Volume 21, No. 3
March 2025

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 2025

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 2025, the average prudential balanced portfolio returned 0.1% (February 2025: -0.2%). The top performer is the Allan Gray Balanced Fund, with 1.8%, while the NAM Coronation Balanced Plus Fund, with minus 1.4%, takes the bottom spot. Allan Gray Balanced Fund took the top spot for the three months, outperforming the 'average' by roughly 2.6%. The Stanlib Managed Fund underperformed the 'average' by 2.1% 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.)

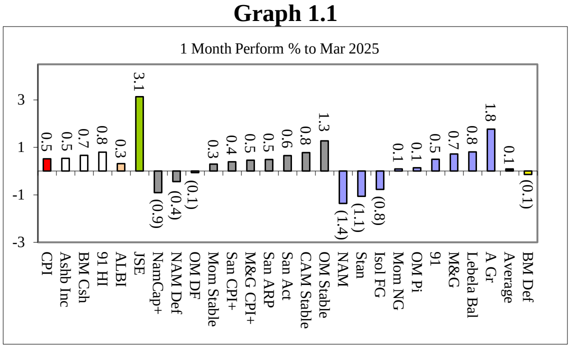
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced 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 four prominent local managers with a domestic balanced mandate, specialist 20Twenty Credit Solutions, two foreign equity index trackers, a foreign global bond manager and a local money market fund.

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

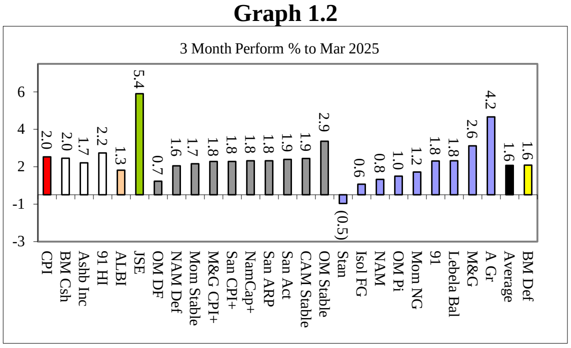
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no colour)
NinetyOne High Income (interest-bearing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

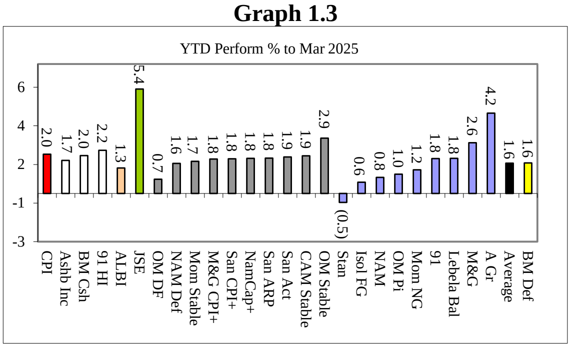
Graph 1.1



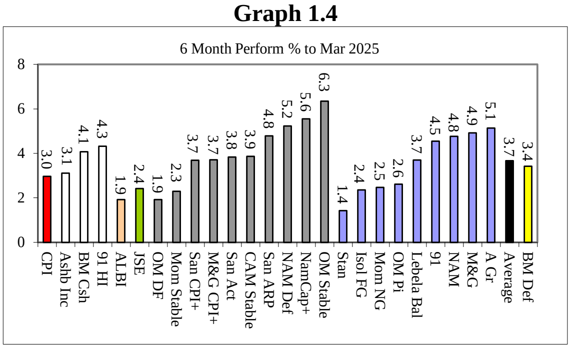
Graph 1.2



Graph 1.3



Graph 1.4



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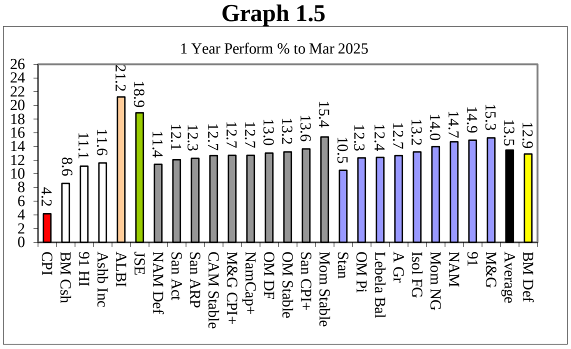
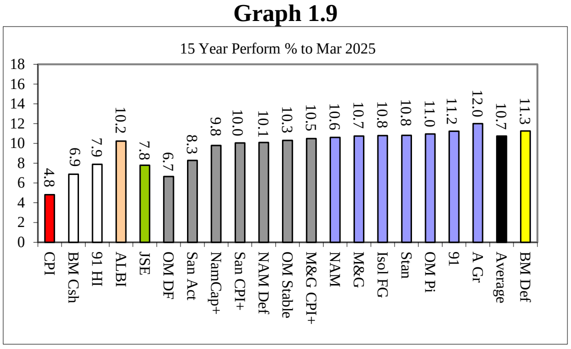
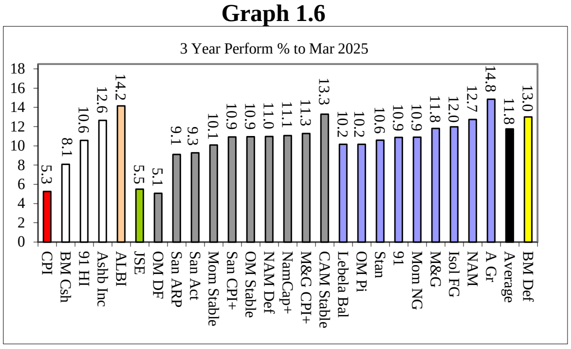
Graph 1.5



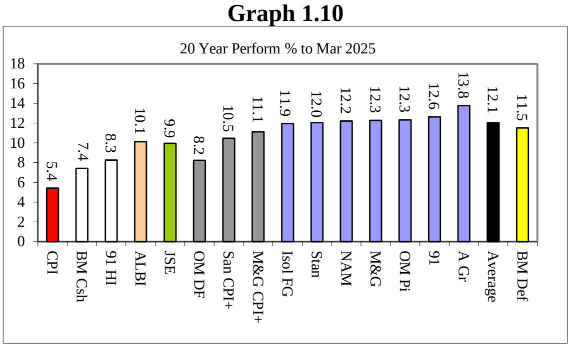
Graph 1.9



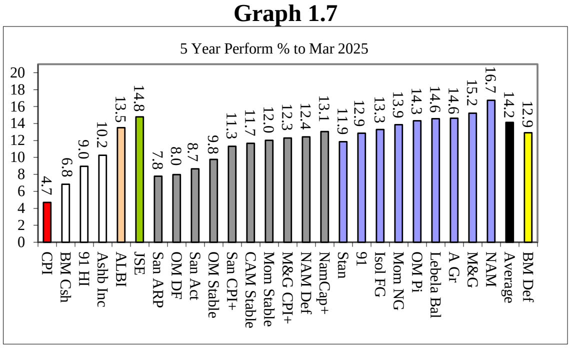
Graph 1.6



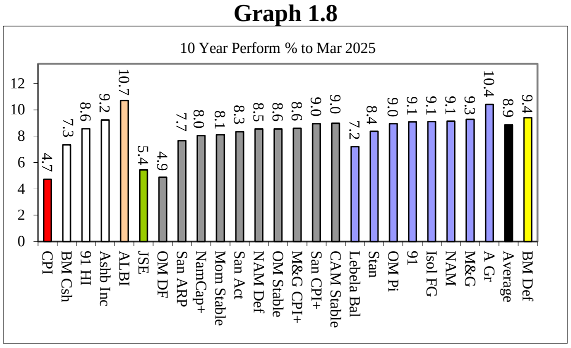
Graph 1.10



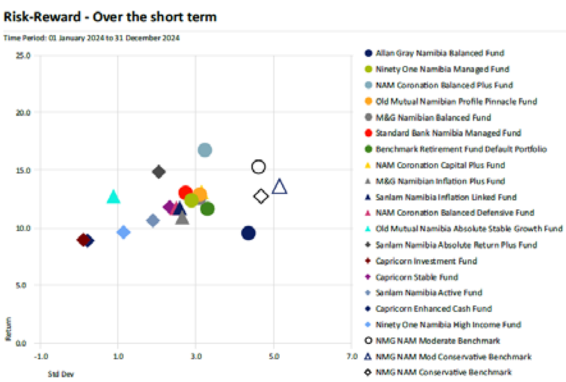
Graph 1.7



Graph 1.8



Risk/ Return



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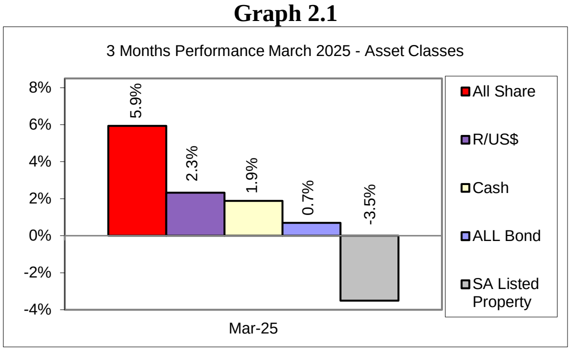
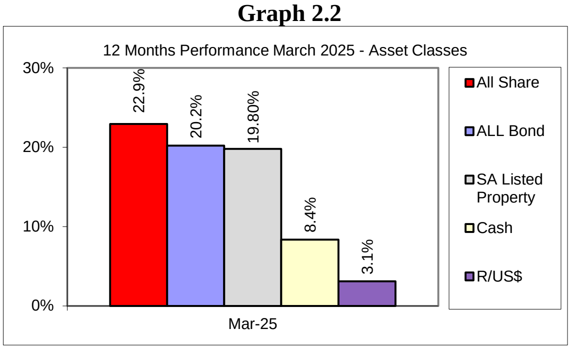
2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

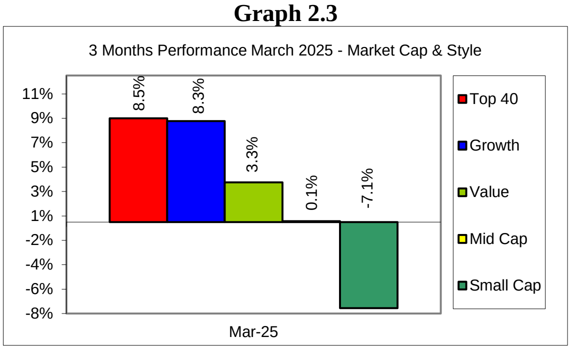
Graph 2.1



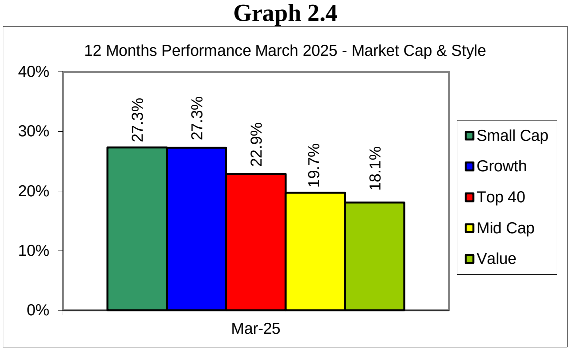
Graph 2.2



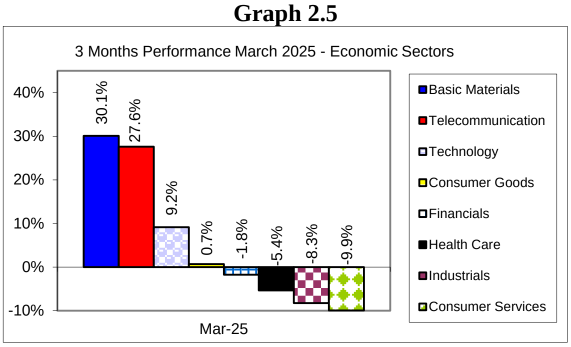
Graph 2.3



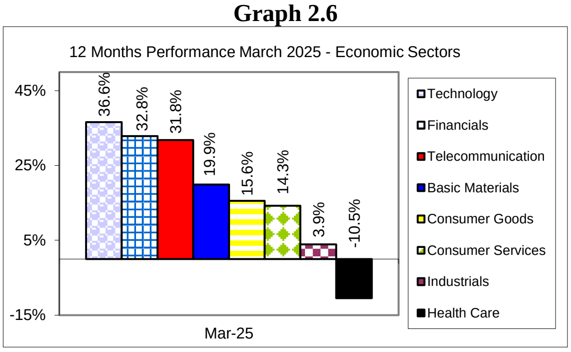
Graph 2.4



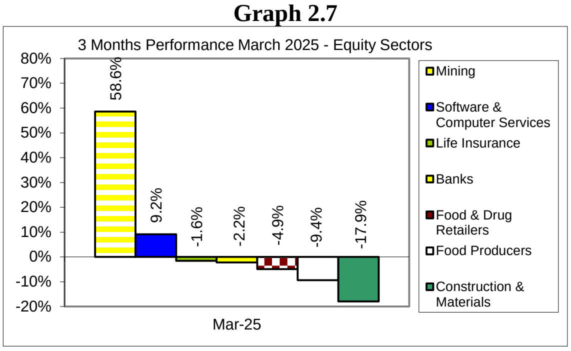
Graph 2.5



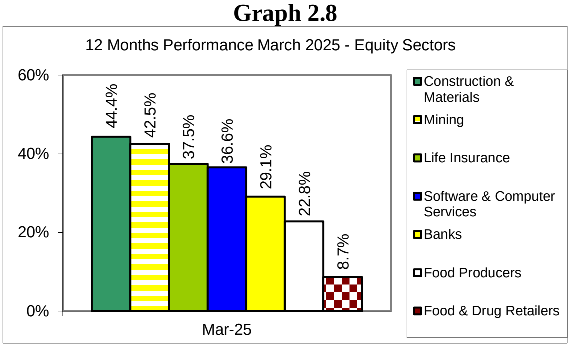
Graph 2.6



Graph 2.7



Graph 2.8



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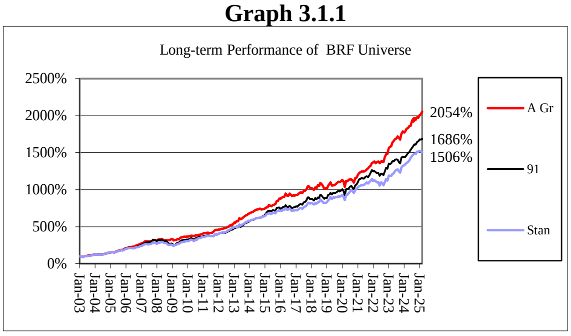
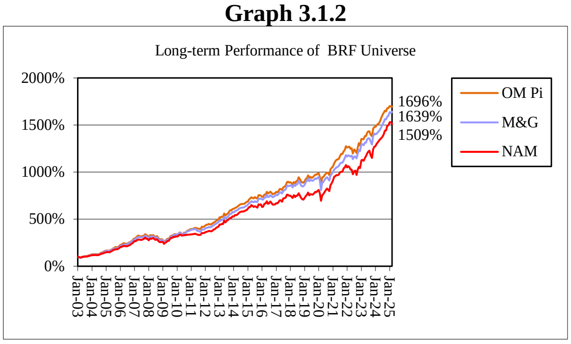
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

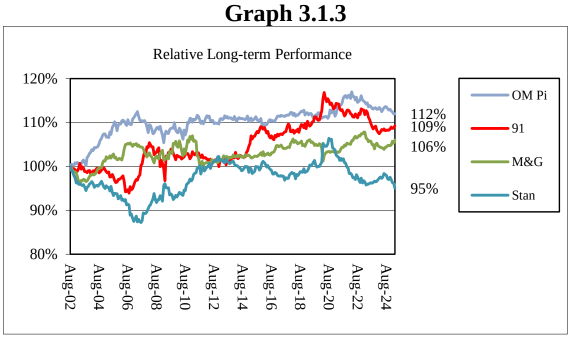
Graph 3.1.1



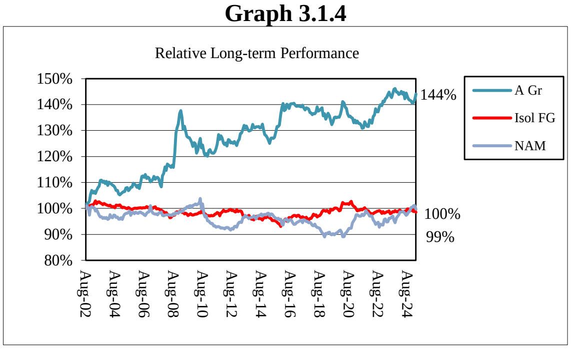
Graph 3.1.2



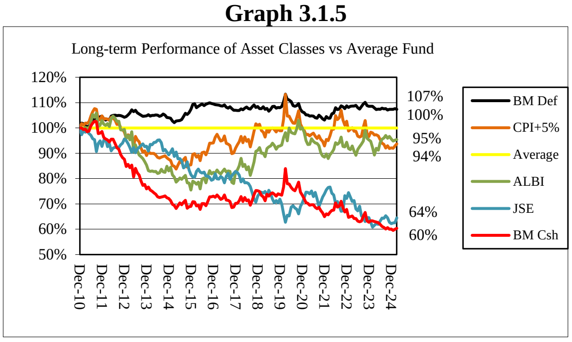
Graph 3.1.3



Graph 3.1.4

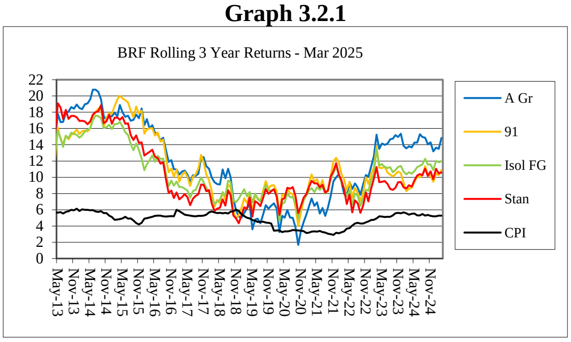


Graph 3.1.5

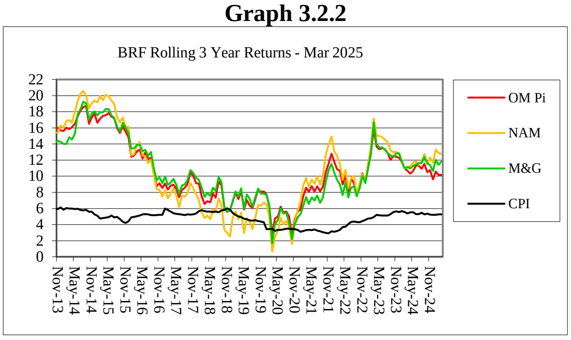


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

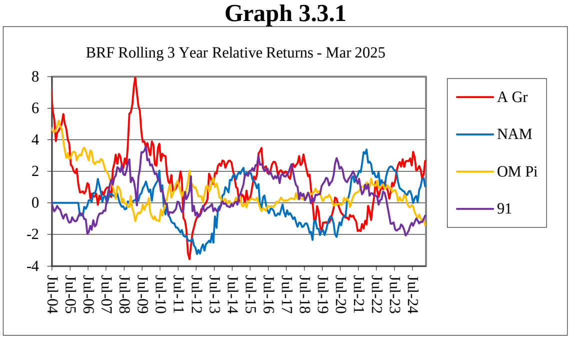


Graph 3.2.2



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

Graph 3.3.1



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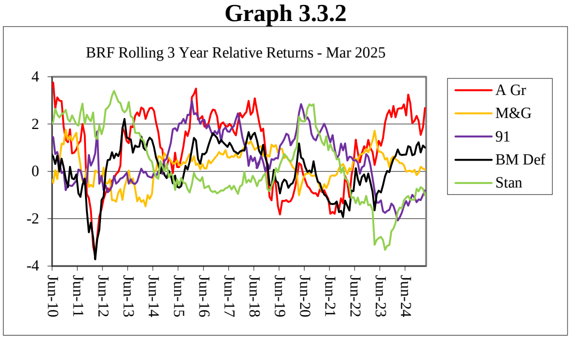
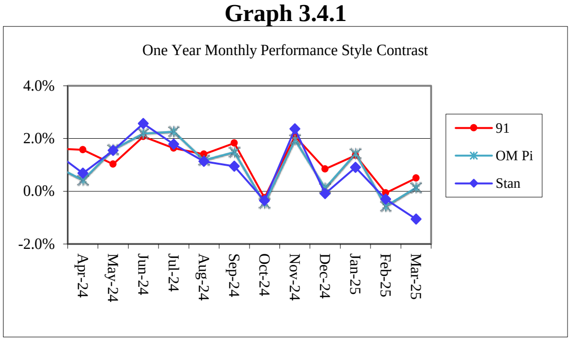
Graph 3.3.2

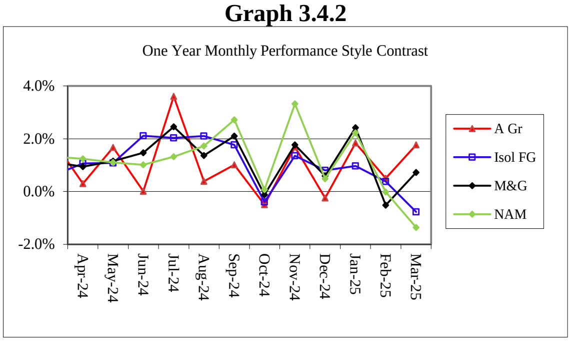


3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1

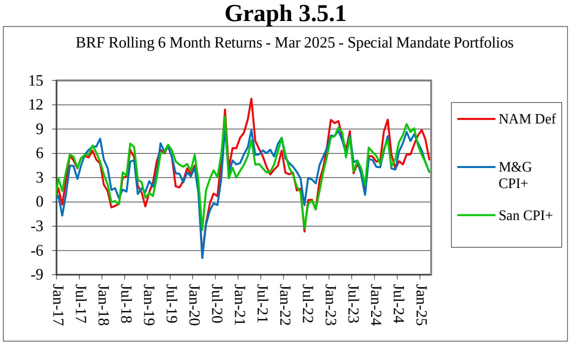


Graph 3.4.2

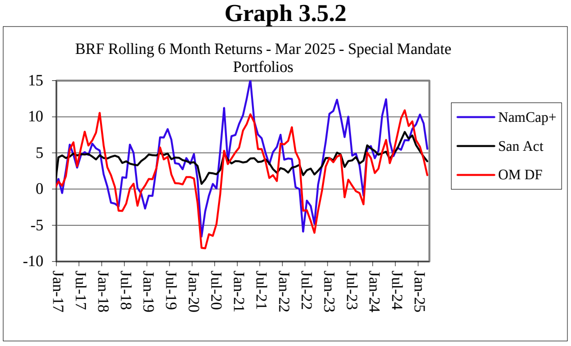


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

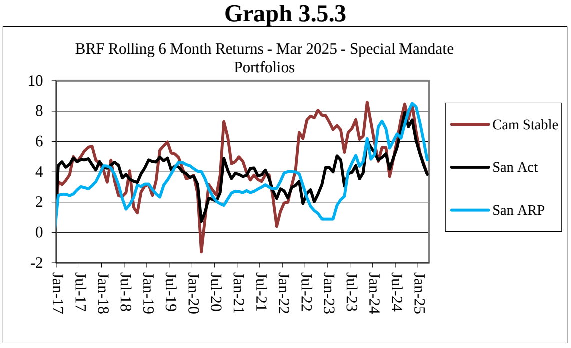
Graph 3.5.1



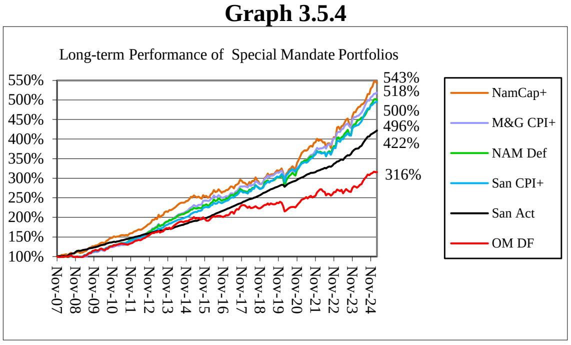
Graph 3.5.2



Graph 3.5.3

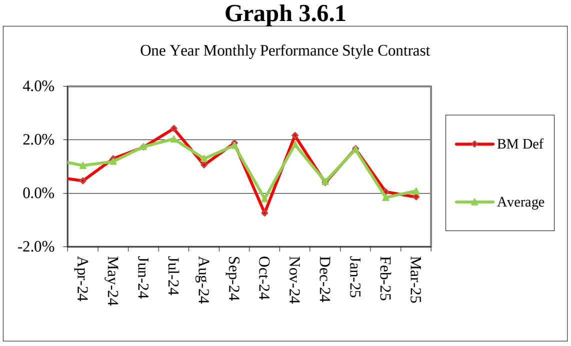


Graph 3.5.4



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

Graph 3.6.1



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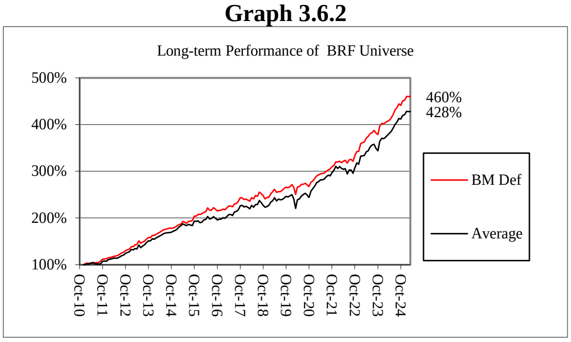
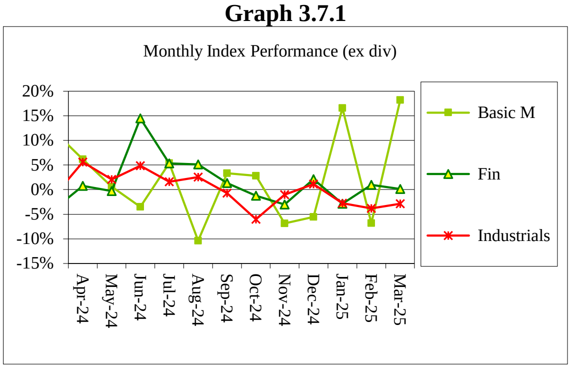
Graph 3.6.2

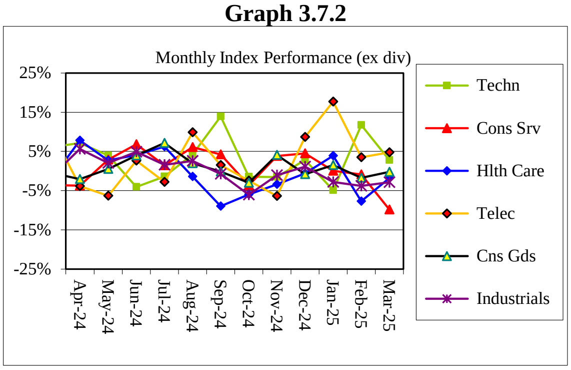


3.7 One-year monthly performance of key indices (excluding dividends)

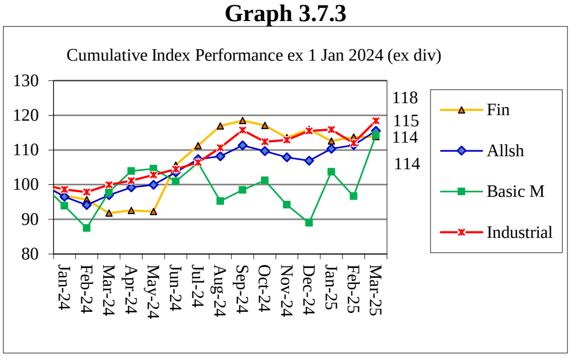
Graph 3.7.1



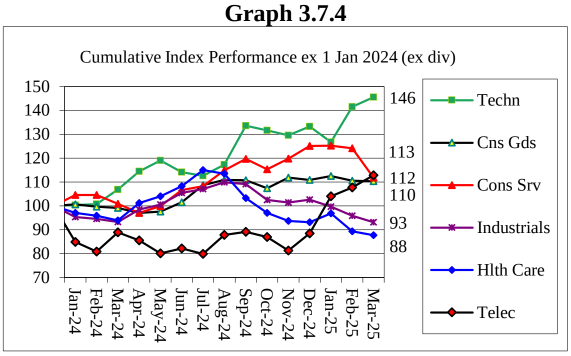
Graph 3.7.2



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.	12.9	14.2
5-year real return - % p.a.	8.2	9.5
Equity exposure - % of the portfolio (quarter ended Dec 2024)	57.0	63.4
Cumulative return ex Jan 2011	359.6	328.0
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 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 57% compared to the average prudential balanced portfolio's more than 63% 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%	6.9%	6.8%
Best annual performance	8.1%	13.4%	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%	11.2%	10.8%

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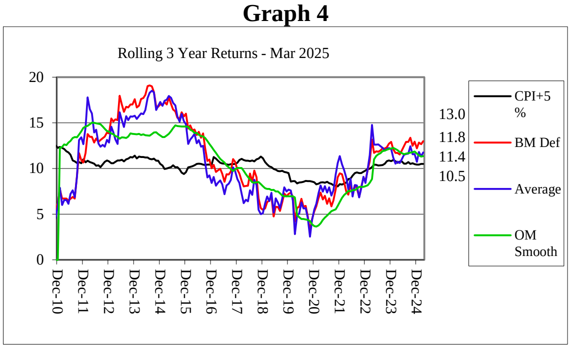
The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from April 2022 to March 2025. These statistics show the performance volatility of these three risk profiles.

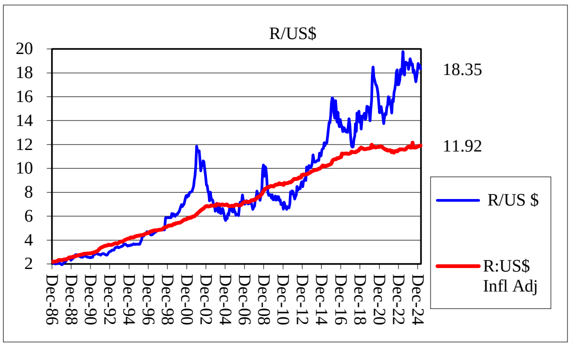
Graph 4



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 13.0%, the average was 11.8% vs. CPI plus 5%, currently on 10.5%.

5. Review of Foreign Portfolio Flows and the Rand

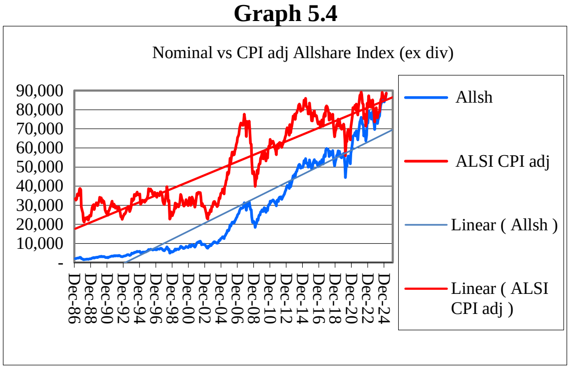
Graph 5.1 indicates that the Rand's fair value by our measure is 11.92 to the US Dollar, while it stood at 18.35 at the end of March 2025. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

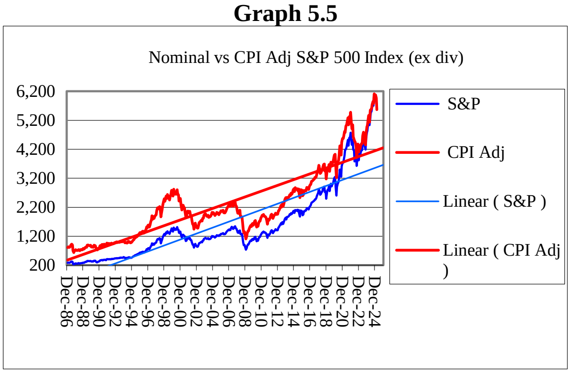
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.4% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.5% per year. It is equivalent to growth in real terms of 2.9% p.a. over this period, excluding dividends, or around 6.1%, including dividends.

Graph 5.4



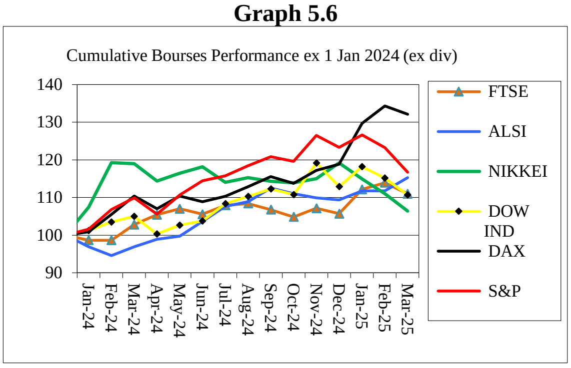
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 38 years since January 1987, the S&P500 Index grew by 8.2% per annum. US inflation over this period was 2.8%. It represents growth in real terms of 5.4% p.a. over 38 years, excluding dividends, or around 7.5% (including dividends).

Graph 5.5



Graph 5.6 provides an interesting overview of some of the major global share indices, showing the DAX as the top-performing index since the start of 2024.

Graph 5.6



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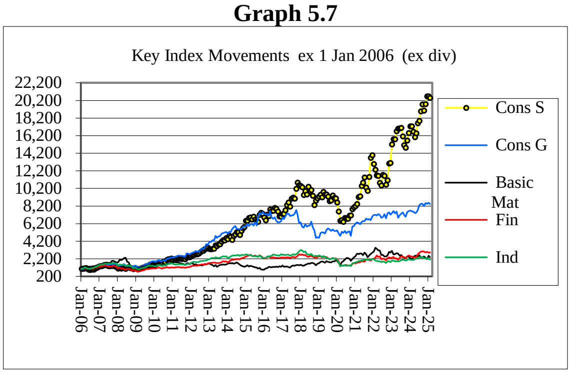
Graph 5.7 provides an overview of the relative movement of the key equity sectors on the FTSE/JSE since December 2005, when the JSE introduced these indices. The investor can deduce from this graph which sectors offer better and poorer value based on fundamentals. Annualised returns for these indices since the beginning of 2006 were: Consumer Services: 16.4%; Consumer Goods: 11.7%; Financials: 5.8%; Basic Materials: 5.5%; and Industrials: 3.8%.

Graph 5.7



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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.

6. 'Hurricane Trump' and the bigger picture

By Tilman Friedrich

Until the end of February 2025, global bourses still performed quite well, as if investors were still sceptical about President Trump's utterances concerning import tariffs. President Trump announced significant tariffs that impacted global markets in his "Liberation Day" speech of 2 April. The tariffs were to take effect on 5 April. The envisaged imposition had a seriously negative impact on most key share indices worldwide. The following table shows the effect of the tariffs on key global equity indices between 1 April, the day before the announcement of tariffs, and 7 April, the first trading day after their effective date.

Equity Index	1 April 2025	7 April 2025	Decline	14 April 2025
S&P 500	5,632	4,969	11%	5,386
DAX	22,534	20,132	10%	21,020
FTSE 100	8,635	7,845	9%	8,158
NIKKEI 225	35,624	31,137	12%	33,982
Shanghai Composite	3,347	3,107	7%	3,264
JSE Allshare	89,951	82,162	9%	88,717

These figures illustrate the impact of sentiment on major global stock indices following the tariff announcement and their expected implementation on 5 April 2025. The sharp declines reflected investor concerns over escalating trade tensions and their potential impact on the global economy. In the meantime, President Trump announced that most tariffs would be stayed for ninety days. As a result, global markets have recovered much of their initial losses.

Considering the impact the tariffs already had, the announcement of additional tariffs, such as 104% on imports from China and the announcement by the US trading partners to reciprocate will likely have a further negative impact on equity markets.

The possible end game of President Donald Trump's global tariff imposition can be interpreted as part of a broader strategy to reshape global trade relationships in favour of what he often calls "America First." While different observers interpret his intentions differently, several consistent themes emerge as likely goals:

1. Rebalancing Trade Deficits
   - Reduce the trade deficit by discouraging imports
   - Pressure foreign governments to open their markets to U.S. goods
   - Encourage companies to source and manufacture domestically
2. Protecting Domestic Industries
   - Reviving U.S. manufacturing
   - Supporting job creation in industrial regions
   - Countering dumping practices (where foreign producers sell below cost)
3. Reshoring and Economic Nationalism
   - A matter of national security (especially for strategic goods)
   - A long-term economic realignment toward self-reliance
   - A political move to win support in Rust Belt and blue-collar states
4. Forcing New Trade Agreements
   - The USMCA replacing NAFTA (with stricter labour and content rules)
   - Pressuring China into the "Phase One" deal (focused on agriculture and IP)
   - Attempts to overhaul WTO rules and dispute mechanisms
5. Strategic Rivalry with China
   - Curtailing China's rise as a global tech and economic superpower
   - Disrupting China's Made in China 2025 initiative
   - Building global alliances around a U.S.-led trade and tech ecosystem
6. The Bigger Picture: Controlled Decoupling

   In broader strategic terms, tariffs are part of an attempted controlled decoupling from economic dependencies viewed as dangerous or exploitative, especially with adversarial or strategic competitor nations.

   This could ultimately reshape the global economy into more regionalised blocs, with the U.S. at the centre of its production and trade sphere.

President Trump is a businessman and not a politician. His approach is unconventional, and one does not know if he always means what he says or if he is bluffing to achieve his goals. His economic goals are unclear, which creates a great deal of uncertainty in global financial markets.

After nearly three months in office, it becomes ever clearer that the US under President Trump has not changed its vision of its singularity and being the global hegemon in a unipolar world. China poses the main challenge to the US in maintaining its global dominance and has repeatedly been scolded as its greatest threat.

I conclude that the main objective of America's global strategy is US self-sufficiency in preparation for a great showdown with China. The tariffs are probably also aimed at forcing US allies to work towards self-sufficiency in a major global conflict. It started during the President's first term and continued under President Biden, evidencing a consistent policy across different administrations. Because of China's alliance with Russia, I believe that America is now exercising maximum force on Europe to take up the responsibility of containing and subjugating Russia so that the US can focus on China. Germany, as Europe's

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economic powerhouse and most of Europe, is not yet militarily ready to challenge Russia directly. According to public statements, it would only be prepared by 2028.

Until Europe has geared up to face Russia, markets will be volatile with no clear direction, and investment returns will be mute. Astute stock picking can still deliver good returns. A major imponderable is whether Russia and China will be onlookers to Europe and the US gearing up to confront them. Either Russia and China will take the same urgent measures Europe and the US are busy taking to gear up for the confrontation, or they will get to a point where they realise that they must pre-empt the West, similar to what Russia has done in the Ukraine conflict.

As a Namibian investor with a diversified portfolio, navigating the complexities of global financial markets has always required a thoughtful approach. However, the current international landscape presents unique challenges and opportunities. Volatile economic conditions across different regions make informed investment decisions more crucial than ever. Investing is a train journey. While market conditions may be unpredictable, remaining focused on the long term is the key to success. In last month's column, we put forward a few key principles for managing market volatility. (Please consult the previous month's Investment Performance Review for the details.)

1. Uncertainty is Inevitable
2. Volatility Creates Opportunities
3. Avoid Panic Selling During Market Crashes
4. Rules for Long-Term Investing
    - Buy quality stocks - companies with strong revenue growth and reinvestment.
    - Hold investments for the long term - avoid reacting to short-term fluctuations.
    - Monitor your portfolio - business environments change, and even great companies can decline over time (e.g., Kodak, Nokia).
    - Diversify wisely - Keep a core portfolio (90%) for stable, long-term investments and a smaller portion (10%) for higher-risk opportunities.
5. Stay Focused on the Long-Term Goal

We also noted that a short-term investment horizon would call for further measures. The investor must understand his needs and how unpredictable, volatile, and short-term market conditions might impact them. Here are important short-term investment considerations elaborated on in last month's column:

1. Defensive Positioning with a Focus on Value
2. Safe-Haven Assets
3. Geographic Diversification
4. Sectoral Rotation

Conclusion:

The US is much more than President Trump and will sail the seas long after his demise. So the bigger picture remains its global supremacy and singularity even after Hurricane Trump'. If it were left to Europe, the world would still live in peace for another three years. But will the East afford it the time, and must the investor now adopt a short-term strategy?

Market volatility is normal and should not derail a well-planned long-term investment strategy. Investors can navigate the ups and downs by staying the course, focusing on long-term growth, and taking advantage of market dips. Investors must know their needs and adapt their investment strategy to short-term needs.

Investing during times of uncertainty requires a balanced approach that combines defensive strategies with opportunistic investments. While the potential for global conflict and economic downturns poses significant risks, it also presents opportunities for those who can navigate the complexities of the market. By focusing on value, diversifying geographically, and being flexible in your asset allocation, you can position yourself to protect and grow your discretionary assets in future years.

These strategies should be tailored to your financial situation, risk tolerance, long-term goals and investment horizon. Consulting with a financial advisor can provide personalised guidance to help you make the best decisions for your portfolio.