



See money differently

Quarterly Report: **Nedgroup Investments** **Select Balanced Fund of Funds**

as at 30 June 2023

Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



19.6% 1 year
16.1% 3 years
12.3% LT average

SA equities were volatile and mixed with Financials +6% this quarter, Resources -6% and Industrials +4%.

SA Property



10.0% 1 year
11.3% 3 years
11.3% LT average

SA property stocks' return was very diverse. Equities was the biggest loser -20% in Q2 vs Fortress B +12%.

SA Bond



8.2% 1 year
7.6% 3 years
7.0% LT average

May was our bond market's worst month since Mar'20, pricing in various concerns, incl. SA fiscal deterioration.

SA Cash



6.6% 1 year
4.6% 3 years
5.9% LT average

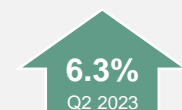
The SARB lifted the repo rate by 0,50% to 8,25% in May with a unanimous vote. Headline and core inflation forecasts were increased.



Global asset class returns (USD)



Global Equity



17.1% 1 year
11.5% 3 years
8.5% LT average

Global markets rallied, with mega-cap tech stocks Apple, Meta & Nvidia amongst the top given the rapid rise in AI.

Global Property



-3.6% 1 year
4.3% 3 years
6.2% LT average

Being more interest rate sensitive, global REITs underperformed equity, especially in May at -4,7%.

Global Bond



-1.3% 1 year
-5.0% 3 years
4.3% LT average

US Fed forecasts drove rate-sensitive bonds slightly lower as the market priced in 'higher for longer' rates.

US Cash



4.6% 1 year
1.8% 3 years
3.7% LT average

After a 0,25% increase in May the US Fed kept rates stable in June, but added two hikes to its forecast.



Exchange rates (Rand spot rate and quarterly change)



US Dollar R18.89



Concerns that SA's position towards Russia would further weaken SA's chances of retaining preferential trade access to US via trade agreement AGOA and the possibility of explicit/implicit sanctions, sent the rand in a downward spiral in May. Our energy crisis and SARB's hawkish stance also weighed heavily on the rand.



British Pound R24.02



The pound was the best performing major currency of the first half of 2023, as it advanced in value against the entire G10 field, driven by better-than-expected UK economic performance and rising interest rates. The BoE surprised markets in June with a larger than expected 0,50% increase, the 13th consecutive hike.



Euro R20.61



Headline inflation in the eurozone fell to 5,5% in June from 6,1% in May, with both energy prices and food inflation easing, while core inflation rose slightly from 5,3% to 5,4%. ECB hiked rates by only 0,25% in June. ECB president Lagarde warned inflation is more persistent than hoped, and another hike in July likely.

Quarterly report: Nedgroup Investments



Domestic performance drivers



Highlights

- First quarter GDP printed at 0,4%, which means that the SA economy avoided a technical recession, despite experiencing severe load shedding.
- The current account deficit narrowed to 1,0% of GDP, better than expected as the trade surplus improved over the quarter.
- Headline inflation for the year to May 2023 declined to a 13-month low of 6,3% from 6,8% the previous month.
- Eskom announced that connection to the grid, which has presented as a bottleneck for several projects, will start using a "first ready, first served" principal rather than the "first come, first served" approach which has seen capacity allocated, but not used.



Low points

- Climate models continue to indicate an increased probability of a potential El Niño developing later this year. This global weather phenomenon usually brings drier conditions for countries like South Africa.
- South Africa's neutral stance on the Russia Ukraine conflict was called into question by claims from the US Ambassador, Reuben Brigety, that arms were sold to Russia earlier this year.
- Sentiment recorded in the period amongst the business community as well as consumers remains depressed.



Global performance drivers



Highlights

- US Policy makers agreed to lift the US debt ceiling for the next two years, subject to the compromise of government expenditure cuts. While this implies some fiscal restraint, the trade off was still more palatable to investors than the possibility of default with all its related repercussions.
- Economic data from the US, while slowing, has remained constructive, with the US consumer in particular proving resilient. First quarter US GDP growth was revised higher to 2,0% annualised.



Low points

- Core inflation figures published in June (the change in prices excluding food and energy prices, which tend to be volatile) were 4.6% y-o-y for the US, 5.4% for the Eurozone and 7.1% for the UK, which is the highest rate the UK has seen since March 1992.
- European data is showing more strain, with Eurozone GDP revised lower, to -0,1% over the first quarter, confirming a technical recession for the region.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Fund overview

Max equity

60%

Time frame

Min **5** years

Benchmark

Inflation **+4%**

Peer group

SA Multi-Asset
Medium Equity

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

A3BAX
investments

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

Ninety One

20% Passive

Taquanta



Fund costs (A – clean class)

Management fee* (Excl. Vat)

1.04%

Total expense ratio

1.59%

Transaction charges

0.10%

Total investment charges

1.70%



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 30 June 2023

**Includes BOTH multi-manager and underlying fund fees. The Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 April 2020 to 31 March 2023 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Balanced FoF history due to the fund merger.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Asset allocation

Domestic Equity



26.0%

Domestic Property



2.3%

Domestic Fixed Interest



41.6%

Foreign Equity



24.3%

Foreign Property



1.0%

Foreign Fixed Interest



4.8%



Regional exposure



58%

PURE SA



12%

RAND HEDGES



30%

DIRECT FOREIGN



Top ten equity holdings | 13% of the fund



2.2%

newgold

1.9%



FirstRand

1.6%



1.5%

Standard Bank

1.3%



1.2%

RICHEMONT

1.1%

BHP

1.0%



0.9%

ABInBev

0.8%

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q2'23 return

2.2%

Peer group average: 2.5%

Ytd return

7.9%

Peer group average: 6.7%

1yr annualised return

14.2%

Peer group average: 13.4%

3yr annualised return

11.3%

Peer group average: 9.9%

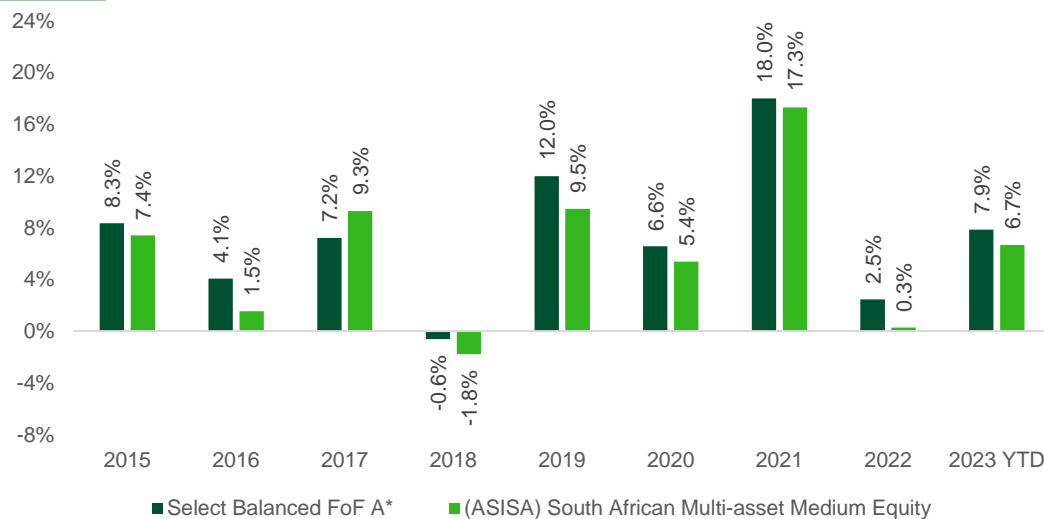
5yr annualised return

8.7%

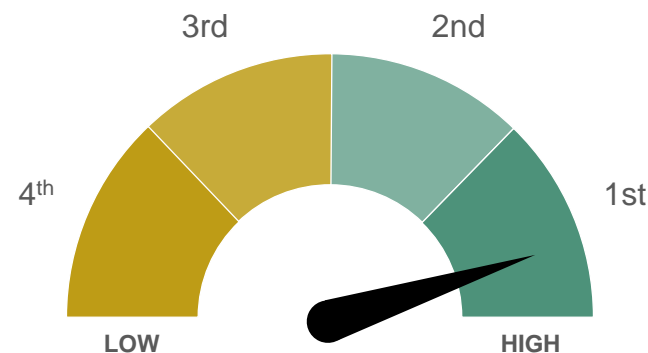
Peer group average: 7.2%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 30 June 2023

*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Risk measures since inception*

Rolling 5yr return

100%

Hit rate: outperforming
peer group average

Volatility

6.7%

SA equity market: 14.2%

Max drawdown

-10.9%

SA equity market: -21.7%

Sharpe ratio

0.3

SA equity market: 0.3

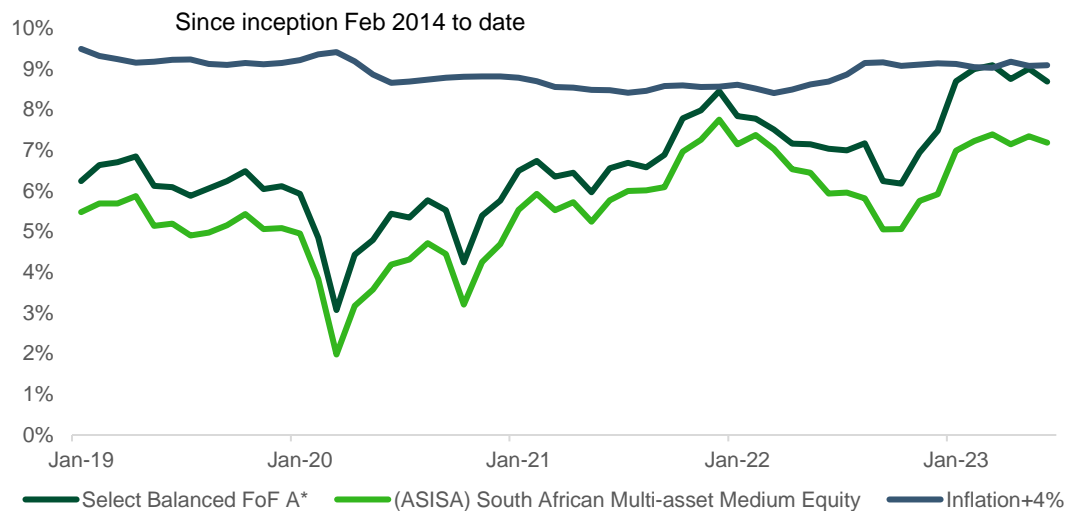
% Positive months

71%

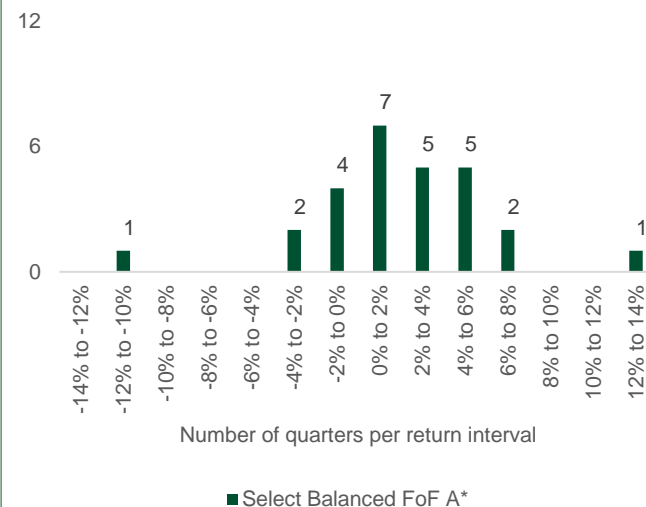
SA equity market: 58%



Rolling 5-year annualised return



Quarterly return distribution



as at 30 June 2023

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Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	2023
Coronation Capital Plus	10.1%	9.7%	1.5%	16.7%	10.2%	31.8%	10.7%	12.1%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	3.1%	10.6%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	0.8%	8.7%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-0.4%	6.7%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-2.4%	3.7%



Positive contributors this quarter

- The **rand** was down c.6% versus the USD this quarter, driven by the decline in SA's terms of trade (-18%) due to the fall in commodity prices and persistent loadshedding. This weakness contributed to assets held in USD.
- In addition, **Global equity** markets delivered strong performance this quarter, particularly mega cap tech stocks following a surge in May in AI-related stocks like chipmaker Nvidia.
- Domestic rand-hedge equities, such as **Richemont** and **Mondi**, contributed positively to performance, as well as **Nedbank** and **Firststrand**.
- The **NewGold ETF** (+3% in Q2'23, held by Foord and Coronation, also contributed as it outperformed the FTSE/JSE All Share Index (+0.7%) and various other stock picks.



Detractors this quarter

- The **local bond allocation** detracted from returns with the position in government bonds the largest detractor for most underlying funds. The FTSE/JSE All Bond Index (ALBI) was down 1.5% over the quarter as bond yields rose 1% across the curve. Anaemic economic growth, ongoing loadshedding, and reports that South Africa may have supplied weapons to Russia for the war in Ukraine were all headwinds to the domestic market. The longer end of the curve was particularly weak, with the 12 year+ maturity bucket (-2.6% in Q2'23) underperforming the 1-3 year bucket (+0.5%).
- Within domestic equity **Anglo American, Impala Platinum and Exxaro Resources** were detractors. The price of platinum took a knock this quarter as China, the world's largest purchaser of platinum, has reported declines in both exports and imports. In addition, the China Passenger Car Association revealed a 2.9% decline in passenger vehicle sales in China – the first contraction since January.

As at 30 June 2023

The fund has been invested equally weighted across the five funds displayed here since 31st December 2020

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Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	S class (sip)	Peer group	SA inflation
Quarter	2.2%	2.2%	2.3%	2.2%	2.5%	1.6%
1 year	14.2%	14.2%	14.2%	13.9%	13.4%	6.3%
3 year	11.4%	11.5%	N/A	11.4%	9.9%	6.0%
5 year	6.6%	7.0%	N/A	6.8%	7.2%	4.9%



Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.04%	1.59%	0.10%	1.70%
A1 class (product)	1.19%	1.42%	0.10%	1.52%
B2 class (lisp)	0.89%	1.24%	0.10%	1.34%
S class (sip)	1.09%	1.47%	0.10%	1.58%

as at 30 June 2023

Includes BOTH multi-manager and underlying fund fees. **Numbers displayed here are best estimates given current fund and fee structure.

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