NEDGROUP INVESTMENTS

see money differently

Quarterly review

Nedgroup Investments Core Global Fund

Marketing communication

As at 30 September 2023

Recession fears and central-bank tightening are driving market volatility

The path toward a more balanced economic state has impact on financial markets. In most developed regions, the excessive debt accumulation over the previous decades that created the large economic imbalance today has already begun to reverse. The combination of central banks raising interest rates, draining reserves and banks tightening lending standards, in addition to other fiscal policy conditions, has combined to reduce the flow of money to markets and economies - causing significant market volatility. After a positive first half, risk assets started to price for the more challenging backdrop in the third quarter. Over the quarter, the Nedgroup Investments Core Global Fund declined by -3.1%.

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 $15 197 at the 30th of September 2023. This is better than the $11 307 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 %)***	$9 693 *-3.1%*	$11 401 *14.0%*	$11 000 *3.2% p.a.*	$12 141 *5.2% p.a.*	$15 197 *5.5% p.a.*
Growth of US Cash ***(Growth in %)***	$10 132 *1.3%*	$10 471 *4.7%*	$10 563 *1.8% p.a.*	$10 955 *1.8% p.a.*	$11 307 *1.6% p.a.*
Growth target (EAA Fund USD Aggressive Allocation) ***(Growth in %)***	$9 752 *-2.5%*	$11 088 *10.9%*	$11 000 *3.2% p.a.*	$11 679 *3.2% p.a.*	$13 963 *4.3% 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 term[2], 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

After a strong start to the quarter in July, equity markets fell in August and September. Investors grew cautious as the reality of 'higher for longer' interest rates became apparent. Bond yields rose throughout the quarter with US 10-year yields hitting a 16-year high on the first day of the fourth quarter. Q3 global bond market losses have came as the 10-year Treasury yield - the benchmark for world borrowing costs - has surged roughly 75 basis points to just above 4.6 percent. That is the largest quarterly jump in a year and one which hoists it back to its long-term average for the first time since 2007.

Today, we are faced with significant levels of imbalance in developed market economies that are difficult to resolve; most notable is the divergence between demand (nominal spending) and supply (economic output). Current high levels of nominal spending were triggered by the unprecedented liquidity injection and fiscal debt build-up during the COVID-19 pandemic, which have outstripped the ability of developed market economies to produce more, leading to an inflationary overshoot. Unsurprisingly, policy makers are left with no appetite to inject more stimulus into the economy and are now forced to engineer a broad economic slowdown to rein in demand.

In an effort to combat historically high levels of inflation, the Federal Reserve has implemented an unprecedented Fed Funds rate hiking cycle of 525 bps in a brief span of 16 months. This has shifted monetary policy from accommodative to restrictive, reflected in long-term real interest rates that have risen to 2 percent, a level not seen since the GFC. This restrictive monetary policy position (which includes so-called "Quantitative Tightening"), coupled with softening inflation suggest to us that we are nearing the end of Fed rate hikes. The key questions going forward for the market are how long will the Fed hold this restrictive policy and when will they need to pivot? While the market ponders these two questions, market pricing is entering an inflection point where real yields are cyclically high and high yield spreads are cyclically tight, a market pricing environment that has historically been unsustainable.

While growth stocks have been under pressure, this round of higher interest rates has had more of an impact on two specific groups of stocks: dividend stocks and stocks exposed to consumer spending. The moderation in US inflation had seemed broad-based during the first half of the year but was certainly aided by a lack of energy price inflation. The equation for financial markets over the last few months has been both simple and painful: A near 30 percent surge in oil prices + a steep rise in borrowing costs = a clattering for global stocks and bonds. Equity bulls have also been biffed. The S&P 500 lost 3.3 percent over the third quarter, while declines across Europe and Asia were more meaningful.

Over a shorter horizon, there will likely be elevated equity market volatility given a combination of high valuations, relatively slow profit growth, still tight financial conditions and reasonably priced alternative assets. The combination of sticky inflation, higher interest rates and peak public debt levels suggests that counter-cyclical fiscal intervention will no longer be as supportive as it has been in the past decade — further fueling economic and market volatility.

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