

Allan Gray Namibia Balanced Strategy

12 August 1999 to 31 January 2014: Allan Gray Namibia Investment Trust

From 1 February 2014: Allan Gray Namibia Balanced Fund

ALLAN GRAY

B Class

Fund manager:	Duncan Artus
Strategy inception date:	12 August 1999
Minimum investment amount:	N\$5 million
Class inception date:	1 October 2014

Fund description

The Fund invests in a mix of shares, bonds, property, commodities and cash. The Fund may buy assets outside the common monetary area (CMA) up to a maximum of 35% of the Fund (with an additional 5% for Africa ex-CMA). The Fund typically invests the bulk of its foreign ex-Africa allowance in a mix of funds managed by Orbis Investment Management Limited, our offshore investment partner. The maximum net equity exposure of the Fund is 75% and we may use exchange-traded derivative contracts on stock market indices to reduce net equity exposure from time to time. The Fund is managed to comply with Regulation 28 of the Namibian Pension Funds Act. Returns are likely to be less volatile than those of an equity-only fund.

Fund objective and benchmark

The Fund aims to earn a higher total rate of return than that of the average Namibian retirement fund investment manager over the long term. The benchmark is the return of a daily weighted average index of Namibian multi asset class funds that comply with the limits governing Namibian retirement funds.

How we aim to achieve the Fund's objective

We seek to buy shares at a discount to their intrinsic value. We thoroughly research companies to assess their intrinsic value from a long-term perspective. This long-term perspective enables us to buy shares which are shunned by the stock market because of their unexciting or poor short-term prospects, but which are relatively attractively priced if one looks to the long term. If the stock market offers few attractive shares we may increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund excluding the portion invested in Orbis funds. The fee rate is calculated daily by comparing the Fund's total performance over the last two years, to that of the benchmark.

Fee for performance equal to the Fund's benchmark: 1.00% p.a. excl. VAT

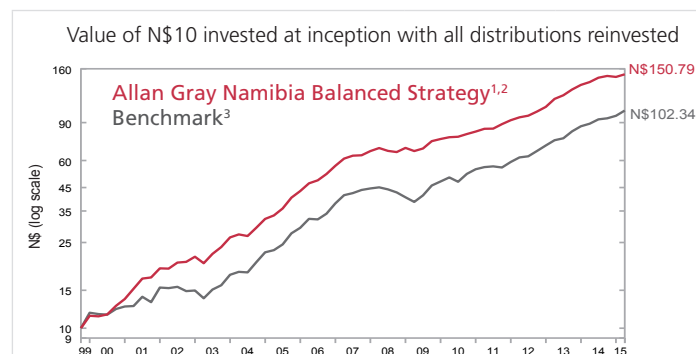
For each percentage of two-year performance above or below the benchmark we add or deduct 0.1%, subject to the following limits:

Maximum fee:	1.50% p.a. excl. VAT
Minimum fee:	0.50% p.a. excl. VAT

Fund information on 28 February 2015

Size of the Fund:	N\$3 077m
Price for Class B:	N\$1 487.43
Number of share holdings:	35

Performance (N\$) net of fees and expenses



% Returns	Strategy ^{1,2}	Benchmark ³
Unannualised:		
Since inception	1 410.7	912.1
Annualised:		
Since inception	19.2	16.1
Latest 10 years	16.2	15.9
Latest 5 years	14.6	16.3
Latest 3 years	17.1	18.5
Latest 2 years	16.2	18.4
Latest 1 year	9.6	16.2
Year-to-date (unannualised)	2.8	5.0
Risk measures (since inception)		
Maximum drawdown ⁴	-7.2	-20.2

1. On 3 February 2014 all the assets and unit holder liabilities of the Allan Gray Namibia Investment Trust were transferred to the Allan Gray Namibia Balanced Fund. The investment philosophy, strategy, fund objective, mandate, restrictions and fund managers remain unchanged.
2. Prior to the inception of this class of the fund (1 October 2014) the performance and risk measures are calculated using the A class performance of the Fund.
3. The current benchmark is the return of a daily weighted average index of Namibian multi asset class funds that comply with the limits governing Namibian retirement funds which is provided by Morningstar. Since inception to 30 September 2014 the benchmark was the average Alexander Forbes Namibia Manager Watch Survey. The return for February 2015 is an estimate. Performance as calculated by Allan Gray as at 28 February 2015.
4. Maximum percentage decline over any period. The maximum drawdown occurred from May 2008 to February 2009 and maximum benchmark drawdown occurred from May 2008 to February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).

This means that Allan Gray shares in approximately 20% of annualised performance relative to the benchmark.

A portion of the Fund may be invested in Orbis funds. Orbis charges performance-based fees within these funds that are calculated based on each Orbis fund's performance relative to its own benchmark.

Fund manager commentary as at 31 December 2014

The Fund's total return of 8.9% constituted a good first nine months of the year and a more difficult final quarter. The FTSE/JSE All Share Index (ALSJ) returned 1.4% for the fourth quarter, and the Namibian Overall Index a higher 3.6%, but Sasol underperformed and the Orbis portfolio, which accounts for 33.7% of the Fund's assets, also had a weaker period.

The rapid decline in the oil price was the root cause of both Sasol and Orbis' tough quarter. Orbis owns some very attractively priced Russian businesses, as well as a few oil-related companies, that sold off with the oil price.

In early September oil was trading at US\$100 per barrel, a long way from the current US\$57/bbl. A slowdown in emerging market oil demand coincided with strong supply growth from the US. As the price fell, many commentators become very negative on the price outlook, forecasting surpluses through the second half of 2015.

Rather than trying to forecast the near-term price fluctuations, we focus on assessing what we believe is a long-term sustainable price using the information available. Our long-term assumption, using currently available information, is US\$85/bbl. The high price over the past few years has enabled oil companies to invest heavily in new projects using both operating cash flow and debt. Many of these projects are not feasible at lower prices and companies do not have the cash required to fund them. Despite the oil price only falling below US\$80/bbl in November, at least half the major companies have already announced spending cuts for 2015. Lower capital spending should lead to a tighter market and price recovery. At current levels, Sasol is discounting a long-term oil price well below US\$85/bbl. We think the company offers excellent value, especially in the context of a fully valued JSE.

The Fund's relatively low net share exposure of 58.2% is a function of the South African market and dual-listed Namibian shares offering few compelling value opportunities. Similarly, global markets have had an excellent five years and do not offer the value of a few years ago. In this environment we prefer low-risk fixed income investments and the Orbis Optimal SA funds to many JSE-listed equities. These liquid, low-risk assets put the Fund in a position to take advantage of opportunities as they present themselves.

Commentary by Andrew Lapping and Birte Schneider

Top 10 share holdings on 31 December 2014 (updated quarterly)

Holding	% of portfolio
British American Tobacco ⁵	5.6
FNB Namibia	5.0
Sasol	4.8
Standard Bank Namibia	4.1
SABMiller	3.4
Stimulus	3.1
Old Mutual Namibia	1.9
Remgro	1.8
Namibia Breweries	1.8
Vukile Property Namibia	1.8
Total	33.3

5. As at 31 December 2014, the investment portfolio includes a 5.6% exposure to British American Tobacco shares, the majority of which were received as part of a corporate unbundling in 2008. We are awaiting Bank of Namibia's final decision on this instrument's (South African or foreign) status. In the meantime, the BoN have extended the grace period for investors to rebalance their portfolios to fall in line with the applicable investment limits until 30 June 2016.

Asset allocation on 28 February 2015

Asset class	Total	Namibia ⁶	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net Equity	58.1	21.2	20.0	0.4	16.5
Hedged Equity	18.4	0.0	4.4	0.0	14.0
Property	3.8	3.1	0.0	0.0	0.6
Commodity - Linked	3.1	0.8	2.3	0.0	0.0
Bonds	10.2	9.7	0.0	0.5	0.0
Money Market and Cash	6.6	3.8	0.3	0.1	2.4
Total (%)	100.0	38.6	26.9	1.0	33.5

6. 10.4% invested in companies incorporated outside Namibia but listed on the NSX.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	31 Dec 2014
Cents per unit	576.3711

Note: There may be slight discrepancies in the totals due to rounding.

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Disclaimer

Allan Gray Namibia Unit Trust Management Company is an approved Management Company in terms of the Unit Trusts Control Act, 1981 amended. Incorporated and registered under the laws of Namibia and is supervised by Namibia Financial Institutions Supervisory Authority. The trustee and custodian is Standard Bank Namibia.

Unit price

Unit trust prices are calculated daily in arrears on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio divided by the number of units in issue.

Performance

Unit trusts are generally medium to long term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future.