



# 2022: A year to forget – what next?

Model Portfolio update with Ben Gilbert & Henrietta Walker

April 2023

This document is for investment professionals only and should not be relied upon by private investors.



# Policy summary

Cautiously adding to risk through Corporate Bonds & Emerging Market Equities



Global strategy update – April 2023

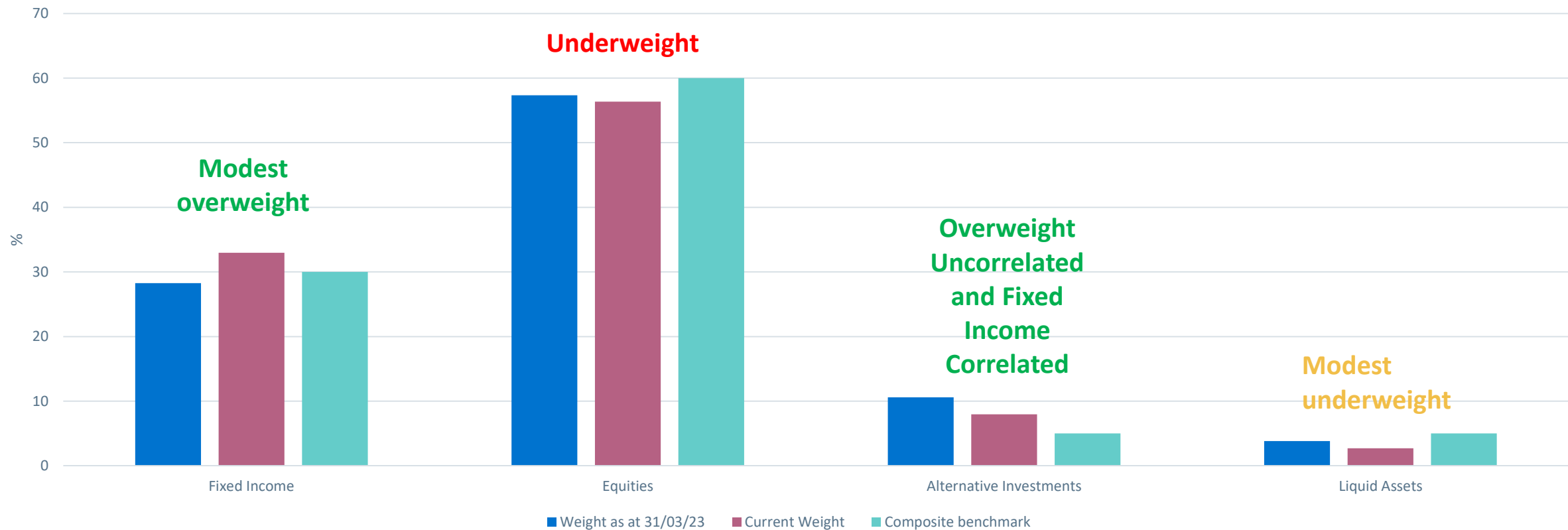
<b>Bonds</b>	<p>Overweight</p> <ul style="list-style-type: none"><li>• <b>Neutral Govt Bonds</b> – global inflation pressures remain elevated but rates are close to peaking</li><li>• <b>Overweight Investment Grade Credit</b> – yields attractive – corporate balance sheets healthy</li></ul>
<b>Equities</b>	<p>Underweight/Neutral with insurance</p> <ul style="list-style-type: none"><li>• Risks to equity market from slowdown/recession in the US &amp; geopolitics globally are increasing</li><li>• <b>Emerging markets</b> offer opportunities in 2023 as China recovery continues reopens and US Dollar weakens</li></ul>
<b>Alternatives</b>	<p>Overweight</p> <ul style="list-style-type: none"><li>• <b>Underweight Correlated</b> – higher discount rates and worries over liquidity argues for caution</li><li>• <b>Overweight Uncorrelated</b> Gold, Carbon, metals for climate capex attractive – rising rates will be challenging</li><li>• Overweight positions in <b>Gold</b> as Dollar surge fades</li></ul>
<b>Cash (tactical)</b>	<ul style="list-style-type: none"><li>• Overweight Sterling to reflect improvements in GDP and hedge global exposure</li></ul>
<b>Risks</b>	<ol style="list-style-type: none"><li>1. <b>Inflation shock not abating</b>: US Core inflation continues to accelerate in 2023 meaning higher rates for longer</li><li>2. <b>Earnings risk not priced into equity valuations</b> : Recession triggers sharp fall in global earnings &amp; margins</li><li>3. <b>Military challenges worsen</b>: Putin escalates nuclear risk - China-Taiwan reunification risks rise — North Korean missile tests</li></ol>

Source: Sarasin & Partners, April 2023

# Current tactical asset allocation



Sarasin Balanced Model Asset Allocation vs. Composite Benchmark



Source: Sarasin & Partners, as at 26 April 2023

# Lazard Commodities Fund

- Managed by Terence Brennan and team, who use Lazard’s bottom-up company research team
- Lazard has over 300 investment professionals in 17 countries, AUM over \$153bn
- Long-only and active fund, investing in commodities through UCITS swaps and commodity related equities
- The team uses information arbitrages from understanding the fundamental drivers of commodities vs commodity producers
- No leverage, fully collateralised

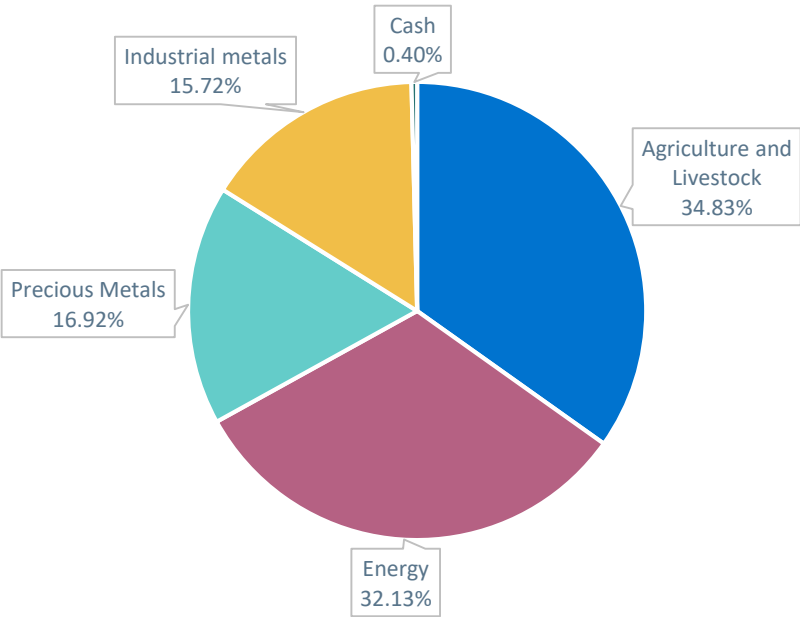
### Commodity Exposures

	Agriculture	Livestock	Industrial Metals	Precious Metals	Energy/ Petrochemicals
Listed Commodities – Direct and Indirect	<ul style="list-style-type: none"> <li>• Cocoa</li> <li>• Coffee</li> <li>• Corn</li> <li>• Cotton</li> <li>• Soybeans</li> <li>• Sugar</li> <li>• Wheat</li> </ul>	<ul style="list-style-type: none"> <li>• Live Cattle</li> <li>• Feeder Cattle</li> <li>• Lean Hogs</li> </ul>	<ul style="list-style-type: none"> <li>• Aluminum</li> <li>• Copper</li> <li>• Lead</li> <li>• Nickel</li> <li>• Zinc</li> </ul>	<ul style="list-style-type: none"> <li>• Gold</li> <li>• Silver</li> <li>• Platinum</li> <li>• Palladium</li> </ul>	<ul style="list-style-type: none"> <li>• Crude Oil</li> <li>• Brent Crude</li> <li>• Natural Gas</li> <li>• Gasoline</li> </ul>
Unlisted Commodities - Indirect	<ul style="list-style-type: none"> <li>• Paper</li> <li>• Fertilizers</li> </ul>	<ul style="list-style-type: none"> <li>• Poultry</li> <li>• Aqua Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Steel</li> <li>• Iron Ore</li> </ul>	<ul style="list-style-type: none"> <li>• Diamonds</li> </ul>	<ul style="list-style-type: none"> <li>• Chemicals</li> <li>• Solar</li> <li>• Wind</li> </ul>

### Equity Universe (~350-400 companies)

GICS Sectors (Sub-Industries)
Energy
Materials
Industrials (Agricultural & Farm Machinery)
Consumer Staples (Agricultural Products, Packaged Foods & Meats)
Real Estate (Specialized REITs)

Structure: Dublin OEIC, GBP share class  
Fund base currency: USD



Source: Sarasin & Partners, Lazard, February 2023

# Short-term market headwinds, long-term thematic tailwinds



## Global Equities vs. Global Equities (GBP Hedged)

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



■ A - MSCI ACWI TR in GB [-4.53%]  
■ B - Lloyds Bank MSCI ACWI 100% hedged GBP TR in GB [-11.74%]

Source: FE Analytics, 31<sup>st</sup> December 2021 to 25<sup>th</sup> April 2023. **Past performance is not a guide to future performance and may not be repeated.**



## Global Bonds vs. Sterling Bonds

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



■ A - Bloomberg Global Aggregate TR in GB [-5.41%]  
■ B - ICE BofA Sterling Broad Market TR in GB [-22.06%]

Source: FE Analytics, 31<sup>st</sup> December 2021 to 25<sup>th</sup> April 2023. **Past performance is not a guide to future performance and may not be repeated.**



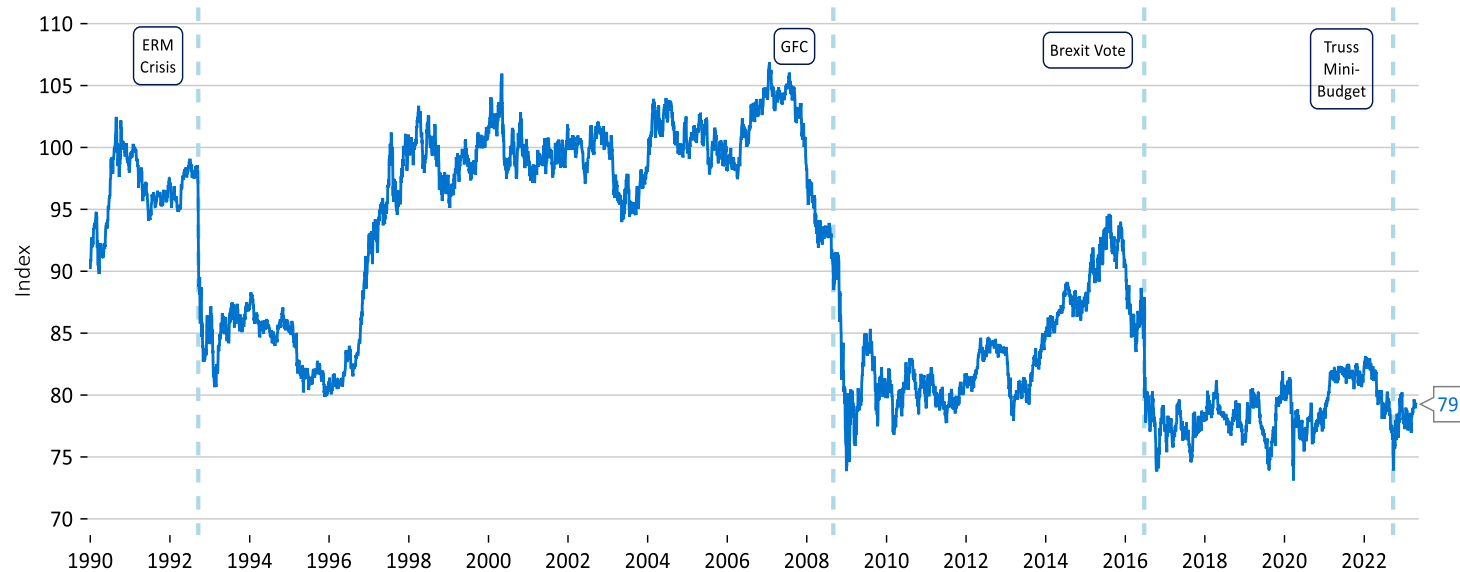
# As political and policy risks abate, sterling can rally

Focus: Sterling can rally 10% to reach (PPP) fair value – our estimate is U\$1.35



Political shocks have defined sterling weakness – but after the shock, sterling tends to recover much of the loss

Sterling Trade Weighted Index (BoE)



Source: Macrobond, 24.04.23

## Economist Big Mac Index

A Big Mac costs £3.79 in Britain and US\$5.36 in the United States. The implied exchange rate is \$1.41. The difference between this and the actual exchange rate, \$1.24.

*This suggests the British pound is **12.1% undervalued***

‘UK outlook revised to stable from negative on moderating fiscal risks’ - Rating now AA  
S&P Global Ratings 21/4/2023

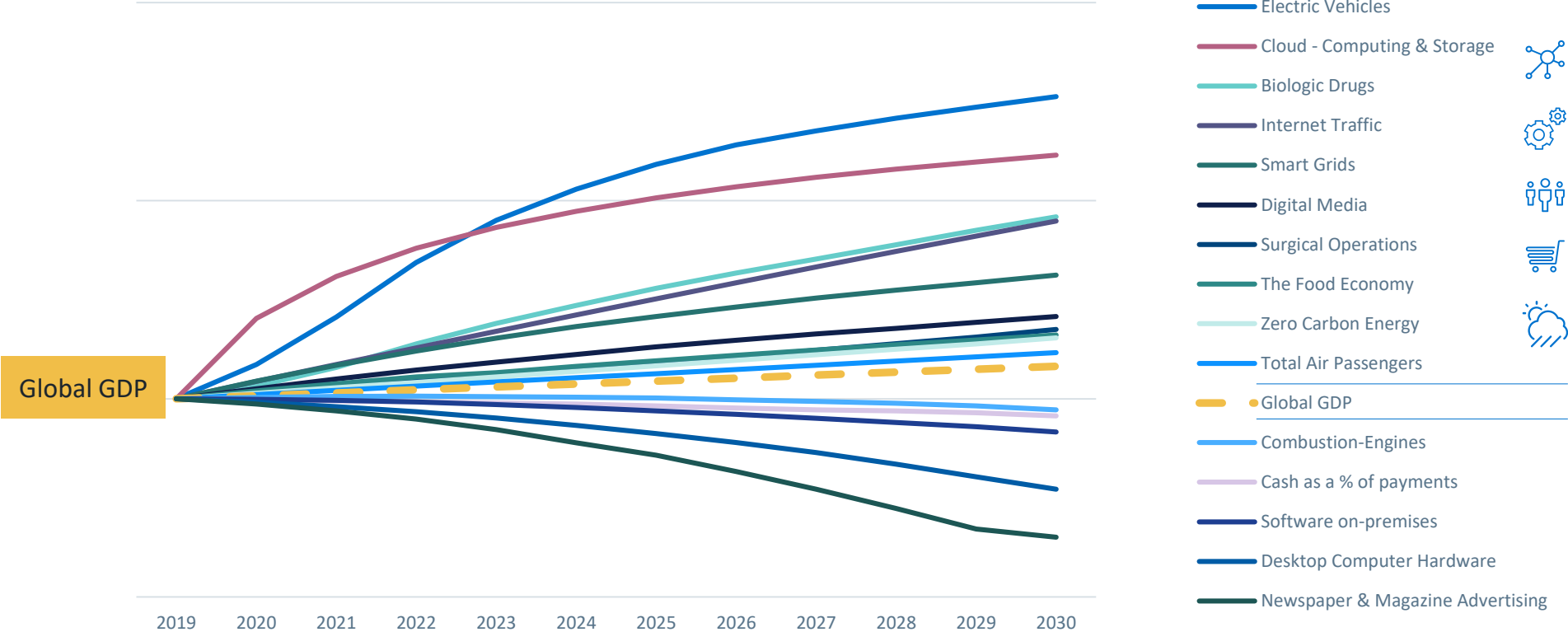
Past performance is not a guide to future returns and may not be repeated.

# Idea generation

## Future growth drivers



Sarasin forecasts – indicative growth trends over 10 years



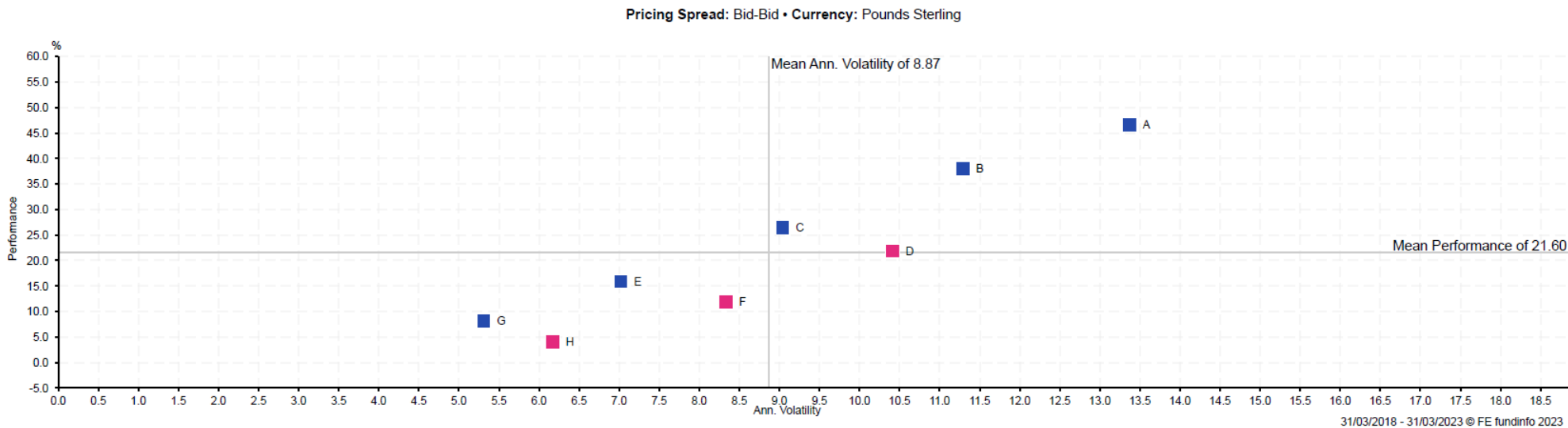
Source: Source: Sarasin & Partners Forecasts and multiple industry sources, 2019. For illustrative proposes only. Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performances.

# Proven track record

## Strong relative performance



Sarasin Model Portfolios risk and return versus IA Mixed Investment sectors 31. 03.18 to 31.03.23 (5yr)



Key	Name	Performance	Volatility
■ A	Sarasin & Partners Model Portfolio Sarasin Equity Model TR in GB	46.55	13.37
■ B	Sarasin & Partners Model Portfolio Sarasin Growth Model TR in GB	38.06	11.29
■ C	Sarasin & Partners Model Portfolio Sarasin Balanced Model TR in GB	26.40	9.04
■ D	IA Mixed Investment 40-85% Shares TR in GB	21.88	10.41
■ E	Sarasin & Partners Model Portfolio Sarasin Cautious Model TR in GB	15.89	7.02
■ F	IA Mixed Investment 20-60% Shares TR in GB	11.89	8.33
■ G	Sarasin & Partners Model Portfolio Sarasin Defensive Model TR in GB	8.12	5.31
■ H	IA Mixed Investment 0-35% Shares TR in GB	3.99	6.17

Source: FE Analytics, as at 25.04.23  
Performance is provided net of fees. **Past performance is not a guide to future performance and may not be repeated.**



# Important information

**This document is for investment professionals only and should not be relied upon by private investors.**

This promotion has been approved by Sarasin & Partners LLP of Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU, a limited liability partnership registered in England & Wales with registered number OC329859 which is authorised and regulated by the Financial Conduct Authority with firm reference number 475111.

The investments of the Model Portfolios are subject to normal market fluctuations. **The value of the investments of the Model Portfolios and the income 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 guide to future returns and may not be repeated.**

All details in this document are provided for marketing and information purposes only and should not be misinterpreted as investment advice or taxation advice. This document is not an offer or recommendation to buy or sell shares in any fund. You should not act or rely on this document but should seek independent advice and verification in relation to its contents. Neither Sarasin & Partners LLP nor any other member of Bank J. Safra Sarasin Ltd. accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The views expressed in this document are those of Sarasin & Partners LLP and these are subject to change without notice.

The index data referenced is the property of third party providers and has been licensed for use by us. Our Third Party Suppliers accept no liability in connection with its use. See our website for a full copy of the index disclaimers. <https://www.sarasinandpartners.com/docs/default-source/regulatory-and-policies/index-disclaimers.pdf>

Persons domiciled in the USA or US nationals are not permitted to invest in the Model Portfolios. This publication is intended for investors in the United Kingdom.

© 2023 Sarasin & Partners LLP – all rights reserved. This document can only be distributed or reproduced with permission from Sarasin & Partners LLP. Please contact [marketing@sarasin.co.uk](mailto:marketing@sarasin.co.uk).

