FOR PROFESSIONAL INVESTORS ONLY

Sanlam FOUR

Q1 2018

Quarterly Newsletter

Sanlam FOUR US Dividend Fund

Performance Review

The Fund underperformed the markets in the first quarter of 2018, driven by heavy style headwinds as value and dividend indices fell 3% while the market fell 1%. This followed a stellar fourth quarter for the Fund, where it outperformed the markets even though style was a headwind. Most of the underperformance came from negative sector allocation, as would be expected during adverse periods. The overweight in Consumer Staples, despite having been reduced, hurt considerably. Our structural underweight to Technology, particularly the high-flying growth stocks like Netflix, also continued to act as a major detractor. Other dividend-friendly sectors, like Telecoms and Utilities, also did not act well, further weighing on relative performance. Our stock picks particularly in Technology added value however.

Interestingly, while the markets declined slightly, growth continued to outperform to close the quarter in positive territory while value led on the downside. Since the start of 2017 growth is now up more than 30% while value is up ‘only’ 10% - a historically large disparity. While value underperformed in the initial decline in February, it did outperform in the subsequent decline in March. The Fund remains heavily entrenched in value territory, currently offering the largest level of discount versus the broader markets since launch due to the sustained underperformance of our style.

Portfolio Characteristics	
AUM	$296.7m
No. of holdings	64
Active share	90.1%
Yield	3.3%
TE	5.4
VaR	5.7
% in cash	9.8%

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
B Accumulation USD	17/12/14	-3.2	-3.2	10.1	12.0	n/a	11.3
MSCI NA - USD		-1.1	-1.1	12.9	9.5	n/a	10.3
A Accumulation USD	20/05/15	-3.4	-3.4	9.3	n/a	n/a	11.3
MSCI NA - USD		-1.1	-1.1	12.9	n/a	n/a	8.7
A Accumulation GBP	30/12/14	-6.9	-6.9	-2.9	13.3	n/a	13.4
MSCI NA - GBP		-4.7	-4.7	0.6	11.5	n/a	11.9

Performance beyond one year is annualised.

12 Months to	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
B Accumulation USD	10.1	17.9	8.3	-	-
MSCI NA - USD	12.9	16.6	-0.4	-	-
A Accumulation USD	9.3	17.0	-	-	-
MSCI NA - USD	12.9	16.6	-	-	-
A Accumulation GBP	-2.9	35.4	10.7	-	-
MSCI NA - GBP	0.6	34.0	2.9	-	-

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

Past performance is not an indicator of future performance.

Market Recap

US markets had a tonitruous start to the year 2018, rising by a further 8% in January before giving back these gains and ending down 1% for the quarter. It was as the first down quarter for US markets since the first quarter of 2016.

With the new tax legislation now passed, the focus turned on tariffs on China, and its consequences. 10-year treasury rates witnessed a long awaited welcome rise to start the year, exiting the quarter around 40bps higher.

From a sector standpoint Technology continued to lead the markets. Consumer Discretionary also continued to do well, following on the heels of its great fourth quarter rebound last year and on generally good quarterly results.

On the other side of the spectrum ,Consumer Staples had a terrible quarter. This was driven by structural changes in the industry, pushing some bellwethers into dreadful M&A decisions, which further exacerbated the sell-off.

Energy also had a bad quarter. However, this was all accumulated in the first two months of the quarter as in the last month it acted as the best sector. All other sectors also ended in the red.

This resulted in the value and dividend styles continuing to meaningfully underperform to start the year. The start of 2018 appeared to be a tale of two markets and while growth indices still finished in positive territory, up 1%, value indices fell as much as 3% in the quarter.

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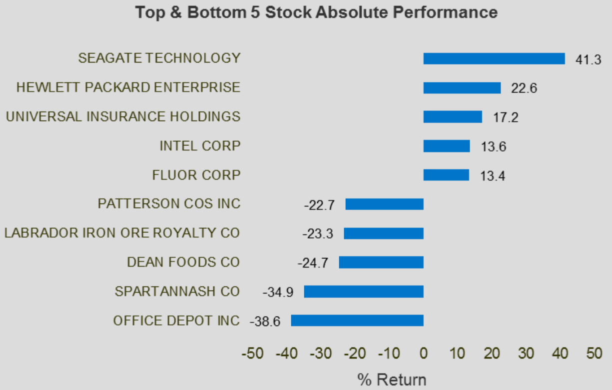
Performance Attribution



Following on from a great fourth quarter and three-year anniversary, the Fund fell slightly more than the markets in Q1 of 2018. However it acted slightly better than its value and dividend indices, meaning all of the market underperformance was style-driven as dividends had a hard time to start the year.

Our overweight in Consumer Staples, despite having been reduced, hurt considerably. We exited our large position in General Mills when it announced a surprising acquisition we could not make sense of, of Blue Buffalo Pet products, and for a very expensive price. While the stock had a subsequent profit warning a week later and fell 15%, the position had already hurt.

We also exited our large position in CVS before that stock was also punished on closing its pricey and value-destroying acquisition, but the position had also hurt already. Generally Staples witnessed a massive sell-off which drove the markets' decline in February, having already largely underperformed in January.

Our best contributor from the last quarter, Labrador Iron Ore Company, appeared in bottom contributors this time as the price of Iron Ore reversed.

Elsewhere our stock picks in Technology proved positive however. Cisco Systems rallied, following strong results. Intel Semiconductors also had a great quarter, having come ahead of expectations on its results.

As such the underperformance versus the markets was mostly driven by sector allocation with the market underweight to Technology hurting. However, it was mostly the stocks we could not own that detracted from relative performance, with the likes of Netflix up 55% for the year.

Market Outlook

US equity markets had a great year in 2017. They posted a ninth consecutive year of advances with 2017 being the third best. The value style of investment, however, has not been participating in this bull market and while 2016 showed a strong revival, 2017 put it back to sleep. Value has now underperformed growth by an astounding three-digit differential, or more than 100%, since the trough of 1999. The start of 2018 witnessed similar trends.

While no one can predict how much longer and wider this gap can go (except perhaps Benjamin Graham… where are you?) the next cycle should prove to be more propitious for value investing against growth. Interestingly, however, the average US growth manager could not outperform the growth benchmarks, and very few such managers did.

Despite achieving strong absolute and relative performance since launch, the Fund has been and remains firmly anchored in the value territory. It trades at the widest discount it has ever traded versus the markets. The US equity markets remain at record high valuations trading at 22x profits which, as conservative investors and responsible stewards of clients' money, makes us increasingly uncomfortable. Our Fund is trading at only 16x however. So while markets are expensive, our portfolio is not.

In addition, the portfolio is anchored into lower risk territory versus the markets, providing stronger downside protection while simultaneously providing around 3.4% income stream and higher quality metrics. The Fund should thus be the investment of choice for investors wishing exposure to the US equity markets.

We continue to focus all our efforts on identifying, analysing and investing in undervalued North American equities with a strong dividend yield and providing the best risk-reward profile for US equity investors.

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This document is intended as a summary only and is being provided for background purposes. It is provided to give an indication of the investment and does not constitute or form part of, and should not be construed as, an offer/invitation to buy or sell units/shares of Funds or Model Portfolios mentioned within 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 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. 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. Collective Investment Schemes are traded at ruling prices and can engage in borrowing and scrip lending. Investments in collective investment schemes should always be considered as medium to long term. 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 shown net of fees. Performance figures for periods longer than 12 months are annualized. The fund performance is from 12 noon to 12 noon, whilst index performance is close of business to close of business.

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. Therefore, any decision to invest should be always made solely on the basis of the information and in accordance with the terms contained in the Company's Prospectus (and relevant Supplement), current Financial Statements of the relevant fund, Subscription Application Form and Key Investor Information Documents (KIIDs) that explain different types of specific risks associated with the investment portfolio of each of our products. Potential risks are disclosed in the fund's Supplement, details of annualised figures are included in the Prospectus. All these documents contain important information which should be read before investing in any fund. Any offering is made only pursuant to mentioned above offering documents all of which must be read in their entirety. 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. They can be obtained, free of charge, from the Manager, the Investment Manager or at www.sanlam.ie. Additionally, you should take independent professional advice as not all investments are suitable for all investors.

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. JR0418(36)0618 UKInst.