NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS PROPERTY FUND

Quarter Three, 2026

Nedgroup Investments Property Fund

Performance to 30 September 2026	Fund[1]	Peer group[2]	Benchmark[3]
3 months	-3.6%	-1.8%	-1.1%
12 months	23.9%	18.4%	20.2%

Market Overview

The third quarter of 2026 undid much of the optimism that had carried markets through the second. The ceasefire framework agreed between the United States and Iran in June failed to develop into a lasting settlement, talks toward a memorandum of understanding lost momentum, and supply fears returned to the oil market, with Brent crude climbing back above US$100 per barrel during September. The resulting energy-led inflation shock, combined with a global economy that proved considerably more resilient than expected, pushed most developed market central banks back into tightening mode. In September the US Federal Reserve raised rates by 25 basis points, its first increase since July 2023 and the first under Chairman Kevin Warsh, while the European Central Bank and the Bank of Japan each raised rates by the same margin and the Bank of England held steady. Equity markets were supported by a narrow, technology-led US market, with the S&P 500 gaining 2.3% and setting records in August and early September, and the MSCI World Index returning 1.9% in US dollars. Beneath the surface, however, the quarter was driven almost entirely by interest rates. Small caps and real estate lagged badly, and the GPR 250 REIT Index fell 5.9% in US dollars, with Europe (-8.3%) and the Americas (-6.2%) the weakest regions.

Government bonds endured their worst quarter in several years. The US 10-year Treasury yield rose 88 basis points to 5.29%, its highest level since just before the 2007 financial crisis, and the Bloomberg Global Aggregate Bond Index lost 2.5% in US dollars. Three forces were at work: energy-driven headline inflation that forced the Fed, the ECB and the Bank of Japan to raise rates; a rising term premium as heavy sovereign issuance competed for duration buyers with record corporate borrowing, including more than US$200 billion of long-dated bonds issued by the US hyperscalers so far this year to fund the artificial intelligence buildout; and the resurfacing of fiscal and political risk in France and the United Kingdom. For listed property, whose valuations are ultimately anchored to long-term bond yields, this was the single most important development of the quarter, and it fell hardest on European real estate, where the ECB's return to tightening compounded the rise in long yields.

In South Africa the macroeconomic backdrop weakened. After six consecutive quarters of growth, real GDP contracted 0.2% in the second quarter, with trade, manufacturing and mining all declining, fixed investment falling for a second consecutive quarter and unemployment rising to 33.6%. Headline inflation remained relatively contained at 4.4% in August, with core inflation easing to 4.1%, but the renewed rise in the oil price has re-intensified fuel-driven pressure. Having held the repo rate at 7.00% in July, the SARB's Monetary Policy Committee unanimously raised it by a further 25 basis points to 7.25% on 23 September, its second increase this year. Governor Kganyago expects headline inflation to rise above 5% late this year and early next before returning to the 3% target only towards the end of 2027, although the Bank's own model points to broadly stable rates for the remainder of 2026. The domestic bond market held up well given the rout offshore, with the All Bond Index returning -0.7%, while the FTSE/JSE All Share Index declined 0.3%, a near-flat outcome that concealed a 16.7% gain for precious metals miners and a 10% fall in Industrials led by Naspers and Prosus. Campaigning for the 4 November local government elections has sharpened tensions within the Government of National Unity, and the poll is widely regarded as the first major test of its reform agenda.

The FTSE/JSE SA Listed Property (SAPY) Index returned -1.1% for the quarter, a modest decline that understates a volatile three months. According to the SA REIT Association, the sector advanced 1.4% in July, outperforming both equities and bonds despite a retreat in the bond market, before falling 5.0% in August as

[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

investors took profits after a long run of gains on thin trading volumes, with the decline concentrated in the larger counters with significant offshore exposure. September largely reversed the weakness seen in August, with the sector gaining 1.6%, while the All Share Index declined 5.8%. Trading activity was also strong, with R16.2 billion traded during the month, the highest level since March. Underlying fundamentals continued to improve. Rolling 12-month distribution growth for South African REITs increased to 11.1% at the end of September, from 10.6% at the end of June. This marked the sixth consecutive quarter of inflation-beating distribution growth and, excluding the distorted 2021 and 2022 comparatives, the strongest reading since 2017. The September results season also reflected a strong 2026. Fortress grew its dividend by 10.1% and reduced its loan-to-value ratio to 34.0%, Hyprop increased distributable income per share by 11.7%, while Attacq grew normalised distributable income per share by 15.5%. Vukile also reaffirmed dividend growth guidance of 10% to 12%. The outlook for 2027 is, however, more cautious. Growthpoint is guiding to growth of 1% to 3%, Attacq 6% to 9% and Hyprop 7% to 9%, with much of this guidance provided before the September interest-rate increase. Corporate activity also remained elevated, including Dipula's R2.0 billion acquisition of nine shopping centres, Spear's R1.4 billion Western Cape acquisition programme, Stor-Age's R387 million acquisition of the Xtraspace portfolio and Burstone's transfer of R5.4 billion of South African assets into a new funds platform established with Nedbank Property Partners.

Portfolio Commentary

The Fund returned -3.6% in the third quarter of 2026, behind both the SAPY Index (-1.1%) and the peer group average (-1.8%). This was a disappointing quarter following a strong first half, but it should be seen in the context of the Fund's longer-term record. Over the 12 months to 30 September 2026 the Fund returned 23.9%, comfortably ahead of the benchmark return of 20.2% and well ahead of the peer group average of 18.4%.

The underperformance was concentrated in a small number of positions. Delta (-30.6%) and Accelerate (-24.5%), neither of which is an index constituent, together cost the Fund 1.6% of performance from a combined average weight of less than 5%. Delta's decline largely reversed the 58.1% gain recorded in the second quarter which, as we noted at the time, reflected a technical bounce from a distressed and illiquid base rather than any change in fundamentals. Accelerate's results for the year to March showed genuine progress in the areas within management's control, with gross debt reduced by R777 million to R3.0 billion, the loan-to-value ratio lowered to 43.7% from 48.3% and vacancies at Fourways Mall reduced to below 10%, and the subsequent sales of Cedar Square and KPMG Crescent have raised around R1 billion for further debt reduction. However, the company again declined to declare a dividend, interest cover remains tight and a significant refinancing falls due in March 2027, and the market has so far been unwilling to give credit for the balance sheet repair until it translates into distributions. Growthpoint (-7.7%) was the largest detractor in absolute terms, costing the Fund 0.85%, as a solid set of full-year results, including dividend growth of 7.4%, South African vacancies at their lowest level since 2019 and a South African loan-to-value ratio reduced to 30.2% after R4.9 billion of disposals, was overshadowed by guidance of only 1% to 3% growth for FY27. Because the Fund is underweight Growthpoint relative to the index, at an average weight of 10.9% against 14.6%, its decline was nonetheless marginally additive in relative terms.

The Fund's overweight positions in Fairvest B (-6.0%) and Stor-Age (-7.6%), at average weights of 8.9% and 6.0% against 3.5% and 1.8% respectively for the index, cost a further 0.5% of relative performance. Fairvest gave back part of its 20.9% second-quarter gain despite a pre-close update pointing to dividend growth at the top of its 11% to 13% guidance range, positive reversions of 5.6%, a loan-to-value ratio expected to fall below 27% and the acquisition of two Shoprite-anchored KwaZulu-Natal shopping centres for R702 million at a 10.2% yield. Stor-Age's South African business continues to perform strongly and was bolstered by the earnings-accretive Xtraspace acquisition, which takes its South African portfolio to 80 properties, but the counter remains weighed down by its UK operations. Spear (-3.5%), an off-benchmark position at 9.4% of the Fund, also detracted despite its continued expansion in the Western Cape. In relative terms, not holding Hyprop (+3.1%) or Lighthouse (+6.7%) cost the Fund approximately 0.4%, and the long-standing underweight to NEPI Rockcastle, at an average weight of 10.5% against 22.9% for the index, cost a similar amount as the index heavyweight returned 2.2% and outperformed the sector, a reversal of the second quarter when the underweight was additive. On the positive side, not owning Redefine (-5.2%), which accounts for more than 11% of the SAPY

Index, added approximately 0.45% in relative terms. Dipula (+1.7%), an off-benchmark position of 9.1%, rose 8.2% in September after announcing its R2.0 billion acquisition of nine shopping centres from the Moolman Group in August, while the overweight to Emira (+2.7%) was also additive. In absolute terms, the largest contributors were NEPI Rockcastle (+2.2%), Fortress (+3.7%), Dipula, Emira and Vukile (+1.9%).

There were no changes to the Fund's holdings during the quarter. The profit-taking and recycling into larger, more liquid positions undertaken in the second quarter left the portfolio broadly where we wanted it, and with share prices over the quarter driven more by global bond yields and by profit-taking on thin volumes than by any change in fundamentals, we did not regard the price movements as a reason to alter positioning. The results and pre-close updates released through August and September were, if anything, supportive of the Fund's core holdings, and in particular its exposure to convenience and neighbourhood retail.

The Fund paid a distribution of 0.67 cents for the A class and 0.74 cents for the A1 class in the third quarter of 2026, compared with 1.89 cents and 1.96 cents respectively in the second quarter. As noted in previous commentaries, this pattern reflects the seasonality of the South African listed property sector rather than any change in underlying income. A significant portion of the income declared during the September results season, including Growthpoint's final dividend, only goes ex-dividend in October and will therefore be captured in the fourth quarter.

Top 5 winners and losers for Q3 2026:

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
NEPI Rockcastle	10.53%	0.22%	**Growthpoint**	10.89%	-0.85%
Fortress	4.27%	0.16%	**Delta**	2.18%	-0.82%
Dipula	9.07%	0.15%	**Accelerate**	2.78%	-0.81%
Emira	4.94%	0.14%	**Fairvest B**	8.92%	-0.54%
Vukile	7.55%	0.13%	**Stor-Age**	6.00%	-0.46%

Current positioning and outlook

The third quarter was a reminder that listed property cannot be fully insulated from a global bond market sell-off, even when underlying income is growing at its fastest pace in almost a decade. The sector enters the final quarter of the year with distribution growth above 11%, balance sheets in considerably better shape than at the start of any previous tightening cycle and more conservative payout ratios. At the same time, the rate cycle has turned both at home and abroad, and the guidance issued during the September results season points consistently to slower growth in 2027. 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 23.9% of the portfolio invested in centres below 25,000m² of GLA compared with 15.0% for the SAPY Index, and correspondingly little exposure to regional and super-regional shopping malls at 13.3% of the portfolio versus 26.9% 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 quarter's transactions provide direct evidence of that thesis at work, with Fairvest acquiring two Shoprite-anchored centres at a 10.2% yield and Dipula acquiring nine shopping centres from the Moolman Group, while Vukile reported South African vacancy of just 1.9% and positive reversions of 4.0%.

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 the contrast with the national market remains stark: Growthpoint's share of distributable income from the V&A Waterfront rose 19% during its financial year while its Gauteng office vacancy stood at 18.6%. Spear's R1.4 billion programme of Western Cape acquisitions reflects the same conviction. The Fund also retains a substantial overweight to self-storage through Stor-Age, at 5.8% of the portfolio against 2.4% for the index, where we regard the current rating as attractive given the strength of the South African business, and to residential property through Octodec, at 3.1% of the portfolio against 0.9% for the benchmark, where Emira's stake has now risen to 23.9%.

The Fund's geographic exposure remains heavily weighted toward South Africa, at 72% of the portfolio versus 50% for the SAPY Index, with the largest underweights to Central and Eastern Europe (15.6% versus 31.8% for the benchmark) and Western Europe (5.0% versus 10.0%). The view expressed in our previous commentary, that developed market bond yields at multi-decade highs would weigh on European property valuations, was borne out in the third quarter, with European listed property falling 8.3% in US dollars, although NEPI Rockcastle itself proved resilient in rand terms. We continue to prefer to access Central and Eastern European property selectively, principally through Fortress, whose logistics portfolio continues to perform strongly and whose loan-to-value ratio has fallen to 34.0%, and through Burstone, rather than through the index heavyweights.

Based on a combination of Bloomberg, Refinitiv, IRESS and Merchant West Investments forecasts, the current gross one-year forward yield on the Fund is 7.8%, in line with the gross forward yield of 7.8% on the SAPY Index, with distributions expected to grow at approximately 5.8% per annum over the next three years compared with 5.9% for the index. The increase in the Fund's forward yield from 7.4% at the end of June reflects the decline in share prices over the quarter, while the modest reduction in expected growth, from 6.1% previously, reflects the more measured guidance issued for 2027 and the impact of higher interest rates. The Fund now offers an income yield in line with the index while retaining its deliberate bias toward funds with lower gearing, better-covered distributions and more visible growth.

The principal risk to this view remains the interest rate path. With oil back above US$100 per barrel and the SARB having raised rates twice this year, a further increase at the November Monetary Policy Committee meeting cannot be ruled out, even though the Bank's own model points to broadly stable rates, and higher rates are likely to erode some of the growth that companies have guided for 2027. Distribution growth is likely to moderate from its current level of 11% toward the mid to high single digits next year, and with the sector's yield spread to government bonds still well below its long-run average, its rating will depend on that growth holding up. Against that, the sector enters this tightening cycle with lower gearing, more conservative payout ratios and a great deal of debt refinanced on better terms over the past two years, allowing it to withstand higher short-term rates far better than it could in previous cycles. The Fund remains well positioned for either outcome. Its high-quality, income-focused portfolio construction, its bias toward defensive convenience 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

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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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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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