

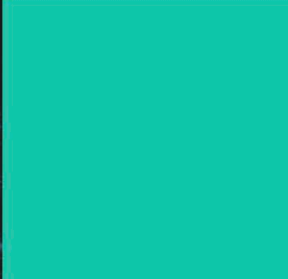
LNKD

INVESTMENT MANAGERS

Connect to tomorrow.
Today.

Looking at 2023

December 2022



2022 was an eventful year

An Inflation Shock.

Quantum & Speed of Monetary Tightening.

Russia's Invasion.

European Energy Crisis.

Positive Real Rates in over a Decade.

Heightened Geopolitical Tensions.

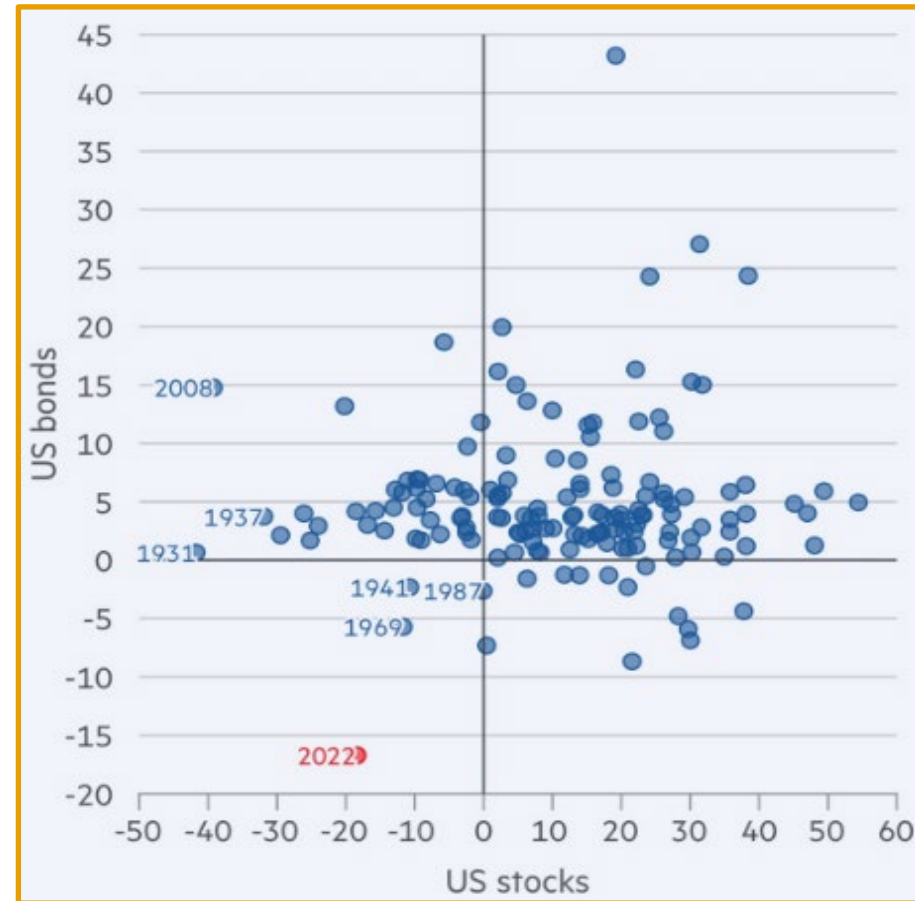
China Slowdown.

A very strong U.S. Dollar.



Bonds weren't the portfolio diversifier of old

Total nominal return in U.S. stocks & bonds, for each year 1871 to 2022 (%)



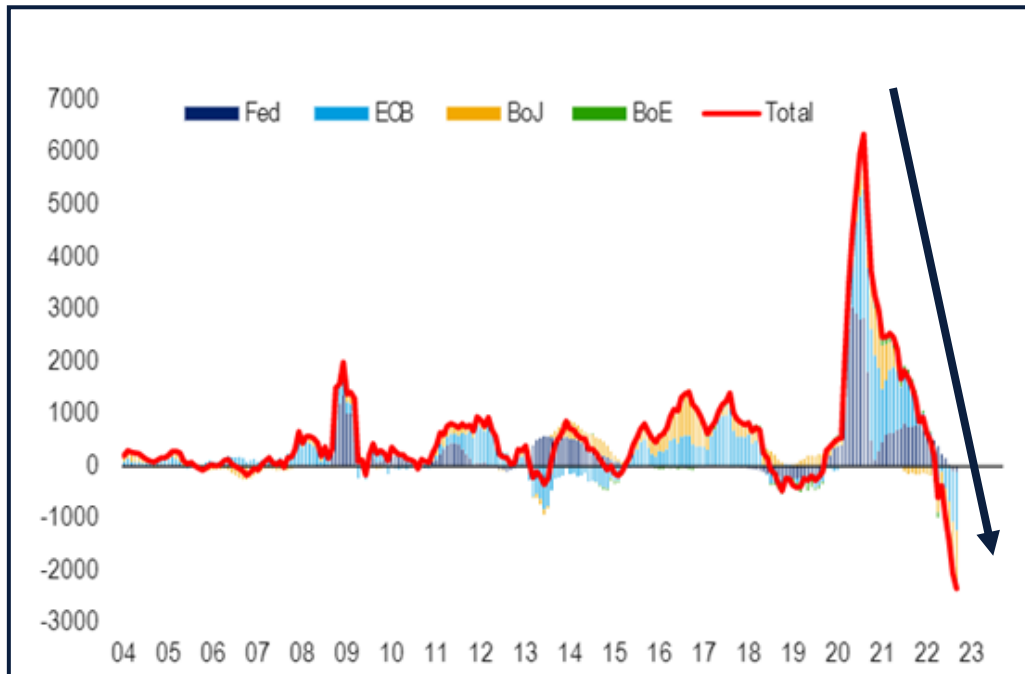
Source: Robert J Shiller; TS Lombard; FT calculations

Central Bank's Pivot

Inflation was the dominant narrative this year while geopolitical tensions spiked commodity prices.

G4 Central Banks' Balance Sheet: \$3.1tn in Past 7 Months

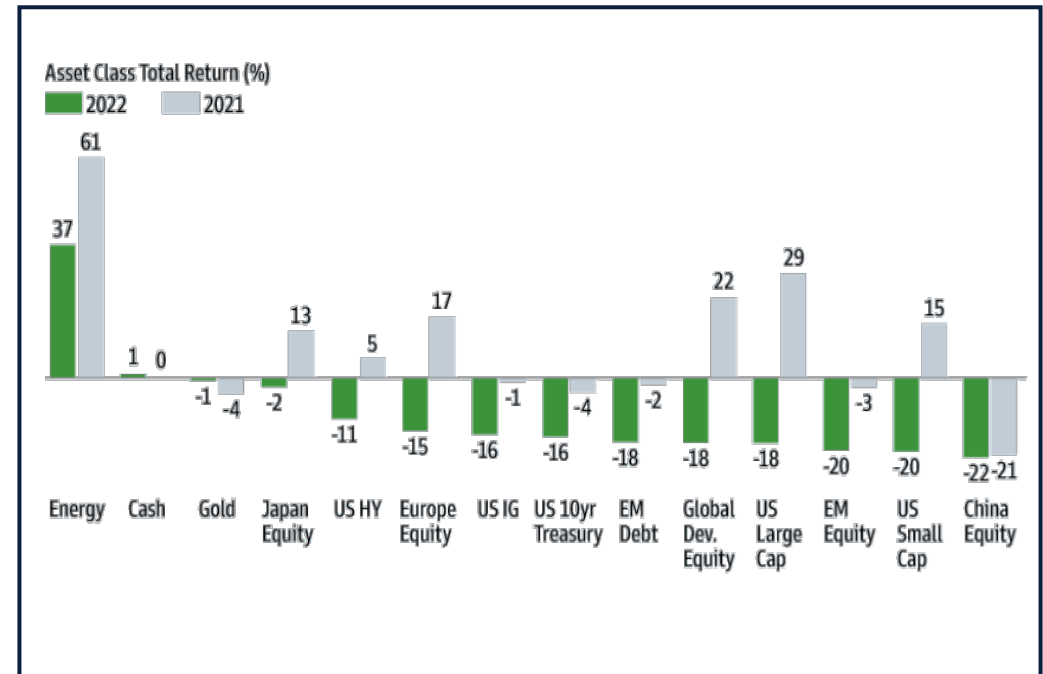
6m change in G4 central banks balance sheet (\$bn)



Source: BofA Global Investment Strategy, Bloomberg, Haver

A Different Year: 2022 vs. 2021 Asset Class Returns

Energy prices benefited from higher inflation & geopolitics



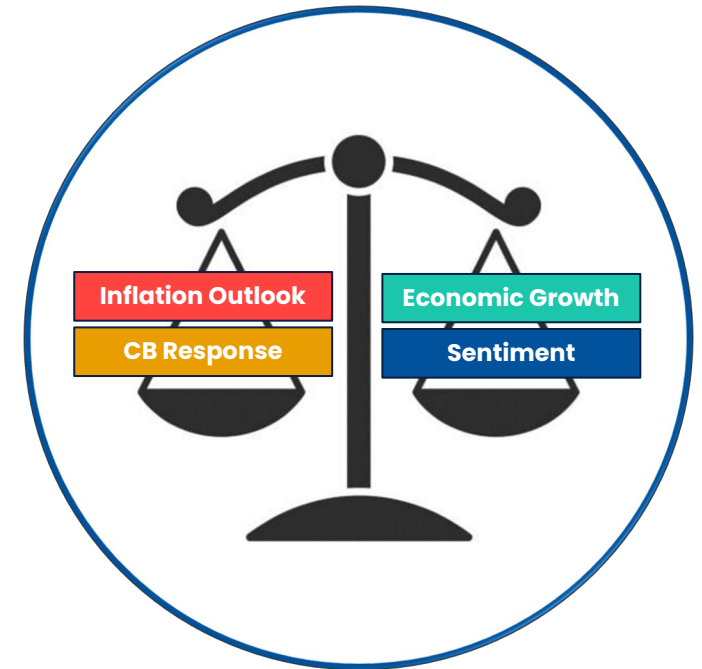
Source: Bloomberg and Goldman Sachs Asset Management. As of December 29, 2022

The big picture

- Central banks have already achieved **significant levels of monetary tightening** in 2022.
- This has created **pockets of opportunity** across various asset classes – particularly in DM fixed income.
- 2023 will likely see **peaks** in global inflation, policy tightening, and **troughs** in GDP growth, & corporate earnings growth.
- But we are unlikely to return to a post-2008 reversion as the **structural forces behind persistently higher inflation remain present.**
- Implying a persistently **higher neutral interest rate**, a **higher cost of capital and lower asset valuations** similar to the pre-2008 or pre-2000 environment.
- Notwithstanding **macroeconomic risks in 2023**, we see a **compelling opportunity** to generate materially positive returns on a 3-to-5-year horizon post the 2022 "reset".

We're paying close attention

- The path of inflation & Central Bank responses.
- Global growth & corporate earnings revisions.
- Credit & labour markets which could be key in 2023.
- Possible second order effects of higher rates & hidden leverage.
- China's reopening.
- US – China Relations.
- SA's political direction.





LNKD

INVESTMENT MANAGERS

Connect to tomorrow.
Today.

t | +27 21 410 8940

e | info@lnkd.co.za

a | 201 Cape Quarter, 27 Somerset Road,
de Waterkant, Cape Town, 8001

www.lnkd.co.za

Disclaimer that contains the company licensing details: LNKD Investment Managers (Pty) Ltd. Company Registration number 2020/591195/07. LNKD Investment Managers is an authorized financial services provider license number 51257