



See money differently

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

as at 31 December 2020

# Quarterly report: Nedgroup Investments



## Domestic asset class returns (ZAR)



### SA Equity



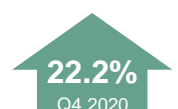
Local markets were lifted by improved sentiment for risk assets as vaccines became available

**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

- 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.

# Quarterly report:

## Nedgroup Investments XS Select Income Fund of Funds



### Fund overview

Max equity

**10%**

Time frame

Min **6** months

Benchmark

110% STeFI Call

Peer group

SA Multi-Asset  
Income

Regulation 28

Compliant

Risk profile

**1**

2

3

4

5



### Underlying fund structure

**A:BAX**  
investments

34%

**CORONATION**  
FUND MANAGERS

33%

**Ninety  
One**

33%



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**0.74%**

Total expense ratio

**0.97%**

Transaction charges

**0.01%**

Total investment charges

**0.98%**



### 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 1<sup>st</sup> of October 2017 and ending 30<sup>th</sup> of September 2020

# Quarterly report:

## Nedgroup Investments XS Select Income Fund of Funds



### Asset allocation

#### Domestic Equity



**0.9%**

#### Domestic Property



**2.3%**

#### Domestic Fixed Interest



**82.9%**

#### Foreign Equity



**0%**

#### Foreign Property



**0.1%**

#### Foreign Fixed Interest



**13.8%**



### Modified duration

XS Select Income

1,62

All Bond Index

6,40

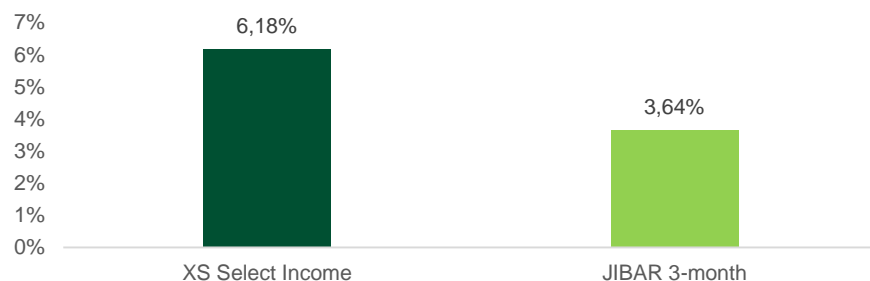
0 2 4 6 8

Duration (number of years)

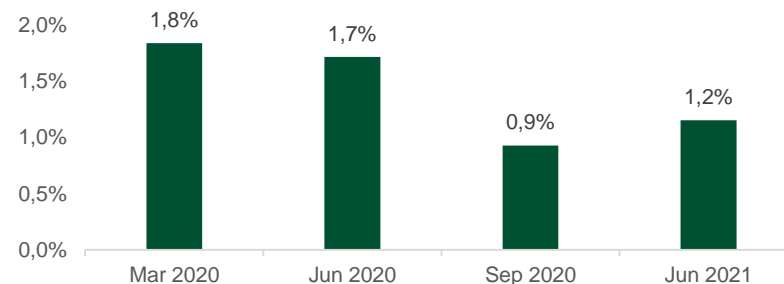


### Yield and Distribution

#### Gross fund yield (forward-looking)



#### Quarterly distribution yield (actual) - C class



as at 31 December 2020

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



## Fund performance (clean class)

Q4'20 return

**+2.0%**

Benchmark: +1.0%

Ytd return

**+5.4%**

Benchmark: +5.0%

6 month return

**+3.3%**

Benchmark: +2.0%

9 month return

**+8.0%**

Benchmark: +3.2%

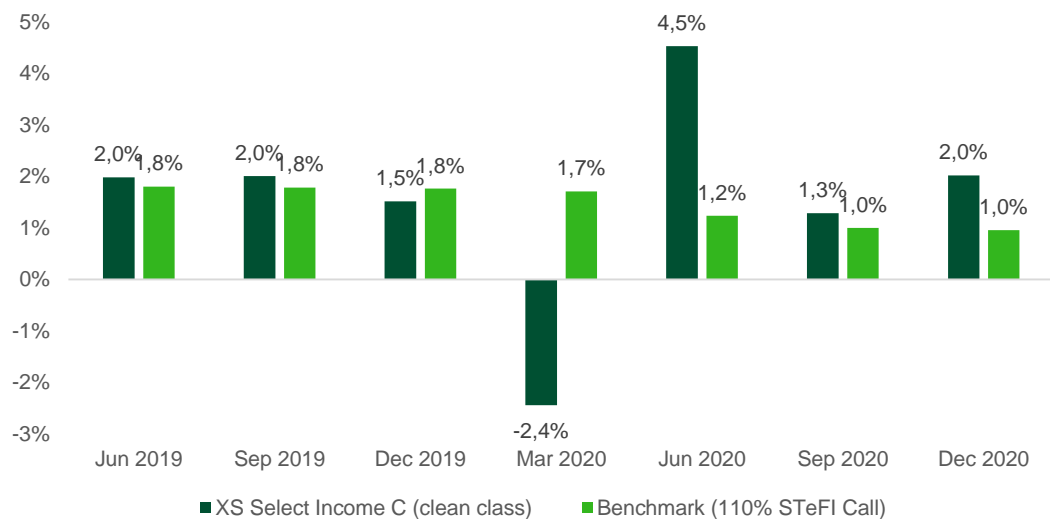
1yr annualised return

**+5.4%**

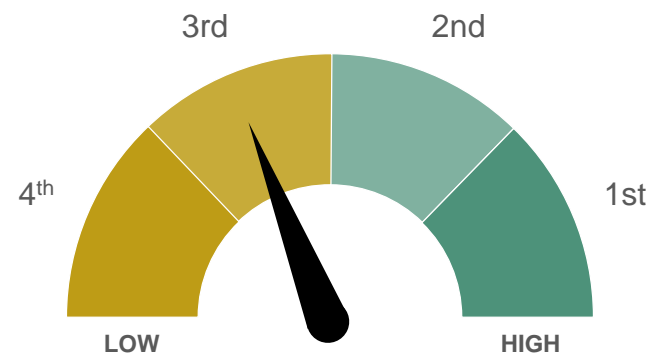
Benchmark: +5.0%



## Quarterly performance



## Peer group quartile ranking: 1yr



as at 31 December 2020

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



## Risk measures since inception\*

### Rolling 1 year

**91%**

Hit rate: outperforming benchmark

### Volatility

**2.0%**

SA bond market: 8.3%

### Max drawdown

**-3.7%**

SA bond market: -9.8%

### Sharpe ratio

**1.0**

SA bond market: 0.2

### % Positive months

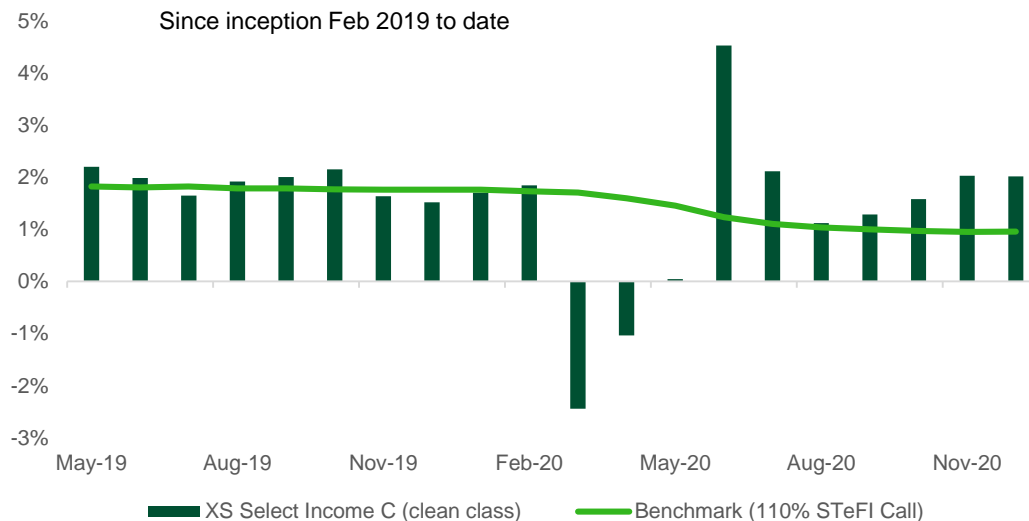
**96%**

SA bond market: 64%

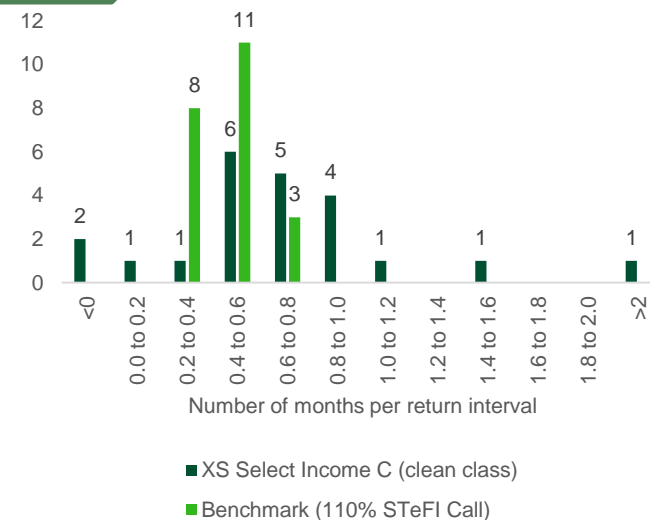


## Rolling 3-month return

Since inception Feb 2019 to date



## Monthly return distribution



as at 31 December 2020

\*The track record of the XS Select Income FoF displayed here includes the backtested return from 31 October 2012\* to 1 February 2019, when the Nedgroup Investments XS Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the XS Select FoF process

# Quarterly report:

## Nedgroup Investments XS Select Income Fund of Funds



### Underlying fund performance

Key	Q2 2019	Q2 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Coronation Strategic Income	2.6%	2.4%	2.3%	1.8%	0.2%	4.8%	2.0%	2.5%
Nedgroup Investments Flexible Income	2.6%	2.2%	2.2%	1.5%	-2.0%	3.8%	1.1%	2.1%
Ninety One Diversified Income	1.8%	2.1%	2.1%	1.4%	-3.4%	3.1%	1.0%	2.0%



#### 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. More specifically, the longer-dated end of the yield curve outperformed the shorter, 1-3 year band. All three the underlying managers are currently positioned with a relatively high duration of more than 1.5 years, which contributed to performance.
- Inflation-linked bonds also performed well this quarter (Q4 +5.4%)
- The domestic property sector turned in November and continued to claw back performance in December, ending the quarter up 22%. The Coronation Strategic Income fund in particular benefitted from this turnaround.



#### 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 in US dollars (i.e. unhedged) within the fund.
- With the repo rate unchanged at 3.5%, the yield of the floating rate assets remain under pressure.



# Quarterly report:

## Nedgroup Investments XS Select Income Fund of Funds



### Performance across classes

	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Benchmark
Quarter	2.1%	2.0%	2.0%	1.0%
6 month	7.2%	7.0%	6.7%	6.8%
9 month	8.1%	8.0%	7.9%	3.2%
1 year	5.5%	5.4%	5.2%	5.0%



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.80%	0.01%	0.81%
C class (clean)	0.74%	N/a	0.97%	0.01%	0.98%
C1 class (product)	0.89%	N/a	1.14%	0.01%	1.15%

as at 31 December 2020

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