



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT DIVERSIFIED FUND OF FUNDS

as at 30 June 2019

See money differently

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Domestic asset class returns (ZAR)



SA EQUITY



4.4% 1 year
6.9% 3 years
12.3% LT ave

Driven by global sentiment, but subdued by rand strength

SA PROPERTY



0.8% 1 year
-2.3% 3 years
11.8% LT ave

Local property fundamentals remain under pressure

SA BOND



11.5% 1 year
9.9% 3 years
6.9% LT ave

SA bonds rallied on easier interest rate outlook globally and in SA

SA CASH



6.6% 1 year
6.8% 3 years
5.9% LT ave

SARB left rates on hold in May



Global asset class returns (USD)



GLOBAL EQUITY



6.3% 1 year
12.2% 3 years
8.5% LT ave

Broadly positive over quarter in line with "risk on" sentiment

GLOBAL PROPERTY



8.6% 1 year
5.5% 3 years
6.7% LT ave

Buoyed by the Fed's unexpected more dovish interest rate outlook

GLOBAL BOND



5.8% 1 year
1.6% 3 years
4.6% LT ave

Underpinned by sharp downward adjustment in interest rate expectations

US CASH



2.5% 1 year
1.6% 3 years
4.3% LT ave

Dovish outlook amongst central banks globally



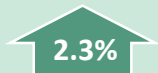
Exchange rates (Rand spot rate and quarterly change)



US DOLLAR

R14.10

The US dollar declined against most currencies, on the back of the Fed's shift in interest rate policy



BRITISH POUND

R17.95

Sterling weakened due to uncertainties relating to Brexit and US-China trade wars



EURO

R16.09

The Euro slightly weaker due to economic growth concerns





Domestic performance drivers



HIGHLIGHTS

- SA equities recovered some of the previous month's losses alongside international trends, with the FTSE/JSE All Share up +4.8% in June and +3.9% for the quarter;
- SA nominal bonds priced benign inflation and the likelihood of more accommodative monetary policy, ending the quarter up +3.7%;
- The property sector rebounded along with other interest rate sensitive sectors, delivering +4.5% for Q2.



LOW POINTS

- Although the new Ramaphosa cabinet was positively received, investors were disappointed by the lack of detail surrounding Eskom's restructure in the president's State of the Nation Address;
- Investor confidence was further undermined by the contradictory nature of the ANC's statements around the nationalisation of the SARB, calling into question the independence of the institution;
- Q1 GDP surprised, contracting 3.2%, the largest downturn in a decade. Moody's, the IMF and the SARB downgraded the 2019 growth forecast to 1%.



Global performance drivers



HIGHLIGHTS

- The global economy is going through a synchronised slowdown that has seen central banks pivot towards more accommodative monetary policy;
- Emerging markets also benefitted somewhat from the more bullish sentiment and the lower global interest rate outlook;
- Trade negotiations continue between the US and China but compromises from both sides will be necessary to reach an agreement;
- The Italian government reached a deal with the EU Commission over debt-reduction measures, thereby avoiding a fiscal crisis.



LOW POINTS

- In the UK, Theresa May was forced to resign after failing to deliver Brexit. The chances of a "no deal" or hard Brexit have risen substantially;
- With trade comprising a big chunk of Europe's GDP, the region is more broadly exposed to trade tensions, as current European growth weakness continues.;
- After a rise of +27% in Q1, the price of Brent crude oil weakened by 2.7% in Q2 on the back of slowing global growth concerns and rising US oil production.

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Fund overview

MAX EQUITY

75%

TIME FRAME

min **5** years

BENCHMARK

Inflation **+5%**

PEER GROUP

SA Multi-Asset
High Equity

REGULATION 28

Compliant

RISK PROFILE



LOW

MEDIUM

HIGH



Underlying fund structure

20% Active

ALLAN GRAY

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

PRUDENTIAL
INVESTMENT MANAGERS

20% Passive

Taquanta



Fund costs (C – clean class)

MANAGEMENT FEE*
(excl. VAT)

1.05%

TOTAL
EXPENSE RATIO

1.34%

TRANSACTION
CHARGES

0.10%

TOTAL
INVESTMENT CHARGES

1.44%



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



*Includes BOTH multi-manager and underlying fund fees. *Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 April 2016 and ending 31 March 2019.

Allan Gray was introduced at 10% on the 1st of October 2018. Its weight will be increased by 2.5% every quarter until the above fund structure is achieved on 1 October 2019

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Asset allocation

DOMESTIC EQUITY



46.8%

DOMESTIC PROPERTY



5.5%

DOMESTIC FIXED INTEREST



20.8%

FOREIGN EQUITY



22.5%

FOREIGN PROPERTY



0.8%

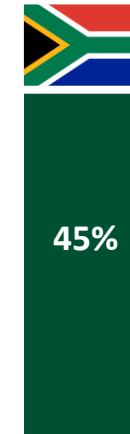
FOREIGN FIXED INTEREST



3.6%



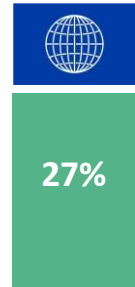
Regional exposure



PURE SA



RAND HEDGES



DIRECT FOREIGN



Top ten holdings


NASPERS

5.7%

RSA R186 BOND

4.6%


BRITISH AMERICAN
TOBACCO

3.4%


SASOL

2.9%


Standard Bank

2.8%


ANGLO
AMERICAN

2.1%

BHP

1.7%


MTN

1.7%

RSA R2040 BOND

1.4%


RICHEMONT

1.4%

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Fund performance (clean class)

Q2 '19 RETURN

0.0%

Peer group average: 5.8%

YTD RETURN

7.2%

Peer group average: 6.9%

1YR ANNUALISED RETURN

1.9%

Peer group average: 3.2%

3YR ANNUALISED RETURN

4.1%

Peer group average: 4.0%

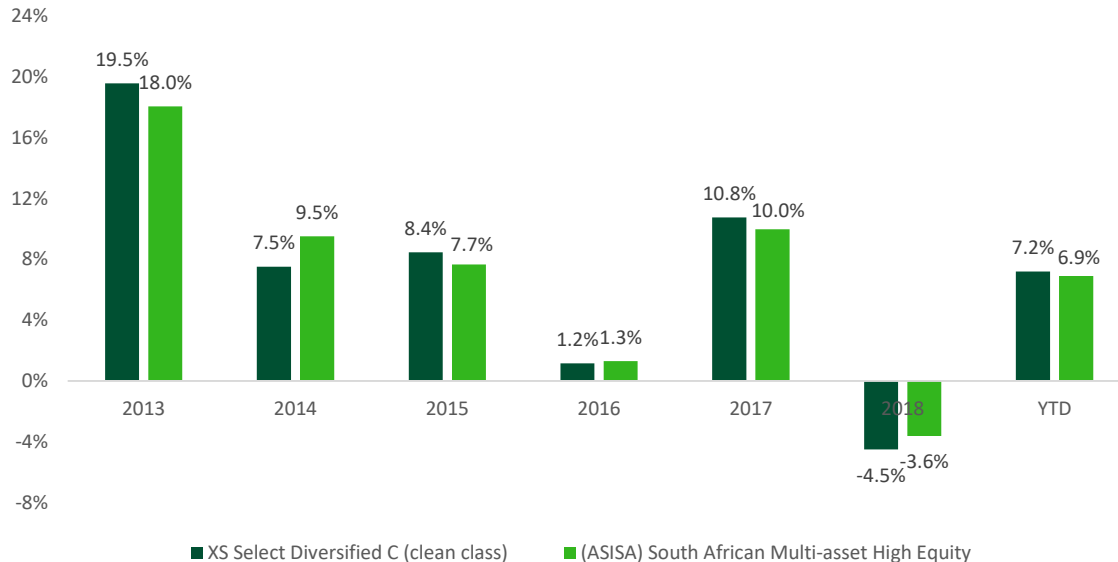
5YR ANNUALISED RETURN

4.7%

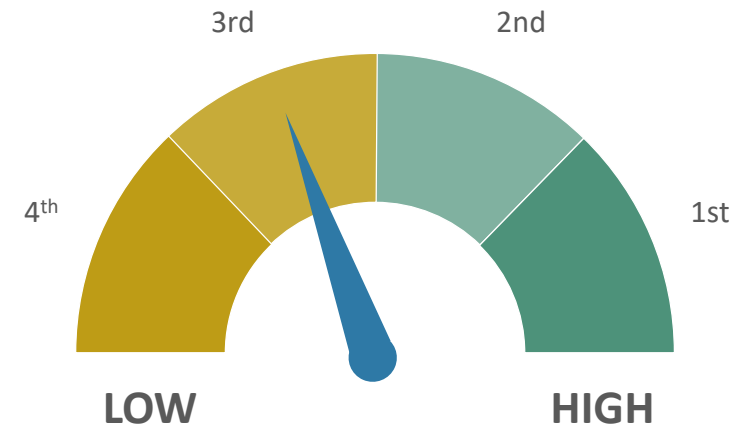
Peer group average: 4.9%



Calendar year performance



Peer group quartile ranking: 5Y



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Risk measures since inception

ROLLING 5YR RETURN

87%

Hit rate: outperforming peer group average

VOLATILITY

8.0%

SA equity market: 14.5%

MAX DRAWDOWN

-17.2%

SA equity market: -40.4%

SHARPE RATIO

0.3

SA equity market: 0.3

% POSITIVE MONTHS

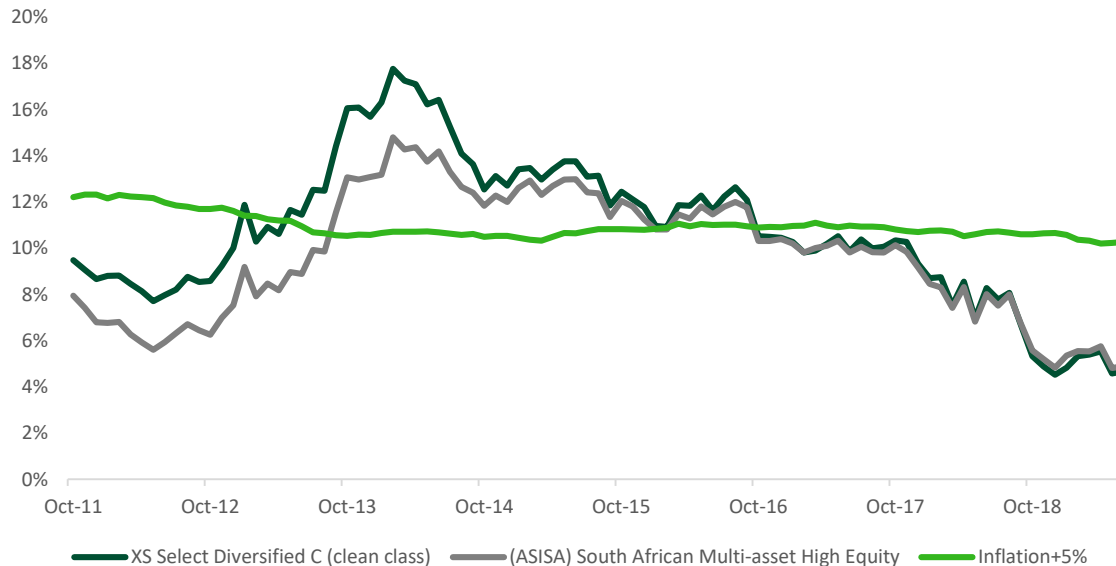
67%

SA equity market: 62%

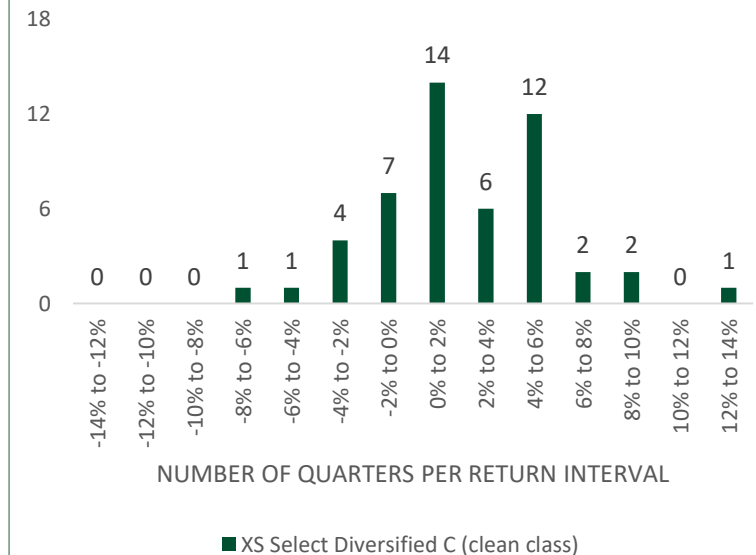


Rolling 5-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution





Underlying fund performance

Key	2015	2016	2017	2018	YTD
Allan Gray Balanced	12.3%	6.3%	12.7%	-2.6%	8.2%
Coronation Balanced Plus	9.2%	4.7%	12.6%	-3.1%	8.0%
Foord Balanced	9.1%	2.6%	12.4%	-3.6%	7.3%
Nedgroup Investments Core Diversified	8.5%	0.5%	11.0%	-3.8%	7.3%
Prudential Balanced	8.1%	-1.0%	6.9%	-6.3%	2.8%



POSITIVE CONTRIBUTORS THIS QUARTER

- The financial sector (+5.4%) had a strong performance during the quarter, as local banks (+9.7%) defied domestic market headwinds. Holdings in Standard Bank, First Rand and Nedbank contributed;
- The passive portion of the portfolio grew by +2.2% over the quarter, with its diversified nature limiting the downside experienced by the SA share market in May;
- SA bonds rallied on the more accommodative interest rate outlook globally and in SA. In Q2, the yield on the benchmark R186 bond fell from 8.6% to 8.1%, a significant move.



DETRACTORS THIS QUARTER

- Sasol's share price detracted (-22.0%) on the back of an announcement that its Lake Charles Chemicals Project (LCCP) would underdeliver on profitability and also cost more;
- British American Tobacco (-15.3%) declined during the period as fears related to low nicotine regulation in the US market resurfaced;
- The strong rand muted some of the gains from the rand hedge stocks in the portfolio.

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Performance across classes

	A CLASS (ALL IN)	B2 CLASS (LISP)	C CLASS (CLEAN)	C1 CLASS (PRODUCT)	PEER GROUP	SA INFLATION
QUARTER	-0.3%	0.1%	0.0%	0.0%	1.1%	1.7%
1 YEAR	0.8%	2.1%	1.9%	N/A	3.2%	4.5%
3 YEAR	2.9%	4.3%	4.1%	N/A	4.0%	4.8%
5 YEAR	3.5%	N/A	4.7%	N/A	4.9%	5.0%



Costs across classes

	MANAGEMENT FEE* (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A CLASS (ALL-IN)	2.05%	1.00%	2.49%	0.10%	2.59%
B2 CLASS (LISP)	0.90%	N/A	1.17%	0.10%	1.27%
C CLASS (CLEAN)	1.05%	N/A	1.34%	0.10%	1.44%
C1 CLASS (PRODUCT)	1.20%	N/A	1.48%	0.10%	1.58%

*Includes BOTH multi-manager and underlying fund fees. *Both the Total Expense Ratio (TER) and Transaction Costs (TC) of the Fund are calculated on an annualised basis, beginning 1 April 2016 and ending 31 March 2019.

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