

## 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

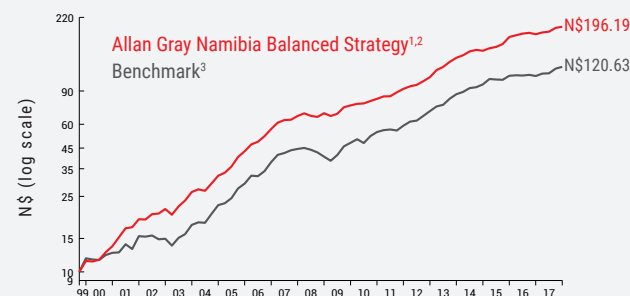
## Fund information on 31 December 2017

Fund size	N\$3 464m
Price	N\$1 840.88
Number of share holdings	29
Class	B

- 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. The return for December 2017 is an estimate. Performance as calculated by Allan Gray as at 31 December 2017.
- 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).

## Performance (N\$) net of fees and expenses

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



% Returns	Strategy <sup>1,2</sup>	Benchmark <sup>3</sup>
<b>Cumulative:</b>		
Since inception (12 August 1999)	1865.6	1093.0
<b>Annualised:</b>		
Since inception (12 August 1999)	17.6	14.5
Latest 10 years	11.4	10.5
Latest 5 years	13.0	11.4
Latest 3 years	10.2	7.4
Latest 2 years	6.4	5.6
Latest 1 year	9.5	11.8
Year-to-date (not annualised)	9.5	11.8
<b>Risk measures (since inception)</b>		
Maximum drawdown <sup>4</sup>	-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.	<b>30 Jun 2017</b>	<b>31 Dec 2017</b>
<b>Cents per unit</b>	<b>1623.2607</b>	<b>1671.5776</b>

### 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.

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

### Top 10 share holdings as at 31 December 2017 (CMA and Foreign) (updated quarterly)

<b>Holdings</b>	<b>% of portfolio</b>
Naspers	5.1
FNB Namibia	5.0
Sasol	4.7
Namibia Breweries	3.1
British American Tobacco <sup>5</sup>	2.9
Standard Bank Namibia	2.8
Old Mutual Namibia	2.6
Remgro	2.4
Stimulus	2.3
Oryx Properties	2.0
<b>Total (%)</b>	<b>32.9</b>

5. As at 31 December 2017, the investment portfolio includes a 2.9% 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 31 December 2017

<b>Asset Class</b>	<b>Total</b>	<b>Namibia<sup>6</sup></b>	<b>South Africa</b>	<b>Africa ex-SA and Namibia</b>	<b>Foreign ex-Africa</b>
Net equity	58.1	19.2	21.9	1.4	15.7
Hedged equity	10.9	0.0	0.0	0.0	10.9
Property	4.1	3.1	0.0	0.0	1.0
Commodity-linked	4.5	2.9	1.0	0.0	0.6
Bonds	12.7	10.6	0.0	0.4	1.7
Money market and cash	9.8	7.1	0.0	0.3	2.3
<b>Total (%)</b>	<b>100.0</b>	<b>42.9</b>	<b>22.9</b>	<b>2.1</b>	<b>32.1</b>

6. 7.9% invested in companies incorporated outside Namibia but listed on the NSX.

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

It has been an action-packed year on the market. Here are some things that stood out for us:

- Naspers, which is now 20% of the FTSE/JSE All Share Index (ALSI), started the year at N\$2 000 per share, traded all the way up to N\$4 000, and was equal to N\$3 451 as at end December 2017. Only two of the top hundred companies have beaten Naspers: Kumba and Exxaro.
- Steinhoff (which the fund did not have direct exposure to) started the year as a R300 billion company, and now has a smaller market cap than Italtile.
- The South African government's financial position continued to deteriorate, but sentiment towards South African firms turned positive when Cyril Ramaphosa was elected as head of the ANC. Barclays went from N\$150 to nearly N\$200 in the four days following the national conference.
- The Namibian dollar has strengthened by 7% against the dollar since January.
- The price of Bitcoin increased fourteen-fold.

We did not know in advance who would win the ANC election in South Africa. We do not have an edge in predicting this sort of thing, which is why we structure the portfolio for different outcomes. We also focus on buying undervalued shares, preferably shares under a cloud of negative sentiment and with lots of bad news priced in. This approach has worked well for us through numerous bubbles, crises,

and upheavals. It is why we owned shares like Standard Bank and Remgro, both of which benefitted from the change in sentiment after the ANC conference.

Locally, the much-awaited SWAPO conference was held in November 2017, in which Dr Hage Geingob was able to cement his position as the party president with a landslide victory. Some positive developments through the year have been the implementation of the Public Private Partnership Bill, which should see the public and private sectors work together in a number of planned developmental projects. The government has also indicated that it is looking to partially list some of the country's state owned enterprises, which could help grow the local stock exchange.

#### **Activity**

Strong returns from international markets, and outperformance by Orbis, contributed to the performance of the Fund in 2017.

In the fourth quarter, we bought Woolworths and Netcare, while we reduced our exposure to British American Tobacco and Standard Bank.

**Commentary contributed by Jacques Plaut and Duncan Artus**

### **Fund manager quarterly commentary as at 31 December 2017**

## 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](http://www.allangray.com.na) or call **061 221 103**.