

Sanlam Global High Quality Fund

Q1 2021 | Quarterly newsletter

Market recap

Global markets started 2021 as they ended last year in a strong direction. We saw two small pullbacks in late January and middle February however the quarter as a whole was positive with markets discounting the start of the process of economies re-opening shortly. There have been a few instances of news flow that has served to concern people as to the speed as to which we can re-open economies but the market has taken the view that these issues are semantics in a world of record low interest rates, huge fiscal support and massive pent up savings for populations that have not had the ability to spend for many months.

The market has also been buoyed by positive rhetoric from Jerome Powell as the FED has indicated a very accommodative stance. In this environment we were very pleased that although we have no exposure to some of the cyclical sectors such as Financials and Energy our stock selection was very strong for the quarter. The upward tick in the US 10 year Government bond yields has been a key feature as the market now sniffs some sort of inflation in the medium term. This in turn has meant that some of the growth shares has battled to maintain their relative performance in the quarter.

Fund review

The fund ended the quarter up 2.9 % in sterling terms, thus underperforming the MSCI index which was up 3.8 % in sterling terms. During the quarter performance again suffered by not having exposure to sectors such as energy and financials. Fortunately some of our names participated in other ways as shares such as General Dynamics which has rallied on a resumption in travel.

During the quarter we bought two new positions. These were Fiserv and Akamai. Fiserv is a leading provider of Financial Services technology with segments as both a merchant acquirer and providing the technology for banks to run their ledger services for millions of clients. The name is an excellent business with a history of strong cash generation growth and capital allocation and trades on a free cash flow yield of 5.5% which we find attractive. Akamai is an industry leader in content delivery networks, these are vital in providing the infrastructure for video on the internet. In addition it has a growing cyber security segment which we feel will all benefit from increased internet traffic and larger security budgets.

Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
C Accumulation GBP	28/02/14	2.9	2.9	23.8	9.9	12.6	13.2
MSCI World		4.0	4.0	38.4	13.4	14.3	12.7
I Accumulation GBP	24/06/16	2.8	2.8	23.6	9.7	n/a	13.0
MSCI World		4.0	4.0	38.4	13.4	n/a	14.9
A Accumulation GBP	02/01/15	2.6	2.6	22.5	8.8	11.4	11.7
MSCI World		4.0	4.0	38.4	13.4	14.3	12.5

Performance beyond one year is annualised

12 Months to	Mar-21	Mar-20	Mar-19	Mar-18	Mar-17
C Accumulation GBP	23.8	-3.7	11.5	3.8	31.2
MSCI World	38.4	-5.8	12.0	1.3	31.9
I Accumulation GBP	23.6	-3.9	11.3	0.0	n/a
MSCI World	38.4	-5.8	12.0	0.0	n/a
A Accumulation GBP	22.5	-4.7	10.4	2.7	29.9
MSCI World	38.4	-5.8	12.0	1.3	31.9

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.

Key facts

Fund AuM	£459.4m
Strategy AuM	£1850.0m
Number of Holdings	36
Active Share	89.5%
Portfolio Yield*	1.9%
Fund Managers	Pieter Fourie William Ball
Benchmark	MSCI World
Fund Launch Date	28 February 2014
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	Global
Morningstar Category	Global Large-Cap
Dealing Deadline	14:00 (GMT)
Settlement Time	T+3
Valuation Point	23:59 (GMT)
Distribution	Semi-Annually

Performance attribution

In terms of attribution the fund's main detractors for the quarter were ABI Inbev, Fresenius Medical and Alibaba. ABI has been weak in a strong market in the first quarter. The company had fourth quarter results that beat on a Revenue basis but the company guided to some margin pressure going forward which hasn't pleased investors. One of its main regions Brazil has also not managed the Pandemic very well and this weighs on sentiment. We still find compelling value in the world's largest brewer when we keep a long term investment horizon. Fresenius disappointed the market on profits with a warning on excess mortality in its patients from the Pandemic.

In terms of stock selection, our best contributors were General Dynamics, Apple (not held), and Anthem. General Dynamics had a strong quarter returning over 22%. This was helped by renewed confidence in its aerospace division as investors see a return to private luxury jet travel shortly. Not owning Apple helped the fund as it underperformed global equities by 12% for the year. Anthem is a fairly recent addition to the fund and has had a strong quarter as management guided to strong growth in its digital customer base of insured clients.

Outlook

With the strong moves we have seen in equity markets it is fair to say they have discounted a fair amount of a return to a normal life. However if we dig under the hood of the broad indexes we see that many shares have participated to a lesser extent than others. We hope that with the rising bond curves globally there is a stronger focus on valuation which we feel would help the fund. We feel comfortable with the valuations of the great businesses we own but less comfortable with those of some we don't own. We try not to think of markets in segments however we are encouraged by recent "rotations" into sectors that are viewed as undervalued.

Having said that we are aware that the continued strong performance in Energy and Financials has caused a drag on the fund as these are sectors we don't own. We continue to avoid these sectors due to our quality overlay. We do however own some businesses that have a cyclical element to their business that once is removed should benefit the market's valuation of them. Names such as Bayer, General Dynamics and ABI would spring to mind. We also feel the portfolio has a substantially lower starting valuation than the market with the ability to grow its profits at a comparable or better rate over the long term.

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Important Information

The Fund may invest in companies based in emerging markets which may involve additional risks not typically associated with other more established markets such as increased risk of social, economic and political uncertainty. The Fund has holdings which are denominated in currencies other than sterling and may be affected by movements in exchange rates. Consequently the value of an investment may rise or fall in line with the exchange rates.

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.