

# Nedgroup Investments Mining and Resource Fund

Class A

November 2017



## EQUITY RANGE

### RISK RATING



### Risk reward profile

Equity investments are volatile by nature and subject to potential capital loss. Due to its specialist nature, the portfolio will typically display higher volatility than a general equity portfolio.

## GENERAL INFORMATION

### ASISA category

South African Equity Resources & Basic

Industries

Benchmark

ASISA Category Average

### Investment manager

Prudential Investment Managers (South Africa) (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 45199).

### Inception date

03 November 2003

### Appropriate term

Minimum 5 - 7 years

### Market value

R 370 Million

### Income distributions

Frequency: Annually

December 2016: 0.55 cpu

Previous 12 months: 0.55 cpu

### Fees and charges (excluding VAT)

Initial fees 0.00%  
Annual management fee 1.50%

Total expense ratio 1.78%  
Transaction costs 0.35%  
**Total investment charges<sup>2</sup> 2.13%**

### Please Note:

Differences may exist due to rounding

## CONTACT

Client Services Centre

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Website: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)

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## Portfolio profile

The portfolio is suitable for investors who require sector specific exposure to mining and resources shares as part of their overall investment strategy, with maximum capital appreciation as their primary goal over the long term.

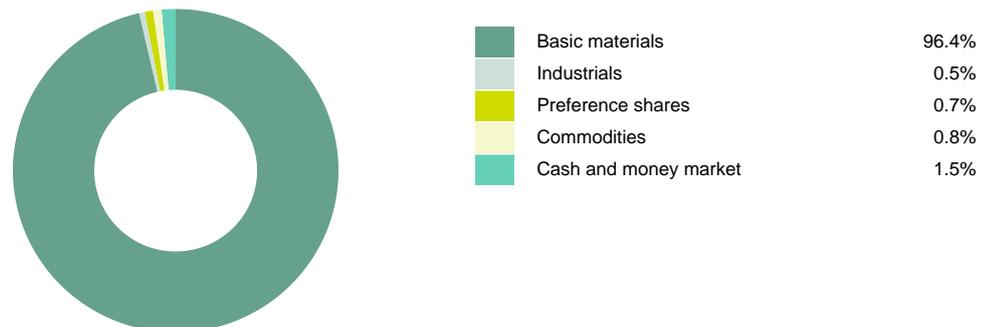
## Performance<sup>1</sup>

Period	Portfolio	Benchmark
1 year pa	15.5%	17.3%
3 Years pa	6.5%	9.5%
5 Years pa	5.2%	5.4%
7 Years pa	4.6%	4.4%
10 Years pa	3.9%	3.0%
Lowest 1 year return	-38.2%	
Highest 1 year return	52.7%	

## Risk

Period	Portfolio	ALSI
Volatility [5 years]	21.2%	11.0%

## Portfolio structure



## Top 10 holdings

Share	Percentage
Anglo American Plc	18.5
Sasol Ltd	15.5
BHP Billiton Plc	11.3
Glencore Xstrata Plc	6.9
Anglogold Ashanti Ltd	6.6
Mondi Plc	6.4
Sappi Ltd	5.5
African Rainbow Minerals Ltd	4.7
Impala Platinum Holdings Ltd	4.5
Exxaro Resources Ltd	3.7
<b>Total</b>	<b>83.6</b>

1) The annualized total return is the average return earned by an investment each year over a given time period. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Due to the delayed release of inflation data, relevant benchmarks will lag by one month.  
Data source: © Morningstar Inc. All rights reserved.

2) Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TERs. Transaction Costs (TC), expressed as a percentage of the Fund, relate to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impact fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investment costs of the Fund. Both the TER and TC of the Fund are calculated on an annualised basis, beginning 01/10/2014 and ending 30/09/2017.

## EQUITY RANGE

### Investment manager commentary

#### Prudential Investment Management

The Nedgroup Investments Mining & Resource Fund returned -1.3% (gross of fees) for the month of November 2017. The top 5 detractors to the fund's performance for the month were: Anglo American Plc which returned -4.5%, followed by Glencore Plc with -7.7%, BHP Billiton Plc with -3.4%, South32 Ltd with -11.4%, and Mondi Plc with -4.2%.

Macroeconomic support for commodities appears to be increasingly broad-based, with rising global GDP estimates and supportive commodity intensive indicators, like PMIs and Industrial Production (IP). Balancing this is a slowdown in the commodity intensity of Chinese economic growth, seen in a slowing property sector and Fixed Asset Investment (FAI). The market reacted more negatively to the latter during November.

In terms of commodities, we see reasonable support for prices from cost curves, with many commodity prices +/-10% from the 90th percentile of their cost curves. We also see reasonable support from supply and demand analysis of commodity markets, particularly from supply discipline and constrained capital investment within the sector. While volatile, we have a relatively balanced view on commodity prices in general. There are specific nuances that create an opportunity for specific commodities to out- or underperform (like the reform agenda in China curtailing some supply and favouring premium products, as well as the disruptive battery electric vehicle growth theme) rather than material shifts in the commodity complex as a whole.

With respect to the mining equities, valuations (earnings multiples) appear at multi-year attractive levels relative to equities in general. We also see upside risk to consensus miners' earnings expectations if current commodity price levels (and currencies) prevail. The opportunity in the sector is for re-rating (rather than material earnings growth); the challenge to a re-rating is the excessive volatility in earnings visibility from commodity prices as well as issues like regulatory interference and legacy of poor capital management, but we look for improved distributions to shareholders (dividends and share buybacks off strong cash generation) through year-end to highlight improved capital discipline within the sector.

During November we switched some of the position in Gold Fields Ltd into AngloGold Ashanti Ltd due to the former's relative outperformance and switched some of the position in South32 Ltd into Sasol Ltd. The Sovereign position was exited as the company was acquired and de-listed.

***Please note an important change that will be effective January 2018. Fund commentary will be produced on a quarterly basis, moving from the current monthly cycle, to provide an enhanced analysis of the fund over a longer period.***

#### 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

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](mailto:Trustee-compliance@standardbank.co.za), Tel 021 401 2002.

#### 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.

#### Nedgroup Investments contact details

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For further information on the fund please visit: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)

#### Our offices are located at

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#### Write to us

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