



see money differently

A photograph of an open book with white pages, tied with a white string, set against a light background.

Nedgroup Investments Contrarian Value Equity Fund

Quarter Three, 2022

Marketing Communication



Nedgroup Investments Contrarian Value Equity Fund

The following commentary was produced by the sub-investment manager, First Pacific Advisors, LP (“FPA”).

Overview

The Nedgroup Investments Contrarian Value Equity Fund (“the Fund”) declined 7.9% for the quarter and 23.9% for the trailing twelve months. The Fund captured 132% of the average of the MSCI ACWI and S&P 500’s return in the trailing twelve months.¹

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

| USD performance to 30 September 2022 | Nedgroup Investments Contrarian Value Equity ² | MSCI ACWI | S&P 500 |
|--------------------------------------|---|-----------|---------|
| 3 months | -7.9% | -6.8% | -4.9% |
| 1-year | -23.9% | -20.7% | -15.5% |
| 3-years | 2.5% | 3.7% | 8.1% |
| Since inception (p.a) | 2.3% | 3.8% | 8.6% |

Portfolio discussion

Exhibit A: Trailing Twelve-Month Contributors and Detractors as of 30 September 2022 ³

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| Winners | Performance contribution | Average weight | Losers | Performance contribution | Average weight |
|---------------------|--------------------------|----------------|----------------|--------------------------|----------------|
| Glencore | 0.7% | 3.3% | Comcast | -2.6% | 5.0% |
| Swire Pacific | 0.2% | 0.9% | Meta Platforms | -2.5% | 3.4% |
| Nexon | 0.1% | 1.0% | Alphabet | -2.4% | 8.7% |
| PG&E | 0.1% | 0.7% | Charter | -2.4% | 3.4% |
| Activision Blizzard | 0.1% | 1.5% | Citigroup | -1.4% | 3.2% |

We addressed the performance of **Comcast** and **Charter** cable investments in the Q2 2022 commentary (please contact Nedgroup Investments if you would like to request a copy).

Glencore continued its positive performance as we believe the company operates in a genuinely shareholder-oriented manner.

¹ Calculated as $-23.9\% / ((-20.7\% + -15.5\%) / 2)$ i.e., Fund 12-month return / average of the MSCI ACWI and S&P 500 return over 12 months.

² Source: Morningstar (monthly data series). **For illustrative purposes only.** Reflects the net USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class.

³ Reflects the top five contributors and detractors to the Fund’s performance based on contribution to return for the trailing twelve months through 30 September 2022. Contribution is presented net of investment management fees, transactions costs, and Fund operating expenses using the fees and expenses of the Fund’s D class, which are 1.11%. The information provided does not reflect all positions purchased, sold or recommended by FPA during the period. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

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The share prices of both **Meta** and **Alphabet** have declined significantly over the past twelve months. We believe this is due to a combination of a weakening advertising market, depreciation of foreign currencies, and increased competitive intensity. On the positive side, we anticipate each company to continue to generate significant amounts of free cashflow even during these challenging times, which we expect to be redeployed into a combination of growth projects and share buybacks.

Portfolio Activity⁴

The Fund made one new investment, exited three investments, and increased one position during the quarter. The Fund's newly added position was ICON Plc – a multinational clinical research organization. The Fund increased its position in International Flavors and Fragrances which produces flavors, fragrances, and cosmetic actives. The Fund exited its positions in Baidu, Booking Holdings, and Open Text.⁵

Portfolio Profile

There were 44 equity positions in the Fund with the top five holdings comprising 26.1% and the top 10 comprising 43.8% of the portfolio (based on total assets) as of 30 September, 2022. The top three sector exposures in the Fund, based on the Global Industry Classification Standard (GICS) sector classification, are Communication Services, Financials, and Information Technology, which comprise 51.9% of the total assets of the Fund. As a percentage of equity, the Fund has 40.7% non-US exposure and 59.3% exposure in the US.⁶

Conclusion

We are living through what is not our first volatile period. While we cannot tame volatility, we have learned to make friends with it. A decline in price can afford us the opportunity to buy, as much as an increase can offer the chance to sell. We believe our hyper focus on price and business quality should allow us to successfully navigate this current turbulent moment in time.

Respectfully submitted,

FPA Contrarian Value Portfolio Management Team

⁴ The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. It should not be assumed that an investment in the securities listed was or will be profitable. Increases and decreases represent securities whose position size changed by at least 33% over the period and represent greater than 0.75% of the portfolio. Any exited position mentioned was fully removed, regardless of its representative portfolio size. Portfolio composition will change due to ongoing management of the Fund.

⁵ As of 09/30//2022, the securities mentioned and their corresponding position sizes were as follows: Booking Holdings (0.00%); Baidu (0.00%), Icon Plc (0.42%); International Flavors and Fragrances (2.89%); and Open Text (0.00%).

⁶ 'As a Percentage of Equity' excludes cash & cash equivalents. Portfolio composition will change due to ongoing management of the Fund.

Past performance is no guarantee, nor is it indicative, of future results.





DISCLAIMER

This is a marketing communication. Please refer to the prospectus, the key investor information documents (the **KIID**s) and the financial statements of Nedgroup Investments Funds plc (the **Fund**) before making any final investment decisions.

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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.

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

NEDGROUP INVESTMENTS CONTACT DETAILS

Tel: toll free from South Africa only 0800 999 160

Email: helpdesk@nedgroupinvestments.com

For further information on the fund please visit: www.nedgroupinvestments.com

OUR OFFICES ARE LOCATED AT

First Floor, St Mary's Court

20 Hill Street, Douglas

Isle of Man

IM1 1EU

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You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. Investments, including investments in the Fund, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. Non-U.S. investing presents additional risks such as the potential for adverse political, currency, economic, social or regulatory developments in a country including lack of liquidity, excessive taxation, and differing legal and accounting standards. These risks are magnified in frontier and emerging markets. In addition, while we believe investing in companies with less liquidity has the potential to add alpha on the upside, such names are also more subject to price volatility on the downside. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. You risk paying more for a security than you received from its sale.

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

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