

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 501 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

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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.

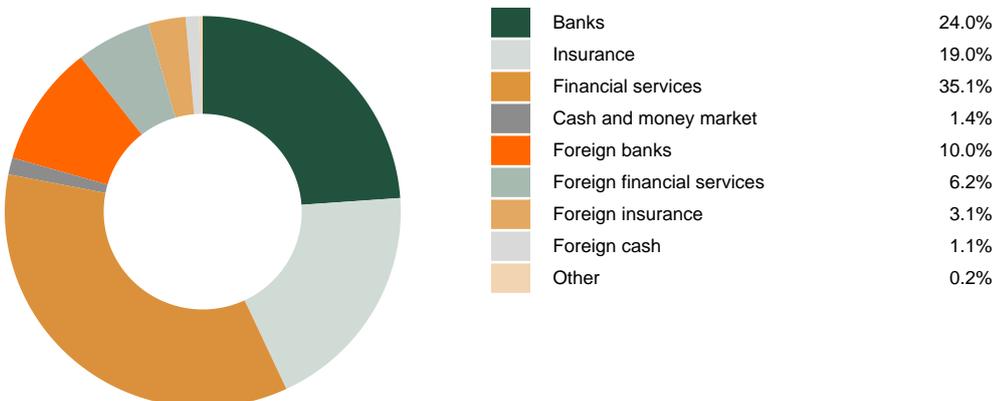
Performance¹

Period	Portfolio	Benchmark
1 year pa	16.6%	7.5%
3 Years pa	13.6%	8.5%
5 Years pa	18.0%	12.9%
7 Years pa	18.4%	13.9%
10 Years pa	13.2%	10.3%
Lowest 1 year return	-38.9%	
Highest 1 year return	69.0%	

Risk

Period	Portfolio	ALSI
Volatility [5 years]	11.3%	10.5%

Portfolio structure



Top 10 holdings

Share	Percentage
Old Mutual Plc	9.5
FirstRand Ltd	9.0
Standard Bank Group Ltd	8.1
Sanlam Ltd	7.6
JSE Ltd	7.0
SASFIN Holdings Ltd	6.1
PSG Group Ltd	5.8
Investec Ltd	5.7
Nedbank Group Ltd	4.5
Investec Plc	2.7
Total	66.0

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

Nedgroup Investments Financials Fund

February 2017



EQUITY RANGE

Investment manager commentary

Denker Capital

While the JSE reversed some of its January gains ending the month down 2.9%, the Financial 15 Index was positive due to a stronger insurance sector, even though the banks were marginally lower. Despite the rumours of President Zuma replacing Finance Minister Gordhan or his deputy, the rand and bank shares remained resilient, with the rand gaining 3.4% against the US dollar during the month. This most probably implies that the forex market is looking past the political turmoil. Instead, they are focusing on the positive effect of the heavy rainfall on food imports/exports and food inflation, as well as the fact that stronger commodity prices will have a positive effect on the trade balance.

Lower inflation (from lower food prices and a stronger rand) will eventually feed through into lower interest rates. This could generate marginally higher growth than currently expected. This will be good for South Africa and obviously also the banks. However, it is essential that the political situation does not deteriorate.

Liberty and MMI reported very disappointing results, while Discovery's results were better than expected. Nedbank, Barclays Africa and Standard Bank reported that, despite the poor economic backdrop, they grew shareholder value by over 10% over the past 12 months and either maintained or grew their dividend payments (at the time the results were released). In each case, non-performing loans increased. Nedbank's good result was dragged down by the loss from their investment in Ecobank. As we thought, the bank sector is generally healthy and strong, even though the circumstances are not great.

Not surprisingly, Nedbank was one of the top performers during the month (+6%), beaten only by PSG (+9.9%). The Nedbank, PSG and Sanlam (+4.7%) price gains supported the Fund's performance. However, Sasfin's warning about write-offs in their forthcoming result triggered a price decline of almost 10% and turned the Fund's gains into a negative 0.7% for the month. This is very disappointing, since Sasfin has been a stalwart in the Fund for many years. We will have to wait until the result is published to determine what went wrong (although at this stage it seems like a once-off event).

As we wrote last month, the earnings and valuations of South African banks are not far away from the December 2015 valuations (in terms of price-to-net-asset-values), after Nenegate. The banks are indeed on higher dividend yields, although return on capital is forecast to be marginally lower in 2017. If valuations fall further, we will increase our investment once again.

The Funds investment in the Sanlam Global Financial Fund (managed by Denker Capital) continues to perform well in US dollar terms (gaining 4.8% in US dollars and 1.0% in rand year to date). However, the strong rand has negated these gains. We continue to believe that, over the next few years, global growth will exceed South Africa's growth and that global banks remain more attractively valued than local financials. As a result, we maintain our maximum possible investment of 20% in the Fund.

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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Date of issue

15 March 2017