

SVS Sanlam North American Equity Fund

Monthly Commentary

April 2022

Market/macro backdrop

North American equities declined in April as they were unsettled by the war in Ukraine, inflation concerns, uncertainty about the magnitude and timing of Fed rate hikes, and ongoing supply chain disruption as China maintains its 'Zero Covid' stance. The MSCI North America produced a sterling total return of -4.6% but local currency returns were significantly weaker.

Stylistically, growth underperformed value in April. At the sector level, technology and related areas had a difficult month as the NASDAQ Composite posted a US dollar return of -13.2%. Communication services and consumer discretionary also struggled, with the latter suffering from concerns that high inflation will deter discretionary spending. However, consumer staples displayed some resilience, despite a surge in bond yields.

Performance vs sector/benchmark

The Fund produced a performance of **-3.8%** in April 2022 (source: Morningstar – B share class). The MSCI North America index produced a sterling total return of **-4.6%** in GBP (source: MSCI).

	Inception	1mth	3mth	1yr	3yrs	5yrs
A GBP Income	02/03/83	-3.8	-2.5	3.2	14.5	13.9
B GBP Income	08/06/11	-3.8	-2.4	3.6	15.3	14.7
MSCI North America		-4.6	-2.1	8.5	14.6	13.5

	12 Months to	Apr-22	Apr-21	Apr-20	Apr-19	Apr-18
A GBP Income		3.2	41.4	2.9	15.5	10.2
B GBP Income		3.6	42.3	3.9	16.7	11.2
MSCI North America		8.5	34.6	3.1	18.6	5.6

- Performance beyond one year is annualised.
- **Past performance is not an indicator of future performance.**
- Source: Sanlam, Morningstar and Lipper as at 30/04/2022. Figures for periods longer than 12 months are annualized. NAV to NAV figures are used. Net of charges.

Positive Contributors (3 max)

[Western Digital](#), [Walmart](#), [PepsiCo](#)

Negative Contributors (3 max)

[Nvidia](#), [Alphabet](#), [TFI International](#)

Significant portfolio changes - buy/sells (3 max each) (cont.)

April was a relatively busy month for portfolio activity although as ever we maintained our focus on what we consider to be the most compelling investment opportunities for long-only investors in North America.

Significant portfolio changes - buy/sells (3 max each) (cont.)

New positions added in April included Johnson & Johnson and property & casualty insurer Chubb. We also bought FleetCor Technologies, a leading provider of fuel cards and workforce payment products and services. FleetCor Technologies is a beneficiary of the long-term secular shift from cash and cheques to electronic payments; the opportunity in the B2B segment is particularly interesting as there are still trillions of business transactions in the US which are largely made by cheque.

Complete exits in April included Middleby and Aptiv. We also sold our remaining position in Tapestry, the owner of Coach.

Outlook

In the short term, North American equity markets are likely to remain volatile as they digest the impact of inflation, ongoing supply chain disruption, higher risk-free rates and fears that Fed tightening could tip the US into recession. That said, inflation, supply chain disruption and the likelihood of higher interest rates are at least known risks, so it is reasonable to expect that they will do less damage to stock markets going forward. The commodity price surge has undoubtedly been very painful for the US consumer (as it has elsewhere) but increasingly this looks like a historic one-off shock, rather than the beginning of a new 'super cycle' for commodities. The ongoing cost of living crisis is undoubtedly severe and problematic for the consumer sectors but we take some comfort from the fact that many companies are cash rich and this can be used to fund dividends, buybacks and acquisitions, irrespective of what may happen on the macroeconomic front. Indeed, Goldman estimates that the value of buybacks amongst the S&P 500 names will hit \$1 trillion (a record) in 2022, an increase of 12% on 2021. We also take comfort from the fact that barring another energy shock, inflation is likely to be either at or close to its peak. This should begin to provide a more constructive backdrop for North American equities as we move through 2022.

Important Information

The Fund invests mainly in North America, movements in exchange rates may result in frequent rises and falls in the Fund's share price. Exchange rate changes may cause the value of investments to go down as well as up.

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 Authorised Corporate Director, the Investment Manager or at www.sanlam.co.uk. This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy.

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Smith & Williamson Fund Administration Limited is the Authorised Corporate Director of the Smith & Williamson Unit Trusts.

Smith & Williamson Unit Trusts, a company constituted by trust deed as a UCITS scheme, authorised in the UK and regulated by the Financial Conduct Authority. The Fund is managed by Smith & Williamson Fund Administration Limited, 25 Moorgate, London, EC2R 6AY, Tel +44 (0)20 7131 4000. Fax +44 (0)20 7131 4001 which is authorised by the Financial Conduct Authority, as a UCITS Fund Manager and Alternative Investment Fund Manager. Smith & Williamson Fund Administration Limited has appointed Sanlam Investments UK Ltd as Investment Manager to this Fund.

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The fund price is calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income and expense accruals. Trail commission and incentives may be paid and are for the account of the manager. Performance figures quoted are from Sanlam and are shown net of fees. Performance figures for periods longer than 12 months are annualized. NAV to NAV figures are used. Calculations are based on a lump sum investment.

Please note that all Sanlam Funds carry some degree of risks which may have an adverse effect on the future value of your investment. Any offering is made only pursuant to the relevant offering document, together with the current financial statements of the relevant fund, and the relevant subscription/application forms, all of which must be read in their entirety together with the SVS Sanlam Unit Trusts prospectus and the KIID. All these documents explain different types of specific risks associated with the investment portfolio of each of our products and are available free of charge from the Manager or at www.sanlam.co.uk. No offer to purchase securities will be made or accepted prior to receipt by the offeree of these documents, and the completion of all appropriate documentation. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision as not all investments are suitable for all investors.

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