NEDGROUP INVESTMENTS MULTIFUNDS PLC

QUARTERLY REVIEW

QUARTER 4 2018

This report is prepared by Nedgroup Investments (IOM) Limited the Investment Manager of Nedgroup Investments MultiFunds Plc.

The purpose of the report is to provide shareholders in the Nedgroup Investments MultiFunds and their advisers, with a review of the funds' performance since inception. The report is structured as follows:

PART ONE: MARKET REVIEW

This section provides a market review, which looks at the performance of global asset classes over the last quarter, and puts this into perspective relative to longer-term performance. The aim of this review is to provide a context in which the performance of Nedgroup Investments MultiFunds can be assessed.

PART TWO: NEDGROUP INVESTMENTS MULTIFUNDS' PERFORMANCE

This section provides an overview of the performance of the Nedgroup Investments MultiFunds since its launch on 19 August 2011 under the UCITS IV structure. The Income MultiFund was launched on 26 January 2012.

PART THREE: MARKET OUTLOOK

In this section we highlight our current views on the market over the medium term and how these views are implemented within the MultiFunds.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

This section shows the performance of the underlying managers.

PART FIVE: FUND FOCUS

In this section we highlight a fund held in the MultiFunds.

PART SIX: INVESTMENT SOLUTIONS REVIEW

This section provides a detailed review of each MultiFund, looking at the fund's objective, its benchmark, the asset allocation, and the manager's allocations.

PART ONE: MARKET REVIEW

Performance over period to 31 Dec 2018

Asset class	Indicator	3 months	1 year	3 years	5 years	LT-average*
Equities	MSCI All Country World Index	-12.7%	-8.9%	7.2%	4.8%	8.5%
Property	FTSE EPRA/NA REIT Dev Property Index	-5.5%	-4.7%	3.7%	5.3%	6.7%
Bonds	JPM Global Bond Index	1.2%	-1.2%	2.7%	1.1%	4.6%
Cash	US 3-month deposits	0.6%	2.1%	1.3%	0.8%	4.3%
Inflation	US CPI (one month in arrears)	0.0%	2.2%	2.0%	1.6%	3.0%

All figures are in USD
Source Morningstar and Nedgroup Investments
** Updated annually from 1900, or longest available period.*
Returns for periods longer than 12 months are annualised.

Economic and market commentary

The mood of financial markets changed dramatically over the fourth quarter, with volatility spiking and risk assets sharply underperforming safe havens. There were a number of catalysts, starting with worries that strong US growth might persuade the Federal Reserve to raise interest rates faster than previously anticipated. However, this view subsided as economic data releases began to point towards a slowing of growth across most economies in 2019. Trump and his dreaded tweets were never far from the news, as he continued to rattle his sabre over US / China trade. However, by the end of the year a temporary truce was announced pending face-to-face talks scheduled in January. On other issues, the mid-term elections did little to help Trump's temperament as the Republicans lost control of the House of Representatives to an increasingly hostile Democrat Party, who will surely look to invigorate the various investigations against Trump with the ultimate aim of impeaching him. By late December, US political conflict was already roiling markets as a stand-off between Trump and the US Senate over extra funding for his beloved southern border wall led to a shutdown of the US government.

In Europe, the UK government flapped around in ever decreasing circles over Brexit, as it became abundantly clear that Prime Minister May's EU Withdrawal bill would not receive the support needed to pass a vote in the House of Commons. With the vote postponed and re-scheduled for mid-January, just what this all adds up to in terms of the Brexit end-game is anyone's guess. As things stand, the range of possibilities stretches from an economically damaging "Hard Brexit" all the way though to a second referendum that could see the project abandoned without any kind of Brexit at all. Elsewhere in Europe, political storm clouds also gathered over both Merkel and Macron, as the German leader responded to poor state election results by announcing she would not stand for another term, whilst the French leader spent much of November and December fretting over how best to assuage the angry and occasionally violent "yellow vest" street rioters.

Third quarter corporate earnings reports were very strong, but whilst most companies announced forecast-busting results, they were also quite cautious on future guidance, citing Trump's trade war (particularly in regard to import costs and falling export volumes) and rising labour costs as being factors that could squeeze margins and revenue growth moving into 2019. With the year-on-year impact of Trump's tax cuts now fading, analysts responded by trimming profit forecasts for 2019 and beyond.

It was a pretty grim quarter for global equities, which fell -12.8% when measured using the MSCI AC World Index in US dollars. All markets were under pressure, but the most resilient were Asia ex Japan (-8.7%) and Global Emerging Markets (-7.5%), whilst the US (-13.8%) and Japan (-14.2%) were the biggest fallers. At the sector level, stable earners tended to outperform cyclicals, with Utilities (+0.9%), Communication Services (-6.0%), Consumer Staples (-6.5%) and Healthcare (-9.5%) all beating the market, whilst Energy (-20.0%), Industrials (-15.5%) and Information Technology (-17.1%) were the major underperformers. Viewed from a style perspective, Value (-10.6%) outperformed Growth (-14.6%), whilst Larger Companies (-12.8%) held up better than Smaller Companies (-16.7%).

Fixed income markets outperformed equities as investors scrambled for safe havens. Over the quarter, government bonds were the best performers, as credit spread widening proved a headwind for corporate debt. Overall, the JP Morgan Global Government Bond Index rose +2.5%, whilst the shift towards lower yields offset spread widening enough to allow the Merrill Lynch Global Investment Grade Corporate Bond Index to gain +0.1%. Results in other areas were less positive, as the Merrill Lynch Global High Yield Index turned in a disappointing -3.3%, whilst the JP Morgan Emerging Market Bond Index delivered -1.2% (all hedged to US dollars).

Most commodities were under significant pressure on worries about trade war threats and slowing global growth. This was especially true in the case of oil, where rising production levels and higher inventories were a particular concern. Over the fourth quarter, the Bloomberg Commodities Index fell -9.4%, with Crude Oil giving up an astonishing -37.5%, whilst Industrial Metals fell -8.7%. The only significant sector that bucked the trend was Gold (+7.2%), which reflected its safe haven status.

In the foreign exchange markets, the yen was the strongest major currency, followed by the US dollar. Over the period the yen rose by +3.5% against the US dollar, +5.6% versus the British pound, and +4.8% relative to the euro. Elsewhere, emerging market and commodity-related currencies proved to be a mixed bag. On the one hand, a number of previously embattled emerging currencies bounced strongly against the US dollar, including the Turkish lira (+13.2%), Argentinian peso (+8.4%) and Brazilian real (+3.5%). In contrast, fallers included the Mexican peso (-5.1%), the Canadian dollar (-5.6%) and the South African rand (-1.5%).

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

PART TWO: MULTIFUNDS' PERFORMANCE

All performance figures are as at 31 Dec 2018

Growth MultiFund

PERIOD	FUND USD* %	BENCHMARK US LIBID 3 month +4%	FUND GBP* %	BENCHMARK GBP LIBID 3 month +4%
3 months	-9.5%	1.7%	-8.5%	1.2%
1 year	-7.6%	6.3%	-5.2%	4.6%
3 years (annualised)	4.5%	5.4%	6.7%	4.4%
Since inception** (annualised)	4.9%	4.7%	5.7%	4.5%

**From 30/12/2013 for USD class with returns prior to this backfilled using class A returns adjusted for fees (Class A inception: 19 August 2011)

From 06/03/2013 for GBP class

Balanced MultiFund

PERIOD	FUND USD* %	BENCHMARK US LIBID 3 month +2%	FUND GBP* %	BENCHMARK GBP LIBID 3 month +2%
3 months	-5.2%	1.2%	-4.7%	0.7%
1 year	-3.7%	4.3%	-2.8%	2.6%
3 years (annualised)	3.3%	3.4%	4.3%	2.4%
Since inception** (annualised)	2.3%	2.7%	3.6%	2.5%

**From 08/11/2013 for USD C class with returns prior to this backfilled using class A returns adjusted for fees (Class A inception: 19 August 2011)

From 06/03/2013 for GBP class

Income MultiFund Accumulating

PERIOD	FUND USD* %	BENCHMARK US LIBID 3 month	FUND GBP* %	BENCHMARK GBP LIBID 3 month
3 months	-0.5%	0.7%	-0.9%	0.2%
1 year	0.4%	2.2%	-0.9%	0.6%
3 years (annualised)	3.4%	1.3%	2.6%	0.4%
Since inception** (annualised)	3.0%	0.7%	3.1%	0.3%

****** From 01/09/2015 for the USD class, with returns prior to this backfilled using class A returns adjusted for fees (Class A inception: 12 April 2012)

From 08/04/2013 for the GBP class, with returns prior to this backfilled using class B returns adjusted for fees (Class B inception: 26 January 2012)

* C Class Performance GBP.

PORTFOLIO REVIEW AND CHANGES

Growth

The portfolio had a tough quarter, falling -9.5% (US$ C Class) due to market concerns about global trade, declining central bank support, and slowing economic activity.

Looking beneath the surface, the aggregate of the underlying global equity exposures did manage to outperform market averages, notwithstanding the absolute losses. The most helpful factors included the portfolio's bias towards more defensive sectors, as well as its tilt towards emerging market stocks, both of which outperformed (or, put another way, declined less).

In other areas, global REITS disappointed. Even though they fell less than global equities, we might reasonably have expected them to have been better supported by falling government bond yields. UK commercial property exposure was more mixed, with F&C Commercial Property (the more traditional holding) declining on Brexit concerns, whilst the more defensive UK care homes performed well, with Impact Healthcare (+0.5%) posting a modest gain. Elsewhere, the portfolio's investment in general infrastructure was quite positive, as 3i Infrastructure (+7.8%) was lifted by good half-year results and speculation that they may be preparing a large investment for sale (Cross London Trains). Given their track record, it is quite likely that if they were to sell the business, they would achieve a much higher price than they currently value it at in their portfolio. Moving on, holdings in renewable energy also showed their defensive qualities, with Greencoat UK Wind returning -0.4% and John Laing Environmental Assets +1.8% despite the fact that UK electricity prices softened over the period. Finally, the portfolio's allocation to asset-backed lending was a modest drag on performance, with SQN Asset Finance Income C-Shares (-3.2%) and GCP Asset Backed Income (-1.4%) both softening a little as all risk assets came under pressure.

In terms of portfolio activity, we decided to participate in two capital raises (John Laing Environmental Assets and Target Healthcare) which allowed us to increase existing positions at attractive prices. In the case of John Laing, we are encouraged by their increased focus on higher return anaerobic digestion plants and believe that this will help them achieve their goal of delivering a high and rising level of income. With respect to Target, the rationale for adding is based on our desire to shift emphasis from economically sensitive commercial property towards more stable social care homes. In our view, the investment thesis for UK care homes is strong as they benefit from good supply-demand dynamics (due to an aging population and a chronic shortage of quality care home places), automatic inflation-linked annual rent reviews and very long leases (20 years plus). To fund the increased exposure in Target Healthcare we sold out of Standard Life Property Income Trust.

In terms of other changes, in late December we took advantage of the sharp sell-off to reduce our underweight to equities at improved valuations. This was executed via a purchase in the iShares Core MSCI World ETF from cash. Whilst we remain cautious, we regarded the fall in equity markets seen since September to be big enough for us to start reducing the underweighting of equities.

Balanced

The portfolio had a tough quarter, falling -5.2% (US$ C Class), due to market concerns about global trade, declining central bank support, and slowing economic activity.

Looking beneath the surface, the aggregate of the underlying global equity exposures did manage to outperform market averages, notwithstanding the absolute losses. The most helpful factors included the portfolio's bias towards more defensive sectors, as well as its tilt towards emerging market stocks, both of which outperformed (or, put another way, declined less).

Within fixed income, the portfolio's bias towards corporate credit proved a headwind in the risk-off environment as corporate credit, especially sub-investment grade, lost ground (Muzinich Short Duration High Yield -1.7%, AXA US Short Duration High Yield -1.3%). In contrast, US government bonds, held via the Vanguard US Government Bond Index (+2.5%), was one of the better performers within the portfolio as the flight to safety caused a sharp decline in bond yields. The higher quality investment grade credit funds, Wellington Global Credit Plus (+0.6%) and PIMCO Global Investment Grade Credit (+0.1%) also generated positive returns, as they too benefited from the shift in yield curves. Finally, Franklin Templeton Global Total Return (+2.8%) benefited from its exposure to specific emerging market bonds and currencies that did well over the period.

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Income

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In other areas, whilst the small exposure to high yielding UK equities was a slight drag, holdings in UK commercial property were more mixed, with F&C Commercial Property (the more traditional holding) declining on Brexit concerns, whilst the more defensive UK care homes performed well as Impact Healthcare (+0.5%) posted a modest gain. Elsewhere, the portfolio's investment in general infrastructure was quite positive, as 3i Infrastructure (+7.8%) was lifted by good half-year results and speculation that they may be preparing a large investment for sale (Cross London Trains). Given their track record, it is quite likely that if they were to sell the business, they would achieve a much higher price than they currently value it at in their portfolio. Moving on, holdings in renewable energy also showed their defensive qualities, with Greencoat UK Wind returning -0.4% and John Laing Environmental Assets +1.8% despite the fact that UK electricity prices softened over the period. Finally, the portfolio's allocation to asset-backed lending was a modest drag on performance, with SQN Asset Finance Income C-Shares (-3.2%) and GCP Asset Backed Income (-1.4%) both softening a little as all risk assets came under pressure.

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PART THREE: MARKET OUTLOOK

In our Base Case Scenario, we expect global growth to slow in 2019, but not collapse. At the same time, we expect inflation rates to rise a little as a consequence of higher input and labour costs. Against this background, we anticipate volatility will fall from its recent elevated levels, and in so doing, set the scene for a better investor experience in the coming year.

The major central banks are expected to continue their gradual tightening of monetary policy, either through incremental rate increases, or by adjusting quantitative easing / tightening policies. In the US, this will probably mean a couple more quarter point increases in the Federal Reserve's Funds Rate. In the EU, the ECB has already announced it will cease quantitative easing in 2019, and we would expect them to be looking to gently start raising interest rates at some point in the second half of the year. Between the two lies the Bank of England, with much depending on a very uncertain Brexit outcome.

After a particularly strong 2018, global corporate earnings growth is likely to stay positive, but will progress at a much more moderate 5-7% pace in 2019. As such, earnings should still provide some support for equities, even as tighter monetary policies present a headwind. Recent weakness in equity markets also provides a degree of reassurance, as a lower starting point improves the prospects of positive absolute and relative valuations in 2019. With the earnings bond yield having widened substantially in favour of equities during the latter stages of 2018, we would expect equity returns to outpace those of bonds in the coming year.

With US growth slowing as the impetus from tax cuts fades in 2019, the advantage that US financial assets have enjoyed will also diminish. The divergence of economic and corporate performance between the US and the rest has been very strong over recent years, and we now believe the better value equity opportunities lie outside of America, in places such as Europe and the Emerging Markets. For this reason, we have maintained a bias towards those regions

To counter the inevitable headwind of rising interest rates on bond investments, we have continued to favour a strong bias towards shorter duration holdings. These are much less sensitive to shifts in yields, providing a degree of cushioning should interest rates shift more than expected. In addition, as US interest rates are much closer to normal than those of other advanced economies, we believe the outlook for the US bond market is better than other major regions, such as the Eurozone, the UK or Japan. Based on this view, the fixed income element of portfolios has a heavy skew towards the US, and away from areas that remain substantially distorted by central bank policies.

In 2019, we expect the US dollar to be well supported by its higher yield and wide interest rate differential. Where appropriate, our strategies have a bias towards the US dollar, which we expect to remain strong. In addition, the portfolios hold a diversified exposure to carefully selected Asian and emerging market currencies which, having struggled in 2018, now offer really good relative value.
As for sterling, much depends on the outcome of Brexit. At its current level of US$1.27 (ish) per pound, sterling trades well below its purchasing power parity rate, reflecting the risk premium investors are demanding in compensation for Brexit uncertainty. That leaves the pound positioned to either strengthen significantly (in the event of a soft Brexit outcome), or to weaken significantly (if we see an economically damaging hard Brexit). As things stand, we find it impossible to judge which way events will unfold, so where we can, we have adopted a neutral exposure on sterling.

Clearly 2018 has been a much more difficult period to achieve rewarding investment returns, especially in the last quarter. Whilst heightened volatility frays all investor nerves, it presents opportunities as the now more modest valuations are an improved starting point that offers the potential for better returns in 2019.

PART FOUR: UNDERLYING PORTFOLIO MANAGER PERFORMANCE

The Nedgroup Investments MultiFunds' investment philosophy is one that seeks to invest in specialist underlying portfolio managers who are most appropriate for the achievement of each risk profiled MultiFunds' investment objective. A combination of externally appointed fund managers is used. The table below shows the performance of the underlying managers used within the Growth, Balanced and Income MultiFunds in USD, with the exception of the funds we hold in a different currency and where currency hedging is applied, compared against their sector benchmark.

Performance as at 31st December 2018								
	Category	3M	6M	YTD	1YR	2YR*	3YR*	5YR*
Equity (USD)								
Dodge & Cox Global Stock Fund	*Global Equity*	-12.82	-9.83	-12.98	-12.98	2.80	7.27	3.77
iShares MSCI World	*Global Equity*	-13.41	-9.07	-8.65	-8.65	5.76	6.42	4.67
Morgan Stanley Global Brands	*Global Equity*	-9.21	-5.06	-2.04	-2.04	11.10	9.07	7.65
Nedgroup Global Equity Fund	*Global Equity*	-12.02	-5.75	-5.31	-5.31	8.22	6.58	5.76
TOBAM Anti-Benchmark World Equity	*Global Equity*	-11.99	-11.72	-8.62	-8.62	3.06	3.10	1.27
Vanguard Global Stock Index	*Global Equity*	-13.46	-9.20	-8.85	-8.85	5.55	6.14	4.40
Allianz Global Small Cap Equity	*Global Small Cap Equity*	-20.99	-19.53	-17.49	-17.49	2.28	1.76	1.36
TT Emerging Markets Equity Fund	*Global Emerging Markets Equity*	-6.80	-10.16	-19.09	-19.09	8.26	11.53	3.98
Vanguard Emerging Markets Stock	*Global Emerging Markets Equity*	-7.15	-8.08	-14.87	-14.87	8.09	8.98	0.00
MSCI ACWI NR USD		-12.75	-9.02	-9.42	-9.42	5.97	6.60	4.26
Fixed Income (USD)								
AXA US Short Duration High Yield	*Short Duration High Yield*	-1.37	0.20	0.84	0.84	1.95	3.12	2.03
Muzinich Short Duration High Yield	*Short Duration High Yield*	-1.73	-0.02	0.80	0.80	1.98	3.30	2.02
PIMCO Global IG Credit	*Global Corporate Debt*	0.11	0.75	-0.85	-0.85	2.78	4.31	4.15
Wellington Global Credit Plus	*Global Corporate Debt*	0.57	1.12	-0.56	-0.56	2.53	3.87	4.01
Franklin Templeton Global Total Return	*Global Bond*	2.83	2.98	-0.07	-0.07	2.02	3.51	1.06
Vanguard US Government Bond Index	*Government Bond Index*	2.54	1.94	0.74	0.74	1.42	1.20	1.79
Bloomberg Barclays Global Aggregate US		1.74	1.69	1.76	1.76	2.40	2.91	3.44
Property (USD)								
Nedgroup Global Property Fund	*Global Property*	-6.63	-6.86	-7.40	-7.40	2.54	-	-
iShares Developed Marcket Property Yield	*Passive Tracker*	-5.75	-5.95	-5.78	-5.78	2.08	3.22	5.56
FTSE EPRA NAREIT Developed TR USD		-5.46	-5.60	-4.74	-4.74	3.02	3.67	5.26
Property (GBP)								
F&C Commercial Property Trust	*UK Property*	-9.73	-15.47	-4.35	-4.35	-0.32	1.86	5.24
Impact Healthcare REIT	*Healthcare Property*	0.49	3.45	7.11	7.11	-	-	-
Target Healthcare REIT	*Healthcare Property*	-4.27	0.60	2.17	2.17	3.71	6.07	6.48
Other / Specialist (GBP)								
Greencoat UK Wind	*UK Renewable Energy*	-0.41	3.37	8.33	8.33	8.35	11.29	10.42
John Laing Environmental Assets Group	*UK Renewable Energy*	1.78	4.62	2.15	2.15	5.62	6.85	-
3i Infrastructure	*Infrastructure*	7.75	17.58	22.18	22.18	18.97	17.70	18.13
SQN Asset Finance Income Fund - C	*Asset Financing*	-3.24	-2.15	-0.50	-0.50	-6.91	-	-
GCP Asset Backed Income Fund	*Asset Financing*	-1.37	6.97	9.11	9.11	6.71	6.70	-
LIBID GBP 3 Month + 2%		0.68	1.35	2.62	2.62	2.43	2.41	2.43
Other / Specialist (EUR)								
Greencoat Renewables	*UK Renewable Energy*	2.00	-0.62	4.77	4.77	-	-	-
Cash (USD)								
BlackRock ICS USD Liquidity Heritage Acc	*Cash*	0.60	1.15	2.06	2.06	1.62	1.28	0.82
LIBID USD 3 Month		0.65	1.20	2.24	2.24	1.70	1.34	0.87
Cash (GBP)								
Insight GBP Liquidity Fund	*Cash*	0.04	0.12	0.28	0.28	0.22	0.25	0.27
LIBID GBP 3 Month		0.19	0.36	0.61	0.61	0.42	0.41	0.42

*Annualised

PART FIVE: FUND FOCUS

In this section of the report we cover the underlying funds in slightly more detail in order to assist investors in gaining a better understanding of the underlying funds and the reasons we hold them. In this report we look at the Dodge & Cox Global Stock Fund.

Dodge & Cox Global Stock Fund

Dodge & Cox – Global Stock is a relatively unconstrained global equity fund, and like all Dodge & Cox funds is built on three core investment priniciples: 1) having a long-term focus, 2) conducting their own research, and 3) through having a strong price discipline. They have employed this investment approach since their founding in 1930. Dodge & Cox's entire research and portfolio management team is based in California (San Francisco); they believe that basing everyone together encourages more interaction.

The primary feature of Dodge & Cox's investment management approach is the emphasis on in-depth research. They visit and maintain close contact with companies in their investments universe. Their global industry analysts conduct bottom-up research of individual companies, identify investment opportunities, monitor existing holdings, and advocate investment recommendations. At weekly research meetings, individual analysts make buy and sell recommendations, which are supported by thorough analysis of each investment's opportunities and risks, presented in the form of a written research report, as well as an oral presentation. Recommendations are reviewed by the Sector Committees (Technology, Media, and Telecom (TMT), Healthcare/Consumer, Financials, Energy/Industrials/Utilities), in which questioning by other analysts is thorough and comprehensive (employing a "devil's advocate" approach). Final recommendations, therefore, represent the judgment of an individual analyst refined by the critical judgment of his or her peers. The analysts then present their recommendations to the Global Stock Investment Policy Committee (GSIPC) and a decision is made via majority vote. Their whole decision-making process takes full advantage of individual insights within a team-oriented culture.

Dodge & Cox have a stable and well-qualified team of investment professionals, most of whom have spent their entire careers with the firm. This group has worked together in consistently applying their investment philosophy over a period of many years. As an independent firm, Dodge & Cox are able to focus solely on clients and do not have to answer to other stakeholders. This independence combined with their emphasis on primary research, and long-term investment horizon, enables them to take advantage of opportunities requiring greater patience and persistence than most other investors are willing to take. Whilst this investment style sometimes leads to patchy short-term performance, the strong long-term outperformance of their funds shows that their investment process works extremely well over time.

WHY WE LIKE THE FUND:

- Excellent long-term track record
- Managed by a well-resourced stable team
- Research driven, valuation disciplined, long-term focused investment process
- Dodge & Cox is a well-established, employee-owned US asset management company
- Team-oriented culture with low employee turnover

PART SIX: INVESTMENT SOLUTIONS REVIEW

Following are the factsheets of each of the Nedgroup Investments MultiFunds:

- Nedgroup Investments Growth MultiFund
- Nedgroup Investments Balanced MultiFund
- Nedgroup Investments Income Acc MultiFund
- Nedgroup Investments Income Dist MultiFund