



NEDBANK
PRIVATE WEALTH
SINCE 1834

PRIVATE WEALTH PREFERENCE SHARE FUND

Q4 2021

see money differently

MARKET REVIEW

The pandemic once again dominated headlines in the last quarter of 2021. The identification of the new Omicron variant solicited a pronounced response across the world as it spread to become the dominant variant. While financial markets initially responded negatively to the rapid spread of the variant, risk appetite returned towards year end, as incoming data suggested the Omicron variant could be more transmissible than previous variants but cause 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. Markets retained a razor-sharp focus on all commentary from global central banks that could signal earlier interest rate hikes than anticipated. Incoming inflation data has remained stubbornly elevated, leading to an increase in bets from the bond and money markets that interest rate hikes would be sooner than preferred by most central banks. By year end, several central banks, including Norway, New Zealand and Poland and the UK have announced their first interest rate hikes. Equity markets and other risk assets ended the year in the green, despite central bank actions and Omicron. Locally, the South African Reserve Bank (SARB) increased interest rates by 25bps in November, in a split vote of 3:2. The Monetary Policy Committee emphasised a preference for a gradual interest rate hiking cycle, but that near term inflation risks are to the upside.

Corporate action continued to set the tone for the preference share market in the final quarter of the year. In October, Nedbank formalised its offer to buy back all outstanding listed preference shares while Investec Bank followed suit in November. 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% in December. This brings the full year returns to 45,0%, an outstanding year for the asset class and the best calendar year since the inception of the FTSE/JSE Preference Share index.

FUND PERFORMANCE

With this backdrop, the fund delivered 17,1% over the fourth quarter relative to benchmark performance of 17,3% and the peer group average of 16,0%. The marginal underperformance relative to benchmark was mainly due to the fund's underweight positioning in bank preference shares and an underweight in Nedbank. Although longer term performance remains intact and absolute numbers have been positive, the underweight in banks relative to benchmark detracted on a relative basis over the last 6-month period and subsequently 12-month figures. Over the last 12 months the Fund returned 44,4% relative to the FTSE/JSE Preference Share Index (45,0%) and the peer group average of 44,0%.

FUND POSITIONING AND OUTLOOK

Corporate activity in 2021 has led to rerating in a number of instances but also decreases the opportunity set. Bank preference shares have rerated and valuations now reflect a higher probability of further buy backs. Looking forward, capital values should be supported by a rising interest rate environment and expectation of further corporate action. Expected returns are, however, lower after the rerating of the broader asset class over the last 12-18 months.

We continue to favour a valuation-based strategy but acknowledge that this is made more difficult as the opportunity set gets smaller. This will be taken into consideration alongside further corporate activity. The Fund currently has a yield of circa 6,0% (after fees, but before withholding taxes), which remains attractive relative to cash and should be a good diversifier in portfolios as interest rates start to rise.



NEDGROUP INVESTMENTS PRIVATE WEALTH PREFERENCE SHARE FUND



DECEMBER 2021

RISK RATING



RISK REWARD PROFILE

The portfolio is suitable for investors seeking exposure to the listed preference share market, with limited capital volatility and regular tax efficient income as their primary goal over the long term. Investors should have a tolerance for short-term market volatility in order to achieve long-term objectives.

GENERAL INFORMATION

BENCHMARK / TARGET RETURN

JSE Preference Share Index

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 Equity Unclassified

REGULATION 28 COMPLIANT

No

INCEPTION DATE

01 September 2008

FUND SIZE

R 167 Million

NET ASSET VALUE¹

1,187.9 cpu

MINIMUM INVESTMENT

Lump sum: R50,000

INCOME DISTRIBUTION

Frequency: Quarterly

December 2021: 11.32 cpu

Previous 12 months: 65.44 cpu

FEES

Annual management fee (excluding VAT): 0.50%

Total expense ratio 0.68%

Transaction costs 0.09%

Total investment charges³ 0.77%

INVESTMENT APPROACH

The portfolio is constructed by determining an optimum diversified blend of mostly listed preference shares in order to maximize risk adjusted after tax returns. In this regard credit ratings and returns/yields of the available preference shares are carefully monitored.

PORTFOLIO PROFILE

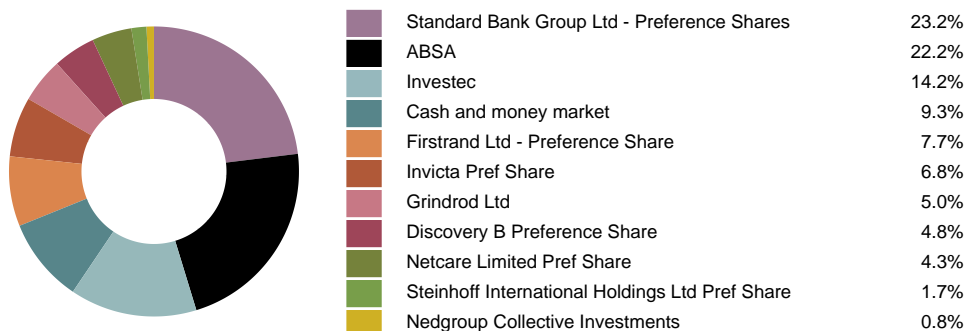
The Nedgroup Investments Private Wealth Preference Share Fund is a unit trust that invests in preference shares in order to generate tax efficient income in the form of dividends, while at the same time limiting capital volatility.

PERFORMANCE²

Period	Portfolio	Benchmark
1 year pa	44.4%	45.0%
3 Years pa	16.0%	15.1%
5 Years pa	13.4%	11.1%
7 Years pa	12.6%	10.9%
10 Years pa	9.1%	7.9%
Lowest 1 year return	-21.4%	
Highest 1 year return	58.4%	

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
Standard Bank Pref Share	23.2
Absa Pref Share	22.2
Investec Ltd Pref Share	14.2
FirstRand Ltd Pref Share	7.7
Invicta Pref Share	6.8
Grindrod Ltd Pref Share	5.0
Discovery Holdings Ltd Pref Share	4.8
Netcare Ltd Pref Share	4.3
Steinhoff Pref Share	1.7
Investec Bank Ltd Pref Share	0.0
Total	89.9



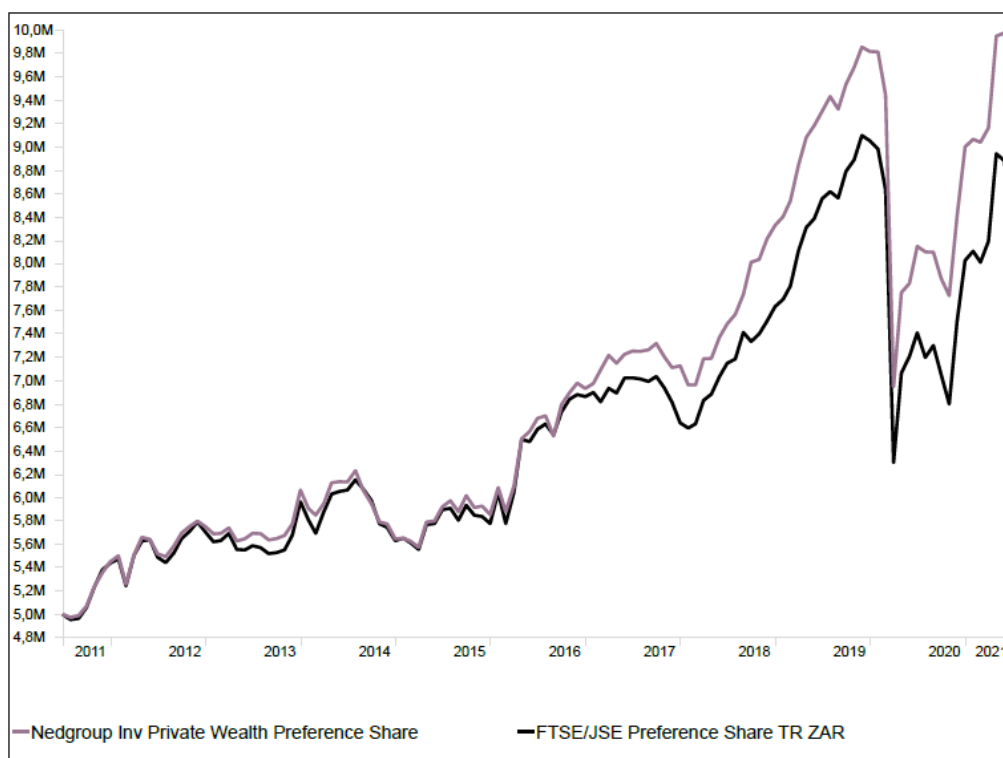
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DECEMBER 2021

SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

The graph shows growth of R5 000 000 invested in the portfolio plotted against the fund's benchmark the FTSE/JSE Preference Share Index.



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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