

Sanlam Hybrid Capital Bond Fund

Fund Profile

Overview



Peter Doherty
Head of Fixed Income
31yrs' experience



Guillaume Desqueyroux, CFA
Fund Manager
12yrs' experience



Darren Reece
Fund Manager
29yrs' experience



Chris Turdean
Analyst
2yrs' experience

Launched in September 2016, the fund:

- Aims to generate net 5% income per annum from a hybrid capital portfolio with medium volatility
- Focuses on investment grade issuers with an emphasis on regulated businesses such as utilities, insurers and banks
- Invests lower down in the capital structure in order to achieve higher returns and enhanced yield
- Adopts contrarian but conservative approach to investing

Hybrid capital: An attractive investment opportunity

- Hybrid capital is a 'subordinated' form of capital that sits between senior debt and common equity
- The global hybrid capital market is over USD1.2trn and is a key vehicle for the world's leading banks, insurance companies, asset managers and corporations
- Typically issued by investment grade companies as:
 - Regulators and rating agencies see hybrid debt as equity on the balance sheet due to the flexibility of terms
 - Coupon payments are tax deductible as they are seen as interest, which makes hybrid debt cheaper to issue than common equity
 - Investors are compensated for giving this flexibility in the pre-call period



Performance under different market conditions

As the fund invests solely in corporate and financial subordinated debt, fund income and total return will reflect broad changes in risk appetite and credit market sentiment in keeping with the ongoing macro environment. The investments in hybrid capital and the volatility of the fund, in comparison with fixed income indexes, lead us to expect strong outperformance in bull markets and underperformance in bear markets.

However, in the medium to long term returns are mainly driven by a robust investment process that involves thorough assessment of issuer risk, careful security selection and ultimately a conclusion on expected total return for a given level of volatility. Importantly, net realised losses through defaults to date have been zero and the impact of defaults on long term returns is expected to be negligible.

About Sanlam

Having support from an enduring and patient parent allows us to be long term thinkers and focus on factors that can drive future growth

Sanlam group



Founded in **1918**, Sanlam is the largest non-banking financial services group in Africa



Global footprint across **45** countries



Listed on Johannesburg Stock Exchange with a market cap of **£10bn**

Sanlam Investments



Founded in **2006** by four partners and originally called Four Capital Partners



Sanlam acquired a 30% stake in 2009 and now **wholly owns** Sanlam Investments



Some **£7bn** in AUM

Source: Sanlam as at 31/12/2019 and Sanlam Investments as at 31/12/2020

Contact us

Liz Adnitt
Head of UK Wholesale
Distribution

+44 (0) 20 3116 4071
Liz.Adnitt@Sanlam.co.uk

Bruce Simpson
Head of Distribution:
South Africa

+44 (0) 20 3316 4064
Bruce.Simpson@Sanlam.co.uk

Andy Groves
Sales Manager

+44 07917580592
Andrew.Groves@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 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 yield is gross and could be higher than what you will receive in the future. 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 Fund may invest in Contingent Convertible Securities (CoCos). The value of CoCos is unpredictable and will be influenced by many factors including, without limitation (i) the creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the CoCos; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general. The investor may not receive a return of principal if expected on a call date or indeed at any date. 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. 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 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. AB0321(264)0521UKInst