

## 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    |

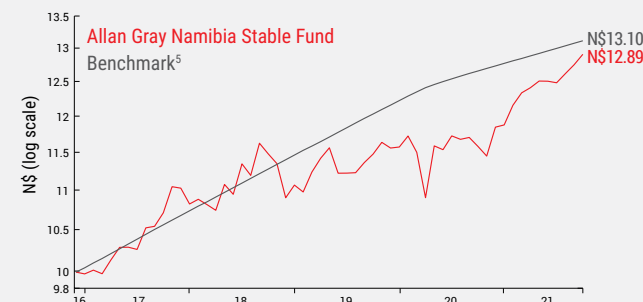
## Fund information on 30 September 2021

|                          |             |
|--------------------------|-------------|
| Fund size                | N\$172.1m   |
| Price                    | N\$1 123.70 |
| Number of share holdings | 48          |
| Class                    | A           |

- Maximum percentage decline over any period calculated from monthly returns. 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 31 March 2021 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 31 August 2021. 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 September 2021.

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

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



| % Returns                                  | Fund | Benchmark <sup>5</sup> |
|--------------------------------------------|------|------------------------|
| <b>Cumulative:</b>                         |      |                        |
| Since inception (5 December 2016)          | 28.9 | 31.0                   |
| <b>Annualised:</b>                         |      |                        |
| Since inception (5 December 2016)          | 5.4  | 5.8                    |
| Latest 3 years                             | 3.9  | 5.1                    |
| Latest 2 years                             | 6.0  | 4.4                    |
| Latest 1 year                              | 11.3 | 3.6                    |
| Year-to-date (not annualised)              | 8.6  | 2.7                    |
| <b>Risk measures (since inception)</b>     |      |                        |
| Maximum drawdown <sup>1</sup>              | -6.9 | n/a                    |
| Percentage positive months <sup>2</sup>    | 60.3 | 100.0                  |
| Annualised monthly volatility <sup>3</sup> | 6.5  | 0.4                    |
| Highest annual return <sup>4</sup>         | 13.7 | 6.9                    |
| Lowest annual return <sup>4</sup>          | -4.5 | 3.6                    |

**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 2020     | 31 Mar 2021     | 31 Jun 2021     | 30 Sep 2021     |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cents per unit</b>                                                                                                                                | <b>705.6174</b> | <b>752.5069</b> | <b>609.4156</b> | <b>926.1983</b> |

**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 2021 (CMA and Foreign) (updated quarterly)**

| Holdings                 | % of portfolio |
|--------------------------|----------------|
| Glencore                 | 2.9            |
| British American Tobacco | 2.5            |
| Naspers <sup>6</sup>     | 2.3            |
| FirstRand Namibia        | 1.7            |
| SPDR Gold Trust          | 1.3            |
| Woolworths               | 1.3            |
| Namibia Breweries        | 1.2            |
| Oryx Properties          | 1.2            |
| Samsung Electronics      | 1.1            |
| Standard Bank Group      | 1.0            |
| <b>Total (%)</b>         | <b>16.5</b>    |

6. Includes holding in stub certificates or Prosus NV, if applicable.

**Top credit exposures on 30 September 2021 (updated quarterly)<sup>7</sup>**

| Issuer                   | % of portfolio |
|--------------------------|----------------|
| Republic of Namibia      | 27.3           |
| First National(Nam)      | 3.7            |
| Standard Bank(Nam)       | 3.0            |
| Republic of South Africa | 2.5            |
| <b>Total (%)</b>         | <b>36.4</b>    |

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

**Asset allocation on 30 September 2021**

| Asset Class                    | Total        | Namibia <sup>8</sup> | South Africa | Africa ex-SA and Namibia | Foreign ex-Africa |
|--------------------------------|--------------|----------------------|--------------|--------------------------|-------------------|
| Net equity                     | 36.1         | 7.9                  | 13.9         | 0.9                      | 13.4              |
| Hedged equity                  | 12.2         | 0.0                  | 2.4          | 0.0                      | 9.8               |
| Property                       | 2.9          | 1.4                  | 1.1          | 0.0                      | 0.4               |
| Commodity-linked               | 3.6          | 2.3                  | 0.0          | 0.0                      | 1.3               |
| Bonds                          | 35.0         | 27.5                 | 1.0          | 2.1                      | 4.4               |
| Money market and bank deposits | 10.2         | 7.0                  | 0.3          | 0.6                      | 2.3               |
| <b>Total (%)</b>               | <b>100.0</b> | <b>46.2</b>          | <b>18.6</b>  | <b>3.6</b>               | <b>31.6</b>       |

8. 4.3% 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 June 2021 | 1yr %       | 3yr %       |
|-------------------------------------------------------------------------------------|-------------|-------------|
| <b>Total expense ratio</b>                                                          | <b>0.80</b> | <b>0.95</b> |
| Fee for benchmark performance                                                       | 1.03        | 1.09        |
| Performance fees                                                                    | -0.35       | -0.27       |
| Other costs excluding transaction costs                                             | 0.12        | 0.13        |
| <b>Transaction costs</b>                                                            | <b>0.08</b> | <b>0.09</b> |
| <b>Total investment charge</b>                                                      | <b>0.88</b> | <b>1.04</b> |

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

The Fund continued its respectable recent run in the third quarter, adding 3.4% and taking the year-to-date return to 8.6%. After an especially strong start to the year, the FTSE/JSE All Share Index has treaded water for the last two quarters, in line with global stock markets, as investors digest the once-off post-lockdown economic boost, flare ups of the Delta variant and the prospect of normalising monetary policy. In addition, the risks posed by China, both from its slowing economy and a raft of tough new government regulations, have had an outsized impact on companies listed on our local market. The Fund has maintained its relatively high equity weighting (as viewed against the 40% maximum), with stock selection contributing positively to performance over the period.

Holdings in Glencore and Sasol were among the Fund's largest contributors to returns this quarter. We have preferred Glencore over the other large, diversified miners for some time given our cautious view on iron ore versus a more favourable outlook for base metals, to which Glencore is heavily exposed. Following the Chinese government's interventions in the market, the iron ore price has almost halved since June; however, it remains above what we consider a fair long-term level. As the world's largest producer of thermal coal for export, Glencore is also benefiting from the surge in energy prices globally, as a recovery in demand meets relatively stagnant supply. There is a possibility that this will continue as we head into the Northern Hemisphere winter, with suppliers either unwilling or unable to fulfil demand.

While this period of elevated prices may have one-off positive implications for Glencore in terms of shareholder returns, it has made a more permanent impact on Sasol, allowing the company to repair its previously precarious debt position, leading to a rerating in the share price. With a lower debt burden and capital expenditure profile going forward, Sasol is better positioned to generate cash flow sustainably and resume dividends, even at lower oil prices.

Continuing the recovery theme, Fund positions in companies exposed to the Southern African economies, such as FirstRand Namibia, Namibia Breweries, Old Mutual, Standard Bank and Remgro, among others, have also aided performance, with reported results proving less dire than market participants feared a year ago. In many instances share prices remain at or below pre-COVID-19 levels, despite some businesses being better positioned now than what they were going into the pandemic. We continue to find value in South African financial and industrial counters and many Namibian shares, who continue to trade at lower levels than 21 months ago.

Disappointingly for investors, the crackdowns on the Chinese technology and gaming sectors have had a material impact on Tencent, and in turn Naspers/Prosus. While many of the new regulations do not seem out of the ordinary to what you may already find in the Western world, the process has unfolded in a heavy-handed manner. This, together with fears that further strict rules may be in the offing, has led to a great deal of investor uncertainty. Although Tencent remains a good business, we have reduced our estimate of its long-term intrinsic value and have decreased the Fund's weighting to Naspers/Prosus slightly.

Within fixed income, the South African and Namibian debt market has not been immune to the increased amount of taper talk coming out of most major central banks – in other words, the incremental reversal of quantitative easing strategies as their economies recover. This has implications for emerging markets such as South Africa, particularly given its reliance on foreign investor flows. Already-high levels of negative sentiment, plus a record current account surplus, albeit cyclical, will help cushion some of the impact. The Fund's offshore assets also mitigate part of this risk, benefiting from a weaker rand. We retain our preference for local bonds over cash.

Commentary contributed by Sean Munsie and Birte Schneider

**Fund manager quarterly  
commentary as at  
30 September 2021**

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## Management Company

Allan Gray Namibia Unit Trust Management Company is an approved management company in terms of the Unit Trusts Control Act 54 of 1981 as amended, and is incorporated and registered under the laws of Namibia and supervised by the Namibia Financial Institutions Supervisory Authority (NAMFISA). The trustee and custodian is Standard Bank Namibia.

## 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 future performance. Where annualised performance is mentioned, this refers to the average return per year over the period.

## 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.

## Redemptions

Allan Gray Namibia Unit Trust Management Company will repurchase any number of units offered to it on the basis of prices calculated in accordance with the requirements of the Unit Trusts Control Act 54 of 1981 as amended and on the terms and conditions set forth in the trust deed.

## Total expense ratio (TER) and transaction costs

The total expense ratio (TER) is the annualised percentage of the Fund's average assets under management that has been used to pay the Fund's actual expenses over the past one- and three-year periods. The TER includes the annual management fees that have been charged (both the fee at benchmark and any performance component charged) and other expenses like audit and trustee fees. Transaction costs (including brokerage, securities transfer tax, Share Transactions Totally Electronic (STRATE) and investor protection levies where applicable) are shown separately. Transaction costs are necessary costs in administering the Fund and impact Fund returns. They should not be considered in isolation as returns may be impacted by many other factors over time, including market returns, the type of financial product, the investment decisions of the investment manager, and the TER. Since Fund returns are quoted after the deduction of these expenses, the TER and transaction costs should not be deducted again from published returns. As unit trust expenses vary, the current TER cannot be used as an indication of future TERs. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. Instead, when investing, the investment objective of the Fund should be aligned with the investor's objective and compared against the performance of the Fund. The TER and other funds' TERs should then be used to evaluate whether the Fund performance offers value for money. The sum of the TER and transaction costs is shown as the total investment charge (TIC).

## FTSE/JSE All Share Index

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## Important information for investors

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