Volume 19 No. 03
March 2023

Benchmark Retirement Fund
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

Administered by RFS Fund Administrators

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

1. Review of Portfolio Performance

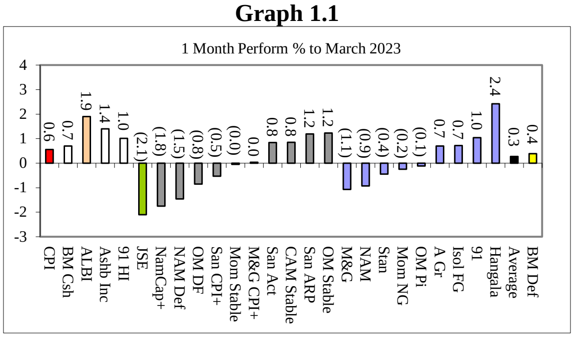
In March 2023, the average prudential balanced portfolio returned 0.3% (February 2023: 0.2%). The top performer is Hangala Capital Absolute Balanced Fund with 2.4%, while M&G Managed Fund with -1.1% takes the bottom spot. For the three months Namibia Coronation Balanced Plus Fund takes the top spot, outperforming the 'average' by roughly 1.4%. M&G Managed Fund underperformed the 'average' by 1.0% on the other end of the scale. Note that these returns are before (gross of) asset management fees.

Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no color bars), the average of prudential balanced portfolios (black bar), the JSE Allshare Index (green bar), and the CPI (red bar). Benchmark investors should note the performance of the default portfolio (yellow bar), which represents a combination of Allan Gray Namibia Balanced, Ninety-One Namibia Opportunity, M&G Inflation Plus Fund, Sanlam Inflation Linked Fund and 20Twenty Credit Solutions.

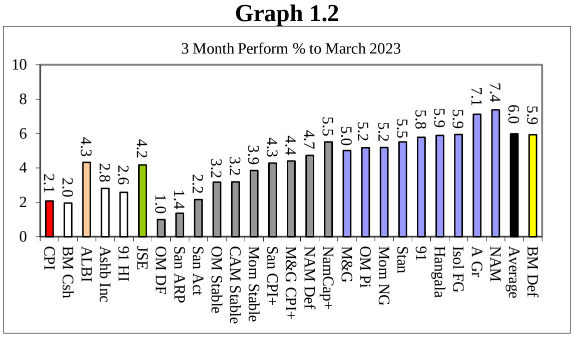
Below is the legend to the abbreviations reflected on the graphs:

Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average Portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no color)
NinetyOne High Income (interest bearing assets)	91 HI (no color)
Ashburton Namibia Income Fund	Ashb Inc (no color)
Capricorn Stable	CAM Stable (grey)
Momentum Nam Stable Growth	Mom Stable (grey)
NAM Capital Plus	NamCap+ (grey)
NAM Coronation Balanced Def	NAM Def (grey)
Old Mutual Dynamic Floor	OM DF (grey)
M&G Inflation Plus	M&G CPI+ (grey)
Sanlam Active	San Act (grey)
Sanlam Inflation Linked	San CPI+ (grey)
Smooth bonus portfolios	
Old Mutual AGP Stable	OM Stable (grey)
Sanlam Absolute Return Plus	San ARP (grey)
Market related portfolios	
Allan Gray Balanced	A Gr (blue)
Hangala Capital Absolute Balanced	Hangala (blue)
NinetyOne Managed	91 (blue)
Investment Solutions Bal Growth (multimanager)	Isol FG (blue)
Momentum Namibia Growth	Mom NG (blue)
NAM Coronation Balanced Plus	NAM (blue)
Old Mutual Pinnacle Profile Growth	OM Pi (blue)
M&G Managed	M&G (blue)
Stanlib Managed	Stan (blue)

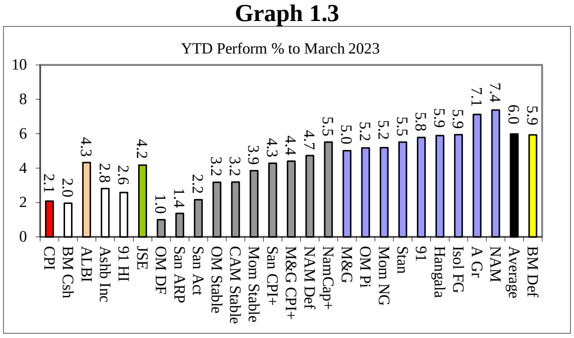
Graph 1.1



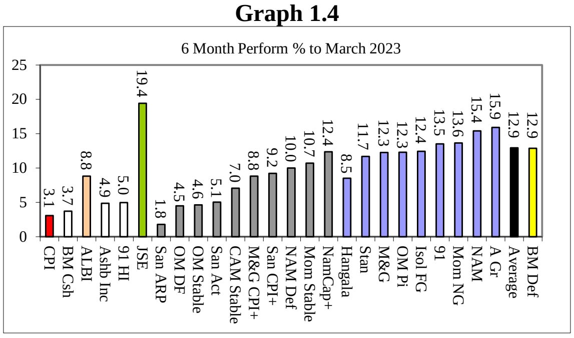
Graph 1.2



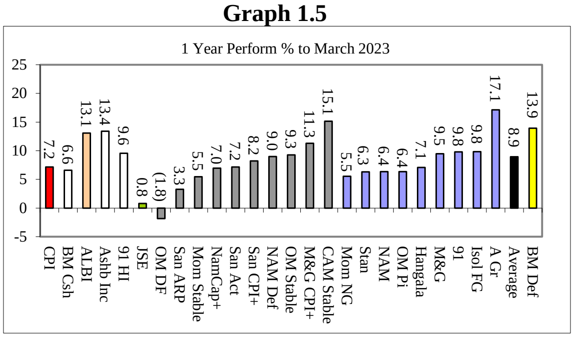
Graph 1.3



Graph 1.4



Graph 1.5



Volume 19 No. 03
March 2023

Benchmark
Retirement Fund

Administered by RFS Fund Administrators

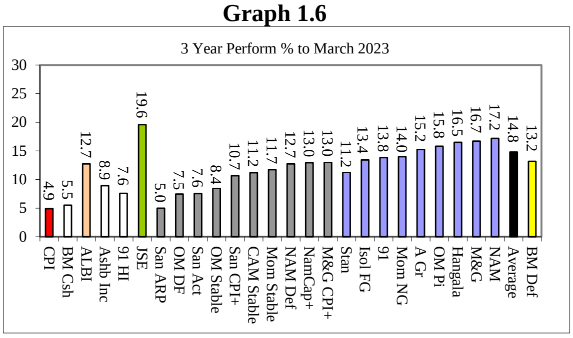
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

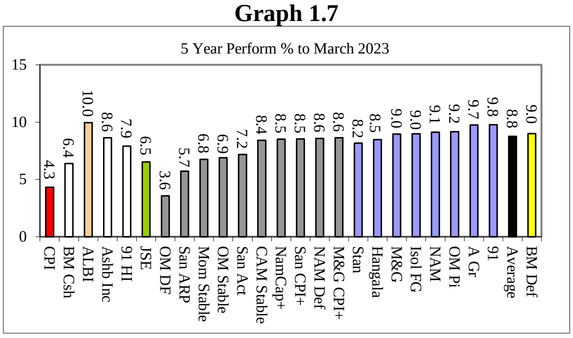
By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

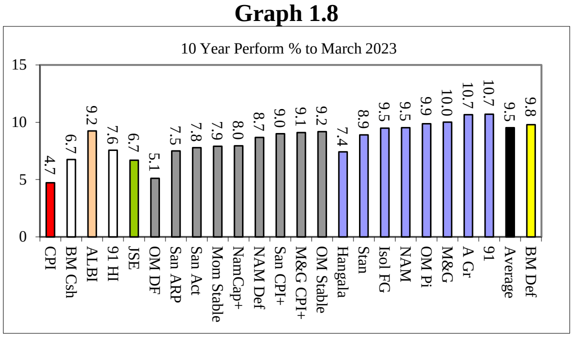
Graph 1.6



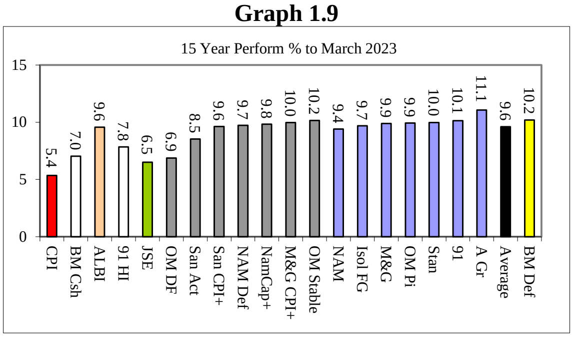
Graph 1.7



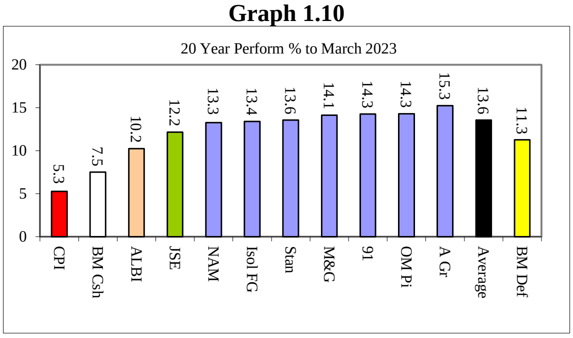
Graph 1.8



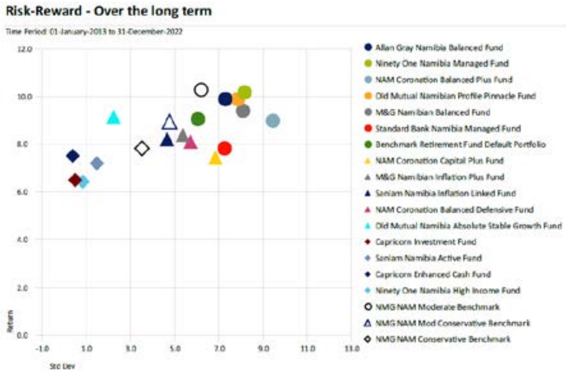
Graph 1.9

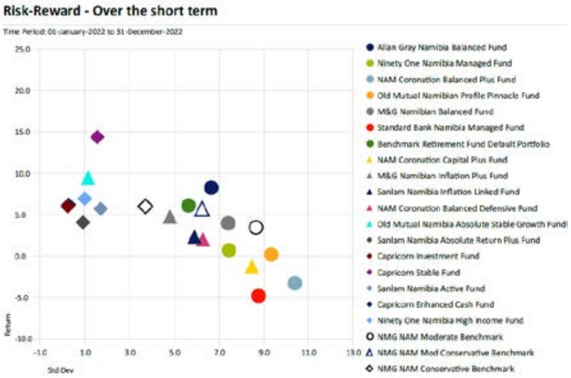


Graph 1.10



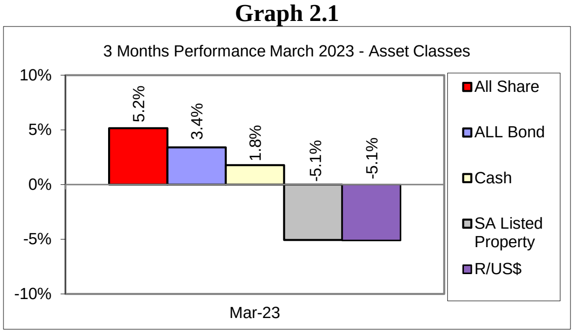
Risk/ Return



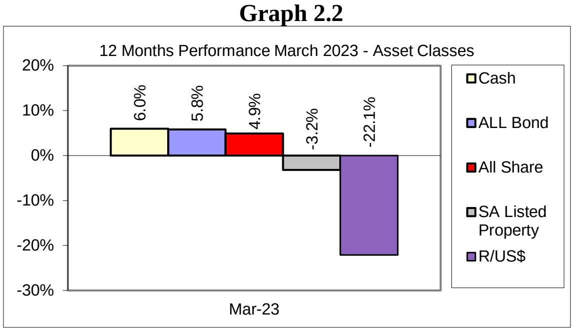


2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

Graph 2.1



Graph 2.2



Benchmark Retirement Fund
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

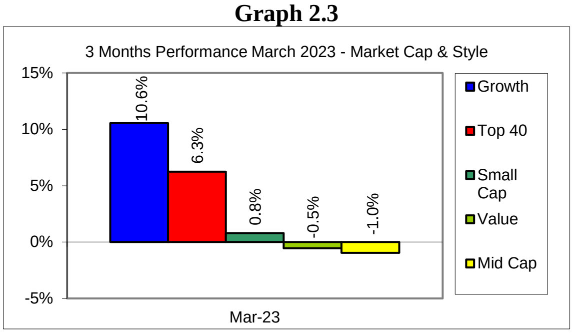
Administered by RFS Fund Administrators

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

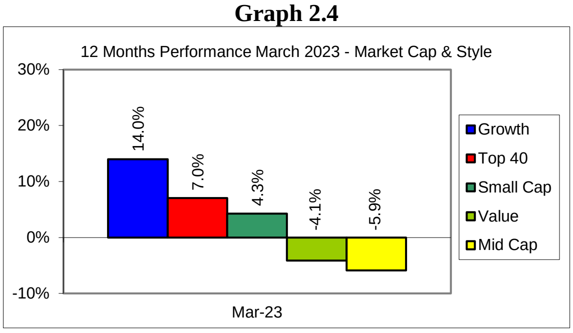
By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

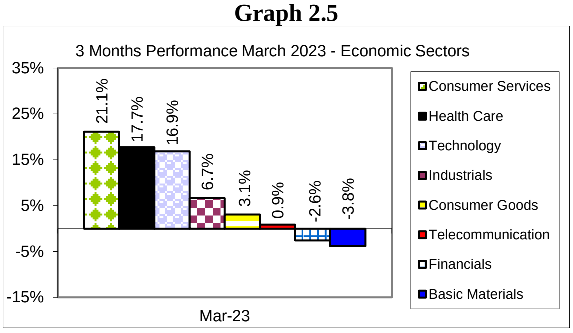
Graph 2.3



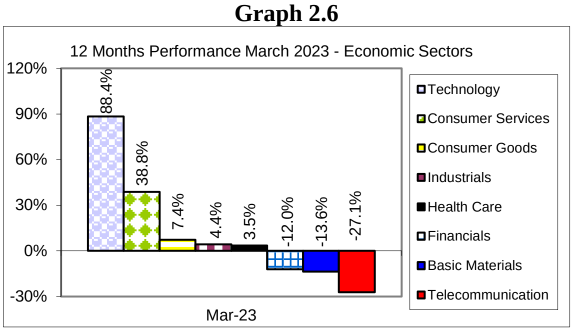
Graph 2.4



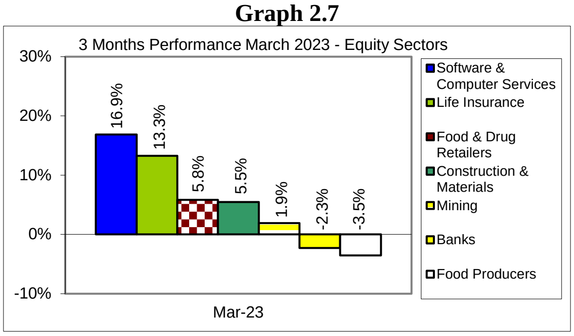
Graph 2.5



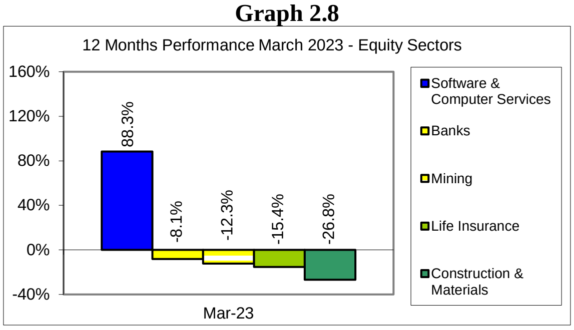
Graph 2.6



Graph 2.7



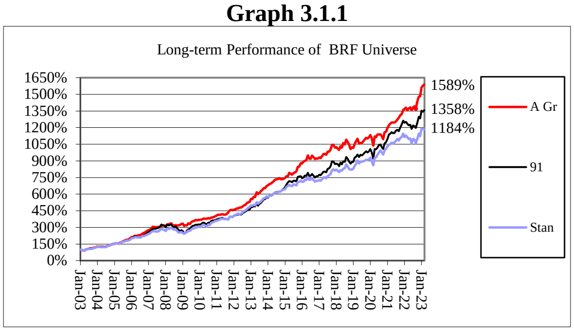
Graph 2.8



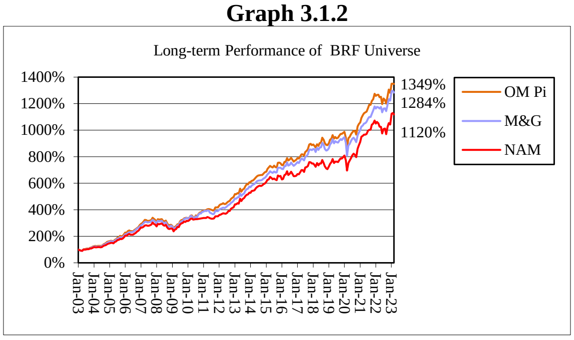
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

Graph 3.1.1



Graph 3.1.2



Volume 19 No. 03
March 2023

Benchmark
Retirement Fund

Administered by RFS Fund Administrators

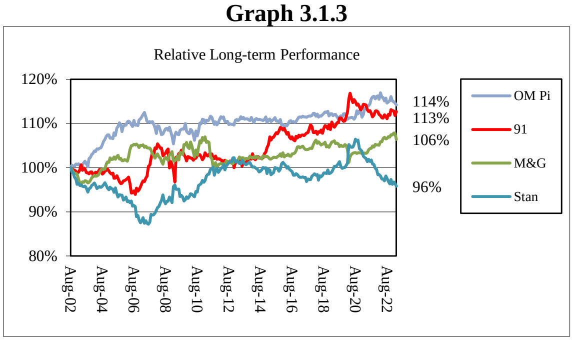
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

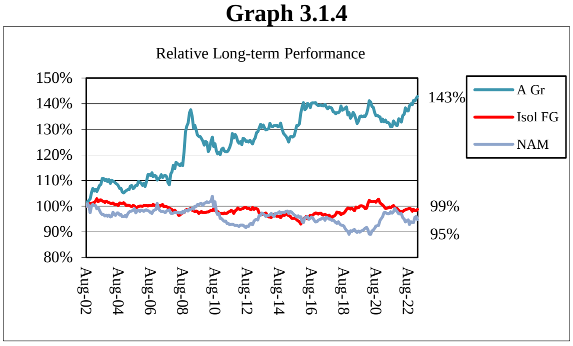
By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

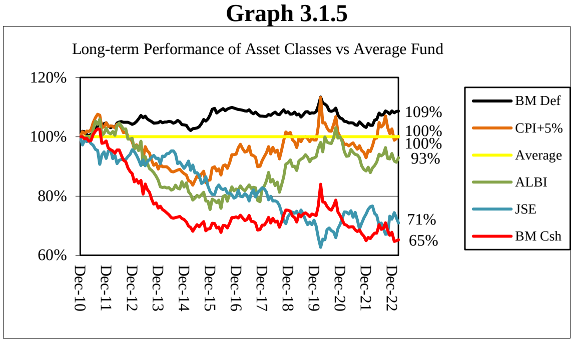
Graph 3.1.3



Graph 3.1.4

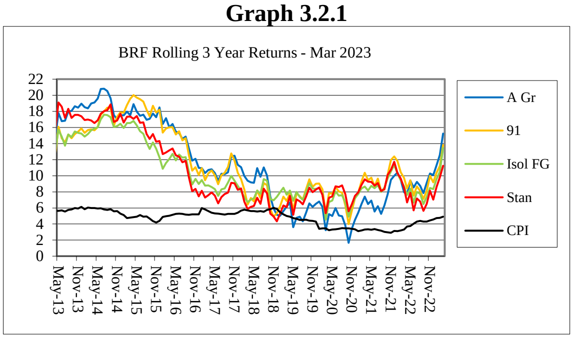


Graph 3.1.5

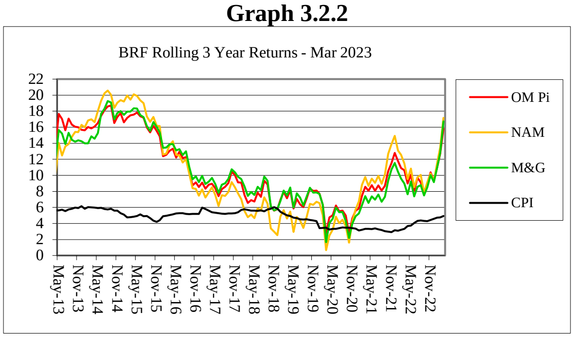


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

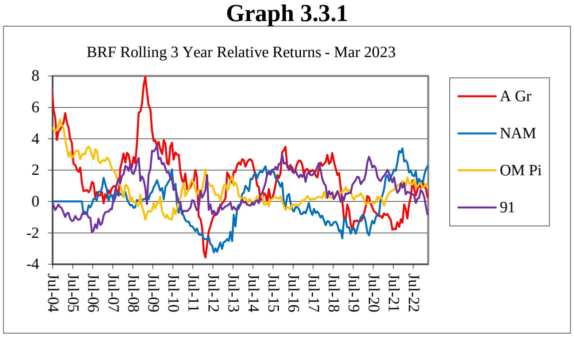


Graph 3.2.2

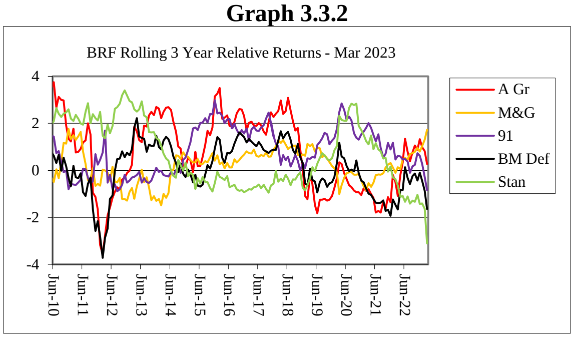


3.3 3-year rolling performance of prudential portfolios relative to average prudential balanced portfolio on zero

Graph 3.3.1

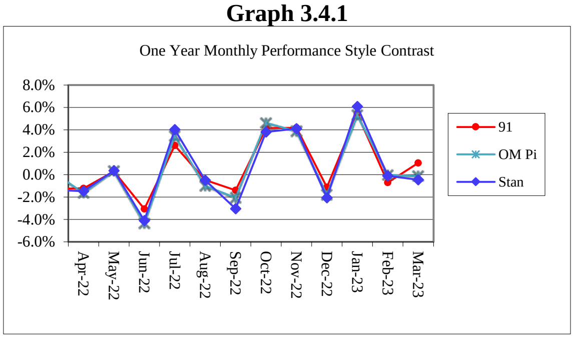


Graph 3.3.2



3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1



Volume 19 No. 03
March 2023

Benchmark Retirement Fund

Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

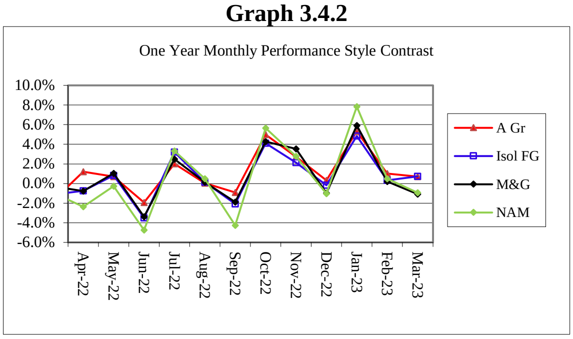
Administered by RFS Fund Administrators

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

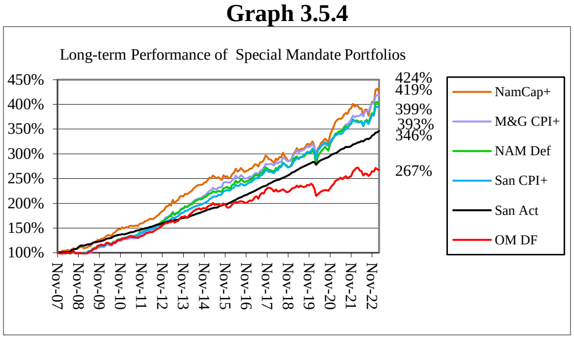
By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

Graph 3.4.2

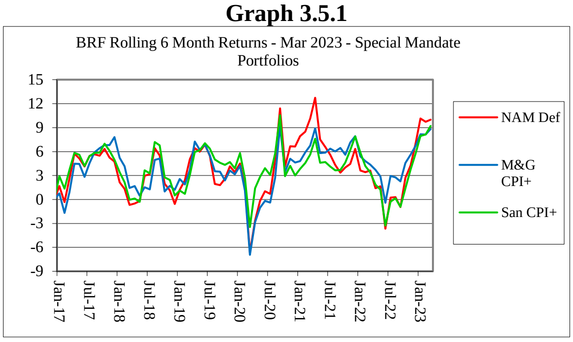


Graph 3.5.4

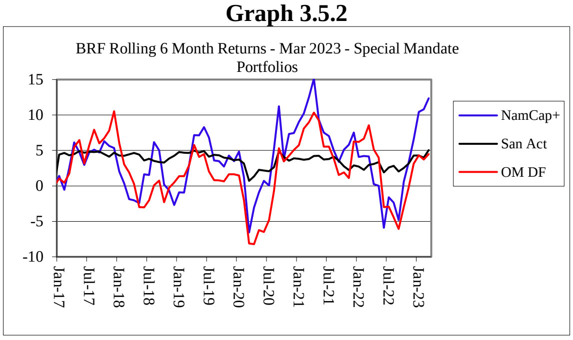


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

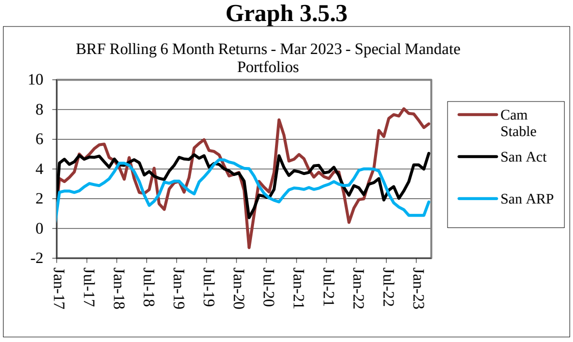
Graph 3.5.1



Graph 3.5.2

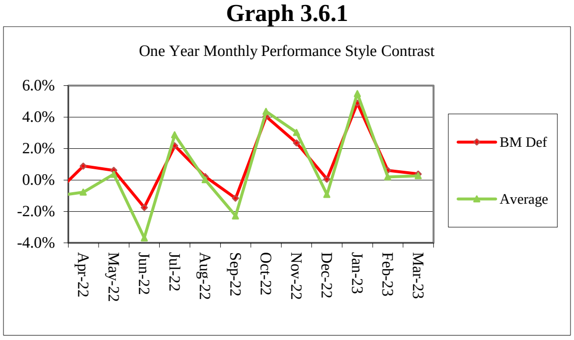


Graph 3.5.3

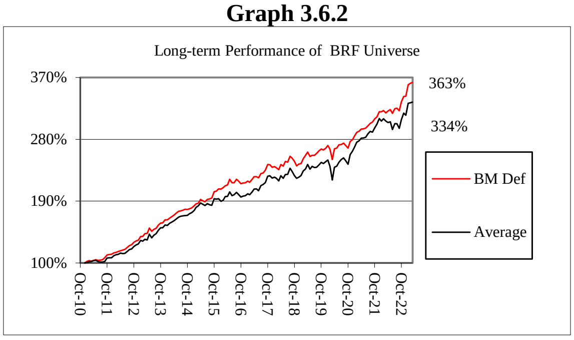


3.6 Monthly and cumulative performance of 'Benchmark Default' portfolio relative to average prudential balanced portfolio

Graph 3.6.1

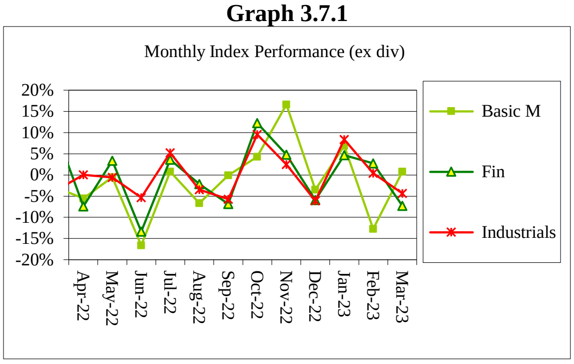


Graph 3.6.2



3.7 One-year monthly performance of key indices (excluding dividends)

Graph 3.7.1



Graph 3.7.2

Volume 19 No. 03
March 2023

Benchmark Retirement Fund

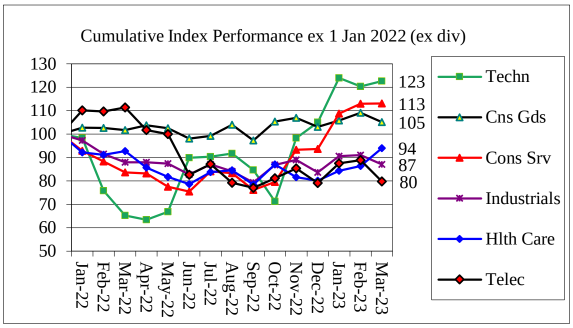
Administered by RFS Fund Administrators

Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

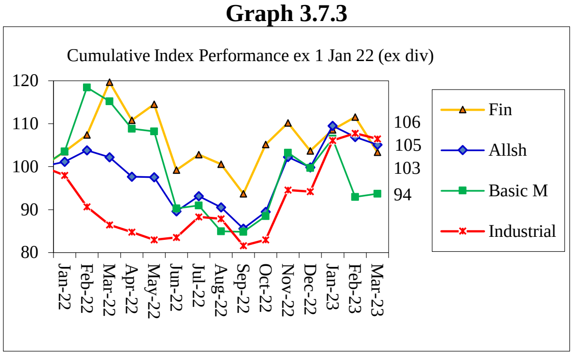
MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

By Staff Writer – RFS Fund Administrators (Pty) Ltd

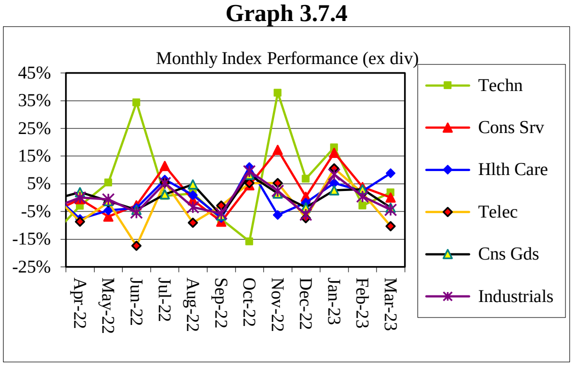
The monthly review of portfolio performance, as set out in this issue, is also available on our website at www.rfsol.com.na.



Graph 3.7.3



Graph 3.7.4



4. The Benchmark Default Portfolio – Facts in figures

Table 4.1

Portfolio	Default portfolio	Average Prud Bal
5-year nominal return - % p.a.	9.0	8.8
5-year real return - % p.a.	4.7	4.5
Equity exposure - % of portfolio (quarter end December 2022)	47.1	64.1
Cumulative return ex Jan 2011	262.5	233.1
5-year gross real return target - % p.a.	5	6
Target income replacement ratio p.a. - % of income per year of membership	2	2.4
Required net retirement contribution - % of salary	13.0	11.6

The above table reflects the actual return of the Default Portfolio versus the target return required to produce an income replacement ratio of 2% of salary per year of fund membership that should secure a comfortable retirement income. The default portfolio outperformed the average prudential balanced portfolio by a margin and is still ahead since January 2011, when the trustees restructured it by raising the equity exposure. It still has a significantly more conservative structure with an equity exposure of only 47% compared to the average prudential balanced portfolio's exposure of 64%.

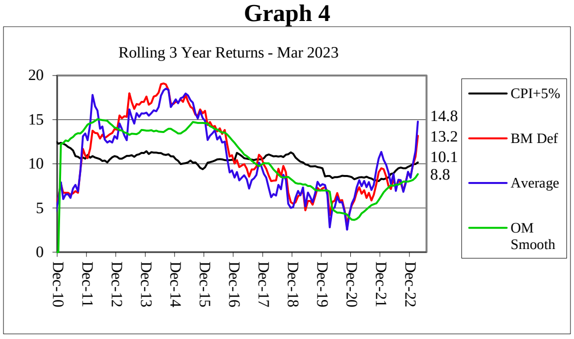
One must read the default portfolio's long-term return in the context of its initially low-risk profile that the trustees only changed from the beginning of 2011 when they replaced the Metropolitan Absolute Return fund with the Allan Gray balanced portfolio.

Table 4.2

Measure	Money Market	Default Portf	Average Prud Bal
Worst annual performance	5.5%	3.2%	2.5%
Best annual performance	7.8%	13.2%	14.8%
No of negative 1-year periods	n/a	0	0
Average of negative 1-year periods	n/a	n/a	n/a
Average of positive 1-year periods	6.4%	7.3%	7.8%

The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from April 2020 to March 2023. These statistics show the performance volatility of these three risk profiles.

Graph 4



Graph 4 measures the success of the Benchmark Default portfolio in achieving its long-term gross investment return objective of inflation plus 5% on a rolling 3-year basis. It also shows rolling 3-year returns of the average prudential balanced portfolio and rolling 3-year CPI. The Benchmark default portfolio's 3-year return to the end of March was 13.2%, the average was 14.8% vs. CPI plus 5%, currently on 10.1%.

5. Review of Foreign Portfolio Flows and the Rand

Graph 5.1 indicates that the Rand's fair value by our measure is 11.60 to the U.S. Dollar, while it stood at 17.88 at the end of March. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.

Volume 19 No. 03
March 2023

Benchmark Retirement Fund

Administered by RFS Fund Administrators

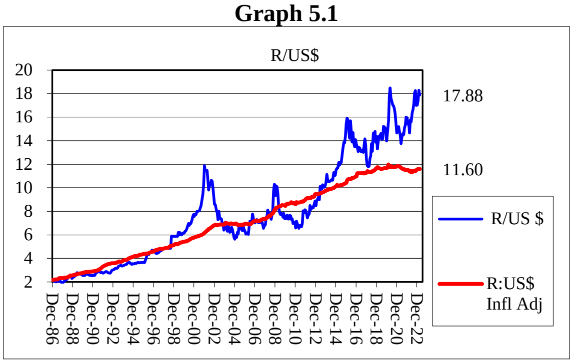
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

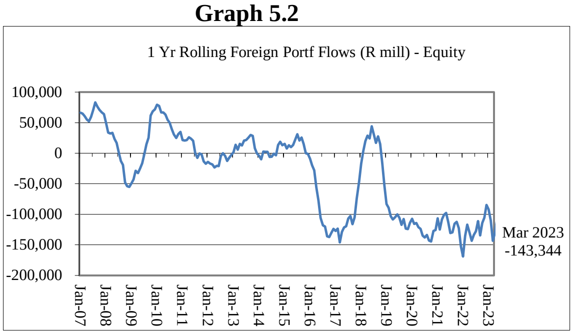
Graph 5.1



The Rand strengthened by 2.24% in March with a net foreign investment outflow from bonds and equities of R 45.3 bn. Over the past 12 months, the Rand weakened by 22.1% (12 months to February Rand weakened by 18.60%). Net outflows of foreign capital from equity and fixed interest securities over the past 12 months amounted to R 327.5 bn (outflow of R 305.7 bn to the end of February 2023).

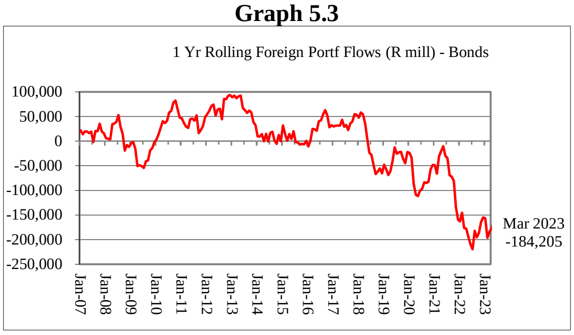
Graph 5.2 reflects a net outflow of capital from South African equities on a rolling one-year basis of R 143.3 bn at the end of March (outflow of R 109.4 bn year-on-year to the end of February). The month of March experienced a net outflow of R 13.2 bn. Since 2006, foreign net investment outflows from equities amounted to R 551.9 bn (end February net investment outflow of R 538.7 bn). It represents roughly 2.5% of the market capitalization of the JSE.

Graph 5.2



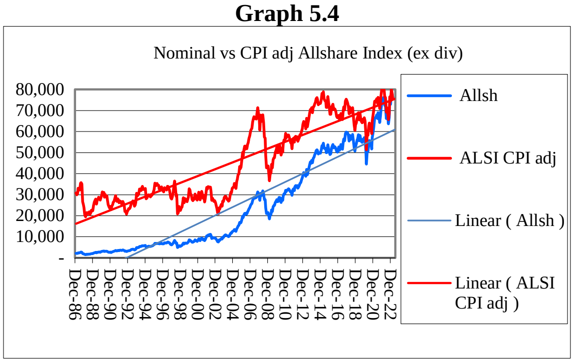
Graph 5.3 on a rolling one-year basis reflects foreign portfolio outflows in respect of S.A. bonds of R 184.2 bn over the past 12 months to the end of March (outflow of R 196.3 bn over the 12 months to the end of February). The month of March experienced a net outflow of R 32.0 bn. Since 2006, foreign net investment outflows from S.A. bonds amounted to R 161.6 bn (end February net investment outflow of R 193.6 bn).

Graph 5.3



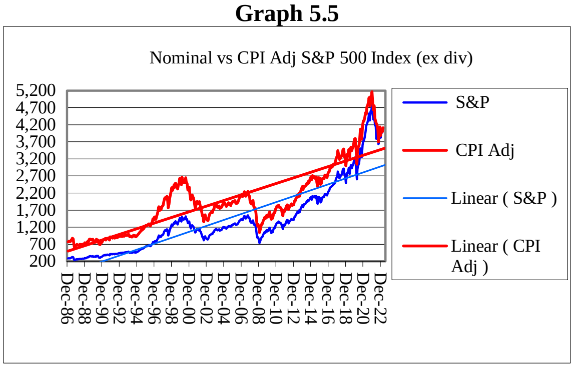
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.6% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.7% per year. It is equivalent to growth in real terms of 2.9% p.a. over this period, excluding dividends, or around 6.1% including dividends.

Graph 5.4



Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 36 years since January 1987, the S&P500 Index grew by 7.8% per annum. U.S. inflation over this period was 2.8%. It represents growth in real terms of 4.8% p.a. over 36 years, excluding dividends, or around 7.0% (including dividends).

Graph 5.5



Graph 5.6 provides an interesting overview of some of the major global share indices, showing the Financial Times Stock Exchange (FTSE) as the top-performing index since the start of 2022.

Volume 19 No. 03
March 2023

Benchmark Retirement Fund
Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

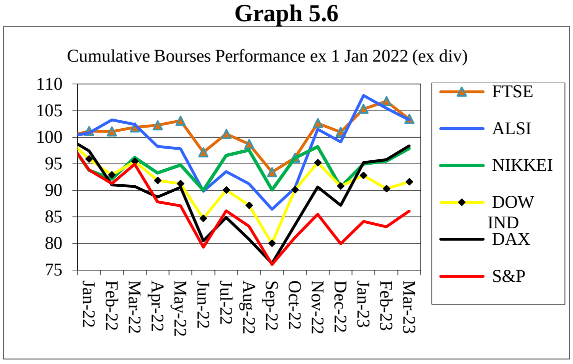
Administered by RFS Fund Administrators

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

By Staff Writer – RFS Fund Administrators (Pty) Ltd

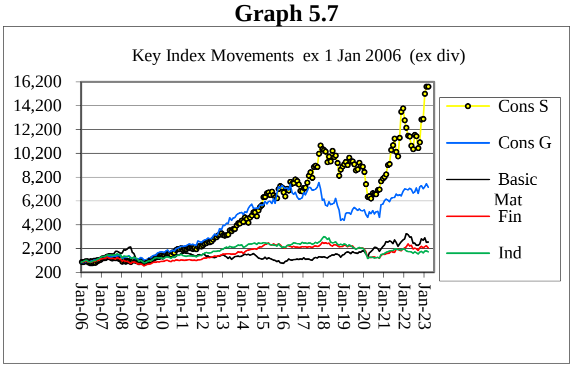
The monthly review of portfolio performance, as set out in this issue, is also available on our website at www.rfsol.com.na.

Graph 5.6



Graph 5.7 provides an overview of the relative movement of the key equity sectors on the FTSE/JSE since December 2005, when the JSE introduced these indices. From this graph, the investor can deduce which sectors offer better value and poorer value based on fundamentals. Annualised returns for these indices since the beginning of 2006 were: Consumer Services: 17.4%; Consumer Goods: 12.3%; Basic Materials: 6.0%; Financials: 4.8% and Industrials: 3.8%.

Graph 5.7



6. What keeps me awake at night

By Tilman Friedrich

In a previous commentary in this column, I called the Ukraine conflict the defining event for financial markets in the next few years. There are three possible outcomes of this conflict. The first scenario is that we will have an all-out military confrontation between the West and the East. This confrontation can have three outcomes. Either the West or the East will prevail, or the confrontation will end in a stalemate. I consider this scenario unlikely. The second scenario is that the Ukraine conflict will be a long, drawn-out war of attrition.

At this stage, Russia appears to be content with its occupation and annexation of the Russian-speaking Donbas and Crimea, accommodating its Black Sea fleet. Since Russia will want to prevent NATO from establishing itself in Ukraine and Ukraine from obtaining nuclear weapons, it will likely want to destabilise Ukraine until it is prepared to accept Russia's interests in the region. I would expect Russia's interests to be secured with long-term access to and use of its naval base in Crimea, a neutral, non-nuclear Ukraine, and self-administration for the Russian-speaking Donbas. If these legitimate demands of the superpower, Russia, are in place, I think it would be prepared to withdraw from Ukraine.

NATO, on the other hand, wants to get rid of Russia as a threat and would want Ukraine to win the war by pushing Russia back into its own territory so that NATO can establish itself in Ukraine with its nuclear deterrents. Of course, Russia will fight this NATO goal as long as it can do so. Since China is not interested in Russia falling to the West and NATO establishing itself in Russia, it will do everything possible to prevent Russia's downfall.

China is a vital concern for the West, and it would not want to alienate China as an essential trading partner. A likely compromise with China is that NATO will stay out of Russia but establish itself in Ukraine to contain Russia. Part of the compromise will likely be that the US will give China security guarantees concerning Taiwan and the South China Sea. China will probably not have a problem with NATO containing Russia and will likely not assist Russia in achieving its strategic goals in Ukraine.

The question is whether Russia has the means to maintain a war of attrition essentially against the West. I expect Russia will not have the means and will be pushed back into its territory. If Ukraine cannot achieve it on its own, it is likely that some Easter European countries, such as Poland, will join the foray in their own capacity rather than as NATO members. Russia will then have to accept NATO on its Ukraine border. It will lose Crimea and its naval base and have been weakened to the point of losing its status as a superpower.

It, therefore, appears that the Ukraine conflict will not impact global markets in a way that could disrupt international trade and investment. However, deglobalisation, including the de-dollarisation trend, will continue and impact worldwide trade and investment. What keeps me awake at night is whether the US has accepted the decline of its Dollar as the global reserve currency or if it will go all out to prevent it from happening, and what the possible consequence of the latter will be. The US never shied away from waging war to protect the Dollar, witness what happened to Libya as one of the latest test cases. Libya was a small county, but now it is China and a whole string of other countries that have expressed urgency in de-dollarisation.

The worst-case scenario will be if the US intends to maintain the US Dollar's status. It will have to take on China and do so sooner rather than later, as China is hell-bound to build its military capabilities. A pointer to the US's intentions is when NATO will continue to push into Russian territory. It would mean that no security guarantees were given to China, and China would be next in line. That would, of course, cause major global disruptions in all spheres of life. In such an event, it will be best to avoid exposing one's investments to unforeseeable risks offshore and instead invest at or close to home.

Volume 19 No. 03
March 2023

Benchmark Retirement Fund

Administered by RFS Fund Administrators

Income Tax Ref. No.12/1/12/462
Registration No 25/7/7/489

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MARCH 2023

By Staff Writer – RFS Fund Administrators (Pty) Ltd

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

From an investment and business point of view, the best case scenario is that the US has accepted the decline of its Dollar as a global reserve currency, and the de-dollarisation and deglobalisation trend will not cause massive disruptions one needs to be concerned about. However, foreseeing the consequences of this trend should guide one's investment decisions.

Felix Zulauf believes that establishing a new global currency by the BRICS countries will lead to sharp increases in the price of commodities. This is because the BRICS countries would use commodities to back the new currency, meaning they would have to hoard commodities. Commodities are the foundation of all economies. If commodities prices go up, inflation will rise and, with it, interest rates. For commodity-producing countries like South Africa and Namibia, the increase in the price of commodities will serve as a hedge against inflation, and they should therefore experience less inflationary pressures. Industrialised countries that import their commodities would experience greater inflationary pressure and pass this on by raising the price of the goods and services they produce. Conceivably, the currencies of commodity-producing countries should thus strengthen against those of industrialised countries over time. At the same time, the strengthening currencies and expected lower inflation rates should result in lower interest rates in their countries.

There is talk about establishing the BRICS currency by 2025. That is quite soon and means that one must start restructuring one's investments.

How long will it take until the world knows whether it is heading into the worst or the best-case scenario? It could become evident soon. Ukraine is planning a big offensive. We will face the worst-case scenario if it succeeds and pushes into Russia. If it is not successful, it may not be the end of NATO's attempt, and it may take longer until we know how far NATO will go. Developments around Taiwan and the South China Sea may also offer pointers depending on whether it progressively heats up or cools down.

Conclusion

The world is facing uncertain times, and two possible scenarios can develop.

The worst-case scenario is when the US will forcefully impose its hegemony on China as the last man standing. This scenario would significantly disrupt global trade and investment and expose all offshore investments to severe risks. In this scenario, one should keep one's assets at, or close to home, e.g., southern Africa and Africa. Should the worst-case scenario realise, equity markets will take a deep dive and will not recover before the situation has been resolved, one way or another. However, economies will not disappear unless the people disappear. As long as there are people, they have needs that the economy must meet, and life will continue. Today's winners may not be tomorrow's, but essential life necessities will always exist. Markets will undergo significant changes, and with it will come much volatility.

From an investment and business point of view, the best-case scenario is that the West will enter into an understanding with China aimed at appeasing China's security interests. Ukraine will become a NATO member. Russia would lose its status as a superpower and its naval base in Crimea, and NATO will contain Russia henceforth. The world will experience a continuing trend of de-globalization and de-dollarisation. The mooted BRICS currency, backed by commodities, would increase commodity prices, fueling inflation and interest rates in industrialised countries. The best-case scenario would be pro-global growth, positive for equity in general and cyclical stocks, financials, industrials, and commodities. Commodity-producing countries should be cushioned from those effects and should experience strengthening currencies. Investing offshore should be part of one's investment strategy in this scenario.

While the world can move in either direction, one should adopt a short-term investment strategy and hedge against violent market movements. Keeping your investments close to home in interest-bearing investments, particularly inflation-linked bonds, should provide the necessary protection. Selective investing in high-yielding stocks could add value to a portfolio. Investors should focus on stock-picking and tactical asset allocation rather than index investing. The objective must be to select companies benefiting from the worst-case global political developments. Sectors that should do better on the back of global supply shortages are the energy sector and certain chemicals producers, health care and related areas, and consumer goods and services.