

Q1 2018

Quarterly Newsletter

Sanlam FOUR Global Equity Fund

Performance Review

In Q1 2018 the fund performed in-line with the broader equity index (after adjusting for midday pricing).

The majority of the positive performance came from our Energy, Financials and IT holdings whereas Consumer Discretionary saw our holdings underperform 'rampant' FANGS Amazon and Netflix.

| Key Facts | |
|--------------------|---------|
| Fund AuM | £142.7m |
| Strategy AuM | £209.6m |
| Number of Holdings | 55 |
| Active Share | 90.3% |
| Yield | 2.8% |
| Tracking Error | 3.1% |
| VaR | 5.2% |
| % in cash | 1.4% |

| | Inception | QTR | YTD | 1Yr | 3Yrs | 5Yrs | Since Inception |
|---------------------------|-----------|------|------|------|------|------|-----------------|
| A Accumulation GBP | 27/04/11 | -5.6 | -5.6 | -4.0 | 4.6 | 7.8 | 7.0 |
| MSCI World | | -4.8 | -4.8 | 1.3 | 10.0 | 11.4 | 10.9 |

Performance beyond one year is annualised.

| 12 Months to | Mar-18 | Mar-17 | Mar-16 | Mar-15 | Mar-14 |
|---------------------------|--------|--------|--------|--------|--------|
| A Accumulation GBP | -4.0 | 35.4 | -11.9 | 11.1 | 14.5 |
| MSCI World | 1.3 | 31.9 | -0.3 | 19.1 | 8.4 |

Source: Sanlam FOUR, Morningstar and Lipper as at 31/03/2018.

Past performance is not an indicator of future performance.

Market Recap

Stocks retreated just over 1% in USD over the quarter. Equities continued into 2018 as they had during 2017, rising consistently on the back of strong global economic growth and the impact of US tax cuts. Confidence subsequently evaporated with rising bond yields on the back of unexpectedly high wage growth in the January jobs report. New Fed Governor Jerome Powell expressed confidence in the economy and suggested the FOMC would continue a gradual tightening path duly raising rates by 25bps.

As confidence returned that inflation remained under control, the US president announced new trade tariffs on steel and aluminium following on from tariffs on washing machines and solar panels in January. Though key NAFTA and EU allies were excluded, fears of escalation and retaliatory reciprocal measures from China led stocks down again.

GDP data for Q4 in Germany and France was strong, but current PMIs have dipped. The ECB maintained negative rates and confirmed asset purchases at current levels. The overall tone remained dovish, as it did in Japan with the reconfirmation of Mr

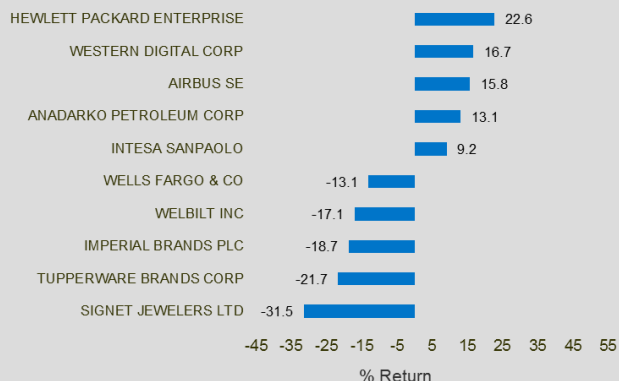
Kuroda for another term. Prime Minister Shinzo Abe was however damaged following a scandal.

China's congress removed the term limit for President Xi Jinping, effectively making him President for life. Premier Li Keqiang announced a 2018 growth target of "close to 6.5%". The Congress also continued structural reforms aimed to reduce systemic risk by merging the banking and insurance regulatory bodies whilst moving legislative powers to the PBoC.

IT was the top sector led by Semiconductors, with Consumer Discretionary rising led by Amazon and Netflix. Telecoms, Energy and Consumer Staples were weak. Telecommunications is seeing lacklustre revenue growth, Energy declined despite the rise in oil as Exxon and Chevron disappointed with weak refining. Consumer Staples were weak with food producers, supermarkets and tobacco leading the fallers.

Performance Attribution

Top & Bottom 5 Stock Absolute Performance



In Q1 the fund performed in-line with the broader equity index.

The majority of the positive performance came from our Energy and Financials positions where companies like Anadarko, ENI, Societe Generale and Intesa Sanpaolo were the primary contributors. Our primary industrial holding, Airbus also performed very well, as did our IT companies Hewlett Packard Enterprises and Western Digital.

Anadarko and ENI were lifted up by the recent rally in oil prices caused by US inventory declines. Western Digital continued benefiting from a tight NAND market leading to expanding margins. HPE had a strong quarter that reinforced the long term trajectory for the company's cash generation capabilities.

EPS guidance, dividend and buybacks were all increased as the company moves closer to a net cash position. Despite the inconclusive results of the Italian election, Intesa SanPaolo

recovered all of the last quarter's underperformance as they unveiled a new 3y profitability plan.

The performance of the fund was held back mostly by our Consumer Staples and Consumer Discretionary companies, where Imperial, Tupperware, Signet Jewelers and WPP were the most notable underperformers.

Signet Jewelers in particular missed its full year numbers as they botched the transition to an outsourced credit IT system. Guidance suggested the need for more investment to reposition the business. While we think the company is definitely misunderstood, our thesis has changed since our initial investment.

Conversely WPP produced a reasonable set of full year results but disappointed with flat organic top line guidance for 2018, giving the market reasons to believe in the long term decline of the holding advertising model. We, however, remain convinced in the adaptability of this model and in the long term relevance of the company. What's more is that at 9x EPS and a 5% dividend yield we only have to be partially right and we get rewarded for waiting.

Market Outlook

Markets enjoyed their longest winning streak since the 2003-2004 rally on expectations of stronger economic growth, the promise of business-friendly fiscal and political reforms, and a gradual reduction in monetary stimulus. These factors, combined with a recovering European economy and a strong US consumer, pushed stocks to decade high valuation multiples. A more normal level of volatility has now returned, reminding those who had forgotten that 'stocks can go down as well as up'. Emerging concerns about wage inflation in the US and the prospect of an escalating trade war between the US and China have seen stocks retreat. Market-wide valuation multiples remain above long-term averages but are largely explained by still low bond yields. Pockets of the market are however pricing in stretched assumptions about growth and/or profitability and it is here we are wary.

While we do not dispute that operating conditions for many companies are improving, we do not believe we, or anyone else for that matter, have a consistent competitive advantage in making macro predictions. Therefore, we continue investing fundamentally with a margin of safety and stick to our principles of valuation and quality. In spite of elevated market levels, we continue to find good opportunities particularly amongst Financials, Healthcare, Information Technology and Media companies. As always, we expect that the true resilience and long-term earnings power of our companies will eventually be recognised, resulting in higher ratings and share prices.

For Financials, particularly banks, we anticipate rising underlying return on assets as legacy issues are resolved, deposit spreads increase, and capital goals are attained. Healthcare companies are continuing to see vertical consolidation as a solution to ever increasing healthcare costs. We expect some of the more strident pre-election rhetoric will get dialled down as the complexity of implementing policy in this area becomes more apparent. In IT we expect our holdings to remain largely immune from political machinations and enter periods of accelerated growth as they transition from investment/restructuring.

Overall the best predictor of future returns is valuation, and while the portfolio is invested in superior ROIC companies, it remains undervalued both in absolute terms (as assessed by our intrinsic value estimates) and in relation to market averages.

CONTACT US

WHOLESALE

Liz Adnitt
Sales Director

+44 (0) 20 3116 4071
Liz.Adnitt@SanlamFOUR.com

Alexandra Dacres-Hogg
Sales Manager

+44 (0) 20 3116 4041
Alexandra.Dacreshogg@SanlamFOUR.com

INSTITUTIONAL

Carole Costello
Head of Consultant Relations

+44 (0) 20 3116 4040
Carole.Costello@SanlamFOUR.com

Sanlam FOUR Investments UK Limited

1 Ely Place
London
EC1N 6RY

+44 (0) 20 3116 4000

www.SanlamFOUR.com

Important Information

Issued and approved by Sanlam FOUR Investments UK Limited ("Sanlam FOUR"), a limited liability company incorporated in England & Wales with registered number 5809399 and having its registered office at 1 Ely Place, London EC1N 6RY. Sanlam FOUR is authorised and regulated in the United Kingdom by the Financial Conduct Authority (FRN 459237) to undertake regulated investment business. 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 as contemplated in terms of the South African Financial Advisory and Intermediary Services Act.

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.

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 FOUR 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 FOUR 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, the MDD 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.

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 has appointed Sanlam FOUR Investments UK Ltd as Investment Manager to this fund.

"This is a Section 65 approved fund under the Collective Investment Schemes Control Act 45, 2002 (CISCA). Sanlam Collective Investments (RF) (Pty) Ltd is the South African Representative Office for this fund. The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates."JR0418(36)0618 UKInst