

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

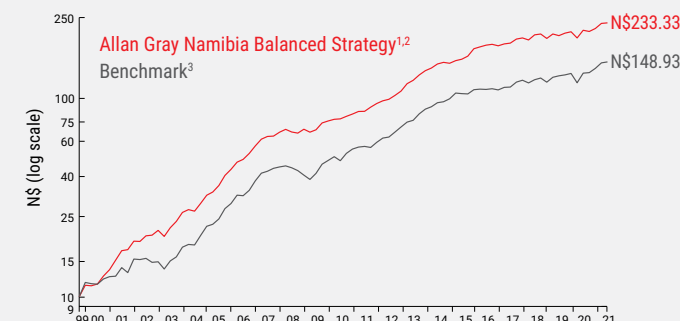
Fund information on 30 June 2021

Fund size	N\$3 494m
Price	N\$1 996.31
Number of share holdings	39
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 30 June 2021.
- Maximum percentage decline over any period calculated from monthly returns. 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)	2237.7	1372.9
Annualised:		
Since inception (12 August 1999)	15.5	13.1
Latest 10 years	10.7	10.2
Latest 5 years	5.3	6.5
Latest 3 years	4.7	7.1
Latest 2 years	7.6	8.3
Latest 1 year	8.9	13.8
Year-to-date (not annualised)	6.7	7.7
Risk measures (since inception)		
Maximum drawdown ⁴	-8.5	-20.2
Percentage positive months ⁵	71.8	62.2
Annualised monthly volatility ⁶	8.4	10.4
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.	31 Dec 2020	30 Jun 2021
Cents per unit	2314.2477	2301.8991

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 30 June 2021 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Naspers ⁸	6.4
British American Tobacco	4.7
Glencore	3.0
FirstRand Namibia	2.9
Stimulus	2.5
Namibia Breweries	2.2
NetEase	1.6
Taiwan Semiconductor Mfg.	1.4
Oryx Properties	1.4
Old Mutual	1.4
Total (%)	27.5

8. Includes holding in Prosus NV if applicable.

9. 6.3% 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.

Asset allocation on 30 June 2021

Asset Class	Total	Namibia ^{9,10}	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	61.0	15.1	19.6	1.2	25.1
Hedged equity	4.1	0.0	0.0	0.0	4.1
Property	2.2	1.8	0.0	0.0	0.4
Commodity-linked	4.6	3.6	0.0	0.0	1.0
Bonds	21.0	18.3	0.0	0.8	1.8
Money market and bank deposits	7.1	5.8	0.0	0.3	1.1
Total (%)	100.0	44.5	19.7	2.3	33.5

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 March 2021	1yr %	3yr %
Total expense ratio	0.69	1.02
Fee for benchmark performance	1.02	1.11
Performance fees	-0.37	-0.14
Other costs excluding transaction costs	0.04	0.05
Transaction costs	0.09	0.07
Total investment charge	0.78	1.09

The Fund returned 0.6% for the quarter. The South African equity market traded sideways, following a very strong Q4 (10%) and Q1 (13%). Primary-listed Namibian equities remain depressed. Fixed income has contributed to returns, while the foreign portion of the Fund marginally detracted from returns, given the strength of the rand.

Despite the recent sell-off, rand and Namibian dollar strength has surprised many people. Compared to the US dollar, the local currency has strengthened 3% since the start of 2021 and 25% since its weakest point in 2020. These moves are partly due to US dollar weakness, but the rand has also been one of the best-performing emerging market currencies over the past year. It may seem hard to reconcile the strength of the local currency with the very real economic problems SA and Namibia are facing, such as low economic growth and a high debt burden. Two specific contributors to its strength have been strong SA exports and foreign capital returning to South Africa. Exports have been boosted by significantly higher prices across most commodities, resulting in large trade surpluses for our neighbour. Foreign capital has gradually been returning as SA shares and bonds were simply too cheap last year.

A useful maxim in investing is that at a low enough price, almost any asset can be a good investment, and at a high enough price, any asset can be a poor investment. The former was true for most South African shares last year. The FTSE/JSE All Share Index (ALSI) has now appreciated by 52% in US dollars over the last 12 months. Many South Africa-focused businesses have been very good investments over the past year, despite facing a tough economic outlook. Share prices of these businesses were depressed following the initial COVID-19 market turmoil and were in many cases discounting a worst-case scenario.

A good example would be South African banks. For most of the last year, share prices of SA banks have implied expected credit losses much worse than the 2008-2009 recession – an unlikely outcome, in our view. The SA banks index is up 48% over the last year, but still lower than before the pandemic. Banks remain a significant holding in the Fund. For local banks, like FirstRand Namibia, the recovery has been more muted. Namibian banks still trade at levels lower than a year ago and much lower than at the start of 2020.

The ALSI is now significantly higher than it was before the pandemic – 21% up from the start of 2020. Is this not a sign that it is time to reduce Southern African equity exposure? Not necessarily. Our bottom-up stockpicking is still finding many attractively priced opportunities. It is important to remember that the strength of the ALSI has largely been driven by mining companies, benefiting from high commodity prices, and some large dual-listed industrials, such as Richemont. This has masked the relative weakness of other areas of the market. In addition, the NSX Local index is still down more than 22% over the same period.

The Fund's holding of government bonds is higher than it has been in recent years, taking advantage of the steep yield curve. However, the fixed income portion remains conservatively managed with low duration.

Commentary contributed by Tim Acker and Birte Schneider

Fund manager quarterly commentary as at 30 June 2021

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Management Company

Allan Gray Namibia Unit Trust Management Company is an approved management company in terms of the Unit Trusts Control Act 54 of 1981 as amended, and is incorporated and registered under the laws of Namibia and supervised by the Namibia Financial Institutions Supervisory Authority (NAMFISA). 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 future performance. 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 as amended 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, Share Transactions Totally Electronic (STRATE) and investor protection levies where applicable) are shown separately. Transaction costs are necessary costs in administering the Fund and impact 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 financial product, 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 unit trust 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

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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