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Contrarian Value Equity Fund

Quarter 2, 2019

For the period ended 30 June 2019

NEDGROUP INVESTMENTS CONTRARIAN VALUE EQUITY FUND

Commentary produced in conjunction with sub-investment manager, First Pacific Advisors.

USD performance to 30 June 2019	Nedgroup Investments Contrarian Value Equity ¹	S&P 500	MSCI ACWI
3 months	4.0%	4.3%	3.6%
12months	4.1%	10.4%	5.7%

The Nedgroup Investments Contrarian Value Equity Fund ("the Fund") returned 4.0% (net of fees) in the second quarter and 19.7% over the first six months of 2019. This compares to 3.6% and 16.2% for the global MSCI ACWI Index and 4.3% and 18.5% for the S&P 500 in the same second quarter and year-to-date periods.

The Fund benefited from broad-based performance in the first half of 2019, with only a handful of its investments meaningfully detracting from the year-to-date return. But rather than a cause for celebration, we regard such favourable breadth as more of a reflection of this bull market than a credit to our competence as portfolio managers.

There was little in the way of news that drove individual contributors and detractors.

Winners and Losers²

Q2 2019

Winners	Performance contribution (%)	Ave.weight (%)	Losers*	Performance contribution (%)	Ave.weight (%)
Arconic	1.46%	5.4%	Baidu	-0.99%	2.3%
AIG	1.26%	6.2%	Mylan	-0.77%	1.5%
TE Connectivity	0.60%	3.5%	Alphabet	-0.52%	5.8%
Facebook	0.51%	3.6%	Glencore	-0.31%	1.8%
Citigroup	0.49%	4.1%	Altaba	-0.26%	3.6%

Markets

Interest rates have helped drive stock market returns over the past few decades, and now, while only marginally higher than 1000-year-plus recorded lows, rates are again expected to remain low -- and perhaps sink even more -- for even longer.

Low interest rates make stocks more valuable. We use the Dividend Discount Model, or DDM, as a simple proxy for valuing businesses to illustrate that principle.

$$P = \frac{D_1}{r - g}$$

In the DDM formula, P is the fair price of a particular stock; D_1 is the expected annual dividend; r is its discount rate, and g is its dividend growth rate. Assume that the value of a business is equal to the sum of cash flows received by the shareholder over time. (Of course, many companies reinvest their free cash flow and pay no dividend. We assume dividends and cash flow are interchangeable for this simple example.)

¹ Net USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class. Source: Morningstar (monthly data series).

² Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the quarter and trailing twelve months ("TTM"). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

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

We will assume a dividend growth rate of 5% and set the expected annual dividend at \$1 a share and leave them constant to isolate the effect of changes in interest rates. We will assign a discount rate based on a US government bond plus an equity risk premium. In this example, we use the yield of a 10-year US Treasury note in 2007, which was 5%, and the same note in 2019, when it was 2%, and then added a 5% risk premium for a discount rate of 10% and 7%.

Interest Rates – A Driver of Business Value³

2007		2019	
\$20	=	\$50	=
	$\frac{\$1.00}{10\% - 5\%}$		$\frac{\$1.00}{7\% - 5\%}$

In this case, the value of a business in 2019 that looks the same as one in 2007 would be worth 2.5 times as much, thanks to a discount rate that is 30% lower. In other words, low interest rates have added 7.9% to the return of the market since 2007, all else being equal; i.e., the rate of return from \$20 to \$50 over 12 years.

The beneficial impact of low rates on a highly leveraged equity would be even greater, in part because borrowing costs have declined so dramatically and in part because even more cash flow goes to investors.

The impact on a bond holder would be similar. In 2007, a 10-year US Treasury note with a 5% coupon would be priced to yield 5% and therefore trade at \$100. In 2019, a 10-year note priced to yield 2% would trade at \$127 – or, 27% higher.⁴

Jim Grant of the eponymous ‘Grant’s Interest Rate Observer’ has called today’s current low interest rate environment a “yield famine”.⁵ Taking that thought a step further, a starving person will eat almost anything put in front of him, and indeed, investors hungry for returns are replacing low yielding, conservative fixed income and cash-like investments with riskier assets, further fuelling markets already running on high octane. In our opinion, features of those assets like low coupons, high leverage and weak covenants are more meal replacements than sustenance.

There is an aura of hopeful complacency floating around the stock market that, in part, finds *need* replacing *want*. Investors *wanting* a higher rate of return have often steered bull markets, and this bull market certainly has that characteristic. What’s different today is that an investor cohort *needing* return also has a hand on the steering wheel in this market.

Let’s say that before the Great Recession in 2007, you sought a conservative return, eschewing credit risk in exchange for a modicum of interest rate risk. You might have purchased a 10-year US Treasury note yielding 5.02%, and if you were fortunate enough to have \$2.5 million to invest, you would have received an annual income of \$125,450 for the next ten years.⁶ Today the 10-year Treasury yields a lowly 2.05% and that same investment would give you just \$51,125 annually – a 59% decline.

What’s more, the ravages of inflation have reduced the purchasing power of that relatively meagre return by a further \$8,840, so that its real value is an annual inflation-adjusted \$42,285. That’s \$83,165 less than it earned just a little more than a decade ago – a 66% drop in purchasing power!

That means a retired person investing today is left with three choices: curtail lifestyle, spend principal or take on more risk. As creatures of habit, changing how we live is difficult, particularly if it means consuming less. Watching your nest egg shrink is also discomfiting unless your principal is unusually large, or you are older so that it matters less (assuming you don’t plan to leave much to your heirs). So, it’s not surprising that most people select the third option and assume more risk, perhaps without even realising they have added risk to their portfolio. They may at first look for yield in vehicles that at least look and feel like conservative bonds, an

³ Source: FPA. These calculations are hypothetical and are for illustrative purposes only.

⁴ The 27% increase in bond prices has been a benefit for an investor interested in assuming interest rate risk. For investors such as ourselves, who prefer credit risk to interest rate risk, this has been a headwind.

⁵ Grant’s Interest Rate Observer. May 17, 2019.

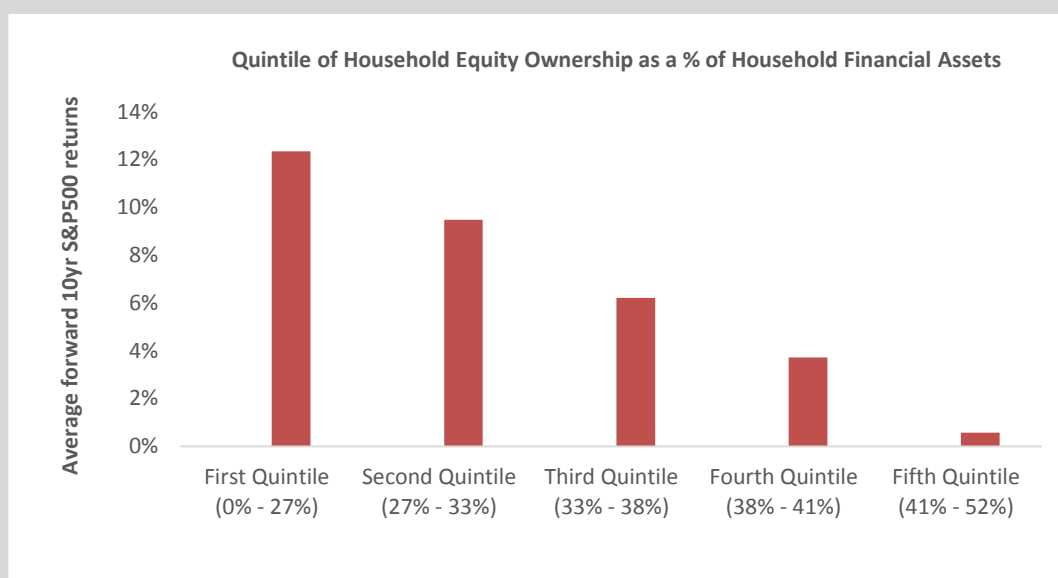
⁶ 10-year US Treasury note yielded 5.018% at 2007 third quarter-end (September 28, 2007).

exercise likely to lead them to high-yield bonds, utilities, master limited partnerships and, maybe, higher yielding common stocks. Eventually they may even find their way to stocks that pay no dividend at all.

This has led the average household to have 44% invested in common stocks — the second-highest level in the past 18 years.⁷ Crowding into equities has been a prescription that cured most ailments for more than a decade now. We suspect that not everyone knows what is in their portfolio; not everyone understands that volatility will most likely recur at some point, and not everyone fully understands how they might react to a major and sustained market downdraft. Will they panic and reduce their exposure? Or will they ride it out and maybe even buy more? History suggests the former.

Larger equity ownership generally suggests lower future stock market returns. As noted above, household ownership of equities currently stands at 44%, falling into the highest quintile and suggesting dismal prospective returns.

Household Equity Ownership as a Percent of Household Financial Assets vs. Average Forward 10yr S&P 500 Returns from 1961 to 2018⁸



Unusually, both risk-on and risk-off trades are working right now; allowing bulls and bears to win concurrently. Most global stock markets are trading at or near all-time highs, and gold and long-term US Treasury bonds have also rallied. Thus, we have opposing sentiments existing and thriving in the same market.

Bull Market for Risk-on and Risk-off Assets⁹

	Year-to-Date Return	Cumulative Return since 2016 Low (ex. Dividends)	Percent Below All-time High
MSCI World	16.98%	58.83%	At high
S&P 500	18.54%	60.83%	At high
Gold	10.20%	13.54%	-25.60%
US Treasury Bonds (30-year)	12.10%	8.05%	-7.32%

⁷ Source: Federal Reserve Economic Data, Bloomberg. Data as of December 31, 2018.

⁸ Source: Federal Reserve Economic Data, Bloomberg.

⁹ Data in table through June 30, 2019. The date of the '2016 Low' was February 11, 2016. Gold's all-time high price, as measured by the LBMA Gold Price PM Index, was 1895 recorded on September 5, 2011. The change in the price for the 30-year US Treasury bonds was calculated by comparing the price of two 30-year US Treasury bonds where coupon is held constant. The lowest 30-Year US Treasury bond yield (coincident with its all-time high price) was 2.11% recorded on July 8, 2011. The 30-year US Treasury Bond yield as of June 30, 2019 was 2.52%. **Past performance is no guarantee of future results.**

Many investors have placed the fears that sank the market in the fourth quarter of last year aside, pushing global markets higher despite a rising tide of populism around the world; slowing economic growth; looming Brexit, and US corporate debt proliferation that features low coverage ratios for this point in the cycle, not to mention, weak covenants, high sovereign debt, high state and municipal debt, trade wars – we could go on.

Some investors believe that economies and markets will eventually suffer from some combination of the aforementioned woes. Interest rates, they argue, should then decline even from current low levels, and US Treasuries and gold should be a safe place to wait out the inevitable correction. Inevitability we can affirm, timing we cannot. We know not which path the market's mixed signals portend, thereby making any prognostication an unsavoury exercise of futility.

There isn't anything, however, that suggests rates can't remain low for a long, long time. As we collectively drink from this trough of easy, cheap money, there is no reason to believe we will escape an unfortunate hangover, unless, of course, long-standing economic rules are upended, and cycles abrogated.

Portfolio

The decline in interest rates over the last dozen years has benefited most risk assets and has certainly supported the fund's returns. However, despite much lower interest rates, we have not meaningfully increased the multiple we have been willing to pay for companies.

A portfolio positioned perfectly for low interest rates and the attendant knock-on economic benefit, would likely result in a permanent impairment of capital in the event that interest rates were to rise or the economy to weaken. One, the other or both will change at some point, and so we consider the current upside/downside trade-off unrewarding.

A decade ago we didn't know what the markets, interest rates and the economy would look like today. Similarly, we don't know what things might look like 10 years hence. If one believes in the status quo, then one should be willing to pay a high multiple for a stable stream of cash flow and a very high multiple for a growing stream. Many companies today are priced with that expectation.

But how often do things really turn out as anticipated? There's an old Yiddish adage, "Mann tract, un Gott lacht," or, "Man plans, and God laughs." Rates might rise. The economy might weaken. Valuation multiples might therefore contract, and the same math that drove markets higher could reverse, taking it lower.

The fund will continue to adhere to its long-term mandate and manage prudently. If the status quo prevails and markets continue to spin higher, that will likely mean we miss out on some gains. On the other hand, the fund is positioned to do reasonably well if markets take a turn for the worse and to take advantage of the resulting opportunities.

The stock market currently still offers us occasional opportunities to own good businesses priced to offer attractive prospective returns with limited downside. Still, we are presently in the eleventh year of the longest running US bull market in modern history, and it is challenging to assemble a fully invested portfolio that meets our risk/reward hurdles.

We have to decide whether a security trades at a price where the underlying business or asset is valued at a discount to some combination of its current or prospective value. In order to protect capital, that discount must be big enough to compensate for the risk that an investment negatively surprises.

The distinction between growth and value has blurred. That's partly a function of technological innovation that continues to impair the economics of many businesses and render others obsolete. So, we remain hyper-focused on the importance of price.

Our opinion is that stock and bond markets have borrowed from future returns. Admittedly, a dollar in our pocket today feels better than the promise of one tomorrow, but in this low interest rate environment, spending that dollar is risky because it might not be so easily replaced by future stock market returns.

Price matters. Just take a look at two hypothetical companies, one growth, and the other value. Their shares can be purchased for \$10 apiece. Growth Inc. trades at 17 times earnings (its “price-to-earnings” or “P/E”), and its profits compound at 12% over the next five years. At the end of that period, however, expectations for the next five years might be more modest, and so an investor would pay a somewhat lower 15 times earnings for its shares. That would leave an investor with a 51% gain.

Value Inc., on the other hand, trades at a much “cheaper” 10 times earnings. If it grows 5% over the ensuing five years and its multiple expands just two turns to 12 times earnings, then an investor would make a 53% return. The difference in return on investment for Growth Inc. and Value Inc. after five years is therefore inconsequential, as shown in Exhibit A.¹⁰

Exhibit A

Company	Year 0				Year 5			
	Price	Earnings per share	Price to earnings	5yr EG	Price	Earnings per share	Price to earnings	% change
Growth Inc.	\$10.00	\$0.57	17.5x	12%	\$15.11	R1.01	15x	51%
Value Inc.	\$10.00	\$1.00	10.0x	5%	\$15.32	R1.28	12x	53%

We invest, however, with imperfect knowledge in a dynamically evolving world, and reality in Year Five of owning a stock can be dramatically different than when it was bought – and more likely worse, given that one generally buys a security with optimistic expectations.

Let’s now imagine that Value Inc. performs as expected and Growth Inc. doesn’t, or vice-versa. In either case, an investor’s gain would be far more muted should earnings growth disappoint and the expected P/E lag expectations, as is the case in Exhibit B.

Exhibit B

Company	Year 0				Year 5			
	Price	Earnings per share	Price to earnings	5yr EG	Price	Earnings per share	Price to earnings	% change
Growth Inc.	\$10.00	\$0.57	17.5x	7%	\$10.42	\$0.80	13x	4%
Value Inc.	\$10.00	\$1.00	10.0x	3%	\$10.43	\$1.16	9x	4%

But what if these companies start with a much higher valuation than in either Exhibit A or B, but profit growth and ending P/Es are the same as in Exhibit B? A price decline of 39% and 48% for Growth Inc. and Value Inc., respectively, is likely a larger mark-to-market decline than most investors find comfortable.

Exhibit C

Company	Year 0				Year 5			
	Price	Earnings per share	Price to earnings	5yr EG	Price	Earnings per share	Price to earnings	% change
Growth Inc.	\$10.00	\$0.33	30x	7%	\$6.08	\$0.47	13x	-39%
Value Inc.	\$10.00	\$0.50	20x	3%	\$5.22	\$0.58	9x	-48%

¹⁰ The hypothetical scenarios provided in Exhibits A, B & C are for illustrative and informational purposes only. No representation is being made that any account, product, strategy or security will or is likely to achieve results similar to those shown. Hypothetical results do not reflect trading in actual accounts, and do not reflect the impact of economic, market or other factors. Hypothetical results have certain inherent limitations and are designed with the benefit of hindsight. There are frequently sharp differences between simulated results and the actual results subsequently achieved. Please see the end of this Commentary for additional disclosures.

High valuations are perishable, and we see the world tilting more towards the scenario in Exhibit C than Exhibit A. There are, of course, some who are nimble enough to exit overpriced equities before their sell-by date, but that is not our skill. To us, price matters.

Portfolio Activity:¹¹

While the Fund did not have any notable increases in the portfolio during the second quarter; however, there was one new addition, a decrease, and one exited position. The position sold from the Fund was Alcoa Corporation. Based in Pittsburgh, Pennsylvania, Alcoa is an American industrial company and is one of the largest producers of aluminium. This position was a remnant from the Arconic/Alcoa split in 2016 and we chose to exit the position given that we are looking to decrease overall market exposure. We continue to hold Arconic, a company that focuses on the Aerospace and Defense industry. Arconic is one of the only source companies for products such as fasteners, fan blades, and castings. Additionally, the Fund reduced its position in Mohawk Industries, a maker and distributor of floor coverings (tiles, carpets, etc.). The timing of the decrease was valuation driven. While Mohawk has a well-established global distribution platform and falls into our owner/operator structure, we have a concern about the sustainability of the company's profit margins and will likely continue selling into strength. The newest name to the Fund is Olympus Corporation, which is also the area of focus in the Portfolio Highlight section below.

Portfolio Profile:

There are currently 32 equity positions in the Fund, with the top 5 holdings comprising 25.9% and the top 10 comprising 44.7%. The top three sectors, based on GICS sector classification, are Financials, Communication Services, and Information Technology, which comprise over 60% of the Fund. The Fund has been able to find opportunity outside of the U.S. and currently has 27.3% non-U.S. exposure and 65.2% exposure in the U.S.

Portfolio Highlight:

Olympus Corporation ("Olympus")¹²

Olympus is a Japanese company that provides electronic equipment for medical use, including endoscopes, cameras and other scientific tools. They are a relatively small company that has a competitive position in the market for endoscopes with roughly 70-90% of market share. We are mainly interested in their activity in the endoscope space and are less interested in their camera offerings. We feel we were able to purchase Olympus at a value that is less than the fair value of the endoscope business alone. Giving aging demographics, we foresee their competitive position in endoscopes to be attractive as they are an important tool for lifesaving diagnostic exams especially for an older population. Additionally, activist investor, ValueAct, recently secured three board seats. ValueAct typically goes after companies with solid underlying businesses that have management teams in need of guidance.

¹¹ The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. It should not be assumed that an investment in the securities listed was or will be profitable. Increases and decreases represent securities whose position size changed by at least 25% over the period and represent greater than 0.50% of the portfolio. Any exited position mentioned was fully removed, regardless of its representative portfolio size.

¹² The investment example discussed is being shown only as an illustration of the FPA portfolio management team's ("PM Team") investment process, is not a recommendation for any particular type of security, transaction or sector, and was not chosen based on performance. It should not be assumed that any transactions in such security was or will be profitable. This investment example is not representative of the overall performance of the Fund. This investment example is being shown only as an example of what the PM Team is seeking to achieve in managing the strategy, but is not necessarily indicative of what has actually been achieved with all of the investments or will be achieved going forward. References to specific securities, transactions or sectors should not be construed as recommendations by the Fund, the PM Team, or its Adviser or sub-investment manager. Any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed. Please refer to the end of this Commentary for important disclaimers.

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

Conclusion

With stocks and bonds trading at or near all-time high valuations, the market provides little downside protection for what will likely be a mediocre prospective return and we are therefore less than fully invested today.

Alfred E. Neumann, Mad Magazine's fictitious mascot and cover boy, had a favorite catch phrase, "What, Me Worry?" Neumann embodied complacency, a similarity we see today in many an investor. Mad's publishers recently announced that the monthly magazine would cease publication with its August issue. Maybe now's the time for Mr. Neumann to worry. What about the rest of us?

DISCLAIMER

Nedgroup Investments Funds PLC (the Fund) is authorised and regulated in Ireland by the Central Bank of Ireland. The Fund is authorised as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended from time-to-time.

Funds are generally medium to long-term investments. The value of your investment may go down as well as up. International investments may be subject to currency fluctuations due to exchange rate movements. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital and not getting back the value of the original investment.

Nedgroup Investment (IOM) Limited (reg no 57917C), the Investment Manager and Distributor of the Fund, is licensed by the Isle of Man Financial Services Authority.

The Fund and certain of its sub-funds are recognised in accordance with Section 264 of the Financial Services and Markets Act 2000.

UK investors should read the Appendix for UK Investors in conjunction with the Fund's Prospectus which are available from the Investment Manager. www.nedgroupinvestments.com.

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The Fund has been recognised under paragraph 1 of schedule 4 of the Collective Investment Schemes Act 2008 of the Isle of Man

Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

The State of the origin of the Fund is Ireland. In Switzerland, the Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zürich, whilst the Paying agent is Banque Heritage SA, route de Chêne 61, 1211 Geneva 6, Switzerland. The prospectus, the Key Investor Information Documents, the fund regulation or the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data does not take account of the commissions and costs incurred on the issue and redemption of units

The Prospectus of the Fund, the Supplement of its Sub-Funds and the KIIDS are available from the Investment Manager and the Distributor or from its website www.nedgroupinvestments.com

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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 Depositary 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. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks.

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.

The statements contained herein reflect the opinions and views of the FPA portfolio management team as of the date written, is subject to change, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. These views may differ from other portfolio managers and analysts of the sub-investment manager as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

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 Adviser or sub-investment manager to purchase or sell such securities, 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 examples discussed.

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. The performance data herein represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost.

Important Disclosures for Hypothetical Scenarios

The hypothetical scenarios provided in Exhibits A, B & C are for illustrative and informational purposes only. The hypothetical scenarios do not represent actual results; actual results may significantly differ from the theoretical data being presented. No representation is being made that any account, product, strategy or security will or is likely to achieve results similar to those shown. Hypothetical results do not reflect trading in actual accounts, and do not reflect the impact of economic, market or other factors. Hypothetical results have certain inherent limitations and are designed with the benefit of hindsight. As a result, hypothetical scenarios theoretically may be changed from time to time to obtain more favorable results. There are frequently sharp differences between simulated results and the actual results subsequently achieved. In addition, since trades have not actually been executed, simulated results cannot account for the impact of certain market risks such as the lack of liquidity. There are numerous other factors related to the markets in general or the implementation of any specific strategy which cannot be fully accounted for in the preparation of simulated results, all of which can adversely affect actual results.

Index Definitions

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund may be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the investment strategy. Indices are unmanaged and do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index in its investment objectives. An investor cannot invest directly in an index.

The **Standard & Poor's 500 Stock Index** (S&P 500) is a capitalization-weighted index which covers industrial, utility, transportation and financial service companies, and represents approximately 75% of the New York Stock Exchange (NYSE) capitalization and 30% of NYSE issues. The S&P 500 is considered a measure of large capitalization stock performance.

The **MSCI World Index** is designed to represent the performance of large- and mid-cap stocks across 23 developed markets. With more than 1,600 constituents, it covered approximately 85% of the free float-adjusted market capitalization in each country as of December 2018.

Other Definitions

Average forward 10-year S&P 500 Returns calculated by taking the average subsequent 10 year S&P 500 return for each date in which household equity ownership fell in a corresponding quintile. See percentage range for each quintile in the Household Equity Ownership chart.

The **Great Recession** refers to the economic downturn of 2007 to 2009 after the bursting of the U.S. housing bubble and the global financial crisis. The Great Recession was the most severe economic recession in the United States since the Great Depression of the 1930s.

Net Risk Exposure is a measure of the extent to which a fund's trading book is exposed to market fluctuations. In regards to the Fund, it is the percent of the portfolio exposed to Risk Assets.

Price/Earnings ratio (P/E) is the price of a stock divided by its earnings per share. P/E and average P/E reflect the trailing 12 months. P/E, next 12 months, utilizes forward earnings expectations.

Risk Assets is any asset that carries a degree of risk. Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies, but does not include cash and cash equivalents.