

PERPETUA GLOBAL EQUITY UCITS FUND

A sub-fund of the Sanlam Universal Funds plc



MDD Issue Date: 2021/03/19

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
Depository / 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 16.3 million
Unit Price	USD 1.4128 (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: 2021/03/31

Company	Country	Sector	Weight (%)
Bank of Ireland	Ireland	Financials	5.7
Micron Technology	United States	Information Technology	4.8
Wells Fargo	United States	Financials	4.6
TCS Group	Russia	Financials	4.5
British American Tobacco	United Kingdom	Consumer Staples	4.4
Capri Holdings	United Kingdom	Consumer Discretionary	4.3
Mohawk Industries	United States	Consumer Discretionary	4.1
BMW	Germany	Consumer Discretionary	3.1
Philip Morris	United States	Consumer Staples	3.1
Facebook	United States	Communication Services	3.0
Top 10 Positions			41.6

Source: Perpetua Investment Managers (Pty) Ltd

SECTOR ALLOCATION (%)

Portfolio Date: 2021/03/31

MSCI Sector	Fund (%)	MSCI ACWI (%)
Financials	29.9	14.3
Consumer Discretionary	22.2	12.8
Consumer Staples	21.9	7.0
Information Technology	8.6	21.3
Energy	5.5	3.4
Materials	3.9	5.0
Communication Services	3.5	9.4
Health Care	3.0	11.4
Real Estate	1.5	2.6
Industrials	0.0	10.0
Utilities	0.0	2.9
Total	100.0	100.0

Source: Perpetua Investment Managers (Pty) Ltd

PERFORMANCE SUMMARY

Fund performance (Net)	Fund (%)	Benchmark (%)
31 March 2021	4.7	2.7
Year to date	18.2	4.6
1 Year	97.4	54.6
Since Inception (annualized)	17.3	17.8

Source: Perpetua Investment Managers (Pty) Ltd

PORTFOLIO MANAGER

Delphine has over 26 years' financial services experience of which the past 23 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
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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

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Authorised: Financial Service Provider FSP : 29977

For further information:

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PORTFOLIO MANAGER COMMENT

As at 31 March 2021

Market Overview

The benchmark MSCI All Country World Index (MSCI ACWI) returned 4.6% for the first quarter of 2021.

The top 2 performing sectors over the quarter were Energy and Financials, which continued the strong performance in the latter half of 2020. Both sectors constitute a large part of Value indices and partly explain the outperformance of Value indices recently. The only sector with negative returns over the quarter was Consumer Staples as investors rotated their portfolios towards more cyclical shares on the expectation of a post-Covid recovery.

Fund Performance

Over the first quarter of 2021, the Perpetua Global Equity UCITS Fund returned 18.2% compared to the MSCI ACWI which returned 4.6%. The largest single contributor during the quarter came from Bed Bath and Beyond. Less than a year ago the company was priced at \$3.50 at less than 1.0x the previous years' FCF when it became one of our highest conviction holdings. In February, this year we sold most of our holdings at \$47.00 when the share was pricing in a more realistic outcome. Bed Bath and Beyond is a great example of how the short-term focus of the market can cause widely irrational expectations to be priced into shares and how investors that take a longer-term stance can benefit. The other large part of the outperformance over the first quarter came from the Fund's large overweight position in Financial shares. Our banking investments in TCS Group, Bank of Ireland and Wells Fargo make up 20% of the Fund and all reported that the higher level of provisioning made for Covid-19 during 2020 was more than adequate, alleviating concerns and boosting earnings expectations for 2021. More broadly the bond market has also started to price in higher inflation and therefore higher interest rate expectations compared to rock bottom expectations during most of 2020. TCS Group was a particularly strong performer as the market favourably viewed the decision of founder Oleg Tinkoff to relinquish his voting control of the business. With the share increasing approximately 5-fold since our purchase last year, the market is starting to appreciate that TCS Group is the most successful Fintech company in the world with a long runway of highly profitable growth. Despite their good performance, our banking holdings still trade at a discount to our estimates of value if interest rates remain low and have significant optionality should central banks raise interest rates from here.

Despite our style of investing, i.e. value, underperforming since inception of the Fund as measured by the MSCI ACWI Value index, the Perpetua Global Equity UCITS Fund has kept pace with the market and has meaningfully outperformed the value index. We ascribe this to 3 factors:

- Our broader value approach – We do not define our style too narrowly and look for mispricing across the opportunity set. We always buy at a price at a discount to value and with a differentiated long-term view. This includes an appreciation for the value of high-quality businesses. As a result, we bought tech shares such as Apple and Facebook when they offered an opportunity during the beginning of 2019 (before selling Apple in early 2020 after it rose above our fair value).
- Our behaviour - During the market crash last year we turned over a large part of the Fund to sell shares that have held up well to purchase more deeply discounted cyclical shares that we assessed to have the lowest financial risk. As a result, we more than made up what we lost in the first 3 months of 2020 with the Fund nearly doubling over the past year versus the benchmark recovering 55%.
- Bottom-up idiosyncratic stock picking has contributed with large winners such as Bed Bath and Beyond and TCS Group that have more than outweighed earlier detractors.

Fund Positioning

There were 34 positions at quarter-end representing 87% of net asset value while cash stood at 13%. The Fund retains an overweight position in Financials and as discussed, is in no rush to sell. The Fund's consumer staples overweight is invested in businesses dominant in their categories that pay out high dividend yields with good EPS growth prospects. This alone should provide satisfactory investment returns notwithstanding the significant re-rating potential of these shares from low price multiples. We consider it prudent to have a strong position in such good quality business with low downside risk that also can serve as funding as our new idea work presents even more attractive opportunities.

The Fund is predominantly invested in above average businesses that are priced at a meaningful discount to market multiples. The portfolio is currently priced at 10.7x our estimate of normal earnings and a 20% discount to our estimate of intrinsic value and therefore still attractively priced. We continue to source new ideas to further improve the Price to Value relationship and risk characteristics of the Fund.

Portfolio Manager

Delphine Govender
CA(SA) and CFA