

Sanlam Short Dated Corporate Bond Fund

Quarterly Update

Q1 2022

Key facts

Fund AuM	£163.3m
Number of Holdings	34
Fund Managers	Peter Doherty Guillaume Desqueyroux
Fund Launch Date	Aug-16
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS V
IA Sector	Sterling Strategic Bond
Morningstar Category	Other Bond
Dealing Deadline	12:00 (GMT)
Settlement Time	T+3
Valuation Point	23:00 (GMT)

Market recap

A very difficult quarter for fixed income markets as inflationary expectations determined by the Fed and most Central Banks have been reset higher. Geopolitics and the tragedy of what's happening in Ukraine have had not only the upsetting humanitarian consequences but a knock-on effect on commodity prices and European growth expectations. The resurgence of coronavirus in China, with the domestic growth and global supply chain knock-ons of the authorities' zero-Covid policy, is yet to be fully felt.

Global corporate bond spreads experienced significant underperformance during most of the quarter but recovered their poise towards the final weeks of March, as market participants felt that the sell-off was too aggressive.

U.S. and European high yield default rates remain very low and with corporate bond yields now relatively attractive, inflows into the asset class are appropriate.

As alluded to above, with Central Bank inflationary expectations being set higher and market suggestions that the Fed and others are behind the curve, government bond prices fell significantly during the quarter. 5-year Treasuries fell 8%, UK Gilts 4% and German Bunds 5%.

Fund review

Over the quarter, the Fund held in well given the global fixed income market and produced a performance of -1.2% (source: Morningstar, A Inc share class).

In our opinion, the Fund's explicit short duration approach and its diversification across different curves and a wide range of industry sectors should continue to provide an attractive and resilient shelter for cautious investors, as we seek to prioritise capital preservation and downside protection.

We have highlighted some key portfolios statistics below:

As of 31/03/2022:
Duration: 1.2
Yield: 2.2%

Fund performance

	Inception	QTR	6mth	1yr	3yrs	5yrs	Since Inception
A Income GBP	29/04/09	-1.2	-2.2	-1.9	0.0	0.0	1.8
Z Accumulation GBP	31/03/17	-1.1	-1.5	-1.4	0.6		1.2

12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
A Income GBP	-1.9	2.5	-0.4	1.3	-1.3
Z Accumulation GBP	-1.4	3.1	0.1	1.8	

- 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 attribution

We have highlighted below the best and worst individual performers (at credit level) over the quarter, using contribution data from Bloomberg, gross of fees:

Top contributors:

CK Hutchison 2.875% 2022	+11bps
BBVA 6.75% 2022	+8 bps
Novartis 2.4% 2022	+6 bps

Bottom contributors:

GTC 2.25% 2026	-11 bps
Hammerson 3.5% 2025	-6 bps
Rothsay 3.375% 2026	-6 bps

Outlook

At times like these, consumers would perhaps look to the authorities for support, but we don't think they should expect too much help from central banks. Central banks have been raising rates despite the war in Ukraine and in the US Powell has already made it very clear that fighting inflation and stabilising prices will be prioritised, even if that means a hit to GDP growth. In Europe, the situation is a little more nuanced as Europe doesn't have the benefit of being self-sufficient in energy, but policymakers know that they have to do something to bring inflation down to more normal levels before it gets too embedded. Politically, governments will face growing pressure to mitigate the cost of living crisis, but it is worth remembering that governments have problems of their own; for example, looking at the UK as an example, we reckon that there is around half a trillion pounds of debt that is linked to RPI inflation - which, as we noted above, is currently running a full two points ahead of CPI inflation. Unfortunately, for central banks, there are no easy answers to the current crisis.

The quarter begins with a general concern on inflation and interest rates as well as growth expectations. Whilst the Investment Team does not forecast a peak in long term interest rate expectations there are suggestions from some analysts and strategists that pricing may have gone too far. As investors we respect those suggestions but don't necessarily share them, and do not let that influence our investment philosophy, which is to identify companies with strong balance sheets, well capitalised structures, and transparency of earnings.

Our priorities of downside protection and capital preservation supported by a short duration emphasis,

Outlook (cont.)

alongside intensive and robust credit analysis results in a degree of peer group outperformance. The Investment Team is, however, disappointed with its current negative return year to date.

The Team would not be surprised to see the wides in corporate bond spreads tested again this year, given there are so many areas of uncertainty. The list is long, not least the beginning of 'Quantitative Tightening' although we do note that global corporate bond fundamentals are healthy, and the starting point of this year and indeed this quarter is solid.

Ongoing rotation of investments within the Fund seeking appropriate yield for the risks, a rise in broad credit quality and a healthy mix of short duration bond maturities should be expected from our investors heading into Q2.

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. **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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