Allan Gray Namibia Balanced Fund

B Class 31 March 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

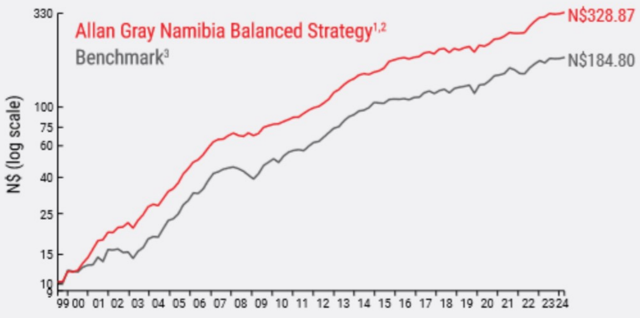
Fund information on 31 March 2024

Fund size	N$4 501m
Price	N$2 527.44
Number of share holdings	42
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 31 March 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)	3188.7	1748.0
Annualised:		
Since inception (12 August 1999)	15.3	12.6
Latest 10 years	9.0	7.7
Latest 5 years	9.8	8.4
Latest 3 years	12.3	8.3
Latest 2 years	14.6	8.4
Latest 1 year	12.7	8.8
Year-to-date (not annualised)	1.6	1.3
Risk measures (since inception)		
Maximum drawdown[4]	-8.5	-20.2
Percentage positive months[5]	72.9	62.0
Annualised monthly volatility[6]	8.2	10.2
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.	30 Jun 2023	31 Dec 2023
Cents per unit	7704.0443	3955.7857

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 31 March 2024 (CMA and Foreign)
(updated quarterly)

Holdings	% of portfolio
FirstRand Namibia	3.7
AB InBev	3.2
British American Tobacco	2.8
Naspers & Prosus	2.4
Glencore	2.2
Stimulus	1.9
Namibia Breweries	1.6
Oryx Properties	1.6
Nedbank	1.5
Standard Bank Group	1.3
Total (%)	**22.2**

8. 5.8% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 9.2%.

9. The exposure below the limit was caused by market value movements.

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

Asset allocation on 31 March 2024

Asset Class	Total	Namibia[8,9]	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	58.9	15.7	19.2	0.9	23.1
Hedged equity	5.2	0.0	0.0	0.0	5.1
Property	2.0	1.6	0.0	0.0	0.4
Commodity-linked	4.5	3.4	0.0	0.0	1.1
Bonds	20.5	15.9	0.5	0.8	3.3
Money market and bank deposits	8.9	8.1	0.0	0.1	0.7
Total (%)	**100.0**	**44.6**	**19.8**	**1.9**	**33.7**

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

TER and transaction costs breakdown for the 1 and 3-year period ending 31 December 2023	1yr %	3yr %
Total expense ratio	**1.73**	**1.23**
Fee for benchmark performance	1.03	1.03
Performance fees	0.65	0.15
Other costs excluding transaction costs	0.04	0.04
Transaction costs	**0.05**	**0.06**
Total investment charge	**1.78**	**1.29**

Fund manager quarterly commentary as at 31 March 2024

The past quarter has shown a mixed performance across various stock indices. The FTSE NSX Local Index experienced a positive quarter, buoyed by strong results from the banking sector. In contrast, the FTSE/JSE All Share Index trended lower, with several companies seeing a drop in their share prices following the release of financial results.

The challenging operating environment for South African businesses stands in stark contrast to the robust performance of global equities. The MSCI World Index has even surpassed its 2022 all-time high, largely driven by US mega-caps, with notable strength also seen in Japanese and certain European markets. Against this backdrop, our Fund returned 1.6% for the quarter.

2024 could be described as the global year of elections. Based on research conducted by Deutsche Bank, 2024 will see the highest percentage of the world's population voting since 1800. Some of the key regions heading to the polls include Taiwan, Europe, the United States of America, India, the United Kingdom, South Africa and, of course, Namibia. In the normal course of thinking about investments, we do not pay special attention to politics – but this is not a normal election cycle; the outcomes could drastically change many policies that affect some of our underlying holdings. In our view, 2024 has above-average political risk.

The various elections are taking place against the backdrop of a world increasingly divided along both geopolitical and social lines. This is a trend we have been discussing with our clients for several years, and one that is making the operating environment increasingly complex for many multinational companies. Think of the partial ban of iPhones for certain public sector workers in China or the shipping attacks in the Red Sea affecting global shipping routes. While we have no unique insights, we do think about these risks when constructing the portfolio. For example, we have written many times about the significant exposure that the South African equity market has to China. We put limits on this exposure.

Closer to home, we may see quite a different political and economic landscape after the South African national elections in May. No one knows the outcome with certainty, given several potential scenarios. Clearly, not all of them are positive. Rather than hedging our bets on one or two scenarios prevailing, we try to understand what is discounted in current asset prices.

This is of particular importance to the valuations of many depressed South African-focused shares. The political and economic uncertainty in South Africa has pushed up the cost of capital via higher long-bond yields. When this is combined with low or non-existent real growth, the result is a low valuation placed on profits.

Of course, any positive change in yields or growth could result in an upwards rerating from depressed levels. We believe that this scenario would require a return of foreign investors, first to South African bond and then equity markets. For that to happen, the country needs to become an attractive investment destination again. Large pools of foreign capital have many choices globally, and South Africa is small enough to ignore if the risk-reward ratio is not favourable.

Our elections in November also bring some uncertainty, at least on the fiscal discipline and finalisation of policies fronts. A positive sign is the smooth, stable transition of power after the unfortunate passing of our late president, Dr Hage Geingob.

With these risks and opportunities in mind, we have deliberately constructed a diversified portfolio for a wide range of outcomes. The portfolio has exposure to offshore assets, South African listed shares that are international businesses, attractively valued South African and Namibian businesses, high-yielding cash and bonds, as well as precious metals. We believe running a successful asset allocation fund requires a holistic view of the portfolio that allows us to balance the opportunities and risks derived from our positioning.

Commentary contributed by Birte Schneider and Duncan Artus

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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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MSCI 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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