NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments XS Accelerated Fund of Funds

as at 30 June 2021

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

0.0% Q2 2021

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

12.1% Q2 2021

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

6.9% Q2 2021

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

0.9% Q2 2021

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

7.5% Q2 2021

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

9.4% Q2 2021

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

1.3% Q2 2021

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

0.0% Q2 2021

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

3%

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

3%

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

2%

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.

Source: Morningstar; as at 30 June 2021
https://nedgroupinvestmentsmultimanager.com/

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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.

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Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
90%	Min 7 years	Inflation +6.5%	SA Multi-Asset Flexible	Non-compliant

Risk profile

1 2 3 **4** 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.30%	1.55%

Transaction charges	Total investment charges
0.13%	1.68%

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 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 1st January 2018 and ending 31st March 2021

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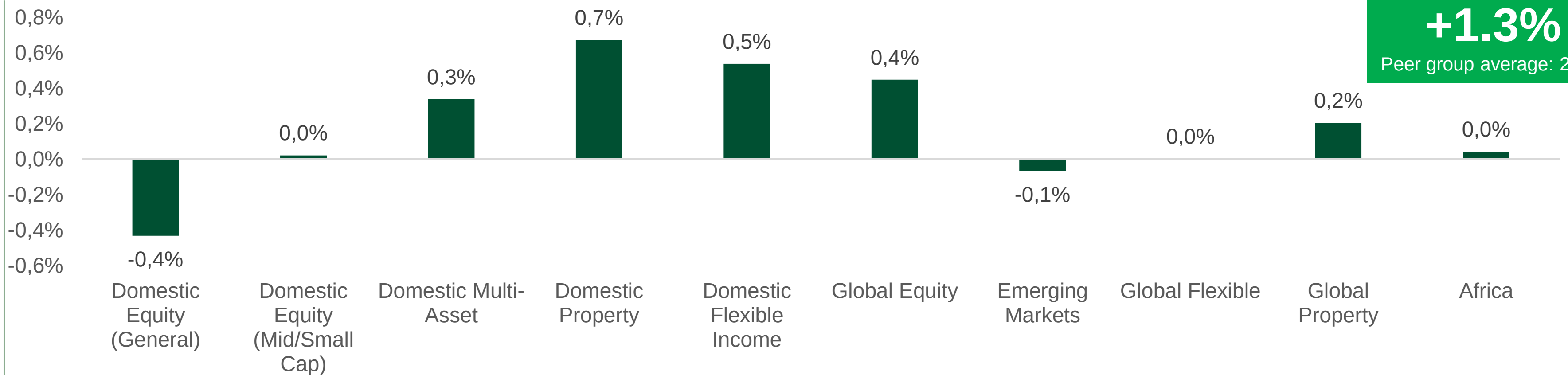
XS Fund of Funds performance contribution – Q2 2021



Q2 2021
+1.3%
Peer group average: 2.0%

Positive contributors this quarter

- South Africa's listed property sector was the top performing domestic asset class in the second quarter of 2021. The fund's strategy of having very little exposure to large malls and offices tenanted to the private sector, while continuing to have exposure to rural and township neighbourhood and convenience retail centres in the Western Cape (with an emphasis on logistics properties in that region), boded well for the fund.
- The domestic flexible income bucket contributed positively during the second quarter, with the local bond market delivering exceptional returns. Our asset managers continued to predominantly hold the SA 10-Year nominal bond and 5-Year SA inflation linked bond. Meanwhile, the position in Royal Bafokeng Convertible generated strong returns for the fund.
- Global risk assets experienced another strong quarter, as global economic growth continued to recover at an incredible pace.

Detractors this quarter

- The domestic equity carve-out was the largest detractor to the overall fund performance. The XS Accelerated Fund of Funds has a higher equity exposure, which translated to this bucket being a larger drag on performance relative to a lower equity fund. While domestically focussed companies such as banks, retailers and real estate companies were up strongly, the likes of Naspers and Prosus were flat and down -12% respectively. Naspers is the largest position within the funds top 10 holdings and was a major detractor as the much- hyped value unlock transaction was poorly received by the market. Interventions by Chinese regulators further spooked the market.
- In terms of emerging markets , disappointingly for the fund, stock selection in China, Brazil, Russia and India detracted from performance. Overweight position in Brazil hurt the manager's performance, whilst underweights positions in the Gulf region and in South Africa, dragged on performance.

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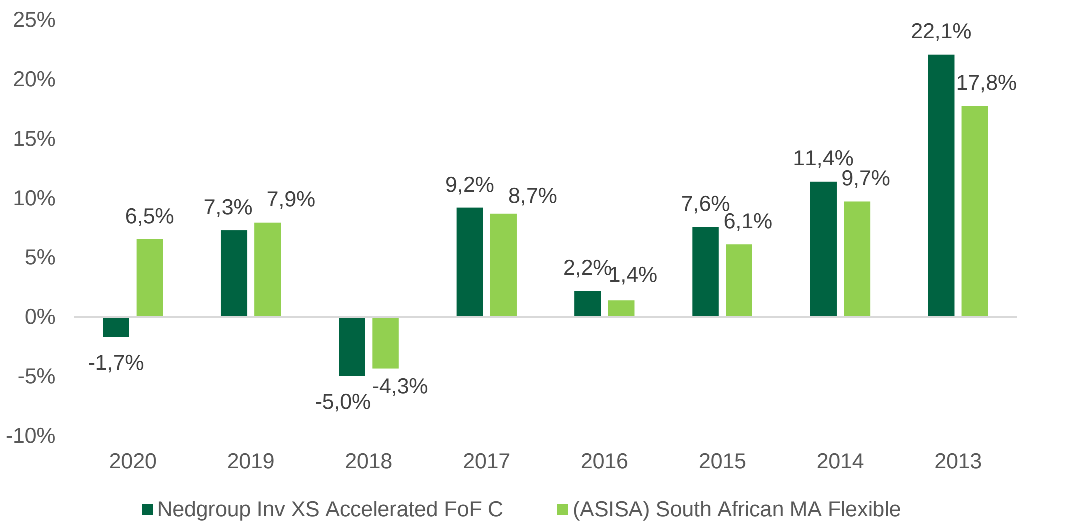
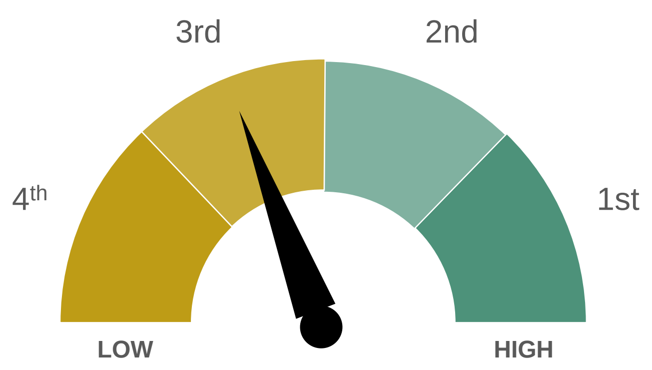
Fund performance (clean class)

Q2'21 return	1yr annualised return	3yr annualised return	5yr annualised return	10yr annualised return
+1.3%	**+17.4%**	**+3.2%**	**+3.8%**	**+8.4%**
Peer group average: +2.0%	Peer group average: +19.9%	Peer group average: +7.1%	Peer group average: +5.7%	Peer group average: +8.4%

Calendar year performance



Peer group quartile ranking: 1yr



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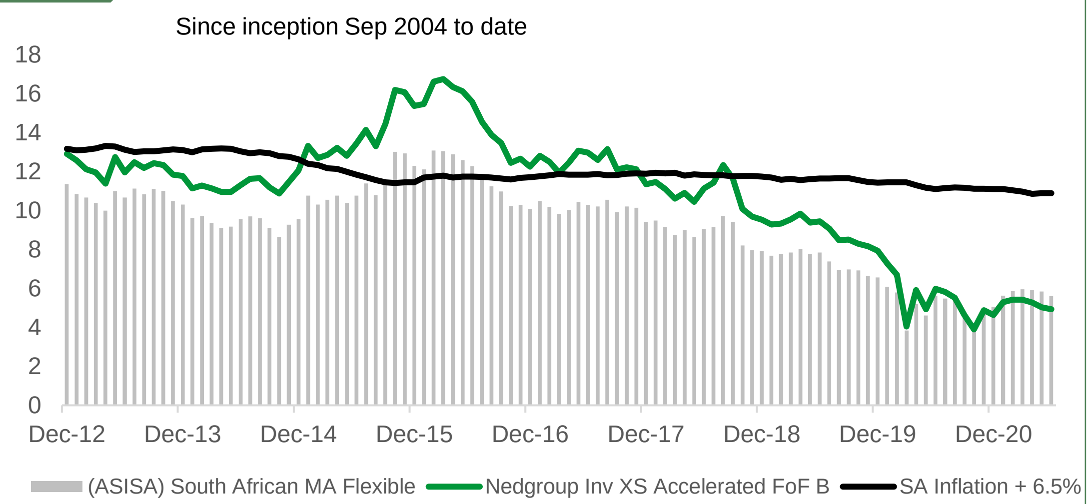
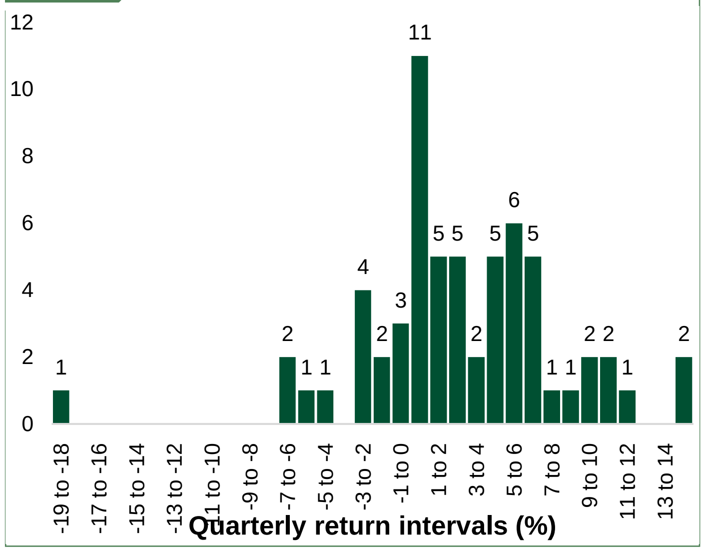
Risk measures since inception

Rolling 7yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
90%	**10.4%**	**-24.1%**	**0.3**	**76%**
Hit rate: outperforming peer group average	SA equity market: 15.2%	SA equity market: -40.4%	SA equity market: 0.4	SA equity market: 72%

Rolling 7-year annualised return



Quarterly return distribution



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Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	1.0%	1,4%	1,3%	2.0%	1.4%
1 year	16.1%	17.8%	17.4%	19.9%	5.2%
3 year	2.0%	3.6%	3.2%	7.1%	3.9%
5 year	2.6%	4.2%	3.8%	5.6%	4.3%

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%	2.70%	0.13%	2.83%
B Class (LISP)	1.00%	N/A	1.21%	0.13%	1.34%
C Class (clean)	1.30%	NA	1.55%	0.13%	1.68%

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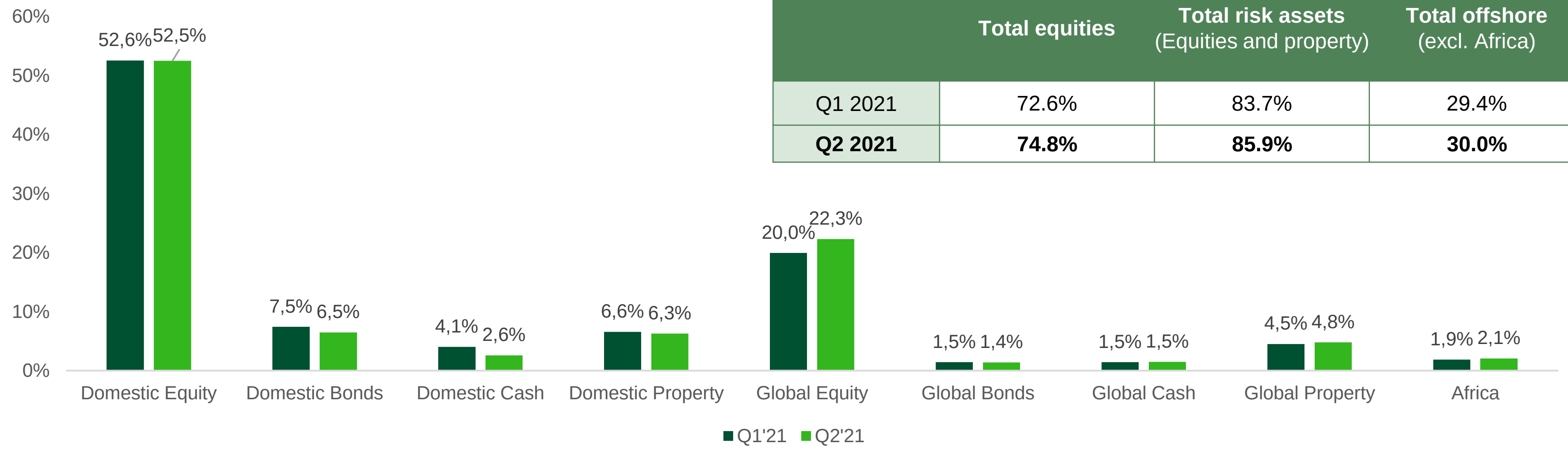
Asset allocation changes



	Total equities	**Total risk assets** (Equities and property)	**Total offshore** (excl. Africa)
Q1 2021	72.6%	83.7%	29.4%
Q2 2021	**74.8%**	**85.9%**	**30.0%**

Summary of recent changes

The following asset allocation decisions were made during the quarter:

- Increased our **global equity** exposure by introducing fund manager Dodge & Cox. The manager has an **emerging market** tilt.
- While we are still overweight **domestic bonds**, we reduced our tactical allocation to domestic bonds and in turn increased our allocation to domestic equity.
- Continued to reduce the underweight position in **domestic equity** by allowing our weight to drift upwards with the markets towards a neutral position.

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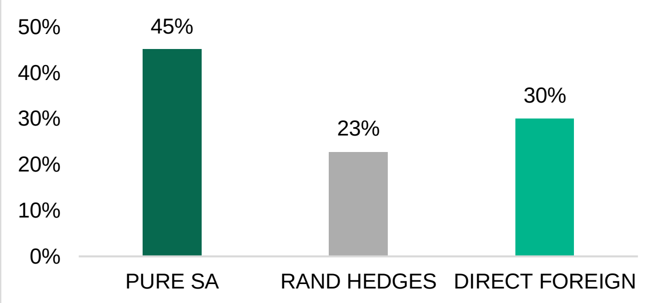
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest	
52.5%	6.3%	9.1%	

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
22.3%	4.8%	2.9%	2.1%

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
NASPERS	6.2%
ANGLO AMERICAN	3.6%
BRITISH AMERICAN TOBACCO	2.5%
IMPALA PLATINUM	2.1%
BHP	1.6%
Standard Bank	1.5%
FIRSTRAND	1.3%
MTN	1.2%
NORTHAM PLATINUM LIMITED	1.1%
NEDBANK	0.9%

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Domestic asset class positioning

Domestic Equity

Neutral | 52.5%

- 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 | 6.3%

- We acknowledge the very attractive yields on offer .
- Returns are likely to be constrained by balance sheet concerns and remains under continuous review. Furthermore, current assumptions for expected property returns include no distribution growth and no capital re-rating.

Domestic Bond

Over weight | 6.5%

- The steep SA yield curve keeps long-dated bonds at attractive yields, however, fiscal risks and risks relating to SOEs are still prevalent.
- Bonds have been reliable source of income for client portfolios during the heart of the Covid-19 pandemic but the inflation outlook remains a key consideration..

Domestic Cash

Under weight | 2.5%

- 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 | 22.3%

- 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 | 4.8%

- 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 | 1.4%

- The conundrum continues with fixed income markets and the longer term prospect of higher rates.
- Our preference remains for taking less duration risk, but greater credit risk within portfolios to generate attractive risk adjusted return.

Global Cash

Under weight | 1.5%

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

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Domestic: fund manager exposures

Equity General 38.7%
- Mazi
- Laurium Capital
- Satrix
- Matrix Fund Managers
- Coronation Fund Managers

Small/Mid Cap Equity: 7.5%
- ABAX investments

Property: 4.9%
- Bridge Fund Managers
- Sesfikile Capital (Listed Property Investments)
- Prudential Investment Managers

Passive Multi-Asset: 13.5%
- Taquanta

Flexible Income: 6.7%
- ABAX investments
- Taquanta

Offshore and Africa: fund manager exposures

Equity: 14.9%
- Ardevora
- Veritas Asset Management
- Dodge & Cox

EM Equity: 3.6%
- NS Partners

Multi-Asset: 3.2%
- FPA investor
- Pyrford International

Property: 4.2%
- Resolution Capital

Africa: 2.3%
- Laurium Capital

As at 30 June 2021
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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