



**NEDGROUP**  
INVESTMENTS

## QUARTERLY REPORT

# NEDGROUP INVESTMENTS XS SELECT GUARDED FUND OF FUNDS

as at 30 September 2018

See money differently

# QUARTERLY REPORT: NEDGROUP INVESTMENTS XS SELECT

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## Domestic asset class returns (ZAR)



### SA EQUITY



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

Poor sentiment towards emerging markets

### SA PROPERTY



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

Domestic firms hurt by weak SA economic data

### SA BOND



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

Reversed Q2 losses due to slow down in foreign outflows

### SA CASH



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

Rates remained unchanged



## Global asset class returns (USD)



### GLOBAL EQUITY



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

The US was the strongest region and Health Care the strongest sector

### GLOBAL PROPERTY



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

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

### GLOBAL BOND



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

Headwinds of stronger dollar and trade wars

### US CASH



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

Fed hiked rates by 0.25% in September



## Exchange rates (Rand spot rate and quarterly change)



### US DOLLAR

**R14.15**



Stronger US growth and higher interest rates supported the US dollar



### BRITISH POUND

**R18.45**



Various outcomes still possible for Brexit increases uncertainty



### EURO

**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 a 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 (these are the trade agreements between the US, Mexico and Canada).



### 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

**40%**

TIME FRAME

min **3** years

BENCHMARK

Inflation **+3%**

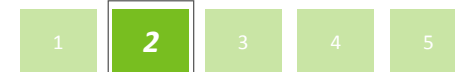
PEER GROUP

SA Multi-Asset  
Low Equity

REGULATION 28

Compliant

RISK PROFILE



LOW

MEDIUM

HIGH



## Underlying fund structure

25% Active

**CORONATION**  
FUND MANAGERS

25% Active

**FOORD**

25% Active

**PRUDENTIAL**  
INVESTMENT MANAGERS

25% Passive

**Taquanta**



## Fund costs (C – clean class)

MANAGEMENT FEE  
(excl. VAT)

**0.95%**

TOTAL  
EXPENSE RATIO

**1.32%**

TRANSACTION  
CHARGES

**0.05%**

TOTAL  
INVESTMENT CHARGES

**1.37%**



## Benefits of the XS Select range

SIMPLE, LOW-COST  
SOLUTION



DIVERSIFIED ACROSS  
ASSET CLASSES



PASSIVE AND ACTIVE  
UNDERLYING INVESTMENTS



QUARTERLY  
REBALANCED



TAX  
EFFICIENT



ONGOING  
DUE DILIGENCE



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## Asset allocation

### DOMESTIC EQUITY



**19.5%**

### DOMESTIC PROPERTY



**8.3%**

### DOMESTIC FIXED INTEREST



**47.5%**

### FOREIGN EQUITY



**17.1%**

### FOREIGN PROPERTY



**0.9%**

### FOREIGN FIXED INTEREST



**6.6%**



## Regional exposure



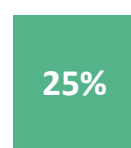
**62%**

PURE SA



**13%**

RAND HEDGES



**25%**

DIRECT FOREIGN



## Top ten holdings

RSA R186 BOND

**7.6%**



**1.7%**

RSA R2035 BOND

**1.5%**



**1.5%**



**1.3%**

RSA R2044 BOND

**1.3%**

RSA R2035 BOND

**1.2%**



**1.1%**



**1.1%**

NEWGOLD ETF

**0.9%**

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## Fund performance (clean class)

Q3 '18 RETURN

**1.5%**

Peer group average: 1.6%

YTD RETURN

**3.2%**

Peer group average: 3.1%

1YR ANNUALISED RETURN

**4.5%**

Peer group average: 4.7%

3YR ANNUALISED RETURN

**6.2%**

Peer group average: 6.0%

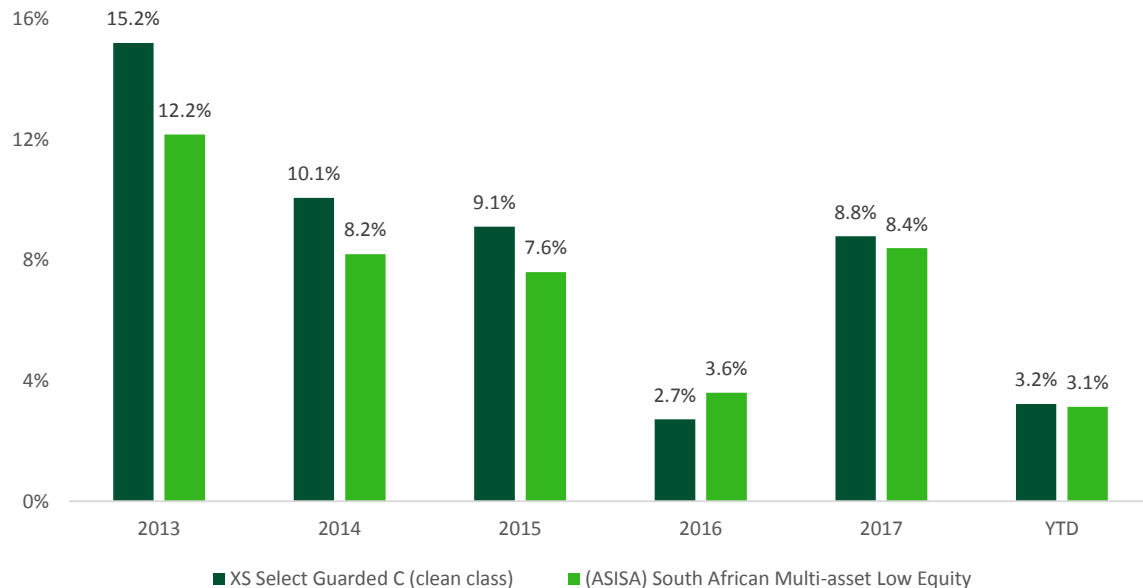
5YR ANNUALISED RETURN

**7.5%**

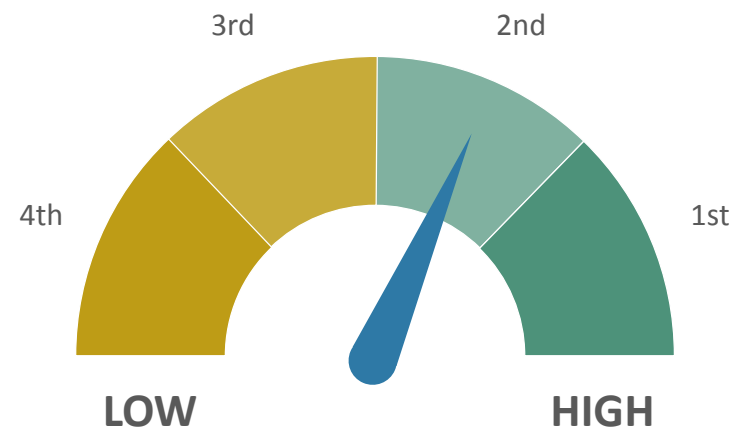
Peer group average: 6.8%



## Calendar year performance



## Peer group quartile ranking: 3Y



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## Risk measures since inception

ROLLING 5YR RETURN

**100%**

Hit rate: outperforming peer group average

VOLATILITY

**4.6%**

SA equity market: 14.5%

MAX DRAWDOWN

**-4.5%**

SA equity market: -40.4%

SHARPE RATIO

**0.5**

SA equity market: 0.3

% POSITIVE MONTHS

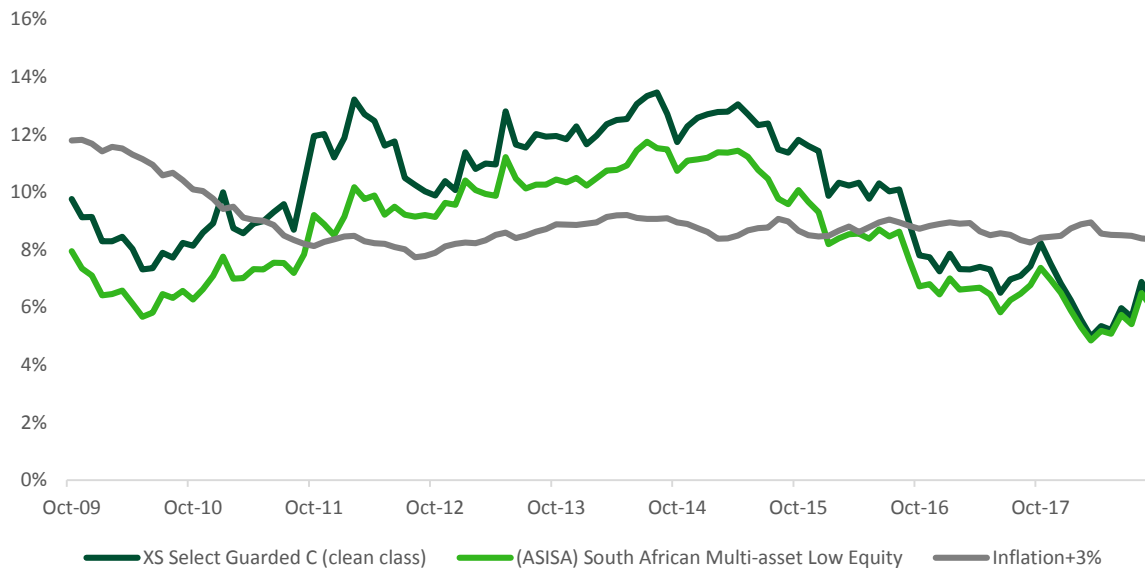
**74%**

SA equity market: 61%



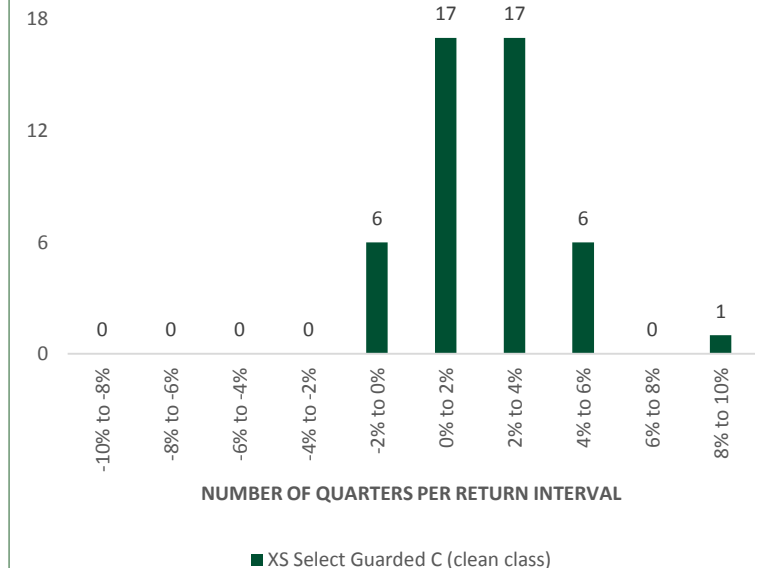
## Rolling 3-year annualised return

Since inception Nov 2006 to date



## Quarterly return distribution

Since inception Nov 2006 to date







## Underlying fund performance

KEY	2014	2015	2016	2017	YTD
Coronation Balanced Defensive	12.6%	11.4%	4.6%	11.1%	5.4%
Nedgroup Investments Stable	11.2%	9.5%	4.4%	9.8%	4.3%
Prudential Inflation	8.9%	8.3%	3.9%	7.8%	3.2%
Nedgroup Investments Core Guarded	8.8%	8.1%	0.4%	7.1%	-0.4%



### POSITIVE CONTRIBUTORS THIS QUARTER

- The allocation to foreign assets was the largest contributor driven by rand weakness amidst an emerging market sell-off and a strong US equity market;
- R186 government bonds had a positive quarter despite rising rates given their high real yield and relatively short modified duration;
- Sasol (+10%) recently reported their 2018 financial results which were well received by the market, and its Lake Charles project is tracking expectations.



### DETRACTORS THIS QUARTER

- SA-focussed businesses (banks and retailers) and the SA listed property sector declined given that the economy has slipped into recession;
- Naspers (-12%) pullback driven by the decline in the value of its primary asset, Tencent, as the firm's historic very high rate of profit growth decreased;
- British American Tobacco (-4%) due to ongoing turmoil and health related debates in the global tobacco industry.



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## Performance across classes

	A CLASS (ALL IN)	B2 CLASS (LISP)	C CLASS (CLEAN)	PEER GROUP	SA INFLATION
Q3 2018	1.2%	1.5%	1.5%	1.6%	N/A
1 YEAR	3.3%	4.7%	4.5%	4.7%	4.9%
3 YEAR	5.0%	6.4%	6.2%	6.0%	5.2%
5 YEAR	6.2%	N/A	7.5%	6.8%	5.3%



## Costs across classes

	MANAGEMENT FEE (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A Class (all-in)	0.95%	1.00%	2.46%	0.05%	2.51%
B2 Class (LISP)	0.80%	N/A	1.15%	0.05%	1.20%
C Class (clean)	0.95%	NA	1.32%	0.05%	1.37%



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