ALLANGRAY

Allan Gray Namibia Stable Fund

30 April 2023

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

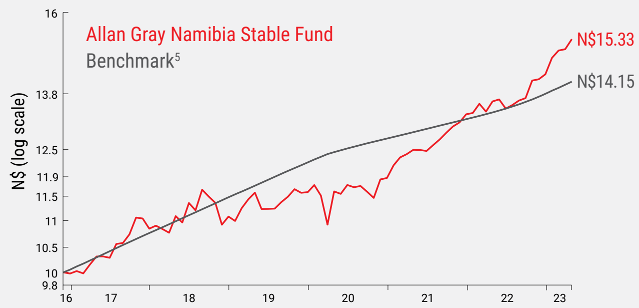
Fund information on 30 April 2023

Fund size	N$196.7m
Price	N$1 256.01
Number of share holdings	46
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 April 2023.

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)	53.3	41.5
Annualised:		
Since inception (5 December 2016)	6.9	5.6
Latest 5 years	6.7	5.2
Latest 3 years	9.8	4.4
Latest 2 years	10.8	4.7
Latest 1 year	12.3	5.8
Year-to-date (not annualised)	6.9	2.2
Risk measures (since inception)		
Maximum drawdown[1]	-6.9	n/a
Percentage positive months[2]	67.5	100.0
Annualised monthly volatility[3]	6.0	0.4
Highest annual return[4]	13.9	6.9
Lowest annual return[4]	-4.5	3.6

ǀAeǁgams 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.	30 Jun 2022	30 Sep 2022	31 Dec 2022	31 Mar 2023
Cents per unit	851.1341	1066.3424	977.7829	2419.3624

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 March 2023 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	2.5
FirstRand Namibia	1.9
Glencore	1.8
AB InBev	1.5
Woolworths	1.4
Standard Bank Group	1.3
Nedbank	1.2
Namibia Breweries	1.1
Prosus N.V.	1.1
AngloGold Ashanti	1.0
Total (%)	**14.7**

Top credit exposures on 31 March 2023 (updated quarterly)[6]

Issuer	% of portfolio
Republic of Namibia	26.8
First National Bank Namibia	4.8
Standard Bank Group	3.7
Standard Bank Namibia	2.1
Republic of South Africa	1.8
FirstRand Bank	1.4
Northam Platinum	1.3
Total (%)	**41.9**

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

Asset allocation on 30 April 2023

Asset Class	Total	Namibia[7]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	24.7	7.6	7.5	0.7	8.8
Hedged equity	18.9	0.0	8.4	0.0	10.4
Property	1.7	0.9	0.6	0.0	0.2
Commodity-linked	3.8	3.1	0.0	0.0	0.8
Bonds	33.3	21.0	6.7	1.5	4.0
Money market and bank deposits	17.7	14.8	0.9	0.1	1.8
Total (%)	**100.0**	**47.4**	**24.2**	**2.4**	**26.0**

7. 3.6% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 6.6%.

Total expense ratio (TER) and transaction costs

TER and transaction costs breakdown for the 1 and 3-year period ending 31 March 2023	1yr %	3yr %
Total expense ratio	**1.77**	**1.27**
Fee for benchmark performance	1.03	1.03
Performance fees	0.62	0.11
Other costs excluding transaction costs	0.12	0.13
Transaction costs	**0.05**	**0.07**
Total investment charge	**1.82**	**1.34**

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

Fund manager quarterly commentary as at 31 March 2023

The recovery in global markets that began towards the end of last year extended into the first quarter with investors buoyed by the reopening of the Chinese economy, while eyeing the end of central banks' rate hiking cycles. The FTSE/JSE All Share Index reached a new all-time high in January. This positive sentiment has faltered somewhat more recently as concerns emerged about the stability of smaller regional banks in the United States, which are less robust than the larger, more regulated, systemically important banks. The loss of confidence spilled over to Europe, resulting in a last-minute forced merger of UBS and Credit Suisse, a bank that had been flailing for some time. Low-yield client deposits left these institutions and flowed towards banks that were deemed safer as well as higher-yielding treasuries and money market funds. These events highlight the negative impact that rapid interest rate increases and the accompanying higher cost of capital are having on businesses with weaker, less resilient business models – a risk that is not confined to the banking sector.

The FTSE NSX Local Index had a very strong quarter, returning 22%. Apart from strong performance from some of the local banks, Namibia Breweries was a key driver. The transaction disposing of their 25% stake in Heineken South Africa was finalised this quarter and the proceeds declared as a special dividend, which amounted to more than half of its market capitalisation.

Although global inflation looks to have peaked, we are of the view that it may remain above targeted levels for a prolonged period. This is owing to structural changes in energy and labour markets in addition to the steady reversal of globalisation gains, which have been a powerful deflationary force over the last two decades. If this proves correct, the loosening of monetary policy currently anticipated by the market in the second half of this year may be premature.

In our view, the near-term environment for global equities is not particularly bullish given potential rate cuts necessitated by stress in the banking system and economies possibly dipping into recessionary territory.

Against this backdrop, the Fund returned 4.7% this quarter. South African and Namibian equities, commodity ETFs and foreign assets were the main contributors, helped by Namibian dollar weakness. Asset allocation has remained broadly unchanged since the start of the year. The Fund has retained a large allocation to hedged equities, both in South Africa and offshore. This presents a form of protection against equity market weakness with a return profile closer to cash plus relative equity performance. At both Allan Gray and Orbis, we regard the valuation disparities of shorter- and longer-duration stocks as unwarranted, particularly given the rally in the latter over the last six months. Net equity exposure is at 25% compared to the maximum allowable limit of 40%, reflecting the current, more conservative stance.

While Namibian government bonds remain attractively valued, we continue to balance it against the well-known fiscal risks and the increasing attractiveness of local cash. Positive real cash rates are now attainable after recent Bank of Namibia hikes. In South Africa, the fiscal outlook is deteriorating. Resource sector earnings have come off from cyclical highs and spending pressures are increasing, exacerbated by record loadshedding and continued infrastructure constraints with knock-on impacts on economic growth.

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 2023. 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.

Compliance with Regulation 13

The Fund is managed to comply with Regulation 13 of the Pension Funds Act 24 of 1956. Exposures in excess of the limits prescribed in Regulation 13 shall be dealt with in accordance with Regulations. Notwithstanding the aforesaid, the Fund does not hold Unlisted Investments in accordance with Regulation 13(5) and the Management Company does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act.

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**