

SVS Sanlam Fixed Interest Fund

Quarterly Update

Q1 2022

Key facts

Fund AuM	£25.3m
Number of Holdings	65
Fund Managers	Guillaume Desqueyroux Darren Reece
Fund Launch Date	03 May 1995
Domicile	UK
Base Currency	Sterling
Fund Type	Unit Trust
IA Sector	£ Corporate Bond
Dealing Deadline	11:59 (GMT)
Settlement Time	T+4
Valuation Point	12:00 (GMT)
Distribution	Quarterly
Fund Managers	Guillaume Desqueyroux Darren Reece
Fund Launch Date	03 May 1995

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 has 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 produced a performance of -4.5% (source: Morningstar, A Inc units). For comparison, the IA's Sterling Corporate Bond sector produced a performance of -5.6% (source: Morningstar). We would note that the Fund held up well this quarter and outperformed its sector.

We have highlighted some key portfolios statistics below:

As of 31/03/2022:

Duration: 4.7

Yield: 3.8%

Fund performance

	Inception	3mth	1yr	3yrs	5yrs
A GBP Income	03/05/95	-4.5	-3.2	1.2	1.3
IA E Corporate Bond		-5.6	-4.4	1.7	2.0

	12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
A GBP Income		-3.2	6.1	0.8	2.9	0.0
IA E Corporate Bond		-4.4	9.2	0.8	3.0	1.8

- Performance beyond one year is annualised.
- **Past performance is not an indicator of future performance.**
- Source: Sanlam, Morningstar and Lipper as at 31/03/22. Figures for periods longer than 12 months are annualized. NAV to NAV figures are used. Net of charges.

Performance contribution

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

Top contributors:

SSE 4.75% 2077	+6 bps
BT 3.5% 2025	+3 bps
Severn Trent 1.3% 2022	+3 bps

Bottom contributors:

Lancashire 5.625% 2041	-20 bps
RL Finance 4.875% 2049	-19 bps
Utmost 4% 2031	-18 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 next 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

Outlook (cont.)

transparency of earnings.

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 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.

Issued and approved by Sanlam Investments which is authorised and regulated by the Financial Conduct Authority. Sanlam Investments is the trading name for our two Financial Conduct Authority (FCA) regulated entities: Sanlam Investments UK Limited (FRN 459237) and Sanlam Private Investments (UK) Ltd (FRN 122588), both having its registered office at 24 Monument Street, London, EC3R 8AJ. The UCITS Management Company has the right to terminate the arrangements made for the marketing of funds in accordance with the UCITS Directive.

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.

This document is provided to give an indication of the investment and does not constitute an offer/invitation to sell or buy any securities in any fund managed by us nor a solicitation to purchase securities in any company or investment product. It does not form part of any contract for the sale or purchase of any investment. The information contained in this document is for guidance only and does not constitute financial advice.

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.

Contact us

Bruce Simpson
Head of Distribution
and Marketing

+44 (0) 20 3316 4064
Bruce.Simpson@Sanlam.co.uk

Liz Adnitt
Head of UK Wholesale
Distribution

+44 (0) 20 3316 4071
Liz.Adnitt@Sanlam.co.uk

Andy Groves
Account Director

+44 07917580592
Andrew.Groves@Sanlam.co.uk

Tom Whitfield
Account Director

+44 (0) 20 3116 4016
Tom.Whitfield@Sanlam.co.uk

Sanlam Investments

Monument Place
24 Monument Street
London
EC3R 8AJ