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Quarterly review

Nedgroup Investments Core Accelerated Fund

As at 31 March 2025

Equity and Bond Markets Start the Year on a Positive Note Amid Volatility

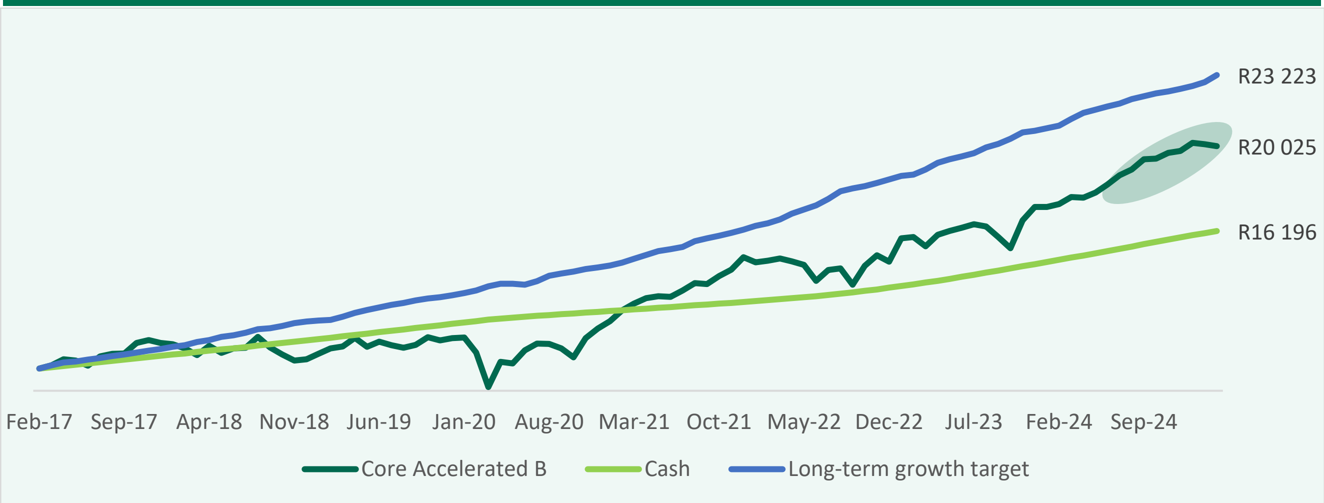
Equity and bond markets began 2025 positively despite volatility, with US technology stocks underperforming due to the release of China's advanced AI model, causing significant losses for Nvidia. Oil prices rose due to geopolitical tensions and cold weather, while US inflation data showed mixed signals. European and Asian markets performed better, supported by policy measures and geopolitical developments, while sovereign bond markets and gold saw gains amid global economic uncertainties. Over the quarter, the Nedgroup Investments Core Accelerated Fund increased by 1.1%.

The table below compares an investment in Nedgroup Investments Core Accelerated Fund to a bank deposit (cash) investment and its growth target over various time periods. For every R10 000 invested in the Nedgroup Investments Core Accelerated Fund at inception (28 February 2017), you would have R20 025 at the 31st of March 2025. This is higher than the R16 196 you would have achieved had you invested your money in bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market recovery, which helps to contextualise the returns experienced in the past few years.

Value of R10,000 investment in Nedgroup Investment Core Accelerated Fund versus Cash[1] and the Growth target

	3 Months	1 Year	3 Years	5 Years	7 Years	Inception 28 February 2017
Growth of fund (after fees) *(Growth in %)*	R10 110 *1.1%*	R11 299 *13.0%*	R13 380 *10.2% p.a.*	R21 843 *16.9% p.a.*	R18 881 *9.5% p.a.*	R20 025 *9.0% p.a.*
Growth of cash *(Growth in %)*	R10 182 *1.8%*	R10 798 *8.0%*	R12 340 *7.3% p.a.*	R13 273 *5.8% p.a.*	R15 075 *6.0% p.a.*	R16 196 *6.1% p.a.*
Growth target (inflation+6%) *(Growth in %)*	R10 277 *2.8%*	R10 935 *9.3%*	R13 887 *11.6% p.a.*	R16 949 *11.1% p.a.*	R20 732 *11.0% p.a.*	R23 223 *11.0% p.a.*

Fund Return versus Cash[1] from inception ending 31 March 2025



The Nedgroup Investment Core Accelerated Fund is designed for investment periods of 7 years and longer as it has a high exposure to shares (90%). This means that it can experience significant fluctuations over shorter periods but in the long-term has a growth target of 6% above inflation (around 12% per year), as demonstrated in the chart above.

The Nedgroup Investments Core Accelerated Fund has fallen short of this target since inception. However, history demonstrates that two-thirds of a fund such as the Nedgroup Investments Core Accelerated Fund would have achieved its long-term growth target of 6% above inflation (around 12% per year) over any 7-year period. In fact, as the time horizon extends, so the risk of underperforming this target decreases.

[1] We used the STeFI call deposit rate for cash returns

Economic and market review

The year 2025 began with a positive outlook for both equity and bond markets, despite elevated levels of volatility. However, US equity markets underperformed compared to other developed markets, primarily due to a significant downturn in technology stocks. This was triggered by the release of the latest Chinese artificial intelligence model, DeepSeek, which demonstrated greater efficiency at a lower cost, utilizing fewer advanced chips than current US industry leaders.

One of the most notable impacts was on Nvidia, a leading chip-maker, which experienced a staggering loss of nearly $600 billion on January 27th, marking one of the largest one-day drawdowns in US market history. Although Nvidia managed to regain some stability, it still ended the month with a 10.6% loss. The technology sector, which has been trading at high valuations due to the anticipated future earnings from artificial intelligence and other technological advancements, faced significant pressure.

Sanctions on Russia and Iran by the US, coupled with cold weather in the Northern Hemisphere, led to a rise in oil prices in January. President Trump, during his address at the World Economic Forum, urged OPEC members to reduce oil costs, which resulted in some price retracement. Oil prices decreased by 4.7% in February due to increased supply from OPEC+ members and growth concerns following US tariff announcements on China, Canada, and Mexico. European gas prices fell by 17.2% as peace talks progressed.

Sovereign bond markets faced initial duress due to higher global bond yields and the implications of a new US administration. However, a downside surprise in US inflation and a sell-off in US technology shares alleviated pressure on bond yields. Tightening credit spreads drove positive returns across high yield and investment-grade markets, with the Bloomberg Global Aggregate Bond index returning 2.6%. Gold gained 19.0%, reaching new highs above $3000 an ounce. The US dollar depreciated by 3.2% in March, bringing the quarterly decline to 3.9%.

US inflation data continued to show mixed signals, with headline inflation rising to 3.0% year-over-year in January, above expectations, while core inflation edged up to 3.3%. The US Federal Reserve (US Fed) maintained policy rates, as anticipated by the market. Federal Reserve Chair Jerome Powell acknowledged the somewhat elevated inflation levels but omitted references to progress towards the 2% inflation target. He indicated the potential for an extended pause in policy adjustments, stating that the committee "does not need to be in a hurry to adjust our policy.

Inflation in the Euro area eased to 2.4% year-over-year in February, slightly above expectations. German elections saw high voter turnout and significant losses for centrist parties, with the Christian Democratic Union (CDU) needing to form a coalition government. UK inflation rose to 3.0% in February, with wage data showing upward pressure. The Bank of England cut interest rates by 25 basis points in February. Chinese inflation increased to 0.5% year-over-year, reflecting seasonal spending trends, while producer prices remained in deflationary territory.

The first quarter of 2025 has been marked by significant market volatility, driven by geopolitical developments, policy uncertainty, and mixed economic data. While technology stocks faced headwinds, other sectors and regions showed resilience, highlighting the complex and interconnected nature of global financial markets. Investors will continue to navigate these challenges, seeking opportunities amid the evolving landscape.

The South African economy experienced a mixed first quarter of 2025, marked by both challenges and opportunities. The equity markets showed resilience despite global volatility, with the JSE All Share Index rising by 3.2%, benefiting from a weaker US dollar and strong performance in the mining sector, driven by a 5.4% increase in gold prices and a 4.8% rise in platinum prices. However, the country faced headwinds from persistent load shedding, which hampered industrial output and economic growth, with GDP growth estimated at a modest 0.7% for the quarter.

Inflation remained a concern, with consumer prices rising to 5.8% year-over-year in March, up from 5.5% in February, due to higher energy costs and supply chain disruptions. The South African Reserve Bank (SARB) maintained a cautious stance, keeping the repo rate unchanged at 7.25% to balance inflation control with the need to support economic recovery. On the fiscal front, the government continued its efforts to stabilize public finances, though progress was slow amid ongoing social and economic pressures, with the budget deficit projected to remain at 6.3% of GDP for the fiscal year.

Overall, while South Africa navigated a complex economic landscape, the outlook for the remainder of the year hinges on addressing structural issues such as energy supply and leveraging global economic trends to foster sustainable growth.

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