M&G Investments

Investment Focus: Equities drive November outperformance for M&G Namibian funds

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In a month characterised by positive returns across broadly all asset classes, the equity holdings of M&G Investments' multi-asset funds stood out for their strong contributions to outperformance in November. The chart below shows the value-added by the investment team for each fund, with the M&G Namibian Balanced Fund in particular reflecting the benefits from our equity choices and the M&G Namibian Inflation Plus and Enhanced Income Funds reflecting the value of our fixed income choices. In fact, although global assets broadly outperformed SA and Namibian assets during the month, it was the local equity holdings in the Namibian Balanced Fund that contributed the most to its performance, highlighting its astute positioning.

M&G unit trust	M&G unit trust return November 2023	ASISA category average fund return	November 2023 Outperformance
Namibian Balanced Fund	6.8%	5.9%	0.9%
Namibian Inflation Plus Fund	4.7%	4.6%	0.1%
Namibian Enhanced Income Fund	1.5%	1.2%	0.3%

Looking at the stocks that contributed the most to the Namibian Balanced and Inflation Plus Funds' November performance, it was the strong rally in Naspers and Prosus shares, and our overweight positioning, that were the largest contributors to fund returns. The stocks rallied as growing positive sentiment towards the Chinese economy helped lift most China-related shares – both Naspers and Prosus's main value derives from its underlying holding in Tencent, the Chinese internet gaming and services company.

Meanwhile, communications group MTN, another overweight holding, was a third meaningful contributor to both funds' returns during the month. The share has contributed strongly to fund performance in the past, before being hit by negative sentiment regarding its Nigerian operations, where the government's devaluation of the naira this year weighed on MTN's earnings, as did a fine of some R1.3 billion levied on the company in October for unpaid taxes and penalties by the Nigerian tax authority. In November the share partly rebounded. Without the foreign exchange losses, the company has delivered a strong commercial performance in Nigeria this year and has said it will appeal the amount of the fine.

British American Tobacco (BAT) and global luxury brands group Richemont were other solid contributors to our funds' performance in November. The first has defensive characteristics including the relative inelasticity of demand for its tobacco and tobacco-substitute products and a huge global presence for diversification purposes. Meanwhile, Richemont is a high-quality company with its regionally diversified business and a strong balance sheet reflecting a net cash position. The group also has strong free cash flows. Its sales have held up well in the post-Covid market recovery, bolstered by pent-up consumer demand and excess savings. While facing headwinds from the disappointing Chinese growth in the past year, the stronger-than-expected growth in the US (and Europe, to a lesser extent) has helped the group record robust sales growth.

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