NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS MINING & RESOURCES FUND

Quarter Three, 2023

Nedgroup Investments Mining & Resources Fund

Commentary produced in conjunction with sub-investment manager, M&G Investments.

Total return as at: 30 September 2023	Fund[1]	Peer Group [2]
3 Months	2.3%	-2.4%
6 Months	-5.1%	-6.7%
12 Months	-3.5%	4.5%
3 Years	18.0%	14.2%

1. Nedgroup Investments Mining & Resources Fund, A class.
2. ASISA South Africa Equity Resources category

Market Commentary

In the third quarter of 2023, global financial markets faced significant challenges. The quarter began positively in July but took a downturn in the following months. The main factors contributing to this decline were the deteriorating global interest rate outlook, disappointing Chinese growth, ongoing concerns related to the Russia-Ukraine conflict, and rising oil prices, which reached over US$97 per barrel in late September. These developments led to increased risk aversion among investors.

As the possibility of "higher for longer" interest rates became more likely, global equity and bond markets experienced broad selloffs. Notably, sales of developed market government bonds increased in September due to hawkish comments from the US Federal Reserve and other central banks. This, in turn, led to revisions in 2024 GDP growth forecasts, with downward adjustments, while 2023 growth outlooks were revised upward.

The Federal Reserve made a surprising hawkish shift in the United States, signalling the possibility of another rate hike before year-end. This shift was driven by strong US economic data, including a robust job market and higher inflation rates, primarily due to rising energy prices. The uncertainty surrounding the US national budget increased market instability, causing further weakness in bond markets.

Despite high inflation rates, the Bank of England maintained its primary interest rate at 5.25% in the UK. Resilient consumer demand and a tight labour market kept the country's economic growth positive. Inflation remained relatively high in the eurozone, and the European Central Bank (ECB) hinted at further rate hikes. GDP growth in the region showed signs of improvement.

Japan continued to impress investors with its stronger than expected recovery, driven by robust export growth and corporate improvements. The Bank of Japan (BOJ) maintained ultra-low interest rates to support the recovery, with core inflation remaining above the BOJ's target.

China reported disappointing GDP growth in the quarter, leading to ongoing stimulus measures from the People's Bank of China (PBOC). Industrial production showed some positive signs, but the property sector remained weak, and youth unemployment remained a concern.

In South Africa, the Reserve Bank kept its repo rate steady but cited inflation risks, leaving the possibility of another interest rate hike. GDP growth in the country showed slight improvement, and consumer confidence improved due to falling inflation and potential interest rate stability. However, South Africa faced considerable challenges, including energy constraints, slower Chinese growth affecting commodity exports, and concerns over the national budget deficit.

The industrial and resource sectors suffered losses in the South African equity market, mainly due to fears of slower global growth and demand, particularly from China. However, locally focused companies performed relatively better. The FTSE/JSE All Share Index (ALSI) returned -3.5% in Q3. Industrial counters returned -6.2%, Resources -5.3%, Financials produced 2.2%, and the All-Property Index -0.6%.

The international oil price increased over the quarter, with Brent crude starting at around US$76/bbl but jumping to just over US$97/bbl at quarter-end. This came on the back of oil producers like Saudi Arabia solidifying their plans to extend production cuts, a fall in inventories and the failure of major economies to slow as much as expected so far in 2023.

Other commodity prices were mixed amid the uncertain outlook. Among precious metals, gold fell 3.7%, platinum was flat at 0.4%, and palladium rose 1.6%. Nickel was the most significant loser, down 8.0%, while aluminium gained 10.1%, copper was up 0.2%, and zinc rose 11.7%.

Portfolio Commentary

The fund's top five performing positions added 4.80% to returns over the quarter, while the bottom five detracted –2.32%.

Contributors	Ave. Weight	Performance Contribution	Detractors	Ave. Weight	Performance Contribution
Sasol	10.73%	1.76%	Impala Platinum	4.84%	-0.98%
Glencore	14.23%	1.09%	AngloGold Ashanti	2.47%	-0.61%
Thungela Resources	3.01%	0.88%	Anglo American Platinum	1.61%	-0.32%
Exxaro Resources	4.64%	0.69%	South32	2.08%	-0.30%
Pan African Resources	3.77%	0.38%	New Gold ETF	2.83%	-0.10%
		4.80%			**-2.32%**

Current positioning and outlook

We continued with a defensive bias in the third quarter. It was interesting to observe the G20 Lead Indicator rising above 100 at the macro level, which traditionally indicates the cycle moving from recovery into expansion. However, we simultaneously observe signs of manufacturing PMIs rolling over. Besides the ongoing hawkish monetary policy debate, it is worth contemplating the hard vs soft vs no-landing debate; for the latter, we observe global GDP expectations below 3% for 2024, so while expectations for 2023 have risen, this 2024 forecast is not a level we would typically associate with positive price tension for commodities.

To this end, during the quarter, we continued to add positions in exchange-traded commodities (gold and platinum) – gold for its haven status and platinum to benefit as palladium weakens within the PGM basket. In the PGM sector, we reduced positions in Impala Platinum and Northam Platinum and exited Sibanye Stillwater. In the gold sector, we moved to close the DRD position. We reduced Pan African Resources but did add to AngloGold Ashanti as it is expected to deliver a significant improvement in operating performance in the second vs the first half of 2023.

In the general mining sector, we closed the position in Kumba Iron Ore after a brief holding as we collected the half-year dividend and added back to Exxaro Resources following a period of underperformance and as they look to benefit from a stabilisation in the coal price (with potential support from Northern Hemisphere winter demand) and some sign of constancy of Transnet rail performance. We also made small additions to Anglo American from Glencore following relative underperformance.

Sappi and Omnia continued to fund the defensive exchange-traded commodities positions previously mentioned.

Responsible Investing

During the quarter, we had post-results meetings with multiple management teams. During our results meetings, a range of sustainability points were discussed, including but not limited to community participation in renewable projects (AMS), health and safety of the workforce and rehabilitation work.

Specific ESG engagements to note:

- Engagement with Sasol's Remuneration chair. We have regularly engaged with Sasol on their remuneration and noted improvements over the years. We also attended the Sasol site visit at Secunda. Part of the site visit was a management round table discussing the Sasol sustainability journey.

- Discussions with the AngloGold Ashanti deal team on moving the primary listing to the NYSE and the implications for South Africa.

- Sustainability discussion with the Thungela CEO. We discussed investment in coal assets, the impact of Transnet on operational sustainability, rehabilitation projects and water issues.

- Governance meeting with the Exxaro Chairman and the Remuneration chair. We discussed general governance issues, the capital allocation risks relating to Exxaro's growth aspirations and remuneration principles.

- Glencore remuneration discussion. Glencore is re-looking at its remuneration framework for its CEO, and the broad principles were discussed with its shareholder base.

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
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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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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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