

August 2014

Prepared by
NMG Investments Monitoring Division

For

 **Benchmark Retirement Fund**

The logo for Benchmark Retirement Fund, featuring a stylized sunburst icon with a black center and red points.

Investment Report as at 30 June 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 replaced 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.

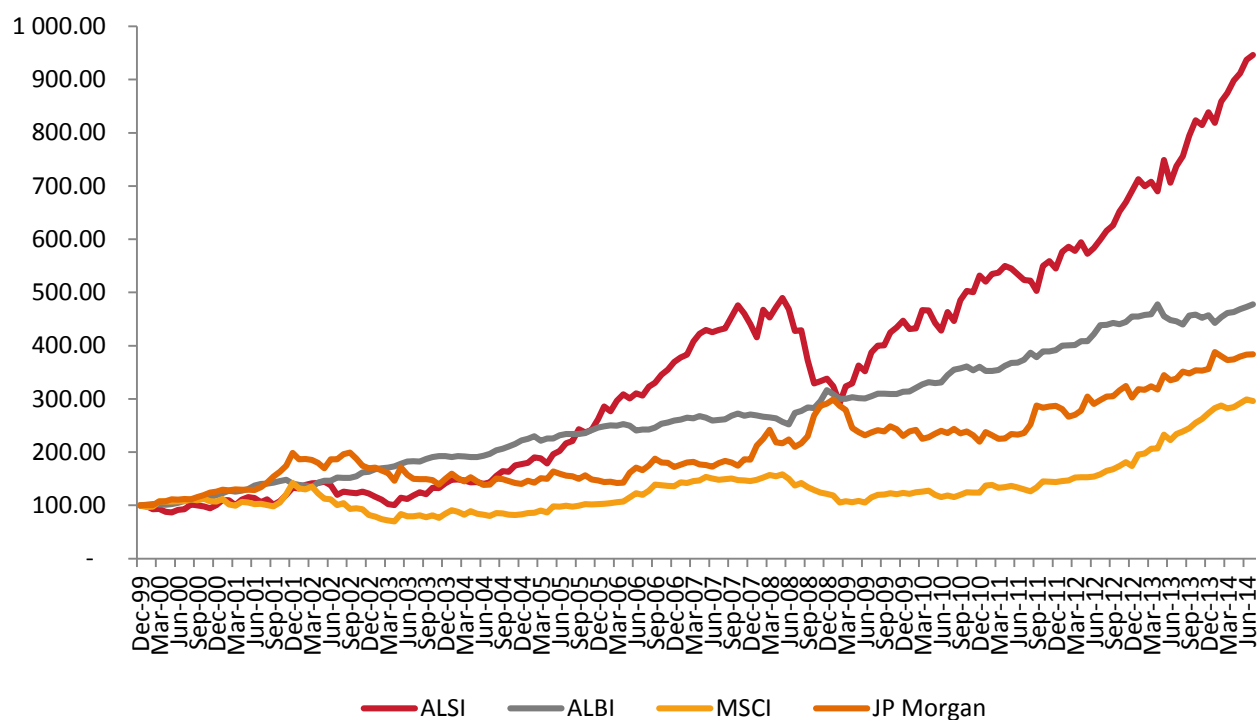
Exposure to African Bank

The publicity surrounding the failure of African Bank has raised considerable concerns with investors. For retirement funds investment managers employ diversification as a risk mitigation tool and the limited exposure most retirement fund portfolios had to this loss has demonstrated the benefits of this approach. At this point, the final loss cannot be known but asset managers have already accounted for the loss by writing all equity and non-senior debt to a zero value. Senior debt has been taken at a reduced value with most managers adopting a 10% loss.

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 30 June 2014**.



2.2 Medium Term Market Performance

The following table presents the performance of various market indices to **30 June 2014**.

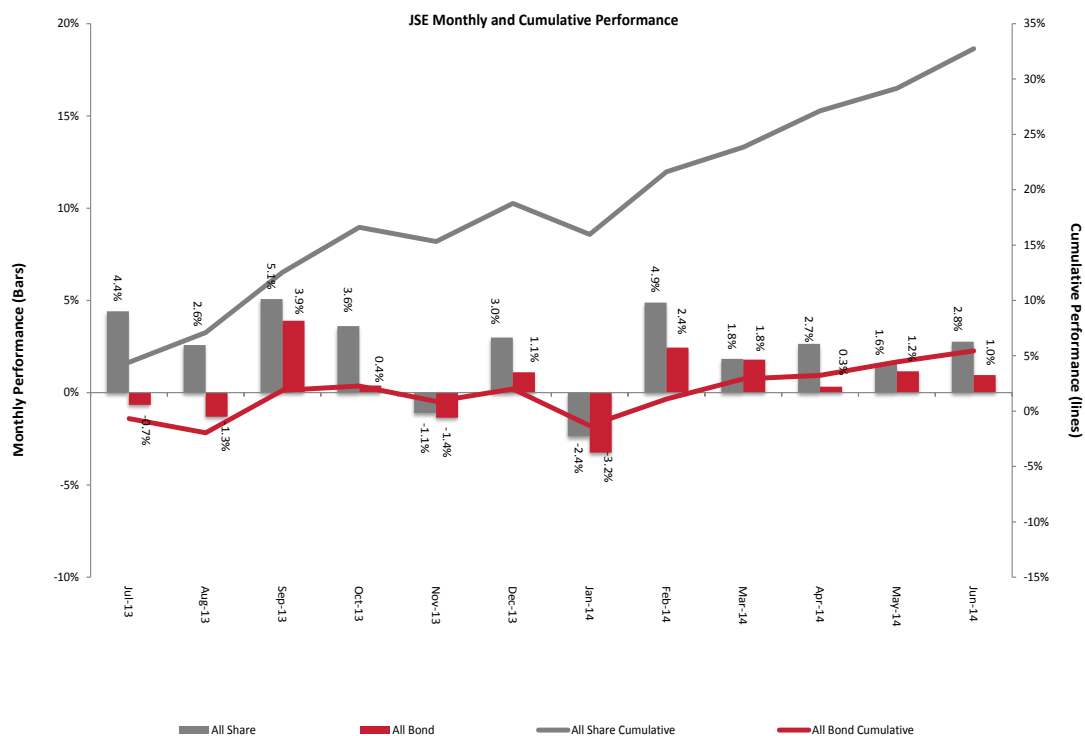
	2011	2012	2013	Q2 2014	One Year	Three Years
All Share (SA)	2.6%	26.7%	21.4%	7.2%	32.7%	20.6%
JSE: Financials	7.4%	38.1%	19.1%	7.8%	30.7%	24.9%
JSE: Industrial	9.2%	40.8%	35.0%	9.1%	30.5%	30.0%
JSE: Resources	-6.5%	3.1%	1.4%	2.9%	39.1%	2.6%
All Bond (SA)	8.8%	16.0%	0.6%	2.5%	5.4%	8.7%
STeFI (SA)	5.7%	5.5%	5.2%	1.4%	5.4%	5.5%
MSCI World	15.8%	21.3%	57.0%	6.0%	34.3%	30.8%
JP Morgan Bond	30.7%	5.4%	17.6%	2.6%	14.3%	18.0%
Rand/Dollar ¹	21.9%	4.1%	23.2%	0.9%	7.7%	16.3%
CPI (SA)	6.1%	5.7%	5.4%	0.9%	6.6%	5.9%

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

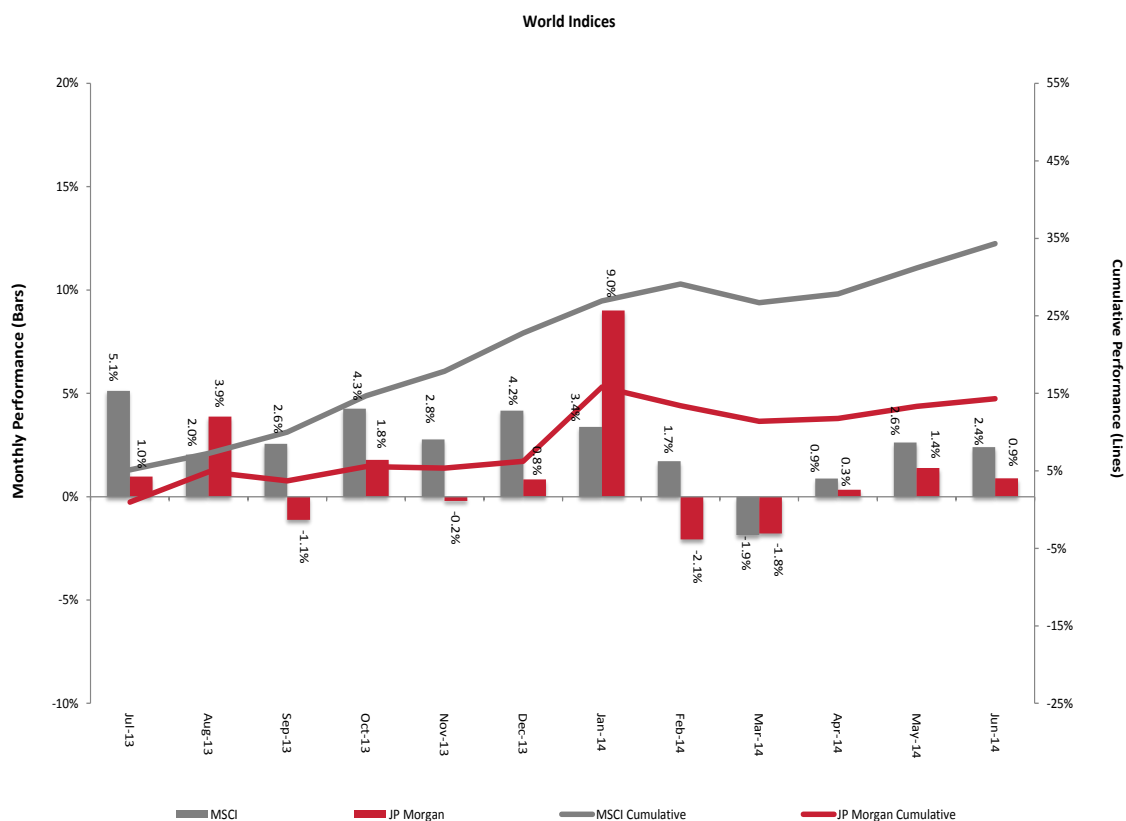
2.3 Short Term Market Performance

The following graphs represent the monthly performance of various market indices for the year ending **30 June 2014**.

2.3.1 South Africa



2.3.2 World



2.3.3 South African and International Market Commentary

The weak South African economy remained in the spotlight during June, as the Standard & Poors rating agency downgraded the country's sovereign rating by one notch to BBB. This was the first ratings downgrade in two years. Fitch also remained bleak over SA's broad picture, and they subsequently changed their outlook of the country from stable to negative. Strikes seem to be dealing yet another blow to the economy. Platinum workers have finally returned to work after a gruelling 5 month strike, however 220,000 members of the National Union of Metalworkers of South Africa (NUMSA) have downed tools and taken to the streets.

US GDP for the second quarter of 2014 rose at a 4.0% annualised rate, after sliding by almost 3.0% from January to March. Consumer and business investment spending were responsible for boosting economic growth. Investors remain concerned as to the timetable of when the Federal Reserve will choose to hike interest rates. The Fed has however reassured investors that interest rates will remain low for the time being.

Manufacturing data out of China increased to its highest level this year, indicating that the largest Asian economy could possibly attain its 7.5% growth target for 2014. However swelling bad debts and a declining property market increase the risk that China will fail to achieve its growth goals.

The Eurozone continued to struggle to make headway in June, leading to no change in the unemployment rate. The stimulus package unveiled by the European Central Bank is yet to have any impact as countries across the region fail to create growth. However, the UK broke the downward trend, increasing its factory activity to the fastest pace in 7 months, whilst creating the highest number of jobs in 3 years.

Gold prices climbed as escalating violence in the Middle East increased demand. Gold scored its second consecutive quarterly gain for the period from April to June. Brent crude oil saw gains for both the month and the last quarter.

Equities

South African equities performed well in June, with the All Share index gaining 2.8%. The resource sector was the biggest winner. The MSCI World Index gained 2.4% for last month in Rand terms.

Bonds

The All Bond Index rose by 1.0% in May, whilst the JP Morgan Global Bond Index added 0.9% in Rand terms.

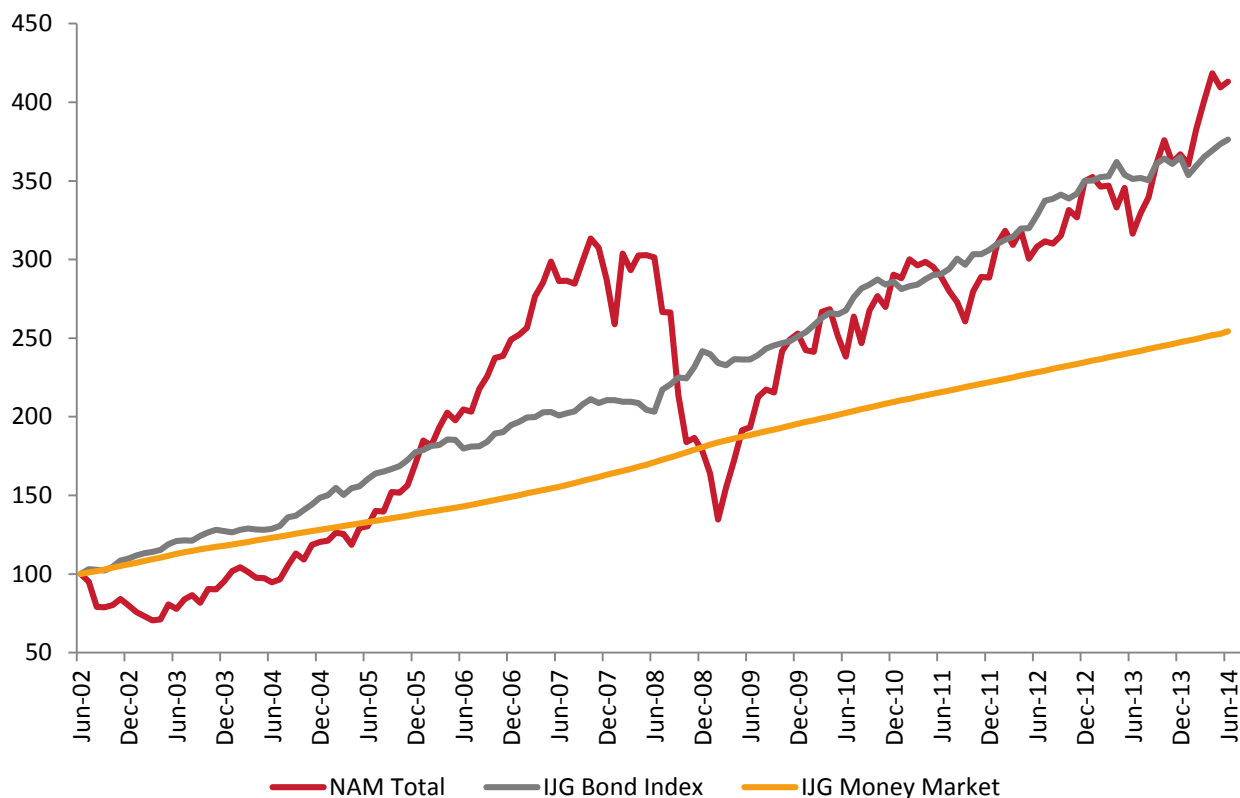
Currency

The Rand weakened to R10.63/USD, as strikes within the platinum belt kept the pressure on the local currency. The Rand stands to deteriorate further as the country is gripped by another round of strike action.

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 30 June 2014**.



2.4.2 Medium Term Market Performance

The following table presents the performance of various market indices to **30 June 2014**.

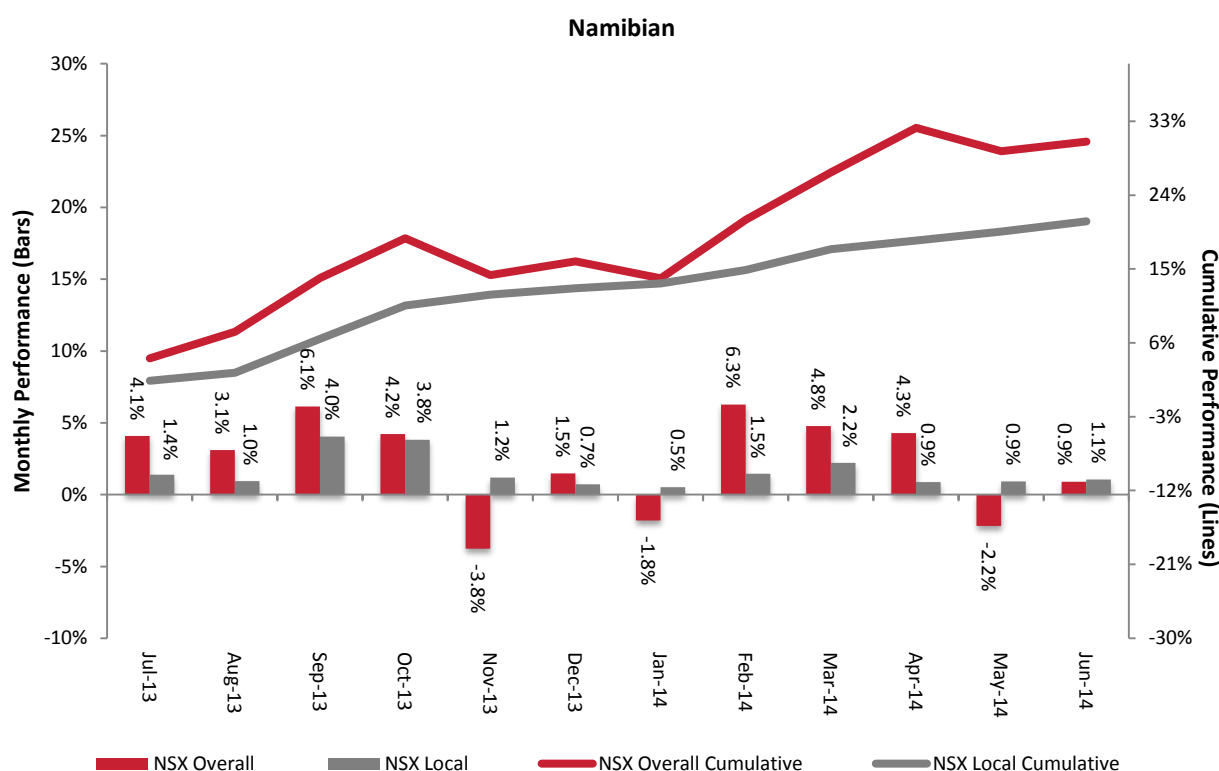
	2011	2012	2013	2014 YTD	One Year	Three Years
NAM Total	-0.6%	21.2%	4.8%	12.6%	30.5%	12.7%
NAM Local	36.7%	31.2%	27.7%	7.2%	20.8%	30.2%
NAM CPI ²	7.4%	6.4%	5.0%	3.8%	6.1%	6.1%
IJG Bond Index ¹	7.1%	15.4%	4.3%	3.1%	7.1%	9.3%
IJG Money Market	6.0%	5.7%	5.4%	2.8%	5.5%	5.6%

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 **30 June 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.

The Bank of Namibia raised the repo rate by 0.25% in June, after inflation breached the 3%-6% target band in the previous month. This decision was based on a number of underlying reasons including a growing trade deficit and increasing pressure on international reserves. Inflation has also maintained its upward trend over the last few months, with CPI expected to average at 6% for 2014. There has also been strong growth in credit demand from the private sector and the number of imported vehicles are on the rise.

On an encouraging note, Namibia is predicted to maintain its strong growth. The interest rate hike was regarded as a positive move to support the country's balance of payments.

3. Performance Comparison as at 30 June 2014

3.1 Moderate Portfolios

3.1.1 Asset Allocation

The figures below reflect the asset allocation of the moderate portfolios as at **30 June 2013**
(12 Months ago)

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Balanced	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.1%	16.2%	20.0%	10.3%	17.2%	15.1%	7.9%
Namibia Bonds	8.2%	13.0%	10.7%	7.9%	2.5%	9.2%	1.9%
Namibia Cash	7.3%	15.1%	8.1%	16.9%	19.1%	13.0%	34.7%
Namibia Property	1.9%	0.7%	-	1.9%	-	0.4%	-
South Africa Equities	21.7%	17.2%	25.3%	25.0%	25.3%	27.5%	32.4%
South Africa Bonds	-	-	4.3%	0.8%	7.8%	2.6%	0.7%
South Africa Cash	4.0%	-	3.3%	-	-	-	0.2%
South Africa Property	-	3.6%	3.2%	1.7%	0.9%	-	-
International Equity	17.4%	24.0%	11.9%	31.8%	20.8%	18.9%	22.2%
International Bonds	-	8.3%	4.2%	3.3%	6.4%	2.0%	-
International Cash	-	0.7%	1.5%	-	-	3.0%	-
International Other	19.0% ¹	1.2% ⁶	0.9% ⁵	-	-	4.1% ⁴	-
Other	1.4% ²	-	6.6% ³	0.4% ²	-	4.3% ⁷	-
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

6. Other represents International Property, Commodities and Alternatives

7. Other represents interest-bearing alternatives and inflation-linked bonds.

The figures below reflect the asset allocation of the moderate portfolios as at **30 June 2014**.

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.5%	13.6%	21.4%	13.1%	14.2%	12.4%	8.6%
Namibia Bonds	9.1%	14.2%	11.1%	24.0%	3.8%	8.7%	1.1%
Namibia Cash	6.6%	10.8%	7.0%	-	16.4%	12.8%	38.9%
Namibia Property	2.6%	0.4%	-	2.8%	1.8%	4.1%	-
South Africa Equities	27.1%	23.8%	13.8%	21.7%	22.3%	28.2%	22.9%
South Africa Bonds	-	0.8%	5.0%	1.8%	11.7%	6.9%	-
South Africa Cash	0.3%	0.4%	5.1%	-	0.2%	0.1%	-
South Africa Property	-	2.0%	3.1%	1.3%	-	-	-
International Equity	15.3%	26.2%	18.7%	32.1%	22.8%	20.0%	19.5%
International Bonds	-	1.9%	5.4%	-	6.7%	0.7%	-
International Cash	2.4%	3.7%	3.7%	-	0.1%	2.9%	0.1%
International Other	14.8% ¹	-	0.5% ⁴	2.1% ⁵	-	3.3% ⁵	-
Other	2.3% ²	2.2% ²	5.3% ³	1.0% ²	-		9.0% ⁶
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Other represents Offshore Hedge Funds & International Property

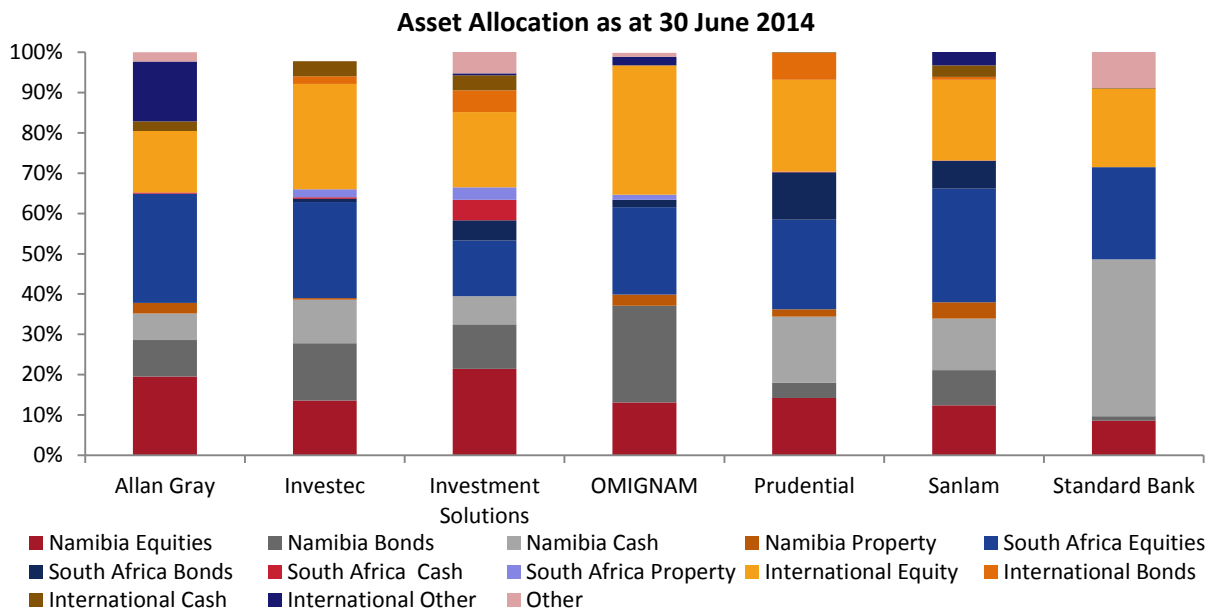
2. Other represents Commodities

3. Other represents Commodities (3.56%) & Alternatives (1.66%)

4. Other represents International Property (0.26%) & Commodities (0.25%)

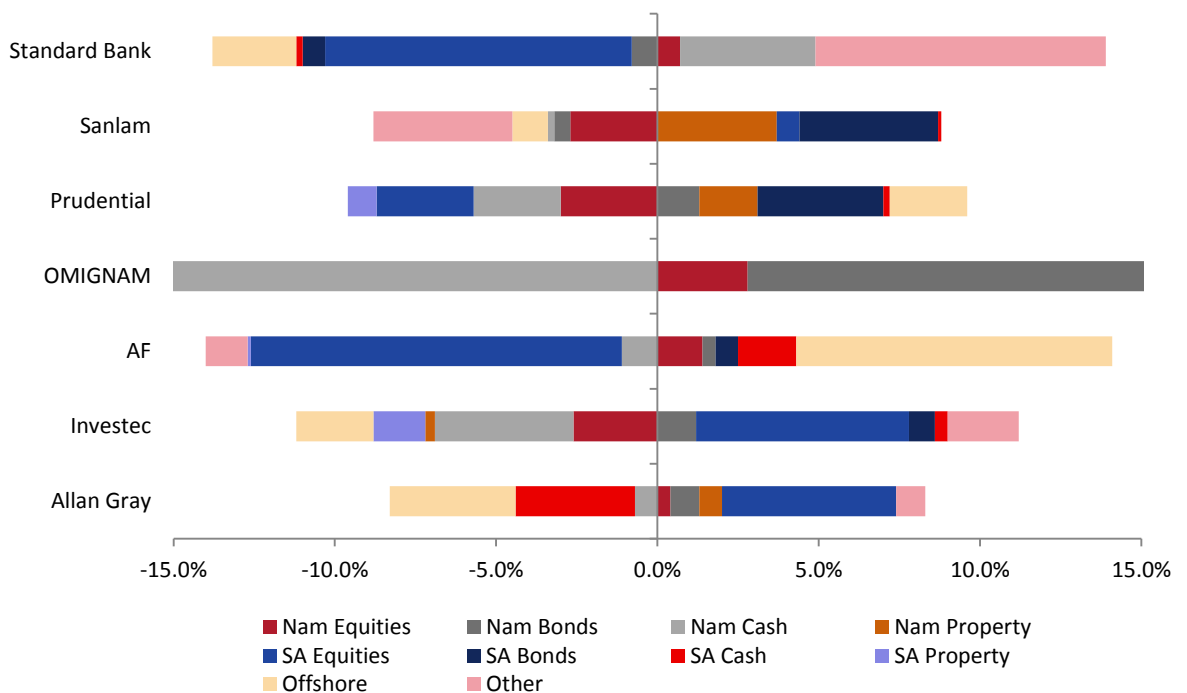
5. Other represents International Property

6. Other represents Pooled 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 **30 June 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 SA Equity sector and purchased alternative assets. OMIGNAM purchased Namibian Bonds and equities and reduced their cash holdings.

3.1.3 Geographical Split as at 30 June 2014

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia	37.8%	39.0%	39.4%	40.0%	36.2%	37.9%	57.6%
South Africa	29.7%	29.2%	32.3%	25.8%	34.2%	35.2%	22.9%
International	32.5%	31.8%	28.4%	34.2%	29.6%	26.9%	19.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

3.1.4 Time Weighted Returns

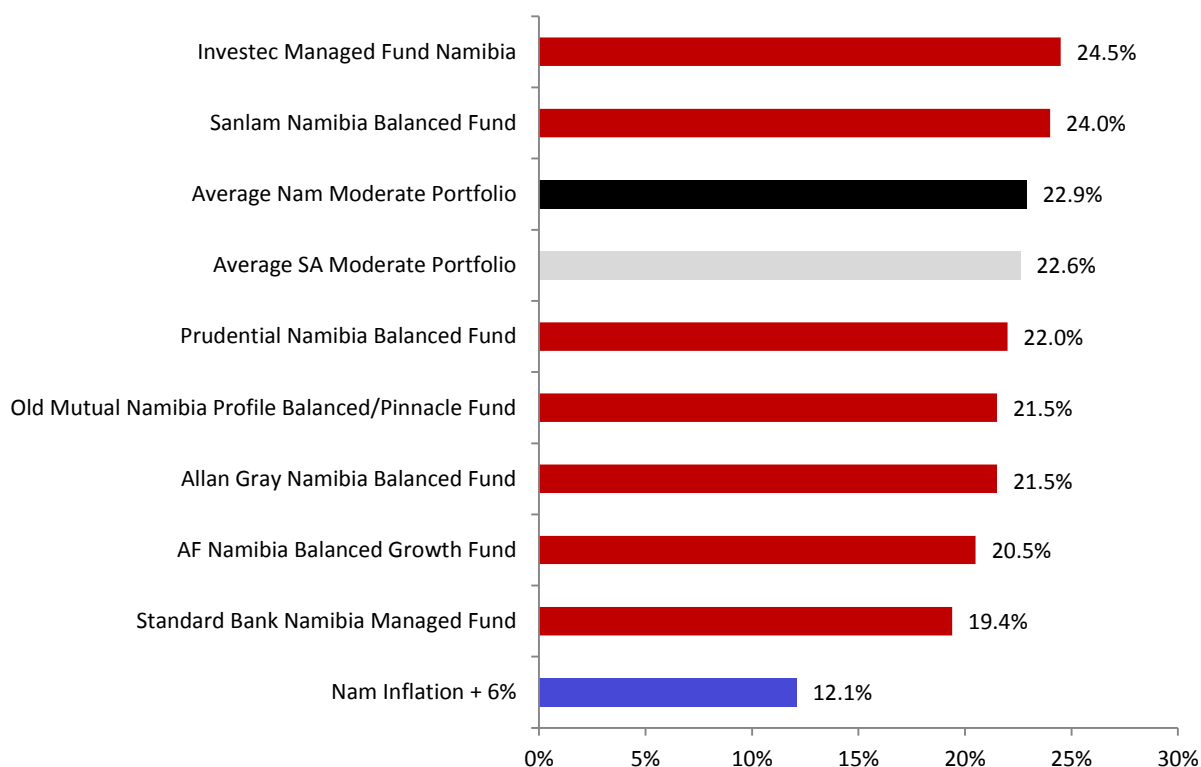
Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

Investment Portfolio	One Year	Three Years (annualised)	Five Years (annualised)	Ten Years (annualised)
Allan Gray Namibia Balanced Fund	21.5%	20.8%	17.2%	19.3%
Investec Managed Fund Namibia	24.5%	17.6%	16.7%	17.4%
AF Namibia Balanced Growth Fund ¹	20.5%	17.1%	16.4%	16.5%
Old Mutual Namibia Profile Balanced/Pinnacle Fund ²	21.5%	17.3%	17.0%	16.5%
Prudential Namibia Balanced Fund	22.0%	17.8%	17.6%	-
Sanlam Namibia Balanced Fund	24.0%	17.6%	17.3%	11.1%
Standard Bank Namibia Managed Fund	19.4%	17.7%	17.9%	17.5%
Average SA Moderate Portfolio³	22.6%	17.9%	17.5%	17.2%
Average Nam Moderate Portfolio⁴	22.9%	18.5%	17.6%	17.5%
All Share (JSE)⁵	32.7%	20.6%	21.6%	21.0%
Nam Inflation	6.1%	6.1%	5.6%	6.1%
Nam Inflation + 6%	12.1%	12.1%	11.6%	12.1%

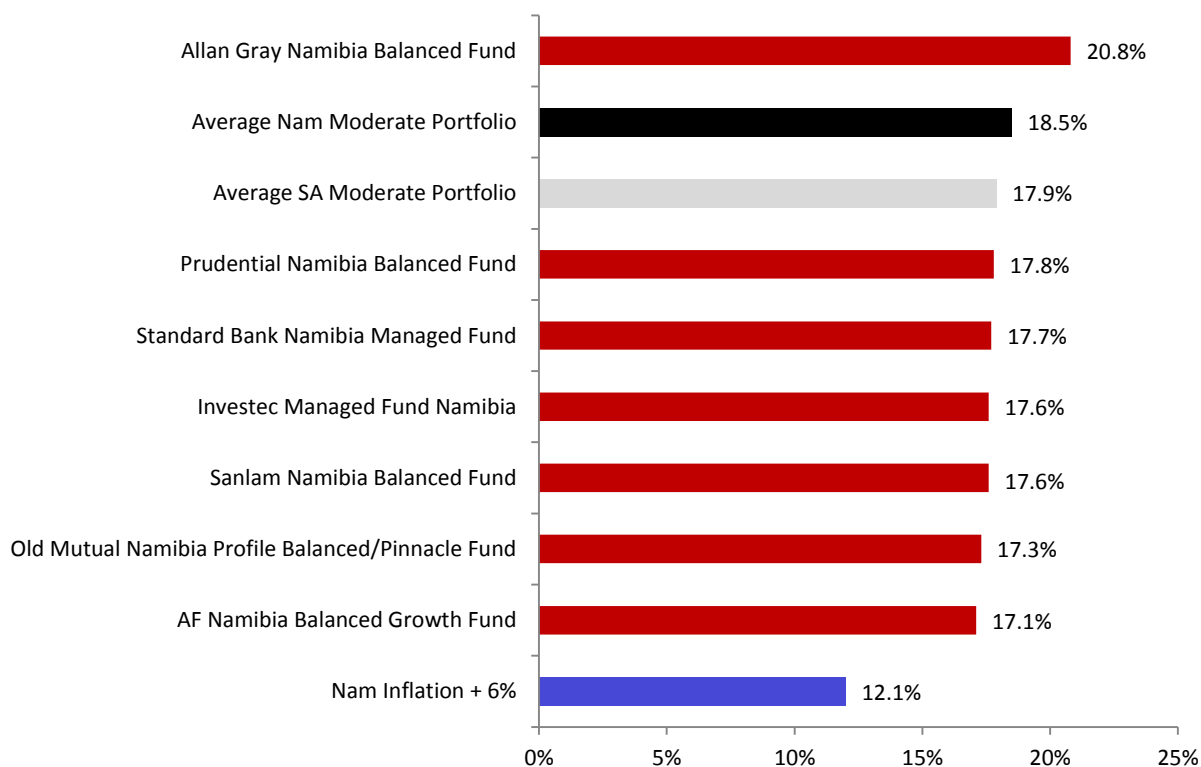
- Returns prior to April 2009 were for the Investment Solutions Focused Growth Fund. The fund's name changed to AF Balanced Growth in March 2009.
- OMIGNAM Profile Balanced was closed and assets transferred to OMIGNAM Profile Pinnacle during September 2013.
- Average of the NMG Consultants and Actuaries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

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

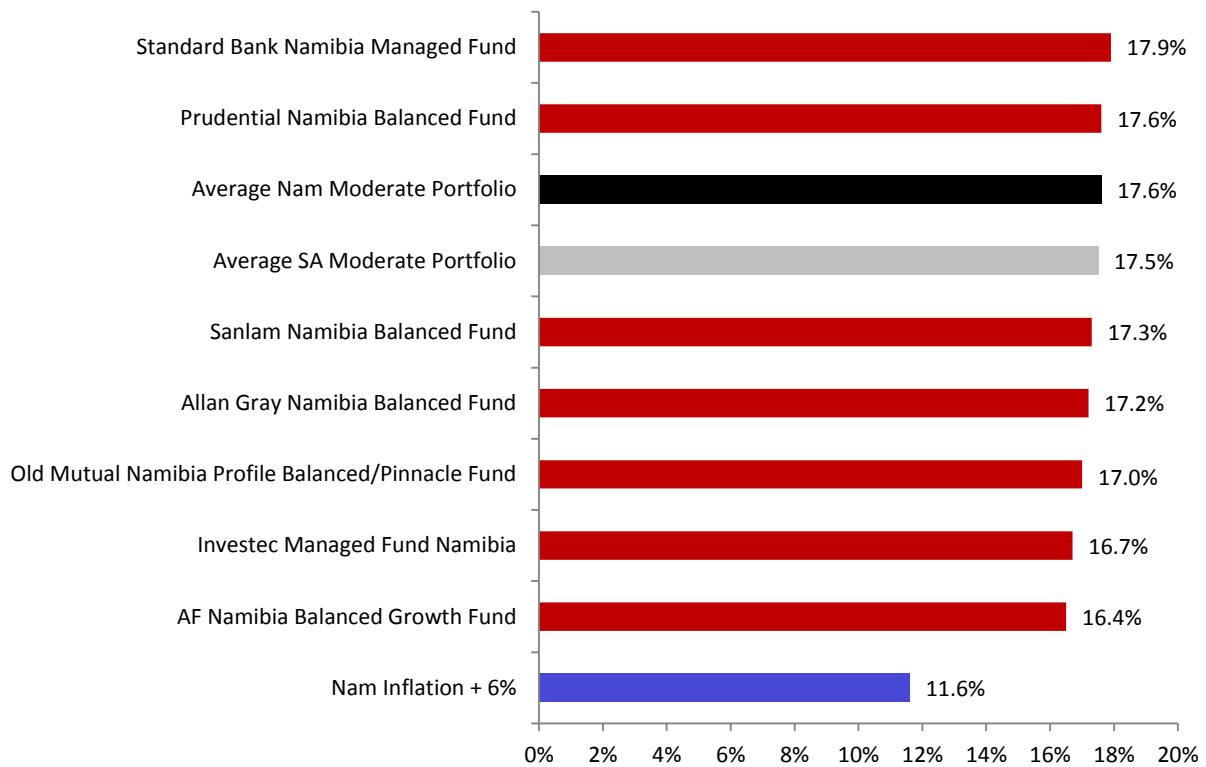
1 year performance for the period ending 30 June 2014



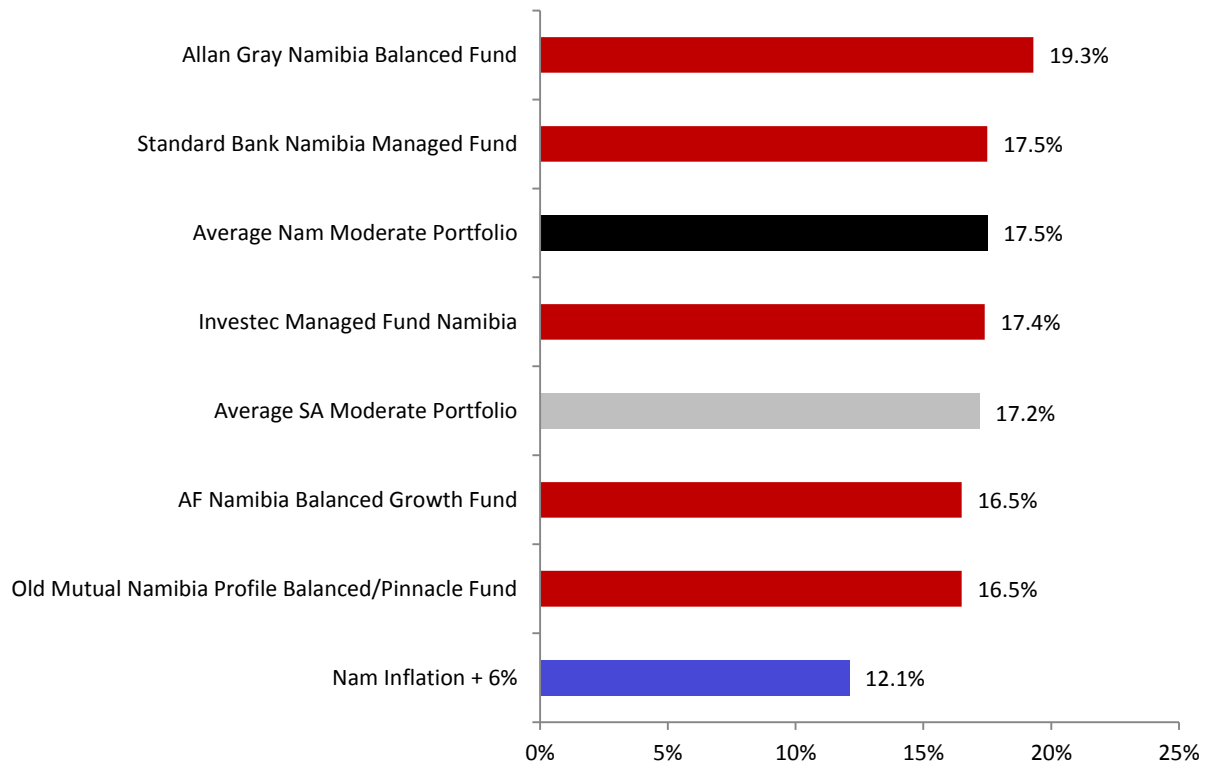
3 year performance for the period ending 30 June 2014



5 year performance for the period ending 30 June 2014

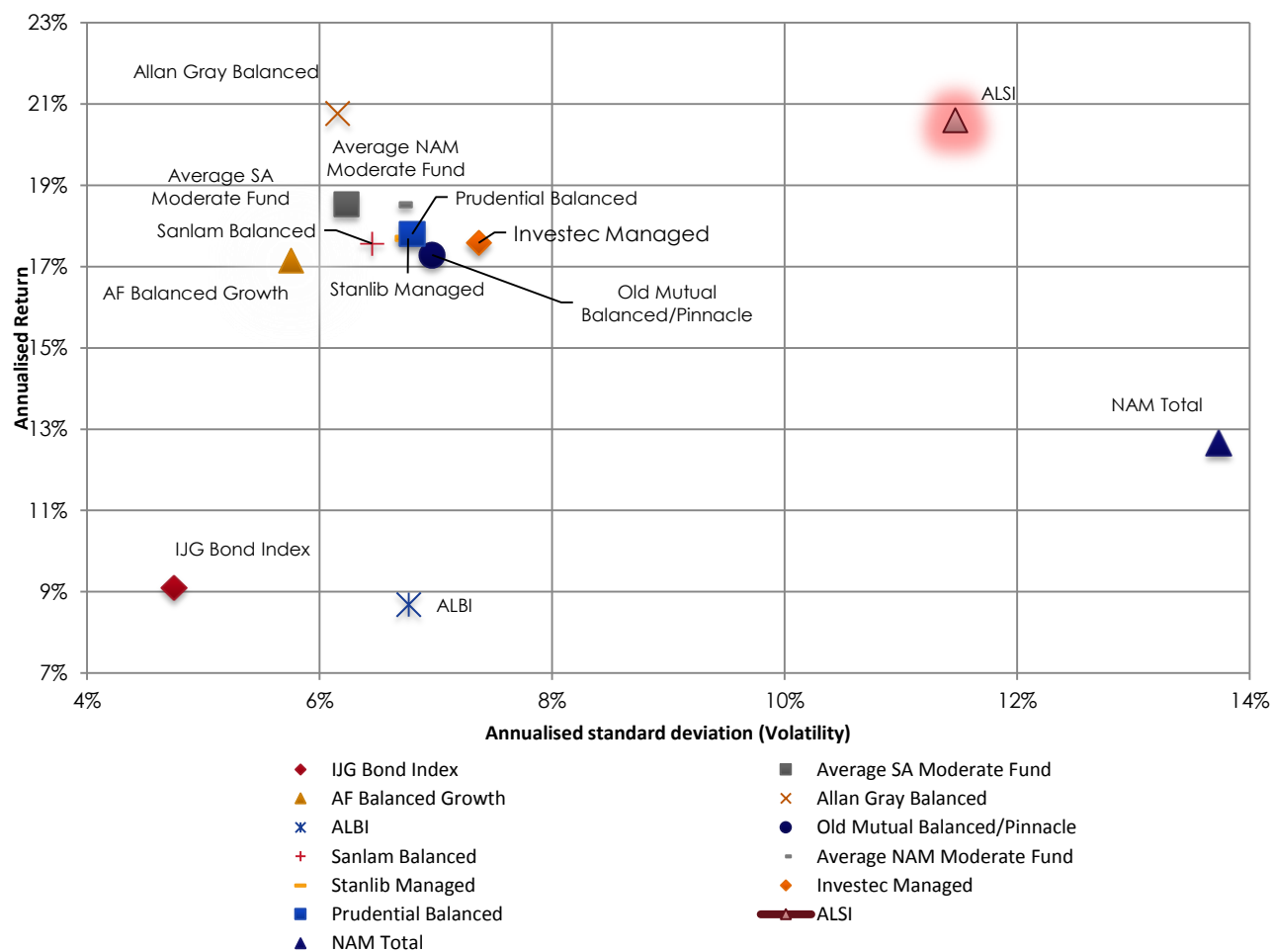


10 year performance for the period ending 30 June 2014



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 **30 June 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 **30 June 2013 (12 Months ago)**

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	8.2%	2.3%	11.3%	15.3%
Nam Bonds	16.8%	2.8%	4.1%	6.2%
Nam Cash	8.9%	33.8%	19.9%	13.5%
Nam Property	-	-	-	1.0%
SA Equities	26.2%	4.6%	10.4%	16.2%
SA Bonds	8.0%	20.0%	19.7%	9.6%
SA Cash	0.6%	5.1%	2.5%	3.3%
SA Property	4.7%	4.7%	4.0%	2.0%
International Equity	24.7%	21.7%	15.2%	16.2%
International Bonds	-	0.7%	12.9%	6.3%
International Cash	-	1.1%	-	-
International Other ¹	-	0.3%	-	9.7%
Other ²	1.9%	2.9%	-	0.7%
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 **30 June 2014**

	Nam Coronation Capital Plus*	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	6.8%	2.9%	7.6%	13.7%
Nam Bonds	10.0%	3.2%	4.3%	6.8%
Nam Cash	24.7%	31.2%	16.2%	11.3%
Nam Property	-	0.1%	1.8%	2.2%
SA Equities	23.6%	10.5%	11.0%	19.3%
SA Bonds	5.2%	18.7%	27.1%	13.2%
SA Cash	-1.3% ³	3.7%	1.3%	0.8%
SA Property	4.8%	4.8%	3.7%	1.8%
International Equity	23.4%	20.8%	14.2%	14.8%
International Bonds	-	1.8%	11.7%	5.7%
International Cash	1.7%	0.9%	1.1%	1.8%
International Other ¹	-	0.2%	-	7.6%
Other ²	1.2%	1.2%	-	1.2%
Total	100.0%	100.0%	100.0%	100.0%

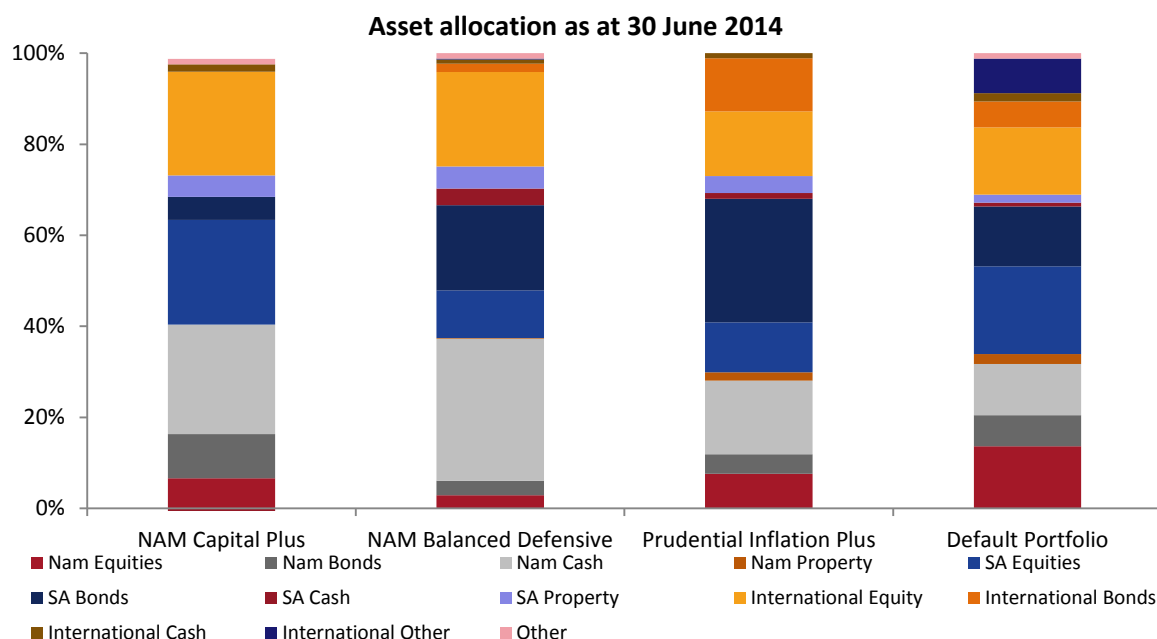
1. Other represents International Property

2. Other represents Commodities

3. The effective exposure takes financial derivatives into account, this accounts for the negative cash exposure.

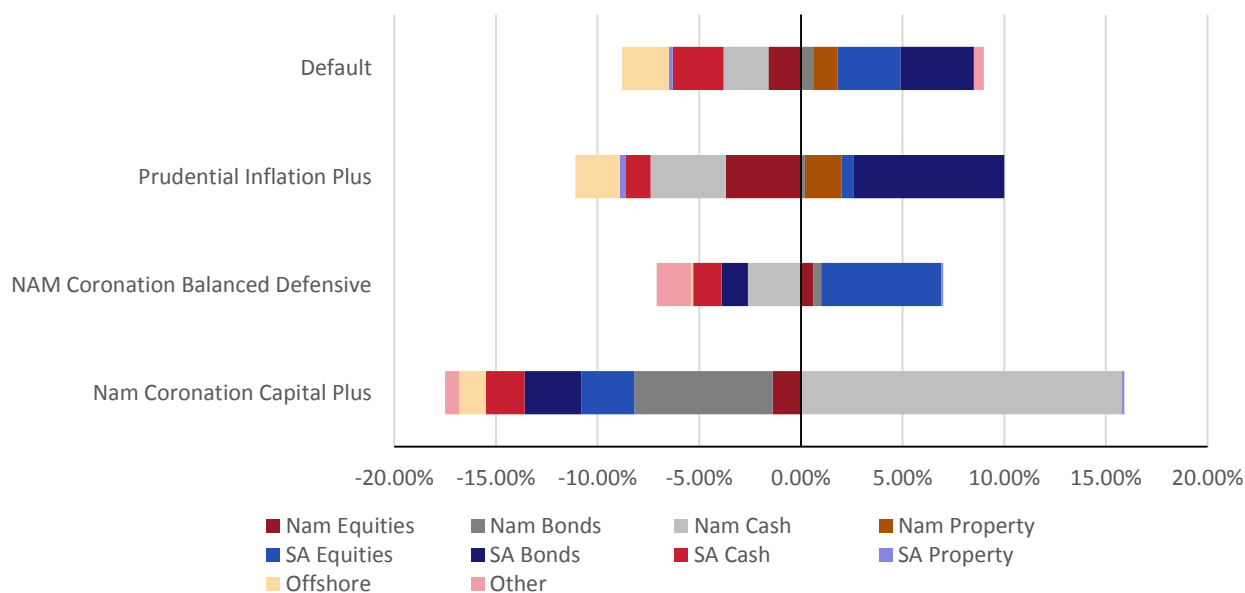
*Please note that the exposure to equities within the portfolio can be as high as 65.0% at times should the asset manager deem that to be appropriate.

The figures below reflect the asset allocation of the moderate-low portfolios as at **30 June 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 **30 June 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.



3.2.3 Geographical Split

Listed below is the geographical split as at **30 June 2014**.

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Namibia	41.5%	37.4%	29.9%	34.0%
South Africa	33.4%	38.9%	43.1%	36.2%
International	25.1%	23.7%	27.0%	29.8%
Total	100.0%	100.0%	100.0%	100.0%

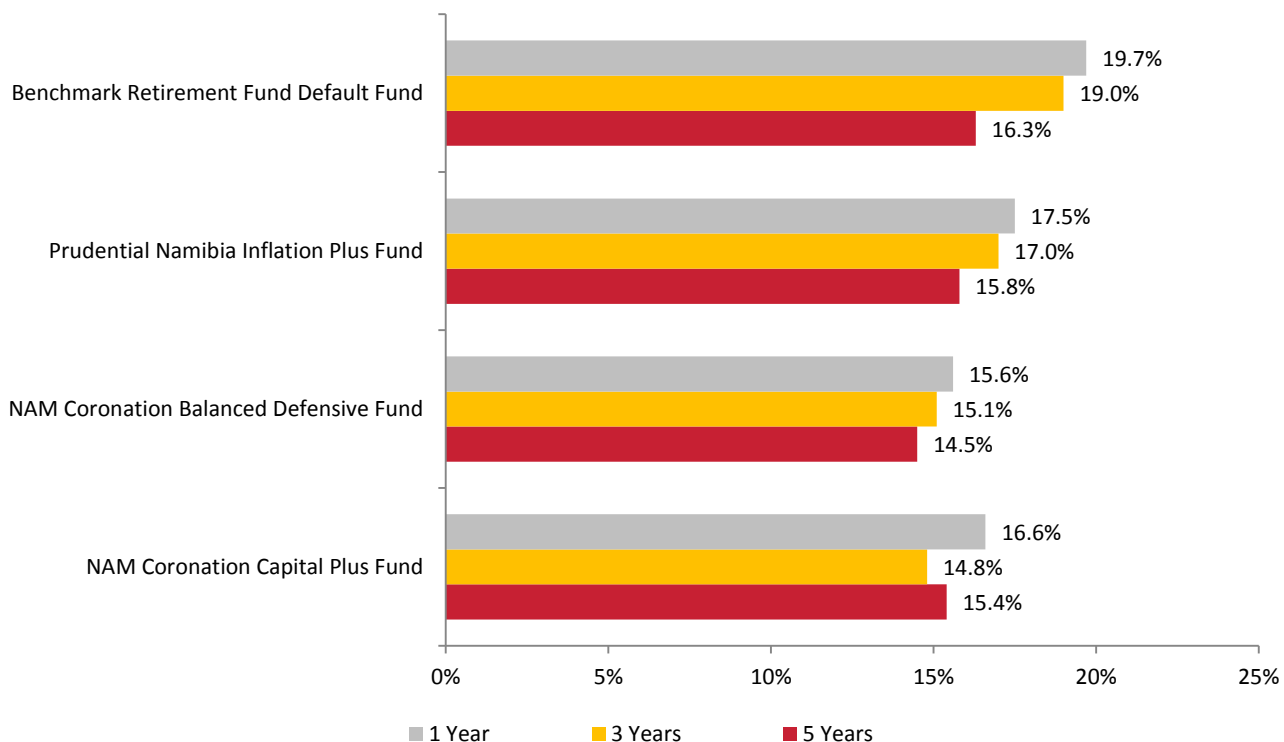
3.2.4 Time Weighted Returns

Listed below are the investment returns achieved for the specified periods to **30 June 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	16.6%	14.8%	15.4%	-
NAM Coronation Balanced Defensive Fund	15.6%	15.1%	14.5%	-
Prudential Namibia Inflation Plus Fund	17.5%	17.0%	15.8%	14.9%
Benchmark Retirement Fund Default Fund	19.7%	19.0%	16.3%	14.3%
Nam Inflation	6.1%	6.1%	5.6%	6.1%
Nam Inflation + 3% to 5%	9.1% to 11.1%	9.1% to 11.1%	8.6% to 10.6%	9.1% to 11.1%

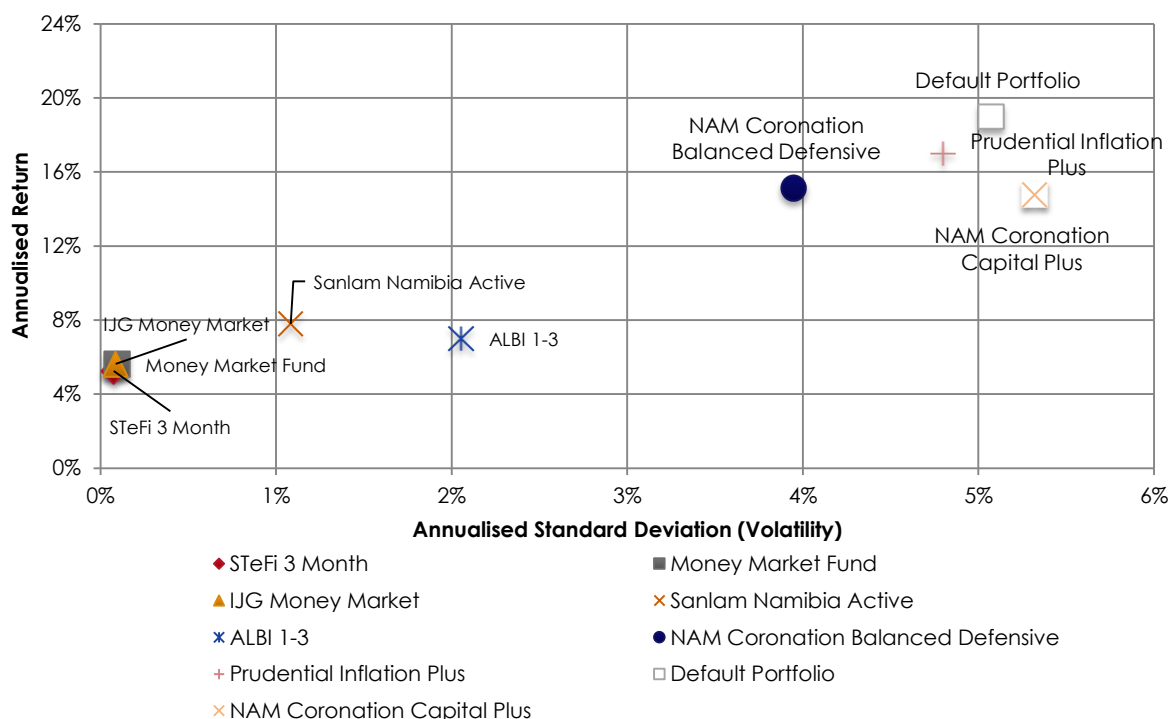
1. The NAM Coronation Absolute Fund was renamed to NAM Coronation Capital Plus Fund effective 26 April 2011.

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 **30 June 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			
	30 June 2014	30 June 2013	Change
Nam Equities	-	-	-
Nam Bonds	1.5%	1.4%	0.1%
Nam Cash	35.0%	76.4%	-41.4%
Nam Property	-	-	-
SA Equities	-	1.8%	-1.8%
SA Bonds	17.9%	14.2%	3.7%
SA Cash	42.6%	-	42.6%
SA Property	2.9%	1.9%	1.0%
Offshore	-	-	-
Other	-	-	-
Total	100.0%	100.0%	

The total Namibian exposure is 36.5% as at 30 June 2014.

3.3.1 Time Weighted Returns

Listed below are the gross investment returns achieved for the specified periods to **30 June 2014**. 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	7.3%	7.2%	7.8%
ALBI 1-3 Years Index	5.6%	6.9%	7.4%
Inflation	6.1%	6.1%	5.6%
Inflation + 1% to 2%	7.1% to 8.1%	7.1% to 8.1%	6.6% to 7.6%

Capital Protection Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Money Market Fund ¹	5.6%	5.6%	6.2%
IJG Money Market Index	5.5%	5.6%	6.2%
Inflation + 1%	7.1%	7.1%	6.6%

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.