

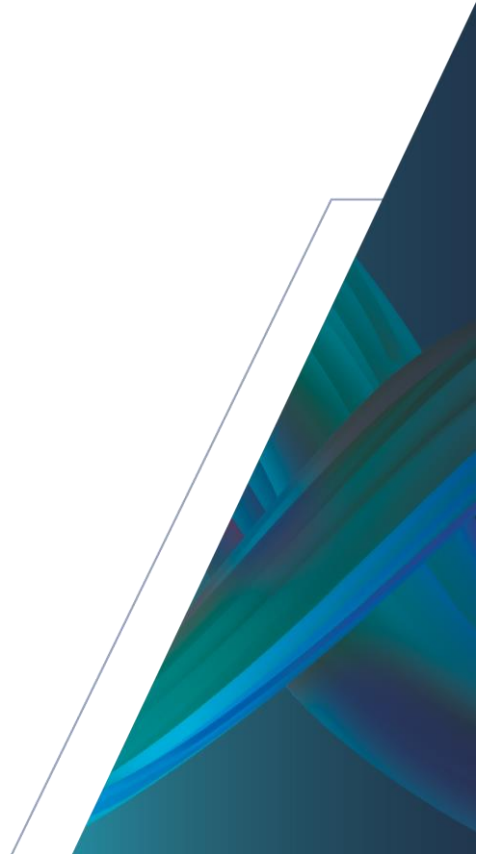


PORTFOLIO/METRIX

QUARTERLY COMMENTARY

GLOBAL PORTFOLIOS EDITION

September 2022



QUARTERLY COMMENTARY

GLOBAL PORTFOLIOS EDITION SEPTEMBER 2022

ASSET CLASS RETURNS

Asset Class	Underlying Index	CCY / Price	Sep 2022	Q3 2022	2022 YTD	1 Year	3 Years Annualised	5 Years Annualised
Global Asset Returns								
Global Equities	MSCI AC World	USD	-9.5%	-6.7%	-25.4%	-20.3%	4.2%	4.9%
Global Bonds	Bloomberg Global Agg	USD	-5.1%	-6.9%	-19.9%	-20.4%	-5.7%	-2.3%
Global Property	FTSE EPRA NAREIT Developed Rental	USD	-12.8%	-11.7%	-31.2%	-23.2%	-6.5%	-0.7%
Global Asset Classes	Underlying Index	CCY / Price	Sep 2022	Q3 2022	2022 YTD	1 Year	3 Years Annualised	5 Years Annualised
Global Equity Indices								
Developed Equity	MSCI World	USD	-9.3%	-6.1%	-25.2%	-19.3%	5.1%	5.8%
Emerging Market Equity	MSCI Emerging Markets	USD	-11.7%	-11.5%	-27.0%	-27.9%	-1.8%	-1.5%
S&P 500	S&P 500 Index	USD	-9.2%	-4.9%	-23.9%	-15.5%	8.1%	9.2%
Dow Jones	Dow Jones Industrial Average	USD	-8.8%	-6.2%	-19.7%	-13.4%	4.4%	7.4%
Nasdaq	NASDAQ Composite Index	USD	-10.4%	-3.9%	-32.0%	-26.2%	10.7%	11.3%
FTSE 100	FTSE 100 Index	GBP	-5.2%	-2.8%	-3.8%	0.8%	1.2%	2.5%
STOXX Europe 600	STOXX Europe 600 Price Index EUR	EUR	-6.4%	-4.2%	-18.1%	-11.8%	2.5%	3.3%
CAC	CAC 40 Index	EUR	-5.8%	-2.5%	-17.1%	-9.0%	3.1%	4.5%
DAX	Deutsche Boerse German Stock Index	EUR	-5.6%	-5.2%	-23.7%	-20.6%	-0.8%	-1.1%
Hong Kong HSI	Hong Kong Hang Seng Index	HKD	-13.2%	-20.1%	-24.0%	-27.5%	-10.2%	-6.0%
Nikkei	Nikkei 225	JPY	-7.0%	-0.9%	-8.2%	-10.1%	8.1%	7.0%
Shanghai SE	Shanghai Stock Exchange Comp Index	CNY	-5.4%	-9.7%	-14.8%	-13.0%	3.7%	0.3%
SA ALSI	FTSE/JSE All Share - Return in USD	USD	-9.2%	-11.7%	-20.7%	-13.4%	3.0%	0.5%
MSCI South Africa	MSCI South Africa Index USD	USD	-8.7%	-13.1%	-18.8%	-18.6%	-2.5%	-3.5%
Global Bond Indices								
Global Bonds	Bloomberg Global Agg	USD	-5.1%	-6.9%	-19.9%	-20.4%	-5.7%	-2.3%
Sovereign Bonds	Bloomberg Global Sovs	USD	-5.2%	-7.6%	-21.3%	-22.0%	-7.0%	-3.1%
Corporate Bonds	Bloomberg Global Corps	USD	-5.5%	-6.5%	-21.0%	-21.3%	-4.8%	-1.6%
High Yield Bonds	Bloomberg Global High Yield	USD	-5.1%	-2.7%	-19.1%	-19.7%	-3.3%	-1.0%
EM Bonds (Hard Ccy)	Bloomberg EM Bonds (Hard Ccy)	USD	-6.5%	-4.5%	-23.7%	-23.8%	-7.1%	-3.0%
EM Bonds (Hard & Local)	Bloomberg EM Bonds (Hard & Local)	USD	-6.1%	-5.1%	-27.6%	-28.0%		
Currencies								
Rand/Dollar	ZAR/USD	18.09	-5.3%	-10.0%	-11.8%	-16.7%	-5.8%	-5.6%
Rand/Pound	ZAR/GBP	20.21	-1.6%	-2.0%	6.7%	0.6%	-2.7%	-2.1%
Rand/Euro	ZAR/EUR	17.74	-2.9%	-3.8%	2.2%	-1.6%	-2.4%	-2.0%
US Dollar Index	DXY	112.12	3.1%	7.1%	17.2%	19.0%	4.1%	3.8%
Euro/Dollar	EUR/USD	0.98	-2.5%	-6.5%	-13.8%	-15.4%	-3.5%	-3.7%
Dollar/Yen	USD/JPY	144.74	4.2%	6.6%	25.8%	30.1%	10.2%	5.2%
Pound/Dollar	GBP/USD	1.12	-3.9%	-8.3%	-17.5%	-17.1%	-3.1%	-3.6%
Commodity Prices (USD)								
West Texas Oil	WTI Crude	\$79.49	-10.7%	-18.7%	12.9%	16.6%	16.5%	9.3%
Brent Crude Oil	Brent Crude	\$87.96	-8.8%	-23.4%	13.1%	12.0%	13.1%	8.9%
Gold	Gold Spot \$/Oz	\$1,661	-2.9%	-8.1%	-9.2%	-5.5%	4.1%	5.3%
Platinum	Platinum Spot \$/Oz	\$864	1.8%	-3.6%	-10.8%	-10.7%	-0.7%	-1.1%
Palladium	Palladium Spot \$/Oz	\$2,166	3.7%	11.7%	13.7%	13.2%	8.9%	18.3%
Copper	LME Copper Spot (\$)	\$7,683	-2.1%	-6.9%	-21.1%	-14.1%	10.5%	3.6%
Iron Ore 62%	Generic 1st 'SCO' Future	\$98	-6.2%	-24.4%	-12.6%	-17.8%	1.9%	7.1%

Source: Bloomberg and PortfolioMetrix

Q3 2022 was a quarter of two halves: positive at first for world markets but with falls in the second half that erased earlier gains. It was optimism that the US Federal Reserve might moderate its rate rising cycle that fuelled gains earlier in the quarter, although this optimism later soured in the face of more persistently high inflation and continued central bank hawkishness. A speech by US Federal Reserve Chairman Powell in late August reinforced messaging around the Fed's determination to continue to raise rates to reduce inflation. They delivered on this promise with a 75bps hike in September (this followed a 75bps increase in July) coupled with quantitative tightening to the tune of \$95bn per month beginning in September. Markets fell off strongly from the latter part of August and continued their rout through September.

Rates in the US currently sit between 3 and 3.25% but a further 75bps at their next meeting is all but a certainty. The Fed has set the tone globally and central banks are either trying to keep up or get ahead of moves in the US. These rate rises, relative economic strength, and a general flight to safety, have meant that the US dollar has strengthened significantly year-to-date (around 17%) against a basket of trading currencies. This was off arguably overvalued levels to begin with in January. The interesting thing about this is that weakness in emerging market currencies has been less than that of developed market currencies (unusual for choppy markets). The Euro, Pound and Yen have all weakened more relative to the US dollar than the Brazilian Real (strengthened), Chilean Peso, Malaysian Ringgit and the South African rand (amongst others). Also unusual is the fact that commodity prices have held up in the face of a surging dollar. Generally, a stronger dollar makes commodities relatively expensive for non-US buyers choking off demand.

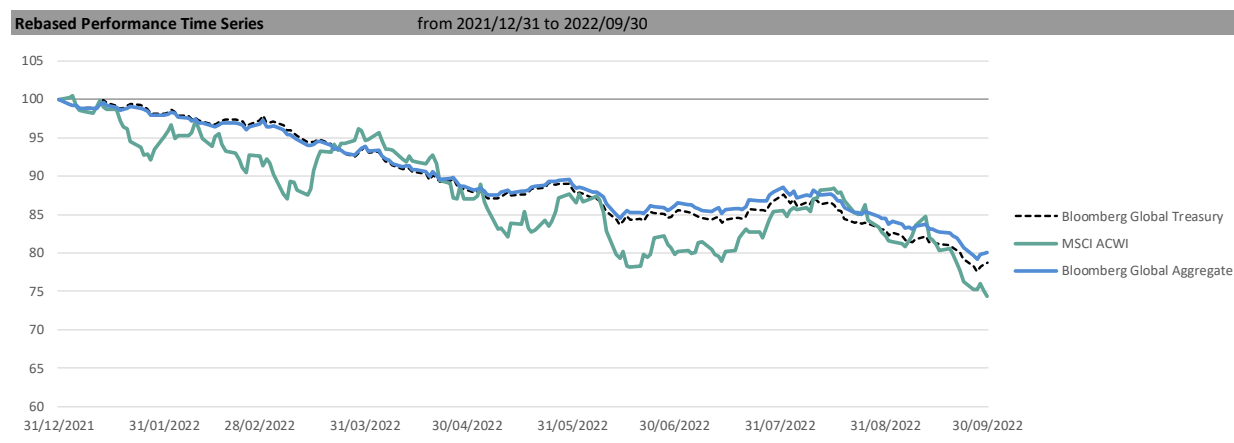
However, arguably the most painful adjustment to investors has been the relentless drop in global bonds having fallen -20% in US dollar terms year-to-date and -7% for the quarter (as represented by the Bloomberg Barclays Global Aggregate Index - unhedged). Given that just under half of this index is US exposure we can assume that around 8-9% of this fall is merely a result of US dollar strength (currency moves). Irrespective, this has been a brutal adjustment to bonds in a period when equity markets have fallen by 25% so far this year.

It was under this strained macro backdrop that the UK, under the wisdom of the newly elected Prime Minister and Chancellor of the Exchequer, decided to play Russian roulette with the markets and lost. The irresponsible fiscal easing via unfunded tax cuts, and no idea of what the effects would be to finances, sent UK government bond yields into a tailspin. The Bank of England (BOE) was forced to intervene to prevent a collapse of the pension funds market. This reversal of monetary tightening intentions by the BOE, no matter how temporary, must surely demonstrate one of the most embarrassing moments for a developed world “finance minister” (and Prime Minister) in quite some time.

Q2 TALKING POINTS

The Death of the 60/40 Portfolio

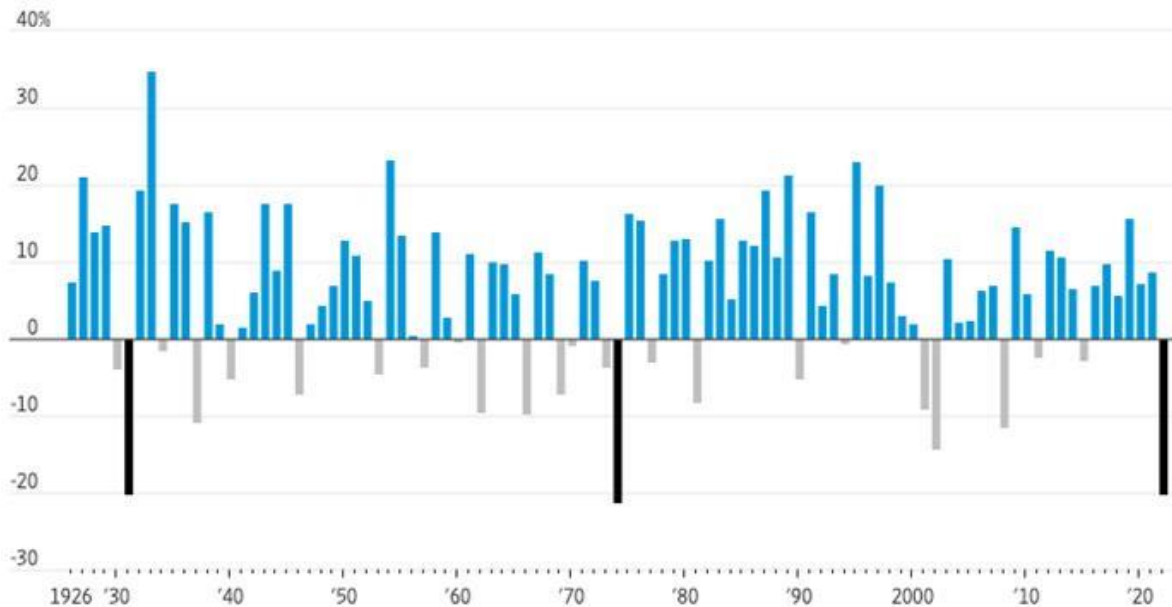
The precipitous fall in bond markets have coincided with falling equity markets this year.



What can be seen from the above is that Global Treasury bonds have in fact underperformed their “higher risked” counterparts, namely, global corporate bonds, high yield and even emerging market bonds. The result has been very little protection for global balanced investors with the 60/40 portfolio producing one of the worst periods of return for the first 9 months of the year since 1926.

No Shelter

Here are the returns on a portfolio of 60% stocks and 40% bonds in the first three quarters of each year since 1926. Only two were worse than 2022: 1974 and 1931.



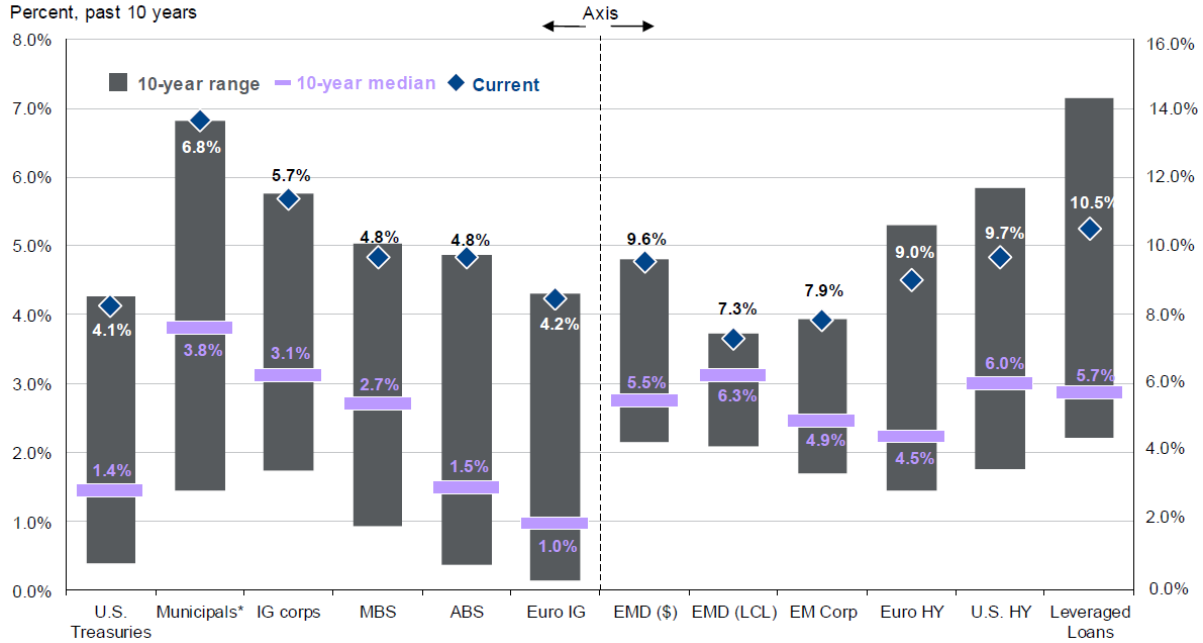
Note: Total returns of U.S. stocks and bonds measured by S&P 500, Bloomberg Barclays Aggregate Bond and predecessor indexes.

Source: Ned Davis Research

But is this the death of the 60/40 portfolio? We would argue that the dramatic falls in the bond market have in fact revived the 60/40 portfolio. At any stage of investing, it is important not to focus too much on what returns have been, but instead on where they could be going. Starting yields are far more palatable now than what they were at the start of 2022 and are closer to the levels experienced at the onset of the GFC in 2008. The chart below shows that fixed income markets are now at the top end of their range over the past decade (implying relative attractiveness):

Yield-to-worst across fixed income sectors

Percent, past 10 years



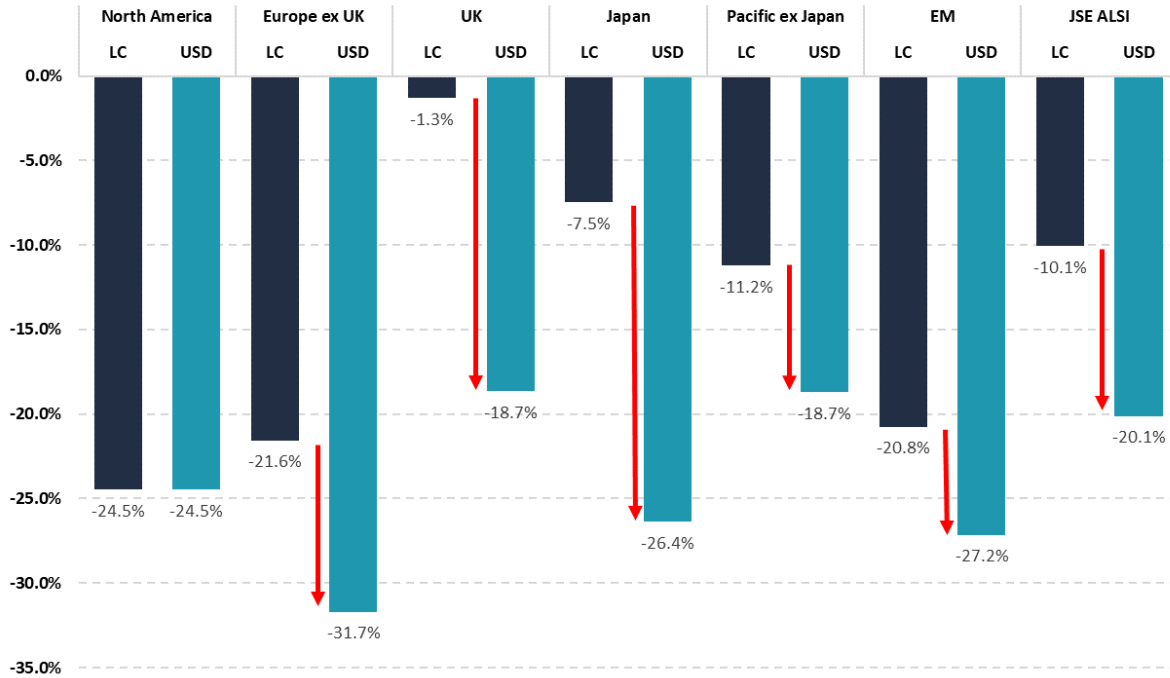
Source: JP Morgan Guide to the Markets

While it has been a difficult ride down, the reset in valuations has materially improved forward-looking returns across the fixed income universe; so too for equities.

The Strong US dollar Affects Everything: Including the US

Your reporting currency matters, especially in a world where the US dollar is strong and getting stronger. To illustrate this, we show equity returns of developed market regions in local currency (LC) and in US dollars (USD) for the year:

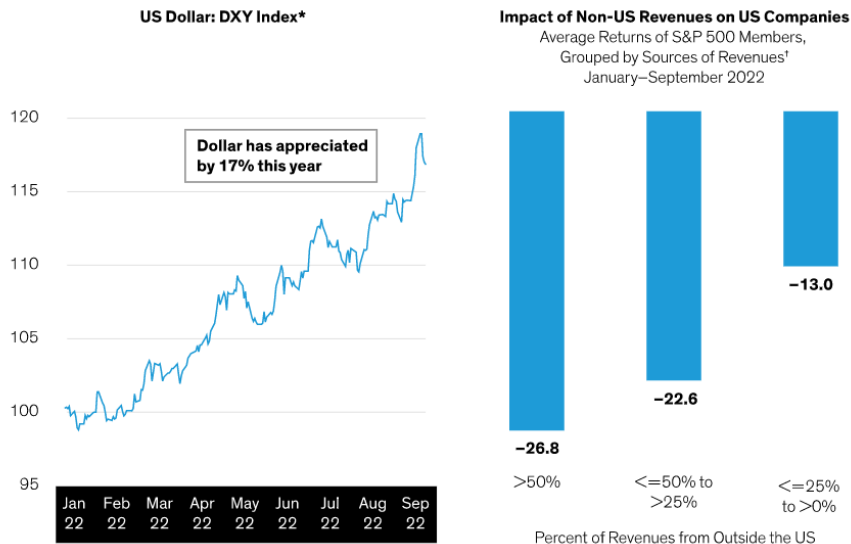
YTD Equity Region Returns in Local Currency (LC) and US dollar (USD)



Source: Financial Express, PortfolioMetrix

In local currency terms, ex-US equity regions comfortably outperformed the US market. However, in dollar terms the picture changes quite dramatically. These effects can be felt within an equity market too. Below we show the average return of companies listed on the S&P500 grouped by their source of revenues (US and ex-US). Here you can see that the strength of the dollar has affected companies' revenues purely based on the currency translation effect. A more sinister effect is that US products sold to non-US consumers are materially more expensive which should dent demand. This is expected to lead to margin pressure for US companies particularly in an environment where wage increases start to bite in a labour market with almost two open positions to every job seeker.

Strengthening Dollar Is Affecting Company Performance



Source: Alliance Bernstein

QUARTERLY MACROECONOMIC DATA

GDP figures released in the third quarter were for Q2 2022 and were mixed, with China in particular experiencing a below expectations fall on COVID lockdowns. The US saw its second in a row fall in quarterly GDP, technically a recession by one measure although not likely to be declared one officially given the strength of the US employment market. Inflation generally increased strongly during the second quarter, although it's possible that it peaked in the US during the quarter. Unemployment, generally fell as economies continued their recovery from COVID.

Region	Previous Quarter Growth (annualised)			Inflation		Core Inflation	Unemployment		Comment
	Latest Reading	Change	Detail	Latest Reading	Change	Latest Reading	Latest Reading	Change	
UK	0.8%	↓	Above expectations	9.9%	↑	6.3%	3.6%	↓	Record high core inflation and unemployment lowest since 1974
US	-0.6%	↓	In line with expectations	8.3%	↓	6.3%	3.7%	↑	US is now technically in a recession
Eurozone	3.2%	↑	Above expectations	10.0%	↑	4.8%	6.6%	↓	Inflation highest since records began and unemployment lowest since records began
Japan	3.5%	↑	Above expectations	3.0%	↑	2.8%	2.5%	↓	Inflation highest in 8 years
China	-10.0%	↓	Below expectations	2.5%	↑	0.8%	5.3%	↓	
Brazil	4.9%	↑	Above expectations	8.7%	↓	9.1%	8.9%	↓	Unemployment lowest in 7 years
India	-5.5%	→		7.0%	→		8.3%	↑	India is now technically in a recession
Russia			Quarterly GDP data not being reported	14.3%	↓	17.7%	3.8%	↓	
South Africa	-2.8%	↓	Slightly better than expectations	7.6%	↑	4.4%	33.9%	↓	Inflation near a 13-year high

Note: Change is from value as at previous quarter (revised if necessary). Core inflation omits volatile items such as energy and food.

Note 2: Some of the quarterly growth figures are annualised data points, others we have annualised ourselves using the latest quarterly data

MONETARY POLICY (RATES & EXTRAORDINARY MEASURES)

The third quarter of 2022 saw continued dramatic tightening by a number of developed and emerging market central banks. The US Federal Reserve raised rates by 1.5% and accelerated quantitative tightening (selling some of the bonds they bought during COVID), whilst the Bank of England tightened rates by 1%. There were a few notable exceptions. China loosened rates slightly to support its economy, battered by issues in their property market as well as the impacts of its zero-COVID policy. The Russian central bank, which had dramatically raised rates in Q1 to defend its currency post western sanctions, continued relaxing in Q3.

Central Bank	Monetary Rate			Detail
	End Q2 2022	End Q3 2022		
US Federal Reserve	1.5%-1.75%	3%-3.25%	↑	75 basis points rise in both July & September, also announced a further reduction in assets purchased through QE (\$95bn per month from September)
Bank of England	1.25%	1.25%	↑	50 basis points rise in both August & September, also announced emergency longer maturity government bond purchases in late September (up to £5bn a day until mid October 2022)
European Central Bank	0%	1.25%	↑	50 basis points rise in July and 75 basis points rise in September and in July approved the Transmission Protection Instrument, permitting government bond purchases to ensure smooth transmission of monetary policy across member states
Bank of Japan	-0.10%	-0.10%	→	
China	3.70%	3.65%	↓	5 basis points cut in August
Brazil	13.25%	13.75%	↑	50 basis points rise in August
India	4.90%	5.90%	↑	50 basis points rise in both August & September
Russia	9.50%	7.50%	↓	150 basis points cut in July and 50 basis points cut in September
South Africa	4.75%	6.25%	↑	75 basis points rise in both July & September

Source: global-rates.com

LOOKING AHEAD

Moving into the last quarter of 2022, there is still really only one question driving markets: “when will inflation definitively begin to fall”, and hence whether central bank’s will be able to ease up on their aggressive tightening or not. Having been raising rates throughout Q3, markets are pricing in further aggressive moves to contain inflation, for example to just under 6% in the UK next year (the Bank of England’s UK base rate is currently 2.25%) and to 4.5% for the US (it is currently at 3.25%). These are already aggressive policy moves that are priced into markets and for bonds to fall further we would need central banks to move more aggressively than what is priced in.

However, the above needs to be considered in the context of what is currently going on from a macro perspective. Risks abound, some known unknowns and other unknown unknowns:

- The energy crisis in Europe has several knock-on effects to the economy including simply raising the cost of living and affecting industrial activity. Europeans are concerned about whether they will be able to keep their families warm over the winter months which will not bode well for consumer confidence. Likewise, businesses will be a little more cautious to make significant long-term investments in such a volatile environment. Governments are capping energy prices, but does this provide a disincentive to curb consumption, further exacerbating price increases in the market?
- China has failed to provide the growth boost it has usually provided when growth was lacking elsewhere. Xi Jinping’s insistence of maintaining their zero-covid policy coupled with a property crisis has resulted in growth falling well short of historical trends and the Communist Party’s growth targets.
- Central banks seem to be hellbent in curbing inflation (as they should) but once the “data shows” that they have been successful they may have already gone too far, unnecessarily damaging demand.

- Rate rises are being complimented by quantitative tightening, reversing the “easy money” markets have been accustomed to for so long. This drying up of liquidity will leave any cracks in the system exposed. We are not sure exactly how this may manifest, if at all, but illiquidity certainly has a great way of exposing “who has been swimming naked”.
- Trade wars between the two superpowers continue unabated with tensions over the US meddling in the affairs of China and Taiwan exacerbating risk and consequence of error. This risk looks set to be with us for some time to come, one might say it is the new normal.
- The risks around Russia and its invasion of Ukraine and the potential use of nuclear weapons continue to embed a risk premium inside and outside of financial markets.

All risks considered (and those potential risks that lie hidden), markets have already moved considerably, and fixed income markets in particular have re-priced strongly. Given the relatively more attractive valuations, we are optimistic for the long-term returns of portfolios, although we do continue to favour diversification to manage what is likely to be a bumpy ride over the near-term.

BUILDING BLOCK COMMENTARY

BUILDING BLOCK PERFORMANCE TABLE

	3 Months			1 Year			3 Year			5 Year		
	Fund	Index	Rel.	Fund	Index	Rel.	Fund	Index	Rel.	Fund	Index	Rel.
Global Sovereign Bonds	-7.59%	-6.94%	-0.65%	-21.33%	-20.43%	-0.90%	-5.24%	-5.74%	0.49%	-2.27%	-2.32%	0.05%
Global Corporate Bonds	-6.04%	-6.47%	0.43%	-21.58%	-21.34%	-0.24%	-5.36%	-4.83%	-0.53%	-2.22%	-1.57%	-0.65%
Global High Yield Bonds	-4.00%	-2.74%	-1.26%	-22.39%	-19.72%	-2.67%	-4.85%	-3.29%	-1.56%	-1.91%	-0.98%	-0.93%
Emerging Market Bonds (LC)	-6.36%	-4.73%	-1.63%	-25.96%	-20.63%	-5.32%	-6.92%	-7.06%	0.14%	-3.98%	-3.92%	-0.06%
Global Listed Infrastructure	-9.80%	-9.02%	-0.77%	-12.40%	-6.15%	-6.25%	2.17%	-0.09%	2.26%	5.48%	3.29%	2.20%
Global Property	-11.20%	-11.48%	0.27%	-22.55%	-22.46%	-0.09%	-4.46%	-5.55%	1.09%	1.28%	0.40%	0.88%
Global Equity	-6.30%	-6.82%	0.52%	-23.47%	-20.66%	-2.82%	0.96%	3.75%	-2.79%	--	--	--

*All returns for periods greater than 1 year are annualised

Global Sovereign Bonds: Bloomberg Global Aggregate, Global Corporate Bonds: Bloomberg Global Corporates, Global High Yield Bonds: Bloomberg Global High Yield, Emerging Market Bonds (LC): JPM GBI EM Global Diversified Composite, Global Listed Infrastructure: FTSE Global Core Infrastructure 50/50, Global Property: Global Property (Dev. Rental), Global Equity: MSCI ACWI, Global Equity (EM Funds): MSCI ACWI, Global Equity (Styles): MSCI ACWI, Global Bonds: Bloomberg Global Aggregate.

Note: All returns provided are in US dollars

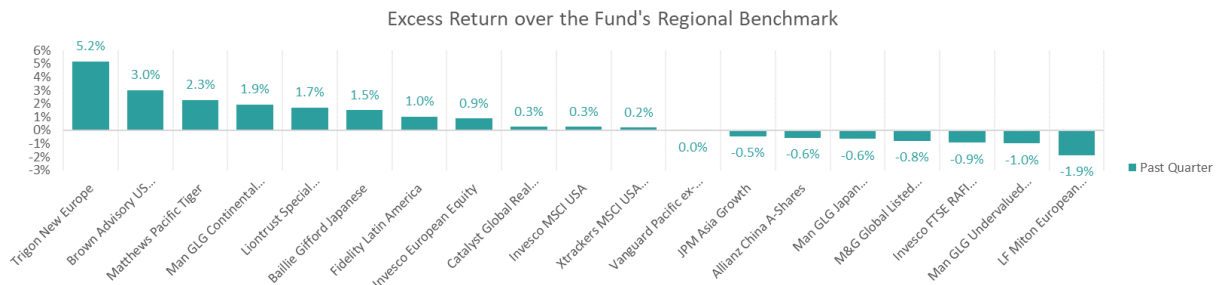
GLOBAL EQUITY COMMENTARY

Overview

The PortfolioMetrix Global Equity fund **underperformed** by -2.8% over the past 12 months (-20.7% vs -23.5% for the fund) relative to its MSCI ACWI benchmark,

- Over the quarter the fund **outperformed** by 0.5%, as the index returned -6.8% and the fund generated -6.3%

The performance of the underlying funds (versus their respective regional indices) for the quarter is shown below (in USD). Active performance was relatively strong this quarter which contributed to outperformance relative to the index. The best performing active funds were Trigon New Europe, Brown Advisory and Matthews Asia, each fund managers specialising in different regions namely: EM Europe, North America and EM Asia. Unfortunately, the two worst performing managers relative to their representative indexes were in Europe (this was also the worst performing region in developed markets). LF Miton European Opportunities was the worst performer followed by Man GLG Undervalued Assets (UK equities).



Detail

- Global equities ended the quarter down 7% in USD despite being up by 10% mid-way through August.
- Heavy selling was experienced after a speech given by Federal Reserve Chairperson, Jay Powell, in which he reiterated the fact that the Fed will not stop tightening monetary policy until there were

strong signs of broad-based falls in inflation. This tone has broadly been shared by central banks the world over.

- Raising the cost of money and flushing liquidity from the markets is not an environment conducive to risk assets, particularly if this has broadly been the environment lived for more than a decade.
- The painful selloff was experienced across all markets, although some fared better than others.
- In developed markets, North American equities outperformed all other regions with Europe, particularly the UK, falling hardest in the quarter.
- In emerging markets, Latin American equities had a positive return for the quarter, but the broader index was dragged down by Asia and Europe.
- Chinese equities (constitutes 30% of the EM index) had a very tough quarter with offshore and onshore equities falling by a fifth in USD. This was both due to currency depreciation and asset price falls in local currency.
- S&P 500 sector performance showed that communication services (-13%), real estate (-11%) and information technology (-6%) were the worst performing. On the positive side were consumer discretionary (4%) and energy stocks (2%).
- Growth stocks outperformed value stocks for the quarter, somewhat counterintuitively to the heuristic of rising rates being bad for growth stocks.
- Active fund implementation was a strong contributor to outperformance for the quarter with broad based excess returns from fund managers across regions. However, this was negated somewhat by poor performance in European equities with the LF Miton European Opportunities fund underperforming their benchmark materially.
- There were no fund changes over the quarter.

GLOBAL BONDS COMMENTARY

Overview

The Bloomberg Barclays Global Aggregate produced a return of -20.4% over the past 12 months and -6.9% over the quarter.

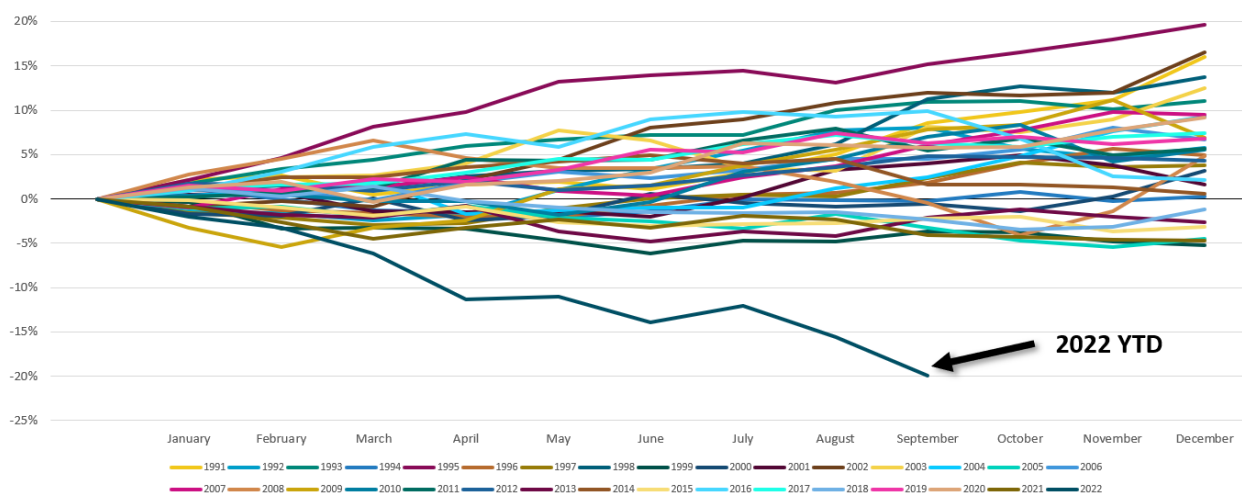
Underlying funds over the quarter produced the following relative returns (vs Bloomberg Barclays Global Aggregate):

- PIMCO GIS Global Bond: **outperformed** by 0.15%
- iShares \$ Treasury Bond 20+yr: **underperformed** by -3.12%
- Vanguard Global Credit (USD): **outperformed** by 3.28%
- Vanguard Global Credit (EUR): **underperformed** by -3.44%
- Amundi Pioneer Global High Yield: **outperformed** by 4.33%
- PIMCO GIS Asia High Yield: **outperformed** by 0.84%
- PIMCO GIS Emerging Local Bond: **outperformed** by 4.66%
- PIMCO GIS Emerging Markets Bond (EUR): **underperformed** by -4.68%
- PIMCO GIS Emerging Markets Bond (USD): **outperformed** by 1.90%

Detail

- Inflation has persisted and remained high, further exacerbating this is a delayed effect from large parts of the inflation basket including shelter, as such inflation is expected to continue to print higher in the US, and across Europe. Central banks across developed markets have remained hawkish through communication to the markets as well as policy rate action and will remain so for as long as inflation, and core inflation in particular, remains at elevated levels.

- Another feature of the quarter has been a contradictory approach, in different shapes and forms, by government spending. The contradiction is how governments have looked to ease the pain being experienced by their citizens through elevated food and energy prices. The worst case of this was the action taken by the newly installed UK Government which sought to lower taxes and cap energy prices. Against a backdrop of a current account deficit and a fiscal deficit. UK yields blew-out aggressively (the 10-year Gilt moved from a yield of 2% to 4% over the quarter), sending shockwaves through the UK pension industry.
- The first three quarters have not been a typical progression for global bonds, we have seen the higher credit quality bonds (Global Treasuries) sell-off more aggressively corporate credit and junk bonds. Additionally, as can be seen in the following image we are on track for the worst calendar year performance since 1990:



Source: Trustnet, PortfolioMetrix

- The significant strength of the US Dollar is a key perpetrator in low fixed income returns this year, the Dollar has strengthened by 7% just this quarter and 17% ytd, this has a direct impact on a large proportion of the globally diversified indices.
- Focusing on sectors of global fixed income:
 - Sovereign Debt fell aggressively and was down by 7.5%
 - Global Corporates showed some resilience but still delivered -6.5%
 - Global High Yield demonstrated its diversifying effects through different risk exposures, falling a much smaller 2.7% over the quarter
 - Emerging Markets debt had a good second quarter (on a relative basis), this was followed up over the third quarter with -4.7%
- On a forward-looking basis it should be noted that a few things favour global bonds:
 - The US Dollar headwind is likely to ease, reducing the currency translation effect
 - Current yields on fixed income look far more attractive than they have in the past, this should drive better returns going forward and potentially attract greater allocations since their returns can now compete (to an extent) with equity and risk allocations.
 - Historically, bad return periods in equities and bonds (such as 2022ytd) are followed up by strong returns rather than a complete collapse of the financial system.

GLOBAL PROPERTY COMMENTARY

Overview

The Catalyst Global Real Estate fund **underperformed** by -0.1% over the past 12 months (-22.5% vs -22.5% for the fund) relative to its Global Property (Dev. Rental) benchmark,

- Over the quarter the fund **outperformed** by 0.3%, as the index returned -11.5% and the fund generated -11.2%

Detail

- 2022 has thus far been a brutal year for investors in just about every corner of markets whether it be fixed income, equity, or listed property.
- Persistently high inflation, dramatic shifts in monetary policy, and rising yields are largely to blame for weak sentiment and disappointing global listed property returns.
- Rapid increases in interest rates over the past several months have upended over a decade of historically low costs of capital.
- Global listed property had a tough Pandemic and the recovery since has been mixed. Logistics are booming and retail is doing well while the office sector remains under pressure. With the peak of the Pandemic in the past, prolonged remote work is showing evidence of negatively impacting the office sector.
- Despite softness in overall demand, appetite for high-quality office space is propelling top-of-market rents in many geographies.
- While the pace of warehousing rental growth has slowed as economic headwinds strengthened, the flight to quality, lower vacancy rates, together with the expansion of e-commerce continue to support the subsector, particularly in markets earlier on the e-commerce curve.
- A trend prior to the pandemic and one set to continue, is the evolution of physical retail from a transactional space into an experiential one. This reflects the changing role of physical stores in an increasingly digitised commerce landscape, turning them into aspirational destinations that straddle leisure and entertainment.
- More listed property companies have been improving their sustainability reporting across the globe, a sign of increasing pressure from shareholders and regulators to go green.
- Catalyst believe that global listed real property's earnings provide a level of defensiveness not matched by many other sectors and being under appreciated by the market, seeing earnings as currently being a key differentiator in the total shareholder return equation.

GLOBAL LISTED INFRASTRUCTURE COMMENTARY

Overview

The M&G Global Listed Infrastructure fund **underperformed** by -6.3% over the past 12 months (-6.2% vs -12.4% for the fund) relative to its FTSE Global Core Infrastructure 50/50 benchmark,

- Over the quarter the fund **underperformed** by -0.8%, as the index returned -9.0% and the fund generated -9.8%

Detail

- It was another difficult quarter for listed infrastructure strategies, as the selloff across all asset classes continued as investors took fright from a mix of rampant inflation, higher interest rates and the prospect of a recession.
- Dividends from the fund's holdings continued on a positive footing as American Tower extended its sequence of raising the dividend each quarter, while SDCL Energy Efficiency Trust raised its quarterly payment by 7%, in line with previous guidance.

- Segro detracted from performance in a weak real estate sector, while Ørsted and A2A underperformed as European utilities remained under pressure.
- US utilities such as AES Corp featured prominently among the top contributors, being seen as potential beneficiaries of the climate change bill. Franco-Nevada held up relatively well in a falling market as the royalty company benefited from gold's safe haven status.
- There were no new purchases or complete sales during the quarter, but the fund continued to build their position in the recent purchase of Alexandria Real Estate after a positive meeting with the company's management.
- The fund also added to their UK holdings, particularly those in 'social' infrastructure, as a spike in gilt yields, exacerbated by technical dynamics, provided an opportunity to take advantage of the other side of the liquidity-driven panic.

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