

SPW FLEXIBLE PORTFOLIO

29 FEBRUARY 2024



PORTFOLIO DESCRIPTION AND INVESTMENT OBJECTIVE

This multi-asset class portfolio invests both locally and offshore. Local assets may include equities, bonds, money market instruments and property. Offshore exposure is obtained through direct investment in listed instruments and/or investment in collective investment schemes. The mandate allows for an unconstrained view, both from an asset allocation and a stock-picking perspective. Portfolio management is likely to reflect high-conviction calls and high levels of trading activity, both of which will at times reflect tactical investment calls. The asset classes will be selected on the potential to generate nominal performance and not on a relative valuation perspective.

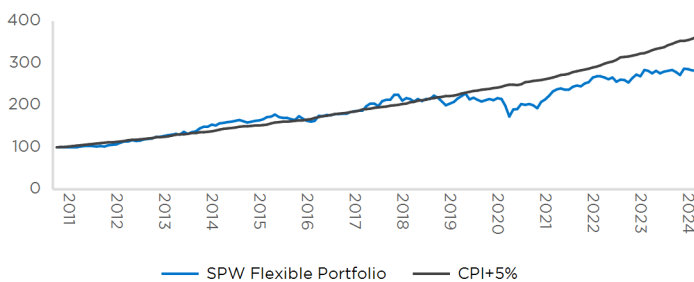
YOUR PERSONAL EQUITY PORTFOLIO

The SPW Flexible Portfolio is constructed by the investment team based on an intensive and rigorous investment process. It acts as a guide to your portfolio manager in customising your personal portfolio to suit your individual requirements. Note that the performance on this fact sheet is based on the model portfolio - the performance of your portfolio may vary, depending on the level of deviation from the model and the fees charged.

WHY SELECT A PERSONAL PORTFOLIO

A personal portfolio is suitable to discerning investors who might have unique factors to consider during the investment process. Your investment can be tailored to your requirements, you have more direct access to your portfolio manager and you have direct ownership of shares. Your portfolio will not be affected by the cash investment and withdrawals of other investors.

PERFORMANCE NET OF FEES¹



Percentage Returns	Portfolio	Benchmark	Active
Since inception	8.02%	10.26%	-2.24%
10 Yrs (Annualised)	6.02%	10.10%	-4.08%
5 Yrs (Annualised)	5.45%	10.14%	-4.69%
3 Yrs (Annualised)	6.56%	11.08%	-4.52%
YTD	-1.33%	1.82%	-3.15%

PORTFOLIO INFORMATION

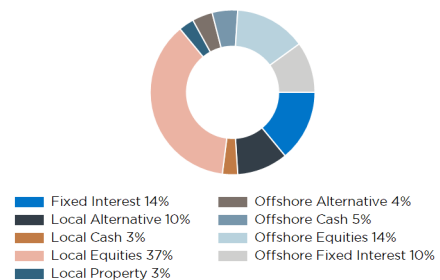
Risk rating	Aggressive
Inception date	October 2010
Minimum investment	R1 million
Benchmark	CPI + 5% <over rolling 36 months>
Management company	Sanlam Private Wealth
Portfolio manager	David Lerche
Initial fees	Nil
Annual management	Fee sliding scale (refer to mandate)

TOP 5 HOLDINGS

(Please note your portfolio might vary from this)

Prosus NV	5.30%
British American Tobacco PLC	5.13%
FirstRand Ltd	5.07%
Anglo American PLC	3.46%
Standard Bank Group Ltd	2.87%

EQUITY SECTOR EXPOSURE



1.The net of fee calculation assumes a 1.15% annual management charge and total trading costs of 1% (both inclusive of VAT) on the value of actual portfolio turnover.



ABOUT THE PORTFOLIO MANAGER

David Lerche, CFA, CA (SA)

David has 14 years` experience in the asset management industry. He is a CFA charterholder and a qualified CA (SA), and has degrees in finance and accounting. David joined the Sanlam Private Wealth team five years ago as an investment analyst, and has been Head of Equities since the start of 2021. Before this, he spent nine years in institutional stockbroking as an equity analyst servicing major South African and global asset managers.

PORTFOLIO MANAGER'S COMMENTS

In general, major markets had a remarkable rally towards the end of 2023 as investors grew confident that inflation has been brought under control, paving the way for an expected interest rate cutting cycle in 2024. This time the US Federal Reserve did not push back against this view, pivoting from its earlier guidance towards a 'higher-for-longer' interest rate regime. Meanwhile, as some economic stagnation has been evident in the Eurozone, data from the US continued to show a resilient economy and labour market despite the sharp increase in rates over the past 18 months. On the face of it, it seems more and more like policymakers have managed to steer the US economy towards a so-called soft landing - an outcome that very few expected a year ago.

Against this backdrop, most asset classes rose sharply from late October, resulting in decent investment returns for multi-asset portfolios for the 2023 calendar year. Developed market equities, as measured by the MSCI World Index, rose 11.4% in US dollar terms in the fourth quarter, while global bonds rose 5.7%. The technology (+17.6%), listed property (+16.3%) and financial (+13.4%) sectors led the gains, while energy (-3.9%) lagged, reversing some of its strong outperformance in the third quarter. As real interest rates declined, the US Dollar Index fell 4.6% during the quarter while the gold price jumped 11.6%.

South African equities, as measured by the FTSE/JSE All Share Index, rose 6.9% in rand terms over the quarter. Gold and platinum mining shares jumped while Sasol fell sharply on the back of a 19% drop in the price of oil. Bonds had a strong quarter as yields fell from their recent highs - the FTSE/JSE All Bond Index gaining 8.1%. Cash returned 2.1% while local listed property jumped 16.4%. The rand reversed some of its losses, gaining about 3% versus the US dollar during the quarter.

The portfolio delivered nominal performance of 6.3% for the 12-month period to the end of December. This return missed the inflation-plus-5% target for the period. Not only have the higher recent inflation numbers raised the performance bar materially, but the benchmark of CPI+5% has proved to be a tough measuring stick over the past five years. However, the good performance over 36 months (10.1% per annum) came close to the inflation-plus benchmark of 11.2% per annum for the period. The portfolio has recorded a credible 8.2% per annum after costs since inception. Over the past 12 months, the relatively poor performance of both local and global government bonds, which struggled to beat inflation, hampered the fixed income performance of the portfolio in the short term, while South African equities have barely beaten inflation over the past two years. We made no material changes to the portfolio in December.

Outlook and portfolio positioning

Considering the sharp rise in interest rates over the past year and the reduction in global money supply, the US economy has remained remarkably resilient. However, we know that monetary policy works with variable lags. Inflation and the labour market have not yet returned to equilibrium, while loose fiscal policy, excess savings and fixed rate debt have slowed the impact of tighter monetary policy. This has created uncertainty over the appropriateness of current monetary policy and the future interest rate path, with significant repercussions for expected asset class performance. In this environment, appropriate asset class diversification becomes even more important. While the risk-versus-reward outlook for global equities currently doesn't appear very attractive, the increase in real yields over the past 18 months has improved the prospective return profile of fixed interest investments.

Although we have a fairly neutral bet versus the benchmark at asset class level at present, our security selection reflects a defensive tilt. In equities, we have an overweight in defensive sectors such as healthcare and consumer staples. In fixed interest, we maintain a quality bias and an underweight duration versus the global bond index. Finally, in cash and alternatives, positive real yields make it a decent place to wait for better opportunities in other asset classes.

ABOUT SANLAM PRIVATE WEALTH

Sanlam Private Wealth is a holistic, integrated wealth management business that provides advice and manages assets for high net worth private individuals, cultural organisations, charitable institutions and similar entities with investable assets of more than R1 million.

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MANDATORY DISCLOSURE

Participation in the SPW Flexible Portfolio is a medium- to long-term investment. The value of this portfolio is subject to fluctuation and past performance is not necessarily a guide to its future performance. Calculations are based on a lump sum investment with gross income reinvested on the ex-dividend date. All performance figures are net of fees and costs. Actual investment performance will differ based on the fees applicable, the actual investment date and the date of reinvestment of income. A schedule of fees and maximum commissions is available from the manager. Sanlam Private Wealth (Pty) Ltd, registration number 2000/023234/07, is a member of the Johannesburg Stock Exchange, a licensed Financial Services Provider (FSP 37473) and a Registered Credit Provider (NCRCP1867).

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