

March 2014

Prepared by
NMG Investments Monitoring Division

For



Benchmark Retirement Fund

Investment Report as at 31 March 2014

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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 Chilli Factor indicates the level of risk undertaken by the manager to achieve the desired investment return.

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)	Chilli Factor
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%	None

1. The Trustees of the Fund have decided to replace the Investec High Income Fund with the Sanlam Namibia Active Fund with effect from 31 July 2012.
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.

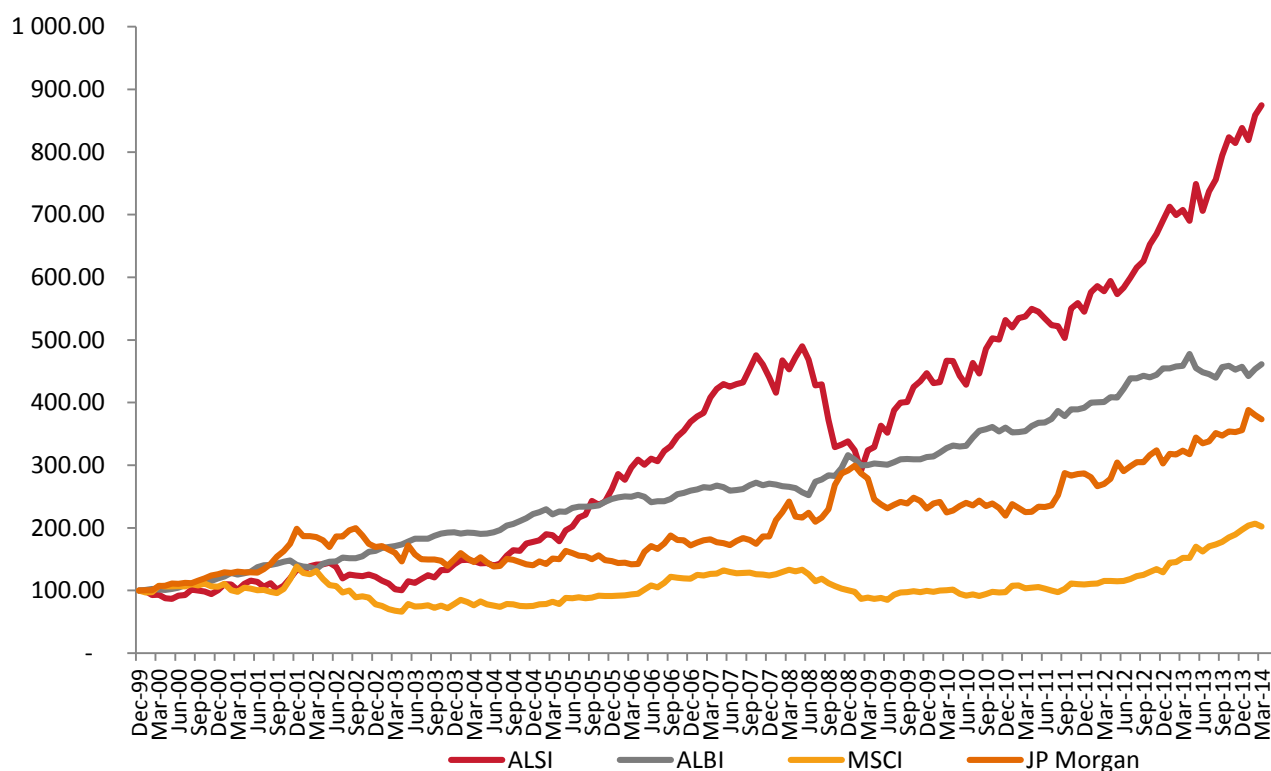
The Trustees do not currently offer aggressive risk portfolios, but will make them available when suitable portfolios have been identified.

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 March 2014**.



2.2 Medium Term Market Performance

The following table presents the performance of various market indices to **31 March 2014**.

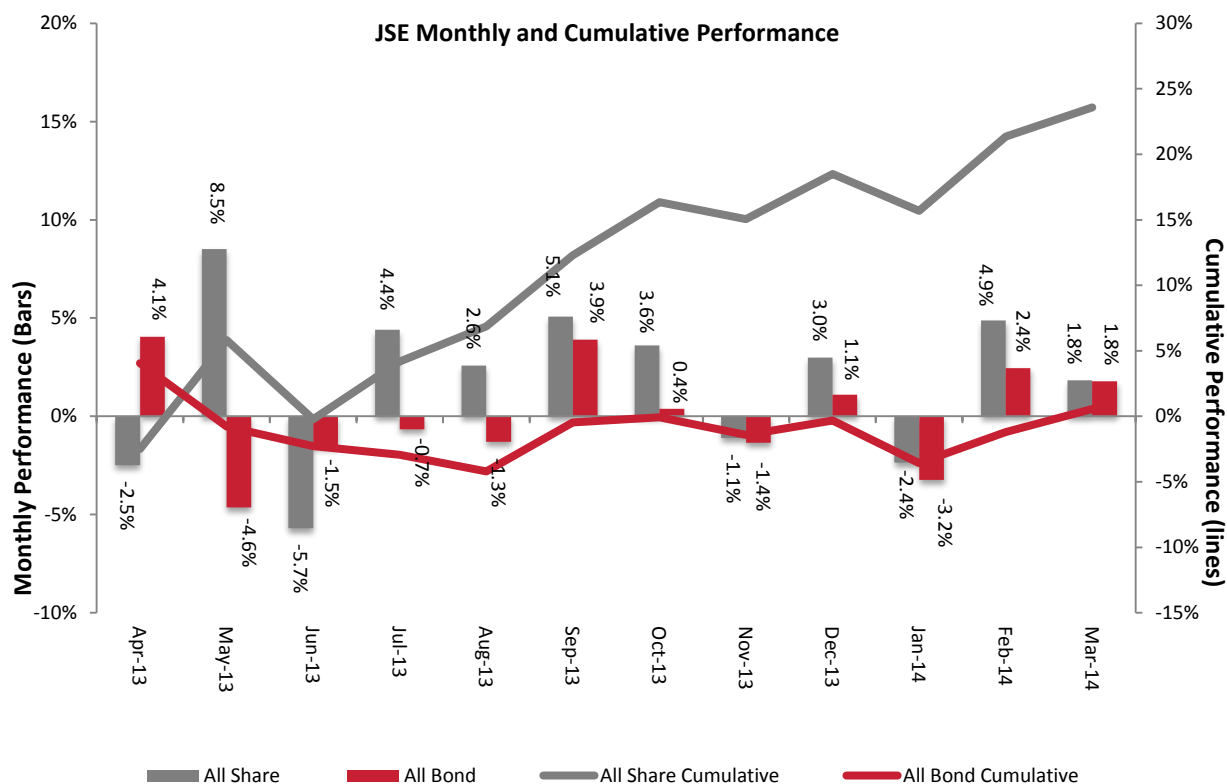
	2011	2012	2013	Q1 2014	One Year	Three Years
All Share (SA)	2.6%	26.7%	21.4%	4.3%	23.6%	17.6%
JSE: Financials	7.4%	38.1%	19.1%	6.0%	19.3%	22.9%
JSE: Industrial	9.2%	40.8%	35.0%	0.8%	28.0%	28.0%
JSE: Resources	-6.5%	3.1%	1.4%	10.6%	19.2%	1.7%
All Bond (SA)	8.8%	16.0%	0.6%	0.9%	0.6%	9.2%
STeFI (SA)	5.7%	5.5%	5.2%	1.3%	5.3%	5.4%
MSCI World	15.8%	21.3%	57.0%	3.2%	36.6%	28.6%
JP Morgan Bond	30.7%	5.4%	17.6%	4.9%	15.4%	18.3%
Rand/Dollar ¹	21.9%	4.1%	23.2%	1.8%	14.1%	16.0%
CPI (SA)	6.1%	5.7%	5.4%	3.1%	6.0%	6.0%

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

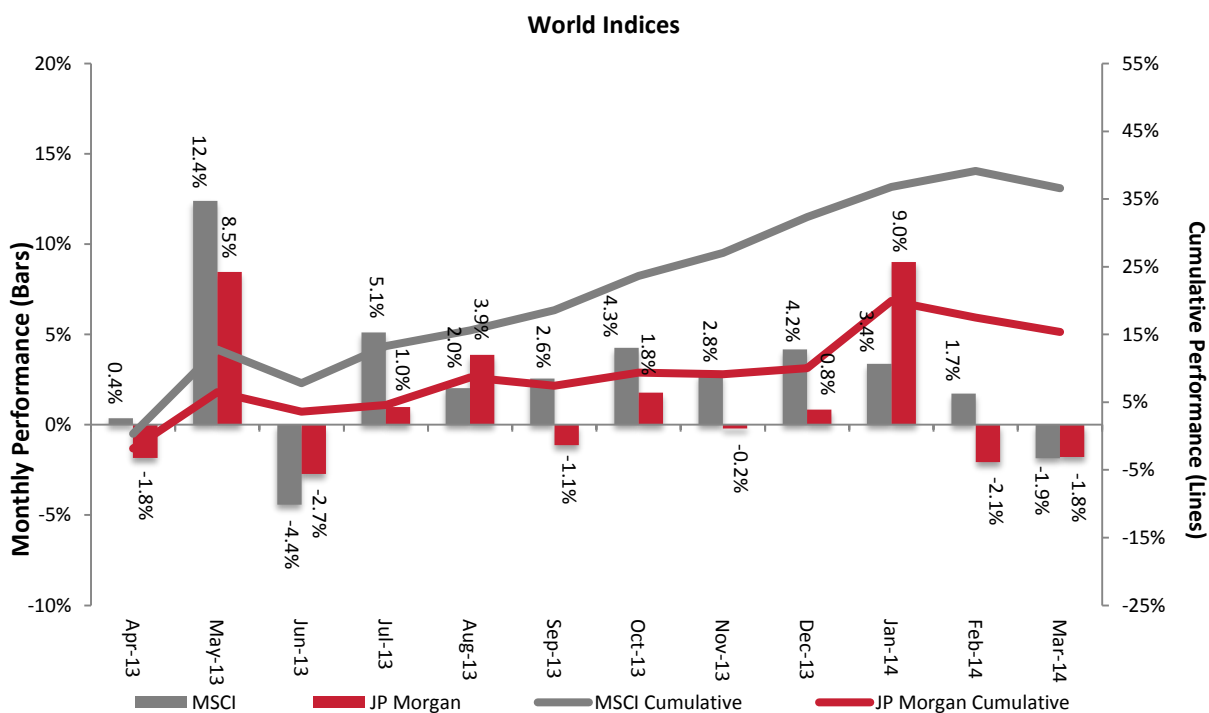
2.3 Short Term Market Performance

The following graphs represent the monthly performance of various market indices for the year ending **31 March 2014**.

2.3.1 South Africa



2.3.2 World



2.3.3 South African and International Market Commentary

The World's Second Largest economy, China has flirted with threats of economic slowdown for a number of months. According to HSBC, China's Manufacturing Index has decreased for the 3 consecutive months ending March 2014 closing at 48.1. An index of below 50 indicates contraction within the sector. In comparison, the US Manufacturing industry indicates expansion at 55.5.

Despite this dip in the manufacturing industry, China's GDP grew by 7.7% during 2013 and is expected to grow a further 7.4% during 2014. In comparison, the USA experienced a GDP Growth Rate of 2.6% and has a 2014 IMF growth expectation of 2.8%.

The South African governor of the National Reserve Bank, Gill Marcus kept repo rates stable at 5.5% during March after a surprise 0.5% hike during January 2014. The hike in January was the first interest rate adjustment since July 2012 and the first hike since April 2008.

Equities

The All Share index returned a positive 4.3% for the first quarter of 2014. The All Share's largest sector, Industrials, remained relatively flat at 0.8% for the quarter with Financials and Resources gaining 6.0% and 10.6% respectively. In contrast, the three-year return for ALSI was largely driven by the Industrial and Financial sectors returning 28.0% and 22.9% respectively with resources lagging at 1.7%.

The MSCI World Index returned 3.2% for the quarter in rand terms. The MSCI Emerging Markets Index experienced a slight positive return of 1.0% in rand terms.

Bonds

Domestically, the All Bond index returned 0.9% for the quarter despite experiencing a drop of -3.2% during January. Internationally, the JP Morgan bond index returned 4.9% in rand terms for the quarter.

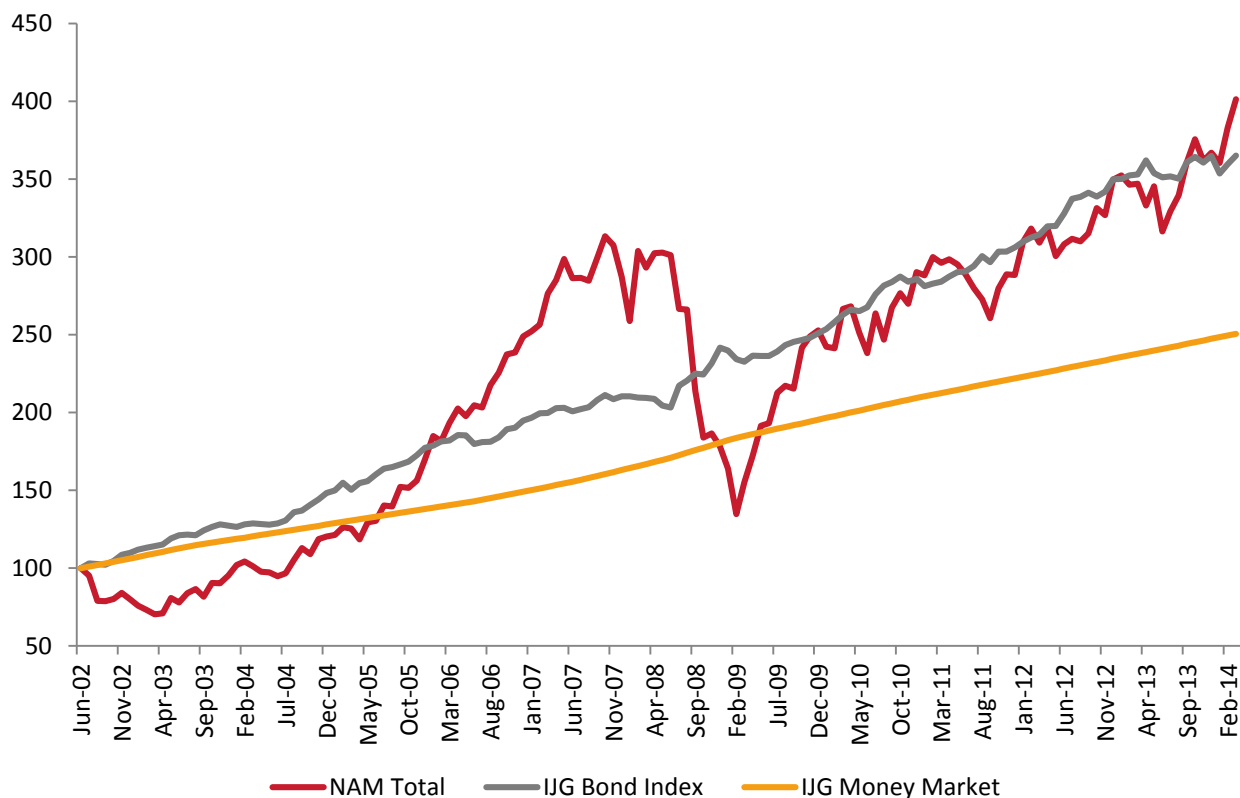
Currency

The Rand continued to weaken against the dollar over the quarter and closed at R10.53/USD.

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 March 2014**.



2.4.2 Medium Term Market Performance

The following table presents the performance of various market indices to **31 March 2014**.

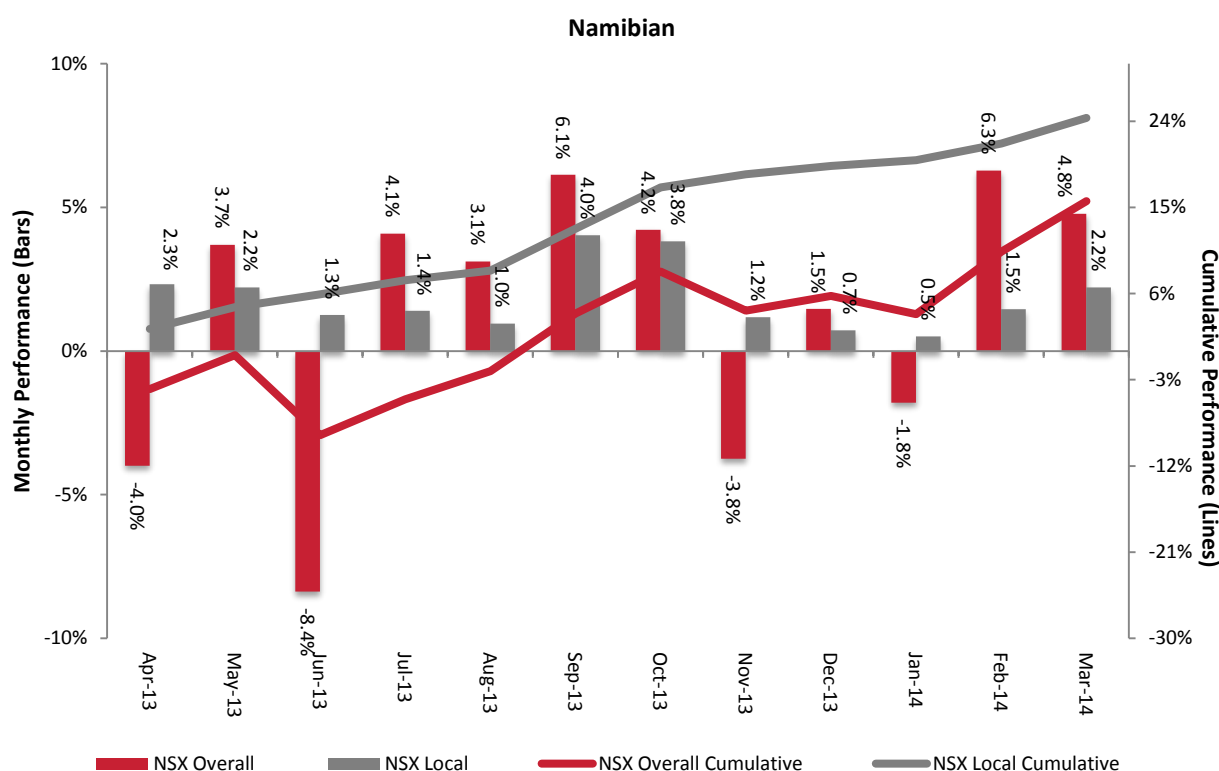
	2011	2012	2013	Q1 2014	One Year	Three Years
NAM Total	-0.6%	21.2%	4.9%	9.4%	15.7%	10.6%
NAM Local	36.7%	31.2%	27.7%	4.2%	24.4%	32.1%
NAM CPI ²	7.2%	6.3%	5.0%	2.3%	5.3%	6.0%
IJG Bond Index ¹	7.1%	15.4%	4.3%	0.0%	3.5%	9.1%
IJG Money Market	6.0%	5.7%	5.3%	1.3%	5.4%	5.6%

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

2. Historical Namibian CPI will be rebased during next quarter.

2.4.3 Short Term Market Performance

The following graph represents the monthly performance of various market indices for the year ending **31 March 2014**.



2.4.4 Namibian Market Commentary

Namibian Real Gross Domestic Product (GDP) grew by 4.4% during 2013 according to the Namibian Statistic Agency. This growth rate surpassed the expected 4.0% for the 2013 calendar year. Our neighbours recorded the following GDP Growth Rates for 2013:

Country	2013 GDP Growth Rate
South Africa	3.8%
Botswana	4.7%
Angola	7.4%
Zambia	6.5%
Zimbabwe	*** (2012 4.4%)

*** Growth rate not available.

Namibian Repo and Prime rate remained constant for the quarter ending 31 March 2014 at 5.5% and 9.25% respectively. CPI remains within the target band of 3% and 6% for the 12 months ending 31 March 2014 at 5.3%.

3. Performance Comparison as at 31 March 2014

3.1 Moderate Portfolios

3.1.1 Asset Allocation

The figures below reflect the asset allocation of the moderate portfolios as at **31 March 2013 (12 Months ago)**

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.3%	14.6%	17.6%	12.7%	17.9%	15.6%	9.7%
Namibia Bonds	8.0%	12.9%	9.4%	8.2%	2.6%	6.9%	10.0%
Namibia Cash	6.3%	16.5%	5.6%	14.6%	16.4%	16.4%	24.2%
Namibia Property	2.0%	0.8%	-	2.0%	-	0.4%	-
South Africa Equities	23.8%	17.8%	28.6%	25.7%	22.4%	26.7%	33.3%
South Africa Bonds	-	-	5.2%	0.8%	8.2%	7.4%	0.8%
South Africa Cash	4.8%	-	4.2%	-	-	0.1%	0.2%
South Africa Property	-	4.0%	3.8%	2.0%	2.0%	1.0%	-
International Equity	15.8%	23.6%	12.5%	30.0%	23.4%	16.7%	21.8%
International Bonds	-	8.0%	3.9%	3.4%	7.1%	1.9%	-
International Cash	-	0.6%	1.0%	-	-	3.1%	-
International Other	18.2% ¹	1.2%	0.8% ⁵	-	-	3.8% ⁴	-
Other	1.8% ²	-	7.4% ³	0.6% ⁶	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Other represents Offshore Hedge Funds.

2. Other represents Gold ETF's

3. Other represents SA Hedge Funds

4. Other represents International Property

5. Other represents International commodities

6. Other represents Domestic commodities

The figures below reflect the asset allocation of the moderate portfolios as at **31 March 2014**.

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.5%	16.1%	22.0%	12.4%	14.7%	13.3%	7.1%
Namibia Bonds	8.8%	15.2%	11.1%	7.7%	3.1%	7.0%	1.3%
Namibia Cash	8.5%	11.2%	7.7%	18.8%	18.9%	14.7%	37.6%
Namibia Property	2.2%	0.5%	-	2.6%	2.2%	4.0%	-
South Africa Equities	25.8%	21.6%	14.4%	20.4%	23.3%	27.2%	30.5%
South Africa Bonds	-	0.1%	5.2%	0.6%	7.2%	7.8%	0.5%
South Africa Cash	0.5%	-	4.7%	2.2%	-	0.2%	-
South Africa Property	-	2.1%	3.0%	1.3%	-	-	-
International Equity	15.2%	23.2%	17.9%	34.0%	23.6%	18.4%	23.0%
International Bonds	-	9.3%	4.8%	-	7.0%	0.7%	-
International Cash	2.7%	-	3.1%	-	-	3.3%	-
International Other	14.6% ¹	0.7% ¹	0.5% ²	-	-	3.4% ³	-
Other	2.2% ⁴	-	5.6% ⁵	-	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

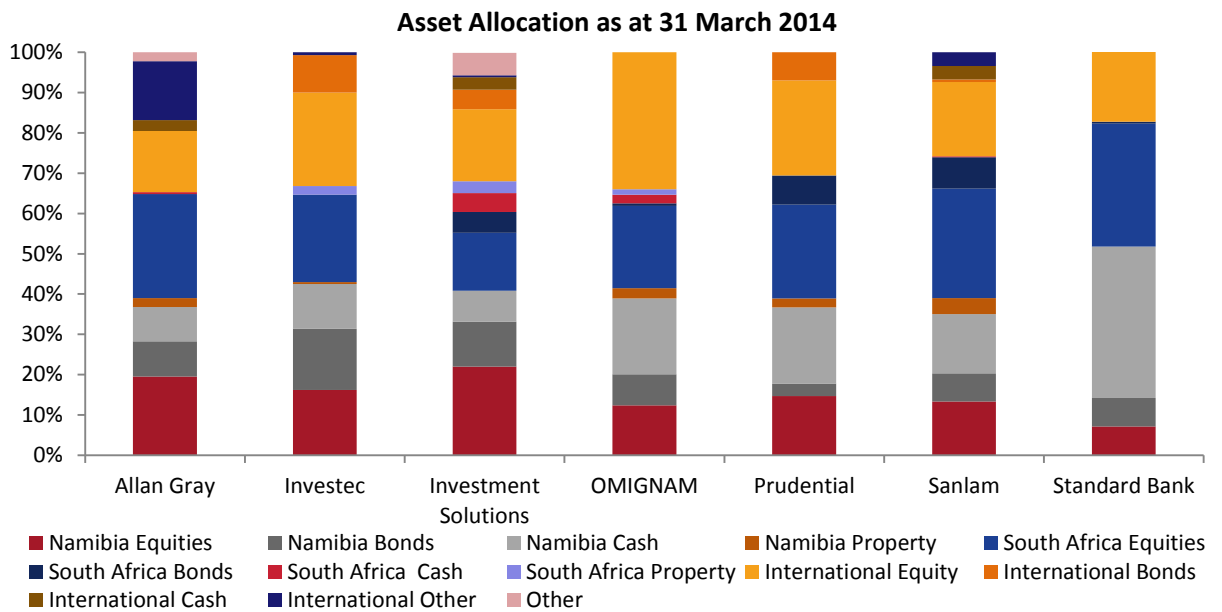
1. Other represents Offshore Hedge Funds

2. Other represents International Property (0.25%) and International Commodities (0.25%)

3. Other represents International Property

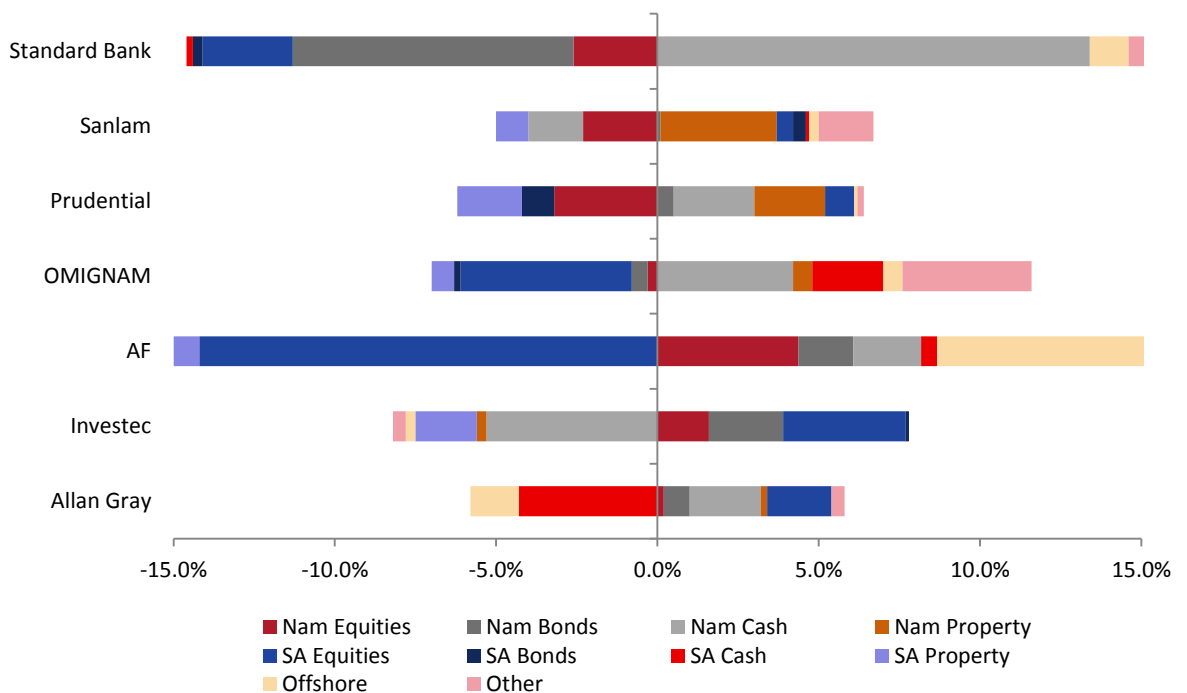
4. Other represents Commodity ETF's

5. Other represents SA Hedge Funds



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 March 2014**. 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, and vice versa.



The above graph indicates that Standard Bank and Alexander Forbes have made significant changes to some of their underlying asset classes. Alexander Forbes halved SA equities whilst increasing their exposure to International and Namibian equities. Standard bank largely down weighted the Namibian bonds and significantly increased the Namibian Cash holdings.

3.1.3 Geographical Split as at 31 March 2014

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia	39.0%	43.0%	40.9%	41.5%	38.9%	38.9%	46.0%
South Africa	28.5%	23.8%	32.9%	24.5%	30.5%	35.2%	36.0%
International	32.5%	33.2%	26.2%	34.0%	30.6%	25.9%	23.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

3.1.4 Time Weighted Returns

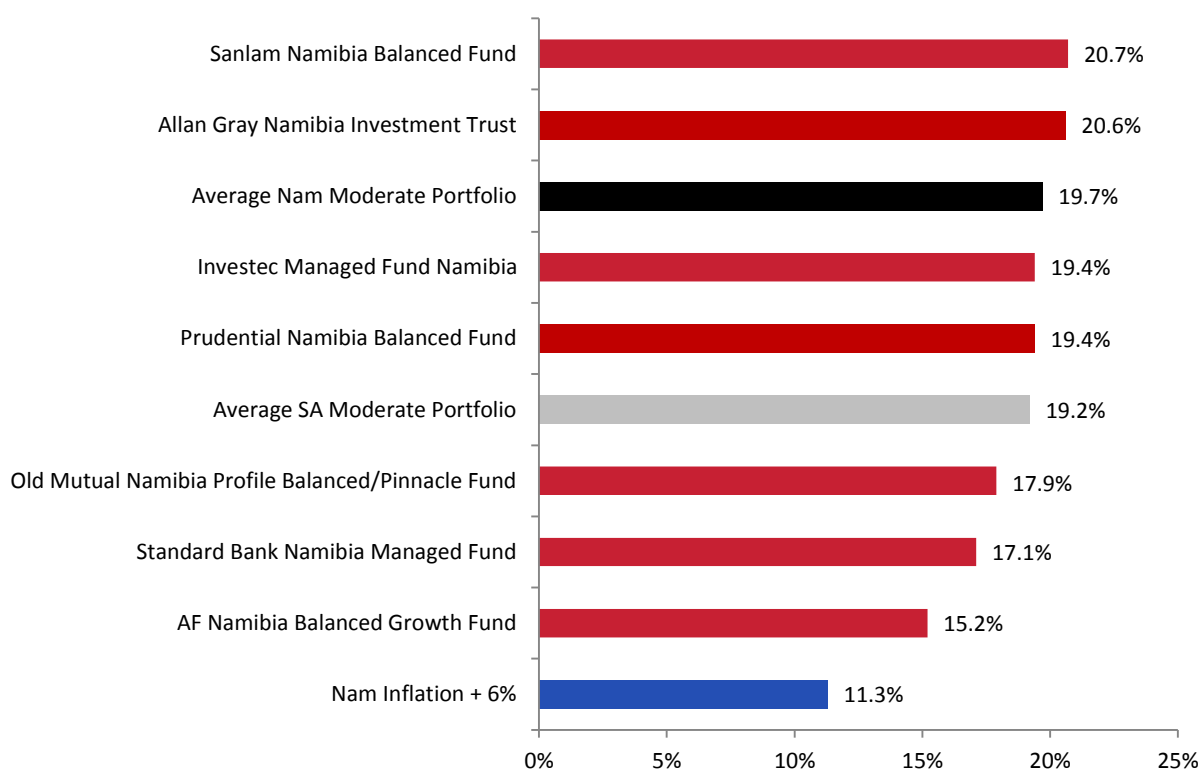
Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

Investment Portfolio	One Year	Three Years (annualised)	Five Years (annualised)	Ten Years (annualised)
Allan Gray Namibia Investment Trust	20.6%	19.0%	16.7%	18.5%
Investec Managed Fund Namibia	19.4%	15.8%	18.7%	16.8%
AF Namibia Balanced Growth Fund ¹	15.2%	15.7%	16.9%	15.9%
Old Mutual Namibia Profile Balanced/Pinnacle Fund ²	17.9%	15.8%	17.1%	16.0%
Prudential Namibia Balanced Fund	19.4%	16.3%	18.3%	-
Sanlam Namibia Balanced Fund	20.7%	16.0%	17.8%	-
Standard Bank Namibia Managed Fund	17.1%	16.9%	18.4%	17.0%
Average SA Moderate Portfolio³	19.2%	17.8%	18.6%	17.3%
Average Nam Moderate Portfolio⁴	19.7%	17.0%	18.0%	16.9%
All Share (JSE)⁵	23.6%	17.6%	22.0%	19.5%
Nam Inflation	5.3%	6.1%	5.5%	6.0%
Nam Inflation + 6%	11.3%	12.1%	11.5%	12.0%

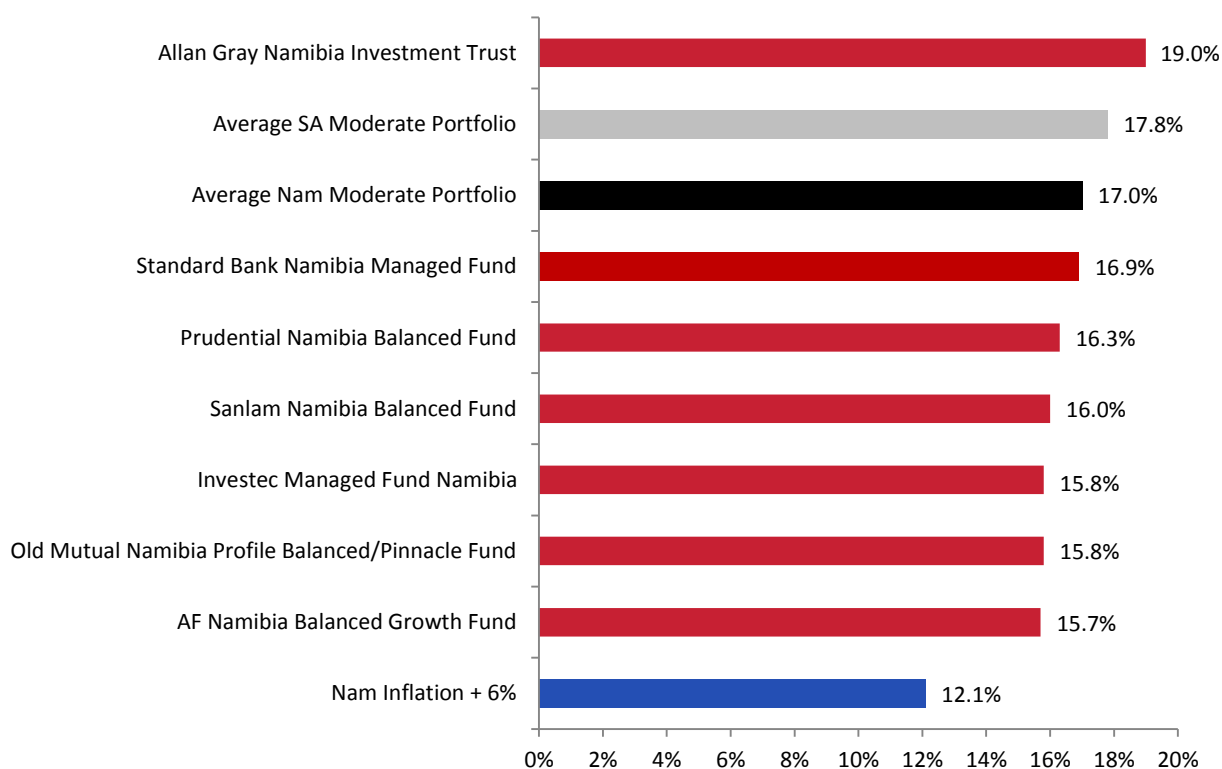
1. Returns prior to April 2009 were for the Investment Solutions Focused Growth Fund. The fund's name changed to AF Balanced Growth in March 2009.
2. OMIGNAM Profile Balanced was closed and assets transferred to OMIGNAM Profile Pinnacle during September 2013.
3. Average of the NMG Consultants and Actuaries 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:

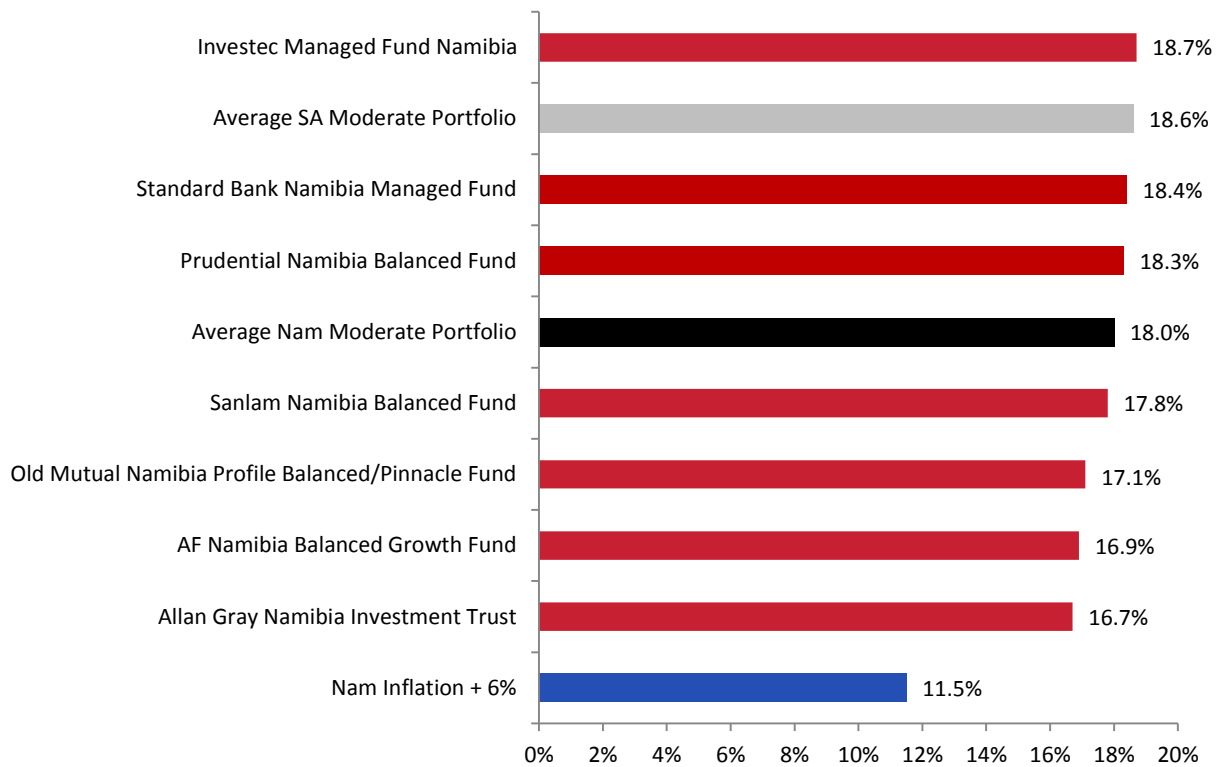
1 year performance for the period ending 31 March 2014



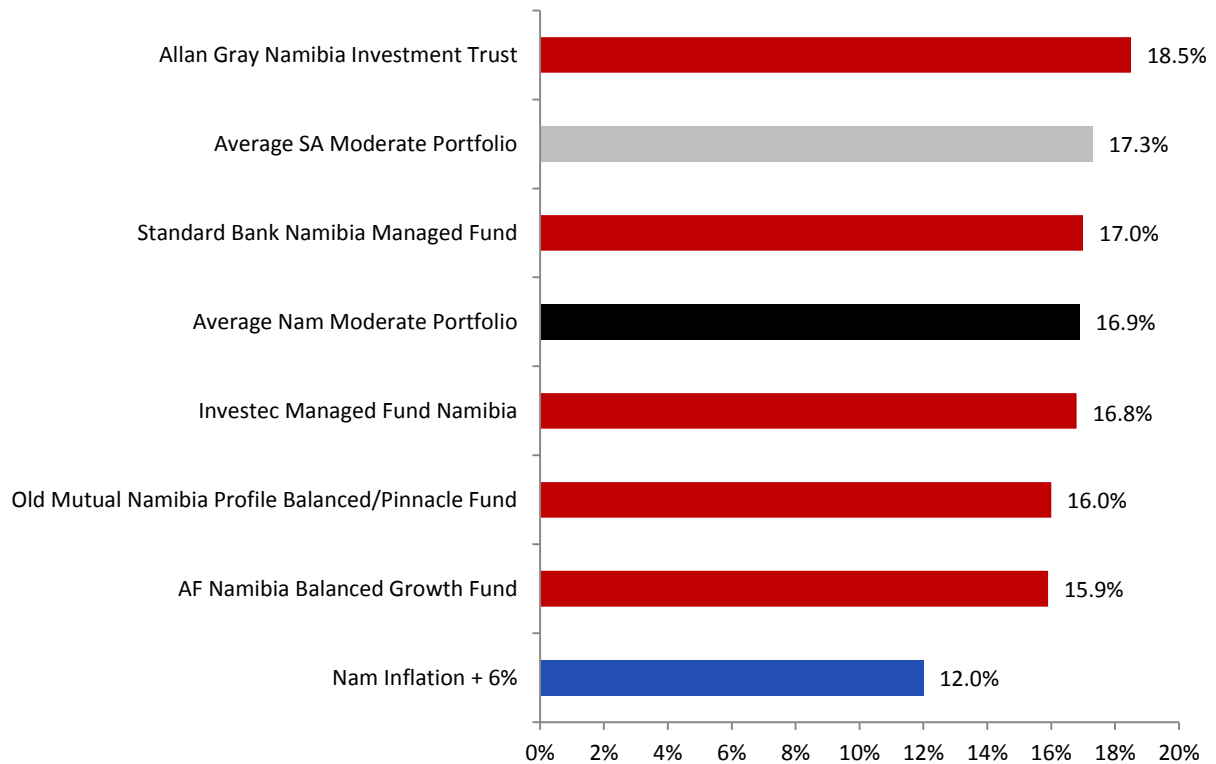
3 year performance for the period ending 31 March 2014



5 year performance for the period ending 31 March 2014

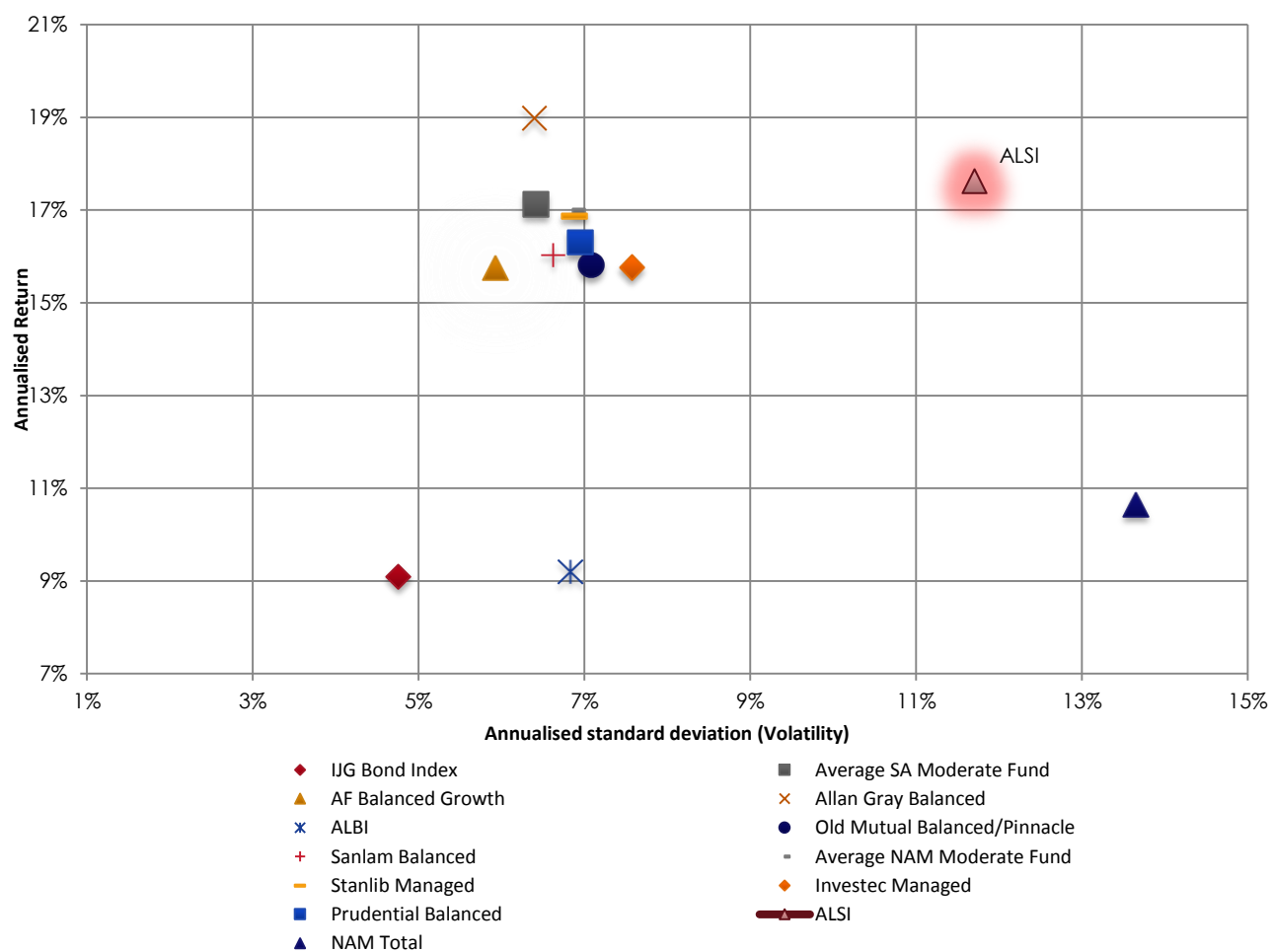


10 year performance for the period ending 31 March 2014



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 March 2014**. 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 March 2013 (12 Months ago)**

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	7.0%	2.3%	11.7%	15.5%
Nam Bonds	9.2%	0.2%	4.0%	6.0%
Nam Cash	22.5%	36.6%	20.2%	13.2%
Nam Property	-	-	-	1.0%
SA Equities	24.2%	7.1%	9.5%	16.8%
SA Bonds	7.4%	21.6%	18.5%	9.2%
SA Cash	0.6%	2.7%	2.3%	3.5%
SA Property	4.2%	4.4%	5.2%	2.6%
International Equity	20.2%	21.4%	15.5%	15.7%
International Bonds	-	0.4%	13.1%	6.5%
International Cash	3.7%	1.5%	-	-
International Other ¹	-	0.1%	-	9.1%
Other ²	1.0%	1.7%	-	0.9%
Total	100%	100%	100%	100%

1. Other represents Hedge Funds

2. Other represents Gold ETF's

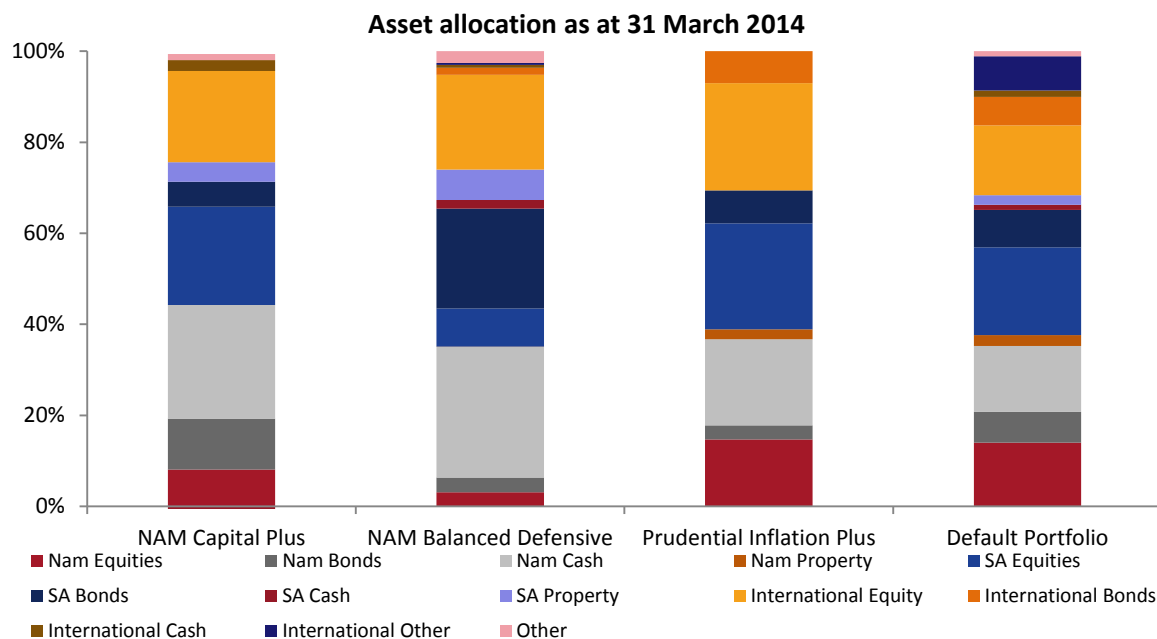
The table below reflects the asset allocation of the moderate-low portfolios as at **31 March 2014**

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	8.2%	3.1%	8.2%	14.0%
Nam Bonds	11.3%	3.3%	4.6%	6.8%
Nam Cash	25.3%	28.6%	20.8%	14.5%
Nam Property	-	0.1%	2.6%	2.4%
SA Equities	21.8%	8.4%	12.4%	19.3%
SA Bonds	5.0%	21.8%	16.9%	8.2%
SA Cash	-	1.9%	1.8%	1.1%
SA Property	4.3%	6.7%	4.3%	2.1%
International Equity	20.3%	20.8%	15.5%	15.3%
International Bonds	-	1.6%	12.9%	6.3%
International Cash	2.4%	0.6%	-	1.4%
International Other ¹	-	0.4%	-	7.5%
Other ²	1.4%	2.7%	-	1.1%
Total	100.0%	100.0%	100.0%	100.0%

1. Other represents Hedge Funds

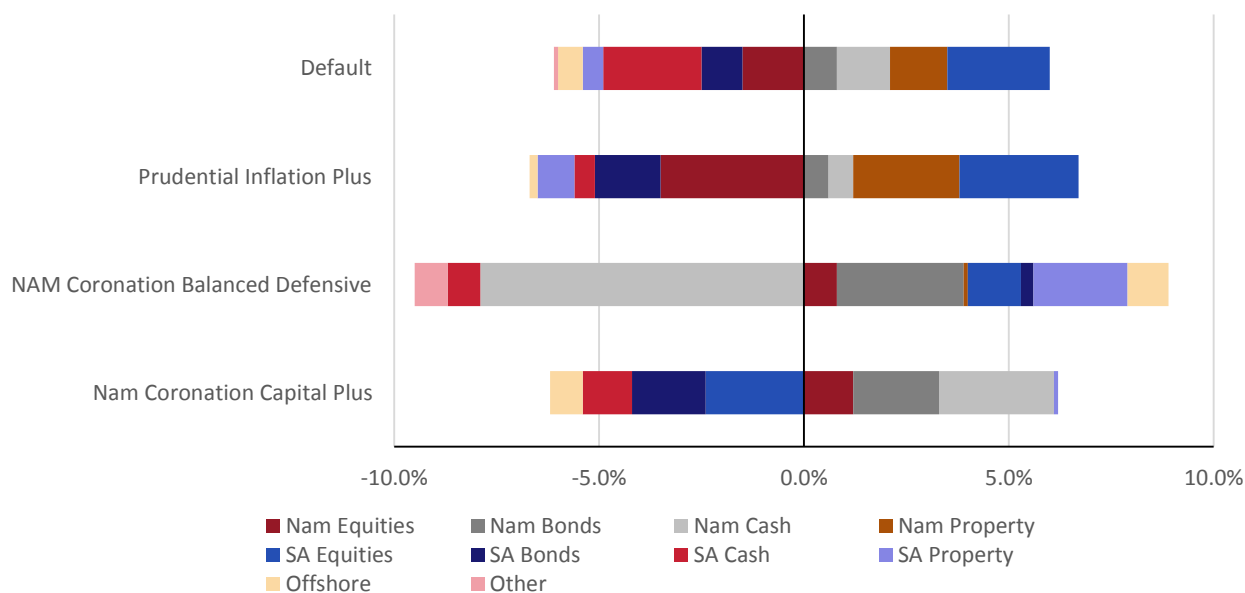
2. Other represents Gold ETFs and Preference Shares

The figures below reflect the asset allocation of the moderate-low portfolios as at **31 March 2014**.



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 March 2014**. 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 largest change in the overall asset allocation of a portfolio for the 12 month period was NAM Coronation Balanced Defensive. The NAM Coronation Balanced Defensive Fund decreased their allocation to Namibian Cash by 8.0% for the year and up weighted other Namibian assets being bonds and equities.

3.2.3 Geographical Split

Listed below is the geographical split as at **31 March 2014**.

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Namibia	44.8%	35.1%	36.2%	37.6%
South Africa	32.5%	41.5%	35.4%	31.9%
International	22.7%	23.4%	28.4%	30.5%
Total	100.0%	100.0%	100.0%	100.0%

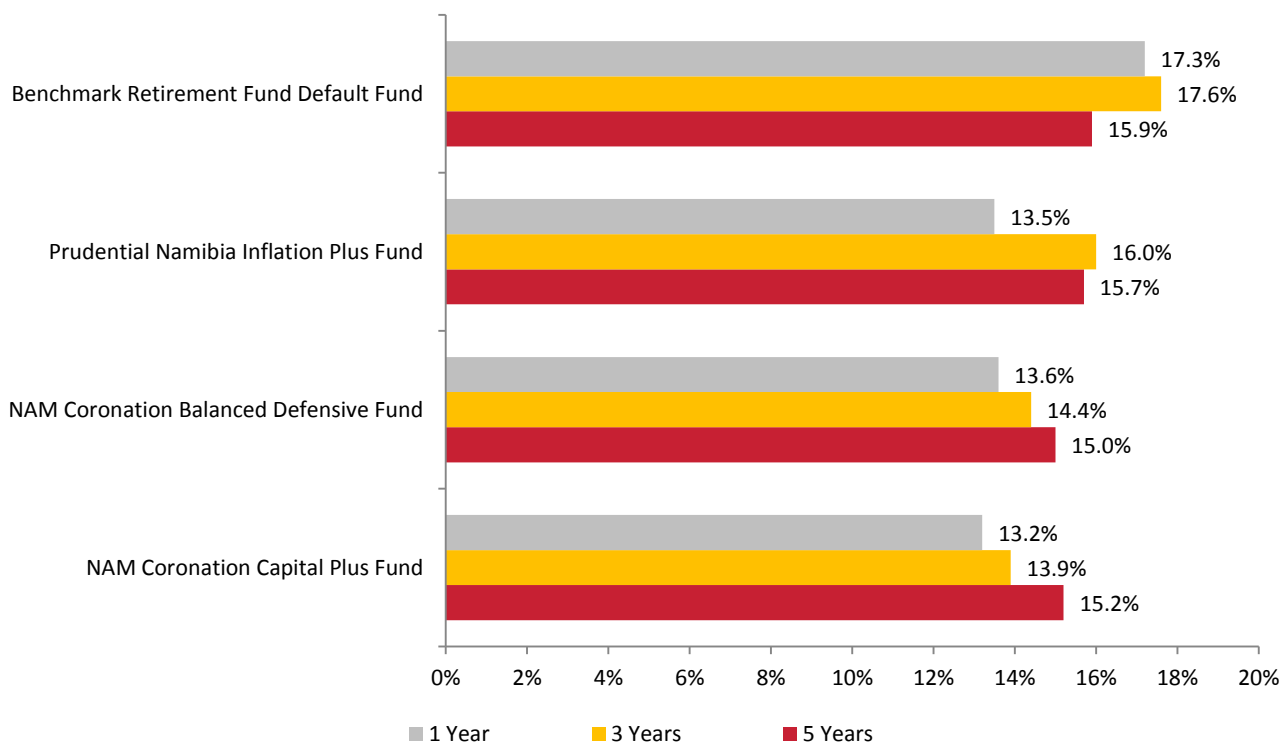
3.2.4 Time Weighted Returns

Listed below are the investment returns achieved for the specified periods to **31 March 2014**. 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	13.2%	13.9%	15.2%	8.3%
NAM Coronation Balanced Defensive Fund	13.6%	14.4%	15.0%	6.6%
Prudential Namibia Inflation Plus Fund	13.5%	16.0%	15.7%	14.5%
Benchmark Retirement Fund Default Fund	17.3%	17.6%	15.9%	13.9%
Nam Inflation	5.3%	6.1%	5.5%	6.0%
Nam Inflation + 3% to 5%	8.3% to 10.3%	9.1% to 11.1%	8.5% to 10.5%	9.0% to 11.0%

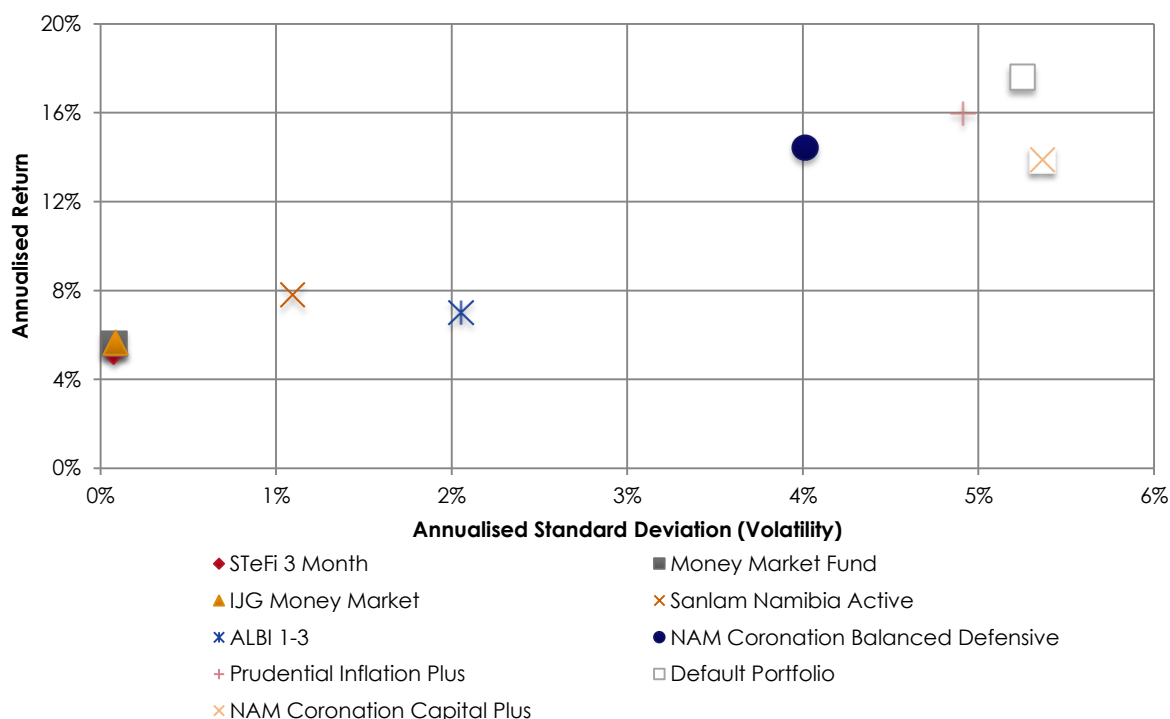
1. The NAM Coronation Absolute Fund was renamed to NAM Coronation Capital Plus Fund effective 26 April 2011.

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 March 2014**. 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 March 2014	31 March 2013	Change
Nam Equities		-	-
Nam Bonds	1.5%	1.4%	0.1%
Nam Cash	35.2%	38.0%	-2.8%
Nam Property		-	
SA Equities		-	
SA Bonds	20.3%	14.0%	6.3%
SA Cash	39.9%	43.8%	-3.9%
SA Property	3.1%	2.8%	0.3%
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 36.7% as at 31 March 2014.

3.3.2 Time Weighted Returns

Listed below are the gross investment returns achieved for the specified periods to **March 2014**. Please note the returns are gross of fees.

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Low Risk Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Sanlam Namibia Active Fund	6.5%	7.8%	7.8%
ALBI 1-3 Years Index	4.2%	7.0%	7.3%
Inflation	5.3%	6.1%	5.5%
Inflation + 1% to 2%	6.3% to 7.3%	7.1% to 8.1%	6.5% to 7.5%

Capital Protection Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Money Market Fund ¹	5.4%	5.6%	6.3%
IJG Money Market Index	5.4%	5.6%	6.3%
Inflation + 1%	6.3%	7.1%	6.5%

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.