

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

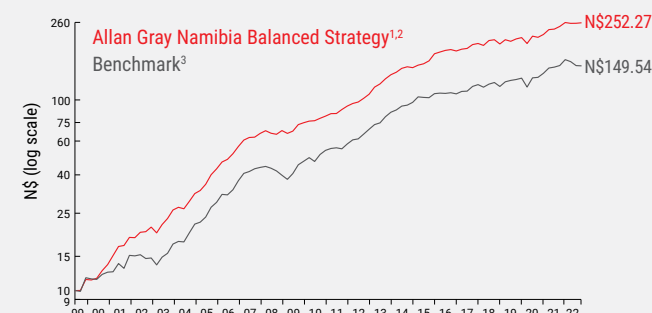
Fund information on 30 September 2022

Fund size	N\$3 357m
Price	N\$2 071.56
Number of share holdings	42
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 September 2022.
- 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 all 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)	2422.7	1395.5
Annualised:		
Since inception (12 August 1999)	15.0	12.4
Latest 10 years	9.5	8.6
Latest 5 years	5.4	5.1
Latest 3 years	6.7	5.6
Latest 2 years	9.2	7.2
Latest 1 year	4.5	-0.4
Year-to-date (not annualised)	-0.3	-7.2
Risk measures (since inception)		
Maximum drawdown ⁴	-8.5	-20.2
Percentage positive months ⁵	72.2	61.7
Annualised monthly volatility ⁶	8.3	10.3
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 2021	30 Jun 2022
Cents per unit	2938.2279	2874.7564

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 September 2022 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	4.8
Glencore	3.7
Naspers ⁸	3.5
FirstRand Namibia	3.3
Namibia Breweries	3.0
Stimulus	2.6
AB InBev	1.5
Sasol	1.5
Oryx Properties	1.4
Mobile Telecommunications	1.3
Total (%)	26.4

8. Includes holding in stub certificates or Prosus N.V., if applicable.

9. 5.9% invested in companies incorporated outside Namibia but listed on the NSX. Including the dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 9.8%.

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

Asset allocation on 30 September 2022

Asset Class	Total	Namibia ⁹	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	59.6	17.2	20.9	1.2	20.2
Hedged equity	5.4	0.0	0.0	0.0	5.4
Property	1.8	1.5	0.0	0.0	0.3
Commodity-linked	4.9	3.9	0.0	0.0	1.0
Bonds	21.4	16.9	0.1	1.0	3.4
Money market and bank deposits	6.9	5.6	0.0	0.1	1.2
Total (%)	100.0	45.1	21.0	2.3	31.5

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1 and 3-year period ending 30 June 2022	1yr %	3yr %
Total expense ratio	0.86	0.81
Fee for benchmark performance	1.02	1.05
Performance fees	-0.21	-0.28
Other costs excluding transaction costs	0.05	0.04
Transaction costs	0.07	0.06
Total investment charge	0.93	0.87

The US dollar has made significant gains this year: The Namibian dollar has lost 13% of its value against the US dollar year to date, the British pound has lost 21%, and the Turkish lira has given up 40%. Why?

On the one hand, currency is just a medium of exchange. The intrinsic value is in the underlying assets – property, goods, companies – and the paper money that you use in exchange for these goods is arbitrary. On the other hand, ask anyone in Zimbabwe, Lebanon or Venezuela what they think of this theory, and you will get a different view. The values of currencies influence the real-world economy.

How does one decide which currency is a good store of value? Like valuing anything, this is not an exact science. Investors typically consider:

1. The quality and track record of the issuing central bank. Can it be trusted to limit the supply of money?
2. The amount a country has in foreign reserves. Can the country pay for imports using foreign money it already owns, or does it have to buy foreign money?
3. The fundamentals of the sovereign. Countries with stable laws and growing economies are more likely to have currencies that are increasing in value.
4. Some measure of purchasing power parity, like the Big Mac index. Purchasing power parity is a rough indication of how cheap things are in a country compared to others.

But one can't deny that sentiment plays a large role in currency moves, even over long periods of time. The dollar and Swiss franc are traditionally considered safe havens in times of trouble, and this expectation has not disappointed so far in 2022. Very few assets have outperformed the dollar over this period. We are always wary of the consensus view. The dollar's fundamentals are good compared with many other currencies but not that good in absolute terms. US inflation is running at 8.3%, which means that investors holding dollars are able to buy fewer baskets of goods every year, even when taking the interest earned on their cash into account. The US Federal Reserve has not done a very good job of controlling the money supply and has been far behind the curve in fighting inflation. The US political landscape (and society) is becoming more fractured and unstable, citizens and the government are heavily indebted, and Big Macs are cheaper in almost every other country than in the US. Sceptical investors see signs of a loss of confidence in the dollar in things like meme stocks and non-fungible tokens (NFTs).

Investors are fickle, and sentiment can change quickly. One doesn't need to know in advance what will cause the change – it could be a new law or a diplomatic incident – but if your investment is underpinned by sentiment and not by fundamentals, the risk of permanent capital loss is always there.

There are no sure things in investing. The Allan Gray Namibia Balanced Fund seeks to provide diversified exposure to a group of income-generating companies trading at less than their intrinsic value and to a basket of select currencies. The foreign portion of the Fund is currently underweight the dollar.

Commentary contributed by Jacques Plaut and Birte Schneider

**Fund manager quarterly
commentary as at
30 September 2022**

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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.

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.

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.

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 and FTSE/JSE Capped Shareholder Weighted All Share Index

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MSCI Index

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