Fund Fact Sheet

Sanlam Namibia Money Market Fund

October 2018

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$294.7 million
Last two distributions	31 Oct 2018: 0.61 cents per unit 31 Sep 2018: 0.58 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)

	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
Nedbank F/R 19122018	3.38
ABSA F/R 09112018	3.07
FirstRand F/R 01022019	2.39
ABSA F/R 29102018	2.05
Bank Windhoek NCD 7.45% 05112018	2.04
Nedbank F/R 22112018	2.03
Namibian Government TB 7.574996% 23112018	2.00
Namibian Government TB 7.65% 07122018	1.99
Bank Windhoek NCD 8.43% 18062019	1.72
Standard Bank Namibia NCD 7.85% 31102018	1.72

Top 10 Holdings as at 30 Sep 2018

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	7.45	7.26
3 year	7.49	7.36
5 year	6.81	6.84
10 year	6.69	6.78

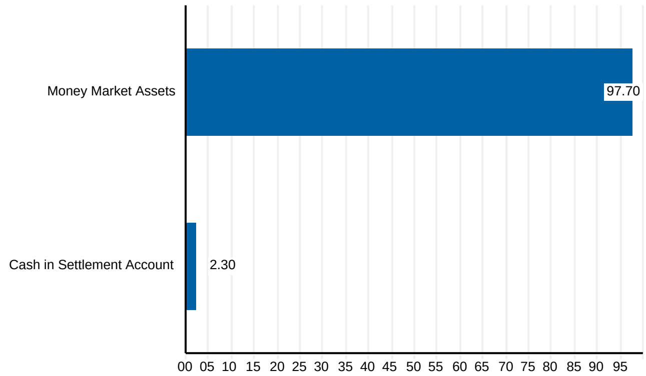
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	7.45	7.26
3 year	24.19	23.73
5 year	38.99	39.22
10 year	91.16	92.73

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

South African currency, money and bond markets were mainly driven by a few global and local themes. Globally we had the continued US-China trade wars, interest rate normalisation in the US, higher oil prices and emerging market contagion originating mainly from Turkey and Argentina. Locally there were the continued risk of higher inflation, weak economic growth, budget pressures at the fiscus, expropriation of land without compensation and President Ramaphosa's economic stimulus plan.

Seasonally adjusted annualised GDP for the second quarter of 2018 contracted by 0.7%, following the 2.6% decline in the first quarter. This means that SA is now in a technical recession. This was substantially lower than the expected 0.6% expansion. Agricultural output had a large contraction for the second consecutive quarter and services output also surprised with an unexpected decline.

Some economic indicators still show that it will take time for the economy to recover. Both the ABSA and Markit PMIs declined further below 50, signalling weak economic activity at the beginning of the third quarter. July mining production contracted by 8.6% month-on-month compared to the 5.0% increase in June. Weak passenger car sales numbers in August and a decline in retail sales to 1.3% in July from 1.8% in June signals weak consumer spending. Ratings agency Moody's reduced SA's 2018 GDP forecast to between 0.7% and 1.0% from 1.6%, although it said that its global growth forecast of above 3.0% will be supportive for SA.

At the SA Reserve Bank (SARB)'s MPC meeting in June, all seven members voted to keep the repo rate on hold at 6.50%. The tone of the MPC meeting was characteristically hawkish. The MPC increased its headline and core inflation forecasts for 2019 and 2020 by 0.4% and 0.2% respectively. In stark contrast to the June meeting, only four members voted for the rate to remain unchanged. Consequently the repo rate remained at 6.50% and the voting result signals that inflation risks are to the upside. The SARB kept its inflation forecast for 2018 at 4.8% and 2020 at 5.5%, but raised 2019 to 5.7% from 5.6%, due to higher oil prices and a weaker currency. It also lowered its growth outlook for 2018 to 0.7% from 1.2%, but kept 2019 and 2020 forecasts unchanged at 1.9% and 2.0%.

In September, government intervened to limit the increase in fuel prices. The Minister of Energy, Jeff Radebe, revealed that this intervention will only be a once-off. The recent weakening of the SA Rand and the rise of the oil price (above $80), means that large future fuel price increases are imminent. It is important to note that the SARB explained that they are prepared to look through first-round inflationary effects of a weaker Rand, if the cause of weakening was not domestic.

Early in the quarter SA hosted the tenth BRICS Summit under the theme, “BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the fourth Industrial Revolution”. Before the start of the summit, China pledged to invest $14.7bn in SA. This, together with the $20bn which Saudi Arabia and the UAE (each $10bn) committed to invest in SA, already makes up a significant contribution of President Ramaphosa's $100bn foreign direct investment target.

Politically, President Ramaphosa announced that the ANC decided to change SA's constitution to explicitly allow expropriation of land without compensation. Although they stated that land redistribution will be done in a “just and equitable” manner and without harm to the economy, the market still reacted negatively to the announcement. The issue of nationalising the SARB reappeared again, when the EFF tabled a bill in parliament. The minister of communications, Nomvula Mokonyane, stated on behalf of the cabinet, that the proposed nationalisation of the central bank will not lead to any changes to its operational mandate. The SARB also reiterated this, stating that its independence regarding monetary policy and financial stability is guaranteed by the SA constitution.

End August Argentina surprised the market by hiking their interest rates by 15%. Turkey followed suit by hiking interest rates by 6.25%, providing support for emerging market countries, including SA. Beginning September the US Dollar weakened as a result of further intended tariffs. Later in the month the Federal Reserve lifted their benchmark rate by 25 bps, maintaining their intended interest rate path and reversing dollar weakness.

GDP growth in the second quarter of 2018 contracted by 0.7% quarter-on-quarter after contracting by 2.6% in the first quarter. The unemployment rate of the second quarter increased to 27.2% from 26.7% in the first quarter. During the quarter year-on-year CPI increased to 4.9% in August from 4.6% in June. Similarly, year-on-year PPI increased to 6.3% from 5.9%. The Rand weakened to 14.17 from 13.76 against the Dollar. The 10-year SA government bond weakened to 9.22% from 9.03%. The trade balance decreased to 8.79bn from 11.9bn.

The money market yield curve shifted upwards and steepened substantially over the quarter, as a result of the weakening in the Rand. If the Rand will continue to remain at the current weaker levels, combined with the current higher oil prices, inflation will most likely be higher than expected in the coming months. This could potentially result in the SARB having to hike interest rates to keep inflation below the 6% upper limit of the inflation band.

What SIM did

All maturities were invested across the money market yield curve, exploiting the term premium. 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 negotiable certificates of deposits (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. As a result of the steepening of the money market yield curve over the course of the quarter, fixed rate notes became relatively more attractive than floating rate notes.

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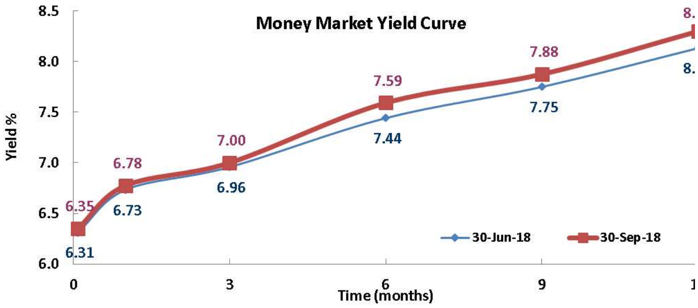

Portfolio Manager(s)

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