NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments XS Diversified Fund of Funds

as at 31 March 2023

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

5.2% Q1 2023 (up)

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

4.9%	1 year
24.2%	3 years
12.3%	LT average

SA Property

-5.1% Q1 2023 (down)

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

-3.4%	1 year
18.2%	3 years
11.3%	LT average

SA Bond

3.4% Q1 2023 (up)

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

5.8%	1 year
11.6%	3 years
7.0%	LT average

SA Cash

1.7% Q1 2023 (up)

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

5.7%	1 year
4.4%	3 years
5.9%	LT average

Global asset class returns (USD)

Global Equity

7.4% Q1 2023 (up)

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

-7.0%	1 year
15.9%	3 years
8.5%	LT average

Global Property

1.0% Q1 2023 (up)

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

-20.6%	1 year
7.6%	3 years
6.2%	LT average

Global Bond

3.0% Q1 2023 (up)

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

-8.1%	1 year
-3.4%	3 years
4.3%	LT average

US Cash

1.2% Q1 2023 (up)

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

3.6%	1 year
1.4%	3 years
3.7%	LT average

Exchange rates (Rand spot rate and quarterly change)

US Dollar **R17.74**

4% (down)

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**

7% (down)

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 25 bps in March, following a 50 bps hike in February. The pound is trading in a narrow band relative to the US dollar, that has weakened in March.

Euro **R19.28**

6% (down)

The ECB raised interest rates by 50 bps 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.

Source: Morningstar; as at 31 March 2023

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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.

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Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
75%	Min 5 years	Inflation +5%	SA Multi-Asset High Equity	Compliant

Risk profile

1 | 2 | **3** | 4 | 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.25%	1.33%

Transaction charges	Total investment charges
0.13%	1.46%

Benefits of the XS Fund of Funds range

- Competitive pricing
- Diversified across Asset classes
- Investment experts
- Passive and active underlying investments
- 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 1st of January 2020 to 31 December 2022.

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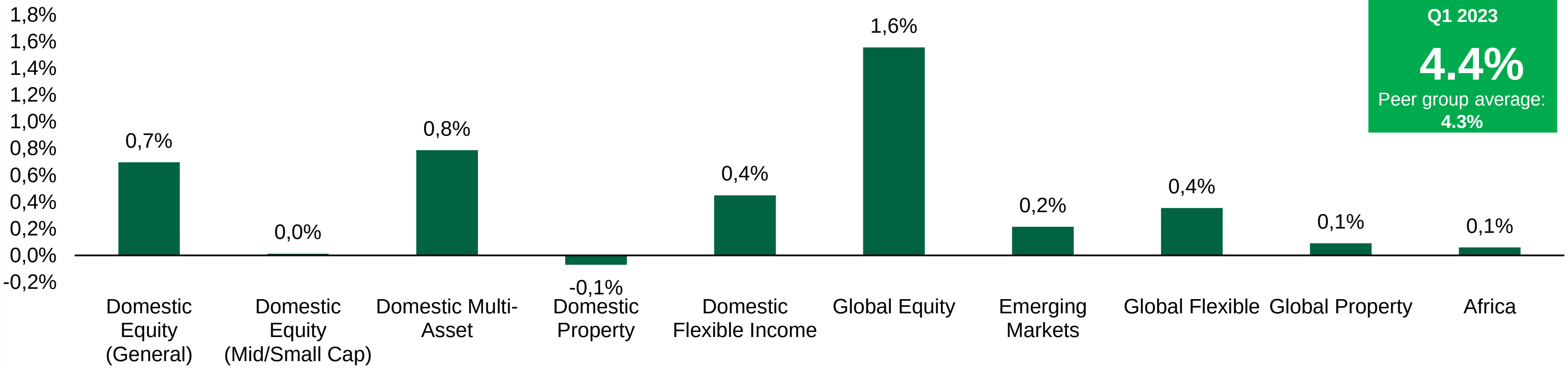
XS Fund of Funds performance contribution – Q1 2023



Q1 2023

4.4%

Peer group average: **4.3%**

Contributors this quarter

- **Global Equity:** In the US, sectors such as information technology led the market as investors focused on sectors that were perceived to be safe from the banking contagion. The financial sector lagged as the collapse of SVB caused investors to consider which other banks could be at risk of failure. The portfolio benefitted from managers who held an underweight position in the financial and energy sectors.
- **Domestic Equity:** The relaxing of China's zero Covid policy resulted in improved sentiment due to "the Chinese reopening effect". This coupled with the tapering down of China's regulatory clampdown on the tech sector, resulted in Tencent nearly doubling off the lows seen during the last quarter of 2022. Domestic managers with exposure to Prosus and Naspers, benefitted from these developments.

Detractors this quarter

- **Domestic Property** was the only detractor from absolute performance this quarter. Despite the fall in bond yields, South Africa's listed property sector declined by 5% during the quarter. Those companies with exposure to Europe suffered the steepest declines as the cost of debt continued to increase while asset values for most property types in the region remain under pressure.
- Several South African companies with European exposure have Euro-denominated debt expiring this year, including Growthpoint (in May) and Hyprop (in the fourth quarter). With loan-to-value ratios having risen, thanks to falling asset values, refinancing that debt is likely to prove problematic and costly.

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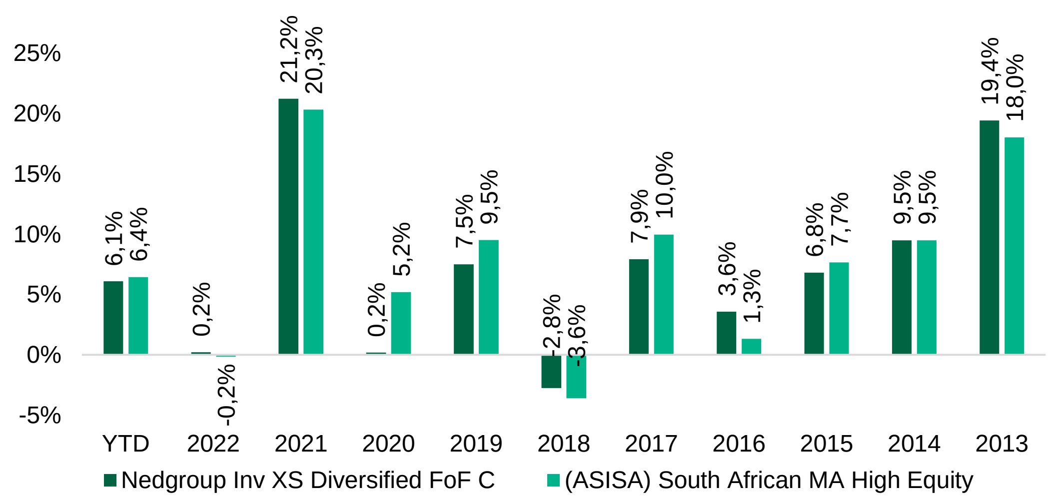
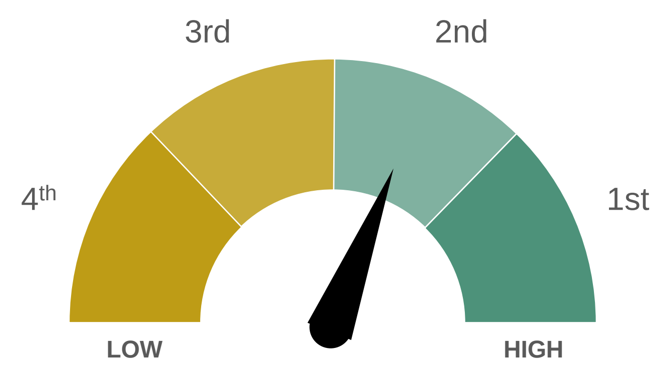
Fund performance (clean class)

Q1'23 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
+4.4%	**+4.4%**	**+5.2%**	**+15.2%**	**+6.3%**
Peer group average: +4.3%	Peer group average: +4.3%	Peer group average: 5.0%	Peer group average: +15.1%	Peer group average: +7.6%

Calendar year performance



Peer group quartile ranking: 1yr



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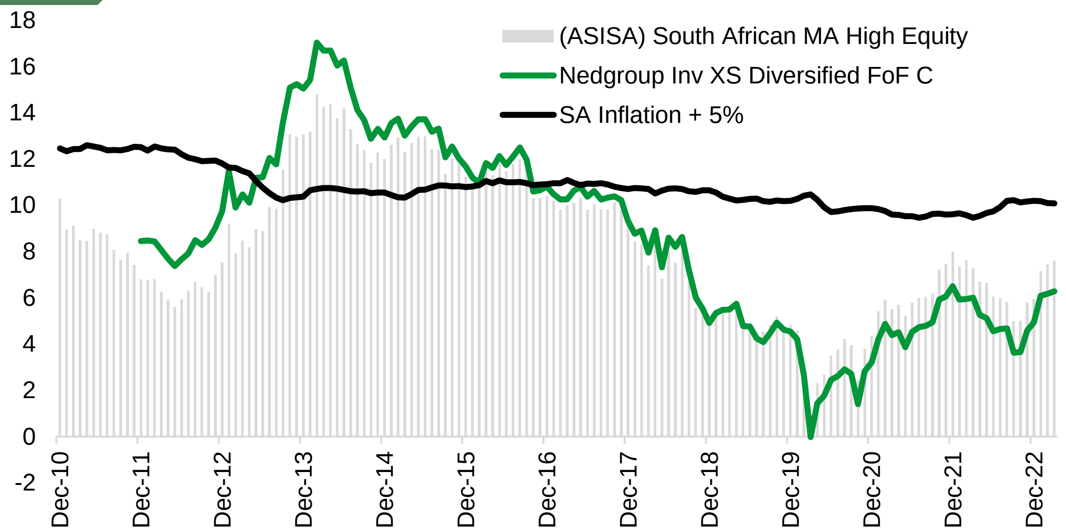
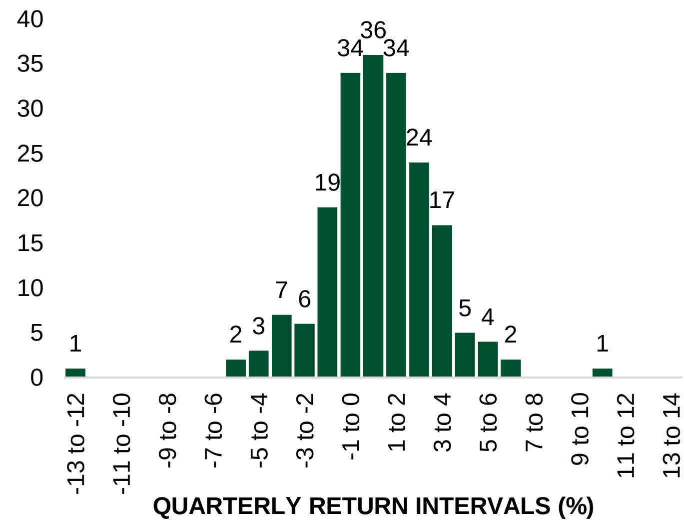
Risk measures since inception

Rolling 5yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
63%	**8.5%**	**-18.1%**	**0.4**	**63%**
Hit rate: outperforming peer group average	SA equity market: 15.3%	SA equity market: -40.4%	SA equity market: 0.4	SA equity market: 64%

Rolling 5-year annualised return



Quarterly return distribution



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Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	4.1%	4.5%	4.4%	4.3%	1,0%
1 year	4.0%	5.6%	5.2%	5.0%	7.0%
3 year	13.9%	15.6%	15.2%	15.0%	5.2%
5 year	5.1%	6.6%	6.3%	7.6%	4.8%

Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.25%	1.00%	2.48%	0.13%	2.61%
B Class (LISP)	0.95%	N/A	0.99%	0.13%	1.12%
C Class (clean)	1.25%	NA	1.33%	0.13%	1.46%

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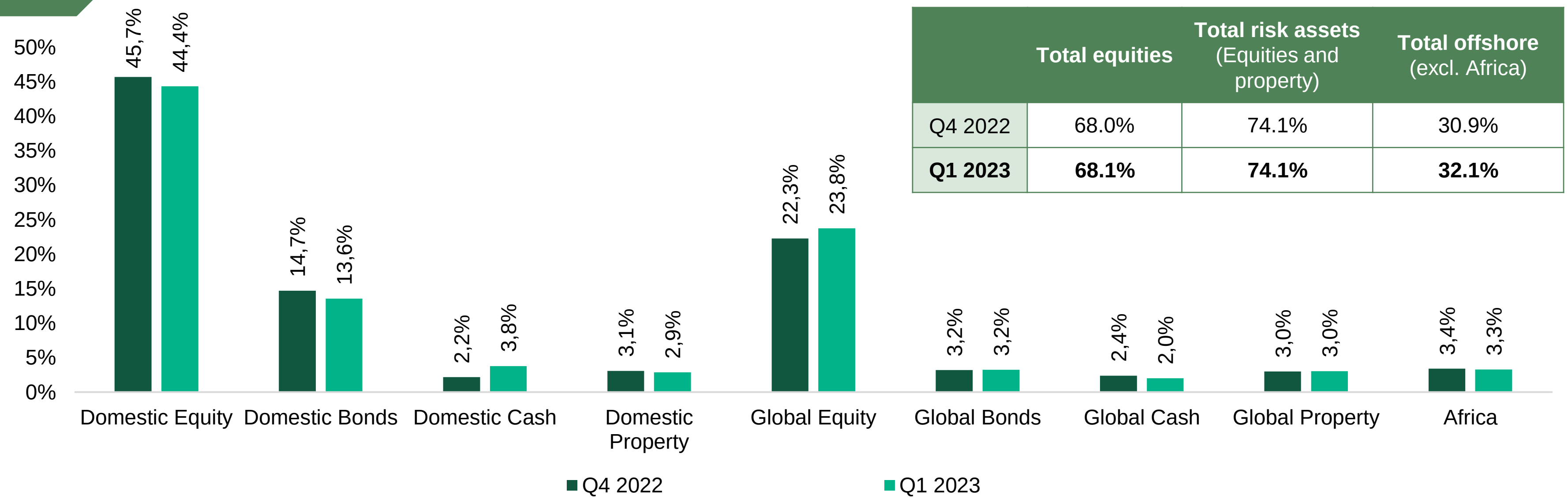
Asset allocation changes



	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q4 2022	68.0%	74.1%	30.9%
Q1 2023	**68.1%**	**74.1%**	**32.1%**

Summary of recent changes

- **Domestic equity:** We maintained a neutral position to local equity in the month of March. While the domestic equity carve out was a pressure point in the final month of the quarter (with three of the five underlying domestic managers lagging peers), however, when looking at the longer-term performance of the domestic underlying managers (over 2-years and 3-years), four out of the five managers have out performed peers.
- **Global equities:** We have maintained a modest underweight position to global equities. We made a modest increase to emerging market exposure through this fund at the end of November 2022. This positioning allowed us to take part in the emerging market rally earlier in the year as risk appetite improved.

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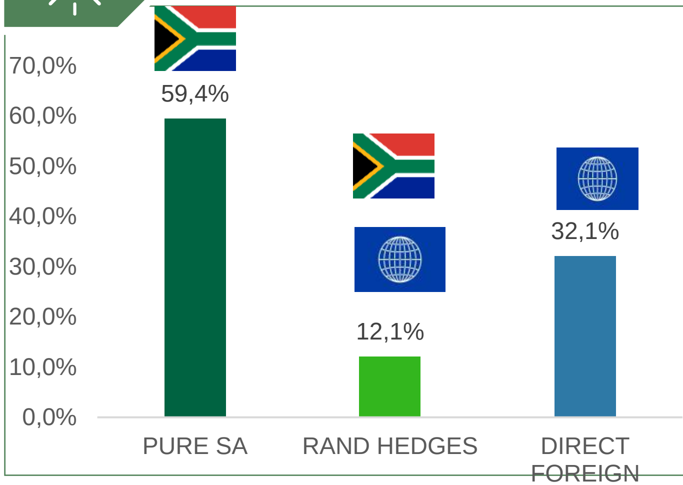
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
44.4%	2.9%	17.4%

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
23.8%	3.0%	5.3%	3.3%

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
santam	2.9%
FIRSTRAND	2.2%
GOLD FIELDS	1.9%
MTN	1.9%
KAP	1.7%
prosus	1.5%
IMPALA PLATINUM	1.5%
GLENCORE	1.5%
Bidvest	1.1%
absa	1.0%

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Standard Bank

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Domestic asset class positioning

Domestic Equity

Neutral — 44.4%

- .SA equities are still perceived as attractive on a relative basis, especially In the context of many developed markets (which were trading at all-time highs and at elevated valuations, but have since come down) SA equities still offer a more attractive risk-reward profile.
- Sector and stock selection will be key.

Domestic Property

Under weight — 2.9%

- Operationally the sector continues to settle. As the rebasing of rentals have likely taken place, the question remains what kind of normalised growth is possible in the short to medium term,
- Now that Covid-19 related discounts are diminishing and potential cost-cutting has worked its way through the system.
- .

Domestic Bond

Over weight — 13.6%

- While it is difficult to see the fiscus continue its path of fiscal consolidation in the absence of high commodity prices (due to expenditure pressures, continued SOE support and lower growth all hampering tax revenues).
- We can concede that relative to many other EMs we are no longer on the precipice of a fiscal cliff and have managed to buy ourselves time.

Domestic Cash

Under weight — 3.8%

- Cash provided us with liquidity and the means to take advantage of opportunities that may arise in the current volatile conditions.

Global asset class positioning

Global Equity

Under weight — 23.8%

- Equities are expected to outperform fixed income, with an expectation of high single digit returns over the course of the next 12months.
- Our core view has shifted to become more favourable on US markets over Europe.

Global Property

Neutral — 3.0%

- Real assets are expected to provide positive returns and an attractive income stream (where available) over the coming 12 months.
- Selective commercial property segments and the broader infrastructure sectors will benefit from the continued reflation of economies as well as broader structural tailwinds.

Global Bond

Under weight — 3.2%

- Our view has strengthened on developed government debt as well as investment grade corporate credit. With a more challenging economic environment default rates could come under pressure for the sub-investment grade segment of the market.

Global Cash

Under weight — 2.0%

- Cash positions remain as underlying managers look for compelling idiosyncratic opportunities. Less negative on cash given the rise in interest rates.

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Domestic: fund manager exposures

Equity General 33.7%

Laurium Capital, Mazi, Satrix, Matrix Fund Managers, Coronation Fund Managers

Small/Mid Cap Equity: 5.1%

ABAX investments

Property: 1.4%

Bridge Fund Managers, Sesfikile Capital Listed Property Investments, M&G Investments

Passive Multi-Asset: 17.2%

Taquanta

Flexible Income: 13.8%

ABAX investments, Taquanta

Offshore and Africa: fund manager exposures

Equity: 14.6%

Ninety One, Ardevora, Veritas Asset Management, Dodge & Cox

EM Equity: 2.7%

NS Partners

Multi-Asset: 4.7%

FPA investor, Pyrford International

Property: 2.7%

Resolution Capital

Africa: 3.5%

Laurium Capital

As at 30 March 2023

The residual balance (out of 100%) is held as domestic cash to provide liquidity

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