NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS OPPORTUNITY FUND

Quarter Three, 2025

Nedgroup Investments Opportunity Fund

Performance to 30 September 2025	Fund Performance[1]	ASISA category average[2]	Inflation + 5%
3 months	4.5%	5.7%	2.3%
12 months	15.6%	14.4%	8.5%
3 years	15.0%	14.4%	9.4%
5 years	16.9%	11.7%	10.2%
Since inception (March 2012)	11.5%	9.0%	10.3%

Market Overview

Despite multiple headwinds, equity markets proved resilient and continued to grind higher. For the quarter, global equity markets sustained their upward momentum, with the MSCI World Index gaining 7.6% (in USD). Emerging market equities rose 10.6% (in USD), outperforming developed markets. The risks associated with US tariff policies have largely been shrugged off by investors, with global equities now trading well above pre-Liberation Day levels.

US markets posted solid gains for the quarter with the S&P 500 up 8.0% (in USD). The Fed cut rates by 25 basis points in September with the forward market pricing a further 125 basis points rate cuts. However, given the confusing state of the U.S. economy (sticky inflation and a softening labour market), there is vast divergence in expectations amongst Fed committee members.

After demonstrating remarkable resilience through the first half of the year, US economic data moderated meaningfully over the quarter. Labour market indicators softened, with non-farm payrolls coming off markedly. Against this backdrop, US Treasury yields moved lower, reflecting expectations of a policy pivot. The 10-year Treasury yield ended the quarter around 4.2%, down from the highs seen earlier in the year, while shorter-dated yields declined more markedly as markets priced in rate cuts over the coming quarters.

South African equity investors fared well over the quarter (JSE All Share Index up 12.9%), lifted by mining shares that benefitted from higher metals prices. Gold continued its upward trend, surging to fresh highs - the precious metal has risen by >40% this year and has eclipsed its inflation-adjusted peak set more than 45 years ago. The price of gold stays underpinned by heightened macroeconomic and geopolitical risks that are unlikely to subside in the near term.

Our domestic fixed income market was shaped by a notable shift in the SARB's policy stance. Taking advantage of a period of subdued inflation — which eased to 3.3% in August — the SARB unilaterally began targeting the lower end of its 3–6% inflation band. This implies that real interest rates will need to be run higher to help anchor inflation expectations downward. So, while much of the developed world is entering an easing cycle, South Africa's policy rates are likely to see limited near-term adjustments. National Treasury is expected to formally announce a revision to the inflation target in due course, likely aligning it with the 3% level the SARB has already begun to pursue in practice.

Domestic bonds rallied strongly over the quarter, supported by declining global yields and a repricing of long-term inflation expectations, with the FTSE/JSE ALBI delivering a total return of 6.9%. In line with market forecasts, the MPC kept the repo rate unchanged at 7%, following 125bps of interest rate cuts in this cycle. The SARB is expected to cut rates by a further 75bps over the next 12 months.

Portfolio Commentary

The Nedgroup Opportunity Fund delivered a return of 4.5% and 11.6% (net of fees, most expensive fee class) for the quarter and year to date, respectively.

The fund continues to achieve its real return objective of CPI + 5% over all annualised periods.

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[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 2025Q3:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
Valterra Platinum	0.9%	1.08%	Qfin Holdings	1.4%	-0.6%
R2040	9.2%	0.8%	Novo Nordisk Note	0.6%	-0.4%
Alibaba Group	1.5%	0.8%	Truworths	1.3%	-0.3%
Sasol	0.8%	0.5%	TBC Bank	3.5%	-0.2%
Baidu Inc	0.6%	0.3%	Merafe	0.7%	-0.1%

The performance of the portfolio over the quarter was enhanced by a broad range of positions. Our exposure to the platinum sector, specifically Valterra, was the single largest contributor with the sector supported by growing market deficits. Our timeous participation in the placement of Valterra shares in September augmented our exposure and fund returns given the >30% uplift in the share price after the placement.

Bonds rallied strongly over the quarter, supported by declining global yields and a repricing of long-term inflation expectations, with the FTSE/JSE ALBI delivering a total return of 6.9%. This benefited our exposure to the R2040.

Chinese equities extended their rally (20.7% for the quarter) as Beijing repeated its growth pledges, with our holdings in Alibaba (a top detractor in Q225) and Baidu benefitting. There appears to be a growing consensus among policymakers that domestic consumption is key to addressing current economic challenges, especially amid deflation and tariff uncertainty. A key development to watch is whether Beijing shifts from capital investment toward stronger welfare transfers and greater support for household consumption.

The performance of the top contributors was partially offset by the following key detractors – Qfin Holdings, Novo Nordisk (structured note), Truworths, TBC Bank and Merafe. TBC Bank, a top contributor over Q225, retreated following a period of strong outperformance. This business remains our largest equity holding (3.2%) and has been a key contributor to fund performance over the past 12 months.

Current positioning and outlook

The rally in risk assets to new highs is displaying signs of investor complacency, thus caution is warranted. The impact from changes in trade policy on global economic growth is still unknown and a softening US labour market points to fragility in the largest economy in the world. However, an influential driver of equities is monetary conditions, and as the global easing cycle advances, it should support further market gains.

South Africa’s recent macro performance has been characterized by weak growth. But bright spots are appearing (low inflation, strong ZAR, lower interest rates, easing supply constraints in logistics) which will support an acceleration in growth. A growth rebound could catalyse a rotation into domestic orientated businesses (such as SA banks and consumer stocks) that have meaningfully corrected in 2025. By way of example, bank valuations remain in the doldrums having derated year-to-date despite reasonable earnings growth expectations and a >100bps decline in the 10yr SA govt bond yield. Given this divergence, we have rotated some of our nominal bond exposure into SA banks.

We believe South African equities could rally further due to cheap valuations, an improving domestic backdrop, US$ weakness and the changes in the SARB's inflation-targeting mandate. This conviction is reflected in our increased allocation to net local equities, which made up 38% of the fund at the end of September

Our total (foreign and domestic) net equity exposure measures c60% and is anchored in quality businesses with resilient earnings, diversified by sector as well as geography and is well placed to navigate the current environment.

Although the ZAR is no longer trading at historically cheap levels, ongoing softness in the USD could continue to provide support for emerging market currencies, and we maintain a neutral stance.

Looking ahead, disruption and uncertainty are likely to persist, with a wide range of possible market outcomes. The benefit of our multi-asset fund is our toolbox that affords us the opportunity to achieve our dual objective of capital protection and upside participation – this is chiefly achieved through active asset allocation as well as security selection. In addition, there are other avenues to add value – for example; through hedging, currency hedges and structured notes. We believe that the fund is resilient and well positioned to navigate the uncertainty through diversification and we will also seek to benefit during periods of market volatility (as we did in April this year).

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
DATE OF ISSUE
13 January 2025