



See money differently

# Quarterly Report: Nedgroup Investments XS Select Equity 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 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

**ALLAN GRAY**

20% SA only

**FOORD**

20% incl. Foreign

**ABAX**  
investments

20% incl. Foreign

**CORONATION**  
FUND MANAGERS

20% incl. Foreign

**Ninety One**



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**1.39%**

Total expense ratio

**1.67%**

Transaction charges

**0.18%**

Total investment charges

**1.83%**



### 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 Equity Fund of Funds



### Sector allocation

Financials



19.1%

Technology



18.2%

Basic Materials



15.3%

Consumer Goods



12.0%

Consumer Services



8.2%

Industrials



3.8%



### Regional exposure



38%

PURE SA



47%

RAND HEDGES



14%

DIRECT FOREIGN



### Top ten holdings



NASPERS

11.1%



BRITISH AMERICAN  
TOBACCO

5.8%



4.7%



ANGLO  
AMERICAN

4.0%

BHP

3.8%



prosus

3.2%



Standard Bank

2.7%



IMPALA  
PLATINUM

2.1%



aspen

2.0%

ABInBev

1.7%

as at 30 September 2020

# Quarterly report:

## Nedgroup Investments XS Select Equity Fund of Funds



### Fund performance (clean class)

Q3'20 return

**+1.5%**

Peer group average: +1.1%

1yr annualised return

**-5.0%**

Peer group average: -2.9%

3yr annualised return

**-2.9%**

Peer group average: -1.2%

5yr annualised return

**+0.8%**

Peer group average: +1.4%

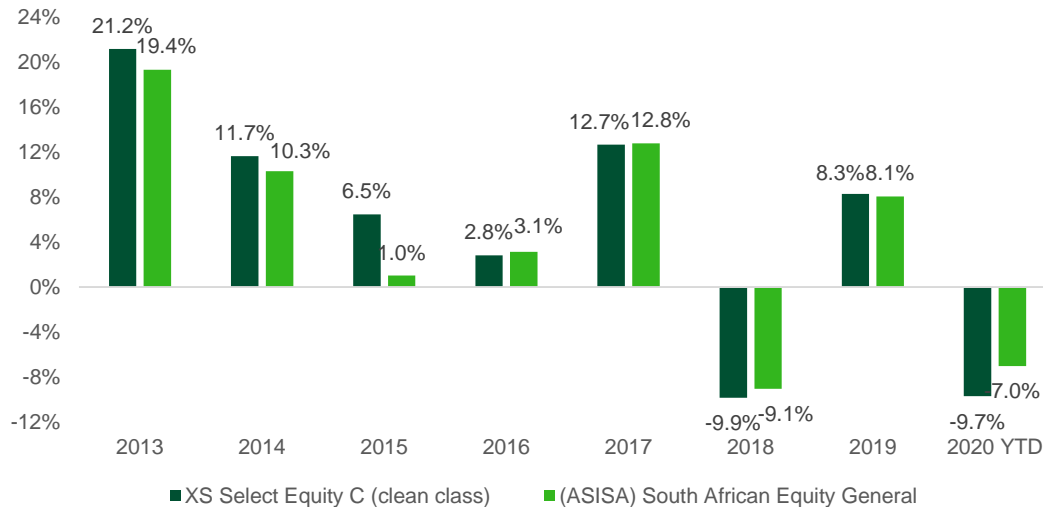
7yr annualised return

**+3.5%**

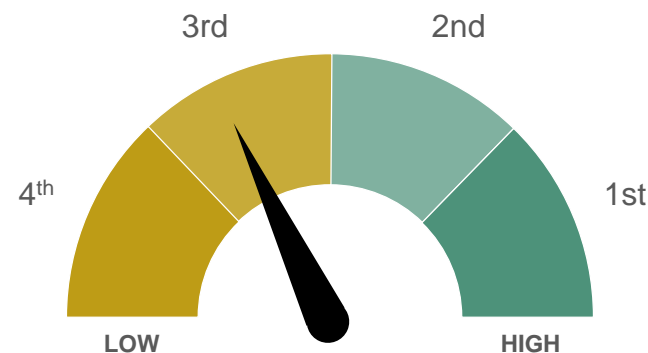
Peer group average: +3.2%



### Calendar year performance



### Peer group quartile ranking: 7yr



as at 30 September 2020

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

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## Risk measures since inception

### Rolling 7yr return

**100%**

Hit rate: outperforming  
peer group average

### Volatility

**13.1%**

SA equity market: 15.3%

### Max drawdown

**-29.9%**

SA equity market: -40.4%

### Sharpe ratio

**0.1**

SA equity market: 0.2

### % Positive months

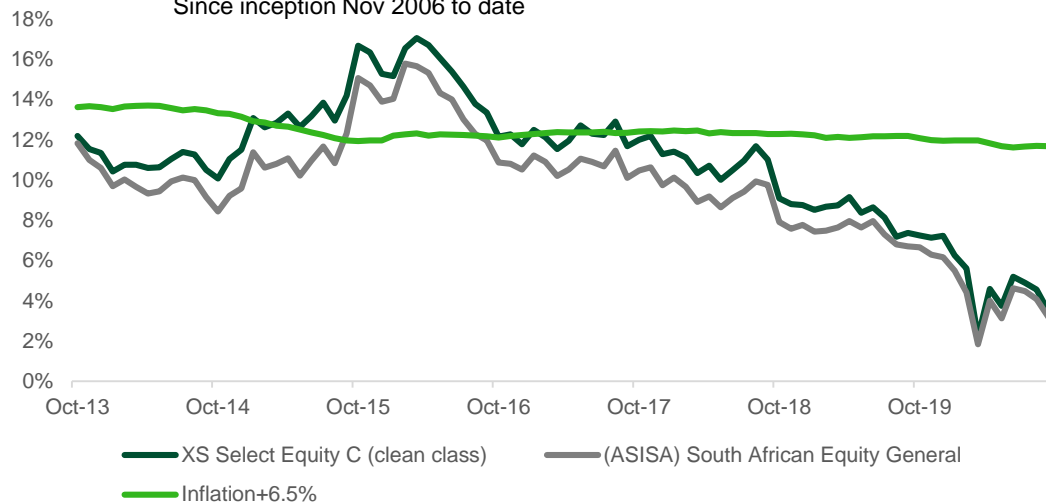
**65%**

SA equity market: 60%

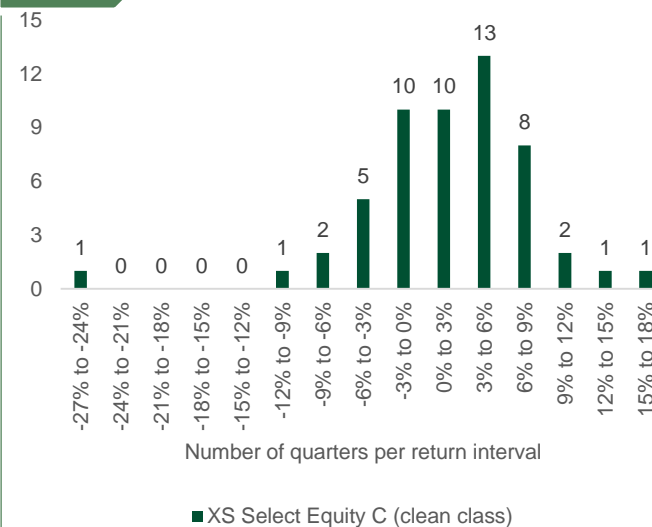


## Rolling 7-year annualised return

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%	1.1%
Coronation Equity	9.9%	16.5%	-7.0%	13.60%	0.9%
Ninety One Equity	3.6%	14.7%	-8.9%	6.00%	-9.0%
Nedgroup Investments Rainmaker	1.2%	12.0%	-12.7%	4.10%	-11.1%
Nedgroup Investments Value	-2.0%	7.5%	-12.8%	2.30%	-18.7%



#### Positive contributors this quarter

- Ninety One and Coronation Equity funds were the top performers this quarter, largely due to these mandates allowing direct offshore exposure. Global equity markets significantly outperformed the domestic market this quarter.
- 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.
- Invicta, Italtile and Omnia added value. These are good quality companies that are likely to deliver positive real returns to investors despite the difficult economic environment.



#### Detractors this quarter

- The Nedgroup Investments Value fund was the worst performer this quarter with its contrarian low weight to precious metals being the largest performance detractor.
- The London-listed property company Capital & Counties detracted as a rising second wave COVID-19 infection rates caused further disruption to retail economic activity in its core Covent Garden estate.
- 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.



# 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
<b>Quarter</b>	1.2%	1.5%	1.5%	1.5%	1.1%	2.0%
<b>1 year</b>	-6.1%	-4.8%	-5.0%	-5.2%	-2.9%	3.1%
<b>3 year</b>	-4.0%	-2.7%	-2.9%	N/A	-1.2%	4.1%
<b>5 year</b>	-0.3%	1.0%	0.8%	N/A	1.4%	4.6%



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
<b>A class (all-in)</b>	2.39%	1.00%	2.82%	0.18%	3.00%
<b>B2 class (lisp)</b>	1.24%	N/a	1.50%	0.18%	1.85%
<b>C class (clean)</b>	1.39%	N/a	1.67%	0.18%	1.68%
<b>C1 class (product)</b>	1.54%	N/a	1.87%	0.18%	2.04%

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 April 2017 to 31 March 2020.

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