



Quarterly review

Nedgroup Investments Core Global Fund
Marketing communication

As at 31 December 2023



Interest rates and central bank expectations continued to influence markets throughout 2023

The fourth quarter started out with low expectations as rising long-term interest rates extended the decline in the S&P 500, taking asset and portfolio values down. We saw the stock and bond markets reaching crescendo lows near the end of October as investor sentiment and confidence declined. With the release of positive third-quarter economic data and business activity reports coupled with better than feared corporate earnings results, markets began to turn. Over the quarter, the Nedgroup Investments Core Global Fund increased by 10.2%.

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 \$16 748 at the 31st of December 2023. This is better than the \$11 460 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.

(Past Performance is not indicative of future performance and does not predict future returns)

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 %)	\$11 021 10.2%	\$11 696 17.0%	\$10 939 3.0% p.a.	\$14 680 8.0% p.a.	\$16 748 6.6% p.a.
Growth of US Cash (Growth in %)	\$10 135 1.4%	\$10 512 5.1%	\$10 703 2.3% p.a.	\$11 038 2.0% p.a.	\$11 460 1.7% p.a.
Growth target (EAA Fund USD Aggressive Allocation) (Growth in %)	\$10 768 7.7%	\$11 229 12.3%	\$10 720 2.3% p.a.	\$13 910 6.8% p.a.	\$14 966 5.1% p.a.

Source: Morningstar

(Past Performance is not indicative of future performance and does not predict future returns)



Source: Morningstar

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 term², 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.



Economic and market review

In the fourth quarter, inflation data softened faster than expectations and neutral monetary policy guidance from the Federal Reserve led to a rapid change in investor confidence. As a result, both stock prices and long-term interest rates reversed direction, and we experienced one of the more powerful rallies in both the stock and bond markets than we have seen in recent years. With global equity and bond markets experiencing a significant rally in the last two months, this led to positive returns for the fourth quarter and improved returns over 12 months.

Despite existing challenges and elusive inflation targets, policy makers' lack of resistance in December meetings didn't alter the market's perception of peak interest rates, suggesting a shift might be coming. Particularly, dovish statements from US policy makers paved the way for further reduction in bond yields, even though mixed US labour market data led markets to delay the timing of the first interest rate cut. In the bond market, after causing much pain for investors in the first 10 months of the year, the yield on the 10-year US Treasury ended the year roughly where it started at about 3.9%. In December, global bond yields continued to decrease significantly. The Bloomberg Global Aggregate Bond Index rose by 4.2% in December, resulting in a substantial quarterly return of 8.1%. This left the returns for 2023 positive at 5.7%. Concurrently, gold performed well over the quarter, increasing by 11.6%.

If one looks at the S&P500 which was up by approximately 26.3% over the past year, the stock market performance has primarily been driven by 10 companies. Those 10 companies make up over 30% of the S&P 500 (Apple and Microsoft combined accounting for almost 14% of the overall index), pushing most of the return in the index this year. Meanwhile, after some volatility, the MSCI World and MSCI Emerging Markets ended the year ahead by about 24.4% and 10.3%, respectively.

In November, Chinese inflation figures remained in deflation, with a headline CPI of -0.5% year-on-year. Inflation rates across European countries fell, with Eurozone headline inflation for November dropping to 2.4% year-on-year from 2.9% the previous month. UK inflation also slowed to 3.9% year-on-year from 4.6% in October, marking the lowest figure in nearly two years. This trend has been aided by lower energy prices, but the removal of energy subsidies across the region is expected to increase future inflation figures. In the US, headline inflation slowed to 3.1% year-on-year in November, decelerating at a slower rate, while core inflation remained steady at 4.0%.

In the end, 2023 turned out to be a good year for both stock and bond investors. As we enter 2024, the US economy has thus far avoided the feared recession and a re-acceleration of inflation. The Federal Reserve has turned from hawkish to neutral and now sounds more dovish about the year to come, providing a good backdrop to start the year. Monetary and fiscal policy are huge drivers of the global economy, and one needs to pay attention to not only policy action, but also associated Fed speak as it can indicate how policy makers are leaning and give clues to future direction.



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NEDGROUP INVESTMENTS CONTACT DETAILS

Tel: toll free from South Africa only 0800 999 160

Email: helpdesk@nedgroupinvestments.com

For further information on the fund please visit: www.nedgroupinvestments.com

OUR OFFICES ARE LOCATED AT

First Floor, St Mary's Court

20 Hill Street, Douglas

Isle of Man

IM1 1EU