

# Sanlam Real Assets Fund

Q3 2020 | Quarterly newsletter

## Market recap

In July currency markets saw the lion's share of interest/activity with the US\$ weakening by 5% versus Sterling over the month. A second wave of Covid-19 infections hit countries far and wide and some of the recent loosening of restrictions was paused or reversed. As the US Election draws ever closer market participants are beginning to turn their attentions to what has all the makings of a very nasty campaign.

August saw the return of two way sanctions by the United States and China and the confirmation that the UK was now in the deepest recession on record. Markets performed well into the first half of the month focussing instead on the hopes for a possible vaccine and the possibility of moving through the pandemic. Sterling rallied back against the dollar to pre-pandemic levels on the back of dollar weakness and a better inflation print in the UK. The lack of progress with regards to a Brexit deal and worries about a possible second lockdown in the UK halted the markets advance into month end.

During September the US election cycle kicked into high gear, culminating in the first televised debates between president Trump and Joe Biden at month end. It did not take long before the issues of the day were pushed aside in favour of both men hurling insults at each other. Volatility increased in the UK as steadily rising levels of COVID-19 infections across the country spurred the government to introduce national restrictions, known as the "rule of six" and the forced closure of hospitality venues at 10pm at night. The prime minister also said that they are looking at introducing local lockdowns in more severely affected areas to try and stem the transmission rate of the virus.

## Fund review

The Sanlam Real Assets Fund returned 5.0% in the third quarter of 2020 vs MSCI World which was up 7.9%. This quarter was largely characterised by an increased focus on environmentally-friendly investments. Green stimulus measures announced by governments and policymakers across the world fuelled an increased interest from the investment community. Over the third quarter the fund saw positive contributions from all of its strategies - infrastructure, renewables, specialist property and other alternatives. Renewables accounted for the majority of contribution to performance. The 90-day volatility of the fund averaged at 15.4% over the quarter versus 25.3% for the MSCI World Index (from 28.3% and 44.9% QoQ respectively). In the same manner the fund correlations with equities and bond markets remained at slightly higher levels compared to normal - correlations to the FTSE 100, MSCI World and Gilts indices were 0.49, 0.41 and 0.10 respectively..

### Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	5.0	1.7	7.2	n/a	n/a	9.9
CPI*		0.1	0.6	0.9	n/a	n/a	1.3
A GBP Inc	02/11/18	4.7	-0.4	4.6	n/a	n/a	18.7
CPI*		0.1	0.6	0.9	n/a	n/a	2.4

Performance beyond one year is annualised

12 Months to	Sep-20	Sep-19	Sep-18	Sep-17	Sep-16
SI USD Acc	7.2	13.1	n/a	n/a	n/a
CPI*	0.9	1.6	n/a	n/a	n/a
A GBP Inc	4.6	n/a	n/a	n/a	n/a
CPI*	0.9	n/a	n/a	n/a	n/a

Source: Sanlam, Morningstar and Lipper as at 30/09/2020.

\*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

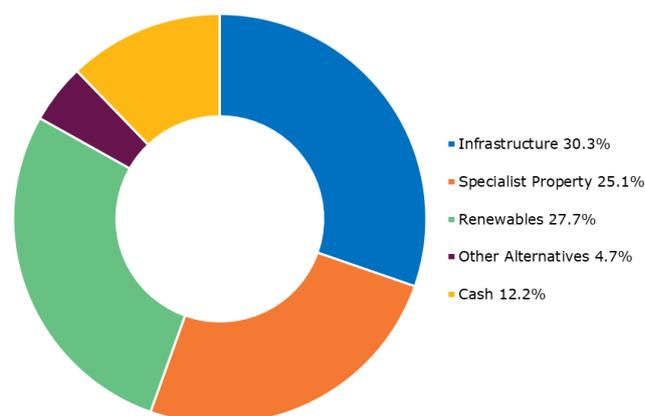
Fund AuM £	£284m
Fund AuM \$	\$367m
Number of Holdings	36
Portfolio Yield**	3.3%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

## Performance attribution

	End Weight	Contribution
Infrastructure	32.00%	0.53%
Specialist Property	24.88%	0.58%
Renewable Energy	28.47%	3.29%
Other Alternatives	4.86%	0.13%
Stock Hedge	0.16%	0.73%
<b>Total</b>	<b>100%</b>	<b>5.26%</b>

StatPro data

## Fund allocation

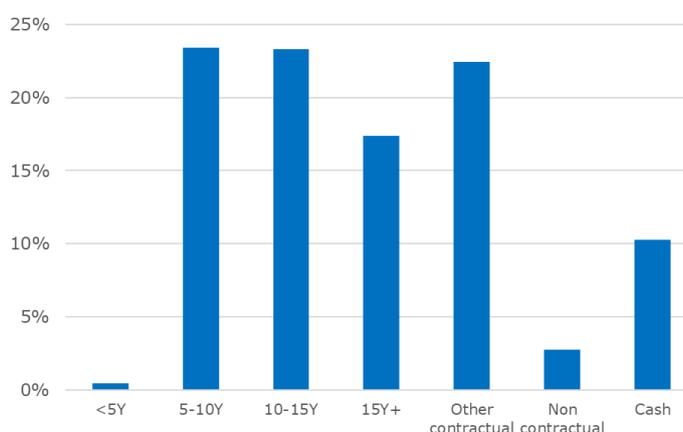


## Top 10 holdings

	% NAV
Brookfield Renewables	4.97
Brookfield Infrastructure	4.76
HICL Infrastructure	4.71
Orsted A/S	4.65
Tritax Big Box	4.63
3i Infrastructure	4.58
Vonovia SE	4.44
The Renewables Infrastructure Group	4.32
Grainger	4.15
Keppel Infrastructure	3.86

Source: Sanlam as at 30/09/2020.

## Average Contract Durations



## Fund review (Cont'd)

Over the quarter the fund sold out of 1 holding and added 3 new investments bringing the portfolio holdings to 36. The sale was in a specialist property business with exposure to sectors (travel & leisure property) that have a heightened risk of adverse pandemic developments. Two of the new positions initiated were communication towers businesses. Together these infrastructure businesses complement each other with respect to geographies, technologies and growth opportunities, providing the fund with an attractive exposure to a structurally important sector with demographic and technology tailwinds. We also initiated a position in a specialist property business focused on primary healthcare real estate such as GP surgeries leased to the NHS on long-term leases. The current environment has remained supportive of such mission-critical assets and has served to strengthen the long-term investment case. At quarter end the fund holdings were geographically diversified across 57 countries with 64 underlying asset types.

There was a significant amount of fundraising activity during Q3 - 9 of the fund's holdings launched new equity fundraises which in aggregate were seeking c.£1,810m of fresh capital. Companies deployed fresh capital towards reducing outstanding debt facilities and acquiring attractive pipelines of investments. This included commitments towards music rights, UK and European renewable energy assets, UK supermarkets, GP surgeries, logistics property and PFI assets. As per usual the majority of capital raising activity was oversubscribed and, in some instances, scaling back exercises were undertaken. For investors, capital raising activity is a comforting sign that business are taking advantage of attractive growth opportunities and moving forward in spite of the uncertain economic backdrop.

## Outlook

As we progress into year end the market focus will remain on the US elections, US/China trade disputes, possible vaccines and the resurgence of coronavirus infections across the world. In the UK there remains the unresolved issue of Brexit with the deadline fast approaching and whether the governments newly introduced preventative measures to reduce the spread of the virus will gain the necessary traction. Markets will be looking for additional government support to fuel the recovery and to protect jobs and livelihoods and will in all probability remain volatile as we close out the year.

Fundamentally, real assets remain attractive against the ongoing market volatility and the low interest rate environment. In a post-Covid world investors have turned more attention to ESG and climate-conscious investing. Given the renewables exposure and the strong alignment with UN sustainable development goals, real assets are very strongly placed to both facilitate and benefit from the continued sustainable transformation. 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

### Bruce Simpson

Head of Distribution: South Africa

+44 (0)20 7280 8774

bruce.simpson@sanlam.co.uk

### Liz Adnitt

Sales Director

+44 (0) 20 3116 4071

liz.adnitt@sanlam.co.uk

### Tom Whitfield

Sales Manager

+44 (0) 20 3116 4016

tom.whitfield@sanlam.co.uk

### Sanlam Investments

Monument Place

24 Monument Street

London

EC3R 8AJ

## 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](http://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.

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 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](http://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. AM1020(213)0121UKInst.