

# Sanlam Global High Quality Fund

Q2 2020 | Quarterly newsletter

## Market recap

The second quarter of 2020 saw global equity markets stage a truly spectacular recovery off a depressed base. The size of the recovery took many investors by surprise as economic activity is still very subdued and visibility remains poor. However, the magnitude and speed of central bank action in almost all asset markets has been of a scale not seen before. This has resulted in central bank balance sheets also ballooning to unprecedented levels. In addition, most developed market countries have increased budget deficits to multi-decade highs.

The market recovery has been led by the US market and in particular the performance of a handful of shares on the Nasdaq exchange, some that have been beneficiaries of the virus lockdown. The rest of the world has lagged the US S&P index as they are less exposed to these technology heavyweights.

## Fund review

The fund ended the quarter up 15.3% in Sterling terms, thus underperforming the MSCI index which was up a whopping 19.8% in Sterling terms. During the quarter performance was hurt by having zero exposure to both Amazon and Apple as these two names were stellar performers. Just not owning these two counters detracted from relative performance by over 1.3% as both counters returned over 40% in Sterling terms.

During the first quarter we bought two new positions, in Accenture and SAP. During the second quarter we sold both of these names as the re-rating in the market meant that both shares went up over 25% in the space of a number of weeks. Both are extremely well positioned within the secular growth sectors of IT service consulting and ERP system licence software. However, as we remain diligent to our intrinsic value discipline we were forced to sell as the shares no longer offered us the return profile we demand.

### Performance data

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
<b>C Accumulation GBP</b>	28/02/14	15.3	1.7	4.4	7.2	14.2	13.5
<b>MSCI World</b>		19.8	1.0	5.9	8.5	12.2	11.7
<b>I Accumulation GBP</b>	24/06/16	15.2	1.6	4.2	7.0	n/a	13.6
<b>MSCI World</b>		19.8	1.0	5.9	8.5	n/a	13.8
<b>A Accumulation GBP</b>	02/01/15	15.0	1.2	3.3	6.1	13.1	12.1
<b>MSCI World</b>		19.8	1.0	5.9	8.5	12.2	11.4

Performance beyond one year is annualised

12 Months to	Jun-20	Jun-19	Jun-18	Jun-17	Jun-16
<b>C Accumulation GBP</b>	4.4	11.2	6.2	23.5	28.0
<b>MSCI World</b>	5.9	10.3	9.3	21.6	14.4
<b>I Accumulation GBP</b>	4.2	11.0	5.9	0.2	n/a
<b>MSCI World</b>	5.9	10.3	9.3	0.2	n/a
<b>A Accumulation GBP</b>	3.3	10.0	5.1	22.2	26.7
<b>MSCI World</b>	5.9	10.3	9.3	21.6	14.4

### Key facts

<b>Fund AuM</b>	£419.5m
<b>Strategy AuM</b>	£1415.1m
<b>Number of Holdings</b>	32
<b>Active Share</b>	89.1%
<b>Portfolio Yield*</b>	2.5%
<b>Fund Managers</b>	Pieter Fourie William Ball
<b>Benchmark</b>	MSCI World
<b>Fund Launch Date</b>	28 February 2014
<b>Domicile</b>	Ireland
<b>Base Currency</b>	Sterling
<b>Fund Type</b>	OEIC, UCITS
<b>IA Sector</b>	Global
<b>Morningstar Category</b>	Global Large-Cap
<b>Dealing Deadline</b>	14:00 (GMT)
<b>Settlement Time</b>	T+3
<b>Valuation Point</b>	23:59 (GMT)
<b>Distribution</b>	Semi-Annually

**Past performance is not an indicator of future performance.**

Source: Sanlam, Morningstar and Lipper as at 30/06/2020.

\*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.

## Performance attribution

In terms of attribution the fund's main detractors for the quarter were Intercontinental Hotels, Medtronic and Diageo . It is a true sign of the market recovery in that all these shares had positive absolute returns. However, these returns were well below that of the very strong market.

In terms of stock selection, our best contributors were Facebook, Bayer and Fresenius. Facebook has seen a direct benefit in increased volume of traffic in lockdown in addition to many firms increasing share of Ad spend dollars to online platforms. Bayer saw strength in the quarter as more news flow emerged as to the settlement of the Roundup litigation issues in the USA. We also saw very strong performance from the likes of Tencent as its online platform saw huge benefits from increased spend during the imposed lockdown period in China.

## Outlook

Global growth is undoubtedly going to be severely impacted by the effects of Coronavirus. Most companies have pulled near term guidance as the situation unfolds. We have seen some businesses that are clearly less affected than others and the focus now is on balance sheet strength as many firms may well not survive the downturn.

However, as is usually the case the market has been a very efficient discounting machine and is looking well past the near term hit to many corporates earnings profiles. With markets in the US leading the way as the Nasdaq hits new highs. As mentioned, Central Bank and Fiscal intervention has been exceptional with many governments in developed worlds stopping mass unemployment with various grants and furlough schemes.

We used the quarter to buy new names such as SAP and Accenture as well as add to names like Facebook, Diageo, Heineken and IHG to name a few. In hindsight 23rd March turned out to be a great buying opportunity for the quarter. However, at the time the economic outcome was murky to say the least.

We have continued to maintain our valuation discipline and added to the quality of the portfolio we feel. We exit the quarter somewhat cautious as we feel that markets have moved a long way given the extreme forecast risk that persists. We continue to look to add great quality businesses at valuations that are attractive without being bullied into the rally currently underway. With interest rates looking set to be close to zero in most developed economies for a the medium term this is not an easy task as one may well imagine.

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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](http://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](http://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. \_SAH0720(184)1020UKInst