See money differently

Quarterly Report:
Nedgroup Investments XS Accelerated 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 one 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, in particular on 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

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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 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
90%	Min 7 years	Inflation +6.5%	SA Multi-Asset Flexible	Non-compliant

Risk profile

1 2 3 **4** 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.30%	1.42%
Transaction charges	**Total investment charges**
0.14%	1.56%

Benefits of the XS Fund of Funds range

- Competitive pricing
- Diversified across Asset classes
- Investment experts
- Passive and active underlying investments
- 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 1st July 2018 and ending 31st March 2022

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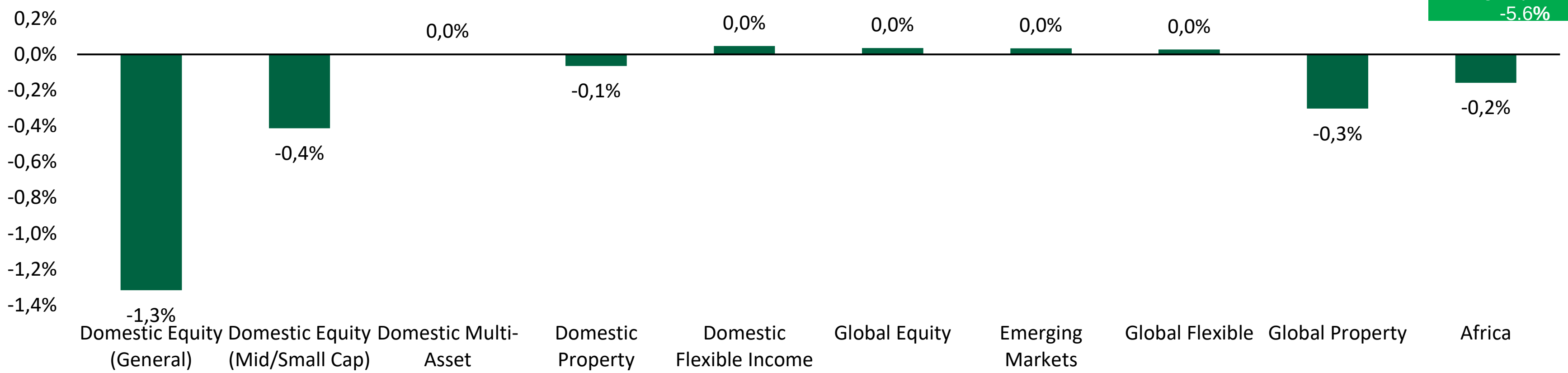
XS Fund of Funds performance contribution – Q2 2022

Q2 2022
-5.7%
Peer group average -5.6%



Positive contributors this quarter

- Global equity and the domestic flexible income bucket contributed the most to performance.
- The Nedgroup Investments Core Income Fund was well positioned for the current hiking cycle. The fund largely holds floating rate instruments which will all reset their interest rate coupons to the new higher rate over the coming weeks and months.
- In terms of global equities, the MSCI All Country World Index gave back -5.3% (in rand terms). The peer group average (ASISA) Global Equity General was down -4.8% for the quarter. However, the Nedgroup Investments Global Emerging Markets Feeder managed to return 0.5%. The fund's stock selection in India's Varun Beverages (up +21.0%), is one example of a good call made over the quarter

Detractors this quarter

- Increasing inflationary pressures, rising interest rates and tensions between Ukraine/Russia, continued to put risk assets under pressure. Domestic equities and global property were the biggest detractors to performance.
- Locally, the FTSE/JSE All Share Index (ALSI) returned -11.7% for the quarter and the Capped SWIX -10.6%, dragged down by Resources with a -21.9% return, -15.8% from Financials, -12.1% from Listed Property (All Property Index) and -3.0% from Industrials
- The XS Accelerated FOF range's top 10 holdings did have exposure to resource (40% of the top 10 positions) and financial stocks.
- Two out of the five domestic equity managers (Mazi Equity down -10.4% and Satrix ALSI equity down -11.7%) underperformed their peer group (ASISA General Equity down -9.1%).

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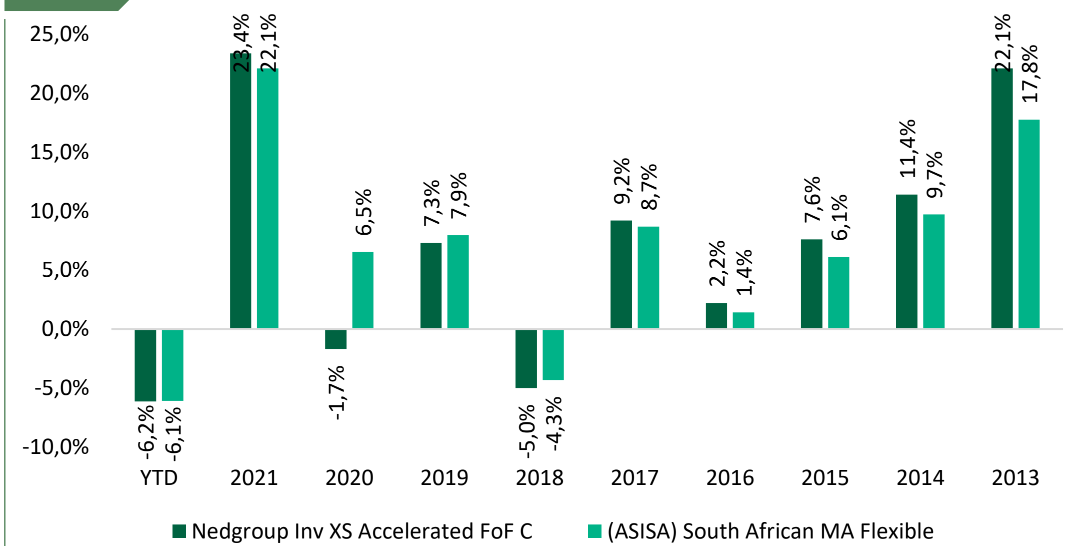
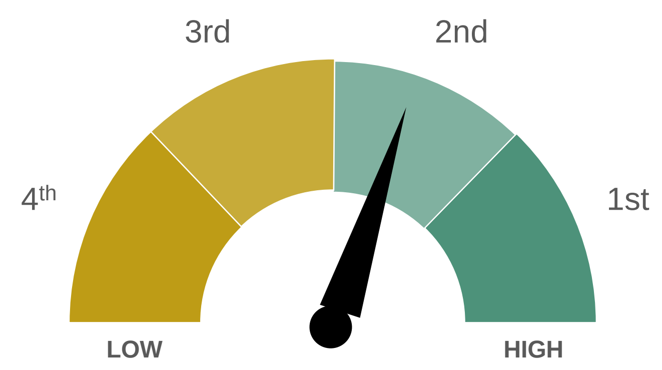
Fund performance (clean class)

Q2'22 return	1yr annualised return	3yr annualised return	5yr annualised return	10yr annualised return
-5.7%	**+4.6%**	**+4.8%**	**+4.1%**	**+7.8%**
Peer group average: -5.6%	Peer group average: +3.7%	Peer group average: +7.6%	Peer group average: +6.2%	Peer group average: +7.8%

Calendar year performance



Peer group quartile ranking: 1yr



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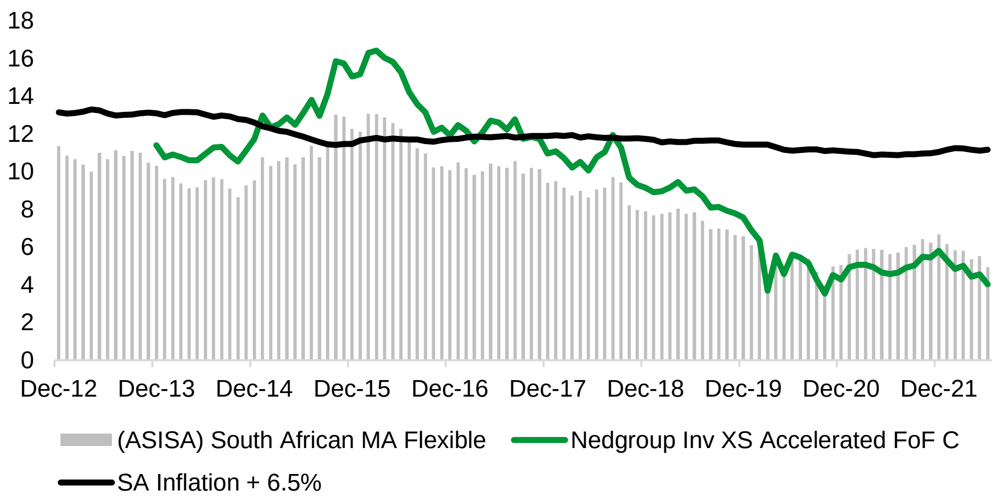
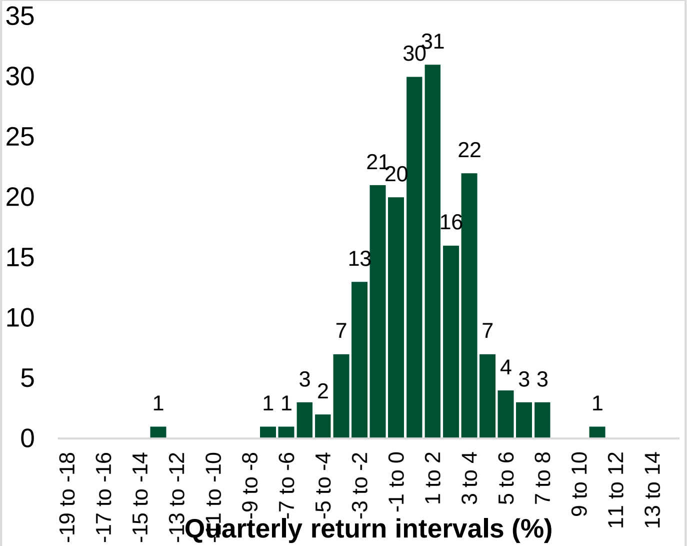
Risk measures since inception

Rolling 7yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
66%	10.2%	-24.1%	0.4	80%
Hit rate: outperforming peer group average	SA equity market: 15.0%	SA equity market: -40.4%	SA equity market: 0.5	SA equity market: 76%

Rolling 7-year annualised return



Quarterly return distribution



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Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	-6.0%	-5.6%	-5.7%	-5.6%	2.3%
1 year	3.4%	5.0%	4.6%	3.7%	6.5%
3 year	3.6%	5.2%	4.8%	7.6%	4.6%
5 year	2.9%	4.4%	4.1%	6.2%	4.5%

Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.30%	1.00%	2.57%	0.14%	2.71%
B Class (LISP)	1.00%	N/A	1.07%	0.14%	1.21%
C Class (clean)	1.30%	NA	1.42%	0.14%	1.56%

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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 1st of July 2018 and ending 31st March 2022

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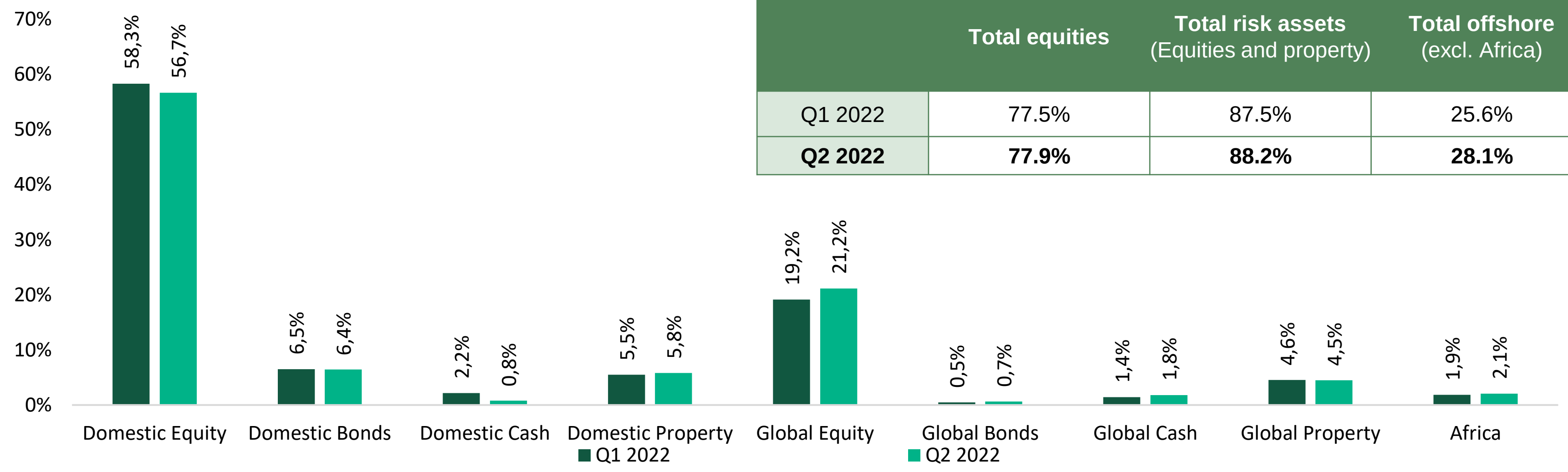
Asset allocation changes



	Total equities	**Total risk assets** (Equities and property)	**Total offshore** (excl. Africa)
Q1 2022	77.5%	87.5%	25.6%
Q2 2022	**77.9%**	**88.2%**	**28.1%**

Summary of recent changes

- No changes were made to asset allocation during Q2 of 2022.
- We continue to be cognisant that the current geo-political tensions have primarily affected global growth through commodity supply and will have implications for central bank policy given deviations in inflation expectations.
- Therefore, we continue to monitor, assess, follow a sound investment process, and continue to make portfolio adjustments as necessary to ensure that portfolio positioning is reflective of our current market views.
- Any other differences noted above are purely as a result of market movements, and minor trades conducted by the investment team to ensure that the portfolio is in line with the house view. A healthy allocation to defensive assets remain and the funds are well diversified across all asset classes, with a conservative risk positioning.

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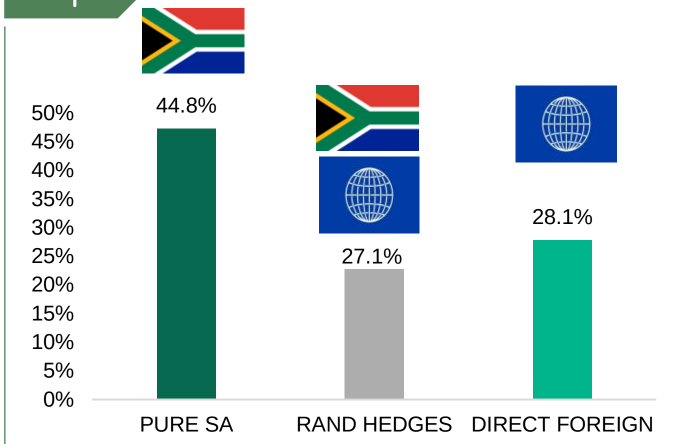
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
56.7%	5.8%	7.2%

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
21.2%	4.5%	2.5%	2.1%

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
Naspers	3.1%
British American Tobacco	2.5%
Impala Platinum	2.0%
Anglo American	1.8%
Northam Platinum Limited	1.6%
Quilter	1.6%
Montauk Holdings Limited	1.5%
Prosus	1.5%
Royal Bafokeng Platinum	1.1%
Sanlam	0.8%

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Domestic asset class positioning

Domestic Equity

Over weight | 56.7%

- Despite this, SA equities as being attractive on a relative basis. In the context of many developed markets (which were trading at all-time highs and at elevated valuations, but have since come down) SA equities still offer a more attractive risk-reward profile.
- Sector and stock selection will be key.

Domestic Property

Neutral | 5.8%

- Some expansionary talk is starting to filter through once more now that Covid-19 related crisis management is not the sole focus of most management teams.
- Global inflation pressure should be beneficial for property as an asset class, although a period of consolidation can be expected

Domestic Bond

Over weight | 6.4%

- While it is difficult to see the fiscus continue its path of fiscal consolidation in the absence of high commodity prices (due to expenditure pressures, continued SOE support and lower growth all hampering tax revenues), we can concede that relative to many other EMs we are no longer on the precipice of a fiscal cliff and have managed to buy ourselves time.

Domestic Cash

Under weight | 0.8%

- Waiting on more attractive entry points on select equity opportunities.

Global asset class positioning

Global Equity

Under weight | 21.2%

- Equities will outperform fixed income, with an expectation of high single digit returns over the course of the year.
- We favour quality segments of the market with the expectation that these areas will withstand any potential recessionary pressures whilst also benefitting from an inflationary improvement.

Global Property

Over weight | 4.5%

- Real assets appear attractive as an alternative to fixed income and with some inflation protection.
- Selective commercial property segments and the broader infrastructure sectors will benefit from the continued reflation of economies.

Global Bond

Under weight | 0.7%

- Fixed income markets will underperform equities over a 12-month period. We anticipate shifting away from credit risk towards interest rate risk as implied yields climb. There is the potential for an overshoot on rate expectations, particularly if inflation levels start to show signs of peaking.

Global Cash

Under weight | 1.8%

- Cash positions remain as underlying managers look for compelling idiosyncratic opportunities. Less negative on cash given the rise in interest rates.

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Domestic: fund manager exposures

Equity General 45.9%

Mazi
Laurium Capital
Satrix
Matrix Fund Managers
Coronation Fund Managers

Small/Mid Cap Equity: 7.0%

ABAX investments

Property: 4.0%

Bridge Fund Managers
Sesfikile Capital Listed Property Investments
M&G

Passive Multi-Asset: 12.6%

Taquanta

Flexible Income: 6.2%

ABAX investments
Taquanta

Offshore and Africa: fund manager exposures

Equity: 14.0%

Ardevora
Veritas Asset Management
Dodge & Cox

EM Equity: 3.2%

NS Partners

Multi-Asset: 1.2%

FPA investor
Pyrford International

Property: 4.1%

Resolution Capital

Africa: 2.2%

Laurium Capital

As at 30 June 2022
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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