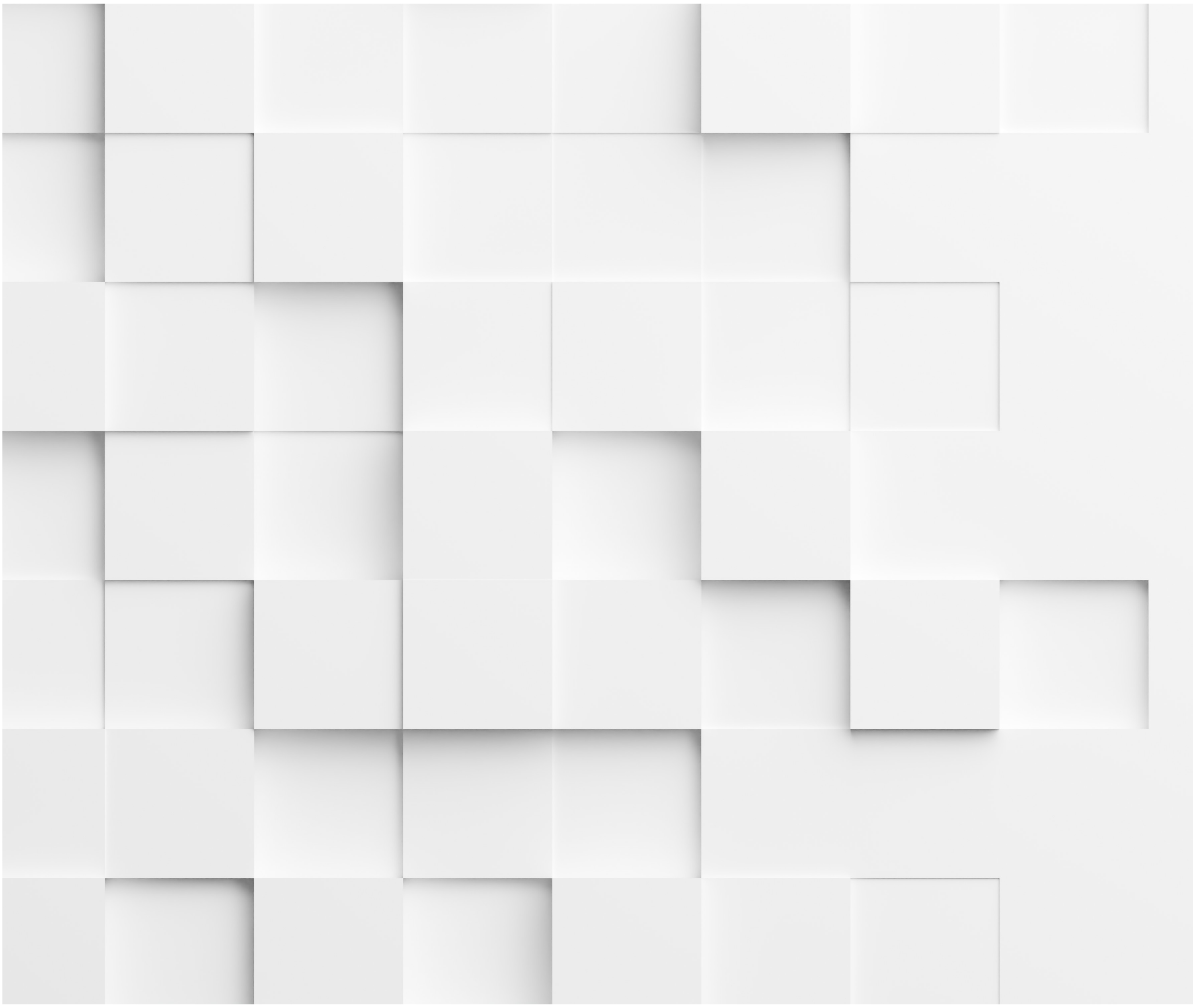

Interactive
PORTFOLIOS

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Intelligent Investing

Interactive Portfolios (Pty) Ltd is an Authorised Financial Service Provider FSP (417745) | www.interactiveportfolios.com info@interactiveportfolios.co.za

Ageing politicians

Firstly, the issue of ageing politicians is growing concern worldwide. In the US, next year's election will have two octogenarians vying for a second term with allegations of legal challenges. It has raised concerns about the world's most demanding job of presidency being taken by elderly individuals. Retirement age protests and wars also add to the complexities facing the world.

The war in Ukraine

International conflicts also pose significant challenges to the world. The ongoing Ukrainian war has raised concerns in the West, with political controversies leading to calls to cut aid support from opposition parties.

The Inflation and Interest rate Cycle

Despite the challenging economic outlook, analysts do not rule out the possibility of improvement. It is believed Inflation has peaked, and interest rates are predicted to follow suit, which seems to give a hint of hope for a likely turnaround.

No more free money

The global financial crisis of 2008 ushered in an era of relatively cheap money, causing many businesses to engage in excessive risk-taking as they took advantage of the distorted cost of capital. Almost ten years have since passed, and we have now come to the end of the era of 'free money' which has been substituted by an environment of persistent inflation the consequence of which required central banks to hike interest rates aggressively.

So who survives?

These developments have left many businesses ill-prepared as most had positioned themselves for a low-rate environment. Investors therefore, are now avoiding leveraged businesses and are now seeking out high-quality alternatives that may survive in the current regime of high interest rates. These include healthcare, consumer, semiconductor, and leisure companies, among others. Investing in a post “free-money” era requires a change in approach as economies continue to rebound. Many businesses were caught off-guard by surprise high rates. As investors seek opportunities in different sectors of the economy, the prospect exists to achieve superior returns by focusing on high-quality investments that display careful risk management.

Sector choices

China's economy is recovering after lifting its Covid lockdowns. Stimulus measures as well as the reopening of its economy are underpinning growth. While we've tilted our thinking more towards defensive options, a recovering China offers us exposure to attractive cyclical opportunities such as those in commodity based investments.

Additionally, certain sectors, notably energy, financials, materials, and consumer discretionary, have taken a big hit during tough market conditions and with the benefit of hindsight are proving to have been poor investments. Alternatively, semiconductors have attractive structural growth trends, and companies with sound business fundamentals as well as compelling long-term growth prospects will deliver rewarding returns in the long run.

Travel over goods

Over the course of the pandemic, consumer preferences in the leisure sector have shifted, with consumers investing in travel experiences over goods. Many businesses have embraced this trend and leveraged their potential to deliver better returns for investors.

Multinational brands

Given the prevailing market conditions, globally focused
companies are well-placed to navigate these obstacles and deliver superior returns to investors. Our focus has been on fundamentals rather than geopolitical options which come with too much uncertainty. We remain convinced that high-quality businesses with exceptional fundamentals will continue to thrive in the face of ongoing challenges.

Immanent launch of our Global Fund

The Interactive Global Equity Prescient Fund aims to deliver consistent inflation beating returns, with an annualised return rate in excess of 12% .Our investors' interests are indelibly etched in our investment philosophy, thus we believe that returning consistent returns to clients is core to our beliefs and drives company selection.

Investment priorities

Our investment philosophy intends to prioritise balance sheets and earnings, avoiding businesses ill-prepared for the high interest rates environment but at the same time focusing on high-quality opportunities that offer long-term growth.

South Africa

Prospects of load shedding

Winter is looking increasingly difficult with increased load shedding, however a resilient grid may yet provide some comfort to the weary.
South Africa's nonalignment stance has shifted to consider it 'Russia-leaning' due to their ill-considered stance highlighting a possible ripple effect of the consequences.
As a result of this ineptitude, the country may yet face serious economic hardships should the US and Europe withdraw their trading support.

Jobless

Furthermore, South Africa is reeling from job losses resulting from power-related challenges caused by state capture-induced load shedding. This has resulted in Eskom having resorted to cutbacks on maintenance that will in turn increase load-shedding challenges.