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NEDGROUP INVESTMENTS RAINMAKER FUND

Quarter Four, 2024

Nedgroup Investments Rainmaker Fund

Performance to 30 Dec 2024	Nedgroup Investments Rainmaker Fund[1]	ASISA category average	FTSE/JSE ALSI
3 months	+3.5%	-2.1%	-2.1%
12 months	+16.8%	+13.9%	+13.4%

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 Q4 2024, the JSE All Share Index (ALSI) declined -2.1%. SA Industrials outperformed with a total return of +0.2%, while SA Financials and SA Resources shed -1.1% and -9.0%, respectively. The SA Rand weakened 9.8% in the quarter as the USD strengthened post elections.

In comparison, the Nedgroup Investments Rainmaker Fund returned a solid and very pleasing +3.5% for the quarter, significantly outperforming our peers (ASISA category average) as well as the ALSI (-2.1%). The top contributors to the fund's performance in Q4 were Rheinmetall (+28.4% in ZAR), Pepkor (+20.2%), Amazon (+28.9%), Alphabet (+25.1%) and Visa (+26.1%). The top detractors were FirstRand (-6.1%), Bidvest (-10.0%), Samsung (-14.8%), Alibaba (-18.0%) and Woolworths (-8.5%).

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

For the full year, market 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.

We are encouraged by the fund's full year 2024 performance, returning +16.8% and materially outperforming the market (ALSI +13.4%) and peer group average (+13.9%). The performance was driven by a combination of domestic (Naspers, Pepkor, British American Tobacco, Capitec) and offshore (Amazon, Alphabet, Tencent) stock picks, together with having limited exposure to Resource companies.

Q4 Top contributors	Average weight	Performance contribution	Q4 Top detractors	Average weight	Performance contribution
Rheinmetall	3.2%	0.88%	FirstRand	5.5%	-0.35%
Pepkor	3.9%	0.78%	Bidvest	3.0%	-0.31%
Amazon	3.0%	0.76%	Samsung	1.9%	-0.31%
Alphabet	3.0%	0.69%	Alibaba	1.4%	-0.30%
Visa	2.8%	0.66%	Woolworths	3.0%	-0.25%
Total		**+3.8%**	Total		**-1.5%**

Current positioning and outlook

Domestic SA Equity

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.

Our patience with ABSA was rewarded in the final quarter, with the share delivering strong returns in Q4 (+8%) and for the calendar year (+24%). After a particularly harsh 18 months (financial one-offs combined with management instability), the company is in a better position thanks to a refocus under the new interim CEO and a more favourable economic cycle (driving lower impairments). Despite the strong performance of SA Financials in 2024, the domestic component of the portfolio continues to retain notable exposure to South African banks (FirstRand, Capitec and ABSA) - loan growth is set to improve into 2025/26 and we expect easing consumer strain to reduce credit impairments – the combination of both is forecast to boost bank earnings. We also anticipate a recovery in the apparel sector supported by the two-pot drawdowns, benign inflation and lower interest rates. Our core holding is Pepkor offering defensive growth characteristics.

Our preference for Anglo American in the resource space paid off as Anglos outperformed their main peers BHP and Glencore, spurred by BHP's opportunistic and now failed bid for the firm in Q1. Anglos is undergoing a restructuring of assets after the failed BHP takeover attempt. The restructuring of the Anglo portfolio will continue during the year ahead, after a successful sale of their coal assets in late 2024, with the unbundling of Anglo American Platinum next on the agenda.

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. We currently prefer to remain invested in counters where drivers are not solely related to higher commodity prices, such as increased volumes or possible restructuring, which should protect the downside.

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 and tourism).

Global Equity

In 2024, the MSCI All Country World Index appreciated 17.5% in USD, but the contributors to this performance were very concentrated. In the US (about 65% of this index), the S&P500 appreciated 25%, well ahead of any other country (China did surprisingly well at 13%, the UK appreciated 7.5%, Europe only 2.5%). More than half of the S&P500's performance came from only 7 stocks, with Nvidia the top performer. The re-election of Donald Trump at first caused investor concerns about the fierce political rhetoric during the elections (very much a US first policy, with threats of trade barriers and tariffs, etc.), but quickly turned around to the "Trump Trade" with a stronger dollar and a boost for US focused companies. The other side of this trade was much weaker emerging market currencies and markets. Whereas some of these policies could boost US stocks and the USD in the short term, the long-term prognosis is less positive and a new, less global economy will bring numerous challenges.

The Rainmaker fund held the maximum 45% offshore allocation for most the year; despite material moves intra-year, the Rand ended only 3% weaker against the USD, so the offshore contribution to the fund's return was more on account of stock selection than simple currency devaluation.

Amazon, Google (Alphabet), Visa, Rheinmetall, Microsoft and Autozone were the strongest offshore contributors. Whereas the stalwart technology companies continued to deliver, it was pleasing to see the contribution from a new position in Rheinmetall (gaining from elevated defence spending in Europe, not just for the Ukraine war, but also in the re-armament of NATO countries). A smaller, more opportunistic investment in St. James' place after the share price fell too much on regulatory events also paid off handsomely.

Unfortunately, the position in Samsung detracted much this year. Despite strong performance from all their divisions and being well placed to deliver memory chips for the unprecedented growth in data centres and processing, their challenges in bringing their much-anticipated High Bandwidth Memory chipset successfully to market (much needed by the likes of Nvidia) materially impacted investor sentiment. We remain invested as they are making good progress, acknowledged as such just days ago by Nvidia at an industry event.
The long-awaited recovery in China's consumer spending again disappointed and several of the Chinese consumer-oriented investments disappointed. They are all well managed, high-quality businesses with

positive cashflow and cash on the balance sheet, and now trading at record low valuations - so we remain patient.

As fractious geopolitics threatens global trade and relations, the fund's global stock picks remain diversified across countries and economic sectors. Furthermore, we prefer companies that are not necessarily export dependent, especially in China, to protect against possible new tariff regimes. While global GDP growth expectations still remain somewhat muted, inflation is more under control, interest rates are lower and earnings growth is achievable. We expect positive returns.

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.
- Anglo American: Engagement with senior management regarding sustainability priorities and performance.
- KAP: Engagement with the Chairman of the Board, CEO and Corporate Affairs director regarding executive remuneration.

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
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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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