Volume 21, No. 7
July 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 JULY 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 July 2025, the average prudential balanced portfolio returned 2.3% (June 2025: 1.9%). The top performer is the Lebela Balanced Fund, with 3.6%, while the Allan Gray Balanced Fund, with 1.6%, takes the bottom spot. NAM Coronation Balanced Plus Fund took the top spot for the three months, outperforming the 'average' by roughly 2.8%. The Investment Solutions Balanced Growth 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.)

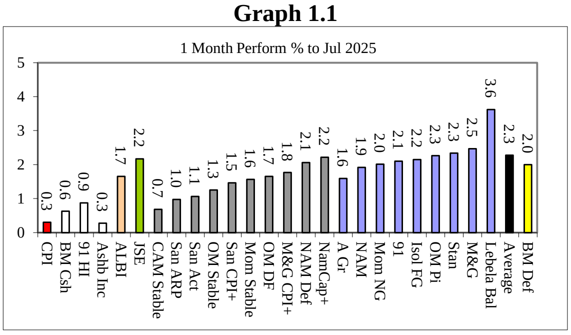
Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential balanced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

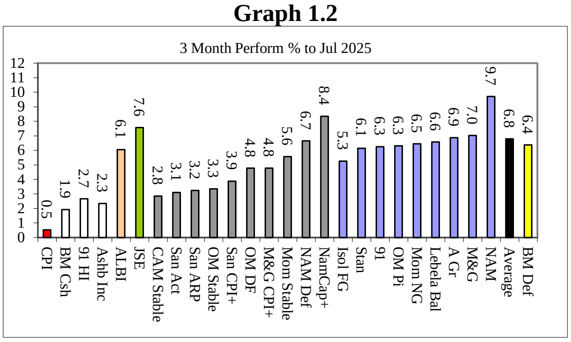
Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no colour)
NinetyOne High Income (interest-bearing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

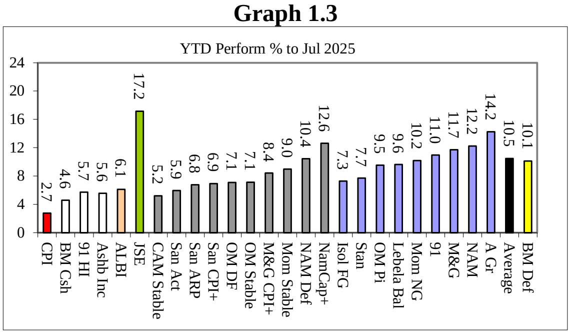
Graph 1.1



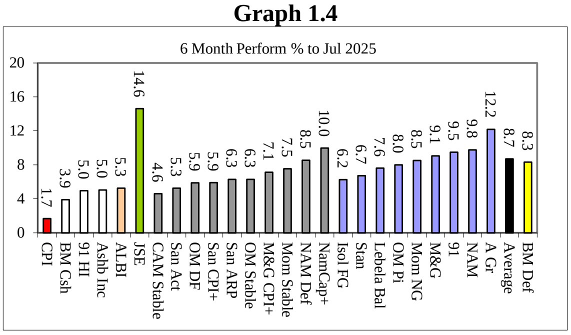
Graph 1.2



Graph 1.3



Graph 1.4



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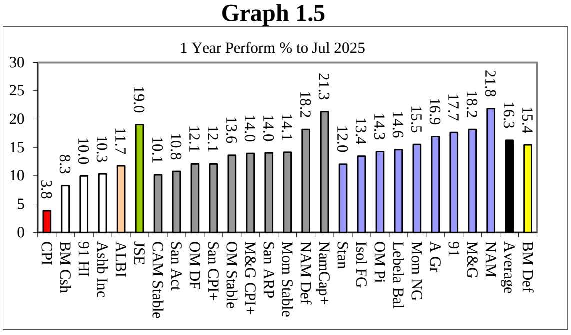
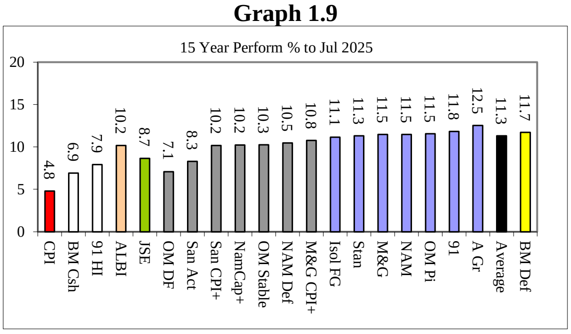
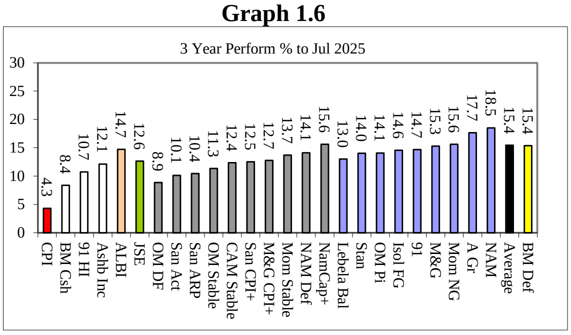
Graph 1.5



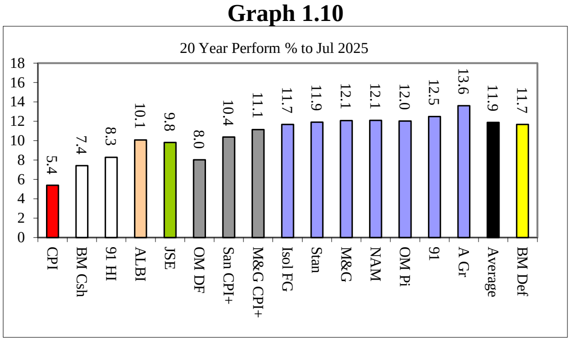
Graph 1.9



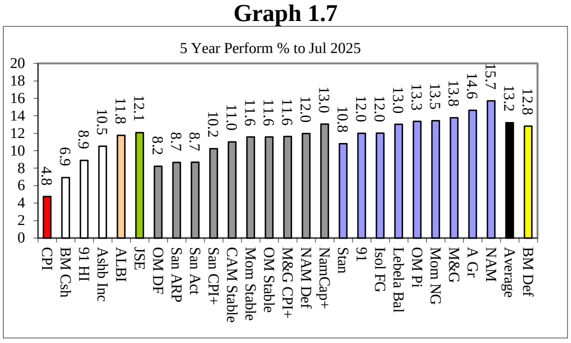
Graph 1.6



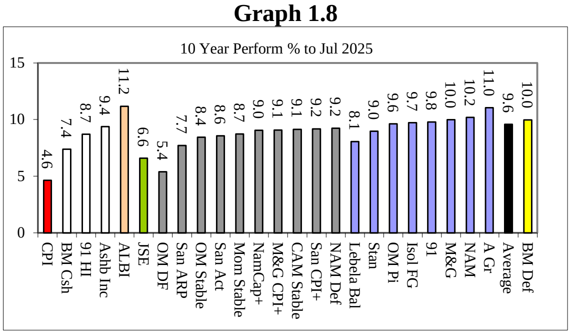
Graph 1.10



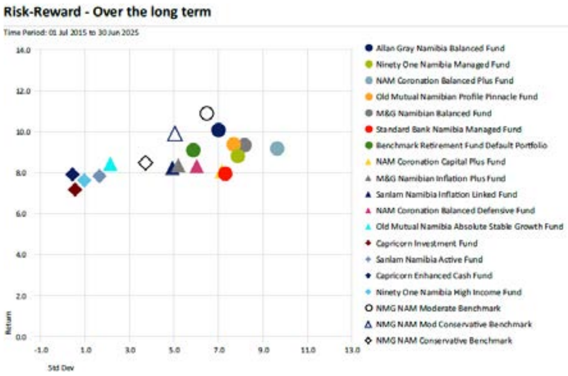
Graph 1.7

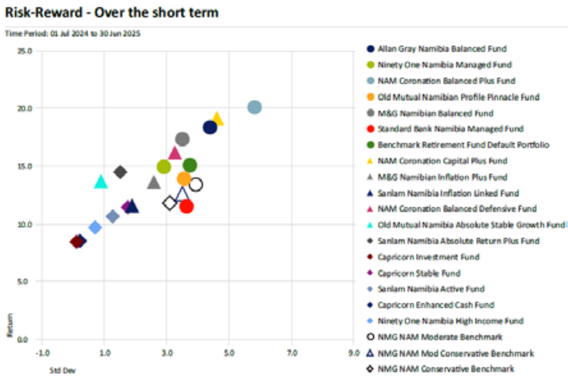


Graph 1.8



Risk/ Return





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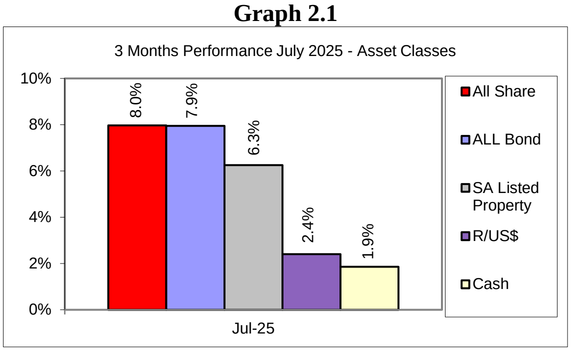
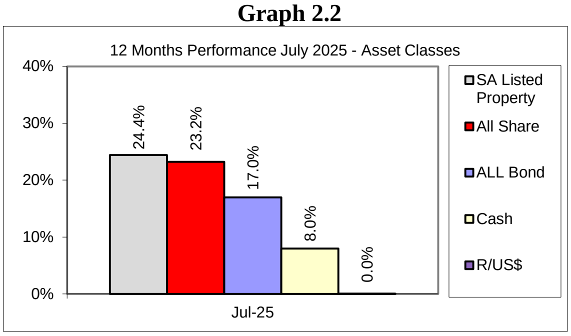
2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

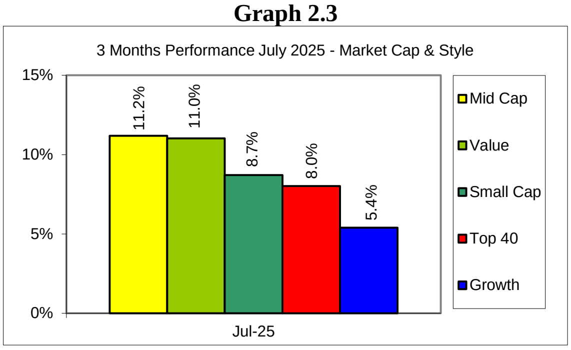
Graph 2.1



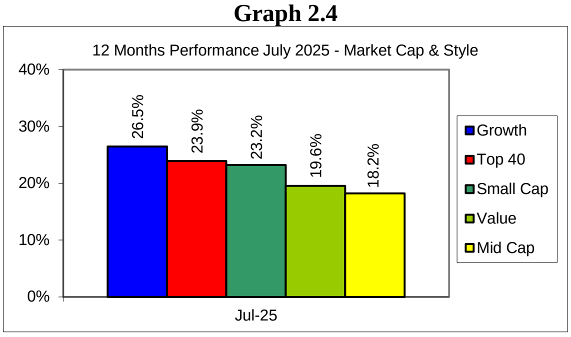
Graph 2.2



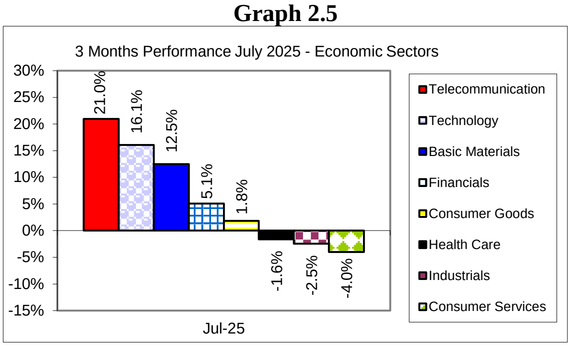
Graph 2.3



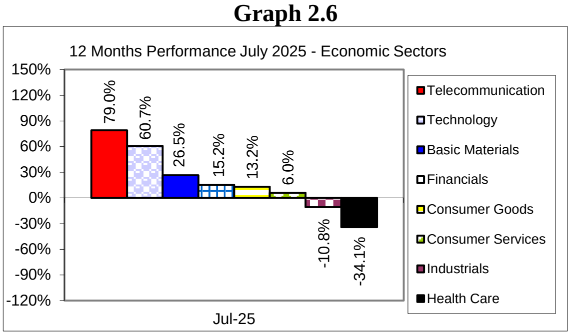
Graph 2.4



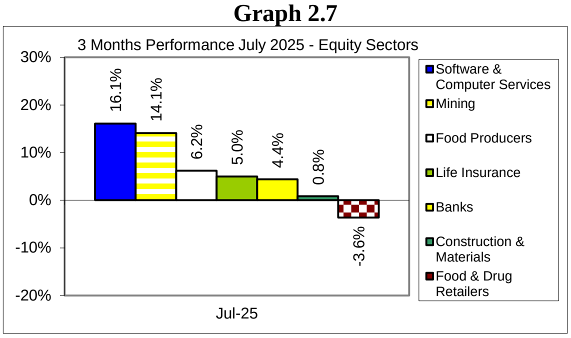
Graph 2.5



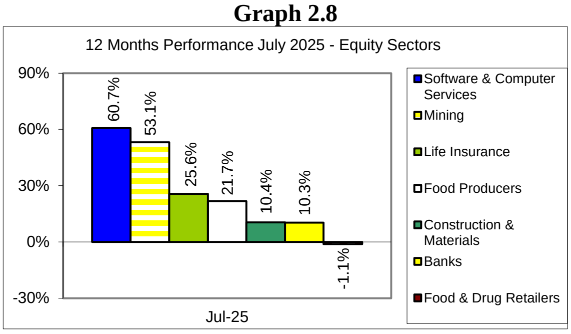
Graph 2.6



Graph 2.7



Graph 2.8



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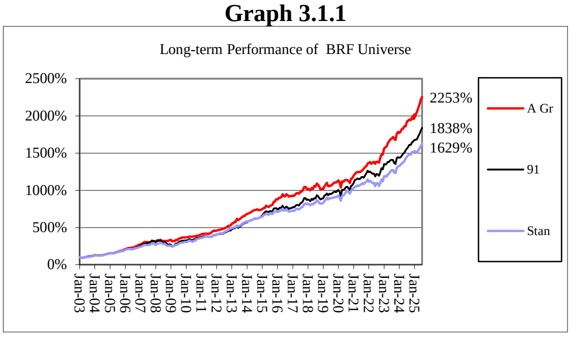
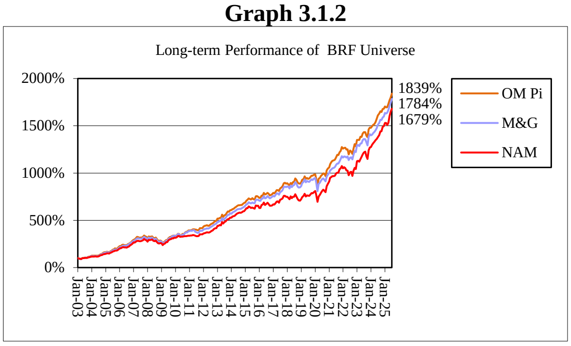
3. Portfolio Performance Analysis

3.1 Cumulative performance of prudential balanced portfolios

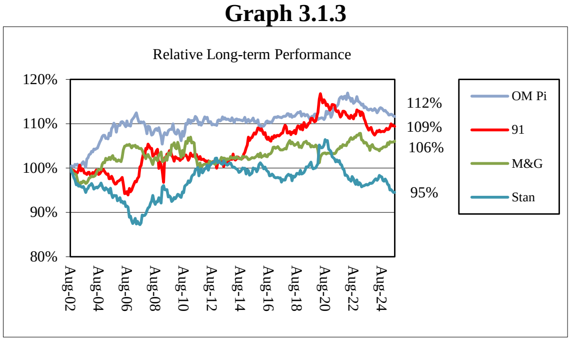
Graph 3.1.1



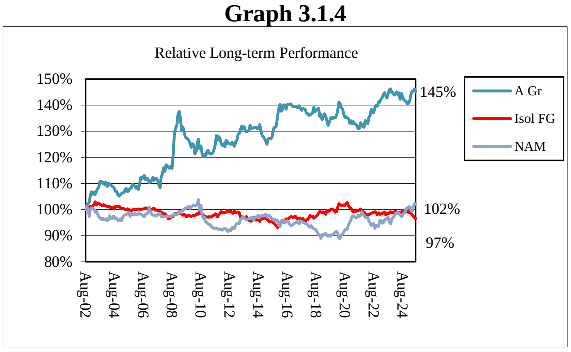
Graph 3.1.2



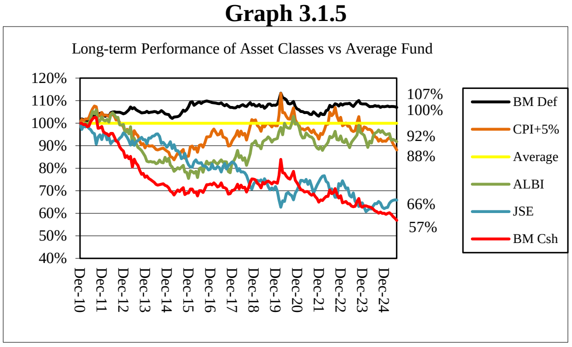
Graph 3.1.3



Graph 3.1.4

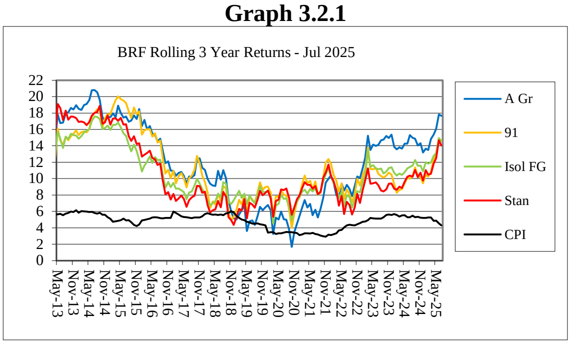


Graph 3.1.5

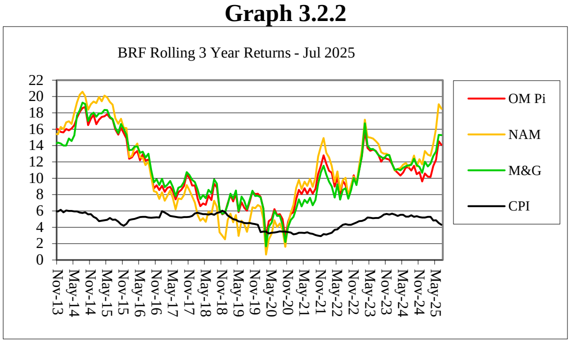


3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

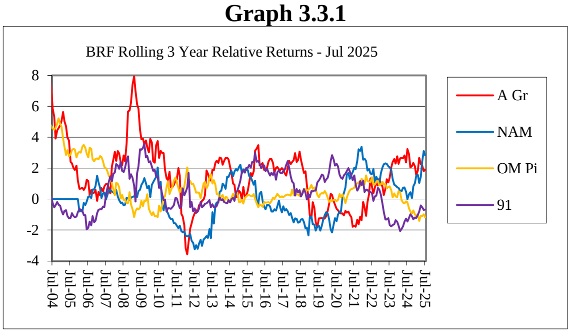


Graph 3.2.2



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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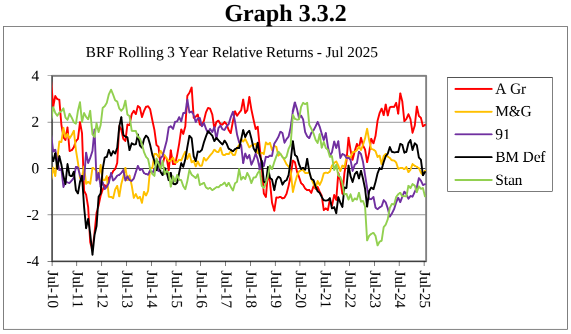
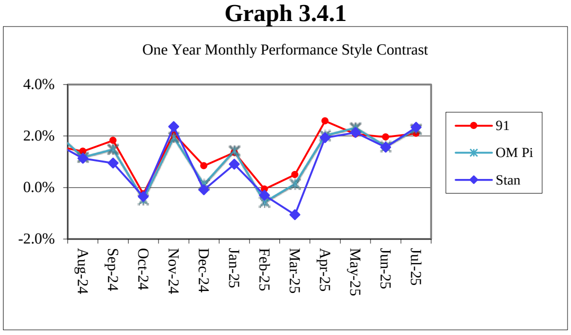
Graph 3.3.2

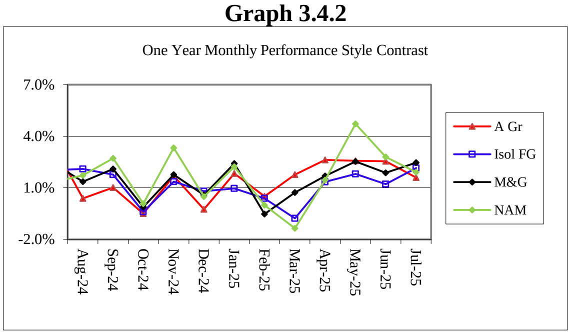


3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1

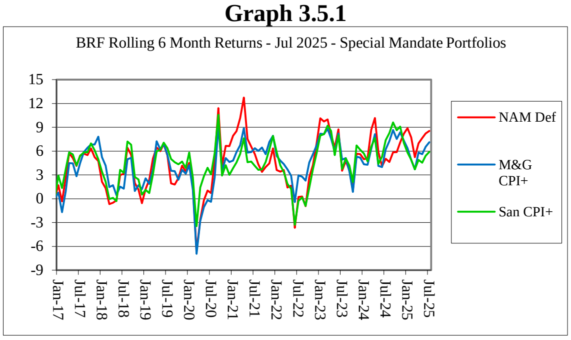


Graph 3.4.2

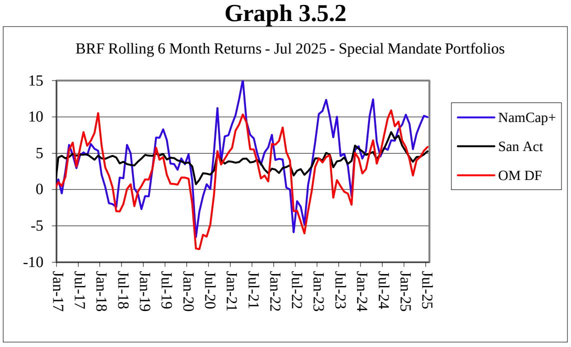


3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

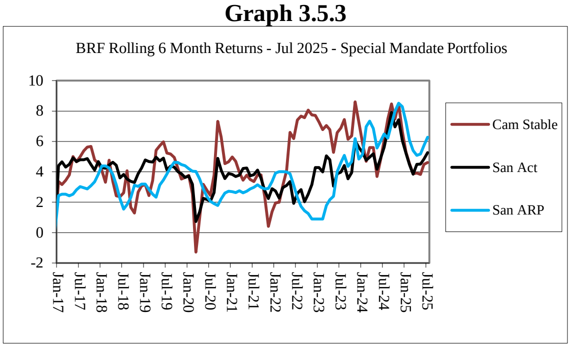
Graph 3.5.1



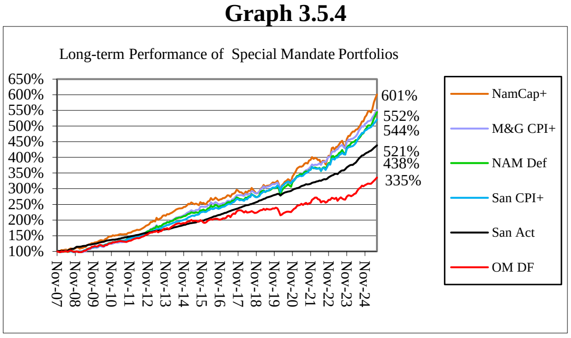
Graph 3.5.2



Graph 3.5.3

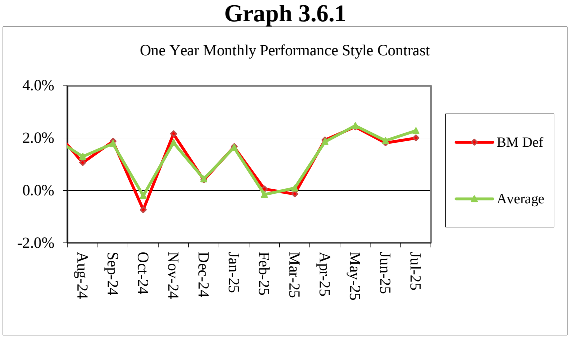


Graph 3.5.4



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

Graph 3.6.1



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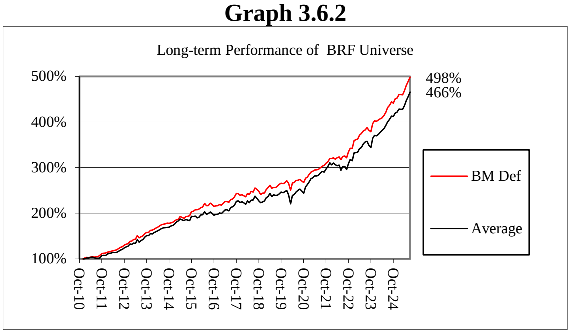
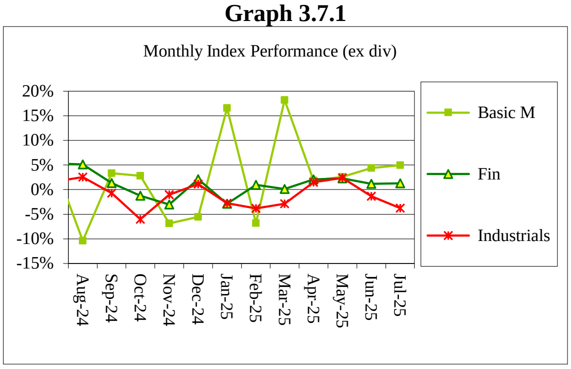
Graph 3.6.2

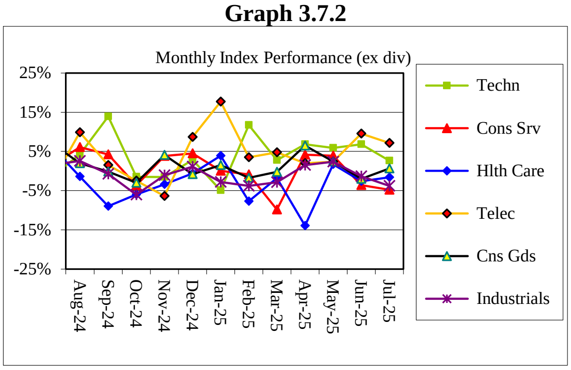


3.7 One-year monthly performance of key indices (excluding dividends)

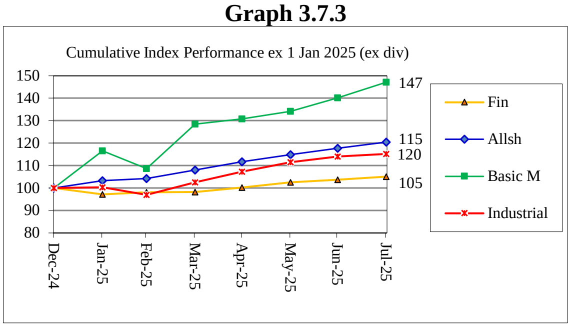
Graph 3.7.1



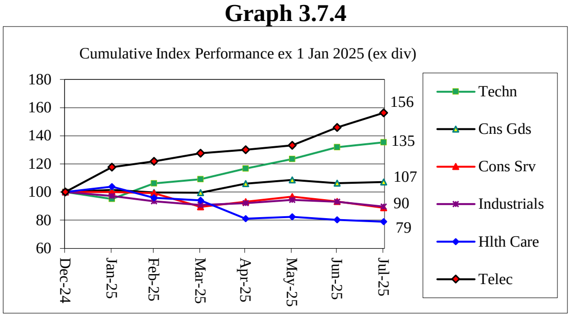
Graph 3.7.2



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.	12.8	13.2
5-year real return - % p.a.	8.0	8.4
Equity exposure - % of the portfolio (quarter ended Jun 2025)	58.9	63.3
Cumulative return ex Jan 2011	398.3	365.6
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 59% 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	8.4%	15.4%	15.7%
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	6.7%	15.4%	15.4%

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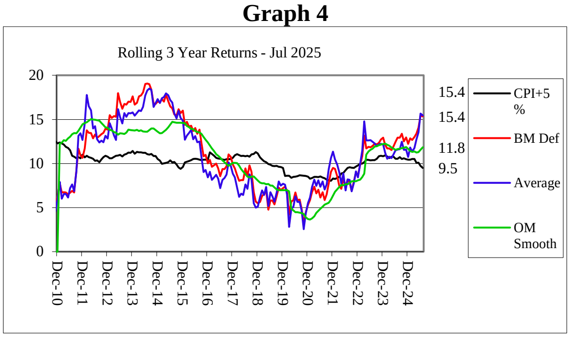
The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from August 2022 to July 2025. These statistics show the performance volatility of these three risk profiles.

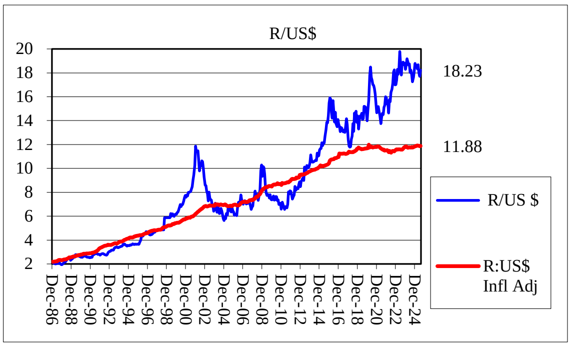
Graph 4



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 July was 15.4%, the average was 15.4% vs. CPI plus 5%, currently on 9.5%.

5. Review of Foreign Portfolio Flows and the Rand

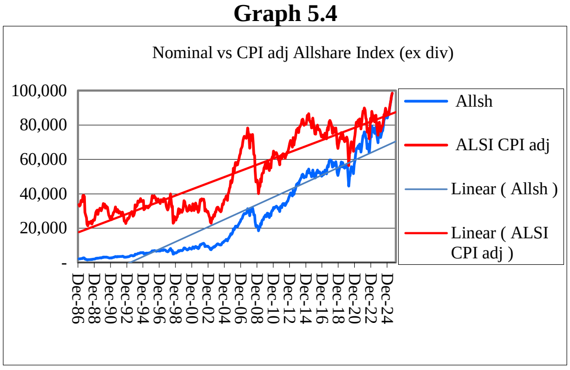
Graph 5.1 indicates that the Rand's fair value by our measure is 11.88 to the US Dollar, while it stood at 18.23 at the end of July 2025. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.



Graph 5.2 - removed
Graph 5.3 - removed

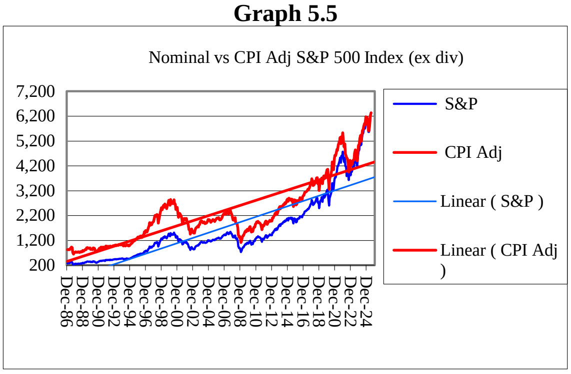
Graph 5.4 reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.6% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.4% per year. It is equivalent to growth in real terms of 3.2% p.a. over this period, excluding dividends, or around 6.4%, including dividends.

Graph 5.4



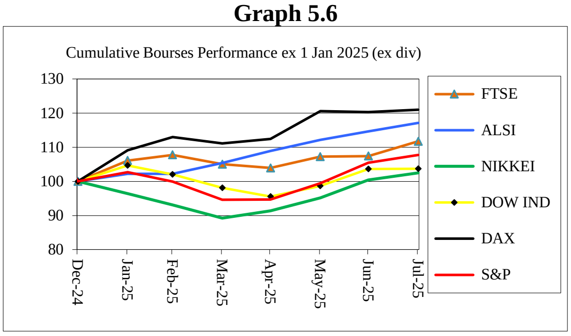
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 38 years since January 1987, the S&P500 Index grew by 8.5% per annum. US inflation over this period was 2.8%. It represents growth in real terms of 5.7% p.a. over 38 years, excluding dividends, or around 7.8% (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 2025.

Graph 5.6



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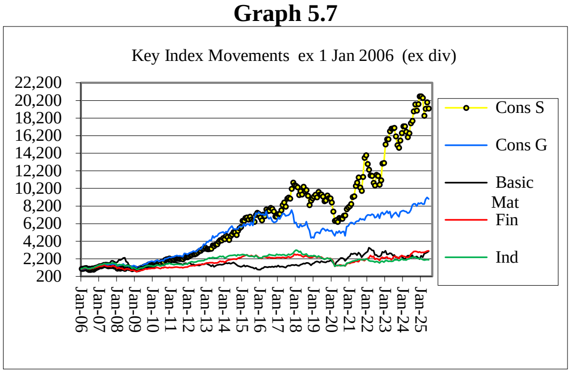
Graph 5.7 provides an overview of the relative movement of the key equity sectors on the FTSE/JSE since December 2005, when the JSE introduced these indices. The investor can deduce from this graph which sectors offer better and poorer value based on fundamentals. Annualised returns for these indices since the beginning of 2006 were: Consumer Services: 16.0%; Consumer Goods: 11.9%; Financials: 6.0%; Basic Materials: 6.1%; and Industrials: 3.7%.

Graph 5.7



6. US Tariffs: A New Global Strategy and Its Impact on South Africa

By Tilman Friedrich

The recent imposition of U.S. tariffs on South African exports signals a significant shift in U.S. trade policy, moving from long-term economic strategy to short-term political objectives. While initially intended to target countries with large trade surpluses to promote U.S. reindustrialisation, the new tariff regime, as of August 2025, seems to be focused on members of the BRICS economic bloc, specifically South Africa, Brazil, and India. Tariffs on these countries have been raised significantly, from 10–25% to 30–50%, while other nations with large trade surpluses, like Cambodia, Vietnam, and Thailand, have largely been spared. This change suggests a strategic move by the U.S. to maintain its global dominance and decouple from non-aligned nations.

Economic Fallout for South Africa

The sweeping tariffs, which include a 30% blanket levy on key sectors and a 25% duty on vehicles, effectively nullify the benefits South Africa previously enjoyed under the African Growth and Opportunity Act (AGOA). This has created a critical economic moment for South Africa and, by extension, its interconnected neighbours like Namibia.

Nuanced Impact: Critical Minerals and Concentrated Damage

It's crucial to understand that not all of South Africa's exports to the U.S. are affected. Certain critical minerals and essential raw materials like platinum, palladium, copper, and some energy products remain largely exempt from these new tariffs. This exemption is significant, as these commodities are vital for the U.S. economy and constitute a substantial portion of South Africa's export basket. The tariffs primarily target manufactured goods with higher value-added, such as cars and processed agricultural products, which some interpret as an attempt to impede industrialisation in developing countries.

While economists estimate the direct impact on South Africa's overall GDP to be a reduction of around 0.2-0.3 percentage points, the true damage lies in the concentrated and disproportionate impact on specific sectors and industries. For instance, some companies in the metals and engineering sector have reported that the tariffs could lead to severe and immediate consequences, with dramatic drops in sales as the U.S. accounts for a significant portion of their turnover. This means that a seemingly small percentage change in national GDP masks a much more substantial and painful reality for the workers and businesses within those highly affected industries.

Job Losses and Social Impact

The tariffs put tens of thousands of jobs at risk, particularly in the agricultural and automotive sectors. The South African Reserve Bank estimates that as many as 100,000 jobs could be lost, with the citrus industry alone facing a risk of 35,000 job cuts due to the 30% tariff. Suppliers to car manufacturers are already feeling the pinch, with companies anticipating millions of rand in losses as manufacturers consider scaling back production. With South Africa's unemployment rate already at a high of 32.9% (and nearly 50% among youth), these job losses will only worsen social and economic inequality across South Africa and indirectly affect Namibia due to trade interlinkages.

GDP and Sectoral Pressures

The economic damage is already reflected in a lowered GDP forecast for 2025, which has been revised down to 1.2%, a 0.3 percentage point drop directly tied to the tariff disruptions. Key sectors are under immense pressure:

- **Automotive and Manufacturing**: Faced with steep tariffs, these exporters risk losing their largest single market.
- **Agriculture (citrus, wine)**: The U.S. is a major export partner, and the new duties are undermining competitiveness. Many wineries, including producers in the R500 million wine export segment, are already seeing order cancellations and facing uncertain futures.
- **Metals (steel, aluminium)**: With 25% tariffs, competitiveness against global rivals diminishes, shrinking margins for both raw producers and downstream manufacturers.

Market Repercussions

The economic shockwaves are already being felt in South Africa's financial markets.

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Administered by RFS Fund Administrators

MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 JULY 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.

Currency and Bond Markets

The South African rand's recent recovery, driven by improved sentiment following the establishment of the Government of National Unity (GNU), has come to an end despite slowing global growth and tariff jitters. The rand is now under renewed pressure. Government bonds are also reacting negatively, with the benchmark 2035 yield rising to **9.66%**, which signals reduced investor confidence and higher borrowing costs for the government.

Stock Market Vulnerability

Investors should prepare for increased volatility in sectors tied to exports. Agri-shares (citrus, wine producers), along with stocks in the automotive, metals, and manufacturing sectors, are likely to underperform as export earnings shrink. Conversely, companies focused on the domestic market, such as retail and services, may fare better, or even benefit if imports rise to fill domestic gaps. For Namibian investors, given cross-border supply chains (e.g., agricultural products, metals), shared economic exposure means that South African downturns may ripple across the border, particularly in sectors like mining and services.

Government and Investor Responses

South African Government's Strategy: Mitigation Measures on the Table

The South African government is pursuing several mitigation measures to address the crisis:

1. **Negotiating Exemptions and Trade Avenues**: A recent Oval Office meeting in May produced tentative proposals. South Africa proposed a quid pro quo, offering to import U.S. LNG in exchange for duty-free access to select exports. However, critics argue this primarily benefits foreign-owned multinationals, and South African officials have insisted there will be no policy changes to appease Washington, emphasising that the country's "transformation agenda... is non-negotiable."
2. **Export Diversification**: The government is accelerating efforts to find new export markets in Asia, Europe, the Middle East, and within Africa via the African Continental Free Trade Area (AfCFTA). However, finding viable alternatives to a market as large and established as the U.S. is a long-term project, facing challenges from global overcapacity in key products.
3. **Domestic Trade Remediation**: Scaling up the "Proudly South Africa" campaign and leveraging procurement platforms to boost internal demand for local goods.
4. **Trade Remedies**: Considering anti-dumping, anti-subsidy, and safeguard measures to protect vulnerable industries during trade diversion.
5. **Supporting Affected Industries**: Launching Export Support Desks and financial assistance for impacted sectors. Notably, the government has introduced a Localisation Support Fund to help companies adjust and a Block Exemption for Exporters to allow competing companies to collaborate on shared logistics and market information without falling foul of competition laws. However, many say these responses may not match the required scale.

Investor Strategies

Investors in South Africa and Namibia need to be nimble and strategic.

If SA's mitigating actions are effective, short-term volatility can be expected, but strategic investors may rotate into:

- Exporters pivoting to new markets (e.g., Africa, Asia) may see recovery opportunities.
- Domestic-oriented sectors (utilities, telecoms, fintech) that benefit from import displacement.
- Exporters of critical minerals and high-demand goods that are less impacted by tariffs.
- Hedging strategies: Foreign-currency diversification may help manage rand exposure.
- Sectoral watch: Track earnings revisions and industry-specific policies, especially for agriculture, autos, and mining.

If SA's mitigating actions are ineffective, expect continued weakness in export-linked sectors and elevated unemployment, leading to persistent pressure on equities and broader economic fragility. Investors may need to:

- Consider reducing exposure in agri- and auto-exporters.
- Shift capital to domestic infrastructure, renewable energy, or tech-driven services less reliant on trade.
- Diversify portfolios to include Namibian equities that benefit from internal demand, local services, and cross-border remittances.
- Defensive positions, such as utilities and food producers focused on local sales, may offer resilience amid sustained external shock, while also hedging against the risk of a global confrontation between China and the US.

The Broader Geopolitical Context: Trade as a Foreign Policy Tool

The U.S. tariffs on South Africa are not an isolated event but rather part of a larger geopolitical strategy. The West, led by the U.S., appears to be pursuing a path of decoupling and self-containment to reassert its global dominance. By reducing its reliance on non-aligned countries for critical supplies and shifting production back home, the U.S. is seeking to correct its massive negative trade balance, which is nearly US$1 trillion. The tariffs are part of a broader strategy that uses trade policy as a foreign policy tool,

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aiming to influence the geopolitical alignment of its partners, which is why BRICS members are being targeted.

China finds itself in the opposite position, with a trade surplus of roughly US$1 trillion. To de-risk its foreign currency reserves, it has launched initiatives like the Belt and Road project and has been buying gold on a large scale. This great decoupling, or "friend-shoring," will continue to force countries to become more self-contained. This global fragmentation of trade creates a domino effect: U.S. tariffs on key trading partners, including China and the European Union, could lead to retaliatory measures and trade diversion, increasing competition for South African exports even in countries where no new tariffs have been imposed.

This geopolitical tension, which some view as a "proxy war" between the U.S. and China, will significantly define investor strategy. Subjugating Russia, for instance, would expose China's western borders and remove Russia as a buffer zone. The U.S. is unlikely to change its long-term strategic objectives in this regard. Currently, the West likely still holds the balance of power but recognises that it could soon shift towards China. The question is just when the U.S. would play its hand. Is the thinking that the Ukraine conflict must be kept simmering to allow Europe to ready itself to confront Russia within the next three years, while weakening it along the way, or has the U.S. realised that more time is needed? In the former case, current diplomatic efforts by the U.S. will not result in peace, suggesting a short-term investment horizon. In the latter scenario, diplomatic efforts could result in peace, but only postpone the day of reckoning for China, allowing for a longer-term investment strategy.

Conclusion

South Africa's new U.S. tariffs mark a pivotal moment, one with high stakes for jobs, GDP, and the investment climate. Investors in South Africa and Namibia must remain alert, nimble, and strategic. Effective government action, leveraging diplomacy, regional markets (AfCFTA), and domestic stimulus, could cushion the blow and unveil new growth avenues. However, absent a decisive and effective response, the shocks could sink key sectors, erode investor confidence, and prolong economic stagnation.

Investors must stay sector-savvy, diversify prudently, and keep an eye on policy and global political developments. Strong portfolios will be those that anticipate change, whether from recovery or continued challenge in this evolving international economic and geopolitical landscape.