

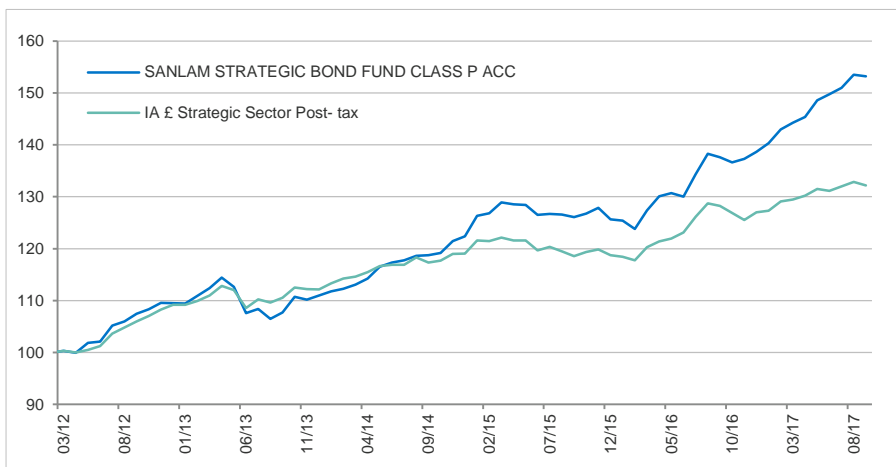
## FUND AIM

**Total return:** Aim is to provide a total return for investors, with an attractive monthly income and capital growth potential. The Fund is not designed to track a reference benchmark or peer group.

**Value driven credit approach:** Investing in undervalued credit sectors and specific bond issues primarily in the investment grade/crossover area.

**Active macro tactical overlay:** Seeks to actively enhance total returns by allocating to government bonds on either an FX hedged/unhedged basis.

## PERFORMANCE – Past performance is not a reliable indicator of future results



Net returns for Class P Acc GBP are used to illustrate the Fund's longest track record. Inception Date: 2 March 2012. For fee information please see the table on page 2. Please see table below for the effect of charges on performance. Sources: Sanlam FOUR and Bloomberg.

### PERFORMANCE – 30/09/17 (%)

|                              | 1 Month | 3 Months | Year to Date | 1 Year | Ann. 3 Year | Ann. 5 Year | Cum. Since Inception | Ann. Since Inception |
|------------------------------|---------|----------|--------------|--------|-------------|-------------|----------------------|----------------------|
| P Acc GBP*                   | -0.2    | 2.3      | 10.5         | 11.3   | 8.9         | 7.3         | 53.2                 | 7.9                  |
| IA £ Strategic Bond Sector** | -0.5    | 0.8      | 4.0          | 3.0    | 4.1         | 4.5         | 32.2                 | 5.1                  |
| A Income GBP                 | -0.3    | 2.1      | 10.0         | 10.6   | 8.2         | 6.6         | 46.3                 | 7.3                  |
| A Accumulation GBP           | -0.3    | 2.1      | 10.0         | 10.6   | 8.2         | 6.7         | 44.3                 | 7.2                  |
| I Income GBP                 | -0.2    | 2.3      | 10.3         | 11.1   | 8.6         | -           | 32.7                 | 8.7                  |
| I Accumulation GBP           | -0.2    | 2.3      | 10.3         | 11.1   | 8.6         | -           | 32.6                 | 8.7                  |
| P Accumulation USD           | 0.0     | 2.7      | 11.5         | 12.5   | 9.2         | -           | 35.2                 | 7.2                  |
| P Income GBP                 | -0.2    | 2.3      | 10.5         | 11.3   | 8.9         | 7.3         | 53.0                 | 7.9                  |

### HISTORICAL PERFORMANCE

|                       | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------|------|------|------|------|------|
| P Accumulation GBP    | 10.3 | 2.7  | 10.2 | 1.4  | 9.5  |
| A Income GBP          | 9.6  | 2.0  | 9.5  | 0.6  | 7.9  |
| A Accumulation GBP*** | 9.6  | 2.0  | 9.5  | 0.7  | 6.3  |
| I Income GBP***       | 10.1 | 2.5  | 6.6  | -    | -    |
| I Accumulation GBP*** | 10.1 | 2.4  | 6.6  | -    | -    |
| P Accumulation USD*** | 10.7 | 2.4  | 9.8  | -2.6 | -    |
| P Income GBP          | 10.4 | 2.7  | 10.2 | 1.3  | 9.4  |

\* P Accumulation Share Class. Fund Launch: 2 March 2012. Performance is calculated on a NAV to NAV basis, net of charges and gross of tax and assumes gross income is reinvested. Since investors may be liable to external fees, charges and taxes, the illustrated returns are not meant to provide a measure of actual return to investors. This is a performance comparison since fund launch - see important information on tax considerations. \*\* This is based on a Morningstar index, comprising a peer group containing both UK Funds reporting performance net of UK tax, and offshore Funds reporting performance gross of tax.

\*\*\*Part year, since share class inception. Performance is net of fees. The market value of, and the income derived from, the shares of the Fund may fluctuate in accordance with: the values of the investments held by the Fund and other market conditions. Investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Fund will be met. This report does not constitute an offer, invitation or solicitation. The information and opinions contained in this report are subject to change without notice. This report has been issued and approved by Sanlam FOUR. Please note that the fund performance is from 12 noon to 12 noon. Changes in exchange rates may have an adverse effect on the value price or income of the product. Investment in this Fund should be viewed as medium to long term.

## FUND FACTS

### LAUNCH DATE

2 March 2012

### FUND MANAGER

Craig Veysey

### BASE CURRENCY

Sterling

### FUND REGULATOR

Central Bank of Ireland

### FUND DOMICILE

Dublin, Ireland (UCITS IV)

### IA SECTOR

£ Strategic Bond

### DEALING DEADLINE

11.59am

### VALUATION POINT

Midday (GMT)

### SETTLEMENT TIME

Four business days after dealing day

### INTEREST INCOME COSTS

Deducted from capital

### INITIAL CHARGE

None

### EXIT PENALTIES

None

### INCOME ALLOCATION DATES

 22<sup>nd</sup> of each month (income shares only)

### YIELD TO MATURITY\*

4.3%

### DISTRIBUTION YIELD

6.1%

### FUND SIZE

£140.6m

### MONTHLY DIVIDEND DISTRIBUTIONS

| Month End Date | P Inc | A Inc |
|----------------|-------|-------|
| Sep-17         | 0.42  | 0.40  |
| Aug-17         | 0.40  | 0.38  |
| Jul-17         | 1.49  | 1.44  |
| Jun-17         | 0.48  | 0.46  |
| May-17         | 0.39  | 0.38  |
| Apr-17         | 0.72  | 0.70  |
| Mar-17         | 0.41  | 0.39  |
| Feb-17         | 0.45  | 0.43  |
| Jan-17         | 0.42  | 0.41  |
| Dec-16         | 0.47  | 0.46  |
| Nov-16         | 0.41  | 0.40  |
| Oct-16         | 0.60  | 0.59  |

\*The estimated yields (per annum) are not targeted yields, but simply indicative based on the month end holdings. The yield figures may change in the future, dependent on the underlying holdings in the fund and their yield changes that may go up or down.

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## MONTHLY COMMENTARY AND OUTLOOK

The Fund returned -0.2% in September for a 1-year return of 11.3%. In comparison, the IA £ Strategic bond sector returned -0.5% in the month for a 3.0% 1-year return. Core government bond yields rose reasonably in the latest month, albeit from near their 12-month lows at the start of the period, led by gilts in particular as the prospect of a November rate hike by the Bank of England was increasingly factored in by markets. US treasuries also weakened late in September on a more hawkish than anticipated Fed and a renewed effort from the Trump administration on US tax cuts.

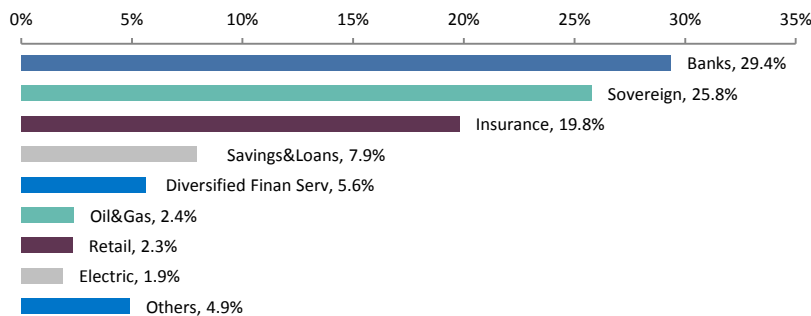
A much reduced duration contribution from the portfolio's government bond exposure was maintained for most of September, given our concerns for the higher risks of a more hawkish Bank of England and the latest Federal Reserve meeting, amidst core bond yields reaching 2017 lows. The monthly performance contribution from government bonds was -0.15%, with the majority of the weakness from US treasuries post the Fed meeting. Credit eked out small positive gains with subordinated financials in particular doing well. The Fund's largest issuer weighting in Lloyds Bank benefited from a credit rating upgrade, and there were also good gains for long held bonds of HSBC and Rabobank, while a Bank of New York floating rate note was also a strong performer. FX positioning produced a -0.14% contribution as a decision to overweight the US dollar versus sterling was initiated too early, as sterling rallied strongly into the Bank of England meeting.

Central banks again have taken a more hawkish turn in recent weeks, with the Fed seemingly inclined to look through the puzzle of inflation weakness in their determination to gradually remove policy accommodation. In the US, the Trump administration's proposals for fiscal stimulus through tax cuts remain an important driver, despite such proposals unlikely to be enacted in their current form. The Bank of England's puzzle is somewhat different, given higher than comfortable inflation readings coupled with ongoing Brexit related growth concerns. In the UK, one rate hike in November is now widely anticipated by both higher gilt yields and the recent strength in Sterling. The ECB, meanwhile, are moving very slowly towards QE tapering as core inflation remains at an uncomfortably low 1.1%.

Despite core government bond yields having risen lately, caution continues to be exercised around the portfolio's government bond duration positioning. Meanwhile, Treasury yields still continue to offer a relatively attractive unhedged yield advantage versus other sovereign bond markets, and a move towards the lower end of the year's range of 2% to 2.6% is still possible in the coming months in our view. We maintain the Fund's government bond position at about 25%, and hold a fairly low duration contribution early in October, as we wait for better tactical opportunities to add duration back into the portfolio.

In order to achieve the objective of producing an attractive total return in the portfolio over the long term, a relatively high and consistent level of income generation from the fund's bond investments remains key. We currently find the best value strategic credit allocation, that also meets our relatively lower tolerance for credit risk, to be mainly in the investment grade debt issues of financial institutions. Recent additions include a fixed-rate £ Santander UK (the old Abbey business) bond at a yield to maturity of 5.7% and a \$ Bank of New York floating rate note, with a minimum 4% coupon. We continue to steer a wide berth around more traditional sterling investment grade corporate bonds with generally poor yield seen here. Some more interest rate sensitive credit investments, that had recently moved to much less attractive yield levels, such as for Scottish Widows and Telecom Italia bonds, were reduced in early September. In combination with other specific undervalued credit situations, that also provide both a high level of ongoing income with potential catalysts for unlocking capital gains, and the allocation to government bonds, the portfolio generated a yield to maturity of 4.3%, and an income yield of 5.5%, at month-end.

## SECTOR EXPOSURE



Source: Sanlam FOUR, CURO, Bloomberg

| Share Classes |              |                |                |              |       |       |                    |
|---------------|--------------|----------------|----------------|--------------|-------|-------|--------------------|
| Sedol         | ISIN         | Share Class    | Inception Date | NAV per unit | AMC   | OCF   | Minimum Investment |
| B7NK9Z3       | IE00B7NK9Z30 | A Income       | 22 May 2012    | £1.0830      | 1.00% | 1.12% | £500               |
| B7NKBQ8       | IE00B7NKBQ82 | A Accumulation | 6 July 2012    | £1.4426      | 1.00% | 1.12% | £500               |
| B77CFS0       | IE00B77CFS06 | P Income       | 2 March 2012   | £1.1224      | 0.35% | 0.46% | £10,000,000        |
| B7MKQ20       | IE00B7MKQ201 | P Accumulation | 2 March 2012   | £1.5319      | 0.35% | 0.46% | £10,000,000        |
| B7VMS43       | IE00B7VMS436 | P Accumulation | 30 May 2013    | £1.3516      | 0.35% | 0.47% | £10,000,000        |
| B7VMRN5       | IE00B7VMRN51 | I Income       | 8 May 2014     | £1.0920      | 0.58% | 0.69% | £500,000           |
| B7VMRB3       | IE00B7VMRB30 | I Accumulation | 8 May 2014     | £1.3262      | 0.58% | 0.69% | £500,000           |
| BZ13950       | IE00BZ139501 | I Income       | 2 August 2017  | £1.0118      | 0.58% | 0.69% | £500,000           |
| BZ13972       | IE00BZ139725 | I Income       | 4 August 2017  | € 1.0045     | 0.58% | 0.69% | €500,000           |



### Craig Veysey – CFA, ASIP

Craig is fund manager of the Strategic Bond Fund. He has 17 years investment experience, and has been responsible for fixed income at Sanlam since March 2009. Craig has previously managed global bond funds at both Scottish Widows Investment Partnership and WestLB Mellon Asset Management, and earlier in his career was also a senior member of the Global Fixed Income team at HSBC Investment Management. He qualified as an Associate of the UK Society of Investment Professionals in 2001 and became a Chartered Financial Analyst in 2003. Craig has a degree in Economics from Liverpool University and a Masters Degree in Finance and Investment from Exeter University.

## TOP TEN HOLDINGS

| Security Name          | Coupon % | Maturity * | Sector          | Fund % |
|------------------------|----------|------------|-----------------|--------|
| US Treasury            | 3.625    | 15/02/2021 | Government      | 9.98%  |
| US Treasury            | 3.375    | 15/11/2019 | Government      | 9.58%  |
| US Treasury            | 2.25     | 15/11/2024 | Government      | 3.77%  |
| Santander UK           | 10.375   | Perpetual  | Banks           | 3.53%  |
| Lloyds                 | 11.75    | Perpetual  | Savings & Loans | 3.05%  |
| Royal London           | 6.125    | 30/11/2023 | Insurance       | 2.76%  |
| Standard Life Aberdeen | 6.75     | 12/07/2027 | Financial       | 2.56%  |
| Liverpool Victoria     | 6.50     | 22/05/2023 | Insurance       | 2.51%  |
| Co-Operative Group     | 11.00    | 20/12/2025 | Retail          | 2.31%  |
| Old Mutual             | 7.875    | 03/11/2025 | Insurance       | 2.26%  |

Sources: Sanlam FOUR, Bloomberg and CURO \*Next call date

## IMPORTANT INFORMATION

• Investment in Class P requires a separate investment management agreement with the investment manager.

• The value of fixed interest securities is affected by the risk of default by the issuer and where an issuer does default you may lose some or all of your capital investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value.

• As the fees and expenses of the fund will be charged to the capital of the fund, there is a greater risk that capital may be eroded and 'income' will be achieved by foregoing the potential for future capital growth of your investment and the value of future returns may also be diminished.

• Tax will be payable at the investors marginal tax rate on income distributions, though this is not applicable within a tax-efficient wrapper such as an ISA or SIPP.

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