



See money differently

# Quarterly Report: **Nedgroup Investments** **XS Accelerated Fund of Funds**

as at 31 March 2021

# Quarterly report: Nedgroup Investments



## Domestic asset class returns (ZAR)



### SA Equity



The resources sector and small cap stocks delivered strong performance.

**54.0%** 1 year

**9.7%** 3 years

**12.3%** LT average

### SA Property



Negative returns on some of the larger companies like Growthpoint held the sector back

**34.5%** 1 year

**-12.9%** 3 years

**11.2%** LT average

### SA Bond



The domestic bond market fared worse than EM peers despite better economic data

**17.0%** 1 year

**5.5%** 3 years

**7.0%** LT average

### SA Cash



Money markets are pricing in the first repo rate hike in the 3rd quarter of this year, broadly in line with SARB

**3.8%** 1 year

**5.6%** 3 years

**5.9%** LT average



## Global asset class returns (USD)



### Global Equity



It was a volatile first quarter with developed markets outperforming EM

**55.4%** 1 year

**12.7%** 3 years

**8.7%** LT average

### Global Property



The sector found support from the roll-out of Covid-19 vaccines and news of further US fiscal stimulus

**36.0%** 1 year

**6.1%** 3 years

**6.7%** LT average

### Global Bond



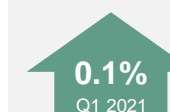
US Treasuries recorded the worst quarterly return in over three decades due to intensifying inflation concerns

**4.7%** 1 year

**2.8%** 3 years

**4.6%** LT average

### US Cash



The US Fed, BoE and ECB kept rates on hold, but EM have already seen their first rate hike from Brazil

**0.3%** 1 year

**1.7%** 3 years

**4.3%** LT average



## Exchange rates (Rand spot rate and quarterly change)



### US Dollar R14.77



The local currency is likely to remain erratic, swinging rapidly both stronger and weaker, as global market events continue to impact its direction. However, higher interest rates in emerging market economies while the SARB sits pat could result in rand weakness.



### British Pound R20.37



The British pound retreated modestly against the US dollar in March after a sharp rise in February. The pound has rallied to the strong end of its post-Brexit referendum range against the euro, this was also supported in part by its superior vaccine rollout.



### Euro R17.35



The rand is firmer against the euro, mainly due to concerns over the bloc's growth prospects amidst the third wave of infections and slow vaccination roll out. Several countries, including Poland, Germany and France, have reintroduced stricter lockdown measures.

# Quarterly report: Nedgroup Investments



## Domestic performance drivers



### Highlights

- Our economy grew by +1,5% (q-o-q, not annualised) in the fourth quarter of 2020, exceeding market expectations. The ongoing recovery of trade and manufacturing supported the production side, while lower restriction levels led to higher expenditure on restaurants and other recreational activities.
- SA tax revenues have surprised on the upside with tax receipts for the fiscal year ending Feb'21 ending R38bn above the budget estimate made in mid-February as the economy has rapidly bounced back and the benefits of the commodity price windfall manifests.
- President Ramaphosa is making progress in confronting corruption with calls for Ace Magashule to step down.



### Low points

- The local recovery thus far has been fragile, with setbacks of load shedding and a slow rollout of vaccinations doing little to boost confidence.
- Energy regulator NERSA announced further revenue recovery by Eskom, which will result in substantial increases in electricity tariffs for this year. Against this backdrop, the South African Reserve Bank kept interest rates on hold with a vote of 3:2 in January and unanimously voted to again keep rates unchanged at their meeting in March.
- Although the February inflation print came in below expectations, rising oil prices, food inflation and base effect will see inflation tick higher in the coming months.



## Global performance drivers



### Highlights

- Manufacturing production around the world has remained resilient, despite continued restriction measures and supply chain disruptions. This has helped mitigate the impact from weaker services sectors and is one of the reasons for more robust economic data in the last months of 2020.
- The OECD joined the ranks of entities that have lifted their economic growth forecasts to account for vaccine rollouts and greater US fiscal stimulus, now expecting global growth of 5,6% in 2021 (up from 4,2%).
- In early March, OPEC+ members surprised markets by keeping output unchanged, despite expectations of higher future demand as economies reopen.



### Low points

- Expectations of a third wave of infections are prevalent, with a resurgence in cases already evidenced in Europe. Several countries in the region, including Poland, Germany and France, have reintroduced stricter lockdown measures.
- Supply chain disruptions have been common over the last year but have increasingly been problematic as demand for goods pick up. A shortage in shipping containers has been a noteworthy pain point for exporters.
- US government debt is mounting with debt-to-GDP forecast to escalate to 125% at the end of 2021 and corporate tax hikes are proposed.

# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Fund overview

Max equity

**90%**

Time frame

Min **7** years

Benchmark

Inflation  
**+6.5%**

Peer group

**SA Multi-  
Asset  
Flexible**

Regulation 28

**Non-  
compliant**

Risk profile



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**1.30%**

Total expense ratio

**1.57%**

Transaction charges

**0.12%**

Total investment charges

**1.69%**



### Benefits of the XS Fund of Funds range

Competitive pricing



Diversified across  
Asset classes



Investment experts



Passive and active underlying  
investments



Tax  
Efficient



Ongoing  
Due diligence



as at 31 March 2021

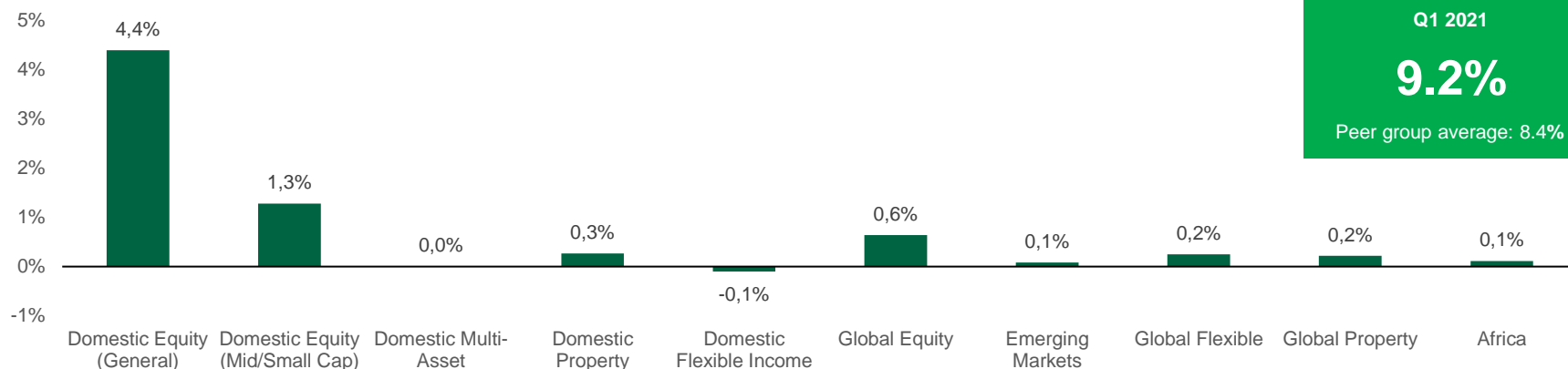
\*\*Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1<sup>st</sup> January 2018 and ending 31<sup>st</sup> December 2020

# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### XS Fund of Funds performance contribution – Q1 2021



#### Positive contributors this quarter

- The domestic equity market benefitted from higher commodity prices and the more robust global and local growth outlook. The strongest total return performance was from the resource sector (+18%). 40% of the fund's top 10 holdings are resource/mining facing (namely BHP Anglo, Impala Platinum and Northam platinum), which all posted double digit returns in the first quarter.
- Consistent with the economic backdrop in Q1, small/mid caps performed well. Over the period, the Small Cap Index returned (+21.7%). The Nedgroup Investments Entrepreneur Fund was a beneficiary (and outperformed peers). The risk-on sentiment (on the back of the expectation of a stronger economic recovery), boded well for the fund as it was positioned to take advantage of the environment.



#### Detractors this quarter

- Global developed equity markets posted solid gains, returning +4.7% for the quarter (in US dollar terms). However, given that some of the offshore managers held no energy positions (which have risen strongly as a sector in Q1 and is the best performing sector this year) and had a large underweighting in financials (which as a sector has outperformed the wider market), pulled down the fund's performance.
- At an asset allocation level, being underweight domestic equities detracted from performance as this asset class followed the global rally in risk assets.
- SA fixed interest securities detracted as long bond rates tracked global yields higher, especially in the belly of the curve.

# Quarterly report: Nedgroup Investments XS Accelerated Fund of Funds



## Fund performance (clean class)

Q1'21 return

**+9.2%**

Peer group average: +8.4%

1yr annualised return

**+32.6%**

Peer group average: +32.5%

3yr annualised return

**+4.1%**

Peer group average: +7.4%

5yr annualised return

**+3.5%**

Peer group average: +5.4%

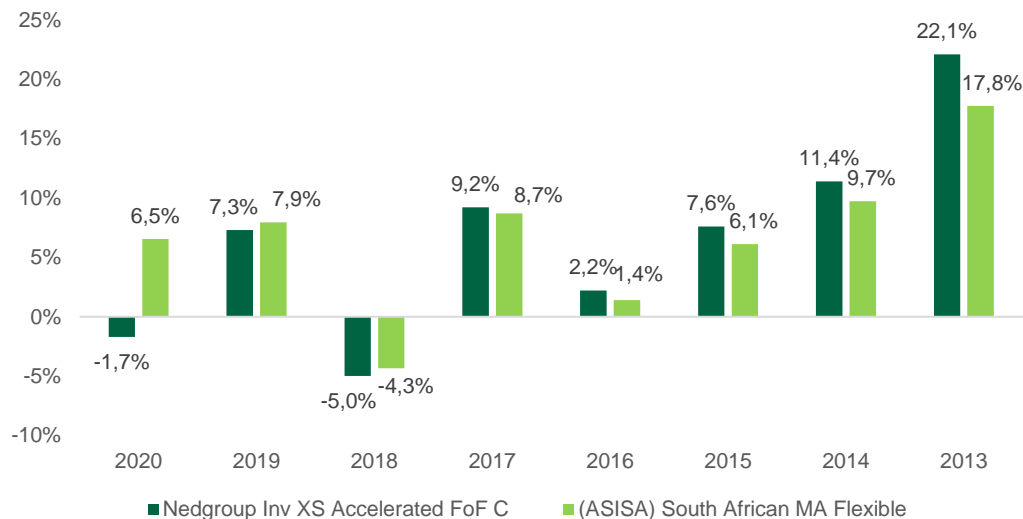
10yr annualised return

**+8.3%**

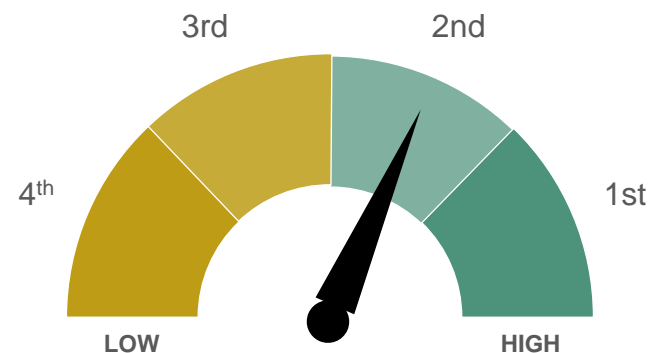
Peer group average: +8.3%



## Calendar year performance



## Peer group quartile ranking: 1yr



as at 31 March 2021

# Quarterly report: Nedgroup Investments XS Accelerated Fund of Funds



## Risk measures since inception

### Rolling 7yr return

**77%**

Hit rate: outperforming  
peer group average

### Volatility

**10.5%**

SA equity market: 15.4%

### Max drawdown

**-24.1%**

SA equity market: -40.4%

### Sharpe ratio

**0.4**

SA equity market: 0.4

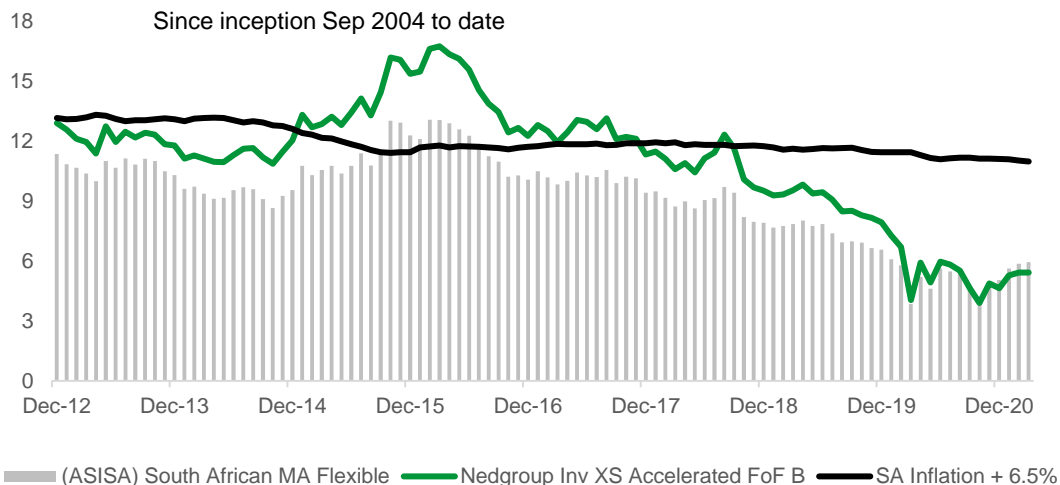
### % Positive months

**75%**

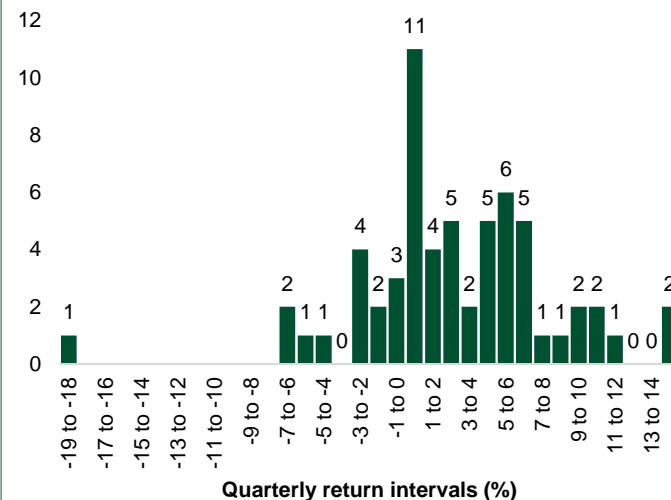
SA equity market: 70%



## Rolling 7-year annualised return



## Quarterly return distribution



# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	8.9%	9.3%	9.2%	8.4%	1.2%
1 year	31.1%	33.0%	32.6%	32.5%	3.2%
3 year	2.9%	4.5%	4.1%	7.4%	3.6%
5 year	2.3%	3.9%	3.5%	5.5%	4.4%



### Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.30%	1.00%	2.72%	0.12%	2.84%
B Class (LISP)	1.00%	N/A	1.22%	0.12%	1.34%
C Class (clean)	1.30%	NA	1.57%	0.12%	1.69%

as at 31 March 2021

\*\*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> January 2018 and ending 31<sup>st</sup> December 2020

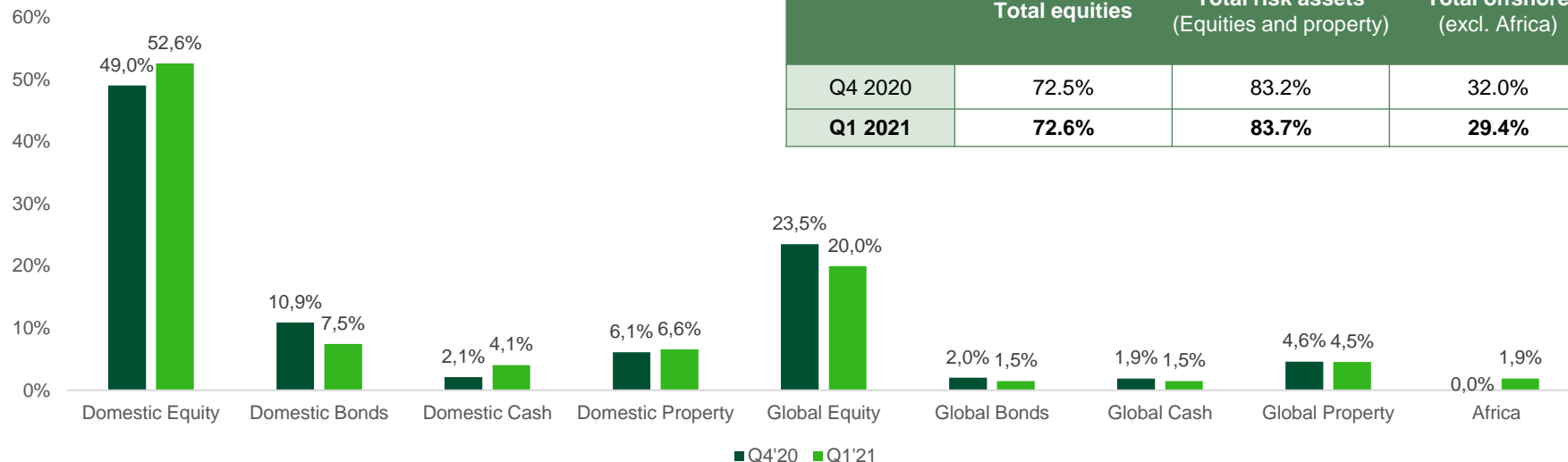


# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Asset allocation changes



### Summary of recent changes

The following asset allocation decisions were made during the quarter:

- We moved to reduce the underweight position in **domestic equities**, allowing our equity weight to drift upwards with the markets.
- We trimmed our position in **local fixed interest** (bonds and cash) in favour of **equity** (both domestic and global), while maintaining our overweight position to domestic bonds.
- We moved to reduce the underweight position in **domestic property** by allowing our weight to drift upwards with the markets.
- We introduced exposure to **Africa** by 2%, this was funded from cash.

# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Asset allocation

#### Domestic Equity



52.6%

#### Domestic Property



6.6%

#### Domestic Fixed Interest



11.6%

#### Foreign Equity



20.0%

#### Foreign Property



4.5%

#### Foreign Fixed Interest



3.0%

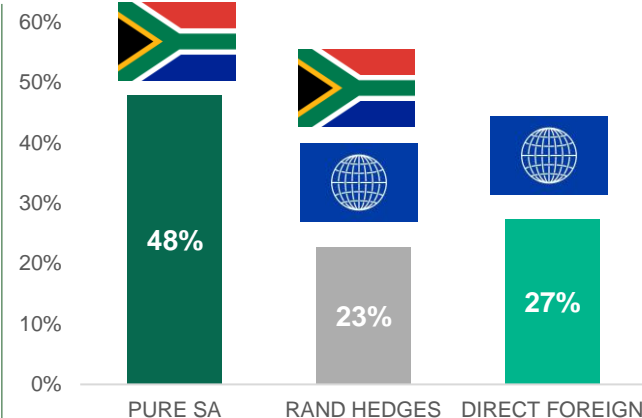
#### Africa



1.9%



### Regional exposure



### Top ten holdings (as a % of fund)



6.2%



3.2%



2.4%



2.1%



2.0%



2.0%



1.7%



1.5%



1.4%



1.2%

as at 31 March 2021

# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Domestic asset class positioning



#### Domestic Equity

**Under weight**

52.6%

- 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**

6.6%

- 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**

7.5%

- 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

**Under weight**

4.1%

- Provides consistent return profile however, cash interest rates remain low.
- The healthy cash balance also provides optionality (dry power) should opportunities arise.



### Global asset class positioning



#### Global Equity

**Over weight**

20.0%

- Unprecedented stimulus coupled with accommodative central bank policy should prove positive for equity markets and we believe prospects remain favourable.
- However, we remain cautiously optimistic on equity markets. A balanced exposure to growth and value stocks remains important

#### Global Property

**Over weight**

4.5%

- We have grown increasingly positive on the prospects for property, and specifically commercial property within the prime space of central retail and hospitality to benefit from a continued economic reopening.

#### Global Bond

**Under weight**

1.5%

- The conundrum continues with fixed income markets and the longer term prospect of higher rates.
- Our preference remains for taking less duration risk.

#### Global Cash

**Neutral**

1.5%

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

# Quarterly report:

## Nedgroup Investments XS Accelerated Fund of Funds



### Domestic: fund manager exposures

#### Equity General 37.9%



#### Small/Mid Cap Equity: 7.5%



#### Passive Multi-Asset: 15.3%



#### Property: 4.3%



#### Flexible Income: 10.2%



### Offshore and Africa: fund manager exposures

#### Equity: 11.8



#### EM Equity: 3.6%



#### Multi-Asset: 3.2%



#### Property: 4.0%



#### Africa: 2.1%



As at 31 March 2021  
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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