



NEDBANK
PRIVATE WEALTH
SINCE 1834

PRIVATE WEALTH DIVERSIFIED GROWTH FUND

Q4 2021

see money differently

MARKET REVIEW

Countries continue to adjust to the increase in COVID-19 cases as the Omicron variant spreads to become the dominant variant in several countries. While financial markets initially responded negatively to the rapid spread of the variant, risk appetite returned as incoming data suggested the Omicron variant could be more transmissible than previous variants but causes less severe disease. Restrictions on movement, as well as travel bans on certain countries, nonetheless put a dampener on service sector activity over the holiday period.

Global equity markets ended the year reaching new highs, despite lower liquidity over the festive season and lingering concerns around the rising case counts of Omicron infections. The MSCI World Index gained 4,3% in December and 7,9% over the last quarter, to bring the returns for 2021 to 22,3%. With its significant representation in the global index, strong US returns was one of the primary drivers. The S&P 500 returned 4,5% in December and +28,7% over the last 12 months. Although value sectors remained in favour for much of the year, the technology heavy Nasdaq 100, which is largely comprised of growth stocks, still gained 27,5% over the year. Emerging markets staged a modest recovery in December, with the MSCI Emerging Markets Index gaining 1,9%. This was, however, not enough to turn the fourth quarter (-1,2%) and 2021 figures (-2,2%) positive. A meaningful contributor was sizeable losses in Chinese markets, especially from big technology companies, as ongoing regulatory changes and a challenged and highly leveraged property sector saw the Hang Seng losing 12,3% over the year. Weaker growth from China and lower demand for certain commodities impacted several other emerging markets.

The energy markets were arguably the biggest beneficiary this year. Brent crude oil settled close to \$78 ahead of the OPEC+ meeting in early January, up about 50,2% over the year – and a far cry from the pandemic-stricken lows. Gas prices repeatedly hit new highs over the latter half of the year, while the price moves from the energy crisis also extended to coal prices.

Global sovereign bond markets traded under pressure for much of the year, as bond yields rose alongside concerns of inflationary pressures and by inference higher probability of earlier interest rate hikes. The US 10-year bond yield rose circa 60bps to 1,5% by year end. Corporate credit instruments, especially those in the High Yield space, benefitted from a search for yield and an improved earnings outlook. In US dollar terms, the Barclays Global Aggregate Index declined by 4,7% over the year.

If one considers the change in forecasts and market expectations, economic growth for 2021 was better than expected, despite the ongoing travails and impact of the pandemic. In lockstep, however, increased demand, supply chain challenges and developments in the housing and labour market led to inflation also surprising to the upside. The main challenge for policy makers and investors this year will be to ascertain how much of these pressures will persist for longer and at what pace policy makers need to tighten to combat sustained price increases. While many central banks have already started to reduce monetary stimulus, some are now accelerating the withdrawal. In December, the US Federal Reserve (Fed) accelerated the pace of tapering of bond purchases, to end in March 2022, and signalled earlier interest rate hikes. The Bank of England hiked interest rates by 25bps for the first time since the pandemic. The ECB, however, seems to be content to continue with a more patient and gradual approach overall, continuing with asset purchases for another 10 months and proposing no interest rate hikes for 2022, despite scaling back on bond purchases. While the direction is clear, the pace and scale of policy actions will likely be a major source of market volatility and surprise this year. Time will tell whether the assertiveness of central bankers will also be the catalyst to stymie the asset price inflation that markets have been enjoying.

A rapid escalation of COVID-19 cases confirmed the onset of the fourth wave, though the country resisted stricter lockdown measures. With data indicating a moderation of case counts in the latter half of the month, South Africa further relaxed restrictions on movement and trade, including a removal of the curfew.

The Independent Communications Authority of South Africa (Icasa) reissued the invitation to apply for spectrum in an auction of about R8bn, planned for March 2022. After numerous delays, the conclusion of this process would be a positive development for the economy, fiscus and consumers. In a positive development, credit ratings agency Fitch moved South Africa's credit ratings outlook to stable from negative.

The economy recorded a quarterly GDP contraction of 1,5% (not annualised) in the third quarter, disappointing relative to market expectations. The devastating impact of the riots, as well as load shedding, were the primary drivers. The

unemployment rate recorded a new high of 34,9% in the third quarter, confirming the bleak picture many job seekers face.

Both Nedbank and Investec concluded the purchase of their outstanding listed preference shares in December, driving the preference share market to a strong end to the year, gaining 6,5% December. This brings the full year returns to 45,0%. The All Bond Index gained 2,7% in December, bringing the returns over the year to 8,4%. After a strong start to the year, the Rand experienced a much weaker fourth quarter, depreciating by circa 6,0% and breaching the R16,0-mark multiple times in the last month of the year.

Local equity markets mirrored positive momentum from global equity markets with the FTSE/JSE All Share Index gaining 4,8%. With resources delivering performance of 32,4% over the year, South African equity indices outperformed the broader emerging market complex, delivering returns comparable to many developed markets. In December, domestically exposed small and mid-cap counters outperformed large cap counterparts, while interest rate sensitive sectors such as the property and financials finished the month up 7,9% and 9,1% respectively. The standout sector for 2021, however, was the energy sector, returning 112,2%.

FUND PERFORMANCE

For the final quarter of 2021, the Fund delivered a total return of 6.40% versus the 7.59% return of its benchmark and the peer average of 7.33% and was ranked 111 compared to 211 peer funds. The Fund delivered a good result (+3.51%) for December outperforming peers by 29bps. For 2021, the Fund was ranked 43 out of a peer group of 207: top quartile for the year. For the 12 months the Fund has returned 23.36%, versus the benchmark's 17.67% and the peer average of 20.42%. Encouragingly, the Fund is now level-pegging with its benchmark and peers over three years.

FUND DEVELOPMENTS AND POSITIONING

Over the quarter, the Fund took profits on select equity positions and built a position in Vodacom which offers an improved expected return, has strong free cash flow generation and has very low gearing which supports our thesis for continued dividend pay-outs. The recent investments into Egypt and fibre networks add to the appeal of the investment case.

Currently the Fund is slightly underweight SA listed equity and retains exposure to preference shares.

The Fund remains overweight SA bonds and added on weakness in the bond market in late-November. Nominal bonds remain attractive on a relative and absolute basis and we believe the risk-reward compensates investors for capital volatility and a range of inflation outcomes.

SA listed property remains a small portion of the portfolio. Given the uncertainty in this sector, we remain on the sidelines for now, but continue to evaluate when it will be appropriate from a valuation perspective to allocate capital to this sector. Stock selection has been key and during the quarter we took profits on Resilient and Storage and rebalanced the property portion to align to our house-view property model.

The Fund has c.29% international exposure and is overweight international equity and underweight international bonds.



NEDGROUP INVESTMENTS PRIVATE WEALTH DIVERSIFIED GROWTH FUND



DECEMBER 2021

RISK RATING



RISK REWARD PROFILE

Equity and property investments are volatile by nature and subject to potential capital loss. For credit and income instruments, while unlikely, capital loss may also occur due to an event like the default of an issuer. The portfolio may be subject to currency fluctuations due to its international exposure.

GENERAL INFORMATION

BENCHMARK / TARGET RETURN

55% FTSE/JSE SWIX40, 5% ALBI, 5% SAPY, 15% STEFI, 20% International Composite

INVESTMENT MANAGER ASSET CLASS

Nedgroup Investment Advisors (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652).

ASISA CATEGORY

South African Multi Asset High Equity

REGULATION 28 COMPLIANT

Yes

INCEPTION DATE

01 May 2004

FUND SIZE

R 254 Million

NET ASSET VALUE¹

5,958.3 cpu

MINIMUM INVESTMENT

Lump sum: R50,000

INCOME DISTRIBUTION

Frequency: Semi-annually

December 2021: 46.93 cpu

Previous 12 months: 137.31 cpu

FEES

Annual management fee (excluding VAT): 0.95%

Total expense ratio 1.43%

Transaction costs 0.12%

Total investment charges³ 1.55%

INVESTMENT APPROACH

We utilise our depth of investment expertise and apply an active, valuation-driven process to construct diversified multi-asset class strategies. Our portfolios contain a foundation of quality assets. These are complemented by satellite investments that together aim to achieve defined, risk-managed investment outcomes for our clients.

PORTFOLIO PROFILE

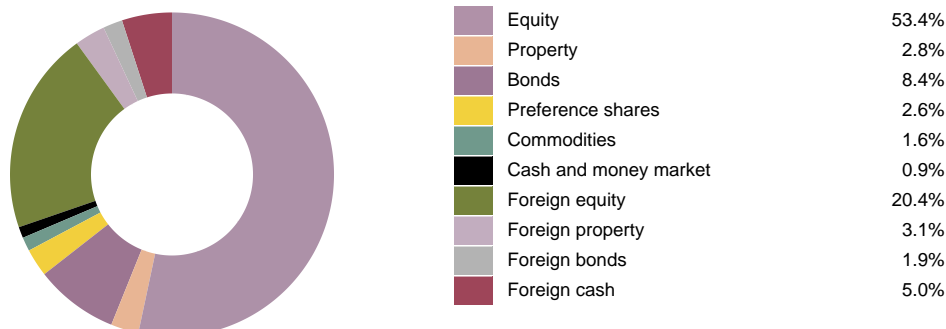
The portfolio will seek to balance income and real capital growth objectives through a blended allocation to risk assets and income yielding assets. Diversification across asset classes and a maximum equity exposure of 75% helps reduce risk and volatility relative to a general equity portfolio.

PERFORMANCE²

Period	Portfolio	Benchmark
1 year pa	23.4%	17.7%
3 Years pa	11.4%	11.5%
5 Years pa	7.0%	9.3%
7 Years pa	6.6%	7.8%
10 Years pa	10.0%	10.7%
Lowest 1 year return	-13.0%	
Highest 1 year return	30.0%	

The annualized total return is the average earned by an investment each year over a given period of time.

PORTFOLIO STRUCTURE



TOP 10 HOLDINGS

Share	Percentage
Prosus	4.0
MTN Group Ltd	2.8
Anglo American Plc	2.5
PSG Group Ltd	2.3
FirstRand Ltd	2.3
RMI Holdings Ltd	2.3
R2037 8.50% 310137	2.1
The Bidvest Group Ltd	2.0
BID Corporation Ltd	1.9
Anheuser-Busch InBev SA	1.9
Total	24.1



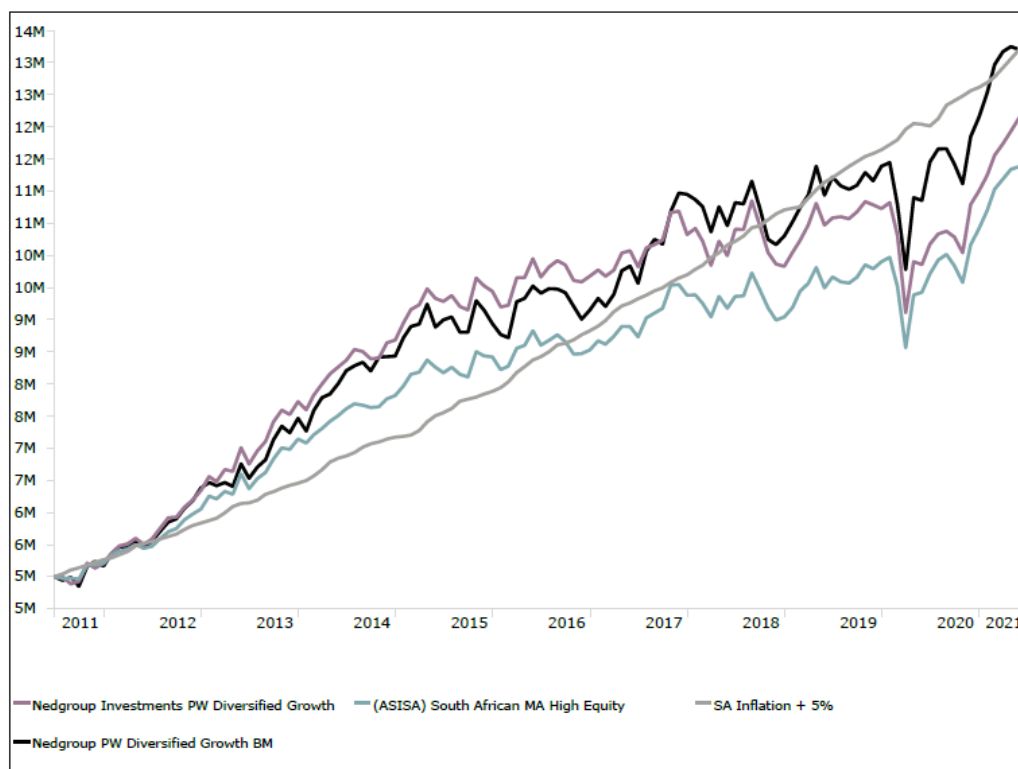
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SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

The graph shows growth of R5 000 000 invested in the portfolio plotted against the Fund's composite benchmark, as well as the average of the ASISA South African Multi-Asset High Equity category.



Source: Morningstar Direct

Mandatory disclosures:

1. Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Daily prices are available on request from your relationship manager.
2. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Data source: © 2015 Morningstar.
3. Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs (TC), expressed as a percentage of the Fund, relates to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investments costs of the Fund. Both the TER and TC of the Fund is calculated on an annualised basis, beginning October 2018 and ending September 2021.

Whilst Nedbank Private Wealth offers you a choice of investment services, the underlying funds forming part of Nedbank Private Wealth strategy solution, are managed by Nedgroup Investments. More specifically, Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investment Private Wealth unit trust portfolios. It is a member of the Association of Savings & Investment South Africa (ASISA). Contact: Nedgroup Investments, P O Box 1510, Cape Town 8000, info@nedgroupinvestments.co.za, Tel 0860 123 263 (RSA only). The Standard Bank of South Africa Limited is the registered trustee. Contact: Standard Bank, P O Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, 021 401 2002.

Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact your relationship manager.

Contact

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