



NEDGROUP
INVESTMENTS

see money differently

**NEDGROUP INVESTMENTS
CONTRARIAN VALUE
EQUITY FUND**

Quarter 1, 2019

For the period ended 31 March 2019

NEDGROUP INVESTMENTS CONTRARIAN VALUE EQUITY FUND

Commentary produced in conjunction with sub-investment manager, First Pacific Advisors

USD performance to 31 March 2019	Nedgroup Investments Contrarian Value Equity ¹	S&P 500	MSCI ACWI
3 months	15.1%	13.6%	12.2%
Inception (01/06/2018)	-1.5%	6.5%	1.5%

The stock market delivered the best quarterly return in a decade, the best quarterly start to a year since 1998.² It's almost as if the drawdown in the preceding fourth quarter didn't happen. The S&P 500 and MSCI ACWI increased 13.6% and 12.2% in the first quarter, respectively. The Nedgroup Contrarian Value Equity Fund ("the Fund") returned 15.1%. In each case, the Q4 2018 decline was largely recovered in Q1 2019.

Individual security performance in the first quarter was generally quite strong. The top five securities among the Fund's holdings provided fairly similar contributions to the overall quarterly return. All but Broadcom declined in value in the fourth quarter of last year and on little news, only to rebound, similarly without any discernible newsworthy event, in the most recent quarter.

Q1 2019 winners and losers³

Q1 2019					
Winners	Performance contribution	Ave.weight (%)	Losers*	Performance contribution	Ave.weight (%)
Altaba	0.97%	3.7%	-	-	-
Analog Devices	0.86%	3.9%	-	-	-
Broadcom	0.86%	4.3%	-	-	-
Alphabet	0.84%	6.3%	-	-	-
United Technologies	0.83%	3.9%	-	-	-
	4.35%			-	

*There were no positions with at least a basis point of negative contribution in the first quarter.

The Contrarian Value Equity investment team ("CVE Team")⁴ only invests where they believe there is an excellent prospect for return combined with a margin of safety. A well-constructed new home does not need someone to come in and re-model the kitchen. Particularly following such a robust first quarter, we found little opportunity to use the tools at our disposal.

Stock market valuations can be a bit fuzzy. A commonly used but not always appropriate tool to value equities is the price-to-earnings ratio, or P/E. Determining an appropriate P/E requires consideration of a multitude of

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

² Third quarter 2009 S&P 500 return was 15.61%. First quarter 1998 return was 13.95%.

³ Reflects the top contributors and top detractors to the Fund's performance based on contribution to return for the quarter. 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.

⁴ The CVE investment team, or CVE Team, is the portfolio management team at the sub-investment manager.

variables, including growth rate, interest rate, financial leverage, earnings (whether they are “normal” or accurately represent free cash flow), and so forth. The only certainty in the equation is price. For the purposes of this discussion, it is left to you to decide the appropriateness of the current trailing P/E’s of the S&P 500 and MSCI ACWI indices at 19.7 times and 16.8 times, respectively.

PORTFOLIO ACTIVITY⁵

While we did not have any notable increases or new additions in the portfolio during the quarter, there were a few positions we decided to exit. We sold our position in Expedia. Based in Bellevue, Washington, Expedia is a leading travel fare aggregator and search company. While the company has a suite of travel sites and has grown to be one of the largest in the space over the years, growing concerns over long-term disintermediation of the travel industry from competitors, Google and Amazon for example, have steered us away from the name.

We exited our position in Oracle as its transition to the cloud has been less successful than we hoped and believed it was prudent to eliminate our exposure before further negative scenarios potentially occur.

Lastly, the CVE Team found it appropriate to exit the position in WPP PLC. Based in London, the multinational advertising company generates a large portion of its revenue from mass advertising through TV ads. Like its peers, WPP faces a challenging market as the advertising industry undergoes a structural shift away from traditional media and towards digital advertising. While WPP is as well positioned to navigate the journey as any of the industry participants, inescapable headwinds combined with a change in management lead us to eliminate the position.

PORTFOLIO PROFILE

There are currently 32 equity positions in the Fund, with the top 5 holdings comprising 22.0% and the top 10 comprising 40.3%. The top three sectors are Financials, Communication Services, and Information Technology, which comprise over 60% of the fund. We have been able to find opportunity outside of the US and currently have 28.2% of non-US exposure and 64.6% exposure in the US.

PORTFOLIO CASE STUDY

Analog Devices (ADI)

Analog Devices is a US-based semiconductor company that manufactures analog, mixed-signal and digital signal processing (DSP) integrated circuits (ICs) used in electronic equipment. With a vast clientele, the technology is used to convert, condition, and process proponents such as light, sound and motion, among other things, into electrical signals. Our rationale behind holding ADI includes but is not limited to favourable valuation metrics and growing business opportunities. Analog chips can be viewed as the picks-and-shovels for the ‘internet of things’ – without them, we would not have many of our everyday devices at our disposal. With ADI among the largest and most well positioned players in the analog chip space, we believe it to have a great business model. As we continue to see even the simplest items become smart devices, ADI builds an even larger moat in an industry with only two true competitors. Broadly speaking, analog chips are a great business. They have stable pricing and continued demand growth; all the while, there is limited engineering talent which widens ADI’s moat even more against potential new competing entrants in the space.

DISCLAIMER

⁵ 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.

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Funds are generally medium to long-term investments. The value of your investment may go down as well as up. International investments may be subject to currency fluctuations due to exchange rate movements. Past performance is not necessarily a guide to future performance. Nedgroup Investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital and not getting back the value of the original investment.

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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.

UK investors should read the Appendix for UK Investors in conjunction with the Fund's Prospectus which are available from the Investment Manager. www.nedgroupinvestments.com.

The State of the origin of the Fund is Ireland. In Switzerland, the Representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zürich, whilst the Paying agent is Banque Heritage SA, route de Chêne 61, 1211 Geneva 6, Switzerland. The prospectus, the Key Investor Information Documents, the fund regulation or the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units

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