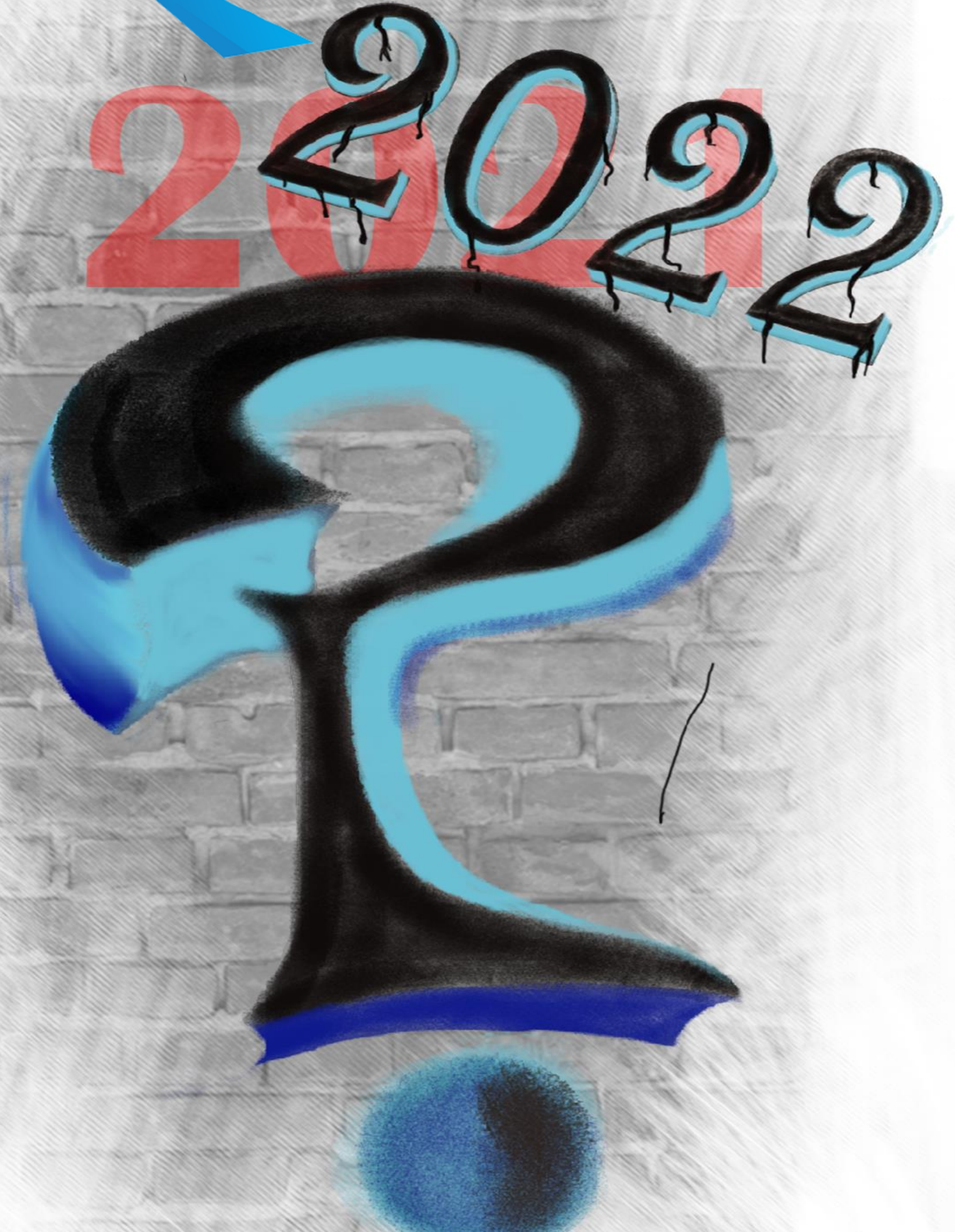
The Arystocrat

Issue No: 8 2022



Top Performing Manager 2021: Arysteq

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NOTES FROM THE CHIEF INVESTMENT OFFICER

The new year cannot be called new anymore, yet the feeling of uncertainty lingers. In 2020 we had a black swan event that was similar to others, but different in its origins. The result was a disconnected world with economies, politics and public health upended. The following year was much the same as the previous with the obvious absence of the shock of the previous year.

If we end up having the opportunity to sit around the campfire a generation from now our grand kids will not only be shocked and sit in awe as we tell them the story of when Armageddon almost came, but we will most likely also be ridiculed as that generation digest the actions taken by the leaders of earlier times. This response is probably understated when considering an extrapolated Generation Z, two or three generations away.

From an economic perspective the pandemic led to a demand and supply shock. Something that hadn't been seen in our lifetimes. From a political (……and monetary) perspective, governments responded with massive fiscal and monetary stimulus (as they call it). It is clear that something had to give and for the first time in around 40 years, inflation appeared in the developed world. I can't imagine the "Laurel" from Laurel and Hardy effect this is having on young traders, analysts and quants teams sitting at their desks in New York, London and Tokyo.

In Namibia, Inflation seems like death and taxes. It doesn't surprise us when the pump prices go up, when we get the annual medical aid increase and when our rental lease escalation is due, so to an extent we don't understand what the world is fretting about. But the ominous thought is that if a lot of inflation is imported (food from South Africa and global markets, fuel from global markets etc.) and global economies see inflation (US print for 2021 is 7.5%), then it is reasonable to expect our already high long term inflation rate of around 6% in Namibia and South Africa to mushroom. In our view the inflation of global markets have not yet seeped into the SACU common monetary area. And forecasts from policy makers, economists and other commentators are further blurring the uncertain future with Fed punting transient inflation, market commentators punting higher volatility and geopolitics rearing its head with Russia-Ukraine and Sino-US-Taiwan relations.

As a keen student of history, I've learned that the future is always uncertain, the past is always predictable in hindsight and we need to be positioned and planning for all eventualities and with a risk first temperament. At Arysteq our approach has always been to follow the style set out in our tried and tested investment process manual. This style allows us:

- To be consistent
- To know when we will outperform and when we will underperform
- To mitigate our individual biases and specifically to cut out all the noise
- To apply a benchmark that allows us to test where we have made mistakes and where we have been successful. This allows us to continuously improve

The evidence consistently suggest that over the short term our performance will be volatile and unpredictable, but over the longer periods our performance will be over the above median quintiles. The reason for this is that our approach is to invest in businesses with durable business models beyond the typical business cycle which is normally longer than 7 years. We also stress test the strength of the balance sheets of the businesses that we are invested in. This coupled with the business quality test (assessed using Michael Porter's framework) gives us comfort in avoiding the risk of permanent loss, which is ultimately the risk that we are most worried about.

On page 5 Suzette discusses the opportunities that we see in the Semiconductor sector in the US. Our research into this sector came about when we asked which product has become most critical in the world and at the same time significantly affected by the supply chain challenges and will consequently benefit from the opening up of economies. It is exciting and sobering to note that during the last two gloomy years, we have continued to find opportunities in markets.

On page 2 Antoine illustrates our fund performance against peers. The Arysteq Balanced Fund is ranked 1st in the 5 year category and 1st in the 10 years category. The Arysteq Real Return Fund is 1st in all applicable categories and the Arysteq Money Market Fund is ranked 1st in all categories.

We are extremely proud of this achievement and look forward to building on this track record for clients and other stakeholders.

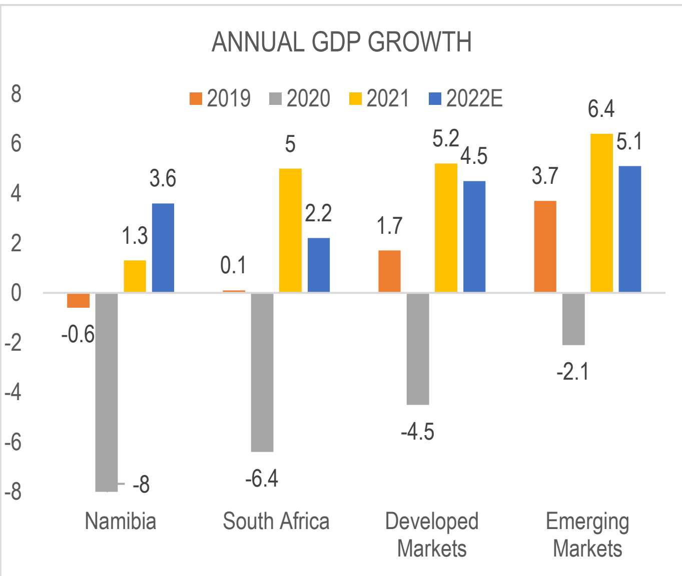
Purvance Heuer

Chief Investment Officer

MARKET OVERVIEW

The IMF revised their GDP growth last quarter with the only upward revision being developed markets. In the previous revision they indicated that the economic recovery has lost some momentum amidst the concern around the delta variant, strained supply chains, accelerating inflation and the rising costs for food and fuel. The expectation for world GDP is 4.9% for 2022. The expected growth for GDP in Namibia, South Africa, Developed Markets and Emerging Markets is illustrated in figure 1 below.

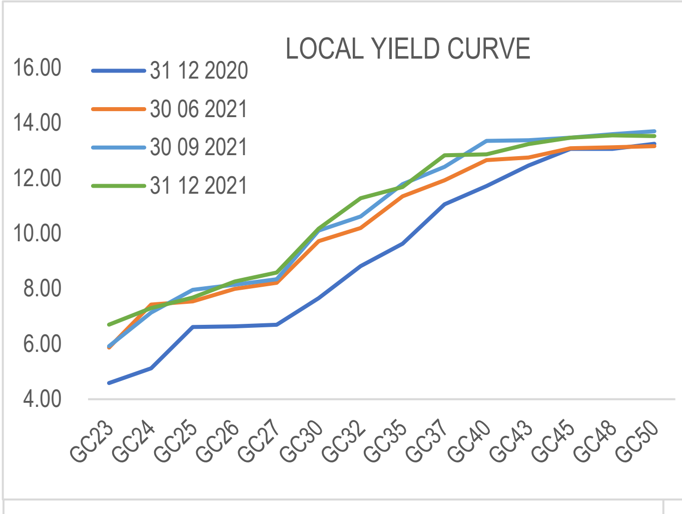
Figure 1



Source: IMF, 2021

The MSCI World Index is measured in USD terms and the USD/ZAR for the fourth quarter averaged at R15.41, the lowest USD/ZAR for the quarter was on 15 October 2021 at R14.60 and the highest USD/ZAR was on 3 December 2021 R16.08. At the time of writing the USD/ZAR is trading at R15.46, indicating a weaker rand going forward.

Figure 2

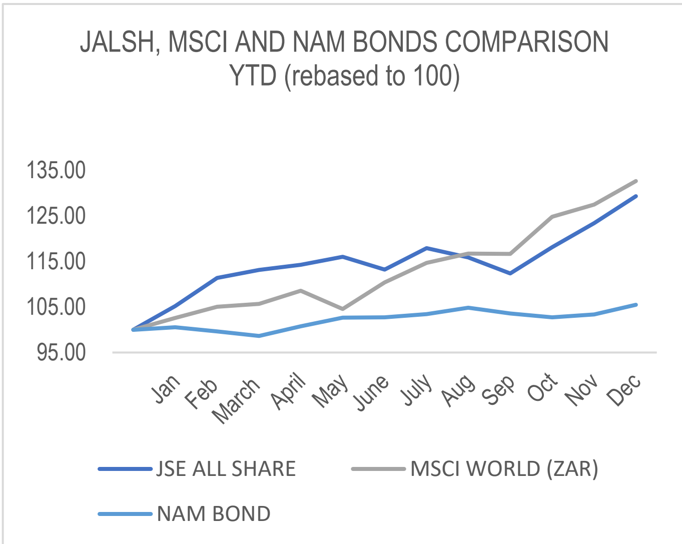


Source: Simonis Storm Securities

The yield curve is still sloping upward and steep, although slightly less steep than the previous quarter. In 2022 we expect the curve to steepen as inflation pressure realises.

In 2022 all equity markets had positive returns with the exception of the Hang Seng, see page 4. The same can be said for the fourth quarter returns. The JSE All Share Index "JALSH" returned 16.3% for the quarter (2020 +9.4%) and the MSCI World Index returning 7.3% for the quarter (2020 +13.4%).

Figure 3



Source: Bloomberg/Arysteq/Simonis Storm Securities

At the start of the quarter, the JSE All Share Index went on a rally reaching a high of 73 709 index points. At the time of writing this article it is trading at 76 788 index points. The MSCI World Index ended the year at an all-time high on the 31st of December 2021 trading at 3 231 points and has since dipped slightly to 3 054 points at the time of writing this article.

The best performing sectors on the JSE All Share Index for the year was Energy (+111.4%), Communication Services (+98.4%) and Consumer Discretionary (+77.3%). The worst performer was Information Technology which lost 17.9% for the year. The cheapest sector continues to be Energy with the lowest PE at 3.1x and highest dividend yield at 20.8% and the most expensive sector continues to be Information Technology with a PE of 17.8x and a dividend yield of 1.9%. See table 1 below:

Table 1: JSE All Share Index YTD Sector Performance

JSE ALL SHARE	YTD 2020	YTD 2021
Energy	115.8	111.4
Communication Services	-9.5	98.4
Consumer Discretionary	-8.8	77.3
Healthcare	-18.7	51.0
Real Estate	-33.7	36.9
Materials	21.2	31.9
Industrials	-20.7	30.7
JSE All Share Index	7.1	29.3
Financials	-19.5	29.0
Consumer Staples	13.8	22.3
Information Technology	34.4	-17.9

Source: Bloomberg

The MSCI World best sector performance for the year was Energy (+41.8%), Information Technology (+30.1%) and Real Estate (+29.5%). The worst performing sector was Consumer Staples (+13.7%). The cheapest sectors for the year was Materials with an average PE of 9.0x and a dividend yield of 3.5% and the most expensive being Information Technology with a PE of 27.9x and dividend yield of 0.9%. See table 2 below.

Table 2: MSCI World Index YTD sector Performance

MSCI WORLD INDEX	YTD 2020	YTD 2021
Energy	-30.4	41.8
Information Technology	44.3	30.1
Real Estate	-4.3	29.5
Financials	-2.1	28.7
MSCI World Index	16.5	22.4
Healthcare	14.1	20.3
Consumer Discretionary	37.0	18.2
Industrials	12.2	17.1
Materials	20.6	17.0
Communication Services	23.5	14.8
Consumer Staples	8.5	13.7

Source: Bloomberg

Antoine Agenbach

Business Development Officer

key indicators and fund performance

AS AT 31 DECEMBER 2021

	YTD	4Q21	1 Year	3 Year	5 Year	10 Year
GLOBAL INDICES						
Shanghai Composite	7.1	2.1	7.1	16.1	5.6	7.7
Nasdaq Composite Index	22.3	7.6	22.3	34.3	25.0	21.0
Hang Seng Index	-11.9	-4.7	-11.9	-0.2	4.7	6.1
FTSE 100 Index	18.5	5.6	18.5	7.1	4.7	6.8
S&P 500 Index	28.8	9.8	28.8	26.1	18.5	16.5
Nikkei 225	6.6	0.2	6.6	15.0	10.6	15.2
Dow Jones Industrial Average	21.0	6.4	21.0	18.5	15.5	14.2
Euro Stoxx 600	25.9	8.1	25.9	16.6	9.7	10.8
DAX Index	15.8	4.8	15.8	14.6	6.7	10.4
CAC 40 Index	32.0	9.9	32.0	17.8	11.1	12.0
Euro Stoxx 50 Index	24.2	6.9	24.2	16.1	8.8	10.3
FTSE/JSE All Share Index	29.4	16.3	29.4	15.8	11.5	12.2
EXCHANGE RATES						
USD/ZAR	15.9	15.0	15.9	14.4	13.7	8.1
EUR/ZAR	18.1	17.5	18.1	16.5	14.5	10.5
GBP/ZAR	21.6	20.5	21.6	18.3	16.9	12.6
JPY/ZAR	0.1	0.1	0.1	0.1	0.1	0.1
COMMODITY PRICES						
Commodity Index	99.2	99.0	99.2	77.6	87.5	140.7
Gold	1 829.2	1 750.4	1 829.2	1 280.7	1 147.5	1 564.9
Silver	23.3	22.4	23.3	15.4	15.9	27.8
Brent Crude oil	77.8	78.1	77.8	52.2	56.8	107.4
Bitcoin	50 808.2	47 601.1	50 808.2	3 848.6	890.9	4.0
FUND PERFORMANCE						
Arysteq Money Market Fund	**5.2%**	**1.3%**	**5.2%**	**6.7%**	**7.2%**	**6.7%**
STeFI Index	*3.8%*	*1.0%*	*3.8%*	*5.5%*	*6.3%*	*6.2%*
Morningstar Median	*3.8%*	*0.9%*	*3.8%*	*5.5%*	*6.3%*	*6.1%*
Rank	*1/20*	*1/20*	*1/20*	*1/20*	*1/20*	*1/20*
Arysteq Real Return Fund	**15.9%**	**6.0%**	**15.9%**	**N/A**	**N/A**	**N/A**
Inflation + 3%	*6.7%*	*1.7%*	*6.7%*	*N/A*	*N/A*	*N/A*
Morningstar Median	*12.3%*	*5.1%*	*12.3%*	*8.4%*	*7.2%*	*8.3%*
Rank	*1/6*	*1/6*	*1/6*	*N/A*	*N/A*	*N/A*
Arysteq Balanced Fund	**17.7%**	**1.1%**	**17.7%**	**13.1%**	**10.9%**	**10.7%**
Namibian Peer Group	*18.2%*	*1.1%*	*18.2%*	*11.9%*	*9.6%*	*11.8%*
Morningstar Median	*17.8%*	*6.6%*	*17.8%*	*10.2%*	*8.3%*	*10.3%*
Rank	*9/13*	*7/13*	*9/13*	*2/13*	*1/13*	*1/13*
Arysteq Global Opportunities Fund	**21.0%**	**7.3%**	**21.0%**	**N/A**	**N/A**	**N/A**
MSCI World Index	*32.9%*	*13.7%*	*32.9%*	*N/A*	*N/A*	*N/A*
Morningstar Median	*23.4%*	*10.0%*	*23.4%*	*19.2%*	*13.2%*	*15.8%*
Rank	*38/58*	*34/61*	*32/58*	*N/A*	*N/A*	*N/A*

Source: Bloomberg/Arysteq

SEMICONDUCTORS- THE OIL OF THE TECHNOLOGY SECTOR

Semiconductors play a significant role in our lives. Consider a world without semiconductors (microchips); electrical device wouldn't exist. A semiconductor is the substance that conducts electricity more than an insulator but less than a pure conductor that is found in thousands of electrical devices.

An average adult spends more than 12 hours every day on devices that have semiconductors, whether it's WiFi, a coffee machine, microwave, computers, televisions, vehicles, or mobile devices. Semiconductors power all of those devices! They are an undeniable part of our daily lives and are critical to the advancement of modern technology.

Electronic devices have become smaller, faster, and more reliable as semiconductor technology has advanced over the last 50 years. As an illustration, today's smartphones have more computer power than the mainframe computers that NASA used to send Apollo 11 to the moon in 1969. Microchips power nearly every modern electronic device. As the world's objects become "smarter," and demand for electronic devices increases, the need for semiconductors will only continue to soar.

Over the past three decades, the semiconductor industry has experienced rapid growth and delivered enormous economic impact. The semiconductor market grew at an average of 7.5% every year from 1990 to 2020, outpacing the 5% growth of global GDP during that time.

Within this industry, there are 7 types of business models. However, the 3 main models are integrated device manufacturers (IDMs), foundries and fabless. IDMs are companies that design branded chips in-house and own fabrication plants where they manufacture chips (e.g. Intel and Samsung). On the other hand, foundries operate fabrication plants focused on manufacturing chips for other companies, without actually designing them (e.g. Taiwan Semiconductor Manufacturing Company). Fabless companies, including the likes of Qualcomm and NVIDIA, are more or less the opposite and don't manufacture their own chips, but instead design them and outsource the work to foundries.

More recently, companies like Apple, Amazon, Facebook, Tesla and Google have started designing their own chips and plan on later developing them themselves. However setting up an advanced chip factory might take years as it could cost about US$ 10 billion. Most of these chips are currently manufactured in Taiwan, which is where 51% of the global chips are produced. This means that foundry companies (such as Taiwan Semiconductor Manufacturing Company) benefit from this industry trend as they manufacture the chips for these tech companies.

Let's take automobiles as an example and ask, "who is the best at motor vehicle chips?". A modern vehicle can easily have more than 3000 chips. It is crucial to realize that an automobile requires processors, memory chips, graphics cards, and so on. In the modern automobiles that we buy, semiconductors allow safety systems and semi-autonomous driver assistance systems. Blind-spot detection systems, backup cameras, collision-avoidance sensors, adaptive cruise controls, lane-change aid, airbag deployment sensors, and emergency braking systems are examples of intelligent functions enabled by semiconductor devices. Each of these forms of chips used may be manufactured by a different company. The best way to assess competitor positioning within the semiconductor industry therefore, is by the component type, as certain companies may sometimes only specialize in the manufacture or design of a certain type of chip.

Today, every company is either directly or indirectly dependent on semiconductors. As a result, semiconductors should be expected to persist and create a long-term business case that we cannot overlook. In 2021 however, a strange phenomenon was observed. The semiconductor industry experienced a chip shortage! This was due to a combination of factors.

Demand

In addition to increased adoption of 5G devices, people began upgrading their computers, laptops, phones, and other electronic devices in the midst of the pandemic-induced lockdown. During this period, Sony also launched their brand-new PlayStation 5 console, which received rave reviews and millions of pre-orders. Similarly, demand for graphics cards grew as a result of their use in gaming, graphics production, and crypto mining.

Although there was an overall increase in demand for semiconductor chips, as reflected in these and other industries, demand from the automobile industry momentarily took a hit due to factory closures. When these automobile manufacturers eventually resumed production, chip makers already had a backlog of orders to fulfil and thus had much less production capacity to further allocate. In a sense, the Fords and Toyotas of this world were at the back of a very lengthy queue. This severely affected the revenues of these vehicle manufacturers and dealers which interestingly, led to an increase in preowned vehicle sales globally. In the United Kingdom (UK), preowned vehicle sales went up 6.6% in 2021 compared to pre-pandemic level.

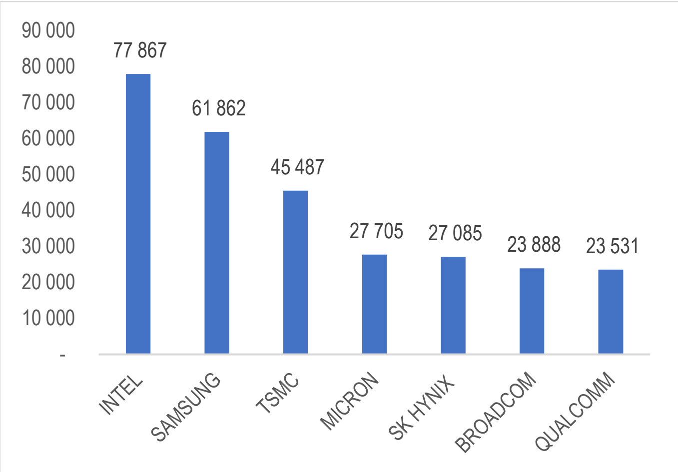
Production

On a production side, aside from the pandemic, there were various factors that caused production issues, including Taiwan's worst drought in 50 years, which left TSMC and other manufacturers unable to obtain sufficient supplies of water – critical in chip manufacturing. Other factors, such as factory fires, power outages, and a transportation obstruction at the Suez Canal, also hampered production.

We believe the current backlogs and shortages are only temporary and eventually, these semiconductor companies will be able to meet the growing demand.

The rest of this article focuses on three semiconductor companies that the Arysteq Global Opportunities Fund holds: Intel, Micron and Qualcomm. These companies also happen to be 3 of 7 companies that dominate the $430 billion industry by revenue in 2021 (figure 1).

Figure 1: TOP 7 SEMICONDUCTOR COMPANIES BY REVENUE 2021 (USD'million)



Source: Bloomberg/Arysteq

STOCKS

As part of Arysteq's investment philosophy, our selection process focuses on three key quality components which are; business quality, management quality and financial quality. Intel, Micron and Qualcomm have proven to have well rounded management teams that are able to stand the test of time and continuously generate value for shareholders, through predictable and proven earnings and growth, whilst remaining ethical.

These companies are also set apart from their competitors in terms of their unique positioning in the industry as well as their individual competitive advantages. With the ever-changing semiconductor industry, companies need to be at the forefront of their respective industries.

In our view, Intel, Micron and Qualcomm check all our quality boxes.

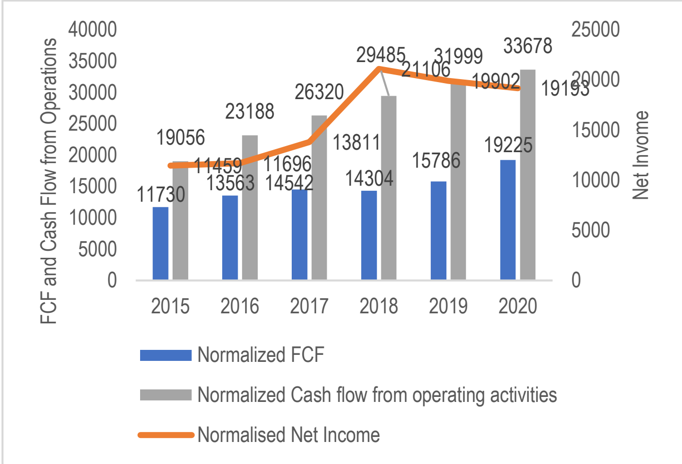
Intel

Intel was founded in 1968 and is one of the largest and most recognized semiconductor companies in the world. Intel's initial products were random access memory chips, which were successful and the first chips capable of storing a significant amount of information.

Intel has dominated the PC chip market with its Intel Core processor family. I am sure if you look down on your laptop, you might just see an Intel sticker. The company's latest data center solutions target a wide range of use cases within cloud computing, network infrastructure, intelligent edge applications and support high-growth workloads, including AI and 5G.

Management has proven to have excellent capital allocation abilities and has recently incurred significant capital expenditure in building the company's new fabrication plants in Arizona, US. These plants will be used to support the growing demand for Intel chips. Despite the large reinvestment of capital, the company still regularly manages to generate superior profits (figure 2) and sector-leading margins, with normalized net income growing by an average of 10.9% and normalized free cash flow by an average of 10.4% yearly since 2015.

Figure 2: INTEL SUSTAINABILITY OF EARNINGS (USD'million)



Source: Bloomberg/Arysteq

Similarly, return to shareholders has also been exceptional. The company managed to return over $40 billion in dividends and over $52 billion in buybacks since 2013.

From a valuation perspective, Intel trades at a Price to Earnings (PE) multiple of 11.7x which makes it more relatively affordable compared to the MSCI semiconductor index which is currently trading at 27.7x, as well its historical average.

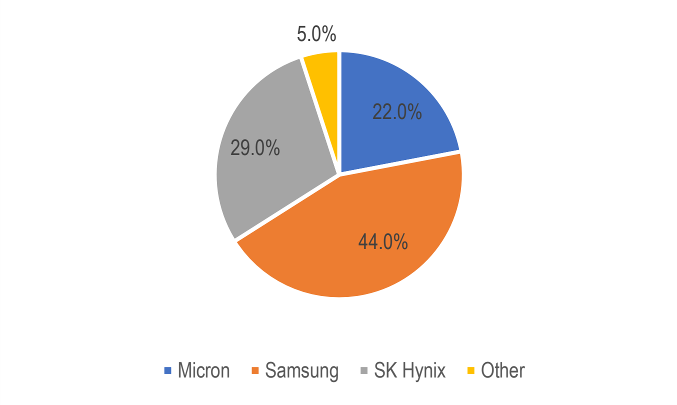
Micron

Micron was founded in 1978 and is one of the largest memory chip makers in the world, specializing in memory technologies. Its memory and storage solutions enable disruptive trends, such as artificial intelligence, 5G, machine learning, and autonomous vehicles, in key market segments like mobile, data center, graphics, automobile, and networking. Micron happens to be a market leader in graphics cards and is busy venturing into AI especially related to automobiles.

The company appointed a new CEO in 2017, Sanjay Mehrotra. Since then, management has become very efficient with cost control, which reflects highly in their growing margins. Net income grew by an average of 2.9% every year since 2015 and gross margins by an average of 4.7%.

Micron operates in a DRAM (Dynamic Random Access Memory) market that is dominated by an oligopoly of Micron, Samsung and SK Hynix. Micron happens to be the biggest player in the US, thus giving it a strong competitive advantage (figure 3).

Figure 3: OLIGOPOLY IN DRAM



8ource: Bloomberg/Arysteq

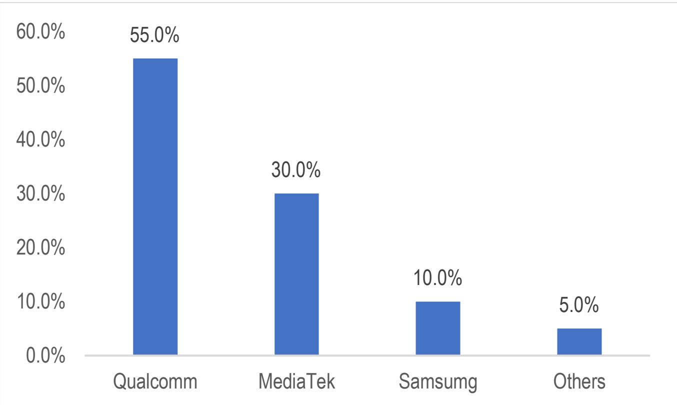
In 2021, Micron implemented a quarterly dividend of $0.10 per share for the first time ever and also implemented a share buyback scheme of up to $10Bn in 2020.

Like Intel, Micron trades at a discount (PE of 9.6x) compared to the MSCI semiconductor index currently trading at 27.7x, Nasdaq composite Index trading at 34.1x and is in line with its historical average.

Qualcomm

Qualcomm is known for designing wireless telecommunications products. Qualcomm is a leader in the development and commercialization of foundational technologies for the wireless industry. The company has continued to play a leading role in developing system level inventions that have served as the foundations for the 3G, 4G, and 5G wireless technologies that we see today. As a matter of fact, in 2021, Qualcomm dominated the 5G baseband market with 55% market share (figure 4).

Figure 4: 5G BASEBAND MARKET SHARE 2021

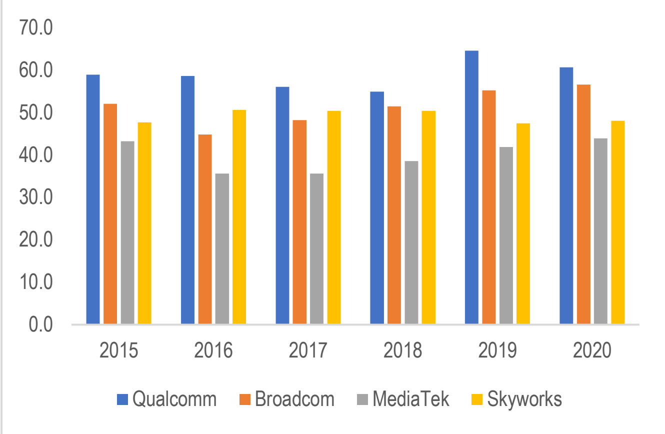


Source: Bloomberg/Arysteq

In addition to 5G, Qualcomm's management has also begun to diversify away from its core business (handsets), and it looks increasingly like an under-the-radar metaverse company. The metaverse is a topic we may discuss in future newsletters, so watch this space. Overall, Qualcomm derived about 38% of its revenue outside its core handset market in 2021.

Similar to Intel and Micron, Qualcomm's management has proven to be very efficient in terms of cost control and capital allocation over the last 5 years. Net income grew by an average of 11,8% and free cash flow by an average of 6,3% yearly since 2015. Similarly, profits have been increasing for the last 4 years and margins have consistently been the highest amongst peers (figure 5).

Figure 5: QUALCOMM GROSS MARGINS VS PEERS (%)



Source : Bloomberg/Arysteq

Qualcomm trades at a PE of 17.0x that is lower than its historic average, the Nasdaq composite Index trading at 34.1x as well as the MSCI semiconductor index trading at 27.7x.

Overall, we continue to believe the company's diversification efforts and improving profitability are both underestimated and boast an impressive outlook.

CONCLUSION

It is evident why these companies have stood the test of time and why we value them as good quality stocks to own in our offshore portfolio. The quality shines through and they each have their own competitive advantage within the semiconductor industry. Despite the slight production issues that this industry is currently experiencing, these particular companies still manage to generate above average returns. Moreover, it is evident how important semiconductors are in a number of industries. They play an important role today and will continue to play an important role in an Internet of Things (IoT) environment, where physical devices of all types will be connected to the internet and effortlessly collect and share data through 5G networks, thus, driving future growth. As a unitholder in our Global Opportunities Fund, you are well-placed to have a share in this growth

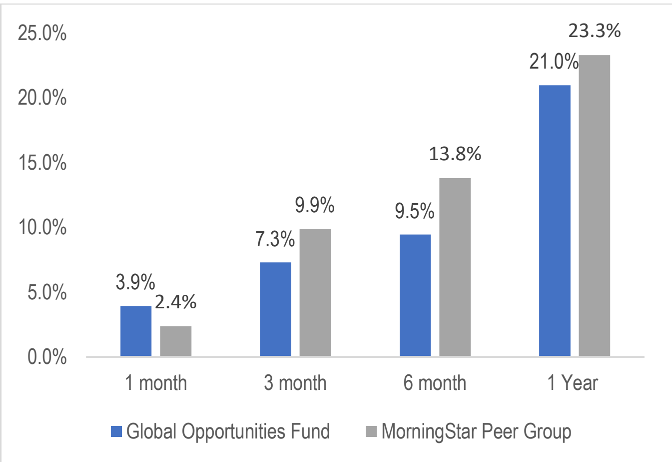
Suzette Agustinus

Trainee Research Analyst

FUND COMMENTARY

The **Arysteq Global Opportunities Fund** has reached its 1 year mark and with that being said, continues to rank competitively in the market. The fund has a 1 Year ranking of 32 out of 58 offshore funds registered in South Africa. Over the last quarter, the fund returned 9.6% vs that of the Namibian peer group median at 9.9%. The 1 year performance of the fund is 21.0% vs that of the Namibian peer group median at 23.3% (see graph 1).

Graph 1: Fund vs Peer Group Returns (December 2021)



Source: Arysteq

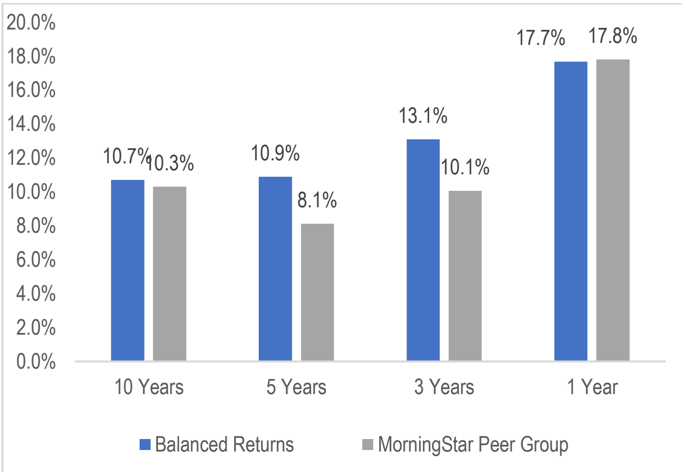
We increased our holdings in Healthcare and Information Technology over the last quarter. Post our detailed analysis on the Semiconductor industry, we've added to the likes of Intel and Micron, and reduced our exposure to Skyworks. This is inline with our conviction on the industry and where we continue to see value into the future. On the Healthcare front, we've added to Pfizer which our analysts have identified as a key holding in our top 10, currently up over 30.9% over the last year. In line with our strategic asset allocation, we've reduced our exposure to the likes of Netease, Electrolux, Imperial Brands, Novartis and Orange since October 2021.

Another factor our investors would be glad to know is the fact that the exchange rate weakened from R15.09 to R15.99 over the last quarter which added a healthy 6.0% return to the portfolio. We continue to take funds offshore at levels favorable to the performance of the fund. If you're someone that has been following the performance of the Rand over the last decade or two, you'll understand the importance of exposure across the waters.

The top 10 equity holdings in this fund comprise of BMW, Nintendo, Pfizer, British American Tobacco, Alibaba, Verizon Communications, Nestle, Japan Tobacco, Sony Group and American Express. As a reminder to current and prospective clients, the fund currently has exposure to the US, UK, Europe, Japan, Hong Kong and Australia with an underweight view on the US.

The **Arysteq Balanced Fund** has a 10 Year ranking of 2 out of 7 funds registered in Namibia in this mandate category. Over the last quarter, the fund returned 6.6% vs that of the Namibian peer group median at 6.6%. The 1 year performance of the fund is 17.7% vs that of the Namibian peer group median at 17.8% (see graph 2).

Graph 2: Fund vs Peer Group Returns (December 2021)



Source: Arysteq

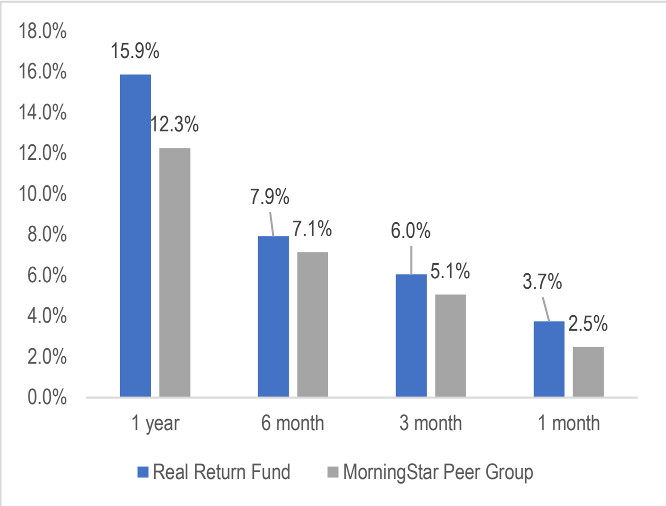
We've increased our overall exposure to offshore equities through the Arysteq Global Opportunities Fund. We currently have around 33.7% of the fund allocated offshore with the total equity exposure at 65.7%. We continue to make use of a derivative to increase our equity exposure in the fund.

We sold out of our position in Nedbank and continue to have high conviction over the likes of Standard Bank and FirstRand. Our buys for the period included Pick 'n Pay and Spar. We continue to see longer term value from these stocks as economies recover to pre-pandemic levels. With that being said, we maintain our overweight positions in Consumer Staples, Financials and Materials.

The top 10 equity holdings in this fund comprise of British American Tobacco, BHP, BMW, Anglo American, Nintendo, Standard Bank, Pfizer FirstRand, Richemont and Prosus.

The **Arysteq Real Return Fund** has a 1 Year ranking of 1 out of 6 funds registered in Namibia in this mandate category. Over the last quarter, the fund returned 6.0% vs that of the Namibian peer group median at 5.1% (see graph 3). The 1 year performance of the fund is 15.9% vs that of the Namibian peer group median at 12.3% (see graph 3).

Graph 3: Fund vs Peer Group Returns (December 2021)



Source: Arysteq

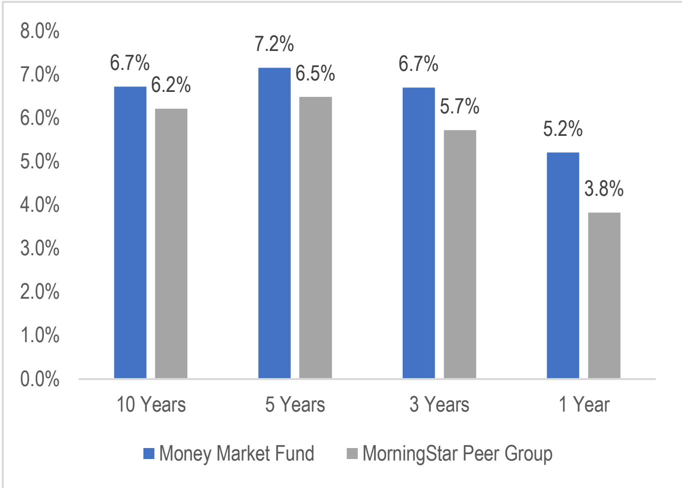
As with the Balanced Fund, we've increased our overall exposure to offshore equities through the Arysteq Global Opportunities Fund. We currently have around 30.9% of the fund allocated offshore with the total equity exposure at 55.4%. We continue to hold our derivative exposure through the SAFEX y equitizing cash.

In addition to similar conviction calls as that of the Balanced Fund, we increased our exposure to BHP and British American Tobacco over the last quarter. Our balanced mandates continue being less volatile and more defensive than the overall market.

The top 10 equity holdings in this fund comprise of British American Tobacco, BMW, Nintendo, Pfizer, Anglo American, BHP, Alibaba, Verizon Communications, Standard Bank and Prosus.

The **Arysteq Money Market Fund** has remained number 1 in the Namibian market over the last quarter and has finally reached its 3 year anniversary on 30 November 2021. We managed to pick up Government Treasury Bills over the last quarter at decent yields across the curve. This was mainly to roll our maturing exposures and maintain the balance of the portfolio.

Graph 4: Fund vs Peer Group Returns (December 2021)



Source: Arysteq

Interest rates remain low in Namibia with BoN only having raised rates with 0.25% to date. The market expectation remains for at least 3 hikes in 2022 which should bode well for investors in the Money Market fund. The counter argument is that in the absence of a strong recovery in the economy, raising interest rates will have a less desirable effect on the economy at large.

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