NEDGROUP INVESTMENTS

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Nedgroup Investments Global Equity Fund

Quarter One, 2022

Marketing Communication

1. Market Overview and Outlook

Portfolio Manager Commentary

Acheter au son du Canon?

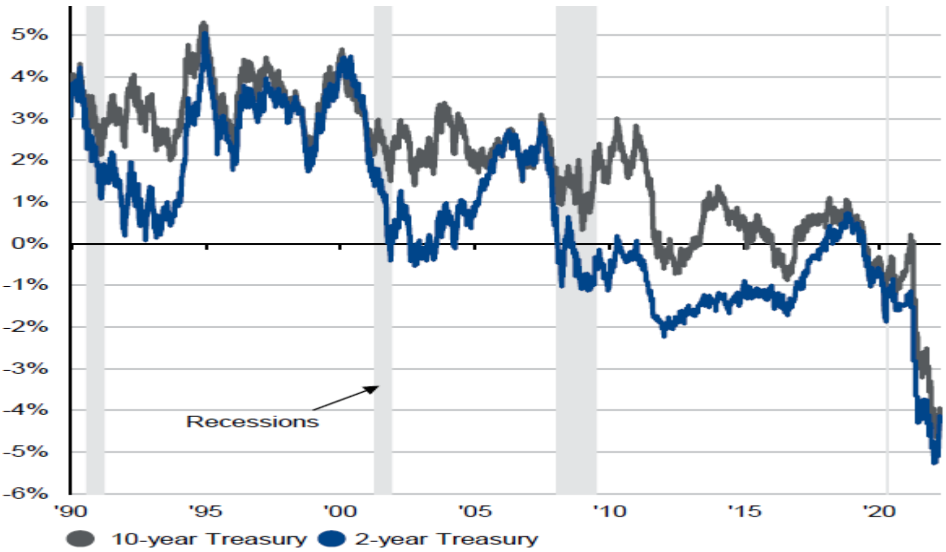
"When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing."
– Chuck Prince, CEO Citigroup, 10 July 2007

While assessing markets and events over a 3 month period makes no particular sense, the first three months of 2022 has been dominated by two events: Russia's invasion of Ukraine and the (belatedly) sharp change in rhetoric regarding interest rates by the Federal Reserve. Either of these events single-handedly should have resulted in a lowering of earnings forecasts and a decrease in asset valuations unless they had already been fully priced in by markets. However, neither of these events appear to have been expected at the start of the year and so it is somewhat surprising that the equity market (MSCI World USD) only declined by 5.15% for the first quarter.

The war being waged by Russia against the Ukraine is a humanitarian disaster and our thoughts are with all Ukrainians. It is sincerely hoped that the war comes to a peaceful and acceptable (to the Ukrainian people) resolution as soon as possible. The implications of the war in Ukraine from a financial perspective, while clearly nowhere near as important as the humanitarian issues, are substantial and widespread. Energy, food and raw material prices have increased as supply of these has been curtailed either due to sanctions or as a consequence of Ukraine being a major supplier. This has caused havoc in supply chains in Europe in particular, and the earnings effect of this has yet to feed through into forecasts. Secondary effects are increasingly likely too - with inflation in Europe running at 5.9% and in the US at 7.9% we are starting to see demands for substantial wage increases which could keep inflation uncomfortably high for a much longer period as they feed through into product and service prices, leading to further demands for wage rises as the cost of living spirals up.

This brings us to interest rates. With elevated inflation, real long term bond yields are as negative as they have ever been (see chart below). The US 10 year yields 2.34% and US inflation is at 7.9%. Unless investors in these US Treasuries are anticipating deflation, an investor in the 10 Year is guaranteeing a loss in real purchasing power by buying and owning these securities to maturity. Ben Graham defined an investment operation as "one which, on thorough analysis, promises safety of principal and a satisfactory return".

Real 10-year and 2-year U.S. Treasury yields



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Real 10-year and 2-year Treasury yields are calculated as the daily Treasury yields less year-over-year core consumer price index inflation for that month except for March 2022, where real yields are calculated by subtracting February 2022 year-over-year core inflation. Yield is not guaranteed. Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results

Presumably a satisfactory return must be greater than the level of inflation. Accordingly, Ben Graham's definition currently precludes Government bonds in the US or Europe from being part of an investment operation. The implication for investors in equities is profound: all asset values are based on the notion of a risk-free rate with the required return being at some premium to that rate. Today's high asset valuations all rest on the pin-head of tiny interest rates. Should these rates normalise to levels that are consistent with Ben Graham's definition of an investment operation (i.e. for the risk free rate to be at a small premium to expected inflation over the investment term) then all asset valuations would have to readjust (downwards!) to reflect this. As Warren Buffett said, interest rates act like financial gravity.

This is the paradox in investing today - everybody knows that interest rates are being suppressed at abnormally low levels which supports very high asset valuations yet not many investors are prepared to step off the dance floor while the music is still playing. Interest rates have been manipulated lower for so long that investors have become conditioned to expect this to continue much like Pavlov's dogs. The difference now might just be that inflation is forcing policy makers' hands. Interest rates rises seem assured and quantitative tightening seems likely. Either of these could lead to the term structure of interest rates returning once again to a level consistent with "investment operations".

Implications for the portfolio

With regards to the conflict in Ukraine, the Fund has very minimal exposure with no direct quoted exposure to either Russia or the Ukraine and we estimate around 0.75% revenue exposure to both countries across all our investments. Much of this revenue exposure is in products not subject to sanctions (healthcare products in particular) so the overall impact to the fund directly from sanctions is extremely small. We do have some investments that rely on raw materials from Russia with our highest exposure being Safran, the aerospace engine manufacturer that sources around half of its titanium from there. At the moment, titanium exports continue (not subject to sanctions) and Safran has built some stockpiles and is working to source additional titanium from their other suppliers. We will continue to monitor this (and other similar potential supply issues) but consider it to be manageable.

More relevant to the fund is the situation with regards to interest rates: interest rate rises do not affect all equities uniformly - those companies where the bulk of earnings and cash flows are likely to arise in the distant future are much more sensitive to interest rate changes. Many of the growth companies have already seen the impact of a small change to rates with the share prices of many of the non-profitable tech universe declining substantially. Conversely, companies delivering high cash flows today (and protected by substantial barriers to entry), while not completely immune to changes in interest rates are much less affected. These are the typical investments we seek at Veritas. A great example of such a company is our long-standing holding Charter:
Charter is a US communications company providing customers with TV, broadband, voice telephony and mobile telephony services. While originally built on "video" subscriptions where Charter would purchase programming from cable and broadcast networks and bundle these networks to subscribers, more recently the provision of fast broadband services has become the main driver of growth and profits. While somewhat serendipitous, the co-axial cable and associated plant that the cable companies laid during their build out phase in the 1970's - 1990's to deliver video has turned out to be good at transmitting data and upgradeable at relatively low cost. This has meant that much of the significant capital cost required to deliver fast, reliable broadband and in particular the last mile of infrastructure to connect to individual houses is largely a sunk and fully depreciated cost for these companies. Furthermore, with clever use of technology through both fibre optic cable in the backbone of the network and technology (DOCSIS) the cable companies have been able to upgrade speeds on their networks to be comparable with fibre-to-the-home (FTTH) but at a fraction of the cost that would be required to construct a FTTH network. This represents a substantial competitive advantage.

The only way to offer a competitive product for broadband in a cable area is for that competitor to build a full fibre-optic network which represents a significant capital cost. [As an aside, we do NOT believe that 5G fixed wireless broadband (FWA) is a material threat largely due to economics: the average home broadband user that does not take traditional video uses c.700Gb per month of data which costs c.$64 or c.9c per Gb. This compares to wireless data where the operators charge around $6.00 per Gb of data. If wireless operators sell their spare capacity for FWA then the revenue they generate for this capacity is under 2% of what they could generate from selling the capacity to traditional wireless sub's. To clog up their networks with such low value traffic (which if successful would lead to capacity issues for their high value mobile subscribers) would seem like economic suicide and consequently FWA is likely to remain a marginal activity in areas where mobile operators have huge excess capacity (i.e. rural).

Equally, a full fibre-optic (FTTH) network can only be profitable if it gains a large share of subscribers. However, it cannot offer anything to those subscribers that the cable company cannot already match (in terms of speed / price / service). This becomes something of a paradox for potential competitors: to compete they must invest heavily in a fibre network, but to win the customers required to make that network profitable (typically >40% market share) requires price discounting that would make the network unprofitable unless it gains even greater market share. We have seen many companies (including Google) try and make a business out of greenfield FTTH but few have yet made it a successful business that can generate a return above the cost of capital.
Recent share price weakness in the cable companies can be ascribed to two primary concerns:

- Slowing subscriber growth for the cable companies
- Increased competition through fibre "over-build".

We think these concerns are exaggerated.

Slowing subscriber growth is inevitable as the pool of subscribers that do not have fast broadband declines (now around 18% of households do not have broadband >25Mbps) and those subscribers who do have fast broadband have relatively high inertia. Most will only change suppliers if a competing product is substantially cheaper, substantially quicker, they are moving house or if they have had a poor customer service experience. These factors are rare and in most instances the hassle of changing supplier is not worth the saving or upgrade speed. This does of course have a positive and a negative for Charter – lower churn means greater stability of subscribers and commensurately lower costs but it also means fewer opportunities to win new customers. As Charter build out around 1m new home passings per year, we think they can take 40% market share in these homes over time and with some other minor share gains can add between 600k and 900k new subs per year. This compares to the more than 1m new subs per year that the company has typically achieved.

In terms of increased FTTH competition, it is certainly true that a number of companies have announced major plans to build out FTTH networks covering many millions of homes. However, it is far from clear how much of this will actually get built unless and until the networks can prove the economics to their investors. Making announcements is one thing, but actually building the networks is both expensive (and increasingly so given labour and raw material cost increases) and time consuming (permitting, sourcing materials / labour / equipment etc). When competing against cable companies whose network is almost fully depreciated and already in the ground, this is likely to prove a difficult endeavor as Google, Verizon's FioS and AT&T's U-verse so ably demonstrate. Some new fibre will undoubtedly be built and where this results in a two-player market (cable and fibre) we think that the returns to both will be acceptable although the returns to the one that starts with the highest market share (typically cable) will likely be substantially better.

The cable companies themselves are also fighting back. The simplest way is through selective price promotions where new networks are being built. Given the capital cost for the cable company is almost zero (their networks are largely fully depreciated), it is feasible for them to offer lower prices and still remain economically viable. However, they are also fighting back through offering value to the customer elsewhere, notably with their new mobile offerings. Here, the cable companies again have an advantage – when Charter and Comcast sold spectrum to Verizon they contracted for an MVNO agreement which allows Charter and Comcast to offer their own mobile plan to subscribers but using the Verizon network. For this, they pay Verizon a wholesale price for the traffic that goes over Verizon's network which is set at a discounted level to Verizon's retail price. This effectively means Charter and Comcast can offer a low-priced mobile offering to their customers with only a variable cost (the MVNO cost to Verizon) so can easily compete. In addition, the cable companies are utilizing their own vast Wi-fi network as much as possible (where they do not need to pay Verizon) and will increasingly build their own 5G mobile network in high utilization areas. This effectively means they can take the highly profitable traffic away from Verizon's network but use Verizon's network for those areas where it would never be profitable to build a 5G ubiquitous network (many suburban areas and all rural areas). Advantage cable.

The strength of Charter's position is not reflected in its share price today. Under the excellent stewardship of Tom Rutledge, Charter follows a strategy of deploying all excess capital to buy back their shares. Supported by the subscription nature of their business, Charter also utilise leverage and keep this fairly constant (between 4.0 and 4.5x EBITDA) again, using any excess capital from this source to buy back shares. In the 5 years to 31 December 2021, Charter reduced outstanding share count (including the equivalent Advance Newhouse shares) from 311m to 199m or by 36%. Over the next 5 years we estimate that with only relatively moderate EBITDA growth (c.6% CAGR) they will have the capacity to buy back c.$75bn (c.$15bn pa) worth of share which at today's share price represents around 60% of shares outstanding (while this may sound outlandish, the company bought back >$30bn of shares in the past 2 years). With modestly rising EBITDA, declining capex and substantially lower share count, free cash flow per share increases dramatically with our 2026 forecast for FCF / share at c.$100. With a share price today of c.$550 we anticipate a >15% IRR.

2. Fund performance contributors & detractors for the past quarter

Regional Attribution

	Portfolio			Index			Relative Attribution Analysis		
Region	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Allocation Effect	Selection Effect	Total Effect
Asia/Pacific Ex Japan	3.3	-15.7	-0.6	3.3	3.8	0.1	0.0	-0.7	-0.7
North America	65.5	-6.2	-4.0	72.0	-4.9	-3.3	-0.1	-0.9	-1.0
Africa/Middle East	–	–	–	0.2	-6.9	-0.0	0.0	–	0.0
Europe ex UK	10.8	0.0	-0.1	13.9	-10.0	-1.5	0.1	1.1	1.2
Japan	–	–	–	6.3	-6.6	-0.5	0.1	–	0.1
United Kingdom	9.0	7.7	0.7	4.3	1.8	0.0	0.2	0.6	0.8
Cash and equivalents	11.5	n/a	-0.4	–	–	–	0.2	–	0.2
Total	100.0	-4.5	-4.5	100.0	-5.2	-5.2	0.7	-0.0	0.6

Sector Attribution

	Portfolio			Index			Relative Attribution Analysis		
Sector	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	3.7	-2.2	-0.1	11.8	-10.6	-1.4	0.5	0.3	0.8
Consumer Staples	3.8	-14.1	-0.6	7.1	-3.6	-0.3	-0.0	-0.4	-0.4
Energy	–	–	–	4.0	30.6	1.0	-1.1	–	-1.1
Financials	2.8	-6.3	-0.2	14.1	-1.5	-0.3	-0.3	-0.1	-0.5
Health Care	28.4	-5.6	-1.6	12.6	-3.4	-0.3	0.3	-0.6	-0.4
Industrials	22.5	7.8	1.5	10.2	-6.2	-0.7	-0.2	2.9	2.7
Information Technology	10.0	-5.1	-0.5	22.4	-10.2	-2.3	0.6	0.5	1.2
Materials	–	–	–	4.4	2.6	0.1	-0.3	–	-0.3
Communication Services	17.2	-14.8	-2.7	8.0	-10.6	-0.9	-0.5	-0.8	-1.3
Utilities	–	–	–	2.8	1.3	0.1	-0.2	–	-0.2
Real Estate	–	–	–	2.8	-5.8	-0.2	0.0	–	0.0
Cash and equivalents	11.5	n/a	-0.4	–	–	–	0.2	–	0.2
Total	100.0	-4.5	-4.5	100.0	-5.2	-5.2	-1.1	1.7	0.6

Top 5 contributors and bottom 5 detractors

	Portfolio			Index			Attribution
Holding	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Total Effect
Top 5 relative stock contributors							
BAE Systems	5.2	27.3	1.3	0.0	26.8	0.0	1.4
Canadian Pacific Railway	5.0	14.9	0.7	–	–	–	0.9
Becton Dickinson	3.1	6.0	0.2	0.1	6.0	0.0	0.3
Aena SME	2.9	6.5	0.1	0.0	6.5	0.0	0.3
CVS Health	6.2	-1.5	-0.1	0.2	-1.5	-0.0	0.2
Bottom 5 relative stock contributors							
Meta Platforms Inc.	3.6	-34.1	-1.3	1.0	-33.9	-0.4	-0.7
Charter Communications	6.2	-16.3	-1.1	0.1	-16.3	-0.0	-0.7
Sonic Healthcare	2.7	-20.4	-0.7	0.0	-20.4	-0.0	-0.5
Unilever PLC	3.8	-14.1	-0.6	–	–	–	-0.3
Catalent	3.2	-13.2	-0.4	0.0	-13.4	-0.0	-0.3

Portfolio Attribution Commentary

The attribution over the quarter was dominated by fears of enduring inflation in light of the Russian invasion and which companies are relatively well positioned and also the COVID-19 trade i.e. which companies have judged to have pulled forward earnings and whether the base business would be strong enough to compensate for any COVID-19 related earnings. It does need to be emphasised that on a quarterly basis there will always be short term noise. A company can produce excellent numbers but sound a hint of caution going forward or remain silent as was the case with Sonic Healthcare and shares may be sold down by shorter term investors. The one main exception over the quarter was Meta, which fell on overly cautious forward guidance. The portfolio has no direct exposure to Russia and less than 1% of portfolio earnings are indirectly exposed to Russia.

Turning first to the main contributors over the quarter; BAE Systems (BAE) shares jumped during the quarter on the 'uncertain global environment' and 'complex threats' that have escalated in light of the Russian invasion of Ukraine. BAE generates 43 per cent of its sales from the US, 20 per cent from the UK, and 12 per cent from Saudi Arabia. This has benefited the company, because the US has increased its defence budget by around 15% over the past five years. Heightened tensions between Australia and China led to the former accounting for 4 per cent of BAE's 2021 sales, which were also bolstered by strong demand for its electronic warfare systems and growing cyber and intelligence budgets. Increased military spending in Europe is expected to boost BAE revenues in 2022 with the group highlighting countries including France and Germany, which are upping their defence budgets to meet NATO requirements. Germany has vowed to invest €100bn in its military this year and lift annual defence spending to above 2pc of GDP, the NATO target long resisted by many members. Non-US NATO countries need to boost defence budgets by 25pc to reach the goal of spending 2pc of GDP on the military. Outside of NATO, Sweden, Finland and Eastern European countries also appear likely to drive a significant acceleration in defence spending in coming years.

BAE reported sales of £21.3bn for the year to end December 2021, a 5 per cent rise. Underlying earnings before interest and tax rose 13 per cent on a constant currency basis to £2.2bn, ahead of analyst expectations. The company also reported strong cash flow of £1.86bn and increased its dividend by 6%. The company is considering using its strong balance sheet for more bolt-on acquisitions, in areas including electronic systems, space and electrification. Last year, the company struck a deal to acquire US-based Bohemia Interactive Simulations that creates realistic battlefield simulations to help train military personnel for war. It also agreed to work together with Eve, an electric vertical take-off and landing (evtol) aircraft maker that was spun out of Embraer, the Brazilian regional jet company, to develop a military variant of the evtol. BAE may benefit from being removed from some ESG exclusion lists as conflation of moral judgement with ESG is re-examined.

Canadian Pacific (CP) performed well as it is defensively positioned against the inflationary and geopolitical backdrop. Rail is 4 times more energy efficient than trucks and as inflation has risen the efficiency of railroads for moving freight has looked more attractive. Additionally, as the world isolates Russia, Canada is the best alternative for what Russia offers, including Canadian grain and national resources.

Businesses across the world have already been struggling from enormous supply chain issues since the COVID-19-related shutdowns and other restrictions began. Whilst these supply chain disruptions were expected to gradually subside as the global pandemic-related restrictions were lifted, the situation has actually worsened, in light of increased geopolitical risk and China's zero-tolerance Covid policy.

Canadian Pacific completed its acquisition of Kansas City Southern in December (subject to final regulatory approval), creating the first rail network that spans Canada, the U.S. and Mexico. Looking forward, this provides the company with a competitive advantage in terms of market reach in evolving supply chains. Canadian Pacific analysed the freight markets connecting Mexico to the U.S. Midwest. Every day, an armada of trucks sets out to link auto parts and assembly plants spread across the Midwest and Mexico. These are long hauls that are naturally conducive to rail economics, but because no single railroad connects these regions, manufacturers are forced to rely heavily on trucks. A combined Canadian Pacific Kansas City network can convert 64,000 truck shipments to rail shipments that today clog publicly maintained highways and border crossings as they move between Mexico and the Great Lakes region. Canadian Pacific has many routes that provide direct, competitive transportation services, and the proposed combination with KCS will significantly expand the ability to provide seamless links between major freight markets.

Management are focused on sustainability. Given rail fuel efficiency, the company offers a solution to customers lowering their carbon footprints. However, railroads feel the effects of climate change directly. Wildfires, floods and other natural disasters can and have shut down rail lines. This extreme weather, including droughts seen in western Canada last year was responsible for a 11% decline in Revenue Tonnes per Mile (RTM) due to 8 days lost from weather in British Columbia. CP is thus committed to climate transition and has installed a solar farm at their headquarters in Calgary that is expected to generate more power than they consume annually at the head office, and they are pioneering the development of zero-emissions locomotives that use hydrogen fuel cells to power their traction motors.

Becton Dickinson (BD) is a medical technology company that develops, manufactures, and sells a range of medical supplies, devices, laboratory equipment, and diagnostic products. Its products range from syringes used to administer vaccines, through to insulin needles for diabetes and infusion pumps to deliver fluids to the patient. BD delivered a solid set of results with better-than-expected base business revenues (excluding COVID-19 diagnostics) which increased 7.8% despite the December uptick of Omicron cases weighing on US hospital volumes. The company also increased full year revenue and earnings guidance. Impressively, Becton is navigating the current inflationary environment despite the input cost increases in resins, shipping, electronic components. The company has been able to take appropriate price actions and accelerate cost mitigation programs. The breadth and diversification of the total Becton portfolio provides it with a distinct competitive advantage and provides insulation against COVID-driven procedure fluctuations, as demonstrated by the revenue performance across the three segments. The medical segment, which grew by 6% benefitted from strong growth in medication delivery systems where BD was able to increase prices to manage inflationary cost pressures and pharmaceutical systems where BD's capacity expansion is enabling them to meet strong demand for prefillable syringes as customers continue to switch their biologic, vaccines and other injectable drugs to this format. The interventional segment, which grew by 4% reflected the recovery in deferrable procedures with strong growth in surgery and urology in particular. The Life Sciences segment revenues rose by over 17% and includes diagnostics including COVID related revenues.

The combination of better than expected revenues and faster than forecast realisation of price increases enabled Becton to deliver base business operating margins ahead of prior expectations with operating margins of 25.4%. The strong cash flow continues to enable investments in R&D and tuck-in M&A, which is fuelling the BD2025 strategy. In Q1, they closed 3 acquisitions, Scanwell, Tissuemed and Venclose. These acquisitions advance the strategy to expand in higher-growth spaces that complement the portfolio. Scanwell, for example, is a smartphone-enabled at-home medical tests company which will add further to transformative at-home solutions Becton offer. The focus on value creation was also exemplified during the quarter by the Board of Directors approving the spin-off of embecta, the diabetes business. The separation of the diabetes care business from the rest of BD is consistent with BD's growth strategy and helps to sharpen its focus on its core innovation priorities.

Waves of coronavirus infections followed by rounds of travel restrictions around the world have impacted airport operators. Spanish airport operator Aena narrowed its loss in 2021 by half as passenger traffic through its terminals recovered some ground from the 2020 slump. The company expects its passenger traffic in 2022 at 68% of pre-pandemic levels but expected traffic through Spanish terminals to recover to pre-pandemic levels during the summer, while seats on flights to and from Spain between March-October to rise around 3.6% compared with the same period in 2019. Aena's revenue growth in 2021 was driven by a 35% increase in aeronautical revenues, fees charged to airlines, which more than offset a 23% decline in commercial revenues, rents charged to shops and other businesses operating in the airports. Looking ahead Aena is well positioned to benefit from enduring trends and at the same time offer defensive qualities given the geo-political backdrop. First, is exposure to tourism. One consequence of the pandemic is a potential structural change to long haul travel. Much has been made of the impacts that the pandemic has had on the way we work and communicate. Several studies point to varying levels of structural declines in business traffic as a result of the rapid shift towards virtual communication. Mexico is cited as an example. Leisure exposed airports such as Cancun Airport have seen a very strong recovery in traffic as vaccination rates have increased, whilst more business exposed airports, such as Monterrey Airport, have lagged in their recovery. A recent Bloomberg survey of large US corporates that found 84% expect to spend less on travel post-pandemic and a Morgan Stanley study argues that corporates expect video conferencing to take 29% of volumes in 2022 and 19% in 2023. As a result, short-haul, leisure exposed airports should be better positioned, and especially European airports with large Intra Europe exposure. We expect to see a strong rebound in traffic as travellers look to take a holiday, elect for experiences over product or travel to see family. Second, is a shift in airline logistics. Airlines are increasingly shifting their fleets towards smaller, more fuel-efficient and more flexible aircraft for long-haul operations. One of the implications of this shift for airports is that more planes need to land and take-off to cater to the same number of passengers as they did in 2019. This is posing a potential problem for airports that suffer from runway capacity constraints and had benefitted from the scale of larger planes like the A380 as a result. Another, longer term consequence is the shift that is slowly occurring in airline route planning. With early signs of a transition in the global aviation structure from the hub-and-spoke model favoured by most long-haul airlines today to an increasingly point-to-point model. In the hub-and-spoke model, airlines serve passengers by filtering them to ‘hub’ airports and then connecting passengers on to their final destination via large aircraft to create economies of scale. Whilst under the point-to-point model the airline instead creates more direct routes serviced by smaller planes to take the passenger direct from point-A to point-B. The implications of this are that airports which previously served as these ‘hubs’ face the risk of large structural declines in this portion of traffic that previously transited through their airport. These passengers are referred to as ‘transfer’ passengers; meaning that the airport is not their city of departure nor final destination but rather where they connect on to an onward flight at the airport. As a result of these risks, airports with more limited exposure to transfer passengers are at an advantage. Aena’s airports are the initial departure point or final destination for 93% of their passengers. Third, is real estate assets. One area of the Aena airport portfolio, which is relatively small that performed well during the pandemic has been the real estate owned around the airports. These assets have provided a steady stream of income with little-to-no correlation to the suppressed passenger traffic, with many airports benefitting from the increased demand for cargo/industrial from e-commerce tenants in response to the boom in online shopping as a result of the pandemic. Airport operators are developing this surplus land into substantial property portfolios, which typically incorporate a mix of commercial, industrial, hotel and retail tenants. Aena is to invest 4.3bn Euros in the construction of two real estate complexes, one next to Barajas airport in Madrid and the other near El Prat Airport in Barcelona. Both include e-commerce warehousing and logistics parks. Fourth, is China geo-political risk. Chinese travellers spend up to 5 times that of the average passenger, meaning that any change in traffic has a disproportionate impact on earnings for the airports. The pandemic has seen China’s borders shut for over two years, adopting a zero-COVID approach whilst the rest of the world seeks to find a way to live with the virus. This market contributed less than 1% of pre-COVID earnings for Aena. Fifth, less decarbonisation risk. A risk of the decarbonisation process for airports is the push towards high-speed rail as a lower carbon footprint transport alternative to air travel. Governments are introducing measures to encourage high-speed rail via cost incentives and increased investment to reduce travel times on key routes. Any journeys which can be completed via rail in six hours or less could be at risk of disruption from these measures. The majority of the Aena portfolio serve populations that have limited or no high-speed rail alternatives.

CVS Health embodies a good quality company with forward thinking management. In the last 12 months, the company is starting to reap the benefits of moving to a omnichannel health strategy, which it is accelerating. The company has three broad areas, all of which have contributed to growth. The Health Care Benefits segment offers a full range of insured and self-insured medical, pharmacy, dental and behavioural health products and services. CVS bought Aetna insurance in 2016. Membership grew over the year to 23.8 million medical insurance customers at the end of 2021. Paired with higher health insurance premiums, the segment's revenue advanced 8.7% year over year in 2021. The Pharmacy Services segment provides a full range of pharmacy benefit management solutions to employers, health plans, government employee groups and government sponsored programs. This includes helping to lower the price of drugs by producing approved lists of drugs for its insurance company clients. This segment saw total pharmacy claims climb 6.2% year over year to 2.2 billion. This was the result of an increase in new therapy prescriptions as more patients visited doctors as well as the administration of COVID-19 vaccinations that brought in new business. Even excluding the effect of COVID-19 vaccinations, CVS Health's total pharmacy claims processed would have edged 4.2% higher against the year-ago period. This helped lead the segment's revenue 7.8% higher year over year in 2021. The Retail/Long-Term-

Care segment fulfils prescriptions for medications, provides patient care programs, sells a wide assortment of health and wellness products and general merchandise, provides health care services through walk-in medical clinics, provides medical diagnostic testing, administers vaccinations and provides pharmacy services to long-term care facilities. This segment grew by 9.8% over the year-ago period. CVS Health estimates that approximately 45% of the segment's revenue growth in 2021 was the result of COVID-19 vaccinations, diagnostic testing, and over-the-counter test kit sales to its customers. CVS Administered more than 8 million COVID-19 tests and more than 20 million COVID-19 vaccines nationwide in the fourth quarter of 2021. For the full year, the Company administered more than 32 million COVID-19 tests and more than 59 million COVID-19 vaccine. The company announced a 10% increase in the annual dividend, paid down over $2bn of debt and announced a $10bn share repurchase program. Consumers don't want to wait in line or visit a doctor in person if they don't need to. CVS has already seen some benefit from transforming many of its locations into HealthHUBs, which provide an array of services. Customers can get treated for common illnesses (such as strep throat or ear infections) and have professionals help them manage chronic conditions like diabetes through screenings, counselling, and treatment. They can book online and not have to wait for hours in a hospital outpatients. CVS is confronting the digital wave in healthcare further as consumers increasingly turn to their phones and computers over brick-and-mortar clinics and stores. CVS was investing in digital technologies prior to the COVID-19 pandemic and that strategy proved to be a key strength for CVS during the past 18 months. CVS Health's reported a 600% surge in use of its retail health clinics via telehealth and a big jump in home prescription delivery in May 2020 versus 2019. CVS Health is now tapping into Microsoft's technologies, including cloud computing and artificial intelligence, to accelerate its "digital-first" strategy. CVS will migrate 1,500 new and existing business applications onto Azure. The company also aims to leverage Microsoft's technology to provide customised care experiences by combining information across different areas of the company to deliver personalised health recommendations when and where consumers need them. The company will scale up retail loyalty and personalisation programs that use advanced machine learning models running on Azure. The company launched a new Aetna-backed telehealth platform that combines in-person and virtual care for self-funded businesses. That program has grown to 30 customer accounts with over 750,000 eligible members as of Jan. 1, 2022. CVS Health is aiming to deliver health care wherever the client wants it. They plan to use things like nudges via phones and be alert to when a customer is ready to take the next best action for them, and then time the message to engage that customer. Looking at the customer's overarching care plan and then have mobile alerts delivered just in time for an annual cancer screening or perhaps a reminder to buy sunscreen if the customer has a heightened risk for melanoma.

Turning to the largest detractors over the period. Meta Platforms Inc. reported its fourth-quarter result for the year ended Dec 2021 with revenue growing 20% year over year to $33.7 billion, but net income fell 8% to $10.3 billion. While the top line exceeded analyst expectations, its bottom line was a little light as cost came in higher than expected. The real issue, however, was in the weak guidance. Meta guided for revenue to grow just 3% to 11% year over year in the first quarter of 2022. There are many reasons behind the weak guidance which caused the stock to fall. First, Meta faces a tough comparison against its 48% growth in the first quarter of 2021. Second and most importantly, the company estimated a $10bn hit in 2022 from the headwinds on ad targeting. If you're getting a service for free your data is likely being sold in the process. On average apps have six different trackers from other companies with the sole purpose of collecting personal traffic information. That information is then packaged and sold through third party platforms like Meta's ad platform to enable targeted advertising. This explains why the interest you showed in a new pair of running shoes leads to adverts following you around the web. The industry was valued at $227 billion a year in 2019. Starting with iOS 14.5 (released June 2021), users were given the ability to opt out of sharing their IDFA tag — a unique profile number those advertisers use for targeting on third party platforms like Facebook and Instagram, thus giving users the power to actively give apps permission to track their journeys across the web . iPhones prior to iOS 14.5 came with IDFA software and no option to turn off tracking. Approximately 55-60% of Meta's business relies on IDFA and thus close to a year of the app tracking transparency changes, it seems like Meta is faring worse than other companies because a bigger chunk of Facebook's ad revenue relies on IDFA data. The third factor for weak guidance, the company pointed out that TikTok's short video format is a threat to Meta since the TikTok app competes with Meta for user screen time and especially given the popularity of short-form video. This last point was widely reported in the press as the reason for the drop in the number of Daily Active Users (DAU) fell to 1.929bn in the three-month reporting period, compared to 1.930bn in the previous quarter; the first drop ever recorded, albeit more of a rounding error. Meta has been making investments in video services to compete with TikTok (Reels) but it makes less money from those offerings than its traditional Facebook and Instagram feeds, and the more time people spend looking at cat videos, the less time they spend on the higher monetised platforms e.g. there is approximately 1 ad for every 3-4 ads Instagram posts but only 1 in every 10 short video Reel posts. The fourth concern for investors, was the potential cash burn of Meta's investment into the Metaverse. Meta aims to become a leader in the metaverse race by investing in technologies, such as virtual reality (Oculus) and augmented reality. While the metaverse industry looks promising - J.P. Morgan thinks it is worth $1 trillion in yearly revenue - there is no guarantee that it is not a fad. Even if the metaverse trend is valid, it will take years, if not decades, for Meta to make serious money. Its latest numbers clearly illustrated that. Reality Labs, the company's metaverse segment, reported $877 million in revenue in Q4 2021. That was 2.6% of its companywide revenue. Operating loss, however, came in at $3.3 billion. So in summary, while the pivot to the Metaverse provides a needed change to potentially ignite future growth, it comes at a time when top line revenue is slowing, and user growth is levelling off because of competition, a perfect catalyst for a selloff. So, why was the position in Meta added to over the quarter? Most adults are much more influenced by habits, familiarity and importantly their wide social network. They use Instagram, Facebook, WhatsApp, Messenger because friends and family are all there, as is their running club, the school, the rugby team etc. This network effect creates inertia and is hard to replicate. When signing up to a new Meta property you remain connected to this social graph so Instagram knows all of the people you want to connect with. This is why Meta may be a winner in the "metaverse" and is why they are emphasising the importance of interoperability between 2D and 3D platforms so as to ensure social networks don't splinter. While TikTok is attracting the engagement of younger cohorts, this does not appear to be to the detriment of their time spent on Meta properties, and penetration remains much lower in older, more valuable demographics. As long as Meta adequately integrates their equivalent short form video (Reels) thus not giving people a reason to leave, it is unlikely that TikTok will be able to achieve ubiquity or provide the same social functions as Meta. Not enough people will see the value of an additional app. You add to this the risk that TikTok is owned by Chinese company Bytedance and the likely increased regulatory scrutiny this may attract in light of US/China relations especially when it comes to tech. In return for the free services that Meta provide, users implicitly agree to have some of their attention sold to advertisers. Meta's true customers are the businesses that advertise on its platforms, and its product is the part of a user's attention that can be given over to advertising without compromising their experience. The more likely a consumer is to buy a given product, the more valuable their attention is to potential vendors that can serve this need. Through the collection and interpretation of data Meta is able to continuously refine its understanding of its users' needs and wants and expose their attention to the advertisers that are best able to monetise the impression. Currently, 10 million small and medium size businesses advertise on Meta platforms but 200 million post on the platforms, so the potential is significant as meta finds workarounds for the IDFA issue. Facilitating sales without leaving the platform and taking a share of the sale is just one area of growth.

Charter Communications fell over the quarter on continued short-term concerns over comparative data. The trend in 'cutting the cord' continues with Charter losing 58,000 pay TV subscribers in the final quarter of 2021, compared with a loss of 35,000 in the year-ago period. As of the end of 2021, it still had more than 15.8 million total video subscribers, but this is not its growth business. Broadband Internet business is a growth business but recorded 'only' 190,000 subscriber net additions, down from 246,000 in the comparable quarter of 2020. Not surprising given the stay-at-home Covid tailwind. As of the end of 2021, Charter had nearly 30.1 million total broadband customers. The biggest single opportunity and the biggest growth driver going forward is mobile. Charter is now integrating mobile with its core cable products for both residential and business customers and it's winning in this convergence which provides the opportunity. Charter added 380,000 mobile phone lines in the fourth quarter, up from 315,000 additions in the year-ago period and ending 2021 with more than 3.56 million. US incumbent service providers in mobile generally lack pricing power, and will be hard-pressed to retain subscriber growth in the face of rising competition from Multiple System Operators (MSOs). Charter has positioned Wi-Fi as a cornerstone of their mobile strategy. The company is moving substantial amounts of customer data off Verizon's LTE network and onto Wi-Fi networks, including their own hotspots. That's critical to the cable companies' mobile business models because they're widely believed to pay Verizon for every GB their mobile customers download from Verizon's network. Thus, moving their customers off Verizon's network and onto Wi-Fi essentially eliminates those per-GB payments. Charter's mobile customers spend substantially more time on Wi-Fi than Verizon's customers do. Charter offer mobile services to their existing cable customers in their cable footprints through a Mobile Virtual Network Operator (MVNO) agreement with Verizon. Charter's Spectrum Mobile basically piggybacks on the wireless network of Verizon; MVNOs provide services like activation and billing while network operators handle the underlying connectivity. Charter have made no secret of their desire to reduce their payments to Verizon. Charter is moving ahead with a plan to conduct a CBRS (spectrum it bought at auction) field trial involving thousands of small cells in one full market area in early 2022. Charter will use the coming field trial to learn how to operate a CBRS network in conjunction with its MVNO deal (with Verizon) and Charter's own network of Wi-Fi hotspots, and to see how seamlessly it can switch customers from one type of network to another. At issue here is the notion of "owner's economics," wherein profit margins widen when companies actually own the network they're using. Charter now offer pricing below what wireless network operators like Verizon and AT&T charge. Charter mobile users consume roughly 80% of their overall smartphone usage on hotspots, with the remaining 20% going over Verizon's cellular network. Charter's plan to build a widespread 5G network with its 3.5GHz CBRS spectrum holdings would follow the same pattern.

Shares in Sonic Healthcare dropped as worries over future demand for COVID-19 PCR (polymerase chain reaction) tests outweighed record profits. The Australian based healthcare provider, which also has significant operations in the US, UK, Germany and Switzerland, posted a seven per cent increase in revenue to $4.8 billion for the December half and a net profit of $828 million, a rise of 22 per cent. The business has increased its net debt, having spent $585 million during 1H22 on acquisitions and investments, including acquiring US-based ProPath for US$110 million and Australian company Canberra Imaging Group for $60 million, as well as investing in Sydney-based Harrison.ai. Even after the investments and the announcement of a $500 million buy-back of its shares, debt-to-equity ratios are at a record low, with the business sitting on more than $900 million of available liquidity. Sonic has benefitted during the pandemic by providing high-volume, high-quality PCR testing, antibody testing, genetic sequencing and vaccination services. The non-COVID base business includes medical diagnostic services, radiology and primary care medical centres, grew 4.3% with revenue growth particularly strong in the Australian Laboratory division (up 38%). Sonic’s earnings grew 18 per cent, well above revenue growth, clearly demonstrating the operating leverage in the businesses. Ongoing base business growth, alongside pandemic-driven testing, helped raise the first-half dividend payment by 11 per cent to 40¢ per share. The business expects COVID testing requirements to continue in the near-term future and has confirmed an active pipeline of M&A opportunities. However, guidance for 2H22 was not provided as COVID revenues remain unpredictable. And this has not helped sentiment. Although PCR testing in Europe remains high, Australia and the US are experiencing a slow-down in testing requirements. Consolidation is continuing within the pathology profession. It is also a sign that smaller pathology groups will find it increasingly difficult to compete and stay profitable as new technologies transform the surgical pathology profession, such as digital pathology platforms. Sonic has been a major acquirer of anatomical practices in the United States. The US anatomical pathology market is estimated to be in excess of US$10 billion per annum (in addition to the >US$70 billion clinical laboratory market) and Sonic is already one of the largest participants following previous acquisitions, including the Aurora Diagnostics transaction in 2019. Harrison.ai which was bought during Q1 is a Sydney-based software company that builds AI tools for the medical industry. Being largely a pathology company, but also radiology company, those two spaces are very hot and obviously receptive to potential AI solutions to improve efficiency and accuracy in diagnosis. The main focus in the first couple of years will be on histopathology, which is a subset of pathologies involving looking at human tissues for disease diagnosis.

Unilever has been overhauling its business, most notably by switching from a dual listing to a single listing in late 2020. That change is important because it will make it easier for the company to buy and sell assets as it looks to move its portfolio towards the beauty, health and well-being product categories, which leads in part to the reason for Unilever’s turbulent quarter. Unilever is basically looking to get into faster-growing businesses than it currently owns. Whilst this is welcomed, its bid of $68bn for GlaxoSmithKline’s (GSK) consumer healthcare business in January was not. The bid was too high for assets that were not necessarily going to grow any quicker than its existing brands. The bid was rejected and the company, under shareholder pressure, walked away from an increased bid. The company argued that the deal would add GSK's brands in oral care and vitamins, minerals and supplements to its own presence in those sectors and create scale and a growth platform for the combined portfolio in the US, China and India. Investors felt it was a desperate move prompted by the company lagging rivals such as Procter & Gamble, Reckitt Benckiser and Nestlé. Even at the rejected price, the company would have been forced to sell assets to fund the deal unless it materially leveraged up its balance sheet. Unilever's debt-to-equity ratio is around twice that of Procter and Gamble. The shares rallied once the deal failed only to fall back later in the quarter on its earnings report. Fourth quarter underlying sales rose by 4.9 per cent, beating analyst forecasts and full-year sales growth came in at its strongest in nine years at 4.5 per cent. It also raised underlying prices by 2.9% in 2021, including a 4.9% jump in the fourth quarter which helped ease the pressure on margins but the issue was the warning of a hit to profitability this year as it struggles to lift prices enough to offset soaring costs. Consumer goods companies are grappling with a surge in commodities, energy, transport and labour costs. Unilever is particularly exposed because of its reliance on emerging markets and food - where inflation is especially high. It expected underlying operating margins to drop by 140-240 basis points this year, following just a 10-basis point fall in 2021. Specifically, it said it faced a 2 billion euros-plus ($2.3 billion) hit from inflation in the first half of 2022, falling to about 1.5 billion euros in the second half. The company said the fall in margins was also due to investments in advertising, R&D and operational capital expenditure and that it expected them to be "restored after 2022, with the bulk coming back in 2023 and the rest in 2024." The company has ruled out large acquisitions and said it would buy back up to 3 billion euros of shares over the next two years. The buyback reassures that they are committed to shareholder returns but, on the negative side, they see fewer investment opportunities within their own business. The proceeds for selling their tea business were 4.5 billion euros, so they're not even giving back the full proceeds from that money coming in. Forward looking guidance and sentiment is key and highlighted by Reckitts, announcing slower growth, a flat dividend and a halving of free cash flow but the shares performing better. Whilst both are suffering inflationary pressures, RB said it is "targeting growth" in operating profit margins for 2022, whereas Unilever, warned that operating margins are expected to be down. This is partly down to product mix and short-term benefits.

Catalent is an enabler in that it provides the tools and services to help a drug developer identify, test and ultimately manufacture a product. Catalent has grown from its roots in softgel, oral products, and clinical packaging production services into its role as biopharma's leading global provider of development, drug delivery technologies, and manufacturing solutions across many modalities.

Net revenues was up 32% and net income up 43% during the quarter, with revenue driven by strong Biologics growth (+60%) including the fill/finish of COVID vaccines for the likes of J&J and Moderna. Despite growth in Softgel and Oral Technologies division and increased fiscal 2022 guidance, the shares lagged the market. The company has already exceeded its 2024 targets set in 2020 and thus raised targets for 2026. Biologics growth is expected to maintain 10-15% growth pa, despite COVID- vaccine/drug related declines in later years, with guidance that after 2023, COVID is expected to be a significantly lower contributor. Investors are focussed on this inevitable drop off rather than the opportunities offered by the company's leading edge in the growing areas of gene therapy and cell therapy. Gene therapy – the genetic modification of cells to produce a therapeutic effect or the treatment of disease by repairing or reconstructing defective genetic material – relies on 70% of work being outsourced. Catalent has made significant investments including acquiring Paragon, a leader in the field, from which they have built out capacity to be able to match the growing demand expected.

Catalent has built a balanced portfolio of diverse and profitable business areas. The most recent large acquisition involved expanding the consumer health segment with capacity and formulation expertise to produce new dose forms—gummies, lozenges, and soft chews—that are experiencing high demand and growth.

The work of vaccinating the world and providing boosters to sustain immunity is still far from over. With the transition into an endemic phase of the COVID-19 pandemic, the vaccines available shift to production formats with a lower dose per unit count. As a manufacturer focused on delivery by unit, this shift would be expected to result in relatively sustained demand over time.

3. Current Positioning

Top 10 Portfolio Holdings

Holding	Sector	Country	Portfolio %
Alphabet	Communication Services	United States	7.1
CVS Health	Health Care	United States	5.9
Charter Communications	Communication Services	United States	5.7
Canadian Pacific Railway	Industrials	Canada	5.5
BAE Systems	Industrials	United Kingdom	5.4
Meta Platforms Inc.	Communication Services	United States	4.2
Fiserv	Information Technology	United States	4.1
Amazon.com	Consumer Discretionary	United States	3.9
Safran	Industrials	France	3.8
Vinci	Industrials	France	3.8
Total			49.3

Please refer to portfolio commentary under items 1 and 2 for further information on current positioning and outlook.

4. Responsible Investment

Proxy Voting

As long-term shareholders of equities, we believe in voting on all resolutions. We employ a customised policy which is applied by Institutional Shareholder Services ("ISS") and incorporates the Environmental, Social and Governance ("ESG") Red Lines, developed by the non-profit organisation Association of Member Nominated Trustees ("AMNT"). Whilst we believe in the philosophy behind the ESG Red Lines, they are designed to be applicable to companies within pooled vehicles and only companies domiciled in the UK. As a result, we have signed up ISS to apply a customised screen whereby the Red Lines are applied to UK equities and Global equities on a best endeavours basis. ISS, our third-party proxy advisor, provide us with company research and vote recommendations for each meeting resolution based on our blended policy, in addition to providing the vote execution service for the firm. The global investment team will use the research provided alongside their own analysis to determine their vote decision. It is not uncommon for the investment team to have a view which differs to that of our policy vote recommendation. In this scenario we provide rationale to justify our voting decision.

The first section of this report details the overall votes cast and the breakdown of these votes. In cases where we voted "AGAINST" management, rationale is provided.

During the period there were 3 meetings and 43 votable resolutions across the companies: Aena S.M.E. SA, Becton, Dickinson and Company and The Cooper Companies, Inc.

Voting statistics	
Meetings voted	3
Votes Cast	43
Votes "FOR" Management	42
Votes "AGAINST" Management	1

Votes by country	%
United States	58.1
Spain	41.9

Votes by Industry sector [1]	%
Health Care Equipment & Supplies	58.1
Transportation Infrastructure	41.9

"FOR" Management

"AGAINST" Management

[1] Votes by Industry Sector uses the Global Industry Classification Standard ("GICs") coding level 3 "Industry" classification.

Source : Veritas Asset Management, ISS

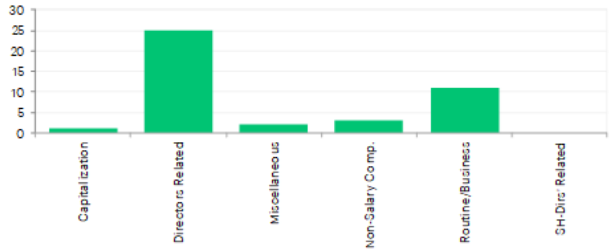
Proxy Voting - Proposal Categorisation

The information provided below details the vote categorisation.

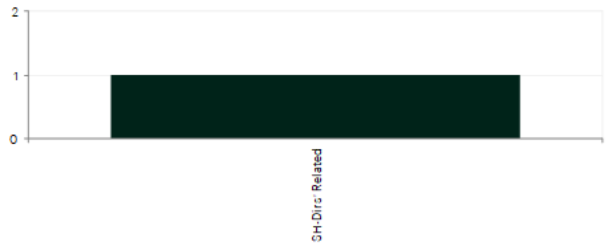
Vote categorisation [1]

Category	Votes "FOR" Management	Votes "AGAINST" Management	Total
Capitalization	1	-	1
Directors Related	25	-	25
Miscellaneous	2	-	2
Non-Salary Comp.	3	-	3
Routine/Business	11	-	11
SH-Dirs' Related [2]	-	1	1
Total	**42**	**1**	**43**

Votes "FOR" Management Categorisation



Votes "AGAINST" Management Categorisation



[2] Please refer to the glossary for descriptions of category classifications.
Source : Veritas Asset Management/ISS

"AGAINST". Please see detailed below rationale examples where votes cast have resulted in a vote "AGAINST" management.

VAM LLP Rationale – Votes "AGAINST" Management Recommendation

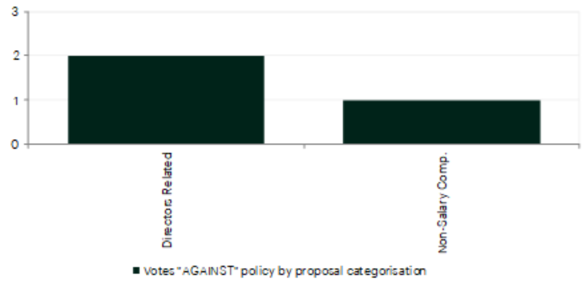
Report Item	Company	Proposal	Management Vote Recommendation	VAM LLP Vote	Voter Rationale
1	Becton, Dickinson and Company	Reduce Ownership Threshold for Shareholders to Call Special Meeting	"AGAINST"	"FOR"	A vote FOR this proposal is warranted as a lower threshold would enhance the current shareholder right to call special meetings.

Proxy Voting - ESG Red Lines

The second part of the voting report focuses on the customised Red Line element of our policy. Across the 43 resolutions voted during the period, the overall number of resolutions which triggered the Red Line element of our customised policy was 3. We voted in line ("FOR") on 0 resolution and contrary to ("AGAINST") for the remaining 3 resolutions. In keeping with the AMNT requirement to either comply or explain, please see below rationale examples where votes cast have resulted in a vote "Contrary to" the Red Line element of our policy. Should you require further examples of rationale please contact us directly.

Votes"FOR" and "AGAINST" VAM LLP Policy

Votes	Red line[1]	Total
Number of votes "FOR" Policy	-	40
Number of votes "AGAINST" Policy	3	3
Total	**3**	**43**



Report Item	Company	Proposal	Red Line Vote Recommendation	VAM LLP Vote	Voter Rationale
1	Aena S.M.E. SA	Reelect Maurici Lucena Betriu as Director	"AGAINST"	"FOR"	Veritas voted contrary to the guidance provided by the following Red Lines; Red Line S4 - The level of gender diversity on board is below 40% and has not improved compared to the previous year. Red Line G6 - At least one director will have served continuously as such for more than three years without having been re-elected at a general meeting. AENA is 51% owned by the Spanish government and as such the Chair / CEO is combined as one role (and is a political appointment). With regards to gender diversity, this is something that Veritas have raised with the company and they are working to increase but there are two mitigating factors: i) turnover of independent directors is low and ii) 6 of the directors are directly appointed by the Government and consequently Aena have no say in gender of that person. Lastly, the Gov't appoints for 4 year terms so again, given the nature of the company there isn't much Veritas can do about that with regards to the majority shareholders representative.
2	The Cooper Companies, Inc.	Elect Director Robert S. Weiss	"AGAINST"	"FOR"	Veritas voted contrary to the guidance provided by the following Red Lines; Red Line E2 - The company has failed to disclose quantitative and qualitative environmental information through CDP's climate change, water and forests questionnaires. Red Line E4 - The company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 2-degree scenario. Veritas engaged with management before voting and were given assurances that in addition to current Scope 1 & 2 reporting (to SASB), Scope 3 emissions are currently being calculated (target Dec 2022) with a view to disclosing in May 2023 to investors and to the CDP, with subsequent alignment to TCFD, allowing science-based targets to be set. The company committed to Veritas to introduce and disclose science-based emission reduction targets with a coherent strategy and action plan towards a net zero target.
3	The Cooper Companies, Inc.	Advisory Vote to Ratify Named Executive Officers' Compensation	"AGAINST"	"FOR"	Veritas voted contrary to the guidance provided by Red Line G18; Performance-based awards account for less than 50% of the total LTI awards. Veritas voted with management recommendations which meant voting against the Red Line voting policy recommendation. Veritas are cognizant of a growing requirement of investors to see pre-defined, performance conditions over at least 3 years. Veritas were confident that the current Board and management team were indeed making long-term investment decisions in deploying shareholders' funds as evidence by the current strategy, past capital deployment and long-tenure.

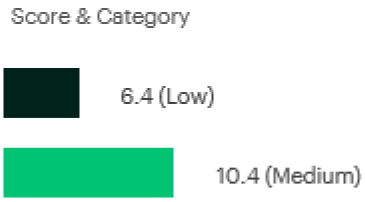
Portfolio Carbon Analysis Overview

The Carbon Portfolio Report provides a deeper understanding of a portfolio's position with regards to the transition towards a low carbon economy. It compares the portfolio with a benchmark across five carbon assessments: Carbon Risk Rating, Carbon Intensity, Fossil Fuel Involvement, Stranded Assets Exposure, and Carbon Solutions Involvement. The combination of these assessments provides a multi -dimensional view of the portfolio's performance versus the benchmark and provide useful insights about the portfolio holdings.

Portfolio   Global Developed Benchmark

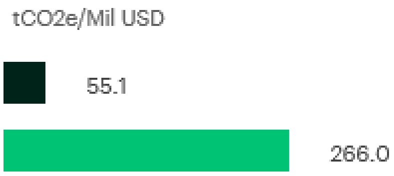
Carbon Risk Rating

The Carbon Risk Rating quantifies the company's exposure and management of material carbon issues in its own operations as well as its products and services. Overall, the portfolio falls into the Low carbon risk category, and has 39% lower carbon risk than the benchmark.



Carbon Intensity

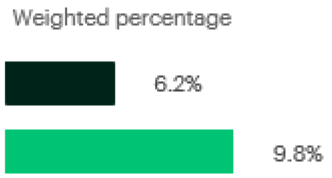
Carbon intensity is a relative metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per million USD of total revenue. Overall, the portfolio is 79% less carbon intensive than the benchmark.



NEDGROUP INVESTMENTS

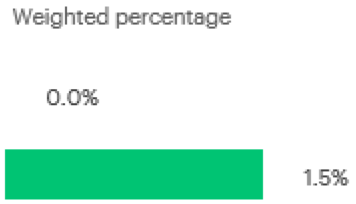
Fossil Fuels

Fossil Fuel Involvement measures the percentage of revenue that companies derive from thermal coal extraction, coal -based power generation, oil & gas production, oil & gas -based power generation, and oil & gas -related products and services. Overall, the portfolio has 36% less exposure to Fossil Fuels than the benchmark.



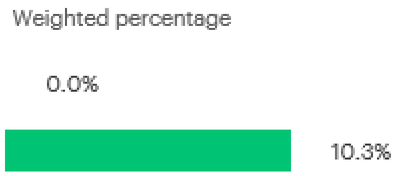
Stranded Assets

The Stranded Assets Exposure Score assesses the financial risk associated with fossil fuel production and reserves, and any specific involvement in high -cost fossil fuel projects. Overall, the portfolio has 100% less exposure to Stranded Asset Risk than the benchmark.



Carbon Solutions

Carbon Solutions Involvement measures the percentage of revenue that companies derive from green transportation and renewable energy. Overall, the portfolio has 100% less exposure to Carbon Solutions than the benchmark.



Disclaimer

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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 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.

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U.K: Nedgroup Investment Advisors (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.

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