NEDGROUP INVESTMENTS

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Nedgroup Investments Contrarian Value Equity Fund

Quarter Four, 2022

Marketing Communication

Nedgroup Investments Contrarian Value Equity Fund

The following commentary was produced by the sub-investment manager, First Pacific Advisors, LP ("FPA").

USD performance to 31 December 2022	Nedgroup Investments Contrarian Value Equity[1]	MSCI ACWI	S&P 500
3 months	11.9%	9.8%	7.6%
1-year	-17.2%	-18.4%	-18.1%
3-years (p.a.)	3.3%	4.0%	7.7%
Since inception (p.a.)	4.7%	5.7%	9.6%

Past performance is not indicative of future performance and does not predict future returns.

Overview

The Nedgroup Investments Contrarian Value Equity Fund ("the Fund") gained 11.9% for the quarter but declined 17.2% for the trailing twelve months. The Fund captured 94.0% of the average of the MSCI ACWI and S&P 500's decline in the trailing twelve months.[2]

Below you can see the Fund's performance along with various relevant indexes.

Exhibit A: **Net Performance versus Illustrative Indices[3]**

	Q4 2022	Trailing 12 months
Nedgroup Investments Contrarian Value Equity Fund	11.9%	-17.2%
MSCI ACWI NR USD	9.8%	-18.4%
MSCI World NR USD	9.8%	-18.1%
S&P 500	7.6%	-18.1%

The meaningful and prolonged market decline in 2022 means the market cycle that began in October 2007 has *finally* ended. This was the longest bull market in recent memory, surpassing even 1987-2000.[4]

[1] Source: Morningstar (monthly data series). **For illustrative purposes only**. Reflects the net USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class.

[2] Calculated as -18.3%/((-18.4% + -18.1%)/2) i.e., Fund 12-month return / average of the MSCI ACWI and S&P 500 return over 12 months.

[3] Comparison to the indices is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

[4] As of December 31, 2022. Source: Yardeni Research. https://www.yardeni.com/pub/sp500corrbeartables.pdf Note: We do not include 2020 as a "bear" market because the decline lasted less than 2 months. https://fpa.com/docs/default-source/default-document-library/2015-04-29-market-cycle-performance-final.pdf?sfvrsn=2. The market cycle ended on January 3, 2022 for the S&P 500, where we define a market cycle as, peak to peak, a period that contains a decline of at least 20% from the previous market peak over at least a two-month period and a rebound to establish a new peak above the prior market peak.

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

Exhibit B: **Most Recent S&P 500 Index Market Cycle Performance**[5]

	10/10/2007-1/3/2022
S&P 500	10.43%
MSCI ACWI	6.33%
50% S&P 500 / 50% MSCI ACWI	8.38%
MSCI ACWI Value	3.89%
MSCI ACWI Growth	8.68%
CPI	2.10%

Portfolio discussion

Exhibit C: **Trailing Twelve-Month Contributors and Detractors as of 31 December 2022** [6]

Winners	Performance contribution	Average weight	Losers	Performance contribution	Average weight
Glencore	1.0%	3.3%	Alphabet	-3.8%	8.3%
American International Group	0.7%	4.4%	Meta Platforms	-3.0%	2.9%
Safran	0.5%	1.2%	Charter	-1.8%	3.1%
Howmet Aerospace	0.4%	2.0%	Comcast	-1.6%	4.8%
Holcim	0.3%	4.6%	Amazon	-1.5%	2.4%

In the last twelve months, the Fund's top five performers contributed 2.9%, net, to its return, while its bottom five detracted 11.7%, net.

American International Group (AIG) is one company that we haven't discussed in a while, although it's been in the portfolio since 2013. This year, AIG successfully IPO'd a portion of its life business, an important step on the way to becoming a pure property & casualty company. The company's general insurance operations demonstrated another year of improved underwriting and profitability.[7]

Amazon declined in price during the year as it became apparent that, having doubled the footprint of the company's retail infrastructure coming out of Covid, the company had expanded too aggressively.[8] The investment community is similarly concerned that the company's cloud business, AWS, is likely to be negatively impacted by general economic malaise, which would result in a growth rate lower than that of the recent past. Taking a long-term view, we envision both AWS and retail growing over the coming years, complemented by a high margin advertising business. Looking forward, we expect the company to benefit from positive operating

[5] Source: Morningstar, FPA. Market Cycle Performance reflects the most recent S&P 500 Index market cycle (peak to peak) where market cycle is defined in footnote 4 above. Comparison to any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

[6] Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months through 31 December 2022. Contribution is presented net of investment management fees, transactions costs, and Fund operating expenses using the fees and expenses of the Fund's D class, which are 0.78%. The information provided does not reflect all positions purchased, sold or recommended by FPA during the period. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

[7] https://www.reuters.com/markets/us/aig-unit-corebridge-raises-17-bln-years-largest-ipo-2022-09-14/

[8] https://www.businessinsider.com/amazon-warehouse-expansion-slowed-still-towers-over-competitors-2022-12

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leverage under the keen eye of CEO Andy Jassy, who has proven himself as a results-oriented leader in his former position as head of AWS. Though the valuation looks rather rich to us at the moment on near-term results, if we are correct in our thesis, the valuation at present prices will look to have been a bargain in hindsight.

Markets & Economy

In an effort to tame 2022's high inflation (6.5% in the US and 8.9% globally), Central Banks forcefully reacted by increasing interest rates, with the US Fed Funds rate increasing during the year from 0.25% to 4.33%.[9] 1-year US Treasury Bills followed suit, increasing from 0.38% to 4.49%. An increase of more than 4 percentage points was the largest increase since 1980.[10] While interest rates were bound to eventually increase, we just as well could have argued that might have occurred years earlier. Interest rates are the price of money – effectively the price paid for its use for a prescribed period of time. The higher the rate/price, the lower the asset value – all else being equal. This largely explains 2022's declines in both stocks and bonds. While stocks had their worst year since 2008, bonds failed to offer the protection to which investors have become accustomed to for these past four decades with the Bloomberg US Aggregate Bond Index declining -13.0% last year.[11] This has led to the return of some market rationality. Even negative yielding bonds disappeared for the first time since 2010.[12]

While interest rates will always be a driver of returns, along with the inextricably linked economic growth and pace of inflation, your portfolio managers have greater clarity of how the companies in which we invest on behalf of the Fund might perform over time than we do of macroeconomic considerations. We believe very few have exhibited consistent and long-term success in trading the market predicated on such global variables.

US stock valuations are trading about in line with their 25-year average as can be seen in the table below.

***Exhibit D:* S&P 500 Valuations**[13]

	Year-end 2022	25-year Ave
Forward P/E	16.7x	16.8x
Shiller's P/E (CAPE)	28.0x	27.9x
Dividend Yield	1.8%	2.0%
Price to book	3.8x	3.1x
Price to cash flow	12.4x	11.2x*

Stock valuations outside the US continue to trade less expensively as noted in the table below.

***Exhibit E:* Global Forward P/E Ratios**[14]

	Year-end 2021	Year-end 2022	25-year Ave
US	21.2x	16.7x	16.8x
Japan	14.7x	12.2x	19.7x
Europe	14.6x	11.9x	14.9x
Emerging Markets	11.8x	11.7x	11.8x
China	11.7x	10.8x	12.5x

[9] Source: Bureau of Labor Statistics, Euromonitor International. As of December 31, 2022.

[10] Source: FRED. As of December 31, 2022.

[11] Source: Bloomberg. As of December 31, 2022.

[12] Source: Financial Times, Bloomberg. As of December 31, 2022. There were no negative yielding bonds (> 1 year maturity) per Bloomberg at year-end 2022. https://www.ft.com/content/35779b15-ca04-441a-bc3f-507b030ed45f

[13] As of December 31, 2022. Source: Factset, Federal Reserve Bank, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management Guide to the Markets. Forward Price to Earnings is a version of the ratio of price-to-earnings (P/E) that uses forecasted earnings for the P/E calculation. * Note: Price to cash flow is a 20-year average due to cash flow data availability.

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

[14] As of December 31, 2022. Source: Factset, MSCI, Standard & Poor's, J.P. Morgan Asset Management Guide to the Markets. Forward Price to Earnings is a version of the ratio of price-to-earnings (P/E) that uses forecasted earnings for the P/E calculation. The Fund does not include outperformance of any index or benchmark in its investment objectives. Please refer to the Important Disclosures for definitions of key terms and representative indices used for each geographic market shown in the table.

While we cannot predict the future, we would not be surprised if additional economic weakness and (finally) a credit event might occur prior to a sustained market rebound. Higher borrowing costs due to a higher cost of capital (elevated interest rates and a larger risk premium) combined with a potentially weaker economy has historically translated into more borrowers defaulting on their debt obligations.

Portfolio Activity[15]

The Fund made one new investment and exited two investments during the quarter. The Fund's newly added position was Naspers – a name that has been in the portfolio in the recent past. The portfolio managers believe there to be a more attractive discount to NAV in Naspers than in Prosus (both of which are look-through investments in Tencent). The Fund exited its positions in Flutter Entertainment after a recent acquisition and exited Prosus for the aforementioned reason.[16]

Portfolio Profile

There were 43 equity positions in the Fund with the top five holdings comprising 27.3% and the top 10 comprising 44.5% of the portfolio (based on total assets) as of 31 December 2022. The top three sector exposures in the Fund, based on the Global Industry Classification Standard (GICS) sector classification, are Communication Services, Financials, and Materials, which comprise 51.8% of the total assets of the Fund. As a percentage of equity, the Fund has 41.6% non-US exposure and 58.4% exposure in the US.[17]

Conclusion

We think lower valuations help position us to take advantage of any continued market weakness. We hope to "lean in" to price declines with the goal of driving market-beating returns with equity-like risk.

Respectfully submitted,

FPA Contrarian Value Portfolio Management Team

[15] 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 33% over the period and represent greater than 0.75% of the portfolio. Any exited position mentioned was fully removed, regardless of its representative portfolio size. Portfolio composition will change due to ongoing management of the Fund.

[16] As of December 31, 2022, the securities mentioned and their corresponding position sizes were as follows: Naspers (1.8%); Flutter Entertainment (0.00%); and Prosus (0.00%).

[17] '*As a Percentage of Equity'* excludes cash & cash equivalents. Portfolio composition will change due to ongoing management of the Fund.

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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 investment manager or sub-investment manager to purchase or sell such securities or invest in such sectors, 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 or sector examples discussed.

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