

Sanlam Real Assets Fund

Q4 2019 | Quarterly newsletter

Market recap

In October Boris Johnson put forward a new Brexit deal, but failed to pass it through the house of commons in time before the deadline. The deadlock and subsequent extension paved the way for a general election in December. The news prompted a sterling rally to five-month high against both the dollar and the euro. In the US the fed cut rates by another quarter point, but indicated that the current level of monetary policy is now 'appropriate'. Inflation would need to rise significantly for rates to increase from here. The news helped the MSCI World and S&P indices reach new all-time highs towards the end of the month.

In the UK the upcoming general election took centre stage throughout November. On both sides of the house, manifesto promises and spending plans appeared undeliverable and early polls pointed towards a conservative lead. Market sentiment for UK investments remained steady and the FTSE ended the month with a solid +1.8% gain. Elsewhere the US-China trade negotiations were reportedly moving closer to an agreement but no resolution materialised. Despite the uncertainties the MSCI World and S&P 500 indices posted strong gains at +2.79% and +3.63% respectively.

December ended with more clarity for the UK as Boris Johnson won a large majority in the UK general election. With the conservative government retaining control they have a clear mandate by the voting public to get Brexit done. The risk of nationalisation that has hung over the UK market has melted away with the voters' rejection of a Corbyn-led government in the general election. Globally, the US-China trade negotiations appear to have made progress with the news that a 'Phase One' trade deal is on the cusp of being agreed in January. Despite the news of president Trump's impeachment, the easing trade tensions provided a positive backdrop for equity markets in December and the MSCI World and S&P indices both ended the month up 3%.

Fund review

The Sanlam Real Assets Fund returned 5.4% in the fourth quarter. The quarter saw volatility from US Trade tensions and the general election in the UK. Sentiment recovered at the start of December and this produced solid returns in most developed markets. The 90 day volatility of the fund averaged at 4.5% over the quarter versus 10.9% for the MSCI World Index. The fund exhibited low correlation with equity and bond markets. Correlations to the FTSE 100, MSCI World and Gilts indices were 0.31, 0.28 and -0.10 respectively. Over the fourth quarter the fund saw positive contributions from all of its strategies - infrastructure, renewables, property and other alternatives.

Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	5.4	22.6	22.6	n/a	n/a	14.4
CPI*		0.3	1.4	1.4	n/a	n/a	1.6
A GBP Inc	02/11/18	5.0	20.4	20.4	n/a	n/a	19.2
CPI*		0.3	1.4	1.4	n/a	n/a	1.8

12 Months to	Dec-19	Dec-18	Dec-17	Dec-16	Dec-15
SI USD Acc	22.6	n/a	n/a	n/a	n/a
CPI*	1.4	n/a	n/a	n/a	n/a
A GBP Inc	20.4	n/a	n/a	n/a	n/a
CPI*	1.4	n/a	n/a	n/a	n/a

*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

Key facts

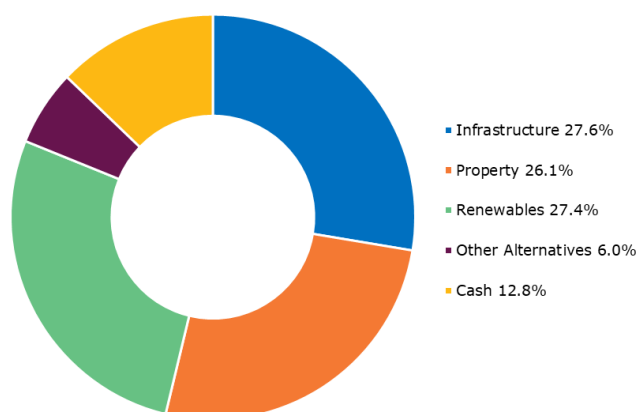
Fund AuM	£235.3m
Strategy AuM	£235.3m
Number of Holdings	36
Portfolio Yield**	3.5%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

Performance attribution

	Q4 2019	YTD
Infrastructure	0.71%	4.38%
Property	1.86%	5.45%
Renewable Energy	2.34%	9.55%
Other Alternatives	0.09%	1.01%
SI USD NAV Return	5.44%	22.57%
Differential	0.57%	1.23%

*Differential is primarily attributable to valuation timing differences and share class currency hedging.

Fund allocation

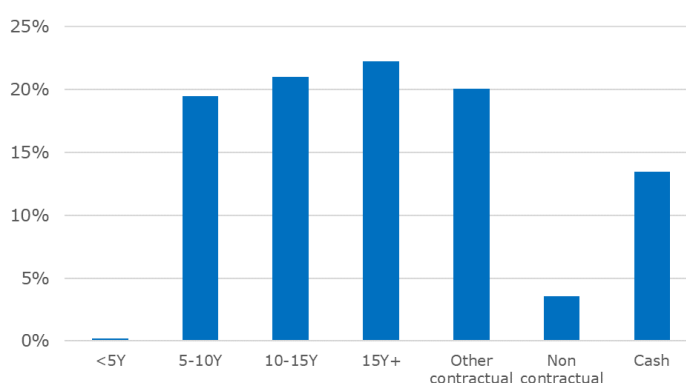


Top 10 holdings

	% NAV
Orsted A/S	4.62
The Renewables Infrastructure Group	4.55
HICL Infrastructure	4.47
3i Infrastructure	4.33
Grainger	4.25
Greencoat UK Wind	4.20
Brookfield Renewables	4.11
Vonovia	4.05
Tritax Big Box	3.98
CK Infrastructure	3.97

Source: Sanlam as at 31/12/2019.

Average Contract Durations



Fund review (Cont'd)

The fund diversified further over the period by adding 1 new holding, bringing the total holdings to 36. The new position was a European wind energy investor that predominantly focuses on Irish onshore wind assets. This business complements the renewables strategy well as it benefits from long-term, 100% inflation-linked cash flows. At year end the fund holdings were geographically diversified across 53 countries with 65 underlying asset types.

Over the quarter the fund participated in 8 company fundraises which were seeking over £1.1bn of fresh capital. Companies deployed fresh capital towards reducing outstanding debt facilities and acquiring attractive pipelines of investments. This included acquisitions of European student accommodation, US and European energy efficiency assets, onshore and offshore wind farms, and multiple music catalogues.

Outlook

The calendar has ticked over but the issues of the day remain unchanged. We continue to operate in markets skewed by QE policies heavily influenced by government and government agencies. Equity investors continue to climb the wall of worry as the longest bull run in history continues on with the overall environment remaining supportive, whilst volatility and a long overdue correction lurk around every corner.

The hope of normalisation has faded once again and it appears that "lower for longer" has simply morphed into "lower". Real Assets remain attractive against a backdrop of equity volatility and low yielding bonds and are also supported by global policy and public sentiment around environmental and social issues.

Taking this environment into consideration, the fund continues to hold and pursue investments that fit our theme of "pillars of a functioning economy" with long-term, stable and predictable cash generative assets with defensive characteristics.

Contact us

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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.

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.

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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. _SAH0120(136)0420UKInst.