

## 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

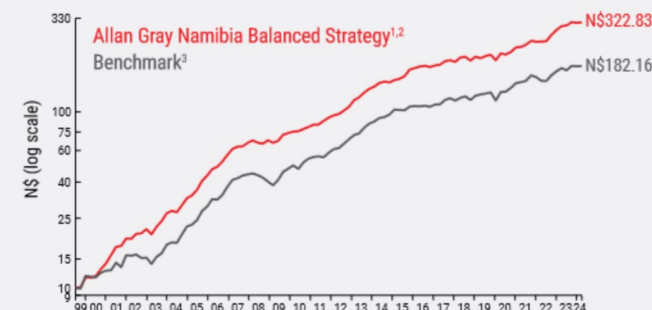
## Fund information on 29 February 2024

Fund size	N\$4 500m
Price	N\$2 480.97
Number of share holdings	42
Class	B

- 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.
- 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.
- 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 29 February 2024.
- 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).
- The percentage of calendar months in which the Fund produced a positive monthly return since inception.
- 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.
- 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 <sup>1,2</sup>	Benchmark <sup>3</sup>
<b>Cumulative:</b>		
Since inception (12 August 1999)	3128.3	1721.6
<b>Annualised:</b>		
Since inception (12 August 1999)	15.2	12.6
Latest 10 years	8.9	7.7
Latest 5 years	9.9	8.3
Latest 3 years	12.0	8.0
Latest 2 years	12.4	7.0
Latest 1 year	10.9	7.2
Year-to-date (not annualised)	-0.3	-0.2
<b>Risk measures (since inception)</b>		
Maximum drawdown <sup>4</sup>	-8.5	-20.2
Percentage positive months <sup>5</sup>	72.8	61.9
Annualised monthly volatility <sup>6</sup>	8.2	10.2
Highest annual return <sup>7</sup>	47.4	45.6
Lowest annual return <sup>7</sup>	-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 December 2023 (CMA and Foreign) (updated quarterly)

Holdings	% of portfolio
FirstRand Namibia	3.7
AB InBev	3.4
Glencore	2.4
British American Tobacco	2.4
Naspers & Prosus	2.0
Stimulus	1.9
Namibia Breweries	1.7
Oryx Properties	1.6
Woolworths	1.6
Mondi	1.5
<b>Total (%)</b>	<b>22.3</b>

8. 6.0% invested in companies incorporated outside Namibia but listed on the NSX. Including dual-listed commodity-linked ETFs, total exposure to dual-listed instruments is 9.3%.

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 29 February 2024

Asset Class	Total	Namibia <sup>8,9</sup>	South Africa	Africa ex-SA and Namibia	Foreign ex-Africa
Net equity	59.4	16.2	19.3	1.0	22.9
Hedged equity	5.2	0.0	0.0	0.0	5.1
Property	2.0	1.7	0.0	0.0	0.3
Commodity-linked	4.4	3.3	0.0	0.0	1.1
Bonds	21.1	16.3	0.6	0.9	3.4
Money market and bank deposits	8.0	7.2	0.0	0.1	0.6
<b>Total (%)</b>	<b>100.0</b>	<b>44.6</b>	<b>19.9</b>	<b>2.0</b>	<b>33.5</b>

## 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 %
<b>Total expense ratio</b>	<b>1.73</b>	<b>1.23</b>
Fee for benchmark performance	1.03	1.03
Performance fees	0.65	0.15
Other costs excluding transaction costs	0.04	0.04
<b>Transaction costs</b>	<b>0.05</b>	<b>0.06</b>
<b>Total investment charge</b>	<b>1.78</b>	<b>1.29</b>

2023 was another year full of surprising and unpredictable events. Most notably, in our opinion, global markets continue to be dominated by the announcements and actions of central banks, and expectations around those actions, rather than fundamentals. In 2022, as global inflation spiked and central banks responded by hiking interest rates, we saw a considerable sell-off in speculative, long-duration and leveraged assets, as the era of “easy money” appeared to be over. As inflation tapered during the course of 2023, and central banks have begun to signal an end to rate hiking and possible rate cuts, many of these assets have rebounded sharply:

- After selling off in 2022, global equity markets rebounded and were once again dominated by US stocks, and in particular large-cap US technology stocks. For the year ending 31 December 2023, the MSCI World Index was up 24%, the S&P 500 up 26% and the Nasdaq up 45% – in US dollars. The largest US stocks (Apple, Alphabet, Meta, Microsoft, Tesla, Nvidia and Amazon) have come to be known as the “magnificent seven”, and in 2023, magnificent they were. The “worst” performing of the group was Apple, up 49%, while the best, Nvidia, buoyed by the excitement around artificial intelligence and the related demand for their chips, was up over 200%. In absolute terms, the market value of Nvidia increased by over US\$800bn.
- Cryptocurrencies have also seen a resurgence. After being down over 64% in 2022, Bitcoin has bounced more than 160% to end the year at US\$42 085. Remarkably, that is still below where it began in 2022. This mathematical fact highlights how important avoiding large losses is to successful long-term investing. If you buy something that subsequently halves in value, you need it to increase by 100% to get your money back. In this particular case, Bitcoin speculators who bought on 31 December 2021 need to see a price recovery of 178% from 31 December 2022 to get their money back in nominal terms.
- One asset class that hasn’t seen as strong a recovery is the bond market. At the end of 2020, at the peak of the “easy money” era, there were roughly US\$18tn of negative-yielding bonds. That is to say, at that point in the market cycle, there was US\$18tn of debt where lenders were paying borrowers to borrow money from them! As interest rates began increasing in 2021 and increased further through 2022, bondholders began to suffer. The J.P. Morgan Global Government Bond Index fell by 6.5% in 2021 and a further 17.2% in 2022. It has failed to recover in 2023, returning 0.3%. Those who held long-duration “safe-haven” developed market bonds have fared much worse. In 2022, investors in US and UK 30-year bonds lost a third and half of their investments, respectively – only to see further declines in prices during the course of 2023, with a marginal recovery by year end.

In South Africa, the economic environment remains challenging, dominated by poor sentiment and record levels of loadshedding. It is not surprising that we have not seen the same resurgence in asset prices:

- In rands, the FTSE/JSE Capped SWIX All Share Index generated a return of 7.9% in 2023, which equates to a decline of 1.1% in US dollars, given persistent rand weakness. Within that though, there has been a large divergence in individual sector and stock performance. By way of example, within the precious metals sector, Harmony Gold has returned 105% for the year, while Impala Platinum fell by 55%, including dividends.
- The FTSE/JSE All Bond Index has fared slightly better, generating a return of 9.7% in rands and 0.6% in US dollars. Somewhat surprisingly, given the economic landscape, growing government debt and fiscal deficits, the yield on 10-year bonds has strengthened marginally from 11.1% at the start of 2023 to 10.9% at the end of the year.

Domestically, our local assets performed strongly:

- The FTSE NSX Local Index generated a return of 43% in Namibian dollars and 32% in US dollars in 2023. Most of the larger shares in the index performed well, since they were very cheap after a period of underperformance. Namibia Breweries returned 25% driven by the finalisation of the sale of its equity stake in Heineken South Africa and the resultant special dividend payment. Our domestic banks continued to benefit from the rising interest rate environment, returning between 38% and 114% for the year.
- The IJG All Bond Index delivered a return of 18.7% in 2023 in Namibian dollars and 8.9% in US dollars. Positive sentiment and news flow on the oil discoveries continues to drive local bonds higher. As a result, many of our bonds are now trading at a yield below their equivalent South African bonds. In other words, the market is signalling that lending to the Namibian government is considered less risky relative to the South African government.

In this environment, the Fund returned 4.6% for the fourth quarter of 2023 and 18.3% for the 2023 calendar year. This compares with benchmark returns of 6.0% for the quarter and 13.1% for the year. Over three years, the Fund has delivered an annualised return of 13.9%, compared with 10.1% for the benchmark and inflation of 5.6%.

As we look to 2024 and beyond, what should we expect of inflation, and how may this impact central banks’ behaviour, interest rates and market returns?

In short: We don’t know. Our only expectation is that events are likely to surprise us, and surprise us in how the market reacts. We navigate this uncertainty by being patient and disciplined, and striving to buy only those assets where the risk-to-reward opportunity is skewed heavily in our favour, with a large margin of safety and the knowledge that we won’t always get it right.

One other notable event that occurred in the final quarter of 2023 was the passing of Charlie Munger, aged 99. Warren Buffett’s right-hand man, Charlie, was renowned for his investment acumen, common sense and “worldly wisdom”. A remarkable man, Charlie never shied from sharing his opinion on a variety of topics, often with biting bluntness. On the topics of inflation, forecasting and probabilities, we think Charlie said it best:

“I remember the US\$0.05 hamburger and a US\$0.40-per-hour minimum wage, so I’ve seen a tremendous amount of inflation in my lifetime. Did it ruin the investment climate? I think not.”

“People have always had this craving to have someone tell them the future. Long ago, kings would hire people to read sheep guts. There’s always been a market for people who pretend to know the future. Listening to today’s forecasters is just as crazy as when the king hired the guy to look at the sheep guts.”

The investment world is a little less wise without Charlie in it.

**Commentary contributed by Rory Kutisker-Jacobson and Birte Schneider**

## Fund manager quarterly commentary as at 31 December 2023



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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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## Important information for investors

### Need more information?

You can obtain additional information about your proposed investment from Allan Gray free of charge either via our website [www.allangray.com.na](http://www.allangray.com.na) or call **+264 (61) 460 0000**