



See money differently

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

as at 31 December 2020

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



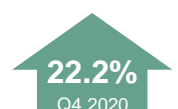
Local markets were lifted by improved sentiment for risk assets as vaccines became available

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 Guarded Fund of Funds



Fund overview

Max equity

40%

Time frame

Min **3** years

Benchmark

Inflation **+3%**

Peer group

SA Multi-Asset
Low 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

FOORD

20% Active

PRUDENTIAL
INVESTMENT MANAGERS

20% Passive

Taquanta



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.03%

Total expense ratio

1.28%

Transaction charges

0.05%

Total investment charges

1.33%



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 Guarded Fund of Funds



Asset allocation

Domestic Equity



23.8%

Domestic Property



3.5%

Domestic Fixed Interest



45.8%

Foreign Equity



19.1%

Foreign Property



0.4%

Foreign Fixed Interest



7.4%



Regional exposure



60%

PURE SA



14%

RAND HEDGES



27%

DIRECT FOREIGN



Top ten holdings

6.5%

RSA R186 Bond



NASPERS

2.7%

2.4%

RSA R2035 Bond

2.0%

RSA R2044 Bond



1.9%

1.8%

RSA I2025 Bond

1.6%

RSA R2037 Bond

1.5%

NEWGOLD

1.5%

RSA R202 Bond

1.5%

RSA R2030 Bond

as at 31 December 2020

Quarterly report:

Nedgroup Investments XS Select Guarded Fund of Funds



Fund performance (clean class)

Q4'20 return

+3.7%

Peer group average: +3.6%

Ytd return

+5.1%

Peer group average: +5.2%

1yr annualised return

+5.1%

Peer group average: +5.2%

3yr annualised return

+4.6%

Peer group average: +5.0%

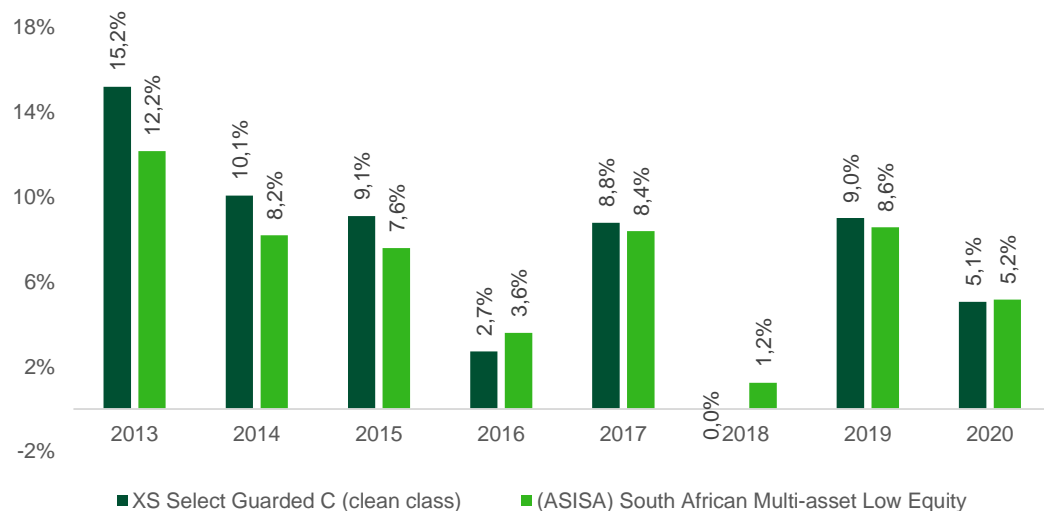
5yr annualised return

+5.1%

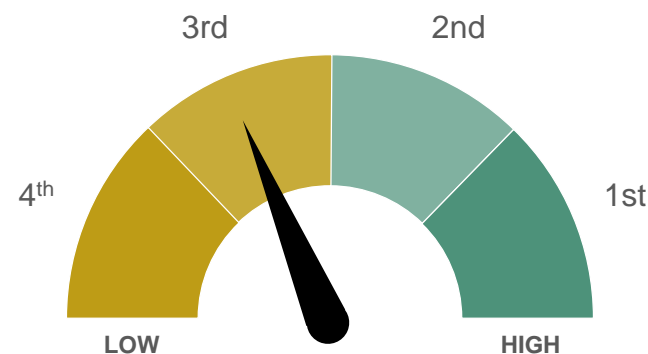
Peer group average: +5.4%



Calendar year performance



Peer group quartile ranking: 3yr



as at 31 December 2020

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Risk measures since inception

Rolling 3yr return

81%

Hit rate: outperforming
peer group average

Volatility

5.8%

SA equity market: 15.4%

Max drawdown

-11.4%

SA equity market: -40.4%

Sharpe ratio

0.3

SA equity market: 0.2

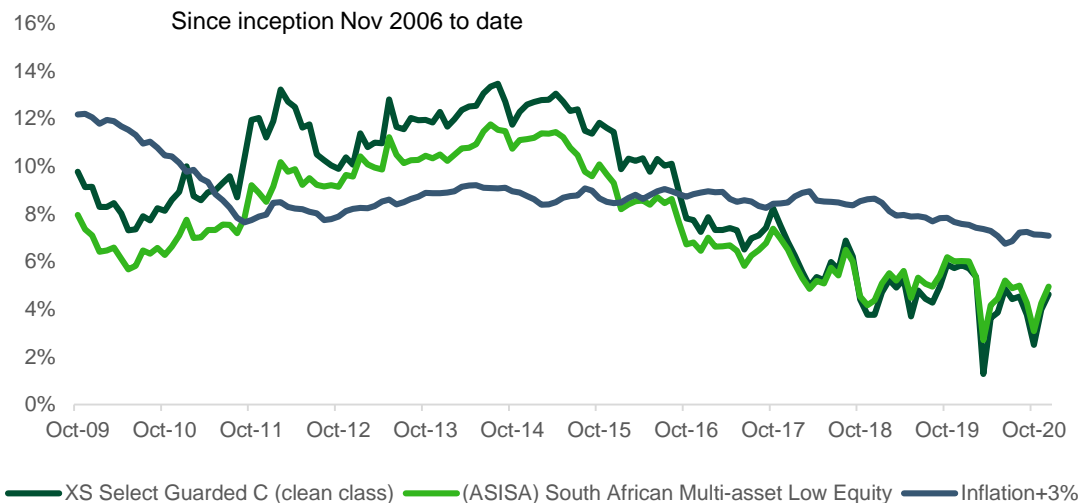
% Positive months

73%

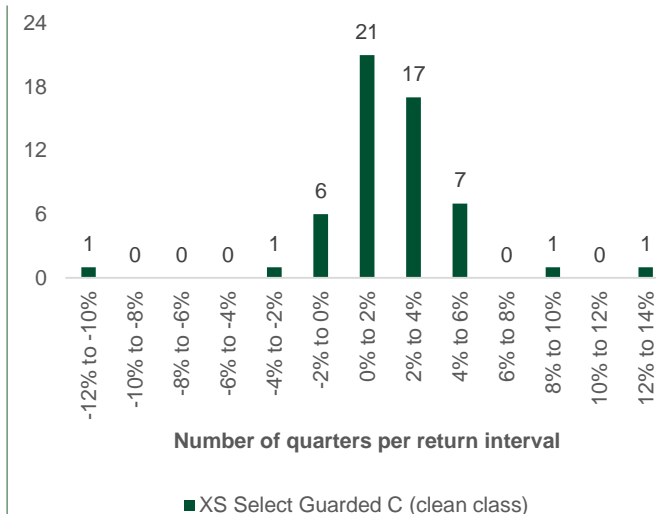
SA equity market: 60%



Rolling 3-year annualised return



Quarterly return distribution



Quarterly report:

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Underlying fund performance

| Key | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|------|-------|-------|-------|-------|
| Allan Gray Stable | 6.4% | 11.1% | 2.9% | 11.1% | 11.8% |
| Coronation Balanced Defensive | 4.6% | 9.8% | 2.6% | 9.5% | 7.2% |
| Nedgroup Investments Core Guarded | 4.4% | 9.6% | 2.0% | 8.7% | 6.4% |
| Nedgroup Investments Stable | 3.9% | 7.8% | 1.7% | 7.1% | 3.5% |
| Prudential Inflation Plus | 0.4% | 7.1% | -4.3% | 6.5% | -0.2% |



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. Prudential and Coronation in particular benefitted from the good performance of this asset class with more than 40% exposure within their respective multi-asset low equity funds.
- The domestic property sector turned in November and continued to claw back performance in December, ending the quarter up 22%. The passive multi-asset building block, Nedgroup Investments Core Guarded, and the Prudential Inflation Plus fund were best positioned for this turnaround.
- 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.



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%).
- After a very strong run over the first three quarters, the NewGold ETF detracted over the fourth quarter (Q4 -12%) as improved sentiment for risk assets shifted the demand away from this safe haven asset, to riskier alternatives like emerging markets.
- 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 | 3,4% | 3,8% | 3,7% | 3,7% | 3,6% | 0,4% |
| 1 year | 3,9% | 5,2% | 5,1% | 4,9% | 5,2% | 3,2% |
| 3 year | 3,4% | 4,8% | 4,6% | N/A | 5,0% | 4,0% |
| 5 year | 3,9% | 5,2% | 5,1% | N/A | 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) | 2.03% | 1.00% | 2.43% | 0.05% | 2.48% |
| B2 class (lisp) | 0.88% | N/a | 1.11% | 0.05% | 1.16% |
| C class (clean) | 1.03% | N/a | 1.28% | 0.05% | 1.33% |
| C1 class (product) | 1.18% | N/a | 1.44% | 0.05% | 1.44% |

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