NEDGROUP INVESTMENTS

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NEDGROUP INVESTMENTS
Bravata Worldwide Flexible Fund

Quarter Three, 2022

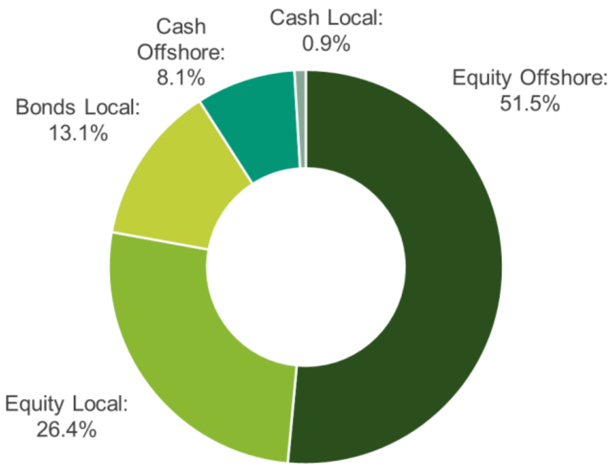
PERFORMANCE

30 September 2022 (Annualised Net returns)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund – A Class[1]	9.1	12.8	10.3	9.6	13.1	10.8
Benchmark[2]	13.0	10.4	10.2	10.3	10.6	11.0

Past performance is not indicative of future performance.
Source: *Bloomberg, 30 September 2022*

INTRODUCTION

The portfolio manager started his career in fund management in 1993. From then until now, outside of a few short periods, bonds were not attractive long-term investments. For investors with long investment horizons, equities were the preferred asset class as they could preserve purchasing power and yield significant returns. However, local bonds are currently offering incredibly attractive real returns in a world that is filled with uncertainty.



Date: *30 September 2022*

INVESTMENT ENVIRONMENT

Equities worked for many reasons though. Besides the asset class attraction of equities described above, they also offered greater choice across multiple countries and industries. The continued decline that occurred in interest rates until recently served as the ultimate tailwind for equity prices as they continued to be bid up on ever higher multiples. It seemed to us that whenever there was a fall in valuations, the horseman of the apocalypse (central bankers) would come riding to the rescue and allow equity markets to resume their upward march. Mistakes were swiftly forgotten and made again with market participants always waiting to be bailed out with further stimulus.

[1] Net return for the Nedgroup Investments Bravata Worldwide Flexible Fund, A class.
[2] Benchmark is the South Africa CPI+5%

Holdings	Holding (%) 30 Sep 2022	Holding (%) 31 Dec 2021	Change (%)
Reinet Investments SCA	8.9	7.5	1.4
Aylett Global Equity Fund	5.7	0.0	5.7
Berkshire Hathaway Inc-Cl B	4.4	5.7	-1.3
Transaction Capital Ltd	3.8	4.9	-1.1
British American Tobacco Plc	3.7	2.8	0.9
Tsogo Sun Gaming Ltd	3.3	2.6	0.7
AECI Ltd	3.1	4.2	-1.1
Bath & Body Works Inc	3.0	1.9	1.1
Rubis	2.6	1.8	0.8
Delfi Ltd	2.3	1.1	1.2
	40.8	32.5	

Date: *30 September 2022*

We are not macro forecasters and do not claim a competence here, but it seems safe to say that the interest rate cycle has turned, and rates will continue to increase until inflation is brought under control. Politicians and central bankers have little choice but to raise interest rates as inflation affects all levels of society and typically the poorest are hurt the most. We don't think it is an understatement to say that this is the most uncertain investment environment faced in years. Rising inflation (hyperinflation in some economies), an energy crisis, war, rising rates, increasing geopolitical risks and adversity and supply chain issues are just some of the factors we are seeing. Markets abhor uncertainty which means the prospects for equity, especially long duration equities, is far less positive than before.

Primary Contributors to Return

From 31/12/2021 to 30/09/2022

Holding	Contributor %
Conocophillips	0.6
British American Tobacco Plc	0.5
Exxon Mobil Corp	0.4
Ollie's Bargain Outlet Holdings	0.4
RECM & Calibre Ltd	0.3

Primary Detractors from Return

From 31/12/2021 to 30/09/2022

Holding	Detractor %
Spirit Aerosystems Hold-Cl A	-1.2
Bath & Body Works Inc	-1.1
Sabre Corp	-0.9
Arco Platform Ltd - Class A	-0.9
Victoria's Secret & Co	-0.8

Figures are not exact but do give good estimates of the relative contribution of the underlying securities.
Source: *Bloomberg, 30 September 2022*

LOCAL MARKETS

In addition to the global issues, locally we have been dealing with the negative effects of poor stewardship of the economy and lack of any long-term planning by the government. This has happened since 2015 at least, which means South African assets entered this year at already depressed valuations unlike most global assets at peak valuations. We have extremely favourable equity valuations across many local companies and bonds earning real returns. It also means that most of our companies have been operating lean, as for years the economy has been tough and was made further tougher during the Covid-19 pandemic. They have endured issue after issue and crisis after crisis. The companies that are left are efficient, market dominating, with strong balance sheets. Many of them have been rational in capital allocation and have been buying back shares at depressed prices. We own a significant number of these companies such as Hudaco Industries Ltd, Super Group Ltd, and Bowler Metcalf Ltd to name a few. We do not know when these companies will be recognised for their strengths and attract new buyers, but at some point, they will.

Entries
From 31/12/2021 to 30/09/2022

	Holding (%)	Change (%)
Aylett Global Equity Fund	5.7	5.7
SBM Offshore Nv	1.9	1.9
Anheuser-Busch Inbev	1.7	1.7
Moneysupermarket.Com	1.3	1.3
Sonic Automotive Inc-Class A	1.2	1.2
Meta Platforms Inc Class-A	1.0	1.0

Exits
From 31/12/2021 to 30/09/2022

	Holding (%)	Change (%)
Long4Life Ltd	0.0	-1.9
Impala Platinum Holdings Ltd	0.0	-1.6
TotalEnergies SE	0.0	-1.0

Up Weights
From 31/12/2021 to 30/09/2022

	Holding (%)	Change (%)
Reinet Investments SCA	8.9	1.3
Delfi Ltd	2.3	1.2
Bath & Body Works Inc	3.0	1.1

Down Weights
From 31/12/2021 to 30/09/2022

	Holding (%)	Change (%)
Berkshire Hathaway Inc-Cl B	4.4	-1.2
Transaction Capital Ltd	3.8	-1.2

However, there is a caveat here in that South African companies are not immune to the global economy. The enormous peace dividend the world has enjoyed for decades, along with ever decreasing interest rates and exported deflation from the rise of the Chinese manufacturing economy have come to an end. We should expect pedestrian growth and lower returns going forward in a more uncertain world. Our positive view on some South African companies will naturally be affected by poor political leadership here and the risk of a global recession. Valuation is on our side though which gives us time to wait.

CONCLUSION

In conclusion, local bonds followed by some local equities look very attractive. Developed market equity markets should continue to fall and we will continue to be selective in the opportunities we see globally. Finally, we don’t expect to be investing into general property stocks for some time, if ever.

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.
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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.

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