sasfin Wealth

Multi Asset Class Quarterly Report

1 January 2023 – 31 March 2023

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OVERVIEW & PERFORMANCE

Financial market performance in quarter one 2023 was broadly positive. Expectations are that the US Federal Reserve ("Fed") rate hiking cycle is nearing an end. Factors supportive of this view are the continued deceleration in inflation and the recent turmoil in the banking sector. Inflation has slowed from 7.1% in November 2022 to 6.0% in February and is now at 5% in March. The recent banking turmoil which saw two mid-sized regional US bank failures and a "near miss" failure in Switzerland leading Swiss authorities to arrange that UBS merge with troubled Credit Suisse could lead central banks to reassess their respective interest rate trajectory.

Our Multi Asset Class risk-adjusted return Models all performed well within the first quarter environment and are in line with our expectations. No adjustments were made to any of the models within this quarter.

Total % returns in US Dollar*

	Quarter	YTD	1 Year	3 Years	5 Years	Inception
MAS Cautious	2.70	2.70	-4.50	5.32	3.32	7.00
MAS Moderate	4.82	4.82	-6.93	8.71	4.49	7.59
MAS Growth	6.66	6.66	-5.32	12.89	6.87	8.51
MSCI AC World Index	7.31	7.31	-7.44	15.36	6.93	10.02

*As of 31 March 2023. Returns greater than one year are annualised. All returns are gross of management fees and net of underlying instrument fees. Inception 30/04/2009.

Risk

	3-Year Standard Deviation
MAS Cautious	8.74
MAS Moderate	12.42
MAS Growth	15.56
MSCI AC World Index	18.04

The Sasfin Multi-Asset Class Strategies are targeted 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 five years.

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

ASSET CLASS COMMENTARY

Equities

Global equity markets experienced a positive start to the year as the MSCI All Country World Index returned 7.31% during the first quarter of 2023. Gains in global stocks can largely be ascribed to participants in equity markets anticipating that the US Fed rate hiking cycle will soon come to an end. This opinion buoyed by the continued deceleration in inflation levels and evidence that US inflation has certainly peaked.

Our equity holdings within the models performed well, with the larger weighting towards iShares® MSCI EAFE ETF (which gives investors exposure to a broad range of companies in Europe, Australia, Asia, and the Far East) provided 8.96% return, reasonably ahead of the MSCI AC World Index. Our US equity ETF returned 7.93% over the same period.

Fixed Income

The bond market seems to confirm what the equity participants sense, that the rate hiking cycle may be coming to an end. Thus, longer term bond yields fell with the US 10-year benchmark moving downwards by 40 basis points ending the quarter at 3.49% well off its recent high of 4.25% in October 2022.
This perspective was evident within the more volatile fixed income markets and the high yield corporate bonds and emerging market bonds on our models returned 3.09% and 2.81% respectively during the first 3 months of 2023. The inflation linked bonds on the portfolios are still riding the "relatively higher inflation wave" and performed well with a 2.03% return for the quarter. Our newest bond position, ultra-short term US Treasury exposure, which was introduced to the models in mid-November 2022, returned 1.11%.

Private Equity

The Private Equity sector had a solid start to 2023. The iShares Listed Private ETF delivered a 4.98% return. The US based Private Equity players, KKR and Blackstone delivered great returns after a challenging 2022. Blackstone finished the quarter almost 20% higher and KKR 13% higher. 2022 highlighted the new era we are in- one with heightened macro and market volatility. Going forward, traditional asset allocation portfolios will need to be relooked at to include private markets to provide new forms of diversification. Our private equity companies are well positioned for this trend.

Real Estate

With accelerated monetary tightening in the US, we have seen significant price, and inherently valuation declines in the real-estate sector, uncertain US monetary policy might still weigh on the sector as it's a sector known to use more debt to expand and acquire (most of our top holdings have secured long-term financing agreements), nonetheless, valuations are more compelling and a peak in the interest rate cycle might be approaching. Looking from a global perspective, the global listed real estate index is trading at a 24% discount to Net Asset Value, levels last seen in 2018.

Real Estate (continued)

According to UBS, self-storage is now outperforming the overall market along with industrial and lodging, while office, retail, and residential are the laggards – we are not exposed to any of the laggards but to industrial, data, and infrastructure subsectors. In the MAS USD Moderate portfolio, the Data and Infrastructure real estate ETF was up by 2.17% in the first quarter of 2023 vs. the Dow Jones US Real Estate Index's 0.59%. The digital storage and tower space supply has to keep up with increasing demand as the adoption rate of cloud storage and 5G roll-outs continue. Looking at growth expectations & valuations: the ETF we hold for this exposure has a dividend yield of 4.14%, the highest it has been since the launch of the ETF, the P/E ratio is 18.5x, down from 32x in 2021 and its Price to Funds From Operations is currently at 10.7 with an expected underlying earnings growth of circa 15% in 2023.

Infrastructure

For the first quarter of 2023 our selection of infrastructure positions generally performed in line with global markets and continued with their positive momentum in share price movement from the previous quarter. Our ETF holdings consist of the iShares Global Infrastructure fund and the iShares Global Water ETF. Outperformance on our renewable energy and storage play, Engie, was a welcome surprize and resulted in a 10.82% positive return, whereas Cheniere the LNG producer which was added relatively recently gained 5.37%. No changes occurred during the past quarter. We remain confident that the selection of holdings provides us with a balanced approach via the ETF exposures and a specific focus on the Energy infrastructure stocks via Cheniere Energy, Engie and The Williams Company.

Commodities

The S&P GSCI (Standard and Poors Goldman Sachs Commodity Index) moved lower in Q1, with energy leading the move. Notwithstanding the index's underperformance relative to other asset classes, one of the standouts was gold, up nearly 13% for the quarter. We remain in favour of gold during these times, especially in the context of interest rates. When using history as a guide, the yellow metal could very well be poised for another strong rally not too long from now. When the Fed paused hiking rates in 2000, 2006 and 2008, gold rose 55%, 230%, and 70% respectively. The recent CPI number out of the US may very well be paving the way for an end to the current tightening cycle which should see the manifestation of lower real interest rates. Lower real rates lead to higher gold prices and vice versa.

Anti USD rhetoric has certainly gained momentum recently with the currency's role being questioned. This is by no means a new phenomenon and predicting the greenback's imminent collapse may be premature. Nevertheless, by way of examples, herewith a list of recent events to take heed of – Saudi Arabia joining the Shanghai Cooperation Organisation, China recently brokering a diplomatic agreement to normalize relations between Iran and Saudi Arabia which paves the way for a potential end to the 8-year long proxy war in Yemen between the two nations, and Xi Xinping's recent call for peace in the Ukraine. The latter is particularly interesting because the White House has rejected calls for China to broker a cease fire, citing ratification of Russia's "gains on the ground" if Xi is successful. Some may argue this is the sign of a hegemonic force losing grip on the geopolitical chessboard. Events such as these may see the gradual decline in the USD which is beneficial to gold and the commodity complex as a whole. Stay long in a well-diversified portfolio.

APPENDIX

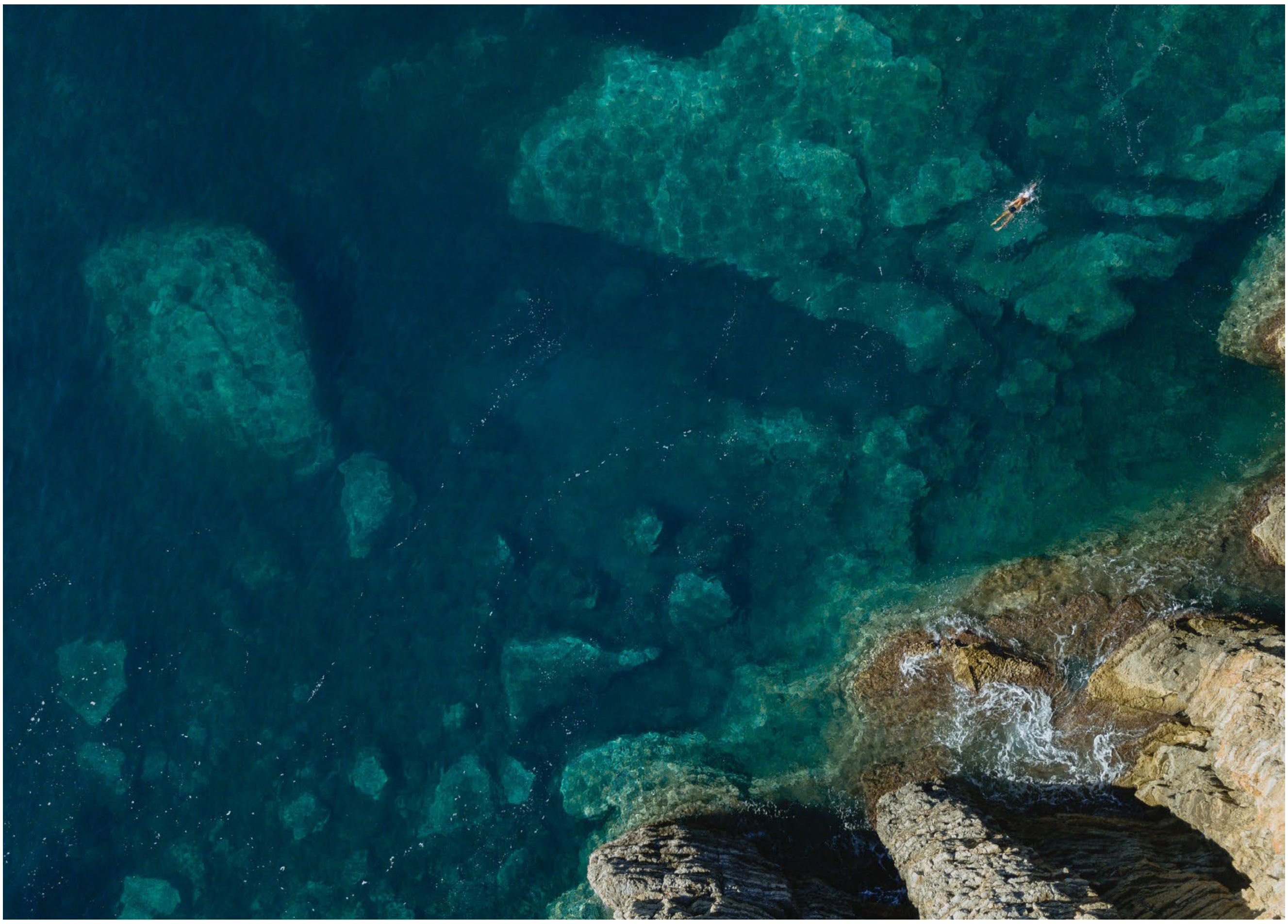
What are the Sasfin Multi-Asset Class Strategies (MAS)?

- 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 eight different asset classes to achieve a predetermined inflation-based return over a rolling five-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 alternate 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 utilised 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 traveler, 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, 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 free diver 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.

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