

# SVS Sanlam UK Equity Growth Fund

## Monthly Commentary

### April 2022

#### Market/macro backdrop

Globally, equities had a very poor April (the MSCI World returned -8.8% in US dollar terms and -3.8% in sterling) but the UK was an outperformer as the MSCI UK posted a total return of 1.0%. However, mid cap and particularly mid cap growth stocks continued to struggle as the MSCI UK Mid Cap returned -1.9% and the UK Mid Cap Growth index posted a performance of -3.3% in April (source: Bloomberg).

Once again, the energy sector continued to enjoy gains due to the backdrop of elevated oil prices and concerns about the outlook for global oil & gas supplies because of the ongoing war in Ukraine. 'Defensive' sectors, such as healthcare, consumer staples and utilities also performed robustly. However, financials and consumer discretionary struggled as the market continued to worry about the outlook for consumer spending for the remainder of the year and into 2023 as the UK faces its worst 'cost of living' crisis for decades. Globally, fears about tighter monetary policy and higher risk-free rates were a major drag on sentiment in April, and indeed both the BoE and Fed delivered rate hikes in early May as central banks attempt to bring inflation down to a more 'normal' level.

#### Performance vs sector/benchmark

The Fund produced a performance of **-3.6%** in April 2022 (source: Morningstar – A Inc units). The MSCI UK index produced a performance of **1.0%** (source: MSCI).

	Inception	1mth	3mth	1yr	3yrs	5yrs	Since Inception
A Income GBP	07/05/87	-3.6	-7.6	-5.8	3.8	3.7	6.9
MSCI UK		1.0	3.9	15.6	4.6	4.9	

	12 Months to	Apr-22	Apr-21	Apr-20	Apr-19	Apr-18
A Income GBP		-5.8	46.8	-19.1	-0.1	7.0
MSCI UK		15.6	20.8	-18.1	3.0	8.0

- 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)

[AstraZeneca](#), [Jet 2](#), [Diageo](#)

#### Negative contributors (3 max)

[Ashtead](#), [Future](#), [Anglo American](#)

### Significant portfolio changes

We started a new position in [Spectris](#), a maker of high-tech equipment, test equipment and software for some of the world's most technically demanding industrial applications. The company is well positioned to profit from a number of long-term structural trends including the onshoring of manufacturing facilities, the need to increase semiconductor capacity, the electrification of vehicles and more broadly the necessity to use resources more efficiently and devise new materials to combat the climate challenge.

### Outlook

The UK equity market has had a relatively good start to the year, but in part, this reflects the strength of the large-cap energy and commodity stocks that are the natural beneficiaries of the soaring commodity prices that followed the outbreak of war in Ukraine. The short-term outlook for the consumer is undoubtedly very challenging; the Bank of England has already warned that the UK economy will slide into recession this year as higher energy prices push inflation above 10%. However, with the share prices of many mid-cap growth stocks having collapsed so far this year, it feels to us as though the worst-case scenario has already been priced in, rather than the most likely outcome. Many share prices now reflect the likelihood of huge downgrades but this is not a re-run of the financial crisis and those companies with structural drivers and winning market share will offset these cyclical headwinds, leaving their current valuations looking incredibly cheap.

Valuation wise, UK equities continue to look attractive versus their global peers and despite the challenging geopolitical backdrop we continue to see a very positive long-term outlook for our favoured long-term investment themes. These include the capital cycle, digitalisation, sustainability, health and biotech, infrastructure, and UK companies that are exploring new opportunities in EMs.

## Important Information

The Fund primarily invests in company shares listed on stock exchanges in the United Kingdom and will therefore have greater exposure to the market, political and economic risks in the UK.

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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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](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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