



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT GUARDED FUND OF FUNDS

as at 30 September 2019

See money differently

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Domestic asset class returns (ZAR)



SA EQUITY



1.9% 1 year
5.1% 3 years
12.3% LT average

Rebalancing of the MSCI indices prompted further selling of SA equities

SA PROPERTY



-2.7% 1 year
-3.5% 3 years
11.8% LT average

Hurt by a weak economic back drop and changing retail environment

SA BOND



11.4% 1 year
8.9% 3 years
6.9% LT average

Pricing in a challenged fiscus, but benefitting from benign inflation outlook

SA CASH



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

SA Reserve Bank cut interest rates 25bps in July



Global asset class returns (USD)



GLOBAL EQUITY



1.9% 1 year
10.3% 3 years
8.5% LT average

US and Japan were strong while the rest of Asia and EM struggled

GLOBAL PROPERTY



14.1% 1 year
6.6% 3 years
6.6% LT average

Benefited from the lower interest rate environment

GLOBAL BOND



7.6% 1 year
1.6% 3 years
4.6% LT average

High quality sovereign bonds contributed, but corporates detracted

US CASH



2.7% 1 year
1.8% 3 years
4.3% LT average

Most central banks eased monetary policies and cut rates



Exchange rates (Rand spot rate and quarterly change)



US DOLLAR

R15.16

US dollar was particularly strong, reflecting shifting expectations for relative growth and interest rates



BRITISH POUND

18.68

Brexit continues to cast a shadow over the UK economy, as the clock ticks towards the 31 Oct'19 deadline



EURO

R16.53

Germany, the powerhouse of Europe, is showing signs of stress with manufacturing activity at a 10-yr low





Domestic performance drivers



HIGHLIGHTS

- The SA Reserve Bank acknowledged a contained inflationary backdrop and cut interest rates by 25bps in July, followed by a unanimous decision to keep rates unchanged in September.
- Moody's credit ratings agency provided a glimmer of hope as their stable outlook on South Africa remained unchanged.
- National Treasury released an Economic Policy Paper which sets out a blueprint for growth enhancing reforms over the short, medium and longer term.



LOW POINTS

- Emerging market assets bore the brunt of the global risk off environment, with SA bond and equity markets seeing net outflows over the quarter, putting pressure on the Rand.
- Provisional budget data for this tax year suggest underperformance in tax revenues, with expenditure (although largely contained) increasing due to additional support for struggling SOE's, SAA and Denel.
- The South African business confidence index (compiled by the Bureau for Economic Research) fell to a 20-year low in the third quarter.



Global performance drivers



HIGHLIGHTS

- US and China trade tensions eased in September, as both sides suggested progress was being made ahead of the formal resumption of talks in early October.
- Central banks continued to provide enough support for risk assets to rally and oscillate around historic highs, with both the US Federal Reserve and ECB cutting rates in September.
- The low interest rate beneficiaries and stable earners outperformed the cyclical areas. Utilities (+5.7%), Consumer Staples (+3.7%) and Real Estate (+3.0%) were the best performers.



LOW POINTS

- Economic data releases continued to point to slowing growth and a rising recessionary risks in a number of economies.
- The most significant area of weakness has been manufacturing. China and Germany have been particularly weak, with tariffs hurting Chinese exports and the poor performing autos undermining German manufacturing.
- Compared to other asset classes, commodities disappointed, led lower by Crude Oil (-6.6%) and Agriculture (-6.1%).

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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)

0.99%

TOTAL
EXPENSE RATIO

1.31%

TRANSACTION
CHARGES

0.05%

TOTAL
INVESTMENT CHARGES

1.36%



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 July 2016 and ending 30 June 2019.

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Asset allocation

DOMESTIC EQUITY



20.9%

DOMESTIC PROPERTY



6.2%

DOMESTIC FIXED INTEREST



45.1%

FOREIGN EQUITY



18.7%

FOREIGN PROPERTY



0.7%

FOREIGN FIXED INTEREST



8.5%



Regional exposure



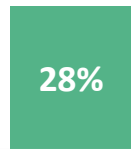
61%

PURE SA



11%

RAND HEDGES



28%

DIRECT FOREIGN



Top ten holdings

RSA R186 BOND

6.2%



1.7%

RSA R2035 BOND

1.5%

RSA R2044 BOND

1.4%

RSA R2030 BOND

1.4%



1.4%



Standard Bank

1.3%

RSA R202 ILB

1.1%

NEWGOLD ETF

1.2%



1.0%

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Fund performance (clean class)

Q4 '18 RETURN

1.5%

Peer group average: 1.2%

YTD RETURN

7.5%

Peer group average: 7.0%

1YR ANNUALISED RETURN

4.1%

Peer group average: 5.0%

3YR ANNUALISED RETURN

4.9%

Peer group average: 5.4%

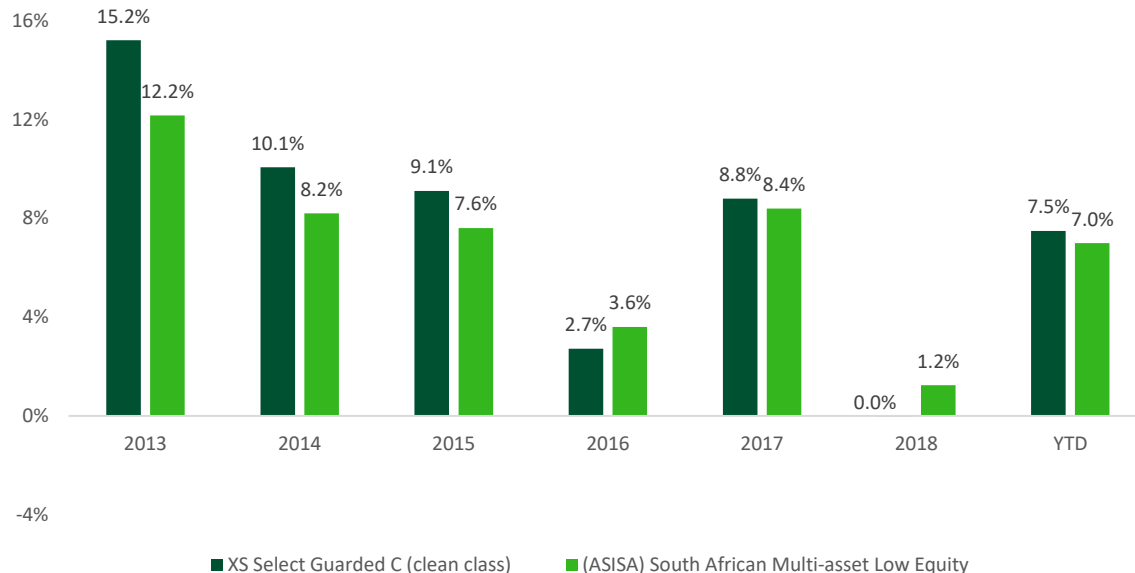
5YR ANNUALISED RETURN

6.2%

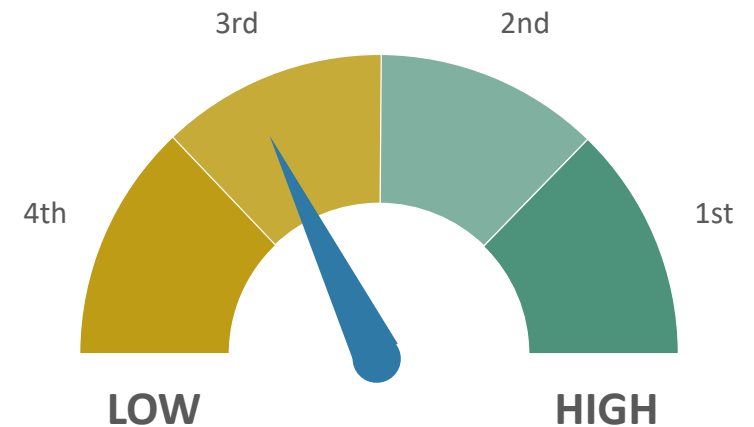
Peer group average: 6.0%



Calendar year performance



Peer group quartile ranking: 3Y



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Risk measures since inception

ROLLING 3YR RETURN

92%

Hit rate: outperforming peer group average

VOLATILITY

4.6%

SA equity market: 14.4%

MAX DRAWDOWN

-5.2%

SA equity market: -40.4%

SHARPE RATIO

0.4

SA equity market: 0.2

% POSITIVE MONTHS

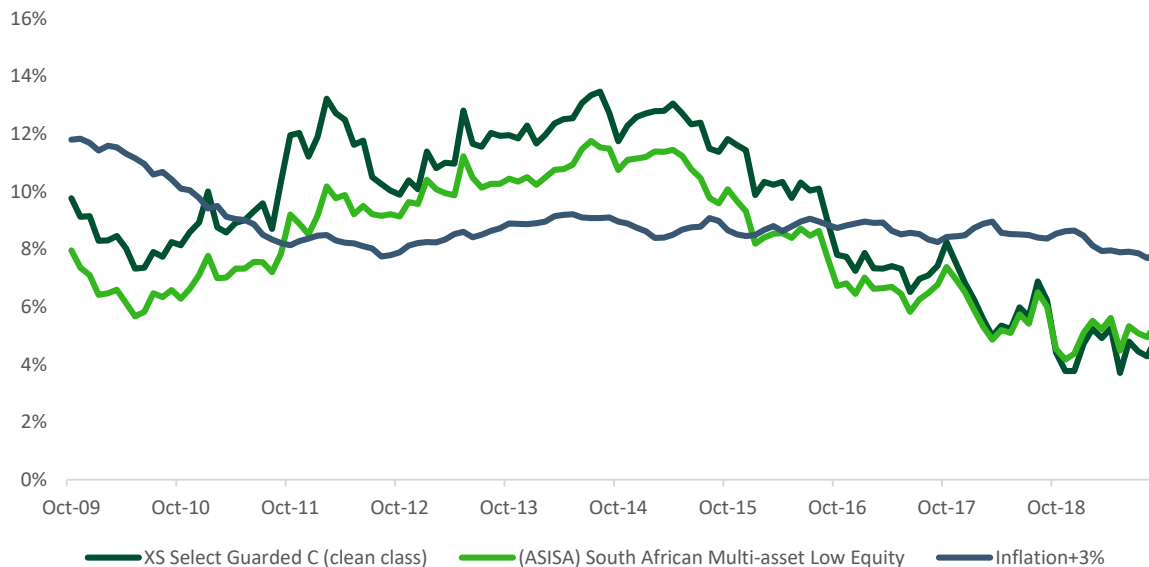
74%

SA equity market: 61%

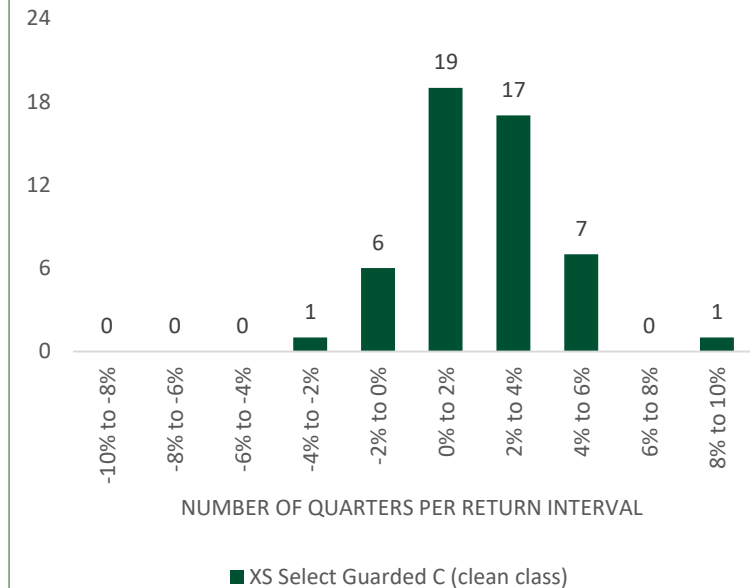


Rolling 3-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution





Underlying fund performance

Key	2014	2015	2016	2017	2018	YTD
Allan Gray Stable	12.6%	13.7%	6.4%	11.1%	2.9%	8.8%
Coronation Balanced Defensive	11.2%	11.4%	4.6%	9.8%	2.6%	8.1%
Nedgroup Inv Core Guarded	8.9%	9.5%	4.4%	9.6%	2.0%	7.1%
Nedgroup Inv Stable	8.8%	8.3%	3.9%	7.8%	1.7%	6.3%
Prudential Inflation Plus	6.6%	8.1%	0.4%	7.1%	-4.3%	5.3%



POSITIVE CONTRIBUTORS THIS QUARTER

- Foreign exposure at close to the regulated maximum of 30% made a meaningful contribution as the rand weakened 8% to the US dollar and global equity markets outperformed the domestic market.
- The NewGold ETF (+13%) benefited from the risk-off environment increasing investors' demand for safe assets.
- Defensive rand hedges British American Tobacco (+14%), Reinet (+22%) and Anheuser-Busch Inbev (+16%) performed well due to the weaker rand as well as company specific actions well received by the market.



DETRACTORS THIS QUARTER

- Domestic property stocks and inflation-linked bonds, as well as emerging market equities, were weak this quarter.
- Sasol (-28%) delayed the release of financial results on 16th August and 6th September, citing the need for more time to conclude their investigation into the budget overruns and delays of the Lake Charles Chemical Project (LCCP).
- RMB Holdings (-9%), Standard Bank (-9%) and FirstRand (-7%) performed in line with the Financials sector (-7%) as the market continues to price in a challenging environment for South African focused stocks.

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

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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	1.2%	1.6%	1.5%	1.5%	1.2%	1.0%
1 YEAR	2.9%	4.3%	4.1%	3.9%	5.0%	4.3%
3 YEAR	3.8%	5.1%	4.9%	N/A	5.4%	4.7%
5 YEAR	5.0%	N/A	6.2%	N/A	6.0%	4.9%



Costs across classes

	MANAGEMENT FEE* (excl. VAT)	FINANCIAL PLANNER	TOTAL EXPENSE RATIO	TRANSACTION CHARGES	TOTAL INVESTMENT CHARGES
A Class (all-in)	2.03%	1.00%	2.45%	0.05%	2.50%
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%	1.51%

*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 July 2016 and ending 30 June 2019.

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