



**NEDGROUP
INVESTMENTS**

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently



NEDGROUP INVESTMENTS OPPORTUNITY FUND

Quarter One, 2026





Nedgroup Investments Opportunity Fund

Performance to 31 March 2026	Fund Performance ¹	ASISA category average ²	Inflation + 5%
3 months	1.9%	-1.2%	2.0%
12 months	15.8%	15.4%	8.1%
3 years	13.8%	11.9%	9.1%
5 years	14.6%	10.2%	10.1%
Since inception (July 2011)	11.6%	8.9%	10.2%

Market Overview

The first quarter of 2026 saw a stark contrast between improving domestic fundamentals and a suddenly deteriorating global environment. While South Africa benefited from ongoing structural reforms and fiscal consolidation, global markets were unsettled by geopolitical shocks - most notably the late-February attack on Iran by the United States and Israel. This triggered a broad market sell-off, with energy-importing countries like South Africa experiencing more pronounced declines.

The abrupt shift in market sentiment was starkly visible in equity performance, where a brutal March wiped out the gains accumulated earlier in the year. Global developed markets sold off as the S&P 500 ended the quarter down -4.3% in US\$ (driven by a -5.0% drop in March), while the broader MSCI World Index fell -3.6% for the quarter (-6.4% in March). Emerging markets exhibited extreme volatility; the MSCI EM Index finished the quarter relatively flat at -0.2%, but this masked a massive -13.1% drop in March, highlighting just how significantly these markets had run earlier in the year before the tide turned. Locally, the JSE/FTSE All Share Index (ALSI) mirrored this trend, returning -0.6% (in ZAR) for the quarter after a punishing -10.5% (-16.7% in US\$) drawdown in March (its worst monthly performance since March 2020).

The global shockwaves also resulted in a bruising quarter for South African fixed income assets. The JSE/FTSE All Bond Index (ALBI) returned a disappointing -3.4% (in ZAR) for the quarter, dragged down by a -6.8% return in March alone. Inflation-linked bonds (ILBs) and property offered little place to hide, with the asset classes down -1.3% and -4.9% for the quarter respectively (-5.9% and -11.4% in March respectively).

The conflict in the Middle East has shifted investor focus to the impact on energy prices, inflation, and global growth. The effective closure of the Strait of Hormuz since 1 March - previously responsible for roughly 25% of global seaborne oil trade - represents a significant supply shock and has resulted in a sharp recalibration of inflation and interest rate expectations. Coming into 2026, markets had priced in a definitive easing cycle from the US Federal Reserve, but this supply-side shock has reignited fears of sticky global inflation. Consequently, the market's expectation for the Fed Funds rate saw a hawkish recalibration. The Fed held its target range steady at 3.50%–3.75% at its March meeting. Futures markets, which just months ago anticipated a glide path toward 3.0%, now imply a terminal rate for the year closer to 3.7%. This "higher for longer" reality echoed through the European Central Bank and the Bank of England, placing upward pressure on global sovereign yields. In South Africa, forecasts now point to a 25bps rate hike in May, with rate cuts only resuming from 2027.

The longer the conflict persists, the greater the risk of second-order effects, including stagflation, which are not yet fully reflected in global equity markets. While outcomes remain uncertain, there are signs that President Trump may seek a resolution amid weakening political support ahead of the November midterms and negative market reactions. Iran, meanwhile, has been significantly weakened across military, political, and economic fronts. A ceasefire and reopening of the Strait will likely take weeks to negotiate, with alternative outcomes still possible – an escalation in hostilities is plausible as well as Trump possibly ending the Iranian campaign with the Strait remaining closed (leaving Iran's regime in control of the world's most important energy chokepoint). Market volatility is likely to stay elevated until greater clarity emerges.

Portfolio Commentary

The Nedgroup Opportunity Fund delivered a return of +1.9% and +15.8% for the quarter and past 12 months, respectively. The fund is ranked in the top 1%, relative peers, since inception.

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

² ASISA multi-asset medium equity category.





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

Top 5 winners and losers for 2026Q1:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
Sasol Conv. Bond & Note	1.6%	0.67%	Pepkor	2.0%	-0.29%
Glencore	1.9%	0.63%	Naspers	1.8%	-0.25%
Valterra Platinum	1.8%	0.47%	Pick n Pay	0.8%	-0.25%
Sun International	0.8%	0.17%	Autohome	1.1%	-0.22%
SAGB 2040	4.1%	0.15%	Qfin Holdings	0.5%	-0.21%

While painful, a selloff of some degree was, in our opinion, unfortunately, inevitable. Prior to the Iran conflict, investor optimism was elevated and global markets had performed extremely well notwithstanding several other geopolitical shocks (Tariffs, Venezuela, Greenland), leaving virtually no buffer for a global risk-off event of this significance.

We are encouraged by the fund’s performance during this volatile period, driven by our exposure to energy-linked commodity companies (Glencore, Sasol), Valterra, defensive names like Bidcorp, and select domestic mid-cap stocks including Sun International and Raubex.

The backdrop for South African retail businesses remains challenging - increased competition as well as the impact of gambling on disposable income are seen as the key factors holding back a material recovery in retail sales, margins, and earnings growth. The key festive season trading updates fell short of market expectations with apparel retailers reporting low growth and margin pressure due to markdowns, while food retailers have seen even lower food inflation/deflation than expected. Accordingly, our exposure to this sector detracted, notably Pepkor and Pick n Pay. Pepkor remains our top pick, forecast to deliver the strongest growth in the sector aided by their Fintech business.

Our exposure Naspers also detracted, with the recent share price weakness seen as unjustified given Tencent’s strong FY25 performance. The market is cautious on near-term margin pressure from Tencent’s AI pivot, but we view the long-term monetisation optionality as underappreciated and overdone at current valuation levels (Tencent’s price-earnings multiple is well below history, at <14x). In addition, Naspers discount to NAV remains elevated, offering an additional margin of safety.

Current positioning and outlook

This geopolitical shock has disrupted what had been a supportive global backdrop, introducing downside risks to growth. This stands in contrast to South Africa’s otherwise positive domestic trajectory. Prior to the conflict, inflation expectations had declined significantly following the SARB’s adoption of a 3% target, with February inflation printing at that level. The February 2026 Budget was also among the most constructive in recent years. However, the oil shock now complicates the near-term trade-off between inflation and growth, with outcomes dependent on the duration and severity of the conflict.

Although recent market moves have been painful, they have created more attractive valuation opportunities. The ALSI now trades at approximately 9x 12-month forward earnings, representing a discount to both its historical averages and to other emerging markets (around a 21% discount).

In navigating this environment, we have prudently used the recent market weakness to incrementally increase our equity exposure as well as portfolio duration and lock in higher yields. However, given the unpredictable nature of the current landscape, we have maintained sufficient dry powder to add further should market levels continue to cheapen.

In this environment, the portfolio remains diversified and focused on fundamentals, with your portfolio having meaningful exposure to quality businesses that are resilient to policy and geopolitical shocks. Active asset allocation and hedging 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.
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.

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

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
DATE OF ISSUE
13 January 2025

