



See money differently

Quarterly Report: Nedgroup Investments Select Equity Fund of Funds

as at 31 December 2022

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



3.6% 1 year

12.7% 3 years

12.3% LT average

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

SA Property



0.5% 1 year

-3.4% 3 years

11.3% LT average

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

SA Bond



4.3% 1 year

7.1% 3 years

7.0% LT average

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

SA Cash



4.9% 1 year

4.3% 3 years

5.9% LT average

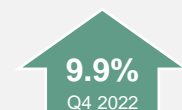
The SARB hiked the repo rate by 75bps in November, taking it to 7.0%, back at July 2019 levels



Global asset class returns (USD)



Global Equity



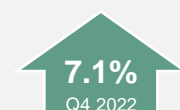
-18.0% 1 year

4.5% 3 years

8.5% LT average

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

Global Property



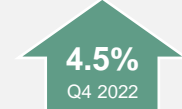
-24.4% 1 year

-4.1% 3 years

6.2% LT average

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

Global Bond



-16.2% 1 year

-4.5% 3 years

4.3% LT average

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

US Cash



1.8% 1 year

0.9% 3 years

3.7% LT average

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



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 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



20% incl. Foreign



20% incl. Foreign



20% incl. Foreign



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.09%

Total expense ratio

1.71%

Transaction charges

0.19%

Total investment charges

1.90%



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. Both 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

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Sector allocation

Basic Materials



24.2%

Financials



20.8%

Technology



12.2%

Consumer Goods



11.8%

Consumer Services



7.7%

Telecommunications



2.9%



Regional exposure



38%

PURE SA



49%

RAND HEDGES



12%

DIRECT FOREIGN



Top ten holdings | 48% of the fund



NASPERS

6.2%



ANGLO
AMERICAN

6.0%



prosus

5.9%

RICHEMONT

5.4%



4.8%



FirstRand

4.7%

GLENCORE

4.1%



BRITISH AMERICAN
TOBACCO

3.9%

IMPALA
PLATINUM

3.4%



SASOL

3.4%

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Fund performance (clean class)

Q4'22 return

11.5%

Peer group average: 10.6%

1yr annualised return

3.2%

Peer group average: 3.1%

3yr annualised return

8.4%

Peer group average: 10.0%

5yr annualised return

4.4%

Peer group average: 5.5%

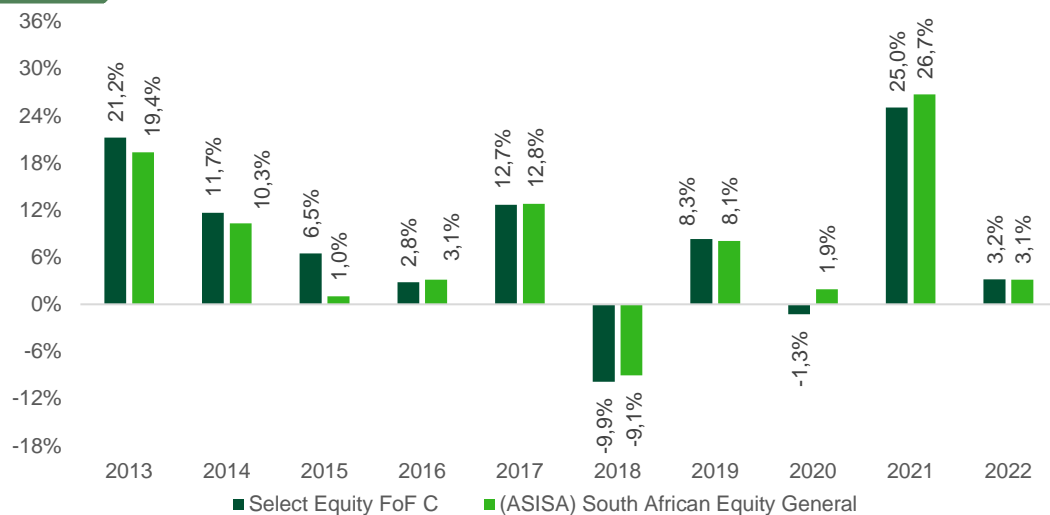
7yr annualised return

5.3%

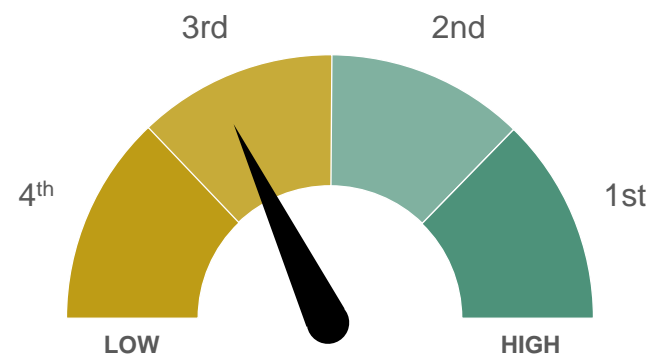
Peer group average: 6.2%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 December 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

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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

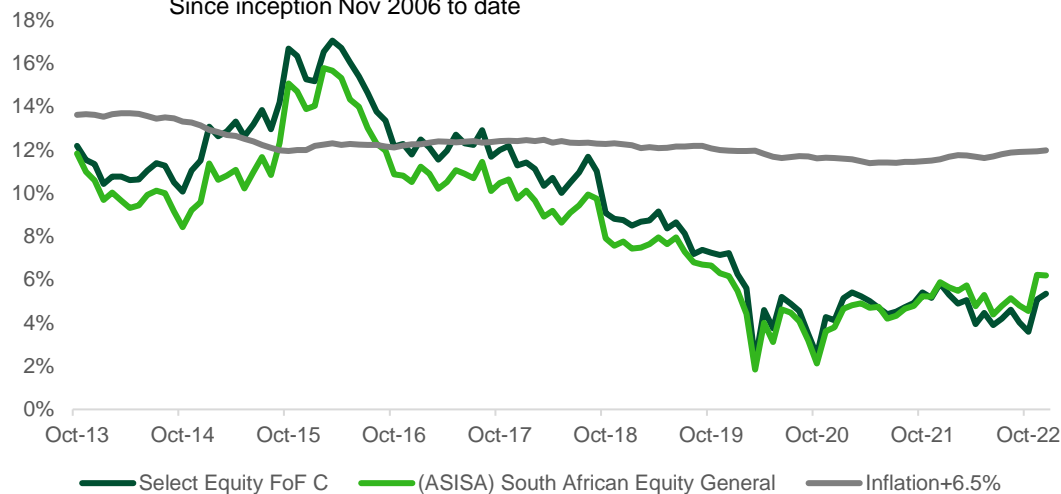
65%

SA equity market: 60%

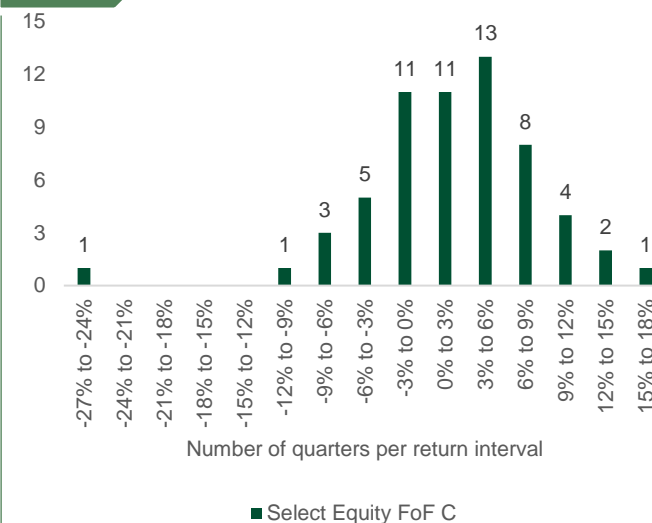


Rolling 7-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution



Quarterly report:

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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022
Satrix ALSI Tracker	3,6%	20,3%	-2,4%	16,9%	14,2%	13,6%	10,8%
Coronation Equity	1,8%	18,5%	-6,5%	16,6%	13,3%	13,0%	8,3%
Ninety One Equity	1,2%	17,3%	-7,5%	13,6%	10,9%	12,4%	3,3%
Truffle SCI General Equity	-3,9%	12,0%	-9,2%	11,4%	6,3%	11,9%	-2,7%
Nedgroup Investments SA Equity	-4,1%	10,5%	-12,8%	7,4%	0,0%	26,4%	-5,5%



Positive contributors this quarter

- The resource sector rose 9% for the year, helped by a strong Q4-22 (+16%). Energy prices spiked earlier in the year in the face of Russia's invasion of Ukraine with a broader surge in commodities in Q4-22 as markets anticipated strong demand into 2023 on the back of China's reopening. Commodity holdings in Glencore (45% in 2022), Exxaro (+57%) and Anglo American (+9%) were the top contributors in the resource sector within domestic equities.
- Naspers/Prosus have created value at the holding company level through an accretive buyback programme. The discount narrowed by a third in recognition of both the value this transaction creates and the positive message it sends about management's commitment to narrow the discount through optimal capital allocation. Naspers and Prosus delivered a whopping +25% and +24% respectively in the final quarter of 2022.



Detractors this quarter

- The offshore leg of the portfolio was a detractor from performance overall for the Coronation Equity and Ninety One Equity mandates that invest in offshore equities directly. 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 Foschini (-15% for 2022) and Pepkor (-7%) detracted higher living expenses weighed on consumer spending.

As at 31 December 2022

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

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

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

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Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	S Class (sip)	Peer group	SA inflation
Quarter	11,2%	11,6%	11,5%	11,5%	11,5%	10,6%	0,8%
1 year	2,0%	3,4%	3,2%	3,0%	3,1%	3,1%	7,4%
3 year	7,2%	8,6%	8,4%	8,2%	N/A	10,0%	5,3%
5 year	3,3%	4,6%	4,4%	N/A	N/A	5,5%	4,9%



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%	2,86%	0,19%	3,05%
B2 class (lisp)	1.24%	N/a	1,54%	0,19%	1,73%
C class (clean)	1.39%	N/a	1,71%	0,19%	1,90%
C1 class (product)	1.54%	N/a	1,88%	0,19%	2,08%
S class (sip)*	1.13%	N/a	1,75%	0,23%	1,98%

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**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 October 2019 to 30 September 2022

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