Volume 21, No. 4
April 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 30 APRIL 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 April 2025, the average prudential balanced portfolio returned 1.9% (March 2025: 0.1%). The top performer is the Allan Gray Balanced Fund, with 2.6%, while the Lebela Balanced Fund, with 1.0%, takes the bottom spot. Allan Gray Balanced Fund took the top spot for the three months, outperforming the 'average' by roughly 3.2%. The Namibia Coronation Balanced Fund underperformed the 'average' by 1.7% 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.)

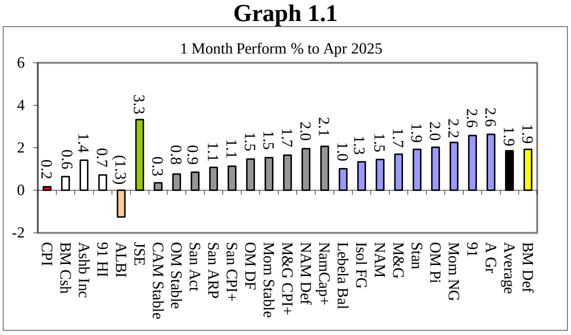
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced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

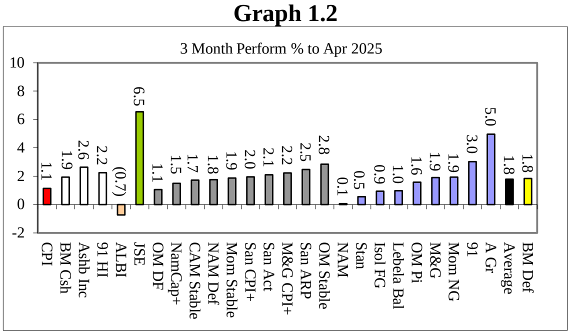
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no colour)
NinetyOne High Income (interest-bearing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

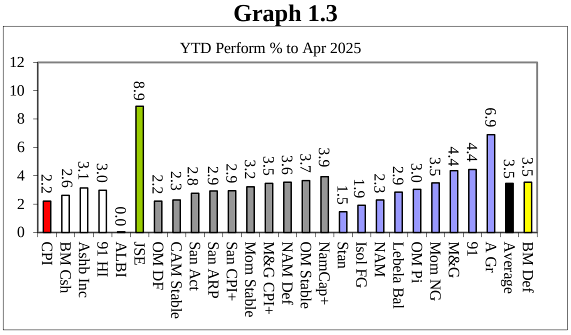
Graph 1.1



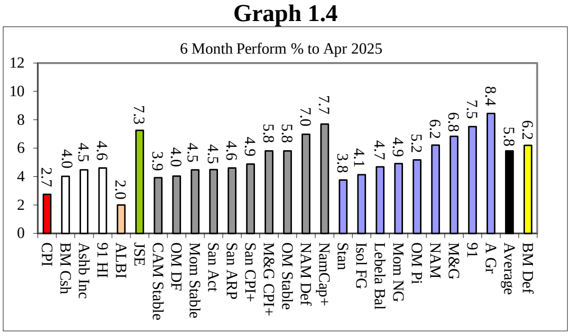
Graph 1.2



Graph 1.3



Graph 1.4



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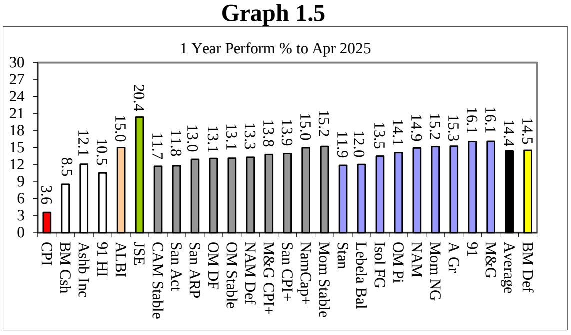
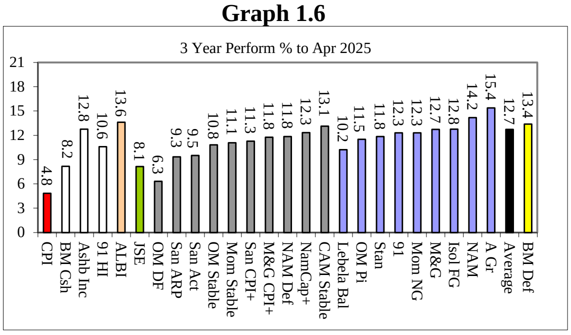
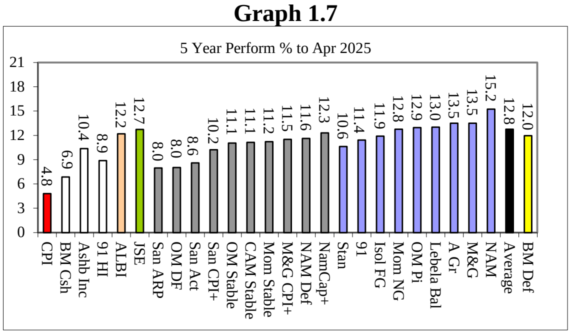
Graph 1.5



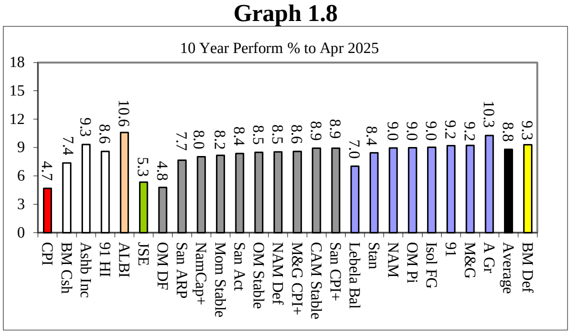
Graph 1.6



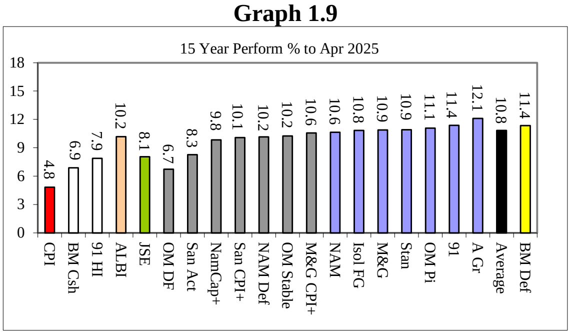
Graph 1.7



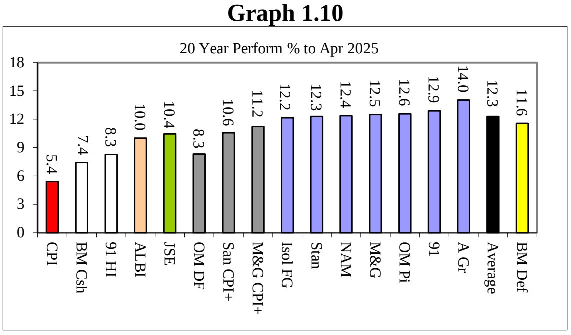
Graph 1.8



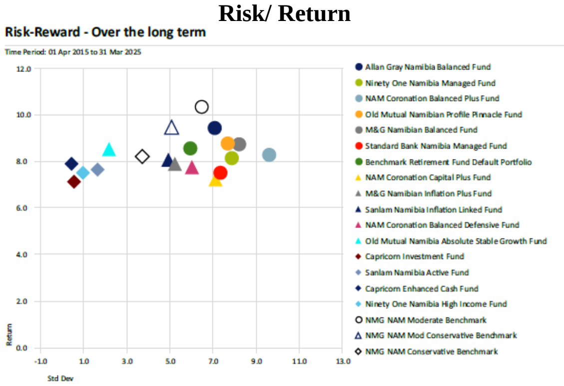
Graph 1.9

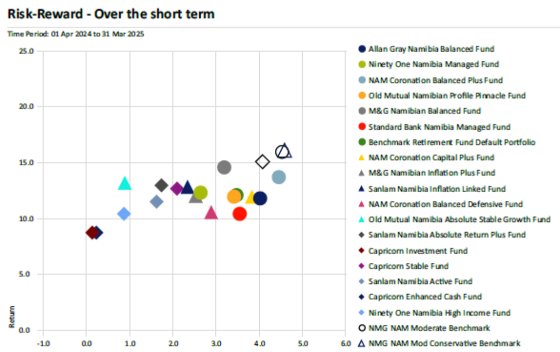


Graph 1.10



Risk/ Return





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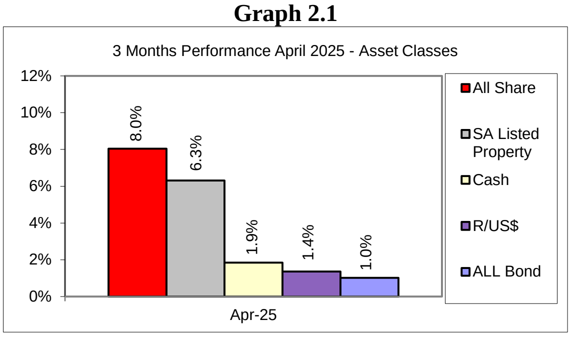
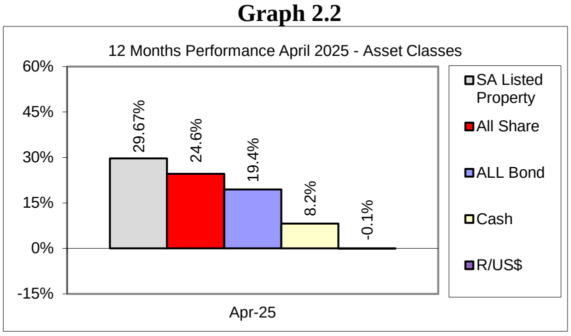
2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

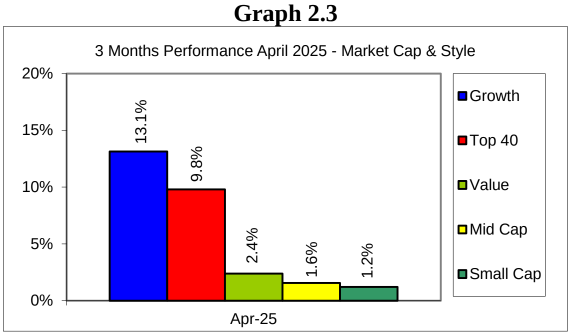
Graph 2.1



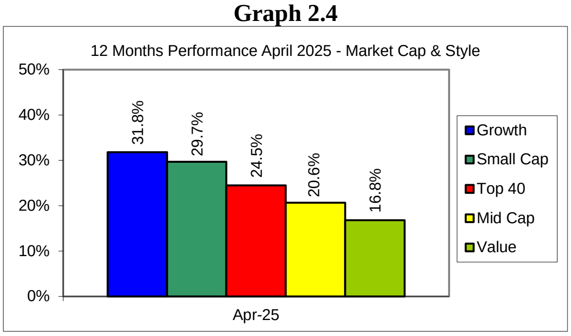
Graph 2.2



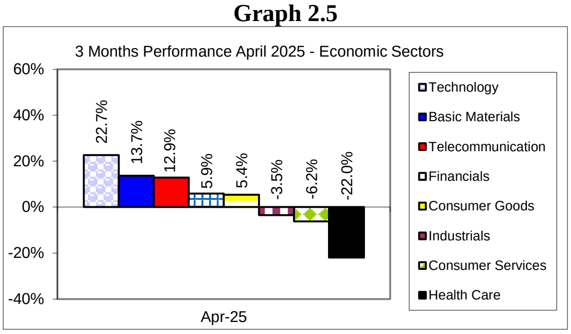
Graph 2.3



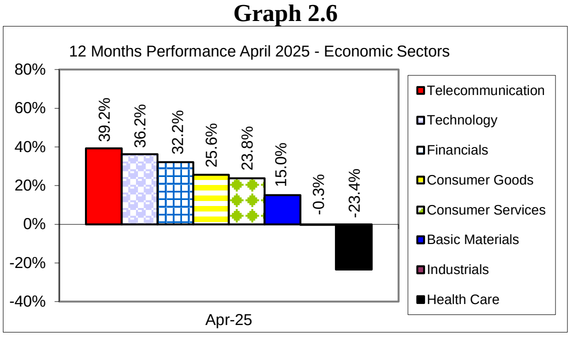
Graph 2.4



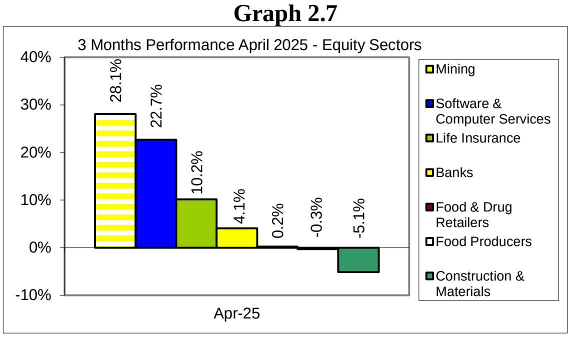
Graph 2.5



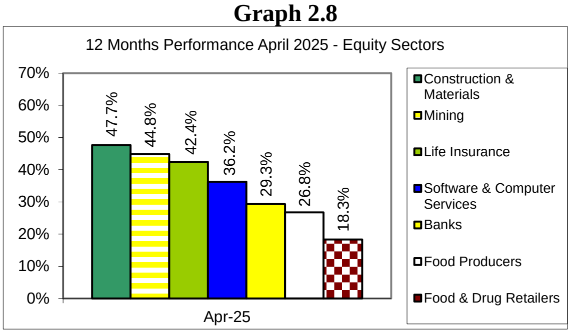
Graph 2.6



Graph 2.7



Graph 2.8



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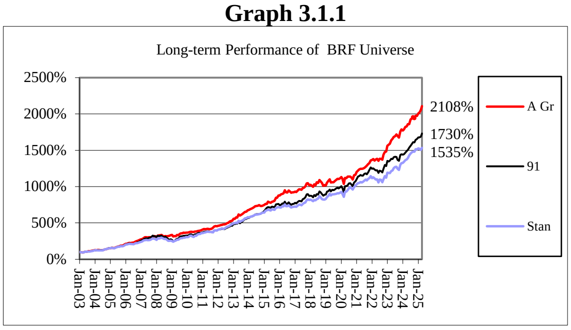
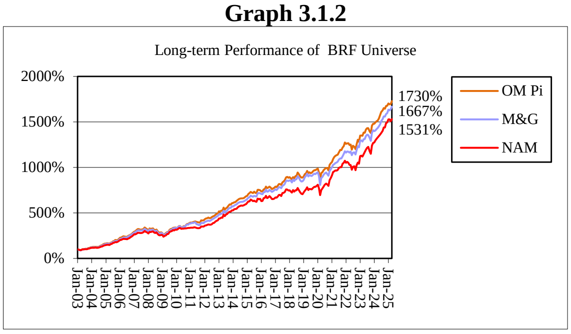
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

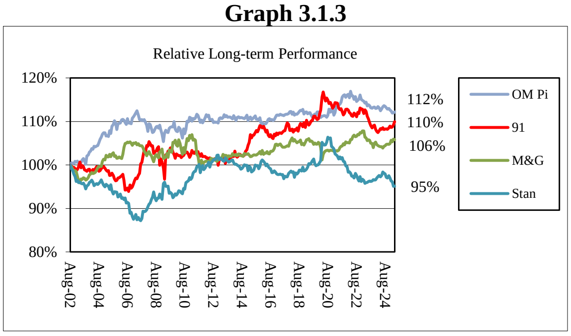
Graph 3.1.1



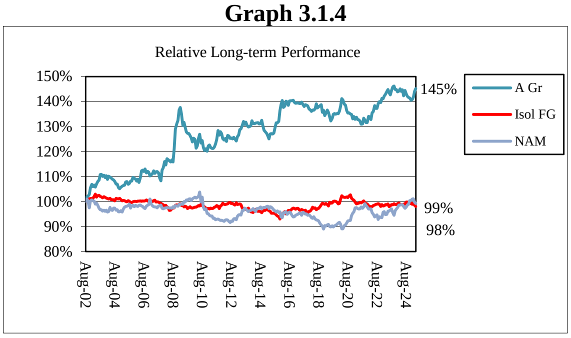
Graph 3.1.2



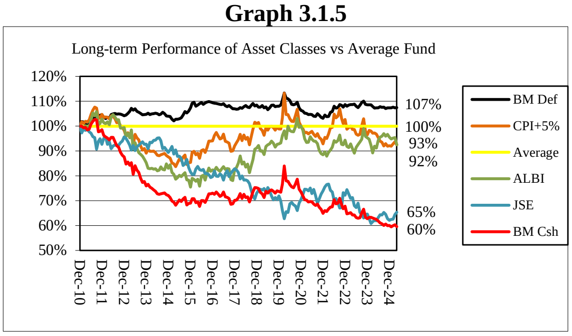
Graph 3.1.3



Graph 3.1.4

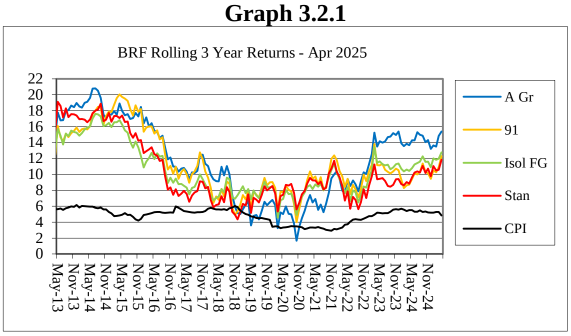


Graph 3.1.5

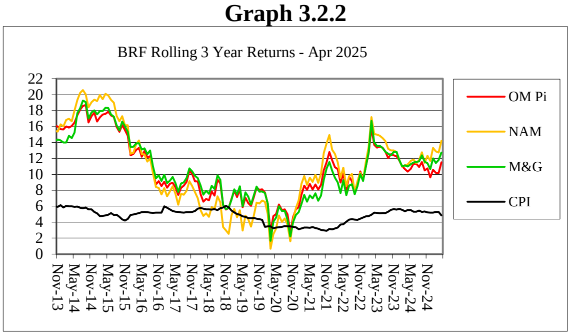


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

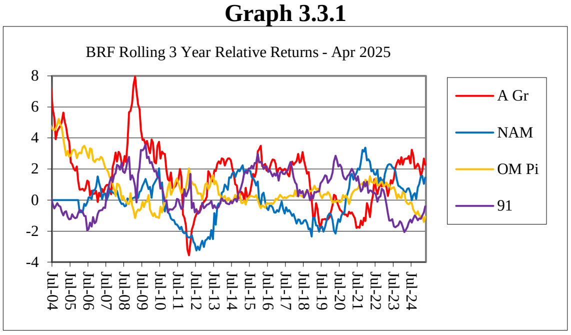


Graph 3.2.2



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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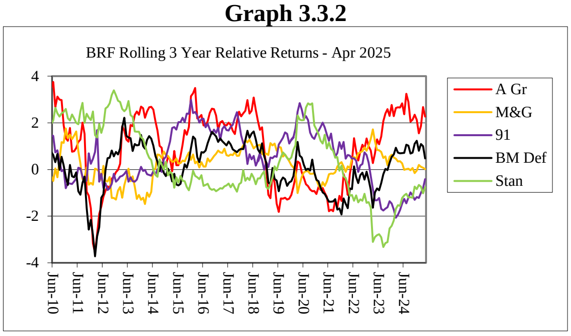
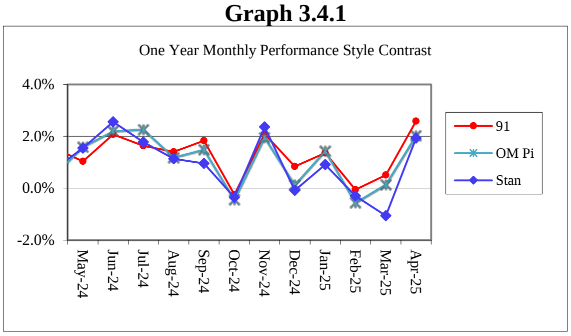
Graph 3.3.2

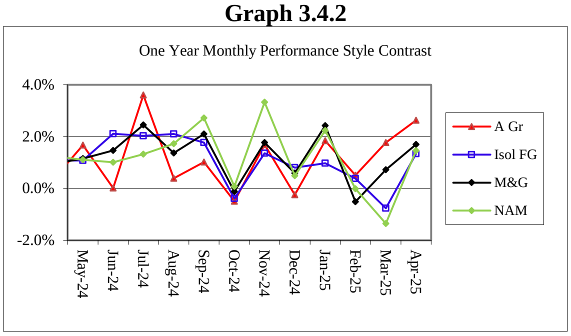


3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1

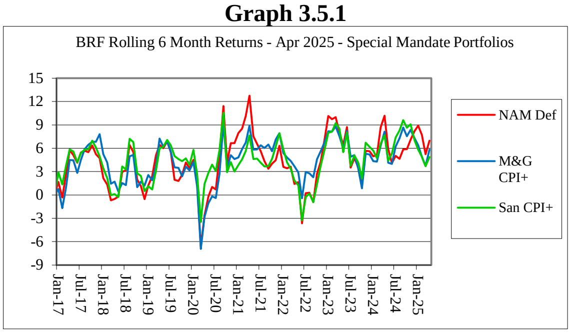


Graph 3.4.2

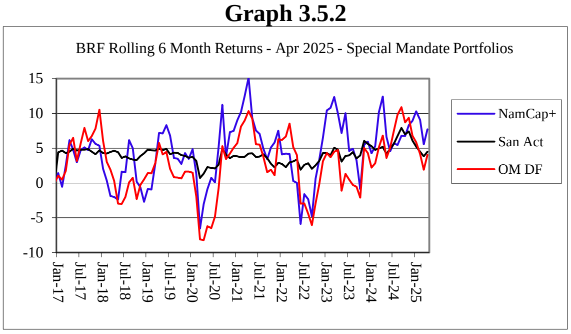


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

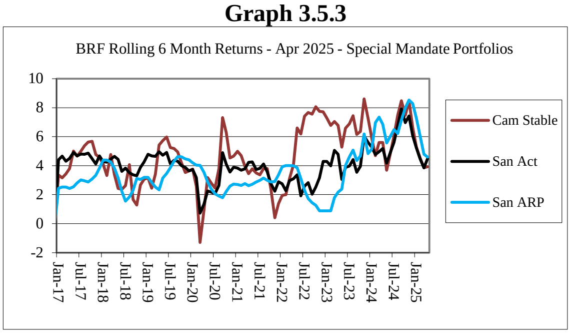
Graph 3.5.1



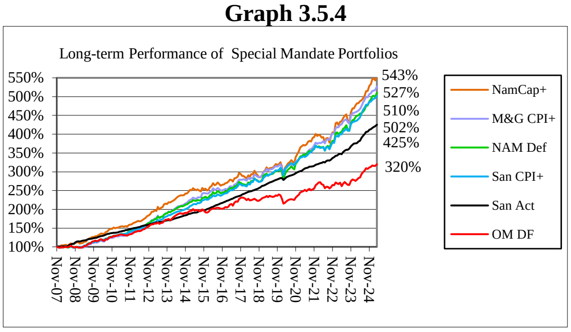
Graph 3.5.2



Graph 3.5.3

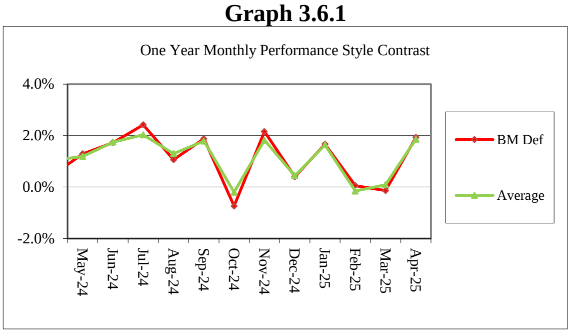


Graph 3.5.4



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

Graph 3.6.1



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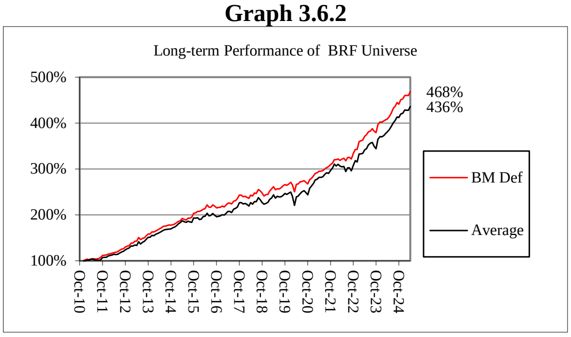
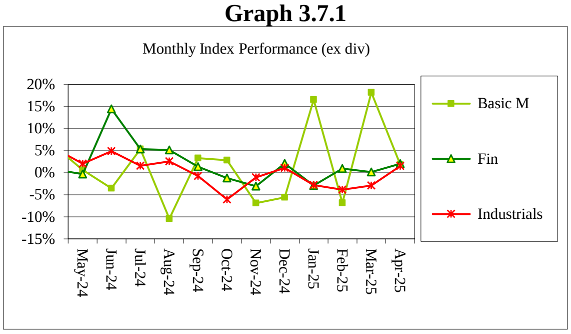
Graph 3.6.2

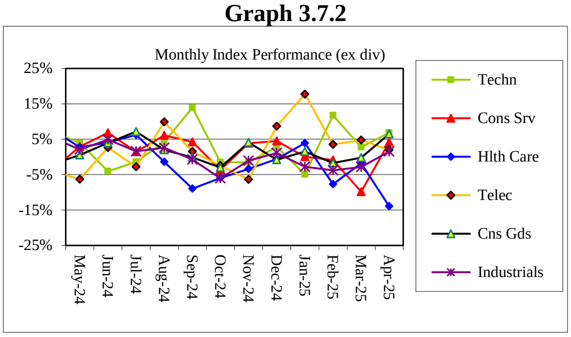


3.7 One-year monthly performance of key indices (excluding dividends)

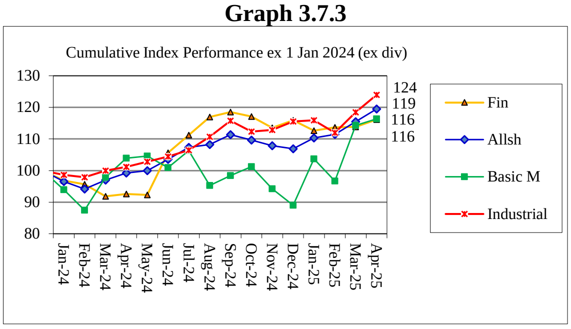
Graph 3.7.1



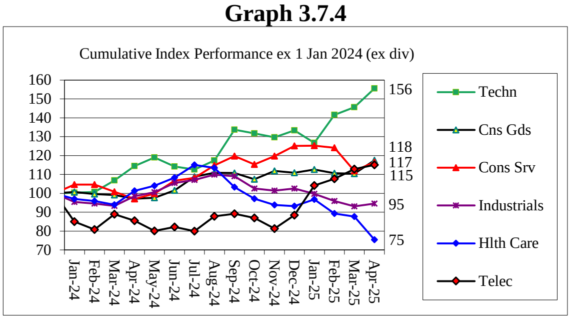
Graph 3.7.2



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.	12.0	12.8
5-year real return - % p.a.	7.2	8.0
Equity exposure - % of the portfolio (quarter ended Mar 2025)	57.50	60.4
Cumulative return ex Jan 2011	374.59	346.68
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	8.2%	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	6.5%	13.4%	12.7%

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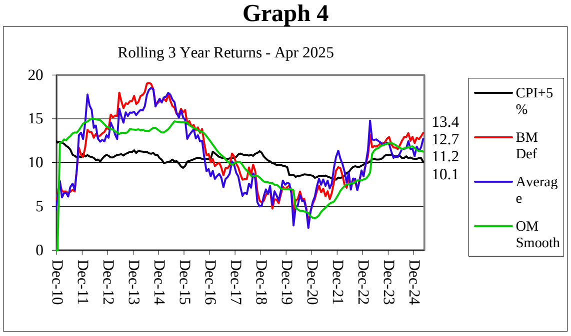
The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from May 2022 to April 2025. These statistics show the performance volatility of these three risk profiles.

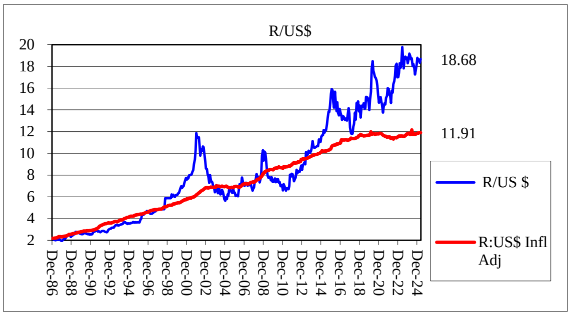
Graph 4



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 April was 13.4%, the average was 12.7% vs. CPI plus 5%, currently on 10.1%.

5. Review of Foreign Portfolio Flows and the Rand

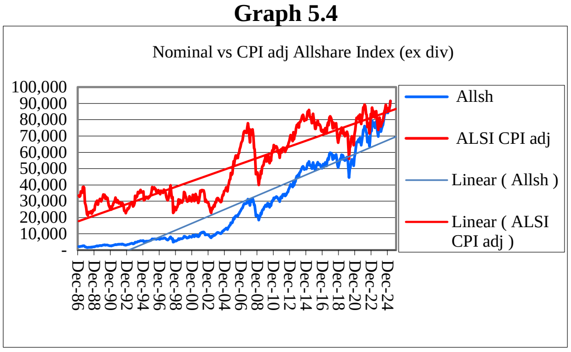
Graph 5.1 indicates that the Rand's fair value by our measure is 11.91 to the US Dollar, while it stood at 18.68 at the end of April 2025. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

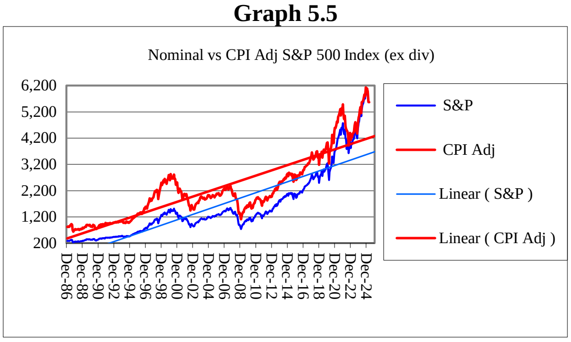
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.5% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.5% per year. It is equivalent to growth in real terms of 3.0% p.a. over this period, excluding dividends, or around 6.2%, including dividends.

Graph 5.4



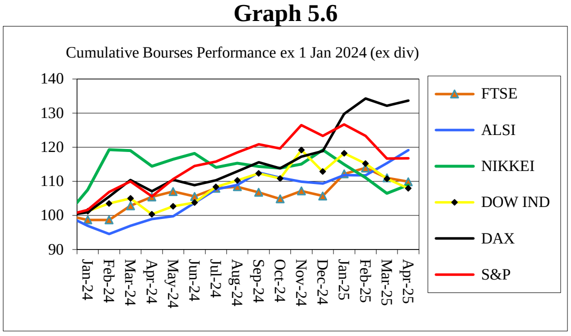
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 38 years since January 1987, the S&P500 Index grew by 8.1% per annum. US inflation over this period was 2.8%. It represents growth in real terms of 5.3% p.a. over 38 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 DAX as the top-performing index since the start of 2024.

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: 16.5%; Consumer Goods: 11.9%; Financials: 5.8%; Basic Materials: 5.6%; and Industrials: 3.8%.

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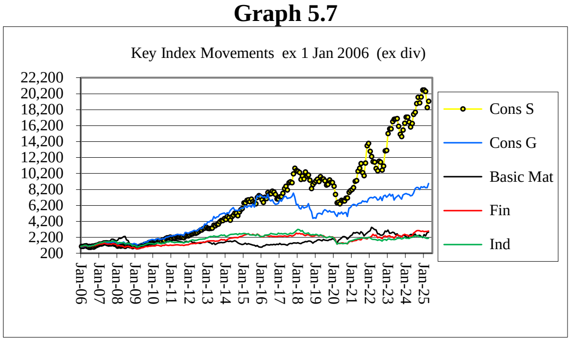
Graph 5.7



6. Conventional investment wisdom is dead: Rethinking the future of investing

By Tilman Friedrich

For many years, the investment world has relied on conventional wisdom, focusing on long-term global economic stability and diversification. But today, that wisdom is outdated. The international political and economic landscape is shifting, especially with the rise of China as a competitor to the United States. Since World War II, the world has been largely shaped by US economic interests; however, the US now views China as a serious challenge to its global influence.

The US-China Economic Decoupling

The turning point began during Donald Trump's first presidency. In 2018, the US imposed tariffs on Chinese goods, sparking an economic decoupling. This trade war wasn't just about tariffs—it was about reshaping the global economy. The US started encouraging companies to bring manufacturing back home, particularly in critical sectors like semiconductors and pharmaceuticals.

Under President Biden, the focus shifted from "decoupling" to "de-risking," but the core strategies remained the same: restricting Chinese access to advanced technologies and offering incentives for domestic manufacturing. The US has made it clear that economic self-sufficiency and supply chain independence are top priorities. Meanwhile, it continues to use its dominance in the international financial system to pressure countries that resist US influence.

The Road to Conflict

The US isn't just reshaping its economy—it's preparing for a broader geopolitical shift. With global tensions rising, especially regarding Russia and China, the US seems to be laying the groundwork for a potential future conflict. The three US administrations that have followed similar policies suggest a long-term strategy to maintain global dominance, even if it requires conflict.

The West, particularly Europe, is also preparing for the possibility of war, as seen in Germany's move to amend its constitution for greater military spending. This means the stable investment environment of the past 70 years may no longer be relevant.

Short-Term Opportunities Amidst Turmoil

For investors in the current climate, opportunities still exist in the short term—this is the "hay while the sun shines" period. What does this mean? Despite rising geopolitical risks, some sectors and markets will continue to benefit from the current global economic environment. For example, while the US and China battle over technology, there are opportunities in industries such as defence, infrastructure, and technology innovation. Additionally, the global supply chain disruptions may offer short-term gains for companies able to navigate these shifts.

However, this window of opportunity may not last long. I believe that by **the end of 2027**, the global political landscape will have shifted significantly, likely through a settlement in the Ukraine conflict and a clearer response from Europe to Russia's demands. If Russia's position is strengthened in Europe, it could force a geopolitical reset, resulting in the closure of many short-term opportunities for investors. As both the US and Europe focus their economies on preparing for direct conflict rather than economic growth, this would likely lead to a shift in priorities.

What Does This Mean for Namibian Investors?

As a Namibian investor, it's crucial to recognise that while there are still opportunities in the short term, you must also be aware of the upcoming risks. Namibia, as part of the Southern African region, is somewhat insulated from immediate geopolitical tensions but not immune to the ripple effects of global economic shifts. Here's how you should think about your investment strategy moving forward:

1. **Short-Term Focus (Up to 2027)**:
    - **Global Diversification**: Continue to benefit from diversification in the short term. Markets that provide commodities, technology, and defence goods—especially in the US and its allies—could be strong performers. Look for sectors that stand to gain from global supply chain shifts and military preparedness.
    - **Risk Management**: Be mindful of sectors that are tied to the US and China trade relationship or are directly impacted by geopolitical risks. While diversification helps manage risk, be prepared for volatile periods, particularly if tensions between the major economic powers escalate.
2. **Medium-Term Shift (Post-2027)**:

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- **Reassess Global Exposure**: By the end of 2027, global markets will likely be fundamentally different. A potential confrontation between major powers may lead to a reordering of global supply chains and economic alignments. As a Namibian investor, this could mean shifting some focus back to more local and regional opportunities as the global economy reconfigures.
- **Local Growth and Resilience**: With global instability, regional investments, especially in African markets, could become more attractive as global capital becomes less mobile and focused on areas of conflict. Namibia's mining sector, agriculture, and renewable energy could provide opportunities to hedge against global risks while tapping into local growth.

3. **Long-Term Strategy**:
    - **Defensive Investments**: As the world prepares for greater economic and geopolitical instability, a more defensive investment strategy is wise. This could include higher allocations to gold, local real estate, and companies with a strong domestic market presence that can weather global volatility.
    - **Adaptability**: Flexibility will be key. Given the rapidly changing landscape, your ability to adapt to shifts in global power dynamics, particularly as they affect supply chains, currencies, and markets, will be crucial.

A New Investment Strategy

Investing in uncertain times requires a dual approach: long-term defensive strategies combined with short-term opportunistic investments. While risks of global conflict and economic downturns are high, these also present potential opportunities for those who can navigate the turbulence.

For long-term investments, traditional wisdom no longer applies. Personally, I would keep investments close to home, away from potential war zones, where I can make adjustments as needed. A previous column provided some key considerations for managing investments—please refer to the February 2025 Investment Performance Review for more details.

Conclusion

Today's investment landscape demands a shift in mindset. Tailor your strategies to your financial situation, risk tolerance, and long-term goals. Diversify wisely, stay flexible, and consider consulting with a financial advisor to make informed decisions that protect and grow your assets in the uncertain years ahead.