Volume 3, No. 1, January 2007

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 January 2007

By T H Friedrich – Managing Director Retirement Fund Solutions Namibia (Pty) Ltd

The monthly review of portfolio performance, as set out in this issue, is now also available on our website at www.rfsol.com.na.

1. Investment Portfolios Performance (consult table below for full name of portfolio)

In January the average prudential balanced portfolio returned 3.28% (December 3.86%). Best and worst performance **for the month** was delivered by Investec (4.21%) and Allan Gray (2.03%), respectively. **For the 3 months** ended January 2007 (graph 9), best and worst performance was delivered by Namibia Harvest (11.8%) and Stanlib (8.6%), respectively, the average portfolio delivering 10.2 %. **For the 12 months** ended January 2007 (graph 11), best performance was delivered by Prudential (32.1%) and worst performance again by Stanlib (19.8%), the average portfolio delivering 27%. Graphs 10, 12 and 13 reflect the performances for the 6 months, 3 years and 5 years to 31 January 2007, respectively.

Cumulative long term performance of prudential balanced portfolios is reflected in graphs 14 and 15. Take note that Graph 14 has March 1998 as starting point and excludes Allan Gray whose out performance would distort the scale. Graph 15 reflects cumulative performance starting January 2003. Again, Allan Gray is ahead of the pack but only by a small margin. Graphs 16 and 17 present the performance of these portfolios and the CPI over rolling 3 year periods since September 2001. Consider that the performance objective of these portfolios is to outperform CPI by between 3% and 5% over the long-term, we are on dangerous ground.

Graphs 18 and 19 provide a more in depth look at the monthly performance of these portfolios. There are some glaring deviations from the 'norm' and if any of these is your manager, have this explained by your manager, determine whether it makes sense and whether this is indicative of what you should expect going forward. Does this make sense relative to the monthly returns of the main equity sectors in graphs 21 and 22 over the same period? You may also wish to refer back to your manager's asset and sector allocation as per our Manager Review at 31 December 2006 to assist you in monitoring your manager/s and testing their explanations.

2. Special Mandate Portfolio Performance

If you are as concerned about the local equity market as we are and you want to hedge your investment against an unexpected negative development, consider the special mandate portfolios, whose rolling 6 month returns are reflected in Graph 20, relative to the average prudential balanced portfolio.

3. Asset Class Performance

Graphs 1 and 2 reflect the performance of the main asset classes for the 3 months and the 12 months ended January 2007. All asset classes once again delivered positive returns for the 3 months, Property UT* outperforming all others (15.2%) and coming in second best over 12 months at 19.2%. The Allshare* index was next best performing asset class over 3 months (9.3%) but far out performed all others over 12 months (32.2%). Worst performing asset classes over the past 3 months were Bonds* (3.6%) and cash (2.1%). Over 12 months bonds and cash also produced the lowest return of 10.7% and 8.2%, respectively. For the purpose of doing more in depth analyses, graphs 23 and 24 reflect the performance build up of various indices from 1 January 2005 to date. Interestingly, resources had a nice run to the middle of last year only to fizzle out over the second half where all other sectors started to perform after a poor first half of 2006.

4. Investment Style and Market Capitalization

Graphs 3 and 4 show that 'Value'* companies significantly outperformed 'Growth'* companies for the 3 months (13.4% versus 5.4%) but just lag the latter for the 12 months (31.1% versus 30.9%). Interestingly, this is not mirrored at all in the 3 month performance figures, where Allan Gray, Prudential and Sanlam have a value bias! Looking at market capitalization, 'large caps' (Top 40* - 8%) significantly under performed 'Mid*' (17.7%) - and 'Small Caps*' (21.5%) over 3 months, while the difference over 12 months is much smaller.

The following abbreviations are used in the graphs below:

Benchmarks	
Namibian Cons Price Index	CPI Cum
JSE Allshare Index	JSE Cum
Average Portfolio (prudential, balanced)	Aver
Special Mandate Portfolios	
Sanlam Cash	BM Cash
Investec High Income (IBA)	Inv High
Metropolitan Absolute Return	Metr ARF
Prudential Inflation Plus	Pru Infl+
Old Mutual Dynamic Floor	OM DF
Sanlam Inflation Plus	Sanl Infl+

BENCHTEST

Volume 3, No. 1, January 2007

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 January 2007

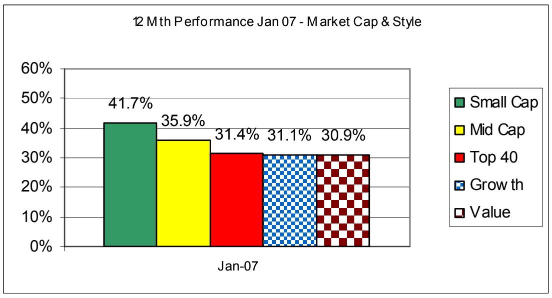
By T H Friedrich – Managing Director Retirement Fund Solutions Namibia (Pty) Ltd

The monthly review of portfolio performance, as set out in this issue, is now also available on our website at www.rfsol.com.na.

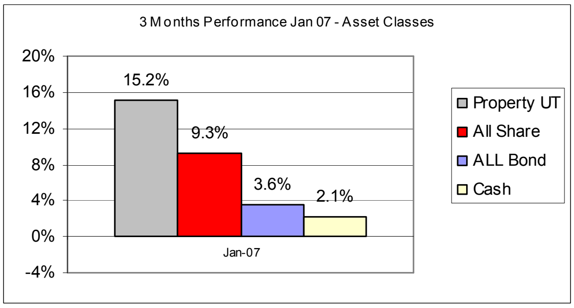
Market related portfolios	
Allan Gray Balanced	A Gr
Investec Managed	Invest
Investment Solutions Focused Growth (multi manager)	Isol FG
Prudential Managed	Prudential
Metropolitan Managed	Metr
Namibia Harvest Platinum Balanced	NAM
Old Mutual Profile Balanced	OM B
Old Mutual Profile Growth	OM H
RMB Managed	RMB
Sanlam Managed	Sanl
Stanlib Managed	Stan

Index performances, by courtesy of Deutsche Securities, an associate of IJG and IJG (bonds and cash), include dividends.

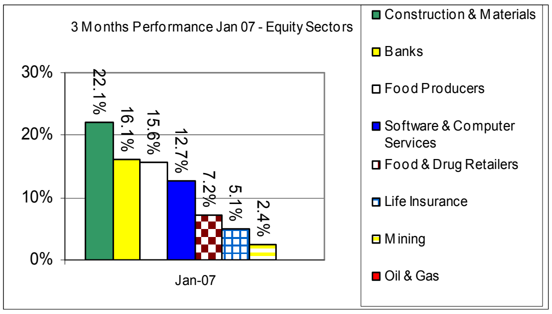
Graph 4



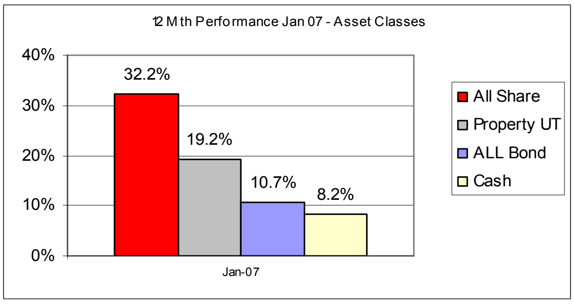
Graph 1



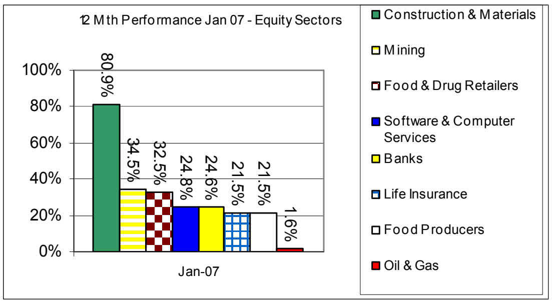
Graph 5



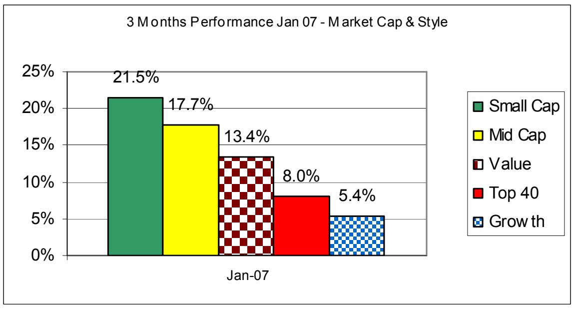
Graph 2



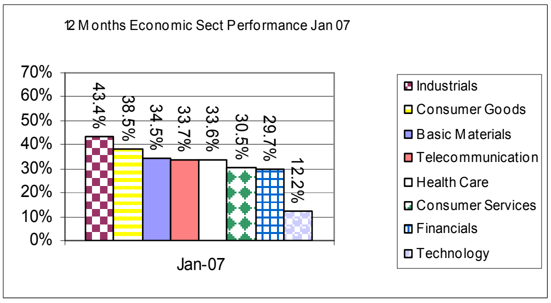
Graph 6



Graph 3



Graph 7

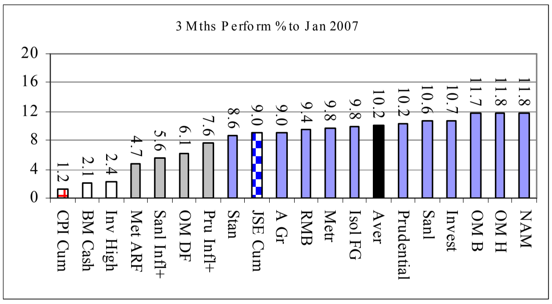


MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 January 2007

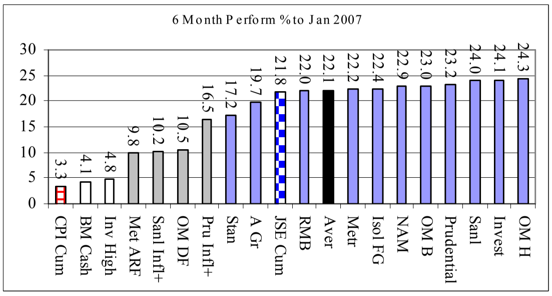
By T H Friedrich – Managing Director Retirement Fund Solutions Namibia (Pty) Ltd

The monthly review of portfolio performance, as set out in this issue, is now also available on our website at www.rfsol.com.na.

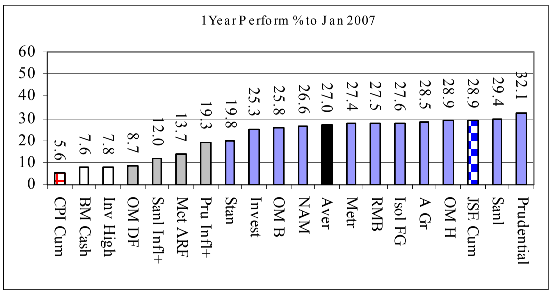
Graph 9



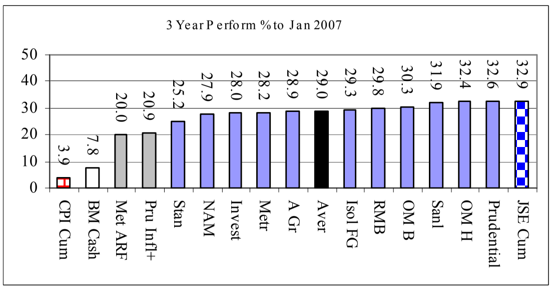
Graph 10



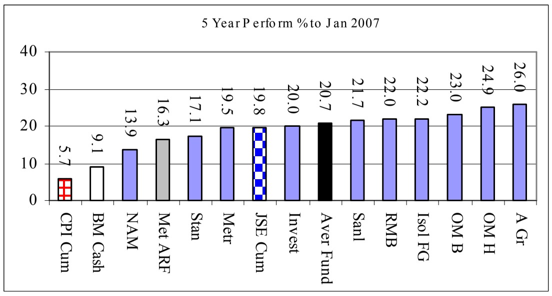
Graph 11



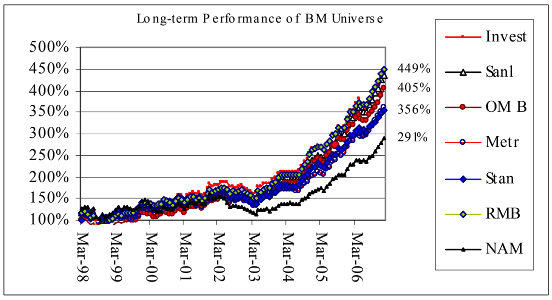
Graph 12



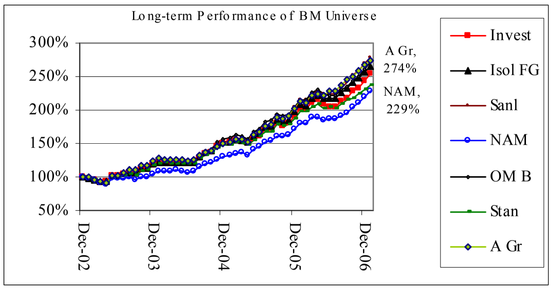
Graph 13



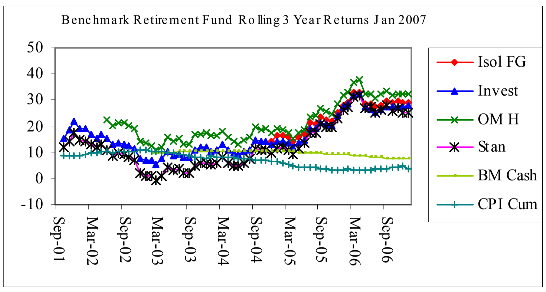
Graph 14



Graph 15



Graph 16



BENCHTEST

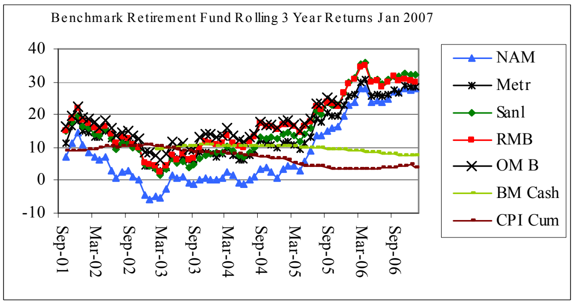
Volume 3, No. 1, January 2007

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 January 2007

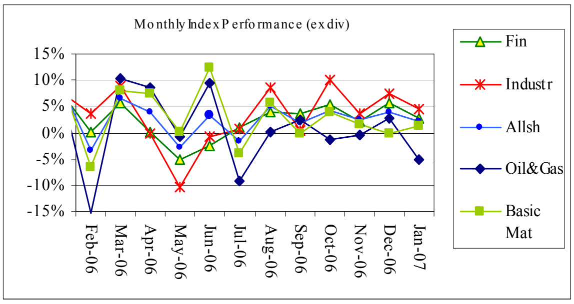
By T H Friedrich – Managing Director Retirement Fund Solutions Namibia (Pty) Ltd

The monthly review of portfolio performance, as set out in this issue, is now also available on our website at www.rfsol.com.na.

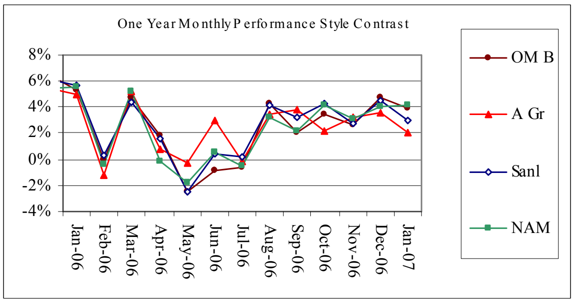
Graph 17



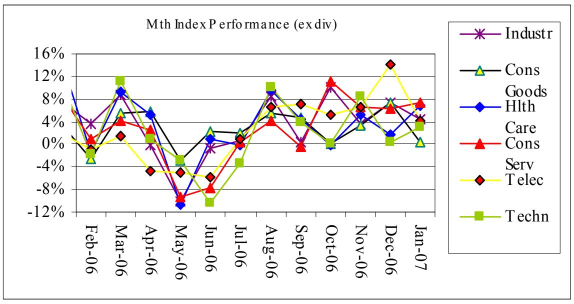
Graph 21



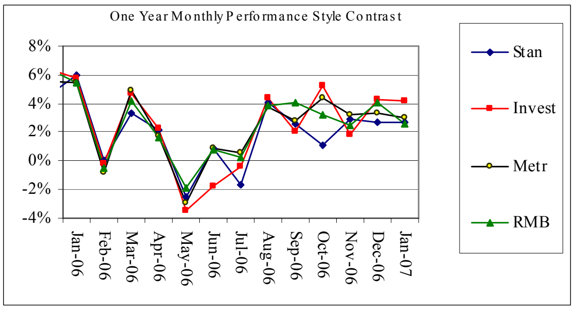
Graph 18



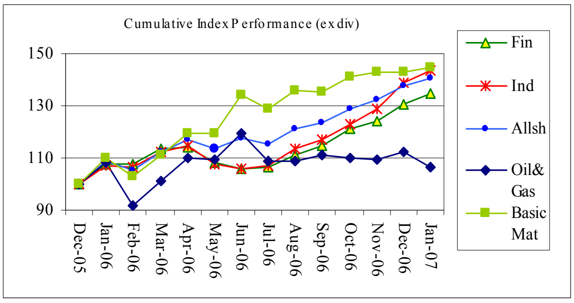
Graph 22



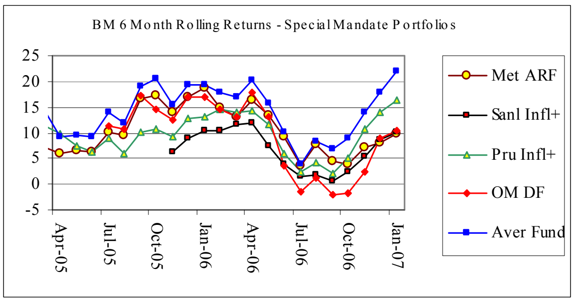
Graph 19



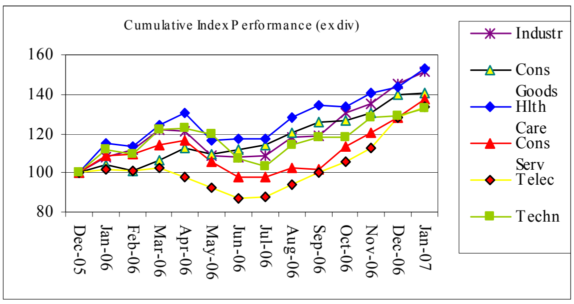
Graph 23



Graph 20



Graph 24



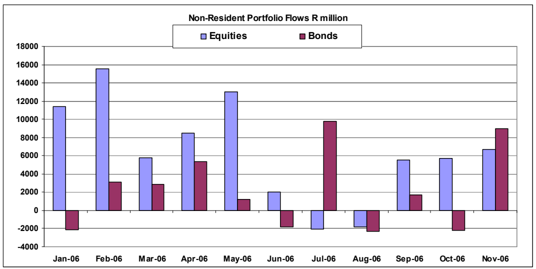
MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 January 2007
By T H Friedrich – Managing Director Retirement Fund Solutions Namibia (Pty) Ltd

The monthly review of portfolio performance, as set out in this issue, is now also available on our website at www.rfsol.com.na.

5. Preview for the next 6 months

Following the news on the situation in the Middle East, one cannot help but reach the conclusion that the US is bent on taking some form of action against Iran. It started with its issue on the Iranian nuclear ambitions. Now one hears about Iran supplying Iraqi terrorists with weapons that have killed at least 100 American servicemen and the President expressing his intent to take action. This does concern us and will undoubtedly shake global financial markets when it happens, we think it will.

The Rand/Namibia Dollar is trading in a comfortable range, trading between 7 and 7.3 against the US$. While it has been supported massively by foreign portfolio flows, we expect these to recede due to local equities now being less attractive and an expected end to the rising local interest rate cycle. The table below (courtesy of Namibian Asset Managers) appears to bear this out. An area of concern remains the large trade deficit, which has shown an increasing trend over the past year and unless local appetite for imports can be reduced significantly, this remains a threat and presents real potential for further Rand/Namibia Dollar depreciation and interest rate hikes with little evidence around for the Rand/Namibia Dollar to strengthen. Although the now significantly lower crude price should lend some support to the current account, we would still expect the Rand/Namibia Dollar to remain under pressure.



For 2007, barring any unforeseen surprises and shocks arising from natural or man made catastrophes, we expect calmer waters in global financial markets. Many markets in the developed world, in particular, had a very nice run in 2006 and might just have another good run in 2007 without fireworks though. The Rand/Namibia Dollar experienced a significant depreciation while the local equity markets had yet another fabulous run in 2006, and started off into the new year as if the sky was the limit. Despite this initial euphoria, we certainly do not expect 2007 to produce the returns 2006 did, even if foreign market still pull along local market for a while. Our expectation is for local equity markets to show rather pedestrian growth while the likelihood is for the Rand/Namibia Dollar to show further weakness.

6. Conclusion

At this point our main concern is the situation in the Middle East that may impact on global financial markets and on investor sentiment that may lead to a re-rating of stocks. The Chinese investment trust reported on in local newspapers this week is unlikely to have any significant impact on global markets. At $ 200 billion, it only represents about 0.5% of global market capitalization.. For South Africa this could mean an inflow of around R 18 billion over time. Seen against the inflow of around R 90 billion last year alone this should not have a major impact on local markets but perhaps just lend some support in the face of fading foreign enthusiasm, not enough though to relieve pressure on the R/Namibia Dollar. On this basis we would go for the full 20% offshore ceiling. As between asset classes locally, the end of the rising interest rate cycle is in sight and we are of the opinion that on a risk adjusted basis, there will not be much to choose between equities, property and bonds in terms of expected returns for 2007. As regards the equity sectors, we see most potential in Rand hedge stocks and the industrials sector in general. Stock picking skills with value focus, should make the difference rather than asset allocation skills.

7. Who To Contact

For further information, analyses or interpretations, please contact Tilman Friedrich, Mark Gustafsson, Marthinuz Fabianus or Hannes van Tonder at Retirement Fund Solutions tel 061-231590.

8. Important notice and disclaimer