



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

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A photograph of an open book with white pages, tied with a white cord around the spine. The text is overlaid on the right side of the image.

# **NEDGROUP INVESTMENTS SA EQUITY FUND**

Quarter Three, 2022

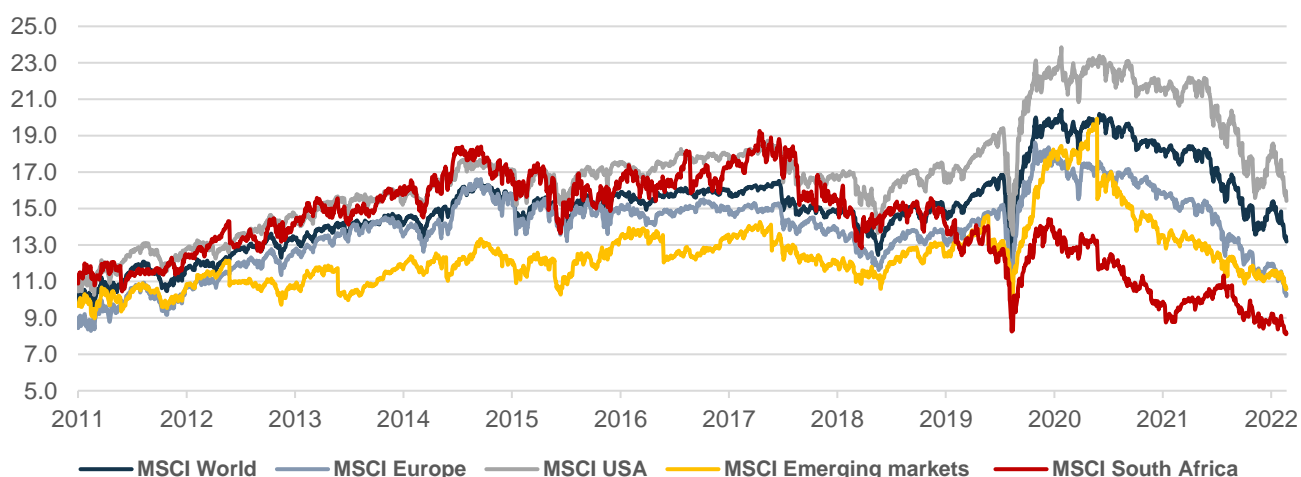
## Nedgroup Investments SA Equity Fund

Performance to 30 September 2022	Nedgroup Investments SA Equity <sup>1</sup>	FTSE/JSE Capped SWIX
3 months	-1.7%	-2.4%
12 months	6.4%	1.1%

Market turbulence continued during the quarter as central banks continued to tighten monetary policy aggressively in order to rein in inflation. The resultant uncertainty regarding the severity of a recession has weighed on markets. This was exacerbated by the impact of energy shortages and rampant energy inflation, particularly in Europe. Asset classes across the broad have retreated against this backdrop, with the US dollar benefitting from its perceived “safe haven” status amidst the increasingly hawkish monetary policy of the US Federal Reserve. The correlation between asset classes during this sell-off has left few safe places to hide, which has diminished conventional diversification benefits. Within this context, local markets have not been spared, but have held up reasonably well on a relative basis.

The FTSE-JSE Capped SWIX Index declined by -2.4% for the quarter, and -7% YTD in Rands. The MSCI World Index and S&P 500 Index declined by -25% and -24% YTD (in USD), and -15.1% and -13.7% in Rands.

**Figure 1: Global MSCI P/E Indices versus MSCI South Africa P/E**



Source: Laurium Capital, Bloomberg  
Data as at 30 September 2022

The UK market sold off particularly hard following concerns about funding for tax cuts and mixed signals regarding monetary policy. The UK FTSE 250 Index sold off 8% during the quarter and 30% YTD in Rands. Our funds had minimal direct exposure to the UK, based on factor and country risk management, with no direct exposure to UK property or financial stocks such as Quilter and Reinet.

The SA equity market offers exceptional value, trading at attractive valuation multiples compared to global peers, with low expectations baked in. We are also seeing value in Rand Hedge shares amongst both resources and non-resource industrial companies.

### Fund positioning

Our fund holds large positions in Prosus and Naspers, based on our view that Tencent is very undervalued. We expect Naspers and Prosus' discounts to narrow over time, supported by the open-ended share buyback programme. Tencent offers exceptional value as we view the worst of the Chinese regulatory clampdowns to be

<sup>1</sup> Net return for the Nedgroup Investments SA Equity Fund, A2 class. Source: Morningstar (monthly data series).



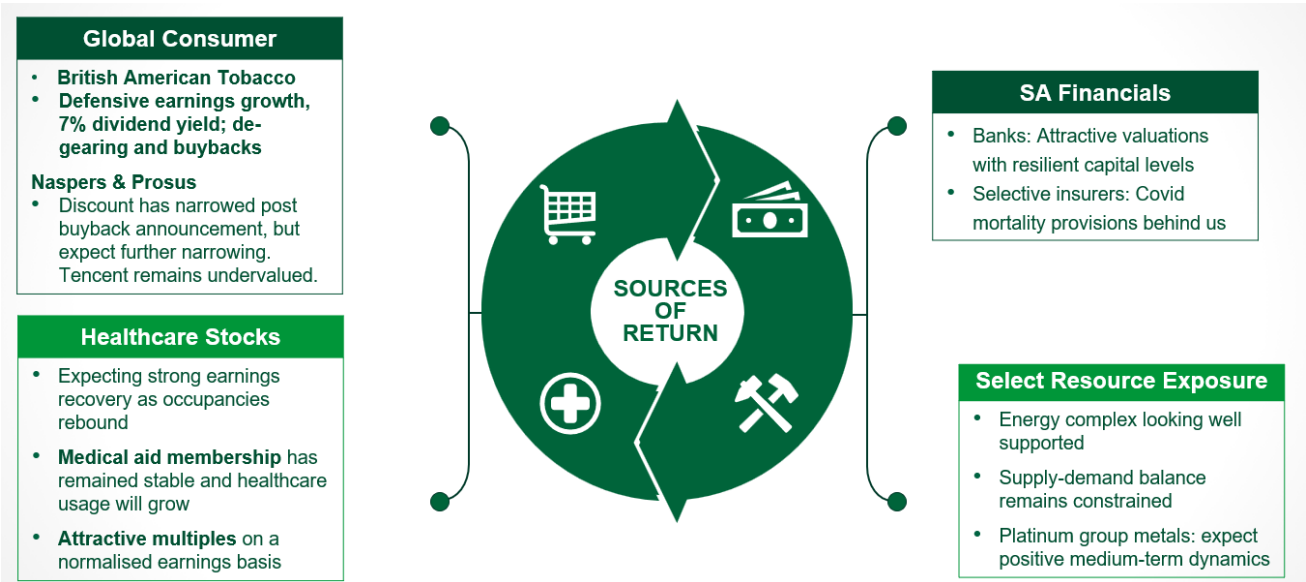
behind us, with earnings growth expected to recover due to the softer base, where heightened regulatory clampdowns impacted growth.

British American Tobacco remains a core holding in the fund, offering a defensive, diversified earnings base in an uncertain environment, underpinned by a strong dividend yield. We have added to Anheuser Busch InBev, which offers compelling value, whilst displaying reasonable pricing power and benefitting from the tailwinds of declining input costs.

The fund still has reasonable exposure to resource counters including diversified miners such as Anglo American, Glencore and BHP as well as platinum counters including Anglo Platinum, Impala Platinum and Northam. We continue to hold a significant position in Sasol, maintaining our view that energy markets are expected to remain undersupplied due to prior periods of underinvestment and dislocations from Russian sanctions.

SA Inc. management teams are accustomed to operating in an inflationary environment, with balance sheets generally in robust shape. Our funds have exposure to SA Inc via banks (ABSA, FirstRand and Standard Bank), insurers (Sanlam and Momentum Metropolitan) and selective retailers (TFG, Woolworths and Pick n Pay) which have self-help initiatives underway and which we think will drive earnings growth despite subdued top line due to pressure on the consumer.

**Figure 2: Portfolio Sector Positioning into Q4 2022**



### Conclusion

We believe the fund is well diversified and offers attractive upside, while pragmatically weighing up the inherent risks, in order to achieve the best risk-adjusted returns for our clients going forward.



## Disclaimer

### WHO WE ARE

Nedgroup Collective Investments (RF) Proprietary Limited is an authorised Collective Investment Scheme and the representative of Nedgroup Investments Funds PLC in terms of the Collective Investment Schemes Control Act. It is a member of the Association of Savings & Investment South Africa (ASISA)..

### OUR TRUSTEE

The Standard Bank of South Africa Limited is the registered trustee.

Contact details: Standard Bank, Po Box 54, Cape Town 8000,

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### HOW ARE OUR FUNDS PRICED

Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website and in selected major newspapers.

### FEES

A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

### DISCLAIMER

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. Our funds are traded at ruling prices and can engage in borrowing and scrip lending.

Some funds may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks, which could include foreign exchange risks, market conditions and macro-economic and political conditions.

A fund of funds may only invest in other funds, and a feeder fund may only invest in another single fund, both will have funds that levy their own charges, which could result in a higher fee structure.

The Nedgroup Investments Money Market Fund offering aims to maintain a constant price of 100 cents per unit. A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. Excessive withdrawals from the fund may place the fund 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. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Nedgroup Investments has the right to close its funds to new investors in order to manage it more efficiently.

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