NEDGROUP INVESTMENTS BALANCED MULTIFUND

September 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:
$225.2m

CURRENCIES AVAILABLE AND PRICES:

USD Class A: $1.3604
USD Class B: $12.7049
GBP Class A: £11.0342
GBP Class B: £12.6967
Value and prices as at 29 September 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 July 2017)²
Class A: 2.12%
Class B: 1.72%

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	1.9%	2.0%	0.5%	1.0%	0.5%	0.7%	0.3%	0.8%
6 Months	4.4%	4.1%	1.1%	2.1%	1.4%	1.3%	0.6%	1.6%
1 Year	7.5%	6.2%	2.0%	4.0%	5.4%	4.3%	1.2%	3.2%
3 Years Ann	2.9%	2.5%	1.6%	3.6%	4.8%	4.6%	1.4%	3.4%
5 Years Ann	3.8%	3.2%	1.4%	3.4%	4.4%	4.0%	1.4%	3.4%
Year to date	7.6%	7.3%	1.6%	3.1%	3.9%	3.7%	0.9%	2.4%
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 *	3.7%	3.3%	1.4%	3.4%	4.2%	3.8%	1.4%	3.4%

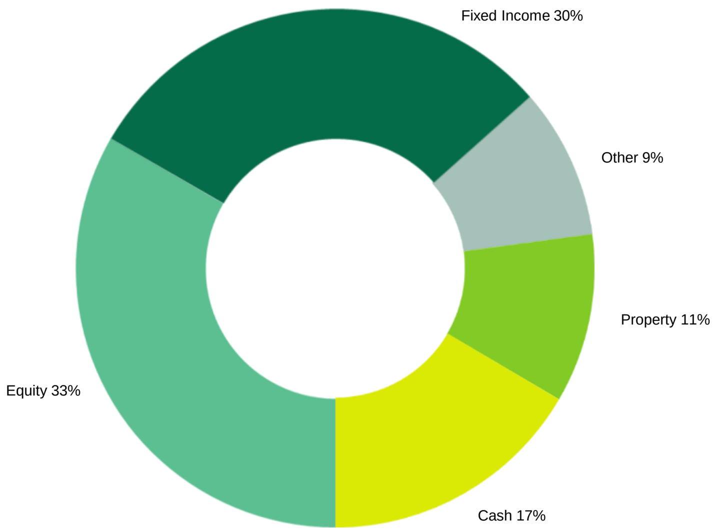
Performance of Class A net of fees. Inception 19 August 2011. * Since inception annualised.

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	6.5%	6.1%
Sharpe ratio (annualised)	0.51	0.62
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

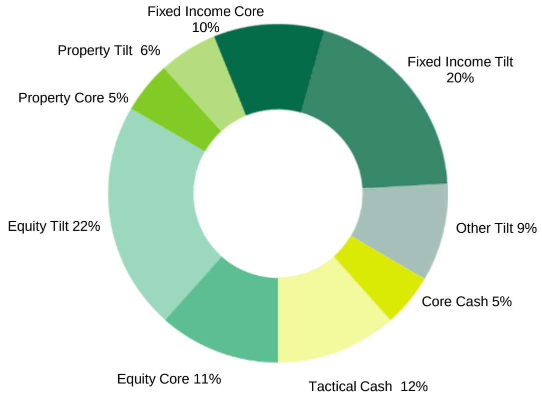
September 2017

TOTAL PORTFOLIO ANALYSIS

FULL PORTFOLIO LISTING

EQUITY		**33.4%**
Vanguard Global Stock Index	Core	8.6%
Vanguard Emerging Markets Stock	Core	2.9%
Nedgroup Global Equity Fund	Tilt	5.5%
Dodge & Cox Global Stock Fund	Tilt	5.0%
TOBAM Anti-Benchmark World Equity	Tilt	4.0%
Morgan Stanley Global Brands	Tilt	2.9%
Coronation Global Emerging Markets	Tilt	2.2%
Allianz Global Small Cap Equity	Tilt	2.2%
PROPERTY		**10.6%**
Nedgroup Global Property Fund	Core	4.9%
F&C Commercial Property Trust	Tilt	3.2%
Impact Healthcare REIT	Tilt	1.5%
Standard Life Investment Property Income	Tilt	1.0%
FIXED INCOME		**30.1%**
Wellington Global Credit Plus	Core	5.3%
PIMCO Global IG Credit	Core	5.2%
AXA US Short Duration High Yield	Tilt	8.1%
Franklin Templeton Global Total Return	Tilt	4.8%
Muzinich Short Duration High Yield	Tilt	4.2%
Kames High Yield Global Bond	Tilt	2.6%
OTHER		**9.4%**
SQN Asset Finance Income Fund C Shares	Tilt	2.6%
Greencoat UK Wind	Tilt	2.4%
John Laing Environmental Assets Group	Tilt	1.2%
3i Infrastructure Plc	Tilt	1.2%
Greencoat Renewables	Tilt	1.1%
GCP Asset Backed Income Fund	Tilt	1.0%
CASH		**16.5%**
BlackRock Institutional USD Liquidity Fund / Cash	Core	5.0%
	Tilt/Tactical	11.5%
TOTAL		**100.0%**

CHANGES IN ASSET ALLOCATION BY STRATEGY



EQUITY COMPONENT [3]

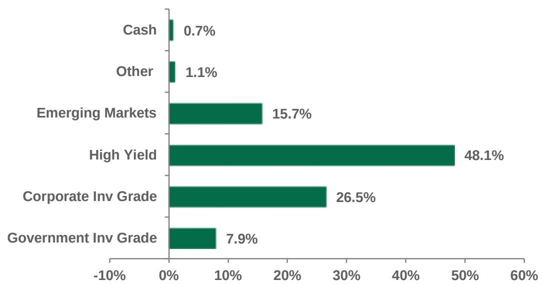
TOP TEN UNDERLYING HOLDINGS	
Microsoft	1.7%
Comcast	1.3%
Alphabet	1.3%
Charter Communications	1.1%
Naspers	1.1%
Baidu	1.1%
American Express	0.9%
Unilever	0.9%
UnitedHealth Group	0.9%
Airbus	0.9%
TOTAL	**11.3%**

COUNTRY ALLOCATION	
USA	47.0%
Europe ex-UK	15.2%
UK	7.9%
Emerging Markets	16.6%
Pacific ex-Japan	2.8%
Japan	5.0%
Canada	2.1%
Cash	3.4%
TOTAL	**100.0%**

SECTOR ALLOCATION	
Information Technology	17.5%
Consumer Discretionary	15.7%
Financials	14.9%
Health Care	13.0%
Consumer Staples	11.4%
Industrials	10.7%
Materials	4.0%
Energy	3.5%
Telecommunication Services	2.0%
Real Estate	2.0%
Utilities	2.0%
Cash	3.4%
TOTAL	**100.0%**

FIXED INCOME COMPONENT [3]

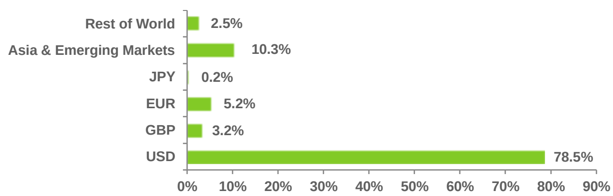
CATEGORY ALLOCATION



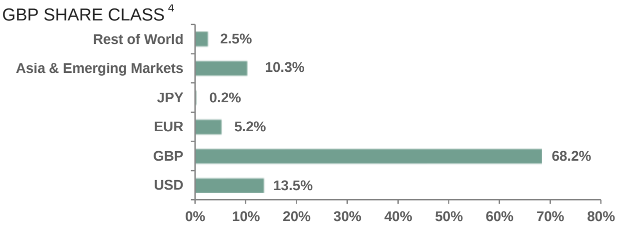
YIELD	
Yield To Maturity	4.5%
Average Weighted Maturity (in years)	5.9
Average Modified Duration (in years)	3.5

CURRENCY EXPOSURE [3]

USD SHARE CLASS



GBP SHARE CLASS [4]



3) Source: Underlying managers. Data point 31 August 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

INVESTMENT MANAGER COMMENTARY

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

Whilst economic news flow continued to be relatively encouraging through September, political events were more mixed, with the United States and North Korea continuing to trade threats and insults over the latter's nuclear missile program. In Europe, Merkel won the German general election, but was seriously wounded by a sharp decline in support for her CDU party and by the SPD's decision to withdraw from her coalition. As a result, Merkel has been forced to try and forge a more tenuous and weaker alliance with the Greens and the FDP. On other issues, the Brexit talks reached an impasse, but were then rebooted by a speech from Theresa May in which she offered a more conciliatory tone and some important concessions. However, whilst the speech was enough to get the two sides talking again, the EU and the UK still appear to be very far apart on a number of key issues. Central bank talk was mostly focused on how improving global economic activity is likely to prompt a gradual policy shift towards a less accommodative stance. As a result, interest rate expectations shifted higher, and most analysts concluded that the Bank of England will likely raise rates in November, with the Federal Reserve following suit in December. On a related topic, the Federal Reserve also outlined plans to start reducing its bond holdings, whilst the European Central Bank hinted at its intent to further scale back its quantitative easing program.

Over the month as a whole, the tone of financial markets was broadly positive, with riskier assets tending to outperform so-called safe havens. In US dollar terms, the MSCI All Country World Index advanced by +1.9%. Amongst the major countries and regions, Europe ex UK (+3.3%) and the UK (+3.3%) were the best performers, whilst Asia ex Japan (-0.1%) and the Emerging Markets (-0.4%) were the weakest. Cyclicals outperformed defensives, with Energy (+8.1%) being the strongest sector as it was boosted by a rising oil price, whilst the more bond sensitive areas, such as Utilities (-2.2%), Consumer Staples (-0.9%) and Real Estate (-0.5%), all lost ground. Finally, in terms of style, Value (+2.5%) outpaced Growth (+1.5%), whilst Smaller Companies (+3.5%) fared better than Larger Companies (+1.9%).

The shift in investor preference away from safe havens and towards risk assets saw a divergence across the various fixed income sub-sectors. The rise in interest rates caused the JP Morgan Global Government Bond Index to fall -0.7%, whilst, despite a narrowing of credit spreads, the Merrill Lynch Global Investment Grade Corporate bond Index (-0.3%) also lost ground. Conversely, lower quality credit bucked the trend, with the Merrill Lynch Global High Yield Index rising +0.8%. Elsewhere, bonds issued by developing world sovereigns were broadly flat, as reflected by the JP Morgan Emerging Market Bond Index, which delivered 0.0% (all returns in hedged to US dollar terms).

The Bloomberg Commodity Index was little changed at -0.1%, although this modest move masked quite a bit of divergence and volatility at the sub-sector level. Over the month, we saw very strong returns from Crude Oil (+7.8%) in response to rising demand and falling inventories. However, safe haven Gold (-2.7%) lost some of its lustre, whilst Industrial Metals (-3.8%) also fell sharply.

On the foreign exchange markets, the US dollar regained some composure as it rose against most currencies. The main factors underpinning the dollar were firm economic data and the shift in interest rate expectations relating to the winding down of the Federal Reserve's balance sheet and a potential rate hike in December. However, the pound managed to do even better than the US dollar as it too was boosted by better than expected economic data and a strong steer from the Governor of the Bank of England warning that a UK rate rise was imminent.

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 best performing funds were Allianz Global Small Cap Equity (+4.5%) and Dodge & Cox Global Stock Fund (+3.1%). Allianz's performance reflected the strong rally in small cap stocks, whilst the strength of Energy and Financials supported Dodge & Cox, given the fund's tilts to these areas. At the other end of the spectrum, Nedgroup Global Equity (+0.1%) was negatively impacted by stock specific news, whilst Morgan Stanley Global Brands (-0.1%) also lagged due to its bias towards Consumer Staples, which failed to keep up with the outperforming cyclical sectors over the month.

Within fixed income, the tilt towards shorter maturity credit (especially sub-investment grade) helped to protect the portfolio from losses, as government bond yields rose (prices fell) over September. Kames High Yield Global Bond (+0.7%), Muzinich Short Duration High Yield (+0.4%) and AXA US Short Duration High Yield (+0.1%) all generated positive returns as sub-investment grade credit outperformed. In contrast, higher quality and longer maturity funds, such as PIMCO Global Investment Grade Credit (-0.1%) and Wellington Global Credit Plus (-0.1%) dipped slightly. Elsewhere, Franklin Templeton Global Total Return (+1.7%) benefited from a number of its developed market currency positions, which gained in value as the US dollar strengthened on expectations of a December Fed rate hike.

In other asset classes, rising government bond yields hindered Nedgroup Global Property Fund (-0.5%), whilst exposure to UK commercial property was broadly positive, with Standard Life Property Income Trust (+1.7%) and Impact Healthcare (+0.5%) both rising, whilst F&C Commercial Property Trust (-0.5%) declined a little. Elsewhere, returns on our infrastructure holdings were mixed, with Greencoat UK Wind (-1.2%) and 3i Infrastructure (-1.4%) losing some ground, whilst Greencoat Renewables (+0.5%) and John Laing Environmental Assets (+1.6%) advanced. Finally, our allocation to asset-backed financing was positive, with SQN Asset Finance Income Fund (+2.2%) and GCP Asset Backed Income (+1.4%) both increasing in value. SQN was supported by news that the US International Trade Commission (ITC) had ruled in favour of Suniva (SQN's non-performing credit) on the case it brought regarding unfair foreign solar panel dumping. The ITC has until the middle of November to put a recommendation to President Trump that will probably call for protection for US solar cell manufacturers, most likely in the form of import tariffs on foreign panels. If Trump signs-off on these remedies, then Suniva's trading position should be restored, and the credit should start performing again.

In terms of portfolio activity, we decided to rebalance the risks within the portfolio by reducing exposure to fixed income and modestly increasing equities with a focus on the better valued non-US and emerging markets (which we prefer to the richly priced US equity market). Whilst both credit and equities have performed ahead of our expectations in 2017, we believe equities offer better relative value than bonds. Fixed income yields are now low, and the asset class could come under pressure in the event that rates continue to rise. In our view, central bank policy has influenced all asset classes, but we see the biggest distortions in fixed income, and therefore wanted to reflect this by making fixed income our largest underweight. However, it should be noted that the higher than normal cash positions remain unchanged, being held in reserve in case a period of weakness provides an opportunity to reinvest at more compelling valuations.

Note: All returns are quoted in US dollars.

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