



NAMIBIA ASSET MANAGEMENT

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NAM CORONATION OPTIMUM GROWTH FUND

QUARTERLY COMMENTARY Q2-2026

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

PERFORMANCE OVERVIEW: ABSOLUTE GAINS AGAINST A DEMANDING BENCHMARK

The second quarter of 2026 (Q2) delivered a solid absolute return for the Fund, which rose **3.7% in NAD (8.4% in USD)**. However, the benchmark advanced **9.8% in NAD (13.3% in USD)**, driven almost entirely by the extraordinary performance of the semiconductor sector, resulting in an active return of **-6.0% in NAD (-5.0% in USD)** for the quarter. This underperformance is a direct consequence of the Fund's deliberate and considered underweight to semiconductors. Pursuing superior long-term performance inevitably involves periods of short-term underperformance and volatility.

The Strategy's 27-year track record bears this out: periods of underperformance have consistently been followed by some of the strongest stretches of outperformance in its history. Since its inception in 1999, the Strategy has compounded at **12.3% in NAD (8.3% in USD)** – a track record built on exactly this kind of conviction-based investing, at times running counter to prevailing market trends, and patient enough to allow that conviction to compound.

MARKET BACKDROP: PEACE TENTATIVELY RETURNS, SEMICONDUCTORS SURGE

Q2 was once again shaped by the Iran conflict and its tentative resolution^[1]. Having peaked at above **\$110 per barrel** during the escalation in conflict, oil prices retreated sharply as a peace deal memorandum was agreed between the US and Iran, falling to **below \$70 per barrel** by quarter-end. This was a meaningful development for global growth, energy markets, and many of the businesses the Fund owns.

Against this backdrop, the defining market event of the quarter was the intensification of the artificial intelligence (AI) trade. The Philadelphia Semiconductor Index (SOX) delivered its highest quarterly return on record, rising **88%**. Semiconductor stocks now account for approximately **20% of the S&P 500 Index by market capitalisation**, and, strikingly, TSMC, Samsung Electronics, and SK Hynix together comprise **31% of the MSCI Emerging Markets Index**, meaning investors tracking global and emerging market indices now carry semiconductor exposure at historically unprecedented levels.

Momentum factors reached extreme readings during the quarter, mechanically reinforcing the concentration of flows into these semiconductor names. Against this backdrop, the MSCI World Index rose **14% in the quarter**.

PORTFOLIO POSITIONING: SEMICONDUCTOR DISCIPLINE AND THE AI APPLICATION LAYER

The primary driver of the Fund's underperformance relative to its benchmark this quarter was its low exposure to semiconductors, representing approximately **4% of the portfolio** at the time of writing, primarily through TSMC. This reflects a deliberate view on the supply cycle for semiconductors.

The AI semiconductor trade has been principally driven by the memory segment, which has benefited from an aggressive supply/demand imbalance, allowing producers to push through substantial price increases. Memory's share of hyperscaler capital expenditure (capex) has inflected dramatically upward.

However, all the major memory producers (Micron, SK Hynix, and Samsung Electronics) are materially



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expanding capacity. CXMT, the leading Chinese DRAM (memory chip) manufacturer, is planning an IPO alongside significant incremental capex. We find it historically implausible that a shortage of this magnitude will not eventually give way to oversupply. The scale of the current semiconductor buildout relative to other capital-intensive industries is considerable.

This view explains our deliberate underweight. It also, however, illuminates an opportunity. We believe the next stage of AI-driven value creation will occur at the application layer – in the businesses that deploy AI to improve their products, lower costs, and compound their competitive advantages. Yet these companies have received virtually no credit from the market for doing so. In an environment where the ‘AI winners’ category is defined almost exclusively by semiconductor supply chain exposure, companies applying AI to enhance their businesses are being dismissed or ignored. We believe this disconnect is material and will eventually correct.

Despite the short-term underperformance, the portfolio’s forward metrics remain highly attractive and support a high level of conviction. The Fund’s **gross equity exposure stands at approximately 88%** (but 84% net due to put protection), at the high end of history, reflecting the breadth and quality of opportunities we continue to identify outside the crowded semiconductor trade. The **weighted average equity upside is 93% with a five-year expected equity IRR of 22%**. These are not metrics generated by holding stressed or distressed businesses; they reflect attractively valued, high-quality companies across diverse geographies and sectors that the market has largely overlooked.

CONTRIBUTORS AND DETRACTORS

The standout story of the quarter, and one that speaks directly to the Fund’s investment process, was Auto1 Group. After being the Fund’s largest detractor in Q1, with its share price falling 45.29% amid market concerns that elevated energy prices would dampen European consumer spending and car purchases, Auto1 recovered sharply in Q2, rising 48.42% and contributing +1.83% to portfolio returns. The underlying business continued to deliver strong operational results and gain market share throughout the period of share price weakness – the Q1 sell-off was driven by sentiment rather than fundamentals. This kind of episode is precisely what long-duration, conviction-based investing is designed to capture, and it reinforces our confidence in the remaining portfolio.

Delivery Hero was the second largest contributor (+1.25%, +123.93%), as the business attracted meaningful acquisition interest during the quarter, with Uber emerging as the leading bidder and its share price recovering from distressed levels, appreciating by 52.66% this year. TSMC (+0.97%, +33.38%) was a significant contributor, reflecting its participation in the broader semiconductor rally, while ASML (+0.51%, +48.09%) also delivered a strong return as investors continued to price in long-cycle demand for lithography equipment.

On the detractor side, **Petro Rio** was the most meaningful negative contributor (**-0.46%, -22.6%**). As the resolution of Middle East tensions removed the geopolitical risk premium from oil prices, Petro Rio retraced as expected. This behaviour is consistent with the role the position plays in the portfolio: it is partially a hedge against elevated energy prices, whilst also being attractive even at lower oil prices. The Fund also incurred costs from put option protection across global equity indices (S&P 500, NASDAQ 100, and Euro Stoxx 50), which together detracted approximately **0.7%** – the cost of maintaining downside protection in a strongly rising market.



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PORTFOLIO ACTIVITY

The most significant new position initiated during the quarter was **Mastercard (4.2% of portfolio)**. Mastercard is a business that has compounded earnings reliably for decades at very high margins, driven by the secular shift of global commerce from cash to digital payments. The stock came under meaningful pressure during the quarter as the market grew concerned that AI-driven agentic commerce, where purchasing decisions are delegated to AI agents, could disintermediate traditional payment networks. We hold a contrarian view: the attributes that make Mastercard's network indispensable – instantaneous settlement, universal acceptance, fraud prevention, and trust – arguably become more important, not less, when purchasing decisions are made by agents rather than humans. The non-payment services layer of the business, which provides data analytics and other services to financial institutions, is also structurally supported by ongoing digitalisation. Mastercard has historically traded at high-twenties to low-thirties price-to-earnings multiple; we built our position when the stock had derated to the low twenties, a valuation that, in our assessment, does not adequately reflect the resilience and growth potential of this exceptional business.

We also initiated a position in **British American Tobacco (1.4% of portfolio)** during the quarter. The investment case rests on a narrow range of outcomes: volumes decline predictably, pricing power is well-established, and cash generation is highly visible – all of which gives us a high degree of confidence in our return forecast. The regulatory backdrop in the US, the company's largest market, appears to be becoming less adversarial, reducing a risk that had historically weighed on the valuation. Management has also demonstrated a willingness to right-size the cost base, most recently announcing the elimination of approximately 9,000 roles, representing around 20% of the global workforce. Taken together with an attractive valuation of 12x forward earnings and a 5.5% dividend

yield, we believe British American Tobacco offers a compelling risk-adjusted return with an unusually predictable range of outcomes.

We exited our **Broadcom** position during the quarter. Having initiated the position in Q1, Broadcom appreciated significantly as part of the broader AI/semiconductor rally. Consistent with our view that semiconductor earnings are at unsustainably elevated levels, we chose to monetise the position and redeploy the capital into businesses we consider more attractively valued over the long-term.

Delivery Hero was materially reduced during the quarter. The stock appreciated toward EUR 40 as acquisition interest from Uber emerged and became the dominant market narrative. We reduced our exposure to reflect the substantial value that had already been realised.

We also reduced positions in **LPL Financial, Booking Holdings, and Schwab** during the quarter, redeploying the proceeds into positions we consider more compelling from a risk-adjusted return perspective.

FIXED INCOME AND LISTED PROPERTY

Bond exposure stands at **8.1%** of the Fund. The largest allocation remains in Brazilian government bonds (4.1% of the Fund), which continue to offer some of the highest real yields available globally at approximately 15% in **Brazilian real**. We also hold corporate bonds at a weighted yield of approximately 5% in hard currency. During the quarter, we sold a portion of our position in inflation-protected US Treasuries, rotating the proceeds into equities that we consider more attractively valued on a risk-adjusted basis. The Fund maintains a small property exposure, with the balance held in offshore cash.



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CONCLUSION

Q2 delivered a solidly positive absolute return of **3.7% in NAD (8.4% in USD)**, and the recovery of positions such as Auto1, which swung from the Fund's largest detractor in Q1 to its largest contributor in Q2, is an encouraging illustration of the thesis playing out. We are, however, mindful of the broader picture: the Fund's five-year and 10-year returns do not yet reflect the quality of the portfolio we have assembled, and we are committed to rectifying this on behalf of our investors. The sustained outperformance of the semiconductor complex has created a meaningful headwind for a portfolio that we believe is correctly positioned to avoid what we consider an unsustainable earnings environment in that sector.

What gives us confidence looking forward is not simply the portfolio's valuation metrics, though a **weighted average equity upside of 93% and a five-year expected equity IRR of 22%** are exceptional by any historical measure, but the breadth and quality of the opportunity set. Numerous parts of the market have been overlooked as capital has crowded into a narrow set of AI-adjacent names. We own a diversified collection of well-managed, financially sound businesses across geographies and sectors that we believe are attractively valued and growing, and we are finding more such opportunities today than we have in some time. As we continue to deliver good absolute returns and the portfolio's intrinsic value compounds, we expect these results to filter through into longer-period track record numbers over time.

Portfolio managers

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as at 30 June 2026