



See money differently

# Quarterly Report: **Nedgroup Investments** **XS Select Diversified Fund of Funds**

as at 30 September 2020

# Quarterly report: Nedgroup Investments



## Domestic asset class returns (ZAR)



### SA Equity



**2.0%** 1 year  
**2.4%** 3 years  
**12.3%** LT average

Naspers followed the global downward trend in September, reversing the quarter's gains for the JSE

### SA Property



**-46.0%** 1 year  
**-23.8%** 3 years  
**11.8%** LT average

Companies are reporting an improvement in footfall with lockdown easing, but continue to struggle

### SA Bond



**3.6%** 1 year  
**7.3%** 3 years  
**6.9%** LT average

Local bonds delivered modest returns as the market continues to wait for fiscal clarity

### SA Cash



**5.3%** 1 year  
**6.2%** 3 years  
**5.9%** LT average

The repo rate has remained unchanged at 3.5% with the last cut being 25bps in July



## Global asset class returns (USD)



### Global Equity



**11.0%** 1 year  
**7.7%** 3 years  
**8.5%** LT average

Markets were led by Asia ex-Japan and EM, as well as Consumer Discretionary

### Global Property



**-17.5%** 1 year  
**-0.5%** 3 years  
**6.6%** LT average

Property holdings continue to recover from earlier declines, but REITs are still lagging equities

### Global Bond



**6.2%** 1 year  
**4.1%** 3 years  
**4.6%** LT average

Sovereign bond yields drifted lower and high yield bonds benefitted from central bank liquidity

### US Cash



**1.1%** 1 year  
**1.9%** 3 years  
**4.3%** LT average

The major developed market central banks left rates unchanged



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



### US Dollar R16.68



With the US Federal Reserve leaving the door open to the possibility of inflation above its previous 2% target, the dollar was relatively weak over the quarter. The rand was boosted by news around the launch of the government infrastructure programme and clamping down on corruption in the ruling national party



### British Pound R21.56



The British pound was one of the best performing currencies in July as the UK economy benefitted from the easing of lockdown restrictions and the reopening of many businesses. It did, however, end the quarter as one of the weakest in September due to stalling Brexit negotiations.



### Euro R19.56



The rand ended the quarter close to flat to the euro. The second wave of the Coronavirus has been most notable in the Eurozone, putting the ECB under pressure to take further action against the pandemic. The Eurozone did, however, report improved PMI figures.

# Quarterly report: Nedgroup Investments



## Domestic performance drivers



### Highlights

- The IMF extended South Africa a lifeline, approving the request for COVID funding of \$4,3bn under the Rapid Financing Instrument (RFI).
- The SA Reserve Bank (SARB) cut interest rates by 25bps in July, taking the repo rate to 3.50%. It has since been left unchanged, but the growth and inflation outlook was lowered at the September meeting.
- South Africa eased to lockdown level 2 in August, reinstating tobacco and alcohol sales and providing the tourism industry with a welcome reprieve by permitting inter provincial travel. Lockdown was further eased to level 1 in September with restrictions on gatherings, travel, alcohol sales and daily curfew eased.



### Low points

- SAA requires a further R10,4bn to support rescue efforts. While government has committed to the monies, finding this in a fiscally neutral manner has proven difficult and has resulted in the entity being placed under “care and maintenance” by business rescue practitioners.
- Unemployment data showed 2,2m people lost their jobs, while second quarter GDP declined by -16,4% over the quarter (-51,0% q-o-q, annualised).
- The SARB's Quarterly Bulletin showed that personal disposable income (PDI) slumped by a seasonally adjusted and annualised 49.7% q-o-q in the second quarter, as a result of lower incomes during lockdown.



## Global performance drivers



### Highlights

- Risk assets rallied strongly in July and August, taking encouragement from reports of new and better treatments, progress on vaccines and an apparent reduction in death rates.
- Federal Reserve Chairman Jerome Powell indicated that the US central bank will take a more relaxed view on inflation moving forward. The statement implied that interest rates would remain lower for longer as the bank moved to an averaged inflation target to “reflate” the US economy.
- Europe took a major step forward as leaders agreed to the creation of a recovery fund worth EUR750bn, financed through a combination of EU debt issuance and new taxes.



### Low points

- Relations between the US and China remained strained throughout the quarter. The clearest example came when the Trump administration ordered the closure of the Chinese consulate in Houston over claims China was stealing US intellectual property.
- Boris Johnson put forward the controversial Internal Market Bill, which appeared to override key aspects of the Withdrawal Agreement signed last year, aggravating relations between the UK and EU.
- A second wave of Coronavirus infections (most notably in Europe) forced governments to re-introduce travel quarantines and local restrictions.

# Quarterly report:

## Nedgroup Investments XS Select Diversified Fund of Funds



### Fund overview

Max equity

**75%**

Time frame

Min **5** years

Benchmark

Inflation **+5%**

Peer group

SA Multi-Asset  
High Equity

Regulation 28

Compliant

Risk profile

1

2

**3**

4

5



### Underlying fund structure

20% Active

**ALLAN GRAY**

20% Active

**CORONATION**  
FUND MANAGERS

20% Active

**PRUDENTIAL**  
INVESTMENT MANAGERS

20% Active

**Truffle**  
Asset Management

20% Passive

**Taquanta**



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**1.05%**

Total expense ratio

**1.30%**

Transaction charges

**0.12%**

Total investment charges

**1.43%**



### 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 30 September 2020

\*\*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<sup>st</sup> of July 2017 and ending 30<sup>th</sup> of June 2020

# Quarterly report:

## Nedgroup Investments XS Select Diversified Fund of Funds



### Asset allocation

#### Domestic Equity



48.7%

#### Domestic Property



3.1%

#### Domestic Fixed Interest



18.8%

#### Foreign Equity



22.9%

#### Foreign Property



0.5%

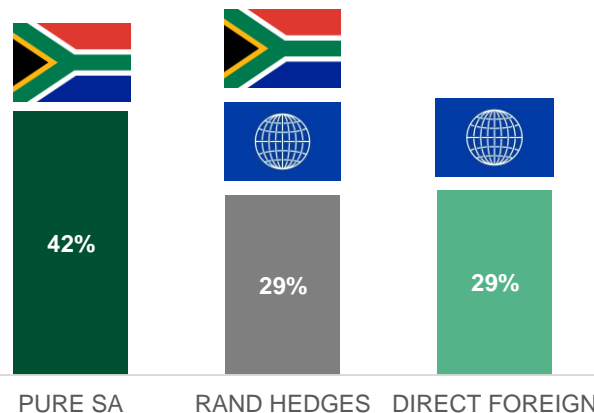
#### Foreign Fixed Interest



6.1%



### Regional exposure



### Top ten holdings



7.2%



3.7%



2.4%



2.3%

RSA R2035 Bond

2.0%



1.9%



1.6%

RSA R2040 Bond

1.6%



1.6%

GLENCORE

1.6%

# Quarterly report: Nedgroup Investments XS Select Diversified Fund of Funds



## Fund performance (clean class)

Q3'20 return

**+1.3%**

Peer group average: +1.3%

Ytd return

**-1.0%**

Peer group average: -0.6%

1yr annualised return

**+2.2%**

Peer group average: +1.8%

3yr annualised return

**+2.3%**

Peer group average: +2.3%

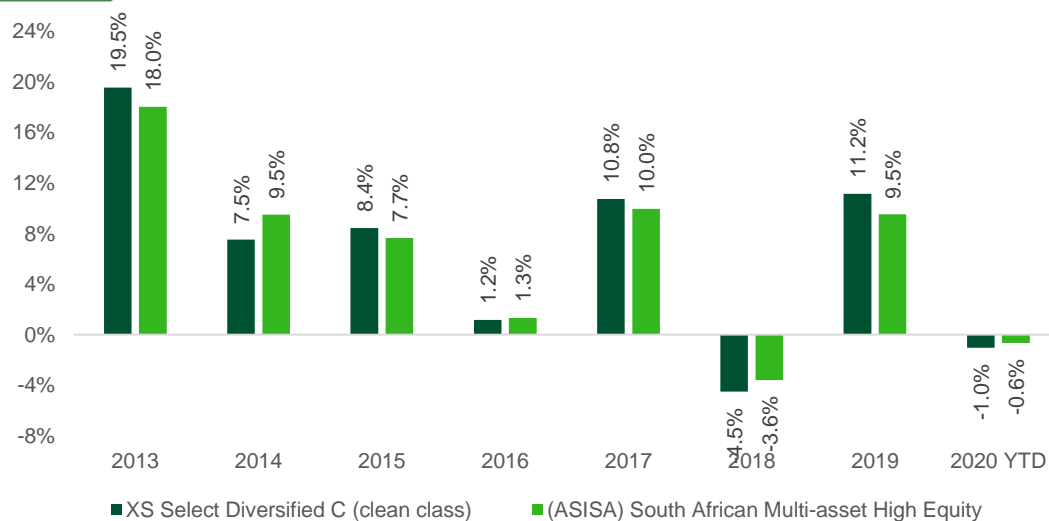
5yr annualised return

**+4.2%**

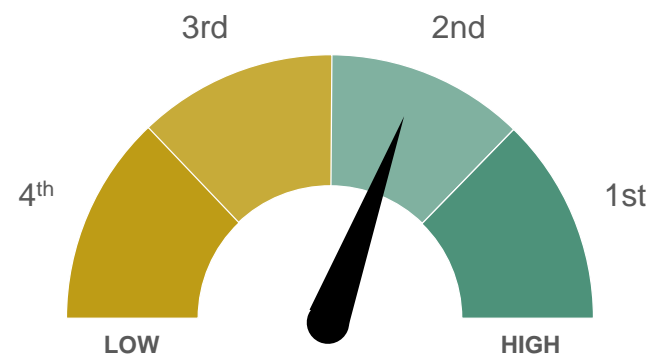
Peer group average: +3.9%



## Calendar year performance



## Peer group quartile ranking: 5yr



as at 30 September 2020

# Quarterly report: Nedgroup Investments XS Select Diversified Fund of Funds



## Risk measures since inception

### Rolling 5yr return

**86%**

Hit rate: outperforming  
peer group average

### Volatility

**9.1%**

SA equity market: 15.2%

### Max drawdown

**-17.2%**

SA equity market: -40.4%

### Sharpe ratio

**0.2**

SA equity market: 0.2

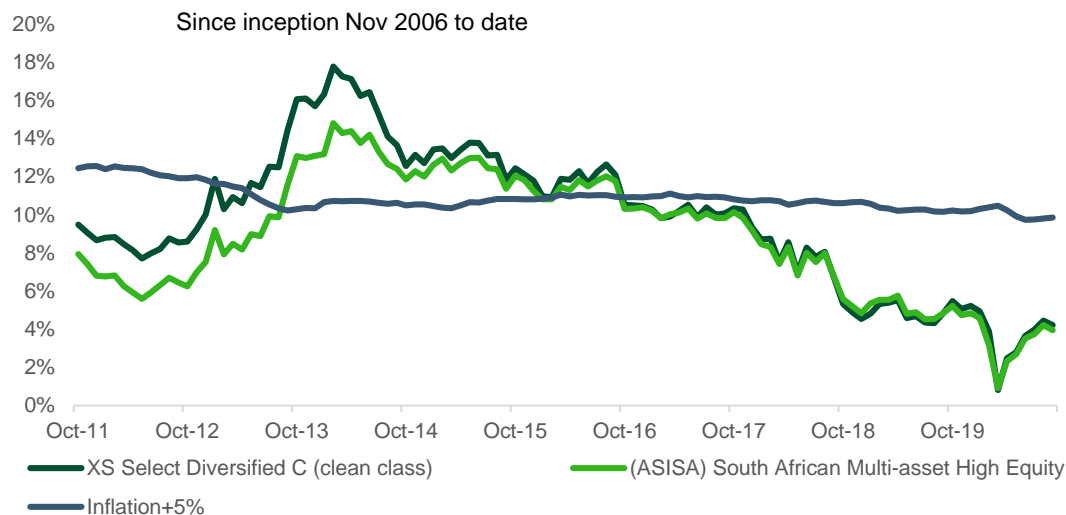
### % Positive months

**67%**

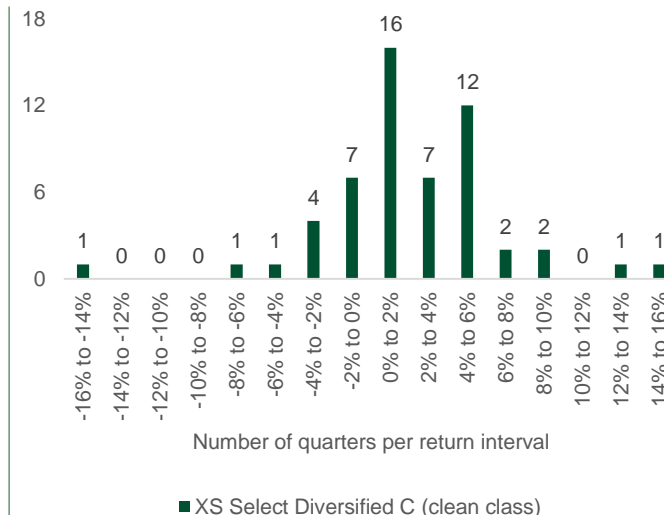
SA equity market: 60%



## Rolling 5-year annualised return



## Quarterly return distribution



# Quarterly report:

## Nedgroup Investments XS Select Diversified Fund of Funds



### Underlying fund performance

Key	2016	2017	2018	2019	2020 YTD
Allan Gray Balanced	6.3%	13.2%	1.5%	16.6%	2.0%
Coronation Balanced Plus	4.7%	12.6%	-2.6%	13.3%	0.2%
Nedgroup Investments Balanced	2.4%	12.2%	-3.1%	9.6%	0.1%
Nedgroup Investments Core Diversified	1.0%	11.0%	-3.8%	9.0%	-2.5%
Prudential Balanced	-2.4%	5.3%	-5.9%	6.7%	-4.0%



#### Positive contributors this quarter

- The Coronation Balanced Plus fund was the top performer this quarter at almost 2% ahead of the next in line Nedgroup Investments Core Diversified fund.
- The large global equity weighting in the Coronation fund added to performance during the quarter, as well as its stock selection within the domestic resources sector. Platinum stocks, more specifically Northam and Impala, were up strongly on the back of a rising PGM basket price and reporting good annual results.
- Shoprite appreciated +30% during the quarter and contributed to performance. After a difficult two-year period in which much work was done internally, the company delivered an excellent set of full-year results in which it started regaining market share, expanded operating margins, delivered a very good cashflow performance and announced decisive action to deal with its underperforming African portfolio.



#### Detractors this quarter

- The Nedgroup Investments Balanced fund was the worst performer over the quarter with the domestic portion of the fund being the main detractor.
- Naspers underperformed over the quarter as its discount to its underlying holdings widened to over 50%.
- Defensive rand hedge, British American Tobacco underperformed due to concerns of a Biden win in the US potentially placing more regulatory pressure on the tobacco industry.
- The recent dollar weakness, and as a result rand strength (+4% in Q3), detracted from performance as the majority of the fund's direct offshore exposure is priced in US dollar.

As at 30 September 2020

Allan Gray was introduced on the 1st of October 2018; Nedgroup Investments Balanced was introduced on the 1st of October 2019.



# Quarterly report:

## Nedgroup Investments XS Select Diversified Fund of Funds



### Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Peer group	SA inflation
Quarter	1.0%	1.3%	1.3%	1.2%	1.3%	2.0%
1 year	1.0%	2.4%	2.2%	2.0%	1.8%	3.1%
3 year	1.1%	2.4%	2.3%	N/A	2.3%	4.1%
5 year	3.0%	4.4%	4.2%	N/A	3.9%	4.6%



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
A class (all-in)	2.05%	1.00%	2.45%	0.12%	2.57%
B2 class (lisp)	0.90%	N/a	1.13%	0.12%	1.25%
C class (clean)	1.05%	N/a	1.30%	0.12%	1.43%
C1 class (product)	1.20%	N/a	1.45%	0.12%	1.58%

as at 30 September 2020

\*\*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<sup>st</sup> of July 2017 and ending 30<sup>th</sup> of June 2020

# 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).