

BEN GILBERT
FUND MANAGER

QUARTER HIGHLIGHTS

- Stock markets rallied after a slow start. Bonds rallied over the period
- Central banks signalled their intention to leave interest rates unchanged as inflation fell
- The Sarasin Responsible Global Equity (GBP Hedged) Fund was the portfolios' top performer
- Inflation is expected to slow in 2024, resulting in interest rate cuts
- We are optimistic about the returns available from most assets

SARASIN RESPONSIBLE MODEL PORTFOLIOS

QUARTERLY COMMENTARY Q4 2023

This document is intended for retail investors. You should not act or rely on this document but should contact your professional adviser.

ECONOMIC REVIEW

The fourth quarter saw strong returns for stocks and bonds thanks to encouraging inflation news in developed economies. There was a further boost as central banks in the US, eurozone and UK left interest rates unchanged. These factors combined to push stock markets higher, with a broad range of sectors performing well. Bonds also rallied over the period.

Meanwhile, the oil price was weaker as a result of declining demand around the world, even allowing for geopolitical tensions and falling supply. Gold performed well in reaction to a weakening of the US dollar. Gold is considered a 'safe haven' asset by investors during periods of uncertainty. Alternative investments, such as infrastructure, also performed positively as they benefited from falling interest rates

IN FOCUS

TSMC is one of the largest holdings in the portfolios. It is a world leader in producing semiconductors. Given the high costs and complexity in manufacturing semiconductors, the market is dominated by a few large players. Of these, TSMC has among the most advanced capabilities in producing high-spec chips, for which demand continues to grow as economies digitise.

Chip designers are having to pay ever greater sums to access high-end chips and most come to TSMC. As a manufacturer only, the company does not compete with its chip-designer customers, unlike rivals Samsung and Intel, which is an added advantage. We believe that TSMC can sustain its competitive advantage and it can increase its market share.

PORTFOLIO REVIEW

Our holding in the Sarasin Responsible Global Equity (GBP Hedged) Fund contributed positively to the portfolio's performance. Its holding in online retailer Amazon was beneficial as investments made in its retail business have started to improve efficiency and boost profitability. The holding in the Sarasin Tomorrow's World Fund also made a positive contribution. Its investment in holding in Broadcom, the chip designer involved in artificial intelligence (AI) functionality, had a positive impact as it finalised its takeover of cloud computing company, VMware.

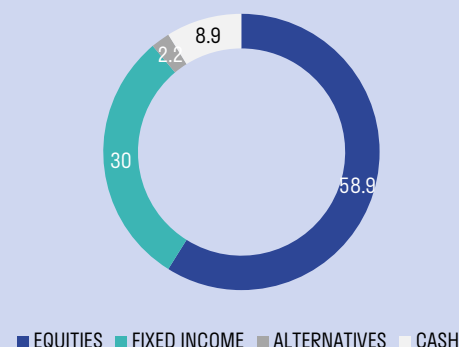
In contrast, our holding in the Lazard Commodities Fund detracted from the portfolio's performance. The holding in the VF-MTX Sustainable Emerging Markets Fund also weighed on performance.

PORTFOLIO TRANSACTIONS

We sold our holding in the Lazard Commodities Fund during the quarter. It had provided the Sarasin Responsible Model Portfolios with broad exposure to commodity prices, which were likely to benefit in a world of heightened geopolitical risk. Our investment strategy played out well, with commodity prices climbing throughout the summer of 2023 and following the onset of the conflict in Gaza. However, since then prices have softened as fears of a wider conflict in the Middle East subsided and the global growth outlook has weakened. We reallocated proceeds from the sale to cash, pending reinvestment in other investment opportunities.

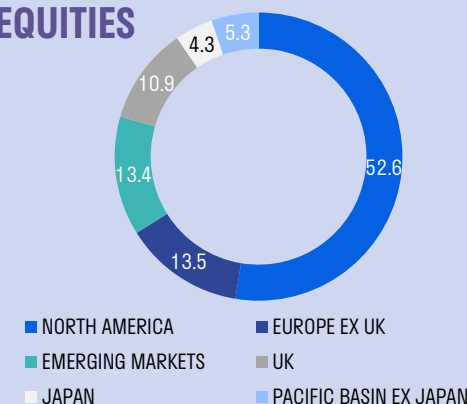
QUARTERLY OUTLOOK ►

MODEL PORTFOLIO ASSET ALLOCATION



Asset allocation of Sarasin Balanced Model Portfolio as at 31 December 2023

GEOGRAPHIC ALLOCATION OF EQUITIES



Geographic allocation of Sarasin Balanced Model Portfolio as at 31 December 2023

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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OUTLOOK

We expect inflation in the US and Europe to slow during 2024 and end the year closer to central bank targets of 2%. That means central banks can reduce interest rates, which had been their main weapon in the battle to bring down inflation. Lower interest rates should help to boost economic growth.

Having said that, financial markets could be subject to a number of political threats in 2024. Conflict is unfortunately on the rise, particularly in Gaza, between Russia and Ukraine, and in Africa. In the US, the build-up and outcome of the presidential election could cause stock market upheavals.

Overall, we believe company shares should benefit from the more resilient economic conditions forecast for 2024. Our investment focus continues to be on shares with high quality that provide a degree of stability to the fund. We also spread risk across the portfolio by investing in companies that we believe have enduring long-term business strategies.

For the period ahead, we are optimistic about the returns available from most assets as financial conditions loosen and economic risks remain contained. That leads us to favour equities and high-quality corporate bonds, with a preference for good-quality investments that are likely to benefit from lower interest rates.

IMPORTANT INFORMATION

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