

## 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 40% 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 or a balanced fund.

## Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits. The Fund's benchmark is the daily interest rate, as supplied by Standard Bank Namibia Limited, plus 2%.

## How we aim to achieve the Fund's objective

A major portion of the Fund is typically invested in money market instruments. We seek to deploy the Fund's cash by investing in shares when they can be bought at a significant 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 allocate a low weight to shares or partially hedge the Fund's stock market exposure in consideration of the Fund's capital preservation objectives. The Fund may also invest in bonds, property and commodities. The Fund's bond and money market investments are actively managed.

## Suitable for those investors who

- Are risk-averse and require a high degree of capital stability
- Seek both above-inflation returns over the long term, and capital preservation over any two-year period
- Require some income but also some capital growth
- Wish to invest in a unit trust that complies with retirement fund investment limits

## 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 October 2017

Fund size	N\$135.7m
Price	N\$1 078.86
Number of share holdings	52
Class	A

## Performance (N\$) net of fees and expenses

% Returns	Strategy	Benchmark <sup>1</sup>
<b>Not annualised:</b>		
Since inception (5 December 2016)	10.5	6.3
Year-to-date	10.7	5.8

1. The daily interest rate, as supplied by Standard Bank Namibia Limited, plus 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 quarterly.	<b>31 Dec 2016</b>	<b>30 Jun 2017</b>	<b>30 Sep 2017</b>
<b>Cents per unit</b>	<b>122.3317</b>	<b>1449.1609</b>	<b>866.7015</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 portfolio's cumulative return from the date of inception of the portfolio to the day relevant for the calculation or by comparing the Fund's total performance over the shorter period of either the last two years or since inception to that of the benchmark. Once the Fund has been in existence for two years, Allan Gray will not charge a fee should the Fund's cumulative return over the last two years be equal to or less than 0%.

### 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.

### Top 10 share holdings as at 30 September 2017 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Sasol	3.5
Naspers	2.4
Standard Bank Namibia	1.8
Old Mutual Namibia	1.6
British American Tobacco <sup>2</sup>	1.4
Remgro	1.4
Nedbank	1.3
BHP Billiton	1.1
Life Healthcare	0.9
FNB Namibia	0.9
<b>Total (%)</b>	<b>16.2</b>

2. We are awaiting Bank of Namibia's (BoN) final decision on this instrument's (South African or foreign) status. In the meantime, the BoN has extended the grace period for investors to rebalance their portfolios until 31 October 2018.

### Top credit exposures on 30 September 2017 (updated quarterly)<sup>3</sup>

Issuer	% of portfolio
First National Namibia	11.6
Standard Bank Namibia	7.1
Republic of Namibia	7.0
Bank Windhoek	3.9
FirstRand Bank	1.4
Nedbank Namibia	1.4
<b>Total (%)</b>	<b>32.5</b>

3. All credit exposure 1% or more of portfolio.

### Asset allocation on 31 October 2017

Asset Class	Total	Namibia <sup>4</sup>	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	35.5	8.4	12.7	0.8	13.5
Hedged equity	16.6	0.0	2.0	0.0	14.6
Property	1.7	1.0	0.7	0.0	0.0
Commodity-linked	3.0	2.1	0.5	0.0	0.5
Bonds	10.8	6.2	2.1	0.8	1.7
Money market and cash	32.4	30.2	0.2	0.5	1.5
<b>Total (%)</b>	<b>100.0</b>	<b>47.9</b>	<b>18.2</b>	<b>2.1</b>	<b>31.8</b>

4. 5.7% invested in companies incorporated outside Namibia but listed on the NSX.

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

Local inflation and interest rates have peaked in the current cycle and Namibia had its first interest rate cut in five years during the quarter. While borrowers welcome lower interest rates, savers, like clients in the Allan Gray Namibia Stable Fund, will receive lower investment returns from holdings in interest bearing investments, such as bonds or money market equivalent instruments.

At a time of significantly increased political and policy uncertainty, combined with greater credit risk due to the recessionary economic environment, lower prospective returns are not particularly appetising for savers. By way of comparison, investing in the JSE All Bond Index or its Namibian counterparts today, compared to the start of 2016, investors are required to assume additional duration risk for less yield in return.

Conversely, following three years of lacklustre returns amid falling company profits, the South African equity market is offering attractive opportunities. Investing in shares of a business with a strong asset or competitive advantage underpin at current levels, should deliver inflation beating returns over the longer term. Whereas the average expected total return from South African equities was below 10% three years ago, expected returns are now above 10%.

Viewed from an asset allocation perspective, the risk/return profile of choosing equities ahead of interest bearing investments is thus a lot more compelling today compared to previous years. Within interest bearing instruments, the Fund maintained its very limited exposure to long duration instruments given the risks discussed above and retained ample available liquidity resources.

Commentary contributed by Birte Schneider & Leonard Krüger

**Fund manager quarterly  
commentary as at  
30 September 2017**

## 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.

## Calculations

Calculations are based on actual data where possible and best estimates where actual data is not available.

## Total expense ratio (TER) and Transaction costs

The TER and Transaction Costs cannot be determined accurately because of the short lifespan of the Fund.

## 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**.