SARASIN IE MULTI ASSET - DYNAMIC FUND

SARASIN & PARTNERS

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ECONOMIC REVIEW

Stock markets performed well in May, with the S&P 500 Index posting its largest gain in 18 months. Emerging markets also delivered positive returns. Markets benefited from a promising US jobs report for April, alongside other positive economic data. Lower US tariffs on Chinese imports reinforced this optimistic sentiment, though the overall outlook for the US economy still remains unclear.

Bond markets were volatile. US government bonds fluctuated in response to a challenging backdrop on US revenues and taxation policies, and this caused weakness in global bonds.

FUND REVIEW

A holding in Microsoft had a positive impact on fund performance. The company reported strong third-quarter (Q3) earnings, with growth of Azure – its cloud computing business – significantly exceeding expectations. Meta, the owner of Facebook, had good quarterly results, underpinned by advertising strength. This was the sixth consecutive quarter of positive volume and pricing trends. After share price falls in February, March, and April, Amazon rallied in May. The company reported robust quarterly results, driven by cost efficiency and advertising growth. Possible trade tariffs remain a concern, but Amazon has emerged from previous periods of economic uncertainty with relative market-share gains.

Our underweight allocation to fixed income markets overall – neutral on government bonds and underweight corporate bonds – contributed positively to performance given bond weakness.

A holding in UnitedHealth underperformed as the company continued to experience regulatory scrutiny and leadership uncertainty. The firm's CEO, Andrew Witty, resigned and will be replaced by long-time Chairman and former CEO, Stephen Hemsley. Thermo Fisher Scientific was impacted by a weakening outlook for US healthcare. This included funding cuts and declining drug approval rates. First-quarter results for London Stock Exchange Group showed weaker-than-expected subscription-based revenue growth. However, strength in transaction-based revenue is supportive for near-term organic growth. We remain confident in its long-term revenue growth prospects.

FUND TRANSACTIONS

We reduced our exposure to Apple. The firm's Q1 results were disappointing and Apple's position as a consumer-facing brand with complex supply chains leaves it particularly exposed to a US-China trade war. Competition from China has also intensified, with early signs of reduced demand for Apple's iPhones in China.

We used the sale proceeds to add to our position in Tencent, a Chinese multinational tech and entertainment company. It is a fast-growing firm with little direct exposure to the US-China trade war. We believe there is a long-term growth opportunity as Tencent's diversified products mean it has the potential to become a dominant player in China.

OUTLOOK

Markets face continuing uncertainty as trade tariff negotiations grind on and geopolitical tensions persist. US President Trump's 'America First' agenda is causing global economic momentum to stall and fragment, placing markets at a pivotal point. The end of US-led rules-based global governance is leaving countries feeling vulnerable and focused on increasing their security spending.

We are taking an underweight view on equities compared with our benchmark, on the expectation that companies could experience slower growth due to economic uncertainty. We are underweight corporate bonds and neutral government bonds as we feel these assets are currently not offering strong returns or adequate diversification. We are holding gold as a defence against further market volatility.

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IMPORTANT INFORMATION

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The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years).

Risks associated with investing in Real Estate Investment Trusts (REITs) include, but are not limited to, the following: declines in the value of real estate, risks related to general and local economic conditions, overbidding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighbourhood values, the appeal of properties to tenants, and increases in interest rates. In addition, REITs may be affected by changes in the value of the underlying property owned by the trusts or may be affected by the quality of credit extended. REITs are dependent upon management skills, may not be diversified and are subject to the risks of financing projects. The ability to trade REITs in the secondary market can be more limited than other stocks.

Frequent political and social unrest in Emerging Markets and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to consider are restrictions on foreigners making currency transactions or investments.

The Fund may invest in derivatives for efficient portfolio management purposes. This means Derivatives can only be used to manage the Fund more efficiently in an attempt to reduce the overall risk of its investments, reduce the costs of investing or generate additional capital or income, although this may not be achieved and may create losses greater than the cost of the derivative.

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The Fund may invest more than 35% in government or public securities issued by any single issuer listed in the Prospectus. Such exposure will be in line with the investment policy of the Fund and in pursuit of the Fund's objective. It is currently envisaged that the Fund's exposure to such securities may be to those issued by the UK government, although this may vary and include securities issued by other governments and public issuers listed in the Prospectus.

The Sarasin IE Multi Asset - Dynamic Fund is registered and approved under Section 65 of the Collective investment Schemes Control Act 45 of 2002.

Collective Investment Schemes (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not a reliable indicator of future results. CIS are traded at the ruling price and may engage in scrip lending and borrowing. A schedule of fees, charges and maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested.

The Prospectus is available from Prescient Management Company (RF) (PTY) LTD, Tel: +27 21 700 3600. Prescient Management Company (RF) (PTY) LTD is registered and approved under the Collective Investment Schemes Control Act (No. 45 of 2022). Registration Number 2002/022560/07. Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945, South Africa. Persons domiciled in the US and/or are US nationals are not permitted to hold shares in the Fund and shares may not be publicly sold, offered or issued to anyone residing in the US or to US nationals. This publication is intended for investors in South Africa only.

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