Fund Fact Sheet

Sanlam Namibia Floating Rate Fund

August 2021

Fund Objective

The fund seeks to maximise interest income and preserve the fund`s capital.

The fund is suited for investors requiring competitive interest with regular quarterly income distribution and total capital stability.

Fund Strategy

Negotiable certificates of deposits, promissory notes, debentures, bills and deposits.
80% Floating Rate rates & 20% Liquid Money Market Instruments.
Risk Profile – same as Money Market Funds.

Why choose this fund?

*This fund is ideal for use as an emergency fund.
*It should form the core fund of your portfolio's cash component.
*It is ideal for risk-averse investors, or investors who are waiting for market volatility or global uncertainty to subside.
*The fund should produce higher returns than call deposits while interest rates are declining.
*The fund pays out income on a quarterly basis.
*In rising interest rate environments, these funds will benefit soonest from linked assets which re-price immediately.
*This fund complies with holding a minimum of 35% Namibian Assets.

Fund Information

Classification	Namibian Fixed Interest Varied Specialist
Risk profile	Conservative
Benchmark	65% STeFI Composite Index | 35% IJG Money Market Index
Portfolio launch date	01 Oct 2010
Minimum investment	Lump Sum N$ 1 000 | Monthly N$ 500
Portfolio size	N$1.3 billion
Last two distributions	30 Jun 2021: 1.02 cents per unit 31 Mar 2021: 1.01 cents per unit
Income decl. dates	Last day of each quarter
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	0.60

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

Top 10 Holdings

Securities	% of Portfolio
FirstRand F/R 03012023	3.41
Bank Windhoek F/R 29072022	3.09
Standard Bank Namibia F/R 04022022	2.94
Standard Bank Namibia F/R 11032022	2.71
ABSA F/R 16092022	2.64
Standard Bank F/R 20022023	2.59
First National Bank Namibia F/R 06052022	2.57
Standard Bank F/R 22122023	2.27
Bank Windhoek F/R 17072023	2.21
First National Bank Namibia F/R 03102022	2.21

Top 10 Holdings as at 30 Jun 2021

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	3.95	4.00
3 year	6.27	5.97
5 year	7.07	6.56
10 year	6.72	6.28

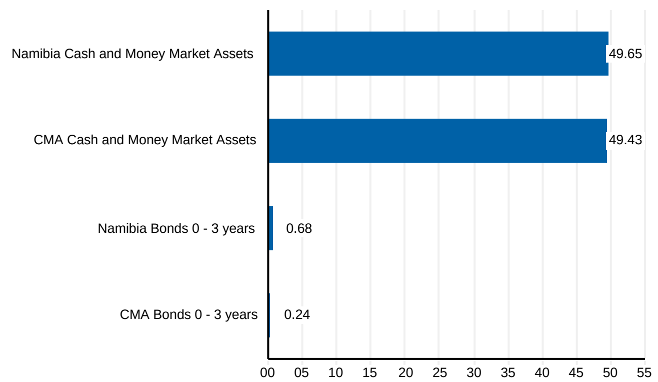
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	3.95	4.00
3 year	20.00	19.01
5 year	40.72	37.40
10 year	91.62	83.89

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

Asset Allocation



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Portfolio Manager(s) Quarterly Comment - 30 Jun 2021

Market review

During the quarter the long-awaited spike in inflation at last started to rear its ugly head and now the debate about its nature, i.e. whether it's transitory/short term or more long term/sticky, went up several notches. CPI inflation in the US increased from 2.6% year-on-year (y/y) in April to 5% y/y in May. In this context of continued rising inflation in the US, the June Federal Reserve Bank (Fed) meeting was of extreme significance for global markets. The Fed is still of the opinion that the current spike in inflation is of a transitory nature and that inflation will overshoot their long-term target level over the near term. At the same time the level of unemployment at 5.8% is still not back at pre-pandemic levels of around 3.5%. Considering that the Fed's mandate prioritises low unemployment ahead of price stability, they then decided to keep interest rates unchanged and maintain their current level of asset purchases in the market. They, however, did increase their CPI inflation expectations by 1%, which the market interpreted as them starting to turn slightly hawkish, which resulted in dollar strength against both developed and emerging market currencies.

SA GDP grew by 4.6% in the first quarter of 2021 (1Q21), exceeding expectations of 2.5%, after expanding by 5.8% in the fourth quarter of 2020 (4Q20). This was as a result of particularly strong growth in mining and, surprisingly, also finance and business services. Unemployment increased to 32.6% in 1Q21 from 32.5% in 4Q20. The number of jobs in the formal non-agricultural sector increased, while it decreased in agriculture, the informal sector and especially domestic services.

The South African Reserve Bank (SARB)'s Monetary Policy Committee (MPC) kept the repo rate unchanged at 3.5% during their May meeting. They changed their view on risks to their inflation forecast from balanced to 'tilted to the upside'.

Moody's left SA's sovereign credit rating unchanged at Ba2 with a negative outlook. In their credit opinion they stated that the outlook could be changed to stable if there was a durable pick-up in growth as a result of labour market or power sector reforms, a narrowing fiscal deficit and a wage agreement with the unions. S&P and Fitch also left SA's sovereign credit ratings unchanged. On a positive note, Eskom slashed its debt by R84 billion to R401 billion through net debt repayments and foreign exchange gains. The unbundling of Eskom is also proceeding on schedule, with the complete separation of the transmission business on track for December this year. SARS collected R38 billion or 3.1% more taxes in FY20/21 than expected in the 2021 February Budget. Uncertainty, however, still remains with regard to public sector wages as unions threatened to strike unless government gives in to their wage demands for FY21/22.

President Ramaphosa announced an increase in the licensing threshold for embedded generation projects from 1 MW to 100 MW, which will lead to increased energy availability and security for businesses and individuals. At the end of the quarter government enforced an adjusted level 4 lockdown as the third wave of Covid-19 infections continued to increase. This resulted in weaker equity and bond markets and a slight sell-off in the rand.

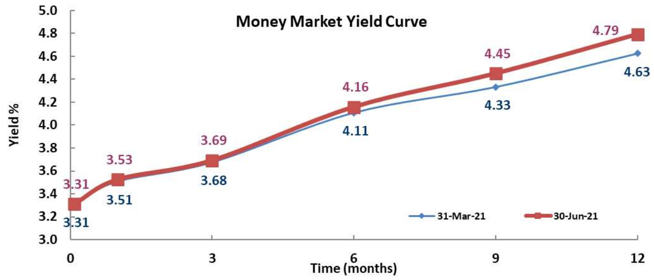
Headline CPI increased to 5.2% y/y in May from 3.2% y/y in March. PPI inflation increased to 7.4% y/y from 5.2% y/y. Both increases were mainly due to higher fuel prices and base effects. The rand strengthened to 14.32 from 14.76 against the US dollar during the quarter. The 10-year SA government bond yield strengthened substantially to 9.35% from 9.94%. The trade balance increased slightly to a surplus of R54.60 billion from R52.60 billion.
The money market yield curve steepened over the quarter as inflation increased above the midpoint of the SARB's target band and the market started to bring potential interest rate hikes forward in time.

What SIM did

Quality corporate credit and RSA Treasury bills, which are yielding higher than JIBAR rates, were added to the portfolio. The combination of corporate credit, high-yielding RSA Treasury bills, negotiable certificates of deposit (NCDs) and floating rate notes (FRNs) will enhance portfolio returns.

SIM strategy

Our preferred investments would be a combination of fixed-rate notes, FRNs and quality corporate credit to enhance returns in the portfolio. With the money market yield curve normalising (steepening), fixed-rate bank notes are more attractive now than before, but RSA Treasury bills continue to yield higher than bank NCDs and FRNs. Bank floating rate spreads are also slowly picking up now, but not warranting investment yet, as further upward potential remains.



Portfolio Manager(s)

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