

ALLAN GRAY NAMIBIA BALANCED STRATEGY | BCLASS

12 August 1999 to 31 January 2014: Allan Gray Namibia Investment Trust | From 1 February 2014: Allan Gray Namibia Balanced Fund

Fund manager: Duncan Artus **Strategy inception date:** 12 August 1999 **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

Minimum initial investment amount

Minimum initial investment amount	N\$5 000 000
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Annual management fee

Allan Gray charges a fee on the portion of the fund they manage, 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.*

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.*

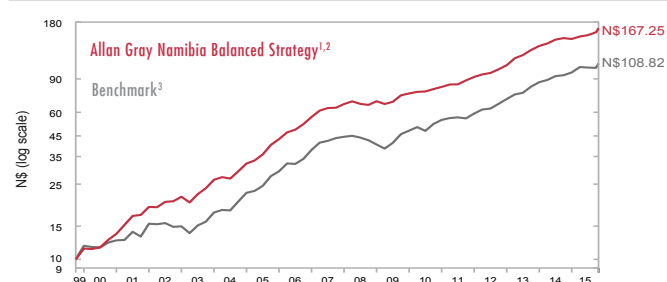
Minimum fee: 0.50% p.a.*

Fund information on 31 October 2015

Fund size	N\$3 314m
Price for Class B	N\$1 629.70
Number of share holdings	38

Performance (N\$) net of fees and expenses

Value of N\$10 invested at inception with all distributions reinvested



% Returns	Strategy ^{1,2}	Benchmark ³
Unannualised:		
Since inception	1 575.7	976.2
Annualised:		
Since inception	19.0	15.8
Latest 10 years	15.4	14.9
Latest 5 years	15.9	15.3
Latest 3 years	16.9	16.7
Latest 2 years	13.1	13.7
Latest 1 year	14.7	15.4
Year-to-date (unannualised)	14.1	11.7
Risk measures (since inception)		
Maximum drawdown ⁴	-7.2	-20.2

- On 1 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.
- 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.
- 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. From inception to 30 September 2014 the benchmark was the average Alexander Forbes Namibia Manager Watch Survey. Performance as calculated by Allan Gray as at 31 October 2015.
- 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.

*Management fees charged for the management of unit trust portfolios do not attract VAT.

Total expense ratio (TER)

The annual management fee charged is included in the TER. The TER is a measure of the actual expenses incurred by the Fund over a 12-month period. Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns.

TER breakdown for the year ending 30 September 2015	%
Fee for benchmark performance	1.12
Performance fees	-0.13
Other costs	0.16
Total expense ratio	1.15

Fund manager quarterly commentary as at 30 September 2015

The last decade witnessed an interesting development on the South African FTSE/JSE All Share Index (ALSI): in early May 2006, the ALSI was at 21 000. To the delight of many Namibian investors, the same index today is at 50 000.

A foreign investor, however, would be less delighted. Over the same 9½ years, the ALSI measured in US dollars has delivered much volatility, but zero by way of capital growth. Aside from dividends (which have averaged 2.8% per annum over this period), an investor looking at his principal in US dollars has seen no increase. A foreign investor in the NSX overall index would have fared even worse, with a -5% annual capital return in US dollars.

Since almost three-quarters of South African-listed companies' revenues and 50% of their primary listings (by market capitalisation) are offshore, it is important to reflect on the ALSI in hard currencies.

The reality for locally-based investors is that our principal growth has largely come from a weakening exchange rate.

An optimist hoping for a recovery after a decade of 'lean' returns should consider that the ALSI measured in US dollars was flat for a full 23 years between 1980 and 2003 before finally taking off.

Measured in US dollars, the aggregate profits of the 170 companies that make up the ALSI have not grown over the past 9½ years and are down 45% from their peak in early 2012. It is still not obvious that profit levels are low and, as such, we remain concerned about the high levels of valuation on the market.

Our allocation to cash, short-duration bonds and hedged equities therefore remains above what we would normally hold through a market cycle.

The Fund continues to maintain a full position in offshore assets. While it is hard to argue that the Namibian dollar – from the current levels of N\$14/US\$ or N\$21/GBP – is a one-way bet, our offshore assets provide diversity by being invested across a broad range of geographies and industries.

It is also worth remembering that not all of our offshore assets are US dollar, pound sterling or euro denominated. We are finding increasingly attractive opportunities among emerging markets, which over the past five years have underperformed developed markets substantially and are currently being dismissed as being 'too risky' by many investors. While the macro environment may deteriorate further, we are finding well-managed companies that can prosper in the long run at attractive valuations.

Commentary contributed by Birte Schneider and Simon Raubenheimer

Top 10 share holdings as at 30 September 2015 (updated quarterly)

Holdings	% of portfolio
FNB Namibia	7.3
British American Tobacco ⁵	6.1
Sasol	4.2
SABMiller	3.3
Stimulus	3.0
Standard Bank Namibia	2.6
Namibia Breweries	2.1
Old Mutual Namibia	2.0
Bidvest Namibia	2.0
Remgro	1.5
Total (%)	34.0

5. As at 30 September 2015, the investment portfolio includes a 6.1% 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 (BoN) 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 as at 31 October 2015

Asset class	Total	Namibia ⁶	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	59.5	21.7	19.9	0.4	17.5
Hedged equity	18.2	0.0	4.2	0.0	14.0
Property	3.4	2.6	0.0	0.0	0.8
Commodity - linked	5.2	3.0	2.2	0.0	0.0
Bonds	8.9	8.2	0.0	0.6	0.0
Money market and cash	4.7	2.0	0.3	0.1	2.3
Total (%)	100.0	37.6	26.7	1.1	34.6

6. 7.4% 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	30 Jun 2015
Cents per unit	576.3711	1848.1663

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

Notes for consideration

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.