



NEDGROUP
INVESTMENTS

QUARTERLY REPORT

NEDGROUP INVESTMENTS XS SELECT DIVERSIFIED FUND OF FUNDS

as at 31 December 2019

See money differently

QUARTERLY REPORT: NEDGROUP INVESTMENTS

as at 31 December 2019



Domestic asset class returns (ZAR)



SA EQUITY



12.1% 1 year
7.4% 3 years
12.3% LT average

Domestic equities were lifted alongside international markets

SA PROPERTY



1.9% 1 year
-3.7% 3 years
11.8% LT average

Ended the quarter close to flat, despite losing -2.1% in December

SA BOND



10.3% 1 year
9.4% 3 years
6.9% LT average

Driven by improved emerging market sentiment and robust Rand

SA CASH



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

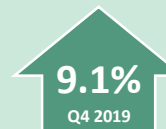
As expected, the SARB kept interest rates unchanged in November



Global asset class returns (USD)



GLOBAL EQUITY



27.3% 1 year
13.1% 3 years
8.5% LT average

Risk appetite returned to the market and EMs were the best performers

GLOBAL PROPERTY



23.1% 1 year
9.3% 3 years
6.6% LT average

Benefited from lower interest rates and higher risk appetite

GLOBAL BOND



6.8% 1 year
4.3% 3 years
4.6% LT average

Steepening of yield curves saw safe-haven sovereign bonds under pressure

US CASH



2.76% 1 year
1.9% 3 years
4.3% LT average

Several notable interest rate cuts from US Federal Reserve and ECB



Exchange rates (Rand spot rate and quarterly change)



US DOLLAR

R13.98

8%

The rand took advantage of the reversal in USD strength as well as improved investor sentiment on the back of positive global trade developments and early signs of a stabilisation in some key global economic data.



BRITISH POUND

R18.52

1%

Rand gains against the pound were limited following optimism around a Brexit deal. In addition, most of the pound strength was due to a weaker USD in the run-up to the US Fed's interest rate cut in October.



EURO

R15.70

5%

Euro also advanced against the US dollar as Brexit uncertainty lifted and manufacturing data showed signs of improvement.



Domestic performance drivers



HIGHLIGHTS

- The work to bring justice to bear continues. Four individuals, including two former Eskom executives were arrested in late December on charges of corruption, fraud and money laundering
- Domestic equities were lifted alongside international markets and domestic bond markets benefitted from improved sentiment towards emerging markets and a robust Rand.
- Incoming Eskom CEO Andre de Ruyter, was asked to start earlier than planned to progress the urgent work of steadying the state-owned utility.



LOW POINTS

- The intermittent load shedding at the end of the fourth quarter, increased the risk that economic growth would disappoint again.
- Credit ratings agencies Moody's and S&P downgraded the outlook for the sovereign from stable to negative.
- Strikes at national carrier South African Airways saw flights delayed and grounded, as staff and unions sought higher wages. The Government reaffirmed that there are no funds for bailouts and SAA went into voluntary business rescue in December.



Global performance drivers



HIGHLIGHTS

- In the UK, the Conservative election victory was taken positively as it dealt a fatal blow to the Labour Party's far left "Corbynistas", whilst also providing greater clarity over the next stage of Brexit.
- Investor confidence in next year's global and US economic outlook started to improve, helped by growing optimism over a trade deal and strong US job and wage data.
- Almost a year after the initial deal was signed, negotiators reached agreement on the US-Mexico-Canada Agreement, or new NAFTA agreement, moving it towards congressional ratification in the US.



LOW POINTS

- Hong Kong protests escalated in November, with violence breaking out between anti-government protesters and the police at a local university. The pro-democracy protests started over the proposed extradition law that would enable easier extradition to mainland China but has quickly evolved into a debate on the autonomy of Hong Kong and the relationship with China.
- In October, the IMF downgraded the 2019 global growth outlook to 3.0%, the lowest forecast since the global financial crisis, while China reported growth of 6% in Q3, its slowest pace in decades.

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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



Underlying fund structure

20% Active

ALLAN GRAY

20% Active

CORONATION
FUND MANAGERS

20% Active

PRUDENTIAL
INVESTMENT MANAGERS

20% Active

Truffle
Asset Management

20% Passive

Taquanta



Fund costs (C – clean class)

MANAGEMENT FEE*
(excl. VAT)

1.01%

TOTAL
EXPENSE RATIO

1.33%

TRANSACTION
CHARGES

0.09%

TOTAL
INVESTMENT CHARGES

1.42%



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 October 2016 and ending 31 December 2019.

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Asset allocation

DOMESTIC EQUITY



48.8%

DOMESTIC PROPERTY



4.3%

DOMESTIC FIXED INTEREST



19.1%

FOREIGN EQUITY



22.3%

FOREIGN PROPERTY



0.6%

FOREIGN FIXED INTEREST



4.9%



Regional exposure



48.5%

PURE SA



23.7%

RAND HEDGES



27.8%

DIRECT FOREIGN



Top ten holdings



4.4%



3.9%



2.4%



2.4%



2.4%



2.0%



1.3%



1.3%



1.3%

RSA R2040 BOND

1.2%

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Fund performance (clean class)

Q4'19 RETURN

3.3%

Peer group average: 2.5%

YTD RETURN

11.2%

Peer group average: 9.5%

1YR ANNUALISED RETURN

11.2%

Peer group average: 9.5%

3YR ANNUALISED RETURN

5.5%

Peer group average: 5.1%

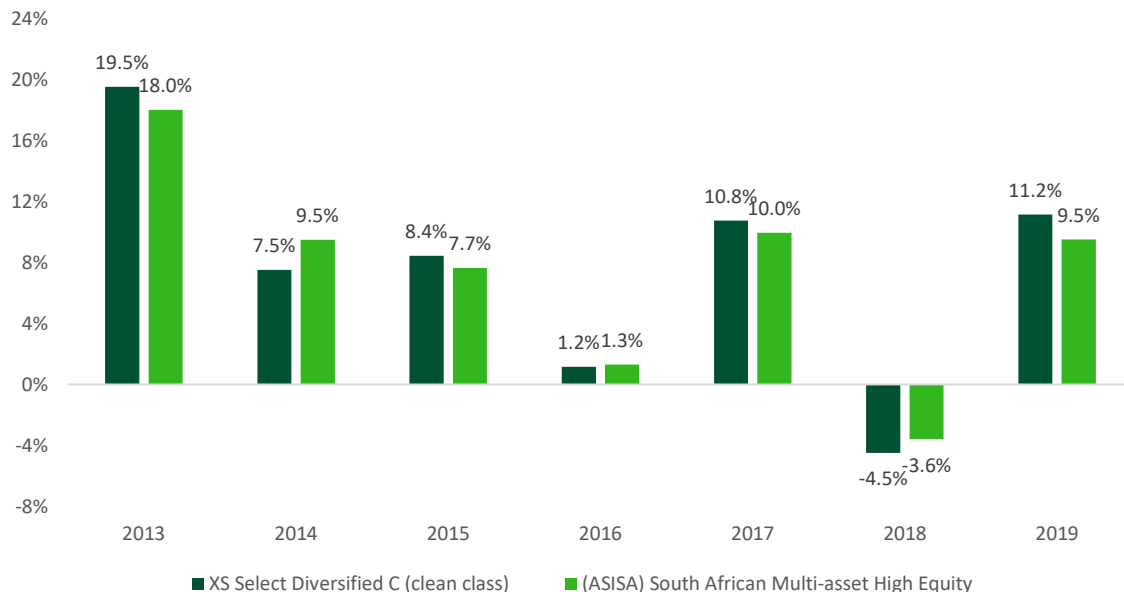
5YR ANNUALISED RETURN

5.2%

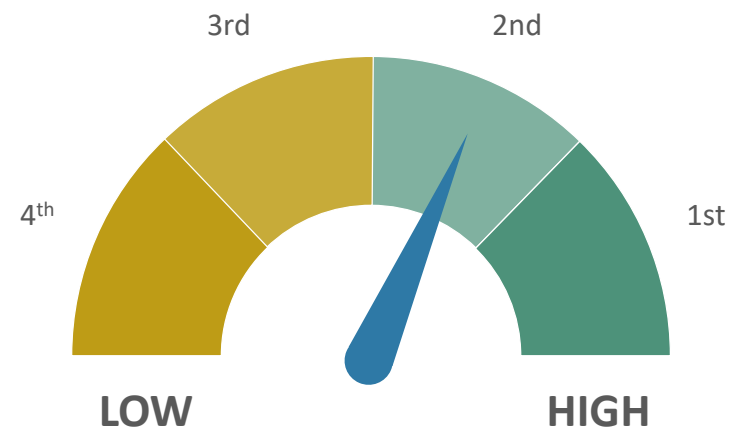
Peer group average: 4.8%



Calendar year performance



Peer group quartile ranking: 5Y



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Risk measures since inception

ROLLING 5YR RETURN

86%

Hit rate: outperforming peer group average

VOLATILITY

7.9%

SA equity market: 14.3%

MAX DRAWDOWN

-17.2%

SA equity market: -40.4%

SHARPE RATIO

0.3

SA equity market: 0.2

% POSITIVE MONTHS

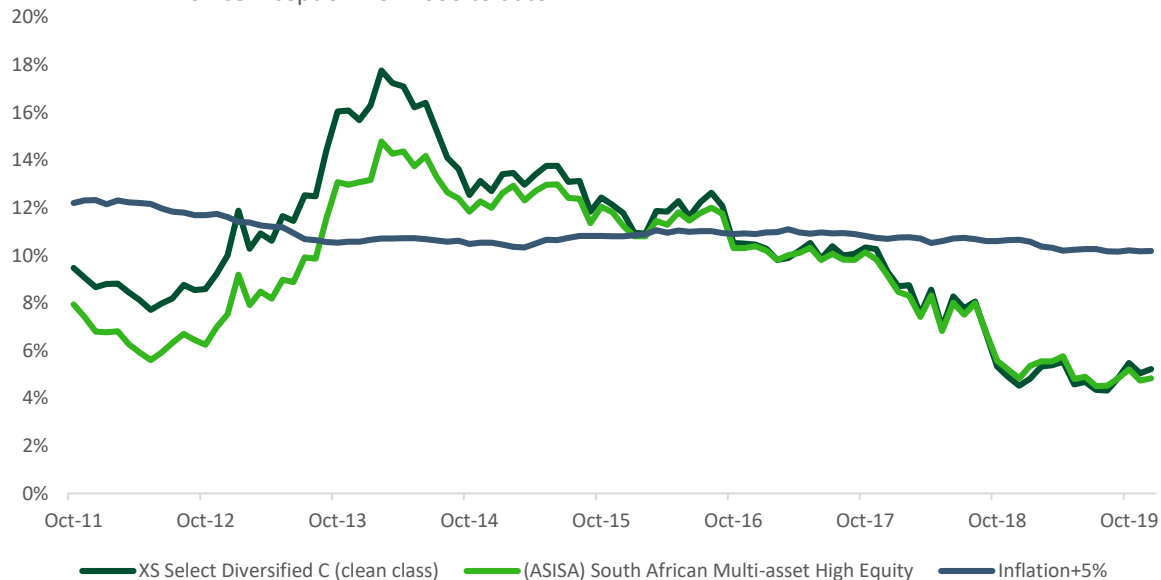
67%

SA equity market: 60%

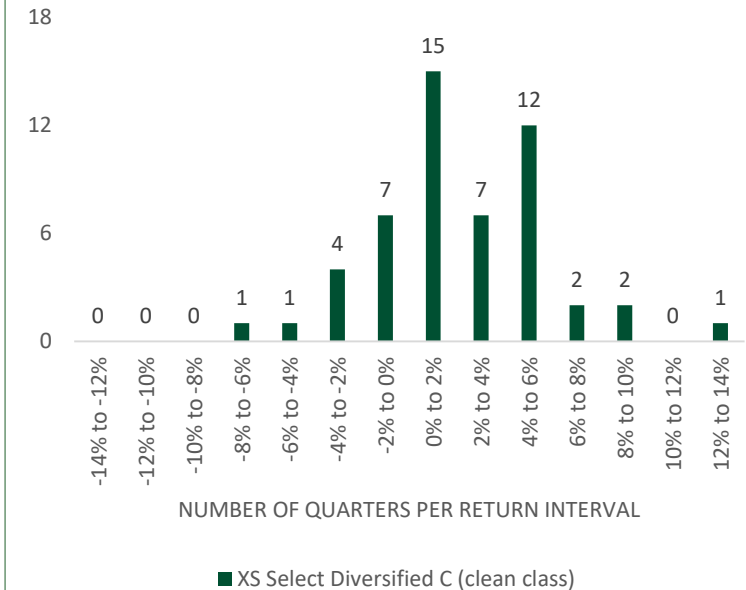


Rolling 5-year annualised return

Since inception Nov 2006 to date



Quarterly return distribution





Underlying fund performance

Key	2015	2016	2017	2018	2019
Allan Gray Balanced	18.5%	6.3%	13.2%	1.5%	16.6%
Coronation Balanced Plus	12.3%	4.7%	12.6%	-2.6%	13.3%
Nedgroup Inv Balanced	9.2%	2.4%	12.2%	-3.1%	9.6%
Nedgroup Inv Core Diversified	8.6%	1.0%	11.0%	-3.8%	9.0%
Prudential Balanced	8.3%	-2.4%	5.3%	-5.9%	6.7%



POSITIVE CONTRIBUTORS THIS QUARTER

- The inclusion of the Nedgroup Investments Balanced fund managed by Truffle was the largest contributor over the last quarter of 2019. The fund benefited from its stock selection within the domestic resources sector with Sibanye Gold (+258% in 2019; +71% Q4) and Impala Platinum (+290% in 2019; +51% Q4'19) being two of Truffle's largest contributors.
- Coronation also had a meaningful exposure to Platinum as well as other SA listed star performers like British American Tobacco and Quilter. The fund also enjoyed strong performance from its allocation to the Coronation Global Emerging Market fund.



DETRACTORS THIS QUARTER

- The Rand strengthened 8% relative to the US dollar, benefitting from the positive global sentiment. This outweighed the impact of concerns about local electricity supply even though Eskom continued to implement load-shedding. A weaker USD also provided additional support to the local unit.
- Sasol continued to be a drag on performance as it is a position commonly held by our managers. The company suffered cost overruns relating to the Lake Charles Chemicals Project and delayed its financial results. The board used this time to conduct a thorough review of internal controls and governance structures.

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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	3.0%	3.3%	3.3%	3.2%	2.5%	0.4%
1 YEAR	9.9%	11.3%	11.2%	11.0%	9.5%	3.6%
3 YEAR	4.3%	5.7%	5.5%	N/A	5.1%	4.5%
5 YEAR	4.0%	5.4%	5.2%	N/A	4.8%	4.9%



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%	2.47%	0.09%	2.56%
B2 CLASS (LISP)	0.90%	N/A	1.16%	0.09%	1.25%
C CLASS (CLEAN)	1.05%	N/A	1.33%	0.09%	1.42%
C1 CLASS (PRODUCT)	1.20%	N/A	1.48%	0.09%	1.57%

*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 October 2016 and ending 31 December 2019.

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