Quarterly Investor Report

For Professional Investors Only

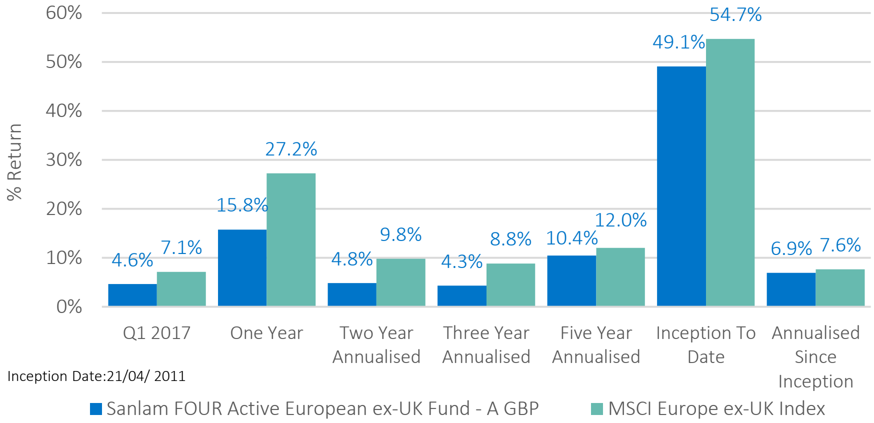
European ex UK Equity Fund

31 March 2017

Performance Summary

During the period under review the value of the Fund increased by +4.6% in Sterling terms. The MSCI Europe ex-UK Index appreciated by +7.1%. The performance of European equities during the period under review was upwards, as markets continued to support Trump's plans for infrastructure spending, a positive pro-EU result in the Dutch elections and some strong economic data in both the US and EU.

The Fund's characteristics remain broadly unchanged, with the emphasis on stock selection across all sectors. The tracking error of the Fund remains within the permitted range. There have been a couple of changes to the top 10 positions during the period under review. ASML and Autoliv are the portfolio's top two positions. Wirecard has moved out of the top ten holdings following the sale of the stock. Atos entered into the top ten positions after outperformance during the period.



	3 months	YTD	1 year	3 year	5 year	Since Inception	Ann. SI
A GBP	4.6	4.6	15.8	4.3	10.4	49.1	6.9
MSCI Europe ex UK	7.1	7.1	27.2	8.8	12.0	54.7	7.6

	2016	2015	2014	2013	2012
A GBP	8.2	8.0	-3.3	31.8	20.0
MSCI Europe ex UK	18.6	5.1	-0.7	25.3	16.0

Returns stated for Class A GBP, gross of fees. Inception 21/04/2011. For performance returns for all other shareclasses, please see data provided in the Appendix. Source: Sanlam FOUR, SAMI, MSCI.

Past performance is not a reliable indicator of future results

FUND SIZE

£80.6m

FUND CHARACTERISTICS

Tracking Error	3.4%
VAR (ex-ante)	6.6%
Cash %	2.9%
Holdings	29
Yield	3.0%

TOP TEN HOLDINGS

ASML Holding	6.7%
Autoliv	6.4%
Dufry	6.3%
Nestle	6.1%
Azimut Holding	5.4%
Intesa Sanpaolo	4.1%
Henkel	4.0%
Roche Holding	3.9%
Industria de Diseno Textil	3.9%
Atos	3.8%

Source: Sanlam FOUR, Bloomberg, PORT, Beauchamp : 31 March 2017

Market Background

It is Good Friday, 14 April 2017. Overnight a US military strike with a weapon known as the "mother of all bombs" (MOAB) killed 36 IS militants and destroyed their base. Recently the US launched an attack on the Syrian base believed to be the launch point of the chemical weapons attack which killed so many civilians. In Q1 2017 Investor sentiment was upbeat and markets continued to enjoy the post US election honeymoon period. Trump's much heralded policies were deemed as US economic friendly, but also a net benefit in the medium term to global corporate earnings. The modest rise in global equity indices during the period under review is therefore consistent with economic and corporate fundamentals. This prognosis was fully supported by the FY 2016 reporting season. There was similar endorsement from the US Federal Reserve which again tightened monetary policy. This is consistent with prior months' signals from the US Central Bank as the shift towards a normalised interest rate environment continues. Investors continue to view this trend as wholly beneficial to the banking sector which in recent years has been forced to endure yield compression and in numerous cases a negative interest rate regime. It is therefore little surprise that the love affair with financial stocks, which commenced during the latter part of 2016, has continued throughout the period under review. This has been very much the case in Europe. Against this Investors have continued to shun sectors adversely affected by rising interest rates. These include Real Estate, Utilities and Telecommunication services. The other main sector to have stagnated during the quarter was the Energy sector. The price of crude oil did drift during the three month period as doubts resurface over the ability of previous supply side accords to hold together. Europe had been expected to remain under the spotlight given the imminence of the elections in The Netherlands together with the proximity of the French Presidential elections during the Spring of 2017. The UK was equally facing issues in relation to serving notice to leave the EU under Article 50. In the event both the Dutch elections and UK notice to leave the EU passed smoothly. In The Netherlands the outcome was a continuation of the status quo, i.e. a continuation of a coalition government under the stewardship of the previous Premier. Within the UK Prime Minister May's timetable was adhered to and the exit negotiations have commenced.

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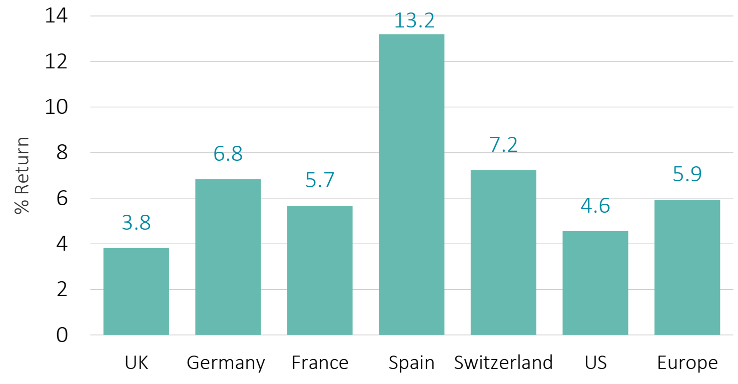
In financial market terms the year started on an interesting note when a bid was submitted to takeover Unilever in early January. This was retracted in short order but nevertheless highlights the attraction of European assets – irrespective of their capitalisation – to global suitors. Another positive development witnessed during the period under review has been the enormous propensity of Europeans to save as evidenced by recently released statistics in Italy relating to net new inflows.

Azimut, one of the country's largest independent asset managers and a significant holding within our portfolios, recently announced record inflows into its funds. This technical backdrop has firmly underpinned European equities in recent quarters and will continue to do so henceforth. The one point of concern for active managers continues to be the allocation to passive funds and ETFs.

Source: Bloomberg, 31 March 2017

Country Performance (GBP), Q1 2017



Source: Bloomberg, 31 March 2017

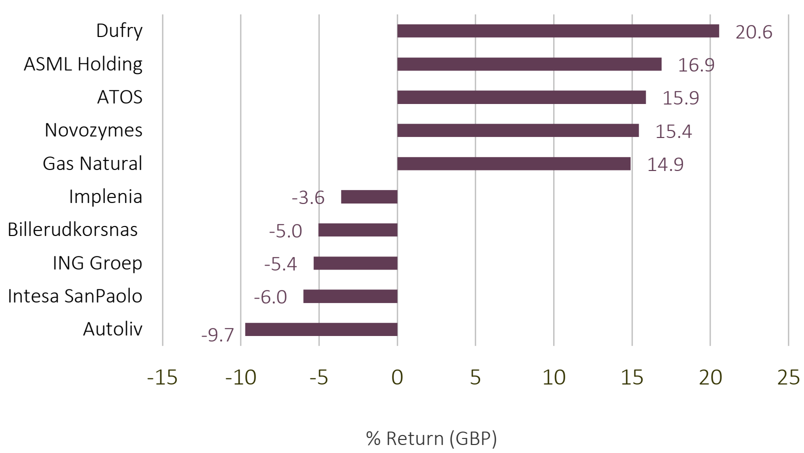
Investment Performance

During the quarter under review the value of the portfolio increased by +4.6% in GBP terms compared to the MSCI Europe Ex-UK benchmark which increased by +7.1%. In GBP terms, Information Technology (+11.1%), Industrials (+8.2%) and Utilities (+7.5%) were the best performing sectors with Energy (-2.5%), Real Estate (-0.1%) and Finance (-5.0%) being the worst performing. The portfolio is overweight Consumer Discretionary and Information Technology industries while being underweight Industrials and Materials. In GBP terms, the top five positive contributors to the portfolio's performance during the quarter were: Dufry (+20.6%), ASML Holding (+16.9%), Novozymes (+15.4%), Atos (+15.9%), and Roche (+13.9%). Absence from index constituents: Total (-1.2%) and H&M (-9.1%) benefitted the fund.

Dufry had a strong quarter after EBITDA met consensus expectations, organic revenue growth beat expectations and the company raised its estimates for synergies going forwards which will lower net debt levels faster than previously anticipated. ASML Holding performed well after analysts upgraded the stock on improving support from Intel at the annual lithography conference in conjunction with higher capex forecasts in China. Novozymes rebounded from the prior quarter's weakness after investors voiced belief the stock had become too cheap, which combined with news it will be working with Boehringer Ingelheim helped to boost the stock. Atos rose after releasing results which were broadly in line with estimates but showed a better than expected cash flow conversion rate combined with the announcement it was working with Siemens to provide cybersecurity solutions in the US. Roche saw a strong performance on the outcome of its Aphinity Trial Data showing that the combination of Perjeta, Herceptin and traditional chemotherapy after surgery lowered risk of death and return of tumours compared to Herceptin and chemotherapy.

In GBP terms, the five main negative contributors to the portfolio's performance during the quarter were: Autoliv (-9.7%), Intesa Sanpaolo (-6.0%), Azimut (-3.2%), Implenia (-3.6%) and Euronav (-0.9%). Absence from index constituents: Unilever (+20.3%) and Banco Santander (+17.3%) was detrimental to the fund.

Top & Bottom 5 Stock Absolute Performance



Source: Bloomberg, 31 March 2017

Autoliv suffered on the back of news that there could be a potential deal between Takata and Key Safety Systems combined with broker downgrades in the quarter. Intesa Sanpaolo suffered due to the news that it was considering a bid for Generali which investors feared could have been politically driven as a way of countering Axa from taking over the company. Azimut had a poor performance in the quarter with investors questioning if the business model and margins are sustainable in the long run. Implenia pulled back due to investors deciding it was time to take profits after the company's very strong run in the prior couple of quarters. Euronav was slightly down over the quarter due to day rates in the oil tanker market being on the weak side in conjunction with concerns surrounding the rate of deliveries of new oil tankers in to the market.

Source: Sanlam FOUR, Bloomberg, 31 March 2017

Fund Activity

The new positions undertaken were in ING, Peugeot, SAP, Software AG, Elekta, Mediobanca. There were also some key alterations to the portfolio on the basis of our strong convictions in ASML, Azimut, Intesa Sanpaolo, Nestle and Novozymes.

Elekta: the company's history traces back to 1972, where it was established as a human care company pioneering clinical solutions for treating cancer and brain disorders. The company develops sophisticated, state of the art tools and treatment planning systems for radiation therapy, radiosurgery and brachytherapy as well as workflow enhancing software systems across the spectrum of cancer care. It provides solutions in oncology and neurosurgery for over 6,000 customers worldwide and employs approximately 3,850 people in over 28 countries with manufacturing located in eight production units located in the US, China and Europe. The company currently has a variety of products to meet customer needs with the linear accelerator being a prominent product selling for $2m and earning the company approximately $200k a year in maintenance and services revenue.

The company has three operating segments with Hardware being the largest, followed by Services and finally Software boasting SEK 6bn, SEK 1.1bn and SEK 4.2bn in revenues respectively. Geographically, it is well diversified with 35.7% of revenues from the Americas, 32.5% from EMEA and 31.8% from Asia. The decision to introduce Elekta to the fund was made based on two main strategies; firstly, the company is enacting savings through a cost reduction and efficiency plan which should see increased margins. Secondly, it will soon gain approval for its new MR-Linac machine with a selling price fourfold the price of the Linear Accelerator and twofold the maintenance cost and services revenue. At the moment, consensus has a pedestrian top line growth rate of 5%, however, this new product once given FDA approval could see the top line increase over 50% in 3 years.

Leonardo: the company's history dates back to 1948 when it was founded by the Italian Institute for Industrial Reconstruction to manage all its holdings in the mechanical engineering and shipbuilding industries acquired in the first fifteen years of the institute's existence. In 1973, the energy crisis caused Leonardo to reorganise the company selling various non-core assets to focus on the Aerospace and Mechanical segments. During the 1994 period the government sold helicopter, land and naval artillery, railway construction, electro-optical systems, land and naval radar operations to the company.

Currently, the company has several key divisions with the helicopter division ranking in the top three globally, the defence and security electronics division being the second largest in Europe and the aeronautics division holding a leading position in the civil aircraft and advanced aero-structure sectors providing machinery and expertise to Airbus among other large customers and is a leading player in the construction and maintenance of the F35 Joint Strike Fighter and Eurofighter defence programs. The position was divested for two main reasons; firstly, the CEO Mauro Moretti was convicted and sentenced in January 2017 to seven years in prison for his role in a rail crash in 2009 that killed 32 people. Mr Moretti was instrumental in turning the company around and his departure was very unfortunate. Secondly, much of the investment case had played out with the divestment of Ansaldo Breda, improvements in working capital and cash flows and the reintroduction of a dividend.

The above positions were primarily funded through the scaling back of our positions Euronav, Intesa Sanpaolo, Nestle and Novozymes. In addition, our holdings in Gemalto, Wirecard and Leonardo were divested due to valuation concerns and our weak conviction in the investment cases going forward.

Stock Review

Peugeot's history is fascinating, if not unique. In 1810 the family grain mill was transformed into a steel foundry. Jean-Pierre and Jean-Frederic Peugeot diversified their original business and commenced manufacturing steel strips for dressmaking, saws and springs for watchmaking. It was not until 1891 that the Series-produced type 3 was rolled out. The type 3 was the first series-manufactured car in the world (64 units) travelling from Valentigny-Paris and then following the first Paris-Brest-Paris bike race. In 1893 the Peugeot type 3 was the first automobile to be driven in Italy. In 1896 the traditional industries were separated from the modern day hi-technology of manufacturing automobiles. Essentially Les Fils de Peugeot Freres continued with the former whilst Armand Peugeot created Automobiles Peugeot, a limited liability company. A year later Peugeot commissioned the building of the first automotive plant in Audincourt: The traditional workshops were abandoned and the first totally automotive –dedicated plant established. A second plant became operational in Lille in 1898. In 1905 Lion Peugeot cars were first showcased and offered as a complimentary range to the initial brand. It was also the pre-cursor to the now Lion logo synonymous with Peugeot. In 1910 the landmark event took place which witnessed the merger (and essentially re-unification) of Les Fils de Peugeot Freres and Armand Peugeot to create Automobiles et Cycles Peugeot, again a limited liability company with all vehicles manufactured by the single entity. The next major event for the French automotive group did not take place until 1965. Automobiles Peugeot became a holding under the name of PSA Group which in turn controlled all of the Group's companies. In 1976 PSA Group was renamed PSA Peugeot Citroen which held two automotive subsidiaries, namely Peugeot and Citroen. In 2010 Peugeot celebrated its bicentennial.

At year end 2016 PSA group had evolved into an automotive group generating €54 BN in revenue and employing 184,000 personnel on a global basis. The group had evolved into Europe's No. 2 vehicle manufacturer whilst selling 3 million vehicles worldwide, of which 1.93 million vehicles were sold in Europe and 620,000 vehicles were sold in China & South East Asia, and 383,489 vehicles were sold in The Middle East & Africa.

Net operating income reached €2.6 BN in the same financial year, amounting to an operating margin of 6.0%. Free cash flow generated also achieved an impressive €2.7 BN, giving rise to a cumulative free cash flow of €8.1 BN since end 2013. This is hugely significant given the automotive group was facing a financial crisis as recent as 2011/2 and prior to the arrival of the present CEO Carlos Tavares who has successfully engineered the turnaround and present healthy state of Europe's No. 2 auto manufacturer.

The investment thesis for Peugeot is predicated in part on the group in its current form continuing to squeeze up EBIT margins to circa 7% by year end 2019 as the benefits of the new model range (the 3008 in particular) become fully reflected in group results. Thereafter a general but modest softening of the automobile market is widely anticipated, but not guaranteed! Indeed the H2 2016 result has suggested that the new 3008 model is potentially delivering €2000 per unit of added profit. This alone will give rise to 19%, 27% and 23% uplift to EPS estimates in the three year 2017-9 period inclusive. The key part of the Peugeot investment case, however, follows the announcement in recent weeks of the group's intention to purchase the European activities of GM of the US. Essentially, Peugeot is proposing to pay circa €1.8 BN for combined Opel and Vauxhall sales of approximately €20 BN!

There already exist technological synergies between the groups which under one combined entity offer multiple improvements. The scope for purchasing synergies is equally attractive given under present arrangements both Vauxhall and Opel are required to group purchase their parts from GM in the US under a central (US) pricing policy. The longer term attractions, however, remain the potential industrial and strategic benefits which ought to gather momentum post 2019 and sustain group profitability into the early part of the next decade. The acquisition of Vauxhall is most timely given the French group's market position in post-Brexit UK. The combination with Opel is equally attractive given the addition of "Made in Germany" label currently lacked by Peugeot. The deal is expected to conclude in the latter stages of 2017.

Source: Company Reports, Sanlam FOUR; 31 March 2017

Investment Outlook

It is somehow refreshing that for the first time in a very long time there is light at the end of the tunnel in relation to the previous quarters' concerns about Europe's past and imminent political hurdles. For a considerable period of time they have been viewed as potentially and irreversibly harmful to the stability of the EU in its current form. The only potential threat during the next six weeks emanates from the French Presidential elections. The first round takes place during the next two weeks and it is widely expected the two leading Candidates to proceed into the head-to-head second round will be the centrist reformer Emmanuel Macron together with Ultra-right wing candidate Marine Le Pen. Thereafter our central case scenario is for Macron to emerge as the next President of France. Our cosy low risk scenario has weakened in recent weeks, however, following a spirited performance in two TV debates by ultra-left candidate Jean-Luc Melenchon. The latest polls put him on a par with Francois Fillon at 19% each, whilst Le Pen and Macron continue to share the lead at 24% each. For France, Europe and European financial markets a run-off between Melenchon and Le Pen on 7 May 2017 would be a choice between bad and ugly.

Our only salvation presently is that only 9 days remain until the first round on 23 April 2017. Thereafter a clearer picture will emerge which ought to re-focus European financial markets towards economic and corporate fundamentals. The first quarter corporate results season is imminent and we continue to expect the trend of positive news we witnessed for the FY 2016 results season. Indeed, recently reported Q1 2017 results from Citigroup and JP Morgan Chase in the US augur well for a number of European financial stocks. We anticipate this to be a similar trend across a number of sectors. The current global economic backdrop is very favourable for European equities. In recent years we have had to contend with regional uncertainties at various stages which have prevented full throttle optimism in relation to economic growth and strong progression of corporate earnings. As an asset class European equities have thus lagged. We firmly believe this will come to an end post a favourable outcome to the French Presidential elections. We therefore anticipate less differentiation between individual countries and/or sectors which will make stock selection a central feature of performance relative to indices.

Apart from the imminent elections in France the other main risk factors for European Equities are events outside of Europe which have surfaced in recent weeks and days. We made reference at the beginning of our comments in the "Market Background" section of this report to overnight bombing in Afghanistan and more recently in Syria by US forces. We did not mention the heightened tensions in North Korea as a result of growing concerns by the US over its nuclear weapons program. This has prompted the presence of a US aircraft carrier in the vicinity of the Korean peninsula. The next two weeks will thus be the most volatile in terms of our Investment Outlook. Positive corporate news emanating from an expected strong quarterly results season will be tempered by geo-political events. A favourable outcome to the latter ought to pave the way for further gains in European Equity Indices which are firmly underpinned at current levels by a supportive monetary and technical (flow of funds) backdrop. Furthermore current valuation levels (2018 PE 15x, historic dividend yield 3.2%) equally suggest there is limited downside at current levels. In the event that revenue growth and subsequently profit growth is muted as a result of a low GDP growth environment, ongoing strong cash flow enhancing healthy balance sheets increase the prospects of a period of pronounced corporate activity. This will be equally positive for European Equities.

Appendix – Performance net of fees

	1 month	3 months	YTD	1 year	3 year	5 year	Since Inception	Ann. SI
A Sterling	3.4	4.4	4.4	14.9	3.5	9.6	42.1	6.1
Benchmark Sterling	4.5	7.1	7.1	27.2	8.8	12.0	54.7	7.6
B Sterling	3.5	4.6	4.6	15.8	4.3	10.4	76.6	11.0
Benchmark Sterling	4.5	7.1	7.1	27.2	8.8	12.0	84.9	11.9
C Sterling	3.4	4.2	4.2	14.1	2.8	8.8	36.4	5.4
Benchmark Sterling	4.5	7.1	7.1	27.2	8.8	12.0	54.7	7.6
A Euro	2.8	4.5	4.5	5.8	2.4	8.9	74.7	10.8
Benchmark Euro	4.3	6.9	6.9	17.9	7.6	11.4	95.0	13.0
B Euro	2.8	4.7	4.7	6.6	3.1	9.8	53.6	7.5
Benchmark Euro	4.3	6.9	6.9	17.9	7.6	11.4	60.0	8.2

	2016	2015	2014	2013	2012
A Sterling	7.4	7.2	-4.0	30.8	18.9
Benchmark Sterling	18.6	5.1	-0.7	25.3	16.0
B Sterling	8.2	8.0	-3.3	31.8	20.0
Benchmark Sterling	18.6	5.1	-0.7	25.3	16.0
C Sterling	6.6	6.4	-4.7	29.8	18.2
Benchmark Sterling	18.6	5.1	-0.7	25.3	16.0
A Euro	-8.1	13.5	2.7	28.0	21.9
Benchmark Euro	2.4	10.7	6.4	22.1	19.4
B Euro	-7.4	14.4	3.5	29.0	23.2
Benchmark Euro	2.4	10.7	6.4	22.1	19.4

Source: Sanlam FOUR, SAMI, MSCI : 31 March 2017

Appendix – Fund Information & Charges

	Inception Date	Initial Charge	AMC	OCF	Minimum Investment
A Sterling	21/04/2011	None	0.75%	1.06%	£1,000.00
B Sterling	17/10/2011	Up to 5%	0.00%	0.31%	£10,000.00
C Sterling	21/04/2011	Up to 5%	1.50%	1.79%	£1,000.00
A Euro	21/10/2011	None	0.75%	1.05%	€1,000.00
B Euro	21/04/2011	Up to 5%	0.00%	0.29%	€10,000.00

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