NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments Select Income Fund of Funds

as at 30 June 2023

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

0.7%
Q2 2023

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

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

SA Property

0.7%
Q2 2023

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

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

SA Bond

-1.5%
Q1 2023

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

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

SA Cash

1.9%
Q2 2023

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.

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

Global asset class returns (USD)

Global Equity

6.3%
Q2 2023

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

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

Global Property

0.5%
Q2 2023

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

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

Global Bond

-1.5%
Q1 2023

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

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

US Cash

1.4%
Q2 2023

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

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

Exchange rates (Rand spot rate and quarterly change)

US Dollar R18.89

6%

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

9%

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

6%

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.

Source: Morningstar; as at 30 June 2023

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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 Income Fund of Funds

Fund overview

Max equity	Time frame	Benchmark	Peer group	Regulation 28
10%	Min 6 months	110% STeFI Call	SA Multi-Asset Income	Compliant

Risk profile

1 2 3 4 5

Underlying fund structure

ABAX investments	34%
Coronation Fund Managers	33%
Ninety One	33%

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
0.74%	0.88%
Transaction charges	**Total investment charges**
0.01%	0.89%

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.

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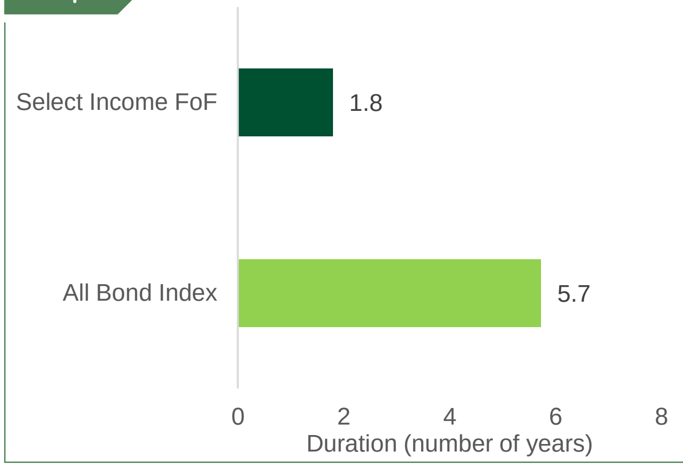
Asset allocation

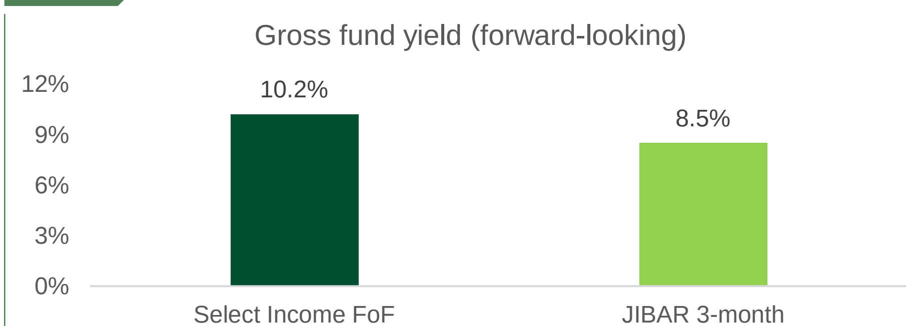
Domestic Equity	Domestic Property	Domestic Fixed Interest
0.8%	2.6%	83.9%

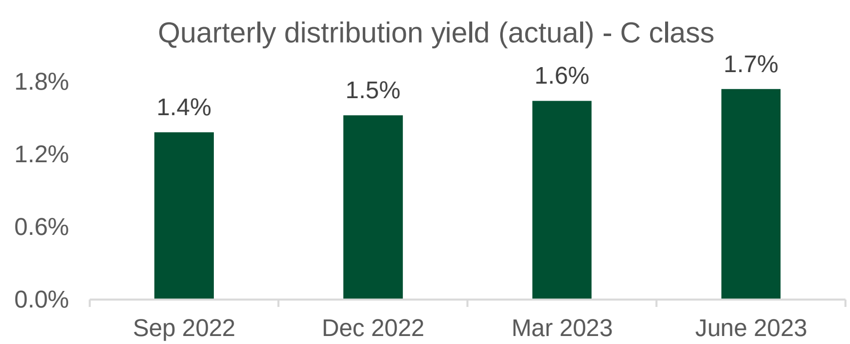
Foreign Equity	Foreign Property	Foreign Fixed Interest
0%	0.2%	12.6%

Modified duration*



Yield and Distribution





as at 30 June 2023
*Select Income FoF includes ILB duration

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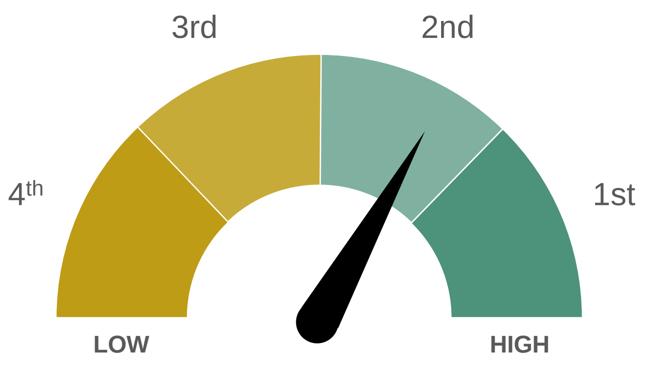
Fund performance (clean class)

Q2'23 return	Ytd return	6 month return	1yr annualised return	3yr annualised return
1.3%	3.8%	3.8%	8.1%	6.5%
Benchmark: 2.1%	Benchmark: 4.0%	Benchmark: 4.0%	Benchmark: 7.2%	Benchmark: 5.1%

Calendar year performance

Peer group quartile ranking: 1yr



as at 30 June 2023

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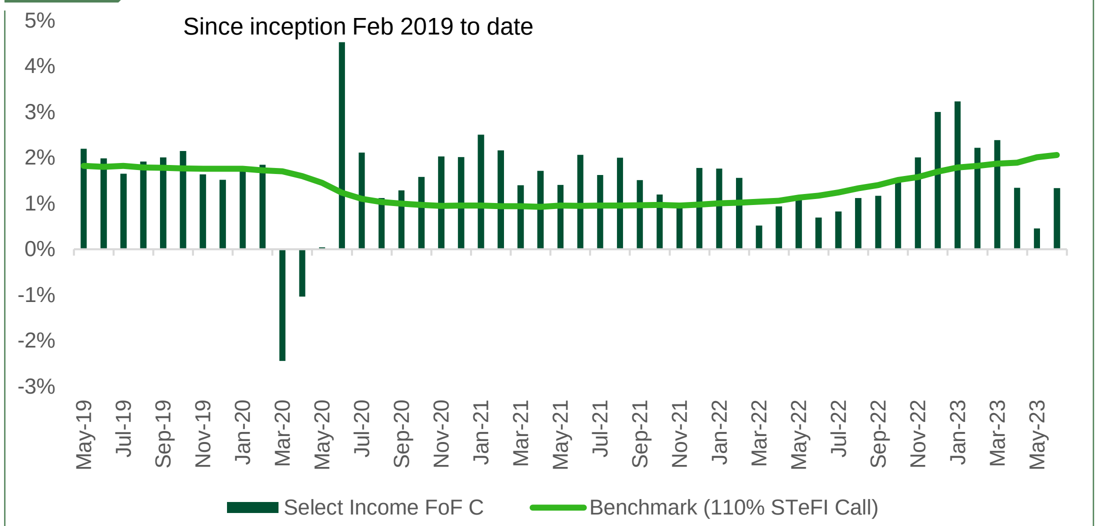
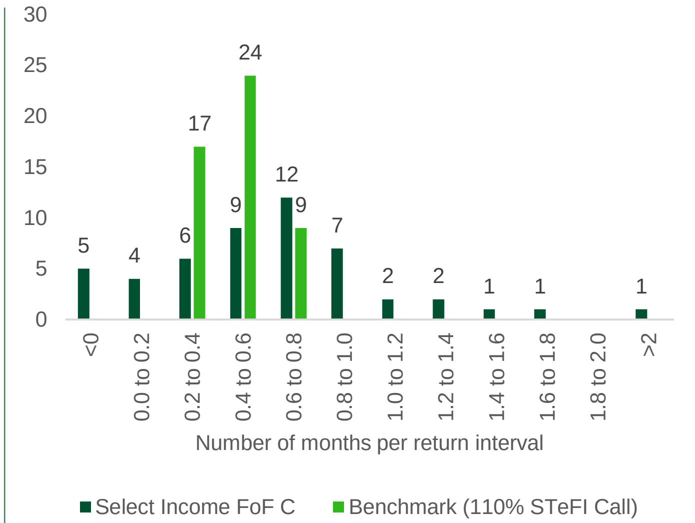
Risk measures since inception*

Rolling 1 year	Volatility	Max drawdown	Sharpe ratio	% Positive months
91%	1.9%	-3.7%	1.0	95%
Hit rate: outperforming benchmark	SA bond market: 6.3%	SA bond market: -9.8%	SA bond market: 0.2	SA bond market: 65%

Rolling 3-month return



Monthly return distribution



as at 30 June 2023

The track record of the Select Income FoF displayed here includes the backtested return from 31 October 2012 to 1 February 2019, when the Nedgroup Investments Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the Select FoF process

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Nedgroup Investments Select Income Fund of Funds

Underlying fund performance

Key	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Coronation Strategic Income	2.2%	2.6%	1.9%	2.3%	1.0%	0.8%	1.7%	3.6%	2.5%	1.6%
Nedgroup Investments Flexible Income	1.3%	2.1%	1.4%	2.0%	0.5%	0.6%	1.6%	3.1%	2.4%	1.4%
Ninety One Diversified Income	0.9%	1.9%	1.4%	1.7%	0.1%	0.2%	1.0%	2.8%	2.3%	1.4%

Positive contributors this quarter

- The **rand** was down c.6% versus the US dollar over the quarter, which contributed to the fund's global fixed income exposure held in US dollar. The key driver of the poor currency performance was the decline in SA's terms of trade, being down -18%, due to the fall in commodity prices and persistent high levels of loadshedding.
- **Cash returns** are slowly catching up with ALBI returns, outperforming the index over the last quarter at 1.9% and contribution to performance.
- The **local listed property** sector was up 0.9% over the month, allowing stock picks in this sector to marginally contribute to performance.
- The yield-enhancing allocation to **investment-grade credit** continued to add value.

Detractors this quarter

- The FTSE/JSE **All Bond Index** (ALBI) was down c.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. As a result, fixed rate exposure held by the fund detracted from performance.
- Similarly, the **inflation linked bond** index was down 70bps this quarter, reflecting the lower inflation print for April, resulting in the fund's allocation to this asset class also detracting from performance.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	Benchmark
Quarter	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%
6 month	3.9%	3.8%	3.7%	3.7%	3.7%	4.0%
1 year	8.3%	8.1%	7.9%	8.1%	8.0%	7.2%
3 year	6.7%	6.5%	6.4%	n/a	6.7%	5.1%

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.71%	0.01%	0.72%
C class (clean)	0.74%	N/a	0.88%	0.01%	0.89%
C1 class (product)	0.89%	N/a	1.06%	0.01%	1.06%
S class (sip)	0.79%	N/a	0.93%	0.01%	0.94%

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.

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