Denker Global Emerging Markets Fund

A sub fund of Sanlam Universal Funds plc
Class A1 USD

Minimum disclosure document
(fund fact sheet)

31 January 2019

This fund was formerly named the SIM Global Emerging Markets Fund.

DENKER CAPITAL

Fund objective

The objective of the fund is to achieve long-term capital growth by outperforming the MSCI Emerging Markets Total Return Net Index over a rolling three year period.

Investment style

Our goal is to take advantage of market inefficiencies/mispricings by investing in equities based in emerging markets, or which have significant exposure to emerging markets, specifically those we have identified as trading at an attractive discount to intrinsic value.

Asset allocation as at month end

Top 10 holdings

Alibaba Group	Asia	7.0%
VIPShop	Asia	6.3%
Tencent	Asia	6.1%
Samsung Electronics	Asia	5.9%
Matahari Department Store	Asia	5.8%
X5 Retail Group	Eastern Europe	5.1%
TCS Group Holding	Eastern Europe	4.5%
AIA Group	Asia	4.4%
NetEase	Asia	4.3%
Arcos Dorados	Latam	4.1%

Asset allocation

Equities	97.7%
Cash	2.3%

Geographical breakdown

Asia	59.8%
Eastern Europe	14.2%
Latam	13.9%
Europe	7.8%
Cash	2.3%
Middle East & Africa	1.8%

Sectors

Consumer Discretionary	34.1%
Financials	28.7%
Telecommunication Services	13.3%
Consumer Staples	11.0%
Information Technology	8.7%
Cash	2.3%
Health Care	1.0%

Key facts

Fund inception	2 June 2015
Benchmark	MSCI Emerging Markets TR Net
Portfolio manager	Neal Smith
Base currency	US Dollar
Fund type	UCITS
Domicile	Ireland
Fund size	$123 million
Unit price	$1.2045
Minimum investment	$1 000
Class inception	2 June 2015
Distribution	This fund does not distribute. Income is automatically added to the NAV.
Morningstar category	EAA OE Global Emerging Markets Equity
ISIN	IE00BWVG2483
SEDOL	BWVG248
Bloomberg	SIGEA1U

Performance summary (in USD)

	Denker Global Emerging Markets Fund	Benchmark: MSCI Emerging Markets TR Net Index
Annualised performance		
1 Year	-25.3%	-14.2%
3 Years	15.5%	14.9%
5 Years	-	-
10 Years	-	-
Since inception	5.2%	3.7%
Cumulative performance		
YTD	15.9%	8.8%
Since inception	31.4%	23.7%
Actual annual performance		
Highest annual return	40.5%	
Lowest annual return	-31.5%	

Based on 12 month rolling periods 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

Neal Smith
B.Comm., CA(SA)

After completing his articles at BDO Spencer Steward, in 2001 Neal started his investment career at Alliance Bernstein (South Africa) as an emerging markets equity analyst. In 2005 he moved to their London office where he co-managed a $2bn international portfolio for institutional & retail clients which was particularly active in emerging markets. In 2007 he joined GLG Partners in London, a large European hedge fund, to manage a global sector equity long/short fund with a large emerging market exposure. Two years later he moved on to Carlson Capital as an equity research analyst. After moving back to Cape Town in 2012, Neal joined the Denker Capital business as an equity analyst and became a portfolio manager after two years. He launched the Denker Global Emerging Markets Fund in 2015.

Quarterly comment: December 2018

Review

The quarter ended December 2018 saw no respite for investors, with emerging and developed markets down 7.8% and 13.7% respectively. The main contributors to this performance revolves largely over a Fed who continues to signal for more US interest rate increases, be it at a slower pace; continued political uncertainty around the world and ultimately, the realisation that the impact of a trade war between the United States and China, will not be limited to affecting China only.

The fund outperformed during this period as global investors started allocating funds to EM on the back of the solid outlook that EM corporate earnings remains strong and that the growth differential between EM and DM (specifically with the US) will start widening again.

Changes to the portfolio

Market volatility during the quarter, created opportunities for us to initiate a number of new positions; HDFC Bank, a leading private bank in India; and Shriram Transport Finance, the market leader in India in commercial vehicle funding. We also bought Jeronimo Martins, a leading Portuguese retailer with significant operations in Poland; and Swatch, the world's largest watchmaker. We also added to the Fund's holdings in Tencent as we believe current valuation is overly pessimistic regarding their gaming revenues; Yes Bank, a leading Indian bank; and AIA Group, a leading Asian life insurer whose share price was affected by the US-China trade tensions.

We sold our position in the Indian financial company, Axis Bank as the company's share price approached our estimate of its intrinsic value. We also trimmed our holdings in the Brazilian bank Bradesco, the Brazilian retailer, Cia Hering and the Taiwanese semi company, MediaTek.

Performance

Detractors

Brilliance China Automotive: Investors were spooked by the announced change to the BMW-Brilliance JV structure in 2022, with Brilliance's stake being sold down from 50% to 25%. The company also announced earnings that were 24% down YoY, due to increased dealer compensation and the ramp up costs of the X3 SUV. While investors will sit back and watch, the company is still expected to produce 15% earnings growth for the year.

Alibaba Group: Despite the company demonstrating the power of its ecosystem on Singles' Day (11.11), recording US$30.8bn in merchandise sales and handling 1bn packages through its logistics platform, investors sold down all Chinese companies indiscriminately during the quarter.

Matahari Department Stores: Investors sold down the company on the back of it no longer forming part of the MSCI Indonesia index. The company has initiated a buyback program and will likely be e beneficiary to the Government's increase in social spending budget leading up to the 2019 Presidential elections. We think the company is set to continue growing through the rollout of more stores at regional malls, expansion of its own brand products and as it gains traction with its e-commerce platform.

Contributors

Brazil: With politics finally taking the backseat on the election of a new president, the fundamentals of many of our Brazilian company holdings started to be rewarded by the market and contributed to the fund's outperformance in the quarter.

Matahari Department Stores: Since October, Indonesia has seen its macro environment improve as rate hikes finally brought stability to the weakening Rupiah. Rakyat, a leading Indonesian bank, reported strong loan growth despite a challenging quarter. In an environment of falling credit costs and management's continued strategy to focus on the higher yielding retail loan market, growing fee income and improving efficiency through the use of technology, will see the company's ROE improve and patient shareholders rewarded.

Outlook / a focus on quality

We believe the only way to deliver sustainable outperformance over the long term is to invest in areas which reflect value and are often shunned by the market, and we do this using a bottom-up approach. This approach leads us to invest in companies that can continue to grow despite the prevailing macro climate, which can also entail the returns of the portfolio significantly deviating from the benchmark.

Investors should expect the volatility of 2018 to continue in the context of ongoing US-China trade tensions, slowing US growth and global political volatility.

Amongst the turmoil we find long-term opportunities in EM equities for patient investors. Valuations are very attractive and we are seeing substantial upside in our portfolio of companies.

Predicting the catalyst that will turn the tide is an impossible thing to do, but history has shown that sentiment can turn very quickly.

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Fees

Fees	Class A1 USD	Class A2 USD
Initial fee/ Front end load	0% (up to 5% with intermediary charges if applicable)	
Annual management fee	0.95%	1.25%
Management performance fee	Yes	No
Benchmark: MSCI Emerging Markets Index	TR Base Fee: 0.95% Fee at Benchmark: 0.95% Fee hurdle: MSCI Emerging Markets Index Index TR Sharing ratio: 15% Minimum fee: 0.95% Maximum fee: 3.00% Fee example: 0.95% p.a. if the fund performs in line with its Performance Fee benchmark being MSCI Emerging Markets Index TR.	
Sliding Scale fee	A sliding scale annual management fee is applicable to these share classes, please see the supplemental prospectus for more information.	
Total expense ratio (TER)[1]	1.32%	1.67%
Transaction cost (TC)[2]	0.34%	0.34%
Total investment charges (TER+TC)[3]	1.66%	2.01%

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 July 2015 to 30 June 2018

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 July 2015 to 30 June 2018

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	Sanlam Asset Management (Ireland)
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

T | +27 21 950 2168 F | +27 86 675 5004
E | service@denkercapital.com W | www.denkercapital.com

6th Floor, The Edge, 3 Howick Close, Tyger Falls, Bellville, 7530
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)

T | +353 1 2053510 F | +353 1 2053521
E | intouch@sanlam.ie W | www.sanlam.ie

Beech House, Beech Hill Road, Dublin 4
Ireland

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

T | +353 1 241 7130 F | +353 1 241 7131

30 Herbert Street, Dublin 2
Ireland

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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.

Glossary Terms

Annualised total returns
Annualised return is the weighted average compound growth rate over the period measured.
Capital growth/appreciation
Capital growth/appreciation 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.
Intrinsic Value
The actual value of a company or an asset based on an underlying perception of its true value including all aspects of the business, in terms of both tangible and intangible factors. This value may or may not be the same as the current market value.
Price to Earnings Ratio
Price to earnings ratio is calculated by dividing the price per share by the earnings per share. This ratio provides a better indication of the value of a share, than the market price alone.
Price/Book Ratio
Price to Book ratio is a financial ratio used to compare a company's current market price to its book value.
Dividend Yield
A dividend is the investor's share of a company's profits, given to him or her as a part-owner of the company. The yield is this dividend expressed as a percentage of a current share price of the company.
Return on Equity %
Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.
Return on Assets %
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.

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+27 21 950 2603 service@denkercapital.com www.denkercapital.com