

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

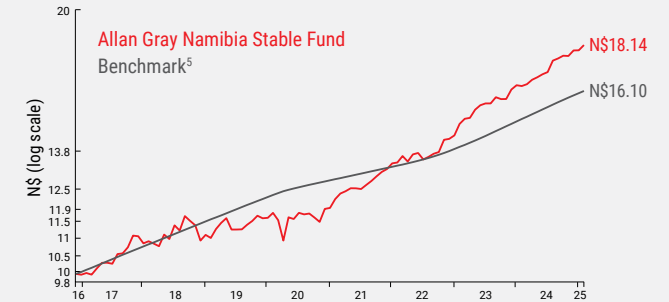
Minimum lump sum per investor account	N\$20 000
Additional lump sum	N\$500
Minimum debit order	N\$500

Fund information on 31 January 2025

Fund size	N\$394m
Price	N\$1 381.67
Number of share holdings	42
Class	A

Performance (N\$) net of all fees and expenses

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



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 31 January 2025.

% Returns	Fund	Benchmark ⁵
Cumulative:		
Since inception (5 December 2016)	81.4	61.0
Annualised:		
Since inception (5 December 2016)	7.6	6.0
Latest 5 years	9.1	5.6
Latest 3 years	10.7	6.7
Latest 2 years	10.8	7.5
Latest 1 year	11.2	7.6
Year-to-date (not annualised)	1.4	0.6
Risk measures (since inception)		
Maximum drawdown ¹	-6.9	n/a
Percentage positive months ²	71.4	100.0
Annualised monthly volatility ³	5.5	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 Mar 2024	30 Jun 2024	30 Sep 2024	31 Dec 2024
Cents per unit	1455.8601	1522.2019	1448.1605	1320.2146

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 December 2024 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
British American Tobacco	2.3
AB InBev	1.9
Woolworths	1.4
Nedbank	1.2
AngloGold Ashanti	1.0
Standard Bank Group	1.0
FirstRand Namibia	1.0
Remgro Limited	1.0
Sappi	0.7
Gold Fields Limited	0.7
Total (%)	12.2

Top credit exposures on 31 December 2024 (updated quarterly)⁶

Issuer	% of portfolio
Republic of Namibia	30.3
Standard Bank Group	6.2
First National Bank Namibia	5.0
FirstRand Bank	2.7
United States Treasury	1.9
Bank Windhoek	1.6
Standard Bank Namibia	1.6
JP Morgan (London)	1.1
Total (%)	50.4

Asset allocation on 31 January 2025

Asset Class	Total	Namibia ⁷	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	25.4	4.8	8.8	0.4	11.4
Hedged equity	13.0	0.0	4.4	0.0	8.6
Property	1.0	0.6	0.1	0.0	0.4
Commodity-linked	2.9	1.9	0.0	0.0	1.1
Bonds	46.7	30.1	9.0	1.1	6.4
Money market and bank deposits	11.0	9.2	0.5	0.1	1.3
Total (%)	100.0	46.6	22.7	1.6	29.1

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

7. 2.6% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 4.5%.

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

TER and transaction costs breakdown for the 1 and 3-year period ending 31 December 2024	1yr %	3yr %
Total expense ratio	1.72	1.74
Fee for benchmark performance	1.03	1.03
Performance fees	0.60	0.60
Other costs excluding transaction costs	0.09	0.11
Transaction costs	0.04	0.05
Total investment charge	1.76	1.79

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

The Fund's return for the quarter was 1.4%, with offshore assets and local cash contributing to performance. Over the last year, the Fund has returned 9.5% well ahead of its benchmark and inflation of 3.4%.

After two quarters of strong gains, the last quarter of 2024 saw more muted returns from South African markets and local bonds as they digested the outcome of the US presidential election in November and the latest actions from central banks, all while concerns regarding growth prospects in the world's largest economies persisted. Globally, equity markets fared similarly to the South African markets, with the exception of the United States where the benchmark indices have continued to hit fresh all-time highs. Interestingly, this is in stark contrast to the performance of US Treasuries whose yields have risen markedly since the US Federal Reserve began its rate-cutting cycle.

Local equities delivered a respectable return of 10.7% in 2024, but the index return masks a wide spread of outcomes, with some counters, such as Namibia Breweries Limited, producing negative returns.

The standout performer among local asset classes in 2024 was government bonds, with the IJG All Bond Index returning 14.1%, primarily driven by the resurgent bounce in South African bonds, which our local government bonds are priced from. Yield differentials, or risk premiums required by investors to hold the country's debt, narrowed versus both the US and emerging market peers. Given that local bonds are a significant component of the Fund's asset mix (30.1% of the Fund at 31 December 2024), this has provided a welcome tailwind to performance. Updates from the oil majors on commerciality of their offshore oil projects are likely to remain an important long-term driver of local bond returns. Political uncertainty is less of a tail risk as the outcome of the recent elections largely maintained the status quo, with the South West Africa People's Organisation (SWAPO) party winning the majority vote for both the presidential and national election.

Buoyed by the outcome of South Africa's national elections, South African shares with greater exposure to the domestic economy were among the best performers on the JSE this year. The FTSE/JSE Financials Index, comprising mostly banks and insurers, gained 22.4%, while retailers and other select South African industrials performed even stronger. The overall FTSE/JSE All Share Index returned 13.4%, its strongest showing since its post-COVID-19 bounce in 2021.

For the most part, the rally to date has been driven more by a sentiment-based multiple rerating, from a depressed base, as opposed to a widespread positive

uptick in earnings growth. For investment gains to be held and advance into a multi-year recovery, it is crucial that progress is made in addressing structural inhibitors to growth in the country. The fleeting returns seen during "Ramaphoria" remain fresh in investors' minds, helping to explain why foreign investor flows into the South African equity market – important "new money" – has remained on the sidelines thus far. The prolonged suspension of loadshedding has been a crucial step, but as always, caution is needed – particularly where undue optimism has run ahead of fundamentals.

Resource shares proved the biggest drag on index returns in the last quarter with the FTSE/JSE Resources Index falling 9.0%, and 8.6% for the full year. Thus far, the raft of stimulus measures announced by the Chinese government in September have fallen short of the scale required to reinvigorate the residential property market, with prices continuing to fall into year-end. As the largest store of household wealth, this has a significant impact on the consumptive side of the economy, which the government sees as the longer-term engine of economic growth. Despite the prevailing environment, prices for commodities with significant exposure to Chinese demand have not fallen as much as expected. For example, iron ore was down 27.2% but remains above US\$100 per tonne and copper was up 2.7% for the year – potentially an indicator that further downside may be ahead before a bottom in the market can be called with any confidence.

Foreign assets comprised 29.0% of the Fund's assets at 31 December 2024. The rand and Namibian dollar, together with most currencies, have fared poorly against the US dollar since the US elections, weakening by 9.1% over the quarter. Market breadth in the United States, which now accounts for approximately 70% of global equity market capitalisation, has rarely been narrower. We, and our partners at 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.

It is worth reiterating the Fund's dual objective of providing long-term returns ahead of cash together with offering a high degree of capital stability. While the interest rate-cutting cycle has begun, cash rates remain high and 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 and offshore. The allocation to hedged equities and cash serves a dual purpose in this regard, providing protection as well as optionality.

Commentary contributed by Sean Munsie and Tuyeni Akwenye

Fund manager quarterly commentary as at 31 December 2024

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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/JSE All Share Index, FTSE/JSE All Bond Index, FTSE/JSE Financials Index and FTSE/JSE Resources Index

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

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