

## 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    |

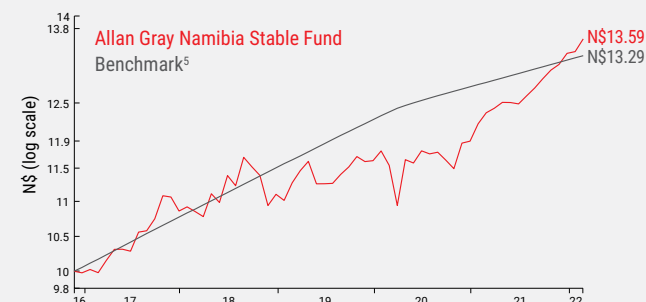
## Fund information on 28 February 2022

|                          |             |
|--------------------------|-------------|
| Fund size                | N\$156.3m   |
| Price                    | N\$1 169.50 |
| Number of share holdings | 47          |
| 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 October 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 28 February 2022.

## 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)          | 35.9 | 32.9                   |
| <b>Annualised:</b>                         |      |                        |
| Since inception (5 December 2016)          | 6.0  | 5.6                    |
| Latest 5 years                             | 6.4  | 5.5                    |
| Latest 3 years                             | 6.5  | 4.7                    |
| Latest 2 years                             | 8.7  | 3.8                    |
| Latest 1 year                              | 10.2 | 3.6                    |
| Year-to-date (not annualised)              | 1.9  | 0.6                    |
| <b>Risk measures (since inception)</b>     |      |                        |
| Maximum drawdown <sup>1</sup>              | -6.9 | n/a                    |
| Percentage positive months <sup>2</sup>    | 63.5 | 100.0                  |
| Annualised monthly volatility <sup>3</sup> | 6.3  | 0.4                    |
| Highest annual return <sup>4</sup>         | 13.9 | 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 Mar 2021     | 31 Jun 2021     | 30 Sep 2021     | 31 Dec 2021     |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cents per unit</b>                                                                                                                                | <b>752.5069</b> | <b>609.4156</b> | <b>926.1983</b> | <b>503.9248</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 31 December 2021 (CMA and Foreign) (updated quarterly)

| Holdings                 | % of portfolio |
|--------------------------|----------------|
| British American Tobacco | 3.0            |
| Glencore                 | 2.4            |
| Naspers <sup>6</sup>     | 2.3            |
| Namibia Breweries        | 2.1            |
| FirstRand Namibia        | 1.7            |
| SPDR Gold Trust          | 1.5            |
| Samsung Electronics      | 1.3            |
| Woolworths               | 1.1            |
| AngloGold Ashanti        | 1.1            |
| Sibanye-Stillwater       | 1.1            |
| <b>Total (%)</b>         | <b>17.6</b>    |

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

### Top credit exposures on 31 December 2021 (updated quarterly)<sup>7</sup>

| Issuer                      | % of portfolio |
|-----------------------------|----------------|
| Republic of Namibia         | 24.8           |
| First National Bank Namibia | 2.8            |
| Standard Bank Namibia       | 2.8            |
| <b>Total (%)</b>            | <b>30.4</b>    |

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

### Asset allocation on 28 February 2022

| Asset Class                    | Total        | Namibia <sup>8</sup> | South Africa | Africa ex-SA and Namibia | Foreign ex-Africa |
|--------------------------------|--------------|----------------------|--------------|--------------------------|-------------------|
| Net equity                     | 36.0         | 8.9                  | 14.8         | 0.9                      | 11.4              |
| Hedged equity                  | 13.0         | 0.0                  | 2.2          | 0.0                      | 10.8              |
| Property                       | 2.2          | 1.1                  | 0.7          | 0.0                      | 0.4               |
| Commodity-linked               | 4.9          | 3.7                  | 0.0          | 0.0                      | 1.2               |
| Bonds                          | 26.8         | 21.5                 | 1.2          | 2.0                      | 2.2               |
| Money market and bank deposits | 17.1         | 14.0                 | 0.2          | 0.3                      | 2.6               |
| <b>Total (%)</b>               | <b>100.0</b> | <b>49.1</b>          | <b>19.0</b>  | <b>3.2</b>               | <b>28.7</b>       |

8. 4.2% 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 December 2021 | 1yr %       | 3yr %       |
|-----------------------------------------------------------------------------------------|-------------|-------------|
| <b>Total expense ratio</b>                                                              | <b>1.15</b> | <b>0.92</b> |
| Fee for benchmark performance                                                           | 1.03        | 1.07        |
| Performance fees                                                                        | -0.04       | -0.29       |
| Other costs excluding transaction costs                                                 | 0.16        | 0.14        |
| <b>Transaction costs</b>                                                                | <b>0.10</b> | <b>0.08</b> |
| <b>Total investment charge</b>                                                          | <b>1.25</b> | <b>0.84</b> |

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

The Fund returned 3.4% in the last quarter of 2021, taking the annual return to 12.3%. Over longer periods, such as the last three and five years, the Fund has generated 6.4% and 6% per annum respectively, ahead of its cash plus 2% benchmark and above inflation, in line with the Fund's objective. While the Fund is managed in a cautious manner, with a major portion of assets invested in cash and bonds, some allocation to equities (subject to the 40% limit) is required to generate a sustained real return ahead of the benchmark. Our view on the attractiveness of equities, based on our bottom-up research process, together with the potential returns available in competing asset classes informs the overall level of equity allocation.

Going into 2021, we believed the opportunities available to the Fund were attractive, with both Southern African shares and Namibian bonds offering good value. In comparison, holding cash at rates similar to that of prevailing inflation looked unattractive, putting an investor at risk of losing purchasing power in inflation-adjusted terms. The high weighting to Southern African equities relative to the Fund's history, has served it well in 2021. The FTSE/JSE All Share Index (ALSI) returned 29.2% for the year with a new all-time high being set in December. The NSX Local Index returned 21.6% for the year driven by Namibia Breweries and FirstRand Namibia. The IJG All Bond Index (ALBI) returned 4.4%, outperforming cash, albeit only marginally for three-month instruments.

Importantly, we do not buy the index, but rather invest in assets that 1) trade below our assessment of intrinsic value; 2) attempt to balance potential reward with the risk taken on; and 3) position the Fund to perform adequately in a variety of scenarios.

Within Southern African equities, Glencore and Namibia Breweries were among the largest contributors to performance. We have written about Glencore in past commentaries, highlighting our preference for its commodity mix over that of its diversified mining peers, which remains the case. Heineken's offer to buy out Namibia Breweries' minority stake in its associate, Heineken SA, resulted in the

share returning over 50% in 2021. The associate has been loss-making for many years and in our opinion historically its upside was not fully recognised in the share price. Disappointingly, two of the larger Fund positions, Oryx Properties and Sibanye-Stillwater detracted from returns. In the case of Sibanye-Stillwater, we added to the Fund's holdings. British American Tobacco is another large position that detracted on a relative basis despite positive absolute returns. At current prices, it also offers high potential future returns.

In local fixed income, the Fund benefited from its exposure to inflation-linked bonds and longer-dated nominal bonds. We continue to find these instruments attractive, and inflation linkers should benefit from concerns about global inflation. In South Africa, fiscal spending pressures have unfortunately extinguished the bulk of the commodity-driven tax revenue tailwind, negating any material change in sentiment towards South African government bonds. In addition, Namibian credit spreads over South African counterparty bonds increased for most bonds over the year and are very high compared to history for longer-dated bonds. This is driven by fiscal concerns. However, current yields do compensate investors for bearing this risk, with the Fund continuing to prefer bonds over cash.

Our offshore investment partner, Orbis, had a mixed year with its large underweight to the US technology sector weighing on relative performance. We share their concerns over absolute valuation levels in the US where the longer duration technology companies, which have increasingly driven index performance, are materially exposed to changes in the interest rate environment. The collection of shares that Orbis is invested in looks very different from the headline stock indices. Namibian dollar weakness in the latter part of 2021 was a tailwind for Fund performance.

Commentary contributed by Sean Munsie and Birte Schneider

**Fund manager quarterly commentary as at 31 December 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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