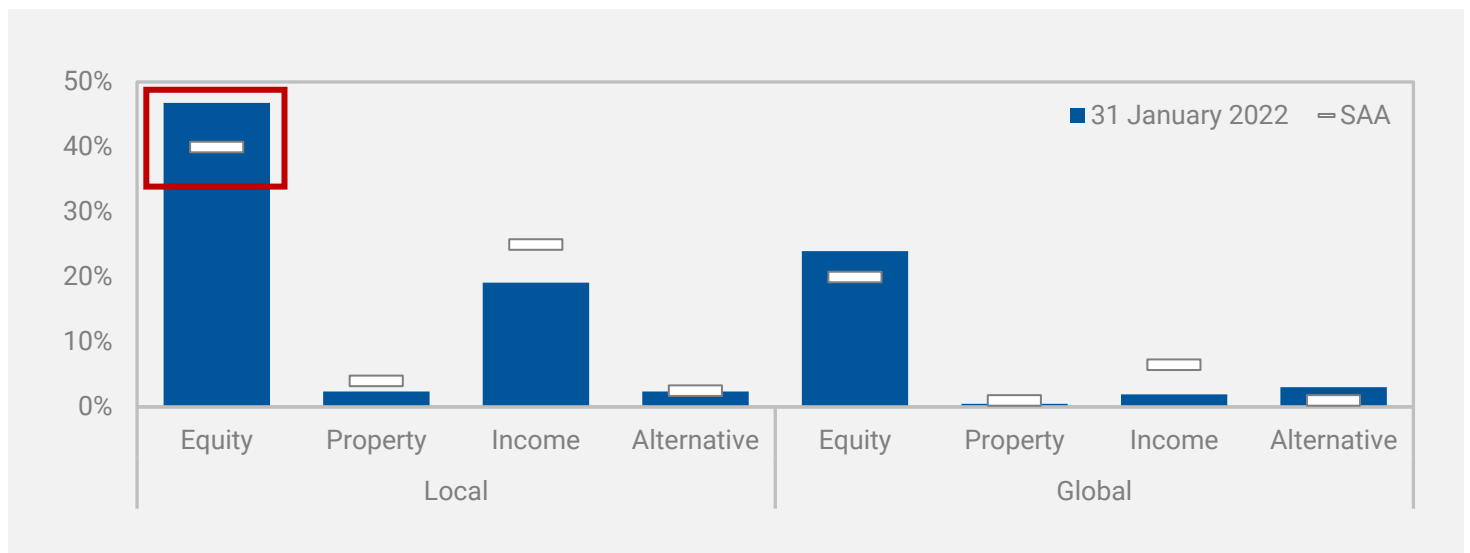


Last week, the Seed Investments Team hosted a joint-Advisor session featuring the managers of the two main equity building blocks within the Seed Balanced Fund - Visio and Fairtree. As at end of January, 23.5% of the Seed Balanced fund was allocated to Fairtree Equity and 20% to Visio.

We find local equity to be a very attractive asset class at the moment. As illustrated below in Chart 1, the Seed Balanced fund has an overweight allocation to local equity relative to its SAA. We see a lot of opportunity in this asset class and our valuation models suggest that there is significant value on offer.

Chart 1: Seed Balanced Fund Asset Allocation



Within the Balanced fund we make sure to blend managers from different styles together to provide a smoother return profile for our clients. Though managed very differently, we've seen both Fairtree and Visio generate significant alpha since we've added them to the portfolio.

Fairtree, an owner-managed firm established in 2003, has managed a portion of the Seed Balanced Fund for nearly 6 years. The firm's equity capability, launched in 2011, has won multiple raging bull awards. A large component of the team's success has come from their ability to marry top-down/macro analysis with savvy stock selection. While their return profile is more volatile than the market, they've added more than 7% alpha per annum net of fees since being added to the Seed Balanced fund.

From an outlook perspective, Chantelle Baptiste, Senior Equity Analyst at Fairtree, highlighted that 2022 will likely be dominated by quite significant global forces. There are three key themes they are currently looking at on a global scale. The first is central banks versus inflation, they are of the view global inflation is going to remain higher for longer, especially in the US. Most key central banks are going into a hawkish, tightening type stance to try and contain inflation.

The second theme is growth concerns, with the two single biggest economies, China and the US, moving in opposite directions. At the moment the US is busy tightening, trying to drain liquidity out of the system and starting to hike rates. China, on the other hand, is starting to loosen policy, stimulate and encourage growth, aiming to achieve 6% GDP growth this year. The third theme is geopolitical risks that will be heightened this year, especially with the tension between Russia and the Ukraine, as well as between China and Taiwan.

In terms of fund positioning into 2022, Fairtree remains overweight commodities. If higher growth comes through from China, it will benefit most commodity exporting countries such as South Africa. They've increased China tech, they especially like Tencent at the moment and have a position in the company through Naspers and Prosus. Because it has diverged from its peer group in the US, and having come under a lot of pressure, Tencent has potential to re-rate as its growth rate recovers after investment and regulatory pressures subside. They also added defensive value to fund through Anheuser-Busch and British American Tobacco.

Next up to present was Visio. Also founded in 2003, Visio has been managing a portion of the Seed Balanced Fund for over 10 years and have outperformed the market by over 1% per annum net of fees over this period, while capturing only around 50% of the market's downside. Visio is an unashamedly bottom-up manager with a slight value-style bias who prides themselves in their ability to uncover stocks that are off the radar screen and they will not hesitate to engage with the board if there is a possibility to unlock value for investors.

Patrice Moyal, Director and CIO at Visio, gave us insight into their outlook and current fund positioning going into this year. Although Chinese markets have underperformed in 2021, Visio remains bullish on China and have not sold out their positions in the various Chinese stocks they own, such as Tencent, Yum China and Ping An Healthcare. They have in fact bought more at lower levels. China has become a geography one cannot afford to ignore. Common prosperity, which refers to the country's aim to have a more equal income distribution going forward, will be a very strong driver of ongoing spend, consumption and development in China.

In terms of sector positioning Visio's portfolio is fairly well spread, with not too much concentration in any particular place. The biggest exposure, around 15% of the portfolio, is to technology stocks. To the commodities theme, Visio is also upping exposure to commodities, specifically industrial metals which they believe to have a very long and sustainable growth factor.

When looking at local equities, Visio directs their positions to targeted picks. This includes defensive businesses as well as essential services such as healthcare, mobile spend and education. From a global perspective, Visio likes to focus on shares where they can see longer term returns, instead of trying to call the bottom or the top on a stock.

# Seed Weekly

## Market Forecast and Fund Positionings



The four global investment themes they are currently focusing on is energy consumer/urbanisation, energy transition, the digital age, and biotechnology. Seed's mandate with Visio does allow them to invest in both SA and, to a certain extent, global shares.

For a more in depth and comprehensive view of Fairtree and Visio's fund positioning and outlook for 2022, please click on the following link to view a recording of the session: <https://www.youtube.com/watch?v=hApKyD8LTkM>

Kind Regards,



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Investment Analyst

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