NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS MULTIFUNDS PLC

Quarterly Review
Quarter 2 2021

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 30 June 2021

Asset class	Indicator	3 months	1 year	3 years	5 years	10 years
Equities	MSCI All Country World Index	7.4%	39.3%	14.6%	14.6%	6.5%
Property	FTSE EPRA/NA REIT Dev Property Index	9.4%	34.8%	7.4%	6.0%	4.8%
Bonds	JPM Global Bond Index	0.9%	-1.8%	4.3%	2.5%	2.5%
Cash	US 3-month deposits	0.0%	0.1%	1.3%	1.3%	0.5%
Inflation	US CPI	2.3%	5.3%	2.6%	2.4%	1.3%

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

Economic and market commentary

The end of June marks the end of the second quarter and the half way point in the year. A good opportunity then to stop and digest what has been more than a hearty meals worth of news and activity during what can only be described as an atypical time in everyone's lives, not just that of the economy.

And once again COVID has been the main course, supplying daily newsflow and driving both market sentiment and policy response. The continued rollout of the global vaccination program has provided support to the argument for economic expansion and the unlocking of global trade, whilst concerns around inflation (not helped by a slightly muddled rhetoric from the Fed) and the resurgence of the Delta variant have only served to pour some water onto heated expectations. But on the whole it has been a good period for risk assets with global equity markets rising 2.1% on the month of June and closing the quarter 7.1% to the good. As has been our reading, the returns have been led by those markets best placed to benefit from an early lifting (corresponding to vaccination success) with the US up 8.8% on the quarter whilst emerging markets rose 'only' 3.8% over the same period.

Whilst the case for value as an equity style remains intact for the year, and looking ahead, the quarter saw a swing back to growth orientated stocks, up 10% to value's 5% with much of the differential seen during June. A stark reminder of the complexity of global markets currently.

Within fixed income markets returns have remained mostly negative for the year albeit with some areas demonstrating a degree of resilience during the quarter. This was in part due to the mixed messaging from the Fed and a confused outlook for rates and inflation over the medium term. Both Treasuries and Gilts rallied by close to 2% on the quarter but of particular note was the stronger performance of credit over the period, in particular high yield.

Turning briefly to 'real assets' and a reflection of the inflation story that has dominated market discussion of late, property markets appeared to rally well over the quarter with the global REIT index up more than 12% over the period. But it was commodities on the whole that caught the eye with Brent Crude up more than 24% during the quarter and Energy on the whole up 22%. Industrial Metals were up almost 10% on the quarter, matching the gains seen in the first quarter of the year. If sustained these gains (costs) will feed through to consumer pricing in due course.

PART TWO: MULTIFUNDS' PERFORMANCE

All performance figures are as at 30 June 2021

Growth MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +4%	FUND GBP %	Performance Indicator GBP LIBID 3 month +4%
3 months	6.9%	1.0%	6.8%	1.0%
1 year	30.1%	4.1%	22.1%	3.9%
3 years (annualised)	10.2%	5.3%	8.4%	4.4%
Since inception* (annualised)	7.5%	4.8%	7.7%	4.4%

Balanced MultiFund

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month +2%	FUND GBP %	Performance Indicator GBP LIBID 3 month +2%
3 months	4.5%	0.5%	4.4%	0.5%
1 year	16.4%	2.1%	11.6%	1.9%
3 years (annualised)	6.7%	3.3%	5.1%	2.4%
Since inception* (annualised)	4.1%	2.8%	4.7%	2.4%

Income MultiFund Accumulating

PERIOD	FUND USD %	Performance Indicator US LIBID 3 month	FUND GBP %	Performance Indicator GBP LIBID 3 month
3 months	1.9%	0.0%	1.9%	0.0%
1 year	4.2%	0.1%	4.0%	-0.1%
3 years (annualised)	3.7%	1.3%	2.5%	0.4%
Since inception* (annualised)	3.4%	0.8%	3.1%	0.3%

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

Source Bloomberg, Nedgroup Investments

PORTFOLIO REVIEW AND CHANGES

Growth

The end of June saw the Growth MultiFund close the quarter up almost 7%, ahead of both peer group and longer term cash targets. This has built on the stronger relative and absolute performance seen on a year to date basis.

The driver of returns has undoubtedly been equities over the period and of particular note was the strong performance of FundSmith Equity which rallied over 12% on the quarter and signalled a bounce back in more 'growth' orientated positions. Our 'value' strategy, in the shape of the Dodge and Cox Global Stock fund was up a more modest 8% over the same period but remains the standout star for the year, up more than 20% in 2021 so far.

Towards the back end of the quarter we initiated a reorganisation of equity positions to incorporate specific country, regional and style allocations, complimenting core 'active' global strategies within the portfolios. This will continue into the second half of the year and will provide enhanced control of exposure. A full round up will be captured in next month's commentary.

We maintained a zero weighting to fixed income over the period, preferring real assets and alternative strategies and there were some standout names to note, in particular BMO Commercial Property which rose by almost 30% on the quarter as market sentiment turned in its favour. We have seen this position as a reflection of the unlocking of the UK domestic economy having suffered in 2020 with tenant hardship and forced closures. It is also worth noting the performance of GCP Asset Backed Income over the quarter, rising by almost 14% as discounts tightened and the market began to acknowledge management's strong, but conservative track record.

Balanced

The end of June saw the Balanced MultiFund close the quarter up more than 4%, ahead of both peer group and longer term cash targets. This has built on the stronger relative and absolute performance seen on a year to date basis.

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Towards the back end of the quarter we initiated a reorganisation of equity positions to incorporate specific country, regional and style allocations, complimenting core 'active' global strategies within the portfolios. This will continue into the second half of the year and will provide enhanced control of exposures. A full round up will be captured in next month's commentary.

Elsewhere fixed income positions contributed positive returns on the quarter and our preference for credit over duration helped offset a more positive period for longer duration positions. We consolidated our thinking further by reducing exposure to short duration treasuries in favour of short duration corporate bonds.

There were some standout names within our real asset and alternative strategy space, of particular note was BMO Commercial Property which rose by almost 30% on the quarter as market sentiment turned in its favour. We have seen this position as a reflection of the unlocking of the UK domestic economy having suffered in 2020 with tenant hardship and forced closures. It is also worth noting the performance of GCP Asset Backed Income over the quarter, rising by almost 14% as discounts tightened and the market began to acknowledge management's strong, but conservative track record.

Income

The end of June saw the Income MultiFund close the quarter up almost 2%, ahead of both peer group and longer term cash targets. This has built on the stronger relative and absolute performance seen on a year to date basis.

Fixed income positions, which make up the majority of exposure within the portfolio, contributed positive returns on the quarter and our preference for credit over duration helped offset a more constructive period for longer duration positions. We consolidated our thinking further here by reducing exposure to short duration treasuries in favour of short duration corporate bonds.

Exposure to real assets and alternative strategies have provided not only diversification but also real growth potential alongside an attractive income. In particular BMO Commercial Property which rose by almost 30% on the quarter as market sentiment turned in its favour. We have seen this position as a reflection of the unlocking of the UK domestic economy having suffered in 2020 with tenant hardship and forced closures. It is also worth noting the performance of GCP Asset Backed Income over the quarter, rising by almost 14% as discounts tightened and the market began to acknowledge management's strong, but conservative track record.

Elsewhere the relatively small position within equities has contributed to returns whilst also providing an attractive yield.

PART THREE: MARKET OUTLOOK

Our base case remains intact and if anything we have seen growing evidence to support our view on risk. To this end the economic and corporate environment remains constructive for risk assets although this is not to say that it is overly compelling as we have to reflect on valuations within certain equity sectors looking full. But policy, particularly within developed markets, remains supportive with central banks seemingly comfortable with running economies 'hot' for longer in order to stimulate a sustained economic recovery. Inflation control, for so long the raison d'etre of central banks, appears to have given way for employment support and job creation in general. And when unemployment is falling equities tend to rise. But likewise earnings and pricing power tend to increase which raises the spectre of the key economic uncertainty – inflation. In particular how transitory or entrenched might it be?

Of course the other key risk factor, COVID, remains front and centre and whilst we remain positive on the unlocking of world economies we can see a clear correlation with the localised success of vaccine rollouts and the lifting of restrictions (and domestic economic growth). The Delta variant has undoubtedly caused some market concern albeit that early evidence is for the sustained efficacy of the existing vaccine program. The (not quite) Black Swan in this case being a variant that proves resilient to current vaccines. Something that we would see as a delay to economic growth rather than a reversal.

So we remain broadly positive on risk assets, but particularly towards developed equities and specifically to the more domestic markets within Western Europe including the UK. Within fixed income asset classes we prefer credit over duration given the uncertain backdrop of rates in the mid-term. Broadly we feel that the environment is supportive towards default rates as economies expand. Last but by no means least we have a broad preference for real assets and certain alternative strategies in part to provide diversification and a degree of insurance to portfolios, something that one might have relied on fixed income for in the past. But also to provide a degree of inflation protection to portfolios.

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.

	Month to Date	3 Months	6 Months	Year to Date	1 Year	3 Years Ann	5 Years Ann	7 Years Ann
Equity - USD								
Fundsmith Equity Fund	3.60%	12.10%	14.37%	14.37%	38.72%	18.97%	19.25%	16.94%
Morgan Stanley Global Brands	2.13%	8.70%	10.52%	10.52%	25.11%	15.23%	14.84%	12.01%
Nedgroup Global Equity Fund	0.70%	7.06%	10.19%	10.19%	32.05%	14.88%	13.98%	10.14%
Dodge & Cox Global Stock Fund	-0.46%	8.20%	20.50%	20.50%	53.52%	12.28%	14.28%	8.25%
MSCI Developed World Index	*1.37%*	*7.74%*	*13.05%*	*13.05%*	*39.04%*	*14.99%*	*14.83%*	*10.16%*
MSCI ACWI Index	*1.36%*	*7.39%*	*12.30%*	*12.30%*	*39.26%*	*14.57%*	*14.61%*	*9.75%*
TT Emerging Markets Equity Fund	3.68%	8.91%	15.29%	15.29%	58.46%	15.35%	16.51%	-
MSCI Emerging Market Index	*1.33%*	*5.05%*	*7.45%*	*7.45%*	*40.90%*	*11.27%*	*13.03%*	*6.35%*
iShares FTSE UK Dividend Plus	-3.54%	4.55%	16.01%	16.01%	47.34%	0.00%	2.85%	-1.15%
iShares Edge MSCI World Value	-2.21%	2.14%	16.56%	16.56%	37.28%	5.76%	9.79%	-
iShares Core S&P 500 ETF	2.01%	8.19%	15.71%	15.71%	41.40%	17.95%	17.41%	13.66%
SPDR S&P 400 US Mid Cap ETF	-1.13%	3.26%	17.29%	17.29%	52.41%	12.20%	13.84%	10.57%
iShares EURO STOXX Mid ETF	-2.36%	4.89%	8.69%	8.69%	38.74%	7.48%	13.16%	6.78%
iShares FTSE 100 ETF	-2.99%	4.98%	11.23%	11.23%	30.51%	2.36%	6.34%	1.21%
iShares FTSE 250 ETF	-4.29%	4.03%	11.20%	11.20%	48.29%	5.98%	9.75%	4.21%
iShares Core MSCI Japan IMI ETF	-1.02%	-0.93%	0.71%	0.71%	23.29%	6.43%	9.78%	6.90%
Fixed Income - USD								
AXA US Short Duration High Yield	0.53%	1.22%	2.07%	2.07%	6.92%	4.30%	-	-
Muzinich Short Duration High Yield	0.63%	1.24%	2.21%	2.21%	8.78%	4.40%	3.96%	3.13%
ICE BofA 1-3yr BB US High Yield Index	*0.55%*	*1.44%*	*2.32%*	*2.32%*	*9.01%*	*5.72%*	*4.93%*	*4.39%*
PIMCO Global IG Credit	0.95%	2.30%	-0.63%	-0.63%	4.62%	6.08%	4.78%	4.67%
Wellington Global Credit Plus	1.38%	2.12%	-0.79%	-0.79%	4.06%	7.41%	5.15%	5.11%
Bloomberg Barclays Global Aggregate Credit Index USD H	*1.02%*	*2.10%*	*-1.04%*	*-1.04%*	*3.11%*	*6.44%*	*4.46%*	*4.40%*
iShares $ Treasury Bond 1-3YR UCITS ETF	-0.22%	-0.11%	-0.18%	-0.18%	-0.02%	2.64%	-	-
Vanguard US Government Bond Index Fund	0.63%	1.68%	-2.53%	-2.53%	-3.20%	4.45%	1.94%	2.52%
Bloomberg Barclays Global Aggregate Index USD H	*0.50%*	*0.98%*	*-1.52%*	*-1.52%*	*0.08%*	*4.59%*	*2.98%*	*3.60%*

	Month to Date	3 Months	6 Months	Year to Date	1 Year	3 Years Ann	5 Years Ann	7 Years Ann
Global Indirect Property - USD								
Nedgroup Global Property Fund	0.96%	8.84%	12.83%	12.83%	23.00%	7.60%	-	-
iShares Developed Markets Property Yield ETF	1.07%	9.33%	16.86%	16.86%	33.81%	6.47%	5.11%	5.65%
FTSE EPRA/NAREIT Developed Dividend Index	*0.83%*	*9.36%*	*15.86%*	*15.86%*	*33.63%*	*6.34%*	*4.85%*	*5.59%*
UK Direct Property - GBP								
BMO Commercial Property Trust	2.56%	29.61%	16.34%	16.34%	50.56%	-11.73%	-0.15%	0.44%
Impact Healthcare REIT	0.21%	-0.64%	4.94%	4.94%	23.07%	8.75%	-	-
Target Healthcare REIT	0.38%	3.26%	4.20%	4.20%	11.21%	7.52%	7.23%	7.45%
Renewables - GBP								
Greencoat UK Wind	-4.07%	-0.20%	-3.12%	-3.12%	-6.95%	5.63%	7.51%	8.44%
Greencoat Renewables	4.35%	4.40%	-1.65%	-1.65%	-2.22%	7.16%	-	-
John Laing Environmental Assets Group	-2.33%	-9.33%	-9.60%	-9.60%	-10.09%	4.81%	6.68%	5.68%
The Renewable Infrastructure Group	-0.30%	6.49%	3.38%	3.38%	7.18%	11.21%	11.88%	9.06%
Infrastructure - GBP								
3i Infrastructure	-1.84%	2.14%	-1.68%	-1.68%	5.24%	13.66%	13.60%	15.53%
Asset backed lending - GBP								
GCP Asset Backed Income Fund	2.92%	13.70%	16.04%	16.04%	24.54%	7.24%	6.71%	-
KKV Secured Loan Fund - C Shares	4.75%	19.71%	52.64%	52.64%	-4.56%	-12.43%	-	-
Song Royalties - GBP								
Hipgnosis Songs Fund - C	-1.31%	-2.09%	0.59%	0.59%	9.42%	-	-	-
Round Hill Music Royalty Fund	4.58%	4.86%	4.24%	4.24%	-	-	-	-
GBP LIBID 3 Month + 4%	*0.36%*	*0.98%*	*1.96%*	*1.96%*	*3.94%*	*4.41%*	*4.37%*	*4.40%*

Source Bloomberg, Nedgroup Investments

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.

Fundsmith Equity

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

Disclaimer

Nedgroup Investments MultiFunds (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 (S.I. No. 352 of 2011) as amended from time-to-time.

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The Fund and certain of its sub-funds are recognised in accordance with Section 264 of the Financial Services and Markets Act 2000. UK investors should read the Appendix for UK Investors in conjunction with the Fund's Prospectus which are available from the Manager. www.nedgroupinvestments.com.

The Fund has been recognised under paragraph 1 of Schedule 4 to the Collective Investment Schemes Act 2008 of the Isle of Man. Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

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The Prospectus of the Fund, the Supplement of its Sub-Funds and the KIIDS are available from the Investment Manager and the Distributor or from its website www.nedgroupinvestments.com

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