

Model Portfolio Service 2022 Review

January 2023

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2022 – A tragedy in three acts

1. Inflation back on the agenda for the first time in decades...

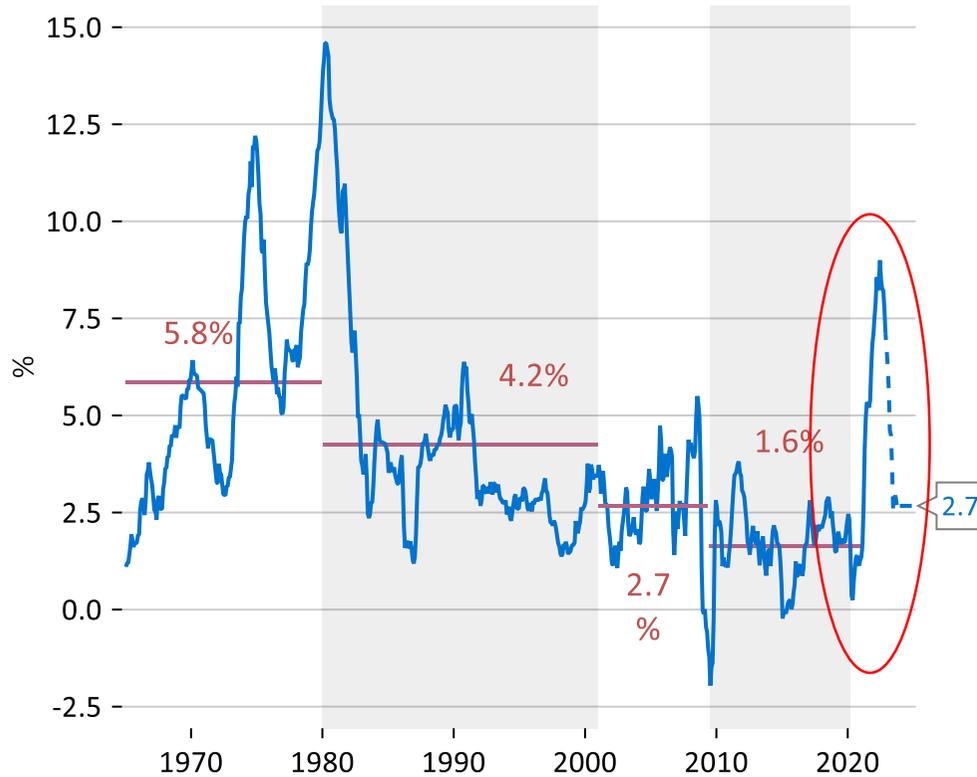


Inflation at highest levels for 40 years as we emerged from COVID lockdowns



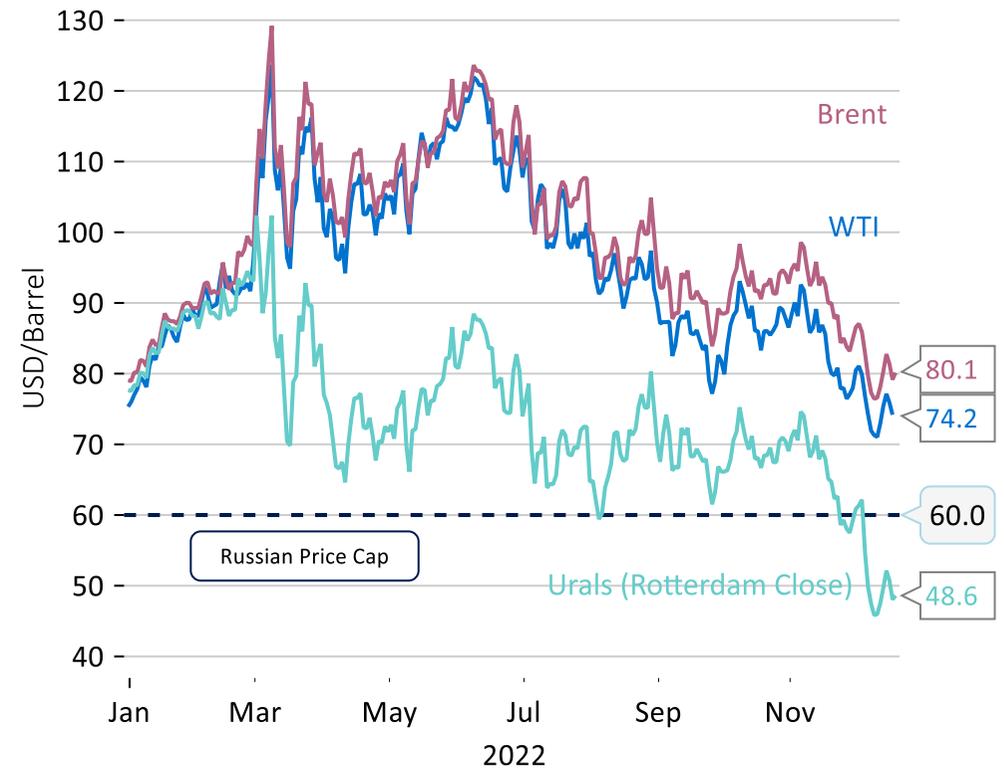
Exacerbated by the invasion of Ukraine by Putin

US Inflation (CPI) Regimes



Source: Macrobond, 20.12.22

Crude Oil Price



Source: Macrobond, 20.12.22

2. Central Banks realise the problem, rates needed to rise

3. Markets fall, fixed income markets capitulate

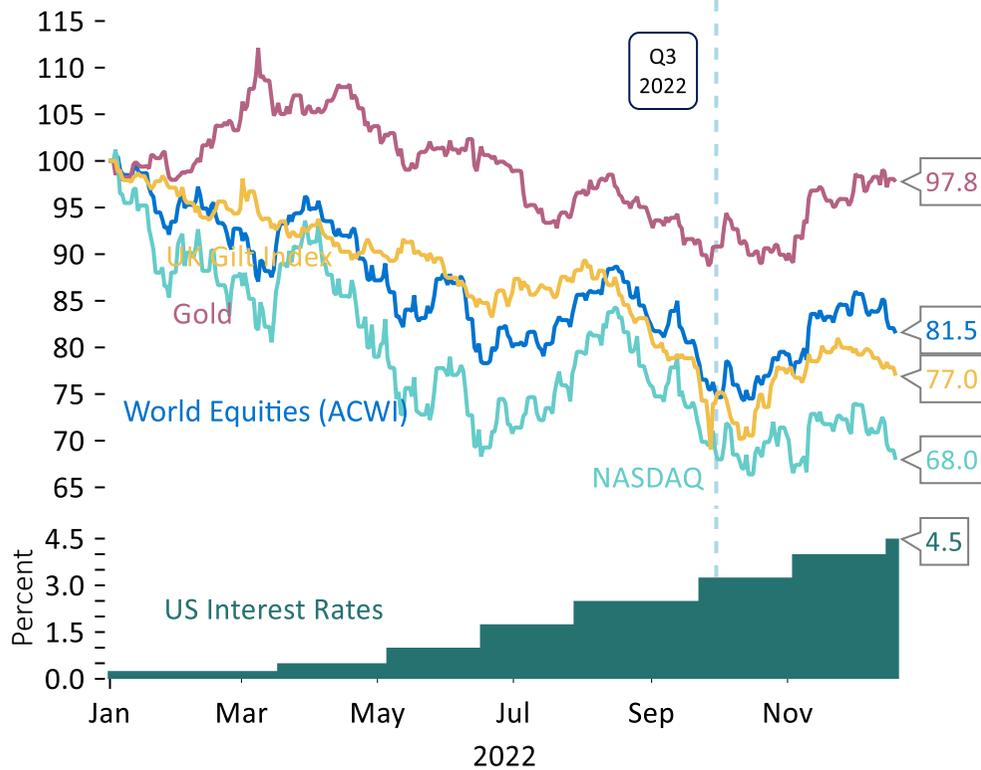


All asset classes show negative returns 2022 to date



Might the Dollar's ascent be drawing to a close?

Global Asset Performance, year-to-date



Source: Macrobond, 20.12.22

US Dollar (DXY)

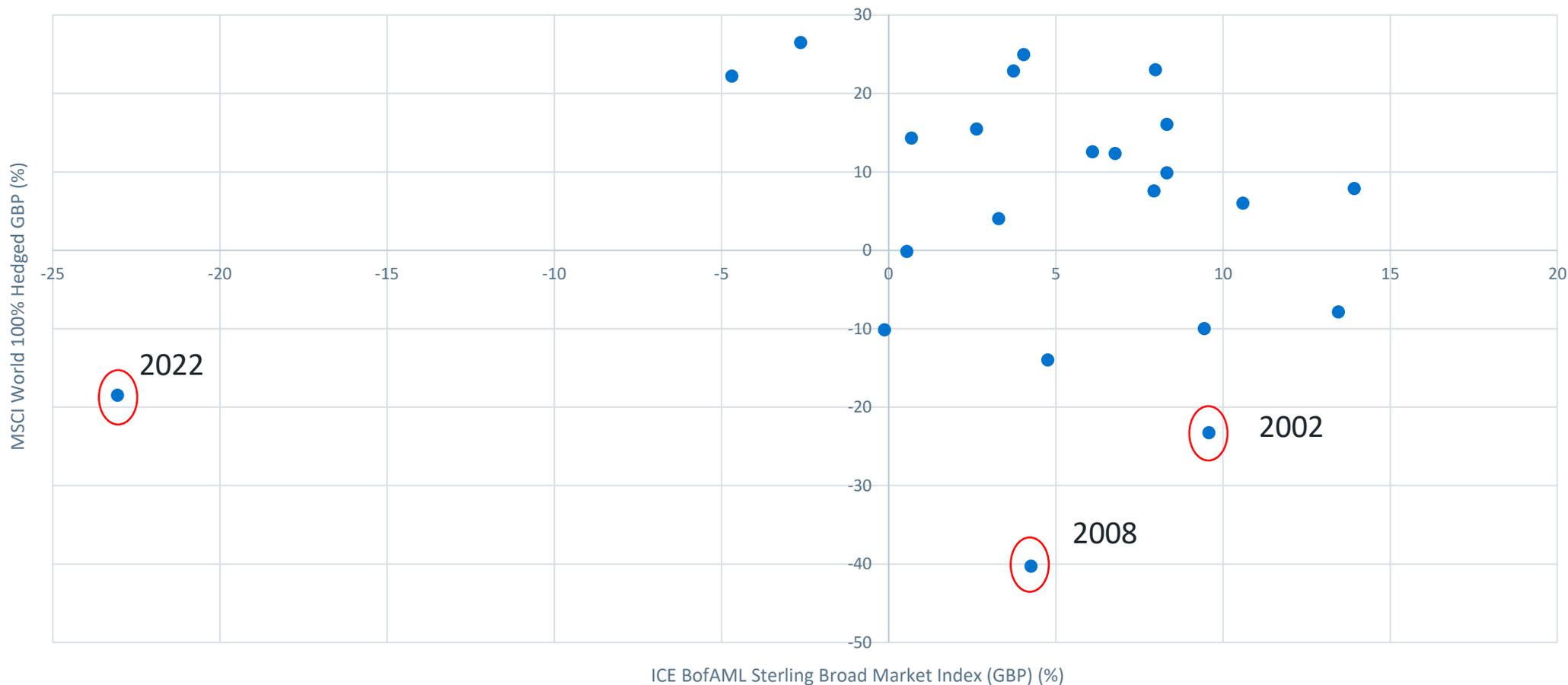


Source: Macrobond, 20.12.22

Leading to an extraordinary year for investors - a very tough year for all asset classes



Calendar year performance of Global Equities (hedged to GBP) versus UK bonds, 2000 - 2022

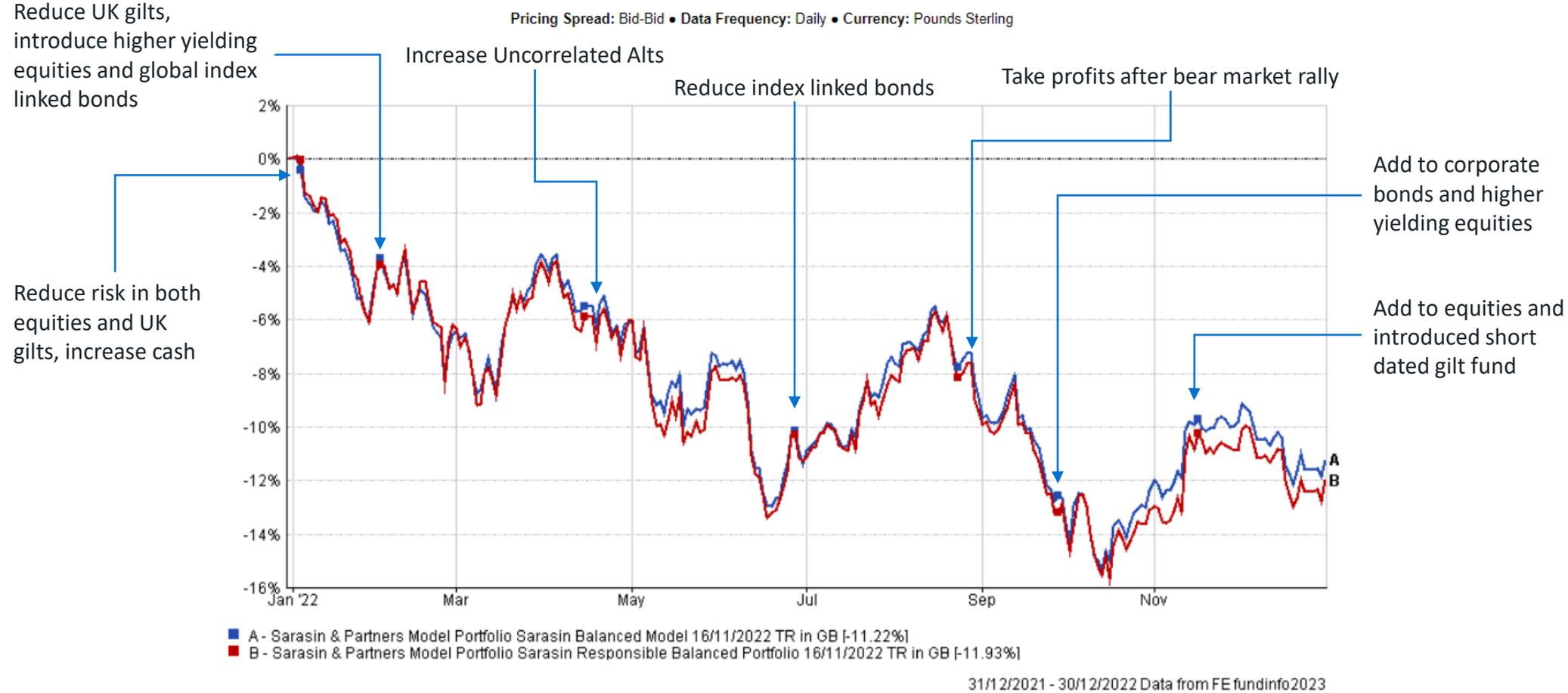


Source: Sarasin & Partners LLP, Bloomberg, as at 31 December 2022

What have we been doing?

2022 review

Sarasin Balanced Model Portfolios



Past performance is not a reliable guide to future performance and may not be repeated.

Two decisions: asset allocation and instrument selection

With few places for asset allocators to hide, an active and dynamic approach is vital



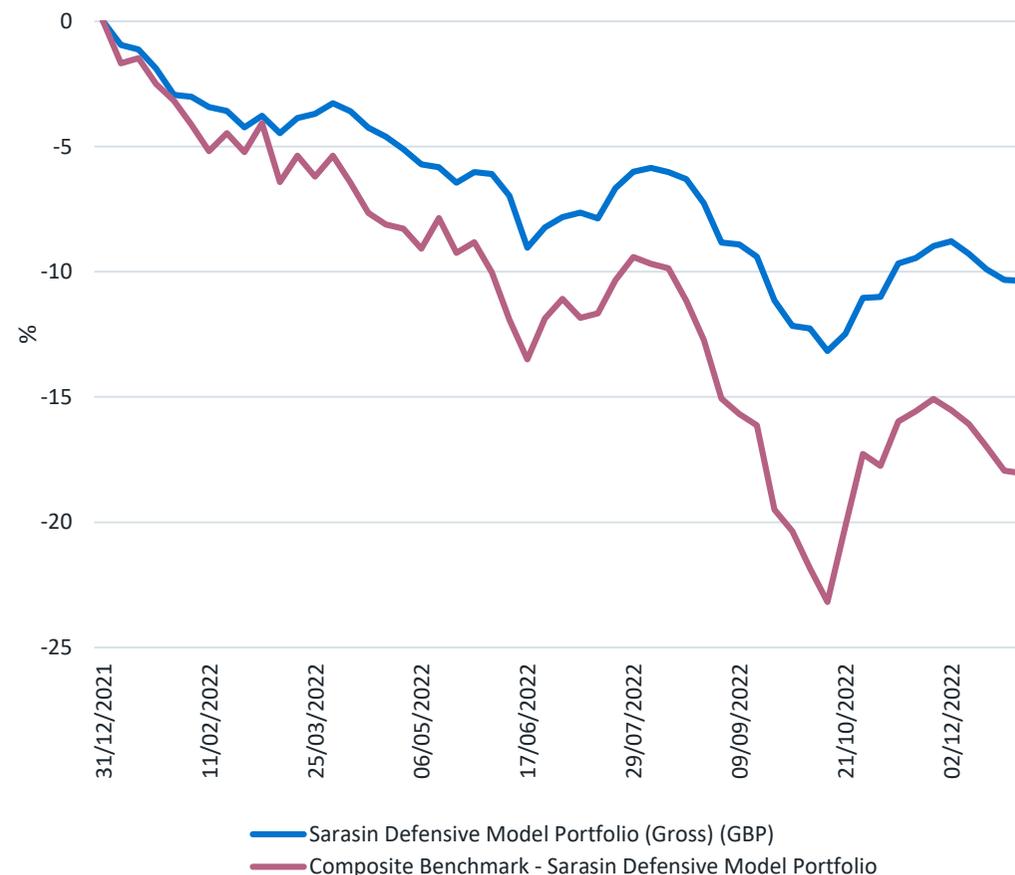
Attribution for Sarasin Defensive Model Portfolio 2022

Asset Type	Initial Portfolio Weight (%)	Portfolio Weight 31 December (%)	Strategic Neutral Weighting (%)	Stock Selection (%)	Asset Allocation (%)
Fixed Income	43.9	46.6	70	1.43	1.19
Equities	21.5	19.1	20	-0.58	0.13
Alternatives	6.3	10.2	0	0.44	1.32
Cash	28.3	24.2	10	-0.35	2.88
Total	100.0	100.0	100	0.95	5.51

Source: Sarasin & Partners, gross of platform fees and Sarasin & Partners Fees. 31 December 2021 to 31 December 2022



Sarasin Defensive Model Portfolio Performance vs composite benchmark 2022



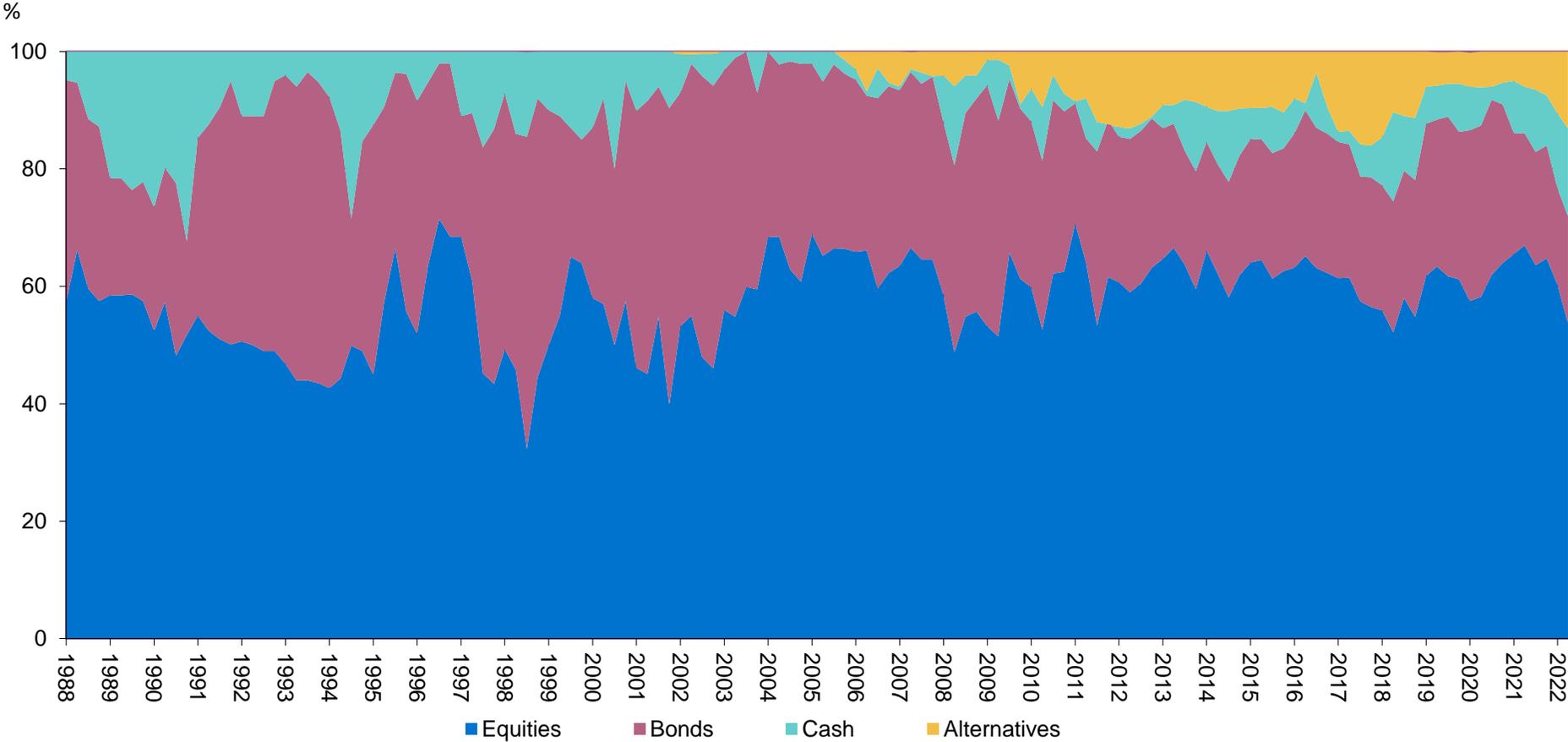
Source: Sarasin & Partners, 31 December 2022

Past performance is not a reliable guide to future performance and may not be repeated.

Long-term tactical asset allocation



Sarasin IE Multi Asset - Dynamic P Acc



Source: Sarasin & Partners, 30.06.22

Sarasin Model Portfolios

GBP Performance as at 31 December 2022



Annual and Cumulative Performance

	2022	2021	2020	2019	2018	3 years	5 years	Since inception
Sarasin Defensive Model	-10.7	2.2	9.2	7.7	-1.4	-0.3	5.9	34.9
CPI+1%*	11.8	6.2	1.4	2.4	3.3	20.3	27.3	41.4
IA Mixed Investment 0-35% Shares	-10.9	2.8	3.9	8.7	-3.4	-4.8	0.1	21.8
Sarasin Cautious Model	-11.6	5.3	10.8	10.3	-2.1	3.3	11.7	51.1
CPI+2%*	12.9	7.2	2.4	3.4	4.3	23.9	33.7	55.0
IA Mixed Investment 20-60% Shares	-9.5	7.2	3.5	11.8	-5.1	0.5	6.6	36.9
Sarasin Balanced Model	-11.2	9.8	11.2	13.5	-2.8	8.4	19.8	72.6
CPI+3%*	14.0	8.3	3.4	4.4	5.4	27.6	40.4	69.9
IA Mixed Investment 40-85% Shares	-10.0	10.9	5.3	15.8	-6.1	5.1	14.3	57.2
Sarasin Growth Model	-10.6	14.2	11.7	16.8	-3.5	14.1	28.7	95.8
CPI+4%*	15.1	9.3	4.4	5.5	6.4	31.3	47.3	85.8
IA Mixed Investment 40-85% Shares	-10.0	10.9	5.3	15.8	-6.1	5.1	14.3	57.2
Sarasin Equity Model	-11.9	16.4	12.8	20.6	-4.1	15.8	34.1	107.3
CPI+5%*	16.2	10.4	5.4	6.5	7.4	35.2	54.7	103.4
IA Global	-11.1	17.7	15.3	21.9	-5.7	20.6	38.7	122.3

*Please see full details of each Model portfolio benchmark on each individual Model portfolio slide, to follow.

Past performance is not a reliable guide to future performance and may not be repeated. Performance is net of DFM fee.& net of the cost of underlying portfolios. The effect of commissions, fees and charges will impact the portfolio's performance. Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. **IA sector performance is shown net of fees.** Inception date of Models 11.09.2013.

Source: FE Analytics, Sarasin & Partners LLP As at 31.12.2022

Outlook 2023 – what we expect to drive markets this year

Headline inflation to moderate BUT trajectory not yet clear and Central Banks remain Hawkish... for now

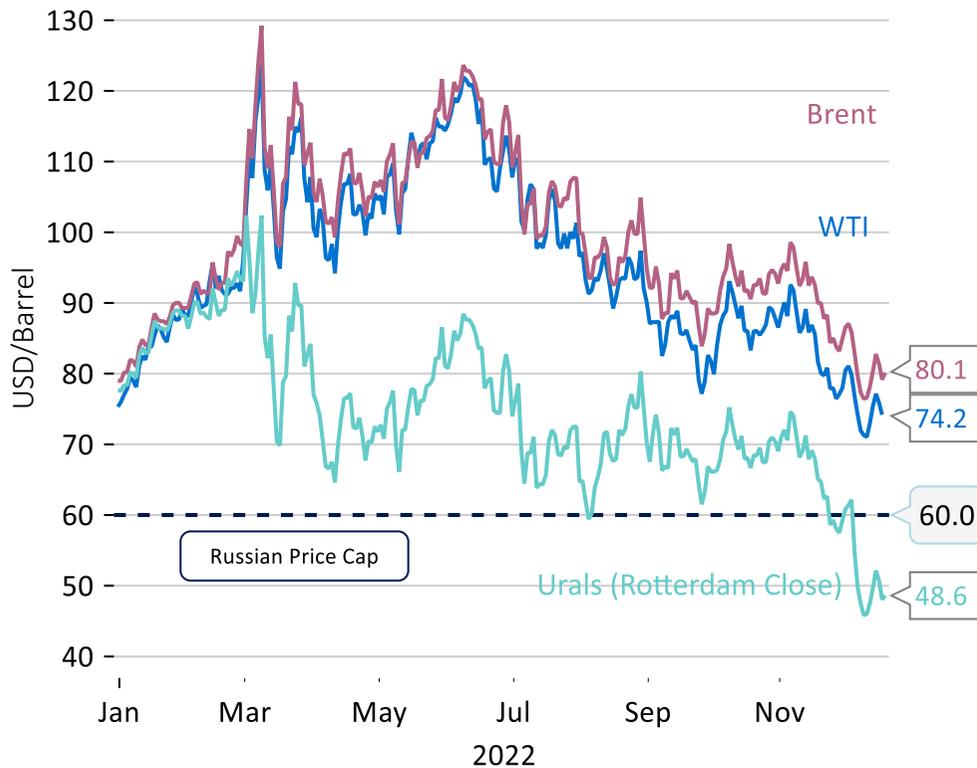


WTI falls below US80 – Urals below \$60



Financial conditions are easing – not what the Fed wants

Crude Oil Price



Source: Macrobond, 20.12.22

National Financial Conditions Index (NFCI), Index



Source: Macrobond, 20.12.22

China reopening timetable key variable for global growth

Speed of re-opening and lack of data argues for caution on China growth in the short-term – over the longer term Asia and EM will benefit



Global public health and social measures – severity index



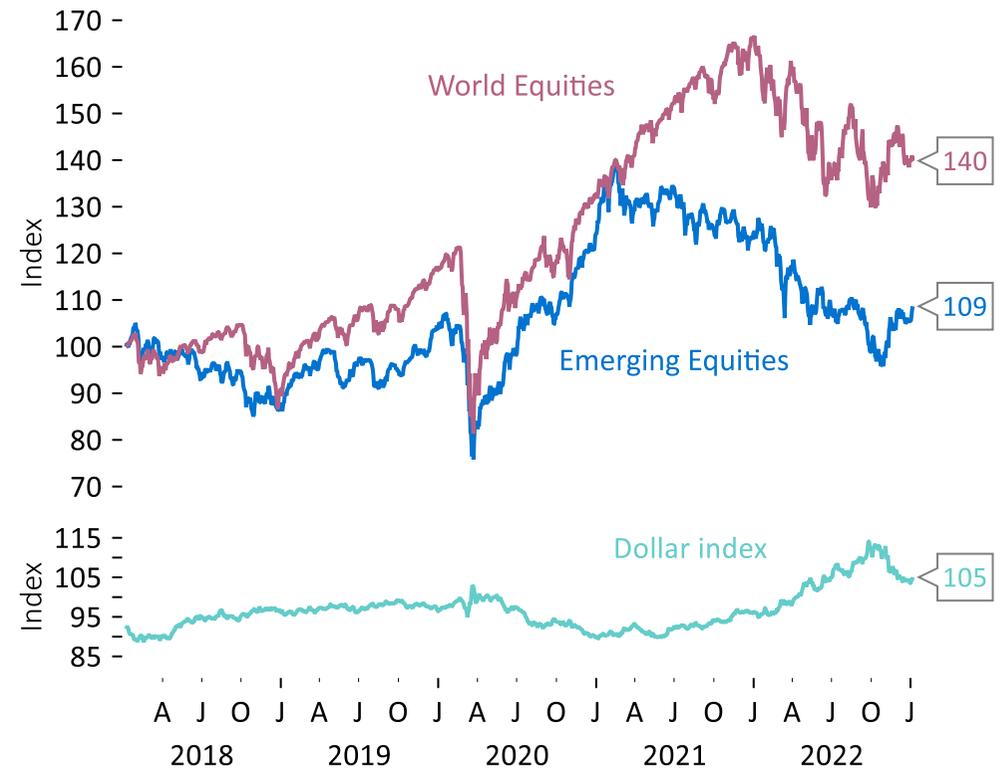
A weaker dollar is good for emerging world liquidity



“As much as 60% of Chinese populations could be infected at peak”

Feng Dijan former deputy chief China Centre for Disease Control

MSCI World & EM equity index and US Dollar (DXY)



Source: Macrobond, 06.01.23

Equity valuations more sensible, but not yet cheap

Global equity valuations are at fair value – longer term measures still look expensive

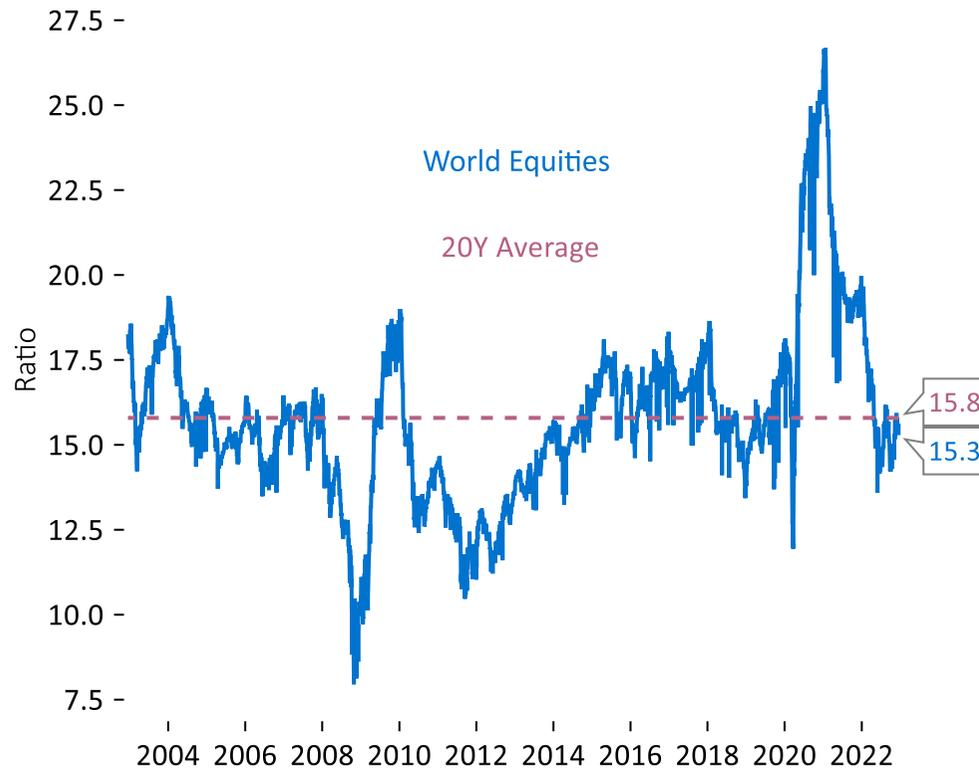


Global equities are not yet cheap esp. if rates rise further



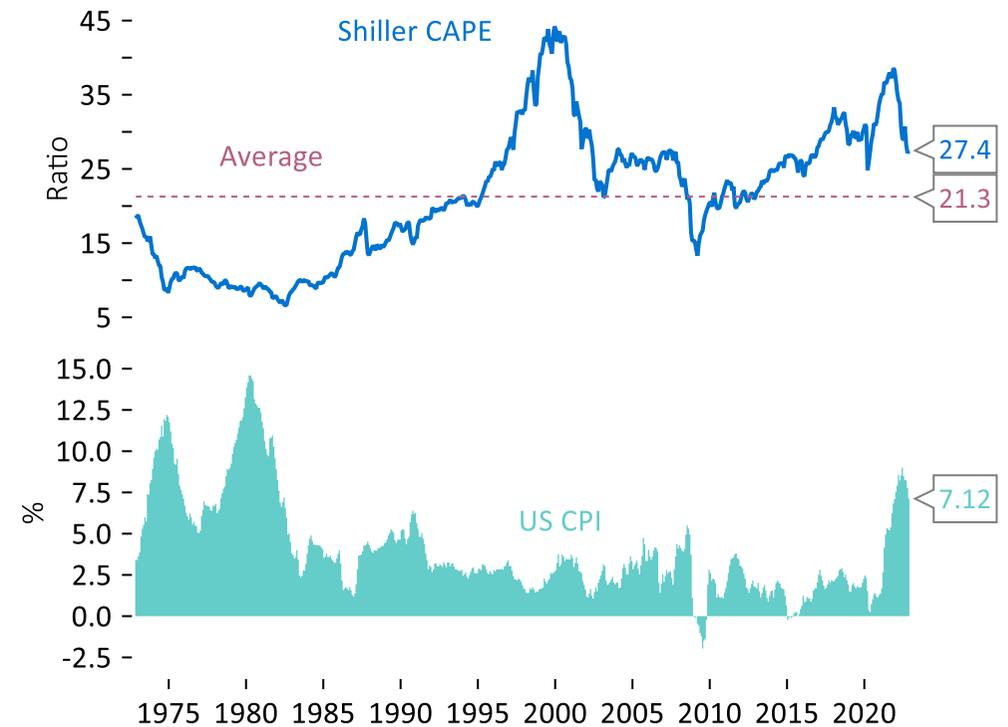
Periods of high inflation typically squeeze valuations

World Equity Index PE multiple 1 year forward (FactSet)



Source: Macrobond, 20.12.22

Schiller Cyclically Adjusted PE Ratio (CAPE) S&P500 US CPI -50Y



Source: Macrobond, 20.12.22

Banking a profit

After a strong equity rally, stickier inflation & more hawkish central banks leave us cautious



Global strategy update – December 2022

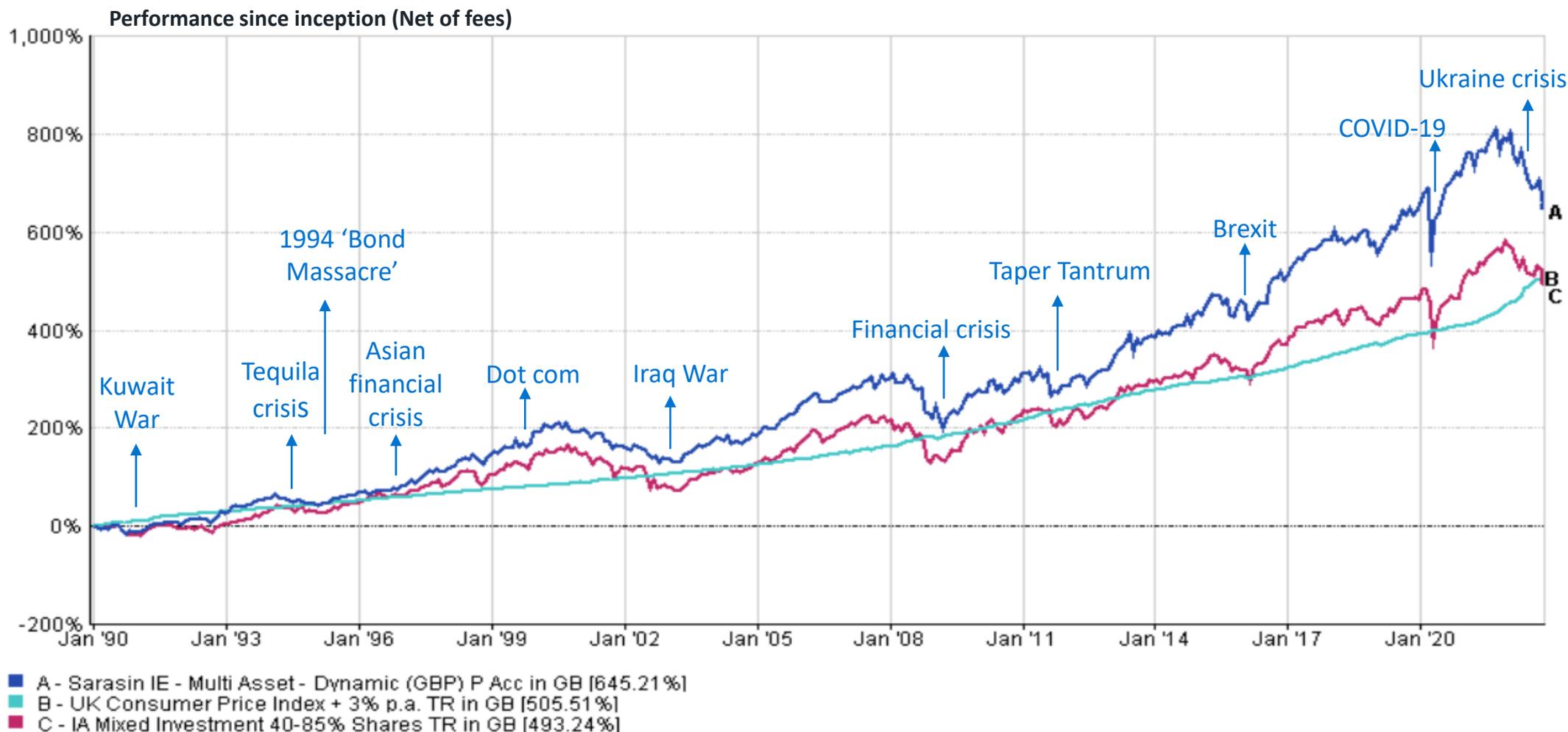
Bonds	<p>Neutral</p> <ul style="list-style-type: none">• Neutral Government Bonds – global inflationary pressures remain elevated but rates are close to peaking• Neutral Investment Grade Credit – yields attractive – corporate balance sheets healthy
Equities	<p>Underweight</p> <ul style="list-style-type: none">• Near record corporate margins clearly exposed in a global recession – a strong thematic overlay needed• Equity valuations are vulnerable if inflation is stickier than the market expects• Emerging markets offer opportunities in 2023 as China reopens and US Dollar strength ebbs
Alternatives	<p>Overweight</p> <ul style="list-style-type: none">• Underweight Correlated Alternatives – higher discount rates and worries over liquidity argues for caution on private equity, infrastructure and renewables• Strong OW Uncorrelated Alternatives as effective diversification• Overweight positions in Gold as Dollar surge fades
Cash (tactical)	Neutral – no currency preference
Risks	<ol style="list-style-type: none">1. Inflation shock not yet abating: US Core inflation continues to accelerate in 2023 meaning higher rates for longer2. Shrinking central bank balance sheets: QT triggers tighter liquidity and volatility issues. Central bank losses accelerate budget crisis3. Military challenges worsen: China-Taiwan reunification risks accelerate – Putin escalates with tactical nuclear ‘event’

Source: Sarasin & Partners, December 2022.

A long and successful history of multi-asset investing



Sarasin IE Multi Asset Dynamic P Acc



Source: FE Analytics. Inception date: 29.12.1989 to 30.09.22

29/12/1989 - 30/09/2022 Data from FE fundinfo2022

Performance is provided net of fees. **Past performance is not a guide to future performance and may not be repeated.** Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. For illustration purposes only and fund is not included in model

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