

# Sanlam Real Assets Fund

Q4 2020 | Quarterly newsletter

## Market recap

In October the second wave of Covid cases began to intensify across the UK and Europe, rising the prospect of a double-dip recession. Governments were once again faced with the balancing act of tighter containment measures and their implications on economic activity. Over the month Eurostoxx 50 and the FTSE 100 indices slumped -7.3% and -4.8% respectively. A similarly ominous picture was apparent in the US with cases on the rise in the lead up to the presidential election. The S&P 500 also ended the month in negative territory down -2.7%.

In November markets digested a close-to-call presidential election as Trump unexpectedly performs well across certain swing states and baselessly claims victory early on. Market volatility was compounded by the ensuing days of uncertainty as the postal vote was counted but it soon became clear that Biden won the election. The democratic win suggested a potential boost to fiscal stimulus and added fuel to the reflation trade. The risk-on environment led to further dollar weakness and drove the MSCI World up 12.79% over the month. Regulators around the world began to review data from the Pfizer and AstraZeneca-Oxford vaccines for emergency approval, raising hopes of a path to economic recovery. The new climate-friendly administration in the US boosted appetite for renewables and pushed prices into new valuation territory.

Early in December the UK became the first country in the world to approve the Pfizer vaccine. The US shortly followed and widespread expectations of a swift vaccine rollout lifted spirits and markets. In the US the 'blue wave' implications further bolstered markets on the prospect of a US fiscal aid package in the new year. Unwavering optimism persisted and valuations climbed to new highs. In the UK lockdown restrictions were lifted early on but a new Covid variant started spreading at pace through the population, and the government was forced to reimpose tougher restrictions and cancel Christmas holidays. Many countries closed borders to the UK in fear of the new strain. Meanwhile, with the end of the Brexit transition period fast approaching, the UK and EU "miraculously" come to an agreement at the eleventh hour. The FTSE and S&P 500 indices delivered 3.3% and 3.8% respectively on the month. The dollar continued its decline against sterling and the euro.

## Fund review

The Sanlam Real Assets Fund returned 7.1% in the fourth quarter of 2020 vs MSCI World which was up 14.0%. This quarter was characterised by a number of significant events - positive vaccine developments, a turbulent US election, further lockdowns inflicting economic damage, and the continuance of exuberant global stock markets. Over the fourth quarter the fund saw positive contributions from all of its strategies - infrastructure, renewables, specialist property and other alternatives. Once again renewables were the largest performance driver, owing to an increased appetite for clean energy investments. The 90-day volatility of the fund averaged at 9.1% over the quarter versus 15.9% for the MSCI World Index (from 15.4% and 25.3% QoQ respectively). The fund's correlations with equities and bond markets remained largely unchanged against the previous quarter - correlations to the FTSE 100, MSCI World and Gilts indices were 0.49, 0.41 and 0.08 respectively.

### Performance

	Inception	QTR	YTD	1yr	3yrs	5yrs	Since Inception
SI USD Acc	21/08/18	6.9	8.6	8.6	n/a	n/a	11.9
CPI*		0.1	0.7	0.7	n/a	n/a	1.2
A GBP Inc	02/11/18	6.6	6.2	6.2	n/a	n/a	11.5
CPI*		0.1	0.7	0.7	n/a	n/a	2.5

Performance beyond one year is annualised

	12 Months to	Dec-20	Dec-19	Dec-18	Dec-17	Dec-16
SI USD Acc		8.6	22.6	n/a	n/a	n/a
CPI*		0.7	1.4	n/a	n/a	n/a
A GBP Inc		6.2	n/a	n/a	n/a	n/a
CPI*		0.7	n/a	n/a	n/a	n/a

Source: Sanlam, Morningstar and Lipper as at 31/12/2020.

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

\*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

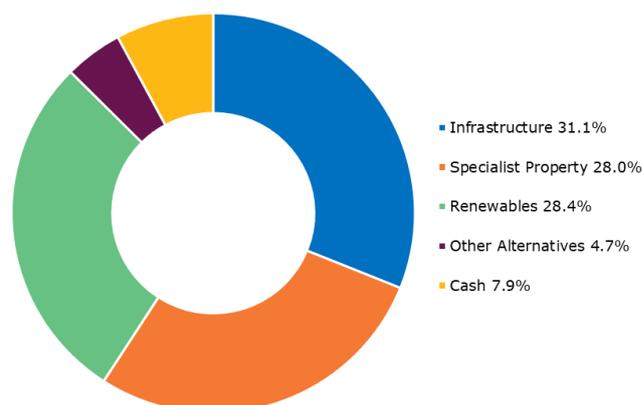
Fund AuM £	£336m
Fund AuM \$	\$460m
Number of Holdings	37
Portfolio Yield**	3.5%
Fund Manager	Mike Pinggera
Benchmark	CPI*
Return Target	CPI+4%
Fund Launch Date	21 August 2018
Domicile	Ireland
Base Currency	Sterling
Fund Type	OEIC, UCITS
IA Sector	IA Specialist
Morningstar Category	Alt - Other
Dealing Deadline	11:00 (GMT)
Settlement Time	T+3
Valuation Point	Midday (GMT)
Distribution	Monthly

## Performance attribution

	End Weight	Contribution
Infrastructure	31.11%	1.83%
Specialist Property	28.04%	0.79%
Renewable Energy	28.35%	2.21%
Other Alternatives	4.66%	0.62%
Stock Hedge	1.03%	1.70%
<b>Total</b>	<b>100%</b>	<b>7.12%</b>

StatPro data

## Fund allocation

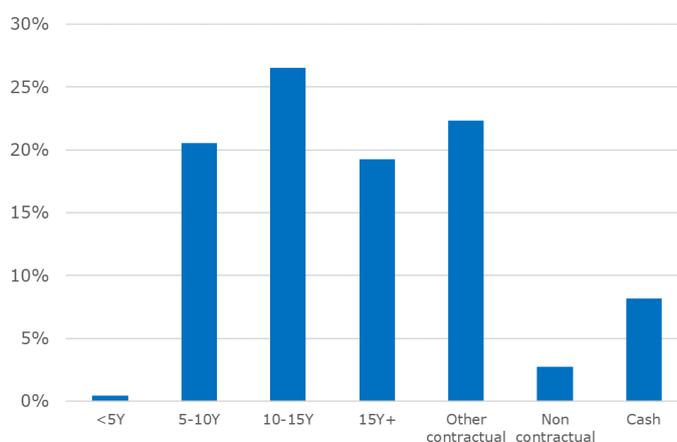


## Top 10 holdings

	% NAV
3i Infrastructure	4.82
Digital Realty Trust	4.73
Orsted A/S	4.70
HICL Infrastructure	4.70
Brookfield Renewables	4.54
Nextera Energy	4.50
Tritax Big Box	4.47
Acciona	4.45
Vonovia SE	4.44
Brookfield Infrastructure	4.43

Source: Sanlam as at 31/12/2020.

## Average Contract Durations



## Fund review (Cont'd)

Over the quarter we introduced 2 new investments to the fund bringing the portfolio to 37 holdings. The first was a newly launched specialist property business focused on housing aimed at alleviating homelessness in the UK, and the second was a global renewable business that are leaders in the design, development and ownership of geothermal energy assets. Both have further diversified the portfolio by providing exposure to new asset types, geographies, and sectors, benefitting from long-term contractual revenues and durable growth opportunities. Diversification continues to serve an important purpose in the current macro-economic environment. At quarter end the fund holdings were geographically diversified across 60 countries with 64 underlying asset types.

There was a significant amount of fundraising activity during Q4 - 12 of the fund's holdings launched equity fundraises which in aggregate were seeking to raise in excess of c.£2bn of fresh capital. Companies deployed fresh capital towards reducing outstanding debt facilities and acquiring attractive pipelines of investments. This included commitments towards UK, US and European renewable energy and energy efficiency assets, global music rights, UK supermarkets, social housing, logistics property and PFI assets. Consistent with prior periods, the majority of capital raising activity was oversubscribed and, in some instances, scaling back exercises were undertaken. For investors, capital raising activity is a comforting sign that business are taking advantage of attractive growth opportunities and moving forward in spite of the uncertain economic backdrop.

## Outlook

### Focal point for 2021

Global Trade – Joe Biden and life after Brexit will keep global trade high on the agenda. De-Globalization in the form of domestic focussed policies, food security and vaccine distribution could be hot topics.

Stimulus – Support packages from government and central banks are likely to play a key role in 2021 and are likely to come with an environmental and social tilt. For markets, the bigger the better.

### Real Assets

In an environment seemingly dominated by short-term concerns operational real assets continue to offer investors an opportunity to take a long-term view and get paid along the way.

The positive outcome from 2020 is that environmental and social impact has moved up the agenda and is becoming a default requirement for many investors. This trend is highly supportive of investments in Real Assets.

For professional investors only

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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](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. AM1020(213)0121UKInst.