

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 the most appropriate investment managers available. Investors should also focus on increasing their real 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 investment markets.

About Nedgroup Investment Advisors

Nedgroup Investment Advisors Limited (NIA) 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 is a wholly owned subsidiary of Nedgroup Investments, a division of Nedbank Group Limited. NIA was established to house the multi-manager investment expertise of Nedgroup Investments.

Solution objective

A sound investment objective should provide clarity on three elements: the desired 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 Guarded Solution is to secure the steady growth of income as well as preservation of capital.

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

Risk: The risk of the investment solution is determined by looking at the probability of negative returns (with 95% confidence) over different time periods, as outlined in the table below:

Period	Probability (per period)
One year	Once in 13 years
Three years	Unlikely
Five years	Highly unlikely

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

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.

Asset allocation

The asset allocation for this solution has changed over the past four quarters as follows:

Asset class	Likely weighting	Actual weighting			
		March 2017	June 2017	September 2017	December 2017
Local equity	20 – 40%	15%	14%	17%	19%
Local fixed interest	40 – 70%	58%	56%	54%	53%
Local property		6%	6%	6%	6%
Foreign equity	0 – 20%	11%	13%	12%	12%
Foreign fixed interest	0 – 10%	8%	9%	9%	8%
Foreign property		2%	2%	3%	2%

Investment approach

The XS Guarded Solution achieves its objective through investment in a diversified portfolio of local equity, local fixed interest, foreign equity and foreign fixed interest portfolios. The solution is structured as a Fund of Funds. The asset allocation for the solution is determined by Nedgroup Investment Advisors who seeks to achieve optimal diversification of the asset classes by making use of proprietary research and portfolio optimiser tools. A strategic asset allocation is set for the solution and tactical asset allocation changes are made when deemed appropriate. Given the time horizon over which the solution aims to achieve its objective, there are unlikely to be dramatic changes to the asset allocation.

Manager allocation

The manager allocation for this solution at 31 December 2017 is as follows:

Mandate	Investment manager	Investment house	Weight
Local equity	Anthony Sedgewick	Abax Investments	11%
Local equity	Dave Foord	Foord Asset Management	7%
Local flexible	Team Approach	Truffle Asset Management	5%
Local income	Rashaad Tayob	Abax Investments	30%
Local property	Ian Anderson	Grindrod Asset Management	4%
Local cash	Team Approach	Taquanta Asset Managers	14%**
Local bonds	Team Approach	Taquanta Asset Managers	10%
Foreign equity	Andrew Headley & Charles Richardson	Veritas Asset Management (UK)	9%
Foreign flexible	Steven Romick	First Pacific Advisors	8%
Foreign property	Andrew Parsons	Resolution Capital	3%

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

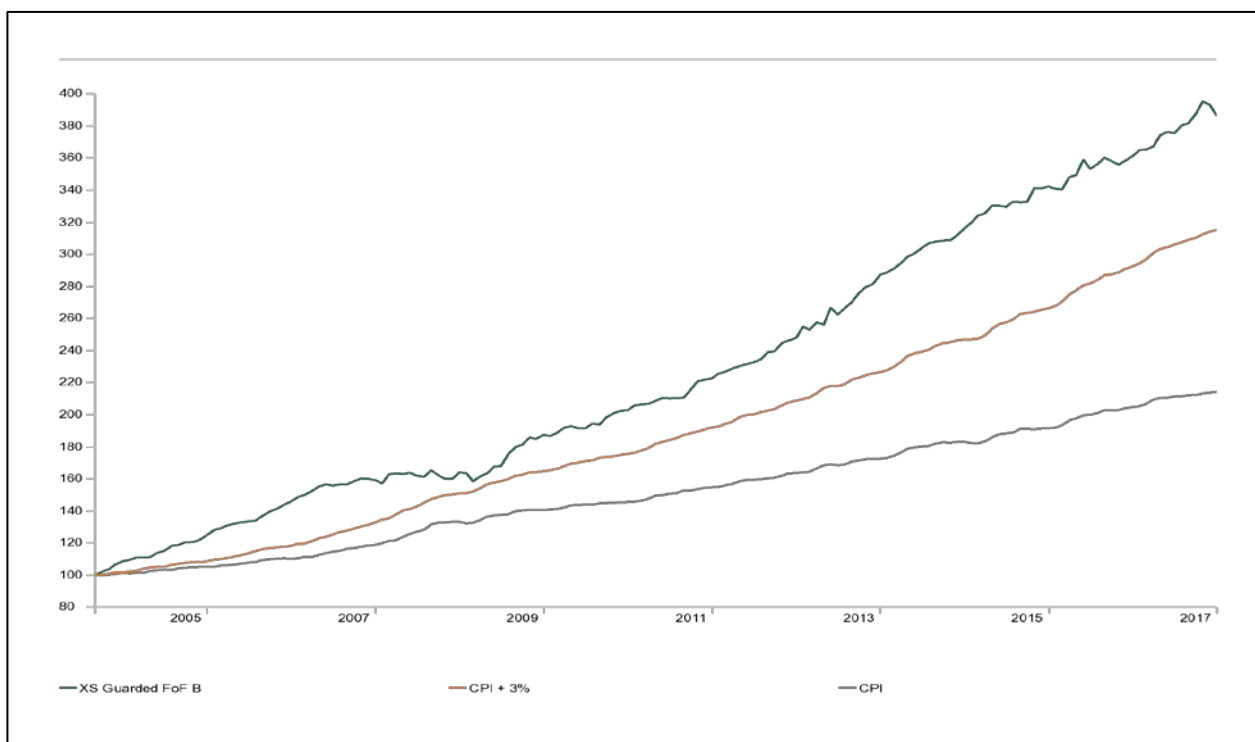
** This includes an exposure of 1% to the Nedgroup Investments Core Income ABIL Retention Fund

Performance

The performance for the period 1 September 2004 to 31 December 2017 for this solution is reflected in the table and graph below:

Period till end December 2017	Solution [Class B]	Benchmark (CPI + 3%)
1 year	6.9%	7.8%
3 years (annualised)	6.9%	8.5%
5 years (annualised)	9.3%	8.6%
7 years (annualised)	9.6%	8.7%
10 years (annualised)	9.3%	9.0%
Since inception (annualised)	10.7%	8.9%
Lowest 1 year return	-2.7%	-
Highest 1 year return	19.2%	-

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



Source: Morningstar Direct

The investment performance is for illustrative purposes only; the investment performance is calculated by taking the actual fees into account for the amount shown; and income is reinvested on the reinvestment date.

Administrative details

ASISA Category	South African Multi Low Equity
Inception date	1 September 2004
Fund size	R1 289m
Unit price at 31 December 2017	2 098.56 cents per unit
Income distributions	
Frequency	Quarterly
Latest distribution	31 December 2017: 23.36 cents per unit
Previous 12 months	105.83 cents per unit
Fees	
Initial financial planner fee (excl. VAT)	Maximum 3% commission
Annual management fee (excl. VAT)	1.00% per annum - Includes the underlying funds' annual fees.
Annual financial planner fee (excl. VAT)	0% - 1% per annum
Total expense ratio	1.13%
Transaction costs	0.07%
Total investment charges³	1.19%

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 October 2014 and ending 30 September 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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