



See money differently

Quarterly Report: **Nedgroup Investments** **Select Balanced Fund of Funds**

as at 30 June 2022

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity

-11.7%

Q2 2022

4.7% 1 year

8.2% 3 years

12.3% LT average

The Naspers / Prosus recovery was of the top performers, while resources were the biggest losers

SA Property

-11.6%

Q2 2022

0.2% 1 year

-9.0% 3 years

11.8% LT average

Weakness was broad-based, but Growthpoint and Redefine were the largest detractors

SA Bond

-3.7%

Q2 2022

1.3% 1 year

5.8% 3 years

6.9% LT average

SA yields were impacted by the negative global environment and the rising domestic inflation backdrop

SA Cash

1.1%

Q2 2022

3.8% 1 year

4.5% 3 years

5.9% LT average

The repo rate was increased by 75bps to 4.75% this quarter



Global asset class returns (USD)



Global Equity

-15.5%

Q2 2022

-15.4% 1 year

6.7% 3 years

10.2% LT average

Tech-heavy Nasdaq fared the worst and EU struggled due to higher inflation and vulnerability to recession

Global Property

-17.2%

Q2 2022

-12.7% 1 year

-0.2% 3 years

5.8% LT average

Rising rates, inflation pressure and recession fears weighed heavily on REITs, particularly offices and regional malls

Global Bond

-8.3%

Q2 2022

-15.3% 1 year

-3.2% 3 years

1.6% LT average

Global bond market volatility remained elevated and yields pushed higher in the global rising rate trend

US Cash

0.4%

Q2 2022

0.6% 1 year

0.8% 3 years

4.3% LT average

US inflation for May surprised to the upside at 8.6% and US Fed hiked rates by 1.25% in the quarter



Exchange rates (Rand spot rate and quarterly change)



US Dollar R16.38

11%

The US dollar was the main beneficiary of the current market environment. With talks about a looming recession, investors sought refuge in the safety of the dollar. After a resilient first quarter, the rand depreciated 11.4% to the dollar in the second quarter, with the state of the local economy exacerbated by Eskom power cuts.



British Pound R19.90

5%

The Bank of England (BoE) hiked rates for a fifth time since December 2021 just a day after the US Fed announced their 75bps rate hike in June. Inflation rose to 9.1% in May from 9% in April, consumer confidence has fallen further and the BoE now expect GDP to fall by 0.3% in the second quarter as a whole.



Euro R17.13

3%

The European Central Bank (ECB) confirmed in June that it will raise rates by 0.25% in July, in line with most market participant expectations. High inflation is a major challenge as the ECB expects inflation to remain undesirably high for the next few years at 6.8% in 2022, 3.5% in 2023 and 2.1% in 2024.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- First quarter GDP printed at 1,9%, exceeding market expectations, with the economy now back at pre-COVID levels. The expansion was broad based, with strong contributions from the manufacturing and trade sector, and robust consumer spending as the economy reopened.
- Eskom announced 18 winning bids for renewable projects in Mpumalanga, which will lease land from Eskom and generate an estimated 1800MW of energy to be wheeled across the grid. While this will not alleviate the immediate energy crisis, it is illustrative of the energy reforms slowly being enacted. It was also constructive to note that the first two private projects for generation below 100MW was approved in May, both solar, marking a milestone in energy reforms and better prospects.



Low points

- Eskom loadshedding intensified significantly towards the end of June as striking workers impaired the ability to provide secure electricity supply to the country
- In addition, weak prints for mining and manufacturing production in April confirming the disruption and damage from the flooding in KwaZulu Natal, strikes in the mining sector and persistent loadshedding will result in weak GDP growth figures for the second quarter.
- Headline inflation surprised to the upside at 6,5% y-o-y in May, a breach of the 6% upper target of the SA Reserve Bank and the highest figure since 2017.



Global performance drivers



Highlights

- Based on recent survey data, stimulus measures seem to be helping and we have seen improving PMI numbers.
- Covid-19 restrictions have been relaxed in many countries, providing some relief to previously constrained sectors like hospitality and entertainment. Capacity constraints, mask-wearing and testing requirements are some examples of the relaxed restrictions.
- In May, European Central Bank President (ECB) Christine Lagarde provided a rare explicit forward policy guidance, by saying that the Eurozone policy rate was likely to be positive (currently at -0.5%) by the end of the third quarter this year.



Low points

- High food and energy prices remain two of the biggest drivers of high inflation figures, with the war between Russia-Ukraine and pandemic restrictions in China keeping pricing pressure elevated.
- Losses were not confined to traditional 'risk' assets with notable swings in fixed income markets as investors grappled with a changing landscape of base-rate expectations.
- The Chinese economy remains under significant strain due to Covid-induced lockdowns.

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

A3BAX
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 30 June 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 April 2019 to 31 March 2022 – 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



34.2%

Domestic Property



3.4%

Domestic Fixed Interest



36.3%

Foreign Equity



19.2%

Foreign Property



1.0%

Foreign Fixed Interest



5.9%



Regional exposure



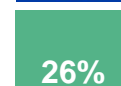
59%

PURE SA



15%

RAND HEDGES



26%

DIRECT FOREIGN



Top ten holdings

3.6%

RSA R186 Bond

2.8%

RSA R2035 Bond

2.7%

RSA R209 Bond

2.6%

RSA R2030 Bond

2.5%

NASPERS

2.3%

RSA R2037 Bond

2.1%

BRITISH AMERICAN
TOBACCO

2.0%

newgold

1.9%

RSA R2032 Bond

1.5%

prosus

as at 30 June 2022

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q2'22 return

-1.4%

Peer group average: -4.6%

Ytd return

-3.2%

Peer group average: -5.7%

1yr annualised return

5.2%

Peer group average: 2.8%

3yr annualised return

8.1%

Peer group average: 6.1%

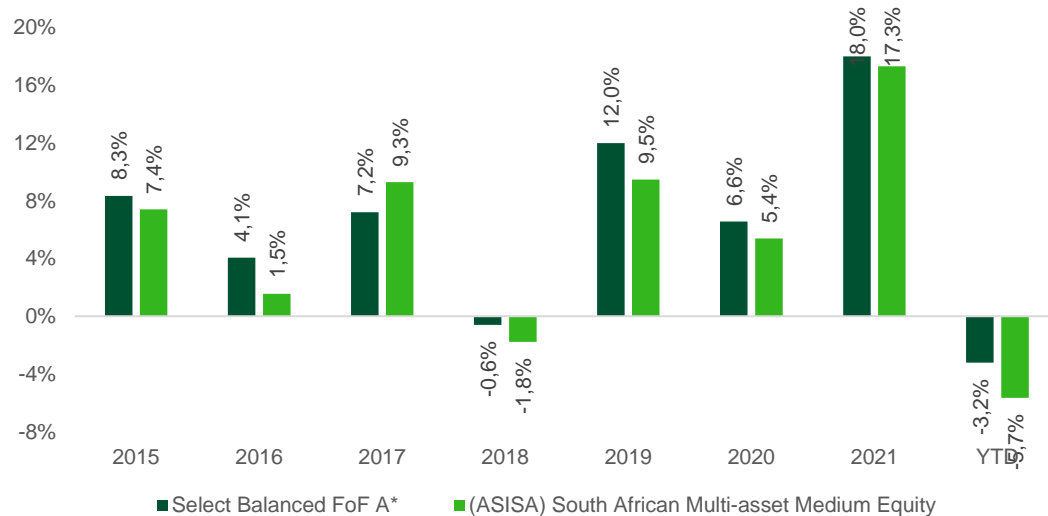
5yr annualised return

7.0%

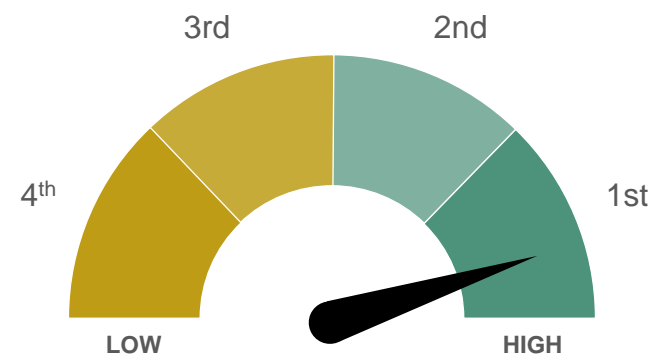
Peer group average: 5.9%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 30 June 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

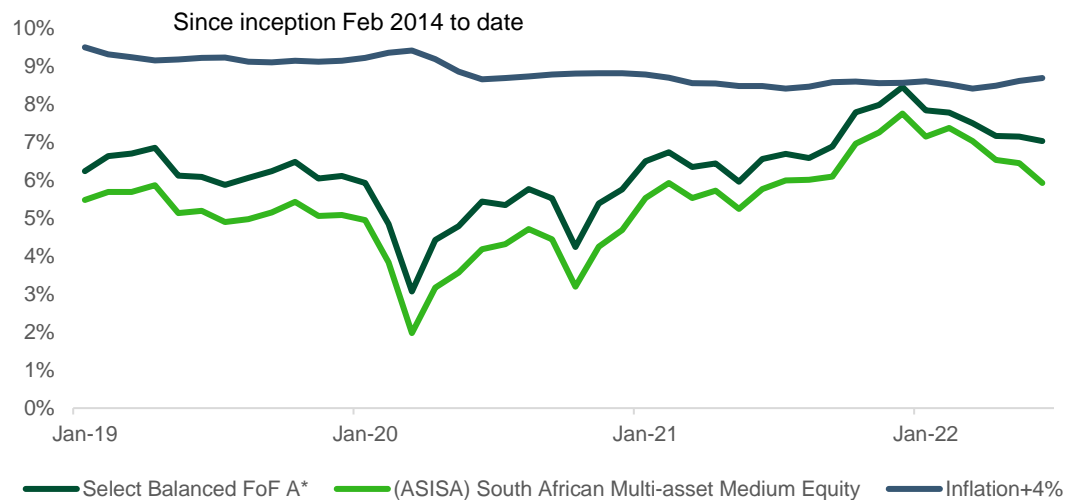
% Positive months

69%

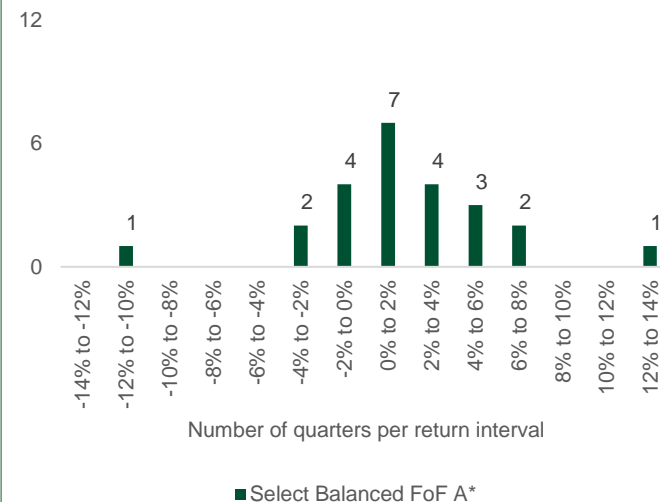
SA equity market: 60%



Rolling 5-year annualised return



Quarterly return distribution



as at 30 June 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%	2.5%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	-2.6%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	-3.7%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-6.7%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-7.9%



Positive contributors this quarter

- The rand depreciated by 11.4% relative to the US dollar this quarter, contributing to the offshore assets held in US dollar, as well as locally listed rand hedged stocks.
- The NewGold ETF (+5% in Q2'22) has been volatile, but net positive, as it shifts between benefitting from the global flight to safety vs suffering due to rising interest rates and inflation increasing its opportunity cost of holding.
- Abax's meaningful holding in Thungela Resources Limited (+34% in Q2'22), high quality, low-cost thermal coal producer and exporter in South Africa, contributed to performance.
- Naspers (+43% in Q2'22) and Prosus (+33% in Q2'22) had a strong rebound in June on the back of their announcement of a new open-ended share-repurchase programme financed by Prosus' sale of Tencent shares.



Detractors this quarter

- Nominal bonds had a tough June with the All Bond Index posting a return of -3.0%, and -3.7% for the quarter.
- MTN (-31% in Q2'22) and retailers like Spar (-18% in Q2'22) and Pepkor (-18% in Q2'22) detracted from performance, against the backdrop of non-energy commodity price weakness and downgrades to economic growth expectations.
- Similarly, financials like Absa (-17% in Q2'22) and Standard Bank (-13% in Q2'22) struggled this quarter, as well as most resource stocks with Goldfields (-33%) and DRD Gold (-28%) amongst the top detractors.
- Listed property came under significant pressure in June, in-line with broader equity markets. The SA listed property index returned -10.5% for the month and -11.6% for the quarter.

As at 30 June 2022

The fund has been invested equally weighted across the five funds displayed here since 31st 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	-1,4%	-1,4%	-2,1%	-1,4%	-4,6%	2,3%
1 year	5,2%	5,0%	5,4%	5,1%	2,8%	6,5%
3 year	5,4%	5,8%	N/A	5,7%	6,1%	4,6%
5 year	4,9%	5,4%	N/A	5,3%	5,9%	4,5%



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%

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