NEDGROUP INVESTMENTS MULTIFUNDS PLC

QUARTERLY REVIEW

QUARTER 4 2019

This report is prepared by Nedgroup Investments (IOM) Limited the Investment Manager of Nedgroup Investments MultiFunds Plc.

The purpose of the report is to provide unitholders in the Nedgroup Investments MultiFunds and their advisers, with a review of the funds' performance since inception. The report is structured as follows:

PART ONE: MARKET REVIEW

This section provides a market review, which looks at the performance of global asset classes over the last quarter, and puts this into perspective relative to longer-term performance. The aim of this review is to provide a context in which the performance of Nedgroup Investments MultiFunds can be assessed.

PART TWO: NEDGROUP INVESTMENTS MULTIFUNDS' PERFORMANCE

This section provides an overview of the performance of the Nedgroup Investments MultiFunds since its launch on 19 August 2011 under the UCITS IV structure. The Income MultiFund was launched on 26 January 2012.

PART THREE: MARKET OUTLOOK

In this section we highlight our current views on the market over the medium term and how these views are implemented within the MultiFunds.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

This section shows the performance of the underlying managers.

PART FIVE: FUND FOCUS

In this section we highlight a fund held in the MultiFunds.

PART ONE: MARKET REVIEW

Performance over period to 31 December 2019

Asset class	Indicator	3 months	1 year	3 years	5 years	10 years
Equities	MSCI All Country World Index	9.0%	26.6%	12.4%	8.4%	5.8%
Property	FTSE EPRA/NA REIT Dev Property Index	2.0%	23.1%	9.3%	6.5%	6.1%
Bonds	JPM Global Bond Index	-1.5%	7.6%	4.1%	3.5%	2.6%
Cash	US 3-month deposits	0.4%	2.2%	1.9%	1.3%	0.5%
Inflation	US CPI	0.6%	2.1%	2.0%	1.8%	1.1%

All figures are in USD
Source Bloomberg, Nedgroup Investments
Returns for periods longer than 12 months are annualised.

Economic and market commentary

The final quarter of 2019 saw investor risk appetite rise sharply in company with economically sensitive asset prices, providing the perfect cap to what has proved to be a terrific year for returns across most asset classes. The dominant news items over the period mostly related to the US-China trade talks, the UK's Brexit/general election, central bank policy and US economic data.

Throughout the period, optimism that the US and China could seal "phase one" of a trade deal grew. Success was all but confirmed in late December when Donald Trump announced he would sign-off the first phase on January 15th. Investors are now hoping that this will pave the way for a de-escalation (or at least a truce) of the tariff war between the world's two biggest economies, and in so doing, provide a meaningful boost to global trade and economic activity.

In the UK, the Conservative landslide election victory was also taken positively as it dealt a fatal blow to the Labour Party's far left "Corbynistas", whilst also providing greater clarity over the next stage of Brexit (i.e. withdrawal with a deal on January 31st). Once the withdrawal stage has been completed, the UK and EU will then start the really tricky negotiations on their future trading and security relationship. This will need to be completed by the end of 2020 in order to avoid having to either extend the transition period, or stumble towards a cliff-edge "hard Brexit".

Central banks spent the quarter easing forward guidance and monetary policy, with several notable interest rate cuts from the Federal Reserve and ECB. Although there was a change in leadership at the ECB, Christine Lagarde demonstrated a clear intention to carry on exactly where Mario Draghi left off. Turning to the Federal Reserve, Chairman Jerome Powell also sent strong signals that the Federal Reserve is in no rush to reverse recent interest rate cuts. So for the foreseeable future, it seems the central banks will continue to pursue market friendly/asset price boosting policies.

Finally, having wobbled in the mid-part of 2019, investor confidence in next year's global and US economic outlook stabilised, and then started to improve, helped in part by growing optimism over a trade deal, but also strong US job and wage data, which of course underpins the largest part of the US economy (household consumption).

As risk appetite returned to the market, the MSCI AC World Index rose an astonishing +9.0% when measured in US dollar terms. The step change in investor sentiment was the main driver, although currency gains from a weaker US dollar also provided a tailwind. The best performing major regions / countries were the Emerging Markets (+11.8%) and Asia ex Japan (+11.8%), whilst the laggards were Japan (+7.6%) and Europe ex UK (+8.5%). Return dispersion was quite wide at the sector level, with economically sensitive areas generally outperforming defensive sectors. The standout gains were made in Information Technology (+14.6%) and Healthcare (+13.8%), with both sectors reporting very strong Q3 profits in October. Finally, in terms of style, Growth (+10.3%) outpaced Value (+7.8%), whilst Smaller Companies (+9.8%) marginally outperformed Larger Companies (+9.0%).

The steepening of yield curves saw safe haven sovereign bonds under pressure, and the JP Morgan Global Government Bond Index duly declined -1.5%. Riskier bond sectors tended to do better as they benefited from an improvement in economic confidence, along with a narrowing of credit spreads. Over the month, the ICE Merrill Lynch Global Corporate Investment Grade and High Yield Bond Indices were up +0.8% and +2.9% respectively. Finally, the JP Morgan Emerging Market Bond Index (+2.1%) also performed well, with the weakening dollar providing a helpful tailwind (all hedged to US dollars).

With expectations for the global economy improving, the Bloomberg Commodities Index rose +4.4% in US dollar terms. Most of the sub-sectors delivered positive gains, but Crude Oil's +13.9% advance was particularly impressive as it benefitted from OPEC production cuts and stronger than expected global demand.

In the foreign exchange markets, the most notable feature was the broad weakness of the US dollar. The partial recoveries of the pound and the rand were also worthy of mention, having hitherto been under significant pressure. Whilst it's hard to pinpoint a specific catalyst, some of the dollar's weakness can perhaps be accounted for by the general rise in risk appetite squeezing demand for safe haven US dollars. As for sterling's jump, the utter defeat of hard left politics in December's UK general election and a greater degree of certainty over the next step for Brexit appear to have helped boost the beleaguered currency. Finally, sentiment towards the South African rand also improved on hopes for economic reform, as well as the short term tailwind provided by a weaker dollar and stronger commodity prices. Examples of currencies that advanced against the dollar included the euro (+2.8%), the UK pound (+7.3%), the Mexican peso (+4.3%) and the South African rand (+7.9%).

Notes: All data is quoted in US dollar terms unless otherwise stated.

PART TWO: MULTIFUNDS' PERFORMANCE

All performance figures are as at 31 December 2019

Growth MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +4%	FUND GBP %	Performance Indicator GBP LIBID 3 month +4%
3 months	7.4%	1.4%	3.1%	1.2%
1 year	21.8%	6.2%	18.2%	4.7%
3 years (annualised)	9.9%	5.9%	7.7%	4.5%
Since inception* (annualised)	6.8%	4.8%	7.4%	4.5%

Balanced MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +2%	FUND GBP %	Performance Indicator GBP LIBID 3 month +2%
3 months	4.1%	0.9%	1.3%	0.7%
1 year	14.7%	4.2%	11.8%	2.7%
3 years (annualised)	6.8%	3.9%	4.8%	2.5%
Since inception* (annualised)	3.7%	2.8%	4.8%	2.5%

Income MultiFund Accumulating

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month	FUND GBP %	Performance Indicator GBP LIBID 3 month
3 months	1.1%	0.4%	0.8%	0.2%
1 year	8.7%	2.2%	7.1%	0.7%
3 years (annualised)	4.3%	1.9%	3.0%	0.5%
Since inception* (annualised)	3.7%	0.8%	3.6%	0.4%

C Class performance with returns prior their inception dates backfilled using class A returns adjusted for fees.

*Inception dates: NIM Growth USD C: 30/12/2014, NIM Growth GBP C: 06/03/2013,
NIM Balanced USD C: 08/11/2013, NIM Balanced GBP C: 06/03/2013
NIM Income USD C Acc: 01/09/2015, NIM Income GBP C Acc: 08/04/2013

Inception date for NIM Growth and Balanced USD A is 19 August 2011 (Valuation date 18 August 2011) / for NIM Income USD A Acc is 12 April 2012
Inception date for NIM Growth and Balanced GBP A is 19 August 2011 (Valuation date 18 August 2011) / for NIM Income GBP A Acc is 26 January 2012

PORTFOLIO REVIEW AND CHANGES

Growth

The portfolio had an exceptionally strong quarter, rising +7.4% (US$ C Class).

Looking beneath the surface, the aggregate of the underlying global equity exposures outperformed market averages, with the regional tilt to emerging market stocks (via TT Emerging Markets + 13.9% and Dodge & Cox Global Stock +10.7%) providing a tailwind over the quarter. In contrast, managers with biases towards high quality and stable earnings, such as Morgan Stanley Global Brands (+6.7%) and Fundsmith Equity (+7.9%) struggled to keep up with the surging market.

In other areas, global REITs (Nedgroup Global Property +2.1%) were positive over the period, but the headwind of rising interest rates dampened absolute performance in comparison to global equities. The small holding in UK commercial property, BMO Commercial Property (+0.8%), gained ground from the partial unwinding of the 'Hard Brexit' risk premium previously apparent in the price. The more defensive UK care home exposures, Impact Healthcare (-1.0%) and Target Healthcare (+3.0%) also added value despite mixed fortunes. Elsewhere, the portfolio's investment in infrastructure was helpful, especially renewable energy, supported by investors' continued search for income and demand for environmentally friendly investments (The Renewables Infrastructure Group +11.4%, Greencoat Renewables +6.7%, Greencoat UK Wind +6.3%, and JLEN Environmental Assets +5.1%). Finally, the portfolio's allocation to asset-backed lending also added value, with SQN Asset Finance Income Fund C-Shares (+1.8%) and GCP Asset Backed Income (+2.0%) both rising over the period.

We made several changes to the portfolio during the quarter. Firstly, we participated in several capital raises, including The Renewables Infrastructure Group, 3i Infrastructure and Greencoat Renewables. All three intend to use the proceeds to finance additional infrastructure investments. These discounted issues were oversubscribed, highlighting a strong appetite for this type of investment. Secondly, and related to the first, the strong performance of renewable infrastructure investments led us to take some profits on Greencoat UK Wind. Thirdly, we established a new position in Hipgnosis Songs Fund (SONG), via a C-Share Class issue. SONG is a UK listed investment trust that invests purely in the intellectual property rights of songs. The fund aims to create a well-diversified portfolio of songs, buying the writers interests across a variety of different types of music. SONG gives investors exposure to long term cash flow streams generated from song royalties, which tend to be economically insensitive (people listen to music in good times and bad, rich or poor). The rapid growth in streaming via digital service providers (such as Spotify, Apple Music, and Amazon Music) is boosting the flow of royalty payments and song valuations. Song should also be able to reduce administration costs and more intensively manage the catalogues as it aims to deliver to shareholders an attractive yield and double digit total return.

Balanced

The portfolio had a strong quarter, rising +4.1% (US$ C Class).

Looking beneath the surface, the aggregate of the underlying global equity exposures outperformed market averages, with the regional tilt to emerging market stocks (via TT Emerging Markets + 13.9% and in part Dodge & Cox Global Stock +10.7%) providing a tailwind over the quarter. In contrast, managers with biases towards high quality and stable earnings, such as Morgan Stanley Global Brands (+6.7%) and Fundsmith Equity (+7.9%) struggled to keep up with the surging market.

Within fixed income, the portfolio's tilts towards credit and shorter maturity bonds added value to both absolute and relative returns, as government bond yields rose. The more "risk-on environment" boosted the two short dated sub-investment grade funds, AXA US Short Duration High Yield (+1.0%) and Muzinich Short Duration High Yield (+1.5%). It also helped PIMCO Global Investment Grade (+1.1%)

post a solid return despite rising sovereign bond yields, whilst strong demand for emerging market debt helped Franklin Templeton Global Total Return (+1.9%) add value. Elsewhere, the portfolio's moderate exposure to US government bonds detracted value, with Vanguard US Government Bond Index (-0.9%) falling in value as interest rate expectations shifted.

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Income

The portfolio had a decent quarter, rising +1.1% (US$ C Class).

Within fixed income, the portfolio's tilts towards credit and shorter maturity bonds added value to both absolute and relative returns, as government bond yields rose. The more "risk-on environment" boosted the two short dated sub-investment grade funds, AXA US Short Duration High Yield (+1.0%) and Muzinich Short Duration High Yield (+1.5%). It also helped PIMCO Global Investment Grade (+1.1%) post a solid return despite rising sovereign bond yields, whilst strong demand for emerging market debt helped Franklin Templeton Global Total Return (+1.9%) add value. Elsewhere, the portfolio's moderate exposure to US government bonds detracted value, with Vanguard US Government Bond Index (-0.9%) falling in value as interest rate expectations shifted.

In other areas, the small exposure to high yielding UK equities, iShares UK Dividend (+10.1%) was a big positive, whilst the holdings in UK commercial property were more mixed. The UK commercial property holding, BMO Commercial Property (+0.8%), gained ground from the partial unwinding of the 'Hard Brexit' risk premium previously apparent in the price, whilst the more defensive UK care home exposures, Impact Healthcare (-1.0%) and Target Healthcare (+3.0%) added value in aggregate. Elsewhere, the portfolio's investment in infrastructure was helpful, especially renewable energy, supported by investors' continued search for income and demand for environmentally friendly investments (The Renewables Infrastructure Group +11.4%, Greencoat Renewables +6.7%, Greencoat UK

Wind +6.3%, and JLEN Environmental Assets +5.1%). Finally, the portfolio's allocation to asset-backed lending also added value, with SQN Asset Finance Income Fund C-Shares (+1.8%) and GCP Asset Backed Income (+2.0%) both rising over the period.

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PART THREE: MARKET OUTLOOK

Each December our International Strategy Committee convenes to discuss and agree our Base Case Scenario investment outlook for the following year. Below are the main points that best describe investment prospects for 2020:

1. 2020 global real GDP growth will be positive but moderate, lying in the range of 2 to 3 per cent. International trade and manufacturing growth should stabilise and start to pick-up as 2020 progresses.
2. US/China trade tensions will ease with the passing of phase one of a trade deal. It is in both sides interests to de-escalate this issue – Trump faces an election, whilst Xi needs better Chinese economic growth.
3. Advanced economy core inflation will remain suppressed around current levels, which should allow central banks to maintain low interest rates.
4. Following little growth in 2019, global corporate earnings will increase by around 5% in 2020 (measured in US$ terms).
5. Equities will outperform bonds because they offer better starting valuations – the equity/bond risk premium continues to favour equities.
6. Many of the better value Non-US equity markets (e.g. UK, EM, Japan, Asia, Europe) will outperform the more expensive US (currency hedged).
7. Advanced economy bond curves will steepen, although levels will remain in a low absolute range, anchored by central bank policy rates.
8. US treasuries will outperform European and Japanese government bonds (currency hedged).
9. Emerging market debt will outperform advanced economy sovereign bonds, helped by higher real yields and currency appreciation.
10. Investment grade credit and better quality high yield debt will modestly outperform government bonds.
11. The UK will leave the EU in early 2020. Brexit uncertainty will then transfer to 31/12/20 - a “hard Brexit” remains a possibility if no trade deal or transition extension can be agreed - £ stays range bound.
12. Investor returns will be modest over the next 12 months, whilst volatility is likely to rise.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

The Nedgroup Investments MultiFunds' investment philosophy is one that seeks to invest in specialist underlying portfolio managers who are most appropriate for the achievement of each risk profiled MultiFunds' investment objective. A combination of externally appointed fund managers is used. The table below shows the performance of the underlying managers used within the Growth, Balanced and Income MultiFunds.

Performance as at 31 December 2019										
	Category	Currency	1 month	3 months	6 months	YTD	1 year	2 years*	3 years*	5 years*
Equity - USD										
Dodge & Cox Global Stock Fund	*Global Equity*	*US Dollar*	4.28	10.66	10.20	23.42	23.42	3.63	9.26	6.89
Fundsmith Equity Fund	*Global Equity*	*US Dollar*	2.72	7.40	5.62	30.09	30.09	12.05	18.88	14.37
iShares MSCI World	*Global Equity*	*US Dollar*	2.99	8.55	9.14	27.76	27.76	8.03	12.64	8.85
Morgan Stanley Global Brands	*Global Equity*	*US Dollar*	2.80	6.74	7.43	29.26	29.26	12.53	16.85	12.13
Nedgroup Global Equity Fund	*Global Equity*	*US Dollar*	2.11	8.56	9.92	28.86	28.86	10.46	14.70	9.83
Vanguard Global Stock Index	*Global Equity*	*US Dollar*	3.03	8.57	9.10	27.56	27.56	7.83	12.43	8.58
Allianz Global Small Cap Equity	*Global Small Cap Equity*	*US Dollar*	1.06	8.70	5.06	22.32	22.32	0.46	8.56	5.64
TT Emerging Markets Equity Fund	*Global Emerging Markets Equity*	*US Dollar*	8.39	13.90	8.36	24.33	24.33	0.30	13.37	8.98
Vanguard Emerging Markets Stock	*Global Emerging Markets Equity*	*US Dollar*	7.47	11.74	6.95	18.16	18.16	0.30	11.35	5.39
MSCI ACWI NR USD		*US Dollar*	3.52	8.95	8.92	26.60	26.60	7.09	12.44	8.41
Fixed Income - USD										
AXA US Short Duration High Yield	*Short Duration High Yield*	*US Dollar*	0.55	0.93	2.10	7.55	7.55	4.14	3.78	3.41
Muzinich Short Duration High Yield	*Short Duration High Yield*	*US Dollar*	0.96	1.50	2.13	7.28	7.28	3.99	3.72	3.49
PIMCO Global IG Credit	*Global Corporate Debt*	*US Dollar*	0.48	1.10	3.53	12.54	12.54	5.63	5.94	5.12
Wellington Global Credit Plus	*Global Corporate Debt*	*US Dollar*	0.65	0.52	2.94	11.90	11.90	5.48	5.57	4.78
Franklin Templeton Global Total Return	*Global Bond*	*US Dollar*	2.75	1.92	-2.80	0.34	0.34	0.14	1.46	1.07
Vanguard US Government Bond Index Fund	*Government Bond Index*	*US Dollar*	-0.63	-0.91	1.47	6.44	6.44	3.55	3.07	2.11
iShares $ Treasury Bond 1-3YR UCITS ETF	*Government Bond Index*	*US Dollar*	0.21	0.51	1.09	3.53	3.53	2.49	-	-
Bloomberg Barclays Global Aggregate USD H		*US Dollar*	-0.21	-0.49	2.09	8.22	8.22	4.94	4.30	3.57
Property - USD										
Nedgroup Global Property Fund	*Global Property*	*US Dollar*	-0.19	2.07	6.69	23.79	23.79	7.07	9.18	-
iShares Developed Marcket Property Yield	*Passive Tracker*	*US Dollar*	0.48	1.70	6.29	21.93	21.93	7.18	8.31	5.90
FTSE EPRA NAREIT Developed TR USD		*US Dollar*	0.63	1.96	6.93	23.06	23.06	8.27	9.31	6.53
Property - GBP										
BMO Commercial Property Trust	*UK Property*	*Pound Sterling*	-2.10	0.44	6.14	-2.37	-2.37	-3.37	-1.01	1.19
Impact Healthcare REIT	*Healthcare Property*	*ted Kingdom, Pou*	-0.92	-1.31	0.99	10.47	10.47	8.78	-	-
Target Healthcare REIT	*Healthcare Property*	*ted Kingdom, Pou*	0.00	2.70	3.29	13.74	13.74	7.80	6.95	8.97
Other / Specialist - GBP										
Greencoat UK Wind	*UK Renewable Energy*	*ted Kingdom, Pou*	2.17	5.97	9.29	25.41	25.41	16.56	13.76	12.53
John Laing Environmental Assets Group	*UK Renewable Energy*	*Pound Sterling*	2.95	4.85	5.01	23.01	23.01	12.10	11.12	9.65
The Renewable Infrastructure Group	*UK Renewable Energy*	*Pound Sterling*	5.49	11.11	10.83	29.33	29.33	19.64	14.59	12.71
3i Infrastructure	*Infrastructure*	*Pound Sterling*	1.20	1.24	0.56	17.50	17.50	19.82	18.48	17.61
SQN Asset Finance Income Fund - C	*Asset Financing*	*Pound Sterling*	0.12	1.55	-0.89	3.05	3.05	17.40	7.97	-
GCP Asset Backed Income Fund	*Asset Financing*	*Pound Sterling*	0.46	1.67	4.59	10.20	10.20	9.65	7.86	-
Hipgnosis Songs Fund - C	*Song Royalties*	*Pound Sterling*	1.07	-	-	-	-	-	-	-
LIBID GBP 3 Month + 2%		*Pound Sterling*	0.23	0.66	1.34	2.69	2.69	2.66	2.52	2.48
Other / Specialist - EUR										
Greencoat Renewables	*UK Renewable Energy*	*Euro*	2.14	6.12	9.02	20.31	20.31	12.25	-	-
Cash - USD										
BlackRock USD Liquidity Premier Class	*Cash*	*US Dollar*	0.16	0.49	1.08	2.38	2.38	2.22	1.87	1.27
LIBID USD 3 Month		*US Dollar*	0.15	0.44	0.96	2.17	2.17	2.21	1.86	1.28
Cash - GBP										
Insight GBP Liquidity Fund	*Cash*	*ted Kingdom, Pou*	0.04	0.12	0.24	0.50	0.50	0.41	0.33	0.32
LIBID GBP 3 Month		*Pound Sterling*	0.06	0.17	0.33	0.68	0.68	0.65	0.51	0.47

*** Annualised**

PART FIVE: FUND FOCUS

In this section of the report we cover the underlying funds in slightly more detail in order to assist investors in gaining a better understanding of the underlying funds and the reasons we hold them. In this report we look at Fundsmith Equity Fund.

Fundsmith Equity Fund

The Fundsmith Equity Fund aims to deliver superior investment performance by investing in a concentrated portfolio of high-quality companies over the long term. It does this by adopting a “buy and hold” approach, focusing on businesses able to sustain high returns on operating capital employed, and with characteristics that are difficult for competitors to replicate. Such companies should not require significant leverage to generate returns and need to be resilient to change, particularly technological innovation, in order to provide a high degree of certainty of growth from reinvestment of their cash flows at higher rates of return.

Typically 20-30 stocks are held in the portfolio at any one point in time, with position sizes usually between 1-6%. Due to the nature of the portfolio construction process, the Fund tends to have a bias towards sectors that benefit from small, relatively predictable transactions that are non-cyclical, and where consumers have little-to-no negotiating power. This typically includes Consumer Staples, Industrials, and Healthcare businesses. Sectors that require leverage or are subject to obsolescence and fashion are usually avoided. This includes Financials, Real Estate, Pharma, Oil/Mining, Fashion, Materials and Utilities.

Performance has been industry-leading over most time frames, but can go through difficult periods due to the portfolio’s inherent sector concentration and quality bias. The focus of Fundsmith is on the very long term – this should be taken into account when considering the strategy.

Fundsmith was established in 2010 by Terry Smith, one of the most prominent UK investors over recent decades. The business is owned and controlled by its partners, who have worked closely together for many years, and is headquartered in London. The Fund is structured to survive Terry Smith’s demise and continue with the same investment philosophy. All partners of the firm have a significant co-investment in the Fund. The partnership has 27 staff in total. 7 partners (3 team members were made partners in 2018) and 23 employees. The partners are assisted by a number of experienced analysts, compliance and back office staff within an institutional quality investment boutique set-up.

Overall, the Fundsmith Equity Fund is a strong product in the global equity space. It is managed by an experienced team with a contrarian and long-term focus, and is a solid offering for those wishing to add quality to the equity portion of their portfolios.

WHY WE LIKE THE FUND:

- Excellent track record, with higher returns and lower volatility relative to the MSCI World Index
- Managed by a well-resourced and highly experienced team led by Terry Smith
- Clearly defined investment process, backed by a mix of sound investment theory and common sense
- Management style tends to make the fund less volatile than many competitor funds
- Holding 20 to 30 stocks makes it a very high conviction fund

QUARTERLY INTERNATIONAL INVESTMENT REVIEW

For the period ended 31 December 2019