NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS MULTIFUNDS PLC

Quarterly Review
Quarter 3 2020

This report is prepared by Nedgroup Investments (IOM) Limited the Investment Manager of Nedgroup Investments MultiFunds Plc.

The purpose of the report is to provide unitholders in the Nedgroup Investments MultiFunds and their advisers, with a review of the funds' performance since inception. The report is structured as follows:

PART ONE: MARKET REVIEW

This section provides a market review, which looks at the performance of global asset classes over the last quarter, and puts this into perspective relative to longer-term performance. The aim of this review is to provide a context in which the performance of Nedgroup Investments MultiFunds can be assessed.

PART TWO: NEDGROUP INVESTMENTS MULTIFUNDS' PERFORMANCE

This section provides an overview of the performance of the Nedgroup Investments MultiFunds since its launch on 19 August 2011 under the UCITS IV structure. The Income MultiFund was launched on 26 January 2012.

PART THREE: MARKET OUTLOOK

In this section we highlight our current views on the market over the medium term and how these views are implemented within the MultiFunds.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

This section shows the performance of the underlying managers.

PART FIVE: FUND FOCUS

In this section we highlight a fund held in the MultiFunds.

PART ONE: MARKET REVIEW

Performance over period to 30 September 2020

Asset class	Indicator	3 months	1 year	3 years	5 years	10 years
Equities	MSCI All Country World Index	8.1%	10.4%	7.1%	10.3%	5.6%
Property	FTSE EPRA/NA REIT Dev Property Index	2.3%	-17.5%	-0.5%	3.0%	3.7%
Bonds	JPM Global Bond Index	0.6%	4.5%	5.6%	4.4%	2.6%
Cash	US 3-month deposits	0.0%	0.9%	1.7%	1.3%	0.5%
Inflation	US CPI	1.2%	1.4%	1.8%	1.8%	1.2%

All figures are in USD
Source Bloomberg, Nedgroup Investments
Returns for periods longer than 12 months are annualised.

Economic and market commentary

The third quarter of 2020 was a period which saw economic activity rebounding as governments across the globe continued to ease lockdown restrictions. Whilst activity remains well short of pre-coronavirus levels, risk assets rallied strongly in July and August, taking encouragement from reports of new and better treatments, progress on vaccines and an apparent reduction in death rates. Towards the end of the quarter however, risk assets pared some of their early gains as a second wave (most notably in Europe) forced governments to re-introduce travel quarantines and local restrictions.

One of the highlights of the quarter was a speech made by Federal Reserve Chairman Jerome Powell when he indicated that the US central bank would look to take a more relaxed view on inflation moving forward. The statement implied that interest rates would remain lower for longer as the bank moved to an averaged inflation target to “reflate” the US economy.

In terms of fiscal support, Europe took a major step forward as leaders agreed to the creation of a recovery fund worth EUR750bn, financed through a combination of EU debt issuance and new taxes. The US, on the other hand, struggled to extend further fiscal support with senate Republicans and Democrats struggling to agree on an appropriately sized package.

Unsurprisingly, relations between the US and China remained strained throughout the quarter. The clearest example came when the Trump administration ordered the closure of the Chinese consulate in Houston over claims China was stealing US intellectual property. In retaliation the Chinese ordered the US to close its consulate in Chengdu.

Brexit made its way back into the headlines after Boris Johnson put forward the controversial Internal Market Bill, which appeared to override key aspects of the Withdrawal Agreement signed last year. Despite the bill aggravating relations between the UK and EU, Brexit negotiations continued with the aim reaching an agreement before the European Council meeting in October. Little progress was made however, with both sides failing to overcome key issues regarding fishing rights and the so-called level playing field.

In the third quarter, equity markets continued to recover from their March nadir, with the MSCI AC World Index rising +8.1% in US dollar terms. Markets were led by Asia ex Japan (+10.7%), Emerging Markets (+9.6%) and the US (+9.5%), with the UK (-0.2%) the biggest laggard on worries over its economy and Brexit. Sector performance was mixed and quite disparate. The strongest returns came in Consumer Discretionary (+18.0%) and Information Technology (+12.8%), whilst

Energy (-12.5%) was very weak. In terms of style, the market continued to reward Growth (+12.0%) more than Value (+4.1%), whilst there was little to separate Smaller Companies (+8.0%) and Larger Companies (+8.1%).

Fixed Income also saw positive returns as sovereign bond yields drifted lower. Reaffirmed central bank support continued to encourage investors to return to higher yielding assets, with the riskier segments of the asset class seeing the strongest returns. Over the quarter, the JP Morgan Global Government Bond Index delivered a return of +0.6%, whilst narrowing spreads saw the ICE Merrill Lynch Global Corporate Investment Grade and High Yield Bond Indices gain +1.8% and +4.1% respectively (all hedged to US dollars).

The risk on environment translated into a strong period for commodities resulting in the Bloomberg Commodities Index rising +9.1% over the quarter. The largest advance was in Agriculture (+11.9%), followed by Industrial Metals (+11.2%), Gold (+3.6%) and Crude Oil (+0.8%) with increased economic activity early the period giving way to concerns regarding the reinstatement of restrictions in September.

With the Federal Reserve leaving the door open to the possibility of inflation above its previous 2% target, the dollar was relatively weak over the quarter, losing ground to the euro (-4.2%), pound (-4.0%) and yen (-2.3%). Emerging market currencies were mixed, with the Chinese yuan (+3.7%), South African rand (+3.5%), and Mexican peso (+3.8%) all gaining, whilst the Brazilian real (-2.0%) and the Turkish Lira (-12.6) depreciated.

Notes: All data is quoted in US dollar terms unless otherwise stated.

PART TWO: MULTIFUNDS' PERFORMANCE

All performance figures are as at 30 September 2020

Growth MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +4%	FUND GBP %	Performance Indicator GBP LIBID 3 month +4%
3 months	5.1%	1.0%	2.4%	1.0%
1 year	2.3%	4.9%	-1.4%	4.4%
3 years (annualised)	3.5%	5.8%	3.3%	4.5%
Since inception* (annualised)	5.7%	4.8%	6.1%	4.5%

Balanced MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +2%	FUND GBP %	Performance Indicator GBP LIBID 3 month +2%
3 months	2.7%	0.5%	1.0%	0.5%
1 year	0.9%	2.9%	-2.1%	2.3%
3 years (annualised)	2.9%	3.8%	2.1%	2.5%
Since inception* (annualised)	3.0%	2.8%	3.8%	2.5%

Income MultiFund Accumulating

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month	FUND GBP %	Performance Indicator GBP LIBID 3 month
3 months	0.6%	0.0%	0.6%	0.0%
1 year	-0.1%	0.9%	-1.6%	0.3%
3 years (annualised)	2.6%	1.7%	1.2%	0.5%
Since inception* (annualised)	3.2%	0.8%	3.0%	0.4%

C Class performance with returns prior their inception dates backfilled using class A returns adjusted for fees.

*Inception dates: NIM Growth USD C: 30/12/2014, NIM Growth GBP C: 06/03/2013,
NIM Balanced USD C: 08/11/2013, NIM Balanced GBP C: 06/03/2013
NIM Income USD C Acc: 01/09/2015, NIM Income GBP C Acc: 08/04/2013

Inception date for NIM Growth and Balanced USD A is 19 August 2011 (Valuation date 18 August 2011) / for NIM Income USD A Acc is 12 April 2012
Inception date for NIM Growth and Balanced GBP A is 19 August 2011 (Valuation date 18 August 2011) / for NIM Income GBP A Acc is 26 January 2012

PORTFOLIO REVIEW AND CHANGES

Growth

The portfolio continued to rebound in the third quarter, generating a return of +5.1% (US$ C Class).

Overall, the equity exposures performed broadly in line with the market. The portfolio's sector exposure to Information Technology stocks (via Fundsmith Equity +10.0%) and regional bias to emerging market stocks (via TT Emerging Markets Equity +10.7%) helped performance over the quarter. In contrast, the more value / cyclically positioned, Dodge & Cox Global Stock (+2.7%) underperformed the broader market.

The majority of our property holdings continued to recover from their earlier declines. Nedgroup Global Property advanced +2.2%, although REITs in general lagged the performance of global equity markets as investors assessed ramifications of coronavirus on real estate. Our positions in UK social care homes (via Impact Healthcare +4.5% and Target Healthcare -3.1%) were mixed, despite solid results and success in controlling infection levels within their homes. BMO Commercial Property Trust (+3.3%) generated a positive return with better than expected rental collections enabling them to reinstate 50% of their regular dividend. Nonetheless, the shares still trade at around half of their June 30th 2020 net asset value, which we believe to be unwarranted.

In other areas, Hipgnosis Songs, the portfolio's song royalty fund, gained +1.9%. Its performance would have been even stronger if it had not been for a discounted capital raise in September. Nevertheless, Hipgnosis, had another very encouraging quarter expanding their portfolio of songs, broadening their management team, and announcing a dividend increase. 3i Infrastructure (-1.0%) delivered a slight negative return after a very strong second quarter. However, 3i Infrastructure continued to report encouraging results with their underlying businesses, which operate essential infrastructure, demonstrating their resilience to the effects of the virus.

The portfolio's renewable energy positions were mostly positive. The Renewable Infrastructure Group (+9.4%) generated the best return, whilst John Laing Environmental Assets (+1.9%) and Greencoat Renewables (+2.1%) made more modest gains. Finally, Greencoat UK Wind (-5.4%) fell largely due to a significant capital raise (circa £400m) at a discounted price which was completed as September drew to a close. Now the share issue is out of the way we'd expect to see the shares move back to a level closer prevailing before the share issue.

Asset-backed lending was somewhat mixed. GCP Asset Backed Income (+0.0%) was essentially flat after posting encouraging results which showed all borrowers paying principal and interest on time despite the pandemic. In comparison, KKV Secured Loan Fund C-shares (previously named SQN Asset Finance Income) declined -31.8% after management announced the possibility of further write-downs. Whilst the Ordinary shares are expected to be impacted more negatively than the C-shares, they were still affected through association. With the C- shares trading at a substantial discount we continue to believe an orderly wind-down, where assets are realised at or close to NAV, gives investors the most attractive exit option.

In terms of portfolio activity, we decided to participate in the capital raise by Hipgnosis Songs Fund, via a C-Share Class issue in July. We are very pleased with the strong performance of Hipgnosis since we originally invested in October last year, and believe Hipgnosis is likely to continue to deliver shareholders an attractive yield and total return, with the added benefit of being uncorrelated to other asset classes. In September, we used the discounted capital raise by Greencoat UK Wind to top-up our exposure. In our opinion, Greencoat UK Wind is an opportunity that provides investors with a high level of income and a good degree of inflation protection.

Balanced

The portfolio continued to rebound in the third quarter, generating a return of +2.7% (US$ C Class).

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Within fixed income, falling government bond yields combined with the more "risk-on" environment allowed all areas to generate positive returns. The tightening in credit spreads meant the two sub-investment grade bond funds - Muzinich Short Duration High Yield (+3.2%) and AXA US Short Duration High Yield (+2.7%) - were the best performers, although the higher quality, PIMCO Global Investment Grade Credit (+2.0%) also did well, outperforming the Vanguard US Government Bond Index Fund (+0.1%).

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Income

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In other areas, the small holding in high dividend paying UK stocks via the iShares UK Dividend ETF (-4.2%) was a drag on performance as UK stocks struggled to make headway over the period. Hipgnosis Songs, the portfolio’s song royalty fund, gained +1.9%. Its performance would have been even stronger if it had not been for a discounted capital raise in September. Nevertheless, Hipgnosis, had another very encouraging quarter expanding their portfolio of songs, broadening their management team, and announcing a dividend increase. 3i Infrastructure (-1.0%) delivered a slight negative return after a very strong second quarter. However, 3i Infrastructure continued to report encouraging results with their underlying businesses, which operate essential infrastructure, demonstrating their resilience to the effects of the virus.

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PART THREE: MARKET OUTLOOK

From a very low base in April, economic activity has made a spirited recovery as restrictions have eased and governments and central banks have maintained unprecedented income and credit support programs.

However, the need for continued social distancing creates a natural limit to recovery, and activity is starting to level out well below what was achieved pre-pandemic. In the near term maintaining activity will be challenged should a surge in cases necessitate more draconian restrictions and economic opportunity loss.

News on potential vaccines and treatments continues to be encouraging, and notwithstanding the economic scarring left in the pandemic's wake, growth should revive next year as vaccines become available, and US politicians finally agree a second fiscal stimulus program.

Inflation is likely to remain subdued, allowing central banks to continue their ultra-aggressive monetary policies. Indeed, the Federal Reserve's Chairman, Jerome Powell, made it very clear in his Jackson Hole speech (in August) the US central bank will be very tolerant of any uptick in inflation as it seeks to prioritise stronger growth and employment recovery.

Politics seems likely to weigh heavily on markets over the coming months. As we write, Biden is well ahead of Trump in the polls and favourite to be the next President of the United States. Should Biden win, he will work to restore America's place in the world, and heal the rifts left by Trump. However, he will also look to raise taxes, increase regulation and expand social welfare through an agenda that will be less friendly towards financial markets.

As the clock ticks towards the end of the Brexit transition period, there is little evidence of progress on the key sticking points. Whilst there is still time to forge a deal, many are sceptical that a comprehensive agreement can be achieved, whilst others believe only a superficial or basic deal is possible. With each day that passes, the risk of Brexit being “harder” rather than “softer” increases. Should the negotiations fail, both the EU and the UK economies will suffer, although the UK would clearly be the biggest loser in the near term, which could put further pressure on UK asset prices and the pound.

With yields on high quality government bonds and cash (traditional safe assets) likely to stay close to, and in some cases, below zero, conditions in the fixed income market have become very difficult for investors. This has encouraged investors to seek out yield wherever they can find it. To our minds, the best risk adjusted returns remain in US corporate bonds, especially those of shorter maturity, which offer a solid yield pick-up whilst also protecting against the potential of loss from an upward shift in yield curves.

Investors are faced with difficult choices, and we continue to steer a conservative strategy with portfolios diversified across a balanced range of investment exposures. Within equities, portfolios are focussed on higher quality, more robust companies with a regional tilt towards the better value non-US markets. In contrast, the bond portion of portfolios is biased towards the US market, where like-for-like yields tend to be higher than those available in Europe and Japan. This bias is expressed through a diversified mix of conventional investment grade and shorter dated high yield corporate bonds. In addition, we have also targeted investment companies that can deliver attractive returns and dividends whilst maintaining high scores on environmental, social and governance (ESG) issues, such as those investing in renewable energy, high quality care homes and essential infrastructure.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

The Nedgroup Investments MultiFunds' investment philosophy is one that seeks to invest in specialist underlying portfolio managers who are most appropriate for the achievement of each risk profiled MultiFunds' investment objective. A combination of externally appointed fund managers is used. The table below shows the performance of the underlying managers used within the Growth, Balanced and Income MultiFunds.

Performance as at 30 September 2020										
	Category	Currency	1 month	3 months	6 months	YTD	1 year	2 years*	3 years*	5 years*
Equity - USD										
Dodge & Cox Global Stock Fund	*Global Equity*	*US Dollar*	-4.42	2.70	23.50	-14.92	-5.85	-4.32	-1.83	6.03
Fundsmith Equity Fund	*Global Equity*	*US Dollar*	-2.82	10.64	27.18	9.77	17.89	12.43	14.38	16.63
iShares MSCI World	*Global Equity*	*US Dollar*	-3.47	7.92	28.90	1.72	10.42	6.08	7.80	10.57
Morgan Stanley Global Brands	*Global Equity*	*US Dollar*	-2.99	7.49	22.91	7.05	14.27	12.09	13.68	13.82
Nedgroup Global Equity Fund	*Global Equity*	*US Dollar*	-5.34	7.40	22.33	1.53	10.23	7.29	7.89	11.11
Vanguard Global Stock Index	*Global Equity*	*US Dollar*	-3.45	7.90	28.78	1.65	10.36	5.93	7.61	10.33
Allianz Global Small Cap Equity	*Global Small Cap Equity*	*US Dollar*	-0.68	11.02	38.82	4.87	13.98	0.67	4.32	7.28
TT Emerging Markets Equity Fund	*Global Emerging Markets Equity*	*US Dollar*	-4.42	10.70	32.27	-4.02	9.32	5.46	2.07	11.91
Vanguard Emerging Markets Stock	*Global Emerging Markets Equity*	*US Dollar*	-1.57	9.44	29.30	-1.24	10.35	4.09	2.24	8.73
MSCI ACWI NR USD		*US Dollar*	-3.22	8.13	28.91	1.37	10.44	5.81	7.12	10.30
Fixed Income - USD										
AXA US Short Duration High Yield	*Short Duration High Yield*	*US Dollar*	-0.10	2.65	8.20	1.35	2.29	3.68	3.22	3.59
Muzinich Short Duration High Yield	*Short Duration High Yield*	*US Dollar*	-0.23	3.18	9.15	0.61	2.12	2.99	2.90	3.56
PIMCO Global IG Credit	*Global Corporate Debt*	*US Dollar*	-0.09	1.98	9.74	2.61	3.74	7.52	4.91	5.64
Wellington Global Credit Plus	*Global Corporate Debt*	*US Dollar*	-0.14	1.80	11.03	7.15	7.70	9.81	6.57	6.18
Vanguard US Government Bond Index Fund	*Government Bond Index*	*US Dollar*	0.22	0.11	0.60	8.60	7.61	8.87	5.21	3.47
iShares $ Treasury Bond 1-3YR UCITS ETF	*Government Bond Index*	*US Dollar*	0.02	0.10	0.24	3.08	3.61	3.97	-	-
Bloomberg Barclays Global Aggregate USD H		*US Dollar*	0.37	0.73	3.16	4.65	4.14	7.34	5.12	4.32
Property - USD										
Nedgroup Global Property Fund	*Global Property*	*US Dollar*	-4.20	2.16	11.71	-10.26	-8.40	1.85	2.52	-
iShares Developed Marcket Property Yield	*Passive Tracker*	*US Dollar*	-3.40	1.71	12.26	-20.13	-18.77	-4.19	-1.70	2.31
FTSE EPRA NAREIT Developed TR USD		*US Dollar*	-3.01	2.33	12.90	-19.09	-17.50	-2.98	-0.51	2.98
Property - GBP										
BMO Commercial Property Trust	*UK Property*	*Pound Sterling*	-5.60	3.33	-12.62	-42.82	-42.57	-29.01	-21.07	-10.32
Impact Healthcare REIT	*Healthcare Property*	*Pound Sterling*	-1.00	4.53	11.20	-4.45	-5.71	2.99	4.31	-
Target Healthcare REIT	*Healthcare Property*	*Pound Sterling*	-3.49	-3.12	1.21	-5.34	-2.79	1.52	2.39	4.48
Other / Specialist - GBP										
Greencoat UK Wind	*UK Renewable Energy*	*Pound Sterling*	-6.56	-5.40	1.59	-7.58	-2.06	7.44	9.02	9.41
John Laing Environmental Assets Group	*UK Renewable Energy*	*Pound Sterling*	-0.24	1.87	9.83	1.35	6.26	12.65	9.03	8.60
The Renewable Infrastructure Group	*UK Renewable Energy*	*Pound Sterling*	-0.15	9.43	9.32	2.50	13.89	16.38	14.14	12.41
3i Infrastructure	*Infrastructure*	*Pound Sterling*	-1.03	-1.03	18.92	-0.06	1.18	12.49	16.14	14.95
KKV Secured Loan Fund - C Shares	*Asset Financing*	*Pound Sterling*	-13.07	-31.76	-31.76	-54.00	-53.28	-31.59	-23.20	-
GCP Asset Backed Income Fund	*Asset Financing*	*Pound Sterling*	-8.44	-0.04	21.36	-16.02	-14.62	-4.46	0.17	-
Hipgnosis Songs Fund	*Song Royalties*	*Pound Sterling*	-2.90	1.93	16.17	10.04	13.91	17.60	-	-
LIBID GBP 3 Month + 2%		*Pound Sterling*	0.18	0.48	1.03	1.67	2.35	2.54	2.53	2.45
Other / Specialist - EUR										
Greencoat Renewables	*UK Renewable Energy*	*Euro*	-2.43	2.08	6.12	4.75	11.15	13.34	9.69	-
Cash - USD										
BlackRock USD Liquidity Premier Class	*Cash*	*US Dollar*	0.01	0.06	0.19	0.59	1.08	1.79	1.79	1.37
LIBID USD 3 Month		*US Dollar*	0.01	0.03	0.10	0.45	0.90	1.64	1.73	1.35
Cash - GBP										
Insight GBP Liquidity Fund	*Cash*	*Pound Sterling*	0.00	0.01	0.05	0.16	0.28	0.37	0.34	0.31
LIBID GBP 3 Month		*Pound Sterling*	-0.01	-0.01	0.03	0.17	0.34	0.52	0.52	0.44

*** Annualised**

PART FIVE: FUND FOCUS

In this section of the report we cover the underlying funds in slightly more detail in order to assist investors in gaining a better understanding of the underlying funds and the reasons we hold them. In this report we look at The Morgan Stanley Global Brands Fund.

Morgan Stanley Global Brands Fund

The Morgan Stanley Global Brands Fund is a focused, high conviction equity product biased towards quality companies that demonstrate sustainable high returns on investment capital, with some kind of a dominant edge, such as strong brand loyalty. The management team's investment process takes a bottom-up, value oriented, stock picking approach, focusing on absolute valuations. The Team's research effort seeks out companies that offer dependable earnings growth, pricing power and high barriers to entry. The typical characteristics of companies often favoured include difficult to replicate intangible assets, high free cash flow, strong repeat business, and shareholder friendly managements. Price-valuation assessments are conducted on all potential investments, with the aim of minimising the risk of overpaying for stocks.

The portfolio will usually have a strong bias towards Consumer Staples and Information Technology, and away from the more cyclical types of companies commonly found in the Consumer Discretionary, Industrial, Materials, Financial and Energy sectors. Over shorter periods, the fund's performance relative to the MSCI World Index is most vulnerable during very strong markets, which are often led by lower quality / higher risk / more leveraged companies. On the other hand, Morgan Stanley Global Brands often has its best periods of relative performance in times when markets are under pressure, as its defensive qualities help it to hold up better than many other global equity funds.

The London based team that manages the fund has an impressive level of experience and is now headed up by William Lock. The team follows a clear and sensible philosophy with discipline and conviction. Overall, the Morgan Stanley Global Brands Fund would be a strong choice to form part of any global investment portfolio.

WHY WE LIKE THE FUND:

- Excellent long-term track record, both in terms of higher returns, and lower volatility relative to the MSCI World Index
- Holding 25 to 30 stocks makes Morgan Stanley Global Brands a very high conviction fund
- Managed by a well-resourced and highly experienced team with a first class track record
- Clearly defined investment process, backed by a mix of sound investment theory and common sens
- The Global Brands Team operates as an independent boutique within Morgan Stanley Investment Management. The Team have plenty of investment freedom, and a significant financial stake in the success of their products
- Management style tends to make the fund less volatile than many competitor funds

Disclaimer

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