

Under the spotlight: IFSL Sanlam Funds quarterly update

Q3 2020

This quarterly update is relevant for investors in the following IFSL Sanlam funds: Defensive, Cautious, Balanced and Growth. Below you will find an insight into the investments within the funds and how they have been managed over the prior quarter.

Indicative holdings

The following individual securities were held within the Balanced fund on the last day of the quarter, 30 September 2020. The other funds in the range may hold a slightly different list of assets, in line with their specific risk grades.

UK equity

Diageo Plc
Howden Joinery Group Plc
Intercontinental Hotels Group
Prudential Plc
Relx Plc
Rightmove Plc
Taylor Wimpey Plc
Unilever Plc

US equity

Alphabet Inc
Becton Dickinson And Co
Booking Holdings Inc
Cognizant Technology Solutions
Facebook Inc
General Dynamics Corp
Johnson & Johnson
Medtronic Plc
Microsoft Corp
Oracle Corp
Yum! Brands Inc

European equity

Bayer Ag
Danone Sa
Heineken Nv
Novartis Ag
Roche Holding Ag

Asia Pacific equity

Kao Corp

Emerging market equity

Alibaba Group Holding Ltd
Tencent Holdings Ltd

Infrastructure

Brookfield Infrastructure Part
Hicl Infrastructure Plc
3i Infrastructure Plc
Orsted A/S

Property

Digital Realty Trust Inc
Grainger Plc
Unite Group Plc/The

High yield bonds

Barclays Plc 6.375% Perp
Gkn Holdings Ltd 4.625% 12/05/2032
Lloyds Bk Gr Plc 5.125% Perp
Marks & Spencer 4.5% 10/07/2027
Sainsburys Bank 6% 23/11/2027
Vodafone Group 4.875% 03/10/2078

Corporate bonds

Aviva Plc 5.125% 04/06/2050
Fidelity Intl 6.75% 19/10/2020
Intercontinental 3.75% 14/08/2025
Just Group Plc 8.125% 26/10/2029
Kpn Nv 5.75% 17/09/2029
Legal & Genl Grp 5.375% 27/10/2045
M&G Plc 5.625% 20/10/2051
Northumbrian Wtr 2.033% 15/07/2036
Rolls-Royce Plc 3.375% 18/06/2026
Tesco Plc 3.322% 05/11/2025
Whitbread Group 3.375% 16/10/2025

Government bonds

UK TSY I/L GILT 0.75% 22/03/2034

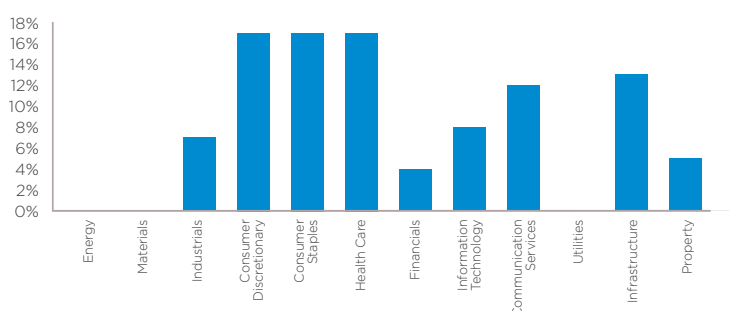
Gold

Royal Mint Physical Gold Etc S

Cash

Indicative equity breakdown by sector

The breakdown by sector of equity holdings within the Balanced fund as at 30 September 2020.



Returns over the quarter

The following table shows the breakdown by asset class of each fund's returns, including the effects of fees, midday pricing and transaction costs.

	Contribution to return		
	Cautious	Balanced	Growth
Fund return as per Net Asset Value (NAV)	0.7%	0.3%	-0.1%
Equity (Equity, Property, Infrastructure)	0.1%	0.1%	0.1%
US	0.3%	0.4%	0.4%
UK	0.1%	0.1%	0.1%
Europe (ex. UK)	-0.6%	-0.8%	-1.0%
Asia Pacific	0.0%	-0.1%	-0.1%
Emerging markets	0.1%	0.1%	0.1%
Property	0.0%	0.0%	0.0%
Infrastructure	0.4%	0.5%	0.6%
Bonds	1.0%	0.6%	0.2%
Government	0.1%	0.1%	0.0%
Corporate	0.5%	0.3%	0.1%
High yield or not rated	0.3%	0.2%	0.1%
Gold	0.1%	0.0%	0.0%
Cash	0.0%	0.0%	0.0%
Fees	-0.2%	-0.2%	-0.2%
Midday pricing and transaction effects	-0.2%	-0.2%	-0.2%

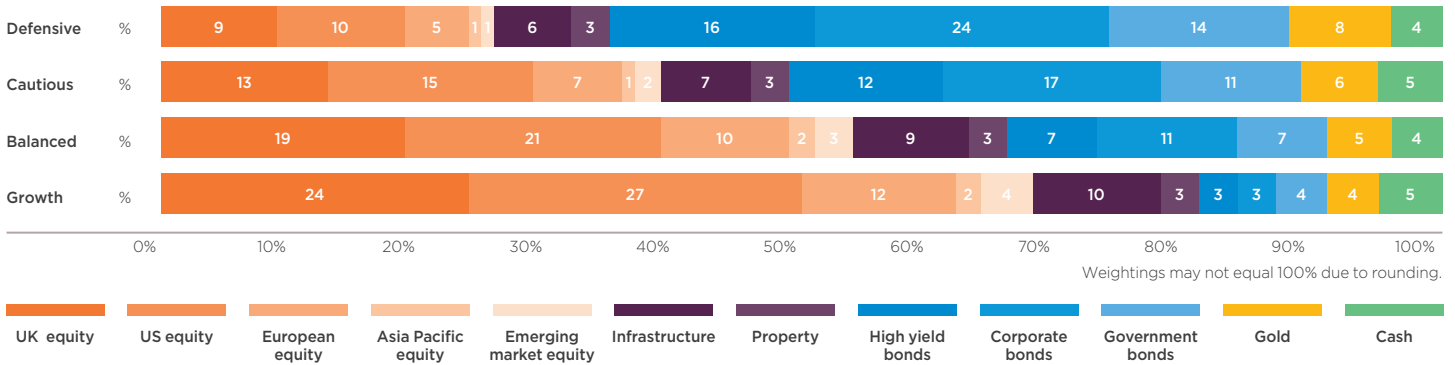
Fund	Discrete years performance				
	01.10.2019-30.09.2020	01.10.2018-30.09.2019	01.10.2017-30.09.2018	01.10.2016-30.09.2017	01.10.2015-30.09.2016
IFSL Sanlam Cautious Fund	2.2%				
IA Mixed Investments 20-60% Shares	-2.9%	4.1%	2.6%	6.2%	12.5%
IFSL Sanlam Balanced Fund	0.3%				
IA Mixed Investments 40-85% Shares	-2.7%	4.3%	5.4%	9.2%	15.9%
IFSL Sanlam Growth Fund	0.7%				
IA Flexible Investment	-1.5%	3.2%	5.5%	10.5%	16.8%

Source: Sanlam Investments UK Limited 30 September 2020. Performance data is not shown for IFSL Sanlam Defensive Fund, which launched on 30 September 2019 and therefore did not have a complete years' performance at the time of writing.

Past performance is not a reliable indicator of future performance.

Asset class breakdowns

The breakdown of each fund by asset class as at 30 September 2020.



Trading activity over the quarter

During the quarter we placed the following trades in respect of the funds:

Timing and rationale	Added exposure	Reduced exposure
17 September Diversified away from US earnings & enhanced ESG	Bought Kao Bought Alibaba	Sold ExxonMobil Sold General Dynamics
27 August Improved portfolio value	Bought Becton Dickinson	Trimmed Facebook Trimmed Cognizant
28 July Diversified away from US earnings	Bought Danone	Sold Fresenius
6 July New stock	Bought Rightmove	Trimmed Howden Joinery Trimmed Taylor Wimpey Trimmed Microsoft Trimmed Oracle
6 July Diversified away from government bonds	Added to Acciona Added to Brookfield Added to HICL Added to 3i Infrastructure Added to Gold	Trimmed UK Treasury

Fund manager commentary

Performance over the quarter was stronger in the lower risk grades with the Defensive fund leading the pack. Higher risk grades suffered from a flat quarter for equities as despite a strong August, weakness in July and September eroded much of these gains. Concurrently, fixed income (bonds) performed consistently throughout the quarter, delivering strong returns and hence explaining the robust performance of the lower risk grades which hold higher weightings in these assets.

Across the risk grades, the best performing sectors were infrastructure (up around 8%) and corporate credit (up around 10%). Infrastructure was driven by holdings in Brookfield and Orsted which were up 17% and 14% respectively. Fixed income showed broad-based strength as investors bid up prices for corporate credit; in particular the M&G bond has returned 9% over the quarter as yields have fallen, whilst high yield bonds issued by UK banks Lloyd's and Barclays also contributed to returns.

At the regional level, US and UK holdings performed strongly whilst European equities were relatively weak. Performance in the UK and US was driven by a combination of technology firms and well-placed cyclical companies. Cognizant (+22%) and Facebook (+15%) led the way in technology whilst Intercontinental Hotels Group (+15%) and Rightmove (+15%) drove returns as UK cyclicals. Weakness in the quarter came from European names Bayer (-17%) and Heineken (-8%).

Investing involves risk. Past performance is not a reliable indicator of future results. 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 Funds will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events. The Funds invest in other currencies. Changes in exchange rates will therefore affect the value of your investment. In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. The Funds have exposure to bonds, the prices of which will be impacted by factors including; changes in interest rates, inflation expectations and perceived credit quality. When interest rates rise, bond values generally fall. This risk is generally greater for longer term bonds and for bonds with higher credit quality. The Funds may invest a large part of its assets in other funds for which investment decisions are made independently of the Fund. If these investment managers perform poorly, the value of your investment is likely to be adversely affected. Investment in other Funds may also lead to duplication of fees and commissions. The Funds may invest a large part of its assets in other funds for which investment decisions are made independently of the Funds. If these investment managers perform poorly, the value of your investment is likely to be adversely affected. Investment in other Funds may also lead to duplication of fees and commissions. The Sanlam IFSL Growth, Balanced and Cautious Funds invest in emerging markets which are typically riskier than more established markets. Difficulty in trading may arise, resulting in a negative impact on your investment. For the Sanlam IFSL Cautious and Defensive Funds, all or part of the fees and expenses may be charged to the capital of the Fund rather than being deducted from income. Future capital growth may be constrained as a result of this. Investment Fund Services Limited (IFSL) are the Authorised Corporate Director of the IFSL Sanlam Funds. 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 IFSL 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 IFSL Sanlam OEIC prospectus 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.ifslfunds.com. 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.