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NEDGROUP INVESTMENTS
Global Cautious Fund

Quarter Two, 2026

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 30 June 2026 (USD)	Fund[1]	Target Return[2]	Peer Group[3]
3 Months	1.9%	0.9%	4.2%
12 Months	3.8%	4.1%	7.5%
5 Years	2.8%	3.7%	2.5%
10 Years	2.8%	2.5%	3.4%

Market Overview

The global economy continued to operate under broadly supportive financial conditions, although policy uncertainty and geopolitical tensions remained key overhangs. Central bank actions became more nuanced, with some developed market central banks beginning to ease policy at the margin while others, notably the Federal Reserve, remained cautious as inflation proved stickier than expected. Energy markets stayed volatile, with Middle East risks sustaining upside pressure on inflation and contributing to a more cautious investor backdrop.

Growth dynamics diverged, with the US remaining relatively resilient while Europe faced softer momentum amid structural challenges and weaker external demand. Emerging markets were broadly stable but continued to show sensitivity to currency pressures and elevated debt levels. Equity markets remained supported by the AI-driven investment theme, though valuations appear increasingly stretched, while bond markets adjusted to persistent inflation risks and evolving central bank guidance, leading to a further repricing and delay of expected rate cuts.

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
Texas Instruments Incorporated	US	0.44%	Lockheed Martin Corporation	US	-0.09%
Intel Corporation	US	0.37%	Hershey Company	US	-0.09%
ASMPT Limited	HONG KONG	0.23%	Telenor ASA	NORWAY	-0.07%
Alphabet Inc.	US	0.14%	AIA Group Limited	HONG KONG	-0.07%
Amphenol Corporation	US	0.12%	PT Bank Rakyat Indonesia (Persero) Tbk.	INDONESIA	-0.06%

North American equity markets rose over the quarter. In the US, the stock market reacted positively to US administration initiatives to resolve the Middle East conflict. Additionally, the new US Federal Reserve Chairman was confirmed and took his seat in the middle of June, bringing some clarity for investors in relation to the

[1] Net return for the Nedgroup Investments Global Cautious Fund, A class.
[2] SOFR USD 1-month from 1 Feb 2022 (previously US Libor 1 month)
[3] Morningstar EAA Fund USD Cautious Allocation
Source: Morningstar (monthly data series).

leadership at the Central Bank. The Canadian market rose as the heavier weighting towards financials helped the market as financial conditions eased. Over the period the portfolio was ahead of the benchmark.

In the US, sectors such as technology and financials led the market while sectors such as energy and utilities lagged the overall market as investors reduced sectors with exposure to commodity prices. The portfolio benefitted from having an overweight position in the technology and financial sectors. In terms of country performance, the US market (SP500) was ahead of the Canadian market (TSX) (in local currency terms).

In North America, our stock selection in the US added. Some of the better performing companies in the portfolio included Intel, Texas Instruments and Steel Dynamics. Investor sentiment improved as Intel continued to make progress on its operational turnaround, supported by better-than-expected financial results and encouraging developments in its manufacturing and foundry businesses. Confidence also increased in Intel's ability to benefit from growing demand for artificial intelligence and data centre infrastructure, improving the outlook for future earnings growth. Texas Instruments benefited from improving conditions in the semiconductor market as inventory pressures began to ease. Texas Instruments has been building capacity in the current downturn, ready for customer demand to pick up. Steel Dynamics rose as the conflict in the Middle East has caused supply tightness in the global aluminium market due to attacks on some Gulf aluminium plants. The company has recently opened an aluminium recycling plant in the US which will benefit from higher realised aluminium prices due to these supply disruptions.

Companies that were behind the index over the quarter included Lockheed Martin, S&P Global, Hershey, AutoZone and Lowe's. Lockheed Martin gave back some of its premium valuation as expectations of easing tensions in the Middle East reduced investor demand for defence stocks. S&P Global was impacted by concerns that artificial intelligence could disrupt parts of its business, although its deep integration into corporate workflows and role in commodity price benchmarking remain key strengths. Hershey and AutoZone lagged as investors rotated away from more defensive businesses towards areas expected to benefit more from an improving economic backdrop. Lowe's detracted as uncertainty lingered about the direction of interest rates in the US. This impacts consumer sentiment in relation to housing. While the short-term picture is uncertain, the US housing stock continues to age and will require increasing maintenance spending which will be a positive tailwind for Lowe's.

Elsewhere in the portfolio, our overseas bonds contributed and outperformed the broader index. US bonds produced a positive return, in line with the broader index. The bond market was caught between rate cut optimism and structural headwinds.

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 weakened against the Australian dollar. While the Australian dollar finished the period little changed against the US dollar, it strengthened significantly through much of April and May before retreating in June. This appreciation was driven by expectations of further Federal Reserve rate cuts and reduced demand for US dollar assets.

Portfolio Positioning

There were no changes to positioning over the quarter. The model allocation is 78% bonds, 20% equities and 2% cash. An allocation to Norwegian bonds was introduced, funded by a reduction in UK bonds, reflecting more attractive real yields, a weaker currency, and Norway's strong fiscal position relative to other markets.

Within the fixed income allocation, Pyrford adopts a defensive stance by owning shorter 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 3.0 years. The bond portfolio remains highly liquid, invested solely in sovereign debt. Whilst these shorter duration bonds are unlikely to yield high returns, they will provide significant capital protection.

Within the equity portfolio we remain constructive on the Asia ex-Japan region compared to the US as we view the US market as overvalued. The portfolio has a bias to defensive names, which we would expect to perform well during volatile periods. Our focus remains on finding companies with balance sheet strength, enduring profitability, earnings visibility, and value. The European portfolio holds several names that are global leaders in niche industries. In Switzerland we allocate to global leaders in industries such as healthcare and to companies with strong positions in more niche industries. 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 hedging program in the portfolio. To moderate our exposure to non-USD currencies we have hedged our AUD exposure as it the most overvalued of all the currency exposures in the portfolio based on our purchasing power analysis.

Portfolio Changes

Over the quarter, we initiated a 1% position in the Philippines, funded by 0.5% reductions in both Australia and Taiwan.

An allocation to the Philippines was initiated on the back of attractive equity valuations supported by strong economic and earnings growth prospects, with funding reallocated from Taiwan and Australia, remaining mindful of political and liquidity considerations. BDO Unibank, the largest bank in the Philippines, was selected for its leadership positions and long-term growth potential. It provides exposure to robust domestic growth at an attractive valuation level.

The Indonesian portion of the portfolio was rebalanced with a 10% increase in Bank Rakyat and a corresponding 10% reduction in Telkom Indonesia, reflecting a relative value opportunity following Telkom Indonesia's outperformance over the longer term. While Bank Rakyat has lagged due to a temporary credit cycle in its microfinance book, this is expected to unwind around mid-2026, supporting a recovery in earnings growth in the second half of the year.

Outlook

We expect moderating but uneven growth, ongoing geopolitical uncertainty, and a continued adjustment in asset valuations following the tightening cycle. Energy markets remain sensitive to Middle East dynamics, sustaining inflation risks and keeping central banks cautious, with policy paths diverging across regions and reinforcing a higher rate environment. A value and quality approach remains well supported, with companies exhibiting strong balance sheets, pricing power, and resilient earnings better positioned to navigate elevated costs and softer growth, while valuation discipline remains crucial.

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 1216 proposals in 38 company meetings in the quarter. We voted against management on 61 proposals. We also attended 133 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.

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