NEDGROUP INVESTMENTS

see money differently

Quarterly review

Nedgroup Investments Core Global Fund

As at 31 December 2021

A historic year for markets despite the prospect of tighter central bank policy

The last quarter of the year proved to be a good one as global equity indices made new highs, despite a market that remains alive to inflationary pressures and the upcoming withdrawal of liquidity. Risk taking did not quite extend to emerging markets, with the MSCI Emerging Markets Index gaining a modest +1.9% for December and loosing -2.2% for the 2021 year. Additionally, we have also seen most markets retained a sharp focus on commentary from global central banks that could signal earlier interest rate hikes than anticipated. In the fourth quarter, the Nedgroup Investments Core Global Fund grew by +4.9%.

The table below compares an investment in the Nedgroup Investments Core Global Fund to US bank deposits (cash) and its growth target over various time periods. For every $10 000 invested in the Nedgroup Investments Core Global Fund at inception (16 November 2015), you would have $17 443 at the 31st of December 2021. This is better than the $10 712 you would have achieved had you invested your money in US bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market recovery, which helps to contextualise the returns experienced in the past few years.

	Value of $10,000 investment in Nedgroup Investments Core Global Fund versus US Cash[1]				
	3 Months	1 Year	3 Years	5 Years	Inception 16 November 2015
Growth of fund (after fees) ***(Growth in %)***	$10 491 *4.9%*	$11 392 *13.9%*	$15 289 *15.2% p.a.*	$16 606 *10.7% p.a.*	$17 443 *9.5% p.a.*
Growth of US Cash ***(Growth in %)***	$10 000 *0.0%*	$10 004 *0.0%*	$10 317 *1.0% p.a.*	$10 648 *1.3% p.a.*	$10 712 *1.1% p.a.*
Growth target (EAA Fund USD Aggressive Allocation) ***(Growth in %)***	$10 331 *3.3%*	$11 172 *11.7%*	$14 496 *13.2% p.a.*	$15 212 *8.8% p.a.*	$15 669 *7.6% p.a.*

Source: Morningstar

Fund Return versus US Cash[1] from inception to 31 December 2021

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.

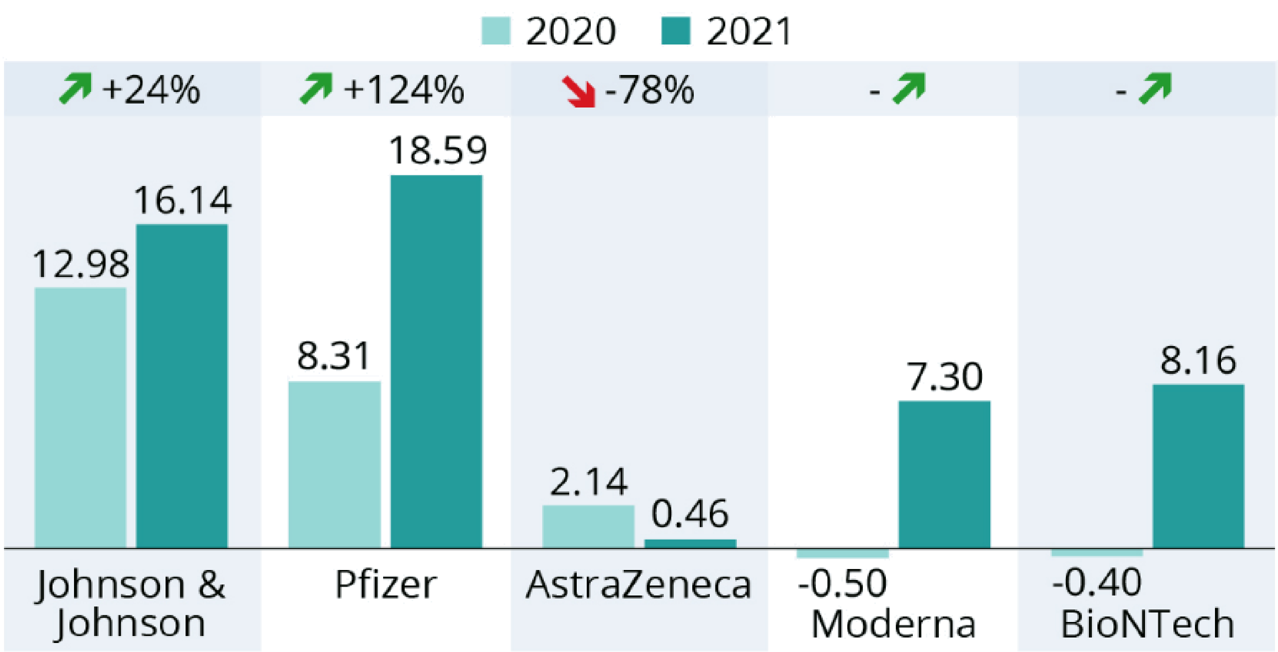
Market and economic commentary: The year 2021 in review

It was a very challenging start to the year with hospitals around the world struggling to cope with the influx of COVID 19 patients infected with the Delta variant. As the year progressed, we witnessed renewed hope as the global scientific community came together to development COVID vaccines. Unfortunately, despite the introduction of vaccines, the global death toll from COVID 19 was higher in 2021 than 2020, in part due to the unequal access of vaccinations around the world. Growing inequality was observed in many critical areas (income, education, healthcare) and economies around the world took strain.

The economic and market landscape was also dominated by COVID. Consumers and businesses alike struggled with a shortage of items worldwide due to supply chain back logs. The situation was further aggravated by a ship getting stuck in the Suez Canal in March, blocking it for about a week and once again reminding us of our global connectedness. In fact, shipping costs nearly tripled[1] over the year (in US Dollars) as measured by the Global container freight index.

Nowhere was the theme of global connectedness more evident than in pharmaceutical companies, which generally witnessed a rise in profits, most notably Pfizer's whopping 124% increase in profit due to its hugely popular vaccine.

Net profit of pharmaceutical companies for Q1 to Q3 in 2020 vs. 2021 in US Dollars



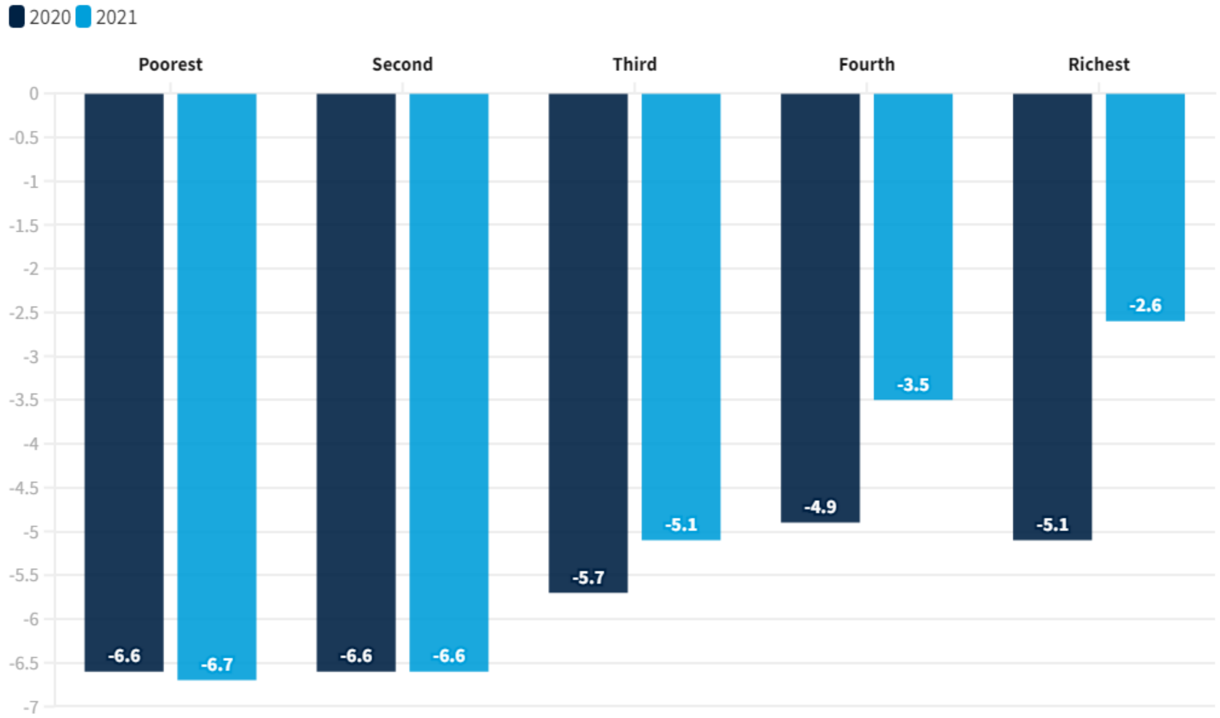
Source: Statistica

Globally, there has been a significant increase in food prices with the FOA Food Price Index averaging almost 30% higher in 2021 compared to 2020. This index represents commonly traded food commodities. Extreme weather events, a significant rise in energy costs (almost 60% in the year[2]) and the global supply chain disruptions have all exacerbated the rise in food prices.

This has compounded the problems of the poorest of the poor who have not yet seen a recovery in their income losses post pandemic. According to the World Bank, the average income of the bottom 40% of the global population by income distribution, are still earning 6.7% lower than before the pandemic. As a result, the World

[1] Source: Statistica
[2] S&P Goldman Sachs Commodity Index

Bank estimates that nearly 100 million more people are living on under $1.90 a day due to the pandemic and resulting policy decisions. In contrast, the rest of the population that have seen some recovery in their income in 2021, as illustrated by the chart below.



Source: Yonzan et al. (2021) • Compared to pre-pandemic projections.

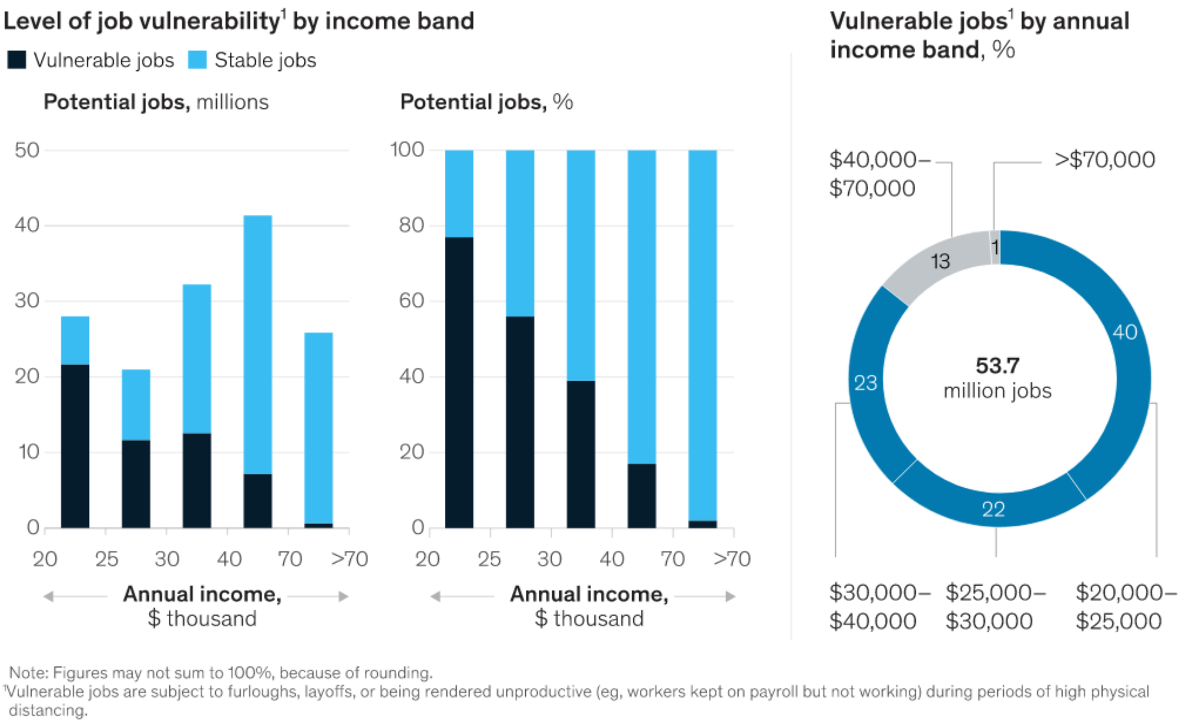
However, not all developments last year were doom and gloom. The pandemic has also seen some positive repercussions, drastically accelerating digital adoption and fostering a new way of working with many businesses, adopting a hybrid approach in working from home and the office. This is still relatively new for businesses and much experimentation is required, but the hope is that the approach will lead to increased productivity, happier staff and a reduction in carbon footprint due to a reduction in travel. Furthermore, markets provided great returns, in part fuelled by monetary stimulus.

In conclusion, the year 2021 was a very challenging year for many. Although nobody knows what the year ahead holds, many are hoping for a better 2022.

The unequal pandemic

The global COVID pandemic and the resulting government policy decisions have deeply affected us all. Unfortunately, the poorest have borne the brunt of it, so much so, that this has been dubbed the unequal pandemic. They have been the most impact in terms of healthcare, job losses, reduction in income, education and have yet to see any recovery in their income since the start of the pandemic, to name a few.

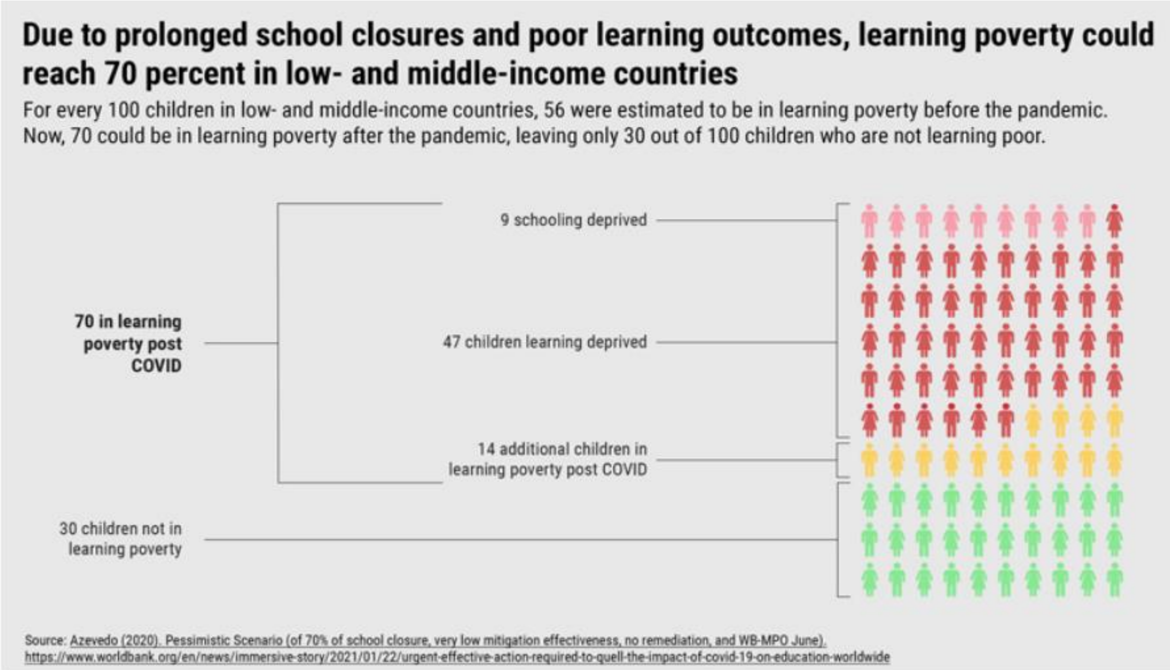
A McKinsey & Company infographic of the US market provides a good illustration of this, with 86% of vulnerable jobs paying $40 000 or less per year. As the income paid by a job falls, so the higher the percentage of vulnerable jobs that are available in that income bracket, resulting in those who most need their income being the most susceptible to lose their jobs. These findings are not unique to the US but are similar across the world. For example, in Europe, 80%[3] of the jobs at risk are for position that do not require a tertiary education.



Source: LaborCube; Mckinsey Global Institute analysis

But it doesn't end there, not only have those with lower wages been impacted today, but their future has also been determinately affected. The World Bank estimates that the number of 10-year-olds in low- and middle-income countries that can't read basic text has increased from 56% prior to the pandemic to 70%. For every 100 children, that is an addition 14 children who don't have basic reading skills as a result of school closures and policy decisions made in relation to COVID. The future impact is significant, with a report published by the World Bank, UNESCO, and UNICEF, estimating that this will reduce the present value of these student's lifetime income by about $17 trillion. However, all is not lost; the report also proposes a number of measures to fight back against the crippling impact this could have on these children and low to middle income countries.

[3] Source: McKinsey Global Institute analysis

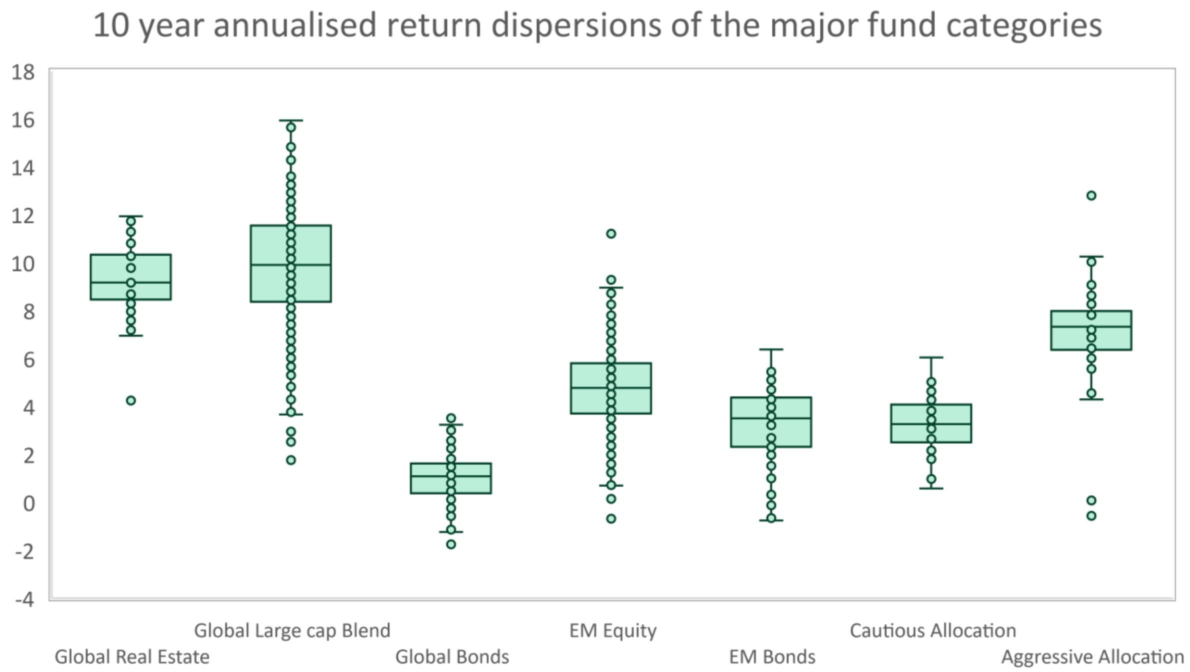


Source: Azevedo, Pessimistic Scenario (of 70% of school closure, very low mitigation effectiveness, no remediation, and WB-MPO June)

There are many other statistics that highlight the devastating impact on low-income earners and the poorest of the poor. Long term this will have a crippling effect on the economic growth of many countries and will only widen the social divide. Globally we need to stand together to solve these challenges, both from a moral standpoint and to aid future economic growth.

Picking attractive games – Is dispersion of returns an indicator?

Michael Mauboussin has written numerous research pieces covering the challenges facing active managers[4]. He highlights that their other fewer “fools” on the other side of trades on the stock market meaning that active managers need to work harder to generate outperformance. Picking attractive games is essential to their future success but the question is how to identify these. Many fund managers believe that they should focus on fund categories where there is the greatest level of dispersion in relative fund returns, ie between fund managers. The chart below shows the dispersion in 10-year annualised returns for the major South African fund categories.



A quick glance at the chart and we see that return dispersions between Equity funds are significantly wider than in Bonds. Multi-asset fund lies somewhere in between and generally the higher the equity allocation the higher the return dispersion.

It is interesting to note that some of the most noticeable differences are between two asset classes that both have wide dispersions between fund manager returns. In developed market equities the top performing index fund was in the 3rd percentile while in Emerging markets it was only in the 32nd percentile. This illustrates that one can’t simply look at dispersions to access opportunity there are numerous other factors to consider.

.

[4] Mauboussin (Credit Suisse), *Looking for Easy Games: How Passive Investing Shapes Active Management*, January 2017.
Mauboussin (Credit Suisse), *Winning the Easy Game: Skill and the Ability to Extract Value*, June 2017.
Mauboussin (Blue mountain), *Who Is On the Other Side?*, February 2019

Disclaimer

This is a marketing communication. Please refer to the Prospectus of the UCITS Fund and the KIID before making any final investment decisions.
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.
This document is not intended for distribution to any person or entity who is a citizen or resident of any country or other jurisdiction where such distribution, publication or use would be contrary to law or regulation.
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 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
Nedgroup Investment Advisors (UK) Limited (reg no 2627187) is authorised and regulated by the Financial Conduct 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. 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.
Changes in exchange rates may have an adverse effect on the value price or income of the product.
This document is of a general nature and intended for information purposes only. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this document.
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 Collective Investments (RF) Proprietary Limited administers the Nedgroup Investments unit trust portfolios and is authorised to do so as a manager in terms of the Collective Investment Schemes Control Act. Collective Investment Schemes (unit trusts) are generally medium to long-term investments. The value of participatory interests (units) or the investment may go down as well as up and past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and the investor will carry the investment and market risk, which includes the possibility of losing capital. Collective Investment Schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments. Certain Nedgroup Investments unit trust portfolios apply a performance fee.
The total return to the investor is made up of interest received and any gain or loss made on any particular instrument and that in most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for the fund of funds. A feeder fund is a portfolio that invests in a single portfolio of a collective investment scheme, which levy its own charges, which could result in a higher fee structure for the feeder fund.
Please note that Nedgroup Collective Investments (RF) Proprietary Limited is not authorised to and does not provide financial advice. This presentation is of a general nature and intended for information purposes only. It is not intended to address the circumstances of any investor and cannot be relied on as legal, tax or financial advice, either express or implied. Whilst we have taken all reasonable steps to ensure that the information in this document is accurate and current on an ongoing basis, Nedgroup Investments shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this presentation. Nedgroup Collective Investments (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).