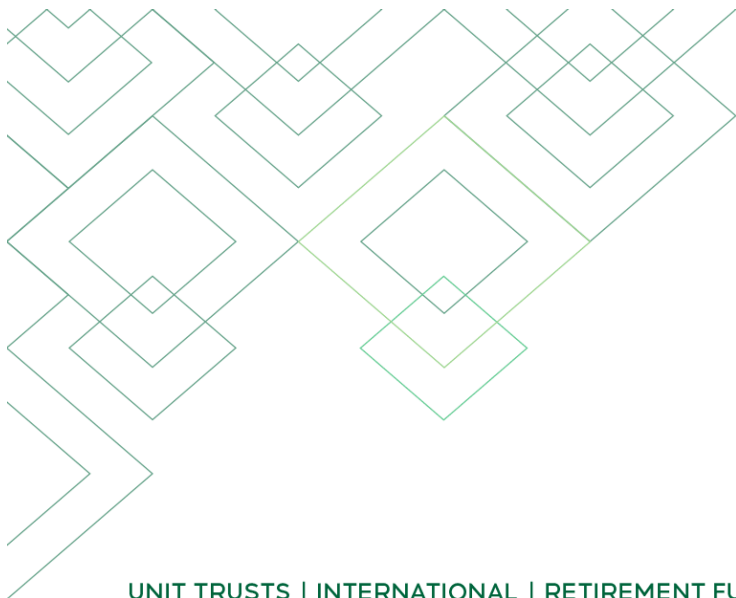

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Quarterly review

Nedgroup Investments Core Diversified Fund

As at 30 June 2025

Markets Rebound Amid Trade and Geopolitical Turmoil

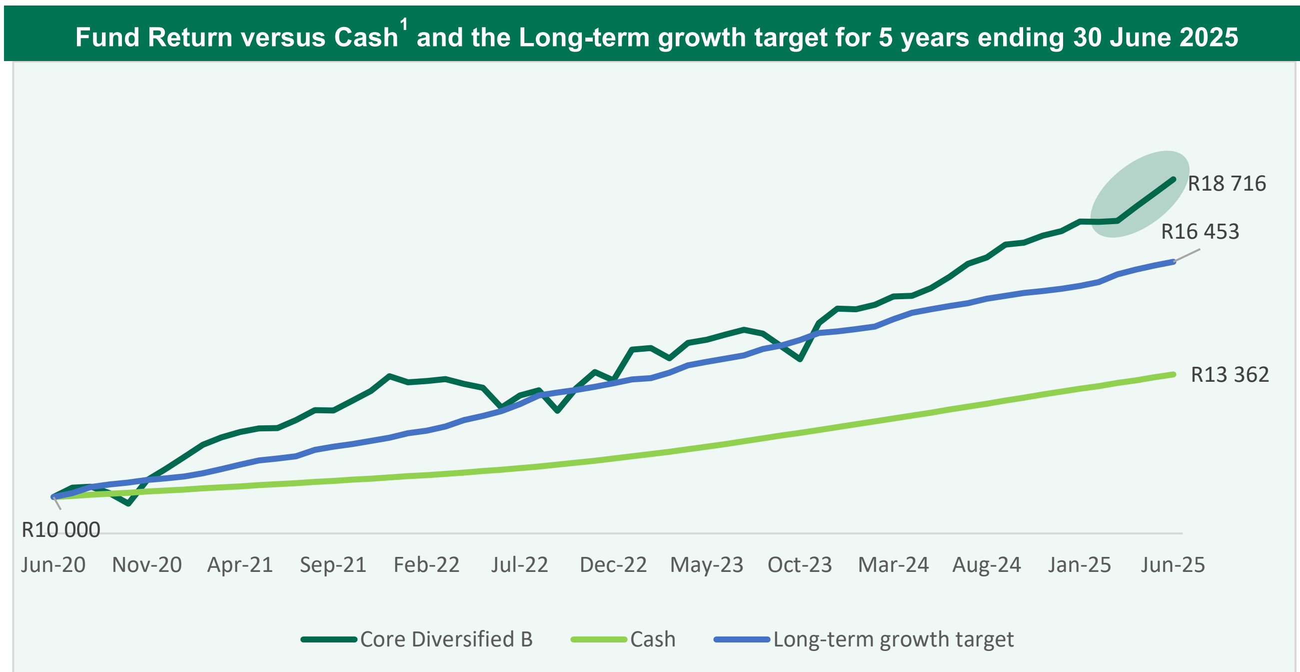
The second quarter of 2025 unfolded under a cloud of heightened geopolitical tension and economic uncertainty, testing the resilience of global markets and policymakers alike. A dramatic shift in U.S. trade policy, escalating conflict in the Middle East, and diverging central bank strategies all contributed to a volatile yet ultimately resilient financial landscape. Over the quarter, the Nedgroup Investments Core Diversified Fund increased by 6.5%.

The table below compares an investment in Nedgroup Investments Core Diversified 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 Diversified Fund five years ago, you would have R18 716 on the 30th of June 2025. This is slightly higher than the R13 362 you would have received had you invested your money in bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market increase, which helps to contextualise the returns experienced over the past few years.

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

	3 Months	1 Year	3 Years	5 Years	7 Years	Inception 31 August 2009
Growth of fund (after fees) ***(Growth in %)***	R10 650 *6.5%*	R11 671 *16.7%*	R15 029 *14.5% p.a.*	R18 716 *13.4% p.a.*	R19 658 *10.1% p.a.*	R51 904 *11.0% p.a.*
Growth of cash ***(Growth in %)***	R10 182 *1.8%*	R10 779 *7.8%*	R12 429 *7.5% p.a.*	R13 362 *6.0% p.a.*	R15 105 *6.1% p.a.*	R25 016 *6.0% p.a.*
Growth target (inflation+5%) ***(Growth in %)***	R10 212 *2.1%*	R10 796 *8.0%*	R13 453 *10.0% p.a.*	R16 453 *10.5% p.a.*	R19 336 *9.9% p.a.*	R46 533 *10.2% p.a.*

Fund Return versus Cash[1] and the Long-term growth target for 5 years ending 30 June 2025



The Nedgroup Investments Core Diversified Fund has a long-term growth target of 5% above inflation (around 10% per year) over 5-year periods. The fund has provided returns closer to cash over the past 5 years. However, history[2] demonstrates that two thirds of the time a fund such as this would have achieved or surpassed its long-term target. This confirms the importance of being invested for the long term. In fact, if you increase your investment horizon, the risk of underperforming this target decreases.

[1] We used the STeFI call deposit rate for cash returns
[2] Based on SA market returns from 1960 to 2018 (source Firer 2006) using the same long-term equity allocation and fees.

Economic and market review

In a move that stunned global markets, President Donald Trump declared a sweeping overhaul of U.S. trade policy in what he dubbed “Liberation Day.” Far from symbolic, the announcement introduced a broad set of tariffs that marked the most aggressive turn toward protectionism in nearly a century. The average U.S. import tariff surged from 2.5% to 24%, with most nations facing a flat 10% levy and strategic rivals hit even harder.

Markets reacted swiftly. Major indices tumbled on fears of a deepening trade war, slower global growth, and rising inflation. The scale and abruptness of the tariff regime sent shockwaves through supply chains and diplomatic circles alike. The global response remains a critical variable. China and the European Union, among others, hold significant leverage—ranging from retaliatory tariffs to control over rare earth minerals vital to high-tech industries. Currency dynamics will also play a role: a stronger dollar could cushion inflationary effects, while tit-for-tat measures risk amplifying economic disruption.

Despite the turbulence, equity markets staged a remarkable comeback. The S&P 500 notched a record high by the end of June, fully recovering from an 18.8% drawdown in April. Global equities followed suit, with the MSCI All Country World Index climbing 11.7% for the quarter. Emerging markets led the charge, outperforming developed peers with a 12.2% gain.

This rebound was fuelled in part by easing geopolitical tensions. A brief but intense 12-day conflict between Israel and Iran in mid-June sent oil prices soaring above $80 per barrel. However, a U.S.-brokered ceasefire helped stabilize the region, and crude prices eventually settled back to $67. Adding to the optimism was a tentative trade agreement between Washington and Beijing. The proposed deal would grant the U.S. access to critical rare earth elements, while easing restrictions on certain Chinese imports—a potential thaw in an otherwise frosty relationship.

Monetary policy responses varied across regions. The European Central Bank continued its easing trajectory, cutting interest rates by 25 basis points in June—its eighth reduction in a year, totalling a 2% decline since mid-2024. The move reflects easing inflation and a cautiously improving economic outlook. In contrast, the Bank of England held rates steady at 4.25%, signalling a wait-and-see approach. Meanwhile, the People’s Bank of China paused after a May rate cut, part of a broader effort to support a slowing economy amid trade headwinds.

Bond markets remained volatile, buffeted by geopolitical developments and concerns over U.S. fiscal health. A pending budget reconciliation bill raised alarms about long-term debt sustainability, keeping pressure on long-term yields. The Bloomberg Global Aggregate Bond Index still managed a 4.5% return for the quarter.

The U.S. dollar weakened notably, falling 7% against a basket of major currencies. Investor sentiment has been rattled by the Trump administration’s aggressive policy shifts, and currency markets are adjusting accordingly.

As the world enters the second half of 2025, the outlook remains uncertain. Much will depend on how global powers navigate the new trade landscape, whether diplomatic efforts can prevent further conflict, and how central banks balance growth and inflation risks. For now, markets have proven surprisingly resilient—but the road ahead is anything but smooth.

South African assets delivered solid returns in the second quarter of 2025, despite mounting global trade tensions and renewed political uncertainty at home. Nominal government bonds outperformed inflation-linked securities in June, widening the performance gap after a 1.7% monthly gain. In Q2, domestic bonds returned 5.9%, while the FTSE/JSE All Share Index gained 10.2%. Listed property also performed strongly, rising 9.1%. The rand appreciated 3.1% against the U.S. dollar but weakened 5.4% against the euro.

However, the outlook is clouded by external and internal risks. A proposed 30% U.S. tariff on South African exports—potentially ending AGOA trade benefits—could shave 0.2% to 0.5% off GDP, depending on how key commodities like gold are treated. While 75% of South Africa’s U.S. exports are commodities with limited substitutes, offering some demand resilience, the broader economic impact could still be significant.

Domestically, the emergence of a Government of National Unity (GNU) initially boosted investor confidence, raising hopes for reform and policy coordination. But recent developments have reignited concerns about the GNU's cohesion and long-term viability, weighing on sentiment.

Economic growth remains tepid. Real GDP rose just 0.1% in Q1 2025, down from 0.4% in the previous quarter. The current account deficit narrowed slightly to R35.6 billion, aided by improved terms of trade. Headline inflation held steady at 2.8% in May, slightly above expectations. The South African Reserve Bank is reviewing its 3–6% inflation target range, with market participants divided on the feasibility of a lower target.

Navigating this complex environment requires a disciplined, diversified approach. With global trade dynamics in flux and local politics in transition, we are still focused on building resilience rather than making tactical bets.

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