



See money differently

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

as at 31 March 2022

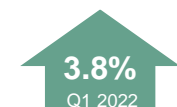
Quarterly report: Nedgroup Investments



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



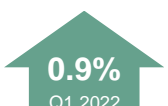
It was a volatile quarter as global central banks turned more hawkish. The longer end of the curve continues to outperform.

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



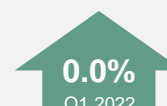
Despite the brief flight to safety caused by Russia, rising inflation continue to put pressure on bond markets

-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 XS Accelerated Fund of Funds



Fund overview

Max equity

90%

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



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.30%

Total expense ratio

1.41%

Transaction charges

0.16%

Total investment charges

1.57%



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 March 2022

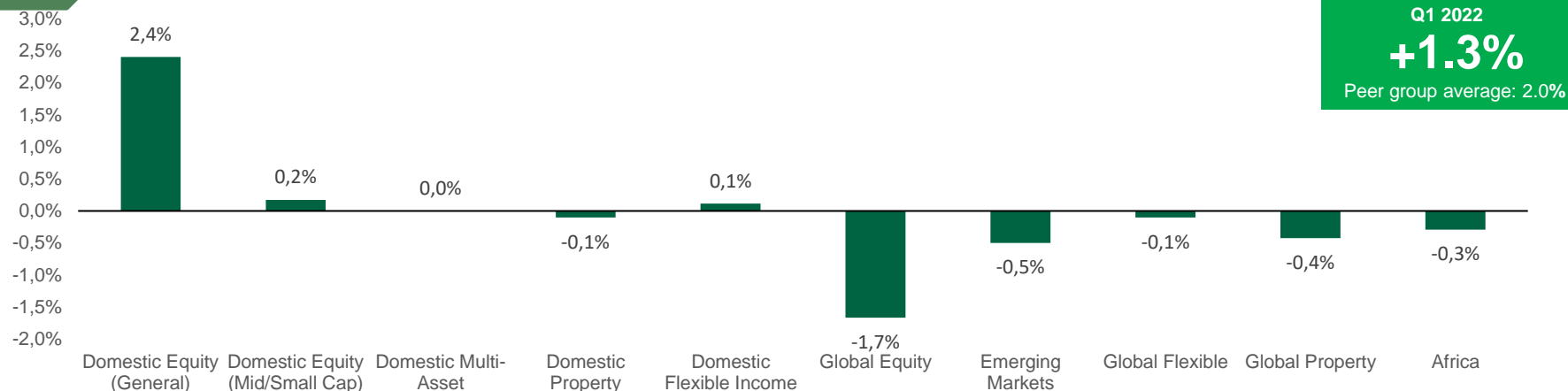
**Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1st July 2018 and ending 31st December 2021

Quarterly report:

Nedgroup Investments XS Accelerated Fund of Funds



XS Fund of Funds performance contribution – Q1 2022



Positive contributors this quarter

- Domestic equity (general) and the domestic flexible income bucket contributed the most to performance.
- The Nedgroup Investments Core Bond Fund (+1.8%) outperformed its benchmark (+1.6%). The supply dynamics (as a result of geopolitical tensions), saw a rally in energy and commodity prices. As a fiscal beneficiary of strong commodity prices, this was positive for local bonds which were up +1.9% over the quarter and outperformed cash (+0.9%) over the same time period.
- 80% of the domestic equity managers outperformed their peer group (ASISA General Equity up +4.2%), with the Nedgroup Investments SA Equity Fund (+6.1%) and Mazi Equity (+6.9%) as the top performers. Resources and Financials sector posted strong returns over the quarter and 60% of the top 10 stocks held in the portfolio were from these sectors.



Detractors this quarter

- Rising rates and tensions between Ukraine/Russia, sparked a risk-off event, that saw the sell-off of many global asset classes.
- From a regional perspective, higher food and energy prices increased the probability of a recession, especially in Europe. The risk-off environment and concerns regarding a possible European recession negatively impacted European banks as well.
- The Nedgroup Investments Global Emerging Market Feeder Fund underperformed its peers for the quarter (-16.5% vs. -14.0%). Stock selection was a drag on the fund performance, particularly in China. Russian stock market closure saw the stock prices of Gazprom and Magnit wiped out. In addition, underweight positions in South Africa and Latin America proved to be negative for fund performance.

Quarterly report:

Nedgroup Investments XS Accelerated Fund of Funds



Fund performance (clean class)

Q1'22 return

-0.5%

Peer group average: -0.5%

1yr annualised return

+12.4%

Peer group average: +12.1%

3yr annualised return

+6.9%

Peer group average: +10.1%

5yr annualised return

+5.6%

Peer group average: +7.3%

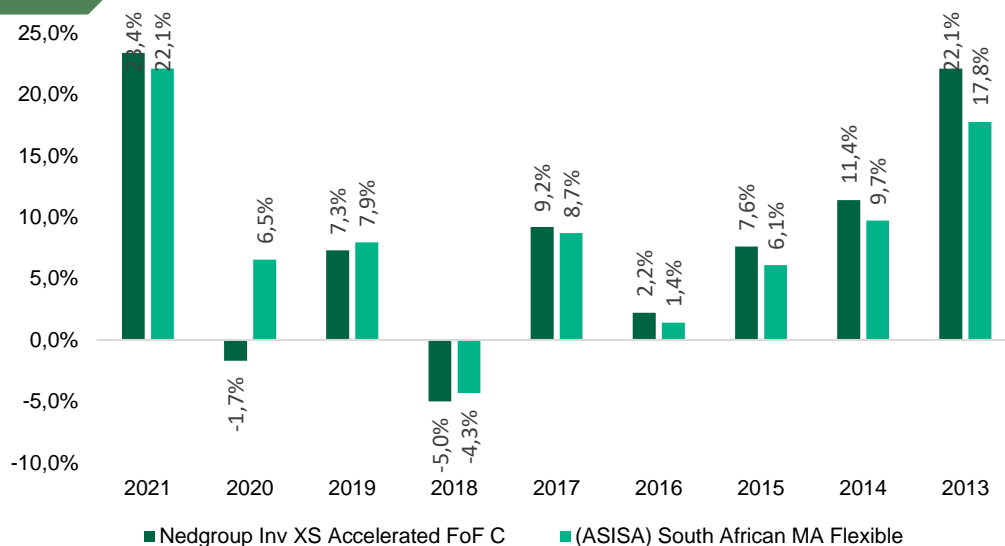
10yr annualised return

+8.5%

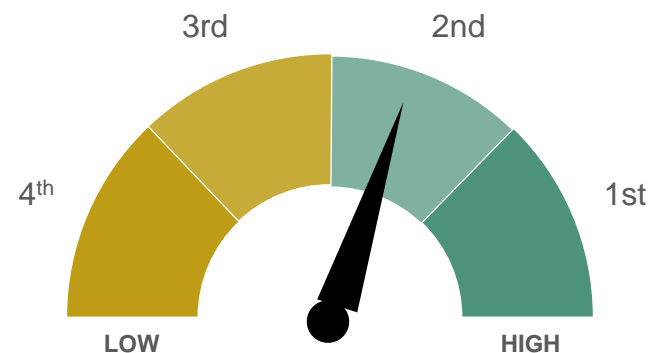
Peer group average: +8.5%



Calendar year performance



Peer group quartile ranking: 1yr



as at 31 March 2022

Quarterly report: Nedgroup Investments XS Accelerated Fund of Funds



Risk measures since inception

Rolling 7yr return

83%

Hit rate: outperforming
peer group average

Volatility

10.2%

SA equity market: 15.0%

Max drawdown

-24.1%

SA equity market: -40.4%

Sharpe ratio

0.4

SA equity market: 0.5

% Positive months

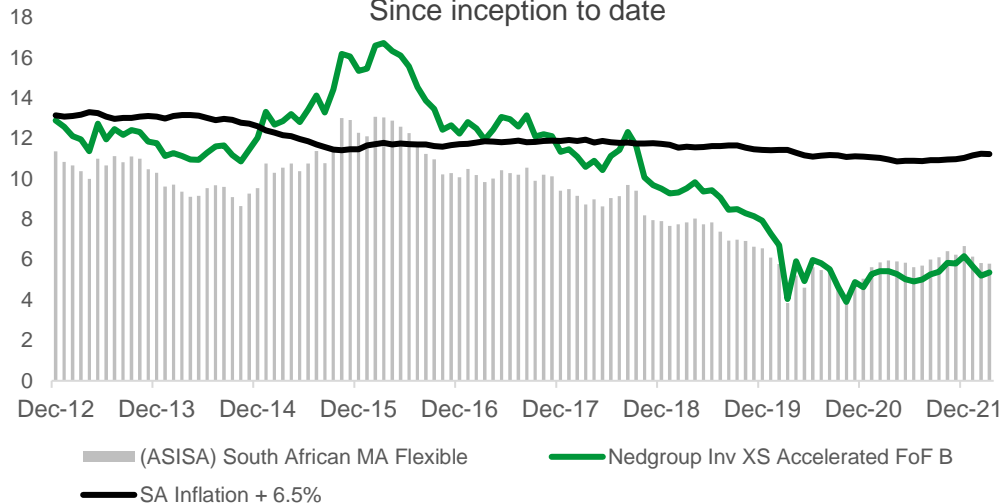
80%

SA equity market: 76%

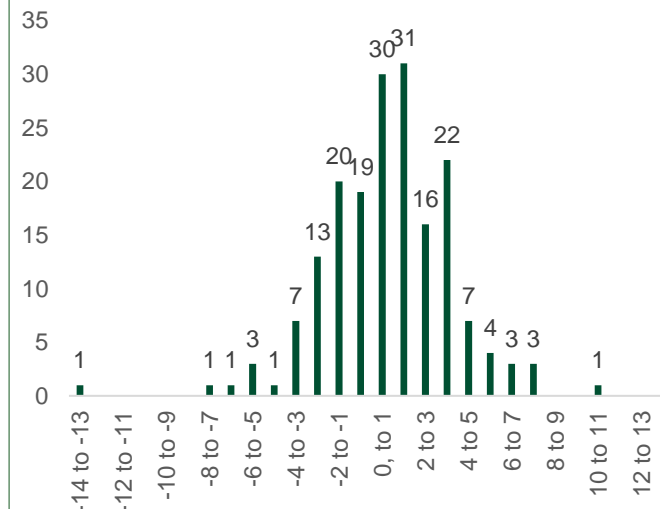


Rolling 7-year annualised return

Since inception to date



Quarterly return distribution



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	-0.8%	-0.4%	-0.5%	-0.5%	1.4%
1 year	11.1%	12.8%	12.4%	12.1%	5.7%
3 year	5.7%	7.3%	6.9%	10.1%	4.4%
5 year	4.4%	6.0%	5.6%	7.3%	4.2%



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%	2.56%	0.16%	2.72%
B Class (LISP)	1.00%	N/A	1.07%	0.16%	1.23%
C Class (clean)	1.30%	NA	1.41%	0.16%	1.57%

as at 31 March 2022

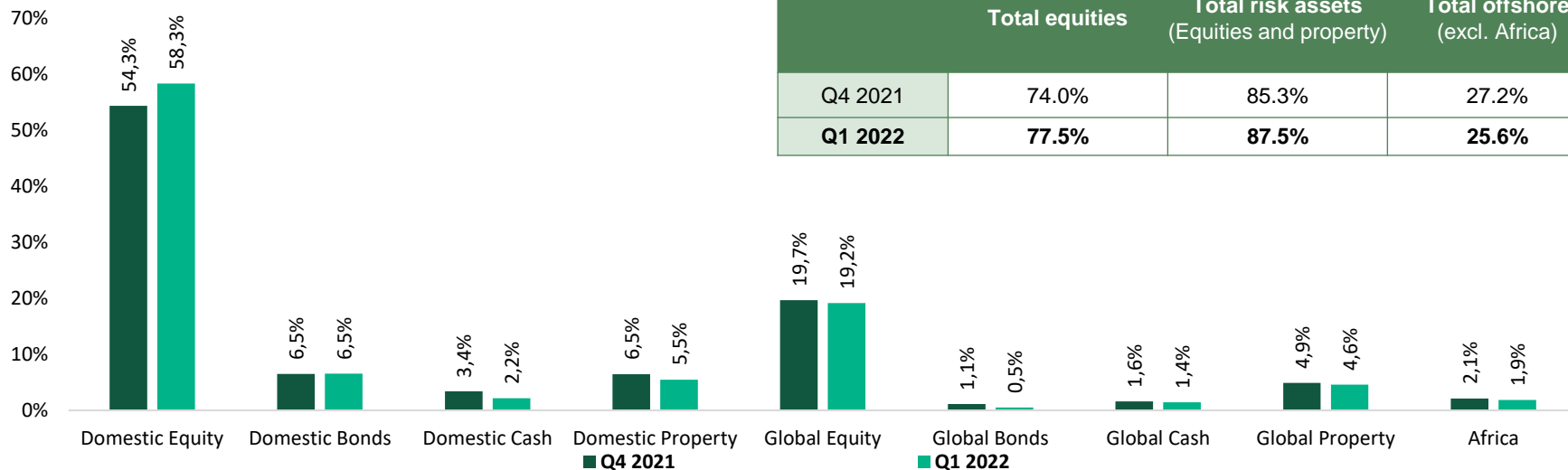
* Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1st of July 2018 and ending 31st December 2021

Quarterly report:

Nedgroup Investments XS Accelerated Fund of Funds



Asset allocation changes



Summary of recent changes

- Strategic and tactical asset allocation changes were made during the quarter.
- The recent regulation which sees the relaxation of the offshore limit, has now changed to a combined allowance of 45%.
- With the split between Africa and global being removed the reality is that one can now invest up to 45% purely offshore (from 30% prior).
- On the back of this change in regulation, we have reviewed our offshore exposures and SAA and TAA weightings.
- From an asset allocation perspective we remain:
 - overweight domestic equities
 - underweight global equities

Quarterly report:

Nedgroup Investments XS Accelerated Fund of Funds



Asset allocation

Domestic Equity



58.3%

Domestic Property



5.5%

Domestic Fixed Interest



8.7%

Foreign Equity



19.2%

Foreign Property



4.6%

Foreign Fixed Interest



1.9%

Africa



1.9%



Regional exposure



50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%

PURE SA



24.4%

RAND HEDGES



29.2%

DIRECT FOREIGN



Top ten holdings (as a % of fund)



4.2%



3.2%



2.7%



2.4%



2.3%



1.9%



1.9%



1.6%



1.6%



1.5%

as at 31 March 2022

Quarterly report:

Nedgroup Investments XS Accelerated Fund of Funds



Domestic asset class positioning



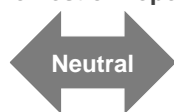
Domestic Equity



58.3%

- 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



5.5%

- 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



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



2.2%

- 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



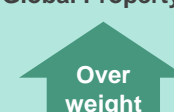
Global Equity



19.2%

- Equities will outperform fixed income, with an expectation of high single digit returns over the course of the year.
- However, we are mindful of the continued disruption caused by the Russia-Ukraine crisis with higher risk to European markets.

Global Property



4.6%

- Real assets appear attractive as an alternative to fixed income and with some inflation protection.
- Selective commercial property segments and the broader infrastructure sectors will benefit from the continued reflation of economies.

Global Bond



0.5%

- Fixed income markets will underperform equities over a 12 month period. We expect a series of interest rate hikes and as such favour the shorter duration end of the market with a focus more on credit risk.

Global Cash



1.4%

- 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 45.3%



Mazi



MATRIX
FUND MANAGERS



Small/Mid Cap Equity: 7.0%



Passive Multi-Asset: 13.0%



Property: 3.7%



SESFIKILE CAPITAL
Listed Property Investments



Flexible Income: 6.3%



Offshore and Africa: fund manager exposures

Equity: 12.2%

ARDEVORA

Veritas
— Asset
Managemen. DODGE & COX*

EM Equity: 2.9%



Multi-Asset: 1.1%



Property: 4.1%



Africa: 2.1%



As at 31 March 2022

The residual balance (out of 100%) is held as domestic cash to provide liquidity

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).