NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments Select Income Fund of Funds

as at 30 September 2022

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

-1.9%
Q3 2022

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

3.5%	1 year
9.2%	3 years
12.3%	LT average

SA Property

-3.5%
Q3 2022

The interest rate sensitive property sector remained under duress

-8.8%	1 year
-8.7%	3 years
11.8%	LT average

SA Bond

0.6%
Q3 2022

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

1.5%	1 year
5.7%	3 years
7.1%	LT average

SA Cash

1.3%
Q3 2022

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

4.2%	1 year
4.3%	3 years
5.9%	LT average

Global asset class returns (USD)

Global Equity

-6.7%
Q3 2022

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

-20.3%	1 year
4.2%	3 years
10.2%	LT average

Global Property

-11.4%
Q3 2022

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

-22.1%	1 year
-5.6%	3 years
5.8%	LT average

Global Bond

-6.9%
Q3 2022

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

-20.4%	1 year
-5.7%	3 years
1.6%	LT average

US Cash

0.8%
Q3 2022

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

1.3%	1 year
0.9%	3 years
4.3%	LT average

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.

Source: Morningstar; as at 30 September 2022

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Domestic performance drivers

Highlights

- President Ramaphosa announced the Energy Crises plan. This outlined measures to alleviate short term pressure and address energy shortages on 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.

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Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
10%	Min 6 months	110% STeFI Call	SA Multi-Asset Income	Compliant

Risk profile

1	2	3	4	5

Underlying fund structure

ABAX investments	34%
CORONATION FUND MANAGERS	33%
Ninety One	33%

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
0.74%	0.90%
Transaction charges	**Total investment charges**
0.01%	0.91%

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.

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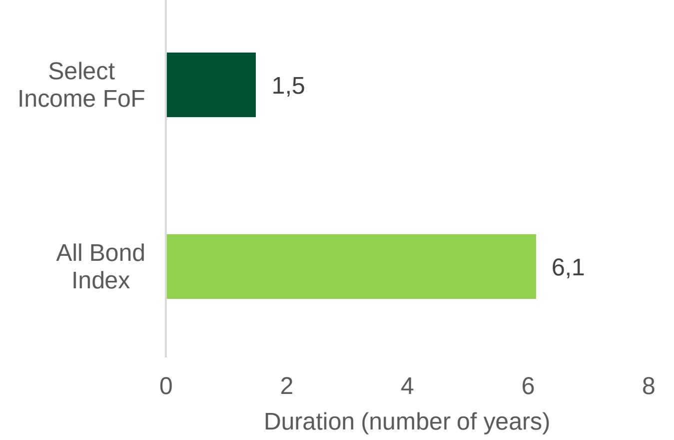
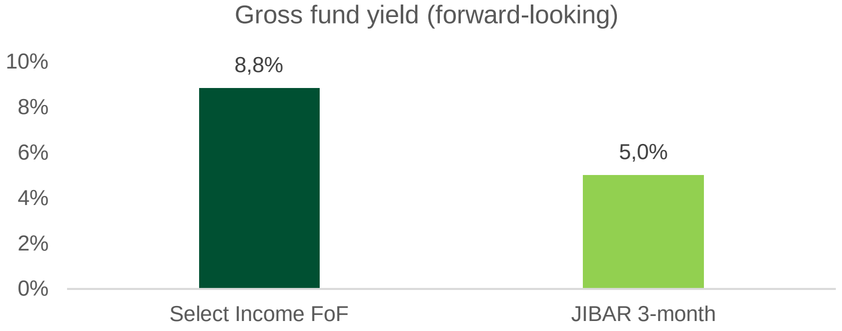
Asset allocation

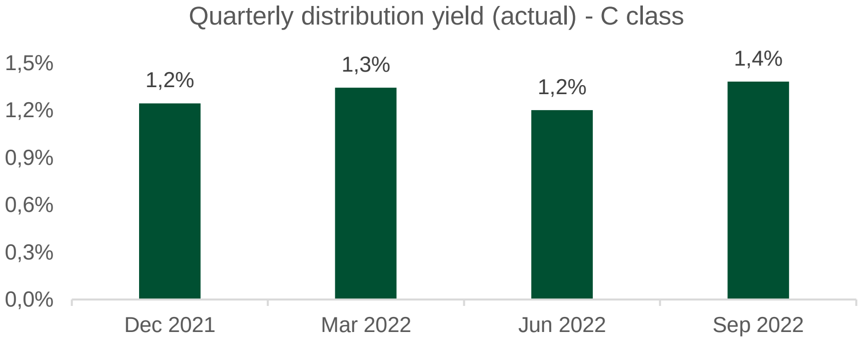
Domestic Equity	Domestic Property	Domestic Fixed Interest
0.9%	**2.7%**	**81.1%**
Foreign Equity	**Foreign Property**	**Foreign Fixed Interest**
0%	**0.2%**	**15.1%**

Modified duration*



Yield and Distribution





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*Select Income FoF includes ILB duration

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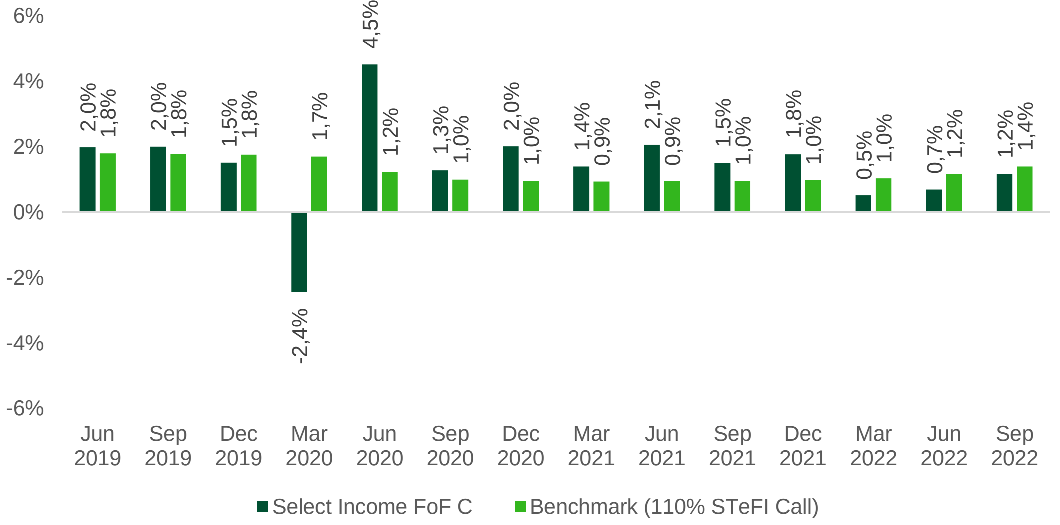
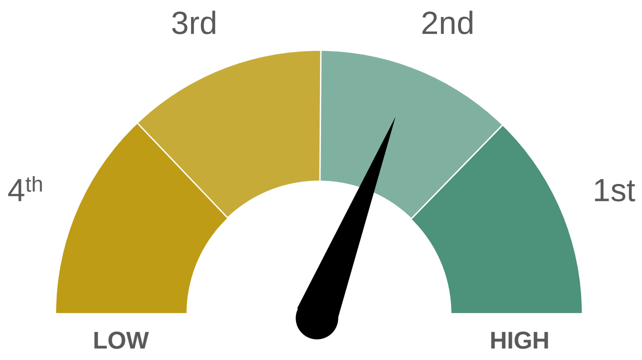
Fund performance (clean class)

Q3'22 return	Ytd return	6 month return	1yr annualised return	3yr annualised return
1.2%	2.4%	1.9%	4.2%	5.4%
Benchmark: 0.8%	Benchmark: 3.7%	Benchmark: 2.6%	Benchmark: 4.7%	Benchmark: 4.8%

Quarterly performance



Peer group quartile ranking: 1yr



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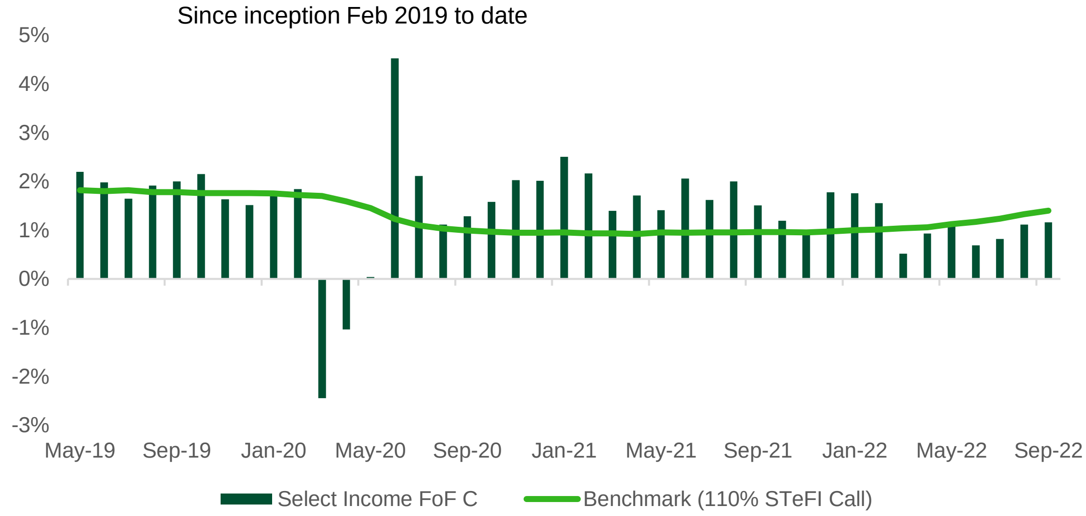
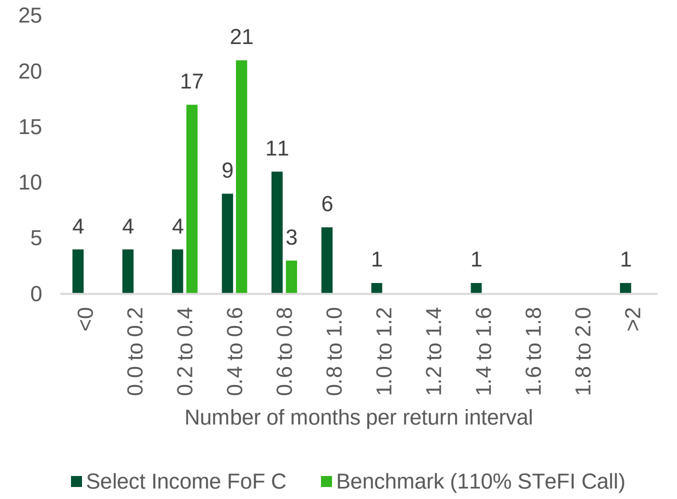
Risk measures since inception*

Rolling 1 year	Volatility	Max drawdown	Sharpe ratio	% Positive months
92%	1.9%	-3.7%	1.0	95%
Hit rate: outperforming benchmark	SA bond market: 8.0%	SA bond market: -9.8%	SA bond market: 0.2	SA bond market: 65%

Rolling 3-month return



Monthly return distribution



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The track record of the Select Income FoF displayed here includes the backtested return from 31 October 2012 to 1 February 2019, when the Nedgroup Investments Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the Select FoF process

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Underlying fund performance

Key	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
⬛ **Coronation Strategic Income**	🟩 0.2%	⬛ 4.8%	🟦 2.0%	⬛ 2.5%	🟦 2.2%	🟦 2.6%	🟦 1.9%	🟦 2.3%	🟩 1.0%	🟦 0.8%	🟦 1.7%
🟦 **Nedgroup Investments Flexible Income**	🟦 -2.0%	🟦 3.8%	⬛ 1.1%	🟩 2.1%	🟩 1.3%	⬛ 2.1%	⬛ 1.4%	⬛ 2.0%	⬛ 0.5%	🟩 0.6%	🟩 1.6%
🟩 **Ninety One Diversified Income**	⬛ -3.4%	🟩 3.1%	🟩 1.0%	🟦 2.0%	⬛ 0.9%	🟩 1.9%	🟩 1.4%	🟩 1.7%	🟦 0.1%	⬛ 0.2%	⬛ 1.0%

Positive contributors this quarter

- Domestic inflation-linked bonds continue to perform well in the current rising inflation cycle and was one of only two asset class building blocks for the multi-asset income funds that outperformed domestic cash this quarter. More specifically, the allocation to the short-dated maturities contributed to performance relative to the cash benchmark.
- The rand ended the quarter at R18 to the US dollar, weakening by 9% this quarter, as the US dollar outperformed against a basket of its major trade partners. This contributed positively to the assets held in US dollar in the fund.
- The SARB hiked rates by 75bps at both the July and September meeting, taking the repo rate to 6.25%. This is a positive contributor to cash held in the fund, as well as floating rate assets with coupons linked to the JIBAR rate.
- The yield-enhancing allocation to investment-grade credit continues to add value.

Detractors this quarter

- Most of the asset class building blocks for multi-asset income funds underperformed domestic cash in the third quarter, with some even delivering negative returns.
- September was dominated by a slew of central bank meetings that delivered a consistently hawkish message and within developed markets uniformly raised policy rates. Policy settings are expected to continue to tighten in the near term, putting pressure on global bond markets as yields rise.
- The local listed property sector was down 6.5% September and down 3,5% for the quarter. One must remain cautious due to the high levels of uncertainty around the strength and durability of the local recovery. However, certain counters are showing value, given their unique capital structures and earnings potential.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	Benchmark
Quarter	1,2%	1,2%	1,2%	1,2%	1,2%	1,3%
6 month	2,0%	1,9%	1,8%	1,8%	1,4%	2,6%
1 year	4,4%	4,2%	4,0%	4,2%	4,4%	4,7%
3 year	5,6%	5,4%	5,2%	n/a	5,6%	4,8%

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.74%	0.01%	0.74%
C class (clean)	0.74%	N/a	0.90%	0.01%	0.91%
C1 class (product)	0.89%	N/a	1.07%	0.01%	1.08%
S class (sip)	0.79%	N/a	0.94%	0.01%	0.95%

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