

## 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

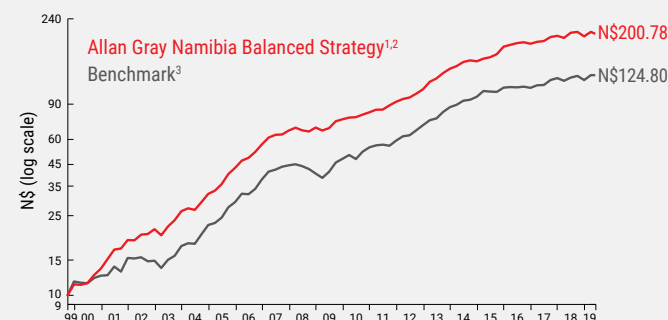
## Fund information on 31 May 2019

Fund size	N\$4 025m
Price	N\$1 822.68
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 May 2019 is an estimate. Performance as calculated by Allan Gray as at 31 May 2019.
- 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)	1911.6	1134.3
<b>Annualised:</b>		
Since inception (12 August 1999)	16.4	13.6
Latest 10 years	11.2	11.7
Latest 5 years	7.0	6.4
Latest 3 years	2.5	3.4
Latest 2 years	3.8	5.0
Latest 1 year	2.6	5.3
Year-to-date (not annualised)	2.9	5.8
<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.	30 Jun 2018	31 Dec 2018
<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.

## Top 10 share holdings as at 31 March 2019 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Naspers	4.5
FNB Namibia	3.6
British American Tobacco <sup>5</sup>	3.1
Sasol	3.0
Namibia Breweries	2.9
Oryx Properties	2.3
Stimulus	2.0
Standard Bank Namibia	1.9
Remgro	1.8
Old Mutual Namibia	1.3
<b>Total (%)</b>	<b>26.6</b>

5. As at 31 March 2019, the investment portfolio includes a 3.1% 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 May 2019

Asset Class	Total	Namibia <sup>6</sup>	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	57.8	15.9	17.1	1.4	23.4
Hedged equity	4.2	0.0	0.0	0.0	4.2
Property	3.7	3.3	0.0	0.0	0.4
Commodity-linked	4.5	3.0	0.5	0.0	0.9
Bonds	15.6	11.8	0.0	0.7	3.1
Money market and cash	14.2	13.1	0.0	0.5	0.6
<b>Total (%)</b>	<b>100.0</b>	<b>47.1</b>	<b>17.6</b>	<b>2.6</b>	<b>32.7</b>

## Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 March 2019	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.30</b>	<b>1.49</b>
Fee for benchmark performance	1.15	1.14
Performance fees	0.11	0.31
Other costs excluding transaction costs	0.04	0.04
<b>Transaction costs</b>	<b>0.06</b>	<b>0.08</b>
<b>Total investment charge</b>	<b>1.36</b>	<b>1.57</b>

6. 6.0% invested in companies incorporated outside Namibia but listed on the NSX.

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

The poor sentiment towards equity markets at the end of 2018 reversed sharply in the first quarter of 2019, with the JSE appreciating 8% and the MSCI World Index 12%. The 67% share exposure (equity plus property) allowed the Fund to benefit from these equity market movements. The Namibian Stock Exchange Local Index only returned 2%. About 20% of share exposure is invested in purely Namibian equities.

Retirement fund regulation limits the Balanced Fund's equity exposure to a maximum of 75%. The Fund's current exposure indicates where we see the risk/return profile of equities currently: a moderately favourable balance.

In South Africa, relatively weak returns from equities over the past four years have allowed many companies to grow into their valuations. The median price-to-earnings (PE) multiple of the top 100 companies has fallen from 17.0 in 2015 to 13.6 today. This is a rough indication of an improved opportunity set and aligns with our bottom-up research where we are finding more companies trading at or below our estimates of fair value. Broadly, we think the JSE is trading at about fair value. This suggests that investors can reasonably expect returns over the next five years of about 4% above inflation – not a dripping roast, but a good opportunity for those with a long-term horizon. We look to add to the underlying market return through careful stock selection and alpha generation.

The year-to-date move in the JSE was a story of very distinct parts: The resources sector appreciated 18%, driven by Anglo American, BHP Billiton and the platinum sector. On the other hand, the weak economy and deteriorating sentiment towards South Africa caused the retail sector to fall 14%. In between, the banks registered marginal declines. We are currently focusing the bulk of our South African research efforts on the cyclical sector. To date, valuations are not yet exceptional, given the risks. In a similar vein, the South African property sector has had a difficult 18 months, returning a negative 18% from its peak. Despite the lower valuations, we remain cautious, as the excesses of a 20-year bull market are not undone in a year.

Unfortunately, we held no Anglo American nor BHP Billiton, missing the stellar returns of the past year. Iron ore accounts for the bulk of these two companies' earnings, a commodity we have been wrongly cautious about for some time.

Brazilian miner Vale's recent tailings dam failure has driven the iron ore price higher still, as it has been forced to cut production by approximately 40 million tonnes. We reassess our positions constantly, but based on our long-term commodity price assumptions, we do not currently find value in Anglo or BHP. Glencore, a diversified mining company, is the second largest resource holding for the Fund. However, given Glencore's nil exposure to iron ore, it has been a relative underperformer in the mining sector.

Revised retirement fund regulation required a minimum investment of 45% in local assets by the end of March 2019. During the quarter we sold South African equities and bought Namibian fixed income to align the Fund accordingly. We adopted a prudent approach to this impending regulatory requirement, having transitioned the portfolio over the last 36 months, well in advance of the official promulgation last year. This limited the size of the reallocation required during the quarter, thereby also avoiding the forced sale and purchase of assets that can destroy value. To counter the rising fixed income tilt in our Namibian and South African investments, we increased the offshore net equity exposure during the quarter.

Orbis has had a difficult start to 2019 with its funds generally lagging the sharp recovery in international markets. Almost 60% of the Fund's international exposure is invested in the Orbis Global Balanced Fund, while the remainder is primarily in a mix of the Orbis Equity and Optimal Funds. The Orbis funds are generally underweight the US equity market, which has detracted from the relative performance. The US market has been the predominant driver of the global equity returns over the past 10 years and valuations are looking stretched. Historically, if you invested in the US market at these valuations, you lost money over a five-year time horizon. This is confirmed by Orbis' bottom-up research.

When managing the Allan Gray Namibia Balanced Fund, we constantly search for undervalued assets and strive to avoid overvalued assets. The nervousness around South Africa could grant us the opportunity to buy some very undervalued assets. We are working to assess these opportunities.

Commentary contributed by Andrew Lapping and Birte Schneider

**Fund manager quarterly  
commentary as at  
31 March 2019**

## 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**.