

INNOVATIVE COMPANIES WE INVEST IN



DIGITAL REALTY

ROKU

Top 5 Holdings

Holding	Weight
Global X Lithium & Battery Tech ETF	10.6
iShares Automation & Robotics ETF	9.9
iShares Global Clean Energy ETF	8.2
First Trust NASDAQ Cybersecurity ETF	8.1
iShares Healthcare Innovation ETF	7.5

As at 31 March 2022

PORTFOLIO COMMENTARY

Global equity markets endured a challenging quarter that included the Russian invasion of Ukraine and the commencement of an interest rate hiking cycle by the US Federal Reserve (Fed). Against this backdrop, we saw markets retreat very sharply following a rewarding 2021.

While the longer-term performance of the Sasfin Innovation Portfolio remains robust at 24% per annum in dollar terms, the portfolio experienced a 13% decline in the first quarter of 2022, compared to a 14% decline in its benchmark.

Despite significant bouts of volatility throughout the quarter, most of the portfolio's drop occurred in January. We were only a few days into the new year when equity markets began to fall as investors started to price in the possibility of the Fed increasing interest rates in an effort to reel in red-hot levels of inflation. In general, equity prices and the direction of interest rates have an inverse relationship. The theory goes that the fundamental value of a company's equity, as well as other assets for that matter, is based on the value of the future cash flows that are expected to be generated by the company, discounted back to the present day. Higher interest rates increase the rate at which those cash flows are discounted and consequently, reduce the value of those future cash flows. So called "growth stocks", which are found predominantly in the technology sector, and carry a sizeable weighting in this portfolio given its mandate and objective, generally react more violently to changes in interest rates relative to other sectors. This can be seen in the declines experienced by these higher-growth areas of the market so far this year:

Index/ETF	YTD Return
Lyxor MSCI Disruptive Technology ETF	-15%
HAN-GINS Megatrend ETF	-16%
S&P Kensho Moonshot Index	-29%
ARK Innovation ETF	-30%

As at 31 March 2022

In terms of the Innovation Portfolio, the holdings which held up the best in the quarter were 3D-printer manufacturer and software provider Stratasys, the iShares Global Clean Energy ETF, the First Trust NASDAQ Cybersecurity ETF and satellite communication group Iridium Communications. The ones which came under the most pressure were streaming device maker Roku, Chinese e-commerce group Baozun, online education company 2U and Chinese fintech group LexinFintech Holdings.

After 18-24 months of an intense regulatory crackdown, we decided to sell our relatively small direct holdings in China - LexinFintech Holdings and Baozun – due to the companies' uncertain outlooks, and because we believe it would be more prudent to rather look at indirect exposure to this economy. Our view of China over the next ten years remains constructive. However, given the current macro environment, we choose to limit company-specific risk.

LexinFintech Holdings, which is predominantly an online consumer finance platform, was not spared as the Chinese fintech industry increasingly came under pressure. This crackdown happened while the US accounting regulators also pushed for Chinese companies listed in the US to open their books for audit purposes which created a fear of US de-listings.

Loan pricing cuts were seen in the sector and interest rate caps were implemented - which will put pressure on earnings growth. The regulators are still not done with this sector in China, and the latest media reports suggest that they could be pushing for borrowing activities to be completed on licenced financial institutions' apps – this could be an issue as many of these fintech platforms do not hold formal licensing. Amongst the listed online lenders, it appears some of LexinFintech's competitors are better positioned for formal licencing.

Baozun helps multi-national companies with marketing, IT, navigating Chinese regulations,

and distributions in China. The company's performance has been disappointing for some time. Some of the concern came from sluggish top-line growth, that was only driven by acquisitions, as realised growth was constantly postponed. We expect the company's sales growth to grow at a rate below that of the industry and the earnings outlook remains uncertain and volatile.

Pandemic-winner 2U has declined sharply. The company offers cloud-based services for online learning and content distribution. The company's full-year results disappointed the market and its guidance for the current year was below expectations. The Innovation Portfolio had a very small holding in 2U.

Given the current investment climate, we only want to hold high conviction, best-in-class companies, where growth justifies current valuation. In our opinion, LexinFintech, Baozun and 2U did not fit that role anymore.

The investment team is actively exploring adding a new direct stock to the portfolio, to complement an existing ETF holding. Our primary objective going forward is to ensure that we achieve long-term capital appreciation in the without taking on too much risk (volatility) for our clients.

Commentary by Nicholas Dakin

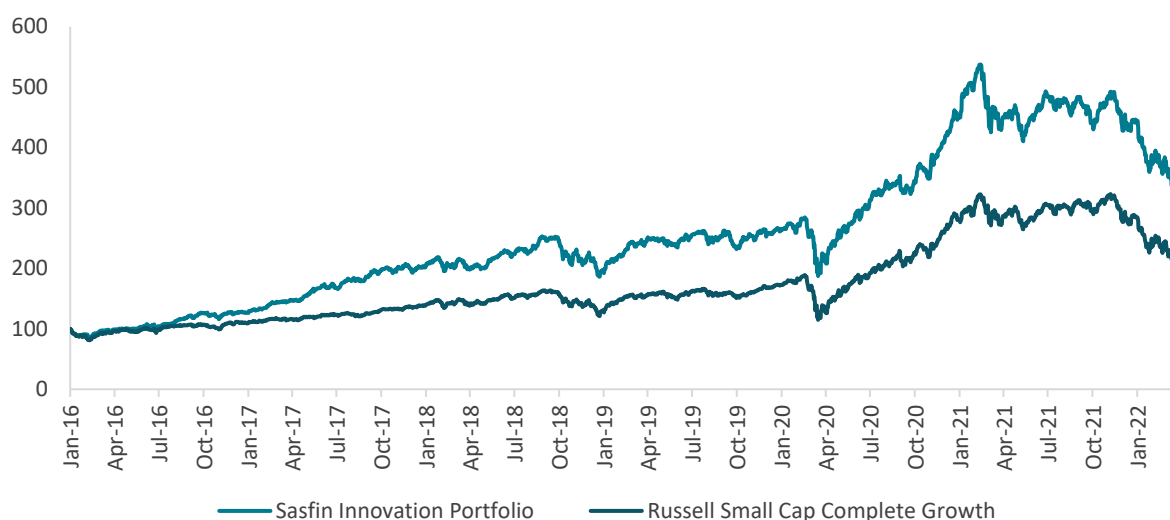
PERFORMANCE

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	0.2	-13.1	-13.1	-13.6	16.5	21.2	24.1
Russell Small Cap Growth	0.0	-14.0	-14.0	-12.9	16.5	16.0	15.4

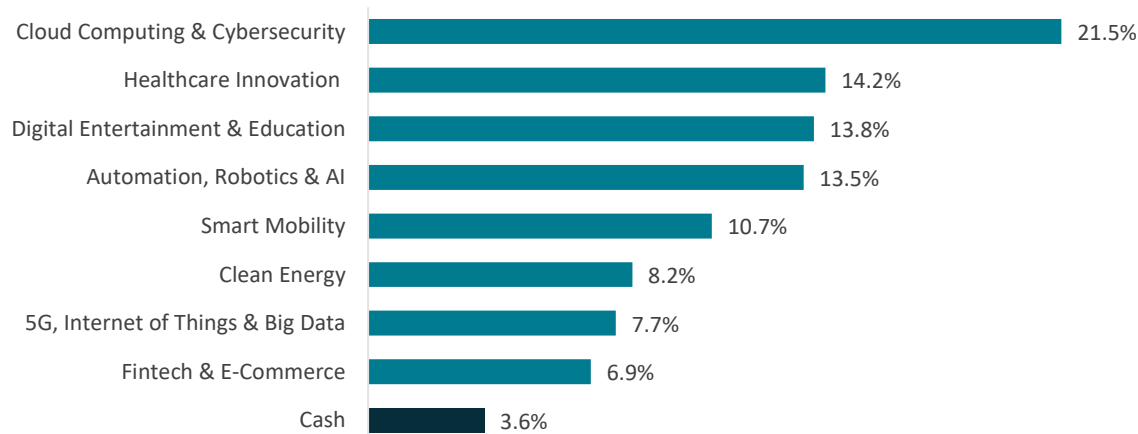
Note: As of 31 March 2022. Performance reflects simulated returns to January 2019. Periods greater than one year are annualised. All performance is net of underlying instruments fees and gross of management fees

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**.
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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.

**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 will be assisting Nicholas Dakin in his coverage of the Digital Entertainment & Education Theme.

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