



See money differently

Quarterly Report: Nedgroup Investments Select Equity Fund of Funds

as at 31 March 2022

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



Resource and Financials sectors had a strong quarter up close to 20%, but Industrials were weak.

18.6% 1 year

14.2% 3 years

12.3% LT average

SA Property



Growthpoint was the largest detractor this quarter, despite strong operational updates in March.

27.1% 1 year

-3.8% 3 years

11.8% LT average

SA Bond



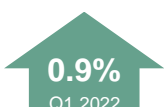
It was a volatile quarter as global central banks turned more hawkish. The longer end of the curve continues to outperform.

12.4% 1 year

8.4% 3 years

6.9% LT average

SA Cash



The SARB hiked rates by 25bps in both January and March taking the repo rate to 4.25%.

3.6% 1 year

4.7% 3 years

5.9% LT average



Global asset class returns (USD)



Global Equity



Markets fell despite rallying in March, with EM and Europe ex-UK hardest hit by the Russia-Ukraine conflict.

7.7% 1 year

14.3% 3 years

10.2% LT average

Global Property



REITs bounced back strongly in March +4.5%, with the US being the top performing region at +6.3%.

15.4% 1 year

6.4% 3 years

5.8% LT average

Global Bond



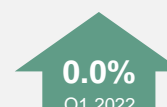
Despite the brief flight to safety caused by Russia, rising inflation continue to put pressure on bond markets

-6.4% 1 year

0.7% 3 years

1.6% LT average

US Cash



US Fed raised its target rate by 0.25% in March, the first time since the pandemic

0.1% 1 year

0.8% 3 years

4.3% LT average



Exchange rates (Rand spot rate and quarterly change)



US Dollar R14.61



The rand had a strong quarter relative to the US dollar, benefitting from positive sentiment around the SONA and National Budget delivered in February, as well as the rally in commodity prices. It gained substantial momentum at the end of the quarter when SARB hiked rates, making our cash yield more attractive to foreign investors.



British Pound R19.24



The US dollar shed some ground to the British pound in the first half of the quarter due to another interest rate hike by the Bank of England. UK inflation exceeding market expectations in March fuelled expectations of tighter monetary policy by the Bank of England, further boosting the pound.



Euro R16.26



The ECB left rates unchanged throughout the quarter, despite inflation surging to a record high of 5.1% in January. In March, the US dollar rose sharply against the euro as new sanctions against Russia were discussed. The US and Europe have vowed to punish Moscow for the deaths of civilians in northern Ukraine.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- The rand gained solid momentum after President Cyril Ramaphosa delivered an encouraging State of the Nation Address on the 10th of February.
- Minister Enoch Godongwana tabled the 2022 National Budget in February, showing improved fiscal metrics for the country. As expected, a surge in government revenue, boosted by a jump in corporate tax revenue, helped to reduce the budget deficit to 5,7% of GDP in fiscal 2021/22.
- South Africa recorded economic growth of 1,2% in the fourth quarter of 2021, staging a decent recovery after the damage caused by the riots in the third quarter.



Low points

- The petrol price was increased by close to R1.50 in March, taking the price per litre to over R21. This, alongside the announcement by Eskom of a 9.61% tariff increase effective 1 April 2022, puts severe pressure on the SA consumer.
- In February, the Financial and Fiscal Commission (FFC) stated that Russia's invasion of Ukraine will have an impact on South Africa's economic recovery, likely slowing growth in what was expected to be a post-pandemic recovery year.



Global performance drivers



Highlights

- The US dollar strength and strong US jobs report in March, bolstered the case for more aggressive Federal Reserve rate hikes to tame decades-high inflation. The improved clarity on the rate hike path from the Fed improved investor sentiment.
- The US economy recorded a strong expansion in the fourth quarter of 2021, with the real gross domestic product (GDP) accelerating at an annual rate of 6.9%. In the UK, GDP surprised to the upside, accelerating at an annual rate of 6.6% in the fourth quarter of 2021.



Low points

- Russia invading Ukraine on the 24th of February is the largest military conflict in Europe since World War II.
- While Russia is not a very large part of the global economy, Russia is a major energy and commodity producer (Ukraine is also a sizeable exporter of wheat and sunflower oil).
- The escalation of tensions pushed energy and commodity prices to extreme levels, exacerbating the surge in inflation caused by supply chain disruptions as a result of the pandemic in 2020, and acted as a risk to global growth.

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

0.17%

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 31 March 2022

**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 January 2019 to 31 December 2022

Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Sector allocation

Basic Materials



25.9%

Financials



22.7%

Technology



9.1%

Consumer Goods



8.8%

Consumer Services



8.3%

Health Care



4.4%



Regional exposure



44%

PURE SA



47%

RAND HEDGES



8%

DIRECT FOREIGN



Top ten holdings



7.6%



4.9%



FirstRand

4.8%



4.1%



3.8%

GLENCORE

3.7%



3.5%



3.4%



3.3%



3.2%

Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Fund performance (clean class)

Q1'22 return

2.2%

Peer group average: 4.2%

1yr annualised return

13.5%

Peer group average: 17.6%

3yr annualised return

8.7%

Peer group average: 11.2%

5yr annualised return

6.1%

Peer group average: 7.8%

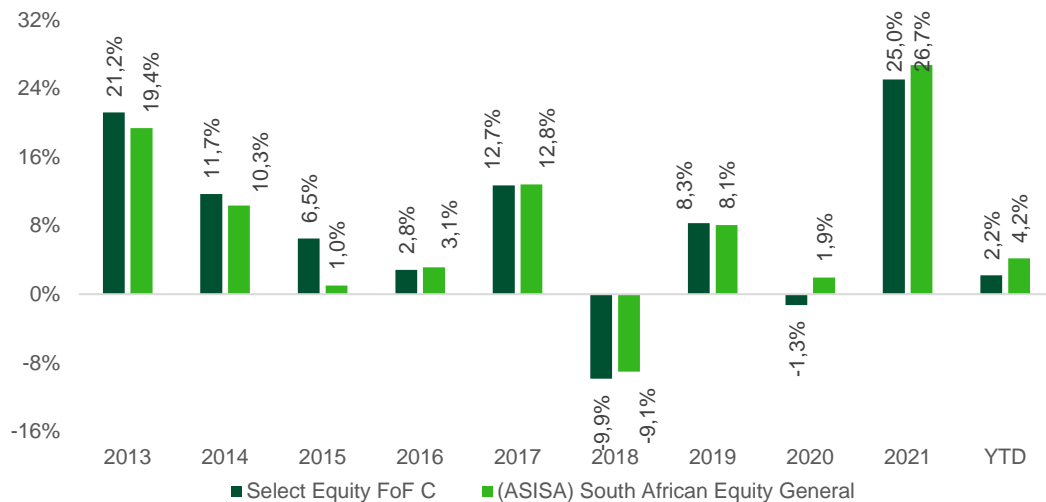
7yr annualised return

5.0%

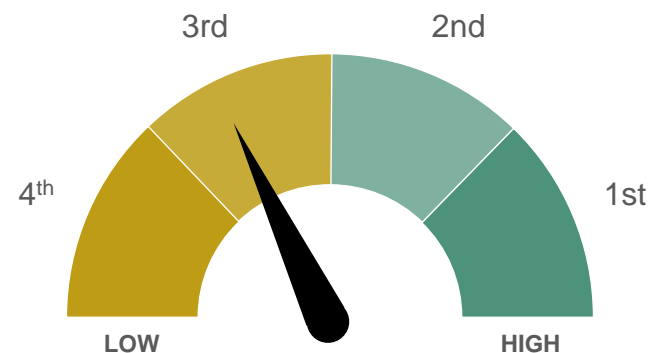
Peer group average: 5.7%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 March 2022

As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used for comparative purposes

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Risk measures since inception

Rolling 7yr return

97%

Hit rate: outperforming
peer group average

Volatility

13.0%

SA equity market: 15.1%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.2

SA equity market: 0.3

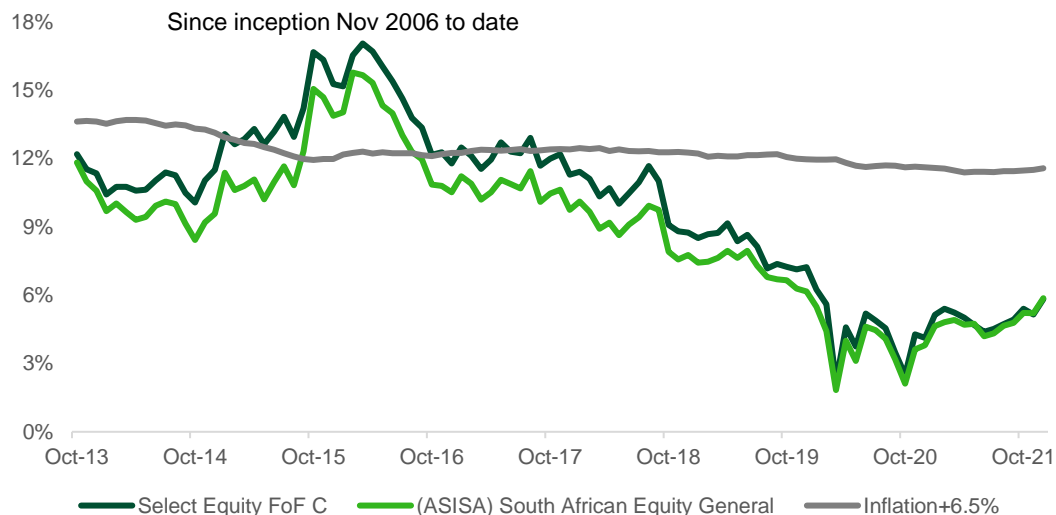
% Positive months

65%

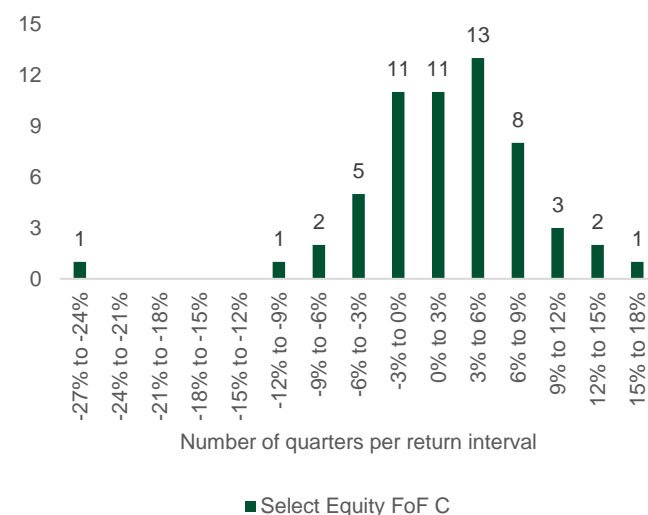
SA equity market: 61%



Rolling 7-year annualised return



Quarterly return distribution



Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Satrix ALSI Tracker	3,6%	20,3%	-2,4%	16,9%	14,2%	13,6%	3,7%
Coronation Equity	1,8%	18,5%	-6,5%	16,6%	13,3%	13,0%	-6,2%
Ninety One Equity	1,2%	17,3%	-7,5%	13,6%	10,9%	12,4%	1,2%
Truffle SCI General Equity	-3,9%	12,0%	-9,2%	11,4%	6,3%	11,9%	5,6%
Nedgroup Investments SA Equity	-4,1%	10,5%	-12,8%	7,4%	0,0%	26,4%	6,0%



Positive contributors this quarter

- The banks sector has been one of the strongest performing sectors recently. In March, four of the five domestic banks reported results that exceeded market expectations and highlighted their resilience over the Covid period. The fund's largest positions in this sector are Standard Bank and FirstRand, both +30% in the quarter, and Absa +24% this quarter.
- The resource sector was up strongly as Russia's invasion of Ukraine resulted in a risk/scarcity premium being priced in across almost the entire commodity spectrum., exposure to Glencore (+18%) and Anglo American (+22%) amongst the top contributors in this space.
- Other meaningful contributors were MTN (+13%), as well as energy producers, with Thungela (+118%), Exxaro (+45%) and Sasol (+37%)



Detractors this quarter

- The rand strengthened by 9% to the US dollar this quarter. The terms of trade boost (higher export prices relative to import prices) on the back of higher commodity prices has been the primary driver of the rand's outperformance. This strength did, however, detract from direct offshore and SA listed rand hedged exposure held in the fund.
- Naspers (-33% for the quarter) and Prosus (-39%) were two of the worst performing stocks on the domestic equity market this quarter. Regulatory uncertainty, particularly around the technology sector, continues to weigh on sentiment despite recent attempts to reassure investors.
- In addition, British American Tobacco (+7%), Bidcorp (-2%), and Quilter (-13%) lagged resource/domestic counters during the period as global markets sold off.

As at 31 March 2022

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

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

The Nedgroup Investments Rainmaker fund was replaced with the Truffle SCI General Equity fund on 5 January 2022.

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Nedgroup Investments Select Equity Fund of Funds



Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	S Class (sip)	Peer group	SA inflation
Quarter	1.9%	2.3%	2.2%	2.2%	1.7%	4.2%	1.4%
1 year	12.2%	13.7%	13.5%	13.3%	N/a	17.6%	5.7%
3 year	7.5%	8.9%	8.7%	8.6%	N/a	11.2%	4.4%
5 year	4.9%	6.3%	6.1%	N/a	N/a	7.8%	4.2%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
A class (all-in)	2.39%	1.00%	2.82%	0.17%	2.99%
B2 class (lisp)	1.24%	N/a	1.50%	0.17%	1.67%
C class (clean)	1.39%	N/a	1.68%	0.17%	1.84%
C1 class (product)	1.54%	N/a	1.85%	0.17%	2.02%
S class (sip)*	1.13%	N/a	1.66%	0.21%	1.87%

as at 31 March 2022

**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 January 2019 to 31 December 2021. *S class figures are estimates based on current fund structure and therefore INCLUDES the fee reducing switch out of Allan Gray into Satrix ALSI tracker at the end of December 2020.

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