

# Sanlam Short Dated Corporate Bond Fund

## Monthly Commentary

### April 2022

#### Market/macro backdrop

April was another very difficult month for risk assets generally, and corporate bonds specifically. To give some context to the weakness, the NASDAQ Composite fell by just over 13% in dollar terms during April, the worst monthly performance since the GFC, excluding 2020. Corporate bonds once again experienced a disorderly mark down mostly driven by the shock that is being forced upon it from interest rate volatility. Growth concerns in Europe (through the Russian invasion into Ukraine) and China ('Zero Covid' policy) pushed investor confidence down further.

#### Performance vs sector/benchmark

The Fund produced a performance of **-38 bps** in April 2022 (source: Morningstar – B Acc Share class). The Fund is not managed against a specific benchmark or sector.

	Inception	1mth	6mth	1yr	3yrs	5yrs	Since Inception
A Income GBP	29/04/09	-0.4	-1.8	-2.5	-0.1	-0.1	1.8
Z Accumulation GBP	31/03/17	-0.4	-1.5	-1.9	0.4		1.1

	12 Months to	Apr-22	Apr-21	Apr-20	Apr-19	Apr-18
A Income GBP		-2.5	1.2	0.9	1.3	-1.6
Z Accumulation GBP		-1.9	1.8	1.5	1.8	

- 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 and negative contributors (3 max for each)

April is typically a strong month for corporate bonds but unfortunately, the macro environment put paid to that narrative, with the Bloomberg GBP Aggregate Corporate Index generating excess returns of -135bps during the month, bring year-to-date excess returns to -308bps. Total returns from the index were -332bps. The Fund's judicious management of duration and credit-specific risks provided important diversification benefits in April, but it is not possible for a long-only bond fund to defy gravity given the backdrop.

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

April saw a couple of maturities at the underlying security level, meaning that our long-held positions in Glencore and CK Hutchinson International are now no longer in the portfolio. We also exited our positions in Novartis (where we held the 2.4% September 2022s) and Fluor (1.75% March 2023s).

New holdings included EADS, which is now better known as Airbus, where we bought the 2.375% April 2024 bonds.

**Outlook**

Bond markets are fragile because the ECB is getting impatient to end what has been a decade of unconventional support, alongside the Fed and MPC who raised interest rates in the early days of May.

A slower China has global implications, with weaker end demand for exporting nations, and lingering supply chain stresses. How much of an economic slowdown looks priced in for corporate bond sectors? The Investment Team think rather a lot, which is why over the course of the past few weeks the cash component of the Fund has slowly but surely been deployed in the market, and the yield has risen markedly, but not at the expense of duration.

Earnings season is now underway, and will be watched very closely; how have firms' earnings held up amid the overwhelming effects of cost pressures that companies face today? Results, so far, suggest relatively stable earnings margins.

As a new month begins, the Investment Team take a degree of comfort from the now relatively attractive re-pricing of corporate bonds. Individual bond selection and industry allocation remain the key focus.

## Important Information

The Fund invests in short-dated bonds. Investment in bonds and other debt instruments is subject to interest rate risk and credit ratings. 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. If long-term interest rates rise, the value of your shares is likely to fall. 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](http://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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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 Fund 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](http://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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