Contrarian Value Equity Fund

▶ Temperament. Duration. Alpha.

May 2025 Commentary | ISIN for Class D USD: IE00BF5FMG44

MARKETING COMMUNICATION

NEDGROUP INVESTMENTS

MONTHLY PORTFOLIO UPDATE

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

Markets extended their recovery in May, buoyed by the delay in tariff implementations and a broadly positive earnings season. The Nedgroup Investments Contrarian Value Equity Fund participated meaningfully in the rebound, delivering a return of 8.1% versus 5.7% for global equities (MSCI ACWI) in US dollar terms. Gains were driven by holdings in communication services, industrials, consumer discretionary, and IT, while healthcare modestly detracted.

In communication services, long-standing positions in Meta and Alphabet—held for their durable competitive advantages and fundamentals—rallied strongly. Investor concerns around tariff-related ad-spend cuts and AI monetisation pressures eased, while robust Q1 earnings and constructive guidance restored sentiment. Meta, the top contributor, unveiled plans to monetise WhatsApp through ads and promoted channels, reinforcing its long-term monetisation potential. Alphabet showcased progress in diversifying beyond search, with strong cloud revenue and advancements in AI technologies such as Gemini 2.5 and AI Overviews. While both stocks benefitted from short-term momentum, our focus remains on long-term fundamentals. In line with our valuation discipline, we trimmed Alphabet on strength, reallocating to opportunities elsewhere in the portfolio. We also reduced exposure to Nintendo and Nexon, two Japanese gaming names that have appreciated significantly.

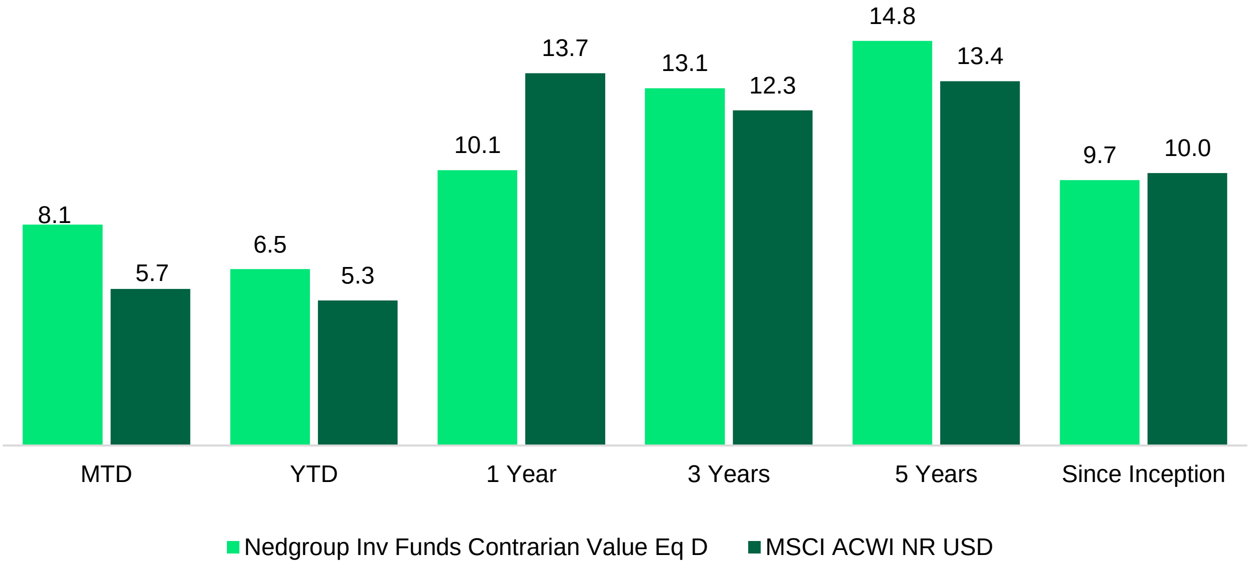
Industrials were another area of strength. Safran and Howmet Aerospace delivered solid Q1 results, supported by share buyback announcements and credit rating upgrades—reflecting balance sheet resilience and robust cash generation. Howmet also benefitted from increased demand tied to Boeing's commercial aircraft production. Meanwhile, Samsung C&T, a diversified South Korean conglomerate, advanced as it made progress on its long-standing merger with Cheil Industries.

In consumer discretionary, Vail Resorts—a recent addition—rallied on news of the return of its former long-time CEO, a move welcomed by the market. IT stocks, Analog Devices and TE Connectivity also performed well, supported by improving sentiment around the analogue semiconductor cycle and industrial capital expenditure, respectively.

Healthcare was a modest detractor. Near-term industry headwinds and cost restructuring weighed on ICON and Bio Rad. However, we viewed the weakness as an opportunity to build positions in high-quality businesses trading below intrinsic value, consistent with our long-term, valuation-driven approach.

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 (%)
Meta Platforms	1.0%	ICON	-0.2%
Citigroup	0.5%	Intl Flavors & Fragrances	-0.1%
Analog Devices	0.5%	Bio-Rad Laboratories	-0.1%
TE Connectivity	0.5%	Pernod Ricard	-0.1%
Safran	0.4%	Fortune Brands	-0.0%

Stock contribution: Year to date

Winners	Contribution (%)	Losers	Contribution (%)
JDE Peet's	1.2%	Alphabet	-0.7%
Safran	1.0%	CarMax	-0.5%
Heineken Holding	1.0%	ICON	-0.5%
Holcim	1.0%	Intl Flavors & Fragrances	-0.4%
Nintendo	0.8%	Comcast	-0.4%

Sector contribution	Month to date (%)	Year to date (%)
Communication Services	1.6%	1.0%
Consumer Discretionary	1.1%	0.0%
Consumer Staples	0.3%	2.1%
Energy	0.1%	0.1%
Financials	0.8%	1.0%
Health Care	-0.1%	-0.2%
Industrials	1.3%	2.4%
Information Technology	1.1%	0.5%
Materials	0.4%	0.4%
Real Estate	0.0%	0.0%

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

Portfolio positioning

Top 10 holdings	Portfolio weight
Alphabet	5.7%
Meta Platforms	5.7%
Citigroup	4.9%
Holcim	4.9%
Analog Devices	4.7%
TE Connectivity	4.4%
Comcast	4.3%
Heineken Holding Nv	3.8%
Intl Flavors & Fragrances	3.5%
Safran	3.4%
Total	**45.2%**

Sector breakdown	Portfolio weight
Communication Services	21.4%
Consumer Discretionary	12.6%
Consumer Staples	8.3%
Energy	2.4%
Financials	10.1%
Health Care	3.9%
Industrials	12.5%
Information Technology	11.5%
Materials	10.8%
Real Estate	0.0%
Total	**93.6%**

Stock spotlight: Nintendo

We initiated our position in Nintendo in 2022, during a period of market scepticism surrounding the ageing Switch console. At the time, concerns about hardware fatigue and a lack of clarity on the next-generation roadmap created a compelling valuation dislocation. Our investment thesis was shaped by deep fundamental research, including direct engagement with Nintendo's management team, which helped us better evaluate the risks and strategic direction. These discussions reinforced our conviction that Nintendo could successfully navigate the transition.

The launch of Switch 2 in 2025 validated that conviction. With backward compatibility at its core, the new console preserved Nintendo's vast install base and prevented competitive leakage. The device sold 3.5 million units in its first four days, setting a new benchmark for the company. Enhanced hardware, magnetic Joy-Con 2 controllers, and a native GameChat system have positioned Nintendo to extend its leadership in family-focused gaming.

Nintendo continues to deepen its moat by expanding its iconic franchises—Mario, Zelda, Pokémon—in a strategy akin to Disney's IP model. Its unique focus on inclusive, family-first entertainment sets it apart in a market often dominated by mature or niche gaming experiences.

Following a 46% year-to-date rally, we have trimmed our position on valuation grounds. While the long-term fundamentals remain intact, the current price reflects much of the near-term optimism, and we are rebalancing accordingly.

This position was 1.83% 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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