

Contrarian Value Equity Fund



► Temperament. Duration. Alpha.

October 2024 Commentary | ISIN for Class D USD: IE00BF5FMG44

MARKETING COMMUNICATION

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



Steve Romick

39 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.

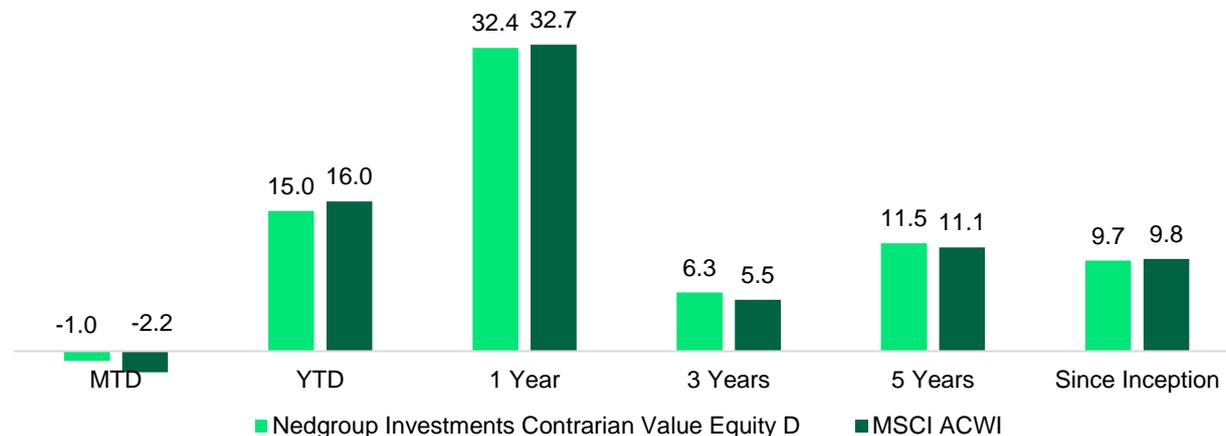
Performance and markets

US stocks dipped in October even with inflation near the FED's target and strong quarterly GDP estimates. Of course, the elephant in the room was pre-election uncertainty. Broadly speaking, mega cap names underperformed due to valuation and expectations that the benefits of AI will take longer to monetize. UK and European equity markets also moved lower in October while global bond markets had their worst month in over a year as investors pared back expectations of interest rate cuts next year.

Wells Fargo was a top contributor in October for the Nedgroup Investment Contrarian Value Equity Fund. Other notable contributors for the month were Comcast, Kinder Morgan, Alphabet and Aon.

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 (%) |
|-----------------------------|------------------|---|------------------|
| Wells Fargo & Company | 0.50% | ICON Plc | -0.26% |
| Comcast Corporation Class A | 0.25% | Heineken Holding N.V. | -0.26% |
| Kinder Morgan Inc Class P | 0.25% | International Flavors & Fragrances Inc. | -0.25% |
| Alphabet | 0.22% | SAMSUNG C&T CORP | -0.25% |
| Aon Plc Class A | 0.19% | Glencore plc | -0.21% |

Stock contribution: Year to date

| Winners | Contribution (%) | Losers | Contribution (%) |
|----------------------------|------------------|--------------------------------------|------------------|
| Meta Platforms Inc Class A | 2.83% | Heineken Holding N.V. | -0.54% |
| Alphabet | 2.07% | Charter Communications, Inc. Class A | -0.54% |
| Holcim Ltd | 1.56% | Glencore plc | -0.35% |
| Citigroup Inc. | 1.18% | LG Corp | -0.34% |
| Wells Fargo & Company | 1.08% | JDE Peet's NV | -0.29% |

| Sector contribution | Month to date (%) | Year to date (%) |
|------------------------|-------------------|------------------|
| Communication Services | 0.39% | 4.80% |
| Consumer Discretionary | -0.28% | 1.68% |
| Consumer Staples | -0.33% | -0.90% |
| Energy | 0.25% | 0.71% |
| Financials | 0.82% | 3.00% |
| Health Care | -0.40% | -0.24% |
| Industrials | -0.56% | 2.12% |
| Information Technology | -0.34% | 2.12% |
| Materials | -0.41% | 2.09% |
| Real Estate | 0.00% | 0.00% |

Performance, contribution data and positioning information as of 30 September 2024. Source: FPA, Factset, Nedgroup Investments

Portfolio positioning

| Top 10 holdings | Portfolio weight |
|--------------------------------|------------------|
| Alphabet Inc | 7.34% |
| Meta Platforms Inc | 5.76% |
| Comcast Corp - Class A | 5.38% |
| Analog Devices Inc | 5.35% |
| Holcim Ltd | 5.20% |
| Citigroup Inc | 4.96% |
| TE Connectivity Ltd | 4.62% |
| Intl Flavors & Fragrances Inc. | 4.48% |
| Wells Fargo & Co | 3.94% |
| Amazon.com Inc | 3.43% |
| Total | 50.46% |

| Sector breakdown | Portfolio weight |
|------------------------|------------------|
| Communication Services | 23.62% |
| Consumer Discretionary | 12.20% |
| Consumer Staples | 6.12% |
| Energy | 2.24% |
| Financials | 12.31% |
| Health Care | 2.04% |
| Industrials | 11.74% |
| Information Technology | 13.21% |
| Materials | 11.95% |
| Real Estate | 0.00% |
| Total | 100.0% |

Stock spotlight: Pernod Ricard

- We initiated a small position in Pernod Ricard in July of this year; a French company that produces and distributes more than 240 brands of spirits and wines. This position was 0.85% of the portfolio as at month-end.
- **Valuation:** Trading at 15x earnings with a 4% dividend yield. It equates to a mid- to high-single digit earnings yield – a little less with free cash flow if the business is growing as there is a working capital drag as you grow.
- **Long-term:** They are one of two globally scaled players that can manage their distribution around the world and that lends to commercial strength and business durability (excluding the US). In the US, there is a two or three-tiered distribution law. However, it is not necessarily a tight run operation. There is room to optimize margins. One challenge is that the North American and European markets have very little volume growth – there is a premiumization story. They have a great position in emerging markets – particularly in India (currently accounts for 10% of Pernod’s business). Volume growth likely to increase due to population growth and increase in purchasing power per capita.

Performance, contribution data and positioning information as of 30 September 2024. Source: FPA, Factset, Nedgroup Investments

Contact us

Email: Clientsolutions@nedgroupinvestments.com

London: 7th Floor, 12 Arthur Street, EC4R 9AB, +44 (0) 7960 901396

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