



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

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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 Three, 2025

## Nedgroup Investments Entrepreneur Fund

Performance to 31 March 2025	Nedgroup Investments Entrepreneur Fund <sup>1</sup>	ASISA category average	Small Cap Index	Mid Cap Index
3 months	1.2%	3.9%	6.0%	7.1%
12 months	2.2%	7.7%	15.1%	16.1%

For Q3 2025, global equity markets sustained their upward momentum, with the MSCI World Index gaining 7.6% (in USD). Emerging market equities rose 10.6% (in USD), outperforming developed markets. The risks associated with US tariff policies have largely been shrugged off by investors, with global equities now trading well above pre-Liberation Day levels.

The rally in risk assets to new highs is displaying signs of investor complacency, thus caution is warranted. The impact from changes in trade policy on global economic growth is still unknown and a softening US labour market points to fragility in the largest economy in the world. However, an influential driver of equities is monetary conditions, and as the global easing cycle advances, it should support further market gains.

South African investors fared well over the quarter (JSE Capped SWIX Index up 12.8%), lifted by mining shares again that benefitted from higher metal prices. Gold and Platinum miners were the standout performers, notably AngloGold (53.9%), Gold Fields (77.2%), and Valterra (previously known as Anglo Platinum +56.7%). This brings the year-to-date return for the Capped SWIX to +30.9% driven by the Resources Sector now +104.9% while Industrials +19.5% and Financials a mere +7.6% were the clear laggards despite generally posting inflation beating growth in profits.

Bullion continued its inexorable upward march to fresh highs - the precious metal has risen by >40% this year and has eclipsed its inflation-adjusted peak set more than 45 years ago. The price of gold remains underpinned by heightened macroeconomic and geopolitical risks that are unlikely to subside in the near term, the de-dollarisation of global currency markets, and central bank reserve accumulation. All these factors seem likely to continue, and the investment world is unanimously bullish on gold's further prospects. We find this worrying.

The 2024 post GNU optimism for recovering local GDP growth has failed to materialise despite progress on loadshedding elimination, Transnet volumes slowly improving, a strong Rand (+8.4% vs US\$) combined with a low oil price (-8% YTD) and lower interest rates. Despite a generally depressed local economy most local SA companies have managed to report inflation beating levels of profit growth yet have been de-rated by the market. This has been especially pronounced in the mid and small cap space which had rallied at the end of 2024, only to disappointingly see that fade away completely so far in 2025.

### Portfolio Commentary

In Q3 2025, the Entrepreneur Fund appreciated by 1.2%, and with a year-to-date return of -3.6% the fund is very distantly lagging both the mid and small cap index benchmarks and substantially more the Resource heavy Capped SWIX which is up over 30% over the same period!

I am sure this reality must be causing investors' concern, which I will address.

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

Mining vs The Rest. The SA market returns in 2025 year to date have been driven by the gold and platinum miners while the financial and industrial sectors have lagged very substantially. This is clearly illustrated in the list of YTD returns and illustrated in the chart below.

Consider:

Gold Fields +182%

Northam Platinum +203% - *a core holding in the Fund*

Naspers +54% - *a core holding in the Fund*

While:

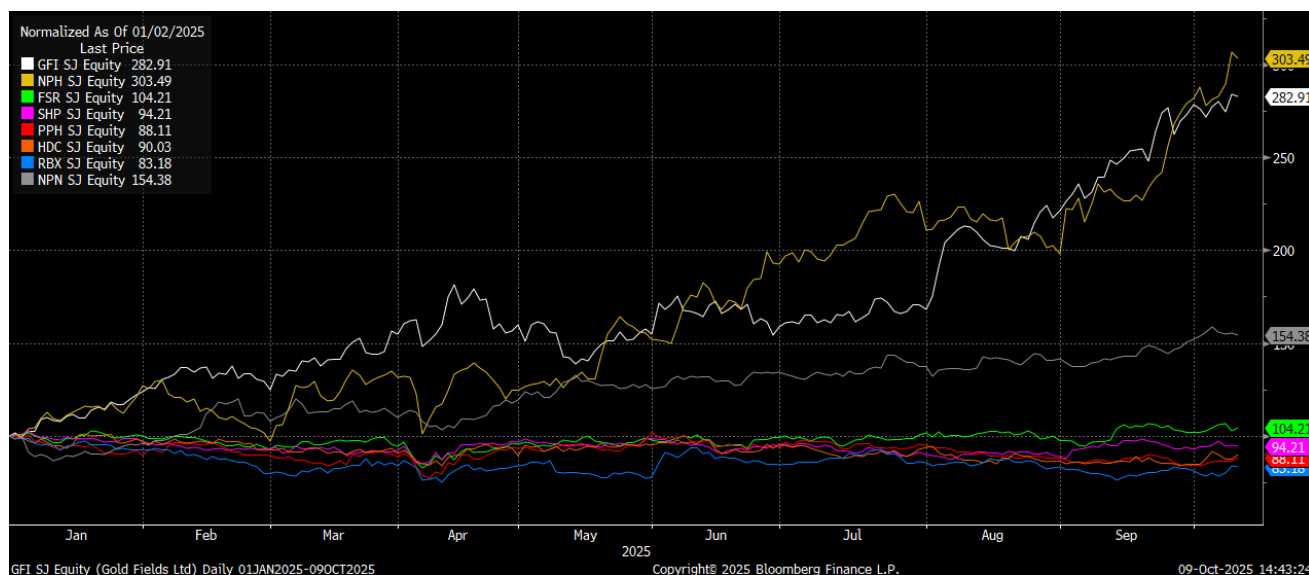
Firststrand +4%

Shoprite -6%

Pepkor -12% - *a core holding in the Fund*


Hudaco -10% - *a core holding in the Fund*

Raubex -17% - *a core holding in the Fund*



This begs the question, why did we not own more gold and platinum stocks. The first reason is that almost all are large caps and our mandate precludes us from investing in them. The second is that of the few gold and platinum miners that are not large caps almost all are very low-quality speculative businesses (DRD Gold, Pan African Resources, Sibanye Stillwater) that do not meet our investment quality hurdles. They are however extremely geared to the very strong run in the gold price we have seen and which may continue. Northam is the one stock that we are comfortable to own and at 7.2% of the fund is the single largest position and which together with Naspers have been the strongest contributors to the funds YTD returns.

In contrast the pure domestic SA stocks have continued to be marginalised regardless of their financial performance as investors continue to sell them as they chase the precious metal bull market. The fund has been particularly negatively affected by this, and the performance of core holdings Pepkor, Hudaco and Raubex shown above are illustrative of this effect.



Q3 Top contributors	Average weight	Performance contribution	Q3 Top detractors	Average weight	Performance contribution
Northam	3.8%	1.8%	Sun International	7.8%	-0.6%
Curro	3.7%	0.7%	Santam	3.7%	-0.6%
Naspers	4.7%	0.4%	Hudaco	4.9%	-0.6%
Premier	4.2%	0.1%	Pepkor	3.4%	-0.16%
CMH	2.8%	0.1%	We Buy Cars	6.4%	-0.6%
<b>Total</b>		<b>+3.1%</b>	<b>Total</b>		<b>-3.0%</b>

## Current positioning and outlook

In the context of the market movement so far this year (already discussed in some detail above) combined with strong growth in profits recorded by many of the core holdings in the portfolio (including Advtech, City Lodge, Motus, Pepkor, Sun International, We Buy Cars, AVI, Premier, Konsult, Outsurance, Santam, PPC, Raubex and Naspers and cumulatively >55% of the fund), the de-rating experienced by almost all of them is a function of the market's preference for geared commodity plays than a reflection of their possibly deteriorating prospects.

The portfolio is very distinctive in that it holds no gold shares and only limited platinum exposure – albeit via a very large position in one stock – Northam.

It is aggressively positioned to benefit from a return to investor favour for neglected and extremely attractively priced domestic industrial stocks – although given the market's fascination with an apparently unstoppable demand for gold this may take some time to occur – but equally could happen overnight.

In the meantime, we draw comfort that there is limited downside, valuation for almost all our holdings are at absolute and relative lows, their growth prospects if delayed by the unresponsive local economy remain robust and most importantly all will pay dividends – in some cases substantially higher than current interest rate yields available.

## Responsible Investment

Notable ESG engagements during the third quarter of 2025 include:

- Naspers/Prosus: Engaged the Remuneration Committee Chairman reiterating the need to measure and report on safety and fatality rates for food delivery riders, even if they are classified as contractors. These metrics should be integrated into management scorecards and linked to remuneration.
- KAP: Engaged the Chairman with concerns over poor company performance and recent management changes (CEO's resignation). We expressed dissatisfaction with the Remuneration Committee Chairman and raised concerns over remuneration levels.
- Sun International: Engaged with management post results with a focus on responsible gambling and emerging risks associated with the rapid expansion of online activity.
- PRI: Participated in a roundtable hosted by the CEO of the PRI, focused on the evolving global ESG landscape and its relevance within the African context. The discussion underscored the continued importance of ESG, regardless of political cycles. The CEO also introduced a new PRI toolkit designed to help companies benchmark their performance against peers, along with updated responsible investment resources tailored to the needs of African markets.



## Conclusion

Although disappointed with the continued weak GDP growth our economy seems able to produce, we draw some comfort from the incremental progress we note across many fronts. A gradual growth acceleration is likely to catalyse a rotation into domestic orientated businesses like SA banks and consumer stocks and where we have continued to accumulate positions.

Despite the weak local growth, we note the confidence recently expressed by the credible management teams of our holdings and of their plans and ability to grow. While we are not expecting an outstanding Q4 holiday trading period, we are confident our patience will be rewarded in all these positions where valuations are at attractive levels and where in the meantime we continue to receive a compelling dividend stream.

### **For Information Purposes Only:**

As at 30<sup>th</sup> September 2025, the underlying holdings in aggregate trade on a PE of 11x and PB of 1.5x



## 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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