

## Who are the investment managers?

STANLIB Namibia (Pty) Ltd, a registered Investment Manager in terms of the Stock Exchanges Control Act, No. 1 of 1985, manage the investments of the fund.



### Marius Oberholzer

BCom (Economics and Commercial Law), MSc (Global Finance)  
Head of Absolute Return

Marius joined STANLIB in September 2013 as co-head of Absolute Return Strategies, taking over as head of the team in September 2015. He has 18 years of buy side experience with a high degree of specialisation managing absolute return type strategies. Marius began working at TT International in London in 2000, moving to Hong Kong in 2004. He was portfolio manager of TT's Asian Hedge Fund and provided insights across the firms other investment offerings both on a bottom up and top-down macro basis. Marius holds a BCom from Stellenbosch University and an MSc in global finance from Stern Business School at NYU and the Hong Kong University of Science and Technology.

## Fund review

The second quarter of 2020 was almost a mirror image of the first quarter, with the rapid recovery due to Global Central Bank intervention. The fund returned 5.36% in Q2 delivering YTD return of 2.8% and a 1-year return of 5.1%. While the recovery in the fund was pleasing; we did not capture the full extent of the equity bounce in the second quarter. We were surprised at the extent of the recovery given the challenges facing the globe and South Africa in particular. Therefore, while our defensive positioning in Q1 assisted the fund, it was too defensive for the rapid bounce in Q2. As stated in the last quarter, the hedging of the currency provided positive returns in Q2.

As we head into Q3; we remain concerned about the end of the Furlough schemes globally (and TERS in South Africa) which has been supporting the consumer through the Covid crisis. Governments cannot simply continue indefinitely and along with the elevated levels in some markets, the risk-reward for risk assets is cloudy.

## Market overview

After handing us the faster ever 30% fall in the S&P500 in Q1, Q2 delivered the fastest ever 40% rise in the S&P500. This sort of recovery was the general theme during most of the quarter, with markets heaving a huge sigh of relief as global policymakers – both monetary and fiscal – continued to announce truly massive stimulus packages.

However, the rising tide has not quite lifted all boats. Apart from the obvious laggard candidates across restaurant and leisure industries, banks and property (both in SA and globally) have lagged technology stocks. The broad pattern of the recovery thusfar seems logical, even though we doubt that the pace is sustainable. Equity option pricing markets share these doubts, as although implied volatility has recovered from the March extremes, it has generally settled at well above average levels, suggesting that we're not out of the woods yet.

The quarter also saw record issuance of investment grade debt in developed markets. All the US Fed, in particular, needed to do was indicate that they would buy high grade credits, and the market rushed into that space. In the short term, these moves stave off some potential bankruptcies, but longer term, equity holders should demand higher returns as compensation for supporting more geared entities.

Sovereign bond markets have been a mixed bag. Core developed markets are under no illusion that policy rates are going to stay low for the foreseeable future. And although emerging (EM) bond markets have recovered well off their lows, there is a growing realisation that many EM countries simply cannot afford their announced emergency pandemic response measures. In the case of SA, markets are now moving to price in additional sovereign downgrades, further into junk territory.

Locally, a strong move to repair corporate balance sheets is playing out. We have seen a combination of dividends being cancelled and an increasing number of rights issues being used both defensively and potentially offensively. The reality for equity investors though, is a dilution of their interests.

## Looking ahead

It is tempting - but flawed - to simply adopt the pattern of the 2009-2010 recovery as the playbook for what we're about to live through. For one thing, there is no political appetite for the fiscal austerity seen then. In addition, DM labour market statistics are being skewed by furlough schemes, so the true strength and sustainability of retail spend is decidedly unclear. Q3 will see an interesting tussle between countries wanting to extend income-replacement schemes versus, in some cases, markets that may be unwilling to let them.

For the time being, markets are focused on the pace of business re-opening and the risks around a second wave of COVID infections. Strictly speaking, even the current resurgence of infections in the US is an extension of the first wave, with a true Spanish Flu-type second wave being a risk that we'll face next year, if at all. Nevertheless, the sharp downgrades to earnings expectations seem largely behind us, with those revisions on track to be outright positive (rather than less negative) in the near future.

Our recent tactical analysis suggests to us that markets have not fully discounted a V-shaped recovery. In other words, the next 12 months could see new highs in many more global equity markets if a true V-shaped recovery unfolds. Our base case, though, remains for a more tepid recovery, as even if underlying behaviour patterns normalise quickly (which we doubt), policy stimulus cannot continue providing the same levels of support. As it is, the rate of change of the US Fed's balance sheet expansion is already slowing and going into 2021, fiscal deficits surely cannot double again! Nor do we think markets will re-test their March lows (policy puts are well in force), so that probably leaves us in a broadly rangebound environment for the time being, as policymakers try to tiptoe away from emergency measures. The risks for policy error here are heightened.

Quarterly update at 30 June 2020

Locally, the national fiscus is severely stretched. For the last few years our broad preference has been to take equity risk offshore and fixed income risk locally. However, that balance is gradually shifting (note: not reversing), as we see attractive yields on offer in global credit while at the same time, we're acutely aware that the risk-reward prospects for SA government bonds are deteriorating.

Although the Rand appears cheap, the lack of carry attractiveness courtesy of recent interest rate cuts means that the Rand's beta to a global trade recovery is likely to be more muted this time. We therefore expect to enter a tricky patch, with the Rand being buffeted by global forces for a stronger unit versus local pressures for a weaker one.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

## Change in allocation of the fund over the quarter

Asset type	Q2 2020	Q1 2020	Change
Global Cash & Mny Mkt	5.81	5.16	0.65
Global Equity	20.70	18.92	1.78
Global Fixed Interest	2.98	8.08	-5.10
Nambia Cash & Mny Mkt	19.62	3.69	15.93
Nambia Equity	1.56	1.75	-0.19
Nambia Fixed Interest	28.94	41.43	-12.48
South Africa Cash & Mny Mkt	1.29	0.58	0.71
South Africa Equity	7.00	7.76	-0.76
South Africa Fixed Interest	11.41	12.64	-1.23
South Africa Property	0.70	0.00	0.70

## Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (N\$)
A	Retail	1.7	142.33	140,493,010.95	199,959,334.45
B3	Institutional	1.19	143.02	1,654,121.01	2,365,755.95
B4	Institutional	2.31	141.42	58,755,595.44	83,091,904.62
B5	Institutional	2.54	142.15	10,956,294.11	15,574,197.59

All Price, Units and NAV data as at 30 June 2020.

Units - amount of participatory interests (units) in issue in relevant class.

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2020. The Total Expense ratio (TER) shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

## Disclosures

Unit Trusts are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. Unit Trusts are traded at ruling prices and can engage in borrowing and scrip lending.

The Standard Bank Namibia Inflation Plus Fund is a unit portfolio (portfolio) of the STANLIB Namibia Unit Trust Scheme (the Scheme).

The manager of the Scheme is STANLIB Namibia Unit Trust Management Company Limited (the Manager). The Manager is an approved Management Company in terms of the Unit Trusts Control Act, No. 54 of 1981. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is First National Bank Nominees (Namibia) (Pty) Ltd.

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Namibia (Pty) Ltd, a registered Investment Manager in terms of the Stock Exchanges Control Act, No. 1 of 1985.

Prices are calculated and published on each working day, these prices are available on the Manager's website (<http://ww2.stanlib.com/Namibia>) and in Namibian printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

All performance returns/figures quoted are shown in NAD and are based on data sourced from Morningstar or Statpro and are as at 30 June 2020.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website (<http://ww2.stanlib.com/Namibia>).

## Contact details

### Manager

STANLIB Namibia Unit Trust Management Company Limited  
Reg. No. 98/043  
4th Floor, Maerua Office Park, Maerua Mall, Corner of Jan Jonker and Centaurus Road, Windhoek  
Telephone: +264 (0)61 294 2252  
Email: [info@stanlib.com.na](mailto:info@stanlib.com.na)  
Website: <http://ww2.stanlib.com/Namibia>

### Investment Manager

STANLIB Namibia (Pty) Ltd  
Reg. No.  
4th Floor, Maerua Office Park, Maerua Mall, Corner of Jan Jonker and Centaurus Road, Windhoek  
Telephone: +264 (0)61 294 2702  
Website: <http://ww2.stanlib.com/Namibia>

### Trustee

First National Bank Nominees (Namibia) (Pty) Ltd  
Reg. No. 2002/0180  
FNB Building, Park Side, 1st Floor, 130 Independence Avenue, Windhoek  
Telephone: +264 (0)61 299 2106