



see money differently

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

## **Nedgroup Investments Contrarian Value Equity Fund**

Quarter One, 2024

**Marketing Communication**



# Nedgroup Investments Contrarian Value Equity Fund

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

| USD performance to 31 March 2024 | Nedgroup Investments Contrarian Value Equity <sup>1</sup> | MSCI ACWI |
|----------------------------------|---|-----------|
| 3 months                         | 8.3%  | 8.2%      |
| 1 year                           | 27.5%   | 23.2%     |
| 3 years (p.a.)                   | 6.4%  | 7.0%      |
| Since inception (p.a.)           | 9.6%  | 9.6%      |

Source: Morningstar. *Past performance is no guarantee, nor is it indicative, of future results.*

## Overview

The Nedgroup Investments Contrarian Value Equity Fund (“the Fund”) gained 8.3% for the quarter and gained 27.5% for the trailing twelve months. The Fund captured 118.5% of the MSCI ACWI’s gain in the trailing twelve months.

Below you can see the Fund’s performance along with various relevant indexes.

### Net Performance versus Illustrative Indices<sup>2</sup>

|                                       | Q1 2024 | Trailing 12 months |
|---------------------------------------|---------|--------------------|
| Nedgroup Contrarian Value Equity Fund | 8.3%    | 27.5%              |
| MSCI ACWI                             | 8.2%    | 23.2%              |
| MSCI World                            | 8.9%    | 25.1%              |
| S&P 500                               | 10.6%   | 29.9%              |

Source: Morningstar. *Past performance is no guarantee, nor is it indicative, of future results.*

## Portfolio discussion

Broad exposure hasn’t really changed year-over-year; however, that’s not to say there hasn’t been activity during that time. During the quarter, we exited two positions in their entirety – AIG and Heidelberg Materials.

In the previous twelve months, the Funds top five performers contributed 14.2% to its return, while its bottom five detracted 1.9%.

<sup>1</sup> For illustrative purposes only. Reflects the net USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class.

<sup>2</sup> Comparison to the indices is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

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



## Trailing Twelve-Month Contributors and Detractors as of 31 March 2024 <sup>3</sup>

| Winners        | Performance contribution | Average weight | Losers                   | Performance contribution | Average weight |
|----------------|--------------------------|----------------|--------------------------|--------------------------|----------------|
| Meta Platforms | 4.5%                     | 4.6%           | JDE Peet's               | -0.6%                    | 2.0%           |
| Alphabet       | 3.6%                     | 8.5%           | Charter Communications   | -0.6%                    | 2.6%           |
| Holcim         | 2.3%                     | 5.2%           | Nexon                    | -0.3%                    | 0.7%           |
| Broadcom       | 2.0%                     | 2.3%           | Groupe Bruxelles Lambert | -0.2%                    | 2.1%           |
| Amazon         | 1.9%                     | 2.9%           | Entain                   | -0.2%                    | 0.4%           |

Source: FPA. **Past performance is no guarantee, nor is it indicative, of future results.**

We have discussed most of the contributors in the trailing twelve months. However, we have not recently discussed the following investments meaningful to the Fund's trailing twelve-month return.<sup>4</sup>

**JDE Peet's** is the second largest coffee business in the world. Jacobs Douwe Egberts (JDE) combined with Peet's to explore IPO opportunities and ultimately went public in 2020. The company is currently navigating several issues, including the effects of the war on its Russian business, the lingering impact of the pandemic that curtailed out-of-home demand, and having to fight massive inflation in coffee prices. While management has not navigated these challenges as well as we hoped, the controlling shareholder sees it similarly and has ousted the former CEO.<sup>5</sup> While its turnaround remains a work in progress, its stock does appear inexpensive on both a relative and absolute basis at just 12.5x 2024's estimated earnings.

### Portfolio Activity<sup>6</sup>

The Fund exited two investments. The Fund exited US-based AIG after reaching, what we believe to be, a fair value for the stock. Similarly, we exited Heidelberg Materials based on valuation; however, we still maintain exposure to the industry in our holding in Holcim. The Fund did not increase or decrease any of its remaining positions or add any new positions during the quarter.

### Portfolio Profile

There were 42 positions in the Fund with the top five holdings comprising 30.5% and the top 10 comprising 50.2% of the portfolio (based on total assets) as of 31 March 2024. The top three sector exposures in the Fund, based on the Global Industry Classification Standard (GICS) sector classification, are Communication Services, Information Technology, and Industrials which comprise 50.5% of the total assets of the Fund. As a percentage of equity, the Fund has 41.5% non-US exposure and 58.5% exposure in the US.<sup>7</sup>

<sup>3</sup> Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months through 31 March 2024. Contribution is presented net of investment management fees, transactions costs, and Fund operating expenses using the fees and expenses of the Fund's D class, which are 0.75%. The information provided does not reflect all positions purchased, sold or recommended by FPA during the period. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

<sup>4</sup> The company data and statistics referenced in this section are sourced from company press releases and financial disclosures unless otherwise noted.

<sup>5</sup> Source: Financial Times March 8, 2024: JDE Peet's replaces CEO and chair with ex-M&S boss Luc Vandeveld

<sup>6</sup> The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. It should not be assumed that an investment in the securities listed was or will be profitable. Increases and decreases represent securities whose position size changed by at least 33% over the period and represent greater than 0.75% of the portfolio. Any exited position mentioned was fully removed, regardless of its representative portfolio size. Portfolio composition will change due to ongoing management of the Fund.

<sup>7</sup> 'As a Percentage of Equity' excludes cash & cash equivalents. Portfolio composition will change due to ongoing management of the Fund.

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



## Closing

The stock market offers less opportunity today than it did at year-end 2022. The price/earnings ratios of the MSCI ACWI and S&P 500 are more than three and four points higher, respectively, than before 2023's market rally. We have taken advantage of the rising tide and reduced or sold some of the Fund's more expensive and lower-quality positions. We have also made a number of new investments that we will likely discuss in future commentaries, which we believe are both less expensive and of higher quality. We believe the portfolio's higher quality assets will serve us well as we move forward.

Respectfully submitted,

FPA Contrarian Value Portfolio Management Team





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