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NEDGROUP INVESTMENTS ENTREPRENEUR FUND

Quarter Four, 2024

Nedgroup Investments Entrepreneur Fund

Performance to 31 December 2024	Nedgroup Investments Entrepreneur Fund[1]	ASISA category average	Small Cap Index	Mid Cap Index
3 months	+6.0%	+1.0%	+7.1%	-1.6%
12 months	+37.8%	+25.0%	+35.6%	+15.4%

2024 was an eventful year, with multiple macro and geopolitical developments. In 2024, MSCI World markets (+19.2% in US$ terms) outperformed MSCI Emerging Markets (+8.1%), with the US market producing strong returns again (S&P 500 +25%), half of which driven by the performance of the 'Magnificent 7' (mostly linked to artificial intelligence deployments). Over the past two years, the S&P 500 index has climbed >50%, the strongest two-year performance since the late 1990s.

In China, policymakers' actions to stimulate their economy and emerge from their property based malaise have so far proven unsuccessful, with consumer activity unresponsive. The latest Politburo meeting sent another strong verbal signal on policy stimulus; however, investors remain sceptical around the effectiveness of China's stimulus announcements to date. Still, the CSI 300 ended the year +15% higher, breaking its three-year losing streak.

South Africa entered a new era of democratic governance under a Government of National Unity with economic green shoots emerging for the first time in a decade. Post elections, there has been a lift in business and consumer confidence, and pleasingly the headwinds to economic growth (energy supply related) have lifted. Much work remains to be done, but last year's political developments provide a platform from which policy reforms can hopefully be constructively tackled.

Looking ahead, the election of Donald Trump for a second term as US President is anticipated to have far-reaching ramifications. Trump's threatened tariffs pose a threat to export orientated economies (specifically China), and likely means upside inflation risks as well as slower interest rate cuts by the Fed. In an increasingly fractured global environment, South Africa stands out as relatively better positioned – SA equities are cheap with a vastly improved outlook for growth given political stability, the alleviation of growth constraints and the emergence of cyclical tailwinds (lower inflation, lower interest rates).

Portfolio Commentary

In the fourth quarter of 2024, the JSE All Share Index (ALSI) declined 2.1%. The midcap index was down 1.6% and the small cap index was up 7.1%. SA Industrials outperformed with a total return of 0.2%, while SA Financials and SA Resources shed -1.1% and -9.0%, respectively. The Rand weakened 9.8% in the quarter as the USD strengthened post elections.

In comparison, the Entrepreneur Fund returned +6.0% for the quarter, buoyed by positive sentiment in discretionary retail as SARS data showed higher-than-expected 2-pot retirement fund withdrawal amounts, and the South African Reserve Bank delivered two cuts to the repo rate. Top contributors included WeBuyCars, Pepkor and Premier. Detractors were KAP, Sun International and Zeda.

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

For the full year, performance was robust across the major asset classes; Property (+29%) was the top performer, followed by Bonds (+17.2%) and Equities (+13.4%). Within Equities, SA Financials (+23.1%) outperformed, followed by SA Industrials (+18.5%). China's precarious economic recovery weighed on SA Resources (-8.6%), the worst performing industry group in 2024. Despite the USDZAR depreciating by -3% in 2024, it fared better than most global currencies.

Top contributors to the fund's performance in 2024 were several of our core positions which produced very satisfactory financial results during the year and benefited from the positive sentiment elicited by the Government of National Unity formation. We have taken some profit from several positions, but have not made any material changes, as the companies remain attractively valued despite their improved prospects.

The only disappointing performer during the year was Thungela (now sold), which was negatively affected by a declining thermal coal price and volatile performance from Transnet Freight Rail.

Q4 Top contributors	Average weight	Performance contribution	Q4 Top detractors	Average weight	Performance contribution
WeBuyCars	4.9%	1.9%	KAP	3.4%	-0.4%
Premier	5.3%	1.5%	Sun International	5.9%	-0.3%
Pepkor	5.7%	1.2%	Zeda	5.6%	-0.2%
Hudaco	5.2%	0.6%	Reunert	2.6%	-0.2 %
Impala	0.6%	0.6%	TCP	1.2%	-0.2%
Total		**+5.8%**	**Total**		**-1.3%**

2024 Top contributors	Average weight	Performance contribution	2024 Top detractors	Average weight	Performance contribution
Premier Group	4.2%	4.5%	Thungela	1.6%	-0.6%
Raubex	4.2%	3.5%	PPC	0.1%	0.0%
WeBuyCars	2.1%	3.0%	City Lodge	0.4%	0.1%
Pepkor	3.5%	2.5%	Balwin	1.1%	0.1%
Kaap Agri	7.2%	2.4%	Boxer	0.1%	0.2%
Total		**+15.9%**	**Total**		**-0.2%**

Current positioning and outlook

2024 was a year of two halves. The South African election was the key focal point during the first half of 2024 and a source of market volatility given the various outcomes that could have emerged. The market-friendly outcome of the Government of National Unity spurred a market rally most noticeably for domestic orientated businesses. We anticipate that the trajectory for domestic companies will continue to improve during 2025. Our confidence is also shared by the IMF who expressed a constructive outlook following their official staff mission in November as well as S&P who recently shifted South Africa's sovereign ratings outlook to positive from stable.

The uncertainty created by the new US administration around possible tariff hikes on imports (mainly from China but also elsewhere) is putting a dampener on any recovery in base metals prices, especially iron ore.

Risks remain high in the resource space and relevant news flow from the US and China will create good trading opportunities over the next 6 months. Against a backdrop of uncertainty and ongoing geopolitical tensions, we believe that South Africa stands out as a compelling investment story with multiple catalysts in the year ahead – ongoing structural reforms, an improving growth picture, further interest rate cuts, the possible removal from the FATF grey list, credit ratings agency updates (midyear) and likely earnings upgrades across multiple sectors (consumer, financials, infrastructure, tourism).

While our core holdings would undoubtedly benefit from improved operating conditions, their performance is not entirely reliant on this. They are dominant in their own industries, innovative and agile, can continue to gain market share in a tough environment and most importantly are managed by a team that have a shareholder-centric mindset in their allocation of capital. As we wrote in Q3, valuations remain extremely attractive, despite the strong returns recorded in 2024.

Responsible Investment

The implications for responsible investing and the climate agenda from a Trump win look increasingly challenging. Based on Trump's campaign commentary and prior track record, we anticipate a reversal of support for environmental policies and a possible U.S. withdrawal from the Paris Agreement. Concerningly, this comes at a time when collective global commitments continue to fall short of what is required to prevent the devastating consequences of global warming.

At Abax, we focus on doing the right thing for our clients, community and the environment and we expect the same from the companies in which we invest. We actively engage with companies and other stakeholders to address ESG issues. Notable ESG engagements during the fourth quarter of 2024 include:

- Shoprite: Engagement with the Chairman of the Board and Chairman of the Remuneration Committee on governance and sustainability matters, with a specific focus on food delivery driver safety, the gender pay gap and executive remuneration.
- KAP: Engagement with the Chairman of the Board, CEO and Corporate Affairs director regarding executive remuneration.

Conclusion

South Africa has had a challenging decade, and there is still a lot of work required to address the serious structural challenges the country faces. However, incremental data post the establishment of the GNU continues to look encouraging. GDP should grow faster than in 2024 off a still depressed base and valuations remain compelling.

The fund trades on a historic PE of 11.6X, Dividend Yield of 3.6% and Price to Book of 1.6X

Thank you for your ongoing trust in us - we remain committed to the delivery of superior long-term investment returns while fulfilling our role as an active and responsible investor.

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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