



See money differently

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



### Fund overview

Max equity

**100%**

Time frame

Min **7** years

Benchmark

USD Cash  
**+6%**

Peer group

Global Equity  
General

Regulation 28

Non-Compliant

Risk profile

1

2

3

**4**

5



### Underlying fund structure

20% Active

**ARDEVORA**

20% Active

**Goldman  
Sachs**

20% Active

**DODGE & COX**

20% Active

Veritas  
— Asset  
Management

20% Passive

**SATRIX**



### Fund costs (C – clean class)

Management fee\* (Excl. Vat)

**0.99%**

Total expense ratio

**1.39%**

Transaction charges

**0.02%**

Total investment charges

**1.42%**



### 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. 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. Figures displayed here are the best estimates available given insufficient track record.

# Quarterly report:

## Nedgroup Investments Select Global Equity Fund of Funds



### Sector allocation

#### Healthcare



15.5%

#### Technology



13.7%

#### Communication Services



13.3%

#### Financial Services



12.9%

#### Consumer Cyclical



12.5%

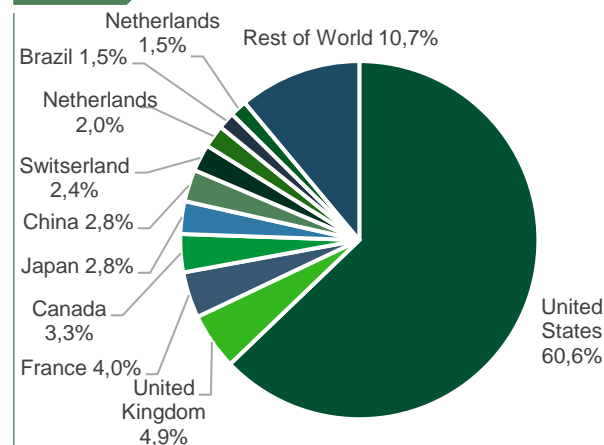
#### Industrials



10.4%



### Country allocation



### Top ten holdings | 18% of the fund

Alphabet

3.3%

amazon

3.2%



2.0%



1.9%

Meta

1.7%

fiserv.

1.3%

UnitedHealthcare

1.2%

Charter  
COMMUNICATIONS

1.2%



CANADIAN  
PACIFIC  
RAILWAY

1.1%

LVMH

1.0%

# Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



## Fund performance (clean class)\*

### Q3'22 return

**1.7%**

Peer group average: 1.3%

### 1yr annualised return

**-10.5%**

Peer group average: -9.3%

### 3yr annualised return

**9.5%**

Peer group average: 7.4%

### 5yr annualised return

**10.6%**

Peer group average: 7.8%

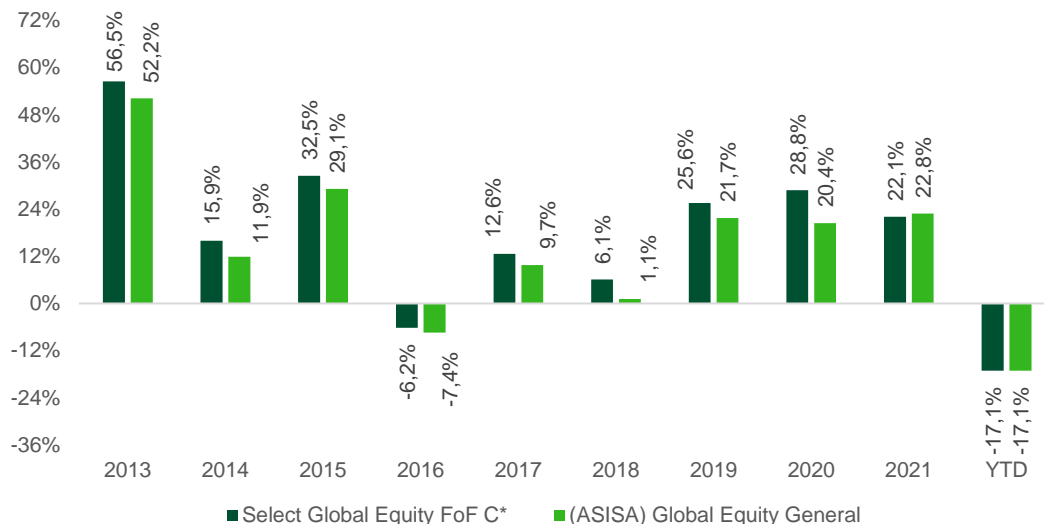
### 7yr annualised return

**11.8%**

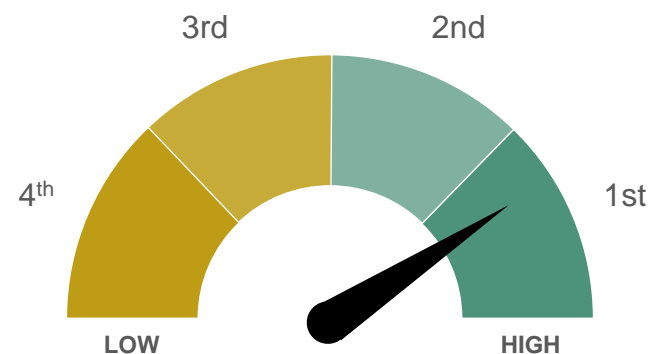
Peer group average: 9.0%



## Calendar year performance



## Peer group quartile ranking\*: 7yr



as at 30 September 2022

\*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

# Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



## Risk measures since inception\*

### Rolling 7yr return

**100%**

Hit rate: outperforming  
peer group average

### Volatility

**15.4%**

Global equity market (ZAR):  
15.2%

### Max drawdown

**-18.5%**

Global equity market (ZAR):  
-18.4%

### Sharpe ratio

**0.7**

Global equity market (ZAR):  
0.7

### % Positive months

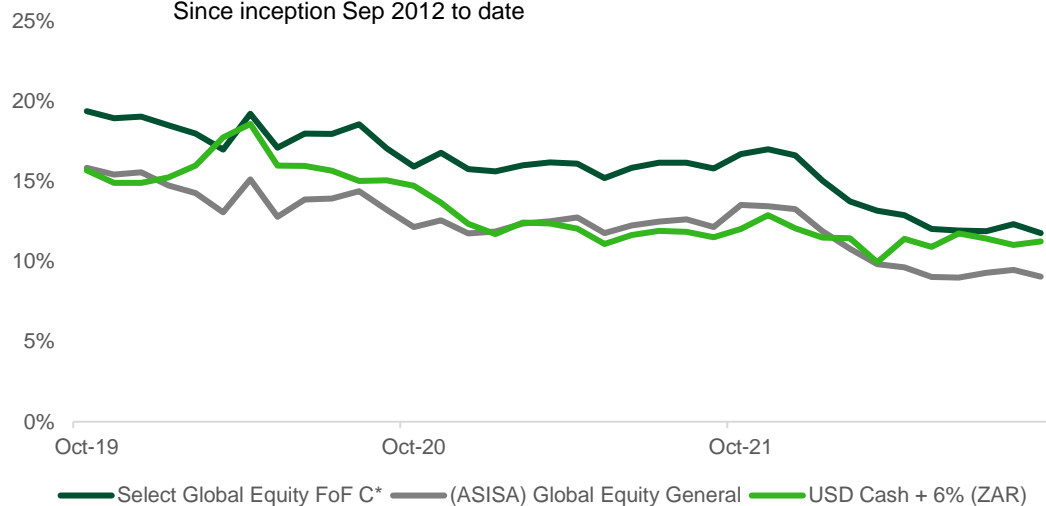
**63%**

Global equity market (ZAR):  
61%

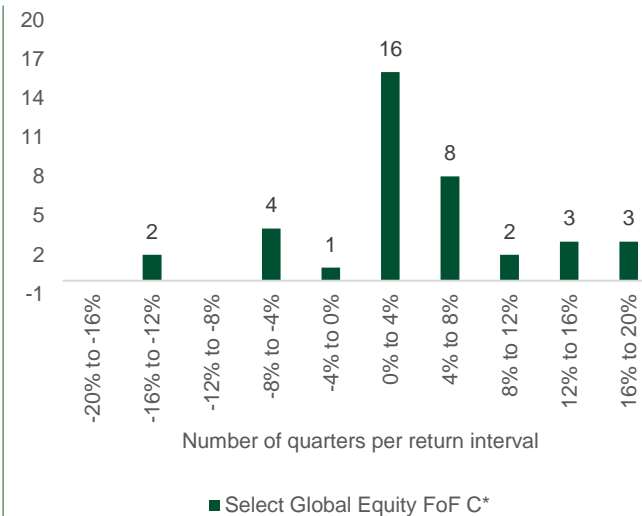


## Rolling 7-year annualised return\*

Since inception Sep 2012 to date



## Quarterly return distribution\*



as at 30 September 2022

\*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

# Quarterly report:

## Nedgroup Investments Select Global Equity Fund of Funds



### Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	2021	YTD
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-6.8%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-13.7%
Nedgroup Investments Global Equity (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-15.2%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-21.4%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-33.5%



#### Positive contributors this quarter

- Amazon (+9% in USD in Q3'22) was a top contributor in the quarter given the company reported results that were ahead of market expectations and the company indicated it was dealing well with some of the inflationary cost issues in the sector. The revenue guidance for Q3 was also upbeat, driven by the retail business, which indicates continued share gain. Finally, AWS continued its strong growth at 33% YoY, at an annualised revenue run rate of \$79bn. These factors contributed to the performance.
- Fiserv (+5% in USD), which serves as an operating system for commerce and money movement, produced 12% organic revenue growth, exceeding the 7-9% guidance, and EPS growth of 17%, at the higher end of the 15-17% guidance.



#### Detractors this quarter

- Charter Communications (-35% in USD in Q3'22) shares fell as investors became more concerned regarding the threat from 5g Fixed Wireless Access (FWA) competing for broadband subscribers.
- Meta Platforms Inc. (-7% in USD) detracted, as the company acknowledged that they have entered an economic downturn that will have a broad impact on the digital advertising business.
- Alphabet Inc. (-17% in USD), Prosus (-18% in USD), Tencent (-24% in USD) and NetEase (-17% in USD) were the other large detractors within the Communication Services sector.
- Within the Energy sector, Occidental Petroleum Corp (-9% in USD) and Shell (-10% in USD) were the largest detractors.

As at 30 September 2022

\*\*The track record of the sub-fund (Ardevora Global Long Only Equity) on which this fund is modelled is used due to short track record of the Nedgroup Investments funds



# Quarterly report:

## Nedgroup Investments Select Global Equity Fund of Funds



### Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	SA inflation
<b>Quarter</b>	1,2%	1,7%	1,7%	1,7%	1,3%	2,8%
<b>1 year</b>	4,2%	-10,5%	-10,7%	-10,6%	-9,3%	7,6%
<b>3 year</b>	N/A	N/A	N/A	N/A	7,4%	5,2%
<b>5 year</b>	N/A	N/A	N/A	N/A	7,8%	5,0%



### Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
<b>B2 class (lisp)</b>	0.84%	N/a	1.26%	0.03%	1.29%
<b>C class (clean)</b>	0.99%	N/a	1.39%	0.03%	1.42%
<b>C1 class (product)</b>	1.14%	N/a	1.56%	0.03%	1.59%
<b>S class (sip)</b>	1.04%	N/a	1.45%	0.03%	1.487%

as at 30 September 2022

\*\*Includes BOTH multi-manager and underlying fund fees. 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. Figures displayed here are the best estimates available given insufficient track record.

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