certain winners to increase our exposure towards the core of high-quality businesses. Local equity exposure increased from a net 28.9% to 35.3%.

Exposure to Old Mutual and Barloworld was increased as cyclical opportunities. Old Mutual trade at depressed prices with a low P/E. We have conviction in the leadership change and potential upside. Barloworld continues to experience improving margin structure, strong dividend support, and solid long-term growth outlook. Its diversified portfolio is well positioned to benefit from a recovery in commodity and mining activity.

We took the opportunity to add additional rand hedges as it appreciated on the back of global risk-on sentiment whilst increased global exposure by adding additional structured notes to the portfolio.

The trajectory of global markets will hinge on trade developments, potential US fiscal stimulus, and central bank policy paths. In South Africa, modest economic recovery, disinflation, and potential interest rate cuts could support local assets further. However, political risks and structural fiscal challenges are key watchpoints. As global and local dynamics continue to evolve, careful navigation and adaptability remain crucial to ensure we continue to achieve our dual objective of capital protection and upside participation.

Disclaimer

WHO WE ARE
Nedgroup Collective Investments (RF) Proprietary Limited is an authorised Collective Investment Scheme and the representative of Nedgroup Investments Funds PLC in terms of the Collective Investment Schemes Control Act. It is a member of the Association of Savings & Investment South Africa (ASISA).

OUR TRUSTEE
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HOW ARE OUR FUNDS PRICED
Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website and in selected major newspapers.

FEES
A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

DISCLAIMER

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. Our funds are traded at ruling prices and can engage in borrowing and scrip lending.

Some funds may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks, which could include foreign exchange risks, market conditions and macro-economic and political conditions.

A fund of funds may only invest in other funds, and a feeder fund may only invest in another single fund, both will have funds that levy their own charges, which could result in a higher fee structure.

The Nedgroup Investments Money Market Fund offering aims to maintain a constant price of 100 cents per unit. A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. Excessive withdrawals from the fund may place the fund 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. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Nedgroup Investments has the right to close its funds to new investors in order to manage it more efficiently.

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