



See money differently

# Quarterly Report: **Nedgroup Investments** **Select Balanced Fund of Funds**

as at 30 June 2021

# Quarterly report: Nedgroup Investments



## Domestic asset class returns (ZAR)



### SA Equity



Smaller SA Inc. counters demonstrated resilience, but the resources sector had a poor June (-6.5%)

**25.1%** 1 year

**8.1%** 3 years

**12.3%** LT average

### SA Property



SA property was the top performer in Q2, with counters like Vukile and Sirius leading the charge

**25.2%** 1 year

**-8.9%** 3 years

**11.2%** LT average

### SA Bond



The longer-end of the curve outperformed, suggesting the pricing in of a rate hiking cycle

**13.7%** 1 year

**9.2%** 3 years

**7.0%** LT average

### SA Cash



The MPC unanimously decided to keep rates unchanged at 3.5% at the May meeting

**3.5%** 1 year

**5.4%** 3 years

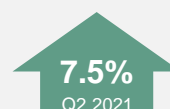
**5.9%** LT average



## Global asset class returns (USD)



### Global Equity



Growth stocks outperformed, tech rebounded and the EU benefited from strong corporate earnings

**39.9%** 1 year

**15.1%** 3 years

**8.7%** LT average

### Global Property



Property markets globally continue to recover, as investors become more confident of its outlook

**34.9%** 1 year

**7.4%** 3 years

**6.7%** LT average

### Global Bond



The US 10-year yield fell on the back of many countries' - incl. the US - inflation exceeding expectations

**2.6%** 1 year

**4.2%** 3 years

**4.6%** LT average

### US Cash



The US Fed and other central banks are taking a slightly more hawkish stance on rates

**0.2%** 1 year

**1.5%** 3 years

**4.3%** LT average



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



### US Dollar R14.28



The rand strengthened by more than 5% to the US dollar in May, reaching its best level since 2019 at the start of June. The demand for SA's mining commodities, resulting in the last two quarters being of the largest current account surpluses in our economic history, was one of the key drivers of rand strength.



### British Pound R19.73



A number of the domestically focused areas fell back sharply in June, partly due to concerns around the impact of the covid-19 delta variant on the UK's re-opening plans. Retailers and travel and leisure sectors in particular performed poorly as the UK government delayed the date to further lift social distancing laws.



### Euro R16.93



In Europe, the vaccine rollout has gathered pace, and a more sustained reopening of economies is on track for the second half of the year. The flash Markit eurozone composite PMI rose to 59.2 in June, its highest level since June 2006. Eurozone inflation was estimated at 1.9% in June, down from 2.0% in May.

# Quarterly report: Nedgroup Investments



## Domestic performance drivers



### Highlights

- The Constitutional Court found former president Zuma guilty of contempt of court and issued a sentence of 15 months imprisonment. While the rule of law features prominently in the words of the ruling, their consequences perhaps speak even louder.
- Reforms took centre stage in June and appear to be gaining momentum. Government confirmed that Takatso, a consortium of private investors, will be the preferred equity partner for embattled air carrier, South African Airways. Transnet will unbundle the ports business to establish a new, independent Transnet National Ports Authority and the electricity self-generation limit will be increased to 100MW from 1MW previously.



### Low points

- With the delta variant of covid-19 spreading rapidly in South Africa, the severity of the third wave prompted a move to Alert Level 4 restrictions for two weeks, to be reassessed in early July. While the global recovery is providing cyclical tailwinds, stricter lockdowns are an unfortunate setback.
- The BER consumer confidence index fell this quarter, after recording four consecutive positive quarters. This survey reflects “very depressed consumer confidence levels” and also highlights the divergence of the impact of covid-19 on the different income groups within South Africa.



## Global performance drivers



### Highlights

- At the end of the quarter, vaccination rates were close to 50% in the United States and Europe, and over 60% in the United Kingdom. New, more contagious covid-19 variants are spreading, but the existing vaccines seem effective against these variants.
- The European Commission signed off on the first of the national recovery plans which will receive funding from the €800 billion Next Generation EU fund. Spain and Portugal were the first countries to have their spending plans approved.



### Low points

- In late June President Joe Biden also secured a deal on an infrastructure package worth about \$1 trillion to upgrade roads, bridges and broadband networks over the next eight years. The agreement fell short of the \$2.3 trillion infrastructure spending plan announced in March, and did not address the social safety-net spending proposed in April.
- Indian hospitals ran out of beds and life-saving oxygen during a devastating second wave of coronavirus in April and May. This devastating surge in covid-19 cases and fatalities, highlighted the importance of rapid vaccination rollouts.

# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Fund overview

Max equity

**60%**

Time frame

Min **5** years

Benchmark

Inflation **+4%**

Peer group

SA Multi-Asset  
Medium Equity

Regulation 28

Compliant

Risk profile

1

2

**3**

4

5



### Underlying fund structure

20% Active

**ABAX**  
investments

20% Active

**CORONATION**  
FUND MANAGERS

20% Active

**FOORD**

20% Active

**Ninety  
One**

20% Passive

**Taquanta**



### Fund costs (A – clean class)

Management fee\* (Excl. Vat)

**1.04%**

Total expense ratio

**1.32%**

Transaction charges

**0.13%**

Total investment charges

**1.45%**



### Benefits of the Select range

Simple, low-cost  
Solution



Diversified across  
Asset classes



Passive and active  
underlying investments



Quarterly  
Rebalanced



Tax  
Efficient



Ongoing  
Due diligence



as at 30 June 2021

\*\*Includes BOTH multi-manager and underlying fund fees. **Numbers displayed here are best estimates given current fund and fee structure.**

The Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1<sup>st</sup> April 2018 to 31 March 2021 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Defensive FoF history due to the fund merger.

# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Asset allocation

#### Domestic Equity



37.4%

#### Domestic Property



3.9%

#### Domestic Fixed Interest



35.5%

#### Foreign Equity



17.6%

#### Foreign Property



0.8%

#### Foreign Fixed Interest



4.8%



### Regional exposure



58%

PURE SA



19%

RAND HEDGES



23%

DIRECT FOREIGN



### Top ten holdings



NASPERS

4.7%

RSA R2030 Bond

3.4%

RSA R209 Bond

3.0%

RSA R186 Bond

2.7%



BRITISH AMERICAN  
TOBACCO

2.7%

RSA R2035 Bond

2.1%

RSA R2032 Bond

1.8%

NEWGOLD

1.8%



ANGLO  
AMERICAN

1.4%

BHP

1.4%

as at 30 June 2021

# Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



## Fund performance (clean class)\*

Q2'21 return

**2.5%**

Peer group average: 2.1%

Ytd return

**8.6%**

Peer group average: 7.7%

1yr annualised return

**14.7%**

Peer group average: 13.9%

3yr annualised return

**8.1%**

Peer group average: 6.7%

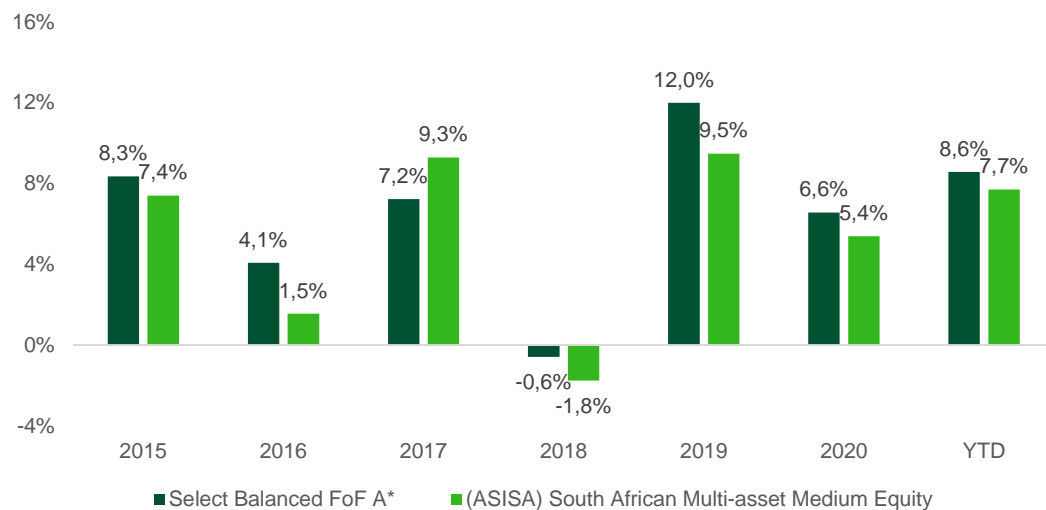
5yr annualised return

**6.6%**

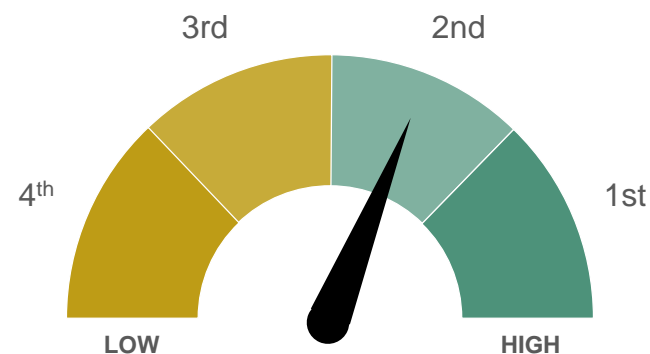
Peer group average: 5.8%



## Calendar year performance



## Peer group quartile ranking\*: 5yr



as at 30 June 2021

\*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

# Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



## Risk measures since inception\*

### Rolling 5yr return

**100%**

Hit rate: outperforming  
peer group average

### Volatility

**6.8%**

SA equity market: 13.8%

### Max drawdown

**-10.9%**

SA equity market: -21.7%

### Sharpe ratio

**0.3**

SA equity market: 0.2

### % Positive months

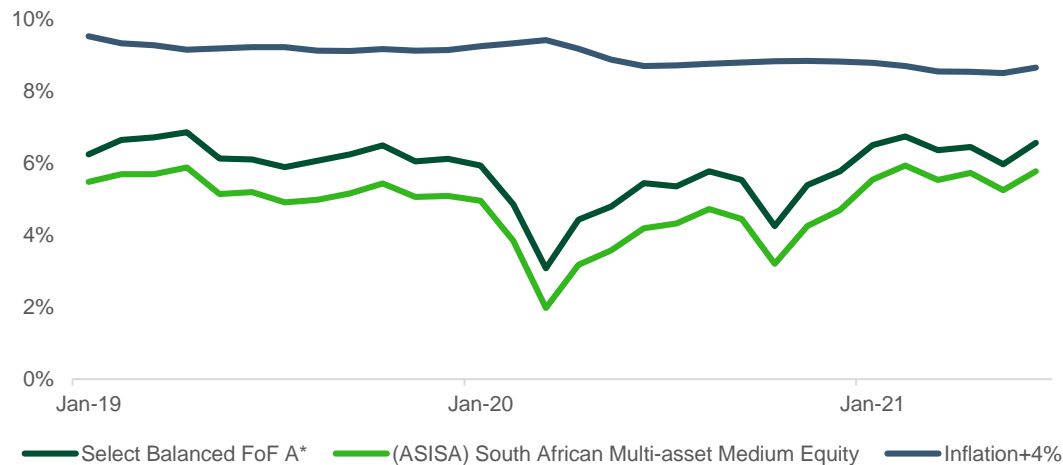
**70%**

SA equity market: 58%

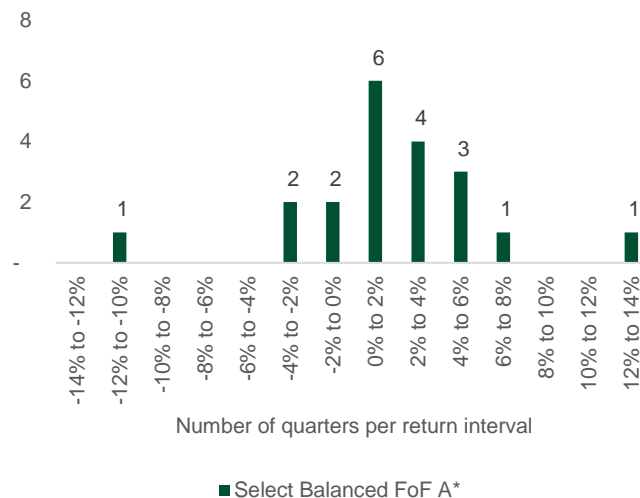


## Rolling 5-year annualised return

Since inception Feb 2014 to date



## Quarterly return distribution



as at 30 June 2021

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# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Underlying fund performance

Key	2016	2017	2018	2019	2020	YTD
Coronation Capital Plus	10.1%	9.7%	1.5%	16.7%	10.2%	14.6%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	8.5%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	7.3%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	7.2%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	5.4%



#### Positive contributors this quarter

- The local bond market has delivered exceptional returns this quarter, led by the strong performance of bonds with a maturity of >12 years, as the yield curve has continued to flatten. The fund's material exposure to the longer end of the curve added significant value.
- The local property market had a very good quarter with the FTSE/JSE SA Listed Property Index up 12%. More specifically, Dipula Property was a major contributor as they reported decent results for a property company and also declared a sizeable dividend.
- The Eurostoxx notes position held by the Nedgroup Investments Opportunity fund continued to add value as the Eurostoxx index continued to recover.



#### Detractors this quarter

- The strong performance of commodities and the positive impact on SA's terms of trade have kept the current account in surplus, supporting the rand, which strengthened 3% to the US dollar this quarter. This detracted from both direct offshore exposure and domestically listed rand hedge stocks like British American Tobacco (-1%).
- Naspers (-15% in Q2'21) detracted this quarter, reflecting the underlying price pressure on Tencent as the regulatory environment for tech companies in China intensified. In addition, many investors were disappointed by the recently announced offer by Prosus to acquire 45% of Naspers as this offer appears to swap deeper discounted Naspers shares for lower discounted Prosus shares.

As at 30 June 2021

The fund has been invested equally weighted across the five funds displayed here since 31<sup>st</sup> December 2020

# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	Peer group	SA inflation
Quarter	2,5%	2,6%	N/A	2,1%	2,3%
1 year	14,9%	15,5%	N/A	13,9%	6,0%
3 year	4,7%	5,3%	N/A	6,7%	4,2%
5 year	4,5%	5,1%	N/A	5,8%	4,5%



### Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.04%	1,32%	0.13%	1,45%
A1 class (product)	1.19%	1,49%	0.13%	1,62%
B2 class (lisp)	0.89%	1,14%	0.13%	1,27%

as at 30 June 2021

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