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NEDGROUP INVESTMENTS Global Cautious Fund

Quarter Three 2026

Marketing Communication

Nedgroup Investments Global Cautious Fund

Past performance is not indicative of future performance and does not predict future returns.
Performance longer than 1 year is annualised.

Performance to 30 September 2025 (USD)	Fund[1]	Target Return[2]	Peer Group[3]
3 Months	-1.68%	0.94%	-1.24%
12 Months	0.89%	3.89%	1.90%
5 Years	2.65%	3.86%	2.35%
10 Years	2.34%	2.55%	3.07%

Market Overview

The global economy remained resilient during the third quarter despite heightened geopolitical tensions and renewed inflation pressures. Rising energy prices, driven by ongoing conflict in the Middle East, interrupted the disinflationary trend seen earlier in the year and reinforced expectations that interest rates would remain higher for longer. While some central banks continued to signal a gradual easing path, policymakers generally adopted a cautious stance as inflation proved more persistent than anticipated.

Growth trends remained uneven across regions. The US continued to outperform, supported by resilient consumer demand, robust corporate investment and ongoing AI-related spending, while Europe faced a more challenging backdrop of weaker structural growth and higher energy costs. Equity markets advanced on the back of strong earnings growth, particularly within technology-related sectors, although valuations remained demanding. Meanwhile, bond markets experienced further volatility as investors adjusted to persistent inflation risks, higher energy prices and a slower pace of monetary policy easing.

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 both the portfolio's bond and equity allocation.

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
Advantech	Taiwan	0.09%	Lowe's Companies	US	-0.10%
Automatic Data Processing	US	0.06%	ASMPT Limited	Hong Kong	-0.08%
United Overseas Bank	Singapore	0.07%	American Express	US	-0.06%
SAP	Germany	0.05%	Texas Instruments	US	-0.04%
Japan Tobacco	Japan	0.05%	Hershey Company	US	-0.05%

North American equity markets rose over the quarter. In the US, the stock market remained volatile as the oil price rose due to geopolitical events. Additionally, bond yields rose as central banks around the world tried to tame inflationary pressures with the US Federal Reserve raising rates towards the end of the period. Over the period the portfolio was behind the benchmark.

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

In the US, sectors such as technology and energy led the market while sectors such as industrials and utilities lagged the overall market as interest rate sensitive sectors lagged due to rising bond yields.

In North America, our stock selection in the US detracted. Stocks that detracted from relative performance over the quarter included Lowe's, American Express and Texas Instruments. Lowe's struggled as rising bond yields fed through to mortgage rates and put pressure on housing activity. While the short-term picture is uncertain, the US housing stock continues to age and will require increasing maintenance spending which will be a positive for Lowe's. Some of the financial companies in the portfolio including American Express detracted as rising bond yields weighed on sentiment towards interest-rate-sensitive financial businesses. American Express was affected by concerns that higher borrowing costs could moderate consumer spending. We remain constructive on both companies given their strong competitive positions and attractive long-term fundamentals. Texas Instruments underperformed as investors questioned the strength and durability of the industrial recovery. Although fundamentals remain sound, capital continued to flow toward faster-growing AI-related semiconductor companies, weighing on sentiment towards more cyclical analog chip manufacturers.

Among the strongest contributors were Automatic Data Processing, Adobe and HCA Healthcare. Automatic Data Processing and Adobe benefited from continued demand for mission-critical software and business services, with investors recognising the resilience of their business models and recurring revenue streams. HCA Healthcare performed well following greater clarity around Medicare reimbursement rates, reducing uncertainty surrounding an important component of the company's earnings outlook.

In Hong Kong, ASMPT Limited detracted as investors took profits from semiconductor equipment companies following strong earlier gains, despite the company reporting robust revenue, bookings and profitability. Demand for advanced packaging used in AI processors remains a long-term positive, although the shares are sensitive to changes in AI investment expectations and the more cyclical outlook for mainstream semiconductor and surface-mount equipment. In Taiwan, Advantech contributed following strong results across its major regions and end markets. The company continues to benefit from demand for industrial automation, semiconductor equipment and edge AI, supported by a strong order book.

Elsewhere in the portfolio, our domestic and overseas bonds detracted but both outperformed their broader indices as we are positioned at the shorter end of the yield curve. The bond market was caught between rate cut optimism and structural headwinds. Given the sharp move higher in yields, there is now some value emerging further along the yield curve.

The currency hedging program, which aims to protect the portfolio by hedging out exposure to overvalued currencies relative to US dollar, was broadly flat over the quarter. The Australian dollar strengthened against the US dollar but we have hedged this exposure. The Australian dollar benefited from expectations of lower US interest rates, relatively supportive Australian monetary policy and improved investor risk appetite, which reduced demand for US dollar assets.

Portfolio Positioning

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

In September, we increased duration from 3.0 years to 6.0 years as a sustained rise in long-term bond yields, driven by inflation concerns linked to higher oil prices and Middle East tensions, created a more attractive valuation opportunity.

Within the fixed income allocation, Pyrford adopts a defensive stance by owning shorter 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 6.0 years. The bond portfolio remains highly liquid, invested solely in sovereign debt. Whilst these shorter duration bonds are unlikely to yield high returns, they will provide significant capital protection. Higher real yields enhanced the valuation appeal of US TIPS during the quarter, creating opportunities that we continue to assess within the portfolio.

Within the equity portfolio we remain constructive on the Asia ex-Japan region compared to the US as we view the US market as overvalued. The portfolio has a bias to defensive names, which we would expect to perform well during volatile periods. Our focus remains on finding companies with balance sheet strength, enduring profitability, earnings visibility, and value. The European portfolio holds several names that are global leaders in

niche industries. In Switzerland we allocate to global leaders in industries such as healthcare and to companies with strong positions in more niche industries. 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 hedging program in the portfolio. To moderate our exposure to non-USD currencies we have hedged our AUD exposure as it the most overvalued of all the currency exposures in the portfolio based on our purchasing power analysis.

Outlook

We expect the global economy to remain resilient, although elevated geopolitical tensions and persistent inflation are likely to create a more challenging backdrop for investors. Higher energy prices and ongoing policy uncertainty may continue to support a higher-for-longer interest rate environment, while growth is expected to remain uneven across regions. Against this backdrop, we believe a disciplined focus on valuation, quality and balance sheet strength remains essential. Companies with durable business models, strong cash generation and pricing power are best placed to navigate inflationary pressures and periods of market volatility, particularly as valuations remain demanding in parts of the global equity market.

Following the rally in North American equity markets over the last few years, valuations are in aggregate less attractive than they were. 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 95 proposals in 3 company meetings in the quarter. We voted against management on 5 proposals. We also attended 110 company meetings worldwide, and ESG issues are a standing agenda item in every meeting we conduct.

For a detailed overview of ESG activity, please visit our website for all voting records and our latest annual ESG report.

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