

Nedgroup Investments Core Income Fund

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CIO: Taquanta Asset Managers

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Macroeconomic Update

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“We learn from history
that we do not learn
from history.”

Friedrick Hegel

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Two-Year Performance Review

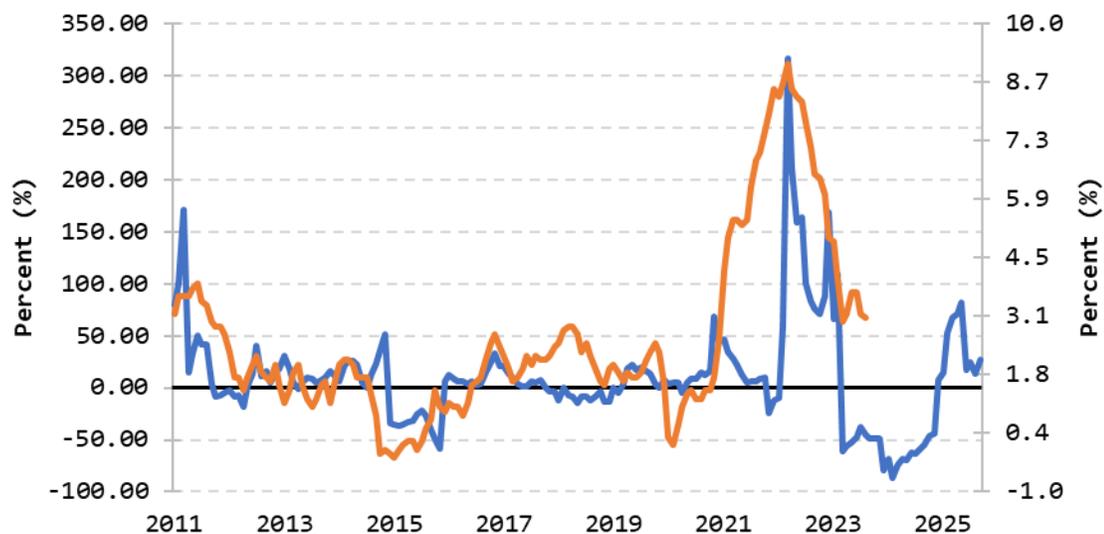
Rand denominated local asset class returns



U.S. Inflation

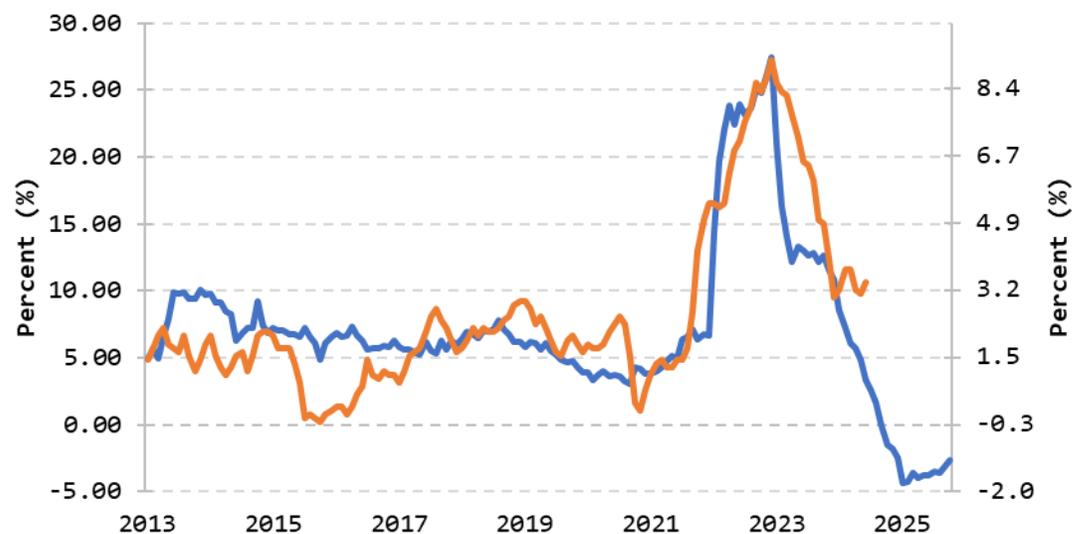
Restrictive monetary policy reigning in price growth

Savings as % of Income
vs. Headline Inflation



— US Personal Savings as % of Disposable Income (Y/Y, Adv. by 2Yrs, Lhs)
 — US Headline CPI (Y/Y, Rhs)

US M2 Money Supply YoY
vs. Headline Inflation

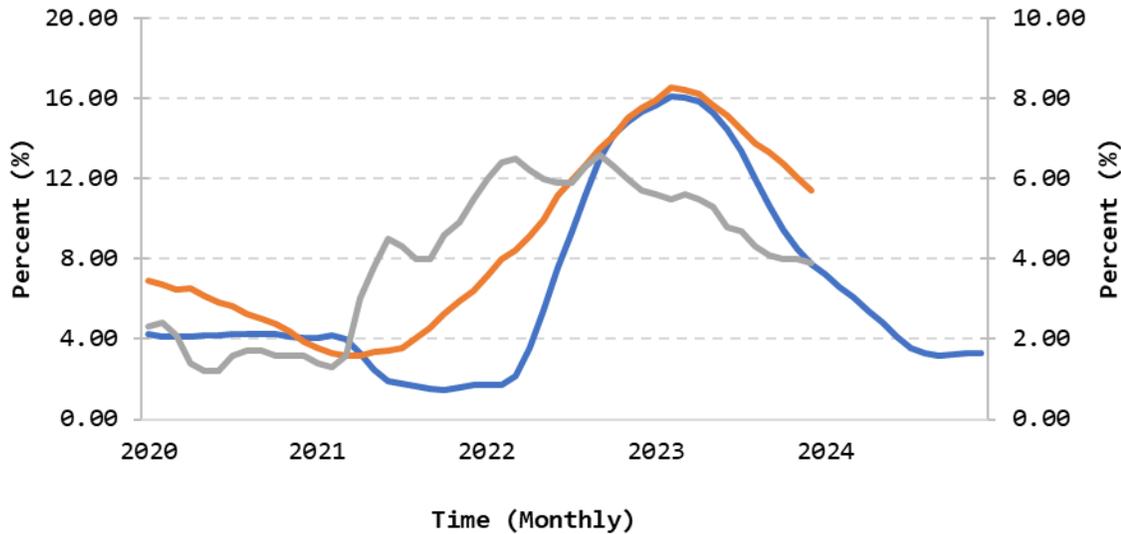


— US M2 Money Supply (Y/Y, Adv. by 18m, LHS)
 — US Headline CPI (Y/Y, Rhs)

U.S. Inflation

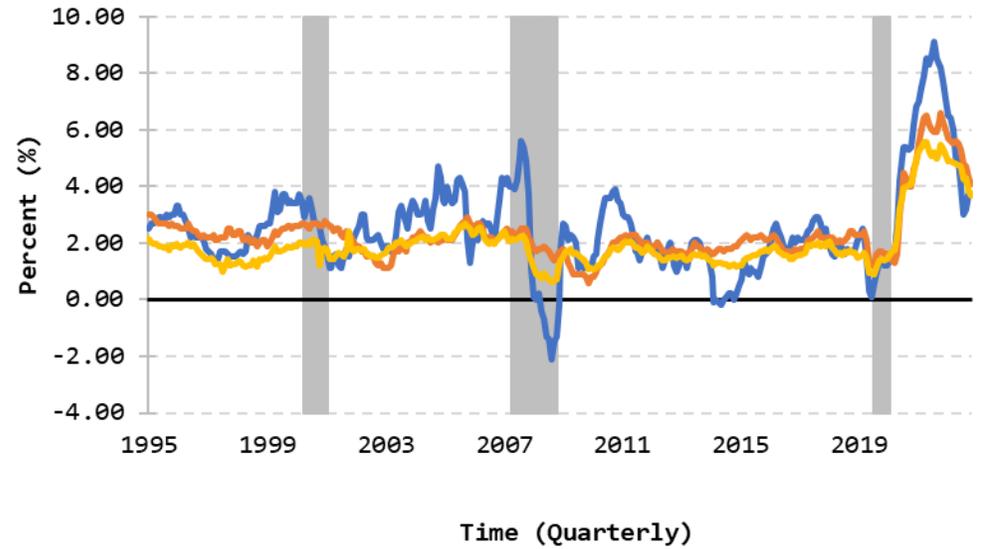
Large and sticky CPI components gradually waning

Shelter CPI
vs. Core Inflation



- US Zillow Rent Index (Adv. by 12m, Y/Y, Lhs)
- US CPI - Rent of Primary Residence (Y/Y, Rhs)
- US Core CPI (Y/Y, Rhs)

U.S. Inflation Measures
vs. Recessions

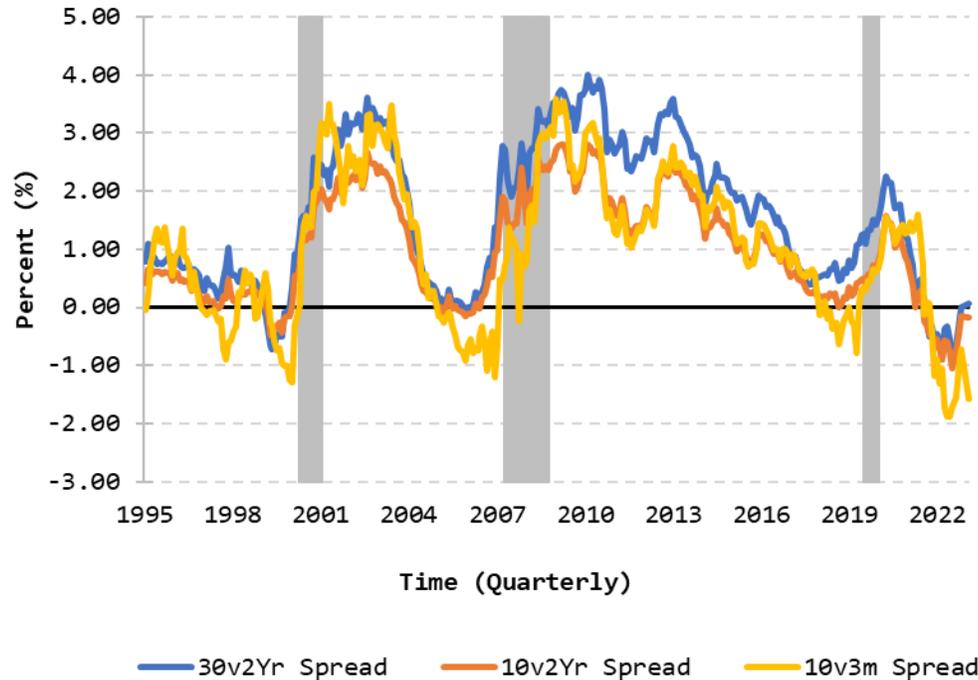


- Recessions
- US Headline CPI (Y/Y)
- US Core CPI (Y/Y)
- US Core PCE (Y/Y)

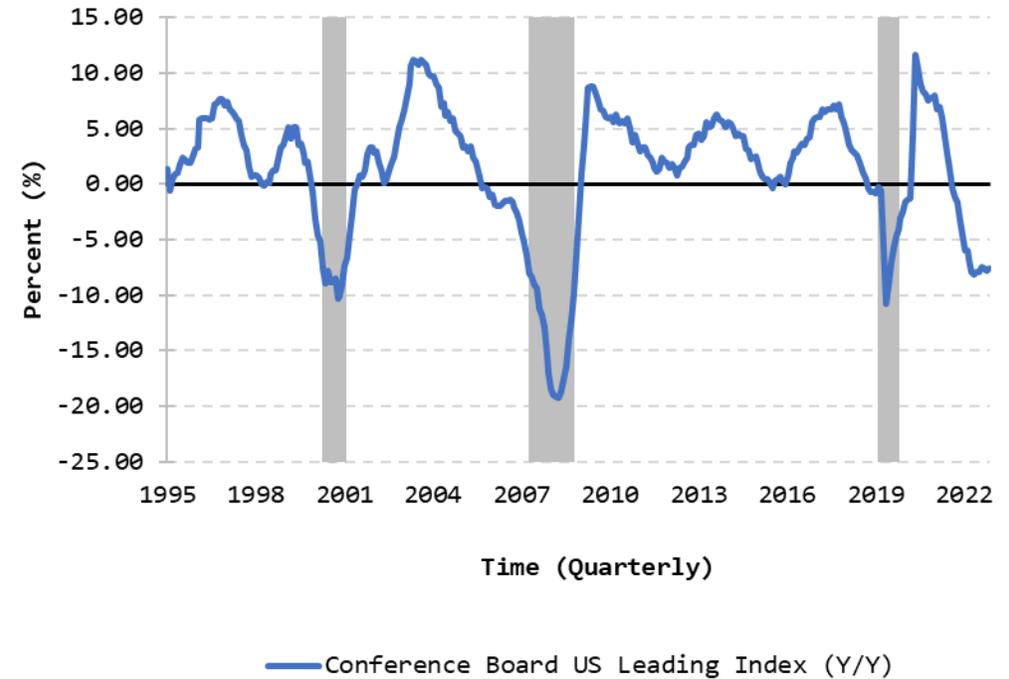
U.S. Economic Activity

Leading indicators anticipate a technical recession

U.S. Term Spread vs. Recessions



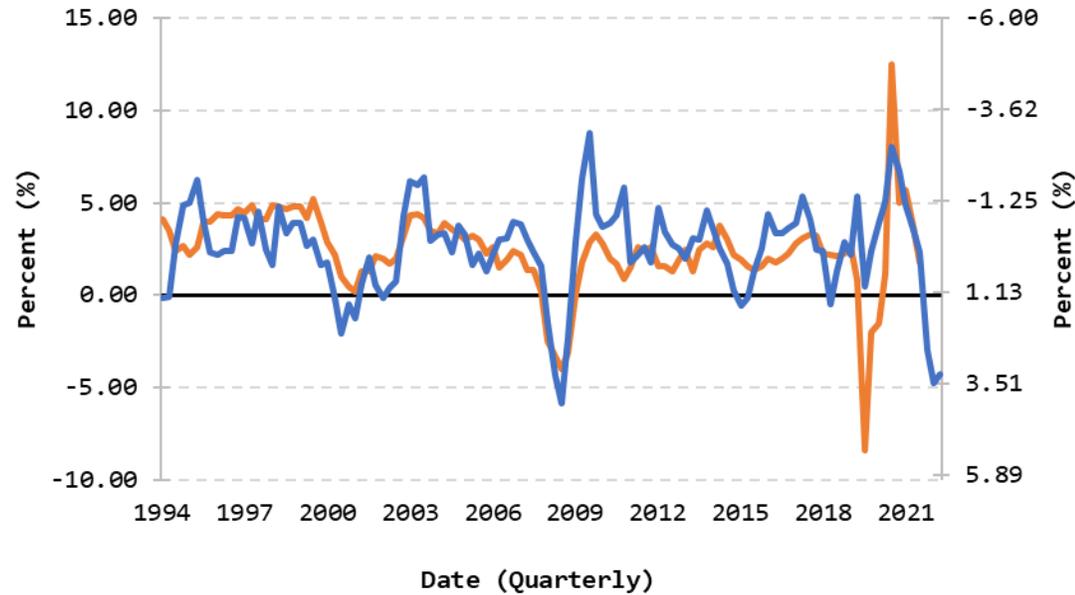
U.S. Leading Indicator vs. Recessions



U.S. Economic Activity

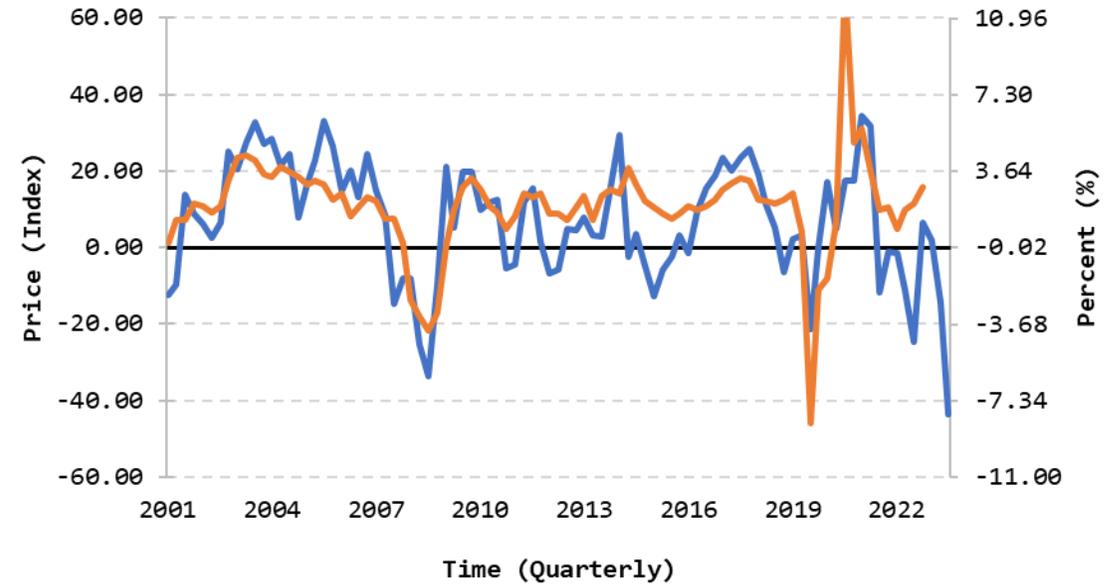
Lackluster manufacturing is signalling weaker growth

Tighter Financial Conditions
vs. U.S. GDP



— US Real GDP (Y/Y, Lhs)
— US Financial Conditions Index (Y/Y, Adv. By 2Q, Rhs)

US Empire State Manufacturing
vs. Real GDP

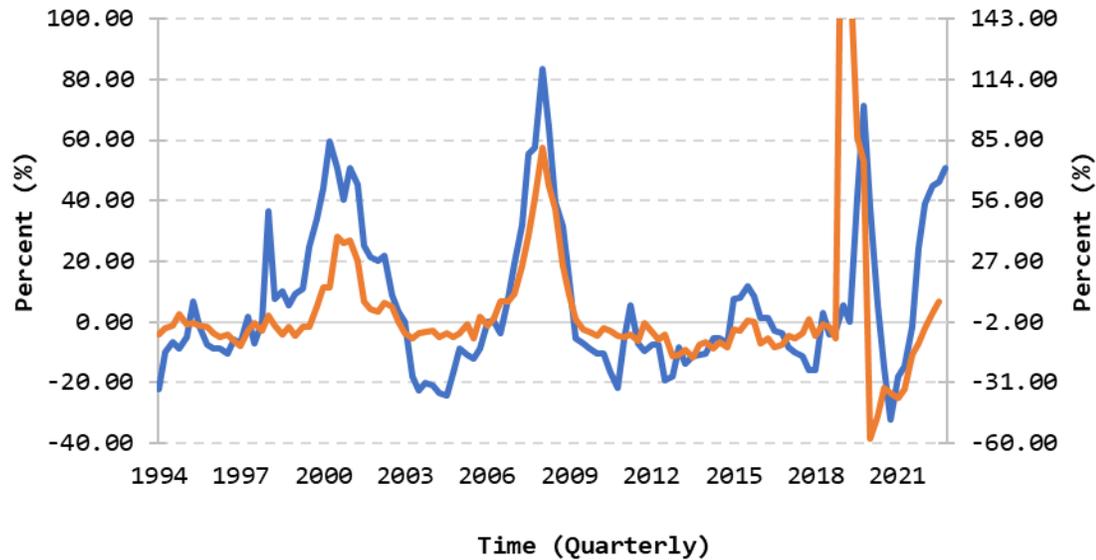


— US Empire State Manufacturing Index (SA, Adv. by 2Q, Lhs)
— US Real GDP (Y/Y, Rhs)

U.S. Labour Market

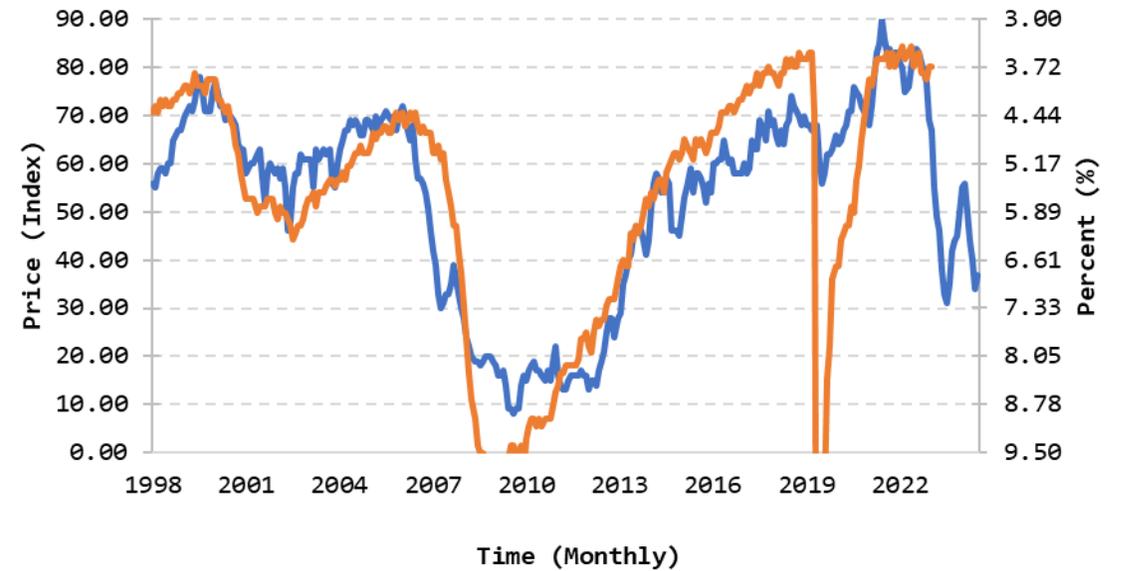
Labour stats lag macroeconomic indicators

**Tighter Bank Lending
vs. Unemployment**



— SLOOS: % of Banks Tightening C&I Loans For Large & Med Firms (Adv. By 2Q, Lhs)
 — Number of Persons Unemployed (Y/Y, Rhs)

**U.S. Housing Indicator
vs. Unemployment**

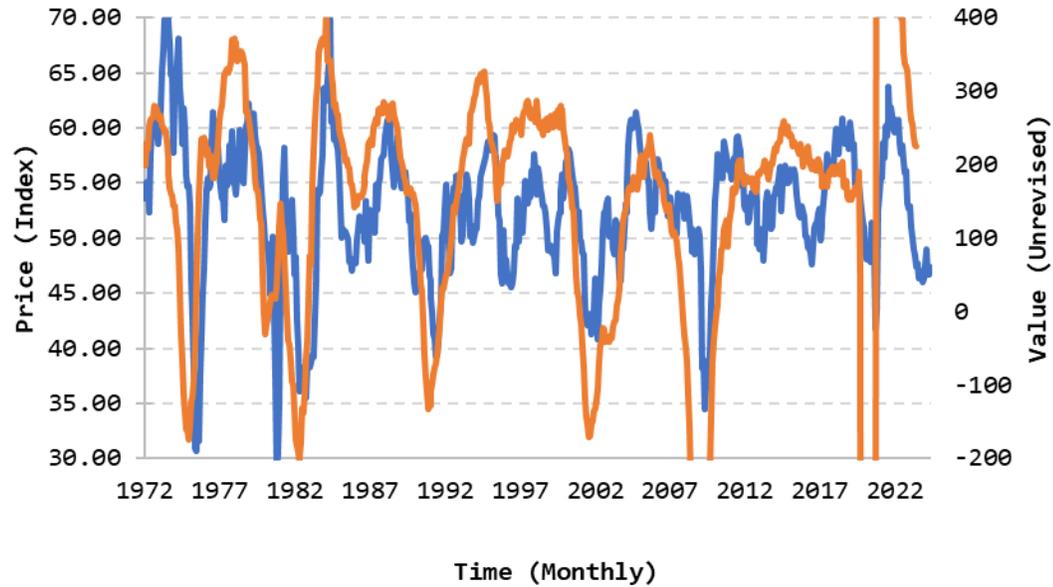


— NAHB Index (Adv. by 18m, Lhs)
 — Unemployment Rate (Inverted, Rhs)

U.S. Labour Market

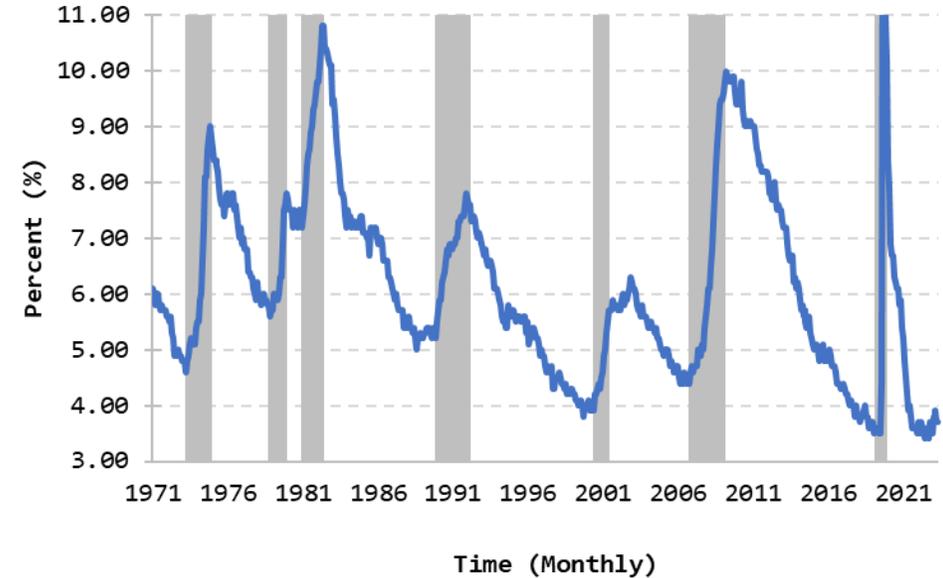
Facing headwinds from weaker economic activity

**U.S. Manufacturing PMI
vs. Nonfarm Payrolls**



- ISM Manufacturing PMI (SA, Adv. by 12m, Lhs)
- US Employees on Nonfarm Payroll (m/m change, unrevised, 12mma, Rhs)

**U.S. Unemployment Rate
vs. Recessions**



- NBER Recession Dates
- Unemployment Rate

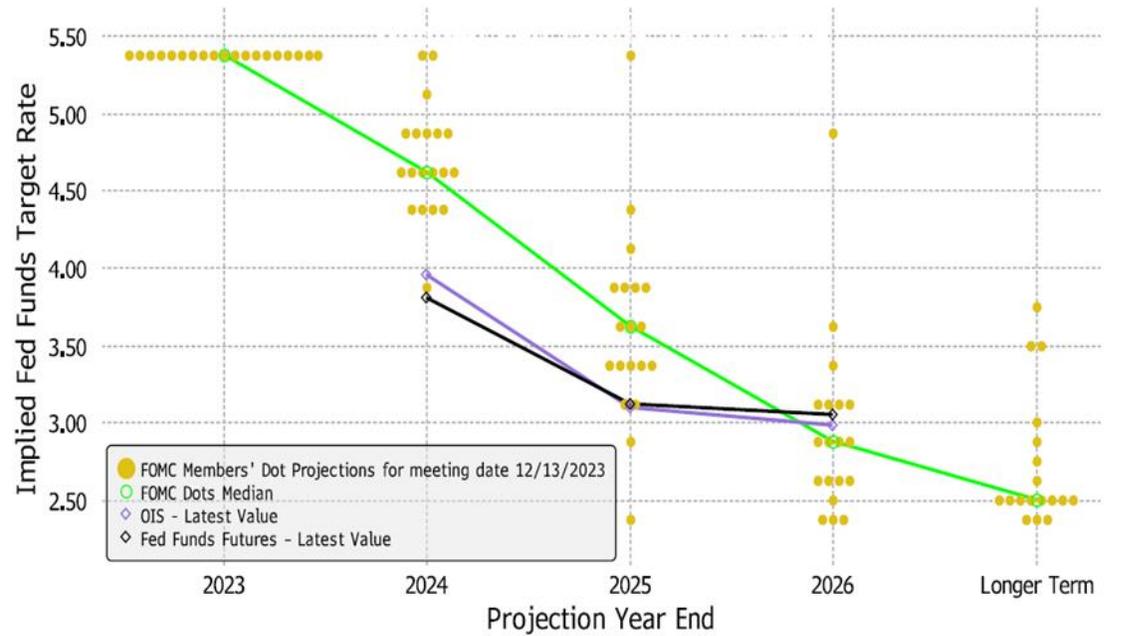
U.S. Monetary Policy

Implied response to falling inflation and weaker growth expectations

Fed Funds Futures



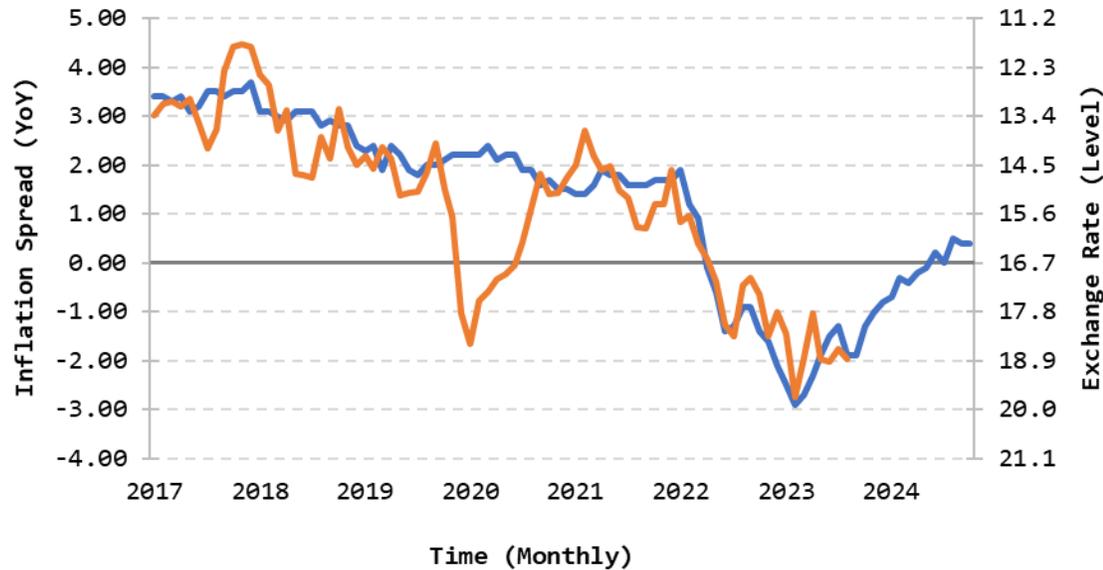
FOMC Dot Plot



U.S. Dollar Outlook

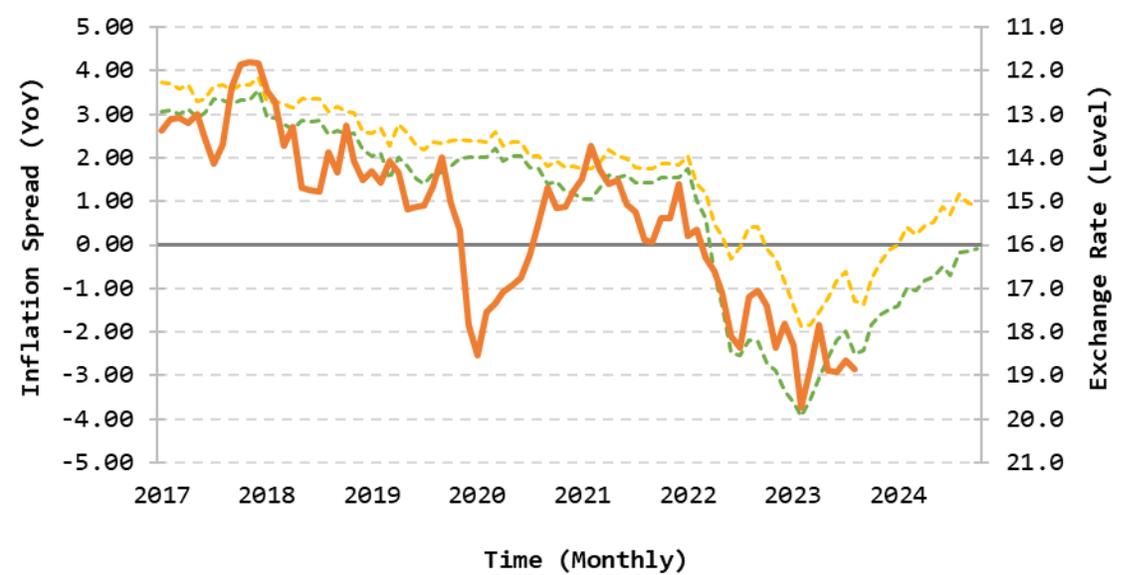
Expected to depreciate over the short to medium term

Core Inflation Spread
vs. ZAR-USD X-Rate



— Core Inflation Spread (ZAR-USD, Lhs) : Adv. by 5-quarters
— USD-ZAR X-RATE (Inverted, Rhs)

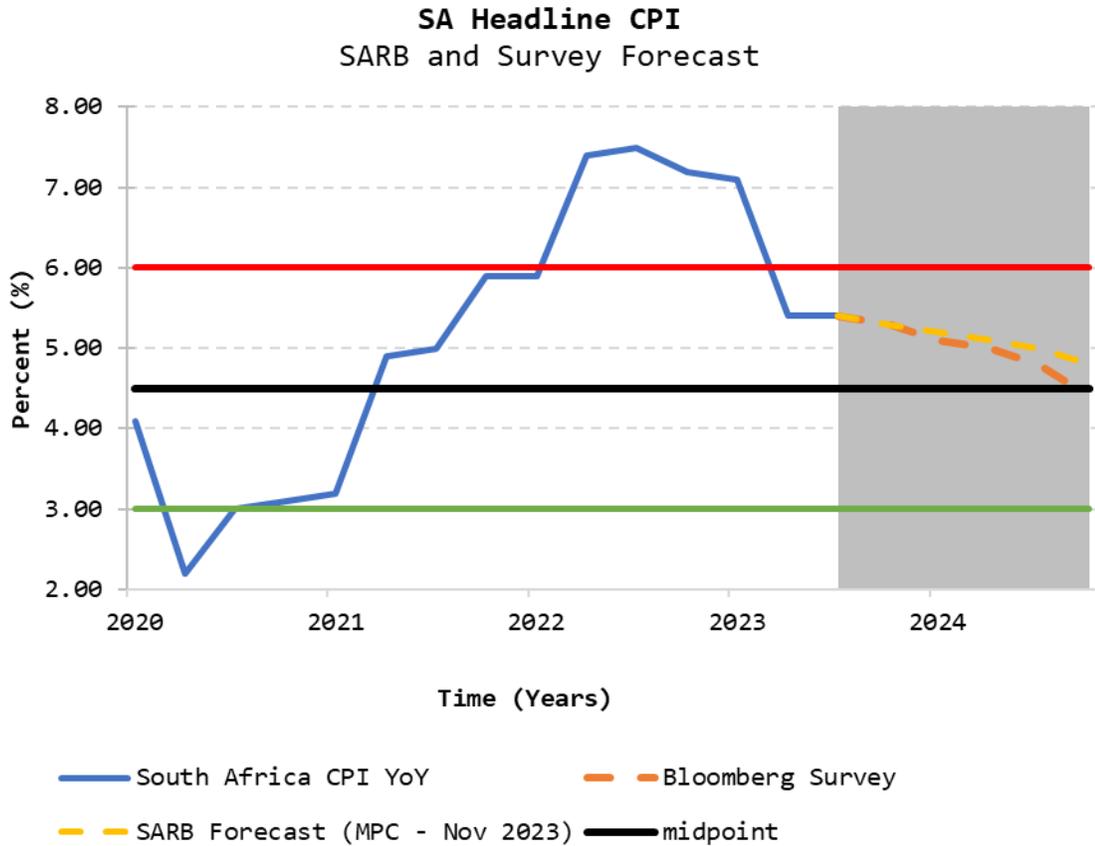
Core Inflation Spreads
vs. ZAR-USD X-Rate



--- +1 Std Dev --- -1 Std Dev — USD-ZAR X-RATE (Inverted, Rhs)

Impact on SA Inflation

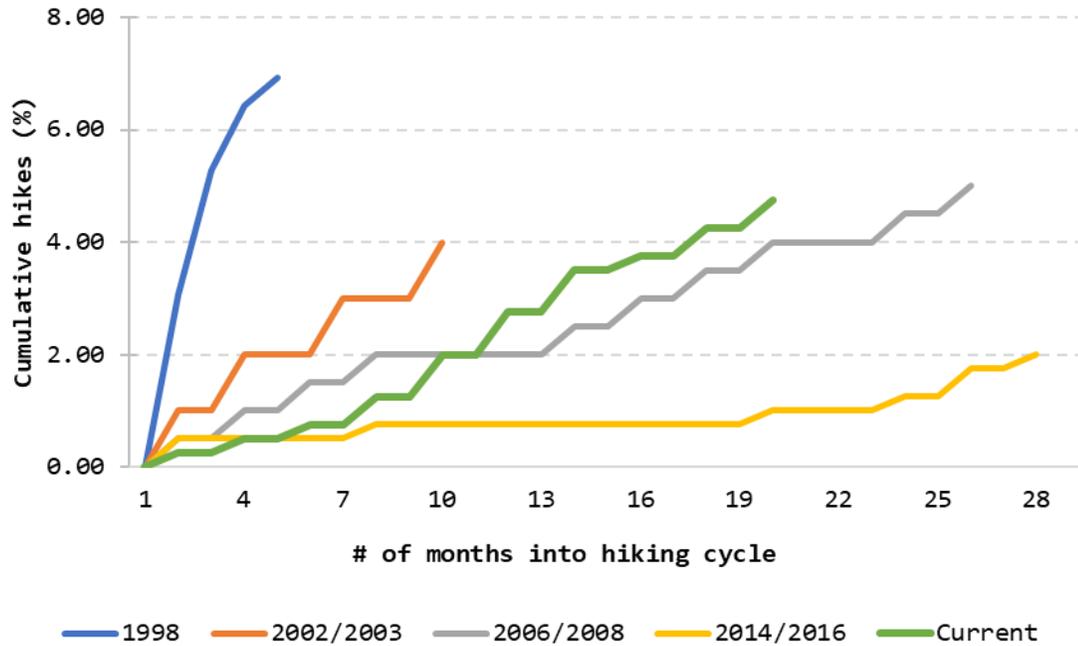
Lower inflation expected in 2024



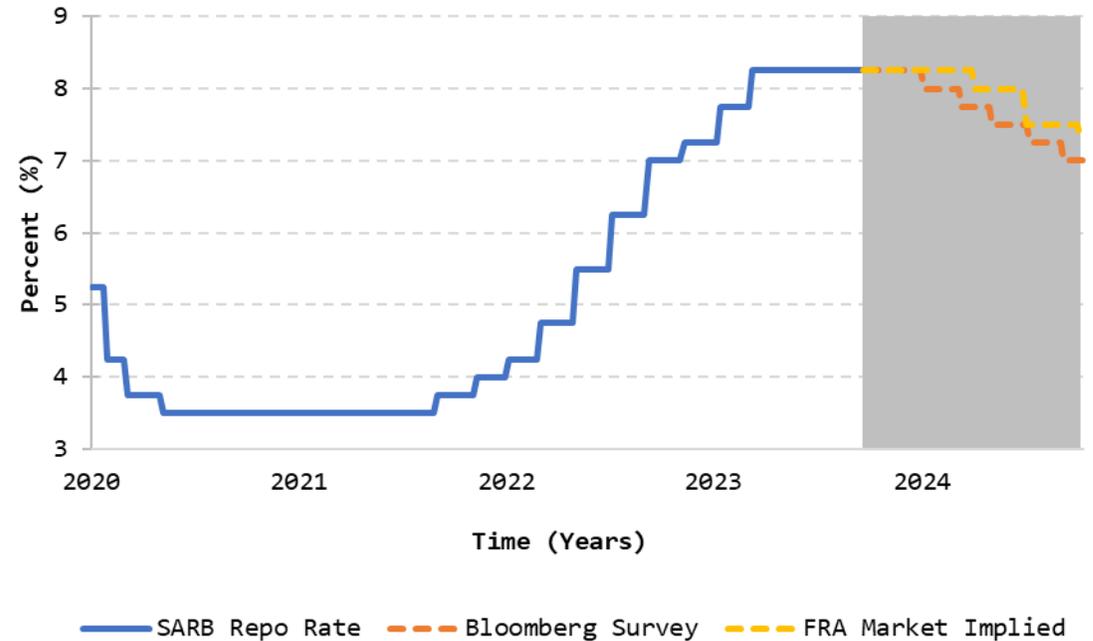
SA Monetary Policy

Market surveys envisage rate cuts in 2024

SA Rate Hikes
Keeping Pace with Global Trends



SARB Repo Rate Forecast
Market Survey and FRA Implied



- ▶ Restrictive monetary policy is reigning in price growth, albeit at a slower pace than desired
- ▶ Lackluster manufacturing signals weaker activity, with business cycle indicators similarly anticipating a downturn
- ▶ While labour statistics are currently resilient, they also tend to lag leading macroeconomic indicators
- ▶ **However, forward policy guidance suggests rate cuts in 2024, with the pace and depth of the easing cycle also dependent on the strength of the economy**
- ▶ **Delayed JIBAR-linked reset dates still favour cash, more so in the absence of a strong earnings catalyst (should macroeconomic activity subsequently contract/decline)**
- ▶ **We therefore expect our flagship NGI Core Income fund to main its net superiority in both real and risk-adjusted terms in this environment.**

Nedgroup Investments Core Income Fund

Sharika Salie

Portfolio Manager of the Nedgroup Investments Core Income Fund

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Fund attributes

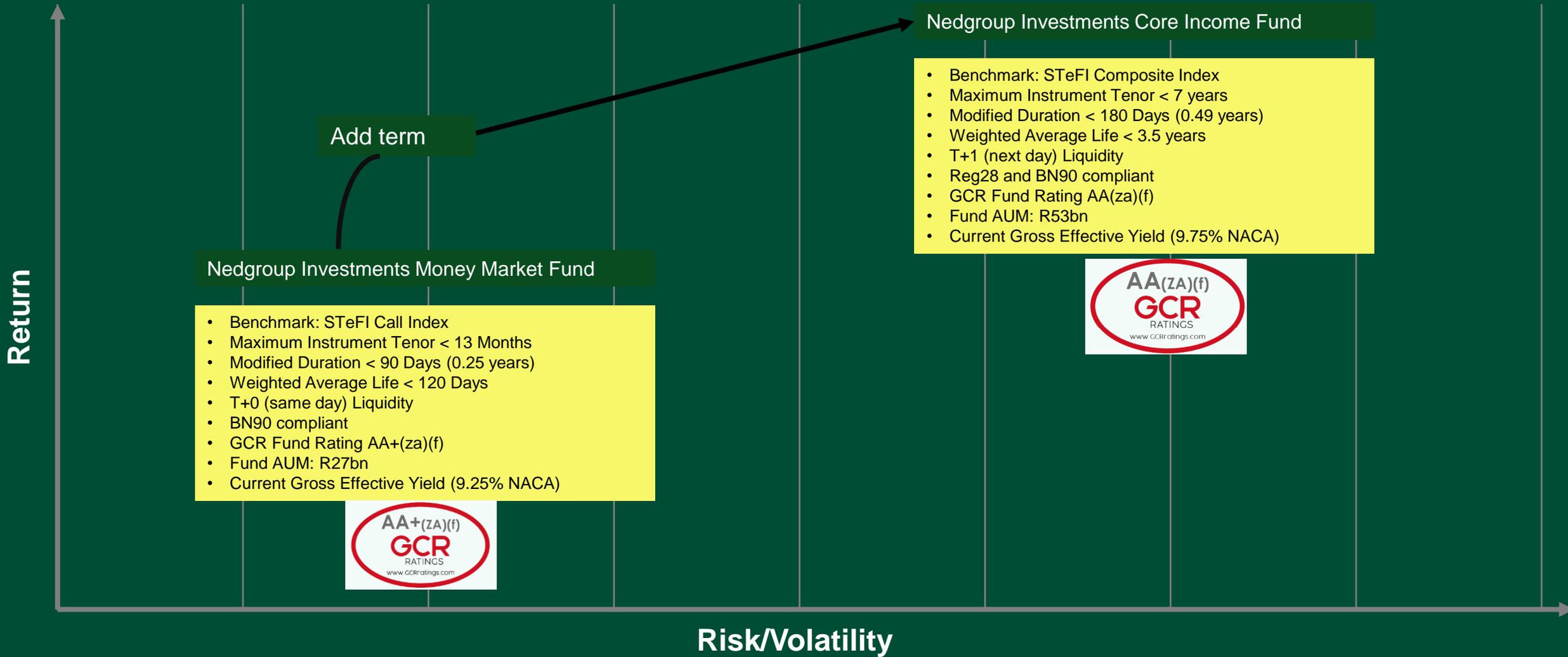
Nedgroup Investments Core Income Fund



Strategy:	Preserve capital and maximise interest income
Primary Objective:	The fund aims to maximise interest income above STeFI Composite and money market funds. Protecting capital is a core focus. Generate income at low risk. Provide liquidity to investors in 24-hours.
Benchmark:	STeFI Composite Index ZAR
ASISA Category:	South African – Interest Bearing – Short Term
Compliance:	CISCA Board Notice 90 Compliant and Regulation 28 compliant
Fund Size:	R 52 889 million
Income Distributions:	Monthly
Liquidity:	Next day



Fixed Income Liquidity Fund Range Comparison



Capital Preservation

Extract Liquidity Risk Premium

Key risks we will manage:

1

Credit Risk

2

Duration Risk

3

Spread risk

4

Liquidity risk

Our largest internal market (190 billion) is a huge advantage

Gross MTM performance vs. benchmark

Nedgroup Investments Core Income Fund



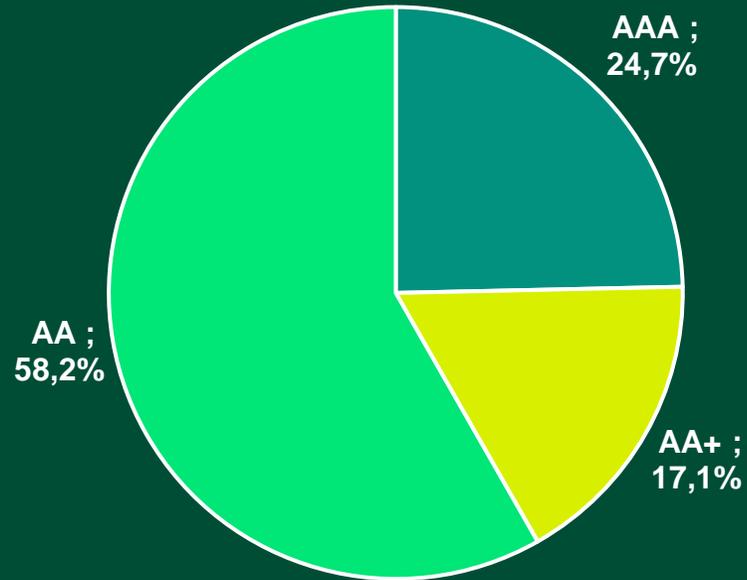
Consistent alpha and resilient returns across various interest rate cycles



Credit breakdown

Nedgroup Investments Core Income Fund

High credit quality

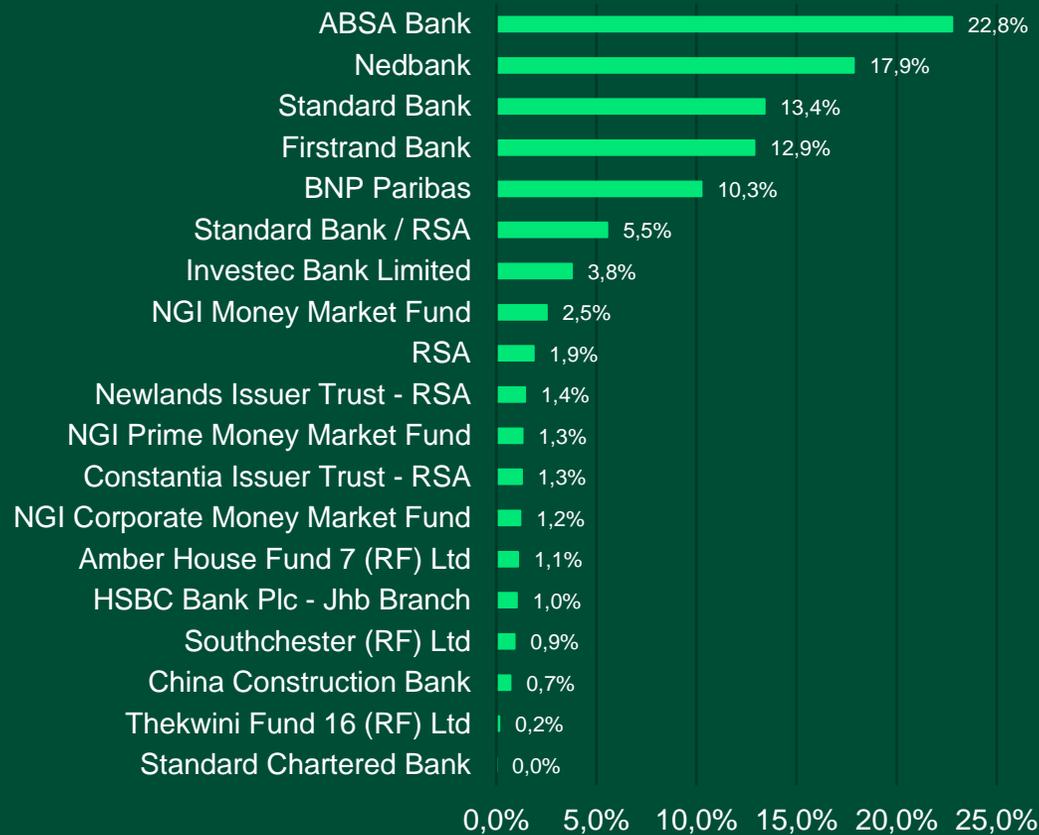


The “lower” the credit rating the higher the chance of default... but the higher the credit spread

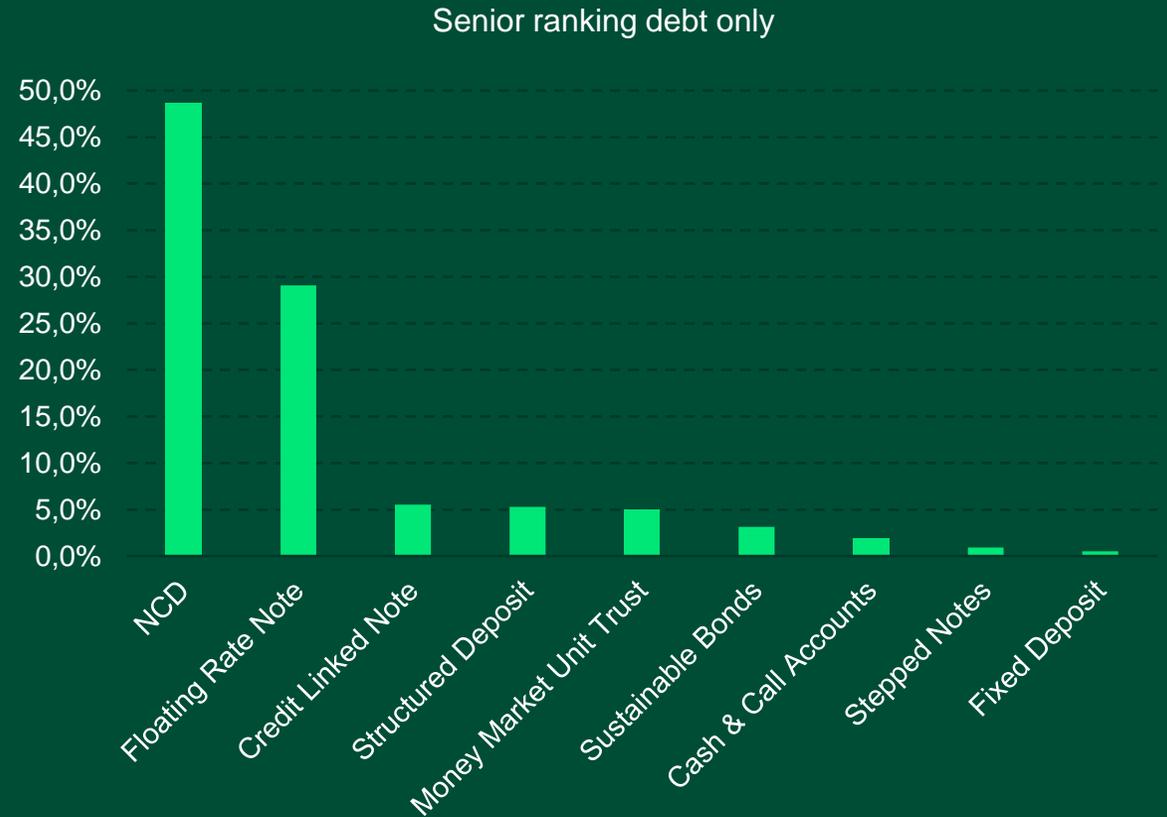
	Moody's	S&P
Investment Grade	<u>Aaa</u>	AAA
	<u>Aa</u>	AA
	<u>A</u>	A
	<u>Baa</u>	BBB
High yield	<u>Ba</u>	BB
	<u>B</u>	B
	<u>Caa</u>	CCC
Distressed or defaulted	<u>Ca / C / D</u>	CC / C / D
	<u>D</u>	

Higher Returns to compensate for the higher risk

Issuer Exposure



Instrument Types



Looking Forward

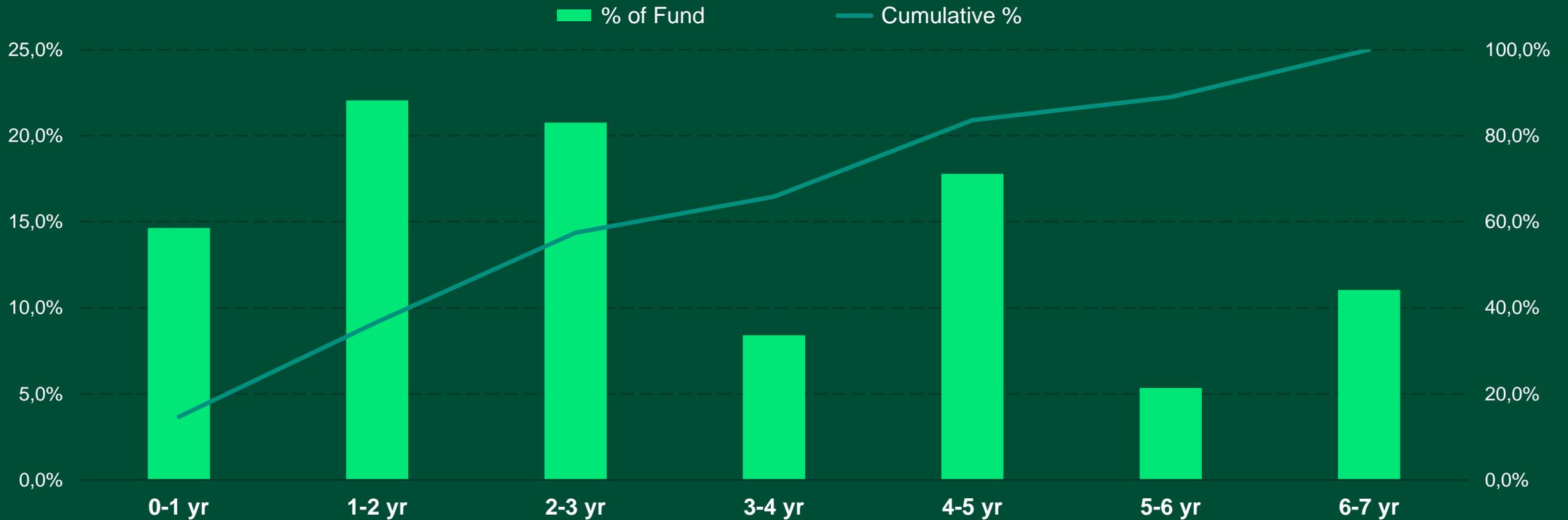
Nedgroup Investments Core Income Fund



Fund is well invested

Duration: 0.12 years (44 days)

WTFM: 3.0 years

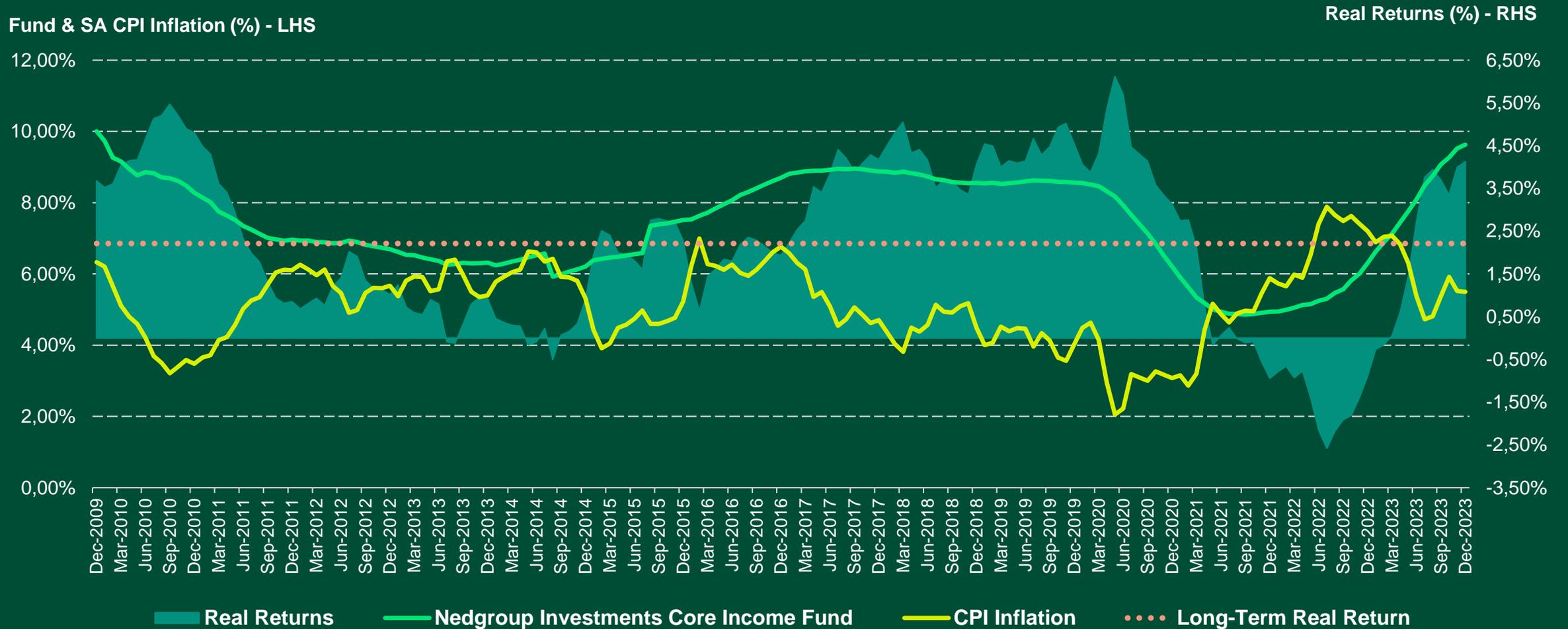


Rolling 12m real returns over the last 15 years

Nedgroup Investments Core Income Fund versus SA CPI Inflation on a rolling 12m basis

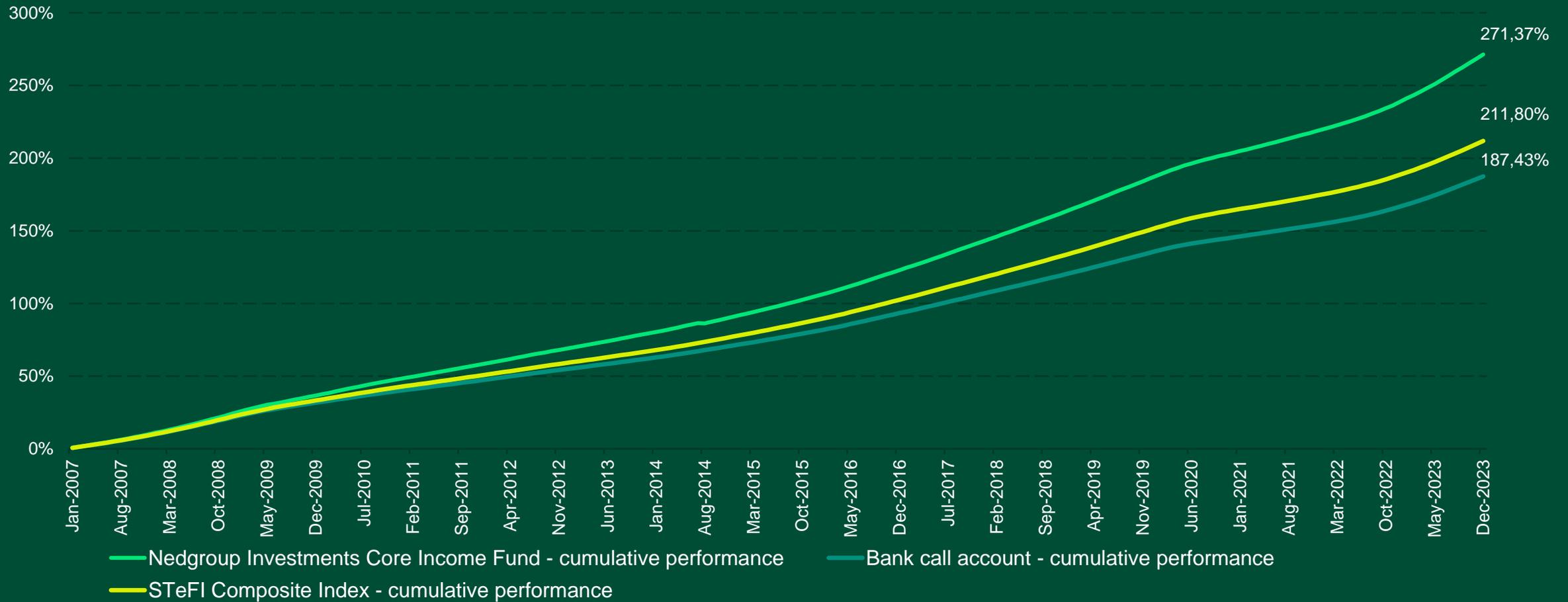


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The significance of compounding

Nedgroup Investments Core Income Fund





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Thank you.

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