Denker Global Financial Fund

A sub fund of Sanlam Universal Funds plc
Class A USD

Minimum disclosure document
(fund fact sheet)

31 January 2019

This fund was formerly named the Sanlam Global Financial Fund.

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

JP Morgan	USA	5.9%
TCS Group Holding	Eastern Europe	5.5%
Essent Group	USA	4.8%
Citigroup	USA	4.5%
TBC BANK	Eastern Europe	4.0%
Prudential	UK	3.7%
Adira Dinamika	Asia	3.5%
One Savings Bank	UK	3.4%
IndiaBulls	Asia	3.2%
AIG	USA	3.1%

Asset allocation

Equities	98.8%
Cash	1.2%

Geographical breakdown

USA	34.0%
Europe	17.2%
Asia	16.3%
UK	9.9%
Eastern Europe	9.4%
Latam	5.6%
Scandinavia	4.1%
Other	2.5%
Cash	1.2%

Sectors

Banks	48.9%
Financial Services	35.6%
Nonlife Insurance	9.3%
Life Insurance	5.1%
Cash	1.2%

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	$128 million
Unit price	$33.5043
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	-18.3%	-15.5%
3 Years	16.5%	11.2%
5 Years	6.3%	5.2%
10 Years	14.8%	10.7%
Since inception	8.8%	2.7%
Cumulative performance		
YTD	8.0%	8.1%
Since inception	576.0%	202.4%
Actual annual performance		
Highest annual return	93.5%	
Lowest annual return	-23.1%	

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.

*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 established SIM Global in 2004, which merged with SIM Unconstrained Capital Partners to form Denker Capital. Before his time at SIM (now Sanlam Investments), Kokkie spent five years managing the local and global financial funds at Coronation Fund Managers and ten years at Old Mutual Asset Management in various investment management roles, the last being head of the financial services sector. He has received the prestigious UK-based publication Investment Week's Fund Manager of the Year award four years in a row (2010-2013) in the financials category. The funds that Kokkie has managed over the years have also receive 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.

Quarterly comment: December 2018

Performance review

The fund fell in line with the MSCI World Financials index, which we think is pleasing due to the funds' exposure to emerging market and smaller and midsized banks (These tend to have higher betas and fall more when the market gets sold down).Over the longer-term it is our investments in these smaller and emerging market financials that have generated excess returns.

The investments that detracted most were sold down by the market largely due to short-term fears. TSKB (Turkey) and Yes Bank (India): TSKB is a niche bank. The Turkish government's policies caused a significant (60%) fall in the Turkish lira. Fortunately we had been reducing the funds' investment in TSKB and at the moment don't have any direct investment in Turkey. The strength of management means we will continuously re-evaluate our decision. Yes Bank was sold down due to the Reserve Bank of India (RBI) refusing to extend the tenure of the CEO due to his age and significant influence in the bank. RBI has been on a clear path to de-risk the Indian banking sector. Their track record is good but was always fairly aggressive in terms of loan growth. Having said that, their non-performing loans have always been amongst the lowest in the Indian bank sector. A new CEO will very quickly show whether these numbers were correct.

AIG and Citigroup: During times of stress the market tends to sell down riskier situations more than the market and so not surprisingly AIG and Citigroup (our two "turnaround" situations) were sold down more than 25%. As a rule we seldom invest in turnarounds, but the managements at AIG and Citi have been reshaping their franchises since 2009 and we believe that the current CEO's should finally succeed in their plans to increase the returns on equity. The current valuations make the risk-reward pay-off for investors very favourable. We believe the market is overreacting and hence have been adding to our investment in both AIG and Citi (and also Prudential) toward the end of December and early January. Prudential has sold off due to fears about the slowdown in the Chinese economy,

Whilst these 5 were the largest individual detractors, in aggregate the largest contributors to the -17% were the US banks (sold down 19% over the year), European banks (+/-30% price declines) and a number of emerging market currencies

Portfolio changes

UK was reduced (Brexit risk) and Turkey sold to zero. The proceeds were invested in the USA, Europe (mainly Eastern Europe) and Mexico.
In terms of specific counters the biggest change was swopping the largest part of our Yes Bank investment into India bulls. In addition we made a number of new investments in a number of smaller growth companies.

Going forward

We believe the market has totally overreacted to the sell-off of the US banks on fears of the end of a rising US interest rate cycle. Many investors are reading too much into the inverting of a section of the US yield curve. True, this could signal the end of wider net interest margins and potentially higher bad debts going forward, but we had already included this in our forecasts and this doesn't affect the banks' ability to grow shareholder value materially.
In addition it is important to bear in mind that the US makes up only 34% of the portfolio and not all of our US investments are affected in the same way by rising or falling interest rates. Finally: the funds' emerging market investments in fact benefit from lower than anticipated US interest rates (via a weaker $).

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DENKER CAPITAL

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]	1.39%
Transaction cost (TC)[2]	0.35%
Total investment charges (TER+TC)[3]	1.74%

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

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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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DENKER CAPITAL

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
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:
19 February 2019

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