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NEDGROUP INVESTMENTS GLOBAL CAUTIOUS FUND

Quarter One, 2018

For the period ended 31 March 2018

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The total return of the Nedgroup Investments Global Cautious Fund A class (USD) for 2018's first quarter was -0.26%. During the first quarter, the fund outperformed the FTSE Broad Investment Grade Bond Index (BIG) loss of -1.48 percent and the ICE BofAML High Yield Master II Index loss of -0.91 percent. The fund also outpaced the Lipper Income Fund Index, which lost 1.09 percent, its only reference index with an equity component.

PERFORMANCE

The fund's conservative positioning of 2017 carried over into the first quarter of this year and aided in preventing losses. Cash and equivalents remain elevated, while both equities and high-yield bonds are underweight historical norms.

The fund's equity portfolio posted a positive return in the quarter. Eight stocks appreciated over 10% with two – Nintendo (0.9) and Macy's (0.7) – up 20%. Nintendo has been a significant long-term winner in the fund and the fundamentals continue to improve. Macy's is a relatively new holding. Weak retail industry headlines had masked the same store sales gains at Macy's and the market responded to the company's earnings improvement. Additional double digit positive equity performers in the quarter were LSI Industries (0.8), Nokia (0.6), Intel (0.3), GlaxoSmithKline (0.7), DSW Inc. (0.6), and FirstEnergy (0.8).

The meaningful equity detractors in the quarter include Devon Energy (0.8), Xperi (1.3), and Mattel (0.6). Devon reported lower than expected earnings for the quarter and global uncertainty over the price of crude oil and natural gas remains an overhanging risk. We believe Devon is one of the most financially conservative energy companies in the world and over the long term will increase net income. Xperi has yet to show that the transformational acquisition that closed last year was the correct business decision. It is our opinion that XPER has the right management team and strategy to get the acquisition fully integrated and meaningfully additive to earnings in the coming years. Mattel already faced execution risk, being led by a new CEO with a new strategy. Layer on top of that the bankruptcy of a large customer – Toys "R" Us – and a difficult situation became tougher to start 2018. Additional laggards include Superior Industries (1.0), Corning (0.4), CoreCivic (0.8), Ericsson (0.7), and Mosaic (0.5).

In the fixed income portfolio, the many short term, investment grade holdings were among the best performers in the quarter with minor positive total returns. Pitney Bowes 6.7 percent preferred (1.4) was the top performer up nearly 4%. Detractors include the few longer dated securities in the fund and Stericycle convertible preferred (1.4).

ASSET ALLOCATION

At March 31, the fund held approximately 18% of its assets in common stocks, 14% in convertible and preferred securities, 65% in non-convertible corporate and preferred securities, and 3% in cash. Roughly 45% of fund assets matures or we have the option to put the security back to the company by the end of March 2019.

Portfolio duration remains short at 2.25 years. We would expect duration to remain at the short end of our historical range until long rates meaningfully move higher. In the fixed income portfolio the strategy of reinvesting cash from maturities in short-dated, investment grade corporate bonds offers attractive returns with minimal risk. When we began deploying cash in 12 to 18 month bonds a couple of years ago, we achieved yields of 1.5%. Since then, short-term rates have risen significantly and now 2.75 to 3% yields are becoming the norm. New issuer holdings in the fund fitting that profile include Molson Coors (2.0), Corning (0.1), and NetApp (0.6).

Credit spreads have not widened enough to warrant significantly adding to our high yield allocation. However, the recent equity market volatility gave us the opportunity to initiate positions in two new convertible bonds: Electronics for Imaging 0.75% 2019 (0.4) and Finisar Corp. 0.5% 2033 (1.4). EFII is a hardware and software company supporting predominantly corporate office electronics. The company has adequate balance sheet liquidity and credit metrics. We initiated the position at a discount to par and a yield of approximately 3%. FNSR manufactures optical communication components and subsystems. The company holds in excess of $1 billion in cash on its balance sheet, and generates significant cash flow. The convertible issue we purchased is putable back to the company at par in December 2018. We initiated a position in the bonds at a discount to par and a yield over 2.5% for less than one year to put date.

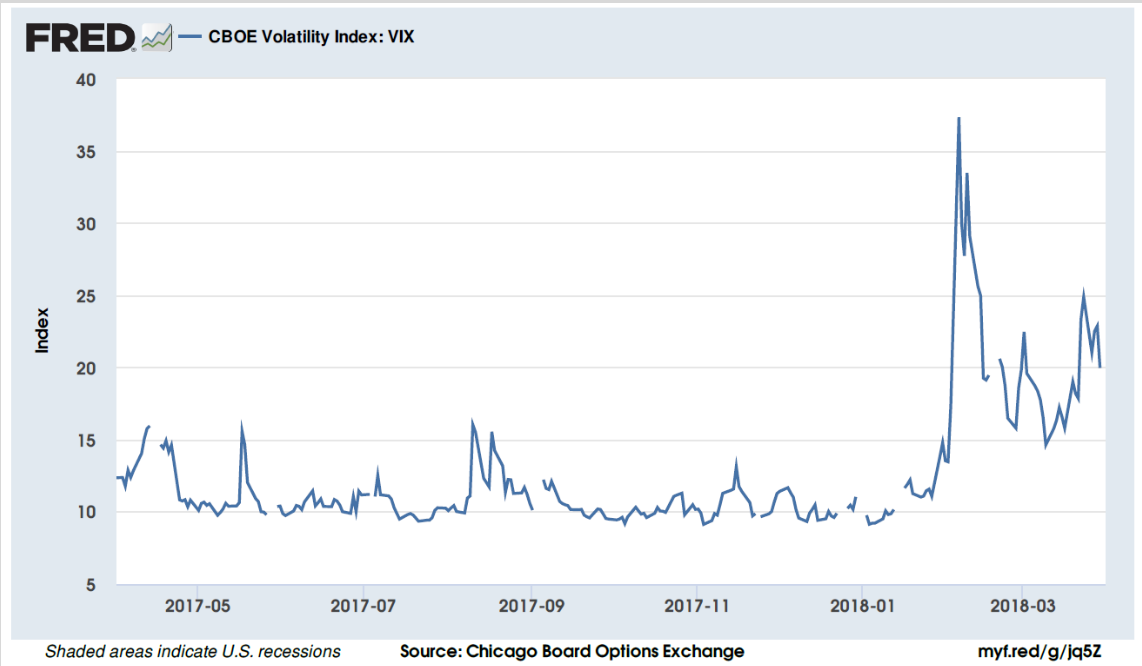
Broadly speaking, valuations in our equity investable universe remain stretched. As a result, the fund's equity weighting is down from March 31 last year. We initiated positions in two new equity securities during the quarter – CoreCivic Inc. (0.8) and DSW Inc. (0.6). CoreCivic is a private prisons operator in the United States. The company is structured as a REIT. As interest rates have recently moved higher, equity securities in industries that are sensitive to rate moves have seen price pressure. Our opinion is that CXW is not a traditional REIT and will not need the typical level of debt market access. Operationally the company has been increasing occupied bed capacity and reducing costs which should drive earnings improvement in the coming years. Another potential upside lever could come from reduced regulation and further privatization of federal facilities under the Trump administration. DSW is a domestic footwear retailer. Much of the retail industry has been week over the past year, and there have been opportunities to invest at reasonable valuations. The company is debt free, with a sound growth strategy and we believe there is potential for the company to increase sales and margins in the coming years. We completely sold our positions in CTS Corp., GameStop, Hugo Boss, Koninklijke Philips, and Sony during the quarter.

In summary, the fund's holdings in cash and short term investments remain elevated. We believe strongly in being patient in the short term if we do not see much value relative to risk in any segment of our investable universe. This is currently the case in both equities and high yield bonds. We believe patience to be one of our competitive advantages. We avoided many areas of excess exuberance over the years by attempting to act rationally at market peaks, and will preserve liquidity until risk and reward line up more attractively.

CONCLUSION

Nassim Nicholas Taleb wrote in his best seller *The Black Swan*, "It is much easier to sell 'look what I did for you', than 'look what I avoided for you". 2017 was a year where we felt we avoided a lot of risk, but that risk avoidance is not typically appreciated until we see volatility and price declines in our investable universe. We finally saw that volatility in the first quarter of 2018, as is illustrated in the VIX chart below:

CBOE Volatility Index: VIX (4/3/2017 to 3/29/2018)



As managers we do not make predictions. We do not know when markets will turn, only that eventually they will. We do not know when interest rates will go up or when credit spreads will widen. Instead, we observe the markets and their cycles, we ask questions, we attempt to identify both value and risk in our investable universe. We move away from overvalued, expensive, risky markets and we move toward reasonably priced securities that offer solid upside potential relative to downside risk. We seek to preserve capital and be patient during periods of market excess and we intend to act swiftly when opportunity presents itself.

The Noah rule is one of our favourite Warren Buffet quotes, "Predicting rain doesn't count; building arks does". We feel this adequately sums how we have positioned the fund over the past couple of years. If market volatility intensifies, we feel the fund is well positioned to handle the storm. Our goal is to be the ones that survive the shocks to the market; to be opportunistic when market participants make mistakes; to be the buyer of last resort and take advantage of forced sellers of securities.

In closing, we appreciate the responsibility of managing your money and strive to continually reward your trust in the years ahead.

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The Information Agent in Germany is ACOLIN Europe GmbH, with registered office at Reichenaustraße 11a-c, 78467 Konstanz. The basic documents of the Fund, including the prospectus (in English) and the KIID (in German), may be obtained free of charge at the registered office of the German Information Agent.

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