



NEDGROUP
INVESTMENTS

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XS
SELECT

QUARTERLY
REVIEW

Quarter Four
2017

Nedgroup Investments

XS Select Quarterly Review

Quarter Three, for the period ended December 2017

Part one: Market review

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This section provides a market review, which looks at the performance over the past quarter of local and global asset classes, as well as currencies, and puts this into perspective relative to longer-term performance. The purpose of this review is to provide a context in which the performance of the investment solutions in which your clients are invested can be assessed.

Part two: Investment solutions' performance

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This section provides an overview of the performance of the investment solutions in which your clients are invested. This is a high-level performance review over both shorter and longer time periods.

Part three: Fund Fact Sheets

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This section includes the latest fund fact sheets of the investment solutions

Part one: Market review

The table below provides a review of key local and international investment indicators for the past quarter, as well as over longer periods.

South African asset classes (in rands)

(Performance over periods to 31 December 2017)

Asset class	Indicator	3 months	1 year	3 years	5 years	LT-average*
Equities	All Share Index	7.4%	21.0%	9.3%	11.9%	12.5%
Property	Listed Property Index	8.3%	17.2%	11.7%	13.9%	12.2%
Bonds	All Bond Index	2.2%	10.2%	6.9%	6.3%	6.9%
Cash	STeFI Call	1.7%	6.9%	6.5%	5.9%	5.9%
Inflation	CPI (one month in arrears)	0.9%	4.6%	5.3%	5.4%	5.7%

Source: I-Net and Nedgroup Investments

Global asset classes (in dollars)

(Performance over periods to 31 December 2017)

Asset class	Indicator	3 months	1 year	3 years	5 years	LT-average*
Equities	MSCI AC World Index	5.8%	24.6%	9.9%	11.4%	8.6%
Property	S&P Developed Property Index	3.9%	13.2%	6.4%	8.0%	7.2%
Bonds	JPM Global Bond Index	1.3%	9.5%	1.3%	0.3%	4.6%
Cash	US 3-month deposits	0.3%	1.1%	0.6%	0.4%	4.4%
Inflation	US CPI (one month in arrears)	0.5%	2.2%	1.5%	1.4%	3.0%

Source: I-Net and Nedgroup Investments

Currencies

(Performance over periods to 31 December 2017)

Currency	Value at 31/12/2017	3 months	1 year	3 years	5 years	LT-average*
Rand / Dollar	12.38	8.3%	9.5%	-2.3%	-7.9%	-5.5%
Rand / Sterling	16.75	7.6%	0.9%	2.5%	-4.0%	-4.1%
Rand / Euro	14.87	6.9%	-3.1%	-2.0%	-5.9%	-5.5%

Source: I-Net and Nedgroup Investments

* Updated annually from 1900, or longest available period

Returns for periods longer than 12 months are annualised.

Rand strength is reflected as a positive performance, while a negative performance number indicates Rand weakness

International market commentary

The final quarter provided a solid end to what was an already strong year for investors. Better than expected economic data releases confirmed that the synchronised cyclical economic upswing remains on track, and is probably set to accelerate in 2018. As was the case throughout the year, financial market volatility remained unusually low, reflecting the improved global economic outlook and the continued anaesthetising effect of central bank bond buying. The improved outlook encouraged some central banks to edge towards a less supportive stance, with the Federal Reserve and Bank of England raising interest rates and the European Central Bank reducing its monthly target of bond purchases.

Political events dominated the headlines. In Asia, the 19th Chinese Party Congress confirmed President's Xi's growing power, while also mapping out China's high level political and economic priorities for the next five years. Also in Asia, the pro-growth incumbent Prime Minister Shinzo Abe received a resounding vote of confidence as his party was re-elected, setting the scene for a continuation of established policies.

In the US, Trump chose to back Jerome Powell to replace Janet Yellen as the Federal Reserve's FOMC Chairperson when her term comes to an end in February 2018. Since Powell's views on monetary policy are very similar to Yellen's (i.e. he is also a dove), the markets saw him as a "continuity candidate" who is unlikely to steer the FOMC away from its current path. Another notable event was the US Senate's narrow passing of the Tax Cuts and Jobs Act, which looks likely to be the largest overhaul of the US tax system since 1986. The most important element for financial markets is the cut to the corporate tax rate from 35% to 21%, which will boost most the net income of most companies. Additionally, the Act should also provide a strong incentive for US corporates to repatriate cash held in foreign bank accounts, which would enhance their ability to raise dividends and boost share buy-backs.

Events in Europe were less supportive. While Merkel tried and failed to form a workable coalition after the German election, the Catalanian government made an audacious bid for independence which was quickly snuffed out as the Spanish government moved aggressively to contain any prospect of the region's secession. Elsewhere, the UK and the EU reached an agreement of sorts on the three "phase one" Brexit issues relating to the divorce bill, citizens' rights and the Irish border. While this represented a degree of progress, the story is far from over as the two protagonists will now move to the even more contentious second round of talks on trade and security. On the face of it, events so far suggest that the UK is on a path towards a "Soft Brexit". However, this will not sit well with the so called "Hard Brexiteers" within the UK Government and Conservative Party, suggesting there is plenty more Brexit anxiety ahead.

Equity markets rose by +5.7% over the quarter when measured using the MSCI All Country World Index in US dollars. Among the majors, the best performers were Asia ex Japan (+8.2%) and Global Emerging Markets

(+7.4%), while Europe ex UK (+0.9%) was the biggest laggard. At the sector level, cyclicals tended to outperform, with information technology (+8.2%), materials (+8.0%) and consumer discretionary (+7.8%) doing well, while more defensive areas such as utilities (-0.1%) and healthcare (+1.3%) disappointed. In terms of style, growth (+6.6%) outpaced value (+5.0%), while smaller and larger companies were tied on +5.7%.

In comparison to equities, fixed income markets were relatively subdued, even though most areas managed a positive return. The best returns were seen at the quality end, with the JP Morgan Government Bond Index rising +0.8%, while the Merrill Lynch Global Investment Grade Corporate Bond Index managed +1.2%. In other areas, the Merrill Lynch Global High Yield Bond Index rose +0.6% and the JP Morgan Global Emerging Market Bond Index delivered +0.5% (all in hedged to US dollar terms).

Encouraging economic data and an improving demand supply balance in oil helped commodities put in a spirited performance over the quarter, with the Bloomberg Commodity Index rising +4.7%, led by crude oil (+16.0%) and industrial metals (+10.7%). Other sub-sectors were relatively quiet, with gold up +1.9% and agriculture declining -2.0%.

The major currency markets were relatively quiet over the fourth quarter. Against the dollar, the yen was flat, and the euro and pound rose +1.8% and +1.0% respectively. Emerging Market currencies saw bigger moves, with one of the stand-out performers being the South African rand (+8.5% versus the US dollar), which responded positively to the election of Cyril Ramaphosa as the new ANC leader. Elsewhere, uncertainty about the North American Free Trade Agreement negotiations undermined the Mexican peso as it fell -8.5% against the US dollar.

Notes: All quarterly data is quoted in US dollar terms unless otherwise stated.

Local market commentary

After an extended period of highly depressed local confidence by both business and consumers, a slight recovery was experienced in the latest Business Confidence Index reading that was released on 6 December 2017 by the South African Chamber of Commerce and Industry (SACCI). This positive surprise was believed to have been brought about by business leaders expecting some degree of clarity in domestic policies in anticipation of Cyril Ramaphosa's win ahead of the ANC elective conference; combined with the continued support of global fundamentals. South African companies have been uncertain about domestic government policies and hence chosen not to expand operations locally; providing very little new fixed direct private investment into the economy. This type of investment is vital in terms of providing a stimulus to the economy to grow and provide employment. The South African economy continues to benefit from a healthy external global environment; with GDP growing by 2% quarter-on-quarter in Q3 2017, slightly ahead of expectation.

The growth was selective, rather than broad-based, supported by the dominant contribution from the agricultural sector and the continued strength from mining and manufacturing.

This glimmer of hope was dampened when Markus Jooste, the CEO of Steinhoff, announced his resignation after being at the helm of this business for over 25 years. This was as a result of the Board of Directors revelation about the discovery of new information around accounting malpractices, on top of other ongoing accusations by the German regulators with regards to tax related investigations. A hefty 70% was wiped off the share price overnight, with further losses to following several days. Once the dust had settled, well over \$10 billion (R130 billion) had been wiped off Steinhoff's market capitalisation. Investors have chosen to remain cautious as more information is brought to the fore.

Some hope was injected in the country when Cyril Ramaphosa was subsequently elected as the new ANC president; with the rand sharing in the euphoria and strengthening by over 9% against the US dollar in December alone. This despite the composition of the ANC leadership depicting a compromised win that may possibly cause a challenge in the implementation of reforms.

The other major political event that dominated the news was the witnessing of a new era being ushered in our neighbouring country, Zimbabwe. It saw Robert Mugabe resign after a week of intense pressure via a military take-over and ending his 37-year reign as president.

Also in the last quarter of 2017, the poor state of the South African economy was reinforced by the Minister of Finance, Malusi Gigaba, during his Medium-Term Budget Policy Statement. The impact was evident in the shortfall of revenues most notably in personal income tax collection which threatens to widen the budget deficit as well as a meaningful increase in funding requirements including the recapitalisation of state-owned enterprises.

The lack of a credible plan to promote fiscal consolidation left the credit rating agencies with renewed concerns, causing S&P to downgrade South Africa's local and foreign currency debt by one notch each, formally moving the country to sub-investment grade and the outlook to stable from negative. Moody's opted to put the country on review for downgrade, to be concluded in a 90-day review period, highlighting the importance of the February 2018 budget speech to be presented in their analysis.

The South African Reserve bank disappointed the market and kept interest rates unchanged at 6.75%, quoting the main reasons as an increase in its inflation forecast coupled with uncertainty regarding several other inflation drivers. The decision was not unanimous as the vote was split 50/50 for keeping rates unchanged or cutting them by a further 25 basis points.

The domestic market has, for the most part of the year, on the back of a very strong global market been resilient. The South African All Share Index ended the year with a positive 21% return and for the last quarter to December the JSE produced 7.4%. The strengthening of the rand over the quarter hurt rand-hedge

industrial stocks as well as the offshore portion of most South African investors' portfolios. The best performing equity sectors over the last quarter have been those that are more exposed to domestic demand on expectations that Cyril Ramaphosa will bring a favourable political and policy shift in the country. These include the interest-rate sensitive assets; with the banks (+28.3%), retailers (+22.6%), financials (+16.0%) and mid-cap stocks (+11.6%) being the strong performers. South African bonds, also supported by the Ramaphosa win and the subsequent strengthening of the rand, returned 10.2% for the year and 2.2% for the quarter. Listed property returned 8.3% for the quarter, while cash returned 1.8%.

Part two: Investment solutions' performance

XS Select Equity FoF Class C

As at 31 December 2017		Q4 2017	1 year	2 year	3 year	5 year	Inception*	Volatility*
Fund of Funds	XS Select Equity	3.9%	12.7%	7.6%	7.2%	10.8%	10.7%	11.3%
Benchmark	Inflation + 6.5%	2.5%	11.4%	12.5%	12.2%	12.3%	13.0%	n/a

XS Select Diversified FoF Class C

As at 31 December 2017		Q4 2017	1 year	2 year	3 year	5 year	Inception*	Volatility*
Fund of Funds	XS Select Diversified	1.8%	10.8%	5.8%	6.7%	9.3%	9.9%	7.8%
Benchmark	Inflation + 5%	2.1%	9.9%	10.9%	10.6%	10.7%	11.4%	n/a

XS Select Guarded FoF Class C

As at 31 December 2017		Q4 2017	1 year	2 year	3 year	5 year	Inception*	Volatility*
Fund of Funds	XS Select Guarded	1.2%	8.8%	5.7%	6.8%	9.1%	9.5%	4.5%
Benchmark	Inflation + 3%	1.6%	7.8%	8.8%	8.5%	8.6%	9.3%	n/a

* From 1 November 2006. Returns for Class A are used prior to launch of Class C, adjusted to an equal fee basis. Returns for all periods greater than one year are annualised.

Portfolio performance

The XS Select Fund of Funds performed well relative to its inflation benchmarks during 2017, but December was a dramatic end to the year. The Steinhoff debacle and the significant Rand strength surprised many investors.

Steinhoff fell from R 56.26 at the end of November to R 4.65 at the end of December, ending the year down 93%. XS Select Equity was the hardest hit by Steinhoff holding 2.3% at the end of November, followed by XS Select Diversified at 1.8% and XS Select Guarded at 0.8%. Since the ultimate outcome for Steinhoff remains very uncertain, the underlying fund managers of the XS Select Fund of Funds did not use the weakness in share price to increase their exposure and have simply maintained their now immaterial positions.

The Rand strengthened 9.4% to the US Dollar in December 2017, predominantly driven by the orderly election of Ramaphosa as the new ANC president. Even though this is a positive outcome for South Africa, the stronger Rand had a negative impact on the performance of the Fund of Funds' offshore exposure and locally held rand hedges. XS Select Guarded and XS Select Diversified held 25% offshore at the end of November, and XS Select Equity 12%. Investing in international markets remains a key diversification benefit for all the Fund of Funds and the level of exposure is not determined by short-term movements in the Rand.

Nedgroup Investments XS Select Equity Fund of Funds ('XS Select Equity')

XS Select Equity returned +3.9% for the quarter and +12.7% for the year. At face value, 2017 was an easy year for equity managers with the All Share Index up 21%, but this strong performance was not broad-based at all. The biggest outlier for the year was Naspers up +71% contributing +12% to the All Share Index's calendar year return, while Steinhoff detracted -3%.

The two top performing equity funds for the year were Coronation Equity (17.3%) and Nedgroup Investments Rainmaker (+17.2%) outperforming the peer group average (+12.8%) by 4.5% and the inflation benchmark (+11.4%) by almost 6%. Coronation's large weighting in selected emerging market equities, as well as their reasonable exposure to resources, particularly their overweight position in Anglo American, significantly added to fund performance. Rainmaker's Naspers exposure of on average 18% for the year and its significant overweight FirstRand and British American Tobacco positions were the top contributors for the year.

Nedgroup Investments Value (+7.2%) had a difficult year, lagging the peer group average and inflation benchmark by -4.0% and -5.4% respectively. The biggest detractor was not holding Naspers, as the expensive valuation of this share makes it an unfitting position for a value mandate. In addition, its Steinhoff position of 5.9% at the end of November detracted more than 5% from performance.

Nedgroup Investments XS Select Diversified Fund of Funds ('XS Select Diversified')

XS Select Diversified returned +1.8% for the quarter and +10.8% for the year. The overall strength of local and global markets in 2017 made it much easier for multi-asset funds to produce positive real returns in 2017, relative to the weak market conditions of 2016.

Coronation Balanced Plus (+13.2%) was the top performer for the year, more than 3% ahead of the peer group average (+10.0%) and the inflation benchmark (+9.8%), followed by Prudential Balanced (12.6%). The bullish global environment worked well for these funds' positioning being in favour of risk assets (equity and property). Foord Balanced (+7.9%) was the only fund that underperformed the peer group average and the inflation benchmark in 2017, predominantly driven by being underweight risk assets in the offshore building block and its Steinhoff exposure detracting 2.1% in December.

Nedgroup Investments XS Select Guarded Fund of Funds ('XS Select Guarded')

XS Select Guarded returned +1.2% for the quarter and +8.8% for the year. Prudential Inflation Plus (+11.1%) was the strongest performer for the year, well-ahead of the peer group average (+8.4%) and the inflation benchmark (7.8%). Prudential's overweight to risk assets relative to peers was one of the key contributors. More specifically, the fund's exposure to local equity as well as Japan, the US and Europe added significant value. The passive building block, Nedgroup Investments Core Guarded (+9.9%) was next in line – also taking advantage of a higher risk asset exposure. Nedgroup Investments Stable (+6.9%) maintained its conservative positioning and as a result lagged the peer group average and inflation benchmark.

Part three: Fund Fact Sheets

This section includes the detailed fund fact sheets of the following funds:

- Nedgroup Investments XS Select Equity FoF
- Nedgroup Investments XS Select Diversified FoF
- Nedgroup Investments XS Select Guarded FoF

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 Equity Solution's investment approach is based on these principles and is structured as a Fund of Funds with a combination of four South African equity funds in equal weights.

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 Equity Fund of Funds is to secure the steady growth of capital.

Target return: The solution aims to outperform local inflation by 6.5% per annum after fees

Time horizon: The minimum recommended time horizon for this solution to achieve its targeted return on a consistent basis is 7 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			
		March 2017	June 2017	September 2017	December 2017
Local equity	80 - 100%	83%	82%	81%	81%
Local fixed interest	0 - 25%	4%	3%	4%	4%
Local property		4%	4%	3%	4%
Foreign equity	0 - 25%	9%	11%	12%	11%
Foreign fixed interest		0%	0%	0%	0%
Foreign Property		0%	0%	0%	0%

Nedgroup Investments XS Select Equity Fund of Funds C Class

Manager allocation

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

Investment house	Portfolio name	Weighting
Abax Investments	Nedgroup Investments Rainmaker Fund	25%
Foord Asset Management	Nedgroup Investments Value Fund	25%
Investec Asset Management	Investec Equity Fund	25%
Coronation Fund Managers	Coronation Equity 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 Equity 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 December 2017 is reflected in the table and graph below:

Performance till end December 2017	Solution [Class C]	Benchmark (CPI +6.5%)
1 year	12.7%	11.4%
3 years (annualised)	7.2%	12.2%
5 years (annualised)	10.8%	12.3%
7 years (annualised)	11.3%	12.4%
Since inception (annualised)	10.7%	13.0%
Lowest 1 year return	-24.7%	-
Highest 1 year return	42.5%	-

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

Nedgroup Investments XS Select Equity Fund of Funds C Class

General information

ASISA Category	South African Multi Asset Flexible
Inception date	1 November 2006
Fund size	R 97m
Unit price at 31 December 2017	2 608.96 cents per unit
Income distribution	
Frequency	Annually
Latest distribution	As at 31 December 2017: 32.84 cents per unit
Previous 12 months	32.84 cents per unit
Fees	
Initial financial planner fee (excl. VAT)	Maximum 3% commission
Annual management fee (excl. VAT)	1.28% per annum: - Includes the underlying funds' annual fees.
Annual financial planner fee (excl. VAT)	0%-1% per annum
Total expense ratio	1.62%
Transaction costs	0.25%
Total investment charges³	1.87%

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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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 Diversified 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 high equity funds in equal weights. Both the underlying funds as well as the overall fund of funds are compliant with Regulation 28 of the South African Pension Funds Act.

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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 Diversified Fund of Funds is to secure the steady growth of income and capital.

Target return: The solution aims to outperform local inflation by 5% per annum after fees

Time horizon: The minimum recommended time horizon for this solution to achieve its targeted return on a consistent basis is 5 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			
		March 2017	June 2017	September 2017	December 2017
Local equity	50 – 75%	45%	44%	44%	47%
Local fixed interest	25 – 50%	23%	23%	23%	22%
Local property		7%	7%	7%	8%
Foreign equity	0 – 25%	21%	21%	21%	20%
Foreign fixed interest		3%	4%	4%	3%
Foreign property		1%	1%	1%	1%

Nedgroup Investments XS Select Diversified Fund of Funds C Class

Manager allocation

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

Investment house	Portfolio name	Weighting
Prudential Investment Management	Prudential Balanced Fund	25%
Coronation Fund Managers	Coronation Balanced Plus Fund	25%
Foord Asset Management	Foord Balanced Fund	25%
Taquanta Asset Management	Nedgroup Inv Core Diversified 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 Diversified 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 December 2017 is reflected in the table and graph below:

Performance till end December 2017	Solution [Class C]	Benchmark (CPI +5%)
1 year	10.8%	9.8%
3 years (annualised)	6.7%	10.6%
5 years (annualised)	9.3%	10.7%
7 years (annualised)	10.0%	10.8%
Since inception (annualised)	9.9%	11.4%
Lowest 1 year return	-14.5%	-
Highest 1 year return	32.6%	-

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

Nedgroup Investments XS Select Diversified Fund of Funds C Class

General information

ASISA Category	South African Multi Asset High Equity
Inception date	1 November 2006
Fund size	R 1 149m
Unit price at 31 December 2017	2 105.26 cents per unit
Income distribution	
Frequency	Semi - Annually
Latest distribution	As at 31 December 2017: 24.19 cents per unit
Previous 12 months	47.13 cents per unit
Fees	
Initial financial planner fee (excl. VAT)	Maximum 3% commission
Annual management fee (excl. VAT)	0.98% per annum: - Includes the underlying funds' annual fees.
Annual financial planner fee (excl. VAT)	0%-1% per annum
Total expense ratio	1.42%
Transaction costs	0.09%
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 October 2014 and ending 30 September 2017.

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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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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			
		March 2017	June 2017	September 2017	December 2017
Local equity	0 – 40%	20%	21%	21%	22%
Local fixed interest	50 – 75%	50%	47%	47%	46%
Local property		6%	7%	8%	9%
Foreign equity	0 – 25%	15%	16%	16%	16%
Foreign fixed interest		8%	8%	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 December 2017 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 December 2017 is reflected in the table and graph below:

Performance till end December 2017	Solution [Class C]	Benchmark (CPI +3%)
1 year	8.8%	7.8%
3 years (annualised)	6.8%	8.5%
5 years (annualised)	9.1%	8.6%
7 years (annualised)	9.6%	8.7%
Since inception (annualised)	9.5%	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 915m
Unit price at 31 December 2017	1 743.28 cents per unit
Income distribution	
Frequency	Quarterly
Latest distribution	As at 31 December 2017: 7.79 cents per unit
Previous 12 months	57.54 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	1.47%
Transaction costs	0.05%
Total investment charges³	1.52%

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.

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Performance calculated for the funds and individual investment performance may differ as a result of initial fees, actual investment date, date of reinvestment and dividend withholding tax. The annualized total return is the average return earned by an investment each year over a given time period.