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Strictly Confidential

Prepared by

NMG Consultants and Actuaries

For



## Investment Report as at 30 September 2015

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NMG Consultants and Actuaries (Namibia) (Pty) Ltd (Reg No. 95/276) is a subsidiary of NMG C and A Holdings (SA) (Pty) Ltd

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# 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)
Investec Managed Namibia Fund	Moderate	None	CPI+5% to 6%
Old Mutual Namibia Profile Pinnacle Fund	Moderate	None	CPI+5% to 6%
Allan Gray Namibia Balanced Fund	Moderate	None	CPI+5% to 6%
Benchmark Default Portfolio*	Moderate-Low	-	CPI+4% to 5%
EMH Prescient Absolute Balanced Fund	Moderate	CPI+5%	CPI+5% to 6%
NAM Coronation Balanced Plus Fund	Moderate	None	CPI+5% to 6%
Prudential Namibia Balanced Fund	Moderate	None	CPI+5% to 6%
Standard Bank Namibia Managed Fund	Moderate	None	CPI+5% to 6%
NAM Coronation Balanced Defensive Fund	Moderate-Low	IJG Money Market + 3%	CPI+2% to 3%
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%
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%

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





# 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.





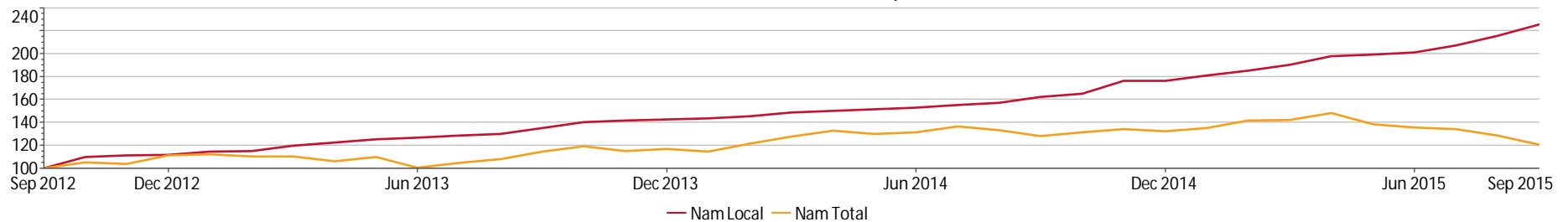
## Market Overview

### Namibian Markets

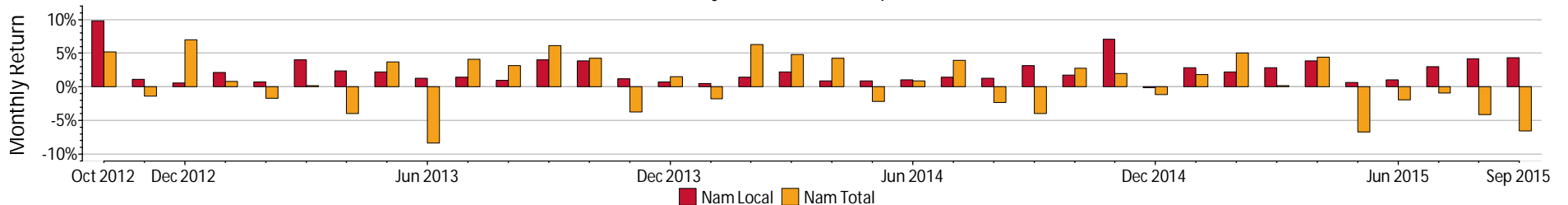
Local markets are now an insufficient source of money for the Namibian government. In fact the finance ministry has stated that the government has had to turn towards international markets to meet its funding requirements. In a report, the government will need to raise N\$12 billion from global markets over a twelve month period. The declining levels of liquidity could possibly lead to a slowdown in the Namibian economy who has produced a high level of growth over the last few years. A combination of high government spending and lower interest rates are the driving factors behind the fall in liquidity. Since 2011, government spending has seen large increases with a large portion of this expenditure going towards consumption or recurrent payments.

The International Monetary Fund has also expressed their concern over certain factors in the Namibian economy including the diminishing international reserves, the negative balance of payments and a widening trade deficit. China is set to increase their investment into the Namibian economy, however given the current volatility in the largest Asian economy this may lead to further instability in the upcoming months.

Cumulative Performance Graph



Monthly Performance Graph



Sector Index	3 Month	YTD	1 Year	3 Year	5 Year
Nam Local Index	12.0%	27.8%	39.0%	31.1%	30.5%
Nam Overall Index	-11.3%	-9.2%	-5.9%	6.3%	7.2%
IJG Bond	1.5%	3.9%	7.2%	6.5%	7.9%
IJG Money Market	1.6%	4.7%	6.3%	5.8%	5.9%



## South African & International Markets

### South Africa

The South African Reserve Bank held its Monetary Policy Committee meeting during September and the decision was unanimously taken to refrain from raising rates from 6.0%. The poor level of GDP growth has been one of the driving factors in this decision. The SARB has actually downwardly revised its 2015 growth forecast to a mere 1.5%, with local and global factors motivating the decision. South Africa's leading business indicator, which shows the path of economic growth for a six month forward looking period, saw a 3.6% decline in July. The worse-than-expected figure is consistent with an economic stagnation. The inflation rate has dipped to 4.6% for August 2015, assisted by the lower oil price. However the rand has taken a tumble over the last few weeks, which could possibly lead to inflation climbing within the upcoming months.

### United States

Concerns over global growth were one of the main reasons that the Federal Reserve chose not hike rates during last month. The US has produced mostly positive data over the last few months, however the Fed feels that the poor statistics out of the rest of the world could possibly act as a drag on US economic growth. Companies within the private sector added 200,000 new jobs during last month, beating expectations of 190,000 jobs. Despite the uptick in a number of economic indices, analysts have warned that inflation could possibly fall in the near future, as commodities and stocks continue on their downward path.

### Europe

The European Central Bank is under pressure to increase stimulus measures as the inflation rate for September dropped to -0.1%, marking its first negative figure over a six months period. Falling prices are mainly a result of cheaper energy. Energy costs declined by 8.9% on a year-on-year basis, amid a global oil supply glut. It is expected that the ECB's quantitative easing programme will reach 2.4 trillion euros and the measures will probably extend towards the latter part of 2016.

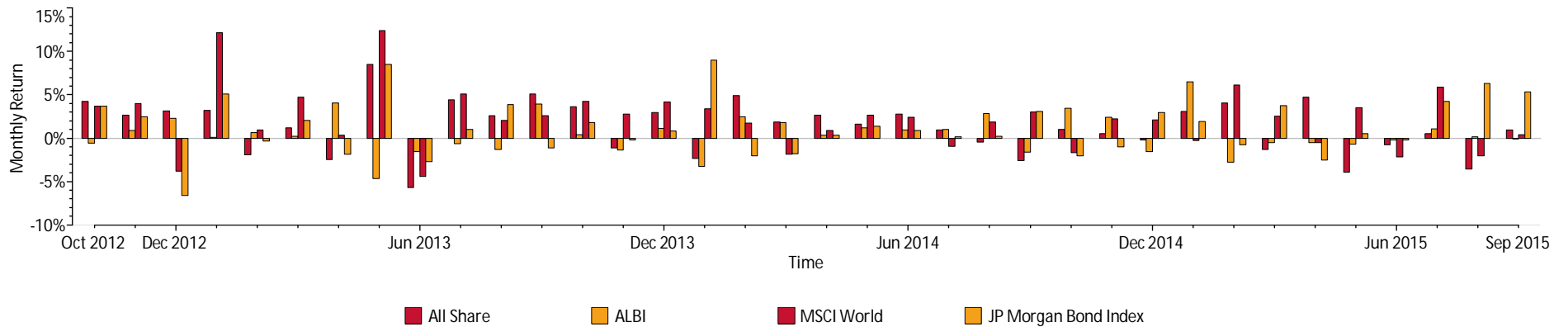
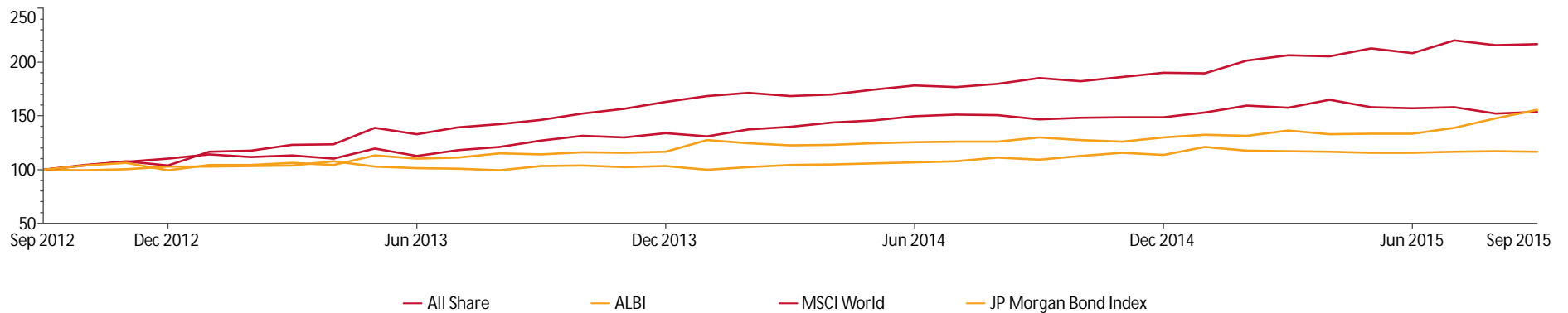
### Asia

China continues to cause ripples in the world economy, as the largest Asian nation continues to produce poor data. China's manufacturing industry was previously one of the biggest drivers of commodities demand and with the country moving towards a more consumer based economy, commodity prices across the globe continue to take a hit. Since China took measures to devalue its currency, the Chinese stock market has lost in excess of \$1 trillion. Analysts are growing increasingly concerned over the state of the Chinese economy as the growth of 7.0% seems unattainable. In fact, experts have stated that given the growth of other indicators, Chinese growth is actually around 5.0%

### Commodities

The oil price continued on its choppy path throughout September, with oil future taking a 24% loss for the third quarter of 2015.





Sector Index	3 Month	YTD	1 Year	3 Year	5 Year
All Share	-2.1%	3.4%	4.8%	15.4%	14.6%
ALBI	1.1%	2.7%	7.0%	5.3%	7.7%
MSCI World	4.1%	13.9%	17.0%	29.4%	24.9%
JP Morgan Bond Index	16.7%	19.8%	19.5%	15.8%	15.0%
ZAR vs USD	13.6%	20.7%	22.6%	18.5%	14.7%
SA CPI	1.0%	4.6%	4.6%	5.5%	5.5%
SA Medical CPI	0.6%	6.2%	6.2%	5.5%	5.4%



# Performance Comparison

## 3.1 Moderate Portfolios

3.1.1. Asset Allocation at 30 September 2014 (12 Months Ago):

	Allan Gray Balanced	Investec Managed	AF Balanced Growth	OMIGNAM Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	18.8%	13.5%	21.9%	14.7%	16.9%	12.3%	9.1%
Namibia Bonds	9.1%	14.2%	10.8%	22.0%	7.6%	9.2%	1.3%
Namibia Cash	6.9%	12.1%	7.8%	0.0%	13.8%	11.7%	24.5%
Namibia Property	2.6%	0.4%	0.0%	0.0%	0.0%	4.5%	0.0%
South Africa Equities	25.2%	25.5%	14.4%	24.6%	24.1%	29.0%	23.2%
South Africa Bonds	0.0%	0.6%	6.7%	1.4%	5.5%	6.5%	0.0%
South Africa Cash	0.3%	0.4%	1.8%	1.2%	0.0%	0.0%	0.0%
South Africa Property	0.0%	2.3%	3.4%	1.5%	0.0%	0.0%	0.0%
International Equity	16.1%	23.2%	18.5%	34.6%	32.0%	20.6%	28.0%
International Bonds	0.4%	1.7%	5.5%	0.0%	0.0%	0.0%	2.8%
International Cash	3.1%	6.1%	3.1%	0.0%	0.1%	3.1%	0.0%
International Other	15.2%	0.0%	0.4%	0.0%	0.0%	3.1%	0.0%
Other	2.3%	0.0%	5.7%	0.0%	0.0%	0.0%	11.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. Allan Gray: International Other represents International Property
2. Allan Gray :Other represents Commodities
3. AF Balanced Growth: Other represents Commodities
4. AF Balanced Growth: International Other represents Commodities
5. Standard Bank Managed: Other represents SA Hedge Funds
6. Sanlam Namibia Balanced: Other represents property







# Performance Comparison

## 3.1 Moderate Portfolios

### 3.1.1. Asset Allocation at 30 September 2015:

	Allan Gray Balanced	Investec Managed	OMIGNAM Profile Pinnacle	Standard Bank Managed	EMH Prescient Absolute Balanced	NAM Coronation Balanced Plus	Prudential Balanced
Namibia Equities	21.7%	11.3%	16.1%	11.2%	4.5%	4.8%	7.9%
Namibia Bonds	8.6%	14.7%	22.5%	0.8%	0.0%	15.4%	9.4%
Namibia Cash	3.2%	14.7%	0.0%	3.9%	29.8%	10.9%	23.6%
Namibia Property	2.5%	0.4%	0.0%	0.0%	0.0%	0.0%	2.1%
South Africa Equities	23.1%	23.7%	21.0%	27.8%	27.3%	18.3%	24.6%
South Africa Bonds	0.0%	0.3%	4.3%	0.0%	4.9%	0.0%	0.7%
South Africa Cash	0.3%	0.3%	1.2%	0.0%	1.6%	0.0%	0.0%
South Africa Property	0.0%	2.4%	2.1%	0.0%	0.0%	14.3%	0.0%
International Equity	30.6%	29.1%	32.5%	26.7%	11.4%	30.2%	25.7%
International Bonds	0.6%	3.1%	0.0%	3.3%	7.4%	0.9%	3.1%
International Cash	3.6%	0.0%	0.0%	0.0%	9.2%	0.0%	4.0%
International Other	0.7%	0.0%	0.0%	9.3%	3.2%	0.9%	0.0%
Other	5.1%	0.0%	0.3%	17.0%	0.7%	4.3%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. Allan Gray: International Other represents Property
2. Allan Gray: Other represents SA and Namibia Commodities
3. Allan Gray: International Equity represents Net Equity (16.7%) & Hedged Equity (13.9%)
4. Standard Bank Managed: Other represents Unit Trusts
5. Standard Bank Managed: International Other represents Unit Trusts
6. EMH Prescient: International Other represents Collective Investments and Other represents Forwards, Swaps and Derivatives
7. NAM Coronation Balanced Plus: Other & International Other represents Commodities.
8. OMIGNAM Other represents SA Derivatives

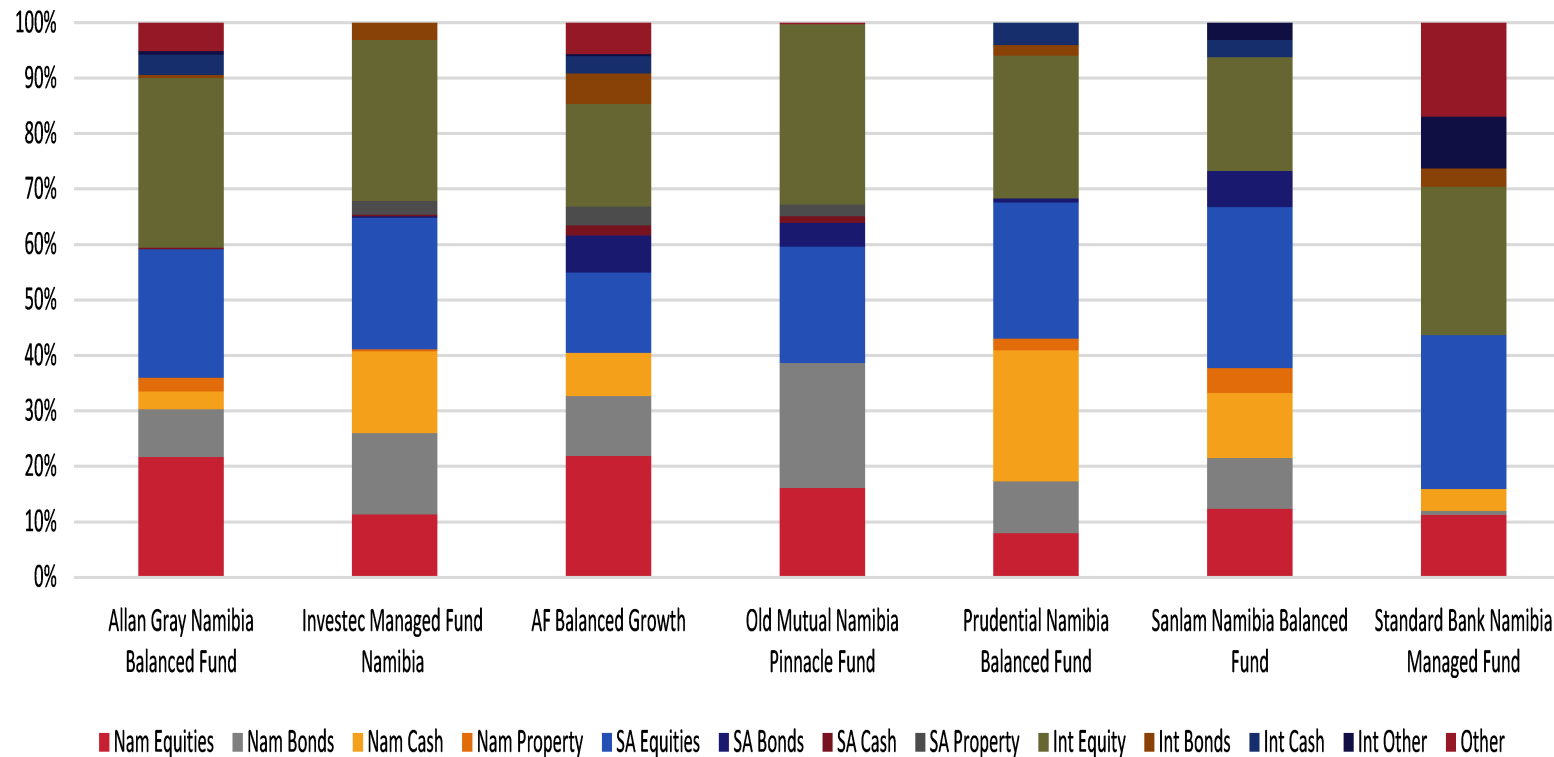




## Performance Comparison

### Moderate Portfolios Asset Allocation

Asset Allocation as at 30 September 2015

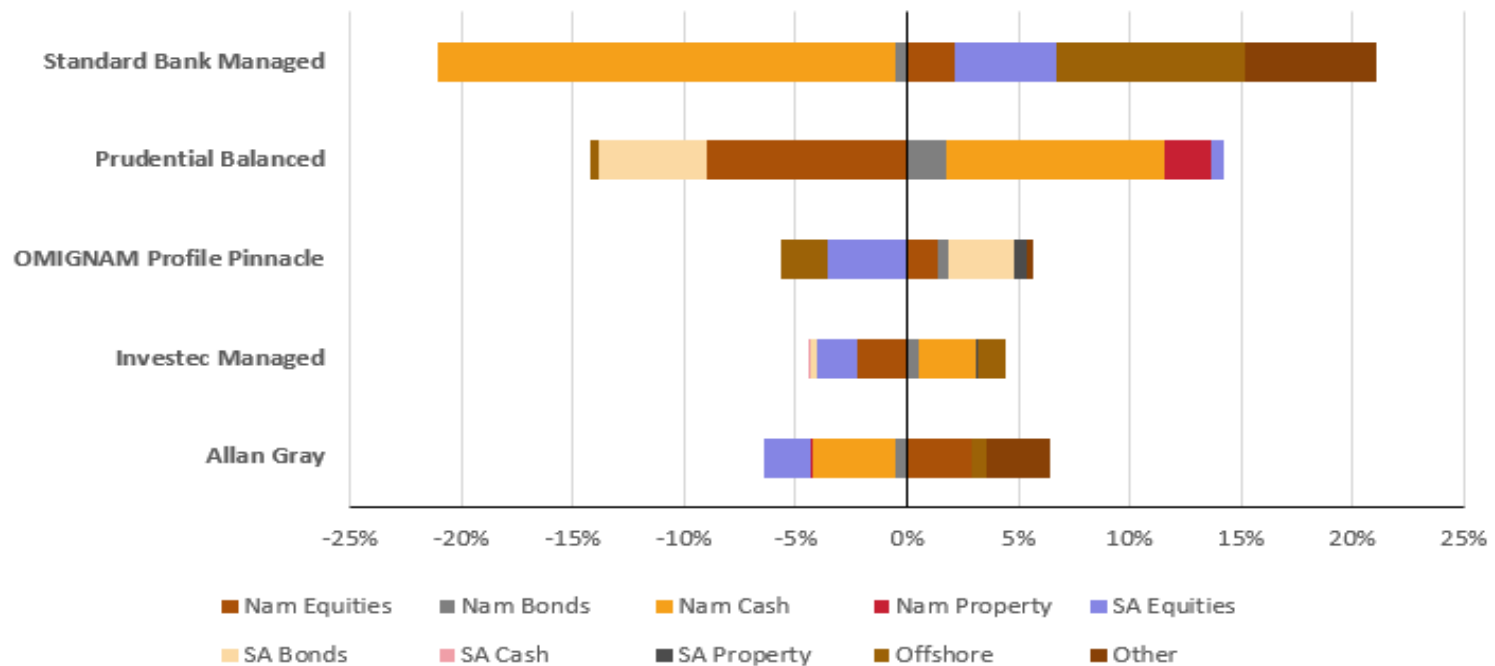




## Performance Comparison

### 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 September 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.



Standard Bank has decreased the level of Namibian cash and increased the level of Namibian Equity and SA equity as well as Offshore funds. Prudential have decreased the level of Namibian Bonds. OMIGNAM, Investec and Allan Gray have made small changes over the period.





# Performance Comparison

## Moderate Portfolios: Geographical Split

	Allan Gray Balanced	Investec Managed	OMIGNAM Profile Pinnacle	Standard Bank Managed	EMH Prescient Absolute Balanced	NAM Coronation Balanced Plus	Prudential Balanced
Namibia	38.9%	41.1%	38.6%	32.8%	35.0%	35.4%	43.0%
South Africa	25.6%	26.7%	28.9%	27.8%	33.8%	32.6%	25.3%
International	35.5%	32.2%	32.5%	39.4%	31.2%	32.0%	31.7%
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 and currency depreciation.

### Time Weighted Returns

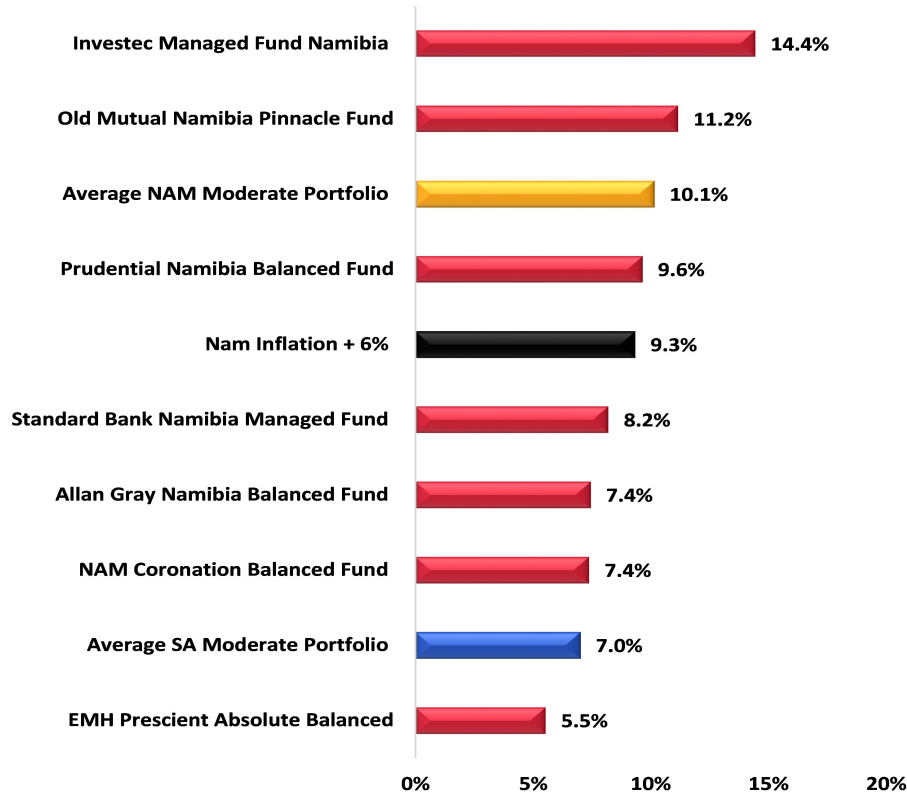
	1 Year	3 Years (Annualised)	5 Years (Annualised)	10 Years (Annualised)
Allan Gray Namibia Balanced Fund	7.4%	16.8%	15.5%	15.5%
Investec Managed Fund Namibia	14.4%	17.3%	14.8%	14.5%
EMH Prescient Absolute Balanced	5.5%	N/A	N/A	N/A
Old Mutual Namibia Pinnacle Fund	11.2%	16.1%	14.5%	12.7%
Prudential Namibia Balanced Fund	9.6%	15.6%	14.1%	13.8%
NAM Coronation Balanced Fund	7.4%	16.6%	13.4%	13.2%
Standard Bank Namibia Managed Fund	8.2%	14.2%	14.6%	14.0%
Average SA Moderate Portfolio	7.0%	14.2%	13.5%	13.2%
Average NAM Moderate Portfolio	10.1%	16.2%	14.9%	13.9%
All Share (JSE)	4.8%	15.4%	14.6%	14.8%
Nam Inflation	3.3%	4.7%	5.3%	6.1%
Nam Inflation + 6%	9.3%	10.7%	11.3%	12.1%



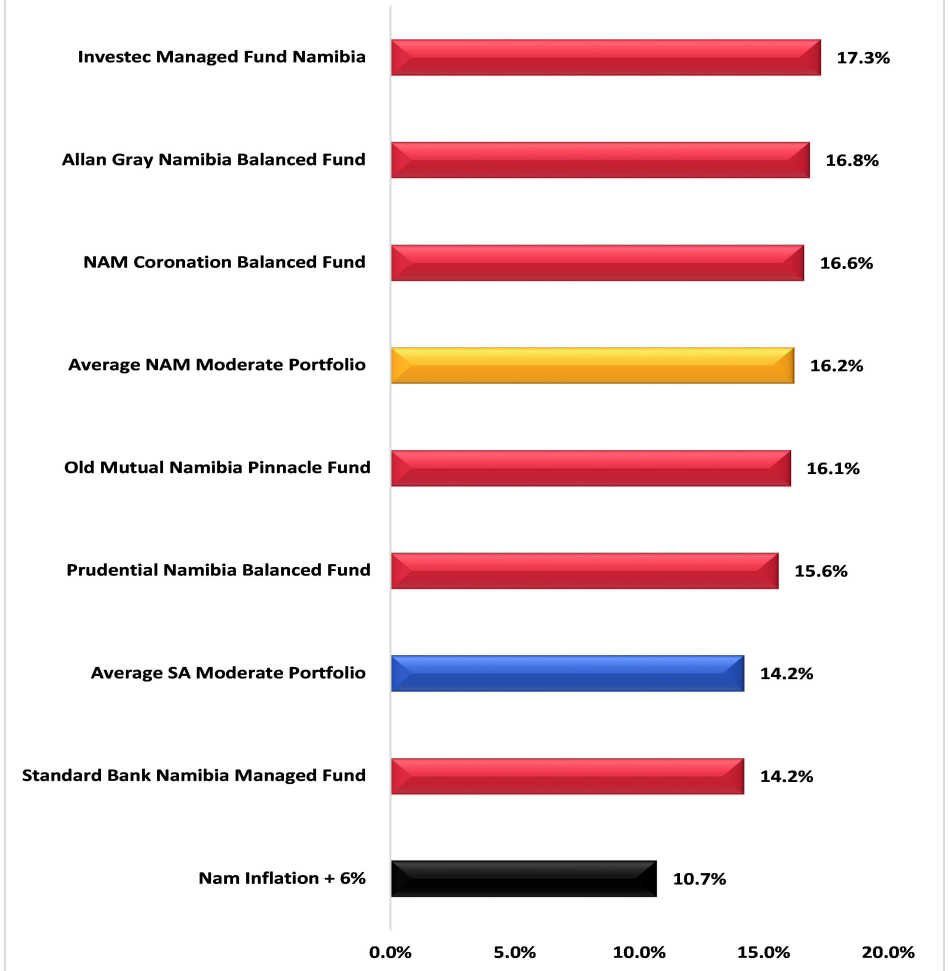


# Performance Comparison

1 Year performance for the period ended 30 September 2015



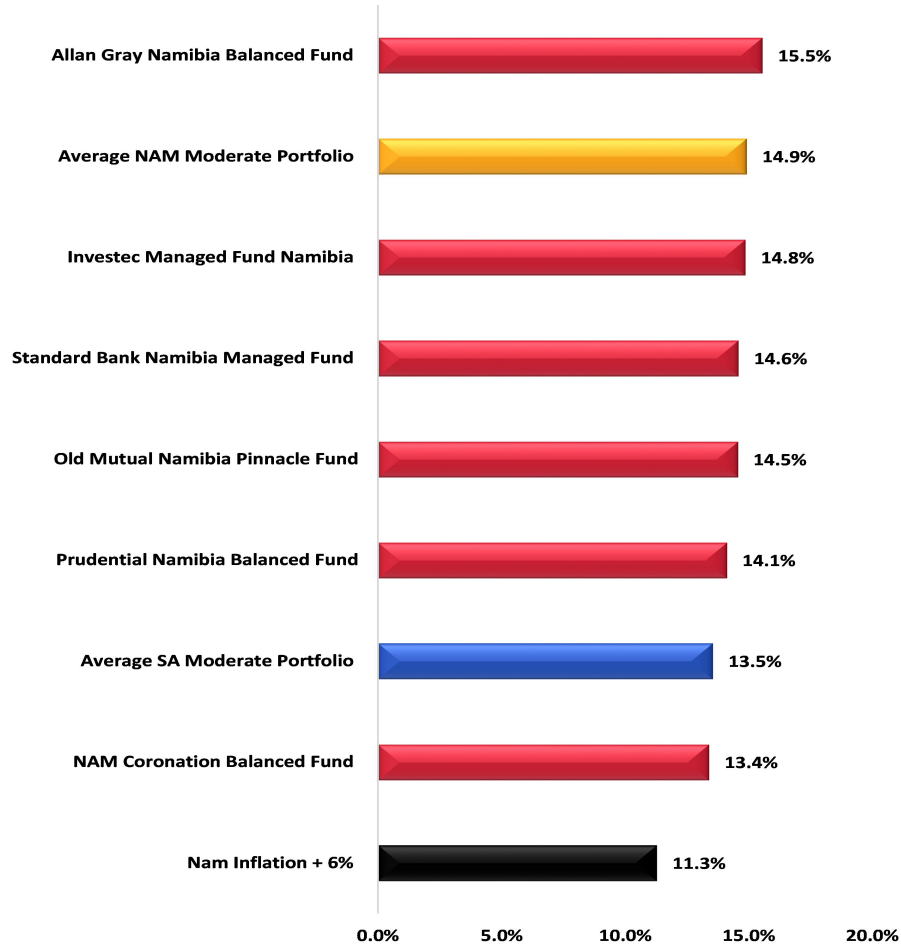
3 Years performance for the period ended 30 September 2015



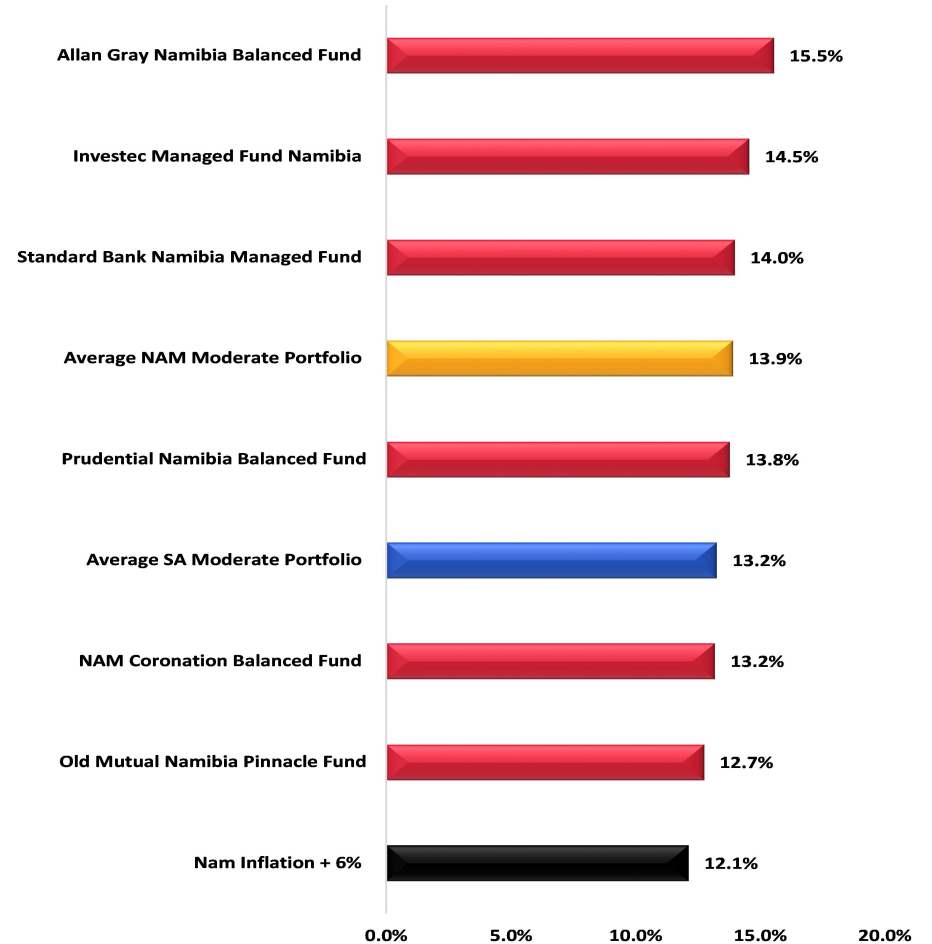


# Performance Comparison

5 Years performance for the period ended 30 September 2015



10 Years performance for the period ended 30 September 2015

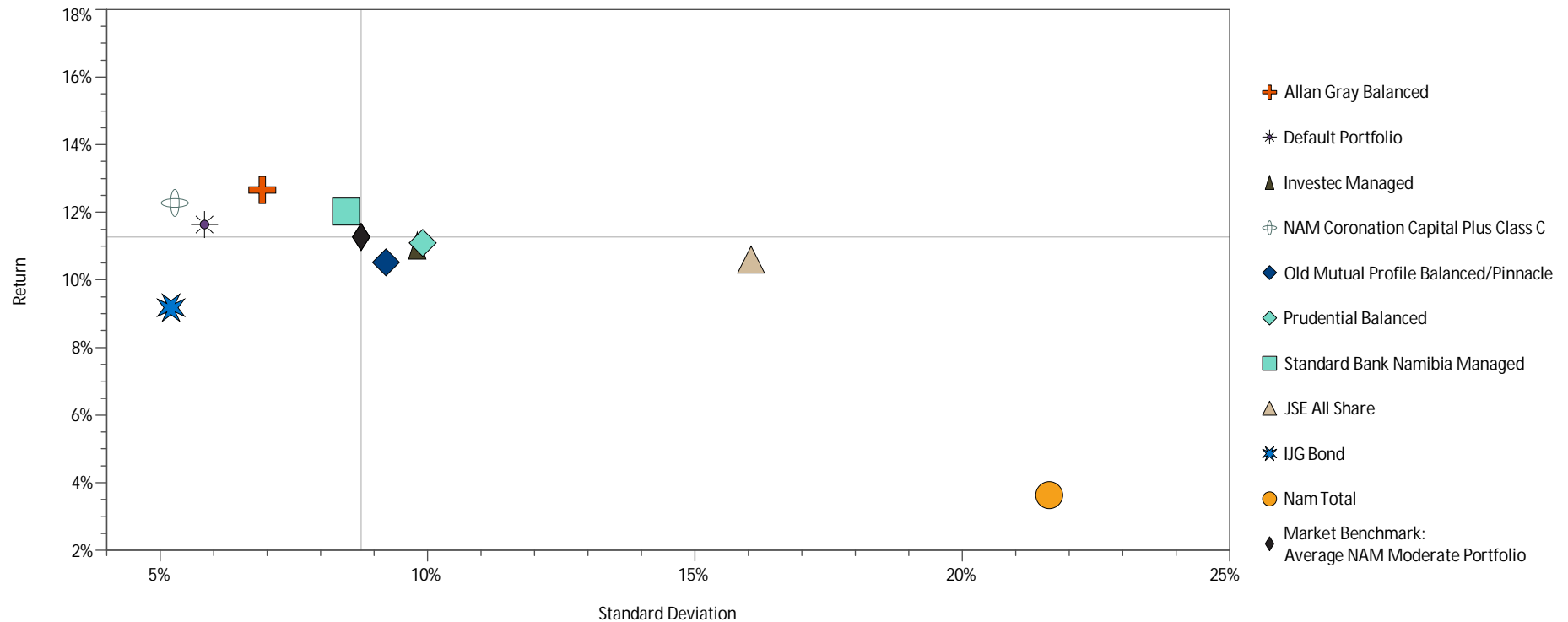


# 3 Performance Comparison

## 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.

January 2008 - September 2015 (Single Computation)





# Performance Comparison

## 3.2 Moderate-Low Portfolios

3.2.1. Asset Allocation as at 30 September 2014 (12 Months Ago):

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Benchmark Default Portfolio
Namibia Equities	6.9%	2.8%	10.9%	14.9%
Namibia Bonds	10.0%	3.2%	4.6%	6.9%
Namibia Cash	23.6%	27.4%	21.4%	14.0%
Namibia Property	0.0%	0.1%	0.0%	1.3%
South Africa Equities	18.8%	10.8%	16.6%	21.0%
South Africa Bonds	5.2%	20.8%	15.7%	7.6%
South Africa Cash	3.2%	3.9%	0.4%	0.4%
South Africa Property	5.1%	4.8%	0.0%	0.0%
International Equity	26.1%	22.0%	29.1%	30.0%
International Bonds	0.0%	1.8%	0.0%	0.2%
International Cash	0.0%	1.0%	1.4%	2.2%
International Other	0.0%	0.2%	0.0%	0.3%
Other	1.1%	1.2%	0.0%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

1. NAM Coronation Balanced Defensive, Default Portfolio: International Other represents International Property

2. NAM Coronation Balanced Defensive, NAM Coronation Capital Plus and Default Portfolio :Other represents Commodities





# Performance Comparison

## 3.2 Moderate-Low Portfolios

### 3.2.1. Asset Allocation at 30 September 2015:

	NAM Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Sanlam Namibia Inflation Linked	Benchmark Default Portfolio
Namibia Equities	6.2%	2.8%	4.7%	8.4%	13.2%
Namibia Bonds	13.4%	12.0%	13.4%	1.6%	11.0%
Namibia Cash	15.8%	23.9%	14.5%	27.5%	8.7%
Namibia Property	0.0%	0.1%	2.7%	0.0%	2.6%
South Africa Equities	16.9%	12.8%	15.7%	14.1%	19.5%
South Africa Bonds	5.8%	17.5%	10.8%	8.6%	5.3%
South Africa Cash	2.5%	0.0%	0.0%	16.9%	0.2%
South Africa Property	8.1%	5.8%	3.9%	1.3%	1.9%
International Equity	29.6%	21.0%	18.5%	17.1%	24.7%
International Bonds	0.0%	1.8%	8.8%	0.0%	4.6%
International Cash	0.0%	0.5%	7.0%	1.4%	5.3%
International Other	0.0%	0.5%	0.0%	3.1%	0.4%
Other	1.7%	1.3%	0.0%	0.0%	2.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

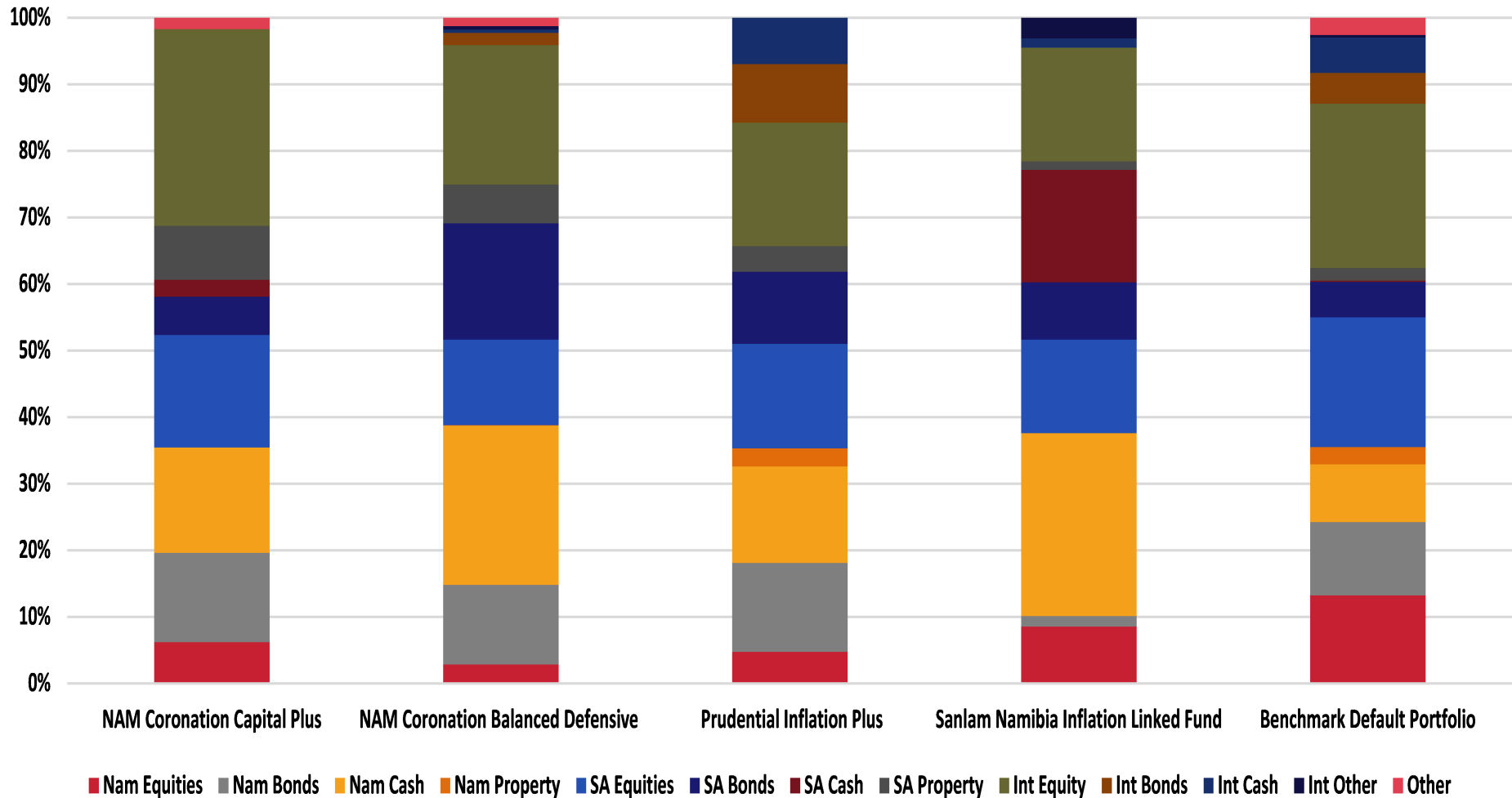
1. NAM Coronation Capital Plus: Other represents Commodities
2. NAM Coronation Balanced Defensive: Other represents Commodities & International Other represents Real Estate
3. Sanlam Namibia Inflation Linked: International Other represents Property
4. Default: Other represents Commodities & International Other represents Property





## Performance Comparison

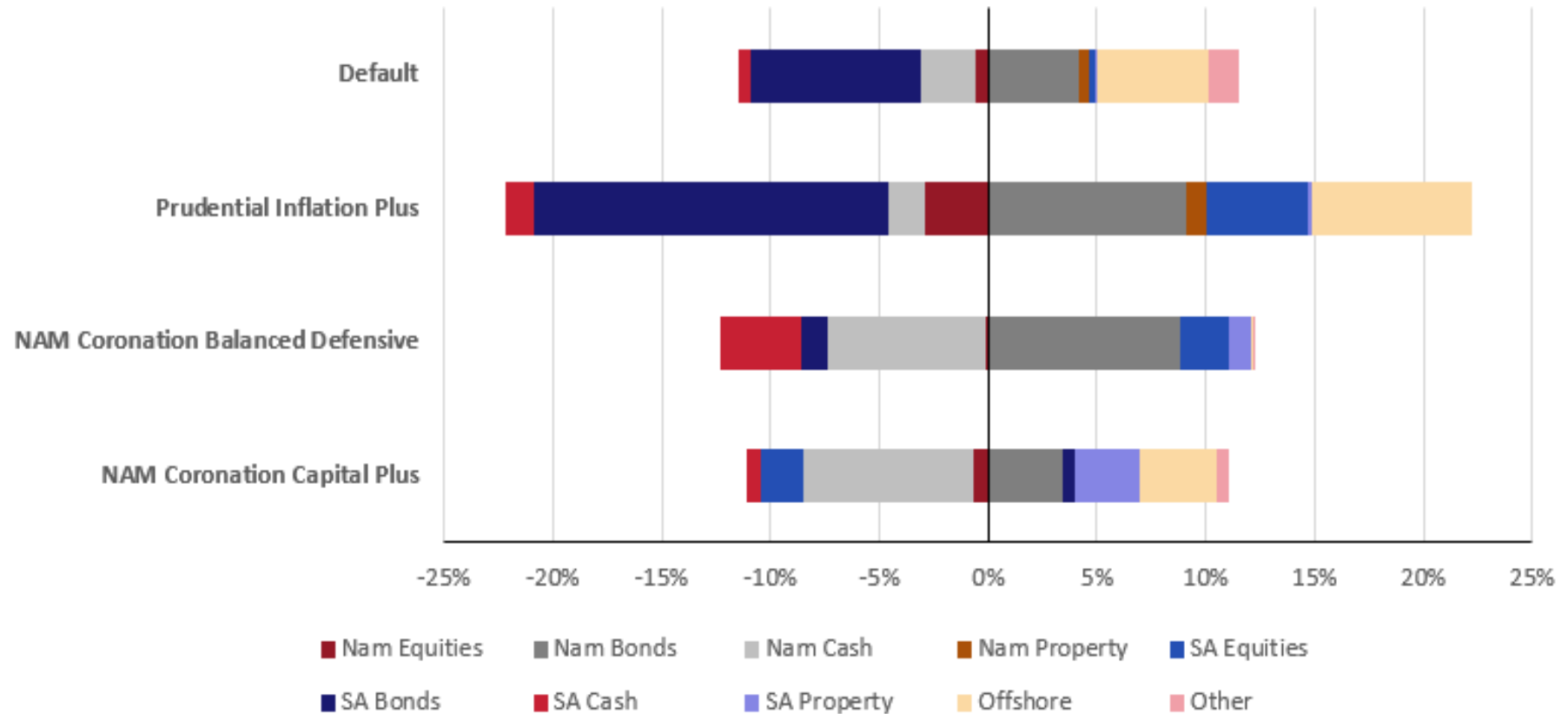
Asset Allocation as at 30 September 2015





## Performance Comparison

The following graph illustrates the changes that were made to the managers' asset allocation over the 12 month period ending 30 September 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 and offshore exposure. Nam Coronation Capital Plus and Balanced Defensive have decreased their Namibian Cash exposure.



# 3 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	35.4%	38.8%	35.3%	37.5%	35.5%
South Africa	35.0%	37.4%	30.4%	40.9%	29.5%
International	29.6%	23.8%	34.3%	21.6%	35.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

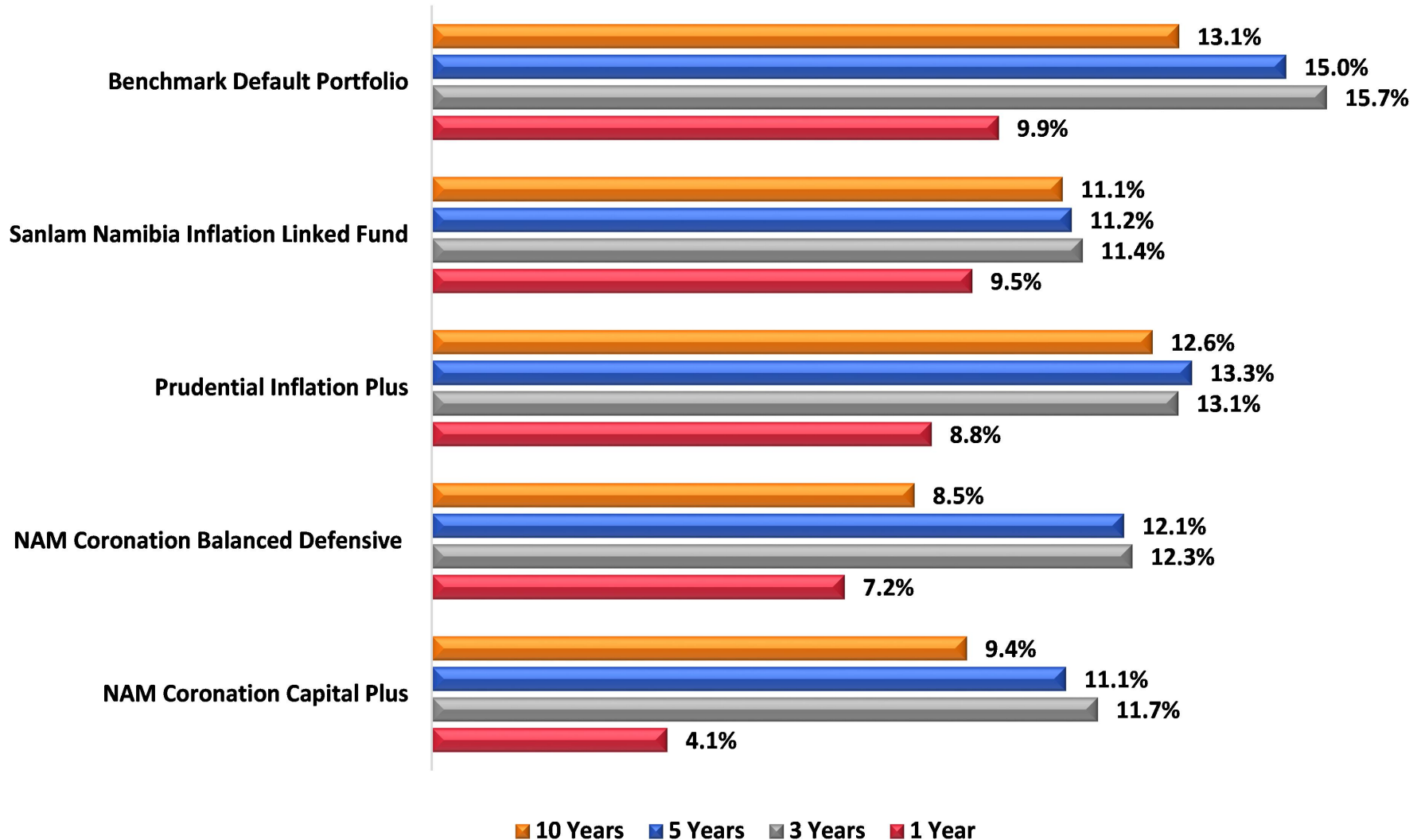
### Returns

	1 Year	3 Years (Annualised)	5 Years (Annualised)	10 Years (Annualised)
NAM Coronation Capital Plus Fund	4.1%	11.7%	11.1%	N/A
NAM Coronation Balanced Defensive Fund	7.2%	12.3%	12.1%	N/A
Prudential Namibia Inflation Plus Fund	8.4%	13.0%	13.3%	12.6%
Benchmark Retirement Fund Default Portfolio	9.9%	15.7%	15.0%	13.1%
Sanlam Namibia Inflation Linked	9.5%	11.4%	11.2%	11.1%
Nam Inflation	3.3%	4.7%	5.3%	6.1%
Nam Inflation + 3% to 5%	6.3%-8.3%	7.7%-9.7%	8.3%-10.3%	9.1%-11.1%

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



## Performance Comparison



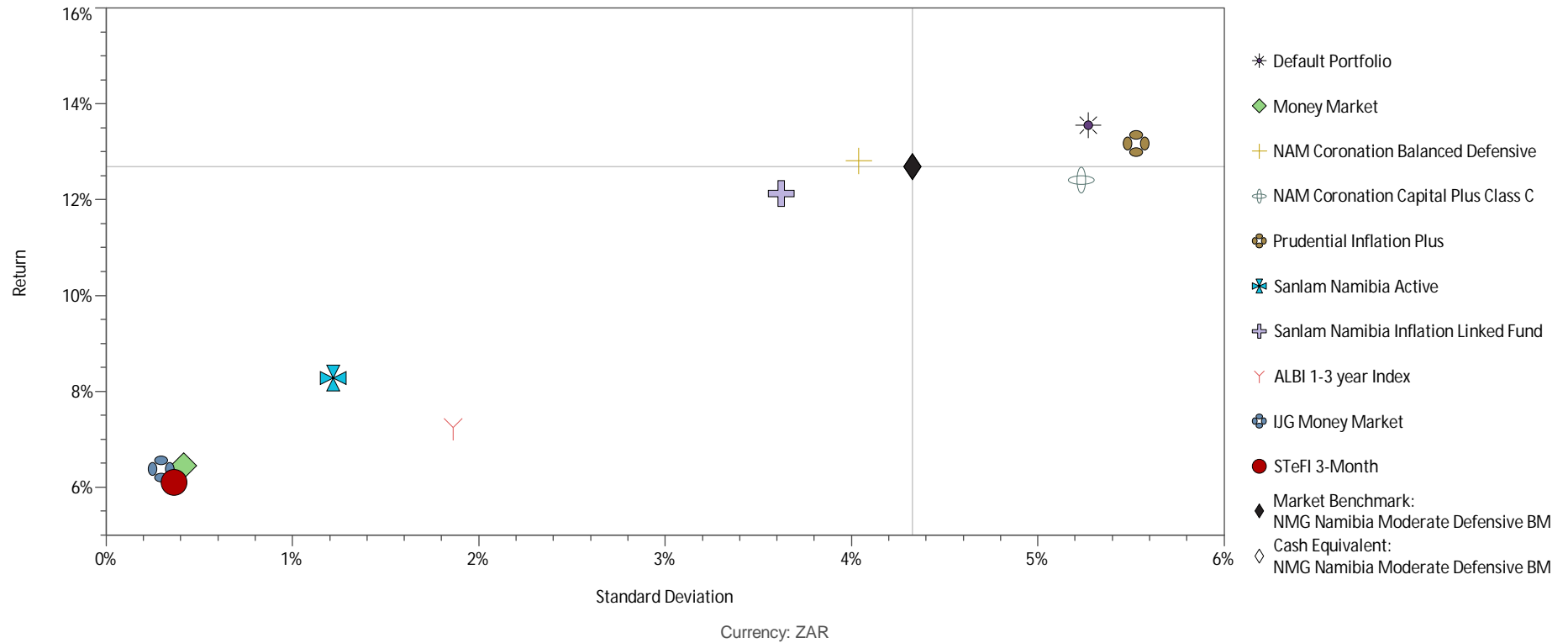


# Performance Comparison

## 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.

January 2009 - September 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	1.9%	1.0%	0.9%
Namibia Cash	36.6%	36.0%	0.6%
Namibia Property	0.0%	0.0%	0.0%
South Africa Equities	0.5%	0.0%	0.5%
South Africa Bonds	13.2%	14.2%	-1.0%
South Africa Cash	47.1%	46.1%	1.0%
South Africa Property	0.7%	2.7%	-2.0%
Offshore	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%
Total	100.0%	100.0%	

The total Namibian exposure is 38.5% 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	7.8%	7.4%	7.6%
ALBI 1-3 Year Index	7.2%	5.6%	6.9%
Inflation	3.3%	4.7%	5.3%
Inflation + 1% to 2%	4.3%-5.3%	5.7%-6.7%	6.3%-7.3%

#### Returns: Capital Protection Portfolio

	1 Year	3 Years (Annualised)	5 Years (Annualised)
Money Market Fund	6.0%	5.7%	5.8%
IJG Money Market Index	6.3%	5.8%	5.9%
Inflation + 1%	4.3%	5.7%	6.3%

