



See money differently

Quarterly Report: Nedgroup Investments Select Equity Fund of Funds

as at 31 March 2023

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



4.9% 1 year

24.2% 3 years

12.3% LT average

Strong performance from Industrial sector and index bellwethers Naspers and Prosus drove returns

SA Property



-3.4% 1 year

18.2% 3 years

11.3% LT average

The property sector continues to struggle with high interest rates and high office vacancy rates

SA Bond



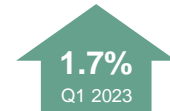
5.8% 1 year

11.6% 3 years

7.0% LT average

SA bond market was resilient despite SA being grey listed and the turmoil surrounding the US and European banks

SA Cash



5.7% 1 year

4.4% 3 years

5.9% LT average

The SARB hiked the repo rate by 25bps in Jan and another 50bps in Mar, taking it to 7.75%



Global asset class returns (USD)



Global Equity



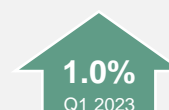
-7.0% 1 year

15.9% 3 years

8.5% LT average

Reopening of China led to a strong Jan, with the rest of the quarter boosted by constructive economic data

Global Property



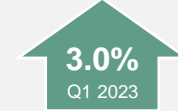
-20.6% 1 year

7.6% 3 years

6.2% LT average

Globally REITs lagged equity stocks with the office sector in general the largest detractor

Global Bond



-8.1% 1 year

-3.4% 3 years

4.3% LT average

Bond markets swiftly priced in cooling inflation figures and the possibility of easier monetary policy

US Cash



3.6% 1 year

1.4% 3 years

3.7% LT average

The US Fed hiked rates by 25bps in Feb and Mar taking the policy rate to the highest since 2007 at 4.75% - 5.0%



Exchange rates (Rand spot rate and quarterly change)



US Dollar R17.74



The rand appreciated by 3.0% against the US dollar in March, supported by hawkish tones from the SARB and a weaker US dollar. However, market confidence towards the rand remains low amid political uncertainty and the delayed response to the energy crisis which is not being adequately addressed.



British Pound R21.94



UK headline CPI increased to 10.4% in February from 10.1% the prior month, setting the scene for the Bank of England (BoE) to increase interest rates by 25bps in March, following a 50bps hike in February. The pound is trading in a narrow band relative to the US dollar, that has weakened in March.



Euro R19.28



The ECB raised interest rates by 50 basis points in both February and March. The Eurozone inflation declined to a one-year low in March. The US dollar depreciated by 2.3% on a trade weighted basis in March, with the euro making up c.60% of this index, leaving the greenback 1.0% weaker over the quarter.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- The Budget 2023 confirmed a gross tax revenue overrun of R93.7bn relative to the Budget 2022, enabling improved fiscal metrics for the financial year. R9bn was earmarked for incentives to support residential and business investment in rooftop solar.
- The much-anticipated cabinet reshuffle confirmed Dr Ramokgopa as the new Minister of Electricity.
- Public sector wage negotiations concluded with a two-year deal, with an effective increase of 7.5% this year.



Low points

- Fourth quarter GDP printed at -1.3%, a much lower figure than anticipated. This brings economic growth for 2022 to 2.0% but also reaffirms the poor momentum going into 2023.
- Credit ratings agency, S&P, downgraded the outlook for the sovereign's credit rating to stable from positive, raising concerns about the impact of the energy crises and the state of network industries on economic growth.
- Headline inflation for the year to Feb 2023 increased to 7.0% from 6.9% in Jan 2023, with core inflation increasing to 5.2%. Both figures were higher than market expectations and reflected continued upward pressure in food prices, while annual medical aid tariff increases led to higher core inflation.



Global performance drivers



Highlights

- After some upside surprises in the previous month, headline inflation across several regions continued to moderate as the impact from high energy prices subsided.
- The relaxing of China's zero Covid policy resulted in improved sentiment due to "the Chinese reopening effect". This, and a tapering of China's regulatory clampdown on the tech sector, supported a recovery in Chinese shares.
- US employment data confirmed robust and broad-based job growth, with unemployment recorded at 3.4%, the lowest figure since 1969.



Low points

- The collapse of Silicon Valley Bank (SVB) sparked an exit from depositors and investors, which quickly impacted risk appetite for the broader banking complex and saw bank share prices hit hard. While SVB was a regional bank, largely exposed to the tech sector, with specific nuances, the impact of higher interest rates on their bond holdings and poor sentiment quickly turned a spotlight on other entities with possible vulnerabilities.
- With February marking a year since Russia invaded Ukraine, Russia announced it would cut oil production by 500 000 barrels a day from March in response to price caps imposed by Western countries, while tensions between China and the US regarding alleged surveillance reemphasised that geopolitics remains prominent as an ongoing risk.

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

Truffle
Asset Management

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Ninety
One

20% incl. Foreign



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.09%

Total expense ratio

1.58%

Transaction charges

0.35%

Total investment charges

1.93%



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 March 2023

**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 January 2020 to 31 December 2022

Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Sector allocation

Basic Materials



26.6%

Financials



22.3%

Technology



13.7%

Consumer Goods



12.2%

Consumer Services



7.4%

Telecommunications



2.9%



Regional exposure



37%

PURE SA



49%

RAND HEDGES



14%

DIRECT FOREIGN



Top ten holdings | 48% of the fund



NASPERS

6.7%

RICHEMONT

6.6%



prosus

6.4%



ANGLO
AMERICAN

5.9%



4.4%



FirstRand

4.3%



Standard Bank

3.7%



sasol

3.0%



IMPALA
PLATINUM

3.0%

GLENCORE

2.9%

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Fund performance (clean class)

Q1'23 return

2.9%

Peer group average: 2.3%

1yr annualised return

3.9%

Peer group average: 1.2%

3yr annualised return

20.9%

Peer group average: 21.0%

5yr annualised return

6.0%

Peer group average: 7.0%

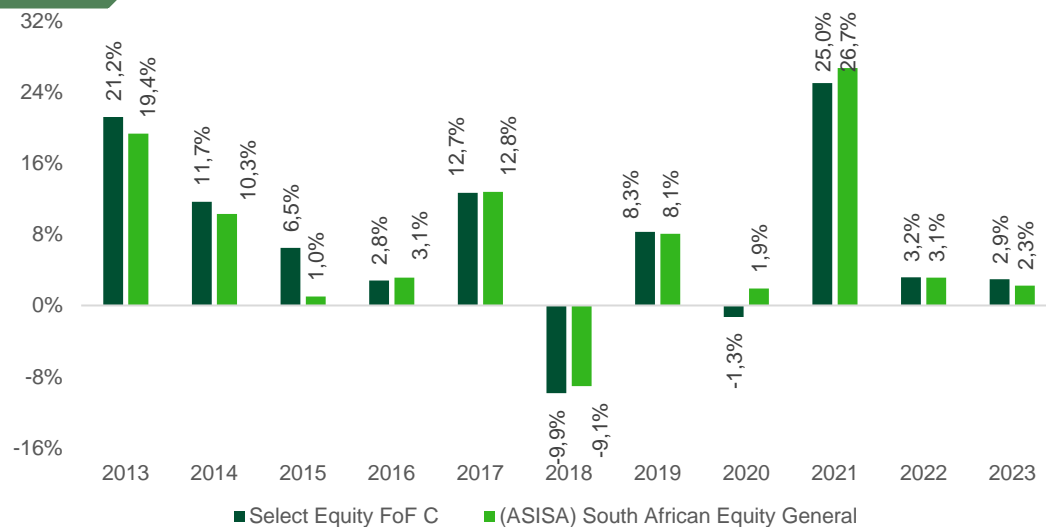
7yr annualised return

5.1%

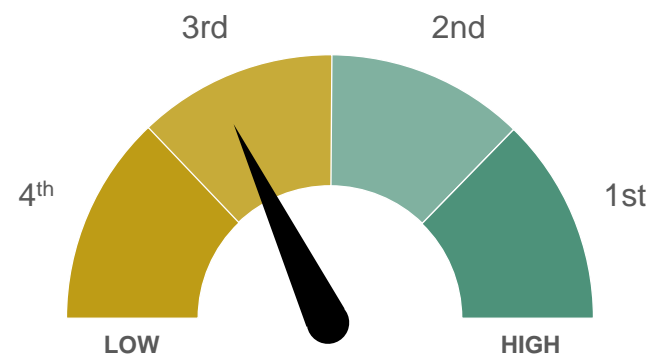
Peer group average: 5.9%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 March 2023

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

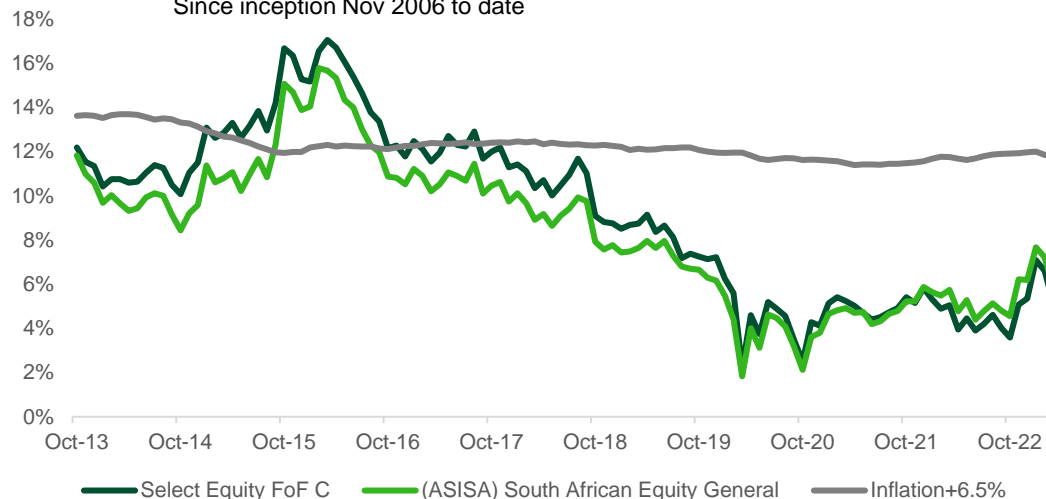
65%

SA equity market: 60%

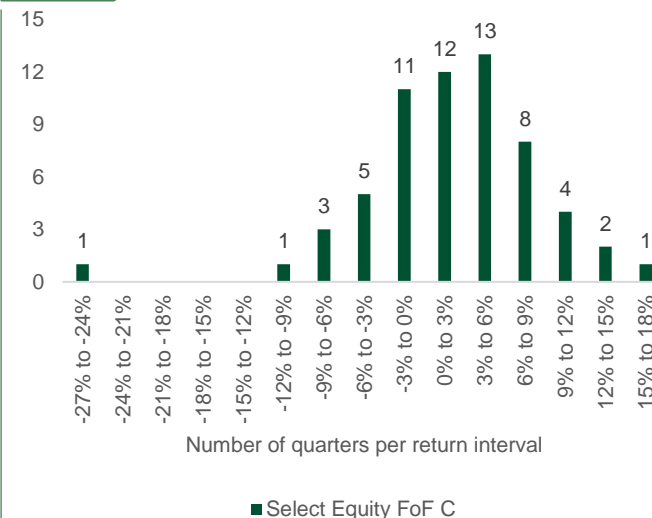


Rolling 7-year annualised return

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	2023
Satrix ALSI Tracker	3,6%	20,3%	-2,4%	16,9%	14,2%	13,6%	10.8%	5.1%
Coronation Equity	1,8%	18,5%	-6,5%	16,6%	13,3%	13,0%	8.3%	4.1%
Ninety One Equity	1,2%	17,3%	-7,5%	13,6%	10,9%	12,4%	3.3%	2.9%
Truffle SCI General Equity	-3,9%	12,0%	-9,2%	11,4%	6,3%	11,9%	-2.7%	1.9%
Nedgroup Investments SA Equity	-4,1%	10,5%	-12,8%	7,4%	0,0%	26,4%	-5.5%	1.5%



Positive contributors this quarter

- The rand weakened 4.3% over the quarter, making it one of the worst performing emerging market currencies. As a result, the direct offshore exposure of the fund (held in US dollar) contributed to performance.
- Naspers/Prosus, Richemont, Anheuser-Busch InBev, Glencore and other stocks with global earnings adding value.
- Naspers recovered strongly over the last year on the back of a strong Tencent recovery as investors appetite for Chinese tech shares returned, driven by optimism on China re-opening.
- Similarly, Richemont and Kering (Gucci and Balenciaga) contributed as Luxury goods benefitted over the quarter from the Chinese rebound.



Detractors this quarter

- The resource sector was down -5% for the quarter. China's reopening was insufficient to meaningfully lift demand. Prices were generally weaker.
- Transaction Capital disappointed with the announcement that ongoing economic headwinds had forced a significant restructuring in SA Taxi. Whilst managers attributed limited value to SA Taxi even prior to this announcement, the market reacted brutally; writing down not just SA Taxi but also taking a significant haircut to the overall value of the company.
- SA banks reported another set of strong earnings, but was hurt by negative sentiment to the sector post the collapse of SVB. Absa (-6%) was the worst performer of the big 4, while the rest of the large banks FirstRand (flat), Nedbank (+2%) and Standard Bank (+3%) remained in the green. Capitec (-9%) and Investec (-8%) underperformed.

As at 31 March 2023

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	2,7%	3,0%	2,9%	2,9%	2,9%	2,3%	1,0%
1 year	2,7%	4,1%	3,9%	3,7%	3,9%	1,2%	7,0%
3 year	19,5%	21,1%	20,9%	20,7%	N/A	21,0%	5,2%
5 year	4,8%	6,2%	6,0%	N/A	N/A	7,0%	4,8%



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%	2,73%	0.35%	3,08%
B2 class (lisp)	1.24%	N/a	1,41%	0.35%	1.76%
C class (clean)	1.39%	N/a	1,58%	0.35%	1.93%
C1 class (product)	1.54%	N/a	1,76%	0.35%	2.10%
S class (sip)*	1.13%	N/a	1,56%	0.46%	2.02%

as at 31 March 2023

**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 January 2020 to 31 December 2022

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