

# Nedgroup Investments

## XS Select Fund of Funds Range

February 2020



### XS SELECT INCOME FUND OF FUNDS (FOF)

The XS Select Income FoF was launched on the 1<sup>st</sup> of February 2019 and is an equal split of the following three funds:

- Coronation Strategic Income Fund
- Investec Diversified Income Fund
- Nedgroup Investments Flexible Income Fund

### Fund characteristics

Max Equity	Time Frame	Benchmark	Peer group	Regulation 28	Distribution
10%	Min 6 months	110% STeFI Call	SA MA Income	Compliant	Quarterly

### Track record

The track record displayed here includes the backtested return from 31 October 2012\* to 1 February 2019, when the Nedgroup Investments XS Select Income FoF was launched. The B2-class fee of 0.20% (excl. VAT) was applied to the net returns of the underlying funds, rebalanced quarterly as per the XS Select FoF process.

#### • Historic performance

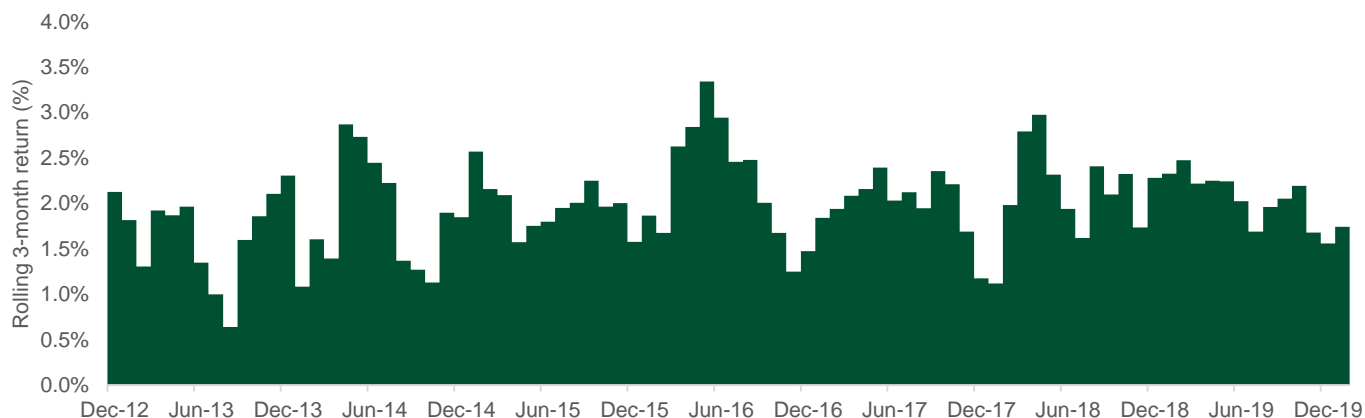
The XS Select Income FoF has outperformed its benchmark over all meaningful periods since inception.

As at 31 January 2020	3M	6M	1Y	2Y	3Y	5Y	7Y
XS Select Income FoF B2 (incl. backtested)	1.7%	4.0%	8.1%	8.8%	8.5%	8.4%	8.2%
110% STeFI Call	1.8%	3.6%	7.3%	7.3%	7.4%	7.2%	6.8%

Source: Morningstar; Returns greater than 1-year annualised

#### • Rolling 3-month return

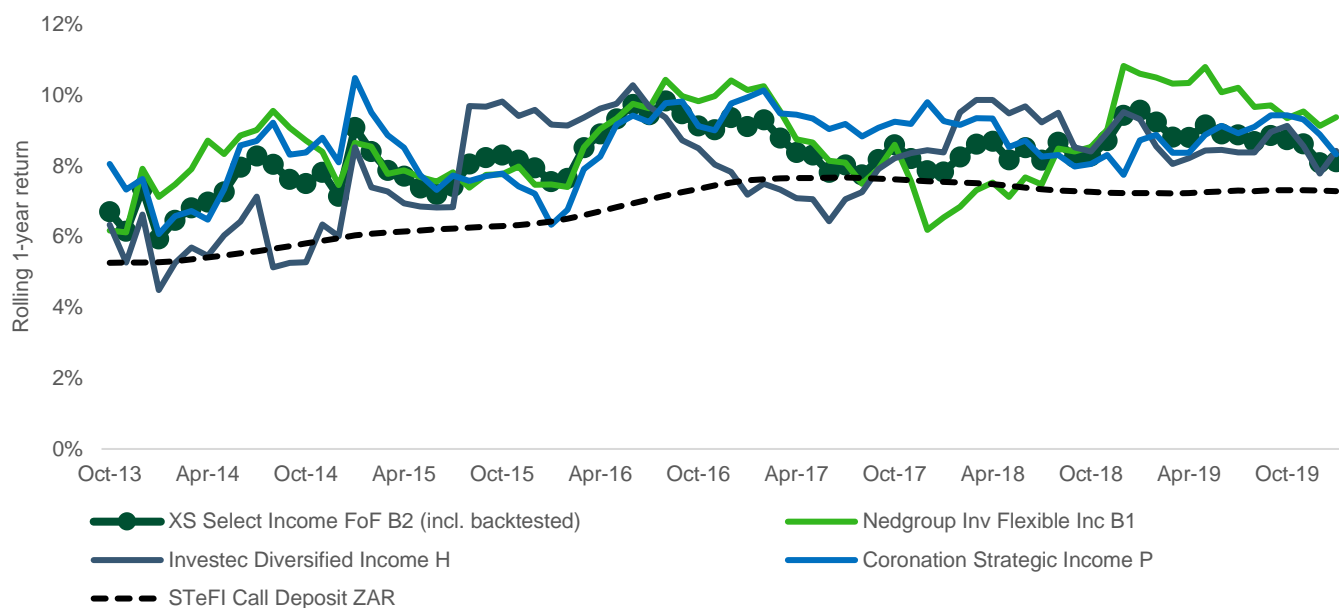
The XS Select Income FoF has avoided capital loss over any rolling 3-month period since inception to 31 January 2020.



\*Common inception of the underlying funds 2012/10/01, using the date Abax was appointed to the Nedgroup Investments Flexible Income fund

- **Rolling 1-year return**

The XS Select Income FoF has outperformed its benchmark (110% STeFI Call Index) at a hit rate of 100% since inception to 31 January 2020.



- **2019 Performance contributors and detractors**

The Nedgroup Investments Flexible Income fund and Coronation Strategic Income fund delivered strong performance in 2019, while Investec Diversified Income slightly lagged its peers.

Performance contributors:

- Yield enhancing corporate bonds and floating rate assets continued to outperform cash;
- Tactical positioning in government bonds contributed to performance;
- Preference shares were one of the best performing sectors of the domestic market in 2019.

Performance detractors:

- Listed property ended 2019 as one of the worst performing sectors of the domestic market at only 1.9% for the year;
- Inflation-linked bonds detracted as inflation materialised lower;
- The strength of the rand in Q4 had a negative impact on the offshore assets held by the underlying managers.

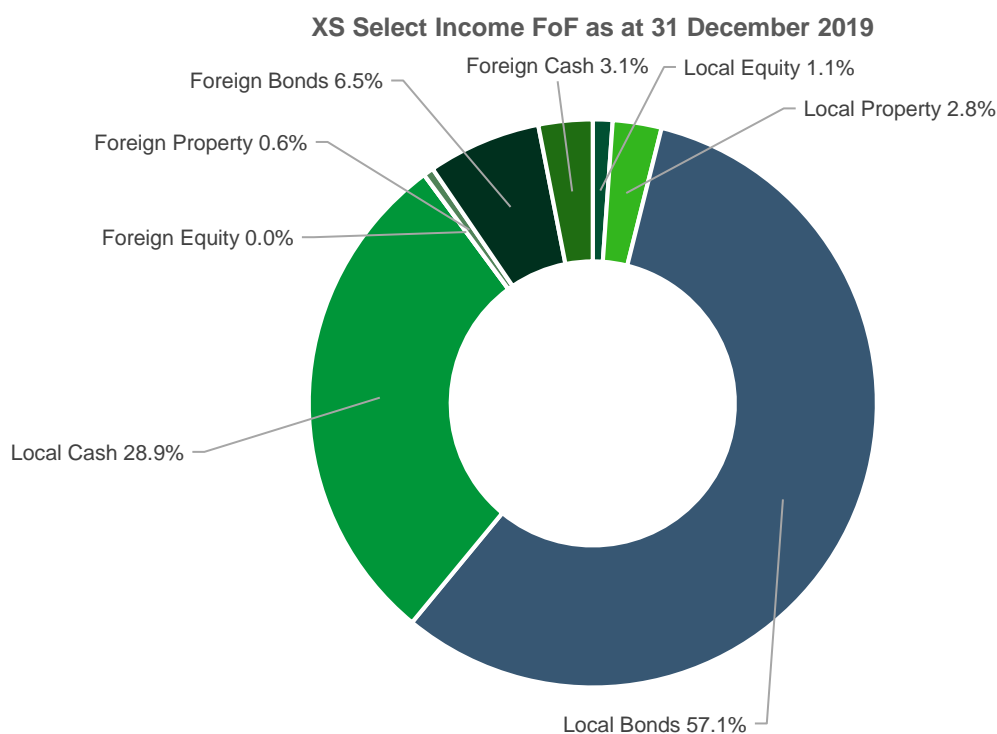
- **Risk measures**

Diversification is one of the key benefits of a fund of funds solution, as it offers clients better risk-adjusted returns. In other words, clients achieve the same return as a single fund with less volatility, or greater return than a single fund at the same volatility. As per the table below, the XS Select Income FoF achieved its since inception return of 8.1% at a volatility lower than any of the underlying funds.

Oct'12-Jan'20	XS Select Income FoF B2 (incl. backtested)	Coronation Strategic Income	Investec Diversified Income	Nedgroup Investments Flexible Income
<b>Return</b>	8.1%	8.5%	7.9%	8.4%
<b>Volatility</b>	1.1	1.3	1.6	1.3
<b>Sharpe ratio</b>	1.6	1.6	0.9	1.6

**Current positioning**

The XS Select Income FoF is conservatively positioned with a high cash allocation and moderate overall duration (sensitivity to interest rate risk).



	XS Select Income FoF	Coronation Strategic Income	Investec Diversified Income	Nedgroup Investments Flexible Income
<b>Gross Yield</b>	8.20%	8.50%	8.40%	7.80%
<b>Duration</b>	1.2	1.3	1.7	0.6

We have recently concluded our annual due diligence process during which we spent time with each of the underlying managers of the XS Select Income FoF. At these sessions we unpack, amongst other topics, their investment processes; team structures and fund positioning as well as performance contributors and detractors over all meaningful periods. We still firmly believe that the underlying mix of managers within the XS Select Income FoF is the most suitable given this fund's objectives.

*We look forward to your continued support,*

*The Nedgroup Investments Multi-Manager Team*