MandG Investments Unit Trusts (Namibia) Ltd

Abridged Annual Report 2023

Active diversification the key in 2023

The year 2023 proved to be a good one for Namibian investors with well-diversified portfolios, with developed-market equities and Namibian bonds the stand-out performers, as well as primary-listed Namibian Financial and Industrial stocks. Conditions rewarded active managers in terms of stock-picking and exploiting rapid shifts in interest rate views. For 2023 as a whole, global equities (the MSCI ACWI) returned an excellent 22.2% in US$ and 32.3% in N$ terms (due to rand depreciation), with gains fairly concentrated around a handful of giant global AI-related US companies, termed the "magnificent seven". These stocks outpaced other US shares and, indeed, most other equity markets for the year, making the US meaningfully more expensive than its global counterparts. This also reflected the relative vitality of the US economy versus most other large economies.

Global bonds experienced a very volatile year, with bearish "higher for longer" investor sentiment pushing the yield on the benchmark 10-year US treasury bond to over 5% (briefly) in October before rallying in the last months of the year to trade around 3.8% at year-end. This presented opportunities for active investors like M&G to harness attractive above-inflation yields and add value to client portfolios. Ultimately, global bonds as an asset class returned 5.7% for the year (Bloomberg Global Aggregate Bond Index).

Namibian Resources stocks weigh on equity returns

Namibian equities managed to notch up positive returns for the year, but very weak Resources stocks, which have a heavy weighting in the Index, detracted from otherwise robust returns from other sectors. This was due to largely to falling commodity prices during the year and weaker Chinese resources demand. The NSX Overall (All Share) Index recorded a 5.8% return, boosted by a 31.1% return from Financials and 28.6% from Industrials, but offset by a -21.4% return from Resources. Meanwhile, Namibian bonds defied rising interest rates to record surprisingly strong gains for the year, outperforming both global and SA bond returns. The IJG All Bond Index produced 18.7% thanks largely to improving government deficit projections and lower bond issuance. Consequently, yield spreads versus SA bonds narrowed to unattractive (even negative) levels. With its direct peg to the rand, the N$ depreciated against the major global currencies, in total losing 8.2% against the US dollar, 14.1% versus the UK pound and 12.1% against the euro in 2023.

South Africa: Ongoing pessimism stifles equities

We are pleased to report that the M&G Namibian South African assets were weighed down in 2023 by ongoing general pessimism over the country's weak growth prospects, loadshedding, rail and port logistical problems, and uncertain government finances, exacerbated by the higher risks associated with the grey-listing of SA in global financial transactions and incidents like the "Lady R" and hosting of the BRICS Summit that projected a pro-Russian stance. These factors manifested in rand weakness, equity underperformance against the MSCI EM Index and continuing low valuations on SA stocks and bonds. The FTSE/JSE ALSI returned 9.3% and the more domestically-focused FTSE/JSE Capped SWIX posted 7.9% for the year.

As in Namibia, the JSE's total index returns masked stronger underlying performances from Financial shares (+21.5% return) and Industrial shares (+16.6% return) in 2023, the former boosted by their resilient operational performances and attractive valuations and the latter by their greater global exposure. Resources shares, which lost 15.4%, dented overall index performance for the year. By contrast, SA bonds outperformed their global counterparts for the year, rallying amid the improved global sentiment in Q4 and helped by their cheap valuations at the start of 2023, to deliver a 9.7% annual return – above that of the ALSI.

M&G Investments' Namibian fund performance to end 2023

Fund name	1-year return (% p.a.)	3-year return (% p.a.)	5-year return (% p.a.)	10-year return (% p.a.)
M&G Namibian Balanced Fund	13.7	11.4	9.2	8.0
M&G Namibian Inflation Plus Fund	12.6	10.2	8.6	7.8
M&G Namibian Enhanced Income Fund	8.5	6.2	6.0	N/A
M&G Namibian Money Market Fund	8.3	5.7	5.8	6.4

Source: Morningstar, data to 31 December 2023

The annualised returns of our Namibian retail (A Class) funds to the end of 2023 are listed below (net of fees in Namibian dollars).

Award-winning performance

We are very pleased to report that many of M&G Investments' unit trusts outperformed their benchmarks in 2023. Our Listed Property and Fixed Income capabilities performed particularly well over the year, and several funds were recognised for their outstanding performance.

M&G's Property capability won a Raging Bull certificate for straight performance over the three years to 31 December 2023.

These nominations are yet more evidence of the deep experience and special talent M&G Investments is proud to have among our teams of investment analysts and portfolio managers across asset classes. They also once again confirm the success of our consistent, valuation-based investment process.

Namibian Fund performance

During what was an exceptionally volatile year, we remained true to our fundamental, valuation-based approach, with our biggest local equity picks generally delivering strong returns for our clients. Our overweights in banking stocks like FirstRand Namibia, Standard Bank Namibia and Investec Namibia added good value to our multi-asset funds, as did Naspers/Prosus, Namibian Breweries, Textainer, Capricorn Group and Oryx Properties, among others. Our overweight exposure to local bonds also contributed solid returns in our multi-asset portfolios for the year, as did our global equity holdings. The largest detractors from performance in our multi-asset funds for the year included our platinum exposure, Anglo American Namibia, Sasol and Multichoice.

In retrospect, very few market forecasts from early 2023 proved to be correct, showing yet again why we don't use projections to build our portfolios. In fact, global returns broadly surprised to the upside, although disappointing Chinese growth weighed on emerging market performance over the period. In light of these market returns, offshore diversification proved especially valuable for investor portfolios.

It's important to remember, however, that this performance is not likely to repeat itself in 2024, especially given the very cheap valuations of local assets. This makes it more likely that SA assets will outperform, particularly versus the more expensive developed markets. Equally, the weaker rand means significant further depreciation is not as likely. We continue to favour SA equities and bonds in our client portfolios, while also having meaningful exposure to select emerging market bonds and equities, and to global government bonds, among other effective diversifiers.

Release of Sustainability Report 2022/23

In early December we were proud to have published our M&G Investments Southern Africa Sustainability Report for 2022/2023, which showcases our holistic approach to sustainability and highlights our progress made across various areas in our business. As custodians of our clients' hard-earned savings, we recognise that the role that we play is not only around improving our own sustainability-related initiatives but also in furthering the progress towards achieving sustainable outcomes for our investee companies and, importantly, our clients.

For the first time, the report incorporates our Corporate Social Responsibility (CSI) initiatives, our Transformation progress, and our first independent Taskforce on Climate-related and Financial Disclosures (TCFD) Report. By combining these elements, we aim to provide a transparent account of our efforts in bringing our commitment to sustainability to life. In addition, we share information around how we've strengthened our policies by adopting principles from our broader global group, enhanced our investment and risk processes through integration systems and oversight procedures, as well as our focus on achieving sustainable economic development through a Just Transition.

Looking ahead

Globally, the outlook for growth and asset returns over the medium-term has been slowly improving due to lower inflation and expectations for gradually falling interest rates. We are cautiously optimistic on the global front as, although corporate earnings growth may slow further in the near-term, acting as a source of volatility, improvements are likely once the effects of cheaper borrowing costs make themselves felt throughout the major economies. However, geopolitical concerns such as the ongoing wars in Ukraine and the Middle East do add to nearer-term uncertainty, as well as the unusually high number of elections around the world this year. The prospect of national elections in SA in May is contributing to ongoing investor concerns around inadequate economic growth, load-shedding and infrastructure shortcomings, among others.

Namibia's national elections in November also adds some uncertainty to the mix following the death in office of President Hage Geingob last year. The vote will be keenly contested -- SWAPO, which has won every Presidential election since independence in 1990, has seen its winning margins decline as the support for the Independent Patriots for Change party has grown. Investor risk perceptions towards Namibia are somewhat better than those associated with South Africa, but the country's recent grey-listing presents a headwind to international trade and investments, and the Bank of Namibia has forecast a deceleration in growth to 3.4% in 2024 due to softer global demand for commodities and an expected contraction in agricultural production, plus a slowdown in consumer and business spending amid high interest rates. Interest rates are forecast to fall from the current repo rate level of 7.75%, but as in South Africa, this is only expected to start from mid-year and the benefits will take time to be transmitted throughout the economy.

It is easy for investors to be pessimistic given the news headlines, but there are positive local factors to be aware of. These include falling inflation, and the prospects for ongoing foreign investment flows into Namibia amid successful commodity exploration and the green energy transition, which should help underpin growth. And in terms of market valuations, we believe local equities and SA nominal bonds remain very attractive, both relatively and compared to their own history, reflecting investors' overly pessimistic views on risk.

As such, we would expect these assets to deliver above-average returns from current levels over the next three to five years. Together with their strong diversification across other emerging markets and developed market assets, we believe our portfolios are well-positioned to deliver value to clients, with any good news helping to produce solid returns and a possible re-rating of SA equities and bonds.

Regards,

Ben Bertolini
Managing Director
M&G Investments Unit Trusts (Namibia) Ltd

Trustee Report On The Mandg Investments Unit Trust (Namibia) Limited

As Trustees to the MandG Investments Unit Trusts (Namibia) Scheme (“the Scheme”), we are entrusted by the scheme to report to unit holders on the administration of the Scheme during the accounting period under review.

We advise for the period 1 January 2023 to 31 December 2023 we reasonably believe that the Manager has administered the Scheme in accordance with:

(i) the limitations imposed on the investment by the Act; and

(ii) the provisions of the Act and the relevant deeds.

We confirm that according to the records available to us there were no material instances of compliance contraventions and therefore no consequent losses incurred by the Portfolio in the year, due to breaches of relevant Trust Deed.

Yours faithfully,

Ian Erlank

Head of Markets

RMB Namibia

22 March 2024

MandG Investments Unit Trusts (Namibia) Ltd Collective Investment Schemes Annual Report for the year ended 31 December 2023

This summarised report is extracted from the audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Namibia, who expressed an unmodified opinion on 22 March 2024. The audited annual financial statements and the auditor’s report thereon are available for inspection at the Schemes’ registered office.

The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying annual financial statements.

Disclaimer

MandG Investments Unit Trusts (Namibia) Ltd is an approved Management Company in terms of the Namibian Unit Trusts Control Act, 1981. Unit trust funds are generally medium- to long-term investments. The value of a unit may go down as well as up. Past performance is not necessarily a guide to the future. Unit trust prices are calculated on a net asset value basis, which is the total book value of all assets in the portfolio divided by the number of units in issue. Fluctuations or movements in exchange rates may also be the cause of the value of underlying international investments going up or down. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the MandG Investments Unit Trusts (Namibia) Ltd Schemes and are subject to different fees and charges. Permissible deductions may include management fees, NAMFISA levies and auditor’s fees. A detailed schedule of fees and charges and maximum commissions is available on request from the management company. Forward pricing is used. All of the unit trusts may be capped at any time in order for them to be managed in accordance with their mandates.

The M&G Namibian Money Market Fund is not a bank account and aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this may have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the Fund, it can have the effect of a capital loss. Such losses will be borne by the M&G Namibian Money Market Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors’ unit holdings will be reduced to the extent of such losses.

MandG Investments Unit Trusts (Namibia) Ltd
Physical address: 6 Feld Street, Windhoek, Namibia

M&G Annual Management Fee

There are no initial charges levied by MandG Investments Unit Trusts (Namibia) Ltd.
Initial fees may be agreed between the investor and the financial adviser.

M&G annual management fee (Excl. VAT)	Retail Units: (A Class)	Institutional: (B Class)
M&G Namibian Balanced Fund	1.25%	0.75%
M&G Namibian Inflation Plus Fund	1.00%	0.60%
M&G Namibian Enhanced Income Fund	0.85%	0.50%
M&G Namibian Money Market Fund	0.50%	0.00%

Distributions

Note: Only the funds that have distributed for 2023 have been included in the distribution tables.

Fund	Declaration period	Retail (A Class) Cents per unit	Institutional (B Class) Cents per unit
M&G Namibian Balanced Fund	31-Dec-22	4.59	5.19
	30-Jun-22	7.43	8.01
M&G Namibian Inflation Plus Fund	31-Dec-22	7.16	7.81
	30-Jun-22	9.48	10.12
M&G Namibian Enhanced Income Fund	31-Dec-22	2.15	2.23
	30-Sep-22	1.59	1.68
	30-Jun-22	1.32	1.41
	31-Mar-22	1.37	1.46
M&G Namibian Money Market Fund	31-Dec-22	0.69	
	30-Nov-22	0.67	
	31-Oct-22	0.70	
	30-Sep-22	0.68	
	31-Aug-22	0.77	
	31-Jul-22	0.70	
	30-Jun-22	0.68	
	31-May-22	0.69	
	30-Apr-22	0.63	
	31-Mar-22	0.64	
	28-Feb-22	0.57	
	31-Jan-22	0.59	

Retail (A Class) Units

Annualised Performance (%) as at 31 December 2023

Fund	1 year	2 years	3 years	4 years	5 years	Since inception	Fund inception date
M&G Namibian Balanced Fund	13.67	7.86	11.39	9.24	9.25	8.05	1 August 2008
M&G Namibian Inflation Plus Fund	12.64	8.82	10.23	8.46	8.59	7.73	15 September 2003
M&G Namibian Money Market Fund	8.30	6.76	5.67	5.45	5.83	6.37	12 March 2010
M&G Namibian Enhanced Income Fund	8.46	7.56	6.21	5.62	6.00	6.11	19 June 2014

Source: Morningstar performance figures for the Funds are based on NAV price.

Institutional (B Class) Units

Annualised Performance (%) as at 31 December 2023

Fund	1 year	2 years	3 years	4 years	5 years	Since inception	Fund inception date
M&G Namibian Balanced Fund	14.22	8.40	11.94	9.78	9.80	8.60	1 August 2008
M&G Namibian Inflation Plus Fund	13.08	9.25	10.65	8.89	9.02	8.15	1 July 2011
M&G Namibian Enhanced Income Fund	8.81	7.92	6.58	5.98	6.37	6.48	19 June 2014

Source: Morningstar performance figures for the Funds are based on NAV price.

Our financial information

Statement of financial position as at 31 December 2023

	M&G Namibian Inflation Plus Fund	M&G Namibian Balanced Fund	M&G Namibian Money Market Fund	M&G Namibian Enhanced Income Fund
Securities at market value	2 396 735 881	743 916 948	1 753 103 624	4 595 702
Other assets	35 527 932	13 131 190	247 191 614	58 146
Total	**2 432 263 813**	**757 048 138**	**2 000 295 238**	**4 653 848**
Total unitholder funds	2 374 877 026	741 198 398	1 985 664 209	4 530 074
Total liabilities	57 386 787	15 849 740	14 631 029	123 774
Total	**2 432 263 813**	**757 048 138**	**2 000 295 238**	**4 653 848**
Net income/(loss) distributable to unitholders	127 405 319	36 112 395	156 839 143	499 494
Distributions	**126 531 196**	**36 117 603**	**156 848 410**	**455 475**
Undistributed income/(deficit) at year end	874 123	(5 208)	(9 267)	44 019
Net income/(loss) after distributions*	**481 115**	**(201 498)**	**2**	**24 688**
Difference (income attributable to unitholders opening balance)	393 008	196 290	(9 269)	19 331

*Net income/(loss) per statement of comprehensive income after adjusting for net fair value gains & losses and transaction costs

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