



See money differently

Quarterly Report: **Nedgroup Investments** **Select Global Equity 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 Global Equity Fund of Funds



Fund overview

Max equity

100%

Time frame

Min **7** years

Benchmark

USD Cash
+6%

Peer group

Global Equity
General

Regulation 28

Non-Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ARDEVORA

20% Active

Goldman
Sachs

20% Active

DODGE & COX

20% Active

Veritas
— Asset
Management

20% Passive

SATRIX



Fund costs (C – clean class)

Management fee* (Excl. Vat)

0.99%

Total expense ratio

1.36%

Transaction charges

0.05%

Total investment charges

1.41%



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. 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. Figures displayed here are the best estimates available given insufficient track record.

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Sector allocation

Healthcare



15.4%

Communication Services



14.4%

Technology



13.8%

Financial Services



12.5%

Consumer Cyclical



11.6%

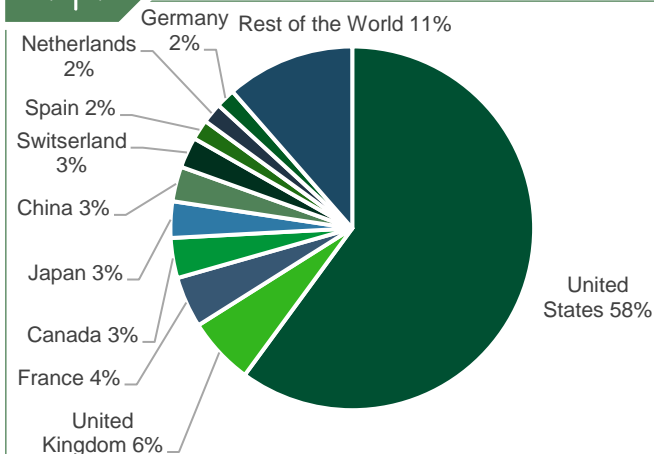
Industrials



11.0%



Country allocation



Top ten holdings

Alphabet

3.9%

amazon

2.6%



1.8%



1.6%

Charter
COMMUNICATIONS

1.6%

BAE SYSTEMS

1.5%

Meta

1.4%

UnitedHealthcare

1.2%

fiserv.

1.1%

SANOI

1.1%

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Fund performance (clean class)*

Q2'22 return

-5.9%

Peer group average: -4.8%

1yr annualised return

-8.7%

Peer group average: -7.9%

3yr annualised return

11.6%

Peer group average: 9.2%

5yr annualised return

11.9%

Peer group average: 9.1%

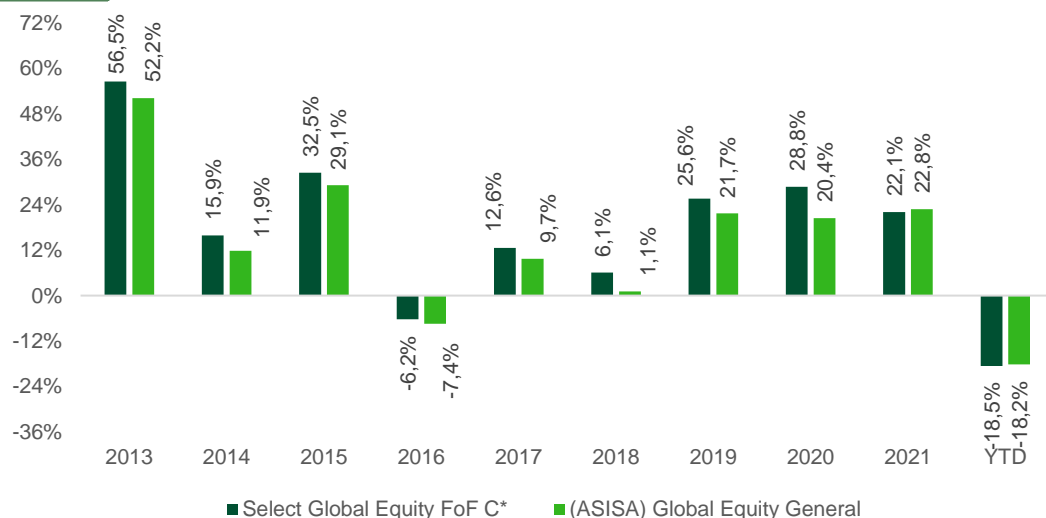
7yr annualised return

11.9%

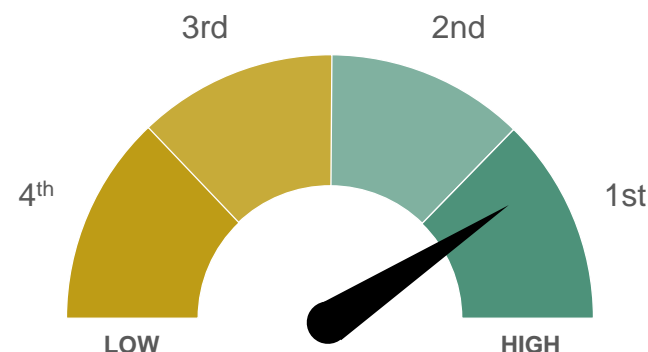
Peer group average: 9.1%



Calendar year performance



Peer group quartile ranking*: 7yr



as at 30 June 2022

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Risk measures since inception*

Rolling 7yr return

100%

Hit rate: outperforming
peer group average

Volatility

15.4%

Global equity market (ZAR):
15.0%

Max drawdown

-18.5%

Global equity market (ZAR):
-18.4%

Sharpe ratio

0.7

Global equity market (ZAR):
0.8

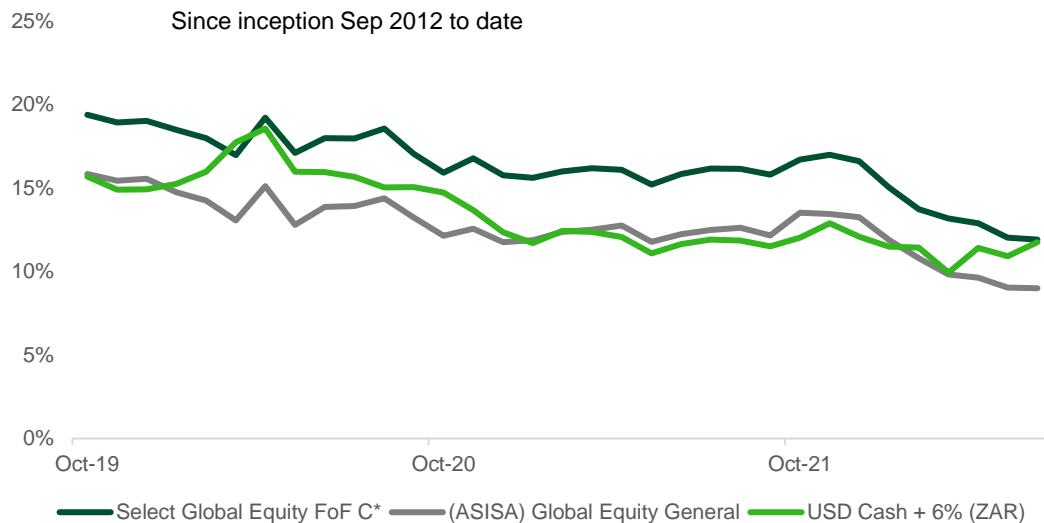
% Positive months

63%

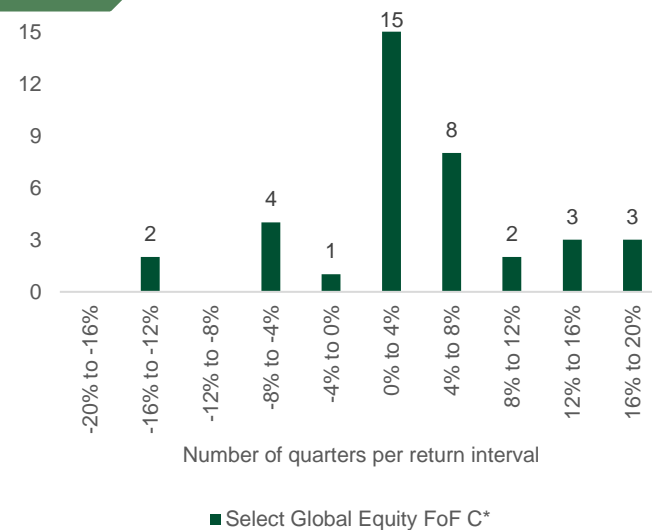
Global equity market (ZAR):
61%



Rolling 7-year annualised return*



Quarterly return distribution*



as at 30 June 2022

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	2021	YTD
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-5.5%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-13.7%
Nedgroup Investments Global Equity (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-17.4%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-23.8%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-34.1%



Positive contributors this quarter

- The rand depreciated by 11.4% relative to the US dollar this quarter, contributing to rand performance of the Select Global Equity FoF being a fully offshore invested fund.
- Linde (+243% in USD in Q2'22), a leading global industrial gases and engineering company, was one of the top (and one of the only positive) contributors to performance this quarter. This gas supplier has seen a nice streak of beating earnings estimates, especially when looking at the previous two reports. The average surprise for the last two quarters was +4.57%.
- BAE systems (9% in Q2'22) - a British multinational arms, security, and aerospace company based in London – share price is rallying on the back of increased expected demand for defence expenditure post the Russian invasion of Ukraine.



Detractors this quarter

- Amidst the volatility, large expensive growth names (such as those in the US tech sector) underperformed this quarter. The largest detractors in the tech sector in the fund were Apple (-25% in USD in Q2'22), Taiwan Semiconductor (-21%) and Fiserv (-12%).
- Other sector heavyweights that continue to underperform are communication services Alphabet (-25%) and Meta Platforms (-24%), as well as consumer cyclical Amazon (-23%).
- The largest detractor from the financial services sector was Mastercard (-15%) and in the energy sector, American firm Occidental Petroleum Corp (-33%)

As at 30 June 2022

**The track record of the sub-fund (Ardevora Global Long Only Equity) on which this fund is modelled is used due to short track record of the Nedgroup Investments funds

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	SA inflation
Quarter	0,7%	-5,9%	-5,9%	-5,9%	-4,8%	2,3%
1 year	4,5%	-8,7%	-8,8%	-8,7%	-7,9%	6,5%
3 year	N/A	N/A	N/A	N/A	9,2%	4,6%
5 year	N/A	N/A	N/A	N/A	9,1%	4,5%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
B2 class (lisp)	0.84%	N/a	1.23%	0.05%	1.28%
C class (clean)	0.99%	N/a	1.36%	0.05%	1.41%
C1 class (product)	1.14%	N/a	1.53%	0.05%	1.58%
S class (sip)	1.04%	N/a	1.42%	0.05%	1.47%

as at 30 June 2022

**Includes BOTH multi-manager and underlying fund fees. 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. Figures displayed here are the best estimates available given insufficient track record.

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).