



## Seed's Current Positioning

Investing, like most pursuits, requires a disciplined process to increase your probability of success. Seed has a robust investment process that looks at the attractiveness of various asset classes. They are assessed both relative to history, and in comparison to other asset classes. Our views on each asset class are formalised monthly and implemented across our multi asset local and global Unit Trusts.

The multi asset Funds are each managed with a long-term Strategic Asset Allocation (SAA) appropriate for investors in the Fund. When opportunities arise, we use Tactical Asset Allocation (TAA) to allocate more capital to those asset classes that are expected to outperform and less to those expected to underperform.

### Let's Take a Closer Look at our Current Asset Class Views

Our highest conviction view is our local bond overweight. The 10-year bond yield is currently above 11.75%, offering investors a yield of more than 7.25% above the Reserve Bank's targeted inflation midpoint of 4.5%. Given the high current inflation rate and the SA government's debt trajectory, there are risks to investing in this asset class, but the current pricing more than adequately rewards investors.

We also have an overweight position in local equities, largely because the local market is trading on an attractive 10x PE ratio. Our overweight is somewhat tempered by the tight local financial conditions (high interest rates) which typically provide a headwind to equities. In global markets, valuations are expensive, profit margins under pressure and financial conditions are tight, which has resulted in Seed being underweight global equities across our Funds.

Where possible, we also make investments in assets that have asymmetric return profiles. These are often accessed through structured notes that typically provide an element of capital protection coupled with equity like returns should markets not fall.

The rand is still extremely undervalued on a Purchasing Power Parity (PPP) basis and, while it will require a catalyst to strengthen, we're happy to remain slightly underweight global assets versus our SAA and have some of our global holdings hedged back into ZAR.

When looking at our multi asset Funds, the major asset classes are as follows, with benchmark weighting in brackets.

#### Seed Stable

Local Nominal Bonds	34.1%	(23%)
Local Equity	18.8%	(17.5%)
Global Alternative	11.0%	(1%)
Local Credit	9.5%	(20%)

#### Seed Balanced

Local Equity	33.5%	(30%)
Local Bonds & Cash	27.7%	(25%)
Global Equity & Property	24.2%	(25%)

#### Seed Global

Global Equity	50.2%	(60%)
Global Cash	19.8%	(20%)
Global Bonds	10.1%	(10%)
Global Alternative	9.9%	(0%)

Each Fund has its own risk and return profile and different allocations to multi asset strategies that are managed independently of our SAA/TAA process, so Fund positioning relative to SAA will differ across the Fund. It is evident, however, that there is a constant thread through our Funds, and we expect that this positioning will produce superior returns versus peers and our CPI/Cash plus benchmarks over time.



**Mike Browne CFA**  
Portfolio Manager

We would love to engage with you further around the Seed Funds and their positioning. If you have any questions, please reach out to our team on [investmentteam@seedinvestments.co.za](mailto:investmentteam@seedinvestments.co.za).

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