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Nedgroup Investments Global Flexible Fund

Quarter Four, 2024

Marketing Communication

Nedgroup Investments Global Flexible Fund

The following commentary was produced by the sub-investment manager, First Pacific Advisors, LP ("FPA").

Past performance is not indicative of future performance and does not predict future return

USD performance to 31 December 2024	Nedgroup Investments Global Flexible Fund[1]	Performance Indicator*	MSCI World
3 months	0.7%	-1.5%	-0.2%
1 year	12.8%	11.0%	18.7%
5 years (p.a.)	8.1%	6.5%	11.2%

* 60% MSCI World, 30% Bloomberg Global Aggregate Bond, 10% US$ cash.
Source: Morningstar

Overview

The Nedgroup Investments Global Flexible Fund ("the Fund") gained 0.7% for the quarter and 12.8% for the trailing twelve months ("TTM"). The Fund captured 68.4% of the MSCI World's gain in the TTM, outperforming its own 62.4% average net risk exposure.[2]

Net Performance versus Illustrative Indices [3]

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	Q4 2024	Trailing 12 months
Nedgroup Global Flexible Fund	0.7%	12.8%
MSCI World	-0.2%	18.7%
MSCI ACWI	-1.0%	17.5%
S&P 500	2.4%	25.0%
60% MSCI ACWI / 40% Bloomberg US Agg	-1.8%	10.8%
60% S&P 500 / 40% Bloomberg US Agg	0.2%	15.0%

Source: Morningstar

Portfolio & Market Discussion

The ACWI increased 39% in the two years ending 2024, five times its 7.7% cumulative earnings growth. The global market is more richly valued than the target-rich environment at the end of 2022, with a price-to-earnings (P/E) ratio that is approximately 29% higher. The Global Flexible Fund's net risk exposure has migrated lower as valuations increased. As expected, and is typical, the Fund's exposure to the equity market declined 9.2 percentage points from year-end 2022 to 2024 as stock prices increased.

[1] Reflects the net USD return for the Nedgroup Investments Global Flexible Fund, C class. Data source for table data: Morningstar.

[2] Risk assets are any assets that are not risk free and generally refers to any financial security or instrument, such as equities, commodities, high-yield bonds, and other financial products that are likely to fluctuate in price. Risk exposure refers to the Fund's exposure to risk assets as a percent of total assets. The Fund's net risk exposure as of 31 December 2023 was 63.5%, and as of 31 December 2024 was 59.4%.

[3] Comparison to the indices is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

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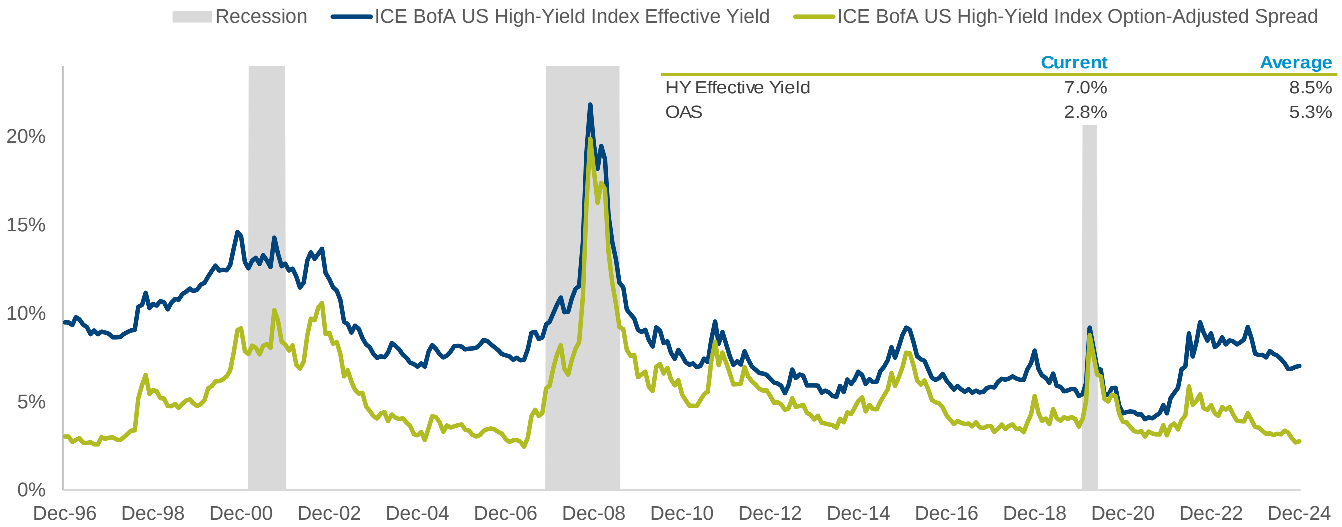
MSCI ACWI Return, Earnings Growth and Valuation vs Fund exposure[4]
2022-2024

	MSCI ACWI			Fund exposure	
	Return ex-Div	Earnings Growth	P/E TTM	Equity	Credit
2022	-19.80%	5.3%	15.2	66.4%	2.3%
2023	20.09%	-0.7%	18.4	62.2%	3.2%
2024	15.73%	8.50%	19.6	57.2%	2.2%
YE 2022 to 2024					
Cumulative	38.98%	7.74%			
Percent Change			28.90%		
Change				-9.17%	-0.12%

When our risk exposure in the Fund was higher at year-end 2022, we wrote, "*We think lower valuations and higher bond yields help position us to take advantage of any continued market weakness*." We further explained at year-end 2023 that "*Today's less attractive valuations (relative to last year), particularly in the US, help explain the Fund's slightly lower risk exposure.*" Therefore, it should be no great surprise that 2024's exposure is still lower. For over a decade, we have leaned into market weakness and backed away from strength.

We pursue an equity-like return when purchasing high-yield bonds. We prefer to assume credit risk where we offer some analytical value, rather than interest rate risk, where direction or magnitude are less predictable. The Fund's credit exposure remains at 2.2% due to mediocre yields and low spreads, as exhibited in the following chart.

High Yield Index Effective Yield and Spread[5]
1997-2024



Good stock market performance tends to breed investor complacency. Today, the largest proportion of investors since the Great Financial Crisis believe that there is less than a 10% probability of a stock market crash.

[4] Source: FPA, Bloomberg. As of December 31, 2024.
[5] Source: Federal Reserve Economic Data (FRED). As of December 31, 2024.
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Percent of investors who believe there is less than a 10% probability of a stock market crash[6]
January 2009 to November 2024

Believing that little can go wrong creates the danger that one can lose more than they believe possible. Greater exposure at higher valuations is rationalized. You can see examples of the resulting frothiness in the following charts.

Three occasions occurred in the last thirty years when enterprise value-to-sales (EV/Sales) reached such a distended level. When complacency takes center stage, caution often finds itself relegated to the wings, allowing valuations to reach inappropriate levels.

Stocks with Enterprise Value/Sales Ratios >10x[7]
December 1995 to November 2024

Only a small percentage of stocks (~30%) in the S&P 500 outperformed the index in 2023 and 2024. The last time we witnessed such concentration was in the internet bubble at the turn of the century.

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[6] Source: Apollo Academy. As of November 30, 2024. https://www.apolloacademy.com/bullish-sentiment-in-the-stock-market/.
[7] Source: Compustat. Goldman Sachs. As of November 30, 2024.
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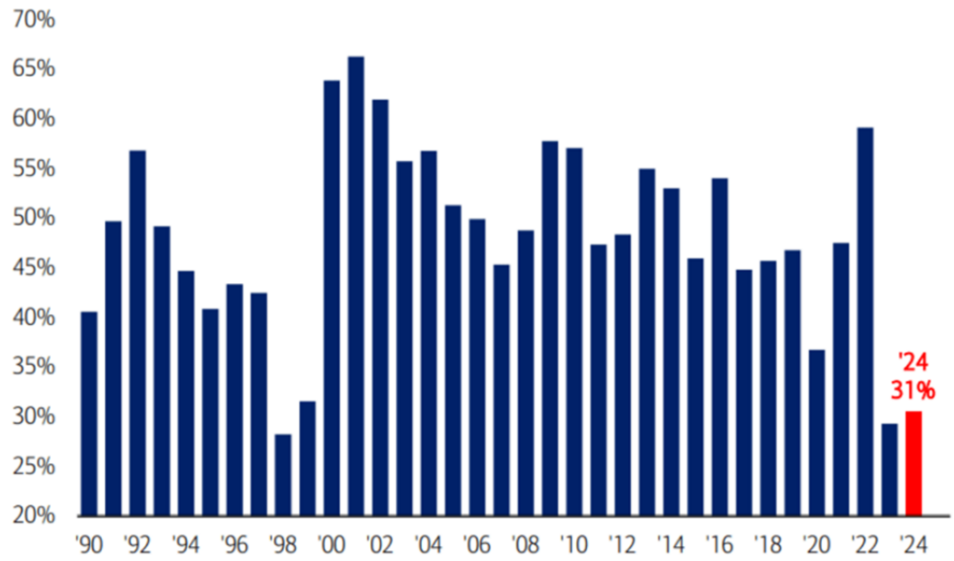
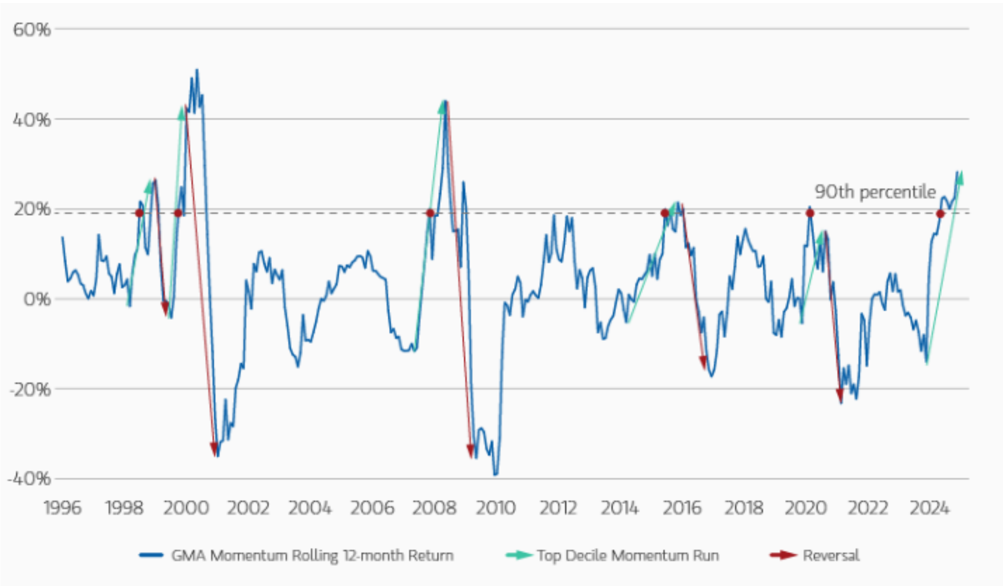
Percent of companies outperforming the S&P 500[8]
1990-2024



Momentum stocks have led the market, particularly in 2024. According to Morgan Stanley, "…momentum ruled more than any other factor. Sure, high growth and high-quality stocks have outperformed low growth and junkier stocks, but high momentum stocks have exploded higher (relative to low momentum stocks). The current momentum run is one of the top momentum runs since 1995, with high momentum stocks outperforming low momentum by +28% year-on-year as of Dec 11th, *a two standard-deviation event*."[9]

Momentum year-on-year returns[10]
1997-2024



Momentum's gravitational pull can bring lesser planets into its orbit, as is the case with cryptocurrency which had a big year. We find it hard to believe that you can earn money by telling fart jokes, yet there's a billion-dollar

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[8] Source: BofA Global Research. BofA Global Investment Strategy. As of December 10, 2024.
[9] Global Multi Asset Thought of the Week. Momentum Ruled in 2024, But Reversal Likely in 2025.Morgan Stanley. December 23, 2024. https://www.morganstanley.com/im/en-us/individual-investor/insights/articles/momentum-ruled-in-2024.html#:~:text=In%202024%2C%20momentum%20ruled%20more,relative%20to%20low%20momentum%20stocks).
[10] Source: Global Multi Asset Thought of the Week. Momentum Ruled in 2024, But Reversal Likely in 2025.Morgan Stanley. December 23, 2024. https://www.morganstanley.com/im/en-us/individual-investor/insights/articles/momentum-ruled-in-2024.

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market for the crypto FART COIN. This likely suggests that caution is warranted, though we don't know what or when things might implode.

Many less flatulent companies trade at indefensible prices. Beyond the "Magnificent Seven" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), numerous other more mundane but good businesses have tapped into investor zeitgeist and in our opinion have achieved cult-like status. The admittedly curated list of companies below that, among other things, sell paint, uniforms, mops, air conditioning and heating equipment, and store old paper documents, have seen their stocks soar and now trade at approximately 40x 1-year forward earnings. Their average P/E is nearly 3x the estimate of their next 3-year *projected* earnings growth. We find it difficult to accept that they trade at such high multiples, especially when we believe the Fund's equity positions offer better value and are generally trading at a lower P/E.

Less Magnificent but Still Expensive[11]

	P/E		3-Year Earnings Growth		1-Year Forward P/E
	10-Year Avg. TTM	1-Year Forward	Trailing	Forward	3-Year Forward EPS Growth
Cintas	34.0	39.9	15.6%	13.1%	3.0
Costco	35.9	49.0	13.6%	9.2%	5.3
Iron Mountain	42.9	52.8	-38.8%	86.4%	0.6
Sherwin Williams	29.9	26.8	12.9%	17.6%	1.5
Watsco	28.0	32.5	6.7%	10.0%	3.2
Average	34.1	40.2	2.0%	27.3%	2.7
Fund equity positions	26.8	15.6	-6.1%	26.1%	0.6

A more expensive US market does not mean all stocks are expensive. We continue to find potentially better value overseas and in small and medium-sized US companies. Using third party consensus estimates, the Fund's diversified equity portfolio, of what we believe to be market-leading businesses, trades at 15.6x projected earnings and 2.1x book value, with 26% expected earnings growth over the next three years. We hold many stocks in the portfolio that the world has not fallen in love with, allowing for a portfolio that trades at a lower valuation and with projected above-market growth, which should serve our investors well.

Valuation and growth rate of Nedgroup Global Flexible Fund equity positions vs indices[12]

As of 31 December 2024	Price/Earnings 1-Year Forward	Price/Book	3-Year Forward Estimated EPS Growth
Nedgroup Global Flexible Fund			
Long Equity Portfolio	15.6x	2.1x	26%
vs. MSCI ACWI	*86%*	*64%*	*191%*
vs. S&P 500	*72%*	*41%*	*148%*
MSCI ACWI	17.9x	3.3x	14%
S&P 500	21.5x	5.0x	18%

[11] Source: Factset consensus as of January 22, 2025. NGFF equity position data as of December 31, 2024.
[12] 3-Year Forward Estimated EPS Growth is based on FPA calculations using consensus data from Factset. Forward Price/Earnings and 3-Year Forward Estimated EPS Growth are estimates and subject to change. Comparison to the S&P 500 and MSCI ACWI Indices is being used as a representation of the "market" and is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. References to NGFF "long equity portfolio" refers to the valuations of the Fund's long equity holdings only. The long equity holdings average weight in the Fund was 57.8% and 59.4% for Q4 2024 and TTM through December 31, 2024, respectively. The long equity statistics shown herein are for illustrative purposes only and may not reflect the impact of material economic or market factors. No representation is being made that any account, product or strategy will or is likely to achieve results similar to those shown. Long equity statistics noted herein do not represent the results that the Fund or an investor can or should expect to receive. Fund shareholders can only purchase and redeem shares at net asset value. Portfolio composition will change due to ongoing management of the Fund.

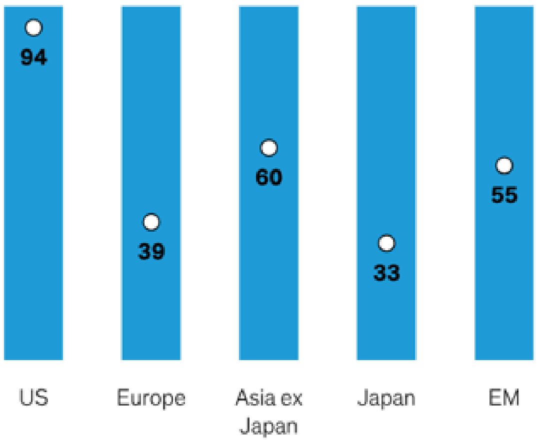
Past performance is no guarantee, nor is it indicative, of future results.

We occasionally show global valuations to help explain changes in regional portfolio weightings. However, that does not take into account the quality of business or industry sector, and the US market ranks higher on both counts. Nevertheless, you can see the valuation gap is about as wide as it has been since 2000.

MSCI Forward P/E: US vs All-Country World ex-US[13]
2001-2024

The following graph better supports the Fund's international tilt by assessing the current valuations of each region compared to their averages over almost thirty years. While US stocks trade near their historic highs, other regions are at or below their average.

Regional Valuations[14]
Price/Forward Earnings (Next 12 Months)
Percentile Rank Since 1996



Current P/FE (Next 12 Months)				
22.3x	13.3x	12.6x	14.2x	11.8x

[13] Source: LSEG Datastream, Yardeni Research, MSCI, and IBES. As of December 19, 2024.
[14] Source: AB Funds. Mapping Out the 2025 Investment Landscape Across Asset Classes December 5, 2024. Data as of November 30, 2024. https://www.abfunds.com.sg/sg/en/investor/insights/investment-insights/mapping-out-the-2025-investment-landscape-across-asset-classes.html
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With respect to the recent performance of the Fund, in the previous twelve months, the top five performers contributed 6.5% to its return while its bottom five detracted 2.1%.

Trailing Twelve-Month Contributors and Detractors as of 31 December 2024[15]

Winners	Performance contribution	Ave. weight	Losers	Performance contribution	Ave. weight
Alphabet	1.7%	5.2%	Heineken	-0.5%	1.7%
Meta Platforms	1.7%	3.1%	JDE Peet's	-0.4%	1.0%
Jefferies	1.5%	2.1%	Comcast	-0.4%	2.7%
Citigroup	0.9%	2.6%	Glencore	-0.4%	1.3%
Holcim	0.8%	3.1%	LG Corp	-0.3%	0.8%

Source: FPA.

We will review four companies that have impacted portfolio performance but that we have not recently discussed.[16]

Heineken is a global beer business with 150 years of heritage and has market-leading positions in its various markets. Over the past year, the company's shares have de-rated and now trade at 11x earnings. With 55% of revenue coming from faster-growing developing countries, we think Heineken has a good chance to maintain the mid-single-digit growth (revenue and EBITDA) that the company produced in the last decade. We like that the company has a strong balance sheet, meaningful dividend and opportunity to begin share buybacks.

Glencore is a global mining and marketing company with essential positions in commodities of the past (thermal coal) and future (copper, cobalt, nickel, and met coal). Shares have de-rated on the back of Chinese economic weakness and softer commodity prices. We think that Glencore's management is the best in the business. The company operates with a strong balance sheet and returns excess capital to shareholders through a variable dividend and share repurchases. The shares currently trade at 9x FCF (average of the past 5 years and estimate for 2025).

Comcast is a leading broadband and media business. Competition in the broadband business and the media industry's evolution has pressured the company. The media side of the company tends to make headlines, but the broadband business is responsible for most of the economics. Competition from fixed wireless and overbuilders has resulted in shrinking subscribers. We think the business will emerge no worse than an average telecommunications company, which currently trades as such - our downside case. Pricing and the company's growing wireless offering, however, have allowed the company to continue to grow, which we believe leaves attractive upside for the stock.

LG Corp is a Korean conglomerate with exposure to various businesses, ranging from chemicals and cosmetics to the local Coca-Cola bottler, to name those that start with "C." Despite the multiple operating businesses that introduce some complexity to the investment thesis, the actual structure of the holding company is relatively clean, and the parent company's balance sheet is robust. We continue to find the valuation to be highly asymmetric, with a look through earnings multiple on after-tax earnings that we calculate to be in the single digits on a look-forward basis, complemented by recent share repurchases and a trailing dividend yield of more than 4%.

[15] Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months through 31 December 2024. Contribution is presented net of investment management fees, transactions costs, and Fund operating expenses using the fees and expenses of the Fund's Class C shares. The information provided does not reflect all positions purchased, sold or recommended by FPA during the period. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.
[16] The company data and statistics referenced in this section, including competitor data, are sourced from company press releases, investor presentations, financial disclosures, SEC filings, or company websites, unless otherwise noted.

Closing

Rudyard Kipling's poem *Brother Square Toes* encourages the reader to maintain their values despite adversity. Looking past its antiquated male-centric view, its message emphasizes the virtues of humility, integrity, and self-belief that embody a good leader (and hopefully portfolio manager). It begins, "If you can keep your head when all about you are losing theirs…" which is what we have done in the past and hope to continue to do with the expectation that it should help your portfolio's performance. Thoughtful stock selection by your portfolio managers, ever mindful of what can go wrong, will hopefully translate into a better and smoother journey than holding the cult stocks that seem to worry very few.

Thank you, as always, for your continued confidence.

Respectfully submitted,

FPA Contrarian Value Portfolio Management Team

agent, or electronically by Email via facilityagent@acolin.com, or by using the contact form at https://acolin.com/services/facilities-agency-services.
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Isle of Man: The Fund has been recognised under para 1 sch 4 of the Collective Investments Schemes Act 2008 of the Isle of Man. Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

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You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. Investments, including investments in the Fund, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. Non-U.S. investing presents additional risks such as the potential for adverse political, currency, economic, social or regulatory developments in a country including lack of liquidity, excessive taxation, and differing legal and accounting standards. These risks are magnified in frontier and emerging markets. In addition, while we believe investing in companies with less liquidity has the potential to add alpha on the upside, such names are also more subject to price volatility on the downside. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. You risk paying more for a security than you received from its sale.

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors should not be construed as a recommendation by the Fund, the portfolio managers, or the investment manager or sub-investment manager to purchase or sell such securities or invest in such sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the security or sector examples discussed.

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