



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

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A photograph of an open book with white pages, tied with a white string bookmark. The book is open to a blank page, and the pages are slightly curved, suggesting it is being turned or held open.

# **NEDGROUP INVESTMENTS OPPORTUNITY FUND**

Quarter Four, 2025

Performance to 31 December 2025	Fund Performance <sup>1</sup>	ASISA category average <sup>2</sup>	Inflation + 5%
3 months	+3.7%	+4.6%	+1.4%
12 months	+15.7%	+17.7%	+8.7%
3 years	+14.1%	+13.9%	+9.2%
5 years	+16.7%	+11.7%	+10.2%
Since inception (March 2012)	+11.6%	+9.2%	+10.2%

### Market Overview

Financial markets rallied strongly in 2025 notwithstanding ongoing uncertainties. South Africa's equity market was one of the standout performers globally, delivering exceptional returns in both local currency and U.S. dollar terms as equities, bonds, and the rand all rallied in tandem. Performance was initially driven by a surge in precious metals - particularly gold and PGMs - which lifted mining shares and significantly improved the country's terms of trade, fiscal revenues, and investor sentiment. This was reinforced by a series of positive structural and policy developments, including South Africa's exit from the FATF grey list, a lower inflation target, cumulative interest rate cuts, declining bond yields, and the country's first sovereign credit rating upgrade in nearly two decades.

FTSE/JSE All Share lifted +42.4% (+62.2% in USD) and outperformed MSCI Emerging Markets (+33.6% in USD) as well as MSCI Developed Markets (+21.1% in USD) for the year. Local government bonds (ALBI) returned +24.2%, with the yield on 10-year rand debt falling to approximately 8.3%. The rand strengthened materially, gaining 12% against the US dollar over the year.

Surprisingly, Trump's Liberation Day tariffs were not a lasting force in the markets with the US equity market delivering strong gains in 2025 (S&P 500 +17.9% in USD). Performance was overwhelmingly driven by a narrow group of mega-cap technology stocks, reflecting continued enthusiasm around artificial intelligence (AI). Although easing financial conditions and the resumption of rate cuts provided support, there were recurring bouts of market volatility during the year given concerns around sticky inflation, Fed independence, and US / China trade tensions.

Over the course of the year, China's economic growth proved sturdy notwithstanding the prolonged property downturn and Trump's trade war. Exports proved remarkably resilient, with China continuing to gain global market share even amid sanctions and tariffs. In addition, new economy industries (AI, EVs, batteries, advanced manufacturing) continue to surge. Market enthusiasm took hold early in the year with the so-called DeepSeek moment, when the local artificial intelligence startup stunned the world and challenged US tech dominance by demonstrating AI models that offer comparable performance, but at seemingly a fraction of the cost. Whilst the stock market's rally lost steam towards the end of the year, MSCI China delivered +31.2% (in USD).

### Portfolio Commentary

The Nedgroup Opportunity Fund delivered a return of +3.7% and +15.7% (net of fees) for the quarter and year, respectively.

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

<sup>1</sup> Net return for the Nedgroup Investments Opportunity Fund, A1 class. Source: Morningstar (monthly data series).

<sup>2</sup> ASISA multi-asset medium equity category.

### Top 5 winners and losers for 2025Q4:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
R2040	6.1%	0.75%	Alibaba Group	1.8%	-0.46%
Dipula Properties	2.2%	0.55%	TBC Bank	2.9%	-0.45%
Absa Group	1.6%	0.45%	Qfin Holdings	0.8%	-0.4%
Valterra Platinum	2.6%	0.36%	Autohome	1.4%	-0.31%
Standard Bank	1.5%	0.32%	JD.COM	1.0%	-0.26%

The final quarter of 2025 marked a constructive period for financial markets. Supportive global conditions, stabilising growth, and elevated real yields continue to underpin local bonds, with our exposure to the R2040 being the single largest positive contributor for the quarter. In addition, SA banks were a standout performer (+21.4% in Q4), with our bank holdings enhancing the performance of the portfolio (notably Absa and Standard Bank).

The commodity sector experienced a strong upswing in 2025, driven by a combination of structural underinvestment, rising demand, and geopolitical tensions that underscored the strategic importance of key materials. Precious metals, particularly gold and PGMs, led the rally, with the portfolio benefiting from our exposure to Valtterra (also a key contributor in Q325). The speed and magnitude of the price rally in PGM's makes it tempting to conclude that the equity rally has largely run its course; however, supply remains structurally constrained after years of underinvestment and auto demand remains resilient, supporting the durability of the current pricing environment.

China's stock market rally lost momentum towards the end of the year, with the share price performance of several Chinese holdings (Alibaba, Qfin, Autohome, JD.COM) detracting in the final quarter of the year. While valuations have recovered in the Chinese market during 2025; they remain below both historical averages and developed market peers which indicates further scope for valuation multiple expansion in 2026.

### Current positioning and outlook

South Africa enters 2026 with meaningfully improved macro fundamentals. The exit from the FATF grey list, a lower inflation target, sovereign rating upgrades from S&P, declining bond yields, and cumulative rate cuts have collectively compressed South Africa's risk premium. The increasing role of the private sector in infrastructure reform further underpins confidence. As such, we continue to believe that SA equities are likely to outperform into 2026 given attractive earnings growth and cheap valuations.

2025 gains were highly concentrated in mining and technology shares, with a potential broadening of the rally in 2026 as improving macro conditions should lead to a rerating of domestic shares, specifically banking and consumer stocks. This conviction is reflected in our increased allocation to local equities, which constitutes 40% of the fund at the end of December. Lower bond yields, improving loan growth, declining credit losses, and attractive valuations support a constructive outlook for SA banks. We also anticipate that household consumption will accelerate as the cumulative effects of lower inflation, falling interest rates, fuel price relief, and real wage growth filter through and benefit several consumer picks (Pepkor, Zeda, Woolworths, and Truworths).

While South African bonds continue to offer high real interest rates relative to the revised target, a substantial compression in risk premia has already occurred, suggesting that much of the bond market's valuation support is priced in. As a result, although real yields remain attractive in absolute terms, local bonds are increasingly starting to look expensive, implying a more balanced return outlook from current levels.

The U.S. economy remains resilient, supported by AI-driven capex, easing financial conditions, and potential pro-growth policy shifts ahead of midterm elections (November 2026). However, risks are rising – notably, a softening labour market, concerns around Fed independence and AI-related worries (how will AI reshape the business landscape and will the future returns on capital justify the immense capex spend). Market participants expect further rate cuts, but a scenario where inflation proves sticky or growth reaccelerates could force the Fed

back into a hawkish stance. Given elevated valuations, U.S. equities will be extremely sensitive to shifts in bond yields and Federal Reserve rate expectations, setting the stage for a more volatile environment in 2026.

China enters 2026 at the start of its 15th Five-Year Plan (2026–2030), a pivotal phase centred on growth, security, and domestic demand. Exports proved remarkably resilient in 2025, but external resistance to Chinese exports is intensifying, making a pivot toward domestic consumption necessary. Policy stimulus, albeit targeted rather than aggressive, will provide an underpin to economic growth and their equity market. Chinese equities have rebounded but remain attractively valued, with further re-rating potential as domestic demand strengthens.

In summary, the global outlook for 2026 is likely to be defined by several key themes:

- Easing monetary policy to remain a tailwind for risk assets
- U.S. dollar weakness, supporting emerging markets and commodities
- Ongoing geopolitical fragmentation
- South Africa proceeds as a reform-driven outperformer
- The U.S. equity cycle maturing with valuation risk and policy uncertainty
- China entering a consumption-led transition under the 15<sup>th</sup> Five-Year Plan
- Europe re-rating via rearmament and sovereignty
- Structurally constrained commodity supply, with industrial metals (notably copper) underpinned by remilitarisation, AI, and the energy transition

Against this we continue to monitor several prominent risks:

- Mispricing of U.S. inflation and rates
- Trade war escalation with more countries adopting trade restrictions on China
- Escalation in U.S./ China trade tensions
- Loss of Federal Reserve credibility
- Political instability in South Africa
- A sharp reversal in precious metals

The investment opportunity set remains abundant, and we continue to seek the best relative investment opportunities. The environment favours diversification given the multiple scenarios that could emerge, with your portfolio having meaningful exposure to quality businesses that are resilient to policy and geopolitical shocks. Active asset allocation, hedging, and structured notes continue to play a significant role in the portfolio, supporting our dual objective of capital protection and upside participation.

## 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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