



**NAMIBIA ASSET MANAGEMENT**

— Our expertise. Your advantage. —



## NAM CORONATION OPTIMUM GROWTH FUND QUARTERLY COMMENTARY Q4-2025

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

### Performance and philosophical framework

2025 was a very successful year for the Fund, which ended the year up 11% in ZAR (+26.6% in USD). This performance is particularly pleasing when compared to the MSCI All Country World Index's return of 21.0% (in USD) for the year, meaning the Fund finished well ahead of global equity markets despite maintaining a lower average equity exposure of approximately 75% throughout the year. While the Fund experienced a drawdown of 6% in ZAR (2.5% in USD) in the final quarter (Q4), we view such periods as the necessary volatility required to harvest these long-term returns. Our focus remains squarely on compounding fundamental value rather than reacting to the oscillating sentiment of the crowd. Over the past three years, the Fund has delivered 16% p.a. in ZAR (16.8% p.a. in USD), and 8.1% p.a. in ZAR since the local (Namibia) fund's inception over 5 years ago.

### Market backdrop: The return of the "rest"

Market breadth narrowed again in Q4, leading to only 30% of S&P 500 constituents outperforming the aggregate index in 2025. Return concentration remains focused on AI-related stocks, particularly semiconductors and memory suppliers, where aggressive upward price moves have been driven by robust demand and constrained supply. While all memory suppliers are increasing capacity, there is an active debate regarding their future rationality and whether this cycle will break the historical "boom-bust" pattern. We previously held exposure to SK Hynix, which was a positive contributor, but have since sold the position to zero as we believe current "above-normal" margins may be unsustainable.

The defining shift of 2025 was the resurgence of non-US markets, which have long been overshadowed by their US counterparts:

2025 return - USD	
Gold	64%
Developed Markets ex US	32%
Emerging Markets	31%
S&P 500 Index	19%

Source: Bloomberg

### Geopolitical volatility and the US dollar

Gold's standout performance suggests a global re-evaluation of the US dollar's status as the primary reserve currency. This shift is fuelled by perceived instability in US economic "checks and balances", including recent developments regarding the Federal Reserve (Fed), where the Department of Justice has opened a criminal investigation into Jerome Powell, the Fed chair. Global risk remains elevated in 2026, highlighted by the US capture of the Venezuelan president and sustained protests in Iran. While this volatility creates short-term anxiety, it also forces investors to cast a wider net. We believe the Fund is well-positioned to navigate this environment thanks to our deep global research capabilities and the flexibility of our mandate to allocate capital to where we find the highest risk-adjusted return opportunity, regardless of geography.



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## Portfolio metrics and long-term track record

The Fund's outlook is supported by a diverse set of attractive investments. As of this writing:

- Weighted Average Equity Upside: 63%
- 5-Year Expected Equity IRR: 17%
- Weighted Equity FCF Yield: > 4%

This valuation-driven approach has allowed the Fund to generate 8.8% p.a. (in USD) since its inception more than 26 years ago.

## Contributors and detractors

The largest positive contributors this quarter were TSMC (+15%, 0.39% positive impact), SK Hynix (+80%, 0.28% positive impact), and ASML (+11%, 0.24% positive impact).

Conversely, the largest detractors were Sea (-29%, 0.77% negative impact), Coupang (-27%, 0.56% negative impact), and Mercado Libre (-14%, 0.42% negative impact).

We view these three detractors as being among the top 10 highest-quality businesses in Emerging Markets. While the price moves were sharp, their fundamental values continue to compound; consequently, we added to all three positions during the quarter. These companies often possess longer growth durations than their US peers due to lower regional penetration in ecommerce and financial services.

## Portfolio activity: Leaning into dislocation

The Fund ended the quarter with 77% net equity exposure, roughly 400 basis points (bps) higher than the prior quarter as we leaned into sharp negative moves in stocks we already own. Notable new buys or position increases included:

- **Sea:** A technology business focused on Southeast Asia with leading positions in

ecommerce, fintech, and gaming. Penetration remains low in its core markets, and Sea is investing behind this opportunity. While revenue growth is accelerating, these investments have a short-term impact on reported profits. This lack of short-term earnings momentum has led to a sell-off, but we believe it is the right long-term decision for the business. Sea now trades on a low-20s 2027 price-to-earnings (PE) multiple, which we deem very attractive, considering growth remains robust and long-duration.

- **Meta:** During the quarter, the stock came under pressure due to very large guided capital expenditure (CAPEX) numbers, which the market has begun to view with scepticism regarding the suitability of returns. However, Meta reported accelerating revenue growth and provided numerous examples of how AI is vastly improving its advertising systems and user engagement. Spend appears supported by revenue growth, and while it pressures near-term margins (as CAPEX is depreciated), there is more discipline regarding Reality Labs spending. Excluding Reality Labs losses, Meta trades on a 17x 2027 PE multiple.

- **Booking.com:** The leading online travel agent in the developed world has reduced its share count by nearly 40% over the past decade through exceptional capital allocation. There is an increasing debate about whether AI agents will impact the utility of online travel agents; however, management is leaning into AI to improve the platform. Booking.com has built extensive supplier relationships involving inperson negotiation and abstracts away operational complexity for partners, factors that AI agents cannot easily replicate. We believe the negative sentiment provides an opportunity to buy an incredible business at a 17x 2027 PE multiple, with earnings expected to compound at a low-teens rate.



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## Fixed income and real estate

Bond exposure stands at just over 10%, with 3.6% allocated to Brazilian government bonds. These remain attractive, yielding approximately 14% in Brazilian real, representing one of the highest real yields globally. The remainder of our credit exposure consists of foreign corporate bonds providing a weighted yield in hard currency of over 5%. We maintain limited real estate exposure, with the balance of the Fund held in offshore cash.

## Conclusion

While 2025 was marked by volatility and evidence of "bubble-like" behaviour in certain sectors, most notably semiconductor memory, we remain excited about the Fund's prospects. Our focus remains on uncovering attractively priced assets rather than attempting to time the market. This adherence to a bottom-up, valuation-focused philosophy has been the core principle of the portfolio for over 26 years.

## Portfolio managers

Gavin Joubert, Marc Talpert  
as at 31 December 2025