NEDGROUP INVESTMENTS

See money differently

# Quarterly Report:
# Nedgroup Investments XS Accelerated Fund of Funds

as at 31 December 2021

# Quarterly report:
# Nedgroup Investments

## Domestic asset class returns (ZAR)

### SA Equity

**15.1%** Q4 2021

| | |
|---|---|
| 29.2% | 1 year |
| 15.7% | 3 years |
| 12.4% | LT average |

Local equity markets mirrored positive momentum from global equity markets.

### SA Property

**8.3%** Q4 2021

| | |
|---|---|
| 36.9% | 1 year |
| -2.9% | 3 years |
| 11.4% | LT average |

The sector continued to recover from the Covid-19 induced operating pressures.

### SA Bond

**2.9%** Q4 2021

| | |
|---|---|
| 8.4% | 1 year |
| 9.1% | 3 years |
| 7.0% | LT average |

SA bonds ended 2021 strongly after a 3-month slump, supported by improving risk appetite.

### SA Cash

**0.9%** Q4 2021

| | |
|---|---|
| 3.5% | 1 year |
| 4.9% | 3 years |
| 5.9% | LT average |

The SARB increased interest rates by 0.25% and said that near- term inflation risks are to the upside.

## Global asset class returns (USD)

### Global Equity

**8.3%** Q4 2021

| | |
|---|---|
| 19.0% | 1 year |
| 21.0% | 3 years |
| 8.8% | LT average |

Overall, global equity markets performed strongly. DM outperformed while EM lagged.

### Global Property

**10.4%** Q4 2021

| | |
|---|---|
| 27.2% | 1 year |
| 12.9% | 3 years |
| 7.3% | LT average |

The positive listed property return was mainly driven by a vaccine-fuelled recovery in the US.

### Global Bond

**-0.9%** Q4 2021

| | |
|---|---|
| -4.7% | 1 year |
| 3.6% | 3 years |
| 4.5% | LT average |

Global bonds traded under pressure as bond yields rose alongside concerns of inflationary pressures.

### US Cash

**0.0%** Q4 2021

| | |
|---|---|
| 0.0% | 1 year |
| 1.0% | 3 years |
| 4.3% | LT average |

Many central banks have started to reduce monetary stimulus, some are now accelerating the withdrawal.

## Exchange rates (Rand spot rate and quarterly change)

### US Dollar R15.96

6%

After a strong start to the year, the rand experienced a much weaker fourth quarter depreciating by approximately 6,0% and breached the R16 to USD mark multiple times in December. Moderating commodity prices, coupled with mounting global concerns about growth, inflation and the likely policy response, continue to undermine risk appetite.

### British Pound R21.62

6%

The Bank of England hiked interest rates by 25bps for the first time since the pandemic, increasing its main interest rate to 0.25% from its historic low of 0.1%. UK inflation hit a 10-year high in November as the Consumer Price Index rose by an annual 5.1%, up from 4.2% in October and well above the central bank's target of 2%.

### Euro R18.15

4%

The European Central Bank (ECB) appeared content to continue with a more patient and gradual approach to monetary policy tightening. The ECB is looking to continue with asset purchases for another 10 months and is proposing no interest rate hikes for 2022, despite scaling back on bond purchases.

Source: Morningstar; as at 31 December 2021
https://nedgroupinvestmentsmultimanager.com/

NEDGROUP INVESTMENTS

# Quarterly report:
# **Nedgroup Investments**

## Domestic performance drivers

### Highlights

- The Department of Minerals and Energy announced the preferred bidders for the fifth round of the Renewable IPP Procurement Programme, which is expected to add about 2500MW of capacity.
- The MTBPS confirmed a revenue overrun of R120bn relative to Budget 2021 estimates. Alongside the restatement of GDP, this delivered much improved fiscal metrics. Meanwhile, credit ratings agency Fitch moved South Africa's credit ratings outlook to stable from negative.
- With data indicating a moderation of Covid-19 case counts in the latter half of December, South Africa further relaxed restrictions on movement and trade, including a removal of the curfew.

### Low points

- The SA economy recorded a quarterly GDP contraction of 1,5% (not annualised) in the third quarter. The devastating impact of the riots, as well as load shedding, were the primary drivers.
- The unemployment rate recorded a new high of 34,9% in the third quarter, confirming the bleak picture many job seekers face.
- Several countries placed restrictions on travel to South Africa in the wake of the Omicron identification, dealing the travel, leisure, and services sectors a devastating blow.

## Global performance drivers

### Highlights

- World leaders gathered in Scotland for COP26 (the 26th Conference of Parties), to discuss and deliberate climate goals and funding for sustainable solutions . The European Union's €12bn inaugural green bond reportedly garnered demand of more than €135bn, delivering the world's largest green bond deal to date.
- Global domestic equities performed strongly over the quarter. Markets were also buoyed by the US third quarter earnings, which showed that more than 80% of companies that reported their financial results beat expectations.

### Low points

- The pandemic once again dominated headlines in November. An increase in COVID-19 cases in Europe led to new lock down restrictions in several countries.
- Emerging markets underperformed developed markets and bore the brunt of the risk off sentiment. Ongoing regulatory changes and a challenged property sector added to sizeable losses in the Chinese markets. Meanwhile, weaker growth from China and lower demand for certain commodities impacted several other emerging markets.

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Fund overview

| Max equity | Time frame | Benchmark | Peer group | Regulation 28 |
|---|---|---|---|---|
| 90% | Min 7 years | Inflation +6.5% | SA Multi-Asset Flexible | Non-compliant |

**Risk profile**

1 2 3 **4** 5

## Fund costs (C – clean class)

| Management fee* (Excl. Vat) | Total expense ratio |
|---|---|
| 1.30% | 1.54% |
| **Transaction charges** | **Total investment charges** |
| 0.13% | 1.67% |

## Benefits of the XS Fund of Funds range

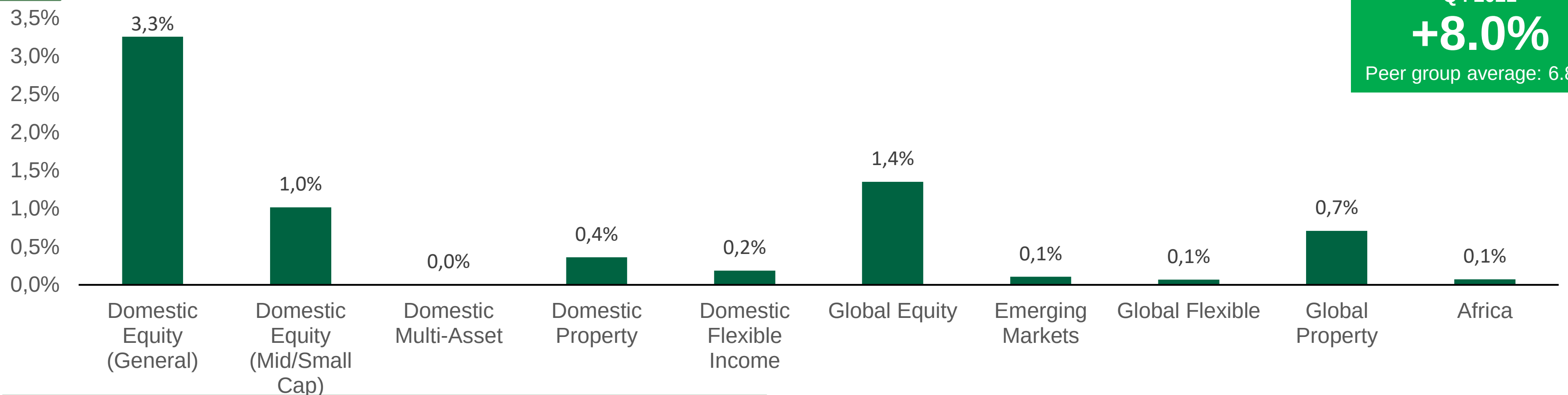
- Competitive pricing
- Diversified across Asset classes
- Investment experts
- Passive and active underlying investments
- Tax Efficient
- Ongoing Due diligence

as at 31 December 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 and ending 30th September 2021

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## XS Fund of Funds performance contribution – Q4 2021




**Q4 2021**
**+8.0%**
Peer group average: 6.8%

### Positive contributors this quarter

- Domestic and global equity contributed the most to performance. Domestic equities soared 15.1% in the fourth quarter driven up by the resources sector, which benefited from rand weakness and sharply higher gold mining stocks. Our domestic asset managers were well positioned, having had exposure to resources with 30% of the top 10 positions in the fund from this sector. Dual-listed stocks were also supported by rand weakness as the dollar strengthened on Omicron panic. In addition, domestically exposed small and mid-cap counters also contributed positively to fund performance.
- Foreign assets contributed most to fund returns on higher global equity markets and rand weakness, with positive contributions from materials company Freeport-McMoran, Google parent Alphabet and US healthcare provider CVS

### Detractors this quarter

- Global flexible, Africa and the emerging market bucket contributed the least to performance.
- Emerging market equities lost ground in Q4, with the broad MSCI Emerging Markets Index ending the year in the red, dragged down by significant losses in China and Turkey.
- The Nedgroup Investments Global Emerging Market Feeder Fund underperformed its peers for the quarter (3.0% vs.9.4%). Stock selection in China and Brazil, holding underweight positions in Gulf markets and Mexico while being overweight in Hong Kong detracted from performance. In terms of sector positioning, underweight positions in Energy and Materials and stock selection in some Financials hurt the manager's performance.

As at 31 December 2021



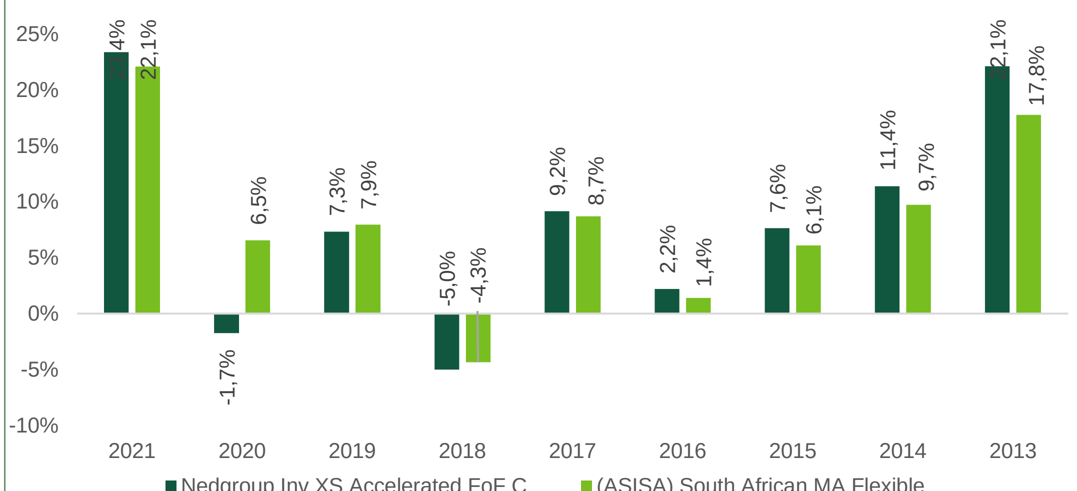
NEDGROUP INVESTMENTS

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

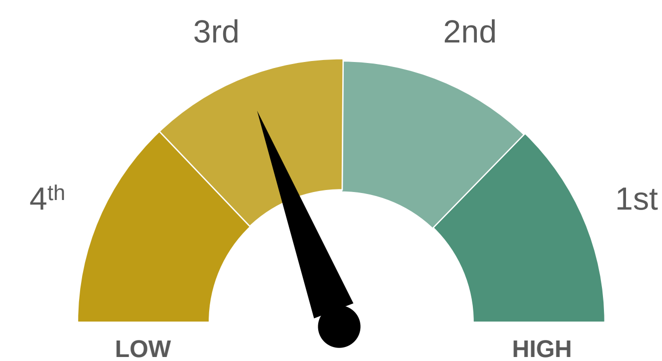
## Fund performance (clean class)

| Q4'21 return | 1yr annualised return | 3yr annualised return | 5yr annualised return | 10yr annualised return |
|---|---|---|---|---|
| **+8.0%** | **+23.4%** | **+9.2%** | **+6.2%** | **+9.1%** |
| Peer group average: +6.8% | Peer group average: +22.1% | Peer group average: +12.0% | Peer group average: +7.9% | Peer group average: +9.1% |

## Calendar year performance




## Peer group quartile ranking: 1yr

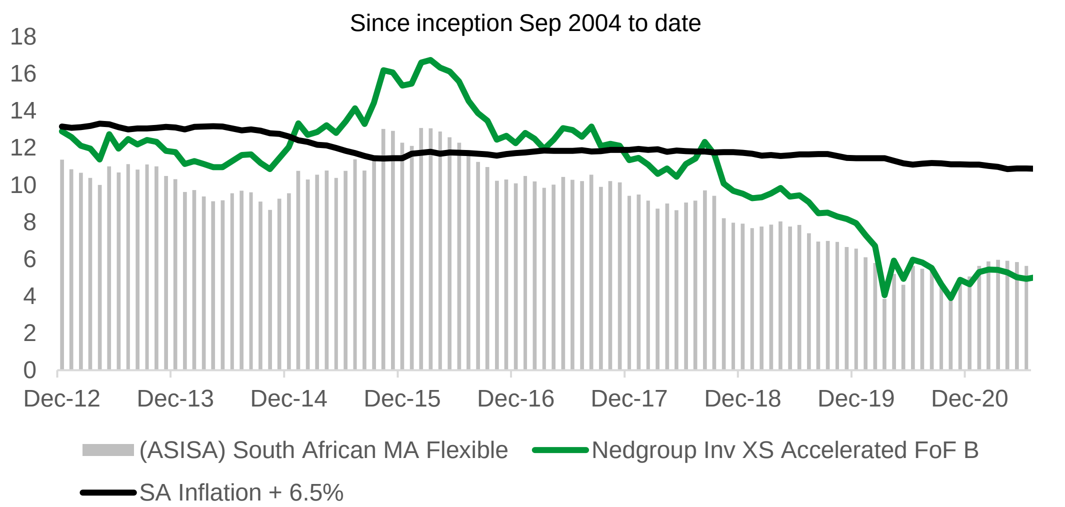


# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

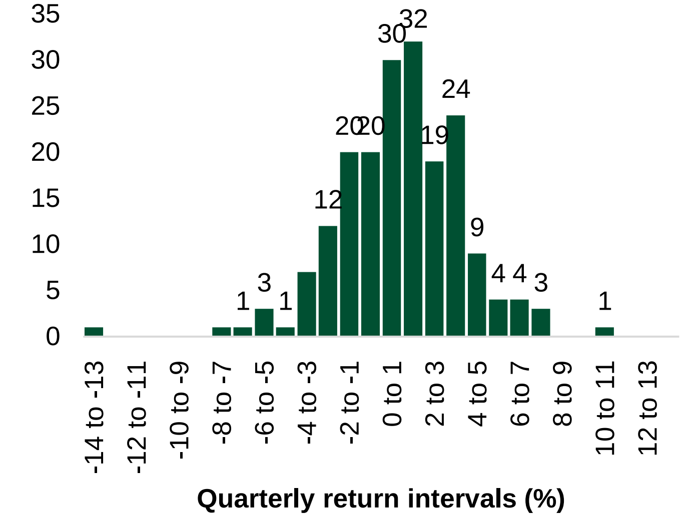
## Risk measures since inception

| Rolling 7yr return | Volatility | Max drawdown | Sharpe ratio | % Positive months |
|---|---|---|---|---|
| **85%** | **10.3%** | **-24.2%** | **0.4** | **79%** |
| Hit rate: outperforming peer group average | SA equity market: 15.1% | SA equity market: -40.4% | SA equity market: 0.4 | SA equity market: 74% |

## Rolling 7-year annualised return




## Quarterly return distribution




as at 31 December 2021

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Performance across classes

| | A Class (all in) | B Class (lisp) | C Class (clean) | Peer group | SA inflation |
|---|---|---|---|---|---|
| **Quarter** | 7.7% | 8.1% | 8.0% | 6.8% | 2.6% |
| **1 year** | 22.0% | 23.8% | 23.4% | 22.1% | 12.3% |
| **3 year** | 7.9% | 9.6% | 9.2% | 12.0% | 10.8% |
| **5 year** | 5.0% | 6.5% | 6.2% | 7.9% | 11.2% |

## Costs across classes

| | Management fee (excl. Vat) | financial planner | total expense ratio | transaction charges | total investment charges |
|---|---|---|---|---|---|
| **A Class (all-in)** | 1.30% | 1.00% | 2.69% | 0.13% | 2.82% |
| **B Class (LISP)** | 1.00% | N/A | 1.19% | 0.13% | 1.32% |
| **C Class (clean)** | 1.30% | NA | 1.54% | 0.13% | 1.67% |

as at 31 December 2021

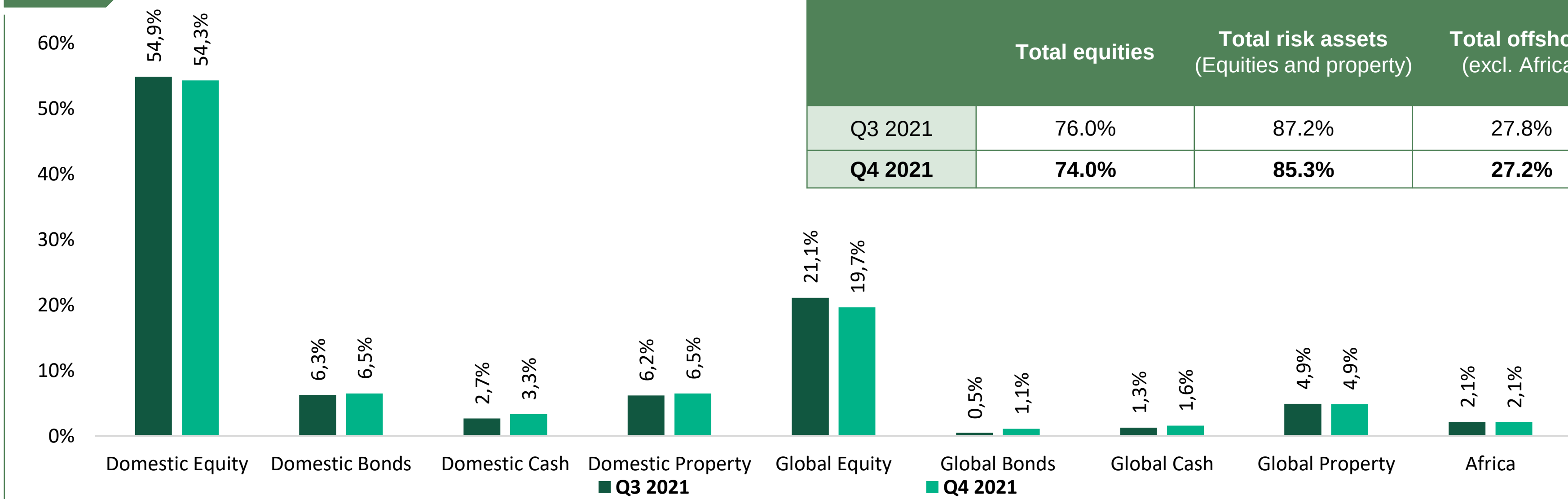
* Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1st of July 2018 and ending 30th of September 2021

NEDGROUP INVESTMENTS

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Asset allocation changes

| | Total equities | Total risk assets (Equities and property) | Total offshore (excl. Africa) |
|---|---|---|---|
| Q3 2021 | 76.0% | 87.2% | 27.8% |
| **Q4 2021** | **74.0%** | **85.3%** | **27.2%** |




## Summary of recent changes

- There were no changes made to asset allocation during the quarter.
- Any other differences noted above are purely as a result of market movements, and minor trades conducted by the investment team to ensure that the portfolio is in line with the houseview.
- A healthy allocation to defensive assets remain and the funds are well diversified across all asset classes, with a conservative risk positioning.

As at 31 December 2021

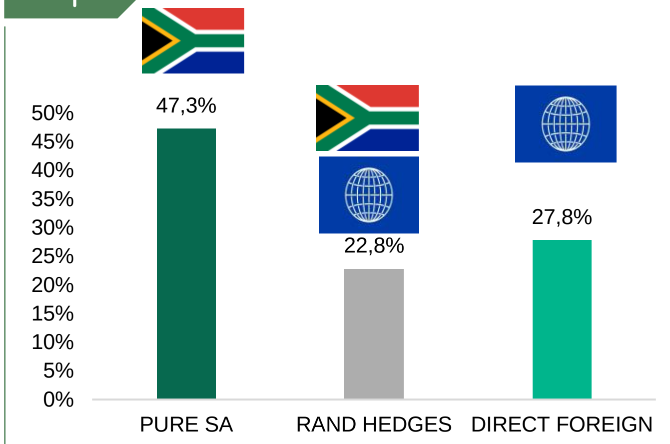
# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Asset allocation

| Domestic Equity | Domestic Property | Domestic Fixed Interest |
|---|---|---|
| 54.3% | 6.5% | 9.9% |

| Foreign Equity | Foreign Property | Foreign Fixed Interest | Africa |
|---|---|---|---|
| 19.7% | 4.9% | 2.6% | 2.1% |

## Regional exposure




## Top ten holdings (as a % of fund)

| Holding | % of fund |
|---|---|
| Prosus | 3.6% |
| Anglo American | 3.6% |
| Naspers | 3.3% |
| British American Tobacco | 2.4% |
| Standard Bank | 2.2% |
| FirstRand | 1.9% |
| Impala Platinum | 1.8% |
| Sanlam | 1.7% |
| Nedbank | 1.5% |
| Glencore Xstrata | 1.4% |

as at 31 December 2021

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Domestic asset class positioning

### Domestic Equity

Neutral — 54.3%

- There are signs of positive structural reform and the cyclical upswing in 2022 and 2023 should prove supportive for domestic equities.
- While valuations appear fair, a low growth environment is an impediment and there is still implementation risk on other structural reforms required. Therefore, stock selection will remain a key factor.

### Domestic Property

Neutral — 6.5%

- While we recognise the opportunities which exist in this asset class, low inflation is currently not supporting physical asset pricing.
- Returns are also likely to be constrained by balance sheet concerns and the sector remains under continuous review. Stock picking will remain key.

### Domestic Bond

Over weight — 6.5%

- Local bonds offer an attractive return relative to cash and yields remain attractive
- However, we are still cognisant of the fiscal risk as the wage agreement and the risk of a debt trap is material.

### Domestic Cash

Under weight — 3.3%

- Cash is likely to underperform other assets over the next 12 months.
- Waiting on more attractive entry points on select equity opportunities..

## Global asset class positioning

### Global Equity

Over weight — 19.7%

- The environment remains favourable for equities, although there are signs of growth moderating in some regions.
- Preference for DM where economies are reopening and valuations are not stretched. EMs are attractive from a valuations perspective. The vaccine take up and Covid-19 infections have also improved.

### Global Property

Over weight — 4.9%

- Real assets appear attractive as an alternative to fixed income and with some inflation protection.

### Global Bond

Under weight — 1.1%

- Hawkish remarks from major global central banks are likely to result in bond yield curves steepening.
- However all bond yields will likely remain in a low absolute range, anchored by near zero central bank rates with inflation is a clear threat to mid to longer duration positioning.

### Global Cash

Under weight — 1.6%

- Cash positions remain as underlying managers look for compelling idiosyncratic opportunities.

# Quarterly report:
# Nedgroup Investments XS Accelerated Fund of Funds

## Domestic: fund manager exposures

**Equity General 42.0%**
- Mazi
- Laurium Capital
- Satrix
- Matrix Fund Managers
- Coronation Fund Managers

**Small/Mid Cap Equity: 7.2%**
- ABAX investments

**Passive Multi-Asset: 14.2%**
- Taquanta

**Property: 3.9%**
- Bridge Fund Managers
- Sesfikile Capital Listed Property Investments
- M&G

**Flexible Income: 6.2%**
- ABAX investments
- Taquanta

## Offshore and Africa: fund manager exposures

**Equity: 13.3%**
- Ardevora
- Veritas Asset Management
- Dodge & Cox

**EM Equity: 3.2%**
- NS Partners

**Multi-Asset: 2.2%**
- FPA investor
- Pyrford International

**Property: 4.1%**
- Resolution Capital

**Africa: 2.4%**
- Laurium Capital

As at 31 December 2021
The residual balance (out of 100%) is held as domestic cash to provide liquidity



NEDGROUP INVESTMENTS

# Disclaimer

Nedgroup Collective Investments (RF) Proprietary Limited is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust portfolios. Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A schedule of fees and charges and details of our awards are available on request from Nedgroup Investments. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. Nedgroup Investment Advisors (Pty) Ltd (the 'Investment Manager') an authorised as a financial services provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652), is the appointed Investment Manager of the Management Company.

Certain Nedgroup Investments unit trust portfolios include international assets, whereby a change in the exchange rates may cause the value of those investments to rise and fall. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Please note that Nedgroup Collective Investments (RF) Proprietary Limited is not authorised to and does not provide financial advice. This presentation is of a general nature and intended for information purposes only. It is not intended to address the circumstances of any investor and cannot be relied on as legal, tax or financial advice, either express or implied. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this presentation. Nedgroup Collective Investments (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).