



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 open to a blank page, and the pages are slightly curved, suggesting it is being turned or held open.

NEDGROUP INVESTMENTS ENTREPRENEUR FUND

Quarter Two, 2025

Nedgroup Investments Entrepreneur Fund

Performance to 31 March 2025	Nedgroup Investments Entrepreneur Fund ¹	ASISA category average	Small Cap Index	Mid Cap Index
3 months	8.0%	8.8%	9.5%	+10.0%
12 months	+19.0%	+19.1%	+26%	+20.3%

The JSE Capped SWIX rose +9.7% in Q2 2025 and is up +16.1% for the year to date to end June 2025. Overall market performance continues to be driven by the Resource Sector (+39.6% YTD) – predominantly by Gold and Platinum shares.

SA Industrials (+15.3) have been driven by a select number of large cap stocks, notably Naspers / Prosus (+32%) and MTN (+57%) and these mask the general declines recorded by most domestic industrial stocks as they de-rate from the run they experienced up to the end of 2024 and as the much hoped for SA economic growth acceleration has failed to materialise, GNU relations have degenerated into political squabbling and we learn of new corruption scandals within the “Safety and Security” Sectors of the state.

SA Financials (6.5%) remain the laggard sector; adversely impacted by domestic issues including the State’s difficulties to pass the budget in February, slow credit growth due to maintained high interest rates, and a disappointing decline in both consumer and business confidence which had briefly looked like they were finally on the road to recovery after being in continuous decline for 15 years!

Portfolio Commentary

In Q2 2025, the Entrepreneur Fund appreciated by 8.0%, recovering some of the decline suffered in Q1 caused by factors already discussed in the previous quarter’s commentary. Pleasingly several large stock picks came through strongly in the quarter after reporting strong results and in the case of Sun International the abandonment of their bid for Peermont - an announcement we welcomed with some relief. I am delighted with the funds’ performance considering the limited exposure we have to PGM stocks. The only exposure we have is to Northam at a mere 1.4% of the fund. We had been trying to accumulate a much larger position in the stock from January but have been unable to achieve it as the share price has kept running hard.

Perennial lemon KAP continues to languish as the management fail to achieve the low financial hurdles, they set themselves. The CEO has now departed, and we are trying to engage with the new Chairman and recently appointed non-executive directors to decide if the position can be salvaged.

Top contributors	Average weight	Performance contribution	Top detractors	Average weight	Performance contribution
We Buy Cars	6.1%	2.5%	KAP	3.3%	-1.2%
Naspers	4.4%	0.9%	Nutun	0.7%	-0.3%
Sun International	7.0%	0.8%	Oceana	3.3%	-0.2%
PSG	3.2%	0.7%	Boxer	1.8%	-0.1 %
ZEDA	4.9%	0.5%	Woolworths	3.0%	-0.1%
Total		+5.4%	Total		-1.9%

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

Current positioning and outlook

As a reminder at the end of Q1 in the face of a large draw down we experienced during the quarter we noted the following actions that we had taken:

1. Increasing exposure to high quality domestic stocks whose valuations have fallen into attractive valuation territory again. Examples here include Sun International and opportunistically Outsurance. ST Outcome – this has worked well, and we continue to hold large positions in both stocks.
2. Opening new positions or adding to smaller ones where price action has made them even more attractive – examples here include Woolworths, PPC, City Lodge and We Buy Cars. ST Outcome – all have worked except for Woolworths. The Woolworths investment case revolves around the successful turnaround (from a very low base) of their Fashion, Beauty and Home business in SA and Country Road in Australia. Worryingly we find little evidence to support this and if anything, anecdotal reports suggest the situation in both is getting worse!
3. Funding the above by selling out our position in Spar (switched to Woolworths), Cashbuild and a reduction in exposure to Curro. ST Report – all have worked out well although we have some worries about Woolworths as already discussed above.

The fund is very much a portfolio of high-quality companies that offer exposure to the SA economy. Although most are well managed by shareholder centric executives with a track record of commercially astute capital allocation decisions, all will prosper a lot more IF the SA economy can achieve a rate of growth above the anaemic levels of <1% it has remained trapped within. Realistically we are not confident this will occur, and consequently we need to remain alert and nimble.

Responsible Investment

Notable ESG engagements during the quarter include:

- Kumba Iron Ore: Engaged with the board ahead of their AGM to discuss their net-zero targets, decarbonisation initiatives and employee safety strategies. A primary focus was the proposed increases in board member remuneration. The board also disclosed the benchmarking methodology used to ensure that the proposed remuneration is "fair and competitive".
- Raubex: Consulted with the executive leadership team on recent whistleblower allegations that resulted in a delay of their financial results and needed investigation. Encouragingly, the independent investigation found no evidence of wrongdoing.
- JSE: Discussion about the JSE's ESG Risk Adjusted Framework.
- University of Cape Town: Participated in academic research examining the current regulation of proxy voting of South African institutional investors in the context of shareholder activism and climate change.

Conclusion

The trajectory of global markets will hinge on trade developments, potential US fiscal stimulus, and central bank policy paths. In South Africa, modest economic recovery, disinflation, and potential interest rate cuts could support local assets further. However, political risks and structural fiscal challenges are key watchpoints.

Despite the excellent progress on loadshedding elimination, the work of Operation Vulindlela, progress at the Dept of Home Affairs on visa approval to support tourism and interventions bearing fruit at Transnet, the fractious relations between SA and the US, slower rate of interest rate reduction and ongoing GNU differences have overwhelmed the positive sentiment that prevailed at the end of 2024. This has just recently been exacerbated with new accusations of corruption and criminality at the highest levels of Policing and Security.

The above have had a negative impact on our expectation for growth from many domestic businesses which have mostly been revised lower but nonetheless remain to show some growth. That combined with still favourable valuation metrics and high dividend yields keep us positive on prospects for the fund's returns in the second half.

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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Issue Date: July 2025