31 July 2008

Dear Bravata Investor

My intention for writing an annual letter to investors is to promote a ritual whereby the investor is given access to our thinking at Aylett & Co, information on how their capital has been invested and candid feedback to allow a fair assessment of the soundness of that investment. Given our long term investment focus and the term we favour being at least five years, there is merit in reading each successive annual letter against the backdrop of previous editions. Our first annual letter outlined our thinking about what we try to achieve with your money and we reported back to you in the review. Readers not familiar with its content are directed to www.Nedgroupinvetments.co.za. for a copy.

Time and again I've been heartened by many of our investors who display such keen insight into our way of thinking and investment philosophy. These are the investors who are rich in rationality, long on patience and clever enough to set reasonable investment horizons. I thank them for their ongoing support and salute their investment integrity.

This second annual letter to investors is reaching our unit holders a little later than I had intended and I apologise for this delay. The volatile start to the New Year has in fact continued thus far through 2008. This has created investment opportunities that we have been anticipating for some time. Although we are guilty at times of becoming so immersed in our investment focus that letter writing suffers a temporary back seat, events of 2008 have demanded unwaivering attention on the road ahead. Hopefully though our investors will nonetheless benefit from our preferred passion for investing over corresponding! It is therefore fitting to remind unit holders that this annual letter serves as a record of the events of 2007 and our investments pertaining thereto. With the immense volatility thus far experienced in 2008 it is appropriate to stretch the content to include a more recent review update. While some may shoot me down for not leaving the suspense of 2008's uncertainty intact, I trust that the review post script will add benefit via its current context!

OUR GOAL AT AYLETT & CO.

Our job is to beat CPIX plus 5% per annum. Our job is also to preserve your purchasing power. Naturally, an important component of this target is the actual level of inflation (spare a thought to any poor investment managers applying this rationale in Zimbabwe a decade ago). A few years ago our goal may have seemed easily attainable, but at the current moment with inflation running within the 12% range, our goal becomes an increasing challenge.

We tend to think that if we do this successfully, we should double your investment over five years. This is our aim as a minimum. Should we therefore achieve this five year goal, in what looks to be an aggressively rising inflationary environment, we will be more than satisfied.

PERFORMANCE

Our mandate grants us discretion to invest in most asset classes. These classes, although not complete, are Equities, Fixed Interest, Cash, Property, Commodities and Currencies. We may invest in local and international markets.

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Our investment return is essentially generated from three areas: local assets, offshore currencies and offshore assets. It is important to understand how these various asset classes have performed in order to understand how we have done. Thereafter, we need to analyze this comparison against our investment philosophy and actions taken. A short recap of how we do things is warranted, to fulfill the second part of our performance attribution.

First, we have to try and use all the asset classes, not only to diversify the risk inherent in all asset classes but also to give us the best chance of achieving uncorrelated returns. Secondly, we have to ensure no permanent loss of capital. We can only do this if we have sufficient patience and time to allow sitting out the endemic short term focus of investors. To us, 5 years is a fair time horizon. Thirdly, we may have to do things that are unpopular and invest in areas that are not the current mainstream focus. This may also at times mean staying away from various asset classes. Rather than sitting on the fence, this implies that we are clear on our investment intentions although we may have to bide our time until an investment reaches our scaling in price. Fourthly, to achieve our objective we may have to invest in assets that use the force of compound interest, sacrificing over the short term the earth-shattering returns associated with speculation, but over the long term achieving perhaps even greater returns. The race between the tortoise and hare is an oft quoted example. Finally, we have to invest in something we understand. If we don't understand it, it simply goes into the "too tough" tray.

The above factors give important perspective in evaluating how good a job we have done.

Let me say upfront that comparing us to the worldwide fund survey does not do a good job of telling how well we have done. Taking nothing away from the other fund managers, some very good, one has to make sure that all the funds play by the same rules and that all are trying to achieve the same thing. At this point in time we think it more appropriate to compare us to foreign funds available to South African investors. If we are at the top of that heap we are on a relative basis doing well.

At Aylett & Co, we don't look at surveys. We have a process that we follow and we measure ourselves against our investment model, which is based on sound principles. So taking the factors mentioned above, how do we measure up?

Return of the asset classes

The period under review was characterized by strong emerging markets, both in their own local currencies and in dollar terms. In general, most developed equity markets were poor.

Other asset classes such as fixed interest and property offered very little in the form of superior returns.

In simple terms, investors appear to have bought the story of India and China and that emerging markets would decouple from the slowdown in the USA and, to a lesser extent, in Europe. Commodities were the beneficiaries of inflows, diverting the speculative flows of 2007 from property and related alternative products (see annual letter of 2007 re: The Yale Effect).

Our reporting currency, the Rand, was stronger than usual, starring at one stage as one of the world's strongest. In order to facilitate a better understanding and to level the playing field, we have shown all returns in dollars. Below is a snapshot of the returns posted by the various indices around the globe. At first glance Europe appears to have done a lot better than the other developed markets. By stripping out the strong Euro effect however, the returns of the European markets were somewhat lower than others. As an example, the Dow Jones Euro Stoxx 50 was up 5% in Euro terms versus 22% in Dollars.

International Equity Indices (US$ Total return)

Region	Name	December 2007	3 months	6 months	12 months
World	**MSCI World Free**	**-1.3%**	**-2.3%**	**0.1%**	**9.6%**
EM	MSCI Emerging markets	0.4%	3.7%	18.7%	39.8%
Pacific	MSCI Pacific	-3.4%	-4.6%	-1.3%	5.6%
Europe	Dow Jones Euro Stoxx 50	0.41%	4.2%	7.4%	22.3%
	Emerging Markets				
Brazil	Bovespa	1.2%	9.2%	27.1%	72.3%
China	MSCI China	-4.4%	-3.6%	36.7%	66.2%
India	MSCI India	7.5%	23.3%	48.2%	73.1%
Russia	MSCI Russia	4.5%	17.4%	28.0%	24.8%
South Africa	MSCI South Africa	-3.9%	1.3%	7.4%	18.1%
South Korea	KOSPI 200	-2.0%	-3.8%	8.7%	31.6%
Turkey	MSCI Turkey	2.90%	5.9%	31.7%	74.8%
	Developed Markets				
France	Cac 40	-1.4%	1.3%	0.8%	15.5%
Germany	Dax 30	2.1%	5.5%	9.1%	35.6%
Hong Kong	Hang Seng	-3.1%	2.4%	29.5%	43.0%
Japan	Nikkei 225 (not TR)	-3.1%	-6.1%	-6.7%	-5.2%
UK	FTSE 100	-2.8%	-1.9%	-1.6%	9.2%
USA	Dow Jones Industrial 30	-0.7%	-3.9%	0.1%	8.9%
USA	Nasdaq 100	0.1%	-1.1%	6.3%	14.6%
USA	S&P 500	-0.69%	-3.3%	-1.4%	5.5%

Source: Deutsche Securities

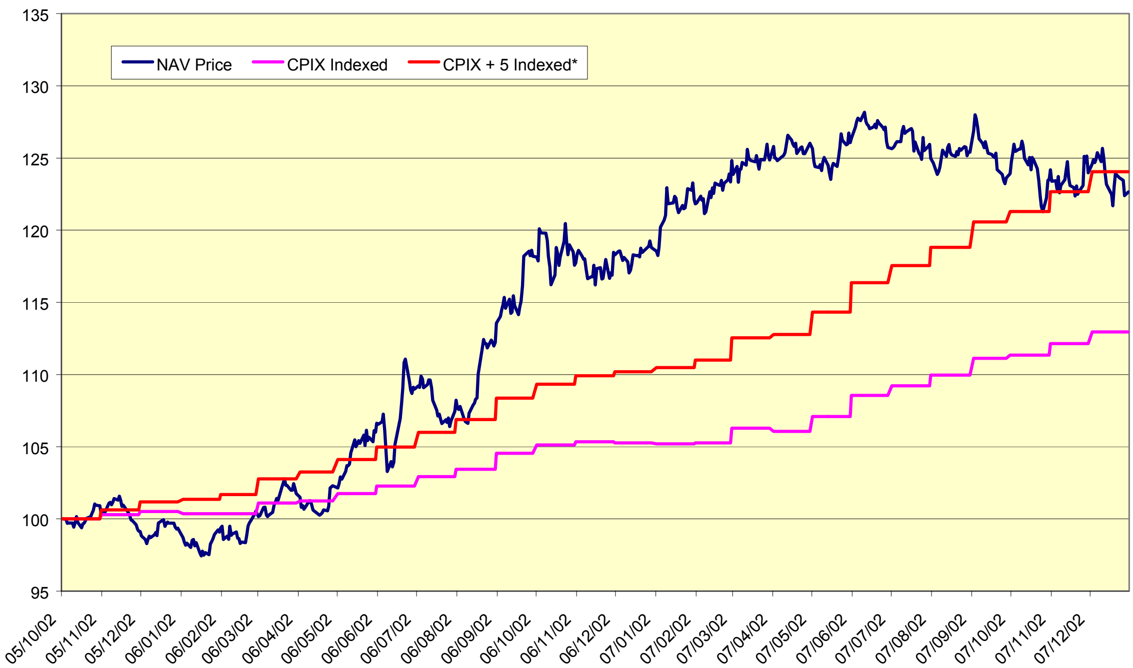
Fund Performance

The Fund delivered a return of 3.2% versus a benchmark return of 13.8% for the year ended December 2007 with the benchmark being CPIX plus 5% after costs have been taken into account. Below is a table of the Fund's performance over two years. Investors will note that we have included the first three months of inception of the Fund. In the past we have cautioned investors that we have always seen the first three months as a phasing in period.

Year	Fund Return	CPIX	Benchmark
2005*	-0.2 %	0.07 %	1.06 %
2006	19.7 %	4.9 %	9.08 %
2007	3.2 %	8.4 %	13.83 %

*Inception (3/10/05) to end Dec 2005

Performance for the period ended 31 December 2007



Local assets

To have outperformed in local markets, one had to be out of domestic assets but long on commodity counters and metals. Bonds offered single digit returns and cash returned 10%. The real estate index emulated bond returns with a paltry 2%.

We were not invested in real estate or bonds and had a reasonable exposure to cash. In terms of these three asset classes we got those spot on.

For sometime now we have been warning investors that local equities were expensive. Our total exposure to domestic shares was at about 15%. We had very little exposure to local small caps which, as a sector, did very well until the start of 2008. Surpluses generated from selling domestic equities were encouraging and we generated about R15 million from this activity. In terms of current holdings, our investment in Telkom (-0.2%) disappointed and the company's management continues to develop new methods on how not to run a listed company, thereby antagonizing the market.

Tiger Brands was subject to a commission of inquiry, which put significant pressure on the share price. We do, however, expect to recover our temporary losses on this share. Although expected, we underestimated the Investec and Netcare exposure to the London property market which could have allowed us to scale in at better prices. We expect the losses, although temporary, will take longer to recover.

Lewis, our largest domestic holding, contributed a small negative performance to our total return. Please see our comment on Lewis further in the report.

We had very little exposure to the Commodity sector and this resulted in the biggest cost to investment return given the 2007 bull run in commodities. Besides our investment in platinum, we were out of the commodity market for most of the year having underestimated the extent to which dollar weakness would drive up commodity prices. In hindsight, we could have had more exposure to Sasol, although the Fund had offshore energy exposure and was protected against a weakening Rand by offshore cash reserves. Added to this, our logic was that if commodities were going to generate export revenues for our region, our domestic shares should benefit to some extent. Just imagine Lewis selling furniture in all those rural mining towns.

A last word on investing in commodities: These metals or foodstuffs are not called commodities for nothing. The markets that they operate in are highly cyclical and normally it is the lowest cost producer that survives. Competition is an anathema for these companies and they have no moat whatsoever. No pricing power. When one has the whole world to choose from, one questions the investment risk and long term sense of buying the commodity sector at this stage of its cycle?

Currency returns

The second input to our return equation is the decision to sell Rands in favour of buying foreign currency. While we do not profess to be experts on calling the levels of currencies, what we have done well is to call the extreme ranges of the Rand. When we consider purchasing a company offshore, we tend to look at in Rands, and not only in its resident currency. The Rand, on many occasions during the two and a half years of the Fund's existence, has given wonderful entry prices into great offshore companies.

Another vital part to our strategy is to look at the bigger picture. We are not macro investors, but sometimes things at the extreme leap out at you. The Yen, at 129 to the Dollar, and the Rand, at 6 to the Greenback, were just too extreme to ignore. We know the Yen weakness was as a result of the carry trade, which in our opinion was a matter of time before the trade would be unwound. We wrote about this in last year's report. As for the Rand, we were negative on stocks, concerned about the speculation in alternative assets and the current account deficit that we follow closely. It just did not make sense to favour Rand exposure. We chose to earn 6 to 7% in Aussie dollars versus 10% in Rands. Given the local environment, it was a not a difficult choice.

Finally, as the offshore markets kept on going down in value, it made sense to exploit the opportunity of venturing offshore, to purchase world class companies that dominate their global markets and are on similar ratings to their local contemporaries.

Nonetheless, where we find a company in our part of the world that warrants investment, we will happily bring back the cash to invest. We have an edge in some of these smaller companies and there is sense in purchasing solid South African companies at bargain basement prices.

Offshore Markets

Much of the Fund's cash was invested in two of the best performing currencies, the Euro and the Australian dollar. We received reasonable returns of interest versus what we gave up on the Rand. In terms of risk, we lowered this considerably by having investments in sovereign debt. On this call we scored well.

Unfortunately, our equity investments were in two regions which underperformed in 2007, namely the USA and Japan. Our reasons for being in these markets are well documented in the fact sheets, as well as in last year's annual letter. The currencies and the equity markets chosen were the major reason for our underperformance versus other competitors over the 2007 period. In the broader context, many of our investment decisions will be better understood against the context of our investment process, highlighted above, and indeed with the added advantage of acknowledging 2008 market developments when these investments were to come through for us. As one of my favourite rugby players has commented: "the Currie cup is not won in June" and so too it was to be in the markets.

Our stock picking was good, with losses kept to a minimum, and our large picks such as Berkshire, Walmart and Washington Post held up. Our fund managers, Morant Wright, had a tough time in Japan but our persistence with them would pay off in 2008. Orbis Japan was removed from the fund owing to an onerous performance fee structure which was not clear to us.

We had wonderful success with Redwood Trust, Chesapeake, Conoco, Dollar General, Discovery, Joy Global, SK Telekom and Yamada Denki. Disappointing were USG, Sprint and Marsh Maclennan, but, all in all, small in the bigger picture.

In conclusion, we invested in the right currencies, but our equity regions were not 2007's performers. Our stock picking was reasonable although the benefit of these picks would only come through in the New Year. I have said in the past that some of our best investment decisions are made in years where one seemingly pays the price of underperformance only to be rewarded by seeing them come through in the following years. This is perhaps yet another reminder of the old truism concerning the virtue of patience. In our opinion, Japan and large cap USA show good promise to be just such examples.

WHAT IS THE MARKET GOING TO DO?

Reading a lot at Aylett & CO is a prescribed activity. We read continuously, almost anything we can get our hands on and that will help us do our job better. Often this requires sorting the facts from what people say as opposed to what they know. On many occasions they are in fact telling you what they want you to hear or what they hope will transpire.

What I cannot work out is why so much airtime is given to commentators who seem to be able to tell you where a stock is going or where the Rand is headed. If they really knew, would it make sense to tell all? It is tantamount to broadcasting to the nation every time you discover a treasure site before you peg your claim. Rational investors simply do not engage in this type of behavior. They peg their claims and then discreetly go about digging hard and deep.

Politicians and Reserve Bank governors, to name a few, are experts at perception management. I have taken the liberty of reproducing a chart from the Gloom, Boom and Doom publication (see below) on the 1929 – '34 stock market crash. I include it a bit tongue in cheek, but it does a good job of showing how perceptions are often managed. All the statements were made by knowledgeable people who were proved wrong on the direction of events to follow. Due to space constraints, I have only captured a few.

So what has all this got to do with where the markets are going? I truly don't think many out there ever know the answers, and certainly not with consistency over a long period of time. We are not ashamed to say that we don't know either. That is why we stick to analysing the facts and try to ignore the musings of market commentators. We far prefer using the pessimism of the market to serve us great prices of things we understand and whose investment case we can explain. As the father of value investing said "you are successful in investing because the facts are right."

When making an investment decision, it boils down to basing your decision on what you know and how well you understand it. Newspapers and television experts can be very compelling in forming investor opinion. Nonetheless, investors are far better advised to form their own opinions based on thorough homework rather than listen to these "gurus". Secondly, a fund manager not prepared to talk to investors about what they are doing with your money is not a good sign. There are excellent websites where fund managers talk passionately about their work. Finally, nothing really replaces reading the annual company report. The fair disclosure rules have made it much easier for investors to make informed decisions.

Aylett & Company Fund Managers is now in its third year of existence. Our intent is to grow our business in a measured way and we've been rewarded with wonderful support from investors. We are privileged to be a Nedgroup appointed portfolio manager, who, along with others, have entrusted our team with an investment mandate for the Nedgroup Bravata Worldwide Flexible Fund. It is important to us that clients and investors are in synch with our style of investing and get to know us a little better as an investment house.

Figure 11 **Colin Seymour's 1927–1933 Chart of Pompous Prognosticators**

1."We will not have any more crashes in our time" ***John Maynard Keynes***

8. "Financial storm definitely passed" ***Bernard Baruch*** Letter to Winston Churchill.

15. " Gentleman, you have come sixty days too late. The depression is over." ***Herbert Hoover , president of the USA***

20. "All safe deposits in banks have been sealed…. May be only opened in the prescence of an IRS agent" ***F.D.Roosevelt,USA president,1933***

ETHICS AND COST ETHOS

When our company started we had very little experience in setting the ground rules. Two gentlemen had a profound influence on my life as an asset manager and each left a lasting impression on me regarding two aspects of running an investment operation viz. a code of ethics and a cost ethos.

Code of Ethics

At Aylett & Co we decided upfront that we would apply the highest possible standards of correctness, legality and fairness. We test this, by asking ourselves that should our action be recorded on the front page of the daily newspaper, would our harshest critic concede that we had acted correctly, legally and fairly? This we call the "newspaper test" and we find that it encourages the highest possible standard.

This simple rule has steered us clear of a host of potential problems and, in the long run, has saved much time and unnecessary distraction that would otherwise have been spent on making business "calls" that come close to being questionable. Circumventing the law is simple – it's out. It is, however, much harder to decide, in the absence of prescribed rules and standards, what is permissible or not. Many would be surprised to know how often this is the case in the investment industry, whether looking at fees, performance, investments, etc. At Aylett & Co, our philosophy is not to wait to call it out if it crosses the line, but rather to call it out even if it comes close to the line. Applying the newspaper test does this rather well and on many occasions we have called "the ball out" because it was too close to the line. At Aylett & Co, "close to the line is out"!

Cost ethos

One of the major advantages of employing young, eager, well educated partners, who share in the profits, is their desire to keep costs down. I'm often surprised by the many methods my team employs to this end.

The big driver of cost management is their use of technology which never ceases in yielding ways to do things better and cheaper. I am still battling to read off a screen and will always need to print out my reading but my colleagues get very upset if I don't print on both sides of the page! Our telephone charges are much lower than I ever budgeted because of VOIP (for those laymen this means using the internet to speak for free). We are quite happy to put out our own refuse or make the tea and have a wonderful collegial atmosphere where we work for the mutual benefit of our investors, our shareholders and our team.

As my family is a shareholder in the business I am delighted to see this type of parsimonious behaviour. But why is this important to investors?

I have noticed that if one employs small habits that are beneficial to oneself personally, one will tend to employ the same habits in one's work. Bad habits and poor form can survive and be ignored for a short while, but invariably go on to become permanent, large errors in your investment operation.

I believe that if your ethics are strong and your approach is spendthrift in your personal life, the same will apply in your work place and both these qualities will go a long way in helping one to invest in a proper manner.

INVESTMENT STRATEGY FOR 2008

In 2007, we chose to invest in markets that were shunned by most investors, namely large cap USA and Japan. We favoured investments with strong balance sheets that were buying back their shares, had little debt and dominated their markets. Furthermore, valuation appeared to be on our side. The Japanese currency was a major uncharacteristic call on our part. It was really hard to find opportunities in Europe, small caps around the globe and certainly in parts of Asia such as India and China.

In 2008 the exact opposite is happening and for the first time we are seeing value in South Africa, Europe and again in the USA and Japan. The greatest challenge is to buy into good companies since Mr. Market is throwing out good companies with the bad. Looking at the major holdings in the Fund's portfolio will hopefully give the investor some sense of how we anticipate performing in the next few years.

Berkshire Hathaway (BRK)

We hold this company simply because it is run by the most rational allocator of shareholder funds and by management we trust. It is a business made up of many businesses and whose managers are everyday trying to enlarge the competitive moats surrounding these companies while at the same time trying to delight their customers. In a world where the baby is often being thrown out with the proverbial bathwater, this company has cash on the balance sheet to take serious advantage of defeated prices. We also do not pay very much for the services of Mr. Buffet. Historically, it is not expensive and should go on to beat the market over the long term. It is, however, a very large cap and thus has the law of numbers potentially against it. Were this not the case, we'd love to own more of it.

WalMart (WMT)

This is the world's largest retailer which, for a number of years, market participants had ignored owing to bad press. We invested in WalMart when it had a market cap of $180 billion, produced $18 billion of cash and reinvested $15 billion into two new stores a day. It is now a company that has a buyback facility of $15 billion, has scaled back its expansion of stores and sold off unsuccessful stores offshore. We expect the increased excess cash flow to be returned to shareholders. The company is benefiting by the slowdown in the USA as consumers trade down to discount retailers during tough times. In the longer term WMT foreign revenues will become a bigger part of the business and should compensate for the more mature markets of the USA. At present, they open one store a week in China. "Pile them high and sell them cheap" still seems to be working.

Morant Wright

Morant Wright can best be described as the deepest of value fund managers. We have known them for a long time and they've been a good partnership for us. Numerous cases can be made for investing in Japan, but what stands out for us is valuation. We do not buy wholesale into the idea that a western style market is going to unlock the value inherent in Japan. But it is a region that has flushed out many years of excess capital, has paid its "school fees", and dividends and share buybacks are increasing. Dividend yields on Japanese government bonds are lower than those received on equities. There is also the Yen, which we feel is undervalued. We like Morant's investment philosophy and their focus on domestic Japanese stocks.

Lewis (LEW)

This is a South African furniture retailer that has been relegated with the likes of JD Group and Ellerines. While we suspect the quality of earnings were not as high as we had hoped for, the market has decided that this share is as low on merit as the other two. This is a single brand furniture company that uses furniture retailing as a form of distributing its financial services. We are paying about 8 times cash flow (assuming no growth). Competitive forces will build up into the future as Abil consolidates and repositions Ellerines and JD group perhaps recovers. However, management at Lewis is conservative, have a cost ethos and remain good at what they do. Our dividend yield is about 10% and management is committed to buybacks.

Remgro (REM)

An old favourite of ours, that the market from time to time gives us wonderful buying opportunities. Essentially, it is a holding company, which over time should either sell off its smaller holdings or unbundle its holding in the tobacco company BAT. Cash will build up over time and, if not invested, will either go to share buybacks, or, more importantly, will be invested in undervalued companies they understand. When we buy REM we get a good overseas tobacco company, a South African bank that could be sold one day and a small stake in Implats at a significant discount. Finally, that all important ingredient - we trust management.

Washington Post (WPO)

Contrary to popular perception this not really a media company, but rather the second largest education company in the USA. It is also a cable company and owns 6 Terrestrial TV stations. It also owns the Washington Post newspaper (known for breaking the Watergate scandal on Nixon) and Newsweek. For those who enjoy a great, autobiographical read I can highly recommend *Personal History by Katherine Graham,* whose family history was tied up in the Washington Post. WPO also has hidden assets in the form of a $1 billion pension fund surplus, which may be used for retrenchment expenses and over $600 million in Berkshire Hathaway and Corinthinan Colleges. With the exception of Berkshire, it probably has one of the better boards of directors in America. We know that traditional media is in decline, but the company's assets in education, cable and other compensate for this. For a good experience, visit their informative website www.washingtonpost.com.

Dell

Dell is all about a back to basics for the PC manufacturer and valuation. For a number of years Dell did a poor job of after sales service and failed to adapt its model. Founder, Michael Dell, is back as CEO and the effects of his efforts are visible in the marketing campaigns as well as in improved service levels. Valuation remains our main reason for purchasing this company whose share produces a cash coupon of 2 dollars per annum. It intends to reduce costs of $3 billion over the next three years – equivalent to 1 dollar per share. It also has about 5 dollars per share of cash on the balance sheet. So if you do the math, on a share price of 21 dollars, it will take about seven years to get your money back. The company just completed a stock repurchase of its own shares which amounted to 8% of the company's issued stock.

PROSPECTS

The market is, in the short term, a voting machine and, in the long term, a weighing machine. At the time of writing, we are witnessing the phenomenon where some very good companies are being sold as if there is no future for these businesses.

We may have been guilty of calling the flood and not building a big enough ark, but in anticipation of the turmoil we are witnessing across the globe, we had about 25% of our fund in cash at the beginning of the year. Perhaps we could have had more cash. At present we are putting this cash into well managed companies.

The secret of successful investing is to have the market serve you. The beauty of this approach is that one only has to swing when it suits you. The reward of patience is often a second or third chance to buy companies that one has sold at high levels and to buy them back, within a year, at close to the same attractive entry prices one paid previously. Coke (KO) and Comast (CMCSK) are two good examples.

Inevitably, there are times when "the market" loses its mind completely and sells assets at levels beyond imagination. These are the assets that we are buying. A mantra of mine is that pessimism is always on the side of the buyer and it must be said that we are at levels that I've not seen before in my career as a fund manager.

POST SCRIPT……..

REVIEW UPDATE: SIX MONTHS TO 30 JUNE 2008

Owing to the late publication of our annual review some discussion of the first six months of this year is warranted to provide added context for our investors. To put it bluntly it has been a torrid time in the markets and many asset classes have suffered negative returns in excess of 20%. Worldwide, even the security of cash held at certain banks was threatened. On this point, we have always preferred to keep our long term cash invested in AAA rated sovereign bonds at the sacrifice of yield. Very few assets have offered protection against the declines seen in asset prices. Only momentum investors in commodity based currencies and stocks did well and twice this year these assets have suffered mighty declines. These asset classes are not for us. We prefer to invest in companies neglected or under-researched by the market, counters that have been valued on depressed earnings and priced as if they will not be around in five years time.

Much of the volatility was expected and many of the concerns we've been expressing for some time now, were realized this year. Fortunately, the regions, shares and currencies we chose have outperformed on a relative basis and our conservative stance over the last two years has, to some degree, protected us. This can be seen in considering the relative performance against similar funds with roughly the same offshore exposure.

There may be investors who think we may have erred in our investing by being too early. One investor mentioned that we should have had more cash. Perhaps, but Mr. Market has thrown so many good companies at us at great prices that were very difficult to overlook. It is pertinent to mention that we started the year with about 25% cash exposure and many of the shares we've subsequently purchased had been priced for poor returns. However, when the markets capitulated, the entire market sold off. Happily, we are now witnessing the recovery of some of these shares to levels at when pessimism kicked in. Ultimately, of course, it will be the earnings produced by these shares that will determine their actual and more sustainable price levels.

It is very difficult to talk about performance owing to the volatility in the markets. Literally overnight some companies lost 30% of their market capitalisation only to regain it within 2 days. Wells Fargo, one the very few AAA rated banks in the world, saw its stock price drop to 20 dollars and then rebound to 28 dollars all within a week. Furthermore, into this negative news we are purchasing shares which will take us down as we buy. Our aim is to take advantage of the madness of the market, thereby securing excellent prices for businesses we have admired for a very long time but that have been too expensive to buy. Do we now wait in the interest of preserving a track record and run the risk of missing great buying opportunities? As I pointed out in the recent July fact sheet, the chances of timing the markets to perfection are highly unlikely. Research has shown that the odds of getting it dead right are very low.

The problems that face the world are numerous and don't need repeating. Many of these crises have happened previously, under various guises, and all that investors have done is to invent new descriptions of old ways to lose money. I do not wish to belittle this crisis. We recognize that it is big and, in our opinion, long overdue but having said this, many of the regions, companies and assets we are investing in are not linked to this world crisis. Selling furniture in South Africa has very little correlation to consumer patterns in the USA. Indirectly there may well be some effect, but typically if these risks are present they are already priced into a number of shares that we own.

If I may end this short review update by repeating what I have said before: At Aylett & Co our investment behaviour is well described by that lovely Greek word "ataraxia"- the state of not being bothered by things that bother other people. As investors our team is "inversely emotional" (greedy when others are fearful and fearful when others are greedy) and we cannot wait for bonus time to invest more of our own money into Aylett & Co managed Funds. There's simply nothing to beat buying at a discount and one gets a certain amount of deep satisfaction being the "counterparty".

Should investors wish to access additional information on Bravata Worldwide Flexible Fund for the reported period, please visit the Nedgroup website at the following address: www.Nedgroupinvetments.co.za. If that does not meet your requirements you are more than welcome to give us a call at Aylett & Co on 0216731460.

Walter

Walter Aylett
Fund Manager