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Prepared by
NMG Investments Monitoring Division

For

 **Benchmark Retirement Fund**

Investment Report as at 31 December 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% to 6%
Allan Gray Namibia Investment Trust	Moderate	None	CPI + 5% to 6%
Investec Managed Fund Namibia	Moderate	None	CPI + 5% to 6%
Old Mutual Namibia Profile Pinnacle Fund	Moderate	None	CPI + 5% to 6%
Prudential Namibia Balanced Fund	Moderate	None	CPI + 5% to 6%
Sanlam Namibia Balanced Fund ²	Moderate	None	CPI + 5% to 6%
Standard Bank Namibia Managed Fund	Moderate	None	CPI + 5% to 6%
Default Portfolio	Moderate-Low	-	CPI + 4% to 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% to 3%
Sanlam Namibia Active Fund ¹	Low	1-3 year ALBI	CPI + 1% to 2%
Money Market Fund	Capital Preservation	7-day repo rate	CPI to CPI + 1%

1. The Trustees of the Fund have decided to replace the Investec High Income Fund with the Sanlam Namibia Active Fund.

2. 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.

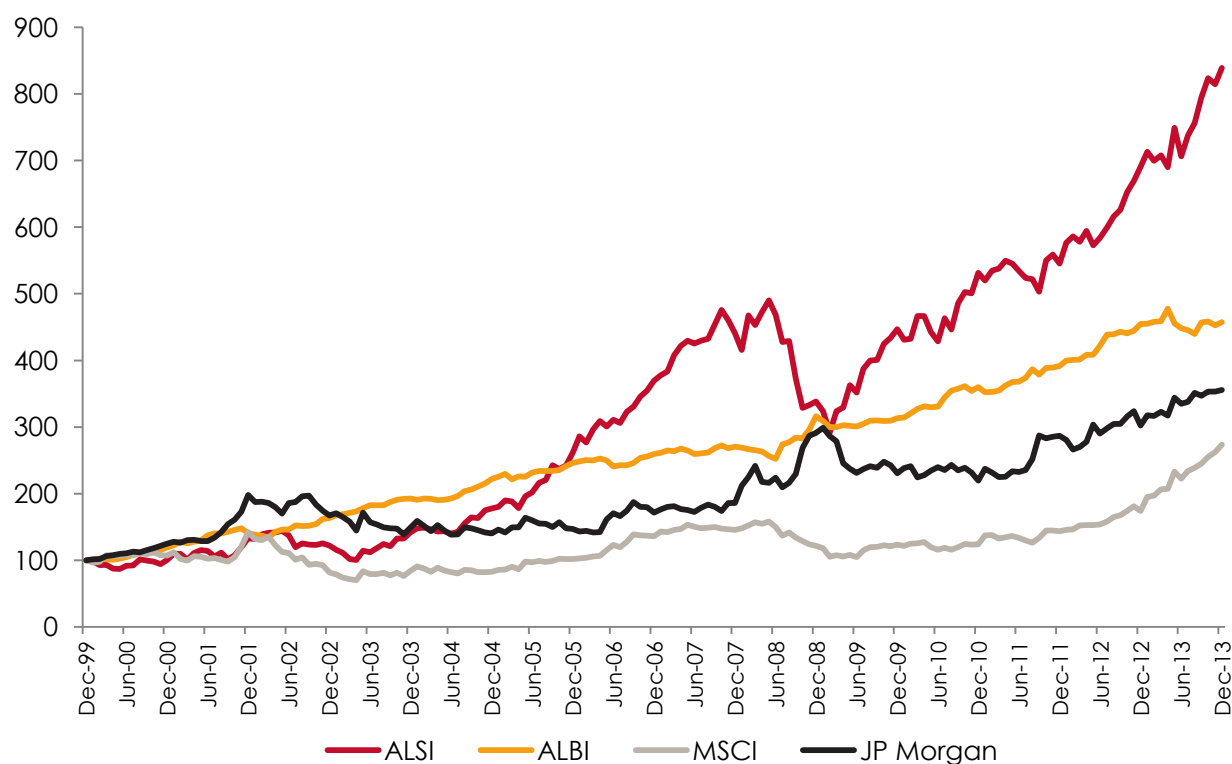
The Trustees do not currently offer aggressive risk portfolios, but will make them available when suitable portfolios have been identified.

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 **31 December 1999 to 31 December 2013**.



2.2 Medium Term Market Performance

The following table presents the performance of various market indices to **31 December 2013**.

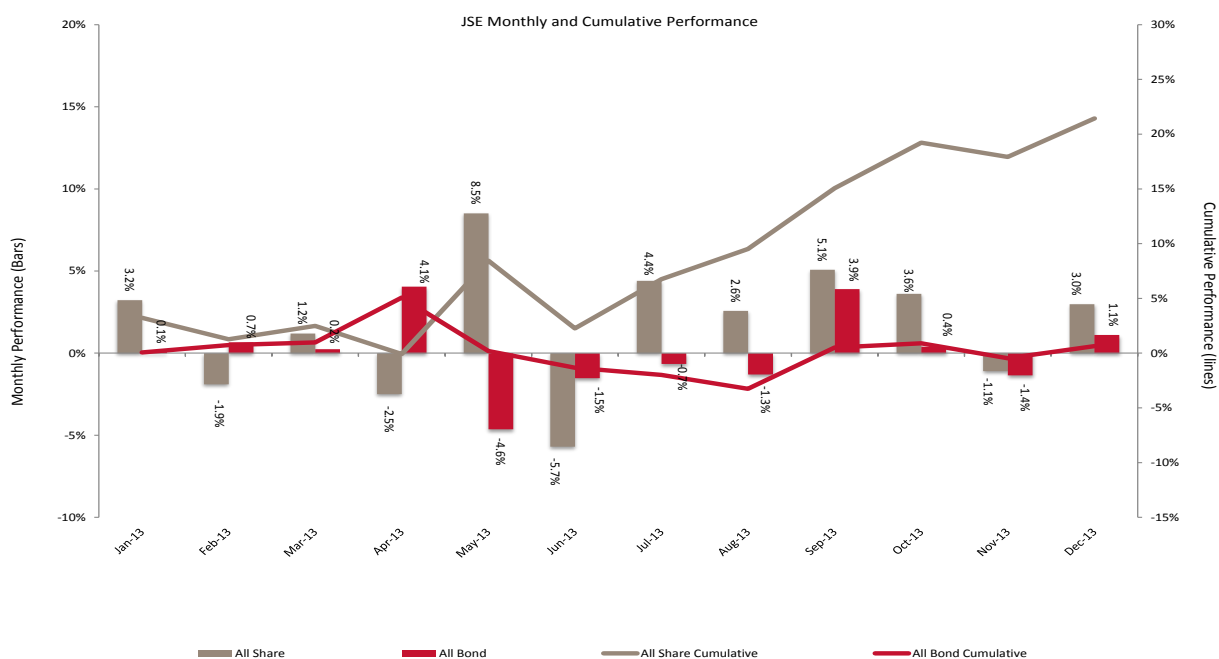
	2010	2011	2012	2013	One Year	Three Years
All Share (SA)	19.0%	2.6%	26.7%	21.4%	21.4%	16.4%
JSE: Financials	16.5%	7.4%	38.1%	19.1%	19.1%	20.9%
JSE: Industrial	27.4%	9.2%	40.8%	35.0%	35.0%	27.5%
JSE: Resources	12.3%	-6.5%	3.1%	1.4%	1.4%	-0.8%
All Bond (SA)	15.0%	8.8%	16.0%	0.6%	0.6%	8.3%
STeFI (SA)	6.9%	5.7%	5.5%	5.2%	5.2%	5.5%
MSCI World	0.5%	15.8%	21.3%	57.0%	57.0%	30.1%
JP Morgan Bond	-4.8%	30.7%	5.4%	17.6%	17.6%	17.5%
Rand/Dollar ¹	-10.6%	21.9%	4.1%	23.2%	23.2%	16.1%
CPI (SA)	3.5%	6.1%	5.7%	5.4%	5.4%	5.7%

¹ A positive percentage indicates a depreciation of the Rand relative to the Dollar, and vice versa.

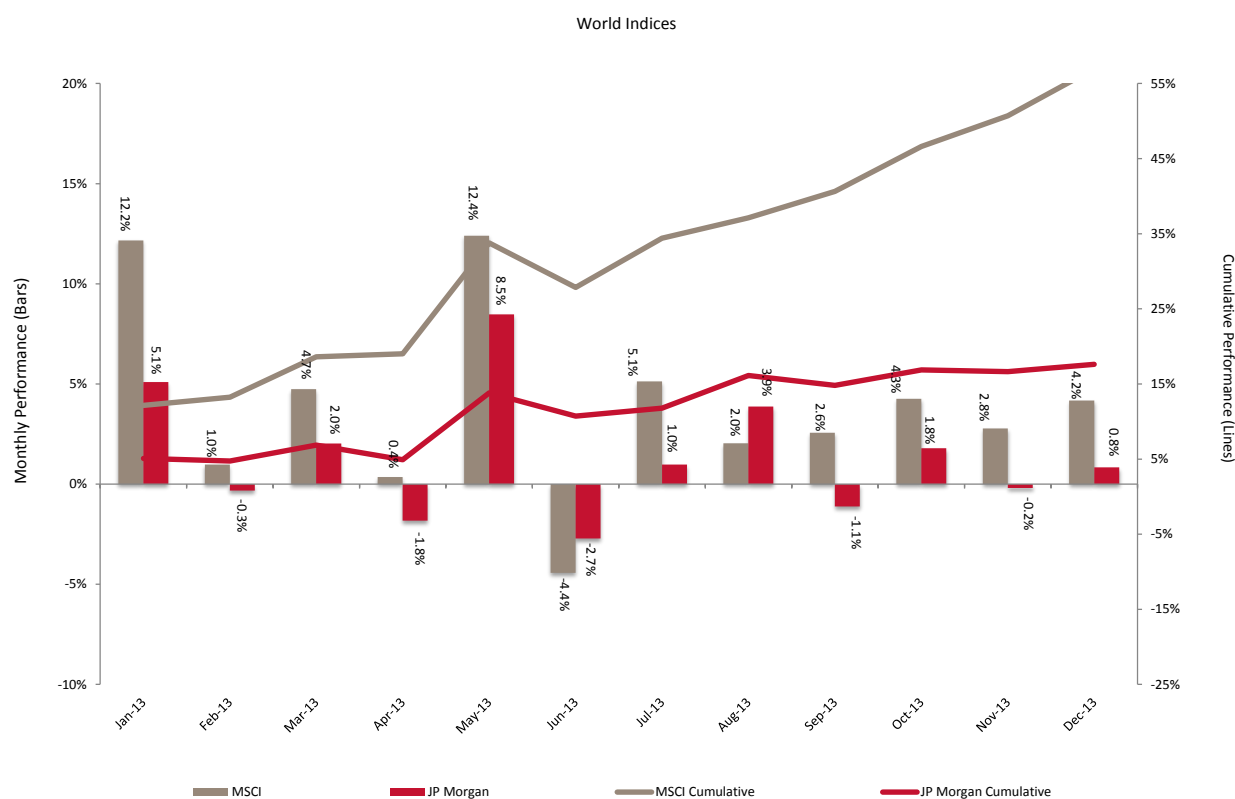
2.3 Short Term Market Performance

The following graphs represent the monthly performance of various market indices for the year ending **31 December 2013**.

2.3.1 South Africa



2.3.2 World



2.3.3 South African and International Market Commentary

Country specific economic trends which developed during the first three quarters of 2013 continued during the last quarter: The uncertain recovery of USA, the flat growth in significant countries within the Eurozone such as Germany, the downward trend of other Euro countries such as France, and the continued labour unrest which has plagued South Africa since 2012.

Despite the partial US Government shutdown, US GDP figures released during November exceeded expectations and recorded 3.6% compared to the expected 3.0% for the 3rd quarter of 2013. In addition the USA recorded a lower unemployment rate, decreasing from 7.2% during September 2013 to 6.7% as at the end of December 2013.

Germany remains the largest contributing member of the Eurozone and released a modest 3rd Quarter GDP growth rate of 0.6% but recorded a PMI above 50.0 at 54.3 indicating expansion. The second largest economy, France, however recorded a PMI of 47.0 during December indicating contraction of the GDP rate of -0.1%.

The expansion within the developed world and labour unrest in numerous South African sectors contributed to the rand losing substantial ground against all major currencies during 2013, weakening by 23.2% against the US\$, 30.4% against the € and 24.3% against the £ over the 12 months ending December 2013. South Africa also released less favourable GDP results at 1.8% for the third quarter compared to 2.3% recorded as at the end of the second quarter and unemployment rate remaining at a high 24.7%.

The Gold Price in dollar terms continued to decrease during the last quarter of 2013 returning -8.8% for the quarter and -27.7% for the year ending 31 December 2013.

Equities

The All Share (ALSI) increased by 5.5% for the last quarter of 2013 returning 21.4% for the year. The 2013 performance was driven by the industrial and financial counters returning 35.0% and 19.1% respectively for the year. Resources were however muted and returned 1.4% for the year. The developed world remained the preferred asset class with the MSCI World returning 57.0% for the year in rand terms.

Bonds

Local Cash outperformed bonds over the 12 month period. The ALBI returned 0.6% for the year compared to the STeFI returning 5.2%. Bonds however continue to outperform cash over the 3 year period returning 8.3% compared to 5.5%. Driven by the weakening of the rand the JP Morgan bond index returned 17.6% for the year.

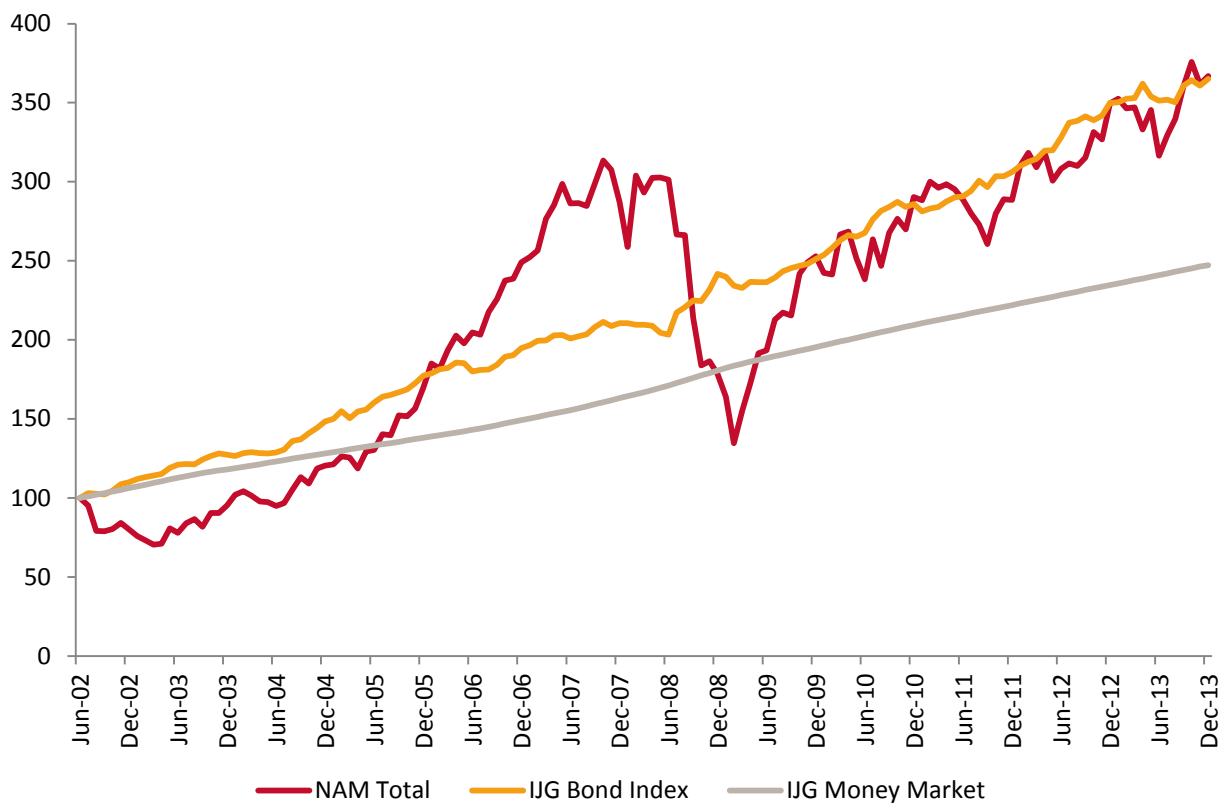
Currency

The Rand weakened against all major currencies, closing at R10.15 /US\$,16.61/£ and 13.82/€.

2.4 Namibia

2.4.1 Long Term Market Performance

The following graph represents the cumulative performance of some market indices for the period **30 June 2002** to **31 December 2013**.



2.4.2 Medium Term Market Performance

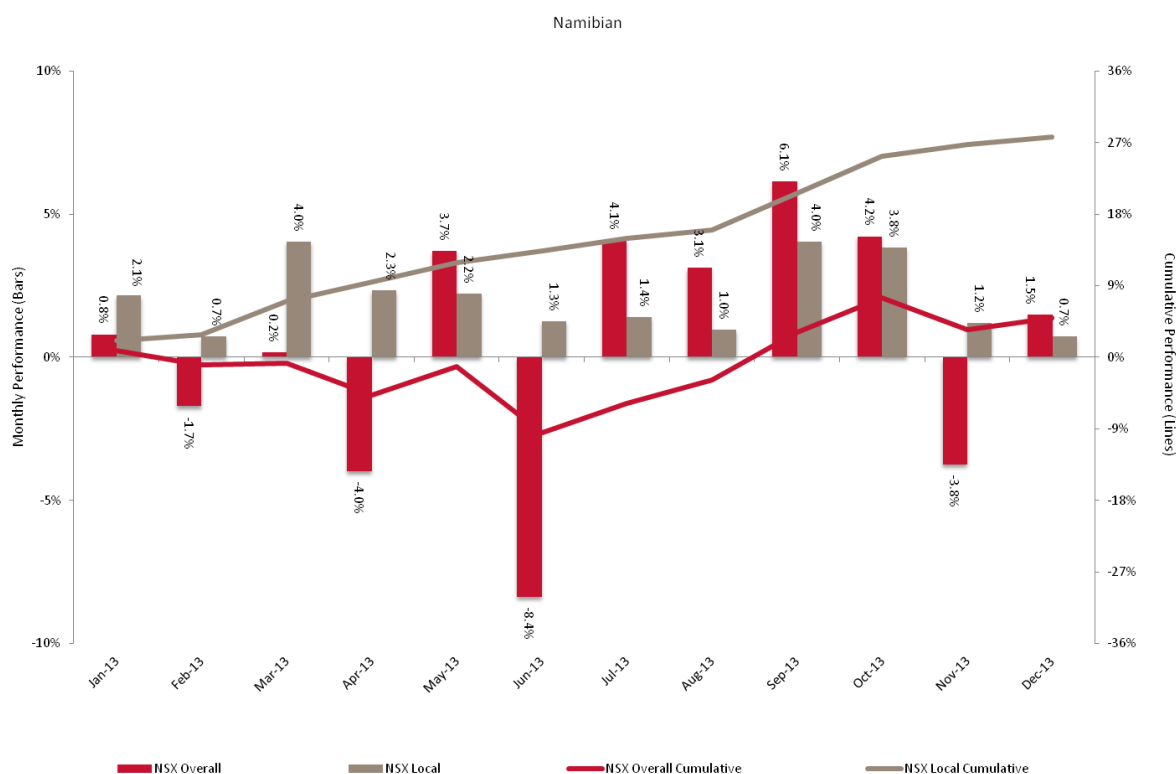
The following table presents the performance of various market indices to **31 December 2013**.

	2010	2011	2012	2013	One Year	Three Years
NAM Total	14.8%	-0.6%	21.2%	4.9%	4.9%	8.1%
NAM Local	18.7%	36.7%	31.2%	27.7%	27.7%	31.8%
NAM CPI	3.1%	7.2%	6.3%	5.0%	5.0%	6.2%
IJG Bond Index ¹	13.9%	7.1%	15.4%	4.3%	4.3%	8.8%
IJG Money Market	7.1%	6.0%	5.7%	5.3%	5.3%	5.7%

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

2.4.3 Short Term Market Performance

The following graph represents the monthly performance of various market indices for the year ending **31 December 2013**.



2.4.4 Namibian Market Commentary

Namibian trade deficit increased by a staggering 60% during November 2013 and closed at N\$ 1.6 billion. The trade deficit was largely driven by imports from South Africa, Botswana, China and Zambia. These countries are responsible for the majority of the country's imports whilst 69.1% of the country's exports are also largely limited to 5 countries, Botswana, South Africa, Switzerland, Angola and USA.

Whilst the Repo and Prime rate remained unchanged for the year at 5.5% and 9.25% respectively, inflation remained well within the expected band of 3% to 6% at 5% for the 2013 calendar year, decreasing from 6.3% for 2012.

3. Performance Comparison as at 31 December 2013

3.1 Moderate Portfolios

3.1.1 Asset Allocation

The figures below reflect the asset allocation of the moderate portfolios as at **31 December 2012 (12 Months ago)**

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	20.6%	16.7%	17.3%	12.8%	17.4%	10.8%	11.8%
Namibia Bonds	8.9%	14.0%	9.6%	6.9%	3.2%	8.6%	14.2%
Namibia Cash	5.3%	11.5%	8.0%	15.4%	18.0%	13.4%	12.7%
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%	-
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%	20.2%
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% ¹	-	5.3% ⁵	-	-	3.8% ⁴	-
Other	1.6% ²	-	5.8% ³	0.5%	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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.

The figures below reflect the asset allocation of the moderate portfolios as at **31 December 2013**.

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.6%	15.8%	20.0%	12.7%	15.6%	16.2%	9.2%
Namibia Bonds	8.9%	12.4%	10.1%	7.5%	2.6%	7.4%	13.2%
Namibia Cash	6.6%	10.1%	7.6%	18.1%	19.0%	14.6%	22.1%
Namibia Property	2.2%	0.7%	-	2.4%	2.3%	0.5%	-
South Africa Equities	21.7%	22.4%	15.6%	22.5%	23.9%	26.1%	30.5%
South Africa Bonds	-	0.1%	5.5%	0.6%	7.1%	6.6%	0.6%
South Africa Cash	4.3%	-	5.9%	0.3%	-	-	-
South Africa Property	-	3.2%	1.9%	1.3%	-	-	-
International Equity	17.4%	25.0%	19.6%	33.0%	24.8%	18.6%	24.4%
International Bonds	-	7.5%	4.8%	1.6%	4.7%	1.8%	-
International Cash	-	2.0%	3.0%	-	-	4.6%	-
International Other	17.2% ¹	0.8%	0.5% ⁵	-	-	3.6% ⁴	-
Other	2.1% ²	-	5.5% ³	-	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

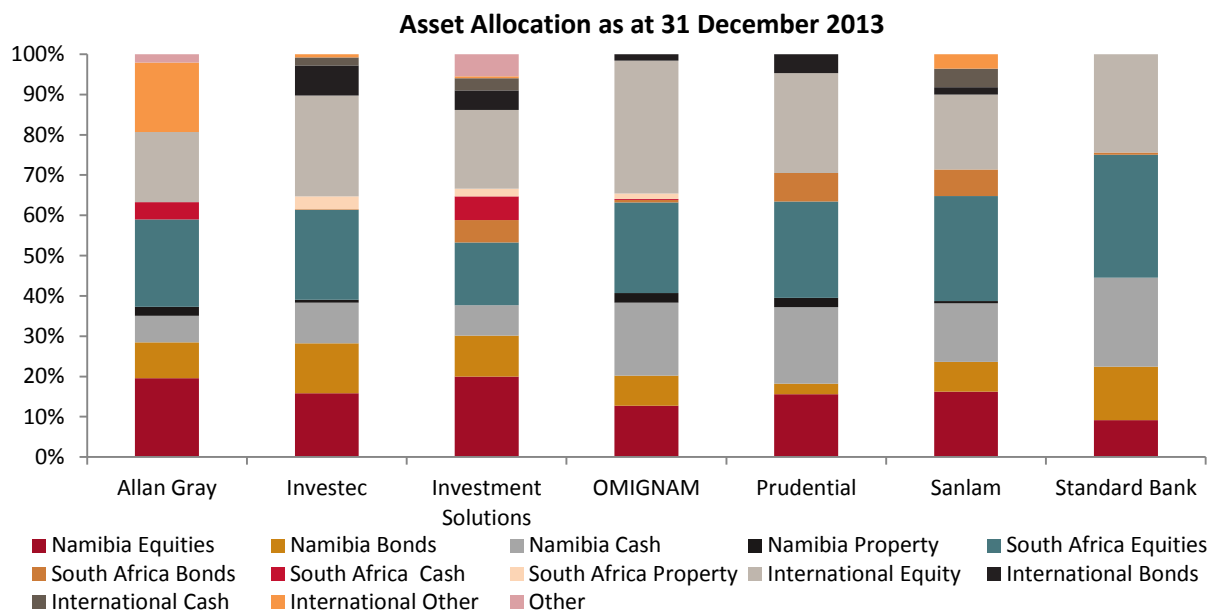
1. Other represents Offshore Hedge Funds.

2. Other represents Commodity ETF's

3. Other represents SA Hedge Funds

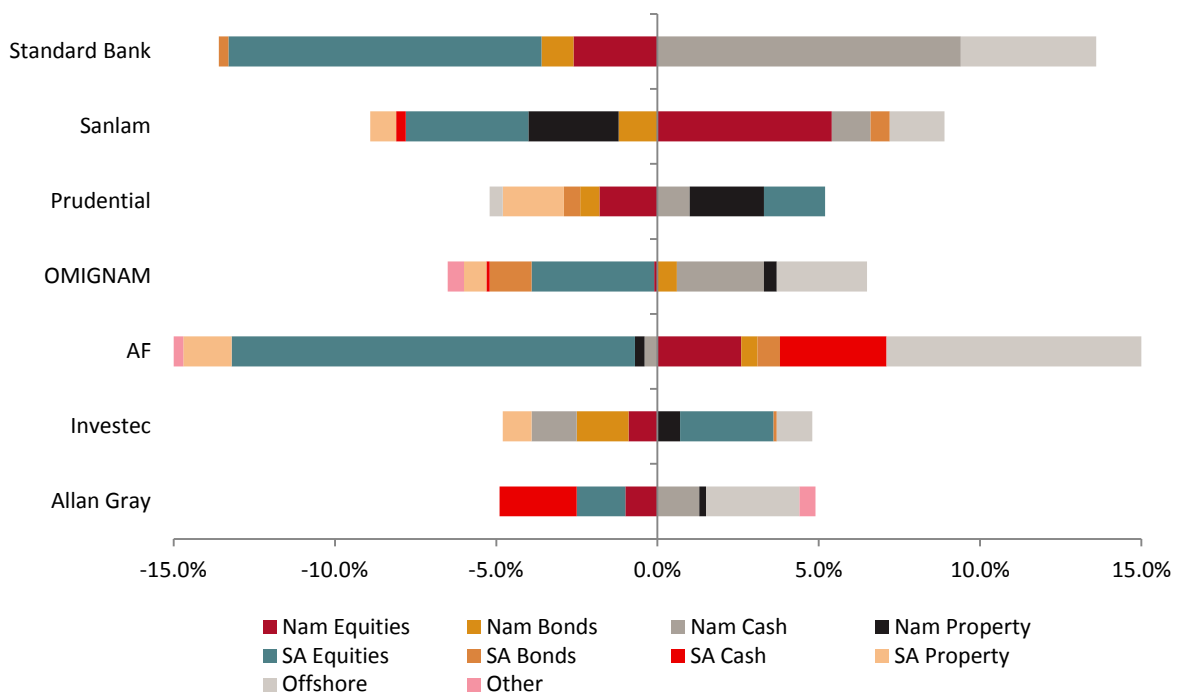
4. Other represents International Property

5. Other represents commodities



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 2013**. 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 Standard Bank and Alexander Forbes have made significant changes to some of their underlying asset classes. Both Standard Bank and Alexander Forbes reduced the portfolio's underlying exposure to South African Equities and increased offshore exposure. Standard Bank also made significant increase to NAM Cash.

3.1.3 Geographical Split as at 31 December 2013

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia	37.3%	39.0%	37.6%	40.7%	39.5%	38.6%	44.5%
South Africa	28.1%	26.5%	34.5%	24.4%	31.0%	32.9%	31.1%
International	34.6%	34.5%	27.9%	34.9%	29.5%	28.5%	24.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

3.1.4 Time Weighted Returns

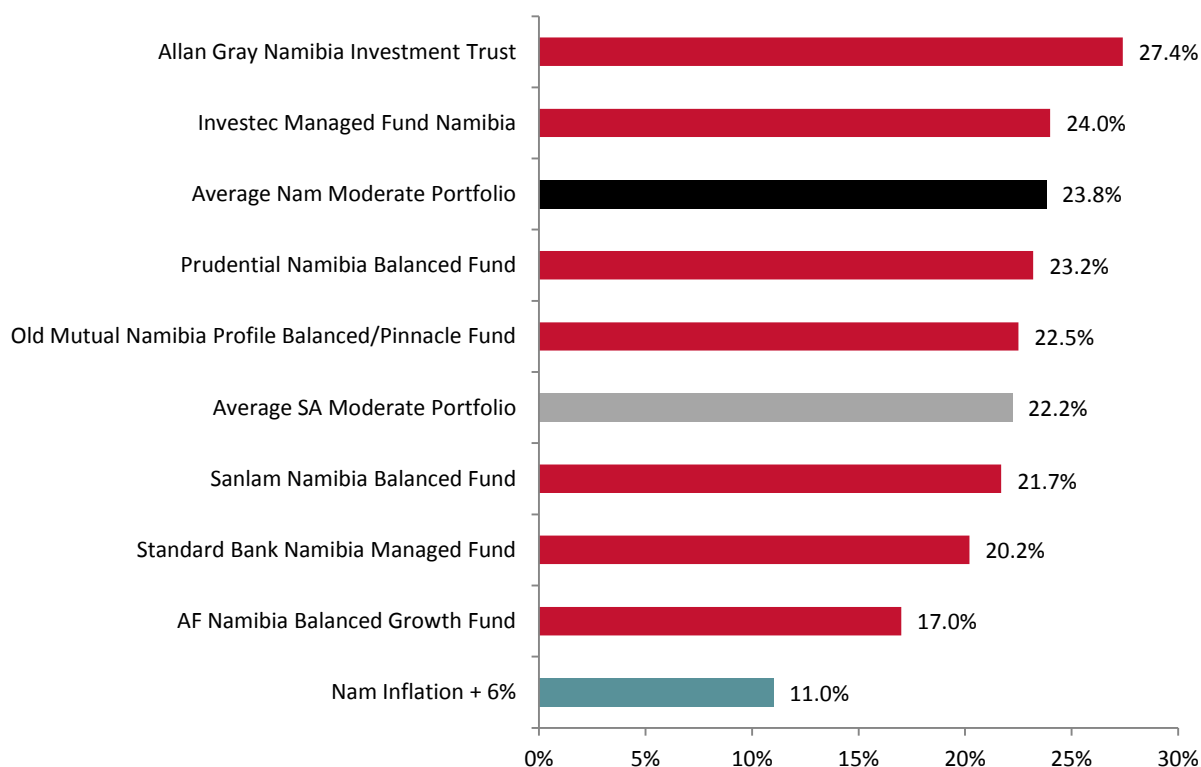
Listed below are the investment returns achieved for the specified periods to December 2013. Please note the returns are **gross** of fees.

Investment Portfolio	One Year	Three Years (annualised)	Five Years (annualised)	Ten Years (annualised)
Allan Gray Namibia Investment Trust	27.4%	19.0%	15.2%	18.5%
Investec Managed Fund Namibia	24.0%	15.9%	15.8%	16.8%
AF Namibia Balanced Growth Fund ¹	17.0%	15.3%	15.2%	16.2%
Old Mutual Namibia Profile Balanced/Pinnacle Fund ²	22.5%	15.7%	15.3%	16.1%
Prudential Namibia Balanced Fund	23.2%	15.5%	-	-
Sanlam Namibia Balanced Fund	21.7%	15.1%	15.2%	-
Standard Bank Namibia Managed Fund	20.2%	17.4%	17.7%	17.1%
Average SA Moderate Portfolio³	22.2%	16.0%	16.2%	16.6%
Average Nam Moderate Portfolio⁴	23.8%	16.9%	16.4%	16.9%
All Share (JSE)⁵	21.4%	16.4%	19.9%	19.5%
Nam Inflation	5.0%	6.2%	5.7%	6.0%
Nam Inflation + 6%	11.0%	12.2%	11.7%	12.0%

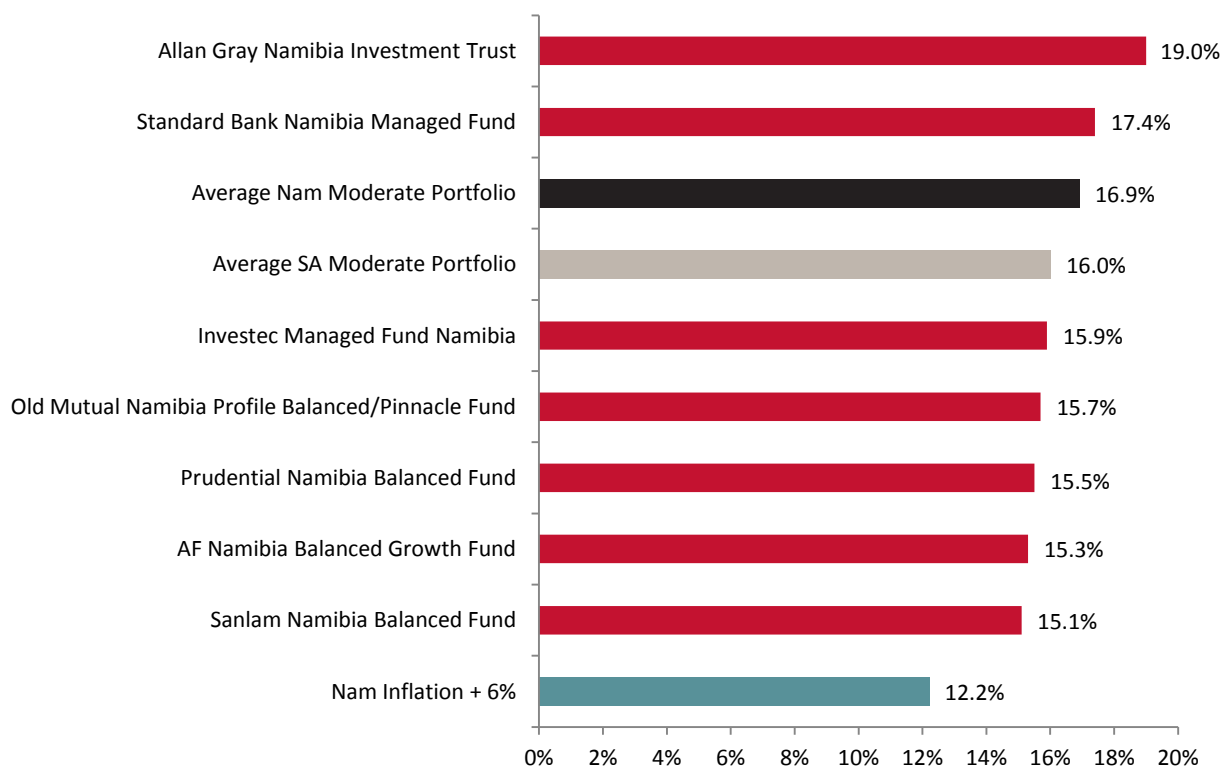
1. Returns prior to April 2009 were for the Investment Solutions Focused Growth Fund. The fund's name changed to AF Balanced Growth in March 2009.
2. OMIGNAM Profile Balanced was closed and assets transferred to OMIGNAM Profile Pinnacle during September 2013.
3. Average of the NMG Consultants and Actuaries Survey for SA Moderate Balanced portfolios.
4. Average of the NMG Consultants and Actuaries Survey for Namibian Moderate Balanced portfolios.
5. Returns reflect the total return index.

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

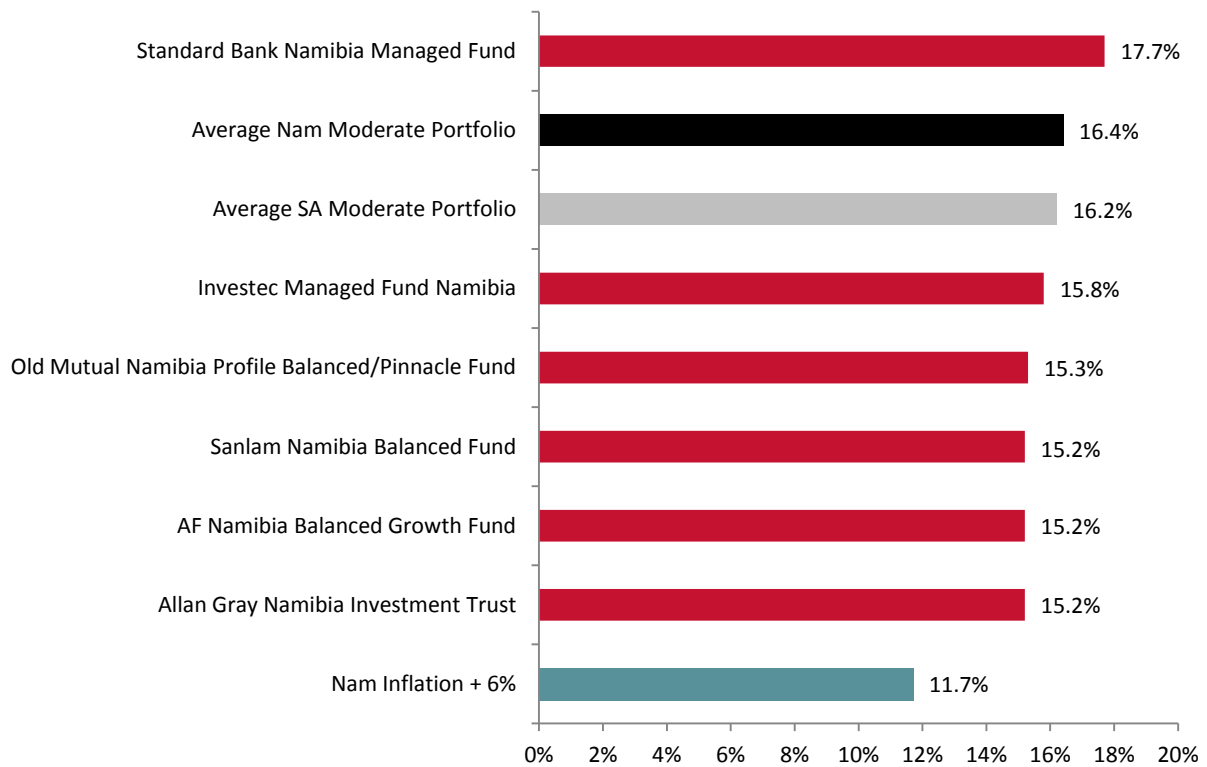
1 year performance for the period ending 31 December 2013



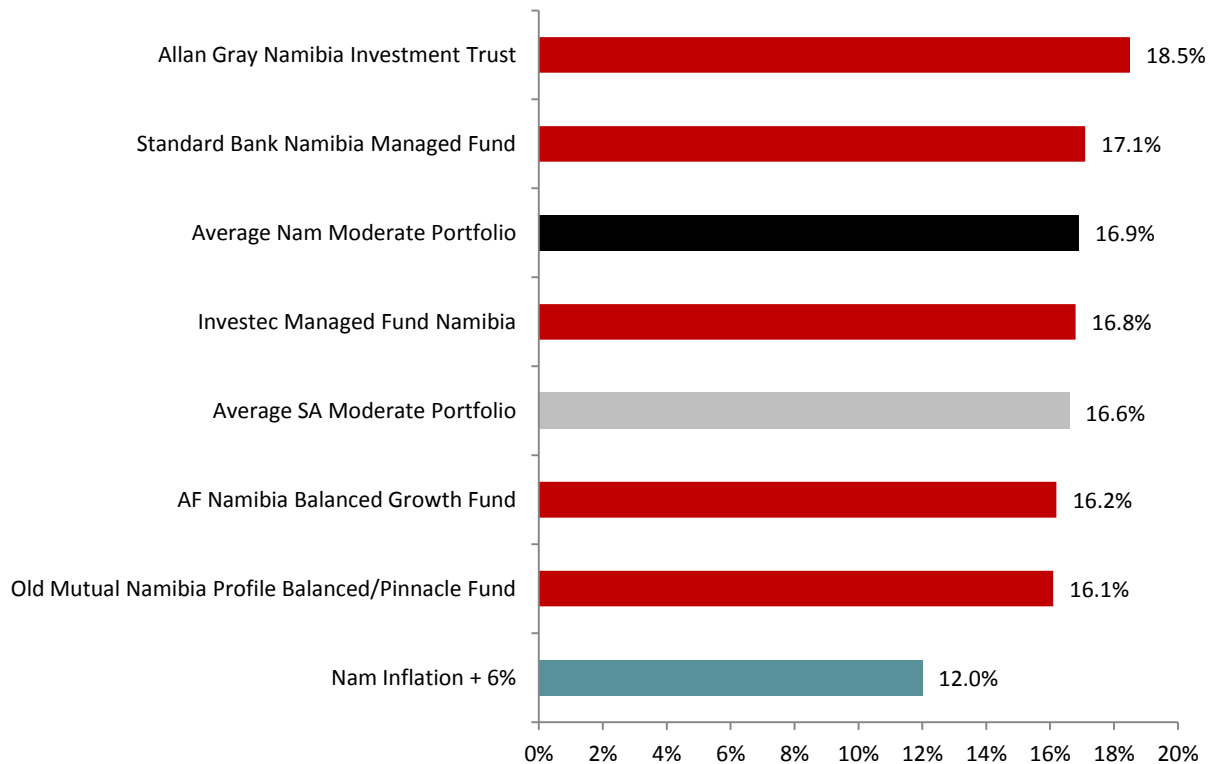
3 year performance for the period ending 31 December 2013



5 year performance for the period ending 31 December 2013

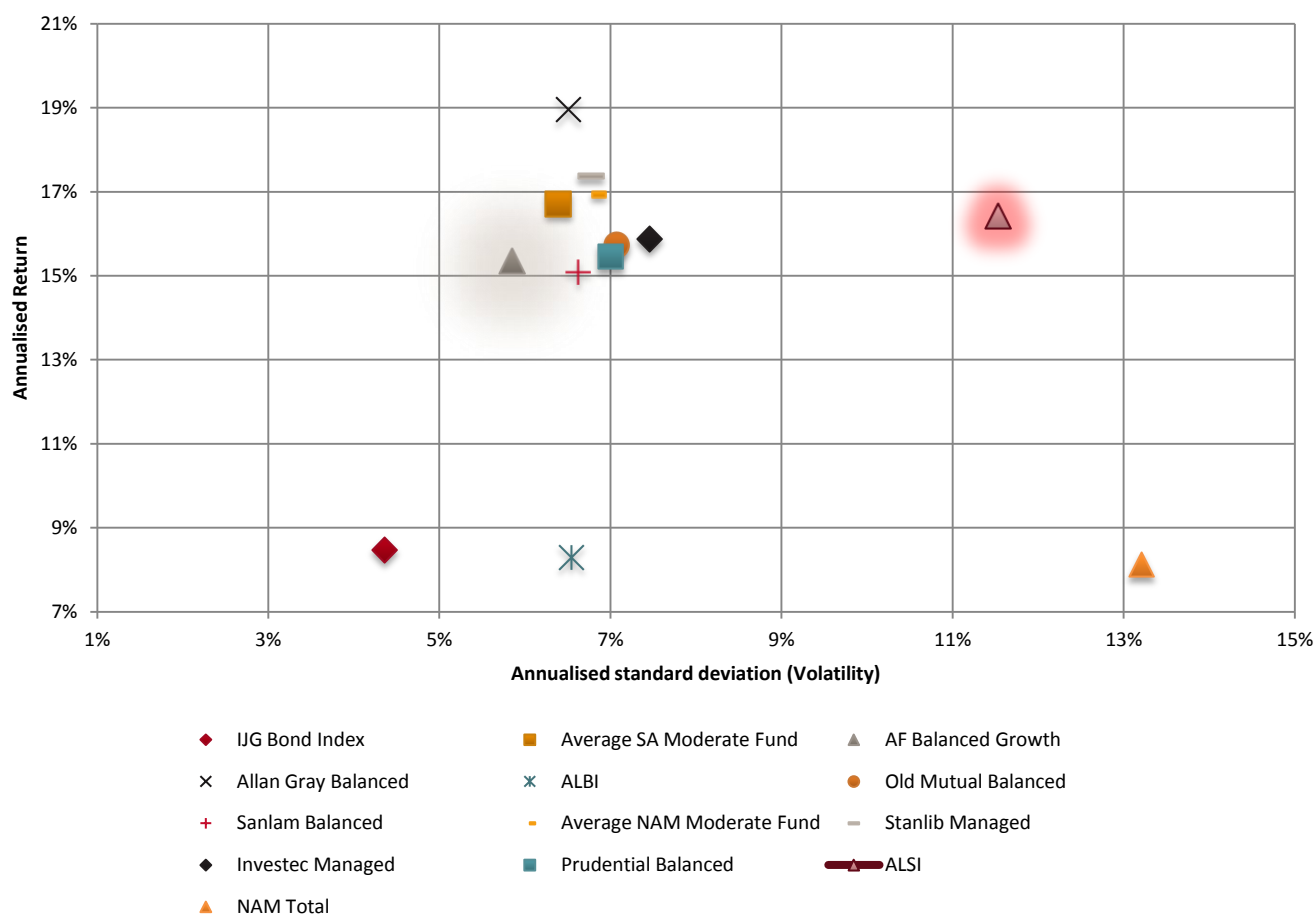


10 year performance for the period ending 31 December 2013



3.1.5 Volatility vs Return

The following graph illustrates the volatility and return statistics of the moderate portfolios for a 3 year period ending **31 December 2013**. These returns are also **gross** of all investment charges.



3.2 Moderate – Low Portfolios

3.2.1 Asset Allocation

The table below reflects the asset allocation of the moderate-low portfolios as at **31 December 2012 (12 Months ago)**

	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 ¹	-	0.1%	-	8.5%
Other ²	1.0%	0.9%	-	0.8%
Total	100.0%	100.0%	100.0%	100.0%

1. Other represents Hedge Funds

2. Other represents Gold ETF's

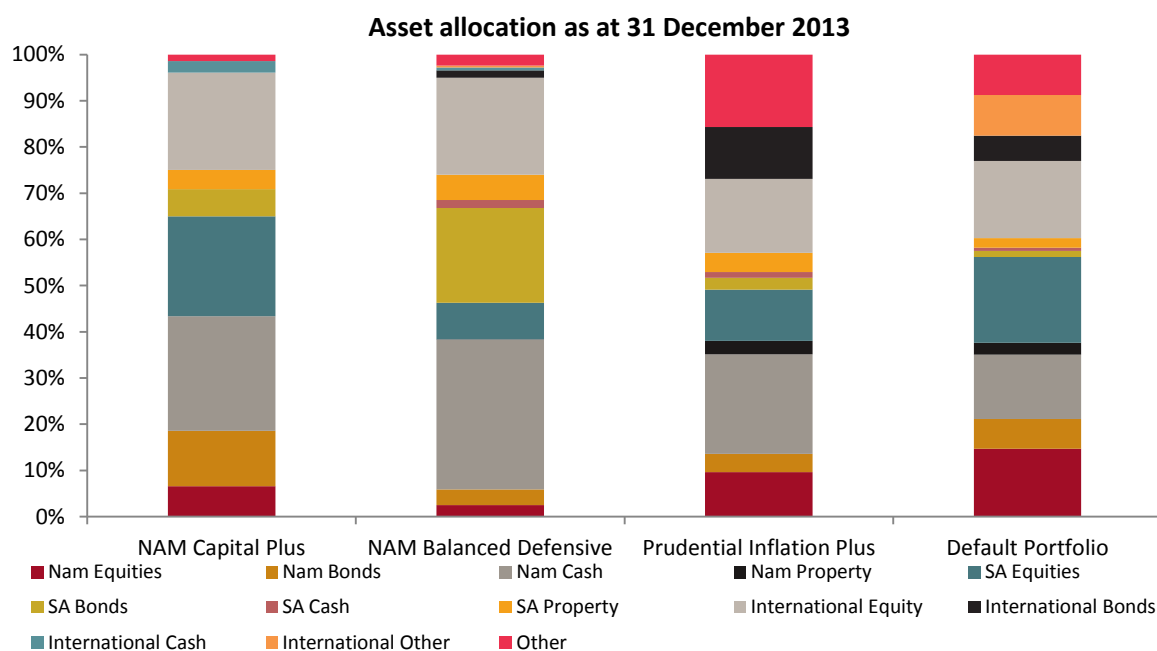
The table below reflects the asset allocation of the moderate-low portfolios as at **31 December 2013**

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	6.6%	2.5%	9.6%	14.6%
Nam Bonds	12.0%	3.4%	4.0%	6.5%
Nam Cash	24.8%	32.4%	21.5%	13.9%
Nam Property	-	0.1%	2.9%	2.6%
SA Equities	21.6%	7.9%	11.1%	16.5%
SA Bonds	5.9%	20.5%	18.3%	8.9%
SA Cash	-	1.7%	1.2%	2.8%
SA Property	4.1%	5.5%	4.2%	2.1%
International Equity	21.1%	21.0%	16.0%	16.7%
International Bonds	-	1.6%	11.2%	5.5%
International Cash	2.5%	0.6%	-	-
International Other ¹	-	-	-	8.8%
Other ²	1.4%	2.8%	-	1.1%
Total	100.0%	100.0%	100.0%	100.0%

1. Other represents Hedge Funds

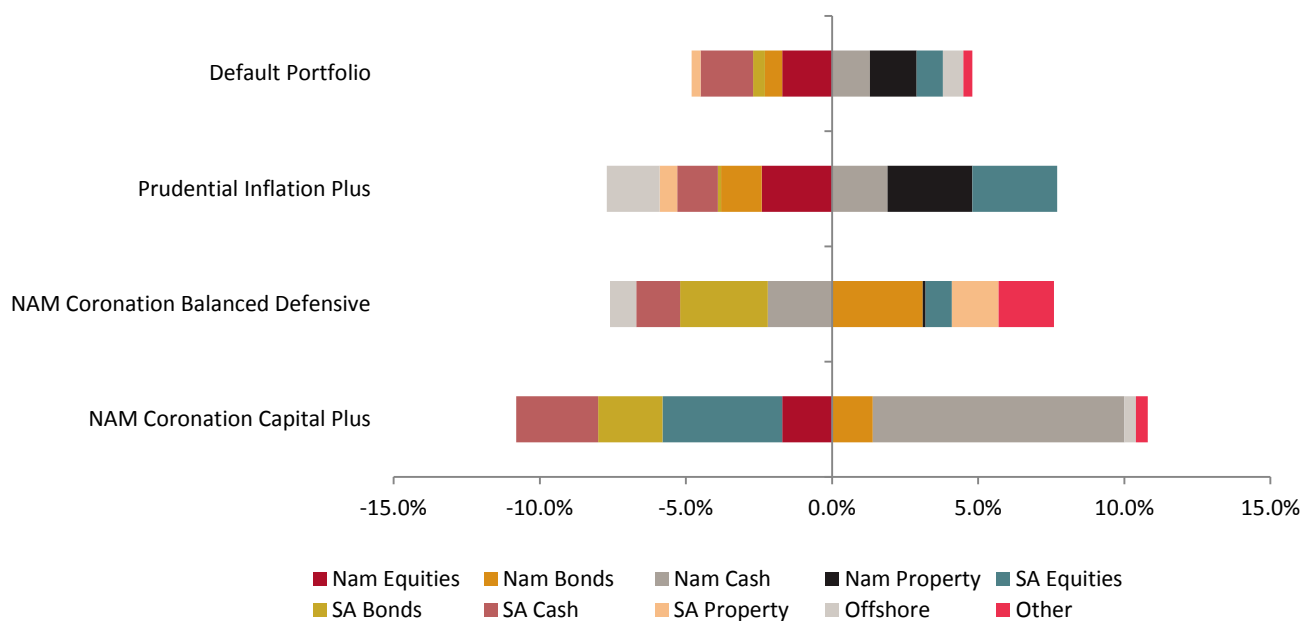
2. Other represents Gold ETFs and Preference Shares

The figures below reflect the asset allocation of the moderate-low portfolios as at **31 December 2013**.



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 2013**. 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.



All portfolios decreased their allocation to SA Cash whilst NAM Coronation Capital Plus made the most significant changes to the overall portfolio. NAM Coronation Capital Plus reduced SA Cash, SA Equities and NAM equities, increasing their exposure to NAM Cash and Bonds.

3.2.3 Geographical Split

Listed below is the geographical split as at **31 December 2013**.

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Namibia	43.4%	38.4%	38.0%	37.6%
South Africa	33.0%	38.4%	34.8%	31.4%
International	23.6%	23.2%	27.2%	31.0%
Total	100.0%	100.0%	100.0%	100.0%

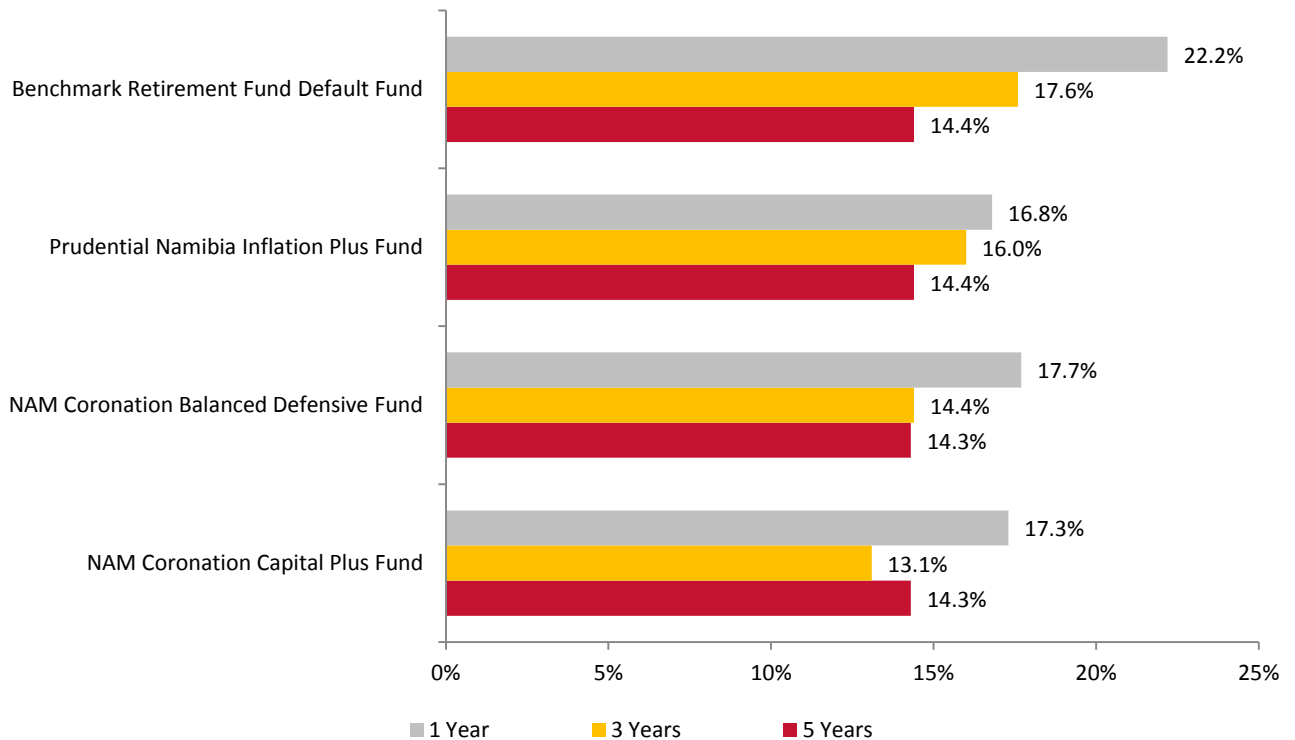
3.2.4 Time Weighted Returns

Listed below are the investment returns achieved for the specified periods to **31 December 2013**. Please note the returns are **gross** of fees.

Investment Portfolio	One Year	Three Years (annualised)	Five Years (annualised)	Ten Years (annualised)
NAM Coronation Capital Plus Fund ¹	17.3%	13.1%	14.3%	-
NAM Coronation Balanced Defensive Fund	17.7%	14.4%	14.3%	-
Prudential Namibia Inflation Plus Fund	16.8%	16.0%	14.4%	14.5%
Benchmark Retirement Fund Default Fund	22.2%	17.6%	14.4%	13.6%
Nam Inflation	5.0%	6.2%	5.7%	6.0%
Nam Inflation + 3% to 5%	8.0% to 10.0%	9.2% to 11.2%	8.7% to 10.7%	9.0% to 11.0%

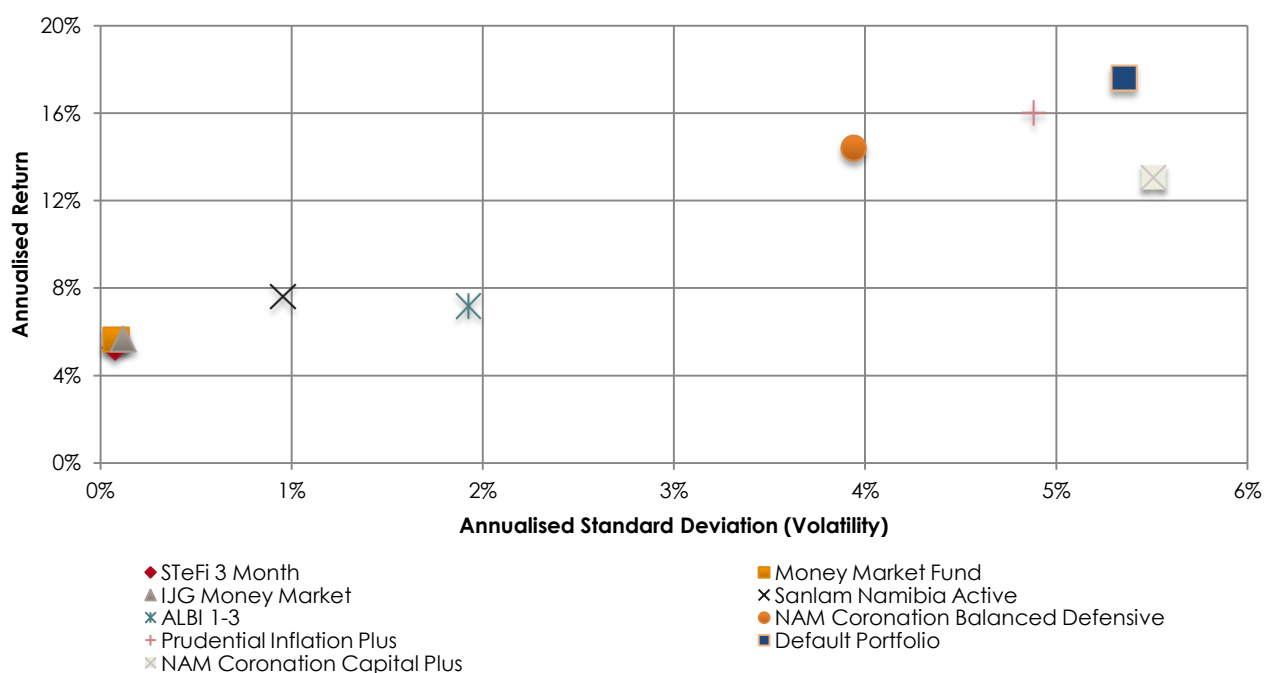
1. The NAM Coronation Absolute Fund was renamed to NAM Coronation Capital Plus Fund effective 26 April 2011.

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 2013**. 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 2013	31 December 2012	Change
Nam Equities	-	-	-
Nam Bonds	1.5%	1.3%	0.2%
Nam Cash	37.5%	40.8%	-3.3%
Nam Property	-	-	-
SA Equities	-	-	-
SA Bonds	21.0%	14.8%	6.2%
SA Cash	37.0%	40.3%	-3.3%
SA Property	3.0%	2.6%	0.4%
Offshore	-	-	-
Other	-	-	-
Total	100.0%	100.0%	-

The Sanlam Namibia Active fund increased their exposure to SA Bonds and decreased their exposure to Cash since 01 January 2012. The total Namibian exposure is 39.0% as at 31 December 2013.

3.3.2 Time Weighted Returns

Listed below are the gross investment returns achieved for the specified periods to **31 December 2013**. Please note the returns are gross of fees.

Low Risk Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Sanlam Namibia Active Fund	6.6%	6.9%	-
ALBI 1-3 Years Index	4.4%	7.2%	7.6%
Inflation	5.0%	6.2%	5.7%
Inflation + 1% to 2%	6.0% to 7.0%	7.2% to 8.2%	6.7% to 7.7%

Capital Protection Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Money Market Fund ¹	5.3%	5.6%	6.6%
IJG Money Market Index	5.3%	5.7%	6.5%
Inflation + 1%	6.0%	7.2%	6.7%

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.