NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS PROPERTY FUND

Quarter Four, 2025

Nedgroup Investments Property Fund

Performance to 31 December 2025	Fund[1]	Peer group[2]	Benchmark[3]
3 months	22.3%	15.6%	16.3%
12 months	33.8%	27.8%	30.6%

Market Overview

Despite the continued uncertainty created by President Donald Trump's economic policies, and heightened geopolitical risks in many regions, global equity markets posted good gains in the last quarter of 2025. The MSCI World Index returned 3.1% (USD net Total Return) and the MSCI Emerging Markets Index gained 4.7%. Excluding China, the MSCI Emerging Markets Index gained 10.2% in US dollars.

Within developed markets Europe (MSCI Europe Index +6.3% in EUR and 6.1% in USD) outperformed the US market (S&P500 +2.7% in USD). The Japanese equity market (MSCI Japan +9.6% in yen) was the best performing developed market in local currency terms, but the weaker yen diluted returns in US dollar terms (+3.5% in USD).

For the calendar year, the MSCI World Index posted a return of 21.1% and the MSCI Emerging Markets Index returned 33.6%, both in US dollars.

As expected, the US Federal Reserve (Fed) cut their federal funds target rate by 25 basis points at both the October and December meetings of the FOMC, bringing the rate to a target range of 3.50% to 3.75%. The December decision, which marked the third rate cut of the year, was not unanimous. Two members dissented in favour of holding rates steady, while new FOMC Governor Miran dissented in favour of a larger 50 basis point cut. Additionally, the Summary of Economic Projections (SEP) indicated that policymakers were more optimistic about growth next year, reflecting a smaller-than-expected initial impact from tariffs.

The South African stock market experienced another strong quarter, returning 8.1% over the quarter. The best performing sector was Financials, with the Index gaining 18.9% as the prices of banks (+21.4%) soared. Sentiment toward this sector improved on the back of the removal of South Africa from the Financial Action Task Force's (FATF) "grey list", lower bond yields and a stronger rand. Resources shares continued their strong run, gaining a further 10.3% after the September quarter's 46.8%, bringing the total return for the year to 126.1%. The Precious Metals and Mining Index (comprising gold and platinum equities) gained 11.6% for the quarter as precious metal prices continued to soar, and an astounding 214.6% for the year.

The South African 10-year government bond yield fell a material 96 basis points over the quarter (and 212 basis points over the year) to end the period at 8.19%, a level last seen more than 10 years ago. As a result, the South African bond market (ALBI) produced stellar returns, gaining 9% in the last quarter, and 24.2% for the year, amidst continued foreign buying. SA's removal from the FATF "grey list", as well as the SA Reserve Bank's new inflation target of 3%, with a 1 percentage point tolerance band, and the stronger rand (+4.3% against the US dollar) all contributed towards lower inflation expectations and positive sentiment. Listed property also benefitted from these factors, resulting in this asset class being the best performer over the quarter with the FTSE/JSE SA Listed Property (SAPY) index gaining 16.3%, and bringing the total return for the calendar year to 30.6%.

Portfolio Commentary

The Fund significantly outperformed both the market and the peer group average in the fourth quarter as South Africa's listed property sector continued to rally after very strong second and third quarter performances. The outperformance can mainly be attributed to the Fund's overweight positions in Fairvest B (+35.0% return in the fourth quarter) and Dipula (+27.6%) as well as the Fund's large underweight positions in NEPI (+5.5%) and Fortress (+7.5%). The Fund's relative exposure to non-SAPY index constituents Accelerate (+53.9%), Delta (+56.0%) and Octodec (+37.2%) also contributed to the large outperformance in the fourth quarter. For the year, the Fund returned 33.8%, again comfortably outperforming both the peer group average and the market.

During the quarter, the Fund disposed of its small position in Grit. Grit's business model was negatively impacted by the COVID- Pandemic and the company is now generating negative cash flows as the cost of capital has increased to a level above the return on its property assets. This situation is unlikely to reverse anytime unless significant remedial action is

[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

taken, including the injection of new capital into the business which would dilute existing shareholder. The Fund also disposed of its stake in Safari after the company repurchased all its publicly issued sharesfor R8.00 per share, facilitated by the company's majority shareholder, Heriot REIT. The total offer price was 837.6c and included a clean-out distribution of 37.6c per share. The Fund continued to build a position in Fortress throughout the quarter as well as introducing Attacq into the portfolio towards the end of December.

The Fund declared and paid a distribution of 2.71c for the A class and 2.77c for the A1 class, both of which were above expectations and 23% higher than the distribution paid in the fourth quarter of last year. The reason the distribution exceeded expectations was because the Safari scheme consideration of R8 per share included R1.82 of property dividend for income tax purposes, which was included in income received by the Fund and therefore had to be paid to unitholders at the end of December. Excluding the Safari dividend, distributions would have been in line with expectations. For the year, the Fund declared and paid a distribution of 5.45c per A unit and 5.67c per A1, more than 7% above the distribution paid in 2024.

Top 5 winners and losers for Q4 2025:

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Fairvest B	10.48%	3.50%	**Grit**	0.22%	-0.01%
Dipula	9.77%	2.62%	**Attacq**	0.00%	-0.00%
Growthpoint	10.41%	2.24%	**Fortress**	0.21%	0.03%
Vukile	7.86%	1.86%	**Safari**	1.29%	0.22%
Spear	9.19%	1.75%	**NEPI**	8.93%	0.53%

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. Grocery retailers like Boxer and Shoprite are expected to continue expanding their store footprint, suggesting strong demand for convenience and neighbourhood retail and supporting our view that fundamentals will remain strong and could improve further. 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, which points to 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 helps maintain its 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 most 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 increasing exposure to Fortress 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. Despite very strong share price performance in the fourth quarter, 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 10% 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 (76%) versus the SAPY index weight of 49%. 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 7.4%, 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, but grew by more than 7% in 2025. The current one-year forward income yield of the SAPY index, based on the same forecasts, is now also 7.4% while the yield on government's benchmark R2035 bond is down to 8.3%. 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 2026 and beyond. Discounts to net asset value have narrowed over the past two years as share prices have risen sharply because of improving property fundamentals in South Africa and lower interest rates. Returns in the medium-term will be driven by the current income yield and the growth in dividends, which is expected to accelerate on the back of the improved property fundamentals in South Africa. The Nedgroup Investments Property Fund is ideally positioned to capture the capital upside from dividend growth 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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