

EQUITY RANGE

RISK RATING



Risk reward profile

Equity investments are volatile by nature and subject to potential capital loss. Due to its specialist nature, the portfolio will typically display higher volatility than a general equity portfolio. The portfolio may be subject to currency fluctuations due to its international exposure

GENERAL INFORMATION

ASISA category

South African Equity Financial

Benchmark

ASISA Category Average

Investment manager

Denker Capital is an independent asset manager specialising in both local and offshore equities. Denker Capital authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No 47075).

Inception date

03 November 2003

Appropriate term

Minimum 5 - 7 years

Market value

R 509 Million

Income distributions

Frequency: Annually

December 2016: 473.54 cpu

Previous 12 months: 473.54 cpu

Fees and charges (excluding VAT)

Initial fees	0.00%
Annual management fee	1.50%

Total expense ratio	1.94%
Transaction costs	0.27%
Total investment charges²	2.21%

Please Note:

Differences may exist due to rounding

CONTACT

Client Services Centre
Tel: 0860 123 263
Fax 0861 119 733

Website: www.nedgroupinvestments.co.za
Email info@nedgroupinvestments.co.za

Minimum Disclosure Document

Portfolio profile

The portfolio is suitable for investors who require specific exposure to financial sector shares as part of their overall investment strategy, with maximum capital appreciation as their primary goal over the long term.

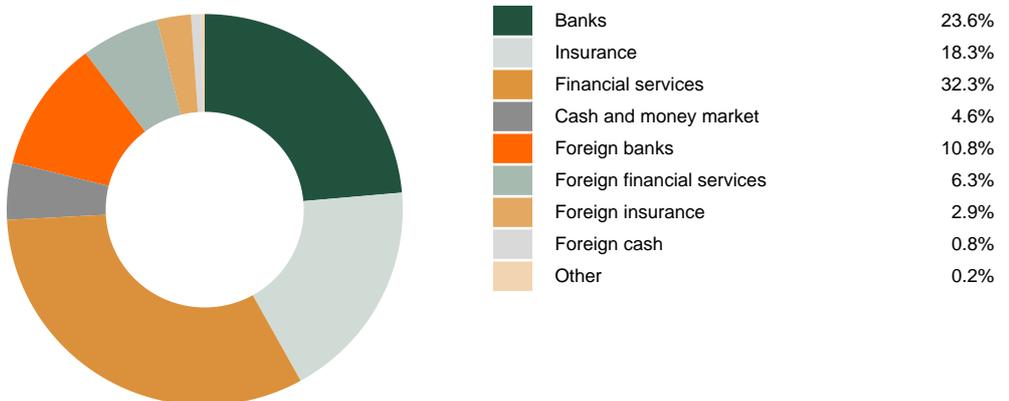
Performance¹

Period	Portfolio	Benchmark
1 year pa	4.8%	-3.2%
3 Years pa	11.0%	5.8%
5 Years pa	17.1%	12.4%
7 Years pa	16.7%	12.3%
10 Years pa	12.4%	9.7%
Lowest 1 year return	-38.9%	
Highest 1 year return	69.0%	

Risk

Period	Portfolio	ALSI
Volatility [5 years]	11.4%	10.5%

Portfolio structure



Top 10 holdings

Share	Percentage
Old Mutual Plc	8.9
FirstRand Ltd	8.2
Standard Bank Group Ltd	8.0
Sanlam Ltd	7.5
Investec Ltd	5.6
PSG Group Ltd	5.6
JSE Ltd	5.5
SASFIN Holdings Ltd	5.3
Nedbank Group Ltd	4.3
Barclays Africa Group Ltd	3.0
Total	61.9

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 01/01/2014 and ending 31/12/2016

Nedgroup Investments Financials Fund

March 2017



EQUITY RANGE

Investment manager commentary

Denker Capital

Considering the index fall (banks index -8.0% and financials -3.3%) against the background of political events (president Zuma fires a very competent and conservative minister of finance and his deputy and replaces them with ministers who have a poor track record in terms of fiscal responsibility), the Fund held up well – down only 2.2% for the quarter. This was largely due to the 20% investment in the Sanlam Global Financial fund (+3.7% in rand) and the investment in financials with offshore earnings streams like Investec, Sanlam and Santam, Old Mutual and Brait, as well as PSG (which gained 13% during the quarter). Unfortunately two small caps in the Fund (Sasfin and JSE) got sold down aggressively during the quarter after releasing disappointing results.

The cabinet changes brought about by president Zuma have had a very negative effect on trust in the government and confidence in the country going forward. Based on their track records, it is safe to say that the probability is very high that our budget deficit and national debt will increase. A weaker rand (very likely) and higher interest rates (forced upon us by international investors*) will most probably push the country into a recession, increasing the probability of a downgrade of our sovereign and bank debt to junk status, increased unemployment levels, and increased risk of social unrest. * In Turkey under similar circumstances the president forced the central bank to keep interest rates low, but that resulted in a 30% fall in the Turkish lira and thereafter inflation kicking up to more than 9%.

At this stage the future is uncertain and neither the rand, nor our financial sector, have sold off enough to reflect that uncertainty. On an inflation-adjusted return on equity basis our banks are still marginally more expensive than JP Morgan, for example, and 30% more expensive than similar banks in Turkey. Therefore future valuation levels will depend on how international investors think about South Africa. Having said that, it is important to note that our banks have been looking at a downgrade as a high probability in their scenario analyses. Therefore, they will be well prepared for this in terms of funding, capital, reserves and also their client profile. We expect our banks to continue reporting fairly good results this year and even next year, maintain an ROE of 15%, pay good dividends and continue to grow shareholder value at 10%-18% per annum. If the rand weakens further, the Fund has approximately 35% exposure to non-South African (or offshore) earnings - directly via the Funds' investment in the Sanlam Global Financial Fund managed by Denker Capital, and indirectly via earnings of South African companies with offshore earnings. Other investments like Coronation and JSE will increase shareholder value in line with the JSE itself which has a very high % of non-rand exposure.

We will continue to monitor the situation and use our many years of experience to ensure we increase/decrease exposures at the right time. We have built up cash to 6% and we can use this to the Fund's advantage when buying opportunities present themselves. Table 1 below highlights how well-run USA banks and ICE (the International Continental Exchange) continued growing their shareholder value throughout the 2008 crisis. (Note Citigroup, which shows what can happen in an environment that suddenly deteriorates)

	Shareholder value per share					2016	Growth 2007 - 2009	CAGR 2006 – 2016
	2006	2007	2008	2009	2010			
ICE	1.29	1.34	1.58	2.54	2.35	7.09	90%	19%
US Bancorp	5.34	7.52	7.26	9.94	11.61	24.40	32%	16%
JP Morgan	18.51	23.35	26.62	30.38	34.40	67.42	30%	14%
Citibank	143.46	144.80	93.04	138.79	80.28	101.71	-4%	-3%
Signature bank	13.26	14.34	19.81	19.78	22.84	66.15	38%	17%

We think the same will happen in South Africa, so investor returns will be more dependent on whether international investors de-rate South Africa and the bank sector. Having said that, we have focused on investing in the best managed banks and insurers and we expect them to come through the crisis well.

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

Tel: 0860 123 263 (RSA only)
Tel: +27 21 416 6011 (Outside RSA)
Fax: 0861 119 733 (RSA only)
Email: info@nedgroupinvestments.co.za
For further information on the fund please visit: www.nedgroupinvestments.co.za

Our offices are located at

Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001

Write to us

PO Box 1510, Cape Town, 8000

Date of issue

18 April 2017