UCT INVESTSOC
INVESTMENT FUND

JUNE 2023

REPORT

ABSTRACT

In depth analysis of the happenings of the various markets covered by the fund and results of the various portfolios within the group.

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LEADERSHIP REMARKS

GREG ORPEN-LYALL

HEAD OF UCT INVESTSOC INVESTMENT FUND

The UCT Investment Fund operates as a simulated student investment fund, overseen by the UCT Investment Society Trading Club. Our primary aim is to provide students with valuable resources and hands-on experience, which aids in developing essential investing skills. Currently, our team consists of seven Portfolio Managers and 25 Analysts, ranging from first-year students to those pursuing master's degrees.

Our year began with an exciting collaboration with the JSE Investment Challenge, featuring an informative talk and granting all members of the Investment Society free entry into the challenge. Furthermore, we engaged with similar Investment Funds in the United Kingdom, gaining insight into their structures and operations. The high level of interest conveyed by the broader UCT community in our Trading club has been particularly encouraging.

In order to ensure that Portfolio Managers and Analysts were well equipped, we facilitated online courses, including those offered by Bloomberg and a Stern Business School Professor, Aswath Damodaran. Through these courses, there was clarification concerning positions, as well as the establishment of a clear investment mandate and strategy. Portfolio Managers were able to apply this knowledge during the investment period, which occurred between the 16th of April and the 16th of June.

I am grateful for the support from the Investment Society Executive Team and Portfolio Manager. Additionally, I would like to extend my gratitude to the entirety of the Trading Club for their exceptional work and dedication this year. In the near future, we aim to establish a real-money fund through sponsorship and university subsidies. As we look forward to the upcoming semester, we will continue to improve and enhance our training, whilst including the broader Investment Society.

LEADERSHIP REMARKS

ERIKA VAN DER MERWE

PRESIDENT *OF UCT INVESTSOC*

Since its inception in 2022, the Trading Club has represented one of InvestSoc's latest innovative pilot projects dedicated to bringing students closer to the world of work. What started out as nothing but an idea has now established itself as a tangible way for students to gain practical experience in the finance industry.

In its two years of existence, the Trading Club has managed to offer a truly outstanding experience to its portfolio managers and analysts. It has gone from strength to strength in both its external partnerships and the leadership opportunities it offers to students, transferring both knowledge and soft skills about the ever-changing world of financial markets. The Club has continued to tap into InvestSoc's corporate networks to access industry knowledge, databases, and educational workshops, and remains committed to its goal of establishing a real long-term portfolio using sponsorships and subsidies. It has been truly gratifying to hear from partners, both new and existing, about their eagerness to get involved with the Investment Fund. Undoubtedly, the Trading Club is building a phenomenal reputation and student offers for itself.

True to the principles of excellence and involvement that have guided my term as President, the Trading Club has continued to yield success story after success story. So many students have proudly discussed their experience with the Club and attested to how it changed their engagement with both job opportunities and academics. The talent this Club attracts is nothing short of exceptional, and on behalf of myself and the rest of InvestSoc's leadership team, we eagerly await the projects the Trading Club will deliver in the second half of 2023.

EUROPEAN EQUITIES PORTFOLIO

Aaryn Mulloo

Portfolio Introduction

I am a second-year Actuarial Science student and manage a portfolio of listed European equities along with 3 analysts. European equities contribute significantly to the global financial sector. Combined, the European securities industry is the second largest after the US. Crucially, they are an essential holding for any institutional and individual investor.
We have divided our analyst team by industry coverage: consumer cyclical, consumer non-cyclical, financial services, Natural resources, Energy & Utilities. Each analyst oversees subsectors and is tasked to research potential equity investments. Based on their analysis, they consequently make recommendations by looking at key ratios and comparing them with the industry average.
We aim to find undervalued or overvalued securities to make short-term capital gains by taking up long or short positions. Key drivers leading to fluctuations in fluctuations in stock prices are analysed and predicted, then taking a short or long position. These positions are taken following forecasts on earnings reports based on both fundamental and technical analysis – price-to-earnings ratio, liquidity ratio and variance of stock prices.

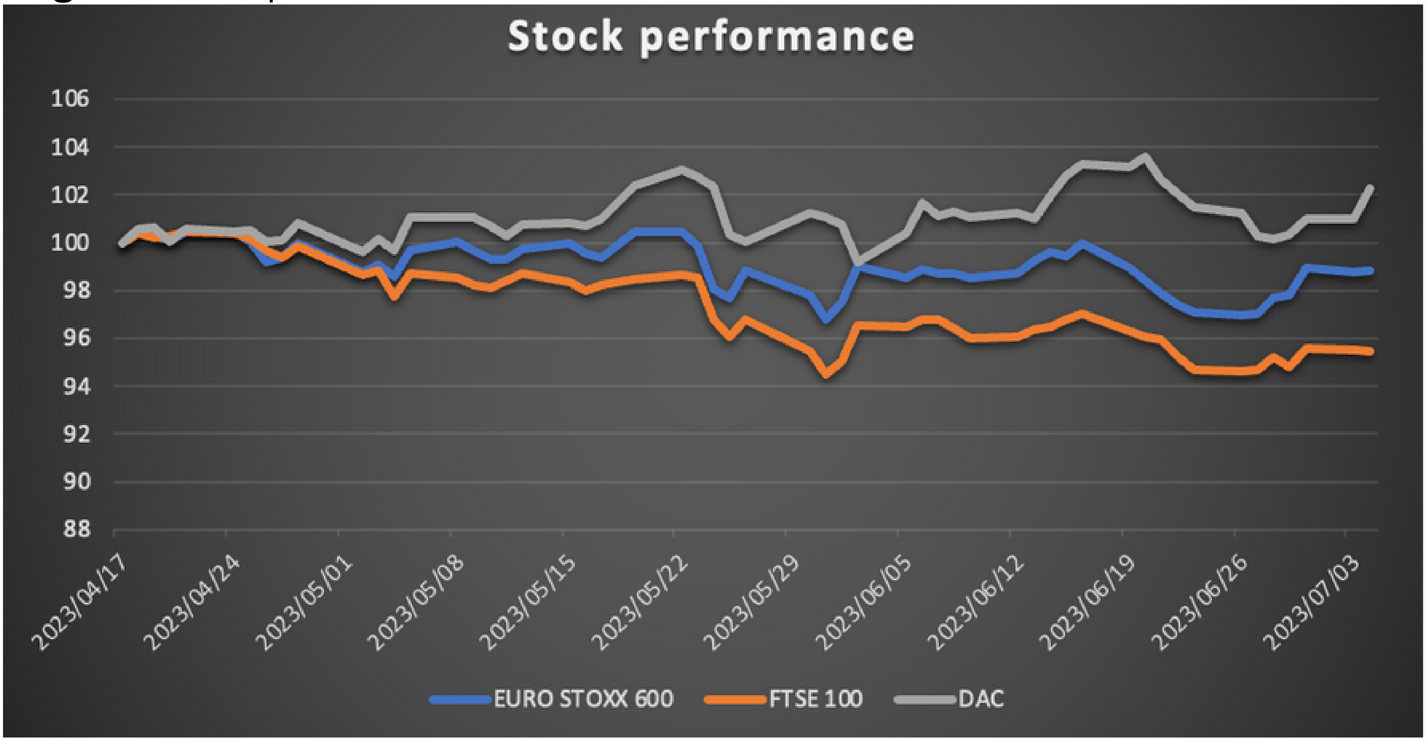
Regional Overview

With the war still raging in Ukraine, the ripple effect on the markets is unsurprising. Moreover, many European companies have continued their boycotts by exiting the Russian market. In response, Russia has continued to squeeze their energy supply to Europe leading to oil & gas prices increasing. Rising energy bills and supply chain bottlenecks have only throttled purchasing power. As a result, the eurozone shrunk by 0.1% and the UK economy registered an economic recovery of only 0.1% from 2022 in Q1 of 2023.

European governments have continued their series of austerity measures to slash inflation; many targeting investors. The UK spring 2023 budget raised the corporate tax to 25% and cut capital gains tax exemptions, making it more costly to sell assets and realise gains. Meanwhile, the European Central Bank has mirrored the Bank of England by raising the key interest rates again to 3.5% as inflation reaches 7% this year. Noteworthily, shocks to U.S. short-term interest rates exert a substantial influence on euro area bond yields and equity markets. In June, the US government announced another hike to the federal fund rates, which could bolster the stagnating trend in European equity markets.

Most European indices have had mixed performance between April and July. The FTSE 100 fell 4.6%, Euronext 100 rose 0.51%, Euro Stoxx 600 fell 1.2%, DAX rose 2.3% and CAC 40 fell 0.08%. The performance of the various stock market indices during our investment period is shown below:

Figure 1: European Index Performance

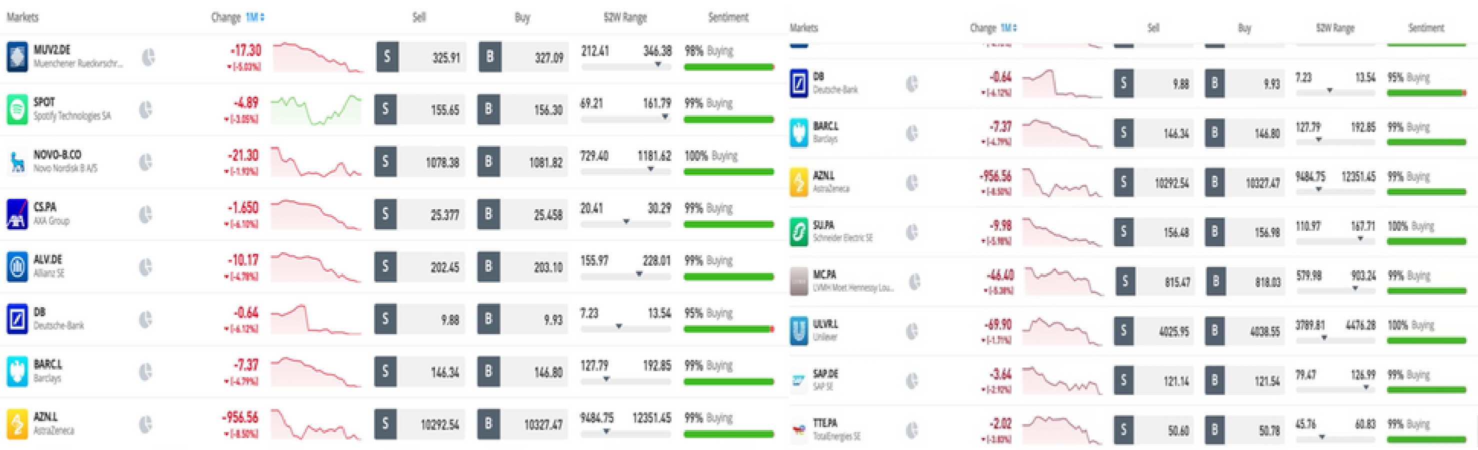


Portfolio Overview

We have made investments and disposals in 30 equities with no investments holding more than 5% of the total portfolio. Currently, our largest securities are Unilever, SAP, ASML, and Spotify. Our trading strategy consists of dollar cost averaging to hedge the portfolio against fluctuations. The frequency of investment depends on the volatility of the stock prices — the greater the variance of stock prices, the higher our frequency of investment. Fundamental indicators such as current, quick ratio and beta (volatility vis-a-vis industry) are the metrics we use.

We have diversified our portfolio with equities from oil & gas, banking, engineering & technology, cosmetics, automobiles, defence, food & nutrition and pharmaceutical. The underwhelming performance of European markets during our trading window has left us at a 5.41% loss at the end of the investment period.

Figure 2: Portfolio Performance



Markets	Change 1M	Sell	Buy	52W Range	Sentiment
MUV2.DE Muenchener Rueckversichr...	-17.30 (-5.03%)	S 325.91	B 327.09	212.41 346.38	98% Buying
SPOT Spotify Technologies SA	-4.89 (-3.05%)	S 155.65	B 156.30	69.21 161.79	99% Buying
NOVO-B.CO Novo Nordisk B A/S	-21.30 (-1.93%)	S 1078.38	B 1081.82	729.40 1181.62	100% Buying
CS.PA AXA Group	-1.650 (-6.10%)	S 25.377	B 25.458	20.41 30.29	99% Buying
ALV.DE Allianz SE	-10.17 (-4.78%)	S 202.45	B 203.10	155.97 228.01	99% Buying
DB Deutsche-Bank	-0.64 (-6.12%)	S 9.88	B 9.93	7.23 13.54	95% Buying
BARC.L Barclays	-7.37 (-4.79%)	S 146.34	B 146.80	127.79 192.85	99% Buying
AZN.L AstraZeneca	-956.56 (-8.50%)	S 10292.54	B 10327.47	9484.75 12351.45	99% Buying

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SU.PA Schneider Electric SE	-9.98 (-5.98%)	S 156.48	B 156.98	110.97 167.71	100% Buying
MC.PA LVMH Moet Hennessy Lou...	-46.40 (-5.38%)	S 815.47	B 818.03	579.98 903.24	99% Buying
ULVR.L Unilever	-69.90 (-1.71%)	S 4025.95	B 4038.55	3789.81 4476.28	100% Buying
SAP.DE SAP SE	-3.64 (-2.92%)	S 121.14	B 121.54	79.47 126.99	99% Buying
TTE.PA TotalEnergies SE	-2.02 (-3.83%)	S 50.60	B 50.78	45.76 60.83	99% Buying

Reflections and Projections

We expect the portfolio to continue to perform in line with the general European markets' performance. Indeed, most of our portfolio comprises established blue-chip equities who are, strongly linked to greater macroeconomic trends. Due to the extent of their operations, interest rate changes, inflationary trends and investor confidence continue to impact them heavily. As of the end of our trading window, UK and Eurozone markets have been down 2-4 points. As headline inflation continues to take a dip, we expect European markets to continue an unsteady recovery.

Based on the portfolio's current long positions, here are the securities projected to perform favourably in the next quarter:

ASML Holding NV is a Dutch semiconductor manufacturer established in 1984. In the last month, the stock has fallen by 3.9%. ASML generated net sales of $18.6bn in 2021, which it estimates could increase to between €24bn and €30bn by 2025. The company projects its gross profit margin, of 52.7% last year, which could rise to between 54% and 56% by the same time. Furthermore, the group's shares were bolstered by ASML's strategy of returning cash to investors by buying back its shares in the open market. Our investment strategy has allowed us to yield an impressive 11.5% return over the last 2 months, driven by favourable ASML future orders and semiconductor securities increasing due to AI hype. We intend to close our position upon reaching a 15% return.

Spotify is a Swedish audio streaming and media services provider and one of the world's most popular music streaming services. We have currently seen a 10.22% return over the last 2 months and intend to accumulate and hold. Given peer fundamental analyst projections, we believe that Spotify's intrinsic value is $150.At the time of our initial investment, the security was trading at $135.

Unilever is a consumer goods company that operates in more than 190 countries worldwide. The company's products include food and refreshment, beauty and personal care, and home care products. Our initial strategy was to buy and hold stock. After peaking in the first week of May, the stock price took a nosedive. We had initially taken a long position on the security at the end of April and held on to it. However, we failed to foresee its sharp fall. This could be attributed to increasing inflationary pressures and changes in management. We forecast that Unilever has reached its fair value and should be held. Its return should be in line with market performance.

US EQUITIES

Safwaan Aboo

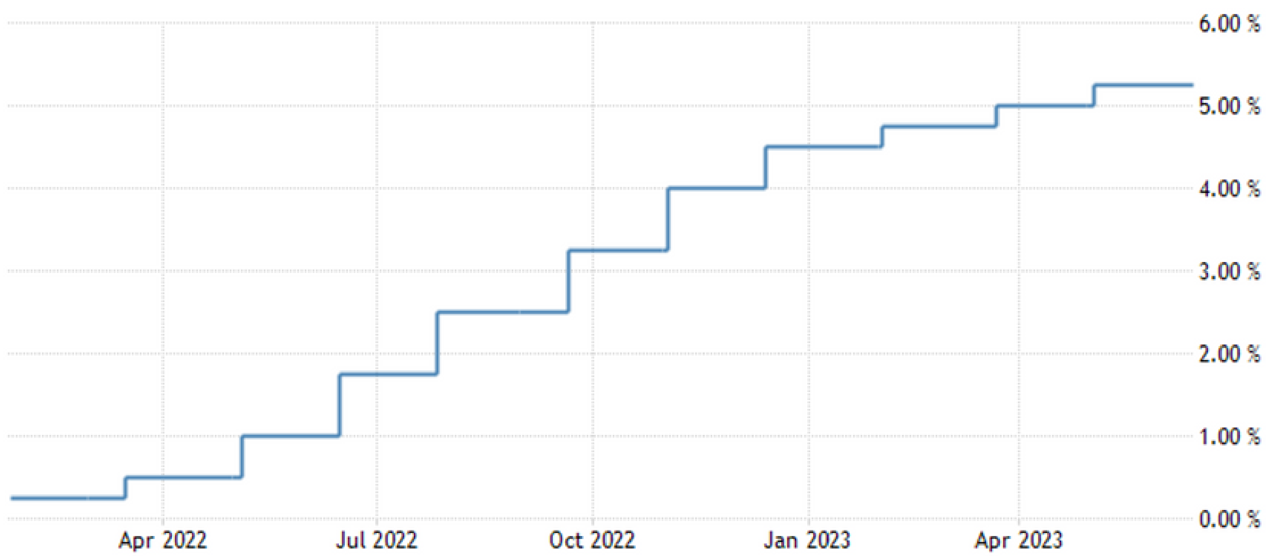
Portfolio Introduction

My name is Safwaan Aboo, and I am in my third year studying a Bachelor of Business Science in Finance. I am the portfolio manager for the US securities portfolio. The US securities portfolio comprises myself and four analysts that use our skills and knowledge to identify and research securities that are undervalued or have the ability to perform well in the market and outer perform its competitors whilst having the potential to provide high returns in the future. I chose to manage this portfolio because I have a passion for financial markets and have a deep understanding of the US markets as I have been an active investor for over 3 years.

The primary objective of the portfolio is to achieve a return that surpasses the market return while effectively managing risk through diversification. The portfolio aims to outperform the market return over the long term. The investment strategy will focus on identifying investment opportunities that offer the potential for superior returns. Active management and research-based decision-making will be employed to exploit market inefficiencies and capitalize on investment opportunities. While seeking higher returns, risk management remains a crucial aspect of the portfolio. Risk will be monitored and controlled through diversification and regular portfolio review. Investment decisions will consider the risk-return trade-off, seeking a balance between potential rewards and the level of risk undertaken. The portfolio's investment strategy will be developed with a long-term perspective in mind. Short-term market fluctuations will be considered within the context of achieving superior long-term performance.

Regional Overview

Figure 3: US Interest rate hikes



Over the last six months, the US stock market has witnessed a mix of performance and various factors influencing its trajectory. This is illustrated by the rapid interest rate increases above. The US stock market displayed resilience and recovery after the initial pandemic-induced downturn.

Major stock indices, such as the S&P 500, the Dow Jones Industrial Average, and the NASDAQ Composite, reached new all-time highs. However, there were periods of volatility and correction as investors grappled with concerns over inflation, interest rates, and global economic uncertainties. The market's performance was influenced by the progress of the economic recovery from the COVID-19 pandemic. Improving economic indicators, including job growth, retail sales, and manufacturing activity, contributed to market gains. Rising inflation became a central focus for investors. Market sentiment was influenced by various factors, including macroeconomic indicators, corporate earnings reports, and investor expectations. Sentiment oscillated between optimism about the reopening of economies and concerns about potential setbacks, leading to market fluctuations.

As economic activity rebounded, supply chain disruptions and pent-up consumer demand have led to higher prices across sectors like housing, commodities, and energy. The Federal Reserve closely monitored inflationary pressures and indicated a willingness to adjust monetary policies, including interest rate hikes, which introduced uncertainty into the market.

Portfolio Overview

The portfolio for this period had a modest return of 1.95%.

Securities owned:

Enphase Energy – Solar-powered solutions

Visa – payments provider

Booking.com – Travel

Microsoft – Technology

Figure 4: Portfolio Overview

Reflections and Projections

I forecast that although there was a pause in the US interest rate hike for the month of June, it would continue in the near future with the possibility of an increase for the month of July. According to the Federal Reserve, it appears that this will play out as I predicted. I have learnt that time in the market is better than timing the market if you have a long-term perspective. Overall, there has mainly been sideways movement in our portfolio.

We expect the market to be volatile over the next few months with the looming fears of a recession and the possibility of further rate hikes which all could send markets tumbling. With this in mind, our portfolio is still cash-heavy, with over 50% in cash waiting for purchase opportunities after market decline. I believe these two factors will play a major role in how the market plays out over the next few months. This uncertainty causes the current market volatility.

JSE LISTED SMALL CAP EQUITIES

Tshireletso Nelson Mokobe

Portfolio Introduction

I am a third-year Analytics student and the portfolio manager for the Small Cap portfolio. I chose the Small Cap portfolio because I wanted to diversify my experience in financial markets. For the most part in my personal investing, I have been focused on Mid/Large cap companies and was able to fairly value such companies. Since small-cap companies are a lot more difficult to value using traditional valuation methods such as DCF or using Free Cashflows, I found this a very important skill to have. Our portfolio has a small team consisting of two analysts.

Our portfolio selection was based on a top-down structure: We identified the top-performing sectors against the ALSI and the Small Cap Index, then searched for the top companies in these sectors. Upon identifying these companies, we compared their intrinsic value to their market value. Generally, we buy companies whose intrinsic value is higher than the market value. Our aim is to deliver 5% above the Small Cap Index.

Regional Overview

The South African economic environment has been volatile. This was mainly caused by load shedding, which led companies to lower production levels and thus lower profits. The Small Cap Index (J202) for the first two quarters has declined by 1.41%, a lower magnitude of decline than the All-Share Index (ALSI) which fell by 3.69%. This indicates the negative impact load shedding had on the overall market. Companies in the financial sector have experienced the most volatility, following interest rate hikes by the South African Reserve Bank.

Figure 5: Comparison between the ALSI (Orange) and Small Cap Index (Green)

The Rand experienced a record low against the dollar in Q2, despite interest rate hikes. This was caused by political tensions and increased economic risks. These factors caused indicators such as the Consumer Confidence Index to worsen, from -23 in Q1 to -25 in Q2. This is also indicated in the decreasing profits of businesses as consumers reduced their spending due to soaring inflation, which has been above the target band of 3-6%.

Portfolio Overview

The aim of the portfolio is to return 5% above the Small Cap Index. As of July 4th, 2023, our portfolio has returned 19.7% on securities which translates to 3.6% on the total portfolio. This is mainly because 78% of our portfolio is cash, which we gradually decrease as soon as we have confirmed views using the process explained above. We are very conservative, as small-cap companies have more volatility and thus investors are exposed to more risk. This knowledge has also led to the decision to hold not more than 10% of the overall portfolio in any one company. Our team will implement a stop loss at 30% decrease for significant holdings, to account for volatility.

Our team has focused on Health and Technology sectors, as they historically have been the top-performing sectors. We have limited exposure to the financial sector and have been observing companies in this sector, along with how the market has been responding to rate hikes. Our portfolio is exposed to volatility risk. We have attempted to minimize this risk by buying into Mustek Limited, a technology company that has reasonably stable prices. It is a large company, with its blue-chip characteristics providing stability to the overall portfolio.

Figure 6: Portfolio Overview

HOLDING	CURRENT VALUE	PROFIT/LOSS
advanced health	R8 800.14	+ R3 740.06 (+ 73.91%)
AFRICAN DAWN CAPITAL LIMITED	R219.86	- R159.90 (- 42.11%)
COGNITION HOLDINGS LTD	R4 277.70	+ R308.70 (+ 7.78%)
Mustek LIMITED	R9 307.08	- R167.84 (- 1.77%)

Reflections and Projections

Our investment philosophy is companies trading below their intrinsic value are a buy, while those that are not, are carefully monitored until we see the market adjusting to a price below or at fair value according to our assumptions. Most of the companies we analyzed were trading above or exactly at their intrinsic value and we decided to hold on to cash in these instances. As an example, one of the companies we bought into was Cognition Holdings Limited (CGN), a Software and Tech company which at the time of our analysis was trading at 93 cents.
Our valuation brought the fair value of the company to 92.5 cents and the call was to wait for a price below 93 cents. A week later the share was trading at 84 cents, and this is when we decided to buy into the company. The technical analysis also supported the decision to buy. One takeaway from this exercise is to always confirm valuations with technical analysis and how the market is responding.

I forecast that the financial sector would respond positively to the interest rate hikes, as bank deposits and interest earned would increase. However most small-cap companies in financial services are credit providers, and the market did not respond positively to the interest rate hikes as there was a noticeable increase in volatility. This made our team pause investing in the financial sector. The mining sector was another sector I forecast to grow, following an increase in Chinese GDP, as China is one of the biggest buyers of South African gold. Technical analysis was done on several companies; however, our team could not find sufficient data on the expected growth of the companies we looked at, making valuations challenging. This led to an uncertain position, as it was not supported by fundamentals. The forecast was incorrect, with the lesson here again to confirm technical analysis with valuations.

Following the end of the interest rate hike cycle, small-cap companies in the financial sector will produce higher returns, which can be expected in Q4 going into next year. This is because increased credit lending will drive revenues and margin growth. It will lead to heavy investments into the financial sector for our portfolio and reduce our large cash holding. The technology sector will continue its growth, in line with market consensus. The health sector will reach attractive valuations, due to a lack of competitors in the space, as well as long-term sector outperformance indicating its relative underpricing. We will expand our securities in this sector.

JSE LISTED MID/LARGE CAP EQUITIES

Gabriël Janse Van Vuuren

Portfolio Introduction

I manage a South African Portfolio focused on the JSE mid/large cap industries. I study a master's in international taxation law. I have a background in Finance and Accounting. I chose this portfolio due to the expected growth in developing countries in the coming years. I have five fantastic analysts and could not have asked for a better team.The portfolio is short-term focused with a concentrated portfolio. Our investment approach is process-driven, with quality and excellence at the centre of every decision. Our equity portfolios are focused, with a maximum of 10 securities, diversified across the sector.

Regional Overview

The overall market in South Africa has been challenging. Over Q1, we experienced numerous ups and downs due to high-interest rate hikes, abnormal load shedding and record-high unemployment. We attempted to mitigate these risks by looking at entities which would be resilient in a downward economy and companies that have exposure outside of South Africa.

Portfolio Overview

The average return we managed to achieve was 0, 19% excluding Sasol's performance which increases to 2, 22%. The JSE Large Capitalization Index returns for the quarter was a 0,3% decline.

Figure 7: Holdings throughout the period

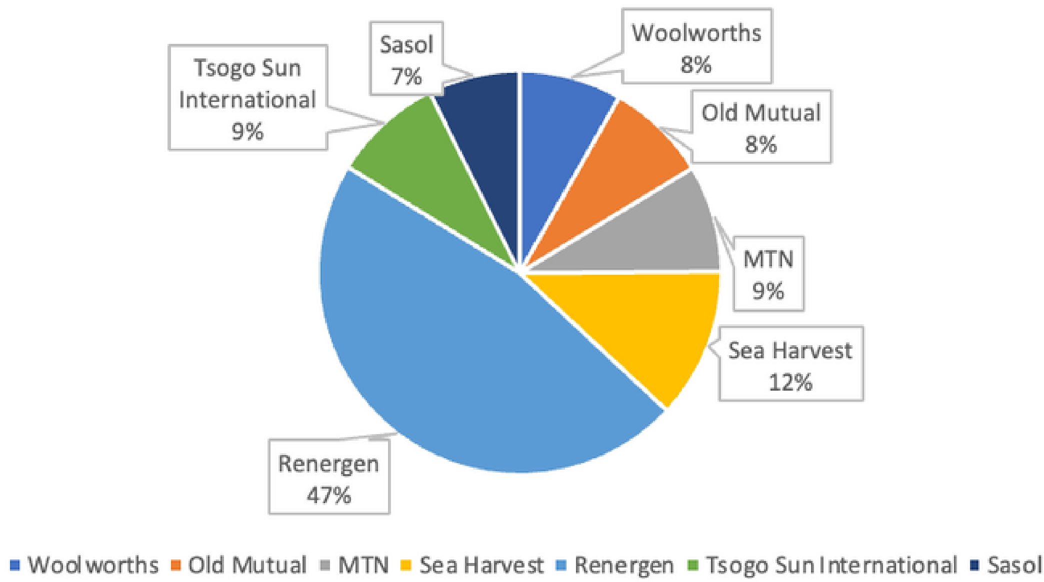
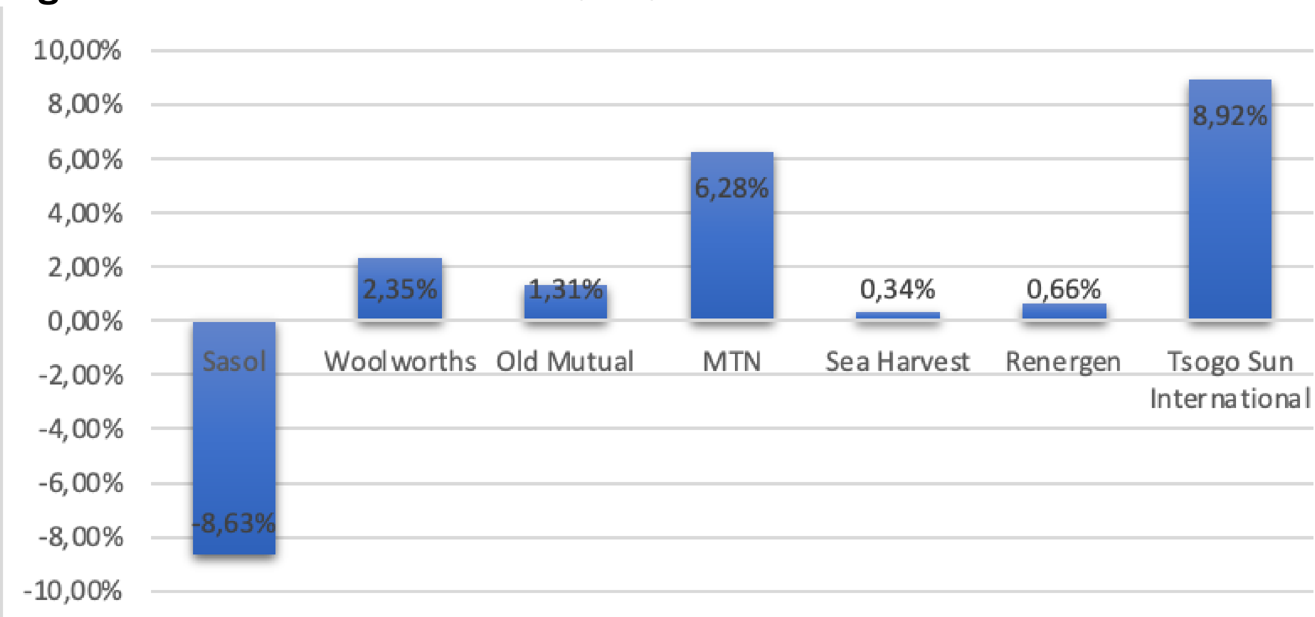


Figure 8: Return on Investment (ROI)



The strategy we followed had mixed success. We took a very aggressive approach with loss caps. The hard cap turned out to be a mistake as we sold Sasol after a 12% loss which is the cap we agreed on. Sasol recovered to well above the original purchase price, and the entire quarter turned out to be a chase to make up the loss realised. We recovered from the failure but did not achieve growth beyond it.

We invested in risky securities, i.e. Renergen, with these investments paying off, due to the timing as these securities are volatile. To offset this, dollar cost averaging was used to lower the average purchase price and to realise a profit sooner or provide an opportunity to exit investments quickly.

Reflections and Projections

An investment should be executed when the cut-off is reached. This is not always wise, as the example above illustrates. In the future, more judgement will be applied to assess if a share will recover in the trading window. At the end of the period, all securities were sold. We had mixed results, which resulted in net zero returns, and we began the third quarter with new investments. The same strategy will be followed, and executed with better knowledge and experience. JSE mid/large cap fund has disposed of all its assets per our trading strategy and will reinvest funds at the start of quarter 3. While we believe that JSE mid/large cap fund will outperform over the medium-term period, there will inevitably be shorter-term periods over which our fund will not outperform. This is the nature of markets.

Key takeaways from the quarter:

- Do not make any hasty decisions; patience and timing are the difference between 1% and 10% growth.
- Build strong relationships with your team and communicate frequently.
- Research is a vital part of any sound investment, but it requires hard work. A good team can make all the difference.
- Learn to understand each other rather than being understood. No one person has all the correct answers.
- Read market news daily and set up price alerts. These are life savers when the busy season arrives.
- Listen to your gut feeling, an educated risk backed by research will pay off.

COMMODITIES PORTFOLIO

Tshemollo Rapolai

Portfolio Introduction

I am currently in my third year studying Bachelor of Business Science specializing in Analytics at UCT. I realized my passion for financial markets at a young age and began my journey in earnest in 2020. Throughout this time, I have gained experience, which I used in my role as a Portfolio Manager. I'd like to thank my team of 4 Analysts who have helped me carry out this task successfully.
Commodities are basic goods or raw materials used in everyday life. They are products that people need or want, such as food, oil, gold, or cotton. Almost all commodities are traded on markets, just like securities or bonds, with their prices fluctuating due to supply and demand. For example, if there is a lot of oil available, the price may be lower, but if there is a shortage, the price may increase. There are different players in the commodities market - producers and consumers (hedgers), as well as speculators, who aim to make a profit.

In Commodities trading, we use technical tools to understand trends and market shocks, which are influenced by the news and current events. In the first quarter, we realized mixed results in our positions. The commodities market is volatile, and as such, the portfolio planned to achieve at least 10% growth in asset value. Commodities traded were gold, oil, coffee, and lithium.

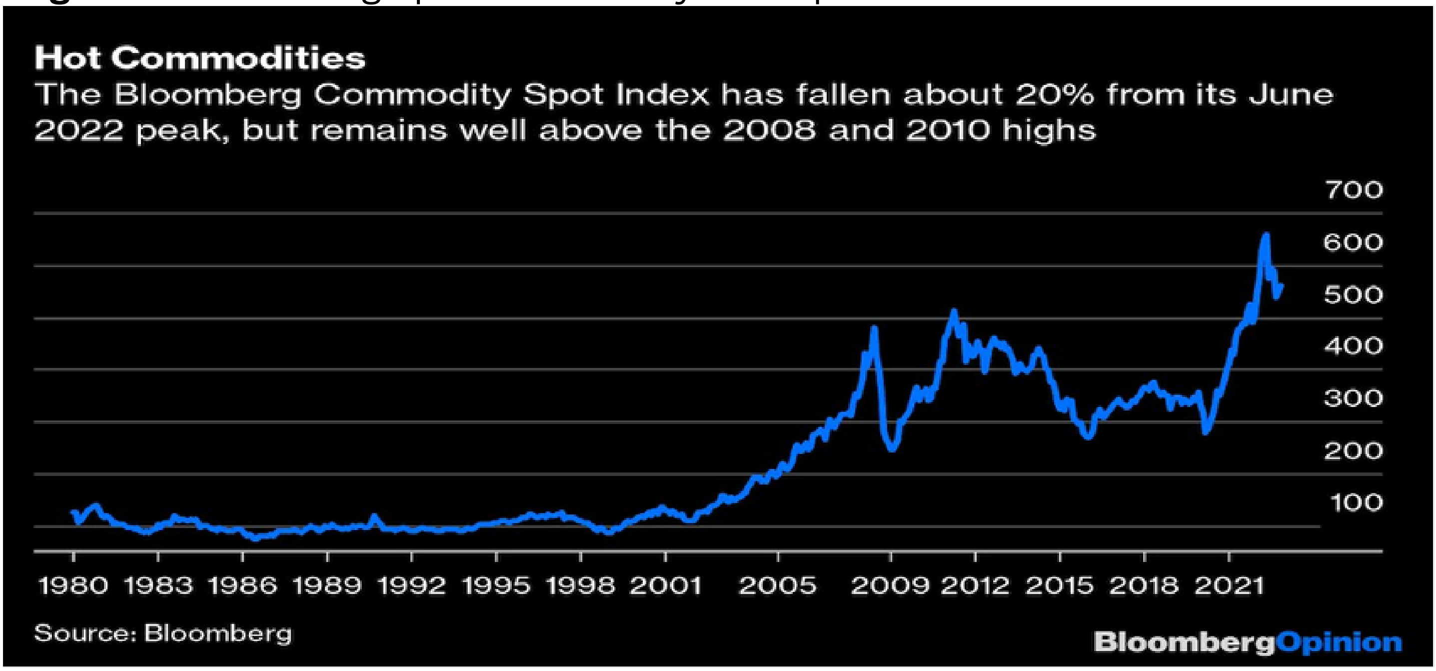
Sector Overview

The European Major Commodities Index expects commodity prices to recede in 2023 in the face of slowing demand globally, but a limited increase in supply means that prices will remain high in level terms. Although commodities prices will not fuel global inflation in 2023 as they did in 2021-22, upside risks to our baseline price forecasts are increasing and largely centre on China, climate change and continued conflict in Ukraine.

In the first half of 2023, there were disputes surrounding the commodities sector as more countries expressed interest in joining BRICS+, starting a new currency or trading using the Chinese Yuan. The imposition of sanctions on Russia, as a result of the Ukraine-Russia conflict, has unleashed and fostered a new globalization cycle and paradigm, with important implications for global business. The increasing fragmentation of the established globalization paradigm and the new geopolitical and geoeconomic global realignment will send shockwaves throughout the global economy. The looming global recession may aggravate these outcomes.

However, the US is oscillating between a soft and a hard landing. Even if macroeconomic forces ease commodity cost pressures, microeconomic factors, such as low inventories and limited spare capacity, will keep prices higher than during past recessions in 2023. From its peak in June, the Bloomberg Commodity Spot Index has fallen about 20%. But the basket, which tracks the price of more than two dozen raw materials, is higher than it was during its peaks in 2008 and in 2011. Oil has fallen from a peak of more than $125 a barrel in early 2022 to about $80 a barrel by the end of the year, but the price remains well above the bottom set in December 2008 of little more than $35 a barrel. The same applies to other commodities, from copper to coal and from wheat to tin. The commodities boom is taking a pause, not ending.

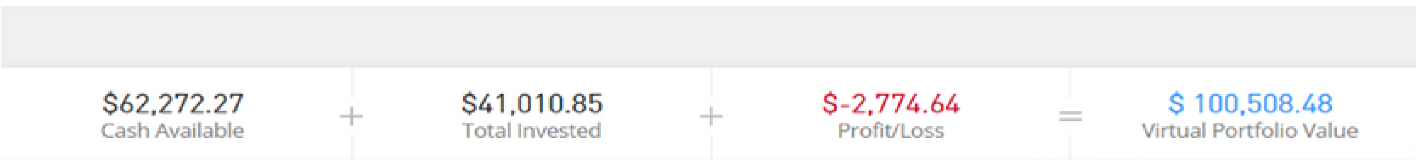
Figure 9: Bloomberg Spot Commodity Index performance



Portfolio Overview

We need to reassess our investment thesis and position on lithium in our portfolio, as it has not performed as expected. Gold was recently reintroduced into our portfolio, which contributed to the increase in its value. We plan to further invest in gold and oil, after making an informed decision on Lithium. Our portfolio began with a value of $100,000, and the growth we've seen so far is a result of the returns we earned from previous gold investments.

Figure 10: Portfolio Overview



Reflections and Projections

Our team expected an immediate boom on WTI & GOLD; however, the opposite took place making our investment fund decline in asset value, however for gold we were able to cut our losses earlier. Upon further reflection, we can project that gold and oil prices are yet to increase in the second part of the year, hence we decided to re-invest. As shown in the gold analysis below, it has been rejected three times to break the resistance level ($2074.936). However, we expect it to break the current downtrend channel in the interim, continue in the uptrend global channel and break the resistance level.

Figure 11: Gold technical analysis

For Oil (WTI), we expect a boom to take place, as it has broken out of the downtrend channel, with matching fundamentals supporting the technical predictions. Therefore for our oil position, we expect to recover our losses and fall into profits.

Figure 12: Oil (WTI) Technical Analysis

INNOVATION PORTFOLIO

Yaeshen Saman

Portfolio Introduction

I am a UCT Business Science student specializing in Analytics. The Innovation Portfolio is new, set up with the primary purpose of investing funds into high-potential companies with innovative ideas and significant growth prospects. It has the potential to play a crucial role in fostering technological advancements, driving economic growth, and encouraging entrepreneurship while bridging the gap between early-stage innovation and commercialization by providing the necessary resources and expertise to bring innovative ideas to market. An innovation portfolio holds significantly more volatility; however, it holds the unique ability to be able to adapt to markets and macroeconomic events.

The portfolio has two analysts with different skill sets and perspectives. The portfolio utilizes a blended investing approach, that incorporates the decision-making of a top-down system, along with the principles of value investing. Due to the nature of an innovation portfolio, a significant emphasis is placed on current affairs when making investment decisions. Sectors of opportunity are identified through advancements that have been made around the world. Once sectors of opportunity have been identified, the analysts are responsible for determining which companies are attractive investment opportunities.

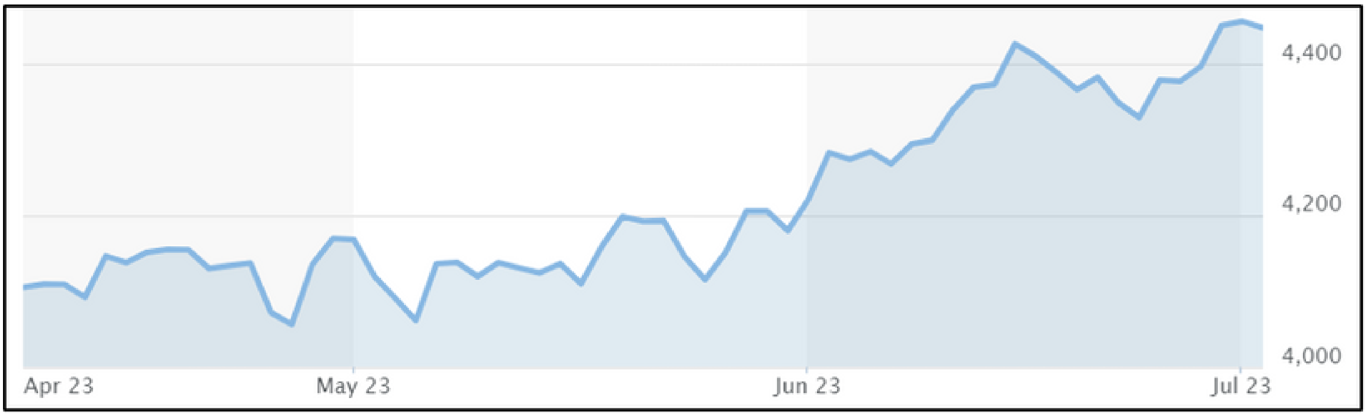
Our goal is to hold between 8-12 securities in different sectors to diversify the portfolio. This translates to roughly 8% per stock. Ideally, no stock should make up more than 16% of the portfolio. The weighting of each stock is adjusted based on the Beta of the stock we are investing in. The weightings of the securities are adjusted to reach an acceptable beta of the portfolio. Once sector advancements are observed, companies in the sector are analyzed by their competitive positioning. Then financials are analyzed, as well as observing relevant ratios (Revenue, EPS, DPS, ROIC, ROI) to make investments. The main objective for our portfolio is to have the highest returns among the portfolio under the Fund, as well as a return on investment of 15%.

Sector Overview

The Innovation Fund had an extremely exciting first quarter, with monumental breakthroughs in multiple sectors – particularly around machine learning, the automotive industry, robotics, energy and environmental systems and e-commerce. The accessibility to machine learning algorithms and data has caused a huge stir in software and artificial intelligence (AI) markets. Companies across all sectors are adopting these algorithms, to produce more accurate results tailored to human intervention. It is challenging to establish how long these sectors will continue their bullish run, as new algorithms are being produced daily, with most quickly becoming redundant.

The implementation of robotics in the medical industry has caused an increasing interest among investors that are looking for relatively high short-term returns and moderate long-term returns. As Sustainability increasingly moves past being a buzzword and becomes a necessity, countries are looking to adopt an eco-friendlier approach towards investments. This increased investment results in breakthrough technology emerging, which leads to increased upside return potential.

Figure 13: S&P Index performance



Portfolio Overview

The position of our portfolio remained steady. No buying or selling occurred for the month of June. The portfolio ended the month of June up by 19.98% from inception, succeeding our goal thus far.

The best performers in our portfolio have been Palantir Technology, a software company that empowers organizations to build and govern AI across both private and public sectors. Palantir had a breakthrough where machine learning and AI were adopted, for implementing battlefield tactics for militaries. The stock is up a staggering 93.11%, however, we expect this to stabilize downwards as the AI hype settles. Meta Platforms Inc was another investment made, under the assumption that the company's level of expertise and size give it a significant competitive advantage in the social network sector. The stock is up 34.73%, and expectations are that this stock should provide stable returns in the long term.

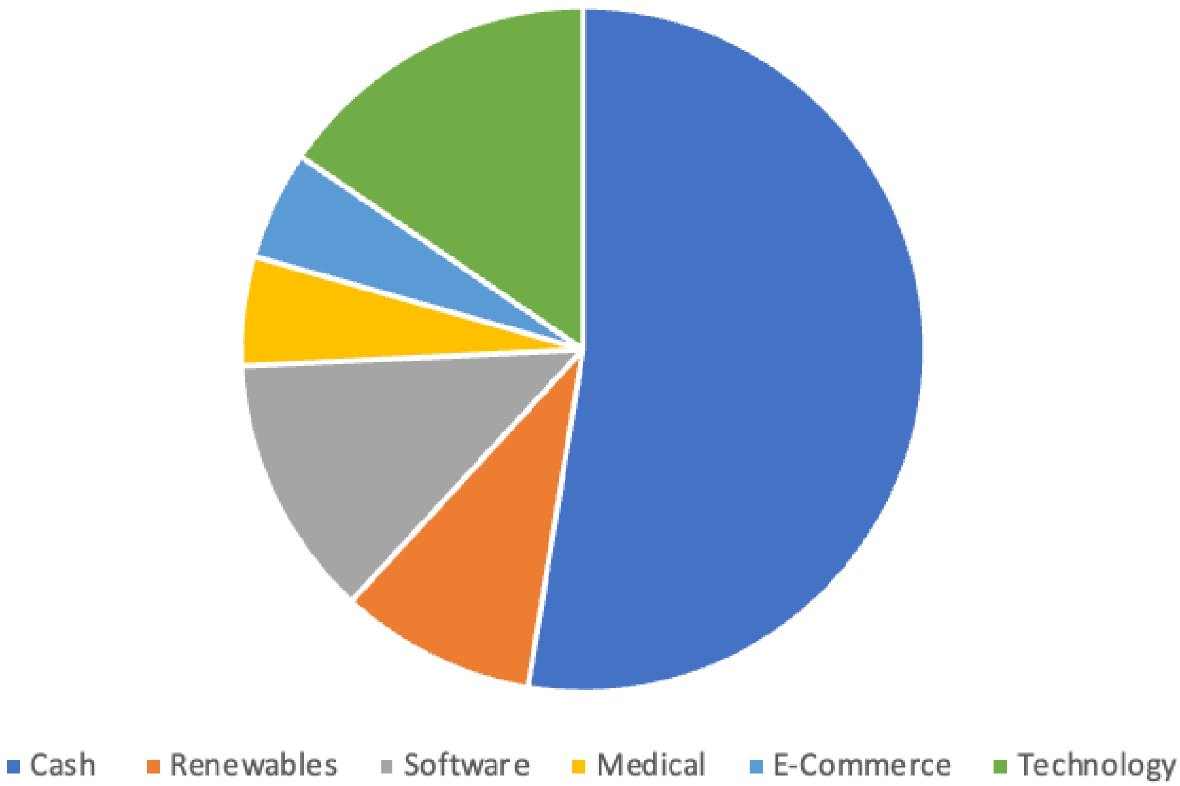
A sector that has underperformed throughout Q1 is the renewable energy sector. As companies adopt an environmentally friendly outlook, the renewable energy sector had all the signs of profitable returns. This was not the case due to the Russia-Ukraine war, the technology trade war between the East and the West, and the ongoing implementation of BRICS+. An investment was made into First Solar Inc, a company that is known and recognized for its thin-film solar panels. The stock is down 6.48%, however, we expect this to reach profitability throughout the second half of the year.

Figure 14: Portfolio Overview

Asset (7)	Units	Avg. Open	Invested	P/L	P/L(%)	Value ▾
MSFT Microsoft	34.49764 Buying	289.87488	$10,000.00	$1,666.41	16.66%	$11,666.41
PLTR Palantir Technologies Inc.	615.00615 Buying	8.13	$5,000.00	$4,655.60	93.11%	$9,655.60
FSLR First Solar, Inc.	53.38691 Selling	175.8858	$9,390.00	-$608.84	-6.48%	$8,781.16
META Meta Platforms Inc	22.89377 Buying	218.40	$5,000.00	$1,736.26	34.73%	$6,736.26
ALGN Align Technology Inc	19.74612 Buying	354.50	$7,000.00	-$354.84	-5.07%	$6,645.16
SHOP Shopify Inc.	101.95759 Buying	49.04	$5,000.00	$1,569.13	31.38%	$6,569.13
ISRG Intuitive Surgical Inc	18.62731 Buying	268.96	$5,010.00	$1,207.24	24.10%	$6,217.24

Cash Available		Total Invested		Profit/Loss		Virtual Portfolio Value
$51,066.65	+	$46,400.00	+	$9,870.96	=	$ 107,337.61

Figure 15: Portfolio sector allocations



Reflections and Projections

At the start of the quarter the following assumptions were made:

- Machine learning and AI would be the golden sector for the innovation fund.
- Environmentally friendly energy solutions should be a stable buy for long-term investment.
- Asian markets will increase performance and apply pressure on struggling Western and European markets.
- Cryptocurrencies will be less influential than they have been over the last few years.
- ESG investments will play a pivotal role in keeping the fund in the green in terms of long-term returns.

Most assumptions made were correct, however, some of them were proven to be wrong. Investing in green energy solutions was less beneficial than we assumed, due to a lack of innovation in the sector, as well as the normalized energy demand, as Europe has pivoted away from Russian gas. The assumption of bullish Asian markets remains correct, as European and US markets continue to struggle whilst losing the major tech battle to the East, as production plants across all sectors are opened in the East.

Considering the strong start the portfolio has had in the first 6 months, future projections for the Innovation Fund are optimistic. As technological advancements continue to shape our world, the demand for innovative solutions and disruptive ideas and solutions is growing rapidly. The primary goal for the fund over the next 6 months is to continue to invest in these groundbreaking initiatives at the right time.
Over the next few months, I expect European and US markets to challenge Asian markets. I expect growing interest from global organizations to fund Tech start-ups throughout Asia. I expect to see a much quieter software sector in the second half of the year, as I believe that this sector needs time for product development to keep interested in the sector. I maintain my view that there is value in investing in renewable energy organizations long-term returns will be profitable.

Factors that have the potential to influence our securities include:

- BRICS+
- 4th Industrial Revolution
- Internet of Things
- Climate change

EMERGING MARKETS PORTFOLIO

Keabetswe Mokgwakgwa

Portfolio Introduction

I am a first-year finance student at UCT and the portfolio manager of the emerging markets fund. Emerging Markets equities started the year strong building on the encouraging economic trends of 2022. The market has evolved, providing a source of new investment options; moreover, liquidity has improved and investor interest has grown.

The emerging markets portfolio is comprised of five analysts with distinct investment perspectives and philosophies, allowing our fund to create dramatically different ideas, yielding new and unique insight into the financial markets.

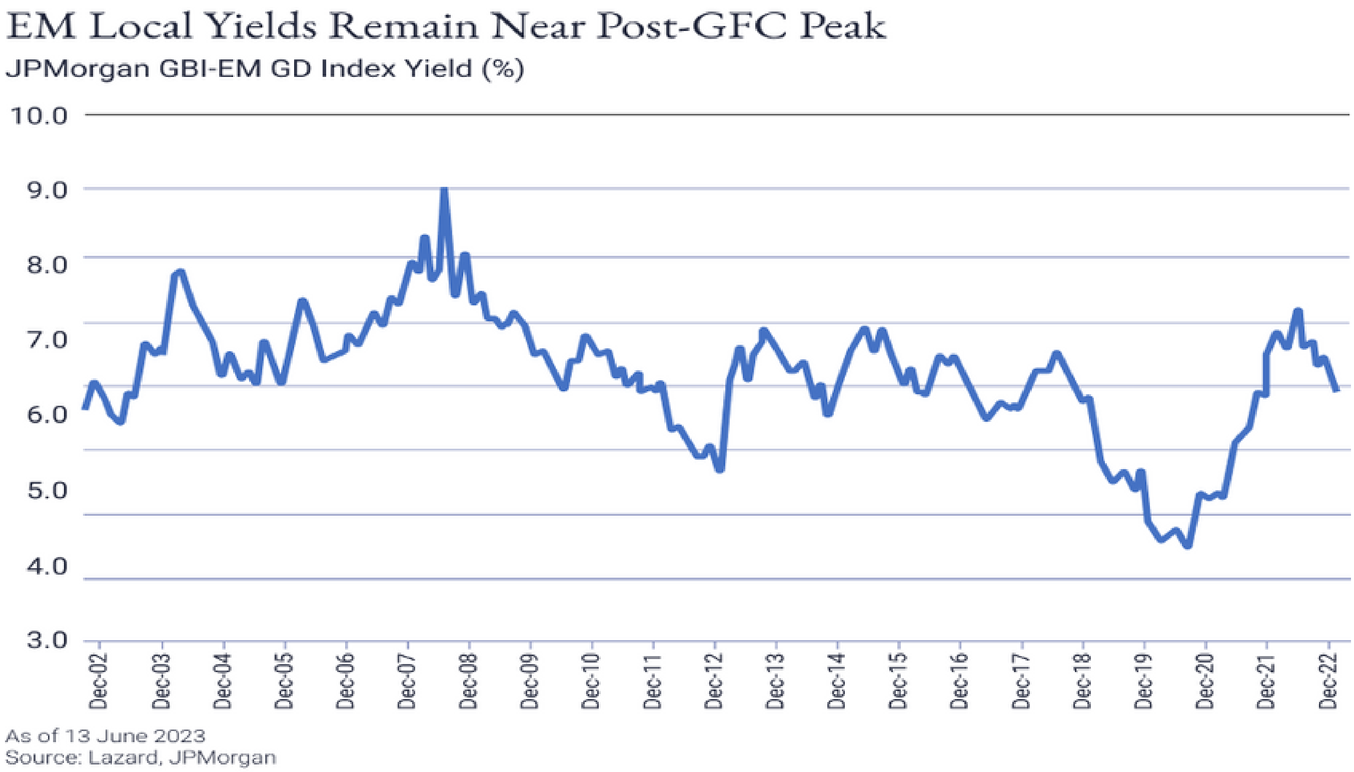
The primary aim of our fund is to generate capital appreciation over the long term and outperform the benchmark index: the MSCI emerging markets index. The investment period was relatively short, but our fund was able to implement a long-term investment strategy that prioritized diversification in order to reduce our risk exposure in developing economies, which are infamous for their volatility. Our team was able to enhance fund performance while still covering the significant presence in the markets. Furthermore, our team was able to place major priority in the early detection of major macroeconomic development in specific sectors.

Regional Overview

For the first quarter of 2023, the markets were off to an impressive start. While economic trends such as slower global inflation helped the MSCI emerging markets index rise by 7.9% in January, with the sector falling 6.5% in February, due to weaker commodity prices against the dollar.
Mainland China's reopening (the largest emerging economy) is expected to generate positive spillover in the region. However, China faces several difficulties including the impact of global slowdown on its exports and weakness in its real estate market.

The unfortunate collapse of US regional banks SVB and Signature Bank represented the largest banking failures since 2008; but with experience and knowledge gathered from the past, emerging markets banks have remained intact with a healthy balance sheet.

Figure 16: Emerging Market Yields



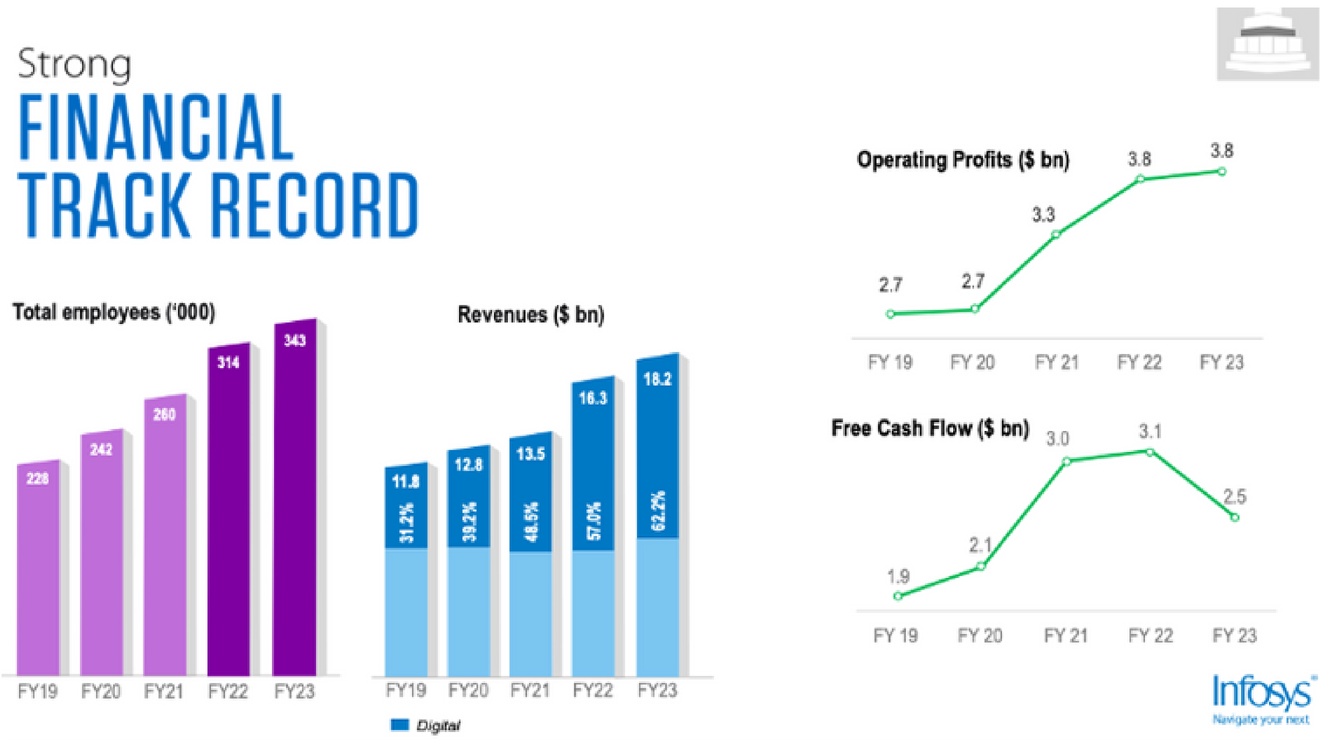
Aside from the difficulties posed, emerging markets remained resilient climbing 3.0% and bringing first-quarter returns to 4.0%. Emerging market economies continue to enjoy an economic growth premium over those of developed markets.

Portfolio Overview

With minimal trades performed in the previous month, our fund has been able to maintain a steady growth profile with minimal volatility. However, contrary to our predictions, unfavourable macroeconomic and geopolitical developments had a detrimental influence on the funds' performance, one of which was the fall of the Turkish Lira to a record low owing to poor election results.

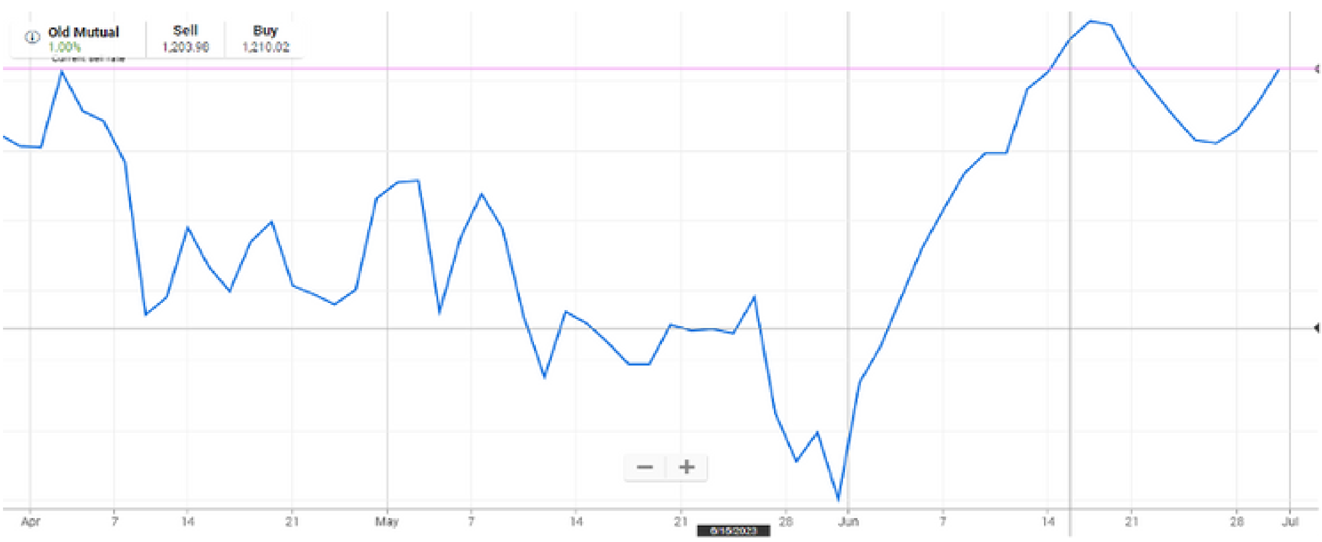
Our fund is committed to making significant investments in the thriving technology industry in emerging economies. Infosys being of our major investments. The demand for IT services is experiencing rapid growth due to the increasing reliance on technology and the ongoing digital transformation across various industries. Furthermore, this demand is services is driven by the increasing reliance on technology and the ongoing digital transformation across various industries. As a result, Infosys is well-positioned to capitalize on this trend and meet the growing needs of clients worldwide.

Figure 17: Infosys Analysis



Another holding that produced excellent returns was Old Mutual. Old Mutual has demonstrated its commitment to shareholders by increasing its total dividend per share by 13% compared to the previous year. This positive trend in dividends offers potential investors the prospect of higher returns in the upcoming period, along with a low Price-to-Earnings Ratio of 7.5 versus the industry benchmark of 8.5. In the month of June, the prospects for Old Mutual have taken a positive turn. The starting price of the Old Mutual shares was around R1097.05, and it has since risen to R1203.98. This upward trend in the share price indicates a favourable market sentiment.

Figure 18: Old Mutual Analysis



Reflections and Projections

Over the past years, the emerging markets have enjoyed great prosperity and we believe it remains undervalued. Demographic trends and urbanization are increasingly supportive and may be able to accelerate the growth of the asset class. We anticipate earnings growth in the following year owing to the emerging Asia market.

END.