NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS SA EQUITY FUND

Quarter One, 2024

Nedgroup Investments SA Equity Fund

Performance to 31 March 2024	Nedgroup Investments SA Equity[1]	FTSE/JSE Capped SWIX
3 months	-2.4%	-2.3%
12 months	-2.7%	2.9%

Market Overview

Global markets continued to rally, with the MSCI World up 9%, the S&P 500 up 11%, the Euro Stoxx 50 up 10% and the Nikkei 225 up 13% (all in US dollars) for the quarter. The MSCI World and S&P 500 are up 26% and 30% over the past year. The AI boom has contributed significantly to the S&P 500 rally, as earnings expectations continued to be revised higher driven by a surge in demand for AI related infrastructure upgrades. Forecasts for US economic growth have been revised higher driven by a resilient US economy and expectations of rate cuts from the second half of this year, which has supported a stronger US dollar.

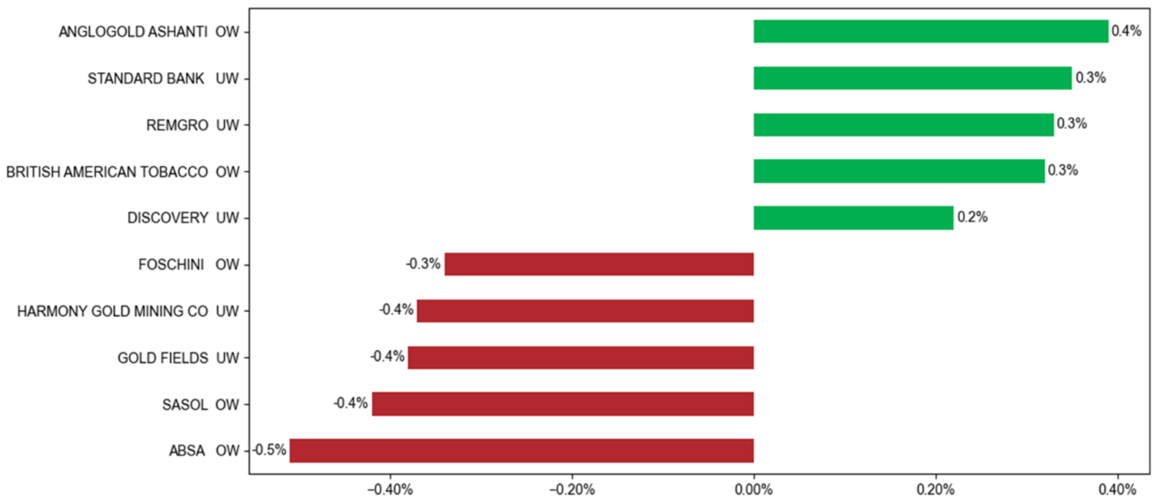
On the domestic front, election uncertainty has been an overhang, with recent polls sending mixed signals on potential outcomes for the ruling party the ANC, and the various future permutations of a coalition government in the future. Inflation has declined to within the SARB's target range and local rate cuts are expected from the second half of this year. This is much needed as consumers face headwinds due to high interest rates, high inflation, loadshedding and the lack of job growth. The tourism industry has been a bright spot, with ongoing recovery to pre covid-19 levels.

Local markets have been weak along with other emerging markets. The FTSE/JSE Capped SWIX declined by 2% during the quarter. Domestic shares and resources weighed on the market, whilst non-resources rand hedges contributed positively.

Fund Performance and Contributors/Detractors

The Fund performed in line with the FTSE/JSE Capped SWIX over the quarter. Positive contributors to performance over the quarter were Prosus, AngloGold, British American Tobacco and Nedbank, whilst positions in ABSA, Sasol, Impala Platinum and TFG detracted from performance.

Graph 1: Nedgroup SA Equity Fund Attribution vs. Capped SWIX: Top 5 Winners and Losers YTD 31 March 2024

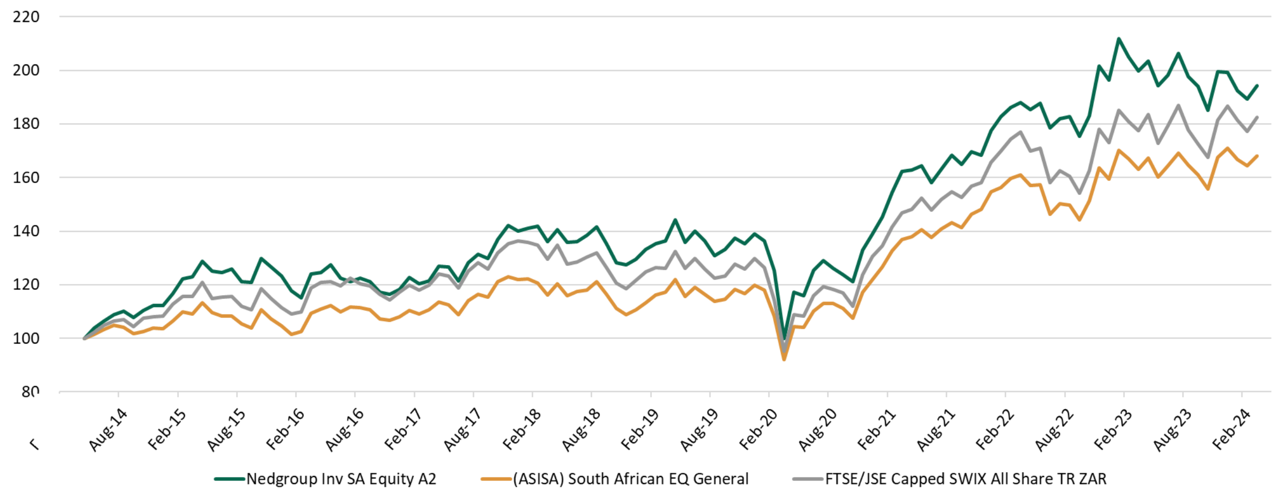


Source: Laurium Capital

[1] Net return for the Nedgroup Investments SA Equity Fund, A2 class. Source: Morningstar (monthly data series).

The Nedgroup Investments SA Equity Fund celebrated its 10th anniversary this quarter. The fund has delivered performance of 7% per annum, outperforming its benchmark by 0.7% per annum since inception (net of fees). The consistency of outperformance is demonstrated by the fund outperforming its benchmark over 80% of the time over any rolling 3- and 5-year period since its inception.

Graph 2: Cumulative Returns Since Inception 27 Mar 2014 to 31 March 2024 vs Fund Benchmark (Capped SWIX)



Source: Morningstar Direct

Fund Positioning

The Fund continues to hold significant positions in Prosus and Naspers, as well as global consumer shares such as British American Tobacco, Richemont, AB-InBev and Bidcorp. Exposure to SA Inc is predominantly through the banks, which have attractive valuations with resilient capital levels, as well as sufficient provisions to buffer higher credit losses – ABSA, FirstRand, and Nedbank. We have selective positions in other SA companies with strong management teams, that we think may do well despite the constrained macro environment – The Foschini Group, Bidvest, and Motus. The Fund has selective resource exposure, mostly through the diversified miners where we feel the supply-demand balance is largely constrained. During the quarter, we increased exposure to Bidcorp, Bidvest and Richemont, whilst reducing exposure to AB-Inbev, MTN and Sappi.

Conclusion

The South African economic environment has been challenging. We believe South African management teams are resilient and resourceful, navigating their businesses well in the face of macro headwinds. In addition to this, as discount rates have risen globally, South African equities have derated significantly.

We continue to find attractive opportunities as we view SA equities as being undervalued on an absolute basis, and especially relative to other emerging and developed markets. As we look out over the investment horizon, we expect several headwinds to turn into tailwinds, which should be supportive for SA equities:

- The removal of election uncertainty. Our base case is for a benign election outcome.
- A reduction of interest rates over the next 12-18 months which will support domestic consumers and could result in a rerating of the local market.
- A reduction in loadshedding as private sector and renewable power comes online – we have already seen a large supply response from the private sector post the government deregulating parts of the electricity sector.

- Logistics constraints have been challenging especially in the rail and port sector run by Transnet. There has been positive progress on public-private partnerships addressing key bottlenecks, although this is expected to take 2 to 3 years to translate into tangible benefits.
- The peak of the global interest rate cycle could result in a weaker US dollar, which could be supportive for emerging markets and South Africa.
- Chinese economic expectations have been reset lower. A recovery off these low expectations could be supportive for resource demand and South African equities.

We believe our SA Equity portfolio is well positioned to benefit from the above factors. Given the depressed nature of expectations, incremental positive changes are expected to be well received, generating attractive returns for our clients.

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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