see money differently

NEDGROUP INVESTMENTS CONTRARIAN VALUE EQUITY

Quarter 4, 2019

For the period ended 31 December 2019

NEDGROUP INVESTMENTS CONTRARIAN VALUE EQUITY FUND

The following commentary was produced in conjunction with the sub-investment manager, First Pacific Advisors, LP ("FPA"). The portfolio management team at FPA provided the following commentary. Please refer to the end of the commentary for important Disclaimers.

USD performance to 31 December 2019	Nedgroup Investments Contrarian Value Equity[1]	S&P 500	MSCI ACWI
3 months	9.15%	9.06%	8.95%
12 months	31.01%	31.49%	26.60%

Global stock markets ended 2019 on a high note, with the global MSCI ACWI Index returning 8.95% and 26.60% for the fourth quarter and full year, respectively, and the domestic S&P 500 Index returning 9.06% and 31.49% for the same periods. It was a "risk on" year with even U.S. investment grade bonds delivering 14.23% for the year, approximately in line with the high yield bond market's 14.41% performance.[2] The Nedgroup Investments Contrarian Value Equity Fund ("the Fund") returned 9.15% (net of fees) in the fourth quarter and 31.01% for the full year 2019.

Portfolio

The Fund's shareholders have entrusted FPA's portfolio management team to decide when upside opportunity surpasses downside risk. The Fund's investment exposure will therefore swing between more and less invested.

FPA's portfolio management team continues to focus on companies that have at least a small breeze at their backs and avoid those businesses with wind in their faces. Over time, FPA's portfolio management team generally expects the companies they own to sell an increasing number of units as well as have at least enough pricing power to offset cost inflation.

While the commentary exhibits contributors and detractors to the Fund's performance for the most recent quarter and on a trailing twelve-month basis, quarterly price movements are generally not much more than "noise," frequently reversing in the coming months or quarters. It is therefore more informative to focus on what has happened in the most recent year, as shown below.

Contributors and detractors[3]

Forth Quarter 2019

Winners	Performance contribution (%)	End weight (%)	Losers*	Performance contribution (%)	End weight (%)
Arconic	1.06%	6.0%	American International Group	-0.40%	5.0%
Alphabet	0.77%	7.9%	Ally Financial	-0.17%	1.9%
Bank of America	0.75%	3.0%	Mylan N.V.	-0.11%	0.0%
Citigroup	0.69%	4.2%	Comcast Corporation	-0.01%	3.9%
Charter Communications	0.67%	3.6%	Prosus N.V.	0.01%	1.3%

1 Gross USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class. Source: Morningstar (monthly data series).

2 US investment grade bonds is represented by the ICE BofA US Corporate Index (2019 return: 14.23%); High Yield bond market is represented by the ICE BofA US HY Index (2019 return: 14.41%).

3 Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the quarter and trailing twelve months ("TTM"). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter and TTM. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

Trailing Twelve Months

Winners	Performance contribution (%)	End weight (%)	Losers*	Performance contribution (%)	End weight (%)
Arconic	3.48%	6.0%	Baidu	-0.84%	2.2%
Charter Communications	2.08%	3.6%	Mylan N.V.	-0.72%	0.0%
Citigroup	2.03%	4.2%	Glencore plc	-0.22%	1.9%
American International Group	1.94%	5.0%	Jardine Strategic Holdings Limited	-0.15%	0.8%
Alphabet	1.89%	7.9%	Prosus N.V.	-0.12%	1.3%

The Fund's investment in the cable industry via Charter Communications (up approximately 70%) along with Comcast (up approximately 34%) were two notable contributors in 2019.[4] These investments were made mid-2018, when many investors were concerned that subscribers would cut the cord in favour of streaming and when wireless 5G threatened to damage these companies' dominant broadband franchise. The belief remains that while video will continue to shrink, video is less profitable on a cash basis than many believe it to be. Thus, they think broadband should remain vibrant, as it is likely to take many years and many billions of dollars before the potential impact of the competitive threats is known. The market has sidled over to the same thinking on this, at least for the time being.

American International Group's (AIG) stock lost 32% in 2018, including dividends, negatively impacting the Fund's performance in that year. In 2019, however, it delivered a total return of 34%.[5] The company's multi-year turnaround efforts are finally bearing fruit, and the market has begun to take notice. The Fund further benefited by increasing its stake to take advantage of price weakness in late 2018. If AIG's return on capital continues to improve, as the portfolio management team expects, the company should trade at a similar price-to-tangible book value multiple as its peers. Were that to be the case, they can see its stock trading at $70 to $80 in the next couple of years, a healthy premium to its closing price of $51.33 at the end of 2019. As value investors, AIG is emblematic of so many of the investments that underperform on their way to outperforming.

Glencore shares were under pressure on the back of commodity weakness and regulatory concerns. FPA's portfolio management team continues to think the shares at a single-digit free cash multiple represent compelling value.

The other detractors have all been discussed previously. Please refer to previous commentaries for additional information.

Portfolio Activity:[6]

The Fund one increase, one decrease, one addition and one exit in the portfolio during the quarter. This quarter, the Fund increased its exposure to Naspers – a look-through investment in Tencent. From a valuation perspective, Naspers has become even more attractive to the portfolio managers. They still like the exposure to Tencent on a look-through basis. Additionally, the Fund continued to reduce its position in Mohawk Industries, a maker and distributer of floor coverings (tiles, carpets, etc.). The rationale behind it is valuation driven and preference to continue selling into strength. As for the addition, in late-September, Altaba paid out $51.50/share as it liquidates the remaining stakes in Alibaba and Yahoo! Japan. The Altaba holding exposed the portfolio to Alibaba in a vehicle that had a larger discount than directly through Alibaba stock. With the ultimate dissolution of the Altaba closed-end fund, Alibaba was added to the portfolio to maintain exposure to

[4] Percentage change reflects total return including the reinvestment of dividends and interest. The total return of the security may not equate with the performance of the holding in the Fund.

[5] Percentage change reflects total return including the reinvestment of dividends and interest. The total return of the security may not equate with the performance of the holding in the Fund.

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

[3] 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 25% over the period and represent greater than 0.50% of the portfolio. Any exited position mentioned was fully removed, regardless of its representative portfolio size.

the company. Lastly, not all investments are accretive to a portfolio. Some are best to be viewed as learning experiences. This was the case with Mylan – the market proved to be more challenging than the FPA portfolio management team had expected. Thus, rather than hold onto a name that did not work in their favor, the team moved on.

Portfolio Profile:

There are currently 31 equity positions in the Fund, with the top five holdings comprising 27.6% and the top 10 comprising 47.6%. The top three sectors, based on GICS sector classification, are Financials, Communication Services, and Information Technology, which comprise over 60% of the Fund. The Fund has been able to find opportunity outside of the U.S. and currently has 33.9% non-U.S. exposure and 66.1% exposure in the U.S.

Portfolio Highlight:

Wells Fargo ("WFC")[7]

The Fund owns a few financial companies that the portfolio management team believes are the most franchise in nature, specifically a few US banks that they think have a differentiated advantage in terms of deposit capture and will ultimately have a lower cost of capital than many of their competitors – particularly in a higher rate environment. Wells Fargo has an attractive valuation if investors factors in credit amortization, which is common to banks that have made acquisitions (Wachovia in WFC's case). Wells Fargo also has a strong core bank deposit franchise.

Investing

Value investing means investing with a margin of safety so if all doesn't go according to plan, whether FPA's or a company's, then investors may nonetheless come out close to whole. This may mean having the protection of business and/or balance sheet, but without that protection, the emperor wakes up one day to realize he's not wearing clothes.

Being a value investor in 2019 was like wearing a crew cut in Haight Ashbury in 1969 – not only do you stand-out, you invite a bit of ridicule. We value investors must not acquiesce to the fear of missing out, however, and instead make peace with a different kind of FOMO, the fate of missing out. To do well over long periods of time means accepting that the Fund won't do well for lengths of time in between. we realize that has made them appear both smart and dumb at different moments in time, but their goal is to deliver over the long run rather than at any one point in time.

When all appears easy, it generally isn't. What we won't do is redefine value. They believe they can help themselves and shareholders by staying the course and continuing to invest bottoms up.

Taking a look from the top down, though, helps explain why we find it more challenging to unearth suitable investments today. They end up struggling to find great risk/rewards against the following backdrop.

Low interest rates and a lack of investment alternatives have lifted the price of risk assets globally. Global stock markets trade at or near their highs as a percent of their respective economies, as shown in Exhibit B.

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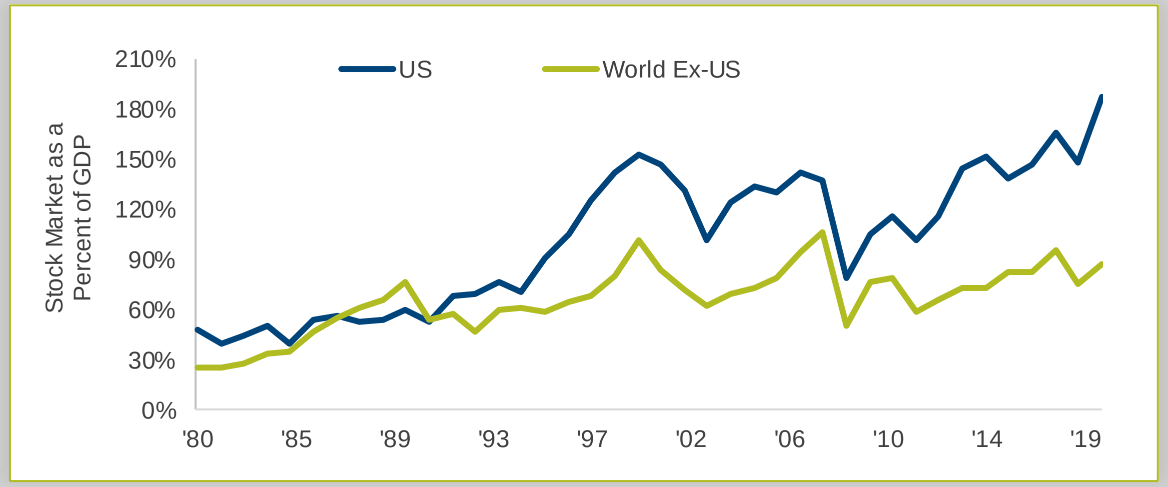
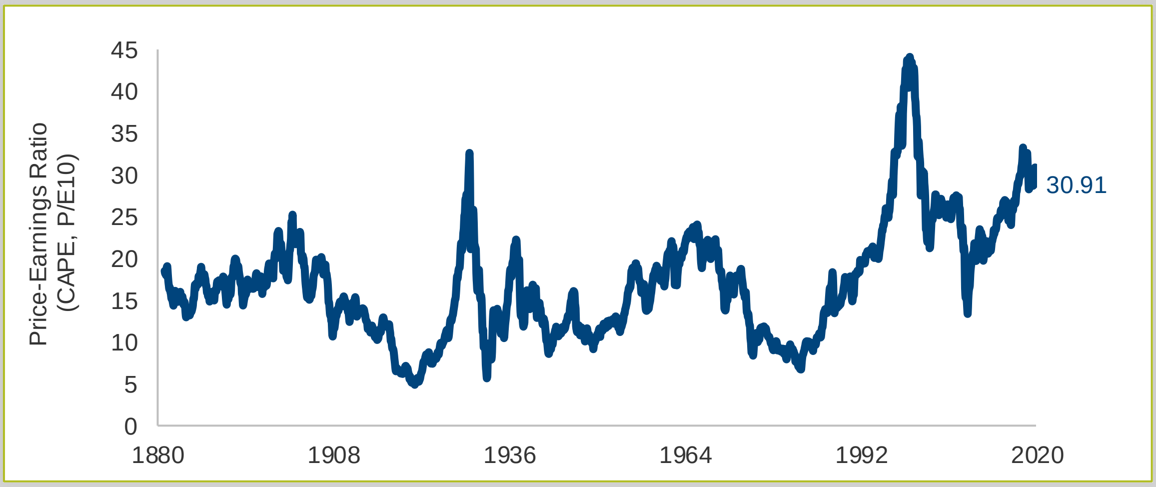
[7] The investment example discussed is being shown only as an illustration of the FPA portfolio management team's ("PM Team") investment process, is not a recommendation for any particular type of security, transaction or sector, and was not chosen based on performance. It should not be assumed that any transactions in such security was or will be profitable. This investment example is not representative of the overall performance of the Fund. This investment example is being shown only as an example of what the PM Team is seeking to achieve in managing the strategy, but is not necessarily indicative of what has actually been achieved with all of the investments or will be achieved going forward. References to specific securities, transactions or sectors should not be construed as recommendations by the Fund, the PM Team, or its Adviser or sub-investment manager. Any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed. Please refer to the end of this Commentary for important disclaimers.

***Exhibit B*: Stock Market as Percent of GDP**[8]



Looking at the stock market from a price-to-earnings basis, it becomes clear that when earnings are smoothed, valuations have only been this high once before. This is shown in Exhibit C, using the Shiller P/E methodology that divides current price by ten-year average earnings, adjusted for inflation.

***Exhibit C*: Shiller P/E**[9]



However, current P/E ratios are not so outlandish in the context of low interest rates and a reasonably good economy. Should rates remain low and economies avoid weakening measurably, markets could reasonably remain at today's elevated levels.

The long outperformance of growth stocks compared to value stocks has left value much less expensive, trading at a relative P/E that's about as low as our portfolio management team has ever seen it in their careers. This does not make value stocks cheap, just less pricey than growth stocks.

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[8] Source: The World Bank, IMF, MSCI, as of December 31, 2019. Q4 2019 market cap data based on 2018 market cap data provided by The World Bank adjusted by 2019 Index (MSCI US for US and MSCI World for World) performance. 2019 GDP assumes 2019 IMF real GDP growth projections plus year over year inflation change provided by IMF. Data shown represents total value of all listed shares in the stock market as a percentage of GDP in each respective region/country, as defined by The World Bank. The World Bank releases this data annually. Stock market is the market capitalization of stocks. Market capitalization (also known as market value) is the share price times the number of shares outstanding (including their several classes) for listed domestic companies. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies are excluded. Annual data, end of year values.

[9] Source: Robert Shiller, http://www.econ.yale.edu/~shiller/data.htm, as of December 31, 2019. CAPE = Cyclically adjusted price-to-earnings ratio, and is also commonly known as the Shiller P/E ratio or P/E 10 ratio.

***Exhibit D*: P/E Spread – S&P 500 Value vs S&P 500**[10]

In fact, value stocks have performed reasonably well over the last decade. The S&P 500 Value Index has compounded at a rate of 12.14%. Value investments just haven't done as well as growth stocks, which have annualized at 14.76%.[11] However, growth stocks have outperformed their fundamentals, which has led to P/E multiple expansion, while value stocks have not. (Side note: The S&P 500 Value index had better 10-year earnings growth than the S&P 500 Growth index, but that is because it started at a point that was at its earnings nadir.)

***Exhibit E*: S&P 500 Growth vs Value**[12]

	2009		2019		
	P/E Trailing	P/E Forward	P/E Trailing	P/E Forward	EPS Growth Trailing 10-Year
S&P 500	18.9x	18.0x	21.6x	19.8x	10.1%
S&P 500 Value	18.4x	18.2x	17.4x	16.2x	10.9%
S&P 500 Growth	18.4x	17.8x	27.4x	24.6x	9.0%

Judging what a company is worth and where its stock should trade requires a great deal of interpretation. Analyzing a bond's performance is generally easier, as the most you can get as a return is the contracted amount, though an appreciation for the underlying company's solvency will cause one to accept a higher or lower yield. Credit investors' current acceptance of historically low yields reflects their greater concern for return than for risk, whether it be in investment grade, high yield or levered loans.

Economy & Macro

As your portfolio managers, we offer limited value when speaking of the larger global macro environment, so here they provide only a skeletal view to help explain the challenge in finding good investments today.

As David Rosenberg of Gluskin Sheff pointed out, "In a normal cycle, the stock market has a correlation of roughly 60% with the economy. The other 40% is explained by factors like valuations, sentiment, technicals and momentum. This cycle was literally off the charts in that respect—because only 7% of this entire bull market was due to the economy. And that's a good thing if you are long the stock market because this did go down as the weakest economic expansion on record and yet one of the most powerful bull markets ever." Mr. Gluskin concluded, "The fundamentals do win out in the end, but it could take time."[13]

[10] Source: Bloomberg, as of December 31, 2019. SVX=S&P 500 Value; SPX=S&P 500.
[11] Source: Bloomberg. Growth stocks represented by the S&P 500 Growth Index.
[12] Source: Bloomberg, as of December 31, 2019.
[13] Gluskin Sheff. Breakfast with Dave. December 19, 2019.

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We do not think the stock market's link to the economy has been severed, but it has at least been largely suspended. When and how deep a future recession might be and how the market might react remain open questions. Risk does seem skewed to the downside today.

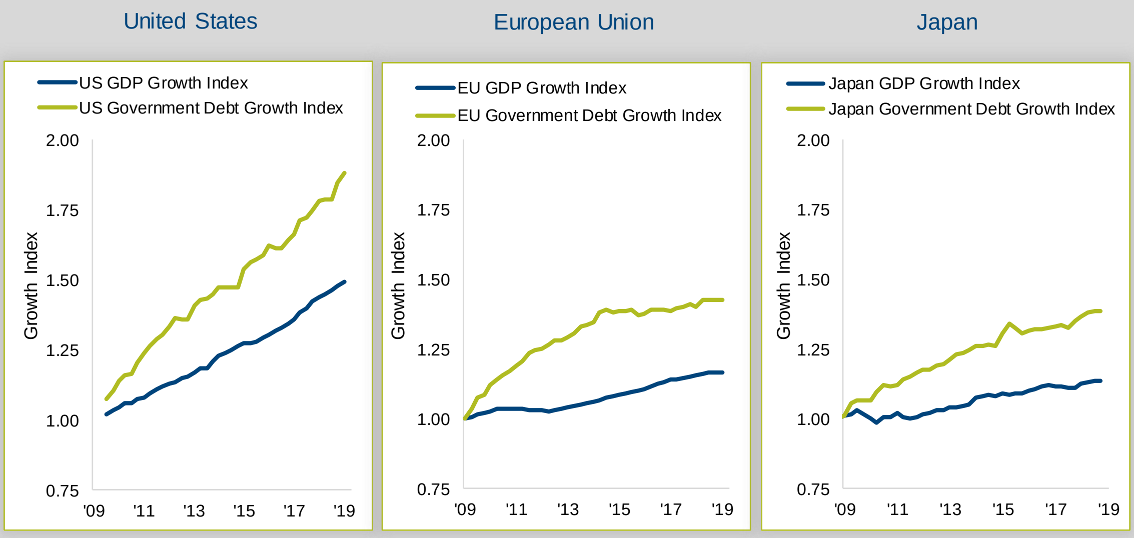
The show goes on as long as the government puppet masters allow, or when the audience leaves. The U.S. deficit climbed just over $1 trillion in 2019, despite a growing economy and the tightest labor market on record. Central banks have successfully inflated asset prices but failed to ignite real economic activity. Most Americans are not better off today than they were a decade ago.

Extremely low interest rates continue to pervert capital allocation decisions. Whether or not to buy a piece of equipment, repurchase shares, or make an acquisition, a lower cost of capital can improve an otherwise impractical or marginal decision. This doesn't seem likely to change anytime soon. The global monetization experiment took a pause but has since restarted, and a more expansive fiscal policy is under discussion.

Indebted governments, companies and individuals have recalibrated to this low level of rates. When or if rates eventually rise, many of these same parties may find their finances dangerously askew.
One only need to look east for a recent example of the failure of low interest rates to keep markets elevated. Japan cut interest rates throughout the 1990s and has kept them low ever since. Despite that, Japan's Nikkei stock index declined more than 40% four times between 1990 and 2009. Low interest rates are not a panacea and can present or mask other problems.

Debt accumulation at the sovereign, corporate, consumer and state and local levels has bought economic growth, but at an as-yet-to-be-determined cost. Debt has grown far faster than the gross domestic product ('GDP") in the U.S., a situation that can't mathematically endure unabated. Since 2009, U.S. federal debt has increased by $10.8 trillion, helping to buy $6.9 trillion in GDP growth. The EU and Japan have similarly been borrowing to buy GDP, as depicted below (Exhibit L).

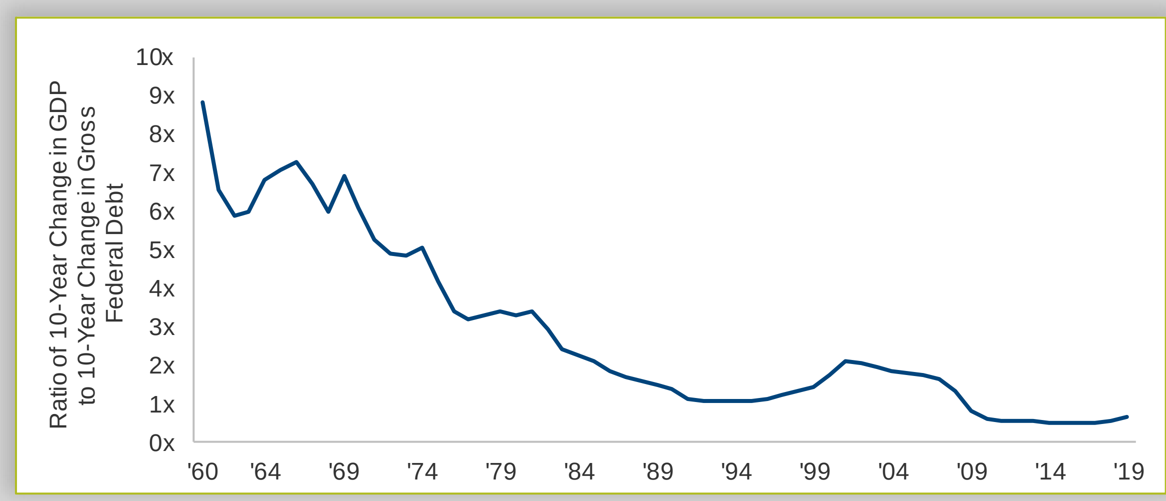
***Exhibit L*: Growth in GDP and Government Debt since 2009**
US, EU, & Japan[14]



At the end of 2019, the U.S. national debt stood at over $23 trillion, exceeding the country's estimated $21.4 trillion GDP. The chart below shows that, using GDP as a proxy for income, the return on investment for U.S. spending has declined for decades and is now as low as it has ever been. As a nation, the U.S. is getting less while paying more.

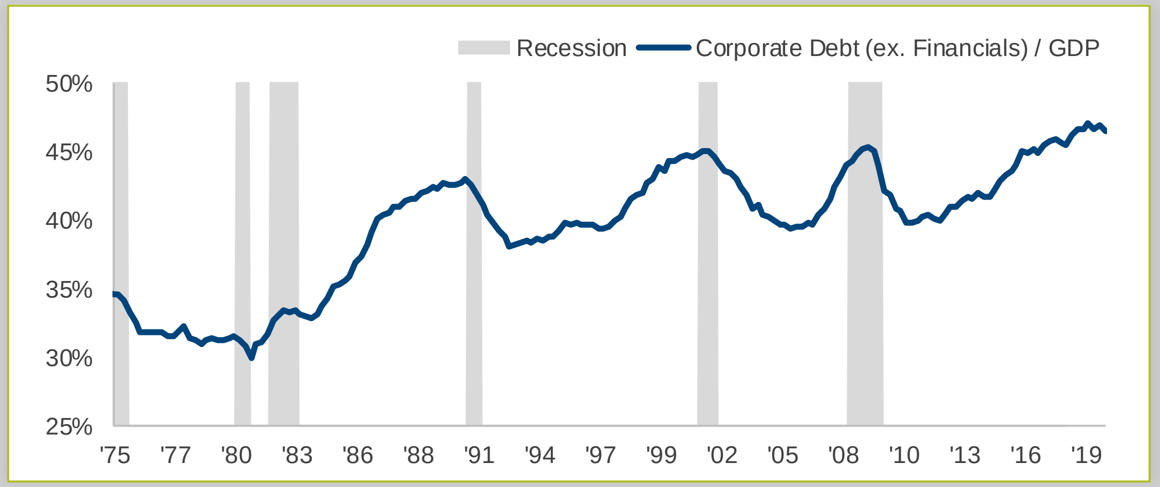
***Exhibit M*: 10-year change in GDP vs 10-year Change in Gross Federal Debt**[15]

[14] Source: Bloomberg, as of September 30, 2019.
[15] Source: US. Bureau of Economic Analysis, as of December 31, 2019.



Corporate debt growth has been another contributor to U.S. GDP growth, almost trebling since 2008 without a commensurate increase in GDP. Relative to the size of its economy, the U.S. now has more debt on corporate books than at any point in time in history (Exhibits J and N). In good times, leverage enhances corporate earnings, but the opposite is true in an economic downturn.

***Exhibit N*: US Corporate Debt as Percent of GDP**[16]



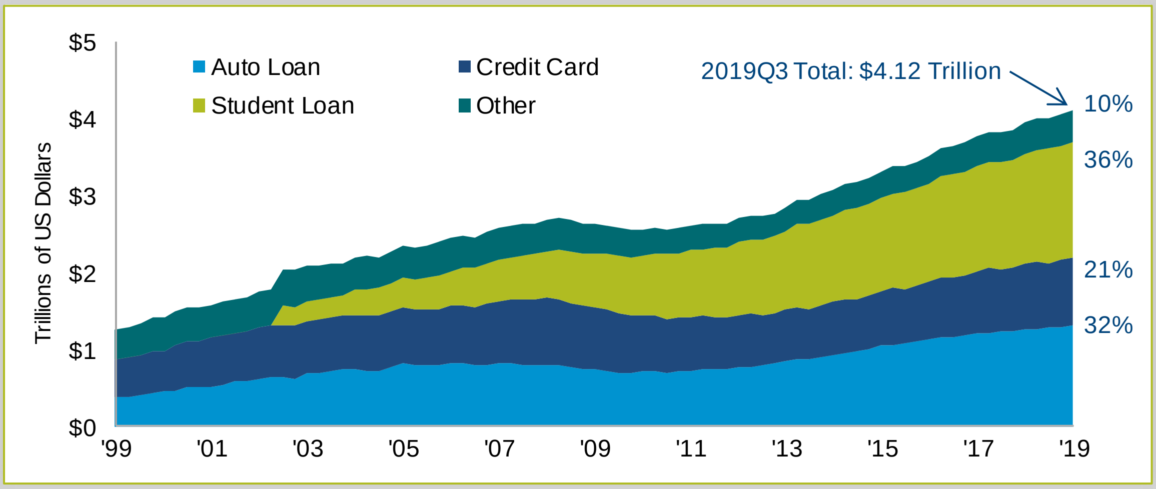
Not wanting to be left out, households have joined the debt accumulation party. Consumer debt is now at an all-time high in dollars and as a percent of GDP. Superficially, household debt growth doesn't appear so terrible, but that perception is biased by the fact that non-housing debt has grown much faster than mortgage debt and only 64% of households own a home.

Increasing auto, student and credit card loans continue to propel the economy as they reach new heights. Non-housing debt balances have been increasing faster than income and now sit at $32,035 per household. Unlike governments, individuals must one day repay their debts.[17]

[16] As of December 31, 2019. Source: Federal Reserve. GDP=Gross Domestic Product; Corporate Debt Market (ex. Financials) is represented by nonfinancial corporate business; debt securities and loans.

[17] Source: New York Fed Consumer Credit Panel/Equifax; Statista.com, as of September 30, 2019.

***Exhibit O*: Non-Housing Debt Balance**[18]



Simply, the average American's finances are getting strained. Take auto loans as an example. Car buyers have stretched their auto loans over longer periods so that they can buy the car they want, or just to buy a car at all.

Experian reported in the first quarter of 2019 that the average term for a new car loan is 68.9 months, with the term of more than one third of new vehicle loans longer than 73 months and with a few as long as 96 months.[19] The credit rating agency also stated that the average initial term for a used car loan is 64.7 months -- and that's for a car that's already a few years old. Some 20% of used car loans are for longer than 73 months. Thus, the average used car buyer will still be paying off a loan for a car that's more than eight years old – and Consumer Reports sets the average life of a *new* car at only about eight years.[20]

Debt accumulation in the form of unfunded liabilities also will likely pose a problem in the future, but that problem might lie well beyond a typical investment horizon. Nevertheless, it's good to understand the current state of affairs.

Almost three quarters of state and local pensions in the U.S. are underfunded, despite optimistic assumptions about the expected return on plan assets.[21] The state pension funding gap alone is arguably understated by $1.3 trillion or so.

***Exhibit P*: Funded Ratios for State Pension Plans**[22]

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[18] Source: New York Fed Consumer Credit Panel/Equifax, as of September 30, 2019.

[19] https://www.experian.com/blogs/ask-experian/research/auto-loan-debt-study/; https://www.creditkarma.com/auto/i/car-loan-term/

[20] Sources: Experian.com, Research, *Auto Loan Debt Sets Record Highs,* July 18, 2019. Data is from Q1 2019; https://www.experian.com/blogs/ask-experian/research/auto-loan-debt-study/; and FRED (Federal Reserve Economic Data); and https://fred.stlouisfed.org/series/DTCTLVEUMNQ; and Archival FRED,

[21] Take CalPers (California Public Employee Retirement System) as an example. It reported its funded status as of its fiscal year end 6/30/2019 at about 70%, but that's with optimistic assumptions (6.7% expected net return; ~7% discount rate; expected life span, etc.). With plan assets at about $370bn at the end of their fiscal year, at 70% funding→ $529bn Pension Benefit Obligations, which means $159bn underfunding. If its portfolio averages just 1% less in return, then its underfunding would grow to 38-39%, or ~$30bn.

[22] Source: Bloomberg, Comprehensive Annual Financial Reports as of fiscal year 2017.

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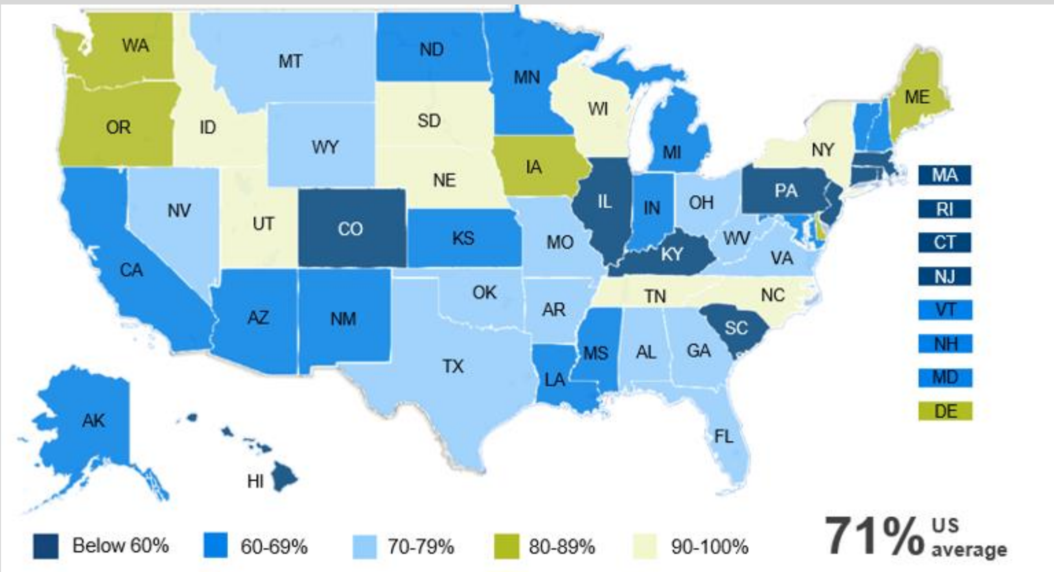

The U.S. also has an estimated $122 trillion of unfunded federal liabilities, including Social Security and Medicare.[23] Unfunded federal, state and local liabilities could be mitigated by higher taxes and changes to benefits. These politically painful options, if implemented, would likely prove an economic obstacle. We will inevitably come upon a time when we will be forced to live within our means, and the consequences, at least for a time, will not benefit the stock market.

Conclusion

The portfolio management team will continue to seek to capitalize when equities (both domestic and foreign) are ripe. If not, they shall maintain their more conservative posture. There are those who take liquidity and those who provide it. We prefer to be the latter, a function of temperament and having cash on hand for investment.

They try to field a balanced team, playing both offense and defense. Since they believe that the stock market will generally rise over time, they do tilt more towards offense but not indiscriminately. If they are given lemons they will make lemonade, but they can't even do that if there's a drought.
It is generally psychologically easier to invest when a rising market validates an investor's purchases. . We take greater comfort when choppier markets challenge an investor's conviction, even more so when a lower price follows each new purchase. For now anyway, it seems to be buy high and sell higher.

[23] Source: RealClear Politics, Unfunded Govt. Liabilities -- Our Ticking Time Bomb, January 10, 2019; https://www.realclearpolitics.com/articles/2019/01/10/unfunded_govt_liabilities_--_our_ticking_time_bomb.html

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The Fund and certain of its sub-funds are recognised in accordance with Section 264 of the Financial Services and Markets Act 2000.

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The Fund has been recognised under paragraph 1 of schedule 4 of the Collective Investment Schemes Act 2008 of the Isle of Man

Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

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The Prospectus of the Fund, the Supplement of its Sub-Funds and the KIIDS are available from the Investment Manager and the Distributor or from its website www.nedgroupinvestments.com

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Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

The statements contained herein reflect the opinions and views of the FPA portfolio management team as of the date written, is subject to change, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. These views may differ from other portfolio managers and analysts of the sub-investment manager as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors should not be construed as a recommendation by the Fund, the portfolio managers, or the Adviser or sub-investment manager to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed.

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. The performance data herein represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost.

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Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund may be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the investment strategy. Indices are unmanaged and do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index in its investment objectives. An investor cannot invest directly in an index.

The **Standard & Poor's 500 Stock Index** (S&P 500) is a capitalization-weighted index which covers industrial, utility, transportation and financial service companies, and represents approximately 75% of the New York Stock Exchange (NYSE) capitalization and 30% of NYSE issues. The S&P 500 is considered a measure of large capitalization stock performance.

The **S&P 500 Value Index** is a subset of the S&P 500 index. Companies within the index are ranked based on growth and value factors including three-year change in earnings price/share, three-year sales/share growth rate, momentum, book value/price ratio, earnings/price ratio, sales/price ratio. The companies at the bottom of this list that have a higher Value Rank, comprising 33% of the total index market capitalization are designated as the Value basket.

The **S&P 500 Growth Index** is a subset of the S&P 500 index. Companies within the index are ranked based on growth and value factors including three-year change in earnings price/share, three-year sales/share growth rate, momentum, book value/price ratio, earnings/price ratio, sales/price ratio. The companies at the top of this list that have a higher Growth Rank, comprising 33% of the total index market capitalization are designated as the Growth basket.

The **MSCI World Index** is designed to represent the performance of large- and mid-cap stocks across 23 developed markets. With more than 1,600 constituents, it covered approximately 85% of the free float-adjusted market capitalization in each country as of December 2018.

Other Definitions

CAPE ratio (cyclically adjusted price-to-earnings) is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.

Free Cash Flow represents the cash a company generates after cash outflows to support operations and to maintain or expand its capital assets (e.g., property, plant and equipment “PP&E”).

Margin of safety - Buying with a "margin of safety" is when a security is purchased at a discount to the portfolio manager's estimate of its intrinsic value. Buying a security with a margin of safety is designed to protect against permanent capital loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.

Net Risk Exposure is a measure of the extent to which a fund's trading book is exposed to market fluctuations. In regards to the Fund, it is the percent of the portfolio exposed to Risk Assets.

Price to Earnings is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Price to Earnings Multiple Expansion is when the price of the share of a company gain more than their underlying earnings. In this situation, an asset can sometimes be referred to as richly priced.

Price to Tangible Book Value is a valuation ratio expressing the price of a security compared to its hard, or tangible, book value as reported in the company's balance sheet. The tangible book value number is equal to the company's total book value less than the value of any intangible assets.

Return on capital measures the return that an investment generates for capital contributors, i.e. bondholders and stockholders. Return on capital indicates how effective a company is at turning capital into profits.

Risk Assets is any asset that carries a degree of risk. Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies, but does not include cash and cash equivalents.