



See money differently

Quarterly Report: Nedgroup Investments Select Growth 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

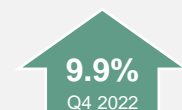
The SARB hiked the repo rate by 75bps in November, taking it to 7.0%, back at July 2019 levels



Global asset class returns (USD)



Global Equity



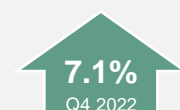
-18.0% 1 year

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



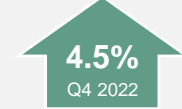
-24.4% 1 year

-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



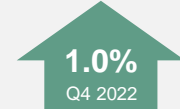
-16.2% 1 year

-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 Growth Fund of Funds



Fund overview

Max equity

75%

Time frame

Min **5** years

Benchmark

Inflation **+5%**

Peer group

SA Multi-Asset
High Equity

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ALLAN GRAY

20% Active

CORONATION
FUND MANAGERS

20% Active

M&G
Investments

20% Active

Truffle
Asset Management

20% Passive

Taquanta



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.06%

Total expense ratio

1.43%

Transaction charges

0.27%

Total investment charges

1.71%



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.

Quarterly report:

Nedgroup Investments Select Growth Fund of Funds



Asset allocation

Domestic Equity



46.0%

Domestic Property



2.5%

Domestic Fixed Interest



19.7%

Foreign Equity



23.7%

Foreign Property



0.5%

Foreign Fixed Interest



7.7%



Regional exposure



42%

PURE SA



26%

RAND HEDGES



32%

DIRECT FOREIGN



Top ten equity holdings | 24% of the fund



3.6%

GLENCORE

3.5%



3.1%



2.8%



2.5%



2.0%



1.9%



1.9%

FirstRand



1.5%



1.3%

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Fund performance (clean class)

Q4'22 return

7.1%

Peer group average: -6.9%

Ytd return

3.3%

Peer group average: -0.2%

1yr annualised return

3.3%

Peer group average: -0.2%

3yr annualised return

9.9%

Peer group average: 8.1%

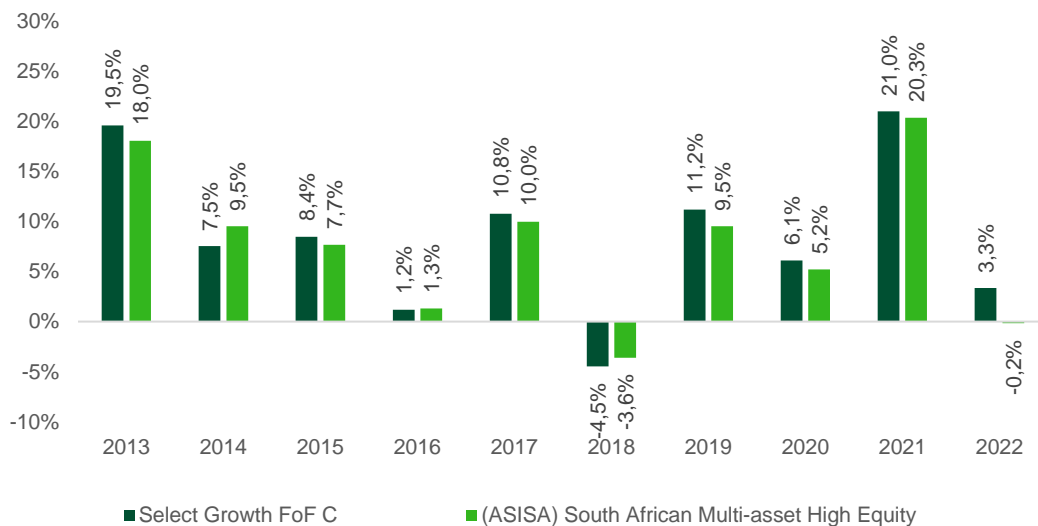
5yr annualised return

7.1%

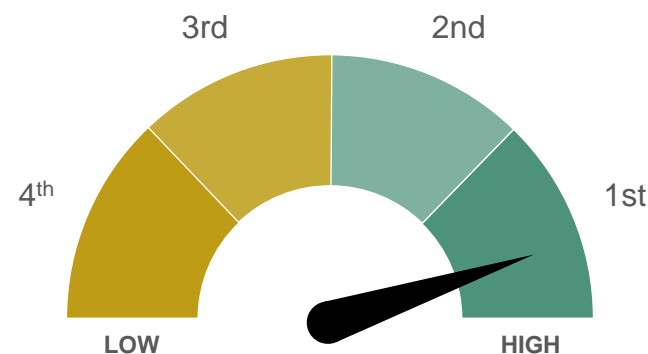
Peer group average: 5.9%



Calendar year performance



Peer group quartile ranking: 5yr



as at 31 December 2022

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Risk measures since inception

Rolling 5yr return

89%

Hit rate: outperforming
peer group average

Volatility

9.0%

SA equity market: 15.3%

Max drawdown

-17.2%

SA equity market: -40.4%

Sharpe ratio

0.3

SA equity market: 0.3

% Positive months

68%

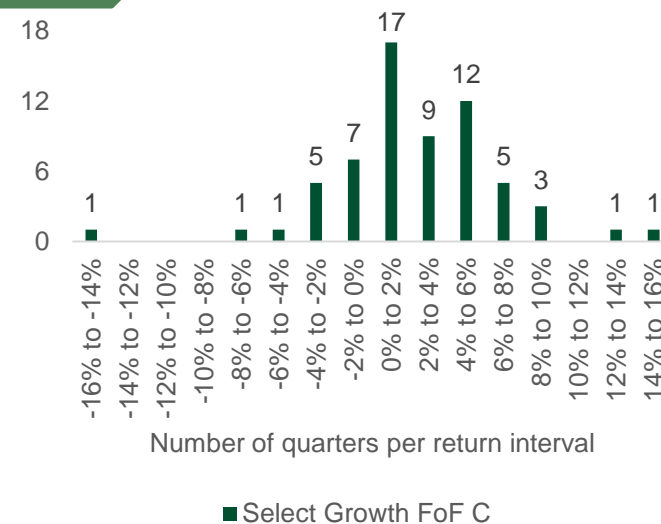
SA equity market: 60%



Rolling 5-year annualised return



Quarterly return distribution



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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022
Allan Gray Balanced	6.3%	13.2%	1.5%	16.6%	12.4%	26.0%	8.1%
Coronation Balanced Plus	4.7%	12.6%	-2.6%	13.3%	9.4%	23.5%	7.7%
Nedgroup Investments Balanced	2.4%	12.2%	-3.1%	9.6%	6.6%	22.0%	3.2%
Nedgroup Investments Core Diversified	1.0%	11.0%	-3.8%	9.0%	3.6%	20.3%	-1.1%
M&G Balanced	-2.4%	5.3%	-5.9%	6.7%	2.8%	12.7%	-1.5%



Positive contributors this quarter

- Commodity holdings in Glencore (45% in 2022), Exxaro (+57%) and Anglo American (+9%) were the top contributors in the resource sector within domestic equities this year.
- Domestic bank holdings (Nedbank +29%, Standard Bank +26%, FirstRand +8%, and Absa +33%) were also amongst the largest contributors to returns. The banks continued their strong earnings recovery and are all expected to have surpassed their pre-Covid earnings during 2022. Absa in particular has shown strong growth off its pre-Covid earnings base, driven by market share gains and good operating leverage.
- The Industrials Index returned -4% for the year but was up strongly in Q4-22 (+16%) as major constituents Naspers and Prosus delivered a whopping +25% and +24% respectively in the final quarter of 2022.



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

Allan Gray was introduced on the 1st of October 2018; Nedgroup Investments Balanced was introduced on the 1st of October 2019.

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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	6,8%	7,2%	7,1%	7,1%	7,1%	6,9%	0,8%
1 year	2,2%	3,6%	0,03	3,2%	3,3%	-0,2%	7,4%
3 year	8,6%	10,1%	9,9%	9,7%	N/A	8,1%	5,3%
5 year	5,9%	7,3%	7,1%	N/A	N/A	5,9%	4,9%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
A class (all-in)	2.05%	1.00%	2.58%	0.27%	2.86%
B2 class (lisp)	0.90%	N/a	1.26%	0.27%	1.54%
C class (clean)	1.05%	N/a	1.43%	0.27%	1.71%
C1 class (product)	1.20%	N/a	1.61%	0.27%	1.88%
S class (sip)	1.11%	N/a	1.50%	0.27%	1.78%

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 April 2019 to 31 March 2022.

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