Allan Gray Namibia Stable Fund

31 July 2024

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 40% of the Fund. The Fund typically invests the bulk of its foreign 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

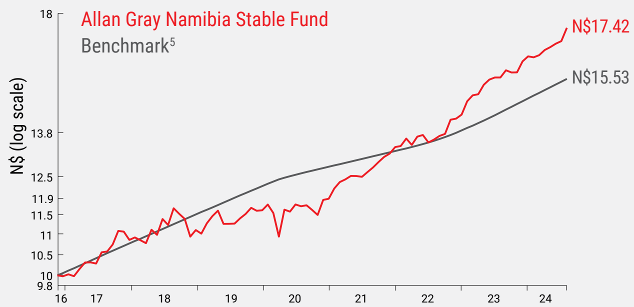
Fund information on 31 July 2024

Fund size	N$393m
Price	N$1 354.02
Number of share holdings	43
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 August 2023 and the benchmark's occurred during the 12 months ended 31 May 2024. 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 31 July 2024.

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)	74.2	55.3
Annualised:		
Since inception (5 December 2016)	7.5	5.9
Latest 5 years	9.2	5.5
Latest 3 years	11.4	6.1
Latest 2 years	13.3	7.2
Latest 1 year	11.8	7.8
Year-to-date (not annualised)	6.6	4.5
Risk measures (since inception)		
Maximum drawdown[1]	-6.9	n/a
Percentage positive months[2]	70.7	100.0
Annualised monthly volatility[3]	5.7	0.4
Highest annual return[4]	15.9	7.8
Lowest annual return[4]	-4.5	3.6

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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 2023	31 Dec 2023	31 Mar 2024	30 Jun 2024
Cents per unit	1358.3588	1350.4493	1455.8601	1522.2019

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 2024 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	2.2
AB InBev	2.0
Nedbank	1.3
Woolworths	1.2
AngloGold Ashanti	1.1
Standard Bank Group	1.1
FirstRand Namibia	1.0
Remgro	0.9
Glencore	0.9
Gold Fields	0.8
Total (%)	**12.6**

Top credit exposures on 30 June 2024 (updated quarterly)[6]

Issuer	% of portfolio
Republic of Namibia	30.3
Standard Bank Group	5.3
First National Bank Namibia	5.0
FirstRand Bank	3.8
Bank Windhoek	2.7
Standard Bank Namibia	1.8
United States Treasury	1.4
Morgan Stanley	1.4
Total (%)	**51.8**

Asset allocation on 31 July 2024

Asset Class	Total	Namibia[7]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	27.3	5.5	10.4	0.3	11.1
Hedged equity	11.6	0.0	4.2	0.0	7.4
Property	0.8	0.5	0.1	0.0	0.2
Commodity-linked	2.8	1.8	0.0	0.0	1.1
Bonds	44.8	28.6	9.0	0.8	6.5
Money market and bank deposits	12.6	10.5	0.4	0.1	1.5
Total (%)	**100.0**	**46.9**	**24.1**	**1.2**	**27.8**

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

7. 3.3% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 5.1%.

Total expense ratio (TER) and transaction costs (updated quarterly)

TER and transaction costs breakdown for the 1 and 3-year period ending 30 June 2024	1yr %	3yr %
Total expense ratio	**1.73**	**1.68**
Fee for benchmark performance	1.03	1.02
Performance fees	0.60	0.53
Other costs excluding transaction costs	0.10	0.13
Transaction costs	**0.06**	**0.06**
Total investment charge	**1.79**	**1.74**

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

Fund manager quarterly commentary as at 30 June 2024

In a welcome change from the recent past, returns from South African risk assets took centre stage during the last quarter. This came as the uncertainty around the outcome of the South African national elections began to clear and a more centrist coalition government than some had initially feared emerged. The FTSE/JSE All Bond Index (ALBI) returned 7.5% for the quarter as yield differentials to both the US and emerging market peers (i.e. risk premiums) narrowed. The beleaguered rand strengthened more than 3% to the US dollar, and the FTSE/JSE Financials Index, which is made up mostly of banks and insurers predominantly exposed to the domestic economy, added 17.1% compared to a still-healthy 8.2% for the FTSE/JSE Capped Shareholder Weighted All Share Index as a whole.

While the political developments were well-received by markets, there remains cause to temper some of the enthusiasm shown to date. If the formation of a government proved difficult, setting of policy priorities and ongoing decision-making may prove harder still. Opposing ideologies between (and, in some cases, within) the various political parties add complexity – not to mention the destabilising impact parties who are not part of the coalition could have, should they exert their influence. Indeed, this has been the undoing of numerous coalition agreements at a municipal level in the past.

Politics aside, the structural factors that contribute to South Africa's low-growth environment, including failing state-owned enterprises, crime, corruption, skills shortages and expanding fiscal deficits, remain. It was these factors which ultimately undid the initial bout of Ramaphoria in 2018. Fast-forward to 2024, and these aspects are now partly baked into the valuations at which South African assets trade. Hence, any improvements in this regard, off a lower base, may contribute to improved investment outcomes.

The well-received political developments and improved sentiment in South Africa also contributed positively to local asset prices, particularly our local government bonds that benchmark against South African government bonds. In addition, local economic indicators remain positive. The economy is growing just below 5% in real terms and foreign direct investment is at historic highs in dollar terms, driven in part by the investment in the oil and gas sector. The IJG All Bond Index returned 9.9% for the quarter, outperforming the ALBI. The FTSE NSX Local Index experienced another positive quarter, returning 2.5%.

The local general election in November is not without its own risks, particularly with regards to fiscal discipline and policy certainty. As the election date approaches, uncertainty around the election outcomes and its potential impact on market prices will heighten and become more front of mind.

Globally, this is a bumper year for elections. Some of these election outcomes have already proved influential on investment markets. Examples beyond South Africa include India, Mexico, France and the European Parliament. UK voters are set to head to the polls in July, and US voters will follow suit in November. The US equity market has continued to post new all-time highs during the quarter driven by the mega-cap technology shares, even as the number of counters powering the rally has thinned out further. Market breadth in the US, which now accounts for approximately 65% of global equity market capitalisation, has rarely been narrower. We, and our colleagues at our offshore partner, Orbis, remain concerned over valuation levels in certain parts of the global market and what this may mean for near-term absolute returns if large valuation discrepancies begin to unwind. An allocation to offshore hedged equities seeks to exploit such an occurrence.

It is worth reiterating the Fund's dual objective of providing long-term returns ahead of cash and offering a high degree of capital stability. Current high cash rates do present a steep performance hurdle to overcome. It is important that the appropriate balance is struck between the risk and return required in meeting and surpassing this hurdle, especially in an environment of uncertainty both locally, regionally and offshore.

Commentary contributed by Sean Munsie and Tuyeni Akwenye

Important information for investors

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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).

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.

FTSE Russell Index

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