Fund Fact Sheet

Sanlam Namibia Active Fund

October 2018

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$1,423.1 million
Last two distributions	30 Sep 18: 18.47 cents per unit 30 Jun 18: 20.01 cents per unit
Income decl. dates	30 Sep | 31 Dec | 31 Mar | 30 Jun
Income price dates	3rd working day in Jan, Apr, Jul and Oct
Valuation time of fund	15:00
Transaction cut off time	13:00

Fees (Incl. VAT)

	Retail 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)	9.82
R186 RSA 10.50% 211226	2.59
Nedbank NCD 9.13% 14082023	2.04
SIM Property Fund	2.02
FirstRand NCD 10.16% 02062021	1.87
Bank Windhoek F/R 06122022	1.76
First National Bank Namibia F/R 06122022	1.76
Standard Bank Namibia F/R 06122022	1.76
Bank Windhoek F/R 21062023	1.40
Standard Bank Namibia F/R 21062023	1.40

Top 10 Holdings as at 30 Sep 2018

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	6.84	8.26
3 year	7.67	8.28
5 year	7.32	7.47
10 year	7.82	8.02

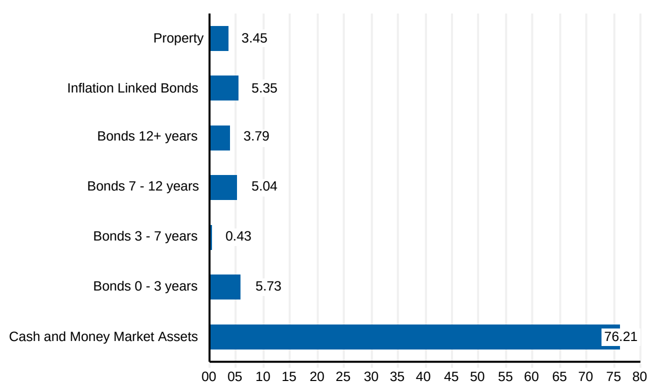
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	6.84	8.26
3 year	24.82	26.97
5 year	42.34	43.36
10 year	112.30	116.20

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

Asset Allocation



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Portfolio Manager(s) Quarterly Comment - 30 Sep 2018

Market review

The Fund delivered good returns over a relatively challenging investment period locally as well as globally with resulting spillover effects into our local market during the last 12 months, and again in the third quarter. Global investment returns did not bear much fruit during the first half of the year and came accompanied with a fair share of volatility. Global developed market equities ended the first half of the year relatively flat with emerging market equities down more sharply, while local South African equities finished the first half marginally negative, although all of these were bumpy rides along the way. International bond and credit markets remained under pressure amid rising global tensions and the US Federal Reserve (Fed) continuing on their path of monetary policy normalisation, with four hikes in the target range for the federal funds rate during the last 12 months. Investment-grade credit in the US has had a particularly bad start to the year and delivered negative returns for the first half, even underperforming US equities over this period, and the performance continued to face headwinds in the third quarter with spreads still facing a bit of upward pressure. Emerging market fixed-income markets have had a tough year so far with emerging market sovereign and credit indices finishing the first half in negative territory, both in local currency and hard currency terms, which was subsequently followed by another bout of volatility in the third quarter. Emerging market currencies were under pressure in the third quarter, with the Turkish Lira finishing the quarter down 24% and the Argentinian Peso down 30%. The South African Rand was not left unscathed and finished the quarter 12% weaker.

The upward pressure on local interest rates resulted in the South African All Bond Index underperforming cash in the third quarter and now also for the year to date, with the Namibian government bond performance tracking those of their South African counterparts. Looking more closely at the path of local interest rates and the bond market performance it was quite a bumpy course so far this year. The first quarter of the year delivered stellar returns from local fixed-interest assets on the back of 'Ramaphoria' and positive local sentiment, with the trend subsequently turning around sharply in the second quarter as international factors took centre stage and weighed on local bond market performance. Foreigners were significant sellers of South African bonds during the second and third quarter of the year and significant net foreign sales so far this year. The spread of Namibian government bonds compared to South African government bonds traded sideways at stable but elevated levels during the first half of the year, with the spread of Namibian government bond yields compared to South African government bond yields subsequently remaining under pressure in the third quarter.

The Namibian economy recorded the ninth consecutive quarter of decline and has now been contracting since the second quarter of 2016. Nominal GDP growth for the second quarter reported by the Namibia Statistics Agency (NSA) contracted 0.2% for the second quarter from a downwardly revised -0.2% in the first quarter. Although the growth numbers are still negative, the acceleration in decline seems to at least have halted, suggesting that the growth outlook is not deteriorating further. However, the meek growth environment stands in contrast with the Bank of Namibia's more positive outlook for growth this year.

South African economic growth figures for the second quarter were reported and indicated that the local economy had slipped into a technical recession with two consecutive quarters of negative growth. This marks the first local recession since the global financial crisis a decade ago. South African GDP growth for the second quarter was shown to have contracted by 0.7% following a downward revised -2.6% in the first quarter. The market consensus expectations were for a positive number in the second quarter.

The asset allocation in the Sanlam Namibia Active Fund has worked well so far this year and we are relatively pleased with the overall outcomes and positioning of the Fund. The Fund managed to deliver performance during volatile market circumstances which were driven by swings on the local as well as the international front. The Fund has been able to participate in market strength but has also been more insulated from market volatility than could otherwise have been the case, especially considering the events and market movements during the year. The Fund's investment objectives are always a key consideration when evaluating the overall positioning and underlying investments. This has continued to prove to work well for the Fund as the performance has managed to keep pace with the local market during periods of strength, while in addition we have had scope available to take advantage of investment opportunities during market weakness and when interest rates trade higher.

The mandate of the Sanlam Namibia Active Fund is orientated towards higher quality assets and it is also important to remember that the Sanlam Namibia Active Fund does not utilise offshore exposures. Offshore asset allocation brings the potential for associated currency diversification benefits and an expanded investable universe. This opportunity set could have added value, especially during the last 12 months as we witnessed big moves in the local currency, in particular reversals over shorter periods than is otherwise more generally the case. The Fund has performed well when considering the risk-adjusted real returns delivered as compared to both inflation and other assets classes. When looking at the return of the Sanlam Active Income Fund compared to inflation, the Fund has performed as good as it can be expected to. Going forward it should reasonably be expected that the performance will again normalise closer to historic norms.

The Fund has had low exposure to listed property assets over the last 12 months, but the limited exposure nevertheless detracted from performance. The positioning was based on valuations with the subsequent weakness in the listed property sector during the year, in particular during the second quarter, giving us the opportunity to take advantage with selective buying opportunities. However, the allocations remain selective and limited with consideration to the continued weakness in the sector. The listed property sector is quite attractively price even when taking into consideration that the fundamental outlook for the sector looks weak.

The investment case for the Fund remains a compelling one: the orientation of the Fund towards quality assets in an environment where local fixed-interest assets are offering attractive income-generating returns and good value at current levels. This rings even more true when remembering that we are still in a low return environment globally and yields on developed market bonds are still at ultra-low levels. The Fund is also a good alternative when considering that return expectations should likely be moderated for risky asset classes where valuations remain on

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the higher end and the outlook has deteriorated. Economic growth expectations should be moderated and this would also weigh on risk assets as weaker earnings should be expected to follow suit. Lastly, the US Fed is still on a path of policy tightening, which makes US cash look more attractive but also brings with it the potential to impact valuations more generally. All of this suggest that the Sanlam Namibia Active Income Fund is an attractive income solution, especially in the current global environment.

Portfolio Manager(s)

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