see money differently

Nedgroup Investments Global Emerging Markets Equity Fund

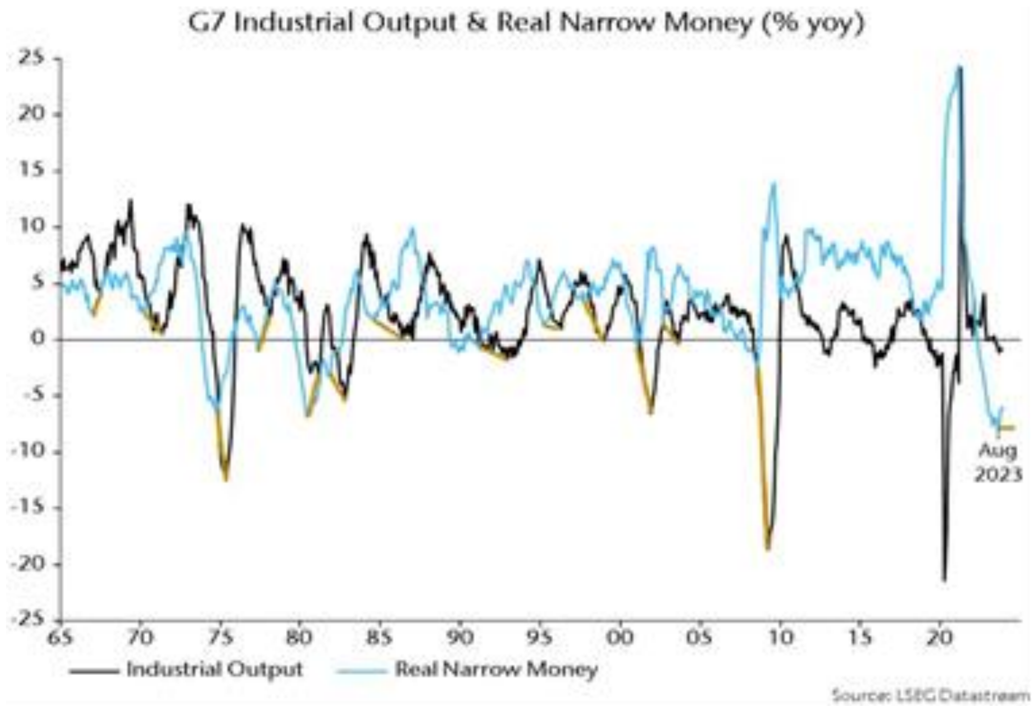
Quarter Four, 2023

Marketing Communication

Economic and Monetary Backdrop

Global monetary trends suggested that inflation would fall rapidly during 2023 but at the expense of significant economic weakness. The inflation view proved correct but activity held up better than expected. The judgement here is that the full impact of monetary tightening has yet to be apparent, and equities are vulnerable to both economic disappointment and a lack of liquidity support in early 2024.

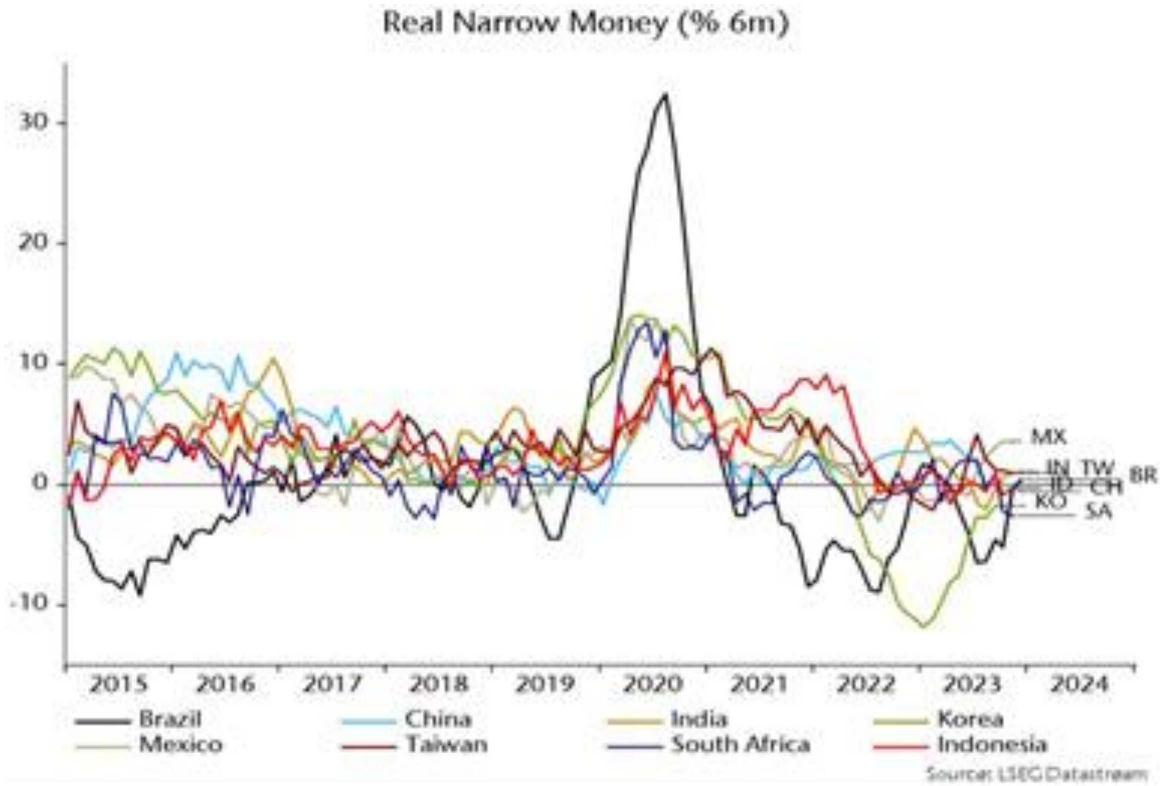
The absence of more significant economic weakness to date is not unusual based on the historical lag from money to activity. Major lows in G7 annual real narrow money momentum preceded those in industrial output momentum by an average 12 months. With the former reaching a trough in August 2023, output weakness may not peak until H2 2024:



The macro checklist used here to assess the relative attraction of EM equities remains mixed. On the positive side, E7 real money momentum is above the G7 level (although the gap has narrowed), relative valuation is below average and the US dollar may have entered a secular decline. However, global economic prospects, as noted, are a headwind and "excess" money indicators remain negative, suggesting constrained EM inflows.

Chinese monetary policy developments in H2 2023 were disappointing. The PBoC appeared to be on an easing track at mid-year but the appointment of a new Governor in July marked the start of a new upswing in money rates, with an accompanying sharp slowdown in narrow money into year-end. The authorities are prioritising currency stability and relying on fiscal policy to support growth but further downbeat economic news may prompt a rethink in early 2024.

Six-month real narrow money momentum is relatively favourable in Mexico, India and Taiwan, with South Africa and Korea currently weaker than China:



EM cyclical sectors appear cheap relative to defensive sectors and DM cyclicals, suggesting that weak economic prospects are at least partly discounted.

Portfolio strategy

The portfolio rose over a strong period for EM equities, as the MSCI EM Index posted a return of 7.9%. Markets cheered encouraging inflation data globally and prospects that central banks have reached the end of their hiking cycle. Stock selection was the key driver for performance, with contributors including Indian mid caps in Staples and Healthcare, technology in South Korea, and Polish Financials. Stock selection in China was the largest drag, albeit less than in prior quarters as the foreign investor exodus and SOE outperformance cooled. An underweight to Brazil was a detractor, with economic soft landing hopes lifting iron ore giant Vale and stocks sensitive to domestic demand and rates. Strong stock picking in Brazil was enough to offset this underweight through 2023, led by oil company Petrobras with a total return of 89% in USD terms. Portfolio activity was focused on rebalancing within China, with a weak domestic and slowing international economy prompting the exit from some cyclical names, recycling this into more defensive exposure.

IT names in South Korea and Taiwan were contributors on investor enthusiasm for AI. These companies were already starting to look attractive at end-2022, as the end of a brutal inventory de-stocking cycle for semiconductors came into view. Many of the names added at that time also have exposure to the growth of AI technology, leaving it well-positioned for a rally which took off following Nvidia's announcement of first quarter results. Several small and mid-cap companies dominating their respective niches within the semiconductor industry contributed through the quarter. South Korea's HPSP led returns for the portfolio and is a specialist in high pressure annealing technology – the process of removing defects in advanced chips through high pressure hydrogen injections to enhance electron movement and hence performance. The company is a monopoly in its niche, the only high-pressure annealing equipment provider certified by TSMC, Samsung, Intel and Hynix. Growth in AI and other high performance computing applications underpin strong demand even through a wider industry downcycle.

In Taiwan, eMemory surged in part due to the positive sentiment surrounding the successful ARM IPO. eMemory is another niche player in semiconductors specialising in non-volatile silicon IP, layout design embedded in the building blocks of chips. The technology can be used for storing memory even with the power off, with core applications including programable instructions, encryption and identification. Growth drivers include advanced chip node migration, AI, cybersecurity and advanced driver assistance technology. Chip design houses and firms that design, manufacture and sell chips are increasingly outsourcing to the likes of eMemory who provides designs for core chip features. The company receives licence fees for the initial designs, and when they are incorporated into the chips. Once chips have entered production, eMemory charges royalties as a percentage of the wafer price. With over four hundred licences, these accumulated projects generate recurring passive income as designs enter production. Trading at a 2024 PE of around 78x, eMemory is optically expensive but the valuation is justified in our view, by a high and rising 60% net margin, ROE of 72% and 40% EPS growth.

Strong stock picking in Indian mid-caps was a contributor, led by PepsiCo bottler Varun Beverages. Varun continues to sustain leadership and reported mid-teens revenue growth for the quarter ending September 30 well ahead of peers. Margins and earnings growth beat expectations on an improving product pipeline, with rising volumes sold for energy drink Sting, Gatorade, health range, and dairy. The company is set to expand capacity by 45% on CY22 levels ahead of next season, signalling management optimism on growth potential. A further boost to the share price came on news that the company would buy South Africa's The Beverage Company. The news confirms speculation that Varun was set to be rewarded by PepsiCo for its performance in India with a new market opportunity. Varun will look to improve Pepsi's low single-digit market share in South Africa.

Adding exposure in Poland proved timely as Bank Pekao surged over 60% on a positive election result, with a pro-EU coalition taking power. Pekao is a well- managed state-owned bank should benefit from less state interference in the banking sector, set to recede under more moderate leadership, including via the end of mortgage holidays introduced by the populist Law and Justice Party in 2022. Also positive is an end to government pressure on the central bank to deliver rate cuts, which had hit the profitability of banks along with triggering a market de- rating. Macro conditions in Poland should improve, helped by a more EU-friendly government that can unlock around 24 billion euros of EU Covid-19 Recovery funds. A more stable rate environment and acceleration in economic growth should help to revive the credit impulse and drive a recovery in Pekao's profitability.

Stock picking in China was a detractor, with the country being one of the few EM markets to post a negative return during the quarter. As of New Year's Day 2024, the MSCI China index is now down 57% from its 2021 high. The 2022 Congress in which Xi Jinping anointed himself leader for life and appointed his cadres to the Standing Committee was a setback in institutional quality. While our analysis identified this risk at the time, the assessment was that this development was a long-term structural negative that would slowly play out, gradually impairing China's long-term investment appeal. Instead, the impact of deteriorating institutional quality on investment sentiment has taken hold at pace. This has been most visible in authorities' pursuit of the contradictory aims of "Xi Jinping thought" and "common prosperity", consequently failing to reignite entrepreneurial spirits with a drip feed of economic support, while pursuing crackdowns across key sectors from education, healthcare, internet and real estate. Chinese equities broadly could remain cheap for some time given the level of investor malaise and missteps by authorities. Yet even in this scenario, much like in Japan's two lost decades, China can offer up opportunities for stock pickers. Like Japan, China's exporters have been boosted by a hyper-competitive currency and are operating in a continental-sized market that provides scale to dominate globally.

In a slowing global economy, quality yet competitively-priced goods produced by the likes of medical device manufacturer Mindray or EV behemoth BYD can grab share. Other names such as AIA and Prudential are beneficiaries of regional tail winds set to play out over the next decade, and don't rely on a volte face by authorities on economic stimulus. Portfolio activity in China reduced exposure to a small underweight reflecting conviction in the names above, while exiting names like ecommerce platform Meituan and heavy equipment manufacturer Sany Heavy, which face cyclical headwinds. Drug R&D outsourcer Wuxi Biologics was bought before being cut shortly after following an abrupt management downgrade of guidance. While recovery in drug development funding remains intact, badly mishandling (if not misleading) investor expectations damages management credibility.

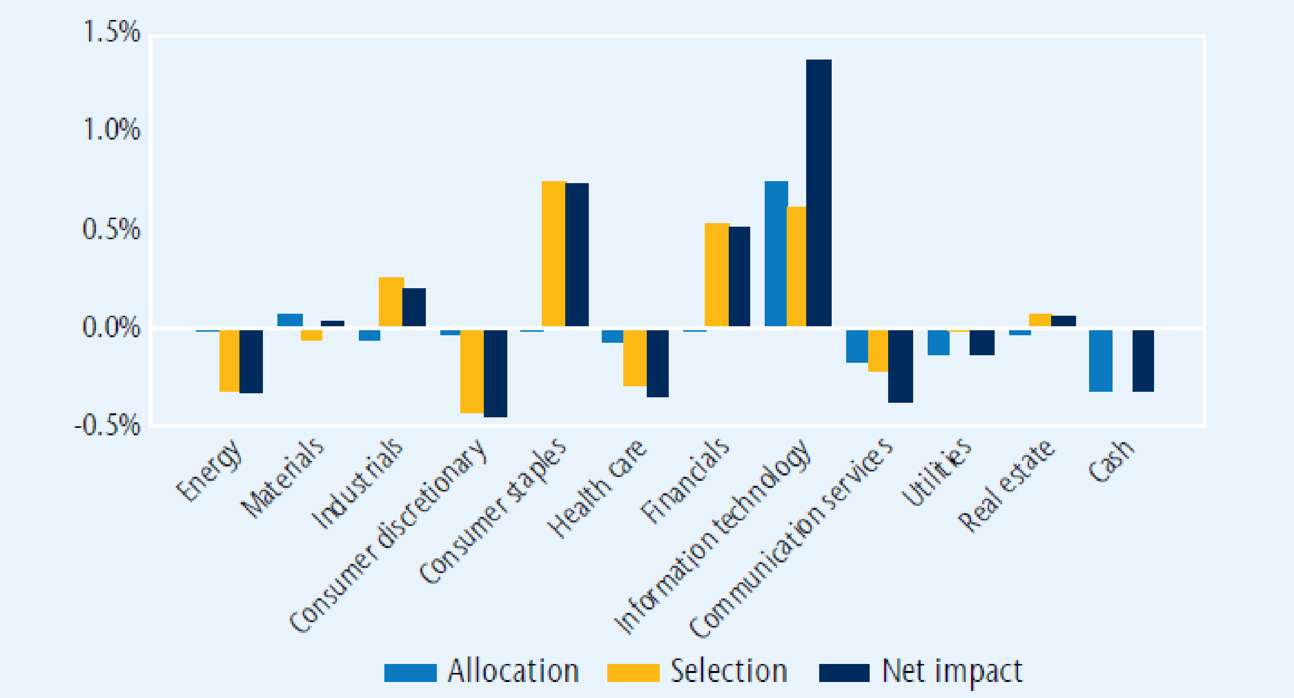
Previous quarterly commentary pieces have emphasised that slowing monetary data signalled inflation was likely to undershoot market expectations. While this is playing out, it remains our view that the magnitude of monetary tightening risks a sharper slowdown. A preference for defensive businesses over cyclicals is therefore maintained. EMs will not avoid the bite of a slowdown in DM economies. However, valuations in EM trade below long run averages, currencies are cheap (outside of South America), while inflation has been contained well ahead of developed peers. A trend of decline in the dollar would support the case for EM outperformance, and there are hints this may be underway. The US currency fell sharply in October on the news US inflation was receding faster than expectations. Rate cuts by the Federal Reserve in 2024 could add downward pressure, allowing more EM central banks to begin easing and thus boost global liquidity conditions.

Best and Worst Countries by Net Impact

Country	Allocation	Stock Selection	Net Impact
South Korea	0.1%	0.9%	1.0%
India	0.1%	0.7%	0.8%
Poland	0.0%	0.2%	0.2%
United Arab Emirates	0.2%	0.0%	0.2%
Turkey	0.2%	0.0%	0.2%
Taiwan	-0.1%	0.0%	-0.1%
Mexico	-0.1%	-0.1%	-0.2%
Thailand	-0.1%	-0.2%	-0.2%
Brazil	-0.3%	0.0%	-0.2%
Hong Kong	-0.3%	0.0%	-0.3%

Source: NS Partners Ltd

Attribution by Sector



Source: NS Partners Ltd

Contribution Analysis

Top Contributors	Average Weight	Contribution
Varun Beverages Ltd	3.4%	0.7%
Bank Pekao Sa	1.2%	0.5%
Meituan	0.1%	0.4%
Max Healthcare Institute Ltd	2.4%	0.3%
Hpsp Co Ltd	0.8%	0.3%

Source: NS Partners Ltd

Top Detractors	Average Weight	Contribution
PDD Holdings Inc-Adr	0.0%	-0.5%
Hong Kong Exchanges and Clearing..	1.4%	-0.3%
Wuxi Biologics Cayman Inc	0.2%	-0.2%
Mediatek Inc	0.0%	-0.2%
Ptt Exploration & Prod-For	1.2%	-0.2%

Source: NS Partners Ltd

Activity During the Quarter

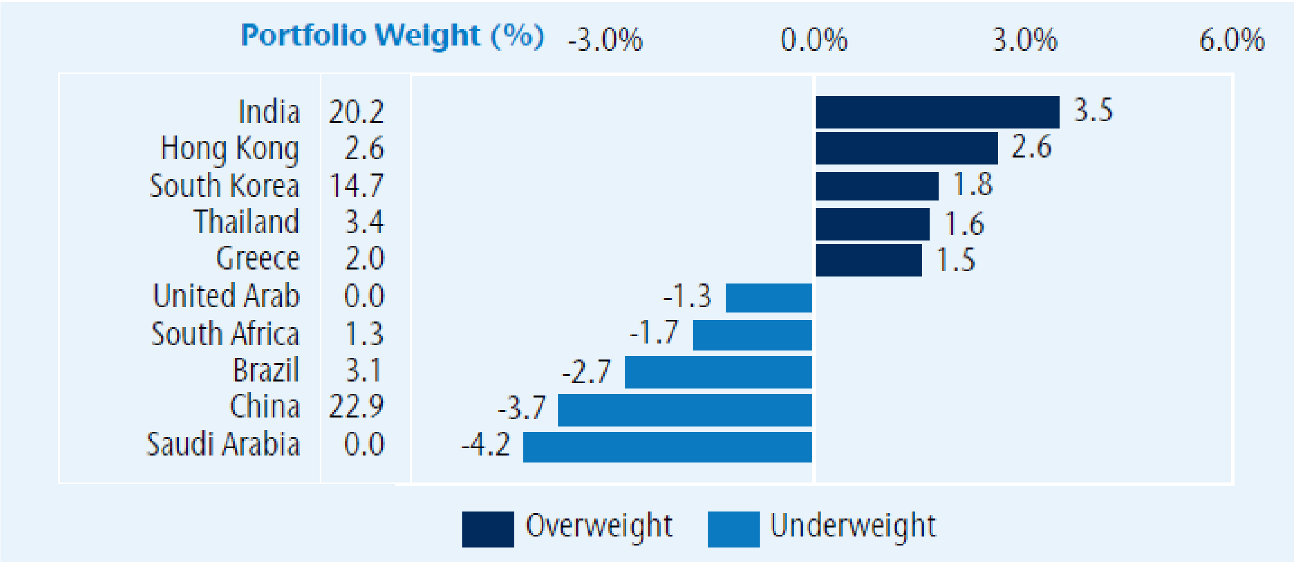
New	Exited
Shenzhou International Group	Meituan
Wiwynn Corp	East Money Information Co-A
PetroChina Co. Ltd.	Lg Chem Ltd
Wuxi Apptec Co Ltd	Sungrow Power Supply Co Lt-A
Bank Rakyat Indonesia (Persero) Tbk	Supcon Technology Co Ltd
Lotes Co Ltd	Sany Heavy Industry Co Ltd-A
Yum China Holdings	Devyani International Ltd
LPP S.A.	E Ink Holdings Inc
Wuxi Biologics Cayman Inc	Wuxi Biologics Cayman Inc

Source: NS Partners Ltd

Add	Reduced
Byd Co Ltd -A	Alibaba Group Holdings Ltd
Shenzhen Mindray Bio-Medical E	Varun Beverages Ltd
Hyundai Mobis Co Ltd	Hong Kong Exchanges and Clearing Ltd
Kweichow Moutai Co Ltd-A	Opap Sa
Sk Hynix Inc	Delta Electronics Inc
AIA Group Ltd	Ememory Technology Inc
Accton Technology Corp	Shenzhen Envicool Technology C
Axis Bank Ltd	-
-	-

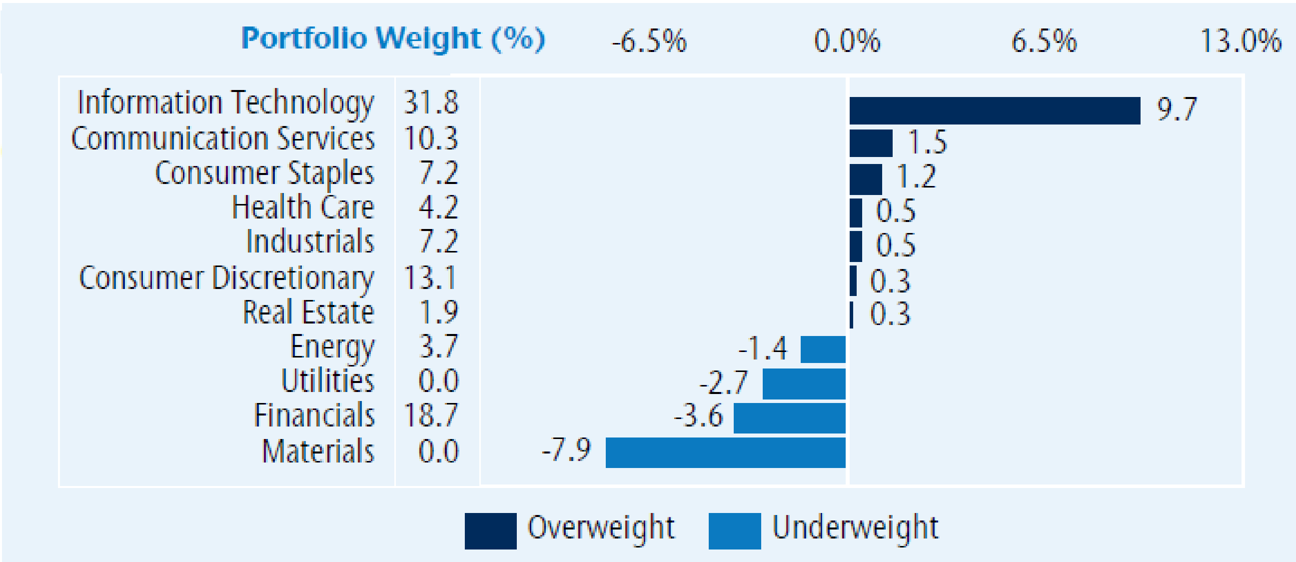
Source: NS Partners Ltd

Top Country Over/Under Weights vs MSCI EM Index



Source: NS Partners Ltd

Sector Allocation Over/Under Weights vs MSCI EM Index



Source: NS Partners Ltd

Top 5 Overweights vs MSCI EM Index

Company Name	Country	Sector	Active Weight
Samsung Electronics Co Ltd	South Korea	Information Technology	4.1%
Hdfc Bank Limited	India	Financials	3.5%
Varun Beverages Ltd	India	Consumer Staples	3.3%
Max Healthcare Institute Ltd	India	Health Care	2.5%
Sk Hynix Inc	South Korea	Information Technology	2.4%

Source: NS Partners Ltd

Top 5 Underweights vs MSCI EM Index

Company Name	Country	Sector	Active Weight
Reliance Industries Ltd	India	Energy	-1.4%
Alibaba Group Holdings Ltd	China	Consumer Discretionary	-1.0%
ICICI Bank Ltd	India	Financials	-0.9%
Infosys Ltd	India	Information Technology	-0.9%
China Construction Bank	China	Financials	-0.8%

Source: NS Partners Ltd

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.

Switzerland: the Representative is Acolin Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, whilst the Paying agent is Banque Heritage SA, Route de Chêne 61, CH-1211 Geneva 6. Nedgroup Investments (IOM) Limited is affiliated to the Swiss ombudsman: Verein Ombudsstelle Finanzdienstleister (OFD), Bleicherweg 10, CH-8002 Zurich.

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: info@nedgroupinvestments.co.za
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
January 2024