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Prepared by

NMG Consultants and Actuaries

For



Retirement Fund Solutions



Benchmark Retirement Fund

## Investment Report as at 30 June 2015

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# Table of Contents

1.	Introduction	2
2.	Market Overview	5
3.	Performance Comparison	8



# 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 trustees of the Fund have removed the Sanlam Namibia Balanced Fund and AF Namibia Balanced Fund from the platform of the fund towards the end of 2014, whilst they have added the EMH Prescient Absolute Balanced Fund, the NAM Coronation Balanced Plus Fund and the Sanlam Namibia Inflation Linked Fund.

The Chilli Factor indicates the level of risk that needs to be undertaken by the manager in order to achieve the desired investment return.



# Introduction

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
EMH Prescient Absolute Balanced Fund	Moderate	None	CPI+5% to 6%	
Allan Gray Namibia Balanced Fund	Moderate	None	CPI+5% to 6%	
Investec Managed Namibia Fund	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%	
NAM Coronation Balanced Plus Fund	Moderate	None	CPI+5% to 6%	
Standard Bank Namibia Managed Fund	Moderate	None	CPI+5% to 6%	
Benchmark Default Portfolio*	Moderate-Low	-	CPI+4% to 5%	
NAM Coronation Capital Plus Fund	Moderate-Low	CPI+4% (1 year)	CPI+4%	
Prudential Namibia Inflation Plus Fund	Moderate-Low	CPI+4%	CPI+4%	
Sanlam Namibia Inflation Linked 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	Low	1-3 year ALBI	CPI+1% to 2%	
Money Market Fund**	Capital Preservation	7 day Repo Rate	CPI to CPI + 1%	None

\* The Benchmark Default Portfolio is managed by Allan Gray and Prudential.

\*\* The Money Market Fund is managed by Capricorn Asset Management.



# Introduction

## 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.

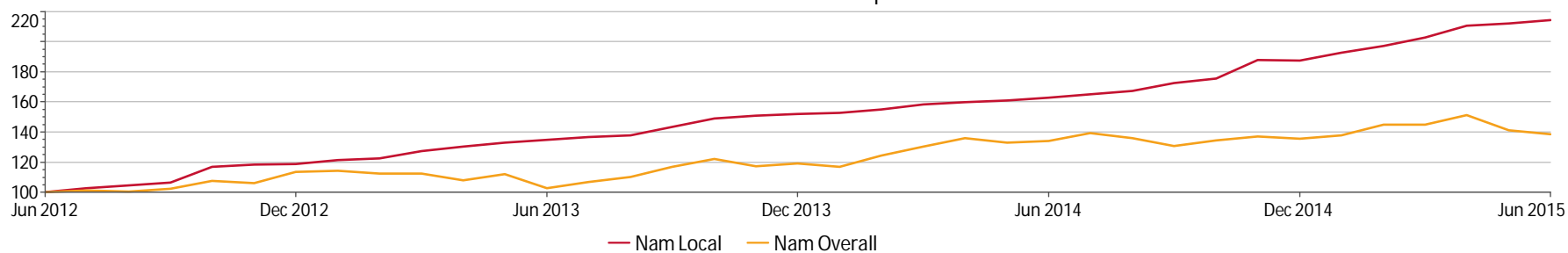


## Market Overview

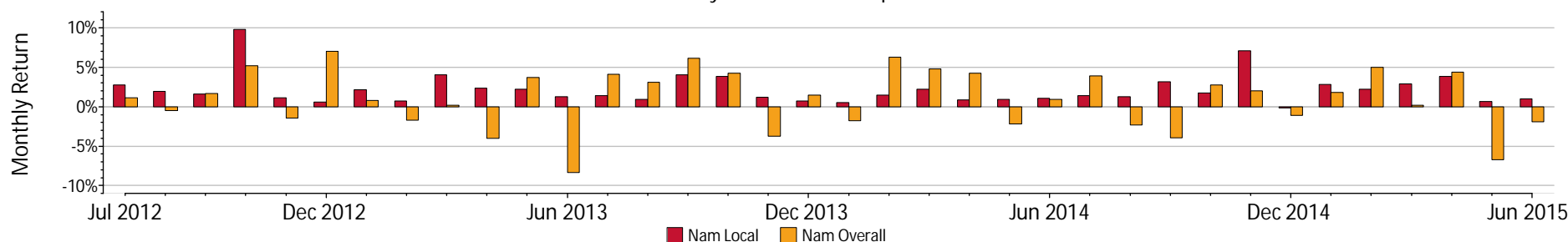
The International Monetary Fund has voiced concerns regarding the Namibian economy. The agency believes that the economy will not be able to beat the growth rate that was achieved during 2014. It is forecast that Namibia will only be able to achieve a GDP growth rate of 5% for the current year. Growth is expected to be boosted by both the construction and mining sectors, but declining commodity prices could have a negative effect on the mining sector in the upcoming months. The link between the South African and the Namibian economy may also be a cause for concern as South African electricity constraints could possibly spill over into the Namibian economy.

The Namibian Statistics Agency has announced that the year-on-year inflation rate came in at 3.0% for June. Economists had forecast that inflation would climb to 3.5% on an annualised basis for the month. Month-on-month inflation for June climbed by 0.3%, marking a slower pace compared to the previous three months. Private Sector Credit Extension declined to 14.8% in June. This marks the first decline since mid-2011 and it is likely to be driven by supply side issues.

Cumulative Performance Graph



Monthly Performance Graph



Sector Index	3 Month	YTD	1 Year	3 Year	5 Year
Nam Local Index	5.6%	14.2%	31.5%	28.9%	29.4%
Nam Overall Index	-4.5%	2.3%	3.3%	11.5%	12.4%
IJG Bond	0.2%	2.4%	7.8%	7.3%	8.9%
IJG Money Market	1.5%	3.1%	6.2%	5.7%	5.9%



## South African & International Markets

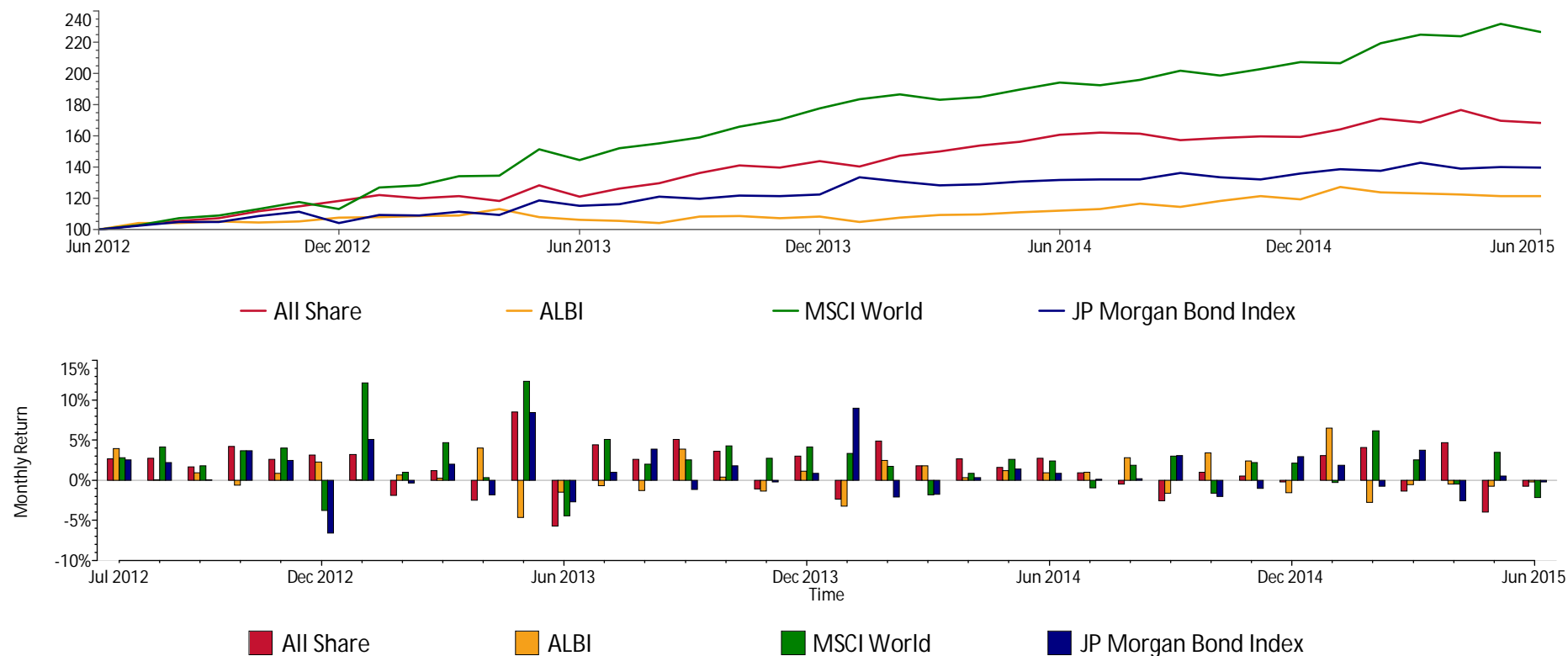
The big news from South Africa during July was that the South African Reserve Bank had taken drastic steps and increased interest rates by 0.25% to 6.0%. The central bank took these measures to prevent inflation from moving above the 3-6% target band. The governor of the Reserve Bank stated that the weak rand has created significant inflation pressure and that they believe that if they don't act inflation will become entrenched at higher levels. Even though the SARB has taken these steps, the South African economy is still struggling to make headway. In fact the Finance minister has warned that a lower level of growth on the global and local front can be considered as the new normal. The weaker growth can be further emphasized by business confidence in the country tumbling to a 16-and-a-half year low. The confidence levels are currently sitting below the levels seen during the global financial crisis.

The US economy posted positive growth during the second quarter of 2015, expanding at an annual rate of 2.3%. The higher level of growth comes after a period of contraction. The GDP growth that was achieved is in line with expectations and this data provides further evidence that the Federal Reserve may indeed raise rates in September. At the monetary policy meeting that was held during the last week of July, the Federal Reserve did not provide a conclusive answer as to when they will hike rates however there is a strong possibility that interest rates will be hiked in September. The chairwoman of the Fed has however stated that rates will remain low in order to support the world's largest economy.

Greece has undertaken to provide significant economic reforms in order to remain within the Eurozone and receive a \$96 billion bailout. These reforms include higher taxes, selling of government assets and pension cuts. Greek stock markets showed large losses, after trading resumed after a five week closure. The Athex index fell by more than 16% on its first trading day, with the largest lenders in the country seeing the biggest declines. Moving away from Greece, the Spanish economy has taken the lead amongst Europe's biggest economies. The International Monetary Fund has predicted that Spain will see a growth rate of 3.1% and 2.5% for 2015 and 2016 respectively. In fact, out of the five countries that received bailouts from Europe, only Greece has continued to perform poorly. Spain, Ireland, Portugal and Cyprus are forecast to produce positive levels of growth for the current year.

The Chinese economy has produced a mixed bag of data, with the economy managing to achieve better-than-expected growth numbers during the second quarter of 2015, whilst factory activity shrank to its worst levels in two years. The largest Asian economy achieved a growth rate of 7.0% on a year-on-year basis, whilst economists had predicted growth to only reach 6.9% for the period. The private Caixin/Markit manufacturing purchasing managers' index fell from 49.4 to 47.8, with figures below 50 indicating contraction. The official PMI fell to 50 from 50.2. The official PMI index focuses on large companies, whilst the private index focuses on small to mid-sized companies.

The oil price saw declines during July, as an increasing supply forced down prices.



Sector Index	3 Month	YTD	1 Year	3 Year	5 Year
All Share	-0.2%	5.6%	4.8%	19.0%	18.0%
ALBI	-1.4%	1.6%	8.2%	6.6%	9.1%
MSCI World	0.8%	9.4%	16.7%	31.4%	24.7%
JP Morgan Bond Index	-2.2%	2.6%	5.9%	11.8%	11.1%
ZAR vs USD	0.3%	6.3%	14.5%	14.3%	9.7%
SA CPI	1.6%	3.5%	4.7%	5.6%	5.5%
SA Medical CPI	1.5%	5.5%	6.0%	5.5%	5.4%





# Performance Comparison

## 3.1 Moderate Portfolios

### 3.1.1. Asset Allocation (12 Months Ago)

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	19.5%	13.6%	21.3%	13.1%	14.2%	12.4%	8.5%
Namibia Bonds	9.1%	14.2%	11.1%	24.0%	3.8%	8.7%	1.1%
Namibia Cash	6.6%	10.8%	7.0%	0.0%	16.4%	12.8%	38.9%
Namibia Property	2.6%	0.4%	0.0%	2.8%	1.8%	4.1%	0.0%
South Africa Equities	27.1%	23.8%	13.8%	21.7%	22.3%	28.2%	22.9%
South Africa Bonds	0.0%	0.8%	5.0%	1.8%	11.7%	6.9%	0.0%
South Africa Cash	0.3%	0.4%	5.1%	0.0%	0.2%	0.1%	0.0%
South Africa Property	0.0%	2.0%	3.1%	1.3%	0.0%	0.0%	0.0%
International Equity	15.3%	26.2%	18.7%	32.1%	22.8%	20.0%	19.5%
International Bonds	0.0%	1.9%	5.4%	0.0%	6.7%	0.7%	0.0%
International Cash	2.4%	3.7%	3.7%	0.0%	0.1%	2.9%	0.1%
International Other	14.8%	0.0%	0.5%	2.1%	0.0%	3.3%	0.0%
Other	2.3%	2.2%	5.3%	1.0%	0.0%	0.0%	9.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Allan Gray: International Other represents Offshore Hedge Funds & International Property
2. Allan Gray, Investec: & OMIGNAM Other represents Commodities
3. AF Balanced Growth: Other represents Commodities (3.56%) & Alternatives (1.66%)
4. AF Balanced Growth: International Other represents International Property (0.26%) & Commodities (0.25%)
5. Sanlam Namibia Balanced: International Other represents International Property
6. Standard Bank Managed: Other represents Pooled Funds.
7. OMIGNAM Profile Pinnacle: International Other represents Property



# Performance Comparison

## 3.1 Moderate Portfolios

### 3.1.1. Asset Allocation at 30 June 2015

	Allan Gray	Investec Managed	OMIGNAM Profile Pinnacle	Standard Bank Managed	EMH Prescient Absolute Balanced	NAM Coronation Balanced Plus	Prudential Balanced
Namibia Equities	20.9%	14.0%	17.2%	6.3%	5.4%	5.8%	8.3%
Namibia Bonds	9.4%	15.0%	21.3%	0.8%	0.0%	12.3%	11.1%
Namibia Cash	2.0%	11.8%	0.0%	9.8%	38.6%	14.2%	20.5%
Namibia Property	3.0%	0.4%	0.0%	0.0%	0.0%	0.0%	2.1%
South Africa Equities	24.6%	22.8%	22.0%	24.1%	26.1%	20.2%	26.4%
South Africa Bonds	0.0%	0.4%	4.4%	0.0%	4.1%	0.0%	0.0%
South Africa Cash	0.3%	0.3%	1.3%	0.0%	0.2%	0.0%	0.0%
South Africa Property	0.0%	2.4%	2.1%	0.0%	0.0%	13.3%	0.0%
International Equity	31.1%	23.8%	31.7%	32.0%	11.7%	29.3%	25.8%
International Bonds	0.6%	0.2%	0.0%	2.8%	4.6%	0.4%	0.2%
International Cash	2.9%	9.0%	0.0%	0.0%	6.4%	0.1%	4.0%
International Other	0.9%	0.0%	0.0%	3.7%	2.8%	0.9%	0.0%
Other	4.3%	0.0%	0.0%	20.4%	0.0%	3.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1. Allan Gray: International Other represents Commodities

2. Allan Gray: Other represents SA Commodities

3. Allan Gray: International Equity represents Net Equity (16.4%) & Hedged Equity(14.7%)

4. Standard Bank Managed: Other represents Unitized Portfolios

5. Standard Bank Managed: International Other represents Pooled Funds

6. EMH Prescient: International Other represents Forwards and Derivatives

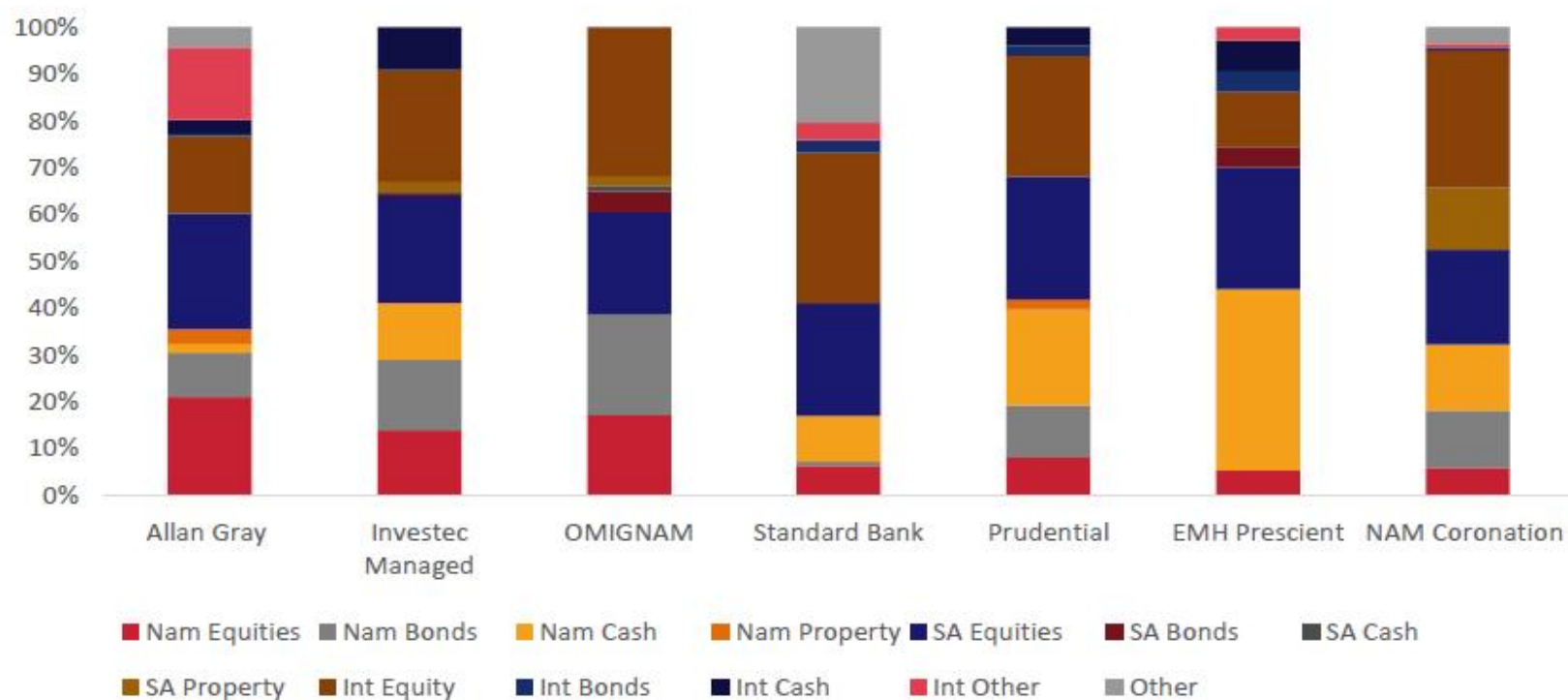
7. NAM Coronation Balanced Plus: Other & International Other represents Commodities.



# Performance Comparison

## Moderate Portfolios Asset Allocation

Asset Allocation as at 30 June 2015

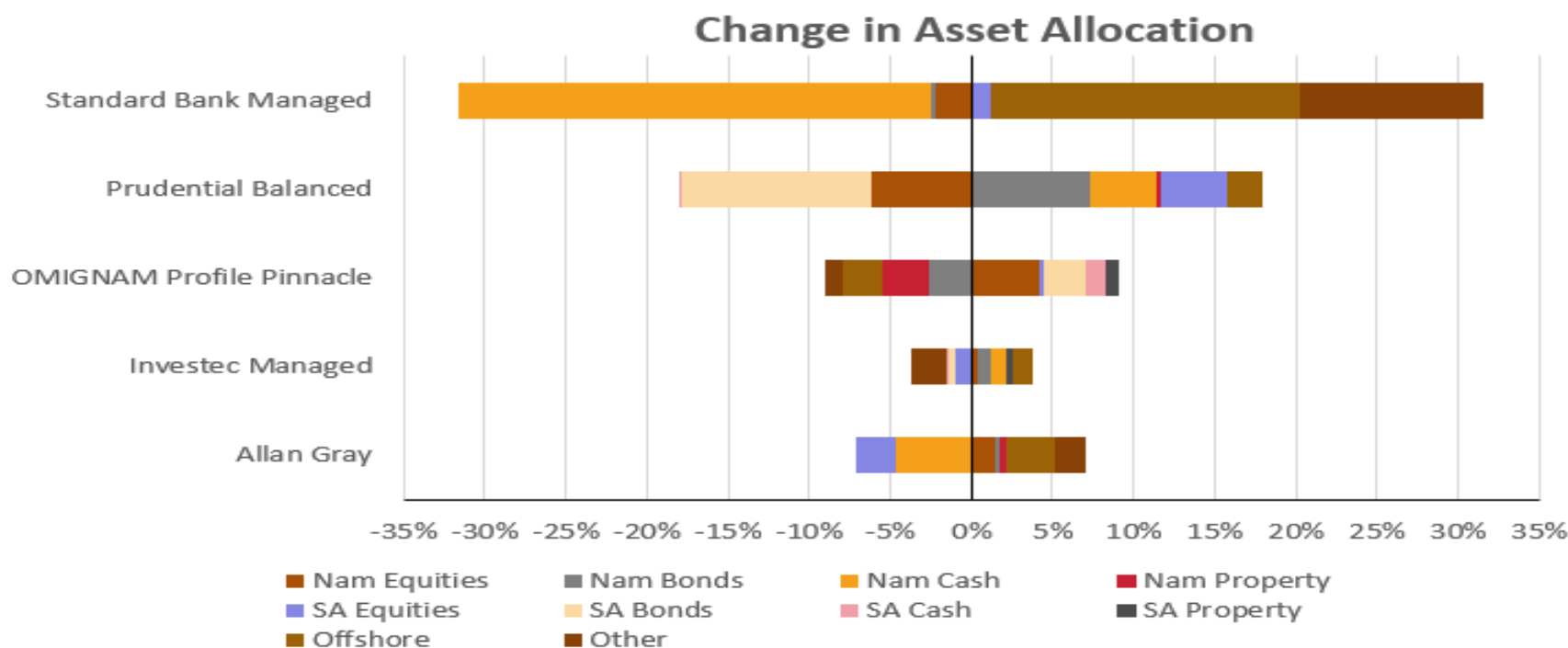




## Performance Comparison

### Moderate Portfolios: 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 2015. 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



Standard Bank has decreased the level of Namibian cash and increased the level of Namibian Unitized Portfolios and Offshore funds . Prudential have decreased the level of SA bonds. Investec and Allan Gray have made small changes over the period.



## Performance Comparison

### Moderate Portfolios: Geographical Split

	Allan Gray	Investec Managed	OMIGNAM Profile Pinnacle	Standard Bank Managed	EMH Prescient Absolute Balanced	NAM Coronation Balanced Plus	Prudential Balanced
Namibia	37.4%	41.2%	38.6%	37.3%	44.0%	35.7%	41.8%
South Africa	27.1%	25.9%	29.7%	24.1%	30.4%	33.6%	26.4%
International	35.5%	32.9%	31.7%	38.6%	25.6%	30.7%	31.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The International component of Allan Gray and Standard Bank are above the allocation due to market movement.

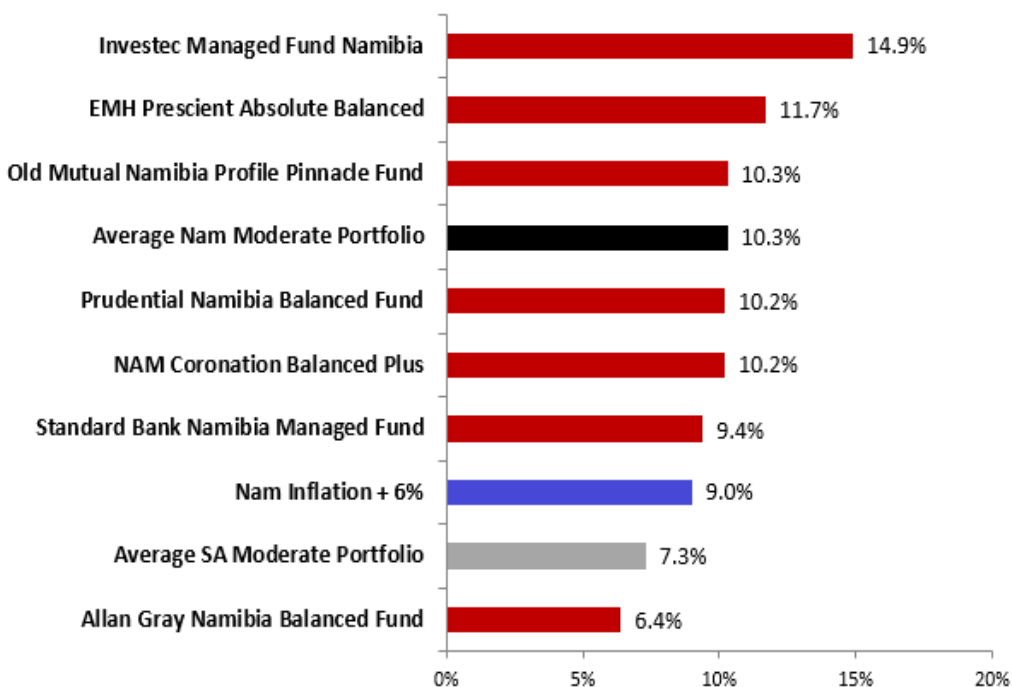
#### Time Weighted Returns

	1 Year	3 Years (Annualised)	5 Years (Annualised)	10 Years (Annualised)
Allan Gray Namibia Balanced Fund	6.4%	17.4%	15.5%	16.5%
Investec Managed Fund Namibia	14.9%	19.5%	16.6%	15.7%
EMH Prescient Absolute Balanced	11.7%	N/A	N/A	N/A
Old Mutual Namibia Pinnacle Fund	10.3%	17.3%	16.0%	13.9%
Prudential Namibia Balanced Fund	10.6%	17.7%	16.2%	N/A
NAM Coronation Balanced Fund	10.2%	19.3%	14.0%	14.6%
Standard Bank Namibia Managed Fund	9.4%	16.6%	16.9%	15.1%
Average SA Moderate Portfolio	7.9%	16.0%	15.2%	14.4%
Average NAM Moderate Portfolio	10.2%	16.6%	15.6%	14.6%
All Share (JSE)	4.8%	19.0%	18.0%	17.1%
Nam Inflation	3.0%	5.1%	5.3%	6.2%
Nam Inflation + 6%	9.0%	11.1%	11.3%	12.2%

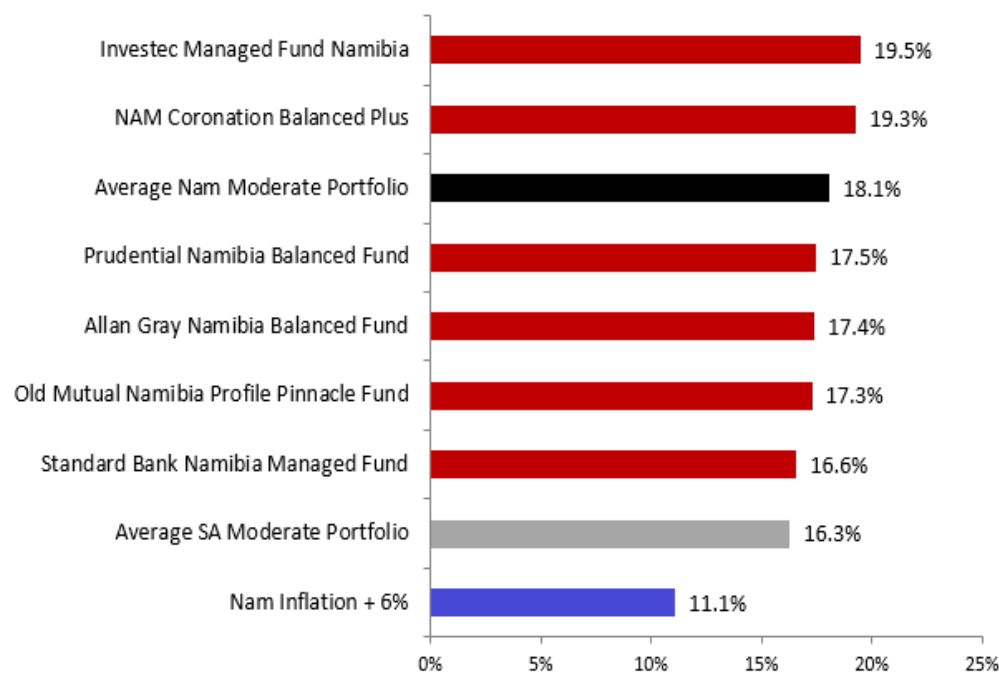


# Performance Comparison

1 year performance for the period ending 30 June 2015



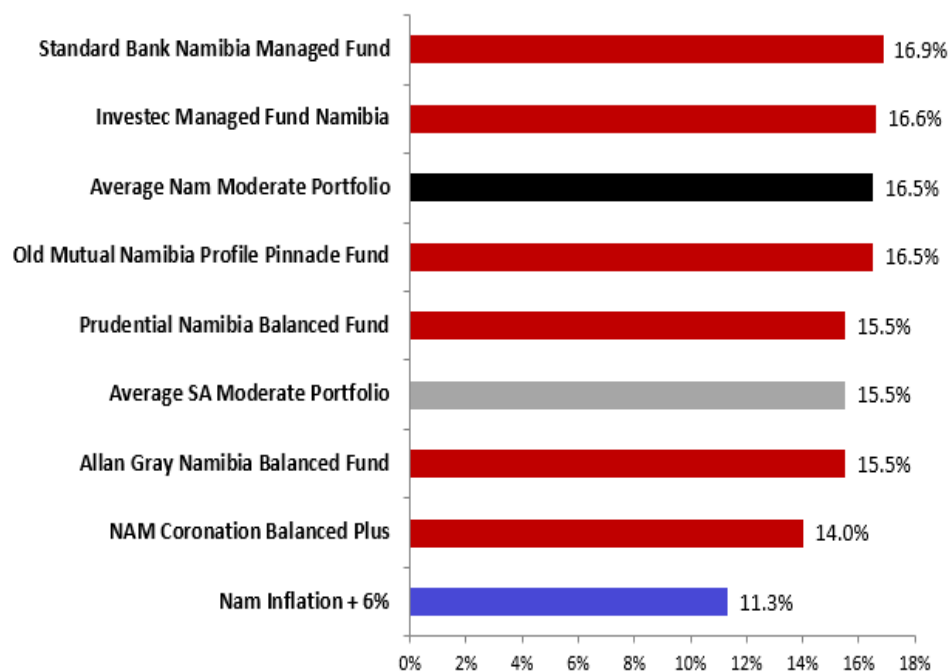
3 year performance for the period ending 30 June 2015



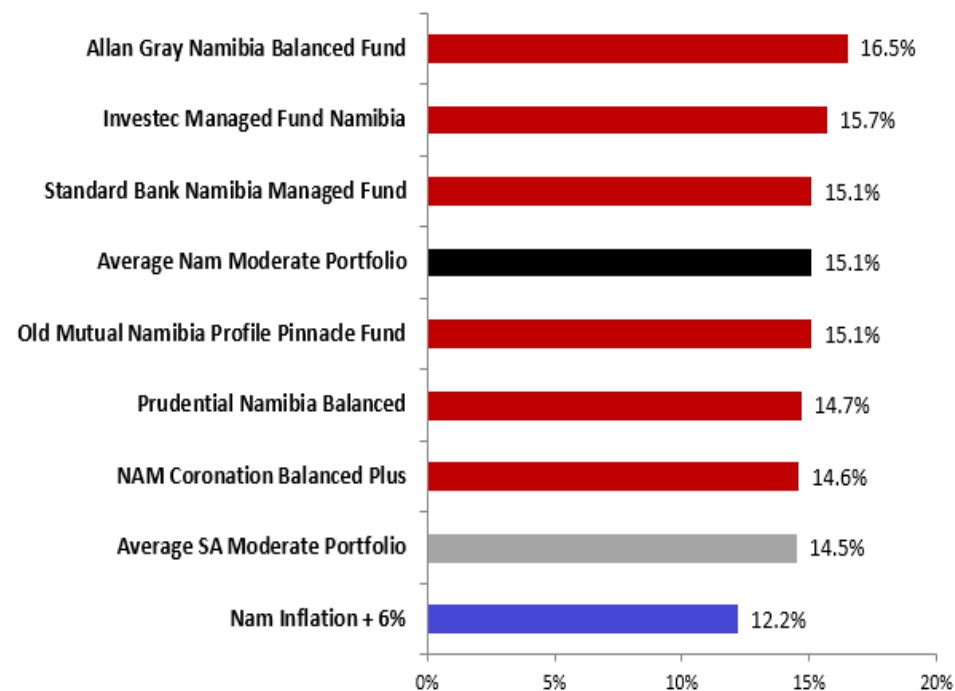


## Performance Comparison

5 year performance for the period ending 30 June 2015



10 year performance for the period ending 30 June 2015



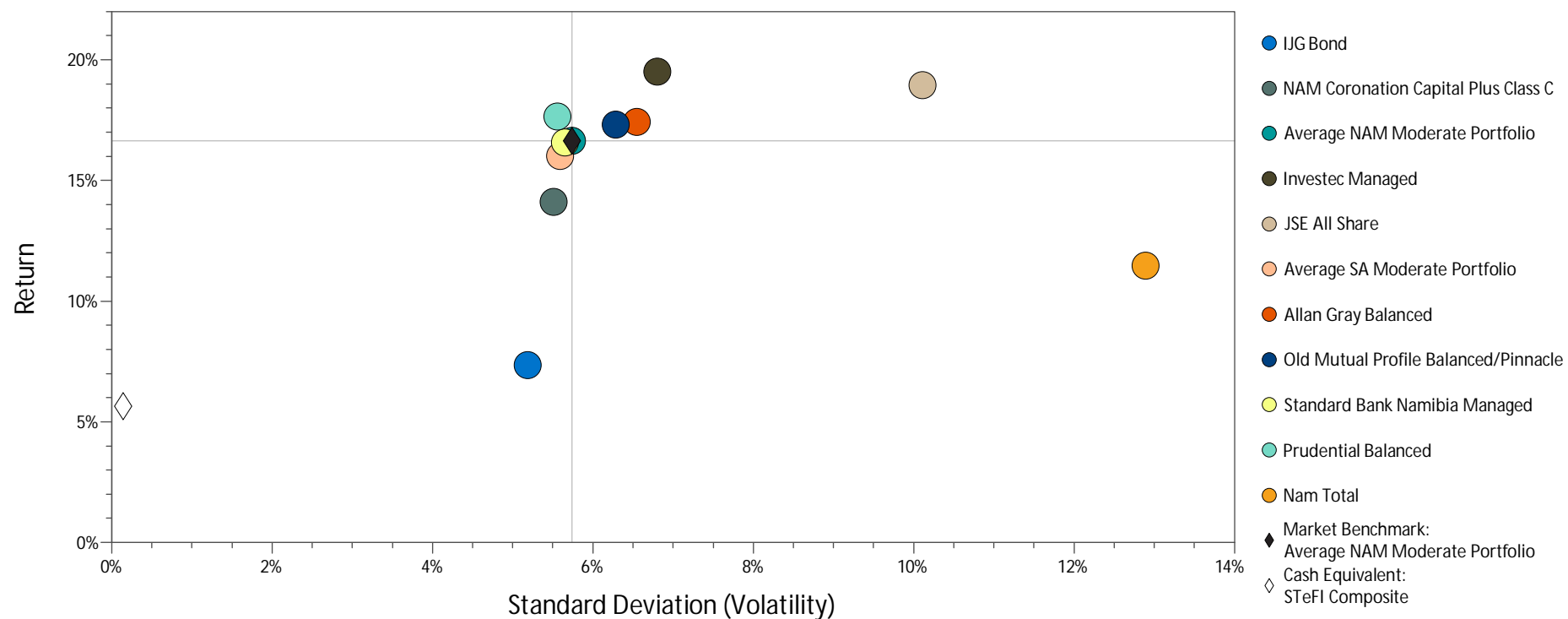
## 3 Performance Comparison

### 3.1.5 Volatility vs Return

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

#### Risk / Return

July 2012 - June 2015 (Single Computation)







## Performance Comparison

### 3.2 Moderate-Low Portfolios

#### 3.2.1. Asset Allocation as at 30 June 2014 (12 Months Ago)

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Benchmark Default Portfolio
Namibia Equities	6.7%	2.9%	7.6%	13.7%
Namibia Bonds	10.0%	3.2%	4.3%	6.8%
Namibia Cash	24.7%	31.2%	16.2%	11.3%
Namibia Property	0.0%	0.1%	1.8%	2.2%
South Africa Equities	23.6%	10.5%	11.0%	19.1%
South Africa Bonds	5.2%	18.7%	27.1%	13.2%
South Africa Cash	-1.3%	3.7%	1.3%	0.8%
South Africa Property	4.8%	4.8%	3.7%	1.8%
International Equity	23.4%	20.8%	14.2%	14.8%
International Bonds	0.0%	1.8%	11.7%	5.7%
International Cash	1.7%	0.9%	1.1%	1.8%
International Other	0.0%	0.2%	0.0%	7.6%
Other	1.2%	1.2%	0.0%	1.2%
Total	100.0%	100.0%	100.0%	100.0%

1. NAM Coronation Balanced Defensive: International Other represents International Property

2. NAM Coronation Balanced Defensive: Other represents Commodities

3. NAM Coronation Capital Plus: The effective exposure takes financial derivatives into account, this accounts for the negative cash exposure.



# Performance Comparison

## 3.2 Moderate-Low Portfolios

### 3.2.1. Asset Allocation at 30 June 2015

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Sanlam Namibia Inflation Linked	Benchmark Default Portfolio
Namibia Equities	6.8%	2.7%	5.2%	10.0%	13.1%
Namibia Bonds	12.7%	6.4%	14.8%	1.7%	12.1%
Namibia Cash	15.5%	30.4%	18.5%	23.4%	10.2%
Namibia Property	0.0%	0.1%	3.0%	0.0%	3.0%
South Africa Equities	18.7%	10.2%	15.2%	17.0%	19.9%
South Africa Bonds	6.8%	18.5%	9.3%	7.6%	4.6%
South Africa Cash	3.7%	3.6%	0.0%	17.3%	0.2%
South Africa Property	7.3%	4.8%	3.7%	1.5%	1.8%
International Equity	27.0%	19.8%	16.6%	17.4%	23.9%
International Bonds	0.0%	1.7%	7.8%	0.0%	4.2%
International Cash	0.0%	0.2%	5.9%	1.6%	4.4%
International Other	0.0%	0.5%	0.0%	2.7%	0.5%
Other	1.5%	1.1%	0.0%	0.0%	2.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

1. NAM Coronation Capital Plus: Other represents Commodities

2. NAM Coronation Balanced Defensive: Other represents Commodities & International Other represents Real Estate

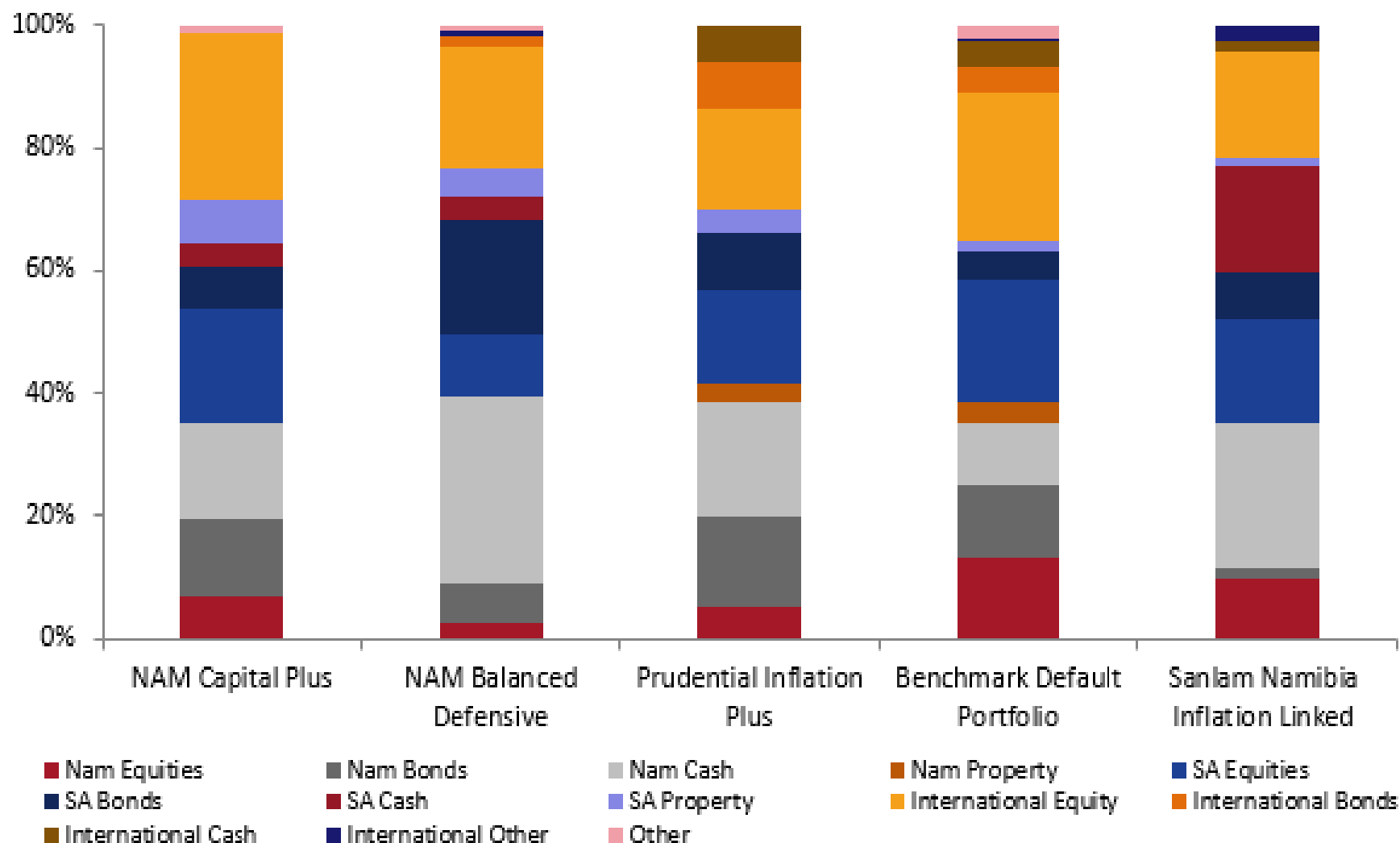
3. Sanlam Namibia Inflation Linked: International Other represents Property

4. Default: Other & International Other represents Commodities



## Performance Comparison

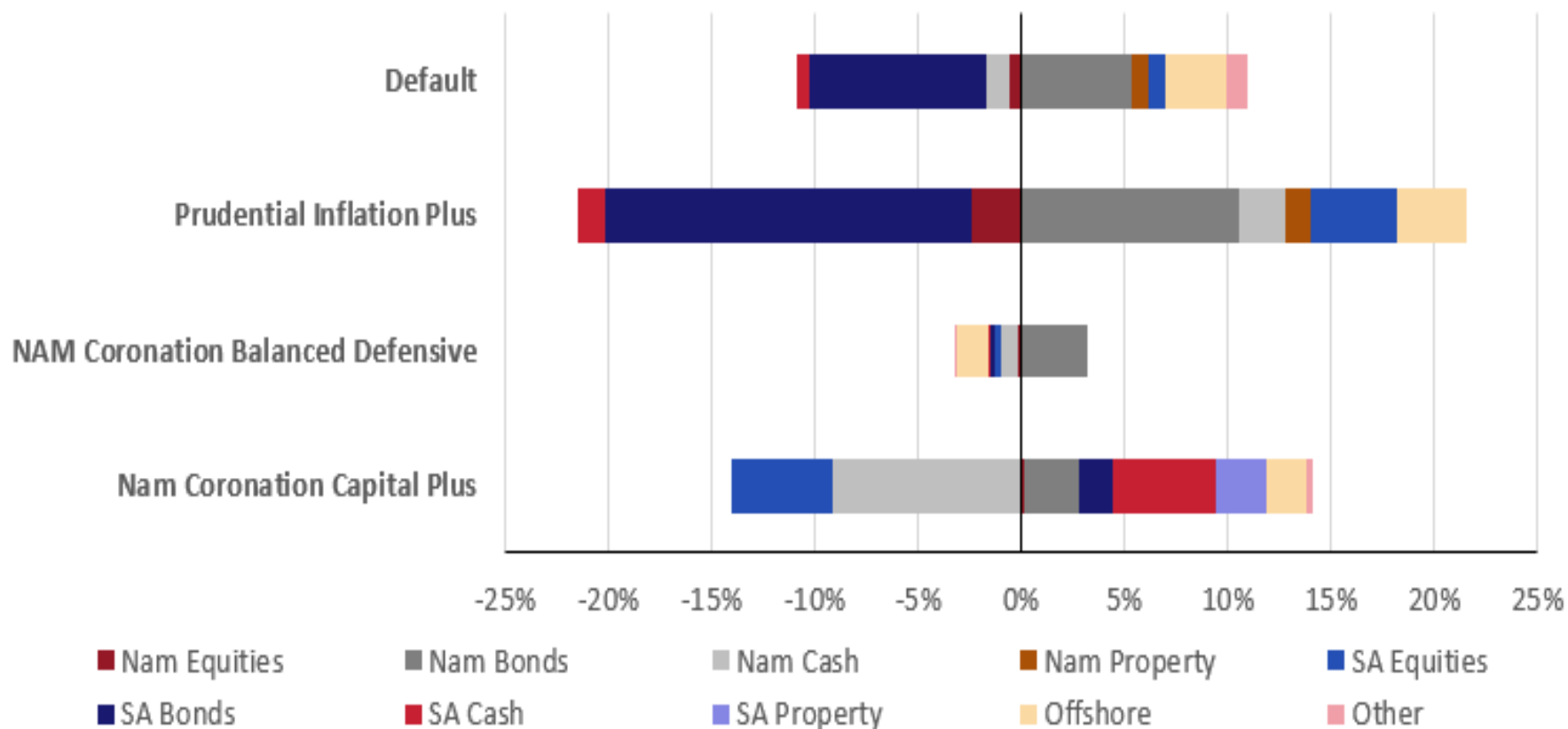
Asset allocation as at 30 June 2015





## Performance Comparison

The following graph illustrates the changes that were made to the managers' asset allocation over the 12 month period ending 30 June 2015. 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.



Both the Default portfolio and the Prudential Inflation Plus portfolio have decreased their exposure to SA bonds and increased their exposure to Nam bonds. Nam Coronation Capital Plus have decreased their Namibian Cash exposure.



## Performance Comparison

### Moderate-Low Portfolios: Geographical Split

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Sanlam Namibia Inflation Linked	Benchmark Default Portfolio
Namibia	35.0%	39.6%	41.5%	35.1%	38.4%
South Africa	38.0%	38.2%	28.2%	43.3%	28.7%
International	27.0%	22.2%	30.3%	21.6%	32.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

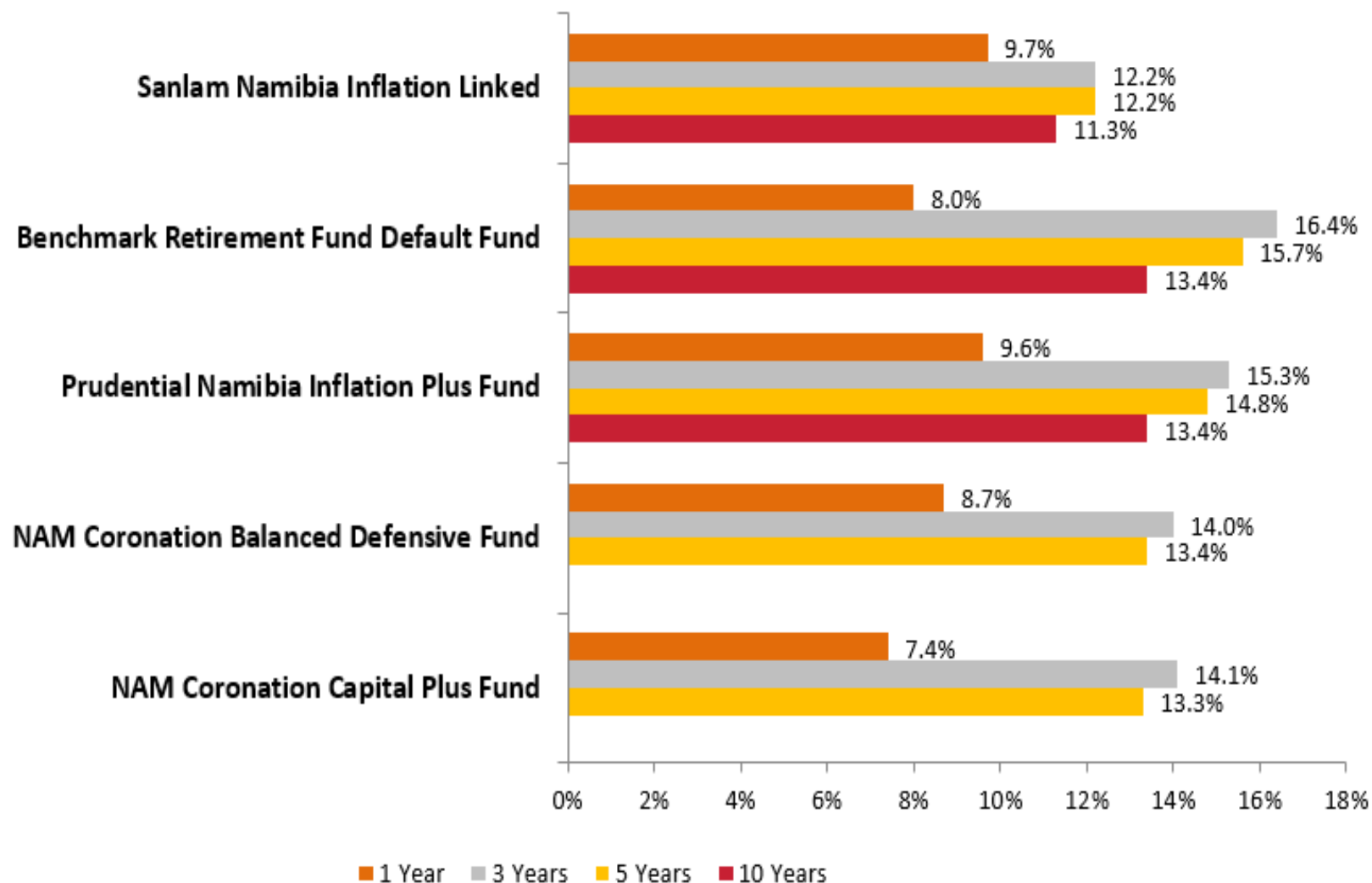
#### Returns

	1 Year	3 Years (Annualised)	5 Years (Annualised)	10 Years (Annualised)
NAM Coronation Capital Plus Fund	7.4%	14.1%	13.3%	N/A
NAM Coronation Balanced Defensive Fund	8.7%	14.0%	13.4%	N/A
Prudential Namibia Inflation Plus Fund	9.6%	15.3%	14.8%	13.4%
Benchmark Retirement Fund Default Portfolio	8.0%	16.4%	15.7%	13.4%
Sanlam Namibia Inflation Linked	9.7%	12.2%	12.2%	11.3%
Nam Inflation	3.0%	5.1%	5.3%	6.2%
Nam Inflation + 3% to 5%	6.0%-8.0%	8.1%-10.1%	8.3%-10.3%	9.2%-11.2%

\* NAM Coronation Capital Plus and NAM Coronation Balanced Defensive Funds only started in December 2007.



## Performance Comparison





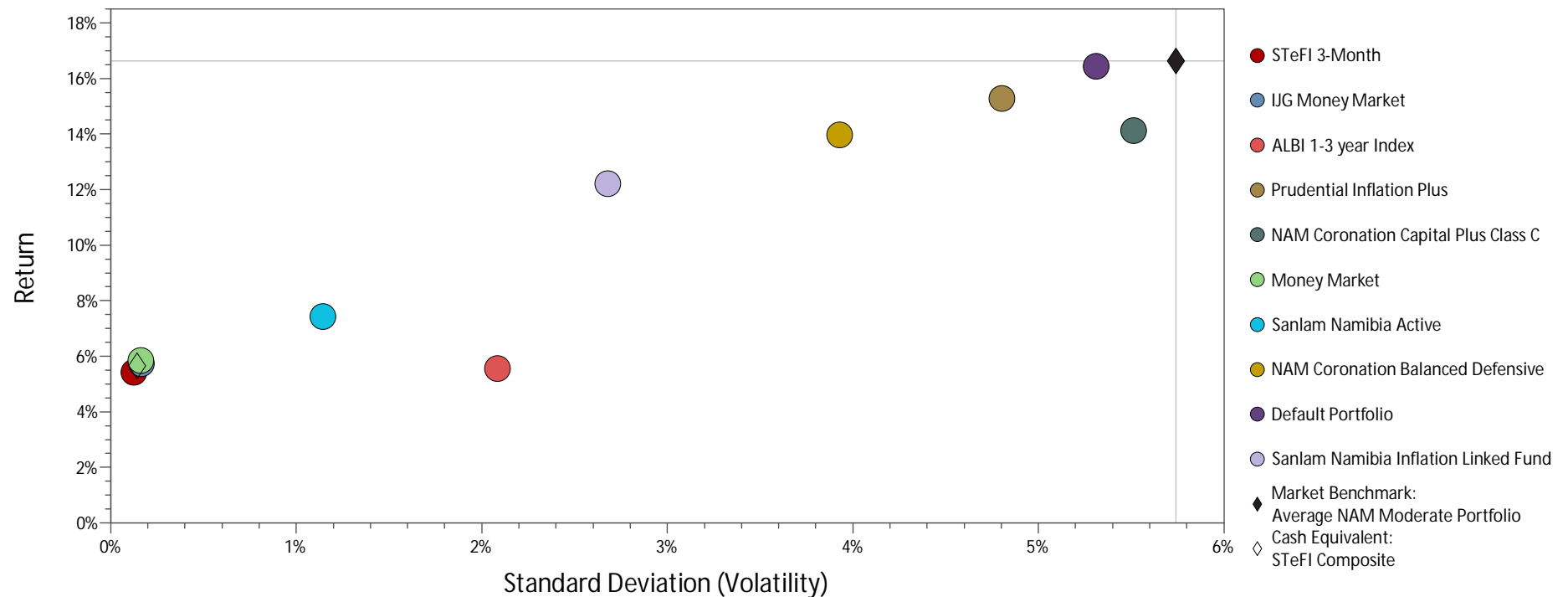
# Performance Comparison

## 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. These returns are gross of all investment charges.

### Risk / Return

July 2012 - June 2015 (Single Computation)





## Performance Comparison

### 3.3 Low Risk and Capital Preservation Portfolios

#### 3.3.1. Asset Allocation

Sanlam Namibia Active	Current	12 Months Ago	Change
Namibia Equities	0.0%	0.0%	0.0%
Namibia Bonds	2.0%	1.5%	0.5%
Namibia Cash	36.1%	35.0%	1.1%
Namibia Property	0.0%	0.0%	0.0%
South Africa Equities	0.5%	0.0%	0.5%
South Africa Bonds	12.3%	17.9%	-5.6%
South Africa Cash	48.5%	42.7%	5.8%
South Africa Property	0.6%	2.9%	-2.3%
Offshore	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%
Total	100.0%	100.0%	

The total Namibian exposure is 38.1% for the Sanlam Namibia Active Fund. The Money Market Fund is managed by Capricorn Asset Management and is fully invested in Namibian & South African cash investments.





# Performance Comparison

## Low Risk and Capital Protection Portfolios

### 3.3.2. Returns

#### Returns: Low Risk Portfolio

	1 Year	3 Years (Annualised)	5 Years (Annualised)
Sanlam Namibia Active	7.6%	7.4%	7.9%
ALBI 1-3 Year Index	6.5%	5.6%	7.0%
Inflation	3.0%	5.1%	5.3%
Inflation + 1% to 2%	4.0%-5.0%	6.1%-7.1%	6.3%-7.3%

#### Returns: Capital Protection Portfolio

	1 Year	3 Years (Annualised)	5 Years (Annualised)
Money Market Fund	6.5%	5.8%	5.9%
IJG Money Market Index	6.2%	5.7%	5.9%
Inflation + 1%	4.0%	6.1%	6.3%