



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 positioned on the left side of the page, with the text overlaid on the right.

NEDGROUP INVESTMENTS STABLE FUND

Quarter Four, 2024

Market Commentary

International

- Except for US share markets buoyed by Trump's win, global equities retraced — investors spooked by sticky inflation and the US central bank planning to drastically slow the pace of interest rate cuts in 2025
- Global developed market bond yields rose (and bond markets fell) — as worries shifted to the burgeoning indebtedness of countries facing pressures to run ever-larger deficits
- The US dollar (and Bitcoin) rallied sharply after Trump's MAGA win suggested imminent tariffs on all US imports — the greenback gained 7.5% against the euro and 9.4% against the yen
- Outside of oil, global commodities including copper were nearly 10% lower on worries for global growth after Trump's presidential win — gold's 2024 rally was halted on expectations that interest rates would no longer come down as quickly as previously thought
- US economic growth quickened to 3.1% (annualised) in Q3 and continues to lead the developed world — the EU is expected to reach just 0.8% for 2024, with Japan slightly higher and China forecast to grow at 4.8% this year
- The European Central Bank and the US Federal Reserve each cut rates by 0.25% for the third time in 2024 — but the Fed warned that the pace of cuts would now drastically slow as inflation proved sticky above the 2% target level

South Africa

- The JSE tracked global bourses lower, more so in US dollars on sharp rand depreciation in the last quarter — the resources sector fell nearly 10%, with financial shares also declining
- The All Bond Index was marginally positive on continued optimism for improved fundamentals — SA bonds are looking somewhat expensive, trading the same low premium to US bonds as in 2012
- After trading stronger since the formation of the GNU earlier in the year, the rand weakened dramatically — the unit traded 8.3% down against the US dollar, despite improving terms of trade
- The SA economy grew by just 1% year-on-year to end September, with National Treasury revising down expected 2025 growth to 1.6% — slow growth means SA's debt-to-GDP ratio is now optimistically set to peak at 75.5%
- SARB's Monetary Policy Committee ruled out a half-percent rate cut, voting unanimously to cut the repo rate by 0.25% — the market is expecting just two further rate cuts in 2025, in line with US Fed cuts

Portfolio Commentary

- Global assets contributed positively to rand returns despite a selloff in global equity markets — while the rand initially strengthened following the formation of the GNU earlier this year, it ended the quarter 8.3% weaker against the US dollar, despite favorable terms of trade
- South African equity investments weighed on returns as the JSE followed global markets lower — the resources sector dropped nearly 10%, with financial shares also declining
- SA bonds contributed positively to returns, with the All Bond Index delivering modest gains amid sustained optimism about improving fundamentals — SA bonds have proven resilient but are now looking somewhat expensive, trading at similarly low premiums to US bonds as they did in 2012
- US bonds detracted from returns as global developed market bond yields rose (and bond markets fell) — worries grew regarding the burgeoning indebtedness of countries facing pressures to run ever-larger deficits
- A small allocation to listed property detracted slightly from fund returns— property stocks with global portfolios sold off given rising US bond yields
- Cash continued to enhance absolute returns with yields remaining elevated — despite a marked improvement in the inflation outlook, the SARB maintains their cautious approach to monetary policy
- The fund continued to benefit from its allocation to gold given a rise in the rand gold price — measured in US dollars however, gold's 2024 rally was halted on expectations that interest rates would no longer come down as quickly as previously thought

Top contributors	Performance Contribution %	Holding Return %	Average Weight %
Foord Global Equity Fund Lux	0.8	4.3	18.7
Newgold ETF	0.4	7.9	5.3
Sasol Convertible Bond 4.5% 08/11/2027	0.4	9.1	4.4
NEICM - Nedgroup Inv Corp MM	0.2	2.2	8.4
Occidental Corp Bond 6.125% 01/01/2031	0.1	7.3	1.2

Top detractors	Performance Contribution %	Holding Return %	Average Weight %
FINFB - Foord Int. Fund Lux	-0.3	-1.4	19.6
ANH - Anheuser-Busch InBev	-0.2	-17.5	1.3
APN - Aspen	-0.2	-15.6	0.9
1997:HK - Wharf Real Estate Investment	-0.1	-19.2	0.7
BHG - BHP Group	-0.1	-13.4	0.8



Investment Strategy

- Exposure to SA equities was decreased — prospects for SA Inc companies have improved given political developments, as reflected in price moves, but future outperformance relies on long term structural economic growth
- The weighting in foreign assets rose mostly due to rand strength — measured together with non-rand earnings of JSE-listed companies, total foreign economic exposure is significantly higher on a look-through basis
- Foreign equities are focused on companies with pricing power which are best placed to protect investor capital from higher inflation — direct investment in US equities remains low in relative terms, given potential earnings risks arising from an economic slowdown
- The fund's total allocation to SA nominal government bonds was reduced while holdings in inflation-linked bonds were increased — nominal government bonds are trading at slightly expensive levels with inflation-linked bonds providing attractive real yields and protection against the corrosive impact of higher inflation
- Listed property is limited to a low weighting, given poor fundamentals for the asset class, despite optically attractive yields — sector risks include excess capacity, weak rental trend, consumer headwinds and rapidly escalating municipal costs.
- The allocation to foreign government bonds remains at low levels, comprising short-duration US Treasuries with a preference for inflation-linked instruments
- Physical gold ETF position maintained given supportive fundamentals, a weaker US dollar and the likelihood of nominal interest rates being at a peak — the position provides attractive portfolio diversifying properties during periods of market stress



Responsible Investment Summary



Voting resolutions for Q4 2024

Portfolio

Adopt financials
Auditor/Risk/Social/Ethics related
Buy Back Shares
Director Remuneration
Dividend Related
Issue Shares
Loan/financial assistance
Other
Re/Elect Director
Remuneration Policy
Shares Under Director Control
Signature of Documents

Total count	For	Against	Abstain
3	67%	33%	0%
33	100%	0%	0%
5	100%	0%	0%
27	100%	0%	0%
1	100%	0%	0%
6	0%	100%	0%
5	0%	100%	0%
10	100%	0%	0%
33	100%	0%	0%
14	50%	50%	0%
2	0%	100%	0%
2	100%	0%	0%

Foord Global Equity Fund

Auditor/risk/social/ethics related
Re/elect director or members of supervisory board
Remuneration policy including directors' remuneration
Signature of documents/ratification

Total count	For	Against	Abstain
7	29%	71%	0%
15	100%	0%	0%
5	20%	80%	0%
1	100%	0%	0%

Foord International Fund

Auditor/risk/social/ethics related
Dividend related
Re/elect director or members of supervisory board
Remuneration policy including directors' remuneration
Signature of documents/ratification

Total count	For	Against	Abstain
7	29%	71%	0%
1	100%	0%	0%
16	100%	0%	0%
7	43%	57%	0%
6	100%	0%	0%

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention, it would typically be intentional or for strategic reasons
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion we have voted in favour of such resolutions, we could gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings



Notable company engagements (Q4 2024)

Company	Topic	Company Attendees	Event Notes
City Lodge	Environmental	CEO and CFO	As part of a routine check-in, a meeting was held with management to discuss various operational matters. The discussion included an inquiry into environmental sustainability efforts, with a particular focus on water management, given the developing water crisis in Johannesburg. Management confirmed that approximately 70% of the FY25 capital budget is allocated to water sustainability projects.
Metair	Audit & Risk, Remuneration, Investment and Social & Ethics	Board members and Chairman	A meeting was conducted to engage with the Board regarding their responsibilities, including Audit & Risk, recent investment decisions, remuneration, and related policies. Discussions also covered Social and Ethics initiatives. The engagement was considered valuable, providing an opportunity to communicate concerns and expectations to the Board.
FirstRand	Remuneration Policy	CEO, CFO and Expert interviews	Discussions focused on the following key areas: Commission Practices – An examination of current and historical commission practices employed by FSR in the UK, particularly within MotoNovo, including the extent to which these practices may have created conflicts of interest and the potential harm caused to consumers. Governance Oversight – Concerns were raised regarding the adequacy of governance structures in overseeing such practices. Regulatory and Industry Impact – An assessment of the potential implications of the impending UK Supreme Court decision on historical commission arrangements, particularly its impact on the future sustainability of the UK motor finance industry and consumer choices and welfare.
Spear Reit	Environmental: Wheeling Project	Quintin Rossi (CEO), Christiaan Barnard (CFO)	A meeting was held with management to review recent results, during which the topic of wheeling was discussed. In conjunction with the ongoing solar program— which has resulted in a more than fourfold increase in kWp production over the past five years—wheeling was identified as an additional strategy for Spear to reduce carbon emissions. Furthermore, this initiative contributes positively to green energy generation in the Western Cape.
Afrimat	Social Governance & Environmental Impact of Products	Andries van Heerden (CEO), Pieter de Wit (CFO)	A meeting was hosted with management to discuss various topics, including the employment implications of the acquisition of Lafarge SA. Management confirmed that the acquisition would result in job creation with no retrenchment programs planned. Additionally, they reported traveling to Lichtenburg to reaffirm their commitment to the local community. Beyond employment considerations, discussions included a detailed review of a new cement product incorporating fly ash, a by-product of coal power plants, as an extender. This innovation is expected to reduce reliance on high-carbon clinker, positioning the product as a first-of-its-kind and a pioneering development within the sector.
FirstRand	Social: State of SA debt review process	CEO, CFO	The engagement focused on the current state and functioning of the South African debt review market. Discussions centred on the impact of bad actors within the market and how they were adversely affecting consumer outcomes. The conversation also explored the level of protection, or potential harm, being afforded to borrowers within the broader debt review process in South Africa.

Disclaimer

WHO WE ARE

Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust funds. It is a member of the Association of Savings & Investment South Africa (ASISA).

OUR TRUSTEE

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PERFORMANCE

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. 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.

PRICING

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

Certain Nedgroup Investments unit trust funds apply a performance fee. For the Nedgroup Investments Flexible Income Fund and Nedgroup Investments Stable Fund, it is calculated daily as a percentage (the sharing rate) of total positive performance, with the high watermark principle applying.

For the Nedgroup Investments Bravata World Wide Flexible Fund it is calculated monthly as a percentage (the sharing rate) of outperformance relative to the fund's benchmark, with the high watermark principle applying. All performance fees are capped per fund over a rolling 12-month period. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments.

DISCLAIMER

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact Nedgroup Investments.

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