



See money differently

# Quarterly Report: **Nedgroup Investments** **Select Global 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

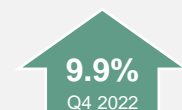
The SARB hiked the repo rate by 75bps in November, taking it to 7.0%, back at July 2019 levels



## Global asset class returns (USD)



### Global Equity



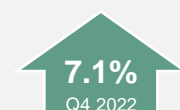
-18.0% 1 year

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



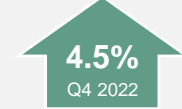
-24.4% 1 year

-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



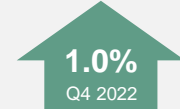
-16.2% 1 year

-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 pend.



### 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 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

**1.32%**

Transaction charges

**0.04%**

Total investment charges

**1.36%**



### 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. 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. 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



14.9%

#### Technology



13.8%

#### Financial Services



13.7%

#### Communication Services



12.7%

#### Consumer Cyclical



12.4%

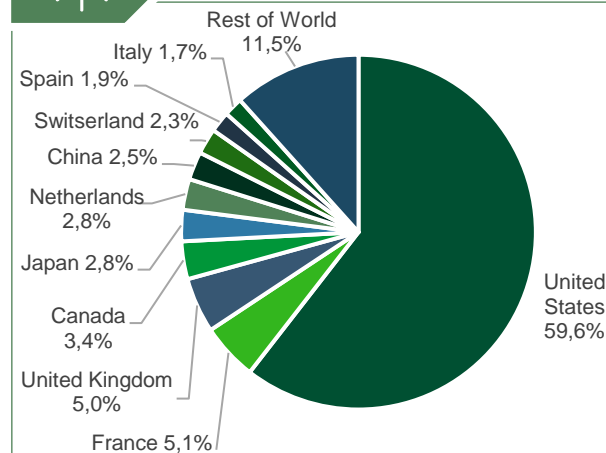
#### Industrials



11.7%



### Country allocation



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

Alphabet

3.4%



2.6%

amazon

2.4%



2.1%

Meta

1.4%

UnitedHealthcare

1.3%



1.2%

LVMH

1.2%

Charter  
COMMUNICATIONS

1.2%

fiserv.

1.2%

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



## Fund performance (clean class)\*

### Q4'22 return

**1.0%**

Peer group average: 3.5%

### 1yr annualised return

**-16.3%**

Peer group average: -14.2%

### 3yr annualised return

**9.6%**

Peer group average: 8.3%

### 5yr annualised return

**11.9%**

Peer group average: 9.3%

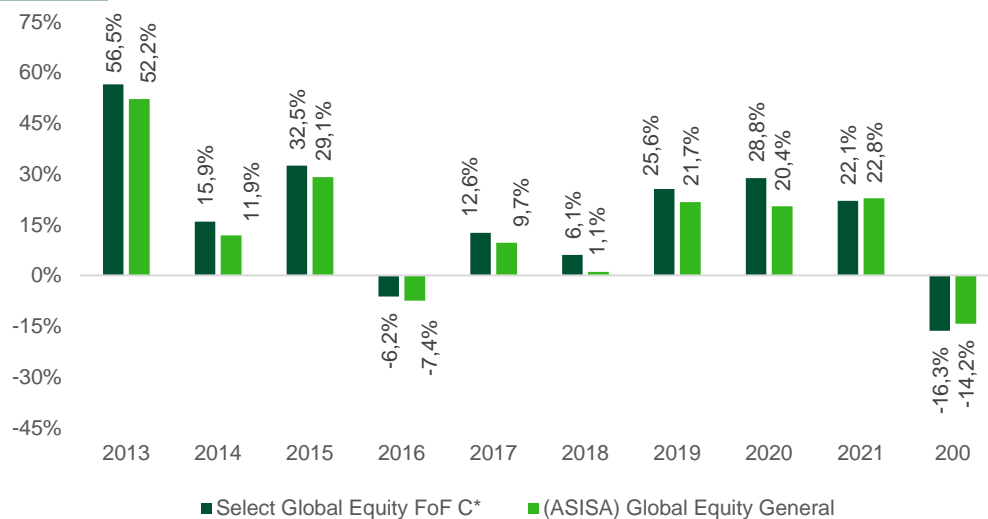
### 7yr annualised return

**9.2%**

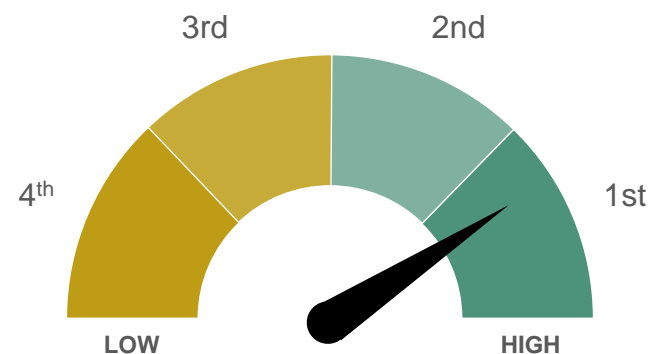
Peer group average: 6.8%



## Calendar year performance



## Peer group quartile ranking\*: 7yr



as at 31 December 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

**15.3%**

Global equity market (ZAR):  
15.4%

### Max drawdown

**-18.5%**

Global equity market (ZAR):  
-18.4%

### Sharpe ratio

**0.7**

Global equity market (ZAR):  
0.7

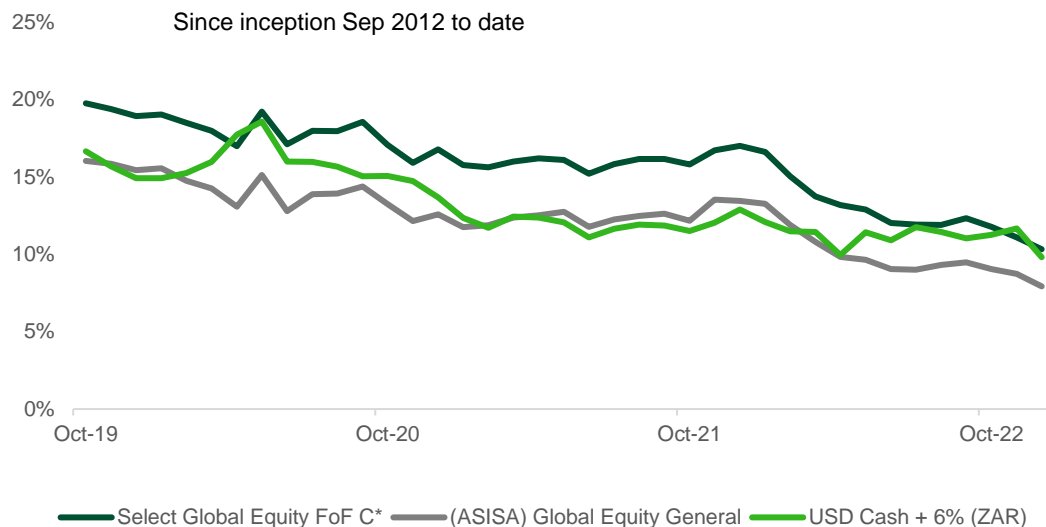
### % Positive months

**62%**

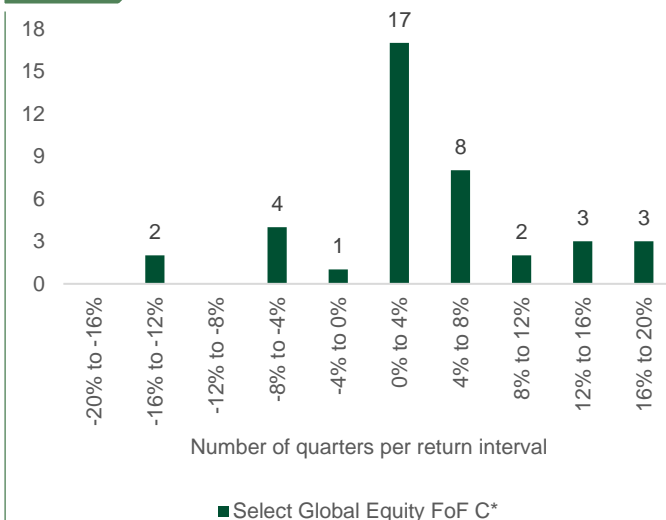
Global equity market (ZAR):  
60%



## Rolling 7-year annualised return\*



## Quarterly return distribution\*



as at 31 December 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	2022
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-0.1%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-12.8%
Nedgroup Investments Global Equity (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-14.4%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-19.9%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-34.6%



#### Positive contributors this quarter

- Dodge & Cox continued to be the top performer with consumer discretionary holdings, particularly Prosus and Amazon, being amongst the top performers in the final quarter. Overweight position in Financials and selected holdings, notably BNP Paribas, Banco Santander, UBS Group, and Axis Bank also contributed.
- 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. Occidental Petroleum, Ovintiv, and Suncor Energy were amongst the top performers in the fund.



#### Detractors this quarter

- Communication services Alphabet and Charter Communications, both held at a 5% weight in the Nedgroup Investments Global Equity fund (Veritas) had a tough 2022, both companies down around 40% in US dollar for the year. Communication Services was the worst-performing sector of the market in the final quarter.
- Technology companies Apple and Microsoft, both in the top 10 of the fund, continued to fall from its post-covid highs.
- Similarly, consumer cyclical Amazon, also in the funds' top 10, delivered poor performance in 2022, detracting from the fund's return.

As at 31 December 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>	3,0%	1,0%	1,0%	1,0%	3,5%	0,8%
<b>1 year</b>	5,4%	-16,3%	-16,4%	-16,3%	-14,2%	7,4%
<b>3 year</b>	N/A	N/A	N/A	N/A	8,3%	5,3%
<b>5 year</b>	N/A	N/A	N/A	N/A	9,3%	4,9%



### 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	1.17%	0.04%	1.21%
<b>C class (clean)</b>	0.99%	N/a	1.32%	0.04%	1.36%
<b>C1 class (product)</b>	1.14%	N/a	1.49%	0.04%	1.53%
<b>S class (sip)</b>	1.04%	N/a	1.38%	0.04%	1.42%

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