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NEDGROUP INVESTMENTS PROPERTY FUND

Quarter Three, 2025

Nedgroup Investments Property Fund

Performance to 30 September 2025	Fund[1]	Peer group[2]	Benchmark[3]
3 months	3.8%	5.3%	6.7%
12 months	11.1%	10.0%	11.4%

Market Overview

The economic policies of US president Donald Trump continue to cause heightened uncertainty in financial markets. However, global equity markets broadly were in a risk-on mode as prospects of lower interest rates in the US boosted sentiment, with growth-oriented names (especially tech/AI) outperforming value peers. Building on strong second quarter momentum, the MSCI World Index returned 7.3% (USD net Total Return) and the MSCI Emerging Markets Index gained 10.6%(USD) in the third quarter.

It appears some of the tariff war concerns have been discounted or treated as negotiation posturing, reducing market drag. Markets have also so far shrugged off many other headwinds emanating from the US such as sticky inflation, labour market softness, lower consumer confidence and a US government shutdown. Developed equity markets were once again driven by the US, with the S&P 500 gaining 8.1% and the tech-heavy Nasdaq Composite Index gaining 11.4% in USD.

Bond markets remained volatile during the third quarter as US 30-year Treasury yields reached a high of just over 5% in mid-July but trended significantly lower towards the end of the quarter to close at 4.73% as bets for lower interest rates increased.

The South African stock market experienced a bumper quarter, gaining 12.9%. Most of the gain came from the Resources sector (+46.8%), and more specifically from the Precious Metals and Mining Index (+58.2%). Both gold and platinum are benefiting from a low-interest-rate environment, economic uncertainties, and shifts in investor behaviour. While gold continues to be a primary safe-haven asset, platinum's resurgence reflects a broader interest in precious metals.

The Industrials Index and the Financials Index produced more muted returns of 3.7% and 0.3% respectively over the quarter due to a combination of domestic economic challenges and investor sentiment. Foreign investors withdrew $3.7 billion from South African equities since October 2024, marking the longest streak of outflows in five years. This trend reflected concerns over policy uncertainty and economic stability, affecting sector valuations.

In the September 2025 quarter, South Africa's bond market experienced significant foreign investor interest. The growing appeal of South African bonds among international investors was driven by factors such as high real yields and a credible central bank, with the SARB recently indicating a preference for inflation to settle at the lower end of the current target of between 3% and 6%. The SA bond market reacted positively to lower inflation expectations and a stronger rand (the US dollar depreciated by 2.5% against the rand), gaining 6.9% for the quarter. Listed property also benefitted from lower bond yields, with the FTSE/JSE SA Listed Property (SAPY) Index gaining 6.6% over the quarter. Several positive trading updates also contributed to an improvement in investor sentiment towards South African listed property securities.

Portfolio Commentary

The Fund underperformed both the market and the peer group average in the third quarter as South Africa's listed property sector continued to rally after a very strong second quarter performance. The underperformance can mainly be attributed to the Fund's underweight positions in Growthpoint (+10.5% return in the third quarter) and Fortress B (+14.9%) as well as the Fund's exposure to Accelerate Property Fund (-24.0% following a rights

[1] Net return for the Nedgroup Investments Property Fund, A class. Source: Morningstar (monthly data series).
[2] Peer group is the (ASISA) Real Estate General category average
[3] FTSE/JSE South African Listed Property Index

issue to recapitalise the company and provide funding for the ongoing improvements at Fourways Mall). The Fund's exposure to Safari Investments (+14.7%), Delta Property Fund (+13.6%) and Octodec (+10.9%) helped mitigate some of the relative underperformance during the quarter. Over the past 12 months, the Fund is outperforming the peer group average but has underperformed the SAPY index over that period.

During the quarter, the Fund continued to lighten its exposure to Fairvest B following further strong price gains with the view to recycling that capital into Fortress. Unfortunately, the Fortress share price rallied further at the start of the quarter and now exceeds the Fund's target price. No new securities were added to the portfolio during the quarter.

The Fund declared and paid a distribution of 0.62c for the A class and 0.67c for the A1 class, both of which were in line with expectations and more than 30% higher than the distribution paid in the third quarter of last year. As a reminder to investors in the Fund, the second and fourth quarter distributions are the largest and in 2024 accounted for almost 90% of the annual distribution. We expect a similar pattern to emerge in 2025.

Top 5 winners and losers for Q3 2025:

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Growthpoint	10.53%	1.00%	**Accelerate**	3.27%	-0.90%
Vukile	7.64%	0.70%	**Grit**	1.03%	-0.29%
NEPI	9.73%	0.65%	**SA Corporate**	3.35%	-0.02%
Resilient	6.05%	0.59%	**Fortress B**	0.03%	0.00%
Fairvest B	10.31%	0.56%	**Burstone**	3.25%	0.01%

Current positioning and outlook

The Fund continues to maintain a thematic approach to portfolio construction, favouring property types and geographic locations where fundamentals remain strong or are improving. The Fund's largest single theme exposure remains to convenience and neighbourhood shopping centres in South Africa, with very little exposure to regional and super-regional shopping malls. Recent commentary from grocery retailers like Boxer and Shoprite reveal strong demand for convenience and neighbourhood retail and supports the view that fundamentals remain strong and could improve further as both Boxer and Shoprite have announced aggressive expansion plans in non-urban areas. According to the SA Property Owners Association (SAPOA), convenience and neighbourhood shopping centres continue to enjoy the lowest vacancy rates, as well as the lowest cost of occupancy for retailers, suggesting a very healthy outlook and the prospect of above-average market rental growth in the short to medium-term.

The Fund's large position in Spear maintains the Fund's above-average exposure to the Western Cape, where property fundamentals continue to improve and vacancy rates in the office sector are now lower than they were pre-pandemic. Growthpoint's recent results highlighted the rapidly improving fundamentals in their Western Cape office portfolio as well as strong growth at the 50%-owned V&A Waterfront. The Fund continues to maintain low exposure to the UK and Western or Eastern Europe when compared to the SAPY index, but the expected addition of Fortress into the portfolio will mean that the Fund's Eastern European logistics exposure will rise. Rising bond yields and higher discount rates are still expected to put significant downward pressure on property values in Europe over the next 12 to 18 months, but the fundamentals for the warehousing market remain strong as demand for data centres to power the growth in AI creates a strong fundamental backdrop for landlords.

The Fund continues to maintain a high relative exposure to residential property through Octodec, as the higher costs associated with home ownership drive rental demand for well-located residential properties. This should help reduce vacancies and drive-up market rental levels in the medium-term. Octodec's relative valuation remains very attractive given it is not a constituent of the SAPY index and therefore enjoys little to no institutional investor support, despite offering a forward dividend yield above 12% on a 90% payout ratio.

The Fund's overall exposure to the office sector has increased and is now more or less in line with the market average. Most of the Fund's office exposure is now in the Western Cape (and Cape Town specifically) where fundamentals are far stronger than in either Gauteng or KZN. According to the latest data from SAPOA, P-grade office vacancies in the Western Cape have reduced to below 1% and rentals are therefore expected to rise appreciably in the short and medium-term. The improving fundamentals for office properties in Cape Town has been communicated by several South African REIT management teams over the past 9 to 12 months.

The Fund's geographic exposure remains heavily weighted towards South Africa (75%) versus the SAPY index weight of 47%. Within South Africa, the Fund is overweight the Western Cape as well as rural areas (through convenience and neighbourhood retail) and is underweight urban areas in Gauteng and KZN.

This approach to portfolio construction, favouring relevant themes and property fundamentals over the size and make-up of the various market benchmarks, means the Fund can and often does look very different to both the market and the peer group.

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current one-year forward yield on the Fund is 8.2%, with growth in that income likely to be above inflation over the medium-term following the creation of a lower income base in 2022 and 2023. Distributions were flat in 2024, mainly because of the increased exposure to NEPI. Distributions are expected to approximate inflation in 2025 before accelerating towards 10% in 2026. The current one-year forward income yield of the SAPY index, based on the same forecasts, is now 8.2% while the yield on government's benchmark R2035 bond is 9.0%. The fact that listed property yields in South Africa are now lower than the yield on 10-year government bond yields, but still trade at discounts to net asset value are a function of two things. Firstly, only 47% of the sector's property exposure is to South Africa, with the rest in geographies where bond yields are much lower and secondly, dividend growth is expected to accelerate towards 10% in 2026 and 2027.

A combination of improving property fundamentals in South Africa, lower official interest rates and significantly less loadshedding are contributing to a more constructive backdrop for the listed property sector in South Africa in 2025 and beyond. This should see the still large discounts to net asset value shrink further as share prices move up but should also contribute to higher dividend and distribution growth in the future. The Nedgroup Investments Property Fund is ideally positioned to capture this upside given its large relative overweight to South Africa within the peer group.

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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