Fund Fact Sheet

Sanlam Namibia All Namibian Fund

October 2018

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$274.2 million
Last two distributions	30 Jun 18: 3.54 cents per unit 31 Dec 17: 3.63 cents per unit
Income decl. dates	30 Jun | 31 Dec
Income price dates	3rd working day in July and January
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
GC27	Namibia 8.00% 150127	6.16
GC25	Namibia 8.50% 15042025	5.54
Anglo		4.01
GC22	Namibia 8.75% 15012022	3.64
Bank Windhoek F/R 16102020		3.31
Bank Windhoek F/R 18082022		2.92
GC30	Namibia 8.00% 150130	2.89
First National Bank Namibia F/R 10082020		2.56
GC32	Namibia9.00% 15042032	2.49
FNB Holdings		2.46

Top 10 Holdings as at 30 Sep 2018

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	6.01	7.79
3 year	6.32	8.16
5 year	6.15	7.47

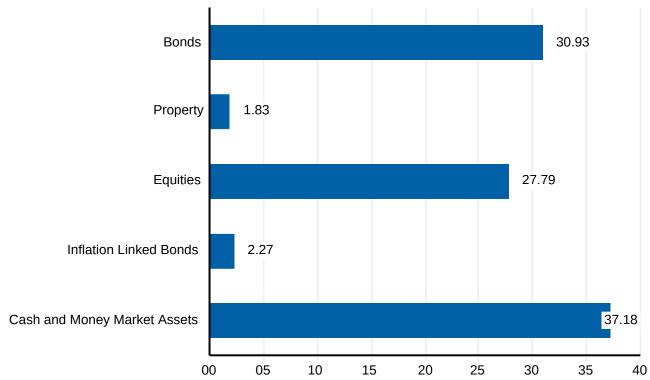
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	6.01	7.79
3 year	20.17	26.52
5 year	34.79	43.33

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

Asset Allocation



Portfolio Manager(s) Quarterly Comment - 30 Sep 2018

Namibian commentary

Investment returns continues on its lukewarm path with very little be excited about. Namibian investors having not only to content with a volatile market but also only local bonds and foreign equities, helped by the US market, having broadly outperformed inflation over the last 3 years. Positioning a portfolio in times like this is difficult when the local and world growth outlook looks under pressure, increasing interest rate environment and high volatility in market prices. Investors should be weary of trying to follow the returns, jumping from one investment/strategy to the next trying to find the short term returns and taking on more risk than they should.

We've not been spared by the global themes playing out as we see the continued US-China trade wars, interest rate normalization in the US, higher oil price and emerging market contagion originating mainly from Turkey and Argentina which had an effect on our currency, money and bond markets. Regionally South Africa has continued to disappoint on their growth numbers and with a second consecutive quarter growth below zero signaling a technical recession.

Namibia's GDP numbers continue to disappoint and very little to be positive about after 2016, the second quarter of 2018 coming in at -0.2% recording the 9th quarter of negative growth in a row. The 2018 stats shows the sectors with biggest drop was Education and health with comments from NSA that the reason being is a decline in number of employees, one of the detrimental effects of government's efforts in prioritising expenditure. With pressure on SACU revenue, moderating Chinese growth and very little wiggle room left in the Namibian budget it seems in the short run risks being skewed to the downside.

Inflation numbers continue on the upward walk from January low of 3.5% to 4.8% recorded in September, close to our initial projection from the beginning of the year. Although due to the drop in Namibian Dollar and rise in oil prices has resulted in a bit of a deterioration to the inflation outlook for the medium term.

Following South Africa the MPC of Bank of Namibia has not changed the repo rate which is still held at 6.75% and although the committee notes a deterioration of growth not only in Namibia but other key monitored economies, a positive growth outlook for the rest of the year and sufficient holdings of foreign reserves being the reason to keep rates where it is.

The medium-term budget policy statement to be delivered in October will be scrutinised for any support to a struggling economy, especially after a few recent sweeping changes to the tax regime which has seen Namibian Fiscus targeting dividend and trust income. Namibia has run successive budget deficits since the global financial crisis in 2009 to stimulate the economy, which has seen public debt swell to over 40% of GDP from less than 20% of GDP before 2011, leaving little room to continue rely on only borrowing to support the economy.

Market review

Most asset classes has had an unimpressive quarter as we saw the JSE ALSI pull back around -2.1% for the quarter and down -3.4% so far in 2018. The Resources and Financial sub-indices has at least bucked the negative trend seen in the broader market and has help the NSX Overall, which has a higher exposure to these type of companies, deliver a positive quarter 2.97% and up 3.81% for 2018. Post the Steinhoff debacle, market participants are increasingly jittery and it seems the level of over-reaction to negative news has become extreme and bringing quite a bit of volatility to the local market.

Although nothing much has happened on the local NSX index the last quarter, most of the listed companies' which has June year ends results have been published. The banks, FirstRand Namibia and Capricorn Investment group, has shown a slight uptick in non-performing loans, FNB up to 1.7% from 1.4% in 2017 and CGP up to 3.3% from 2.2% in 2017. Something to keep an eye on as borrowers come under pressure but both banks delivering a respectable set of results in the current environment. Namibian Breweries profit flat from 2017 but some good developments in the South African Sedibeng brewery run with Heineken. Bidvest Namibia unfortunately not yet out of the shadow from their disappointing fishing division results and still trying to get out of the sector. One on the new tickers, Letshego Namibia, delivering a solid set of results after listing in 2017, but with the update in Microlending Bill some uncertainty around continuing ability to grow its loan book as aggressively.

Local bonds continue to be the one dependable asset class and looking at the IJG ALBI index delivered a return of 2.17% for the quarter and up 5.73% for 2018 and outperforming local cash, taking the IJG Money Market index as proxy, up 1.89% for the quarter and 5.83% for 2018.

Interest rates moved upward during the last quarter when the Namibian 10 year government yield took a short turn above 11% when it move from 10.83% at the end of June to high of 11.16% on 11 September back down to 10.89% at the end of the third quarter. Although still quite high compared to historic averages the interest rate spread over that of SA Bonds has started coming down after the sharp spike recorded in March 2017, spreads now hovering around the 1.65%, levels last seen early 2017 which is a positive move. On the shorter term the local 91 day TB issued by the Bank of Namibia spread has also narrowed over the SA counterpart where the quarter end yield was 7.59% compared to 7.12 in SA (7.92% and 7.07% respectively in June).

Asset allocation

Local nominal bonds with prospective real yields above 5% are attractively priced and we continue to add bonds to our funds. At current yields it makes valuation sense to do so and increased the bond exposure with 2% during the quarter. Local equities have been increased on an effective level. Using a bottom-up, fundamentally-driven valuation analysis of the equity market, we believe this asset class to be currently trading at attractive valuation levels and offering reasonably good value and increased the equity exposure of the fund with 3% during the quarter.

Portfolio Manager(s)

Andrè Roux

BCom (Hons)

Basson van Rooyen

CFA, CA (SA), CA (NAM)

Manager Information: Sanlam Namibia Trust Managers Limited. Physical address: 154 Independence Avenue, Windhoek 9000, Postal address: P O Box 317, Windhoek, Namibia
Tel: +264 (61) 294 7111/7417, Fax:+264 (61) 294 7524, Email: collective@sanlam.com.na, Website: www.sanlamcollectiveinvestments.co.za