

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

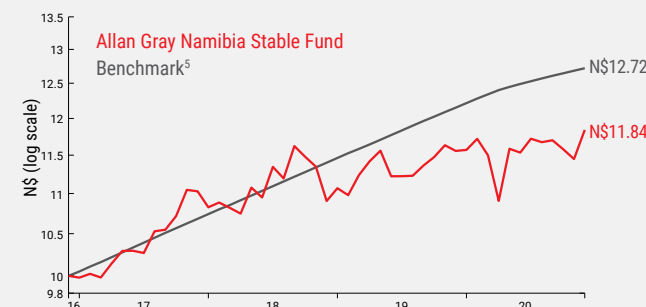
Fund information on 30 November 2020

Fund size	N\$173.9m
Price	N\$1 050.62
Number of share holdings	45
Class	A

- 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 31 March 2020 and the benchmark's occurred during the 12 months ended 30 November 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%. Performance as calculated by Allan Gray as at 30 November 2020.

Performance (N\$) net of fees and expenses

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



% Returns	Strategy	Benchmark ⁵
Cumulative:		
Since inception (5 December 2016)	18.4	27.2
Annualised:		
Since inception (5 December 2016)	4.3	6.2
Latest 3 years	2.4	6.0
Latest 2 years	4.2	5.6
Latest 1 year	2.5	4.7
Year-to-date (not annualised)	2.3	4.1
Risk measures (since inception)		
Maximum drawdown ¹	-6.9	n/a
Percentage positive months ²	56.3	100.0
Annualised monthly volatility ³	7.0	0.3
Highest annual return ⁴	10.5	6.9
Lowest annual return ⁴	-4.5	4.7

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 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020
Cents per unit	788.5910	752.5069	1300.7963	773.4382

Annual management fee

Allan Gray charges a fee based on the net asset value of the Fund 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. If the Fund's return over two years is equal to or less than 0%, Allan Gray will not charge a fee.

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 September 2020 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	3.2
Naspers ⁶	3.0
Taiwan Semiconductor Mfg.	2.0
Glencore	1.8
FirstRand Namibia	1.8
Oryx Properties	1.7
SPDR Gold Trust	1.6
Namibia Breweries	1.3
NetEase	1.2
AbbVie	1.1
Total (%)	18.7

6. Including stub certificates and Prosus NV.

Top credit exposures on 30 September 2020 (updated quarterly)⁷

Issuer	% of portfolio
Republic of Namibia	27.3
Standard Bank Namibia	7.6
Republic of South Africa	2.2
Bank Windhoek	1.3
Total (%)	38.3

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

Asset allocation on 30 November 2020

Asset Class	Total	Namibia ⁸	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	32.7	7.7	9.7	0.6	14.7
Hedged equity	14.8	0.0	4.4	0.0	10.4
Property	3.3	1.9	1.4	0.0	0.0
Commodity-linked	4.0	2.7	0.0	0.0	1.3
Bonds	33.7	26.7	0.2	2.5	4.4
Money market and cash	11.5	8.5	0.5	0.8	1.7
Total (%)	100.0	47.3	16.2	3.9	32.5

8. 3.7% 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 30 September 2020	1yr %	3yr %
Total expense ratio	0.69	1.13
Fee for benchmark performance	1.08	1.11
Performance fees	-0.53	-0.11
Other costs excluding transaction costs	0.14	0.13
Transaction costs	0.06	0.12
Total investment charge	0.75	1.25

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

The Stable Fund's performance over the past year continues to weigh on the longer-term Fund return with the three-year return below inflation. The Fund aims to achieve a real return, outperform cash and have a high level of capital stability.

The premise of the Fund construction is a large weighting towards cash and bonds for downside protection, with a modest allocation to equities to capture the equity risk premium and generate real returns. Equity weight varies on the relative attractiveness of shares at any given point, with share selection based on our bottom-up stockpicking process.

Table 1 shows the drivers of Fund performance for the last 12 months. The negative return from local and South African equities has been a material detractor from the overall Fund return. In comparison, the FTSE/JSE Capped SWIX Index has returned -5% over the last year, recovering the bulk of the loss incurred in the sell-off in the first quarter of 2020. This recovery has been largely attributable to the large dual-listed and rand hedge companies, with the share prices of more domestically focused businesses still well below where they started the year. The NSX Overall Index and NSX Local Index also performed poorly returning -10% and -23%, respectively.

The Fund's exposure to Namibian shares, Sasol, banks and property shares represented the main detractors from regional share performance. Of these positions, the Fund only meaningfully added to its bank exposure during the sell-off. The outlook for South Africa and Namibia remains very uncertain and the Fund must position itself for different scenarios. Companies that are more geared to these economies account for approximately 14% of Fund. In the event of a more favourable outcome for the countries, we believe there is material upside to this exposure, as share prices revert to fair value.

Table 1: AGNSF return drivers, 12 months to September 2020

	Weight	Return	Contribution
Local and South African equity and property	26%	-20%	-5.7%
Offshore	33%	12%	4.6%
Local and South African fixed interest (net of fees)	35%	7%	1.3%
Africa ex-SA	4%	8%	0.2%
Other	2%	18%	0.4%
	100%		0.9%

The 12% return from the Fund's offshore investments should be viewed in the context of the MSCI World Index returning 10% (in US\$) and the rand weakening 11% over the last year. Similar to our experience regionally, stock selection by our offshore partner Orbis has detracted from performance. The recovery in foreign stock markets, particularly in the US, has been driven by an increasingly narrow set of shares. Indeed, the top five shares in the S&P 500 dominate even more today than in 2000, at the height of the tech bubble. The collection of shares that Orbis is invested in looks very different from the headline stock indices. In their view, these companies have similar or better fundamentals than the wider market but trade at steep discounts, providing a greater margin of safety. Given the market's high starting valuation, this augurs well for future long-term outperformance.

The Fund's local fixed interest assets generated a decent real return in the past year. The most significant recent change in asset allocation has been a move out of local cash into bonds, owing to the relative attractiveness of returns on offer. The difference between short- and long-term interest rates is at historic levels, reflecting the rapid deterioration in Namibia's finances and doubts on whether the government can salvage a measure of fiscal discipline. We are cognisant of the risks, and while the Fund has increased its duration, we continue to tread with caution. The fixed interest exposure includes an allocation to inflation-linked bonds, which should generate a return in excess of the Fund objective, with a return profile that does not correlate with that of equities or nominal bonds, providing diversification.

Commentary contributed by Sean Munsie and Birte Schneider

Fund manager quarterly commentary as at 30 September 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.

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.

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