



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

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A photograph of an open book with white pages, tied with a white ribbon bookmark. The text is overlaid on the right side of the image.

NEDGROUP INVESTMENTS SA EQUITY FUND

Quarter Four, 2024

Nedgroup Investments SA Equity Fund (Class A2)

Performance to 30 September 2024	Nedgroup Investments SA Equity ¹	FTSE/JSE Capped SWIX
3 months	-4.1%	-2.1%
12 months	12.3%	13.4%

Market Overview

Global markets experienced a weak final quarter, with only the S&P 500 posting a positive return for the 4Q24, up 2.4%. Notwithstanding the weak finish, 2024 was a reasonably strong for year global equity markets with the S&P 500 up 25.0%, the MSCI World Index up 19.2%, the MSCI Emerging Market Index up 8% the Nikkei 225 up 8.7%, and the Euro Stoxx 50 up 4.6% (all in US dollars).

The significant rally in Chinese exposed sectors such as Chinese internet stocks, mining and luxury goods companies continued into October. However, this momentum was not sustained into the year end on concerns that a larger fiscal and monetary response is needed to turn around the ailing Chinese economy. In hindsight this was the first sign of broader weakness in global equity market returns that transpired into the year end.

The US elections on 5 Nov 2024, saw Trump leading the Republicans to a clean sweep, winning the Presidency, the Senate and US House. The Federal Reserve cut interest rates by 25bps in both November and December bringing the total decline in 2024 to 100bps. While in line with expectations, it was the revised outlook from the Federal Reserve that spooked global markets. The Federal Reserve is now only pencilling in two further rate cuts of 25bps each in 2025, from the four that it was projecting in September. As a result, the median outlook for the Fed Funds rate is now forecast at 3.9% vs 3.4% previously and projected US inflation for 2025 has been raised from 2.1% to 2.5%.

This led to a strengthening in the US dollar, a weakening in most commodity prices (barring oil) and weaker equity markets in the run-up to year end.

In South Africa we continue to see the benefits post the formation of the GNU, albeit at a slower pace. Recent trading updates from corporates in both the retail and banking sectors point to a gradual recovery in consumer spending patterns. On the 28th of November, the JSE welcomed a new listing, as Boxer completed a successful IPO, the largest IPO since 2017.

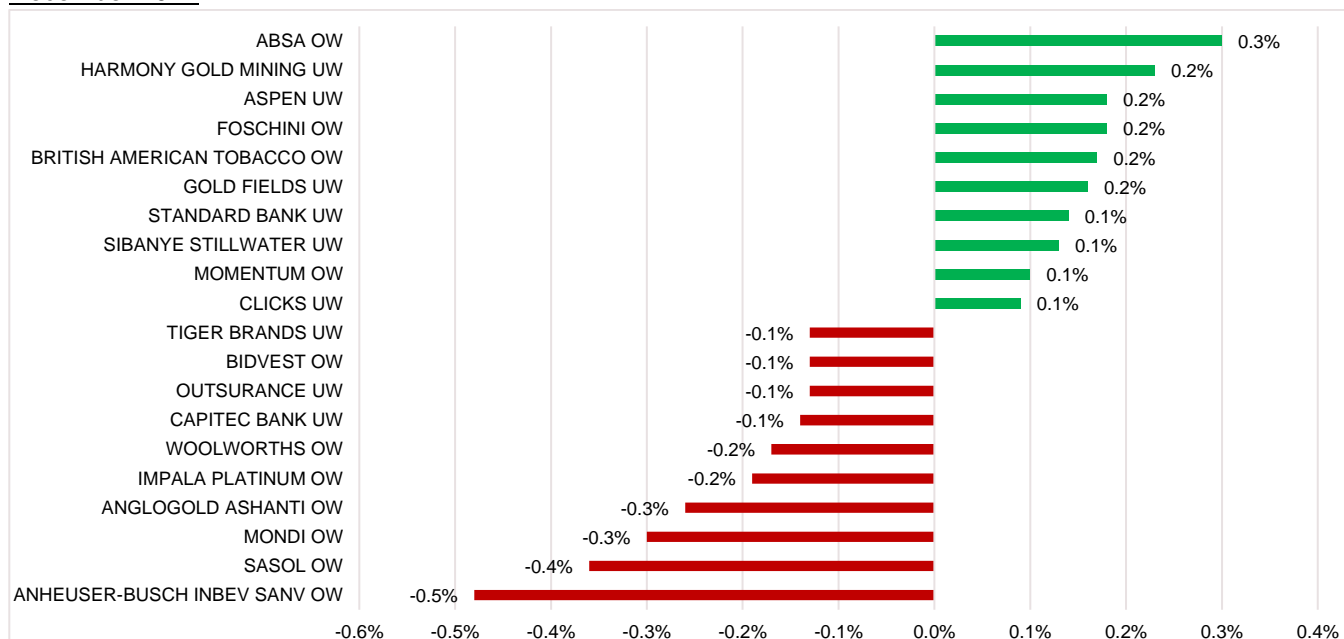
Given the backdrop of potentially higher than previously expected US interest rates, a stronger US dollar and weaker global equity sentiment, the FTSE-JSE Capped SWIX Index disappointedly declined by 2.1% in the 4Q24 and returned 13.4 % for the 2024 calendar year. The key drivers to annual performance were Naspers and Prosus, domestic shares (retailers, banks, insurers) and gold equities.

Fund Performance and Contributors/Detractors

The Nedgroup Investments SA Equity Fund underperformed the FTSE Capped SWIX Index by 1.1% returning 12.3% for the 2024 calendar year. Positive contributors to the fund's annual performance were overweight positions in The Foschini Group, ABSA, Momentum, Remgro, BTI. The key detractors to annual performance were our overweight positions in Sasol, AB InBev, and Mondi PLC, whilst underweight positions in Mr Price and OUTsurance also detracted from performance.

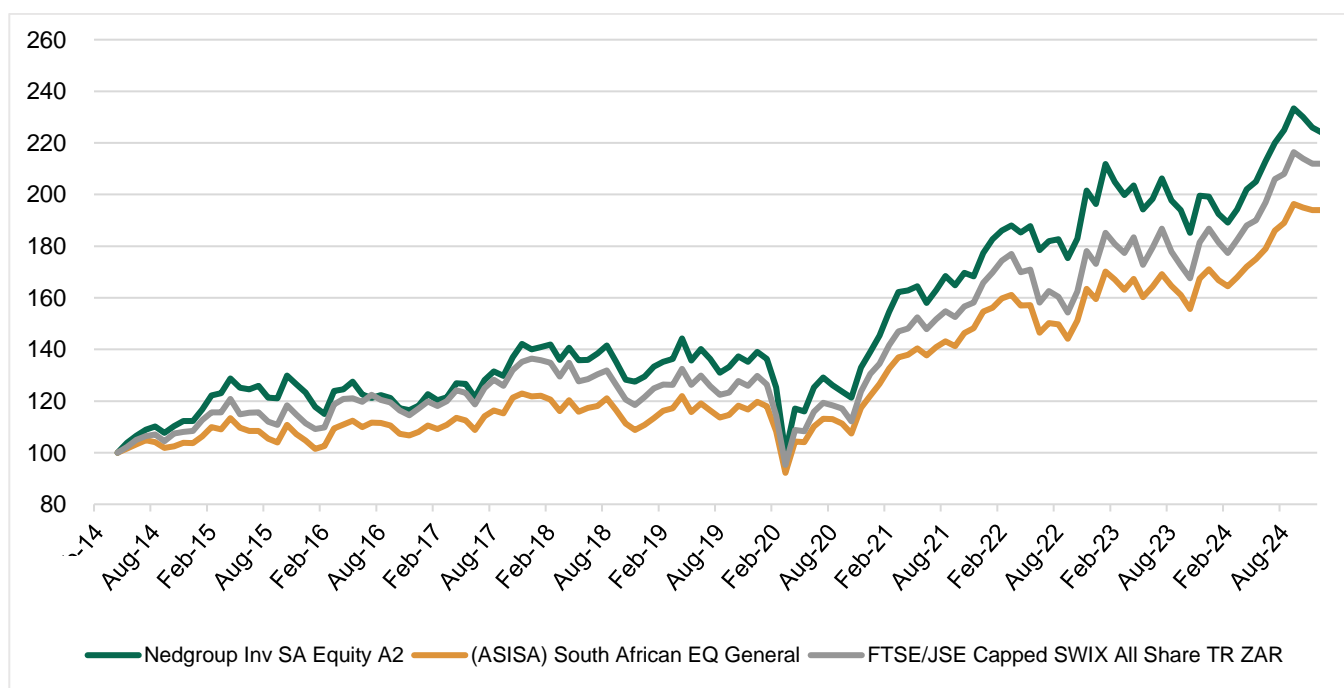
¹ Net return for the Nedgroup Investments SA Equity Fund, A2 class. Source: Morningstar (monthly data series).

Graph 1: Nedgroup SA Equity Fund Attribution vs. Capped SWIX: Top 10 Winners and Losers QTD 31 December 2024



Source: Laurium Capital

Graph 2: Cumulative Returns Since Inception 27 March 2014 to 31 December 2024 vs Fund Benchmark (Capped SWIX)



Source: Morningstar Direct

Fund Positioning

The outlook for the global economy looks a little more uncertain, given the clean sweep by Trump's Republicans. Possible tariff wars led by Trump remain a threat to global growth, and inflation coupled with a stronger US dollar are unlikely to be supportive of economic growth in emerging markets and particularly those countries with meaningful exposure to commodity exports. A possible Trump negotiated settlement between Ukraine and Russia should have positive consequences for European and global growth.

Conclusion

From a South African perspective, the structural reforms that were initiated pre and post the formation of the GNU should continue to be supportive of economic growth into 2025 and beyond. Expected reductions in local interest rates will further boost consumer confidence and should lead to a recovery in consumer balance sheets and consumption spending.

The SA Equity portfolio remains well positioned to benefit from these expected outcomes.

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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