

Sanlam US Dividend Fund

Q2 2021 | Quarterly newsletter

Market recap

- US markets continued 2021 with a strong rally, adding another 9% in three months and hitting new all-time highs. This followed a 6% advance in the previous quarter and was the fifth consecutive quarter of positive returns. Since the trough of COVID last year, markets are up 100%.
- Growth made a significant comeback in the quarter, adding 12% against the market's 9%. The value style was leading the advance by early June before growth came back strongly in the final part of the quarter. The value style finished by adding a very respectable 5% in the quarter - continuing the 11% in the first quarter - but lagging the market. Over three and five years value remains 25% and 50% behind the market. Since the start of 2017 growth has returned 175%, while value has added 60%.
- Continued vaccination developments and higher than expected inflation were the highlights of the quarter but were not enough to prolong the reopening trade. Even the Fed's famous dot plot, which projected closer rate hikes, did little to stimulate it. Most of the gains came in April, continuing the strong run seen in March. May managed to eke out a slight gain against higher than expected inflation, while June batted off the Fed's dot plot to rise strongly in the latter half.

Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
B Accumulation USD 17/12/14	2.7	15.1	38.9	10.9	12.4	11.3	
MSCI North America	8.8	14.9	42.1	18.4	17.1	13.8	
A Accumulation USD 20/05/15	2.5	14.6	37.7	10.1	11.6	10.8	
MSCI North America	8.8	14.9	42.1	18.4	17.1	13.6	
A Accumulation GBP 30/12/14	2.4	13.4	23.2	8.2	10.9	12.0	
MSCI North America	8.7	13.7	27.1	16.6	16.4	15.4	

Performance beyond one year is annualised

12 Months to	Jun-21	Jun-20	Jun-19	Jun-18	Jun-17
B Accumulation USD	38.9	-5.8	4.4	13.1	16.3
MSCI North America	42.1	6.9	9.3	13.6	17.0
A Accumulation USD	37.7	-6.6	3.6	12.3	15.5
MSCI North America	42.1	6.9	9.3	13.6	17.0
A Accumulation GBP	23.2	-4.3	7.4	10.4	20.0
MSCI North America	27.1	10.2	13.3	11.8	20.4

Key facts

Fund AuM	\$39.9m
Number of Holdings	51
Active Share	99%
Portfolio Yield*	2.9%
Fund Manager	Adour Sarkissian
Benchmark	MSCI North America
Fund Launch Date	17 December 2014
Domicile	Ireland
Base Currency	US Dollar
Fund Type	OEIC, UCITS
IA Sector	North America
Morningstar Category	US Large-Cap Value
Dealing Deadline	14:00 (GMT)
Settlement Time	T+3
Valuation Point	23:59 (GMT)
Distribution	Quarterly

Past performance is not an indicator of future performance.

Source: Sanlam, Morningstar and Lipper as at 30/06/2021.

*Portfolio yield is calculated by adding the net dividend amounts for all dividend types that have gone 'ex' over the past 12 months based on the dividend frequency.

Fund review

- The fund slightly underperformed its style, adding 3% against value's 5% and the market's 9%. The value style accounted for the majority of the underperformance, while sector allocation and stock selection also detracted.
- Stock selection detracted around 280bps vs markets, but only 40bps vs style. It was weakest in Industrials and Comm Services. Fluor, who announced an equity raise, was the principal reason for weakness in industrials. Defensive names took a back seat this quarter with our telecom positions holding back performance within Comm Services.
- Sector allocation was weighed down by defensive overweights in consumer staples and utilities, which both lagged in the strong rally. Our underweight to IT also worked against us in this environment
- Currency was a slight positive in the quarter.
- Elsewhere, the 10-year declined from its strong advance earlier in the year but remains nearly 60bps above the 90bps at the start of the year. Commodities continued their massive rally, advancing by more than 10% for the fourth quarter.
- The fund has outperformed style by more than 4% in four years out of its six full years, and by 2% in one year (2018). It has underperformed in one year, by 5%, in 2019 during the strongest year of the markets. Since launch it leads the US value peer group.

Outlook

- Given the portfolio composition, characteristics, and valuation we see a fantastic opportunity for US Value in general and the fund in particular over the next phase of the market that could span for a decade. The fourth quarter of last year could have been the start as the fund outpaced the markets by 8% despite the 12% rebound.
- While the markets are at all-time highs, the staggering levels of underperformance of value vs growth over the last ten years is the main driver of this opportunity. In 2020 value had its worst year vs the markets, underperforming by 16% or ending practically flat vs. 18%. This followed three other years of significant underperformance. Over 3 and 5 years value has now lagged the markets by 25% and 50% respectively, historically record numbers. Over 10 years the underperformance is at 100%. This should be self-explanatory. Since the start of the century however value is ahead - by 27%. We believe value outperforms in the long run.
- Couple this with a fund that is on the lookout for value and you get a further compounding reaction: Despite the year to date outperformance the fund was still offering more than 40% discount on P/E, 70% on sales, and nearly 70% on tangible book value. Importantly, this was coupled with lower leverage vs. the markets, as well as a lower risk profile.
- The record discount currently offered by the fund, coupled with the historical underperformance of value, makes the fund a highly attractive proposition in US equities in the current environment.
- We continue to focus all our efforts on identifying and investing in undervalued North American companies, and providing investors the best risk-reward profile.

Contact us

Bruce Simpson

Head of Distribution: South Africa

+44 (0)20 7280 8774
bruce.simpson@sanlam.co.uk

Liz Adnitt

Head of UK Wholesale
Distribution

+44 (0) 20 3116 4071
liz.adnitt@sanlam.co.uk

Tom Whitfield

Account Director

+44 (0) 20 3116 4016
tom.whitfield@sanlam.co.uk

Andrew Groves

Account Director

+44 (0)7917 580 592
andrew.groves@sanlam.co.uk

Sanlam Investments, Monument Place, 24 Monument Street, London, EC3R 8AJ

Important Information

The Fund invests geographically in a narrow range, there is an increased risk of volatility which may result in frequent rises and falls in the Fund's share price.

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.

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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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