

QUARTERLY REPORT

■ NEDGROUP INVESTMENTS PRIVATE
WEALTH SATELLITE FUND OF FUNDS

AS AT 31 MARCH 2020



NEDBANK
PRIVATE WEALTH
SINCE 1834

NEDGROUP INVESTMENTS PRIVATE WEALTH

SATELLITE FUND OF FUNDS | 31 MARCH 2020



Domestic asset class returns (ZAR)

SA EQUITY

-21.4%

Q1 2020

-18.4% 1 year
-2.1% 3 years
12.3% LT ave

Small caps were highly exposed to global turmoil and bank share prices reached multi-year lows

SA PROPERTY

-48.2%

Q1 2020

-47.9% 1 year
-23.0% 3 years
11.8% LT ave

Landlords face unprecedented pressures as tenants seek rental holidays

SA BOND

-8.7%

Q1 2020

-3.0% 1 year
5.3% 3 years
6.9% LT ave

Suffered a -9.7% decline in March on the back of global uncertainty

SA CASH

1.6%

Q1 2020

6.6% 1 year
6.7% 3 years
5.9% LT ave

SA Reserve Bank cut interest rates 25bps in Jan and 100bps in Mar



Global asset class returns (USD)

GLOBAL EQUITY

-21.3%

Q1 2020

-10.8% 1 year
2.0% 3 years
8.5% LT ave

Decline in equity markets was broad based. Japan, Asia ex-Japan and US were most robust

GLOBAL PROPERTY

-28.3%

Q1 2020

-23.2% 1 year
-2.9% 3 years
6.6% LT ave

Benefited from the lower interest rate environment

GLOBAL BOND

-0.3%

Q1 2020

7.6% 1 year
1.6% 3 years
4.6% LT ave

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

US CASH

0.4%

Q1 2020

2.1% 1 year
1.9% 3 years
4.3% LT ave

Most central banks eased monetary policies and cut rates



Exchange rates (Rand spot rate and quarterly change)



US DOLLAR R17.86

22%

Emerging Market currencies fell on worries about how their economies will cope with economic challenges, with the Rand further impacted by the Moody's downgrade of South Africa's credit rating to junk status.



BRITISH POUND R22.15

16%

In line with the UK equity market, the pound sterling performed poorly this quarter when compared to other developed market currencies. The pound lost 3% to the US dollar in February and almost 7% in March.



EURO R19.60

18%

The Euro and Europe ex-UK equity market performed in line with the pound and the UK equity market, and also ended the quarter as one of the weakest developed market regions.

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SATELLITE FUND OF FUNDS | 31 MARCH 2020



Domestic performance drivers



HIGHLIGHTS

- The State of the Nation sought to highlight the areas where implementation (rather than pledges) was underway, including in critical areas such as energy reforms and youth unemployment.
- Finance Minister Tito Mboweni presented a reasonable Budget on the 26th of February that even delivered some positive surprises.
- President Ramaphosa acted with comprehensive and decisive measures, calling for a unified response to protect the country, its people and healthcare system. On 26 March, the country entered a 21-day lockdown with only essential services allowed.



LOW POINTS

- We started the year with electricity shortages continuing to plague the country. Eskom CEO Andre de Ruyter, informed South Africa that the power system will remain vulnerable to load shedding for at least 18 months to allow much needed maintenance work.
- Moody's cut South Africa's sovereign credit rating to Ba1 From Baa and the outlook remains negative. South Africa now has a sub-investment grade rating from all three major rating agencies and will fall out of the FTSE World Government Bond index.



Global performance drivers



HIGHLIGHTS

- Phase One of the US – China Trade Deal was signed in January, which provides something of a truce, and may pave the way towards further de-escalation as the negotiators move on to the next stage.
- The UK finally legally departed from the EU on the 31st of January. Although little else changed, the UK and EU have now entered an eleven month transition
- With the benefit of experience gained in the 2008/9 financial crisis, policy makers reacted quickly to the growing Coronavirus-crisis, announcing massive monetary and fiscal stimulus packages.



LOW POINTS

- In early March, the World Health Organisation declared the COVID-19 outbreak a global pandemic. By the end of March, much of the world was in lockdown.
- A second factor that added to market pressures was the collapse in the oil price which resulted from the breakdown of the OPEC+ talks. The oil price now trades in the low-to-mid US\$20s per barrel. If this level of pricing is sustained, much of the North American oil industry will suffer significant losses, and probably be driven to bankruptcy.

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SATELLITE FUND OF FUNDS | 31 MARCH 2020



Fund overview

MAX EQUITY

100%

TIME FRAME

min **7** years

BENCHMARK

Inflation **+6.5%**

PEER GROUP

**SA Multi-
Asset Flexible**

REGULATION 28

**Non-
compliant**

RISK PROFILE

1

2

3

4

5

LOW

MEDIUM

HIGH



Underlying fund structure

Domestic
Equity 27.7%

FOORD

Domestic
Equity 24.6%

CORONATION
FUND MANAGERS



Small/Mid Cap
Equity: 31.7%

Veritas
— Asset
Management

Offshore
Equity: 15.9%



Fund costs (A)*

MANAGEMENT FEE
(excl. VAT)

1.59%

TOTAL
EXPENSE RATIO

1.83%

TRANSACTION
CHARGES

0.15%

TOTAL
INVESTMENT CHARGES

1.98%



Benefits of the Nedbank Private Wealth FoF range

COMPETITIVE
PRICING



DIVERSIFIED ACROSS
ASSET CLASSES



INVESTMENT
EXPERTS



PASSIVE AND ACTIVE
UNDERLYING
INVESTMENTS



TAX
EFFICIENT



ONGOING
DUE DILIGENCE



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SATELLITE FUND OF FUNDS | 31 MARCH 2020



Asset allocation

DOMESTIC EQUITY



70.3%

DOMESTIC PROPERTY



1.9%

DOMESTIC FIXED INTEREST



3.4%

FOREIGN EQUITY



22.2%

FOREIGN PROPERTY



0.0%

FOREIGN FIXED INTEREST



2.2%



Regional exposure



53.8%

PURE SA



28.7%

RAND HEDGES



17.5%

DIRECT FOREIGN



Top ten holdings (as a % of fund)



4.0%



3.0%



2.7%



2.3%



2.3%



2.1%



1.9%



1.9%



1.8%



1.8%

NEDGROUP INVESTMENTS PRIVATE WEALTH

SATELLITE FUND OF FUNDS | 31 MARCH 2020



Fund performance (A)

Q1 '20 RETURN

-21.9%

Peer group average: -12.8%

1YR ANNUALISED RETURN

-20.9%

Peer group average: -10.1%

3YR ANNUALISED RETURN

-8.4%

Peer group average: -1.5%

5YR ANNUALISED RETURN

-3.5%

Peer group average: 0.0%

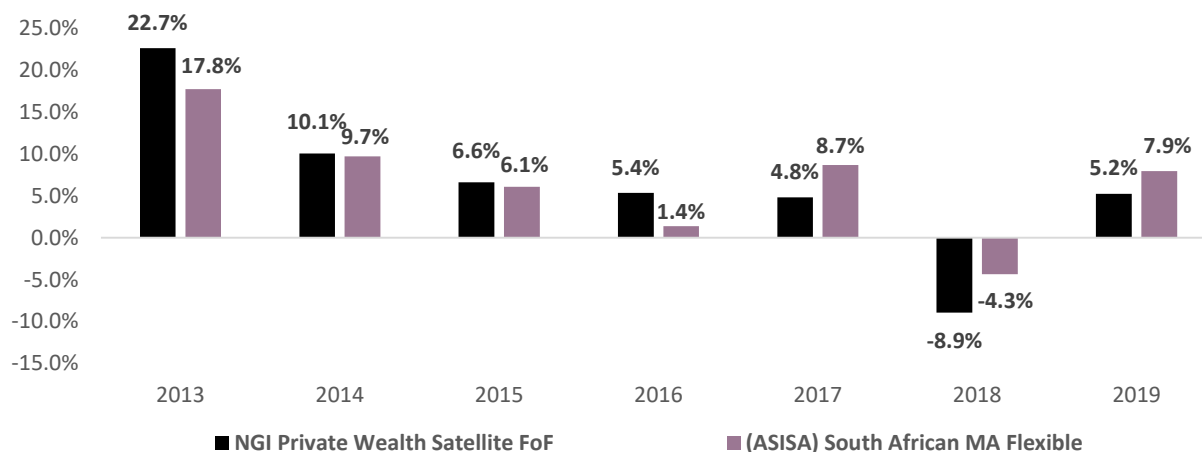
7YR ANNUALISED RETURN

1.8%

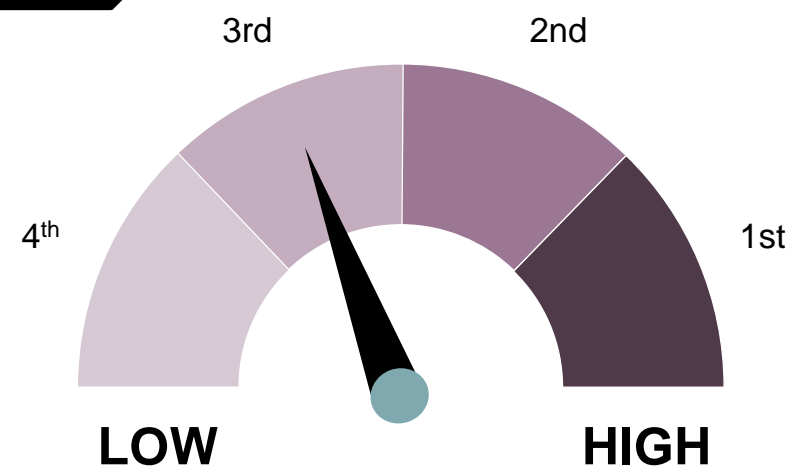
Peer group average: 3.8%



Calendar year performance



Peer group quartile ranking: 7Y



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SATELLITE FUND OF FUNDS | 31 MARCH 2020



Risk measures since inception

ROLLING 7YR RETURN

93%

Hit rate: outperforming
peer group average

VOLATILITY

12.3%

SA equity market: 15.1%

MAX DRAWDOWN

-31.1%

SA equity market: -40.4%

SHARPE RATIO

0.4

SA equity market: 0.4

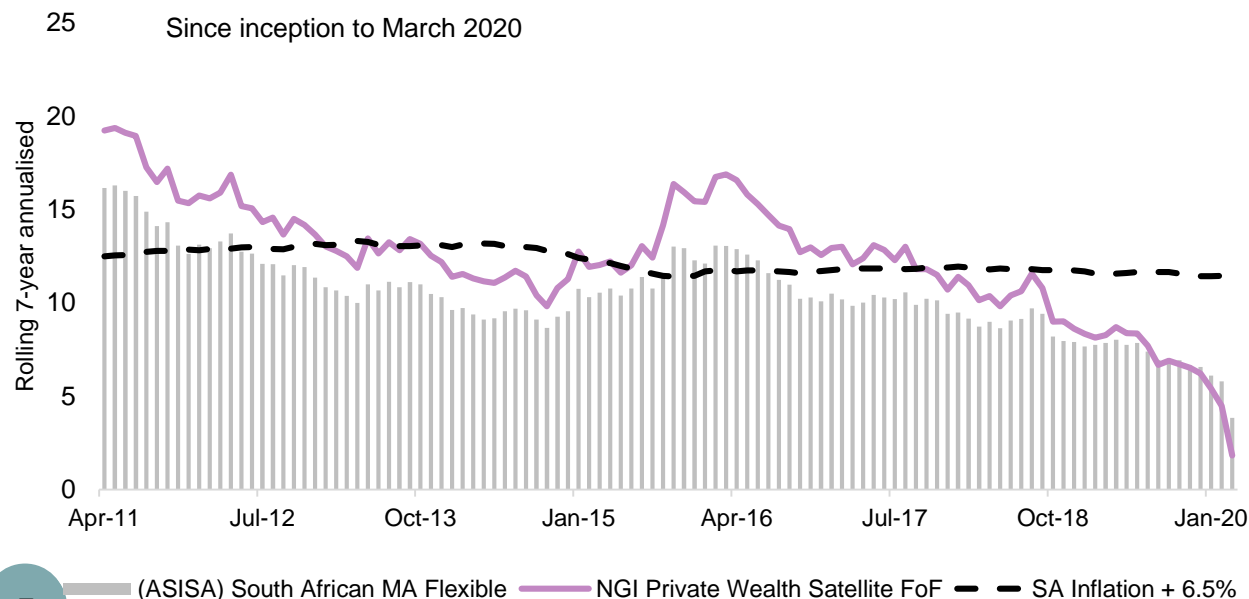
% POSITIVE MONTHS

64%

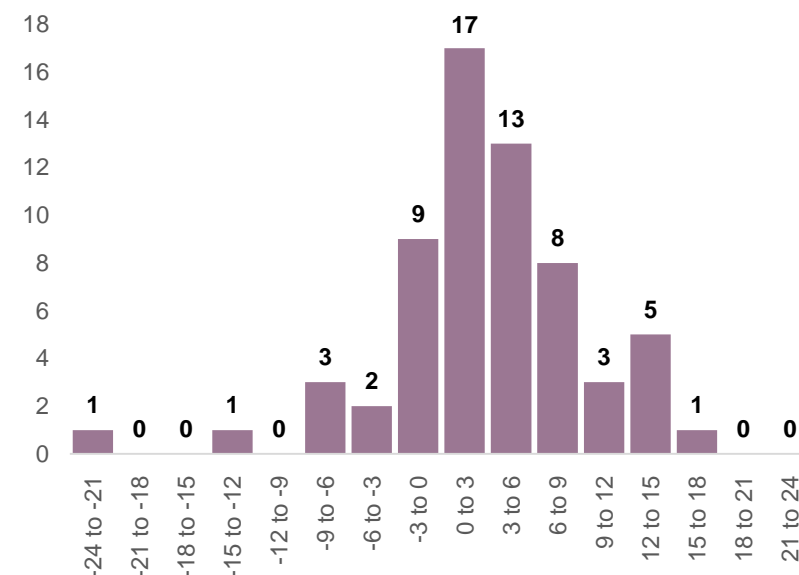
SA equity market: 62%



Rolling 7-year annualised return



Quarterly return distribution



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SATELLITE FUND OF FUNDS | 31 MARCH 2020



Fund Contributors and Detractors – Q1 2020



CONTRIBUTORS THIS QUARTER

- The rand was the largest contributor to performance as it weakened by 22% to the US dollar in Q1'20. The fund's overweight allocation to direct offshore exposure, as well as the underlying equity managers' bias to rand hedges benefited from this;
- Defensive rand hedges Naspers (+12% in Q1'20), Prosus (+17%) and British American Tobacco (+2%) are commonly held by our domestic equity managers and offered some protection against the widespread weakness caused by the outbreak of the Coronavirus.



DETRACTORS THIS QUARTER

- SA Financials was the worst performing sector of the domestic equity market. Some of the widely held positions are Standard Bank (-39% in Q1'20), Santam (-5%), FirstRand (-36%) and RMB Holdings (-39%);
- Concerns about the health of Sasol's (-88%) balance sheet spiked when the oil price imploded on the back of a disjointed OPEC and the subsequent Russia-Saudi Arabia price war;
- The fund's small and mid cap exposure did not escape the onslaught in the domestic equity market, ending the quarter down (-29%), roughly on par with the peer group that was down (-30%).



NEDGROUP INVESTMENTS PRIVATE WEALTH

SATELLITE FUND OF FUNDS | 31 MARCH 2020



Performance across classes

	A CLASS (all-in)	A1 CLASS (clean)	A2 CLASS (product)	PEER GROUP	SA INFLATION + 6.5%
Q1 2020	-21.9%	-21.8%	-21.8%	-12.8%	3.1%
1 YEAR	-20.9%	-20.7%	-20.8%	-10.1%	11.4%
3 YEAR	-8.4%	-8.1%	-8.2%	-1.5%	11.0%
5 YEAR	-3.5%	N/A	-3.5%	0.0%	12.0%



Costs across classes*

	MANAGEMENT FEE (excl. VAT)*	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A Class (all-in)	1.59%	1.83%	0.15%	1.98%
A1 Class (clean)	1.34%	1.62%	0.15%	1.78%
A2 Class (product)	1.49%	1.72%	0.15%	1.87%

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