



See money differently

Quarterly Report: **Nedgroup Investments** **Select Balanced Fund of Funds**

as at 31 December 2023

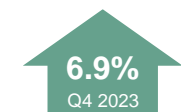
Quarterly report: Nedgroup Investments



Domestic asset class returns (ZAR)



SA Equity



9.3% 1 year
13.5% 3 years
12.3% LT average

SA equity market rallied in Q4 supported by global sentiment and prospects of lower interest rates.

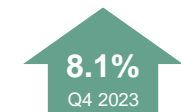
SA Property



10.2% 1 year
14.9% 3 years
11.3% LT average

SA property rebounded as the market became more confident that the rate hiking cycle is over.

SA Bond



9.7% 1 year
7.4% 3 years
7.0% LT average

Positive global and domestic factors led to a healthy rally in SA bonds.

SA Cash



7.3% 1 year
5.4% 3 years
5.9% LT average

MPC unanimously kept the repo rate unchanged at 8.25% in November – the third consecutive meeting with no change.



Global asset class returns (USD)



Global Equity



22.8% 1 year
6.2% 3 years
8.6% LT average

US equities (+11.8%) was the top performer helped by the strong performance of technology stocks.

Global Property



10.9% 1 year
2.2% 3 years
6.3% LT average

Global real estate (+15.6%) reflected their sensitivity to falling interest rate expectations.

Global Bond



5.7% 1 year
-5.5% 3 years
4.3% LT average

Government bonds (+5.3%) did well but lagged riskier areas as the strong rally in equities tightened spreads.

US Cash



5.3% 1 year
2.7% 3 years
3.7% LT average

US Federal Reserve language seemed to change from 'higher for longer' to 'higher for not much longer'.



Exchange rates (Rand spot rate and quarterly change)



US Dollar R18.29



The rand had a strong start relative to the US dollar this quarter as the US Fed maintained rates for a second time and Jerome Powell indicated another hike this year is unlikely. The rand remains under pressure given the state of the SA economy, with resumption of severe power cuts and persistent logistical constraints the major concerns.



British Pound R23.31



UK inflation moderated more than expected over the period with the Office for National Statistics (ONS) revealing that the consumer prices index had dropped to 3.9% in November. This contributed to hopes that the Bank of England may have finished its series of interest rate hikes.



Euro R20.20



Higher interest rates have weighed on the eurozone economy. Eurozone GDP fell by 0.1% quarter-on-quarter in Q3, Eurostat data showed. The HCOB flash eurozone purchasing managers' index (PMI) fell to 47.0 in December. This suggests that the region's economy is likely to have contracted in Q4 as well.

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Domestic performance drivers



Highlights

- After a nail-biting Rugby World Cup tournament, the Springboks brought home the Webb Ellis Cup. Resilience, hard work and perseverance gave moments of joy and hope to our nation.
- Noteworthy developments in the energy landscape included cabinet's approval of the draft Integrated Resource Plan (IRP) 2023, which outlined the intended mix of energy generation for the upcoming years. After some delay, the seventh Bid Window for an additional 5000MW of renewable energy was announced in December.
- SA inflation eased back to 5.5% in November after peaking at 5.9% in October.



Low points

- After two consecutive quarters of growth, South African real gross domestic product (GDP) contracted by 0.2% in the third quarter. The agriculture industry declined by 9.6%, driven lower mainly by field crops, animal products and horticulture products. The industry encountered several headwinds in the third quarter, including the outbreak of avian flu and the floods in Western Cape.
- The Medium-Term Budget Policy Statement (MTBPS) highlighted weaker fiscal metrics, a result of reduced revenues given lower commodity prices and weak economic growth, in addition to expenditure pressures.



Global performance drivers



Highlights

- Continuing signs of falling inflation coming from the US, Eurozone and even the UK, reduced near term concerns surrounding the potential stickiness of inflation (due to tight labour markets).
- Declining oil prices helped the broader falling inflation picture, and the 'soft landing' growth outlook as high energy prices are a tax on activity.
- Geopolitical risk eased. The Israel - Gaza conflict looked like being contained with both sides agreeing to a temporary truce combined with a release of hostages towards the end of November. Signs of easing US - China tensions were also witnessed in November with a meeting between US President Biden and Chinese President Xi Jinping in San Francisco.



Low points

- High levels of government spending growth in 2023 will likely detract from US GDP growth going forward. Falling job openings increases the risk of the unemployment rate rising from current low levels which will be negative for consumption.
- China stood out as the underperforming economy and market in 2023 and continues to face significant structural challenges. The Chinese consumer remains depressed and saved more in the first 10 months of 2023, despite the economy opening.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Fund overview

Max equity

60%

Time frame

Min **5** years

Benchmark

Inflation **+4%**

Peer group

SA Multi-Asset
Medium Equity

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

A3BAX
investments

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

**Ninety
One**

20% Passive

Taquanta



Fund costs (A – clean class)

Management fee* (Excl. Vat)

1.04%

Total expense ratio

1.56%

Transaction charges

0.10%

Total investment charges

1.66%



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 31 December 2023

**Includes BOTH multi-manager and underlying fund fees. The Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 October 2020 to 30 September 2023 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Balanced FoF history due to the fund merger.

Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Asset allocation

Domestic Equity



25.7%

Domestic Property



2.6%

Domestic Fixed Interest



38.1%

Foreign Equity



25.0%

Foreign Property



1.0%

Foreign Fixed Interest



7.6%



Regional exposure



55%

PURE SA



12%

RAND HEDGES



34%

DIRECT FOREIGN



Top ten equity holdings | 14% of the fund



2.4%

newgold

1.7%



1.6%



FirstRand

1.6%



Standard Bank

1.4%

RICHEMONT

1.2%



1.1%

BHP

1.0%



NASPERS

1.0%



0.9%

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Fund performance (clean class)*

Q4'23 return

5.7%

Peer group average: 5.8%

Ytd return

13.0%

Peer group average: 11.3%

1yr annualised return

13.0%

Peer group average: 11.3%

3yr annualised return

11.0%

Peer group average: 9.4%

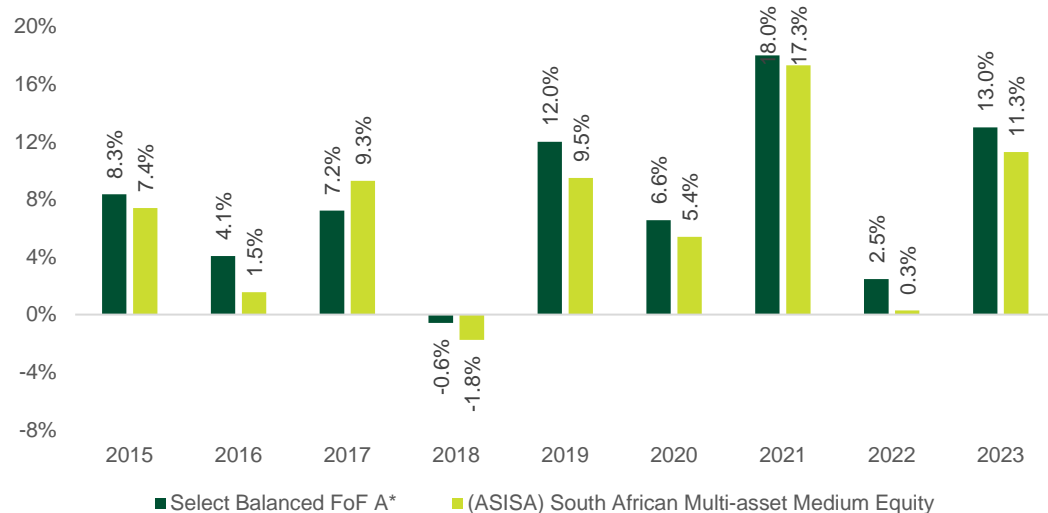
5yr annualised return

10.3%

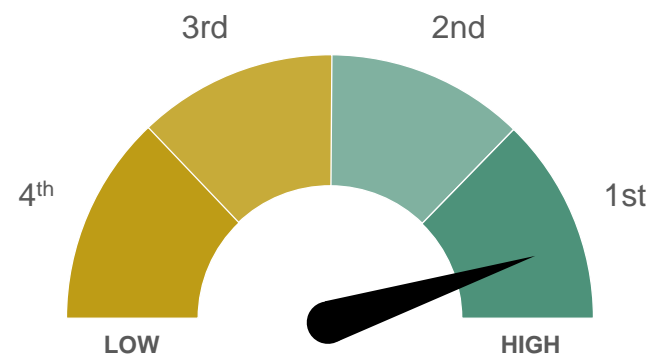
Peer group average: 8.6%



Calendar year performance



Peer group quartile ranking*: 5yr



as at 31 December 2023

*Select Balanced FoF A track record displayed here includes modelled performance on current fund structure from January 2014 to December 2020, thereafter actual performance of the Nedgroup Investments Select Balanced FoF A class.

Quarterly report: Nedgroup Investments Select Balanced Fund of Funds



Risk measures since inception*

Rolling 5yr return

100%

Hit rate: outperforming
peer group average

Volatility

6.8%

SA equity market: 14.3%

Max drawdown

-10.9%

SA equity market: -21.7%

Sharpe ratio

0.3

SA equity market: 0.2

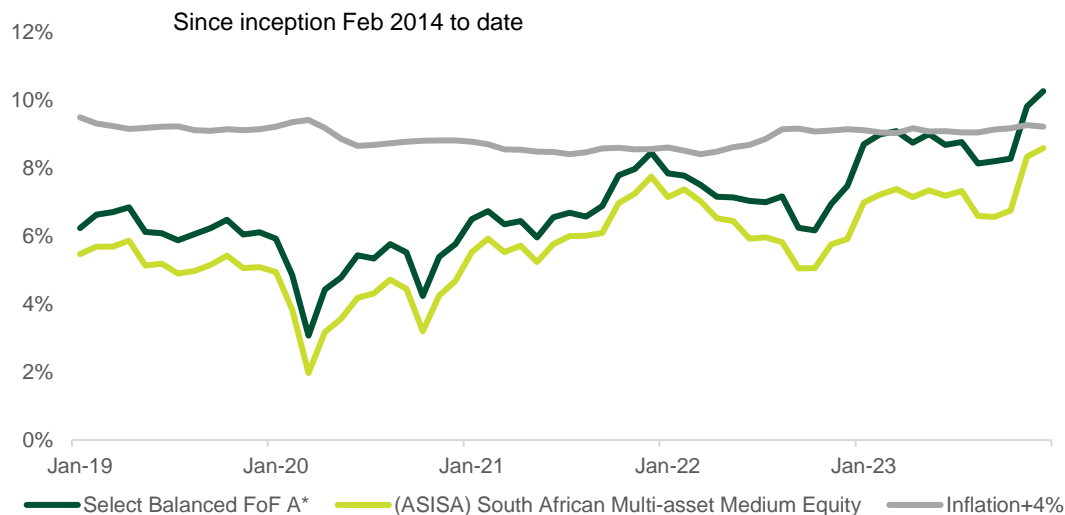
% Positive months

71%

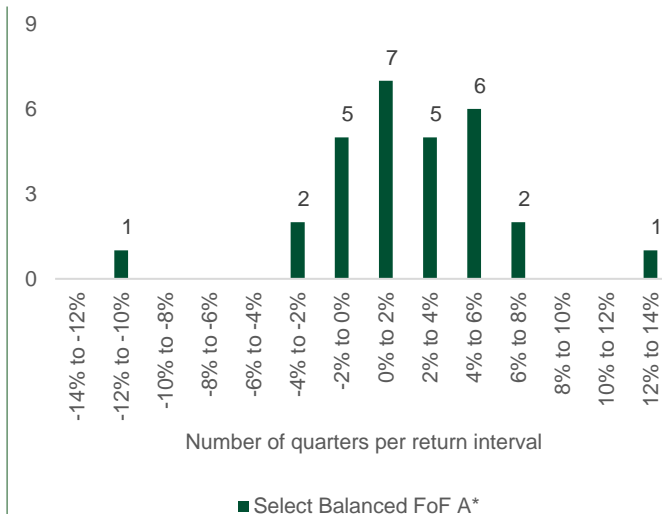
SA equity market: 57%



Rolling 5-year annualised return



Quarterly return distribution



as at 31 December 2023

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Quarterly report:

Nedgroup Investments Select Balanced Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	2023
Coronation Capital Plus	10.1%	9.7%	1.5%	16.7%	10.2%	31.8%	10.7%	17.4%
Foord Conservative	4.7%	8.3%	1.3%	12.7%	9.0%	17.5%	3.1%	17.1%
Ninety One Opportunity	4.4%	7.4%	-1.6%	12.1%	7.3%	16.5%	0.8%	12.4%
Nedgroup Investments Core Guarded	0.8%	7.3%	-2.1%	9.7%	7.0%	16.3%	-0.4%	12.2%
Nedgroup Investments Opportunity	0.3%	3.4%	-2.2%	8.5%	-2.3%	11.5%	-2.4%	6.6%



Positive contributors this quarter

- The **Ninety One Opportunity Fund** was the top performer in 2023. Exposure to **global equities** – 39% of the fund - was the largest contributor, with Microsoft, Visa and ASML (Advanced Semiconductor Materials Lithography) the top performers.
- In SA, companies with geographically diverse revenue streams, such as **Prosus/Naspers** and **Mondi**, were among the largest contributors.
- **Domestic fixed income** also contributed, with nominal bonds the main drivers of returns followed by inflation-linked bonds.
- **NewGold**, held by Foord and Coronation, rallied in the final quarter of 2023 as gold prices touched an all-time high in December 2023, driven largely by a weak U.S. dollar and expectations the Fed will begin lowering rates



Detractors this quarter

- The **Nedgroup Investments Opportunity Fund** lagged peers in 2023, especially in the final quarter, as their more conservative positioning detracted. In addition, **Sasol** was a major disappointment in the last quarter as the global crude oil price declined by 12% over the quarter. The chemical market fundamentals also deteriorated adding further pressure to the Sasol share price. **ABSA** also lost value in the final quarter of 2023 following a trading update.
- **British American Tobacco**, one of the fund's top 10 positions, detracted from performance as the group announced a weakening in profitability from the tobacco sector.

As at 31 December 2023

The fund has been invested equally weighted across the five funds displayed here since 31st December 2020

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Performance across classes

	A class (direct)	A1 class (product)	B2 Class (lisp)	S class (sip)	Peer group	SA inflation
Quarter	5.7%	5.6%	5.7%	5.7%	5.8%	1.4%
1 year	13.0%	12.8%	13.2%	12.9%	11.3%	5.5%
3 year	11.0%	11.0%	N/A	10.9%	9.4%	6.1%
5 year	8.5%	8.7%	N/A	8.6%	8.6%	5.0%



Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.04%	1.56%	0.10%	1.66%
A1 class (product)	1.19%	1.61%	0.10%	1.71%
B2 class (lisp)	0.89%	1.35%	0.10%	1.45%
S class (sip)	1.09%	1.57%	0.10%	1.67%

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