Quarterly Report:
Nedgroup Investments XS Guarded Fund of Funds

NEDGROUP INVESTMENTS

See money differently

as at 31 March 2022

Quarterly report: Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

3.8% Q1 2022

18.6%	1 year
14.2%	3 years
12.3%	LT average

Resource and Financials sectors had a strong quarter up close to 20%, but Industrials were weak.

SA Property

-1.3% Q1 2022

27.1%	1 year
-3.8%	3 years
11.8%	LT average

Growthpoint was the largest detractor this quarter, despite strong operational updates in March.

SA Bond

1.9% Q1 2022

12.4%	1 year
8.4%	3 years
6.9%	LT average

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

SA Cash

0.9% Q1 2022

3.6%	1 year
4.7%	3 years
5.9%	LT average

The SARB hiked rates by 25bps in both January and March taking the repo rate to 4.25%.

Global asset class returns (USD)

Global Equity

-5.3% Q1 2022

7.7%	1 year
14.3%	3 years
10.2%	LT average

Markets fell despite rallying in March, with EM and Europe ex-UK hardest hit by the Russia-Ukraine conflict.

Global Property

-3.8% Q1 2022

15.4%	1 year
6.4%	3 years
5.8%	LT average

REITs bounced back strongly in March +4.5%, with the US being the top performing region at +6.3%.

Global Bond

-6.2% Q1 2022

-6.4%	1 year
0.7%	3 years
1.6%	LT average

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

US Cash

0.0% Q1 2022

0.1%	1 year
0.8%	3 years
4.3%	LT average

US Fed raised its target rate by 0.25% in March, the first time since the pandemic

Exchange rates (Rand spot rate and quarterly change)

US Dollar R14.61

9%

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

12%

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

12%

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.

Source: Morningstar; as at 31 March 2022
https://nedgroupinvestmentsmultimanager.com/

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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.

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Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
40%	Min 3 years	Inflation +3%	SA Multi-Asset Low Equity	Compliant

Risk profile

1 | **2** | 3 | 4 | 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.15%	1.30%
Transaction charges	**Total investment charges**
0.08%	1.38%

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 31 December 2021

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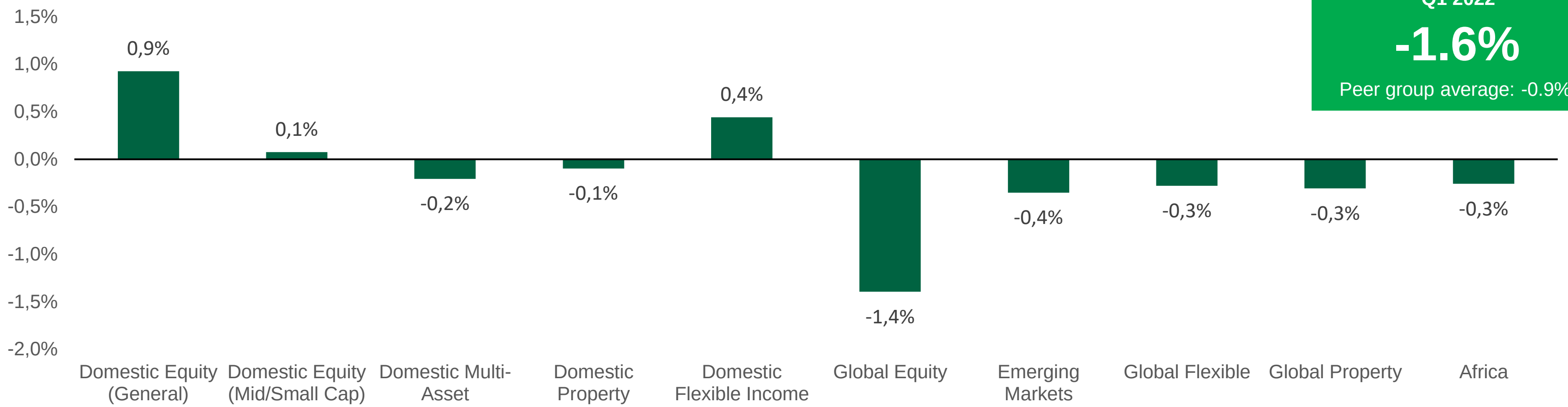
XS Fund of Funds performance contribution – Q1 2022



Q1 2022

-1.6%

Peer group average: -0.9%

- 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.

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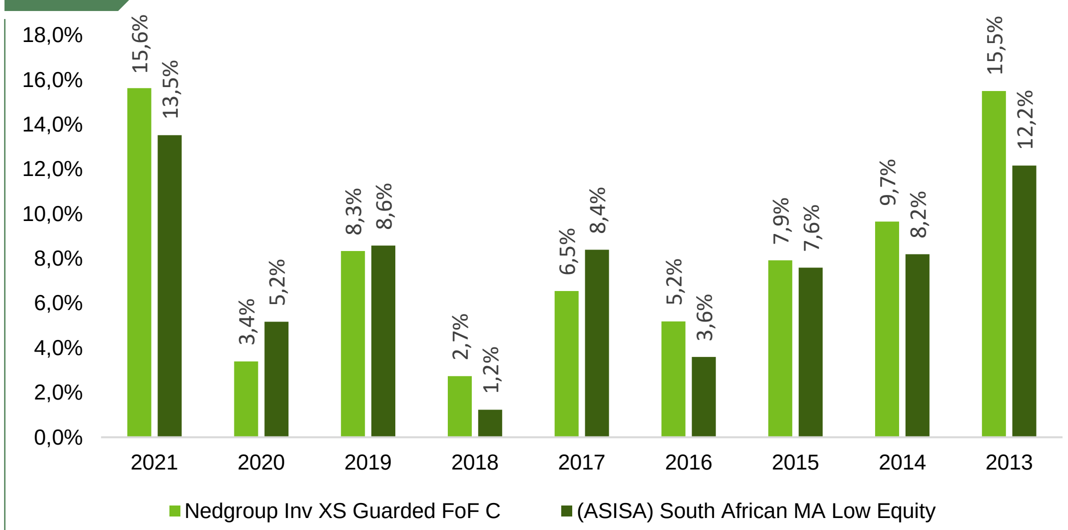
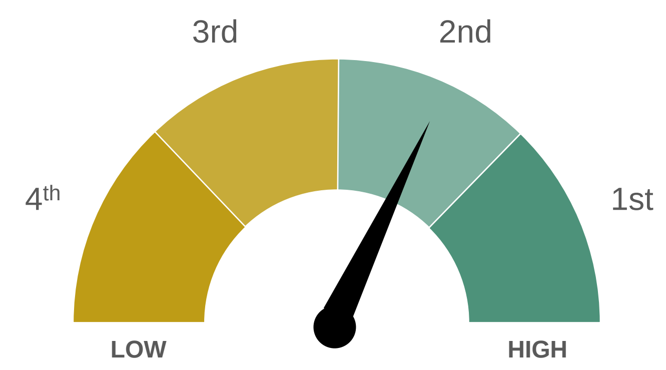
Fund performance (clean class)

Q1'22 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
-1.6%	**-1.6%**	**+9.0%**	**+6.7%**	**+6.5%**
Peer group average: -0.9%	Peer group average: -0.9%	Peer group average: +8.7%	Peer group average:+7.3%	Peer group average: +6.7%

Calendar year performance



Peer group quartile ranking: 1yr



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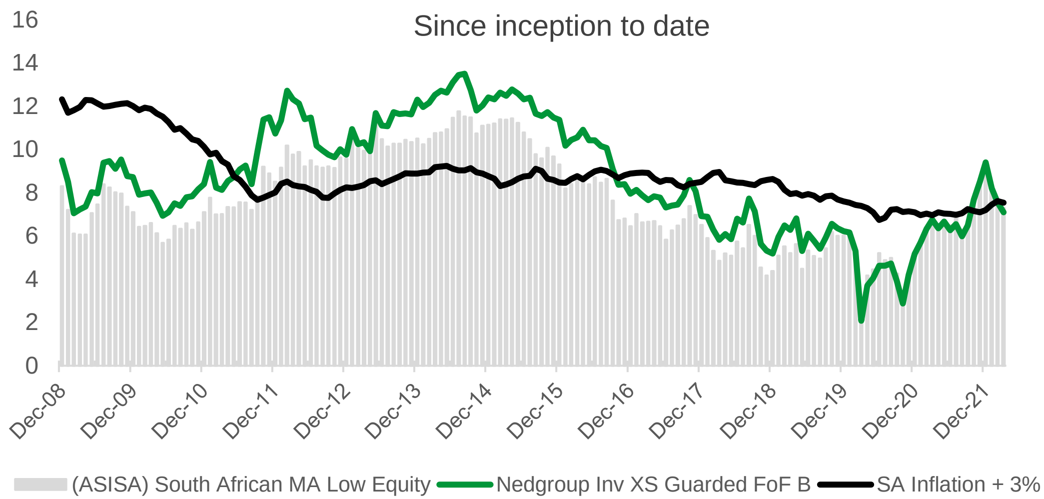
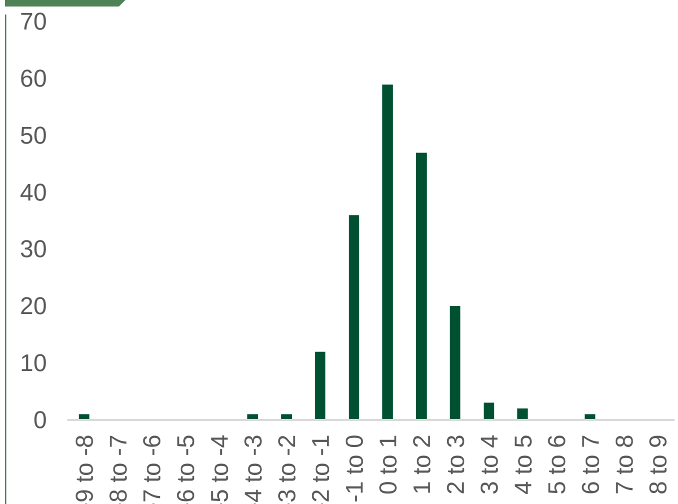
Risk measures since inception

Rolling 3yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
89%	**4.9%**	**-10.6%**	**0.5**	**93%**
Hit rate: outperforming peer group average	SA equity market: 15.0%	SA equity market: -40.4%	SA equity market: 0.4	SA equity market: 76%

Rolling 3-year annualised return



Quarterly return distribution



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Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	-1.9%	-1.5%	-1.6%	-0.9%	1.4%
1 year	7.7%	9.5%	9.0%	8.7%	5.7%
3 year	5.5%	7.3%	6.7%	7.3%	4.4%
5 year	5.3%	7.1%	6.5%	6.7%	4.2%

Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.15%	1.00%	2.44%	0.08%	2.52%
B Class (LISP)	0.85%	N/A	0.95%	0.08%	1.03%
C Class (clean)	1.15%	NA	1.30%	0.08%	1.38%

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* 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

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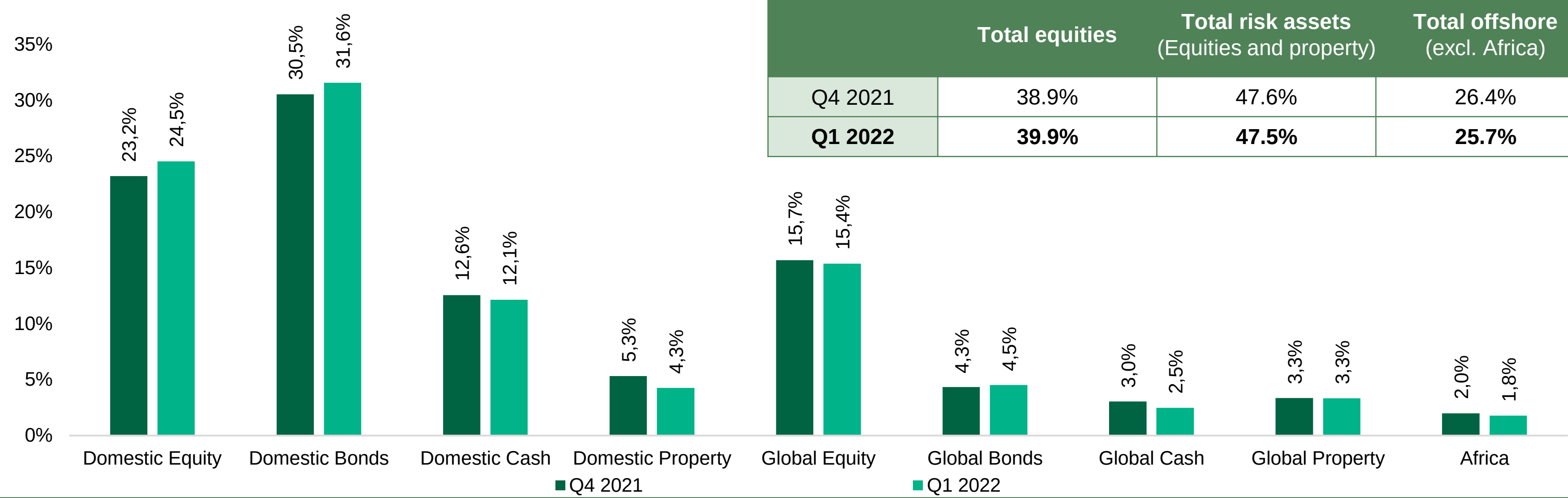
Asset allocation changes

	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q4 2021	38.9%	47.6%	26.4%
Q1 2022	**39.9%**	**47.5%**	**25.7%**



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

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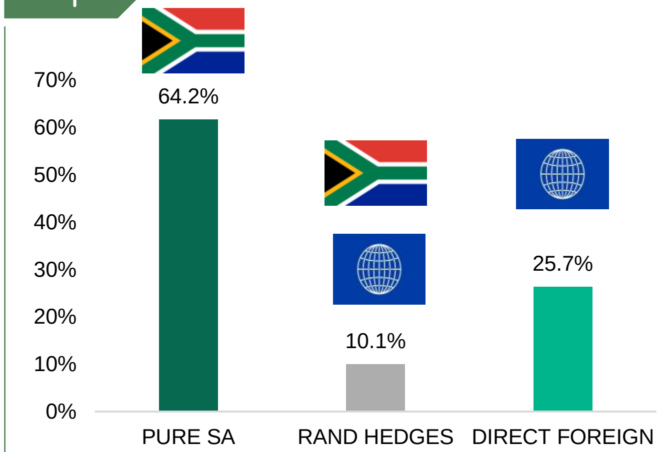
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
24.5%	4.3%	43.7%

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
15.4%	3.3%	7.0%	1.8%

Regional exposure



Top ten holdings (as a % of fund)

ANGLO AMERICAN	1.7%
prosus	1.3%
NASPERS	1.1%
BRITISH AMERICAN TOBACCO	1.0%
IMPALA PLATINUM	0.9%
FIRSTRAND	0.8%
NEDBANK	0.6%
ANGLOGOLD ASHANTI	0.6%
Standard Bank	0.6%
GLENCORE xstrata	0.6%

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Domestic asset class positioning

Domestic Equity

Over weight | 24.5%

- 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 | 4.3%

- 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 | 31.6%

- 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 | 12.1%

- 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

Under weight | 15.4%

- 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

Over weight | 4.3%

- 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

Under weight | 4.5%

- 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

Under weight | 2.5%

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

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Domestic: fund manager exposures

Equity General: 17.1%

Mazi
Laurium Capital
Satrix
Matrix Fund Managers
Coronation Fund Managers

Small/Mid Cap Equity: 3.0%

ABAX investments

Property: 2.9%

Bridge Fund Managers
Sesfikile Capital Listed Property Investments
M&G

Passive Multi-Asset: 19.5%

Taquanta

Flexible Income: 35.3%

ABAX investments
Taquanta

Offshore and Africa: fund manager exposures

Equity: 8.7%

Veritas Asset Management
Ardevora
Dodge & Cox

EM Equity: 2.5%

NS Partners

Multi-Asset: 6.1%

FPA investor
Pyrford International

Property: 3.0%

Resolution Capital

Africa: 2.0%

Laurium Capital

As at 31 March 2022
The residual balance (out of 100%) is held as domestic cash to provide liquidity

Nedgroup Investments

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