



See money differently

Quarterly Report: Nedgroup Investments XS Select Equity Fund of Funds

as at 31 March 2020

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity

-21.4%

Q1 2020

-18.4% 1 year

-2.1% 3 years

12.3% LT average

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 average

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 average

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 average

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 average

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 average

Temporary constraints placed on economies caused worries about sustainability of value

Global Bond

-0.3%

Q1 2020

4.2% 1 year

3.6% 3 years

4.6% LT average

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 average

Many Central Banks cut rates taking most of the world's rates to near zero



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.

Quarterly report: Nedgroup Investments



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.

Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



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



Underlying fund structure

20% SA only

A3AX
investments

20% SA only

ALLAN GRAY

20% SA only

FOORD

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Ninety One



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.04%

Total expense ratio

1.63%

Transaction charges

0.19%

Total investment charges

1.82%



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



as at 31 March 2020
<https://nedgroupinvestmentsmultimanager.com/>

**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 1st of January 2017 and ending 31st of December 2019

Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



Sector allocation

Financials



22.2%

Basic Materials



17.1%

Technology



12.6%

Consumer Goods



11.5%

Consumer Services



7.1%

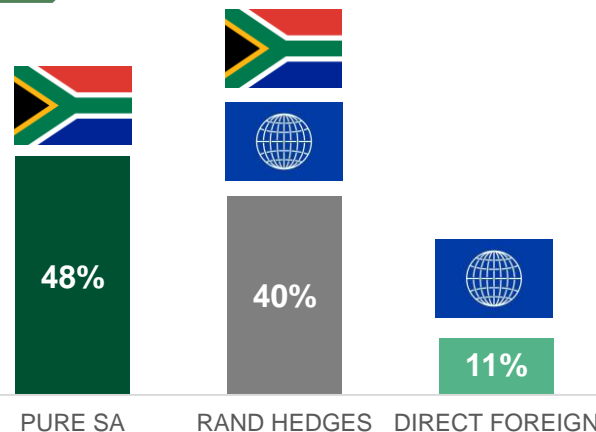
Industrials



6.0%



Regional exposure



Top ten holdings



NASPERS

9.1%



BRITISH AMERICAN
TOBACCO

6.6%

BHP

3.9%



Standard Bank

3.3%



prosus

3.2%



ANGLO
AMERICAN

2.9%



2.5%



SASOL

1.9%

santam

1.9%



aspen

1.7%

Quarterly report: Nedgroup Investments XS Select Equity Fund of Funds



Fund performance (clean class)

Q1'20 return

-25.8%

Peer group average: -23.0%%

1yr annualised return

-24.3%

Peer group average: -21.4%

3yr annualised return

-7.5%

Peer group average: -5.9%

5yr annualised return

-3.6%

Peer group average: -3.3%

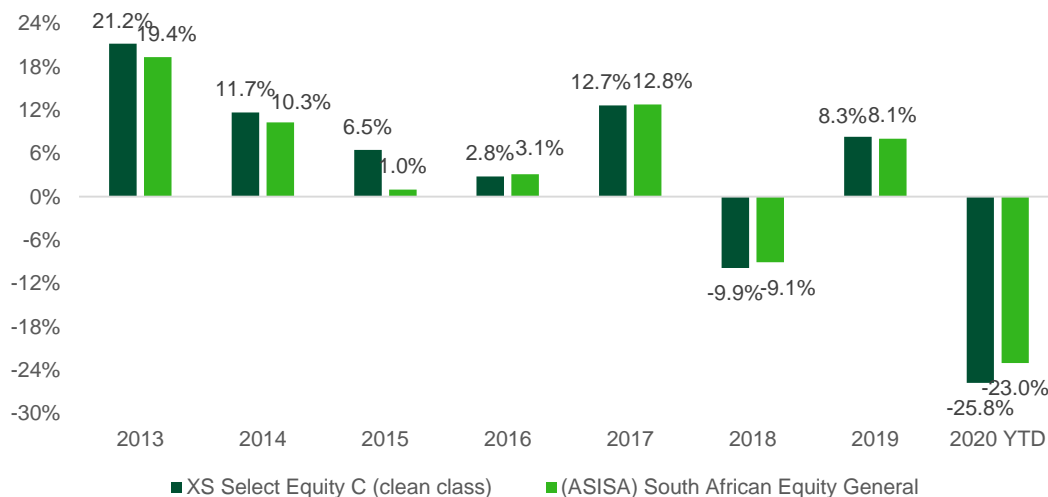
7yr annualised return

2.2%

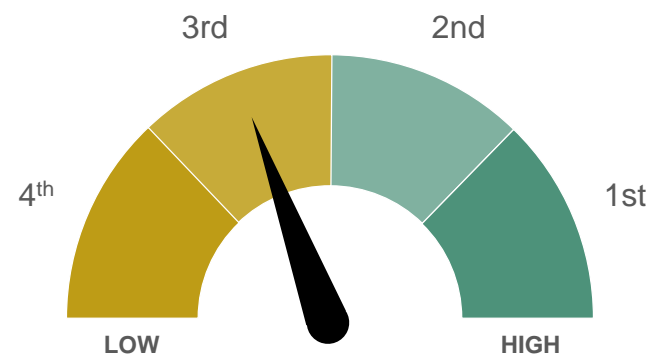
Peer group average: 1.8%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 March 2020

<https://nedgroupinvestmentsmultimanager.com/>

As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used for comparative purposes

Quarterly report: Nedgroup Investments XS Select Equity Fund of Funds



Risk measures since inception

Rolling 7yr return

100%

Hit rate: outperforming
peer group average

Volatility

12.6%

SA equity market: 14.9%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.1

SA equity market: 0.1

% Positive months

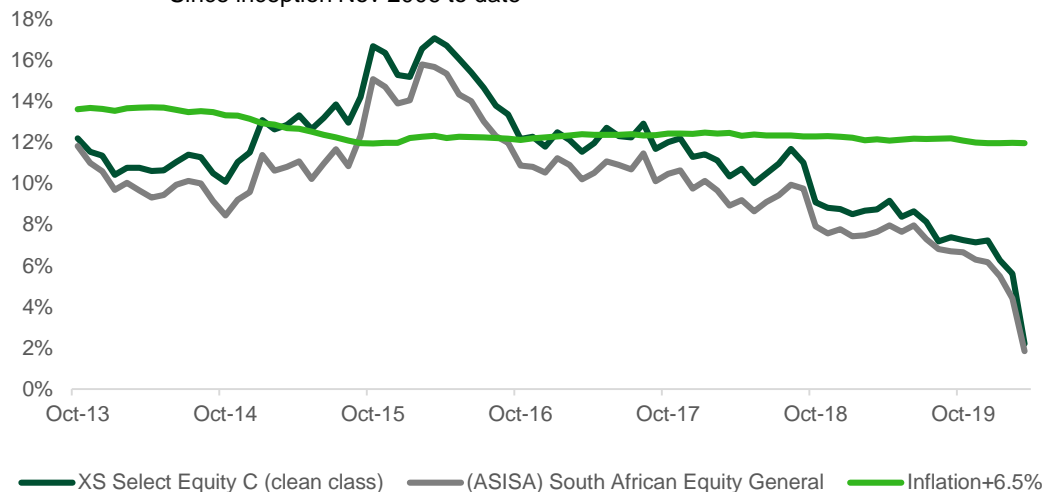
64%

SA equity market: 60%

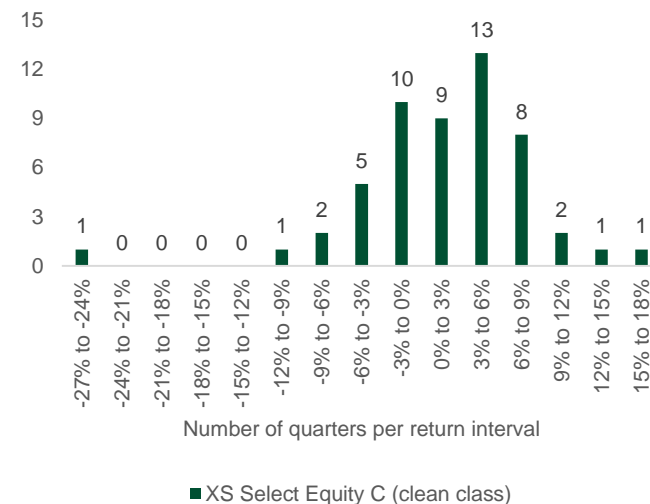


Rolling 7-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution



Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020 YTD
Allan Gray SA Equity	10.5%	17.3%	-6.5%	16.90%	-17.5%
Coronation Equity	9.9%	16.5%	-7.0%	13.60%	-19.0%
Ninety One Equity	3.6%	14.7%	-8.9%	6.00%	-24.1%
Nedgroup Investments Rainmaker	1.2%	12.0%	-12.7%	4.10%	-26.2%
Nedgroup Investments Value	-2.0%	7.5%	-12.8%	2.30%	-26.9%



Positive contributors this quarter

- The rand was one of the largest contributors to performance as it weakened by 22% to the US dollar in Q1'20. The Coronation Equity and Ninety One Equity funds' direct offshore exposure, as well as all the underlying managers' bias to rand hedges, benefitted from this.
- Defensive rand hedges Naspers (+12% in Q1'20), Prosus (+17%), British American Tobacco (+2%) and Reinet Investments (+3%) are commonly held 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), FirstRand (-36%) and Santam (-5%).
- 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.
- Diversified miners BHP (-15%) and Anglo American (-22%) performed in line with the resource sector, which was dragged down by the severe slowdown in global economic activity and downward revision of global growth estimates.

Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Peer group	SA inflation
Quarter	-26.0%	-25.7%	-25.8%	-25.8%	-23.0%	1.5%
1 year	-25.2%	-24.2%	-24.3%	-24.4%	-21.4%	4.6%
3 year	-8.6%	-7.3%	-7.5%	N/A	-5.9%	4.2%
5 year	-4.7%	-3.5%	-3.6%	N/A	-3.3%	5.2%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
A class (all-in)	2.39%	1.00%	2.78%	0.19%	2.97%
B2 class (lisp)	1.24%	N/a	1.46%	0.19%	1.82%
C class (clean)	1.39%	N/a	1.63%	0.19%	1.65%
C1 class (product)	1.54%	N/a	1.84%	0.19%	2.02%

As at 31 March 2020

* Includes BOTH multi-manager and underlying fund fees.

**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 1st of January 2017 and ending 31st of December 2019

Disclaimer

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 portfolios. 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. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A schedule of fees and charges and details of our awards are available on request from Nedgroup Investments. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. Nedgroup Investment Advisors (Pty) Ltd (the 'Investment Manager') an authorised as a financial services provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652), is the appointed Investment Manager of the Management Company.

Certain Nedgroup Investments unit trust portfolios include international assets, whereby a change in the exchange rates may cause the value of those investments to rise and fall. Excessive withdrawals from the portfolio may place the portfolio 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.

Please note that Nedgroup Collective Investments (RF) Proprietary Limited is not authorised to and does not provide financial advice. This presentation is of a general nature and intended for information purposes only. It is not intended to address the circumstances of any investor and cannot be relied on as legal, tax or financial advice, either express or implied. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this presentation. Nedgroup Collective Investments (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).