Volume 21, No. 5
May 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 MAY 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 May 2025, the average prudential balanced portfolio returned 2.5% (April 2025: 1.9%). The top performer is the NAM Coronation Balanced Plus Fund, with 4.7%, while the Lebela Balanced Fund, with 1.5%, takes the bottom spot. Allan Gray Balanced Fund took the top spot for the three months, outperforming the 'average' by roughly 2.6%. The Investment Solutions Namibia Balanced Growth 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.)

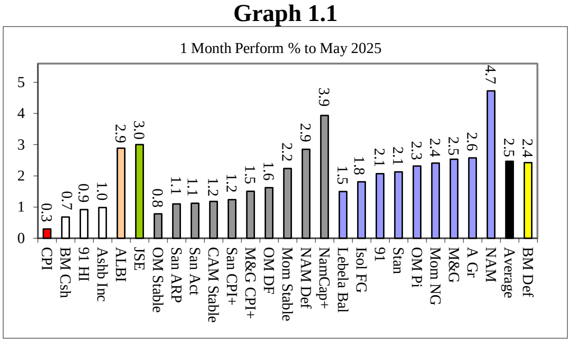
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced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

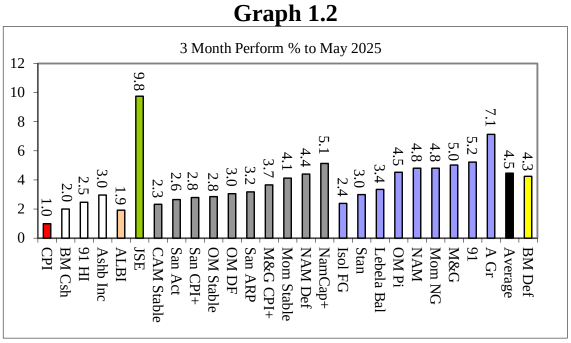
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no colour)
NinetyOne High Income (interest-bearing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

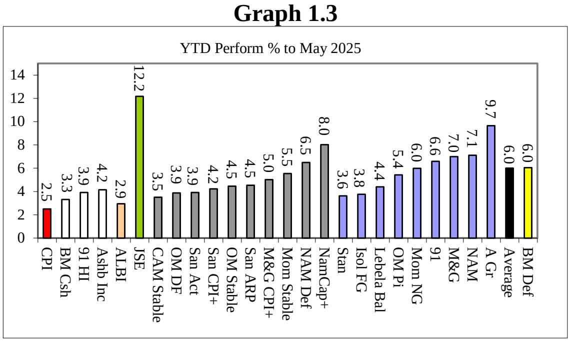
Graph 1.1



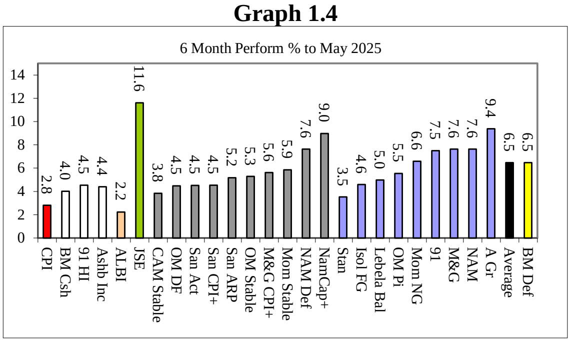
Graph 1.2



Graph 1.3



Graph 1.4



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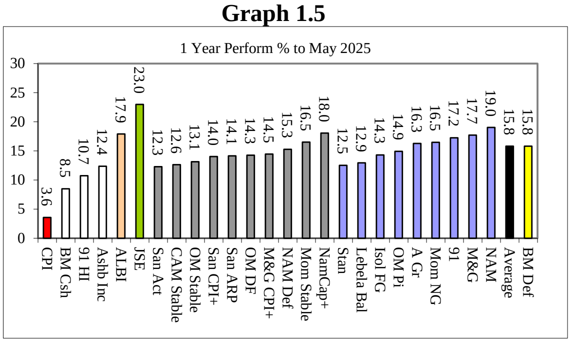
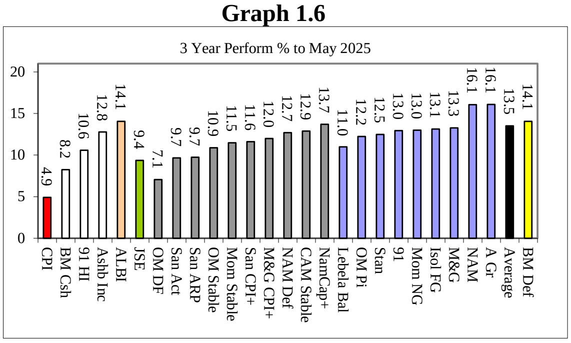
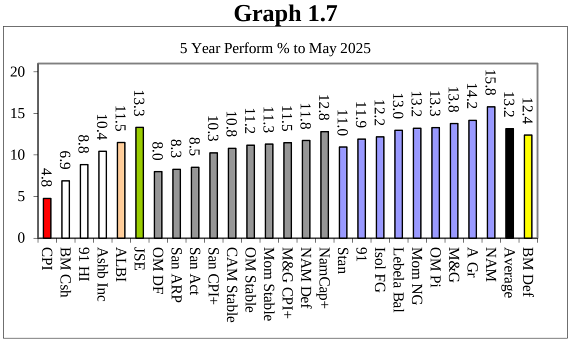
Graph 1.5



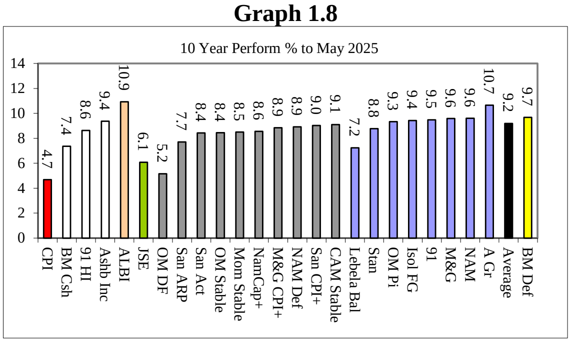
Graph 1.6



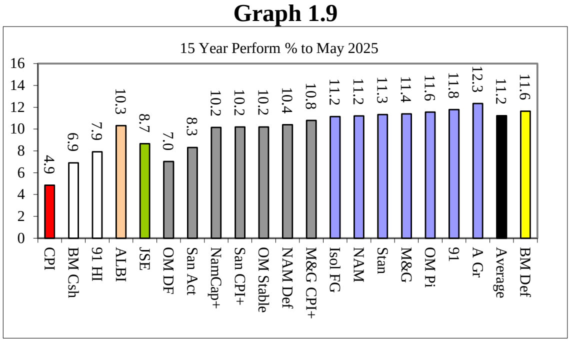
Graph 1.7



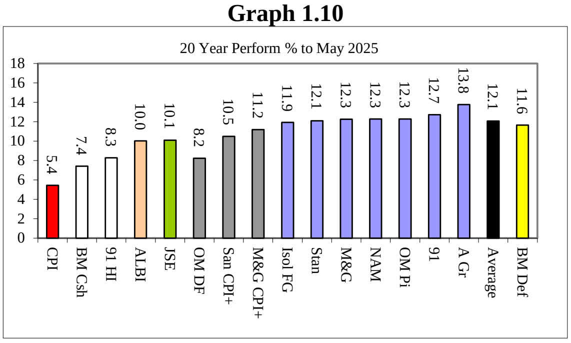
Graph 1.8



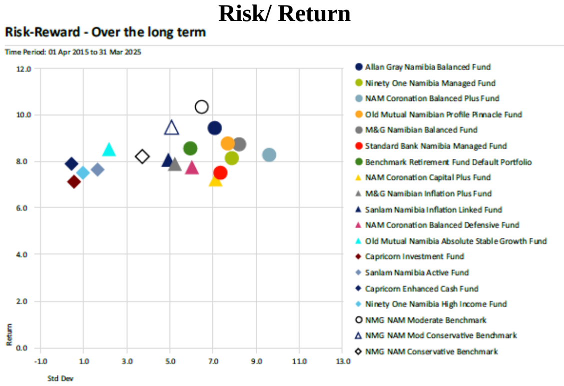
Graph 1.9

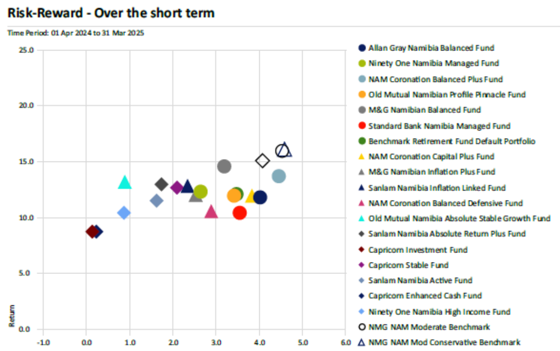


Graph 1.10



Risk/ Return





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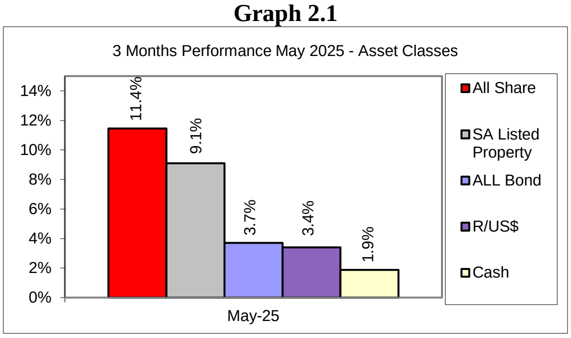
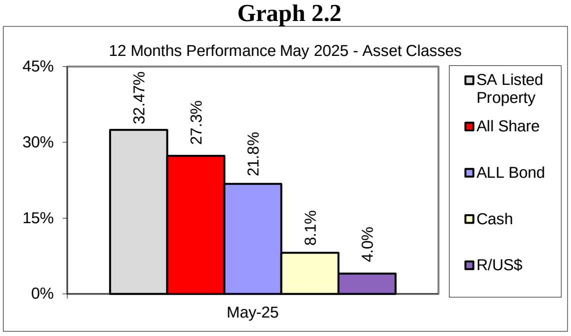
2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

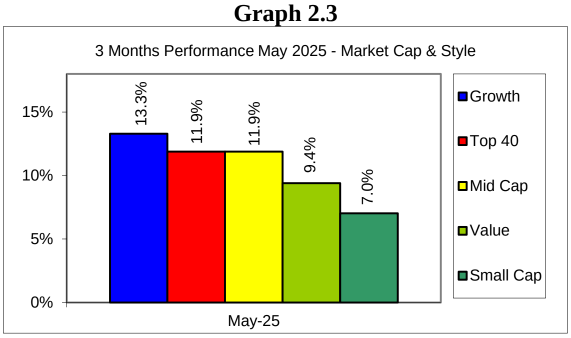
Graph 2.1



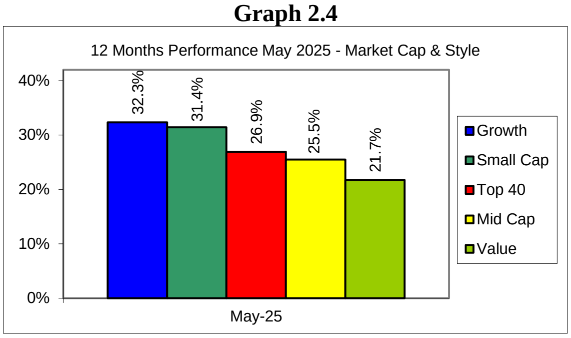
Graph 2.2



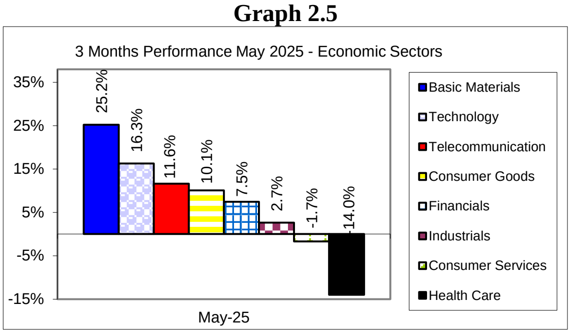
Graph 2.3



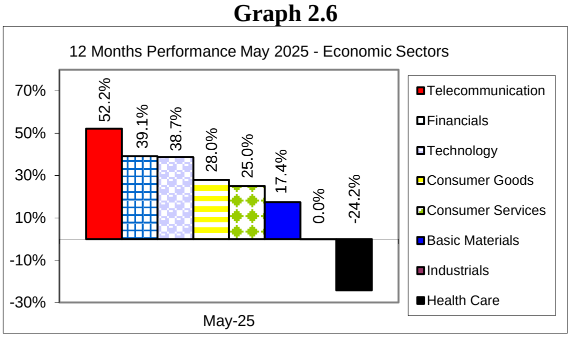
Graph 2.4



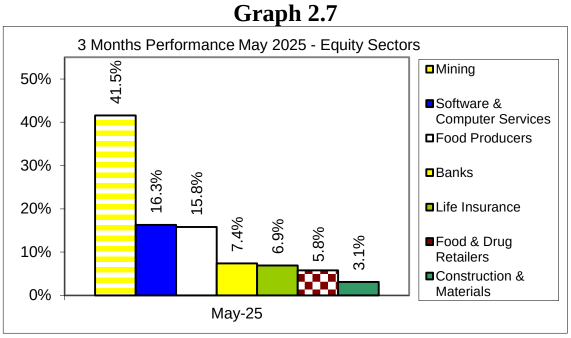
Graph 2.5



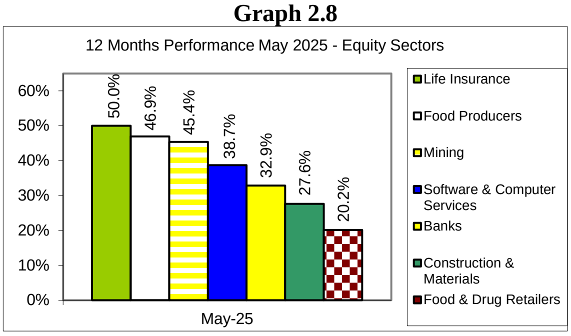
Graph 2.6



Graph 2.7



Graph 2.8



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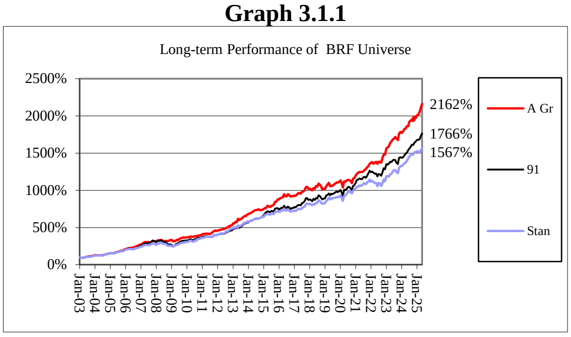
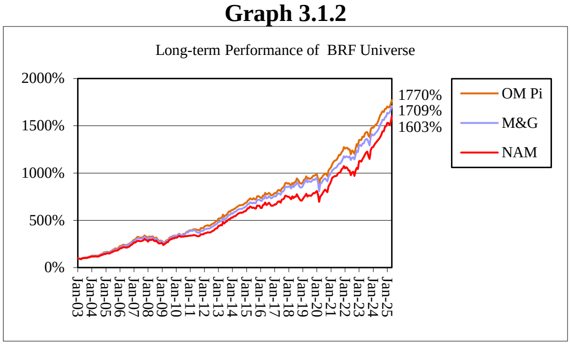
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

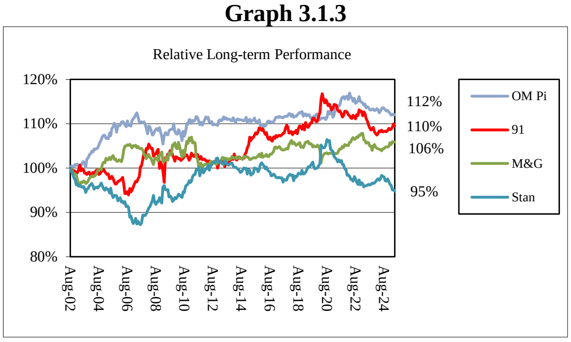
Graph 3.1.1



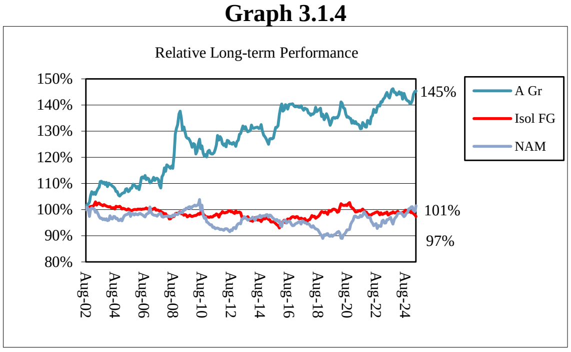
Graph 3.1.2



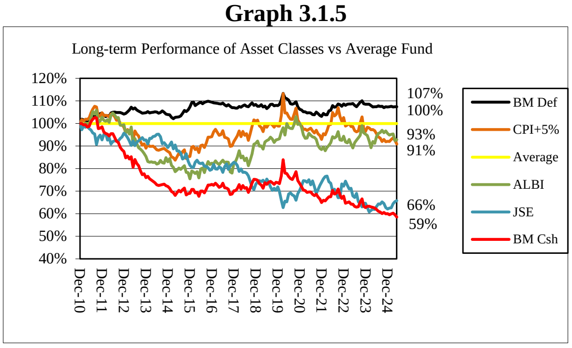
Graph 3.1.3



Graph 3.1.4

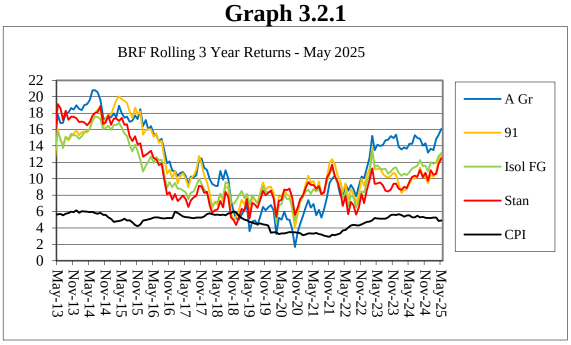


Graph 3.1.5

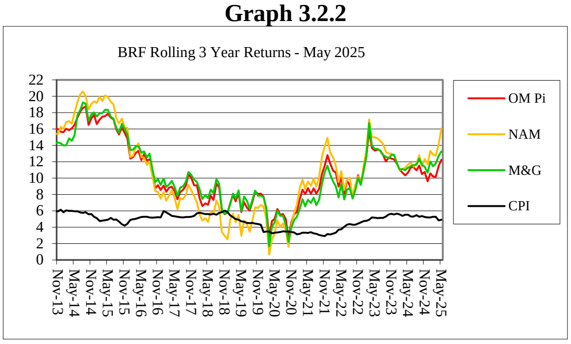


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

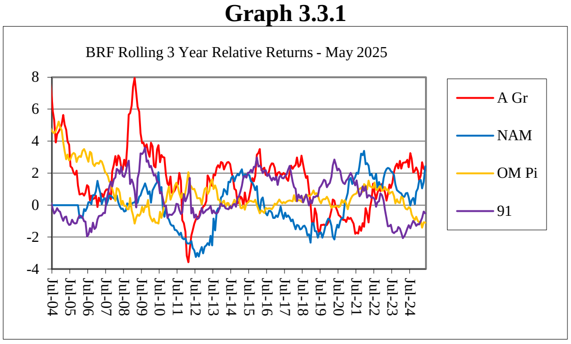


Graph 3.2.2



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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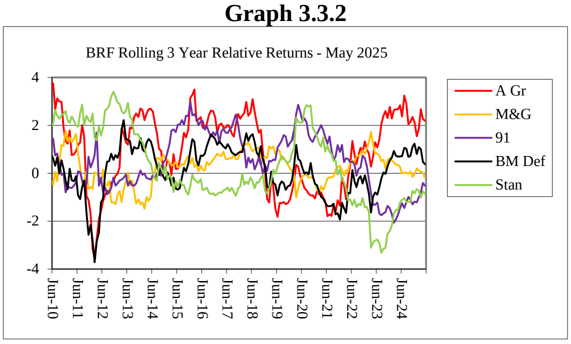
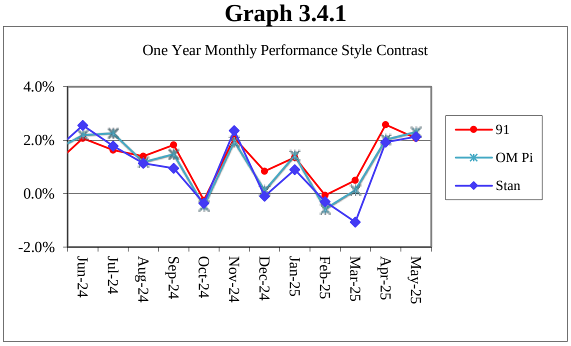
Graph 3.3.2

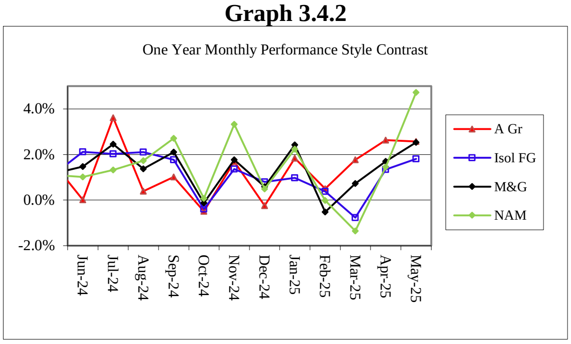


3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1

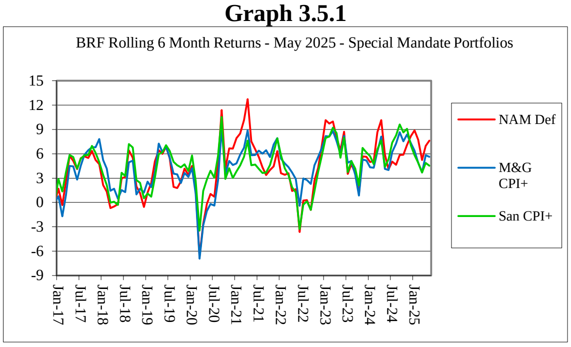


Graph 3.4.2

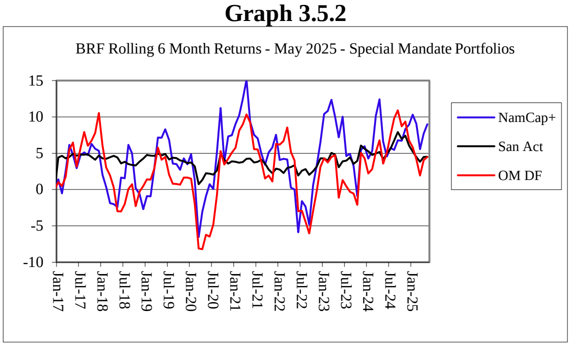


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

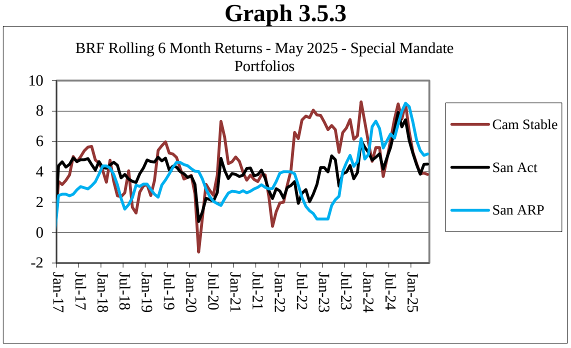
Graph 3.5.1



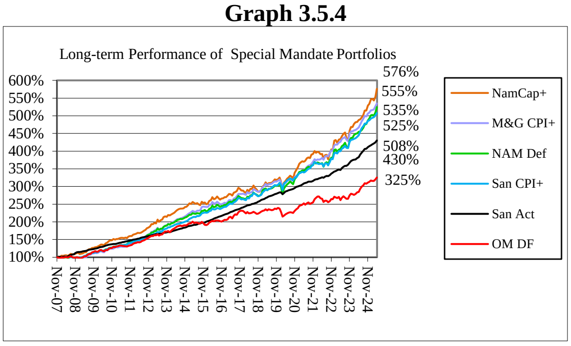
Graph 3.5.2



Graph 3.5.3

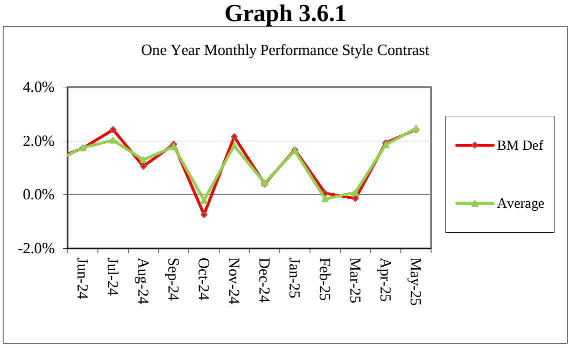


Graph 3.5.4



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

Graph 3.6.1



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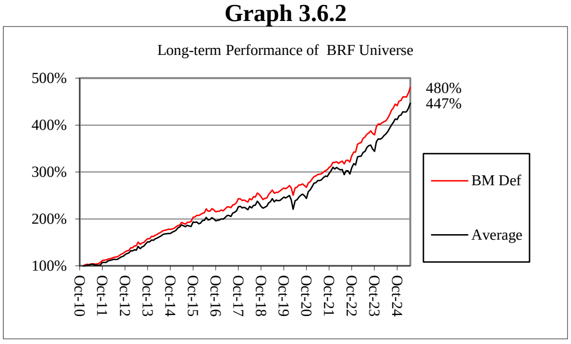
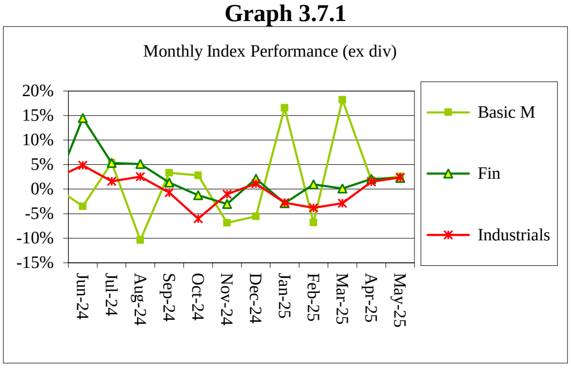
Graph 3.6.2

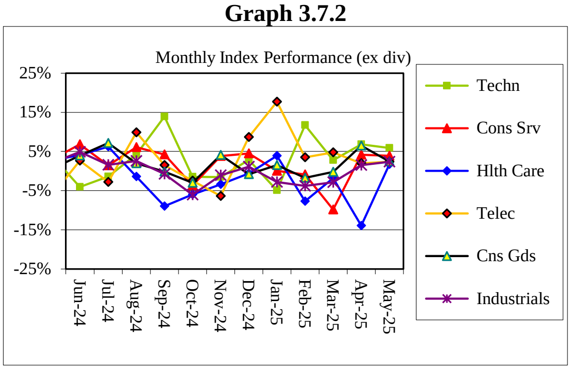


3.7 One-year monthly performance of key indices (excluding dividends)

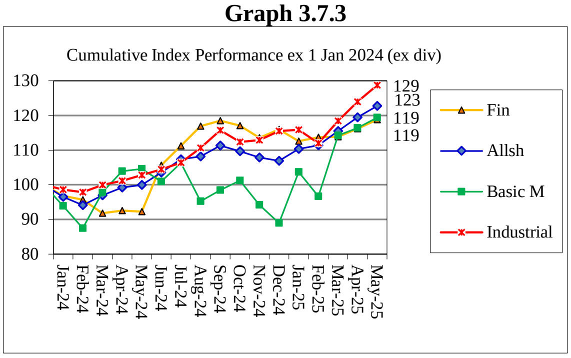
Graph 3.7.1



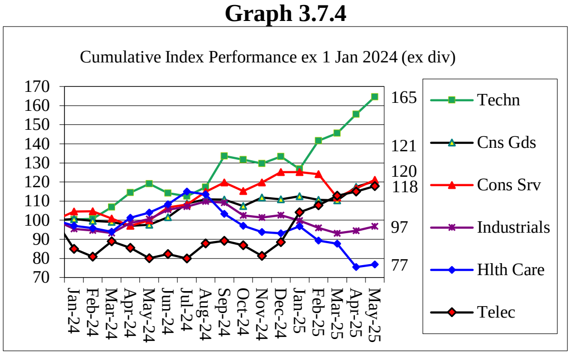
Graph 3.7.2



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.	12.4	13.2
5-year real return - % p.a.	7.6	8.4
Equity exposure - % of the portfolio (quarter ended Mar 2025)	57.5	60.4
Cumulative return ex Jan 2011	379.81	346.76
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 slightly more conservative structure with an equity exposure of 57% compared to the average prudential balanced portfolio's more than 53% 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	8.3%	14.1%	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	6.6%	11.5%	11.1%

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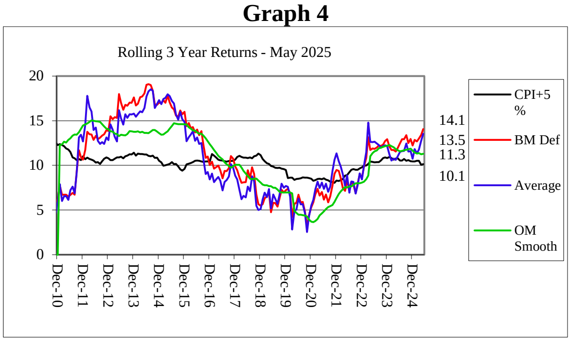
The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from June 2022 to May 2025. These statistics show the performance volatility of these three risk profiles.

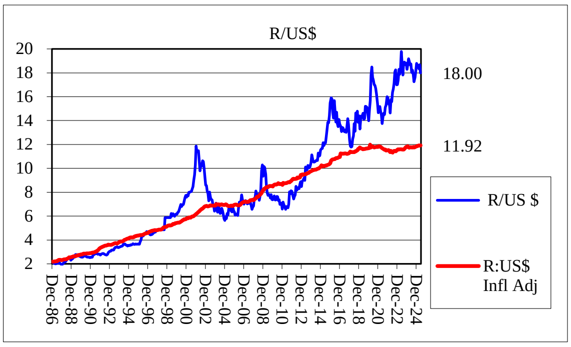
Graph 4



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 May was 14.1%, the average was 13.5% vs. CPI plus 5%, currently on 10.1%.

5. Review of Foreign Portfolio Flows and the Rand

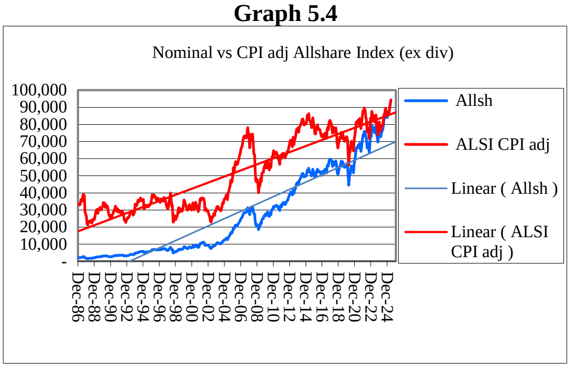
Graph 5.1 indicates that the Rand's fair value by our measure is 11.92 to the US Dollar, while it stood at 18.00 at the end of May 2025. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

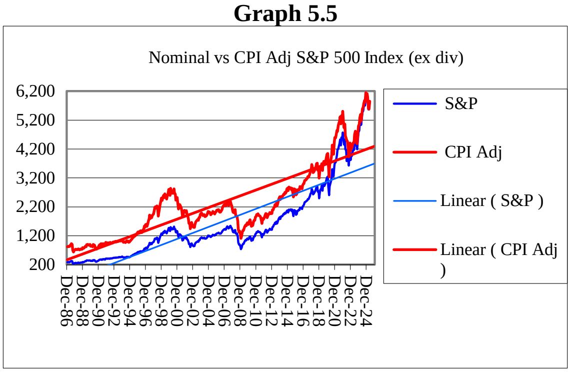
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.6% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.5% per year. It is equivalent to growth in real terms of 3.1% p.a. over this period, excluding dividends, or around 6.3%, including dividends.

Graph 5.4



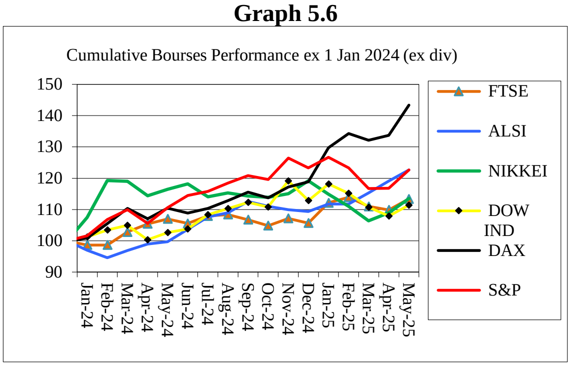
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 38 years since January 1987, the S&P500 Index grew by 8.3% per annum. US inflation over this period was 2.8%. It represents growth in real terms of 5.5% p.a. over 38 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 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

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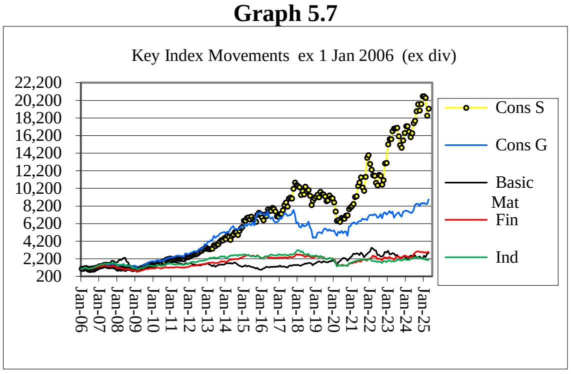
Services: 16.7%; Consumer Goods: 12.1%; Financials: 6.0%; Basic Materials: 5.7%; and Industrials: 4.0%.

Graph 5.7



6. From Promise to Performance: What has Regulation 13(5) Delivered in 10 Years?

By Vincent Shimutwikeni: Manager Legal Support

2015 the Namibian Government introduced a transformative regulatory measure to stimulate domestic economic development through long-term institutional capital. This was formally enacted through Regulation 13(5) of the Pension Funds Regulations. The regulation mandates that all registered pension funds allocate a minimum of 1.75% and up to a maximum of 3.5% of the market value of their total assets to unlisted investments, in accordance with Part 8 of the Regulations.

At the heart of this policy intervention was the rationale that unlisted investments, channelled through Special Purpose Vehicles (SPVs) and managed by Unlisted Investment Managers (UIMs), could unlock funding for sectors traditionally underserved by mainstream capital markets. The Government's intention was clear: to crowd pension fund capital into domestic productive economic sectors such as infrastructure, SMEs, agriculture, renewable energy, and industrialisation, fostering economic diversification, job creation, and inclusive growth.

These unlisted investment vehicles were structured predominantly with a ten-year term and optional two-year extensions, a design reflective of global private equity norms. This approach aligns with the illiquidity premium theory, where long-term investors such as pension funds are expected to tolerate liquidity constraints in exchange for higher returns.

Now, a decade since the inception of Regulation 13(5), many of these funds have either reached or are approaching the end of their initial ten-year investment term. This provides a timely opportunity for reflection. As stewards of pension savings, we must ask critical and honest questions: Have these investments delivered on their developmental promises? Are the underlying assets secure and returns aligned with fiduciary obligations to pensioners? Have we struck the right balance between national interest and the retirement security of workers?

In the spirit of transparency and accountability, there is a growing need to evaluate whether Regulation 13(5) has achieved its policy objectives or whether it now requires recalibration in the light of market realities and the overriding duty to protect pensioners' money. We must carefully examine the outcomes, challenges, and future prospects of mandatory unlisted investments in Namibia's pension fund landscape.

How have they performed

In theory, Regulation 13(5) was meant to stimulate a new asset class and mobilise capital for productive economic sectors. In practice, however, the landscape in 2015 was not sufficiently mature to absorb the incoming capital efficiently.

Namibia had a limited pipeline of viable, investment-ready unlisted projects at the time. The investment ecosystem lacked experienced fund managers, credible business proposals, proper governance mechanisms, and robust oversight structures. The necessary architecture to deploy this capital prudently was simply not in place.

As a result, many pension funds were forced into a constrained investment universe with few quality options, leading to suboptimal portfolio allocations. Several of these investments, now at or near maturity, have underperformed their conventional investment peers severely, despite the higher risk and liquidity constraint. Many cannot return even the initial capital invested, let alone generate the returns expected to justify the risk.

These investments may have underperformed due to a combination of factors, including an underdeveloped investment ecosystem with a limited pool of experienced fund managers, possible shortcomings in due diligence by trustees, and potential weaknesses in governance among some UIMs. High fees, low transparency, and misaligned incentives could have further eroded value. Moreover, external shocks such as COVID-19 and the lack of well-developed exit opportunities may have made it challenging for funds to realise meaningful returns. From a timing perspective, the economic downturn that began after the Global Financial Crisis in 2008/ 2009, particularly affecting the construction sector, would have also negatively impacted unlisted private equity investments, many of which were exposed to this industry.

What this means for pensioners:

At the core of this policy's impact is the pensioner, whose long-term financial security depends on prudent management of retirement savings. When unlisted investments fail to preserve capital, pension fund growth is compromised, potentially leading to lower retirement benefits, difficulty in meeting future liabilities, and even adjustments to contribution rates or benefit structures. This underperformance also increases pressure on trustees to account for past decisions and consider more cautious investment strategies going forward.

Should the cap be revised?

Some stakeholders advocate for increasing the 3.5% cap on unlisted investments, arguing that the current threshold is too low to meaningfully drive sustainable economic

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MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 MAY 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.

development or allow pension funds to play a stronger role in reducing socio-economic inequality. They propose that raising the cap, coupled with a focus on responsible investment, could enhance the developmental impact of pension fund capital.

However, any increase in the cap must be carefully assessed in light of its impact on pension fund members, especially in defined contribution (DC) funds, where each member's retirement outcome is directly linked to the performance of their retirement fund investment. In these funds, increased exposure to unlisted investments could raise the risk to members' savings if those investments underperform.

The Government Institutions Pension Fund (GIPF) is uniquely positioned in this regard, as it operates under a defined benefit (DB) model. In DB funds, members are guaranteed a specific pension benefit upon retirement, regardless of investment performance, with the employer (in this case, the Government, underwritten by the Namibian taxpayer) bearing the investment risk. This buffer allows GIPF to absorb potential shortfalls without directly impacting member benefits.

In contrast, most other funds in Namibia are DC, meaning members bear the full investment risk. Therefore, increasing the unlisted investment cap without safeguards could jeopardise members' retirement security. Any policy change must consider this fundamental difference and balance developmental ambitions with the trustees' fiduciary responsibility.

Alternative Strategies for Economic Growth

Instead of solely increasing the unlisted investment cap, alternative strategies to boost the economy could include creating a stronger pipeline of bankable projects, improving the Regulation to allow for investments in socially uplifting asset classes like housing, and enhancing SME support and participation in agribusiness for Namibia's push towards food self-sufficiency. Government can also focus on reducing red tape, supporting SME development through targeted grants or blended finance, accelerating the growth of our Agri-sector and investing in infrastructure that unlocks economic potential. Strengthening financial markets and encouraging local entrepreneurship can stimulate inclusive, sustainable growth without putting undue risk on pensioners' savings.

Conclusion

Ten years later, it is essential to ask whether Regulation 13(5) should be recalibrated. While the developmental intent remains noble, the implementation has exposed systemic weaknesses that must be addressed. Perhaps the policy should evolve towards a performance-based compliance framework where investment in unlisted assets is encouraged through incentives rather than mandates, and where governance, transparency, and investor protection are significantly strengthened.

Ultimately, the conversation must return to first principles: fiduciary duty, accountability, and long-term sustainability. The future of unlisted investments in Namibia will depend not just on regulation but on building an ecosystem that genuinely supports growth, innovation, and, most importantly, the people's retirement dreams.