

Market Review

The first quarter of 2024 saw a strong performance in the equity and spread markets. Higher earnings growth and ratio expansions have propelled the market to new all time highs. This was in large driven by the so-called 'Magnificent Seven', with the excitement of AI still being a significant factor. On the flipside, the inflation prints have been larger than anticipated, which resulted in a repricing of the rates path expectation.

The Consumer Price Index printed an annualized rate of 3.5% in March. The pricing of the implied price cuts has shifted to the end of the year, likely after the US elections. The general outlook has stabilised, albeit geopolitical risks are still a highly elevated, with the main transmission mechanism through the oil price. The impact on inflation is lagged, with the main contribution in Q1 being services.

Credit markets have consistent with the equity markets, with a spread compression across the ratings and sectors.

The strength of the US economy has also been reflected in the FX. A concerning dynamic with the fiscal deficit might derail this trend in the longer term. Eurozone has also economically improved, albeit at a slower pace. China continues dealing with it's real estate and level of debt at local level. Part of their plan is shifting focus on new sectors in manufacturing and export drive growth.

Fund Review

The Sanlam USD Enhanced Yield Fund achieved a return of 1.8% over the course of Q1 2024 vs a SOFR benchmark which achieved 1.4%.

Performance was primarily driven credit spread return on corporate bond holdings which form the majority of the portfolio.

This resulted in an overall net outperformance of 54bp over the course of the quarter.

Fund Information

Fund AUM (GBP)	104,271,515
Fund Launch Date	01 July 2020
Base Currency	US Dollar
Benchmark	ICE BofA SOFR Overnight Offer TR USD
Morningstar Category	USD Diversified Bond - Short Term
Fund Type	OEIC
Management Company	Sanlam Asset Management (Ireland) Limited
Administrator	Northern Trust-(Ireland) Limited
Dealing Deadline	16.00
Valuation Point	22.00
Settlement Period	T+2
Risk Reward Indicator	2
Yield to Maturity	2.45

Annualised Performance*

	QTD	YTD	1 Year	3 Year	5 Year
B USD	1.8	1.8	8.6	2.6	-
SOFR Overnight USD	1.4	1.4	5.4	2.7	-

Discrete Performance

12 months to	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20
B USD	8.6	2.5	-2.9	-	-
SOFR Overnight USD	5.4	2.8	0.0	-	-

Past performance is not an indicator of future performance. *Performance beyond one year is annualised.

Source: Morningstar as at 31 March 2024. NAV to NAV figures are used. Net of charges, assumes net income reinvested.

Portfolio Activity

Over the course of the quarter, we have continued to reinvest redemptions in short-dated credit and commercial paper across a diverse pool of issuers.

We maintain an allocation to credit out to 5 years whilst hedging interest rate exposure using treasury futures.

Outlook

The portfolio retains its strategic allocation to short-dated investment grade credit while hedging out the majority of interest rates risk and using money market instruments for liquidity purposes.

The credit allocation is expected to deliver the target return given current pricing. The fund returns have benefitted from the hedging strategy relative to its peers and the shape of the rates curve. The recent increase in longer dated forwards is creating an opportunity in taking tactical views in this space.

Currently there aren't any cuts priced in for Q2 and we do not anticipate a major divergence in the short end, at least until Q3.

Important Information

The fund will invest in debt securities. The government or company issuer of a bond might not be able to repay either the interest or the original loan amount and therefore default on the debt. This would affect the credit rating of the bond and, in turn, the value of the fund. Investment in bonds and other debt instruments (including related derivatives) is subject to interest rate risk. If long-term interest rates rise, the value of your shares is likely to fall. The Fund may engage in transactions in financial derivative instruments for Share Class hedging purposes only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

The value of this portfolio is subject to fluctuation and past performance is not necessarily a guide to future performance. The performance is calculated for the portfolio and the actual individual investor performance will differ as a result of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. All terms exclude costs. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Do remember that the value of participatory interests or the investment and the income generated from them may go down as well as up and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital. Therefore, the Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The Manager has the right to close any Portfolios to new investors to manage them more efficiently in accordance with their mandates. Collective Investment Schemes are traded at ruling prices and can engage in borrowing and scrip lending. Collective Investment Schemes (CIS) are generally medium to long term investments. A schedule of fees and charges and maximum commissions is available on request free of charge from the Manager, the Investment Manager or at www.sanlam.co.uk. A full summary of investor rights can also be found online at <https://www.sanlam.co.za/ireland/Documents/SAMI%20Shareholder%20Engagement%20Policy.pdf> Documents are provided in English.

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