

## 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 March 2019

Fund size	N\$217.2m
Price	N\$1 077.44
Number of share holdings	47
Class	A

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

% Returns	Strategy	Benchmark <sup>1</sup>
<b>Cumulative:</b>		
Since inception (5 December 2016)	14.2	16.4
<b>Annualised:</b>		
Since inception (5 December 2016)	5.9	6.8
Latest 2 years	6.1	6.8
Latest 1 year	6.3	6.7
Year-to-date (not annualised)	3.2	1.6

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.	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018
<b>Cents per unit</b>	<b>724.9877</b>	<b>684.6277</b>	<b>890.1763</b>	<b>828.7543</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 31 March 2019 (CMA and Foreign) (updated quarterly)**

Holdings	% of portfolio
Glencore	2.7
British American Tobacco	2.1
Naspers	2.0
FNB Namibia	1.6
Sasol	1.4
Namibia Breweries	1.3
Oryx Properties	1.3
Standard Bank Namibia	1.2
Investec	1.0
Remgro	0.9
<b>Total (%)</b>	<b>15.5</b>

**Top credit exposures on 31 March 2019 (updated quarterly)<sup>2</sup>**

Issuer	% of portfolio
Republic of Namibia	15.4
Standard Bank Namibia	9.7
First National Namibia	7.2
Bank Windhoek	3.5
<b>Total (%)</b>	<b>35.7</b>

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

**Asset allocation on 31 March 2019**

Asset Class	Total	Namibia <sup>3</sup>	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	37.9	7.0	14.6	0.7	15.5
Hedged equity	13.0	0.0	0.5	0.0	12.5
Property	4.5	1.6	2.3	0.0	0.5
Commodity-linked	2.3	1.3	0.0	0.0	1.1
Bonds	18.1	13.7	0.2	0.7	3.6
Money market and cash	24.2	22.7	0.0	0.4	1.1
<b>Total (%)</b>	<b>100.0</b>	<b>46.3</b>	<b>17.7</b>	<b>1.7</b>	<b>34.2</b>

3. 3.6% invested in companies incorporated outside Namibia but listed on the NSX.

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

The Fund had a strong start to the year following a difficult 2018. Global stock markets rallied during the quarter, with the benchmark S&P 500 Index in the US recording the strongest single quarterly return since 2009. The FTSE/JSE All Share Index (ALSI) followed suit with an 8% total return. The Fund benefited from these higher moves, as well as a weaker rand exchange rate that boosted the value of its offshore holdings.

The Stable Fund's objectives are delivering above-inflation returns and capital preservation. We aim to achieve this through dynamic asset allocation and stock selection decisions over time. At present, the Fund holds an above-average equity exposure. The Fund's exposure to offshore assets is also close to the regulatory limit of 35%. We are deeply conscious of the fact that, combined, these two factors may increase short-term volatility in returns. Nonetheless, we believe this is the right positioning for long-term investors and it remains consistent with our capital preservation objective.

Consider each decision in turn: 1) South African shares have performed no better than cash over the past five years. This is well below the average 5% outperformance per year historically. Likewise, emerging markets (including South Africa) have underperformed against developed markets and are out of favour with global money managers. It should therefore be no surprise that we are currently finding more shares through our bottom-up investment process that we believe will beat cash over the long term.

2) Foreign exposure adds the benefit of further diversification to the portfolio, as it expands the universe of assets we can select to include in the Fund. It also protects investors against potential Namibian dollar weakness, a considerable risk in our opinion given the economic, political and social conditions experienced in South Africa and Namibia at present.

Reported local inflation remains fairly benign and the Bank of Namibia has kept a policy of maintaining positive real interest rates in place. Our fixed income duration remains low. Apart from economic and fiscal concerns, adding too much interest rate risk in addition to existing market and currency exposure is not desirable.

A negative scenario given the Fund's current positioning will therefore involve a sharp correction in global and/or South African equities and a simultaneous strengthening of the rand and Namibian dollar against foreign currencies. Though not impossible, history suggests that during such "risk-off" scenarios the opposite tends to occur, i.e. rand weakness accompanies equity weakness.

As managers of the Stable Fund, we think as much about the risks to the Fund as we do about prospective returns. In the current environment, holding more real assets than fixed-rate Namibian dollar bonds and cash is preferable. Measuring risk in terms of short-term return volatility, it may appear higher than in the past. However, measuring risk in terms of protecting your investment against long-term loss of purchasing power, it is quite the opposite in our view.

Revised pension fund regulation requires a minimum of 45% in local assets by the end of March 2019, which the Fund has met.

The Fund was a net seller of South African equities during the quarter, partially selling holdings in Naspers, Remgro and some banks.

**Commentary contributed by Leonard Krüger and Birte Schneider**

**Fund manager quarterly  
commentary as at  
31 March 2019**

### 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.