



See money differently

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

as at 30 September 2021

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity

-0.8%

Q3 2021

23.2% 1 year

8.6% 3 years

12.3% LT average

Domestically focussed shares did well this quarter, but Naspers and Platinum shares struggled.

SA Property

5.9%

Q3 2021

54.5% 1 year

-6.8% 3 years

11.2% LT average

After a tough July due to unrest in SA, the sector ended the quarter strong, led by Resilient and Hyprop

SA Bond

0.4%

Q3 2021

12.5% 1 year

9.1% 3 years

7.0% LT average

SA bonds were volatile this quarter, reacting to changes in investor sentiment and global bond yields

SA Cash

0.9%

Q3 2021

3.5% 1 year

5.1% 3 years

5.9% LT average

The SARB kept rates unchanged, but highlighted risks to near term inflation pressure



Global asset class returns (USD)



Global Equity

-1.0%

Q3 2021

28.0% 1 year

13.1% 3 years

8.7% LT average

The quarter started well, but gains were erased by inflation fears and China worries

Global Property

-0.7%

Q3 2021

30.8% 1 year

7.2% 3 years

6.7% LT average

Value sectors exposed to the pandemic reopening theme outperformed growth sectors

Global Bond

-0.9%

Q3 2021

-0.9% 1 year

4.2% 3 years

4.6% LT average

US and EU yields ended the quarter unchanged. UK struggled amidst expected monetary policy tightening

US Cash

0.0%

Q3 2021

0.2% 1 year

1.3% 3 years

4.3% LT average

Global central banks turned hawkish in September, with the Fed providing indicative timelines for tapering



Exchange rates (Rand spot rate and quarterly change)



US Dollar R15.05

5%

The rand had a tough end to the quarter, giving back all of the gains made this year relative to the US dollar, as global investor sentiment turned. The US economy continued on a strong recovery path, despite the ongoing threat of rising inflation and Covid-19 infections, helping the US dollar to remain strong.



British Pound R20.29

3%

The British pound was the worst performer of the developed market currencies as UK's inflation reached its highest point ever in August, at 3.2%. Despite the economy expanding for a sixth consecutive month, the pace of the recovery was slower in July.



Euro R17.44

3%

Supply chain bottlenecks and rising energy prices (due to low gas supply and lack of summer wind) raised concerns around rising inflation. Germany held a general election in which Social Democrats (SPD) took the largest share of the votes. Coalition talks to form a new government are now under way.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- President Ramaphosa announced a cabinet reshuffle in August, which included changes to the security cluster and a new health minister, following the resignation of Zwele Mkhize. Most influential for markets was the appointment of Enoch Godongwana as finance minister.
- The economy recorded quarterly GDP growth of 1,2% (not annualised), exceeding market expectations yet again.
- On the last day of the month, South Africa moved to adjusted alert level 1, further relaxing restrictions on movement and trade. This, combined with the removal of South Africa from various countries' "red lists" may provide some much-needed support for the country's economic recovery.



Low points

- The civil unrest in July 2021 left a significant dent in the economy, notably in the property sector. Several shopping centres, industrial properties (warehouses and storage facilities) and educational facilities, located primarily in Kwazulu-Natal and Gauteng, experienced significant trading interruptions due to looting and civil unrest.
- South Africa's daily covid-19 vaccination rate continues to fall short of the target of 300 000 daily doses with September's low point at 159,542 and August's at 147,307. Less than 25% of South Africa's adult population of approx. 40 million is fully vaccinated. South Africa needs to reach approximately 18 million more adults to reach the 70% coverage target.



Global performance drivers



Highlights

- The Delta variant of Covid-19 continued to spread, but most large eurozone countries have now fully vaccinated around 75% of their population against the virus, enabling many restrictions on travel and other activities to be lifted.
- Overall, net energy exporters outperformed this quarter, most notably Colombia, Russia, Kuwait, Saudi Arabia, Qatar and the UAE.
- India was the best-performing market index during the quarter and achieved a strongly positive performance as accommodative monetary policy and the easing of Covid-19 restrictions boosted investor sentiment.



Low points

- With inflation pressure mounting in the United Kingdom, policymakers may be forced to raise interest rates as early as 2022. The economy is yet to fully recover from the pandemic.
- The potential failure of Evergrande Group (one of China's largest property developers with a \$300bn debt burden) sparked fears of global contagion. The commodity market was adversely impacted, especially precious and other industrial metals. Consequently, it was one of the worst quarters for emerging markets since the start of the pandemic.

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 September 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 1st July 2018 to 30 June 2021 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Balanced FoF history due to the fund merger.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Asset allocation

Domestic Equity



36.5%

Domestic Property



4.0%

Domestic Fixed Interest



36.2%

Foreign Equity



17.8%

Foreign Property



0.7%

Foreign Fixed Interest



4.8%



Regional exposure



59%

PURE SA



18%

RAND HEDGES



23%

DIRECT FOREIGN



Top ten holdings

4.7%

RSA R2035 Bond

3.4%

RSA R2030 Bond

3.0%

NASPERS

2.7%

RSA R186 Bond

2.7%

RSA R2037 Bond

2.1%

BRITISH AMERICAN
TOBACCO

1.8%

RSA R2032 Bond

1.8%

NEWGOLD

1.4%

Standard Bank

1.4%

prosus

as at 30 September 2021

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q3'21 return

1.9%

Peer group average: 2.1%

Ytd return

10.7%

Peer group average: 10.0%

1yr annualised return

15.6%

Peer group average: 14.9%

3yr annualised return

8.3%

Peer group average: 6.9%

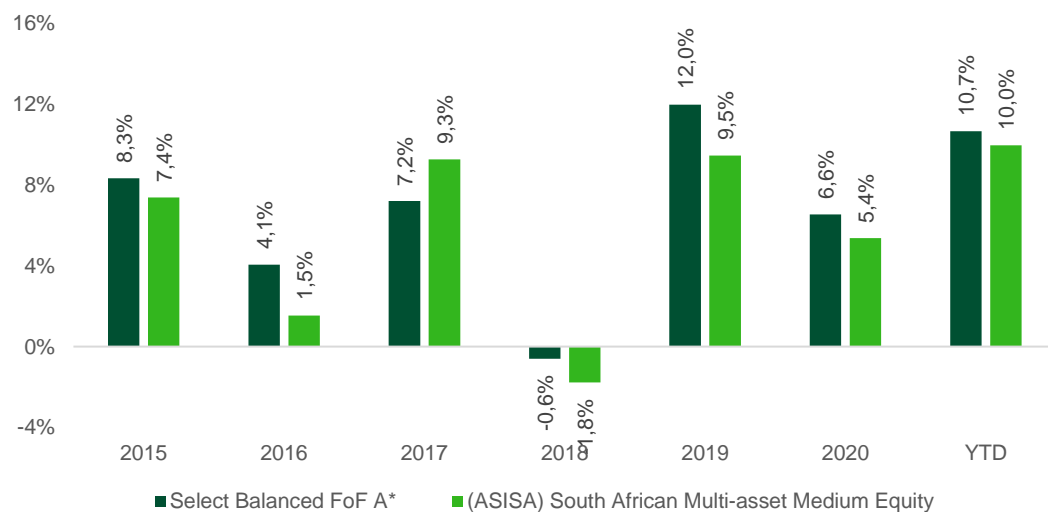
5yr annualised return

6.9%

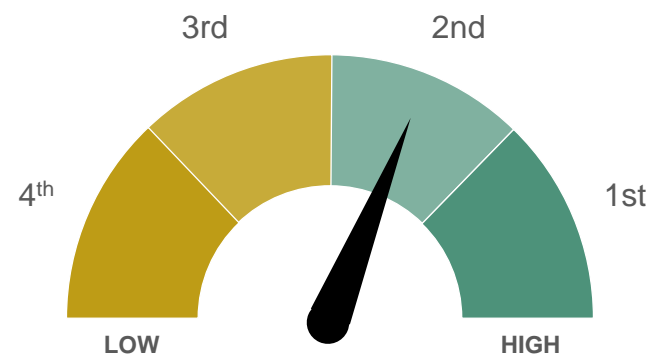
Peer group average: 6.1%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 30 September 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

6.7%

SA equity market: 13.7%

Max drawdown

-10.9%

SA equity market: -21.7%

Sharpe ratio

0.3

SA equity market: 0.2

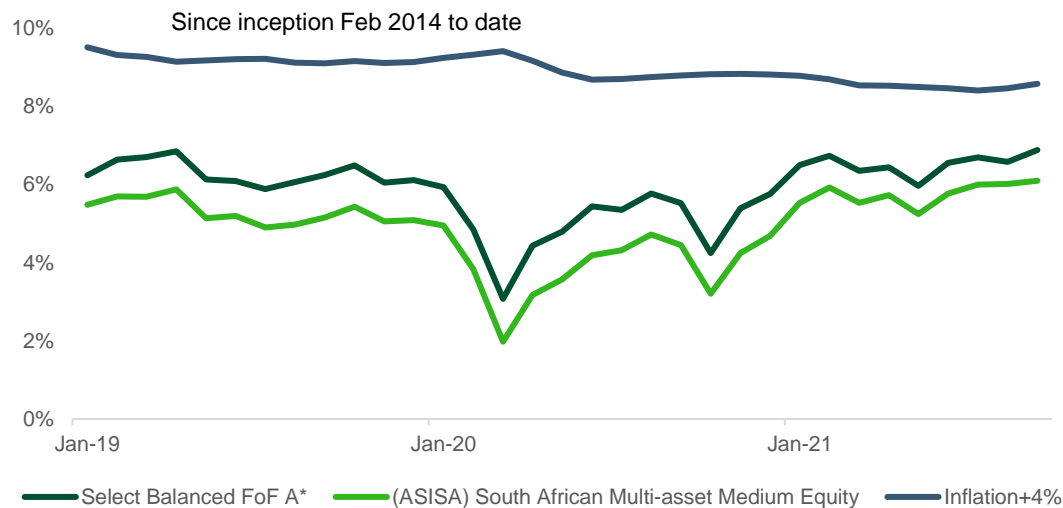
% Positive months

70%

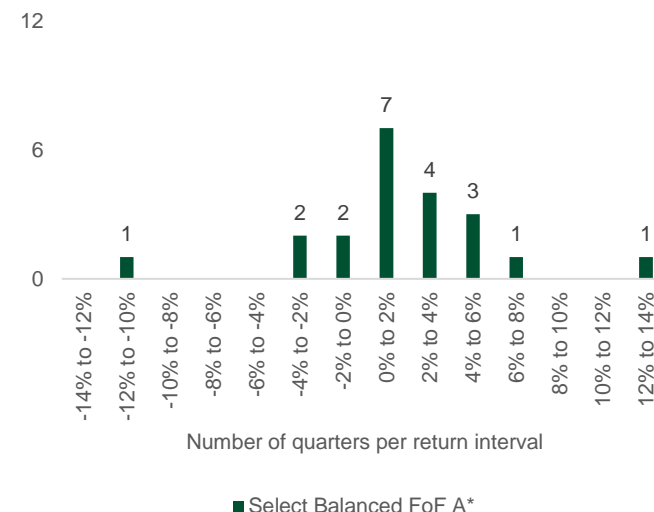
SA equity market: 58%



Rolling 5-year annualised return



Quarterly return distribution



as at 30 September 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%	18.1%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	10.5%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	9.9%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	8.2%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	7.5%



Positive contributors this quarter

- The fund's direct offshore exposure and SA listed rand hedges benefitted from this quarter's weakening of the rand/dollar exchange rate from R14.28 to R15.05 (5%).
- Standard Bank was one of the largest contributors as it recovered from oversold levels. Despite the recovery, the underlying fund managers continue to see value in the domestic banking sector in general.
- The third quarter saw a notable shift toward investor risk aversion compared to the first half of the year, as several mounting concerns around global growth took their toll on financial markets. The fund's allocation to the NewGold debenture (+5%) benefitted from this shift.



Detractors this quarter

- Local listing Naspers was a large detractor, as the Chinese Technology regulator clamped down on tech businesses, severely impacting the share-prices of Chinese tech companies. More specifically for Tencent, government attempts to protect minors means increasing restrictions on time spent gaming.
- South Africa was among the worst performers within emerging markets, with the FTSE/JSE All Bond Index falling by 2.1% in September – in line with US Treasuries and global bonds recording negative returns - to end the quarter close to flat at 0.4%.
- Iron ore and PGMs commodity spot prices came under pressure this quarter, putting pressure on the likes of Impala Platinum (-23%). Iron ore prices came under pressure as Chinese authorities sought to cap domestic steel production. The continued global semi-conductor shortage has impacted automotive production and PGM demand.

As at 30 September 2021

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

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Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	Peer group	SA inflation
Quarter	1,9%	1,9%	2,0%	2,1%	1,7%
1 year	16,2%	16,6%	N/a	14,9%	4,9%
3 year	5,0%	5,5%	N/a	6,9%	4,1%
5 year	4,6%	5,1%	N/a	6,1%	4,4%



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 September 2021

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

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– i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Defensive FoF history due to the fund merger.

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