

Sanlam Real Assets Fund

Q2 2020 | Quarterly newsletter

Market recap

Covid-19 developments continued to steer equity markets throughout April. Across many developed countries the data suggested that efforts to slow the spread had been effective and governments' attention shifted towards how and when to lift restrictions and reopen economies. Over the month coronavirus cases grew substantially in the US and the first quarter GDP print signalled the start of a recession. In the UK Boris Johnson announced that the country was past its peak of the coronavirus outbreak but that lockdown guidance must continue to be adhered to. Investors looked past the negative backdrop following renewed hopes of a drug treatment for COVID-19 and equity markets posted the best monthly gains in recent history. April saw the MSCI World and S&P 500 indices posting 10.9% and 12.8% respectively.

Global equities moved higher over May as Europe and the US took steps to gradually reopen economies. Western economies continued to contain the virus but by month end the epicentre of the pandemic had shifted to Latin America. Over in China authorities sought to introduce a new national security law in Hong Kong that risked another eruption of US/China tensions. Discussions of US sanctions on China shortly followed. Despite the continued high levels of uncertainty and risk, optimism prevailed and MSCI World and S&P 500 indices both delivered +4.8% over the month. The focus remained on the further stimulus plans and recovery packages proposed across the world.

In June fears of a virus resurgence in the US put equities back into volatile territory and markets suffered one of the largest down days since lockdowns began. The Fed continued to add to its stimulus package with the announcement of the corporate bond purchase programme, but Fed Chairman Powell warned Congress that the rise in debt-to-GDP is unsustainable. A similar message emerged in the UK with news that government debt broke through 100% of GDP for the first time since 1963. Bonds and equities rallied towards the end of the month with the MSCI World and S&P 500 indices ending up 2.7% and 2.0% respectively. Investors are still digesting the counteracting forces of the economic impact of the pandemic and the powerful policy moves to keep the economy moving forward. Markets appear to be looking through the short term economic outlook of the virus for the time being but as the past month has shown, that can change in an instant.

Fund review

The Sanlam Real Assets Fund returned 8.7% in the second quarter of 2020 vs MSCI World which was up 19.4%. This quarter was characterised by a record-breaking market recovery in both speed and magnitude, underpinned by Fed actions that the market has referred to as a "Powell put". The 90-day volatility of the fund averaged at 28.3% over the quarter versus 45.0% for the MSCI World Index (from 9.2% and 15.3% QoQ respectively). In the same manner the fund correlations with equities and bond markets remained at elevated levels compared to normal - correlations to the FTSE 100, MSCI World and Gilts indices were 0.49, 0.41 and 0.11 respectively. Over the second quarter the fund saw positive contributions from all of its strategies - infrastructure, renewables, specialist property and other alternatives.

Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	8.7	-3.2	6.4	n/a	n/a	8.5
CPI*		0.2	0.5	1.2	n/a	n/a	1.5
A GBP Inc	02/11/18	8.4	-4.9	3.6	n/a	n/a	13.3
CPI*		0.2	0.5	1.2	n/a	n/a	2.3

Performance beyond one year is annualised

	12 Months to Jun-20	Jun-19	Jun-18	Jun-17	Jun-16
SI USD Acc	6.4	n/a	n/a	n/a	n/a
CPI*	1.2	n/a	n/a	n/a	n/a
A GBP Inc	3.6	n/a	n/a	n/a	n/a
CPI*	1.2	n/a	n/a	n/a	n/a

Source: Sanlam, Morningstar and Lipper as at 30/06/2020.

*Equally weighted composite taken from the CPI rate of the component countries of the G10 Region

**Portfolio yield is calculated by adding the net dividend amounts for all dividend types (excluding special dividends) that have gone 'ex' over the past 12 months based on the dividend frequency. This total excludes taxes, any related dividend fees or tax related credits. As the fund has not yet had a full 12 month record of distributions we are unable to show an accurate distribution yield value

Key facts

Fund AuM	£263.2m
Strategy AuM	£263.2m
Number of Holdings	34
Portfolio Yield**	3.4%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

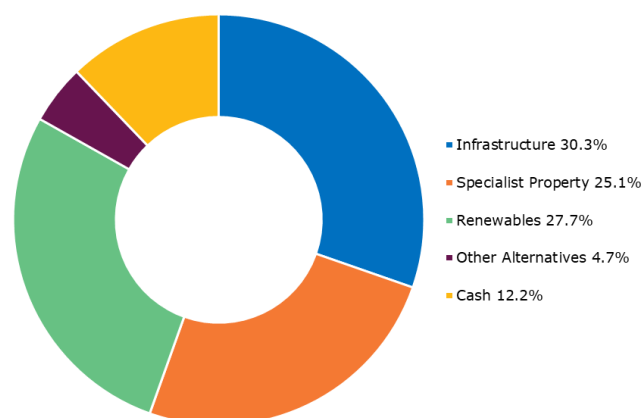
For professional investors only

Performance attribution

	Q2 2020	YTD
Infrastructure	3.45%	-1.76%
Specialist Property	2.87%	-2.07%
Renewable Energy	2.06%	-0.29%
Other Alternatives	0.46%	-0.90%
B GBP NAV Return	8.58%	-4.53%
Differential	0.40%	0.88%

*Differential is primarily attributable to valuation timing differences.

Fund allocation

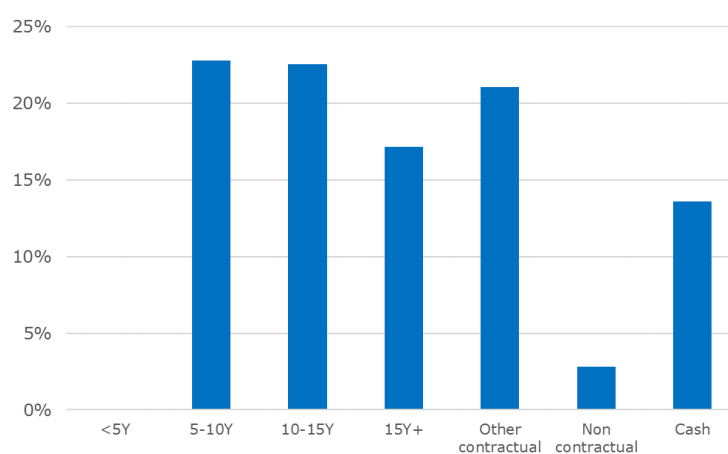


Top 10 holdings

	% NAV
3i Infrastructure	4.73
Orsted A/S	4.72
Vonovia SE	4.64
Brookfield Infrastructure	4.62
HICL Infrastructure	4.57
Tritax Big Box	4.49
The Renewables Infrastructure Group	4.32
Brookfield Renewables	4.30
Grainger	4.28
Keppel Infrastructure	4.21

Source: Sanlam as at 30/06/2020.

Average Contract Durations



Fund review (Cont'd)

Over the quarter the fund sold out of 2 holdings and added 1 new one bringing the portfolio holdings to 34. The sales were made due to valuation concerns and a heightened exposure to prolonged lockdown measures. The new specialist property business is the owner and lessor of mission-critical Class A properties to a number of US government agencies on long-term federal leases. Tenants include the FBI, the Drug Enforcement Agency and the Internal Revenue Service, and cash flows are backed by the full faith and credit of the US government. The business benefits from long-term leases that allow for operating expense escalations in rent reviews. At quarter end the fund holdings were geographically diversified across 49 countries with 65 underlying asset types.

Over the quarter 4 of the fund's holdings launched new equity fundraises which in aggregate were seeking c.£670m of fresh capital. Companies deployed fresh capital towards reducing outstanding debt facilities and acquiring attractive pipelines of investments. This included commitments towards European renewable energy assets, acquisitions of UK supermarket portfolios, energy efficiency projects, and new UK student accommodation developments. More recently, successful and oversubscribed capital fundraising activity has been one of many markers of business strength. These companies have not been immobilised by the pandemic and have already evidenced an ability to advance through the crisis.

Outlook

In the near term the focus will be firmly on the reopening of economies as lockdown measures continue to fall away and economies try to return to some semblance of normality in a post Covid-19 world. The main risk to recovery will be the emergence of a second wave of infections causing countries to reinstate lockdown measures to control the spread of the virus. The markets have been unnerved recently by news of renewed outbreaks and increasing infection rates most notably in Beijing, some US states, South America and Russia. These serve as a timely reminder that volatility will remain a feature for some time to come.

Fundamentally, real assets remain attractive against the ongoing market volatility and the low interest rate environment. The fund continues to hold a balanced portfolio of investments that fit our theme of "pillars of a functioning economy" with long-term, stable and predictable cash generative assets.

Contact us

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Important Information

The Fund may invest in derivatives for the purposes of efficient portfolio management and hedging only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

Part of the fund may invest in fixed income securities. 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. Investment in bonds and other debt instruments (including related derivatives) is subject to interest rate risk. If long-term interest rates rise, the value of your shares is likely to fall.

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.ie.

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), having its registered office at 24 Monument Street, London, EC3R 8AJ and Sanlam Private Investments (UK) Ltd (FRN 122588), having its registered office at 24 Monument Street, London, EC3R 8AJ.

The Fund is a sub-fund of the Sanlam Universal 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 authorised by the Central Bank. The Fund is managed by Sanlam Asset Management (Ireland) Limited, Beech House, Beech Hill Road, Dublin 4, Ireland, Tel + 353 1 205 3510, Fax + 353 1 205 3521 which is authorised by the Central Bank of Ireland, as a UCITS Management Company and Alternative Investment Fund Manager, and is licensed as a Financial Service Provider in terms of Section 8 of the South African FAIS Act of 2002. Sanlam Asset Management is a registered business name of Sanlam Asset Management (Ireland) Limited. Sanlam Asset Management (Ireland) has appointed Sanlam Investments UK Ltd or 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 Sanlam Universal Funds plc prospectus, the Fund supplement 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.ie. 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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