NEDGROUP INVESTMENTS BALANCED MULTIFUND

December 2017 Class A

NEDGROUP INVESTMENTS

INTERNATIONAL RANGE

RISK RATING

← 1 2 3 **4** 5 6 7 →

Equity and property investments are volatile by nature and subject to potential capital loss. For credit and income instruments, while unlikely, capital loss may also occur due to an event like the default of an issuer.

GENERAL INFORMATION

BENCHMARK:

3 month LIBID +1 to +3% over 3 to 5 years

PEER GROUP

50/50 average of the Morningstar Moderate Allocation USD and Morningstar Cautious Allocation USD

FUND LEGAL STRUCTURE

Irish OEIC UCITS IV

INVESTMENT MANAGER

Nedgroup Investments (IOM) Limited; licensed by the Isle of Man Financial Services Authority to provide collective investment scheme services.

APPROPRIATE TERM:

Minimum 3 - 5 years

MARKET VALUE:

$232.9m

CURRENCIES AVAILABLE AND PRICES:

USD Class A: $1.3829
USD Class B: $12.9285
GBP Class A: £11.1539
GBP Class B: £12.8473

Value and prices as at 29 December 2017

INCEPTION DATE: 19 August 2011

MINIMUM INVESTMENTS:

Class A: $1,500 / £1,000
Class B: $250,000 / £150,000

FEES AND CHARGES (VAT incl)*

Management fee Class A: 1.40% p.a
Management fee Class B: 1.00% p.a

ON-GOING CHARGES (as at 31 Dec 2017)²

Class A: 2.14%
Class B: 1.74%

DEALING:

Daily

NOTICE PERIODS:

Subscriptions: Noon T-1
Redemptions: Noon T-1

SETTLEMENT PERIODS:

Subscriptions: T+2
Redemptions: T+5

ISIN / SEDOL:

Class A USD: IE00B5SHBV53 / B5SHBV5
Class B USD: IE00B3NHHD07 / B3NHHD0
Class A GBP: IE00B57XK066 / B57XK06
Class B GBP: IE00B41F9717 / B41F971

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MINIMUM DISCLOSURE DOCUMENT
Please note: Differences may exist due to rounding

FUND OBJECTIVE

The Balanced MultiFund aims to provide moderate levels of growth with moderate levels of risk and volatility over the medium to longer-term.

It is anticipated that the Balanced MultiFund will achieve a return of 3-month LIBID + 1% to 3% in the currency of the relevant share class over a rolling 3 to 5 year period.

In order to achieve the investment objective, the portfolio invests across a range of asset classes within a strategic and tactical asset allocation framework designed to maximise diversification benefits. An absolute and relative valuation-based approach underpins this framework, resulting in a multilayered process to facilitate disciplined decision-making and risk management.

The Balanced MultiFund is suitable for clients with an investment time horizon of 3 to 5 years. Investing in the fund involves a risk to capital in order to achieve the desired return.

FUND PERFORMANCE [1]

PERIOD	USD	USD PEER GROUP	USD LIBID 3 MONTH		GBP	GBP PEER GROUP	GBP LIBID 3 MONTH	
	%	%	+1%	+3%	%	%	+1%	+3%
3 Months	1.7%	2.1%	0.6%	1.1%	1.1%	1.5%	0.3%	0.8%
6 Months	3.6%	4.1%	1.1%	2.1%	1.6%	2.3%	0.6%	1.6%
1 Year	9.3%	9.6%	2.2%	4.2%	5.0%	5.3%	1.2%	3.2%
3 Years Ann	3.1%	3.1%	1.7%	3.7%	4.4%	4.5%	1.4%	3.4%
5 Years Ann	4.0%	3.4%	1.5%	3.5%	4.5%	4.1%	1.4%	3.4%
2017	9.3%	9.6%	2.2%	4.2%	5.0%	5.3%	1.2%	3.2%
2016	3.0%	2.3%	1.6%	3.7%	9.0%	8.5%	1.4%	3.4%
2015	-2.5%	-2.1%	1.2%	3.2%	-0.6%	-0.2%	1.5%	3.5%
2014	3.3%	2.1%	1.1%	3.1%	5.5%	4.4%	1.4%	3.4%
2013	7.3%	5.7%	1.1%	3.1%	3.8%	2.5%	1.4%	3.4%
2012	6.7%	7.4%	1.3%	3.3%	6.7%	7.2%	1.7%	3.7%
Lowest 1 yr return	-7.6%				-4.3%			
Highest 1yr return	10.8%				12.8%			
Since inception *	3.8%	3.5%	1.4%	3.4%	4.2%	3.9%	1.4%	3.4%

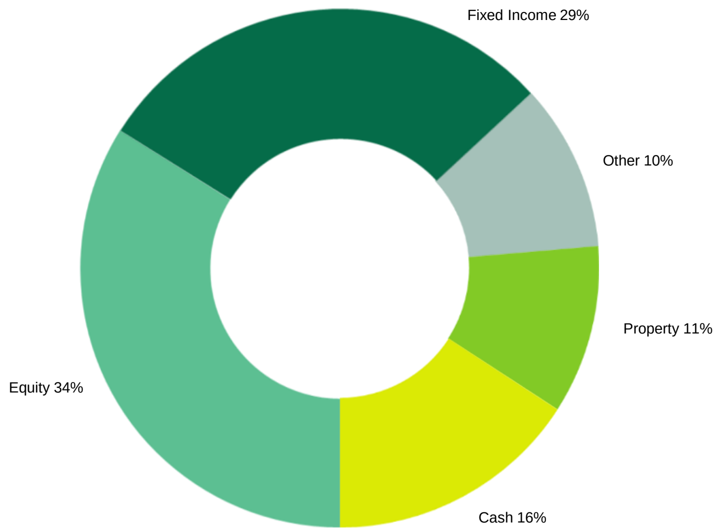
Performance of Class A net of fees. Inception 19 August 2011. * Since inception annualised.

USD peer group is a 50/50 average of the Morningstar Moderate Allocation USD and Morningstar Cautious Allocation USD . For the GBP peer group data, the same universe and returns are used as for the USD data, although a 65% hedge to sterling is applied, as per the fund's GBP share class.

RISK MEASURE

SINCE FUND INCEPTION	FUND USD	FUND GBP
Annualised volatility	6.3%	6.0%
Sharpe ratio (annualised)	0.53	0.63
Lowest monthly return	-5.1%	-4.8%

PORTFOLIO STRUCTURE



*Class A includes a trail fee of 0.75%
Class B includes a trail fee of 0.50%

1) The annualised total return is the average return earned by an investment each year over a given time period. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of any reinvestment and dividend withholding tax. Data source Nedgroup Investments (IOM) Limited.

2) The on-going fee is a measure of the actual expenses incurred in the management of the Classes of the Sub-Fund. The on-going fee shown is expressed as a percentage of the monthly average value of the portfolio calculated over a 12-month period as at the date shown. The current on-going fee cannot be used as an indication of future on-going fees. A higher on-going fee does not necessarily imply a poor return, nor does a low on-going fee imply a good return.

NEDGROUP INVESTMENTS BALANCED MULTIFUND

December 2017

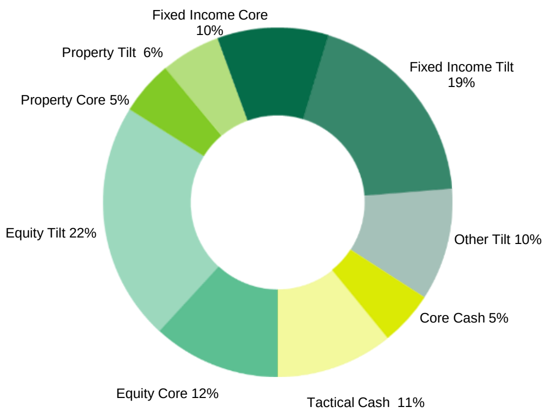
NEDGROUP INVESTMENTS

TOTAL PORTFOLIO ANALYSIS

FULL PORTFOLIO LISTING

EQUITY		**33.9%**
Vanguard Global Stock Index	Core	8.8%
Nedgroup Global Equity Fund	Tilt	5.4%
Dodge & Cox Global Stock Fund	Tilt	5.1%
TOBAM Anti-Benchmark World Equity	Tilt	4.1%
Morgan Stanley Global Brands	Tilt	3.0%
Vanguard Emerging Markets Stock	Core	3.0%
Allianz Global Small Cap Equity	Tilt	2.2%
Coronation Global Emerging Markets	Tilt	2.2%
PROPERTY		**10.5%**
Nedgroup Global Property Fund	Core	5.0%
F&C Commercial Property Trust	Tilt	2.8%
Impact Healthcare REIT	Tilt	1.8%
Standard Life Investment Property Income	Tilt	0.9%
FIXED INCOME		**29.3%**
AXA US Short Duration High Yield	Tilt	7.9%
Wellington Global Credit Plus	Core	5.2%
PIMCO Global IG Credit	Core	5.1%
Franklin Templeton Global Total Return	Tilt	4.6%
Muzinich Short Duration High Yield	Tilt	4.1%
Kames High Yield Global Bond	Tilt	2.5%
OTHER		**10.5%**
Greencoat UK Wind	Tilt	3.1%
SQN Asset Finance Income Fund C Shares	Tilt	2.5%
John Laing Environmental Assets Group	Tilt	1.2%
3i Infrastructure Plc	Tilt	1.2%
Greencoat Renewables	Tilt	1.0%
GCP Asset Backed Income Fund	Tilt	1.0%
GCP Asset Backed Income Fund C Shares	Tilt	0.5%
CASH		**15.8%**
BlackRock Institutional USD Liquidity Fund / Cash	Core	5.0%
	Tilt/Tactical	10.8%
TOTAL		**100.0%**

CHANGES IN ASSET ALLOCATION BY STRATEGY



EQUITY COMPONENT [3]

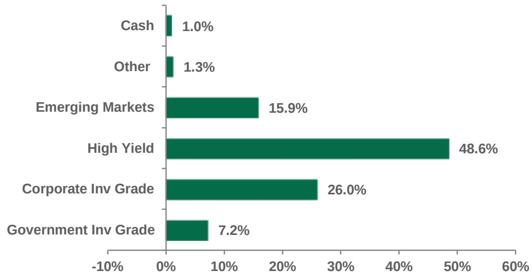
TOP TEN UNDERLYING HOLDINGS	
Microsoft	1.9%
Comcast	1.3%
Alphabet	1.3%
Airbus	1.3%
Baidu	1.1%
American Express	1.1%
Naspers	1.0%
Charter Communications	0.9%
British American Tobacco	0.9%
UnitedHealth Group	0.9%
TOTAL	**11.5%**

COUNTRY ALLOCATION	
USA	47.7%
Europe ex-UK	14.7%
UK	7.7%
Emerging Markets	16.6%
Pacific ex-Japan	2.7%
Japan	5.1%
Canada	2.1%
Cash	3.4%
TOTAL	**100.0%**

SECTOR ALLOCATION	
Information Technology	17.5%
Financials	15.4%
Consumer Discretionary	15.1%
Health Care	12.7%
Consumer Staples	11.2%
Industrials	11.0%
Materials	4.0%
Energy	3.8%
Telecommunication Services	2.0%
Real Estate	2.0%
Utilities	1.8%
Cash	3.4%
TOTAL	**100.0%**

FIXED INCOME COMPONENT [3]

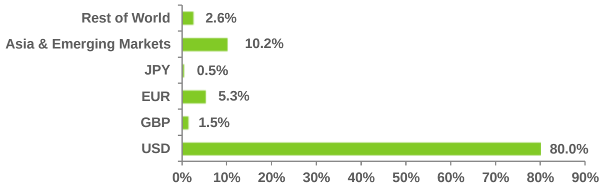
CATEGORY ALLOCATION



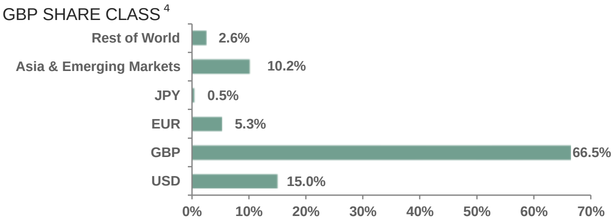
YIELD	
Yield To Maturity	4.6%
Average Weighted Maturity (in years)	5.6
Average Modified Duration (in years)	3.4

CURRENCY EXPOSURE [3]

USD SHARE CLASS



GBP SHARE CLASS [4]



3) Source: Underlying managers. Data point 30 November 2017
Data point for underlying fund information on a look-through basis is one month in arrears.
4) For the sterling Hedged share class a 65% hedge to sterling is applied

NEDGROUP INVESTMENTS

INVESTMENT MANAGER COMMENTARY

MARKET COMMENTARY
Nedgroup Investments (IOM) Ltd
Investment Manager and Distributor

December provided a solid end to what was an already strong year for many asset classes. Good economic data releases confirmed that the synchronised cyclical economic upswing remained on track, and, if anything, is accelerating. In response, economists continued to raise their forecasts for 2018, which served to boost investor confidence.

In terms of specific events, perhaps the most notable was the US Senate's narrow passing of the Tax Cuts and Jobs Act, which could lead to the largest tax overhaul in the US since 1986. The most important element for financial markets is the proposed cuts to the corporate tax rate, which could fall from 35 to 20 percent. Additionally, the proposals could also provide a strong incentive for US corporates to repatriate cash held in offshore bank accounts, which would enhance their ability to raise dividends and boost share buy-backs.

A second important event was the last minute agreement between the UK and the EU on the three "phase one" Brexit issues relating to the divorce bill, citizens' rights and the Irish border question. Whilst Britain gave more ground than the EU to reach a compromise, the story is far from over as the two protagonists will now move to the even more contentious second round of talks on trade and security. On the face of it, the outcome so far suggests that the UK is on a path towards a "Soft Brexit". However, this will not sit well with the so called "Hard Brexiteers" within the UK Government / Conservative Party, which suggests that there is plenty more Brexit anxiety ahead, most acutely for the UK, but also for the EU.

As noted on numerous occasions throughout the year, financial market volatility remained unusually low, which was partly down to improved global economic performance, but also to the anaesthetising impact of continued central bank bond buying. Against this background, most asset classes rose, with riskier and more volatile investments leading the way.

Equity markets rose by +1.6%, as measured by the MSCI All Country World Index in US dollars. All the major regions and countries advanced, with the UK (+5.0%), the Emerging Markets (+3.6%) and Asia ex Japan (+2.7%) producing the best returns. The strongest sectors tended to be cyclicals, with good performance in Energy (+4.7%) and Materials (+4.1%) contrasting with the weakness of Information Technology (+0.1%) and Utilities (-4.1%). Finally, in terms of style, Value (+1.8%) outpaced Growth (+1.5%), whilst Smaller Companies (+1.8%) just had the edge on Larger Companies (+1.6%).

Fixed income markets were relatively quiet through December as government bonds rose just +0.1%, according to the JP Morgan Global Government Bond Index. As with equities, riskier assets were better rewarded, with the Merrill Lynch Global Investment Grade Corporate Bond Index returning +0.6%, the Merrill Lynch Global High Yield Index delivering +0.3%, and the JP Morgan Global Emerging Market Bond Index rising +0.6% (all in hedged to US dollar terms).

The Bloomberg Commodity Index rose by +3.0% in December. The economically sensitive Industrial Metals sub-sector was particularly strong as it advanced +9.2%, followed by Crude Oil (+5.4%) and Gold (+2.7%). Only Agriculture (-1.5%) lost ground, in part because it is more affected by weather patterns as opposed to being a play on general economic conditions.

The major currency markets were relatively quiet over December, with the euro, pound, yen and dollar all little changed against each other. That left the main movers to be either emerging market currencies or those most closely linked to the strong commodity market. The stand-out performer was the South African rand (+9.5% versus the US dollar) as it responded positively to the election of Cyril Ramaphosa as the new leader of the ANC. Elsewhere the Australian and Canadian dollars were also well supported, as they rose against the US dollar by +3.2% and +2.9% respectively.

Notes: All monthly data is quoted in US dollar terms unless otherwise stated.

PORTFOLIO COMMENTARY

The Nedgroup Investments Balanced MultiFund rose by +0.8% during December.

Within equities, the best performing funds were Dodge & Cox Global Stock (+2.9%) and Morgan Stanley Global Brands (+2.7%). Dodge & Cox benefited from its tilt towards Emerging Market stocks, which outperformed in December, whilst the strength of Consumer Staples stocks supported Morgan Stanley as it has a strong bias towards this sector. At the other end of the spectrum, Nedgroup Global Equity (-0.6%) was negatively impacted by both stock selection and its overweight to healthcare which underperformed during December.

Within fixed income, with risk assets performing well during the month, the tilt towards credit was broadly supportive for absolute and relative performance. The best performing funds were the higher quality investment grade funds, Wellington Global Credit Plus (+0.6%) and PIMCO Global Investment Grade (+0.4%). Elsewhere, the fortunes of the sub-investment grade funds were also mildly positive, with AXA US Short

Duration High Yield (+0.2%) and Muzinich Short Duration High Yield (+0.1%) both up, whilst Kames High Yield Global Bond was flat. Finally, Franklin Templeton Global Total Return (-1.3%) was a drag on performance in December as it lost value on the back of some unhelpful developed and emerging market currency positions.

In other asset classes, Nedgroup Global Property Fund (+2.0%) outperformed global equities, whilst exposure to UK commercial property was mixed. F&C Commercial Property Trust fell -3.6%, whilst Impact Healthcare (+0.3%) and Standard Life Property Income Trust (+2.2%) both rose. Within infrastructure, returns were quite positive with the exception of Greencoat Renewables (-0.3%), as Greencoat UK Wind (+3.8%) and John Laing Environmental Assets (+6.3%) both benefited from stronger UK wholesale electricity prices. 3i Infrastructure (+5.4%) also saw a strong run on the announcement that the manager had agreed to sell its stakes in two large and mature infrastructure investments - Elenia (Finish electricity distribution company) and Anglian Water (UK water utility) - at prices considerably above expectations and their last valuations. Finally, the allocation to asset-backed finance was a drag, with SQN Asset Finance Income Fund declining -1.9% and GCP Asset Backed Income flat over the month.

In terms of portfolio activity, there were no material strategy changes made over the month.

Note: All returns are quoted in US dollars.

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