# QUARTERLY REVIEW
## NEDGROUP INVESTMENTS CORE GLOBAL FUND

as at 31 December 2019

See money differently

## Q4 provides strong returns for both risk-on and risk-off assets

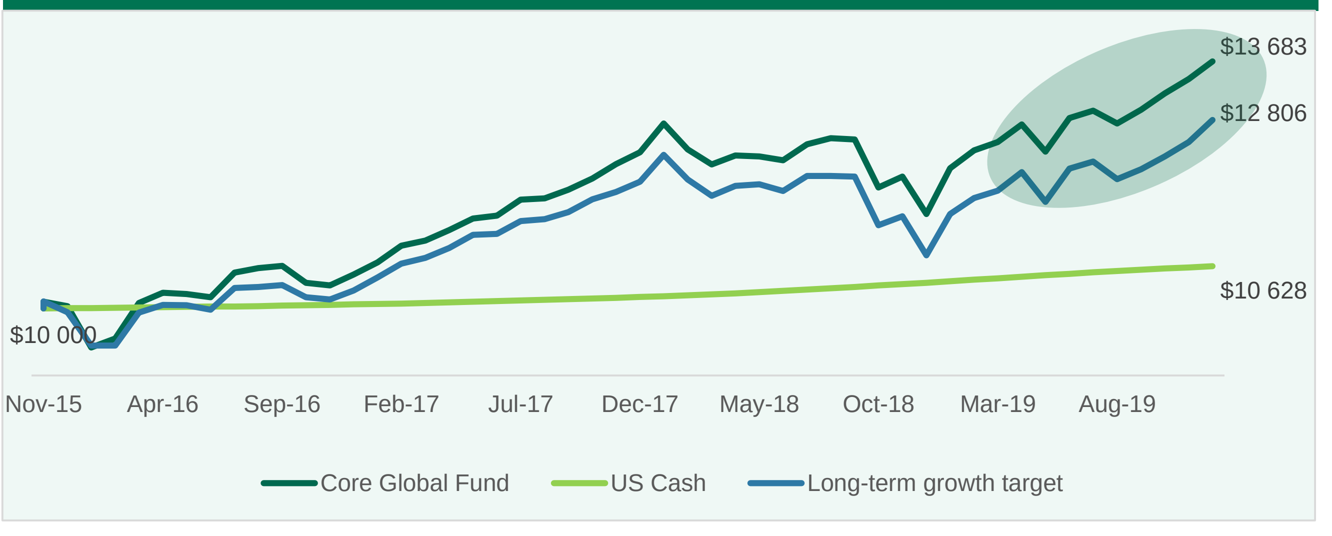
2019 was a good year for the global equity market, with the MSCI world Index being up 28%, led by European (+27%) and US equities (+31%). During the fourth quarter, global equities and property were up 9.1% and 2.0%, respectively. With 72.5% of the fund's being invested in equity and property, this was the main driver of returns in the Fund. The Nedgroup Investment Core Global Fund grew by 5.6% over the quarter. The Fund return this quarter was a significant improvement on last quarter's negative return of 0.9%.

The table below compares an investment in the Nedgroup Investment Core Global Fund to US bank deposits (cash) over various time periods. For every $10 000 invested in the Nedgroup Investments Core Global Fund at inception (16 November 2015), you would have $13 683 at the 31st of December 2019. This is better than the $10 628 you would have achieved had you invested your money in US bank deposits (cash) over the same period.

**Value of $10,000 investment in Nedgroup Investments Core Global Fund versus US Cash[1]**

| | 3 Months | 1 Year | 3 Years | Inception 16 November 2015 |
|---|---|---|---|---|
| **Growth of fund (after fees)** ***(Growth in %)*** | $10 558 *5.6%* | $11 993 *19.9%* | $13 026 *9.2% p.a.* | R13 683 *7.9% p.a.* |
| **Growth of US Cash** ***(Growth in %)*** | $10 049 *0.5%* | $10 236 *2.4%* | $10 564 *1.8% p.a.* | $10 628 *1.5% p.a.* |
| **Growth target (EAA USD Aggressive Allocation)** ***(Change in %)*** | $10 599 *6.0%* | $11 872 *18.7%* | $12 458 *7.6% p.a* | $12 806 *6.1% p.a.* |

**Fund Return versus US Cash[1] from inception to 31 December 2019**




Since the inception of the Nedgroup Investments Core Global Fund, it has delivered returns in excess of US cash. However, it is to be expected that occasionally there will be periods where the Fund does not beat US cash over 5 years. Over the long term[2], a portfolio such as Nedgroup Investments Core Global Fund would have delivered a higher return than US cash approximately 64% of the time over any 5-year period.

1. We used the ICE Bank of America 3 month deposit rate for US cash returns
2. Based on Global market returns from 1997 to 2018 (source Morningstar) using the same long-term equity allocation and fees.

## Global markets: The year in review (in USD)

It has been a tough year for many with economic growth forecast downgrades, trade wars and high levels of uncertainty. In response, both the US Federal Reserve and European Central Bank lowered rates during the year in an attempt to stimulate economic growth. As the year drew to a close, both central banks elected to leave interest rates unchanged, signalling that central banks will be placing their focus on stimulating growth rather than inflation concerns.

Despite a year of significant uncertainty and weaker global economic climate, market returns for 2019 exceeded all expectations. MSCI World returned an impressive 28.4% (in USD) for the year and MSCI Emerging Markets returned 18.9% for the year. A sizeable portion of the Emerging market return was earned in December, with the index gaining 7.5%, in part due to the USD weakening, particularly relative to emerging market currencies. Bond markets (FTSE World Government Bond Index) were not as buoyant but earned a decent return of 5.9% for the year. More generally, risk assets globally ended the year on a high, as a result of economic data alluding to early signs of stabilisation in trade and manufacturing, accommodative approach of central banks and positive progress on global trade talks.

To put the US-China trade war into perspective, the International Monetary Fund estimates that the cumulative impact of the trade tensions is 0.8% on GDP by 2020. This is significant given that they forecasted GDP of only 3% for 2019. However, there is light at the end of the tunnel with both countries taking a break from their trade war, averting further tariffs. Moreover, Phase One of the US-China trade deal is scheduled to be signed by Chinese Vice Premier Lui He on 15 January 2020. However, with the deal shrouded in secrecy and nobody giving actual details of what is contained in the agreement, it’s hard to assess the impact of this reprieve.

Moreover, the US-Mexico-Canada trade agreement is almost ready for implementation, nearly a year after it was initially signed.  The US House has cleared the agreement and the US Senate Finance Committee approved it on 7 January 2020. The next step is a full Senate vote. This vote may be delayed by plans to send articles of impeachment to the Senate prior to this, as the impeachment will supersede all other Senate business.

Meanwhile, in the UK, the Brexit debate raged resulting in Teresa May announcing her resignation as Prime Minister on 24 May 2019. Boris Johnson proceeded to win the UK general election with an outright majority, with strong support for getting Brexit done. The new Brexit deadline is 31 January 2020.  The UK parliament have voted in favour of the deal negotiated by Boris Johnson, however there is legislation which must be passed in order to give it effect. This is expected to be wrapped up before the end of January 2020. Assuming that the EU also gives the go ahead, then there will be a transition period until the end of 2020, giving them time to negotiate the exit fee.

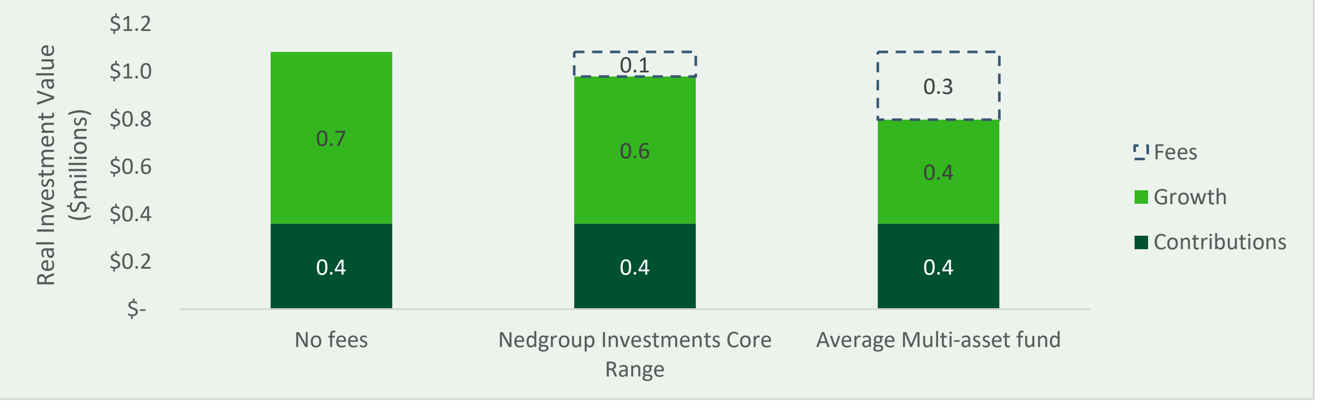
All in all it has been a year filled with great uncertainty. Thus far the path ahead for 2020, appears be more certainty if the agreements discussed above go according to plan. Even with this uncertainty resolved and clarity on trade agreements, experts forecast a year of low growth globally.

## The role fees play in helping you reach your investment goal

The cost associated with an investment portfolio is one of the key factors in determining success over the long term. Costs can be determined before investing and any savings in costs will effectively improve the net returns to investors. The annual management fee of the Core portfolio is 0.35% per annum (excluding VAT).

The Total Investment Charges (TIC) of the Nedgroup Investments Core Range which includes VAT, transaction costs and the TICs of the underlying offshore funds, is currently between 0.49% and 0.59%, around 1.2% per annum less than the average multi-asset portfolio. This savings in costs can have a significant impact on your investment in the long run.

**Real Investment growth over 30 years based on $1 000 monthly contributions growing at a 6% real return before fees**




The graph above illustrates the impact of this fee difference over a 30 year time horizon where we have stripped out the impact of inflation to show investment values in todays money. We assumed real investment growth of 6% per annum before fees. One can see that the total fees paid and compounded impact thereof in the average Multi-asset fund is nearly three times as high over the investment period which is a significant reduction in your investment value.

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