

## 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

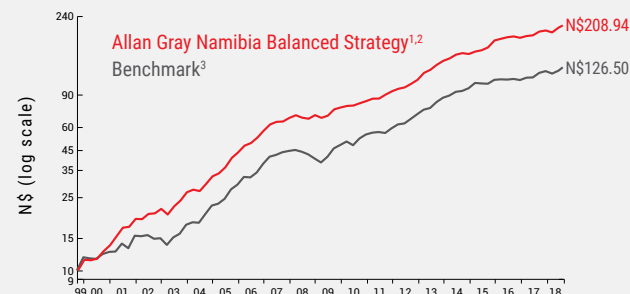
## Fund information on 31 August 2018

Fund size	N\$4 169m
Price	N\$1 923.73
Number of share holdings	33
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 August 2018 is an estimate. Performance as calculated by Allan Gray as at 31 August 2018.
- 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)	1993.3	1151.1
<b>Annualised:</b>		
Since inception (12 August 1999)	17.4	14.2
Latest 10 years	12.1	11.0
Latest 5 years	10.8	9.8
Latest 3 years	9.9	6.7
Latest 2 years	6.2	6.5
Latest 1 year	9.9	8.7
Year-to-date (not annualised)	6.5	4.9
<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>31 Dec 2017</b>	<b>30 Jun 2018</b>
<b>Cents per unit</b>	<b>1 671.5776</b>	<b>1 832.6527</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 one and three-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 June 2018</b>	<b>1yr %</b>	<b>3yr %</b>
<b>Total expense ratio</b>	<b>1.52</b>	<b>1.54</b>
Fee for benchmark performance	1.14	1.13
Performance fees	0.34	0.37
Other costs excluding transaction costs	0.04	0.04
<b>Transaction costs</b>	<b>0.10</b>	<b>0.10</b>
<b>Total investment charge</b>	<b>1.62</b>	<b>1.64</b>

## Top 10 share holdings as at 30 June 2018 (CMA and Foreign) (updated quarterly)

<b>Holdings</b>	<b>% of portfolio</b>
Naspers	5.3
Sasol	5.1
FNB Namibia	4.4
British American Tobacco <sup>5</sup>	4.0
Namibia Breweries	3.0
Stimulus	2.2
Remgro	2.2
Oryx Properties	2.1
Standard Bank Namibia	1.9
Old Mutual Namibia	1.8
<b>Total (%)</b>	<b>31.8</b>

5. As at 30 June 2018, the investment portfolio includes a 4.0% 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 August 2018

<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	58.2	15.4	23.3	1.5	17.9
Hedged equity	7.5	0.0	0.0	0.0	7.5
Property	3.5	2.8	0.0	0.0	0.7
Commodity-linked	4.0	2.7	0.6	0.0	0.8
Bonds	14.9	10.6	0.0	0.6	3.7
Money market and cash	11.9	9.3	0.0	0.5	2.1
<b>Total (%)</b>	<b>100.0</b>	<b>40.7</b>	<b>23.9</b>	<b>2.6</b>	<b>32.8</b>

6. 8.4% invested in companies incorporated outside Namibia but listed on the NSX.

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

During the second quarter 'Ramaphoria' reversed with South African and consequently local bonds falling and many 'South Africa Inc.' companies (banks, insurers, retailers and industrial companies) selling down lower than at the start of the year. As an example, the FTSE/JSE General Retailers Index increased by 50% in US dollar terms from the start of December 2017, only to end back to its starting point in June. The Balanced Fund gained during the quarter as only 36% of the Fund is exposed to purely local and South African risk assets (10% local bonds and 26% in purely regional non-commodity companies) and the offshore assets benefited from the Namibian dollar weakening 16%. In addition, the low duration of interest-bearing assets in the Fund mitigated the impact of increasing bond yields.

As an investor you might think fund managers are good at anticipating such rapid changes in sentiment. Unfortunately, like most, we have no method of reliably predicting sudden changes in sentiment. The good news is that we have found that relentlessly focusing on whether the long run prospects of assets are priced in by the market can also lead to satisfactory outcomes.

The Fund's most significant buy during the quarter was British American Tobacco (BAT). The Fund's holding in BAT peaked in November 2015 at 6.4% of the Fund, after which we decreased exposure with the share pricing in favourable tobacco economics at a high teens PE ratio. The current holding of 4.0% of the Fund is higher than it was at the start of the year (2.9%) but is still substantially below peak levels. Interestingly, the pound share price is flat since November 2015, despite the company growing its earnings by 36% as the stock market is pricing in a substantial probability of the tobacco industry being disrupted by products with reduced health risks, such as electronic cigarettes.

Being ignorant to disruption is a proven way to fail but BAT has invested in a wide range of products including vapour, tobacco-heating and hybrid products that have gained traction across Europe and Japan, in many cases achieving higher market share than in their traditional products. BAT seems well positioned to potentially benefit from the trend to safer nicotine consumption, and is arguably more sustainable in the long run. The US market has seen competition rise from independent companies like JUUL, which has reached 4% market share in a short time. But all is not lost. BAT's premium brands have continued to do well despite JUUL gaining significant traction and BAT's reduced risk portfolio is still in the approval process (BAT's acquisition of its US associate Reynolds closed in July last year).

The Fund also purchased Remgro during the quarter. Remgro's basket of local shares sold down and the holding company discount exceeded 20% during the quarter creating an attractive opportunity for long-term investors.

Our largest sale was the repatriation of offshore funds after the weakening of the Namibian dollar.

We continue to monitor the extent to which long-run prospects are priced into assets and will adjust the portfolio accordingly.

**Commentary contributed by Ruan Stander and Birte Schneider**

**Fund manager quarterly  
commentary as at  
30 June 2018**

## 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 one and three-year periods. 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.