Sanlam Investments

SVS Sanlam Global Gold and Resources Fund
Monthly Commentary
May 2022

Fund performance

The Fund produced a performance of -7.6% in May 2022 (source: Sanlam – B GBP Inc).
The S&P / TSX Global Gold produced a net performance of -10.0% in USD (source: Morningstar).

	1mth	YTD	1yr	3yr	5yr	Since Inception
B GBP Inc	-7.6	6.1	-8.0	13.3	3.8	6.3
S&P / TSX Global Gold	-10.0	8.8	-2.2	20.0	10.4	2.9

12 Months to	May-22	May-21	May-20	May-19	May-18
B GBP Inc	-8.0	0.2	57.6	-5.9	-12.0
S&P / TSX Global Gold	-2.2	1.7	73.6	2.5	-7.4

- **Past performance is not an indicator of future performance.**
- Performance beyond one year is annualised.
- Performance figures quoted are from Sanlam Investments and are shown net of fees. Data as of 31/05/2022.
- Performance figures for periods longer than 12 months are annualized. NAV to NAV figures are used.

Fund commentary

Gold prices struggled through May closing the month at US$ 1,838/oz, just below the price at the beginning of the month (US$1,863/oz).

Having peaked in early March, supported by the combined drivers of inflation risk and the Russian invasion of Ukraine, gold prices have surrendered much of those gains, consistent with historical pullbacks from geopolitical risk driven price spikes.

As evidenced by the price bounces/pullbacks through the month, the gold price is trying to find a balance between the opposing forces of geopolitical risk, economic uncertainty, the US Dollar, Real Rates, and investor sentiment.

Notwithstanding the flat monthly price performance, gold continues to outperform versus US rates (both nominal and real) in the face of rising rates and has shrugged off USD strength. Presently, we assess that a meaningful portion of the gold price is coming from a geopolitical premium and as an inflation hedge, which leaves us cautious on near- and medium-term price direction. While inflation numbers remain elevated, we believe that year over year numbers will begin to decline as the period of elevated inflation began in 2H21. Traditional longer term macro relationships still point to lower gold prices although several major variables remain unresolved. Russia's war in Ukraine remains a major uncertainty: were the Fed to pause in the face of further asset price declines, increasing the risk of stagflation, gold would benefit; If inflation pressures were to lose momentum (on either weaker demand or easing supply-side constraints) gold would struggle.

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Fund commentary (cont.)

From a positioning perspective, gold has experienced significant length liquidation. Gold ETF holdings peaked in later April and fell through most of the month of May. While ETF holdings could come under further pressure, existing derivative positioning does not suggest significant selling would be triggered by another step down. This creates a short-term bias for prices to at least stabilize (after their recent correction), but, in our assessment, the outlook of inflation (and correspondingly rates) is likely to be more important for the gold price than the performance of risk assets.

In the gold industry, corporate activity has (perhaps surprisingly) remained limited and has been focused on the larger capitalization equities. With the major gold producers enjoying substantial earnings and free cash flows, cash flows have been directed to debt reduction and dividends, with limited announcements of corporate activity or major new capex. As seen earlier in the year, with the goldfield acquisition of Yamana, the equity market is not rewarding corporate activity, and thus, other than continued smaller streaming/royalty deals, we expect the market to remain quiet.

The first half of the year will probably mark the peak for operating margins for gold producers. In addition to the rollover in the gold price, Q1 results started to show the impact of inflation creeping into the operating cost structure, and we expect this to accelerate in the second and third quarters. This margin contraction (a headwind to free cash flow), coupled with the weaker gold price, could weigh on valuations and equity prices. Gold equities in fact have already begun to underperform the underlying commodity; down 5% on a relative basis in the month of May and down 7.5% since gold's peak in March. We believe this relative underperformance could be a reflection of investors' concerns over the above headwinds.

In the near term, we remain cautious on the gold price, and correspondingly the gold equities, but remain cognizant that with multiple forces in play, we should expect ongoing volatility.

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Important Information

The Fund invests in shares of gold mining and precious metals companies. The price of gold or other natural resources may be subject to unexpected and substantial fluctuations, this may lead to significant declines in the values of any companies developing these resources in which the Fund invests and significantly impact the Net Asset Value of the Fund. The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates.

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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