

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

Classification	Namibian Asset Allocation Funds
Risk profile	Moderate
Benchmark	Average Namibia Managed Funds
Portfolio launch date	01 July 2000
Minimum investment	Lump Sum N\$ 2 000 Monthly N\$ 200
Portfolio size	N\$579.2 million
Last two distributions	30 Jun 18: 3.23 cents per unit 31 Dec 17: 3.94 cents per unit
Income decl. dates	30 Jun 31 Dec
Income price dates	5th working day in January and July
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. 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
Sanlam World Eq	13.79
Naspers -N-	8.32
Sanlam World Equity Tracker Fund Class I USD	7.87
SIM Namibia Property Fund Class D	5.52
GC24 Nam 10.50% 151024	3.72
Bank Windhoek F/R 26022021	3.04
Sanlam Europe (ex UK) Equity Tracker Fund Class I	2.86
NBS	2.72
First National Bank Namibia NCD 8.2% 25092020	2.52
Sasol	2.27

Top 10 Holdings as at 30 Sep 2018

Performance (Annualised)

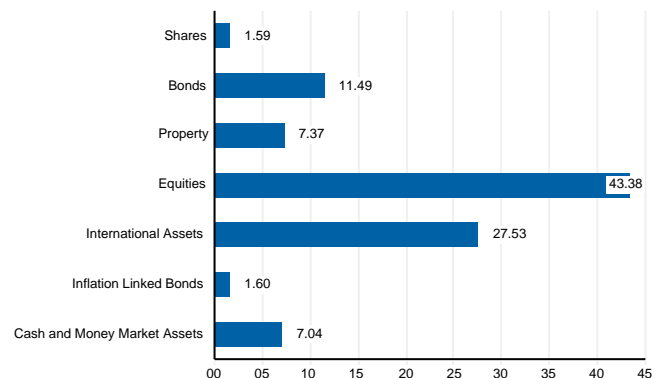
Retail Class	Fund (%)	Benchmark (%)
1 year	(5.14)	(1.02)
3 year	2.92	3.93
5 year	5.83	6.43
10 year	10.19	10.07

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

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	(5.14)	(1.02)
3 year	9.03	12.26
5 year	32.74	36.56
10 year	163.84	161.03

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

Asset Allocation


Portfolio Manager(s) Quarterly Comment - 30 Sep 2018

What a strange world we live in! Can US equities, which are by most observers perceived to be quite expensive by historical standards, be the safest haven around? The way asset prices have been behaving, one could be excused for wondering... Despite global manufacturing indicators such as purchasing managers' indices and manufacturing confidence remaining positive (albeit at levels below where it started the year), emerging market (EM) currencies and assets have been under relentless pressure, while in the developed world equities continued to outperform everything else and within that universe the US remained the star. In the last 10 years, post the global financial crisis, US equities outperformed the MSCI World ex USA Index by more than 6% p.a. In the last year that outperformance increased to almost 15% and in the last quarter it accelerated to almost 30% (on an annualised basis). Although the US technology sector greatly contributed to this outperformance, it was not the exclusive driver. Even the S&P 500 ex Technology Index outperformed the MSCI World ex USA Index by roughly 5%, 10% and 23% annualised over 10 years, one year and three months respectively.

In our previous two quarterly reports we highlighted that EMs did not do themselves any favours, with a couple of self-inflicted crises that sowed doubt about EMs. However, EMs generally are in much better shape than historically when broader EM crises developed and we believe that market movements against EMs have been overdone. However, our exposure to EM equities continued to disappoint, with continued underperformance of EMs during the quarter accentuated by underperformance from our chosen solution.

We also previously made the case for global equities to continue outperforming global fixed-interest assets, on the back of interest rates rising slowly (given high debt levels) and earnings support. And in this context the US has been the poster child, with earnings rising strongly to support equity price performance. However, the accelerating nature of US outperformance and the level of earnings growth that would be required to support valuations, are starting to concern us. Does that mean US equities are due for a correction as many commentators claim? It might be, but it is not certain - such an event is near impossible to predict. As long as earnings show positive growth, a US equity correction might remain a rainless dark cloud, but in our opinion, it is a cloud that at least warrants carrying an umbrella or a raincoat. Consequently, in the last quarter, we started adding some protective structures to the foreign equity portion of the portfolio and will continue to do so into any continued equity market strength.

In US Dollar terms only equities gave a positive performance for the quarter (with the MSCI World Index up 5%), while property, bonds and cash all delivered marginally negative returns. But the continued broader EM currency weakness saw the Rand weaken about 3% in US Dollar terms, lifting the performance of all foreign assets into positive territory and also above the best of what was available locally. After six months of continued weakness, the Rand reached levels above what fundamental drivers would suggest it should be at and when near R15/\$ we started bringing some money back to SA to redeploy in attractively priced local assets. For this we had to trim back our foreign equity position a bit. We do find it very difficult to be very aggressive on the repatriation trade, however, since when things really went wrong for emerging markets in the past the Rand had sometimes blown out to levels in excess of R20/\$ when expressed in current value terms. So, we'll rather bring back more aggressively during times of more substantial currency weakness.

We continued to avoid global fixed-interest assets. It is difficult to find a

scenario where these provide any form of real return in the foreseeable future, given that developed market bonds are offering low or negative prospective real yields and, in addition, their yields are more likely to rise than fall due to the quantitative easing policies of central banks coming to an end.

We reduced the previously held exposure to a basket of developed market real estate investment trusts (REITs) and added the proceeds to a diversified portfolio of attractively priced real assets (property, renewable energy, infrastructure, utilities) where long-term contracts are in place for income to rise with inflation. These assets should over time exhibit lower correlation to equity markets, while providing attractive real returns that should rival that of equities.

On the local front, all assets but cash experienced another quarter of lacklustre returns. Fixed-interest assets delivered marginally positive returns of less than 1%, whereas growth assets lost some ground with property down by 1% and equities down 3.3% (FTSE/JSE All Share Index). It has now been almost four years during which all local assets gyrated around a trend return defined by cash and where no compensation was awarded for incurring volatility in the other asset classes. During that time the other asset classes all got cheaper and, in our opinion, they are all priced for returns in excess of their respective expected long-term returns.

Towards the end of the quarter bond yields started approaching levels last seen prior to the ANC elective conference, with prospective returns from bonds rising to around 4% in real terms. The risk of further downgrades to our credit rating has indeed increased again and hence the rise in yields could be justified, with the ever-present risk of another spike upwards in bond yields being a constant threat to local bond investments. However, at levels where bonds offer real returns of 4% and more, we deem the returns adequate compensation for the increased risk. Property, on the other hand, is offering a very competitive yield and a material slowdown in the sector's distribution growth will be required for the asset class not to outperform local fixed-interest assets. And after a prolonged period of low returns, combined with recent weakness, local equities have become the most attractively priced it has been in a few years.

Consequently, we continued to add to our position in local bonds, maintained our moderately high exposure to local property and added to our local equity exposure. That does give us above average exposure to growth assets and should the period of cash outperformance continue, our chosen position will put pressure on performance. However, we don't claim to have superior skill in timing the market and as valuation-anchored investors we believe in channelling money to assets that offer value, since over time these should deliver superior returns.

Portfolio Manager(s)**Andr  Roux**

BCom (Hons)

Basson van Rooyen

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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.

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