

sasfin

Wealth

# Sasfin Innovation Portfolio

Quarterly Review – Q2 2022  
June 2022



## INNOVATIVE COMPANIES WE INVEST IN



### Top 5 Holdings

Holding	Weight
Global X Lithium & Battery Tech ETF	12.5
iShares Automation & Robotics ETF	9.4
iShares Global Clean Energy ETF	9.1
iShares Healthcare Innovation ETF	8.0
First Trust NASDAQ Cybersecurity ETF	7.7

As at 30 June 2022

## PORTFOLIO COMMENTARY

Global equity markets endured an incredibly challenging second quarter of 2022 that included the US Federal Reserve (Fed) opting to accelerate the pace at which they hike interest rates, owing to historic levels of inflation which are proving to be less transitory than initially anticipated. In addition to this, the possibility of a recession in the near future, which only increases as the Fed raises interest rates, has compounded the downward pressure encountered this quarter on global equity markets. In light of these circumstances, we've seen equity markets continue to retreat sharply following a disappointing first quarter.

While the longer-term performance of the Sasfin Innovation Portfolio remains strong at 19% per annum in USD terms, the portfolio experienced a decline of 19.7% over the second quarter of 2022, compared to a 24.2% decline in its benchmark, the Russell Small Cap Complete Growth Index.

This decline was fairly broad-based as there were not many stocks that escaped the selling pressure, though some fared better than others. The stocks and ETFs that constitute the Sasfin Innovation Portfolio are companies that are more closely associated with economic growth that tend to fare poorly in recessionary periods and were consequently harder hit. Historically speaking, these were companies whose valuations benefitted from the low interest rate environment because future cash flows were discounted at low interest rates. It computes then that in an environment where interest rates are rising substantially, these future cash flows are now discounted at much higher interest rates, negatively affecting companies' valuations and leading to relatively greater falls in their stock prices.

Within the context of the Sasfin Innovation Portfolio, the holdings that held up best in the quarter were wireless and video communication technology firm, InterDigital, the iShares Global Clean Energy ETF, and satellite communication group, Iridium Communications. Conversely, the holdings that came under the most pressure were The Trade Desk, a digital advertising platform offering a marketplace that allows customers to purchase various types of advertisements, the ARK Genomic Revolution ETF, and the networking hardware firm, Arista Networks.

## Sasfin Innovation Portfolio - Quarterly Review

Given the change in the macroeconomic environment, from a low-interest, high-growth economy to a high-interest, low-growth economy, we've had to be a lot more selective in our decision-making process to reflect the changes in circumstances. To this extent, we're employing a bigger focus toward high quality companies that are trading at attractive valuations and have consistent and sustainable reinvestment rates back into the company. In this climate, we believe that holding high conviction, best-in-class companies where growth justifies current valuation is not only the best insulation we can have against macroeconomic turbulence within the context of the tech-heavy constituents of this portfolio, but also provides us with a more robust long-term outlook.

As such, after a significant decline over the past 12 months amid an increased competitive environment, we decided to sell our direct holding in device streaming manufacturer, Roku. In addition to the concerns regarding the mounting competition, the company is also facing massive supply chain constraints and has been negatively affected by the global push toward a return-to-work policy. While other concerns may be transitory, we expect the threat of competitors to remain an issue for the foreseeable future. Despite Roku being among the early innovators in the streaming space, a company's competitive advantage in terms of how robust the demand for their product is can only be seen upon the entrance of new competitors. In this regard, Roku fared poorly and subsequently we could not continue to justify holding a company that can no longer be considered best in class.

The proceeds of this sale were used to bolster our direct exposure to the semiconductor space through the addition KLA Corp., a leader in the process control and yield management systems universally required in the semiconductor industry. In addition to this, we remain constructive on the digital entertainment and e-commerce theme and after selling Roku we identified a more focused, niche exposure to the sector in the form of online casino provider, Evolution AB, a Swedish company engaged in the development, production, marketing, and licensing of business-to-business casino solutions to gaming operators. Looking forward, the investment team is actively exploring adding new direct holdings in the clean energy space to complement our existing ETF holding. Our primary objective remains ensuring that we achieve long-term capital appreciation without taking on excessive risk for our clients.

**Commentary by Muhammed Wagley**

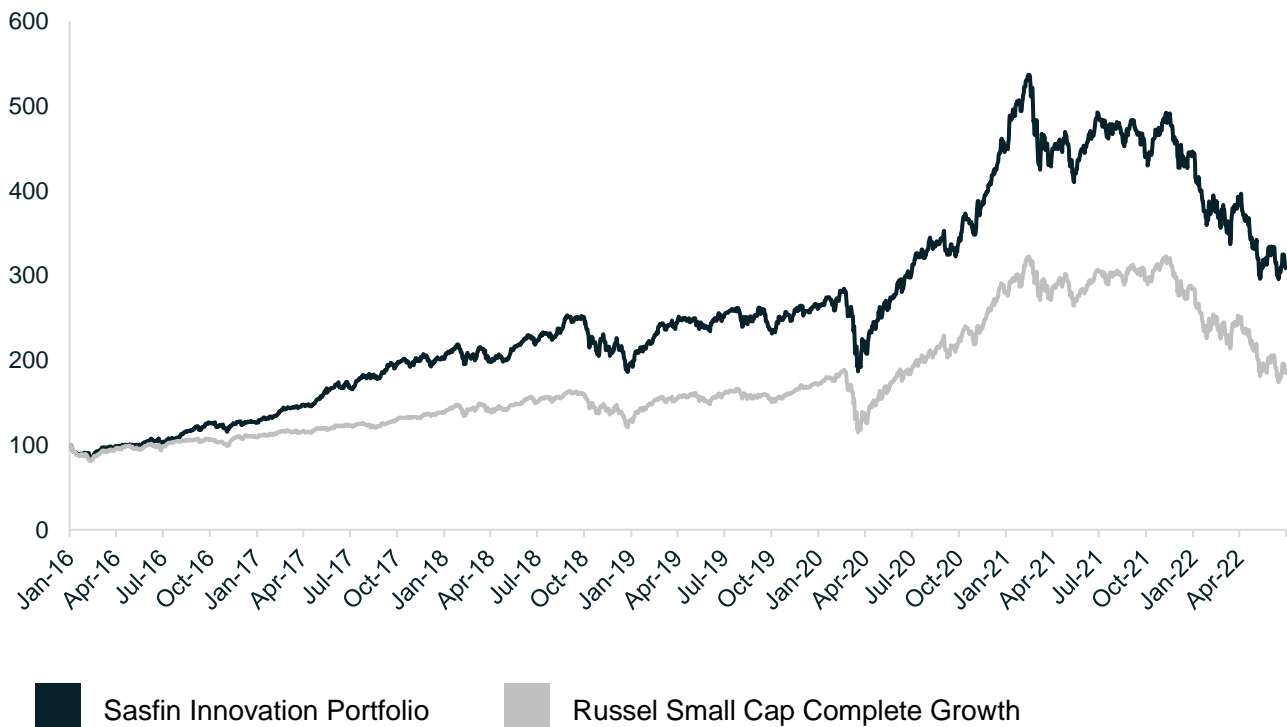
## PERFORMANCE

### Total return in US Dollar (USD) terms

USD Returns (%)	1 month	3 months	YTD	1 year	3 years*	5 years*	Since inception*
Sasfin Innovation Portfolio	-6.0	-19.7	-30.2	-37.0	7.2	13.1	19.0
Russell Small Cap Growth	-7.0	-24.2	-34.8	-39.3	4.9	8.5	9.9

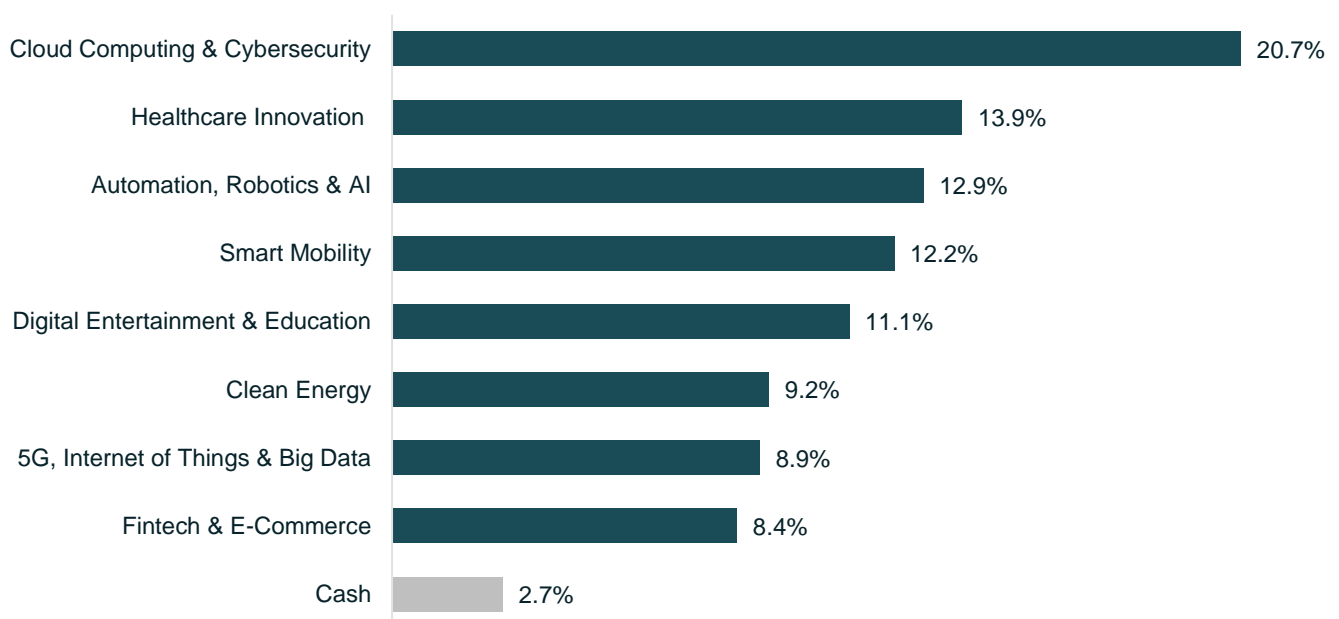
Note: As of 30 June 2022. Performance reflects simulated returns to January 2019. Periods greater than one year are annualised. All performance is net of underlying instruments fees and gross of management fees

## Indexed performance in USD since inception



## POSITIONING

### Investment Theme Weightings



### 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.

## Contact us

Johannesburg  
011 809 7500  
140 West Street, Sandown  
Sandton, Johannesburg

Durban  
031 271 8700  
21 The Boulevard  
Westway Office Park  
Spine Road  
Westville

Pretoria  
012 425 6000  
Lord Charles Office Park  
Brooklyn

Port Elizabeth &  
Plettenberg Bay  
041 363 5989  
30 6th Avenue, Walmer,  
Gqeberha (Port Elizabeth)

Cape Town  
021 443 6800  
155 Campground Office Park,  
Newlands

Somerset West  
087 365 4900  
Unit 104, Crossfire Place  
15 Gardner Williams Avenue,  
Paardevelei



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