



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

A photograph of an open book with white pages, tied with a white string bookmark. The book is open to a blank page, and the pages are slightly curved, suggesting it is being turned or held open.

NEDGROUP INVESTMENTS OPPORTUNITY FUND

Quarter Three, 2026

Performance to 30 September 2026	Fund Performance ¹	ASISA category average ²	Inflation + 5%
3 months	2.3	0.4	2.2
12 months	8.1	6.9	9.6
3 years	14.4	12.8	9.2
5 years	13.8	10.1	10.1
Since inception (March 2012)	11.3	8.9	10.2

Market Overview

The third quarter of 2026 was characterised by an unusual divergence between equity and bond markets. Global equities remained remarkably resilient despite a sharp deterioration in the interest-rate backdrop, higher energy prices, geopolitical uncertainty and growing debate about the sustainability of the artificial-intelligence investment cycle. The MSCI World Index finished the quarter close to record levels and remained more than 12% higher year-to-date, while the S&P 500 gained approximately 2.8% in Q3.

The most important development for investors was arguably not in equities at all, but in global bond markets. The US 10-year Treasury yield rose above 5% and reached 5.29% by quarter-end, its highest level since 2002. Long-dated yields were pushed higher by resilient economic growth, renewed inflation concerns, large fiscal deficits and the enormous amount of capital being directed towards AI infrastructure. The increase in long-term yields is significant because it raises the discount rate applied to future corporate earnings and therefore places greater pressure on the valuations of long-duration growth assets.

In the US, the economy continued to demonstrate considerable resilience. Second-quarter GDP growth was revised to 2.2% annualised, supported by consumer spending and investment in AI infrastructure. The combination of robust growth and persistent inflation has left the Fed facing a difficult policy trade-off. Against this backdrop, the Federal Reserve delivered a 25-basis-point rate increase at its September meeting, taking the federal funds target range to 3.75%-4.00%. This was the first increase since July 2023, and the September projections implied a materially higher path for rates than previously expected.

China presents a contrasting picture. The economy has weakened, with second-quarter growth slowing to 4.3%, the weakest pace in more than three years. The headline numbers, however, conceal a significant K-shaped divergence. Strategic industries such as semiconductors, electric vehicles, advanced manufacturing and AI-related businesses continue to expand rapidly, while property, household consumption and parts of the labour market remain under pressure. Importantly, Beijing is increasingly turning towards counter-cyclical support. Policy priorities include stabilising the property market, supporting household incomes and employment, encouraging private investment, and investing in infrastructure and strategic technologies. From an investor perspective, China's policy stance contrasts with much of the emerging-market universe, where higher oil prices and tighter global financial conditions are limiting the scope for monetary easing.

The recent Trump-Xi summit produced limited substantive progress but nevertheless reduced the immediate risk of a further escalation in trade tensions. The two countries agreed to extend their trade truce and pursue reciprocal tariff reductions on selected goods, while continuing discussions around agriculture, technology and other strategic issues.

South Africa has faced an especially difficult combination of domestic weakness and external shocks. The onset of the Iran conflict has undermined both consumer and business confidence, while higher oil prices have compounded already weak domestic demand. Second-quarter GDP data, which showed a contraction of 0.2%, confirmed that South Africa is experiencing a supply-side shock, with weaker growth occurring alongside renewed inflationary pressure. The South African Reserve Bank has subsequently reduced its 2026 growth forecast to 1.2%. At the same time, the global oil shock and higher international interest rates have complicated the inflation outlook. In September, the SARB increased the repo rate by 25bps to 7.25%, with headline inflation expected to rise above 5% before gradually moving back towards the 3% target by the end of 2027. Rising rates

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

² ASISA multi-asset medium equity category.

and higher fuel prices are a painful combination for South African consumers and domestic businesses, as reflected in the performance of domestic equities.

The commodity complex remains highly differentiated. Oil was the major macroeconomic commodity story during Q3, with Brent rising approximately 40% as geopolitical disruption affected global supply. Gold experienced a volatile quarter, declining sharply in September as higher Treasury yields and a stronger dollar reduced the attractiveness of a non-yielding asset.

Domestic fixed-income assets were pressured by the global bond sell-off. Inflation-linked bonds returned 1.45%, outperforming nominal bonds at -0.7%, while listed property declined 1.1% as higher discount rates weighed on duration-sensitive assets. Sentiment towards government bonds remains constructive, supported by improved fiscal messaging and political stability under the Government of National Unity. However, much of the benefit from sovereign risk-premium compression appears to have been realised. With positive domestic developments reflected in credit spreads, local nominal bond valuations are considered neutral.

Portfolio Commentary

The Nedgroup Opportunity Fund delivered a return of 2.3% for the quarter and 8.1% for the past 12 months.

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

Top 5 winners and losers for 2026Q3:

Top contributors	Average weight	Performance	Top detractors	Average weight	Performance
TBC Bank	3.0	0.6	Naspers	4.1	-0.6
Wix	0.5	0.5	Raubex	1.6	-0.3
Sasol Note	0.5	0.2	Pepkor	1.5	-0.3
Strategy Inc	0.8	0.2	Qfin	0.4	-0.3
Lion Finance	0.7	0.2	Novo Nordisk	0.4	-0.1

During the quarter, the portfolio benefited from the performance of a diverse group of global holdings. Notable detractors were South African domestic businesses, as well as our exposure to Naspers/Prosus (Tencent).

SA Inc is having a torrid time. Higher interest rates and elevated oil prices are particularly damaging for South African consumers, and this is increasingly evident in domestic equity performance, with both Pepkor and Sun International among the key detractors for the quarter. We remain selective rather than abandoning the domestic consumer altogether. Companies with pricing power, strong balance sheets, operating leverage and identifiable self-help opportunities should be better positioned to navigate a more competitive environment.

Naspers/Prosus (Tencent) continues to be a source of frustration. Tencent has continued to de-rate, with the principal issue being that its AI monetisation remains less advanced than that of some peers. This has weighed on investor enthusiasm despite the company's attractive ecosystem, significant user base and strong cash-generation capabilities. Tencent's ability to embed AI across advertising, gaming, cloud, payments and its broader digital ecosystem provides significant optionality. The key catalyst will be evidence that AI investment is translating into incremental monetisation.

Current positioning and outlook

As we enter the final quarter of 2026, the key message is that we believe the medium-term opportunity remains compelling, even as the near-term risk environment becomes more challenging.

In the immediate term, markets are likely to remain hostage to swings in oil prices, Fed expectations and global bond yields. The US midterm elections on 3 November will be another important event for global markets. We therefore expect volatility to remain elevated.

Nevertheless, we believe it is important to distinguish between the short-term macro environment and the medium-term investment outlook. Much of the current turmoil is geopolitically driven. If tensions eventually subside, the sequence is potentially straightforward: oil prices decline, inflation expectations moderate, bond yields fall, and central banks gain greater scope to ease, in turn supporting equity markets.

South Africa's medium-term prospects are supported by fiscal consolidation, institutional reform, infrastructure investment and a more credible inflation framework. The November local government elections will be an important domestic catalyst, taking place on 4 November. The outcome will provide an indication of the political landscape ahead of the next national election cycle and may influence the trajectory of coalition politics and municipal reform.

Finally, valuation remains an important consideration and a counterweight to current market angst. We continue to find attractively priced opportunities both locally and abroad. We remain focused on businesses capable of compounding intrinsic value through the cycle, while maintaining sufficient flexibility to take advantage of volatility when valuations become disconnected from fundamentals. Importantly, 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.

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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.

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.

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