NEDGROUP INVESTMENTS

see money differently

Quarterly review

Nedgroup Investments Core Global Fund

Marketing communication

As at 30 June 2024

Market Dynamics Amidst Inflation and Geopolitical Tensions

Geopolitical and societal risks rose further in the second quarter after a number of election surprises around the world, including results in South Africa, Mexico and India, and early election announcements in the UK and France. Trump's lead in the election polls has surged, but some of his extreme policies are not yet reflected in markets. Trump wants to limit immigration, enact 10% tariffs on all US imports and cut corporate tax rates to 20% while increasing fiscal support. These would all be inflationary and would worsen an already ballooning US budget deficit. Over the quarter, the Nedgroup Investments Core Global Fund increased by 2.1%.

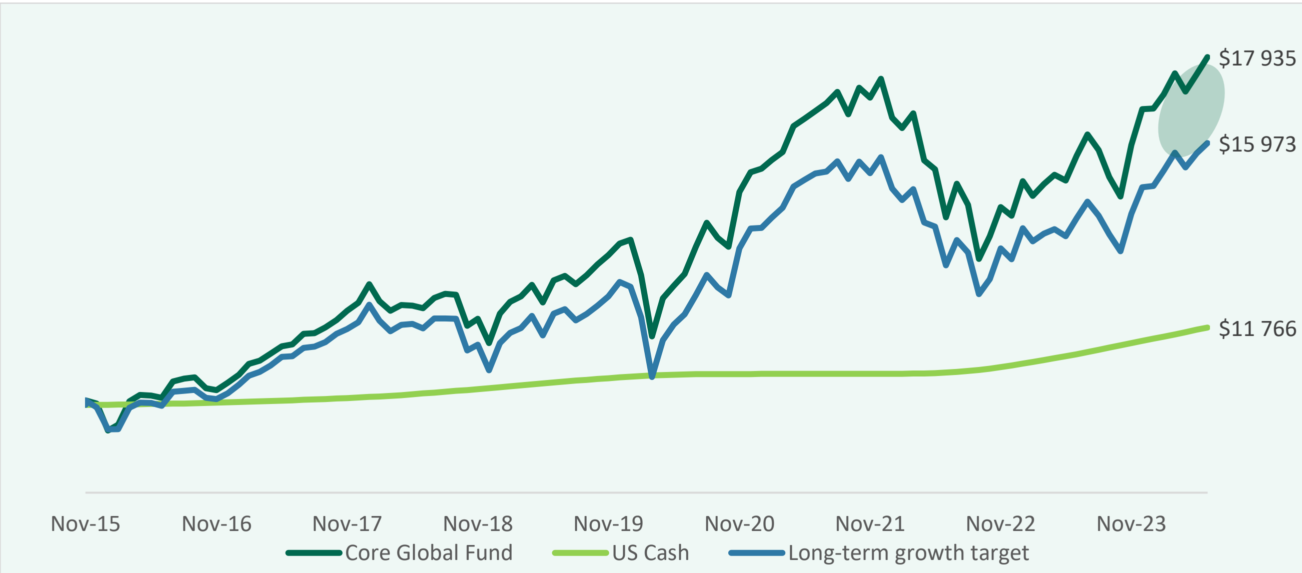
The table below compares an investment in the Nedgroup Investments Core Global Fund to US bank deposits (cash) and its growth target over various time periods. For every $10 000 invested in the Nedgroup Investments Core Global Fund at inception (16 November 2015), you would have $17 935 at the 30th of June 2024. This is better than the $11 766 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 %)***	$11 209 *2.1%*	$11 439 *14.4%*	$10 740 *2.4% p.a.*	$13 969 *6.9% p.a.*	$17 935 *7.0% p.a.*
Growth of US Cash ***(Growth in %)***	$10 132 *1.3%*	$10 543 *5.4%*	$10 985 *3.2% p.a.*	$11 189 *2.3% p.a.*	$11 766 *1.9% p.a.*
Growth target (EAA Fund USD Aggressive Allocation) ***(Growth in %)***	$10 134 *1.3%*	$11 192 *11.9%*	$10 482 *1.6% p.a.*	$13 241 *5.8% p.a.*	$15 752 *5.6% 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

During the second quarter, a discernible shift occurred in the US economy, as evidenced by the US Citigroup Economic Surprise Index dropping from 40 to -30. This index gauges a variety of economic metrics, with a positive value indicating that outcomes were better than expected and a negative value indicating they were worse. With these developments, in particular an increase in the US unemployment rate to 4.1%, and a reduction in inflation rates to 3% year-on-year, it's predicted that the US may start a rate cutting cycle in the latter half of the year.

At first glance, US equity markets seem to project a different narrative, with the S&P 500 exhibiting gains of over 4% for the quarter and 14% for the first half of the year, measured in US Dollars. Delving deeper reveals that this 4% growth is predominantly credited to three tech companies — Nvidia, Apple, and Microsoft — while the rest of the market generally fared poorly.

Likewise, developed market equities recorded gains of nearly 3% in the second quarter, as evidenced by the MSCI All Country World Index in USD. Surpassing their developed counterparts, emerging markets returned more than 5%[1] for the quarter, driven mainly by AI-related firms.

China's economic growth slowed down in the second quarter of 2024, with a lower-than-anticipated GDP increase of 4.7% due to weak consumer spending and a struggling property market, trailing the 5.3% growth from the previous quarter. Despite robust exports and investment in manufacturing capacity propping up the economy, it faces risks from potential trade disputes and tariff hikes. The modest GDP figure remains within acceptable ranges, making major stimulus policies unlikely at the forthcoming third Plenum (a four-day meeting of the county's leadership). Meanwhile, Chinese stock markets rallied, as measured in US Dollars, buoyed by rising investor confidence and government measures to prop up the housing sector.

The European Central Bank has announced a reduction in interest rates by 25 basis points. If the United States proceeds with the expected rate cut, it's likely that emerging markets will also lower their interest rates in response. Declining interest rates could affect bond yields, and if all other factors remain constant, might initially strengthen emerging market currencies as a result of an uptick in carry trades that take advantage of greater interest rate differences due to a slower pace of rate reductions in emerging markets.

In contrast to the buoyant stock market, other global asset classes didn't fare as well; global property and bond returns fell by over 2%[2] and 1%[3], respectively.

[1] MSCI Emerging Markets Gross Index in US Dollars
[2] FTSE EPRA/NAREIT Developed Net Index in US Dollars
[3] Bloomberg Global Aggregate Bond Index in US Dollars

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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.

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