



See money differently

Quarterly Report: Nedgroup Investments Select Equity 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

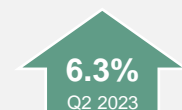
The SARB lifted the repo rate by 0,50% to 8,25% in May with a unanimous vote. Headline and core inflation forecasts were increased.



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.

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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*

Taquanta

20% SA only

LAURIUMCAPITAL

20% incl. Foreign

Truffle
Asset Management

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Ninety One



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.09%

Total expense ratio

1.62%

Transaction charges

0.15%

Total investment charges

1.76%



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. Both 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.

Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Sector allocation

Financials



24.0%

Basic Materials



21.8%

Technology



15.1%

Consumer Goods



9.8%

Consumer Services



9.4%

Industrials



3.7%



Regional exposure



37%

PURE SA



46%

RAND HEDGES



18%

DIRECT FOREIGN



Top ten holdings | 45% of the fund



NASPERS

6.7%



prosus

6.6%



FirstRand

6.4%



absa

5.9%



ANGLO AMERICAN

4.4%



Standard Bank

4.3%

RICHEMONT

3.7%



BRITISH AMERICAN TOBACCO

3.0%

GLENCORE

3.0%



MTN

2.9%

as at 30 June 2023

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Fund performance (clean class)

Q2'23 return

0.0%

Peer group average: 0.8%

1yr annualised return

11.9%

Peer group average: 12.2%

3yr annualised return

13.8%

Peer group average: 14.3%

5yr annualised return

5.8%

Peer group average: 7.0%

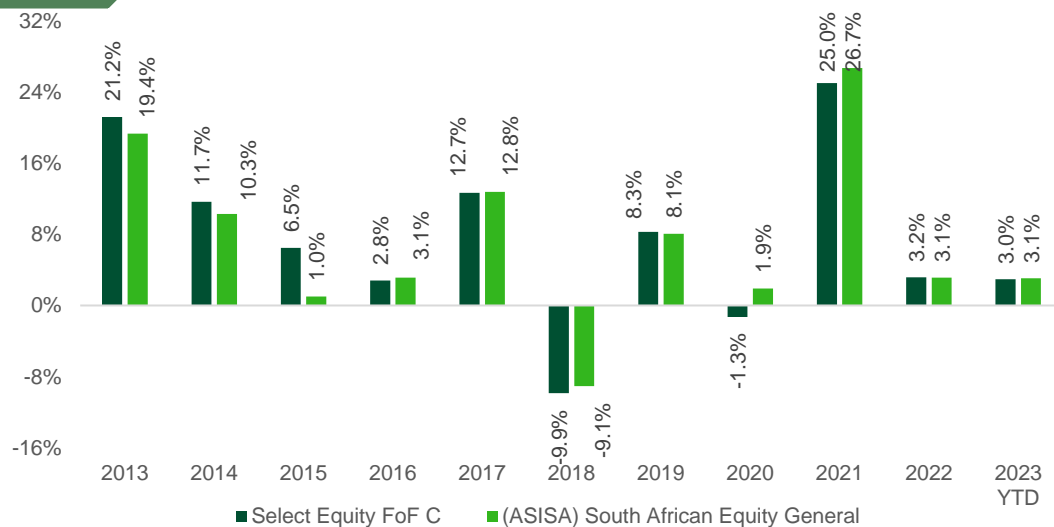
7yr annualised return

5.3%

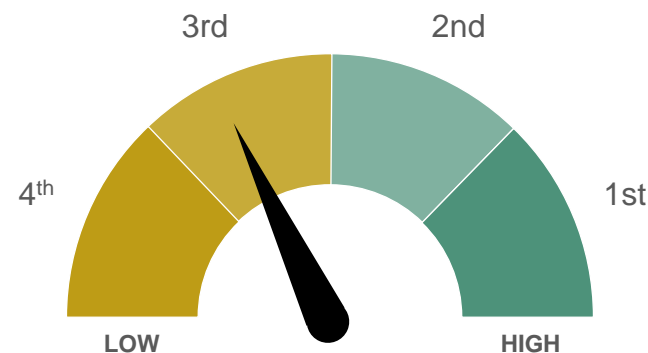
Peer group average: 5.9%



Calendar year performance



Peer group quartile ranking: 7yr



as at 30 June 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

82%

Hit rate: outperforming
peer group average

Volatility

12.9%

SA equity market: 15.3%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.2

SA equity market: 0.3

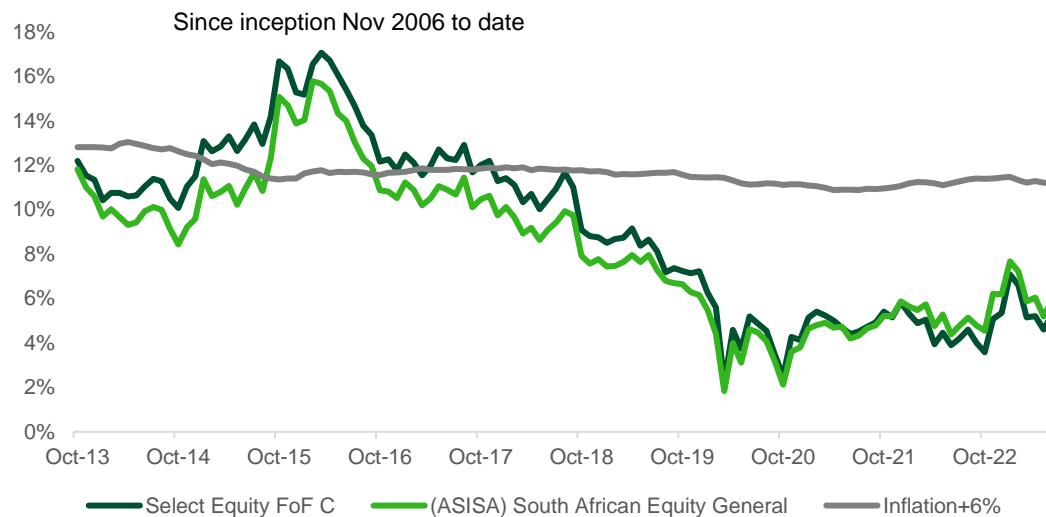
% Positive months

65%

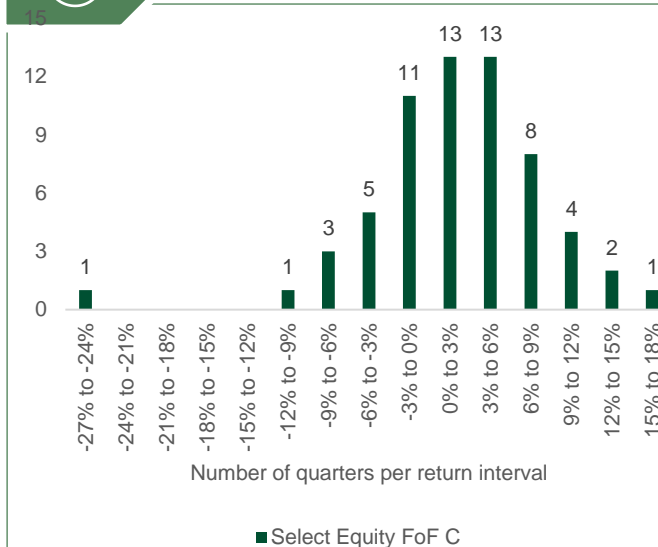
SA equity market: 60%



Rolling 7-year annualised return



Quarterly return distribution



Quarterly report:

Nedgroup Investments Select Equity Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	YTD
Coronation Equity	3.6%	18.5%	-2.4%	16.9%	14.2%	28.9%	10.8%	-6.2%
Ninety One Equity	1.2%	17.3%	-6.5%	16.6%	13.3%	27.6%	8.3%	1.2%
Truffle SCI General Equity	-3.9%	12.0%	-7.5%	13.6%	10.9%	26.4%	-2.7%	5.6%
Nedgroup Investments SA Equity	-4.1%	10.5%	-12.8%	7.4%	0.0%	22.9%	-5.5%	6.0%



Positive contributors this quarter

- **Naspers and Prosus** exposures added to quarterly performance. As part of the recent results, management announced the simplification of its corporate structure, which involves removing the previously created cross shareholdings. This cross shareholding created complexity and most likely contributed to the persistent discount to net asset value. This simplification also removed any constraints to Naspers's ongoing share buyback programme, which continues to create shareholder value at both Prosus and Naspers on a daily basis.
- The **domestic banking sector** delivered strong performance, especially in June. The fund's holdings in **Nedbank, FirstRand and Investec** added to performance.
- **Foreign equity** exposure contributed to fund performance supported by the **rand's weakness**.



Detractors this quarter

- The domestic **resource sector** was down -6% for the quarter. Slower global growth and weaker-than-expected Chinese demand have resulted in market imbalances and price declines across many commodities. **Anglo American, Impala Platinum, and Exxaro Resources** were detractors.
- **Absa Group** detracted from performance. Lower rates gearing, (in a higher-than-expected interest rate environment) plus fears around Absa's exposure to countries under fiscal pressure including Ghana and Kenya drove market sentiment weaker.
- Domestic food retailer, **Pick n Pay** - held by Truffle, Laurium and the passive building block - was a drag on performance. The latest results created fresh doubts about their turnaround plan and the share price reached a nine year low in May.

As at 30 June 2023

Allan Gray was introduced on the 1st of October 2018 and subsequently switched for Satrix ALSI Trakcer 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.

The Satrix ALSI Tracker fund was replaced with the Nedgroup Investments Core SA Equity fund on its launch date, 1 April 2023.

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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	-0.3%	0.0%	0.0%	0.0%	0.0%	0.8%	1.6%
1 year	10.7%	12.1%	11.9%	11.7%	11.9%	12.2%	6.3%
3 year	12.5%	14.0%	13.8%	13.6%	N/A	14.3%	6.0%
5 year	4.6%	6.0%	5.8%	N/A	N/A	7.0%	4.9%



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%	2.76%	0.15%	2.91%
B2 class (lisp)	1.24%	N/a	1.45%	0.15%	1.59%
C class (clean)	1.39%	N/a	1.62%	0.15%	1.76%
C1 class (product)	1.54%	N/a	1.79%	0.15%	1.93%
S class (sip)*	1.13%	N/a	1.66%	0.14%	1.80%

as at 30 June 2023

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