FUND
FACT SHEET

29 Feb 2024

Sanlam Investments

Sanlam Namibia Inflation Linked Fund

Fund Objective

The fund invests in a flexible combination of investments in the equity, bond and money markets, both locally and abroad, aiming for positive real returns (comprising capital and income growth) over the medium to long term. The fund complies with holding a minimum of 45% Namibian Asset. The fund is ideally suited to the cautious investor wanting to save for e.g. retirement. The fund is suited for any investor wanting to earn a real return.

Fund Strategy

The fund can invest in local and international equity, gilt and money markets. Up to 20% of the value of the fund may be invested in other unit portfolios.

Why choose this fund?

*The fund aims to smooth returns and reduce volatility and is thus an ideal investment for times of market instability.
*Capital protection is of primary importance. This makes it an ideal investment for the client who has a medium-term (or longer) investment in mind and who requires capital stability.
*The fund is recommended for use as a core fund when following a core/satellite approach, particularly for the more risk-averse client.
*The fund aims to outperform inflation (CPIX) by a margin of 4% (gross of fees) over any rolling 3-year period, while also aiming to prevent any capital losses over any rolling 12-month period.
*This fund is only cognizant of its target and not of any peer group.
*This fund complies with the minimum holding of 45% Namibian Assets.

Fund Information

Classification	Namibian Asset Allocation Funds
Risk profile	Cautious
Benchmark	NCPI+4% over a rolling three year period (gross of fees) with Capital Preservation over 12 month rolling period.
Portfolio launch date	1 February 2004
Minimum investment	Lump Sum N$ 2 000 | Monthly N$ 500
Portfolio size	N$2 646.4 million
Last two distributions	31 Dec 23: 14.02 cents per unit 30 Jun 23: 11.35 cents per unit
Income decl. dates	30 Jun | 31 Dec
Income price dates	1st working day of the month
Valuation time of fund	15:00
Trading closing Time	13:00

Fees

	Retail Class (%)
Annual Wholesale Fee	0.75
Annual Service Fee	1.50

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
First National Bank Namibia NCD 8.55% 14082026	9.24
First National Bank Namibia NCD 8.55% 21082026	9.24
R209 RSA 6.25% 310336	6.28
GC30 Namibia 8.00% 150130	6.13
R214 RSA 6.5% 280241	5.86
Satrix MSCI World ETF	5.40
GC27 Namibia 8.00% 150127	5.13
Bank Windhoek NCD 8.75% 25072028	4.76
GC26 Namibia 8.50% 15042026	4.55
Namibia ILB 4.50% 15012029	4.33

Top 10 Holdings as at 31 Dec 2023

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	8.12	9.05
3 year	7.41	9.56
5 year	7.41	8.36
10 year	7.15	8.71

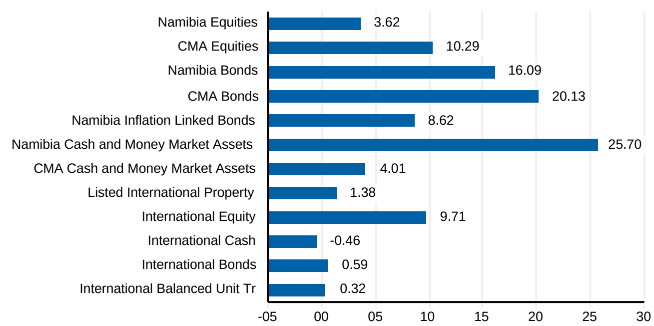
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	8.12	9.05
3 year	23.92	31.49
5 year	42.99	49.39
10 year	99.45	130.60

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

Asset Allocation



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Portfolio Manager(s) Quarterly Comment - 31 Dec 2023

After a strong performance in the last quarter of 2023, South African equities experienced a downturn in January and February of 2024. In contrast, the strong momentum in South African property continued throughout the first two months of the year. Investor caution persisted regarding South African growth assets following the 2024 budget announcement. While this sentiment signalled efforts to contain fiscal slippage, it also highlighted risks to revenue and spending forecasts, particularly in light of the upcoming national elections in May 2024. Steps to address energy supply and logistical challenges in the country were acknowledged, with expectations for their positive impact on future growth. Defensive assets such as bonds and cash met expectations. South African inflation remained within the 3% to 6% band, but there are still risks to inflation expectations due to currency depreciation. The South African Reserve Bank (SARB) is not expected to cut rates in the immediate future. The lower borrowing requirements announced in the 2024 budget suggest that the Treasury will have some flexibility in its funding mix. While the budget favoured bonds, it's expected that the risk premium discount will persist due to forecasted risks.

Overall, the economic landscape in South Africa appears to be influenced by a blend of cautious investor sentiment, ongoing challenges, and some positive developments in addressing critical issues such as energy supply and logistics. Inflation rates for goods hover at or below 2% in major economies like the US, the Eurozone, and the UK. Lower energy prices are cited as a significant contributor to this trend, directly and indirectly impacting input costs for other goods production. There has been a shift in consumption patterns, marked by a decline in goods consumption relative to services. This shift stemmed from pandemic lockdowns, followed by some degree of demand saturation.

Consequently, this consumption shift has affected manufacturing performance relative to services, contributing to weaker GDP growth in manufacturing-oriented economies such as China and Germany. Other issues like China's property sector struggles and Germany's transition to electric vehicle production also play a role. China's efforts to boost manufacturing output amid challenges in the property sector are acknowledged. However, this increased output has had a disinflationary impact on global goods prices, contributing to negative inflation in China for the past four months. Higher shipping costs, potentially due to rerouting cargo to avoid the Red Sea, are mentioned as a factor exerting upward pressure on inflation. The Organisation for Economic Co-operation and Development estimates that sustained higher shipping costs could increase CPI inflation by 0.4 percentage points after one year.

The proportion of goods consumed relative to services outside the US has returned to levels more reminiscent of pre-pandemic patterns, suggesting that the adjustment may have concluded. Surveys such as the PMIs also indicate an uptick in manufacturing output, particularly outside of Germany.

Looking ahead, we anticipate that demand will be bolstered by stronger growth in consumer real income this year, driven by a more rapid decline in inflation compared to wage growth. Additionally, as major central banks begin to lower interest rates, this is expected to further support demand.

Manufacturing and trade face ongoing challenges, which are likely to constrain growth prospects. Forecasts for world GDP growth have remained steady, hovering around 3.0% levels for both 2024 and 2025. One obstacle is the structural headwind from firms placing a higher value on supply chain resilience than in the past. ‘Just-in-case’ production gaining prominence over ‘just-in-time’ is unlikely to revert to pre-Covid norms.

Ongoing conflict such as those between Russia and the Ukraine, and the Israel-Hamas conflict exacerbate this trend. Additionally, if former president Donald Trump were to be re-elected as US President in November, protectionist policies would likely intensify. Trump has indicated the possibility of imposing tariffs of at least 60% on Chinese imports and 10% on all goods imported into the US. Such actions would undoubtedly exert upward pressure on US inflation.

On a more positive note, labour productivity in the US has continued to rise, using pre-Covid times as a benchmark. If this trend persists, it will help alleviate some of the pressure on wage growth without compromising profits or exacerbating inflationary pressures. This contrasts sharply with the situation in the EU20 and the UK, where productivity growth has largely stalled.

Consequently, despite varying rationales, there are grounds for caution on both sides of the Atlantic regarding the reduction of policy rates, notwithstanding the recent trend of disinflation. Markets have increasingly acknowledged this caution, leading to a reduction in the projected number of rate cuts for this year. However, unlike much of the second half of 2023, interest rates are no longer the sole focus for equity markets. For instance, even when disregarding the particularly robust performance of the 'Magnificent Seven', US equity markets have observed an increase in P/E ratios since the beginning of the year, despite higher yields. This shift suggests that economic growth is regaining prominence as a market driver.

As a result, we maintain a conservative stance in our funds while continuously seeking out opportunities that offer an appropriate balance of risk and reward.

Portfolio Manager(s)

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