

Investment review

Investment philosophy

A successful investment strategy is based on a few simple principles. Investors should invest with a clear objective in mind, in well-diversified portfolios and should make use of some of the leading portfolio managers available. Investors should also focus on increasing their wealth over the long term in a rational and clearly thought through manner, rather than getting caught up in the destructive short-term emotional approach that is so prevalent in investments markets. The XS Select Guarded Solution's investment approach is based on these principles and is structured as a Fund of Funds with a combination of four South African multi-asset low equity funds in equal weights. Both the underlying funds as well as the overall fund of funds portfolio are compliant with Regulation 28 of the Pension Funds Act.

About Nedgroup Investment Advisors

Nedgroup Investment Advisors is licensed as a discretionary financial services provider under FSP license number 1652 in terms of the Financial Advisory and Intermediary Services Act (FAIS). It forms part of a group of companies that represents Nedbank's investment management capabilities and are all branded "Nedgroup Investments".

Solution objective

A sound investment objective should provide clarity on the following elements: the desired real return, the risk involved in achieving that return and the minimum time horizon over which the return is likely to be achieved. The investment objective of the XS Select Guarded Fund of Funds is to secure the steady growth of income as well as the preservation of capital.

Target return: The solution aims to outperform local inflation by 3% per annum after fees

Time horizon: The minimum recommended time horizon for this solution to achieve its targeted return on a consistent basis is 3 years.

Risk rating:



Risk reward profile

Equity and property investments are volatile by nature and subject to potential capital loss. For credit and income instruments, while unlikely, capital loss may also occur due to an event like the default of an issuer. The portfolio may be subject to currency fluctuations due to its international exposure.

Target market

Investors for whom a balanced risk-orientated investment policy is appropriate.

Asset allocation

The asset allocation for this solution has changed as follows:

Asset class	Likely weighting	Actual weighting			
		June 2017	September 2017	December 2017	March 2018
Local equity	0 – 40%	21%	21%	22%	21%
Local fixed interest	50 – 75%	47%	47%	46%	46%
Local property		7%	8%	9%	8%
Foreign equity	0 – 25%	16%	16%	16%	16%
Foreign fixed interest		8%	7%	7%	7%
Foreign property		1%	1%	1%	1%

Nedgroup Investments XS Select Guarded Fund of Funds C Class

Manager allocation

The allocation for this solution at 31 March 2018 is as follows:

Investment house	Portfolio name	Weighting
Foord Asset Management	Nedgroup Inv Stable Fund	25%
Taquanta Asset Management	Nedgroup Inv Core Guarded Fund	25%
Coronation Fund Managers	Coronation Balanced Defensive Fund	25%
Prudential Portfolio Managers	Prudential Inflation Plus Fund	25%

** The above mentioned investment houses are authorised as Financial Service Providers under FAIS.*

Please note that as of 1 March 2013, the XS Select Guarded Fund of Funds was restructured to its current four-way equally weighted allocation.

¹Performance

The performance for this solution for the period 1 November 2006 to 31 March 2018 is reflected in the table and graph below:

Performance till end March 2018	Solution [Class C]	Benchmark (CPI +3%)
1 year	4.9%	7.2%
3 years (annualised)	5.0%	8.9%
5 years (annualised)	7.7%	8.6%
7 years (annualised)	9.1%	8.8%
Since inception (annualised)	9.1%	9.3%
Lowest 1 year return	-2.6%	-
Highest 1 year return	20.4%	-

**The annualized total return is the average return earned by an investment each year over a given time period.*

Nedgroup Investments XS Select Guarded Fund of Funds C Class

General information

ASISA Category	South African Multi Asset Low Equity
Inception date	1 November 2006
Fund size	R1 849m
Unit price at 31 March 2018	1 707.15 cents per unit
Income distribution	
Frequency	Quarterly
Latest distribution	As at 31 March 2017: 20.02 cents per unit
Previous 12 months	57.10 cents per unit
Fees	
Initial financial planner fee (excl. VAT)	Maximum 3% commission
Annual management fee (excl. VAT)	0.95% per annum: - Includes the underlying funds' annual fees.
Annual financial planner fee (excl. VAT)	0%-1% per annum
Total expense ratio	1.46%
Transaction costs	0.05%
Total investment charges³	1.51%

Mandatory disclosures:

1. Performance is calculated for the fund and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax.
2. Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website.
3. Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs (TC), expressed as a percentage of the Fund, relates to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investments costs of the Fund. Both the TER and TC of the Fund is calculated over period of 3 years on an annualised basis, beginning 1 January 2015 and ending 31 December 2017.

Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A fund of funds may only invest in other unit trust funds that levy their own charges, which could result in a higher fee structure. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments.

The Standard Bank of South Africa Limited is the registered trustee. Contact details: Standard Bank, Po Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investments unit trust funds. It is a member of the Association of Savings & Investment South Africa (ASISA).

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