Fund Fact Sheet

Sanlam Namibia Value Fund

August 2021

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$10.5 million
Last two distributions	30 Jun 21: 0.46 cents per unit 31 Dec 20: 0.32 cents per unit
Income decl. dates	30 Jun | 31 Dec
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	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
Sanlam Glbl Financial F Eusd	9.41
Naspers -N-	6.75
Anglos	5.87
MTN	4.63
Combined Motor	3.52
Italtile	3.17
Sanlam Gl Best Idea Uni Eusd	3.14
FirstRand / RMBH	2.81
Prosus (PRX)	2.78
Investec	2.76

Top 10 Holdings as at 30 Jun 2021

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	31.98	24.58
3 year	5.97	2.93
5 year	4.04	3.17
10 year	7.69	8.12

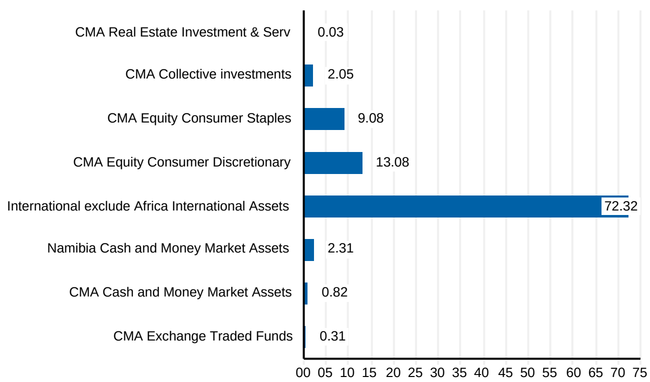
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	31.98	24.58
3 year	18.99	9.05
5 year	21.88	16.89
10 year	109.75	118.30

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

Global markets

The MSCI World Index once again delivered good performance as investors earned 7.7% for the second quarter of 2021 (Q2) in US dollars. The yield on US 10-year bonds fell from 1.74% at the end of the first quarter of 2021 (Q1) back to 1.43% at the end of Q2, reversing some of the first quarter's upward movements. Interestingly, inflation expectations moderated somewhat in the second quarter. However, a more detailed analysis of the options in the bond market reveals that the market is more worried about higher inflation even though moderate inflation remains the most likely outcome.
The lower 10-year yield (and the impact of lower discount rates on the valuations of companies with high growth expectations) helped growth stocks to outperform value stocks. This was also the main driver of equity returns at a sector level. Information technology (+11.5%), communication services (+9.2%) and health care (+9.3%) outperformed, while financials (+6.6%), materials (+5.3%) and industrials (+4.6%) lagged.

Given the number of vaccines administered to its population, the US seems to have, more or less, resumed normal life. Data on the US economy continues to show signs of robust recovery, a strong labour market and some inflation – at this point the Federal Reserve (Fed) deems this pricing pressure to be transitory. The UK has also had much success with its vaccination programme. At the end of the second quarter, there were once again relatively large numbers of Covid-19 cases (with the Delta variant responsible for almost all new cases). However, the number of people hospitalised was less than in the previous waves. 'Freedom Day', the name given to the day when all Covid-19 lockdown restrictions will be lifted and life is expected to return to normal, is expected to be 19 July.

South African markets

The FTSE/JSE Capped Shareholder Weighted All Share Index (Capped Swix) gained 0.6% in rand. US dollar investors earned a higher quarterly return as the rand strengthened from R14.77 to R14.27 to the dollar. As in the global bond markets, SA 10-year maturity bond yields fell during the quarter from a yield of 9.5% at the end of the year to 8.9%. The South African Reserve Bank (SARB) held rates steady throughout the quarter. However, markets are anticipating future rate increases.

Covid-19 infections are rising rapidly in South Africa's third wave. Gauteng has been especially hard hit, with third-wave infections nearly at double the level of the second wave. By the end of the quarter more than 13 000 people were admitted in hospital around the country and nearly 30% of tests were positive, suggesting much higher prevalence of actual cases than those reported. The announcement of adjusted level 4 restrictions implemented at the end of the quarter will undoubtedly have an impact on the economy. However, the continued global recovery, higher commodity markets and domestic policy reforms support the domestic economic recovery.

Portfolio review

After a strong Q1, with the Capped Swix up 12.6%, Q2 was more muted with the index rising a more modest 0.6%. SA financials were the best performing sector in Q2, returning 7.5%, while industrials were up 0.8%. Resources declined by 5% over the quarter.

Year-to-date the Capped Swix is up 13.3%, industrials are up 13.8%, resources are up 12.8% and financials are up 11.7%. The star performing sector for the year has been small caps, with the index up 30.9%. Mid-caps have returned 15.8% and large caps 11.8%. As mentioned in the past, we believe we have a competitive advantage in the small cap space, having covered these stocks for many years. It is a segment of the market which many of our larger peers are unable to access (given their size and liquidity constraints). The portfolio tends to have anywhere between 10% and 15% exposure to this segment of the market – depending on where we find opportunities.

Of the 10 top performing stocks on the FTSE/JSE All Share Index this year, we own five. This includes MTN (+71.5%), Royal Bafokeng Platinum (+64.9%), Hudaco (+63%), Sasol (+62.8%) and Investec plc (+51.7%). We have managed to avoid a number of the poorer performing stocks year-to-date, including Harmony (-24.8%), AngloGold Ashanti (-20.4%) and Discovery (-17.8%).

We continue to believe that the recovery in global GDP, supported by the global reopening of economies as the vaccine rollout gains momentum, together with talk of higher inflation expectations, is supportive of our current positioning. We retain a large position in domestic cyclicals that should continue to perform well in the recovery. The small cap holdings in the portfolio are well positioned to continue recovering from the macro tailwinds mentioned above. We run diversified portfolios so we also have exposure to certain global stocks, like British American Tobacco, Reinet, Naspers, Prosus and AB InBev which are offering attractive upside to intrinsic value. We have also added to selective domestic defensive positions like AVI and Remgro where we see value.

The strong recovery in the Capped Swix (79.7% since the March low) has resulted in our expected return outlook moderating from our exuberance in the second and third quarters of last year. However, we still believe that the upside in the domestic equity market is attractive relative to other asset classes and should provide real returns for investors.

Portfolio Manager(s)

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