NEDGROUP INVESTMENTS

See money differently

Quarterly Report:
Nedgroup Investments XS Accelerated 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

NEDGROUP INVESTMENTS

Quarterly report:
Nedgroup Investments

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
90%	Min 7 years	Inflation +6.5%	SA Multi-Asset Flexible	Non-compliant

Risk profile

1 2 3 **4** 5

Fund costs (C – clean class)

Management fee* (Excl. Vat)	Total expense ratio
1.30%	1.36%
Transaction charges	**Total investment charges**
0.15%	1.51%

Benefits of the XS Fund of Funds range

- Competitive pricing
- Diversified across Asset classes
- Investment experts
- Passive and active underlying investments
- 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 1st October 2020 to 30 September 2023.

NEDGROUP INVESTMENTS

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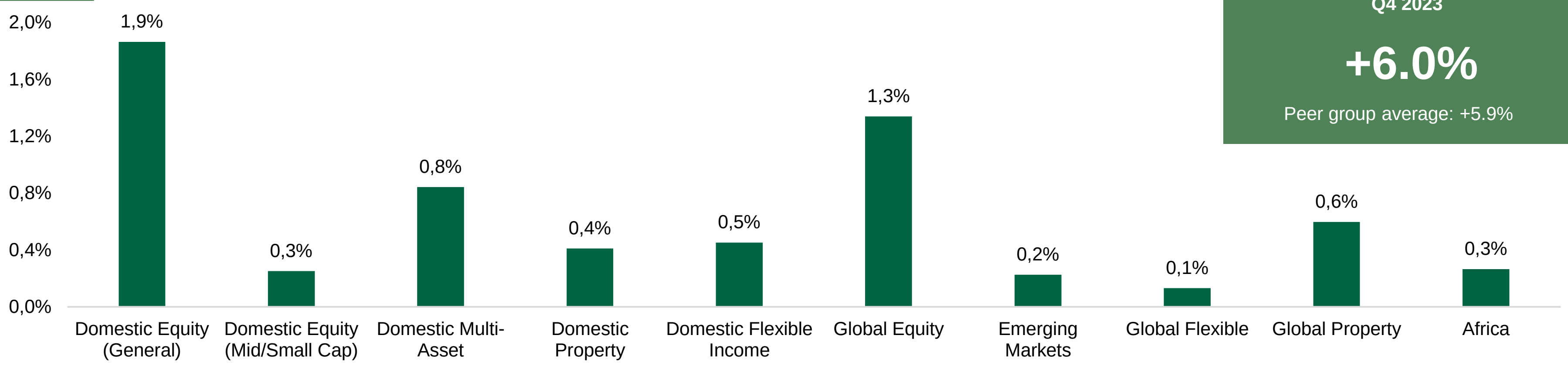
XS Fund of Funds performance contribution – Q4 2023



Q4 2023

+6.0%

Peer group average: +5.9%

Contributors this quarter

Global Equity:

- Our global managers tracked the global equity market higher with manager Veritas a clear outperformer.

Domestic Equity:

- Global equity indices continued their strong run, which supported the local South African market to also push higher in December with the FTSE/JSE Capped SWIX returning 2.9% in the month, ending up 8.2% for Q4 23 and 7.9% for the year. Coronation had a remarkably strong year being the top performing domestic equity manager held within the XS FoF range. Domestic asset managers who had a healthy exposure to the financial sector (up more than 20% this year) and avoided the landmines in the resources sector (like Impala down more than 50%) performed well

Detractors this quarter

Emerging markets:

- While posting positive return for the year, the Nedgroup Investments Global Emerging Markets Feeder (NS Partners), still underperformed peers and other global equity managers. This was consistent with emerging markets having underperformed developed markets in 2023.

Domestic Equity:

- Within the domestic equity carve out, the Nedgroup Investments SA Equity fund (Laurium) had a poor year. Stock selection that detracted include locally listed platinum exposure and Pick ‘n Pay.
- Exposure to the platinum sector detracted as the PGM basket price came under pressure during the year, and counters such as Anglo American Platinum and Impala Platinum underperformed.

Quarterly report:
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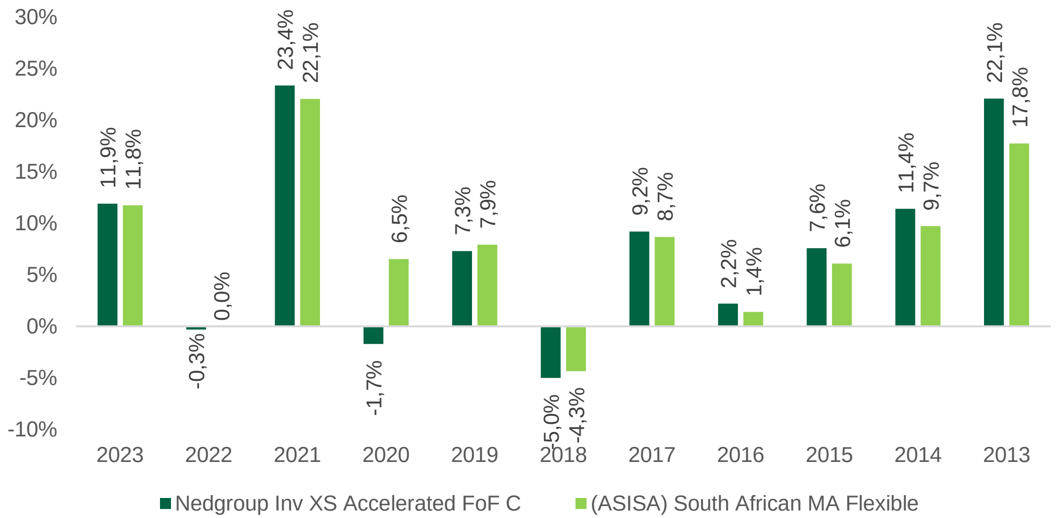
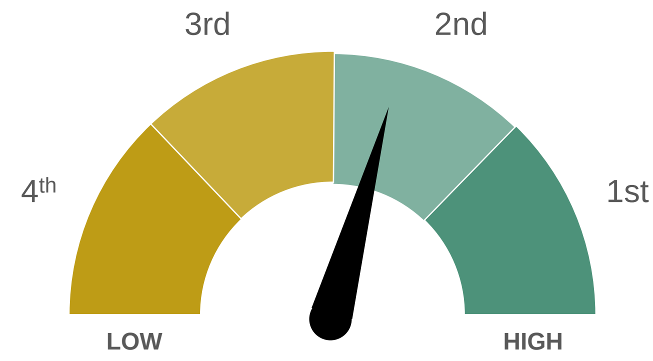
Fund performance (clean class)

Q4'23 return	1yr annualised return	3yr annualised return	5yr annualised return	10yr annualised return
+6.0%	**+11.9%**	**+11.2%**	**+7.7%**	**+6.3%**
Peer group average: +5.9%	Peer group average: +11.8%	Peer group average: +10.9%	Peer group average: +9.4%	Peer group average: +6.8%

Calendar year performance



Peer group quartile ranking: 1yr



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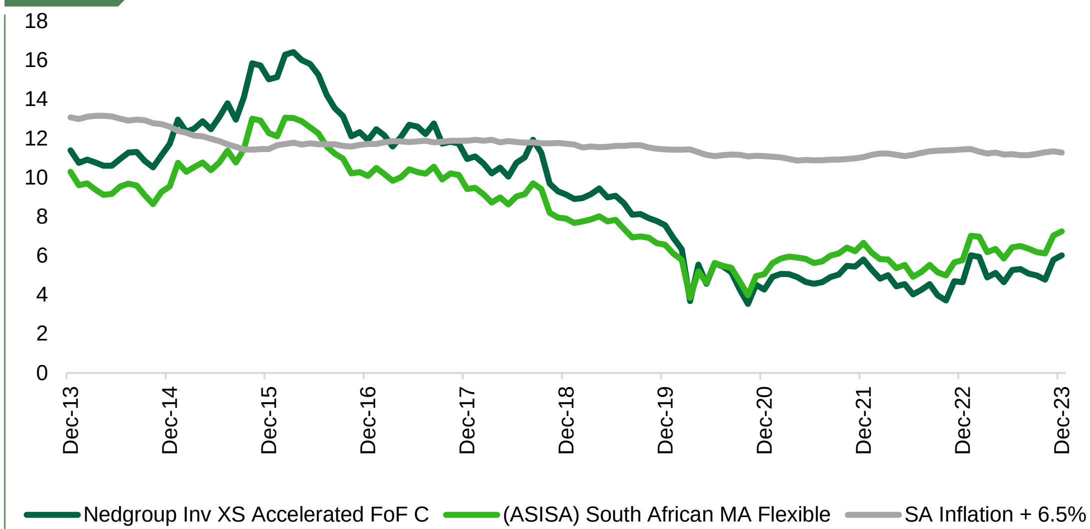
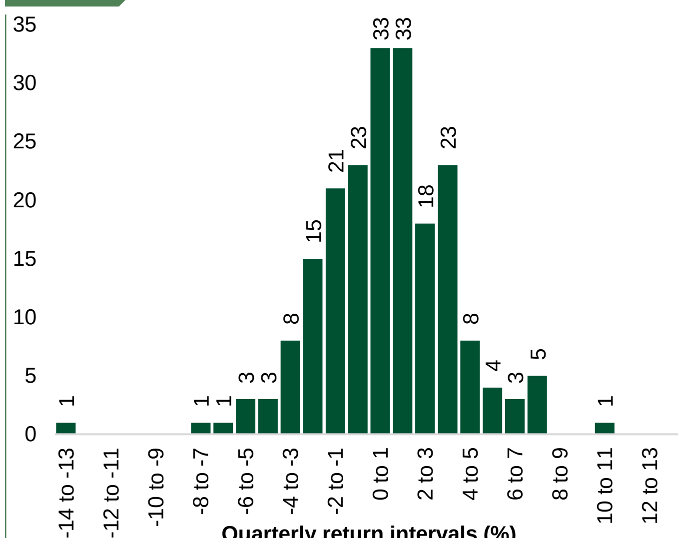
Risk measures since inception

Rolling 7yr return	Volatility	Max drawdown	Sharpe ratio	% Positive months
57%	**10.3%**	**-24.1%**	**0.4**	**63%**
Hit rate: outperforming peer group average	SA equity market: 15.3%	SA equity market: -40.4%	SA equity market: 0.4	SA equity market: 64%

Rolling 7-year annualised return



Quarterly return distribution



as at 31 December 2023

Quarterly report:
Nedgroup Investments XS Accelerated Fund of Funds

Performance across classes

	A Class (all in)	B Class (lisp)	C Class (clean)	Peer group	SA inflation
Quarter	5.7%	6.1%	6.0%	5.9%	1.4%
1 year	10.6%	12.3%	11.9%	11.8%	5.5%
3 year	10.0%	11.6%	11.2%	10.9%	6.1%
5 year	6.5%	8.1%	7.7%	9.4%	5.0%

Costs across classes

	Management fee (excl. Vat)	financial planner	total expense ratio	transaction charges	total investment charges
A Class (all-in)	2.30%	1.00%	2.51%	0.15 %	2.66%
B Class (LISP)	1.00%	N/A	1.01%	0.15%	1.16%
C Class (clean)	1.30%	NA	1.36%	0.15%	1.51%

as at 31 December 2023

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NEDGROUP INVESTMENTS

Quarterly report:
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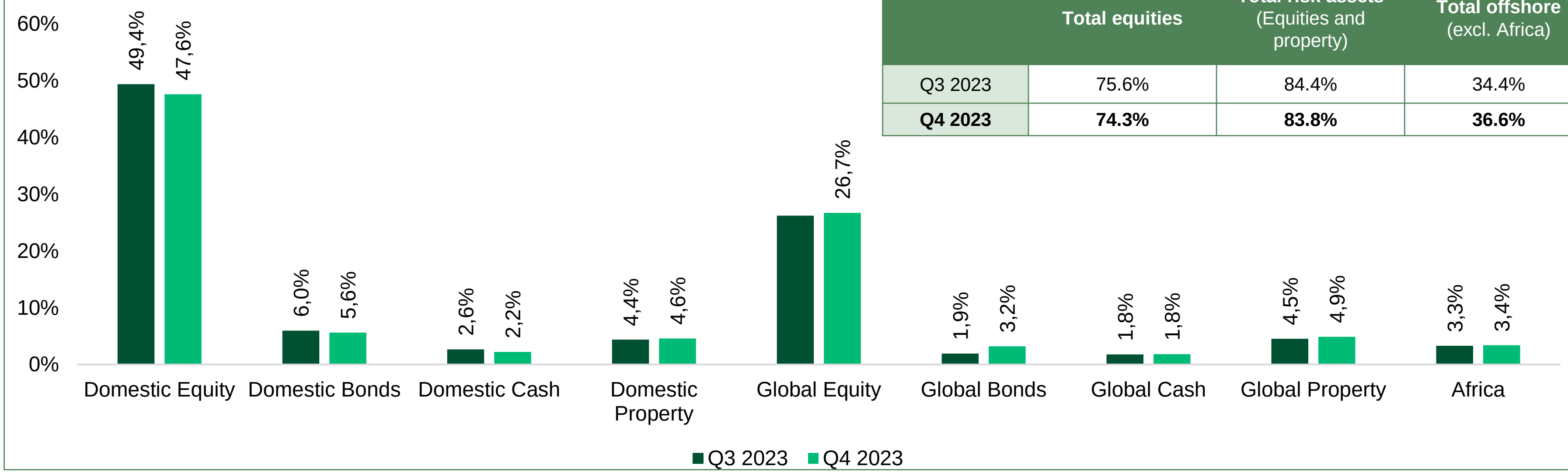
Asset allocation changes

	Total equities	Total risk assets (Equities and property)	Total offshore (excl. Africa)
Q3 2023	75.6%	84.4%	34.4%
Q4 2023	**74.3%**	**83.8%**	**36.6%**



Summary of recent changes

- Maintained a healthy allocation to domestic cash, prioritising capital preservation whilst ensuring that we had sufficient dry power to take advantage of opportunities.
- Retained the overweight position to domestic bonds as we viewed returns in this asset class as attractive, notwithstanding the fiscal risks that prevailed.
- Further increased exposure to global bonds at what we believe to have been one of the first attractive entry points for global bonds in more than a decade.

as at 31 December 2023

NEDGROUP INVESTMENTS

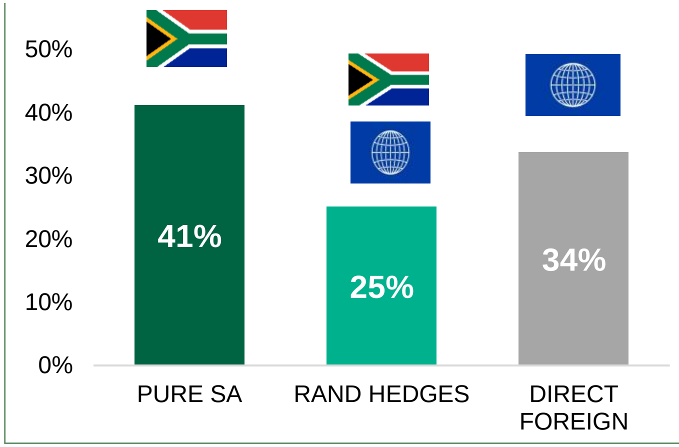
Quarterly report:
Nedgroup Investments XS Accelerated Fund of Funds

Asset allocation

Domestic Equity	Domestic Property	Domestic Fixed Interest
47.6%	4.6%	7.7%

Foreign Equity	Foreign Property	Foreign Fixed Interest	Africa
26.7%	4.9%	4.9%	3.4%

Regional exposure



Top ten holdings (as a % of fund)

Holding	% of fund
Prosus	3.4%
Naspers	2.9%
Standard Bank	2.5%
British American Tobacco	2.2%
Nedbank	2.2%
Anglo American	2.1%
MTN	2.0%
FirstRand	1.8%
Sasol	1.7%
Richemont	1.3%

as at 31 December 2023

Quarterly report:
Nedgroup Investments XS Accelerated Fund of Funds

Domestic asset class positioning

Domestic Equity

Under weight

47.7%

- Reduced exposure is appropriate due to the multitude of headwinds that clouds the investment case to add to equities and risk assets more broadly.
- It is acknowledged that upside surprises (from China recovery amongst other things) may mean that markets continue to be strong for longer. In addition, other idiosyncratic factors may be the catalyst

Domestic Property

Under weight

4.6%

- Maintained an underweight position
- Higher inflation would be a supportive factor, however lower economic growth could put expansion plans on hold, coupled with high costs. escalations, leases etc.
- Not yet the right time to enter as we remain cautiously positioned

Domestic Bond

Over weight

5.6%

- Maintain overweight position
- Global monetary policy expected to move from headwind to tailwind
- SA fiscal position is expected to remain constrained for some time. In addition, national elections in 2024 to be watched closely.
- SA has excellent track record of honouring its debt

Domestic Cash

Over weight

2.1%

- With the focus on capital preservation, cash also provided us with liquidity and the means to take advantage of opportunities that may arise in the current volatile conditions.

Global asset class positioning

Global Equity

Under weight

26.7%

- Slowing economic growth will drag on near term corporate earnings, declining inflation combined with the prospect of cuts in central bank policy rates towards the latter part of the period will support equities and risk assets in general.
- EM will swing back in to favour later in the period, especially once interest rates peak and there is a weaker outlook for the US dollar.

Global Property

Neutral

4.9%

- Selective commercial property segments and the broader infrastructure sectors will benefit from the continued reflation of economies as well as broader structural tailwinds.

Global Bond

Under weight

3.2%

- The case for fixed income has improved over the last 6 months, although starting yields are at low levels, they have shifted upwards towards longer term averages
- Constructive on developed government debt as well as investment grade corporate credit. With a more challenging economic environment default rates could come under pressure for the sub-investment grade segment of the market.

Global Cash

Under weight

1.7%

- Cash positions remain as underlying managers look for compelling idiosyncratic opportunities.

as at 31 December 2023

NEDGROUP INVESTMENTS

Quarterly report:
Nedgroup Investments XS Accelerated Fund of Funds

Domestic: fund manager exposures

Equity General 40.6%

Small/Mid Cap Equity: 4.6%

Property: 3.1%

Passive Multi-Asset: 10.3%

Flexible Income: 5.9%

Offshore and Africa: fund manager exposures

Equity: 18.6%

EM Equity: 3.4%

Multi-Asset: 5.4%

Property: 4.4%

Africa: 3.4%

As at 31 December 2023
The residual balance (out of 100%) is held as domestic cash to provide liquidity

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