



UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

A photograph of an open book with white pages, viewed from a low angle. A white bookmark is visible in the center. The text is overlaid on the right side of the image.

# **NEDGROUP INVESTMENTS**

## **Bravata Worldwide Flexible Fund**

Quarter Two, 2022

“Now the first step toward understanding the cause of inflation is to recognize that it is always and everywhere, a monetary phenomenon. It’s always and everywhere, a result of too much money, of a more rapid increase in the quantity of money than an output. Moreover, in the modern era, the important next step is to recognize that today, governments control the quantity of money. So that as a result, inflation in the United States is made in Washington and nowhere else.”

~ Milton Friedman ~

## PERFORMANCE

30 June 2022 (Annualised Net returns)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund – A Class <sup>1</sup>	8.0%	13.7%	10.4%	10.0%	13.3%	10.8%
Benchmark <sup>2</sup>	11.9%	9.8%	9.7%	10.1%	10.3%	10.8%

Past performance is not indicative of future performance.

Source: Bloomberg, 30 June 2022

## BACKGROUND

For the last ten years we have been patiently trying to understand the actions of central bankers and the consequences thereof. For investors like us this created more uncertainty, not certainty like they intended. The extent and scale of money printing has been on a scale never before seen in the history of finance. Our concern has been that inflation was coming, interest rates had to rise, and this was not reflected in many asset prices. This was most visibly seen in the speculative fever in a host of financial assets that had no substance. However, for the first time, inflation is now present in our expenses and our cost of living is soaring worldwide.

## TOP HOLDINGS

Holdings	Holding (%) 30 Jun 2022	Holding (%) 31 Dec 2021	Change (%)
Reinet Investments SCA	9.2	7.5	1.7
Aylett Global Equity Fund	5.4	0.0	5.4
Berkshire Hathaway Inc-CI B	4.2	5.7	-1.5
British American Tobacco Plc	4.1	2.8	1.3
Transaction Capital Ltd	3.9	4.9	-1.0
AECI Ltd	3.5	4.2	-0.7
Tsogo Sun Gaming Ltd	3.0	2.6	0.4
Sabre Corp	2.3	2.1	0.2
Spirit Aerosystems Hold-CI A	2.3	2.9	-0.6
Delfi Ltd	2.3	1.1	1.2
	40.2	33.8	

Date: 30 June 2022

## OUR THINKING

Typically, as inflation rises inevitably interest rates will need to follow. This generally causes asset prices to fall. It is a harder environment to be an investor as our prospective returns will likely be less than those seen in the last twenty years, unemployment will rise, and recession should follow. We simply do not know if the future will play out as the textbooks predict and it is futile to attempt to predict the course of history.

<sup>1</sup> Net return for the Nedgroup Investments Bravata Worldwide Flexible Fund, A class.

<sup>2</sup> Benchmark is the South Africa CPI+5%

At Aylett & Co. we think it may be worse than expected and so we have raised our discount rates accordingly, which has steered the portfolio away from expensive assets in general. Our expectations have been low for quite some time and as a result we have preferred to invest in consistent business models such as tobacco and beer, and companies that are not in favour, like Reinet Investments S.C.A.

## CONTRIBUTORS & DETRACTORS

### Primary Contributors to Return

From 31/12/2021 to 30/06/2022

Holding	Contributor %
British American Tobacco Plc	0.6

### Primary Detractors from Return

From 31/12/2021 to 30/06/2022

Holding	Detractor %
Bath & Body Works Inc	-1.9
Victoria's Secret & Co	-1.0
Spirit Aerosystems Hold-CI A	-0.9
Sabre Corp	-0.8
Transaction Capital	-0.8

*Figures are not exact but do give good estimates of the relative contribution of the underlying securities.*

**Source:** Bloomberg, 30 June 2022

## OUR ACTIONS

The selloff in the equity markets has been brutal this year and while we have been expecting it, it has been indiscriminate. Our stocks have become cheaper from a level that we already felt had been cheap. We have added to these positions. Investors will recall we had sold our entire energy positions a few months back after they had done well and energy prices had gone to new highs. In hindsight this may have been premature, and we have since re-entered some of these stocks at compelling valuations.

## TRANSACTIONS

### Entries

	Holding (%)	Change (%)
Aylett Global Equity Fund	5.4	5.4
Moneysupermarket.Com	1.3	1.3
SBM Offshore Nv	1.2	1.2
Ollie's Bargain Outlet Holdings	0.8	0.8
Sonic Automotive Inc-Class A	0.8	0.8
Woodside Energy Group Ltd	0.5	0.5

**Date:** 31 December 2021 to 30 June 2022

### Exits

	Holding (%)	Change (%)
Long4Life Ltd	0.0	-1.9
Impala Platinum Holdings Ltd	0.0	-1.6
Totalenergies Se	0.0	-1.0

### Up Weights

	Holding (%)	Change (%)
Reinet Investments SCA	9.2	1.6
British American Tobacco Plc	4.1	1.4
Delfi Ltd	2.3	1.2
Arco Platform Ltd	2.0	0.8

**Date:** 31 December 2021 to 30 June 2022

### Down Weights






	Holding (%)	Change (%)
Berkshire Hathaway Inc-CI B	4.2	-1.4
Transaction Capital Ltd	3.9	-1.0
Conocophillips	0.7	-0.8

## LOCAL VS OFFSHORE

We continue to invest offshore as the stocks have become cheaper and have been gradually reducing our South African exposure. In the past local stocks were very attractive but the uncertainty arising from the electrical power situation, labour unrest and the overall lack of economic growth is making it very difficult to hold local stocks unless they are very compelling stock-specific drivers. The government is doing a very poor job in removing the uncertainty and seems to be more focused on internal battles still.



## ASSET ALLOCATION

	Equity	25.2%
	Bonds	3.5%
	Preference shares	1.0%
	Cash and money market	13.5%
	Foreign equity	41.3%
	Foreign cash	15.6%

**Date:** 30 June 2022

## OUTLOOK

The portfolio is invested in several franchises that are well positioned to weather the rising inflation environment and the challenges it brings. Many of the stocks have attractive dividend yields and most have pricing power in their underlying business models which enables these companies to maintain competitive margins in a rising cost environment. Their balance sheets are strong and management have been preparing for weaker economic cycles. There is always potential for some disappointment of course, but we believe the portfolio of conservatively valued stocks gives investors the best chance of success in a world of uncertainty.



## Disclaimer

### WHO WE ARE

Nedgroup Collective Investments (RF) Proprietary Limited is an authorised Collective Investment Scheme and the representative of Nedgroup Investments Funds PLC in terms of the Collective Investment Schemes Control Act. It is a member of the Association of Savings & Investment South Africa (ASISA)..

### OUR TRUSTEE

The Standard Bank of South Africa Limited is the registered trustee.

Contact details: Standard Bank, Po Box 54, Cape Town 8000,

[Trustee-compliance@standardbank.co.za](mailto:Trustee-compliance@standardbank.co.za), Tel 021 401 2002.

### HOW ARE OUR FUNDS PRICED

Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Prices are published daily on our website and in selected major newspapers.

### FEES

A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

### DISCLAIMER

Unit trusts are generally medium to long-term investments. The value of your investment may go down as well as up. 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. Our funds are traded at ruling prices and can engage in borrowing and scrip lending.

Some funds may hold foreign securities including foreign CIS funds. As a result, the fund may face material risks, which could include foreign exchange risks, market conditions and macro-economic and political conditions.

A fund of funds may only invest in other funds, and a feeder fund may only invest in another single fund, both will have funds that levy their own charges, which could result in a higher fee structure.

The Nedgroup Investments Money Market Fund offering aims to maintain a constant price of 100 cents per unit. A money market fund is not a bank deposit. The total return to the investor is made up of interest received and any gain or loss made on any particular instrument held. In most cases the return will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of a capital loss. Excessive withdrawals from the fund may place the fund under liquidity pressures and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. The yield is calculated using an annualised seven day rolling average as at the relevant dates provided for in the fund fact sheet. Nedgroup Investments has the right to close its funds to new investors in order to manage it more efficiently.

### NEDGROUP INVESTMENTS CONTACT DETAILS

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For further information on the fund please visit: [www.nedgroupinvestments.co.za](http://www.nedgroupinvestments.co.za)

### OUR OFFICES ARE LOCATED AT

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WRITE TO US

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