see money differently

Nedgroup Investments Global Equity Fund

Quarter Three, 2022

Nedgroup Investments Global Equity Fund

Market Overview and Outlook

Portfolio Manager Commentary

Tumultuous

Turbulent would be a good description for risk assets during Q3. With inflation remaining persistently high, central banks have been forced into using the tools at their disposal to try and bring down inflation before it becomes embedded in expectations. Accordingly, we are seeing interest rate rises, quantitative tightening and hawkish sounding statements from the world's central banks. The US Federal Reserve has rapidly increased the base rate from 0-0.25% at the start of the year to 3.0-3.25% currently with 1.5% of that rise coming in Q3. The Fed has also used their platform to indicate rates will likely rise to 4.25-4.50% by year end and at the same time has embarked on quantitative tightening, selling some of the bonds it bought during the many years of quantitative easing. These actions are affecting risk assets in two primary ways:

- Increasing rates across the term structure. The US 10-year Treasury yield has risen from c.1.5% at the start of the year to a peak of c.4.0% in September. This rate is seen as the reference risk free rate for all (US) assets and consequently this rise has led to all risk assets falling as they price in a higher risk free rate.

- Higher rates together with high inflation (leading to significant rises in the cost of living) will impact economic growth and lead to an economic slowdown and more likely a recession in many countries. With inflation largely being driven by supply side constraints, central banks need to reduce demand down to a level that is more consistent with supply. The primary tool at their disposal to achieve this is through raising rates so an economic slowdown is inevitable and while policy makers hope they can simply slow demand to the right level without causing a recession, this is, in practice, unlikely. Risk assets are therefore also pricing in a much greater likelihood of a recession occurring which will lead to lower earnings forecasts, particularly for companies more exposed to economic fluctuations.

In addition, as the US Federal Reserve has acted more decisively and swiftly than other central banks (and partly as a consequence of being better positioned economically) the US dollar has strengthened markedly against all other major currencies (the USD has appreciated a staggering 18% in 2022 on a trade weighted basis). This has caused major impacts for companies that are exposed to transactional currency difference as well as impacting the reported revenue and earnings for companies that have translational exposure only.
The impact on our investments of these factors is mixed – we have long viewed interest rates as being far too low for far too long right across the term structure. The risk-free rate we have consistently used has been 4-5% so with the 10-year Treasury now moving up to those levels, there has been no impact from higher rates on our valuations.

Conversely, slowing demand driven by higher rates does need to be taken into account in our forecasts and we have done that for all investments and potential investments. This has led to revising some intrinsic value estimates lower. However, we believe that many of our holdings will have fairly minimal impact from a recession as they are not very economically sensitive (especially areas such as healthcare).

Inflation is affecting our holdings in different ways. Most of our companies have high gross profit margins so while inflation may impact them, the impact of cost inflation on these companies earnings from input costs (goods and services) tends to be more limited. One area of concern is rising labour costs especially in companies that rely on intellectual property and where labour cost is high as a proportion of revenues (Google for example). At the moment, the highest increases in wage costs are in lower income workers but this remains something we are monitoring.

Lastly, foreign exchange is having a significant impact on some of our holdings: many of our US holdings have significant overseas revenue which suffers from a strong dollar as the revenues and earnings are translated back into US $ at a lower rate, thereby impacting the reported growth rates of these companies.

Taking a step back it is worth considering our objective and what we think we can and can't do: our objective is to achieve good long-term risk adjusted real returns by investing in high quality companies with sustainable competitive advantages when they are attractively valued and then hold these companies to benefit from the compounding of their revenues and cash flows (as a consequence of their sustainable competitive advantages!). Identifying these companies and valuing them over the medium and longer term is something we believe we can do well. What we cannot do is anticipate every turn in the road and try and benefit from short term gyrations in either the stock market or in the fortunes of individual companies. A good example of this is Google: we made our initial investment in Google in June 2010 and have held it continuously since. During that period there have been 5 occasions when the share price has fallen more than 20% before recovering and we have held through each of these to generate a rate of return on our original investment of 19.7% per year (including the recent fall in the share price). Had we sold before one of the many declines in share price, we would likely have felt extremely smart at that point but unless we had then had the foresight and fortitude to buy back in at or near the trough we would have missed out on the subsequent gains.

We are continually monitoring the companies we hold for any cracks in our investment thesis – where the facts change, we hope to change our minds. However, we will rarely sell a position just because we fear its share price may suffer from a short-term impact if we have faith in the long-term outlook and valuation. Given the volatility we have experienced this year, it is worth re-visiting the investment case for some of our larger holdings that have had large share price moves this year:

Charter Communications

The share price of Charter has fallen materially in 2022. Given the company's value lies in the provision of high-speed broadband to residential customers we see the company as relatively defensive given the must have subscription nature of broadband. Unfortunately, the share price has been anything but defensive largely due to the threat of greater competition from 5G fixed wireless broadband (FWA). We believe that this threat has been exaggerated by investors and expect over the next 2 years that the company will be able to demonstrate the continuing strength of its market position. In the 3 years prior to Covid, Charter added an average of 1.2m new internet subscribers per year. In 2020 this jumped to 2.1m before returning to 1.1m in 2021 so it is likely there has been some demand pull forward for the cable companies and Charter specifically. 2022 will most likely see very few new subscribers in a year when FWA will add c.3m new subscribers across the US. Consequently, many investors believe that FWA is, and will continue to erode the market share of the US cable companies in broadband provision. We think this is unlikely and see the share gain of FWA as a temporary phenomenon.

FWA is a good solution for a certain cohort of subscribers: those with no other broadband option (largely rural customers) or households that do not have high demand in terms of either speed or capacity (both are constrained with FWA) and are price sensitive. From the carrier perspective, FWA is only worth offering in areas where they do not have any capacity constraint on their mobile network. This point is important because the spectrum needed to offer FWA is expensive, and a much higher return is generated if this spectrum can be used for traditional mobile telephony (both voice and data) rather than using the valuable spectrum to provide FWA where users will typically use c.20x the data for the same (or lower) price than a mobile subscriber (so the price per GB is typically less than 5% of a mobile subscribers). Currently, the carriers selling FWA are benefiting from offering a new service at a low price point to a (limited) cohort of customers, many of whom likely have no other broadband option. Over time (we believe within the next 2 years) these customers will be largely exhausted for the carriers and growth in FWA will stall. Furthermore, due to speed constraints in FWA (typically speeds are limited to c.100Mbps during peak times) it seems likely that as more data heavy applications are developed (4K TV / metaverse / virtual reality etc) that many FWA subscribers will become frustrated and will upgrade to "full fat" broadband as offered by fibre and coaxial cable. At this point, we anticipate growth in subscribers for the cable companies will reaccelerate. In the meantime, Charter is not standing still as the company extends its broadband network by around 1m residential passings per year into new rural areas and other under-served areas that are typically contiguous with its current network. Given the company has a c.50% penetration of households passed by its network and many of these new customers will have no other broadband option, we think that growth in net new subscribers will restart in 2023 albeit at a level below the historic c.1m per year.

All this means that 2022 is likely to see subscriber numbers remaining level and revenues and earnings modestly increasing before growth improves in 2023 and again in 2024. However, even without any improvement the company appears extremely attractively valued with FCF per share in 2021 of $40 and a share price of $300 giving a FCF yield of 13% historic. Assuming NO increase in the valuation multiple AND very limited growth in FCF we would anticipate generating a >15% annualised return over the next 5 years.

Moody's

Moody's is an excellent company with strong quality characteristics secured by robust barriers to entry. It is a global risk assessment firm, allowing its customers to make better informed decisions, surrounding the credit rating assessment of entities (Moody's Investors Service, about 60% of the company) or insights surrounding other risk vectors including ESG, compliance and regulatory risk (Moody's Analytics, the other 40%). Moody's has pricing power because it offers outsized value to customers for little cost and its revenues are mostly recurring because its customers value its services year-in, year-out.

On the credit-rating agency side, Moody's operates in a global duopoly with S&P Global. Having a credit rating from both MIS and S&P is cheap for borrowers issuing debt with large, outsized savings in interest costs that is very compelling: other firms are unable to provide savings to the same extent and attempts by new entrants have all failed. Strong structural tailwinds exist with debt capital markets growing faster than GDP through the cycle because capital-market debt is squeezing out traditional lending from banks. As such, debt issuance is usually supportive but at times, such as now with higher interest rates, issuance enters weak patches – but this is unlikely to persist, not least because of the need to refinance the ballooning $4 trillion of existing debt between now and 2025.

Moody's Analytics is a global provider of curated data and assessment aimed at helping customers make better and faster decisions. Growth has remained robust and acts as a stabiliser to weak spots in MIS as we are seeing right now. Organic growth has been supported by several good acquisitions that are complementary to its existing assets (in MA and across Moody's as a whole), supporting the value that Moody's builds for its customers, e.g. its MIS credit assessment are enhanced by climate and ESG risk data; so too for instance, its lending and underwriting assessment for commercial real estate. Meanwhile KYC and other regulatory analytics continue to grow strongly. MA is seeing margin expansion. Retention rates are improving and now stand around the mid-90s percent point and it is the major source of recurring revenue across the company. Chances are for better upside.

We originally invested in Moody's in early 2021 and it realised its value very rapidly, so we reduced most of our position in late 2021, but its share price plunged before we could exit fully. As expected, given record placements in recent years, issuance has been torrid – but with earnings downgrades overshooting, its share price offered a strong renewed opportunity, with a low-teen's estimated IRR for a quality company with enduring competitive positioning. So we have increased our investment once again and have strong conviction in its ability to realise its value once more.

BAE Systems

When we initiated our position in BAE at the start of 2019, sentiment towards the business was poor. The US Land division was suffering from the wind down of operations in Iraq and Afghanistan, and as a result group revenue had fallen 20% from a peak at the start of the decade. Meanwhile cash generation was weak as the company made onerous top up payments into its underfunded pension scheme and completed work for which it had been paid upfront in prior years.

Understandably the business was not perceived as "quality" despite having many of the attributes we look for: entrenched and often dominant market positions supplying products that will be of strategic importance to their customers for decades to come; benign contracting arrangements (often cost plus); and a capital light business model. Over the subsequent years many of the controversies that beset BAE have started to resolve positively: the business showed itself to be resilient in the face of a pandemic and growth has been reasonable; cash conversion has improved; a buyback has been initiated; and the pension funding gap has closed.

Nevertheless, perception of the business (and the valuation) has been slow to change and it is only with the invasion of Ukraine that the market's view of the investment case has started to converge with our own. While the growth rate of BAE has undoubtedly improved as a consequence of Russia's actions, the more significant change has been sentiment with regard to the importance of a well invested and resilient defence industrial base, and hence the vibrancy of the company's business model. Despite the recent re-rating we still see value in BAE and anticipate a 12% IRR as the company delivers on our expectations over the next few years.

Illumina

Illumina is the clear market leader in DNA sequencing with an installed base of over 20,000 sequencing instruments worldwide which generate an attractive stream of recurring revenue in the form of sequencing consumables and service. The company is well positioned to benefit from continued adoption of DNA sequencing across research and clinical applications as the cost of sequencing continues to decline. While the human genome was first sequenced in 2000 the DNA sequencing market is still nascent with less than 0.1% of the world's population sequenced to date.

Illumina's share price has come under pressure this year as their business has experienced lower than expected sequencing revenue growth. This comes at a time when several new entrants are looking to enter the sequencing market. While sequencing runs on Illumina's instruments have grown as expected a number of Illumina's customers have reduced their inventory of sequencing consumables as they look to manage their cash more conservatively in uncertain times. Furthermore, Illumina have seen some delays to instrument purchases due to supply chain issues which have affected certain customers laboratories. It is also likely some customers have held off on instrument purchase decisions while they assess competitor offerings and have waited to see Illumina's long anticipated new product launch at their customer event in late September 2022. The reduction in earnings experienced as result of lower sequencing revenue has been amplified by Illumina's heavy financial investment in their subsidiary Grail's multi cancer screening test that identifies cancer by detected fragments of tumour DNA in a patient's blood.

While sequencing competition has increased, and customers understandably would like to have the choice of different sequencing platforms we believe Illumina continues to hold a strong position. The key to Illumina maintaining their leadership position is continuing to drive down the cost of sequencing, increasing throughput and maintain best in class accuracy and their NovaSeq X instrument announced at their recent customer event continues this trend. NovaSeq X reduces sequencing costs to ~$200 per genome compared to ~$600 using the most powerful sequencing instrument on the market today Illumina's NovaSeq 6000. It provides three times the output and two times the speed of NovaSeq 6000. In addition, NovaSeq X provides further customer benefits such as data analysis capabilities built into the instrument reducing customer data analysis expenditure and it uses consumables that can be shipped at ambient temperature eliminating the need for dry ice during transportation and simplifying storage for customers.

In addition to the focus on competition for Illumina's sequencing business we believe the market is overly concerned about the dilutive impact Grail is having on earnings in the near term and the uncertainty caused by the ongoing antitrust litigation with the EU as a result of the acquisition of Grail. The potential opportunity for a multicancer screening test could exceed Illumina's existing sequencing business if it can increase the number of cancer cases identified at an early stage when the likelihood of patient survival is much higher. The outcome of the 140,000-patient real world evaluation of Grail's test by the NHS, which is expected to read out in 2024, could be a significant proof point of their test. If successful, the NHS will roll the test out to screen for cancer in an initial population of 1mn individuals over 50. This would likely lead to a significant reappraisal of the value of Grail by market participants. While there is no guarantee Grail will be successful, we support Illumina's decision to sacrifice earnings in the short term to pursue this opportunity. If Grail is unsuccessful or regulators require Illumina to divest Grail, then the earnings power of Illumina's core business will become apparent once more.

At the current market price we believe Illumina offers a mid-teens IRR based solely on the valuation of the core business and assigning zero value to Grail beyond incorporating the cash burn expected over the next few years. If Grail were to succeed, we see significant upside to this IRR.

Longer term Perspective

With the recent decline in equity markets we would have anticipated greater short term outperformance than we have achieved. The reasons that our performance has not been relatively better this year to date is threefold. Firstly it is related to what we don't hold and most likely would never hold: energy, developed market banks and utilities. These areas have been particularly strong performers (MSCI World Energy +19% (USD) vs the overall MSCI World index -26% (USD)) and together have generated outperformance of c.400bp in areas we are not likely to invest. Secondly, our healthcare holdings, usually very resilient in downturns, have not been as resilient as we would have anticipated. We believe that they will prove more resilient as the impact of global interest rate rises take effect and economies weaken leading to lower earnings for companies that are more cyclically exposed. Our healthcare holdings are largely recession resilient and so should perform relatively well in the event of an earnings recession. Lastly, we have (as always) a number of companies whose share prices have performed better / worse than we would expect given the underlying performance of these businesses. In the first 9 months of 2022, the upside surprises include BAE Systems and Canadian Pacific and the negative performers include Charter and Meta (formerly Facebook).

Portfolio Breakdown

Region	Portfolio %
North America	65.6
Europe ex UK	9.9
United Kingdom	8.2
Asia Pacific ex Japan	2.4
Cash and equivalents	13.9
Total	100.0

Sector	Portfolio %
Health Care	28.9
Industrials	19.0
Communication Services	12.8
Information Technology	12.7
Consumer Discretionary	4.5
Consumer Staples	4.2
Financials	4.0
Cash and equivalents	13.9
Total	100.0

Currency	Portfolio %
USD	79.5
EUR	14.1
GBP	4.0
AUD	2.4
CAD	0.0
Total	100.0

Source: Veritas Asset Management

Top 10 Holdings

Holding	Sector	Country	Portfolio %
Alphabet	Communication Services	United States	5.6
Canadian Pacific Railway	Industrials	Canada	5.1
Fiserv	Information Technology	United States	4.7
Amazon.com	Consumer Discretionary	United States	4.5
Unilever PLC	Consumer Staples	United Kingdom	4.2
Microsoft	Information Technology	United States	4.1
BAE Systems	Industrials	United Kingdom	4.0
Charter Communications	Communication Services	United States	4.0
Mastercard	Information Technology	United States	3.9
Vinci	Industrials	France	3.8
Total			43.8

Source: Veritas Asset Management

Fund performance contributors & detractors for past quarter

Top 5 contributors and detractors

Holding	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Attribution Total Effect
Top 5 relative stock contributors							
Fiserv	4.6	5.2	0.1	0.1	5.2	0.0	0.5
CVS Health	3.4	4.6	0.1	0.3	3.3	0.0	0.3
Amazon.com	4.4	6.3	0.1	2.3	6.4	0.1	0.2
Unilever PLC	3.9	-1.3	-0.1	–	–	–	0.2
Illumina	1.8	3.5	0.1	0.1	3.5	0.0	0.2
Bottom 5 relative stock contributors							
Charter Communications	5.0	-35.3	-1.8	0.1	-35.3	-0.0	-1.6
Catalent	3.8	-32.6	-1.3	0.0	-32.6	-0.0	-1.1
BAE Systems	4.5	-12.3	-0.6	0.1	-12.6	-0.0	-0.5
Meta Platforms Inc	3.5	-15.9	-0.5	–	–	–	-0.3
Aena SME	2.5	-17.4	-0.4	0.0	-17.4	-0.0	-0.3

Source: Veritas Asset Management

Regional Attribution

Region	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Relative Attribution Analysis Allocation Effect	Relative Attribution Analysis Selection Effect	Relative Attribution Analysis Total Effect
Asia/Pacific Ex Japan	2.6	-10.8	-0.3	3.4	-8.8	-0.3	0.0	-0.0	-0.0
North America	66.9	-10.6	-7.0	73.2	-5.0	-3.7	-0.1	-3.7	-3.8
Africa/Middle East	–	–	–	0.2	-1.9	-0.0	-0.0	–	-0.0
Europe ex UK	9.9	-10.1	-1.0	12.9	-9.9	-1.2	0.1	-0.0	0.1
Japan	–	–	–	6.1	-7.7	-0.5	0.1	–	0.1
United Kingdom	8.5	-8.1	-0.6	4.2	-10.8	-0.4	-0.2	0.2	-0.1
Cash and equivalents	12.1	n/a	0.0	–	–	–	1.1	–	1.1
Total	**100.0**	**-8.9**	**-8.9**	**100.0**	**-6.2**	**-6.2**	**1.0**	**-3.6**	**-2.7**

Source: Veritas Asset Management

Sectoral Attribution

Sector	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Relative Attribution Analysis Allocation Effect	Relative Attribution Analysis Selection Effect	Relative Attribution Analysis Total Effect
Consumer Discretionary	4.4	6.3	0.1	11.1	0.3	-0.1	-0.4	0.2	-0.2
Consumer Staples	3.9	-1.3	-0.1	7.6	-6.8	-0.5	0.0	0.2	0.3
Energy	–	–	–	5.0	-1.4	-0.2	-0.2	–	-0.2
Financials	3.5	-7.1	-0.3	13.4	-6.1	-0.9	0.0	-0.1	-0.1
Health Care	29.5	-11.1	-3.2	13.7	-6.8	-0.8	-0.1	-1.2	-1.4
Industrials	20.0	-9.7	-1.8	10.0	-5.8	-0.6	0.0	-0.8	-0.8
Information Technology	12.4	-4.2	-0.6	21.7	-6.4	-1.3	-0.0	0.2	0.2
Materials	–	–	–	4.1	-7.7	-0.3	0.1	–	0.1
Communication Services	14.3	-21.7	-3.0	7.4	-12.7	-0.9	-0.5	-1.3	-1.8
Utilities	–	–	–	3.2	-8.4	-0.3	0.1	–	0.1
Real Estate	–	–	–	2.9	-11.7	-0.3	0.2	–	0.2
Cash and equivalents	12.1	n/a	0.0	–	–	–	1.1	–	1.1
Total	**100.0**	**-8.9**	**-8.9**	**100.0**	**-6.2**	**-6.2**	**-2.0**	**-0.7**	**-2.7**

Source: Veritas Asset Management

Portfolio Attribution Commentary

The increased volatility in markets can exacerbate investor reaction, both positive and negative, to sentiment brought on by shorter term factors and a move away from focusing on longer term trends. This has been seen in the healthcare sector this year, where the focus has been on the impact of FX, longer lead times to receive components, zero COVID policy in China, access to hospitals due to staff shortages etc and not on the enduring trends, in some cases accelerating, in the infrastructure needed to develop the next line of therapeutic drugs, the prevalence of lifestyle diseases and the need for value based healthcare as the payer mix shifts. Q3 was again dominated by the contributors reporting good short-term news and the detractors impacted by specific reversible issues or lowered short term guidance.

Looking first at the contributors. Fiserv serves as the operating system for commerce and money movement across their client base of banks, credit unions, fintech's and businesses, ranging from small and medium size businesses (SMBs) to large enterprises. The company produced 12% organic revenue growth, exceeding the 7-9% guidance range, and EPS growth of 17%, at the higher end of the 15-17% guidance. It also raised guidance. The company is transforming from selling merchants individual point solutions to offering operating systems. The operating system concept expands the size of total addressable market and makes Fiserv more valuable to its customers. It helps create value in 3 ways. Firstly, it attracts more merchants to the operating system, then expands the relationship with merchants by encouraging adoption of more software and service modules, and lastly benefits from growth of the existing customer base. Fiserv is divided into three divisions. Within the Merchant Acceptance business, the operating system for SMBs is Clover, and for larger enterprises is Carat. The company has successfully grown both - Clover global revenue was up 24% in the quarter, and Carat up 22%. Within Clover, Fiserv has continued its vertical focussed strategy with integration of BentoBox for all e-commerce payments. BentoBox is a digital commerce company that aids restaurants in connecting with their diners online by designing websites and by setting up ordering/ marketing opportunities. Clover has added the acquisition to its dining operating system. When Bento and Clover are sold together, Fiserv see 3x increase in average revenue per user versus a Clover only restaurant. UberEats was also launched in the quarter as another integrated delivery partner for restaurant merchants. Carat, the omni-commerce operating system for enterprise clients, aims to more efficiently deliver payments data that can inform business decisions. That's especially beneficial for businesses navigating hiring challenges, supply chain snags and economic headwinds. The platform has seen growth across verticals including travel, technology, government and quick-service restaurants. Carat customers include Google, Microsoft, ExxonMobil, State Farm and Adidas. During the quarter, the company launched pay by plate, enabling petro partners to facilitate transactions based on license plate recognition for customers that opt in, replacing the need for a physical card (no longer a need to get out of the car when you pay for petrol!).

Within the Payments and Network segment, the company continued to see growth in digital payments driven by Zelle and won bids to provide state of California's tax refund program and NewDay, to provide processing as they relaunch the John Lewis Partnership card, one of the UK's most popular retail rewards credit cards. The Fintech segment also performed well. This part of the business provides financial institutions around the world with tech solutions they need to run their operations, including services that enable them to process customer deposit and loan accounts and arrange an institution's general ledger and central information files.

CVS Health lifted its earnings outlook for the year, after beating Wall Street's expectations for another quarter. The results encompass CVS' several different slices of the health-care business. It has a huge footprint of drugstores, owns insurer Aetna and pharmacy benefits manager CVS Caremark, and provides patient care through MinuteClinics inside of its stores. The company's strategy of adding more health services to become an integrated healthcare provider is boosting sales and deepening customer relationships. Customers made more frequent visits to CVS stores and bought more when they did. Same-store sales rose, as customers bought COVID at-home test kits and cough, cold and flu medications. Some of those gains came from rising prices. CVS has been able to pass along inflation-related higher costs to shoppers in most cases. CVS' private labels are among those budget-friendly options. Store brands on average are 20% to 40% cheaper than national brands, so there is more room to increase and remain attractive. CVS also has a membership program, CarePass, which customers can use to bring prices down through discounts, free one- or two-day shipping, and other perks. It costs $5 a month or $48 on an annual basis and membership is up 26% year over year. CVS administered more than 4 million Covid tests and about 6 million Covid vaccinations in the three-month period, down from more than 6 million tests and more than 8 million shots in the previous quarter. One aspect of Covid care has increased, however, the demand continues to rise for antiviral medications to treat Covid infections. Pandemic-related services remain a big business for CVS, even as testing and vaccination volumes diminish. The company anticipates it will administer nearly 20 million Covid vaccinations this year, with approximately 75% of those already given. CVS expect to provide about 19 million tests and to sell more than 50 million over-the-counter test kits, more than double the number sold in the prior year. These three categories will drive nearly $3 billion of revenue, a drop of about 33% versus the prior year. But what CVS loses in direct Covid revenues, it gains in other services offered through its HealthHubs (ability to treat patients locally). The trend to keep patients out of hospital has accelerated post COVID. Additionally, the acute shortage of clinicians and healthcare workers means that healthcare providers have to rely more on technology to keep patients at home and use analytics to intervene only as necessary. It is not only better for the patient but more cost effective and in line with value based healthcare. During the quarter, CVS outbid competitors, including Amazon, for home health and technology services company Signify Health. Signify Health, provides a healthcare platform that uses analytics and technology to pair clinicians with patients for home-based visits. The deal should open doors for CVS by allowing it to reach customers within their own homes. The direct access will also help reduce patients' long-term healthcare costs by making it easier for clinicians to intervene early or help manage chronic conditions. Signify runs a network of more than 10,000 clinicians who can visit patients within their homes, either in-person or virtually, to identify their needs and connect them to follow-up care. The clinicians' home visits with a patient are 2.5 times longer on average compared to a primary care office visit. The company expects to connect clinicians with nearly 2.5 million members this year compared with 250,000 five years ago, when the company first launched. Because Signify has access to patients' homes, clinicians have more insight into underlying factors that are "hard or impossible" to diagnose in a traditional healthcare setting, such as food insecurity. After the clinician gives their diagnosis, CVS can leverage its retail pharmacies to help follow the diagnosis. Diabetes is a costly disease, where patients could end up saving long-term healthcare costs with home visits. If people can figure out a way to intervene and more effectively prevent people from progressing into type 2 diabetes—or once they're diagnosed with having type 2 diabetes, offer cost effective treatment.

Amazon was a clear beneficiary through COVID, with some concerns of an inevitable slowdown as shops reopened and greater competition seen for advertising dollars. Q2 last year saw the vaccine roll out and return of normal shopping. Going forward we will not have the same issue of lapping a high growth period due to the pandemic. Additionally, Prime Day occurred in Q2 last year as well, whereas this year it occurred on July 12 and 13 which will feature in the next quarter's results. Amazon increased its investments in logistics throughout the pandemic including same day shipping and ability to offer third party shipping (FBA- Fulfilment By Amazon) and increased warehousing. Going forward the company will moderate expansion plans to align with demand but it is seeing benefits from some of the investment. Delivery speeds have increased and with it Prime membership spend. A step up in demand in the quarter led to a 10% improvement in annual net sales of $121bn or 10% net of FX. Prime membership remains a key driver of worldwide stores business and Amazon is investing in making it more attractive and further lock-in customers and subscriptions. This includes exclusive entertainment content like the premier of Lord of the Rings- The Rings of Power and NFL Thursday Night football games exclusive access. Despite putting up prices, Prime membership has not been affected. Sellers on its platform also had a strong quarter. Third party sellers represent 57% of all units sold on Amazon and their revenues expanded by 13% in the quarter. Fulfilment by Amazon provides sellers ability to offer fast delivery. This all raises the barrier to entry for new players to compete with Amazon. Cost pressures do remain and Amazon categorise these into three types; inflationary costs (fuel, trucking, air and ocean shipping rates.

Energy costs at data centres affected by natural gas prices), fulfilment network productivity (staffing now more in line with rising demand compared to earlier in the year) and fixed cost deleverage (improved delivery times and package deliveries per hour). These incremental costs had moderated to $4bn from $6bn as forecasted. The jewel in the crown for Amazon is AWS, its Cloud offering. Net sales were up another 33% with annualised sales at a run rate of $79bn. It generates 16% of Amazon's consolidated revenue but all of its operating income. Essentially it helps build the barriers to its e-commerce business. Developers at organisations of all sizes, from governments to not for profit to start-ups are signing up to AWS. Examples in the quarter included, Delta Air

Line, Riot Games, BT, Jefferies Investment Bank. Margins fluctuate with CapEx. Amazon expects to spend the bulk of CapEx on AWS in 2023. Its backlog order figure for AWS customers rose 65% y-on-y and has weighted average of nearly 4 years for commitments. The third part of the business is advertising which is a burgeoning category as the company pushes into live sports and non-subscription streaming. The line item is now the fourth-largest revenue category after online retail, third-party sellers and Amazon Web Services. It grew over 20% over the year with the majority of the revenue coming from North America. Amazon has an advantage in offering highly efficient advertising that is measurable and claims to have been less impacted by macroeconomics on ad spend. The customer has their credit card out when visiting Amazon and the company knows what you are interested in and this is very valuable to a company when choosing which platform on which to advertise. The company is expanding its international ad business and have introduced interactive ads for streaming video content eg Freevee. Amazon has also introduced a Music Ad supported tier for its music platform for those not wanting to pay a subscription.

The strength of Unilever's brands enabled it to increase prices by 11% in its second quarter, with only a modest drop in sales volumes, leading to sales growth of 8%. One billion Euro brands now make up over 50% of turnover with underlying sales growth up 10% across these brands. The company claim 80% of the company's turnover is in either stable or growing brands, which is critical for reset of pricing. Stands outs were Prestige Beauty (helped by the launch of Tatcha skin cream in the UK), Health and Wellbeing (including I.V Liquids, which is in Unilever's vitamins, minerals and supplements business) and Home Care products, which includes Persil and Domestos. Price rises were particularly pronounced in Latin America, South Asia and Turkey. Unilever said it expected "material inflation" to remain high for the rest of the year, while the outlook for the global economy and cost inflation was "uncertain and volatile". They have guided Euro 4.6bn of inflationary costs in the second half (down slightly from guidance last quarter as some costs moderate eg palm kernel oil). Operating margins fell 180 bp to 17% because of input cost inflation which could not be totally offset, but the company believes it will improve its profit margins next year and 2024 by raising prices, making savings and shifting the mix of product it sold. For the full 2022 year, the group predicts sales growth to be about 6.5%, the top end of expectations but margins for the year to come in at 16%. They do expect some drop in volumes, with the trick not to raise prices too much in certain categories. There is only so much people will pay for a Magnum ice-cream. Toward the end of the quarter, Alan Jope announced he would be stepping down as CEO at the end of 2023. This was greeted positively as Unilever has been too slow to focus its portfolio of more than 400 brands. The attempted bid of the GSK consumer health business (now a separately listed company, Haleon) for an eye watering £50bn was the desperate deal that has sealed Jope's fate. Jope has, however, implemented a more efficient corporate structure at Unilever, scrapping its dual headquarters in 2020, abandoning Rotterdam for a single London base. That has enabled a speed up in dealmaking and a move into higher-growth areas. It took two years, but Unilever sold its global tea business, Ekaterra this year (a portfolio of 34 brands including Lipton, PG Tips, Pukka, T2 and TAZO). The company also restructured earlier this year away from its 'matrix' structure, organised by product and geography, to five separate higher growth divisions (Beauty and Wellbeing, Personal Care, Home Care, Nutrition, Ice Cream). This should ensure further disposals in Europe and food, which are a drag on growth. Recently, it acquired Nutrafol, a leading provider of hair wellness products, to add to its Prestige Beauty and Health and Wellbeing division. This particular product is sold online and direct to consumer, underlying the desire to grow e-commerce, which is now 14% of revenue and growing at approximately 25% p.a. Some brands are bought online, others are researched online and bought in store, underlining the importance of a digital presence. As well as on-line, the company is focussing on three growth markets, US, China and India. Whilst China has been impacted by lockdowns (revenue down nearly 10% in the quarter), India rose 20% with price rises up 12%. Despite cost-of-living impacts from inflation in India, the company is well positioned as consumers trade up and down within product categories, as they cover all price points.

Illumina shares initially fell in the quarter after the gene-sequencing company swung to a surprise loss in the second quarter and revised its full-year outlook downward. The quarterly results failed to meet the company's own expectations because "challenges in a complex macroeconomic environment more than offset the growth we continue to see in sequencing runs on our platforms."

The company said it expected revenue growth to now be 4-5% for 2022, compared to the 14% to 16% previously forecasted because of ongoing negative impact of foreign exchange rates, customer lab expansion delays, and macroeconomic-driven conservatism around immediate capital and inventory commitments, including in Greater China. Some customers are running down inventories and relying on Illumina's delivery efficiency. These are however temporary headwinds - Illumina is core to their customers' business and revenue generation. The labs cannot function without their machines. In the meantime, the company is making progress with its innovation road map. The Company leads the market with its next-generation genome sequencing systems and analysis tools. It has a 90% market share of the global sequencing market with over 17,000 active sequencing machines installed throughout 115 countries. The cost of DNA sequencing has fallen from $100 million per human genome in 2001 to less than $600 today. Illumina's machines accelerate the advancement of precision medicine applications and those applications increase as costs fall. It is not inconceivable that genetic mapping will become part of a routine check-up.

During the quarter the company announced the launch of its new NovaSeq X sequencer, a 'production scale' sequencer that it claims can process human genomes in half a day for $200. Along with speed and cost, Illumina says the NovaSeq X also reduces packaging waste and weight by 90% and cuts plastic use in half when compared to the existing model. Ambient-temperature shipping of reagents will also eliminate the need for nearly 500 tons of dry ice each year and waste for customers. The NovaSeq X will be distributed in 2023. The aim is to eventually deliver a $100 genome. Ilumina was challenged by the Federal Trade Commission (FTC) and the European Commission (EC) on its completed $7.8 billion acquisition of GRAIL, a cancer test maker, over antitrust concerns. GRAIL developed Galleri, a blood test that can detect over 50 types of cancers from one blood draw. It's a powerful early detection tool with a low false-positive and false-negative rate. Most blood tests on the market only detect five types of cancers. Early detection is the first line of preventative care as cancer risk rises with age. It partnered with Fountain Health Insurance to offer Galleri as part of annual wellness benefits. GRAIL partnered with Astra Zeneca to develop companion diagnostic tests to identify high-risk and early-stage patients for novel therapies. On Sept. 1, 2022, Illumina won a lawsuit brought by the FTC to unwind the merger. The FTC plans to appeal the decision. Riding the momentum of this court ruling, Illumina plans to appeal the EC's decision to prohibit the merger. The company is waiting for a separate order from the European Commission requiring it to divest Grail, which it expects to receive by the end of this year or early 2023. The order would provide a specific time frame for Illumina to divest the company, likely within six to 18 months. In the meantime, Illumina is "running a standalone process to evaluate strategic options for Grail, with management noting its intention to resolve the situation sooner rather than later," While an IPO isn't likely, Illumina could sell the company to long-term strategic buyers. A deal between Grail and the U.K.'s National Health Service is touted as one option. Investors are focussed on this short-term uplift to valuation, but if the Galleri trials are successful, the upside could be significantly higher for Illumina.

Turning to the detractors, Charter Communications, the US broadband company, remains out of favour as investors focus on a slowdown in new subscribers, perceived greater competition and the level of debt at a time of rising interest rates despite the level of free cash flow.

Specific to the last quarter, the headline did show a decline in net subscribers but a subsidised emergency broadband (EBB) program put in place during Covid, came to an end. Excluding these terminations, subscriptions grew 38K. Over the year, residential customer subscriptions have risen 282K, which is clearly less than the subscriptions through COVID, but revenue per customer rose 2.8% over the period.

The shortcomings of FWA are discussed above but the mobile companies themselves are being challenged by strong mobile line growth amongst cable companies including Charter. The company reported net additions of 350k, giving a total of 4.3m mobile lines (+50% on the year making it the fastest growing mobile provider). Currently they are only selling their service to existing broadband customers but there is clearly potential to sell the service (they can undercut the mobile companies on price due to their MVNO agreement) and pull through broadband by cross selling an attractively priced package.

Back in 2014, investors were sceptical of cable companies as customers cut the cord and watched streaming services missing the need for a fast broadband connection and the opportunity that presented Charter. The mobile opportunity is similarly being underestimated today.

Catalent announced lower-than-expected revenues for its fourth quarter and disappointing revenue guidance for fiscal 2023. The pronounced seasonality for its COVID-related product revenues is a key reason for the lower guided range. Catalent further decreased the level of COVID-related revenue in their guidance model for 2023 to take account of the switch to single-dose formats of the vaccine and forecast a roughly 2/3 decrease in COVID vaccine-related volumes in fiscal '23 compared to fiscal '22. This meant guiding the fiscal '23 organic growth at the low end of our long-term range of 8-10%. The relevant projection of fiscal '23 revenue growth is driven by non-COVID business, which is expected to grow organically by more than 25% at constant currency. The company will benefit from growth expansion of existing assets that came online in the past year, including those that manufacture the gummy format of medications that is becoming increasingly popular, and the opening of eight previously announced gene therapy suites. Additional growth, not reflected in the fiscal 2023 guidance is anticipated following the closing of a recently announced agreement to acquire Metrics Contract Services, a full services specialty CDMO (contract development manufacturing organisation) with a large facility in North Carolina. The Metrics business plays to the growth in the number of potent compounds in the oral solids market, driven by strong growth in the oral oncology pipeline, where more than 80% of programs require potent handling, as well as the industry shift to in-silico discovery (computer generated), which often yields more potent and less soluble molecules. In the last several years, Catalent has seen numerous opportunities to work with highly potent compounds, which it can now service after the completion of the acquisition of Metrics. While innovation in the biologics market is more frequently mentioned in the headlines, oral delivery is still the foundation of the prescription drug pipeline with almost 6,000 oral compounds currently in development, up approximately 10% from last year. And that's been the focus of recent substantial pharma M&A activities. Catalent has put in place a new organisational structure effective July 1st, the start of its fiscal '23. The reorganization has reduced the number of operating segments from four to two, with one focusing on biologics and the other on pharmaceuticals and consumer health. Notable offerings in the pharma and consumer health segment include market-leading capabilities for complex oral solid, softgel formulation, Zydis fast-dissolve tablets, gummies and soft chews, and clinical development and trial supply services. The long-term revenue growth expectation for the pharma and consumer health segment is 6% to 10%, which is 200 basis points higher at the upper end than the combined growth rates of the three previous segments not included within this new segment. This is due to the commercial synergies enabled by this organizational structure and greater exposure to higher-growth sectors of small molecule markets as a result of recent investment and acquisitions. The long-term net revenue growth rate for the biologics segment remains at 10 to 15%.

Strategic acquisitions like Metrics and Catalent's organic investments has positioned the overall portfolio for long-term success, including being in a strong position to meet its long-term targets. The focus today is on continuing supply chain challenges, inflationary pressures, energy supply issues in Europe and a lower and more seasonal demand for vaccines as we exit the pandemic, not the trends that are accelerating within healthcare provision.

BAE Systems has performed well over the last 12 months, so, there is not much to be read into a small detraction over the quarter. Operationally the company is achieving its medium-term targets of revenue growth, margin expansion and cash conversion. It booked £18bn in orders in the first half of 2022 and is now at record defence order backlog. Sales growth is at a steady 3.5% despite supply chain issues and tight labour markets. The company also reported a 20bp margin expansion with return on sales hitting 10.5% and free cash flow was £123m. The company increased its dividend by 5% and announced a £1.5bn, 3-year share buyback program. Another positive, is the pension deficit had moved to a £900m surplus and whilst an insurance buy out was still prohibitively expensive, recent moves may mean the company is further down the line to de-risking. With the balance sheet stronger, there is more capital to allocate. As well as returning cash in the form of dividends and share buy-backs, the company will make bolt on acquisitions, where it makes sense to do so. The company clearly relies on supply chains but has managed supplier lead times due to the long term nature of contracts. This includes temporarily and efficiently resequencing their production flows in order to accommodate delays.

BAE offers a number of competitive advantages. Firstly, multiyear programs with visibility on long-term value generators: It recently signed a $10bn, 18-year contract with the US MOD. Secondly, it has a diverse geographic footprint and deep customer relationships. This includes the ability to export from UK, US, Australia and Sweden (Hagglunds and Bofors businesses) coupled with positions in F-35, Typhoon and shareholding in MBDA (ownership: BAE 37.5%, Airbus 37.5%, Leonardo 25%). Thirdly, BAE owns leading defence franchises with high barriers to entry, and lastly, it had differentiated technology.

BAE has been nimble in ensuring the business invests in future technologies. The Cyber and Intelligence division had a very strong first half and has the highest margin. They completed the acquisition of Bohemia in March and integrating into the Cyber and Intelligence division. Bohemia offers global software development and advanced military simulation and training solutions, which will enable BAE customers to effectively prepare for future scenarios. The global market for military training and simulation environments is expected to surpass $11bn annually. This capability not only enhances readiness but will also allow customers to reduce spending and CO2 emissions by using simulated training techniques instead of real-world training exercises. BAE has also acquired In-Space Missions, a UK company that designs, builds and operates satellites and satellite systems. The enhanced capability will boost the UK's ability to understand threats and hazards in, through and from space (the norm is waiting for data to be transferred to earth which can be unstable and timely). What is known as the Azalea cluster is capable of gathering, analysing and communicating data from space, data essential for military operations and disaster response. This persistent monitoring makes it easier to detect instant physical changes, such as the movement of hostile ships or aircraft or the location of people at risk during natural disasters, such as floods and forest fires. The group of satellites can be fully reconfigured whilst in orbit in the same way a smartphone installs a new app, expanding the lifespan of the satellites.

Meta Platforms Inc. reach more than 3.6 billion people monthly across their services. Engagement trends on Facebook have generally been stronger than anticipated, and strong Reels growth is continuing to drive engagement across Facebook and Instagram. That said, the company acknowledges that they have entered an economic downturn that will have a broad impact on the digital advertising business. The aim is to position the business to be stronger coming out of this downturn, focussing on three areas: a 'discovery engine' and Reels, a new ads infrastructure, and the metaverse. The company, minded to the long-term payback for metaverse spending, is being rigorous about measuring returns and sizing these investments correctly. In line with this, Meta aim to steadily reduce headcount growth over the next year and 'get more done with fewer resources'. Previously challenging periods have been transformational for Meta so the question is whether this will be the case this time too.

There are two major technological waves that Meta is focussed on. The first wave driving the business today is AI. Social feeds are going from being driven primarily by the people and accounts you follow to increasingly also being driven by AI recommending content that you'll find interesting from across Facebook or Instagram. Reels is one part of this trend that focuses on the growth of short-form video as a content format, but this overall AI trend is much broader and covers all types of content, including text, images, links, group content, and more. In this sense, Meta is taking a different approach than some competitors in that they have a lot of different types of content formats. Building a recommendation system across all these types of content is something Meta is focused on and what they refer to as a 'discovery engine'. About 15% of content in a person's Facebook feed and a little more than that of their Instagram feed is recommended by AI from people, groups, or accounts that you don't follow. Expect these numbers to more than double by the end of 2023. As AI finds additional content that people find interesting, that increases engagement and the quality of feeds. Since Meta are already efficient at monetizing most of these formats, this should increase business opportunity over that period. This quarter Meta saw a more than 30% increase (from 20%) in the time that people spent engaging with Reels across Facebook and Instagram. Instead of people just interacting in comments in their feeds, most people find interesting content in their feeds and then they message that content to friends and interact there. This creates a 'flywheel of discovery', and then social connection, which then inspires those people to create more content themselves.

Advertising revenue growth slowed throughout the second quarter as advertiser demand softened. Within advertising, on which Meta relies, a near term challenge is the growth of short-form video. Reels doesn't yet monetize at the same rate as feed or stories, so in the near term, the faster that Reels grows, the more revenue it actually displaces from higher-monetizing surfaces. The company is confident that Reels will grow engagement overall and quality and will eventually monetize closer to feed. The company crossed the $1B annual revenue run rate for Reels ads during the quarter, and Reels also has a higher revenue run rate than Stories did at identical times post launch but it is an overall drag currently as it diverts from higher revenue feeds.

The second challenge for Advertising is the signal loss from Apple's iOS changes. The approach here is to grow first-party understanding of people's interests by making it easier for people to engage with businesses in Meta's own apps. For example, Click-to-Messaging is part of the business messaging strategy that is growing quickly with 40% of advertisers already using this format. Meta estimate that one billion users are messaging a business each week across WhatsApp, Messenger and Instagram. Click-to-Message is already a multi-billion-dollar business where the company continues to see strong double-digit year-over-year growth. These ads are proving particularly popular with SMBs in emerging markets like Brazil and Mexico and big brands are incorporating business messaging into their campaigns, like Paramount Studios, who used Click-to-Messenger to promote their blockbuster movie Top Gun: Maverick and drive ticket sales. Advances in AI enable the company to deliver better personalised ads while using less data and making it simpler to create video ads for Instagram Stories. Additionally, they are testing ways for advertisers to transform static images with music and motion, so they appear more like video. Small businesses are better at static photos than they are at video.

The second technological wave is the metaverse, which enables deeper social experiences where you feel a realistic sense of presence with other people. They have continued the expansion of Horizon, their social metaverse platform, and the continued improvement of the avatar's platform. They launched an avatar store with digital clothes from leading fashion houses. It remains a long-term prospect with costs being adjusted accordingly.

Meta expects its third quarter 2022 total revenue to be in the range of $26-28.5 billion ($28.8bn in second quarter). This outlook reflects a continuation of the weak advertising demand environment experienced throughout the second quarter, and anticipation that third quarter Reality Labs revenue (metaverse) to be lower than second quarter revenue. Guidance assumes foreign currency will be an approximately 6% headwind to year-over-year total revenue growth in the third quarter, based on current exchange rates. In short, nothing for short term investors to get excited about.

Aena is the largest airport operator in the world with regards to the number of airports managed and passenger volume. The company currently manages 46 airports and two heliports in Spain and has direct interests in 23 international airports, including London Luton and six airports in north-eastern Brazil. Over the past decade, Aena has invested heavily to make its airports among the most modern and competitive in the world. They expanded and renewed the main infrastructures that has provided the network with the capacity necessary to meet the traffic demand in the medium-term whilst still maintaining high levels of quality. They also invested in the modernisation of the network management model following the entry of private capital and the application of the new regulation model. Going forward, Aena will benefit from a new more favourable regulatory period, which allows it to keep investments low, in line with maintenance capex of EUR450 million per year.

In August, the company won the rights to operate the largest block of airports auctioned by Brazil's government, adding to its portfolio in Brazil. The block of 11 airports includes the Congonhas domestic airport located in the city of Sao Paulo, one of the busiest airports in the country and amounting to 85% of the traffic within the block. So far, the company has released limited information about the value creation potential of this deal making it difficult to form a view on the profitability and potential equity IRR the company can earn on concessions. There has also been investor scepticism concerning the lack of interest in this block from other international and local airport operators. Aena has committed to c. EUR 0.95bn of capex of which 73% will be spent over the first 5 years of the concession. The company has stated that future growth is reliant on international expansion and Brazil offers both compelling aeronautical and commercial revenues. After a difficult period during the pandemic when most travel was halted or limited, the company saw a significant recovery in air traffic and commercial activity. The number of passengers in the first six months of the year increased by 287.7% in Spain, reaching 104.9 million, which is equivalent to 82% of the traffic in the first half of 2019, before the pandemic. The increase is widespread across all airports and in all types of traffic; domestic traffic rose by 142.6% while international traffic increased by 469%. Aeroportos do Nordeste do Brasil, Aena's existing airports in Brazil, showed an increase of 38.1%, equivalent to 98% of the traffic in 2019. The company has not yet released guidance for the rest of the year but has said that traffic may not be as robust, especially in Europe with weaker macroeconomic conditions, and they expect cost pressure from rising energy prices. It is important to point out that even before the rise in energy prices, Aena's Sustainability Strategy for the 2021-2030 period, included becoming a manager of carbon-neutral airports by 2026 and achieving a 94% reduction in emissions per passenger by 2030 to reach net zero by 2040. This will include becoming self-sufficient from 100% green energy under their Photovoltaic Plan by 2026.

Disclaimer

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

These documents are available from Nedgroup Investments (IOM) Ltd (the Investment Manager) or via the website: www.nedgroupinvestments.com.

This document is of a general nature and intended for information purposes only, it is not intended for distribution to any person or entity who is a citizen or resident of any country or other jurisdiction where such distribution, publication or use would be contrary to law or regulation. Whilst the Investment Manager has taken all reasonable steps to ensure that this document is accurate and current at the time of publication, we shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this document.

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 as amended and as may be amended, supplemented, or consolidated from time-to-time and any rules, guidance or notices made by the Central Bank which are applicable to the Fund. The Fund is domiciled in Ireland. Nedgroup Investment (IOM) Limited (reg no 57917C), the Investment Manager and Distributor of the Fund, is licensed by the Isle of Man Financial Services Authority. The Depositary of the Fund is Citi Depositary Services Ireland DAC, 1 North Wall Quay, Dublin 1, Ireland. The Administrator of the Fund is Citibank Europe plc, 1 North Wall Quay, Dublin 1, Ireland.

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 / Sub-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.

Distribution: The prospectus, the supplements, the KIIDs, constitution, country specific appendix as well as the annual and semi-annual reports may be obtained free of charge from the country representative and the Investment Manager. The Investment Manager may decide to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with Art 93a of Directive 2009/65/EC and Art 32a of Directive 2011/61/EU.

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.

FEES
A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

NEDGROUP INVESTMENTS CONTACT DETAILS
Tel: toll free from South Africa only 0800 999 16
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

DATE OF ISSUE
November 2022