



# This outperforming boutique flexible strategy seeks momentum and growth

The Raven BCI Worldwide Flexible fund has delivered a strong rebound in 2023, gaining 56% during the first seven months of the year after falling by 43% last year.

BY **PATRICK CAIRNS**

When screening for investment opportunities, the team behind the top-performing R186.5m [Raven BCI Worldwide Flexible fund](#) is searching for one thing above all.

'We look for stocks that have outperformed on a relative strength basis over different time intervals,' Raven analyst Sam Crocker told Citywire South Africa in an interview. 'This is an early indicator of momentum and growth.'

'We are not old-school analysts. We don't try to build our own valuation models. There are many valuation models provided by analysts that we have access to.'

'We watch different time horizons on stock price momentum using relative strength versus different indices, and we use these as signals for loading up or getting out.'

This price action screen narrows the universe for the firm, which then scrutinises company fundamentals to identify the stocks it wants to hold.

'We seek to invest in companies with existing or potentially higher growth, sound business models, a product or service that satisfies a clear need now or into the future, and we look for management with integrity and good corporate governance,' said portfolio manager [Carey McElhone](#).

Crocker (pictured below) added that they also want to see a measure of quality.





'We look for companies that have a moat and aren't cyclical,' he said. 'That's not to say we would never invest in something cyclical, but it's difficult to read those market cycles.'

The fund, which was originally the Naviga BCI Worldwide Flexible fund, returned 15.8% per year for the five years to the end of June, according to its latest fact sheet. That's more than 5% per annum higher than its benchmark of CPI + 5%.

However, this performance has come with high volatility. For example, in 2022 the fund was down 42.8%. For the year to July, it has gained 56%, according to Morningstar.

In 2020, the fund lost as much as 30% in the initial Covid-19 crash but ended the year 78.5% higher.

'We don't try to time the market,' Crocker said. 'You just never know when to get in or out properly.'

'We prefer having high conviction, being concentrated, taking risk, and we have a very long time horizon so can ride the waves. We rebalance in and out of stocks but stay in the market over time.'

The portfolio currently holds just 16 stocks, which McElhone said is 'a little on the light side'. Typically, it holds between 22 and 25 stocks.

While the fund sits in the Asisa worldwide multi-asset flexible category, she added this was a legacy issue due to the portfolio that Raven initially inherited, as the fund is essentially a global equity portfolio. However, she does like the optionality it offers.

'We do like the flexibility that if we want to go 50% into cash, for example, we can. We haven't, to date, but we like that flexibility,' McElhone (pictured below) said.



Given its growth and momentum focus, the fund has primarily found opportunities in the US technology sector. While it does hold some big names, it also has interests in smaller shares with faster growth potential.

Its largest position is currently Super Micro Computer. Other top holdings include Apple, ON Semiconductor, Microsoft, Shopify, and Tesla.

The fund has also had success in other areas, for instance, in the shoe company Crocs and energy drink manufacturer Celsius.

'We've held Crocs for a few years,' McElhone said.

'It's had a great growth story. During Covid-19, it went through the roof. It's a brand that speaks to the younger generation. For instance, they've collaborated with Justin Bieber and his collection sold out within 90 minutes.'

The Crocs share price rallied from around \$40 at the start of 2020 to \$180 in November 2021. It has, however, struggled somewhat since then, and is currently around the \$100 mark. Raven has therefore lightened its exposure.

Celsius has been an even more impressive growth story, with its share price soaring from under \$5 at the start of 2020 to current levels of over \$140.

'Celsius has taken the energy drink market and turned it on its head,' McElhone said. 'They've promoted it as a drink that accelerates metabolism and burns body fat when exercising – a clean energy drink with no added nasties, and they have really targeted the female market.'

'It's been a great holding, but it could also be a fad, so we watch it carefully,' she added.

While many momentum-based strategies can be high turnover, Raven's longer-term approach means that trading costs are generally low. The fund has a total investment charge of just 0.88%, with an annual management fee of 0.69% and transaction costs of 0.18%.

'When we have a year like last year where we see the fund going down 43%, it's hard to stay the course,' McElhone said. 'But that's what we try to do. We have great stocks that we believe in, where the fundamentals are good, so we must stick to our guns.'

The Raven BCI Worldwide Flexible fund is the only strategy Raven Funds manages.

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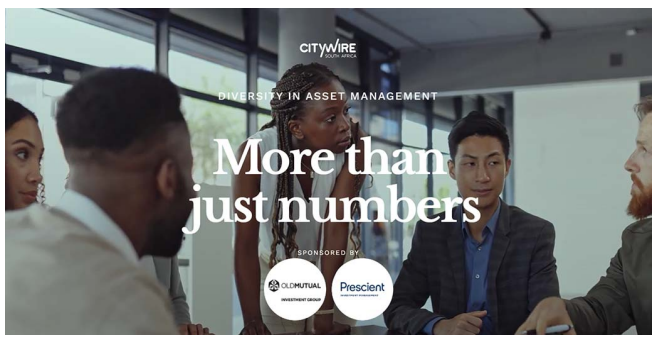




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