Allan Gray Namibia Investment Trust: 12 August 1999 to 31 January 2014
Allan Gray Namibia Balanced Fund: From 1 February 2014 **Fund managers:** Duncan Artus, Birte Schneider
Strategy inception date: 12 August 1999 **Class inception date:** 1 October 2014

Allan Gray Namibia Balanced Fund

B Class 30 June 2023

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

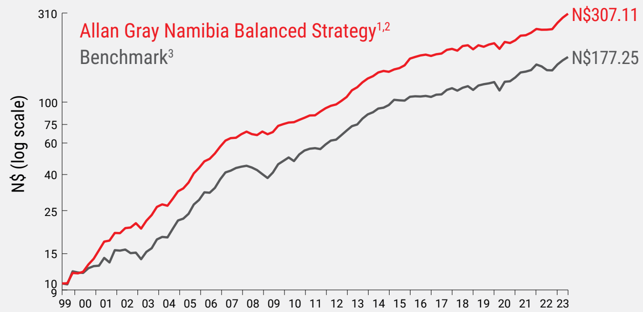
Fund information on 30 June 2023

Fund size	N$4 301m
Price	N$2 474.75
Number of share holdings	44
Class	B

1. 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.
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. Performance as calculated by Allan Gray as at 30 June 2023.
4. 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).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. 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.
7. 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)	2971.1	1672.5
Annualised:		
Since inception (12 August 1999)	15.5	12.8
Latest 10 years	9.8	8.9
Latest 5 years	8.6	8.1
Latest 3 years	12.7	11.1
Latest 2 years	14.6	9.7
Latest 1 year	22.5	18.2
Year-to-date (not annualised)	12.3	9.9
Risk measures (since inception)		
Maximum drawdown[4]	-8.5	-20.2
Percentage positive months[5]	73.1	61.9
Annualised monthly volatility[6]	8.2	10.2
Highest annual return[7]	47.4	45.6
Lowest annual return[7]	-5.2	-19.2

|Ae||gams Building, Am Weinberg Estate, 13 Jan Jonker Road, Klein Windhoek, Windhoek, Namibia **Tel** 061 221 103 **Fax** 061 221 161 **Email** info@allangray.com.na **www.allangray.com.na**

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 2022	30 Jun 2023
Cents per unit	4185.1685	7704.0443

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 2023 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
FirstRand Namibia	4.3
British American Tobacco	3.2
Glencore	2.6
Naspers & Prosus	2.6
AB InBev	2.3
Namibia Breweries	2.1
Stimulus	2.1
Woolworths	1.5
Nedbank	1.5
Samsung Electronics	1.3
Total (%)	**23.3**

8. 5.8% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 9.2%.

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

Asset allocation on 30 June 2023

Asset Class	Total	Namibia[8]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	58.4	16.5	19.5	1.1	21.3
Hedged equity	5.1	0.0	0.1	0.0	5.0
Property	1.6	1.3	0.0	0.0	0.3
Commodity-linked	4.4	3.3	0.0	0.0	1.0
Bonds	19.6	15.5	0.6	0.9	2.6
Money market and bank deposits	10.9	10.1	0.0	0.1	0.7
Total (%)	**100.0**	**46.7**	**20.2**	**2.1**	**31.0**

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1 and 3-year period ending 31 March 2023	1yr %	3yr %
Total expense ratio	**1.51**	**0.97**
Fee for benchmark performance	1.03	1.03
Performance fees	0.44	-0.10
Other costs excluding transaction costs	0.04	0.04
Transaction costs	**0.06**	**0.07**
Total investment charge	**1.57**	**1.04**

Fund manager quarterly commentary as at 30 June 2023

The macroeconomic environment in South Africa remained extremely challenging during the quarter, with loadshedding persisting at record levels for the first half of 2023.

Over time, corporates in South Africa have proven remarkably resilient and entrepreneurial, as they have compensated for and circumvented municipal and parastatal failures. However, it becomes increasingly difficult in an environment where you are reliant on the state for the provision of key infrastructure, such as reliable power, railways, roads and ports, and the delivery thereof continues to diminish.

Dependent on their individual needs, businesses can mitigate service delivery failure to some degree, but without exception, it has a considerable impact on their costs and productivity. Shoprite, the largest food retailer in South Africa, spent R560m on diesel in the last 26 weeks of calendar year 2022 to keep stores open and food fresh in light of loadshedding. In the first six months of 2023, loadshedding has been materially worse, and if it persists at current levels for the balance of calendar year 2023, the costs borne by Shoprite are likely to exceed R1bn. Astral, the largest chicken producer in the country, estimates that loadshedding cost its business some R741m in the six months to 31 March 2023. This pushed the company into a heavily loss-making position. These are just two examples – the impact across the economy is widespread. Ultimately, these costs will have to be borne by the consumer, and the poorest in the country are likely to be the most impacted.

One should also not underestimate the impact loadshedding is likely to have on government finances and South Africa's ability to fund a growing deficit in an environment of rising interest rates. Reduced profitability for corporations means reduced tax payments to the fiscus. During the COVID-19 pandemic, the South African government was arguably bailed out by buoyant commodity prices, in particular high palladium and rhodium prices, which allowed the platinum group metals (PGM) sector to generate record revenues and pay record taxes. Year to date, the average rand PGM basket price is roughly 19% lower than it was last year. Combine this with reduced volumes and materially higher costs as a result of loadshedding, and the tax contribution from the PGM sector is likely to be materially lower. We expect the country's budget deficit for February 2024 to be materially worse than National Treasury's latest guidance earlier this year. This contrasts with Namibia, where we can currently see some green shoots.

Sentiment on and in South Africa has been low during the quarter, and it certainly wasn't helped by the US ambassador's accusation that the South African government provided weapons and ammunition to Russia. An allegation around which much remains uncertain. June also marked one year since the final report on State Capture by the Zondo Commission was handed to President Cyril Ramaphosa. There have been seemingly little to no developments since, despite the damning evidence therein.

The rand, and Namibian dollar, briefly breached N$20 to the US dollar during the quarter, before ending at N$18.85/US$. Just one year ago, the Namibian dollar was at N$16.28/US$. Ten years ago, it was less than N$10/US$.

There is a lot to be pessimistic and despondent about.

The million-dollar question is to what degree assets in South Africa are already discounting a dire economic future. As Warren Buffett famously quipped: "You want to be greedy when others are fearful". There is no shortage of fear at the moment, and many South African-centric assets are trading at very attractive prices relative to history. However, this needs to be balanced against the risks, which we also believe are growing.

As such, while we are looking to capitalise on some of the more attractive opportunities in South Africa, we are diversifying the Fund to remove single-factor risk. Given the range of potential outcomes, it would be remiss of us to bet the farm on one particular outcome prevailing.

Some examples of how we look to balance the risks with the rewards include:

- South Africa is not the only country that has been a poor place to invest in over the last decade. Many other emerging and developed markets have generated paltry returns. Through our offshore partner, Orbis, we are finding many companies in global markets that trade at similar multiples to those in South Africa without the South Africa-centric risk. The direct offshore exposure in the Fund now sits at 33.2%.
- Within the Southern African equity slice, we have been skewing our exposure to three broad buckets. Bucket one is focused on South African companies, including shares dually listed on the Namibian Stock Exchange, that are trading on very depressed multiples and have compelling self-help stories. These are companies that are relatively insulated from the impact of loadshedding, or companies that we believe are better positioned than their peers and likely to grow market share in an environment where absolute economic growth may be minimal. Bucket two consists of attractively-priced Namibian equities that operate within our country. Examples include Namibia Breweries and our local banks. Bucket three consists of multinational companies which happen to be listed in South Africa but earn the vast majority, if not all, of their profits offshore. Beyond British American Tobacco (BAT), this list includes, but is not limited to, AB InBev, Naspers, Prosus, Glencore and Mondi. On a look-through basis, the offshore exposure of the Fund is close to 50%. The individual drivers of these businesses are different, but the common theme is that they trade at attractive prices.
- The 10-year Namibian government bond is yielding 11.2% and our longest-dated bond, the GC50, 13.7%. While not as cheap as during 2022, this remains attractive relative to history and inflation, and we own a collection of Namibian government bonds in the Fund. To complement the bonds, we also own some high-quality companies, like BAT, that trade on attractive dividend yields relative to history. At quarter end, the yield on BAT was 8.6%. BAT is a globally diversified business, has a relatively predictable earnings base, real pricing power and earns less than 10% of its income in South Africa. This is optically lower than the yield on a local government bond, but importantly, the yield on BAT is in hard currency and real (likely to increase with inflation), whereas the government bond is in Namibian dollars and nominal.

For the quarter, the Fund returned 5.2% versus the benchmark, which returned 4.3%. We believe we have achieved this return despite taking on considerably less risk. We are optimistic about the Fund's long-term return potential, irrespective of how the economic environment in South Africa unfolds.

Commentary contributed by Rory Kutisker-Jacobson and Birte Schneider

Information and content

The information in and content of this publication/presentation are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

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

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

MSCI Index

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Compliance with Regulation 13

The Fund is managed to comply with Regulation 13 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits prescribed in Regulation 13 shall be dealt with in accordance with Regulations. Notwithstanding the aforesaid, the Fund does not hold Unlisted Investments in accordance with Regulation 13(5) and the Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act.

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**