

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 August 2018

Fund size	N\$194.6m
Price	N\$1 114.20
Number of share holdings	61
Class	A

Performance (N\$) net of fees and expenses

% Returns	Strategy	Benchmark ¹
Cumulative:		
Since inception (5 December 2016)	16.2	12.2
Annualised:		
Since inception (5 December 2016)	9.0	6.8
Latest 1 year	10.2	6.7
Year-to-date (not annualised)	7.3	4.4

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.	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018
Cents per unit	866.7015	567.9509	724.9877	684.6277

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 June 2018 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Sasol	3.0
Naspers	2.7
British American Tobacco	2.2
FNB Namibia	2.0
Investec	1.5
Glencore	1.1
Oryx Properties	1.1
Old Mutual Namibia	1.0
Namibia Breweries	1.0
Woolworths	0.9
Total (%)	16.5

Top credit exposures on 30 June 2018 (updated quarterly)²

Issuer	% of portfolio
Standard Bank Namibia	11.9
First National Namibia	9.8
Republic of Namibia	4.6
Nedbank Namibia	3.0
Bank Windhoek	2.9
Total (%)	32.2

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

Asset allocation on 31 August 2018

Asset Class	Total	Namibia ³	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	38.7	7.7	17.1	0.8	13.2
Hedged equity	14.0	0.0	0.3	0.0	13.8
Property	4.4	1.2	2.3	0.0	0.8
Commodity-linked	1.9	1.0	0.1	0.0	0.8
Bonds	15.7	10.3	0.8	0.6	4.0
Money market and cash	25.2	23.2	0.0	0.4	1.6
Total (%)	100.0	43.5	20.6	1.9	34.1

3. 4.1% invested in companies incorporated outside Namibia but listed on the NSX.

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

As the market euphoria ('Ramaphoria') caused by an improved political landscape in South Africa during the first quarter subsided, global geopolitical turmoil impacted financial markets and led to the weakening of the local currency during the second quarter.

There are many troubling developments across the world creating pause for concern at the moment. We have witnessed the global election of highly charged nationalistic advocates, the wholesale destruction of established centrist political parties in Europe, the unfolding of events like Brexit and doubts being cast over long-standing multinational alliances. Madeleine Albright, former US Secretary of State recently warned: 'This was how twentieth-century fascism began: with magnetic leaders exploiting widespread dissatisfaction by promising all things.'

Whether it be politicians pandering to populist constituents, the threat of escalating global trade disputes (even between allies), the safe harbouring of refugees or purely financial factors like excessive national debt levels, IMF bailouts and rising US interest rates – global investor concerns are numerous. We do not think we have an advantage when it comes to predicting political or macroeconomic events. We do however think deeply about the risks and potential impact of events on each investment we make or already hold on your

behalf. Higher levels of investor fear or uncertainty create an environment to make attractive investments. We are alert to potential opportunities.

The FTSE/JSE All Share Index is down 13% in the first half of 2018, measured in US dollars. This is roughly similar to emerging markets overall. The local indices performed slightly better with the NSX Local Index only down 4.9% in US dollars. The decline in South African share prices has resulted in expensive holdings sold earlier in the year now trading at attractive levels again. We have added local, South African and offshore shares to the portfolio during the quarter. Net equity exposure increased to 39%, with the largest additions being FNB, Naspers and British American Tobacco.

The Fund benefited from the weaker currency due to a high offshore exposure and JSE-listed rand hedge stocks bought timeously during the first quarter. Increasing bond yields did not have much effect given the continued low duration of fixed interest assets held by the Fund. The Fund holds no exposure to 'controversial' names often mentioned in the press in recent times like Steinhoff International, Resilient Property or EOH.

Commentary contributed by Leonard Krüger and Birte Schneider

**Fund manager quarterly
commentary as at
30 June 2018**

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 or call **061 221 103**.