



sasfin

Wealth

Multi Asset Class Quarterly Report

September 2022

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ASSET CLASS COMMENTARY

The 3rd quarter of 2022 kicked off with a sense of optimism as global markets started discounting the potential easing of monetary policy in 2023 by the Federal Reserve. This optimism was quickly doused at the Jackson Hole summit in August when the Fed made it clear that their priority is price stability and not economic activity. This stark stance against inflation was also echoed by other central banks around the world.

The Fed in particular faces a difficult trade-off. Inflationary pressures are moderating in the US on the back of lower oil and food prices. The labor shortage, however, is still a big drive behind the elevated inflation statistics. The solution is painful – crush demand with higher rates to force supply cuts which ultimately leads to a softer labor market. Markets are now pricing in a much more aggressive path of future rate hikes, with rates now expected to rise to 4.5%, 3.5% and 5.75% by next year in the US, Europe, and the UK respectively.

Equities

This new paradigm shift of higher rates for longer has resulted in the repricing of all asset classes. Since the beginning of the 2022, investors have had no place to hide. In fact, if markets stay the course, 2022, will only be the 5th year since 1928 during which equities and bonds face bear markets simultaneously.

The MSCI All Country World Index, a broad measure of global equity markets, fell 5.83% during the third quarter. The Sasfin Multi Asset Class Strategies (MAS) currently have exposure to the S&P 500 index and the Europe, Australasia, and Far East Index (EAFE) index. The EAFE index is designed to give investors exposure to the most developed countries of the world outside of North America.

During the third quarter, the S&P500 index and EAFE index returned -6.27% and -4.04% respectively. Global equity market valuations have now generally fallen below their 25-year averages. Even in the US, the market is currently trading on a price-to-earnings (P/E) ratio of 15.6x vs. a long-term average of 16.6x. However, these valuations are based on current consensus analyst forecasts for earnings growth, which are gradually being revised down. Therefore, we could still potentially see further declines in equities.

Fixed Income

The global fixed income market felt the full brunt of the steep rise in interest rates. The US 10-year Treasury yield jumped more than 30% during the 3rd quarter. Fixed income investors have witnessed a sharp decline in their capital due to the inverse correlation between the price of bonds and the yield of bonds.

The MAS portfolios exposure to inflation linked bonds (TIPS) has outperformed on a relative basis, with a total return of -2.91% during the quarter. This sub asset class has served us well in this period of decade-high inflation.

The more aggressive high-yield short duration corporate debt exposure on the portfolios has also performed well on a relative basis, as expected, with a total return of -0.63% for the quarter. We kept the exposure to these bonds when we optimised our portfolios in April. In our opinion investors will be forced to accept the risk of BB-rated and B-rated corporate debt to earn a real return. This basket of corporate bonds held within portfolios has a weighted average maturity of 3.2 years and an average yield to maturity of 9.30%.

The current risk-off sentiment does not bode well for our hard-currency emerging market government debt. This sub asset class had a total return of -7.13%. We expect this asset class to remain under pressure, but the basket of emerging market debt we hold, has a very attractive average yield to maturity of 8.44%.

Private Equity

Listed private equity companies were not spared in this time of volatility. This asset class is also sensitive to the higher cost of capital and elements of their investment portfolios might have to be repriced to adjust for potential lower returns.

Despite this, we've had positive updates from some of our private equity holdings during the quarter. Blackstone achieved \$88 billion of inflows in the quarter amidst all of the market chaos. This was their second highest quarterly inflow ever and ironically, equivalent to their total assets under management ("AUM") at the time of their IPO in 2007. Over the past 12 months, inflows reached \$340 billion, driving a 38% increase in AUM. Blackstone now have AUM of \$941 billion.

KKR's management fees were up 39% in the last quarter. Since 2019, KKR assets under management, management fees & and capital invested have all been growing at a compounded annual growth rate of approximately 30%.

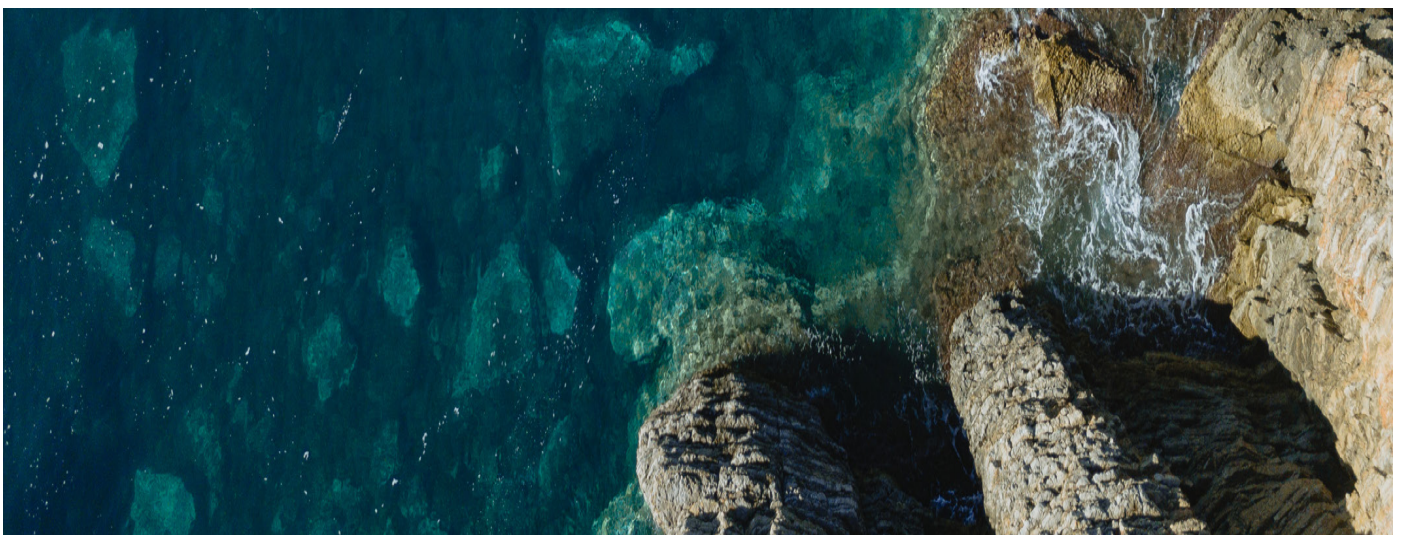
Despite the market sell off and volatility, our holdings continue to grow and get stronger, and operate with secular tailwinds as more money flows into private equity.

Real Estate

Our MAS portfolios have limited exposure to Real Estate and the exposure we do have provides investors with access to many of the attractive secular themes we invest in namely 5G, Big Data and Cloud Computing.

Our Real Estate exposure is through an ETF (Exchange Traded Fund), essentially a portfolio of companies that derive at least 85% of their earnings from Data Centres, Communication Tower Companies, and/or the infrastructure related to these sub-sectors of the property sector, often referred to as Specialised Real Estate.

This ETF's total return in the 3rd quarter was -18.09%.



Commodities

The S&P Goldman Sachs Commodity Index (S&P GSCI) which serves as a benchmark for commodities investments achieved a positive return in the 3rd quarter. Energy was the best performing component and Industrial metals was the worst performing component. During the quarter the price of aluminium, nickel, zinc, and copper declined significantly.

Within the agriculture sector, the prices for wheat, corn and cotton were all lower and in the precious metals sector, the price of silver declined sharply. The decline in the price of gold was less pronounced.

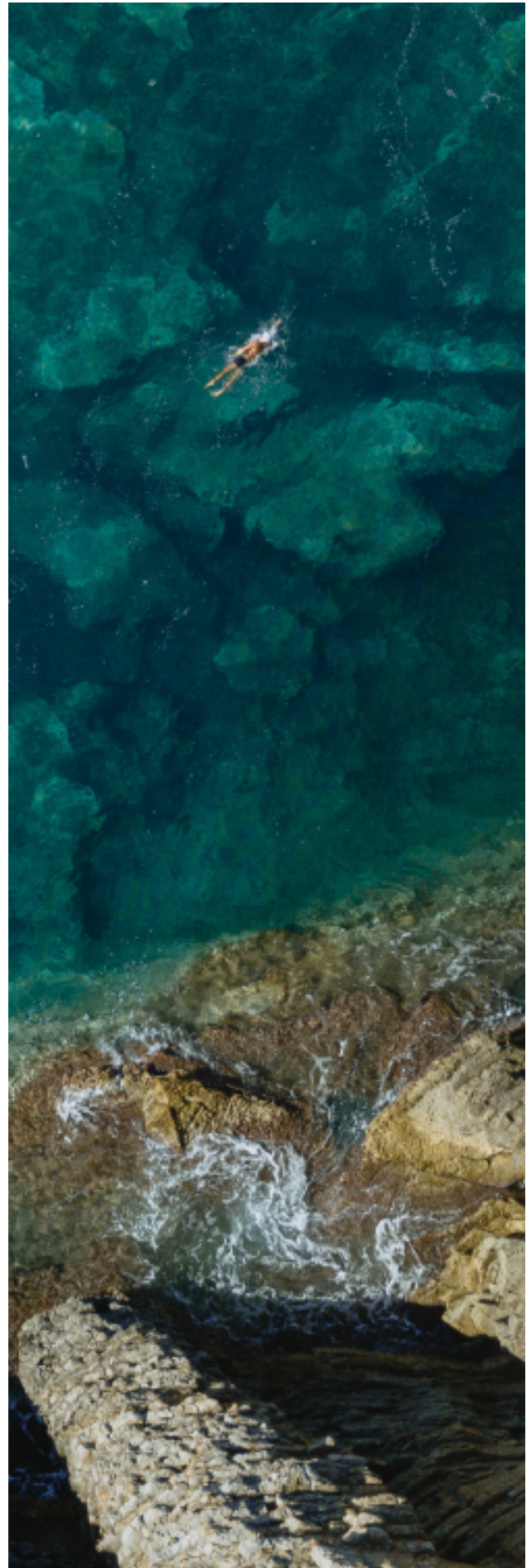
Our MAS portfolios' commodity exposure is through an investment in Blackrock's Resource and Commodity Strategy Fund and an investment in a physical gold ETF. The Blackrock fund had a total return of -1.76% during the third quarter. The Gold ETF declined by 7.46%.

Infrastructure

Our bullish secular view on infrastructure remains intact. This real asset class will benefit as we build a carbon-neutral world and develop mega cities to cater for the continued urbanisation of the population. The energy crisis faced by Europe because of the Russian invasion of the Ukraine will also fast-track the development of alternative energy sources in this region.

The equity market selloff did not spare this asset class. During the quarter we witnessed declines in the Global Infrastructure ETF and the Global Water Infrastructure ETF of -8.24% and -5.90% respectively.

The infrastructure companies we hold in our portfolios also came under pressure with Brookfield, Williams Companies, Engie and United Utilities declining with -7%, -7.29%, -0.27% and 19.02% respectively.



Performance

Total returns in US Dollar (USD) terms

USD Returns (%)	3 Months	YTD	1 Year	3 Years	5 Years	Inception
MAS Cautious	-4.8	-15.6	-13.9	-0.5	2.0	6.6
MAS Moderate	-6.5	-20.7	-17.1	0.1	2.2	6.9
MAS Growth	-6.7	-17.5	-12.3	4.5	5.1	8.1
MSCI AC World Index	-6.8	-25.6	-20.7	3.8	4.4	5.7

Note: As of 30 September 2022. Returns greater than one year are annualised. All returns are gross of management fees and net of underlying instrument fees.

Risk

	3 -Year Standard Deviation
MAS Cautious	9.4
MAS Moderate	10.8
MAS Growth	12.2
MSCI AC World Index	15.1

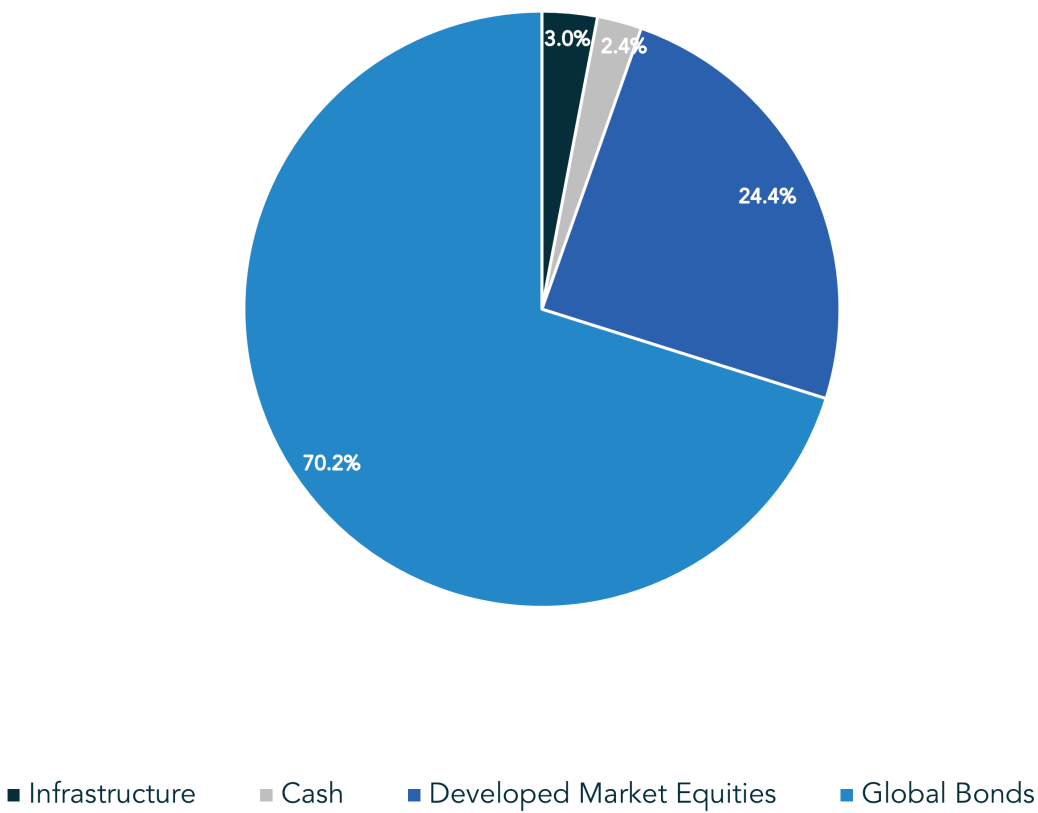
The Sasfin Multi-Asset Class Strategies are target return portfolios. The Cautious, Moderate and Growth strategies target a gross-of-fee total return of at least 2%, 3.5% and 5% respectively above US CPI over rolling periods of 5 years.

The performance and volatility figures above are benchmarked against the MSCI AC World Index to illustrate the strategies' risk-adjusted-returns relative to a pure equity index.

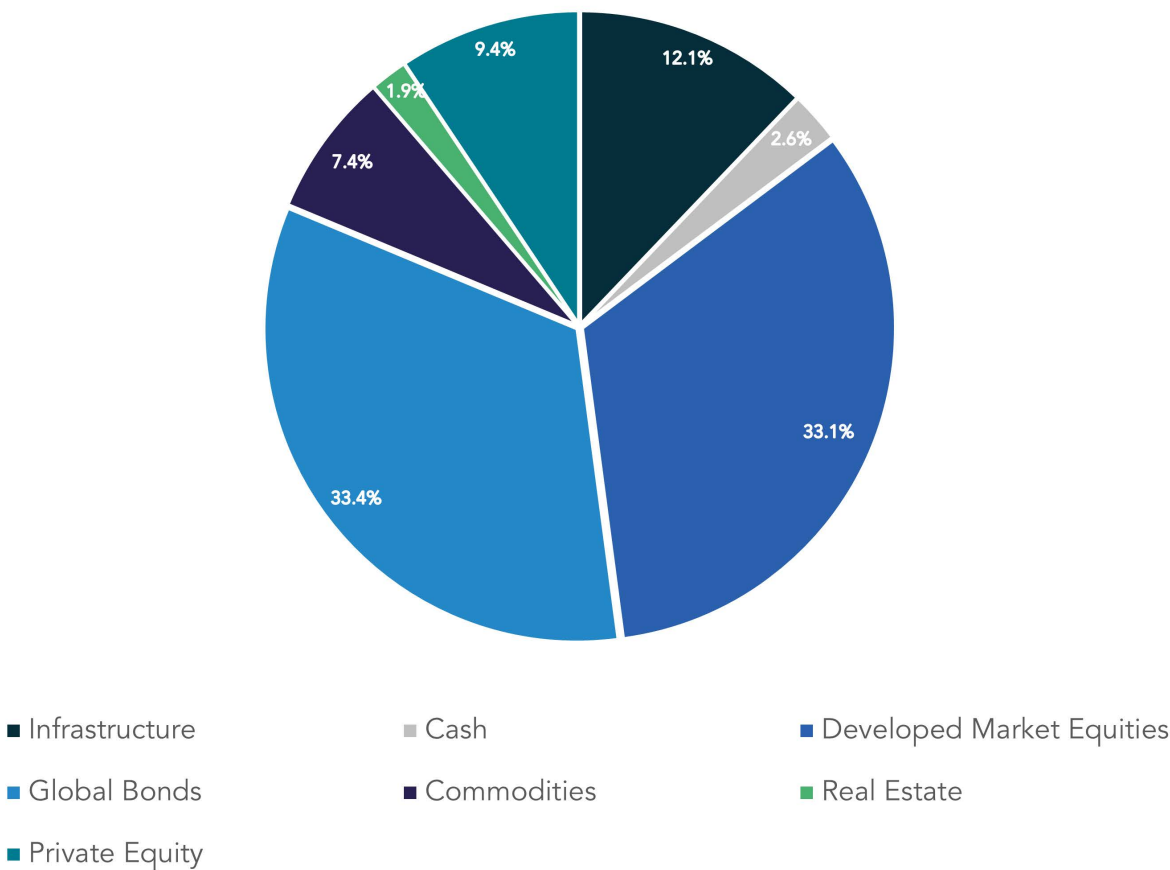


ASSET ALLOCATION

MAS USD Cautious Asset Allocation

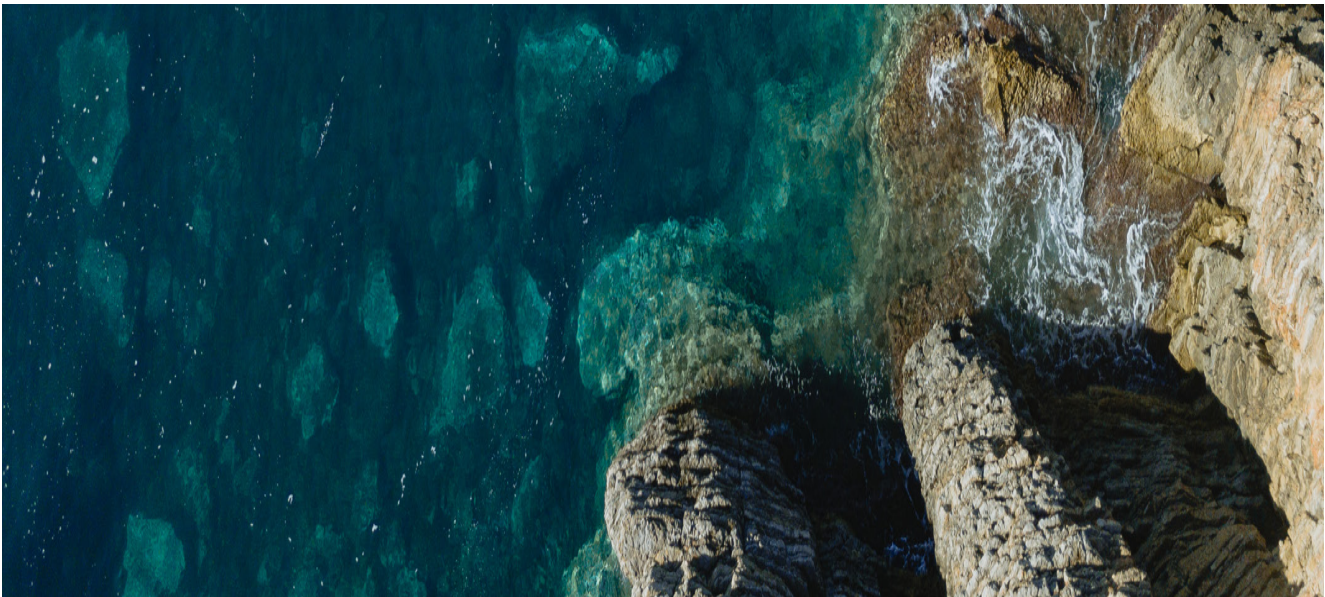
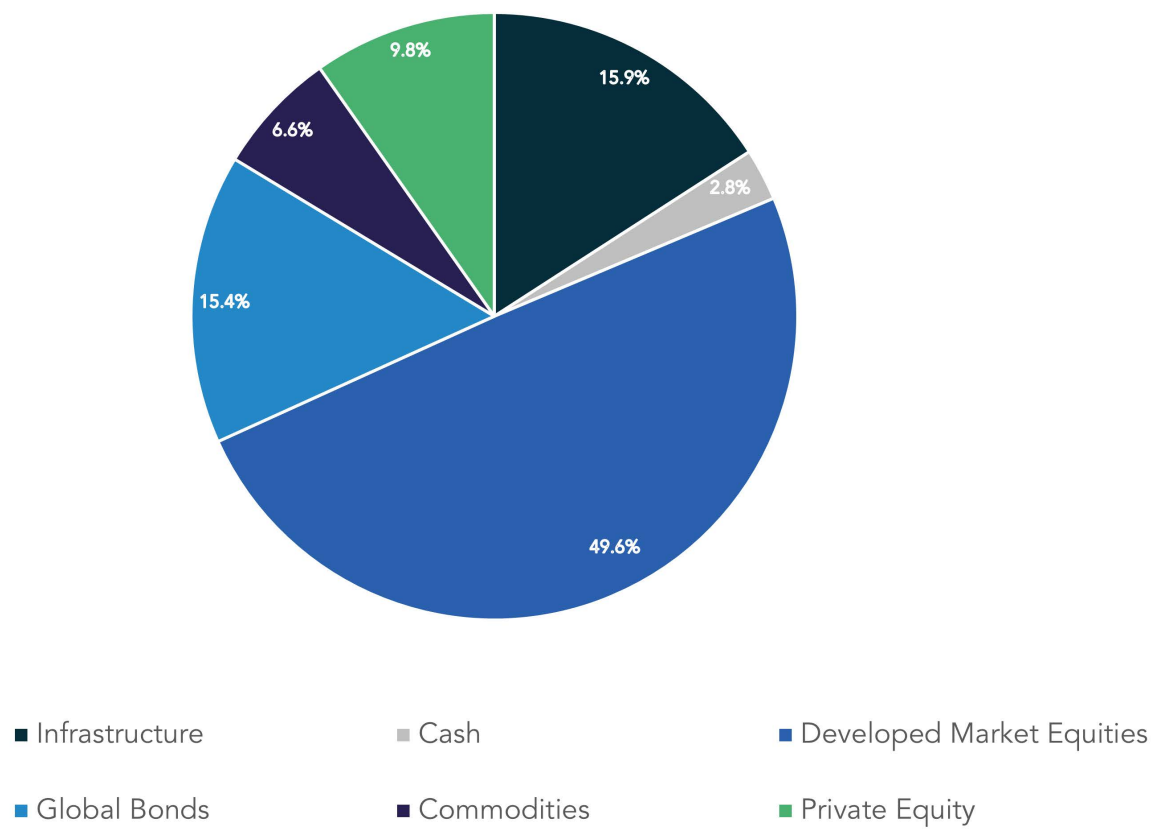


MAS USD Moderate Asset Allocation



ASSET ALLOCATION

MAS USD Growth Asset Allocation



APPENDIX

What are the Sasfin Multi-Asset Class

Strategies (MAS)?

- Statistically, over 90% of returns within a multi asset portfolio can be explained by asset allocation.*
- Our MAS portfolios diversify investor risk through an algorithmic-based portfolio optimisation process. This process recommends allocation weighting towards 8 different asset classes in order to achieve a predetermined inflation-based return over a rolling 5-year period with the least amount of risk.
- The MAS portfolios invest in traditional asset classes (equities, fixed income and cash); alternative asset classes (absolute return strategies and private equity); and real asset classes (commodities, real estate and infrastructure).

Why should you consider investing in these portfolio strategies?

- The MAS portfolios provide exposure to alternative and real assets. These alternative and real assets offer a level of diversification unavailable to investors exposed purely to traditional assets, allowing the creation of portfolios with superior risk and return characteristics.
- The MAS portfolios are optimised to generate a specific target return with the least amount of risk. These portfolios can be utilized as building blocks in an investor's overall wealth and retirement plan.
- The portfolio is managed by a dedicated and experienced investment team, with a deep understanding of global markets, the asset classes and underlying holdings therein.

*Brinson GP, Hood RL, Beebower, GL. Determinants of Portfolio Performance. Financial Analyst Journal, 42(No.4,Jul.-Aug.,1986), pp.39-44.



THE TEAM



Craig Pheiffer

Chief Investment Strategist

Craig Pheiffer began his career as an investment professional in 1990. In 2000 Craig was appointed Chief Investment Strategist at Sasfin Frankel Pollak Securities and was the director responsible for investment strategy and research. In 2016 Craig was appointed Chief Investment Strategist of Absa Stockbrokers and Portfolio Management following the merger of Absa Stockbrokers and Absa Portfolio Managers. Craig served as a Key Individual and Representative on the Financial Services Provider licence and as a member of the Executive Committees of Absa Investments and Absa Wealth Management. He also served as a director of Absa Portfolio Managers (Pty) Ltd and Fradey Nominees (Pty) Ltd. His master's dissertation on "Capital Flight from Middle Income Countries" won the Economic Society of South Africa's Founders medal for the best dissertation in 2000. Craig is also a CFA Charter Holder and a member of the CFA Institute



Dawid Balt

Branch Manager & Portfolio Manager

Dawid has investment management experience since 2001 and assists clients to identify long-term global investment opportunities across multiple asset classes. Managing investment risk is fundamental to his investment philosophy. He serves on both the multi-asset class portfolio and multi-asset class income portfolio solutions. Dawid holds a BCom degree in Economics & Informatics and the International Capital Markets Qualification.



Andrew Padoa

Branch Manager & Portfolio Manager

Andrew Padoa is a Portfolio Manager at Sasfin Wealth in Durban. He holds a B Com Honours in Financial Management, Advanced Post Grad Diploma in Financial Planning Law and is a member of the South African Institute of Stockbrokers.



Nicholas Sorour

Portfolio Manager & Business Unit Head

Nicholas is a Senior Portfolio Manager based at the Sasfin Wealth, Pretoria branch. With a BCom Economics degree from the University of Pretoria, his investment expertise and his experience at Sasfin since 2005, he has helped create financial freedom for many of his clients. Nicholas is passionate about financial markets, and what he enjoys most about his job is interacting with clients and building wealth for them. He forms part of the Investment Committee, chairs the Infrastructure Asset Class sub-committee and specialises in global diversification. When he's not working, he loves to travel and experience new adventures with his wife and daughter.

THE TEAM



Michelle Bester

Business Unit Head & Portfolio Manager

Michelle is a Senior Portfolio Manager who has managed clients' personal wealth locally and offshore since approximately 2001. Her background includes a BCom(Hons) in Financial Management from the University of Pretoria and as a seasoned Portfolio Manager, she enjoys client relations and offering them innovative investment solutions to grow their wealth. Michelle also forms part of the Investment Committee and sub committees at Sasfin Wealth which ensures clients benefit from opportunities across global markets. She is an avid cyclist and traveller, and outside of work you'll likely find her enjoying the outdoors with her family and her Boston Terriers.



Wouter van der Merwe

Portfolio Manager

Wouter has worked as a Portfolio Manager at Sasfin Wealth since 2014, building wealth and a legacy for high net worth individuals and families. He is also a member of the Sasfin Investment Committee and is especially 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.



Bruce Mills

Portfolio Manager

Bruce has been with Sasfin Wealth since 2007 and has experience in the industry since 2001. He currently sits on the Sasfin Wealth Investment Committee which adopts a multi counsellor approach, and as such he is responsible for the commodity and absolute return components. He is also part of the teams responsible for the Multi Asset Strategy, Domestic Equity and Global Equity Models and manages the Precious Metals Yield Portfolio. Outside of work, Bruce is an avid freediver and besides having being part of the first freediving expedition to the world's largest underground lake, has swum alongside whale sharks in the Red Sea and Orca in the Arctic.



Lwando Ngwane

Equity Analyst

Lwando is an Equity Analyst at Sasfin Wealth where she also serves as a member of the Investment Committee. She started her career as an investment professional in 2017 at a boutique fund management firm called Benguela Global Fund Managers. Prior to that, she attained a BSc Mining Engineering degree from Wits University. She worked on numerous projects for Anglo American at their coal mines based in Witbank and Middelburg, Mpumalanga. Her fascination for male-dominated industries was inspired by her interest in woman upliftment and empowerment. She has a background in public speaking, which was nurtured while she was in King Edward High School, in a small East Griqualand town called Matatiele. She received an Anglo American Young Communicators Award in a regional public speaking competition. Lwando is a firm believer of instilling a deep understanding of self-worth and confidence in young women.

THE TEAM

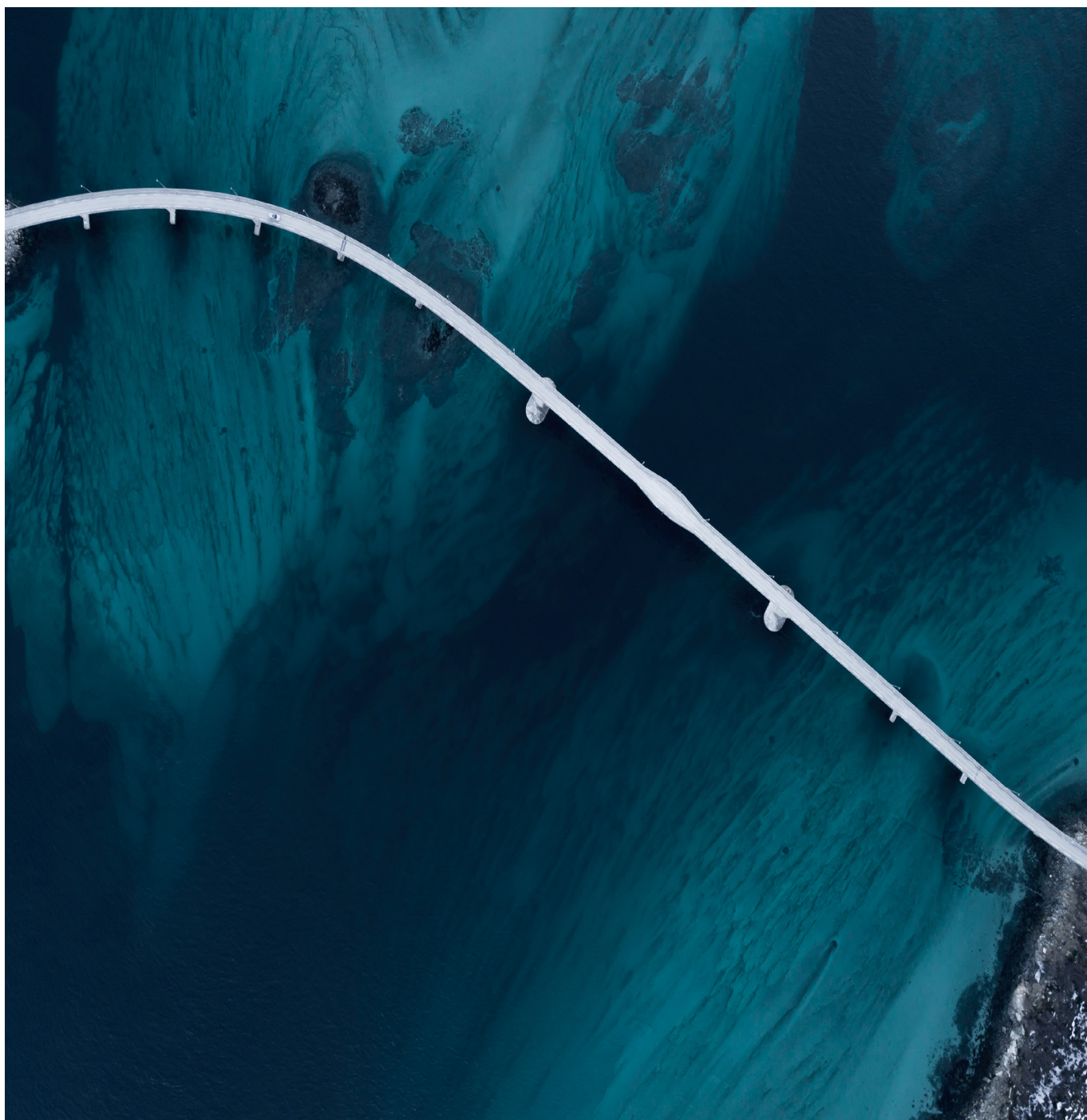


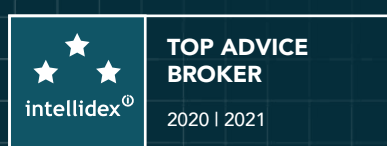
Rossouw Steyn

Portfolio Manager

Rossouw Steyn started his career in 1989 with Frankel Kruger Vinderine Stockbrokers and after 4 years running the asset management side of a Financial advisory company, joined Sasfin in 2001. He is a senior Portfolio Manager based at Sasfin Wealth , Pretoria branch and is a member of the Investment Committee. He is passionate in assisting clients in achieving their investment goals thus giving them financial peace of mind.

Rossouw holds a B Com degree in Investment management from the University of Johannesburg.





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