



February Newsletter | 2023 Sentiment

Intelligent Investing

International Challenges & Global Sentiment

Russian Ukraine War

There is no apparent or obvious end in sight

Energy will remain expensive

World energy prices are only expected to fall in mid 2023

European Unity

The uncertainty of gas supplies from Russia will pose a threat to the European Union.

World Economic & Investment Outlook

Broad market indices expected to rise

- USA growth 1%
- Euro growth at a more tepid 0.2%
- China 4.9%
- Emerging markets 2.9%

China's post Covid bounce back

With expected stimulus growth to be 4.9% in 2023

A weaker US \$ is expected

A contracting labour market and weaker US growth is still expected to lead to a mild recession.

Emerging market economies looking positive

- Decelerating US economy
- Emerging market growth evidenced by manufacturers index
- Energy rationing expected to prolong the European economic downturn

Bonds

- Higher yields expected to underpin the bond market in first 1/2 of 2023
- Fear of global recession impacts equities - currencies & crypto currencies so there is the expectation of a rebound in 2023

Silicon Valley - high tech innovation

- Executives cite high inflation, pullback in corporate spending and recession fears as reasoning behind tech layoffs
- Meta, Amazon, Microsoft and Google together have eliminated at least 51,000 jobs in recent weeks.
- These cuts come off a high base where Amazon & Meta doubled their work force during the pandemic whilst Microsoft & Google's workforces were up 50%

World Economic & Investment Outlook

Global GDP Growth expected to be 1.5% to 2%

Current expectations are gloomy with a modest uptick to 2.7% in 2024

Global Interest Rates

- In the past 12 months the US Fed hiked rates 7 times in an effort to stem inflationary pressures
- As of Jan 2023 the Fed Funds rates was 4.43%
- Rates are expected to peak at 4.9% within the first half of 2023

Inflationary expectations

- The IMF believes inflation peaked in 2022 at around 8.8%
- Rates expected to remain elevated at 6.6% in 2023
- There should be a gradual reduction to 4.3% in 2024

China for the past four decades has been the factory of the world - but no longer

- China's zero Covid policies has been a factor to the steady erosion of its long-held manufacturing dominance
- Tech brands such as Samsung-Apple and apparel brands such as Nike and Adidas are constantly relocating production
- The slack has been taken up by the likes of Thailand, Vietnam and South Korea

Value vs. Growth Investing in 2023

Value is expected to outperform growth in the current economic landscape

Tech

Google's stranglehold on search

ChatGBT is expected to disrupt Google Search

AI - Artificial Intelligence

AI will automate many existing jobs further exacerbating job losses and inequality

Regulators to clamp down on TikTok & other tech - media companies

- Limiting video content
- Outlawing dangerous acts such as suicide
- Gender discrimination

Strategic allocations

These allocations provide the guidelines for which the below mandates are managed.

Flexible & Regulation 28	Cash + Bonds	Property	Equity	Alternative	Category Benchmark
Conservative	35-100%	0-25%	0-40%	0-10%	MA Low Equity
Moderate	0-60%	0-25%	5-60%	0-10%	MA Medium Equity
Moderately Aggressive	0-40%	0-25%	10 -75%	0-10%	MA High Equity

Offshore portfolio	Cash + Bonds	Property	Equity	Alternative	Category Benchmark
Cautious	35-70%	0-25%	0-50%	0-15%	EAA Fund USD Cautious Allocation
Growth	0-30%	0-35%	35 - 100%	0-25%	EAA Fund USD Flexible Allocation

Tactical Asset Allocation

The majority of asset classes over the past 12 months have been negatively affected by the war in Ukraine, rising interest rates (to combat persistent inflation) and supply chain bottle necks. The only performing asset classes have been gold and alternative assets classes which invest directly in commodities and derivative securities.

Based on the investment committee meeting, we have maintained a healthy blend of asset mixes across our risk adjusted portfolios. Our current stance is outlined below.

	Underweight	Moderately Underweight	Neutral	Moderately Overweight	Overweight
SA Equities				X	
SA Bonds				X	
SA Property	X				
SA Cash/Income			X		
Offshore Equities		X			
Offshore Property	X				
Offshore Bonds	X				
Offshore Cash	X				

**All comparisons of top-rated managers asset allocation vs Interactive portfolios allocations and rebalances are available on demand.*