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Quarterly review

Nedgroup Investments Core SA Equity Fund

As at 30 June 2024

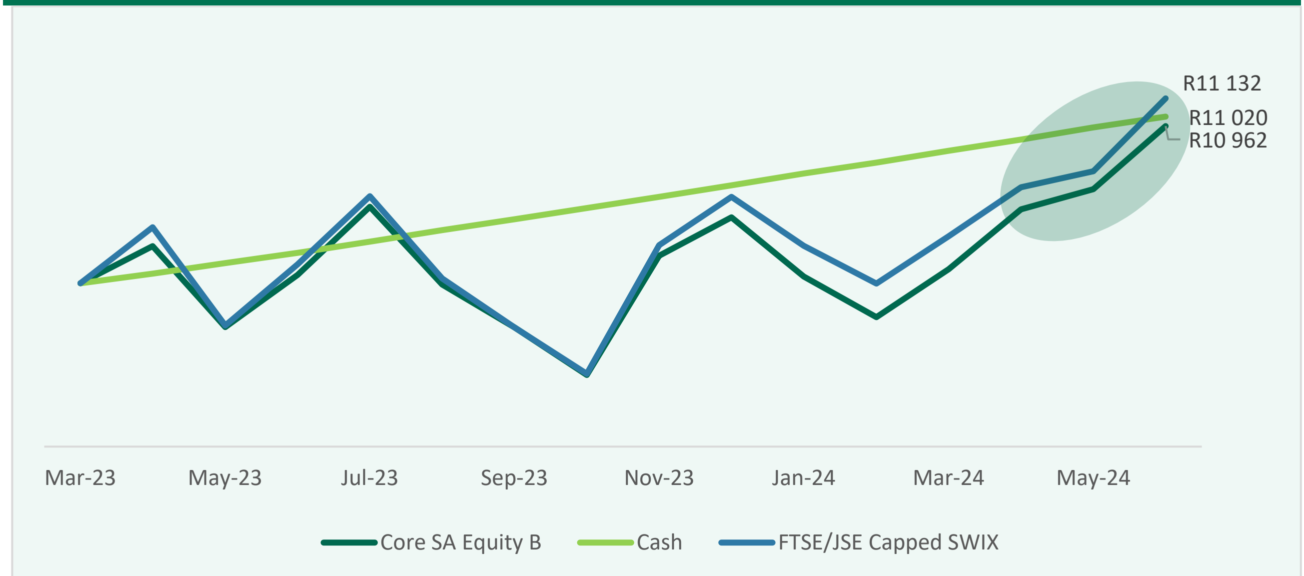
South Africa's new political dawn

The recent elections were a watershed moment for South Africa and its democracy. The collapse in ANC support left the ruling party in unchartered territory with the task of not only finding a new leadership solution but also including far larger opposition parties than initially thought. Over the quarter, the Nedgroup Investments Core SA Equity Fund increase by 8.7%.

The table below compares an investment in Nedgroup Investments Core SA Equity 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 SA Equity Fund at inception (30 March 2023), you would have R10 962 on the 30th of June 2024. This is slightly lower than the R11 020 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.

	3 Months	1 Year	Inception 30 March 2023
Growth of fund (after fees) ***(Growth in %)***	R9 670 *8.7%*	R10 736 *9.1%*	R10 962 *6.6% p.a.*
Growth of cash ***(Growth in %)***	R10 200 *1.9%*	R10 780 *8.2%*	R11 020 *6.8% p.a.*
Growth target (FTSE/JSE Capped SWIX) ***(Growth in %)***	R9 770 *8.2%*	R9 798 *10.4%*	R11 132 *6.9% p.a.*

Fund Return versus Cash[1] and the Long-term growth target since inception ending 30 June 2024



Economic and market review

During the second quarter, a discernible shift occurred in the US economy, as evidenced by the US Citigroup Economic Surprise Index dropping from 40 to -30. This index gauges a variety of economic metrics, with a positive value indicating that outcomes were better than expected and a negative value indicating they were worse. With these developments, and particularly an increase in the US unemployment rate to 4.1% and a reduction in inflation rates to 3% year-on-year, it's predicted that the US may start cutting interest rates in the latter half of the year. On the global scene, the European Central Bank has already initiated a decrease in rates by 25 basis points. As is common, emerging markets may well follow suit and cut their interest rates, accordingly, leading to an overall decline in interest rates.

At first glance, US equity markets seem to project a different narrative, with the S&P 500 exhibiting gains of over 4% for the quarter and 14% for the first half of the year when measured in US Dollars. Delving deeper reveals that this 4% growth is predominantly credited to three tech companies — Nvidia, Apple, and Microsoft — while the rest of the market generally fared poorly. Similarly, developed market equities worldwide posted nearly 3% returns in the second quarter, as indicated by the MSCI All Country World Index in USD. Surpassing their developed counterparts, emerging markets returned more than 5%[1] for the quarter, driven mainly by AI-related firms. However, other sectors like global property and bonds experienced declines of over 2%[2] and 1%[3], respectively.

Post-election tensions have eased in South Africa, paving way for the new Government of National Unity (GNU). This broad coalition government

encompasses 11 parties, with 32 ministers and 43 deputy ministers. Though the formation of GNU spells optimism for the nation, it's yet to be proven how effectively it can manage the daily governance activities given its diversity of viewpoints and ideologies. Concessions will inevitably be necessary for national progress.

The South African Rand strengthened by 5% during the quarter, compensating for some losses from the first quarter of 2024. The Johannesburg Stock Exchange also made strong advances, with the Capped SWIX climbing 8.2% in the quarter, buoyed by optimistic market sentiment post the elections. South African bonds and real estate markets reacted positively too; the JSE All Bond Index had its best month this June since May 2020, registering a gain of 5.2% and culminating in an impressive 7.5% return for the quarter. Property delivered a 5.7% increase for the same period.

To summarize, South Africa sees encouraging economic signs. Given the new government's inauguration, there's a chance to rejuvenate business and consumer assurance from their present low levels. However, South Africa's long-term economic growth hinges on consistent and reliable energy supply, rail logistics reform, as well as advancements in water and infrastructure.

[1] MSCI Emerging Markets Gross Index in US Dollars
[2] FTSE EPRA/NAREIT Developed Net Index in US Dollars
[3] Bloomberg Global Aggregate Bond Index in US Dollars

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