



See money differently

Quarterly Report: Nedgroup Investments Select Equity 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 to the quarter relative to the US dollar as US Fed maintained rates for a second time and Chair 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 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) in 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.

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Fund overview

Max equity

100%

Time frame

Min **7** years

Benchmark

Inflation
+6.5%

Peer group

SA Multi-Asset
Flexible

Regulation 28

Non-Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% SA only *passive*

Taquanta

20% SA only

LAURIUMCAPITAL

20% incl. Foreign

Truffle
Asset Management

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Ninety
One



Fund costs (C – clean class)

Management fee* (Excl. Vat)

1.09%

Total expense ratio

1.25%

Transaction charges

0.22%

Total investment charges

1.46%



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

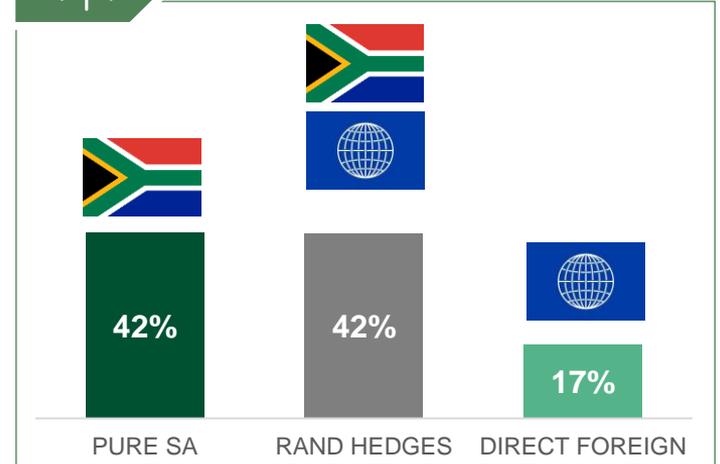
**Includes BOTH multi-manager and underlying fund fees. Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 October 2020 to 30 September 2023.

Quarterly report: Nedgroup Investments Select Equity Fund of Funds

Sector allocation



Regional exposure



Top ten holdings | 40% of the fund



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Fund performance (clean class)

Q4'23 return

5.8%

Peer group average: 6.2%

1yr annualised return

5.7%

Peer group average: 7.3%

3yr annualised return

10.9%

Peer group average: 11.9%

5yr annualised return

7.8%

Peer group average: 9.1%

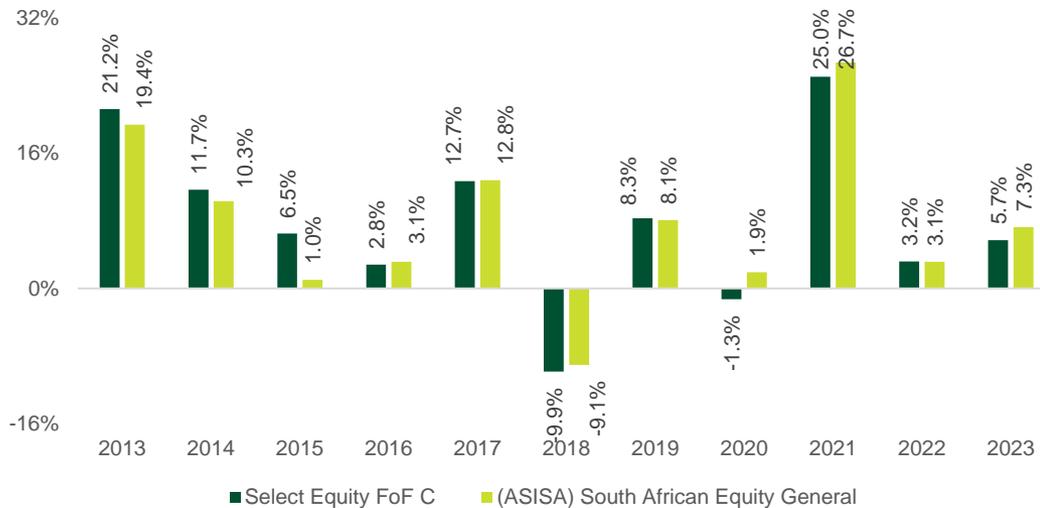
7yr annualised return

5.8%

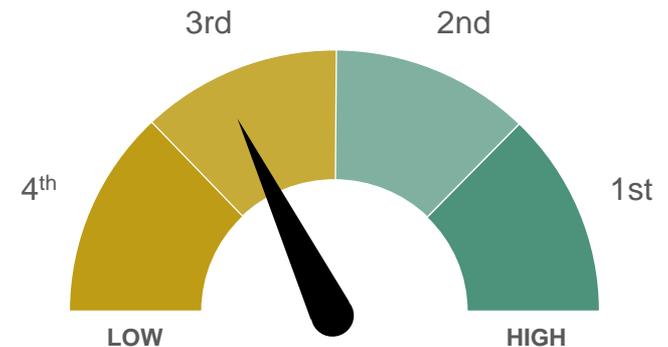
Peer group average: 6.8%



Calendar year performance



Peer group quartile ranking: 7yr



as at 31 December 2023

As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used for comparative purposes

Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Risk measures since inception

Rolling 7yr return

80%

Hit rate: outperforming peer group average

Volatility

13.0%

SA equity market: 15.3%

Max drawdown

-29.9%

SA equity market: -40.4%

Sharpe ratio

0.2

SA equity market: 0.3

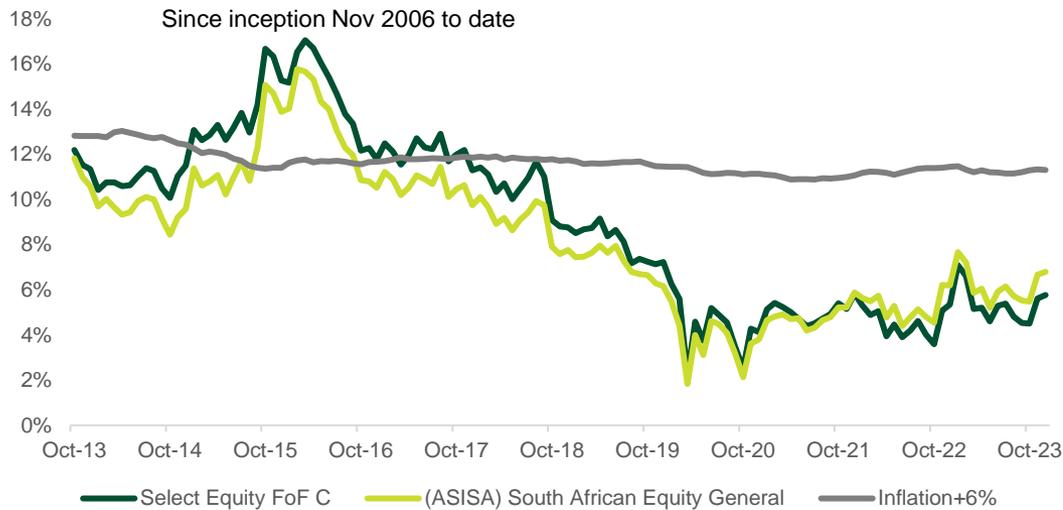
% Positive months

64%

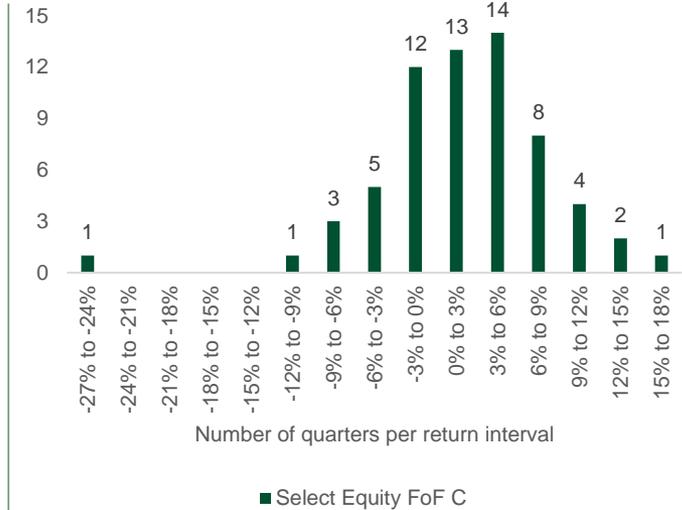
SA equity market: 60%



Rolling 7-year annualised return



Quarterly return distribution



Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	YTD
Coronation Equity	3.6%	18.5%	-2.4%	16.9%	14.2%	28.9%	10.8%	13.3%
Ninety One Equity	1.2%	17.3%	-6.5%	16.6%	13.3%	27.6%	8.3%	6.9%
Truffle SCI General Equity	-3.9%	12.0%	-7.5%	13.6%	10.9%	26.4%	-2.7%	3.4%
Nedgroup Investments SA Equity	-4.1%	10.5%	-12.8%	7.4%	0.0%	22.9%	-5.5%	1.7%



Positive contributors this quarter

- **Coronation Equity**, one of the mandates that allow direct offshore equity exposure, delivered exceptional performance this year. The fund benefited from its meaningful exposure to global equities built up during 2022, sitting at 45% at the end of 2023.
- **Ninety One Equity**, being the other mandate that allow direct offshore equity exposure, also benefitted from global equity exposure – sitting at 35% at the end of the year - with **Schneider Electric** and **Trane Technologies** amongst the largest contributors.
- Within domestic equities, **Standard Bank**, **FirstRand**, **Richemont**, **Textainer**, and **OUTsurance** contributor, as well geographically diverse revenue earners, such as **Prosus/Naspers**.



Detractors this quarter

- The **Nedgroup Investments SA Equity Fund** had a tough year returning 2.7% over the quarter, ending the year up 1.5% compared to Capped SWIX Index return of 7.9%.
- Both **Laurium** and **Truffle** had exposure to **Pick n Pay** that performed poorly as load shedding put pressure on the company's already narrow margins, as well as an increasingly competitive environment in the non-discretionary retail space.
- In addition, exposure to the **platinum sector** detractor as the PGM basket price came under pressure during the year, and counters such as **Anglo American Platinum** and **Impala Platinum** underperformed.
- **British American Tobacco**, a defensive holding, also struggled in December as the group announced a weakening in profitability from the tobacco sector.

As at 31 December 2023

Allan Gray was introduced on the 1st of October 2018 and subsequently switched for Satrix ALSI Tracker at the end of December 2020.

The Nedgroup Investments Value fund merged with Nedgroup Investments SA Equity 4th June 2021, managed by Laurium Capital.

The Nedgroup Investments Rainmaker fund was replaced with the Truffle SCI General Equity fund on 5 January 2022.

The Satrix ALSI Tracker fund was replaced with the Nedgroup Investments Core SA Equity fund on its launch date, 1 April 2023.

Quarterly report: Nedgroup Investments Select Equity Fund of Funds



Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	S Class (sip)	Peer group	SA inflation
Quarter	5.5%	5.8%	5.8%	5.7%	5.8%	6.2%	1.4%
1 year	4.5%	5.9%	5.7%	5.5%	5.6%	7.3%	5.5%
3 year	9.6%	11.1%	10.9%	10.7%	N/A	11.9%	6.1%
5 year	6.6%	8.0%	7.8%	7.6%	N/A	9.1%	5.0%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
A class (all-in)	2.39%	1.00%	2.39%	0.22%	2.61%
B2 class (lisp)	1.24%	N/a	1.07%	0.22%	1.29%
C class (clean)	1.39%	N/a	1.25%	0.22%	1.46%
C1 class (product)	1.54%	N/a	1.42%	0.22%	1.64%
S class (sip)*	1.13%	N/a	1.27%	0.22%	1.50%

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