



See money differently

# Quarterly Report: Nedgroup Investments Select Global 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, benefiting 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.

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## 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 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

20% Active

Goldman  
Sachs

20% Active

DODGE & COX

20% Active

Veritas  
— Asset  
Management

20% Passive

SATRIX



## Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**0.99%**

Total expense ratio

**1.36%**

Transaction charges

**0.05%**

Total investment charges

**1.41%**



## 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. 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. Figures displayed here are the best estimates available given insufficient track record.

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## Sector allocation

### Communication Services



15.3%

### Healthcare



14.5%

### Technology



14.0%

### Consumer Cyclical



12.3%

### Financial Services



12.3%

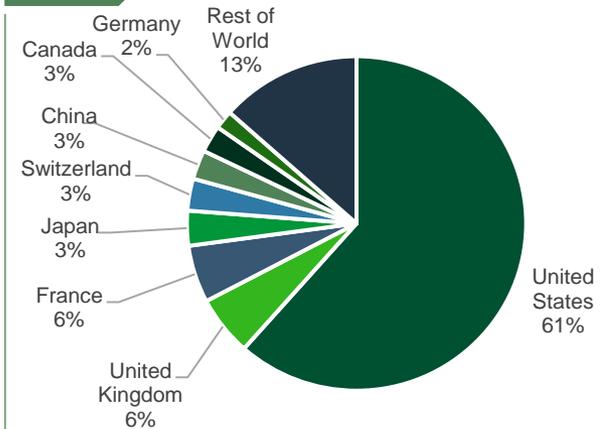
### Industrials



12.2%



## Country allocation



## Top ten holdings

Alphabet

4.1%

amazon

2.9%



1.7%

Meta

1.7%

Charter  
COMMUNICATIONS

1.6%



1.5%

CVS  
Health

1.4%

BAE SYSTEMS

1.2%



1.1%

fiserv.

1.1%

# Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



## Fund performance (clean class)\*

Q1'22 return

**-13.4%**

Peer group average: -14.0%

1yr annualised return

**-0.2%**

Peer group average: -0.1%

3yr annualised return

**14.5%**

Peer group average: 11.1%

5yr annualised return

**13.9%**

Peer group average: 10.6%

7yr annualised return

**13.2%**

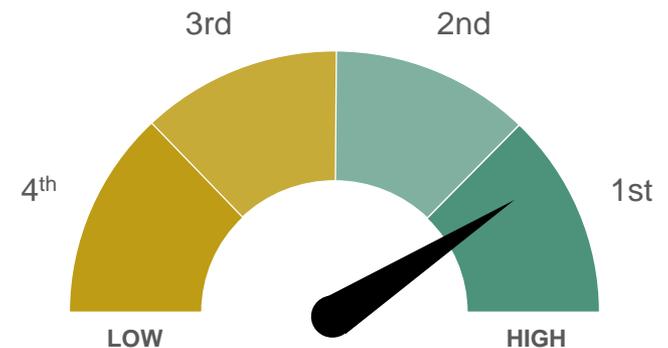
Peer group average: 9.8%



## Calendar year performance



## Peer group quartile ranking\*: 7yr



as at 31 March 2022

\*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

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## 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

**1.0**

Global equity market (ZAR): 1.0

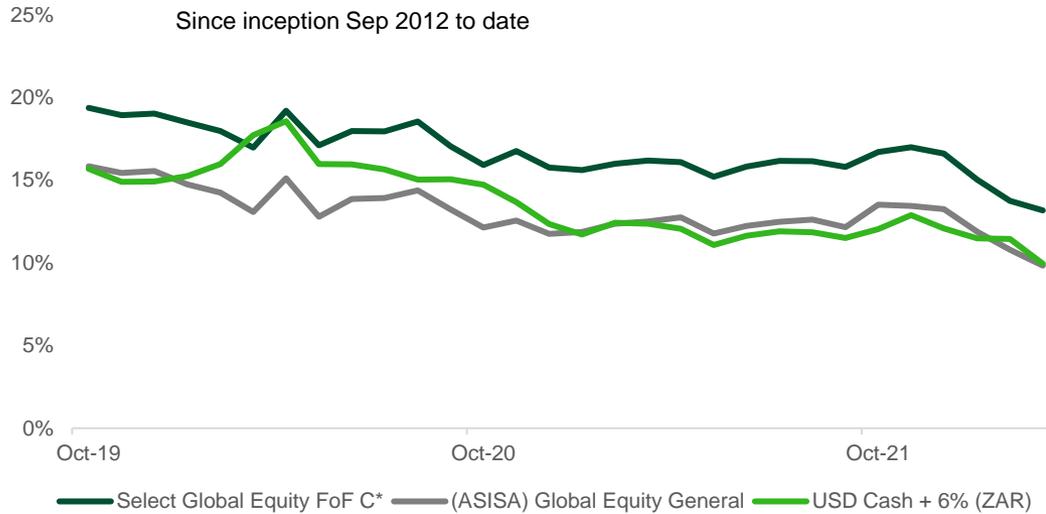
### % Positive months

**66%**

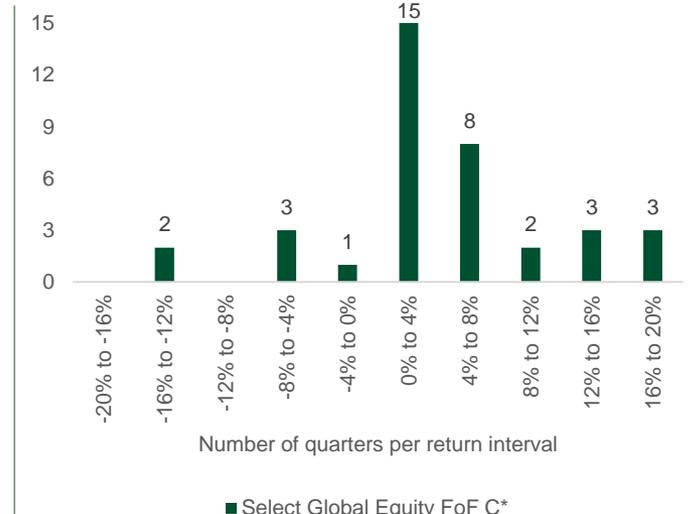
Global equity market (ZAR): 65%



## Rolling 7-year annualised return\*



## Quarterly return distribution\*



as at 31 March 2022

\*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

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## Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	2021	YTD
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-6.6%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-11.6%
Nedgroup Investments Global Equity (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-11.9%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-17.9%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-23.1%



### Positive contributors this quarter

- BAE Systems (BAE) shares jumped during the quarter on the 'uncertain global environment' and 'complex threats' that have escalated in light of the Russian invasion of Ukraine. BAE generates 43 per cent of its sales from the US, 20 per cent from the UK, and 12 per cent from Saudi Arabia. This has benefited the company, because the US has increased its defence budget by around 15% over the past five years.
- In the Energy sector, strong stock selection by Dodge & Cox (up 63% in US dollars compared to up 21% for the MSCI ACWI sector) and an average overweight position (8% versus 4%) contributed significantly to results. Top contributors included Occidental Petroleum, Ovintiv, and Suncor Energy.



### Detractors this quarter

- Meta Platforms Inc. reported its fourth-quarter result for the year ended Dec 2021 with revenue growing 20% year over year to \$33.7 billion, but net income fell 8% to \$10.3 billion. While the top line exceeded analyst expectations, its bottom line was a little light as cost came in higher than expected.
- Charter Communications fell over the quarter on continued short-term concerns over comparative data. The trend in 'cutting the cord' continues with Charter losing 58,000 pay TV subscribers in the final quarter of 2021, compared with a loss of 35,000 in the year-ago period.
- Weaker relative results in the Consumer Staples sector (down 10% in US dollars compared to down 4% for the MSCI ACWI sector) detracted. Magnit was the key detractor in this sector.

As at 31 March 2022

\*\*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

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## Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	SA inflation
Quarter	-13.4%	-13.4%	-13.5%	-13.4%	-14.0%	1.4%
1 year	N/a	-0.2%	-0.4%	-0.2%	-0.1%	5.7%
3 year	N/a	N/a	N/a	N/a	11.1%	4.4%
5 year	N/a	N/a	N/a	N/a	10.6%	4.2%



## Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
B2 class (lisp)	0.84%	N/a	1.25%	0.05%	1.30%
C class (clean)	0.99%	N/a	1.36%	0.05%	1.41%
C1 class (product)	1.14%	N/a	1.53%	0.05%	1.58%
S class (sip)	1.04%	N/a	1.41%	0.05%	1.46%

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