



NEDGROUP
INVESTMENTS

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently



NEDGROUP INVESTMENTS

Bravata Worldwide Flexible Fund

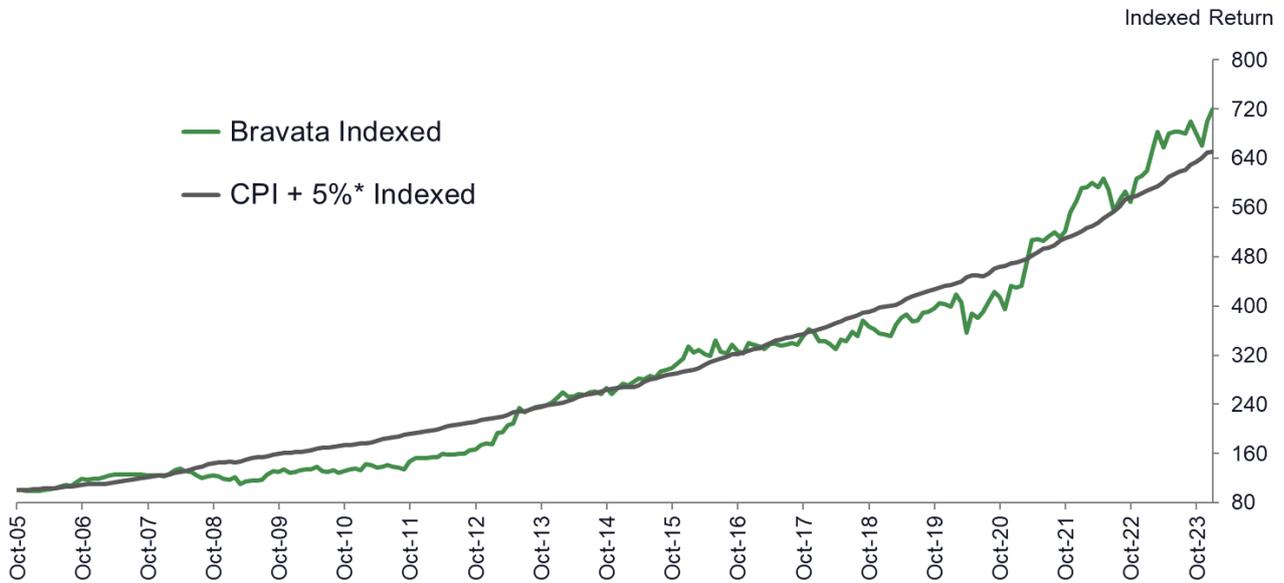
Quarter Four, 2023





PERFORMANCE

31 December 2023 (Annualised Net returns %)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund – A Class ¹	16.1	18.7	15.3	11.5	11.1	11.4
Benchmark ²	10.8	11.4	10.3	10.2	10.5	10.8



*Benchmark changed from CPI +4% to CPI +5% 1 January 2007. Past performance is not indicative of future performance.

Source: Stats SA, 31 December 2023

For the year, the fund achieved its aim of preserving the purchasing power of investors. Since inception, this performance has been maintained over all periods. The fund has compounded at 11% per annum which means doubling your original investment every 6.5 years.

Below is a table of returns of various assets classes available to South African investors. Apart from the MSCI Index (a global equity index) Bravata outperformed all other classes.

Benchmarks	1 Year
JSE ALSI	9.3%
Swix	7.8%
Capped Swix	7.9%
Stefi	8.0%
MSCI ACWI	31.6%
ALBI	9.6%

Source: Bloomberg, 31 December 2023

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

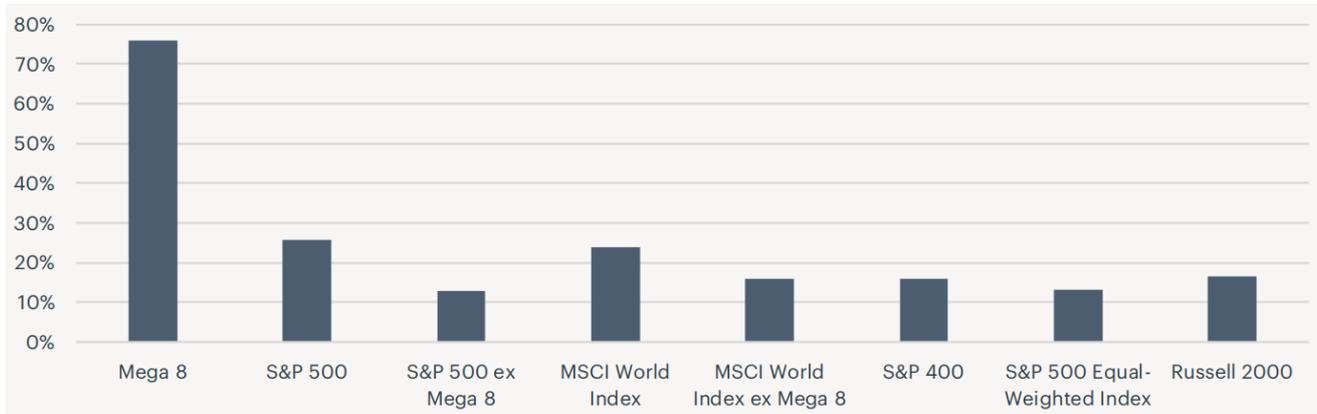
² Benchmark is South Africa CPI+5%





A few observations about this year's performance: Bravata's performance of 16% is an after-cost return while all the other asset class returns have no costs. Additionally, South African CPI has been notoriously high when compared to other regions of the world. Furthermore, the benchmark of CPI plus 5%, is a fair goal when compared to the prevailing high real returns offered by fixed interest asset classes. While it may be disappointing to have underperformed the MSCI index, a significant part of its performance came from 8 stocks. The table below illustrates this point well.

NET TOTAL RETURN OF VARIOUS EQUITY INDICES IN 2023



Source: Goldman Sachs, data as at 29 December 2023. Mega 8 performance is market cap weighted.

CONTRIBUTORS AND DETRACTORS

Our long-term holdings of Reinet, Jumbo, Delfi and Berkshire continue to deliver very good returns and once again emphasized the fundamental belief of holding stocks for the long term.

A major detractor of performance was Transaction Capital, a company that we had made significant gains from in the past. Unfortunately, we were hesitant to take profits as the long-term prospects were good at the time. We have written at length about what went wrong, and investors are referred to past fact sheets. Other detractors were St James, Sabre and a long stalwart of ours, Melco, a Macao casino operator. Melco's underlying economics are good, and we are mystified by its underperformance. In St James's case we were simply too early. British American Tobacco's performance has also been disappointing despite the fact the underlying cash flow has been strong and debt has been reduced. More on this later.

ACTION TAKEN

Entries	Holding	Change
	%	%
Dollar General Corp	1.9	1.9
St James's Place Plc	1.1	1.1
Heineken Holding	0.8	0.8

Exits	Holding	Change
	%	%
Grupo Aeroportuario Cen-Adr	0.0	-2.0
Booking Holdings Inc	0.0	-2.0
Sonic Automotive	0.0	-1.3
Hess Corp	0.0	-0.8
Meta Platforms Inc	0.0	-0.7
US Bancorp	0.0	-0.7

Date: 31 December 2022 to 31 December 2023

Notable sales during the year:

- Sonic Automotive, a major US auto dealer that thrived during the pandemic's supply crunch, was sold as its share price approached our fair value estimate. While the company continued to perform well, its post-pandemic margin normalisation wasn't fully reflected in the stock price, prompting our exit.
- Despite our admiration for Booking Holdings' business model and their impressive post-pandemic recovery, we sold our position in 2023. While leisure travel, Booking's core strength, enjoyed a





significant resurgence, exceeding pre-pandemic levels by 2023, this robust performance was already fully reflected in the company's valuation. We felt limited upside potential at the share price, considering the potential for travel trends to normalise and the increasingly competitive landscape.

- Grupo Aeroportuario Centro Norte, a Mexican airport operator, performed tremendously post-pandemic, mirroring Booking's rebound. Passenger growth, revenue, and margins soared, prompting a significant share price increase and dividends paid. However, we exited our position due to concerns about a limited margin of safety. Airports remain a regulated asset in Mexico, a country where political leadership had previously made worrisome statements about similar assets. These concerns materialised post our sale when regulatory changes were announced, leading to substantial share price declines.
- Our final notable sale was Hess, as they were acquired by Chevron in an all-stock transaction. While the acquisition premium appeared modest, Hess held a higher valuation than peers and boasted strong performance due to its Guyana discovery and resulting production. Chevron, recognising the same attractive qualities we did but with much deeper pockets than us, opted for a complete buyout. As we favoured Exxon over Chevron, we decided to sell.

Notable buys during the year:

- St. James's Place presented an attractive investment opportunity following a period of sluggish inflows and a share price drop. We initiated a position, which in hindsight, proved premature. Major adjustments to their complex fee structure further pressured the share price. However, these changes simplified the fee structure and maintained SJP's position as the leading wealth management firm with the largest UK advisory force. Despite current headwinds from the post-pandemic slowdown and cost-of-living crisis, the UK savings market remains a compelling long-term growth story. SJP's strong advisory network and simplified fee structure position them to capitalise on this structural potential when market conditions improve.
- Dollar General, the dominant dollar store chain in the US, plays a crucial role in providing affordable essentials for underserved communities. Historically, it's been a high-performing, well-regarded business. However, recent market challenges and strategic missteps under the previous CEO led to a decline in performance and share price. Our analysis concluded that the core business remained fundamentally sound. Early indicators show signs of better performance, which is aided by the return of the CEO who led them to much of their initial success.
- Heineken joins our portfolio as the most recognizable beer brand in the world. However, the stock faced headwinds in 2023 due to temporary challenges in key markets like Vietnam, impacted by economic slowdown and inventory issues. Our analysis indicates these are short-term hurdles unlikely to derail their long-term prospects. The company's recent focus on cost reduction, historically less emphasised compared to competitor AB Inbev, coupled with potential tailwinds from normalising commodity prices, suggests higher underlying earnings potential than currently reflected in the share price.

LOOKING FORWARD

As usual the markets are faced with all kinds of uncertainty. The debate whether we are at the end of the interest rate hikes by central bank governors is at the forefront of investors' minds. We suspect they may be disappointed by a delay in rate cuts. We will have elections in the USA and South Africa which will provide some volatility and uncertainty. Inflation may remain stubborn and continue to stay elevated. These top-down views, while interesting to discuss, will not influence our decisions to invest. In fact, the more uncertainty, the better our entry prices will be.

The fixed interest markets look attractive and for the first time we have close to real returns in most developed markets emerging. South Africa continues to look rewarding with its high real return environment.

South African equities are cheap on any measure. Domestic fund managers have used their full allowance to move assets offshore and foreign fund managers have drastically reduced their exposure to South African



assets. Should the economy improve after the elections and emerging markets find favour with offshore fund managers, the local markets will rally significantly. Our mandate allows us to take advantage of these circumstances and we will not hesitate to increase our exposure to local assets. In the past this strategy has worked well for our investors, and we see no reason why it should be different now. Despite British American Tobacco's (BAT) robust and growing free cash flow generation, the share derated during the year. Challenges in the U.S. combustible market and execution missteps on the next-generation nicotine portfolio hurt investor sentiment and sent the shares to new lows. BAT is being valued like a business that will cease to exist over the next decade - an outcome we deem very unlikely. We believe the current share price to be well below a very conservative estimate of fair value.

Finally having exposure to very good South African companies like Hudaco, Spur, AECI and Southern Sun Hotels to name a few, will stand us in good stead.

Walter Aylett

31 December 2023





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, 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

Tel: 0860 123 263 (RSA only)
Tel: +27 21 416 6011 (Outside RSA)
Email: info@nedgroupinvestments.co.za
For further information on the fund please visit: www.nedgroupinvestments.co.za

OUR OFFICES ARE LOCATED AT

Nedbank Clocktower, Clocktower Precinct, V&A Waterfront, Cape Town, 8001
WRITE TO US
PO Box 1510, Cape Town, 8000

