



See money differently

Quarterly Report: **Nedgroup Investments** **Select Income 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



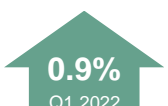
It was a volatile quarter as global central banks turned more hawkish. The longer end of the curve continues to outperform.

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



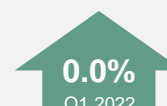
Despite the brief flight to safety caused by Russia, rising inflation continue to put pressure on bond markets

-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 9.6% 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 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

0.92%

Transaction charges

0.01%

Total investment charges

0.93%



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 2021

Quarterly report:

Nedgroup Investments Select Income Fund of Funds



Asset allocation

Domestic Equity



1.1%

Domestic Property



3.4%

Domestic Fixed Interest



84.6%

Foreign Equity



0%

Foreign Property



0.3%

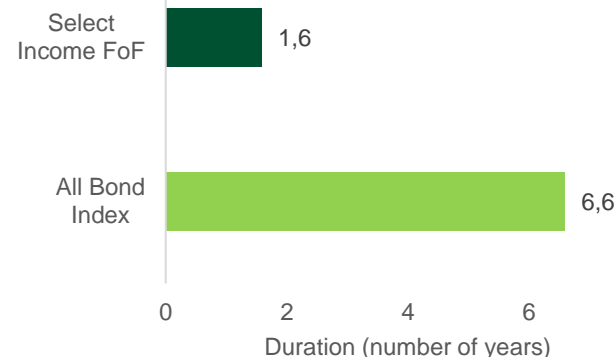
Foreign Fixed Interest



10.6%

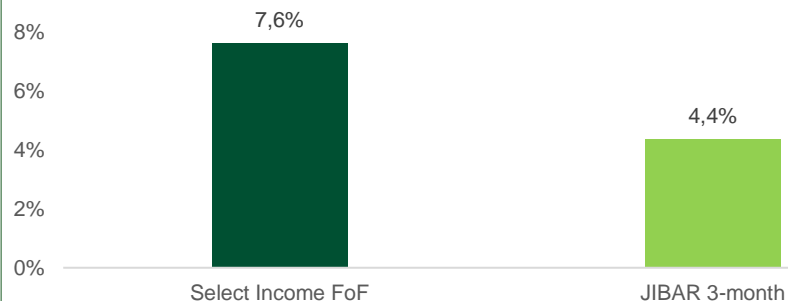


Modified duration*

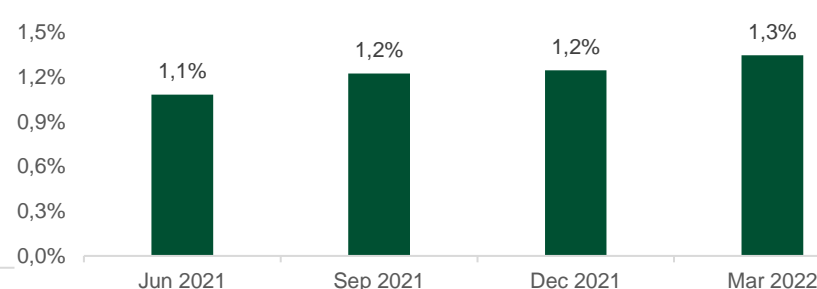


Yield and Distribution

Gross fund yield (forward-looking)



Quarterly distribution yield (actual) - C class



as at 31 March 2022

*Select Income FoF includes ILB duration

Quarterly report: Nedgroup Investments Select Income Fund of Funds



Fund performance (clean class)

Q1'22 return

0.5%

Benchmark: 1.0%

Ytd return

0.5%

Benchmark: 1.0%

6 month return

2.3%

Benchmark: 2.0%

1yr annualised return

6.0%

Benchmark: 4.0%

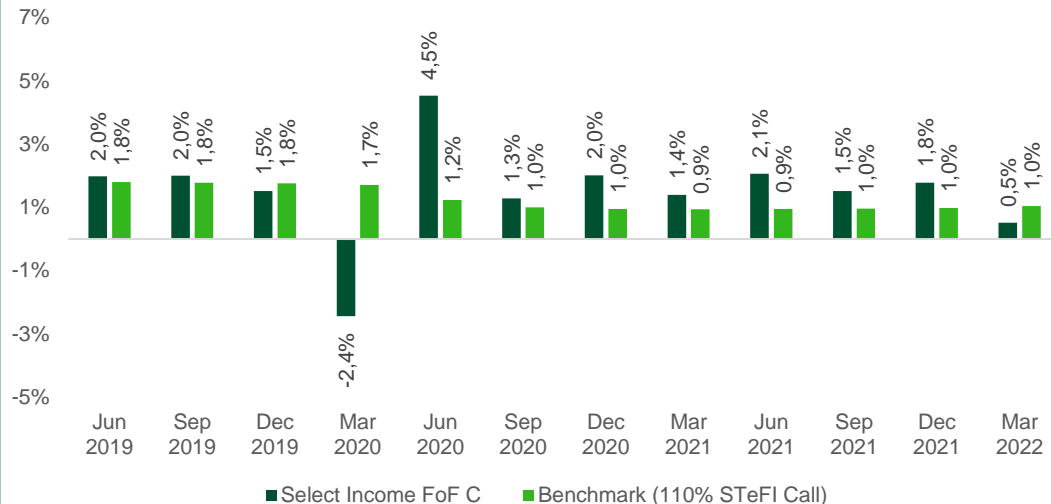
3yr annualised return

6.1%

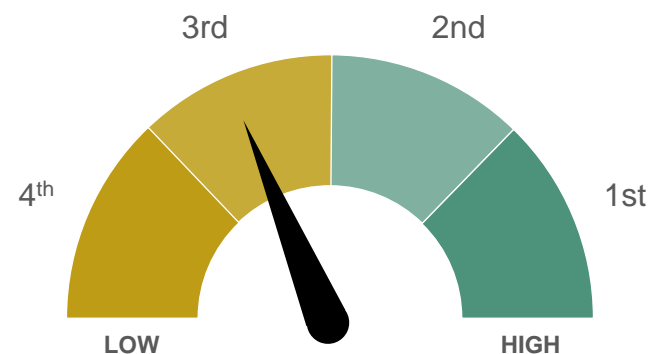
Benchmark: 5.1%



Quarterly performance



Peer group quartile ranking: 1yr



as at 31 March 2022

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: 8.0%

Max drawdown

-3.7%

SA bond market: -9.8%

Sharpe ratio

0.9

SA bond market: 0.2

% Positive months

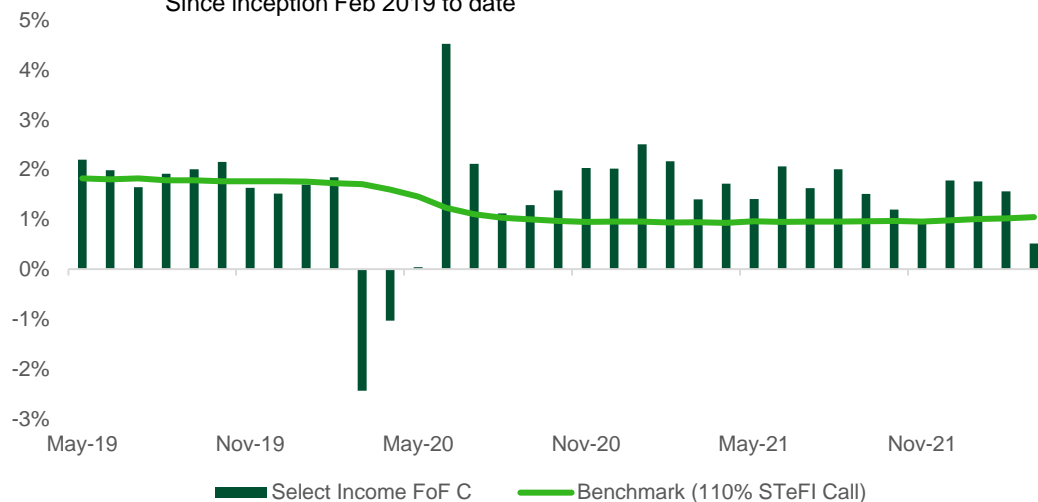
96%

SA bond market: 66%

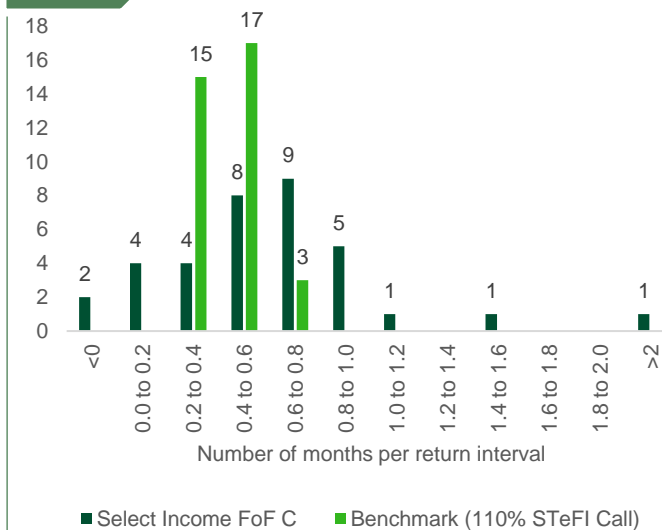


Rolling 3-month return

Since inception Feb 2019 to date



Monthly return distribution



as at 31 March 2022

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	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Coronation Strategic Income	0.2%	4.8%	2.0%	2.5%	2.2%	2.6%	1.9%	2.3%	1.0%
Nedgroup Investments Flexible Income	-2.0%	3.8%	1.1%	2.1%	1.3%	2.1%	1.4%	2.0%	0.5%
Ninety One Diversified Income	-3.4%	3.1%	1.0%	2.0%	0.9%	1.9%	1.4%	1.7%	0.1%



Positive contributors this quarter

- The exposure to yield-enhancing investment grade credit continued to add value in the Ninety One Diversified Income fund.
- At the end of March, shorter-dated fixed-rate negotiable certificates of deposit (NCDs) traded at 7.51% (three-year) and 8.21% (five-year), significantly higher than the close at the end of 2021. The recent move higher was in sympathy with bond yields, expectations for higher inflation given the move higher in global commodity prices and more aggressive SARB interest rate tightening.
- The FTSE/JSE Preference Share Index was up 7.25% in March, with performance bolstered by the banks announcing their intent to repurchase a significant portion of their outstanding preference shares.



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 exposure held in the fund.
- The Nedgroup Investments Flexible Income fund held a 0.70% position in a bond of the Russian social media company Mail.Ru, which was devalued by close to 75%, detracting c.0.50% from performance. This position is still held by Abax, who are in negotiations to realise some upside.
- Despite showing signs of recovery at the end of the quarter, the listed property sector of the domestic market detracted from performance this quarter with widely held stock Growthpoint being the largest detractor in this space.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Benchmark
Quarter	0.6%	0.5%	0.5%	1.8%	1.0%
6 month	2.4%	2.3%	2.2%	N/a	2.0%
1 year	6.2%	6.0%	5.8%	N/a	4.0%
3 year	6.3%	6.1%	6.0%	N/a	5.1%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.75%	0.01%	0.76%
C class (clean)	0.74%	N/a	0.92%	0.01%	0.93%
C1 class (product)	0.89%	N/a	1.10%	0.01%	1.11%
S class (sip)	0.79%	N/a	0.95%	0.01%	0.96%

as at 31 March 2022

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