Fund Fact Sheet

Sanlam Namibia Value Fund

October 2018

Fund Objective

This is a pure equity fund diversified across all sectors of the JSE. It offers a reasonable level of current income and the potential for long term outperformance. The fund manager only invests in shares which are undervalued and is very aware of downside risks.

Fund Strategy

This fund may invest in any listed share, but focuses on financially sound companies which offer exceptional value. These include shares with a low price to earnings ratio, shares trading at a discount to their net asset value and shares who does not yet reflect future earnings potential.

Why choose this fund?

*The fund attempts to hold stocks which are intrinsically under-priced by the market.
*Value is determined by a variety of methods. In this regard, the fund leverages off the considerable research capability of the house process.
*Essentially we are looking for companies that are cheap, relative to their dividends, cash flows or asset base.
*In addition we try to minimise downside risk.
*Lastly, because the market cycle can change and then persist for quite a while, we try to be pragmatic when we make decisions, i.e. we don't take a short term view.

Fund Information

Classification	Domestic - Equity - Value
Risk profile	Aggressive
Benchmark	General Equity Funds Average
Portfolio launch date	1 October 2010
Minimum investment	Lump Sum N$ 5 000 | Monthly N$ 200
Portfolio size	N$32.1 million
Last two distributions	30 Jun 18: 0.16cents per unit 31 Dec 17: 0.12 cents per unit
Income decl. dates	30 Jun | 31 Dec
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	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
Naspers -N-	5.92
Anglos	5.35
Sanlam Global Best Ideas Universal Fund E	4.73
Sasol	4.03
Altron	3.71
Combined Motor	3.61
Oracle Corp	3.49
Italtile	3.34
ABSA Group Limited	3.13
BTI Group	3.13

Top 10 Holdings as at 30 Sep 2018

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	(8.26)	(10.38)
3 year	(2.16)	(0.18)
5 year	1.39	4.14

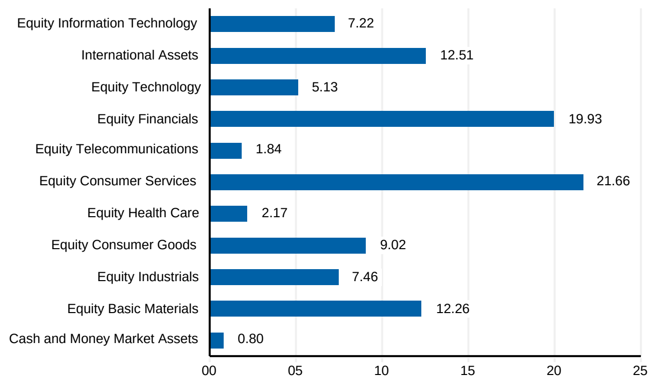
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	(8.26)	(10.38)
3 year	(6.35)	(0.54)
5 year	7.15	22.49

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

South African market overview

The FTSE/JSE All Share Index (ALSI) posted a total return of -2.2% vs. +4.5% for Q2 and -6% for Q1. South African resources and financials outperformed in Q3 with total returns of +5.2% and +2.8% respectively, while industrials were the drag on the index, shedding 7.8% over the quarter. Naspers, which was down 12.2%, was a big contributor to the fall in the index.

The best-performing sectors included technology (+10.4%), platinum (+25.5%) and non-life insurance (+16.6%). The worst performance came from pharmaceuticals (-31.8%), mobile telecoms (-12.8%) and media (-12.3%).

Year to date resources remains the best-performing sector (+20.9%) relative to declines for both industrials (-11.8%) and financials (-6.8%).

South Africa entered a recession for the first time since the global financial crisis. In addition to the challenging macroeconomic background, the recent period has been characterised by a number of company-specific calamities, which has resulted in their share prices experiencing sharp downward moves. MTN (down 18%) was hit by multiple regulatory financial claims in Nigeria, Aspen fell 34% after releasing disappointing results and Blue Label (down 49%) continues to be plagued by its Cell C acquisition.

The low growth environment has impacted confidence, resulting in returns from cash (7.3%) exceeding equities (6.7%) over the past three years. Year to date the MSCI South Africa Index is down 21% in US Dollars, significantly underperforming MSCI Emerging Markets, which were down just 7.4%. Second to Turkey, South Africa is one of the worst-performing emerging markets in 2018.

Performance

In spite of ongoing volatility, the portfolio continued to outperform its benchmark in the quarter due to good stock picking. Our large position in Old Mutual contributed positively (+14.5%) with the unbundling of Quilter Cheviot unlocking value for shareholders. We believe the counter remains very cheap and should see further uplift as Nedbank shares are still to be unbundled. The announcement by Investec to split its asset management company contributed positively to performance. In addition, we had very little exposure to both Aspen (-38%) and MTN (-18%), which added positively to relative performance.

Detractors from performance included Libstar (-27%), Shoprite (-12%) and Tiger Brands (-20%). While all three companies face short-term challenges due to the increased pressure on consumers and rising competitive activity, we remain positive on the long-term prospects for these companies and continue to selectively add to certain positions in the portfolio.

Outlook

The synchronised recovery in global activity faltered, with trade tensions and increasing political uncertainty in Europe. The US remains the bright spot globally with unemployment (at 3.7%) reaching its lowest level since 1969. Locally, corporate profit growth is growing at just 5.5% (i.e. no real growth). We are in the middle of a downturn in profit growth with no visible sign of a bottoming. The previous three downturns bottomed after corporate earnings had declined. Equity markets are, however, forward looking and will turn in anticipation of a recovery in earnings growth. Current consensus growth for FY19 for the ALSI is 18%, which includes over 25% growth for South African industrials. We view this as way too optimistic.

The price-earnings (P/E) (next 12 months) of the ALSI has fallen from 15.9x (its peak earlier this year) to 12.9x and is the lowest level in five years. This should provide some margin of safety against any further disappointments in profit growth.

So far, this year has been the worst year for equities since the global financial crisis in 2008. In this environment we continue to focus our efforts in uncovering companies that display a minimum of quality in the past financial performance and current financial position and which are trading below our assessment of intrinsic value. In times of increasing pessimism, our experience has proven that opportunities arise to buy great businesses at bargain prices.

With global interest rates moving firmly upwards, it will be the most expensive stocks (highest P/E) that are hit the hardest and as managers who seek out mispriced opportunities, this should play to our strengths.

Portfolio Manager(s)

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