



See money differently

Quarterly Report: **Nedgroup Investments** **Select Balanced Fund of Funds**

as at 30 September 2022

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity

-1.9%

Q3 2022

3.5% 1 year

9.2% 3 years

12.3% LT average

Our market outperformed developed peers, with Absa and Thungela amongst the top contributors

SA Property

-3.5%

Q3 2022

-8.8% 1 year

-8.7% 3 years

11.8% LT average

The interest rate sensitive property sector remained under duress

SA Bond

0.6%

Q3 2022

1.5% 1 year

5.7% 3 years

7.1% LT average

Despite suffering in line with the global bond rout in September, bond market remained marginally positive

SA Cash

1.3%

Q3 2022

4.2% 1 year

4.3% 3 years

5.9% LT average

SARB hiked rates by 75bps at both the July and September meeting, taking the repo rate to 6.25%



Global asset class returns (USD)



Global Equity

-6.7%

Q3 2022

-20.3% 1 year

4.2% 3 years

10.2% LT average

Weakness was broad-based. EMs suffered the most, while Japan and UK only had moderate losses

Global Property

-11.4%

Q3 2022

-22.1% 1 year

-5.6% 3 years

5.8% LT average

Higher interest rates and slower economic growth expectations caused sharp declines in REIT market

Global Bond

-6.9%

Q3 2022

-20.4% 1 year

-5.7% 3 years

1.6% LT average

Concerns over higher central bank rates and inflation impacted both government and credit bonds

US Cash

0.8%

Q3 2022

1.3% 1 year

0.9% 3 years

4.3% LT average

After strong August inflation numbers, the US Fed unanimously raised rates by 75bps in Sep to 3-3.25%



Exchange rates (Rand spot rate and quarterly change)



US Dollar R17.97

9%

The rand lost ground to the US dollar, depreciating 9% over the quarter. A combination of meaningful interest rate hikes, tighter financial conditions, and hawkish comments from US policy makers, supported a US dollar gain of 7.1% over the quarter on a trade weighted basis.



British Pound R20.06

1%

New UK prime minister, Lizz Truss, started her term with a mini budget that caused historic market turmoil. The market questioned the unfunded nature of the wide-ranging tax cuts, on top of the government financed freeze in energy bills. The UK pound weakened to its lowest level ever against the US dollar.



Euro R17.61

3%

The Euro plummeted to a 20-year low vs the US dollar in the middle of September after surveys showed the downturn in business activity across the euro zone accelerated and the economies were likely entering a recession.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- President Ramaphosa announced the Energy Crises plan. This outlined measures to alleviate short term pressure and address energy shortages on a more sustainable basis. Announcements include the doubling on bid window 6 capacity to 5200MW and the removal of the 100MW limit for embedded generation licensing. In addition, new feed-in tariff structures will be drawn up to encourage rooftop solar.
- August saw several high-profile arrests, as well as updates from the National Prosecuting Authority (NPA) and Hawks, outlining progress on the fight against corruption and state capture.



Low points

- Second quarter GDP printed at -0,7%; evidence of the impact of industrial action in the mining sector, loadshedding and floods in KwaZulu Natal.
- The enterprise-based measure of employment from the Quarterly Employment Survey (QES) showed continued job losses in the second quarter. While some of the decline can be attributed to temporary census workers, employment measures remain below pre-COVID levels. Unsurprisingly, business and consumer confidence remained weak in the second quarter.



Global performance drivers



Highlights

- US CPI for August benefitted from lower fuel prices and decelerated to 8,3% y-o-y, from 8,5% previously.
- Despite the further disruption of an indefinite suspension of gas availability from Nordstream 1 by Russia, European gas prices eased by circa 36,4% as the EU secured gas to fill 80% of storage capacity ahead of the coming winter.



Low points

- Several central banks escalated their interest rate hiking cycles in Sep, frontloading with sizeable hikes in their fight against inflation. The European Central Bank (ECB) hiked interest rates by 75bps, the biggest hike on record, with guidance for more to come, in acknowledgement of European inflation data printing at another high of 9,1%.
- The Brent crude oil price reflected weaker global growth expectations with a decline of circa 8,8% in September and 23,4% over the quarter, with prices near levels last seen before the Russia/Ukraine conflict.
- September was a historic month in British history with the passing of the UK's longest serving monarch, Queen Elizabeth II.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Fund overview

Max equity

60%

Time frame

Min **5** years

Benchmark

Inflation **+4%**

Peer group

SA Multi-Asset
Medium Equity

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

A3AX
investments

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

Ninety One

20% Passive

Taquanta



Fund costs (A – clean class)

Management fee* (Excl. Vat)

1.04%

Total expense ratio

1.32%

Transaction charges

0.11%

Total investment charges

1.43%



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 September 2022

Includes BOTH multi-manager and underlying fund fees. **Numbers displayed here are best estimates given current fund and fee structure.

The Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 July 2019 to 30 June 2022

– i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Balanced FoF history due to the fund merger.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Asset allocation

Domestic Equity



30.8%

Domestic Property



2.8%

Domestic Fixed Interest



38.2%

Foreign Equity



20.7%

Foreign Property



1.1%

Foreign Fixed Interest



6.4%



Regional exposure



58%

PURE SA



14%

RAND HEDGES



28%

DIRECT FOREIGN



Top ten equity holdings | 15% of the fund

newgold

2.0%



2.0%



1.8%



1.8%



1.7%



1.6%

RICHEMONT

1.2%



1.0%



1.0%



0.9%

as at 30 September 2022

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q3'22 return

0.0%

Peer group average: 0.3%

Ytd return

-3.2%

Peer group average: -5.4%

1yr annualised return

3.2%

Peer group average: 0.9%

3yr annualised return

7.6%

Peer group average: 6.0%

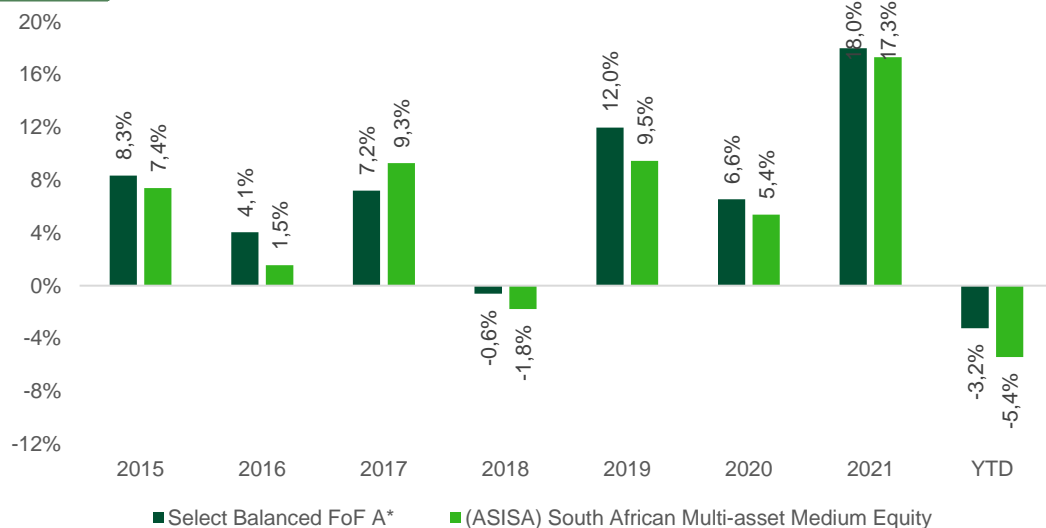
5yr annualised return

6.2%

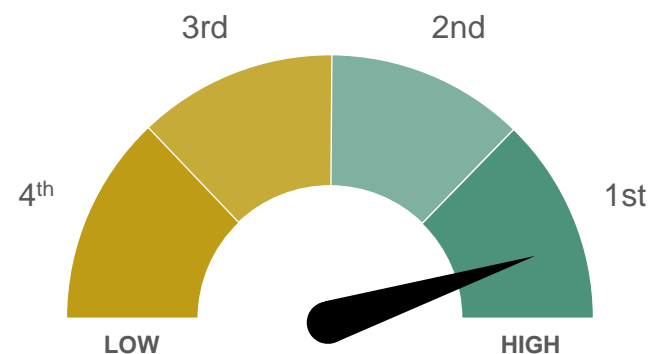
Peer group average: 5.1%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 30 September 2022

*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Risk measures since inception*

Rolling 5yr return

100%

Hit rate: outperforming
peer group average

Volatility

6.7%

SA equity market: 13.7%

Max drawdown

-10.9%

SA equity market: -21.7%

Sharpe ratio

0.2

SA equity market: 0.1

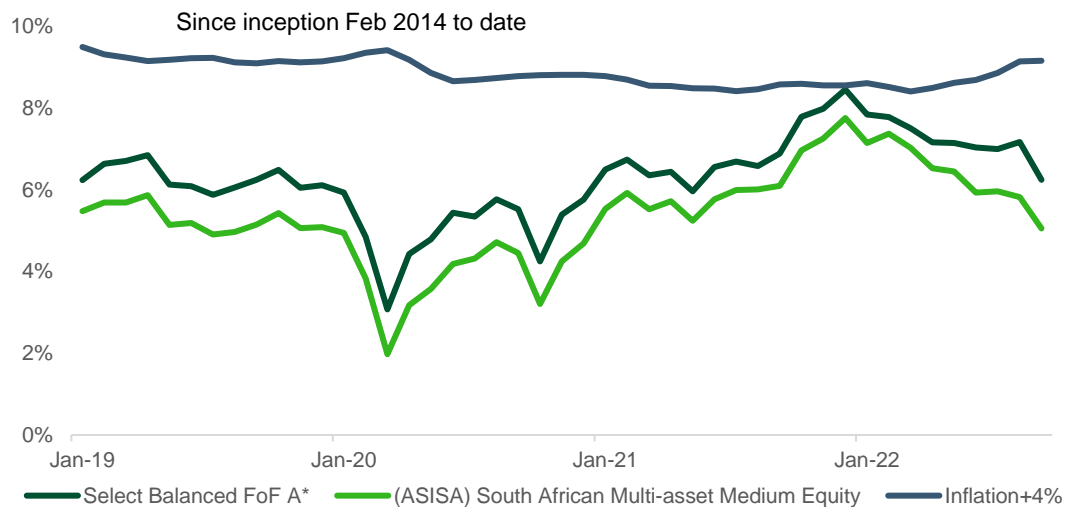
% Positive months

69%

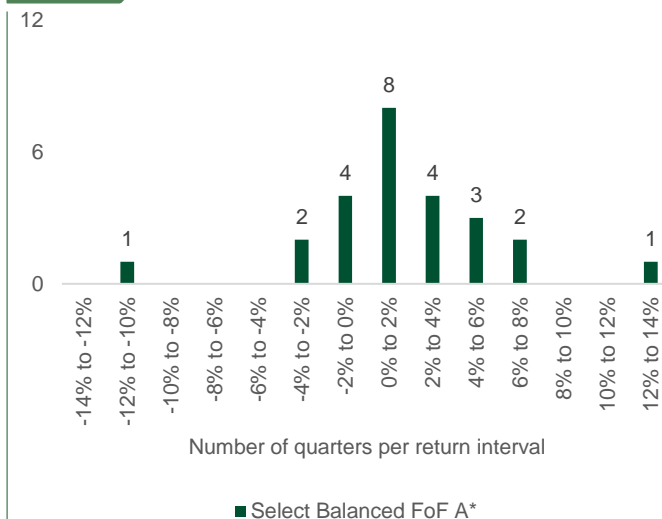
SA equity market: 58%



Rolling 5-year annualised return



Quarterly return distribution



as at 30 September 2022

*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Coronation Capital Plus	10.1%	9.7%	1.5%	16.7%	10.2%	31.8%	4.2%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	-2.4%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	-3.8%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-6.0%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-8.4%



Positive contributors this quarter

- Opportunity fund's holding in Thungela Resources (+65% in Q3'33) continued to be one of the top contributors. They recently reported very strong results combined with a very attractive dividend of R60 per share. In the current high coal price environment they are generating exceptional cashflows which are shared with shareholders through dividends. They have an ungeared balance sheet with a cash buffer of R5bn.
- The physical gold investment contributed positively on the higher rand gold price with rand weakness more than offsetting the lower dollar price for bullion.
- The rand ended the quarter at R18 to the US dollar, weakening by 9% over the quarter, as the US dollar outperformed against a basket of its major trade partners. This contributed positively to rand hedges and direct offshore exposure.



Detractors this quarter

- Coronation's allocation to global assets continues to be the largest detractor from their performance over the past year. Exposure to the Coronation Global Opportunities Equity Fund (20% of Fund, delivering -13.5% for the year) and the Coronation Global Emerging Markets Fund (2.5% of Fund, delivering -30.8% for the year) has contributed negatively.
- Similarly for Ninety One, the global equity allocation was the largest detractor with ASML, Visa and Moody's being hit the hardest when markets' gave up July gains over the rest of the quarter.
- Within the domestic equity allocation Aspen (-1.5%) and Quilter (-7%) detracted from performance this quarter, as well as packaging and paper group, Mondi (-2%).

As at 30 September 2022

The fund has been invested equally weighted across the five funds displayed here since 31st December 2020

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Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	S class (sip)	Peer group	SA inflation
Quarter	0,0%	0,0%	0,1%	0,0%	0,2%	2,8%
1 year	3,2%	3,0%	3,4%	3,1%	0,9%	7,6%
3 year	5,4%	5,7%	N/A	5,6%	6,0%	5,2%
5 year	4,1%	4,5%	N/A	4,4%	5,1%	5,0%



Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.04%	1,32%	0.11%	1,43%
A1 class (product)	1.19%	1,49%	0.11%	1,60%
B2 class (lisp)	0.89%	1,14%	0.11%	1,25%
S class (sip)	1.09%	1,37%	0.11%	1,48%

as at 30 September 2022

Includes BOTH multi-manager and underlying fund fees. **Numbers displayed here are best estimates given current fund and fee structure.

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