



NEDGROUP
INVESTMENTS

UNIT TRUSTS | INTERNATIONAL | RETIREMENT FUNDS

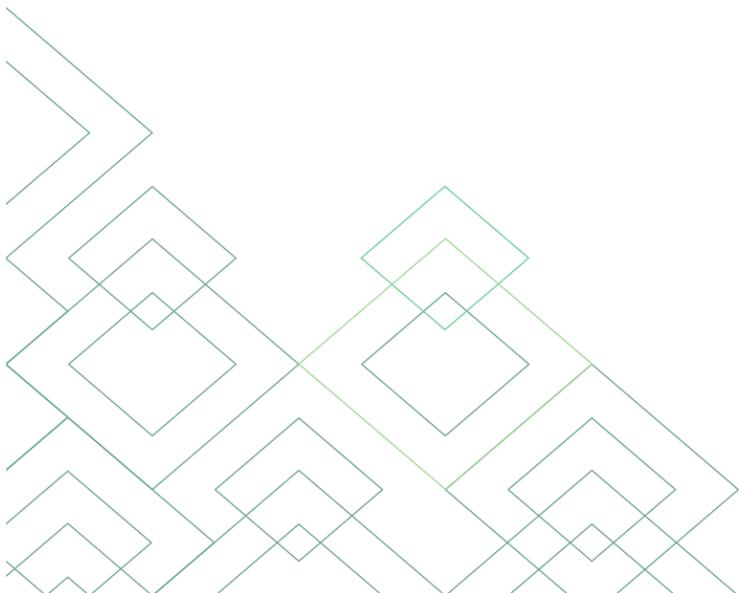
see money differently



NEDGROUP INVESTMENTS

Bravata Worldwide Flexible

Quarter Two, 2021





Performance

The Bravata Worldwide Flexible Fund (“Fund”) continued its strong rebound over the course of the second quarter, which helped propel the 1-year return well ahead of the inflation +5% benchmark. However, these are short term performance indicators, and while these are pleasing to present to clients, the manager obsesses about delivering longer term performance through multiple investment cycles. Here, the manager is proud to report that clients invested in the Fund over the past 7-years, 10-years and since inception have achieved their investment objectives of preserving the real purchasing power of invested capital. This performance is outlined in the table below:

Annualised cumulative returns p.a.	1 year	3 year	5 year	10-year	Since Inception
Fund – A Class ¹	31.3%	12.7%	9.5%	14.0%	10.9%
Benchmark ²	11.3%	9.4%	9.7%	10.3%	10.7%

Source: Morningstar

Below is a table of the contributors and detractors of performance. It is pleasing to note that our performance has come from our commitment to long term thinking, patience and sticking to an investment philosophy that has worked for 25 years. While sometimes difficult in the short term, our approach shows that patience rewards the investor over the long term.

From 31/12/2020 to 30/06/2021

Holding	Contributor %
Royal Bafokeng Platinum Ltd	5.4
Transaction Capital Ltd	2.3
L Brands Inc	1.7
Berkshire Hathaway Inc-CI B	1.2
Oriental Watch Holdings	1.0

From 31/12/2020 to 30/06/2021

Holding	Detractor %
Melco International Develop.	-0.2
USD Cash	-0.2
RECM & Calibre Ltd	-0.1
Sabre Corp	-0.1

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

Source: Bloomberg, 30 June 2021

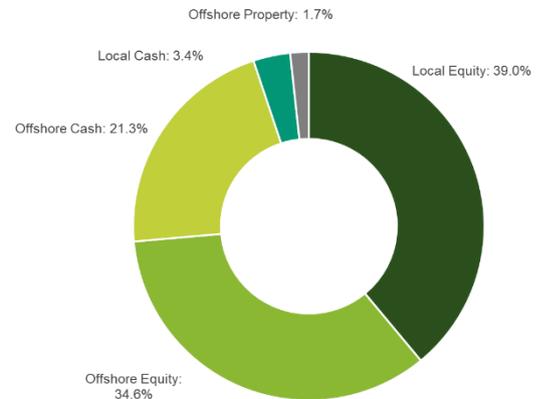
Asset Allocation

We are not ones to forecast overall market levels, but it does seem likely to us that some form of correction or at least a slowdown is more likely from these valuation levels. Markets have rebounded significantly post the COVID crisis in 2020 and are pricing in what we believe is a high level of optimism for future returns. To this end, we have made more cash available in the fund and reduced a number of holdings where valuations are full. We have also moved a significant amount of cash offshore, which currently yields very little, but provides us with the ability to invest into attractive opportunities and buy into any weaknesses that might occur.

Holdings	Holding (%) 30 Jun 2021	Holding (%) 31 Dec 2020	Change (%)
Royal Bafokeng Platinum Ltd	9.8	8.5	1.2
Reinet Investments SCA	8.8	9.8	-1.0
Berkshire Hathaway Inc-CI B	5.8	8.0	-2.1
Transaction Capital Ltd	5.2	6.1	-0.9
AECI Ltd	4.5	4.8	-0.3
Spirit Aerosystems Hold-CI A	3.1	3.2	-0.1
Melco International Develop.	3.1	4.1	-1.0
Oriental Watch Holdings	2.5	1.9	0.6
L Brands Inc	2.3	2.0	0.3
Wabtec Corp	2.0	0.0	2.0
	47.1	48.4	

Date: 30 June 2021

Source: Bloomberg, 30 June 2021



¹ Net return for the Nedgroup Investments Bravata Worldwide Flexible Fund, A class

² Benchmark is the South Africa CPI+5% (trailing one month Headline Inflation rate)





The fund continues to reduce long-term holdings which have done well in favour of new stocks in the transportation and travel sector, as well as some previous winners of the past. Our South African stocks remain mostly unchanged and are still relatively underpriced versus our assessment of their intrinsic value. Stocks that have run hard and have become too large in terms of exposure have been trimmed back to make way for other stocks. Transaction Capital is an example of a stock that we purchased five years ago for a price of 475 cents and reached a price of 3800 cents recently, an excellent performance for our clients.

Transactions for the period

Entries

From 31/12/2020 to 30/06/2021

	Holding (%)	Change (%)
Wabtec Corp	2.0	2.0

Up Weights

From 31/12/2020 to 30/06/2021

	Holding (%)	Change (%)
Sabre Corp	1.8	0.8
Hudaco Industries Ltd	1.4	0.6
Tsogo Sun Gaming Ltd	1.7	0.5
Long4Life Ltd	1.6	0.3
BP Plc	0.9	0.2
Spur Corp Ltd	0.9	0.1

Exits

From 31/12/2020 to 30/06/2021

	Holding (%)	Change (%)
Jefferies Financial Group In	0.0	-1.7
Lazard Ltd-CI A	0.0	-1.1
African Oxygen Ltd	0.0	-0.7

Down Weights

From 31/12/2020 to 30/06/2021

	Holding (%)	Change (%)
Berkshire Hathaway Inc-CI B	5.8	-2.1
Bank Of New York Mellon Corp	1.1	-1.4
Transaction Capital Ltd	5.2	-0.9
US Bancorp	0.9	-0.3
Bank Of America Corp	0.8	-0.1

Date: 31 December 2020 to 30 June 2021

Market Outlook

In line with our earlier comment on overall market valuations, we found the charts below to be instructive. Since the March low of last year world markets have doubled, despite the economic pressures seen in some industries.

World Stock Market Index



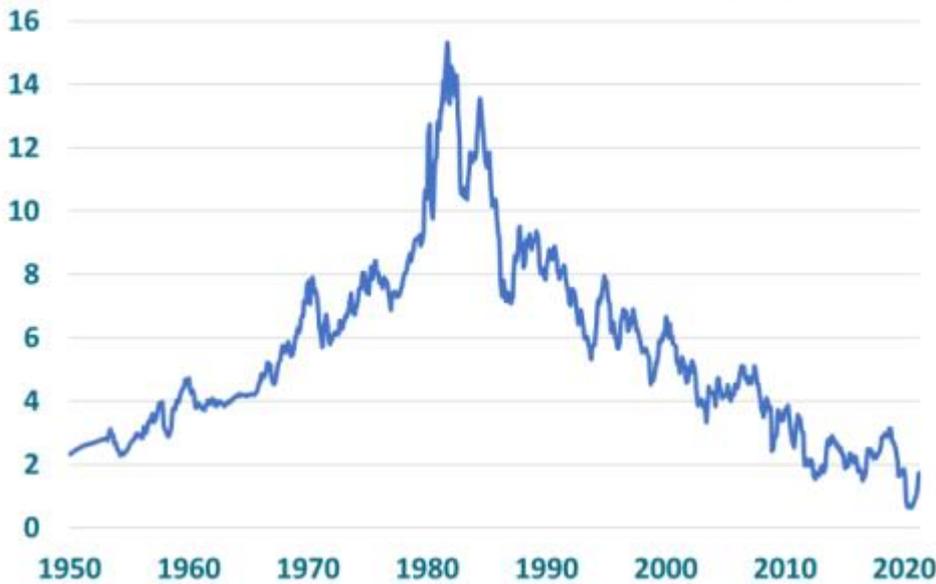
Source: Parker & Co, Investigator Trust June 2021 Report, www.packerco.com/media/newsletters





Interest rates have been steadily declining for the past 40 years which has resulted in a period of general prosperity for asset owners. However, rates clearly cannot decline much further from these levels.

Long Term Interest Rates (%)



Source: Parker & Co, Investigator Trust June 2021 Report, www.packerco.com/media/newsletters

The implications of these lower yields have allowed stock markets, particularly growth stocks such as tech, to achieve historically high valuations.

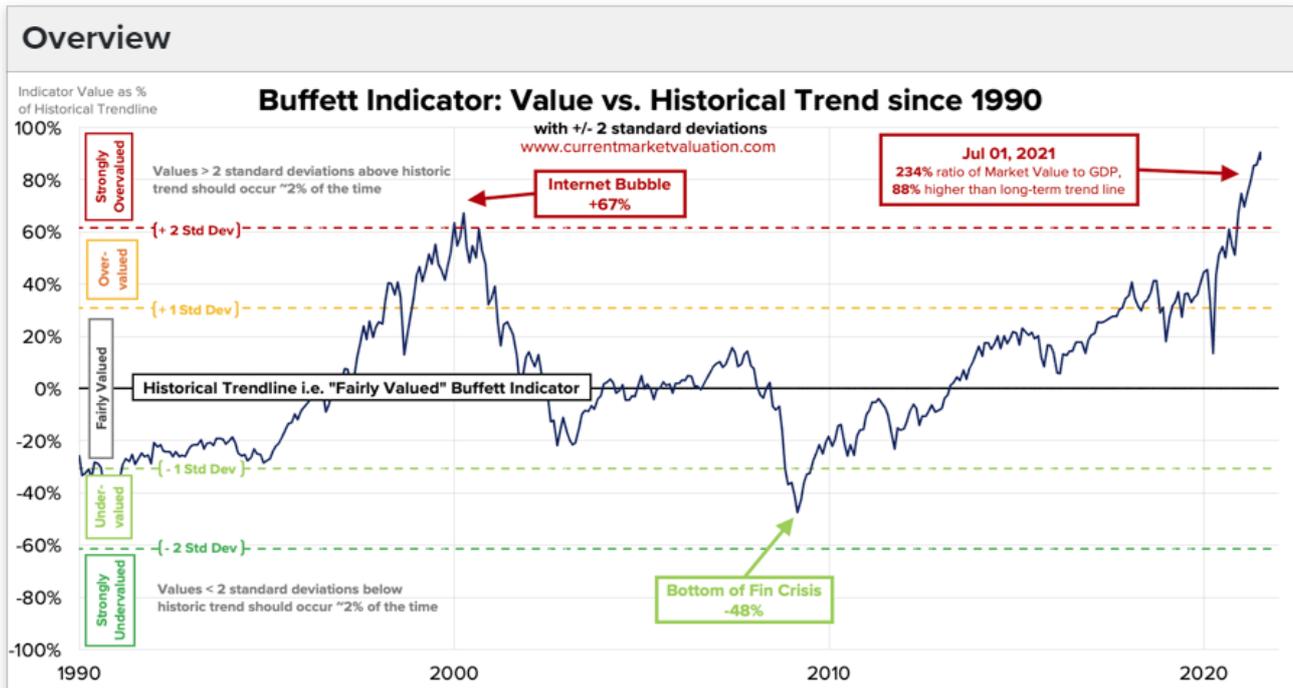
Long Term Interest Rates vs Shiller Stock Market Earnings Yield



Source: Parker & Co, Investigator Trust June 2021 Report, <https://www.packerco.com/media/newsletters>

The popular Buffett Indicator is suggesting that the US stock market valuation appears overvalued at these levels after accounting for the trajectory of economic growth, measured by GDP.





The Buffet Indicator is the ratio of total US stock market valuation to GDP as of 30 June 2021.
Source: www.currentmarketvaluation.com

Low rates, cheap money and the recent increase in retail trading have seen margin debt increase to levels of market crises of the past, namely the 2008 global financial crisis and the 2000 internet bubble. This is important because if stocks markets fall, these investors are likely to have margin calls which they will need to fund to hold their positions in financial markets. If they can't raise the capital to fund these positions, they become forced sellers of stocks which puts tremendous pressure on market prices. We see this as a major risk in the current market environment.

US Margin Debt Outstanding Year on Year % Growth



Source: Parker & Co, Investigator Trust June 2021 Report, <https://www.packerco.com/media/newsletters>





Conclusion

The above graphs, along with many other indicators, suggest to us that markets are pricing in a level of optimism with which we do not feel comfortable. Government debt levels are at all-time highs in many countries, aided by interest rates at all-time lows. Should anything change, the consequences could be dire. It seems to us that an entire generation of investors has not experienced rising interest rates or inflation and we are not sure what happens should either increase materially.

How this plays out we simply don't know. However, all signs point to a lack of sensitivity for valuations and too much optimism being priced into assets. While we do not attempt to time markets and have been very wrong about the direction of prices in the past, we find it difficult to be optimistic right now given all we see. We prefer to sell assets that we feel are at full valuations, invest in those where we have a sufficient margin of safety and otherwise keep cash on hand to be ready to deploy aggressively should Mr. Market oblige.





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

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