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NEDGROUP INVESTMENTS PROPERTY FUND

Quarter Two, 2026

Nedgroup Investments Property Fund

Performance to 30 June 2026	Fund[1]	Peer group[2]	Benchmark[3]
3 months	10.1%	9.9%	10.0%
1 year	33.4%	27.0%	29.7%
5 years	16.8%	15.5%	17.5%

[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

Market Overview

The second quarter of 2026 was, in almost every respect, the mirror image of the first. The geopolitical shock that had driven the March sell-off began to unwind almost as quickly as it had arrived. A conditional ceasefire between the United States and Iran in early April was followed by a formal ceasefire framework signed on 17 June, which included the agreed reopening of the Strait of Hormuz, and the war-risk premium embedded in global asset prices was steadily withdrawn over the course of the quarter. Global equity markets responded emphatically. The MSCI All Country World Index returned approximately 14% in US dollars over the quarter, more than reversing the first quarter's decline, with the MSCI World Index up around 14% and emerging markets stronger still. Growth stocks reclaimed market leadership as the artificial intelligence theme reasserted itself, and the S&P 500 delivered a 13.4% return for the quarter, leaving the index up 9.5% for the first half of the year despite the volatility of the preceding three months.

Energy was once again the principal transmission mechanism, but this time in reverse. Brent crude, which had risen 94.5% in the first quarter and traded above US$120 per barrel at the peak of the conflict, fell back below US$100 in April, collapsed a further 19% in May in its worst month since the onset of the COVID-19 pandemic, and ended the quarter near US$73 per barrel as the reopening of the Strait of Hormuz was confirmed. This disinflationary impulse arrived too late in the quarter to alter central bank behaviour. At its June meeting, the first chaired by Kevin Warsh, the US Federal Reserve left the federal funds target range unchanged at 3.50% to 3.75%, stripped its policy statement of forward guidance, and published projections in which the median participant now anticipates at least one rate increase before year-end, with the median expected end-2026 rate rising to 3.8% from 3.4% in March. Developed market government bond yields pushed to multi-decade highs on a combination of firmer inflation expectations and renewed fiscal concerns, making global fixed income the weakest of the major asset classes over the quarter.

In South Africa the domestic picture was considerably more constructive. The SARB raised the repo rate by 25 basis points to 7.0% on 28 May, its first increase in three years, acting pre-emptively to anchor inflation expectations as oil pushed toward US$100 per barrel. The bond market largely looked through the hike as the oil price subsequently fell away, with the All Bond Index returning 7.9% for the quarter and the benchmark 10-year yield retracing from around 8.9% at the end of March to approximately 8.5% at the end of June, while the rand proved notably resilient. The quarter also delivered two favourable sovereign rating actions. Moody's revised its outlook on South Africa to positive from stable on 22 May while affirming the Ba2 rating, its first positive outlook on the country since 2007 and the only positive outlook Moody's currently assigns to a G20 sovereign, and Fitch followed with a one-notch upgrade to BB in June. Real GDP expanded 0.5% in the first quarter, a sixth consecutive quarter of growth. Equities were the exception, with the FTSE/JSE All Share Index falling 2.4% over the quarter, but that weakness was concentrated in precious metals miners and the globally exposed Prosus/Naspers complex rather than in the domestic economy, and the FTSE/JSE Banks Index advanced 9.8% over the same period.

South African listed property was the principal beneficiary of this combination of falling domestic bond yields, improving sovereign sentiment and a resilient local economy. The sector returned 5.9% in April, consolidated

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with a near-flat 0.7% in May and added a further 4.2% in June, taking the FTSE/JSE SA Listed Property (SAPY) Index to a total return of 10.0% for the quarter and fully reversing the first quarter's decline. June was particularly telling, with the sector delivering 4.2% in a month in which the All Share fell 3.7%. More importantly, the price recovery was accompanied by an acceleration in underlying income. Rolling 12-month distribution growth for South African REITs rose to 10.58% at the end of June from 9.40% a month earlier, marking a fifth consecutive quarter of inflation-beating dividend growth. The results and pre-close updates delivered through May and June were consistently strong, with Attacq reaffirming distribution growth guidance of 11% to 14%, Fairvest upgrading its guidance to 11% to 13%, Hyprop on track for 10% to 12% and Vukile delivering FFO and dividend growth of 9.3% ahead of guidance alongside FY27 dividend growth guidance of 10% to 12%. Equity capital markets reopened decisively, with Spear (R1.0 billion), Fairvest (R900 million), Vukile (R2.8 billion) and Fortress (R1.35 billion) all completing heavily oversubscribed accelerated bookbuilds at or close to prevailing market pricing.

Portfolio Commentary

The Fund returned 10.1% in the second quarter of 2026, marginally ahead of both the FTSE/JSE SA Listed Property Index (10.0%) and the peer group average (9.9%). Before fees, the portfolio returned 10.4%, approximately 40 basis points ahead of the index. Over the 12 months to 30 June 2026 the Fund returned 33.3%, comfortably ahead of the benchmark return of 29.7% and well ahead of the peer group average of 27.0%, ranking the Fund second out of 36 funds in the (ASISA) South African Real Estate General category over that period.

The quarter was unusually broad-based, with only one of the Fund's holdings delivering a negative return. The largest single contribution came from Fairvest B (+20.9%), the Fund's largest active overweight, which lifted its interim B-share distribution 12.3% and upgraded full-year guidance to between 11% and 13% on the back of its retail repositioning and the Onepath township-fibre investment. Spear (+12.7%) and Dipula (+12.3%) each contributed more than 1.1%, the former supported by a 6.1% increase in its first-quarter FY27 distribution and a remarkable +17.3% office reversion that runs directly counter to the office weakness evident elsewhere in the market, and the latter by 20% growth in interim distributable earnings, gearing improved to 34.0% and full-year guidance of 7% to 8%. Growthpoint (+10.8%) added a further 1.1%, helped by an oversubscribed R1.8 billion bond issued at record-low margins and the highest national-scale credit rating from both agencies. Delta (+58.1%) contributed 1.1% from an average weight of only 2.1%, although this is best understood as a technical bounce from a distressed and illiquid base rather than as evidence of any change in fundamentals. Octodec (+16.9%) and SA Corporate (+14.9%), both meaningful overweights, added a further 1.2% between them.

Accelerate (-22.1%) was the only absolute detractor, costing the Fund 1.02% of performance, as the repudiation of the R88 million sale of its Bosveld Bela Bela shopping centre compounded an already difficult year for the counter. In relative terms, however, the more significant drags came from positions the Fund does not hold. The portfolio owns neither Redefine nor Hyprop, which together account for more than 17% of the SAPY Index and returned 11.4% and 14.3% respectively over the quarter, contributing a combined 2.1% to the benchmark's return. The Fund's overweight to Stor-Age, at an average weight of 6.4% against 1.9% for the index, was also costly, with the counter returning just 2.8% as a softer UK portfolio offset an otherwise strong South African business and a materially de-risked balance sheet. Offsetting these, the Fund's substantial and long-standing underweight to NEPI Rockcastle, at an average weight of 9.8% against 22.2% for the index, remained additive, with the index heavyweight returning only 7.9% and lagging the sector by more than two percentage points.

Portfolio activity during the quarter was concentrated on taking profits where share prices had run ahead of fundamentals and recycling the proceeds into larger, more liquid positions. The most significant decision was to halve the holding in Octodec, from 4.0 million to 2.0 million shares. Emira's voluntary offer at R16.75 per share, and its subsequent accumulation of a 23.5% stake, created a level of price support and liquidity that is unusual in a counter of Octodec's size, and with the shares having returned 87.5% over 12 months we were content to realise a substantial portion of that gain rather than rely on further corporate action. The position in Dipula was reduced by 2.3 million shares and Fairvest B by 1.5 million shares, in both cases following exceptional runs, while Spear was trimmed by 350,000 shares. The proceeds were redeployed principally into Attacq, where the holding was increased from 192,451 to 1.1 million shares at an average cost of approximately R17.25 per share, lifting the weight from 0.3% to 1.6% and reflecting our confidence in the company's 11% to 14% distribution growth guidance, group occupancy of 95.1% and Waterfall development pipeline. Smaller additions were made to Growthpoint (from 7.0 million to 7.5 million shares), NEPI Rockcastle (from 695,000 to 825,000 shares) and Resilient (from 950,000 to 1.075 million shares). The Fund did not participate in the Fortress accelerated bookbuild that priced on 30 June.

The Fund paid a distribution of 1.89 cents for the A class and 1.96 cents for the A1 class in the second quarter of 2026, compared with 0.12 cents and 0.18 cents respectively in the first quarter. As noted in previous commentaries, this seasonality is a characteristic of the South African listed property sector rather than a reflection of any change in underlying income. The majority of South African REITs have December or June year-ends, and the second quarter therefore captures the bulk of the final distributions declared in respect of December year-ends. Full-year income for 2026 remains on track to grow meaningfully above that paid in 2025.

Top 5 winners and losers for Q2 2026:

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
Fairvest B	8.88%	1.86%	**Accelerate**	3.60%	-1.02%
Spear	9.76%	1.24%	**Attacq**	1.26%	0.07%
Dipula	9.27%	1.17%	**Stor-Age**	6.36%	0.19%
Growthpoint	10.71%	1.11%	**Emira**	5.26%	0.28%
Delta	2.05%	1.08%	**Equites**	3.35%	0.30%

Current positioning and outlook

The second quarter has restored the sector's share prices to levels that the underlying fundamentals arguably always justified, but it has done so without exhausting the opportunity. Distribution growth has continued to accelerate, balance sheets are in the best shape they have been in a decade, and the sector's rating remains undemanding relative both to its own history and to the growth now being delivered. The Fund's approach remains unchanged: to invest thematically in property types and geographies where fundamentals are strongest and improving, and to size positions on the basis of relative valuation and conviction rather than benchmark weights.

The Fund's largest single theme exposure remains convenience and neighbourhood shopping centres in South Africa, with 23.8% of the portfolio invested in centres below 25,000m² of GLA compared with 14.6% for the SAPY Index, and correspondingly little exposure to regional and super-regional shopping malls at 13.6% of the portfolio versus 26.6% for the benchmark. According to SAPOA, convenience and neighbourhood shopping centres continue to enjoy the lowest vacancy rates in the retail sector as well as the lowest cost of occupancy for retailers, supporting above-average market rental growth over the short to medium term. The continued store roll-out from grocers such as Boxer, Shoprite and Checkers reinforces our view that this segment of the retail market is structurally well positioned, and the guidance upgrades delivered by Fairvest and Dipula during the quarter provide direct evidence of that thesis at work.

Within the broader portfolio, the Fund continues to maintain a high relative exposure to the Western Cape through its large positions in Spear and Growthpoint. Office fundamentals in the province remain exceptionally strong, with P-grade vacancies well below 1% according to SAPOA, and Spear's +17.3% office reversion during the quarter illustrates how far the Western Cape market has decoupled from the national picture. The Fund also retains a substantial overweight to self-storage through Stor-Age, at 6.3% of the portfolio against 2.7% for the index, where the South African business continues to perform strongly and the balance sheet has been materially de-risked; although the counter lagged during the second quarter, we regard the current rating as attractive. Exposure to residential property through Octodec was reduced during the quarter but remains a meaningful overweight at 2.9% of the portfolio against 0.9% for the benchmark.

The Fund's geographic exposure remains heavily weighted toward South Africa, at 72% of the portfolio versus 49% for the SAPY Index, with the largest underweights to Central and Eastern Europe (15.4% versus 31.7% for the benchmark) and Western Europe (4.8% versus 10.1%). While the fundamentals in European logistics remain sound, and Fortress's improvement in Central and Eastern European logistics vacancy from 9.0% to 1.8% during the quarter was striking, developed market bond yields at multi-decade highs are expected to continue to weigh on European property valuations over the next 12 to 18 months. We continue to prefer to access this theme selectively through Fortress and Burstone rather than through the index heavyweights, although modest additions were made to both NEPI Rockcastle and Resilient during the quarter.

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current gross one-year forward yield on the Fund is 7.4% (6.2% net of fees), compared with a gross forward yield of 7.5% on the SAPY Index, with distributions expected to grow at approximately 6.1% per annum over the next three years. The modest yield compression relative to the first quarter is the natural consequence of a 10% quarterly return. The Fund's marginally lower forward yield than the index reflects a deliberate bias toward funds with lower gearing, better-covered distributions and more visible growth rather than toward the highest headline yields, and we would expect that bias to be rewarded should the interest rate environment prove less forgiving than the market currently assumes.

The principal risk to this view remains the interest rate path. Domestic inflation accelerated to 5.0% in June, a two-year high, and the SARB has been explicit that further tightening may be required should higher oil and food prices feed through into core inflation. Against that, the collapse in the oil price through the second half of the quarter, if sustained, materially reduces the pressure on the SARB and could restore the more supportive backdrop that drove much of the sector's re-rating through 2024 and 2025. The Fund remains well positioned for either outcome. Its high-quality, income-focused portfolio construction, its bias toward defensive retail, logistics and self-storage exposure, and its underweight to the more rate-sensitive European counters should continue to offer a measure of resilience in the event of further volatility, while retaining full participation in the ongoing improvement in domestic property fundamentals.

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)..

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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.

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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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