



See money differently

Quarterly Report: **Nedgroup Investments** **Select Global Equity 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 Global Equity Fund of Funds



Fund overview

Max equity

100%

Time frame

Min **7** years

Benchmark

USD Cash
+6%

Peer group

Global Equity
General

Regulation 28

Non-Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ARDEVORA

Goldman
Sachs

20% Active

DODGE & COX

20% Active

Veritas
— Asset
Management

20% Active

SATRIX

20% Passive



Fund costs (C – clean class)

Management fee* (Excl. Vat)

0.99%

Total expense ratio

1.22%

Transaction charges

0.10%

Total investment charges

1.32%



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. Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1st July 2018 to 30th June 2021. Figures displayed here are the best estimates available given insufficient track record.

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Sector allocation

Communication Services



16.5%

Technology



14.9%

Healthcare



14.4%

Financial Services



12.6%

Consumer Cyclical



12.4%

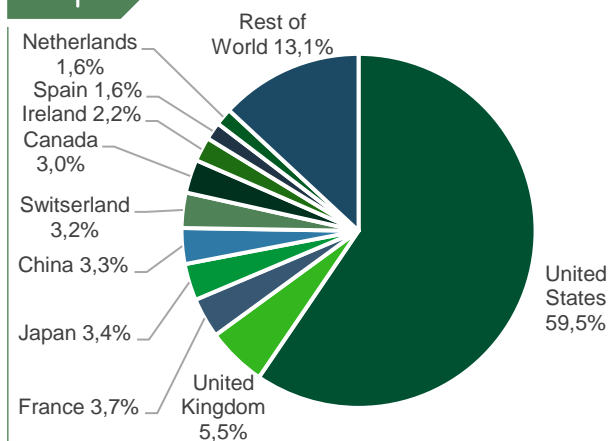
Industrials



11.8%



Country allocation



Top ten holdings

Alphabet

3.9%

amazon

2.5%



2.1%



2.0%

Charter
COMMUNICATIONS

1.9%



1.3%



1.3%

UNITEDHEALTH GROUP®

1.2%



1.0%



0.9%

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Fund performance (clean class)*

Q3'21 return

3.8%

Peer group average: 2.9%

1yr annualised return

17.1%

Peer group average: 13.6%

3yr annualised return

16.9%

Peer group average: 12.8%

5yr annualised return

17.0%

Peer group average: 12.8%

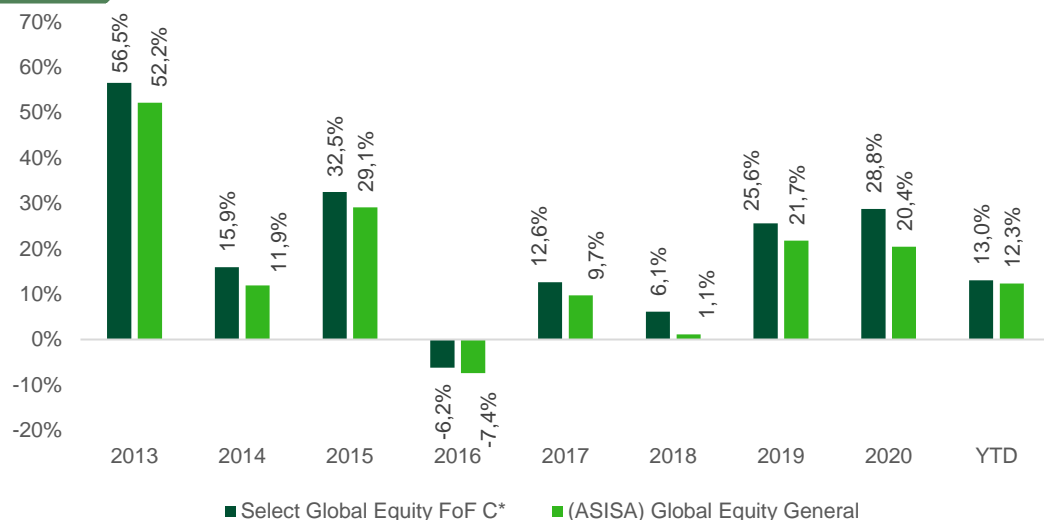
7yr annualised return

15.8%

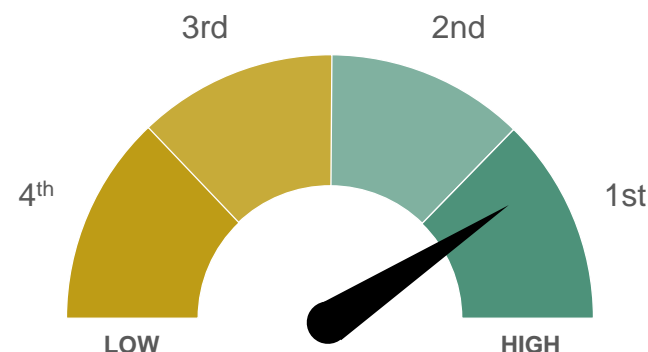
Peer group average: 12.1%



Calendar year performance



Peer group quartile ranking*: 7yr



as at 30 September 2021

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Risk measures since inception*

Rolling 7yr return

100%

Hit rate: outperforming
peer group average

Volatility

15.5%

Global equity market (ZAR):
15.0%

Max drawdown

-15.5%

Global equity market (ZAR):
-15.0%

Sharpe ratio

0.9

Global equity market (ZAR):
0.9

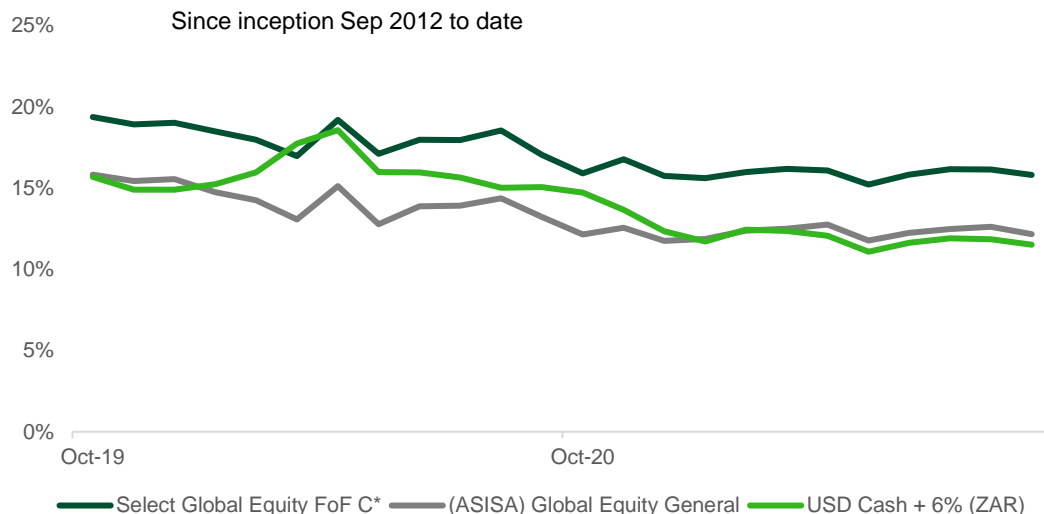
% Positive months

65%

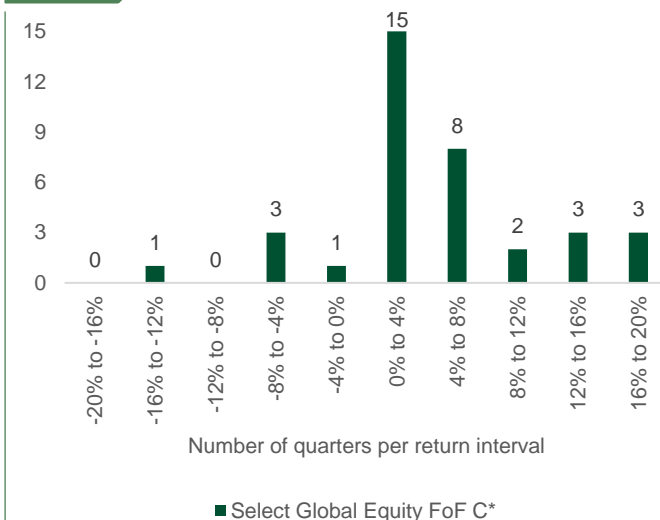
Global equity market (ZAR):
64%



Rolling 7-year annualised return*



Quarterly return distribution*



as at 30 September 2021

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	YTD
Dodge & Cox Global Stock	3,3%	16,3%	9,7%	32,5%	63,9%	19.2%
Goldman Sachs Global Millennials	-5,7%	15,0%	9,2%	26,9%	32,4%	16.4%
Nedgroup Investments Global Equity (Ardevora)**	-5,8%	11,1%	5,3%	24,3%	20,4%	14.2%
Nedgroup Investments Global Equity (Veritas)	-9,5%	10,0%	4,8%	23,0%	18,1%	10.3%
Satrix World Equity Tracker	-13,2%	10,0%	1,5%	20,4%	11,4%	9.0%



Positive contributors this quarter

- The fund being fully invested directly in the global equity market, benefitted from this quarter's weakening of the rand/dollar exchange rate from R14.28 to R15.05 (5%).
- The fund's healthy exposure to the Financials sector contributed to performance, with positions like ICICI Bank, Aegon, Barclays, Capital One Financial, and Wells Fargo all having a good quarter.
- Alphabet (+10% in US dollars) continues to be a contributor to performance as its main businesses are still generating robust growth and is expected to survive regulatory headwinds. According to eMarketer, Google will likely account for 28.6% of all digital ad spending worldwide this year. Additionally, Google Cloud's revenues surged 46% when last reported, as the usage of its Cloud services accelerated throughout the pandemic.



Detractors this quarter

- Global equity markets had a tough quarter, given a slower than anticipated recovery in some markets and China's wide-ranging regulatory interventions. Alibaba was one of the largest detractors with its share price falling 35% in US dollars this quarter.
- Some of the fund's Health Care holdings detracted from performance with 1Life Healthcare down almost 40% and Sanofi down almost 10% in US dollars this quarter.
- Canadian Pacific Railway (-13% in US dollars) has won a takeover battle for Kansas City Southern (KCS), which will create the first railroad spanning US, Canada and Mexico. The Surface Transportation Board (STB), regulators in Mexico and shareholders must still approve the detail of this deal. This may explain the subdued share price despite the positive outcome and recent better than expected results.

As at 30 September 2021

**The track record of the sub-fund (Ardevora Global Long Only Equity) on which this fund is modelled is used due to short track record of the Nedgroup Investments funds

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Performance across classes

	B2 Class (lisp)	C Class (clean)	C1 Class (product)	Peer group	SA inflation
Quarter	0,5%	3,8%	3,8%	3,8%	2,9%
1 year	N/A	N/A	N/A	13,6%	4,9%
3 year	N/A	N/A	N/A	12,8%	4,1%
5 year	N/A	N/A	N/A	12,8%	4,4%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
B2 class (lisp)	0.84%	N/a	1,05%	0.10%	1.15%
C class (clean)	0.99%	N/a	1,22%	0.10%	1.32%
C1 class (product)	1.14%	N/a	1,39%	0.10%	1.49%

as at 30 September 2021

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