

28 February 2023

Octagon Global Flexible Equity

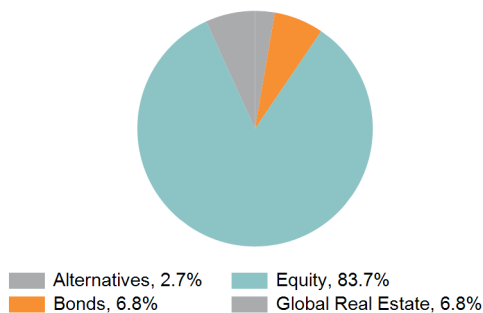
Fund Details

Currency	USD(\$)
Risk profile	Aggressive
Investment period	5 years
Launch date	01 August 2013

Fund Objectives

The investment objective of the Fund is to provide long-term capital growth through a moderate to high exposure to equity markets over a market cycle. This Fund is suitable for investors who require above average capital growth over a 5-year or longer timeframe. Total equity exposure can be maximised at 100% of the fund.

Global Asset Allocation



Holdings as at Month End	%
Baillie Gifford Worldwide Emerging Markets Leading Companies	2.00
Baillie Gifford WW Long Term Global Growth	5.00
Catalyst Global Real Estate	4.00
Dodge & Cox Worldwide Global Stock	7.00
Fidelity World	9.50
Fundsmith Equity	3.80
Goldman Sachs Global Core Equity Portfolio	10.00
iShares World Equity Index	5.40
Janus Henderson Global Multi-Strategy	3.00
Nedgroup Inv Global Equity	8.40
Nedgroup Inv Global Property	3.00
Ninety One Global Franchise	8.40
Pacific North of South EM All Cap Equity	2.00
PIMCO GIS Global Bond	7.00
Sanlam Global High Quality	6.50
Schroder ISF Global Recovery	8.00
T. Rowe Price Emerging Market Discovery Equity	2.00
TT Emerging Markets Equity	3.00
WCM Global Emerging Markets Equity	2.00

Key Information

%

Benchmark

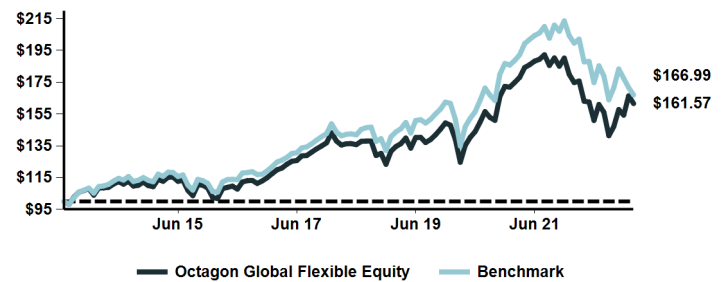
MSCI AC World	80.00
Barclays Global Aggregate US Government Bond Index	9.00
Barclays Global Aggregate Corporate Bond Index USD Hedged	9.00
USD Cash	2.00

Fees (incl. VAT)

Annual Wrap fee	0.46
Underlying Manager TER's	0.84

Cumulative performance since launch*

Growth of \$100 investment



Performance (%)	Fund*	Benchmark
1 Month	-2.94	-2.71
3 Months	2.36	-8.93
6 Months	3.53	-6.69
YTD	4.69	-5.87
1 Year	-7.57	-16.34
2 Years (annualised)	-3.89	-5.93
3 Years (annualised)	5.12	3.23
5 Years (annualised)	3.20	3.06
Since Launch (annualised)	5.13	5.50

Risk statistics (since launch)	Fund*	Benchmark
Returns (annualised)	5.13%	5.50%
Standard deviation (annualised)	12.28%	11.96%
% Positive months	64.35%	64.35%
Maximum drawdown	-26.48%	-23.23%
Sharpe ratio	0.32	0.35

* The investor is liable for CGT on any transactions in the units of the underlying unit trusts within the wrap funds. Compulsory investments are not subject to CGT. Performance is calculated using net returns (after fees) of the underlying unit trusts, and quoted excluding wrap fund fees. Performance quoted is pre-tax. Fund performance numbers shown are for a notional portfolio and does not reflect the actual performance of the client invested in the wrap fund due to timing differences of investments or disinvestments of the client. The information contained in this document has been recorded and arrived at by Octagon Asset Managers (Pty) Ltd (FSP) Licence No. 45236 in good faith and from sources believed to be reliable, but no representation or warranty, expressed or implied, is made as to the accuracy, completeness or correctness. Performance figures are calculated using net returns (after-fee) of underlying managers but are quoted gross of wrap fund fee. Performance figures for periods greater than 12 months are annualised. All data shown is at the month end. Changes in currency rates of exchange may cause the value of your investment to fluctuate. Past performance is not necessarily a guide to the future returns. The value of investments and the income from them may go down as well as up and are not guaranteed. You may not get back the amount you invest.

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Commentary

Market Review

January's broad-based market rally changed course abruptly in February, with most major financial assets ending the month in the red.

Concerns that central banks will keep interest rates higher for longer was the dominant force as investors' focus shifted to signs of resilient demand and lingering price pressures.

In particular, the February 3 release of the January US employment report – which showed a stunning 517,000 increase in employment gains – was a wake-up call for investors betting on rate cuts in the first half of 2023. Subsequent US data releases (strong retail sales growth, hotter-than-anticipated inflation prints, and robust consumer spending) vindicated these worries that the job is not done for central bankers – most notably, the US Federal Reserve (the "Fed" Fed).

As a result, government bonds experienced a significant sell-off during February. The 10-year Treasury yield climbed 43 basis points (bps) to end the month at 3.94%, while the 10-year German bund yield reached a fresh 12-year high of 2.64%. Negative returns from higher bond yields triggered a -3.32% monthly loss on the Bloomberg Global Aggregate bBond iIndex that completely wiped out the 3.28% gain seen in January. On that note, the US bond market is still portending signs that trouble is brewing; the yield on the two-year Treasury bill reached its highest level since 2007 and the US yield curve is now severely inverted, with the rate on two-year bonds almost 1% higher than on 10-year bonds. This suggests that the bond market believes the rapid rise in interest rates will cause significant economic disruption in the years ahead.

Global equities were thus not spared in the February market rout. The bond yield increase weighed on multiples. In addition, the upward revisions to interest rate expectations meant that monetary policy is anticipated to move deeper into restrictive territory. This in turn raised fears of a bigger hit to future earnings from economic weakness. The MSCI World iIndex lost 2.4% in US dollars in February.

Notably at the country level, Chinese stocks experienced deep losses. Investors are still cautious on the country's property sector and whether China can achieve its aggressive growth targets this year, while the weakness in industrial metals prices also called into question the strength of the China reopening trade. US-Sino political tensions were yet another factor that dampened the initial euphoria of January about the outlook for a Chinese economic recovery post Covid. This contributed to the MSCI Emerging Markets Index ending down 6.48% for February.

Property, as measured by the FTSE/EPRA Nareit Developed Market Property Index, EPRA/NAREIT Developed Markets Property Index, fell 4.36% for the month.

Positioning and Outlook

Developed market central banks find themselves in a difficult situation. Restrictive monetary policy is straining the financial system and resulting in volatility and the expectation of downward pressure on the economy. On the other hand, while inflationary impulses like those referenced in the commentary above remain, the Fed and other central banks are constrained in terms of the stimulus they can bring to bear.

At the time of writing, the collapse of Silicon Valley Bank and Signature Bank and the ensuing actions by regulators and the Fed have led market participants to now expect minimal movement to the Fed's policy rate. Market pricing now suggests that we are at or near the Fed terminal policy rate level, with the potential for 75 to 75-100 basis points of cuts by the end of the year.

Equity markets have de-derated to reflect the heightened risk and sentiment has soured, lending stronger valuation support to equities than was prevalent in January. However, it is certainly possible that the restrictive monetary policy environment will force further de-derating and/or earnings downgrades.

The key issue is thus whether the inflationary environment, as it plays out, will allow the Fed to stimulate and indeed cut rates to the extent necessary.

In other words, there is still a probability that global inflation levels will remain at higher levels than the market is expecting, and that 2023 earnings estimates for many sectors prove too optimistic. If inflation falls more slowly than expected and growth continues to be resilient, central banks should keep interest rates higher than the market is expecting. This will be a headwind to global equity markets and so caution is still warranted.

In addition, geopolitical risks remain elevated.

Therefore, while financial markets enjoy greater valuation support than earlier in the year and the Fed is anticipated to ease monetary policy, we remain cognizant that there are both risks to both the up- and down-downside. Given the uncertain and somewhat binary outlook, it seems unwarranted to take either an overly aggressive or cautious stance.