

NAM CORONATION BALANCED PLUS FUND

QUARTERLY COMMENTARY Q3-26

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

Performance

The Fund returned -0.6% for the quarter as markets grappled with ongoing tensions in the Middle East, the profound disruption of artificial intelligence (AI), and sovereign over-indebtedness. Stock selection was challenging as markets continued to favour a narrow group of AI 'picks and shovels' (such as the chip and memory manufacturers) as well as precious metals stocks. The Fund's performance over long periods of time remains.

Fund Positioning

Conflict in the Middle East rumbled through the third quarter (Q3), pushing oil prices back above \$100 a barrel and reviving fears of inflation. Equity markets held steady, with the MSCI All Country World (MSCI ACWI) up 1.6%, whilst bond yields rose. The Bloomberg Global Aggregate Bond Index USD sold off -2.5% for the quarter (-2.7% YTD). The Fund has maintained its high exposure to equities with no holdings in global sovereign bonds.

AI continues to dominate global equity markets. Investors have bid up its near-term beneficiaries, the 'picks and shovels' (mentioned at the start). At the same time, fears of AI disruption have weighed on many high-quality businesses as markets priced in a permanent erosion of their moat. Perversely, those companies that are investing heavily in AI were hit particularly hard. Rising market concentration has amplified this effect. A small group of early AI beneficiaries now account for an unusually large share of global and emerging market indices, with 'picks-and-shovels' stocks now making up around 25% of the MSCI ACWI. As passive flows follow these rising index weights, even steady compounders in industries less exposed to AI have lagged. Many of our holdings have been caught in this dynamic, which has weighed on performance.

We think that this environment has created exceptional stock-picking opportunities. Many of the businesses the market has sold off continue to deliver strong operating results. We have been careful to avoid businesses at risk of disruption, preferring stocks that are AI resilient or that will use AI to fortify their moats. The market has rewarded stocks making money out of AI today (those selling 'picks and shovels' into data centres), while we are focused on companies that will use AI to improve their businesses and increase their earnings power in the years to come.

We added to positions in two long-term AI winners, Meta and Nu Holdings. Meta showed how quickly sentiment can turn once the payoff from AI investment becomes visible: its shares rose about 25% in September after it launched its Muse AI agent. Volatility and uncertainty are likely to persist, and we continually reassess the outlook for each stock. Although patience will no doubt be required, we have



NAMIBIA ASSET MANAGEMENT

— *Our expertise. Your advantage.* —



seldom seen such an attractive stock-picking market and expect returns from our stock picks over the medium to long term.

Precious metals and commodity markets have been very volatile. South African gold shares rose by approximately 200% in the year to end-February (the price of gold rose >80% over this period), then fell about 40% between March and July after the outbreak of the Iran war. Gold is often held as a hedge, but it offered little protection during this crisis, behaving more like a risk asset. As oil-driven inflation pushed central banks to raise rates and real yields rose, gold moved in line with equities. The swings have continued, with gold shares rallying by about 40% in August before falling 15% in September.

We see merit in the case for structurally higher gold demand: geopolitical tensions are elevated, many governments are heavily indebted, and central banks continue to buy. However, the price you pay for a hedge matters. In our view, this volatility reflects the speculative nature of much of the buying since the second half of 2025, when momentum-driven retail flows that paid little attention to price drove the price of gold beyond its fundamentals. High valuations, combined with high benchmark weightings, increase the risk of significant losses for investors. Protecting clients from material capital loss is central to our approach. The Fund has held a meaningful underweight in gold shares over the past 18 months. This position has cost the Fund relative performance, but it would offer protection against capital loss in a drawdown (as occurred during the sharp sell-off from March to July of this year).

Higher energy prices lifted the inflation outlook and pushed many central banks back into raising rates territory. This included the US Federal Reserve's first hike since 2023 and a shift to tightening at the European Central Bank. Rising bond yields have reduced the fiscal headroom of already heavily indebted governments. With government spending high, long-term yields are likely to remain under pressure. Ten-year yields reached multi-decade highs in the US, UK, Germany, and Japan during the quarter. The UK case study shows how quickly market confidence can be lost. Within a few months, changing political leadership, rising inflation, and a stretched fiscal position pushed 30-year yields to their highest level in decades. At current yields, we believe developed market government bonds inadequately compensate investors for the risks. As we have commented earlier, the fund has no exposure to developed market sovereign bonds. We have kept a small allocation to offshore credit, which offers attractive US dollar yields and useful diversification by sector and region.

Given the breadth of opportunity offshore and compelling valuations, the Fund has made almost full use of its offshore capacity. We think that the exceptional stock-picking opportunities 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 economy gained momentum during the second quarter, with real GDP expanding by 4.8% YoY, supported by stronger activity across services, agriculture and manufacturing, while household consumption also rebounded. Inflation, however, accelerated during the September quarter, reaching 5.4%YoY in September. Against this backdrop, monetary policy remained restrictive, with the Bank of Namibia maintaining the repo rate at 6.75% in August. Namibian government bonds came under pressure during the quarter, reflecting the global bond selloff and a weaker local fiscal backdrop, with yields rising



NAMIBIA ASSET MANAGEMENT

— *Our expertise. Your advantage.* —



across most of the curve and the long end experiencing the greatest pressure. Namibian equities remained positive for the year despite some volatility, with the NSX Overall Index up 10.1% YTD

In South Africa, the fiscal outlook has improved materially, helped by rising precious metals prices and restrained government spending. Growth, however, remains weak: GDP contracted 0.2% in the second quarter. Structural constraints persist, including underinvestment in infrastructure, low levels of investment, poor educational outcomes, and high debt-service costs that crowd out productive spending.

Reform is slow, but steady. Eskom and Transnet are making progress, and South Africa has been removed from the Financial Action Task Force grey list. At a national level, the Government of National Unity has improved accountability. Poor service delivery by municipalities still weighs on business confidence and will be a key issue in the November local government elections. The ANC succession race remains the single most important variable for South Africa's longer-term trajectory.

The FTSE/JSE Capped All Share Index (CAPI) was flat for the quarter (-0.3%, and now -3% YTD). A rise in the resources index (+15%) was offset by weakness in Industrials (-10%) and Financials (-4%).

Resources were driven by a 17% rise in the JSE Precious Metals and Mining Index (although it remains -8% YTD). The outsized benchmark weighting in precious metals crowded out the broader market, as investors rotated out of other holdings to fund precious metals exposure. This has created compelling value elsewhere. Our underweight in precious metals 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. Within resources, this has included holdings in diversified miners such as Glencore and South32. South32 is particularly well positioned, with a growing production profile and exposure to a strategic basket of metals (copper, zinc, manganese) that should benefit from rising long-term demand.

We remain focused on owning businesses with the resilience and competitive strength to thrive in South Africa, notwithstanding weak economic growth. We continually assess how much these businesses invest, the quality of their management, and their ability to defend their competitive position and gain market share over time. We were pleased with the results out of Shoprite and the education stocks (Advtech and Stadio) during this quarter. All three companies gained market share despite difficult consumer conditions.

The Fund also holds sizeable positions in several South African banks. Despite near-term economic pressures, our holdings continue to deliver steady growth in lending and transactional revenue, along with good cost control. Rising competition and pressure on fees are headwinds, but we see several offsetting sources of growth: the shift away from cash, expansion into the large informal economy, and growth across the rest of Africa. We believe the banks can deliver double-digit returns, given attractive dividend yields and steady earnings growth. The financials index fell -4% in the quarter (+4% YTD) as higher oil prices raised inflation and interest rates clouded the near-term outlook.

The industrials index fell -10% for the quarter (-14% YTD), dragged lower by its largest constituent Prosus/Naspers, which fell c. 15%. The weakness reflected concerns that AI could disrupt Tencent. We take the opposite view. Tencent owns China's most important digital platform, Weixin, with around 1.4 billion



NAMIBIA ASSET MANAGEMENT

— *Our expertise. Your advantage.* —



monthly users and deep integration across gaming, advertising, payments, and cloud. Years of user history and connections to millions of businesses make it a natural home for AI assistants that can act and transact on users' behalf. AI is already lifting Tencent's advertising revenue, and its workplace AI tools are quickly becoming embedded in how companies operate. Tencent trades on a low double-digit price-to-earnings multiple. Prosus and Naspers trade at a discount to the value of their Tencent stakes alone, meaning the market assigns no value to their other investments. We see this as a very attractive valuation for an underlying business with strong fundamentals and we have built a sizeable position in the Fund.

Outlook

Performance over the recent past has been disappointing. Rising index concentration and a market focused on short-term concerns have left many high-quality businesses overlooked. Several of our holdings have been among them. We have used this weakness to add to businesses we believe are mispriced. These attractive valuations across developed, emerging, and South African markets support the portfolio's high allocation to equities. Given the starting valuations, we expect the Fund to deliver above-average returns over its long-term investment horizon.

Portfolio Managers

Karl Leinberger, Colin Kalimba and Sarah-Jane Alexander
as at 30 September 2026