INVESTMENTGROUP

OLD MUTUAL NAMIBIAN PROFILE PINNACLE PORTFOLIO

31 DECEMBER 2024

INVESTMENT DESCRIPTION

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

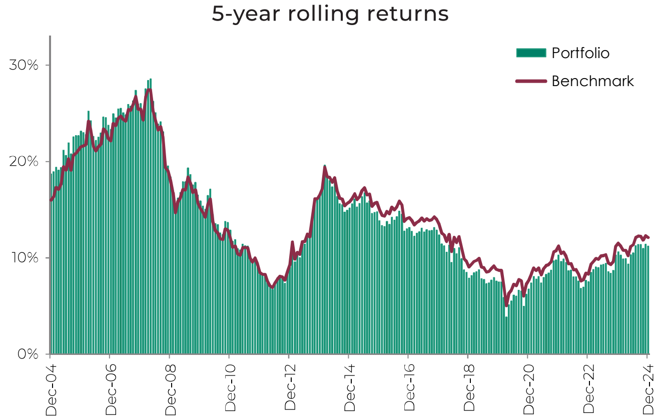
QUARTERLY COMMENTARY

The 2024 calendar year were characterised by a more optimistic outcome for local investors following the South African elections and the formation of the Government of National Unity. In the rest of the world, global geopolitical challenges persist with specific focus on Russia and Ukraine, as well as the Middle East that could filter through to oil prices. From a global macroeconomic perspective, the US Federal Reserve cut the target funding rate three times in 2024 with a total reduction of 1%, stimulating spending and supported global equity markets in general. The Bank of Namibia reduced the Namibian repo rate twice by 25 basis points during 2024, lending some support to the local economy where the impact of high real rates can be felt with low credit extension numbers compared to history with the implication of generally lower activity.

The Namibia Statistics Agency published the 2024 third quarter Gross Domestic Product numbers during December. Local economic activity continued a strong positive trajectory with real growth for the third quarter recording 2.8% compared to a revised 2.7% (down from 3.5%) during the second quarter of 2024 on a year-over-year quarterly basis. The economic sectors that supported the growth number include health, transport and storage and financial services. The two sectors that detracted from overall growth was mining and quarrying, down 6.7%, and agriculture and forestry being down 6.3%. Globally growth is expected to remain flat at just above 3% according to the International Monetary Fund.

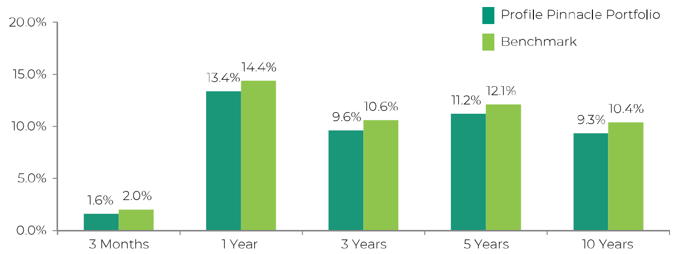
In line with our asset allocation philosophy and process we consider major trends that we expect to impact the global and local economy in the near future. We remain of the opinion that risky assets will continue to outperform in the medium to longer term with the risk that higher global inflation and interest rates would dampen shorter term outcomes until such time that inflation settle. We expect inflation to remain higher for longer than the consensus driven by developed market labour shortages, supply chain constraints and the ongoing geopolitical tensions and wars, combined with a growing divide between the Global West and the Global South at this stage. In response, we hold extra short-term fixed interest assets to deploy into the market at depressed prices. It is our opinion that a muted outlook is still encapsulated in the prices of risky assets despite some rerating during the last quarter. In terms of the US, which represents the largest portion of the offshore allocations, valuations appear high due to the size and scale of key technology stocks and this more or less remained in place during the whole of 2024. Economic activity is expected to reflect more of 2024 during 2025 with perhaps developed markets doing a little better and emerging markets a little worse. Inflation rates will likely continue to receive attention, but it appears from more recent central bank activity that concerns shifted towards growth outcomes and potentially lending more support to boost economic activity. We still see value in JSE equities and upside in international equities in the medium term, followed by fixed interest assets where the value proposition likely diminished compared to quarter three 2024. 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. Globally important elections are behind us for now and policy implementation is likely to generally be more inwardly focussed across the world than in 2024.

PERFORMANCE



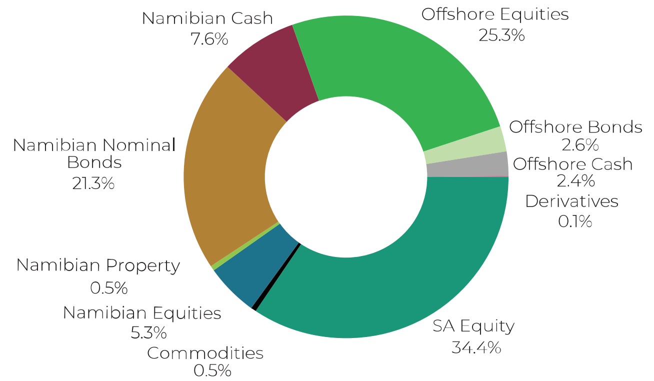
Source: Old Mutual Investment Group

RETURNS



Source: Old Mutual Investment Group

ASSET ANALYSIS



Source: Old Mutual Investment Group

CURRENT PRINCIPAL HOLDINGS

HOLDING	SECTOR	% OF PORTFOLIO
Firstrand NM	Banks	4.7
Naspers Limited	Info Media	4.2
Stanbank NM	Banks	4.0
Capitec Bank Holdings Limited	Banks	2.0
Anglo-Amrc NM	Diamonds	1.9
Sanlam NM	Insurance	1.6
Gold Fields Limited	Gold	1.6
Nedbank Group NSE	Banks	1.4
Compagnie Fin Richemont	Industrial Rand	1.4
Prosus N.V.	Info Media	1.3
		24.2

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