



See money differently

# Quarterly Report: **Nedgroup Investments** **Select Balanced 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



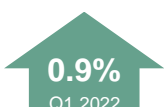
It was a volatile quarter as global central banks turned more hawkish. The longer end of the curve continues to outperform.

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



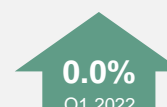
Despite the brief flight to safety caused by Russia, rising inflation continue to put pressure on bond markets

-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 Balanced Fund of Funds



### Fund overview

Max equity

**60%**

Time frame

Min **5** years

Benchmark

Inflation **+4%**

Peer group

SA Multi-Asset  
Medium Equity

Regulation 28

Compliant

Risk profile

1

2

**3**

4

5



### Underlying fund structure

20% Active

**ABAX**  
investments

20% Active

**CORONATION**  
FUND MANAGERS

20% Active

**FOORD**

20% Active

**Ninety  
One**

20% Passive

**Taquanta**



### Fund costs (A – clean class)

Management fee\* (Excl. Vat)

**1.04%**

Total expense ratio

**1.32%**

Transaction charges

**0.13%**

Total investment charges

**1.45%**



### 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. **Numbers displayed here are best estimates given current fund and fee structure.**

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 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Balanced FoF history due to the fund merger.

# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Asset allocation

#### Domestic Equity



35.6%

#### Domestic Property



3.7%

#### Domestic Fixed Interest



36.3%

#### Foreign Equity



18.0%

#### Foreign Property



0.9%

#### Foreign Fixed Interest



5.4%



### Regional exposure



60%

PURE SA



16%

RAND HEDGES



24%

DIRECT FOREIGN



### Top ten holdings

3.7%

RSA R186 Bond

2.8%

RSA R209 Bond

2.8%

RSA R2035 Bond

2.6%

RSA R2030 Bond

2.4%

BRITISH AMERICAN  
TOBACCO

2.2%

RSA R2037 Bond



NASPERS

2.2%

NEWGOLD

2.2%

RSA R2032 Bond

2.0%



prosus

1.9%

as at 31 March 2022

# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Fund performance (clean class)\*

#### Q1'22 return

**-1.9%**

Peer group average: -1.2%

#### Ytd return

**-1.9%**

Peer group average: -1.2%

#### 1yr annualised return

**9.3%**

Peer group average: 9.9%

#### 3yr annualised return

**9.0%**

Peer group average: 8.3%

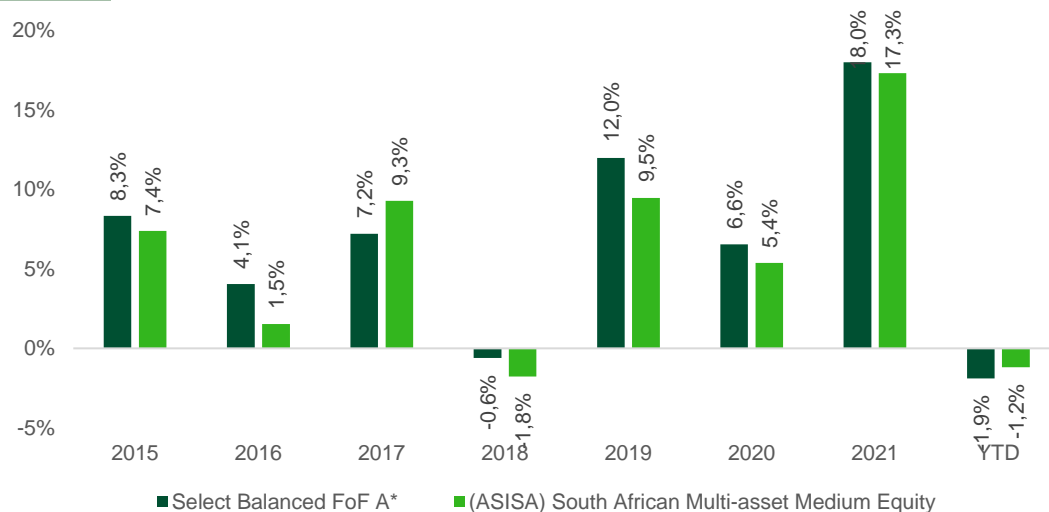
#### 5yr annualised return

**7.5%**

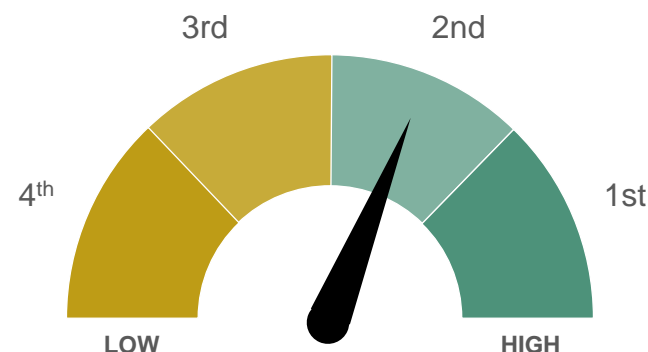
Peer group average: 7.0%



### Calendar year performance



### Peer group quartile ranking\*: 5yr



as at 31 March 2022

\*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

# Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



## Risk measures since inception\*

### Rolling 5yr return

**100%**

Hit rate: outperforming  
peer group average

### Volatility

**6.7%**

SA equity market: 13.5%

### Max drawdown

**-10.9%**

SA equity market: -21.7%

### Sharpe ratio

**0.3**

SA equity market: 0.3

### % Positive months

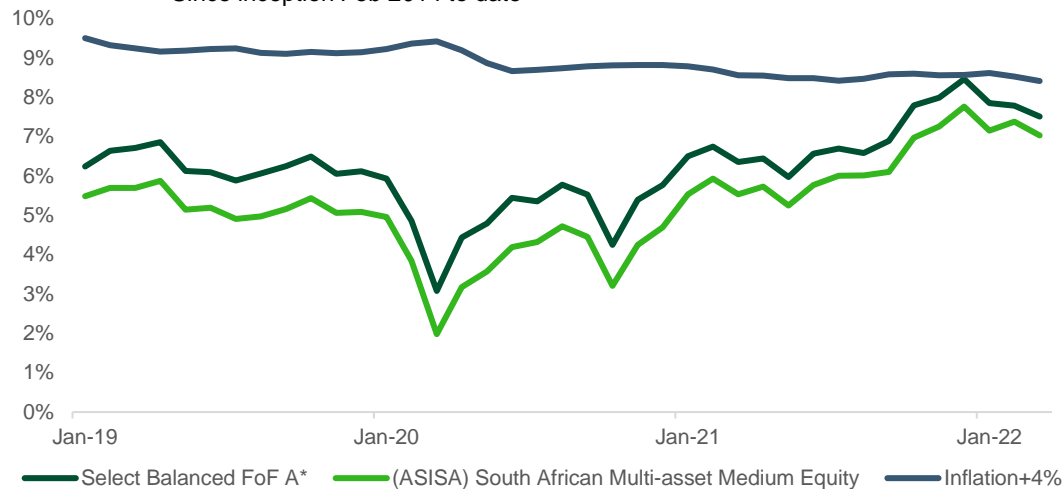
**69%**

SA equity market: 60%

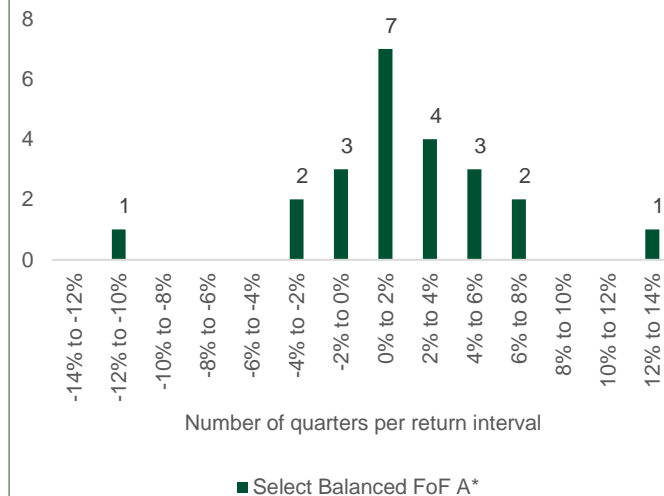


## Rolling 5-year annualised return

Since inception Feb 2014 to date



## Quarterly return distribution



as at 31 March 2022

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# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Coronation Capital Plus	10.1%	9.7%	1.5%	16.7%	10.2%	31.8%	0.5%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	-1.0%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	-1.2%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-1.8%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-6.0%



#### Positive contributors this quarter

- Amidst the global turmoil, South Africa has emerged as an emerging market safe haven. The domestic equity market returned 6.7% for the quarter (Capped SWIX) and the bond market 1.9% (ALBI), ending the quarter as the two top performers of the major asset classes.
- 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 Nedgroup Investments Opportunity fund's position in coal mining company, Thungela (+117%), was a meaningful contributor as coal prices doubled post Russia's invasion of Ukraine, as Europe searched for alternatives to Russian energy.
- Other key contributors in were MTN (+13%) and Shoprite (+13%) and



#### 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.
- In addition to currency weakness, global equity markets were down in US dollar terms, significantly underperforming the domestic equity allocation and detracting from performance.
- 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.

As at 31 March 2022

The fund has been invested equally weighted across the five funds displayed here since 31<sup>st</sup> December 2020



# Quarterly report:

## Nedgroup Investments Select Balanced Fund of Funds



### Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	S class (sip)	Peer group	SA inflation
Quarter	-1.9%	-1.9%	-2.8%	-1.9%	-1.2%	1.4%
1 year	9.3%	9.3%	N/A	9.4%	9.9%	5.7%
3 year	6.2%	6.6%	N/A	6.5%	8.3%	4.4%
5 year	5.4%	5.9%	N/A	5.8%	7.0%	4.2%



### Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.04%	1,32%	0.13%	1,45%
A1 class (product)	1.19%	1,49%	0.13%	1,62%
B2 class (lisp)	0.89%	1,14%	0.13%	1,27%
S class (sip)	1.09%	1,37%	0.13%	1,50%

as at 31 March 2022

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