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A photograph of an open book with white pages, tied with a white ribbon bookmark. The text is overlaid on the right side of the image.

NEDGROUP INVESTMENTS FINANCIALS FUND

Quarter Three, 2025



Performance to 30 September 2025	Nedgroup Investments Financials Fund ¹	Benchmark: FTSE/JSE SA Financials Index
3 Months	0.6%	1.0%
12 Months	8.7%	6.3%

Market Commentary

Global markets

Global markets delivered generally positive returns in Q3 (with the MSCI World Index up 7.6%), supported by resilient economic data and easing monetary policy. Asian equities and emerging markets outperformed, buoyed by AI-driven optimism and a weaker dollar. Chinese equities surged as Beijing ramped up domestic stimulus and accelerated AI investment. Japan and Taiwan also posted strong gains, supported by trade deals and corporate reforms.

US equities delivered resilient performance despite signs of cooling in the labour market. Slower job creation led to the Fed cutting rates by 25bps in September - its first move this year. The Fed cited “emerging softness” in employment and persistent inflation risks. Treasury yields declined in response, and rate-sensitive sectors rallied.

The European Central Bank cut rates again in July (by 25bps). European equities were broadly higher, with defence and infrastructure names benefiting from increased fiscal spending and geopolitical tailwinds. Inflation in the eurozone continued to moderate, allowing policymakers more flexibility.

South African markets

The South African Reserve Bank (SARB) cut the repo rate by 25bps to 7.0% in July, citing subdued inflation and weak growth. In a notable shift, SARB also announced its preference to anchor inflation closer to the bottom of its 3–6% target range, effectively targeting 3%. This dovish pivot helped support bond markets, with long-dated yields declining and nominal bonds attracting renewed inflows as inflation compensation declined further.

SA equities delivered strong returns in Q3, gaining 12.8% (FTSE/JSE Capped SWIX). The FTSE/JSE Property Index gained 5.6% and the FTSE/JSE All Bond Index closed 6.9% higher. Domestic cash, as measured by the STeFI delivered 1.8%.

Within the financial sector there were some strong and divergent moves: Banks generally being positive (Standard Bank +8%, Absa +7%, FirstRand +2%, but Nedbank -8%) and insurers negative (Discovery -8%, Santam -10%, Sanlam 6%, MMI -4%, but Old Mutual +10.6%) whilst the asset/wealth managers rerated along with a strong JSE (Coronation +12.6%, Ninety One +9%, PSG +3%, and Quilter +2%).

Fund performance

The Nedgroup Investments Financials Fund held some of the winners and losers mentioned above, but overall, it gained slightly more than it lost. The biggest contributor was the investment in the Denker Global Financial Fund² (+8.7% in US dollars) which, due to its weight (24.6%), made it the largest contributor for the quarter. Year to date, the fund has done well too (+35.3% in US dollars).

Over three years the Nedgroup Investments Financials Fund delivered 21.2% vs. the ASISA SA – Equity - General category’s average of 19.6%, and over five years 21.8% vs. 20.1%. This is because of the consistent growth in shareholder value of both the SA banks and insurers as well as the strong performance of the Denker Global Financial Fund over the past five years, which added 183% cumulatively in US dollars over the five years (25.3% annualised).

¹ Net return for the Nedgroup Investments Financials Fund, A class. Source: Morningstar (monthly data series).

² Net return for the Denker Global Financial Fund E class, in which the fund invests. This class is referenced throughout the commentary.



Top/bottom contributors

Top contributors	Ave. weight	Performance attribution	Top detractors	Ave. weight	Performance attribution
Denker Global Financial Fund	24.5%	1.1%	Sanlam	9.6%	-0.3%
Discovery Holdings	0.0%	0.5%	Momentum	6.3%	-0.2%
Reinet Investments	0.0%	0.4%	Standard Bank	8.8%	-0.2%
Nedbank	3.1%	0.2%	Nepi Rockcastle	0.0%	-0.2%
FirstRand	14.4%	0.2%	Remgro	0.0%	-0.2%

Source: StatPro. Average weights in the fund are for the 3 month period.

Top 5 contributors

- **Denker Global Financial Fund:** The fund gained 8.7% over the three months and 35.3% over the nine months ending 30 September (in US dollars). The US dollar remained weak, losing value against the rand (3.9%) and the Euro (3.2%). As a result, the rand return of the fund was slightly lower, but still a strong 5.6% for the quarter and 23.9% for the nine months. European banks reported good results and played a major role in the good performance. Year to date, however, US banks and the property and casualty (P&C) insurers have been weak/negative despite reporting satisfactory results. This has made their valuations attractive again and bodes well for the 12 to 24 months ahead. The fund has also increased its investment in emerging market banks a bit.
- **Discovery Holdings:** Discovery's results came in below expectations, with the share price down 8.3% for the quarter. The fund benefited from this on a relative basis, as it does not have an investment in Discovery.
- **Reinet:** Similar to Discovery, the fund is not invested in Reinet (as it gains its offshore exposure through the Denker Global Financial Fund instead).
- **Nedbank:** Nedbank was one of the weaker financial shares in the sector (-8%), along with Santam and Discovery, despite its attractive valuation. The sell-off was at least in part caused by the decision to sell its stake in Ecobank, which resulted in a fairly big capital loss and uncertainty about how the capital will be reinvested. The fund was underweight Nedbank (i.e. it had a smaller investment in Nedbank than its weight in the index), which contributed positively to relative performance.
- **FirstRand:** FirstRand's share price has been under pressure due to uncertainty about the size of possible claims against the banking industry in the UK arising from undisclosed incentives to vehicle dealers. FirstRand is the largest investment in the fund (after the investment in the Denker Global Financial Fund) but is underweight relative to the index. Because FirstRand's share price move was less than the fund average, the position contributed positively both in absolute terms and relative to the index.

Top 5 detractors

- **Sanlam:** Sanlam's share price was under pressure, along with the other insurers. Due to the large investment the fund has in Sanlam, the investment was a detractor. The fund's large holding in Sanlam is because of its consistently high return on capital which leads to high shareholder value growth over time. Sanlam's large investment in Shriram in India, and its broader African portfolio, generally contributes positively. In this quarter, however, the Indian market (and Shriram) was under pressure due to a number of short- to medium-term factors, the most important being the threats of large Trump tariffs against it. Shriram, however, is very well managed and well positioned to continue to benefit from the +/- 12% nominal growth of the Indian economy.
- **Momentum (MMI):** The fund has a large investment in MMI and this has generated good returns for investors in 2024 and year to date. We remain very positive about its positioning and leadership and believe the valuation does not reflect its potential, and hence it remains very undervalued.



- **Standard Bank:** We rate the management team of Standard Bank and the franchise very highly but are marginally underweight the share - despite it being an almost 10% investment in the fund. Due to the share's strong performance (reflected in the fund's returns this quarter), it did marginally detract from the relative performance.
- **Nepi Rockcastle:** We believe that over time banks and insurers are better investments than REITs. So, the fund seldom will have REIT investments. The fund's performance over the past 20 years shows that this has worked, but we accept that every now and then REITs will rally (generally when interest rates decline), causing the property sector to detract from the fund's performance.
- **Remgro:** Due to the large investment offshore via the Denker Global Financial Fund, we do not have an investment in Remgro and hence it appears as a detractor when the share gains. However, this should be measured against the investment in the Denker Global Financial Fund. Over time this decision has helped the fund outperform due to the Denker Global Financial Fund outperforming Remgro.

Current positioning and outlook

Changes to portfolio

A few changes were made to the portfolio during the quarter. We added to positions in Standard Bank and Old Mutual (a small increase) and initiated a position in Ninety One again. These purchases were funded by reducing Nedbank and Sanlam (Sanlam was a very large investment and had performed very well).

Outlook

A weak US dollar, lower oil price and stronger gold price are supporting South Africa's current account balance and easing inflationary pressures. The bottom line is that in a sea of negativity (around recent fraud exposés), these positives should not be overlooked.

Despite its good growth in shareholder value, the financial sector has been sold down (possibly to fund rotation into the resource sector) and now trades at valuations last seen in the 1980s after PW Botha's Rubicon speech. These attractive valuations of companies within the fund reflect low expectations despite its consistent growth in shareholder value over many years. The fund has delivered a compound annual growth rate of 15.5% since inception 22 years ago – despite the many challenges SA faced during that time.

If one believes that the banks can continue to deliver this kind of value growth (which we believe is highly likely), the sector presents an excellent investment opportunity. Any unexpected, good news will unlock the potential faster than expected.

Responsible Investment Comments

The fund's ESG continues to improve each quarter – it's up to an average score of 8.10, from 7.88 a year ago. Over the quarter the increase was largely due to Old Mutual, Sanlam and MMI increasing their environmental and governance scores, while the banks generally all saw slight deteriorations in the environmental scores (seemingly due to different scoring methods or disclosures).

Importantly, management teams continue to take responsible investing seriously. Over the next six months we will monitor whether this remains the case post-President Trump's actions. Certainly, in the case of US banks and insurers, the Social Responsibility scores should decline due to recent political and regulatory pushback against DEI (diversity, equity and inclusion) initiatives.





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

The Standard Bank of South Africa Limited is the registered trustee.

Contact details: Standard Bank, Po Box 54, Cape Town 8000,
Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

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.

NEDGROUP INVESTMENTS CONTACT DETAILS

Tel: 0860 123 263 (RSA only)

Tel: +27 21 416 6011 (Outside RSA)

Email: info@nedgroupinvestments.co.za

For further information on the fund please visit: www.nedgroupinvestments.co.za

OUR OFFICES ARE LOCATED AT

Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001

WRITE TO US

PO Box 1510, Cape Town, 8000

