SARASIN
& PARTNERS

RESPONSIBLE MODEL PORTFOLIOS

QUARTERLY COMMENTARY Q1 2024

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FUND MANAGER

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QUARTER HIGHLIGHTS

- **Stock markets rose as earnings revisions turned positive; bond prices fell as yields rose**
- Resilient economic data led central banks to push back start of interest rate cuts
- Geopolitical tensions remain high but their impact on markets was relatively limited
- The Sarasin Responsible Global Equity Fund was the portfolios' top performer
- The Sarasin Responsible Corporate Bond Fund was the main detractor
- We are optimistic about the potential for returns as financial conditions improve

ECONOMIC REVIEW

Markets have been fuelled by anticipation of interest rate cuts. However, resilient economic news in the US kept investors uncertain on the timing of when central banks will reduce interest rates.

Shares, bond yields, the US dollar and gold all rose over the quarter. Stock market returns broadened with US markets reaching all-time highs, driven by technology companies and continued confidence in artificial intelligence (AI). However, bond prices fell and yields rose as investors anticipate fewer cuts to interest rates.

Gold performed well, but other alternative investments in areas such as infrastructure had a mixed quarter. Geopolitical tensions continue to intensify despite having little impact on markets.

PORTFOLIO REVIEW

The main positive contributors to the portfolios' performance were the Sarasin Responsible Global Equity Fund along with the GBP hedged version of the fund. The main contributor to the fund's positive performance was its holding in advanced microchip designer Nvidia, which benefited from AI-related demand for its products.

In contrast, the Sarasin Responsible Corporate Bond Fund held back performance despite outperforming its benchmark during the period. In a reversal of its strong showing in the final quarter of 2023, our holding in The Vanguard UK Government Bond Fund was another detractor. It had benefited from December's rally in government bonds and expectations that interest rates would fall in 2024

PORTFOLIO TRANSACTIONS

We increased the portfolio's holding in the Sarasin Responsible Global Equity Fund, as we increased the portfolios' overweight equity allocation.

We also increased the holding in the Sarasin Corporate Bond Fund, given the attractive yields on offer and our expectation that current prices will be supported by improving economic growth.

The Royal London Short Duration Gilts Fund was sold to increase the duration of the portfolio to benefit from any cuts to interest rates.

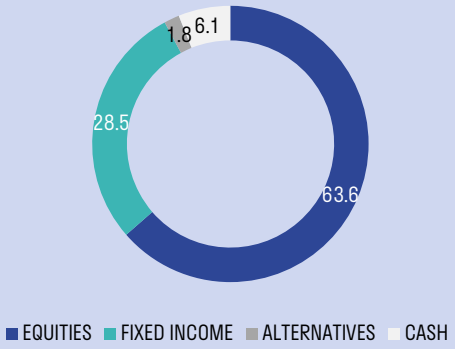
QUARTERLY OUTLOOK ▶

IN FOCUS

In early Q2, we added the Troy Trojan Fund to the model portfolios. Concerned first with protecting the real value of the portfolio, the team have a good track record in limiting drawdowns within the portfolio. At the same time, they have achieved annualised returns of 6.6% per year since the inception of the fund. Driven in large by their view on equity valuations, they employ a very dynamic approach to asset allocation.

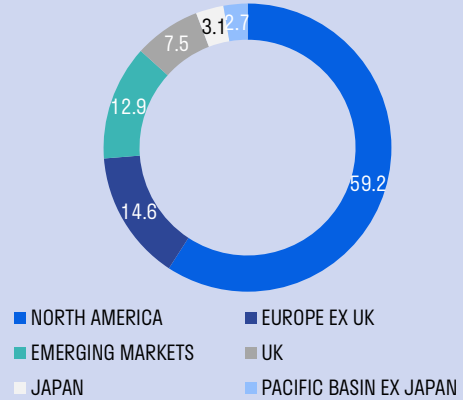
This involves utilising bond and gold positions when equity valuations look stretched and increasing equities only in times of cyclical depressions. The Trojan fund has a return profile similar to that of absolute return funds and fits as a core holding within our alternative's allocation.

MODEL PORTFOLIO ASSET ALLOCATION



Asset allocation of Sarasin Balanced Model Portfolio as at

GEOGRAPHIC ALLOCATION



Geographic allocation of Sarasin Balanced Model Portfolio as at

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OUTLOOK

Expectations are growing for a soft economic landing, where inflation drops to central bank target levels without triggering a recession. We expect central banks to cut interest rates during the second half of the year. However, stock markets could be adversely affected by geopolitical tensions and the US presidential election.

We therefore favour higher-quality shares that provide a degree of stability to the fund and continue to hold risk-off assets as a precaution against any upsets in financial markets.

We are optimistic about the prospects for returns as financial conditions improve. Bonds (particularly from UK companies with healthy balance sheets) offer good value relative to other assets, and dividend-paying companies could offer investors attractive returns in 2024. In addition, demand is rising for climate change stocks, where we are focusing on companies involved in sustainability.

FIND OUT MORE ABOUT OUR MODEL PORTFOLIO SERVICE

The Sarasin Model Portfolios are five risk-rated multi-asset portfolios designed to grow the real value of your money over time.

Speak to your financial adviser to discuss whether our model portfolios are right for you.

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