

SVS Sanlam UK Equity Growth Fund

Quarterly Update

Q1 2022

Key facts

Fund AuM	£20.6m
Number of Holdings	39
Active Share	71.8%
Fund Managers	Mark Boucher Mark Swain
Fund Launch Date	07 May 1987
Domicile	UK
Base Currency	Sterling
Fund Type	Unit Trust
IA Sector	UK All Companies
Morningstar Category	UK Flex-Cap
Dealing Deadline	11:59 (GMT)
Settlement Time	T+4
Valuation Point	12:00 (GMT)
Distribution	Semi-Annual

Market recap

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: JP Morgan) and the narrower MSCI UK up 4.8% (source: MSCI, StatPro). However, the MSCI UK Growth index returned -5.6% in Q1.

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.

Fund review

In Q1, the Fund produced a performance of -10.5 (A share class – source: Morningstar), underperforming the MSCI UK and the IA UK All Companies sector median, reflecting the large underweight in energy (which had an impact of more than 200 bps) and a further de-rating of growth stocks. However, the Fund has outperformed the MSCI UK and the sector over three and five years.

In terms of activity, we continued to position in what we judge to be the beneficiaries of the new economic environment in the UK as the country responds to the structural changes driven by Covid-19 and the growing pressure on companies to adopt more sustainable business models. At the beginning of the quarter, given the challenging short-term outlook for the consumer and clear pressure on discretionary spending, we exited our position in Next. In February, we started a new position in Greggs. The

Fund review (cont.)

shares have de-rated 30% since the turn of the year, which is overdone in our opinion. The cost inflation that the business is facing is well flagged and the business is confident in its delivery of new store roll-out targets in order to drive growth.

In the last month of the quarter, added a position in Hunting, the oil services company. Given the situation in Ukraine, we think it is inevitable that countries with their own oil & gas reserves will do their best to maximise extraction from their own fields so that they are less dependent on Russia (or other overseas sources) in the short term. In terms of sales, we exited our position in Music Magpie.

Fund performance

	Inception	QTR	1yr	3yrs	5yrs	Since Inception
A Income GBP	07/05/87	-10.5	3.6	7.4	5.2	7.0
MSCI UK		4.8	19.1	5.0	4.4	

12 Months to	Mar-22	Mar-21	Mar-20	Mar-19	Mar-18
A Income GBP	3.6	53.1	-21.9	-0.4	4.2
MSCI UK	19.1	20.0	-19.1	7.6	-0.2

- 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 UK

Winners	Total impact (bps)	Losers	Total impact (bps)
Unilever (not held)	+84	Future plc	-182
Glencore	+45	JD Sports	-147
Next Fifteen Communications	+41	Shell (not held)	-121

- Source: StatPro as at 31/03/22.

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 large European economies such as Germany cannot easily or quickly eliminate their reliance on Russian energy imports and this has proved a barrier to even tougher sanctions.

Valuation wise, UK equities continue to look attractive versus their global peers and despite the challenging geopolitical backdrop we continue to see a very positive long-term outlook for our favoured long-term investment themes. These include the capital cycle, digitalisation, sustainability, health and biotech, infrastructure, and UK companies which are exploring new opportunities in emerging markets.

Important Information

The Fund primarily invests in company shares listed on stock exchanges in the United Kingdom and will therefore have greater exposure to the market, political and economic risks in the UK.

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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