

Sanlam Credit Fund

Q1 2021 | Quarterly newsletter

Market recap

Government Bond prices fell sharply during the quarter, bringing an end to a very difficult period for fixed income funds broadly, particularly those which have large duration exposure.

The market dynamic of higher government bond yields has been driven by:

- Expected economic recovery in the US, UK and Europe in particular, as the Covid-19 pandemic is for the most part brought under control
- Investors demanding higher yields to absorb very large government bond issuance
- The success of President Biden in establishing substantial fiscal stimulus packages.
- The release of the heavy savings and cash piles grown substantially during the past year, as investors and corporates withdrew from their typical spending behaviour.

Corporate bonds performed very well however, supported by strong technical and improving growth prospects, driven by near-record investor cash levels, a seasonal slowdown in issuance and ongoing buying from Central Banks as part of their ongoing QE programs.

Market discussions during the quarter centred on inflation and interest rate pressures, and if growth is to be as strong as many analysts predict, then it is quite possible that Central Banks begin indicating a withdrawal of liquidity support in the final quarter of this year. The valuations and complacency being exhibited by equity markets currently could therefore show some signs of fatigue and uncertainty.

The Investment Team advises our investors that the Fund has no exposure to either Credit Suisse or Nomura which suffered large losses following the news of a default at a large U.S. hedge fund.

Fund review

The Sanlam Credit Fund ended the quarter up 1.07% in Sterling terms. The Investment Team is particularly pleased with its positive performance during the quarter, particular given the pressure on long term interest rates.

The fund's attractive yield of nearly 3% and an average rated Investment Grade credit profile, alongside an effective duration of nearly 3%, should continue to provide an attractive shelter for the more cautious of investors, seeking to prioritize capital preservation and downside protection.

The net income produced for the B Inc GBP share class in Q1 was £0.94, taking the 12-month net income to £3.74, comfortably ahead of the BoE UK Base Rate +1-2% target.

As of 31/03/2021:

Effective duration (%) - 2.84

Yield to Worst (%) - 2.52

Performance data

	Inception	1mth	3mth	6mth	YTD	1Yr	Since Inception
Fund (A GBP Acc)	30/08/2016	0.3%	1.1%	4.4%	1.1%	10.9%	4.4%
Sector (IA £ Strategic Bond)		0.0%	-1.1%	2.7%	-1.1%	13.0%	3.3%

Performance beyond one year is **annualised**

	Inception	12 months to Dec 16	12 months to Dec 17	12 months to Dec 18	12 months to Dec 19	12 months to Dec 20
Fund (A GBP Acc)	30/08/2016	-	4.1%	2.0%	0.6%	10.9%
Sector (IA £ Strategic Bond)		-	-	2.1%	-2.1%	13.0%

Past performance is not an indicator of future performance.

Source: Sanlam, Link, Bloomberg as at 31/03/2021

Key facts

Fund AuM	£111.6m
Number of Holdings	72
Fund Managers	Darren Reece Guillaume Desqueyroux
Fund Launch Date	Aug-16
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	Sterling Strategic Bond
Morningstar Category	GBP Flexible Bond
Dealing Deadline	12:00 (GMT)
Settlement Time	T+3
Valuation Point	23:00 (GMT)

For professional investors only

Performance attribution

The fund's top positive and negative contributors to performance in the quarter are listed below:

Positive:

Just Group 3.5% 2025, returning 5.95% in Q1, contributing 0.16% to performance

Quilter PLC 4.478% 2028, returning 4.21% in Q1, contributing 0.14% to performance

Negative:

Provident Financial PLC 7% 2023, returning -6.11% in Q1, contributing -0.13% to performance

HSBC 5.844% Perp, returning -3.77% in Q1, contributing -0.10% to performance

What to expect

The Funds' strategy of intensive credit fundamental analysis, alongside imaginative security selection, driven by a short duration emphasis should alleviate some of the headwinds that Fixed Income investors may face in the coming months.

For now the Fed, Bank of England and ECB appear willing to remain on hold into this expected improving economic data and allow inflation to run for an extended period of time. The Investment Team will be watching Central Bank communication very closely ahead of a return to higher official interest rates and subsequent volatility. The Team therefore will continue to focus on capital preservation and downside protection in its ability to identify attractive investment opportunities for the Fund.

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Important Information

The Fund will invest in debt 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 Fund may invest in derivatives for the purpose of hedging, efficient portfolio management and/or investment purpose. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

The Fund may engage in transactions in financial derivative instruments for Share Class hedging purposes only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

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 sanlam.co.uk.

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) and Sanlam Private Investments (UK) Ltd (FRN 122588), both having its registered office at 24 Monument Street, London, EC3R 8AJ.

Tideway UCITS Fund ICAV an Irish collective asset-management vehicle registered under the laws of Ireland having its registered office at 1st Floor, 2 Grand Canal Square, Grand Canal Harbour Dublin 2, Ireland. The ICAV is an umbrella type Irish collective asset-management vehicle with segregated liability between funds incorporated under the Irish Collective Asset-management Vehicles Act 2015 of Ireland and authorised by the Central Bank of Ireland. The Fund Manager is Link Fund Solutions (Ireland) Limited a company incorporated under the laws of Ireland having its registered office at 1st Floor, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland which is authorised by the Central Bank of Ireland. Link Fund Solutions (Ireland) Limited has appointed Sanlam 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 sanlam.co.uk. 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. AB0121(243)0421UKInst.