



See money differently

Quarterly Report: **Nedgroup Investments** **XS Guarded 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

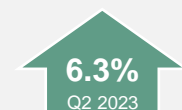
The SARB lifted the repo rate by 0,50% to 8,25% in May with a unanimous vote. Headline and core inflation forecasts were increased.



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 XS Guarded Fund of Funds



Fund overview

Max equity

40%

Time frame

Min **3** years

Benchmark

Inflation
+3%

Peer group

**SA Multi-
Asset Low
Equity**

Regulation 28

Compliant

Risk profile



Fund costs (C – clean class)

Management fee* (Excl. VAT)

1.15%

Total expense ratio

1.30%

Transaction charges

0.06%

Total investment charges

1.36%



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

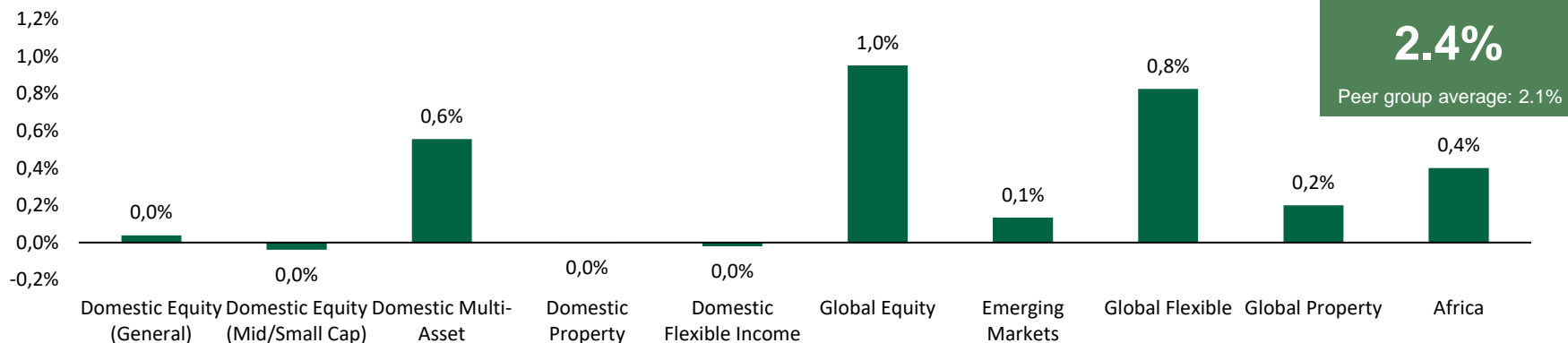
**Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1st January 2020 to 31 March 2023.

Quarterly report:

Nedgroup Investments XS Guarded Fund of Funds



XS Fund of Funds performance contribution – Q2 2023



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 Guarded Fund performed strongly over the quarter (+3,2%), outperforming peers (+1,9%). The fund's higher allocation to cash and money market instruments (accounting for nearly 25% of the fund), boded well for the fund. Cash was the best performing local asset class this quarter, up 1,9% and outperforming local equities.



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.

Quarterly report: Nedgroup Investments XS Guarded Fund of Funds



Fund performance (clean class)

Q2'23 return

+2.4%

Peer group average: +2.1%

Ytd return

+6.4%

Peer group average: +5.8%

1yr annualised return

+11.8%

Peer group average: +11.5%

3yr annualised return

+8.7%

Peer group average: +8.4%

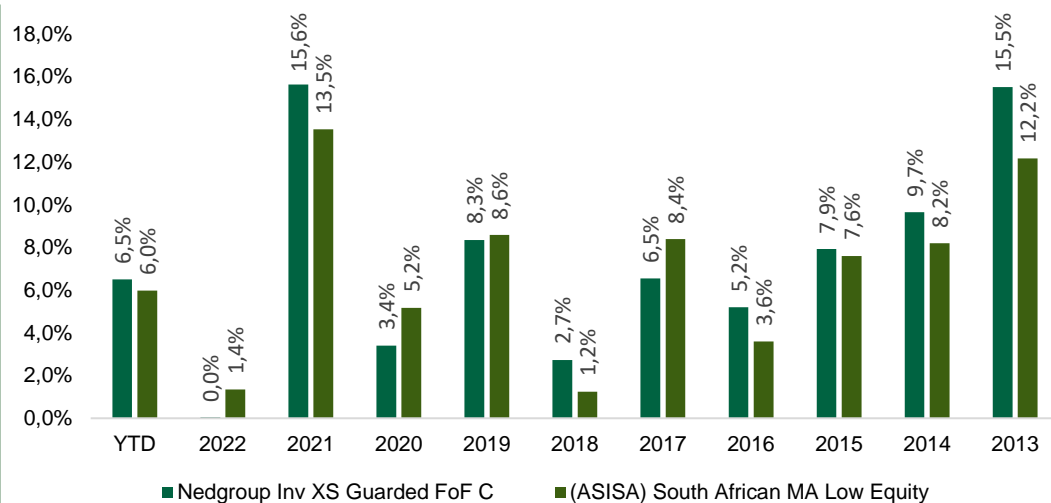
5yr annualised return

+6.4%

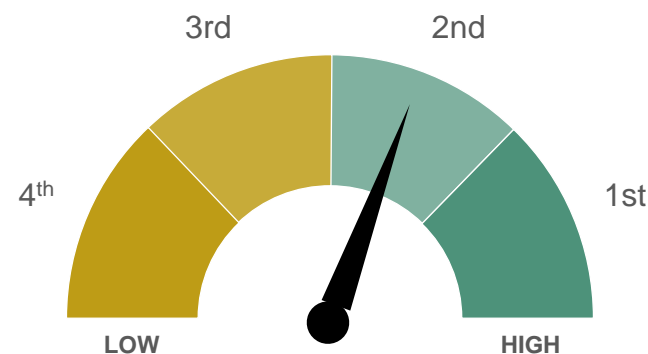
Peer group average: +6.8%



Calendar year performance



Peer group quartile ranking: 1yr



as at 30 June 2023

Quarterly report: Nedgroup Investments XS Guarded Fund of Funds



Risk measures since inception

Rolling 3yr return

87%

Hit rate: outperforming
peer group average

Volatility

5.1%

SA equity market: 15.3%

Max drawdown

-10.5%

SA equity market: -40.4%

Sharpe ratio

0.3

SA equity market: 0.4

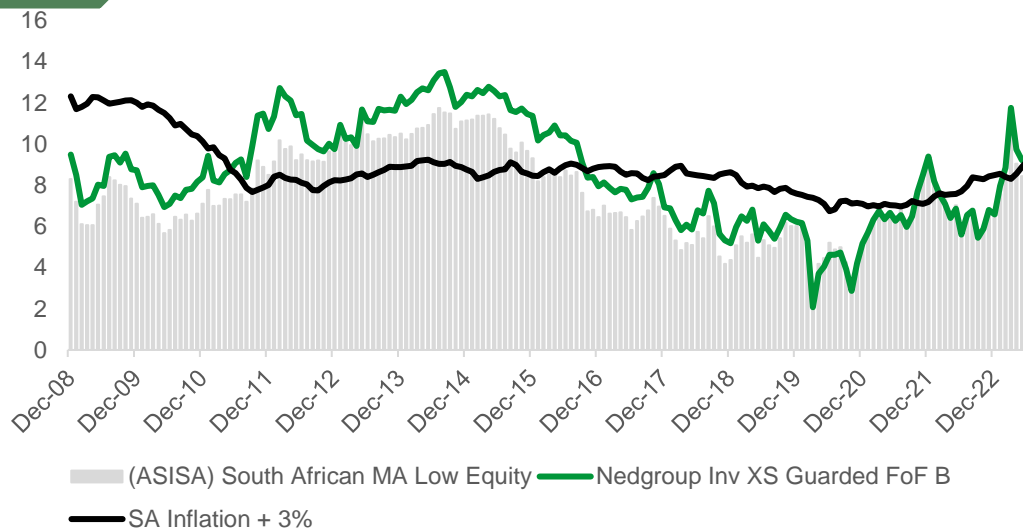
% Positive months

71%

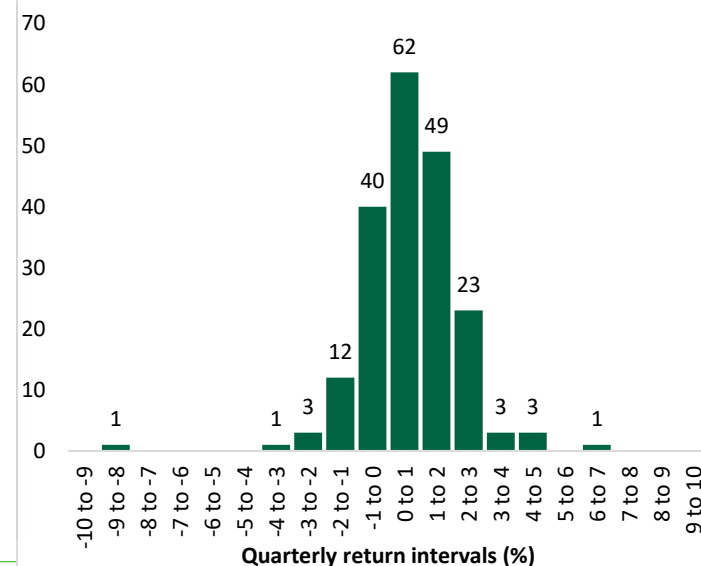
SA equity market: 64%



Rolling 3-year annualised return



Quarterly return distribution



Quarterly report:

Nedgroup Investments XS Guarded Fund of Funds



Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	2.1%	2.5%	2.4%	2.1%	1.6%
1 year	10.7%	12.4%	11.8%	11.5%	6.3%
3 year	7.5%	9.1%	8.7%	8.4%	6.0%
5 year	5.2%	6.8%	6.4%	6.8%	4.9%



Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	1.15%	1.00%	2.44%	0.06%	2.50%
B Class (LISP)	0.85%	N/A	0.95%	0.06%	1.01%
C Class (clean)	1.15%	NA	1.30%	0.06%	1.36%

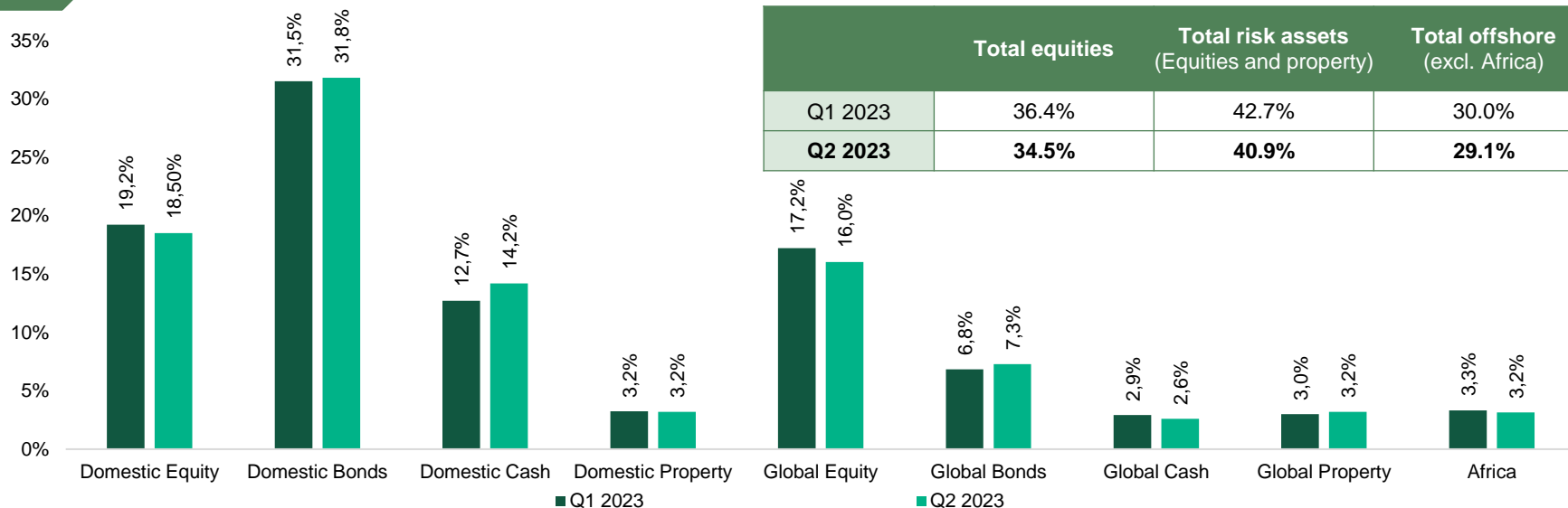
as at 30 June 2023

* 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 January 2020 to 31 March 2023.

Quarterly report: Nedgroup Investments XS Guarded Fund of Funds



Asset allocation changes



	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q1 2023	36.4%	42.7%	30.0%
Q2 2023	34.5%	40.9%	29.1%



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.

Quarterly report:

Nedgroup Investments XS Guarded Fund of Funds



Asset allocation

Domestic Equity



18,5%

Domestic Property



3.2%

Domestic Fixed Interest



46.1%

Foreign Equity



16.0%

Foreign Property



3.2%

Foreign Fixed Interest



9.8%

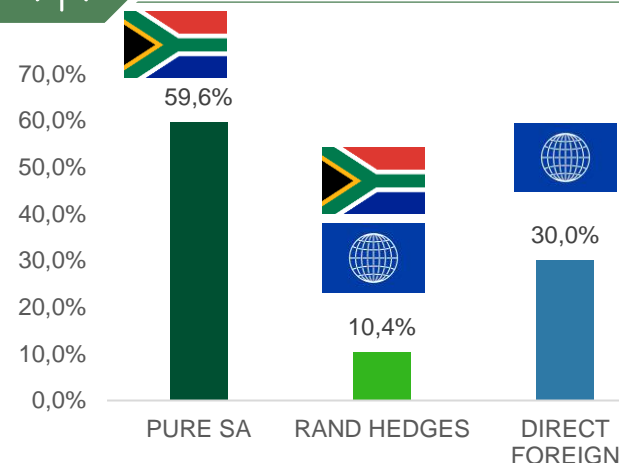
Africa



3.2%



Regional exposure



Top ten holdings (as a % of fund)



1.5%



NASPERS

1.3%



Standard Bank

0.9%



ANGLO AMERICAN

0.8%



0.8%



0.7%



0.7%



0.7%

SASOL

reaching new frontiers



0.6%

ABInBev

0.4%

Quarterly report: Nedgroup Investments XS Guarded Fund of Funds



Domestic asset class positioning



Domestic Equity

Under weight

18.4%

- 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

3.2%

- 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.

Domestic Bond

Over weight

31.8%

- 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

14.2%

- 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

16.0%

- 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

7.3%

- 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

2.6%

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

Quarterly report:

Nedgroup Investments XS Guarded Fund of Funds



Domestic: fund manager exposures

Equity General: 13.3%



Small/Mid Cap Equity: 2.1%



Passive Multi-Asset: 17.2%



Property: 2.0%



Flexible Income: 40.3%



Offshore and Africa: fund manager exposures

Equity: 8.2%



EM Equity: 1.9%



Multi-Asset: 8.7%



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

Disclaimer

Nedgroup Collective Investments (RF) Proprietary Limited is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust portfolios. Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A schedule of fees and charges and details of our awards are available on request from Nedgroup Investments. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. Nedgroup Investment Advisors (Pty) Ltd (the 'Investment Manager') an authorised as a financial services provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652), is the appointed Investment Manager of the Management Company.

Certain Nedgroup Investments unit trust portfolios include international assets, whereby a change in the exchange rates may cause the value of those investments to rise and fall. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

Please note that Nedgroup Collective Investments (RF) Proprietary Limited is not authorised to and does not provide financial advice. This presentation is of a general nature and intended for information purposes only. It is not intended to address the circumstances of any investor and cannot be relied on as legal, tax or financial advice, either express or implied. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this presentation. Nedgroup Collective Investments (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).