Sanlam Active UK Fund

A conviction-led, active approach to high quality UK equities.

The fund was one of the first funds to be launched when the firm was established. Benchmarked against the MSCI UK Index, it is a portfolio of UK companies with strong structural growth opportunities and attractive cash flows.

The fund:

- Is overseen by a highly experienced team with complementary skillsets
- Focuses on companies with high and sustainable returns on capital with structural growth opportunities
- Is a concentrated portfolio with a long-term time horizon

October 2019 - Latest commentary

UK equities were marginally down over the month as sterling strength weighed on overseas earners. This currency move was driven by Boris Johnson's success in agreeing a Brexit deal with the EU, and sterling managed to hold on to these gains despite the deal not being supported by parliament. An election to attempt to break this log jam will now be held on 12 December. In the US, the Fed cut rates by a further quarter point, but this had already been discounted and elicited no market response. UK sector returns were unremarkable, except for weakness in consumer staples and energy stocks.

The Fund held up well over the month and comfortably outperformed the MSCI UK benchmark. Our underweight position in the afore-mentioned consumer and energy groups contributed positively, with particular benefit received from not holding Diageo and being underweight in Royal Dutch Shell. Positive stock contributions from our holdings also helped, especially in the banking sector through positions in Lloyds and Barclays, whilst being underweight in HSBC, which issued a profits warning. Notable gains were also seen from Taylor Wimpey, Prudential, IQE, and Howden Joinery, partially offsetting weakness from Intercontinental Hotels, Rolls Royce and Integrafin.

We took advantage of price strength to dispose of our remaining modest positions in Tui and IQE, top sliced GlaxoSmithKline, and sold the small position in M&G received following its demerger from Prudential. We also trimmed HSBC and International Consolidated Airlines. Proceeds were used to add to existing positions in IHG, Unilever and Barclays.

In the run up to the December general election, equity market movements will be driven by trends in the polls. Currently these suggest a likely overall majority for the Conservative party, an outcome that would be supportive for the market, (perhaps moderated by sterling strength). Any other outcome would put the Brexit deal in doubt, prolong uncertainty, and therefore be received negatively.

Previous months' commentaries are contained within the fund factsheets.