



See money differently

# Quarterly Report: Nedgroup Investments Select Income Fund of Funds

as at 31 March 2021

\*Nedgroup Investments XS Select Income Fund of Funds will be renamed on the 4<sup>th</sup> 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



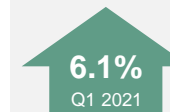
It was a volatile first quarter with developed markets outperforming EM

**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



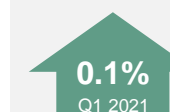
US Treasuries recorded the worst quarterly return in over three decades due to intensifying inflation concerns

**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 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

**ABAX**  
investments

34%

**CORONATION**  
FUND MANAGERS

33%

**Ninety  
One**

33%



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**0.74%**

Total expense ratio

**0.96%**

Transaction charges

**0.01%**

Total investment charges

**0.97%**



### 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 1<sup>st</sup> January 2018 and ending 31<sup>st</sup> December 2020

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



## Asset allocation

### Domestic Equity



**0.9%**

### Domestic Property



**2.5%**

### Domestic Fixed Interest



**84.8%**

### Foreign Equity



**0%**

### Foreign Property



**0.2%**

### Foreign Fixed Interest



**11.6%**



## Modified duration

Select Income FoF

1,5

All Bond Index

6,5

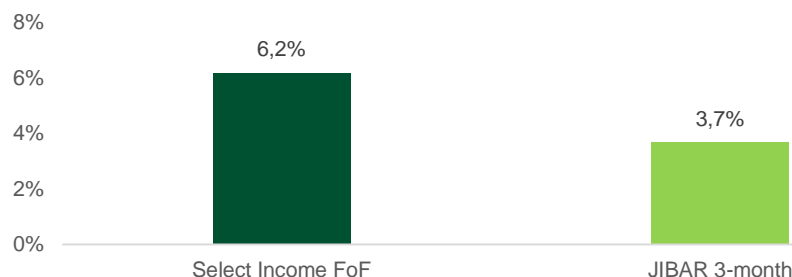
0 2 4 6 8

Duration (number of years)

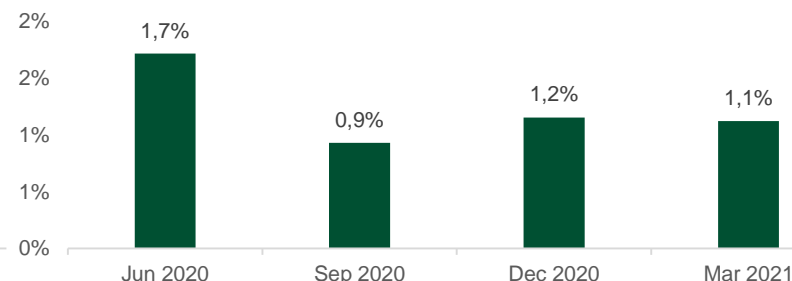


## Yield and Distribution

### Gross fund yield (forward-looking)



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



as at 31 March 2021

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



## Fund performance (clean class)

Q1'21 return

**+1.4%**

Benchmark: +0.9%

Ytd return

**+1.4%**

Benchmark: +0.9%

6 month return

**+3.4%**

Benchmark: +1.9%

9 month return

**+4.8%**

Benchmark: +2.9%

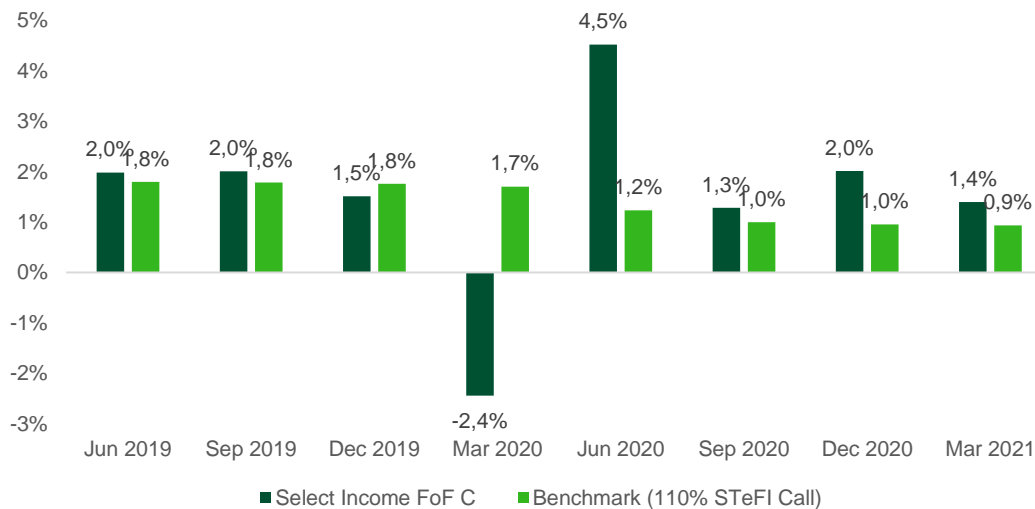
1yr annualised return

**+9.5%**

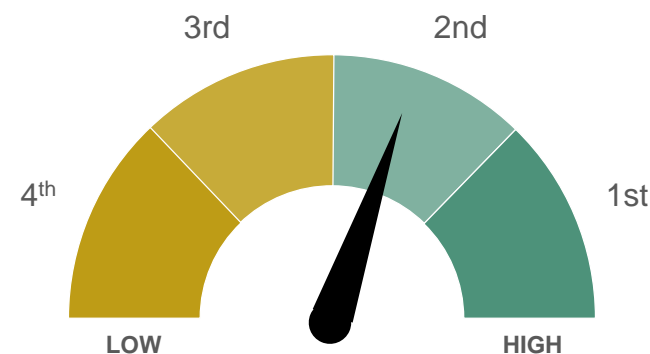
Benchmark: +4.2%



## Quarterly performance



## Peer group quartile ranking: 1yr



as at 31 March 2021

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



## Risk measures since inception\*

### Rolling 1 year

**91%**

Hit rate: outperforming benchmark

### Volatility

**1.9%**

SA bond market: 8.3%

### Max drawdown

**-3.7%**

SA bond market: -9.8%

### Sharpe ratio

**1.0**

SA bond market: 0.1

### % Positive months

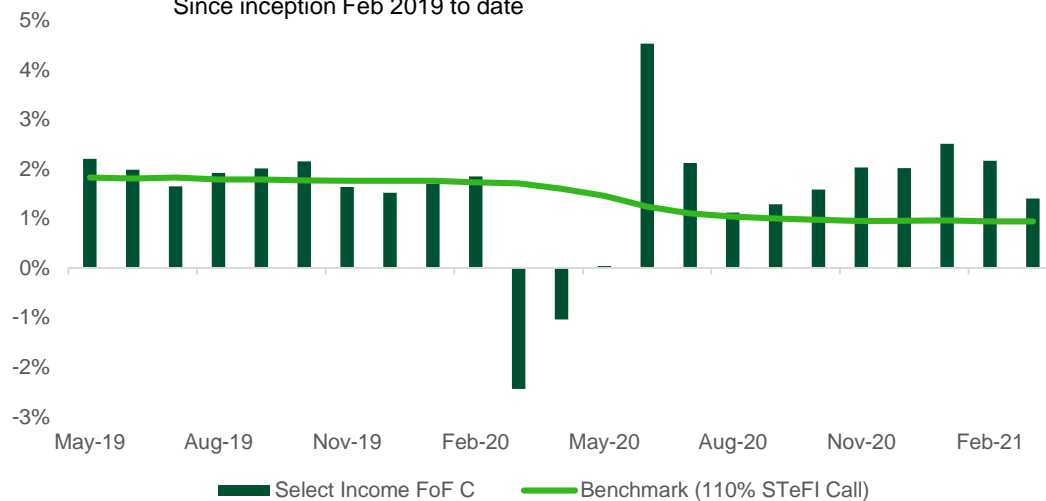
**96%**

SA bond market: 64%

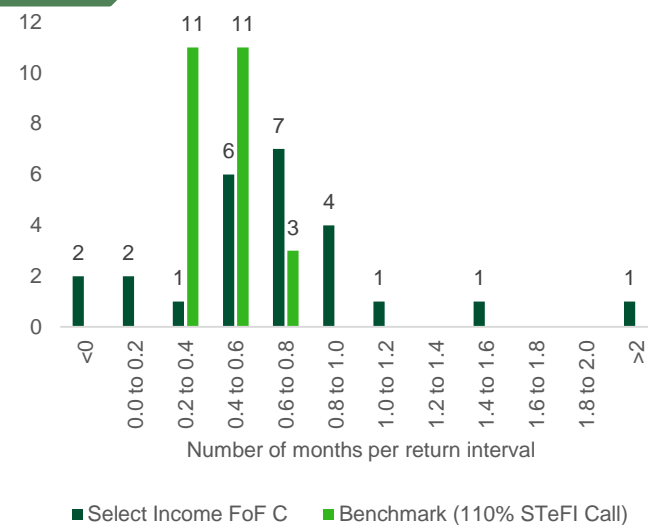


## Rolling 3-month return

Since inception Feb 2019 to date



## Monthly return distribution



as at 31 March 2021

\*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	Q1 2021
Coronation Strategic Income	2.6%	2.4%	2.3%	1.8%	0.2%	4.8%	2.0%	2.5%	2.2%
Nedgroup Investments Flexible Income	2.6%	2.2%	2.2%	1.5%	-2.0%	3.8%	1.1%	2.1%	1.3%
Ninety One Diversified Income	1.8%	2.1%	2.1%	1.4%	-3.4%	3.1%	1.0%	2.0%	0.9%



#### Positive contributors this quarter

- The recovery in economic activity - mainly driven by the injection of significant monetary and fiscal stimulus, as well as the successful rollout of the vaccination strategy in many countries – led to the rise of inflation expectations. This allowed inflation linked bonds to outperform in the first quarter of 2021.
- The Nedgroup Investments Flexible Income fund was the top performer this quarter with inflation linked bonds, floating rate notes, property, preference shares and convertible bonds all contributing positively to its performance.
- More specifically, the Flexible Income fund's position in Royal Bafokeng Convertible bonds continue to be a top contributor to the fund's performance, fuelled by the rally in commodity prices.



#### Detractors this quarter

- The rise in U.S. treasury yields brought on by the recovery in economic activity, translated into a poor quarter for local bonds, with the FTSE/JSE All Bond Index returning -1.7%. Consequently, the fixed rate, longer duration nominal bond exposure detracted from performance, especially within the Coronation Strategic Income fund.
- With the South African repo rate still at a record low level of 3.5%, the JIBAR 3-month rate also remains low at 3.7%. This continues to put pressure on the absolute value of the floating rate exposure within the Income FoF.
- The rand to US dollar exchange rate has remained relatively constant over the quarter, resulting in this alpha source adding little value to the Income FoF this quarter.



# Quarterly report:

## Nedgroup Investments XS Select Income Fund of Funds



### Performance across classes

	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Benchmark
Quarter	1.4%	1.4%	1.4%	0.9%
6 month	3.5%	3.4%	3.4%	1.9%
9 month	4.9%	4.8%	4.6%	2.9%
1 year	9.7%	9.5%	9.3%	4.2%



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.79%	0.01%	0.80%
C class (clean)	0.74%	N/a	0.96%	0.01%	0.97%
C1 class (product)	0.89%	N/a	1.13%	0.01%	1.14%

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

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