



See money differently

# Quarterly Report: **Nedgroup Investments** **Select Equity 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 Equity Fund of Funds



### Fund overview

Max equity

**100%**

Time frame

Min **7** years

Benchmark

Inflation  
**+6.5%**

Peer group

SA Multi-Asset  
Flexible

Regulation 28

Non-Compliant

Risk profile

1

2

3

**4**

5



### Underlying fund structure



20% SA only  
*passive*



20% SA only

Truffle  
Asset Management

20% incl. Foreign

CORONATION  
FUND MANAGERS

20% incl. Foreign

Ninety  
One

20% incl. Foreign



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**1.09%**

Total expense ratio

**1.73%**

Transaction charges

**0.18%**

Total investment charges

**1.92%**



### 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. Both 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

# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Sector allocation

#### Basic Materials



22.1%

#### Financials



21.2%

#### Technology



12.6%

#### Consumer Goods



10.6%

#### Consumer Services



9.3%

#### Telecommunications



3.1%



### Regional exposure



42%

PURE SA



47%

RAND HEDGES



11%

DIRECT FOREIGN



### Top ten holdings | 45% of the fund



6.7%



NASPERS

5.9%



FirstRand

4.8%

RICHEMONT

4.5%



4.4%



4.4%



BRITISH AMERICAN  
TOBACCO

4.4%

GLENCORE

4.1%



SASOL

3.1%



IMPALA  
PLATINUM

3.0%

# Quarterly report: Nedgroup Investments Select Equity Fund of Funds



## Fund performance (clean class)

Q3'22 return

**-2.5%**

Peer group average: -1.5%

1yr annualised return

**1.5%**

Peer group average: 2.1%

3yr annualised return

**6.3%**

Peer group average: 7.9%

5yr annualised return

**3.0%**

Peer group average: 4.6%

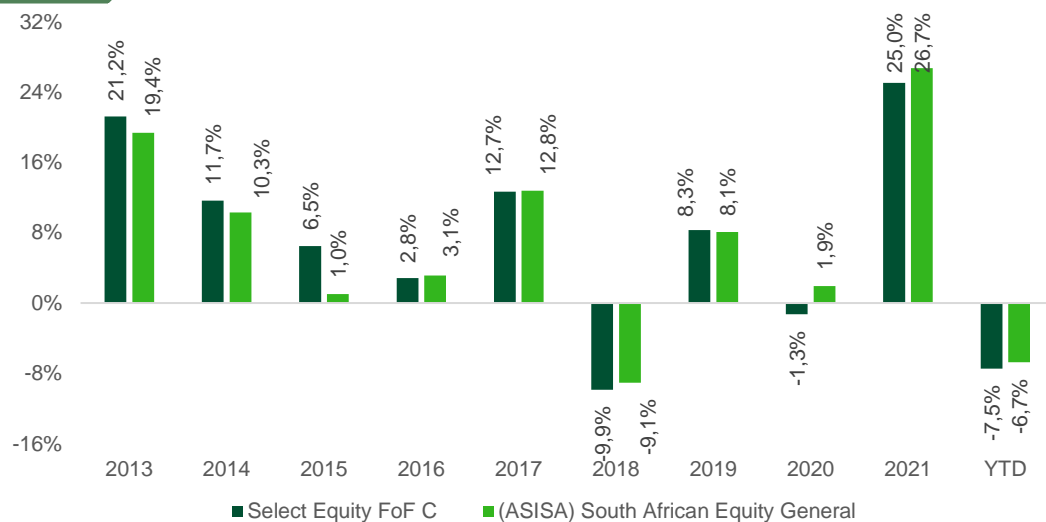
7yr annualised return

**4.0%**

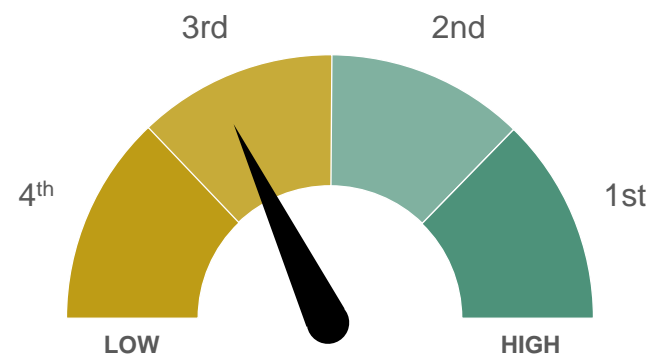
Peer group average: 4.8%



## Calendar year performance



## Peer group quartile ranking: 7yr



as at 30 September 2022

As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used for comparative purposes

# Quarterly report: Nedgroup Investments Select Equity Fund of Funds



## Risk measures since inception

### Rolling 7yr return

**89%**

Hit rate: outperforming  
peer group average

### Volatility

**12.9%**

SA equity market: 15.1%

### Max drawdown

**-29.9%**

SA equity market: -40.4%

### Sharpe ratio

**0.1**

SA equity market: 0.2

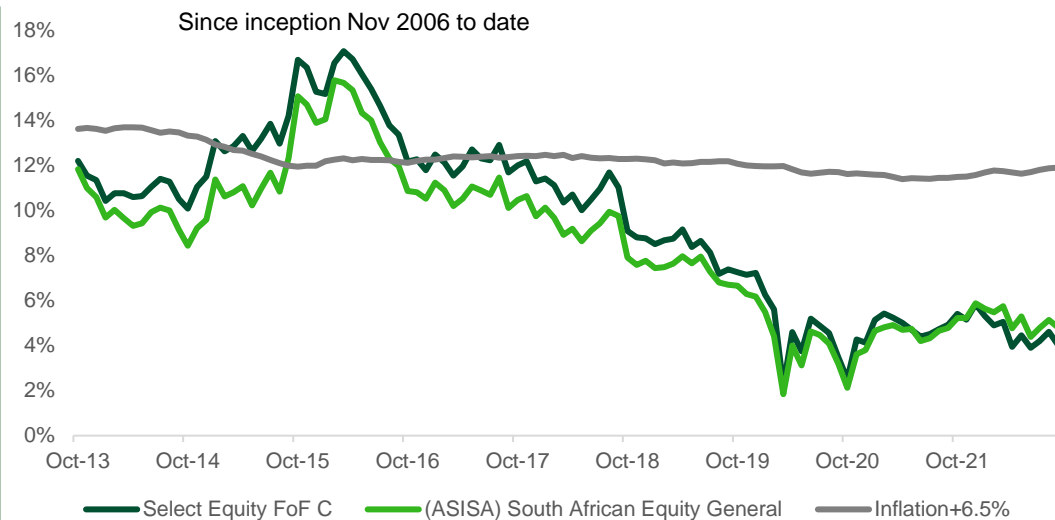
### % Positive months

**65%**

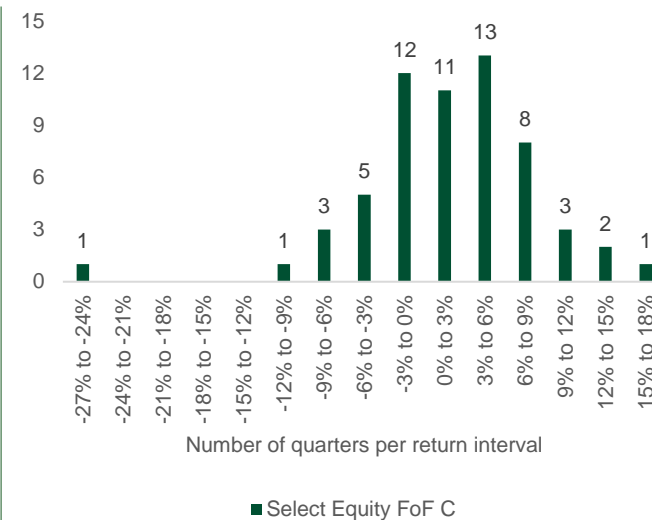
SA equity market: 60%



## Rolling 7-year annualised return



## Quarterly return distribution



# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	YTD
Satrix ALSI Tracker	3,6%	20,3%	-2,4%	16,9%	14,2%	13,6%	-0.8%
Coronation Equity	1,8%	18,5%	-6,5%	16,6%	13,3%	13,0%	-1.0%
Ninety One Equity	1,2%	17,3%	-7,5%	13,6%	10,9%	12,4%	-10.2%
Truffle SCI General Equity	-3,9%	12,0%	-9,2%	11,4%	6,3%	11,9%	-11.2%
Nedgroup Investments SA Equity	-4,1%	10,5%	-12,8%	7,4%	0,0%	26,4%	-14.4%



#### Positive contributors this quarter

- Resilient coal prices benefited both Glencore (+14% in Q3'22) and Thungela (+65%).
- Absa (+19%) contributed meaningfully on the back of good results, and AngloGold Ashanti (+3.5%) was delivered positive performance.
- There was finally a value unlock in MMI (+17%) as the share benefitted from their healthcare investment in India reflecting a significant premium to their own valuation post a capital raise from a third party.
- In the domestic retail sector, Pepkor (+8%), Shoprite (+11%) and Woolworths (+14%) contributed to performance.



#### Detractors this quarter

- Coronation's allocation to global equities materially detracted from performance over the last year.
- Sasol (-20% in Q3'22) underperformed as fears of a global slowdown impacted the oil price.
- Investec (-16%) detracted, despite good results. The share was swept up in the UK sell-off towards the end of the quarter on the back of a deficit-increasing fiscal package which was poorly received by markets.
- Allocations to paper stocks (Sappi -18% and Mondi -2%) detracted from performance after their results indicated that a potential peak in paper markets and prices of their products may have been reached

As at 30 September 2022

Allan Gray was introduced on the 1st of October 2018 and subsequently switched for Satrix ALSI Trakcer at the end of December 2020.

The Nedgroup Investments Value fund merged with Nedgroup Investments SA Equity 4<sup>th</sup> June 2021, managed by Laurium Capital.

The Nedgroup Investments Rainmaker fund was replaced with the Truffle SCI General Equity fund on 5 January 2022.



# Quarterly report:

## Nedgroup Investments Select Equity Fund of Funds



### Performance across classes

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



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
A class (all-in)	2.39%	1.00%	2.88%	0.15%	3.03%
B2 class (lisp)	1.24%	N/a	1.56%	0.15%	1.71%
C class (clean)	1.39%	N/a	1.73%	0.15%	1.88%
C1 class (product)	1.54%	N/a	1.90%	0.15%	2.05%
S class (sip)*	1.13%	N/a	1.80%	0.15%	1.95%

as at 30 September 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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