

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

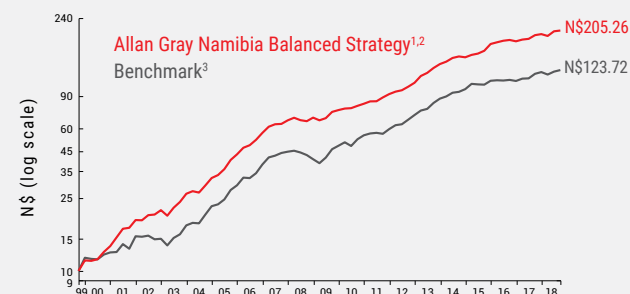
Fund information on 30 September 2018

Fund size	N\$4 125m
Price	N\$1 889.81
Number of share holdings	30
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 September 2018 is an estimate. Performance as calculated by Allan Gray as at 30 September 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 ^{1,2}	Benchmark ³
Cumulative:		
Since inception (12 August 1999)	1956.5	1123.6
Annualised:		
Since inception (12 August 1999)	17.2	14.0
Latest 10 years	12.1	11.2
Latest 5 years	9.9	8.6
Latest 3 years	8.9	6.3
Latest 2 years	6.1	6.4
Latest 1 year	6.0	4.8
Year-to-date (not annualised)	4.6	2.6
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 2017	30 Jun 2018
Cents per unit	1 671.5776	1 832.6527

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.

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 June 2018	1yr %	3yr %
Total expense ratio	1.52	1.54
Fee for benchmark performance	1.14	1.13
Performance fees	0.34	0.37
Other costs excluding transaction costs	0.04	0.04
Transaction costs	0.10	0.10
Total investment charge	1.62	1.64

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

Holdings	% of portfolio
Sasol	4.9
Naspers	4.5
FNB Namibia	3.9
British American Tobacco ⁵	3.6
Namibia Breweries	2.8
Stimulus	2.0
Remgro	1.9
Oryx Properties	1.9
Old Mutual Namibia	1.8
Standard Bank Namibia	1.7
Total (%)	29.0

5. As at 30 September 2018, the investment portfolio includes a 3.6% exposure to British American Tobacco (BAT) shares, the majority of which were received as part of a corporate unbundling in 2008. Bank of Namibia (BoN) has renewed the extension to grant BAT shares South African asset status until 30 October 2020.

Asset allocation on 30 September 2018

Asset Class	Total	Namibia⁶	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	59.0	15.2	21.6	1.4	20.9
Hedged equity	5.3	0.0	0.0	0.0	5.3
Property	3.3	2.8	0.0	0.0	0.6
Commodity-linked	4.1	2.8	0.5	0.0	0.8
Bonds	15.3	11.0	0.0	0.6	3.7
Money market and cash	13.0	12.0	0.0	0.4	0.5
Total (%)	100.0	43.7	22.1	2.5	31.7

6. 5.4% invested in companies incorporated outside Namibia but listed on the NSX.

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

Emerging market equity and currency markets had a very volatile quarter. Vulnerabilities, both economic and political, are being exposed as global financial conditions tighten. The MSCI Emerging Market Index is now 22% off its peak and the FTSE/JSE All Share Index fell 6% over the quarter when measured in US dollars. This has impacted both South African and the offshore equities in the Fund. The NSX Local Index was relatively immune to global markets and remained flat over the quarter.

Investors are currently focused on the risks as opposed to the upside in emerging markets – this is understandable. As contrarians, we are looking for opportunities where we believe intrinsic value has not been impaired to the same extent as the price has fallen.

Investors in emerging markets have to balance the upside of above-average long-term potential growth and lower levels of competition with the risks of less developed and market-friendly government institutions and regulators.

Three shares have recently been affected by regulation, causing investors to question the value of some of their business units operating in emerging and frontier economies:

Naspers had a volatile quarter impacted by negative sentiment towards emerging markets and potential changes in regulation in China, which could affect Chinese technology company Tencent (Naspers holds 31% of the company). Tencent's gaming business, which generates a significant portion of its profit, suffered from a delay in official approval to monetise new games. The government also issued statements implying that many Chinese, in particular youth, may be spending too much time gaming. While the process still needs to be completed, and indeed may even be positive for Tencent, we believe the implied valuation for Tencent when bought through Naspers is attractive. Naspers remains the Fund's second-largest position.

MTN announced claims by the Nigerian government of wrongdoing involving the repatriation of cash from Nigeria as well as underpayment of tax. While MTN denies the allegations, and the amounts appear unbelievably large (approximately US\$10bn), it is difficult to fight a government (especially one short of US dollars) which ultimately controls your licence to operate in their country. The value of the Nigerian business has long been a concern of ours, but with the change in price, we are taking a closer look.

Glencore's share price has also fallen due to regulatory issues involving its copper operations in the Democratic Republic of Congo. In addition to having to negotiate with the South African mining regulator, Glencore faces a potential fine from the US Department of Justice for dealing with a person on their sanctions list. Taking the above into account, we believe the share price has fallen more than the intrinsic value. We like the profile of Glencore's commodity basket and while it does operate in riskier jurisdictions, the discount relative to the other major diversified miners is large. Glencore has been one of the Fund's largest purchases.

Investors in emerging and frontier markets have been reminded 1) Of the associated risks that come with the upside and 2) That this is particularly the case in countries with unbalanced economies (think Turkey). Dislocations will invariably present opportunities to long-term investors who are willing to do the work. It is also a timely reminder that South Africa must get its house in order to reduce our vulnerability in a world with tighter financial conditions.

Locally, regulation is also having a significant impact on how we are able to deploy our clients' capital. The long-awaited promulgation of the new asset class restrictions for non-discretionary assets occurred in early September, in particular the requirement to have a local asset allocation of 40% by 31 August 2018 and 45% by 31 March 2019. Over the past 24 months, we adopted a prudent approach to this impending requirement and as a result our portfolios were well positioned to comply upon release of the legislative requirements.

Commentary contributed by Birte Schneider and Duncan Artus

**Fund manager quarterly
commentary as at
30 September 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 or call 061 221 103.