Allan Gray Namibia Balanced Fund

B Class 30 September 2024

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 75% 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.

Fund objective and benchmark

The Fund aims to earn a higher total rate of return than that of the average Namibian retirement fund investment manager over the long term. The benchmark is the return of a daily weighted average index of Namibian multi asset class funds that comply with the limits governing Namibian retirement funds.

How we aim to achieve the Fund's objective

We seek to buy shares at a 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 increase the Fund's weighting to alternative assets such as bonds, property, commodities and cash, or we may partially hedge the Fund's stock market exposure. By varying the Fund's exposure to these different asset classes over time, we seek to enhance the Fund's long-term returns and to manage its risk. The Fund's bond and money market investments are actively managed.

Suitable for those investors who

- Seek steady long-term capital growth
- Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund
- Wish to invest in a unit trust that complies with retirement fund investment limits
- Typically have an investment horizon of more than three years

Minimum investment amounts

Minimum lump sum per investor account	N$20 000
Additional lump sum	N$500
Minimum debit order	N$500

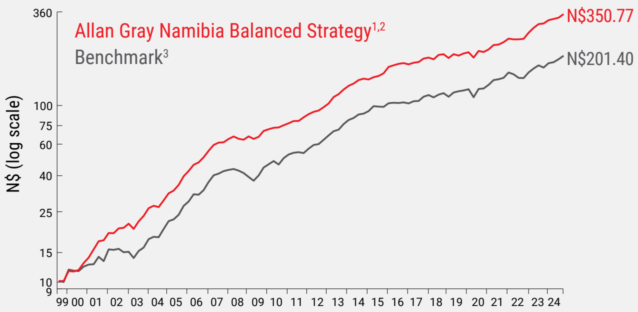
Fund information on 30 September 2024

Fund size	N$4 890m
Price	N$2 645.80
Number of share holdings	41
Class	B

1. On 1 February 2014 all the assets and unitholder liabilities of the Allan Gray Namibia Investment Trust were transferred to the Allan Gray Namibia Balanced Fund. The investment philosophy, strategy, fund objective, mandate, restrictions and fund managers remain unchanged.
2. Prior to the inception of this class of the Fund (1 October 2014) the performance and risk measures are calculated using the A class performance of the Fund.
3. The current benchmark is the return of a daily weighted average index of Namibian multi asset class funds that comply with the limits governing Namibian retirement funds, which is provided by Morningstar. From inception to 30 September 2014 the benchmark was the average Alexander Forbes Namibia Manager Watch Survey. Performance as calculated by Allan Gray as at 30 September 2024.
4. Maximum percentage decline over any period calculated from monthly returns. The maximum drawdown occurred from 31 January 2020 to 31 March 2020 and maximum benchmark drawdown occurred from 31 May 2008 to 28 February 2009. Drawdown is calculated on the total return of the Fund/benchmark (i.e. including income).
5. The percentage of calendar months in which the Fund produced a positive monthly return since inception.
6. 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.
7. 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 May 2001 and the benchmark's occurred during the 12 months ended 30 April 2006. The Fund's lowest annual return occurred during the 12 months ended 30 April 2009 and the benchmark's occurred during the 12 months ended 28 February 2009. All rolling 12-month figures for the Fund and the benchmark are available from our Client Service Centre on request.

Performance (N$) net of all fees and expenses

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



% Returns	Strategy[1,2]	Benchmark[3]
Cumulative:		
Since inception (12 August 1999)	3407.7	1914.0
Annualised:		
Since inception (12 August 1999)	15.2	12.7
Latest 10 years	9.0	8.0
Latest 5 years	11.0	9.7
Latest 3 years	13.3	10.3
Latest 2 years	17.9	16.0
Latest 1 year	13.3	17.0
Year-to-date (not annualised)	8.4	10.4
Risk measures (since inception)		
Maximum drawdown[4]	-8.5	-20.2
Percentage positive months[5]	73.1	62.8
Annualised monthly volatility[6]	8.1	10.1
Highest annual return[7]	47.4	45.6
Lowest annual return[7]	-5.2	-19.2

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 biannually.	31 Dec 2023	30 Jun 2024
Cents per unit	**3955.7857**	**4760.9017**

Annual management fee

Allan Gray charges a fee on the portion of the fund they manage, 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.

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 2024 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
FirstRand Namibia	3.2
AB InBev	3.0
British American Tobacco	2.7
Naspers & Prosus	2.7
Stimulus	1.8
Nedbank	1.7
Standard Bank Group	1.7
Glencore	1.7
Oryx Properties	1.6
Woolworths	1.6
Total (%)	**21.7**

8. 6.8% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 10.1%.

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

Asset allocation on 30 September 2024

Asset Class	Total	Namibia[8]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	58.0	15.7	19.4	0.9	21.9
Hedged equity	4.9	0.0	0.0	0.0	4.9
Property	1.9	1.6	0.0	0.0	0.3
Commodity-linked	4.5	3.3	0.0	0.0	1.2
Bonds	22.4	18.5	0.0	0.7	3.1
Money market and bank deposits	8.3	7.2	0.0	0.1	1.1
Total (%)	**100.0**	**46.3**	**19.5**	**1.6**	**32.6**

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	**1.72**	**1.39**
Fee for benchmark performance	1.03	1.03
Performance fees	0.65	0.32
Other costs excluding transaction costs	0.04	0.04
Transaction costs	**0.05**	**0.06**
Total investment charge	**1.77**	**1.45**

Fund manager quarterly commentary as at 30 September 2024

In the previous quarter, we reiterated the following in our commentary: "We remind our clients that we have deliberately constructed a diversified portfolio for a wide range of outcomes."

The third quarter of 2024 has certainly highlighted the need for a carefully constructed, diversified portfolio in the face of significant volatility.

The quarter included a remarkable one-day crash and subsequent recovery in Japanese shares. This was in response to a larger-than-forecast rise in short-term interest rates by the Bank of Japan, which triggered a strong rally in the yen. The TOPIX fell by 12.2% in a single day and the better-known Nikkei index had one of its greatest intraday falls since the crash of 1987, before bouncing by 10% the next day. This led to a sharp sell-off across global equities. While many analysts attribute this to the unwinding of the long-running yen carry trade, where investors borrow in yen and invest in higher-yielding international assets, it is not yet clear if other factors contributed as well.

For example, US equities had another large intraday sell-off on 6 September. Remarkably, the S&P 500 ended the quarter making new all-time highs. To put this in perspective, Nvidia, one of the three largest companies by market value in the world, lost US$279bn in value on 3 September. Since mid-June, the US$3tn bellwether AI/semiconductor stock has gone from a high of US$140 to a low of US$90, back to US$130 and then down to US$120. The significant volatility in global equities, while potentially unnerving in the short term, can hopefully provide opportunities for patient long-term investors.

In South Africa, the FTSE/JSE All Share Index consolidated its strong second-quarter gains in July, before a sharp sell-off in line with Japanese and US stocks, before going on to reach a new all-time high of 87 802 in September. In contrast, the FTSE NSX Local Index was a clear laggard for the quarter, returning only 1.7%.

The other theme affecting markets is the continued weakness of the Chinese economy and stock market. Chinese government bond yields are trading at close to all-time lows in response to the disinflationary conditions in the economy.

We have written about our concerns over Chinese investment-led, debt-funded growth for many years – and perhaps the bill has finally come due. This weakness has shown up in the price of commodities and the share prices of mining companies. While the Fund has been underweight diversified mining shares, we are sharpening our pencils and revisiting our valuations. The other potential opportunity is the weakness in some global multinational consumer stocks, whose profits in China have disappointed. Of course, in South Africa, the weakness in China could have implications for Prosus and Richemont.

Turning our attention to the bond market, over the quarter, Namibian bonds rallied across the curve with the IJG All Bond Index returning 8.2%. The moves were driven by positive sentiment on South African bonds. The South African 10-year yield continued its post-government of national unity (GNU) rally from 12.2% in April to 10% on hopes of reform under the GNU and the release of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) proceeds, which reduced forecast issuance. For some time, we have viewed 10% as a key level for the 10-year bond yield and continue to monitor it closely. It will be a significant change in the market's view of South Africa's risk should it trade below 10% sustainably. Please refer to our podcast, where we discuss the impact of the great election year on financial markets.

The fall in the cost of capital and increase in growth expectations have continued to underpin the rally in South African shares that are largely exposed to the South African consumer. For example, Mr Price has rallied from an April low of R157 to R270 while Capitec has risen from R1 982 to R3 045.

It is clear that the share prices of these South Africa-focused companies are discounting a better future, but the recent earnings results were generally still reflective of the poor economy, structural problems, and a tough trading environment. It is also probably fair to say that the GNU's "unity" has yet to be truly tested. It has been a great period for holders of these South African assets and the rand, and hence Namibian dollar, has strengthened as well, but the fundamentals will still have to come through to justify the price moves.

Commentary contributed by Birte Schneider and Duncan Artus

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).

FTSE/JSE All Share Index and FTSE/JSE Capped Shareholder Weighted All Share Index

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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.

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