Denker Global Equity Fund

A sub fund of Sanlam Universal Funds plc
Class B USD

Minimum disclosure document
(fund fact sheet)

30 June 2023

DENKER CAPITAL

Fund objective

The Fund aims to provide above average long-term capital growth by investing in global equities that the Investment Manager has identified as being undervalued and as offering above average growth potential.

Investment style

The Investment Manager seeks to achieve the objective of the fund by investing in undiscovered and neglected global equities that the Investment Manager has identified as being undervalued and offering above average growth potential over time.

Asset allocation as at month end

Top 10 holdings

Microsoft	US	5.6%
Berkshire Hathaway	US	5.2%
Oracle	US	3.7%
HCA Healthcare Inc	US	3.3%
Ferguson Plc	UK	3.0%
KLA-Tencor Corp	US	2.9%
Arch Capital Group Ltd	Other	2.6%
Lowe's Companies Inc.	US	2.6%
Becton Dickinson & Co.	US	2.3%
Legal & General	UK	2.1%

Asset allocation

Equities	97.9%
Cash	2.1%

Geographical breakdown

US	66.1%
Europe	19.9%
UK	6.6%
Other	2.6%
Cash	2.1%
Asia	1.8%
Scandinavia	0.9%

Sectors

Information Technology	23.2%
Financials	19.5%
Consumer Discretionary	15.1%
Health Care	13.1%
Industrials	10.9%
Consumer Staples	5.8%
Communication Services	5.4%
Energy	5.0%
Cash	2.1%

Key facts

Fund inception	2 September 2004
Benchmark	MSCI World Index TR
Portfolio manager	Jacobus Oosthuizen
Base currency	US Dollar
Fund type	UCITS
Domicile	Ireland
Fund size	$66 million
Unit price	$3.2072
Minimum investment	$750,000
Class inception	1 September 2006
Distribution	This fund does not distribute. Income is automatically added to the NAV.
Morningstar category	Global Large-Cap Blend Equity
ISIN	IE00B193PY57
SEDOL	B193PY5
Bloomberg	SANUGLB ID

Performance summary (in USD)

	Denker Global Equity Fund	Benchmark: MSCI World Index TR
Annualised performance		
1 Year	22.2%	18.5%
3 Years	12.1%	12.2%
5 Years	6.8%	9.1%
10 Years	5.8%	9.5%
Since inception	3.7%	6.8%
Cumulative performance		
YTD	15.2%	15.1%
Since inception	220.7%	312.2%
Actual annual performance		
Highest annual return	25.3%	
Lowest annual return	-15.0%	

Based on a calendar year period over 10 years (or since inception where the the performance history does not exist for 10 years).

Source of all performance figures: Morningstar and Denker Capital.
Performance figures are net of fees.

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Portfolio manager

Jacobus Oosthuizen
M.Compt., CA(SA), CFA®

Jacobus manages the Denker Global Equity Fund and its rand-denominated feeder fund. He started his career in 2000 at Ernst & Young, where he completed his articles. Between 2002 and 2003 he held various risk and capital management positions at Rand Merchant Bank Treasury, after which he joined Rand Merchant Bank's international division as an investment analyst on a proprietary emerging market corporate bond portfolio. Jacobus has been part of our investment team since 2006. Prior to being appointed as portfolio manager in early-2021, he filled a role as an equity analyst on the global equity team.

Quarterly comments: June 2023

Market review

The first quarter's banking stress in the US resulted in a sharp repricing of the likely path for interest rates. The 2-year bond yield in the US rallied from a high of 5.1% on 8 March to a low of 3.8% a few weeks later. But during Q2 robust economic growth data, moderating inflation numbers and resolution on the US debt ceiling standoff pushed the 2-year bond yield back to 4.9% at the end of the quarter and above 5% in July. Surprisingly, global markets delivered despite the interest rate volatility, but the market performance has been notable for the very narrow returns – i.e. a large part of market returns have been driven by only a handful of shares. During Q2 the strongest performing sectors were once again technology (+16%), consumer discretionary (+10.9%) and communication services (+9.6%). Sector laggards were mainly sectors that are more defensive in nature such as consumer staples, healthcare and utilities. These sectors were essentially flat during Q2.

Central Banks globally marched to the drum of continued inflationary pressures and maintained their rate hiking stance - including the Fed, Bank of England, European Central Bank and central banks of New Zealand, Canada and South Africa (to name a few).

The MSCI World Financial Index (the fund's benchmark) gained 5.0% (US banks 4.5%) in US dollars. This shows a very strong bounce back of the US banks from the negative -8.3% (total return) for the six months.

Portfolio review

The Denker Global Financial Fund performed well (and outperformed its benchmark) over the quarter and 6 months (with the A class gaining 7.6% for Q2 and 3.5% YTD).

The lesson here for investors is to guard against emotionality when negative events occur. When investing one does so with a view of the future, and the future is always uncertain. But two certainties that are important to have to generate good investment returns are a) valuations and b) management quality. The valuations of the banks and insurers the fund is invested in are currently at historic lows, which highlights the uncertainty in the market about the near-term future of the sector. But it also means a strong rebound when the outlook changes. In terms of quality, the track record of the management teams the fund is invested in - in terms of underwriting, cost management and capital allocation whilst growing the business profitably - speaks for itself.

During the quarter, the market ignored the above and sold down the US regional bank shares. In our case, the investments in US Bancorp and Keycorp (both US regional banks) were down 26% and 46% over the six months.

On concerns of the effects of a possible recession, recent stress test results released by the Fed highlighted that US banks have sufficient capital to withstand a 40% fall in commercial real estate values. In addition, JP Morgan reported that their bad debt provisions will be sufficient for a 5.8% US unemployment rate environment (current rate of 3.6%). March 2023 results released by South African banks also showed +/- 50% increases in bad debt provisions, providing for potential bad debts in the event of a downturn. This highlights how conservative management teams are and overtly negative markets are.

We visited bank management teams in the US, UK and Europe in May and one of the executives said, "When I look inside our bank and I look at the market, there seems to be a total disconnect". Our experience of many cycles and bank crises, research, observations and the meetings bring us to the same conclusion. The market is acting on poor information and emotions and this is presenting investors with a chance to invest at rock bottom valuations.

This is proven by the price gains of the 15 best performers, most of them gaining 20% to 50% over the quarter. Most notable were the Greek banks (a small investment initiated in 2022) whilst long-time, larger investments like Kruk (Poland), Shriram Finance, IndusInd bank and LIC Housing (all in India), Scor (France), Banco Bradesco (Brazil), TBC (Georgia) and JP Morgan (our largest holding in the fund) also all had strong share price performances. This highlights the importance of having a diversified portfolio and, also, our ability to compare and do stock picking across the globe.

Changes to portfolio and Outlook

Subsequent to our visits we added to our regional bank holdings, taking profit on Scor (that has performed very well) and reducing Citigroup. We also reduced our investment in the Georgian banks (gained +100% over 12 months) and increased the investment in Banco Bradesco in Brazil. The Central Bank of Brazil's very hawkish stance is having the right effect, with inflation now down to 3.5% and interest rates still at 13.5%. So, one can look forward to a period of rate cuts which will spur economic growth.

Besides Brazil, the US regional banks, and UK banks and insurers and many of the EU banks and insurers remain grossly mispriced (Legal and General on a forward dividend yield > 8%). Even after the strong performance of the Georgian banks they remain very attractive on P/NAVs < 1.0x (with 25% ROEs). Why? In our view the sector is presenting an excellent investment opportunity. We think the reason for the low valuations is that investors are fearful and this emotion prevents them from looking through the bad news they see in the environment and seeing the good results the banks keep delivering. Interesting is that many of the smaller market cap holdings are attracting attention and have had good price gains. For the whole sector to re-rate from the current low valuations one most probably needs patience. But the downside risk is very low, and, in the meantime, we strongly believe that now is a good time for investors to invest - whilst these attractive valuations last and to benefit from the high dividend yields and growth in shareholder value in the shorter term.

Note: All returns included above are in US dollar terms.

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Fees

	Class B USD
Initial fee/ Front end load	0% (up to 5% with intermediary charges if applicable)
Annual management fee	0.85%
Management performance fee	0%
Repurchase fee	3% (the company may waive the repurchase fee in whole or in part)
Total expense ratio (TER)[1]	0.99%
Transaction cost (TC)[2]	0.10%
Total investment charges (TER+TC)[3]	1.09%

Other allowed expenses include depositary fees, custody fees, administration fees, director's fees, legal fees, audit fees, bank charges, regulatory fees, brokerage/trading fees.

Notes

1. TER 1 April 2020 to 31 March 2023

The percentage of the value of the financial product that was incurred as expenses relating to the administration of the product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

2. TC 1 April 2020 to 31 March 2023

The percentage of the value of the financial product that was incurred as costs relating to the buying and selling of the assets underlying the product. TCs are a necessary cost in administering the product and impacts the product's returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, type of financial product, investment decisions of the investment manager and the TER.

3. TER+TC

The percentage of the value of the financial product that was incurred as costs relating to the investment of the financial product.

Fund information

Manager	Sanlam Asset Management (Ireland)
Investment Manager	Denker Capital (Pty) Ltd, an authorised financial services provider under the South African Financial Advisory and Intermediary Services Act, 2002.
Depositary/ Custodian	Brown Brothers Harriman Trustee Services (Ireland) Ltd
Administrator	Brown Brothers Harriman Fund Administration
Transfer Agency	Brown Brothers Harriman Fund Administration Services (Ireland) Ltd
Listing	Irish Stock Exchange
Salient risk factors	This fund is relatively high risk in relation to other asset classes due to its equity based investment approach, however the investment manager aims to reduce the overall risk by their value and fundamental stance.
Dealing/Redemption frequency	Daily
Dealing deadline	4 PM (Irish time on the business day before a dealing day)
Valuation point	Midnight (South African time) on each dealing day.
Daily prices	Irish Stock Exchange & www.sanlam.ie

Risk profile: Aggressive

You can afford to take on a higher level of risk (i.e. will have a greater exposure to equities in your portfolio) because of your investment time horizon, or your appetite for risk. You know that in taking the risk, you need to be patient if you want to achieve the results. So you are willing to invest for the long-term and are prepared to tolerate some volatility in the short term, in anticipation of the higher returns you expect to receive in five years or beyond.

Contact information

Investment Manager and client service: Denker Capital

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South Africa

The appointed investment manager is Denker Capital (Pty) Ltd, an authorised financial services provider in terms of Financial Advisory and Intermediary Act, 2002, FSP 47075.

Manager: Sanlam Asset Management (Ireland)

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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.

Depositary/Custodian: Brown Brothers Harriman Depositary Services (Ireland) Ltd

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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 annualised. The performance fee is accrued daily, based on performance over a rolling 6 month period with payment to the manager being made bi-annually. Performance fees will only be charged once the performance fee benchmark is outperformed. The portfolio management of all the portfolios are outsourced to Regulated and authorised financial services providers.

Deemed authorised and regulated by the Financial Conduct Authority. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. (Notes 1, 3 and 4)

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 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.

Issue date:
25 July 2023