

**TRUSTCO GROUP HOLDINGS LIMITED**

**Incorporated in the Republic of Namibia**

**(Registration number 2003/058)**

**Registered as an external company in South Africa**

**(External registration number 2009/002634/10)**

**NSX share code: TUC**

**JSE share code: TTO**

**OTCQX share code: TSCHY**

**ISIN Number: NA000A0RF067**

**(“Trustco” or “the Group”)**

**TRADING STATEMENT FOR THE 12 MONTHS ENDED 31 AUGUST 2023**

**1. Introduction**

- 1.1 Trustco shareholders (**“Shareholders”**) are advised that the Group is finalising its Audited Annual Financial Statements for the 12-month period ended 31 August 2023 (**“2023 Year End Results”**).
- 1.2 In terms of the Listings Requirements (“LR”) of JSE Limited (“JSE”), companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by more than 20% from that of the previous corresponding period.
- 1.3 In this regard, comparisons for purposes of this trading statement are made against Trustco’s audited results for the 12-month period ended 31 August 2022 (**“2022 Year End Results”**).

**2. Key Factors**

- 2.1 Trustco is a diversified investment entity based in Windhoek, Namibia, with its investment focus on the insurance, education, real estate, mining, commercial banking and micro-finance sectors. The company's investment portfolio has shown

exceptional returns historically, with NAV CAGR of 69% since inception and a robust 18.1% post-listing in 2006. Its asset mix is weighted 34% on average towards US Dollar assets, with the remaining 66% in Namibia Dollar assets (1 NAD = 1 ZAR).

- 2.2 In the current global economic landscape, a constellation of challenges has arisen, marked by a widespread and more abrupt deceleration of growth, mounting inflationary pressures and escalating geopolitical complexities. These intricacies are manifesting in a global growth deceleration, expected to decline from 3.5% in 2022 to a modest 3.0% in both 2023 and 2024.
- 2.3 The primary catalysts behind this swifter-paced deceleration encompass the burgeoning cost-of-living conundrum, tightening financial constraints across multiple regions, global military disruptions and the persistent spectre of the after-effects of the COVID-19 pandemic. Inflation, too, has surged to levels unprecedented in decades, registering an average of 8.7% in 2022 and, while anticipated to abate, is predicted to hover at 6.8% in 2023 and further diminish to 5.2% in 2024.
- 2.4 Conversely, Namibia's economic landscape paints a somewhat distinct picture, characterised by a cautiously optimistic outlook albeit clouded by notable uncertainties. The World Bank suggests an economic growth rate of 2.8% for 2023, a marked deceleration from the robust 4.6% witnessed in 2022. Factors contributing to this subdued growth trajectory encompass comparatively high inflation rates, monetary tightening measures and a reduced growth momentum in the neighbouring South Africa and Europe. Nevertheless, 2024 portends a more buoyant outlook with growth anticipated to rebound to 3.4%, buoyed by the ongoing resurgence in diamond processing and exports, augmented consumption in the wholesale and retail sectors and the resurgence of tourism, a vital sector to the Namibian economy.
- 2.5 In this financial year, a notable factor contributing to the decline in portfolio valuations was the collective surge in discount rates, totalling 11.68% (approximately NAD 650 million, or 66 cents per share) across Trustco's portfolios. The prevailing global trajectory of escalating central bank rates appeared to have reached its apex as of

the current reporting period. Forecasts indicate a potential moderation in these rates, hinting at an anticipated reduction in discount rates over the coming years. This expected adjustment may lead to a reversal of the valuation declines witnessed in the current financial year.

- 2.6 In the real estate portfolio over the past few years, the imposition of Loan-to-Value (LTV) restrictions by the Bank of Namibia significantly contributed to a decline in property values by 42%. After the end of the financial year, however, noteworthy revisions have been made by the Bank of Namibia to its loan-to-value ratio prerequisites for prospective homebuyers. This was only done after a High Court challenge by Trustco. These amendments now entail a reduction in mandatory deposits, shifting from the prior stipulation of up to a 50% deposit requirement to a maximum of 10% for properties owned beyond the second. This strategic adjustment is anticipated to invigorate the property market by fostering amplified sales and expediting property development timelines. Consequently, these changes are poised to yield elevated valuations within this portfolio in the coming years.
- 2.7 The achievement of commercial production and the subsequent expected revenue growth within Trustco's mining portfolio significantly bolsters the monetisation of Trustco's 116 million USD investment, since inception. This accomplishment also draws expected dividend payments from this investee nearer to the present. This validates the calculated investment decision made in diamond mining back in 2016, diversifying Trustco's investment basket by asset class, geography as well as by currency.
- 2.8 In the commercial banking and micro-financing portfolios, the uptick in interest rates has been a favourable revenue development. However, the spectre of higher inflation amplifies the risk of borrower defaults. Furthermore, the usual consequence of monetary tightening creates a contraction in credit demand, somewhat offsetting growth by raising discount rates. The ongoing restructuring of this portfolio's international debt has influenced the timeous acquisition of fresh capital for this leverage model, contributing to the decreased valuation of this portfolio.

- 2.9 The education portfolio has exhibited resilience amidst the challenging economic landscape marked by increased inflation and tightened monetary conditions. This specific facet of Trustco's portfolio, closely associated with the lending operations of the micro-financing portfolio, has faced a temporary slowdown in its growth trajectory.
- 2.10 Within the insurance portfolio, the confluence of heightened inflation and monetary tightening has produced mixed effects. While higher interest rates augur well for insurers' investment returns, they concurrently elevate liabilities and capital requisites. The ramifications of monetary tightening extend to the economic conditions and risk proclivities of consumers and businesses, thereby influencing their demand for insurance products. The valuation of the insurance portfolio has therefore declined by an unexpected margin.
- 2.11 Comprehensive details of all portfolio valuations will be accessible within the annual report.

### **3. Trading Statement**

Accordingly, a review by management of the financial results for the 2023 Year End Results has indicated that Trustco expects to report:

- 3.1 Net Asset Value per share ("**NAVPS**") for the 2023 Year End Results of between 98 and 136 cents per share, compared to the NAVPS of 181 cents in respect of the 31 August 2022 Year End Results;
- 3.2 Basic loss per share ("**LPS**") for the 2023 Year End Results of between (54.55) and (83.73) cents per share, compared to the earnings per share ("**EPS**") of 145.89 cents reported on in respect of the 31 August 2022 Year End Results; and
- 3.3 Headline loss per share ("**HLPS**") for the 2023 Year End Results of between (49.73) and (88.75) cents per share, compared to the headline loss per share of (195.13) cents in respect of the 31 August 2022 Year End Results.

3.4 The financial information of this trading statement has not been reviewed or reported on by Trustco's auditors.

#### **4. Conclusion**

4.1 Trustco and its JSE-accredited independent external auditors are in the final stages of completing their audit and internal quality assurance processes and therefore Trustco is expecting to release its 2023 Year End Results on or about Wednesday the 13th of December 2023.

Shareholders are welcome to contact the company secretary for more information at [komada@tgh.na](mailto:komada@tgh.na).

Windhoek, Namibia,

12 December 2023

Komada Holdings (Pty) Ltd

**Company Secretary and Investor Relations Services to Trustco Group Holdings Limited**

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