



**NEDGROUP**  
INVESTMENTS

## QUARTERLY REPORT

# NEDGROUP INVESTMENTS XS SELECT EQUITY FUND OF FUNDS

as at 30 June 2019

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as at 30 June 2019



## 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



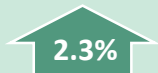
## Exchange rates (Rand spot rate and quarterly change)



### US DOLLAR

**R14.10**

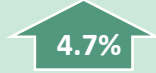
The US dollar declined against most currencies, on the back of the Fed's shift in interest rate policy



### 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

**100%**

TIME FRAME

min **7** years

BENCHMARK

Inflation **+6.5**

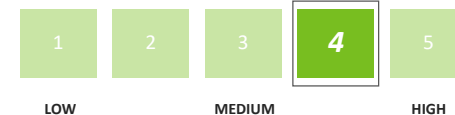
PEER GROUP

SA Multi-Asset  
Flexible

REGULATION 28

Non-compliant

RISK PROFILE



## Underlying fund structure

20% SA only

**ABAX**  
investments

20% SA only

ALLAN GRAY

20% SA only

FOORD

20% incl. Foreign

CORONATION  
FUND MANAGERS

20% incl. Foreign

Investec



## Fund costs (C – clean class)

MANAGEMENT FEE\*  
(excl. VAT)

**1.39%**

TOTAL  
EXPENSE RATIO

**1.59%**

TRANSACTION  
CHARGES

**0.23%**

TOTAL  
INVESTMENT CHARGES

**1.82%**



## Benefits of the XS Select range

SIMPLE, LOW-COST  
SOLUTION



DIVERSIFIED ACROSS  
ASSET CLASSES



DOMESTIC AND GLOBAL  
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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## Sector allocation

### FINANCIALS



27.9%

### BASIC MATERIALS



24.2%

### CONSUMER GOODS



13.1%

### TECHNOLOGY



10.2%

### CONSUMER SERVICES



9.6%

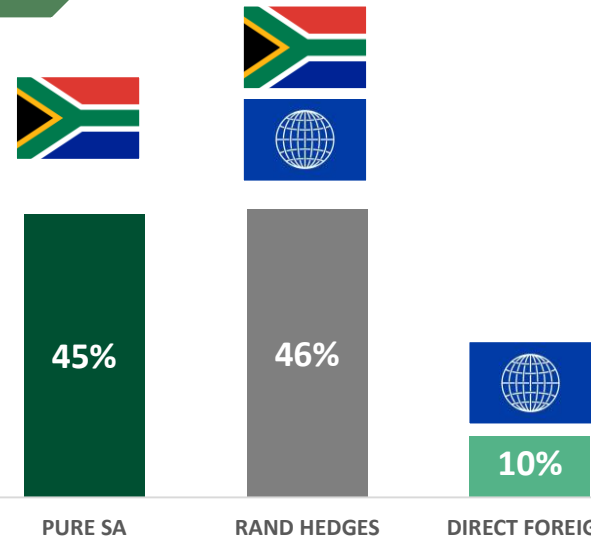
### INDUSTRIALS



7.3%



## Regional exposure



## Top ten holdings



8.5%



Standard Bank

5.5%



4.8%



4.7%



SASOL

4.5%



4.0%



2.3%



2.3%



2.3%



2.0%

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## Fund performance (clean class)

Q2 '19 RETURN

**-0.2%**

Peer group average: 1.6%

1YR ANNUALISED RETURN

**-1.2%**

Peer group average: 1.5%

3YR ANNUALISED RETURN

**2.3%**

Peer group average: 2.7%

5YR ANNUALISED RETURN

**3.6%**

Peer group average: 2.9%

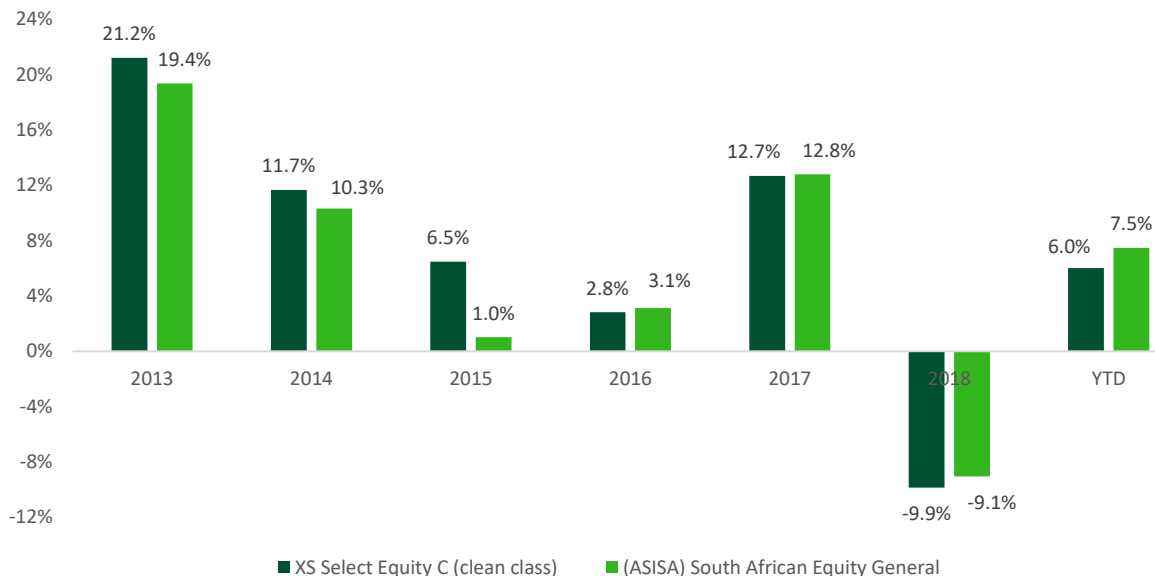
7YR ANNUALISED RETURN

**8.6%**

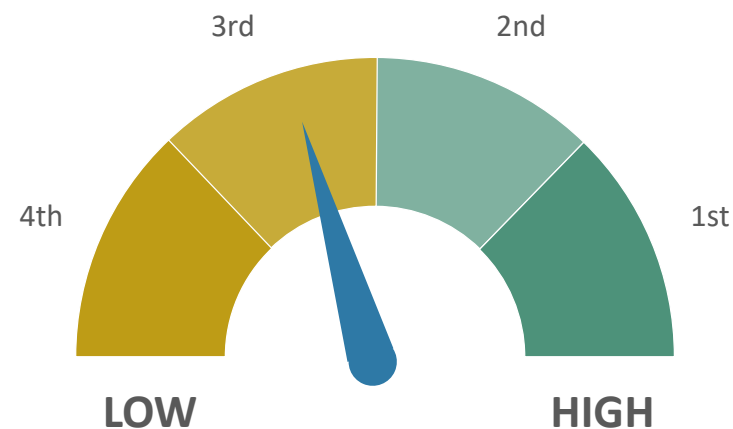
Peer group average: 8.0%



## Calendar year performance



## Peer group quartile ranking: 7Y



As the Fund is managed in accordance with the requirements of the (ASISA) SA Equity General peer group, this is used as the more suitable peer group for comparative purposes  
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## Risk measures since inception

ROLLING 7YR RETURN

**100%**

Hit rate: outperforming peer group average

VOLATILITY

**11.4%**

SA equity market: 14.5%

MAX DRAWDOWN

**-29.4%**

SA equity market: -40.4%

SHARPE RATIO

**0.2**

SA equity market: 0.3

% POSITIVE MONTHS

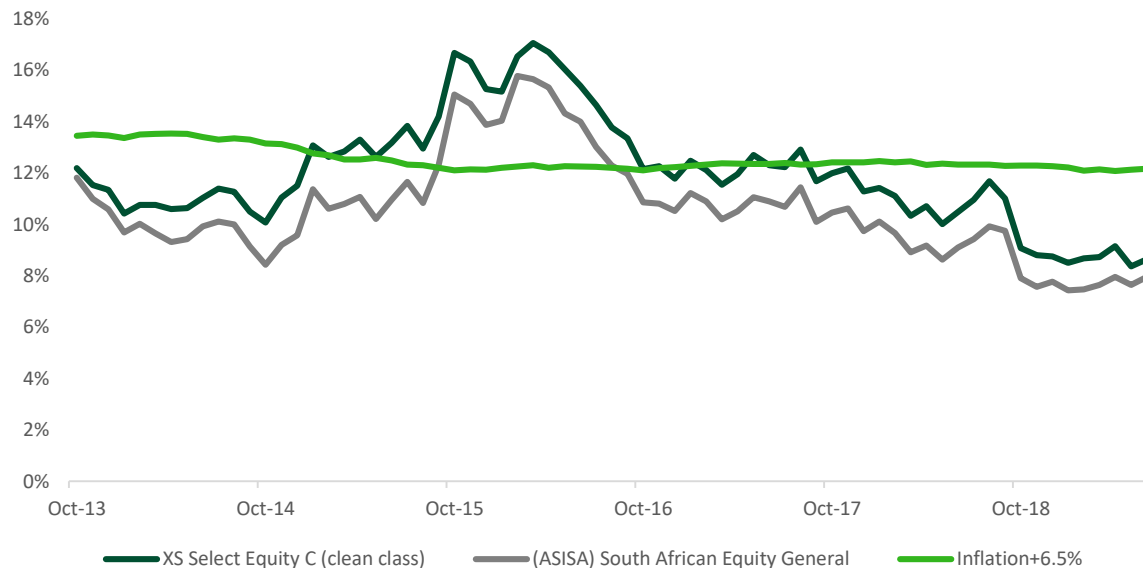
**65%**

SA equity market: 62%

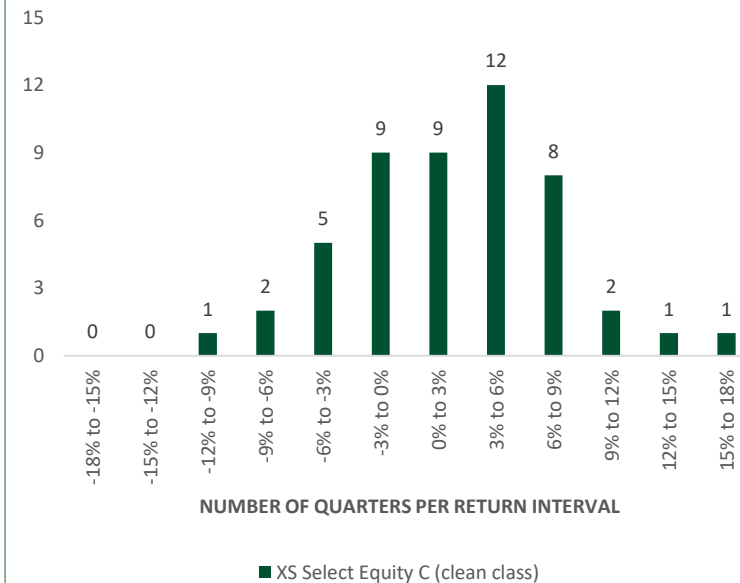


## Rolling 7-year annualised return

Since inception Nov 2006 to date



## Quarterly return distribution



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## Underlying fund performance

Key	2015	2016	2017	2018	YTD
Allan Gray SA Equity	14.3%	10.5%	17.3%	-6.5%	10.0%
Coronation Equity	7.8%	9.9%	16.5%	-7.0%	9.9%
Investec Equity	4.7%	3.6%	14.7%	-8.9%	5.8%
Nedgroup Investments Rainmaker	0.4%	1.2%	12.0%	-12.7%	3.0%
Nedgroup Investments Value		-2.0%	7.5%	-12.8%	2.0%



### POSITIVE CONTRIBUTORS THIS QUARTER

- Exposure to Anheuser-Busch InBev contributed positively to performance, with the group announcing its intention to list a minority stake in its Asia business;
- Richemont (+14.7%) rose sharply despite the stock missing sell-side analyst expectations during the quarter. RMB Holdings (+14.0%) and EOH (+89.0%) also had a great 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.



### 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.

Allan Gray was introduced on the 1st of October 2018.





## Performance across classes

	<b>A CLASS (ALL IN)</b>	<b>B2 CLASS (LISP)</b>	<b>C CLASS (CLEAN)</b>	<b>C1 CLASS (PRODUCT)</b>	<b>PEER GROUP</b>	<b>SA INFLATION</b>
<b>QUARTER</b>	-0.5%	-0.1%	-0.2%	-0.1%	1.6%	1.7%
<b>1 YEAR</b>	-2.3%	-1.0%	-1.2%	N/A	1.5%	4.5%
<b>3 YEAR</b>	1.1%	2.5%	2.3%	N/A	2.7%	4.8%
<b>5 YEAR</b>	2.5%	N/A	3.6%	N/A	2.9%	5.0%
<b>7 YEAR</b>	7.4%	N/A	8.6%	N/A	8.0%	5.3%



## Costs across classes

	<b>MANAGEMENT FEE* (excl. VAT)</b>	<b>FINANCIAL PLANNER</b>	<b>TOTAL EXPENSE RATIO</b>	<b>TRANSACTION CHARGES</b>	<b>TOTAL INVESTMENT CHARGES</b>
<b>A CLASS (ALL-IN)</b>	2.39%	1.00%	2.73%	0.23%	2.96%
<b>B2 CLASS (LISP)</b>	1.24%	N/A	1.41%	0.23%	1.65%
<b>C CLASS (CLEAN)</b>	1.39%	N/A	1.59%	0.23%	1.82%
<b>C1 CLASS (PRODUCT)</b>	0.54%	N/A	1.79%	0.22%	2.01%

\*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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