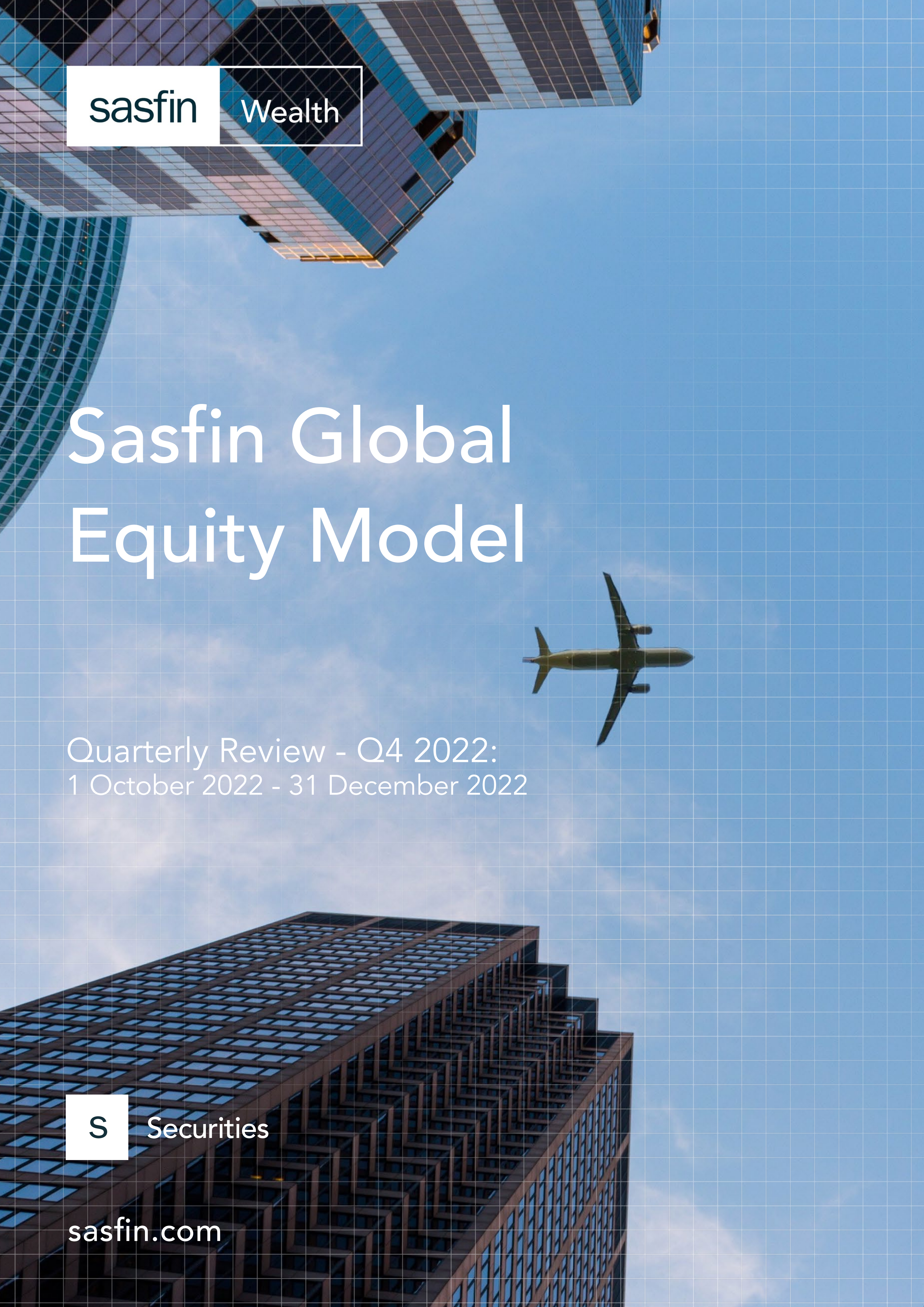

sasfin Wealth

Sasfin Global Equity Model

Quarterly Review - Q4 2022:
1 October 2022 - 31 December 2022

S Securities

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PERFORMANCE

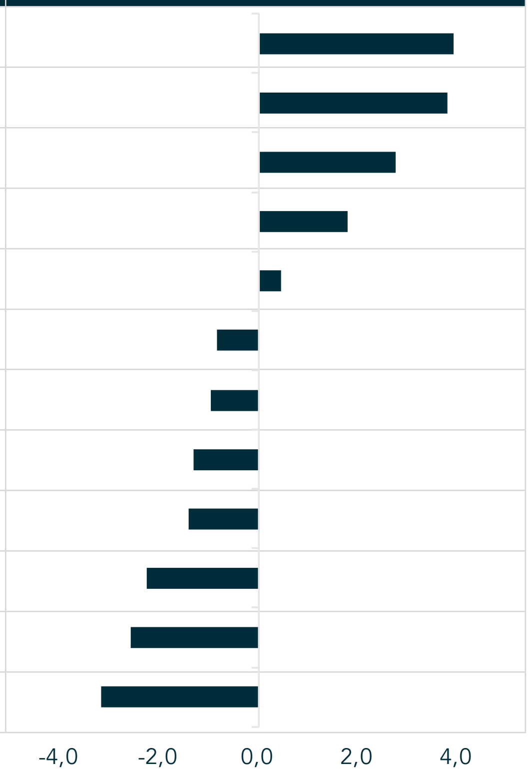
Total Return (%) - Period ended 31 December 2022

	Quarter	YTD	1 Year	3 Years[1]	5 Years[1]	Since Inception[1, 2]
SGEM	11.0	(16.0)	(16.0)	2.5	6.0	8.1
MSCI ACWI	9.8	(18.4)	(18.4)	4.0	5.2	6.7

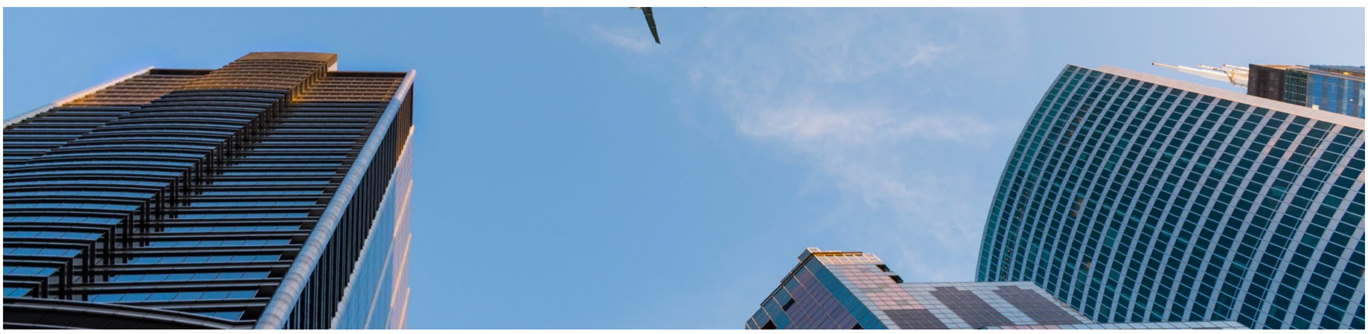
Source: Morningstar
Note:
1 – Annualised
2 – Inception date: 31 December 2014

Portfolio Positioning (% Weight)

Sector	SGEM	MSCI ACWI	Under/Over (%)
Cash	3.9	-	
Consumer Discretionary	14.2	10.4	
Consumer Staples	10.5	7.7	
Industrials	11.9	10.2	
Health Care	13.8	13.4	
Communication Services	5.9	6.8	
Materials	4.0	5.0	
Financials	13.9	15.2	
Information Technology	18.6	20.0	
Energy	3.3	5.6	
Real Estate	-	2.6	
Utilities	-	3.2	



Source: FactSet



MARKET COMMENTARY

Global equity markets ended 2022 on a positive note as the MSCI All Country World Index returned 9.8% during the fourth quarter. Gains in global stocks can largely be ascribed to participants in the equity markets anticipating a more subdued hawkish approach by central banks as we head into 2023. Global equities were also boosted following the news that Chinese authorities would relax certain lockdown conditions following a string of protests across the country. Despite the renewed ebullience within stock markets, bond yields edged higher during the quarter as the US and European 10-year benchmark yields closed the year at 3.88% (+8 bps) and 2.53% (+40 bps) respectively.

As exceedingly high levels of inflation continue to be the scourge of central bankers, particularly those in the developed markets, the pattern of rate hiking persisted during the final quarter. The US Federal Reserve ("Fed") increased its lending rate twice during the quarter, firstly by an increment of 75 basis points and later by a smaller increment of 50 basis points. The 25-basis point reduction in its most recent rate hike combined with what appears to be a plateauing of inflation elevated hope among some that the Fed might reduce its hawkish stance, possibly even pivot towards the doves, resulting in a renewal in confidence for stocks. For others, this may have just been a bear market rally, only time will tell.

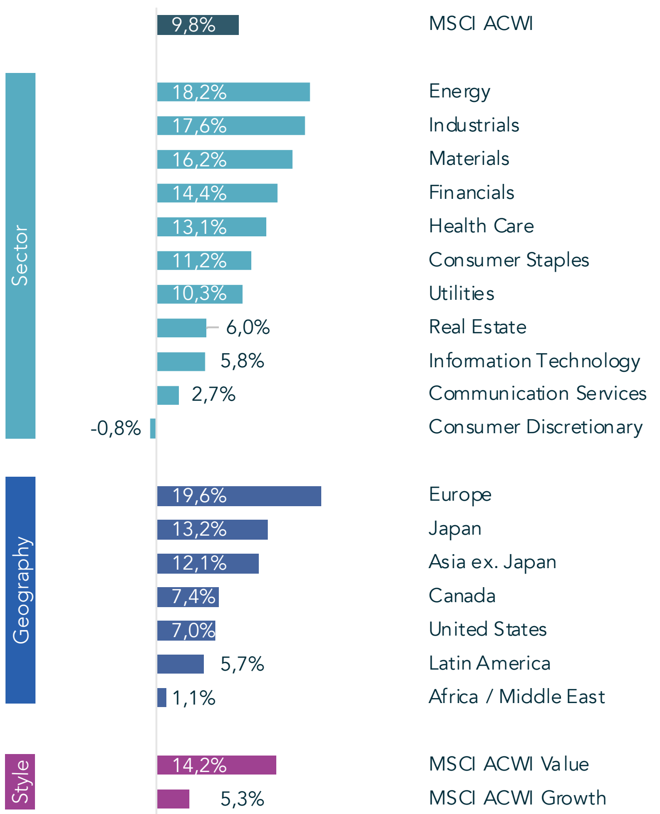
While the Fed will remain concerned over tackling inflation with higher interest rates, markets appear to have moved onto what the implications may be under an increasingly restrictive interest rate environment. The "R-word" is likely to be the hot topic in 2023 as recession fears loom. Corporate earnings and household balance sheets will be closely monitored for signs of deterioration, particularly in an environment of higher interest rates.

What is noteworthy about global stock returns during the final quarter of 2022 is the gulf in performance between growth and value stocks. The MSCI All Country World Value Index increased 14.2% compared to the 5.3% increase in the MSCI All Country World Growth Index.

Gains across the value cohort were broad-based during the quarter. Stocks within the materials sector benefitted from higher industrial metal prices which rose during the quarter against a backdrop of a weakening US dollar and China relaxing the country's lockdown restrictions. Strong earnings momentum continued to support investor sentiment towards the energy sector. Energy counters climbed higher during the quarter despite the prices of Brent crude and WTI ending the period relatively unchanged, as the pair closed December at $86 and $80 a barrel respectively. The increasing likelihood of a global recession has dampened the outlook for oil demand placing downward pressure on oil prices but the relaxation of lockdown restrictions in China and a weaker US dollar have provided pillars of price support.

Much of the relative underperformance during the quarter from growth stocks can be attributed to "big tech" names. Sentiment towards these more richly valued counters continued to fade during the final three months of the year owing to a variety of concerns. Challenges facing the US tech giants include production issues stemming from China as a result of intense lockdown conditions, regulatory concerns that include antitrust investigations as well as penalties and fines. Perhaps the biggest worry for investors and traders alike has been the recent slowdown in sales growth which may persist during a recessionary period.

MSCI Index performance (USD%)



Source: FactSet

PERFORMANCE AND ATTRIBUTION

The final quarter of 2022 was positive for global equity markets as well the Fund which returned 11.0% during the quarter, outperforming its benchmark in the process.

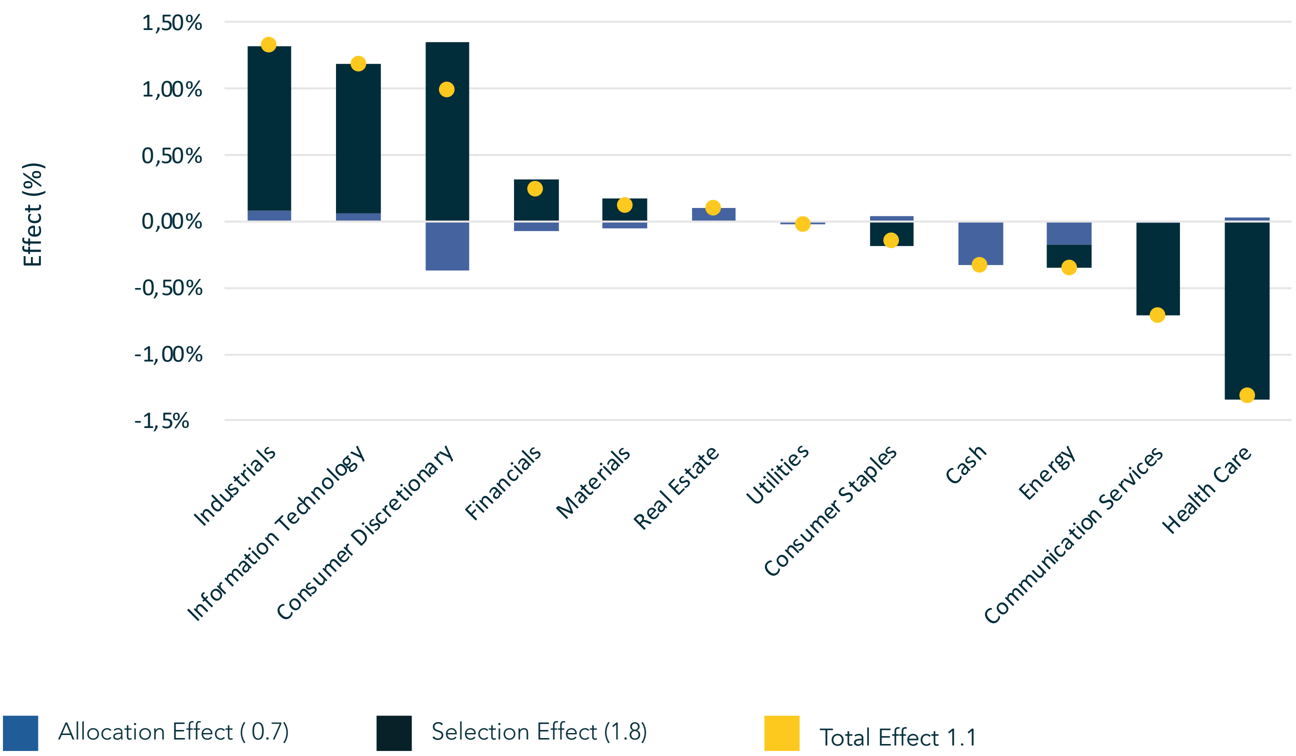
The relative outperformance against the benchmark can largely be ascribed to the Selection Effect, which refers to specific stock selection and their individual relative weightings compared to the MSCI ACWI. Specifically, stock selection within the Industrials, Information Technology and Consumer Discretionary sectors provided the largest positive contributions. Detracting slightly from the positive Selection Effect were specific stock selections within the Communication Services and Health Care sectors.

The Allocation Effect, which attributes performance based on the SGEM weighting towards a specific sector relative to MSCI ACWI, was negative for the quarter. The largest contributors to the negative Allocation Effect were the Consumer Discretionary and Energy sectors as well as the SGEM's weighting towards cash.

Stocks held by the SGEM within the Industrials sector all performed exceptionally well during the quarter as the cohort reported healthy financial results with better-than-expected earnings from the likes of **Honeywell** and **Raytheon. Siemens** in particular had a positive quarter as the German industrial conglomerate's stock price was further boosted by the weaker dollar.

The stocks held by the SGEM within the Information Technology sector had experienced a challenging third quarter but the final quarter of 2022 saw a strong recovery amongst the majority of the cohort. In particular, semiconductor stocks such as **ASML** and **Nvidia** experienced sharp declines during 2022 owing to concerns around excess inventories and export restrictions to China. Admittedly, the pair still ended 2022 well below their opening price for the year but the long-term outlook for both remains incredibly bright.

Performance Attribution by Sector



Source: Morningstar

Note: Attribution based on combined performance of all share classes

The anticipated demand for semiconductors may appear to be wavering, at least in the short-term, but longer-term prospects remain healthy. Given the competitive advantage held by ASML in the manufacturing of machinery for the most advanced semiconductors and Nvidia's strength in the design of GPU's (and related software used for artificial intelligence purposes, we are comfortable to maintain our holdings in both.

Of our Information Technology holdings, the only stock that fell during the quarter was **Apple.** Concerns have begun to mount over the impact of China's severe lockdowns on the iPhone maker's supply chain. This could certainly have an impact on Apple's 2023 sales which could further be negatively impacted by a recession that could dampen demand for Apple products. We are however more interested about the long-term prospects of the business and evaluating Apple from this particular time horizon, we remain less concerned. We expect the business to continue to generate healthy, sizable cash flows and as the services segment of Apple grows in size, we anticipate an increased stability to Apple's financial performance.

Apple was not the only Big Tech name that endured a challenging fourth quarter. Sentiment towards **Amazon** weakened throughout the year and the latest quarter has been particularly challenging. The e-commerce giant faced a slew of regulatory and antitrust challenges, soaring inflation has created a headwind for the company's profits. The stellar growth that it saw during the covid era has now created a high bar to reach prompting many to doubt the future growth potential of Amazon. An impending recession could also create pressure for the company's growth outlook. Despite these challenges, we believe the growth potential for the company remains. Amazon has already taken significant actions to reduce its cost base as excess capacity that was required during the pandemic, from warehouse space or staff, has been reduced. Growth rates should begin to normalise as the challenging comparisons that Amazon faced in 2022 will fall away. More importantly, from a long-term perspective, key trends that underlie Amazon's businesses,
e-commerce and cloud computing growth, are likely to persist for many years. Amazon's incredible scale advantages in both areas are likely to see it continue to benefit from both trends.

Another Big Tech name, **Alphabet,** has also endured a challenging period. The company derives the majority of its revenue through digital advertising and despite its dominance in this space, growth has slowed owing to a number of headwinds. Similar to Amazon, regulatory and antitrust issues face the company and an impending recession has already started to impact advertising by corporates as the sector is relatively sensitive to changes in economic growth. Alphabet is also the parent company to YouTube and while the video sharing platform remains highly popular, it faces significant competition from TikTok as advertisers shift more of their digital budgets towards the Chinese-owned social media platform. Another potential threat to Google could be the growing popularity of ChatGPT, a chat bot that uses artificial intelligence and what could represent the next evolution in search. To us, it still remains unclear how serious these threats are to Alphabet and we will continue to assess their impact on the company.

Besides the underperformance of Amazon, our other Consumer Discretionary sector holdings saw strong price gains during the quarter especially the likes of **LVMH** and **Nike**. The two were likely boosted by news surrounding the relaxation of lockdown conditions in China, key markets for both. Nike, which was the best performing stock within our portfolio during the quarter, was further boosted by an upbeat forecast from management. Earlier in the year, the world's largest shoemaker had come under pressure following news that it had accumulated a build-up of inventory but better-than-expected sales of excess stock at discounted prices has led to renewed sentiment for the company. Both LVMH and Nike possess incredibly powerful brands and the pricing power that they are able to command should hold them in relatively good stead during a possible recessionary period despite the negative connotations it may bring to discretionary consumer spend.

AIA is another company within our stable that benefitted from China "reopening". The relaxation of covid restriction both in mainland China as well as Hong Kong will likely act as a catalyst for Asia's largest insurer. Growth has been stifled by travel restrictions within the region but the company's sales force will now be able to travel more freely which is likely to lead to a notable boost in sales.

TOP PERFORMING STOCKS			BOTTOM PERFORMING STOCKS		
COMPANY	**GICS SECTOR**	**CONTRIBUTION**	**COMPANY**	**GICS SECTOR**	**CONTRIBUTION**
Siemens	Industrials	1.2	Amazon	Consumer Discretionary	(1.2)
AIA	Financials	1.0	Alphabet	Industrials	(0.4)
Honeywell	Industrials	0.9	Disney	Communication Services	(0.2)
Raytheon	Industrials	0.9	Apple	Information Technology	(0.2)
LVMH	Consumer Discretionary	0.9	Roche	Health Care	(0.1)

Source: Morningstar

Note: * Only includes performance of stocks held for more than three months

CHANGES IN HOLDINGS

The Health Care sector was the largest detractor in terms of the SGEM performance during the final quarter. That said, the majority of the Health Care stocks held by the SGEM, namely **Johnson & Johnson, Thermo Fisher** and **UnitedHealth,** delivered positive returns during the quarter, albeit slightly below the overall benchmark. The one company that did however end the month in the red was **Roche.** The Swiss pharmaceutical company has been a long-term holding of the SGEM owing to the high-quality characteristics of the firm. Over more recent times, we have however begun to question the company's growth potential, both from an absolute as well as relative perspective. From an absolute perspective, while the company has never exhibited a steep growth trajectory it does have a long history of steady, consistent growth. However, recent competition from biosimilars has seen Roche lose market share in many of its legacy products which combined with the negative impact of the pandemic led to a notable slowdown in the company's growth trajectory. The company has shown that new products are growing at healthy rates, dampening the impact of lost market share in legacy areas but this is where our concern from a relative perspective comes in.

Roche may return somewhere close to its previous level of growth but given the availability of other attractive opportunities in the health care space, we have opted to exit our position in Roche. In its place, we have established a position in **IDEXX,** the world's leading provider animal diagnostics equipment. People around the world are increasingly treating their pets as part of the family in what is referred to as the "humanisation" of pets. One can infer that people are therefore likely to spend more on their pets, especially when it comes to their health. In addition, during the pandemic there was a sizable increase in the pet population as people stuck at home adopted a companion. A larger pet population and an increased willingness to spend on pets creates a sizable opportunity for a company like IDEXX. Historically, IDEXX has generated high returns on capital which have exhibited an increasing trend over recent years. IDEXX has developed a large installed base of its diagnostic equipment with veterinarians. Consumables used by the equipment are sold to them on a regular basis and generate sizable margins for IDEXX. A company that generates high returns on capital and that is able to reinvest those incremental returns into attractive areas of growth is exactly the type of opportunity in which we look to invest.

POSITIONS ESTABLISHED		POSITIONS SOLD	
COMPANY	GICS SECTOR	COMPANY	GICS SECTOR
IDEXX	Health care	Roche	Health care

OUTLOOK AND WAY FORWARD

Stocks, with the exception of many Big Tech stocks, may have recovered lost ground during the final quarter of the year. Equity markets seem to have digested the latest moves and commentary by central banks, in particular the Fed, and seem less concerned about the possibility of interest rates going above current expectations. It is however possible that interest rates could go higher and remain at elevated levels for a period longer than currently anticipated. In the short-term, this could spell further trouble for stocks with higher relative valuations. It is also possible, though the probability is somewhat lower, that interest rates surprise to the downside if central banks believe that they have done enough to tame inflation and possibly even reduce interest rates later in the year if they believe elevated interest rates are becoming too burdensome. This would be a positive for stocks that are relatively more sensitive to interest rate changes. A looming recession will also become a much talked about subject and will likely headline many financial publications striking fear and panic in its readers.

While we do take into consideration the above macroeconomic developments, we are more concerned about the longer-term prospects of the companies that we own. By longer-term, we are not referring to the next year or even the year thereafter. We prefer to think in timelines of five years or a decade, often even longer. It is during these longer-term periods that financial wealth is accumulated. It is therefore important to us that we own companies that we believe are able to compound wealth by generating sustainably higher returns on capital and reinvesting them into favourable growth opportunities over long periods of time. It is less important to us what a company's earnings might be in the next quarter or if a recession temporarily depresses a company's earnings or even if Wallstreet analysts temporarily reduce their target prices to reflect short-term changes in corporate profitability. At the time, these short-term developments may seem important but we prefer to apply our focus towards risks and opportunities that will affect the company and the industry that it operates in over the long-term.

What is equally important to us is the price that we pay for the businesses that we invest in and whether it is satisfactorily below our intrinsic value estimates in the event that our own judgement of what the company may be worth was incorrect due to faulty assumptions. Assuming we are wrong in our estimations, paying a price which is sufficiently below our expectation of value for the company should provide a cushion or margin of safety.

It is also worth noting that while factoring in macroeconomic scenarios around interest rates, inflation, GDP growth, recessions etc. there are certain events that cannot be predicted, certainly not with sufficient foresight. In the past three years alone the world has had to deal with a global pandemic that shocked final markets and spurred central banks into taking extreme measures as well as significant military action that began at the beginning of last year as Russia invaded Ukraine. Will we be in for another surprise in 2023 or 2024? Will China eventually invade Taiwan? The truth is we do not know and making such predictions with any degree of certainty is a fool's errand, at least in our view.

What we can do, and it is something we have done throughout the history of the SGEM is invest in high quality businesses at reasonable prices with a view to compound wealth over the long-term. We continue to seek companies that meet such criteria or even make changes to our holdings if we believe any of them no longer meet our standards. As it stands, we believe our portfolio of holdings meets this standard but it is not to say that we cannot improve on the overall quality of the SGEM but the price must be right, not necessarily the price right now.

PORTFOLIO CHARACTERISTICS					
	SGEM	MSCI ACWI		SGEM	MSCI ACWI
Quality			**Valuation**		
ROE	43.4%	16.4%	P/Earnings	22.3x	14.5x
ROIC	22.8%	8.2%	P/Book	7.7x	2.3x
EBIT	25.9%	14.0%	P/Sales	4.7x	1.7x
Gross Profit	49.2%	34.4%	FCF Yield	4.7%	5.6%
Growth			**Risk/Volatility[2]**		
Sales growth[1]	9.5%	4.4%	Beta	0.9	0.9
Earnings growth[1]	19.9%	6.8%	Std Deviation	14.5	15.4
Size & Turnover			Sharpe Ratio	0.5	0.4
Market cap	USD425bn	USD273bn	Sortino Ratio	0.8	0.6

Source: FactSet

Notes:

[1]Trailing twelve months 3-yr annualised growth rate

[2]Risk statistics calculated since SGEM inception (31 December 2014)

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2022 WINNER

LUMP-SUM INVESTOR ARCHETYPE
2022 WINNER

TOP ADVICE BROKER
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