NEDGROUP INVESTMENTS

see money differently

NEDGROUP INVESTMENTS Global Cautious Fund

Q4 2024

Marketing Communication

Nedgroup Investments Global Cautious Fund

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

Performance to 31 December 2024 (USD)	Fund[1]	Target Return[2]	Peer Group[3]
3 Months	-3.65%	1.23%	-1.26%
12 Months	1.31%	5.42%	5.24%
5 Years	1.55%	2.52%	1.84%
10 Years	1.86%	1.87%	2.21%

Market Overview

It's been another strong year for global equity markets as they rallied again in the final quarter of 2024. The theme of continued US strength helped developed markets climb higher and the performance of US mega cap technology stocks ensured that global growth stocks dominated again this year. Talk of deregulation following the US election boosted global value stocks towards the end of 2024. Central banks in developed markets started normalising policy throughout the year, but sticky inflation and resilient growth reduced market expectations of rate cuts, particularly in the US. The Federal Reserve announced in December that they expect to cut interest rates much more slowly next year which resulted in a strengthening US Dollar. In Europe, economic momentum weakened significantly over the year. The manufacturing sector was particularly hard hit due to high energy costs, damaging regulation, and a lack of export demand, coupled with Chinese subsidies increasing competition. This was compounded by political turmoil in both France and Germany where fiscal pressures and the rise of populist parties disrupted the political landscape. This economic weakness and the limited exposure to AI related stocks were headwinds for European equities this year. In China, the shift in rhetoric in December to a moderately loose monetary policy was welcomed as investors believe policymakers are taking the economic situation more seriously.

As president Trump moves into office at the start of 2025, all eyes will be on the sweeping trade tariffs set to be implemented and the impact they will have on the economy. As investors try to price in the impact of Trump's promised tariffs on exporters, investors seem to have already bet on a growth hit to Europe. This could encourage the European Central Bank to cut interest rates more aggressively than expected in 2025 putting further pressure on the Euro. The Federal Reserve officials have said they expect to cut interest rates much more slowly next year than previously anticipated, however, will this be the case if Trump's protectionist policies impact inflation? The first half of the year will reveal if the tariff rhetoric has just been negotiating tactics or whether real action will be taken.

Fund Performance

The aim of the strategy is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

The portfolio produced a negative return over the quarter, driven by the portfolio's equity and bond allocations. Hedging of the Australian Dollar contributed over the quarter due to the appreciation of the US Dollar over the quarter after the election of Donald Trump.

The following table highlights the top 5 equity contributors and bottom 5 equity detractors over the quarter:

Top Performers	Country	Performance contribution	Bottom Performers	Country	Performance contribution
ALPHABET A	US	0.09%	AIA GROUP	HONG KONG	-0.09%

[1] Net return for the Nedgroup Investments Global Cautious Fund, A class.
[2] SOFR USD 1-month from 1 Feb 2022 (previously US Libor 1 month)
[3] Morningstar EAA Fund USD Cautious Allocation
Source: Morningstar (monthly data series).

AMERICAN EXPRESS	US	0.06%	LOCKHEED MARTIN CORP	US	-0.09%
COMPUTERSHARE	AUSTRALIA	0.06%	TEXAS INSTRUMENTS	US	-0.07%
UNITED OVERSEAS BANK	SINGAPORE	0.04%	BANK RAKYAT INDONESIA	INDONESIA	-0.06%
PRICE (T. ROWE) GROUP	US	0.04%	LOWE'S COS	US	-0.06%

North American equity markets rose over the quarter. In the US, the stock market had a strong quarter as a key uncertainty – the outcome of the US presidential election – was resolved. The clear winner and his pro-business agenda spurred investors to bid up US stocks. Additionally, the Federal Reserve continued to cut interest rates which further buoyed global investor sentiment towards US assets. The Canadian market also rose as the Bank of Canada cut interest rates. Over the period the portfolio was behind the benchmark.

In the US, economically sensitive sectors such as consumer discretionary and financial services led the market while sectors such as materials and healthcare lagged the overall market as investors assessed the impact of the new administrations impact on each sector. The portfolio benefitted from having an overweight position in the consumer discretionary and financial sectors. In terms of country performance, the US market (SP500) lagged the Canadian market (TSX) (in local currency terms) marginally.

Some of the better performing companies in the portfolio included American Express, Alphabet, and Computershare. American Express (credit card services) performed well as the company reported another strong set of earnings. In addition, lower interest rates should spur a pick-up in consumer spending and a reduction in delinquencies which are all positive for the company's prospects going forward. Alphabet (communication services) performed well as a looser regulatory regime is expected under the Trump administration reducing the probability that the company would be broken up. Computershare (software services) performed strongly due to strong fee-based activities driven by equity market strength in the US. In addition, the recognition that the combination of President-Elect Trump's flagship policies is much more likely to be inflationary than disinflationary, caused bond yields to move towards 12-month peaks. Computershare earns interest on client balances as payments move through their infrastructure, so are a direct beneficiary of higher yields.

Companies that were behind the index over the quarter included Lockheed Martin, Texas Instruments, and AIA Group. Lockheed (aerospace and defence) struggled as investors began to expect greater scrutiny of defence contracts which could impact Lockheed's revenues and profitability. It is worth noting that many of Lockheed's contract are extremely long term and so any changes will take a long time to affect the company if they are enacted at all. Texas Instruments (semiconductors) was impacted by concerns over the demand for electric vehicles (EV) due to the imposition of any tariffs on foreign made EVs sold into the US market as well as the potential roll back of subsidies. The situation will be monitored as it is unclear at this stage what tariffs will be enacted by the incoming administration. AIA Group (insurance) reported their third quarter results over the period which was in line with expectations. The company also disclosed new provincial licenses in Mainland China which will help drive growth going forward. Operationally the company continues to perform well. We believe the share price weakness was due to the reallocation of assets away from Hong Kong following the disappointment on the China stimulus front.

Elsewhere in the portfolio, the combination of a strengthening dollar and rising yields meant both US and overseas bonds produced a negative return this quarter, albeit outperforming their broader indices due to our short duration positioning.

Portfolio Positioning

There were no changes to positioning over the quarter. The model allocation is 78% bonds, 20% equities and 2% cash.

Within the fixed income allocation, Pyrford adopts a defensive stance by owning short duration securities to minimise the impact on the portfolio from interest rate rises. At the end of the period the modified duration of the fixed income portfolio stood at around 2.3 years. Whilst these shorter duration bonds are unlikely to yield high returns, they will provide significant capital protection for the portfolio and importantly they are highly liquid. The bond portfolio remains of a very high credit quality and highly liquid. 46% of the portfolio is invested in overseas bonds, with 17% in Canada, 16% in the UK and 12% in Australia. 32% of the portfolio is invested in US government debt. Given the recent rise in yields, we will be reviewing the duration target in the portfolio.

Within the equity portfolio the companies we hold are defensive names, which we would expect to perform well during volatile periods. The focus of the portfolio is on balance sheet strength, profitability, earnings visibility and value. The European portfolio holds several names that are global leaders in niche industries. We have a high concentration in Switzerland and have also completely avoided a number of industries which are structurally challenged. In Asia, we prefer the Southeast Asian markets over Japan. The potential growth rate in Japan remains low given the poor demographics and low productivity growth. Economies in Southeast Asia offer sustainable economic growth supported by increased labour output or productivity growth and trade at more reasonable valuations.

Finally, there was no change to the unhedged non-USD exposure in the portfolio, and Australian Dollar remains the only hedged currency. 45% (the maximum level) of the portfolio remains exposed to unhedged foreign currencies, representing the view that the US dollar is a very expensive currency, and we expect it to fall based on our purchasing power analysis.

Outlook

Pyrford retains a cautious outlook for international economic growth and expects the necessary adjustments to corporate and personal balance sheets in the developed West to take a prolonged period to achieve. This is a deflationary process and represents a significant headwind to economic growth.

Following the rally in North American equity markets over the last few years, valuations are in aggregate less attractive than they were. Even after recent declines, North American equity markets remain overvalued in absolute terms given the earnings and dividends per share growth that can be reasonably expected. Equity investors will be best rewarded by concentrating on high quality companies selling at low valuations relative to a defensive and visible stream of earnings. Financial leverage should be avoided, and investors should focus on companies which are very well capitalised and whose business models have proved resilient during previous periods of poor economic growth.

Responsible Investments

As long-term shareholders of companies, we have the ability, and in our view the responsibility, to try and influence the business practices of companies.

Pyrford voted 68 proposals in 9 company meetings in the quarter. We voted against management on 1 proposal. We also attended 129 company meetings worldwide, and ESG issues are a standing agenda item in every meeting we conduct.

Disclaimer

This is a marketing communication. Please refer to the prospectus, the key investor information documents (the **KIIDS/PRIIPS KIDS**) and the financial statements of Nedgroup Investments Funds plc (the Fund) before making any final investment decisions.
These documents are available from Nedgroup Investments (IOM) Ltd (the **Investment Manager**) or via the website: www.nedgroupinvestments.com.

This document is of a general nature and intended for information purposes only, it 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. Whilst the Investment Manager has taken all reasonable steps to ensure that this document is accurate and current at the time of publication, we shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this document.

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 as amended and as may be amended, supplemented, or consolidated from time-to-time and any rules, guidance or notices made by the Central Bank which are applicable to the Fund. The fund is domiciled in Ireland. 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 Depositary of the Fund is Citi Depositary Services Ireland DAC, 1 North Wall Quay, Dublin 1, Ireland. The Administrator of the Fund is Citibank Europe plc, 1 North Wall Quay, Dublin 1, Ireland.

The sub-funds of the Fund (the **Sub-Funds**) are generally medium to long-term investments and the Investment Manager does not guarantee the performance of an investor's investment and even if forecasts about the expected future performance are included the investor will carry the investment and market risk, which includes the possibility of losing capital.

The views expressed herein are those of the Investment Manager / Sub-Investment Manager at the time and are subject to change. The price of shares may go down as well as up and the price will depend on fluctuations in financial markets outside of the control of the Investment Manager. Costs may increase or decrease as a result of currency and exchange rate fluctuations. If the currency of a Sub-Fund is different to the currency of the country in which the investor is resident, the return may increase or decrease as a result of currency fluctuations. Income may fluctuate in accordance with market conditions and taxation arrangements. As a result an investor may not get back the amount invested. Past performance is not indicative of future performance and does not predict future returns. The performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.
Fees are outlined in the relevant Sub-Fund supplement available from the Investment Manager's website.
The Sub-Funds are valued using the prices of underlying securities prevailing at 11pm Irish time the business day before the dealing date. Prices are published on the Investment Manager's website. A summary of investor rights can be obtained, free of charge at www.nedgroupinvestments.com.

Distribution: The prospectus, the supplements, the KIIDS/ PRIIPS KIDS, constitution, country specific appendix as well as the annual and semi-annual reports may be obtained free of charge from the country representative and the Investment Manager. The Investment Manager may decide to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with Art 93a of Directive 2009/65/EC and Art 32a of Directive 2011/61/EU.

Switzerland: the Representative is Acolin Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying agent is Banque Heritage SA, Route de Chêne 61, CH-1211 Geneva 6. Nedgroup Investments (IOM) Limited is affiliated to the Swiss ombudsman: Verein Ombudsstelle Finanzdienstleister (OFD), Bleicherweg 10, CH-8002 Zurich.

Germany: The Fund's Facilities agent in Germany is Acolin Europe AG, with the registered office at Line-Eid-Strasse 6, 78467 Konstanz. The Prospectus (in English) and the PRIIPS KID (in German), may be obtained free of charge at the registered office of the Facilities agent, or electronically by Email via facilityagent@acolin.com, or by using the contact form at https://acolin.com/services/facilities-agency-services.

U.K: Nedgroup Investment (UK) Limited (reg no 2627187), authorised and regulated by the Financial Conduct Authority, is the facilities agent. The Fund and certain of its sub-funds are recognised in accordance with Section 264 of the Financial Services and Markets Act 2000.

Isle of Man: The Fund has been recognised under para 1 sch 4 of the Collective Investments Schemes Act 2008 of the Isle of Man. Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

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

Issue Date
October 2024