

Sanlam Credit Fund

Q4 2020 | Quarterly newsletter

Market recap

The final quarter of 2020 proved to be strong for the Sanlam Credit Fund.

The Financial Markets experienced a recovery from the March to April Covid related sell off, aided by unparalleled monetary and fiscal policy action, which, despite the volatility resulted in broad-based gains with very few exceptions.

There were several events that contributed to the excellent quarter, not least news of a successful Covid vaccine and subsequent anticipation of roll out. This spurred a huge reach for risk assets, from equities to corporate bonds and to emerging markets. Our Funds were well positioned to benefit from the excitement.

Alongside the excellent news of the vaccine, the quarter's strong performance was a continuation of the asset price recovery, with three macro developments taking place:

- i) The conclusion of a Brexit deal between the UK and EU
- ii) The passage of a \$900bn US fiscal stimulus package
- iii) The emergence of a new, more contagious Covid 19 strain.

The market continues to look through any near-term virus-related risks with the hope for an accelerating vaccine roll-out over the coming months, alongside, an efficient recovery in the health of global corporate and financial institutions.

Fund review

The Sanlam Credit Fund ended the quarter up 3.3% in GBP, resulting in +4.7% performance for the calendar year.

The fund's attractive yield of nearly 3% and an average rated Investment Grade credit profile, alongside an effective duration of nearly 3%, should continue to provide an attractive shelter for the more cautious of investors, seeking to prioritize capital preservation and downside protection.

The net income produced in Q4 was £0.94, taking the 12-month net income to £3.76, comfortably ahead of the BoE UK Base Rate +1-2% target.

As of 31/12/2020:

Effective duration (%) – 2.84

Yield to Worst (%) – 2.87

Performance data

	Inception	1mth	3mth	6mth	YTD	1Yr	Since Inception
Fund (A GBP Acc)	30/08/2016	0.6%	3.3%	5.2%	4.7%	4.7%	4.3%
Sector (IA £ Strategic Bond)		1.0%	3.8%	5.8%	6.1%	6.1%	3.8%

Performance beyond one year is **annualised**

	Inception	12 months to Dec 16	12 months to Dec 17	12 months to Dec 18	12 months to Dec 19	12 months to Dec 20
Fund (A GBP Acc)	30/08/2016	-	8.3%	-2.1%	8.7%	4.7%
Sector (IA £ Strategic Bond)		-	-	-2.5%	9.2%	6.1%

Past performance is not an indicator of future performance.

Source: Sanlam, Link, Bloomberg.

Key facts

Fund AuM	£101.6m
Number of Holdings	72
Fund Manager	Darren Reece
Fund Launch Date	Aug-16
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS IV
IA Sector	Sterling Strategic Bond
Morningstar Category	GBP Flexible Bond
Dealing Deadline	12:00 (GMT)
Settlement Time	T+3
Valuation Point	23:00 (GMT)

For professional investors only

Performance attribution

The fund's top positive and negative contributors to performance in the quarter are listed below:

Positive:

Just Group 3.5% 2025, returning 10.03% in Q4, contributing 0.28% to performance

Lloyds 7.281% Perp, returning 7.48% in Q4, contributing 0.24% to performance

Negative:

Fiat Chrysler 5.25% 2023, returning -2.25% in Q4, contributing -0.04% to performance

Lendlease 4.5% 2026, returning -1.49% in Q4, contributing -0.03% to performance

What to expect

Whilst much of the good news may already be priced into the credit markets, and whilst much of the easy picking may now be in the past, the Investment Team remain constructive but cautious as it heads into 2021.

We expect the continuation of both fiscal and monetary stimulus to be very supportive for credit markets. In addition, with recent data showing that more than 25% of all Fixed Income securities are currently negative yielding, the attractiveness of the yields on our funds is greater than ever.

As has been noted previously, the importance in having access to multi currencies cannot be emphasized enough. This development, which is already showing meaningful benefits, allows the Investment Team to extend its reach of opportunity away from GBP, which opens a broad array of opportunities, yield and diversification.

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Important Information

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

The Fund may engage in transactions in financial derivative instruments for Share Class hedging purposes only. There is a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.

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 sanlam.co.uk.

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

Tideway UCITS Fund ICAV an Irish collective asset-management vehicle registered under the laws of Ireland having its registered office at 1st Floor, 2 Grand Canal Square, Grand Canal Harbour Dublin 2, Ireland. The ICAV is an umbrella type Irish collective asset-management vehicle with segregated liability between funds incorporated under the Irish Collective Asset-management Vehicles Act 2015 of Ireland and authorised by the Central Bank of Ireland. The Fund Manager is Link Fund Solutions (Ireland) Limited a company incorporated under the laws of Ireland having its registered office at 1st Floor, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland which is authorised by the Central Bank of Ireland. Link Fund Solutions (Ireland) Limited has appointed Sanlam 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 sanlam.co.uk. 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.