



See money differently

Quarterly Report: Nedgroup Investments XS Select Equity Fund of Funds

as at 31 December 2020

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



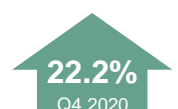
Local markets were lifted by improved sentiment for risk assets as vaccines became available

7.0% 1 year

3.1% 3 years

12.3% LT average

SA Property



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



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



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



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



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



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



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



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



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



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.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- Q3 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.

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
(passive)

FOORD

20% SA only

ABAX
investments

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Ninety
One

20% incl. Foreign



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.39%

Total expense ratio

1.68%

Transaction charges

0.17%

Total investment charges

1.86%



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 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

Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



Sector allocation

Financials



21.9%

Basic Materials



21.7%

Technology



12.4%

Consumer Goods



9.7%

Consumer Services



9.3%

Industrials



4.3%



Regional exposure



41%

PURE SA



44%

RAND HEDGES



15%

DIRECT FOREIGN



Top ten holdings



NASPERS

9.7%



5.6%



ANGLO
AMERICAN

5.0%



BRITISH AMERICAN
TOBACCO

3.8%

BHP

3.7%



IMPALA
PLATINUM

2.9%



Standard Bank

2.7%



prosus

2.2%



aspen

2.0%

santam

1.9%

Quarterly report:

Nedgroup Investments XS Select Equity Fund of Funds



Fund performance (clean class)

Q4'20 return

+9.4%

Peer group average: +9.6%

1yr annualised return

-1.3%

Peer group average: +1.9%

3yr annualised return

-1.2%

Peer group average: +0.1%

5yr annualised return

+2.2%

Peer group average: +3.1%

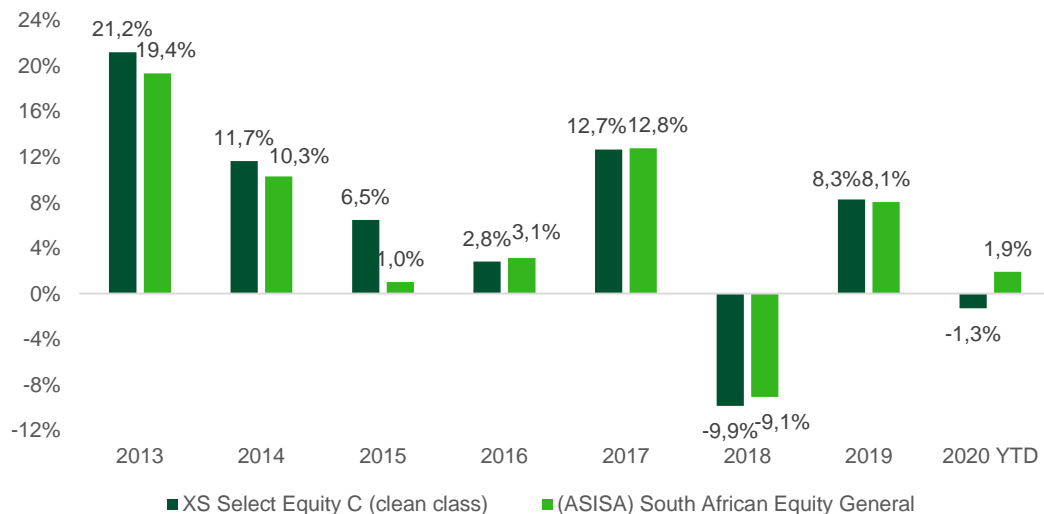
7yr annualised return

+4.1%

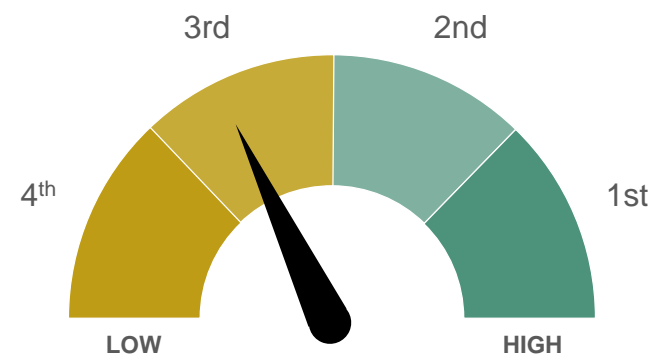
Peer group average: +3.8%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 December 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

13.2%

SA equity market: 15.4%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.1

SA equity market: 0.2

% Positive months

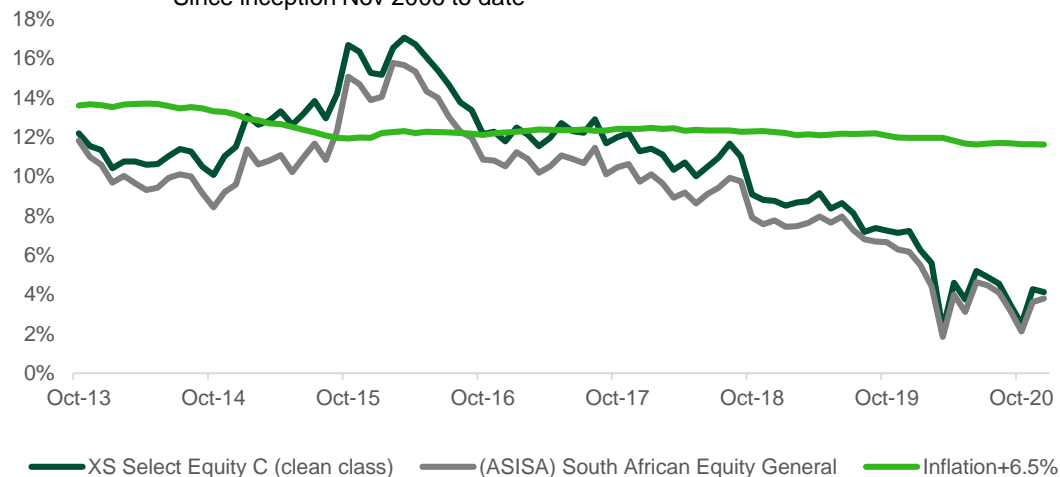
65%

SA equity market: 60%

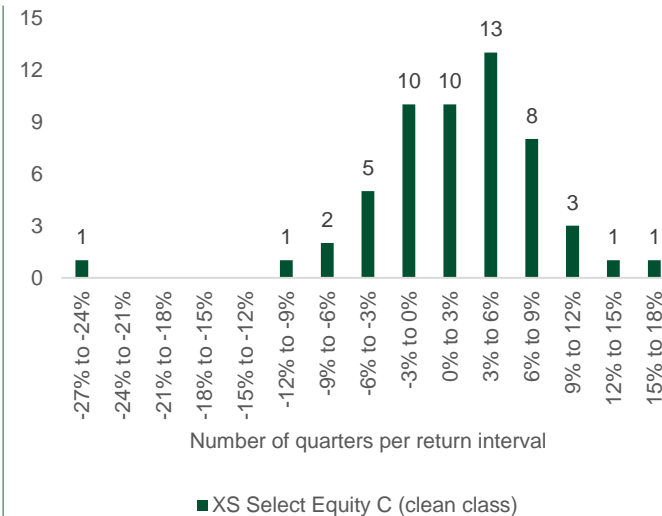


Rolling 7-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution



Quarterly report:

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Underlying fund performance

Key	2016	2017	2018	2019	2020
Allan Gray SA Equity	10.5%	17.3%	-6.5%	16.90%	14.2%
Coronation Equity	9.9%	16.5%	-7.0%	13.60%	10.9%
Ninety One Equity	3.6%	14.7%	-8.9%	6.00%	-0.2%
Nedgroup Investments Rainmaker	1.2%	12.0%	-12.7%	4.10%	-6.9%
Nedgroup Investments Value	-2.0%	7.5%	-12.8%	2.30%	-8.2%



Positive contributors this quarter

- Domestically exposed sectors including banks, property and apparel retailers outperformed this quarter. FirstRand (Q4 +24%) and Standard Bank (Q4 +18%) were amongst the top performers.
- Platinum group metal and diversified miners ended the year on a positive note. The fund's meaningful exposure to Impala Platinum (Q4 +39%), Northam Platinum (Q4 +23%) and Anglo American (Q4 +19%) contributed nicely to fund performance.
- The fund's exposure to apparel retailers, like The Foschini Group (Q4 +25%) and Mr Price (Q4 +31%) also performed well in the fourth quarter.



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 held within the Coronation, Ninety One and Rainmaker equity funds. It also detracted from rand hedged stocks listed on the JSE, with companies like Prosus (Q4 +4%) underperforming the All Share Index (Q4 +7%).
- 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.

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Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Peer group	SA inflation
Quarter	9,0%	9,4%	9,4%	9,3%	9,6%	0,4%
1 year	-2,4%	-1,1%	-1,3%	-1,5%	1,9%	3,2%
3 year	-2,4%	-1,1%	-1,2%	N/A	0,1%	4,0%
5 year	1,1%	2,4%	2,2%	N/A	3,1%	4,6%



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%	2.83%	0.17%	3.01%
B2 class (lisp)	1.24%	N/a	1.51%	0.17%	1.86%
C class (clean)	1.39%	N/a	1.68%	0.17%	1.69%
C1 class (product)	1.54%	N/a	1.87%	0.17%	2.04%

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