NEDGROUP INVESTMENTS BALANCED MULTIFUND

September 2019

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 4

INVESTMENT MANAGER

Nedgroup Investments (IOM) Limited; licensed by the Isle of Man Financial Services Authority.

APPROPRIATE TERM:

Minimum 3 - 5 years

MARKET VALUE:

$221.2m

CURRENCIES AVAILABLE AND PRICES:

USD Class A: $1.4429

USD Class B: $13.5839

GBP Class A: £11.7778

GBP Class B: £13.6647

Value and prices as at 30 September 2019

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 30 September 2019)[2]

USD Class A: 2.2% GBP Class A: 2.29%

USD Class B: 1.8% GBP Class B: 1.88%

DEALING:

Daily

NOTICE PERIODS:

Subscriptions: Noon T-1

Redemptions: Noon T-1

SETTLEMENT PERIODS:

Subscriptions: T+2

Redemptions: T+3

ISIN / SEDOL:

Class A USD: IE00B5SHBV53 / B5SHBV5

Class B USD: IE00B3NHHD07 / B3NHHD0

Class A GBP: IE00B57XK066 / B57XK06

Class B GBP: IE00B41F9717 / B41F971

CONTACT US

Tel +44 (0) 1624 645150

Fax +44 (0) 1624 670630

Website www.nedgroupinvestments.com

Email helpdesk@nedgroupinvestments.com

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.

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	0.2%	0.5%	0.8%	1.3%	1.0%	1.4%	0.4%	0.9%
6 Months	2.4%	2.8%	1.6%	2.6%	3.8%	4.1%	0.8%	1.8%
1 Year	3.5%	2.7%	3.4%	5.5%	4.2%	3.4%	1.7%	3.7%
3 Years Ann	4.5%	3.6%	2.8%	4.8%	4.0%	3.2%	1.5%	3.5%
5 Years Ann	2.9%	2.5%	2.2%	4.2%	4.2%	3.8%	1.5%	3.5%
YTD	9.4%	8.4%	2.5%	4.0%	9.6%	8.7%	1.3%	2.8%
2018	-4.6%	-5.4%	3.3%	5.3%	-3.6%	-4.5%	1.6%	3.6%
2017	9.3%	9.5%	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%
Lowest 1 yr return	-7.6%				-4.3%			
Highest 1yr return	10.8%				12.8%			
Since inception *	3.5%	3.0%	1.8%	3.8%	4.0%	3.5%	1.5%	3.5%

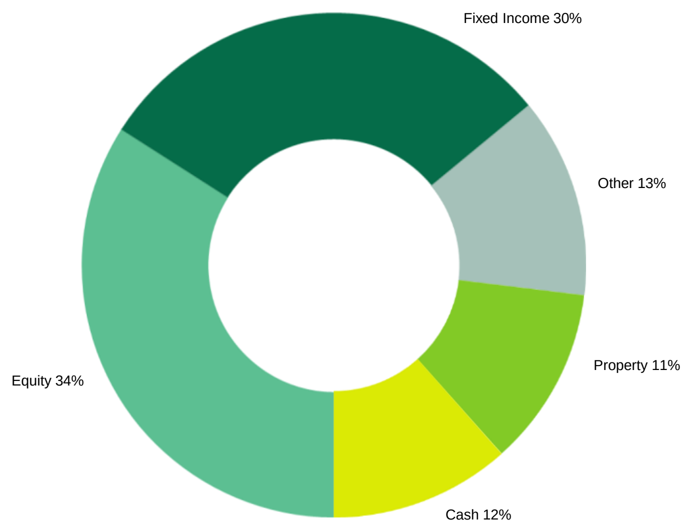
Performance of Class A net of fees. Inception 19 August 2011. * Since inception annualised.

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	6.4%	5.9%
Sharpe ratio (annualised)	0.42	0.60
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

September 2019

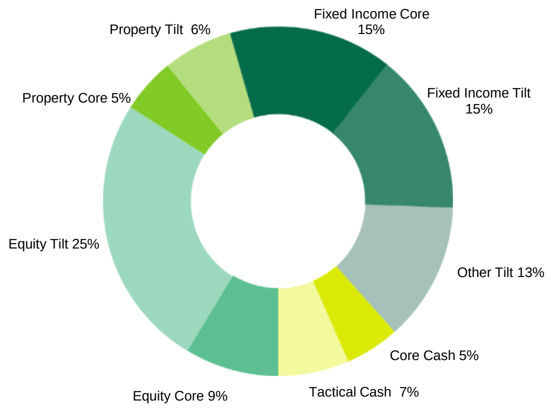
NEDGROUP INVESTMENTS

TOTAL PORTFOLIO ANALYSIS

FULL PORTFOLIO LISTING

EQUITY		**34.1%**
Vanguard Global Stock Index	Core	8.1%
Dodge & Cox Global Stock Fund	Tilt	6.5%
Nedgroup Global Equity Fund	Tilt	6.0%
TT Emerging Markets Equity Fund	Tilt	5.4%
Fundsmith Equity Fund	Tilt	3.0%
Morgan Stanley Global Brands	Tilt	3.0%
Allianz Global Small Cap Equity	Tilt	1.5%
iShares MSCI World	Core	0.6%
PROPERTY		**11.5%**
Nedgroup Global Property Fund	Core	5.1%
Target Healthcare REIT	Tilt	2.6%
BMO Commercial Property Trust	Tilt	2.0%
Impact Healthcare REIT	Tilt	1.9%
FIXED INCOME		**30.0%**
Vanguard US Government Bond Index Fund	Core	9.0%
PIMCO Global IG Credit	Core	6.1%
AXA US Short Duration High Yield	Tilt	4.5%
Franklin Templeton Global Total Return	Tilt	4.7%
Muzinich Short Duration High Yield	Tilt	3.6%
iShares $ Treasury Bond 1-3YR UCITS ETF	Tilt	2.0%
OTHER		**12.8%**
Greencoat UK Wind	Tilt	3.4%
Greencoat Renewables	Tilt	2.0%
SQN Asset Finance Income Fund C Shares	Tilt	1.8%
GCP Asset Backed Income Fund	Tilt	1.8%
John Laing Environmental Assets Group	Tilt	1.6%
3i Infrastructure Plc	Tilt	1.1%
The Renewables Infrastructure Group	Tilt	1.1%
CASH		**11.6%**
BlackRock Institutional USD Liquidity Fund / Cash	Core	5.0%
	Tilt/Tactical	6.6%
TOTAL		**100.0%**

CHANGES IN ASSET ALLOCATION BY STRATEGY



EQUITY COMPONENT [3]

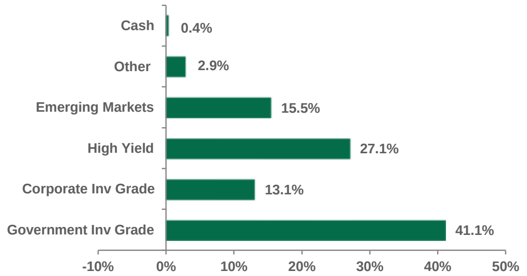
TOP TEN UNDERLYING HOLDINGS	
Microsoft	2.7%
Alphabet	2.0%
Charter Communications	1.9%
Unilever	1.7%
Reckitt Benckiser	1.7%
Philip Morris	1.5%
Facebook	1.4%
Alibaba	1.2%
Naspers	1.2%
Visa	1.0%
TOTAL	**16.2%**

COUNTRY ALLOCATION	
USA	48.2%
Europe ex-UK	16.0%
UK	9.4%
Emerging Markets	15.8%
Pacific ex-Japan	2.2%
Japan	3.2%
Canada	1.6%
Cash	3.7%
TOTAL	**100.0%**

SECTOR ALLOCATION	
Financials	15.7%
Health Care	15.3%
Information Technology	14.1%
Consumer Staples	11.4%
Industrials	11.0%
Communication Services	10.2%
Consumer Discretionary	8.3%
Energy	3.5%
Materials	3.5%
Real Estate	2.1%
Utilities	1.2%
Cash	3.7%
TOTAL	**100.0%**

FIXED INCOME COMPONENT [3]

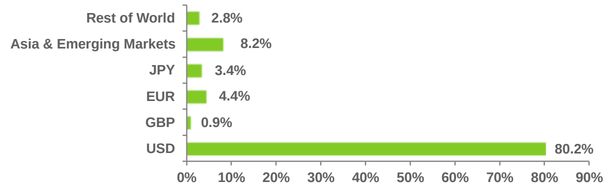
CATEGORY ALLOCATION



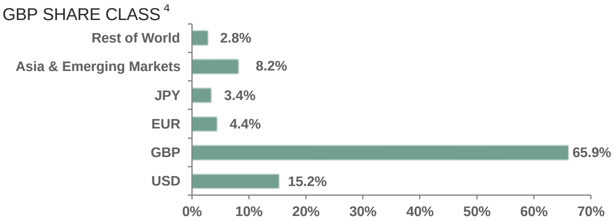
YIELD	
Yield To Maturity	3.3%
Average Weighted Maturity (in years)	5.5
Average Modified Duration (in years)	3.8

CURRENCY EXPOSURE [3]

USD SHARE CLASS



GBP SHARE CLASS [4]



3) Source: Underlying managers. Data point 30 August 2019
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

INVESTMENT MANAGER COMMENTARY

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

The final month of the third quarter can best be described as a partial reversal of some of the disappointments of August. At the highest level, riskier assets generally performed well, whilst safe havens underperformed. Volatility declined over the month, although not to the very low levels seen in the first half of the year.

During September, there were some signs of thawing in trade tensions between the US and China, with suggestions from both sides that progress was being made ahead of the official resumption of trade talks in early October. In keeping with a slightly better tone, Trump chose to delay the scheduled tariff increases from October 1st to October 15th. In other news, Nancy Pelosi and the Democrats successfully pressed for impeachment proceedings against Trump over his ill-advised phone requests to the Ukrainian President. Elsewhere, the UK House of Commons voted in favour of a law that supposedly takes a “no deal” Brexit off the table should the UK and EU governments fail to strike a deliverable deal ahead of the October 31st cut-off.

Economic data releases continued to point to slowing growth and an increased risk of recession in a number of non-US economies. In particular, manufacturing and trade data remains weak, with many suggesting the root cause to be the US-China trade war. In an attempt to arrest the decline, most major central banks (including the Federal Reserve, the European Central Bank and the People’s Bank of China) eased monetary policies during September.

Equities rose +2.1% according to the MSCI AC World Index measured in US dollar terms. All major markets posted positive gains as they bounced back from their August slump. Helped by a stronger pound, the UK (+4.2%) was the best performer, whilst the US (+1.7%) and Asia ex Japan (+1.7%) brought up the rear. At the sector level, the strongest returns tended to come from cyclicals and interest rate sensitives, such as Financials (+4.8%), Energy (+4.7%) and Industrials (+2.8%). In contrast, defensive and stable earners did less well, as demonstrated by Healthcare (-0.2%), Communication Services (+0.2%) and Consumer Staples (+0.7%). In keeping with the mood of reversal, style leadership also shifted allowing Value (+3.8%) to beat Growth (+0.6%) by a wide margin, although there was nothing to separate Smaller and Larger Companies as both returned +2.1%.

Fixed income markets also reflected the partial recovery in risk assets. Government bond yields rose, whilst low quality credit beat high grade corporate bonds. Over the month, both the JP Morgan Global Government Bond Index delivered -0.6% whilst the ICE Merrill Lynch Global Corporate Investment Grade Index lost -0.5%. In contrast, riskier junk bonds managed to avoid the red, with the ICE Merrill Lynch Global High Yield Bond Index up +0.5% (all hedged to US dollars).

Commodities were mixed but generally firmer, with the Bloomberg Commodities Index rising +1.2%. Agriculture (+4.2%) and Industrial Metals (+0.5%) led the recovery, whilst safe haven Gold (-3.5%) lost some of its lustre. Crude Oil (-1.3%) also fell, despite the damaging missile attack on a Saudi oil facility that magnified Middle Eastern tensions and led to worries about a potential supply disruption.

By recent standards foreign exchange markets were quiet. Emerging market and commodity linked currencies tended to recover some lost ground, whilst most safe havens declined. Examples of currencies that advanced against the dollar included the Turkish lira (+3.0%), the Mexican peso (+1.5%), the Canadian dollar (+0.5%) and the South African rand (+0.2%), whilst fallers included the Swiss franc (-0.7%), the Japanese yen (-1.7%) and the euro (-0.8%).
(Notes: All monthly data is quoted in US dollar terms unless otherwise stated).

PORTFOLIO COMMENTARY

The Nedgroup Investments Balanced MultiFund rose by +0.5% during September.

Within equities, the improved risk appetite meant that the best performing active fund was Dodge & Cox Global Stock (+3.6%), as a result of their more cyclical sector exposure. At the other end of the spectrum, the more defensively exposed Nedgroup Global Equity (+0.4%), Morgan Stanley Global Brands (-1.0%), and Fundsmith Equity Fund (-2.2%) underperformed over the period.

Within fixed income, we saw a sharp fall in government bond prices and a tightening in credit spreads, the exact opposite to August. This meant our tilt towards lower quality short dated corporate bonds via AXA US Short Duration High Yield (+0.4%) and Muzinich Short Duration High Yield (+0.2%) was beneficial for returns. The rise in government bond yields, and the flight away from quality meant that the Vanguard US Government Bond Index Fund (-0.9%) and PIMCO Global Investment Grade (-0.3%) underperformed over the period. Finally, Franklin Templeton (+0.7%) outperformed the most due to its holdings in emerging market local currency bonds which rallied over the month.

In other asset classes, Nedgroup Global Property (+1.3%) underperformed equity markets, with REITs in general hindered by the rise in interest rate expectations. However, portfolio exposure to UK commercial property was more mixed. BMO Commercial Property (+9.1%) jumped sharply higher suggesting (as we believed) it had fallen too much despite the continued Brexit uncertainty, whilst the more defensive UK care homes, Target Healthcare (-2.3%) and Impact Healthcare (-0.8%) fell over the period. Infrastructure holdings were also mixed, whilst Greencoat UK Wind (+2.8%) rose strongly, John Laing Environmental Assets (+0.1%), 3i Infrastructure (-1.1%), Greencoat Renewables (-2.0%), The Renewables Infrastructure Group (-2.8%), were either flat or slightly down during September. Finally, the two asset-backed lending exposures were both positive, with SQN Asset Finance Income Fund C-Shares (+2.6%) and GCP Asset Backed Income (+0.6%) rising over the period.

In terms of changes to the portfolio, we decided to make another small reduction in credit risk. This move was to take advantage of the recent tightening in credit spreads, the low absolute level of corporate bond yields, and to recognise we are now in the latter stage of the economic cycle. Our somewhat gradualistic approach to reducing credit risk is because we are also cognisant that the ultra-accommodative monetary policy around the world may well extend the credit cycle even longer. Credit risk was cutback through a reduction in AXA US Short Duration High Yield, Muzinich Short Duration High Yield, and PIMCO Global Investment Grade Fund. The proceeds were reinvested in the iShares US Treasury Bond 1-3 year ETF.

Note: All returns are quoted in US dollars.

Nedgroup Investments International contact details
Tel: +44 (0)1624 645150
Tel: 0800 999 160 (toll free from South Africa only)
Fax: +44(0) 1624 670630
Email: helpdesk@nedgroupinvestments.com
Website: www.nedgroupinvestments.com
Address: First Floor, St Mary's Court, 20 Hill Street, Douglas, Isle of Man IM1 1EU, British Isles