NEDGROUP INVESTMENTS

QUARTERLY REVIEW
NEDGROUP INVESTMENTS CORE GLOBAL FUND

as at 30 June 2019

See money differently

Another quarter of positive returns

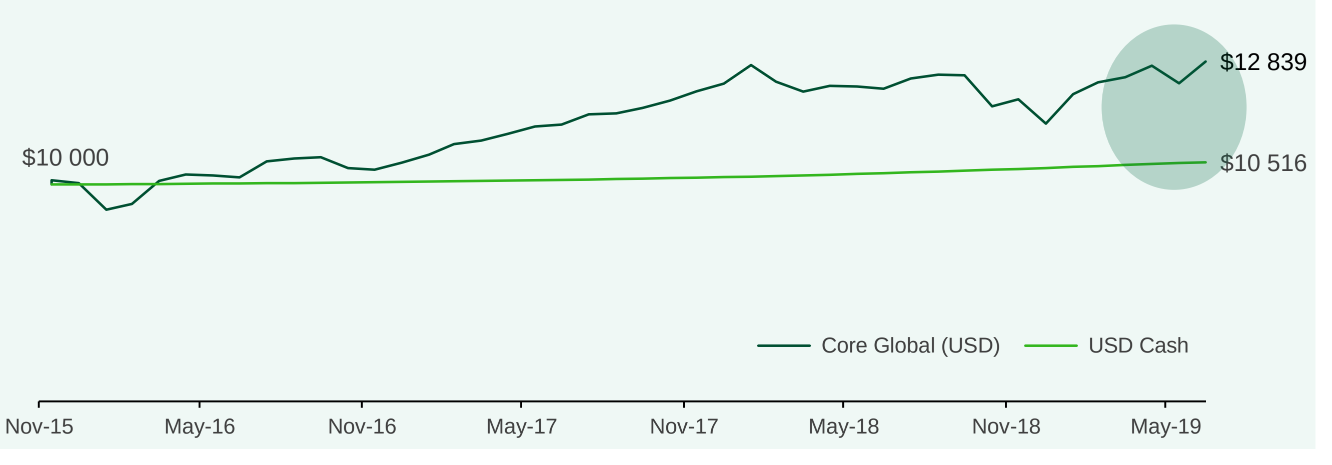
Despite tough economic conditions, your investment in the Nedgroup Investment Core Global Fund grew by 2.9% over the quarter. Returns this quarter were somewhat muted compared to the sharp rebound observed in the first quarter. The table below compares an investment in Nedgroup Investment Core Global Fund to a US cash investment over various time periods

For every $10 000 invested in the Nedgroup Investments Core Global Fund at inception (16 November 2015), you would have $12 839 at the 30th of June 2019. This is better than the $10 516 you would have achieved had you invested your money in bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market recovery, which helps to contextualise the returns experienced in the past few months.

Value of $10 000 investment in Nedgroup Investments Core Global Fund versus US Cash[1]

	3 Months	1 Year	3 Years	Inception 16 November 2015
Growth of fund (after fees) ***(Growth in %)***	$10 288 *2.9%*	$10 517 *5.2% p.a.*	$12 629 *8.1% p.a.*	$12 839 *7.1% p.a.*
Growth of US Cash ***(Growth in %)***	$10 063 *0.6%*	$10 246 *2.5%*	$10 488 *1.6% p.a.*	$10 516 *1.4% p.a.*

Fund Return versus US Cash[1] from inception to 30 June 2019



Since the inception of the Nedgroup Investments Core Global Fund it has delivered returns in excess of US cash. However, it is to be expected that occasionally there will be periods where the fund does not beat US cash over 5 years. Over the long term[2], a portfolio such as Nedgroup Investments Core Global Fund would have delivered higher return than US cash around 64% of the time over any 5-year period.

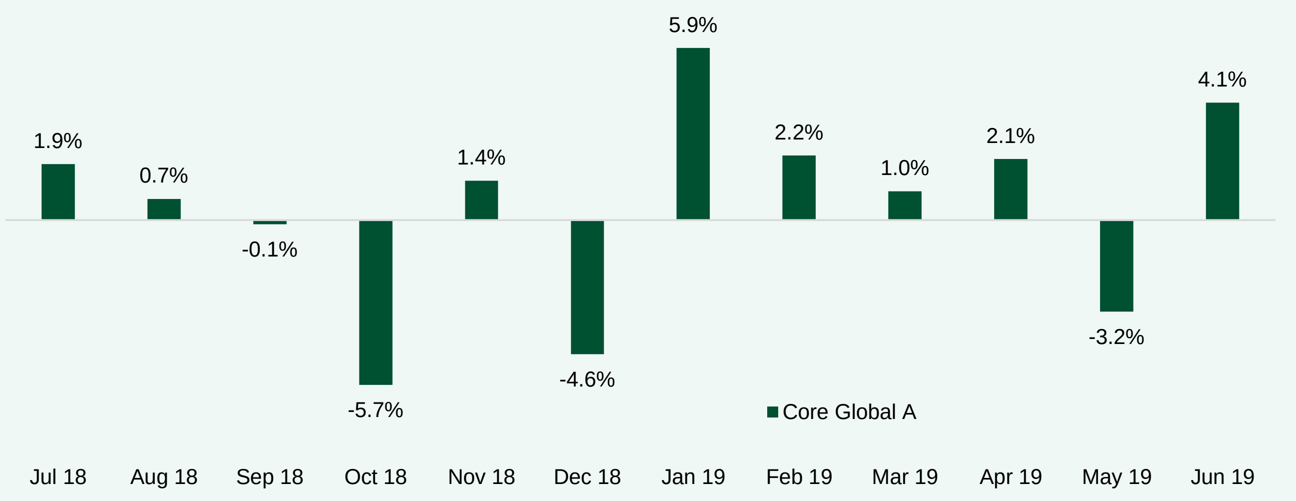
1. We used the ICE Bank of America 3 month deposit rate for US cash returns
2. Based on Global market returns from 1997 to 2018 (source Morningstar) using the same long-term equity allocation and fees.

Markets – an emotional roller coaster

Markets in 2019 have been an emotional roller coaster ride with some great months and some poor months. Global shares (MSCI All Country World Index) provided a return of 3.8% over the quarter (in US Dollars) but it has been a bumpy ride with the worst return this year being in May, with a loss of 5.8%. However, markets quickly rebounded after this fall, returning 6.6% in June (in US Dollars). Despite this volatility, year-to-date (to 30 June 2019) global shares have provided a phenomenal return of 16.6% (in US Dollars), which far exceeds the long-term expected return.

The Nedgroup Investments Core Global Fund is significantly affected by global share markets as it has a material exposure to global shares. Despite this, the portfolio only lost 3.2% in May compared to global shares which lost 5.8% (in US Dollars) - due to the diversification in the portfolio which cushioned it against some of the losses experienced. The chart below illustrates the impact that market volatility had on the monthly returns of Nedgroup Investments Core Global Fund.

Monthly Fund Returns in US Dollars



Source: Morningstar, Returns in USD

Despite the volatile ride markets have experienced, the Nedgroup Investments Core Global Fund earned a good return of 12.5% this year (to 30 June 2019). Unfortunately, many investors on this emotional roller coaster panicked, got off and have missed out on the upside.

Global trade wars – is there a glimmer of hope?

United States President, Donald Trump, is embattled in trade wars with numerous countries. During the G20 summit in Japan, Trump is said to have one-on-one meetings lined up with the Presidents of several countries, including Russia, Turkey, India, China, on this very topic. Top of the list is his meeting with Chinese President Xi Jinping.

The US-China trade war is being sited by the International Monetary Fund as posing one the biggest threats to the global economy. However, there is a glimmer of hope, with rumours that a truce may be struck between the two countries, albeit short lived. With both presidents under pressure to bring home the best deal for their respective countries, a truce is likely to provide a brief respite but unlikely to imply the end of this trade war.

Despite the many trade wars waging, few US companies have shifted production to the US, with a survey from the American Chamber of Commerce in China revealing that a mere 6% of US companies are considering shifting production away from China to the US. Instead, there appears to be a redistribution of production out of China into other countries. Surveys from the American Chamber of Commerce in China indicate that 40% of companies surveyed have moved their operations out of China or plan to do so. While this is terrible for China, it has benefited other countries.

‘Do or die’ global politics – Boris and the European elections

European elections saw the first increase in voter turnout in 40 years. The results, however, was a fragmented pro-EU majority with the traditional centre-left and centre- right parties losing ground to Greens and Liberal. These results from the 28-member states will determine the Europeans stance on important issues such as green taxes and international trade for the next five years.

Right-wing Euro sceptics made important gains in France and Italy but have not achieved the critical mass required to have a major influence in the European parliament. Nigel Farage’s Brexit party took the victory in the UK, with both the Conservatives and Labour losing ground.

In early June, Theresa May officially stepped down as leader of the Conservative party and will step down as prime minister once a successor has been elected. The race for the leadership of the party was whittled down from ten candidates to just two; Boris Johnson and Jeremy Hunt. Boris Johnson appears to be the clear favourite to win this race which should come to an end towards the end of July.

Johnson’s hard Brexit stance was reflected in his comment that that Britain would leave by the October deadline, “do or die, come what may”. This may lead to a general election if parliament votes down another round of proposals, which poses some risk to the Conservative party, given their poor performance in the local elections.

The different ways you can access the Nedgroup Investments Core Global Fund*

Nedgroup Investments provides two FSB-approved access points to the Nedgroup Investments Core Global Fund:

1. A UCITS dollar denominated fund domiciled in Ireland - Nedgroup Investments Core Global Fund (USD)
2. A Rand denominated feeder fund domiciled in South Africa - Nedgroup Investments Core Global Feeder Fund (ZAR)*

These two funds may be accessed directly from Nedgroup Investments or via a LISP platform. The feeder funds invest into the Dollar denominated fund and therefore provides the exact same market exposure.

There are however important differences to take into consideration before deciding on which access point is more suitable to your needs. First, to invest in the UCITS fund you need to comply with exchange controls as you will be moving money offshore. The current foreign capital allowance (2019/2020 tax year) is R10 million per calendar year, subject to obtaining a SARS tax clearance certificate. Individuals can transfer up to a limit of R1 million per calendar year without requiring a tax clearance certificate. Capital Gains Tax (CGT) is only calculated on the dollar growth and will not take the change in the rand-dollar exchange rate into consideration.

Second, there are no exchange control limits when you invest in the Rand feeder fund as you are investing into a SA domiciled fund. The fund manager of the feeder fund will invest into the offshore UCITS funds and use Nedgroup Investments offshore allowance. This fund effectively gives you offshore exposure but your money is still based in rand. The CGT will be based on the rand growth and will therefore include the dollar growth and the change in the rand-dollar exchange rate.

Another important consideration in deciding between the two access points is the administration of your Will when you pass away. The rand feeder fund will automatically be covered by the executer of your estate as your investment is based in SA. The UCITS fund, however, is domiciled outside of SA which may require appointing another executor in Ireland to administrate your offshore estate. This can lead to additional costs and complexity.

*This section is only applicable to South African domiciled investors. European and UK investors can only access the UCITS fund.

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The Prospectus of the Fund, the Supplement of its Sub-Funds and the KIIDS are available from the Investment Manager and the Distributor or from its website www.nedgroupinvestments.com

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