Contrarian Value Equity Fund

▶ Temperament. Duration. Alpha.

April 2025 Commentary | ISIN for Class D USD: IE00BF5FMG44

MARKETING COMMUNICATION

NEDGROUP INVESTMENTS

Our investment approach

- Contrarian investing is where quality and value meet.
- It starts with the best ideas not the index.
- It requires a patient temperament to generate long-term growth without taking investors off a cliff.

Portfolio Management Team

Brian A. Selmo

24 years in the industry

Mark Landecker

23 years in the industry

What do we mean by temperament and duration? Inside, we share the fund's return drivers, portfolio positioning and put the spotlight on a stock bought/sold.

Performance and markets

As tariffs took centre stage over April 2025, the Nedgroup Investments Contrarian Value Equity Fund delivered -0.5% against a backdrop of 0.9% in global equities (MSCI ACWI) in US$ terms. This masked significant volatility over the month.

During the peak of tariffs announcements, equity markets reached a low of 16%. In this period, the Fund fell by 13%. The Fund's equity holdings in cyclical sectors like financials, consumer discretionary and energy hurt returns during April.

Financials were dragged down by AON and Citi – stocks which faced broader market concerns rather than weakening fundamentals; AON's recent acquisition and Q1 earnings weighed on the share price despite revenue growing double digit. Meanwhile, Citi's international operations prompted investor concern about a reduction to cross-border transactions and international banking revenues given tariffs. As an aside, Citi's earnings surpassed consensus expectations and the stock delivered a double digit increase in net income illustrating increased short-term market volatility. As long-term fundamental investors, our ability to view these investments in terms of three to five year time horizons rather than over quarterly earnings cycles, is what creates opportunities to capture equity-like growth.

MONTHLY PORTFOLIO UPDATE

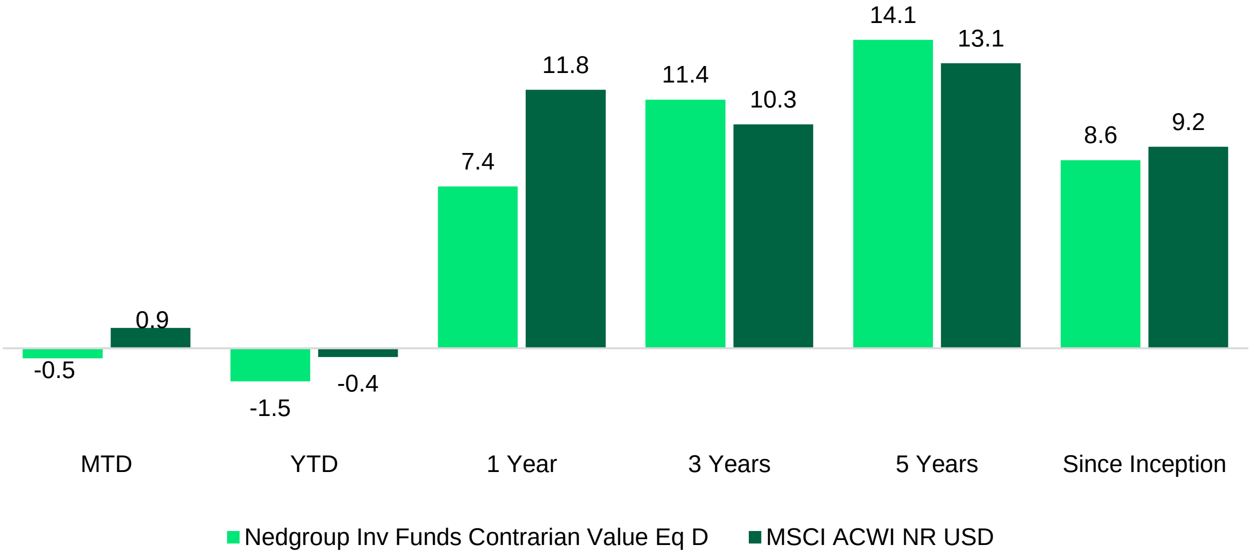
Within Consumer Discretionary, tariff volatility impacted used car retailer CarMax's share price. CarMax holds a dominant position in the US with stable margins due to inventory discipline and operational performance. Its competitive advantage is its omni-channel approach; allowing customers to buy cars online, in person or both. Over the long-term, the business stands to benefit from increased demand for affordable used cars, supply shortages in new cars and a fragmented used car industry. In the near-term, the combination of tariff uncertainty and an economic slowdown raises questions about earnings visibility over the next 12 months. Price weakness in Vail Resorts, the Disney of ski resorts spread across the US, Canada, Australia and Switzerland, gave us an opportunity to increase our position. In recent months we have met with management, building conviction in the team's ability to drive growth and margins, even under challenging conditions. The stock is also supported by long-standing investors, helping to keep the focus on long-term value creation.

In energy, a sharp decline in oil prices and tariffs adversely affected NOV, a recent addition to the portfolio. As a leading oilfield equipment and services provider, NOV is less sensitive to the cyclicality of oil prices unlike the oil producers. While the industry faces cyclical headwinds, NOV's backlog of offshore and international orders, where cycles are longer and more stable, and diversification across segments like rig technologies, and drilling and production tools and services, contributes to a more durable earnings growth profile. These resilient characteristics illustrate the types of businesses we like to own in this portfolio to achieve superior returns over market cycles.

The top contributor was Nintendo given robust demand for its eagerly awaited Switch 2. In response to US tariffs, Nintendo shifted a portion of its production to Vietnam and stockpiled consoles in the US to avoid immediate price hikes to Switch 2 and minimise disruption to availability. European Staples like Heineken and JDE Peets were also additive but not quite enough to offset the above. These beverage companies have a strong foothold in premiumisation globally (including emerging markets) which helps protect margins as we enter challenging market conditions. We topped these up earlier in the year, with Heineken now featuring in the top ten holdings.

Fund performance

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



Fund returns are in US$ based on Class D Accumulation. MSCI index returns are with net dividends reinvested. Source: Morningstar, Nedgroup Investments.

Key return drivers

Stock contribution: Month to date

Winners	Contribution (%)	Losers	Contribution (%)
Nintendo	0.44%	Aon Plc	-0.44%
Heineken	0.37%	CarMax	-0.41%
Eurofins Scientific	0.32%	Comcast	-0.35%
JDE Peet's	0.25%	Vail Resorts	-0.23%
Alphabet	0.22%	Meta Platforms	-0.22%

Stock contribution: Year to date

Winners	Contribution (%)	Losers	Contribution (%)
Heineken	0.94%	Alphabet	-1.05%
Holcim	0.77%	Amazon.com	-0.53%
JDE Peet's	0.76%	CarMax	-0.51%
Nintendo	0.72%	Glencore	-0.50%
Safran	0.52%	Comcast	-0.41%

Sector contribution	Month to date (%)	Year to date (%)
Communication Services	0.40%	-0.56%
Consumer Discretionary	-0.63%	-1.03%
Consumer Staples	0.73%	1.66%
Energy	-0.29%	-0.08%
Financials	-0.60%	0.15%
Health Care	0.17%	-0.10%
Industrials	0.43%	1.00%
Information Technology	0.09%	-0.57%
Materials	0.06%	0.03%
Real Estate	0.00%	0.00%

Performance, contribution data and positioning information as of reporting month end. Source: FPA, Factset, Nedgroup Investments

Portfolio positioning

Top 10 holdings	Portfolio weight
Alphabet	6.3%
Holcim	5.2%
Meta Platforms	5.1%
Analog Devices	5.0%
TE Connectivity	4.7%
Citigroup	4.7%
Comcast Corp	4.5%
Heineken Holding	4.1%
International Flavors & Fragrances	3.8%
Safran	3.3%
Total	**46.64%**

Sector breakdown	Portfolio weight
Communication Services	21.83%
Consumer Discretionary	12.46%
Consumer Staples	8.41%
Energy	2.43%
Financials	10.11%
Health Care	4.00%
Industrials	11.73%
Information Technology	11.14%
Materials	10.91%
Real Estate	0.00%
Total	**93.02%**

Stock spotlight: Icon

Icon is the world's second-largest Contract Research Organization (CRO), providing outsourced clinical trial services to pharmaceutical and biotech companies. With a highly diversified business model and a client base that includes 19 of the 20 largest global pharmaceutical companies, Icon is strategically positioned to benefit from the continued demand for outsourced clinical research services.

- **Strong Market Position:** The top 3 CROs control half the market, giving Icon scale and pricing power.
- **Diversified & Sticky Client Base:** Icon's deep relationships with major pharmaceutical companies create recurring revenue and high switching costs.
- **Essential Services:** Clinical trials are critical for drug approval and reimbursement, leaving demand resilient, even if regulations ease.
- **AI-Driven Efficiency**: Icon is investing in proprietary AI tools to boost productivity and reduce costs.

Icon faces short-term headwinds from reduced biotech funding and cost pressures in large pharma, which have slowed clinical trial activity. Medium-term risks include potential impacts from reimbursement reforms like the Inflation Reduction Act. Over the long term, AI-driven insourcing by pharma could pose a threat, though this remains speculative.

Despite these headwinds, the long-term outlook remains positive. The ongoing need for drug innovation and the inevitability of patent expirations ensure sustained demand for clinical trials. Icon's scale, strong client relationships, and continued investment in technology position it well for long-term, sustainable growth.

This position was 1.17% of the portfolio as at month-end.

Performance, contribution data and positioning information as of reporting month end. Source: FPA, Factset, Nedgroup Investments

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