See money differently

Quarterly Report:
Nedgroup Investments Select Income Fund of Funds

as at 31 December 2023

Quarterly report:
Nedgroup Investments

Domestic asset class returns (ZAR)

SA Equity

6.9% Q4 2023

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

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

SA Property

16.4% Q4 2023

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

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

SA Bond

8.1% Q4 2023

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

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

SA Cash

2.0% Q4 2023

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

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

Global asset class returns (USD)

Global Equity

11.1% Q4 2023

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

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

Global Property

15.6% Q4 2023

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

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

Global Bond

8.1% Q4 2023

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

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

US Cash

1.5% Q4 2023

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

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

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
10%	Min 6 months	110% STeFI Call	SA Multi-Asset Income	Compliant

Risk profile

1	2	3	4	5

Underlying fund structure

Manager	Allocation
ABAX investments	34%
Coronation Fund Managers	33%
Ninety One	33%

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
0.74%	0.90%

Transaction charges	Total investment charges
0.01%	0.91%

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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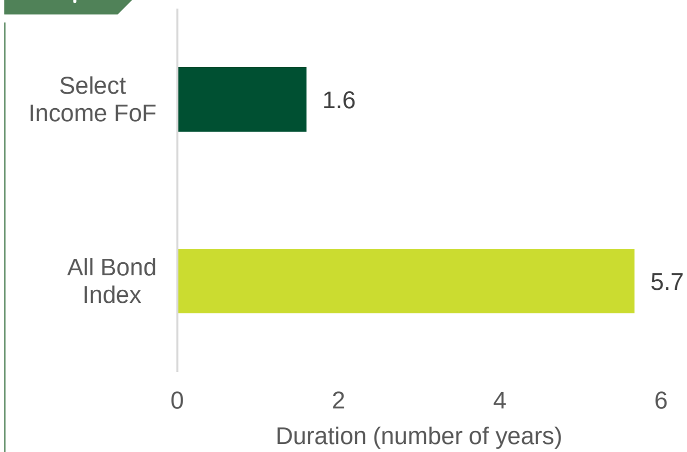
Asset allocation

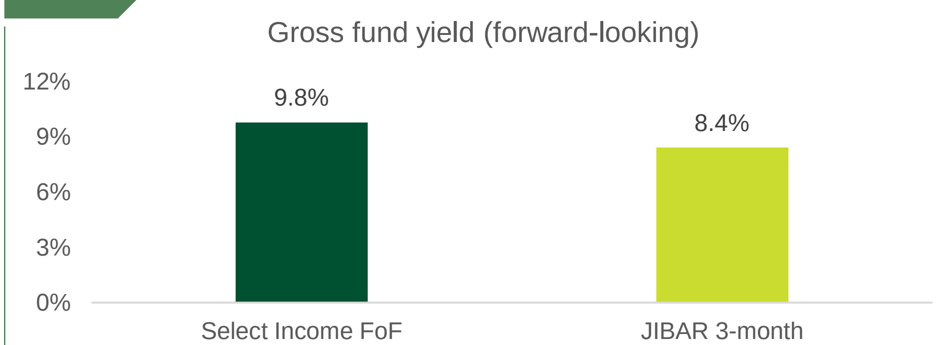
Domestic Equity	Domestic Property	Domestic Fixed Interest
0.8%	2.6%	81.4%

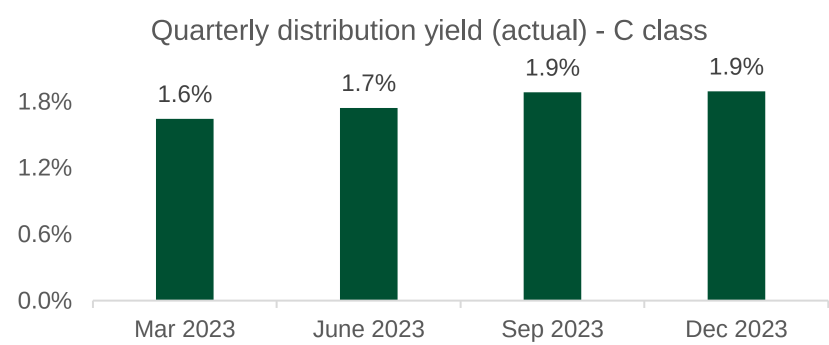
Foreign Equity	Foreign Property	Foreign Fixed Interest
0%	0%	15.2%

Modified duration*



Yield and Distribution





as at 31 December 2023
*Select Income FoF includes ILB duration

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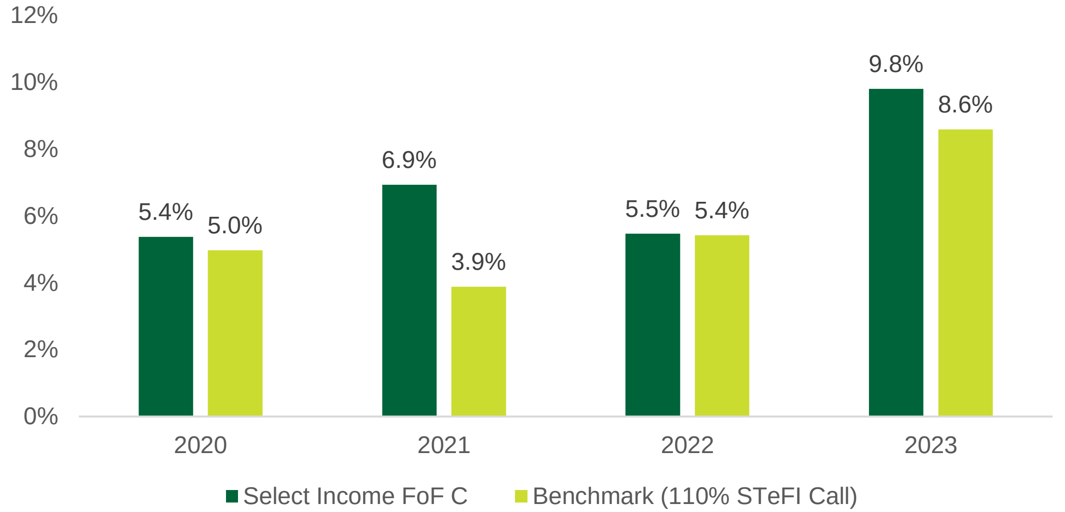
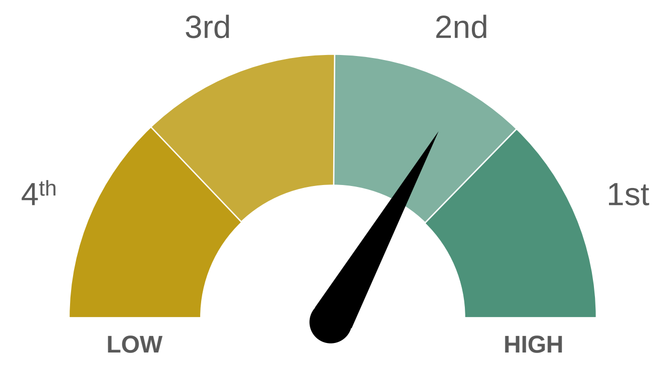
Fund performance (clean class)

Q4'23 return	Ytd return	6 month return	1yr annualised return	3yr annualised return
4.0%	9.8%	5.8%	9.8%	7.4%
Benchmark: 2.0%	Benchmark: 8.6%	Benchmark: 4.5%	Benchmark: 8.6%	Benchmark: 5.9%

Calendar year performance



Peer group quartile ranking: 1yr



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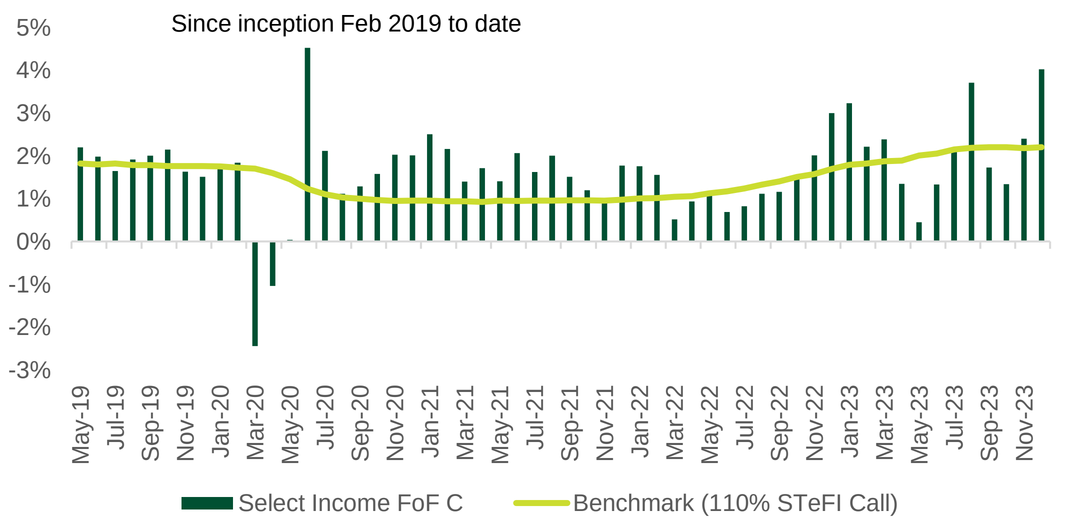
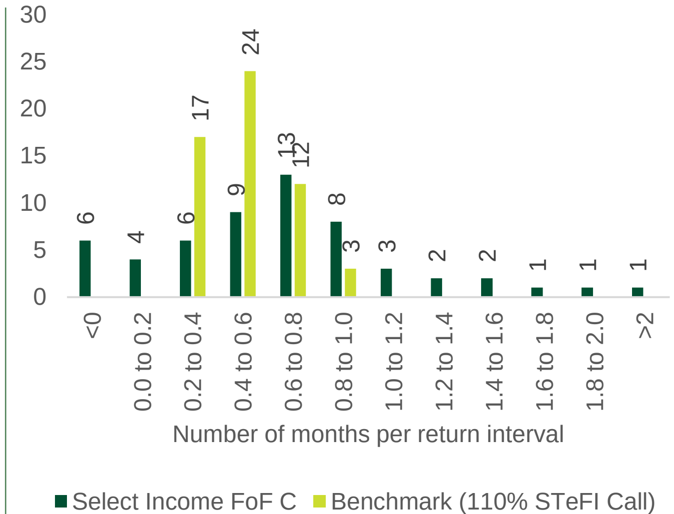
Risk measures since inception*

Rolling 1 year	Volatility	Max drawdown	Sharpe ratio	% Positive months
92%	2.0%	-3.7%	0.9	94%
Hit rate: outperforming benchmark	SA bond market: 8.1%	SA bond market: -9.8%	SA bond market: 0.2	SA bond market: 65%

Rolling 3-month return



Monthly return distribution



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The track record of the Select Income FoF displayed here includes the backtested return from 31 October 2012 to 1 February 2019, when the Nedgroup Investments Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the Select FoF process

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Underlying fund performance

Key	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Coronation Strategic Income	1.9%	2.3%	1.0%	0.8%	1.7%	3.6%	2.5%	1.6%	2.3%	4.4%
Nedgroup Investments Flexible Income	1.4%	2.0%	0.5%	0.6%	1.6%	3.1%	2.4%	1.4%	1.8%	3.8%
Ninety One Diversified Income	1.4%	1.7%	0.1%	0.2%	1.0%	2.8%	2.3%	1.4%	1.6%	3.6%

Positive contributors this quarter

- Softer US inflation led to a strong rally in **South African government bonds**, attracting foreign investors back into our debt instruments. The FTSE/JSE All Bond Index was up 8.1% this quarter and 9.7% for the year – outperforming cash and inflation-linked bonds (ILBs) at 7.8% and 7.1% respectively this year. It was the high starting yields on offer and relative outperformance of the bonds with a maturity of less than 12 years that bolstered the ALBI's returns.
- **Inflation-linked bonds** (ILBs) rallied in November. The asset class found support in the favourable budget announcement, the rally in global bonds and the reconstitution of the iGOV Index.
- **Listed property** delivered robust returns this quarter. Despite being less than 3% of the fund, it added meaningfully to performance.
- The yield-enhancing allocation to **investment-grade credit** continued to add value.

Detractors this quarter

- The **US dollar** component of the portfolio was the only exposure that delivered negative returns this quarter, as rand strength detracts from rand denominated performance. The US dollar weakened considerably on growing hopes of the US Federal Reserve pivoting.
- After aggressive interest rate increases by the US Federal Reserve, European Central Bank and Bank of England in 2023, markets are betting that **interest rates hikes are coming to an end** across the board in 2024, as falling inflation and economic pressures are building. All three central banks have put their tightening programs on hold, and the Fed in particular communicated a more dovish stance in its December meeting, showing projections by officials for rates to be 0.75% lower by the end of 2024.

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Performance across classes

	B2 class (lisp)	C class (clean)	C1 class (product)	S class (sip)	Peer group	Benchmark
Quarter	4.1%	4.1%	4.1%	4.1%	4.1%	4.5%
6 month	5.9%	5.8%	5.7%	5.8%	5.6%	4.5%
1 year	10.0%	9.8%	9.6%	9.7%	9.4%	0,00
3 year	7.6%	7.4%	7.2%	n/a	7.2%	5.9%

Costs across classes

	Management fee* (excl. Vat)	Financial planner	Total expense ratio	Transaction charges	Total investment charges
B2 class (lisp)	0.59%	N/a	0.73%	0.01%	0.74%
C class (clean)	0.74%	N/a	0.90%	0.01%	0.91%
C1 class (product)	0.89%	N/a	1.07%	0.01%	1.08%
S class (sip)	0.79%	N/a	0.96%	0.01%	0.97%

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