Fund Fact Sheet

Sanlam Namibia Active Fund

December 2020

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$ 200
Portfolio size	N$1.4 billion
Last two distributions	31 Dec 20: 12.7 cents per unit 30 Sep 20: 12.57 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 (Incl. VAT)

	A-Class (%)
Initial Fee	N/A
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
Sim Namibia Floating Rate Fund Class B2 (D)	10.55
Nedbank NCD 9.13% 14082023	2.12
Bank Windhoek Limited F/R 18082022	1.93
FirstRand NCD 10.16% 02062021	1.91
R2035 Republic of South Africa 8.875% 28022035	1.89
First National Bank Namibia F/R 10052024	1.86
First National Bank Namibia F/R 06122022	1.85
Standard Bank Namibia F/R 06122022	1.85
GC24 Nam 10.50% 151024	1.68
R2040 Republic of South Africa 9.00% 31012040	1.54

Top 10 Holdings as at 31 Dec 2020

Performance (Annualised)

A-Class	Fund (%)	Benchmark (%)
1 year	4.98	6.39
3 year	6.47	7.64
5 year	7.37	8.51
10 year	6.95	7.44

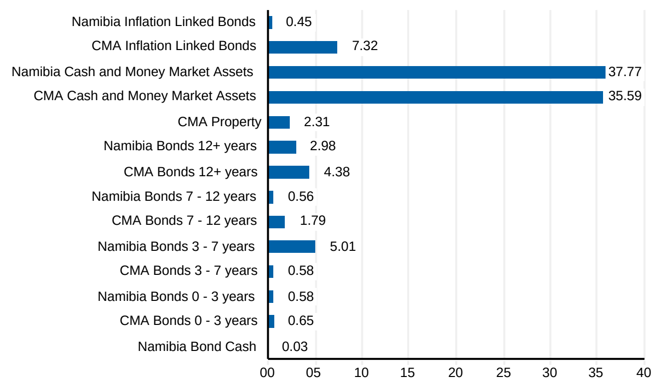
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

A-Class	Fund (%)	Benchmark (%)
1 year	4.98	6.39
3 year	20.71	24.72
5 year	42.73	50.45
10 year	95.86	104.91

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

Asset Allocation



Sanlam

Fund Fact Sheet

Sanlam Namibia Active Fund

December 2020

Portfolio Manager(s) Quarterly Comment - 31 Dec 2020

Market review

Financial markets were on the back foot during October by the continuation of second and third waves of the pandemic weighing on developed market economies and being put back into lockdowns. Asian markets bucked this trend, delivering positive gains for the month as China and South Korea continued to be able to keep some control of the virus outbreaks. In South Africa, equities fell 4.7% as foreigners sold R17 billion in local stocks, even as the rand strengthened by 3% during the month to 16.24. Local bonds delivered 0.7% in the month, slightly higher than cash at 0.3%, but lower than inflation-linked bonds at 1.1%. The market was disappointed with the issuance numbers, as many expected the National Treasury to reduce issuance due to the current run rate being larger than needed for the fiscal year to date. The South African Reserve Bank (SARB) continued to buy government bonds, buying a total of R640 million in the month, bringing total buying since March to R31.2 billion.

As the local economy tries to recover from the sharp retraction during the second quarter, the president outlined his economic recovery plan focusing on infrastructure investment, energy generation, employment stimulus and industrialisation. The plan also builds on growth-enhancing measures and provides clearer timelines and responsible departments. The minister of finance also delivered the Medium-Term Budget Policy Statement (MTBPS) later in the month. The recovery plan delivered by the president forced the National Treasury to focus on growth-enhancing measures while also cutting expenditure to be close to the ‘active scenario’ presented by the minister in the June supplementary budget. The execution risk of cutting the budget deficit, however, remains high as it has a high reliance on the public sector wages, and with unions set to dig in their heels to avoid cuts.

During November there was a continued recovery of the global economy as upside surprises in economic performance dwarfed the reintroduction of restrictions on economic activity in Covid-19 hotspots. Good news from the vaccine front also drove returns while in the US the election resulted in Joe Biden set to become the 46th president of the country. Global equity markets rose by double-digit figures in the major markets, as the S&P 500 rose 10.8%, while the Nasdaq rose 11%. In Europe, the CAC 40 in France rose 20.1%, while in Germany markets rose 15%, and in Britain markets rose by 12.4%. Locally, the JSE delivered 10.5% in the month, even as foreigners again sold R16 billion in equities. In contrast, foreigners bought R12 billion in bonds, offsetting the R13 billion outflows during October. The local bond market delivered a 3.3% return as the yield curve flattened as the short end rose by 21 basis points (bps) while the long end declined by 61 bps. The inflation-linked index delivered 2%, while cash delivered 0.3% in the month. At the Monetary Policy Committee (MPC) meeting, the SARB decided to keep the policy rate unchanged at 3.5%, while Moody’s and Fitch downgraded SA further into junk status, showing lack of faith in the fiscal consolidation path suggested by the minister of finance.

Subsequently, in December, global economic data continued the positive trend even as restrictions intensified and new virus strands that were considered more contagious started appearing. In the US, the Senate finally agreed on fiscal stimulus to provide relief to citizens, while in Europe, a post-Brexit UK/EU deal was finally agreed. The US equity markets lead the gains with the Nasdaq rising 5.1%, while the S&P 500 delivered a 3.7% return. In the UK, the FTSE 100 rose by 3.1% while the German DAX was up 3.2%. In South Africa, the JSE rose by 4.2%, as foreigners bought R15.3 billion in equities, reversing some of the previous month’s outflows. Foreigners sold a total of R112.5 billion in SA equities during the year with the FTSE/JSE All Share Index delivering a total return of 7% for the year. On the bond market, local nominal bonds delivered a decent return of 2.4% in the month, boosted by R19 billion of inflows from foreign investors in the month, leaving the total foreign outflows from the bond markets at R40 billion for the year. The yield curve flattened further in the month, as short-end rates rose by 9.5% while long-end rates went lower by 29 bps. The inflation-linked bonds delivered 2.1%, while cash delivered 0.3% to deliver 4.2% and 5.4% respectively for the year. The SARB continued to buy government bonds in the month – buying another R1.3 billion – putting total asset purchases since March at R32.9 billion. The market was also positively surprised by the GDP number that came out in the month, showing a rise of 66.1% quarter-on-quarter (q/q), from a fall of 51% q/q.

South African headline inflation eased marginally to 3.2% year-on-year (y/y) in November from 3.3% y/y in October. The breakdown reveals that the slowdown was led by services, which eased to 3.7% y/y while goods held steady at 2.6% y/y. CPI excluding food, non-alcoholic beverages, petrol and energy eased to 3.3% y/y. Furthermore, a trimmed mean (core inflation measure) stayed unchanged at 3.2% y/y. Food and non-alcoholic beverages edged slightly higher while petrol detracted from inflation. Administered prices slowed to 0.6% y/y with regulated administered prices declining to a negative 1.2% y/y. Meanwhile, unregulated administered prices remained unchanged at 5.3% y/y in November 2020. We expect the headline inflation to remain relatively contained and to edge up towards the mid-point of the target band during the coming year.

It continues to be worth bearing in mind that we are in a very soft inflation environment. Clients can take some comfort in the fact that the inflation-adjusted returns are still looking good in positive territory. Our positive yield environment locally is in contrast to the global environment where we have seen negative yields become more and more prevalent. This has been causing a problem for not only savers but also for the global economy and financial systems, with many unintended consequences and unanswered questions about the wider implications of negative rates. Locally, the yields have decreased to record low levels at the ‘shorter end of the curve’, i.e. the repo rate, and now make products such as the Sanlam Namibia Active Fund even more important. For our investors in these Funds, we continue to work hard to seek out investments which offer better return prospects and which are appropriate for the current environment.

Portfolio Manager(s)

Melville du Plessis

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

Manager Information: Sanlam Namibia Trust Managers Limited. Physical address: 154 Independence Avenue, Windhoek 9000, Postal address: PO Box 317, Windhoek, Namibia