

Sanlam US Dividend Fund

Q4 2020 | Quarterly newsletter

Market recap

US markets capped a fantastic year by adding 12% in the fourth quarter of 2020. This marked one of the best quarters in history again, following two very strong quarters in Q2 and Q3. Prior to that markets had one of their worst quarters, in Q1. The advance brought the year-to-tally for US markets at more than 18%, despite the eruption of a pandemic. Prospects and hopes for reopening of the economy, driven by vaccine news, drove the advance.

11% of the 12% gains came during the month of November. December was also strong, while October was a digestion month. Value style strongly outperformed during that rebound, in addition to having strongly outperformed during the October small decline, before underperforming in the December rally. Still the style came ahead of the markets in the fourth quarter, adding as much as 16% and outperforming the markets by 4%. It was the only quarter of the year where value outperformed, and the first quarter in a long while.

10-year treasuries witnessed a strong advance in the fourth quarter of 2020, adding around 25bps to finish the year above 90bps. Commodities also witnessed a massive rally, advancing by more than 10% for the second quarter in a row driven by oil having lagged year-to-date. Gold ended flat in the quarter, having strongly advanced in the first three quarters of the year and capping a year of outperformance vs. the broader markets, with a 24%-karat return.

Fund review

The fund strongly outperformed in the value rebound of the fourth quarter, beating the markets by as much as 8% as it further beat the style by around 4%. The fund has now outperformed its style by 4%+ in four years out of six, by 2% in one year (2018), and has underperformed in one by 5% during the strongest year for the markets when they went up more than 30% (2019). Since launch it leads the US value peer group.

Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
B Accumulation USD	17/12/14	19.3	6.5	6.5	6.0	11.3	9.7
MSCI North America		13.1	19.9	19.9	13.9	14.8	12.4
A Accumulation USD	20/05/15	19.1	5.6	5.6	5.2	0.1	9.2
MSCI North America		13.1	19.9	19.9	13.9	0.1	12.1
A Accumulation GBP	30/12/14	12.6	1.8	1.8	4.5	12.1	10.8
MSCI North America		6.9	16.2	16.2	13.5	16.5	14.3

Performance beyond one year is annualised

12 Months to	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
B Accumulation USD	6.5	21.2	-7.8	16.8	22.7
MSCI North America	19.9	30.7	-5.7	20.9	11.6
A Accumulation USD	5.6	20.3	-8.5	16.0	0.2
MSCI North America	19.9	30.7	-5.7	20.9	0.1
A Accumulation GBP	1.8	15.7	-2.9	5.6	46.7
MSCI North America	16.2	25.7	0.1	10.4	33.1

Key facts

Fund AuM	\$40.1m
Number of Holdings	52
Active Share	98%
Portfolio Yield*	3.2%
Fund Manager	Adour Sarkissian
Benchmark	MSCI North America
Fund Launch Date	17 December 2014
Domicile	Ireland
Base Currency	US Dollar
Fund Type	OEIC, UCITS
IA Sector	North America
Morningstar Category	US Large-Cap Value
Dealing Deadline	14:00 (GMT)
Settlement Time	T+3
Valuation Point	23:59 (GMT)
Distribution	Quarterly

Past performance is not an indicator of future performance.

Source: Sanlam, Morningstar and Lipper as at 31/12/2020.

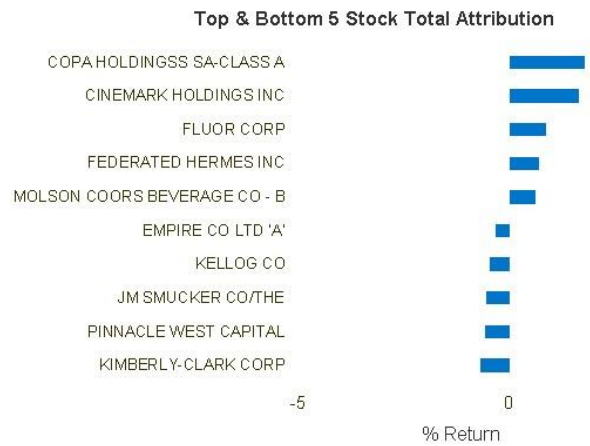
*Portfolio yield is calculated by adding the net dividend amounts for all dividend types that have gone 'ex' over the past 12 months based on the dividend frequency.

Performance attribution

Stock selection drove the outperformance, adding more than 800bps as sector allocation was a main negative with the overweight to the yield-friendly utilities and consumer staples weighing down.

Most value was added in the consumer discretionary, industrials, financials, and technology sectors. Ten out of eleven sectors exhibited positive stock selection.

Currency was also a slight positive in the quarter.



Source: Bloomberg as at 31/12/2020.

Outlook

Given the portfolio composition, characteristics and valuation we see a tremendous opportunity for US Value in general and the fund in particular over the next phase of the market that could span for a decade. The fourth quarter could have been the start as the fund outpaced the markets by 8% despite the 12% rebound.

While the markets are at all-time highs, the staggering levels of underperformance of value vs. growth is the main driver of this opportunity. In 2020 value had its worst year vs. markets, underperforming by 16% or practically flat at 2% vs. 18%. This followed three other years of significant underperformance. Over 3 and 5 years value has now lagged the markets by 30% and 43% respectively. Over 10 years the underperformance is at 95%. This should be self-explanatory. Since the start of the century however value is ahead – by 18%. We believe value outperforms in the long run.

Couple this with a fund that is on the lookout for value and you get a further compounding reaction: Despite the fourth quarter outperformance exiting the quarter the fund was still offering a 55% discount to markets on cash flow, 74% on sales, and 70% on tangible book value. This was further coupled with quality metrics that were higher than the markets; the fund had 30% lower leverage vs. the markets, and a 10% higher return on equity.

The record discount currently offered by the fund, coupled with the historical underperformance of value, makes the fund a highly attractive proposition in US equities.

We continue to focus all our efforts on identifying and investing in undervalued North American companies, and providing investors the best risk-reward profile.

Contact us

Bruce Simpson

Head of Distribution: South Africa

+44 (0)20 7280 8774

bruce.simpson@sanlam.co.uk

Liz Adnitt

Head of UK Wholesale Distribution

+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 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.

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.

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. 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.