

Marketing material for
professional investors only

2023 Multi-Strategy Outlook

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December 2022



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Positioning

Multi-Strategy - As has been the case since 2015, we continue to position the portfolio with the profile of a diversified convertible. We favour option-based equity exposure (rather than pure directional investments) alongside income-producing real assets and short-duration bonds.

Real Assets – Our focus remain on mission-critical, long-life, operational assets with contractual revenues.

Global Equities

The recent investment backdrop of low interest rates, lurking inflation, elevated uncertainties and geopolitical concerns has given way to normalised interest rates, elevated inflation and geopolitical turmoil. This presents a challenging backdrop for investors; security selection and investment time horizons will be key to navigating the year ahead.

2023 focal points:

Inflation – Inflation will be the key economic indicator, either relieving the pressure on central banks and asset markets or remaining a burden to all. Early signs point to a slowing which, in turn, raises fears of a recession.

Valuation – Heightened market sensitivity to near-term economic developments presents both risks and opportunities for long-term investors. Softer equity pricing has created higher prospective returns, but investors must be more discerning of fundamentals.

Power prices – The impact of energy price caps and windfall taxes will become clearer. The long-term drive for energy security will remain supportive of growth alongside the path to net zero efforts already underway. We continue to see opportunities in production, storage and efficiency solutions.

Real Assets

While the environment of heavy intervention and visible short-term concerns remains, operational real assets continue to offer investors an opportunity to take a long-term view and get paid along the way.

The characteristics of being operational, long-life and mission critical with varying degrees of inflation linkage remain highly supportive of investments in Real Assets.

Companies with contractual inflation linkage and proven track records of self funding and asset recycling are likely to be best placed to take advantage of the long-term structural tailwinds present in real assets and advance through an economically challenging period.

Bonds

For the first time in many years, there is some attractive value in fixed income. The inflation surge in 2022 proved too much for investors and central banks to ignore and led to an aggressive tightening cycle. The words “Overshoot” and “Pivot” will be heavily used in market commentary but the likely path will be a slowing of the rate increases followed by a pause (perhaps for an extended period) and then cuts.



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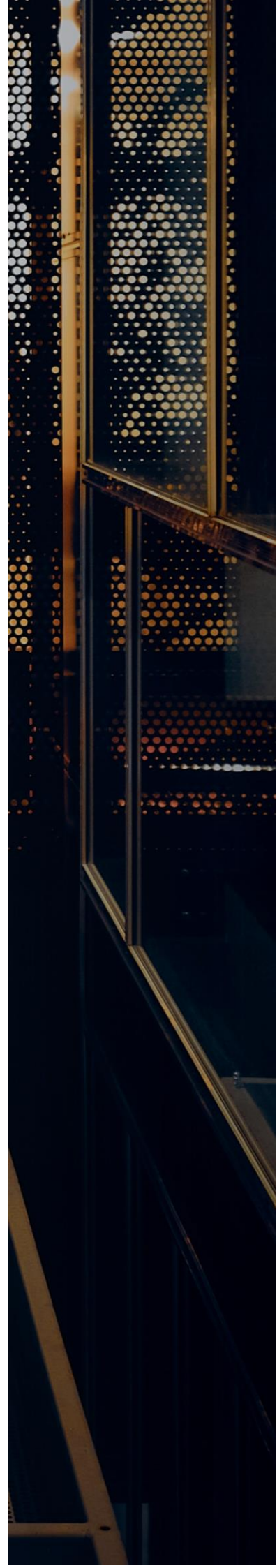
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