

**Fund Objective**

The fund invests in a wide spectrum of investments in the equity, bond, money and property markets in order to maximise total returns over the long term. The fund is suited for pension funds, smaller companies and employers wishing to make pension provision for employees, as well as individuals requiring capital growth via a balanced portfolio. This is a moderate risk balanced fund and which complies with holding a minimum of 35% Namibian based Assets.

**Fund Strategy**

The trust invests in a wide spectrum of investments in the equity, bond, money and property markets in order to maximise total return over the long term. The trust's investments are composed in such a way that it is accessible for pension fund investments i.e. follows prudential guidelines. Up to 20% of the value of the unit portfolio in other unit portfolios. The trust can also invest in foreign markets.

**Why choose this fund?**

- \*The fund manager alters exposure to the various asset classes in line with the investment view.
- \*By investing in a single fund which diversifies across all the major asset classes, investors "outsource" the difficult decision of how much and when to invest in bonds, equities, property and how much cash to have any given point, to the fund manager.
- \*The fund is less volatile than a general equity fund.
- \*The asset allocation is appropriate for an investor with a moderate risk profile.
- \*The fund aims to provide reliable, consistent above average returns in the medium to long term.
- \*The fund complies with holding a minimum of 35% Namibian Assets.

**Fund Information**

<b>Classification</b>	Namibian Asset Allocation Funds
<b>Risk profile</b>	Moderate
<b>Benchmark</b>	Average Namibia Managed Funds
<b>Portfolio launch date</b>	01 July 2000
<b>Minimum investment</b>	Lump Sum N\$ 2 000   Monthly N\$ 200
<b>Portfolio size</b>	N\$402.9 million
<b>Last two distributions</b>	31 Dec 20: 4.12 cents per unit 30 Jun 20: 8.39 cents per unit
<b>Income decl. dates</b>	30 Jun   31 Dec
<b>Income price dates</b>	1st working day of the month
<b>Valuation time of fund</b>	15:00
<b>Trading closing Time</b>	13:00

**Fees (Incl. VAT)**

	Retail Class (%)
<b>Initial Fee</b>	N/A
<b>Annual Service Fee</b>	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
Sim Namibia Floating Rate Fund Class B2 (D)	10.61
Sanlam Global Funds Plc Sanlam Global Equity Fund	9.32
Satrix World Equity Tracker Fund I	9.12
Naspers -N-	6.43
GC24 Nam 10.50% 151024	3.97
Prosus NV	3.06
SIM Namibia Property Fund Class D	2.61
NBS	2.30
BTI Group	1.64
Anglos	1.52

Top 10 Holdings as at 31 Dec 2020

**Performance (Annualised)**

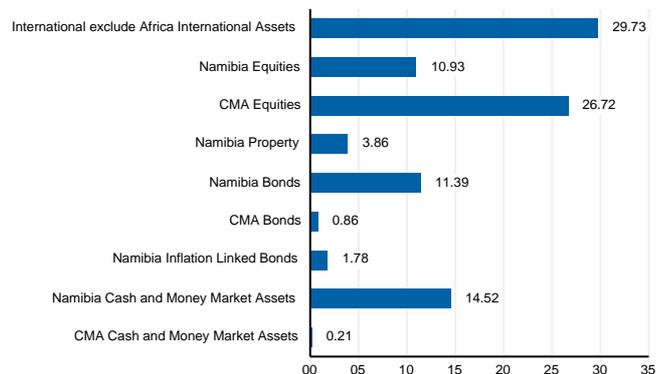
Retail Class	Fund (%)	Benchmark (%)
1 year	4.84	4.65
3 year	3.85	4.37
5 year	4.98	5.03
10 year	8.43	8.41

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

**Performance (Cumulative)**

Retail Class	Fund (%)	Benchmark (%)
1 year	4.84	4.65
3 year	12.01	13.69
5 year	27.53	27.81
10 year	124.65	124.23

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

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

Unit Trusts are usually medium- to long term investments. The value of units can fluctuate and past performance is not necessarily a guideline for the future. Unit Trusts are traded at current closing prices. Forward pricing used. A Statement of Fees and levies is available on request from the management company. Commission and incentives may be payable and if this is the case, it is included in the total cost.

Maximum commissions is available from the manager/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. The following charges are levied against the portfolio: Brokerage, auditor’s fees, bank charges, trustee fees and RSC levies. Member of the ACI.

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 Namibian Balanced Fund holds around 14% local Namibian bonds which is slightly below the long term target for the fund as well as the industry average. With the 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 we have sold around 50bps bond holdings during the quarter and feel this is the prudent position to be in at this time.

With somewhat of a recovery in listed property from the March 2020 lows and weakening outlook on bottom up valuations of the JSE reits we have sold around 50bps of our holdings and bringing the property to a slightly underweight position.

The total equity exposure of the fund has increased slightly during the quarter when looking at Namibian, SA and foreign equity holdings, mostly due to the good performance of these asset classes. We made a sizable rotation of about 1% of the fund out of foreign equities, selling out of the Sanlam Global Equity fund, and buying into SA and Namibian equities. This has increased our underweight to foreign holding to around 2% compared to the industry.

#### Portfolio Performance

Fund has been performing exceptionally well during the first half of the year compared to the industry but unfortunately lost some comparative performance during the second half of the year due to the more conservative positioning of the fund when compared to the industry. Fund delivered a net retail return of 4.8% over 12 months and annualized 3.9% over 3 years, an outperformance of 3.3% and 1.1% respectively compared to the Fund Focus industry average for balanced funds in Namibia.

#### Portfolio Manager(s)

**Basson van Rooyen**

CFA, CA (SA), CA (NAM)

**Nigel Suliaman**

CFA

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