

## 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    |

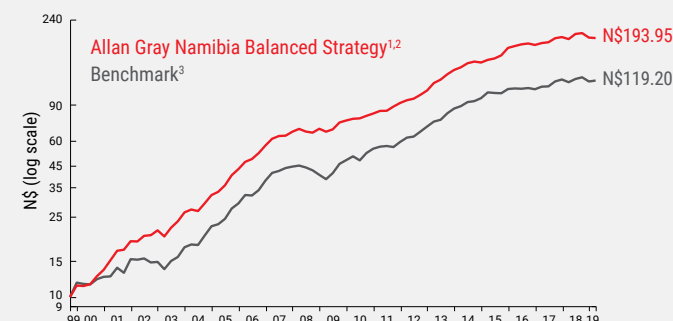
## Fund information on 31 January 2019

|                          |             |
|--------------------------|-------------|
| Fund size                | N\$3 907m   |
| Price                    | N\$1 760.74 |
| Number of share holdings | 31          |
| Class                    | B           |

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 January 2019 is an estimate. Performance as calculated by Allan Gray as at 31 January 2019.
4. Maximum percentage decline over any period. The maximum drawdown occurred from August 2018 to November 2018 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)       | 1843.2                  | 1078.9                 |
| <b>Annualised:</b>                     |                         |                        |
| Since inception (12 August 1999)       | 16.5                    | 13.5                   |
| Latest 10 years                        | 10.8                    | 11.6                   |
| Latest 5 years                         | 7.3                     | 6.7                    |
| Latest 3 years                         | 3.9                     | 4.2                    |
| Latest 2 years                         | 3.5                     | 4.3                    |
| Latest 1 year                          | -1.5                    | -1.6                   |
| Year-to-date (not annualised)          | -0.6                    | 1.1                    |
| <b>Risk measures (since inception)</b> |                         |                        |
| Maximum drawdown <sup>4</sup>          | -7.8                    | -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 2018</b> | <b>31 Dec 2018</b> |
| <b>Cents per unit</b>   | <b>1832.6527</b>   | <b>2503.2373</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 31 December 2018</b> | <b>1yr %</b> | <b>3yr %</b> |
|--|--------------|--------------|
| <b>Total expense ratio</b>   | <b>1.35</b>  | <b>1.49</b>  |
| Fee for benchmark performance  | 1.15         | 1.13         |
| Performance fees   | 0.16         | 0.32         |
| Other costs excluding transaction costs  | 0.04         | 0.04         |
| <b>Transaction costs</b>   | <b>0.08</b>  | <b>0.09</b>  |
| <b>Total investment charge</b>   | <b>1.43</b>  | <b>1.58</b>  |

## Top 10 share holdings as at 31 December 2018 (CMA and Foreign) (updated quarterly)

| <b>Holdings</b>                       | <b>% of portfolio</b> |
|---------------------------------------|-----------------------|
| Naspers                               | 4.5                   |
| FNB Namibia                           | 4.1                   |
| Sasol                                 | 4.0                   |
| Namibia Breweries                     | 3.0                   |
| British American Tobacco <sup>5</sup> | 2.7                   |
| Stimulus                              | 2.1                   |
| Remgro                                | 2.0                   |
| Oryx Properties                       | 2.0                   |
| Standard Bank Namibia                 | 1.9                   |
| Old Mutual Namibia                    | 1.4                   |
| <b>Total (%)</b>                      | <b>27.6</b>           |

5. As at 31 December 2018, the investment portfolio includes a 2.7% 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 31 January 2019

| <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            | 61.3         | 16.7                       | 20.1                | 1.3                             | 23.3                     |
| Hedged equity         | 4.3          | 0.0                        | 0.0                 | 0.0                             | 4.3                      |
| Property              | 3.5          | 3.0                        | 0.0                 | 0.0                             | 0.5                      |
| Commodity-linked      | 4.5          | 3.1                        | 0.6                 | 0.0                             | 0.9                      |
| Bonds                 | 16.0         | 12.1                       | 0.0                 | 0.7                             | 3.2                      |
| Money market and cash | 10.3         | 9.2                        | 0.0                 | 0.4                             | 0.7                      |
| <b>Total (%)</b>      | <b>100.0</b> | <b>44.1</b>                | <b>20.7</b>         | <b>2.4</b>                      | <b>32.8</b>              |

6. 6.1% invested in companies incorporated outside Namibia but listed on the NSX.

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

It was another eventful year on the market. The FTSE/JSE All Share Index (ALSI) returned -9%, making it one of the worst years since 1975. What made 2018 unique, though, is that nothing did well. The local indices fared slightly better than the ALSI with the NSX Local Index up 7% and the NSX Overall Index up 4%. South African bonds and cash gave mediocre returns, and property did even worse than equities. Namibian bonds returned low teens. Contrast this with 2008 (the worst year for stocks on record), when the ALSI was down 23%, but South African bonds gave you 17% and gold gave you 45%. The average return across the four major South African asset classes – equities, bonds, cash, and property – has never been worse than in 2018, at least according to our records, which go back to 1976.

Internationally, the picture is similar. No asset class delivered good returns in 2018. More than half the shares in the S&P500 have fallen 20%, or more, from their peak. Some other emerging markets have done much worse than South Africa: shares in Turkey are down 43%, and shares in Argentina are down 50% (both measured in US dollars).

Here are some things that stood out for us in 2018:

- The rand and the Namibian dollar weakened by 16% against the US dollar. Investors seem to have lost confidence in South Africa's turnaround story. Eskom is proving difficult to fix, and public finances more broadly still look tenuous.
- Companies with lots of debt have been punished by the market. These include Aspen, Mediclinic, Intu, MTN, AB InBev, and British American Tobacco – the last being one of our top 10 holdings.
- The South African property sector had its worst year ever.

- Investors became increasingly jittery about accounting fraud. At various times during the year Aspen, Resilient, Nepi, and Capitec were in focus. There has been little progress in the Steinhoff case (to which the Fund has no exposure), but the fraud does seem to have been worse than we feared.
- British American Tobacco, MTN, and Glencore all faced regulatory problems.
- Commodity producers have done well, especially Angloplats.
- The price of bitcoin is down 73%.

The return of the Allan Gray Namibia Balanced Fund was -0.6% for the year. If we could have foreseen what markets would do in 2018, we would have had lower equity exposure, or put everything in Angloplats. But, of course, no-one knows in advance how markets will do. We are confident that having a sizeable proportion of your money in cheap shares is a good idea. We don't know what the market will do in 2019, but we do know that the shares in the portfolio – Naspers, FNB Namibia, Sasol, British American Tobacco, et cetera – are currently trading at attractive valuations, which is normally a good sign for long-term returns.

The performance of the Fund was helped by being underweight MTN and by being overweight Namibia Breweries and Sasol. Performance would have been better if we had owned less British American Tobacco, and more BHP and Anglos. In aggregate, the South African and local shares in the fund outperformed the ALSI. The weak Namibian dollar boosted foreign returns, but these were offset by Orbis underperformance.

As we reported last quarter, amendments to pension fund regulation were promulgated during the year, which require a higher investment in Namibian assets.

**Commentary contributed by Jacques Plaut and Birte Schneider**

**Fund manager quarterly  
commentary as at  
31 December 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**.