

SVS Sanlam European Equity Fund

Quarterly Update

Q1 2022

Key facts

Fund AuM	£23.1m
Number of Holdings	29
Active Share	84.6%
Fund Managers	Giles Worthington Chris Ford
Benchmark	MSCI Europe ex UK
Fund Launch Date	17 May 1990
Domicile	UK
Base Currency	Sterling
Fund Type	Unit Trust
IA Sector	Euro ex UK
Morningstar Category	Europe ex-UK
Dealing Deadline	11:59 (GMT)
Settlement Time	T+4
Valuation Point	12:00 (GMT)
Distribution	Annually

Market recap

European equity markets had a quarter to forget in Q1 2022, with the MSCI Europe ex UK index posting a sterling total return of -7.4% (Source: MSCI, net index return). Stylistically, value significantly outperformed growth over the quarter.

A number of factors weighed on equity markets in Q1. Concerns about inflation and uncertainty about the timing and magnitude of rate rises in the US caused volatility and drove a discernible repricing of 'risk-free' rates in bond markets. However, the biggest blow came in late February, when Russia invaded Ukraine; given the region's proximity to the fighting, and Europe's significant reliance on Russian energy and particularly Russian natural gas (a problem which cannot be mitigated easily in the short term), European bourses fell heavily.

At the sector level, the best performing areas of the MSCI Europe ex UK included energy (by far the best performing sector in Q1) and communication services. Healthcare, a typically defensive sector, also outperformed. By contrast, consumer discretionary saw significant losses amid soaring energy and food costs and a Pan-European squeeze on living standards. IT struggled as 'growth' areas remained out of favour and industrials also posted double-digit losses in percentage terms.

Fund review

Over the quarter the SVS Sanlam European Equity Fund produced a performance of -14.1% (A Share class – source: Morningstar), thus underperforming the MSCI Europe ex UK index. Underperformance relative to the index was primarily driven by security selection decisions (most significantly in healthcare) although sector positioning also detracted as the Fund was zero weighted in energy (which had a negative impact of 61 bps).

Our investment approach is growth oriented, high conviction and typically low turnover but nonetheless we made some changes to the portfolio in Q1. In January, we exited our position in Netcompany following its numbers – organic

Fund review (cont.)

growth fell short of the market's expectations and the stock also missed top-line estimates; given the valuation, we decided to sell. We also exited Orpea after a journalist alleged mistreatment of patients at one of its hospitals; this completely blindsided the company as its approval ratings had been in the 90-95% range. Despite strong rebuttals, including threats of legal action, the story has gained traction in the French media in what is an election year, so we cut the holding. We put some of the proceeds into Sanofi. In February, we exited ING which, like many European banks, has some exposure in Russia. In the last month of the quarter, we started a position in Hensoldt (a beneficiary of increased defence spending) and exited Nexi, the digital payments provider.

Fund performance

	Inception	3mth	1yr	3yrs	5yrs	Since Inception
A GBP Income	17/05/90	-14.1	2.7	10.5	6.2	7.7
MSCI Europe ex UK		-7.4	5.5	8.9	6.3	0.0

12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
A GBP Income	2.7	34.8	-2.7	-9.3	10.6
MSCI Europe ex UK	5.5	33.5	-8.3	2.2	3.0

- 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 vs MSCI Europe ex UK (Q1 2022)

Positives	Impact (bps)	Negatives	Impact (bps)
Prosus (not held)	+25	Evotec	-113
ASML (not held)	+23	Fortum (position exited)	-74
Air Liquide	+21	Netcompany (position exited)	-63

Outlook

Unless there is a quick and peaceful resolution to Russia's invasion of Ukraine, the immediate outlook for European equities is challenging. Europe is heavily reliant on Russian energy and there is no practical way in which this lost capacity can be replaced easily or quickly in the short term.

In the meantime, global energy prices are likely to remain elevated as Western nations scramble to secure what they can of the remaining non-Russian supply. Russia and Ukraine are also producers of other important global commodities such as wheat, so this will aggravate the existing cost of living crisis in Europe (and the West more generally). Most multinationals that are able to exit or pause operations in Russia have already done so and there is little or no clarity on when or if these will restart. However, in a European context, we do not expect the economic impact of these exits to be significant.

Markets now face a cocktail of geopolitical, inflation (particularly in commodities) and interest rate concerns

Outlook (cont.)

– and whilst Covid may be in retreat in some countries in Europe, it has certainly not gone away. The good news is that barring a wider war, something which the West clearly does not want, there is very little left to derail equity markets. If there are any moves towards peace (or at least a cessation of hostilities) we could see European bourses rally sharply.

Important Information

The Fund invests mainly in Europe excluding the UK. Movements in exchange rates may result in frequent rises and falls in the Fund's share price. 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 & 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 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 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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