NEDGROUP INVESTMENTS

See money differently

Quarterly Report: **Nedgroup Investments XS Guarded Fund of Funds**

as at 31 December 2020

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

9.8% Q4 2020

Local markets were lifted by improved sentiment for risk assets as vaccines became available

7.0%	1 year
3.1%	3 years
12.3%	LT average

SA Property

22.2% Q4 2020

The property sector turned in Nov and continued to claw back performance since

-34.4%	1 year
-20.7%	3 years
11.2%	LT average

SA Bond

6.7% Q4 2020

Foreign investors returned to our market this quarter. Dec saw the largest monthly inflow since Mar'17

8.6%	1 year
8.9%	3 years
7.0%	LT average

SA Cash

0.9% Q4 2020

Repo rate remained unchanged this quarter. Market expectations moved from a hike to cuts in 2021.

4.5%	1 year
5.9%	3 years
5.9%	LT average

Global asset class returns (USD)

Global Equity

14.8% Q4 2020

The riskier and more economically sensitive markets that took the lead, with EM the top performer

16.8%	1 year
10.6%	3 years
8.7%	LT average

Global Property

13.5% Q4 2020

Investors responded well to the news about successful vaccine trials from Pfizer, Moderna and AstraZeneca

-8.2%	1 year
2.5%	3 years
6.7%	LT average

Global Bond

3.3% Q4 2020

Higher risk appetite was also apparent in fixed income with lower quality credit and EM bonds outperforming

9.2%	1 year
4.8%	3 years
4.6%	LT average

US Cash

0.1% Q4 2020

The major developed market central banks maintained their ultra accommodative stance

0.7%	1 year
1.8%	3 years
4.3%	LT average

Exchange rates (Rand spot rate and quarterly change)

US Dollar R14.69

14%

The US Dollar was exceptionally weak this quarter. This was in part a reaction to the extra fiscal spending expected to result from the Biden / Democratic election victory, as well as some selling of the US dollar in favour of riskier alternatives, such as EM currencies.

British Pound R20.08

9%

Brexit negotiations more or less went to the wire, but the two sides announced that they had finally reached an agreement on their future relationship. The pound was stronger against most major currencies on the back of the Brexit deal with the EU.

Euro R17.97

7%

Economic data in Europe generally came through on the weak side as the restrictions required to combat the second wave of Covid-19 inevitably constrained activity. This impacted the euro negatively.

Source: Morningstar; as at 31 December 2020
https://nedgroupinvestmentsmultimanager.com/

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Quarterly report:
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Domestic performance drivers

Highlights

- Q4 GDP figures of +13,5% (q-o-q, not annualised) surprised to the upside as activity rebounded in lockstep with the reopening of the economy and progressive easing of lockdowns. While base effects played a meaningful role, significant exports provided a strong tailwind for the rebound and drove the current account to record the highest quarterly surplus in decades.
- President Ramaphosa delivered the ratified Economic Reconstruction and Recovery Plan in October, extending the COVID grant by another three months and signalling priorities for the Medium Term Budget Policy Statement (MTBPS).

Low points

- Credit ratings agencies Moody's and Fitch downgraded South Africa's credit rating further down the sub investment grade scale in November, while also maintaining a negative outlook.
- Enter 2021 and the country battles increasing COVID-19 cases and hospitalisations again, as a new variant of the virus proves more contagious. A vaccine procurement process is underway but won't be able to help with the more immediate challenges.

Global performance drivers

Highlights

- The fourth quarter was characterised by improved animal spirits as US election results were embraced, while vaccine approvals and rollouts drove expectations of reopening economies and improved activity in 2021.
- Hopes for economic recovery also provided a shot in the arm for commodities, as the Bloomberg Commodities Index rose +10.2%, led by Agriculture (+21.4%) and Crude Oil (+18.2%).
- The US Congress finally approved the US$900 billion economic relief package designed to help small businesses and low income families bridge the gap through to when the economy can return to a more normal footing.

Low points

- Countries across the globe tried to combat the progression of the coronavirus with stricter lockdown measures as winter weather, lockdown fatigue and seasonal celebrations led to rising caseloads.
- Economic data in the US and Europe generally came through on the weak side as the restrictions required to combat the second wave of Covid inevitably constrained activity through the quarter.

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Nedgroup Investments XS Guarded Fund of Funds

Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
40%	Min 3 years	Inflation +3%	SA Multi-Asset Low Equity	Compliant

Risk profile

1 | **2** | 3 | 4 | 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.15%	1.40%

Transaction charges	Total investment charges
0.06%	1.46%

Benefits of the XS Select range

- Competitive pricing
- Diversified across Asset classes
- Investment experts
- Passive and active underlying investments
- Tax Efficient
- Ongoing Due diligence

as at 31 December 2020

* Includes BOTH multi-manager and underlying fund fees. Both the TER and TC of the Fund are calculated on an annualised basis, beginning 01/10/2017 and ending 30/09/2020.

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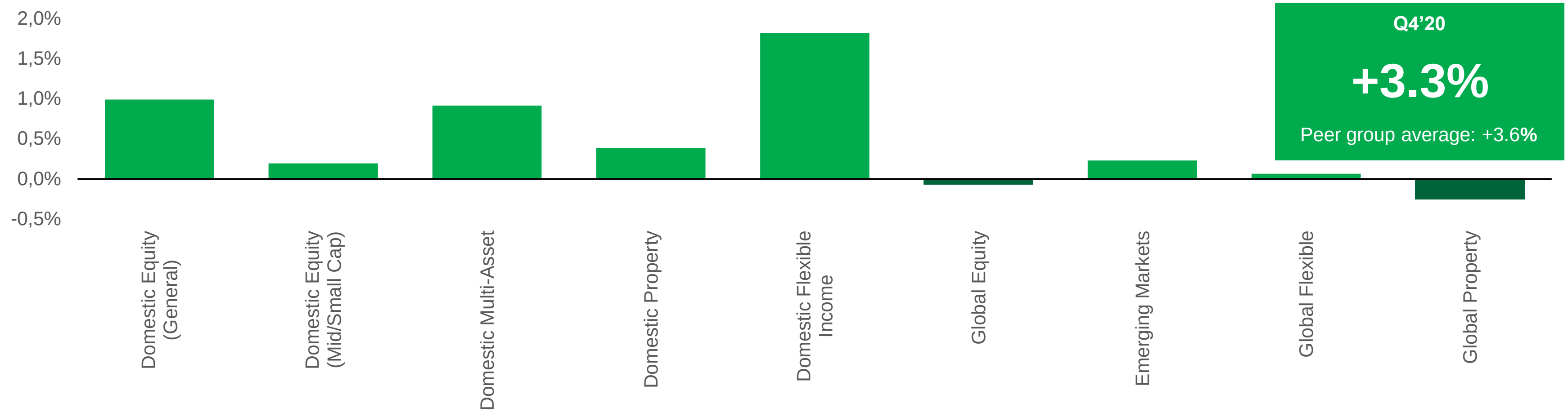
XS Fund of Funds performance contribution – Q4 2020



Q4'20

+3.3%

Peer group average: +3.6%

Positive contributors this quarter

- The domestic bond market performed well this quarter as foreign investors became net buyers again, tempted by SA's relatively high yields. Our overweight position to this asset class contributed to performance.
- Domestically exposed companies that were the hardest hit by lockdown measures, like banks and apparel retailers, were amongst the top performers in the domestic equity market this quarter.
- The domestic property sector turned in November and continued to claw back performance in December, ending the quarter up 22%. We increased our to this asset class by introducing Sesfikile at the start of December, further contributing to performance.

Detractors this quarter

- The exceptional weakness of the US dollar over the quarter – and as a result rand strength (Q4 +14%) – detracted from the direct offshore exposure, as well as the rand hedged stocks held within the domestic equity portion, like Prosus (Q4 +4%).
- British American Tobacco (Q4 -8%) continues to trade at multi-decade low valuation levels, despite its very constructive progress regarding reducing its debt levels as well as further good work on their broad ESG ambitions where they already score very well.
- At an asset allocation level, being underweight domestic equities detracted from performance as this asset class followed the global rally in risk assets.

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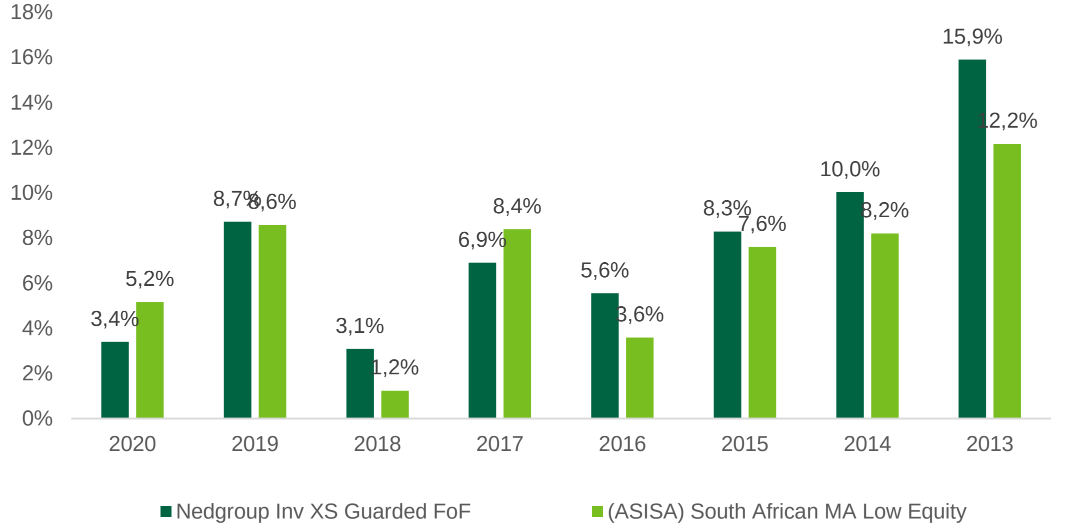
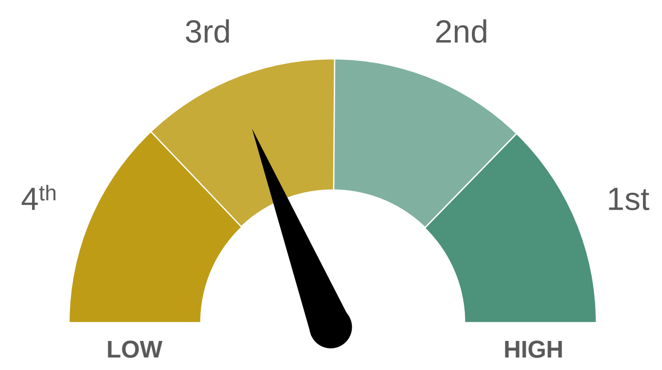
Fund performance (clean class)

Q4'20 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
+3.3%	+3.4%	+3.4%	+4.8%	+5.2%
Peer group average: +3.6%	Peer group average: +5.2%	Peer group average: +5.2%	Peer group average:+5.0%	Peer group average: +5.4%

Calendar year performance



Peer group quartile ranking: 3yr



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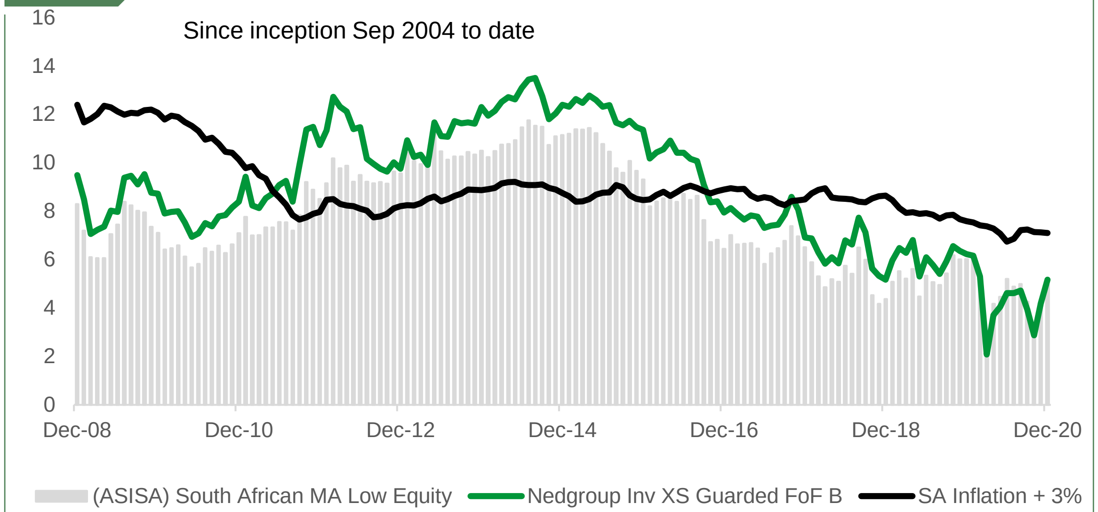
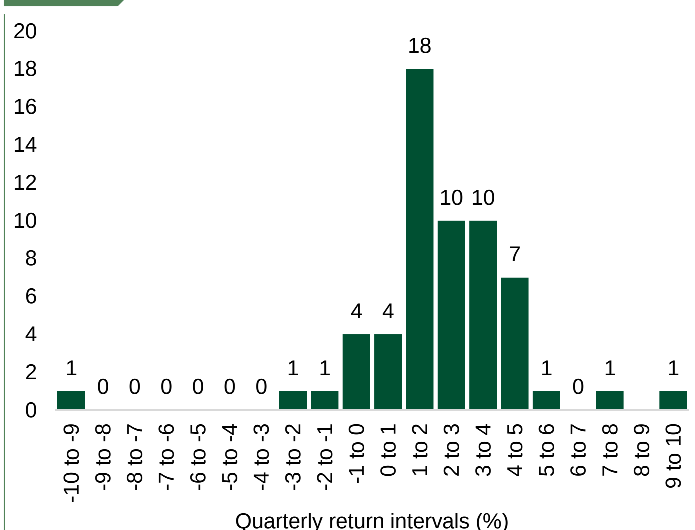
Risk measures since inception

Rolling 3yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
93%	**5.0%**	**-10.6%**	**0.4**	**86%**
Hit rate: outperforming peer group average	SA equity market: 15.4%	SA equity market: -40.4%	SA equity market: 0.3	SA equity market: 69%

Rolling 3-year annualised return



Quarterly return distribution



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Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	3.0%	3.3%	3.3%	3.6%	-1.8%
1 year	2.2%	3.8%	3.4%	5.2%	3.2%
3 year	3.6%	5.2%	4.8%	5.0%	4.0%
5 year	4.0%	5.6%	5.2%	5.4%	4.6%

Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.15%	1.00%	2.54%	0.06%	2.60%
B Class (LISP)	0.85%	N/A	1.04%	0.06%	1.10%
C Class (clean)	1.15%	NA	1.40%	0.06%	1.46%

as at 30 December 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 1st of October 2017 and ending 30th of September 2020

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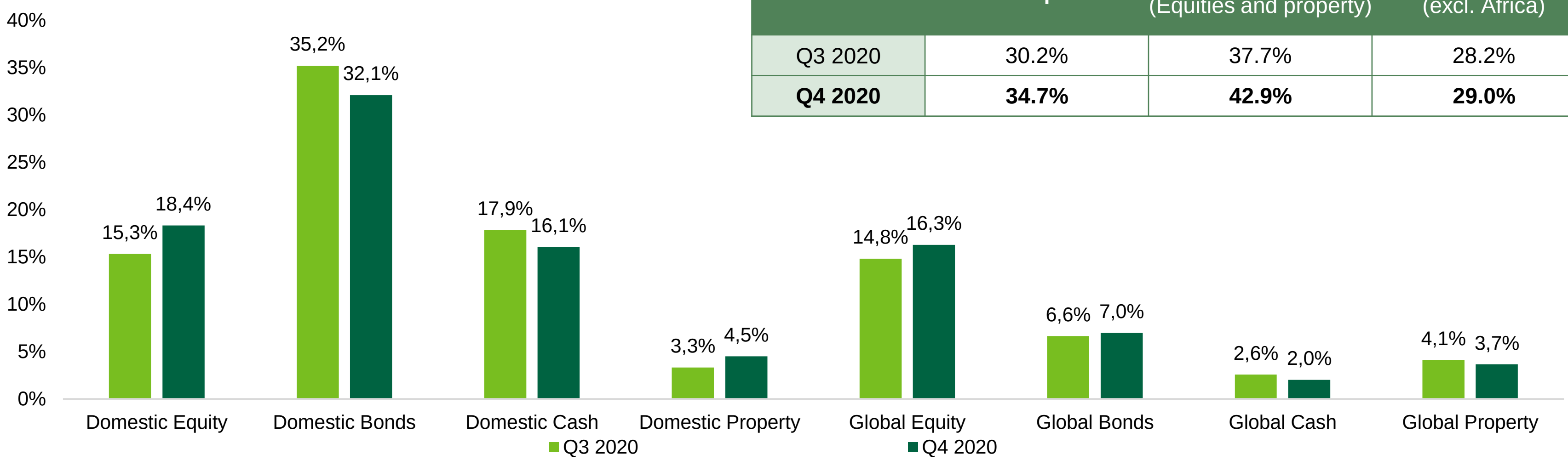
Asset allocation changes

	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q3 2020	30.2%	37.7%	28.2%
Q4 2020	**34.7%**	**42.9%**	**29.0%**



Summary of recent changes

The following asset allocation decisions were made during the quarter:

- As EM currencies strengthened on the back of global risk-on sentiment, we believed the rand was trading stronger than what was expect based on SA's long-term fundamentals. As a result, we increased our **foreign exposure** several times on the back of this rand strength – setting formal buying limits.
- We moved to reduce the underweight position in **domestic equities**, allowing our equity weight to drift upwards with the markets.
- We trimmed our position to **domestic bonds** in the fourth quarter, while we still remain overweight in this asset class.
- We moved to reduce the underweight position in **domestic property** by introducing the Sesfikile SA Property fund at the start of December and allowing our weight to drift upwards.

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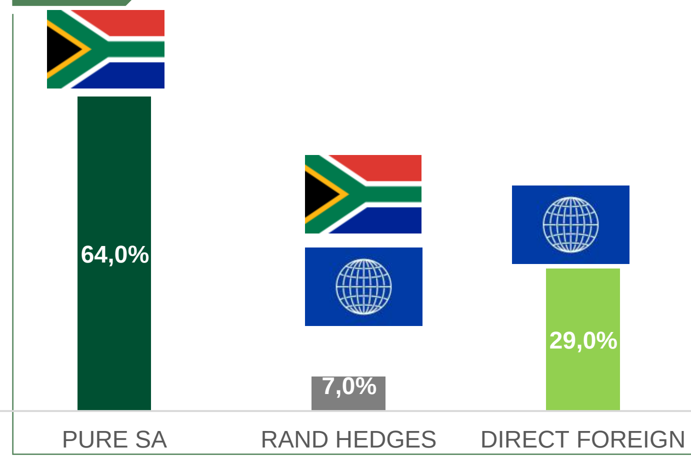
Asset allocation

Domestic Equity **18.4%**	Domestic Property **4.5%**	Domestic Fixed Interest **48.2%**
Foreign Equity **16.3%**	Foreign Property **3.7%**	Foreign Fixed Interest **9.0%**

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
Naspers	1.6%
FirstRand	0.8%
British American Tobacco	0.7%
Anglo American	0.7%
BHP	0.6%
Prosus	0.6%
Standard Bank	0.5%
Impala Platinum	0.5%
Richemont	0.3%
MTN	0.3%

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Domestic asset class positioning

Domestic Equity

Under weight — 18.4%

- We have moved to reduce the underweight position to this asset class as opportunities have been created in the market.
- .Small cap stocks tend to be most exposed to the domestic environment and while they may benefit during a turnaround, during periods of low growth they are the most exposed.

Domestic Property

Under weight — 4.5%

- We acknowledge the very attractive yields on offer in the domestic property market.
- The local economic backdrop does not warrant materially increasing exposure to this asset class as yet.

Domestic Bond

Over weight — 32.1%

- Real yields offering good value and we look to maintain our exposure.
- Playing the interest rate cycle through our duration positioning given increased volatility.
- Includes short duration exposure held in the multi-asset income fund.

Domestic Cash

Over weight — 16.1%

- The exposure to defensive assets remains prudent given the high level of uncertainty globally
- Provides consistent return profile.
- The healthy cash balance also provides optionality (dry powder) should opportunities arise.

Global asset class positioning

Global Equity

Over weight — 16.3%

- Pockets of opportunity have opened up in the market, but are not without risks.
- International opportunities offering diversification, access to higher growth (e.g. EM) and risk adjusted returns, not just protection against rand weakness.

Global Property

Neutral — 3.7%

- Although the lower interest rate environment has been favourable, the global economic lockdown has put this sector under pressure.
- We are, however, positioned for concerns around the impact of technology disruption.

Global Bond

Under weight — 7.0%

- Underweight global bonds in general. Valuations brought under further pressure by the recent cut in interest rates by most central banks.
- Our exposure is largely short-dated Treasury bills.

Global Cash

Neutral — 2.0%

- Cash positions remain as the underlying managers look for compelling, idiosyncratic opportunities.

as at 31 December 2020

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Domestic: fund manager exposures

Equity General: 9.5%

ABAX investments
FOORD
Mazi
CORONATION FUND MANAGERS

Small/Mid Cap Equity: 1.7%

ABAX investments

Property: 1.8%

BRIDGE FUND MANAGERS
PRUDENTIAL INVESTMENT MANAGERS

Passive Multi-Asset: 21.1%

Taquanta

Flexible Income: 45.2%

ABAX investments
Taquanta

Global: fund manager exposures

Equity: 6.1%

Veritas Asset Management
ARDEVORA

Emerging Markets Equity: 2.7%

NS PARTNERS

Multi-Asset: 7.6%

FPA investors first
Pyrford International

Property: 3.9%

RESOLUTION CAPITAL

As at 30 September 2020
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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