



**NEDGROUP**  
INVESTMENTS

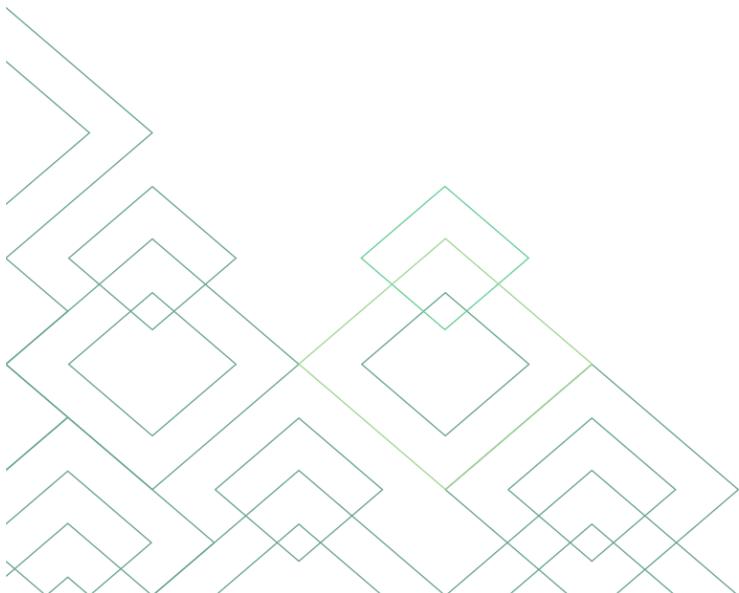
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# **NEDGROUP INVESTMENTS** **MINING & RESOURCES FUND**

Quarter One, 2024





## Nedgroup Investments Mining & Resources Fund

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

Total return as at: 31 March 2024	Fund <sup>1</sup>	Peer Group <sup>2</sup>
3 Months	-6.0%	-2.2%
6 Months	-5.1%	2.8%
12 Months	-9.8%	-4.1%
3 Years	4.4%	6.7%

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

### Commodity Market Commentary Q1 2024

The commodities market remained volatile moving into 2024, and sentiment remained uncertain due to the weakness in the Chinese property market.

In 2023, the iron ore market was supported by low inventory levels and demand from Chinese steel mills despite the low margins. In the first quarter of 2024, iron ore prices fell from \$140/t to under \$100/t, with support being found above \$100/t in recent weeks. There was a strong restocking of inventory at the Chinese ports in the first quarter, but with demand being lacklustre from China after the Chinese New Year and supply increasing from Brazil, this has put pressure on iron ore. Supply will be one of the critical factors for the iron ore market in 2024. While we have seen improvement in Brazilian supply, the underperformance of Transnet has negatively impacted South African supply, and logistical and weather-related issues have negatively impacted Australian supply.

Copper maintained its strong performance in the first quarter, driven by supply disruptions and infrastructure demand. The medium to longer-term outlook for copper remains strong, as this is a critical metal required for energy transition.

The standout commodity performance in the first quarter has been gold prices. While gold historically had an inverse relationship to real rates, we have noted that since 2022, there has been a dislocation in that relationship. We have also noted that gold has been supported by central bank buying, where we have seen a doubling of demand over the last two years. Increasing geopolitical risks have also created a positive sentiment support for gold.

### Portfolio Commentary

The fund's top five performing positions added 4.19% to returns in Q1, while the bottom five detracted -7.34%.

Contributors	Ave. Weight	Performance Contribution	Detractors	Ave. Weight	Performance Contribution
AngloGold Ashanti Plc	5.99%	1.55%	Sasol	7.10%	-1.86%
Pan African Resources	4.70%	1.33%	Exxaro Resources Ltd	7.95%	-1.50%
Sappi Ltd	2.47%	0.50%	BHP Group Ltd	10.35%	-1.46%
Harmony Gold Mining Co	1.78%	0.43%	Northam Platinum Hldgs	6.43%	-1.39%
Anglo American Plc	17.62%	0.38%	Glencore Plc	10.64%	-1.13%
		<b>4.19%</b>			<b>-7.34%</b>





## Current positioning and outlook

The Fund continued with a defensive bias through the first quarter of 2024.

Iron ore prices came under pressure in the first quarter of the year, detracting from BHP's performance. We retain the view that, given BHP's position at the bottom of the iron ore cost curve, it provides an element of defensiveness.

Exxaro detracted from performance due to falling coal prices as we came out of peak demand season. In addition, European coal demand has normalised back to levels pre-2022 due to warmer winters in 2023/2024, sufficient gas storage, and lower gas prices. The weakness in the iron price also impacted Exxaro due to their associate holding in Sishen iron ore company, but despite all the headwinds, Exxaro's valuation remains attractive, with sector-leading free cash flow and dividend yields.

We built a position in Mondi using Glencore as funding to increase the portfolio's defensiveness. Mondi is a high-quality company with a solid competitive position.

We switched to DRD Gold, utilising Harmony as a funder. Both Harmony and DRD benefit significantly from the ZAR gold price, and both companies are embarking on capital projects; however, DRD's valuation screened relatively more attractive.

We reduced our overweight position in Sasol to neutral. While oil prices support Sasol's earnings, chemical prices and refining margins have fallen substantially. Sasol is currently paying a high dividend yield. Still, we are concerned that the dividend may be cut due to cash flows coming under pressure over the next five years, given the substantial capex projects required to transition the business to reduced carbon emissions.

## Responsible Investing

During the quarter, we have had the following key engagements:

- We corresponded with Goldfields' investor relations regarding the commissioning of water extraction facilities, which will increase water recycling and make the contents of tailings dams safer. Further discussions will follow in Q2 on this matter. There are no material concerns; we are just engaging in innovation in water in the mining space.
- We engaged with Sasol's climate executives on their 2030 climate target levers, plans, and viability. We discussed post-2030 challenges for further emission reductions, climate-related capex, and remuneration incentives for climate targets.
- We had engagements with Thungela centred around understanding the technicalities and feasibility of Thungela's various mine water treatment projects. The two main projects discussed were the eMalahleni municipality's closure project and the Goedehoop Wetland project. Specific technical details and ongoing tests were addressed on the feasibility of these two projects.





## 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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