

M&G Namibian Money Market Fund

Income

Q1 2025

Market overview

The new year started off quite differently to the expectations that shaped the outlook heading into 2025. After a strong performance by US equities in 2024, markets were optimistic that a new Republican administration would further fuel US exceptionalism. However, the situation unfolded quite differently than anticipated in the first quarter. The heightened uncertainty and volatility due to the unpredictable nature of US trade policy has dampened growth expectations and weighed on US markets and the dollar. Trump's new term has been nothing short of chaotic and market moving as participants try to decipher the impact of regulations on asset prices and the economy in general. Globally, tariff talks and the potential trade war were key drivers of market moves for the quarter, as well as regional dynamics around policy shifts.

Global equity (as measured by the MSCI All Country World Index) fell 1.3% during the quarter. US equities fared the worst in the major regions, with the Nasdaq showing the biggest fall (-10.3%) on the back of the moves in tech stocks. The S&P and Dow Jones lost 4.3% and 0.9% respectively for the quarter (all in US dollars). Emerging markets, as measured by the MSCI Emerging Market Index, showed positive performance of 2.9% for the quarter, outperforming the developed market counterparts that delivered -1.8% (MSCI World). In emerging markets, Brazil's Bovespa (16.8%), China (15.9%) and South Africa (8.7%) performing strongly during the quarter (all in US dollars). In Turkey, some country-specific market moves due to widespread anti-government protests in the region in March led the Turkish equity market to be sold off, ending the quarter on -8.9% (in US dollars). Global bonds fared relatively better with 2.6% (Bloomberg Global Aggregate Bond Index, in US dollars).

In South Africa, Fiscal uncertainty increased following the delay of the National Budget Speech, initially scheduled for 19 February, due to coalition disagreements. The budget was eventually re-presented on 12 March, with the proposed 2% VAT hike scaled back to 50 basis points over the next two years. The most significant impact was the effect this had on the Government of National Unity (GNU), as the ANC and DA clashed over the budget proposal, undermining the stability of the government. On the economic front, South Africa's GDP showed modest growth of 0.6% q/q in Q4 2024, narrowly avoiding a technical recession, following a contraction of 0.3% in Q3. Annual consumer price inflation held steady at 3.2% y/yr in February 2025.

The FTSE/JSE All Share Index returned 5.6% (in rand) on the back of strong performance in the precious metal and mining

space. The resource sector rallied 33.7% in the quarter, with gold and PGM names delivering strong returns due to those commodities being up significantly in the month of March. The strong rally in SA equity for the quarter has been very concentrated in a few bigger names, such as gold companies, Naspers/Prosus, MTN and a few other rand-hedge stocks, like British American Tobacco and Richemont. Industrials delivered 3.1% while financials ended the quarter down 1.8%.

SA bonds had a more muted quarter but managed to add small gains of 0.7% as per the All Bond Index. Concerns around the budget have led to a steeper yield curve with yields on long-dated bonds rising somewhat during March compared to flatter levels on the short-end of the curve. For inflation-linked bonds, the Composite Inflation-Linked Bond Index also delivered 0.7% for the quarter, with a similar steepening of the curve for those instruments (all in rand). SA cash, as measured by the Short-Term Fixed Interest (SteFI) composite, returned 1.9% for the quarter.

Namibian equity market performance showed mixed results in the first quarter of 2025. The NSX Overall Index experienced a decline of 4.2%, reflecting broader market pressures. However, the NSX Local Index performed strongly, ending the quarter up by 3.5%, indicating resilience within domestic stocks. In the bond market, the IJG All Bond Index (ALBI) posted a modest gain of 1.3%, while the IJG Inflation-Linked Bond Index (ILB) outperformed with a return of 1.75%. The IJG Money Market Index also delivered a decent performance, returning 1.9% (all in N\$). These figures highlight a more favourable environment for fixed income, even as broader equity markets faced challenges.

Performance

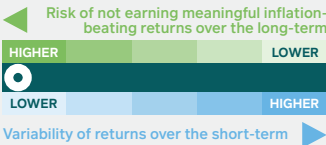
The M&G Namibian Money Market Fund delivered a return of 1.8% over quarter (A class, net of fees), 35bps ahead of its benchmark.

Positioning

South African fixed income assets had a somewhat challenging start to the year, as was the case in most other countries. The South African government bond curve moved higher by about 25bps on average, and the curve also steepened, such that back-end bonds lost money over the quarter. The SA money market curve also steepened, with the very front-end pulled down by the SARB's January rate cut, while the longer-dated NCD yields didn't change much.

Bank of Namibia similarly cut their repo rate by 25bps to 6.75%, taking the Namibian rate back to 75bps below its South African equivalent. Namibian NCDs largely followed the repo rate lower.

Risk profile



Fund facts

Fund objective

This Fund aims to achieve a high level of current income, while preserving capital and liquidity. The Fund's objective is achieved by investing in cash and other high quality money market instruments.

Investor profile

Investors seeking to increase their portfolio's cash holdings with a high-yielding, low-risk money market fund. Investors who need an inexpensive safe haven to house funds while moving between market sectors. Investors who want investments that are protected from equity and bond market volatility while earning above-inflation returns.

Investment mandate

The Fund aims to achieve a high level of current income, while preserving capital and liquidity. Investments are in short-term, highly liquid money market instruments with a maturity of less than one year. The weighted average duration of the underlying assets may not exceed 90 days.

Fund managers

Roshen Harry
René Prinsloo

Morningstar category

Africa Money Market

Benchmark

IJG Call Index

Inception date

12 March 2010

Fund size

N\$2 433 053 802


Annualised performance

	A class	Benchmark ¹
1 year	8.1%	6.6%
3 years	7.6%	6.2%
5 years	6.1%	4.9%
7 years	6.4%	5.5%
10 years	6.7%	6.2%
Since inception	6.3%	6.1%

¹ The Fund's benchmark changed from the IJG Money Market Index to the IJG Call Index on 1 December 2019.

Namibian floating rate spreads remain at their multi-year low levels, kept down by the wide gap between the Namibian and SA repo rates. Because Namibian floating NCDs offer a spread above the SA JIBAR rate, even though the spreads are at historic lows, the absolute yields they offer remain compelling relative to other Namibian money market assets.


Namibian treasury bills remain attractive, in our opinion, and we maintain a relatively healthy exposure to these instruments.

The duration of the fund reduced somewhat over the quarter from 74 days to 58 days. There were no major changes to the fund positioning over the quarter. 

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Application forms

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