

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 the investment limits governing retirement funds. 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

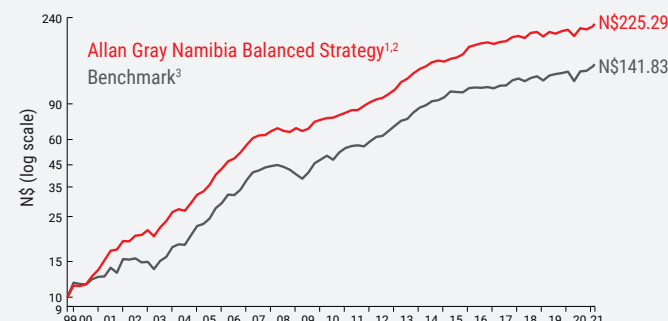
Fund information on 31 January 2021

Fund size	N\$3 676m
Price	N\$1 927.45
Number of share holdings	40
Class	B

- On 1 February 2014 all the assets and unitholder 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. Performance as calculated by Allan Gray as at 31 January 2021.
- Maximum percentage decline over any period. The maximum drawdown occurred from 31 January 2020 to 31 March 2020 and maximum benchmark drawdown occurred from 31 May 2008 to 28 February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- The standard deviation of the Fund's monthly return. This is a measure of how much an investment's return varies from its average over time.
- These are the highest or lowest consecutive 12-month returns since inception. This is a measure of how much the Fund and the benchmark returns have varied per rolling 12-month period. The Fund's highest annual return occurred during the 12 months ended 31 May 2001 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 30 April 2009 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

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)	2157.2	1302.7
Annualised:		
Since inception (12 August 1999)	15.7	13.1
Latest 10 years	10.4	9.9
Latest 5 years	5.4	6.1
Latest 3 years	4.6	5.4
Latest 2 years	7.8	9.1
Latest 1 year	5.1	7.3
Year-to-date (not annualised)	3.0	2.6
Risk measures (since inception)		
Maximum drawdown ⁴	-8.5	-20.2
Percentage positive months ⁵	72.0	61.9
Annualised monthly volatility ⁶	8.5	10.5
Highest annual return ⁷	47.4	45.6
Lowest annual return ⁷	-5.2	-19.2

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 2020	31 Dec 2020
Cents per unit	3224.3454	2314.2477

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 December 2020 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Naspers ⁸	7.1
British American Tobacco	5.1
FirstRand Namibia	2.5
Stimulus	2.4
Namibia Breweries	2.4
Glencore	2.4
Oryx Properties	1.8
Taiwan Semiconductor Mfg.	1.7
NetEase	1.6
Old Mutual	1.3
Total (%)	28.3

8. Including stub certificates and Prosus NV.

Asset allocation on 31 January 2021

Asset Class	Total	Namibia ^{9,10}	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	60.9	13.8	20.1	1.3	25.8
Hedged equity	4.3	0.0	0.0	0.0	4.3
Property	2.0	1.9	0.0	0.0	0.1
Commodity-linked	5.9	4.7	0.0	0.0	1.2
Bonds	19.9	17.2	0.0	0.9	1.9
Money market and cash	7.0	5.9	0.0	0.3	0.9
Total (%)	100.0	43.3	20.1	2.4	34.2

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 30 December 2020	1yr %	3yr %
Total expense ratio	0.79	1.08
Fee for benchmark performance	1.05	1.12
Performance fees	-0.31	-0.09
Other costs excluding transaction costs	0.05	0.05
Transaction costs	0.08	0.07
Total investment charge	0.87	1.15

9. 5.5% invested in companies incorporated outside Namibia but listed on the NSX.

10. The exposure below the limit was caused by market value movements.

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

Equities had a strong fourth quarter which, despite Namibian dollar strength, translated into the Fund returning 3.5% for the period. This pulled the one- and three-year returns into inflation-beating territory.

Pleasingly, the rally was broad based, with many of the shares outside of the mega caps staging strong recoveries, as many reported financial results that proved to be less bad than what was discounted into their share prices. This, combined with an underweight position in many of these shares by the average fund, led to some large moves in individual shares, as we saw a partial rotation from the winners.

Unfortunately, primary-listed Namibian equities were an exception to this broad-based rally. The NSX Local Index had another negative quarter, resulting in a -22.2% return for 2020 compared to the FTSE/JSE All Share Index at 7%. At the start of the year, we had 12.4% of Fund in these equities and they were our biggest detractors in 2020.

Naspers, the largest position in the Fund, consolidated its strong performance year to date, as regulators in China announced investigations into certain perceived monopolistic practices in the Chinese internet and ecommerce market. Countering this was the continued strength in the iron price which, in our view, is trading at elevated levels. This has benefited BHP and Anglo American. We continue to prefer Glencore, which we believe will gain from commodity prices – other than iron ore – strengthening.

Low short-term interest rates continue to make it unrewarding to hold significant amounts of cash and, with the steep yield curve, we have allocated more of the fixed income to bonds with longer duration. This comes with greater risk. While

attractive for investors, the Namibian and South African high real government bond yields result in a very high cost of capital for local corporates in these economies with no growth. This needs to change if we are going to see a sustained increase in the value of Nam and SA Inc companies in the Fund.

As an example of the opportunities we are finding, the Fund owns several holding companies that are trading at historically large discounts to their underlying investments. These include Naspers, Remgro and Reinet. We will provide more detail on this opportunity in our Q4 Quarterly Commentary, which will be available towards the end of January.

The offshore portion of the Fund had a strong quarter, benefiting from the beginning of a rotation into value shares from the large growth shares that have dominated the index. We continue to believe that global sovereign bonds are overvalued and prefer exposure to gold and hedged equities. The unprecedented fiscal and monetary response to COVID-19 has propped up spending in many large developing economies, making it hard to judge the true level of economic activity underpinning companies' bottom lines. At some stage, the bill is going to come due, which may result in inflation and/or large losses in the bond market.

While risk levels remain high, and experts seemingly continue to disagree on the best way forward in combating the virus, the Fund owns a portfolio of attractive Southern African shares, many of which remain depressed when measured in dollars. Cheap multinationals, such as British American Tobacco and Naspers, alongside the offshore holdings, provide diversification from Southern Africa specific risk.

Commentary contributed by Duncan Artus and Birte Schneider

**Fund manager quarterly
commentary as at
31 December 2020**

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 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 (TIC).

FTSE/JSE All Share Index

The FTSE/JSE All Share Index is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

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