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INVESTMENTS

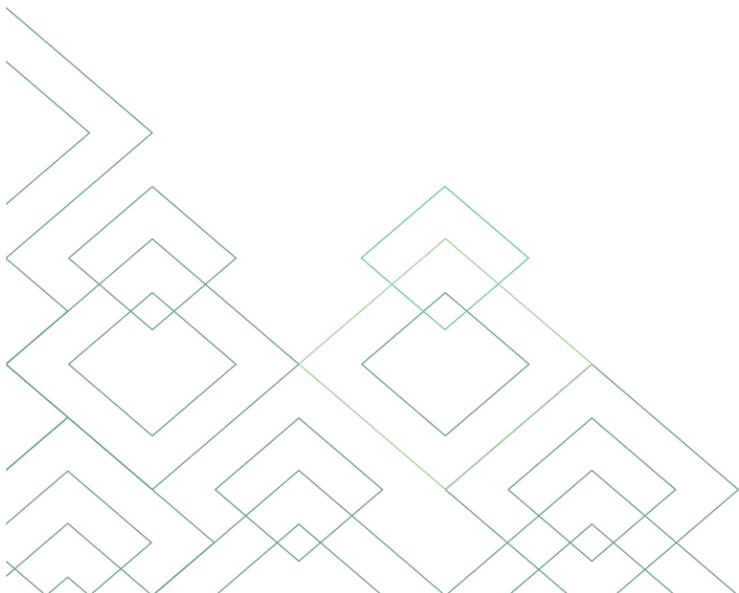
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NEDGROUP INVESTMENTS **STABLE FUND**

Quarter One, 2023





Market Commentary

International

Global equities rallied on expectations that inflation had peaked and that interest rates would soon trend lower — despite fears of a new banking crisis after three US banks failed and Swiss national icon Credit Suisse was forced to merge with rival UBS.

Developed market bond yields were mostly lower on expectations that the rate rising cycle would soon peak — the US yield curve remains inverted, suggesting recession risk is high.

The US dollar was weaker against most majors — driven by changes to rate hike expectations, with the Fed's big hikes almost certainly all behind us.

The commodities complex was mixed, with precious metals rising and gold nearing the \$2,000 mark — while energy prices including oil were lower and industrial metal prices fell.

Developed market economies have improved growth prospects after energy prices abated and China's economy reopened — inflation is lower in all markets, but core inflation delivered upside surprises in the US and Eurozone.

The US Federal Reserve raised rates by 25 bps twice, taking the federal funds rate to its highest level since 2007 — while the ECB played catchup, making two 50 bps increases, with the bloc's inflation high but moderating.

South Africa

The JSE tracked global bourses higher, pulled up by index heavyweights Naspers / Prosus on China's COVID-19 reopening and easing of prohibitive tech regulations — but resources stocks were down on generally lower commodities prices (excluding precious metals).

SA bond yields tracked global yields lower, with the SA All Bond Index delivering a positive return — SA has one of the steepest yield curves, reflecting the country's long-term risks.

The rand weakened against the US dollar on deteriorating fundamentals — despite an intra-quarter rally after the SARB surprised the market with a 50bps repo rate increase.

Economic growth prospects are beset by persistent (and worsening) load shedding — while FATF's grey listing of SA for anti-money laundering failures added to the country's woes.

The SARB delivered a surprise 50 bps rate increase when all expectations were for a hike half this size — citing inflation risks from energy, administered prices and food, with rand weakness a key worry.

Portfolio Commentary

The South African equity investments were the largest contributor to returns as the JSE tracked global bourses higher — pulled up by index heavyweights Naspers / Prosus on China's COVID-19 reopening and easing of prohibitive tech regulations.

Foreign assets also contributed positively with global equities rallying on expectations that inflation had peaked and that interest rates would soon trend lower — despite fears of a new banking crisis after three US banks failed and Swiss national icon Credit Suisse was forced to merge with rival UBS.

The investment in the Foord International Fund contributed to returns — the fund returned 3.5% in US dollars during the first quarter, driven by a combination of asset allocation and security selection.

SA bonds contributed positively as SA bond yields tracked global yields lower, with the SA All Bond Index delivering a positive return — SA has one of the steepest yield curves, reflecting the country's long-term risks.





Although the allocation to the outperforming listed property sector was low, investments in the sector contributed positively to fund returns at the margin — with London property value play Shaftesbury Capital / Capital & Counties adding the most value.

The physical gold investment also contributed strongly with gold nearing the \$2,000 mark — the NewGold ETF serves a crucial portfolio diversification purpose as both a hedge against inflation and as an alternative store of value to fiat currency.

Top contributors	Performance Contribution %	Holding Return %	Average Weight %
Foord Global Equity Fund	2.0	13.1	16.1
Foord International Fund	1.5	7.5	19.8
Newgold ETF	0.6	13.4	4.3
Aspen	0.4	36.9	1.3
R2032 Bond	0.4	4.6	8.8

Top detractors	Performance Contribution %	Holding Return %	Average Weight %
Growthpoint	-0.0	-10.2	0.3
Hyprop	-0.0	-11.7	0.3
British American Tobacco	-0.0	-5.5	0.6
Anglo American	-0.0	-6.3	0.2
Foschini Group	-0.0	-7.2	0.1

Investment Outlook

World:

- Risk of economic recession is rising, with the inverted US yield curve at its worst levels since 1980 while PMIs and other leading economic indicators have deteriorated
- While interest rates are likely close to their peak, the Fed's hawkish tone indicates that rates are likely to stay higher for longer than the market is pricing in
- Market expectations for US inflation to fall back to the 2% level are still too optimistic in our view, given the breadth of price pressures and the strength of the US labour market
- While China appears to be rapidly re-opening, a strong rebound is likely only in the second half of the year
- Lower commodity prices could surprise to the upside depending on China's economic recovery, the depth of the likely developed economy recession and elevated geopolitical risks
- Precious metals including gold and silver should stay well bid, driven by coincidental peaking of nominal yields and dollar weakness
- The dollar should remain under pressure in the current environment but could surprise to the upside given its safe-haven appeal





South Africa:

- Economic growth is woefully inadequate to address the country's socio-economic challenges with business and consumer confidence and other reliable leading indicators are all pointing to weak economic conditions ahead
- The market is pricing in an additional 50 basis point interest rate increase in the next 12 months, but it is increasingly probable that rates peak at current levels, given persistent weak economic conditions and consumer stress
- SARB's forecasts of a return to the 4.5% mid-range level in late 2023 are probably overly optimistic, with a medium level between 5-6% more likely in that time frame
- The energy crisis will persist near term, but President Ramaphosa's ANC's national elective conference victories could accelerate the unblocking of much needed private sector investment in renewables and industry self-generation initiatives, but grid capacity remains a major constraint
- The current account deficit should persist as the benefits of the export commodity price boom fades
- While the rand is marginally cheap at these levels, it remains vulnerable longer term given structural economic weakness, lack of global competitiveness and unsustainable public finances

Conclusion

The weight in foreign assets increased slightly to 40%, driven mainly by outperformance of the foreign component relative to SA — measured together with non-rand earnings of JSE-listed companies, total foreign economic exposure is significantly higher on a look-through basis

Foreign equities are focused on companies with pricing power which are best placed to protect investor capital from higher inflation — but portfolio hedges are retained given the downside risk to earnings from higher interest rates or economic recession

The allocation to foreign government bonds comprises short-duration US Treasuries with a preference for inflation linked instruments — while listed property is counter-specific with an otherwise low weight given unattractive valuations

SA equity weight increased slightly with rising market prices more than offsetting the marked selling down of Richmond shares elevated valuations — select quality SA companies remain attractively valued, supported by good quality, relatively defensive earnings prospects and supportive dividend yields

The weighting to SA nominal bonds is moderate given the country's elevated fiscal and political risks and SA credit assets are avoided given expensive valuations — maintained a small position in short-duration inflation linked government bonds as break-even yields fell further, reflecting lower inflation expectations

Listed property is constrained to a low weighting given poor fundamentals for the asset class, despite optically attractive yields — sector risks include excess capacity, weak rental trend, consumer headwinds, rapidly escalating municipal costs and a rising interest rate environment

Physical gold ETF position is maintained on supportive fundamentals given the likelihood of nominal interest rates nearing a peak, a weaker US dollar and rising stagflation risks — the position provides attractive portfolio diversifying properties during periods of market stress





Responsible Investment Summary

Voting resolutions for Q1 2023

Portfolio

	Total count	For	Against	Abstain
Auditor/Risk/Social/Ethics related	14	14	0	0
Buy Back Shares	2	1	1	0
Director Remuneration	25	25	0	0
Issue Shares	4	1	3	0
Loan / Financial Assistance	4	1	3	0
Other	5	4	1	0
Re/Elect Director	12	11	0	1
Remuneration Policy	6	3	3	0
Signature of Documents	1	1	0	0
	73	61	11	1

Foord Global Equity Fund

	Total count	For	Against	Abstain
Adopt financials	3	3	0	0
Auditor/risk/social/ethics related	6	6	0	0
Issue shares	2	1	1	0
Re/elect director or members of supervisory board	35	35	0	0
Remuneration policy including directors' remuneration	4	0	4	0
Signature of documents/ratification	1	1	0	0

Foord International Fund

	Total count	For	Against	Abstain
Adopt financials	1	1	0	0
Auditor/risk/social/ethics related	3	3	0	0
Re/elect director or members of supervisory board	12	12	0	0
Remuneration policy including directors' remuneration	1	0	1	0
Other	1	0	1	0

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention, it would typically be intentional or for strategic reasons
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion we have voted in favour of such resolutions, we could gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings





Notable company engagements (Q1 2023)

Company	Topic	Company Attendees	Event Notes
The Spar Group	Corporate Governance	Spar Chairman & Board, CFO	We received a detailed response to our letter to the Board on our various concerns. Overall, the Board has acknowledged our concerns and supported our views and calculations and will take more prudence especially in the acquisition of corporate stores. Spar has swiftly replaced the CEO that was involved in some of our concerns and the new Chairman has made good progress. Our calculations have also led to an improvement in disclosure on the assessment of the acquisitions of corporate stores.
Life Healthcare	Remuneration	Chief People Officer, Head of HR and IR	Mgt engaged with us for voting against the remuneration policy which has easy targets and had one metric for LTIP. Mgt stated that they are likely to bring back the ROIC metric which was removed during COVID. We sent a further email with our recommendations to improve the remuneration such as increasing the financial component, transparency of executive personal KPIs, including ROIC and sustainable HEPS range.
Metair	Recent executive changes, Board composition and renewal	Board Chair, Lead non-Exec director, CEO, CFO, Retired Chair	Foord engaged with various Board and executives at Metair following the unexpected resignation of the previous Chair, Michael Flemming, and CEO, Riaz Haffjee, during the first quarter. We wanted to understand the reasons, engage with their replacements, and identify whether there may have been any dissent at the Board and/or senior executive level. We were also concerned with the lack of industry experience on the Board, which culminated in Foord identifying two candidates which we have put forward to the Nominations committee for consideration.





Disclaimer

WHO WE ARE

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 Investments unit trust funds. It is a member of the Association of Savings & Investment South Africa (ASISA).

OUR TRUSTEE

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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. Prices are published daily on our website and in selected major newspapers.

FEES

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For the Nedgroup Investments Bravata World Wide Flexible Fund it is calculated monthly as a percentage (the sharing rate) of outperformance relative to the fund's benchmark, with the high watermark principle applying. All performance fees are capped per fund over a rolling 12-month period. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments.

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