# Allan Gray Namibia Stable Fund

**30 November 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 |

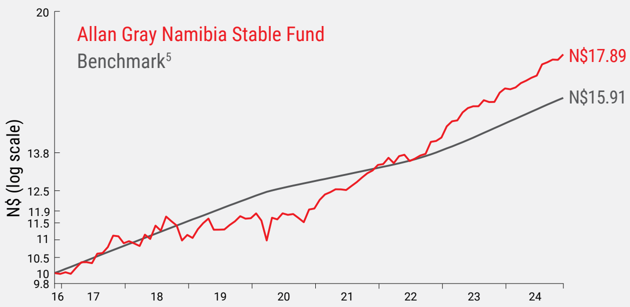
## Fund information on 30 November 2024

| | |
|---|---|
| Fund size | N$395m |
| Price | N$1 375.70 |
| Number of share holdings | 42 |
| 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 30 June 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 30 November 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) | 78.9 | 59.1 |
| **Annualised:** | | |
| Since inception (5 December 2016) | 7.5 | 6.0 |
| Latest 5 years | 9.1 | 5.5 |
| Latest 3 years | 10.8 | 6.5 |
| Latest 2 years | 12.2 | 7.5 |
| Latest 1 year | 10.7 | 7.7 |
| Year-to-date (not annualised) | 9.5 | 7.0 |
| **Risk measures (since inception)** | | |
| Maximum drawdown[1] | -6.9 | n/a |
| Percentage positive months[2] | 70.8 | 100.0 |
| Annualised monthly volatility[3] | 5.6 | 0.4 |
| Highest annual return[4] | 15.9 | 7.8 |
| Lowest annual return[4] | -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. | 31 Dec 2023 | 31 Mar 2024 | 30 Jun 2024 | 30 Sep 2024 |
|---|---|---|---|---|
| **Cents per unit** | 1350.4493 | 1455.8601 | 1522.2019 | 1448.1605 |

## 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 2024 (CMA and Foreign) (updated quarterly)

| Holdings | % of portfolio |
|---|---|
| AB InBev | 2.2 |
| British American Tobacco | 2.2 |
| Woolworths | 1.6 |
| Nedbank | 1.5 |
| Standard Bank Group | 1.1 |
| AngloGold Ashanti | 1.1 |
| Remgro | 1.0 |
| FirstRand Namibia | 1.0 |
| Glencore | 0.8 |
| Gold Fields | 0.7 |
| **Total (%)** | **13.2** |

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

| Issuer | % of portfolio |
|---|---|
| Republic of Namibia | 30.1 |
| Standard Bank Group | 5.1 |
| First National Bank Namibia | 4.9 |
| FirstRand Bank | 3.7 |
| Bank Windhoek | 2.3 |
| Standard Bank Namibia | 2.1 |
| United States Treasury | 1.4 |
| Morgan Stanley | 1.2 |
| **Total (%)** | **50.8** |

## Asset allocation on 30 November 2024

| Asset Class | Total | Namibia[7] | South Africa | Africa ex-SA and Namibia | Foreign ex-Africa |
|---|---|---|---|---|---|
| Net equity | 26.1 | 5.3 | 9.5 | 0.4 | 10.9 |
| Hedged equity | 12.0 | 0.0 | 4.2 | 0.0 | 7.8 |
| Property | 1.0 | 0.5 | 0.1 | 0.0 | 0.3 |
| Commodity-linked | 2.8 | 1.8 | 0.0 | 0.0 | 1.0 |
| Bonds | 50.5 | 31.6 | 11.0 | 1.0 | 6.8 |
| Money market and bank deposits | 7.7 | 6.0 | 0.4 | 0.1 | 1.2 |
| **Total (%)** | **100.0** | **45.2** | **25.3** | **1.5** | **28.0** |

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

7. 3.1% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 4.9%.

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

| TER and transaction costs breakdown for the 1 and 3-year period ending 30 September 2024 | 1yr % | 3yr % |
|---|---|---|
| **Total expense ratio** | **1.70** | **1.77** |
| Fee for benchmark performance | 1.03 | 1.03 |
| Performance fees | 0.58 | 0.62 |
| Other costs excluding transaction costs | 0.09 | 0.12 |
| **Transaction costs** | **0.04** | **0.06** |
| **Total investment charge** | **1.74** | **1.83** |

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

## Fund manager quarterly commentary as at 30 September 2024

South African assets performed strongly following the formation of the new government of national unity (GNU) in June, and this performance continued into the third quarter. Year to date, South African shares returned 15.9%, as measured by the FTSE/JSE Capped Shareholder Weighted All Share Index, and South African bonds returned 16.7%. While Namibian bonds also performed strongly, returning 13.5%, Namibian equities, as measured by the FTSE NSX Local Index, lagged significantly at 7.7%, but still outperformed cash. Over the same period, the Fund delivered a return of 8.0%, ahead of its benchmark of 5.8% and year-on-year CPI inflation of 4.4%. The Fund's South African and Namibian share bond holdings helped boost year-to-date performance, as these asset classes have outperformed cash.

The Fund aims to generate returns ahead of bank deposits and inflation, while maintaining a high degree of capital stability and minimising the risk of loss over any two consecutive years. As discussed in previous commentaries, going into a year with several important elections, the Fund was carefully positioned to achieve these objectives regardless of the outcome. An even higher allocation to risk assets would, of course, have delivered an even higher return, but this is easy to see in hindsight. While the South African elections ultimately resulted in a market-friendly outcome, this was far from certain in the run-up to voting day. Even after the initial election results were declared, there was still much ambiguity about the form the ruling coalition would take.

Short-term prospects for consumers are looking better than a year ago, with both the Bank of Namibia and the South African Reserve Bank cutting interest rates by 25 basis points over the quarter. Moreover, the reprieve in loadshedding has reduced non-productive expenditure which should improve profit opportunities for South African companies. Beyond these temporary tailwinds, however, in the South African context we remain concerned about growth prospects. Opposing ideologies between and within the GNU's coalition partners are likely to cause complications down the road and, in the meantime, South Africa still faces serious structural issues. These include the ongoing challenges at Eskom and Transnet, as well as deteriorating state infrastructure. It is therefore possible that the recent enthusiasm, which has seen South Africa outperform many of its emerging market peers, has gotten ahead of itself. We carefully weigh up these considerations as we review the investment cases for South African assets, and despite the broader structural concerns, we continue to find compelling opportunities.

At yields of around 8%, the return on money market instruments is currently attractive in real terms and, as a result, the Fund's cash balance has remained substantial over the quarter. In our view, cash is a valuable source of optionality, giving us the flexibility to take advantage of opportunities as they arise. The Fund continues to have a large allocation to bonds, the majority in Namibia. It is a reflection of the decent real returns on offer even after the bond rally and an improving fiscal outlook for Namibia. The Fund takes little credit risk.

The rand and the Namibian dollar have strengthened in the months following the South African election, causing the Fund's foreign exposure to be a drag on performance. The same can be said for "rand hedge" shares, such as Anheuser-Busch InBev (AB InBev). The Fund maintains a foreign exposure of 28%, with the ability to increase this up to 40%. Currently, close to half of the Fund's offshore allocation is invested in low-risk instruments such as cash or cash-like securities and hedged equities. The foreign component of the Fund remains a useful source of protection against negative developments locally and in South Africa or a pullback in Southern African asset prices.

Commentary contributed by Birte Schneider and Tim Acker

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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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