



See money differently

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

as at 31 December 2022

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



Resources rallied 17.6% and bellwethers Naspers (25.1%) and Prosus (24.2%) ended the year strong

3.6% 1 year

12.7% 3 years

12.3% LT average

SA Property



The property sector rallied alongside other risk assets in the fourth quarter

0.5% 1 year

-3.4% 3 years

11.3% LT average

SA Bond



Global bond markets followed global trends, supported by a lower CPI print for November and a stronger rand

4.3% 1 year

7.1% 3 years

7.0% LT average

SA Cash



The SARB hiked the repo rate by 75bps in November, taking it to 7.0%, back at July 2019 levels

4.9% 1 year

4.3% 3 years

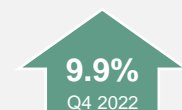
5.9% LT average



Global asset class returns (USD)



Global Equity



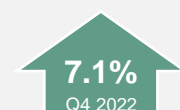
US posted robust gains in Q4 as most sectors rose, but Energy stocks posted especially strong gains

-18.0% 1 year

4.5% 3 years

8.5% LT average

Global Property



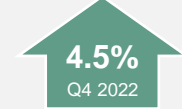
Retail-focused REITs logged the highest returns in Q4, while the apartment, office and storage indices were down

-24.4% 1 year

-4.1% 3 years

6.2% LT average

Global Bond



Smaller interest rate hikes from major central banks helped global bond markets deliver another positive month in December

-16.2% 1 year

-4.5% 3 years

4.3% LT average

US Cash



The US Fed hiked rates by 75bps in November and 50bps in December, taking the rate to 4.25%-4.50%

1.8% 1 year

0.9% 3 years

3.7% LT average



Exchange rates (Rand spot rate and quarterly change)



US Dollar R17.02



The US dollar weakened in the fourth quarter as the Fed slowed down the pace of rate increases. The rand's performance at the end of the year was supported by improved domestic data, which were ahead of expectations. Also, economic growth in the third quarter saw the country avoid a technical recession.



British Pound R20.47



The pound ended 2022 around 11% weaker to the US dollar, its worst performance since 2016 following the Brexit vote. The pound's poor performance is driven by a conservative economic outlook for 2023 and political uncertainty. The currency remains under pressure, as a recession looms.



Euro R18.16



The eurozone faced its most challenging year for inflation in its history, though signs emerged towards the end of Q4 that there may be some respite as the region's latest indicators signalled slowing headline inflation, helped by falling energy price pressures.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- The Medium-Term Budget Policy Statement (MTBPS) confirmed a gross tax revenue overrun of R83.5bn relative to Budget 2022 estimates. Alongside higher nominal GDP, this delivered much improved fiscal metrics with gross debt to GDP stabilising faster and at a lower figure of 71,4%.
- The positive outcome of the ANC elective conference held in December helps offset some of the negative fallout from the well-publicised Phala Phala incident. President Cyril Ramaphosa will need to make a second term matter if SA is to escape our current low growth trap.



Low points

- The final quarter of the year saw South Africa's economy continue to suffer under the state of its network industries, with the impact of persistent loadshedding featuring strongly in weaker PMI activity surveys for September.
- In December, after some delays, Eskom released financial results, posting an annual loss of R12,3bn, albeit an improved figure from the prior year and a decrease in gross debt. The challenges of non-compliant municipalities, diesel and maintenance costs as well as sabotage were outlined by outgoing Eskom CEO, Andre de Ruyter, who resigned from his post earlier in the month.



Global performance drivers



Highlights

- The restoration of some stability in the UK government, with Rishi Sunak replacing Liz Truss as Prime Minister, and a greater emphasis placed on fiscal prudence assisted in stabilising markets, especially UK government bond markets.
- Warm weather in Europe helped to reduce natural gas demand, alleviating some pressure on governments looking to stockpile ahead of winter.
- Another positive for the markets stemmed from China, where official announcements seemed to suggest that they were moving away from their zero Covid strategy, despite paradoxically seeing a recent surge in cases numbers.



Low points

- Data showed that the eurozone economy grew by 0.3% quarter-on-quarter in Q3, slowing from 0.8% growth in Q2. Forward-looking indicators continued to point towards contraction although the rate of decline moderated.
- Against weakening economic activity data and the anticipation of slower global growth in 2023 - pared with ongoing geopolitical tensions - it is unsurprising that the IMF expects that the year ahead would be "tougher than the year we leave behind".

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 31 December 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 October 2019 to 30 September 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



30.4%

Domestic Property



2.7%

Domestic Fixed Interest



37.2%

Foreign Equity



22.2%

Foreign Property



0.9%

Foreign Fixed Interest



6.6%



Regional exposure



57%

PURE SA



14%

RAND HEDGES



30%

DIRECT FOREIGN



Top ten equity holdings | 14% of the fund



2.0%

prosus

newgold

1.9%



NASPERS

1.8%



BRITISH AMERICAN
TOBACCO

1.7%



FirstRand

1.5%

RICHEMONT

1.4%



Standard Bank

1.1%

Bidcorp

0.9%

BHP

0.9%



ANGLO
AMERICAN

0.9%

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q4'22 return

5.9%

Peer group average: 6.0%

Ytd return

2.5%

Peer group average: 0.3%

1yr annualised return

2.5%

Peer group average: 0.3%

3yr annualised return

8.8%

Peer group average: 7.4%

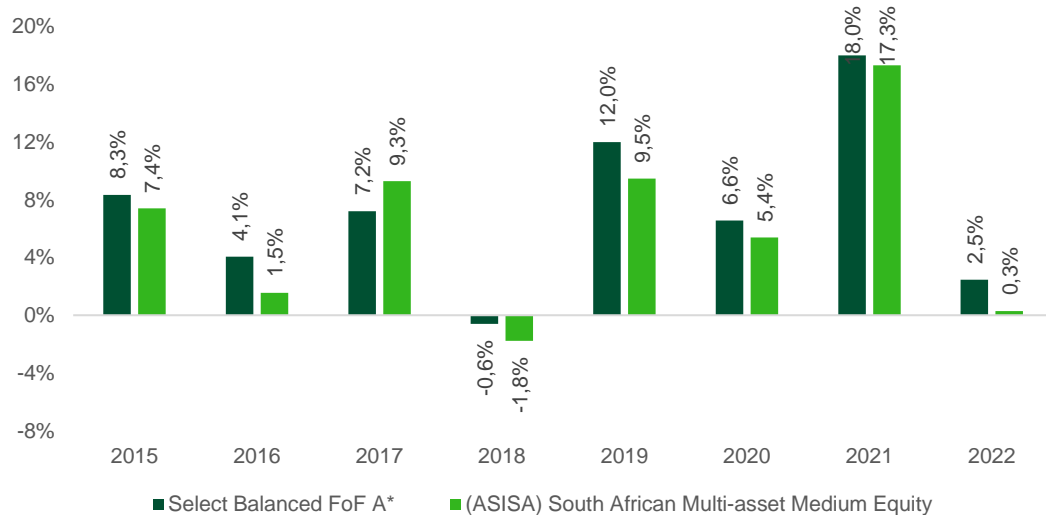
5yr annualised return

7.5%

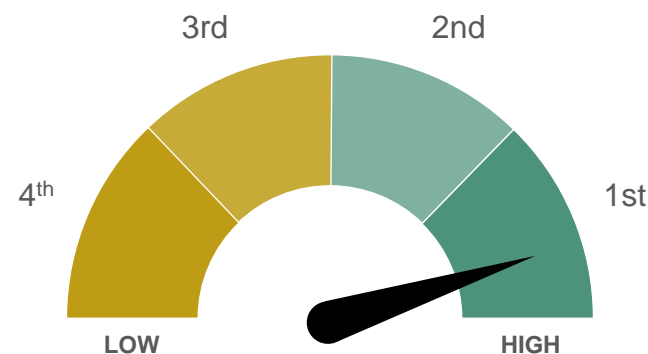
Peer group average: 5.9%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 31 December 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

6.6%

SA equity market: 14.2%

Max drawdown

-10.9%

SA equity market: -21.7%

Sharpe ratio

0.3

SA equity market: 0.2

% Positive months

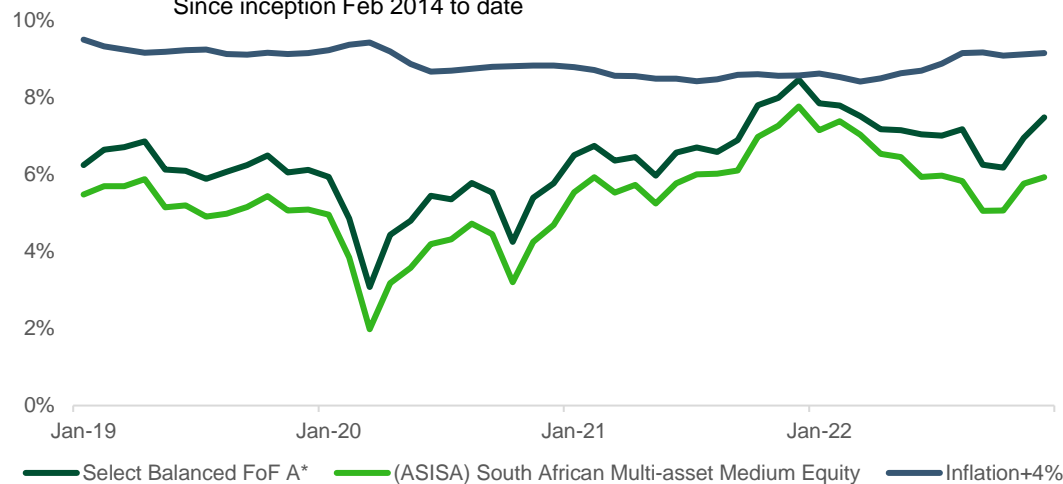
70%

SA equity market: 58%

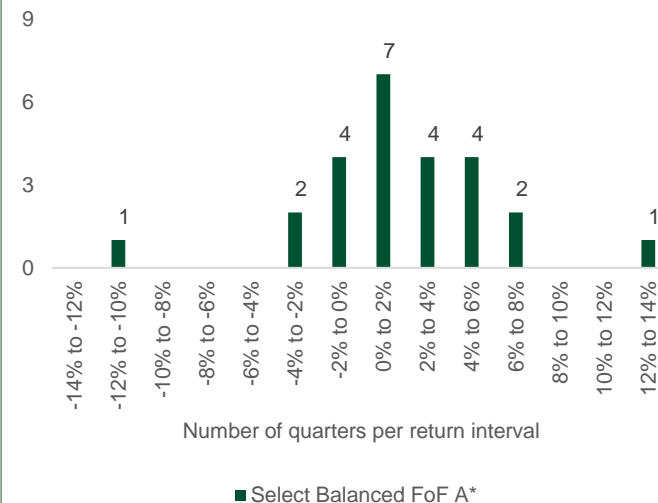


Rolling 5-year annualised return

Since inception Feb 2014 to date



Quarterly return distribution



as at 31 December 2022

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Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



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%	10.7%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	3.1%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	0.8%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-0.4%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-2.4%



Positive contributors this quarter

- Thungela Resources (-14% Q4'22; +313% in 2022) remains a meaningful contributor to the Nedgroup Investments Opportunity fund performance for the year, despite a pull back in the final quarter.
- Also within domestic equities, defensive holdings in British American Tobacco (+18% in 2022); commodity holdings in Glencore (45%), Exxaro (+57%) and Anglo American (+9%); and domestic bank holdings (Nedbank +29%, Standard Bank +26%, FirstRand +8%, and Absa +33%) were the largest contributors to returns.
- The rand weakened 7% to the US dollar in 2022, contributing to assets held directly offshore in US dollar, as well as the offshore earnings of rand hedged stocks listed on the JSE.



Detractors this quarter

- The Fund's allocation to global assets was the largest detractor from performance over the past year as global equity and bond markets materially underperformed domestic markets. Still causing uncertainty are unknowns such as the severity of the expected 2023 global growth slowdown, the impact of the massive new Covid wave in China, the ongoing tragedies of the Ukraine-Russia war, and the stickiness of inflation in large economies.
- Within domestic equities, holdings in Quilter (-35% in 2022), MTN (-24%) and Spar (-30%) and Foschini (-15%) detracted.
- Sasol (-6% in Q4'22) ended the year as an underperformer as the oil price came under pressure, falling below \$90/barrel at year-end.

As at 31 December 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	5,9%	6,0%	5,8%	5,7%	6,0%	0,8%
1 year	2,5%	2,5%	2,5%	2,2%	0,3%	7,4%
3 year	7,0%	7,3%	N/A	7,1%	7,4%	5,3%
5 year	5,2%	5,6%	N/A	5,5%	5,9%	4,9%



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 31 December 2022

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