NEDGROUP INVESTMENTS BALANCED MULTIFUND

February 2018

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.

APPROPRIATE TERM:
Minimum 3 - 5 years

MARKET VALUE:
$232.4m

CURRENCIES AVAILABLE AND PRICES:

USD Class A: $1.3790
USD Class B: $12.9000
GBP Class A: £11.0329
GBP Class B: £12.7165

Value and prices as at 28 February 2018

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 28 Feb 2018)²
Class A: 2.15%
Class B: 1.75%

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	0.5%	0.8%	0.7%	1.2%	-0.5%	-0.3%	0.4%	0.8%
6 Months	1.9%	2.8%	1.2%	2.2%	-1.0%	-0.1%	0.7%	1.7%
1 Year	6.2%	6.8%	2.3%	4.3%	1.6%	2.0%	1.3%	3.3%
3 Years Ann	2.3%	2.4%	1.8%	3.8%	3.1%	3.4%	1.4%	3.4%
5 Years Ann	3.5%	3.1%	1.5%	3.5%	3.8%	3.6%	1.4%	3.4%
YTD	-0.3%	0.1%	0.5%	0.8%	-1.1%	-0.8%	0.2%	0.6%
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 *	3.6%	3.4%	1.4%	3.4%	3.9%	3.7%	1.4%	3.4%

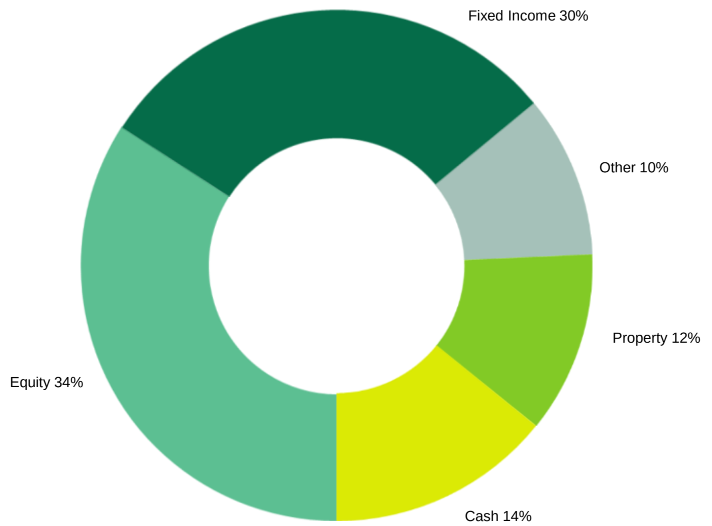
Performance of Class A net of fees. Inception 19 August 2011. * Since inception annualised.

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	6.4%	5.9%
Sharpe ratio (annualised)	0.50	0.59
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 reinve stment 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

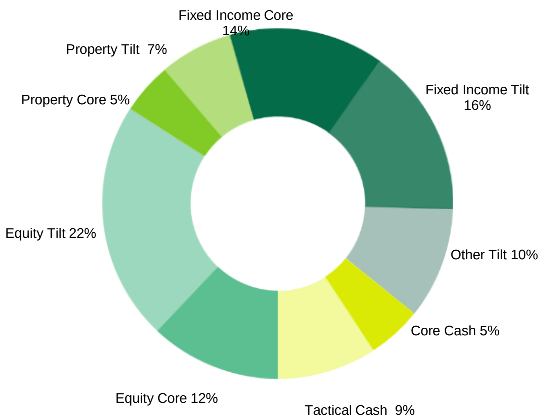
February 2018

TOTAL PORTFOLIO ANALYSIS

FULL PORTFOLIO LISTING

EQUITY		**34.1%**
Vanguard Global Stock Index	Core	8.9%
Vanguard Emerging Markets Stock	Core	3.1%
Dodge & Cox Global Stock Fund	Tilt	6.5%
Nedgroup Global Equity Fund	Tilt	5.6%
TOBAM Anti-Benchmark World Equity	Tilt	3.1%
Morgan Stanley Global Brands	Tilt	2.5%
Coronation Global Emerging Markets	Tilt	2.3%
Allianz Global Small Cap Equity	Tilt	2.2%
PROPERTY		**11.5%**
Nedgroup Global Property Fund	Core	4.7%
F&C Commercial Property Trust	Tilt	3.0%
Impact Healthcare REIT	Tilt	1.9%
Target Healthcare REIT	Tilt	1.0%
Standard Life Investment Property Income	Tilt	1.0%
FIXED INCOME		**29.9%**
Wellington Global Credit Plus	Core	9.3%
PIMCO Global IG Credit	Core	5.0%
AXA US Short Duration High Yield	Tilt	6.0%
Franklin Templeton Global Total Return	Tilt	4.6%
Muzinich Short Duration High Yield	Tilt	4.1%
Kames High Yield Global Bond	Tilt	1.0%
OTHER		**10.3%**
Greencoat UK Wind	Tilt	3.1%
SQN Asset Finance Income Fund C Shares	Tilt	2.4%
3i Infrastructure Plc	Tilt	1.2%
John Laing Environmental Assets Group	Tilt	1.1%
Greencoat Renewables	Tilt	1.0%
GCP Asset Backed Income Fund	Tilt	1.0%
GCP Asset Backed Income Fund C Shares	Tilt	0.5%
CASH		**14.2%**
BlackRock Institutional USD Liquidity Fund / Cash	Core	5.0%
	Tilt/Tactical	9.2%
TOTAL		**100.0%**

CHANGES IN ASSET ALLOCATION BY STRATEGY



EQUITY COMPONENT [3]

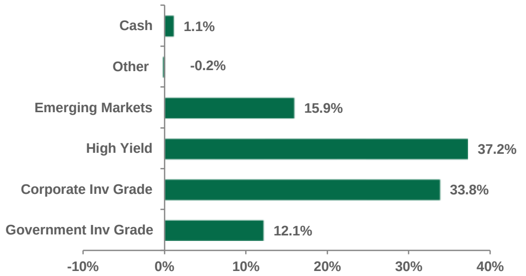
TOP TEN UNDERLYING HOLDINGS	
Microsoft	1.9%
Comcast	1.6%
Alphabet	1.4%
Airbus	1.4%
Baidu	1.1%
American Express	1.1%
Naspers	1.1%
Charter Communications	1.0%
UnitedHealth Group	0.9%
Express Scripts	0.9%
TOTAL	**12.4%**

COUNTRY ALLOCATION	
USA	47.4%
Europe ex-UK	15.4%
UK	7.7%
Emerging Markets	17.4%
Pacific ex-Japan	2.6%
Japan	4.8%
Canada	1.9%
Cash	2.8%
TOTAL	**100.0%**

SECTOR ALLOCATION	
Information Technology	17.5%
Financials	16.9%
Consumer Discretionary	14.9%
Health Care	13.4%
Industrials	10.5%
Consumer Staples	9.9%
Energy	4.1%
Materials	4.1%
Telecommunication Services	2.1%
Real Estate	1.8%
Utilities	1.7%
Cash	2.8%
TOTAL	**100.0%**

FIXED INCOME COMPONENT [3]

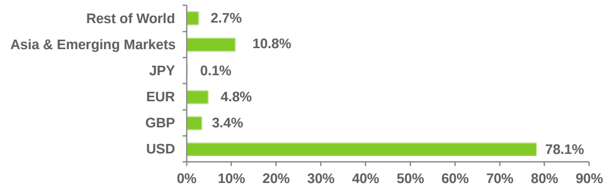
CATEGORY ALLOCATION



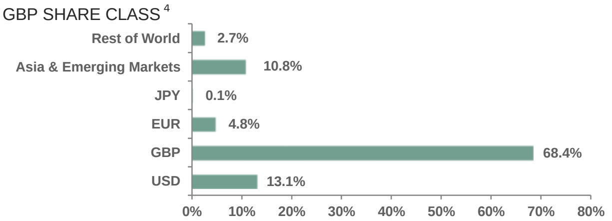
YIELD	
Yield To Maturity	4.6%
Average Weighted Maturity (in years)	5.8
Average Modified Duration (in years)	3.8

CURRENCY EXPOSURE [3]

USD SHARE CLASS



GBP SHARE CLASS [4]



3) Source: Underlying managers. Data point 31 January 2018
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

Having sat through a prolonged period of incredibly low volatility across all asset classes over the past couple of years, February will be remembered as being the moment volatility finally returned to markets. Indeed, having averaged just over 11 since the start of 2017 until the end of January 2018, the VIX averaged 22 in February, whilst briefly spiking to 50 on February 6th. The last time we witnessed such an elevated reading on the VIX Index was 2009, so it's hard to exaggerate how dramatic this change was. In rationalising these moves, commentators pointed to a higher than expected US wage inflation data point (2.9 percent year-on-year) as the original catalyst, although the situation was made much more serious by a violent short squeeze on the VIX Index that triggered the forced de-risking and/or closure of a handful of leveraged derivative products engaged in forward selling VIX futures contracts. Since this disruption was so violent, it then contaminated other markets as risk aversion spread more broadly.

Against this background equities had quite a weak month, with the MSCI AC World falling -4.2% in US dollar terms. The most resilient markets were Japan (-1.5%) and the US (-3.7%), whilst the softest were the UK (-6.4%) and Europe ex UK (-5.7%). At the sector level, there was little to choose between the more cyclical and defensive areas, although Information Technology (-1.1%) and Consumer Discretionary (-3.5%) held up better than most, whilst Energy (-8.1%), Real Estate (-6.8%) and Consumer Staples (-6.6%) underperformed. In terms of style, Growth (-3.4%) outpaced Value (-5.0%), whilst Small Caps (-4.0%) did marginally better than Large Caps (-4.2%).

Bonds tended to outperform equities, largely in response to a marked flight to safety. As is normally the case when risk aversion spikes, government bonds outperformed corporate and emerging market bonds as credit spreads on riskier bonds generally widened. Over the month, the JP Morgan Global Government Bond Index was flat (0.0%), whilst the Merrill Lynch Global Corporate Investment Grade Index fell -0.9%, the Merrill Lynch Global High Yield Index declined -0.8% and the JP Morgan Emerging Market Bond Index gave up -2.0% (all returns in hedged to US dollar terms).

Commodities generally followed risk assets lower, with the Bloomberg Commodities Index posting a fall of -1.7% in US dollars. Part of this decline was just a reaction to the strengthening of the US dollar. Even so, Crude Oil fell -4.1%, Gold declined -1.8% and Industrial Metals lost -2.2% in US dollar terms. Only Agriculture bucked the trend, as it rose +4.7%.

Increased volatility saw the Japanese yen play its traditional role as a safe haven, whilst the US dollar was also strong against most currencies. Through February, the yen rose by +2.4% versus the US dollar, whilst the US dollar itself advanced by +1.7% against the euro, +2.9% relative to the pound and +4.0% versus the Canadian dollar. One other currency that stood out for its strength was the South African rand (+0.9% versus the US dollar), which benefitted greatly from Zuma's resignation of the SA Presidency in favour of Cyril Ramaphosa.

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

PORTFOLIO COMMENTARY

The Nedgroup Investments Balanced MultiFund fell by -2.1% during February.

Within equities, the best performing (or least negative) active funds were Allianz Global Small Cap (-2.8%) and TOBAM Anti-Benchmark World Equity (-3.0%), with both benefiting from their exposure to outperforming smaller and medium sized stocks. At the other end of the spectrum, Dodge & Cox Global Stock (-5.0%) and Coronation Global Emerging Markets (-5.9%) were held back by their biases towards cyclical stocks, which marginally underperformed defensives.

As with equities, it was also a difficult month in the fixed income market. As yield curves generally rose, our bias towards short-dated bonds helped to protect capital. However, this was largely offset by the other main bias towards corporate bonds, which lost ground as credit spreads widened. Within our portfolios, the best performing fixed income holdings were amongst the lower quality sub-investment grade funds, such as AXA US Short Duration High Yield (-0.2%), Muzinich Short Duration High Yield (-0.2%) and Kames High Yield Global Bond Fund (-0.6%). Elsewhere, the performance of the higher quality (but more interest rate sensitive) investment grade funds was less robust, with PIMCO Global Investment Grade and Wellington Global Credit Plus losing -0.8% and -1.0% respectively. Finally, Franklin Templeton Global Total Return (-0.8%) slipped by a similar amount on the back of its emerging market bond and currency positioning.

In other asset classes, Nedgroup Global Property Fund (-6.7%) declined with the broader REIT market as both falling equity markets and rising bond yields took a toll. UK commercial property held up better, although it was not completely immune to the general decline in risk assets, with Impact Healthcare down -0.5%, Standard Life Property Income Trust down -1.2% and F&C Commercial Property Trust down -2.0%. Infrastructure was mixed, with Greencoat UK Wind up +2.9%, although this was offset by declines in Greencoat Renewables (-1.1%), 3i Infrastructure (-2.1%), and John Laing Environmental Assets (-3.3%), which, as income oriented investments, weren't helped by rising bond yields. Finally, the allocation to asset-backed finance also succumbed to the tougher market conditions, as both GCP Asset Backed Income (-3.4%) and SQN Asset Finance Income Fund C-Shares (-4.2%) declined.

In terms of portfolio activity, within fixed income we marginally increased maturity (duration) and credit quality in reaction to the rise in bond yields. This was implemented by a reduction in sub-investment grade credit in favour of longer duration investment grade corporates. Whilst this move moderated the portfolio's biases, we continue to maintain a marked tilt towards higher yielding and shorter dated corporate bonds. These types of bonds should continue to be well supported by solid economic growth, whilst also being more insulated from the risk of further increases in interest rates. In commercial property, we have been reducing mainstream UK commercial property in favour of less cyclical social care homes. This was implemented through a new investment trust holding called Target Healthcare REIT. We believe the UK care home market provides attractive opportunities given the demographically driven growth in demand for care home beds. Cash flows are supported by very long-term leases and stable rent payments which benefit from annual inflation-linked uplifts.

Note: All returns are quoted in US dollars.

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