



See money differently

Quarterly Report: Nedgroup Investments Select Equity Fund of Funds*

as at 31 March 2021

*Nedgroup Investments XS Select Equity Fund of Funds will be renamed on the 4th of June 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



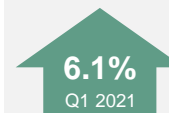
It was a volatile first quarter with developed markets outperforming EM

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 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)

1.09%

Total expense ratio

1.69%

Transaction charges

0.16%

Total investment charges

1.85%



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 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 1st January 2018 and ending 31st December 2020

Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Sector allocation

Financials



24.3%

Basic Materials



21.6%

Consumer Services



12.9%

Technology



11.2%

Consumer Goods



7.7%

Industrials



4.0%



Regional exposure



41%

PURE SA



44%

RAND HEDGES



15%

DIRECT FOREIGN



Top ten holdings



NASPERS

7.7%



4.7%



ANGLO
AMERICAN

4.7%



NEPI
ROCKCASTLE

3.6%

Bidcorp

3.3%

BHP

3.0%



3.0%



IMPALA
PLATINUM

2.4%



Standard Bank

2.0%



1.8%

Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Fund performance (clean class)

Q1'21 return

+12.6%

Peer group average: +12.2%

1yr annualised return

+49.7%

Peer group average: +48.5%

3yr annualised return

+4.3%

Peer group average: +5.6%

5yr annualised return

+3.8%

Peer group average: +4.6%

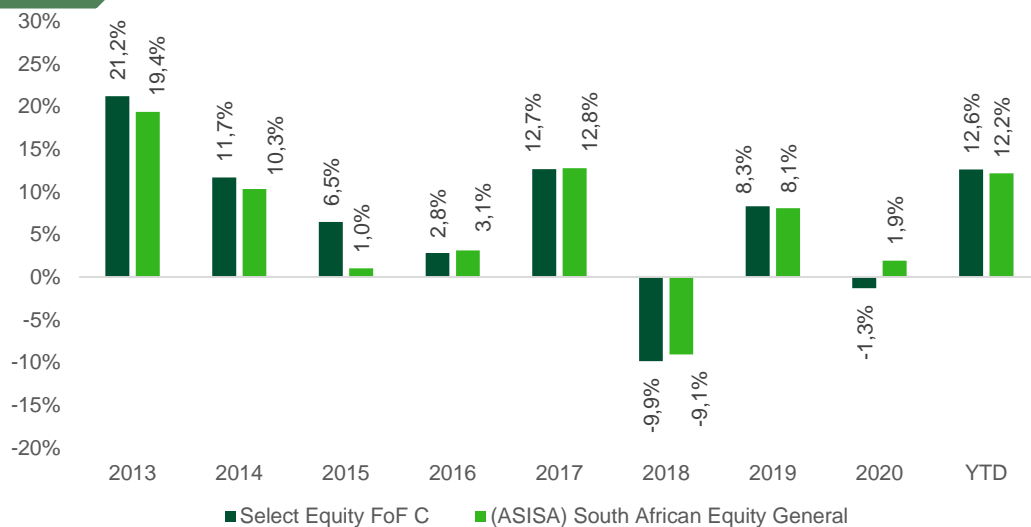
7yr annualised return

+5.2%

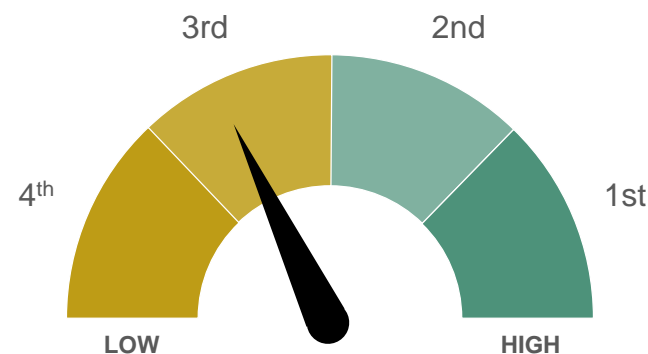
Peer group average: +4.9%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 March 2021

As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used for comparative purposes

Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Risk measures since inception

Rolling 7yr return

100%

Hit rate: outperforming
peer group average

Volatility

13.2%

SA equity market: 15.3%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.2

SA equity market: 0.3

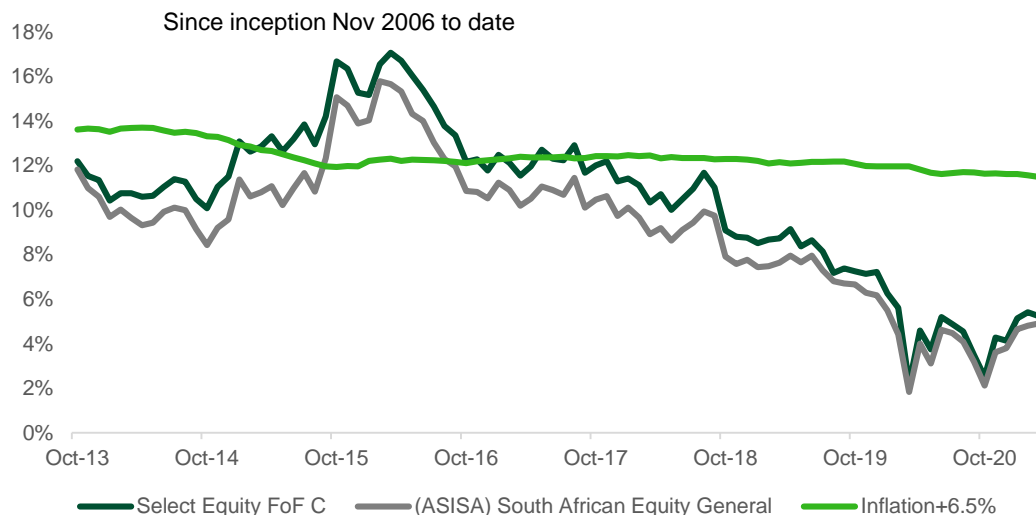
% Positive months

65%

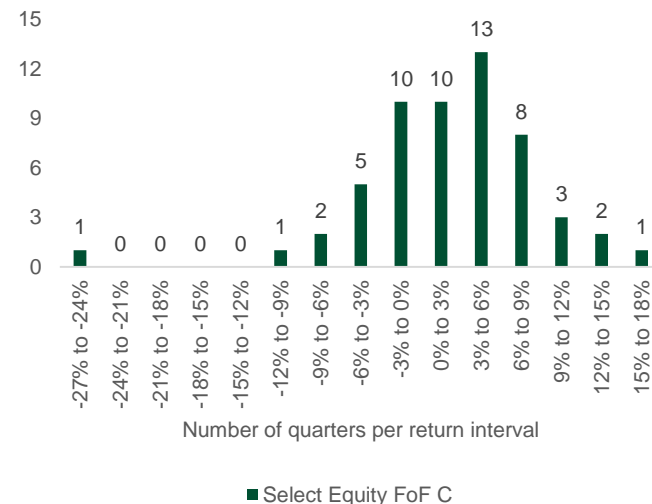
SA equity market: 61%



Rolling 7-year annualised return



Quarterly return distribution



Quarterly report:

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Underlying fund performance

Key	2016	2017	2018	2019	2020	YTD
Satrix ALSI Tracker	10.4%	20.3%	-6.5%	16.9%	14.2%	13.2%
Coronation Equity	3.6%	17.3%	-7.1%	13.6%	10.9%	12.9%
Ninety One Equity	1.8%	17.2%	-9.2%	11.4%	6.3%	12.7%
Nedgroup Investments Rainmaker	1.2%	12.0%	-12.2%	4.1%	-6.9%	11.5%
Nedgroup Investments Value	-1.5%	7.4%	-12.8%	2.3%	-8.2%	11.5%



Positive contributors this quarter

- Naspers (+17% for the quarter) continued with their share buybacks during the quarter which aided performance and is consistent with their long-term strategy to unlock value.
- Sasol was a welcome addition to the top performing shares after being one of the largest detractors exactly a year ago. The recovery in the oil price from just under \$50/barrel at the end of 2020 to \$60 at the end of the quarter was a large driver of this company's recovery.
- The domestic resource sector (+18%) benefitted from strong commodity prices in the first quarter. Alongside Naspers and Sasol, Anglo American (+22%), Impala Platinum (40%) and BHP Group (+13%) make up the fund's top five contributors.



Detractors this quarter

- Standard Bank (-1%) was the worst performer of the big four banks in the first quarter. Despite warning the market that earnings for 2020 are down more than 50%, the results for their financial year ending 31 Dec 2020 still shocked shareholders.
- The Clicks Group (-3%) had a bad start to the year as they announced the closing of all Musica stores by the end of May 2021, after covid-19 sped up the inevitable demise of this entertainment brand.
- Anheuser-Busch (-10%), the largest brewery in the world, performed poorly throughout the first quarter. Despite reporting good results for the fourth quarter of 2020, the full year results confirmed a decline in both revenue and total volumes.

As at 31 March 2021

Allan Gray was introduced on the 1st of October 2018 and subsequently switched for Satrix ALSI Tracker at the end of December 2020

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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	12.3%	12.6%	12.6%	12.5%	12.2%	1.2%
1 year	48.0%	50.0%	49.7%	49.5%	48.5%	2.9%
3 year	3.1%	4.5%	4.3%	N/A	5.6%	3.9%
5 year	2.6%	4.0%	3.8%	N/A	4.6%	4.4%



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%	0.16%	3.00%
B2 class (lisp)	1.24%	N/a	1.51%	0.16%	1.68%
C class (clean)	1.39%	N/a	1.69%	0.16%	1.85%
C1 class (product)	1.54%	N/a	1.87%	0.16%	2.03%

As at 31 March 2021

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