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Benchmark Retirement Fund

Quarterly investment report  
as at 31 December 2012

February 2013

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# 1. Introduction

This document has been compiled with the aim of providing members of the Benchmark Retirement Fund with an overview of the investment options offered to enable them to make informed decisions regarding the investment of their retirement assets.

The following portfolios are offered to members:

Investment Portfolio	Risk categorisation	Asset manager's explicit performance objective (before fees)	Return Expectations derived from historical experience (before fees)
AF Namibia Balanced Growth Fund	Moderate	None	CPI + 5% - 6%
Allan Gray Namibia Investment Trust	Moderate	None	CPI + 5% - 6%
Investec Managed Fund Namibia	Moderate	None	CPI + 5% - 6%
Old Mutual Namibia Profile Balanced Fund	Moderate	None	CPI + 5% - 6%
Prudential Namibia Balanced Fund	Moderate	None	CPI + 5% - 6%
Sanlam Namibia Balanced Fund <sup>2</sup>	Moderate	None	CPI + 5% - 6%
Standard Bank Namibia Managed Fund	Moderate	None	CPI + 5% - 6%
Default Portfolio	Moderate-Low	-	CPI + 4% - 5%
NAM Coronation Capital Plus Fund	Moderate-Low	CPI + 4% (1yr)	CPI + 4%
Prudential Namibia Inflation Plus Fund	Moderate-Low	CPI + 4%	CPI + 4%
NAM Coronation Balanced Defensive Fund	Moderate-Low	IJG Money Market + 3%	CPI + 2% - 3%
Sanlam Namibia Active Fund	Low	1-3 yr ALBI	CPI + 1% - 2%
Money Market Fund	Capital Preservation	7-day repo rate	CPI to CPI + 1%

- Please note:** The Trustees of the Fund have replaced the Investec High Income Fund with the Sanlam Namibia Active Fund.
- Please note:** The Sanlam Namibia Managed Prudential Fund was renamed to Sanlam Namibia Balanced Fund with effect from 1 October 2012.

## Investment returns

In order to achieve an adequate salary replacement ratio it is imperative that members achieve a real investment return, i.e. a return in excess of price inflation. Refer to Annexure A for an indication of the relationship between investment returns and the salary replacement ratio.

While a real investment return should ideally be set as the explicit performance objective of an investment portfolio, a number of investment portfolios, that are suitable for retirement funds, do not have an explicit performance objective related to inflation. The member will therefore have to consider the historic performance experience of an investment portfolio in relation to inflation as a proxy of potential returns in order to link a specific investment portfolio to the salary replacement ratio. It must be noted that the historic performance experience is not guaranteed to be achieved in future. While each investment portfolio will have an internal benchmark as stated by the Investment Manager in the portfolio mandate, that benchmark may not be an explicit real investment return.

## Risk

The risk rating of an investment portfolio gives an indication of how volatile investment returns may be and therefore is also an indication of the risk that the investment return per the investment mandate may not be achieved. The risk categories have the following meaning:

- Aggressive risk portfolios:** Short term negative returns are possible with this type of portfolio. Exposure to equities (shares) is normally maximised for these types of portfolios in order to achieve the return objective. Maximisation of equity exposure however takes place within the prudential investment guidelines laid down by the Pension Funds Act. Investment returns can be very volatile.
- Moderate risk portfolios:** This type of portfolio will have large exposure to growth assets (shares and property) at times and as such short term negative returns are possible. Investment returns can be volatile.

- **Moderate-low risk portfolios:** This type of portfolio also has exposure to growth assets (shares and property) but typically at lower levels than the moderate risk portfolios. They aim to have minimal negative returns and therefore have a lower risk profile than the moderate risk portfolios. Investment returns can still be volatile.
- **Low risk portfolios:** This type of portfolio should have minimal negative returns over a rolling 12-month period.
- **Capital preservation portfolios:** There should be no risk of capital loss on a monthly basis.

Investment return and risk are correlated; while the correlation cannot be defined in absolute terms, it is generally accepted that an investor would require compensation in the form of investment returns in return for the investment risk taken.

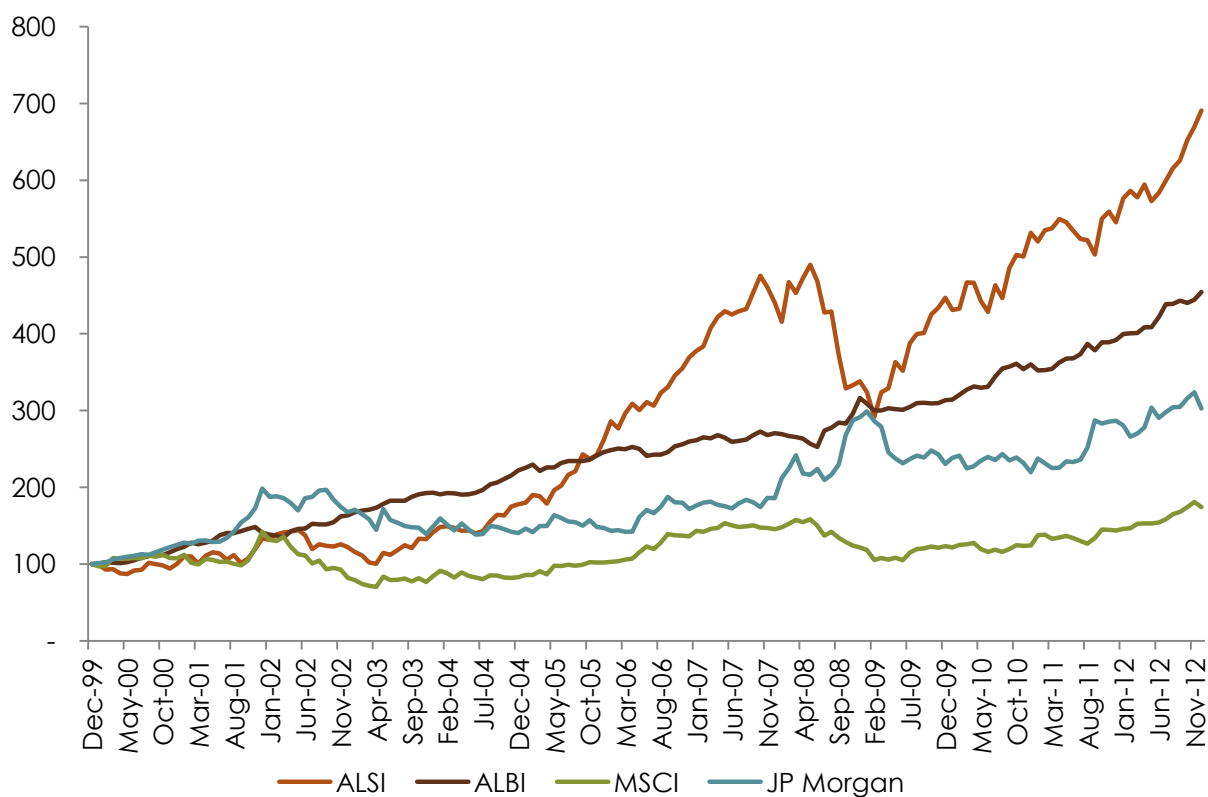
The Trustees do not currently offer aggressive risk portfolios, but will make them available when suitable portfolios have been identified.

All portfolios are compliant with the prudential investment guidelines of regulation 28 of the Pension Funds Act.

## 2. Market overview

### 2.1. Long-term market performance

The following graph represents the cumulative performance of some market indices for the period **1 January 2000 to 31 December 2012**.



### 2.2. Medium term market performance

The following table presents the performance of various market indices to **31 December 2012**.

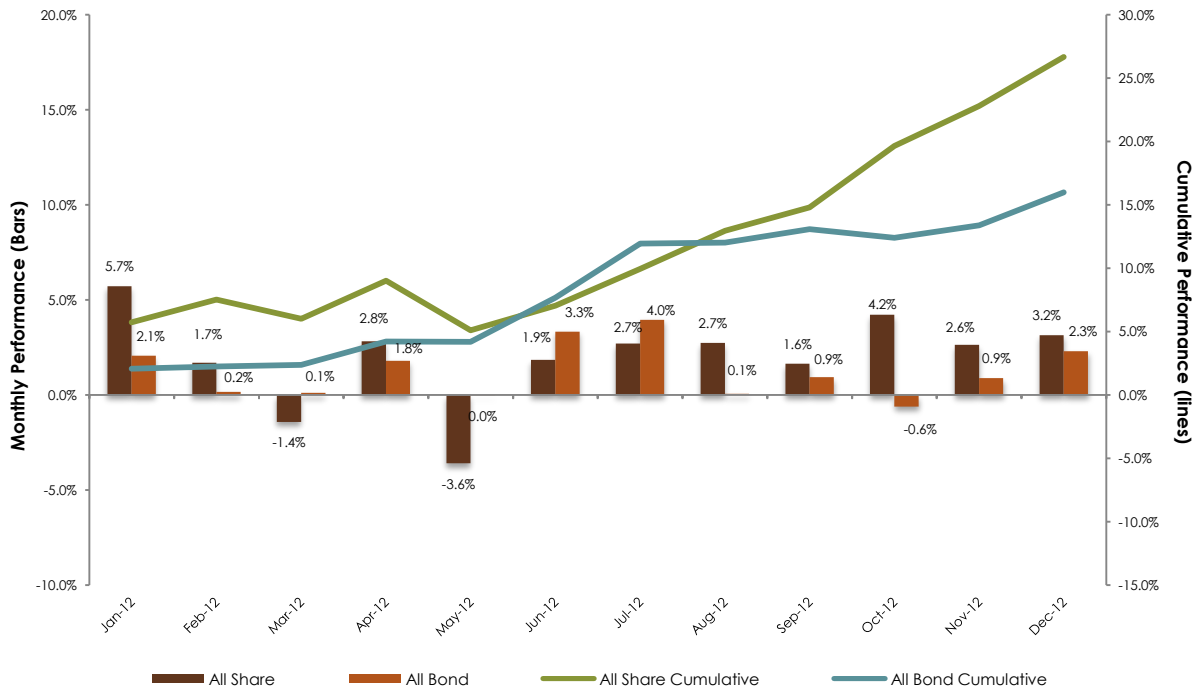
	2009	2010	2011	Q4 2012	One Year	Three Years
All Share (SA)	32.1%	19.0%	2.6%	10.3%	26.7%	15.6%
JSE: Financials	28.0%	16.5%	7.4%	9.9%	38.1%	20.0%
JSE: Industrials	30.5%	27.4%	9.2%	12.4%	40.8%	25.1%
JSE: Resources	35.4%	12.3%	-6.5%	7.3%	3.1%	2.7%
All Bond(SA)	-1.0%	15.0%	8.8%	2.6%	16.0%	13.2%
STeFI(SA)	9.1%	6.9%	5.7%	1.3%	5.5%	6.1%
MSCI World	1.6%	0.5%	15.8%	3.8%	21.3%	12.2%
JP Morgan World Bond	-20.8%	-4.8%	30.7%	-0.7%	5.4%	9.5%
Rand/Dollar	-22.3%	-10.6%	21.9%	1.1%	4.1%	4.3%
CPI(SA)	6.9%	3.5%	6.1%	1.1%	5.7%	5.1%

## 2.3. Short-term market performance

The following graphs represent the monthly performance of various market indices for the year ending **31 December 2012**.

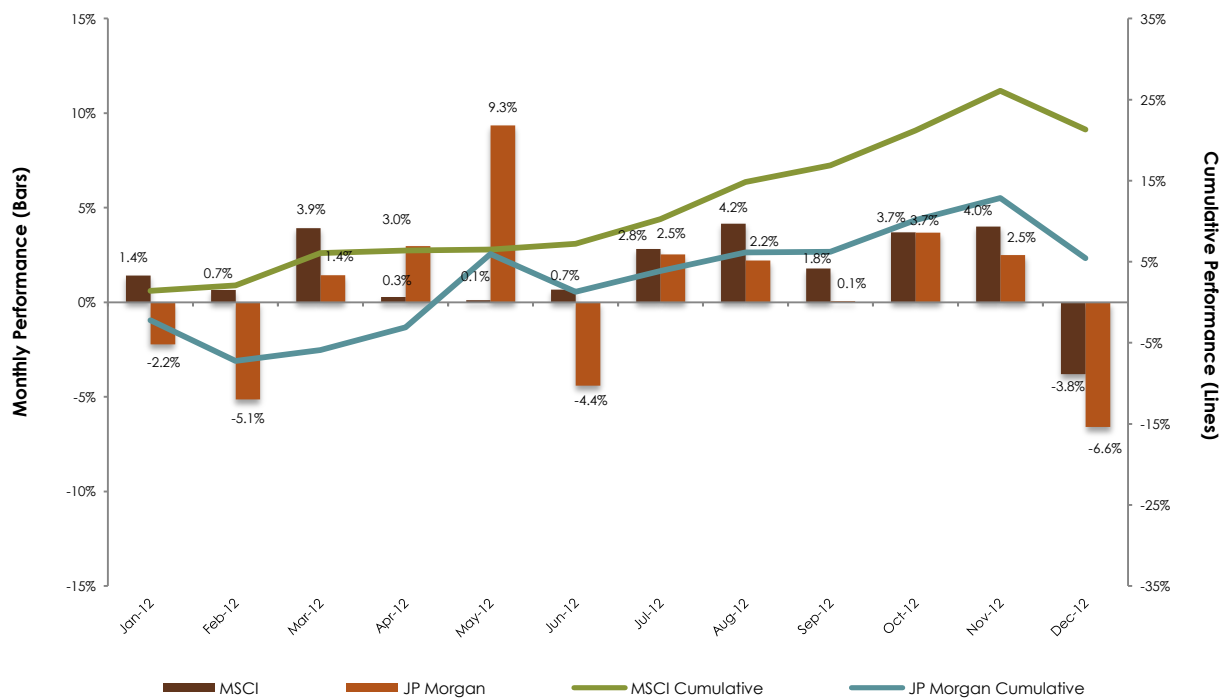
### 2.3.1. South Africa

**JSE Monthly and Cumulative Performance**



### 2.3.2. World

**World Indices**



## Market Commentary:

During the last quarter of 2012, America narrowly avoided the fiscal cliff, which had the potential of pushing the country back into recession. The law which was promulgated imposes a tax hike of an estimated US\$ 620 billion in respect of the wealthiest Americans over the next ten years. Benefits such as the unemployment insurance benefit will remain intact for the next year. The cost of living raise for congress members has been cancelled.

The Eurozone finance ministers also attempted to resolve their own economic issues when they approved another Greek bailout amounting to €49.1bn before the end of March 2013. Greece has fallen back into recession with their unemployment rate reaching close to 27% compared to the average Eurozone rate of 11.8%. The bailout is in an attempt to reduce the country's debt to GDP from 144% to 124% by 2020.

Whilst America and the Eurozone battled with economic issues throughout the quarter, South Africa experienced labour unrest in the mining and later the agricultural sectors costing the mining industry around R 10 billion in wage negotiations. The cost of the agricultural protests is not yet known. South African GDP growth rate slowed to 1.2% in the last quarter compared to 3.2% in the second quarter of 2012.

The Gold Price returned 9.2% for 2012 in dollar terms, despite the sharp decline of 4.9% over the last quarter of 2012. Brent crude price per barrel closed at US\$ 111.11 increasing by 3.6% for the year in dollar terms.

### Equities

The All Share, MSCI Emerging Markets and the MSCI World, all continued their upward trend, gaining 10.3%, 6.4% and 3.8% respectively in the last quarter of 2012. Despite losing some momentum in November the local resource sector returned 7.3% for the quarter which helped alleviate some of the pain experienced earlier in 2012. The Industrial and Financial sectors continued to perform well in the quarter returning 12.4% and 9.9% for the quarter and producing extraordinary returns of 40.8% and 38.1% for the year 2012.

### Bonds

Although the ALBI had a negative return of -0.6% in October, it experienced a positive return of 2.6% for the last quarter and produced a return of 16.0% for the year ending December 2012. The JP Morgan Bond Index declined by 6.6% in rand terms in December eliminating the performance it made in the first two months of the quarter resulting in a decline of -0.7% over the final quarter of 2012.

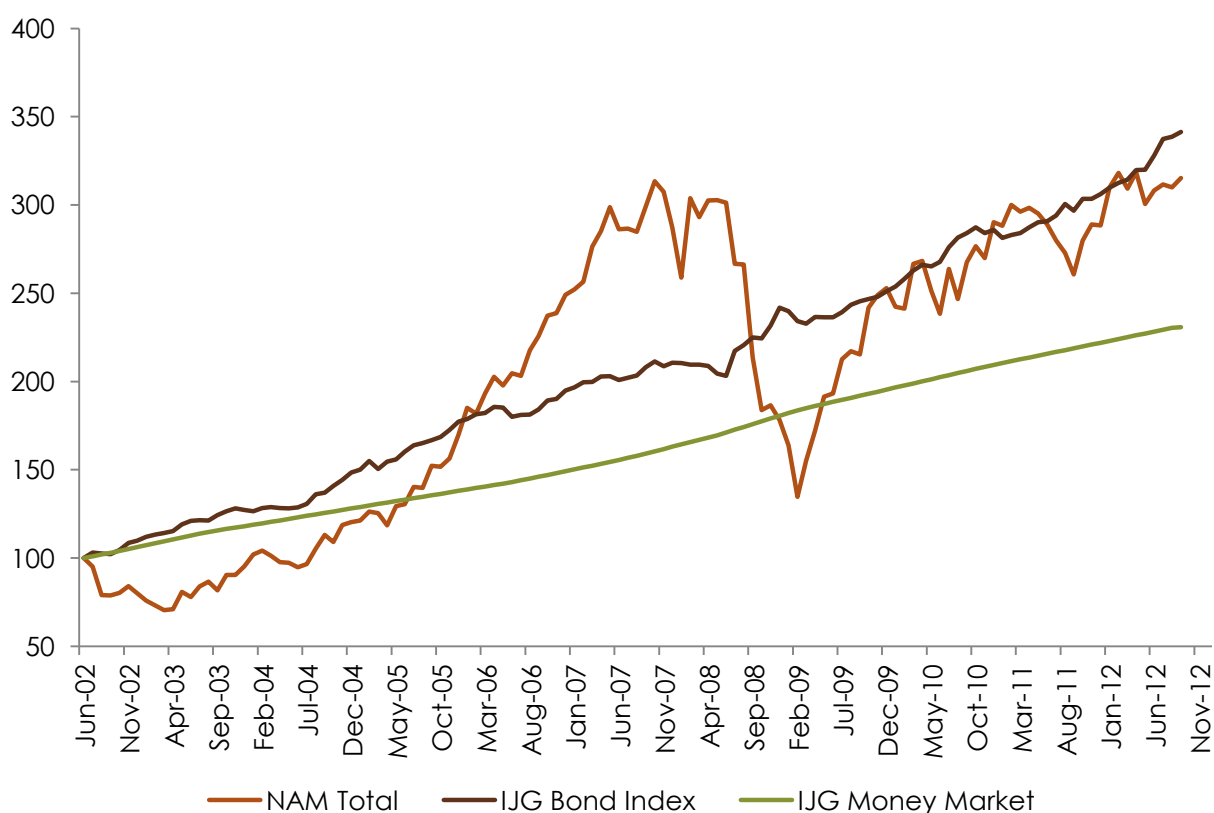
### Currency

The rand depreciated to R8.40/\$, R13.61/£ and R11.06/€ against the dollar, pound and euro respectively.

## 2.4. Namibia

### 2.4.1. Long term market performance

The following graph represents the cumulative performance of some market indices for the period **1 July 2002 to 31 December 2012**.



### 2.4.2. Medium term market performance

The following table presents the performance of various market indices to **31 December 2012**.

	2009	2010	2011	Q4 2012	One Year	Three Years
NAM Total	41.9%	14.8%	-0.6%	11.0%	21.2%	11.4%
NAM Local	4.1%	18.7%	36.7%	11.7%	31.2%	28.7%
NAM CPI	7.0%	3.1%	7.2%	1.3%	6.3%	5.5%
IJG Bond Index <sup>1</sup>	3.9%	13.9%	7.1%	2.5%	15.4%	12.1%
IJG Money Market	8.2%	7.1%	6.0%	1.4%	5.7%	6.3%

1. Please note: The historical performance of the IJG Bond Index has been revised to include Namibian Corporate bonds.



## Namibia Market Commentary December 2012

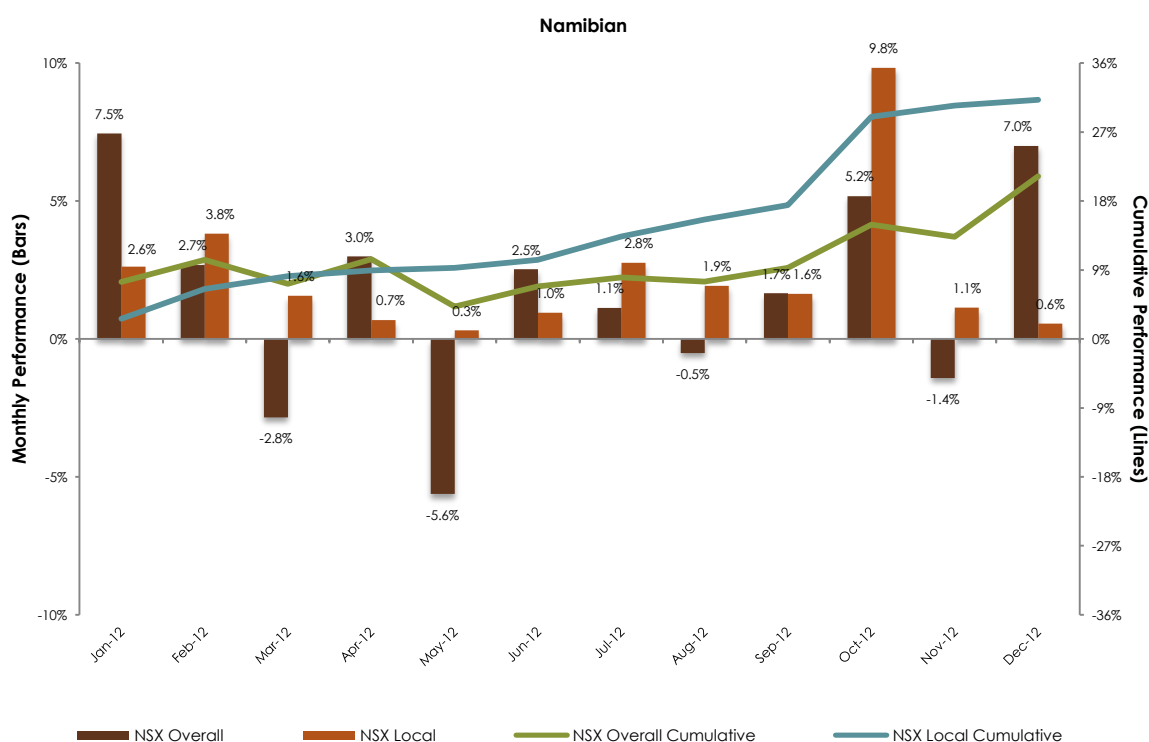
The annual inflation rate averaged 6.3% for the 2012 calendar year and is predicted to average 6.0% during 2013. The NSX closed at 983.79 in December up from 890.70 at the end of September returning in excess of 10% for the quarter.

The Namibian economy is expected to grow at a slower rate during 2013 at an estimated rate of 4.0% compared to an estimated rate of 5.0% for 2012 and a recorded rate of 4.8% in 2011. This will be the lowest growth since the global financial crisis.

The repo and prime rates remain unchanged at 5.5% and 9.25% respectively.

### 2.4.3. Short term market performance

The following graph represents the monthly performance of various market indices for the year ending **31 December 2012**.



### 3. Performance comparison as at 31 December 2012

#### 3.1. Moderate portfolios

##### 3.1.1. Asset allocation

The figures below reflect the asset allocation of the moderate portfolios as at **31 December 2011 (12 months ago)**

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced Fund	Standard Bank Managed
Namibia Equities	17.5%	14.7%	18.3%	12.4%	13.8%	13.2%	13.9%
Namibia Bonds	8.4%	9.8%	9.3%	5.9%	1.5%	11.4%	5.0%
Namibia Cash	8.6%	17.0%	8.1%	15.0%	22.0%	12.3%	20.9%
Namibia Property	1.7%	-	0.2%	-	-	3.4%	3.9%
South Africa Equities	27.1%	21.4%	28.5%	37.4%	20.5%	29.5%	36.7%
South Africa Bonds	-	-	3.6%	1.5%	9.3%	7.6%	1.2%
South Africa Cash	4.7%	-	3.3%	0.7%	-	0.2%	-
South Africa Property	-	5.6%	2.9%	3.6%	3.2%	-	-
International Equity	14.9%	20.5%	12.7%	21.9%	24.8%	16.5%	18.4%
International Bonds	-	8.8%	4.3%	1.6%	4.9%	1.8%	-
International Cash	-	1.3%	2.9%	-	-	1.6%	-
International Other	15.5% <sup>1</sup>	0.9%	-	-	-	2.5% <sup>4</sup>	-
Other	1.6% <sup>2</sup>	-	5.9% <sup>3</sup>	-	-	-	-
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The figures below reflect the asset allocation of the moderate portfolios as at **31 December 2012**

	Allan Gray	Investec Managed	AF Balanced Growth <sup>6</sup>	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced Fund	Standard Bank Managed
Namibia Equities	20.6%	16.7%	17.3%	12.8%	17.4%	10.8%	8.8%
Namibia Bonds	8.9%	14.0%	9.6%	6.9%	3.2%	8.6%	2.3%
Namibia Cash	5.3%	11.5%	8.0%	15.4%	18.0%	13.4%	12.1%
Namibia Property	2.0%	-	0.3%	2.0%	-	3.3%	-
South Africa Equities	23.2%	19.5%	28.1%	26.3%	22.0%	29.9%	40.2%
South Africa Bonds	-	-	4.8%	1.9%	7.6%	6.0%	0.9%
South Africa Cash	6.7%	-	2.6%	0.4%	-	0.3%	12.6%
South Africa Property	-	4.1%	3.4%	2.0%	1.9%	0.8%	-
International Equity	14.5%	23.6%	10.6%	26.0%	22.9%	16.7%	20.3%
International Bonds	-	8.7%	2.8%	3.3%	7.0%	2.1%	-
International Cash	-	1.9%	1.3%	2.5%	-	4.3%	-
International Other	17.2% <sup>1</sup>	-	5.3% <sup>5</sup>	-	-	3.8% <sup>4</sup>	-
Other	1.6% <sup>2</sup>	-	5.8% <sup>3</sup>	0.5%	-	-	2.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. Other represents Absolute Return Funds

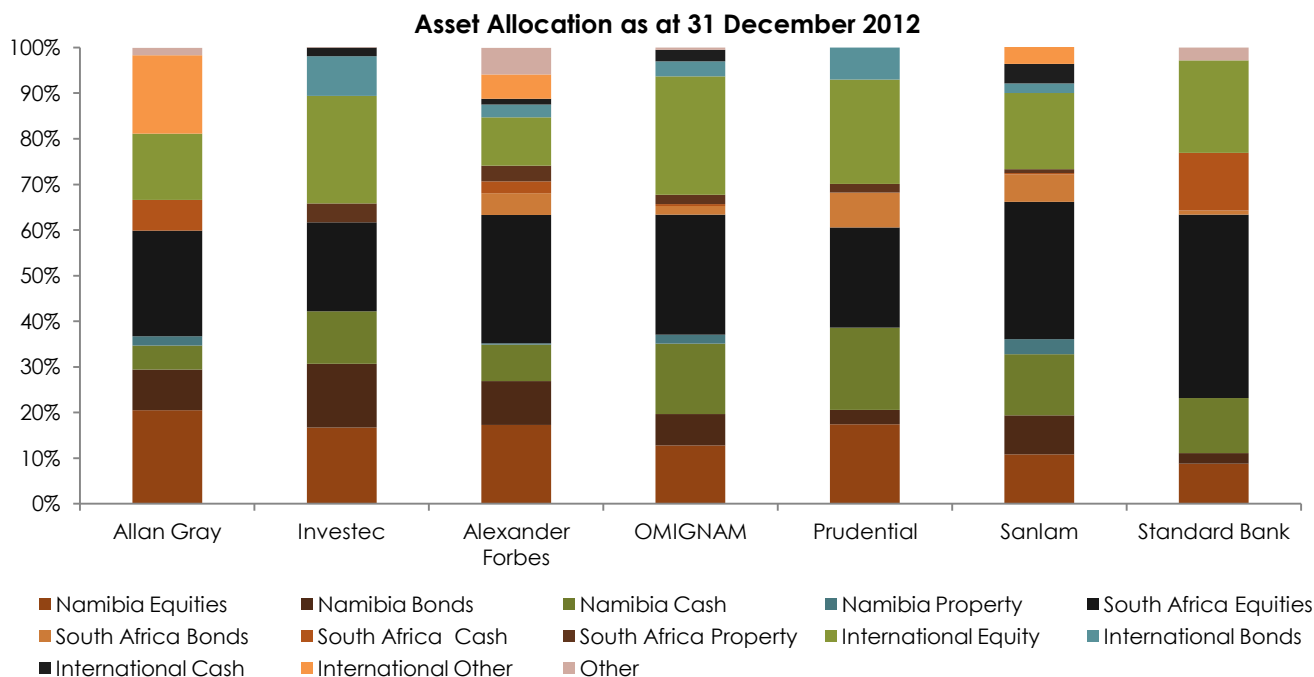
2. Other represents Gold ETF's

3. Other represents SA Hedge Funds

4. Other represents International Property

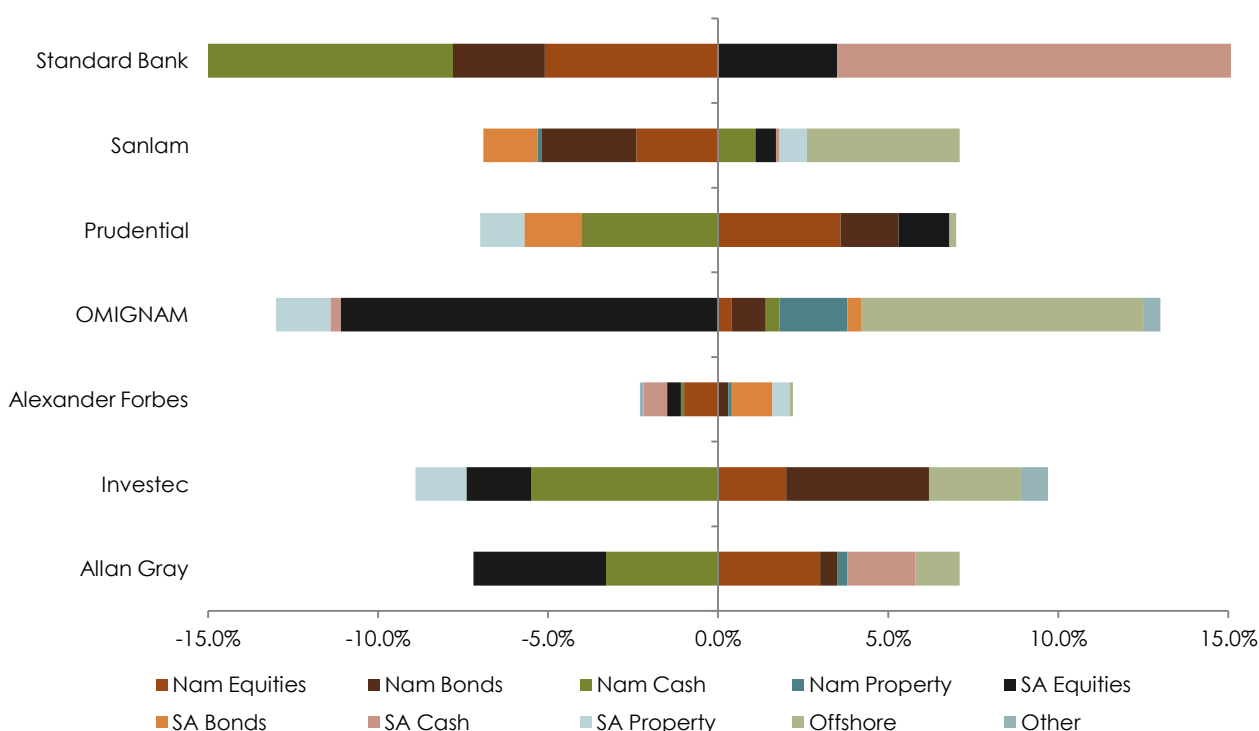
5. Other represents Pooled Offshore Funds.

6. This is the asset allocation as at 31 September 2012. Alexander Forbes are currently changing platforms and were unable to supply the asset allocations as at 31 December 2012.



### 3.1.2. Change in Asset Allocation

The following graph illustrates the changes that were made to the managers' asset allocation over the 12 month period ending **31 December 2012**. In the event that the allocation to an asset class was decreased, the change would be indicated on the left hand side of the vertical axis.



The above graph indicates that both Standard Bank and OMIGNAM have made significant changes to some of the underlying asset classes. Standard Bank reduced the portfolio's underlying exposure to Namibian Cash, Bonds and Equities, whilst increasing exposure to South African Cash. OMIGNAM significantly reduced the portfolio's underlying exposure to South African Equities, whilst increasing exposure to Offshore assets.

## Geographical Split as at 31 December 2012

	Allan Gray	Investec Managed	AF Balanced Growth <sup>2</sup>	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced Fund	Standard Bank Managed
Namibia	36.8%	42.1%	35.2%	37.2%	38.6%	36.0%	23.2% <sup>1</sup>
South Africa	31.6%	23.6%	44.7%	31.0%	31.5%	37.1%	56.5%
International	31.6%	34.3%	20.1%	31.8%	29.9%	26.9%	20.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. We are in the process of querying why Standard Bank is below the limit of 35% Namibian exposure.
2. This is the asset allocation as at 31 September 2012. Alexander Forbes are currently changing platforms and were unable to supply the asset allocations as at 31 December 2012.

## 3.1.3. Time weighted returns

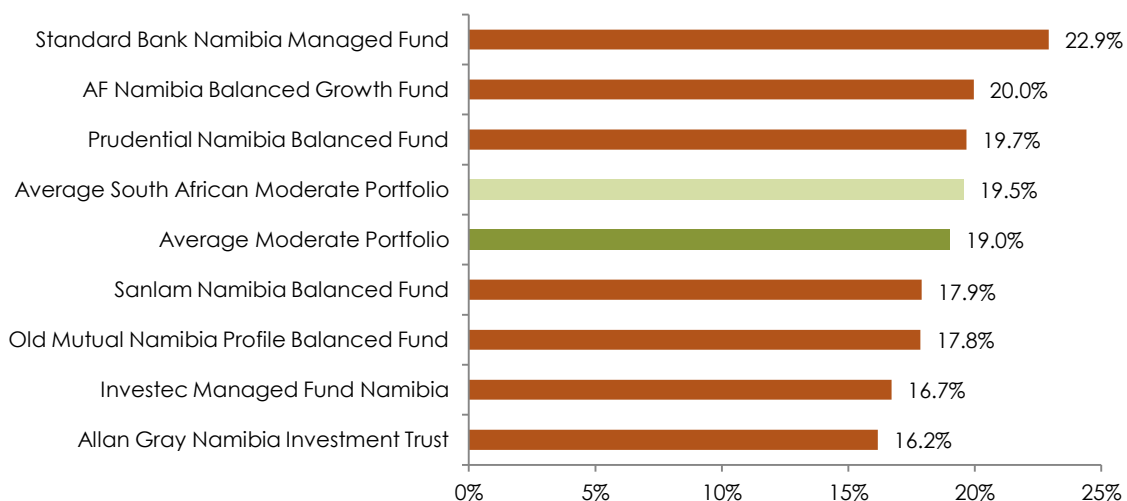
Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

Investment Portfolio	1 yr	3 yrs (annualised)	5 yrs (annualised)	10 yrs (annualised)
Allan Gray Namibia Investment Trust	16.2%	13.0%	10.7%	18.1%
Investec Managed Fund Namibia	16.7%	12.3%	7.8%	16.3%
AF Namibia Balanced Growth Fund <sup>1</sup>	20.0%	13.8%	9.2%	16.4%
Old Mutual Namibia Profile Balanced Fund	17.8%	12.7%	7.9%	16.0%
Prudential Namibia Balanced Fund	19.7%	12.3%	-	-
Sanlam Namibia Balanced Fund	17.9%	12.9%	6.1%	-
Standard Bank Namibia Managed Fund	22.9%	16.3%	11.6%	16.8%
<b>Average Moderate Portfolio<sup>2</sup></b>	<b>19.0%</b>	<b>13.4%</b>	<b>9.1%</b>	<b>16.4%</b>
<b>All Share (JSE)</b>	<b>26.7%</b>	<b>15.6%</b>	<b>9.4%</b>	<b>18.9%</b>
<b>Inflation</b>	<b>6.3%</b>	<b>5.5%</b>	<b>6.9%</b>	<b>5.8%</b>
<b>Inflation + 6%</b>	<b>-</b>	<b>11.5%</b>	<b>12.9%</b>	<b>11.8%</b>

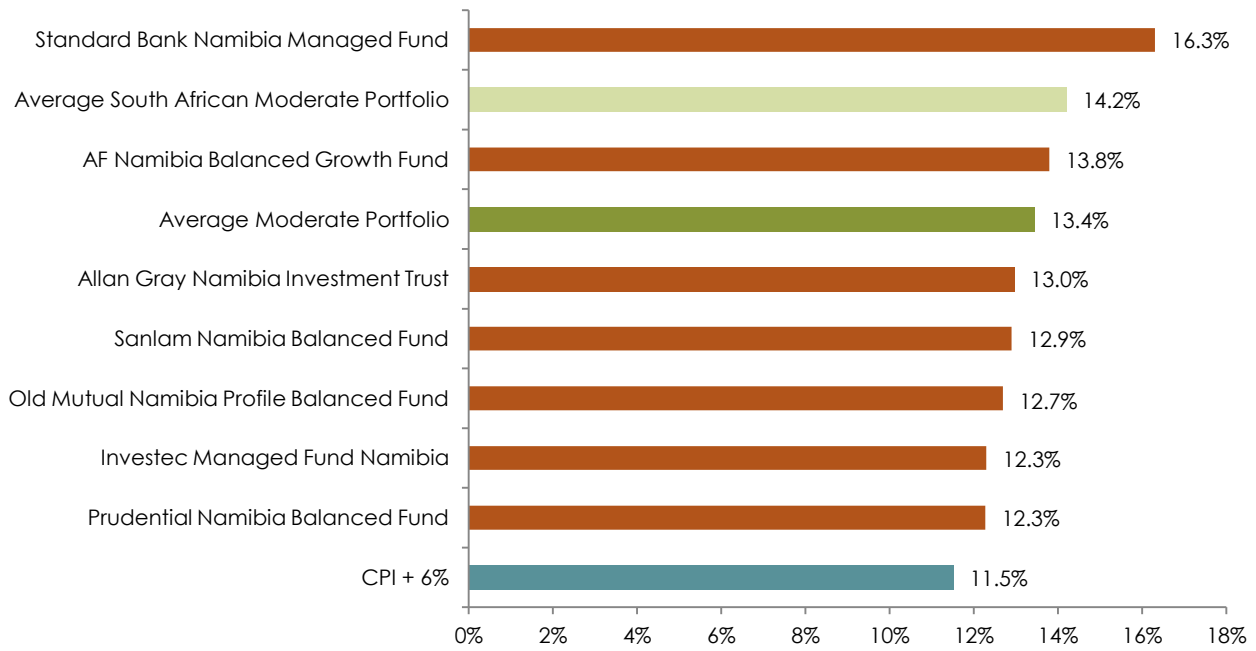
1. Returns prior to April 2009 were for the Investment Solutions Focused Growth Fund. The fund's name changed to AF Balanced Growth in March 2009.
2. Average of the Jacques Malan Consultants and Actuaries Survey for Moderate Balanced portfolios.

The following graph reflects the investment returns achieved for each period graphically:

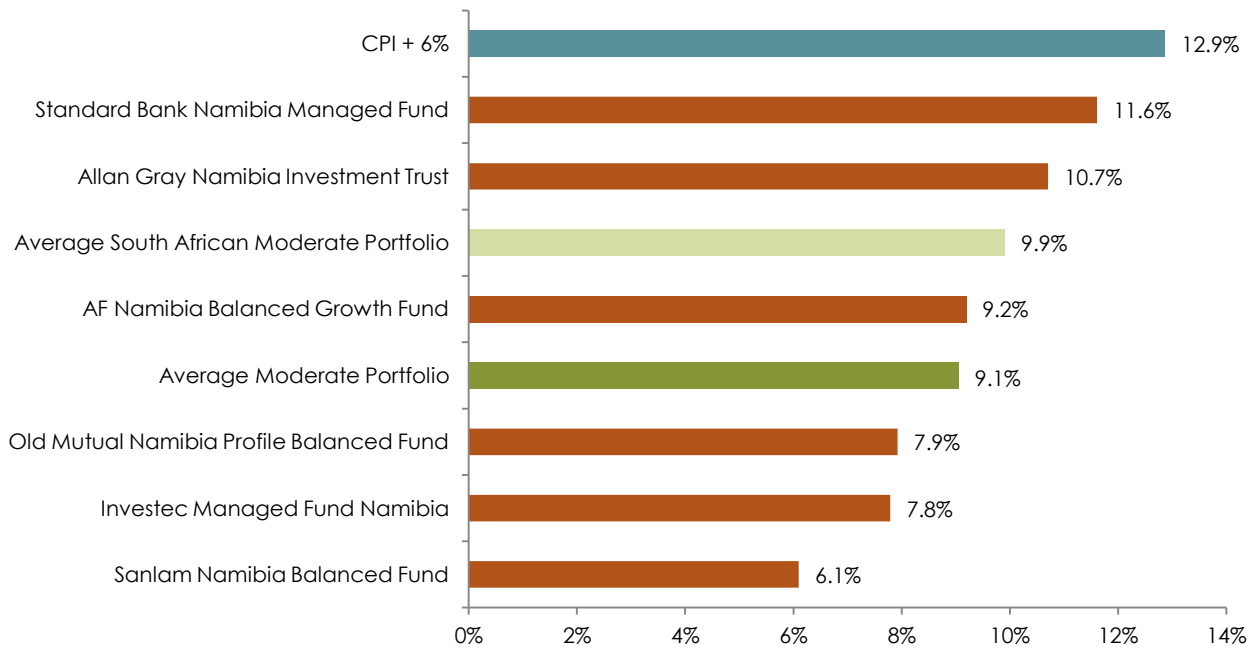
## 1 year performance to 31 December 2012



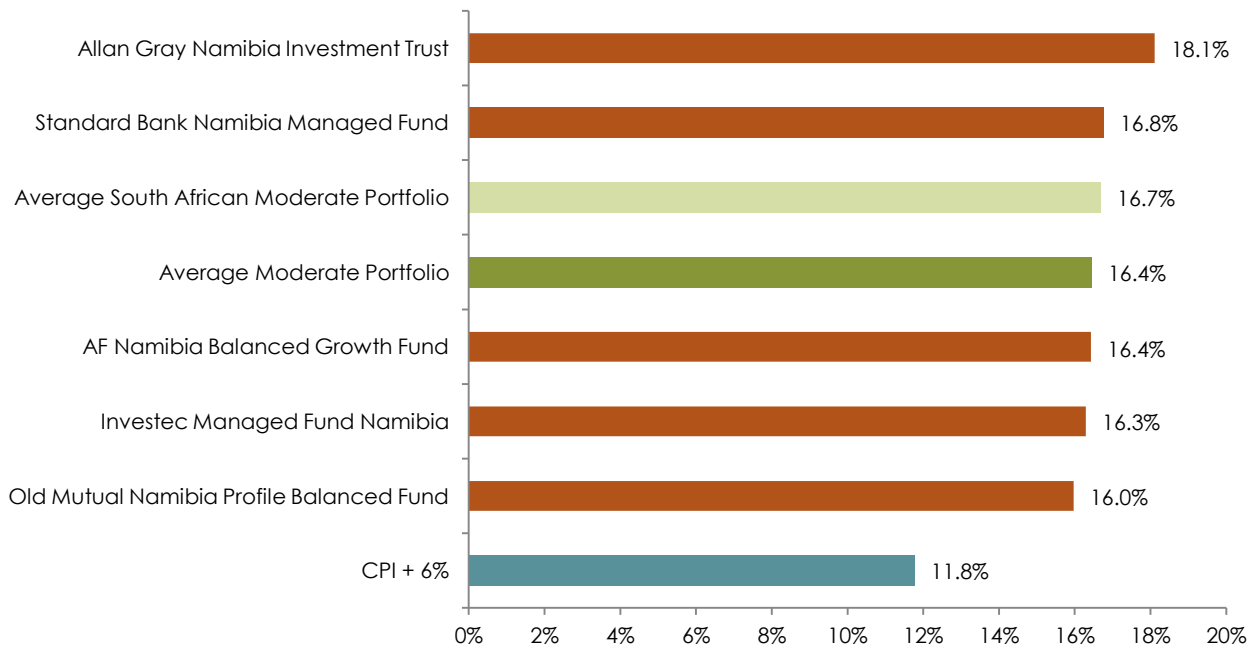
### 3 year performance for the period ending 31 December 2012



### 5 year performance for the period ending 31 December 2012

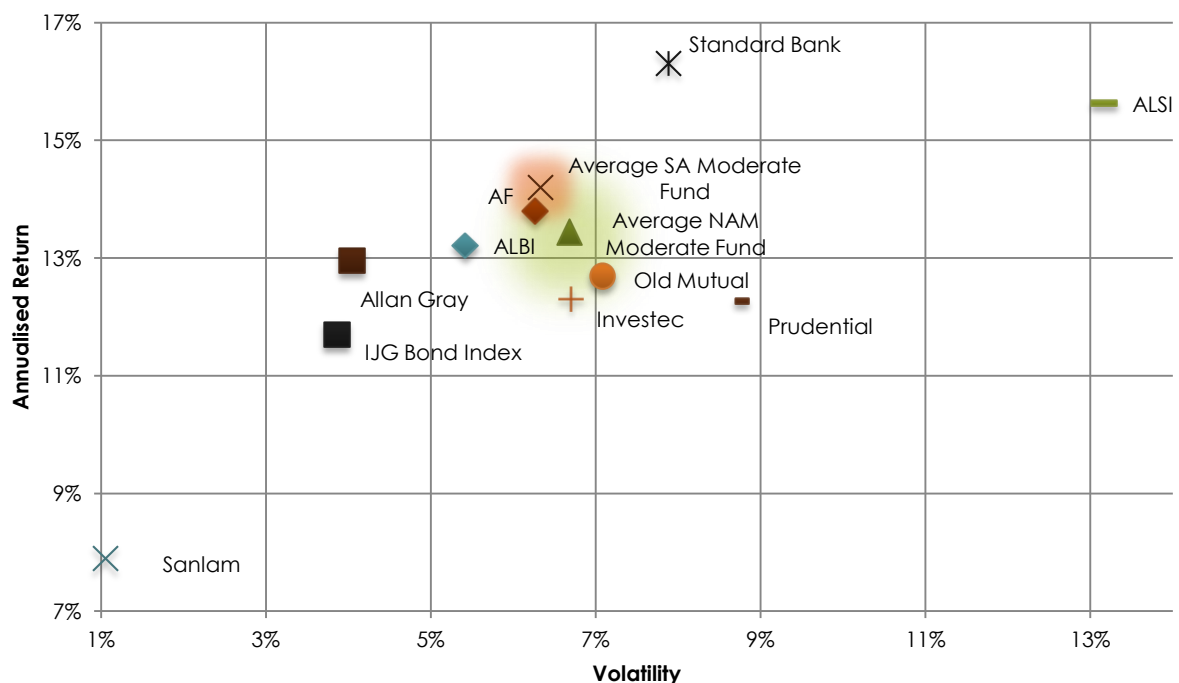


### 10 year performance for the period ending 31 December 2012



#### 3.1.4. Volatility vs Return

The following graph illustrates the volatility and return statistics of the moderate portfolios for a 3 year period ending **31 December 2012**. These returns are also **gross** of all investment charges.



### 3.2. Moderate-low portfolios

#### 3.2.1. Asset allocation

The figures below reflect the asset allocation of the moderate-low portfolios as at **31 December 2011 (12 months ago)**

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	8.2%	4.0%	12.3%	15.1%
Nam Bonds	8.1%	0.9%	7.5%	7.9%
Nam Cash	19.1%	31.5%	6.1%	7.4%
Nam Property	-	0.1%	-	0.8%
SA Equities	25.7%	6.1%	4.9%	16.0%
SA Bonds	12.5%	26.1%	23.5%	11.7%
SA Cash	1.8%	3.2%	14.0%	9.3%
SA Property	4.6%	4.0%	5.3%	2.6%
International Equity	15.9%	17.9%	14.5%	14.7%
International Bonds	3.8%	0.7%	11.9%	5.9%
International Cash	0.1%	3.3%	-	-
International Other <sup>1</sup>	0.2%	0.1%	-	7.8%
Other	-	2.1% <sup>3</sup>	-	0.8% <sup>2</sup>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. Other represents Hedge Funds

2. Other represents Gold ETF's

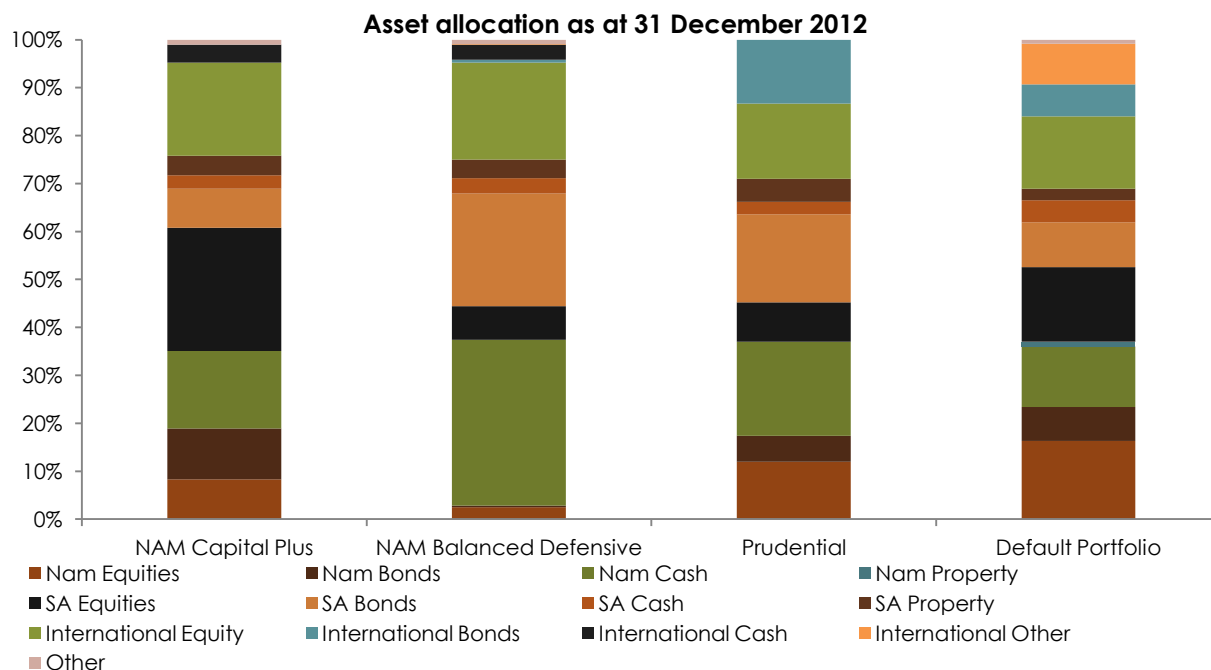
3. Other represents Preference Shares

The figures below reflect the asset allocation of the moderate-low portfolios as at **31 December 2012**

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	8.3%	2.5%	12.0%	16.3%
Nam Bonds	10.6%	0.3%	5.4%	7.1%
Nam Cash	16.2%	34.6%	19.6%	12.6%
Nam Property	-	-	-	1.0%
SA Equities	25.7%	7.0%	8.2%	15.6%
SA Bonds	8.1%	23.5%	18.4%	9.3%
SA Cash	2.8%	3.2%	2.6%	4.6%
SA Property	4.1%	3.9%	4.8%	2.4%
International Equity	19.4%	20.2%	15.7%	15.1%
International Bonds	-	0.6%	13.3%	6.7%
International Cash	3.8%	3.2%	-	-
International Other <sup>1</sup>	-	0.1%	-	8.5%
Other <sup>2</sup>	1.0%	0.9%	-	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

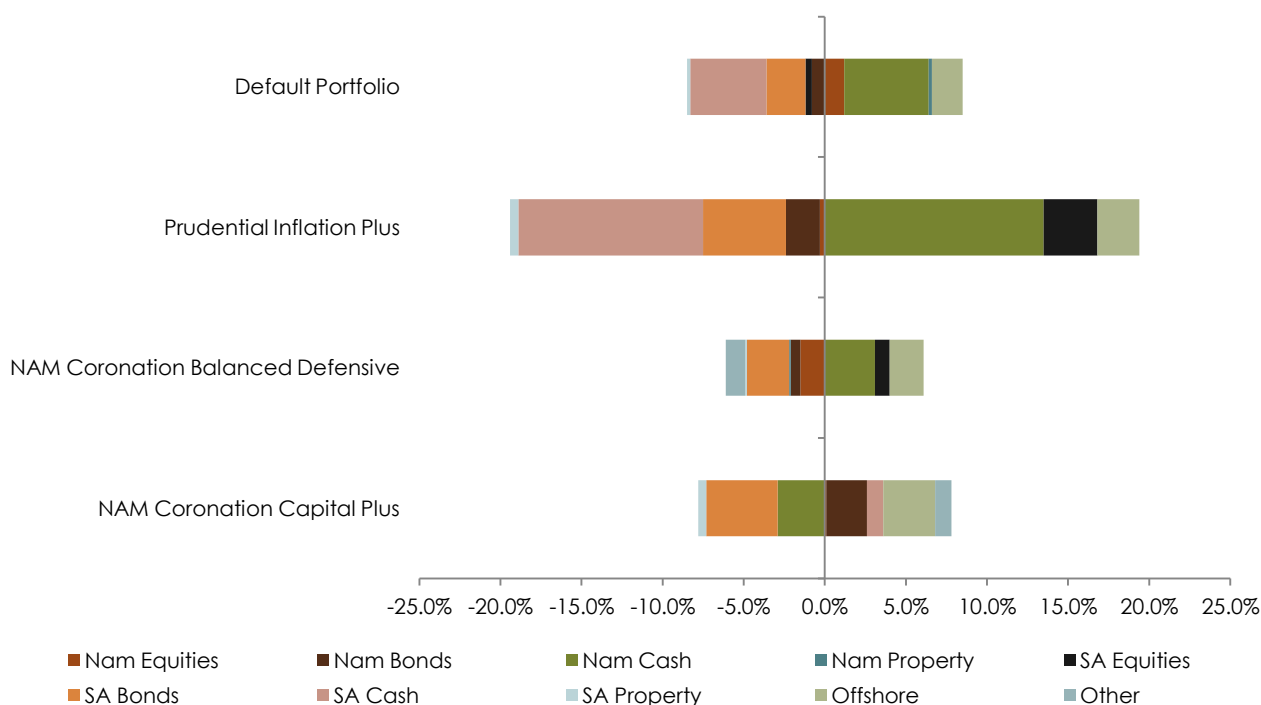
1. Other represents Hedge Funds

2. Other represents Gold ETF's



### 3.2.2. Change in Asset Allocation

The following graph illustrates the changes that were made to the managers' asset allocation over the 12 month period ending **31 December 2012**. In the event that the allocation to an asset class was decreased, the change would be indicated on the left hand side of the vertical axis.



None of the managers have made significant changes to their asset allocation decision over the past year. The most significant move was Prudential's Inflation Plus portfolio which switched from South African Cash to Namibian Cash.



### 3.2.3. Geographical Split

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Namibia	35.1%	37.4%	37.0%	36.9%
South Africa	41.7%	38.5%	34.0%	32.8%
International	23.2%	24.1%	29.0%	30.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

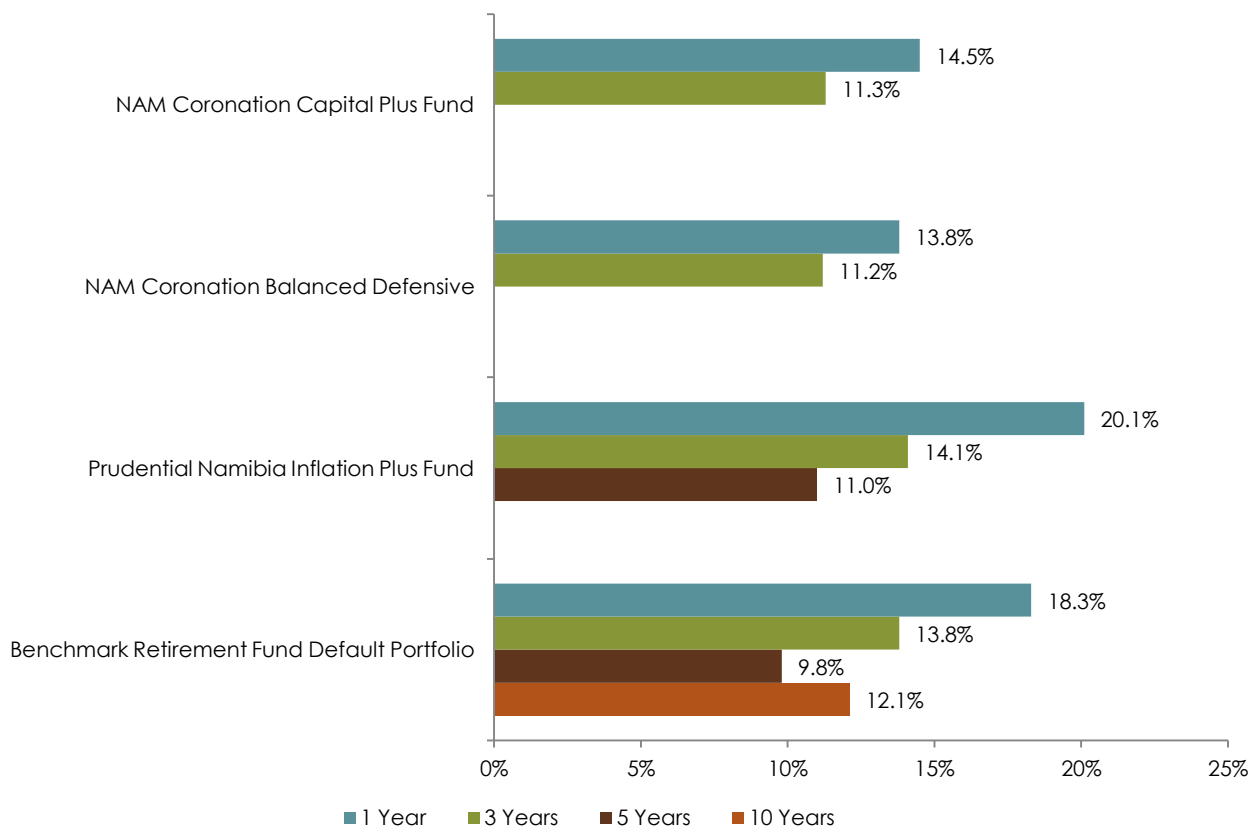
### 3.2.4. Time weighted returns

Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

Investment Portfolio	1 yr	3 yrs (annualised)	5 yrs (annualised)	10 yrs (annualised)
NAM Coronation Capital Plus Fund	14.5%	11.3%	-	-
NAM Coronation Balanced Defensive Fund	13.8%	11.2%	-	-
Prudential Namibia Inflation Plus Fund	20.1%	14.1%	11.0%	-
Benchmark Retirement Fund Default Portfolio	18.3%	13.8%	9.8%	12.1%
<b>Inflation</b>	<b>6.3%</b>	<b>5.5%</b>	<b>6.9%</b>	<b>5.8%</b>
<b>Inflation + 3% to 5%</b>	<b>-</b>	<b>8.5% to 10.5%</b>	<b>9.9% to 11.9%</b>	<b>8.8% to 10.8%</b>

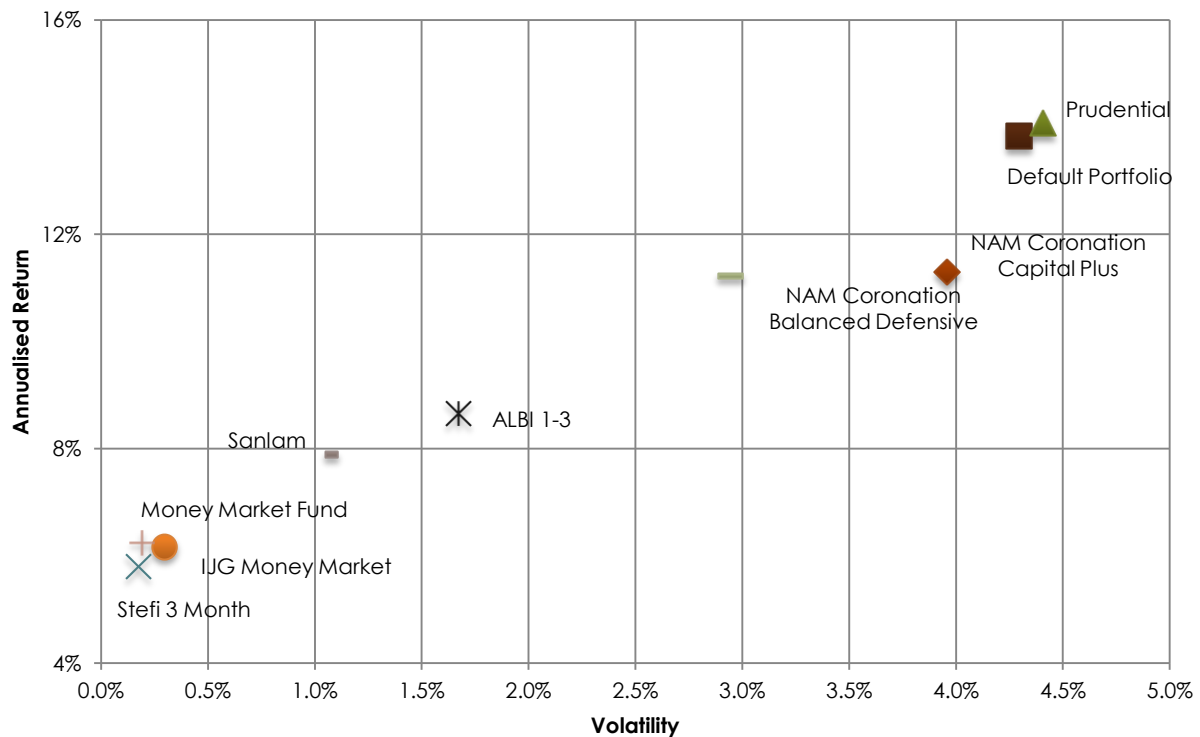
**Please note:** The NAM Coronation Absolute Fund was renamed to NAM Coronation Capital Plus Fund effective 26 April 2011.

The following graph reflects the investment returns achieved for each period graphically:



### 3.2.5. Volatility vs Return

The following graph illustrates the volatility and return statistics of the moderate-low portfolios for a 3 year period ending **31 December 2012**. These returns are also **gross** of all investment charges.



## 3.3. Low Risk and Capital Preservation Portfolios

### 3.3.1. Asset allocation

The figures below reflect the asset allocation of the low risk portfolios.

Sanlam Namibia Active		
	31 December 2012	31 December 2011
Nam Equities	-	-
Nam Bonds	1.3%	0.8%
Nam Cash	38.4%	43.5%
Nam Property	-	-
SA Equities	-	-
SA Bonds	14.9%	20.8%
SA Cash	42.7%	31.8%
SA Property	2.5%	1.4%
Offshore	-	-
Other <sup>1</sup>	0.2%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

1. Other represents Property Unit Trusts.

### 3.3.2. Time weighted returns

Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

#### Low risk portfolios

Investment Portfolio	1 yr	3 yrs (annualised)	5 yrs (annualised)
Sanlam Namibia Active Fund	7.4%	7.9%	-
<b>ALBI 1-3 year Index</b>	<b>8.3%</b>	<b>8.7%</b>	<b>9.3%</b>
<b>Inflation</b>	<b>6.3%</b>	<b>5.5%</b>	<b>6.9%</b>
<b>Inflation + 1% to 2%</b>	<b>-</b>	<b>6.5% to 7.5%</b>	<b>7.9% to 8.9%</b>

#### Capital Protection Portfolios

Investment Portfolio	1 yr	3 yrs (annualised)	5 yrs (annualised)
Money Market Fund <sup>1</sup>	5.7%	6.2%	7.9%
<b>IJG Money Market Index</b>	<b>5.7%</b>	<b>6.3%</b>	<b>7.6%</b>
<b>Inflation + 1%</b>	<b>-</b>	<b>6.5%</b>	<b>7.9%</b>

1. The underlying portfolio for the Money Market Fund is the Bank Windhoek Investment Fund, which may be changed by the Trustees at any time.