



## QUARTERLY REPORT

# NEDGROUP INVESTMENTS XS SELECT GUARDED FUND OF FUNDS

as at 31 December 2019

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# QUARTERLY REPORT: NEDGROUP INVESTMENTS

as at 31 December 2019



## Domestic asset class returns (ZAR)



### SA EQUITY



**12.1%** 1 year  
**7.4%** 3 years  
**12.3%** LT average

Domestic equities were lifted alongside international markets

### SA PROPERTY



**1.9%** 1 year  
**-3.7%** 3 years  
**11.8%** LT average

Ended the quarter close to flat, despite losing -2.1% in December

### SA BOND



**10.3%** 1 year  
**9.4%** 3 years  
**6.9%** LT average

Driven by improved emerging market sentiment and robust Rand

### SA CASH



**6.6%** 1 year  
**6.7%** 3 years  
**5.9%** LT average

As expected, the SARB kept interest rates unchanged in November



## Global asset class returns (USD)



### GLOBAL EQUITY



**27.3%** 1 year  
**13.1%** 3 years  
**8.5%** LT average

Risk appetite returned to the market and EMs were the best performers

### GLOBAL PROPERTY



**23.1%** 1 year  
**9.3%** 3 years  
**6.6%** LT average

Benefited from lower interest rates and higher risk appetite

### GLOBAL BOND



**6.8%** 1 year  
**4.3%** 3 years  
**4.6%** LT average

Steepening of yield curves saw safe-haven sovereign bonds under pressure

### US CASH



**2.76%** 1 year  
**1.9%** 3 years  
**4.3%** LT average

Several notable interest rate cuts from US Federal Reserve and ECB



## Exchange rates (Rand spot rate and quarterly change)



### US DOLLAR

**R13.98**

**8%**

The rand took advantage of the reversal in USD strength as well as improved investor sentiment on the back of positive global trade developments and early signs of a stabilisation in some key global economic data.



### BRITISH POUND

**R18.52**

**1%**

Rand gains against the pound were limited following optimism around a Brexit deal. In addition, most of the pound strength was due to a weaker USD in the run-up to the US Fed's interest rate cut in October.



### EURO

**R15.70**

**5%**

Euro also advanced against the US dollar as Brexit uncertainty lifted and manufacturing data showed signs of improvement.



## Domestic performance drivers



### HIGHLIGHTS

- The work to bring justice to bear continues. Four individuals, including two former Eskom executives were arrested in late December on charges of corruption, fraud and money laundering
- Domestic equities were lifted alongside international markets and domestic bond markets benefitted from improved sentiment towards emerging markets and a robust Rand.
- Incoming Eskom CEO Andre de Ruyter, was asked to start earlier than planned to progress the urgent work of steadying the state-owned utility.



### LOW POINTS

- The intermittent load shedding at the end of the fourth quarter, increased the risk that economic growth would disappoint again.
- Credit ratings agencies Moody's and S&P downgraded the outlook for the sovereign from stable to negative.
- Strikes at national carrier South African Airways saw flights delayed and grounded, as staff and unions sought higher wages. The Government reaffirmed that there are no funds for bailouts and SAA went into voluntary business rescue in December.



## Global performance drivers



### HIGHLIGHTS

- In the UK, the Conservative election victory was taken positively as it dealt a fatal blow to the Labour Party's far left "Corbynistas", whilst also providing greater clarity over the next stage of Brexit.
- Investor confidence in next year's global and US economic outlook started to improve, helped by growing optimism over a trade deal and strong US job and wage data.
- Almost a year after the initial deal was signed, negotiators reached agreement on the US-Mexico-Canada Agreement, or new NAFTA agreement, moving it towards congressional ratification in the US.



### LOW POINTS

- Hong Kong protests escalated in November, with violence breaking out between anti-government protesters and the police at a local university. The pro-democracy protests started over the proposed extradition law that would enable easier extradition to mainland China but has quickly evolved into a debate on the autonomy of Hong Kong and the relationship with China.
- In October, the IMF downgraded the 2019 global growth outlook to 3.0%, the lowest forecast since the global financial crisis, while China reported growth of 6% in Q3, its slowest pace in decades.

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## Fund overview

MAX EQUITY

**40%**

TIME FRAME

min **3** years

BENCHMARK

Inflation **+3%**

PEER GROUP

SA Multi-Asset  
Low Equity

REGULATION 28

**Compliant**

RISK PROFILE

1

**2**

3

4

5

LOW

MEDIUM

HIGH



## Underlying fund structure

20% Active

**CORONATION**  
FUND MANAGERS

20% Active

**FOORD**

20% Active

  
**PRUDENTIAL**  
INVESTMENT MANAGERS

20% Active

**ALLAN GRAY**

20% Passive

  
**Taquanta**



## Fund costs (C – clean class)

MANAGEMENT FEE\*  
(excl. VAT)

**1.03%**

TOTAL  
EXPENSE RATIO

**1.30%**

TRANSACTION  
CHARGES

**0.05%**

TOTAL  
INVESTMENT CHARGES

**1.35%**



## Benefits of the XS Select range

SIMPLE, LOW-COST  
SOLUTION



DIVERSIFIED ACROSS  
ASSET CLASSES



PASSIVE AND ACTIVE  
UNDERLYING INVESTMENTS



QUARTERLY  
REBALANCED



TAX  
EFFICIENT



ONGOING  
DUE DILIGENCE



\*Includes BOTH multi-manager and underlying fund fees. \*Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 October 2019 to 30 September 2019.

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## Asset allocation

### DOMESTIC EQUITY



21.8%

### DOMESTIC PROPERTY



6.1%

### DOMESTIC FIXED INTEREST



44.9%

### FOREIGN EQUITY



19.2%

### FOREIGN PROPERTY



0.7%

### FOREIGN FIXED INTEREST



7.3%



## Regional exposure



61%

PURE SA



12%

RAND HEDGES



27%

DIRECT FOREIGN



## Top ten holdings

RSA R186 BOND

5.6%

RSA R2035 BOND

1.7%



1.5%



1.4%

RSA R2030 BOND

1.4%

RSA R2044 BOND

1.4%



Standard Bank

1.3%



SASOL

1.1%

RSA R202 ILB

1.2%

NEWGOLD ETF

1.0%

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## Fund performance (clean class)

Q4 '19 RETURN

**1.4%**

Peer group average: 1.5%

YTD RETURN

**9.0%**

Peer group average: 8.6%

1YR ANNUALISED RETURN

**9.0%**

Peer group average: 8.6%

3YR ANNUALISED RETURN

**5.8%**

Peer group average: 56.0%

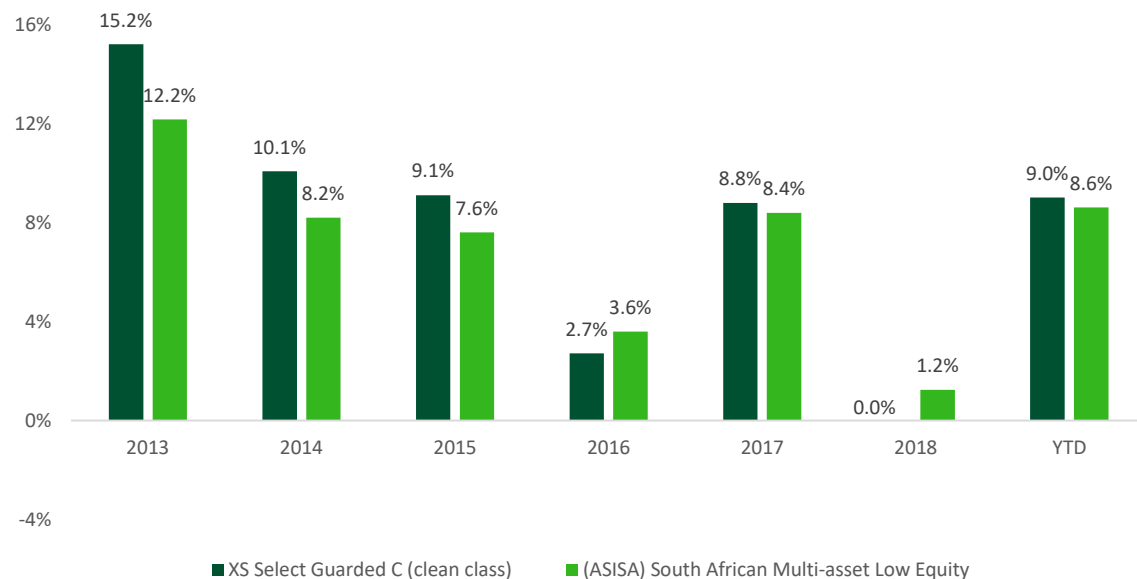
5YR ANNUALISED RETURN

**5.9%**

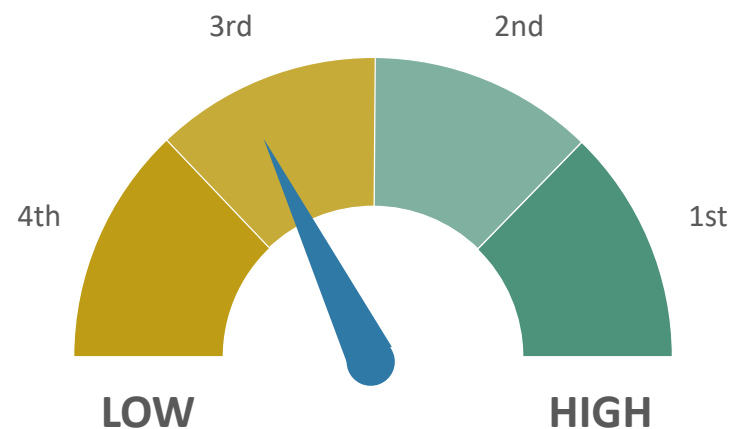
Peer group average: 5.8%



## Calendar year performance



## Peer group quartile ranking: 3Y



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## Risk measures since inception

### ROLLING 3YR RETURN

**88%**

Hit rate: outperforming  
peer group average

### VOLATILITY

**4.6%**

SA equity market: 14.3%

### MAX DRAWDOWN

**-5.2%**

SA equity market: -40.4%

### SHARPE RATIO

**0.4**

SA equity market: 0.2

### % POSITIVE MONTHS

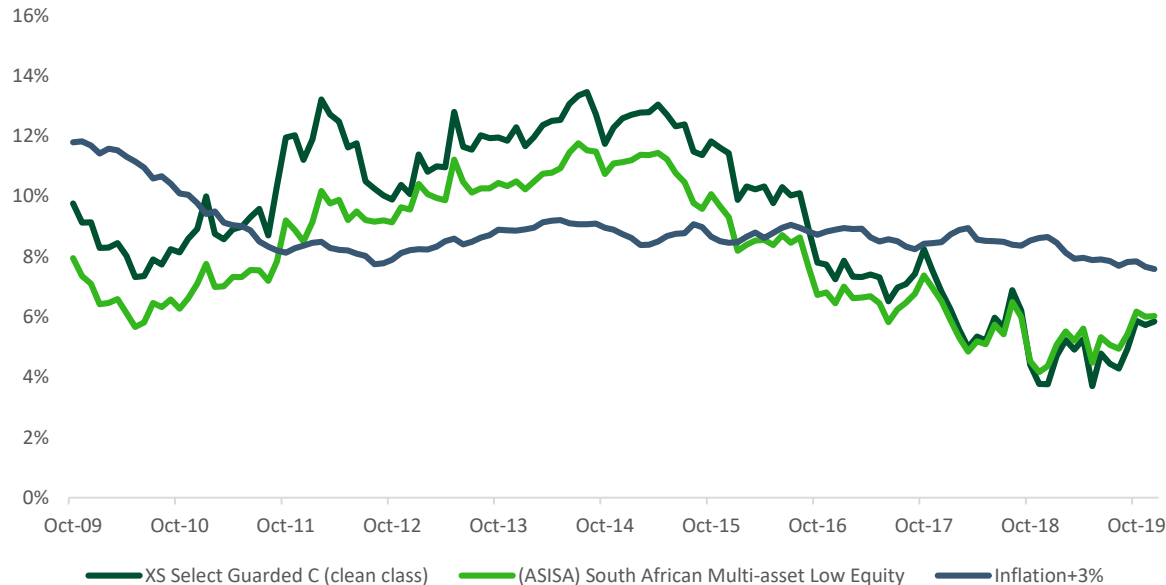
**73%**

SA equity market: 61%

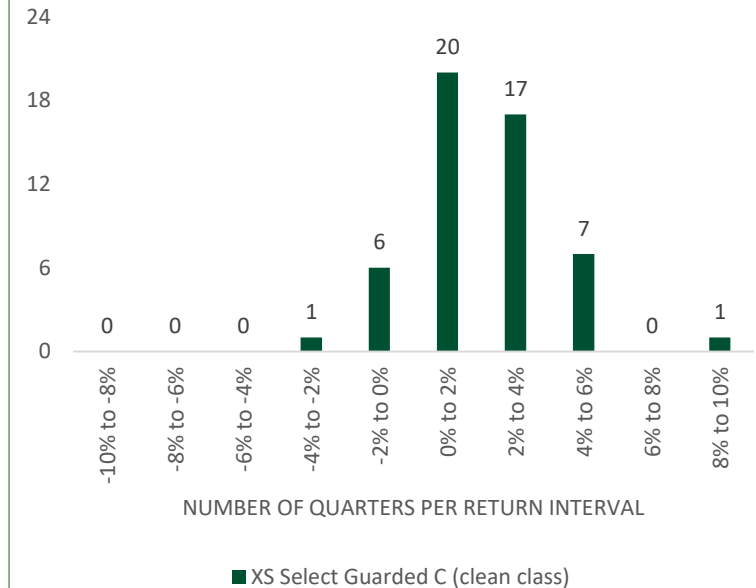


## Rolling 3-year annualised return

Since inception Nov 2006 to date



## Quarterly return distribution



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## Underlying fund performance

Key	2014	2015	2016	2017	2018	2019
Allan Gray Stable	12.6%	13.7%	6.4%	11.1%	2.9%	11.1%
Coronation Balanced Defensive	11.2%	11.4%	4.6%	9.8%	2.6%	9.5%
Nedgroup Inv Core Guarded	8.9%	9.5%	4.4%	9.6%	2.0%	8.7%
Nedgroup Inv Stable	8.8%	8.3%	3.9%	7.8%	1.7%	7.1%
Prudential Inflation Plus	6.6%	8.1%	0.4%	7.1%	-4.3%	6.5%



### POSITIVE CONTRIBUTORS THIS QUARTER

- Foord's bias to global shares and high-yielding, medium-term SA debt over SA Inc. shares contributed to performance. In addition, its overweight to equity within the global allocation worked in their favour, with information technology and consumer discretionary being the star performers
- Some of the major contributors for Coronation for the year include Northam Platinum, Naspers, British American Tobacco, Anglo American and AnheuserBusch.



### DETRACTORS THIS QUARTER

- The Rand strengthened 8% relative to the US dollar, benefitting from the positive global sentiment. This outweighed the impact of concerns about local electricity supply even though Eskom continued to implement load-shedding. A weaker USD also provided additional support to the local unit.
- The fund's exposure we have to Sasol, Shoprite, Nedbank, Advtech and Woolworths detracted from performance as these companies ended the year in the red.
- Local listed property remains one of the weakest sectors for the year, albeit marginally positive. Prudential's relatively high allocation to this sector of the market remains a drag on performance.

Allan Gray was introduced on the 1st of October 2018.

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## Performance across classes

	A CLASS (ALL IN)	B2 CLASS (LISP)	C CLASS (CLEAN)	C1 CLASS (PRODUCT)	PEER GROUP	SA INFLATION
QUARTER	1.1%	1.5%	1.4%	1.4%	1.5%	0.4%
1 YEAR	7.8%	9.2%	9.0%	8.8%	8.6%	3.6%
3 YEAR	4.6%	6.0%	5.8%	N/A	6.0%	4.5%
5 YEAR	4.6%	0.06	5.9%	N/A	5.8%	4.9%



## Costs across classes

	MANAGEMENT FEE* (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A Class (all-in)	2.03%	1.00%	2.45%	0.05%	2.50%
B2 Class (LISP)	0.88%	N/A	1.13%	0.05%	1.18%
C Class (clean)	1.03%	N/A	1.30%	0.05%	1.35%
C1 class (product)	1.18%	N/A	1.46%	0.05%	1.51%

\*Includes BOTH multi-manager and underlying fund fees. \*Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 October 2019 to 30 September 2019.

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