Volume 20, No. 04
April 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 30 APRIL 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 April 2024, the average prudential balanced portfolio returned 1.0% (March 2024: 1.3%). The top performer is Ninety One Managed Fund, with 1.6%, while Allan Gray Balanced Fund, with 0.3%, takes the bottom spot. Namibia Coronation Balanced Fund took the top spot for the three months, outperforming the 'average' by roughly 1.3%. Lebela Balanced Fund underperformed the 'average' by 1.5% 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.)

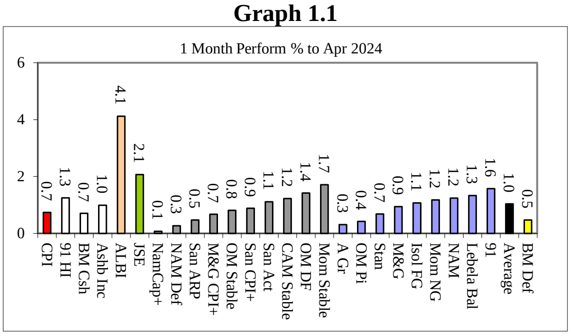
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced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

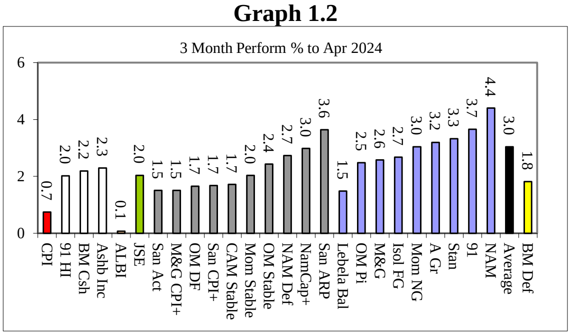
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average Portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no colour)
NinetyOne High Income (interest-bearing assets)	91 HI (no color)
Ashburton Namibia Income Fund	Ashb Inc (no colour)
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

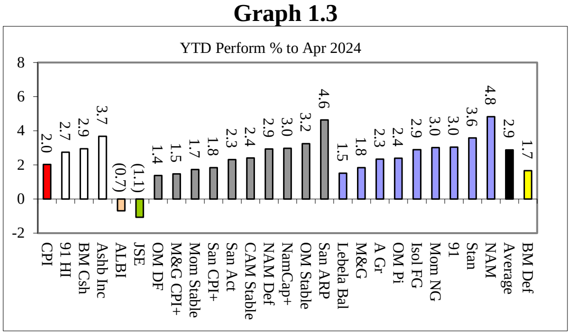
Graph 1.1



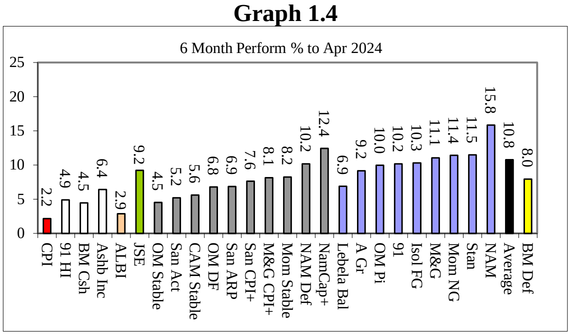
Graph 1.2



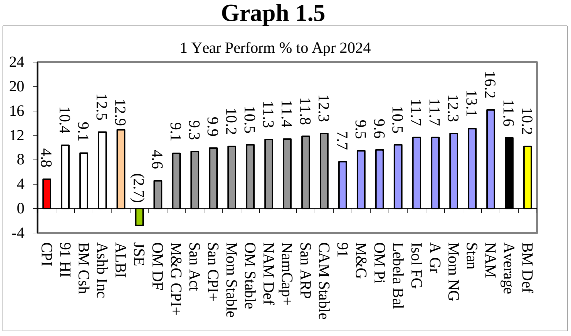
Graph 1.3



Graph 1.4



Graph 1.5



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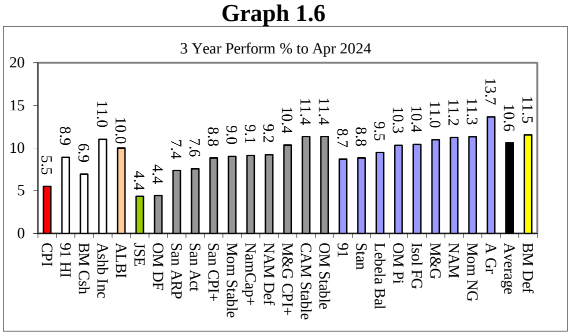
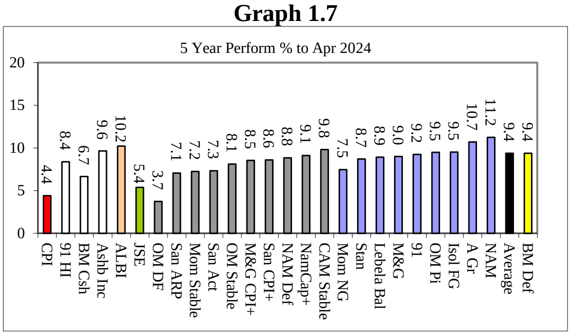
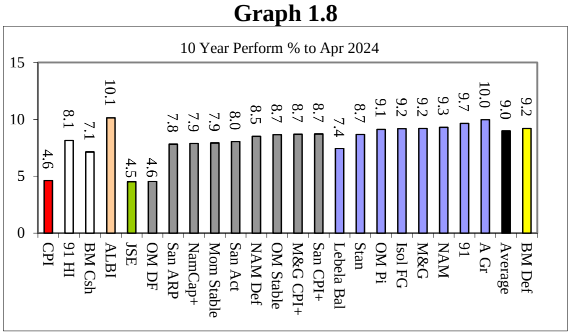
Graph 1.6



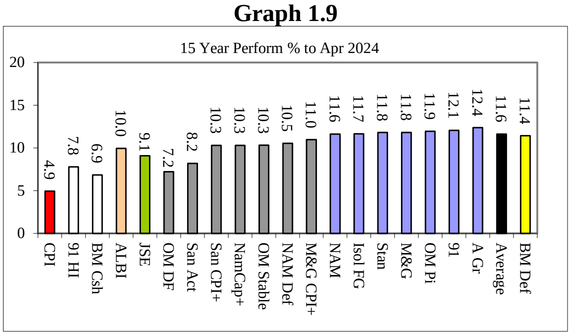
Graph 1.7



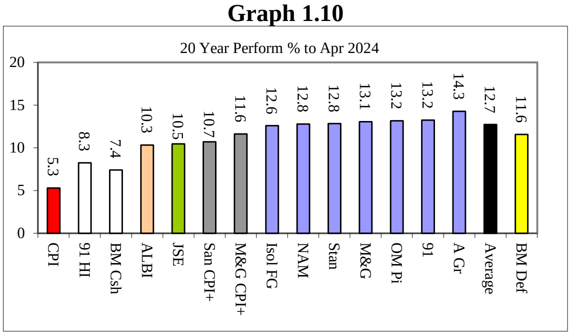
Graph 1.8



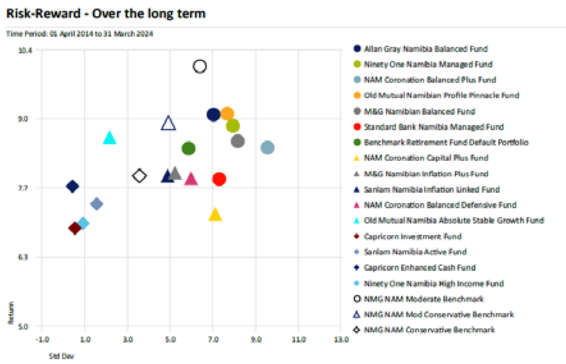
Graph 1.9

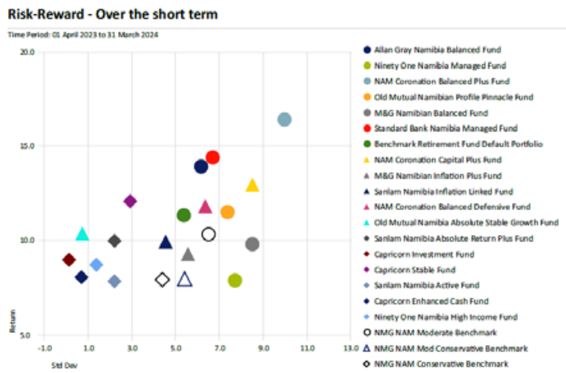


Graph 1.10



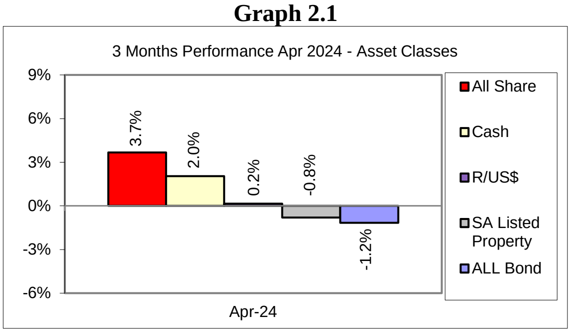
Risk/ Return



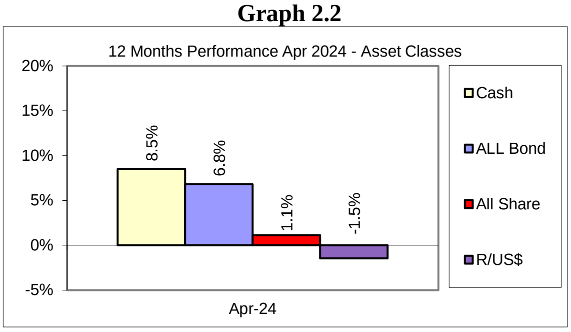


2. **Performance of Key Indices** (index performance by courtesy of IJG/Deutsche Securities)

Graph 2.1



Graph 2.2



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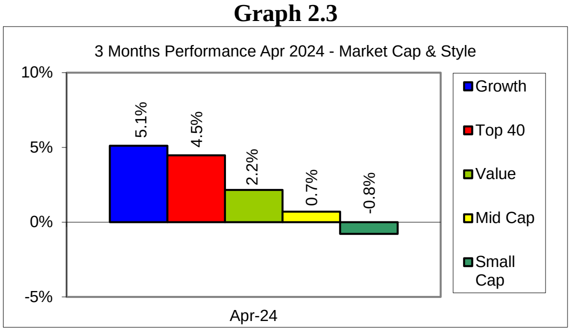
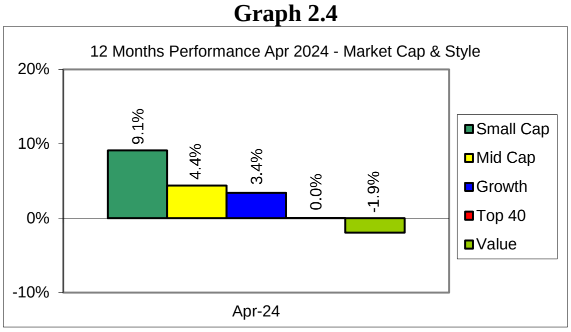
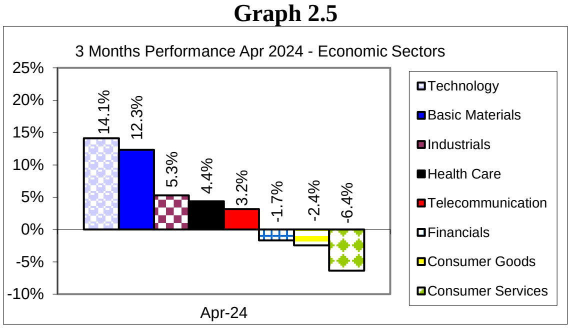
Graph 2.3



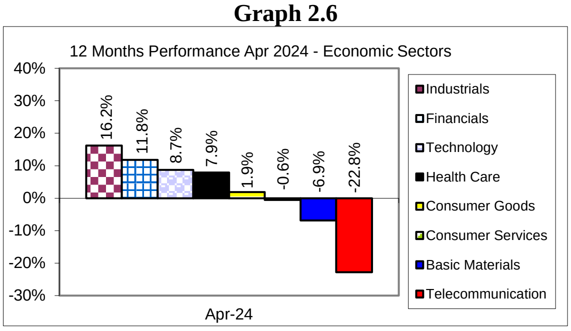
Graph 2.4



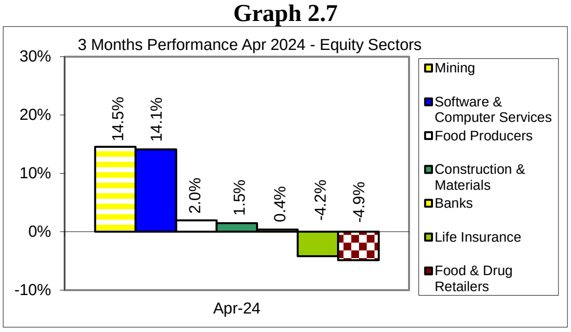
Graph 2.5



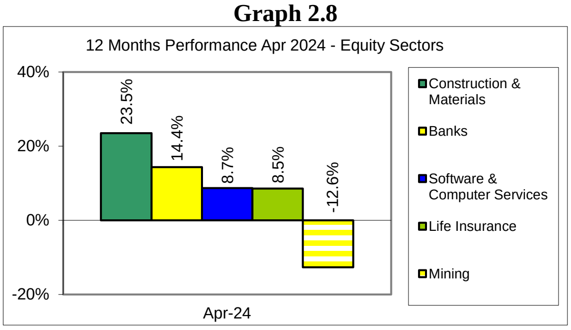
Graph 2.6



Graph 2.7



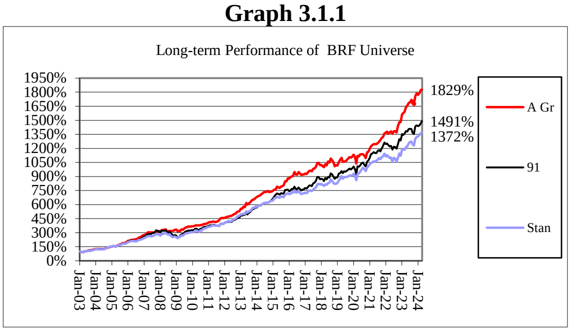
Graph 2.8



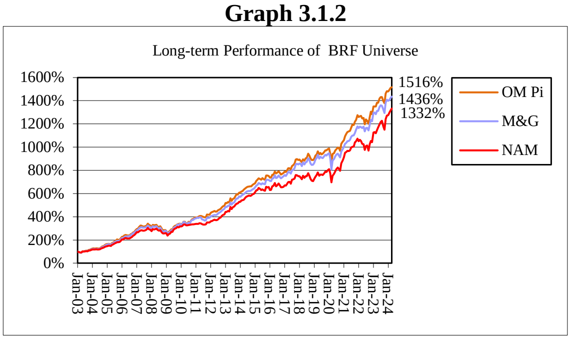
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

Graph 3.1.1



Graph 3.1.2



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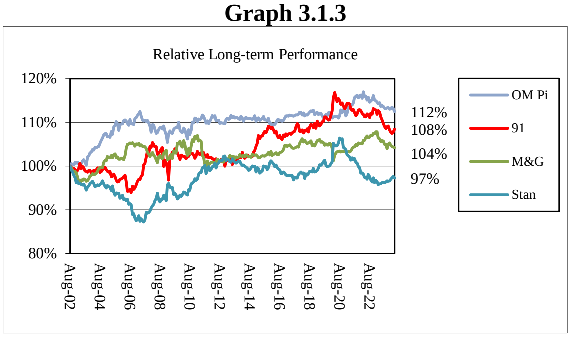
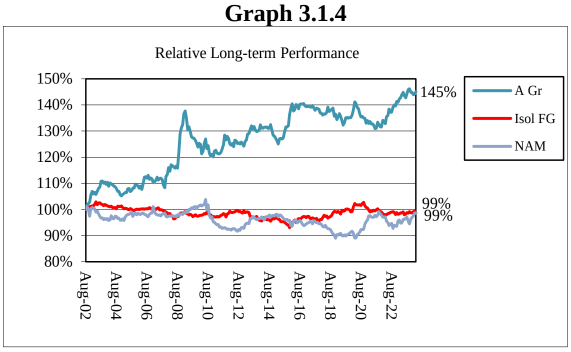
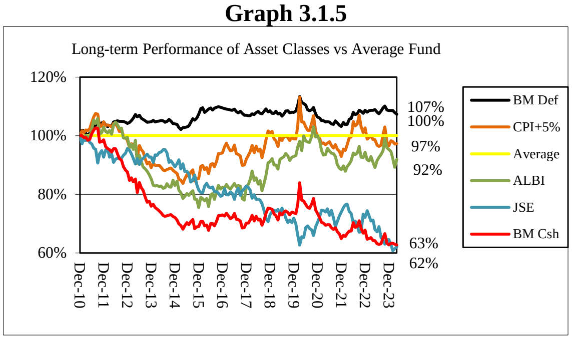
Graph 3.1.3



Graph 3.1.4

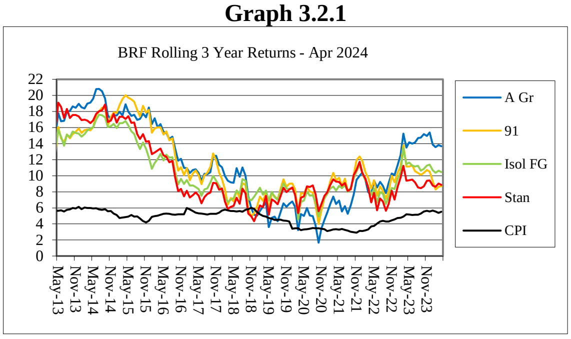


Graph 3.1.5

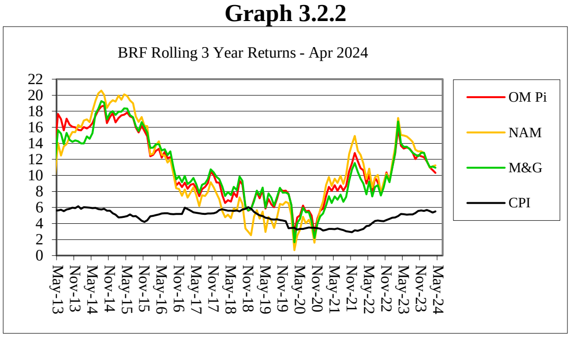


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

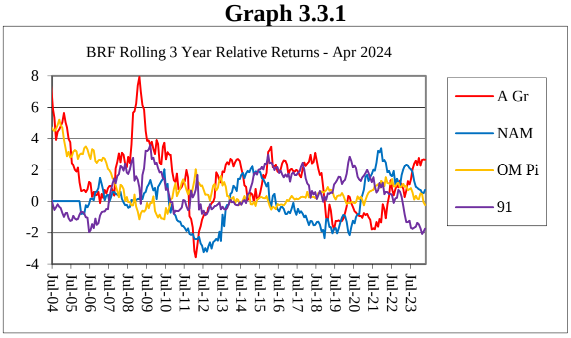


Graph 3.2.2

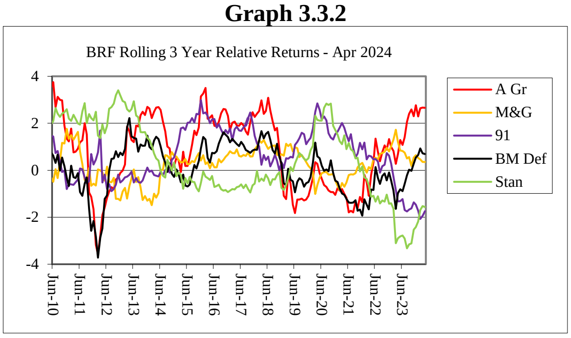


3.3 3-year rolling performance of prudential portfolios relative to the average prudential balanced portfolio on zero

Graph 3.3.1

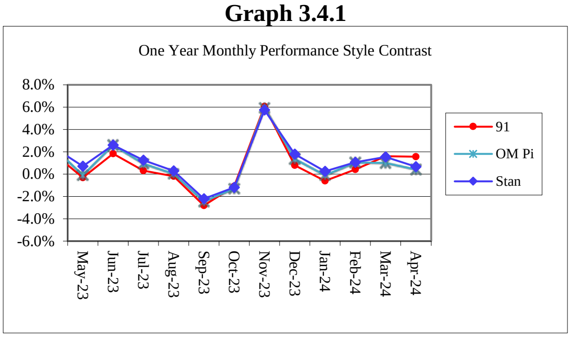


Graph 3.3.2



3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1



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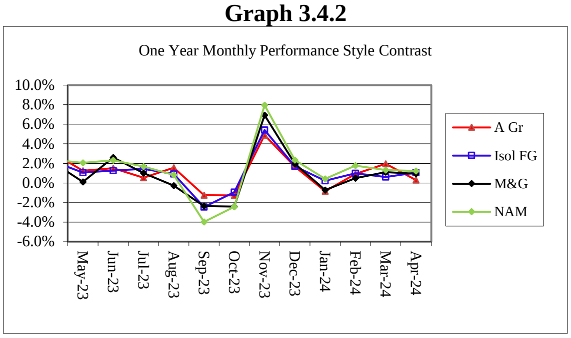
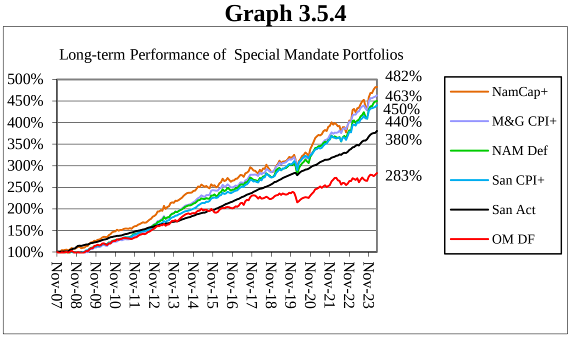
Graph 3.4.2

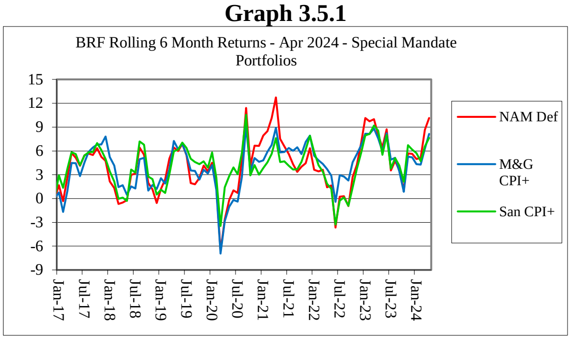


Graph 3.5.4

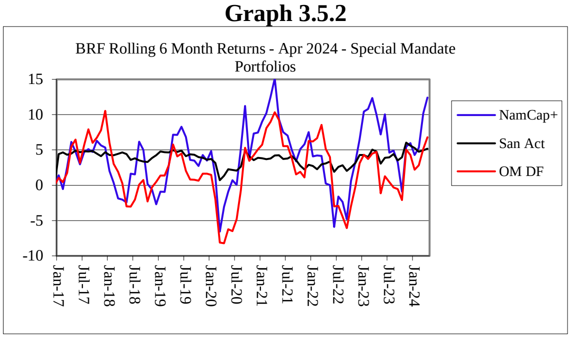


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

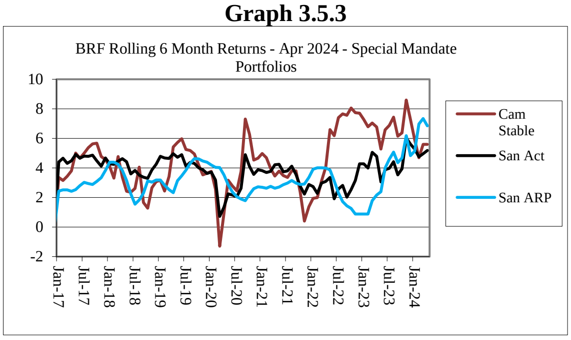
Graph 3.5.1



Graph 3.5.2

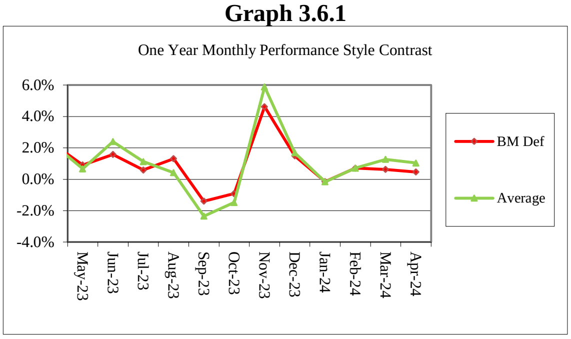


Graph 3.5.3

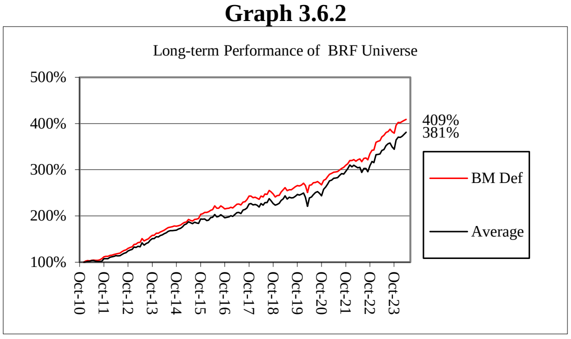


3.6 Monthly and cumulative performance of 'Benchmark Default' portfolio relative to average prudential balanced portfolio

Graph 3.6.1

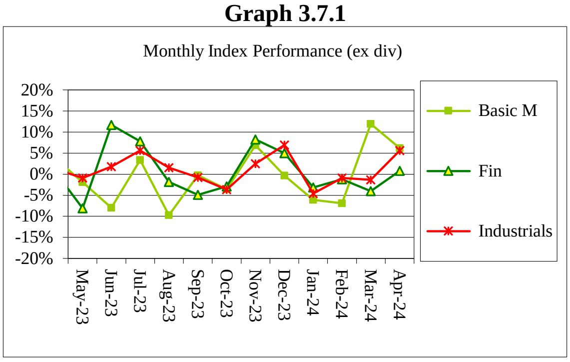


Graph 3.6.2



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

Graph 3.7.1



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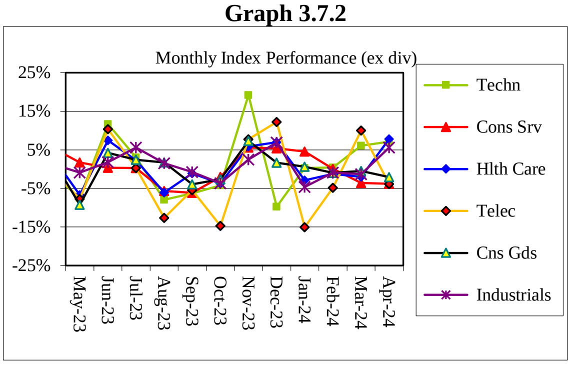
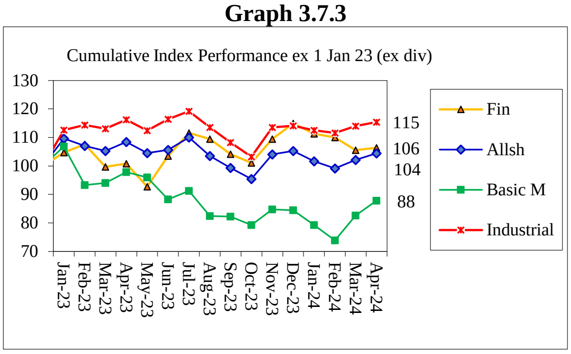
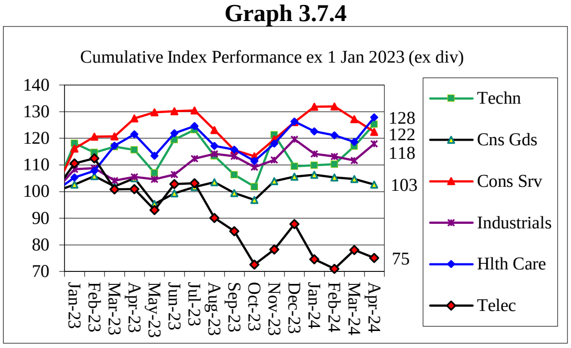
Graph 3.7.2



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.	9.4	9.4
5-year real return - % p.a.	5.0	5.0
Equity exposure - % of the portfolio (quarter ended March 2024)	45.2	52.0
Cumulative return ex Jan 2011	299.4	279.3
5-year gross real return target - % p.a.	6	5.1
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 has been ahead since January 2011, when the trustees restructured it by raising the equity exposure. It still has a more conservative structure with an equity exposure of only 45% compared to the average prudential balanced portfolio's more than 50% exposure.

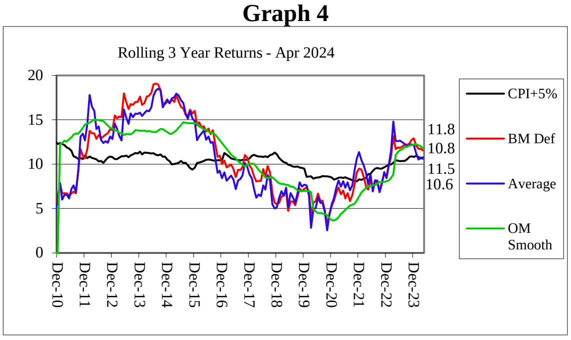
One must read the default portfolio's long-term return in the context of its initially low-risk profile, which the trustees only changed from the beginning of 2011 when they replaced the Metropolitan Absolute Return fund with the Allan Gray balanced portfolio.

Table 4.2

Measure	Money Market	Default Portf	Average Prud Bal
Worst annual performance	5.5%	5.9%	6.8%
Best annual performance	6.9%	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%	9.6%	10.0%

The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from May 2021 to April 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 April was 11.5%, the average was 10.6% vs. CPI plus 5%, currently on 10.5%.

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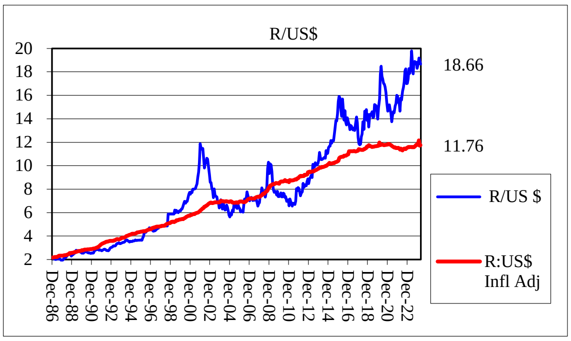
5. Review of Foreign Portfolio Flows and the Rand

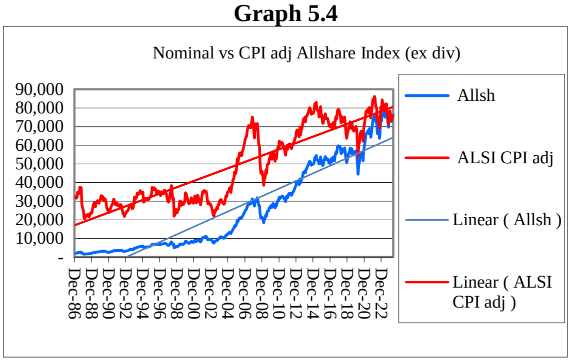
Graph 5.1 indicates that the Rand's fair value by our measure is 11.76 to the US Dollar, while it stood at 18.66 at the end of April. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

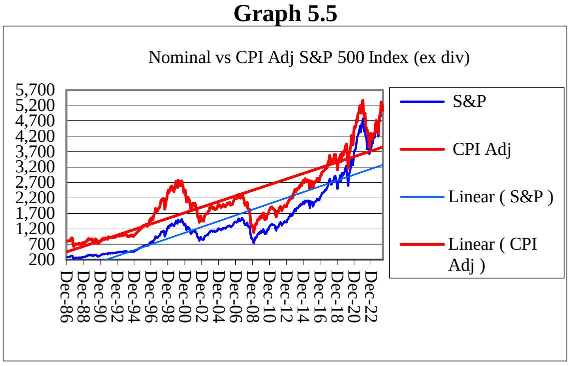
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.3% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.6% per year. It is equivalent to growth in real terms of 2.5% p.a. over this period, excluding dividends, or around 5.7%, including dividends.

Graph 5.4



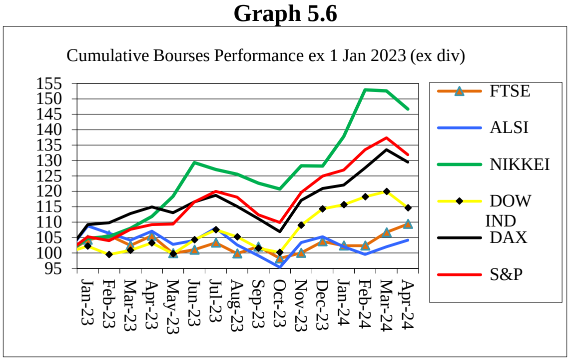
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 36 years since January 1987, the S&P500 Index grew by 8.1% per annum. US inflation over this period was 2.8%. It represents growth in real terms of 5.1% p.a. over 36 years, excluding dividends, or around 7.4% (including dividends).

Graph 5.5



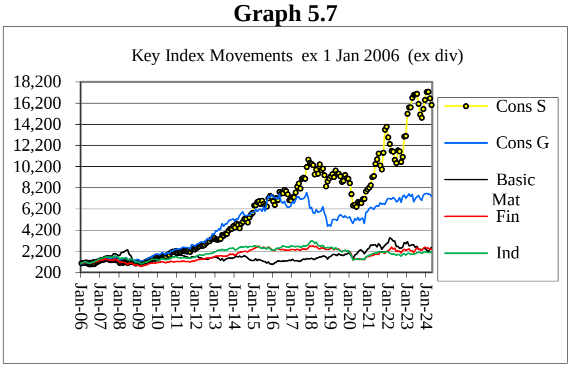
Graph 5.6 provides an interesting overview of some of the major global share indices, showing the NIKKEI as the top-performing index since the start of 2023.

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. The investor can deduce from this graph which sectors offer better and poorer value based on fundamentals. Annualised returns for these indices since the beginning of 2006 were: Consumer Services: 16.3%; Consumer Goods: 11.5%; Financials: 4.9%; Basic Materials: 5.2%; and Industrials: 4.3%.

Graph 5.7



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6. Africa's role in the emerging global conflict: implications and strategies for Namibia and Africa

By Tilman Friedrich

The world is teetering on the brink of a potentially devastating conflict as the geopolitical landscape shifts from a unipolar world dominated by the United States to a multipolar world championed by Russia, China, and the other BRICS countries. The Ukraine conflict and tensions in the South China Sea are manifestations of this struggle, with the US seeking to contain and wear down Russia and China's economic and military capabilities to preserve its hegemony. As these global powers jockey for position, Africa, specifically Namibia, will inevitably be drawn into the fray. This article explores how the impending global conflict might affect Africa, specifically Namibia, and proposes strategies to navigate these turbulent times.

Africa's Strategic Position and Potential Demands from Global Powers

Africa's vast resources and strategic location make it a significant player in global geopolitics. Western powers and the BRICS bloc will seek to secure African support in the context of a looming World War III. The following scenarios outline potential demands on African countries:

Resource Access: Both sides will vie for control over Africa's rich mineral resources, including critical minerals like uranium, cobalt, lithium, copper, manganese and rare earth elements essential for modern technology and military applications.

Military Alliances: African countries may be pressured to allow military bases or logistics support, effectively turning parts of the continent into strategic assets in the global conflict.

Diplomatic Support: Both sides will seek to garner diplomatic backing from African nations in international forums like the United Nations to legitimise their actions and strengthen their global standing.

Impact on Namibia and other African countries

Namibia and South Africa, as relatively stable and economically significant countries in the region, will face unique challenges and opportunities:

Economic Disruption: The global conflict will likely lead to disruptions in trade, increased volatility in commodity prices, exchange rates and potential sanctions. Namibia and other African countries could experience economic instability as a result.

Security Concerns: Increased militarisation and the possibility of becoming targets for hostile actions or proxy conflicts will elevate security risks. With the newfound oil riches, Namibia is particularly exposed to becoming drawn into these proxy conflicts, as many other oil-rich countries have experienced.

Political Pressure: Namibia and other African countries will face intense diplomatic pressure to align with either the Western bloc or the BRICS alliance, challenging their non-aligned or neutral stances.

Strategic Recommendations for Namibia and Africa

To navigate these challenges, Namibia and other African countries should adopt a multifaceted strategy:

Diplomatic Neutrality: Maintain a neutral stance to avoid being drawn directly into the conflict. Engage in active diplomacy to promote peaceful resolutions and mediate between conflicting parties.

Economic Diversification: Reduce dependence on any single economic partner. Expand trade relations with emerging markets and invest in sectors less vulnerable to global conflict due to their essential nature, resilience to economic volatility, and strategic importance. Consumer staples, healthcare, utilities, information technology, telecommunication, defence and aerospace, agriculture, and real estate are sectors that tend to maintain demand regardless of geopolitical tensions and often benefit from increased spending in times of uncertainty.

Strengthening Regional Alliances: Work with other African nations to build a collective security and economic framework that can withstand external pressures and protect regional interests.

Investment Strategies for Namibian Investors

Namibian investors should consider the following strategies to safeguard and grow their investments amidst global turmoil:

Geographic Diversification: Spread investments across multiple regions to mitigate the risk of geopolitical instability in any single area. Focus on stable markets with strong economic fundamentals. Countries likely to be less exposed are Singapore, New Zealand, Switzerland, Chile, Brazil and Ireland. This could include real estate, equities, and bonds.

Sector Diversification: Focus on resilient sectors within these stable regions, such as healthcare, consumer staples, utilities, and information technology.

Currency Hedging: Diversify currency exposure by holding assets in various stable currencies, such as the

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MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 30 APRIL 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.

Swiss Franc, Singapore Dollar, New Zealand Dollar, Chilean Peso, and Brazilian Real.

Global Equities: Invest in multinational companies with significant operations in stable regions, such as Naspers (SA), DBS Bank (Singapore), Codelco (Chile), Fonterra (New Zealand) and Petrobras (Brazil). Investing in multinational companies can provide exposure to global growth while mitigating regional instability risks.

Safe-Haven Assets: Allocate a portion of the portfolio to traditionally safe-haven assets like gold and other precious metals, which tend to hold value during global instability.

Government Bonds: Consider investing in government bonds from stable countries, which are likely to remain reliable even during global turmoil, particularly inflation-protected bonds.

Global Diversification: Spread investments across multiple regions to mitigate the risk of geopolitical instability in any single area. Focus on stable markets with strong economic fundamentals. Countries likely to be less exposed are South Africa, Singapore, New Zealand, Switzerland, Ireland, Chile and Brazil.

Asset Allocation:

Equities: Invest in multinational corporations with diverse geographic revenue streams. Companies in sectors resilient to conflict, such as consumer staples, healthcare, and information technology, are preferred.

Bonds: Allocate funds to high-quality sovereign and corporate bonds in stable economies. Consider inflation-protected securities to guard against currency devaluation.

Property: Invest in real estate in stable regions with strong long-term growth prospects. Consider properties in countries with favourable political climates and strong legal protections for foreign investors.

Cash: Maintain liquidity to take advantage of market opportunities and to ensure flexibility in uncertain times.

Sector Allocation:

Mining: Given Africa's rich mineral resources, continue to invest in mining but with a focus on diversification and partnerships with companies from multiple countries.

Financial Services: Invest in resilient financial institutions with global operations that can weather economic volatility.

Consumer Goods and Services: Focus on companies that produce essential goods and services, which tend to remain stable even during conflicts.

Healthcare: Invest in the growing healthcare sector, which is crucial in times of crisis.

Information Technology: Allocate funds to IT companies that drive innovation and efficiency, particularly those involved in cybersecurity, given the heightened risk of cyber warfare.

Currency Risk Mitigation: Utilise hedging strategies to protect against currency fluctuations. Diversify holdings across multiple currencies and invest in assets denominated in stable currencies like the US dollar, euro, and Swiss franc.

Conclusion

As the world braces for a potential World War III, driven by the strategic tussle between the US-led Western bloc and the BRICS nations, Africa stands at a crossroads. Africa and Namibia, in particular, must navigate a complex geopolitical landscape with careful diplomacy, economic diversification, and strategic investment. By maintaining neutrality, strengthening regional alliances, and adopting prudent investment strategies, these nations can mitigate the adverse effects of global conflict while seizing opportunities to enhance their economic resilience and growth.