

Sanlam Real Assets Fund

Q1 2021 | Quarterly newsletter

Fund highlights

In January performance was underpinned by Q4 updates reporting strong operational results, broker upgrades, and valuation uplifts. The material strength of the UK logistics market was a prominent performance driver over the month owing to the continued acceleration of e-commerce trends and record demand for prime logistics real estate. This contrasted to softer market sentiment for private rented housing and student accommodation.

In February one of our diversified infrastructure companies announced its intention to split out its renewable energy business into a standalone vehicle. This was welcome news given its large 10.7GW installed renewable capacity base, vertically-integrated non-replicable platform, and strong visibility over development pipeline out to 2025. During the month fund performance was supported somewhat through quarterly results updates and new optimistic forward-looking guidance, but the fund was not impervious to the broad market reaction from rising inflation concerns. Despite the underlying strength of our businesses, share prices softened as bond yields rose over the month.

In March our European residential property businesses highlighted the benefits of its longstanding sustainability ethos. New legislation and regulation in Germany this year has introduced CO2 tax for fossil fuel heating in homes making modernised, energy-efficient property a more economical option for tenants. This plays to the strengths of businesses with a focus on sustainability which is now becoming a tangible competitive advantage. Over the month the infrastructure segment was supported by company updates reaffirming cash flow receipts in line with expectations and the specialist property segment benefitted from demand tailwinds and planning approvals for new projects.

Fund review

The Sanlam Real Assets Fund returned 0.52% in the first quarter of 2021 vs MSCI World which was up 4.9%. Q1 was undoubtedly “event” heavy with a contested election, vaccine politics, social media led stock squeezes, hedge fund blow-ups (and subsequent investment bank fall-out), and even blocked shipping lanes providing a very challenging backdrop. Over the first quarter the fund saw positive contributions from infrastructure and other alternatives whilst renewables and specialist property detracted from performance. Infrastructure was the main positive contributor with strong performance from Acciona in Spain and CK Infrastructure in Hong Kong. Renewable energy and specialist property struggled against the short-term headwinds of rising government bond yields and sector (recovery) rotations following strong performance last year. The 90-day volatility of the fund averaged at 8.9% over the quarter versus 13.5% for the MSCI World Index (from 9.1% and 15.9% QoQ respectively).

Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	0.5	0.5	22.7	n/a	n/a	11.0
CPI*		0.2	0.2	0.6	n/a	n/a	1.2
A GBP Inc	02/11/18	0.4	0.4	21.4	n/a	n/a	10.4
CPI*		0.2	0.2	0.6	n/a	n/a	2.7

Performance beyond one year is annualised

	12 Months to	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17
SI USD Acc		22.7	1.9	n/a	n/a	n/a
CPI*		0.6	1.4	n/a	n/a	n/a
A GBP Inc		21.4	n/a	n/a	n/a	n/a
CPI*		0.6	n/a	n/a	n/a	n/a

Past performance is not an indicator of future performance.

*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.

Source: Sanlam, Morningstar and Lipper as at 31/03/2021.

Key facts

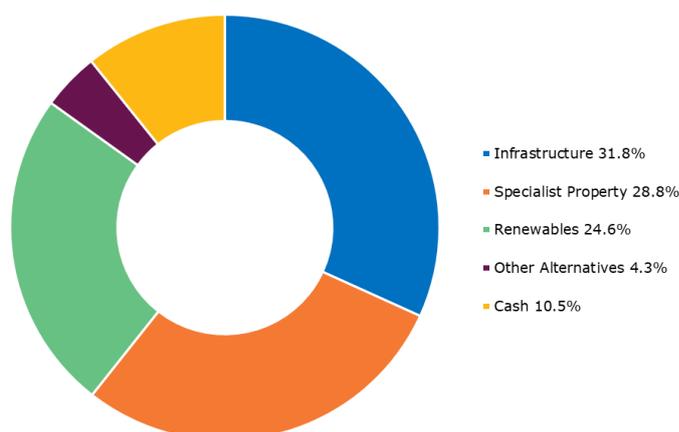
Fund AuM £	£365m
Fund AuM \$	\$503m
Number of Holdings	39
Portfolio Yield**	3.7%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

Performance attribution

	End Weight	Contribution
Infrastructure	31.82%	0.89%
Specialist Property	28.76%	-0.43%
Renewable Energy	24.55%	-0.70%
Other Alternatives	4.31%	0.04%
Stock Hedge	0.47%	0.74%
Total	100%	0.54%

StatPro data

Fund allocation

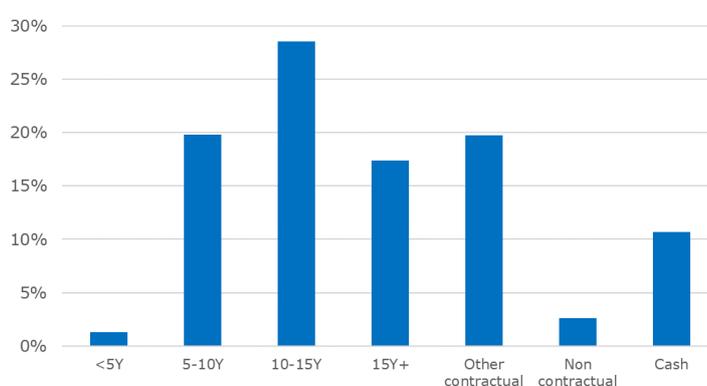


Top 10 holdings

	% NAV
3i Infrastructure	4.65
Vonovia SE	4.60
Acciona	4.52
Tritax Big Box	4.41
HICL Infrastructure	4.38
Brookfield Infrastructure	4.37
Digital Realty Trust	4.37
The Renewables Infrastructure Group	4.13
Nextera Energy	4.04
Greencoat UK Wind	3.59

Source: Sanlam as at 31/03/2021.

Average Contract Durations



Fund review (Cont'd)

Over the quarter we introduced 2 new investments to the fund and divested 1 position taking the portfolio to 39 holdings. The first addition is a specialist REIT owning an attractive portfolio of strategically located logistics assets across 8 markets in the Asia-Pacific region. The business compliments the existing specialist property holdings, providing more breadth to geographies, sources of revenue and growth opportunities. We also participated in the IPO of a new data infrastructure company with exclusivity rights on an attractive pool of assets comprising data centres, fibre networks and communication tower platforms across Europe and North Americas. Over the period we sold a small position from the renewable energy strategy on concerns of potential litigation risks. At quarter end the fund holdings were geographically diversified across 53 countries with 65 underlying asset types.

There was a significant amount of equity capital raising activity during Q1 - 9 of the fund's holdings launched equity fundraises which in aggregate were seeking to raise c.£1.5bn of fresh capital. Companies used proceeds to increase balance sheet flexibility and acquire attractive pipelines of investments. In the majority of cases, capital raising activity was oversubscribed underpinning healthy investor sentiment.

Outlook

Focal point for 2021

Global Trade - Joe Biden and life after Brexit will keep global trade high on the agenda. De-Globalization in the form of domestic focussed policies, food security and vaccine distribution could be hot topics.

Stimulus - Support packages from government and central banks are likely to play a key role in 2021 and are likely to come with an environmental and social tilt. For markets, the bigger the better.

Real Assets

In an environment seemingly dominated by short-term concerns operational real assets continue to offer investors an opportunity to take a long-term view and get paid along the way.

The positive outcome from 2020 is that environmental and social impact has moved up the agenda and is becoming a default requirement for many investors. This trend is highly supportive of investments in Real Assets.

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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.

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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. AM1020(213)0121UKInst.