NEDGROUP INVESTMENTS

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

see money differently

NEDGROUP INVESTMENTS Bravata Worldwide Flexible Fund

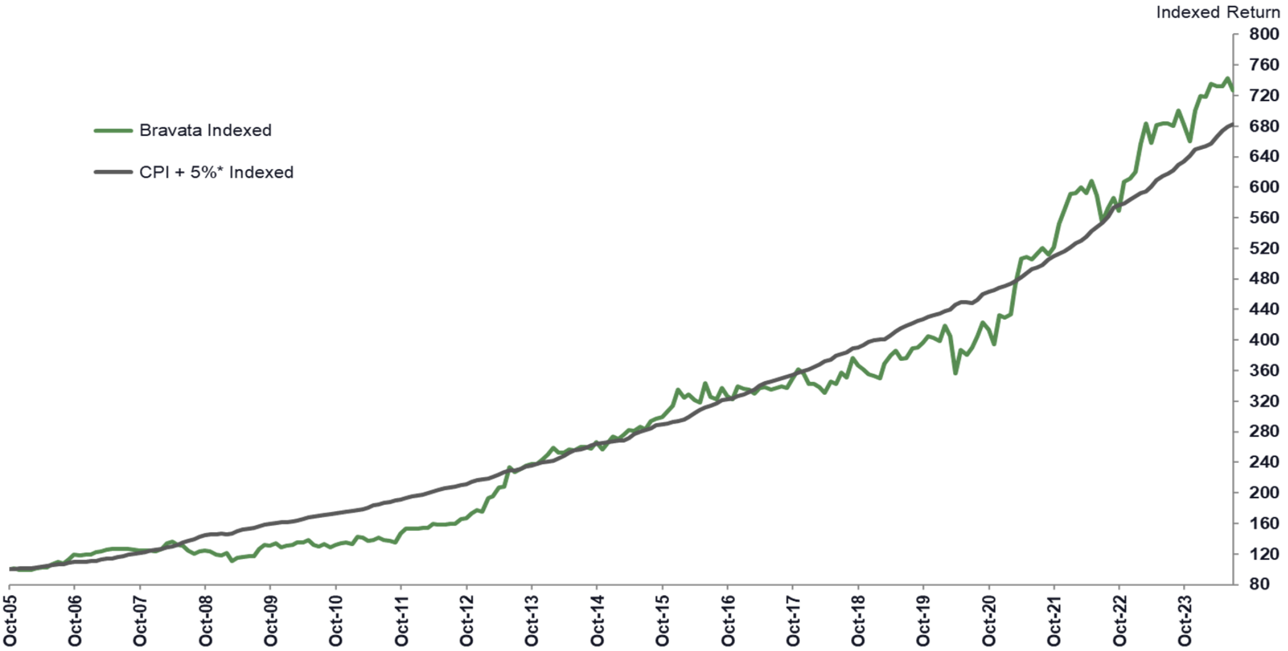
Quarter Two, 2024

MARKET REVIEW

Global markets have experienced significant growth, driven by the Information Technology and Communication Services significantly outperforming, returning 11.5% and 8.2% respectively in the quarter. The next in line, Utilities, only increased by 3.5%. The narrowness of the market persisted, with the MSCI ACWI Equal-weighted Index returning -0.9% versus the MSCI ACWI itself at 3%. Unlike last quarter, when only one sector posted a negative return, this quarter we had six, ranging from Materials (-3.3%) to Financials (-0.2%). The market returns clearly continue to be driven by large-cap technology companies.

PERFORMANCE

30 June 2024 (Annualised Net returns %)	1 year	3 years	5 years	7 years	10 years	Since Inception
Fund – A Class[1]	6.5	12.4	14.1	11.6	10.8	11.2
Benchmark[2]	10.5	11.3	10.3	10.1	10.3	10.8



**Benchmark changed from CPI +4% to CPI +5% 1 January 2007. Past performance is not indicative of future performance.*
***Source:** Stats SA, 30 June 2024*

The fund has lagged its benchmark for a full year. The major reason for this underperformance is mainly driven by offshore winners of the past few years retracting significantly coupled with some strength in the rand. Secondly as we have added to South African assets, with the exception of We Buy Cars, not much has been contributed by this part of the portfolio. The major reason for this lack of performance has been the uncertainty caused by the recent elections, the creation of the Government of National Unity and the lack of visibility on global interest rate cuts.

Our experience of this underperformance of the benchmark of CPI plus 5 per cent is not of concern as we are long-term investors and this is normally a very good time to invest in the portfolio. In the past our best investment decisions have been made during times of significant underperformance of our investments.

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

Contributors and detractors

Positive Contributors	%
We Buy Cars	0.7
AECI Ltd	0.5
Wabtec Corp	0.2
Netcare Ltd	0.1
Transaction Capital	0.1

Negative Contributors	%
Bath & Body Works Inc	-0.7
Rubis	-0.7
Dollar General Corp	-0.5
Aylett Global Equity Fund	-0.4
Berkshire Hathaway Inc	-0.4

Date: 31/03/2024 to 30/06/2024

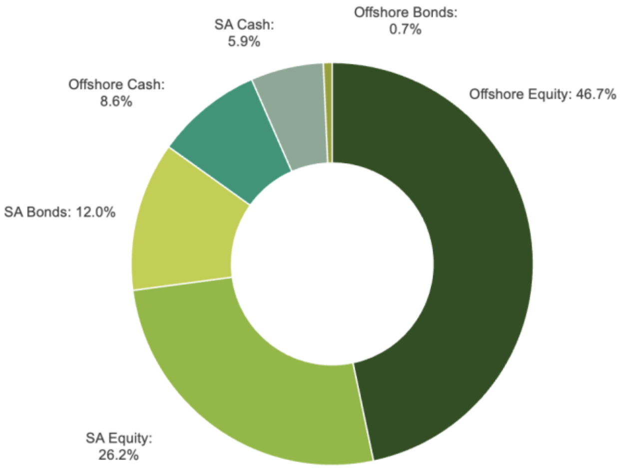
We established a large position in We Buy Cars through the listing and have benefited from the substantial price increase since. Other positive contributors to performance were AECI, Wabtec, Netcare and Transaction Capital.

Rubis, previously a standout in the positive contributors last quarter, now leads the negative column due to a reversal in its strong share price performance, along with Bath & Body Works. Other detractors included Dollar General and Berkshire Hathaway.

Top Holdings

Holdings	June 30, 2024	March 31, 2024	Change
	%	%	%
Reinet Investments	7.8	7.8	0.0
Aylett Global Equity Fund	7.3	7.6	-0.3
Berkshire Hathaway Inc	4.6	5.3	-0.7
AECI Ltd	3.1	2.7	0.4
We Buy Cars	3.0	0.9	2.1
British American Tobacco Plc	2.9	3.0	-0.1
Rubis	2.9	3.8	-0.9
SBM Offshore	2.8	2.9	-0.1
Jumbo	2.6	2.7	-0.1
Dollar General Corp	2.3	2.3	0.0
Total	**39.3**	**39.0**	

Asset allocation



Activity

Entries	Holding %	Change %
Firstrand Ltd	0.6	0.6
Galaxy Entertainment Group L	0.2	0.2

From 31 March 2024 to 30 June 2024

Exits	Holding %	Change %
Wabtec Corp	0.0	-1.6

From 31 March 2024 to 30 June 2024

Very little activity took place in the portfolio over this quarter, with small increases in weightings of familiar holdings and some movements in the oil stocks.

Up Weights	Traded Value as % of NAV
Remgro Ltd	0.6
Dollar General Corp	0.5
Netcare Ltd	0.4
St James's Place Plc	0.3
SBM Offshore	0.1
Delfi Ltd	0.1
Transaction Capital	0.1
Super Group Ltd	0.1

From 31 March 2024 to 30 June 2024

Down Weights	Traded Value as % of NAV
Conocophillips	-0.6
Exxon Mobil Corporation	-0.3
Caxton and CTP Publishers	-0.2
Berkshire Hathaway Inc	-0.2
Shell Plc	-0.1

From 31 March 2024 to 30 June 2024

COMMENTARY

Much is said in the financial press about market concentration, with popular technology stocks dominating indexes and returns for some time now. As benchmark agnostic investors we don't typically concern ourselves with this, but recently we had an experience that showed us the extent to which stocks on the other end of the popularity spectrum can be neglected. One of our analysts attended an offshore investor field trip for a mid-cap European oil services company. This best-in-class company provides vital infrastructure for the world's current energy needs, and is therefore not a stock that should be unknown to investors. There was only one other buy-side analyst in attendance for the primary part of the trip who represented a big holder of the stock. One other local buy-side analyst joined later. There were only three sell-side analysts. When asking the management team about this, they said the last time they made a similar trip in 2019, they had nearly 30 analysts in total in attendance. Reasons given by non-attendees ranged from no contact policies, budget constraints, or just completely ignoring the requests. The delta was stark given the fundamentals of the company have improved since 2019 with smart management decisions and robust project execution.

This highlighted a few factors for us. Firstly, sell-side broker coverage has been in decline, and anything outside of the large-cap space where trading commissions are lower will struggle to get coverage. Sell-side coverage is not a necessary condition for something to be investable (oftentimes, discovering an unknown stock brings the most rewards), but it does perform a vital function in markets in terms of broadening knowledge of sectors and stocks. For you to be right in markets, you need the market to eventually agree with you! Secondly, a company like this (energy infrastructure) does not fit neatly into an easy ESG definition, it requires research and nuance to understand it fully. In a simplistic tick box, ESG-rating world stocks like this fall by the wayside, and the primary decision of capital allocators is to exclude them from their funds. Thirdly, we wonder whether, post the pandemic, the average investor has decided travel is not worth it and is far more comfortable sitting at home updating their models. We fundamentally disagree with this; we find incredible value in visiting the companies we own and speaking to their management teams. Finally, it could also be a symptom of the continued outperformance of growth stocks versus the more traditional value stocks of which this company is part of the latter. People have been calling for the resurgence of value stocks for many years now to no avail, eventually you give up and move coverage to other ideas.

The optimistic conclusion on this is that there continues to be opportunities to find undervalued stocks and profit from the mispricing. While we largely agree with this conclusion, this trip highlighted to us that perhaps times have changed…dangerous words in investing! There are just far fewer true active value-focused managers in the world today, and if no one is there to close the mispricing of the stock, then your potential return is impacted. In stocks like this, it has become even more important for us to have strong balance sheets and high yields that compensate shareholders for patience. Additionally, we are engaging far more frequently on capital allocation and buybacks in particular, as if there is no one left out there to buy the stock, then the company itself should be buying it. Over time, a well-executed buyback program at discounted prices is an incredible driver of shareholder value. Fortunately for us, the management of this company agreed with us and have recently changed their distribution to a total distribution approach (dividends and buybacks), where the buyback is going to form an ever-increasing part. If we are right and times have indeed changed, compelling shareholder returns can still result from unloved companies. If we are wrong and unloved stocks like this get loved again, we will still have benefitted from smart capital allocation actions in the interim. We do not think value investing is dead, but given change is the only constant we must be ready to adapt to new circumstances.

LOOKING FORWARD

The outlook remains consistent with the last quarter. As we expected, inflation remains mostly persistent globally. The timing of interest rate cuts, especially that of the US Federal Reserve, remains a key topic of discussion among market participants. Early signs are appearing of the US consumer slowing their spending and some labour market weakening, both of which feed into a potential September rate cut. The Goldilocks scenario (the no-landing one) would be a perfect transition from a slowing economy to rate cuts fuelling a rebound. While not impossible, we suspect things might not play out this easily. We believe the current market valuation does not leave much room for disappointment.

Our portfolio remains carefully positioned for different scenarios. As can be seen above, we were able to buy more of the companies we knew well in the quarter and add a new idea to the portfolio. We hold cash-generative companies that offer substantial shareholder returns in weaker environments and that can grow in stronger ones. The fund's cash balance allows us to take advantage of any upcoming volatility. We remain excited about the prospects for the companies we own and are actively working to add more to the fund.

Walter Aylett

30 June 2024

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