NEDGROUP INVESTMENTS

See money differently

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

as at 31 December 2023

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

6.9% Q4 2023

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

16.4% Q4 2023

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

8.1% Q4 2023

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

2.0% Q4 2023

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

11.1% Q4 2023

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

15.6% Q4 2023

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

8.1% Q4 2023

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

1.5% Q4 2023

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

3%

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

1%

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

1%

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.

Source: Morningstar, NPW Investment Research; as at 31 December 2023

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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.

Source: NPW Investment Research; as at 31 December 2023

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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

Underlying fund structure

- 20% Active – Allan Gray
- 20% Active – Coronation Fund Managers
- 20% Active – M&G Investments
- 20% Active – Truffle Asset Management
- 20% Passive – Taquanta

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.06%	1.31%
Transaction charges	**Total investment charges**
0.23%	1.54%

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.

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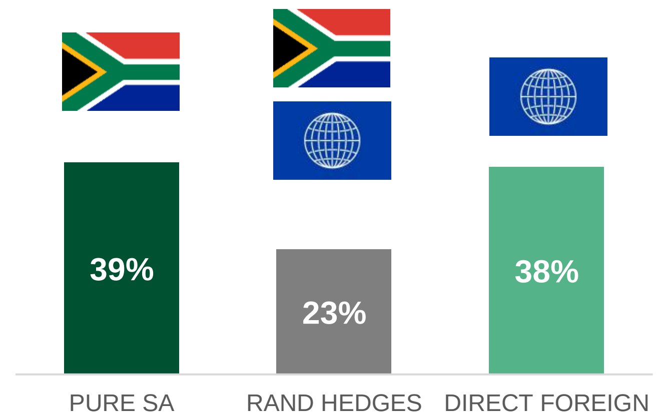
Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
44.3%	2.8%	14.8%

Foreign Equity	Foreign Property	Foreign Fixed Interest
28.9%	0.7%	8.6%

Regional exposure



Top ten equity holdings | 21% of the fund

NASPERS	3.1%
Standard Bank	2.9%
British American Tobacco	2.5%
FirstRand	2.4%
prosus	2.0%
GLENCORE	2.0%
ABInBev	1.9%
RICHEMONT	1.5%
absa	1.4%
MTN	1.2%

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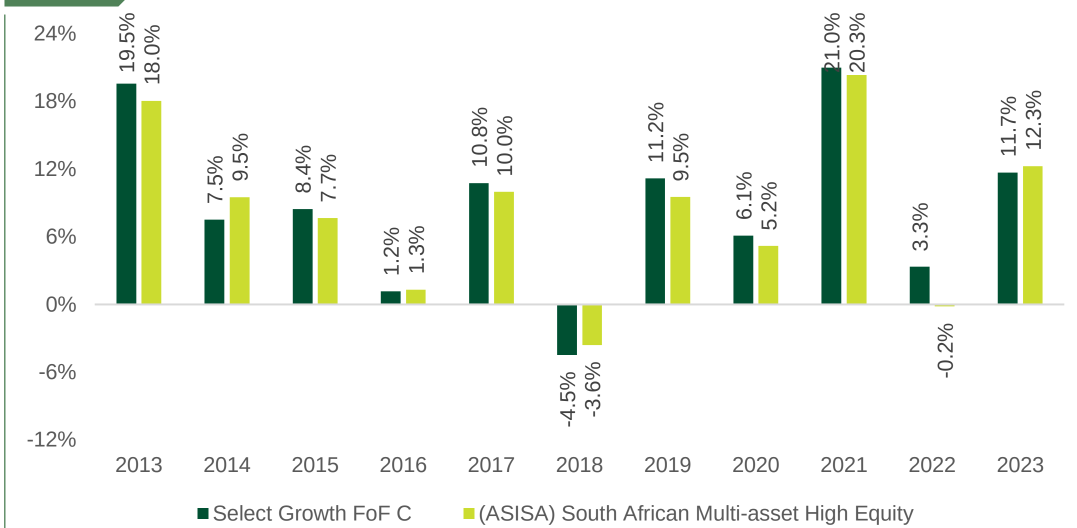
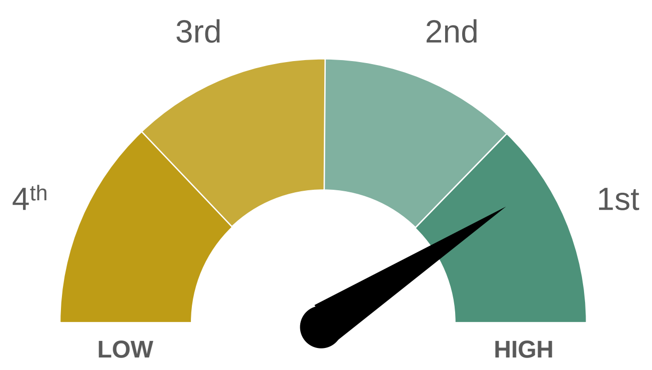
Fund performance (clean class)

Q4'23 return	Ytd return	1yr annualised return	3yr annualised return	5yr annualised return
6.0%	11.7%	11.7%	11.8%	10.5%
Peer group average: 6.2%	Peer group average: 12.3%	Peer group average: 12.3%	Peer group average: 10.5%	Peer group average: 9.2%

Calendar year performance



Peer group quartile ranking: 5yr



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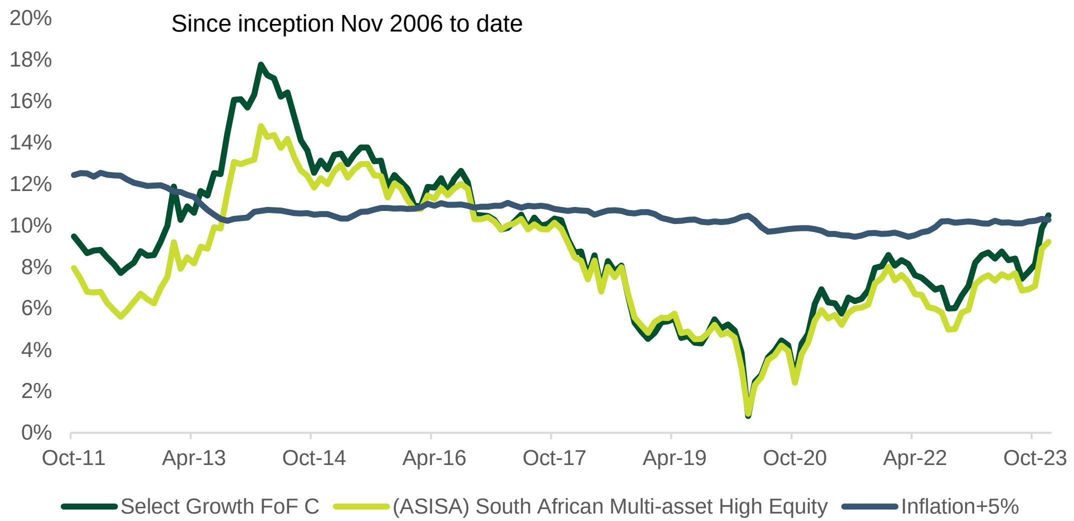
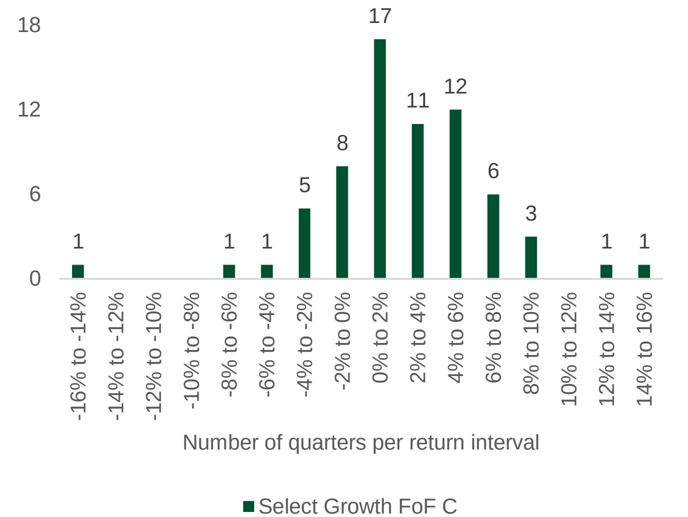
Risk measures since inception

Rolling 5yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
90%	**9.1%**	**-17.2%**	**0.3**	**67%**
Hit rate: outperforming peer group average	SA equity market: 15.3%	SA equity market: -40.4%	SA equity market: 0.3	SA equity market: 60%

Rolling 5-year annualised return



Quarterly return distribution



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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	2023
Allan Gray Balanced	6.3%	13.2%	1.5%	16.6%	12.4%	26.0%	8.1%	15.5%
Coronation Balanced Plus	4.7%	12.6%	-2.6%	13.3%	9.4%	23.5%	7.7%	14.7%
Nedgroup Investments Balanced	2.4%	12.2%	-3.1%	9.6%	6.6%	22.0%	3.2%	12.9%
Nedgroup Investments Core Diversified	1.0%	11.0%	-3.8%	9.0%	3.6%	20.3%	-1.1%	12.0%
M&G Balanced	-2.4%	5.3%	-5.9%	6.7%	2.8%	12.7%	-1.5%	5.3%

Positive contributors this quarter

- **Coronation Balanced Plus** was the top performer in 2023, with both asset allocation and security selection contributing to this performance.
- Within domestic equities, **Standard Bank, FirstRand, Richemont, Textainer, and OUTsurance** were amongst the largest contributors to returns, as well as companies with geographically diverse revenue streams, such as Prosus/Naspers.
- Coronation has been a long-term shareholder of **Textainer**, indirectly through a holding in Trencor and directly. Coronation actively engaged with Trencor management over the years to achieve the Textainer unbundling. It was pleasing to see recognition of the value that had been trapped in the Trencor structure with the private equity offer for Textainer at a meaningful premium during Q4-23. Coronation exited the position.

Detractors this quarter

- The **Nedgroup Investments Balanced Fund** underperformed in 2023 with its more conservative positioning - underweight global equities and total direct offshore exposure – detracting from relative return. In addition, a few domestic stock picks hurt performance.
- Energy stocks lost value over the quarter, particularly in December given lower oil prices, thus an exposure to **Sasol** and offshore energy counters detracted. **British American Tobacco**, a defensive holding, also struggled in December as the group announced a weakening in profitability from the tobacco sector.
- **Pick n Pay** lost value over the quarter given a poor set of results and uncertainty around the growth strategy. Truffle's exposure detracted; however, they believe the turnaround strategy from new management should unlock value.

As at 31 December 2023
Allan Gray was introduced on the 1st of October 2018; Nedgroup Investments Balanced was introduced on the 1st of October 2019.

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Performance across classes

	A Class (all in)	B2 Class (lisp)	C Class (clean)	C1 Class (product)	S Class (sip)	Peer group	SA inflation
Quarter	5.7%	6.1%	6.0%	6.0%	6.0%	6.2%	1.4%
1 year	10.4%	11.9%	11.7%	11.4%	11.7%	12.3%	5.5%
3 year	10.5%	12.0%	11.8%	11.5%	N/A	10.5%	6.1%
5 year	9.2%	10.7%	10.5%	0,00	N/A	9.2%	5.0%

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
A class (all-in)	2.05%	1.00%	2.46%	0.23%	2.69%
B2 class (lisp)	0.90%	N/a	1.14%	0.23%	1.37%
C class (clean)	1.05%	N/a	1.31%	0.23%	1.54%
C1 class (product)	1.20%	N/a	1.48%	0.23%	1.71%
S class (sip)	1.11%	N/a	1.37%	0.23%	1.60%

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