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NEDGROUP INVESTMENTS FINANCIALS FUND

Quarter Three, 2026

Nedgroup Investments Financials Fund

Performance to 30 September 2026	Nedgroup Investments Financials Fund[1]	Benchmark: FTSE/JSE SA Financials Index
3 Months	-2.0%	-3.4%
12 Months	18.3%	22.8%

Market Commentary

Global markets

Global markets continued to be supported by resilient economic activity during the third quarter, despite a more challenging environment for inflation and interest rates. The United States remained the primary driver of growth as robust corporate earnings, healthy labour markets and ongoing investment in artificial intelligence infrastructure offset concerns around geopolitics and monetary policy. AI-related spending remained a major source of economic activity and market performance throughout the quarter.

The quarter was characterised by a renewed rise in energy prices following continuing tensions in the Middle East. Brent Crude oil traded above US$100 per barrel during September, contributing to concerns about the inflation trajectory and prompting investors to revise views on the future path of interest rates. Bond markets faced a difficult quarter as elevated government borrowing requirements and persistent economic strength pushed yields higher across most major developed markets.

Central banks adopted a more hawkish stance in the quarter. A large proportion of developed-market central banks either raised rates or signalled increased concern about inflation. Markets that entered the year expecting an easing cycle have increasingly shifted towards a higher-for-longer interest rate environment. At the same time, the ongoing tariff policy pursued by the United States added another layer of uncertainty regarding the outlook.

Despite these headwinds, global risk assets proved remarkably resilient. Strong earnings growth, particularly among technology and infrastructure-related businesses, offset the impact of higher discount rates. The key question for investors is whether the current AI-led investment cycle can continue to sustain current levels of capital expenditure and broaden into the wider economy.

Over the quarter, the MSCI All Country World Index gained 1.9%, while the MSCI Emerging Markets Index fell 0.4%. The Bloomberg US Aggregate Bond Index declined 2.5%, while the US Treasury Bills 1-3 months Index returned 0.9%. US equities outperformed, gaining 2.2%, and the UK (1.9%) was broadly in line, while Europe (-1.6%) lagged. [All returns are in US dollars.]

South African markets

South African markets spent much of the quarter concerned with a more challenging global backdrop and the impact on domestic fundamentals. Higher oil prices and rising developed-market bond yields weighed on investor sentiment and reduced expectations for lower domestic interest rates. The South African Reserve Bank maintained a cautious stance as inflation risks remained elevated, owing largely to fuel prices and external pressures.

Domestic fiscal outcomes and policy credibility continued to provide support for local asset markets. However, as has been the case for much of the past year, improved investor confidence in domestically exposed businesses remains dependent on stronger economic growth and continued progress on structural reforms. South African equities continue to trade at attractive valuations, but sustained re-rating will likely require evidence of a more durable improvement in growth prospects. This remains particularly relevant as global

[1] Net return for the Nedgroup Investments Financials Fund, A class. Source: Morningstar (monthly data series).

investors increasingly compete for opportunities created by the ongoing AI investment boom and stronger economic performance in the United States.

The FTSE/JSE Capped All Share Index closed marginally weaker in rand terms (-0.3%), while the FTSE/JSE SA Listed Property Index (SAPY) closed 1.1% lower and the FTSE/JSE SA REIT Index closed 2.3% lower. Domestically, bond markets proved resilient in the face of rising global bond yields; the FTSE/JSE All Bond Index closed 0.7% lower. Domestic cash (STeFI) delivered 1.7%. The rand was largely unchanged, starting the quarter at R16.39 against the US dollar and closing at R16.42.

Fund performance

The Nedgroup Investments Financials Fund delivered satisfactory performance (-2.0% for the quarter and 18.3% for the 12 months ending 30 June).

The investments in Investec, Santam and Nedbank generated the highest absolute returns, whilst Capitec, Sanlam, and Momentum showed the largest declines.

In terms of contribution, the largest positive contributions during the quarter came from the Denker Global Financial Fund and Investec, whilst the largest detractor relative to the index was Nedbank.

Whilst the fund's absolute performance over 12 months (18.3%) was good, it underperformed the benchmark, largely attributable to the first six months of the year. This was due to the underweight position in Standard Bank and overweight exposure to Sanlam and Investec. In addition, whilst the large investment in the Denker Global Financial Fund performed well (+32% in US dollars), this performance was dragged down by the stronger Rand.

Top/bottom contributors

Top contributors	Ave. weight	Performance attribution	Top detractors	Ave. weight	Performanc e attribution
Denker Global Financial	24.2%	1.1%	Nedbank Group Ltd	1.0%	-0.5%
Investec	9.6%	0.7%	Remgro Ltd	-	-0.2%
Capitec	10.0%	0.3%	Momentum Group Limited	5.9%	-0.2%
Santam	2.3%	0.2%	Sanlam Ltd	7.3%	-0.2%
Growthpoint Prop Ltd	-	0.1%	NEPI Rockcastle N.V.	-	-0.2%

Source: StatPro

Note: Due to the concentrated nature of the fund, attribution is in our opinion not that meaningful especially in this volatile quarter where most of the benchmark relative performance is attributed to shares not included in the fund (but held in the benchmark). In addition, the tables above do not reflect the index weights and hence gives less insight into portfolio positions relative to the benchmark. We provide additional information in the commentary below.

Top five contributors

- **Denker Global Financial Fund:** Despite negative global markets, the fund managed to generate a positive return of 1.02% in rands. This return masks significant moves in individual holdings, including Accelerant (+68%), Optima (+48%), Lion Finance (26%), International Exchange (+23%) and several companies delivering returns of more than 15% (e.g. ABN-Amro, ING, National Bank of Greece). The investments that dragged this down were IG Group (-28%), Keycorp (-13%), and several US and UK banks, as well as Essent, all declining around -8% to -12%. These price moves highlight the significant uncertainty currently affecting markets.
- **Investec:** Investec bounced back strongly after reporting good results. It remains mispriced and we continue to hold it as one of the five largest investments in the fund.
- **Capitec:** Capitec reported a strong result but concerns around provisions in the current macroeconomic environment overshadowed the underlying positive momentum, resulting in a 10% price fall during the

quarter. It remains one of the highest-quality banks in the world, but also one of the most expensive. We remain underweight relative to the index and are waiting for the price to fall further before increasing the current 10% holding.

- **Santam:** The fund's holding in Santam is driven by its consistently high return on capital, which leads to high shareholder value growth over time. It remains mispriced hence we added to the fund's holding. This investment was unexpectedly rewarded in October with a 28% price jump after Sanlam's offer to buy out minorities.
- **Growthpoint:** The fund currently has no exposure to the listed property sector and not owning Growthpoint contributed positively to the overall returns.

Top five detractors

- **Nedbank Group:** The share performed well after reporting satisfactory results. The fund remains underweight while assessing the success of the integration of the recent acquisitions of NCBA in Kenya and iKhokha in South Africa.
- **Momentum**: Momentum has performed very well year to date in terms of both earnings and share price performance. It remains a large overweight based on its consistently high return on capital and ability to regain previously lost market share whilst simultaneously improving operating metrics.
- **Sanlam:** The fund's large holding in Sanlam is because of its consistent, high return on capital driven by its positioning in India and Africa, as well as its dominance in its various business units in South Africa, including its investment in Santam. The share has been sold down during the quarter to record-low P/NAV multiple, hence we used the opportunity to add to our holding.
- **NEPI Rockcastle:** As noted above, the fund currently has no listed property exposure and this meant not owning NEPI Rockcastle detracted from returns.
- **Remgro:** Remgro reported very strong FY26 results, supported by strong cash generation, whilst the fund does not currently hold the share.

Changes to portfolio

Very few changes were made during the quarter, with only small additions to positions, namely Sanlam, Santam and Optasia.

Current positioning and Outlook

The portfolio remains concentrated in core South African financial names, with significant exposure to major banks and insurers. Key positions include FirstRand Ltd, Standard Bank Group Ltd, Capitec Bank Holdings Ltd, Sanlam Ltd, Momentum Group Limited and Investec Ltd, with smaller positions in ABSA Group Limited, Outsurance and Nedgroup. The fund also has a large investment in the Denker Global Financial Fund, providing exposure to best-in-class global financial services businesses.

Relative to the benchmark, the fund maintains active tilts, including underweights in selected large banks and overweight exposure to insurers and specialist financial companies. The portfolio also excludes several benchmark constituents, which contributed to attribution through timing effects.

Looking ahead, the outlook for South African financial equities remains closely tied to global inflation dynamics, the trajectory of oil prices, and the domestic interest rate cycle. Persistently high interest rates continue to weigh on credit demand and consumer affordability, although they also provide net interest margin benefits for banks.

Insurers remain sensitive to market volatility and movements in long-term interest rates, while listed property exposure is expected to remain challenged until there is clearer evidence of monetary policy easing.

The macroeconomic factors listed above do play a role. However, we believe that over time the quality of the management teams will deliver continued good growth in shareholder value, whilst valuations of the individual shares are not excessive. This can be seen in the consistency of the shareholder growth.

An excellent example of the above is Standard Bank. An investment in Standard Bank in December 2000 would have generated a compound return of 16% over the 25 years to 31 December 2025, despite numerous, significant negative international and local events during that period.

Responsible investment comments

A key part of our investment philosophy is assessing the quality of management teams and interrogating their strategy for growing shareholder value.

Over the past few months, we have engaged with the management teams of the companies through results meetings or at investor showcase events. These interactions provide valuable opportunities to discuss their business strategies and ensure high standards of corporate governance are maintained. In the previous quarter, we commented on our concerns regarding the incentivisation of the CEO at Absa and believe this corporate governance concerns have since been addressed by the board.

We typically visit the management teams of our key investments during the fourth quarter of each year, where we explore deeper discussions on excellence in corporate governance. We hope to build on our knowledge, as well as discuss key topics relating to corporate governance in line with our commitment to responsible investing.

Our aim is to maintain ongoing engagement with the management teams and boards of the companies we are invested to protect the interests of all stakeholders.

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