Denker Global Financial Fund

A sub fund of Sanlam Universal Funds plc
Class A USD

Minimum disclosure document
(fund fact sheet)

30 November 2021

DENKER CAPITAL

Fund objective

The Fund aims to achieve steady growth in the value of investments, primarily by investing in financial companies* from around the world.

Investment style

The Fund utilises its database and long experience of the financial sector to invest in financial companies* with the search focused on companies that have a good track record of growing their net worth, whilst maintaining the discipline of investing only when they are mispriced.

Asset allocation as at month end

Top 10 holdings

Arch Capital Group Ltd	US	4.8%
LIC Housing Finance	Asia	4.6%
Citigroup	US	4.5%
Keycorp	US	4.0%
JP Morgan	US	3.6%
Legal & General	UK	3.6%
ERSTE BANK	Europe	3.3%
Renaissance Re	Other	3.3%
Essent Group	US	3.3%
OSB Group PLC	UK	3.2%

Asset allocation

Equities	94.2%
Cash	5.8%

Geographical breakdown

US	28.3%
Europe	19.2%
Asia	15.1%
UK	10.9%
Other	9.2%
Eastern Europe	6.6%
Cash	5.8%
Scandinavia	3.5%
Latam	1.5%

Sectors

Banks	47.7%
Financial Services	18.5%
Nonlife Insurance	17.6%
Life Insurance	6.5%
Cash	5.8%
Finance and Credit Services	4.0%

Key facts

Fund inception	8 April 2004
Benchmark	MSCI World Financial Index TR
Portfolio manager	Kokkie Kooyman
Base currency	US Dollar
Fund type	UCITS
Domicile	Ireland
Fund size	$91 million
Unit price	$42.5172
Minimum investment	$1,000
Class inception	5 October 2004
Distribution	This fund does not distribute. Income is automatically added to the NAV.
Morningstar category	Sector Equity Financial Services
ISIN	IE00B0S5SM41
SEDOL	B0S5SM4
Bloomberg	SANGLOA ID

Performance summary (in USD)

	Denker Global Financial Fund	Benchmark: MSCI World Financial Index TR
Annualised performance		
1 Year	33.1%	29.0%
3 Years	9.0%	10.8%
5 Years	9.1%	9.6%
10 Years	7.8%	10.9%
Since inception	8.8%	4.2%
Cumulative performance		
YTD	24.0%	22.6%
Since inception	322.6%	104.0%
Actual annual performance		
Highest annual return	29.7%	
Lowest annual return	-17.2%	

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.

*Defined as securities of companies of which the principle operations specifically focus on, and derive benefit from or pertain to, the provision of banking, insurance and other financial services.

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Portfolio manager

Kokkie Kooyman
B.Comm. (Hons), CA(SA), HDE

Kokkie is responsible for managing the award-winning Denker Global Financial Fund and its rand-denominated feeder fund. In 1989 he joined Old Mutual where he filled various investment management roles over 10 years, the last being Head of the Financial Services Sector. From 1999, Kokkie spent five years managing the local and global financial funds at Coronation Fund Managers. He established SIM (Sanlam Investment Management) Global in 2004, which merged with SIM Unconstrained Capital Partners to form Denker Capital.
Kokkie has received the prestigious UK-based Investment Week's Fund Manager of the Year award four times (2010-2013) in the financials category. The funds that Kokkie has managed over the years have received a range of industry awards. These include a Morningstar award for the Denker Global Financial Fund as well as Raging Bull awards for the Nedgroup Investments Financials Fund and the Denker Sanlam Collective Investments Global Equity Feeder Fund (the South African-registered feeder fund for the Denker Global Equity Fund).

Quarterly comments: September 2021

Market review

The MSCI World Index was flat during the quarter whilst the MSCI World Financial index was +2.1%, the financial index outperforming due to the yield on 10-year US bonds (which had declined during the quarter) moving higher towards 1.5%. A more detailed analysis of the options in the bond market reveals that the market believes inflation will be higher rather than lower and subsequent to quarter end 10-year bond yields continued their move upwards to 1.6% and most probably above 2.0% by year-end.
A quarterly analysis of the MSCI World Index at a sector level indicates that the market was led by financials (+2.1%), technology (+1.43%) and energy (+1.31%) while the laggards were materials (-5%), consumer staples (-1.87%) and industrials (-1.86%).
The Fed expects inflation pressures to be temporary and believes that once the economy's supply bottlenecks have worked through the system inflation will moderate back towards the targeted level of 2%. It is becoming clear however that markets are increasingly concerned that inflation pressures might not be as temporary as the Fed expects.
The energy shortages and rapidly escalating prices are contributing to these inflationary pressures but higher prices could retard the world's growth momentum. For what it's worth, Jamie Dimon (CEO of JP Morgan) believes that the bottlenecks are transitionary but inflationary pressures will persist for longer than the Fed believes and has positioned the bank's balance sheet accordingly. I believe Jamie Dimon's opinion is worth a lot - JP Morgan is after all the largest bank in the world.

Portfolio review

Our forecasts (warnings) of the past 12 months are becoming reality: The post Covid rebound remains strong unleashing inflationary pressures whilst the provisions the banks were forced to make in 2020 are proving to be unnecessary. The index performed well this quarter driven by stellar Q2 results and the rising 10 year yield. The fund outperformed the index due the investments in Russia (Tinkoff and Sberbank) as well as Raiffeisen (CEE and Russia), Erste Bank (interest rate hikes in CEE countries) as well as TBC, Kruk and BCP.
In fact, only a few of the shares in the fund had negative price moves: LIC Housing Finance (India) due to fears about pressure on mortgage defaults (not justified in our opinion) and then the insurance shares both in the US and Europe, the P&C shares falling the most. These price falls were mainly due to fears about large claims post hurricane Ida and the flooding in Europe. Again, we believe the market's view is myopic as the balance sheets are strong and the storm claims will cause further hardening of the rate cycle. We used the opportunity to buy Scor (sold at 1.3x P/NAV a few years ago and now trading at 0.8x) as well as Renaissance Re.

Changes to portfolio and outlook

In addition to the purchases of Scor and RenaissanceRe, we also added to Prudential (after a price fall on the back of wobbles in China), VEF (a very exciting private equity fund specializing in funding EM fintechs) and Bank Rakyat Indonesia and Mandiri (large Indonesian banks that will benefit from a strong post Covid-19 recovery and strong price gains in palm oil and coal - two of Indonesia's larger exports).
These purchases were funded by reducing our holdings in a few companies that are becoming expensive: ING and Tinkoff Credit Services, BBVA and Paragon (SME lender in the UK).
An interesting case was Kasikorn which we bought during the quarter when it fell to a multi-year low P/NAV, only for its share price to jump 20% two weeks later when a competitor announced an internal reshuffling to house their fintech driven operations in one unit. It shows how the market is overpaying for anything 'fintech' whilst most of these businesses won't be profitable for quite a while even though they're growing their client bases at a rapid rate. We continue to prefer investing in companies that are profitable. Three notable investments we made are Tinkoff, Signature Bank (both a few years ago) and VEF (2021).
<u>We remain very upbeat about the outlook for the sector:</u>
- Developed markets might be at the end of a long downward trend in interest rates. The combination of stronger growth and higher interest rates will be good for bank (and insurer) returns on capital.
- At the same time the banks can buy back shares and pay dividends again.
- The digitalisation strategies of the past few years has lowered the cost bases.
- These three points, plus reserve releases, will all help generate higher returns on capital (ROEs) which should cause a further re-rating.

The fund is mostly exposed to banks that will benefit from higher interest rates but at the same time the fund will also benefit from:
- Investments in banks of resource rich countries (Russia, Indonesia, Mexico). The banking sector plays a critical role in facilitating growth, especially in emerging markets. Hence, the fund has a 12% investment in these three countries plus a 7% investment in India.
- And then we've been slowly building the fund's investment in insurers and especially the property and casualty (P&C) sector. This sector has been de-rated despite reporting good growth in NAV (net asset or shareholder value). History shows that this sector generally re-rates once the wind season is over (October/November).
- Finally, it is also important to note that the fund is invested in a number of 'challengers', i.e. smaller companies that are taking market share from their larger peers due to their younger (and fresher) technology which allows a more client focused approach.

Note, however, that we only invest when the valuations do not accurately reflect the future earnings (i.e. trade at a discount to our valuation) so that the fund benefits from both compounding of shareholder value growth and a re-rating.
In summary, if our prognosis is right and world growth remains stronger, the sector and the fund are very well positioned to benefit from the changing environment.

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Fees

	Class A USD
Initial fee/ Front end load	0% (up to 5% with intermediary
Annual management fee	1.25%
Management performance fee	
Performance fee benchmark	MSCI World Financial Index TR
Base fee	1.25%
Fee at benchmark	1.25%
Fee hurdle	MSCI World Financial Index TR
Sharing ratio	20%
Minimum fee	1.25%
Fee example	1.25% p.a. if the fund performs in line with the performance fee benchmark
Total expense ratio (TER)[1]	1.41%
Transaction cost (TC)[2]	0.24%
Total investment charges (TER+TC)[3]	1.65%

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 October 2018 to 30 September 2021

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 October 2018 to 30 September 2021

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.

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.

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

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:
15 December 2021