Nedgroup Investments
Private Wealth Equity Fund

Q1 2026

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NEDBANK
PRIVATE WEALTH

Nedgroup Investments Private Wealth Equity Fund

Performance to 31 March 2026	Fund[1]	Benchmark[2]
3 months	-3.8%	-0.1%
12 months	11.4%	36.7%

Market Overview

Economic growth in South Africa improved in 2025 relative to 2024. Stats SA reported real GDP growth of 0.4% quarter-on-quarter in Q4 2025, lifting full-year growth to 1.1%, up from 0.5% in 2024. Growth was primarily driven by finance, real estate and business services, as well as agriculture, while manufacturing, electricity, gas and water, and construction detracted from overall GDP growth.

Headline inflation continued to edge lower in February to 3.0%, from 3.5% in January. The main contributors were housing and utilities, food and non-alcoholic beverages, along with insurance and financial services. Good inflation was significantly lower at 1.9%, down from 2.7% in January, while services inflation was also lower at 3.8%, from 4.2% in January 2026. Core inflation, which excludes food and energy, was lower at 3.0% from 3.4% in January. Inflation expectations for the next five years continued to moderate in Q1 2026, to a record a low. Across surveyed groups, expectations for 2026 and beyond remained below 4%, with headline inflation projected at 3.6% over the medium term, still above the new target.

The SARB left interest rates unchanged at 6.75% in March, marking the second consecutive meeting with no change. The decision was unanimous. The Monetary Policy Committee noted that upside risks to inflation remain, particularly from potential supply disruptions and exchange-rate volatility.

The rand weakened against major currencies, ending March at R16.94 to the US dollar, down 2.3% over the quarter as the dollar strengthened amid heightened geopolitical tensions.

Global markets have been unsettled by heightened uncertainty since the Middle East conflict began at the end of February. Market volatility increased noticeably, with the VIX index rising sharply while global risk assets priced the change in risks, ending the quarter in negative territory. Brent crude oil prices surged 95% during the quarter, closing March at $118 per barrel, driven by disruptions at the Strait of Hormuz and heightened risks to Middle Eastern energy infrastructure. LNG natural gas prices also jumped 77% as transportation constraints tightened supply, particularly in Europe where reliance on gas imports remains high.

Gold prices fell in March amid rising bond yields and a stronger US dollar but remained 8.3% higher year-to-date, ending the month at $4,672 per ounce. PGMs were weaker, with platinum down 5.2% and palladium falling 8.6% over the quarter, reflecting softer auto-catalyst demand expectations amid higher oil prices.

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[1] Net return for the Nedgroup Investments Private Wealth Equity Fund, A class. Source: Morningstar (monthly data series).
[2] Benchmark is the Capped Top40

Portfolio Commentary and Activity

Quarter one has seen further volatility in financial markets, following on from 2025. Gold continued to shine, and reached all-time highs during quarter one, prior to the war in Iran. As a result, the fund continues to underperform its benchmark given the strong performance from gold shares. The fund does not own any gold or precious metal miners in line with our house-view. During the last few weeks, as the war developed, gold and PGM shares gave back some year-to-date gains, but most have still returned in excess of 90% over the last 12 months. The two subsectors together now account for ~30% of the benchmark.

Spar, Bytes and TFG underperformed in 1Q26. During the quarter, Spar focused on a "reset" strategy following a period of significant leadership turnover and operational challenges. News flow was dominated by a major executive reshuffle (CEO resigned, replaced by CFO), margin pressure from aggressive promotions, and ongoing difficulties with its SAP system rollout. We view the executive changes as neutral to our investment case given that the strategy to turnaround the business is largely already underway. The fund continues to hold a modest position based on an extremely depressed valuation and some transitory negative challenges.

TFG revisited Covid-19 lows during the period, as the group navigated a "tale of two markets," with strengthening domestic performance in South Africa contrasted by severe pressure in its international operations. News flow was dominated by an updated trading statement in March flagging significant earnings decline due to non-cash impairments. TFG UK and Australia continue to report muted topline growth, resulting in operating de-leverage. The fund continues to hold a modest position size based on a depressed valuation on a cyclically low earnings base.

On the positive side, the fund benefitted from holding in Glencore, Aspen and Shoprite. Aspen recently announced a major R26.5 billion divestment of its Asia-Pacific assets, a strategic move to effectively eliminate group debt and pivot toward high-growth sterile manufacturing. While interim earnings faced temporary pressure from restructuring costs and the loss of a major mRNA contract, the group is betting on a second-half recovery driven by its surging GLP-1 (weight-loss) portfolio and the commercialisation of its new insulin production lines. The refreshed balance sheet has improved the market rating of the business, and we view the modest position size as having operating leverage (capacity to fill) and further M&A optionality going forward.

During the quarter, the fund reduced its holding in Anglo American, Glencore and Advtech. All three positions have performed very strongly with Anglo and Glencore benefitting from strong copper prices, with Glencore having the added benefit of volatile commodity markets causing the market to revise higher its expectations for the unique marketing business. The war in Iran also caused a significant increase in gas prices, which brought back the potential for gas to coal switching, again benefitting Glencore's substantial coal portfolio. Advtech has been a long standing holding in the fund, benefitting from good execution and market tailwinds. However, at current levels, we find more attractive valuation opportunities in the SA inc portion of the market.

The fund also used the opportunity in the quarter to add new positions offshore, as valuations improved sharply based on general risk off sentiment. These new positions are businesses we believe are high quality and well positioned to continue earning good returns on capital in future. Importantly, we are now able to buy them at prices we believe are well below their fair value. New positions include: Microsoft, Nubank Holdings, Booking Holdings and United Health.

Microsoft is a business we have long admired but were always cautious of the rich valuation it traded on. More recently, the market has derated the business significantly, while our assessment of the earnings outlook remains intact, giving us a unique opportunity to purchase the business at an attractive entry point. Microsoft gives the portfolio more exposure to leading AI-driven cloud growth alongside its unmatched enterprise ecosystem, recurring revenue model, robust balance sheet and strong management team. This aligns squarely with our investment philosophy.

Nubank Holdings is the leading digital banking platform in Latin America. Following a standout 2025, Nubank has successfully transitioned from a high-growth disruptor to a highly profitable financial powerhouse. The group now serves over 131 million customers globally, including 62% of the Brazilian adult population. The investment case is bolstered by the rapid scaling of its "Mexico engine" and a newly granted U.S. bank charter, which provides a long-term roadmap for expansion into North America. Its latest 4Q25 results demonstrated exceptional operating leverage, with record net income of $895mn and a best-in-class Return on Equity (ROE) of 33%. Monthly revenue per customer (ARPAC) grew 27% y/y to $15, reflecting deep product cross-selling across credit cards, personal loans, and investments. We capitalized on an attractive valuation entry point during the quarter, following temporary margin compression concerns, offering a compelling "growth at a reasonable price" profile compared to traditional regional peers.

Booking Holdings is the global leader in online travel. The group is leveraging its massive scale to pivot from a transactional directory to an AI-driven travel ecosystem. Booking maintains a dominant 35% share of the Online Travel Agent (OTA) market. The core of our investment thesis is the "Connected Trip" strategy, which bundles flights, hotels, and ground transport into a single transaction; this segment grew at >20% in 2025. Furthermore, the company is deploying $700mn in 2026 toward "Agentic AI" to automate personalized itinerary planning and reduce customer service costs. The company reported strong 4Q25 results with revenue reaching $6.4bn (up 16% y/y) and record annual room nights of 1.2bn. Profitability remains high, with an Adjusted EBITDA margin of 34.6%. Management continues to demonstrate strong capital discipline, prioritising shareholder returns. We initiated the position at an attractive entry point following a 22% year-to-date pullback and based on our assessment, the valuation offers a significant margin of safety, despite potential AI disruption fears.

Current positioning and outlook

Looking ahead, our portfolio remains anchored by a long-term, valuation-driven philosophy, currently positioned with ~24% offshore allocation to access global sector opportunities unavailable locally. In a quarter defined by divergent regional performance, we have maintained our zero-weight position in gold shares, viewing current bullion prices as detached from fundamental valuations and preferring to allocate capital toward good businesses where we see more tangible margin of safety.

Locally, the South African market continues to benefit from positive terms of trade, although the intra-quarter events have shown just how fickle this can be. Consumers will face fresh pressure from the higher oil price, with a hope that a ceasefire deal will end the war in Iran sooner rather than later. Politically, the next major KPI will be local elections which are scheduled for November 2026. SA growth remains low, with valuations in most areas of the market reflecting this.

Offshore markets have remained resilient despite shifting expectations around the timing of interest rate cuts. We continue to favour global businesses with robust cash flows and dominant market positions that can withstand multiple different macro-environments. We have incrementally allocated capital offshore and will allocate more should valuations continue to offer wider margins of safety.

The team remains focused on executing its “long-term, well considered” investment philosophy.

We thank all unitholders for their continued support.

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