Fund Fact Sheet

Sanlam Namibia Enhanced Cash Fund

October 2022

Fund Objective

This portfolio seeks to maximise income, preserve the portfolio's capital and provide immediate liquidity. The fund is permitted to invest into Namibian credit.
Instruments classified as cash, cash equivalents and money market instruments to make up >90% of the portfolio.
The composition of the underlying investments is actively managed and will change over time to reflect the manager's assessment of interest rate trends.
These portfolios are not allowed to hold any equity, real estate securities or perpetual/nonredeemable preference shares.

Fund Strategy

The weighted average modified interest rate duration of the underlying assets shall never exceed 182 days.
Maximum legal maturity of any instrument is 13 months from day of investment and the weighted average legal maturity of the underlying assets does not exceed 182 days.

Why choose this fund?

*This fund is ideal for use as a long-term money market fund.
*It is ideal for investors that want more risk in the money market.
*It is ideal for risk-averse investors, or investors who are waiting for market volatility or global uncertainty to subside.
*The fund should produce returns in excess of money market funds.
*The fund pays out income on a monthly basis.

Fund Information

Classification	Namibian Money Funds
Risk profile	Cautious
Benchmark	IJG Money Market Index
Portfolio launch date	1 April 2001
Minimum investment	Lump Sum N$ 1 000 | Monthly N$ 500
Portfolio size	N$15.3 million
Last two distributions	31 Oct 2022: 3.73 cents per unit 30 Sep 2022: 3.26 cents per unitt
Income decl. dates	Last day of each month
Income price dates	Within 5 working days of the following month
Valuation time of fund	15:00
Transaction cut off time	13:00

Fees

	Retail Class (%)
Annual Wholesale Fee	0.50
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
Sanlam Namibia Money Market Fund C1	73.45
Namibian Government TB 8.0999% 09062023	6.55
Namibian Government TB 8.27% 16062023	2.52
Namibian Government TB 7.8099% 12052023	2.41
Namibian Government TB 7.425% 31032023	1.92
Namibian Government TB 7.75% 28042023	1.91
Namibian Government TB 6.2599% 23122022	1.64
Namibian Government TB 6.508748% 03022023	1.30
Namibian Government TB 7.0999% 17032023	1.28
Namibian Government TB 6.8749% 19052023	1.27

Top 10 Holdings as at 30 Sep 2022

Performance (Annualised)

Retail Class	Fund (%)	Benchmark (%)
1 year	4.55	4.98
3 year	4.30	4.95
5 year	5.19	5.95
10 year	5.58	6.28

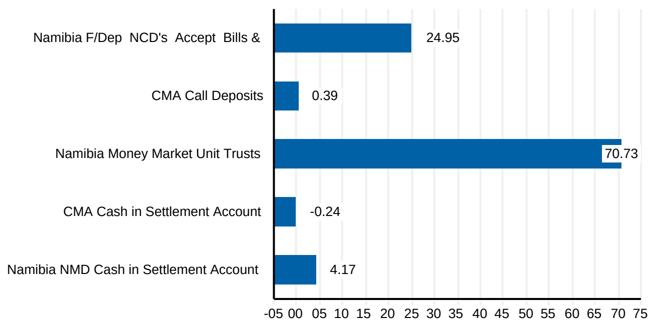
Annualized return is the weighted average compound growth rate over the period measured.

Performance (Cumulative)

Retail Class	Fund (%)	Benchmark (%)
1 year	4.55	4.98
3 year	13.45	15.59
5 year	28.78	33.52
10 year	72.18	83.83

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

Asset Allocation



Sanlam

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Portfolio Manager(s) Quarterly Comment - 30 Sep 2022

Namibian commentary

The Namibia money market yield curve remains notably steep in what remains an environment of unrivalled uncertainty and volatility. This on the back of elevated inflation expectations, an uncertain rate hike trajectory, and compressing money market spreads. Inflation expectations have remained elevated for longer than expected. Investors have become even more hawkish about Reserve Bank policy rates after the SA Monetary Policy Committee (MPC) raised the repo rate by 75 basis points (bps) at their September meeting, with two of the five committee members voting in favour of a 100-bps hike, with Namibia expected to follow suit in October. Meanwhile, in the US, the Federal Reserve (Fed) also raised their benchmark interest rates by 75 bps, as was expected, taking the federal funds target range to 3.00-3.25%, the highest policy rate since December 2007. The SA Federal Open Market Committee (FOMC) was of the view that more aggressive tightening is still required to get inflation back to the 2% target. The median view of the committee is that the federal funds rate should end this year at 4.4%, a full percentage point higher than was expected when the projections were last made in June.

Against this backdrop, money market rates have been moving higher notwithstanding the recent easing of inflation pressures from lower commodity prices. Also, the above-mentioned effect of hawkish monetary policy on economic activity points to further slowing of economic growth ahead. However, persistent exchange rate weakness on the back of a generally stronger US dollar poses upside risk to inflation. This, in turn, supports the persistent hawkish forward rate agreement (FRA) curve, which implies that the SARB is likely to hike policy rates by a further 175 bps over the next six months and 220 bps within a year, which in our view is discounting excessively aggressive interest rate hikes beyond the near term. Notable data releases during this period indicate that in the US, CPI inflation did not moderate as much as anticipated in August, with prices rising 8.3% year on year (y/y) versus an expected 8.1% and core inflation rising by 6.3% compared with 5.9% in July. A fall in energy prices was offset by a rise in the indices for food, shelter, new vehicles, and medical care.

South African headline CPI inflation eased broadly in line with expectations. After reaching a 13-year high of 7.8% y/y in July, headline CPI inflation moderated to 7.6% against a consensus expectation of 7.5% in August. The biggest driver of the easing in headline CPI inflation was fuel inflation, which eased to 43.2% y/y in August from 56.2% in July, reducing the direct contribution of fuel to headline inflation by about 0.5 pp. Core CPI inflation, which printed at 4.4% in August, was also down from 4.6% in July. That said, the moderation in fuel and core inflation was partially offset by a further sharp increase in food inflation to 11.3% y/y in August from 9.7% in July. The money market yield curve remained elevated during the third quarter, as the market continues to price in aggressive rate hikes over the near term, which resulted in the two-year and three-year fixed-rate yields increasing by about 80 bps and 65 bps, respectively.

The Namibian economy grew by 5.6% in the second quarter after revised growth of 6.5% in Q1. The economy remained surprisingly resilient as financial services (+16%) and mining (+29.4%) proved to be the main drivers. Annual inflation in Namibia hit 7.3% at the end of the quarter. The higher inflation is mostly attributed to the food and transport categories, collectively accounting for 5.0% pts (or 67.8%) of the August CPI print. Average annual inflation now stands at 5.6%. The Namibian Treasury Bill curve steepened towards the end of the quarter. The 273-day TB and the 364-day TB ticked up by 0.6%. This was reactionary to SARB rate hikes. Furthermore, Namibian NCD rates continued to edge higher (average increase of 0.46%). In conclusion, short term interest rates are becoming more attractive and Treasury Bills were more sensitive to repo rate increases when compared to NCDs.

What SIM did

Continued to increase the duration of the fund from 100 days to 108 days during the quarter, taking opportunity to lock in higher yield (from 5.20% to 5.70% over the quarter) on the steep curve.

SIM's 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 remaining very steep, fixed-rate bank notes are potentially relatively more attractive than FRNs. This is because bank floating rate note spreads have recently narrowed due to the steep money market/FRA curve, making their performance very dependent on the future interest rate path. It has become paramount to capitalise on high-yielding fixed-investment opportunities that take advantage of current market dynamics to generate alpha.

Portfolio Manager(s)

Basson van Rooyen

CFA, CA (SA), CA (NAM)

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