

NAM CORONATION BALANCED PLUS FUND

QUARTERLY COMMENTARY Q2-26

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

Performance

The Fund returned 5.8% for the quarter (Q2), benefitting from its high allocation to equities as markets surged in Q2. The Fund has performed well over meaningful periods, both in absolute terms and relative to the peer group.

Fund Positioning

Q2 brought the welcome news of a ceasefire agreement¹ in the Middle East. A swift retreat in the oil price should ease inflation. Markets recovered rapidly off their March lows, with the MSCI All Country World Index rising 15% (in US dollars) for the quarter (+11% YTD). Having used the disruption during Q1 to add to global equities, the Fund benefitted from this rise in Q2.

Artificial Intelligence (AI) beneficiaries performed strongly as demand for AI surged. The standout performers were pick-and-shovel companies (businesses supplying the chips, hardware, and infrastructure that underpin AI development), which stand to profit regardless of which applications or models ultimately prevail. The investment case is less clear-cut for the hyper-scalers (companies scaling compute power and storage); the scale of capital expenditure by these businesses is dizzying, and whether AI deployment will ultimately generate returns commensurate with that investment remains an open question. Elsewhere, fears of AI-driven disruption have weighed on many high-quality businesses, with markets pricing in permanent moat (competitive advantage) impairment. We have built a basket of companies whose forward-thinking management teams are embedding AI to enhance their products and services, and who we believe are well-positioned to outpace competitors as the technology matures.

The MSCI Emerging Markets Index rose 24% in USD in Q2 (+24% YTD). This, after rising +34% in USD in 2025. The extraordinary AI-driven boom in Asian memory stocks has been a major contributor. As with gold shares, the meteoric rise in memory stocks has resulted in broad-based selling across the rest of emerging markets (EM) as benchmark-tracking funds follow indices up. This has created exceptional stock-picking opportunities across the market. We are excited by the many winning EM businesses in the portfolio that trade at attractive multiples and have compelling growth opportunities.

Having risen >80% over the year to end February, gold began retreating with the outbreak of the Middle Eastern conflict, ending the quarter below \$4,000/oz (-14% for the quarter, -7% YTD). Despite its touted hedge properties, gold failed to provide protection during this crisis. It behaved like a risk asset, highly correlated to risk sentiment and equities. We believe this is evidence of the speculative nature of the gold buying we have seen since the second half of 2025. Price-insensitive, momentum-driven retail buying caused the gold price to become dislocated from its underlying fundamentals. This, combined with high benchmark weightings, heightened the risk of losses for investors. We believe it is essential to protect



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clients against the risk of material capital loss. As a result, the Fund has held a sizeable underweight in gold shares over the past year. While this position detracted meaningfully from relative performance over the past year, it contributed over the most recent quarter.

Gold's outsized weight in the benchmark (it peaked at 20% in the FTSE/JSE Capped All Share Index [CAPI] in February this year) crowded out the broader market, as many investors rotated out of other holdings to fund gold exposure. This has created compelling value elsewhere. Our gold underweight has allowed us to build meaningful positions across a basket of stocks we believe are well placed to deliver strong returns in the years ahead.

The Bloomberg Global Aggregate Bond Index (USD) returned 1% for the quarter. Soaring energy prices drove an uptick in inflation through April and May. The European Central Bank responded by hiking rates 25 basis points (bps) in June. Both the Bank of England and the US Federal Reserve held interest rates steady. However, new Fed Chair Kevin Warsh struck a more hawkish tone in his maiden speech as he committed firmly to price stability. Combined with the continued robustness of the US economy, this shifted market expectations toward future Fed rate hikes.

We remain concerned about the outlook for developed market sovereign bonds. Elevated sovereign indebtedness, ongoing fiscal spending, and the sheer scale of bond issuance required to fund widening deficits across major economies point to sustained upward pressure on long-term yields. Against this backdrop, developed market sovereign bonds continue to offer insufficient risk-adjusted returns. The Fund holds no exposure. Instead, we have maintained a small allocation to offshore credits. These offer attractive US dollar yields alongside useful diversification across sector and geography.

Given the breadth of opportunity offshore and compelling valuations, the Fund has made almost full use of its offshore capacity. The exceptional stock-picking opportunities available in both developed and emerging markets support a high allocation to equities. We expect this basket of stocks to deliver double-digit returns in the years ahead.

Namibia's economic expansion remains uneven and heavily reliant on a few sectors. Services and agriculture have improved, yet mining continues to weigh on growth and domestic demand is still subdued. Policy remains restrictive after the June rate hike, but inflation pressures should ease if oil prices stay softer. Market pricing remains orderly, with the 6-month bond yield averaging around 7.3% in June, reflecting cautious but stable sentiment

South Africa's (SA) reform trajectory remains one of slow but steady progress. The GNU is delivering demonstrable gains in key areas, which we believe increases the probability of its survival. At the local level, poor municipal service delivery continues to undermine business confidence. Local government elections later this year offer an opportunity to resolve this – stable, functional coalitions in the large metros would be a meaningful positive. The ANC succession race remains the single most important variable for SA's longer-term trajectory.



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The CAPI was down -2% for the quarter (and now -3% YTD). High benchmark exposure to precious metals has materially impacted index performance, with the FTSE/JSE Precious Metals and Mining Index declining -23% (and -21% YTD). The portfolio continues to make use of the breadth of opportunity available in the SA market by owning a more diverse basket of shares. We see compelling value across JSE-listed global stocks and winning domestic shares with a smaller allocation to resources. SA equities remain our preferred SA asset class, and we expect excellent long-term returns.

The resources index (FTSE/JSE SA Resources Index) declined -19% during the quarter, dragged down by a collapse in precious metals pricing and a retreating energy sector (-16% for the quarter). The Fund has held an underweight position in the resources sector for some time, with a meaningful underweight in gold shares. We reduced our PGM holdings during the quarter (underweight position from April). The outlook for PGM demand has deteriorated. Demand for Battery Electric Vehicles (zero PGM required) has again accelerated, driven by low-priced BEV supply. Hybrid electric vehicles (PGM neutral vs combustion engines) are proving to be an expensive and less popular alternative. The spike in the oil price may also pull BEV adoption forward. Key stock picks within the resource sector include Glencore and South32.

The large underweight in gold shares has enabled the Fund to hold an attractive basket of winning SA businesses as well as several JSE-listed global stocks. These offer compelling upside and mid-teen IRRs (internal rates of return). In SA, we remain focused on owning businesses with the resilience and competitive edge to thrive despite anaemic economic growth. These winning businesses compound their advantages over time - reinvesting consistently in their franchises, delivering superior value to customers, and taking share from weaker competitors. Combined with good capital allocation, this drives long-term returns. Our basket here remains unchanged with Advtech, PSG Konsult, Capitec, Dis-Chem, Shoprite, and WeBuyCars. There are a few other contenders in the portfolio which we hope to elevate to winning status in time.

The Fund holds sizeable positions in several SA banks, where high dividend yields and a decent growth outlook support the case for double-digit returns. While the banks face competition from more agile challengers, their large, engaged customer bases remain a formidable advantage. We expect them to leverage their distribution strength to deepen product penetration and grow revenues in real terms. A sustained domestic recovery would provide further tailwinds through increased credit extension and transactional activity. SA's banks are also well-positioned to grow into the broader African opportunity. Standard Bank stands out in particular, with a leading CIB franchise that gives it exceptional continental reach – it is one of the Fund's largest holdings. The financials index (FTSE/JSE Financials Index) returned 8% for the quarter.

The industrials index (FTSE/JSE Africa All Share Industrials Index) returned 5% for the quarter (-4% YTD), dragged lower by its largest constituent Naspers/Prosus, which fell -6% in the quarter (27% YTD). The weakness reflected concerns, including the near-term earnings impact of Tencent's stepped-up AI investment, and ongoing capital allocation questions at the Naspers level. We are constructive on both. Tencent's AI spend, while dilutive to near-term earnings, is being deployed across a massive ecosystem, spanning 1.4bn monthly active users and integration across the Chinese economy in sectors including gaming, advertising, and fintech. We believe Tencent is well-placed to be a meaningful winner as AI



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reshapes these industries. At the Naspers/Prosus level, there are encouraging signs of improved execution across several assets. A firm commitment to buybacks provides an additional source of value. We believe the stock is deeply undervalued and have built a sizeable position.

Outlook

The Fund has very little cash, given the breadth of opportunity. We have taken full advantage of this with high exposure to equities. This basket of stocks is well diversified across the developed, emerging, SA and local markets. The attractive upside in offshore equities supports a high allocation. Given the high equity exposure and compelling valuations, we expect the Fund to deliver good double-digit returns over the medium term.

¹Conditions remained fragile at the time of writing.

Portfolio Managers

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as at 30 June 2026