

Sanlam Global High Quality Fund

Q2 2021 | Quarterly newsletter

Market recap

Global equity markets have continued their upward trajectory in the second quarter of 2021. The quarter was defined by a noticeable lack of volatility. The much focussed on Fed meeting was simply overlooked in terms of the Fed acknowledging some short term transitory inflation with bond yields falling again in June. For now the market is confident that monetary policy will not be spooked by inflation and higher commodity prices.

The market comfort with the inflation is somewhat surprising however we feel confident in our companies ability to pass on much of this inflation in their longer term business models. When we look at our holdings we are also comfortable that they trade on less demanding valuations than the market. The upward move in markets this year has not been entirely driven by better earnings, somewhat of concern is that in total equity markets have become more expensive off an already fairly demanding base.

Fund review

The fund ended the quarter up 5 % in sterling terms, thus underperforming the MSCI index which was up 7.7 % in sterling terms. Normally we would be extremely pleased with an absolute quarterly return of 5 %, however such was the buoyancy of the market is that this lagged the market by some way. Much of this relative lag came in the month of June. During this month as bond yields fell the very “high growth” shares in the market took off again. As valuation centric and disciplined investors many of these names are too expensive for us to own. In addition some of our names had slightly negative performance which hurt in such a buoyant market.

During the quarter we bought one new position in Philips Electronics. Philips is a global leader in electronic diagnostics and imaging equipment. Philips is in a unique position to benefit from the increasing integration of electronic health records, data analytics (including artificial intelligence), patient monitoring and clinical decision-making. Over time we expect an increasing portion of revenue will come from recurring services rather than capital sales. In the quarter we exited our positions in Danone, Fresenius and Oracle. Oracle was sold after being held since inception of the fund, the share has compounded at 15% in Sterling

Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
C Accumulation GBP	28/02/14	5.1	8.1	12.9	9.4	11.4	13.4
MSCI World		7.6	11.9	24.4	13.3	14.1	13.3
I Accumulation GBP	24/06/16	5.0	8.0	12.7	9.2	11.2	13.4
MSCI World		7.6	11.9	24.4	13.3	14.1	15.8
A Accumulation GBP	02/01/15	4.8	7.6	11.7	8.3	10.3	12.1
MSCI World		7.6	11.9	24.4	13.3	14.1	13.3

Performance beyond one year is annualised

12 Months to	Jun-21	Jun-20	Jun-19	Jun-18	Jun-17
C Accumulation GBP	12.9	4.4	11.2	6.2	23.5
MSCI World	24.4	5.9	10.3	9.3	21.6
I Accumulation GBP	12.7	4.2	11.0	5.9	23.4
MSCI World	24.4	5.9	10.3	9.3	21.6
A Accumulation GBP	11.7	3.3	10.0	5.1	22.2
MSCI World	24.4	5.9	10.3	9.3	21.6

Past performance is not an indicator of future performance.

Source: Sanlam, Morningstar and Lipper as at 30/06/2021. Class C net returns are used to illustrate the fund's longest track record. This is a restricted share class, therefore our open share classes A and I net returns are also shown. Figures for periods longer than 12 months are annualized. NAV to NAV figures are used.

*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	£501.8m
Strategy AuM	£1850.0m
Number of Holdings	34
Active Share	89.7%
Portfolio Yield*	1.8%
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 Fiserv, Sabre and Booking Holdings. Fiserv is a new holding in the fund and released results that were in line with our expectations however the market was more underwhelmed by them. Both Sabre and Booking were coming off high bases at the end of Q1 when there was lots of buoyancy in the market for travel shares on the back of the soon anticipated re-opening.

In terms of stock selection, our best contributors were Oracle, Alphabet and Facebook. Both Alphabet and Facebook have been large beneficiaries of an accelerated move to online search and social media advertising spending by many corporates. Both these companies have also seen their ratings improve as the market becomes more convinced in the sustainability of the above mentioned trend. Although both these businesses now trade close to our assessment of fair value we continue to hold them as core positions in the fund as we believe they can carry on to compound in line with our required return over time.

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. Over the course of the year the market has become more expensive as there are seen to be few alternatives to equities to stay ahead of inflation. There are still many areas of the market that have benefited from retail investor speculation. Maintaining one's valuation discipline has not been rewarded in this type of market and often makes the prudent investor feel silly.

While we obviously have no control over the areas and names in the market we don't own that have been buoyed massively over the last year or so, what we can control is the companies that we have in our portfolio. We remain laser focussed on these businesses and how they are positioned and importantly how they are valued according to our assessment. We are confident this selection of what we deem to be well above average businesses will continue to be sound investments over the medium to longer term. What the rest of the market does is very hard to predict.

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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.

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