OLD MUTUAL NAMIBIAN PROFILE PINNACLE PORTFOLIO

DECEMBER 2023

INVESTMENT DESCRIPTION

The Pinnacle Portfolio invests in equities, bonds and property. The portfolio maximises short market opportunities and involves a moderate level of risk.

QUARTERLY COMMENTARY

The year under review 2023 were characterised by a host of non-systemic crisis's which include high but declining global inflation, stern policy response thereto, a US and Swiss mini banking crisis, the ongoing invasion of Ukraine by Russia, ongoing South African Load Shedding, and the attack of Hamas on Israel. Globally world markets are still focussed on the inflation which was shocked by Russia followed by a potential middle eastern crisis through a likely impact on oil, which in turn remain unfazed for 2023 in terms of pricing.

The Namibia Statistics Agency published the Third Quarter 2023 Gross Domestic Product numbers on the 14th of December 2023. The positive is that economic activities in Namibia continued to recover following COVID registering a positive outturn for ten consecutive quarters since the 2020 lows. Real Gross Domestic Product use 7.2% compared to the third quarter of 2022. The economic sectors that supported the growth number include Mining and quarrying recording 51.7% growth, Agriculture and forestry at 19.9%, and Transport and Storage at 8.8% when compared to the third quarter of 2022. The robust growth in Mining were supported by exploration spend, in specific oil, and Uranium mining whilst Agriculture benefited from increased livestock reaching markets in part driven by the drought forcing farmers to reduce animals. The sectors that were under pressure were Construction, down 30.6%, Manufacturing down 8.7% and Health down 4%. Construction was mainly under pressure from a reduction of 51% in Government Construction expenditure. It is estimated that Real GDP growth for 2023 will exceed prior expectations and amount to around 6.5% for 2023 compared to 2022. These strong GDP prints compared to inflation that is still contained provide support for the Bank of Namibia's restrictive monetary stance. Globally the GDP outlook for 2023 has continuously been revised downwards during 2023 given the current environment and Central Bank response to inflation as well as the overhang from the banking crisis and respective wars.

In line with our asset allocation philosophy and process we consider major trends that we expect to impact the global and local economy in the foreseeable future. We are still of the opinion that risky assets will continue to outperform in the medium to longer term with the risk that higher global inflation and interest rates would dampen near term outcomes until such time that inflation is put to bed. Inflation is expected to remain more unpredictable and higher for longer than we previously expected driven by developed market labour shortages, supply chain constraints and the ongoing geopolitical tensions and wars as highlighted earlier. In response we hold extra cash and short-term fixed interest to deploy into the market at depressed prices which rewarded us during the quarter under review. It is our opinion that a muted outlook is still encapsulated in the prices of risky assets based on the monetary policy response especially locally and globally ex US.

Economic activity will have slowed down in many parts of the world in recent months driven chiefly by rate expectations and higher inflation leading to more financial strain. Inflation rates will likely continue to receive attention but started to roll over since the end of 2022 with central banks likely to continue to respond aggressively to avoid anchoring inflation expectations at the expense of short-term economic growth creating more instability and a lower willingness to support growth than in the past (the usual growth put). We furthermore need to consider that as inflation dissipate these high rates becomes increasingly restrictive as real rates increase with lower inflation and constat interest rates. We still see value in JSE equities and upside in International Equities in the medium term, followed by Money Market and bonds as our least preferred asset class. We also see value in specifically shorter dated Inflation Linked Bonds in Namibia for long term investors with relative inflation targets, however the asset class is constrained by low liquidity and therefore difficult to acquire.

South Africa received attention for severe electricity supply interruptions, which continue to hold back the recovery of our Southern neighbor. This challenge is reducing with less and less loadshedding being recorded but remains a drag despite elections this year. High unemployment remains a drag that were intensified by COVID potentially leading to an increase in crime and its associated impact on sentiment that are not turning positive in a tangible way.

ADDITIONAL INFORMATION

Launch date: July 1999

Benchmark: Asset Class Weighted

Risk category: Moderate to high

Investment objective

The investment objective of the portfolio is to consistently achieve upper-quartile performance over the medium term as surveyed by the leading investment consultants, and in line with the moderate to high risk that defines this portfolio, thus offering high real returns over the medium term.

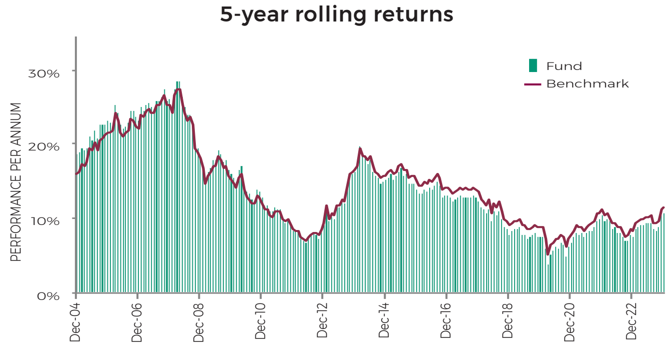
Fees

Domestic assets: 0.55% p.a.

International assets: 0.80% p.a.

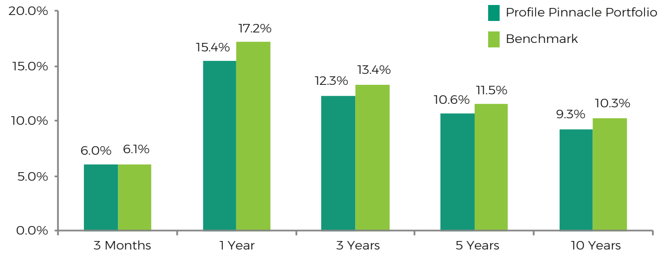
Portfolio manager: Tyrone van Wyk

PERFORMANCE AS AT 31/12/2023



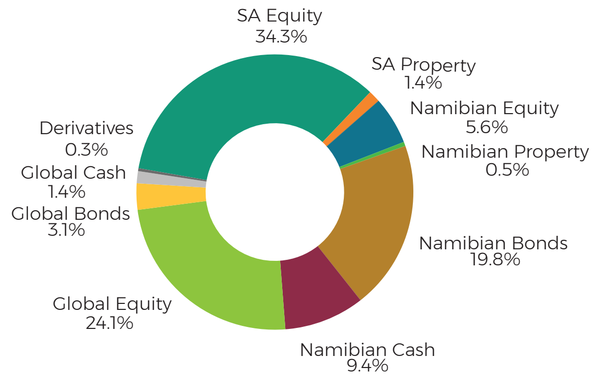
Source: Old Mutual Investment Group

RETURNS TO 31/12/2023



Source: Old Mutual Investment Group

ASSET ANALYSIS TO 31/12/2023



Source: Old Mutual Investment Group

CURRENT PRINCIPAL HOLDINGS AS AT 31/12/2023

HOLDING	SECTOR	% OF FUND
Firstrand Nm	Banks	3.2%
Naspers Limited	Info Media	3.0%
Stanbank Nm	Banks	2.4%
Anglo-Amrc Nm	Diamonds	1.6%
Gold Fields Limited	Gold	1.5%
Capitec Bank Holdings Limited	Banks	1.2%
Mtn Group Limited	Info Telecomm	1.1%
Bid Corporation Ltd	Unclass Conglom	1.1%
British American Tobacco Plc	Industrial Rand	1.1%
Compagnie Fin Richemont	Industrial Rand	1.0%
		17.3%