

SARASIN IE MULTI ASSET - DYNAMIC FUND

SARASIN
& PARTNERS

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ECONOMIC REVIEW

Inflation concerns resurfaced in the US during the first quarter. The Federal Reserve left interest rates unchanged and signalled plans for a slower pace of rate cuts.

Riskier assets performed poorly, and the US stock market had its worst quarterly performance since the pandemic. Concerns included US tariffs and the risk of stagflation – slow economic growth and high unemployment, alongside rising inflation. Large technology companies were particularly weak. In contrast, European stock markets had the largest quarterly outperformance against the US S&P 500 in a decade. This was helped by a shift in fiscal policy, particularly in Germany, where government proposals enabled higher defence spending and infrastructure investment.

Investor moves into less risky assets supported government bonds, particularly in the US, although European government bonds were weaker. Inflation expectations and global uncertainty helped gold to its strongest first-quarter returns since the 1980s.

FUND REVIEW

EssilorLuxottica, the world's largest maker of lenses and frames, contributed positively to returns. The company's product innovation and collaboration on smart glasses boosted investor optimism.

Shares in Otis, the elevator manufacturer, rose after demand from China appeared to have bottomed. As around 80% of the company's profits come from servicing, Otis offers recurring revenue streams.

Shares in Microsoft fell. High capital spending and slow growth in the firm's cloud business were a cause for concern. Earnings beat expectations, but trade tensions made investors cautious.



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Nvidia, a global leader in GPUs and chips used in AI applications, was hit by geopolitical and technology sector pressures. Concerns over potential US tariffs on Taiwan raised fears over the company's supply chain exposure. Investors were also cautious on Nvidia's pricing power in AI chips and the rollout of its next generation Blackwell chip.

FUND TRANSACTIONS

We started a position in Chipotle, the fast-food restaurant chain. Spending on dining out by Americans is growing quicker than spending on food consumed at home. Chipotle provides reliable service for this growing customer base with high quality, healthy food.

We took a holding in Ferrari. This is a high-quality company and we believe that the market does not fully appreciate Ferrari's long-term pricing power.

We reduced exposure to healthcare by selling the position in Siemens Healthineers. The company is still the market leader in imaging and diagnostics machines. However, its customers face challenges, with hospitals consolidating and capital spending coming under pressure. We do not believe the current share price offers good value.

OUTLOOK

Global corporate earnings growth appears to be slowing. In the first quarter, equity markets in Europe and China benefited from the uncertainty caused by Donald Trump's trade policies, with investors looking to diversify at the expense of US markets. Core US inflation remains sticky, and with business and consumer confidence weakening, Make America Great Again policies could lead the US into recession later in 2025. Global trade relations and regulations are likely to come under greater scrutiny.

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 they are currently not offering strong returns or adequate diversification. We aim to respond rapidly to a White House that is acting more aggressively and decisively than during Trump's first term. We have increased our holdings in gold as a defence against further market volatility.



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).

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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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