

Nedgroup Investments Managed Fund

Class A

November 2017



ASSET ALLOCATION RANGE

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.

GENERAL INFORMATION

ASISA category

South African Multi Asset High Equity

Benchmark

ASISA Category Average

Investment manager - since December 2015

Truffle Asset Management (Pty) Ltd (Truffle) is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP no: 36584).

Inception date

01 November 2003

Appropriate term

Minimum 3 - 5 years

Market value

R 1,717 Million

Income distributions

Frequency: Semi-annually

June 2017: 5.21 cpu

Previous 12 months: 10.06 cpu

Fees and charges (excluding VAT)

Initial fees	0.00%
Annual management fee	1.35%

Total expense ratio	1.74%
Transaction costs	0.33%
Total investment charges²	2.07%

Please Note:

Differences may exist due to rounding

CONTACT

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Email info@nedgroupinvestments.co.za

Portfolio profile

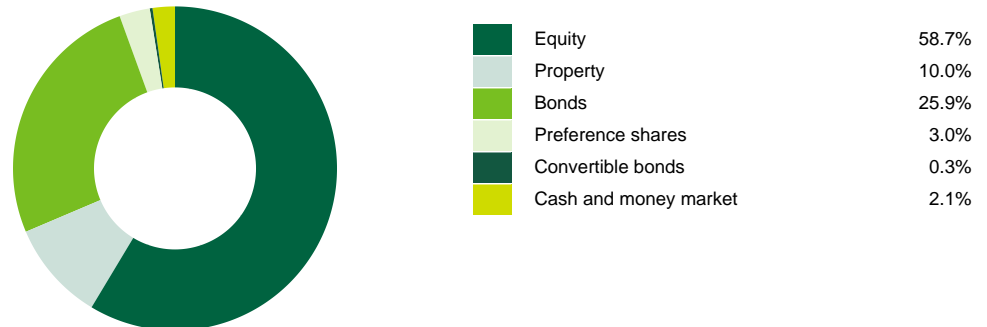
The portfolio is suitable for investors requiring moderate levels of capital growth who do not wish to make complex asset allocation decisions between equities, cash and bonds. The portfolio does not invest any assets offshore. Diversification across asset classes and a maximum equity exposure of 75% helps to reduce risk and volatility relative to a general equity portfolio. The portfolio complies with Regulation 28 of the South African Pension Funds Act.

Performance¹

Period	Portfolio	Benchmark
1 year pa	10.2%	12.7%
Since Inception	9.3%	11.8%

Following a successful ballot, the Nedgroup Investments Managed Fund's investment policy was changed to exclude all offshore assets from 1st November 2016. Based on industry guidance, the fund's track record up until 31st October 2016 may no longer be published. The Fund Factsheet as at 31 October 2016 is available on the Managed Fund's profile page of our website www.nedgroupinvestments.co.za for information purposes.

Portfolio structure



Top 10 holdings

Share	Percentage
Old Mutual Plc	6.0
Sasol Ltd	4.8
Naspers Ltd	4.2
Steinhoff International H NV (JSE)	4.1
British American Tobacco Plc	3.8
Barclays Africa Group Ltd	3.4
Barclays 11.122% 170322	3.3
Santam 9.425% 270622	3.0
RECM & Calibre Ltd Pref Share	2.8
Reinet Investments SCA	2.5
Total	38.0

1) The annualized total return is the average return earned by an investment each year over a given time period. 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. Due to the delayed release of inflation data, relevant benchmarks will lag by one month.
Data source: © Morningstar Inc. All rights reserved.

2) 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 TERs. Transaction Costs (TC), expressed as a percentage of the Fund, relate to the costs incurred in buying and selling the underlying assets of the Fund. TC are a necessary cost in administering the fund and impact 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 investment costs of the Fund. Both the TER and TC of the Fund are calculated on an annualised basis, beginning 01/10/2014 and ending 30/09/2017

ASSET ALLOCATION RANGE

Investment manager commentary

Truffle Asset Management

Global Equities are close to enjoying 12 consecutive months of positive returns

Global equity markets enjoyed yet another good month, advancing 2% in US dollars. Year-to-date global equity markets have advanced 22.6%. Should the month of December produce another positive outcome for global equities, it would reflect 12 consecutive months of positive returns. A very rare event indeed, but reflective of the overwhelming positive sentiment fuelling global developed equity markets. Interestingly, geographic differences between developed markets have been small with Europe ahead with a year-to-date return of 24.3% in US dollars, followed by the Pacific region with a 22.8% return and North America with a 20.1% return. Driving this improving growth scenario has been the very accommodating monetary policy adopted by the Federal Reserve, the ECB and other central banks over many years that is finally starting to bear fruit. In addition, the stimulus of the expected US tax cuts is adding to the positive outlook. Strangely, global equity markets are ignoring the rising political risks facing the world currently in the Middle East and in North Korea.

The risk of higher inflation and higher interest rates is rising

Theory suggests that prolonged periods of accommodative monetary policy lead to price inflation, but, to date this has not happened. However, ominously, the oil price is now slowly creeping up. Brent crude, having fallen to a low of \$49/bbl. in June, is now approaching \$63/bbl. Industrial metal prices are also showing strength. It is yet to be seen whether these price increases will filter through to broader price increases and, in the event, what the Central Bank's interest rate response might be. The risk of higher interest rates is rising although the Federal Reserve has, in the recent past, been particularly cautious in raising rates and will in all likelihood continue with this strategy notwithstanding the change in chairmanship from Yellen to Powell in 2018.

Local equities had a good month

In November the All Share Index was up 1.5% reflecting a 21.4% gain year to date. On the surface the year-to-date return is high but this must be seen against the equivalent Naspers return of 83.5% and the company's 20.5% weighting in the ALSI. Leading the advance over the month were industrial metals (+15.3%), industrial support services (+8.8%), general retailers (+8.4%) and banks (+8.3%). The laggards were software & computers (-11.4%), personal goods (-10.2%), household goods (-8.4%) and electronic & electrical (-8.4%). As a result of the political uncertainty, the currency has depreciated from a low of R13.1 in May to R13.7 to the dollar in November.

All South Africans are waiting for the outcome of the ANC leadership contest

The ANC leadership indaba in mid-December is currently dominating headlines and is likely to remain the central issue until the new ANC leader is accepted by the party. If the conference result is inconclusive or challenged, uncertainty could spill over into next year. Irrespective of who the new ANC leader is, urgent attention needs to be given to stimulating the SA economy to increase job creation. Economic growth has been too moribund to generate the jobs required to make a dent in the unemployment rate and should remain a key focus of the new leadership if stability is to be maintained. In November long bond yields continued to tick up, ending the month at 9.5% compared with 8.7% at the end of September. Bond returns over the month were therefore a subdued -1% following a -2.3% in October. We remain invested in short duration credit which yields 2.5% to 3% over JIBAR. We still think there is insufficient upside to warrant switching out of credit into longer duration government bonds.

Fund Positioning

The fund unfortunately held 4% in Steinhoff at month end. The share price has since fallen significantly post the announcement of an investigation into accounting irregularities together with the resignation of the CEO. At this stage it is almost impossible to ascertain a fair value for Steinhoff as the information being released by the company has been cryptic and lacking in detail. Given the near certainty of significant fraud in terms of overstatement of assets and earnings, determining a lower bound value is difficult. As a result, we have reduced our position. We will continue to closely monitor events as they unfold. Over 50% of the fund's equity has been exposed to rand hedges and remains so. This has been a result of more value being apparent in the offshore exposed shares. However, with the underperformance of local economy stocks, certain opportunities have presented themselves. We have increased our exposure to Remgro, Vodacom and the Foschini group. We funded these purchases primarily with Reinet sales.

Please note an important change that will be effective January 2018. Fund commentary will be produced on a quarterly basis, moving from the current monthly cycle, to provide an enhanced analysis of the fund over a longer period.

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

The Standard Bank of South Africa Limited is the registered trustee. Contact details: Standard Bank, Po Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, Tel 021 401 2002.

Performance

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. 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.

Pricing

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

Certain Nedgroup Investments unit trust funds apply a performance fee. For the Nedgroup Investments Flexible Income Fund and Nedgroup Investments Stable Fund, it is calculated daily as a percentage (the sharing rate) of total positive performance, with the high watermark principle applying.

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.

Disclaimer

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact Nedgroup Investments.

Nedgroup Investments contact details

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