Quarterly Report:
Nedgroup Investments XS Diversified Fund of Funds

See money differently

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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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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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%	1.34%
Transaction charges	**Total investment charges**
0.11%	1.45%

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 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 1st of April 2020 to 31 March 2023.

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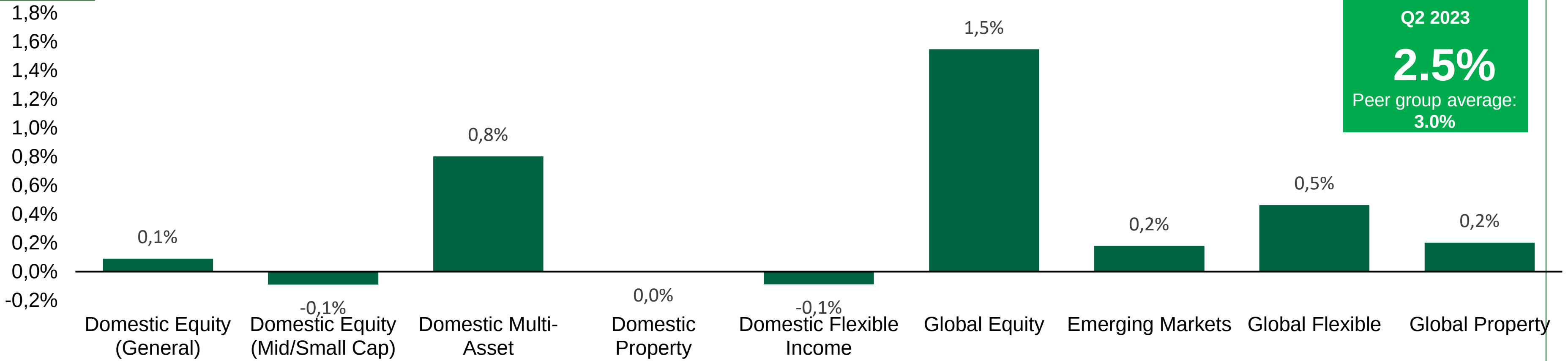
XS Fund of Funds performance contribution – Q2 2023



Q2 2023

2.5%

Peer group average: **3.0%**

Contributors this quarter

- **Global Equity:** Global equity markets were strong, particularly the growth shares within developed markets, where managers with exposure to technology stock benefitted. This was evidenced in the spectacular performance of the tech-heavy Nasdaq, the bourse was up just shy of 40% (in USD terms) YTD as at 30 June 2023. In addition, rand weakness also supported the exposure to foreign equity.
- **Domestic Multi-Asset:** The Nedgroup Investments Core Diversified Fund performed strongly over the quarter (+4,6%), outperforming peers (+2,6%). The fund has a higher allocation to local and foreign equity. Within the fund's top 10 holdings, exposure to Richemont, Naspers and Prosus were some of the positions that contributed to performance.

Detractors this quarter

- **Domestic Equity:** Despite the evidence of a stronger than anticipated global economy, the FTSE/JSE All Share Index ended the quarter a mere 0,7% up. The domestic resource sector was down -6,0% for the quarter. Slower global growth and weaker-than-expected Chinese demand have resulted in market imbalances and price declines across many commodities. With 20% of the top 10 stocks held by the fund being resource facing, positions in Anglo American and Sasol (who were down 16,0% and 11,4% respectively YTD) detracted from performance. .

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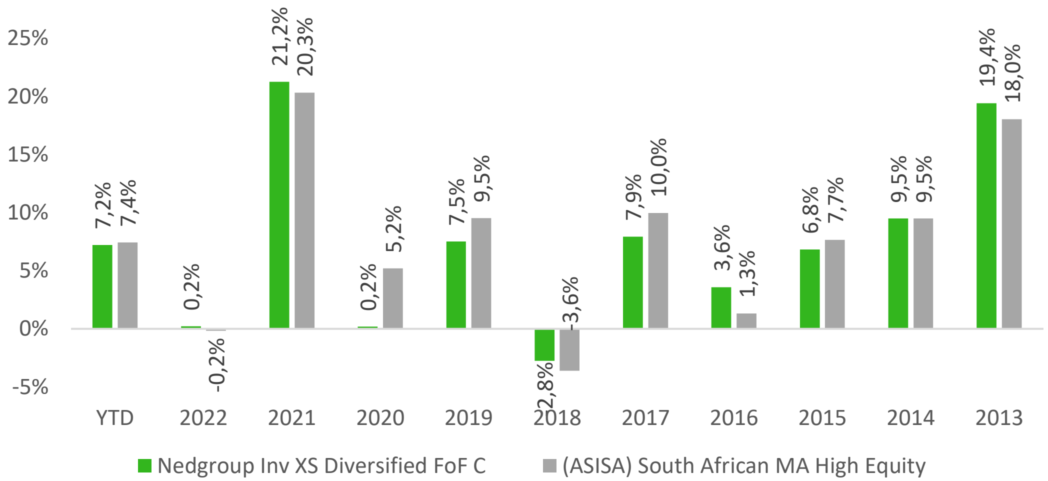
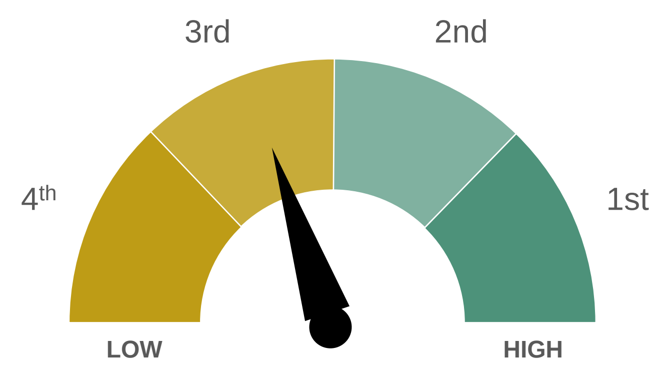
Fund performance (clean class)

Q2'23 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
+2.5%	**+7.2%**	**+13.6%**	**+11.2%**	**+6.0%**
Peer group average: +3.0%	Peer group average: +7.2%	Peer group average: 14.7%	Peer group average: +11.4%	Peer group average: +7.5%

Calendar year performance



Peer group quartile ranking: 1yr



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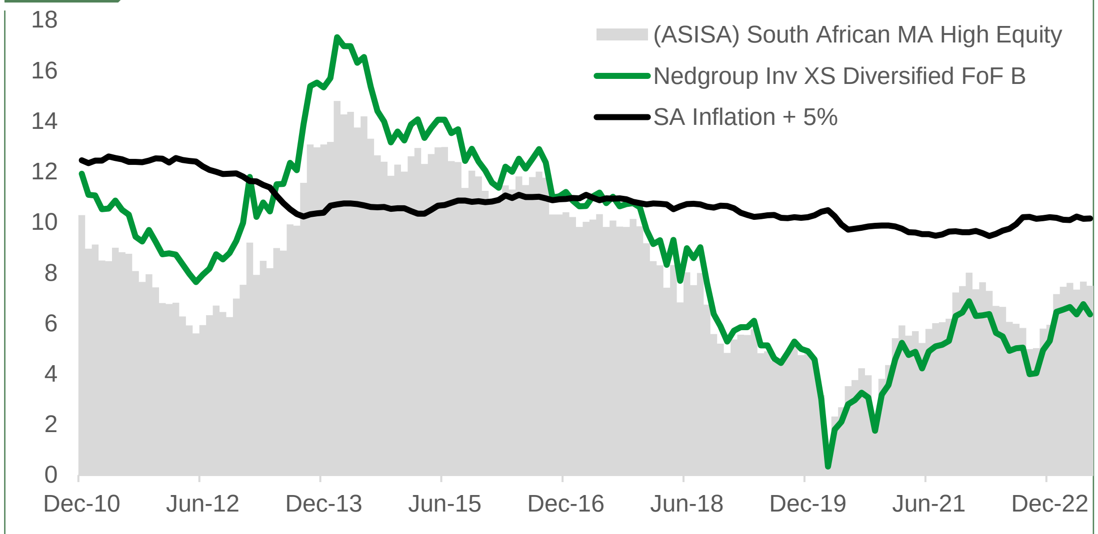
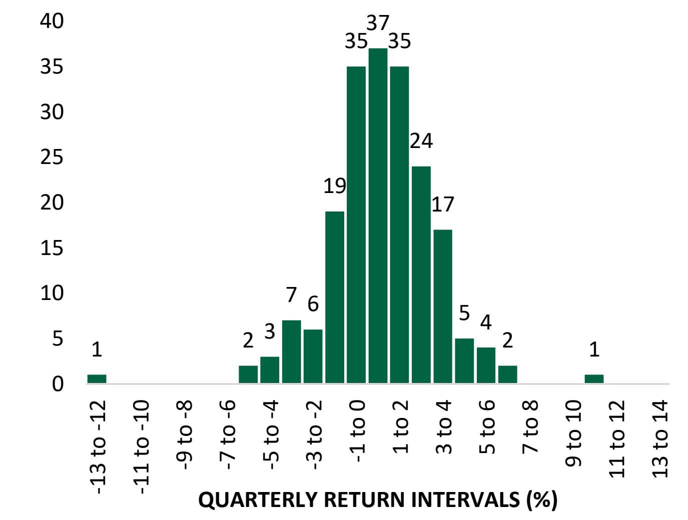
Risk measures since inception

Rolling 5yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
68%	**8.4%**	**-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	2.2%	2.5%	2.5%	3.0%	1.6%
1 year	12.3%	14.0%	13.6%	14.7%	6.3%
3 year	10.0%	11.6%	11.2%	11.4%	6.0%
5 year	4.8%	6.4%	6.5%	7.5%	4.9%

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%	2.49%	0.11%	2.60%
B Class (LISP)	0.95%	N/A	1.00%	0.11%	1.11%
C Class (clean)	1.25%	NA	1.34%	0.11%	1.45%

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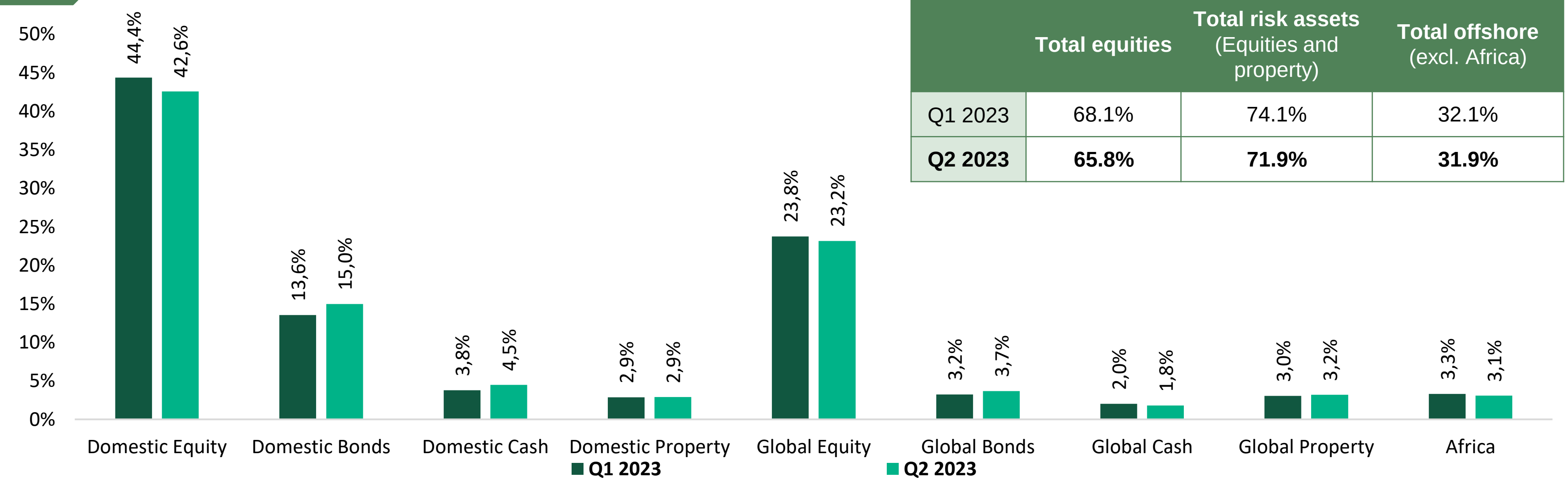
Asset allocation changes



	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q1 2023	68.1%	74.1%	32.1%
Q2 2023	**65.8%**	**71.9%**	**31.9%**

Summary of recent changes

- **Domestic equity:**
  - Revised domestic equities lower by changing tactical asset allocation to underweight from neutral.
  - Allocated the redemption flows to the Nedgroup Investment Flexible Income Fund, which is the cash equivalent.
  - Focused on capital preservation while ensuring we had dry power when we want to increase risk.
- **Global equities:**
  - Trimmed our global equity exposure.
  - Reduced our tactical asset allocation weight in the Africa Bond Fund to 3,0% from 3,5%.
  - Banked some profits on the currency move.

as at 30 June 2023

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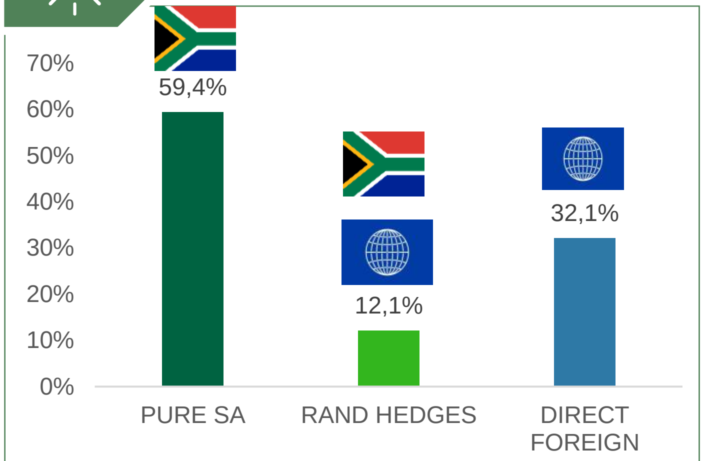
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
42.6%	2.9%	19.5%

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
23.2%	3.2%	5.5%	3.1%

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
prosus	3.5%
NASPERS	3.0%
Standard Bank	2.2%
ANGLO AMERICAN	1.9%
MTN	1.8%
British American Tobacco	1.7%
FIRSTRAND	1.6%
NEDBANK	1.6%
sasol reaching new frontiers	1.5%
ABInBev	1.5%

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Domestic asset class positioning

Domestic Equity

Under weight

42.6%

- Reduced equity exposure is appropriate due to the multitude of headwinds that clouds the investment case to add to equities and risk assets more broadly. Economic growth is slower, albeit better than expected. Current valuations support an overweight but the backdrop warrants caution.

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.

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Domestic Bond

Over weight

15.0%

- 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

Over weight

4.5%

- With the focus on capital preservation, cash also 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

23.2%

- Whilst slowing economic growth will drag on near term corporate earnings, declining inflation combined with the prospect of cuts in central bank policy rates towards the latter part of the period will support equities and risk assets in general.
- However risks remain and valuations have ticked up higher.

Global Property

Neutral

3.2%

- 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

3.7%

- 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

1.8%

- Cash positions remain as underlying managers look for compelling idiosyncratic opportunities.

as at 30 June 2023

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Domestic: fund manager exposures

Equity General 32.3%

Small/Mid Cap Equity: 4.9%

Property: 1.3%

Passive Multi-Asset: 17.4%

Flexible Income: 17.0%

Offshore and Africa: fund manager exposures

Equity: 13.6%

EM Equity: 2.5%

Multi-Asset: 4.7%

Property: 2.8%

Africa: 3.2%

As at 30 June 2023
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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