



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT DIVERSIFIED FUND OF FUNDS

as at 31 March 2019

See money differently

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Domestic asset class returns (ZAR)



SA EQUITY



5.0% 1 year

5.7% 3 years

12.3% LT ave

Global sentiment and commodity prices drove up the index

SA PROPERTY



-5.7% 1 year

-3.8% 3 years

11.8% LT ave

Weak sector fundamentals reflected in recent company results

SA BOND



3.5% 1 year

10.1% 3 years

6.9% LT ave

The positive unchanged decisions by both the SARB and Moody's

SA CASH



6.6% 1 year

6.8% 3 years

5.9% LT ave

Rates remained unchanged



Global asset class returns (USD)



GLOBAL EQUITY



3.2% 1 year

11.3% 3 years

8.5% LT ave

A shift in central bank policy guidance sprang life back to risk assets

GLOBAL PROPERTY



14.3% 1 year

6.7% 3 years

6.7% LT ave

Global REITs supported by falling government bond yields

GLOBAL BOND



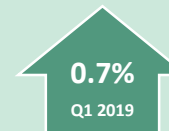
-0.4% 1 year

1.5% 3 years

4.6% LT ave

Relatively lower performance as rate expectations changed

US CASH



2.5% 1 year

1.5% 3 years

4.3% LT ave

Dovish outlook amongst central banks globally



Exchange rates (Rand spot rate and quarterly change)



US DOLLAR

R14.42

0.3%

The US Dollar not as strong due to mixed US economic data



BRITISH POUND

R18.79

2.6%

Sterling strength was a feature, as the likelihood of a hard Brexit diminished



EURO

R16.19

1.5%

The Euro slightly weaker due to economic growth concerns



Domestic performance drivers



HIGHLIGHTS

- The South African Reserve Bank kept interest rates unchanged at 6.75%, partly due to inflation which slowed to 4.1% in February;
- The much-anticipated credit review from Moody's delivered no change in credit rating or outlook;
- The South African equity market delivered one of the best quarters in some time, benefitting from improved global sentiment and a rally in commodity prices.



LOW POINTS

- Load shedding returned and progressed to stage 4, causing consumers and industrial operators much distress;
- The National Energy Regulator of South Africa (NERSA) announced a 9% electricity tariff increase, following Eskom's higher request;
- Further downward adjustments were made to economic growth by different institutions such as the International Monetary Fund, the National Treasury and the South African Reserve Bank.



Global performance drivers



HIGHLIGHTS

- The US government shutdown came to an end, and Trump seems to have moderated his behaviour over recent months;
- Improvement in relationships between the US and China, with the trade talks appearing to be constructive, and both sides suggesting real progress is being made;
- Even though the UK Parliament remained deadlocked over Brexit, it would appear that the probability of an economically damaging hard Brexit has significantly diminished.



LOW POINTS

- Disappointing economic data release and a deteriorating economic outlook, which saw the shift in central bank policy guidance;
- In March, the short end of the bond yield curve inverted, leading to an equity market sell off in that month and a rally in the bond markets. The inversion of the bond yield curve has historically been regarded as one of the early warning signs to trigger a recession;
- Returns from Europe remained weak, representing the epicentre of economic growth concerns and business contending with Brexit's uncertainty.

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Fund overview

MAX EQUITY

75%

TIME FRAME

min **5** years

BENCHMARK

Inflation **+5%**

PEER GROUP

SA Multi-Asset
High Equity

REGULATION 28

Compliant

RISK PROFILE



LOW

MEDIUM

HIGH



Underlying fund structure

20% Active

ALLAN GRAY

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

PRUDENTIAL
INVESTMENT MANAGERS

20% Passive

Taquanta



Fund costs (C – clean class)

MANAGEMENT FEE
(excl. VAT)

1.05%

TOTAL
EXPENSE RATIO

1.32%

TRANSACTION
CHARGES

0.06%

TOTAL
INVESTMENT CHARGES

1.38%



Benefits of the XS Select range

SIMPLE, LOW-COST
SOLUTION



DIVERSIFIED ACROSS
ASSET CLASSES



PASSIVE AND ACTIVE
UNDERLYING INVESTMENTS



QUARTERLY
REBALANCED



TAX
EFFICIENT



ONGOING
DUE DILIGENCE



Allan Gray was introduced at 10% on the 1st of October 2018. Its weight will be increased by 2.5% every quarter until the above fund structure is achieved on 1 October 2019

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Asset allocation

DOMESTIC EQUITY



46.8%

DOMESTIC PROPERTY



5.6%

DOMESTIC FIXED INTEREST



20.9%

FOREIGN EQUITY



22.5%

FOREIGN PROPERTY



0.8%

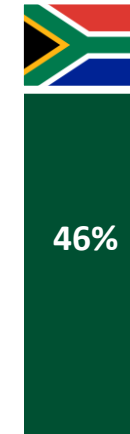
FOREIGN FIXED INTEREST



3.5%



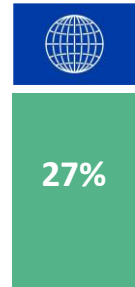
Regional exposure



PURE SA



RAND HEDGES



DIRECT FOREIGN



Top ten holdings



5.3%

RSA R186 BOND

4.7%



3.3%



3.3%



2.7%



2.1%



1.7%



1.5%



1.4%

RSA R209 BOND

1.3%

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Fund performance (clean class)

Q1 '19 RETURN

7.2%

Peer group average: 5.8%

YTD RETURN

7.2%

Peer group average: 5.8%

1YR ANNUALISED RETURN

6.2%

Peer group average: 5.8%

3YR ANNUALISED RETURN

4.0%

Peer group average: 3.8%

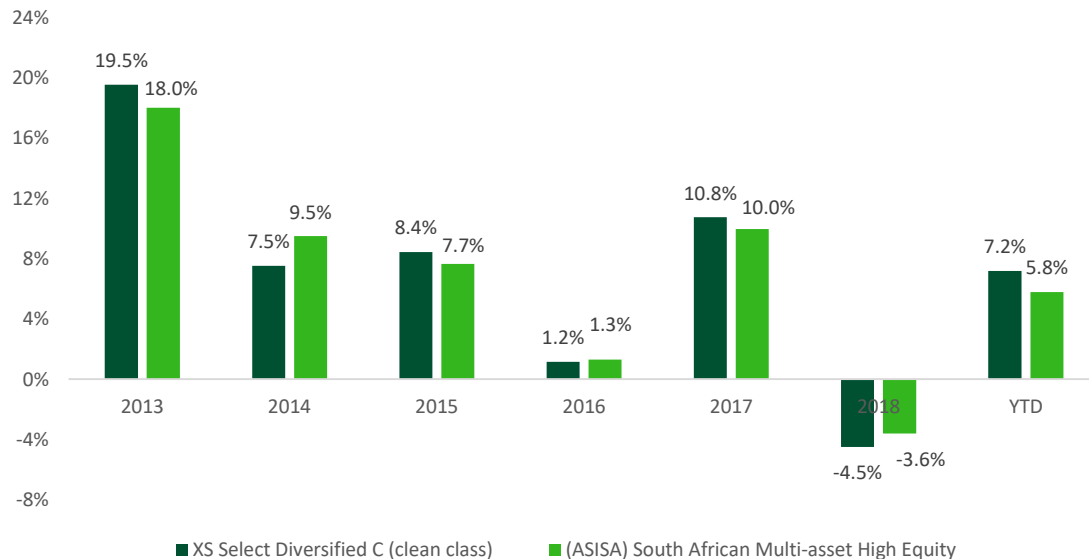
5YR ANNUALISED RETURN

5.4%

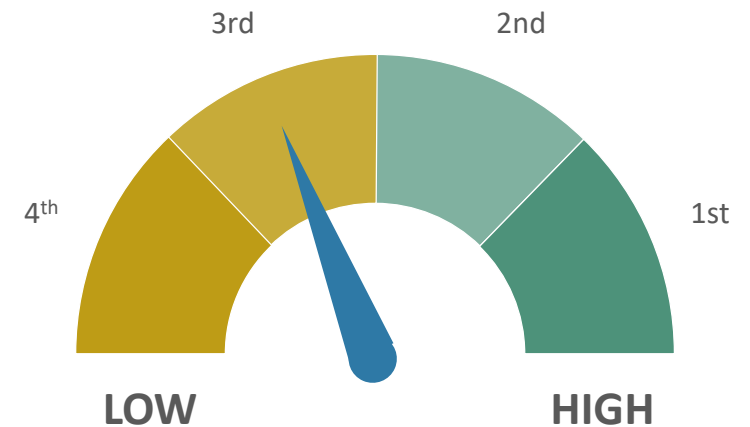
Peer group average: 5.5%



Calendar year performance



Peer group quartile ranking: 5Y



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Risk measures since inception

ROLLING 5YR RETURN

90%

Hit rate: outperforming peer group average

VOLATILITY

8.0%

SA equity market: 14.5%

MAX DRAWDOWN

-17.2%

SA equity market: -40.4%

SHARPE RATIO

0.3

SA equity market: 0.3

% POSITIVE MONTHS

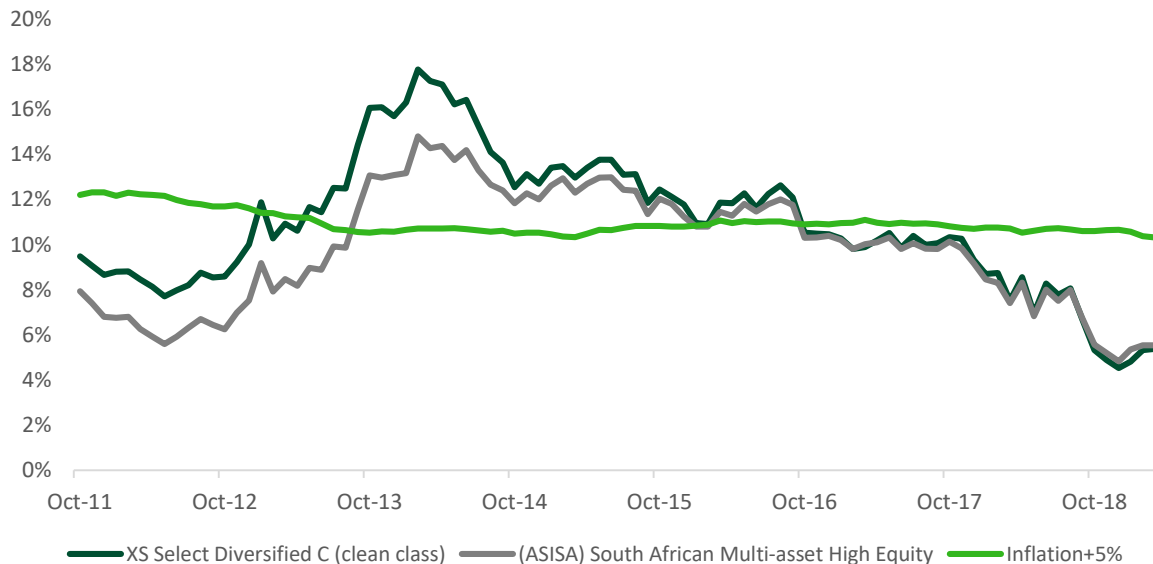
67%

SA equity market: 62%

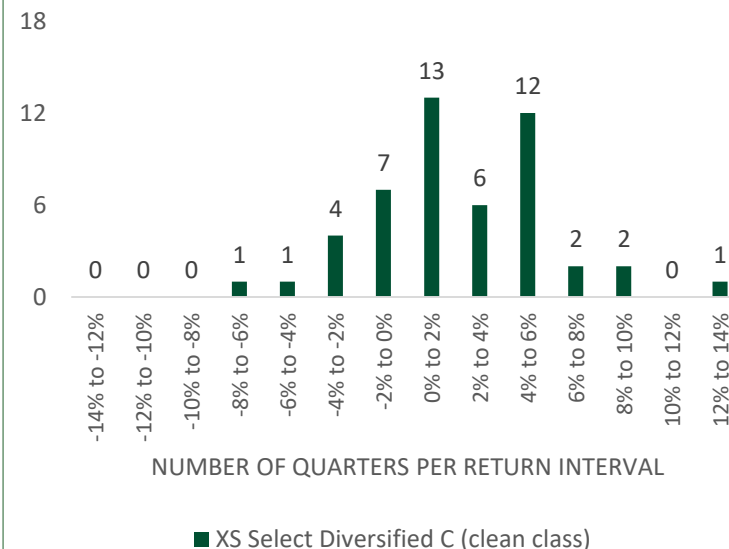


Rolling 5-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution





Underlying fund performance

Key	2015	2016	2017	2018	YTD
Allan Gray Balanced	12.3%	6.3%	12.7%	-2.6%	8.6%
Coronation Balanced Plus	9.2%	4.7%	12.6%	-3.1%	6.8%
Foord Balanced	9.1%	2.6%	12.4%	-3.6%	6.7%
Nedgroup Investments Core Diversified	8.5%	0.5%	11.0%	-3.8%	5.5%
Prudential Balanced	8.1%	-1.0%	6.9%	-6.3%	5.1%



POSITIVE CONTRIBUTORS THIS QUARTER

- The fund's allocation to offshore assets performed well as global equity markets rallied post the sell-off in Q4 2018, with the US delivering its strongest quarter in nearly two decades spurred on by the Fed's more dovish rate stance;
- The portfolio's core rand hedges British American Tobacco (+30%), BHP group (+22%), Naspers (+19%) and CF Rlichemont (12%) contributed meaningfully;
- The R186 government bond rallied 10bps on the final trading day, as the bond market enjoyed a late uptick on the back of Moody's decision not to review SA's sovereign credit rating.



DETRACTORS THIS QUARTER

- Stocks exposed to the local economy came under pressure as corporate earnings disappointed in the lower growth economic environment, with some domestic retailers suffering as a result. Truworths (-19%) and Mr Price (-23%) ended the quarter substantially lower;
- The market had an overly negative view on Aspen, de-rating the stock c.30% on a single day, thereby expressing its concerns around the high levels of gearing in the firm;
- Resources led the strong ALSI return for the quarter, and the fund would've benefitted even more with a higher allocation to this sector.

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Performance across classes

	A CLASS (ALL IN)	B2 CLASS (LISP)	C CLASS (CLEAN)	C1 CLASS (PRODUCT)	PEER GROUP	SA INFLATION
QUARTER	6.9%	7.2%	7.2%	7.1%	5.8%	0.5%
1 YEAR	5.0%	6.4%	6.2%	N/A	5.8%	4.1%
3 YEAR	2.9%	4.2%	4.0%	N/A	3.8%	4.8%
5 YEAR	4.2%	N/A	5.4%	N/A	5.5%	5.1%



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%	0.06%	2.52%
B2 CLASS (LISP)	0.90%	N/A	1.14%	0.06%	1.21%
C CLASS (CLEAN)	1.05%	N/A	1.32%	0.06%	1.38%
C1 CLASS (PRODUCT)	1.20%	N/A	1.48%	0.06%	1.54%



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