

Sanlam Credit Fund Fund update

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On the 5th of May, the Bank of England raised interest rates by 25bps to 1%, but with some unexpected mixed messages in both directions keeping the market guessing on future movements (three members voted for 50bp, others don't see more hiking necessary). The inflation profile is lower than target over the forecast horizon and while the BoE's growth forecast has been revised to 0% for 2023, the Committee will fight hard to secure a soft landing in the UK with a narrow margin for error.

The UK curve steepened with the post-meeting flow supportive of the curve move. For the Sanlam Credit Fund, it was beneficial to have a short duration.

The accompanying announcement provided some details of the unwinding of the CBPS programme which is expected to begin in mid-September. More details are expected in August, but the Governor flagged earlier in the month that the BoE did not want to sell into a fragile market. Post the Bank of England announcement, corporate bond prices headed lower, as the global monetary policy tightening continues to take a toll on recovery prospects.

Over the course of the week, the Credit Fund saw 5.3% of its assets move from High Yield to Investment Grade following positive rating agency actions on three existing investments. These developments confirm the importance of bottom-up security selection, albeit within a difficult macro environment.

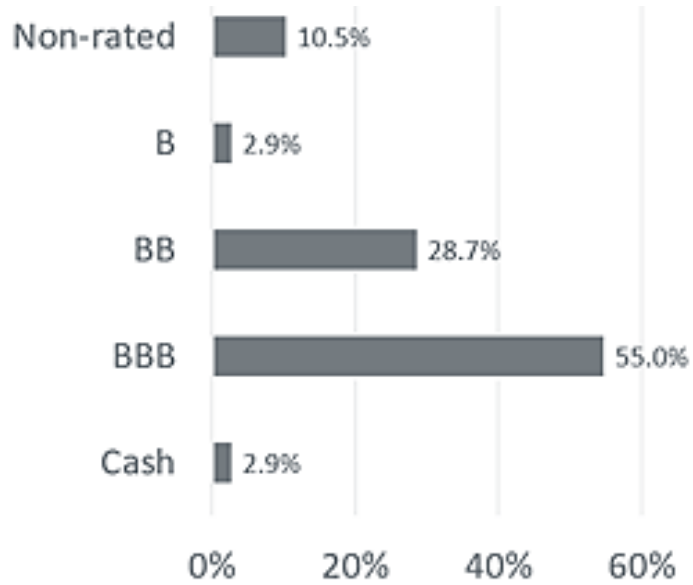
UK – May 2022 MPR Projections	2022 Q2	2023 Q2	2024 Q2	2025 Q2
GDP, YoY	3.2	0.0	0.2	0.7
CPI inflation	9.1	6.6	2.1	1.3
LFS unemployment rate	3.6	3.9	4.6	5.5
Excess supply/ Excess demand	+½	-1¼	-1¾	-2¼
Bank Rate (market path)	1.0	2.5	2.4	2.0

Forecasts should not be relied upon and are not guaranteed.



Credit Rating

In line with the prospectus, this is calculated conservatively, using the worst rating that Sanlam can collect from major rating agencies at security level. On this basis, the current split is as follows:



Source: Sanlam, Bloomberg



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 engage in transactions in financial derivative instruments for 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](https://www.sanlam.co.uk). A full summary of investor rights can be obtained from <https://www.linkgroup.eu/policy-statements/irish-management-company/>. Document is provided in English.

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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.

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