

## 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

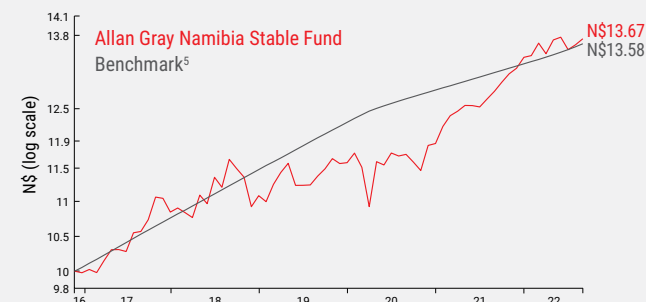
## Fund information on 31 August 2022

Fund size	N\$170.7m
Price	N\$1 161.92
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 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 31 August 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)	36.7	35.8
<b>Annualised:</b>		
Since inception (5 December 2016)	5.6	5.5
Latest 5 years	5.3	5.3
Latest 3 years	6.4	4.3
Latest 2 years	8.1	3.8
Latest 1 year	7.3	3.9
Year-to-date (not annualised)	2.5	2.7
<b>Risk measures (since inception)</b>		
Maximum drawdown <sup>1</sup>	-6.9	n/a
Percentage positive months <sup>2</sup>	63.8	100.0
Annualised monthly volatility <sup>3</sup>	6.1	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.	30 Sep 2021	31 Dec 2021	31 Mar 2022	30 Jun 2022
<b>Cents per unit</b>	<b>926.1983</b>	<b>503.9248</b>	<b>573.0935</b>	<b>851.1341</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 June 2022 (CMA and Foreign) (updated quarterly)**

Holdings	% of portfolio
British American Tobacco	3.5
Glencore	2.2
Naspers <sup>6</sup>	1.9
Namibia Breweries	1.5
FirstRand Namibia	1.5
Nedbank	1.4
Woolworths	1.1
Standard Bank Group	1.1
SPDR Gold Trust	1.1
Sasol	1.0
<b>Total (%)</b>	<b>16.40</b>

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

**Top credit exposures on 30 June 2022 (updated quarterly)<sup>7</sup>**

Issuer	% of portfolio
Republic of Namibia	27.8
Standard Bank Namibia	3.8
First National Bank Namibia	3.7
Northam Platinum	1.5
<b>Total (%)</b>	<b>36.7</b>

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

**Asset allocation on 31 August 2022**

Asset Class	Total	Namibia <sup>8</sup>	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	30.8	7.9	12.0	0.8	10.1
Hedged equity	14.9	0.0	4.0	0.0	10.9
Property	1.8	1.0	0.6	0.0	0.2
Commodity-linked	4.0	3.2	0.0	0.0	0.9
Bonds	37.1	28.1	4.2	2.0	2.7
Money market and bank deposits	11.5	8.6	0.5	0.1	2.3
<b>Total (%)</b>	<b>100.0</b>	<b>48.8</b>	<b>21.2</b>	<b>2.9</b>	<b>27.1</b>

8. 3.9% 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 2022	1yr %	3yr %
<b>Total expense ratio</b>	<b>1.53</b>	<b>1.02</b>
Fee for benchmark performance	1.02	1.05
Performance fees	0.34	-0.18
Other costs excluding transaction costs	0.17	0.15
<b>Transaction costs</b>	<b>0.08</b>	<b>0.08</b>
<b>Total investment charge</b>	<b>1.61</b>	<b>1.10</b>

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

If Russia's invasion of Ukraine had the most profound impact on financial markets in the first quarter of the year, the second quarter was in turn defined by coordinated central bank action to combat rising and persistent inflation. The US Federal Reserve hiked rates by the largest margin in almost three decades, the Bank of England delivered its fifth increase in a row and the usually slow-to-react European Central Bank signalled an end to quantitative easing and the beginning of interest rate increases from July onwards. Closer to home, the South African Reserve Bank delivered its steepest increase since 2016 and Bank of Namibia's rate hikes year to date have been the sharpest in more than a decade.

While some may have us believe that Russia's actions, together with the ongoing supply chain disruptions and Chinese lockdowns, are the proximate causes for this inflationary impulse, in truth, the seeds were sown long ago. Greater protectionism, prolonged underinvestment in traditional energy infrastructure and the massive monetary and fiscal stimulus embarked upon in response to the pandemic are all inflationary by nature. Interest rate increases may well take the steam out of demand but will have little impact on long-standing supply-side imbalances.

The backdrop of rapidly tightening monetary policy has proved a difficult one for the performance of risk assets, with fears that rising rates will curb growth and ultimately spark a recession. Most exposed globally have been the previously high-flying technology shares, whose values sit further out into the future, where higher rates have an outsized impact. Year to date in dollars, the S&P 500 has returned -20.0%, the MSCI World Index -20.5% and the FTSE World Government Bond Index -14.8%.

South African inflation has lagged that of developed and emerging market peers by virtue of a limited pandemic stimulus response and continued pedestrian economic growth. The same is true for Namibian inflation. While Southern African assets have performed comparatively better than their global counterparts, they have not been immune to global pressures, with the FTSE/JSE All Share Index returning -8.3% (-10.9% in US dollars), the NSX Local Index returning -3.8% (-6.3% in US dollars) and the IJG All Bond Index returning +0.9% (-1.2% in US dollars) year to date. The Fund's 1% year-to-date return should be viewed in this context. The one-year return of 8.0% remains ahead of the benchmark.

The Fund retains the relatively high net equity weight that has served it well, with a preference for Southern African listed shares over offshore stocks. This is informed by valuations that remain attractive, and in some instances underlying company fundamentals have been positively impacted by recent events (e.g. Sasol, via the oil price, and banks, owing to the endowment effect). Over a third of the offshore exposure is invested in hedged equities, which have contributed to overall return year to date. In general, exposure to equities provides greater inflation protection than cash or bonds, particularly when starting valuations are undemanding. It could be argued that local government bonds are in a not dissimilar position, given their high absolute and relative yields, with a risk premium (e.g. from an inflation overshoot) already factored into their price.

Commentary contributed by Sean Munsie and Birte Schneider

**Fund manager quarterly  
commentary as at  
30 June 2022**

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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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## FTSE Russell Index

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## Important information for investors

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