



See money differently

Quarterly Report: **Nedgroup Investments** **Select Income 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 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 the 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 Income Fund of Funds



Fund overview

Max equity

10%

Time frame

Min **6** months

Benchmark

110% STeFI Call

Peer group

SA Multi-Asset
Income

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

ABAX
investments

34%

CORONATION
FUND MANAGERS

33%

**Ninety
One**

33%



Fund costs (C – clean class)

Management fee* (Excl. Vat)

0.74%

Total expense ratio

0.94%

Transaction charges

0.01%

Total investment charges

0.95%



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. Both 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

Quarterly report:

Nedgroup Investments Select Income Fund of Funds



Asset allocation

Domestic Equity



1.0%

Domestic Property



3.0%

Domestic Fixed Interest



84.2%

Foreign Equity



0%

Foreign Property



0.1%

Foreign Fixed Interest



11.8%



Modified duration*

Select Income FoF

1,43

All Bond Index

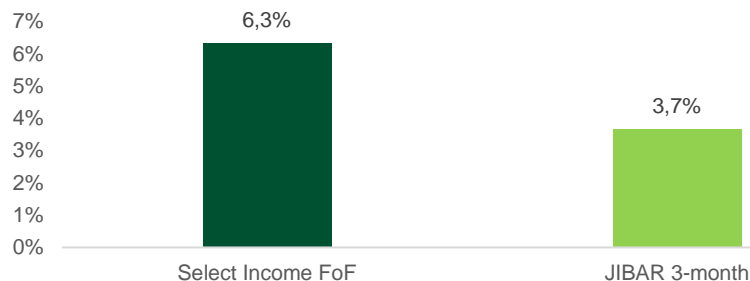
6,44

0 2 4 6 8
Duration (number of years)

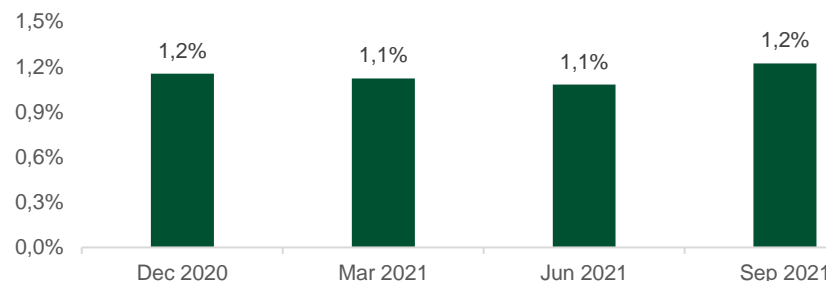


Yield and Distribution

Gross fund yield (forward-looking)



Quarterly distribution yield (actual) - C class



as at 30 September 2021
*Select Income FoF includes ILB duration

Quarterly report:

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Fund performance (clean class)

Q3'21 return

1.5%

Benchmark: 1.0%

Ytd return

5.1%

Benchmark: 2.9%

6 month return

3.6%

Benchmark: 1.9%

1yr annualised return

7.2%

Benchmark: 3.9%

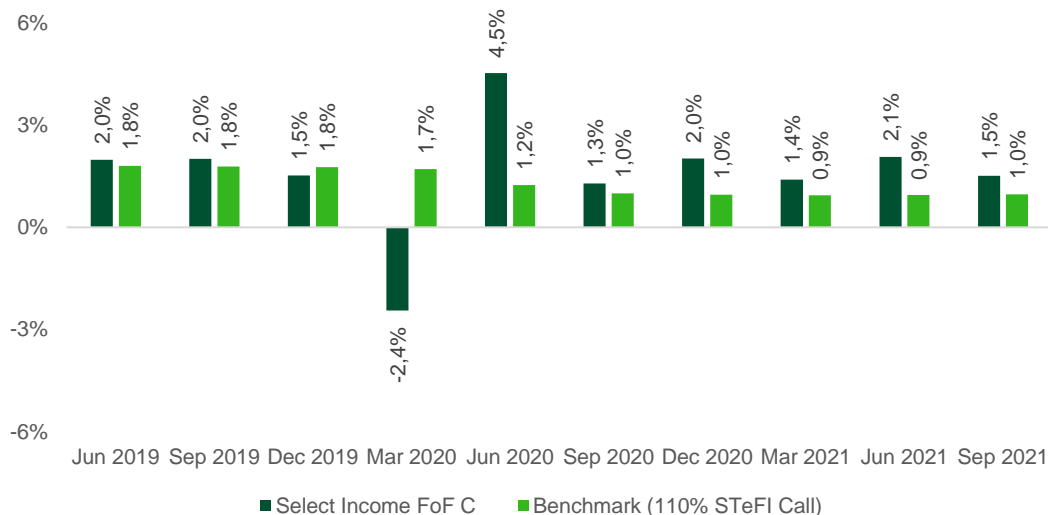
2yr annualised return

6.0%

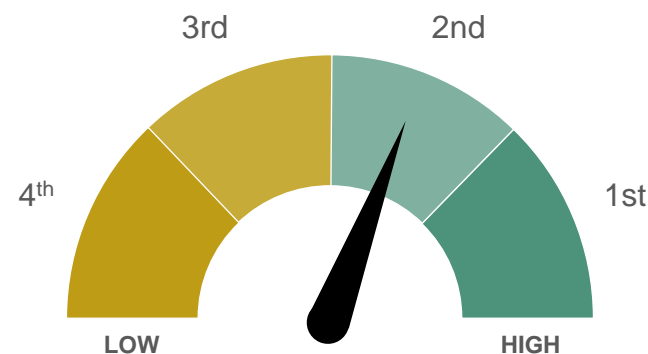
Benchmark: 4.8%



Quarterly performance



Peer group quartile ranking: 1yr



as at 30 September 2021

Quarterly report: Nedgroup Investments Select Income Fund of Funds



Risk measures since inception*

Rolling 1 year

92%

Hit rate: outperforming benchmark

Volatility

1.9%

SA bond market: 8.2%

Max drawdown

-3.7%

SA bond market: -9.8%

Sharpe ratio

1.1

SA bond market: 0.2

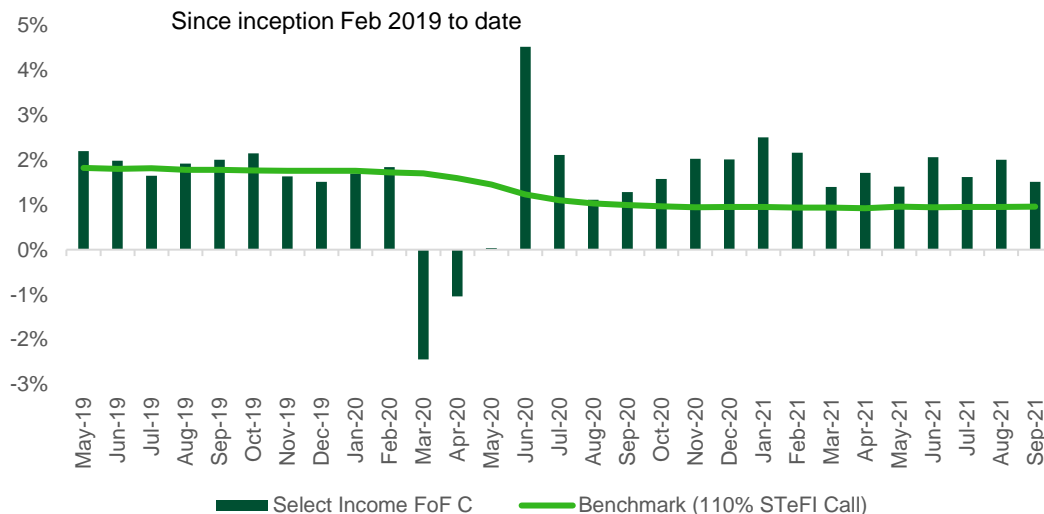
% Positive months

96%

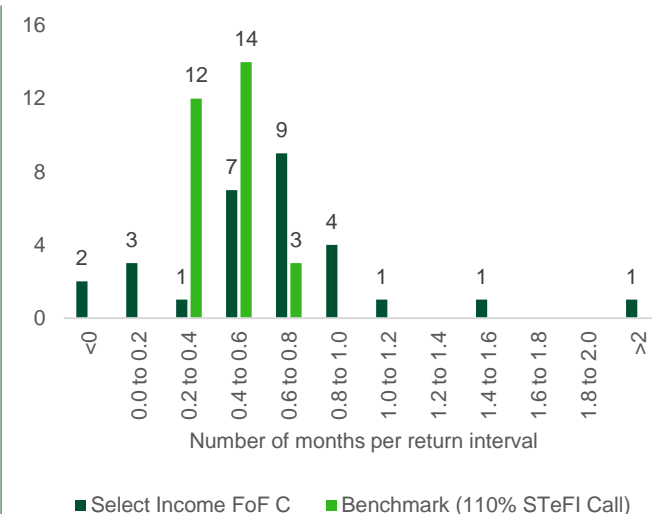
SA bond market: 65%



Rolling 3-month return



Monthly return distribution



as at 30 September 2021

The track record of the Select Income FoF displayed here includes the backtested return from 31 October 2012 to 1 February 2019, when the Nedgroup Investments Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the Select FoF process

Quarterly report:

Nedgroup Investments Select Income Fund of Funds



Underlying fund performance

Key	Q2 2019	Q4 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Coronation Strategic Income	2.4%	2.3%	1.8%	0.2%	4.8%	2.0%	2.5%	2.2%	2.6%	1.9%
Nedgroup Investments Flexible Income	2.2%	2.2%	1.5%	-2.0%	3.8%	1.1%	2.1%	1.3%	2.1%	1.4%
Ninety One Diversified Income	2.1%	2.1%	1.4%	-3.4%	3.1%	1.0%	2.0%	0.9%	1.9%	1.4%



Positive contributors this quarter

- The fund's direct offshore benefitted from this quarter's weakening of the rand/dollar exchange rate from R14.28 to R15.05 (5%).
- The Inflation-linked bonds (ILBs) exposure contributed to performance as real yields held up despite the sell-off in nominal bonds.
- The FTSE/JSE Preference Share Index was up 9.6% over the month, bringing the quarter's return to almost 17%. The fund's exposure to mainly bank shares in this space contributed to performance. Preference shares offer a steady dividend yield linked to the prime rate, taxed as a dividend at 20% rather than at an investor's marginal income tax rate.
- Listed property added to performance as the sector rebounded over August and September. The balance sheet concerns coming out of the Covid-19 crisis have subsided somewhat as companies have managed to introduce dividend pay-out ratios (with some withholding dividends entirely) and sell assets.



Detractors this quarter

- The relentless spread of the covid-19 Delta variant, indications of a sooner-than-expected start to the US Fed's (and other central banks') policy tightening and stricter Chinese regulatory policies led to a notable shift in investor sentiment, causing emerging markets to lag developed markets.
- 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%.
- The South African Reserve Bank (SARB) left the repo rate unchanged at its monetary policy meeting, by unanimous vote. The SARB further revised inflation and growth expectations higher for the near term, but lowered growth forecasts further out. Despite this somewhat more dovish outcome, the market is pricing in a 25bps rate hike at the next meeting.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	Benchmark
Quarter	1.6%	1.5%	1.5%	1.0%
6 month	3.7%	3.6%	3.5%	1.9%
1 year	7.4%	7.2%	7.0%	3.9%
2 year	6.2%	6.0%	5.8%	4.8%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.77%	0.01%	0.78%
C class (clean)	0.74%	N/a	0.94%	0.01%	0.95%
C1 class (product)	0.89%	N/a	1.11%	0.01%	1.12%

as at 30 September 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 July 2018 to 30 June 2021

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