

# Sanlam Global High Quality Fund

## Quarterly Update

### Q1 2022

#### Key facts

Fund AuM	£457.9m
Strategy AuM	£1850.0m
Number of Holdings	35
Active Share	90.2%
Portfolio Yield*	1.6%
Fund Managers	Pieter Fourie William Ball
Benchmark	MSCI World
Fund Launch Date	28 February 2014
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	Global
Morningstar Category	Global Large-Cap
Dealing Deadline	14:00 (GMT)
Settlement Time	T+3
Valuation Point	23:59 (GMT)
Distribution	Semi-Annually

#### Market recap

Global equity markets started 2022 with a weaker quarter, this off the back of a very strong 2021. As the year progressed we started to see more and more evidence of persistent inflation driven by tight labour markets and supply constraints as the economies around the world accelerated off the Covid driven hibernation. This resulted in noticeable upward moves in yield curves as it became more and more apparent that the Fed was well behind the curve on rate hikes.

The defining event of the quarter however was the Russian invasion of Ukraine at the end of February. The conflict has raged on with tragic human casualties and millions of Ukrainians forced to become refugees. Besides the tragic human element of this war, we have seen large economic ones also. Prices of oil and natural gas have soared as the world seeks to completely ostracise the Russian economy from the globe. Fortunately, the fund has zero direct exposure to Russia and most of our companies have extremely little indirect exposure. However, we saw the IMF and World Bank downgrade global GDP for this year which has once again finally made markets pay much more attention to valuations.

#### Fund review

The fund ended the quarter up 0.13% in sterling terms, thus outperforming the MSCI index which was down 2.3% in sterling for the quarter. The fund's performance was predominantly driven by good stock selection which offset the weakness in our Chinese stocks and lack of Energy exposure.

During the quarter we did not buy or sell any new positions. We maintained our positions in our Chinese exposed companies despite much negative rhetoric around the new proposed Audit requirements of the SEC. We believe Chinese authorities are preparing to give U.S. regulators full access to auditing reports of the majority of the 200+ companies listed in New York as soon as mid-this year. The compromise would also show China's willingness to balance national security concerns with the needs of investors and businesses at a time when its economy faces numerous challenges.

## Fund performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
C Accumulation GBP	28/02/14	0.1	0.1	5.4	7.9	7.8	12.2
MSCI World		-2.4	-2.4	15.4	14.6	11.3	13.0
I Accumulation GBP	24/06/16	0.1	0.1	5.1	7.7	7.6	11.6
MSCI World		-2.4	-2.4	15.4	14.6	11.3	15.0
A Accumulation GBP	02/01/15	-0.1	-0.1	4.3	6.8	6.6	10.7
MSCI World		-2.4	-2.4	15.4	14.6	11.3	12.9

12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
C Accumulation GBP	5.4	23.8	-3.7	11.5	3.8
MSCI World	15.4	38.4	-5.8	12.0	1.3
I Accumulation GBP	5.1	23.6	-3.9	11.3	3.6
MSCI World	15.4	38.4	-5.8	12.0	1.3
A Accumulation GBP	4.3	22.5	-4.7	10.4	2.7
MSCI World	15.4	38.4	-5.8	12.0	1.3

- 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, assumes net income reinvested. Class C net returns are used to illustrate the fund's longest track record. This is a restricted share class, therefore our open share classes A and I net returns are also shown.

## Performance attribution

In terms of attribution, the fund's main detractors for the quarter were Meta Platforms, SAP and Tencent. It was a very tough quarter for Meta Platforms / Facebook as 2022 Q1 revenue guidance came in significantly below expectations. Management pointed to privacy changes that Apple is making to iOS, increased competition from the likes of Tik Tok, and a slow macro environment as reasons for the slowdown. A step up in expected spending to support their push into the metaverse is also weighing on sentiment. We believe the price action is not warranted and find the valuation very compelling.

In terms of stock selection, our best contributors were Bayer, British American Tobacco and General Dynamics. Crop science is Bayer's largest division and made up 46% of 2021 revenues. Crop prices have been very strong recently, partly due to the inflationary impact of Russia's invasion of Ukraine. With prices higher, farmers are better incentivised to plant more crops, which requires greater use of Bayer's products, both in the planting of the crops (seeds) and the protection of them (fertiliser). We would expect this dynamic to continue for the next few months at least. Bayer's Pharmaceuticals division has also received various bits of good news recently, including positive data for their stroke drug, Asundexian.

## Outlook

Our focus continues to be on investing in high quality businesses with a wide economic moat trading below our assessment of intrinsic value. Some areas of the equity market are under severe stress as investors reassess equity risk premiums in the context of a global slowdown and higher bond yields. The US technology sector, notwithstanding a late March bounce, remains one of the weakest sectors year to date as investors question nosebleed valuations.

More than 40% of the companies in the Nasdaq have no earnings at all which led to almost 50% of companies

**Outlook (cont.)**

in the Nasdaq correcting more than 50% from their 52-week highs. With 1 in 7 companies in the S&P 500 trading on more than 10X sales, investors need to tread carefully to assume all these businesses will one day command similar operating margins to companies like Visa and Microsoft. It is not surprising to see a rush back into relative safe havens like large-cap healthcare where names like Roche, Johnson and Johnson and Anthem approached new all-time highs.

We believe it is more important than ever at this point in the business cycle to focus on high quality companies in addition to remaining focused on stock-specific valuations. With this in mind, we are comfortable that the portfolio of assets we own can deliver decent returns over a 5 year period provided the businesses can deliver on undemanding assumptions.

## Important Information

The Fund may invest in companies based in emerging markets which may involve additional risks not typically associated with other more established markets such as increased risk of social, economic and political uncertainty. 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 Manager, the Investment Manager or at [www.sanlam.co.uk](http://www.sanlam.co.uk). A full summary of investor rights can also be found online at [www.sanlam.com/ireland/Documents/SAMI%20Shareholder%20Engagement%20Policy.pdf](http://www.sanlam.com/ireland/Documents/SAMI%20Shareholder%20Engagement%20Policy.pdf). Documents are provided in English.

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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.

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