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# **Nedgroup Investments Contrarian Value Equity Fund**

Quarter One, 2022

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 2022	Nedgroup Investments Contrarian Value Equity <sup>1</sup>	MSCI ACWI	S&P 500
3 months	-5.21%	-5.36%	-4.60%
12 months	-0.03%	7.28%	15.65%

### Overview

The Nedgroup Contrarian Value Equity Fund ("the Fund") declined 5.21% (net) for the quarter and was effectively flat for the trailing one-year.

### Portfolio review

The top contributors and detractors to the Fund's returns for the trailing twelve months are listed below.

#### *Exhibit B: Contributors and Detractors over Trailing Twelve Months<sup>2</sup>*


Winners	Performance contribution	Ave. weight	Losers	Performance contribution	Ave. weight
Alphabet	2.63%	8.90%	Prosus	1.42%	2.07%
Glencore plc	1.84%	3.41%	Alibaba	-1.08%	1.59%
Broadcom	1.43%	4.15%	Citigroup	-0.94%	3.42%
AIG	1.39%	4.28%	Meta Platforms	-0.90%	4.08%
Aon Plc	1.14%	3.24%	SoftBank Group	-0.84%	1.13%

Over the past twelve months, the Fund's Chinese internet related names have been significant detractors to performance, with shares prices being negatively impacted by a cornucopia of bad news including increased regulatory scrutiny, heightened competition, a slowing economy, and most recently Covid lockdowns. On the positive side we think these headwinds are largely priced in, and the Fund's exposure of approximately 4.8% as of March 31, 2022 affords us ownership of a collection of very good digitally enabled businesses trading at attractive valuations. Nonetheless we are cognizant of newly emerging geopolitical risks that were not on our radar several years ago, and for that reason we have not added to the positions thus far this year.

<sup>1</sup> Source: Morningstar (monthly data series). Reflects the net USD return for the Nedgroup Investments Contrarian Value Equity Fund, D class.

<sup>2</sup> Reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the trailing twelve months through March 31, 2022. 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 period. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed.

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



On the other hand, we have used market weakness to opportunistically build positions in what market commentators would describe as growth stocks across the United States and Europe. We don't know what the future holds over the coming three to four quarters for these names, but if we are right (and there is no guarantee we are) we think we are buying at multiples that will make these names look like value stocks on traditional metrics three to four years in the future. However, we acknowledge these companies participate in dynamic markets that result in greater degrees of uncertainty than many of the Fund's other holdings, and as such have limited concentration in any single name and to the group as a whole.

### **Portfolio Activity:**<sup>3</sup>

The Fund increased its positions in two of its investments, made one new investment, exited one investment, and had one decrease during the quarter. The increases were continued purchases of Amazon and Netflix. The Fund's newly added position was Delivery Hero – a service like Just Eat Takeaway. The Fund decreased its position in Activision Blizzard. The Fund exited its position in Softbank Group Corp.<sup>4</sup>

### **Portfolio Profile:**

There are 43 equity positions in the Fund, with the top five holdings comprising 27.7% and the top 10 comprising 46.4% of the portfolio (based on total assets) as of March 31, 2022. The top three sectors, based on the Global Industry Classification Standard (GICS) sector classification, are Communication Services, Financials, and Information Technology, which comprise 58.2% of the total assets of the Fund. As a percentage of equity, the Fund has 31.3% non-US exposure and 68.7% exposure in the US.<sup>5</sup>

### **Conclusion**

One closing thought.

The tragedy in Ukraine leaves us few words that haven't already been said. Our direct exposure to Russia still stands at 0%, with indirect revenue exposure of approximately 1%. This, however, bears far less relevance than the larger humanitarian crisis that continues to unfold with uncertainty. Our thoughts are with those whose families and friends live in Ukraine.

The mid-year and year-end commentaries regularly include a more robust consideration of the portfolio and the markets.

Respectfully submitted,

FPA Contrarian Value Portfolio Management Team

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<sup>4</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 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. Portfolio composition will change due to ongoing management of the Fund.

<sup>4</sup> As of 31/03/2022, the securities mentioned and their corresponding position sizes were as follows: Amazon (2.56%); Netflix (1.57%), Delivery Hero (0.38%); Activision Blizzard 1.15%), and Softbank Group Corp (0.00%).

<sup>5</sup> 'As a Percentage of Equity' excludes cash & cash equivalents. Portfolio composition will change due to ongoing management of the Fund.

## DISCLAIMER

This is a marketing communication. Please refer to the prospectus, the key investor information documents (the **KIIDs**) and the financial statements of Nedgroup Investments Funds plc (the **Fund**) before making any final investment decisions.

These documents are available from Nedgroup Investments (IOM) Ltd (the **Investment Manager**) or via the website: [www.nedgroupinvestments.com](http://www.nedgroupinvestments.com).

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The Fund is authorised and regulated in Ireland by the Central Bank of Ireland. The Fund is authorised as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 as amended and as may be amended, supplemented, or consolidated from time-to-time and any rules, guidance or notices made by the Central Bank which are applicable to the Fund. The Fund is domiciled in Ireland. Nedgroup Investment (IOM) Limited (reg no 57917C), the Investment Manager and Distributor of the Fund, is licensed by the Isle of Man Financial Services Authority. The Depositary of the Fund is Citi Depositary Services Ireland DAC, 1 North Wall Quay, Dublin 1, Ireland. The Administrator of the Fund is Citibank Europe plc, 1 North Wall Quay, Dublin 1, Ireland.

The sub-funds of the Fund (the **Sub-Funds**) are generally medium to long-term investments and the Investment Manager does not guarantee the performance of an investor's investment and even if forecasts about the expected future performance are included the investor will carry the investment and market risk, which includes the possibility of losing capital.

The views expressed herein are those of the Investment Manager at the time and are subject to change. The price of shares may go down as well as up and the price will depend on fluctuations in financial markets outside of the control of the Investment Manager. Costs may increase or decrease as a result of currency and exchange rate fluctuations. If the currency of a Sub-Fund is different to the currency of the country in which the investor is resident, the return may increase or decrease as a result of currency fluctuations. Income may fluctuate in accordance with market conditions and taxation arrangements. As a result an investor may not get back the amount invested. Past performance is not indicative of future performance and does not predict future returns. The performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

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](http://www.nedgroupinvestments.com).

**Distribution** : The prospectus, the supplements, the KIIDs, the articles of association, country specific appendix as well as the annual and semi-annual reports may be obtained free of charge from the country representative and the Investment Manager.

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**Isle of Man**: The Fund has been recognised under para 1 sch 4 of the Collective Investments 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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## Index Definitions

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 Fund's investment strategy. Indices are unmanaged and do not reflect any commissions, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index.

**S&P 500 Index** includes a representative sample of 500 hundred companies in leading industries of the U.S. economy. The Index focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, but is also considered a proxy for the total market.

**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, which have a higher Value Rank, comprising 33% of the total index market capitalization are designated as the Value basket.

**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, which have a higher Growth Rank, comprising 33% of the total index market capitalization are designated as the Growth basket.

**MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets.

**Consumer Price Index (CPI)** is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. The CPI is presented to illustrate the Fund's purchasing power against changes in the prices of goods as opposed to a benchmark, which is used to compare the Fund's performance. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

**Bloomberg Barclays U.S. Aggregate Bond Index** provides a measure of the performance of the US investment grade bonds market, which includes investment grade US Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1-year remaining in maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

**60% S&P500/ 40% Bloomberg Barclays U.S. Aggregate Bond Index** is a hypothetical combination of unmanaged indices and comprises 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

**60% MSCI ACWI/ 40% Bloomberg Barclays U.S. Aggregate Bond Index** is a hypothetical combination of unmanaged indices and comprises 60% MSCI ACWI Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

#### Other Definitions

**Earnings Per Share (EPS)** is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

**Earnings Per Share Growth** is defined as the percentage change in normalized earnings per share over the previous 12-month period to the latest year end.

**Market Capitalization** refers to the total dollar market value of a company's outstanding shares of stock. Commonly referred to as "market cap," it is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share.

**Market Cycles**, also known as stock market cycles, is a wide term referring to trends or patterns that emerge during different markets or business environments.

**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 Book** is used to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share (BVPS). An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

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

**Sum-of-the-Parts** valuation is a process of valuing a company by determining what its aggregate divisions would be worth if they were spun off or acquired by another company.

**Trailing Price to Earnings** is a relative valuation multiple that is based on the last 12 months of actual earnings.

**Forward Price to Earnings** is a version of the ratio of price-to-earnings (P/E) that uses forecasted earnings for the P/E calculation.

**Price to Sales** is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value that financial markets have placed on each dollar of a company's sales or revenues.

**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.

**Standard Deviation** is a measure of the dispersion of a set of data from its mean.

**Trust Value** per Share or Net Asset Value per Share (NAV) – The NAV (Net Asset Value) or Trust Value per Share is generally \$10 (the standard offer price per SPAC unit) plus the interest accrued. It is calculated as the Trust Size / Outstanding Redeemable Shares.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is often measured as either the standard deviation or variance between returns from that same security or market index.