NEDGROUP INVESTMENTS

See money differently

Quarterly Report: **Nedgroup Investments Select Income 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/

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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.

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Nedgroup Investments Select Income Fund of Funds

Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
10%	Min 6 months	110% STeFI Call	SA Multi-Asset Income	Compliant

Risk profile

1 2 3 4 5

Underlying fund structure

ABAX investments	34%
Coronation Fund Managers	33%
Ninety One	33%

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
0.74%	0.94%
Transaction charges	**Total investment charges**
0.01%	0.95%

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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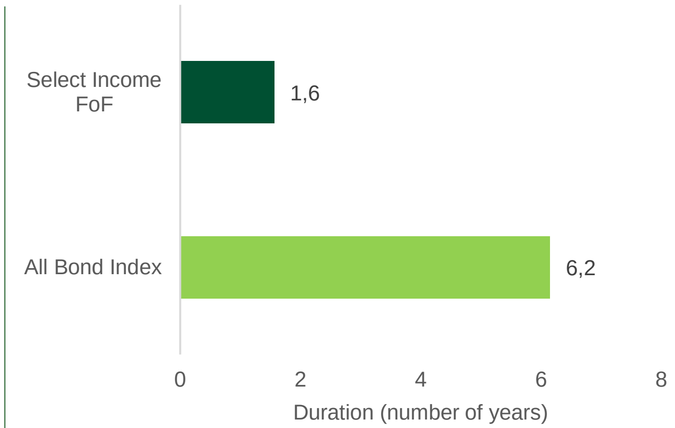
Asset allocation

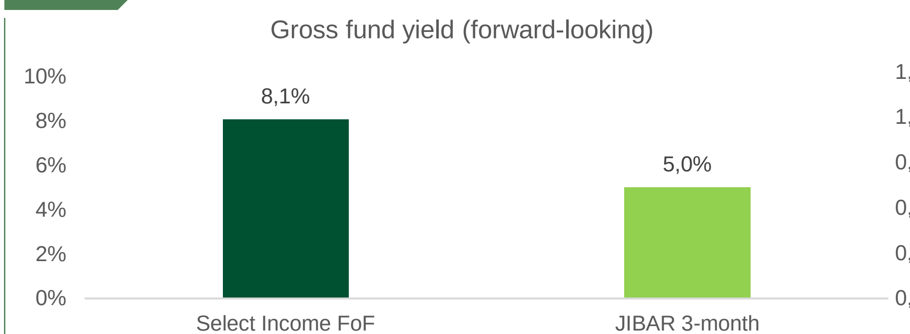
Domestic Equity	Domestic Property	Domestic Fixed Interest
1.1%	2.9%	83.4%

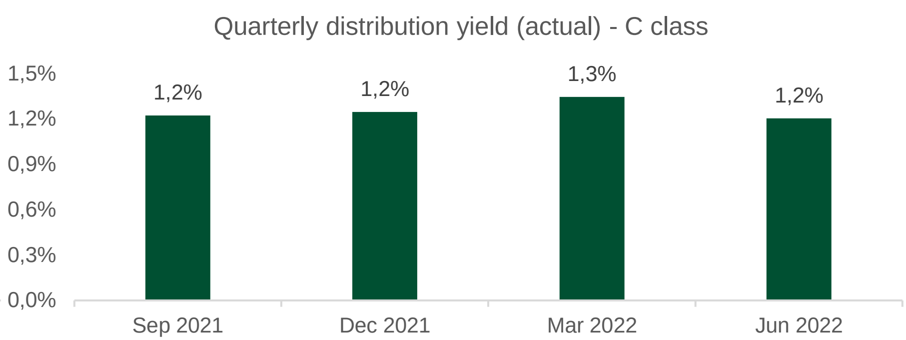
Foreign Equity	Foreign Property	Foreign Fixed Interest
0%	0.3%	12.4%

Modified duration*



Yield and Distribution





as at 30 June 2022
*Select Income FoF includes ILB duration

Quarterly report:
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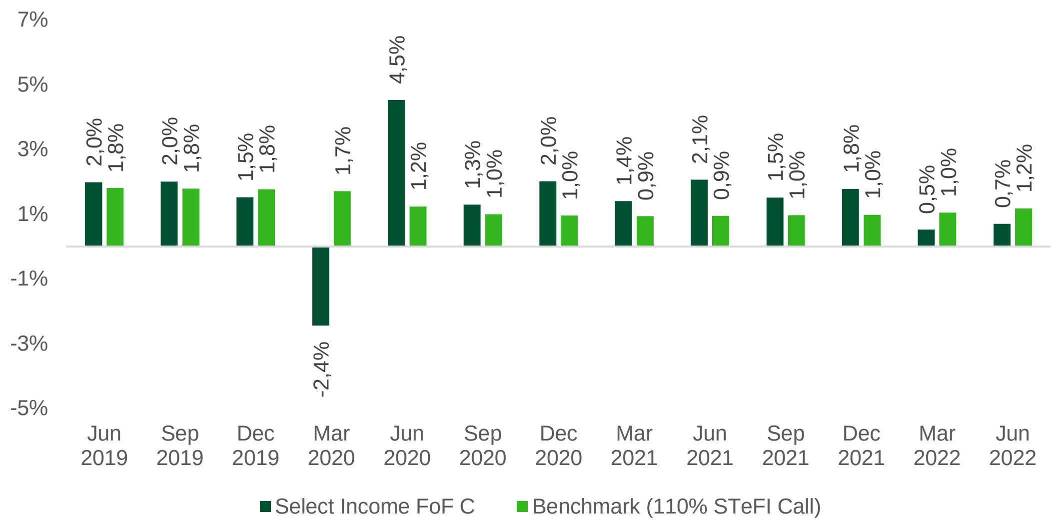
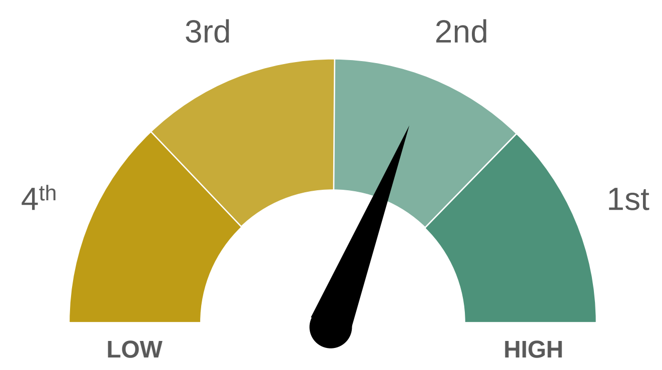
Fund performance (clean class)

Q2'22 return	Ytd return	6 month return	1yr annualised return	3yr annualised return
0.7%	1.2%	1.2%	5.6%	5.7%
Benchmark: 0.8%	Benchmark: 2.2%	Benchmark: 2.2%	Benchmark: 4.2%	Benchmark: 4.9%

Quarterly performance



Peer group quartile ranking: 1yr



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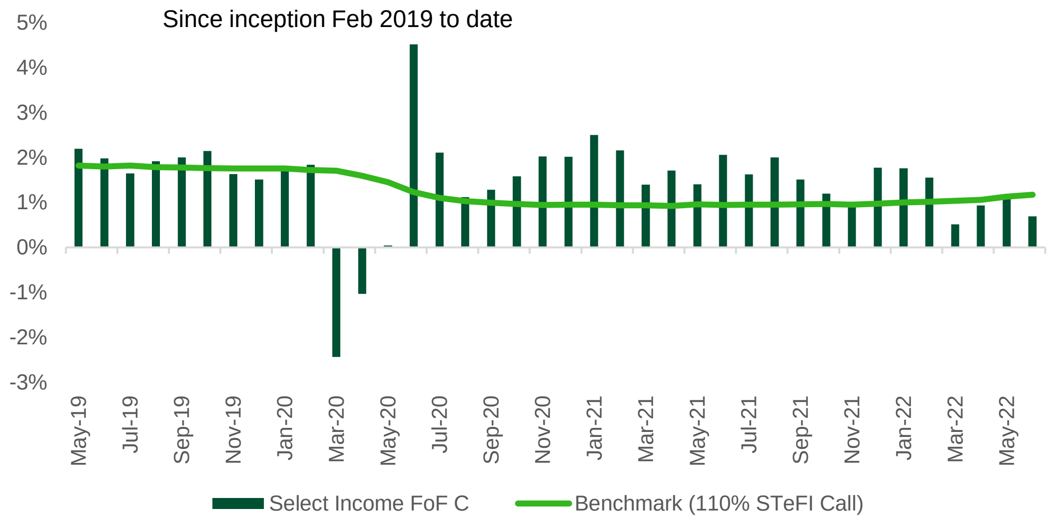
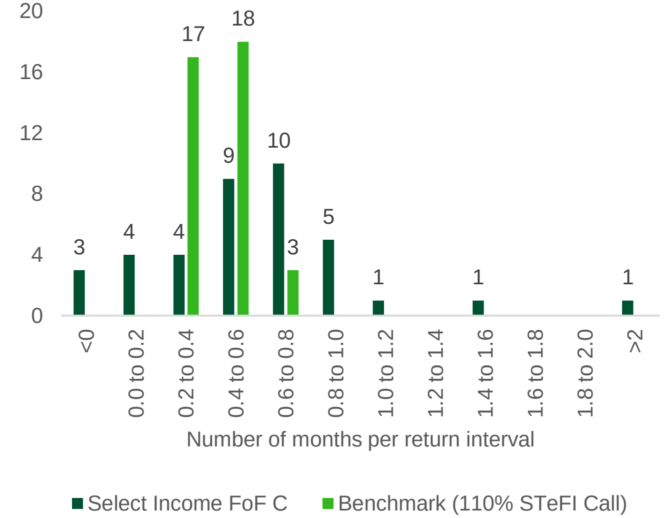
Risk measures since inception*

Rolling 1 year	Volatility	Max drawdown	Sharpe ratio	% Positive months
92%	**1.9%**	**-3.7%**	**0.9**	**96%**
Hit rate: outperforming benchmark	SA bond market: 8.0%	SA bond market: -9.8%	SA bond market: 0.2	SA bond market: 65%

Rolling 3-month return



Monthly return distribution



as at 30 June 2022

The track record of the Select Income FoF displayed here includes the backtested return from 31 October 2012 to 1 February 2019, when the Nedgroup Investments Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the Select FoF process

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Underlying fund performance

Key	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Coronation Strategic Income	0.2%	4.8%	2.0%	2.5%	2.2%	2.6%	1.9%	2.3%	1.0%	0.8%
Nedgroup Investments Flexible Income	-2.0%	3.8%	1.1%	2.1%	1.3%	2.1%	1.4%	2.0%	0.5%	0.6%
Ninety One Diversified Income	-3.4%	3.1%	1.0%	2.0%	0.9%	1.9%	1.4%	1.7%	0.1%	0.2%

Positive contributors this quarter

- The floating rate bond exposure benefitted from the two rate hikes we saw this quarter of 0.25% in March and 0.50% in May, taking the repo rate to 4.75%. We will continue to see this positive impact of the rate hiking cycle come through as more instruments reprice and reset to the higher JIBAR rate.
- The rand depreciated by 11.4% relative to the US dollar this quarter, contributing to the offshore fixed income assets held in US dollar.
- Inflation linked bond posted a decent quarter of performance at +3% given the higher inflation prints which we are seeing in South Africa.
- The protection strategies implement by Ninety One, like put options on the nominal bond market has successfully avoided the drawdowns experienced by SA fixed income assets.

Detractors this 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.
- Nominal bonds had a tough June with the All Bond Index posting a return of -3.0%, and -3.7% for the quarter. The fund's holdings in this space are concentrated in the 3 to 7 year area of the curve, which posted slightly better returns of -1% and -3% in June, but still resulted in a negative performance for the last month of the quarter.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	Benchmark
Quarter	0,7%	0,7%	0,7%	0,7%	0,7%	0,8%
6 month	1,3%	1,2%	1,1%	1,2%	1,3%	2,2%
1 year	4,7%	4,6%	4,4%	4,5%	4,6%	4,2%
3 year	5,9%	5,7%	5,5%	n/a	5,8%	4,9%

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.74%	0.01%	0.75%
C class (clean)	0.74%	N/a	0.92%	0.01%	0.92%
C1 class (product)	0.89%	N/a	1.08%	0.01%	1.09%
S class (sip)	0.79%	N/a	0.94%	0.01%	0.95%

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 January 2019 to 31 December 2021.

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