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$354.5 million
Last two distributions: 30 Nov 2020: 0.32 cents per unit
31 Oct 2020: 0.35 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

<table>
<thead>
<tr>
<th>Securities</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank Namibia F/R 21042021</td>
<td>3.41</td>
</tr>
<tr>
<td>Nedbank F/R 21122020</td>
<td>2.82</td>
</tr>
<tr>
<td>Namibian Government TB 7.549998% 19022021</td>
<td>2.50</td>
</tr>
<tr>
<td>Nedbank Namibia NCD 5.00% 05122020</td>
<td>2.01</td>
</tr>
<tr>
<td>ABSA F/R 03122020</td>
<td>1.98</td>
</tr>
<tr>
<td>ABSA F/R 29032021</td>
<td>1.98</td>
</tr>
<tr>
<td>Standard Bank F/R 28122020</td>
<td>1.98</td>
</tr>
<tr>
<td>Nedbank FD 4.85% 201122020</td>
<td>1.72</td>
</tr>
<tr>
<td>FirstRand F/R 06052021</td>
<td>1.71</td>
</tr>
</tbody>
</table>
| FirstRand Bank Namibia F/R 20082021       | 1.70

Performance (Annualised)

<table>
<thead>
<tr>
<th>Retail Class</th>
<th>Fund (%)</th>
<th>Benchmark (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>5.77</td>
<td>5.67</td>
</tr>
<tr>
<td>3 year</td>
<td>6.85</td>
<td>6.74</td>
</tr>
<tr>
<td>5 year</td>
<td>7.13</td>
<td>7.02</td>
</tr>
<tr>
<td>10 year</td>
<td>6.37</td>
<td>6.39</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>5.77</td>
<td>5.67</td>
</tr>
<tr>
<td>3 year</td>
<td>21.99</td>
<td>21.62</td>
</tr>
<tr>
<td>5 year</td>
<td>41.11</td>
<td>40.38</td>
</tr>
<tr>
<td>10 year</td>
<td>85.43</td>
<td>85.72</td>
</tr>
</tbody>
</table>

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

Asset Allocation

- Namibia Money Market Assets: 62.11%
- CMA Money Market Assets: 36.66%
- Namibia Cash in Settlement Account: 1.23%
Market review

The US dollar weakened significantly early in the quarter due to a surge in new Covid-19 cases, which supported other developed and emerging market currencies, including the rand. The US GDP declining 32.9% quarter-on-quarter (q/q) in the second quarter of 2020 confirmed the severity of the slowdown. The euro area economy shrank 12.1% q/q. China, however, ducked the trend, expanding by 11.5% q/q. Global equities continued their recovery during the quarter, but lost a little momentum in September as Covid-19 cases flared up again in some parts of the world, the US election date approached and uncertainty remained with regard to a second round of fiscal stimulus in the US. The MSCI Emerging Markets Index increased by 9.7% and the MSCI Developed Market Index increased by 8.1%. In SA, equity markets gained 0.7%, bond markets gained 1.45% and money market rates continued to drift lower.

SA GDP contracted by 51% q/q in the second quarter of 2020, which was worse than forecast and follows the 1.8% q/q decline recorded in the previous quarter. All sectors showed steep declines, with only the Agricultural sector expanding, clearly as a result of Covid-19 and accompanying lockdown restrictions. This contraction also extended the current recession into a fourth quarter, which is the longest period of consecutive quarterly contractions since 1992.

Unemployment in the second quarter of 2020 fell to 23.3% from 30.1% in the previous quarter. This, however, does not tell the true story, as the number of employed workers dropped by 2.2 million to 14.1 million. At the same time the labour force decreased by 5 million to 18.4 million due to strict lockdown conditions and the number of unemployed declined by 2.8 million to 4.3 million.

In July, the International Monetary Fund (IMF) approved a US$4.3 billion loan under their Rapid Financing Instrument to assist SA in combating the social and economic impact of Covid-19. The IMF noted that the timing of the pandemic was very unfortunate, considering SA’s current economic weakness. It also warned that SA needs to strengthen its economic fundamentals and ensure debt sustainability through fiscal consolidation and growth-enhancing structural reforms. This loan is part of government’s R500 billion stimulus package to support the economy.

At the July meeting of the SA Reserve Bank (SARB)’s Monetary Policy Committee (MPC) the five-member committee voted three to two to cut the repo rate by 25 basis points, taking it down to 3.5%. At the September meeting, the MPC voted three to two to keep the repo rate unchanged at 3.5%, although they lowered their growth and inflation forecasts. Their GDP forecast for 2020 was lowered to -8.2% from -7.3% and their headline CPI forecasts for the fourth quarter of 2020 and for 2021 were lowered by 0.3% to 3.3% and 4% respectively.

In an address in August, SARB Governor Lesetja Kganyago stated that the inflation targeting regime served SA well, resulting in an era of lower and less volatile inflation and interest rates, as well as less volatile GDP growth. He also reiterated that monetary policy alone cannot fix SA’s structural growth problems. With regard to quantitative easing, he again stated that it will become appropriate when interest rates are at the zero lower bound and there is deflation risk.

During the quarter, lockdown restrictions were eased further from Level 3 down to Level 1 as the rate of new Covid-19 infections continued to slow. This will result in increased business, entertainment and recreational activity, but the biggest impact will be on international travel, which will resume gradually under strict conditions.

Headline CPI increased from 2.2% year-on-year (y/y) in June 2020 to 3.1% in August 2020. Similarly, PPI inflation increased from 0.5% y/y in June 2020 to 2.4% y/y in August 2020. The Rand strengthened to 16.69 against the US dollar from 17.38 during the quarter. The 10-year SA government bond yield weakened to 9.72% from 9.41%. The trade balance decreased from a surplus of R45.73 billion to R38.9 billion.

The market market yield curve shifted down and flattened due to the 25-basis points rate cut at the July MPC meeting and on expectations of a further 25-basis points cut.

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 deposits (NCDs). Quality corporate credit, which traded above the three-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, FRNs 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 FRNs. Furthermore, now that monetary easing seems to be ending and economies are opening up again, we will tend to invest more in FRN securities so as to manage the risk of interest rates rising again over the medium term. 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.
Manager Information: Sanlam Namibia Trust Managers Limited. Physical address: 154 Independence Avenue, Windhoek 9000. Postal address: PO Box 317, Windhoek, Namibia

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.

Portfolio Manager(s)

Donovan van den Heever
B. Sc (Hons) (Math & Comp.Sc.); CFA

Johan Verwey
M.Sc; MA (Organisational Leadership); CFA