



**NEDGROUP  
INVESTMENTS**

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

**see money differently**

## **NEDGROUP INVESTMENTS MANAGED FUND**

**Quarter Four, 2025**



Performance to 30 June 2025	Fund <sup>1</sup>	ASISA Category <sup>2</sup>
3 months	8.1%	9.3%
12 months	31.1%	30.6%

## Market Overview

The global economic environment continues to provide a favourable backdrop for risk assets as we move into 2026. High and expanding fiscal deficits across major economies, combined with accommodative monetary policy in key regions, support our expectation for solid growth over the coming year. While tariff implementations and geopolitical tensions have introduced headwinds, these have been largely offset by robust capital expenditure in artificial intelligence (AI) infrastructure and sustained equity market strength, which has bolstered consumption among higher-income households.

Earnings growth expectations in the low teens across major regions remain attractive. However, we note that the US market trades at a significant valuation premium relative to international peers, despite comparable earnings prospects. This premium, coupled with elevated risks around AI-related investment returns and potential dollar weakness, leads us to favour opportunities in non-US markets.

The shifting geopolitical landscape and persistent US fiscal deficits present headwinds for the dollar while supporting precious metals. This dynamic is particularly beneficial for South Africa given our commodity export base and the fiscal revenues generated from the mining sector.

### United States: Strength with emerging risks

The US economy continues to display resilience, with expectations for 2026 GDP growth revised higher. Recent growth has been supported by strong consumption, improved trade dynamics, and sustained investment in AI-related infrastructure. Inflation has continued to moderate, while labour market conditions remain broadly healthy, albeit with unemployment drifting higher and wage growth easing.

Despite this supportive macro backdrop, affordability pressures are increasingly evident among lower-income households. Consumer confidence has softened, reflecting these pressures, even as spending among higher-income consumers remains firm. Easing inflation, moderating wage growth, lower shelter costs, and subdued energy prices should allow for further interest rate cuts.

Artificial Intelligence risks to the economy remain a concern. The scale of capital expenditure is unprecedented, yet visibility on long-term returns remains limited. In addition, elevated profitability among certain hardware providers may normalise at lower levels as competition intensifies, and balance-sheet interdependence via vendor financing among large technology firms creates risk of a

<sup>1</sup> Nedgroup Investments Managed Fund, A-Class, net of fees.

<sup>2</sup> ASISA South Africa Multi Asset SA High Equity



domino effect. When combined with high US equity valuations, these risks reinforce our preference for diversification beyond the US market.

The dollar's long-term trajectory remains negative given its elevated purchasing power parity valuation, expected rate cuts, and ongoing large fiscal deficits. This environment should prove supportive for emerging market assets and commodities.

### **China: Manufacturing dominance persists**

China continues to play a dominant role in global trade. The rerouting of exports through parts of south-east Asia, competitive pricing, and strong growth in technology-related exports have reinforced its manufacturing leadership. At the same time, China's "new economy" sectors, including AI, electric vehicles, batteries, biopharmaceuticals, and aerospace, are offsetting ongoing weakness in property and domestic consumption.

Weak domestic demand and excess capacity weigh on growth, while rising productivity and expanding high-value industries provide an offset, likely keeping GDP growth near the mid-4% range.

### **Europe: Cautiously edging forward**

Europe's outlook remains modestly positive. Energy costs have normalised, unemployment remains low, and growth in several Southern European economies has been resilient. Prospects for fiscal support in Germany, a broadly accommodative stance from the European Central Bank, and a willingness to ease regulatory burdens provide incremental support, even as structural challenges persist.

### **Metal prices supported by structural supply and demand fundamentals**

The outlook for metals remains favourable. Reduced confidence in the dollar's long-term dominance has prompted central banks to diversify reserves, increasing allocations to gold amid geopolitical uncertainty. While gold's pace of appreciation may slow, ongoing central-bank demand should remain a durable source of support in a multipolar world.

Platinum group metal prices have benefited from declining mine supply and policy shifts, extending the role of internal combustion engines. The EU has walked back its 2035 ban on new petrol and diesel vehicles.

Copper remains well supported by demand from both the energy transition and AI-related infrastructure while supply faces persistent constraints. Mine disruptions are running above normal levels, and the difficulties in developing new mines or expanding existing operations further constrain supply. Nearly half of global copper mines are over 20 years old, with ore grades having declined approximately 40% since 1991, driving costs higher and limiting supply response. The increasing global geopolitical tensions may encourage hoarding which adds further support to pricing.

### **South Africa: Positive momentum building**

South Africa appears well positioned for a relatively strong year. Improved global conditions, firm precious-metal prices and subdued oil prices have supported favourable terms of trade, contributing to strength in the rand and domestic asset markets. Long-dated bond yields have declined to levels last seen several years ago, reflecting improved fiscal credibility and a supportive global backdrop.



Inflation has moderated, providing scope for a more accommodative domestic monetary stance should global conditions allow. Confidence has been further reinforced by clearer alignment between National Treasury and the SARB on inflation targeting, improving fiscal projections, South Africa's removal from the FATF grey list, and a sovereign credit-rating upgrade by S&P.

Fixed investment momentum is gradually improving. Traxton announced a R3.4 billion investment to double its rail fleet, adding roughly 5% to national capacity. Additionally, a 25-year concession agreement was signed with International Container Terminal Services Inc to manage Durban Container Terminal Pier 2, increasing capacity by 40%. These developments enable Transnet to move more freight and improve exports, reduce its operational and financial stress, and open opportunities for additional private sector investment.

We anticipate GDP growth will exceed the 1.6% Bloomberg consensus estimate for 2026, supported by bumper agricultural crops and robust tourism. Sustaining recent asset price gains will require a continuation of this performance into 2027, alongside sustained fixed investment and improved service delivery. The outlook for most JSE sectors is positive going into 2026 and we currently favour domestic equity over cash and bonds.

## Outlook

While global conditions are currently supportive, particularly for commodity-linked economies, these tailwinds are cyclical. Over the longer term, South Africa's investment appeal will increasingly depend on institutional strength and policy execution.

Globally, given the concentration of market capitalisation in large-cap technology companies benefiting from the AI theme, any deterioration in the AI investment narrative could impact global markets materially. We have positioned our portfolios in opportunities that are mostly independent of this theme, in investments that should deliver attractive medium-term returns.

## Performance Commentary

The last quarter of 2025 proved to be another strong period for South African assets. While SA property was the overall winner returning 16.3% (SAPY), SA equities and SA Bonds continued to post outsized gains of 8.1% (CAPI) and 9.0% (ALBI), respectively. Within local equities, commodity strength continued to boost performance from mining companies with SA Resources returning 10.3%. SA Financials at 18.4% and domestically focussed counters outperformed given a number of factors supporting the local economic backdrop.

South African bonds delivered strong returns in Q4 2025, supported by easing inflation, improving fiscal credibility. Government bond yields declined as markets priced in the start of a domestic easing cycle, while continued foreign inflows and high real yields underpinned both capital appreciation and carry returns.

Domestic equity contributed meaningfully to Q4 fund returns. A supportive economic backdrop boosted performance from financial counters over the last quarter with both financials and property benefitting from a downward revision to local interest-rate expectations driving a valuation re-rating. Resilient bank fundamentals including earnings outlook also benefitted the sector. A meaningful exposure to banks, the life insurance sector and property therefore contributed to quarter's performance.



Platinum stocks performed well in Q4 supported by firmer pricing, improving auto-catalyst demand expectations, tighter supply dynamics.

The fund benefitted from exposure to PGMs and gold miners. Exposure to Naspers and Prosus detracted from performance as Tencent pulled back from a strong outperformance in the previous quarters. Its fundamentals remain solid.

## Portfolio Movements

Within the equity allocation, we continued to tilt the fund's positioning towards SA Inc, particularly SA Banks which we expect will continue to benefit from the local economic backdrop. We added to a position in FirstRand and ABSA given compelling valuations and strong dividend yields. We reduced a position in Capitec on valuation grounds.

We reduced some of the foreign exposed names, including Anheuser and Bidcorp, in favour of SA companies. We also added to PGM and property counters.

The fund positioning at the start of 2026 reflects a preference for domestic equity and REITS over cash and local bonds.

## Responsible Investing

### Regulatory environment and newsflow

- **Rising costs from extreme weather** - According to Bloomberg Intelligence, the cost of extreme weather events has doubled over the past five years to almost US\$1 trillion in 2025. This trend implies rising insurance and claims costs for financial services companies with exposure to high-risk regions. COP30 in November 2025, adopted a call to triple adaptation finance by 2035, acknowledging that worsening storms, floods, droughts and wildfires pose increasing economic and social risks.
- **Climate policy taking a backseat to economic growth** - During Q4, several countries proposed measures that weaken or delay climate commitments. Examples include the EU stepping back (subject to conditions) from its 2035 phase-out of internal combustion engine vehicles; Canada finalising methane reduction rules that allow flexibility in compliance for oil and gas producers; Germany proposing a rollback of corporate energy efficiency targets; and the US moving to halt greenhouse gas reporting requirements for large emitters while allowing federal electric vehicle subsidies to expire. While COP30 called for stronger national commitments and increased financial support for developing economies, no clear roadmap emerged for the transition away from oil, gas and coal - originally expected to be a key focus of the summit.

In addition, the European Union significantly amended its sustainability directives, raising the employee threshold required for companies to fall within scope. This change materially reduces the number of companies subject to these regulations. The Corporate Sustainability Due Diligence Directive, which aims to hold companies accountable for human rights and environmental violations in their supply chains, has been particularly affected. A reduced regulatory focus on climate is likely to result in fewer companies being held accountable for environmental impacts.





We expect this trend to continue into 2026, despite the International Energy Agency's view that global coal demand is expected to peak in 2025. This outlook has implications for coal-exposed companies such as TGA and EXX.

- **Court rulings on social risks impact share price prices:** Recent legal outcomes have highlighted the financial materiality of social risks. BNP Paribas's share price fell by up to 10% on the day it was found liable for more than US\$20 million in damages related to complicity in human rights violations in Sudan. Lloyd's share price declined by over 3% after announcing higher than expected provisions linked to the ongoing UK motor finance scandal.

In response, we have improved our monitoring of legal proceedings affecting investee companies, including tracking key milestones that may trigger share price volatility.

- **Affordability emerging as a key theme:** Affordability gained prominence during the quarter. The US announced agreements with nine pharmaceutical companies to lower drug prices in exchange for tariff relief. In addition, an investigation into the meatpacking industry, into allegations of driving up beef prices. These developments may increase volatility for affected US companies that have experienced significant rises in prices.
- **Growing focus on wealth taxes** - Switzerland had a vote on a 50% inheritance tax on super-rich residents – this did not go through. Investors and the public spent months speculating on UK taxes, with some positing a wealth tax was on the cards. Instead, a mansion tax was introduced on properties valued at more than £2million. This is likely to become a talking point as wealth inequality increases globally.

## Engagements

- **Online gambling:** We engaged with banks (ABG, CPI) and retailers (TRU, TFG, PPH) on the potential impact of online gambling on their customer bases, including whether they have engaged with regulators on this issue. We expect online gambling will increasingly affect credit risk measures and reduce discretionary income available to retailers. Engagements on this topic will continue.
- **Water stewardship:** We initiated engagement with several companies (IMP, OMN, ARL, ANH) regarding water stewardship, given the critical role of water in their operations. Water scarcity and reliability are expected to become increasingly material risks, particularly in light of ongoing municipal water challenges in South Africa. In 2026, we will continue to engage more companies on water, and we are also joining a coalition of asset managers engaging with municipalities around their water risk management.
- **Coal-related lung disease class action:** We engaged with companies impacted by a coal-related class action lawsuit that was filed in 2023 (AGL, TGA) to the status of the case. The matter remains ongoing, with further confirmation expected next year. This could result in negative newsflow for affected companies. We have analysed potential outcomes based on precedent cases.
- **Other investigations and regulatory matters:** We engaged with companies facing investigations or fines, including:

- SLM: Engagement focused on remediation steps taken following fines related to alleged money laundering compliance failures, including a review of their Risk Management Compliance Program.
- APN: Discussion centred on the FDA warning letter received. The company has requested upliftment and await feedback.
- ANH: on the antitrust investigations in India and Belgium. Both are still ongoing so they cannot comment, although they are in the process of substantiating their position with regulators.
- **Proposed changes to listed company regulations:** We engaged with the JSE regarding proposed regulatory changes, including requirements around trading statements, the role and potential part time status of the CFO in the organisation, board committee structures, and the removal of HEPS. We outlined concerns on specific proposals as part of the public consultation process.
- **Remuneration:** We engaged with companies where we had concerns or queries regarding remuneration policies or outcomes, including MTM, BID, QLT, OMU.

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Absa Group Limited	3.64%	1.07%	Prosus Nv	5.67%	-1.01%
Standard Bank Limited Group	4.51%	0.94%	Naspers Limited	4.60%	-0.57%
Anglogold Ashanti Limited	4.51%	0.89%	Bid Corp Limited	2.31%	-0.09%
Firstrand Limited	3.83%	0.69%	Aeci Limited	0.38%	-0.05%
Capitec Bank Holdings Limited	2.73%	0.59%	Investec Limited	2.26%	-0.04%

Asset Allocation	Domestic	Foreign	Total
Equity	74.77%	-	74.77%
Fixed Income	14.65%	-	14.65%
Property	8.12%	-	8.12%
Cash	2.46%	-	2.46%
Equity Derivatives	-	-	-
Total	100%	0.00%	100%

Source: Truffle, as at 31 December 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.

## NEDGROUP INVESTMENTS CONTACT DETAILS

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For further information on the fund please visit: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)

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