Fund Fact Sheet

Sanlam Namibia All Namibian Fund

December 2020

Fund Objective

The fund invests in a wide spectrum in investments available in Namibia making use of the Namibian equity, bonds, listed property and money market instruments in order to maximise total returns over the long term. The Fund is suited for investors requiring capital growth via balanced portfolio with exposure only to Namibian instruments.

Fund Strategy

We employ active asset allocation and securities selection strategies appropriate to the needs of cautious investors. Fund holds a maximum of 35% in Namibian Equity and maximum of 45% in Namibian bonds. The Fund also only invests in assets classified as domestic assets as per Regulation 28 of the Pension Funds Act.

Why choose this fund?

*The fund will consistently hold at least 35% in fixed interest instruments and 30% money market instruments which will provide stability and income.
*This fund is less volatile than a traditional balanced fund focusing on capital preservation.
*By investing in a single fund that diversifies across all major asset classes, investors “outsource” the difficult decision on how much and when to invest in various classes.
*The fund is actively managed according to Sanlam Investment's pragmatic value investment philosophy, ensuring that assets are bought below their fair value. This, along with a low equity weighting, should limit capital loss.
*There is a low propensity for capital loss over the medium to long term.
*Regulation 28 complaint (excluding the unlisted holding requirement)

Fund Information

Classification	Domestic Low Equity Asset Allocation Fund
Risk profile	Cautious
Benchmark	Notional Benchmark: 35% STEFI 37% IJG ALBI 28% SSS CNASI
Portfolio launch date	1 June 2011
Minimum investment	Lump Sum N$ 5 000 | Monthly N$ 200
Portfolio size	N$182.7 million
Last two distributions	31 Dec 20: 2.66 cents per unit 30 Jun 20: 3.19 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 (Incl. VAT)

	Retail Class (%)
Initial Fee	N/A
Annual Service Fee	1.50

This fund is also available via certain LISPS (Linked Investment Service Providers), which levy their own fees. .

Top 10 Holdings

Securities		% of Portfolio
GC25	Namibia 8.50% 15042025	8.09
GC27	Namibia 8.00% 150127	6.47
GC22	Namibia 8.75% 15012022	5.75
GC30	Namibia 8.00% 150130	5.63
GC32	Namibia9.00% 15042032	5.05
Anglos		5.00
Bank Windhoek F/R 18082022		4.40
GC24	Nam 10.50% 151024	3.37
FirstRand / RMBH		3.25
Sanlam		3.19

Top 10 Holdings as at 31 Dec 2020

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	0.01	4.05
3 year	3.51	5.26
5 year	6.56	8.58

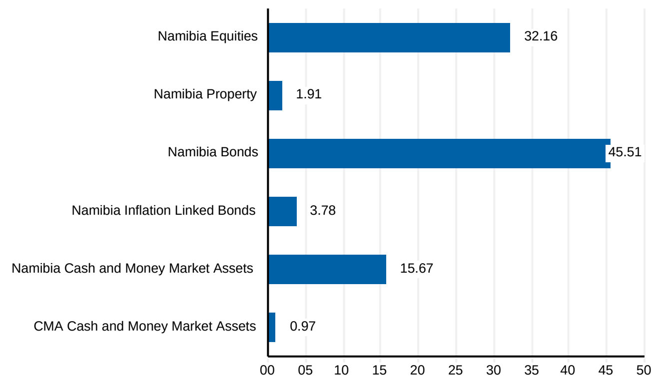
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	0.01	4.05
3 year	10.91	16.61
5 year	37.36	50.92

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

Asset Allocation



Portfolio Manager(s) Quarterly Comment - 31 Dec 2020

Namibian commentary

As we move towards the “new normal”, to a period after we’ve learned to managed the virus and emergency measures lifted. Where a risk of further flair ups in virus cases and hard lock downs a thing of the past. How exactly this period will look like is still unclear but I think we’re getting a few glimpses of what we can expect especially for investors. Strong divergence in economies where those with a strong healthcare system, early detection and containment of virus outbreaks, low reliance on tourism and technology savvy workforce set to recover well from the lockdown induced recession. Countries like ourselves with stretched fiscal position going into the pandemic, probably not obtaining a supply of the vaccine in 2021, high reliance on tourism and net importer, is not looking at a strong post covid recovery period.

With the delivery of mid-term budget in September the Bank of Namibia cut its GDP outlook to a contraction of 7.9% for 2020 and a slight recovery (although most of the effect is because we’re coming off an extremely low base) of 2.2% in 2021. We’re not looking good on turning away from the ever increasing debt levels which has seen government debt balloon to over 100billion. Our fiscal position leaves very little room for policy makers to support struggling economy and help recover during this period.

The Namibian Monetary Policy Committee has kept the repo rate unchanged during the quarter at the 3.75% level, 25bps above that of SA, still firmly at record low levels. With the committee reiterating these levels is appropriate to try and support the struggling economy, keeping inflation outlook in check and maintaining the one-to-one link between Namibian Dollar and SA Rand. Inflation only ticked up slightly in 2020 ending the year at 2.2% driven by rent price deflation and lower fuel prices. Together with outlook of suppressed property prices as well as strengthening currency we don’t expect inflation to increase significantly in 2021.

Although no change in the repo rate over the quarter the short term interest rate changes does seem to have changed direction. The 3-month Jibar rebounded to end the year at 3.64%, after dropping as low as 3.33% in October and November. The Namibian TB issuances had a similar change in momentum with the lowest yielding 365day TB issued in November at 3.81% but at last auction during December closing at 4.35%. Market does seem have moved through the bottom of this interest rate cycle with outlook being a rise in rates, albeit a while before we see a return to rates we’ve been accustomed to the last few years.

This drop in short term rates has played out on the Namibian yield curve and pulled the shorter part of the curve to record low levels. Where a significant twist around the 11 year point is happening, rates to the shorter end moving down as investors traditionally investing in very short term interest rate instruments is forced to move out on the curve to obtain inflation beating yields over the next few years. Spreads on Namibian bonds on the short end of the curve continue to trade at record low levels. While on the longer end of the curve the slow recovery, high debt levels and risk of future structural changes either to inflation or yields expected is doing damage. With fewer and fewer investors willing to invest into the long dated instruments has meant the 13 to 20 year part of curve continues to move upwards, bonds as short as 15 years out trading at 12%, rates at these levels last seen in 2008 market crash or pre 2005 period in Namibia. Investors shying away from these longer dated instruments due to uncertainty, this also had the effect of hurting current holders of longer term bonds, portfolios with longer durations has seen unmatched losses when comparing to the returns generated for investors investing in the shorter end of the curve.

Although we still looking at prolonged period of subdued growth in the Namibian and most of the world’s economies the equity markets has seemingly brushed off this worry in 2020. The extremely low interest rate environment, together with policy support, seen and still expected, investors has continued investing into stock markets around the world. There seems to be endless optimism in this post covid period that policy makers will be able to keep interest rates low, inflation in check and supportive environment for the companies listed around the world. Our local NSX Overall index delivered a total return of 17.6% over the last 6 months, compared to JSE SWIX of 9.5% and MSCI World of 23.0% over same period. Unfortunately our locally listed equities retracted significantly in the last quarter of 2020 and together with the yearly performance had a significantly lower 2020 giving back -0.4% and -22.6% respectively over the periods.

Market Performance

Together with weakening currency and equity markets hitting all time high on the outlook post covid, investors in foreign equity and bonds has been well rewarded in 2020. With the foreign equity, MSCI World, in NAD terms delivered 21.7% return in 2020, topping the list for a second year in a row for best performing traditional asset class for local investors.

Thereafter on the back of shorter term yields coming in strongly in 2020 investors in Namibian bonds has done well receiving a total return of 14.4% over the year, the only traditional asset class for the local investors which has consistently delivered 10% + returns over the last 5 years.

During 2020 NSX Overall as well as JSE overall had subdued year only delivering -1.7% and 2.6% respectively, both had an extremely good second half of the year delivering 17.6% and 9.5%. Namibian local equity has been the disappointing asset class, detracting -25.7% in 2020, -1.2% in 2019 and only positive 3.6% in 2018. Largest detractor being Nambrews which contracted 29.1% in 2020, thereafter Oryx properties - 28.2% and FNB -23.4%. It seems the positivity in foreign equity has not carried over to the local shares, with more sellers in shares than investors looking to take up share. The positive momentum seen up to 2016 may have been as much regulatory driven as fundamental improvements in the companies. We still maintain a healthy outlook on shares and see upside potential in the local market.

Portfolio Positioning

The All Namibian Fund continues to hold an overweight position in Namibian bonds during the quarter in line with Sanlam House View but we have used the market opportunity to sell out of a portion of our government bond holdings. Towards the end of 2020 we have seen record low spread levels over SA bonds and the growing uncertainty around level of bond issuances expected during 2021 due to the constrained fiscal space, thus we have sold around 6% bond holdings during the period.
Around 2% from the bond sales was rotated into dual listed NSX equities with the rest invested into short term interest rate instruments. The equity allocation has increased our overweight equity position to around 6% or 34% total equity holdings for fund. The allocation to short term interest rate instruments has decreased our underweight cash position to around -7% or 28% of the fund held in short term interest rate instruments. Although this is not the ideal time to be buying into this sector we feel strongly that the high liquidity offered by cash at this time together with being able to deploy quickly as opportunities arise in future is the right move for the fund.

Portfolio Performance

Although the fund continues to deliver a positive return during the year with the 3 month return standing at 6.1% and the annualized 3 year at 5.2% we have not been able to outperform our benchmark over these periods with the largest underperformance can be summarized in the following positions.
Around 8% of the fund is invested into local Namibian equities, namely Nambrews, Oryx and FNB noted above which has had a similar correction during the first half of the year as other general equity holdings but then no recovery as seen by these equities during the latter part of the year.

Overweight position to Dual listed shares, although the NSX overall index has seen a recovery of 17.6% since June the 12 month return for the index is still -1.8% which with the overweight position in fund has detracted from the relative performance.

Portfolio Manager(s)

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