

NAM CORONATION BALANCED DEFENSIVE FUND

QUARTERLY COMMENTARY Q2-2026

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

Performance

The first half of the year (as it draws to a close) has been dominated by two defining shocks: the war in the Middle East and its effect on oil supply, and the artificial intelligence (AI) boom and its impact on demand for semiconductors. Despite these supply/demand shocks, the global economy and markets have been surprisingly resilient, with risk assets delivering strong returns. The MSCI Emerging Markets Index (+24% in USD year-to-date [YTD]) outperformed developed markets (+10% YTD) as measured by the MSCI World Index.

While the returns look good in hindsight, global markets experienced a sharp sell-off in March, driven by the global energy shock and renewed inflation fears. Global bond yields spiked, and we once again saw a flight to safety in traditional assets like the US dollar and energy commodities, which were natural beneficiaries of the higher oil price. Paradoxically, gold prices did not act like a haven asset during this risk-off event, with the price of the yellow metal retracing more than 20% since the start of the war and into the second quarter. We had been arguing for some time that gold prices were trading at extreme, sentiment-driven levels prior to the war, far above our assessment of a fair gold price. The Fund reduced exposure to gold into the rally early this year, taking profits as the gold price reached what we considered to be stretched levels.

In the context of the above volatility, we are pleased that the Fund has delivered a return ahead of its CPI + 3% target over all relevant time periods. Once again, we saw that a global crisis event resulted in significant investment opportunities for the Fund. We took advantage of the volatility in asset prices following the start of the war in two ways:

We made a sizeable increase in our allocation to SA nominal bonds, mostly executed in the first quarter of the year. In the aftermath of the war, we saw the 10-year yield spike to nearly 10% on the back of risk-off fears and a sharply elevated inflation outlook. We felt that even with baking in an inflationary shock from the war, the real yields on the nominal bonds looked attractive, warranting an increase in allocation. SA bonds remain a material allocation in the Fund, providing a dependable anchor to the Fund's target real-return ambitions.

We also slightly stepped up our global equity allocation to largely maintain our full exposure. This building block has been the largest detractor from the Fund's performance over the last year. Much of the negative performance was a function of a broad sell-off across several industries – to which we have exposure – that have been indiscriminately categorised as 'AI losers'. This includes digital platforms, ecommerce companies, financial services companies, and data owners. We acknowledge that developments in AI are fast-changing, with new models being introduced and evolving narratives on who the winners and losers will be. A level of humility is required when positioning our holdings in this environment, compelling us to



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continually retest the investment theses behind each of the businesses we own. However, we believe that there are compelling arguments that many companies in these segments are either resilient to AI disruption or will prove to be significant beneficiaries of the technology in time. We continue to believe that a large allocation is warranted, with the upside to fair value we see in our selection currently sitting at unusually high levels. Global equities now make up 24% of the Fund at quarter end. We continue to maintain put option protection at c. 30% against our developed market global equity allocation as the price of this protection remains reasonable.

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. The local bond market delivered overall good returns of 6.67% over the period, with yields tightening on average by 16bps on the back of an SAGB-led rally as the US-Iran ceasefire held and the Strait of Hormuz reopened. The domestic yield curve drew on this external tailwind, rallying by an average of 20bps at the front-end, the belly by 19bps, and the long end by 9bps. Bank of Namibia hiked interest rates by 25bps in June, noting rising global and domestic inflationary pressures over the near term.

Despite the return headwind from our global equity holdings, our total equity building block has positively contributed to the Fund's returns year to date, with our SA equity selection outperforming an SA equity market that delivered negative returns overall. Glencore, PSG Konsult, Altron, and Richemont were top SA equity contributors to the Fund's performance, highlighting the impact of astute equity selection across a range of sectors within the SA market. When including global equity, our total equity allocation in the Fund remains at the maximum level of 40%. We believe the Fund's risk asset allocation in both equities and property will provide the necessary capital growth pillar for future fund returns.

Outlook

"It's tough to make predictions, especially about the future" — Potential Danish proverb (origin uncertain)

While the above quote has always been true, it has felt even more acute over the last 18 months. Policy unpredictability under the Trump administration, developments in AI, and heightened geopolitical tensions have all introduced a higher baseline of uncertainty, often reflected in ferocious swings in asset prices. Managing the Fund in this environment requires agility, with frequent reassessment of our outlooks and the incorporation of renewed views into our long-term fair values and, where appropriate, our asset class allocations. We have reiterated on many occasions that we aim to build robust portfolios that can deliver our Fund's CPI + 3% target return in a wide range of outcomes. While the first half of the year has been tough, we have managed to meet this target. We remain confident in the Fund's positioning and believe that its prospects and ability to achieve targeted returns over the medium to long term are particularly compelling.

Portfolio Managers

Charles de Kock, Pallavi Ambekar & Neill Young

as at 30 June 2026