



NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —



NAM CORONATION OPTIMUM GROWTH FUND

QUARTERLY COMMENTARY Q3-2026

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

PERFORMANCE OVERVIEW

The Fund returned **-0.5%** for the third quarter of 2026 (Q3). Aggregate equity markets continued their solid performance, with the **MSCI World up 1.9% in USD**, while global bond markets performed poorly, with the **global bond index down 2.5%**.

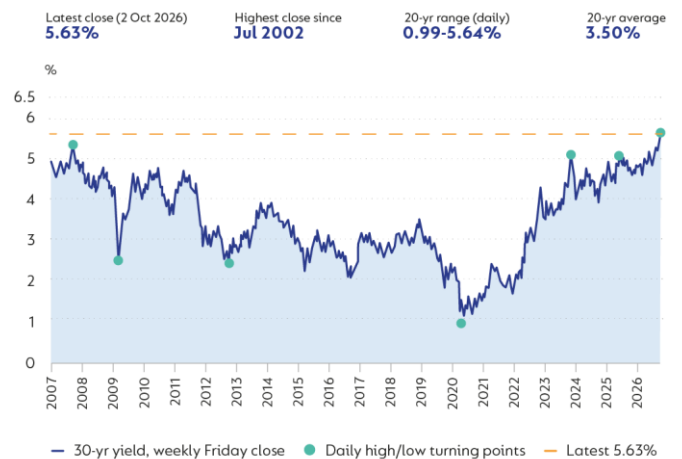
Year to date (YTD), the Fund has returned **-7.4%**. While this performance has been disappointing, we are excited about the Fund's prospects. For a Fund like Global Optimum Growth, which targets *real* absolute returns over meaningful periods, we have high conviction that future absolute returns will be healthily double-digit from here, regardless of what happens with the AI trade.

MARKET BACKDROP

The most notable development of the quarter took place in the bond market. The yield on the 30-year US Treasury moved sharply higher, rising **above 5.6%**, its **highest level since 2002**. This came against a backdrop of the US Federal Reserve's first interest rate hike since 2023, inflation running above target and heavy government and corporate bond issuance. In our view, markets are also starting to price in a multi-decade increase in sovereign indebtedness.

Figure 1

US 30-YEAR TREASURY YIELD, 2007-2026



Source: Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity, Quoted on an Investment Basis [DGS30], H.15 Selected Interest Rates, retrieved from FRED, Federal Reserve Bank of St. Louis. Daily data through 2 Oct 2026, plotted as weekly Friday closes; turning points use daily closes. Year ticks mark 1 January.

Warren Buffett famously observed that interest rates act on financial valuations the way gravity acts on matter. Historically, equities enjoyed a favourable backdrop as declining bond yields supported valuations. It is notable that this tailwind no longer exists and could in fact have turned into a headwind; yet this is not obvious from the performance of equity markets, which continue to power ahead.

In his well-known 1999 essay on the stock market, written shortly before the dotcom crash, Buffett argued that long-run equity returns depended on two variables: interest rates (which, as noted above, have risen materially) and corporate profitability relative to GDP. On today's data, the second variable is equally striking. When Buffett wrote the essay, US after-tax corporate profits stood at **6.5% of GDP**, and he argued that one would have to be wildly optimistic to believe profits could be sustained much above 6% of GDP for any length of time. In Q2 of 2026, this ratio reached



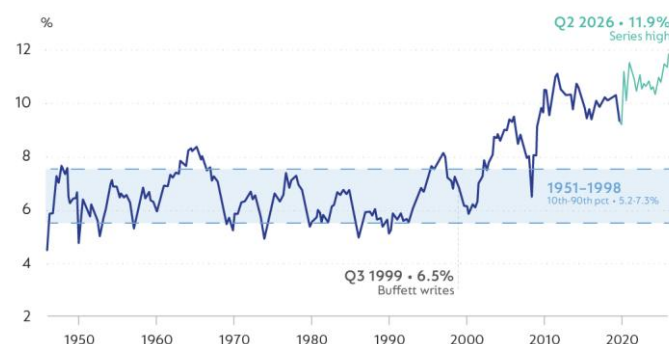
NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —

11.9% – the highest reading since the series began in 1947 and almost double Buffett's threshold.

Figure 2

AFTER-TAX CORPORATE PROFITS AS A SHARE OF GDP, 1947Q1-2026Q2



Source: BEA series CPATAX (after tax, with inventory valuation and capital consumption adjustments) divided by nominal GDP, vintage of 30 Sep 2026 (third estimate and annual update). Shaded band is the 10th-90th percentile of the 1951-1998 period – the era Buffett described as “normalcy” – measured on today’s data vintage. His 1999 chart used the then-current vintage, which read roughly half a point lower; the level is therefore not literally comparable to his 4-6.5%, but the shape and the break are

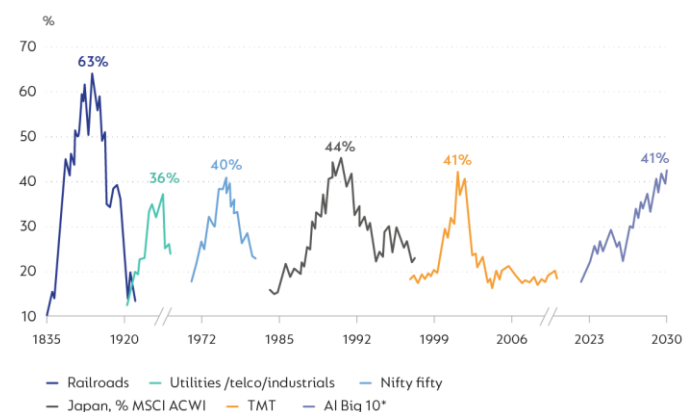
We would caution against reading too much into this comparison, as the metric is less useful today than it was in 1999. US-listed companies now earn a large share of their revenue abroad, so profits are drawn from a global pool while GDP remains a domestic measure. The US federal corporate tax rate has fallen from 35% to 21%. The composition of the market has also shifted towards asset-light software and platform businesses, which carry structurally higher margins than the industrial mix of 1999. And, unlike in 1999, when investors were extrapolating margins that had not yet been earned, today’s profits are real and reported. Nevertheless, it remains something to keep in mind. With corporate profits representing a record share of the economy, there is little room for further margin expansion; profits remain exposed to policy shifts such as tariffs, antitrust, and labour’s share of income; and they are currently flattered by the lag in depreciation on the very large AI capital expenditure programmes underway.

Beyond the argument that corporate profits appear elevated, the other notable feature of today’s markets is the concentration of returns. At the time of writing, roughly **70% of Nasdaq Composite constituents** were

trading at least 20% below their 52-week highs, in bear-market territory on an individual basis, while both the Nasdaq and the S&P 500 sat within about **2% of their all-time highs**. Similarly, the Nasdaq made new highs in early October while the equal-weighted S&P 500 posted seven consecutive weekly declines.

Figure 3

CONCENTRATION IN HISTORIC BUBBLES



Source: Bank of America, *The Flow Show* (Michael Hartnett).

*AI Big 10 is defined by BofA as the Magnificent Seven (Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla) plus Broadcom, AMD and Micron.

As the chart above shows, the share of market value held by the largest AI-linked companies is now comparable to the peaks of previous bubbles. Notably, this level of concentration is **before** the arrival of a new wave of AI mega-caps in public markets. SpaceX, which now includes xAI, listed in June in the largest IPO in history and already carries a market capitalisation of more than \$2 trillion. Anthropic is reportedly targeting a listing as early as November, and OpenAI is expected to follow, most likely next year.

Returns have been driven by a concentrated collection of stocks, which also happen to be some of the largest in the world, with AI the driving force behind the bulk of money flows in today’s markets. AI infrastructure stocks now account for around **40% of the S&P 500’s market capitalisation**, while AI has accounted for nearly half of investment-grade bond issuance and 87% of venture capital funding this year.



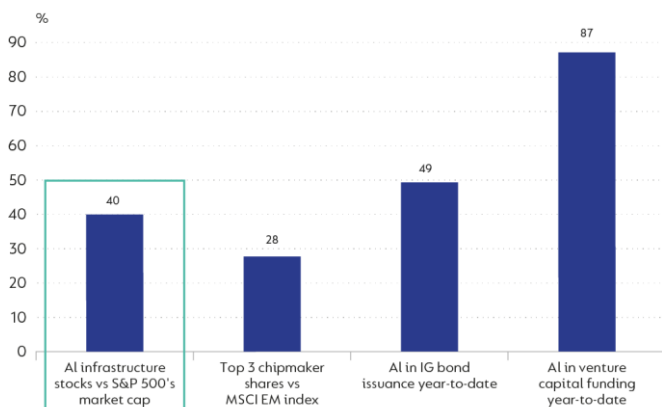
NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —



Figure 4

AI DOMINATES MONEY FLOWS ACROSS ASSET CLASSES



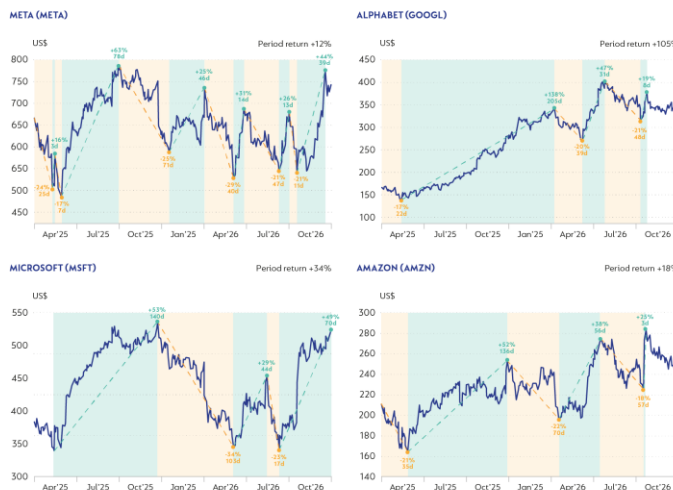
Sources: Goldman Sachs, Apollo, Bloomberg

This level of concentration increases risk, and the most pronounced example is in emerging markets (EM). Some **98% of the MSCI EM Index's one-year return** has been AI-driven, by which we mean TSMC, SK Hynix, Samsung and the other "picks and shovels" suppliers to the AI buildout, with **76%** coming from TSMC and the two memory producers alone.

Another feature of the AI trade has been how erratically the market has judged the impact of AI on some of the largest companies in the world. Views have swung sharply from positive to negative over shorts periods of time, resulting in significant volatility. The chart below shows this dynamic at play over just the last 18 months: Meta has experienced five separate declines of more than 20%, each followed by a sharp rebound, while Microsoft fell 34% between late 2025 and April 2026, and has since rallied 49% from its July low.

Figure 5

BIG TECH SHARE PRICES: REPEATED SHARP DRAWDOWNS AND REBOUNDS EVERY PEAK-TO-TROUGH FALL AND TROUGH-TO-PEAK RISE OF 15% OR MORE, WITH ITS SIZE AND DURATION



Sources: Bloomberg (PX_LAST, USD), daily closes 28 Feb 2025 - 05 Oct 2026. Moves are close-to-close; d = trading days

PORTFOLIO POSITIONING: BROAD-BASED RETURN POTENTIAL

This environment is, however, creating what we consider a very exciting backdrop for the Fund's prospective returns. The Fund's **weighted average equity upside is 95%**, with a **five-year expected equity IRR of 23%**. Most importantly, this prospective return contribution comes from a broad set of different stocks and themes. This is notably different to how the market is currently behaving, where a heavy concentration of returns masks the elevated risk embedded within it. Net equity exposure stands at **81.4%** (gross equity exposure of **87.7%**, less **6.3%** of put option protection).

CONTRIBUTORS AND DETRACTORS

The two largest contributors for the quarter were **Meta (+1.38%, +29.3%)** and **Microsoft (+1.00%, +37.4%)**, both relabelled AI winners during the quarter. For Meta, the release of its consumer AI agent, Muse, highlighted the optionality embedded in our investment case. Early adoption has been very strong and faster than that of ChatGPT: Muse recorded **2.8 million downloads in its first 12 days**, compared with 1.3 million for ChatGPT over the same period after its launch.



NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —



Auto1 Group was the largest detractor (-1.18%, -23.8%). The share price continues to experience significant volatility, as the chart below illustrates. Much of this is driven by the daily scraping of high-frequency data, which has predictive value for short-term results but is far less relevant when thinking about long-term business value. We remain positive on the business's long-term fundamentals, which rely on continued increases in scale that provide a superior cost structure, combined with improving inventory turns, which together should drive high returns on invested capital. We believe Auto1 is worth at least three times its current value.

Figure 6

AUTO1: REPEATED SHARP DRAWDOWNS AND REBOUNDS

EVERY PEAK-TO-TRough FALL AND TROUGH-TO-PEAK RISE OF 15% OR MORE, WITH ITS SIZE AND DURATION



Source: Bloomberg (PX_LAST, USD), daily closes 04 Oct 2024 - 05 Oct 2026.
Moves are close-to-close; d = trading days. Final move is still in progress.

PORTFOLIO ACTIVITY

We increased our position in **Safran** following recent meetings with the company, which further supported both the duration and visibility of its growth into the 2040s. Aftermarket demand for its CFM56 engine, which powers much of the global narrowbody fleet, remains strong for longer than expected, with aircraft retirements still low and new sources of demand emerging, such as conversions into power generators for data centres. Its successor, the LEAP engine, is expected to double its installed base and reach more than twice the CFM56's annual shop visits by 2040, with most of its profit only recognised in the 2030s. Such long-dated visibility is very rare in a rapidly changing

world, and is underpinned by an oligopolistic industry structure as well as Safran's position in a structurally growing industry: air travel has grown in all but three of the past 25 years.

We bought **Nvidia**, a stock we have covered and owned before, after it came under pressure during the quarter on concerns that its competitive position is threatened by the rise of custom ASIC chips. While we acknowledge that ASICs will continue to grow, Nvidia sells much more than just the GPU: it provides full server rack systems, networking, CPUs and its CUDA software ecosystem. Some loss of share is inevitable when starting from close to 100% in a market that has grown roughly 50-fold, and we believe the more relevant measure is how much value Nvidia captures. On that score, its share of the largest cloud providers' IT capital expenditure has risen from around 11% in late 2022 to close to 40%, and its revenue opportunity per gigawatt of data centre capacity is set to rise from \$25bn (with its current Blackwell generation) to \$40bn (with Vera Rubin). Its latest results reinforced this: Nvidia guided, for the first time, to full-year growth of around 70% in FY28, with supply rather than demand the constraint. The shares trade on **15x FY28 earnings** (Nvidia has a January year end, so this effectively reflects calendar 2027 numbers, roughly one year forward).

We slightly increased our position in **Alphabet**, which was once again labelled an AI loser as it fell behind in the frontier model race. It has since released a new model that brings it back to the frontier, and its Google Cloud business continues to power ahead, with revenue growth accelerating from 63% in the first quarter to **82%** in the second quarter. Its growing TPU chip business provides another leg of growth. Alphabet trades on **23x FY27 earnings** and is growing revenue in the high teens off a \$500bn revenue base.

We reduced **JD.com (JD)** after revising our assumptions following its latest results. We now assume that the weak Chinese consumer environment persists for



NAMIBIA ASSET MANAGEMENT

— Our expertise. Your advantage. —



longer, and that losses in its newer businesses decline more slowly, as savings from narrowing food delivery losses are being reinvested into its European expansion. Together, these changes reduced our estimate of JD's fair value and broadened the range of outcomes. The shares remain very cheap, the core retail business continues to improve its margins and the company continues to return capital to shareholders, but the lower fair value and broader range of outcomes warranted a smaller position on a risk-adjusted basis. **Julius Baer** and **Microsoft** were reduced purely on price appreciation. We reduced **Sea Ltd** as a risk-control exercise, based on our assessment that its advertising revenue is at heightened risk of erosion from agentic shopping. We retain high conviction in the business, but the range of outcomes has broadened, and it is prudent to adjust the position size to reflect this.

FIXED INCOME AND LISTED PROPERTY

Bond exposure stands at **7.8%** of the Fund, of which **3.9%** is in **Brazilian government bonds**. These have performed well: yields have moved to **below 13%** at the time of writing, from around **16%** when we bought them, and the Brazilian real has moved favourably against the US dollar. The most recent move followed the first round of Brazil's presidential election, where the results raised the prospect of a more fiscally conservative government, which investors welcomed.

The Fund also holds a small property exposure of **1.7%**, with the balance of **9.2%** held in cash.

CONCLUSION

Q3 was a broadly flat quarter for the Fund against a backdrop of long-dated bond yields at their highest levels in more than two decades, corporate profits at a record share of the economy and market returns increasingly concentrated in a narrow set of AI-related stocks. We believe this creates a high level of risk that is not fully appreciated by index investors. This contrasts with the Fund's positioning: a diversified collection of assets that are independently attractive and have diverse drivers of return.

Our YTD performance has been disappointing, but we remain excited about the Fund's prospects. A weighted average equity upside of 95% and a five-year expected equity IRR of 23% are exceptional, and, crucially, that return potential is spread across a broad range of businesses and themes rather than being dependent on any single one. We have high conviction that the Fund will deliver healthy double-digit absolute returns over meaningful periods, and we remain fully committed to delivering this for our clients.

Portfolio managers

Gavin Joubert, Marc Talpert
as at 30 September 2026