**Fund Objective**

The fund seeks to maximise interest income, preserve the fund’s capital and provide immediate liquidity.

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

**Fund Strategy**

The fund invests in a range of money market instruments which include negotiable certificates of deposit, banker’s acceptances, debentures, treasury bills and call accounts. The fund may only invest in money market instruments with a maturity of less than one year.

**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 pays out income on a monthly basis.*

*In rising interest rate environments, these funds will benefit soonest from higher call deposit rates.*

**Fund Information**

**Classification**
Namibian Money Funds

**Risk profile**
Conservative

**Benchmark**
STeFI Composite Index

**Portfolio launch date**
1 April 2003

**Minimum investment**
Lump Sum N$ 1 000 | Monthly N$ 500

**Portfolio size**
N$361.6 million

**Last two distributions**
30 Jun 2020: 0.46 cents per unit
31 May 2020: 0.51 cents per unit

**Income decl. dates**
Last day of each month

**Income price dates**
Within 5 working days of following month

**Valuation time of fund**
15:00

**Trading closing Time**
13:00

**Fees (Incl. VAT)**

<table>
<thead>
<tr>
<th>Retail Class (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Fee</td>
</tr>
<tr>
<td>Annual Service Fee</td>
</tr>
</tbody>
</table>

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

**Top 10 Holdings**

<table>
<thead>
<tr>
<th>Securities</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank Namibia F/R 10082020</td>
<td>3.63</td>
</tr>
<tr>
<td>First National Bank Namibia F/R 21042021</td>
<td>3.36</td>
</tr>
<tr>
<td>Namibian Government TB 4.850004% 21082020</td>
<td>3.03</td>
</tr>
<tr>
<td>Nedbank F/R 21092020</td>
<td>2.77</td>
</tr>
<tr>
<td>Namibian Government TB 7.549998% 19022021</td>
<td>2.43</td>
</tr>
<tr>
<td>FirstRand F/R 15102020</td>
<td>2.24</td>
</tr>
<tr>
<td>ABSA F/R 03122020</td>
<td>1.95</td>
</tr>
<tr>
<td>Nedbank Namibia NCD 5.00% 05112020</td>
<td>1.95</td>
</tr>
<tr>
<td>ABSA F/R 29032021</td>
<td>1.94</td>
</tr>
<tr>
<td>Standard Bank F/R 28122020</td>
<td>1.94</td>
</tr>
</tbody>
</table>

Top 10 Holdings as at 30 Jun 2020

**Performance (Annualised)**

<table>
<thead>
<tr>
<th>Retail Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>6.96</td>
<td>6.86</td>
</tr>
<tr>
<td>3 year</td>
<td>7.30</td>
<td>7.17</td>
</tr>
<tr>
<td>5 year</td>
<td>7.30</td>
<td>7.20</td>
</tr>
<tr>
<td>10 year</td>
<td>6.47</td>
<td>6.48</td>
</tr>
</tbody>
</table>

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

**Performance (Cumulative)**

<table>
<thead>
<tr>
<th>Retail Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>6.96</td>
<td>6.86</td>
</tr>
<tr>
<td>3 year</td>
<td>23.55</td>
<td>23.10</td>
</tr>
<tr>
<td>5 year</td>
<td>42.24</td>
<td>41.57</td>
</tr>
<tr>
<td>10 year</td>
<td>87.13</td>
<td>87.41</td>
</tr>
</tbody>
</table>

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

**Asset Allocation**

- Namibia Money Market Assets
- CMA Money Market Assets
- Namibia Cash in Settlement Account
- CMA Cash in Settlement Account

This monthly Fund Fact Sheet should be viewed in conjunction with the Portfolio Manager Commentary Sheet.
Portfolio Manager(s) Quarterly Comment - 30 Jun 2020

Market review

At the start of the quarter, countries around the world continued to grapple with different policies to combat Covid-19, as they tried to minimise the negative impact on lives and livelihoods. The common approaches to counter the negative impact were monetary easing, fiscal support packages and lockdown measures.

In SA, towards the middle of April, with the country being under lockdown for a few weeks already, the potential extent of the negative impact of Covid-19 became clearer as time passed. Consequently, the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) decided to cut the repo rate by a further 100 basis points (bps) during an emergency meeting, which followed the 100-bps cut at the March meeting. This cut was motivated by the worsening outlook in both global and domestic growth. They also mentioned that the recent sharp weakening in the rand will result in upside inflation risks, although they still feel that the exchange rate pass-through will remain weak and will be outweighed by the weak oil price and recession.

Consensus around the world was that monetary accommodation alone will not be sufficient to steer economies through this crisis period and that more direct support measures will be needed. Towards the end of April, SA followed suit when President Ramaphosa announced a stimulus package of R500 billion, which amounts to about 10% of GDP. This puts SA high on the list when comparing it on a relative basis to other countries’ initial support packages. The funding will be used to address the health impact of the pandemic, provide direct assistance to families to fight hunger, support workers and companies affected by the lockdown and other measures to support the economy as SA moves towards the gradual easing of lockdown restrictions.

The lockdown policy is a double-edged sword, because although it limits the spread of the virus, it also negatively affects everyone’s livelihood at the same time, especially the poor. To further counteract this imbalance, government announced that they will gradually ease lockdown restrictions in a risk-adjusted fashion with 5 levels, starting 1 May, where level 5 means a full nationwide lockdown and level 1 means that most economic and social activities can resume, but with precautions and health guidelines.

Following the Moody’s downgrade in March, Fitch downgraded SA’s local and foreign credit ratings to BB with a negative outlook, two notches below investment grade. They said that SA still lacks a clear policy with regard to stabilising public debt, in addition to the negative economic impact of Covid-19. S&P followed suit, downgrading the foreign and local credit ratings to BB- and BB, with a stable outlook.

At the May MPC meeting, it was decided to cut the repo rate by a further 50 bps, with two of the members voting for only a 25-bps cut. The SARB now forecasts GDP to contract by 7% in 2020 and to recover to 3.8% in 2021. They also expect headline CPI to average around 3.4% this year and then rising to 4.4% in 2021.

Risk sentiment improved from the middle of the quarter as countries around the world eased lockdown restrictions and economies correspondingly opened up. This is clearly illustrated by the oil price, which increased from around $20 a barrel and remained consistently in the low $40s, and also substantial recoveries in equity market prices and risky emerging market (EM) assets. One should mention that while all of this was happening, in many countries infection rates were still increasing, but an attempt at striking a balance between lost lives versus lost livelihoods had to be made.

GDP growth contracted in the first quarter of this year, which shows that the economy was already contracting before the lockdown. This was also the third consecutive quarter of declining growth. 1Q2020 GDP fell by 2% quarter-on-quarter (q/q), after declines of 0.8% q/q and 1.4% q/q respectively in 3Q2019 and 4Q2019. The World Bank expects SA’s GDP to contract by 7.1% in 2020 and the OECD 7.5%, which is similar to the SARB’s 7% and National Treasury’s 7.2% forecasts. The unemployment rate increased to 30.1% in 1Q2020 from 29.1% in 4Q2019.

Headline CPI printed at 3% year-on-year (y/y) in April from 4.1% y/y in March, which was broadly in line with expectations, however, there were some surprises in underlying components, due to the imputation of pricing information that could not be collected during the hard lockdown. Core-CPI surprised by 0.5% at just 3.2% y/y, well below expectations. The Brent oil price remains an upside risk and residential rental costs remain a downside risk. PPI inflation eased to 1.2% y/y in April from 3.3% y/y in March, mainly due to lower fuel prices and data imputations.

In a public speech, SARB Governor Lesetja Kganyago said that they already did a lot with conventional monetary policy by cutting rates by 275 bps, providing additional liquidity through other measures and regulatory relief for the banks. The median rate cut by other EM countries were only 100 bps and the scale of bond purchases done so far, at 0.6% of GDP, is on par with other EM countries. He also distinguished clearly between market liquidity issues, where the SARB should act, and fiscal sustainability issues, under which large-scale bond buying can be inflationary.

Finance Minister Tito Mboweni presented a supplementary budget at the end of the quarter. Government now forecasts GDP to contract by 7.2% this year. A big tax shortfall is expected compared to the February budget. Planned tax increases are modest, with no mid-year adjustment this year. The Covid-19 pandemic required huge spending on health and economic support this year, which will mostly be financed by reallocation. National Treasury now forecasts the main budget deficit at 14.2% of GDP. Ratings agency Moody’s expressed scepticism with regards to the government’s stabilisation of public debt by 2023/24 because of the weak growth outlook and continued fiscal rigidities.

The rand strengthened to 17.38 against the US dollar from 17.80 during the quarter. The 110-year SA government bond yield strengthened substantially to 9.41% from 10.99%. The trade balance decreased slightly from a surplus of R22.6 billion to one of R15.9 trillion.

The money market yield curve shifted down in line with the total 150-bps repo rate reduction during the quarter. Additionally, it flattened somewhat towards the end of the quarter, pricing in an additional 25-bps rate cut
over the next three months and 50 bps over the next year.

What SIM did

All maturities were invested across the money market yield curve, exploiting the term premium as well as adding some higher-yielding fixed-term negotiable certificates of deposit (NCDs). Quality corporate credit, which traded above the 3-month JIBAR rates, was added to the portfolio. We preferred a combination of floating rate notes (FRNs) in the portfolio together with some fixed-rate NCDs. The combination of corporate credit, high-yielding NCDs and FRNs will enhance portfolio returns.

SIM strategy

Our preferred investments would be a combination of fixed-rate notes, floating rate notes and quality corporate credit to enhance returns in the portfolio. With the money market yield curve shifting substantially lower and flattening somewhat, fixed-rate bank notes are not providing enough compensation for their additional interest rate risk compared to floating rate notes. Furthermore, now that monetary easing seems to be ending and economies are opening up again, we will tend to invest more in floating rate note securities so as to manage the risk of interest rates rising again over the medium term.

Portfolio Manager(s)

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