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NAM CORONATION OPTIMUM GROWTH FUND

QUARTERLY COMMENTARY Q1-2026

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

Performance overview and philosophical framework

The first quarter (Q1-26) was a challenging and eventful start to the year. The Fund declined 10.5%, underperforming its benchmark, which was broadly flat. In contrast, the 2025 calendar year delivered 11.0% for the Fund, well ahead of global equity markets in ZAR (with only ~75% equity exposure). While this quarter's drawdown is painful, it has created a portfolio that now screens at its most attractive in recent memory: a weighted equity upside of 114% and a five-year expected internal rate of return (IRR) of 26%.

Market backdrop: Geopolitical turbulence and the AI sorting machine

The quarter was marked by significant macroeconomic and geopolitical disruption. The escalation of conflict in the Middle East caused material volatility in global energy markets. The US Supreme Court struck down the Trump administration's tariff regime, adding further policy uncertainty. Geopolitical posturing around Greenland and the ongoing fallout from the Venezuelan president contributed to an environment of elevated risk aversion. Against this backdrop, the MSCI World Index declined 3.6% in USD (-1.5% in N\$) in the quarter.

Beyond geopolitics, markets continued to operate through a binary sorting mechanism: stocks are categorised as either 'AI winners' or 'AI losers', with capital flowing aggressively between these two buckets. The 'AI winner' category remains concentrated in the semiconductor supply chain, particularly the memory players, whose share price appreciation has been supported by strong near-term earnings growth. However, we believe these margins are unsustainable: all major memory producers are expanding capacity simultaneously, and the industry's historical pattern of

boom-bust cycles is well established. A consistent and striking feature of the current market is its tendency to penalise companies when near-term earnings momentum slows, regardless of whether the cause is a deliberate and well-reasoned investment in long-term growth. This short-termism is a persistent feature that we believe plays directly to our strengths as a long-duration, fundamental investor.

Portfolio outlook: A rare alignment of quality, management, and value

Despite the short-term performance, the portfolio's forward-looking metrics are exceptional and, in our assessment, near the most attractive in the Fund's history. The weighted average **equity upside stands at 114%**, with a **five-year expected equity IRR of 26%**. What makes this moment particularly unusual is that the businesses driving these return forecasts are not distressed or structurally impaired companies. Instead, they are excellent businesses, run by exceptional management teams, and reporting very robust financial results. The alignment of business quality, management execution, and compelling valuation is rare. Typically, investors must sacrifice one of these three factors when building a portfolio. Today, we do not believe we are being asked to make that compromise. To illustrate this point, the following table shows our top 10 positions as at quarter end:



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Company	% of Portfolio	3-Year Forward PE Index	5-Year Expected IRR
MercadoLibre	3.9%	13x	25%
Nu Holdings	3.8%	9x	29%
Sea Ltd	3.7%	11x	29%
Auto1 Group	3.6%	11x	29%
Prosus	3.5%	8x	31%
Meta Platforms	3.3%	13x	22%
Taiwan Semiconductor (TSMC)	3.2%	16x	17%
LPL Financial	3.2%	9x	29%
Coupang	3.0%	16x	18%
Airbus	2.6%	14x	20%

Source: Coronation

Contributors and detractors

The largest positive contributors to performance this quarter were **Petro Rio (PRIO, +0.26%), CATL (+0.24%), TSMC (+0.23%), and ASML (+0.20%)**. PRIO, our newly initiated Brazilian oil producer position (discussed further below), contributed from the outset, reflecting both the intrinsic quality of the business and its role as a natural hedge against elevated energy prices in the wake of the Middle East conflict. CATL, the world's leading battery manufacturer, benefited from continued momentum in global electric vehicle adoption and sustained investor interest in the clean energy supply chain.

The largest detractors were **Auto1 (contribution: -1.71%, share price: -46%), Sea (-1.27%, -35%), and Naspers/Prosus (-1.07%, -27%)**. In all three cases, we believe the price moves were disconnected from underlying business fundamentals.

Auto1 has been one of the most consistent fundamental performers in the portfolio, repeatedly delivering strong results and gaining market share in the European used-car market from an estimated base of under 3%. The quarter's sell-off was driven by concerns that elevated energy prices, a consequence of the Middle East conflict, might dampen consumer spending and reduce car purchases. We see no corroborating evidence of this

in the high-frequency data, and our conviction in the investment case remains high.

Sea signalled continued investment in its platform to capitalise on robust growth momentum across its ecommerce and fintech verticals, both structurally underpenetrated in Southeast Asia. The market interpreted this as an earnings headwind; we view it as precisely the right long-term decision by a management team with a demonstrated track record of disciplined capital allocation. Ecommerce penetration in Sea's core markets remains low, and its fintech business has decades of structural growth ahead of it.

Naspers/Prosus was dragged lower by weakness at Tencent, which has been broadly categorised by the market as an 'AI loser'. This characterisation is, in our view, fundamentally incorrect. Tencent has since demonstrated through product releases and strategic partnerships that it is an active developer and deployer of AI capabilities, with an unrivalled ecosystem of 1.4 billion users across which AI functionality can be integrated. Like Auto1 and Sea, Tencent is investing today to strengthen its competitive position for the long term, and we believe these investments will be well-rewarded.

Portfolio activity: Leaning into dislocation

We were net buyers of equity during the quarter, adding approximately **8% in net equity exposure**. The Fund ended the quarter at **77.8% net equity** (86.1% gross, with 8.4% in put option protection providing downside protection). Purchases were partly funded by available cash and by selectively reducing bond positions that we deemed less attractive on a risk-adjusted basis relative to the equities we were acquiring.

The largest new positions and additions were:

- **PRIO (1.9% of portfolio)**: A Brazilian oil producer specialising in acquiring and rehabilitating neglected assets from Petrobras. The business has a long track



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record of creating substantial shareholder value from assets others have overlooked. Even at a \$60 oil price, PRIO trades on a double-digit free cash flow (FCF) yield and is well positioned to return significant capital to shareholders. At current elevated prices, a direct consequence of heightened Middle East tensions, free cash flow generation is exceptional (~30% FCF yield), and the position provides a natural hedge within the broader portfolio.

- **Broadcom (1.5% of portfolio):** Broadcom is exceptionally well-positioned in the ongoing AI infrastructure buildout, enabling hyperscaler clients to design custom ASIC chips that reduce their dependence on Nvidia. With deep design capabilities and a proven record of operational execution, Broadcom has become a partner of choice for the largest technology companies in the world. Management recently guided for high-twenties revenue growth over the next five years with modestly expanding margins, which implies a single-digit earnings multiple on a five-year view. CEO Hock Tan's extraordinary track record of value-creating M&A provides additional strategic optionality.

- **Sea (1.4% of portfolio):** As discussed above, Sea continues to operate in some of the most underpenetrated ecommerce and financial services markets globally, with a structural growth runway we believe spans more than a decade. At 11x our three-year earnings estimate, the valuation is, in our assessment, entirely inconsistent with the quality and duration of the opportunity.

- **Coupang (1.4% of portfolio):** The dominant ecommerce platform in Korea, with a growing presence in Taiwan, saw its share price halve during the quarter following a data breach attributed to a disgruntled former employee, not a systemic failure of Coupang's internal systems. The breach appears contained and, notwithstanding the sustained negative headlines, we believe the long-term impact on the business will be benign. This stark disconnect between market price and

fundamental value presented a compelling opportunity to increase our position meaningfully.

We also made the following reductions during the quarter:

- **Elevance Health (sold, 1.8% of portfolio):** We exited our position in Elevance Health as the regulatory environment for US-managed care organisations became materially murkier, with longer-term implications for the normalised margin assumptions that form a central pillar of our investment thesis.

- **Monday.com and GitLab (reduced, 0.8% and 0.7% of the portfolio, respectively):** Both are high-quality software businesses that have sold off significantly and, in isolation, screen as attractively valued. However, the range of potential outcomes for software companies in the AI era has widened considerably. We elected to redeploy this capital into higher-conviction names where we believe the range of outcomes is narrower and the risk-adjusted return profile is more compelling.

Fixed income and real assets

Total bond exposure stands at **9.8%** of the Fund. The largest allocation is in Brazilian government bonds at 4.5% of the Fund, which continues to offer one of the highest yields globally at approximately **14.5% in BRL**. We also hold a **3%** position in inflation-protected US Treasuries, which we view as an attractive hedge should inflation surprise to the upside – a scenario that remains plausible given ongoing supply-chain disruption and elevated energy costs. The remainder of our credit allocation is in corporate bonds, yielding approximately **6% in hard currency**. The Fund maintains a small property exposure, with the balance held in offshore cash.

Conclusion

We are disappointed with the Fund's short-term performance, but at the same time, we are genuinely



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excited, perhaps more so than at any point in recent memory, about the portfolio's forward-looking return potential. A weighted average equity upside of **114%** and a five-year expected IRR of **26%** represent, in our assessment, a set of prospective returns that is close to the most attractive in the Fund's history. What makes this moment particularly powerful is that these returns are not being offered by distressed or cyclically impaired businesses, but by exceptional companies – well-managed, financially sound, and growing – that the market has chosen to misprice. We are reminded that the Fund's long-run track record of compounding at 12.3% per annum since inception was built on moments like this. We remain focused, committed, and optimistic on behalf of our clients.

Since quarter-end, a ceasefire was announced in Iran and a number of the Fund's holdings rallied sharply in response. A final agreement was not subsequently reached, and the situation has since deteriorated, a timely illustration of exactly the caution we sought to express. We view the episode, nonetheless, as validation of our thesis: that these businesses were deeply mispriced relative to their fundamental value, with geopolitical anxiety providing the market with a convenient reason to sell. Conditions in fragile geopolitical environments can shift quickly and without warning, and we do not position the Fund on the assumption of a benign outcome. What the sheer magnitude of the initial rally does illustrate is the degree of dislocation that had built up in these names, and it reinforces our conviction that the patient, long-term investor was being offered a genuinely attractive opportunity.

Portfolio managers

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as at 31 March 2026



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