NEDGROUP INVESTMENTS

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

NEDGROUP INVESTMENTS SA EQUITY FUND

Quarter One, 2023

Performance to 31 March 2023	Nedgroup Investments SA Equity[1]	FTSE/JSE SA Capped SWIX
3 months	1.8%	2.4%
12 months	6.3%	0.2%

Market Commentary

The effects of aggressive monetary policy tightening resulted in cracks emerging in the lower quality periphery of the banking system, with a few smaller US banks going under, such as the much-publicised Silicon Valley Bank (SVB). Spill-over from the mini US banking crisis took its toll on Credit Suisse, which had to be bailed out by UBS. Banking regulators acted swiftly to prevent the relatively insulated issues from becoming more systemic in nature.

Central banks continue to hike rates in order to bring inflation under control. However, the US Federal Reserve has had to inject some liquidity into the banking system in order to stem the SVB crisis from becoming systemic.

On a more positive note, relaxing of China's zero Covid policy resulted in improved sentiment due to "the Chinese reopening effect". This backdrop, coupled with the tapering down of China's regulatory clampdown on the tech sector, resulted in Tencent nearly doubling off the lows seen during the last quarter of 2022. Our funds were well positioned for this, with our high conviction position in Prosus and Naspers, further supported by the ongoing share buyback.

On the local front, the impact of incessant loadshedding and higher inflation continues to take its toll on the economy and further weighed on sentiment. The first quarter experienced the worst loadshedding on record, with high levels of loadshedding taking place on most days. South African companies reported signs of consumer stress taking hold, with some banks flagging higher credit losses.

These global macro and local political uncertainties made for a volatile local equity market, with the Capped SWIX benchmark down 2% in March, erasing earlier gains in the year leaving the index up 2.4% for the year to date. The Nedgroup Investments SA equity fund performed broadly in line with the benchmark, during challenging and volatile market conditions. Our 12m and longer-term track record remains comfortably above the benchmark.

It was the gold shares that performed well over the quarter, pushed by a firmer gold price. Platinum miners were on the opposite side of the coin with the platinum group metal basket falling around 20% in ZAR over the quarter dragging the platinum miners lower. Domestically exposed consumer stocks, retailers, banks and food bore the brunt of the weaker SA equity sentiment.

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

Fund performance, contributors & detractors for past quarter

Top 5 Contributors	Weight mean	Performance	Attribution
Naspers/Prosus	16.50%	16.6%/17.93%	2.60%
Anglogold Ashanti	2.10%	32.2%	0.70%
Aspen	2.10%	34.37%	0.70%
Goldfields	1.50%	37.58%	0.60%
Sanlam	3.50%	15.7%	0.50%

Top 5 Detractors	Weight mean	Performance	Attribution
Impala Platinum	4.00%	-21.27%	-0.90%
Anglo American	6.10%	-9.51%	-0.60%
Anglo American Platinum	1.40%	-30.78%	-0.50%
Glencore	4.50%	-10.74%	-0.50%
Sasol	4.90%	-8.54%	-0.50%

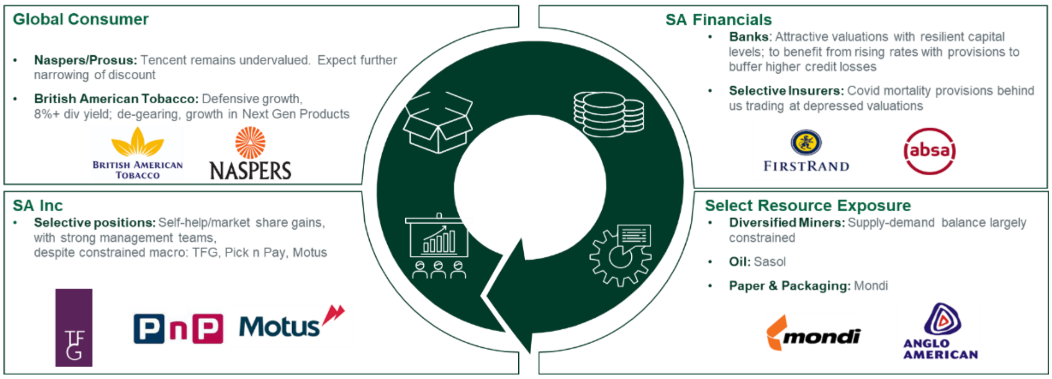
Portfolio changes, current positioning and outlook

The fund continues to hold a large position in Prosus post the most recent rally. We maintain our view that the company's core asset Tencent remains very attractively valued, with an improving regulatory and economic backdrop in China, which should help accelerate the company's earnings growth trajectory from current levels. Through Prosus we are getting exposure to this high-quality company, along with other emerging market internet assets at a 40% discount, at a time when Prosus management has instituted ongoing share buybacks and is laser focused on unlocking value across the company's portfolio of assets in the next 18-24 months.

Exposure to the domestic SA economy is primarily through the banking sector, with our preferred picks being FirstRand and ABSA. The banks have emerged from Covid with strong balance sheets and have adequate provisions to absorb credit losses. The collapse of SVB and Credit Suisse are reminders of how well our domestic banking system is regulated and the high standards our banks have to maintain in terms of liquidity and capital levels. SA banks rely on very little foreign funding, and we do not expect a significant impact on our banking sector from some of the global concerns.

Looking ahead, our equity portfolios retain a fairly diverse sectoral and geographic exposure. As the sombre South African macro backdrop has been priced into domestic shares, we have selectively been accumulating positions in SA companies which are well-run and where we feel the valuations are attractive on a risk-reward basis, and where we feel too much pessimism appears to be priced in.

Figure 1: Portfolio Sector Positioning at Q1 2023



Conclusion

In times of volatile stock markets, we remind ourselves that we are long term owners of businesses, and in this vein are still finding wonderful opportunities in the SA listed space. We believe the fund is well positioned and adequately diversified to weather these uncertain times, and with material upside on a bottom-up basis, should reward our investors with good risk adjusted returns into the future.

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.
Contact details: Standard Bank, Po Box 54, Cape Town 8000,
Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

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

Tel: 0860 123 263 (RSA only)
Tel: +27 21 416 6011 (Outside RSA)
Email: info@nedgroupinvestments.co.za
For further information on the fund please visit: www.nedgroupinvestments.co.za

OUR OFFICES ARE LOCATED AT

Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001
WRITE TO US
PO Box 1510, Cape Town, 8000