Volume 21, No. 8
August 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 AUGUST 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 August 2025, the average prudential balanced portfolio returned 1.1% (July 2025: 2.3%). The top performer is the Allan Gray Balanced Fund, with 1.9%, while the Lebela Balanced Fund, with 0.5%, takes the bottom spot. M&G Managed Fund took the top spot for the three months, outperforming the 'average' by roughly 0.9%. The Investment Solutions Balanced Growth Fund underperformed the 'average' by 1.3% 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.)

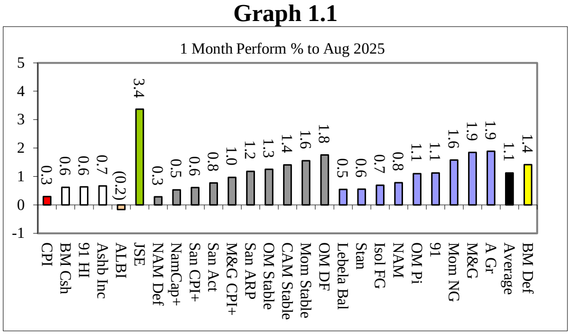
**Graphs 1.1 to 1.10** reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no colour bars), the average of prudential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

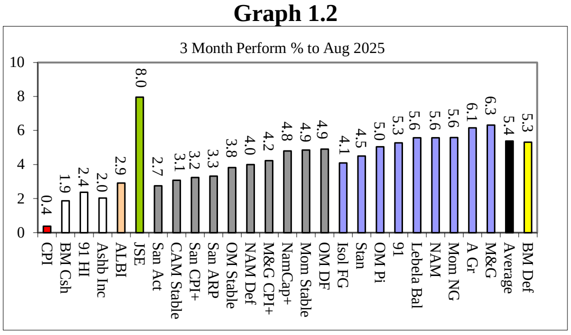
| | |
|---|---|
| **Benchmarks** | |
| Namibian Consumer Price Index | CPI (red) |
| All Bond Index | ALBI (orange) |
| JSE Allshare Index | JSE Cum (green) |
| Benchmark Default Portfolio | BM Def (yellow) |
| Average portfolio (prudential, balanced) | Average (black) |
| **Special Mandate Portfolios** | |
| 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

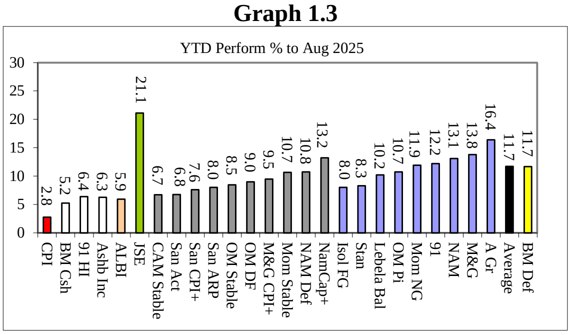
### Graph 1.1



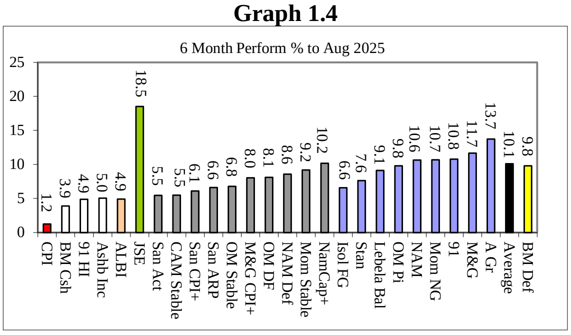

### Graph 1.2




### Graph 1.3




### Graph 1.4



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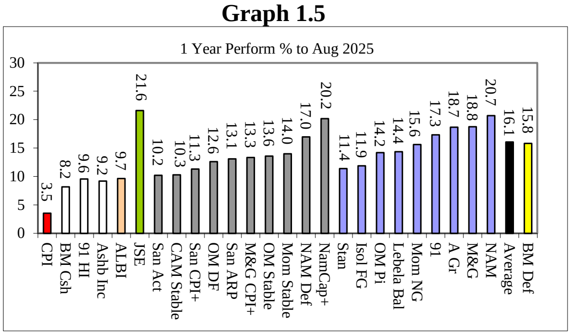
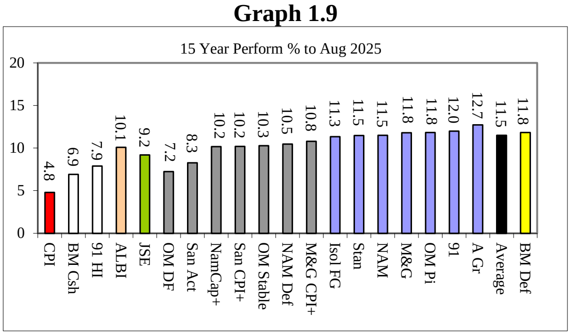
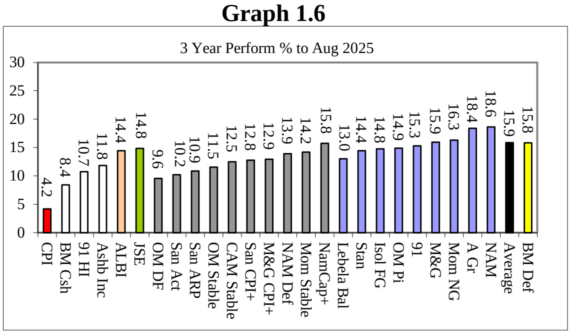
## Graph 1.5



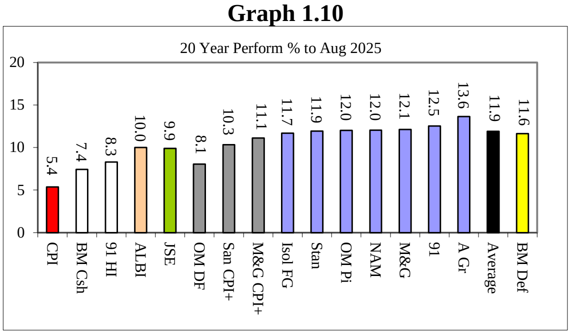

## Graph 1.9



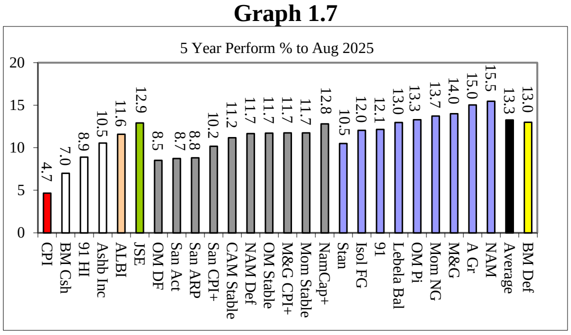

## Graph 1.6



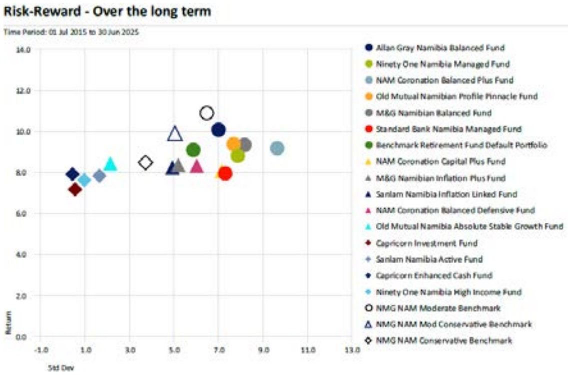

## Graph 1.10



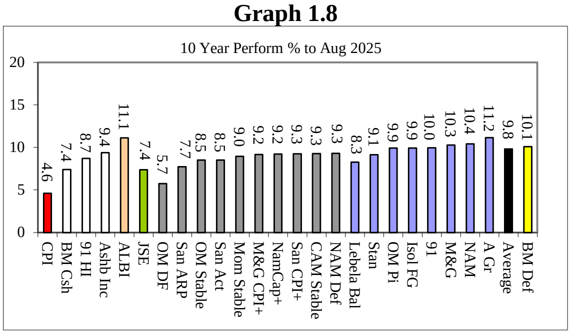

## Graph 1.7

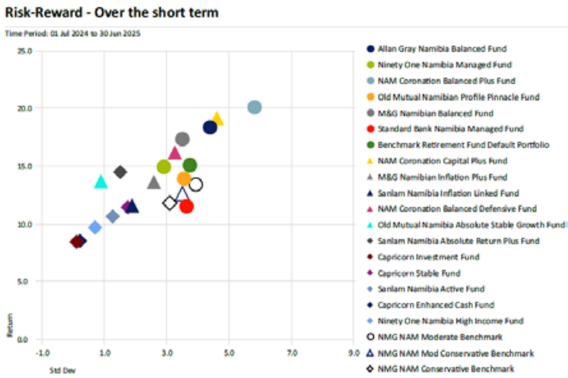



## Risk/ Return




## Graph 1.8



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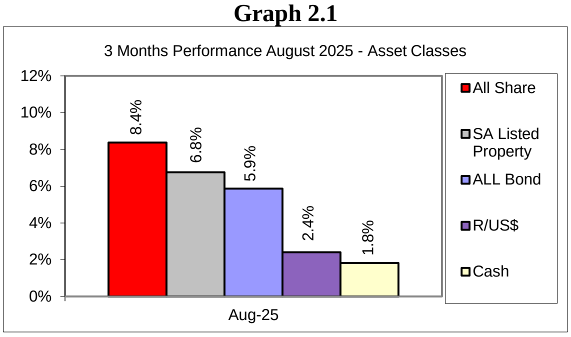
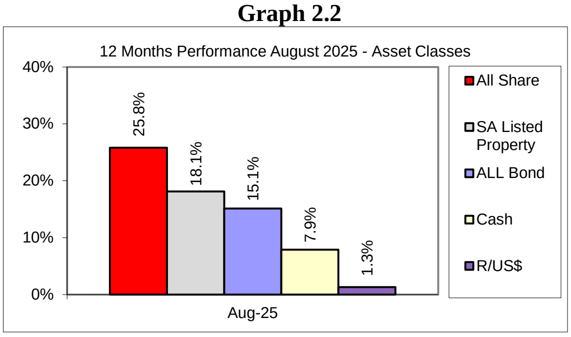
## 2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

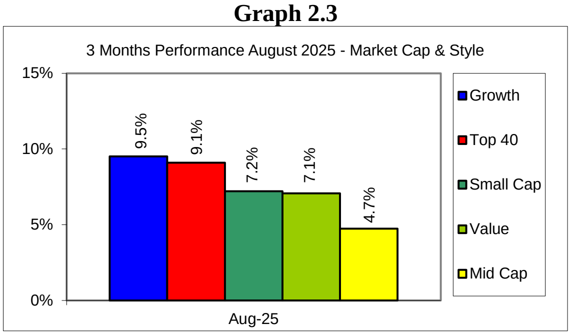
### Graph 2.1



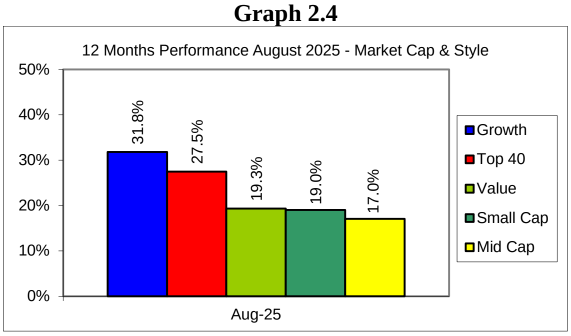

### Graph 2.2



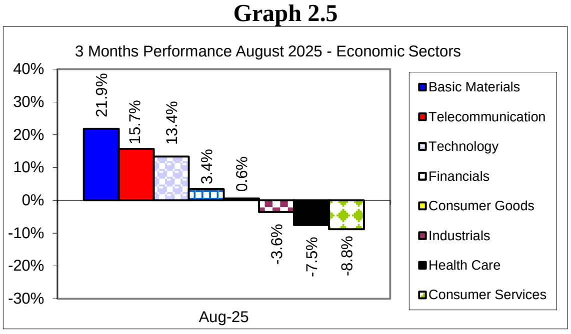

### Graph 2.3



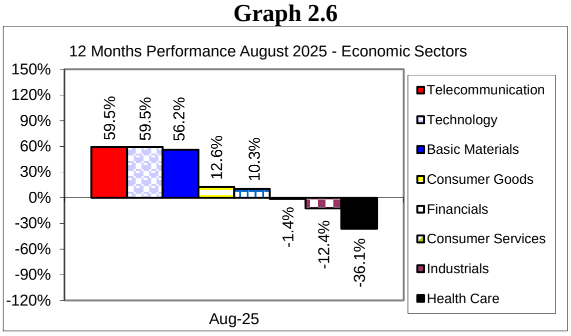

### Graph 2.4



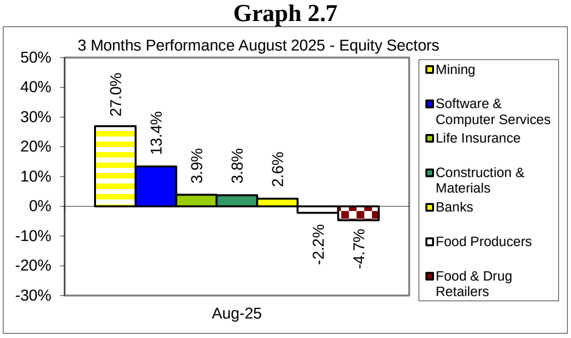

### Graph 2.5



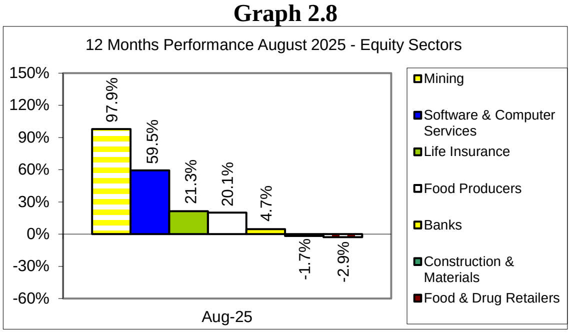

### Graph 2.6




### Graph 2.7




### Graph 2.8



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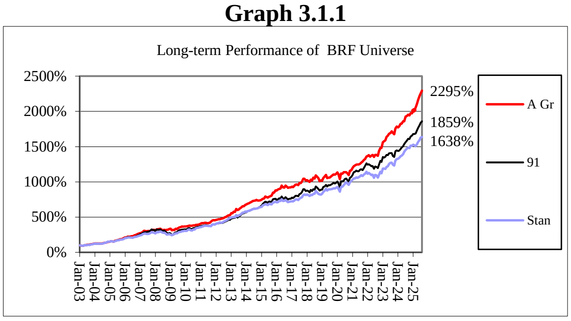
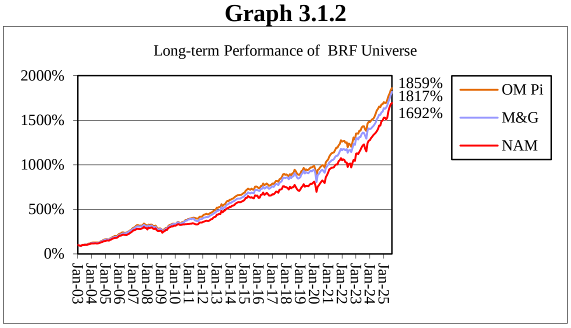
## 3. Portfolio Performance Analysis

### 3.1 Cumulative performance of prudential balanced portfolios

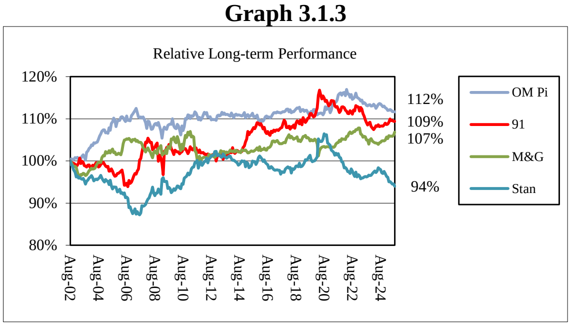
**Graph 3.1.1**



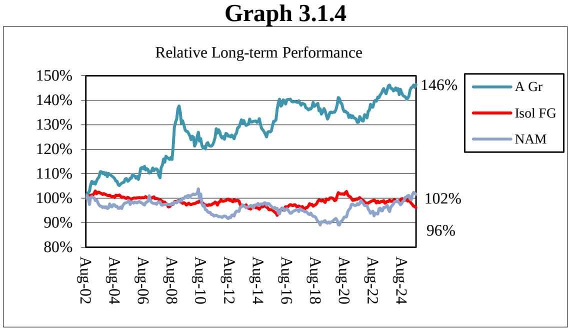

**Graph 3.1.2**



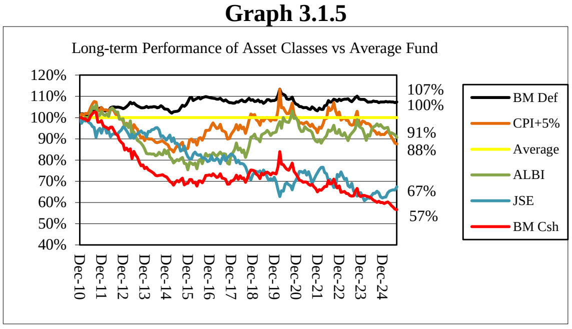

**Graph 3.1.3**




**Graph 3.1.4**

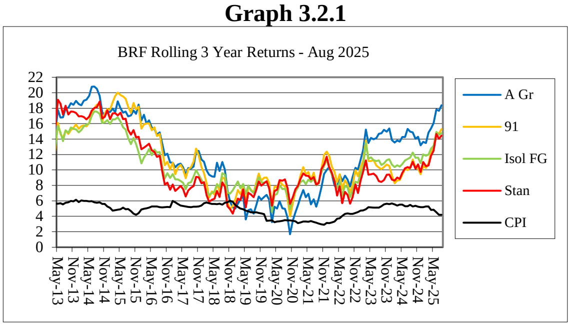



**Graph 3.1.5**

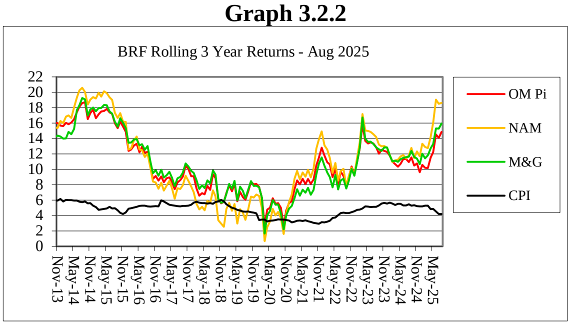



### 3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

**Graph 3.2.1**

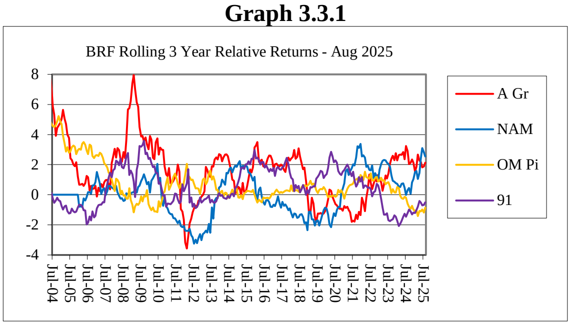



**Graph 3.2.2**




### 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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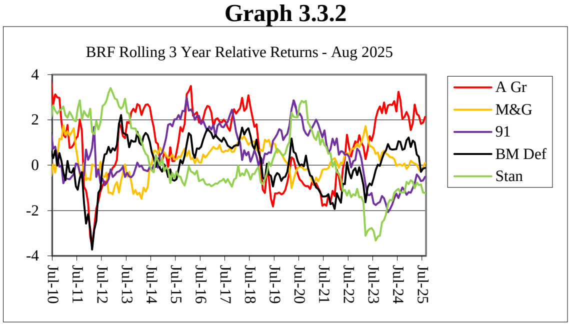
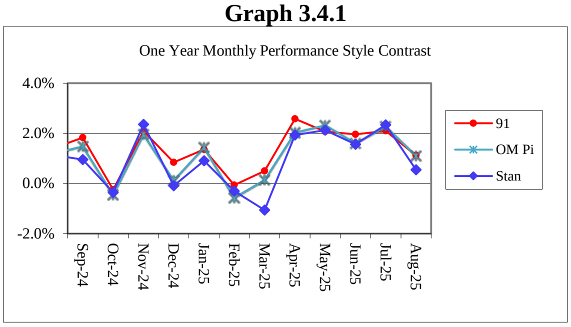
### Graph 3.3.2

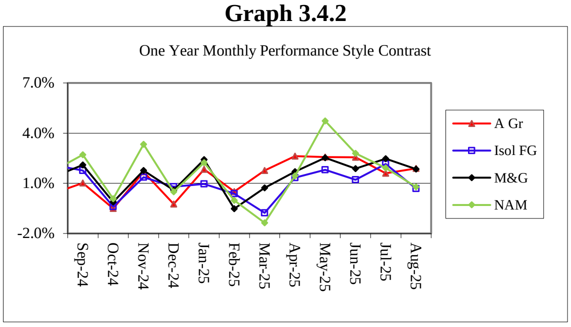



## 3.4 Monthly performance of prudential balanced portfolios

### Graph 3.4.1

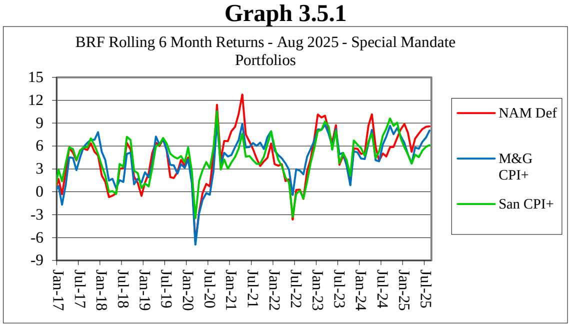



### Graph 3.4.2

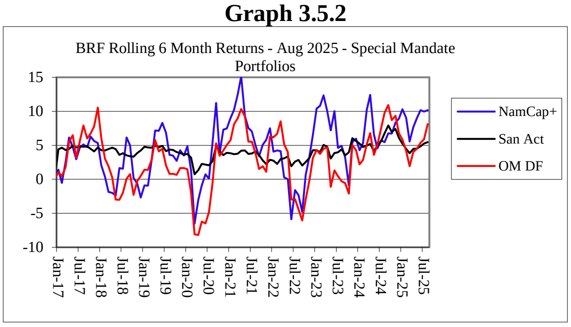



## 3.5. 6-month rolling and cumulative returns of 'special mandate' portfolios

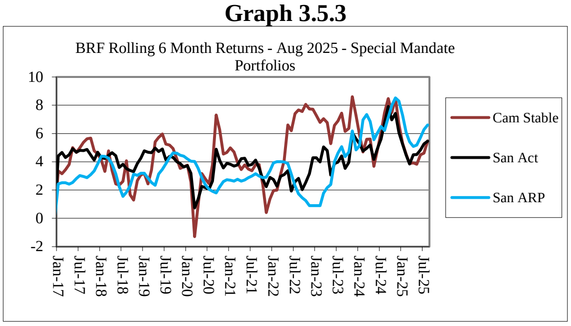
### Graph 3.5.1



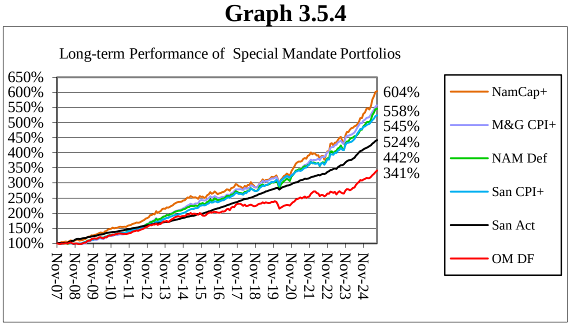

### Graph 3.5.2




### Graph 3.5.3

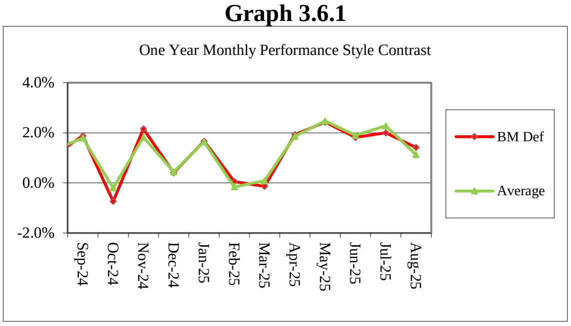



### Graph 3.5.4




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

### Graph 3.6.1



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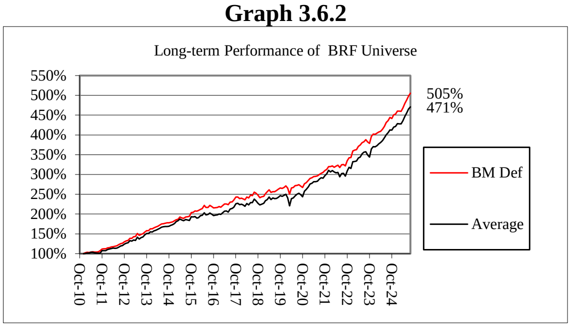
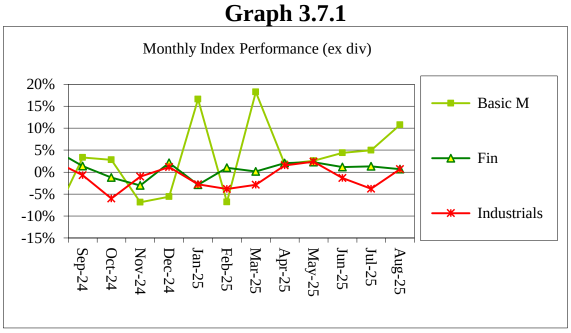
**Graph 3.6.2**

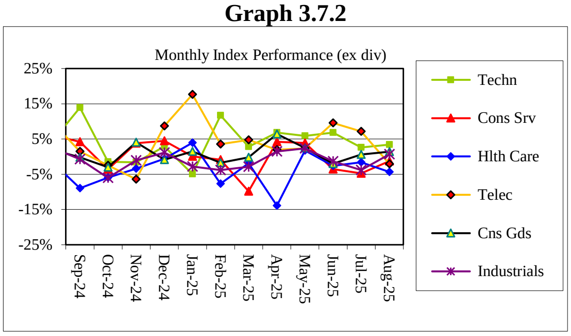



### 3.7 One-year monthly performance of key indices (excluding dividends)

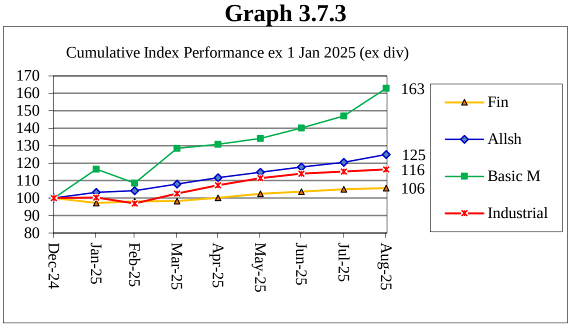
**Graph 3.7.1**



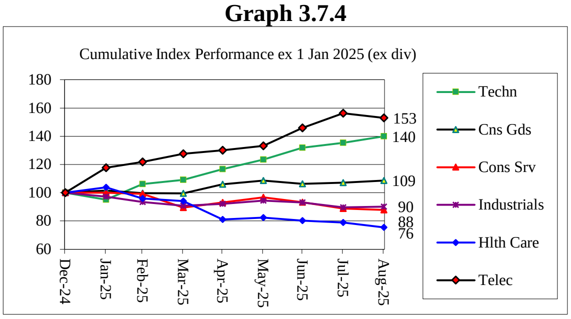

**Graph 3.7.2**




**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. | 13.0 | 13.3 |
| 5-year real return - % p.a. | 8.4 | 8.7 |
| Equity exposure - % of the portfolio (quarter ended Jun 2025) | 58.9 | 63.3 |
| Cumulative return ex Jan 2011 | 411.9 | 382.4 |
| 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% | 15.8% | 15.9% |
| 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 | 6.8% | 12.1% | 11.8% |

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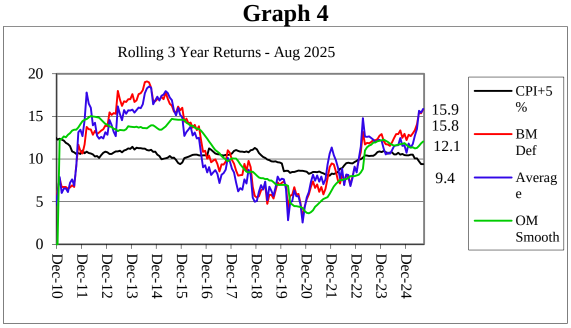
The table above presents one-year performance statistics. It highlights the performance differences between the three portfolios over the three years from September 2022 to August 2025. These statistics show the performance volatility of these three risk profiles.

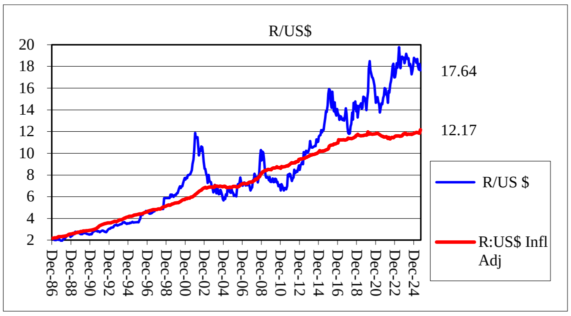
**Graph 4**




**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 August was 15.8%, the average was 15.9% vs. CPI plus 5%, currently on 9.1%.

### 5. Review of Foreign Portfolio Flows and the Rand

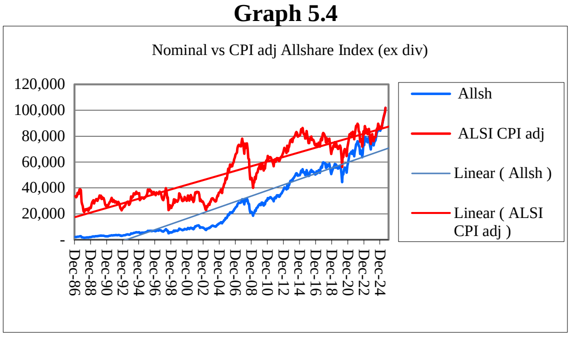
**Graph 5.1** indicates that the Rand's fair value by our measure is 12.17 to the US Dollar, while it stood at 17.64 at the end of August 2025. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.




**Graph 5.2 - removed**
**Graph 5.3 - removed**

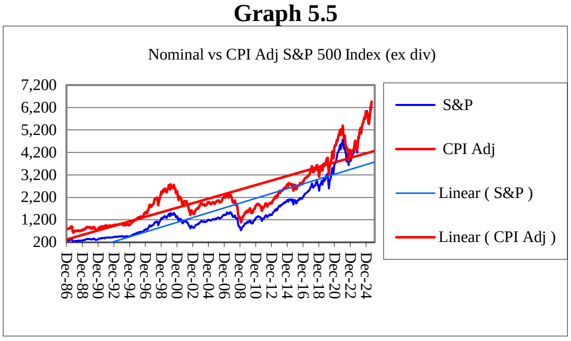
**Graph 5.4** reflects the movement of the JSE since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 10.7% per year since January 1987, excluding dividends of 3.2%. Namibian inflation over these 36 years was 7.4% per year. This is equivalent to a growth rate of 3.1% per annum in real terms over this period, excluding dividends, or approximately 6.3% including dividends.

**Graph 5.4**



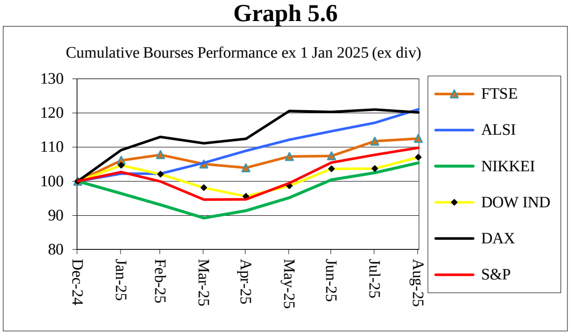

**Graph 5.5** reflects the movement of the S&P500 Index since January 1987 in nominal and inflation-adjusted terms, with trend lines for these. Over 38 years since January 1987, the S&P500 Index grew by 8.5% per annum. US inflation over this period was 2.7%. It represents growth in real terms of 5.6% p.a. over 38 years, excluding dividends, or around 7.9% (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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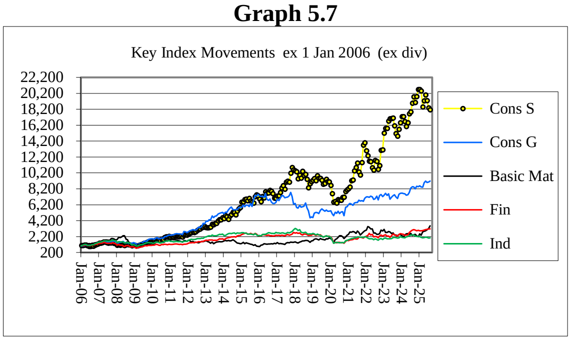
## MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 31 AUGUST 2025

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.

**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: 15.9%; Consumer Goods: 11.9%; Financials: 6.0%; Basic Materials: 6.7%; and Industrials: 3.7%.

**Graph 5.7**




### 6. Which equity styles are performing well? The answer may surprise you

**By Tilman Friedrich**

In the Cover magazine of 23 September, Duncan Lamont, Head of Strategic Research at Schroders, presented an interesting and highly relevant article on the topic I usually cover in this column: the performance of various equity styles. This article is presented below in a somewhat abbreviated form.

While this article should guide investors in selecting an appropriate equity style, I remain steadfast in my view that the global political backdrop warrants caution, particularly concerning a likely global conflict between the East and the West in the next three to five years. If you want to refresh your memory, please read this column in the past few newsletters.

*Most investors assume the current bull market is all about "Growth" stocks, dominated by the US Magnificent-7. That is true in the US—but outside the US, the picture looks very different. In international markets, the "Value" style has been the clear winner, with sector composition, performance drivers, and valuations diverging sharply from the US story.*

*This matters because when most people refer to "global markets," they are actually referring to the US. The US makes up nearly 75% of the MSCI World index, so what happens in the other 25% barely registers. Extrapolating US performance globally is misleading, as it suggests that investors may be missing opportunities.*

***Turning the performance tables***

*In EAFE (Europe, Australasia, and the Far East), Value stocks returned 20% in USD terms in the 12 months to 31 August 2025—outperforming the broader market by 6% and Growth by 13%. Growth stocks, meanwhile, lagged the market by 6%.*

*This is the opposite of the US experience, where Value has underperformed Growth by 17% and the market by 8% in the same period.*

*Over three- and five-year horizons, EAFE Value remains ahead of Growth and of the market. In fact, the European and UK Value indices have outperformed the S&P 500 over the past five years, both in USD and local currency terms.*

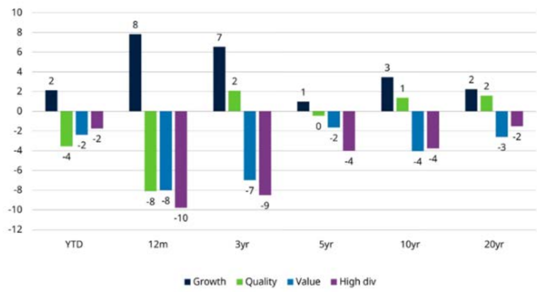
*High Dividend stocks—another segment that has struggled in the US—have also delivered superior returns internationally.*

*By contrast, Quality stocks (companies with strong fundamentals such as high return on equity and low leverage) have endured their worst three-year run in decades in EAFE, underperforming the market by 12% over the past year (see **Graph 1**).*

***Graph 1***


*Meanwhile, U.S. growth stocks remain dominant, powered by technology earnings and expanding valuations (see **Graph 2**).*

***Graph 2***




***Performance drivers: US vs EAFE***

*What explains these divergences?*

- ***In the US**, Growth has been rewarded for stronger earnings, especially in technology.*
- ***In EAFE**, Growth companies also had superior earnings, yet they underperformed. Instead, Value and High Dividend stocks were propelled by rising valuations, reversing earlier extremes.*

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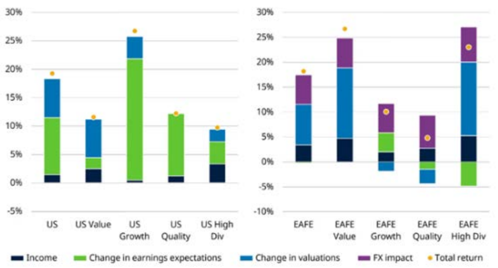
*Quality stocks, on the other hand, have seen earnings downgrades, which have undermined their traditional defensive appeal.*

*As **Graph 3** shows, EAFE Quality's three-year underperformance is among the worst in 30 years, while Growth has also been in the doldrums.*

***Graph 3***

*A return decomposition (see **Graph 4**) highlights the contrast: US Growth returns are earnings-led, while EAFE Value and High Dividend returns are valuation-driven.*

***Graph 4***



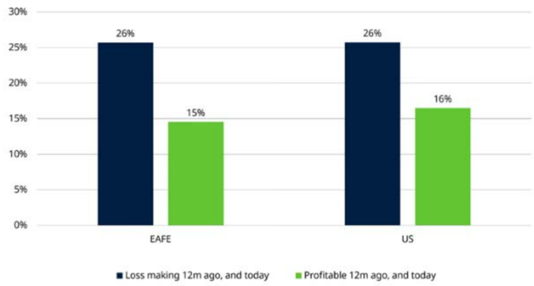

*China provides an extreme example. Value stocks there surged more than 40% over 12 months, even as earnings expectations fell slightly. Quality, despite strong earnings, lagged badly (see **Graph 5**).*

***Graph 5***


***Fundamentals ignored? The rise of "junk" stocks***

*Another unusual feature has been the outperformance of the lowest-quality companies—those that were loss-making 12 months ago and still are today. Across both EAFE and the US, these firms consistently outperformed their profitable peers by more than 10% over the past year (see **Graph 6**).*

***Graph 6***




*Although such companies represent only a small slice of indices, their outperformance underscores how detached recent market moves have been from fundamentals.*

***Sector allocations: don't extrapolate the US***

*Investors often equate Growth with tech. This is largely true in the US, where IT dominates the Growth index (accounting for over 50% of its market cap), and mega-cap names like Amazon, Alphabet, and Tesla further increase that share. Together with IT, these names account for approximately 70% of US Growth.*

*But EAFE Growth looks very different. IT accounts for only 14% of the index, with Industrials (27%) and Healthcare carrying far greater weight (see **Graph 7**). The AI/tech narrative dominating US Growth has limited application abroad.*

***Graph 7***

| | Growth | | Value | | Quality | | High div | |
|---|---|---|---|---|---|---|---|---|
| | US | EAFE | US | EAFE | US | EAFE | US | EAFE |
| Information technology | 52% | 14% | 12% | 2% | 33% | 13% | 12% | 0% |
| Consumer discretionary | 15% | 13% | 6% | 7% | 3% | 11% | 11% | 5% |
| Financials | 7% | 13% | 21% | 37% | 12% | 11% | 9% | 27% |
| Industrials | 6% | 28% | 12% | 11% | 11% | 19% | 15% | 10% |
| Energy | 0% | 0% | 6% | 6% | 0% | 0% | 11% | 12% |
| Materials | 1% | 4% | 3% | 7% | 2% | 7% | 2% | 4% |
| Real estate | 0% | 1% | 4% | 3% | 0% | 0% | 0% | 1% |
| Communication services | 10% | 5% | 10% | 5% | 15% | 4% | 3% | 4% |
| Consumer staples | 2% | 7% | 8% | 8% | 8% | 13% | 14% | 15% |
| Utilities | 0% | 1% | 4% | 5% | 0% | 0% | 4% | 8% |
| Health care | 5% | 14% | 13% | 8% | 15% | 21% | 19% | 14% |

*Quality styles show similar regional differences: IT is heavily represented in US Quality, but not in EAFE. Value, however, shows more global consistency, being dominated by financials.*

***Valuations: extremes have unwound in EAFE***

*A few years ago, EAFE Growth and Quality were relatively expensive compared to their historical averages, while Value and High Dividend were relatively cheap. Recent performance swings have narrowed these gaps.*

- ***Quality**: Now trades at a discount to its historical valuations in EAFE, unlike in the US, where it remains expensive.*

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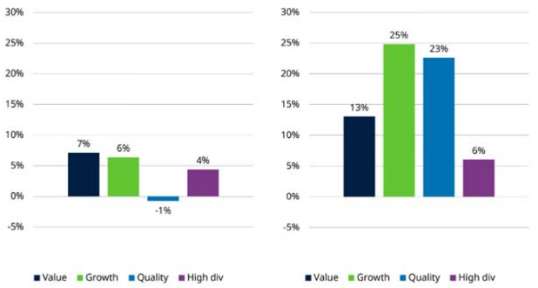
- ***Value and High Dividend****: Once very cheap, but recent outperformance has eliminated much of that discount.*
- ***Growth****: Still expensive in EAFE, though less so than before, and nowhere near US levels.*

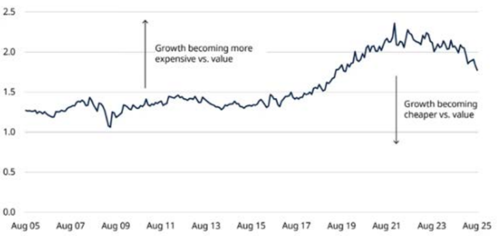
*As **Graphs 8–10** show, Growth has cheapened relative to Value in both regions. In EAFE, Growth is now at its lowest relative valuation to Value in six years, though still expensive by long-term standards.*

***Graph 8***




***Graph 9***


***Graph 10***




***What does this mean for investors?***

*For international investors, the playing field has changed:*

- *In **EAFE**, valuations across styles have converged. None is especially cheap or expensive anymore.*
- *In the **US**, valuations remain stretched, especially in Growth, with significant gaps between styles.*

*This calls for a more balanced allocation outside the US. With valuation extremes largely gone, there's less of a case for betting heavily on one style over another. A diversified style mix may help investors achieve more resilient returns.*

*Another key point: many stocks and styles outside the US are outperforming, but passive global investors have little exposure to them. The US accounts for nearly three-quarters of the worldwide market, with the Magnificent-7 alone outweighing the next seven largest countries combined. Passive global portfolios are thus overloaded with US mega-cap Growth and miss much of the global opportunity set.*

*The case for stepping away from passive benchmarks and adopting a more active, diversified global approach has rarely been stronger.*

***Appendix: Style definitions***

- ***Growth****: Companies with stronger historical and forecast earnings growth.*
- ***Value****: Companies trading at lower valuations (e.g., price/book, price/earnings).*
- ***Quality****: Firms with stable operations, high return on equity, and low debt.*
- ***High Dividend****: Companies offering higher, consistent dividend yields.*