



See money differently

Quarterly Report: **Nedgroup Investments** **Select Global 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

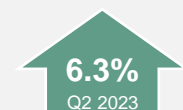
The SARB lifted the repo rate by 0,50% to 8,25% in May with a unanimous vote. Headline and core inflation forecasts were increased.



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.

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Fund overview

Max equity

100%

Time frame

Min **7** years

Benchmark

USD Cash
+6%

Peer group

Global Equity
General

Regulation 28

Non-Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ARDEVORA

20% Active

**Goldman
Sachs**

20% Active

DODGE & COX

20% Active

Veritas
— Asset
Management

20% Passive

SATRIX



Fund costs (C – clean class)

Management fee* (Excl. Vat)

0.99%

Total expense ratio

1.29%

Transaction charges

0.03%

Total investment charges

1.32%



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. 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. Figures displayed here are the best estimates available given insufficient track record.

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Sector allocation

Technology



16.0%

Healthcare



14.5%

Communication Services



13.4%

Financial Services



13.0%

Industrials



12.3%

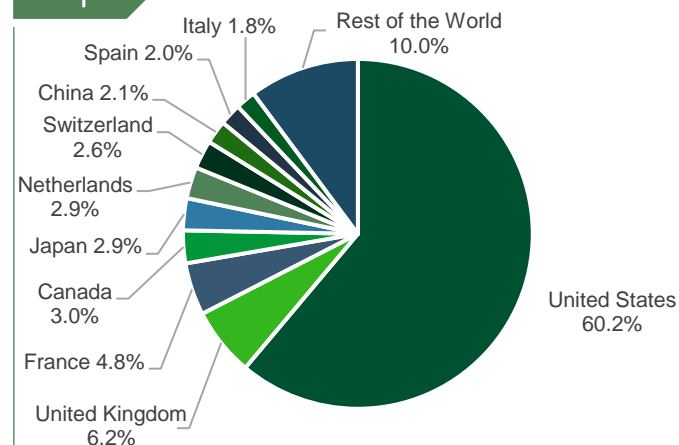
Consumer Cyclical



12.2%



Country allocation



Top ten holdings | 21% of the fund

Alphabet

4.2%

amazon

3.1%



2.4%



2.3%



1.9%



1.7%

Meta

1.6%



1.3%

Charter
COMMUNICATIONS

1.3%

United
Healthcare

1.3%

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Fund performance (clean class)*

Q2'23 return

10.4%

Peer group average: 11.0%

1yr annualised return

27.7%

Peer group average: 29.0%

3yr annualised return

11.0%

Peer group average: 10.9%

5yr annualised return

14.1%

Peer group average: 12.0%

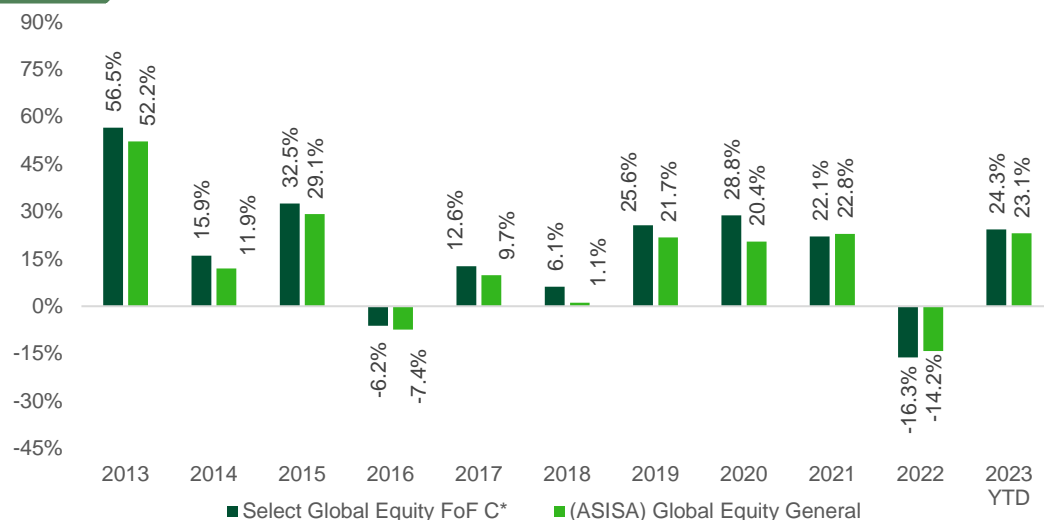
7yr annualised return

13.6%

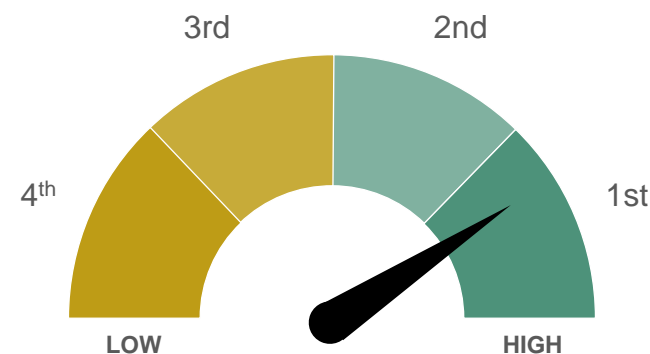
Peer group average: 11.3%



Calendar year performance



Peer group quartile ranking*: 7yr



as at 30 June 2023

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report: Nedgroup Investments Select Global Equity Fund of Funds



Risk measures since inception*

Rolling 7yr return

100%

Hit rate: outperforming
peer group average

Volatility

15.4%

Global equity market (ZAR):
15.4%

Max drawdown

-18.5%

Global equity market (ZAR):
-18.4%

Sharpe ratio

0.8

Global equity market (ZAR):
0.8

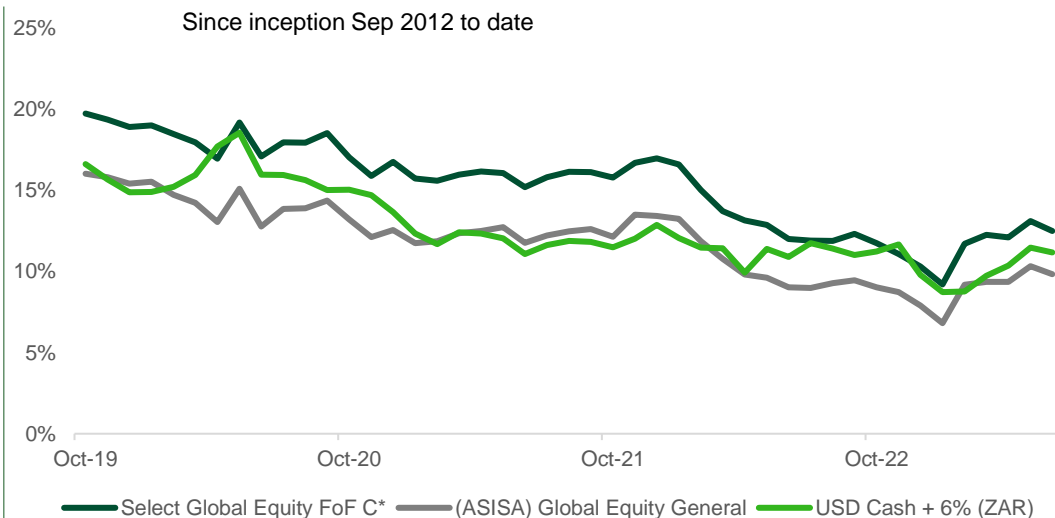
% Positive months

63%

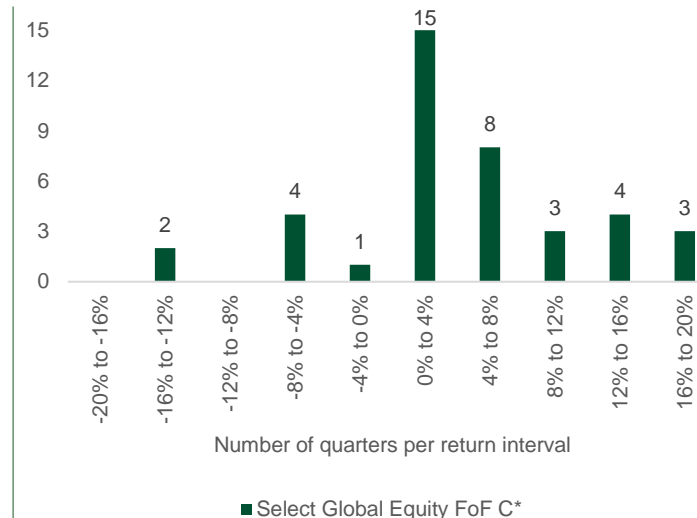
Global equity market (ZAR):
61%



Rolling 7-year annualised return*



Quarterly return distribution*



as at 30 June 2023

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

Quarterly report:

Nedgroup Investments Select Global Equity Fund of Funds



Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	2021	2022	2023
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-0.1%	33.3%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-12.8%	27.7%
Nedgroup Investments Global Equity (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-14.4%	26.2%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-19.9%	23.2%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-34.6%	20.4%



Positive contributors this quarter

- The fund's largest sector allocation, **Technology**, was the top contributor this quarter. This sector's outperformance was driven by the fund's holding in only three stocks, **Nvidia** – the dominant supplier of artificial intelligence (AI) hardware, **Microsoft** and **Apple**, following a surge in performance in May in AI-related stocks.
- **Alphabet, Amazon and Meta Platforms**, also outperformed the market as the market priced these companies' AI endeavours for success.
- Financials also performed well, with the fund's holdings in **Mastercard** (+9%) and ratings agency **Moody's** (+14%) the top performers in this sector in the fund.
- At a country level, the fund's material exposure to the **United States** contributed, delivering especially strong returns in June amid moderating inflation and signs that the US economy remains resilient.



Detractors this quarter

- The fund's **UK** equity exposure detracted, with its holding in **Diageo, BAE Systems** and **BP** amongst the largest detractors from this region. Broad-based weakness in commodity prices, concerns over the outlook for the Chinese economy, the strength of the sterling and two rate hikes by the Bank of England (BoE) this quarter weighed on the UK equity market performance.
- **Chinese equities** were sharply lower in the second quarter as the economic rebound, following the country's reopening after the Covid-19 crisis, slowed down. The fund's exposure to China is limited to a few stocks with holdings in **Tencent, Alibaba** and **JD Inc.** the largest detractors from this region.

As at 30 June 2023

**The track record of the sub-fund (Ardevora Global Long Only Equity) on which this fund is modelled is used due to short track record of the Nedgroup Investments funds

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	SA inflation
Quarter	1.3%	10.4%	10.3%	10.3%	11.0%	1.6%
1 year	28.0%	27.7%	27.5%	27.7%	29.0%	6.3%
3 year	N/A	N/A	N/A	N/A	10.9%	6.0%
5 year	N/A	N/A	N/A	N/A	12.0%	4.9%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
B2 class (lisp)	0.84%	N/a	1.13%	0.03%	1.16%
C class (clean)	0.99%	N/a	1.29%	0.03%	1.32%
C1 class (product)	1.14%	N/a	1.46%	0.03%	1.49%
S class (sip)	1.04%	N/a	1.35%	0.03%	1.38%

as at 30 June 2023

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