

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 the investment limits governing retirement funds. 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

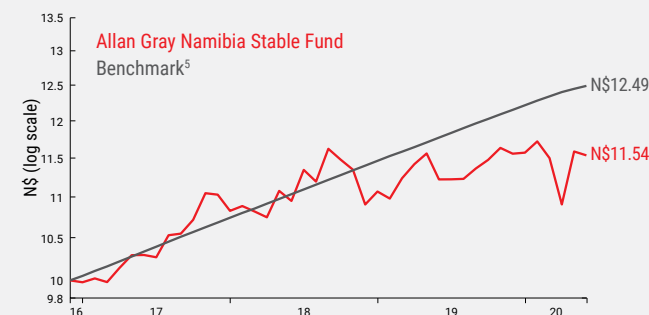
Minimum lump sum per investor account	N\$20 000
Additional lump sum	N\$500
Minimum debit order	N\$500

Fund information on 31 May 2020

Fund size	N\$197.6m
Price	N\$1 044.05
Number of share holdings	56
Class	A

Performance (N\$) net of fees and expenses

Value of N\$10 invested at inception with all distributions reinvested



Performance (N\$) net of fees and expenses

% Returns	Strategy	Benchmark ⁵
Cumulative:		
Since inception (5 December 2016)	15.4	24.9
Annualised:		
Since inception (5 December 2016)	4.2	6.6
Latest 3 years	3.9	6.5
Latest 2 years	2.6	6.4
Latest 1 year	2.8	6.1
Year-to-date (not annualised)	-0.3	2.2
Risk measures (since inception)		
Maximum drawdown ¹	-6.9	n/a
Percentage positive months ²	57.1	100.0
Annualised monthly volatility ³	7.2	0.2
Highest annual return ⁴	10.5	6.9
Lowest annual return ⁴	-4.5	6.1

- Maximum percentage decline over any period. The maximum drawdown occurred from 31 January 2020 to 31 March 2020. Drawdown is calculated on the total return of the Fund (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 30 June 2018 and the benchmark's occurred during the 12 months ended 31 December 2017. The Fund's lowest annual return occurred during the 12 months ended 29 February 2020 and the benchmark's occurred during the 12 months ended 31 May 2020. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.
- 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 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020
Cents per unit	857.1943	1150.0828	788.5910	752.5069

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.

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 31 March 2020 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
Naspers ⁶	3.7
British American Tobacco	3.4
FirstRand Namibia	2.5
Oryx Properties	1.9
Namibia Breweries	1.5
Taiwan Semiconductor Mfg.	1.4
SPDR Gold Trust	1.4
AbbVie	1.4
NetEase	1.4
Glencore	1.4
Total (%)	20.1

6. Including stub certificates and Prosus NV.

Top credit exposures on 31 March 2020 (updated quarterly)⁷

Issuer	% of portfolio
Republic of Namibia	18.0
Standard Bank Namibia	7.6
First National Namibia	7.1
Nedbank Namibia	2.7
Total (%)	35.5

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

Asset allocation on 31 May 2020

Asset Class	Total	Namibia ⁸	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	32.4	7.3	8.7	0.6	15.7
Hedged equity	14.0	0.0	4.9	0.0	9.1
Property	3.4	1.9	1.5	0.0	0.1
Commodity-linked	3.9	2.5	0.0	0.0	1.4
Bonds	28.2	22.1	0.2	1.8	4.2
Money market and cash	18.2	14.2	0.7	1.2	2.0
Total (%)	100.0	48.0	15.9	3.6	32.5

8. 2.4% invested in companies incorporated outside Namibia but listed on the NSX.

Total expense ratio (TER) and Transaction costs

TER and Transaction costs breakdown for the 1 and 3-year period ending 31 March 2020	1yr %	3yr %
Total expense ratio	0.87	1.30
Fee for benchmark performance	1.13	1.14
Performance fees	-0.43	-0.02
Other costs excluding transaction costs	0.17	0.18
Transaction costs	0.09	0.17
Total investment charge	0.96	1.47

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

The Allan Gray Namibia Stable Fund posted a negative return for the quarter. Over a two-year period, we did not manage to outperform inflation, but met the Fund's other objective of protecting capital. Explaining the Fund's performance does not excuse it, but we hope it serves to support our enthusiasm for future returns and confirms our commitment to growing your wealth over the long term.

At the end of February, before the COVID-19 pandemic materially impacted global markets, you were invested in the following asset classes:

- Approximately 45% of the Fund was invested in bonds and cash, the majority in Namibia. These were lower-risk fixed income securities that we expected to offer stable returns in excess of inflation.
- 34% of the Fund was invested in equities, of which 8% was listed in Namibia, 11% in South Africa and 15% globally. These were selected based on the value investment philosophy that Allan Gray and Orbis have consistently followed. Our analysis suggested that the prices of these equities were sufficiently below their value to offer higher future returns than alternative asset classes.
- 14% of the Fund was invested in hedged equities, which offered returns specific to your basket of equities with minimal market exposure.
- The remaining 7% was invested in commodities and listed property.

During March, the prices of South African and Namibian assets fell sharply as the COVID-19 pandemic worsened, impacting many of the Fund's holdings. With hindsight, we would have reduced the Fund's equity exposure, but at the time there were insufficient historical precedents on which to form a rational view. Furthermore, these assets were already discounting substantial negative news, which we believed made them attractive.

"What do we own now?" is a more significant question. The asset allocation of the Fund has not changed materially from what is described above, nor has our assessment of what the majority of the assets are worth. What has changed is the prices of these assets. This is painful in the short term, but should lead to compelling future returns:

- Namibian fixed income assets offer higher returns than they have for much of their history. The 10-year bond is yielding 12%. Nominal bonds at current yields should generate double-digit returns in most scenarios, and more if conditions normalise. Government-issued inflation protected bonds are still at 6% real yields and are arguably the lowest-risk way to achieve returns comfortably in excess of the Fund's benchmark.
- The South African listed equities you own range from high-quality global businesses to unusually cheap South African companies. Your two largest holdings are Naspers and British American Tobacco. You own Naspers at more than 50% discount to its net asset value, most of which comes from the thriving Tencent online ecosystem. British American Tobacco provides you with an above-average dividend yield, selling products (cigarettes) that are likely to remain resilient. Your other equity holdings are similarly attractive.
- Local Namibian shares haven't sold off as much as South African and global shares. They provide a diversification benefit to Namibian fixed income.
- The global portion of the Fund owns undervalued foreign assets that provide diversification against Southern African risks.

The economic costs of the pandemic will be extreme, and recovery will take time. There are likely to be periods of optimism offset by setbacks. The investments you own have seldom been as cheap as they are today, but this does not mean they can't get cheaper. We urge you to remain patient. One can never see the way out of a crisis. Yet time and time again things have gotten better, prices have corrected, and investors with a long-term mindset have prospered. As difficult as things are today, this remains the probable future.

Thank you for trusting us with your savings.

Commentary contributed by Mark Dunley-Owen and Birte Schneider

Fund manager quarterly commentary as at 31 March 2020

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