



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 left page.

NEDGROUP INVESTMENTS

Bravata Worldwide Flexible Fund

Quarter Four, 2022

“History doesn’t repeat itself, but it often rhymes”

~ Mark Twain ~

PERFORMANCE

31 December 2022 (Annualised Net returns)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund – A Class¹	4.8%	15.8%	12.6%	9.2%	13.4%	11.2%
Benchmark²	12.8%	10.6%	10.2%	10.4%	10.4%	10.8%

INTRODUCTION

Casting our minds back, 2020 was “the lost year” due to the Covid-19 pandemic. 2021 saw the world slowly re-emerge, markets recover, and general optimism return. 2022, however, had other ideas where the world found itself facing a raft of challenges:

- Inflation which led to rate hikes which in turn led to:
 - devaluation of longer dated assets,
 - a stronger US dollar,
 - the crypto currency bubble bursting,
- A UK Pension Fund Crisis
- Supply chain issues
- The Russia Ukraine war which led to:
 - food crisis,
 - energy crisis,
 - ESG reversals
- Geo-Political tensions everywhere,
- China President Xi Jinping’s Covid Zero policies and its clampdown on the technology industry.

In South Africa you can also overlay:

- floods,
- loadshedding,
- abysmal politics/governance,
- crumbling infrastructure,
- failing SOE’s,
- and corruption.

As a result, apart from the energy sector, all other major sectors delivered negative returns. Only dollar cash provided a safe haven. Interestingly, all South African asset (in local currency) delivered positive returns. Finally, the MSCI, a global equity index in US dollars, gave investors a return of minus 18%.

¹ Net return for the Nedgroup Investments Bravata Worldwide Flexible Fund (A class).

² Benchmark is South Africa CPI+5%



Holdings	Holding (%) 31 Dec 2022	Holding (%) 31 Dec 2021	Change (%)
Reinet Investments SCA	9.8	7.5	2.3
Berkshire Hathaway Inc-CI B	4.6	5.7	-1.1
British American Tobacco Plc	3.4	2.8	0.6
Bath & Body Works Inc	3.2	1.9	1.3
Transaction Capital Ltd	3.0	4.9	-1.9
Tsogo Sun Gaming Ltd	3.0	2.6	0.4
AECI Ltd	2.8	4.2	-1.4
Rubis	2.7	1.8	0.9
Melco International Develop.	2.7	2.1	0.6
Delfi Ltd	2.4	1.1	1.3
	37.6	34.6	

Date: 31 December 2022

OUR ACTIONS

The fund, after being exceptionally bullish on South African equities for the last few years, has on a measured basis increased its exposure to small cap assets in Europe and the USA. The weakness in developed markets provided us wonderful buying opportunities.

South African bonds, an asset class that we have shunned for most of time, have taken up quite a significant position in our fund at almost 17%.

Primary Contributors to Return		Primary Detractors from Return	
From 31/12/2021 to 31/12/2022		From 31/12/2021 to 31/12/2022	
Holding	Contributor %	Holding	Detractor %
Reinet Investments Sca	1.6	Transaction Capital	-1.1
Conocophillips	0.8	Spirit Aerosystems Hold-CI A	-0.8
British American Tobacco Plc	0.7	Arco Platform Ltd - Class A	-0.8
Exxon Mobil Corp	0.7	Sabre Corp	-0.6
Grupo Aeroportuario Cen-Adr	0.7	AECI Ltd	-0.6

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

Source: Bloomberg, 31 December 2022

We did not increase a single equity investment in the South African market.

On the sell side we sold our entire holding out of Impala Platinum Holdings Ltd, Long4Life and a Brazilian education stock called Arco Platform Ltd.





Entries			Exits		
From 31/12/2021 to 31/12/2022			From 31/12/2021 to 31/12/2022		
	Holding (%)	Change (%)		Holding (%)	Change (%)
SBM Offshore Nv	2.0	2.0	Long4Life Ltd	0.0	-1.9
Anheuser-Busch Inbev	1.9	1.9	Impala Platinum Holdings Ltd	0.0	-1.6
Moneysupermarket.Com	1.4	1.4	Arco Platform Ltd	0.0	-1.2
Sonic Automotive Inc-Class A	1.3	1.3			

Up Weights			Down Weights		
From 31/12/2021 to 31/12/2022			From 31/12/2021 to 31/12/2022		
	Holding (%)	Change (%)		Holding (%)	Change (%)
Reinet Investments SCA	9.8	2.3	Transaction Capital Ltd	3.0	-1.9
Delfi Ltd	2.4	1.3	Berkshire Hathaway Inc-CI B	4.6	-1.1
Bath & Body Works Inc	3.2	1.2			

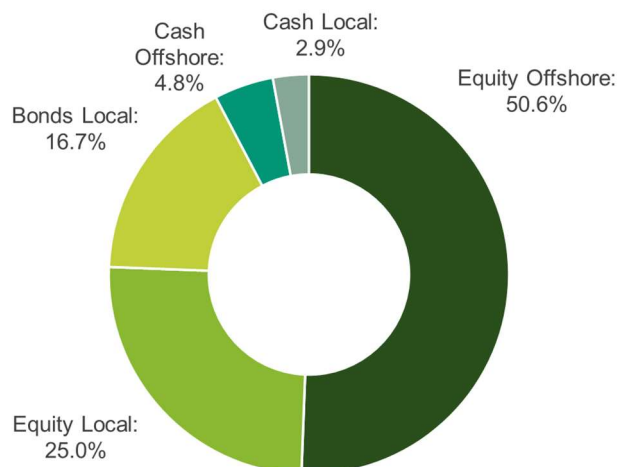
Date: 31 December 2021 to 31 December 2022

OUTLOOK

Looking forward there is much to still be concerned about. Geopolitics remains in disarray, the Ukraine war has not ended, energy security remains fragile and inflation is a long way from the official 2% US Federal Reserve target. Global equity markets appear to be expecting lower inflation numbers and have rebounded accordingly.

In South Africa, the years of mismanagement, poor governance and blatant corruption are coming back to bite. Top of everyone's mind is Eskom. Power outages for 2 hours a day, whilst frustrating, was something resilient South Africans learnt to deal with. However, extended hours of loadshedding will have large repercussions, anticipated and unanticipated. Already at stage 6, sewerage and water provision has been compromised. Should this continue, we would expect companies having difficulty growing turnover and margins to be affected.

Below is the asset allocation of the Fund as at end of December 2022. On a look-through basis, the portfolio's offshore exposure was effectively 65%. At the time of writing this has increased to effectively 67%.



Date: 31 December 2022



CONCLUSION

In an environment where power cuts could dampen (demand) inflation and put pressure on company earnings, 8 to 10 year bonds still offer reasonable relative returns. We have raised the discount rate at which we value South African assets but remain cognisant that “bad becoming less so” can be a powerful driver of investment returns - our job is not to follow the herd but to balance the pessimism driving down South African assets with their market price.

As always, we remain flexible. If the facts change, we will change our mind.

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.

NEDGROUP INVESTMENTS CONTACT DETAILS

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For further information on the fund please visit: www.nedgroupinvestments.co.za

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