

Sanlam Enterprise Fund

Quarterly Update

Q1 2022

Key facts

Fund AuM	£42.6m
Long Holdings	29
Short Holdings	28
Fund Managers	Mark Boucher Mark Swain
Fund Launch Date	04 April 2006
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC
IA Sector	Targeted Abs. Return
Morningstar Category	Alt Long/Short UK
Dealing Deadline	17:00 (GMT)
Settlement Time	T+4
Valuation Point	23:59 (GMT)
Distribution	Annually

Fund highlights

UK equities were volatile in Q1 as they faced an unpleasant cocktail of risks: growing concerns about inflation, increasing uncertainty about the extent of central bank rate tightening in 2022, and then a major war in mainland Europe – the first since 1945. However, in a global context, the UK performed resiliently, with the FTSE All-Share up 0.5% for the quarter (source: JPM).

At the sector level, there were some eye-popping moves in Q1: energy and materials had an excellent quarter, rising more than 25% in GBP terms, as the war in Ukraine led to a surge in commodity prices and ongoing concerns as to how the world will replace Russia as a major source of energy and commodities (Brent Crude reached \$139 a barrel at one point). By contrast, consumer discretionary struggled amidst a growing ‘cost of living’ crisis and the ‘bond proxy’ consumer staples sector also struggled as risk-free government bonds saw aggressive upward moves in yields, particularly at the shorter end of the curve.

The macro backdrop in Q1 was similarly eventful: the ‘transitory’ inflation narrative has disintegrated, with UK CPI coming in at 6.2% year-on-year in February (reported in March) and RPI was a full 200 bps ahead of that. The Bank of England continued to raise rates (to 0.75% by the end of Q1) but warned that inflation is likely to move even higher this year.

Fund review

In Q1 2022, the Fund produced a performance of -3.9% (A share class). This took the 12-month return to 0.3%. (Source of all data: Morningstar.)

It was a relatively busy quarter in terms of Fund activity. In January, we exited our long in Next due to the challenging short-term outlook for the consumer and clear pressure on discretionary spending. We added to our travel exposure through Jet2 and easyJet as travel restrictions ease. We started a short in an online retailer of beach holidays as a hedge against our longs in travel as the company is seeing

Fund review (cont.)

some pressure on its 'screen scraping' business model from the budget airlines. In the short book, we closed a position in a global bank which is a perceived beneficiary of rising rates. We also started shorts in two highly-rated industrials which are likely to suffer a further de-rating unless they can produce exceptional results way above forecasts.

In February, we started a new long position in Greggs; the shares have de-rated significantly since the start of the year and this looks overdone in our opinion. We also bought Compass as input cost inflation will drive growth in outsourcing. New shorts included a digital transformation company that is vulnerable to PE compression and a producer of food and personal care products which is facing a margin squeeze.

In the final month of the quarter, we added a new long in Hunting, the oil services company. Shorts were added in the consumer sectors, including a fast fashion retailer, a mobile phone retailer, and a maker of household and personal care items.

Fund performance

12 Months to	QTR	1yr	3yrs	5yrs	Since Inception
A Income GBP	-3.9	0.3	1.3	0.8	5.2

12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
A Income GBP	0.3	5.7	-1.8	-2.3	2.6

- Performance beyond one year is annualised.
- Past performance is not an indicator of future performance.**
- Source: Sanlam, Morningstar and Lipper as at 31/03/2022. Figures for periods longer than 12 months are annualized. NAV to NAV figures are used. Net of charges.

Performance contribution

Top 3 positive contributors

Stock	Trade	Q1 contribution
AstraZeneca	Long	+72 bps
DIY retailer	Short	+69 bps
Glencore	Long	+62 bps

Top 3 negative contributors

Stock	Trade	Q1 contribution
Future plc	Long	-117 bps
Coca-Cola HBC (position exited)	Long	-109 bps
JD Sports	Long	-101 bps

Outlook

The short-term outlook for equity markets and risk assets in general is difficult to call. Structurally, the tragedy in Ukraine provides another boost for clean energy and renewables, a focus area for the Fund, but the (unfortunate) reality is that countries such as Germany and Italy cannot easily or quickly eliminate their reliance on Russian energy and this has proved a barrier to even tougher sanctions.

In a global context, the UK has appeared a resilient performer for the year to date, but this has been driven

Outlook (cont.)

almost entirely by resources; many other sectors, especially the consumer and tech-related areas, have been hit hard. In the Fund, we have been long-term investors in cleaner and alternative sources of energy and we believe this theme will be one of the major beneficiaries of the current turmoil in global commodities markets. We will also target structural winners (longs) and losers (shorts) within long-term structural growth themes such as the capital cycle, digitalisation, infrastructure and sustainability. However, whilst we target those specific long-term themes within the Fund, we are highly cognisant that, in the short term, elevated commodity prices will feed through to the price of almost everything, and this is highly unwelcome at a time when many governments and most consumers (including those in the UK) are faced with a growing 'cost of living' crisis.

We have long advocated long/short investing as a durable and 'all weather' investment approach when markets are gripped by elevated levels of uncertainty and do so again now.

Important Information

Part of the Fund will invest in derivatives such as CFDs, futures and options for investment and efficient portfolio management only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions. CFDs are used to obtain short exposures to certain underlying securities. Selling securities short runs the risk of losing an amount greater than the amount invested. The Fund may invest in companies based in emerging markets, which may involve additional risks due to greater political, economic, regulatory risks, among other factors.

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 and Williamson Investment Funds plc, a company incorporated with limited liability as an open-ended umbrella investment company with variable capital and segregated liability between sub-funds under the laws of Ireland and regulated by the Central Bank of Ireland. The Fund is managed by Smith & Williamson Investment Management (Ireland) Limited, Trinity Point, 10/11 Leinster Street South, Dublin 2, Ireland, Tel + 353 1 612 6476, Fax + 353 1 512 5362 which is authorised by the Central Bank of Ireland, as a UCITS Management Company. Smith & Williamson Investment Management (Ireland) has appointed Sanlam Investments UK Ltd and Sanlam Private 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 Smith & Williamson 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 relevant 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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