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

# **NEDGROUP INVESTMENTS**

## **Global Cautious Fund**

Q4 2025

**Marketing Communication**

## Nedgroup Investments Global Cautious Fund

Past performance is not indicative of future performance and does not predict future returns.

Performance longer than 1 year is annualised.

Performance to 31 December 2025 (USD)	Fund <sup>1</sup>	Target Return <sup>2</sup>	Peer Group <sup>3</sup>
3 Months	1.1%	1.0%	1.6%
12 Months	10.6%	4.4%	8.9%
5 Years	2.9%	3.3%	2.5%
10 Years	3.1%	2.3%	3.4%

### Market Overview

Global equity markets ended the year on a positive note, demonstrating resilience amid slowing but still positive economic growth, easing inflation pressures, and continued geopolitical uncertainty. Investor sentiment improved as major central banks shifted further toward a more accommodative policy stance, supporting equity valuations and contributing to lower market volatility. Developed markets outperformed emerging markets over the quarter, with US equities benefiting from resilient corporate earnings, broadening market participation beyond mega cap technology, and sustained investment linked to artificial intelligence. European equities advanced on signs of economic stabilisation and increased fiscal support. Performance across Asia and emerging markets was mixed, reflecting divergent policy paths, currency headwinds, and uneven growth momentum. Overall, equities continued to climb, underpinned by resilient fundamentals and expectations of a measured monetary easing cycle into 2026.

### Fund Performance

The aim of the strategy is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

The portfolio produced a positive return over the quarter, driven by both the portfolio's bond and equity allocations.

The following table highlights the top 5 equity contributors and bottom 5 equity detractors over the quarter:

Top Performers	Country	Performance contribution	Bottom Performers	Country	Performance contribution
ALPHABET A	US	0.19%	ALTRIA GROUP	US	-0.10%
STEEL DYNAMICS	US	0.09%	AUTOZONE	US	-0.10%
AMERICAN EXPRESS	US	0.08%	TELENOR	NORWAY	-0.06%
ROCHE HOLDING GENUSS	SWITZERLAND	0.08%	AUTOMATIC DATA PROCESS	US	-0.05%
S&P GLOBAL	US	0.05%	TEXAS INSTRUMENTS	US	-0.04%

North American equity markets went up over the quarter. In the US, the stock market rose gradually over the quarter as the impact of tariffs remained muted due to the trade deals that the US administration negotiated. Additionally, it became increasingly clear that the US Federal Reserve would reduce interest rates, and this was confirmed by interest rate cuts in September, October and December which buoyed investor sentiment. The US Federal Reserve also paused its Quantitative Tightening policy which should alleviate some upward pressure on interest rates. The Canadian market rose as the gold price remained firm over the period as well as other

<sup>1</sup> Net return for the Nedgroup Investments Global Cautious Fund, A class.

<sup>2</sup> SOFR USD 1-month from 1 Feb 2022 (previously US Libor 1 month)

<sup>3</sup> Morningstar EAA Fund USD Cautious Allocation

Source: Morningstar (monthly data series).

commodity prices such as silver. In addition, Canada benefitted from inflows as investors diversified their holdings away from US assets. Over the period the portfolio was ahead of the benchmark.

In the US, sectors such as healthcare and communication services led the market while sectors such as utilities and consumer staples lagged the overall market as investors increased their risk exposure. The portfolio benefitted from having an overweight position in technology sector where the holdings rose strongly relative to the general technology sector. In terms of country performance, the US market (SP500) lagged the Canadian market (TSX) (in local currency terms).

Some of the better performing companies in the portfolio included Steel Dynamics, Alphabet and Amphenol. Alphabet (Communication Services) had been under anti-trust investigation by the US Government, and this was favourably resolved during the previous quarter. The presiding judge ruled that Alphabet would not need to divest its search business, this had been a sentiment overhang on the stock and the company continued to benefit from this positive result during the quarter. Additionally, Alphabet's Gemini AI model also received positive reviews making it a credible competitor to other well established AI models. Steel Dynamics (Materials) performed well as investors looked optimistically towards 2026 when some of the company's investments such as the ramping up of its aluminium plant should start to drive increased profitability. Amphenol (Technology) rose as investors began to reinvest in the technology sector, and the company posted strong results and gave an optimistic outlook regarding the impact of tariffs on their businesses – the company is seen as a beneficiary of increased artificial intelligence capital spending.

Companies that were behind the index over the quarter included Altria, AutoZone and Home Depot. Altria (Consumer Staples) lagged as investors focused on more cyclical parts of the market. Altria continues to have a dominant share of the US tobacco market as well a high and sustainable dividend yield at this point. AutoZone (Consumer Discretionary) underperformed as it reported results that were below market expectations. The company will see improving sales and profits over the medium and longer term due to the ageing US fleet of cars that will require increasing levels of maintenance and repair. Home Depot (Consumer Discretionary) was behind the market as mortgage rates stayed stubbornly high crimping housing activity. Home Depot will be a beneficiary of expected interest rate decreases by the Federal Reserve in 2026.

Elsewhere in the portfolio, US bonds produced a positive return but underperformed the broader index. Our overseas bonds detracted but outperformed the broader index. The bond market was caught between rate cut optimism and structural headwinds. In the UK, still-sticky inflation, alongside renewed focus on the fragility of government finances ahead of the November budget, helped to push 30-year Gilt yields to their highest level since May 1998 in September.

The currency hedging program, which aims to protect the portfolio by hedging out exposure to overvalued currencies relative to US Dollar, detracted over the quarter as the US Dollar depreciated against the Australian dollar. The US Dollar remains under selling pressure amid mounting US debt concerns and US government policies.

### **Portfolio Positioning**

There were no changes to positioning over the quarter. The model allocation is 78% bonds, 20% equities and 2% cash.

Within the fixed income allocation, Pyrford adopts a defensive stance by owning short duration securities to minimise the impact on the portfolio from interest rate rises. At the end of the period the modified duration of the fixed income portfolio stood at around 2.7 years. Whilst these shorter duration bonds are unlikely to yield high returns, they will provide significant capital protection for the portfolio and importantly they are highly liquid. The bond portfolio remains of a very high credit quality and highly liquid. Australian 10-year bond yields climbed to around 4.8% after the Reserve Bank of Australia signalled no near-term rate cuts, widening the spread over US yields to more than 60 bps. Fixed income allocations were adjusted accordingly, increasing exposure to Australian bonds. The bond portfolio remains highly liquid.

46.8% of the portfolio is invested in overseas bonds, with 23.4% in the UK and 23.4% in Australia. 31.2% of the portfolio is invested in US government debt.

Within the equity portfolio the companies we hold are defensive names, which we would expect to perform well during volatile periods. The focus of the portfolio is on balance sheet strength, profitability, earnings visibility and value. The European portfolio holds several names that are global leaders in niche industries. We have a high concentration in Switzerland and have avoided several industries which are structurally challenged. In Asia, we prefer the Southeast Asian markets over Japan. The potential growth rate in Japan remains low given the poor

demographics and low productivity growth. Economies in Southeast Asia offer sustainable economic growth supported by increased labour output or productivity growth and trade at more reasonable valuations.

Finally, there was no change to the unhedged non-USD exposure in the portfolio, and Australian Dollar remains the only hedged currency. 45% (the maximum level) of the portfolio remains exposed to unhedged foreign currencies, representing the view that the US dollar is a very expensive currency and we expect it to fall based on our purchasing power analysis.

### **Portfolio Changes**

We exited our position in Philip Morris and initiated a position in The Hershey Company. Hershey is a market leading confectionary company. We believe the low private label penetration and high brand loyalty lead to strong pricing power, the market is highly concentrated with Hershey owning around 40% and we believe at current cocoa prices, any fall in prices could help return margins to previous levels. While short-term earnings are under pressure, the long-term fundamentals and brand strength remain solid.

### **Outlook**

In 2026 investors will continue to grapple with geopolitical tensions, trade disruptions, and potential inflation surprises linked to AI related productivity and energy transitions. Companies with strong balance sheets, recurring revenues, and durable competitive advantages remain well-positioned amid macro uncertainty. If inflation continues to trend lower this should anchor bond yields and support risk assets.

Following the rally in North American equity markets over the last few years, valuations are in aggregate less attractive than they were. Equity investors will be best rewarded by concentrating on high quality companies selling at low valuations relative to a defensive and visible stream of earnings. Financial leverage should be avoided, and investors should focus on companies which are very well capitalised and whose business models have proved resilient during previous periods of poor economic growth.

### **Responsible Investments**

As long-term shareholders of companies, we have the ability, and in our view the responsibility, to try and influence the business practices of companies.

Pyrford voted 78 proposals in 11 company meetings in the quarter. We voted against management on 0 proposals. We also attended 81 company meetings worldwide, and ESG issues are a standing agenda item in every meeting we conduct.

For a detailed overview of ESG activity, please visit our website for all voting records and our latest annual ESG report.

## 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.

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The price of shares may go down or up depending on fluctuations in financial markets outside of the control of the Investment Manager meaning an investor may not get back the amount invested.

Past performance is not indicative of future performance and does not predict future returns.

Risks and fees are outlined in the relevant Sub-Fund supplement.

Prices are published on the Investment Manager's website.

**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 in English for the prospectus and in English together with the relevant local languages for the KIIDs/KIDs from the country representative, the Investment Manager, or at [www.nedgroupinvestments.com](http://www.nedgroupinvestments.com). 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.

**Switzerland:** The Representative is Acolin Fund Services AG, Maintower, Thurgauerstrasse 36/38, 8050 Zurich, Switzerland, 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.

**Germany:** The Fund's Facilities agent in Germany is Acolin Europe AG, with the registered office at Line-Eid-Strasse 6, 78467 Konstanz. The Prospectus (in English) and the PRIIPS KID (in German), may be obtained free of charge at the registered office of the Facilities agent, or electronically by Email via [facilityagent@acolin.com](mailto:facilityagent@acolin.com), or by using the contact form at <https://acolin.com/services/facilities-agency-services>.

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