QUARTERLY REPORT

NEDGROUP INVESTMENTS XS DIVERSIFIED FUND OF FUNDS

as at 30 September 2018

See money differently

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NEDGROUP INVESTMENTS

Domestic asset class returns (ZAR)

SA EQUITY

-2.2% Q3 2018

Poor sentiment towards emerging markets

3.3%	1 year
6.7%	3 years
12.5%	LT average

SA PROPERTY

-1.0% Q3 2018

Domestic firms hurt by weak SA economic data

-15.7%	1 year
-1.4%	3 years
12.2%	LT average

SA BOND

0.8% Q3 2018

Reversed Q2 losses due to slow down in foreign outflows

7.1%	1 year
7.7%	3 years
6.9%	LT average

SA CASH

1.6% Q3 2018

Rates remained unchanged

6.6%	1 year
6.7%	3 years
5.9%	LT average

Global asset class returns (USD)

GLOBAL EQUITY

4.4% Q3 2018

The US was the strongest market

10.4%	1 year
14.0%	3 years
8.6%	LT average

GLOBAL PROPERTY

-0.2% Q3 2018

REITs hurt by rise in bond yields and UK market by Brexit concerns

4.6%	1 year
7.2%	3 years
7.2%	LT average

GLOBAL BOND

-0.9% Q3 2018

Headwinds of stronger dollar and trade wars

-1.3%	1 year
2.0%	3 years
4.6%	LT average

US CASH

0.6% Q3 2018

Fed hiked rates by 0.25% in September

1.8%	1 year
1.1%	3 years
4.4%	LT average

Exchange rates (Rand spot rate and quarterly change)

US DOLLAR

-3%

R14.15

Stronger US growth and higher interest rates supported the US dollar

BRITISH POUND

-2%

R18.45

Various outcomes still possible for Brexit increases uncertainty

EURO

-3%

R16.44

Investors concerned about credit-worthiness of Italy

Domestic performance drivers

HIGHLIGHTS

- Ramaphosa revealed a fiscal stimulus plan to reinvigorate the sluggish economy through structural reforms, with the help of an R400bn infrastructure fund and partnering with the private sector and development agencies;
- The Reserve Bank kept interest rates unchanged at 6.5%, mainly due to inflation which slowed to 4.9% in August;
- The long-awaited Mining Charter was finally gazetted in September and has been widely welcomed.

LOW POINTS

- GDP contracted a revised 2.6% for the 1st quarter and a further 0.7% in the 2nd quarter, indicating that SA has entered a recession for the first time since the global financial crisis;
- Continued local and global uncertainty led to further weakening of the Rand;
- The equity market suffered due to poor sentiment towards emerging markets.

Global performance drivers

HIGHLIGHTS

- Financial market volatility remained relatively low, whilst risk assets performed positively when viewed from the perspective of a global investor
- World growth and corporate earnings data continued to impress, although it remains quite dependent on the US
- The success of the NAFTA 2.0 talks, or the U.S.M.C.A talks as they are now called, was taken well by markets

LOW POINTS

- Trump continued to escalate the US's trade war with China, while also picking a fight with Turkey by imposing punitive sanctions;
- Italy spooked investors when its new populist anti-EU coalition government announced a draft budget that would increase the country's debt burden;
- The long running and seemingly intractable Brexit saga rolled on with no obvious sign of any real progress on the crunch issues between the UK and the European Union.

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Fund overview

MAX EQUITY	TIME FRAME	BENCHMARK	PEER GROUP	REGULATION 28
75%	min 5 years	Inflation +5%	SA Multi-Asset High Equity	Compliant

RISK PROFILE

1	2	**3**	4	5
LOW		MEDIUM		HIGH

Fund costs (B)*

MANAGEMENT FEE (excl. VAT)	TOTAL EXPENSE RATIO
0.95%	1.25%
TRANSACTION CHARGES	**TOTAL INVESTMENT CHARGES**
0.11%	1.36%

Benefits of the XS range

- COMPETITIVE PRICING
- DIVERSIFIED ACROSS ASSET CLASSES
- INVESTMENT EXPERTS
- PASSIVE AND ACTIVE UNDERLYING INVESTMENTS
- TAX EFFICIENT
- ONGOING DUE DILIGENCE

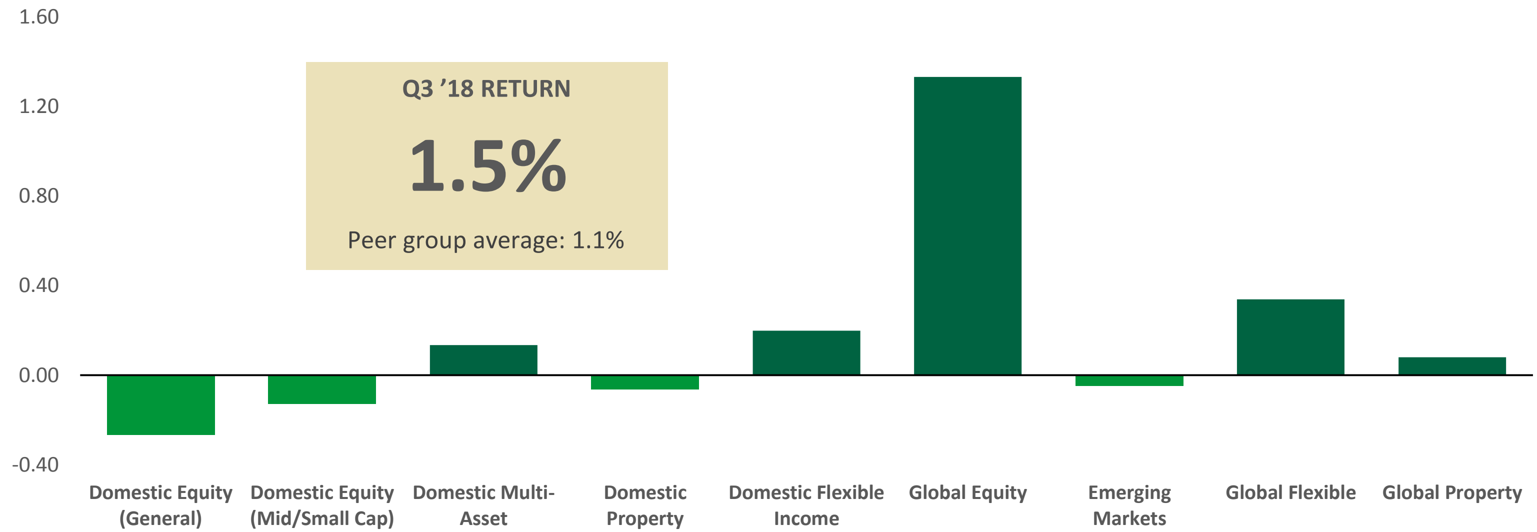
*Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 01st of July 2015 and ending 30th June 2018.

XS Fund of Funds performance contribution – Q3 2018

Q3 '18 RETURN

1.5%

Peer group average: 1.1%



POSITIVE CONTRIBUTORS THIS QUARTER

- Global asset classes delivered a strong performance for rand investors predominantly due to currency weakness.
- Our allocation to foreign assets was the largest contributor amidst an emerging market sell-off and a strong US equity market.
- SA nominal bonds also contributed despite rising yields given the high real yield and relatively short modified duration.

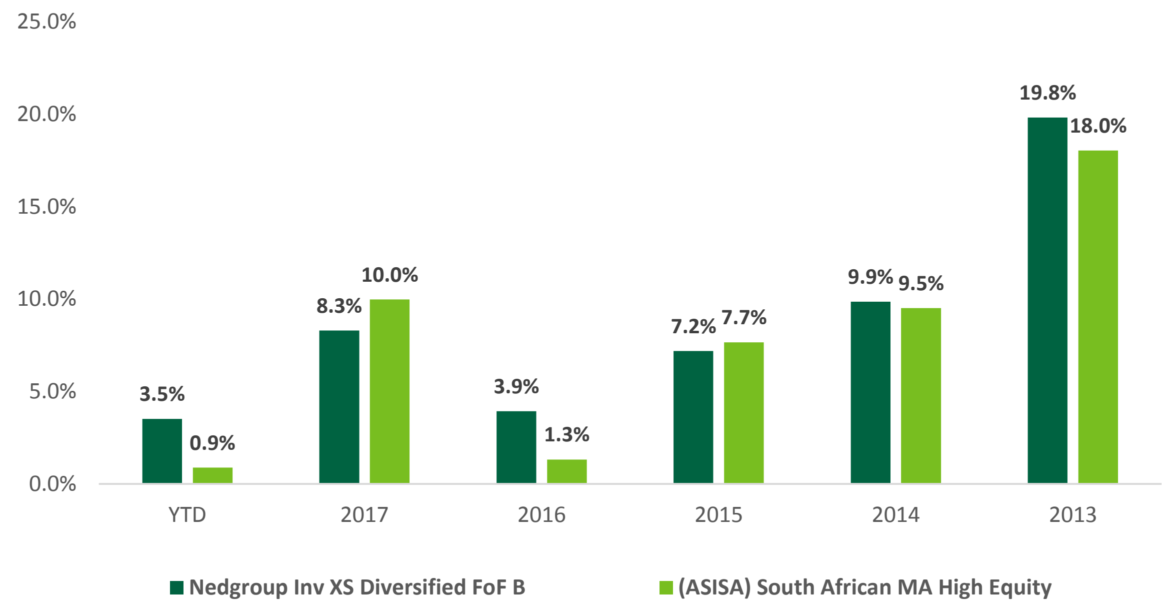
DETRACTORS THIS QUARTER

- Weakness in South African financial shares and domestically focussed companies due to the economy slipping into recession.
- Our portfolios' domestic property portion was also not spared; performing in line with the sector.
- Company specific losses: Naspers, British American Tobacco.

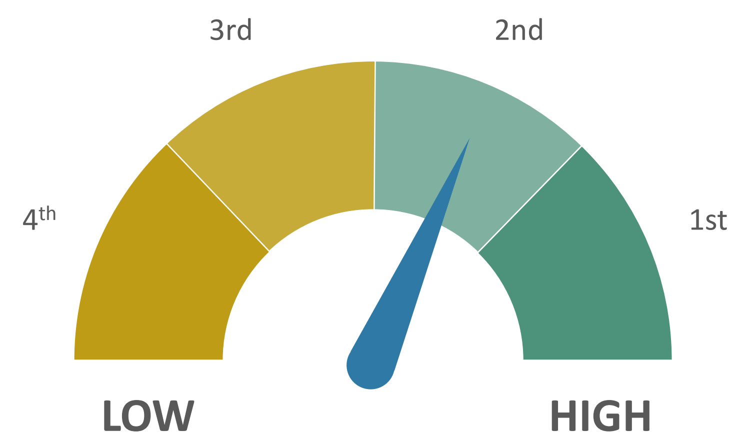
Fund performance (B)

Q3 '18 RETURN	YTD RETURN	1YR ANNUALISED RETURN	3YR ANNUALISED RETURN	5YR ANNUALISED RETURN
1.5%	3.5%	4.1%	6.1%	7.6%
Peer group average: 1.1%	Peer group average: 0.9%	Peer group average: 3.1%	Peer group average: 5.3%	Peer group average: 6.7%

Calendar year performance



Peer group quartile ranking: 5Y



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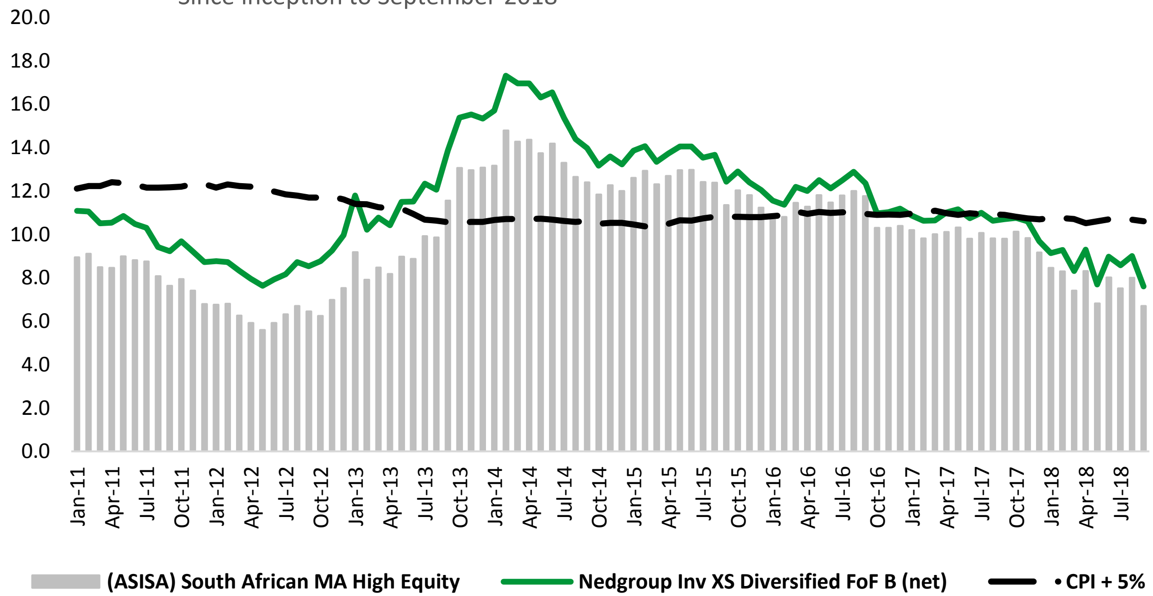
as at 30 September 2018

Risk measures since inception

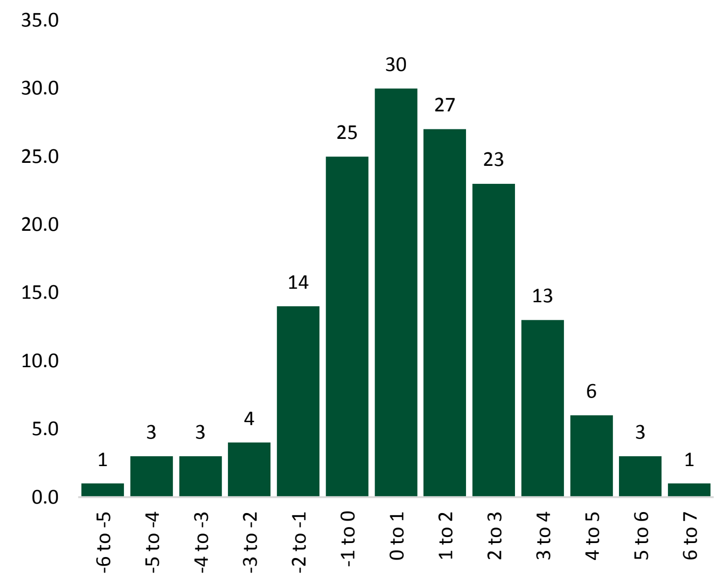
ROLLING 5YR RETURN	VOLATILITY	MAX DRAWDOWN	SHARPE RATIO	% POSITIVE MONTHS
100%	7.3%	-15.0%	0.3	67%
Hit rate: outperforming peer group average	SA equity market: 14.6%	SA equity market: -40.4%	SA equity market: 0.2	SA equity market: 60%

Rolling 5-year annualised return

Since inception to September 2018



Quarterly return distribution



QUARTERLY REPORT: NEDGROUP INVESTMENTS XS DIVERSIFIED FUND OF FUNDS

as at 30 September 2018

Performance across classes

	A CLASS (ALL IN)	B CLASS (LISP)	C CLASS (CLEAN)	PEER GROUP	SA INFLATION + 5%
Q3 2018	1.2%	1.5%	1.5%	1.1%	2.4%
1 YEAR	2.5%	4.1%	3.7%	3.1%	10.2%
3 YEAR	4.6%	6.1%	5.8%	5.3%	10.5%
5 YEAR	6.0%	7.6%	7.2%	6.7%	10.6%

Costs across classes*

	MANAGEMENT FEE (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A Class (all-in)	1.25%	1.00%	2.74%	0.11%	2.85%
B Class (LISP)	0.95%	N/A	1.25%	0.11%	1.36%
C Class (clean)	1.25%	NA	1.60%	0.11%	1.71%

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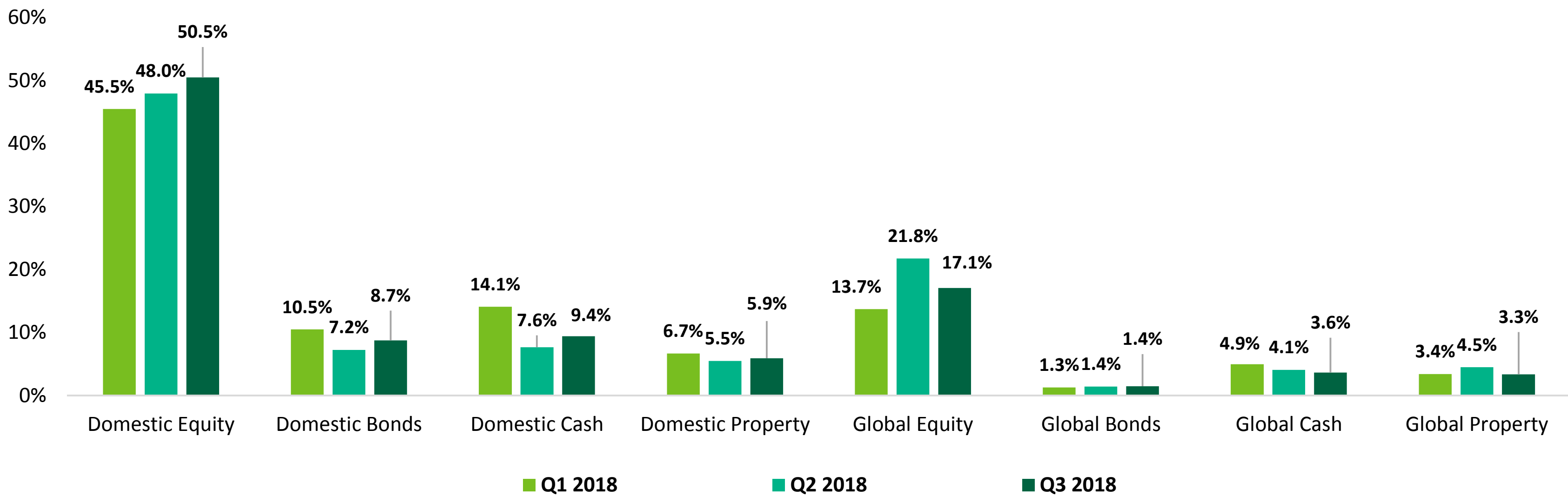
Asset allocation changes



Summary of recent changes

- The chart above reflects the Nedgroup Investments XS Diversified Fund of Funds' asset allocation exposures over the past three quarters of 2018. It provides one with a reflection of our current house views and fund positioning.
- Trades were conducted over the quarter to take profits from the offshore exposure, due to extreme weakness in the ZAR currency. Proceeds were allocated to the domestic portion of the portfolios.
- The funds are currently well diversified across asset classes, along with healthy cash allocations to take advantage of timeous market opportunities.

QUARTERLY REPORT: NEDGROUP INVESTMENTS XS DIVERSIFIED FUND OF FUNDS

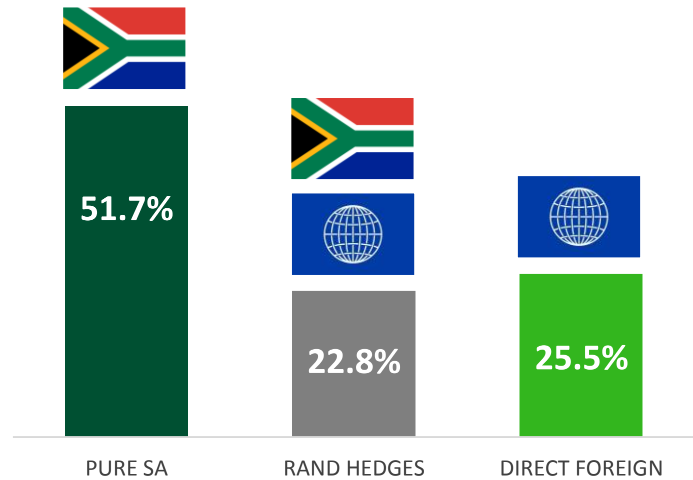
as at 30 September 2018

NEDGROUP INVESTMENTS

Asset allocation

DOMESTIC EQUITY 50.5%	DOMESTIC PROPERTY 5.9%	DOMESTIC FIXED INTEREST 18.1%
FOREIGN EQUITY 17.1%	FOREIGN PROPERTY 3.3%	FOREIGN FIXED INTEREST 5.1%

Regional exposure



Top ten holdings (as a % of fund)

NASPERS	4.0%
SASOL	3.2%
BRITISH AMERICAN TOBACCO	3.1%
Standard Bank	2.3%
BHP	2.1%
Santam	1.8%
FIRSTRAND	1.6%
RICHEMONT	1.6%
RMB HOLDINGS	1.5%
Hudaco	1.3%

QUARTERLY REPORT: NEDGROUP INVESTMENTS XS DIVERSIFIED FUND OF FUNDS

as at 30 September 2018

NEDGROUP INVESTMENTS

Domestic asset class positioning

DOMESTIC EQUITY

NEUTRAL

50.5%

- Pockets of opportunity have opened up in the market, but are not without risks.
- Broadly balanced: rand-hedge exposure increased, with meaningful exposure to domestic-facing sectors.

DOMESTIC PROPERTY

NEUTRAL

5.9%

- Neutral to slight overweight position retained. Preference for active management/stock selection.
- Remain invested in small/mid-sized domestically focused firms; with limited SAPY heavyweights present via the new enhanced tracker holding.

DOMESTIC BOND

NEUTRAL

8.7%

- Attractive yields and rewards for local risks, however mindful of global risk factors.
- Played the interest rate cycle through our duration positioning given increased volatility.
- Overall underweight duration.

DOMESTIC CASH

NEUTRAL

9.4%

- Neutral to slight overweight position maintained.
- The healthy cash balance provides optionality (dry powder) should opportunities arise.
- Provides consistent return profile.

Global asset class positioning

GLOBAL EQUITY

NEUTRAL

17.1%

- International opportunities offer diversification, access to higher growth (e.g. EM) and risk adjusted returns, not just protection against rand weakness.
- Exposed to the more attractive cyclical sectors.

GLOBAL PROPERTY

NEUTRAL

3.3%

- Positioned for concerns around rising interest rates and impact of technology disruption.
- Some exposure to data centre and cell tower REITS; as well as office and industrial REITS.

GLOBAL BOND

UNDER WEIGHT

1.4%

- U/W global bonds in general.
- Minor exposure to EM bonds.

GLOBAL CASH

OVER WEIGHT

3.6%

- The underlying mangers have deployed cash, towards attractive stock specific opportunities.
- A relatively sizeable foreign cash holding remains.

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as at 30 September 2018

Domestic: fund manager exposures

Equity General: 37.0%

ABAX investments

FOORD

Mazi

Small/Mid Cap Equity: 7.8%

ABAX investments

Property: 3.5%

BRIDGE FUND MANAGERS

PRUDENTIAL INVESTMENT MANAGERS

Passive Multi-Asset: 19.6%

Taquanta

Flexible Income: 17.7%

ABAX investments

Taquanta

Global: fund manager exposures

Equity: 10.4%

Veritas Asset Management

Emerging Markets Equity: 2.0%

CORONATION FUND MANAGERS

Flexible Multi-Asset: 4.8%

FPA investors first

Property: 3.1%

RESOLUTION CAPITAL

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