



NEDGROUP
INVESTMENTS

see money differently



Quarterly review

Nedgroup Investments Core Global Fund
Marketing communication

As at 31 December 2022



Signs of easing inflationary pressures lift markets



2022 was a tumultuous year, characterized by geopolitical tensions, rate hikes and inflation concerns across regions, with significant losses across asset classes. A turnaround that began in October was short-lived, leaving the S&P 500 with an annual decline of 18% - the worst since 2008. However, macro dynamics were a perfect embodiment of the soft-landing narrative, showing robust employment growth alongside noticeably slower wage inflation in the US. This easing inflationary pressure helped lift markets in the fourth quarter. In the fourth quarter, the Nedgroup Investments Core Global Fund increased by 7.4%.

The table below compares an investment in the Nedgroup Investments Core Global Fund to US bank deposits (cash) and its growth target over various time periods. For every \$10 000 invested in the Nedgroup Investments Core Global Fund at inception (16 November 2015), you would have \$14 319 at the 31st of December 2022. This is better than the \$10 903 you would have achieved had you invested your money in US bank deposits (cash) over the same period. The green circle in the chart below, highlights the recent market recovery, which helps to contextualise the returns experienced in the past few years.

(Past Performance is not indicative of future performance and does not predict future returns)

Value of \$10,000 investment in Nedgroup Investments Core Global Fund versus US Cash ¹					
	3 Months	1 Year	3 Years	5 Years	Inception 16 November 2015
Growth of fund (after fees) (Growth in %)	\$10 743 7.4%	\$8 209 -17.9%	\$10 465 1.5% p.a.	\$11 615 3.0% p.a.	\$14 319 5.2% p.a.
Growth of US Cash (Growth in %)	\$10 096 1.0%	\$10 178 1.8%	\$10 720 0.7% p.a.	\$10 720 1.4% p.a.	\$10 903 1.2% p.a.
Growth target (EAA Fund USD Aggressive Allocation) (Growth in %)	\$10 632 6.3%	\$8 545 -14.5%	\$10 434 1.4% p.a.	\$11 271 2.4% p.a.	\$13 326 4.2% p.a.

Source: Morningstar

(Past Performance is not indicative of future performance and does not predict future returns)



Source: Morningstar

Since the inception of the Nedgroup Investments Core Global Fund, it has delivered returns in excess of US cash. However, it is to be expected that occasionally there will be periods where the Fund does not beat US cash over 5 years. Over the long term², a portfolio such as Nedgroup Investments Core Global Fund would have delivered a higher return than US cash approximately 64% of the time over any 5-year period.

1. We used the ICE Bank of America 3-month deposit rate for US cash returns
2. Based on Global market returns from 1997 to 2018 (source Morningstar) using the same long-term equity allocation and fees.





Economic and market review of 2022 and thoughts for the year ahead

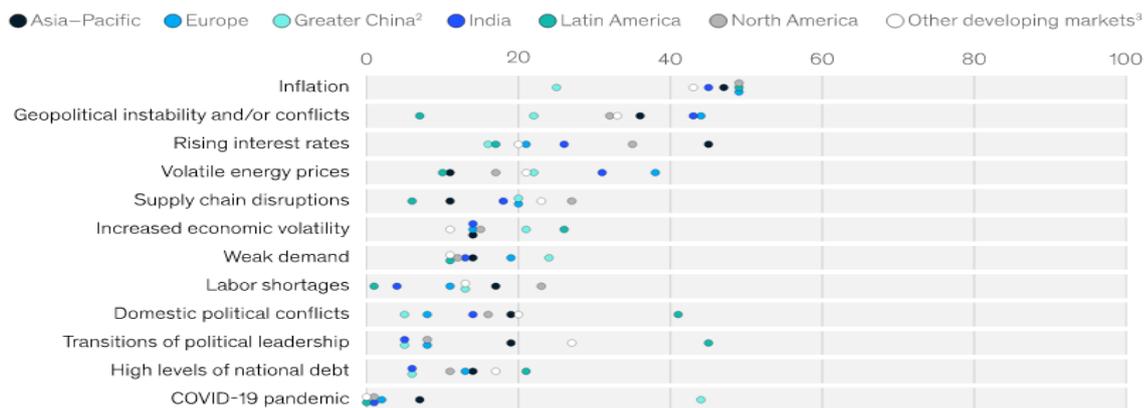


The year 2022 was tough all round, and markets were no exception. Both global equity and bonds yielded double-digit negative returns (in USD). Developed markets (MSCI World Index) were down 18%, emerging markets (MSCI Emerging Markets Index) declined by 20% and global bonds (Barclays Global Aggregate Bond Index) were down by 16%, leaving investors with little place to hide. These losses were largely driven by rising global interest rates, which led to the repricing of assets.

Looking ahead, expectations of economic growth in 2023 are very muted and some anticipate a recession. The anticipated challenges to economic growth are highlighted below in the McKinsey Global survey results from executives. Across most regions, inflation is the primary concern, followed by geopolitical instability and then rising interest rates. Both inflation and interest rate outcomes can be heavily influenced by central banks. Central banks face the challenging task of walking an interest rate tight rope; raise interest rates too much and risk further exacerbating the economic slowdown or, underestimate the interest rate hikes required and risk high inflation.

McKinsey Global Survey response on economic conditions December 2022

Potential risks to economic growth in respondents' countries, next 12 months,¹
% of respondents, by office location



¹Out of 18 risks that were presented as answer choices. In Asia-Pacific, n = 126; in Europe, n = 405; in Greater China, n = 111; in India, n = 84; in Latin America, n = 70; in North America, n = 304; and in other developing markets, n = 92.
²Includes Hong Kong and Taiwan.
³Includes Middle East, North Africa, South Asia, and sub-Saharan Africa.
Source: McKinsey Global Survey on economic conditions, 1,192 participants at all levels of the organization, Nov 28–Dec 2, 2022

Source: Mckinsey (economic conditions outlook 2022)

In addition to influencing economic growth, the level of interest rates is also a notable determinant of asset prices. Generally, when interest rates rise, the price of assets (shares, bonds etc.) tends to decrease as investors require higher compensation on 'risk' assets relative to the interest rate they could earn on cash. Therefore, in the year ahead, one of the key influences to market returns is likely to be how inflation plays out and the responding actions taken by central banks.

However, it's important to contextualise the present as it helps to avoid making emotionally driven investment decisions. Current interest rates are by no means high relative to historical rates over the past 70 years and the recent hikes are considered by some to be a normalisation of interest rates. Below is a chart illustrating this, using the United States interest rates as an example. Although the recent rate hikes have occurred relatively quickly, they are by no means anywhere as aggressive as the US rate hikes in the late 70's and early 80's. The chart also illustrates that relative to history, current interest rates are not high and are well within historical depicted of between approximately 0% to 21%.





US Federal Funds Interest Rate



Source: <https://www.macrotrends.net/2015/fed-funds-rate-historical-chart>



The History of Formalising Investing with a Purpose

Investing in companies on behalf of shareholders also entails representation on matters that are not easily quantifiable but are equally as important as valuation outcomes. Softer elements of pricing companies had largely been left out in public conversations. However, the absence of these public conversation did not mean these factors were simply ignored because material information does tend to reflect in asset prices even when it is difficult to quantify at first. This is still a widely debated point although it is becoming mainstream. As the field of ESG, Responsible Investing and Impact Investing mature, more divergent ideas will come together.

This can be seen when we look at the beginning of ESG. We find that Corporate Social Responsibility was entangled with ESG in corporate integrated reports. With adverse events such as the BP oil spill, shareholders realised that other qualitative factors at play were not explicit in discussions (even if companies addressed them in private) and yet they were material to shareholders and society at large. This brought about the greater need to address, with intent, the impact of 'invisible' financial statements footnotes. With this increased focus on adding qualitative factors to investment assessment, was an availability of richer information and data that could be used to make decisions.

As more information presented more opportunity, we saw the launch of self-proclaimed ESG and Impact funds. These developments came with more complexity too. The growth of ESG rating organisations became the trend that sought to address this complexity and so the ESG fund and ESG rating company growth waves swelled in tandem. As more people invest in such funds and the next generation of shareholders become more intentional about the impact of their savings – the world now looks to gain a better understanding of what it means when they say they are invested in an ESG or Impact fund. People seek to know where the ratings come from and whether all ESG fund labels are made equal.

So far what has been found by the world, even by the most prominent leaders in the field, such as Blackrock, is that not all ESG measures are comparable and not all ESG strategies change the world as we had hoped. More importantly, although people seek to improve the world and its future by voting with their money, there is a growing realisation that having information and having a convergence of information are only two steps of a layered process. Now we are faced with the questions of *what to do* now that we know more, and *whether what we are doing* is having the desired outcome. As people around the world try answer these questions, we learn that the trend of divestment or exclusion will not change the world.

Nedgroup Investments Core Range is walking this journey with clients. How we're making progress and how we represent shareholders is detailed in the 2022 maiden Annual Stewardship Report.





Geopolitics – America’s fourth institutional crises

Over the past decade we have seen an increase in social divisions across the World (such as Brexit, Trump’s presidential election and an increase in “populist” political parties across the world to name a few). George Friedman recently published a book called “The Storm Before the Calm” in which he delves into the current crises in America and contextualises this crisis by looking at previous crises in its history.

In his book he identifies three institutional cycles since gaining independence from Britain. Each of these cycles followed major wars and resulted in a transformation of the governing institutions. The Institutional cycles were:

1. The Revolutionary war which allowed independence from Britain and installed a union of states and a republican form of government (1787 to 1865).
2. The Civil War which established the primacy of the federal government over the states (1865 to 1945).
3. The Second World War which extended the power of the federal government over American society and put a government of experts in place (1945 to present)

According to Friedman there is an institutional crisis currently taking place which will result in the next institutional cycle. This crisis he dubs as the “technocratic crises” as the COVID-19 pandemic revealed the ineffectiveness of the technocratic federal government in applying solutions over a large and diverse country.

The crisis of experts can be seen at the institution that underpins any technocratic society, namely the University. In the US student debt currently stands at \$1.6 trillion which is of a similar magnitude to the amount borrowed by homeowners before 2008. If a major default were to occur, it could result in a crisis of similar proportion to the subprime mortgage crisis.

Friedman’s argument is therefore that “technocracy is built on experts, and that experts, while necessary, tend to have a narrow focus. To lack generalists is to lack common sense, and a lack of common sense gave us another train wreck, one that will end with a transformation of how government works”.





Disclaimer

This is a marketing communication. Please refer to the prospectus, the key investor information documents (the **KIIDs/PRIIPS KIDS**) 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/PRIIPS KIDS, 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.

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

