

Sanlam Real Assets Fund

Q1 2020 | Quarterly newsletter

Market recap

The positive momentum in global equity markets continued into the new year with markets climbing the wall of worry, as the longest economic cycle in history kept rolling on posting new highs. At the start of the Chinese new year celebrations, news of a virus outbreak reversed momentum as markets digested the implications. Stock exchanges in the region remained closed as the new year holiday was extended to month end. Markets erased the gains made in 2020 and MSCI World and S&P 500 indices ended the month returning -0.6% and 0% respectively. As of 31st Jan the UK officially stopped being a member of the EU with the country entering a transition period until year end.

In February, news of a sharp uptick in coronavirus cases outside of China triggered an abrupt sell-off across global equity markets into month end. The last week of the month recorded the largest weekly market declines in the US and UK since the global financial crisis, and sent investors flocking to safe haven assets. Over the month the MSCI World closed down -8.5% whilst gains in 10 year US and UK government bonds pushed yields down to 1.15% and 0.44% respectively.

Global stock markets continued to materially weaken into March as investors confronted the prospect of a virus-induced global recession. The growing Covid-19 outbreak officially became a pandemic and caused widescale disruption to more and more economies around the world.

Unprecedented measures were taken to curtail the spread and many countries implemented full lockdowns. Investors witnessed a very strong and swift response from central banks and governments in the form of both fiscal and monetary stimulus, and there is now a sense that authorities will do everything they can to help. By month end the MSCI World and the S&P indices were down -13.2% and -12.4% respectively. The stock market pullback occurred with such speed and magnitude yet the discernible impact on businesses is still largely unknown at this stage.

Fund review

The Sanlam Real Assets Fund returned -11.0% in the first quarter of 2020 vs MSCI World which was down -21.1%. This quarter was characterised by exceptional levels of volatility and overwhelmingly shaped by the unfolding Covid-19 pandemic. The 90 day volatility of the fund averaged at 9.2% over the quarter versus 15.3% for the MSCI World Index. The rapid deterioration of investor sentiment meant there were few places to hide and unsurprisingly the fund correlations with equities and bond market increased, albeit to comparatively moderate levels. Correlations to the FTSE 100, MSCI World and Gilts indices were 0.47, 0.40 and 0.16 respectively. Over the first quarter the fund saw negative contributions from all of its strategies - infrastructure, renewables, property and other alternatives.

Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	-11.0	-11.0	1.9	n/a	n/a	4.3
CPI*		0.3	0.3	1.4	n/a	n/a	1.6
A GBP Inc	02/11/18	-12.2	-12.2	-0.8	n/a	n/a	4.6
CPI*		0.3	0.3	1.4	n/a	n/a	2.1

Performance beyond one year is annualised

12 Months to	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
SI USD Acc	1.9	n/a	n/a	n/a	n/a
CPI*	1.4	n/a	n/a	n/a	n/a
A GBP Inc	-0.8	n/a	n/a	n/a	n/a
CPI*	1.4	n/a	n/a	n/a	n/a

Source: Sanlam, Morningstar and Lipper as at 31/03/2020.

*Equally weighted composite taken from the CPI rate of the component countries of the G10 Region

**Portfolio yield is calculated by adding the net dividend amounts for all dividend types (excluding special dividends) that have gone 'ex' over the past 12 months based on the dividend frequency. This total excludes taxes, any related dividend fees or tax related credits. As the fund has not yet had a full 12 month record of distributions we are unable to show an accurate distribution yield value

Key facts

Fund AuM	£259.3m
Strategy AuM	£259.3m
Number of Holdings	36
Portfolio Yield**	4.0%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

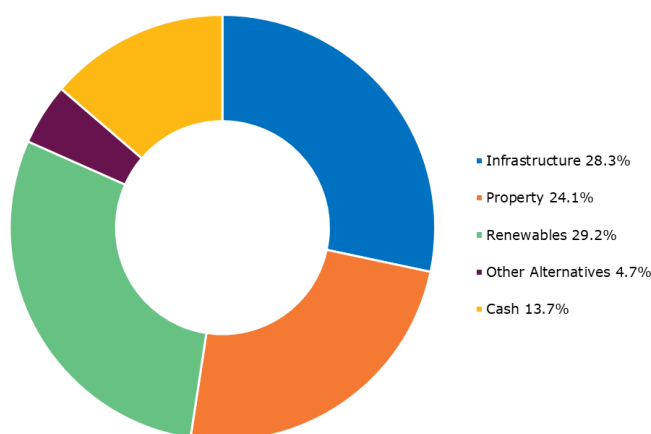
For professional investors only

Performance attribution

	Q1 2020	YTD
Infrastructure	-5.04%	-5.04%
Property	-4.80%	-4.80%
Renewable Energy	-2.30%	-2.30%
Other Alternatives	-1.36%	-1.36%
B GBP NAV Return	-12.07%	-12.07%
Differential	0.48%	0.48%

*Differential is primarily attributable to valuation timing differences.

Fund allocation

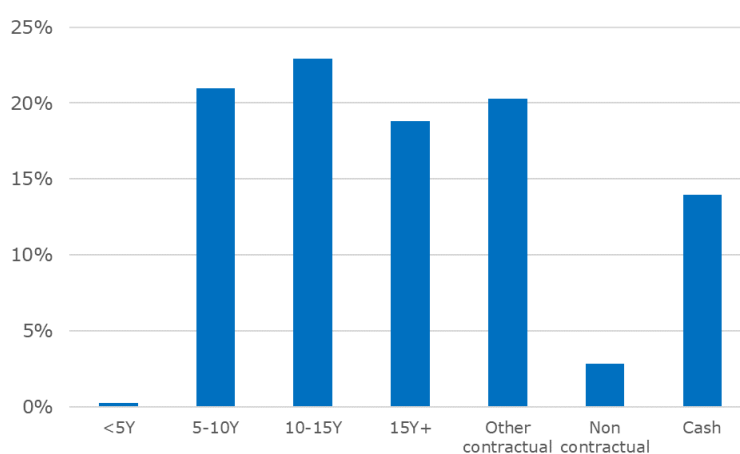


Top 10 holdings

	% NAV
The Renewables Infrastructure Group	4.84
Brookfield Renewables	4.76
HICL Infrastructure	4.72
3i Infrastructure	4.70
Orsted A/S	4.66
Vonovia SE	4.20
Grainger	4.06
Greencoat UK Wind	4.01
Tritax Big Box	3.75
Brookfield Infrastructure	3.70

Source: Sanlam as at 31/03/2020.

Average Contract Durations



Fund review (Cont'd)

The fund diversified further over the period by adding 1 new holding, bringing the total holdings to 36. The new position is a last-mile logistics property specialist in the UK, owning a high quality portfolio of investments with attractive income and capital growth characteristics. Particularly in today's environment, the business's last-mile logistics warehouses serve an important role in the distribution of NHS equipment and in delivering produce to citizens. The business benefits from long-term leases with embedded contractual uplifts. At quarter end the fund holdings were geographically diversified across 54 countries with 67 underlying asset types.

Over the quarter the fund participated in 4 company fundraises which were seeking over £674m of fresh capital. Companies deployed fresh capital towards reducing outstanding debt facilities and acquiring attractive pipelines of investments. This included acquisitions of UK renewable energy assets, infrastructure debt, UK private residential property and logistics property. On prudential grounds, some of the capital raised has been either retained or the pace of deployment has been restricted.

Outlook

At present it's too early to call the bottom. The market is digesting the impact of the COVID-19 virus on the economy against the huge global stimulus announced by governments around the world and the outcome will ultimately effect the depth and the duration of the coming recession. We are mindful that events like these do not last forever and as investors we should be looking for entry points and buying opportunities.

Fundamentally, real assets remain attractive against the ongoing market volatility and the low interest rate environment. The fund continues to hold a balanced portfolio of investments that fit our theme of "pillars of a functioning economy" with long-term, stable and predictable cash generative assets.

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Important Information

The Fund may invest in derivatives for the purposes of efficient portfolio management and hedging only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

Part of the fund may invest in fixed income 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 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.

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), having its registered office at 24 Monument Street, London, EC3R 8AJ and Sanlam Private Investments (UK) Ltd (FRN 122588), having its registered office at 24 Monument Street, London, EC3R 8AJ.

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. AM0420(158)0720UKInst.