NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS RAINMAKER FUND

Quarter One, 2026

Market context

The opening months of 2026 moved well beyond the cautiously constructive backdrop that defined late 2025. What began as a continuation of resilient growth, moderating inflation, and an expanding equity market quickly gave way to a far more complex and fragile environment. By quarter-end, the combination of geopolitical escalation, rising energy prices and tightening financial conditions had materially altered the investment landscape. Equity markets, which had extended their gains into January, reversed course through February and March, with most major indices ending the quarter in negative territory despite pockets of strength beneath the surface.

Global market leadership remained concentrated, but conviction deteriorated sharply as the quarter progressed. Early strength in artificial intelligence-linked businesses gave way to a more pronounced reassessment of the sustainability of earnings and capital allocation. The market's focus shifted from enthusiasm around investment to scrutiny of returns, particularly as aggregate capex expectations continued to rise. This coincided with a broad derating in software and more speculative growth areas, reflecting both disruption risk and waning tolerance for elevated valuations. At the same time, leadership rotated toward more tangible, capital-intensive parts of the market, though this rotation became increasingly defensive rather than growth-driven as uncertainty intensified.

In South Africa, the domestic backdrop improved incrementally but remained secondary to global developments. Inflation continued to ease, supporting local sentiment. However, growth remained constrained, and equity market performance was again narrow. Resource-linked sectors, particularly those exposed to commodities benefiting from the global supply shock, provided the bulk of returns. Outside of these areas, performance was more muted, with listed property continuing its gradual recovery but from a low base.
March marked a clear inflection point. The escalation of conflict involving Iran and the effective closure of the Strait of Hormuz introduced a significant supply shock to global energy markets, with oil prices rising sharply and feeding directly into inflation expectations. This dynamic placed central banks in a difficult position. While growth indicators softened, higher energy prices constrained the scope for policy easing, leading to a repricing of rate expectations and a rise in bond yields. Equity markets responded negatively to this tightening in financial conditions, with increased volatility, persistent outflows and a breakdown in technical support levels. The environment shifted from one of selective opportunity to one of broader risk repricing.

Currency remained a meaningful driver of outcomes. The rand held firmer than expected for much of the quarter, supported by commodity strength and a relatively stable domestic backdrop. This provided support to local assets while dampening offshore returns in rand terms, despite relatively resilient underlying performance in global markets prior to the March sell-off.

Overall, the environment has shifted from one of late-cycle expansion to one characterised by greater macro tension and reduced policy flexibility. The combination of elevated energy prices, geopolitical uncertainty and tighter financial conditions has increased the range of potential outcomes. In this context, markets are likely to remain volatile and increasingly discriminating, with a premium placed on valuation discipline, balance sheet strength and the ability to navigate a more complex and less forgiving backdrop.

Performance

Performance over the period reflected a quarter that evolved in two distinct phases: early underperformance in a still-momentum-driven market, followed by a meaningful relative recovery as conditions deteriorated more broadly.

In January and February, the Fund lagged against the peer group. This was a period still characterised by residual risk appetite and rotation within growth and cyclical segments, where performance remained narrow and often disconnected from underlying fundamentals. Locally, returns were concentrated in resource-linked sectors and higher-beta exposures, areas where the Fund maintains limited positioning. Offshore, the portfolio's emphasis on quality and valuation discipline weighed on relative returns as markets continued to favour businesses with more aggressive capital investment narratives, particularly within AI-linked themes, despite growing signs of strain beneath the surface.

As geopolitical tensions escalated and the energy shock began to feed through into inflation expectations, market conditions shifted decisively. Risk off and increased volatility led to a broad-based derating in equities, particularly across the more speculative and capital-intensive parts of the market that had previously led performance. In this environment, the Fund's positioning proved more resilient. The focus on balance sheet strength, earnings durability and valuation discipline resulted in relative outperformance, both offshore and domestically, as more defensive and quality-oriented exposures held up better than the broader market. Currency was broadly neutral over the quarter but masked meaningful intra-period volatility. Rand strength through January and February acted as a headwind to offshore returns, before reversing sharply in March in line with moves in gold and precious metals. This late-quarter depreciation provided a partial offset to weaker global markets and supported relative performance into period-end.

Overall, the pattern of returns through the quarter reinforces the portfolio's role - lagging in momentum-driven phases but demonstrating resilience and relative strength as market conditions become more uncertain and valuation discipline reasserts itself.

Portfolio Activity

Portfolio activity during the quarter reflected a more dynamic backdrop than in prior periods, with a combination of continued profit-taking in areas of strength early in the quarter and more opportunistic redeployment as valuations adjusted through February and March. Changes remained measured and deliberate, aimed at managing concentration risk while improving the portfolio's prospective return profile. Within global equities, we continued to trim exposure to large technology and semiconductor holdings, including Alphabet, ASML and TSMC. These businesses remain core holdings with strong long-term fundamentals, but position sizes were reduced following sustained share price performance and a compression in forward-looking returns. The objective was to rebalance risk rather than reduce conviction, particularly given elevated portfolio concentration in these areas.

Proceeds were redeployed selectively into opportunities where valuation support had improved, and sentiment had become more negative. We increased exposure to Intuit, leaning into the market's concerns around AI disruption, where we believe the long-term competitive positioning remains intact and the risk-reward has become more favourable. We also initiated a position in AIA, a high-quality franchise with attractive long-term growth potential linked to the opening of the Chinese insurance market, where prospective returns appear compelling relative to developed-market peers.

Within resources, we added to Glencore, where valuation remains attractive, and optionality around corporate activity provides additional upside. This was funded in part through a reduction in Capitec, where strong share price performance led to a compression in expected returns. While Capitec remains a high-conviction holding, the trim reflects disciplined portfolio management rather than a change in underlying view.

We also exited smaller positions such as AVI, where valuation appeared full relative to our return expectations, allowing for reallocation into higher-conviction ideas. At the margin, the portfolio saw a modest shift toward more tangible, cash-generative businesses, reflecting both improved relative valuations and a more uncertain macro backdrop as the quarter progressed.

Overall, portfolio activity remained consistent with our philosophy - trimming into strength, adding into weakness, and incrementally improving the portfolio's balance between quality, valuation support and long-term return potential.

Outlook

Capital intensity has risen meaningfully, particularly in areas linked to artificial intelligence and infrastructure build-out, but the tolerance for that spend has shifted. Financing conditions remain restrictive by historical standards, and recent market behaviour suggests investors are no longer willing to underwrite investment without clearer evidence of returns. In this environment, the sustainability and timing of cash flow generation have become more important. Businesses reliant on long-duration expectations or continued multiple expansion face a narrower margin for error than in recent years.

We remain mindful of concentration risk in global indices, particularly around artificial intelligence and a small number of mega-cap names. While these businesses remain fundamentally strong, the market's focus has shifted from the scale of investment to the return on that investment. Participation has become more selective, with a preference for businesses where monetisation is visible and capital allocation is disciplined, rather than those supported primarily by narrative or momentum.

Looking ahead, it is increasingly unlikely that the return profile of recent years will persist. The combination of elevated energy prices, tighter financial conditions, and heightened geopolitical risk has introduced a wider range of potential outcomes. As a result, market leadership is likely to remain less stable and more contested, with greater dispersion across sectors and stocks. This is typically a more demanding phase of the cycle – but also one that creates opportunity for disciplined investors.

The opportunity increasingly lies in owning businesses whose intrinsic value compounds steadily through a range of environments. Many of these businesses have continued to perform operationally but have lagged in periods dominated by macro shocks or narrow leadership. In the domestic market, quality companies have often been used as funding sources for more cyclical or commodity-linked trades, particularly during the recent strength in platinum group metals and energy-related exposures. These areas have been important drivers of returns but remain inherently cyclical and sensitive to external factors.

In this environment, investing is less about anticipating the next rotation and more about resilience - ensuring portfolios are built on durable earnings, sensible capital allocation and balance sheet strength. As markets adjust to a more complex backdrop, discipline and selectivity are likely to become more important drivers of outcomes.

Our focus remains unchanged. We continue to favour businesses that can generate consistent cash flows, reinvest at attractive rates and compound value over time. In South Africa, this means prioritising globally competitive businesses with clear self-help levers, pricing power and robust balance sheets. Offshore, we favour leading technology, consumer and financial franchises with durable earnings, defensible competitive positions and credible paths to long-term value creation.

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.

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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

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