ALLANGRAY

Allan Gray Namibia Stable Fund

30 September 2022

Fund managers: Duncan Artus, Birte Schneider **Class inception date:** 5 December 2016

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

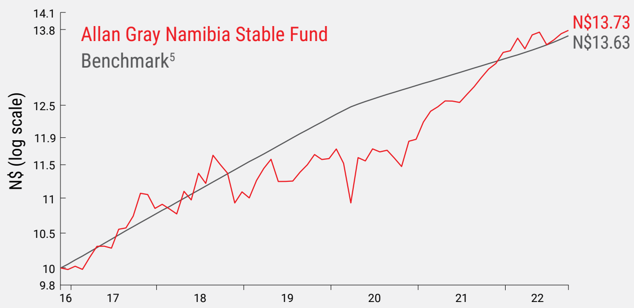
Fund information on 30 September 2022

Fund size	N$172.2m
Price	N$1 167.13
Number of share holdings	48
Class	A

1. 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).
2. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
3. 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.
4. 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.
5. The daily interest rate, as supplied by Standard Bank Namibia Limited, plus 2%. Performance as calculated by Allan Gray as at 30 September 2022.

Performance (N$) net of all fees and expenses

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



% Returns	Fund	Benchmark[5]
Cumulative:		
Since inception (5 December 2016)	37.3	36.3
Annualised:		
Since inception (5 December 2016)	5.6	5.5
Latest 5 years	5.1	5.2
Latest 3 years	6.2	4.3
Latest 2 years	8.9	3.8
Latest 1 year	6.5	4.1
Year-to-date (not annualised)	3.0	3.2
Risk measures (since inception)		
Maximum drawdown[1]	-6.9	n/a
Percentage positive months[2]	64.3	100.0
Annualised monthly volatility[3]	6.1	0.4
Highest annual return[4]	13.9	6.9
Lowest annual return[4]	-4.5	3.6

|Ae||gams Building, Am Weinberg Estate, 13 Jan Jonker Road, Klein Windhoek, Windhoek, Namibia **Tel** 061 221 103 **Fax** 061 221 161 **Email** info@allangray.com.na **www.allangray.com.na**

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 2021	31 Mar 2022	30 Jun 2022	30 Sep 2022
Cents per unit	**503.9248**	**573.0935**	**851.1341**	**1066.3424**

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 2022 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	2.9
Glencore	2.3
Namibia Breweries	1.6
FirstRand Namibia	1.5
Nedbank	1.3
Standard Bank Group	1.3
Woolworths	1.2
AB InBev	1.2
Naspers[6]	1.1
Shell	0.9
Total (%)	**15.4**

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

Top credit exposures on 30 September 2022 (updated quarterly)[7]

Issuer	% of portfolio
Republic of Namibia	25.8
Standard Bank Namibia	6.1
First National Bank Namibia	4.1
Standard Bank Group	1.8
Northam Platinum	1.5
Total (%)	**39.2**

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

Asset allocation on 30 September 2022

Asset Class	Total	Namibia[8]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	29.1	8.0	11.0	0.8	9.4
Hedged equity	15.7	0.0	4.9	0.0	10.8
Property	1.7	1.0	0.5	0.0	0.2
Commodity-linked	4.1	3.3	0.0	0.0	0.8
Bonds	36.8	27.8	4.2	2.0	2.9
Money market and bank deposits	12.6	9.1	0.6	0.1	2.8
Total (%)	**100.0**	**49.2**	**21.1**	**2.9**	**26.9**

8. 3.8% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 7.1%.

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 %
Total expense ratio	**1.53**	**1.02**
Fee for benchmark performance	1.02	1.05
Performance fees	0.34	-0.18
Other costs excluding transaction costs	0.17	0.15
Transaction costs	**0.08**	**0.08**
Total investment charge	**1.61**	**1.10**

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

Fund manager quarterly commentary as at 30 September 2022

The restrictive monetary policy conditions that arose in earnest in the first half of the year have continued to tighten during the third quarter, presenting a difficult environment for risk assets. This adverse backdrop has been exacerbated by price inflation that is proving persistently high, increasing the likelihood of further interest rate hikes in the coming months. The risk is rising that, in their haste to restore credibility after the excesses shown during the COVID-19 period and before, developed market central banks overshoot in terms of timing and severity of tighter policy implementation. Dampening demand to this degree may result in economies tipping into recession as opposed to the targeted "soft landing". Coinciding with this are escalating tensions in Ukraine, the growing energy crisis in Europe and seemingly never-ending Chinese lockdowns resulting in a fraught environment for investors.

Longer-duration assets are particularly vulnerable in these conditions. The FTSE World Government Bond Index has lost 21.3% year to date in US dollars, and the Nasdaq returned -32.0% over the same period. The latter is dominated by highly rated global technology companies, whose values rely more on earnings further out into the future. Despite the extent of the sell-off, headline US equity valuations do not yet appear obviously cheap. For instance, the S&P 500 (-23.9% year to date in US dollars) trades on an 18 times price-to-earnings multiple versus previous trough levels in the low teens. Earnings expectations are yet to be marked down materially despite growth deteriorating and costs of doing business increasing. In addition, the refrain of there being few alternatives to stocks no longer holds, with cash rates and bond yields significantly higher than prevailing yields over the last decade.

Looking at South African and local asset classes, the IJG All Bond Index has returned 3.9% year to date, the FTSE/JSE All Share Index -10.1% and the FTSE NSX Overall and Local Index, -3.4% and -6.3%, respectively. The Namibian dollar has given up 12.9% against the US dollar so far this year. Importantly, we do not buy the index but rather construct a portfolio of assets from a bottom-up perspective with valuation as a key consideration. Since the beginning of the year, this investment process has yielded relative outperformance across both Southern African equities and bonds, as well as the Fund's offshore holdings.

The largest asset allocation change during the quarter was an increase in the hedged equity position. The allocation to hedged equities, where index market movements are hedged out, has added to the Fund's return. As valuations at a headline index level become more attractive, we would expect the weight afforded to hedged equities in the portfolio to decrease. Similarly, we have viewed offshore fixed income as expensive for a prolonged period. As yields rise to more realistic levels, a greater allocation to this asset class in time presents a useful risk and return diversifier in line with the Fund's conservative mandate.

Commentary contributed by Sean Munsie and Birte Schneider

Information and content

The information in and content of this publication/presentation are provided by Allan Gray as general information about the company and its products and services. Allan Gray does not guarantee the suitability or potential value of any information or particular investment source. The information provided is not intended to, nor does it constitute financial, tax, legal, investment or other advice. Before making any decision or taking any action regarding your finances, you should consult a qualified financial adviser. Nothing contained in this publication/presentation constitutes a solicitation, recommendation, endorsement or offer by Allan Gray; it is merely an invitation to do business.

Allan Gray has taken and will continue to take care that all information provided, in so far as this is under its control, is true and correct. However, Allan Gray shall not be responsible for and therefore disclaims any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance on any information provided.

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

The FTSE/JSE All Share Index is calculated by FTSE International Limited ("FTSE") in conjunction with the JSE Limited ("JSE") in accordance with standard criteria. The FTSE/JSE All Share Index is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE All Share Index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

FTSE Russell Index

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2022. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®", "FTSE Russell®", is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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**