

# PERPETUA GLOBAL EQUITY UCITS FUND



A sub-fund of the Sanlam Universal Funds plc

## FUND OBJECTIVE

The objective of the portfolio is to deliver long-term capital growth while emphasising the preservation of capital and outperforming the benchmark index over a rolling five-year period.

MDD Issue Date: 30/01/2024

## FUND STRATEGY

The Fund invests primarily in a concentrated portfolio of global stocks that meet our investment criteria. We invest with a 5-plus year time horizon and capitalise on short-term price volatility to buy good businesses, run by capable management teams when their valuations become attractive.

## FUND INFORMATION

Manager	Sanlam Asset Management (Ireland) Ltd
Investment Manager	Perpetua Investment Managers (Pty) Ltd
Portfolio Managers	Delphine Govender and Graeme Ronné
Depository / Custodian	Brown Brother Harriman Trustees Services (Ireland) Ltd
Transfer agency	Brown Brothers Harriman Fund Administration Services (Ireland) Ltd
Domicile	Ireland
Risk Profile	Medium to High
Base Currency	US Dollar
Benchmark	MSCI All-Country World Index
Fund Size	USD 26.8 million
Unit Price	USD 1.2689 (Class A)
ISIN	IE00BG1D0S77 (Class A)
Portfolio Launch Date	01 February 2019
Minimum Investment	USD 100,000 (Class A USD)
Income Declaration Date	The Fund does not distribute income. Dividends and Income are automatically added to the NAV of the fund.
Portfolio Valuation Time	Midnight (South African time) on each dealing day.
Transaction Cut-Off Time	4 PM (Irish time on the business day preceding a dealing day).
Daily Price Information	<a href="http://www.sanlam.ie">www.sanlam.ie</a>
Dealing/redemption frequency	Daily

## FEES

Minimum Initial Advice Fee	0% (up to 5% with intermediary charges if applicable).
Manager Fee	0.15% per annum (Excl. VAT)
Investment Management Fee	0.65% per annum (Excl. VAT)
Performance Fee	None
Exit Fee	None
Other allowed expenses	Depository fees, custody fees, administration fees, directors' fees, legal fees, audit fees, bank charges, regulatory fees, and brokerage/trading fees.
Total Expense Ratio	1.00%
Transaction Cost	0.21%
Total Investment Charges	1.21%
TER Measurement Period	1 October 2020 – 30 September 2023

The Fund does not pay performance fees.

Full details of fees are contained in the fund supplement, which can be obtained free of charge at [www.sanlam.ie](http://www.sanlam.ie)

NOTE: A higher TER does not imply a poor return, nor does a low TER imply a good return. The current TER may not be an accurate indication of future TERs.

Transaction costs are a necessary cost in administering the Financial Product and impact financial product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager, and the TER.

## TOP 10 HOLDINGS (%)

Portfolio Date: 31/12/2023

Company	Country	Weight
Brookfield Corporation	Canada	4.8%
Alphabet	United States	4.6%
Booking Holdings	United States	4.1%
Exor	Netherlands	4.0%
Alibaba Group	China	3.9%
Fresenius Medical Care	Germany	3.4%
Mohawk Industries	United States	3.3%
Entain plc	United Kingdom	3.2%
Meta Platforms	United States	3.1%
Euronext	Netherlands	3.0%
<b>Top 10 Positions</b>		<b>37.3%</b>

Source: Perpetua Investment Managers (Pty) Ltd and Bloomberg

## SECTOR ALLOCATION (%)

Portfolio Date: 31/12/2023

MSCI Sector	Fund
Communication Services	16.3%
Consumer Discretionary	20.1%
Consumer Staples	9.4%
Energy	0.0%
Financials	36.7%
Health Care	6.4%
Industrials	0.0%
Information Technology	6.4%
Materials	4.5%
Real Estate	0.0%
Utilities	0.0%
<b>Total</b>	<b>100.0%</b>

Source: Perpetua Investment Managers (Pty) Ltd and Bloomberg

## PERFORMANCE SUMMARY (%)

Since Inception to 31/12/2023

Fund performance (Net)	Fund	Benchmark
1 Month	5.7%	4.8%
3 Months	4.6%	11.0%
1 Year	12.0%	22.2%
3 Years	2.0%	5.7%
Since Inception (annualized)	5.0%	10.2%

Source: Perpetua Investment Managers (Pty) Ltd and Bloomberg

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## ASISA CATEGORY

Global - Equity – General

## FEES

This fund is deemed to be medium to high risk in relation to other asset classes due to its equity-based investment approach and emerging and frontier markets exposure, it may be affected by uncertainties such as international political developments and changes in governmental policy or taxation.

Irish domestic law implementing EU and United Nations sanctions may limit or prohibit investment in particular African markets and this may have an adverse impact on the operations of the Fund. Investing in international companies means that currency exchange rate fluctuations will have an impact on the Fund returns. Foreign currency shortages in some frontier markets could reduce the fund's ability to repatriate funds. The investment manager aims to reduce the overall risk by their value and fundamental stance.

## 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 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.

## 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 are available free of charge from the Manager or at [www.sanlam.ie](http://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 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. The 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 annualized. The Manager retains full legal responsibility for this Fund.

## CONTACT INFORMATION

### Manager Information

Sanlam Asset Management (Ireland) Ltd

Physical Address: Beech House, Beech Hill Road, Dublin 4, 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.

### Investment Manager Information

Perpetua Investment Management (Pty) Ltd

Address: 5th floor, The Citadel, 15 Cavendish Street, Claremont, 7708, Cape Town, South Africa

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Authorised: Financial Service Provider FSP : 29977

### For further information:

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## PORTFOLIO MANAGER COMMENT

As of 31 December 2023

### Market Overview

Global markets experienced a strong recovery in the final quarter of 2023, supported by positive economic data and expectations for interest rate cuts given slowing US and Europe inflation and economic growth. The MSCI All Country World Index rose by 11.0% over Q4 2023 and 22.2% for the year ended 31 December 2023. Information Technology (17.6%), Real Estate (15.8%) and Industrials (13.3%) drove the strong positive returns. Energy (-2.9%) was the only sector to post negative returns over the quarter with oil prices falling -16% following their \$92 per barrel high in October. The S&P500, the bellwether for US equities, returned 11.6% while Europe (ex-UK) gained 12.3% and the UK (+6.9%) similarly delivered positive returns. Despite China declining -4.2% over the quarter amidst their ongoing real estate crisis, Emerging Markets returned 7.9% over the quarter largely driven by strong gains from the LATAM region (17.6%) and South Africa (12.6%).

### Portfolio Performance

According to the Bloomberg Magnificent 7 total return index, these 7 mega-cap stocks – Apple, Microsoft, NVIDIA, Amazon, Alphabet, Meta and Tesla – delivered a total return of 107% in 2023, 19.7% p.a. over the preceding three years and 40.9% p.a. since inception of the Fund on 01 February 2019. These 7 stocks have a combined market capitalization of US\$12 trillion represent some 18% of the MSCI AC World Index, 20% of the MSCI World Index and 28.5% of the S&P 500 Index. Our underweight position across these 7 stocks as well as some tech stocks such as Adobe and Broadcom are the single largest contributors to the Fund's return difference relative to the benchmark index.

MSCI AC World Index ex USA has generated a gross total return of 6.1% p.a. since inception of the Fund and 2.0% p.a. over the three years ending 31.12.2023 and -1.0% p.a. over the two years ending 31.12.2023. Similarly, the MSCI AC World Value Index generated a total return of 11.8% in 2023 and 6.9% p.a. since inception of the Fund. It goes without saying that the market's return has been incredibly narrow over these periods largely driven by US mega caps.

The Perpetua Global UCITS Fund ("the Fund") returned 4.6% (net of fees) over the fourth quarter of 2023, lagging the MSCI ACWI ("the benchmark") net total return of 11.0%. Over the 1-year period ended 31 December 2023, the Fund delivered a net total return of 12.0% compared to 22.2% for the benchmark. Over three years, the fund returned an annualised 2.0% compared to 5.7% for the benchmark. Since inception, the Fund returned an annualised 5.0% compared to 10.2% for the benchmark.

In 2023, while the Fund generated a return of 12.0%, we endured several detractors from performance. We sold Magnit and TCS during the year booking a combined loss of c.2.9% in 2023 after a c.16% gain in 2022. The net return was still positive for fund holders. We closed out our small position in Farfetch as the company was taken over at a loss of 1.2% of Fund NAV. The other main detractors from returns in 2023 were our Hong Kong/China related stocks such as Alibaba, Tencent, Prosus, Melco International, AIA Group and Prudential plc. These stocks detracted 2.9% from returns on a combined basis. We continue to hold all these shares except Prosus which was sold during the year. We believe these stocks are incredibly cheap and exhibit strong fundamentals and growing earnings but have been impacted by souring sentiment toward China due to weak macroeconomic news flows and geopolitics.

The top contributors to the Fund's performance over the year were Meta, Booking Holdings, Alphabet, Micron, Brookfield and Exor with a combined contribution to return of c.15.4%.

Other notable performers were Samsung (40.3% return), Charles Schwab (28.7%), Evolution AB (36.7%), Fresenius Medical Care (31.9%), Visa (27.2%), Universal Music Group (23.4%), Euronext (24.6%), Pag Seguro (42.3%), Netflix (34.5%), Mondi (28.3%), London Stock Exchange Group (24.3%), Quilter plc (23.3%) and Eurofins Scientific (22.4%). Each of these stocks outperformed the benchmark index in 2023.

### Portfolio Positioning and Market Outlook

Stock markets rebounded strongly in the final two months of 2023 following Fed Chair Powell's comments around inflation. The stock market re-rated strongly on the expectation of substantial Fed Funds Rate cuts (seven 0.25bps cuts are now expected) in 2024 and strong earnings recovery. The Fed meets 8 times a year, which implies they would need to cut at every meeting. This seems to be a stretch. Furthermore, consensus earnings expectations for 2024 is for the S&P 500 to grow by 12.7% and 12.5% in 2024 and 2025. As U.S. earnings season progresses, most sectors are reporting earnings disappointments relative to expectations at the start of the fourth quarter and relative to the start of December 2023. So far, S&P 500 earnings have declined 1.4% y-o-y in Q4 and look likely to decline a similar amount for 2023. This means that all the returns generated in 2023 for U.S. stocks has been driven by P/E multiple expansion and dividend yield. It seems implausible that corporate profits will recover at nearly twice the long-term average growth rate in a slowing economy and is very late cycle. We see substantial downside risk to both P/E multiples and earnings into 2024. If earnings do indeed recover as forecast, this is already expected and priced into U.S. stocks but if they fail to meet those lofty expectations, there is substantial downside price risk from both P/E multiple contraction and declining earnings. Our underweight position in U.S. stocks and particularly U.S. technology is reflective of this more cautious stance compared to the overwhelming consensus view today.

On the other hand, non-U.S. stocks are incredibly cheap on 10-12x forward P/E multiples and more realistic earnings growth expectations of 5-7%. Combined with a starting dividend yield of 3.3%, we see a path to 8-11% total return before any P/E multiple re-rating. We think this is a substantially better risk-reward trade-off than the high expectations priced into most U.S. stocks, especially the S&P 500. Furthermore, the U.S. Dollar is by all accounts significantly overvalued relative to a basket of international currencies, thus providing additional margin-of-safety. The Fund has exposure to Hong Kong/China related stocks which we view as coiled spring opportunities. The Hang Seng Index is now at 16,000 points and down more than 50% from its pre-covid peak. In fact, the index is near the depths of the 2007-08 global financial crisis. The Fund's HK/China stocks trade on 9-10 times forward earnings with forecast earnings growth of 9-11% collectively. We see substantial upside potential from this basket of stocks. As we enter 2024, we remain cautious on the key market consensus calls and prefer to hold our out-of-consensus bets on international stocks.

### Portfolio Managers

Delphine Govender  
**CA(SA) and CFA**

Graeme Ronné  
**B Com (Hons) and CFA**