Volume 20, No. 02
February 2024

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 29 FEBRUARY 2024

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 February 2024, the average prudential balanced portfolio returned 0.7% (January 2024: -0.2%). The top performer is Namibia Coronation Balanced Plus Fund, with 1.8%, while Lebala Balance Fund, with -0.3%, takes the bottom spot. Namibia Coronation Capital Plus Fund takes the top spot for the three months, outperforming the 'average' by roughly 1.8%. Ninety One Namibia Managed Fund underperformed the 'average' by 1.6% on the other end of the scale. Note that these returns are before (gross of) asset management fees. (Refer to graphs 3.1.3 to 3.1.5 for a more insightful picture of the relative long-term performances of the portfolios and the asset classes.)

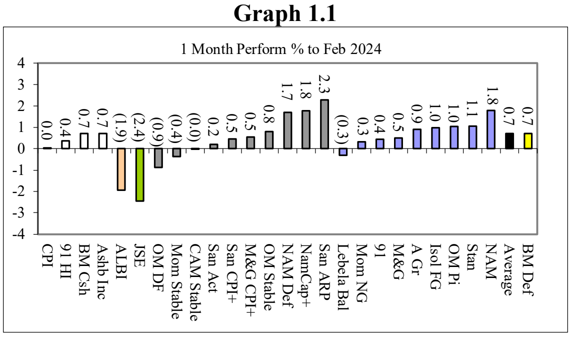
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced 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:

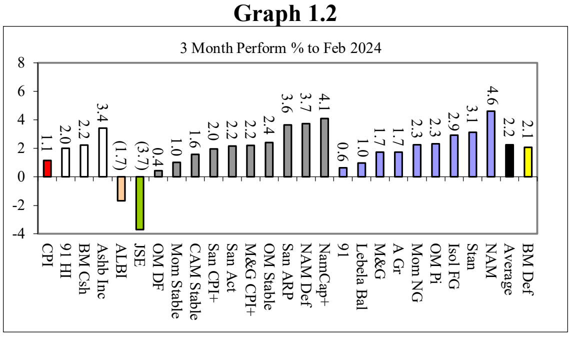
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average Portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no color)
NinetyOne High Income (interest 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)
Lebela Balanced*	Lebela Bal (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)

*Previously Hangala Absolute Balanced Fund

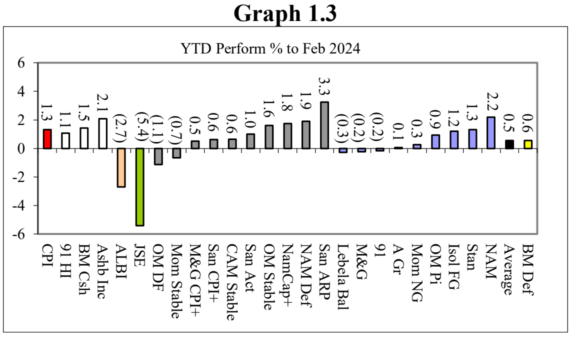
Graph 1.1



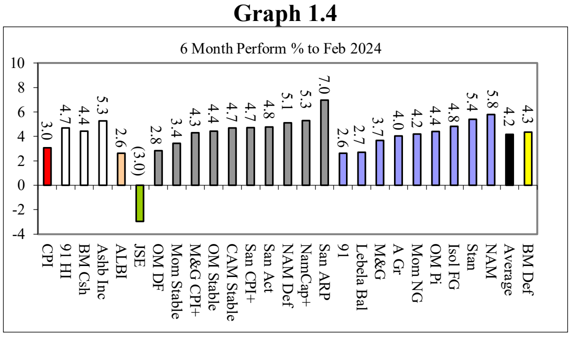
Graph 1.2



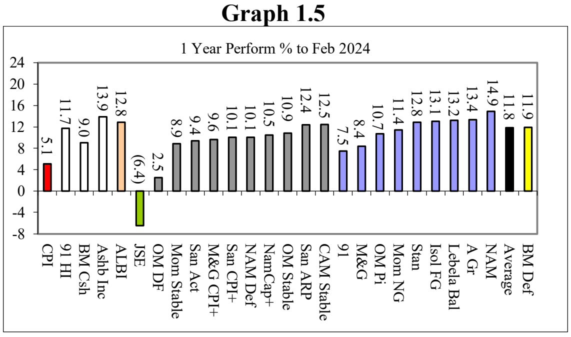
Graph 1.3



Graph 1.4



Graph 1.5



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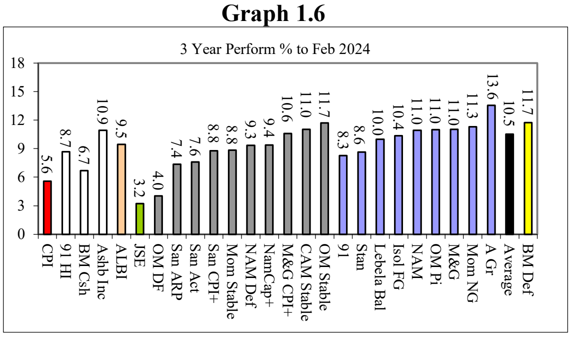
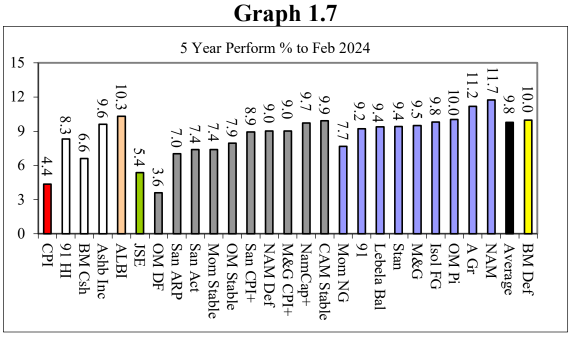
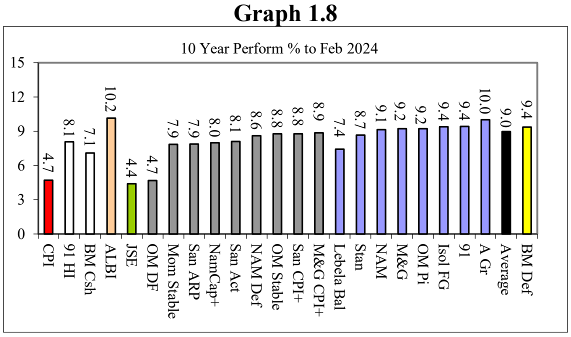
Graph 1.6



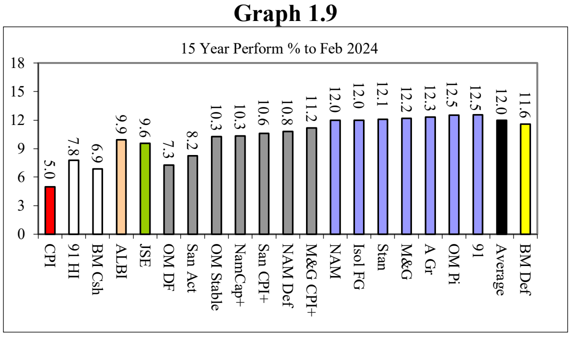
Graph 1.7



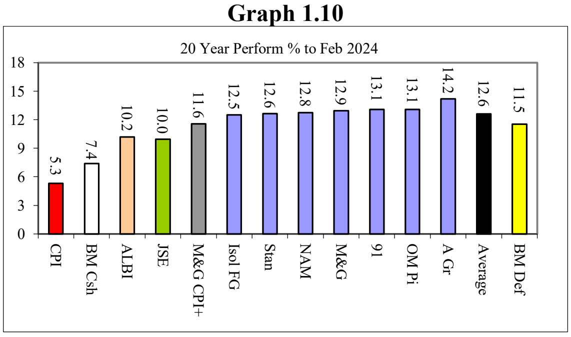
Graph 1.8



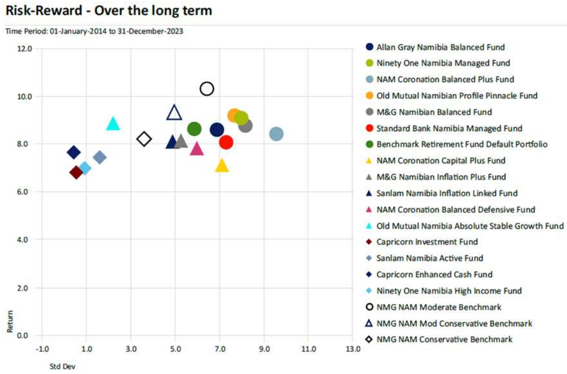
Graph 1.9

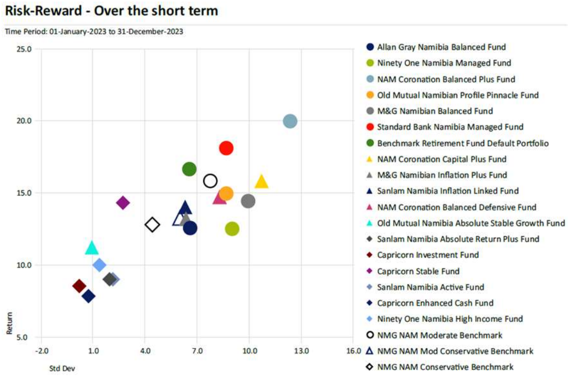


Graph 1.10



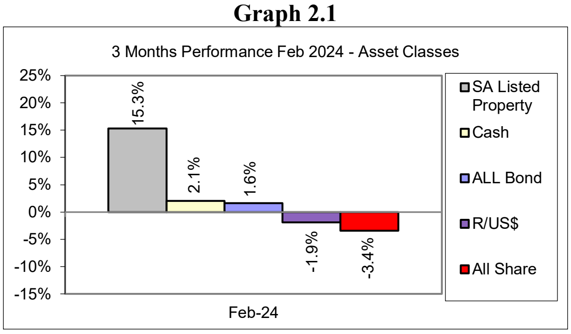
Risk/ Return



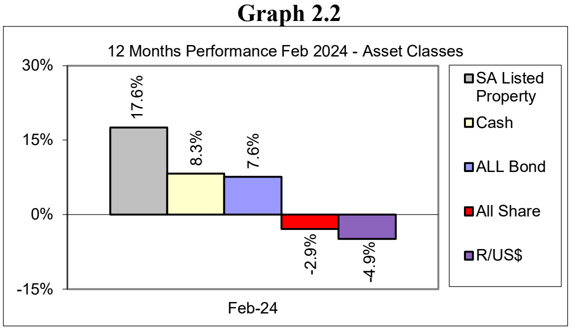


2. **Performance of Key Indices** (index performance by courtesy of IJG/Deutsche Securities)

Graph 2.1



Graph 2.2



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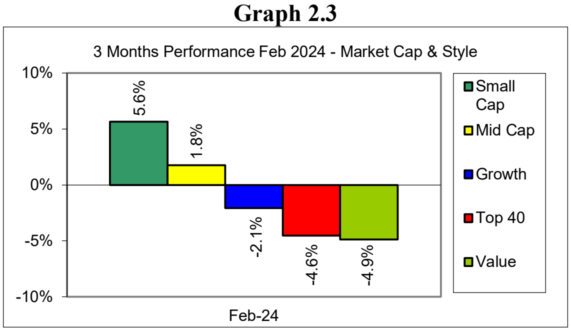
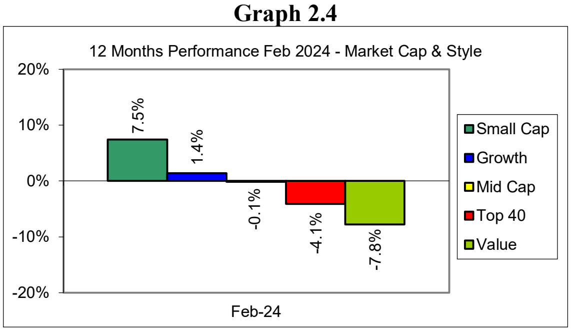
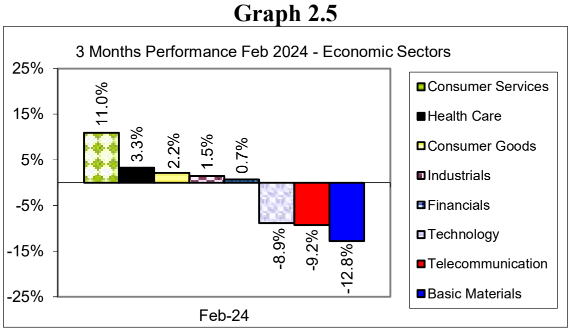
Graph 2.3



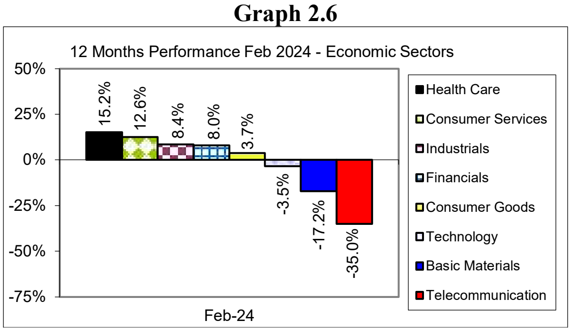
Graph 2.4



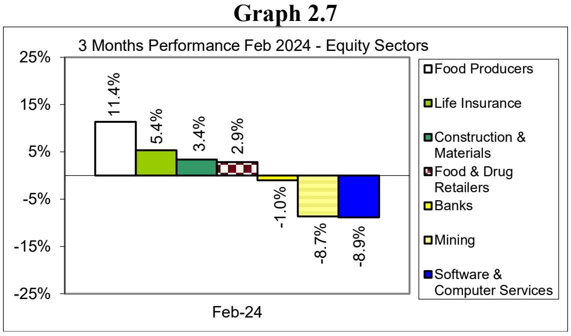
Graph 2.5



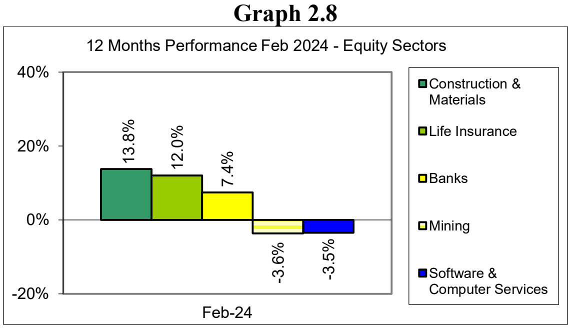
Graph 2.6



Graph 2.7



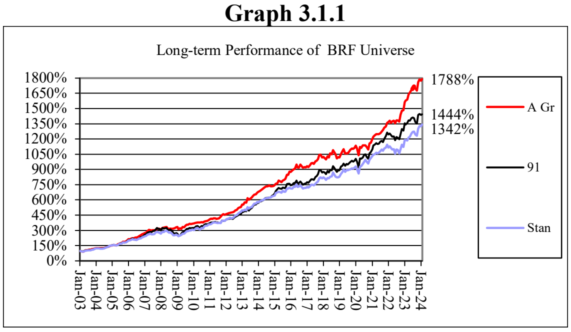
Graph 2.8



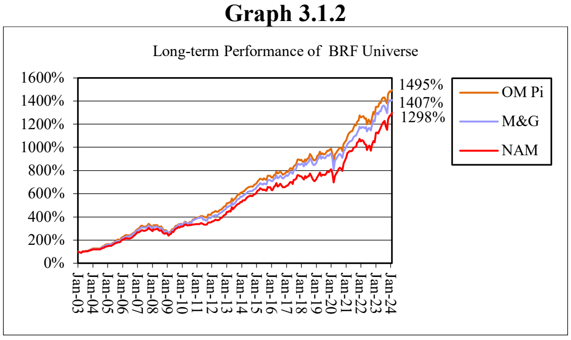
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

Graph 3.1.1



Graph 3.1.2



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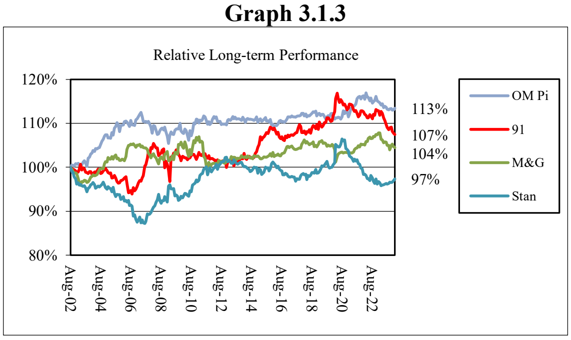
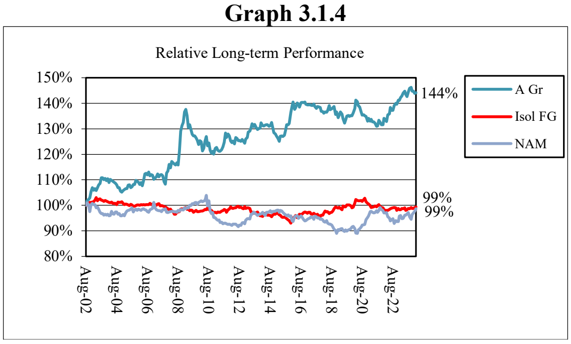
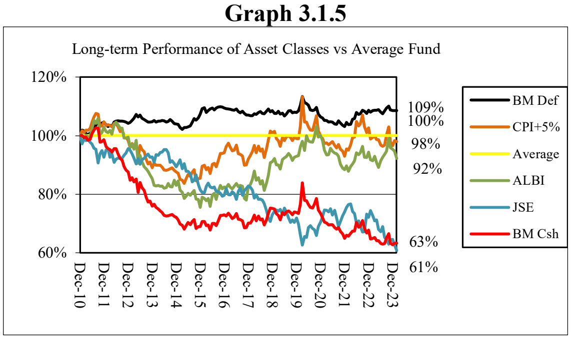
Graph 3.1.3



Graph 3.1.4

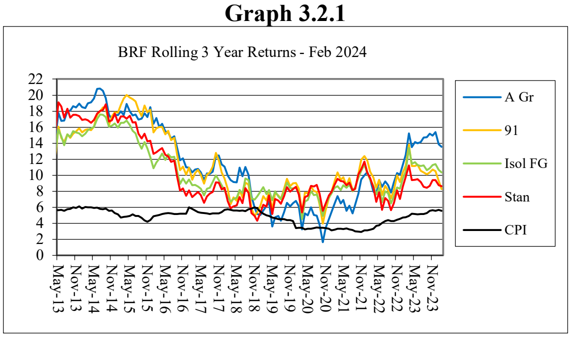


Graph 3.1.5

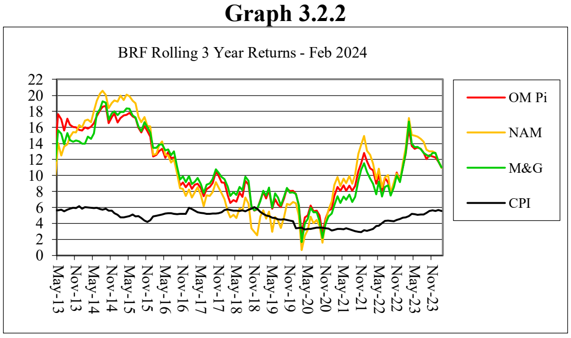


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

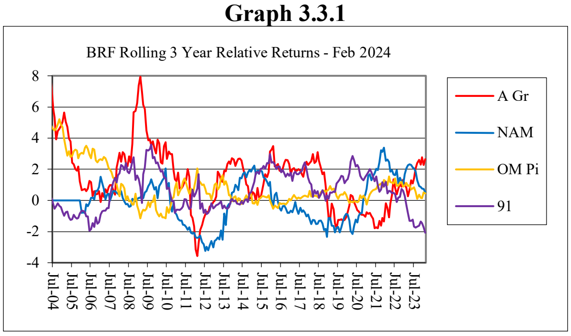


Graph 3.2.2

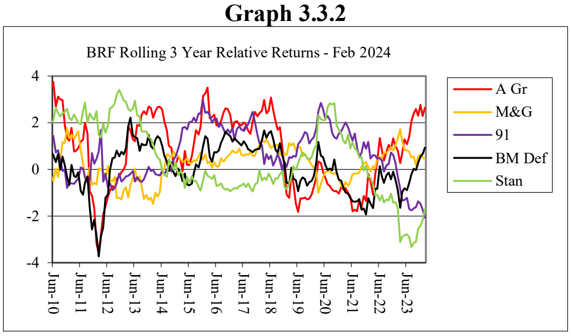


3.3 3-year rolling performance of prudential portfolios relative to average prudential balanced portfolio on zero

Graph 3.3.1

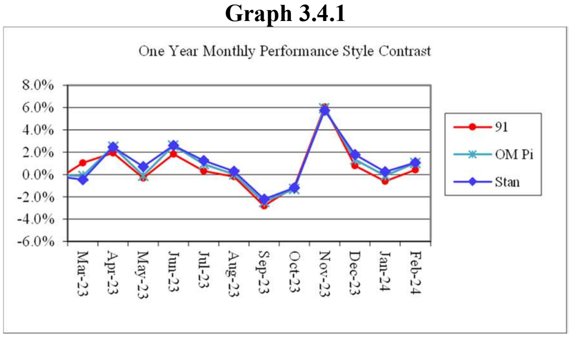


Graph 3.3.2



3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1



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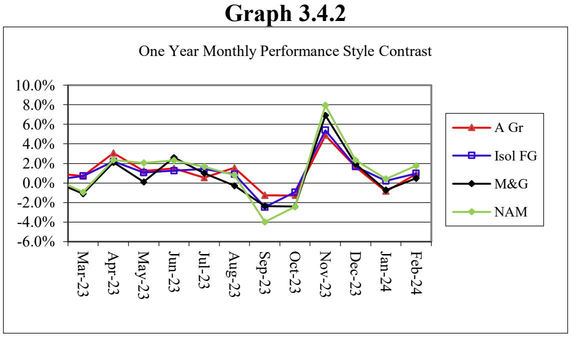
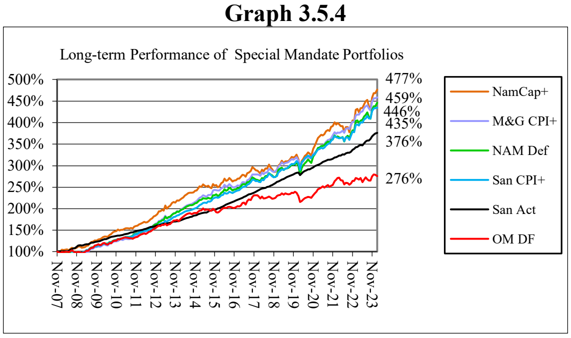
Graph 3.4.2

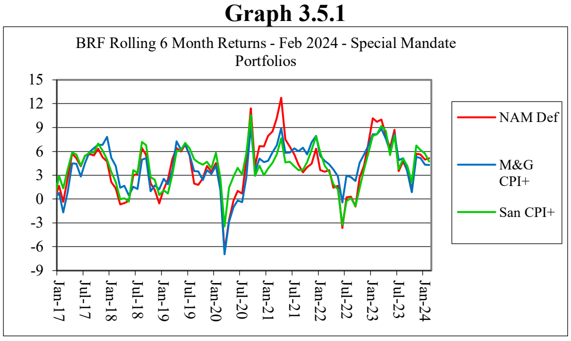


Graph 3.5.4

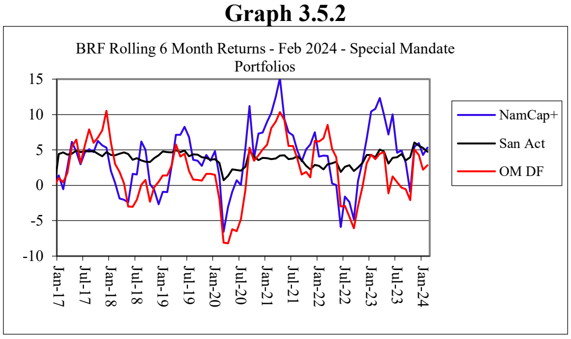


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

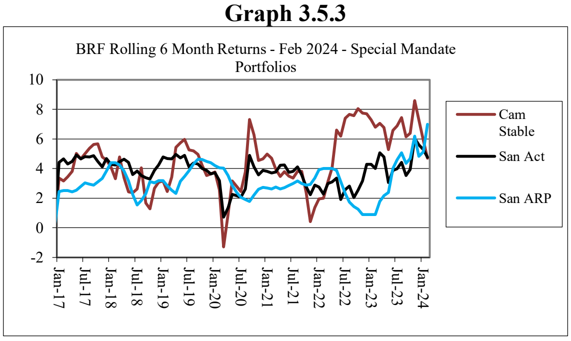
Graph 3.5.1



Graph 3.5.2

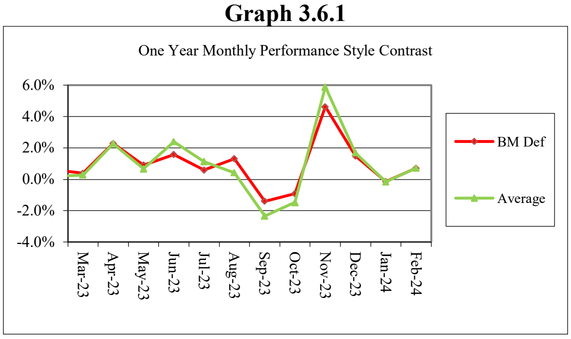


Graph 3.5.3

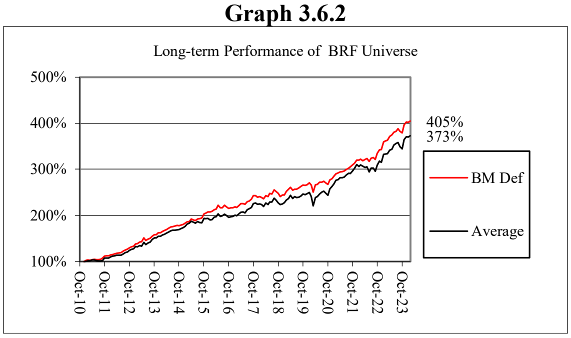


3.6 Monthly and cumulative performance of 'Benchmark Default' portfolio relative to average prudential balanced portfolio

Graph 3.6.1

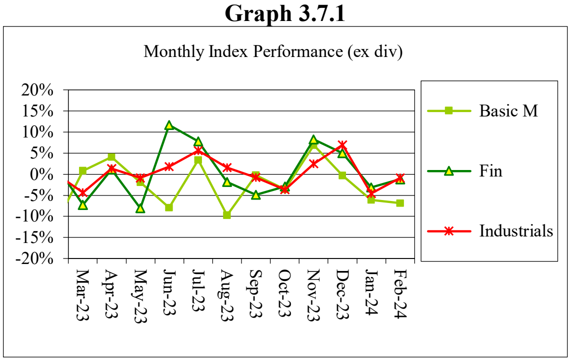


Graph 3.6.2



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

Graph 3.7.1



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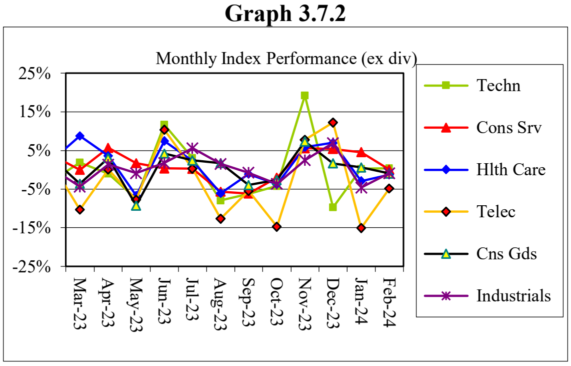
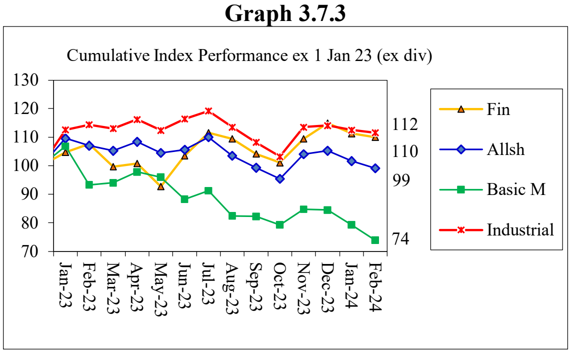
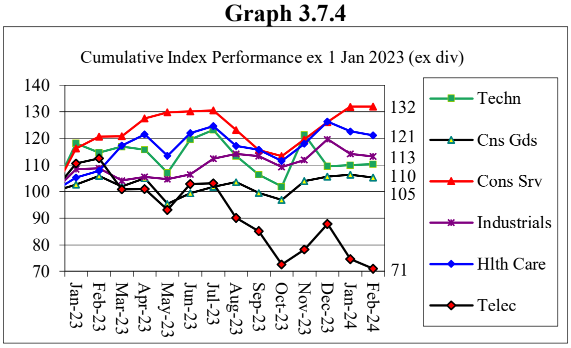
Graph 3.7.2



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.	10.0	9.8
5-year real return - % p.a.	5.6	5.4
Equity exposure - % of portfolio (quarter end December 2023)	40.5	62.5
Cumulative return ex Jan 2011	304.6	272.5
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 40% compared to the average prudential balanced portfolio's exposure of more than 60%.

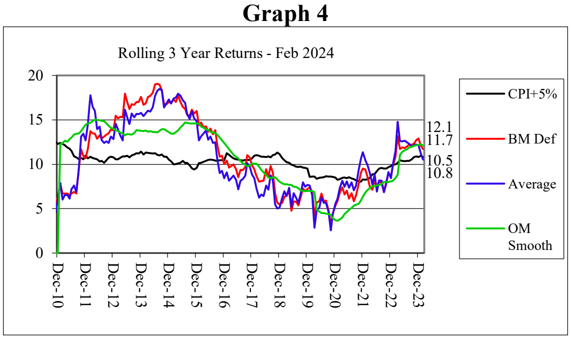
One must read the default portfolio's long-term return in the context of its initially low-risk profile that the trustees only changed from the beginning of 2011 when they replaced the Metropolitan Absolute Return fund with the Allan Gray balanced portfolio.

Table 4.2

Measure	Money Market	Default Portf	Average Prud Bal
Worst annual performance	5.5%	5.9%	6.8%
Best annual performance	6.8%	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	6.0%	9.4%	9.9%

The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from March 2021 to February 2024. 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 February was 11.7%, the average was 10.5% vs. CPI plus 5%, currently on 10.6%.

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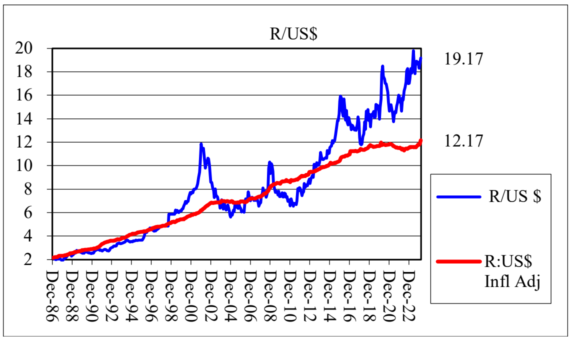
5. Review of Foreign Portfolio Flows and the Rand

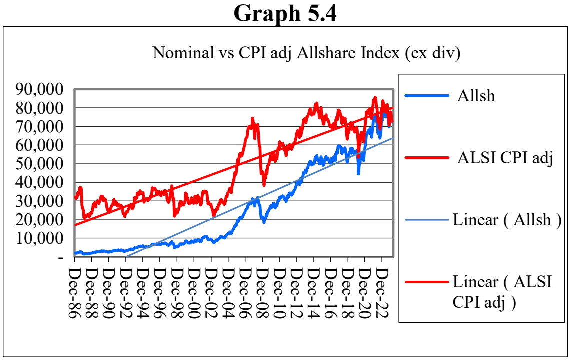
Graph 5.1 indicates that the Rand's fair value by our measure is 12.17 to the US Dollar, while it stood at 19.17 at the end of February. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

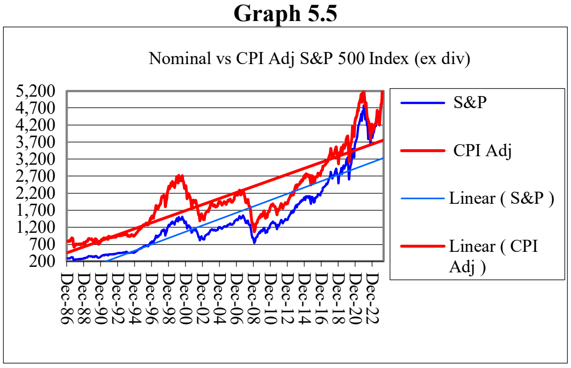
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.2% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.6% per year. It is equivalent to growth in real terms of 2.6% p.a. over this period, excluding dividends, or around 5.8% including dividends.

Graph 5.4



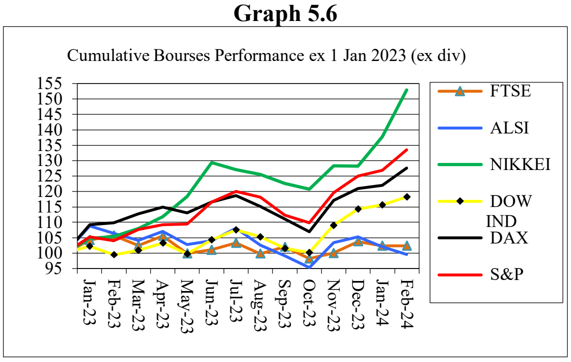
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 36 years since January 1987, the S&P500 Index grew by 8.2% per annum. US inflation over this period was 2.7%. It represents growth in real terms of 5.5% p.a. over 36 years, excluding dividends, or around 7.6% (including dividends).

Graph 5.5



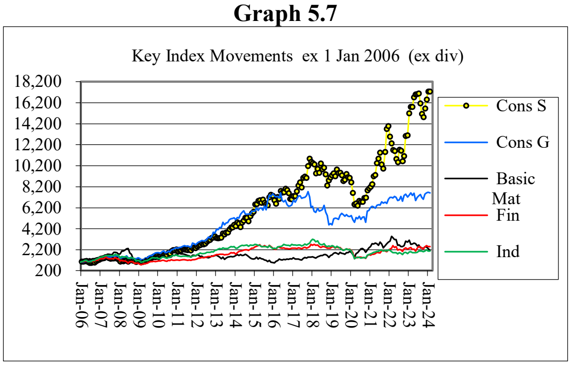
Graph 5.6 provides an interesting overview of some of the major global share indices, showing the NIKKEI as the top-performing index since the start of 2023.

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: 17.0%; Consumer Goods: 11.8%; Financials: 5.1%; Basic Materials: 4.3%; and Industrials: 4.1%.

Graph 5.7



6. The band keeps playing while the Titanic is sinking!

By Tilman Friedrich

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MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 29 FEBRUARY 2024

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.

I am writing these investment market reviews monthly to share my thoughts on global developments, how they might impact our investment markets, and what investment decisions I would make. We all know no crystal ball tells us how developments will pan out. All commentators can only express opinions, and the reader must find his most plausible scenario before making investment decisions. Peace of mind is the most crucial consideration for an investor and will let him sleep in peace. Making any investment decision contrary to your understanding and gut feeling will cause you stress, and you will be unable to rationalise the outcome of your decision.

It seems we are witnessing a clash of global ideologies. Or rather, on the one side of the fence is the US capitalist ideology. Many US commentators unashamedly acknowledge that 'the US' ideology is making money'. Everyone who does not subscribe to it is on the other side of the fence. The BRICS countries prominently represent the other side of the fence. In between are the 'draadsitters' who will try to get the most from both sides.

The US ideology of making money implies taking money from others and preventing others from making money. This ideology would be most effective if the US controlled the world. Therefore, it strives to maintain and expand its control of the world. There is little scope for denying this if one listens to a former senior US government official under President Bush bragging about the number of regime changes he has instituted worldwide. Has any other global player made such despicable, misanthropic statements? Today, the US wants the whole cake, while a few other global players try to have a piece.

A former US president referred to the five eyes. It is a multilateral intelligence-sharing network of five English-speaking countries: Australia, Canada, New Zealand, the United Kingdom and the United States. The US only considers these English-speaking countries to be at eye level. All other allies, such as the European Union, do not qualify for the same accolade. They would be engaged when it benefits the US and dropped like hot potatoes when they no longer serve the US' goals. Many have been used and dropped like a hot potato. Think of the South Vietnamese government, Jonas Savimbi, Saddam Hussein, the 'democratic' Afghan government, or the former White SA government.

Watching the situation in and around Ukraine and listening to US and Western media, I perceive the US wanting to rid itself of any further financial commitments to the Ukraine war and to put the Europeans in front of that cart. It seems the US wants to push the Europeans into a major confrontation with Russia, and be 'the laughing third'. Both sides will be badly bruised militarily and economically. Russia already stated that it will use its nuclear arsenal if its national survival is threatened. The European media are on a mission to prepare their citizens for a war against Russia, and too often in history, such war propaganda has become a self-fulfilling prophecy.

In such a prospective conflict, China cannot sit on the sideline as NATO would advance to its border should Russia lose. We will inevitably have World War III! Investment markets will take a severe knock during such a conflict and remain in the doldrums. Once the conflict ends, the world will move to a new economic order, likely multipolar, unless the West prevails. Investment will not be what it has been since the Second World War. In the run-up to such a war, only very few investment managers will take bold action in preparation for the great conflict. The action will, in most cases, also be too late. I perceive that we are sailing into troubled waters, but the band keep playing while the Titanic is sinking!

Conclusion

Investors must realise that peer pressure and the fear of incorrect timing will prevent conventional asset managers from acting pre-emptively. The investor must make a call and take pre-emptive action based on how he sees global developments. If the world does witness another Great War and your savings are outside your reach and control, you may not be able to take any action to protect them. Hence, my suggestion remains to keep your savings closer to home.

Because the Rand is currently badly undervalued by our measures, local investors should consider repatriating their offshore investments. Generally, the feared global conflict will likely not impact the southern hemisphere as much as the northern hemisphere. Countries in the southern hemisphere that keep out of the conflict will likely survive a global confrontation relatively unscathed. Because of high real interest rates in modestly indebted developing countries as opposed to the Developed World's high indebtedness, fixed-interest investment in developing countries should present a safe haven for local investors. Conceivably, investors in the global north will conclude similarly and would move capital to the global South with the opposite consequences. Although all global markets will take a severe knock when a war breaks out, markets in the unaffected countries in the southern hemisphere should recover more rapidly.

In the described scenario, basic consumer goods and services, health care, energy, technology, and natural resources would be sought after. In contrast, financial institutions would bear the brunt of uncertainty and would be shunned by investors. Companies focusing on the African and other developing country markets should pose a lower risk than those with a strong representation in the northern hemisphere.

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