NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS RAINMAKER FUND

Quarter Three, 2025

Market context
The third quarter of 2025 was a strong one for global equity markets, marking the third consecutive quarter of gains across most major regions. Returns were supported by resilient US economic data, ongoing enthusiasm for artificial intelligence, and renewed optimism around policy easing. The global rally was again led by large-cap technology and communication services names, with the "Magnificent 7" driving returns.

Emerging markets outperformed developed peers for a third consecutive quarter – their longest winning streak since 2017 – buoyed by China's renewed policy stimulus, the most substantial since the pandemic. A softer dollar, firmer commodity prices, and a broad recovery in Asian markets further supported risk sentiment across the EM complex.

In South Africa, conditions were also decisively upbeat. The All Share Index gained 12.9% in rand terms for the quarter and 6.6% in September alone, its strongest stretch since 2020. Precious metals and mining shares surged more than 30% as gold and platinum prices hit multi-year highs on expectations of lower real yields and heightened geopolitical demand for safe-haven assets.
The resource-led rally helped South Africa outperform both emerging and developed market peers, attracting renewed foreign interest after several quarters of net outflows.

Performance
Against this backdrop, the portfolio delivered a positive absolute return – consistent with its quality profile – participating in the rally while maintaining discipline in a market dominated by cyclical exuberance.

Domestic market leadership was exceptionally narrow, concentrated in gold and resource shares at the expense of defensive and growth-oriented sectors. The portfolio's limited exposure to these high-beta areas detracted from performance – a deliberate outcome of its focus on durability rather than short-term momentum. The portfolio maintains indirect exposure to gold through the NewGold ETF, which provides a defensive ballast and a hedge against currency and geopolitical risk. This position serves its purpose as a store of value during periods of volatility, without the operational and balance-sheet risk inherent in mining equities. We typically avoid gold producers, as their earnings are highly cyclical and capital-intensive, characteristics that sit outside of the quality framework we apply. Instead, our preference is for assets and companies that are capable of generating consistent, compounding returns through a range of market conditions.

Among domestic holdings, Prosus remained a standout contributor, executing well on its simplification strategy and improving profitability within its e-commerce operations. BHP also supported returns as stronger commodity prices lifted sentiment across diversified miners. Shoprite added further stability, with its dependable cash flows and defensive earnings profile providing resilience in a volatile environment. FirstRand delivered solid results, underscoring the strength of one of South Africa's best-managed banking franchises.

Select industrial and insurance names, including Mondi and Santam, detracted modestly. In each case, softer trading conditions and some profit-taking, as investors chased momentum in gold counters, explained most of the move. Fundamentally, the businesses remain sound, and the muted returns appear more cyclical than structural.

The global names echoed this pattern – strong fundamentals, yet selective participation in a market dominated by a handful of speculative winners. Microsoft, ASML, and Taiwan Semiconductor

Manufacturing Company continued to post impressive earnings growth and cash generation, benefiting from sustained demand for AI-enabling infrastructure. However, market enthusiasm remained concentrated in a narrow set of more speculative technology names. Intuit and NetEase made meaningful contributions to returns, driven by strong execution and renewed earnings momentum.

A handful of global names detracted modestly from returns. London Stock Exchange Group came under pressure after a weaker operational update and lower data-platform growth expectations. Visa and Booking Holdings also eased back following earlier strength, weighed down by regulatory concerns in payments and softer forward travel commentary. Verisk Analytics and Diageo detracted slightly amid market rotation away from defensive consumer and data analytics stocks. These remain high-quality businesses, and recent weakness has improved their prospective return potential.

Portfolio Activity

Portfolio activity was focused on trimming strength and rotating into areas where quality and valuation align more favourably. We reduced our holding in British American Tobacco following strong performance and a compressed return outlook, although it remains a core holding. We also trimmed Prosus and added modestly to Bidvest, where a constructive update and appealing valuation support the investment case. We switched part of the gold ETF into Richemont, taking profits after gold's strong run and adding to a high-quality luxury name trading at attractive levels.

Offshore, we trimmed Verisign following material outperformance and added to Diageo, where valuations now reflect overly bearish expectations. We also exited Nestlé in favour of LVMH, upgrading the portfolio's exposure to a company offering stronger long-term return potential after a significant derating.

These moves collectively refine the portfolio around businesses with durable cash generation and improving prospective returns – consistent with our disciplined approach to compounding quality through cycles.

Outlook

Equity markets remain narrow and crowded, with valuations stretched in places. Capital intensity is rising, debt costs are still high, and productivity gains remain elusive. In this environment, the ability to fund growth internally rather than rely on cheap capital becomes a key advantage.

Our focus is unchanged: owning companies that can self-fund, reinvest sensibly and compound value over time. In South Africa, we continue to back globally competitive businesses with clear self-help levers. Offshore, we favour leading technology, consumer and financial franchises with strong cash generation and pricing power.

We remain mindful of concentration risk in global indices, particularly around artificial intelligence and a handful of mega-cap names. We're participating selectively – favouring businesses with credible monetisation and defensible moats over those propelled by momentum.

The opportunity lies in holding companies whose intrinsic value compounds steadily, even when they're not in fashion. Investing now is less about predicting the next sentiment swing and more about preparing for it – ensuring portfolios are built on lasting fundamentals, not passing trends. That remains the essence of our approach: disciplined, deliberate, and designed to endure.

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.

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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

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