



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT EQUITY 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

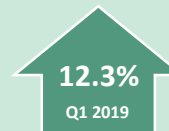
Rates remained unchanged



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

100%

TIME FRAME

min **7** years

BENCHMARK

Inflation **+6.5**

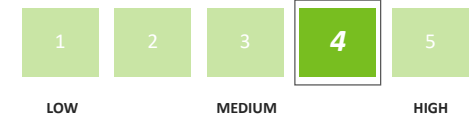
PEER GROUP

SA Multi-Asset
Flexible

REGULATION 28

Non-compliant

RISK PROFILE



Underlying fund structure

20% SA only

ABAX
investments

20% SA only

ALLAN GRAY

20% SA only

FOORD

20% incl. Foreign

CORONATION
FUND MANAGERS

20% incl. Foreign

Investec



Fund costs (C – clean class)

MANAGEMENT FEE
(excl. VAT)

1.39%

TOTAL
EXPENSE RATIO

1.58%

TRANSACTION
CHARGES

0.26%

TOTAL
INVESTMENT CHARGES

1.83%



Benefits of the XS Select range

SIMPLE, LOW-COST
SOLUTION



DIVERSIFIED ACROSS
ASSET CLASSES



DOMESTIC AND GLOBAL
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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Sector allocation

FINANCIALS



27.6%

BASIC MATERIALS



25.6%

CONSUMER GOODS



12.4%

TECHNOLOGY



10.6%

CONSUMER SERVICES



9.0%

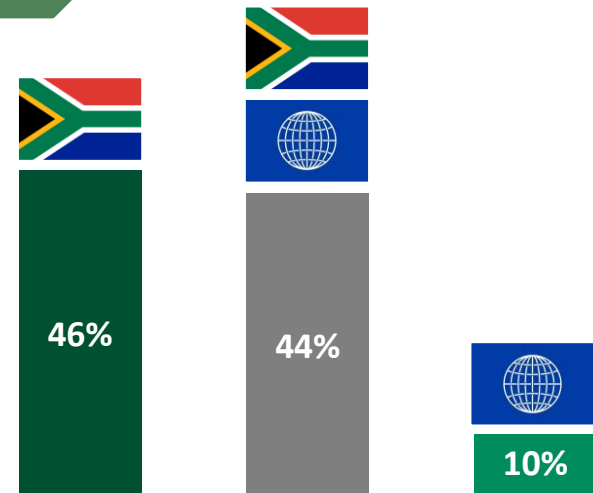
INDUSTRIALS



8.0%



Regional exposure



PURE SA

RAND HEDGES

DIRECT FOREIGN



Top ten holdings



8.3%



5.7%



5.1%



Standard Bank

4.8%



4.5%



4.1%



2.8%



2.4%



2.3%



2.2%

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Fund performance (clean class)

Q1 '19 RETURN

6.2%

Peer group average: 5.8%

1YR ANNUALISED RETURN

0.1%

Peer group average: 1.0%

3YR ANNUALISED RETURN

2.1%

Peer group average: 2.3%

5YR ANNUALISED RETURN

4.7%

Peer group average: 3.7%

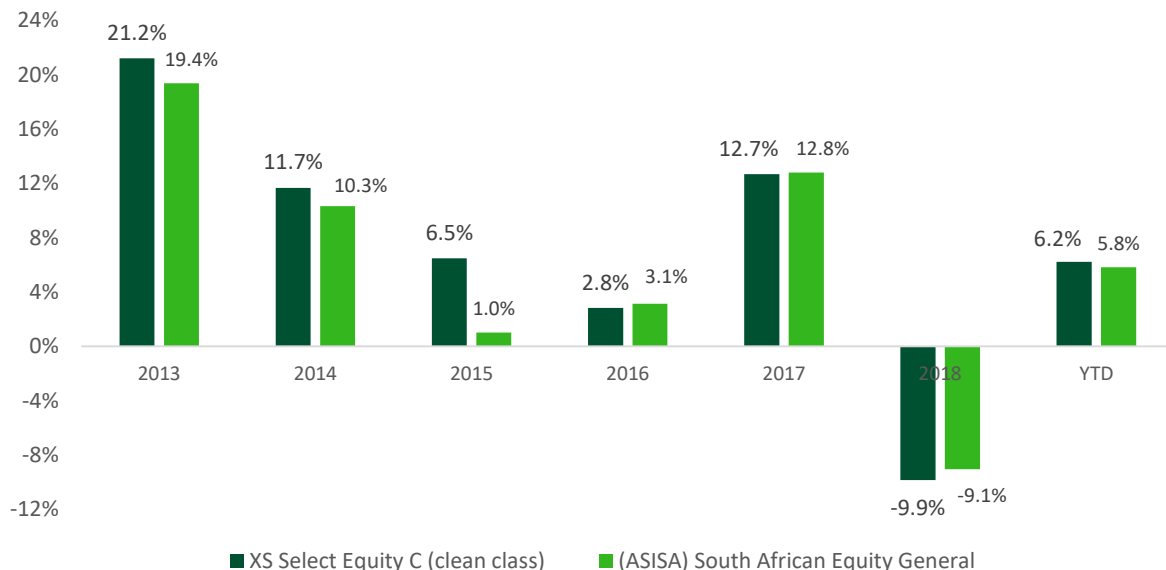
7YR ANNUALISED RETURN

8.7%

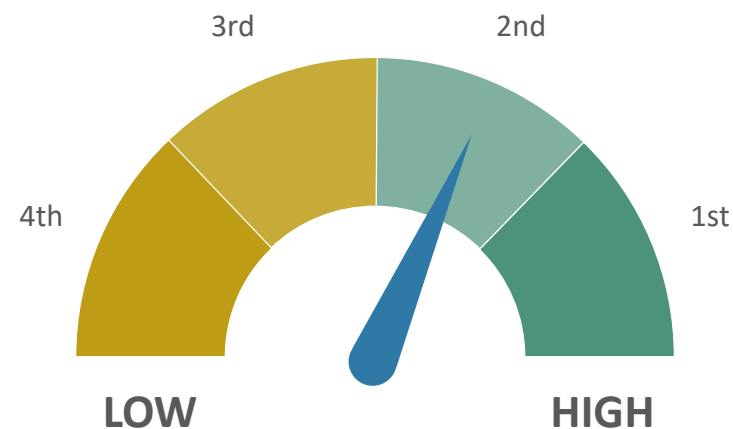
Peer group average: 7.6%



Calendar year performance



Peer group quartile ranking: 7Y



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Risk measures since inception

ROLLING 7YR RETURN

100%

Hit rate: outperforming peer group average

VOLATILITY

11.3%

SA equity market: 14.5%

MAX DRAWDOWN

-29.4%

SA equity market: -40.4%

SHARPE RATIO

0.2

SA equity market: 0.3

% POSITIVE MONTHS

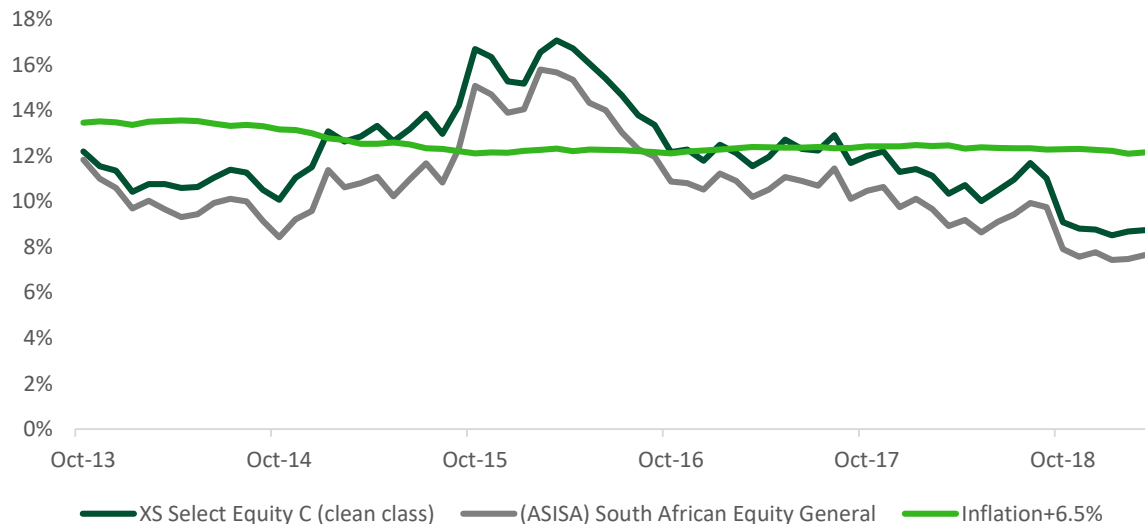
65%

SA equity market: 62%

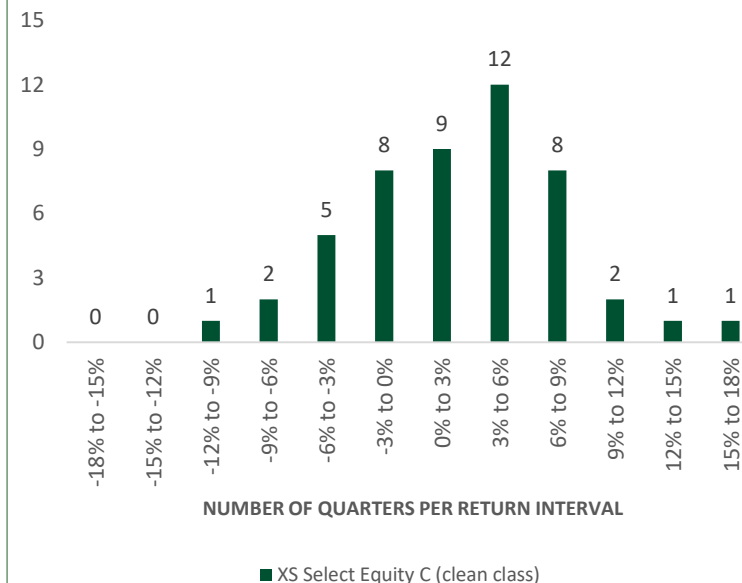


Rolling 7-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution



As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used as the more suitable peer group for comparative purposes

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Underlying fund performance

Key	2015	2016	2017	2018	YTD
Allan Gray SA Equity	14.3%	10.5%	17.3%	-6.5%	10.6%
Coronation Equity	7.8%	9.9%	16.5%	-7.0%	8.7%
Investec Equity	4.7%	3.6%	14.7%	-8.9%	6.4%
Nedgroup Investments Rainmaker	0.4%	1.2%	12.0%	-12.7%	5.2%
Nedgroup Investments Value		-2.0%	7.5%	-12.8%	1.7%



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 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 Richemont (12%) contributed meaningfully;
- The strong commodity price environment, together with favourable interim financial results saw Anglo American (+22%) contributing solidly to performance.



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.



Performance across classes

	A CLASS (ALL IN)	B2 CLASS (LISP)	C CLASS (CLEAN)	C1 CLASS (PRODUCT)	PEER GROUP	SA INFLATION
QUARTER	5.9%	6.3%	6.2%	6.2%	5.8%	0.5%
1 YEAR	-1.0%	0.3%	0.1%	N/A	1.0%	4.1%
3 YEAR	0.9%	2.2%	2.1%	N/A	2.3%	4.8%
5 YEAR	3.6%	N/A	4.7%	N/A	3.7%	5.1%
7 YEAR	7.5%	N/A	8.7%	N/A	7.6%	5.3%



Costs across classes

	MANAGEMENT FEE (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A CLASS (ALL-IN)	2.39%	1.00%	2.72%	0.26%	2.98%
B2 CLASS (LISP)	1.24%	N/A	1.41%	0.26%	1.66%
C CLASS (CLEAN)	1.39%	N/A	1.58%	0.26%	1.83%
C1 CLASS (PRODUCT)	0.54%	N/A	1.74%	0.24%	1.98%



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