ALLANGRAY

Allan Gray Namibia Investment Trust: 12 August 1999 to 31 January 2014
Allan Gray Namibia Balanced Fund: From 1 February 2014 **Fund manager:** Duncan Artus.
Strategy inception date: 12 August 1999 **Class inception date:** 1 October 2014

Allan Gray Namibia Balanced Strategy

30 November 2017

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 investment amounts

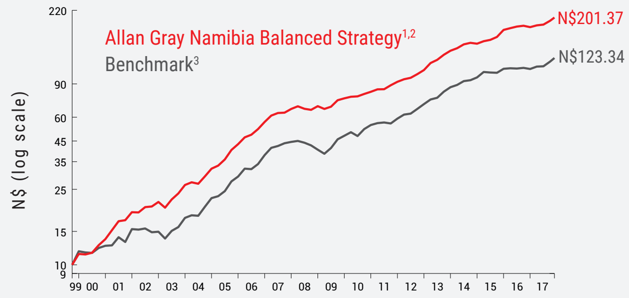
Minimum lump sum per investor account	N$20 000
Additional lump sum	N$500
Minimum debit order	N$500

Fund information on 30 November 2017

Fund size	N$3 503m
Price	N$1 889.43
Number of share holdings	35
Class	B

Performance (N$) net of fees and expenses

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



1. 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.
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. From inception to 30 September 2014 the benchmark was the average Alexander Forbes Namibia Manager Watch Survey. The return for October 2017 is an estimate. Performance as calculated by Allan Gray as at 31 October 2017.
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).

% Returns	Strategy[1,2]	Benchmark[3]
Cumulative:		
Since inception (12 August 1999)	1917.5	1119.8
Annualised:		
Since inception (12 August 1999)	17.9	14.7
Latest 10 years	11.7	10.7
Latest 5 years	13.7	12.1
Latest 3 years	11.3	8.5
Latest 2 years	9.7	6.6
Latest 1 year	12.0	14.7
Year-to-date (not annualised)	12.3	14.3
Risk measures (since inception)		
Maximum drawdown[4]	-7.2	-20.2

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 2016	30 Jun 2017
Cents per unit	1727.9446	1623.2607

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.*

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) and Transaction costs

The annual management fees charged by both Allan Gray and Orbis are included in the TER. The TER is a measure of actual expenses incurred by a fund over a 3-year period (annualised). Since Fund returns are quoted after deduction of these expenses, the TER should not be deducted from the published returns (refer to page 4 for further information). Transaction costs are disclosed separately.

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 September 2017	1yr %	3yr %
Total expense ratio	**1.64**	**1.62**
Fee for benchmark performance	1.14	1.14
Performance fees	0.45	0.43
Other costs excluding transaction costs	0.05	0.05
Transaction costs	**0.07**	**0.09**
Total investment charge	**1.71**	**1.71**

Top 10 share holdings as at 30 September 2017 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
FNB Namibia	5.4
Naspers	4.6
Sasol	4.4
British American Tobacco[5]	3.3
Namibia Breweries	3.1
Old Mutual Namibia	2.6
Standard Bank Namibia	2.5
Stimulus	2.5
Remgro	2.2
Oryx Properties	1.6
Total (%)	**32.2**

5. As at 30 September 2017, the investment portfolio includes a 3.3% 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 has extended the grace period for investors to rebalance their portfolios until 31 October 2018.

Asset allocation on 30 November 2017

Asset Class	Total	Namibia[6]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	57.7	18.6	22.7	1.5	15.0
Hedged equity	11.4	0.0	0.0	0.0	11.4
Property	4.1	3.0	0.0	0.0	1.1
Commodity-linked	5.0	3.0	1.5	0.0	0.6
Bonds	12.6	10.3	0.2	0.4	1.7
Money market and cash	9.2	7.6	0.0	0.4	1.2
Total (%)	**100.0**	**42.4**	**24.4**	**2.3**	**31.0**

6. 7.4% invested in companies incorporated outside Namibia but listed on the NSX.

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

Fund manager quarterly commentary as at 30 September 2017

The South African equity market had a strong quarter, significantly outperforming the NSX Local Index and breaking out to new highs despite all the negative news headlines. Many investors forget that the FTSE/JSE All Share Index (ALSI) has been range bound for around three years and the average stock performed even worse given the large positive contribution of Naspers and SABMiller over that period.

As we have previously noted, we have been finding increasing value in South African equities over the past 18 months as valuations have come back to more attractive levels. This has been driven by investor pessimism towards domestic-orientated JSE-listed stocks given the poor political and economic backdrop.

There is substance to the pessimism as the poorly managed, poorly performing South African economy has finally caught up with corporate earnings after years of defying gravity. This has provided opportunities: if companies have reported down earnings for cyclical reasons, prices may overreact on the downside; if companies have expanded offshore and overpaid for acquisitions, they may have underperformed.

As a result, we acquired domestically-orientated South African stocks during the quarter. However, the Fund still maintains a significant weighting to stocks listed on the JSE that have large offshore operations, such as British American Tobacco and Naspers, in addition to the 33% of the Fund invested directly offshore. We don't believe it is wise to invest solely on the basis of trying to predict what can be seen as an almost binary outcome in South African politics. Similarly, Namibia's economic and fiscal challenges can play out in various ways. Twenty-two percent of the Fund is invested in Namibian equities of which one-third is dual listed.

Remgro is a good example of a share that we are currently finding attractive. The share has underperformed as a result of its listed hospital subsidiary Mediclinic overpaying for Al Noor, a hospital group in Abu Dhabi (i.e. offshore expansion) and its exposure to the local economy through its stakes in companies such as FirstRand, Rand Merchant Insurance (RMI) and Unilever (i.e. cyclical earnings pressure).

We believe that Mediclinic is trading far closer to fair value following its significant underperformance. Many of the other companies in the Remgro portfolio, such as FirstRand, RMI, Distell and RCL foods, are listed. If we sum the market value of these listed subsidiaries and add our valuation for the unlisted companies, such as Unilever, we find that Remgro is trading at a historically high (18%) discount to its intrinsic value. In addition, we find the underlying holdings, FirstRand and RMI, attractive on a standalone basis.

From current levels, long-term investors in Remgro should benefit not only from growth in the intrinsic value of the underlying holdings, but also from a closing of the discount to its intrinsic value as pessimism subsides.

The Fund benefited from the strong absolute performance of Namibia Breweries and Naspers during the quarter. The latter rallied as a result of the significant increase in the share price of its Hong Kong-listed associate, Tencent. On the negative side, British American Tobacco detracted from performance after regulators in the US announced potential changes to regulations.

Commentary contributed by Birte Schneider & Duncan Artus

Management Company

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 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. Where annualised performance is mentioned, this refers to the average return per year over the period.

Redemptions

Allan Gray Namibia Unit Trust Management Company will repurchase any number of units offered to it on the basis of prices calculated in accordance with the requirements of the Unit Trusts Control Act 54 of 1981 and on the terms and conditions set forth in the trust deed.

Total expense ratio (TER) and Transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past three years. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit and trustee fees. Transaction costs (including brokerage, Securities Transfer Tax [STT], Share Transactions Totally Electronic [STRATE] and investor protection levies where applicable) are shown separately. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and Transaction costs should not be deducted again from published returns. As collective investment scheme expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and Transaction costs is shown as the Total investment charge.

Important information for investors

Need more information?
You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website **www.allangray.com.na** or call **061 221 103**.