PERPETUA GLOBAL EQUITY UCITS FUND

A sub-fund of the Sanlam Universal Funds plc

MDD Issue Date: 2020/09/08

FUND OBJECTIVE

The objective of the portfolio is to deliver long-term capital growth and outperform the benchmark over all periods of five years and longer.

FUND STRATEGY

The fund will be managed with a bias towards global equities. The fund may also gain exposure to other asset classes, such as real estate, bonds and cash.

FUND INFORMATION

Manager	Sanlam Asset Management (Ireland) Ltd
Investment Manager	Perpetua Investment Managers (Pty) Ltd
Portfolio Manager	Delphine Govender
Depositary / Custodian	Brown Brother Harriman Trustees Services (Ireland) Ltd
Transfer agency	Brown Brothers Harriman Fund Administration Services (Ireland) Ltd
Domicile	Ireland
Risk Profile	Medium to High
Base Currency	US Dollar
Benchmark	MSCI All Country World Index
Fund Size	USD 10.8 million
Unit Price	USD 0.9358 (Class A)
ISIN	IE00BG1D0S77 (Class A)
Portfolio Launch Date	01 February 2019
Minimum Investment	USD 100,000 (Class A USD)
Income Declaration Date	Fund does not distribute income. Dividends and Income are automatically added to the NAV of the fund.
Portfolio Valuation Time	Midnight (South African time) on each dealing day
Transaction Cut Off Time	4 PM (Irish time on the business day preceding a dealing day)
Daily Price Information	www.sanlam.ie
Dealing / redemption frequency	Daily

FEES

Minimum Initial Advice Fee	0% (up to 5% with intermediary charges if applicable) (Class A USD)
Manager Fee	0.15% (Class A USD)
Investment Management Fee	0.65% per annum (Excl. VAT)
Performance Fee	None
Exit Fee	None
Other allowed expenses	Depository fees, custody fees, administration fees, directors' fees, legal fees, audit fees, bank charges, regulatory fees, brokerage/trading fees
Total Expense Ratio	Not applicable
	Transaction cost: Not applicable

The Fund does not pay performance fees.

Full details of fees are contained in the fund supplement, which can be obtained free of charge at www.sanlam.ie

NOTE: A higher TER does not imply a poor return, nor does a low TER imply a good return. The current TER may not be an accurate indication of future TERs.

Transaction costs are a necessary cost in administering the Financial Product and impacts Financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER.

TOP 10 HOLDINGS (%)

Portfolio Date: 2020/06/30

Company	Country	Sector	Weight (%)
Reinet Investments	South Africa	Financials	5.3
TCS Group Holding	Russia	Financials	4.9
Micron Technology	United States	Information Technology	4.5
Bed Bath & Beyond	United States	Consumer Discretionary	4.3
Facebook Inc	United States	Communication Services	4.2
Bank of Ireland	Ireland	Financials	3.8
Magnit	Russia	Consumer Staples	3.7
Royal Dutch Shell	Netherlands	Energy	3.5
Mohawk Industries	United States	Consumer Discretionary	3.5
Michaels	United States	Consumer Discretionary	3.5
Top 10 Positions			41.1

Source: Perpetua Investment Managers (Pty) Ltd

SECTOR ALLOCATION (%)

Portfolio Date: 2020/06/30

MSCI Sector	Fund (%)	MSCI ACWI (%)
Financials	32.8	13.4
Consumer Discretionary	25.4	11.8
Consumer Staples	13.6	8.1
Energy	10.4	3.6
Information Technology	7.3	20.7
Communication Services	4.6	9.4
Materials	3.2	4.6
Health Care	2.3	12.9
Real Estate	0.5	2.9
Industrials	0.0	9.4
Utilities	0.0	3.2
Total	100.0	100.0

Source: Perpetua Investment Managers (Pty) Ltd

PERFORMANCE SUMMARY

Fund performance (Net)	Fund (%)	Benchmark (%)
31 August 2020	3.2	6.1
Year to date	-17.4	4.8
1 Year	-1.7	16.5
Since Inception (annualized)	-4.1	13.9

Source: Perpetua Investment Managers (Pty) Ltd

PORTFOLIO MANAGER

Delphine has over 25 years' financial services experience of which the past 22 years have been spent directly in investment management. Delphine co-founded Perpetua in 2012 after having spent almost 11 years at Allan Gray Limited, where she held positions of Portfolio Manager and executive Director. She is a qualified CA(SA) and CFA charterholder. Delphine is Perpetua's Chief Investment Officer and accordingly has portfolio management responsibilities over all asset classes.

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ASISA CATEGORY

Global - Equity – General

FEES

This fund is deemed to be medium to high risk in relation to other asset classes due to its equity-based investment approach and emerging and frontier markets exposure, it may be affected by uncertainties such as international political developments and changes in governmental policy or taxation.

Irish domestic law implementing EU and United Nations sanctions may limit or prohibit investment in particular African markets and this may have an adverse impact on the operations of the Fund. Investing in international companies means that currency exchange rate fluctuations will have an impact on the Fund returns. Foreign currency shortages in some frontier markets could reduce the fund's ability to repatriate funds. The investment manager aims to reduce the overall risk by their value and fundamental stance.

GLOSSARY TERMS

Annualised total returns
Annualised return is the weighted average compound growth rate over the period measured.

Capital growth
Capital growth is the profit made on an investment, measured by the increase in its market value over the invested amount or cost price. It is also called capital appreciation.

Equities
Equities are shares that represent an institution's or individual's ownership in a listed company. These shares are also the "vehicle" through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase which translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling.
Shares / equities are usually considered to have the potential for the highest return of all the investment classes but also have the highest level of risk i.e. share investments have the most volatile returns over the short term. An investment in equities should be viewed with a 7 to 10 year horizon.

Undervalued equity stocks (Value investing approach)
This is a strategy of selecting shares that trade for less than their intrinsic values. Value investors actively seek stocks that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's actual long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated.

Securities
A general term for shares, bonds, money market instruments and debentures.

Collective investment scheme (CIS)
Collective investment schemes (also called unit trusts) are portfolios of assets such as equities, bonds, cash and listed property, in which investors can buy units. They allow private investors to pool their money together into a single fund, thus spreading their risk across a range of investments, getting the benefit of professional fund management, and reducing their costs.

Total Expense Ratio (TER)
This is the total costs associated with managing and operating an investment (administration, financial planning and servicing fees). These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets under management to arrive at a percentage amount, which represents the TER.

Standard deviation
Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the amount of expected volatility in an investment.

REGULATORY STATEMENT

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 an 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.

The Sanlam Universal Funds Plc full prospectus, the Fund supplement, the MDD and the KIID is available free of charge from the Manager or at www.sanlam.ie. This is neither an offer to sell, nor a solicitation to buy any securities in any fund managed by us. 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 the MDD and the KIID. 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. A schedule of fees and charges and maximum commissions is available on request from the Manager.

This is a Section 65 approved fund under the Collective Investment Schemes Control Act 45, 2002 (CISCA). Sanlam Collective Investments (RF) (Pty) Ltd is the South African Representative Office for this fund.

The information to follow does not constitute financial advice as contemplated in terms of the South African Financial Advisory and Intermediary Services Act.

Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision, not all investments are suitable for all investors.

Collective Investment Schemes (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the product.

Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ based on the initial fees applicable, the actual investment date, the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Trail commission and incentives may be paid and are for the account of the Manager. The Manager has the right to close any Portfolios to new investors to manage them more efficiently in accordance with their mandates. Performance figures for periods longer than 12 months are annualized. The Manager retains full legal responsibility for this Fund.

CONTACT INFORMATION

Manager Information
Sanlam Asset Management (Ireland) Ltd
Physical Address: Beech House, Beech Hill Road, Dublin 4, Ireland
Web: www.sanlam.ie
Tel: +353 1 2053510
Fax: +353 1 2053521
Email: intouch@sanlam.ie
Company registration number: 267640 – UCITS IV Management Company & Alternative Investment Fund Manager regulated by the Central Bank of Ireland and is licensed as a Financial Services Provider in terms of Section 8 of the South African FAIS Act of 2002.

Investment Manager Information
Perpetua Investment Management (Pty) Ltd
Address: 5th floor, The Citadel, 15 Cavendish Street, Claremont, 7708, Cape Town, South Africa
Web: www.perpetuaim.co.za
Tel : +27 21 6744274
Fax : +27 21 6744599
Email: info@perpetua.co.za
Authorised: Financial Service Provider FSP : 29977

For further information:
Brown Brothers Harriman Fund Administration Services (Ireland) Ltd
Address: 30 Herbert Street, Dublin, D02 W329 Ireland
Registered No. 231236
Web: www.bbh.com
Tel : +353 1 241 7130
Fax : +353 1 241 7131
Email: Sanlam.TA@bbh.com

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Perpetua

PORTFOLIO MANAGER COMMENT

As at 30 June 2020

Market Overview

For the quarter ended 30 June 2020, the benchmark MSCI All Country World Index (MSCI ACWI) returned 19.2%. Global equity markets rebounded strongly from the March 23rd lows driven by an unprecedented global monetary and fiscal policy response, and increased optimism regarding a V-shaped economic recovery as lockdown restrictions eased and businesses gradually reopened. U.S. stock markets continued to lead the global rebound with the tech heavy Nasdaq and S&P 500 returning 46% and 38% respectively from the lows while world markets rose 35%. The FAANGM stocks all hit record highs in early July driven by heightened optimism that the tech sector will lead the post-coronavirus economic recovery. In late June, Tesla overtook Toyota as the largest automaker by market capitalization at $180B and then rose another $100B over the last three weeks in what can only be described as 'irrational exuberance'. To put things into perspective, Toyota produces 10 million vehicles and generates $20B of operating earnings while Tesla produces 368,000 vehicles and loses money. Stock prices know no limits in the short-term when interest rates are near zero, liquidity is plentiful and retail investors flock to the markets lured by the prospect of 'easy money'. Markets today appear to be driven by liquidity and sentiment, and not fundamentals.

Fund Performance

Over the second quarter of 2020, the Perpetua Global Equity UCITS Fund returned 23.1%, compared to the benchmark, which returned 19.2%. The major contributors to performance include Michaels, Bed, Bath & Beyond, TCS Group, Transocean and Magnit with a combined 18% return contribution. While it is encouraging that the fund outperformed over the quarter, it has lagged the market year-to-date, and there is lots of ground to make up. While the largest contributors in Q2 were also the largest detractors in Q1, these stocks remain cheap and offer significant return opportunity, especially in a market that is not far off its February all-time highs.

Fund Positioning

There were 38 positions at quarter-end representing 90% of net asset value while cash stood at 10%. The Fund's positioning remains largely unchanged from the prior quarter and very attractive priced at a 40% discount to our assessment of intrinsic value. From a sector perspective, the Fund is overweight financials, consumer discretionary, consumer staples and energy. A full explanation of the Fund's positioning is provided below.

1. Financials

   The Fund's exposure to financials represents 33% of net asset value and remains the largest single sector position. Within financials, the fund holds 13% in commercial banks, 8% in asset managers and 12% in diversified financials such as Berkshire Hathaway, Reinet and American Express.

   We are primarily invested in banks (Wells Fargo, Bank of Ireland, TCS Group) with strong financial positions, easy to understand balance sheets, strong credit metrics and a track-record of compounding book value per share at attractive double-digit rates over long periods of time. In addition, we are particularly attracted to banks with complementary businesses, such as wealth management and custodial services, which are sticky businesses that benefit from economies of scale and provide opportunities to sell more products and service to existing customers. We are confident that they are well-positioned to continue compounding book value per share over the long-term and creating economic value through thoughtful capital deployment.

   The Fund has exposure to asset managers through its holdings in Franklin Resources, Affiliated Managers Group, State Street and Invesco. These businesses have strong financial positions and trade at decade low valuations. Berkshire Hathaway remains one of the few mega-cap stocks that trade at a meaningful discount to underlying net asset values with significant cash reserves ready to deploy into when prices become attractive. Reinet has a growing financial services business and a large investment in British American Tobacco at a very cheap price today. American Express has re-invested heavily over the past several years into its business and appears to be reaping the rewards in terms of consumer satisfaction and brand strength. The stock trades on 10 times normal earnings and remains very well-positioned to grow once the global economy recovers.

2. Consumer Discretionary

   The Fund has a broad exposure to consumer cyclicals totalling 25% of which 18% is represented by apparel, home furnishings and homewares, and 7% by autos & components.

   The Fund has a large aggregate exposure to several consumer discretionary stocks such as Capri Holdings, Limited Brands, Pandora, Hugo Boss, The Michaels Companies and Bed, Bath & Beyond. They have all underperformed over the past few years as each business has faced different operational challenges and industry headwinds resulting in many investors simply giving up. As a result, sentiment is very weak and stock prices extremely low. While the investment thesis for each stock is unique, they do share some common investment characteristics. First, they all trade on single-digit P/E multiples on very depressed earnings. Second, they have conservatively financed balance sheets and generate strong cash flows. Third, each business is in the latter stages of their respective operational turnaround. Investor fatigue and a lack of near-term earnings visibility leads investors to avoid companies that are experiencing some form of operational or financial distress until these are resolved and visibility improves. However, only by investing in advance of such clear evidence of operational improvement, can we be assured of paying a sufficiently low price to meet our margin-of-safety requirement. This therefore minimises the downside and maximises the upside potential of any investment opportunity. In our view, we are being well rewarded for accepting the turnaround and execution risk inherent in these consumer discretionary stocks.

3. Consumer Staples

   The Fund is invested in the cheapest consumer staples stocks available in the market today with a broad exposure to tobacco, food retail and food producers totaling 14% exposure. The bulk of this exposure sits in food retailers such as Tesco, Magnit and DIA totaling 8% while tobacco stocks such as Philip Morris and British American Tobacco total 4% of Fund. Kraft Heinz and Ulker Biskuvi represent the balance of the exposure. These companies are the number 1 or 2 in their industry, remain well-positioned to grow market share and are very attractively priced.

4. Energy

   When shares decline, it is crucial to distinguish justified reaction to fundamental developments from extreme overreaction. This has been challenging for some of our energy holdings which now stand at 11% of the Fund.

   History suggests that oil price shocks are seldom lengthy in duration. We are now firmly at the bottom of the cycle both on the supply and demand side of the equation. Although we believe the investment thesis regarding pent up oil reserve replacement at oil majors remain intact in the medium to long term, the fall out in demand and the Saudi Arabia-Russia price war will delay meaningful oil exploration in the short term.

   This has brought to question the more pertinent issue of financial risk for some of our holdings such as Valaris, Diamond Offshore and Transocean before the thesis may have a chance to play out. Our recent actions have been to de-risk our overall holding and allocate additional capital only to the best capitalised firms such as Royal Dutch Shell and Maersk Drilling while taking advantage of price volatility to reduce our holdings in the companies we estimate to be more binary in nature. We continue to believe the energy sector will yield fantastic returns in the future.

   We believe the Fund remains well positioned to benefit from the recovery in cyclical and value stocks, especially the energy, retail and financial stocks, which have been heavily out-of-favour over the past few years and very attractively priced for strong future returns.

Portfolio Manager

Delphine Govender
CA(SA) and CFA