NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments Select Growth 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.

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

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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.

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Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
75%	Min 5 years	Inflation +5%	SA Multi-Asset High Equity	Compliant

Risk profile

1 2 **3** 4 5

Underlying fund structure

- Allan Gray – 20% Active
- Coronation Fund Managers – 20% Active
- M&G Investments – 20% Active
- Truffle Asset Management – 20% Active
- Taquanta – 20% Passive

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.06%	1.35%
Transaction charges	**Total investment charges**
0.14%	1.49%

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. Both 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.

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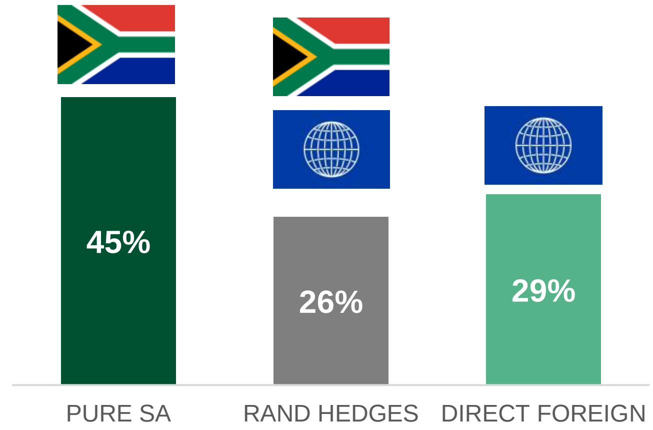
Asset allocation

Domestic Equity 48.9%	Domestic Property 3.0%	Domestic Fixed Interest 18.6%
Foreign Equity 22.2%	Foreign Property 0.6%	Foreign Fixed Interest 6.6%

Regional exposure



Top ten holdings

Naspers 3.4%	British American Tobacco 3.4%	RSA R2040 Bond 3.1%	Glencore 3.0%	Sasol 2.8%
RSA R2035 Bond 2.7%	Prosus 2.6%	Standard Bank 2.2%	FirstRand 2.0%	RSA R209 Bond 1.7%

as at 30 June 2022

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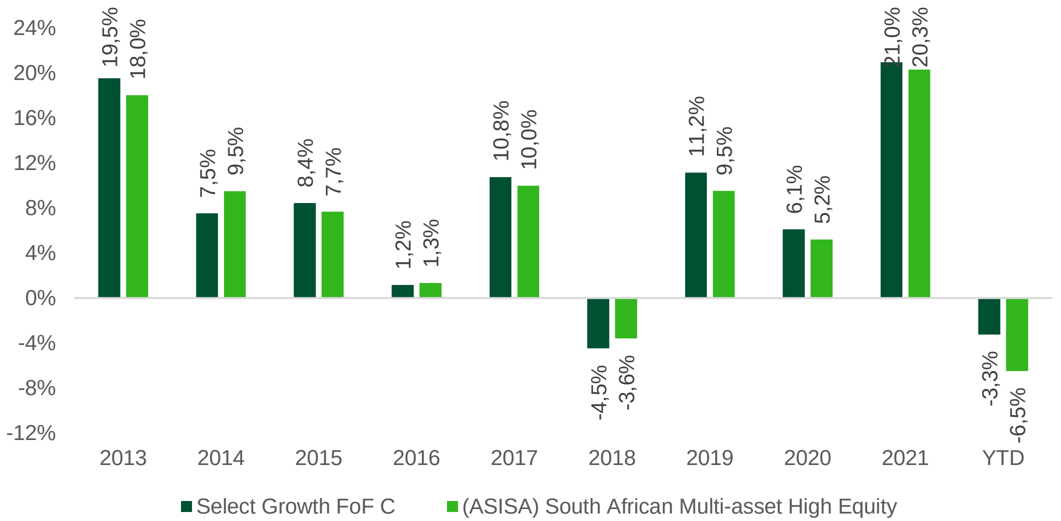
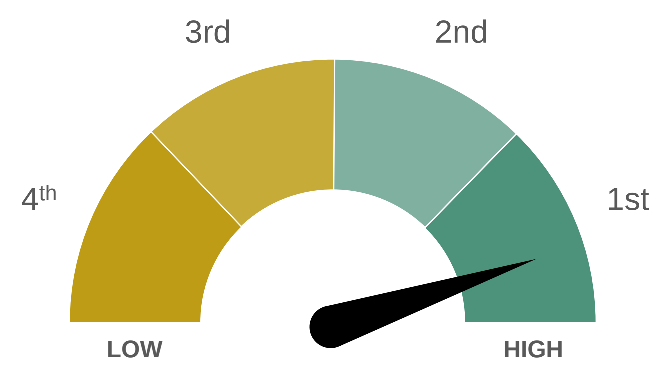
Fund performance (clean class)

Q2'22 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
-3.5%	**-3.3%**	**5.8%**	**8.8%**	**7.2%**
Peer group average: -5.7%	Peer group average: -6.5%	Peer group average: 2.8%%	Peer group average: 6.6%	Peer group average: 6.1%

Calendar year performance



Peer group quartile ranking: 5yr



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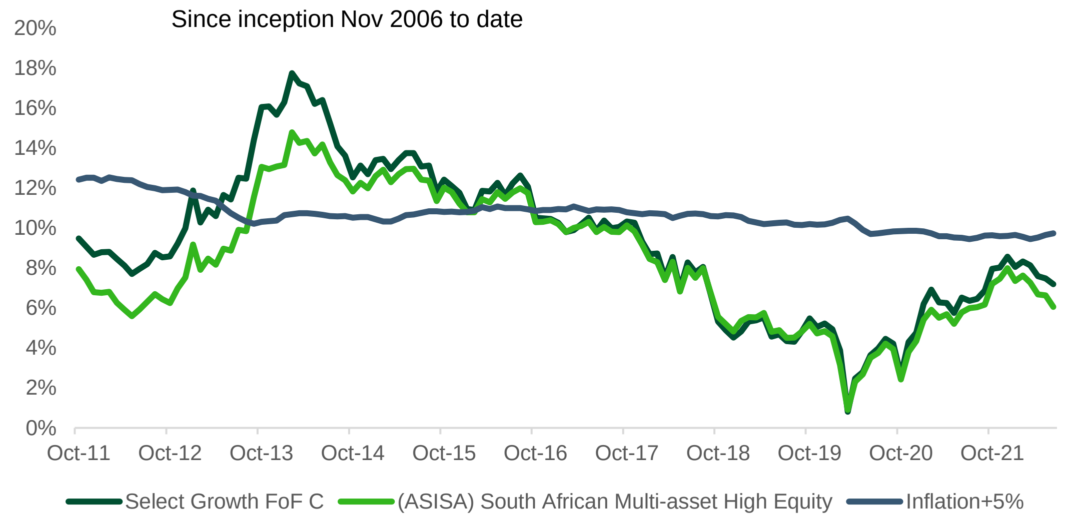
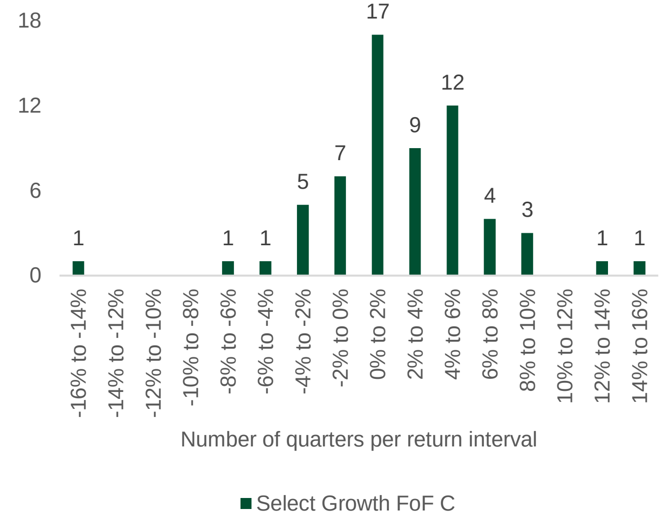
Risk measures since inception

Rolling 5yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
88%	9.0%	-17.2%	0.3	68%
Hit rate: outperforming peer group average	SA equity market: 15.1%	SA equity market: -40.4%	SA equity market: 0.3	SA equity market: 61%

Rolling 5-year annualised return



Quarterly return distribution



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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Allan Gray Balanced	6.3%	13.2%	1.5%	16.6%	12.4%	26.0%	0.8%
Coronation Balanced Plus	4.7%	12.6%	-2.6%	13.3%	9.4%	23.5%	-0.9%
Nedgroup Investments Balanced	2.4%	12.2%	-3.1%	9.6%	6.6%	22.0%	-4.4%
Nedgroup Investments Core Diversified	1.0%	11.0%	-3.8%	9.0%	3.6%	20.3%	-6.6%
M&G Balanced	-2.4%	5.3%	-5.9%	6.7%	2.8%	12.7%	-9.0%

Positive contributors this quarter

- Allan Gray's overweight positions in energy and selected shares that stand to benefit from the forecast energy transition, as well as their significant underweight exposure to the mega-cap technology shares contributed to performance.
- Many defensive shares have held up well relative to the market, in particular British American Tobacco (+14% in Q2'22), given its low valuation, while Sasol (+5% in Q2'22) benefitted from the c.$10/barrel increase in oil price this quarter.
- 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.
- 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.

Detractors this quarter

- Among the largest detractors for the quarter are domestic resources and financial holdings, as well as MTN (-31% in Q2'22) and Foschini (-17% in Q2'22), against the backdrop of non-energy commodity price weakness and downgrades to economic growth expectations.
- 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.

As at 30 June 2022
Allan Gray was introduced on the 1st of October 2018; Nedgroup Investments Balanced was introduced on the 1st of October 2019.

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Performance across classes

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

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
A class (all-in)	2.05%	1.00%	2.50%	0.14%	2.64%
B2 class (lisp)	0.90%	N/a	1.18%	0.14%	1.32%
C class (clean)	1.05%	N/a	1.35%	0.14%	1.49%
C1 class (product)	1.20%	N/a	1.52%	0.14%	1.66%
S class (sip)	1.11%	N/a	1.46%	0.21%	1.67%

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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 1 April 2019 to 31 March 2022.

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