



See money differently

# Quarterly Report: Nedgroup Investments Select Equity 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



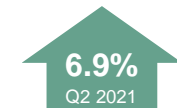
SA property was the top performer in Q2, with counters like Vukile and Sirius leading the charge

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

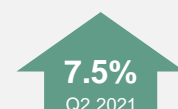
5.9% LT average



## 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



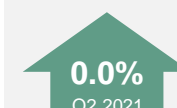
The US 10-year yield fell on the back of many countries' - incl. the US - inflation exceeding expectations

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 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*



20% SA only



20% incl. Foreign



20% incl. Foreign



20% incl. Foreign



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**1.09%**

Total expense ratio

**1.68%**

Transaction charges

**0.16%**

Total investment charges

**1.84%**



### 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. Both 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

# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Sector allocation

#### Basic Materials



27.1%

#### Financials



19.0%

#### Technology



12.8%

#### Consumer Goods



7.5%

#### Consumer Services



7.4%

#### Health Care



3.1%



### Regional exposure



34%

PURE SA



50%

RAND HEDGES



15%

DIRECT FOREIGN



### Top ten holdings



NASPERS

10.3%



ANGLO  
AMERICAN

7.2%



4.7%

BHP

4.3%



BRITISH AMERICAN  
TOBACCO

3.7%



IMPALA  
PLATINUM

3.0%



RICHEMONT

2.5%



2.5%



Standard Bank

2.2%



1.8%

as at 30 June 2021

# Quarterly report: Nedgroup Investments Select Equity Fund of Funds



## Fund performance (clean class)

Q2'21 return

**-0.4%**

Peer group average: 0.5%

1yr annualised return

**24.4%**

Peer group average: 25.0%

3yr annualised return

**3.8%**

Peer group average: 5.5%

5yr annualised return

**3.9%**

Peer group average: 4.6%

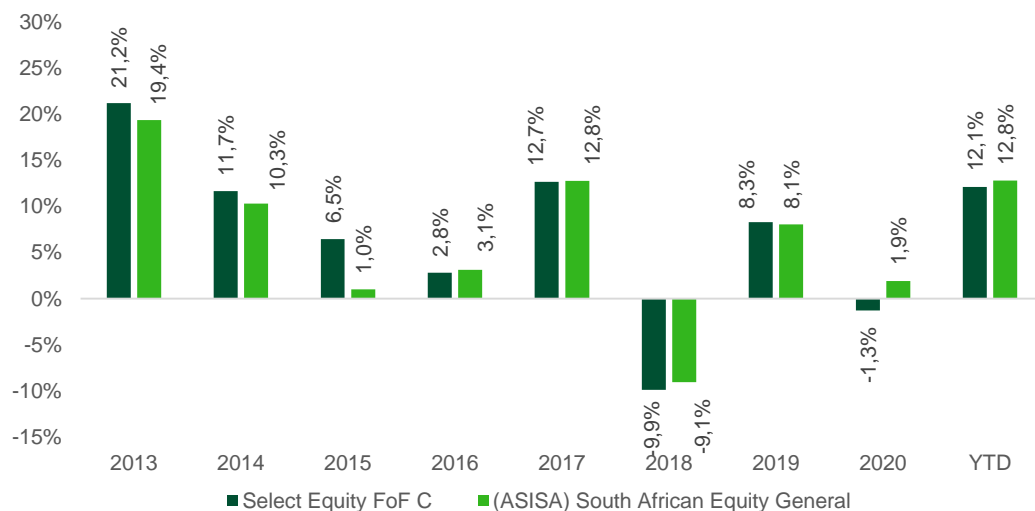
7yr annualised return

**4.4%**

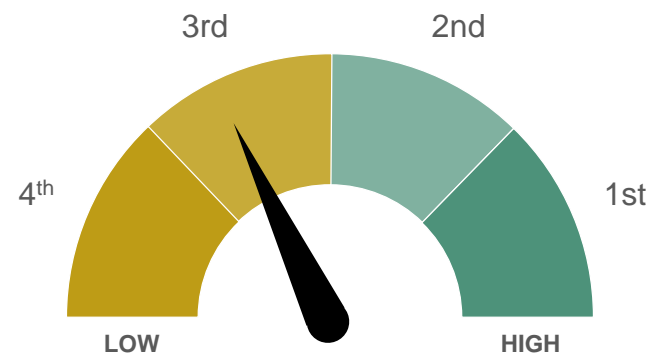
Peer group average: 4.2%



## Calendar year performance



## Peer group quartile ranking: 7yr



as at 30 June 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

**99%**

Hit rate: outperforming  
peer group average

### Volatility

**13.1%**

SA equity market: 15.2%

### Max drawdown

**-29.9%**

SA equity market: -40.4%

### Sharpe ratio

**0.2**

SA equity market: 0.3

### % Positive months

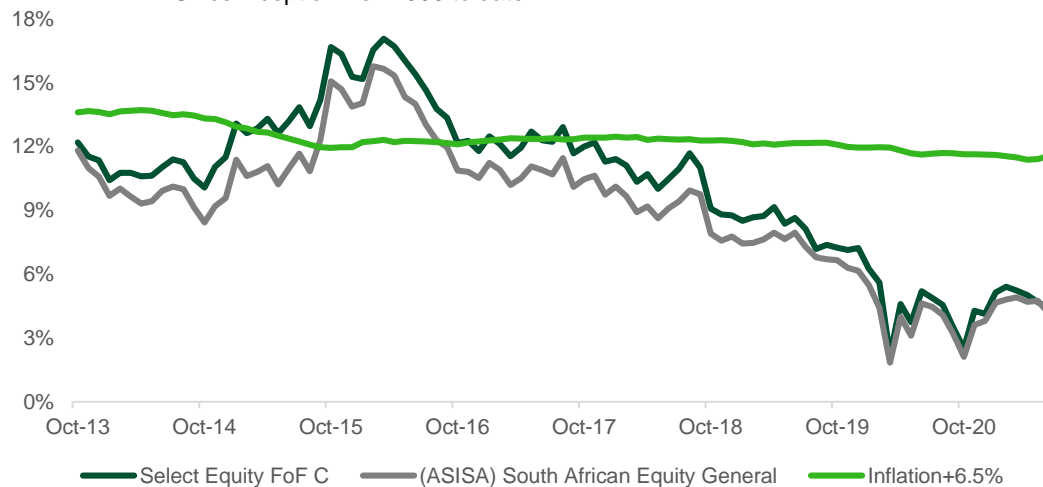
**65%**

SA equity market: 61%

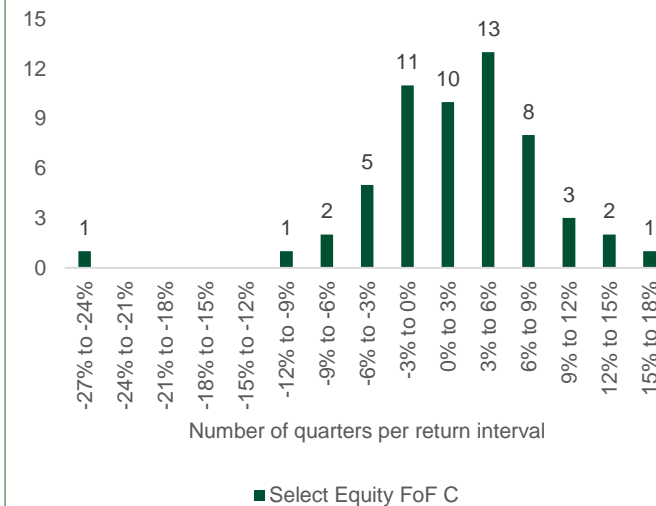


## Rolling 7-year annualised return

Since inception Nov 2006 to date



## Quarterly return distribution



# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Underlying fund performance

| Key                                      | 2016  | 2017  | 2018   | 2019  | 2020  | YTD   |
|--|-------|-------|--------|-------|-------|-------|
| Satrix ALSI Tracker                      | 3,6%  | 20,3% | -6,5%  | 16,9% | 14,2% | 13,6% |
| Coronation Equity                        | 1,8%  | 18,5% | -7,5%  | 13,6% | 10,9% | 13,0% |
| Ninety One Equity                        | 1,2%  | 17,3% | -9,2%  | 11,4% | 6,3%  | 12,4% |
| Nedgroup Investments Rainmaker (Abax)    | -1,5% | 17,2% | -12,2% | 7,4%  | 0,0%  | 11,9% |
| Nedgroup Investments SA Equity (Laurium) | -4,1% | 12,0% | -12,8% | 4,1%  | -6,9% | 9,5%  |



#### Positive contributors this quarter

- Domestically focussed companies such as banks, retailers and real estate companies were up strongly this quarter, with the commodity boom adding to a faster-than-expected domestic economic recovery. In the retail space, Foschini (+30% in Q2'21) was the top contributor.
- The banks made material provisions related to Covid-19 in 2020, but actual defaults are proving to be lower than expected. The fund's close to 10% exposure to the big 4 banks contributed to performance with Nedbank (+22%) being the top performer.
- MTN (+19%) contributed meaningfully to performance after the group reported solid financial trends in Q1. MTN Group remains well positioned to successfully leverage its extensive infrastructure, deep distribution and significant scale.



#### Detractors this quarter

- Naspers (-15% in Q2'21) was the largest detractor 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.
- The second largest detractor was the fund's exposure to platinum stocks Impala Platinum (-14%), Anglo American Platinum (-23%), Northam Platinum (-16%) and AngloGold Ashanti (-18%). Imbalances in the supply and demand for various goods, along with the asynchronous global economic recovery, has pressured the container shipping market for PGMs.

As at 30 June 2021

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

The Nedgroup Investments Value fund merged with Nedgroup Investments SA Equity 4<sup>th</sup> June 2021, managed by Laurium Capital.



# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Performance across classes

|                | A Class (all in) | B2 Class (lisp) | C Class (clean) | C1 Class (product) | Peer group | SA inflation |
|----------------|------------------|-----------------|-----------------|--------------------|------------|--------------|
| <b>Quarter</b> | -0,7%            | -0,4%           | -0,4%           | -0,5%              | 0,5%       | 2,3%         |
| <b>1 year</b>  | 23,0%            | 24,6%           | 24,4%           | 24,2%              | 25,0%      | 6,0%         |
| <b>3 year</b>  | 2,6%             | 3,9%            | 3,8%            | N/A                | 5,5%       | 4,2%         |
| <b>5 year</b>  | 2,7%             | 4,1%            | 3,9%            | N/A                | 4,6%       | 4,5%         |



### Costs across classes

|                           | Management fee*<br>(excl. Vat) | Financial<br>planner | Total<br>expense ratio | Transaction<br>Charges | Total investment<br>charges |
|---------------------------|--------------------------------|----------------------|------------------------|------------------------|-----------------------------|
| <b>A class (all-in)</b>   | 2.39%                          | 1.00%                | 2.82%                  | 0.16%                  | 2.98%                       |
| <b>B2 class (lisp)</b>    | 1.24%                          | N/a                  | 1.50%                  | 0.16%                  | 1.66%                       |
| <b>C class (clean)</b>    | 1.39%                          | N/a                  | 1.68%                  | 0.16%                  | 1.84%                       |
| <b>C1 class (product)</b> | 1.54%                          | N/a                  | 1.85%                  | 0.16%                  | 2.01%                       |

as at 30 June 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> April 2018 to 31 March 2021

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