



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

A photograph of an open book with white pages, tied with a white string bookmark. The book is open to a blank page, and the pages are slightly curved, suggesting it is being turned or held open.

NEDGROUP INVESTMENTS SA EQUITY FUND

Quarter Two, 2024

Nedgroup Investments SA Equity Fund

Performance to 30 June 2024	Nedgroup Investments SA Equity ¹	FTSE/JSE Capped SWIX
3 months	9.5%	8.2%
12 months	7.2%	10.0%

Market Overview

After a precipitous fall in ANC support at the May national elections (with the ANC falling to 40%, well below the 43-47% base case expected), a government of national unity (GNU) path between the ANC and other parties began to be forged. This culminated in two material events during the month of June - firstly, a statement of intent drafted primarily between the ANC, IFP and DA allowed for the election of the President and the National Assembly Speaker (and Deputy Speaker) within the Constitutionally prescribed 14-day period - the first key hurdle passed. The second milestone was the (eventual) announcement of President Ramaphosa's Cabinet at the end of June - but only after a fortnight of intense negotiations between the ANC and DA and a public spat over positions to be held in the new administration. These events created both euphoria and anxiety in both equity and bond markets, but both ended the month strongly.

The Rand strengthened 3.6% against the US dollar, and the FTSE-JSE Capped SWIX index rallied 8.2%, with the more domestically exposed equities driving the rally. Some of the key drivers of the domestic rally included the following: Banking index +20%, Insurance Index +17.5% and General Retail Index +12.5%. Anglo American plc rallied 24% during the quarter on the back of BHP's proposed acquisition thereof. PGM equities also performed strongly, despite the stronger Rand, with Impala and Northam up 15.9% and 12.7%, respectively.

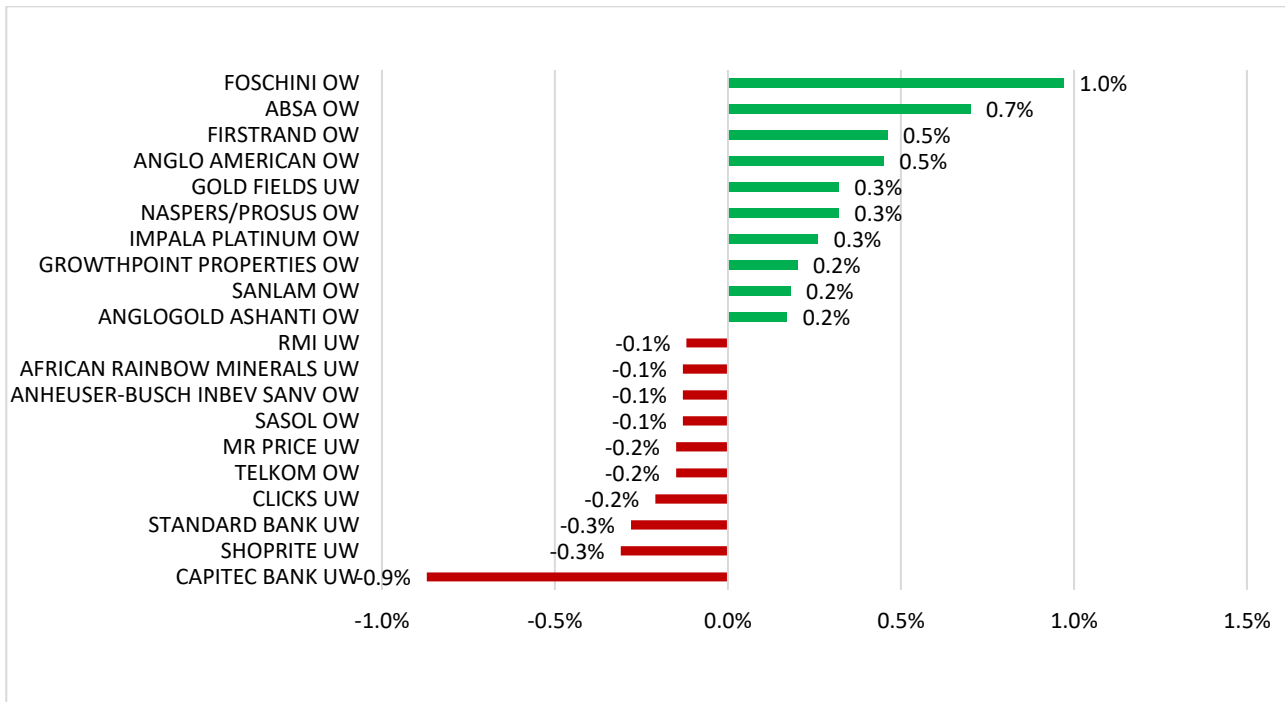
Global markets continued to rally, with the MSCI World up 2.8%, the S&P 500 up 4.3%, the Euro Stoxx 50 down 2.3% and the Nikkei 225 down 7.2% (all in US dollars) for the quarter. The MSCI World and S&P 500 are up 21% and 25% over the past year. The AI boom has contributed significantly to the S&P 500 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.

Fund Performance and Contributors/Detractors

The Fund outperformed the FTSE/JSE Capped SWIX over the quarter, delivering a return of 9.5%. FirstRand (+24.6%), Prosus (+8.8%), and Anglo-American (+24%) were the largest equity drivers of performance over the quarter. Given the strength of the Rand over the quarter, the Fund's exposure to dollar assets marginally detracted from what was generally a strong quarter for the Fund. Active decisions not to hold Capitec and Shoprite and underweight exposure to Standard Bank detracted from benchmark-relative performance.

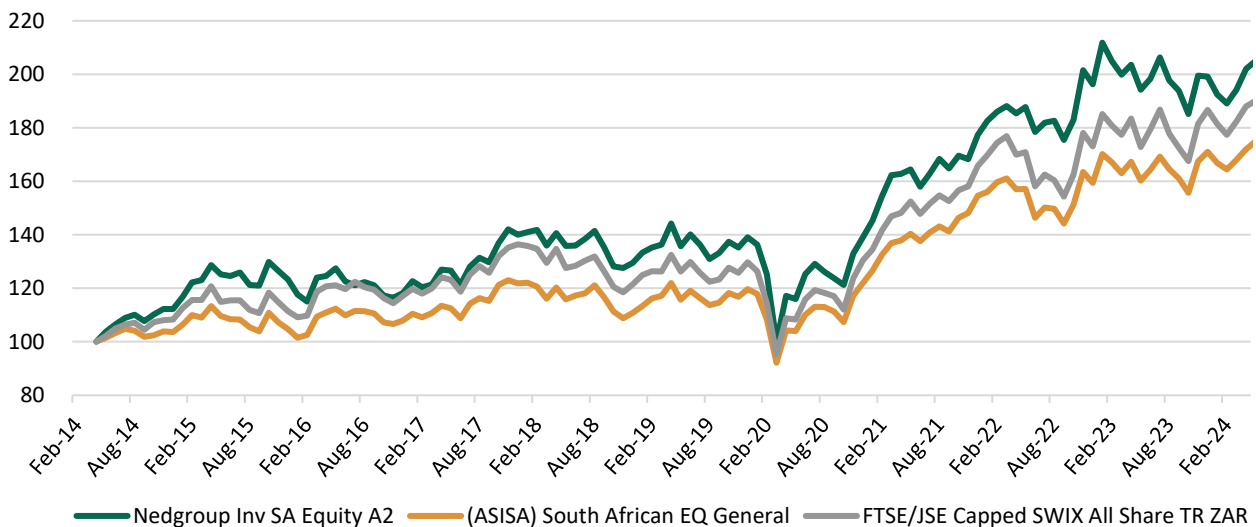
Graph 1: Nedgroup SA Equity Fund Attribution vs. Capped SWIX: Top 10 Winners and Losers QTD 30 June 2024

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



Source: Laurium Capital


Graph 2: Cumulative Returns Since Inception 27 Mar 2014 to 30 June 2024 vs Fund Benchmark (Capped SWIX)



Source: Morningstar Direct

Fund Positioning

The Fund has large exposure to South African banks through Absa and FirstRand, which trade at low valuations with attractive dividend yields and healthy balance sheets that are well provided to buffer higher credit losses. The banks are also well-positioned to capitalise on growing domestic infrastructure investment and ongoing structural reforms. The Fund has selective positions in other SA companies that should benefit from less load-shedding and a recovery in the local consumer as we enter a phase of interest rate declines, including The Foschini Group, Pepkor and Motus.



The Fund has selected resource exposure, mostly through the diversified miner Anglo American, where we believe the management should be able to unlock value via a sale/unbundling of non-core assets (sale of Australian coking coal assets, unbundling of Anglo Platinum and either sale or demerger of De Beers). The potential for further M&A should also provide an underpin to Anglo's valuation. The Fund has some platinum equity exposure as we feel the supply-demand balance should support metal prices.

Conclusion

We remain positive on the outlook for SA equities, given our view that they remain undervalued on an absolute basis and relative to emerging and developed markets. Should the genesis of the GNU prove to be successful and enduring, this could lead to an environment more conducive to further structural reforms, which in turn should support upward revisions to economic growth. The extreme load-shedding woes appear to be behind us (there has been no load-shedding in the quarter under review). SA inflation remains within the SARB's target range, and rate cuts are still expected to materialise in the second half of 2024. This should support economic growth, the South African bond market, corporate earnings and a possible rerating of South Africa Inc over the medium term. The outcome of the approaching US elections will continue to be a focus for global equity markets, and such outcome's impact will have to be closely monitored and assessed.

We continue to believe that the Fund is sufficiently diversified and is well positioned to benefit from any upside that should arise, as mentioned above.

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.

NEDGROUP INVESTMENTS CONTACT DETAILS

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