



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT GUARDED FUND OF FUNDS

as at 31 March 2019

See money differently

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Domestic asset class returns (ZAR)



SA EQUITY



5.0% 1 year

5.7% 3 years

12.3% LT ave

Global sentiment and commodity prices drove up the index

SA PROPERTY



-5.7% 1 year

-3.8% 3 years

11.8% LT ave

Weak sector fundamentals reflected in recent company results

SA BOND



3.5% 1 year

10.1% 3 years

6.9% LT ave

The positive unchanged decisions by both the SARB and Moody's

SA CASH



6.6% 1 year

6.8% 3 years

5.9% LT ave

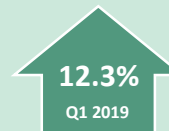
Rates remained unchanged



Global asset class returns (USD)



GLOBAL EQUITY



3.2% 1 year

11.3% 3 years

8.5% LT ave

A shift in central bank policy guidance sprang life back to risk assets

GLOBAL PROPERTY



14.3% 1 year

6.7% 3 years

6.7% LT ave

Global REITs supported by falling government bond yields

GLOBAL BOND



-0.4% 1 year

1.5% 3 years

4.6% LT ave

Relatively lower performance as rate expectations changed

US CASH



2.5% 1 year

1.5% 3 years

4.3% LT ave

Dovish outlook amongst central banks globally



Exchange rates (Rand spot rate and quarterly change)



US DOLLAR

R14.42

0.3%

The US Dollar not as strong due to mixed US economic data



BRITISH POUND

R18.79

2.6%

Sterling strength was a feature, as the likelihood of a hard Brexit diminished



EURO

R16.19

1.5%

The Euro slightly weaker due to economic growth concerns



Domestic performance drivers



HIGHLIGHTS

- The South African Reserve Bank kept interest rates unchanged at 6.75%, partly due to inflation which slowed to 4.1% in February;
- The much-anticipated credit review from Moody's delivered no change in credit rating or outlook;
- The South African equity market delivered one of the best quarters in some time, benefitting from improved global sentiment and a rally in commodity prices.



LOW POINTS

- Load shedding returned and progressed to stage 4, causing consumers and industrial operators much distress;
- The National Energy Regulator of South Africa (NERSA) announced a 9% electricity tariff increase, following Eskom's higher request;
- Further downward adjustments were made to economic growth by different institutions such as the International Monetary Fund, the National Treasury and the South African Reserve Bank.



Global performance drivers



HIGHLIGHTS

- The US government shutdown came to an end, and Trump seems to have moderated his behaviour over recent months;
- Improvement in relationships between the US and China, with the trade talks appearing to be constructive, and both sides suggesting real progress is being made;
- Even though the UK Parliament remained deadlocked over Brexit, it would appear that the probability of an economically damaging hard Brexit has significantly diminished.



LOW POINTS

- Disappointing economic data release and a deteriorating economic outlook, which saw the shift in central bank policy guidance;
- In March, the short end of the bond yield curve inverted, leading to an equity market sell off in that month and a rally in the bond markets. The inversion of the bond yield curve has historically been regarded as one of the early warning signs to trigger a recession;
- Returns from Europe remained weak, representing the epicentre of economic growth concerns and business contending with Brexit's uncertainty.

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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



Underlying fund structure

20% Active

CORONATION
FUND MANAGERS

20% Active

FOORD

20% Active

PRUDENTIAL
INVESTMENT MANAGERS

20% Active

ALLAN GRAY

20% Passive

Taquanta



Fund costs (C – clean class)

MANAGEMENT FEE
(excl. VAT)

1.03%

TOTAL
EXPENSE RATIO

1.32%

TRANSACTION
CHARGES

0.05%

TOTAL
INVESTMENT CHARGES

1.38%



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



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



20.8%

DOMESTIC PROPERTY



7.0%

DOMESTIC FIXED INTEREST



45.5%

FOREIGN EQUITY



17.9%

FOREIGN PROPERTY



0.9%

FOREIGN FIXED INTEREST



7.9%



Regional exposure



61%

PURE SA



12%

RAND HEDGES



27%

DIRECT FOREIGN



Top ten holdings

RSA R186 BOND

6.5%



1.9%



Standard Bank

1.5%



1.4%



1.4%

RSA R202 ILB

1.3%

RSA R2035 BOND

1.1%

NEWGOLD ETF

1.0%

RSA R2044 BOND

0.9%



0.9%

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Fund performance (clean class)

Q1 '19 RETURN

5.0%

Peer group average: 4.0%

YTD RETURN

5.0%

Peer group average: 4.0%

1YR ANNUALISED RETURN

6.7%

Peer group average: 6.7%

3YR ANNUALISED RETURN

4.9%

Peer group average: 5.2%

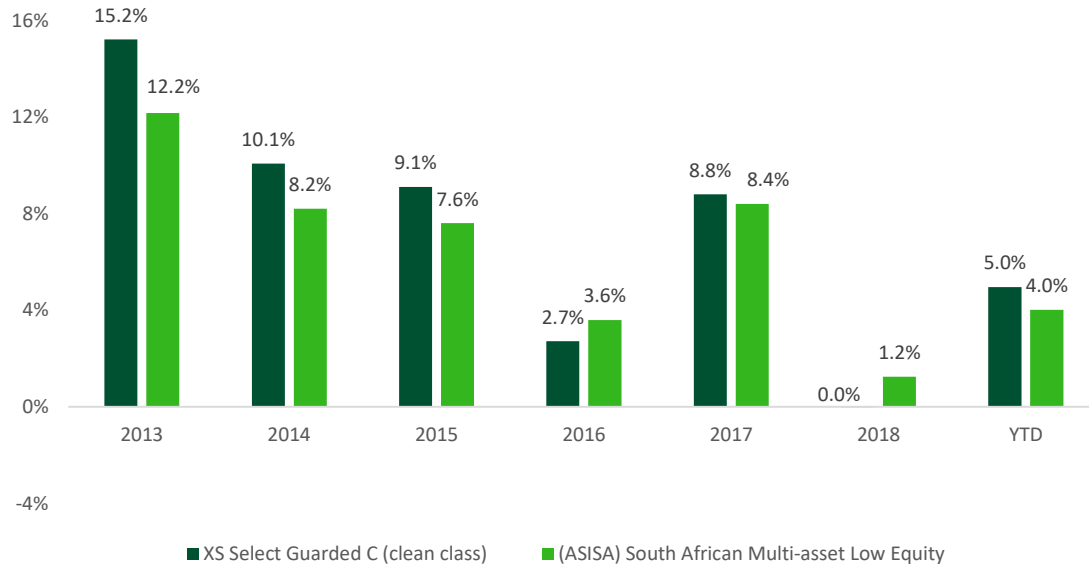
5YR ANNUALISED RETURN

6.7%

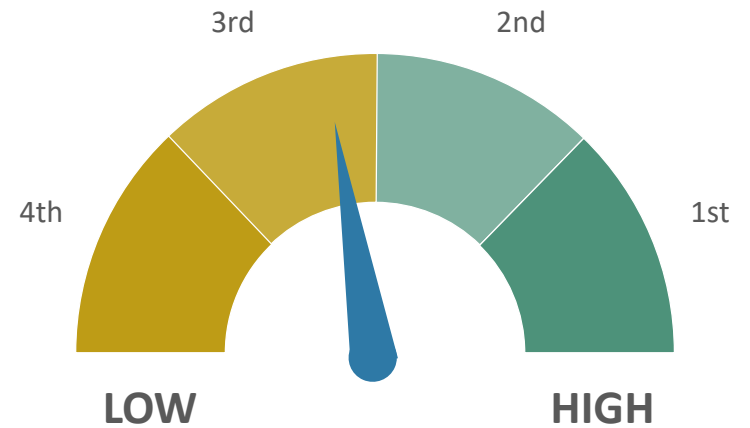
Peer group average: 6.3%



Calendar year performance



Peer group quartile ranking: 3Y



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Risk measures since inception

ROLLING 5YR RETURN

95%

Hit rate: outperforming peer group average

VOLATILITY

4.6%

SA equity market: 14.5%

MAX DRAWDOWN

-5.2%

SA equity market: -40.4%

SHARPE RATIO

0.5

SA equity market: 0.3

% POSITIVE MONTHS

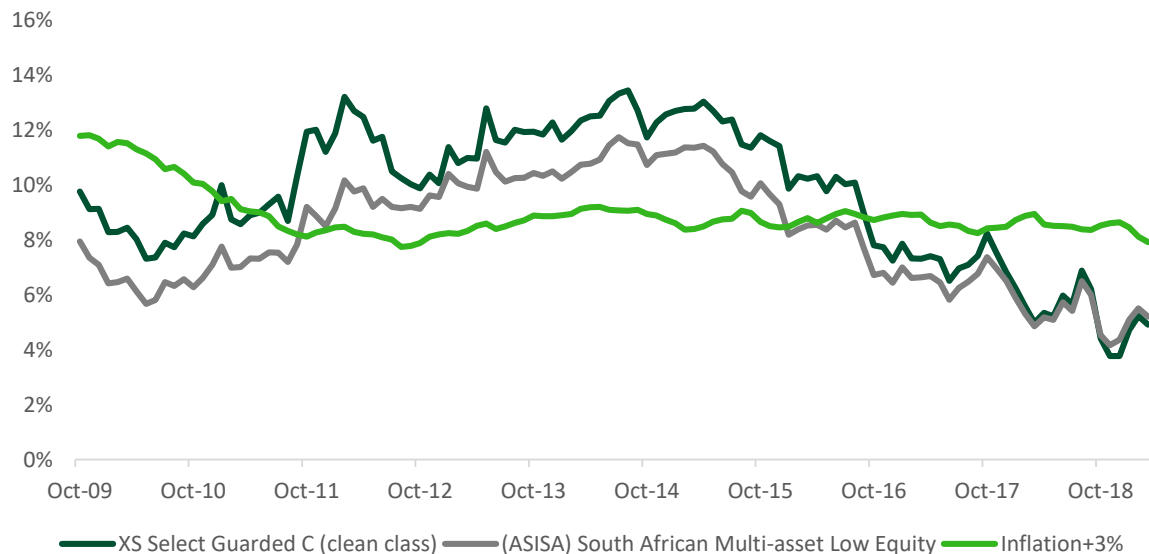
74%

SA equity market: 62%

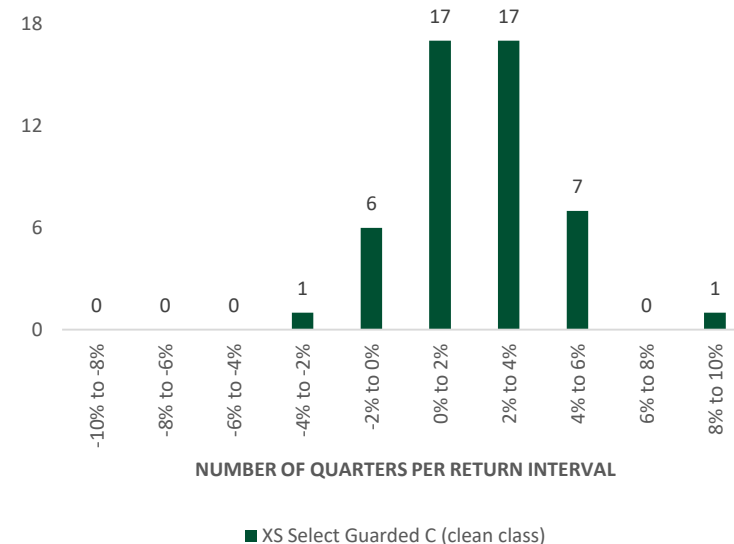


Rolling 3-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution





Underlying fund performance

| Key | 2015 | 2016 | 2017 | 2018 | YTD |
|-----------------------------------|-------|------|-------|-------|------|
| Allan Gray Stable | 13.7% | 6.4% | 11.1% | 2.9% | 5.1% |
| Coronation Balanced Defensive | 11.4% | 4.6% | 9.8% | 2.6% | 5.1% |
| Nedgroup Investments Core Guarded | 9.5% | 4.4% | 9.6% | 2.0% | 4.6% |
| Nedgroup Investments Stable | 8.3% | 3.9% | 7.8% | 1.7% | 4.1% |
| Prudential Inflation Plus | 8.1% | 0.4% | 7.1% | -4.3% | 4.0% |



POSITIVE CONTRIBUTORS THIS QUARTER

- The fund's allocation to offshore assets performed well as global equity markets rallied post the sell-off in Q4 2018, with the US delivering its strongest quarter in nearly two decades spurred on by the Fed's more dovish rate stance;
- The portfolio's core rand hedges British American Tobacco (+30%), BHP group (+22%), Naspers (+19%) and CF Richemont (12%) contributed meaningfully;
- The R186 government bond rallied 10bps on the final trading day, as the bond market enjoyed a late uptick on the back of Moody's decision not to review SA's sovereign credit rating.



DETRACTORS THIS QUARTER

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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 | 4.7% | 5.0% | 5.0% | 4.9% | 4.0% | 0.5% |
| 1 YEAR | 5.5% | 6.9% | 6.7% | N/A | 6.7% | 4.1% |
| 3 YEAR | 3.7% | 5.1% | 4.9% | N/A | 5.2% | 4.8% |
| 5 YEAR | 5.5% | N/A | 6.7% | N/A | 6.3% | 5.1% |



Costs across classes

| | MANAGEMENT FEE (excl. VAT) | FINANCIAL PLANNER | TOTAL EXPENSE RATIO | TRANSACTION CHARGES | TOTAL INVESTMENT CHARGES |
|---------------------------|-------------------------------|-------------------|---------------------|------------------------|-----------------------------|
| A Class (all-in) | 1.03% | 1.00% | 2.45% | 0.05% | 2.51% |
| B2 Class (LISP) | 0.88% | N/A | 1.14% | 0.05% | 1.19% |
| C Class (clean) | 1.03% | N/A | 1.31% | 0.05% | 1.36% |
| C1 class (product) | 1.18% | N/A | 1.46% | 0.05% | 1.52% |



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