NEDGROUP INVESTMENTS

See money differently

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

as at 30 June 2022

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

-11.7% Q2 2022

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

4.7%	1 year
8.2%	3 years
12.3%	LT average

SA Property

-11.6% Q2 2022

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

0.2%	1 year
-9.0%	3 years
11.8%	LT average

SA Bond

-3.7% Q2 2022

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

1.3%	1 year
5.8%	3 years
6.9%	LT average

SA Cash

1.1% Q2 2022

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

3.8%	1 year
4.5%	3 years
5.9%	LT average

Global asset class returns (USD)

Global Equity

-15.5% Q2 2022

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

-15.4%	1 year
6.7%	3 years
10.2%	LT average

Global Property

-17.2% Q2 2022

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

-12.7%	1 year
-0.2%	3 years
5.8%	LT average

Global Bond

-8.3% Q2 2022

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

-15.3%	1 year
-3.2%	3 years
1.6%	LT average

US Cash

0.4% Q2 2022

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

0.6%	1 year
0.8%	3 years
4.3%	LT average

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.

Source: Morningstar; as at 30 June 2022
https://nedgroupinvestmentsmultimanager.com/

NEDGROUP INVESTMENTS

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 Defensive Fund of Funds

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

Underlying fund structure

Allan Gray	Coronation Fund Managers	Foord	M&G Investments	Taquanta
20% Active	20% Active	20% Active	20% Active	20% Passive

Fund costs (A – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.00%	1.27%
Transaction charges	**Total investment charges**
0.06%	1.33%

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 Defensive FoF history due to the fund merger.

NEDGROUP INVESTMENTS

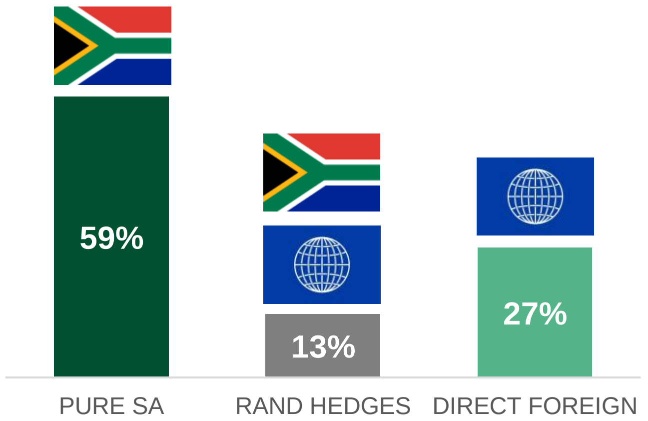
Quarterly report:
Nedgroup Investments Select Defensive Fund of Funds

Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
24.3%	3.2%	45.2%

Foreign Equity	Foreign Property	Foreign Fixed Interest
14.8%	0.8%	11.7%

Regional exposure



Top ten holdings

RSA R186 Bond	6.1%
RSA R2035 Bond	4.3%
RSA R2032 Bond	3.8%
RSA R2037 Bond	2.6%
RSA R2030 Bond	2.1%
RSA R2044 Bond	1.9%
British American Tobacco	1.8%
	1.5%
NASPERS	1.4%
newgold	1.5%

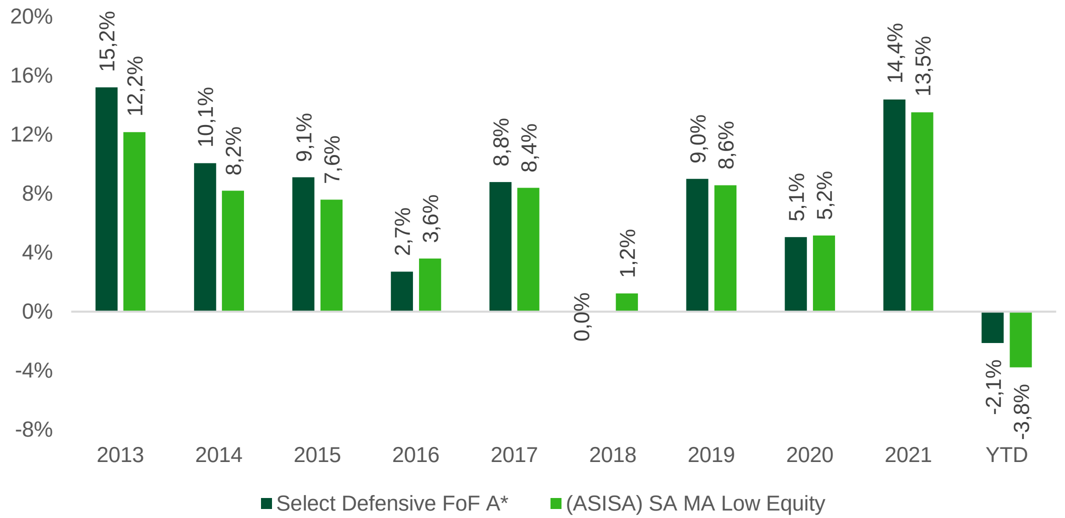
as at 30 June 2022

Quarterly report:
Nedgroup Investments Select Defensive Fund of Funds

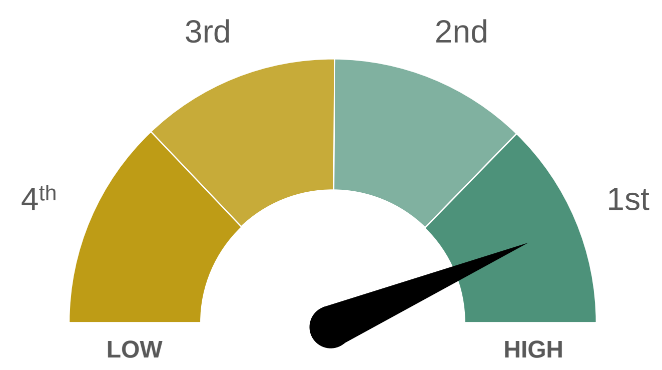
Fund performance (clean class)

Q2'22 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
-1.5%	-2.1%	4.8%	6.6%	6.2%
Peer group average: -2.9%	Peer group average: -3.8%	Peer group average: 3.0%	Peer group average: 5.6%	Peer group average: 5.9%

Calendar year performance



Peer group quartile ranking: 3yr



as at 30 June 2022

*Select Defensive FoF A track record displayed in this report includes the XS Select Guarded FoF C class (merged with NPW Defensive FoF and renamed to Select Defensive on 4 June) track record since inception to 31 December 2020, thereafter actual performance the Select Defensive FoF.

NEDGROUP INVESTMENTS

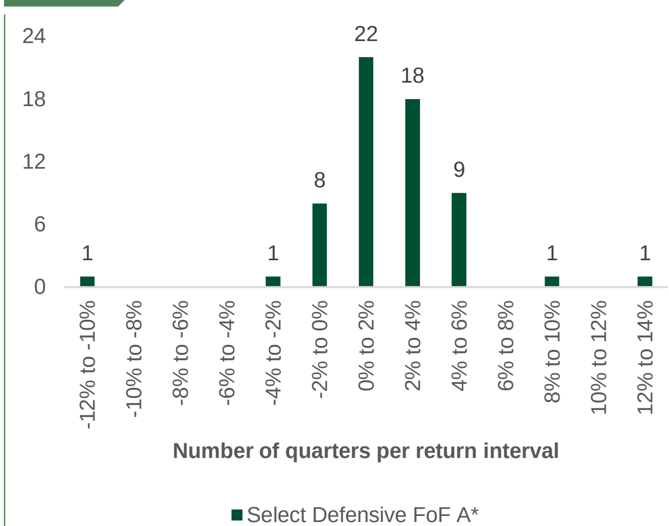
Quarterly report:
Nedgroup Investments Select Defensive Fund of Funds

Risk measures since inception

Rolling 3yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
80%	**5.7%**	**-11.4%**	**0.4**	**74%**
Hit rate: outperforming peer group average	SA equity market: 15.0%	SA equity market: -40.4%	SA equity market: 0.3	SA equity market: 61%

Rolling 3-year annualised return

Quarterly return distribution



as at 30 June 2022

*Select Defensive FoF A track record displayed in this report includes the XS Select Guarded FoF C class (merged with NPW Defensive FoF and renamed to Select Defensive on 4 June) track record since inception to 31 December 2020, thereafter actual performance the Select Defensive FoF.

Quarterly report:
Nedgroup Investments Select Defensive Fund of Funds

Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Allan Gray Stable	6.4%	11.1%	2.9%	11.1%	11.8%	20.7%	0.2%
Coronation Balanced Defensive	4.6%	9.8%	2.6%	9.5%	7.2%	16.5%	-2.4%
Nedgroup Investments Core Guarded	4.4%	9.6%	2.0%	8.7%	6.4%	15.1%	-3.1%
Nedgroup Investments Stable	3.9%	7.8%	1.7%	7.1%	3.5%	12.7%	-3.6%
M&G Inflation Plus	0.4%	7.1%	-4.3%	6.5%	-0.2%	8.6%	-4.8%

Positive contributors this quarter

- Allan Gray's relatively high net equity weight with a preference for locally listed shares over offshore stocks contributed to performance. Sasol (+5% in Q2'22), for example, benefitted from the c.$10/barrel increase in oil price 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.
- Inflation linked bonds posted a decent quarter of performance at +3% given the higher inflation prints which we are seeing in South Africa.
- 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.

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.
- 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. Fundamentally, the companies that either reported or posted pre-close statements showed reasonably decent underlying operational trends. However, the announcement of stage 6 loadshedding adversely impacted sentiment.
- Standard Bank (-13% in Q2'22) and other holdings in the financials sector detracted, alongside resource stocks held, against the backdrop of non-energy commodity price weakness and downgrades to economic growth expectations.

as at 30 June 2022
Allan Gray was introduced on the 1st of October 2018

NEDGROUP INVESTMENTS

Quarterly report:
Nedgroup Investments Select Defensive Fund of Funds

Performance across classes

	A class (direct)	A1 class (lisp)	A2 class (product)	S class (sip)	Peer group	SA inflation
Quarter	-1,5%	-1,5%	-1,5%	-1,5%	-2,9%	2,3%
1 year	4,6%	4,8%	4,5%	4,6%	3,0%	6,5%
3 year	5,1%	5,6%	5,3%	N/A	5,6%	4,6%
5 year	5,5%	6,0%	5,8%	N/A	5,9%	4,5%

Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.00%	1.27%	0.06%	1.33%
A1 class (lisp)	0.85%	1.10%	0.06%	1.16%
A2 class (product)	1.15%	1.43%	0.06%	1.49%
S class (sip)	1.05%	1.33%	0.06%	1.39%

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 Defensive FoF history due to the fund merger.

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).