



See money differently

Quarterly Report: **Nedgroup Investments** **Select Income 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

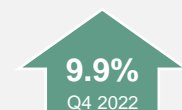
The SARB hiked the repo rate by 75bps in November, taking it to 7.0%, back at July 2019 levels



Global asset class returns (USD)



Global Equity



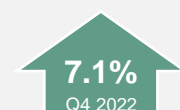
-18.0% 1 year

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



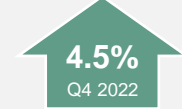
-24.4% 1 year

-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 Income Fund of Funds



Fund overview

Max equity

10%

Time frame

Min **6** months

Benchmark

110% STeFI Call

Peer group

SA Multi-Asset
Income

Regulation 28

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)

0.74%

Total expense ratio

0.90%

Transaction charges

0.01%

Total investment charges

0.90%



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.

Quarterly report:

Nedgroup Investments Select Income Fund of Funds



Asset allocation

Domestic Equity



0.9%

Domestic Property



2.8%

Domestic Fixed Interest



81.0%

Foreign Equity



0%

Foreign Property



0.2%

Foreign Fixed Interest



15.1%



Modified duration*

Select
Income FoF

1,5

All Bond
Index

6,1

0 2 4 6 8
Duration (number of years)

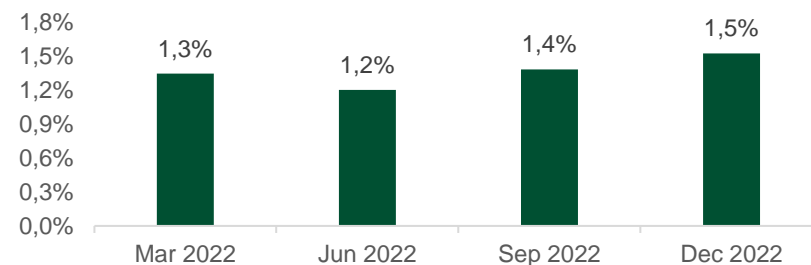


Yield and Distribution

Gross fund yield (forward-looking)



Quarterly distribution yield (actual) - C class



Quarterly report: Nedgroup Investments Select Income Fund of Funds



Fund performance (clean class)

Q4'22 return

3.0%

Benchmark: 1.7%

Ytd return

5.5%

Benchmark: 5.4%

6 month return

4.2%

Benchmark: 3.1%

1yr annualised return

5.5%

Benchmark: 5.4%

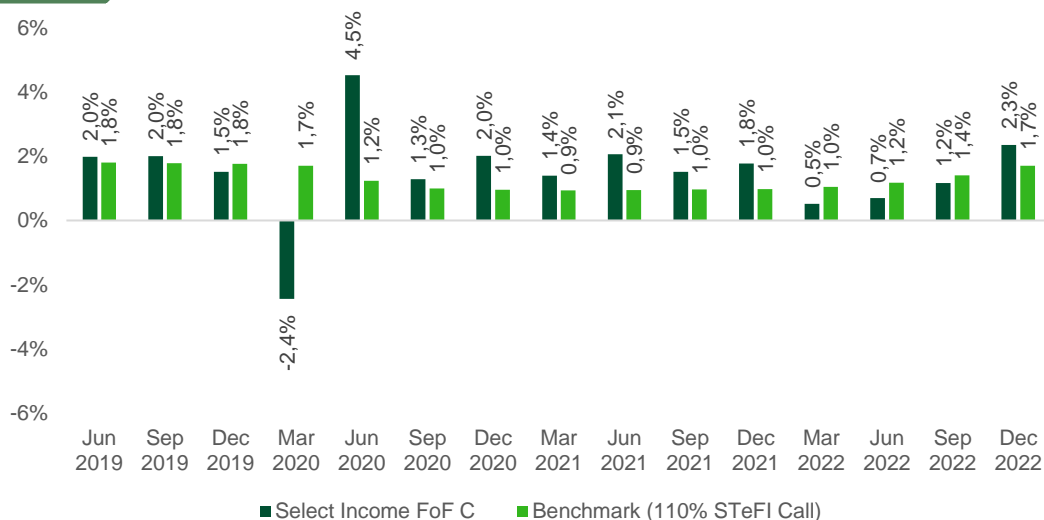
3yr annualised return

5.9%

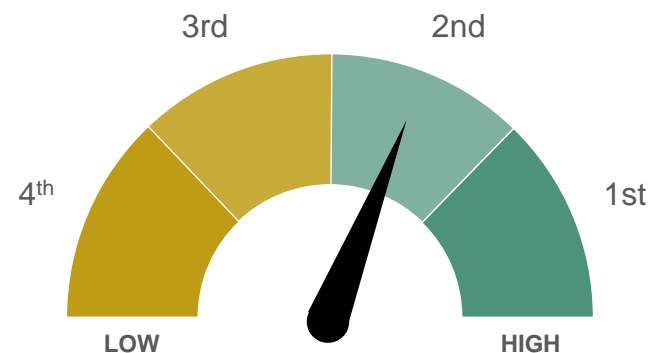
Benchmark: 4.8%



Quarterly performance



Peer group quartile ranking: 1yr



as at 31 December 2022

Quarterly report: Nedgroup Investments Select Income Fund of Funds



Risk measures since inception*

Rolling 1 year

92%

Hit rate: outperforming benchmark

Volatility

1.9%

SA bond market: 7.9%

Max drawdown

-3.7%

SA bond market: -9.8%

Sharpe ratio

0.9

SA bond market: 0.2

% Positive months

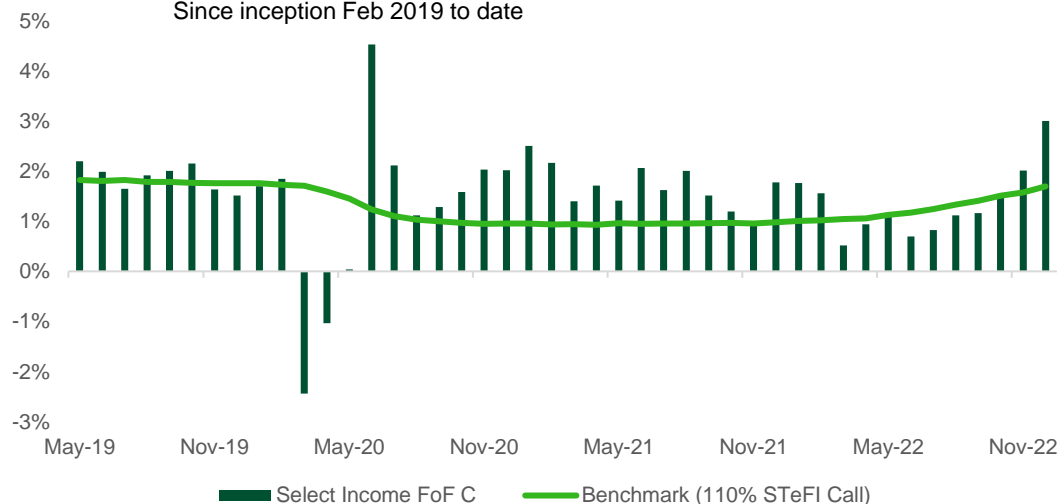
95%

SA bond market: 66%

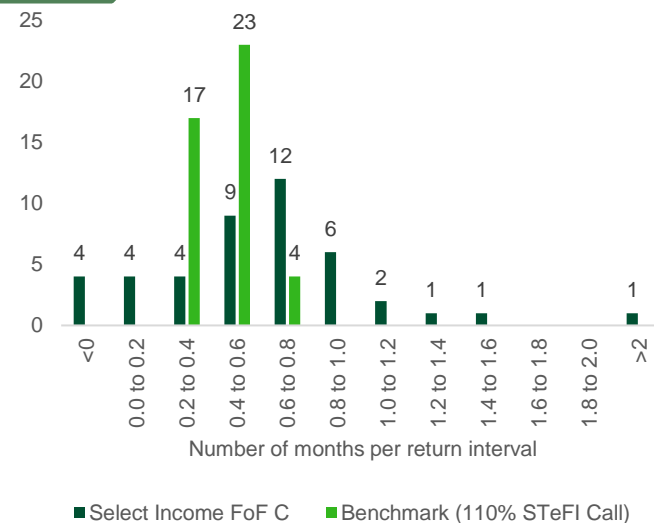


Rolling 3-month return

Since inception Feb 2019 to date



Monthly return distribution



as at 31 December 2022

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

Quarterly report:

Nedgroup Investments Select Income Fund of Funds



Underlying fund performance

Key	Q1 2020	Q2 2020	Q4 2020	Q4 2020	Q1 2021	Q2 2021	Q4 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 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%	3.6%
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%	3.1%
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%	2.8%



Positive contributors this quarter

- All three the underlying managers delivered strong performance in the final quarter, with Coronation the top performer – catching up on a weaker start to the year.
- Domestic property had a very strong final quarter, up 19%. Despite being a small holding in the fund at less than 3%, this strong rally contributed to Q4 performance. Operational performance will remain in the spotlight as an indicator of the pace and depth of the sector's recovery, and one must remain cautious due to the high levels of uncertainty around the strength and durability of the local recovery.
- Domestic nominal bonds contributed to performance in the final quarter of the year. The 10-year SA government bond rallied approximately 50bps, falling from 11.4% to 10.9% at quarter-end, still at a relatively high level on a historic basis. It was mid and longer-dated bonds (seven years and beyond) that outperformed.



Detractors this quarter

- The shorter dated inflation linked bonds underperformed in the fourth quarter, with some maturities even posting negative returns, as the market started to price in an inflation peak followed by falling inflation.
- The rand strengthened by c.5% to the US dollar in the final quarter, detracting from the currency exposure the fund holds in its offshore allocation. This allocation usually hovers between 5% and 10% as the underlying managers do hedge out a degree of currency exposure from its US dollar denominated bonds, depending on where the rand is trading relative to its fair value.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	Benchmark
Quarter	3,0%	3,0%	3,0%	3,0%	3,0%	3,4%
6 month	4,3%	4,2%	4,1%	4,2%	4,1%	3,1%
1 year	5,6%	5,5%	5,3%	5,4%	5,5%	5,4%
3 year	6,1%	5,9%	5,7%	n/a	6,0%	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	0.73%	0.01%	0.73%
C class (clean)	0.74%	N/a	0.90%	0.01%	0.90%
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%

as at 31 December 2022

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