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NEDGROUP INVESTMENTS MINING & RESOURCES FUND

Quarter Four, 2024

Nedgroup Investments Mining & Resources Fund

The commentary was produced in conjunction with the sub-investment manager, M&G Investments.

Total return as of 31 December 2024	Fund[1]	Peer Group [2]
3 Months	-7.42%	-9.64%
6 Months	-9.04%	-10.84%
12 Months	-8.07%	-7.90%
3 Years	-0.83%	0.42%

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

Market Commentary

2024 was a challenging year for commodities where prices had wide dispersions over the twelve months, with prices impacted by weaker demand, improving supply and increasing geopolitical tensions. The JSE resources index ended the year down 9%.

During 2024, much of the focus was on the Chinese economy, as China is a significant driver of commodity demand. In the first half of the year, the data from China was weak, and the property market continued to see contractions. The continual reliance on exports, which supported the Chinese steel industry, was a concern to the market due to the risk of increasing protectionism.

Towards the end of the third quarter, there were announcements from China on stimulus measures that would support their economy, which was positive for commodity prices. In October, the proposed stimulus measures provided positive sentiment, with the JSE resource index having a 3% return that month. However, the positive sentiment turned negative after the US elections, when the outlook for commodities deteriorated due to the election of Trump.

A significant concern is the proposed US tariffs' impact on global growth and headwinds from a stronger US dollar. There is a risk that the Chinese stimulus is insufficient, and there is a high uncertainty about the impact tariffs would have on the economy and, therefore, commodity demand.

The outlook for commodities in the first quarter of 2025 remains challenging.

Precious metals

The PGM sector had a volatile year, but year-on-year prices were flat. This was due to oversupplied metal and inventory overhangs.

The only standout commodity was gold, up 30% for 2024, benefiting from central banks' buying due to geopolitical risks. Gold had come off its record price levels from October 2024 due to the stronger US dollar and the risk of slowing rate cuts, but prices found support later in the year as we have seen central banks buying gold again.

Base and bulk metals

Base metals had a lacklustre performance, with copper up 7%. Over the longer term, copper has become a key metal required for the energy transition, but the current weak macro environment has negatively impacted its price.

Lower demand and normalised supply negatively affected bulk metals (metals mainly used in steel making). Two key bulk metals are iron ore and steel-making coal, which fell 23% and 35% respectively, year on year.

Portfolio Commentary

The Fund's top five performing positions added 1.29% to returns over the quarter, while the bottom five detracted -5.40%.

Contributors	Ave. Weight	Performance Contribution	Detractors	Ave. Weight	Performance Contribution
Pan African Resources	2.87%	0.49%	Glencore	8.82%	-1.43%
Omnia	2.12%	0.39%	Sasol	3.64%	-1.07%
New Gold ETF	2.55%	0.19%	BHP Group	6.91%	-1.07%
DRDGold	0.72%	0.15%	AngloGold Ashanti	10.22%	-1.05%
Thungela Resources	0.47%	0.08%	Northam Platinum Holdings	7.96%	-0.78%
		1.29%			**-5.40%**

Current positioning and outlook

The sector started the quarter strongly, with prices rebounding from US interest rate cuts and Chinese stimulus. However, that unwound after the US elections, with the market concerned that the proposed Trump tariffs would negatively impact global growth and inflation, while dampening Chinese stimulus measures. The overall resources sector was down over the quarter, but The Fund outperformed relative to the Peer Group.

Positioning in the gold sector contributed to performance in the final quarter, with Pan African Resources and DRD continuing to benefit from higher gold prices and a weaker Rand, while still trading on undemanding multiples. The PAN African Resources investment case is underpinned by volume growth and remains our preferred gold stock. While the gold price fell from its peak in October 2024, the gold ETF contributed positively over the three months.

AngloGold detracted from performance in this period. The company's quarterly update reflected earnings misses versus consensus expectations and a slower operational recovery of their Obuasi mine, impacting forecasted earnings for the next 18 months. We are still overweight in the stock compared to our peers, and our investment case is underpinned by continual operational recovery, cost containment, and improved free cash flow generation.

Omnia is a mining explosives and fertiliser business that released its first-half results during the quarter. The business is showing good growth in the mining explosives and sound cash flow generation. We still expect growth opportunities in Omnia's international divisions.

The general miners came under pressure during the quarter. While it started strong, it was unwound due to the macro concerns with BHP and Glencore detracting over the quarter. The higher iron ore prices correcting over the period placed pressure on BHP’s share price. We still believe that BHP is attractively valued relative to its general mining peers and its own history at current spot prices. We think the long-term outlook for BHP remains positive, both operationally and from a commodity basket outlook.

Glencore was also impacted by the negative sentiment and a weaker operational update, but its valuation remains attractive and is underpinned by sound cash flow generation and strong shareholder returns.

Sasol’s share price fell in the quarter due to falling refining margins, which impacted the price it would receive for its oil products from the South African Fuels business. We remain underweight Sasol relative to our peers as the stock faces operational headwinds and the weakness in chemical markets persists.

Responsible Investing

We want to highlight the following engagements held in the 4th quarter:

- Exxaro Governance meetings: We engaged with the Exxaro Board early in the quarter during their annual governance road show. We spent the meeting discussing the board's oversight of the investment process and how they ensure they don't make value-destructive acquisitions. We discussed the end of the lock-in of the BEE deal and how Exxaro plans to navigate it while ensuring they maintain their holdings. As always, we ensured we had a robust discussion on their remuneration policy.

  During the last few weeks of the year, Exxaro placed their CEO on precautionary suspension, to which we engaged the Chairman at his earliest availability. Exxaro is following an external and independent process to review behavioural complaints made against the CEO. The board and the CEO felt that precautionary suspension was the best approach. We received assurances from the Chairman that there is no investigation into fraudulent behaviours. We are continuing to monitor this closely.

- Glencore Governance meeting: As part of the DOJ plea deal, Glencore has compliance monitors. We engaged them in the increased compliance and culture overhaul that has taken place over the last few years. The processes have improved the culture to ensure better communication and accountability.

  With the EVR-met coal acquisition completed, the sustainability team is working on incorporating the assets into the broader Glencore decarbonisation plan.

  We also met with Glencore's Sustainability Head and IR to discuss the Group's transition plan as part of ongoing engagement with top carbon emitters. This engagement's primary objective (amongst others) was to ask Glencore to set, or at least consider setting, long-term net-zero targets for 2050 and report how much CAPEX is allocated for its transition plans. The Group is currently opposed to setting long-term targets due to the uncertainty of global climate policies and technological advancements. It is hesitant to commit to targets that may become impossible to achieve. Other carbon credits, mine closure, and skills development aspects were also discussed. Glencore has been asked to consider 2040 targets as it nears 2030 and achieving those ambitions.

- Northam Remuneration meeting: We engaged with the Remuneration chair, and this meeting forms part of our annual reviews. One of the key discussion points was succession planning throughout the organisation, and we wanted to ensure this was being addressed.

- Anglo-American Platinum Chairman meeting: In 2025, Anglo-American Platinum will be demerged from the Anglo-American group. During our engagement with the Chairman, we discussed the processes being put in place to ensure a successful demerger. We also discussed the work to have the correct structures and talent in place for an independent company and the board's oversight.

- Pan African Resources: M&G SA's ESG team attended a site visit to ongoing mining operations at tailings dams, where there had been a minor leakage, dating before the acquisition of the dump. The mining operations team, legal representatives, HR, an overseas NGO, and a local community activist and NGO team were all present. The area was visited, and improvements were shown to mitigate further leakage. Additionally, presentations were given by the entity and NGO activists, as well as an industry attorney, to discuss the complexities of communities trespassing and occupying mining land.

- Impala Platinum: Our portfolio managers and ESG team had a call with the Group Head of Sustainable Development, the CEO, and corporate affairs and strategy executives. We discussed various aspects of ESG, but with a key focus on safety, particularly any deaths reported over and above those of the cage shaft 11 incident. We sought to understand any required changes in process and safety culture. The focus was prevention, safety culture, training and awareness, and investigations and inquiries. The entity was transparent on the other causes of death, unrelated to the entity but individual and individual relationship related.

Disclaimer

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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.

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