

sasfin

Wealth

# Sasfin Innovation Portfolio

Quarterly Review – Q4 2024



### The Innovation Portfolio | Q4 2024

The Sasfin Innovation Portfolio had a strong finish to 2024, increasing 8.3% in US dollars (17.8% in rands) in the fourth quarter to achieve a total return of 26.7% for the full year (29.9% in rands). Over the past 10 years, and since its inception, the portfolio has achieved an annualised return of 19.1% (24.1% in rands), comfortably outperforming the benchmark's return of 13.3%.

Most of the fourth quarter's gain occurred in November, following the election of Donald Trump as the president of the United States. Trump's policies of lower taxes and less regulation helped push markets to new record highs.

The top performer in the quarter was **Tesla**. The share ended the period over 50% higher as Trump is expected to look favourably on his major sponsor and new best friend, Elon Musk, and promote the advancement of US technology.

The share price of **InterDigital** rallied sharply following the release of the group's better-than-expected third quarter results at the start of November. **InterDigital** is a leading technology research and development company specialising in wireless communications, video, and artificial intelligence solutions. Founded in 1972, the company is known for its pioneering work in developing advanced technologies and intellectual property that drive global connectivity standards, including 5G, 6G, and beyond. InterDigital collaborates with industry leaders, universities, and standardisation bodies to deliver cutting-edge innovations that enhance mobile experiences, media delivery, and IoT ecosystems.

**Netflix**, one of the more recent additions to the portfolio, also performed well. The group reported its third quarter results in October, which exceeded market expectations, with earnings surpassing forecasts and shares nearing an all-time high. The company added 5 million subscribers, boosting its total to 283 million, driven by its ad-supported tier and password-sharing crackdown. Revenue grew 15% year-on-year to \$9.8 billion, with operating margins rising to 30%. Subscriber growth is expected to continue, supported by seasonal trends and new content.

### Portfolio changes

It was an exciting quarter in terms of changes made to the portfolio, with the introduction of several new stocks. We also exited a few positions. **NexTracker** and **Enphase Energy** were sold as the renewable energy sector faces a challenging landscape. While the secular trend toward green energy continues to disrupt traditional power generation, the sector remains highly dynamic. Companies that innovate and adapt to this evolving market stand to gain, whereas those reliant on legacy technologies face declining demand and increasing regulatory scrutiny.

Additionally, renewable energy investments are sensitive to economic cycles, with interest rates significantly influencing project feasibility and investment appetite. Finally, a Trump presidency poses additional risks, as policies favouring legacy energy sources could create broader headwinds for the industry. Considering these factors, we have reallocated capital from NexTracker and Enphase Energy to opportunities with more favourable prospects.

We sold the **ARK Genomic Revolution ETF** holding as we decided to shift our strategy and pick individual stocks that we believe have better prospects in the healthcare sector compared to holding a diversified ETF.

**Halozyne Therapeutics** presents a compelling investment as a "picks and shovels" play in the biotech space, with its Enhaze drug delivery technology serving as a critical enabler for the broader pharmaceutical industry. By licensing this technology to top-tier companies like Eli Lilly, Roche, Takeda, and Pfizer, Halozyne provides a valuable platform that enhances drug administration, particularly in oncology therapies, where efficient delivery is crucial.

Its advanced auto-injector technologies improve patient comfort and adherence, which are especially vital in cancer treatments. With two commercial products, Hylenex and Xyosted, and exclusive production of the proprietary enzyme rHuPH20, Halozyne offers an essential solution in the delivery of oncology drugs, solidifying its position as a leader in the space. This unique technology has positioned the company as a key player, supporting the growth of oncology therapies, making it a strong long-term investment opportunity.

Our decision to invest in **Eli Lilly** during the quarter was driven by its robust and innovative drug pipeline across high-growth therapeutic areas, including oncology, diabetes, neurology, and immunology. As a leader in the rapidly

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expanding obesity treatment market, which is projected to reach \$100-105 billion by 2030, the company's groundbreaking GLP-1 therapy, Zepbound (tirzepatide), also offers significant revenue potential.

Eli Lilly's portfolio is further strengthened by standout therapies like Verzenio for breast cancer and Leqembi (Kisunla), its FDA-approved Alzheimer's drug addressing a substantial unmet need. Coupled with strategic M&A activity, disciplined R&D investment, and an experienced management team with a proven track record of execution, Eli Lilly is well-positioned for sustainable growth and shareholder value. Its financial resilience, operational efficiency, and focus on innovation make it a premier choice for investors seeking exposure to the thriving healthcare sector.

**Flutter Entertainment**, a global leader in sports betting and gambling, was another new addition to the portfolio. The company operates a wide range of well-known brands including FanDuel, Sportsbet, PokerStars, Betfair and Sky Betting. These brands make Flutter one of the largest online betting company in the world.

We decided to purchase Flutter for a few different reasons. Firstly, it has made impressive progress in breaking into high-growth markets, particularly in the US. FanDuel, one of its most famous brands, leads the US sports betting market, which is set to expand quickly as more states legalise online betting. The company's strategic acquisitions in countries such as Brazil and Europe further solidify its position in emerging and regulated markets.

Furthermore, the company has a strong focus on technology and customer experience. Its online platforms have an extremely user-friendly design which helps drive customer engagement. Additionally, as one of the largest online betting and gambling companies in the world, Flutter's diverse presence across multiple markets and platforms provides both reduced reliance on any single region or product.

Lastly, from a financial point of view, it has demonstrated strong financial performance and continues to drive growth through its diverse portfolio and the booming online betting market. The company also recently announced a \$5 billion dollar share buyback, which reflects management's confidence in the long-term potential of the company.

Finally, we added **Vertiv Holdings** to the portfolio. Vertiv is a leader in critical digital infrastructure. The company is uniquely positioned to benefit from the rapid expansion of AI-driven data centres and global cloud computing growth. An estimated 80% of Vertiv's revenue is derived from the data centre segment, with the company being a leader in thermal management, power switching and 3 phase UPS.

The core theme we highlight is Vertiv's thermal management solutions which maintain optimal operating temperatures for data centres and critical IT infrastructure, essential for preventing downtime. The growth of AI workloads, particularly training large language models and running inference processes, demands significant computational power. These workloads require robust, high-efficiency cooling and power management solutions, areas where Vertiv excels. Industry estimates indicate AI-related data centre spending is expected to grow at a 30%+ annual growth rate over the next five years.

In addition to the AI and data centre spend, another key growth vector is the rise in 5G computing, as Vertiv's modular and energy-efficient solutions are gaining traction in decentralised network infrastructure.

Along with the growing order book, the company continues to expand in regions outside of the US, particularly in Asia. With a clear focus on sustainability, and a valuation that looks attractive compared to peers, Vertiv offers a compelling opportunity for investors looking to tap into the digital infrastructure megatrend.

*Commentary by Nicholas Dakin*

USD returns

	3 months	1 year	3 years	5 years	10 years	Inception
Innovation Portfolio	8.3	26.7	2.9	13.0	19.1	19.1
Russell Small Cap Growth Index	7.8	22.5	2.6	12.3	13.3	13.3
FTSE/JSE All Share Index	-10.6	9.9	2.8	5.6	7.8	3.8

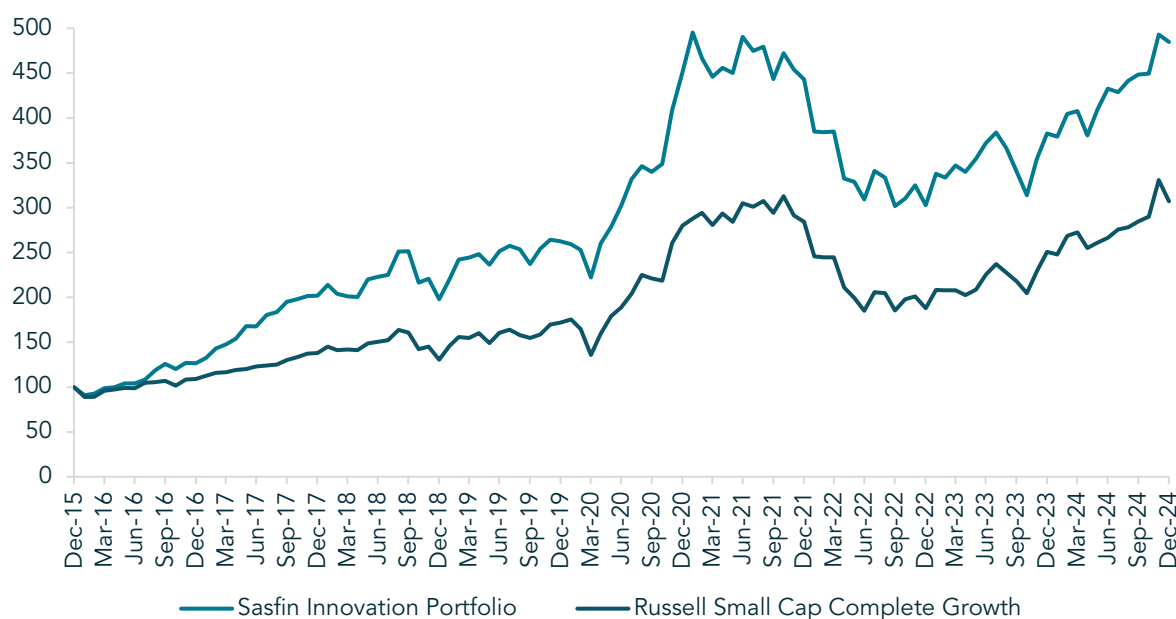
As of 31 December 2024. Returns greater than one year are annualised returns

ZAR returns

	3 months	1 year	3 years	5 years	10 years	Inception
Innovation Portfolio	17.8	29.9	8.6	19.2	24.1	24.1
Russell Small Cap Growth Index	17.3	25.7	8.3	18.5	18.3	18.3
FTSE/JSE All Share Index	-1.1	13.1	8.5	11.8	8.8	8.8

As of 31 December 2024. Returns greater than one year are annualised returns

Indexed performance in USD since inception – USD total return (%)



### APPENDIX

#### What is the Innovation Portfolio?

- Numerous disruptive thematic innovations are set to fuel world economic growth in the 2020s. The Innovation Portfolio seeks to capitalise on the themes driving this growth such as Smart Mobility, Healthcare Innovation, Internet-of-Things & 5G, Robotics & AI, Cloud Computing & Cybersecurity, e-Commerce & Digital entertainment, and Clean Energy.
- The Innovation Portfolio invests in innovative global companies, using a combination of **active and passive investment strategies**. The portfolio invests in exchange traded funds (ETFs) to provide diversified exposure to each of the investment themes. Thereafter, stocks are selected by the investment team to complement these ETFs within each theme.
- It is an **offshore share portfolio** (the client owns each of the underlying holdings), based in US dollars, and benchmarked against the Russell Small Cap Complete Growth Index.

#### Why should you consider investing in this portfolio?

- The Innovation Portfolio provides **exposure to innovative global companies** that are positioned to benefit from attractive long-term investment themes that are driving growth and changing the world.
- The portfolio is managed by a **dedicated and experienced investment team**, with a deep understanding of global markets, the investment themes, and underlying holdings.
- The portfolio contains a relatively **small number of holdings** to ensure that they are understood in detail. However, it is highly diversified across geographies, sectors, and investment themes.
- All proposed portfolio changes must be passed by the Sasfin Investment Committee thereby ensuring **good governance**.



### INVESTMENT TEAM



**Craig Pheiffer, CFA**

Craig began his career as an investment professional in 1990 in the fixed income division of Frankel Kruger stockbrokers. He was involved with bond trading, institutional bond sales, primary dealing and market-making and has held various investment strategy roles since being appointed Chief Investment Strategist at Sasfin Frankel Pollak Securities in 2000. Craig is the chair of the Sasfin Securities Investment Committee and a CFA Charterholder and holds a BSc Computer Science (Wits), and a BCom, BCom Hons and an MCom in Economics (Unisa).



**Nicholas Dakin**

Nicholas is a Portfolio Manager based at Sasfin's Cape Town branch, with over seven years of industry experience. He manages bespoke portfolios for private clients. Nicholas is a member of the Sasfin Securities Investment Committee and holds a Bachelor of Business Science in Economics Honours and Mathematical Statistics Honours, and a Master of Commerce in Financial Markets from Rhodes University. He covers the following investment themes: Digital Entertainment & Education; Smart Mobility.



**Nicholas Pittaway**

Nicholas joined Sasfin Wealth at the start of 2021 as a Portfolio Manager with more than nine years of industry experience. With an investment universe that is constantly changing, Nicholas views change and thematic investing as an opportunity to create alpha / additional performance for clients. Nicholas holds a Bachelor of Commerce in Financial Planning and covers the following investment themes: Healthcare Innovation; Cloud computing & Cybersecurity.



**Wouter van der Merwe,  
CFA**

Wouter has worked as a Portfolio Manager at Sasfin Wealth for seven years. He is also a member of the Sasfin Securities Investment Committee and is particularly involved in looking at the technology sector. Wouter holds a Bachelor of Commerce in Financial Management, Honours in Financial Economics and Investment Management, and is a CFA Charterholder. Wouter covers the following investment themes: FinTech & E-Commerce; Automation, Robotics & Artificial Intelligence.



**Samuel van Tonder,  
CFA**

Sam has worked as a Portfolio Manager in David Shapiro's investment team for over five years. He is focused primarily on the management of offshore equity portfolios. Sam holds a Bachelor of Commerce in Investment Management, Honours in Economics and Financial Analysis, and is a CFA Charterholder. Sam covers the following investment themes: Healthcare Innovation; Clean Energy; Cloud Computing & Cybersecurity.



**Muhammed Wagley**

Muhammed Wagley is a Portfolio Manager at Sasfin Wealth. Prior to his employment as a portfolio manager, Muhammed had worked as a portfolio assistant in David Shapiro's investment team. Muhammed has an honours in Corporate Finance and Investment Management from Wits University and is currently a CFA Level 2 candidate. He has a methodical, bottom-line approach to the customer focused industry within which he operates and assists Nicholas Dakin with his coverage of the Digital Entertainment & Education Theme.

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