

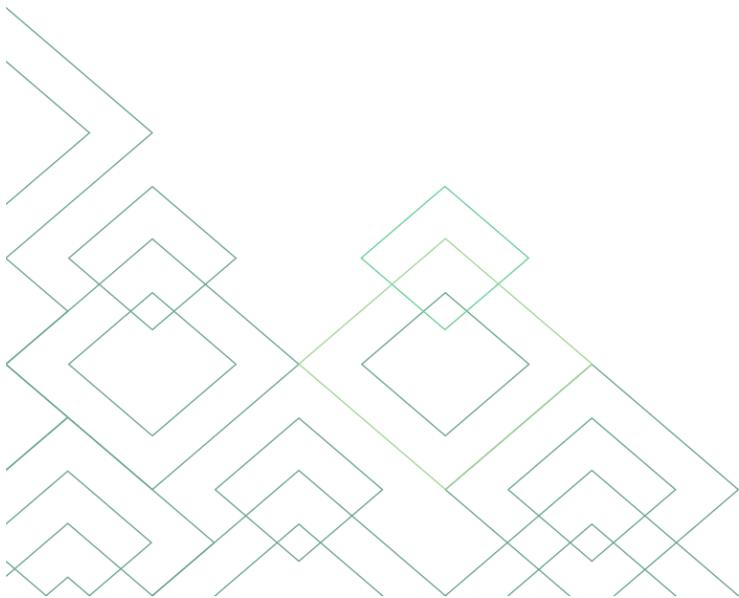


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**NEDGROUP INVESTMENTS**  
**Private Wealth Equity Fund**  
Quarter One, 2025





## Nedgroup Investments Private Wealth Equity Fund

Performance to 31 March 2025	Fund <sup>1</sup>	Benchmark <sup>2</sup>
3 months	-2.9%	8.5%
12 months	21.9%	22.4%

### Market Overview

Local equity markets delivered positive results in the first quarter, with the FTSE/JSE All Share gaining 3,6%. Strong quarterly returns from resources (33,7%) was the primary contributor. Precious metals gained 58,5% over Q1, with gold and platinum producers galvanising a strong start to the year. Tencent (19,2%) benefitted from the Chinese technology rally over the quarter, with Naspers and Prosus gaining 8,3% and 12,4% respectively. In contrast, retailers lost ground (-20,3%) as investors digest tax proposals put forward in the Budget. Small cap (-7,1%) and mid-caps (0,1%) stocks underperformed large cap stocks over the quarter. Despite a constructive results season thus far, the property sector had a weak start to the year, declining by 3,5% in the first quarter.

SA Economic growth firmed to 0,6% in the fourth quarter of 2024, benefitting from increased consumer spending and modest improvement in private sector fixed investment. This brings economic growth for 2024 to a paltry 0,6%. The current account narrowed over the fourth quarter, supported by an improved goods trade surplus, which benefitted from higher gold exports. Economic and survey data for the first quarter has thus far been mixed, with weaker survey data reflecting uncertainty related to US-SA tensions a cause for concern. The expulsion of Ebrahim Rasool, South Africa's ambassador to the US, escalated tensions between the countries. The Department of Transport launched a formal process, including an online platform, to encourage private sector participation. Transnet agreed above inflation wages with unions over the next three years.

The Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) kept the bank's key lending rate unchanged, in line with expectations. Four members voted in favour hold, while two favoured a cut. The accompanying statement highlighted a contained inflation outlook and outlined the impact of various scenarios such as the loss of AGOA benefits and weaker US growth. Finance minister, Enoch Godongwana tabled a revised version of the Budget 2025. The commitment to fiscal consolidation remained a priority, however, revenue measures in the form of taxes still featured prominently. The most notable changes included increases in VAT of 0,5% in 2025 and 2026 and no inflationary relief for salary bands, often referred to as bracket creep. With the approval process of the Budget 2025 resting on a meeting of minds between GNU partners, uncertainty remained as an overhang.

US equity markets tumbled in the first quarter of 2025, as high valuations in technology stocks were pared back and policy uncertainty and trade tensions escalated. Tariff announcements, and countermeasures in response, dominated headlines in March. The US administration also announced a global 25% tariff on all imported motor vehicles and parts.

In contrast, European and Asian markets delivered credible returns over the first quarter as policy makers were spurred into action. Europe announced increased defence spending, while Germany passed meaningful fiscal reforms, setting the region up for reinvestment in infrastructure and defence. Chinese policymakers announced a GDP target of "around 5%" for 2025, despite simmering tensions with the US. Stimulus measures to support consumption followed later in the month, providing a boost to local stock markets. Over the quarter, Chinese equity markets rallied strongly as markets priced technology advances in the region, with the added boost from perceived government support for the sector. Additionally, a weaker USD provided a sanguine backdrop for emerging market indices and currencies.

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

<sup>2</sup> Benchmark is the Capped SWIX40





## Portfolio Commentary and Activity

The fund has had a poor start to the year. For the quarter under review, the fund underperformed its benchmark by 11.4%. Regular readers of the portfolio commentary will by now know that the fund has never owned gold shares. This long-standing position and view has hurt performance significantly during the period, accounting for almost half of the quarter's underperformance. Gold continues to make new record highs on the back of central bank buying and geopolitical uncertainty. In addition, the weaker rand benefits those gold miners with significant ZAR based costs, resulting in operating leverage producing significant short-term free cash flow.

In addition to this, the fund's offshore holdings performed poorly during the quarter, accounting for ~25% of the underperformance. This was largely driven by broad risk off sentiment, as the market digested the impact of Trump's tariffs. The USD cash which the fund built up during Q3 in 2024 has provided some buffer in the current market downturn and is now being incrementally deployed. Please refer to the table below for detailed attribution.

The fund's SA inc. positions also detracted from performance during the period, post the budget and GNU uncertainty. Specifically, the banking exposure and the retail exposure performed poorly, after being amongst the most significant contributors in 2024. Effectively we believe the market has priced out any benefits of the GNU formation as the potential future political outcomes now introduce uncertainty once again.

During the early part of the quarter, we capitalised on strong share price performance from Discovery, Richemont and Brookfield Asset Management and trimmed exposure as prospective returns reduced. In the latter part of the quarter, as risk off sentiment set in, we incrementally added to our positions in Amazon, Aspen and Novo Nordisk.

Novo Nordisk is a multinational pharmaceutical business specialising in diabetes and obesity care. The pharma industry has major demand tailwinds; ageing populations, technological advancements etc. Diabetes and obesity therapies are seeing significant growth due to the increasing prevalence of these illnesses among various age groups globally, as well as the launch of blockbuster GLP-1 drugs that are seeing significant uptake, particularly by patients with chronic weight challenges. Novo Nordisk is well-positioned to benefit from these tailwinds given its leading portfolio of diabetes and obesity products, as well as its impressive product pipeline, which includes candidates that could further expand its lead in this market. From a valuation perspective, the stock is reasonably attractive, and we believe the current valuation under appreciates the long-term growth prospects of the business. Risks include medical aid price and volumes renegotiations, as well as competition from newer and potentially cheaper alternatives.

Another new position introduced in the fund during the quarter was asset manager Ninety-One. We appreciate the capital light nature of the recurring earnings stream, while being a performance lead, owner operated franchise. Based on our assessment, the market is heavily discounting the current market environment as well as the recent net outflow performance which the business has experienced, which we think will normalise over our investment horizon. While we remain patient, we are collecting an attractive ~8% yield in GBP, in addition to the ongoing share buyback programme being executed by the group. Despite the market uncertainty, we believe the margin of safety at current levels is sufficiently wide to offer an attractive risk reward proposition.



Top 5 contributors and detractors for Q1 2025: Overweight positions

Top contributors	Average relative weight	Performance contribution	Top detractors	Average relative weight	Performance contribution
<b>Prosus</b>	2.7%	0.2%	<b>Alphabet</b>	4.1%	-1.3%
<b>Cigna</b>	0.3%	0.1%	<b>TFG</b>	2.7%	-1.1%
<b>BATS</b>	0.5%	0.1%	<b>Spar</b>	2.3%	-0.7%
<b>Discovery</b>	0.3%	0.0%	<b>Glencore</b>	2.0%	-0.6%
			<b>Walt Disney</b>	2.1%	-0.5%

Top 5 contributors and detractors for Q1 2025: Underweight positions

Top contributors	Average relative weight	Performance contribution	Top detractors	Average relative weight	Performance contribution
<b>Firststrand</b>	-4.2%	0.6%	<b>Goldfields</b>	-5.8%	-2.5%
<b>Capitec</b>	-4.2%	0.4%	<b>Anglogold</b>	-3.5%	-1.5%
<b>Shoprite</b>	-2.7%	0.4%	<b>Harmony gold</b>	-2.2%	-1.1%
<b>Clicks</b>	-1.7%	0.3%	<b>Impala Platinum</b>	-1.6%	-0.5%
<b>Pepkor</b>	-1.4%	0.3%	<b>Sibanye</b>	-1.0%	-0.3%

**Current positioning and outlook**

The fund continues to be positioned with the majority of the exposure being non-rand based, while also owning high-quality, SA inc businesses which trade at attractive valuations. Broadly, the non-rand component of underlying earnings in the portfolio is currently at 60%. Post the recent budget debacle, the possible political outcomes in SA are now wider relative to the election outcome. We do not have any foresight into how the situation with the various parties may evolve, but we are now more cautious on the SA environment, especially given the compounded challenges of the US administration's recent actions.

While we have long been cautious on valuations in the US market, we are starting to see several valuation opportunities which are giving us a chance to increase our direct offshore exposure from the current relatively low level of 24%. The magnificent 7 stocks have seen a significant pull back, and while we don't own all of them, we view Alphabet and Amazon as two exceptional investment opportunities at current prices.

While the uncertainty from the global tariff war as well as the local political range of outcomes remains high, the portfolio is well positioned with some dry powder to take advantage of any further volatility in the market. Should market levels and by implication share prices continue to fall, we anticipate repositioning the fund for higher quality expected returns and simultaneously deploying the cash we have built up.

The team remains focused on executing its "*long-term, well considered*" investment philosophy.

We thank all unitholders for their continued support.



## 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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