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NEDGROUP INVESTMENTS GLOBAL FLEXIBLE FUND

Quarter 3, 2019

For the period ended 30 September 2019

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The following commentary was produced in conjunction with the sub-investment manager, First Pacific Advisors, LP ("FPA"). The portfolio management team at FPA provided the following commentary.

USD performance to 30 September 2019	Nedgroup Investments Global Flexible ¹	S&P 500	MSCI World
3 months	-0.1%	1.5%	0.5%
12 months	2.0%	3.6%	1.8%

The Nedgroup Investments Global Flexible Fund ("the Fund") was marginally negative (-0.1%) in the third quarter but delivered 13.3% year-to-date. This compares to 0.5% and 17.6% for the MSCI World index and 1.5% and 20.6% for the S&P 500 index in the same third quarter and year-to-date periods.

While the commentary exhibits contributors and detractors to the Fund's performance for the most recent quarter and on a trailing twelve-month basis, quarterly price movements are generally not much more than "noise," frequently reversing in the coming months or quarters. It is therefore more informative to focus on what has happened in the most recent year, as shown below.

Winners and Losers²

Q3 2019

Winners	Performance contribution (%)	End weight (%)	Losers*	Performance contribution (%)	End weight (%)
Alphabet	0.44	4.30	Owens-Illinois	-0.43	0.67
Meggitt	0.23	1.17	CIT Group	-0.28	1.55
AIG	0.20	3.86	Baidu	-0.18	1.33
Comcast	0.17	2.29	Facebook	-0.17	2.05
Puerto Rico bonds	0.15	2.06	HeidelbergCement	-0.16	1.54

Trailing Twelve Months

Winners	Performance contribution (%)	End weight (%)	Losers*	Performance contribution (%)	End weight (%)
Comcast	0.59	2.29	Baidu	-1.48	1.33
Analog Devices	0.54	2.47	Mylan N.V.	-0.81	0.88
Arconic	0.53	3.13	Owens-Illinois, Inc.	-0.48	0.67
Charter	0.50	2.02	WPP Plc	-0.36	0.00
Altaba	0.48	0.67	Mohawk Industries	-0.33	0.62

¹ Gross USD return for the Nedgroup Investments Global Flexible Fund, A 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.

Developments in the Fund's holdings can explain, in part, their stock price movement over the trailing twelve-month period:

- Comcast has continued to grow organically in the aggregate and begun to develop an over-the-top offering to deliver content streaming over the Internet as it repositions its legacy cable channel assets.
- Analog Devices ("ADI") has benefited as one of the largest and most well positioned players in the analog chip space. With limited engineering talent within the industry, ADI's moat widens even more against potential new competing entrants.
- Arconic has benefited from improved operating performance under new management.
- Baidu has lost market share in the Chinese online advertising market, with particular weakness seen in key verticals including healthcare and online gaming. Lower than expected revenue, combined with increased investments in ventures that are expected to produce profits only over the long term, has resulted in a demonstrable decline in profitability and lead to a severe sell-off of the shares, resulting in what the FPA portfolio management team believes to be is a very inexpensive valuation applied to its core search business.
- Mylan continues to face multiple headwinds including a challenging regulatory environment, pricing pressure on generic drugs in the U.S., and slower than expected regulatory approval of new products. We used the recent merger announcement between Mylan and the Upjohn division of Pfizer as an opportunity to trim into strength.
- Owens Illinois reduced operating guidance for 2019 on account of adverse foreign exchange rates and near-term operational challenges. As of the end of the quarter, its stock trades at less than seven times its guidance for 2019 free cash flow and less than five times its average free cash flow over the past three years (adjusted for asbestos liabilities).

Continued market strength in the first three quarters of the year has delivered good and bad news. Market strength has made most stocks more expensive -- and it wasn't like they were being given away to begin with. With many companies priced as if bad news is a thing of the past only, the FPA portfolio management team has found more opportunities to sell than to buy, thereby reducing the Fund's net exposure to risk assets. The Fund's net risk exposure was 62.1% at quarter-end versus 67.5% at the end of 2018. Adjusting for the soon-to-be-distributed cash from the Fund's position in Altaba which has been selling down its stake in Alibaba, the Fund's net risk exposure was even lower at 61.5%.

Threats to global equity markets abound. There are trade wars and negative interest rates that pervert asset pricing models, not to mention a rising tide of global populism, looming Brexit, and unprecedented global leverage. In the United States, during the quarter, there was an inverted yield curve, high valuations for risk assets, a president prone to tweets that spook the markets and, just around the corner, an election likely to produce a number of surprises.

Yet the equity markets, shrugging off such anxieties, continue to sustain and propel the longest U.S. economic expansion and bull market in recent history. Investors have generally bid up risk assets to the point that most offer less of a margin of safety than the FPA portfolio management team likes. With so much to ponder, the team can offer little comfort as they don't know what will happen.

So FPA's portfolio management team will share their broader market views in their year-end letter. In the interim, they will continue to scout for opportunities that offer a better, more comfortable balance of risk and reward.

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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.

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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 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

Changes in exchange rates may have an adverse effect on the value price or income of the product

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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.

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