Fund Objective

The Sanlam Namibia Active Fund`s objective is to provide a high level of income and to maximise returns over the medium to long term. The fund is actively managed and invests across the income-yielding universe, including fixed-interest securities, corporate and government bonds, preference shares, money-market instruments and listed property. Investors in this fund accept the aggressive performance objectives that go hand in hand with higher volatility and higher risk characteristics.

Fund Strategy

Superior returns are sought through tactical asset allocation and high conviction bets across the income-yielding universe, including corporate and government bonds, money market instruments, preference shares and listed property. Opportunities are taken across the entire duration and credit spectrum. This is an actively managed and widely diversified income fund.

Why choose this fund?

*Actively and aggressively managed.
*Widely diversified - invest across all income-yielding asset classes.
*Can invest through the entire duration and credit spectrum.
*Specialist and experienced investment team implements high conviction investment views.
***This fund complies with holding a minimum of 35% Namibian Assets.**

Fund Information

Classification	Domestic - Fixed Interest - Varied Specialist
Risk profile	Cautious
Benchmark	*Stefi + 1% p.a.
Portfolio launch date	1 June 2007
Minimum investment	Lump Sum N$ 5 000 | Monthly N$ 500
Portfolio size	N$1.1 billion
Last two distributions	31 Dec 23: 23.38 cents per unit 30 Sep 23: 23.41 cents per unit
Income decl. dates	31 Mar | 30 Jun | 30 Sep | 31 Dec
Income price dates	1st working day of the month
Valuation time of fund	15:00
Transaction cut off time	13:00

Fees

	Retail Class (%)
Annaul Wholesale Fee	0.60
Annual Service Fee	1.00

This fund is also available via certain LISPS (Linked Investment Service Providers), which levy their own fees. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down.

Top 10 Holdings

Securities	% of Portfolio
R2030 Republic of South Africa 8.00% 31012030	3.35
R2035 Republic of South Africa 8.875% 28022035	3.26
Sim Namibia Floating Rate Fund Class B2 (D)	2.74
First National Bank Namibia F/R 10052024	2.22
Bank Windhoek F/R 07082028	1.95
Standard Bank Namibia F/R 07082028	1.95
First National Bank Namibia F/R 07082028	1.95
First National Bank Namibia F/R 07012025	1.79
Standard Bank Namibia F/R 09012025	1.79
Namibia ILB 4.50% 15012029	1.78

Top 10 Holdings as at 31 Dec 2023

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	8.18	9.30
3 year	6.32	6.95
5 year	6.15	6.98
10 year	6.94	7.48

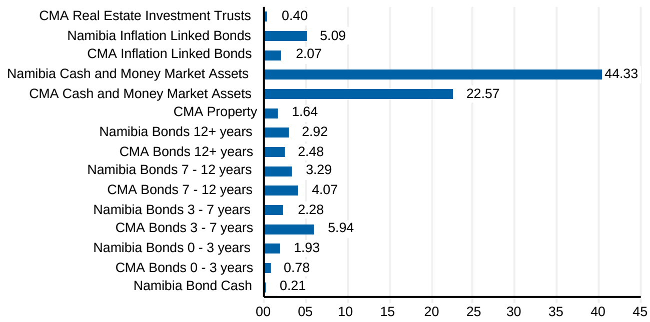
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	8.18	9.30
3 year	20.19	22.32
5 year	34.75	40.15
10 year	95.55	105.64

Cumulative return is aggregate return of the portfolio for a specified period.

Asset Allocation



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Sanlam Investments

Sanlam Namibia Active Fund

Portfolio Manager(s) Quarterly Comment - 31 Dec 2023

The year ended on a positive note with decent returns delivered by financial markets during the final quarter of the year after what was another volatile year in the markets. Initially the fourth quarter started on the back foot but things finally turned a corner towards the end of October as asset classes pretty much across the board started trading stronger, driven in large part by inflation worries subsiding and growth concerns around a hard landing also abating. In conjunction with this we also saw central bank policy rhetoric shifting more dovish, all of which resulted in a positive reinforcement on the stronger market sentiment. The reason for the fourth quarter kicking off on the back foot was mainly a continuation of the challenging conditions which set the tone for most of the year so far, both locally as well as internationally, with negative investor and market sentiment driven predominantly by inflation uncertainty and the impact of higher interest rates, while geopolitical conflict also added further fuel to the fire. The outbreak of conflict in the Middle East early in October put upward pressure on oil prices, which also resulted in further worries around global inflationary concerns, although ultimately this abated in the subsequent months as oil prices have been trading weaker ever since. The anticipation of an end to the US policy rate hiking cycle subsequently resulted in November being a stellar month for financial markets with both equities and bonds delivering healthy gains. The gold price broke through new records in early December as markets priced in that the dollar could weaken should the US Federal Reserve (Fed) start cutting interest rates. Inflation in US personal consumption expenditure fell to 3.5% in October from 3.7% in November while inflation in the European Union region fell to 2.4% in November from 2.9% in October. Global financial markets enjoyed another final boost during December, in particular after the Fed signalled that they anticipate 75 basis points (bps) of policy rate cuts during 2024. The positive sentiment carried through with most asset classes ending the year on the front foot.
Taking a closer look at asset class returns, the S&P 500 Index in the US posted a return of 11.2% for the final quarter, which took the return for the full year up to a stellar gain of 24.2%, albeit being driven largely by the returns of the larger tech stocks. European equities were up 6.4% for the final quarter, taking the full-year return to 12.7% and the Nikkei in Japan finished the final quarter up 4.8%, taking the full-year return to 29.4%. Developed markets continued to outperform emerging markets with the MSCI World Index returning 11.6% for the final quarter while the MSCI Emerging Markets Index was up 7.7% by comparison. As for the full year, developed market equities delivered 21.6%, as such delivering a substantial outperformance as compared to the 7.2% delivered by emerging markets. Global bonds finished the year with yields trading stronger in the final quarter, in the US we had the 10-year Treasury note yield trading 82 bps stronger, while in the UK their 10-year gilt was 103 bps stronger, European 10-year yields 86 bps stronger and in Japan the 10-year yield ended the quarter 16 bps lower. Local markets followed suit and also ended the year on a strong note with local equities as measured by the FTSE/JSE All Share Index ending the final quarter up 6.9%, while local listed property bounced back sharply and the J253 total return index was up 16.4%. The exchange rate also stabilised somewhat, albeit at higher levels. The rand ended the year at 18.26 against the US dollar compared to 18.89 at the end of the third quarter and 17.04 at the beginning of the year. Local nominal bonds as measured by the All Bond Index ended the fourth quarter up 8.1% while local inflation-linked bonds (ILBs) were up 6.2%. Longer-dated nominal bonds and ILBs were the better performers for the final quarter as we witnessed yields trace sharply lower. The 7-12 year area of the nominal bond curve delivered 9.4% for the final quarter while 12+ year maturity bonds delivered 9.2%, as compared to the 1-3 year and 3-7 year areas, which delivered 4.1% and 5.7% respectively. As for ILBs, the 12+ year linkers delivered 7.6% for the final quarter outperforming the shorter maturity sectors with the 3-7 year and 7-12 year areas delivering 4.2% and 5% respectively. By comparison, cash as measured by the Alexander Forbes Short-Term Fixed-Interest Index delivered 2.1% for the fourth quarter. For the full year, we had the local equities ending the year up 9.3%, local nominal bonds up 9.7%, local ILBs at 7%, while local listed property was up 10.1% and cash up 8.1% by comparison. It was the ‘belly’ of the nominal bond curve which delivered the best performance last year, with the 3-7 year and 7-12 year areas of the curve delivering 10.3% and 11.9% respectively, while on the short end the 1-3 year area of the nominal curve delivered 4.1% and at the long end 12+ year bonds underperformed with a return of 7.5% for the year. On the real curve, we had shorter-dated ILBs being the better performers with the 3-7 year area of the linker curve returning 9.3%, while 7-12 year and 12+ year ILBs returned 7.8% and 4.3% respectively for the full year. Namibian government bonds delivered stellar returns for the previous year and ended the year up 17.4% driven predominantly by the large amount of spread compression seen on the Namibian curve during the course of the last year. Spreads remarkably narrowed to below their benchmark or companion bonds during the year, which highlights the extent of the strong moves on these instruments, with the ‘belly’ as well as parts of the long end of the Namibian curve still below their benchmark South African counterparts as the new year started.
Zooming in a bit further on the local interest rate environment, we had the South African Reserve Bank (SARB)’s Monetary Policy Committee (MPC) again keeping the repo unchanged at 8.25% during their scheduled meeting in November. It was a unanimous decision by the committee and in fact the first time all of the members were actually aligned on their vote since the May meeting when the unanimous decision was made to hike by 50 bps to the current level. This time around their statement noted that the MPC is ‘ready to act should the risks begin to materialise’ and they emphasised their willingness to act in response to upside risks to inter alia the inflation trajectory, but in all likelihood the local policy rate has indeed peaked and the path is expected to be sideways or generally unchanged for the time being. As a reminder, the more recent pause during the last three MPC meetings of the year comes after the policy rate had increased at a remarkably fast pace, in fact 10 consecutive times since the hiking cycle started and with the total increase at 475 bps since policy tightening began in November 2021. The local policy rate is currently at the highest level since 2009 and more than double the lows reached during the pandemic. The future policy rate path will very much depend on developments in the inflation trajectory as well as international developments in terms of the growth outlook, inflation and central bank actions. The trade-off will likely increasingly shift at least partially from the inflationary considerations towards the growth outlook during the course of the year, as is generally expected to also be the case for global central banks more generally in the coming year. Historically, the interest rate hiking cycle has typically only ended once it is clear inflation has peaked and is heading decisively towards the intended target. Based on current information, we believe

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SA is indeed approaching that point. The South African headline consumer price index (CPI) continued to moderate towards the end of the year in line with expectations. For the 12 months ended November local inflation printed at 5.5% year-on-year (y/y) after printing 5.9% in October and reaching a two-year low during July at 4.7% y/y. Headline inflation was pulled lower as a result of a drop in fuel prices on the back of base effects as well as outright decline, while food and core inflation ticked up higher and surprised on the upside. Core inflation has still remained largely subdued printing at 4.5% y/y for November. Local inflation is expected to have continued to trend lower during December, also on the back of fuel prices, and local CPI is also expected to continue to tick lower in the coming months. The inflation trajectory, both locally as well as internationally, will continue to be a key factor to watch in the coming year. Central banks around the world face a conundrum of balancing their mandate of inflation and price stability with that of a number of other challenges being thrown their way, including economic growth conditions as well as financial stability. It will continue to be an important theme driving financial markets and we are due to still face a financial market environment which takes its cue from the inflation trajectory and central bank actions.
The outlook for the Sanlam Namibia Active Fund looks favourable taking into consideration the attractive valuations and real yields available on local assets. More generally, financial market volatility should be expected for the foreseeable future or at least the year ahead. The outlook for financial markets is clouded by the uncertainty regarding how economic growth will pan out in addition to the uncertainty around the inflation trajectory and impact as well as the exact path of monetary policy rates. In all, our funds are currently well positioned with valuations playing to the favour of the performance outlook reflecting the less positive fundamental picture, while we are in a good position to take advantage and allocate capital to new investment opportunities should they arise.

Portfolio Manager(s)

Melville du Plessis

MSc Finance, B.Com (Hons), CFA, CAIA, FRM