



Letter to investors

Nic Andrew
Head of Nedgroup Investments

Dear valued investor

We are pleased to report that Nedgroup Investments was the top ranked domestic manager in the most recent PlexCrown survey. We are also ranked second in the foreign category. More important is the consistency of performance of the Best of Breed™ fund range. Nedgroup Investments has featured in the PlexCrown survey since December 2004 (42 quarterly surveys in total). Over this period, we have ranked amongst the top quartile of managers 64% of the time, and among the top half over 90% of the time.

A key component of our Best of Breed™ offering is identifying outstanding independent managers who we believe have a sustainable edge. Our objective is to identify managers who are able to outperform (provide alpha) over the long-term. Seugnet van der Merwe discusses the concept of manager alpha; how difficult it is to select good managers as well as the significant benefits that can be harnessed if one is able to do so.

There has been much press around passive investing as low-cost investing gains popularity internationally and more recently in South Africa. We believe these funds have a sensible role to play when combined with good active managers. Critically though, despite the similarity on the label, all passive funds are not created equal. Jannie Leach examines key criteria to consider on the various passive propositions. We were delighted that the Nedgroup Investments Core Diversified Fund was awarded the “Best Aggressive Asset Allocation Fund” by Morningstar.

The Nedgroup Investments Entrepreneur Fund also won the “Best South Africa Small-Cap Equity Fund” at the Morningstar Awards. Fund manager Anthony Sedgwick provides some insight into one of their largest holdings, Howden and how Abax are actively engaging its management to ensure investors’ rights are protected.

During the past quarter, the Killen Group has taken over management of the Nedgroup Investments Global Cautious Fund and we are pleased to report that the transition went smoothly. This fund is designed for investors who wish to achieve greater returns than cash but do not want to be exposed to significant capital risk. George Cipolloni, the fund manager conveys Killen’s current thinking and how they have positioned the fund to achieve these objectives. In this issue we also hear from Veritas, manager of the Nedgroup Investments Global Equity Fund, on some of the shares they have been buying and selling in the fund.

Denver Keswell provides insight on a tax perspective with respect to estate duty exemptions on retirement annuity contributions, a technical but important discussion. Another significant development over the past quarter was the successful launch of the tax-free investments to encourage savings. We are very supportive of the initiative and believe they have a place in most investors’ portfolios. Our offering is both simple and cost-effective (no extra costs to a normal unit trust investment). We encourage you to investigate further with your financial planner or on our website www.nedgroupinvestments.co.za.

Many thanks for your continued support. It is much appreciated and we will do everything to ensure our service and long-term performance meets your expectations.

Regards,

Nic Andrew