



See money differently

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

as at 31 December 2023

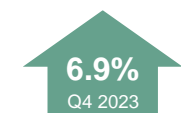
Quarterly report: Nedgroup Investments



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



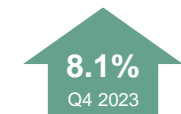
10.2% 1 year

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.

Quarterly report:

Nedgroup Investments Select Defensive Fund of Funds



Fund overview

Max equity

40%

Time frame

Min **3** years

Benchmark

Inflation **+3%**

Peer group

SA Multi-Asset
Low Equity

Regulation 28

Compliant

Risk profile

1

2

3

4

5



Underlying fund structure

20% Active

ALLAN GRAY

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

M&G
Investments

20% Passive

Taquanta



Fund costs (A – clean class)

Management fee* (Excl. Vat)

1.00%

Total expense ratio

1.42%

Transaction charges

0.04%

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. 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 – i.e. the actual figures still reflect that of the Nedgroup Investments Private Wealth Defensive FoF history due to the fund merger.

Quarterly report:

Nedgroup Investments Select Defensive Fund of Funds



Asset allocation

Domestic Equity



18.4%

Domestic Property



2.3%

Domestic Fixed Interest



47.2%

Foreign Equity



18.6%

Foreign Property



0.9%

Foreign Fixed Interest



12.6%



Regional exposure



55%

PURE SA



13%

RAND HEDGES



32%

DIRECT FOREIGN



Top ten equity holdings | 13% of the fund



1.7%



Standard Bank

1.6%



prosus

1.6%

newgold

1.6%



FirstRand

1.3%

ABInBev

1.3%



NASPERS

1.1%

GLENCORE

1.1%



0.9%

RICHEMONT

0.9%

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Fund performance (clean class)

Q4'23 return

5.6%

Peer group average: 5.4%

Ytd return

12.2%

Peer group average: 11.0%

1yr annualised return

12.2%

Peer group average: 11.0%

3yr annualised return

9.8%

Peer group average: 8.5%

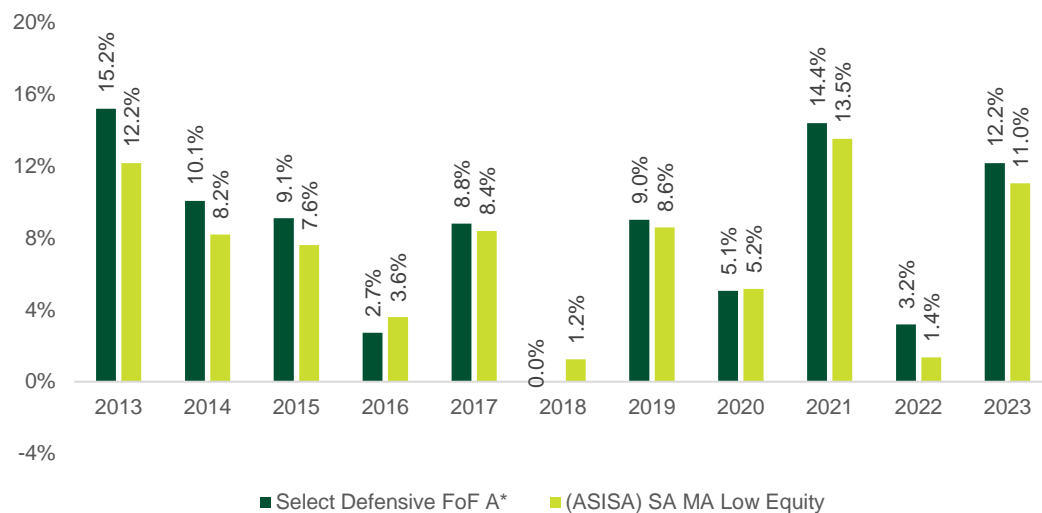
5yr annualised return

8.7%

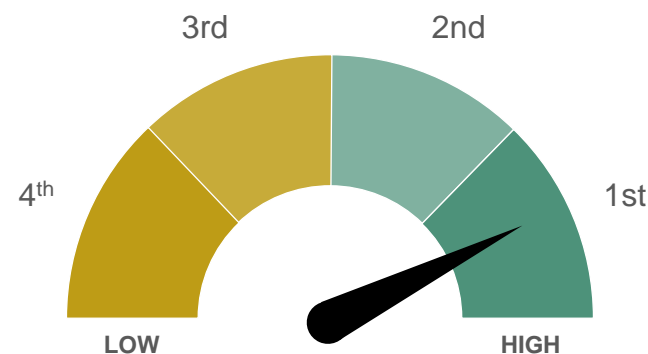
Peer group average: 7.9%



Calendar year performance



Peer group quartile ranking: 3yr



as at 31 December 2023

*Select Defensive FoF A track record displayed in this report includes the XS Select Guarded FoF C class (merged with NPW Defensive FoF and renamed to Select Defensive on 4 June) track record since inception to 31 December 2020, thereafter actual performance the Select Defensive FoF.

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Risk measures since inception

Rolling 3yr return

82%

Hit rate: outperforming
peer group average

Volatility

5.7%

SA equity market: 15.3%

Max drawdown

-11.4%

SA equity market: -40.4%

Sharpe ratio

0.4

SA equity market: 0.3

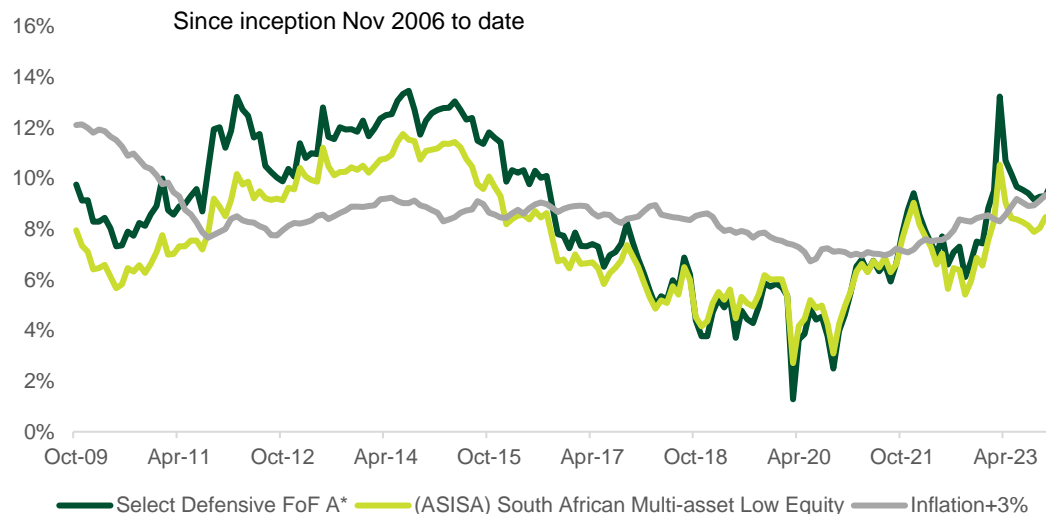
% Positive months

74%

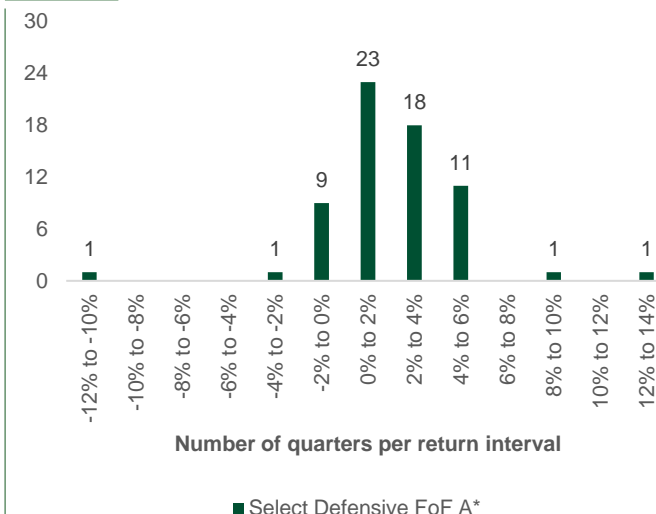
SA equity market: 60%



Rolling 3-year annualised return



Quarterly return distribution



as at 31 December 2023

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Underlying fund performance

Key	2016	2017	2018	2019	2020	2021	2022	2023
Allan Gray Stable	6.4%	11.1%	2.9%	11.1%	11.8%	20.7%	6.3%	14.9%
Coronation Balanced Defensive	4.6%	9.8%	2.6%	9.5%	7.2%	16.5%	3.6%	12.6%
Nedgroup Investments Core Guarded	4.4%	9.6%	2.0%	8.7%	6.4%	15.1%	2.8%	11.2%
Nedgroup Investments Stable	3.9%	7.8%	1.7%	7.1%	3.5%	12.7%	1.0%	10.6%
M&G Inflation Plus	0.4%	7.1%	-4.3%	6.5%	-0.2%	8.6%	0.8%	10.4%



Positive contributors this quarter

- **Coronation** was the top performer in 2023 with the fund's allocation to **global assets** being the largest contributor to performance over the past year. The global equity allocation, coupled with a steady increase in their allocation to global bonds, and the 7% depreciation in the rand relative to the US dollar, were the main drivers of this contribution.
- Within domestic equities, **Standard Bank, FirstRand, Richemont, Textainer, and OUTsurance** were amongst the largest contributors to returns.
- **NewGold**, held by Foord, Coronation and to a lesser extent Allan Gray, rallied in the final quarter of 2023 as gold prices touched an all-time high in December 2023, driven largely by a weak U.S. dollar and expectations the Fed will begin lowering rates.



Detractors this quarter

- **M&G** lagged peers this year with its relative **overweight domestic equity** and underweight global equity the largest detractor. They still favoured SA equities at the end of 2023, although they did take some risk off the table by selling into the fourth quarter's rally and using the proceeds to buy global equities and increase their SA cash holdings.
- **British American Tobacco**, the largest equity position, detracted from performance as the group announced a weakening in profitability from the tobacco sector.
- **ABSA** also lost value in the final quarter of 2023 following a trading update and an overweight to the banking group detracted.

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Performance across classes

	A class (direct)	A1 class (lisp)	A2 class (product)	S class (sip)	Peer group	SA inflation
Quarter	5.5%	5.6%	5.5%	5.5%	5.4%	1.4%
1 year	12.0%	12.2%	11.8%	11.9%	11.0%	5.5%
3 year	9.5%	9.8%	9.6%	N/A	8.5%	6.1%
5 year	7.9%	8.3%	8.1%	N/A	7.9%	5.0%



Costs across classes

	Management fee* (excl. Vat)	Total expense ratio	Transaction Charges	Total investment charges
A class (direct)	1.00%	1.42%	0.04%	1.46%
A1 class (lisp)	0.85%	1.16%	0.04%	1.20%
A2 class (product)	1.15%	1.46%	0.04%	1.50%
S class (sip)	1.05%	1.38%	0.04%	1.41%

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