

Sanlam US Dividend Fund

Q1 2021 | Quarterly newsletter

Market recap

- US markets started 2021 with a strong continuation of the rally, adding another 6% in three months. This followed a 12% previous quarter advance and was the fourth consecutive quarter of strong advance. Over the last twelve months markets are now up by 56%.
- The value style of investment led the markets' upward move in a powerful way, adding 11% over the first quarter for a 5% outperformance. This came on the heels of four years of the worst underperformance ever witnessed by value, and was the second quarter in a row of outperformance. The growth style of investment ended flat for the quarter, following powerful gains over the past 4 years. Over three and five years value remains 23 and 39% behind the market. Since start of 2017 growth has returned 145%, while value has added 50%.
- Continuation of the vaccination developments leading to reopening of the economy led the advance. Most of the gains came in the last month of March with the addition of stimulus and infrastructure bill news. February was also a good month while January started strongly before dipping in the last days of the month..
- Elsewhere market wise 10-year treasuries continued their advance reaching above 170bps up from 95bps from the start of the year. 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 third quarter. Gold corrected this quarter however, losing as much as 10

Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
B Accumulation USD	17/12/14	12.1	12.1	59.8	11.3	12.3	11.3
MSCI North America		5.6	5.6	58.6	16.4	15.7	12.8
A Accumulation USD	20/05/15	11.8	11.8	58.4	10.4	11.5	10.8
MSCI North America		5.6	5.6	58.6	16.4	15.7	12.6
A Accumulation GBP	30/12/14	10.8	10.8	41.5	10.8	12.3	12.1
MSCI North America		4.6	4.6	42.5	17.0	16.7	14.5

Performance beyond one year is annualised

12 Months to	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17
B Accumulation USD	59.8	-19.1	6.7	10.1	17.9
MSCI North America	58.6	-8.3	8.5	12.9	16.6
A Accumulation USD	58.4	-19.7	5.9	9.3	0.2
MSCI North America	58.6	-8.3	8.5	12.9	0.2
A Accumulation GBP	41.5	-15.7	13.9	-2.9	35.4
MSCI North America	42.5	-3.7	16.8	0.6	34.0

Key facts

Fund AuM	\$42.0m
Number of Holdings	55
Active Share	98%
Portfolio Yield*	2.7%
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 31/03/2021.

*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.

Fund review

- The fund strongly outperformed the markets by adding another 6.5% to the markets' 6%, helped by style and in the process has outperformed its value style by around 1.5%. Stock selection drove the outperformance, while sector allocation was a slight negative.
- Stock selection added around 800bps vs. the markets, and 600bps vs. style. It was the strongest in consumer staples, consumer discretionary, and industrials where it added more than 200bps in each. Notable strong performers were General Mills and Kellogg's in staples on re-rating, Carnival and Foot Locker in discretionary, on reopening, and Fluor in industrials. However strong stock selection came broadly across most sectors.
- Sector allocation was weighed by the overweight's in consumer staples and utilities, which as a sector lagged in the strong rally.
- Currency was a slight positive in the quarter.
- Since the virus outbreak the fund has now outperformed the value style by almost 10%.
- The fund has outperformed style by more than 4% in four years out of its six full years, and by 2% in one year (2018), while outperforming by 1.5% year-to-date. It has underperformed in one year, by 5%, in 2019 during the strongest year of the markets. Since launch it leads the US value peer group.

Outlook

- Given the portfolio composition, characteristics and valuation we see a fantastic (revised from "tremendous" last quarter 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 of last year could have been the start as the fund outpaced the markets by 8% despite the 12% rebound.
- While the markets is at all-time highs, the staggering levels of underperformance of value vs. growth over the last ten years is the main driver of this opportunity. In 2020 value had its worst year vs. the markets, underperforming by 16% or ending practically flat vs. 18%. This followed three other years of significant underperformance. Over 3 and 5 years value has now lagged the markets by 23% and 39% respectively, historically record numbers. Over 10 years the underperformance is at 84%. This should be self-explanatory. Since the start of the century however value is ahead – by 38%. 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 2020 and first quarter 2021 outperformances the fund was still offering more than 50% of a discount to the markets, on cash flow, 74% on sales, and more than 80% on tangible book value. Importantly, this was coupled with lower leverage vs. the markets, as well as a lower risk profile.
- 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 in the current environment.
- We continue to focus all our efforts on identifying and investing in undervalued North American companies, and providing investors the best risk-reward profile.

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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.

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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. AB0121(243)0421UKInst.