

**NEDGROUP**  
INVESTMENTS

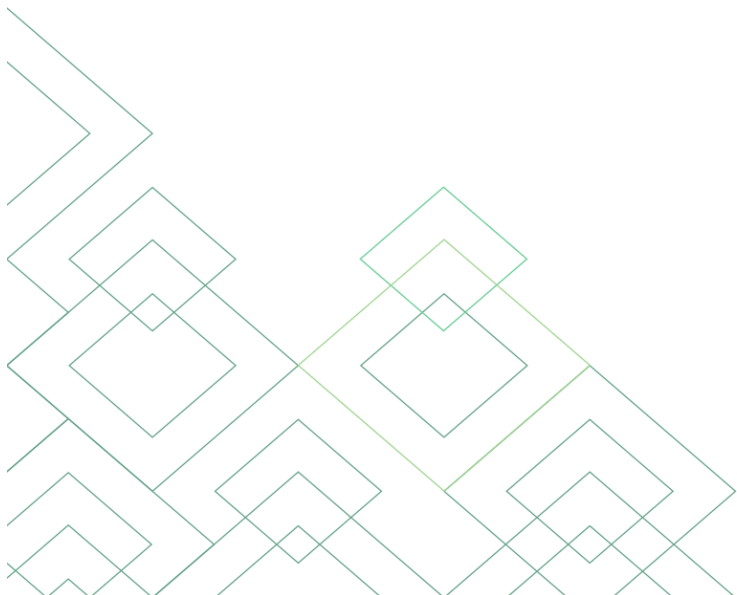
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# **NEDGROUP INVESTMENTS** **BALANCED FUND**

Quarter One, 2026





## Nedgroup Investments Balanced Fund

Performance to 31 March 2026	Fund <sup>1</sup>	ASISA Category <sup>2</sup>
3 months	-2.3%	-1.5%
12 months	21.4%	16.2%

### Market Overview

The war in Iran is increasingly being viewed as ill-advised and ill-considered, with insufficient allowance made for the range of potential adverse outcomes. After 39 days of contradictory messaging from the US administration, oscillating between escalation and de-escalation, a fragile two-week ceasefire has been declared. Both the US and Iran have much to lose should this conflict escalate further, although evidence to date suggests that logic does not always prevail.

Despite the recent vitriol, the US required an off-ramp from what risked becoming a protracted conflict, as well as a mechanism to reopen the Strait of Hormuz. The ceasefire remains temporary, and a permanent resolution to the conflict appears to hinge on a 10-point proposal from Iranian officials, which the US has described as “a workable basis on which to negotiate”. Material stumbling blocks include acceptance of Iran’s uranium enrichment, the re-opening of the Strait and broader regional dynamics including Israeli actions in Lebanon.

The Strait of Hormuz remains the critical variable for markets. Approximately 20% of the world’s oil supply and 45% of urea (used for fertilizer production) flows through this channel. Markets have thus far been reasonably sanguine about the potential risks relating to an extended conflict, with the MSCI ACWI declining 7.1% and the ALSI falling 10.4% in March, ahead of the ceasefire.

A worst-case scenario involving significant damage to energy infrastructure and sustained withdrawal of oil supply is clearly not being priced. Such an outcome would likely result in a stagflationary environment, negative for both equities and bonds. Even if this outcome is avoided, current supply dynamics remain dependent on inventory drawdowns. As these inventories diminish, price pressures will increase. The coming weeks are therefore critical: oil must begin to flow freely through the Strait before inventories are materially depleted.

### Inflation: Higher for longer?

The oil price is unlikely to retrace to pre-war levels in the short-term, given the time required to restore production and repair infrastructure. This supply shock is inherently inflationary, not only through higher energy and fertilizer prices, but also via the secondary effects on administered pricing and inflation expectations.

The US is relatively insulated from a higher oil price compared to parts of Asia. Structurally, oil intensity has steadily declined over the past decades, with the U.S. economy now using roughly 60% less oil per unit of GDP than in the 1970s. This reflects efficiency gains and a transition from manufacturing to service industries which significantly reduces the sensitivity of economic growth to increased oil

<sup>1</sup> Nedgroup Investments Balanced Fund, A2-Class, net of fees.

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





prices. In addition, the U.S. has become a major producer and net exporter of oil and refined petroleum products, further reducing its vulnerability.

Whilst declining oil intensity is a global development, regional sensitivities remain. China is relatively cushioned with only about 30% of its oil supply passing through the Strait and a more diversified energy mix given their use of coal, nuclear and renewables. Japan and South Korea are more exposed with approximately 70% of their oil supply dependent on this route.

In theory, oil/energy shocks are typically transitory and not something to which monetary policy should overreact. However, this war will add, hopefully temporary, pressure to current inflation. In addition, the labour market whilst softening, is not collapsing. As a result, central banks, particularly the Fed, are likely to maintain a “wait and see” approach and the probability of near-term interest rate cuts has reduced, unless there is a meaningful deterioration in growth.

### **Gold: The chameleon asset**

Gold drivers remain complex and multi-faceted. At different times, gold will behave as an inflation hedge, a currency proxy, or a geopolitical safe haven. More recently, gold has been a speculative trade, benefiting in a risk-on environment. This helps explain the recent pull back: as oil spiked, and markets moved risk-off, gold declined. The liquidity needs in a market correction would also have led to investors selling their winners (like gold) to fund broader de-risking.

Gold has fallen by about 20% from its recent meteoric peak which was exceptionally high at approximately double the inflation-adjusted levels of the previous two major peaks over the past 50 years. While the positive narratives supporting gold, such as declining dollar dominance and rising fiscal debt remain even more relevant amidst the current events justifying a relatively higher price, a meaningful portion of these factors are likely already reflected in the current price

We reduced our gold position across our portfolios at the end of February, ahead of March events. We have subsequently used recent weakness to moderately reduce this underweight.

More broadly, the conflict further cements the strategic importance of resource security, providing a structural underpin to commodity prices. Furthermore, the longer-term implication of the oil shock will galvanise the world’s use of renewables which will also provide additional demand for metals like copper.

### **South Africa: Held hostage to global dynamics**

National Treasury’s conservative February Budget stance now appears prudent, having excluded a commodity-driven revenue windfall and refrained from upgrading growth forecasts. Unfortunately, positive strides made in terms of inflation and fiscal consolidation are being overshadowed by global developments. Although South Africa’s terms of trade have been negatively impacted by higher oil prices and weaker precious metal prices, they are still at a favourable level which has helped support the rand. Although precious metal prices have retraced, we expect them to remain above historical long-term averages, providing some support for the domestic macro-outlook.





## Implications for fund positioning

We reduced risk exposure into the conflict and purchased affordable protection on the ALSI. The volatile environment created selective valuation-driven buying opportunities which we have begun to exploit.

We enter the second quarter with a portfolio that reflects a balanced outlook – positioned to navigate both elevated uncertainty and emerging opportunities. Our base case is for gradual de-escalation, although conditions remain extremely volatile given the complexity of ceasefire dynamics. We will continue to use periods of dislocation to gain cheap entry points into compelling investment opportunities.

## Performance commentary

Local equity markets started the year well, led by financials and precious metals, as SA growth prospects improved and global support for commodities continued. By the end of February, the year-to-date local equity return was over 10%; however as the US: Iran crisis unfolded, many sectors gave back gains while oil soared to significant highs amidst the energy shock. Local equity lost almost 11% in the month of March, driving a weak Q1 return of -0.5% (CAPI). Precious metals posted the largest loss in March (-20.4%) while Sasol and diversified miners operating in the energy sector were some of the few companies to benefit. South African bond markets were also hurt by the March sell-off bringing the Q1 return to -3.4% (ALBI) while the rand lost significant value vs the US dollar (-5.9%).

Similar trends globally saw the MSCI ACWI down -3.5% in USD terms for the quarter with emerging markets down significantly in March following a strong start.

Adding protection to the fund going into the war shielded it from loss. However, it was difficult to fully escape the significant drawdowns driven by the impact of the war across global markets. Foreign equity detracted from performance due to underperformance from Media and Tech including UMG, Sony and Prosus partly related to negative AI sentiment. Airbus underperformed due to engine delivery delays.

Within local equity, Glencore delivered strong performance for the fund over the quarter as one of few stocks to gain value in March. PGMs decline in March reversed previous gains made in the quarter. We had started reducing our gold position into the crisis post a very strong January and February and the fund benefitted from profit taking.

Exposure to SA Financials contributed marginally, and we reduced exposure to Capitec on valuation grounds.

## Portfolio movements

The onset of the war during the quarter has increased the risk to the constructive outlook for 2026. Near term Inflation expectations have increased which has resulted in a less accommodative monetary policy stance. While the recent ceasefire signals a de-escalation in tensions between Iran and the US, there are still contentious requirements to be agreed, and it is too early to assume plain sailing from here on.

We are positioned with a relatively balanced outlook given the environment presents good valuation opportunities. We had started the year with the fund positioned towards domestic equity and REITs





over local bonds and cash and within the local equity allocation, we had tilted the fund's positioning towards SA Inc, particularly SA Banks. However, over the latter part of the quarter, we have reduced these positions, rotating into some of the dual-listed stocks given compelling valuations. These include Prosus, Anheuser and Bidcorp.

Within our foreign equity allocation, we maintain a position in European banks adding to specific counters, given compelling valuations. We continue to hold defence stocks and have added to this position while reducing positions across semi-conductors and industrials.

The fund's duration within the fixed income allocation remains low although increased during the quarter as opportunity presented. Inflation is likely higher for longer with fewer interest rate cuts forecast over the short term than previously estimated.

The environment remains highly uncertain, however with valuations of quality businesses at compelling levels, we are finding opportunities while maintaining a strong margin of safety as we head into the second quarter

## Responsible Investing

### Regulatory environment and news flow

- **Energy security's rising importance** - The escalation of conflict in the Middle East has reinforced the importance of energy security. In response, the European Union (EU) is easing emissions requirements and considering the relaxation of carbon market rules to mitigate the impact of energy price spikes. This reflects the delicate balance between climate objectives and economic competitiveness. Germany is also urging the accelerated adoption of renewable energy to boost energy security and reduce reliance on fossil fuels. At the same time, geopolitical tensions and the energy transition dynamics have prompted a renewed focus to secure domestic nuclear fuel production.
- **Consumer affordability pressures in the US** - Rapid growth from AI-related electricity demand is placing strain on US power infrastructure. According to Goldman Sachs, data centres make up 6% of US electricity demand, with rapid demand growth contributing to regional price increases and supply shortages. Tech giants Microsoft and Google, facing mounting pressure, have committed to funding additional grid infrastructure to support capacity expansion. Policymakers are also considering measures to address consumer affordability such as caps on credit card interest rates, and antitrust probes into homebuilders. These developments introduce additional regulatory and demand-side risks in affected sectors.
- **Climate risks & physical impacts** - The physical effects of climate change continue to intensify, with increasing frequency and severity of extreme weather events globally. From deadly wildfires in Chile and Australia to catastrophic floods in Mozambique and Portugal, and from record-breaking heat waves in the U.S. Southwest to winter storms crippling Texas, the pattern of destruction and grid emergencies is intensifying. Research indicates that these risks are beginning to have more direct financial implications, with borrowers facing penalties for ignoring climate vulnerabilities, and U.S. property markets vulnerable to climate hazards. The United Nations has issued warnings of "global water bankruptcy," and heightened stress on infrastructure in developed nations is evident. Cracked homes in London are being linked to



record heat. This reinforces the importance of active engagement with companies on climate resilience and risk management.

- **Technology sector under scrutiny:** Rapid AI development continues to outpace the evolution of legal and ethical frameworks, leading to increased scrutiny and a series of high-profile controversies. AI-generated deepfakes, particularly from Elon Musk's Grok chatbot, are under investigation in the UK, EU, and California for allegedly generating child sexual abuse material. Blackrock's Larry Fink also highlighted that the AI boom has the potential to make wealth companies and investors richer while exacerbating inequality. The societal impact of technology is also being tested in court. In a landmark social media addiction trial, Meta and Google were found liable for contributing to a teen's mental health crisis. As a result regulatory risk for technology companies is increasing.

## Engagements

### Climate and net zero

- **PAN:** progressing towards a net zero target and increasing renewable energy usage to 60% by 2030.
- **DSY:** Incorporating net zero considerations into partnership agreements, with a focus on engagement-led decarbonisation.
- **AFT:** Awaiting further clarity on sectoral emission targets while continuing internal decarbonisation efforts.
- **SPP:** Approaching rooftop solar capacity limits and exploring wheeling solutions to expand renewable energy usage.
- **QLT:** No current plans to set a net zero target, instead relying on PRI principles to guide asset management.
- **Remuneration:** We engaged with companies where we had concerns or queries regarding remuneration policies or outcomes, including MTM, BID, QLT, OMU.

### Social risk

- **SPP:** Addressed product recall process following 20 recalls in 2025, (two food-safety related and 18 quality related).
- **BVT:** Investigated increased fatalities in their security division, with a comprehensive review undertaken to improve operational procedures.

### Remuneration concerns

- **PPH:** Highlighted misalignment between incentives and returns, particularly in the context of offshore expansion. This was especially pertinent after the MRP offshore acquisition. We

highlighted our concerns around offshore acquisitions, especially with so much still left in SA to keep them busy.

- **ARL:** Noted insufficient disclosure on individual performance targets and potential misalignment with external factors

## Collaborative engagements

This was an active quarter for collaborative initiatives:

- **Water risk:** As a broader group, we engaged with National Treasury on municipal water challenges. It appears most responsibility sits with the municipalities themselves and with the department of water and sanitation. We subsequently planned formal submission to the Department of Water and Sanitation.
- **Climate Action 100+:** Joined the initiatives with a focus on Glencore. This makes up a meaningful portion of our emissions in our funds, and we aim to influence emissions reduction through collective engagement.
- **Votes Against Slavery:** participated in a collaborative group aimed at engaging with UK companies that are violating human rights in their supply chains. Signing a letter submitted to UK government to address this issue enables us to engage globally as a small shareholder. We will look to join similar initiatives in other regions to support engagement on social issues.

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Samsung Electronics Co Ltd	1.80%	0.68%	Prosus Nv.	2.07%	-0.52%
Glencore PLC	1.90%	0.62%	Naspers Limited	2.00%	-0.48%
Anglogold Ashanti Limited	1.96%	0.41%	Elevance Health	1.73%	-0.32%
All Share	-0.71%	0.48%	Airbus	1.46%	-0.27%
Gold Fields Limited	2.18%	0.16%	Compagnie Financière Richemont SA	1.17%	-0.23%

Asset Allocation	Domestic	Foreign	Total
Equity	36.02%	29.11%	65.13%
Fixed Income	7.15%	4.05%	11.20%
Property	4.83%	2.56%	7.39%
Cash	13.31%	8.24%	21.55%
Equity Derivatives	-2.28%	-3.00%	-5.28%
Total	59.04%	40.96%	100%

Source: Truffle, as at 31 March 26



## 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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