

# Momentum Namibia Diversified Income Fund

## Momentum outcome-based investing philosophy

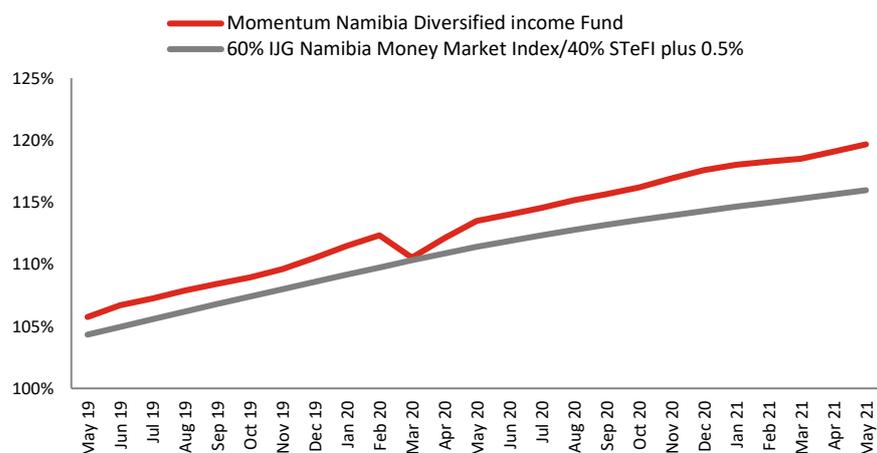
Investment success is about consistently maximising the probability of you achieving your investment goals – whether that is to preserve capital, generate an income stream in retirement or grow wealth within the parameters of a certain risk profile. In response to the ever-evolving investment landscape, we have constructed a leading range of outcome-based solutions that set their sights beyond mere benchmarks and instead focus on the things that matter the most to you – ensuring we maximise the probability of you achieving your investment goals. Outcome-based investing is about placing your goals at the centre of our investment process.

## Investment outcome and fund objectives

This low to moderate risk, largely local, flexible income investment fund, is aimed at delivering 60% IJG Namibia Money Market Index plus 40% SteFI plus 0.5% through the interest rate cycle. The investment fund is suited to investors who require a regular, reliable source of income, while being prepared to take some risk in exchange for modest capital gains. The investment fund has a flexible income mandate under a multi-mandate approach, which allows for investment across the fixed income universe including property. It provides diversification benefits through different investment mandates, styles and strategies.

## Investment returns

### Cumulative returns graph



## Investment returns

	One month	Three months	Six months	One year	Launch
<b>Fund</b>	0.58%	1.42%	2.82%	6.40%	7.89%
<b>Benchmark</b>	0.34%	1.02%	2.06%	4.67%	6.36%

## Fund information

<b>Benchmark</b>	60% IJG Namibia Money Market Index and 40% SteFI plus 0.5%
<b>Fund size</b>	N\$ 189.96 million
<b>Fund inception</b>	1 November 2018
The inception date depicts the start date of this fund on the scheme and the launch date depicts the start date of returns from the relevant class of this fund.	
<b>Launch date</b>	1 November 2018
<b>Launch price</b>	100.00 (cpu)
<b>Latest price</b>	102.63 (cpu)
<b>JSE</b>	MNDIF3
<b>ISIN</b>	ZAE000262978

## Minimum investment amounts

<b>Lump sum</b>	N\$ 2000	<b>Monthly</b>	N\$ 200
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## Fund manager

Taruvona Mashamhanda  
BBusSci (Hons) FASSA

## Fund fees

<b>Initial management fee</b>	0%
<b>Annual management fee</b>	0.85%

## Cost ratios to 30 June 2020

<b>Total expense ratio (TER)</b>	0.09%
<b>Transactions costs (TC)</b>	0.00%
<b>Transactions investment costs (TIC)</b>	0.09%

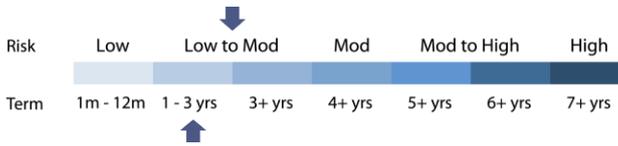
Please see the disclosures section for further information on the cost ratios.

## Income distribution (cpu)

	Dividend	Interest	Total
Jun'20	0.000	1.711	1.711
Sep'20	0.000	1.448	1.448
Dec'20	0.000	1.304	1.304
Mar'21	0.000	1.212	1.212

Distributions take place quarterly: March, June, September and December

## Risk/reward profile

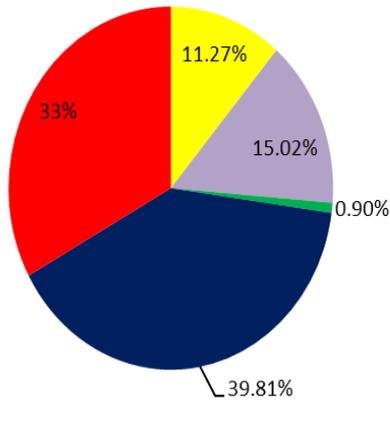


### Specific risks

Modified duration (interest rate risk), which is fully flexible can result in relatively significant short-term capital volatility. Permanent capital loss for investors is possible if an issuer of one of the instruments held in the investment fund defaults.

## Holdings

### Exposure (%)



- Namibia bond
- SA bond
- SA ILB
- Namibia cash
- SA cash

### Top holdings (%)

FBNAM 4.5% 081121	10.67
BWLTD 4.11% 260721	8.01
SBK 7.295% 300621	5.33
GC24 10.50% 151024	5.32
ASN623	5.27
NEDNAM 4.25% 130122	4.76
NED 4.292% 040122	4.24
NAMGOV 4.255% 130821	4.18
STDNAM 4.06700% 141221	3.72
NAMIGB 3.55% 151022	3.38

## Fund objective/investment policy

The Momentum Namibia Diversified income fund is established in terms hereof will be a flexible income fund with the investment objective to provide investors with a high income yield. The fund will, consist of domestic and South African cash on deposit, money market instruments, government and corporate bonds, inflation linked bonds and other interest bearing securities and investments. Limited exposure to property securities and listed preference shares could be included when valuations warrant this. The manager may include unlisted interest rate swap transactions. The fund may include participatory interests or any other form of participation in unit funds or other similar schemes in Namibia or other similar schemes operated in territories with a regulatory environment that is to the satisfaction of the Manager and Trustee, of a sufficient standard to provide investor protection, at least equivalent to that in Namibia. With the purpose to seek opportunities to enhance the fund's income return, the fund may also invest in non-equity securities such as equity linked notes that are exposed to price movements in the equity markets. The fund will be managed in line with prudential investment guidelines for pension funds in Namibia with a minimum domestic asset requirement allocation to Namibian assets.

## Regulatory and investment constraints

The investment fund must comply with Namibian local asset requirements, as determined by Regulation 13 of the Pension Funds Act, number 24 of 1956. Assets must be invested in accordance with legal requirements set out in the Unit Trust Control Act, as may be amended or replaced from time to time.

## Management of withdrawals

Due to the lower liquidity and the lack of diversification in the Namibian market, the investment manager requires advance notice for large withdrawals from the investment fund. Where the client cash flow activity results in breaches of the investment mandate the investment manager will need a reasonable period to rectify the breach/es.



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**Economic and market overview**

Q4 2020 saw a very strong quarter for domestic fixed income asset classes as markets recovered some of the losses incurred during the first half of 2020. Risk and uncertainty remain elevated, but this was set aside over the quarter. Nominal Bonds (ALBI) performed strongly returning 6.71% over the quarter, followed by Inflation-linked Bonds (IGOV) at 5.47%. Cash was a distant laggard delivering 0.97%.

The euphoria in fixed income markets was driven by global risk-on sentiment. The trigger came in the form of COVID19 vaccine announcements and a Democrat win in the US elections. This translated into expectations of a rebound in economic growth as economies open again as well as a market friendly fiscal stimulus package in the US along with more cordial international relations with global trading partners. The demand for riskier assets led to substantial inflows into emerging markets including South Africa which caused a decline in bond yields by 57 basis points.

The Bank of Namibia’s MPC in November kept the policy rate unchanged at 3.75%, which was in line with what the market expected. This is lagging the South African Reserve Bank’s repo rate by 25bps. Namibia’s economy remains weak and is expected to recover moderately in 2021. The duration and severity of the Covid-19 pandemic underlines risks to the country’s growth outlook. The BON expects the economy to contract by 7.3% y/y in 2020, before improving in 2021 by 2.6%. Such risks to domestic growth are dominated by ongoing travel restrictions and lockdowns in major economies including Namibia’s key trading partners, exacerbated by the second wave of coronavirus infections. In the medium term, however, such risks may ease following news of effective vaccines being found.

Namibia’s next MPC meeting is scheduled for 17 February and we expect the central bank will follow the SARB’s decision to further ease in policy rate to support the economy. South Africa’s FRA curve as at the end of fourth quarter was pricing in full 25 bps rate cut in 2021 as soon as January meeting, 1x4’s trading around 23bps below JIBAR. We expect steady interest rates going forward.

**Portfolio positioning, investment strategy & activity**

The fund is multi-managed with two underlying managers. The overall fund is an income fund that holds a mix of government bonds (nominal and inflation linked), fixed and floating rate instruments, and other highly (credit) rated instruments.

The managers maintained or increased the exposure to bonds given the attractive valuations with unsustainably high yields and the alternative of cash not providing appealing yields. Momentum Investments has kept the theta strategy of harvesting carry while balancing the overall bond positioning, term credit and cash. Instruments rolling off the maturity profile and new inflows were invested in short dated fixed rate NCDs up to 1 year where value could be extracted. For liquidity purposes, the fund has provision in tradable SA holdings which can be converted to cash, currently at 23.28%. In addition to adding duration, Aluwani selectively invested in some attractive credit opportunities at attractive spreads.

**Portfolio Composition: Momentum Investments**

Holdings

Maturity spread				Q3 2020 to Q4 2020			
Tenor	30-Sep-20	31-Dec-20	Change	Sector (%)	Q3:20	Q4:20	Change
0-3 Months	23.82%	20.13%	-3.69%				
3-6 Months	16.90%	28.22%	11.32%	Cash/Money Market	67.12%	66.66%	-0.46%
6-12 Months	26.40%	18.30%	-8.10%	Bonds - Floating Rate	32.88%	33.34%	0.46%
1-5 Years	32.88%	33.34%	0.46%				



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**Scheme**

**Momentum collective investments Namibia Scheme**

**Custodian/Trustee**

**RMB Namibia, a division of First National Bank of Namibia**

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Registration no.: 2002/0180

**Management company**

**Momentum Collective Investments Namibia Limited**

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Registration no.: 2016/0954

**Investment manager**

**Momentum Asset Management Namibia (Pty) Ltd**

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Registration no.: 2003/781

**Disclosures**

This investment fund is administered by Momentum Collective Investments Namibia Limited (the management company), registration number 2016/0954, which is authorised in terms of the Unit Trust Control Act to administer collective investment schemes (CIS) in securities. The management company is the manager of the Momentum Collective Namibia Investments Scheme (the scheme) and a part of Momentum Metropolitan Namibia Limited, registration number 89/327, a long-term insurer, registered with the Namibian Financial Institutions Supervisory Authority, registration number 98/LT/03, under the Long-term Insurance Act, Act 5 of 1998. RMB Namibia, a division of First National Bank of Namibia, registration number 2002/0180 is the trustee of the scheme. Momentum Namibia Diversified Income Fund is an investment fund of the Momentum Collective Investments Namibia Scheme and Momentum Asset Management Namibia (Pty) Ltd, registration number 2003/781, an authorised financial services provider is the investment manager of this investment fund.

Momentum Namibia Diversified Income Fund derives its income primarily from interest-bearing instruments. The yield (where present) is current and calculated daily.

The total expense ratio (TER) is the percentage of the net asset value of the class of the investment fund incurred as expenses relating to the administration of the investment fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TERs. The disclosed TER is shown as an annual percentage based on data for the period from 24 October 2018 to 30 June 2020. The transaction costs (TC) ratio is the percentage of the net asset value of the investment fund incurred as costs relating to the buying and selling of the investments underlying the investment fund. Transaction costs are a necessary cost in administering the investment fund and affects investment fund returns. The TC should not be considered in isolation, as returns may be affected by many other factors over time, including market returns, the type of investment fund, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data for the period from 24 October 2018 to 30 June 2020. The total investment charges (TIC) is the sum of the TER and the TC, and is shown as a percentage depicting the annual costs relating to the investment of the investment fund. Cost ratios are calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

All investment fund returns are calculated for a class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. All investment fund returns shown are after the deduction of the total investment charges (TIC) but exclude any initial or ongoing advisory fees that may, if applicable, be charged separately. Annualised returns, also known as compound annualised growth rates, are calculated from cumulative returns and provide an indication of the average annual return achieved from an investment that was held for the stated period. Actual annual figures are available from the management company on request. All investment fund return figures quoted (tables and charts where present) are at 31 May 2021, based on a lump sum investment, using net asset value (NAV) to NAV prices with income distributions reinvested on the ex-dividend date. Inflation figures, where present, are lagged by one month. Cash figures, where present, are Short-term Fixed Interest Composite Index returns. All figures quoted in are in Namibian dollar terms.

CISs are generally medium- to long-term investments. The value of participatory interests may go down as well as up and past returns are not necessarily a guide to the future. CISs are traded at ruling prices and can engage in borrowing and securities lending. The CIS may borrow up to 10% of the market value of the investment fund to bridge insufficient liquidity. Different classes of units apply to investment funds, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the management company. The management company reserves the right to close and reopen certain investment funds to new investors from time to time to manage them more efficiently in accordance with their mandate. This investment fund is valued daily at 24h00. Latest prices can be viewed at [momentum.com.na](http://momentum.com.na) and in some national newspapers. Forward pricing is used. Instructions must reach the management company before 14h00 to ensure same-day value. The management company does not provide any guarantee, either with respect to the capital or the return of this investment fund. Additional information on the proposed investment including, but not limited to, brochures, application forms, the annual report and any half-yearly report can be obtained, free of charge, at [momentum.com.na](http://momentum.com.na) or on request from the management company.

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Sources: Morningstar, Momentum Investments



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