



See money differently

Quarterly Report: Nedgroup Investments Select Global 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 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.

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Fund overview

Max equity

100%

Time frame

Min **7** years

Benchmark

USD Cash
+6%

Peer group

Global Equity
General

Regulation 28

Non-Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ARDEVORA

20% Active

Goldman
Sachs

20% Active

DODGE & COX

20% Active

Veritas
— Asset
Management

20% Passive

SATRIX



Fund costs (C – clean class)

Management fee* (Excl. Vat)

0.99%

Total expense ratio

1.25%

Transaction charges

0.03%

Total investment charges

1.28%



Benefits of the Select range

Simple, low-cost
Solution



Diversified across
Asset classes



Passive and active
underlying investments



Quarterly
Rebalanced



Tax
Efficient



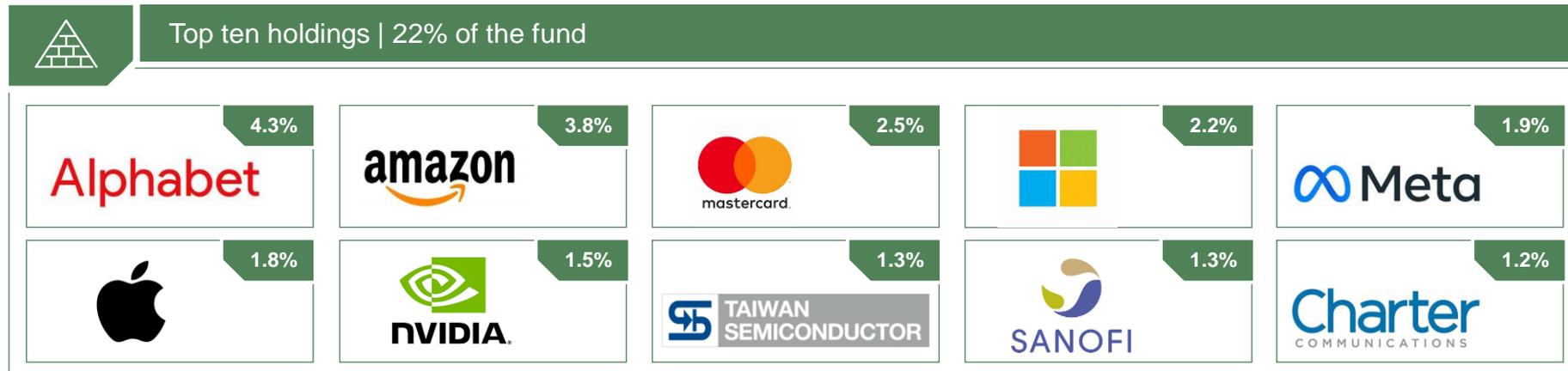
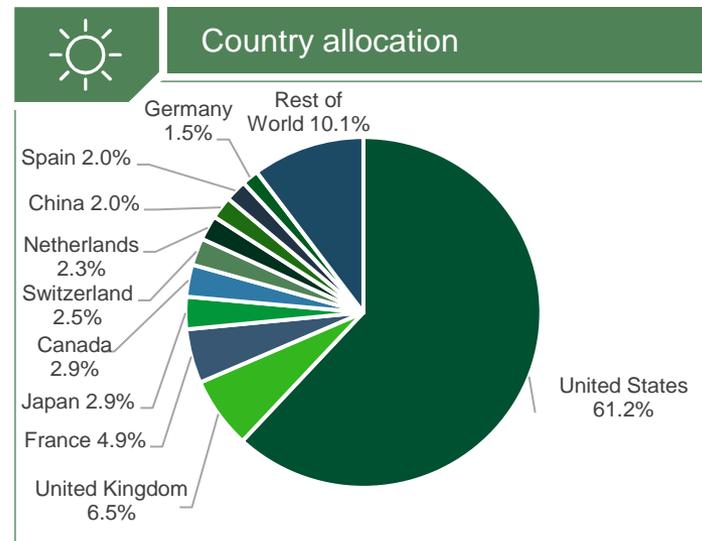
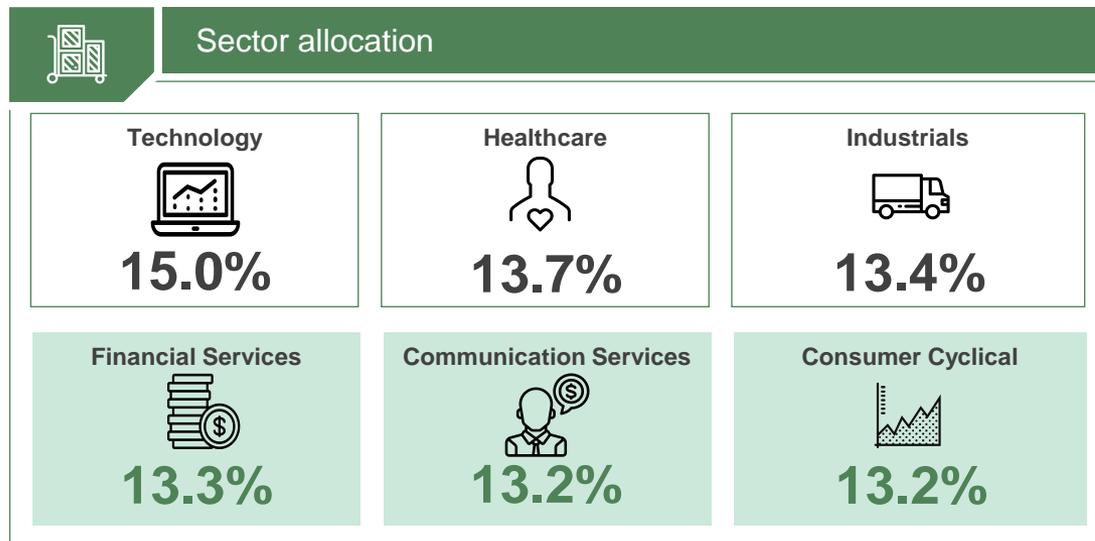
Ongoing
Due diligence



as at 31 December 2023

**Includes BOTH multi-manager and underlying fund fees. 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. Figures displayed here are the best estimates available given insufficient track record.

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Fund performance (clean class)*

Q4'23 return

7.5%

Peer group average: 7.3%

1yr annualised return

29.9%

Peer group average: 27.6%

3yr annualised return

9.9%

Peer group average: 10.4%

5yr annualised return

16.5%

Peer group average: 14.6%

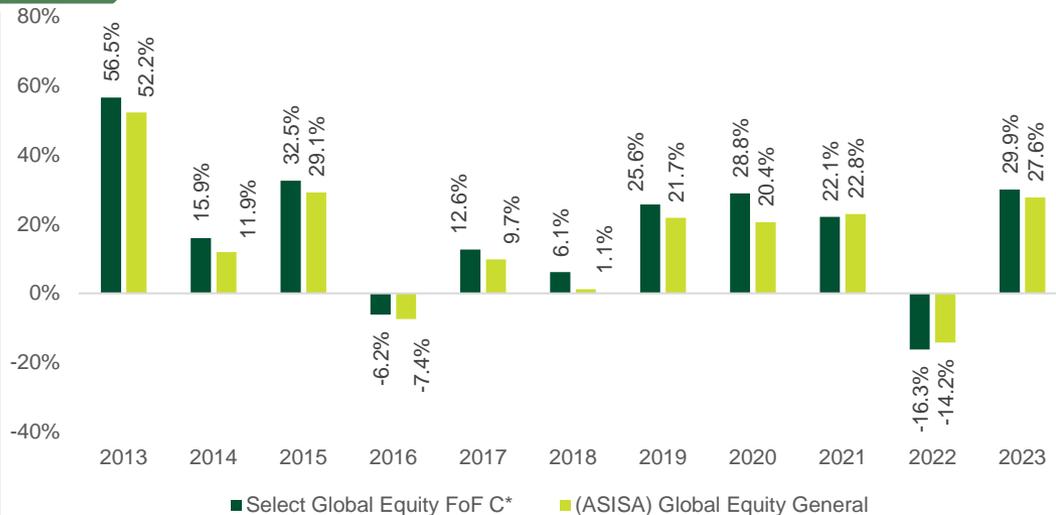
7yr annualised return

14.4%

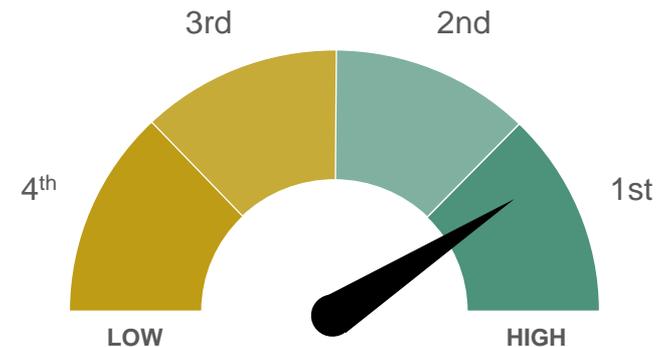
Peer group average: 11.8%



Calendar year performance



Peer group quartile ranking*: 7yr



as at 31 December 2023

*The track record displayed here includes back tested returns from September 2012 to 28 February 2021, thereafter actual performance of the Nedgroup Investments Select Global Equity FoF

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Risk measures since inception*

Rolling 7yr return

100%

Hit rate: outperforming peer group average

Volatility

15.4%

Global equity market (ZAR): 15.5%

Max drawdown

-18.5%

Global equity market (ZAR): -18.4%

Sharpe ratio

0.8

Global equity market (ZAR): 0.8

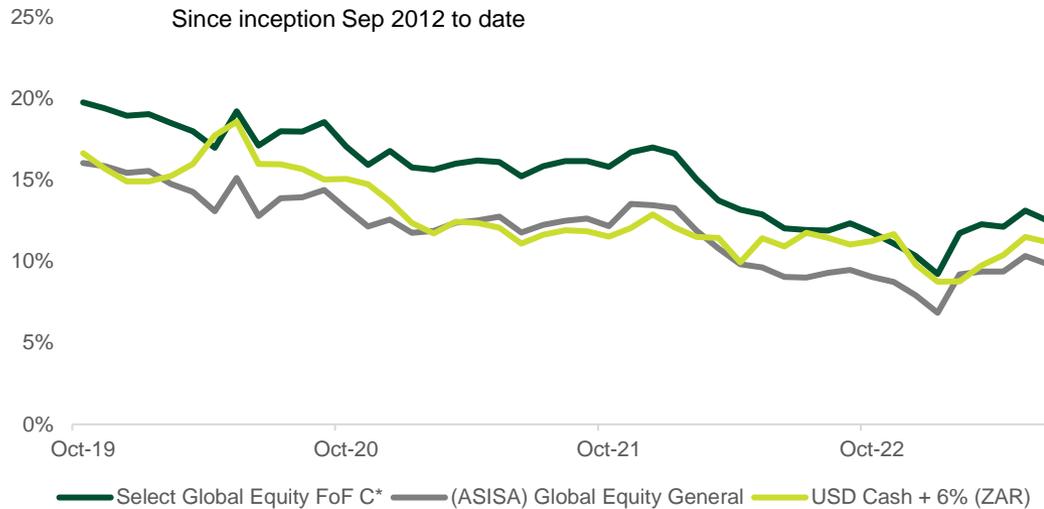
% Positive months

62%

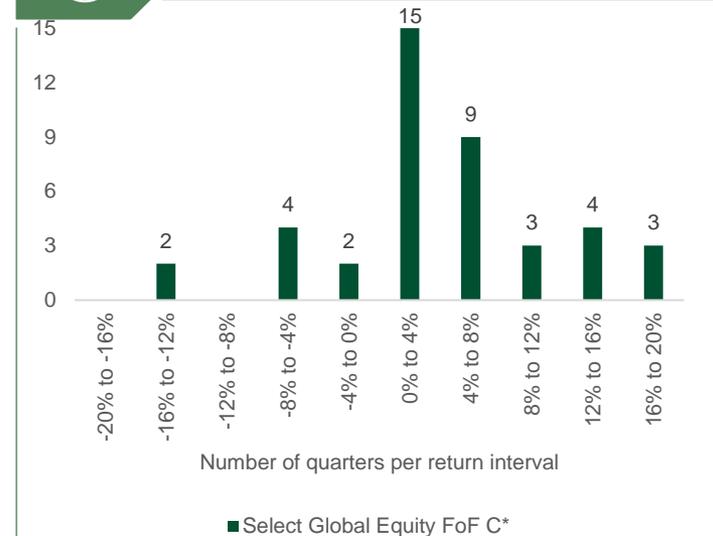
Global equity market (ZAR): 60%



Rolling 7-year annualised return*



Quarterly return distribution*



as at 31 December 2023

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Underlying fund performance (ZAR)

Key	2016	2017	2018	2019	2020	2021	2022	2023
Dodge & Cox Global Stock	3.3%	16.3%	9.7%	32.5%	63.9%	32.0%	-0.1%	32.5%
Goldman Sachs Global Millennials	-5.7%	15.0%	9.2%	26.9%	32.4%	30.5%	-12.8%	31.8%
Nedgroup Investments Global Behavioural (Ardevora)**	-5.8%	11.1%	5.3%	24.3%	20.4%	24.6%	-14.4%	31.4%
Nedgroup Investments Global Equity (Veritas)	-9.5%	10.0%	4.8%	23.0%	18.1%	20.4%	-19.9%	29.0%
Satrix World Equity Tracker	-13.2%	10.0%	1.5%	20.4%	11.4%	17.6%	-34.6%	24.6%



Positive contributors this quarter

- The **passive** building block managed by **Satrix tracking the MSCI World Index** was the top performer this year given its full exposure to index heavy weights like Amazon, Alphabet, Microsoft and Apple that are each up more than 50% in US dollars in 2023.
- Nedgroup Investments Global Equity managed by Veritas benefited from some of its larger holdings - **Moody's, The Cooper Companies Inc** and **Airbus** – rallying in the final quarter of the year. Airbus reported strong results for the first nine months of the year in November, with consolidated revenues increasing 12% year-on-year. Similarly, CooperCompanies, a leading global medical device company, reported results in December, with CEO commenting “Fiscal 2023 was another year of record annual revenue driven by share gains in contact lenses and fertility.”



Detractors this quarter

- **Nedgroup Investments Global Behavioural** managed by Ardevora lagged peers in 2023, mainly due to its well-diversified stock selection leading to large underweight exposure to the ‘magnificent seven’ that drove the market.
- **Charter Communications**, held by Dodge&Cox and Veritas, had a weak end to the year as the share price fell 8% early December after Chief Financial Officer Jessica Fischer said the company could lose broadband subscribers in the fourth quarter. The company spent \$1.1 billion on line extensions in the third quarter, driven by rural expansion efforts. But line expansions add little value when people aren't buying homes.
- **Energy** (-2.7% in US dollar Q4'23), a sector both Ardevora and Dodge&Cox have meaningful exposure to, lagged significantly as oil prices fell at the end of the year.

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**The track record of the sub-fund (Ardevora Global Long Only Equity) on which this fund is modelled is used due to short track record of the Nedgroup Investments funds

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	SA inflation
Quarter	1.7%	-2.8%	-2.8%	-2.8%	-3.3%	1.4%
1 year	8.7%	22.1%	21.9%	22.0%	23.2%	4.8%
3 year	N/A	N/A	N/A	N/A	8.3%	5.8%
5 year	N/A	N/A	N/A	N/A	9.9%	4.9%



Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction Charges	Total investment charges
B2 class (lisp)	0.84%	N/a	1.08%	0.03%	1.12%
C class (clean)	0.99%	N/a	1.25%	0.03%	1.28%
C1 class (product)	1.14%	N/a	1.42%	0.03%	1.46%
S class (sip)	1.04%	N/a	1.31%	0.03%	1.34%

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