

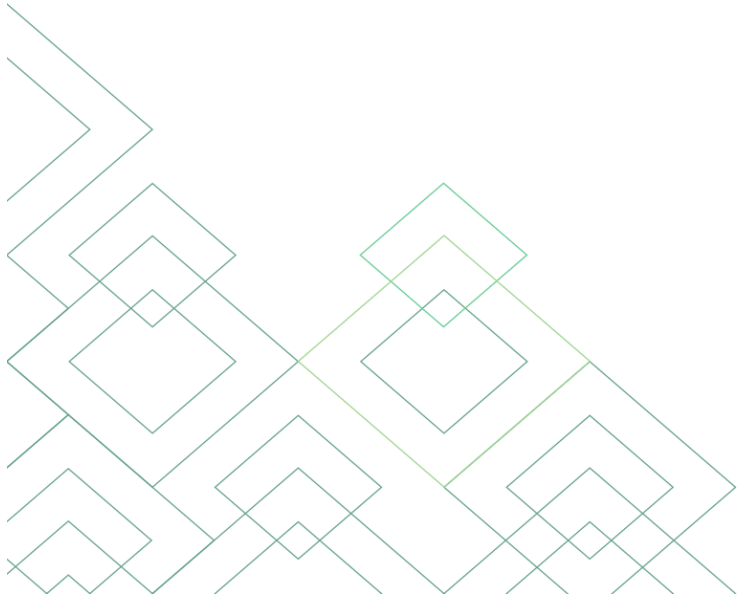
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NEDGROUP INVESTMENTS MANAGED FUND

Quarter Three, 2025





Nedgroup Investments Managed Fund

Performance to 30 June 2025	Fund ¹	ASISA Category ²
3 months	9.2%	9.2%
12 months	19.8%	20.1%

Market Overview

Geopolitical tensions remain elevated, both between and within nations, contributing to a persistently uncertain global environment. Despite these risks, the global economy is expected to remain broadly stable across most major regions through the remainder of the year.

While the escalation of US tariffs presents a modest headwind to growth, the overall impact is likely to be contained, and the inflationary effects are expected to be transitory. In the United States, controversial monetary and fiscal decisions continue to unsettle markets. Where policy has a direct short-term impact on markets, such as intervening in Fed independence, we would expect the market to force the government's hand via a higher long-term funding rate.

Domestically, South Africa's strong terms of trade continue to support the trade balance and fiscal position. At the same time, a firm rand and moderate inflation have created room for measured interest rate cuts.

US: AI led growth

US GDP growth for Q2 was revised upward, driven by stronger-than-expected consumer services spending, which rose 2.5%, and non-residential investment, which was up 3.6%. Notably, tech-related expenditure now accounts for over 40% of total fixed investment in the US.

This growth lever is expected to persist in the short term as major tech companies continue to invest in AI infrastructure, driven by ample cash reserves and strong incentives to maintain technological leadership. A new tax amendment, effective next year, will allow investment projects to be written off in one year, further stimulating investment spending.

There are ongoing debates about the long-term economic impacts of AI, including how productivity gains will balance against the potential negative employment effects. Importantly, much of the AI-related capital expenditure is being financed by tech companies' operating cash flows and equity raises, rather than debt, which mitigates some bubble risks. There is uncertainty over sustainable returns and valuations in the sector, but in the short term, the tech segment remains the primary driver of the upward earnings revisions and price outperformance of the S&P 500.

While a weakening labour market offers the Federal Reserve some latitude to cut interest rates, reasonable economic growth and persistent services inflation limit the scope for aggressive cuts. The US dollar is expected to weaken in the coming year as growth slows and interest rates decline, providing support for commodities and emerging market assets.

Europe: Gradual recovery

¹ Nedgroup Investments Managed Fund, A-Class, net of fees.

² ASISA South Africa Multi Asset SA High Equity





The European Central Bank is likely to pause its rate-cutting cycle for now, as European inflation remains steady at around 2%. Although economic activity remains subdued, resilient purchasing managers' indices (PMIs) are hovering just above expansionary territory, and business surveys continue to point to modest growth. Unemployment remains at a record low of 6.2%, reflecting a surprisingly robust labour market despite tepid output. Structural reforms, particularly increased investment in defence, energy transition, and infrastructure, are progressing gradually. While these initiatives will take time to translate into higher earnings growth, they provide a constructive medium-term backdrop and should function as a tailwind for European equities as implementation gathers pace.

China: Policy shift and tech drive

China's growth momentum remains uneven, with the state's sustained promotion of manufacturing leading to large trade surpluses, growing industrial overcapacity, and persistent deflationary pressures. While PMIs have held just above 50, signalling mild expansion, underlying domestic activity and consumption remain lacklustre, with growth still heavily reliant on exports. The property sector continues to weigh on sentiment, although the pace of price decline is slowing. There are early signs of improvement in consumer confidence, supported in part by the strong year-to-date performance of Chinese equities, with the Hang Seng up over 30%.

Beijing's recently launched "anti-involution" policy initiative seeks to address structural inefficiencies stemming from excessive competition and duplication across industries. Targeted measures include curbing overcapacity in sectors such as solar manufacturing, reducing price wars in the electric vehicle market, and discouraging redundant provincial investment projects - all of which are designed to support corporate profitability and improve capital discipline. Pro-consumption initiatives such as minimum wage increases and targeted fiscal support have also been introduced, although the overall scale remains modest. Meanwhile, China continues to pursue its agenda of technological self-sufficiency, particularly in the areas of artificial intelligence and advanced semiconductors. Recent regulatory reviews indicate that domestic AI chip capabilities are now comparable to, or in some cases exceed, the Nvidia products permitted into China under US export controls. Technology champions such as Tencent are already demonstrating tangible productivity gains from AI integration, underscoring China's broader ambition to cement its position as a global technology leader.

Commodities: Glittering gold

Whilst the global environment remains broadly supportive of emerging markets and commodities, gold has been surging for several reasons. Gold can be driven by any one, and at times all three, of the following factors:

- 1) its role as a fear gauge,
- 2) its behaviour as a currency influenced by interest and inflation dynamics, and
- 3) its enduring status as a store of value and reserve asset.

Although the gold price now appears extended relative to inflation and other commodities, the world has entered a new geopolitical era which is quite different to the previous 80 years. The weaponisation of currencies has eroded confidence in the US dollar as a neutral reserve asset, encouraging diversification into gold. In addition, the US's rising debt trajectory raises long-term concerns about the dollar's value. While shifts in monetary policy, inflation expectations, and political risk will continue



to influence short-term price action, the geopolitical fracturing of the global order is likely to remain a powerful, long-term support for gold. EM central banks' gold holdings remain low compared with those in DM countries, suggesting continued structural demand.

The outlook for platinum group metals (PGMs) is more nuanced. On the negative side, the accelerating adoption of electric vehicles (EVs) continues to erode demand for PGMs. However, supply dynamics offer an offset: South Africa, home to most of the world's PGM production, is experiencing declining mine lives from years of underinvestment. Additionally, current basket prices are well below the incentive price required to build new mines. Whilst there is some speculative potential for platinum to re-rate as a "reserve" precious metal, the market's small size limits its viability for large-scale central-bank accumulation. Given the thin and concentrated nature of these markets, price volatility could be significant if supply tightens or investor sentiment turns more favourable.

Copper remains structurally undersupplied, with a recent flooding incident at Freeport's Papua mine in Indonesia expected to exacerbate already constrained supply. This has reinforced expectations of widening copper deficits and sustained elevated prices amid accelerating demand for electrification. Copper miners, which typically trade at premium valuations due to their scarcity value, have benefited.

South Africa: Incremental improvement

The domestic backdrop showed encouraging signs of gradual improvement through the third quarter, supported by incremental structural reform. Transnet's port operations have improved markedly, with no vessels waiting to berth and container volumes back to 2017/18 levels. Having completed all 40 recommendations, SA's formal removal from the grey list is expected in October, which would bolster business confidence and facilitate cross-border financial flows. Tourism activity continued to strengthen, up 28% year-on-year in August, while the housing market has also shown renewed momentum.

On the political front, the Government of National Unity (GNU) continues to hold, providing an element of policy stability ahead of the next major political inflexion point - the ANC's elective conference scheduled for late 2027. However, service delivery failures, particularly in Gauteng, are emerging as a key political flashpoint. Encouragingly, trade discussions with the US are reportedly progressing well, raising the prospect of a one-year extension of AGOA, which would further support the country's export industries.

While strong terms of trade, a firm rand and moderate inflation have created room for measured interest rate cuts in tandem with the US easing cycle, the South African Reserve Bank's commitment to inflation targeting may temper the pace of policy loosening. Challenges remain, particularly around subdued domestic consumption and ongoing earnings downgrades in cyclical consumer sectors, reflecting ongoing household pressures. Nevertheless, while near-term growth prospects remain modest, the combination of policy progress, reform momentum, attractive valuations, and falling real yields provides a constructive backdrop for South African assets into year-end.

Performance Commentary

Despite economic headwinds, Q3 was a favourable quarter for South African financial markets. Equities were once again boosted by performance from precious metal miners this quarter, delivering a stellar 12.9% (Capped SWIX) and bringing the year-to-date returns to 31.4%. Whilst the global backdrop remains uncertain, gold and commodity prices continued to rise with the gold price reaching record highs of \$3830 by quarter end and platinum surging to an 11-year high. At a sector level, SA



Resources returned 46.8% in Q3 while SA Industrials only gained 3.7%, mostly due to Naspers performance, and SA Financials returned just 1.0% over the quarter. SA government bond yields eased modestly, reflecting lower real long-term rates and improved confidence in local fixed income.

From a local equity perspective, the fund benefitted from meaningful exposure to gold and PGM miners. Gold stocks strengthened significantly over the quarter as the gold price was fuelled by strong central-bank buying, a weaker dollar, and safe-haven demand amid geopolitical and policy uncertainty. We have maintained exposure to these counters given the supportive economic environment for gold and constrained supply which continues to support the platinum price.

Naspers/Prosus continued to contribute positively driven by Tencent. Prosus remains a high-conviction stock given exposure to Tencent's vast, diversified ecosystem at a discount, underpinned by multiple under-monetised growth levers.

Foreign exposed industrials struggled over the quarter with Anheuser and Bidcorp detracting. A strong rand, cost pressures and operational headwinds weighed on this sector, which is already trading at low levels.

From a fixed income perspective, South Africa benefited from the supportive global backdrop, with government bonds rallying sharply as yields compressed by an average of 70 basis points across the curve. This reflected lower US rates, reduced country risk premia, and most notably, declining domestic inflation expectations on the prospect of a lower inflation target.

Portfolio Movements

Within local equity, we took profits in British American Tobacco (BAT) and used some of the proceeds to build a position in Richemont, as the share was offering value post its 30% decline from its March high.

We added to our position in MTN, post its 20% decline. We generally have a higher conviction in the African earnings recovery, and MTN through its Nigerian and Ghana exposure is well-placed to benefit. We further added to our Standard Bank holdings, which derive some 43% of earnings from Africa, where strong growth will boost a more muted SA growth outlook.

The decline in real long-bond yields is a favourable development for domestic financials which remain attractively valued and are beginning to see earnings upgrades.

The decline in nominal yields and narrowing of the spread between South African and US bond yields, combined with the growing tail risks associated with higher long-term global interest rates, particularly in the US, underpins the case for maintaining a low duration bias within the fixed income allocation.

The fund's local equity holdings are tilted towards select PGMs, gold miners and SA Banks. Offshore-exposed counters also look appealing on a valuation basis, with Bidcorp trading at roughly 15x earnings and Anheuser-Busch InBev at around 12x cash flow. We continue to focus on select opportunities that aim to drive both capital growth and income in the portfolio.





Responsible Investing

Regulatory environment

- **Extreme weather events** - Record-breaking heatwaves in Europe caused an estimated 16,000 excess deaths, mainly among people older than 65. The extreme temperatures also drove daily power demand up by as much as 14% while concurrent thermal power outages pushed average daily power prices two to three times higher. Agricultural losses were severe with damage to French vine crops.

In the US, Texas also experienced one of the deadliest and costliest flash floods in US history, with estimated losses of \$18-22 billion. For context, total US flood-related losses between 1980 and 2024 amounted to approximately \$203 billion.

Against this backdrop, we expect:

- Increased insurer attention to pricing for climate-related deaths. Fires and floods are understood by climate models, however heat-related risks are more challenging to forecast. This remains a key engagement topic and one we plan to revisit with Sanlam and Discovery in Q4.
 - Renewed focus on energy security, with several countries delaying coal phase-outs or extending plant lifespans. For example, the US has advocated that coal plants remain open for longer given concerns around grid reliability and electricity cost.
 - Upside risk to food prices, as agricultural damage and shifting weather patterns threaten supply stability.
- **Headwinds for EV sales** - A number of automakers have postponed or scaled back their all-electric ambitions including Stellantis, VW, General Motors, and Porsche, with some delaying or cancelling some EV launches (Ford, Porsche). Canada has also deferred its plan to mandate minimum EV sales by 2026, while European car makers have requested a temporary reprieve from European emission standards. Meanwhile, China has introduced permit requirements for electric vehicle manufacturers as a means of countering accusations of market flooding with low-cost cars, and also to tighten market control.

These trends are marginally positive for PGM demand, as slower EV adoption sustains internal combustion engine (ICE) production levels.

- **China's anti-involution drive impacts green industries:** An estimated 100,000 jobs are at risk in South Africa due to tariff pressures, mostly in the agricultural and automotive sectors. This is expected to shave 0.2% off GDP, although the SA government is actively seeking to diversify trade partners in both these sectors. China's campaign to curb overcapacity and price wars in key industries has begun to affect the green transition. Glass producers for solar panels cut output by around 30% because of weak demand amid high supply, while tighter oversight in the EV sector aims to stabilise pricing.

These measures are expected to reduce supply of certain goods required for the green transition.

- **South African jobs at risk** : An estimated 100,000 jobs are at risk in South Africa due to tariff pressures, mostly in the agricultural and automotive sectors. This is expected to shave 0.2%



off GDP, although the SA government is actively seeking to diversify trade partners in both these sectors.

Offsetting this, Chinese automakers are looking to increase local production while Volkswagen is pushing back against automation at South African plants in a bid to protect jobs. We are monitoring developments in this area.

- **Financial inclusion momentum in Africa** - Kenya's National Financial Inclusion Strategy 2025-2028 includes a number of measures to expand access to financial products, through tailored products, capped fees, improved infrastructure, and enhanced financial education to ensure good customer outcomes.

These reforms should be positive for financial services firms that operate in Kenya and other regions in Africa. With similar initiatives emerging across Africa – we expect this will be potentially forthcoming in South Africa as well.

- **Big tech under scrutiny** - Amazon faces investigations around their dominant market position. The conglomerate recently settled \$2.5 billion in the US for allegedly misleading 40 million customers into a Prime subscription without their consent and making it difficult to unsubscribe. Canada has opened an investigation into whether Amazon is abusing their dominant position, and in 2027 they face a US anti-trust lawsuit for running a monopoly that inflates prices, degrades quality and stifles innovation.

Other dominant players, such as Google have experienced monopoly lawsuits and Nestle's legal case related to the filtration process for bottled mineral water. We expect lawsuits of this nature to continue.

Engagements

- **UK regulatory environment** We engaged with Firstrand (FSR) regarding further developments on consumer redress following the ruling in the UK commissions case. Our valuation reflects this impact of this issue which is more conservative than management expectations. Truffle also engaged with Quilter (QLT) with regards to the regulatory environment. They are not expecting changes to their previous guidance around redress. Management expect that the regulator will eventually seek measures to close the advice gap.
- **Property companies investing in solar** (We engaged with a number of property companies regarding their solar plans (RES, VKE, FFB). Cost reductions are expected due to lower electricity costs as a result of renewable energy sources. Increased solar as a source of energy is a key part of the investment case for many local property companies.



Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Gold Fields Limited	3.64%	2.23%	Anheuser-Busch Inbev SA/N.V.	4.04%	-0.73%
Prosus NV	6.40%	1.37%	Pepkor Holdings Limited	2.50%	-0.26%
Anglogold Ashanti Limited	2.96%	1.25%	Bid Corp Limited	2.84%	-0.25%
Anglo American Platinum Limited	1.04%	0.83%	Aspen Pharmacare Holdings Limited	0.77%	-0.18%
Naspers Limited	6.45%	0.81%	Discovery Limited	1.90%	-0.17%

Asset Allocation	Domestic	Foreign	Total
Equity	74.39%	-	74.39%
Fixed Income	19.24%	-	19.24%
Property	4.76%	-	4.76%
Cash	1.38%	-	1.38%
Equity Derivatives	0.24%	-	0.24%
Total	100%	0.00%	100%

Source: Truffle, as at 30 September 25





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.
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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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