

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 528 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.

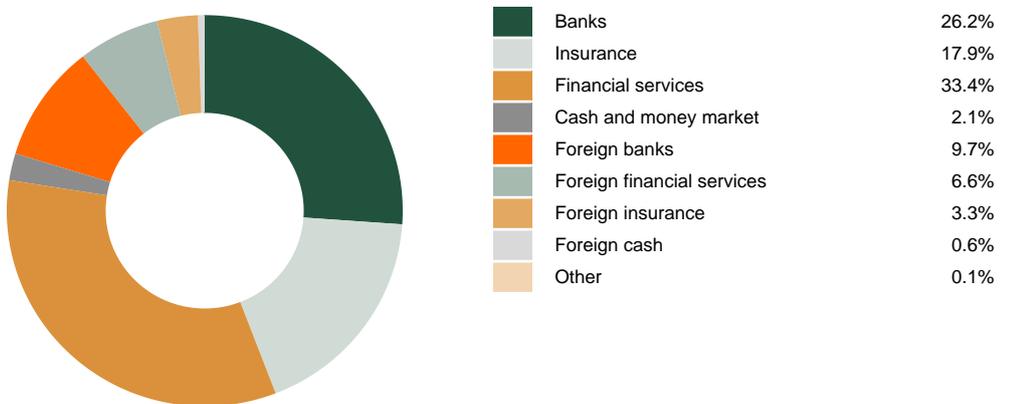
Performance¹

Period	Portfolio	Benchmark
1 year pa	16.9%	6.4%
3 Years pa	16.1%	11.1%
5 Years pa	19.1%	13.9%
7 Years pa	18.8%	14.0%
10 Years pa	13.4%	10.4%
Lowest 1 year return	-38.9%	
Highest 1 year return	69.0%	

Risk

Period	Portfolio	ALSI
Volatility [5 years]	11.3%	10.4%

Portfolio structure



Top 10 holdings

Share	Percentage
FirstRand Ltd	9.4
Old Mutual Plc	9.2
Standard Bank Group Ltd	8.3
Sanlam Ltd	6.9
JSE Ltd	6.8
SASFIN Holdings Ltd	6.4
Nedbank Group Ltd	6.2
Investec Ltd	5.6
PSG Group Ltd	5.1
Investec Plc	2.6
Total	66.5

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 01/10/2013 and ending 30/09/2016

Nedgroup Investments Financials Fund

January 2017

MAKE
THINGS
HAPPEN



EQUITY RANGE

Investment Manager Commentary

Denker Capital

January 2017 was not a good month for financials. The banks' index was down -4.5%, JSE Fini -1.0%, while the JSE All share index was up +4.2%. The Nedgroup Investments Financials Fund held up well (-0.03%) thanks to the investment in the Sanlam Global Financial Fund (+3.3% in US dollars; +1.7% in rands) and gains in Sasfin (+5%), Investec (+4.4%), PSG (+3.8%) and Sanlam (+3.3%).

From the above one can see that the commodity sector must have performed well (the gold price gained 5%), but generally all emerging markets performed well, in particular the Indian and Indonesian banks.

In contrast to the rest of the world and emerging markets, South African bank shares were sold down by investors due to their concern about the continued attacks on the banks and National Treasury, as well as the South African Reserve Bank (SARB) also being targeted. Offshore investors are especially concerned that the ANC doesn't understand the importance of a well-functioning banking sector. This is a topic on its own, but history has shown that everywhere in the world where a bank sector has been used by a government to promote its own agenda, it resulted in fraud and bad debts with the tax payer footing the bill.

We've lowered the Fund's investment in South African banks to 30% of the Fund but bear in mind that should the attacks on the banks, National Treasury and ultimately the SARB continue (and have effect), the rand will also slide and food and transport inflation will rise and unemployment increase. In that case, only investment in direct rand hedge shares or offshore investments will escape the damage.

History is a wonderful teacher and indeed when we look back at our company earnings forecasts over the past 20 years we find that the analysts' forecasts are lowest at times of pessimism like now. Usually something unexpected happens and forecasts are proven to have been too pessimistic. We think this might be the case in South Africa as well. Private sector banks in Russia, Brazil and Turkey continued to generate good shareholder growth (although lower) despite their government's irresponsible actions. But then in Greece and Italy the outcomes were far from satisfactory. My opinion is that corporate South Africa and our banking system have been very cautious and in the case of a rand shock we are unlikely to see a large spike in bad debts while bank margins would improve when the SARB is forced to hike interest rates to protect the rand.

In terms of earnings and valuations South African banks are not far away from the P/NAVs than they were in December 2015 (after Nene-gate) and are indeed on higher dividend yields although ROEs (returns on capital) are forecast to be marginally lower in 2017. So if they were to fall further we will increase our investment again.

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

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

13 February 2017