

SARASIN MULTI ASSET DYNAMIC FUND

SARASIN
& PARTNERS

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ECONOMIC REVIEW

Markets have been fuelled by anticipation of interest rate cuts although resilient macroeconomic data in the US keeps investors uncertain on the timing of central bank action. Shares, bond yields, the US dollar and gold all rallied over the quarter.

Bond prices fell and yields rose as the number of expected interest rate cuts declined and credit spreads tightened.

Stock market returns broadened with US markets reaching all-time highs, but semiconductor-related stocks were the standout performers. Highlights included reassuring earnings reports from technology companies and continued confidence in artificial intelligence (AI).

Gold performed well, but alternative investments in areas such as infrastructure had a mixed quarter.

Geopolitical tensions remain, although they are not currently having a serious impact on markets.

FUND REVIEW

Our holding in the technology company Nvidia was again a significant driver of portfolio returns. A company earnings report showed continued AI-related demand for its semiconductor products and excellent pricing power.

Meta, formerly Facebook, also had strong results and reaffirmed the view that it will benefit significantly from increasing use of AI, together with improvements from recent cost cutting measures.

By contrast, Equinor, an energy company, was weak given continuing pressure on oil and gas prices. The fund has low overall exposure to energy companies.

Hong Kong-based insurer AIA continued its recent run of weaker performance, in line with other shares exposed to China's uncertain economic growth.

FUND TRANSACTIONS

We started a position in Fortinet, the cyber security technology company. It is well positioned to benefit from the increased need for cybersecurity as activity continues to move online.

We also added to our holding in Partners Group. As a prominent private equity company, it should benefit as interest rates fall.

We sold our position in China-based technology company Tencent, given continued challenges in the Chinese economy and regulatory threats to the company's business.

We also sold our position in HDFC, one of India's largest private lenders. A recent merger is taking time to embed and prospects for medium-term earnings are uncertain.

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 gold 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.



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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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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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This document does not explain all the risks involved in investing in the Fund and therefore you should ensure that you read the Prospectus and the Key Investor Information Document, which contain further information including the applicable risk warnings. The Prospectus, the Key Investor Information document as well as the annual and semi-annual reports of the Fund are available free of charge from www.sarasinandpartners.com or from Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, Telephone +44 (0)20 7038 7000 (telephone calls may be recorded).

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