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NAM CORONATION BALANCED PLUS FUND

QUARTERLY COMMENTARY Q3-25

Please note that the commentary is for the retail class of the Fund.

Performance

The Fund returned 5.4% for the quarter (Q3-25) and 15.4% year-to-date (YTD), supported by a significant allocation to equities and pleasing alpha offshore. The Fund has performed well over meaningful periods, both in absolute terms and relative to the peer group.

Fund Positioning

Having risen steadily over the last two years, the gold price rose 17% in the third quarter to an all-time high. The gold price has now risen a material 47% YTD as investors question the US dollar's status as global reserve currency and seek a viable alternative. Concerns include growing geopolitical tensions, the weaponization of the $ based global payments system, increasingly unpredictable government policy, a highly indebted sovereign and challenges to Fed independence. Growing gold purchases by both central banks and retail investors drove rapid appreciation in the gold price.

Markets rose despite concerns of tariff disruption and slower growth. The MSCI World returning 8% in USD for the quarter (18% YTD). Liberation Day tariffs, whilst disruptive to supply chains have yet to cause the feared inflation or growth slowdown. The S&P rose 8% in the quarter (YTD 15%) on the back of a thus-far resilient US economy and surging AI investment. The additional global equity allocation made by the fund in April has generated good returns on the back of market strength and good alpha generation. We have trimmed the position but continue to see plenty of stock picking opportunity in our well diversified global basket of shares.

AI leadership is at the heart of US-China rivalry with the US's chip ban on exports to China designed to frustrate Chinese efforts. China is delivering impressive innovation across a range of industries and is leading in areas including clean energy, battery storage and electric vehicles. Many Chinese companies trade at attractive valuations. The Fund has selective exposure to leading Chinese businesses, mostly within the tech sector.

Emerging markets performed strongly (+11% Q3-25, +28% YTD). A weaker US dollar provided further support to these returns (with the US Dollar Index down ~8% YTD). Despite this recent strength in emerging markets, a weak decade prior to this means they continue to trade cheaply. The fund has slightly increased its allocation to emerging market equities. The exposure is diversified across geographies and industries.

The Bloomberg Barclays Global Aggregate Bond Index (USD) rose a more muted 1% during the quarter (Up 8% YTD). US bond yields benefitted from expectations of further rate cuts by the Fed. The One Big Beautiful Bill Act, signed early in the quarter, is expected to further widen the US deficit. This will increase funding needs. High levels of sovereign indebtedness combined with a lack of political will to reign in deficits remain a challenge across many developed markets. The Fund continues to have no exposure to developed market sovereign bonds, which we believe offer insufficient return given the risks.

The Fund has maintained a holding in a basket of offshore credit bonds, which offer good diversification across sector and geography, whilst delivering an attractive USD yield. This is a compelling alternative to the sovereign and economic risks inherent in local government bonds, as well as the narrow credit spreads in the domestic market. Given the breadth of opportunities in global equity and global credit, we continue to make full use of the Fund's offshore capacity.

In South Africa, the FTSE/JSE All Bond Index rose 7% in the quarter (14% YTD) on the back of improved terms of trade (aided by soaring metal prices) and low inflation. The SA Reserve Bank has signalled a desire to permanently lower the inflation target to 3% (from a 3-6% range). The rand rose 8% relative to a generally weaker dollar. Rand strength and the low oil price should support further interest rate cuts.

South African economic growth remains poor. Despite low inflation and some interest rates cuts, consumer demand has disappointed. An exception to generally weak consumer demand has been the explosion in online gambling, facilitated by increased ease of access. This unproductive spend is concerning given little lasting benefit flowing to either the consumer or the local economy. Our base case is a sustained low growth environment, given South Africa's structural impediments to growth. Poor service delivery and challenged infrastructure weigh on the cost of doing business. Deteriorating educational outcomes undermine productivity. Factors such as these are eroding competitiveness. Attempts to intervene are yielding some results in rail and electricity, where performance has improved off recent lows. However, the muted economic growth outlook means debt-to-GDP is likely to continue to deteriorate over the longer term. Fund continues to have no exposure SA government bonds.

The Fund's preferred SA asset class remains SA equities, which offer decent medium-return prospects. The FTSE/JSE Capped Shareholder Weighted Index (CSWIX) rose 13% during the quarter bringing YTD performance to 32%. Precious metal miners yet again contributed the bulk of these returns with the Resources Index rising 51% (now up a staggering 122% YTD). More subdued returns were on offer elsewhere this quarter with the Industrials Index up 4% (+22% YTD) and financials (with higher SA exposure) broadly flat (Q3-25 1%, YTD 7%).

Within SA equities, the Fund has sizeable exposure to the global stocks listed locally. These holdings are both independently attractive and provide diversification away from a challenged domestic economy. The largest amongst these include Naspers, Quilter and Richemont. In Naspers, we have high conviction in the prospects of its core Tencent investment. Tencent's gaming and advertising businesses are growing strongly whilst fintech is picking up. This topline growth is driving widening margins. At a Naspers/Prosus level, investors benefit from an additional pick up from the accretive share buyback program. Quilter benefits from structural growth in the UK retail wealth management market. Its investment in its platform is generating good returns as it steadily gains market share. Management is astute and well poised to continue compounding these gains.

We have spoken previously of the focus within the SA stock universe on picking winning franchises that can thrive despite a tough economy. We remain committed to this strategy as the low-growth economy drives a widening gap between local winners and losers. Our list of winners remains unchanged and includes businesses such as WeBuyCars, PSG Konsult, ADvTECH, Shoprite, and Capitec. All came through the results season demonstrating volume share gains in a tough economy. Growing scale is reducing the cost of customer acquisition and cost to serve. High levels of reinvestment should enable these businesses to compound earnings ahead of the market in the years ahead.

The Fund has held an underweight position in the resources sector for some time. A meaningful part of this is in the gold shares, which have benefited from a rapid rise in the metal price over the past 12 months. This underweight has detracted from performance. In these uncertain times there is a wide range of possible outcomes, making it easy to construct compelling bear and bull cases. Whilst the current gold price trades at record highs, we could see meaningfully higher gold allocations across global portfolios in the years ahead. Our holdings in gold shares recognise the possibility of such an outcome. However, our base case remains a decline in the gold price over the long term. Further considerations include the fact that gold miners have been poor at returning capital to shareholders over time and that costs have compounded at high levels in periods in which the gold price was strong. We remain concerned about the capital losses that shareholders in gold shares would incur if some of the froth in the sector dissipates. Hence we remain cautious.
The Fund built a position in the PGM miners in the second half of 2024. The investment was premised on tighter supply-demand fundamentals. This has delivered good returns over the period. We have taken some profit in the sector.

The FTSE/JSE All Property Index, which is benefitting from lower interest rates, rose 7% for the quarter (+12% YTD). The Fund has retained its holding in certain SA property stock-picks despite their decent returns. At these levels, the counters still offer attractive total returns prospects (aided by the high dividend yields) and diversification.

Namibian markets moderately tracked the positive regional trend during the third quarter of 2025. Local equities benefited from improved risk appetite and stronger performance, particularly among the dual-listed counters, while domestic financials and consumer names saw moderate gains on the back of stable inflation and improved business confidence. Government bonds delivered steady returns (4% for the quarter) as yields eased slightly, reflecting expectations that the Bank of Namibia may follow the South African Reserve Bank's eventual policy easing. The Namibia dollar strengthened alongside the rand, providing some relief on import costs but weighing modestly on export competitiveness. Overall, market sentiment remained cautiously optimistic, supported by stable macroeconomic conditions and improved liquidity in local assets.

Outlook

The Fund remains focused on generating compelling long-term risk-adjusted returns. The Fund continues to have a meaningful allocation to equities given the attractive stock picking opportunities we see in markets both locally and internationally. Exposure to offshore assets remains high, given the breadth of the investment opportunity as well as the protection against a weak SA economy. We believe the high offshore exposure, combined with a high equity allocation, will serve the Fund well to deliver on its long-term return expectations.

Portfolio Managers

Karl Leinberger, Colin Kalimba and Sarah-Jane Alexander

as at 30 Sepetember 2025