

November 2014

Prepared by
NMG Investments Monitoring Division

For

 **Benchmark Retirement Fund**

Investment Report as at 30 September 2014

Table of Contents

Table of Contents	2
1. Introduction	3
2. Market Overview	5
3. Performance Comparison as at 30 September 2014	10

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 trustees of the Fund have removed Sanlam Namibia Balanced and AF Namibia Balanced, whilst they have added the EMH Prescient Absolute Balanced Fund, the NAM Coronation Balanced Plus Fund and the Sanlam Namibia Inflation Linked Fund. These three funds have been opened after the end of the quarter.

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 Balanced Fund	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.

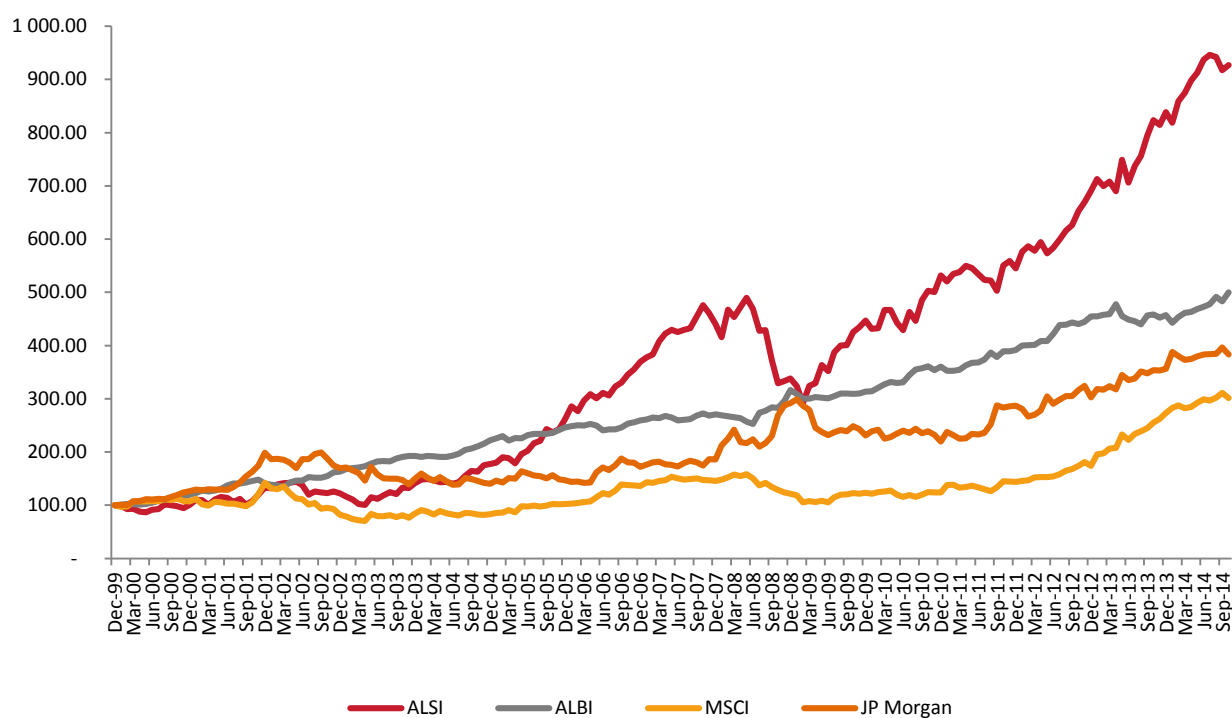
The Trustees do not currently offer aggressive risk portfolios, but will make them available when suitable portfolios have been identified.

All portfolios are compliant with the prudential investment guidelines of Regulation 28 of the Pension Funds Act.

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 September 2014**.



2.2 Medium Term Market Performance

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

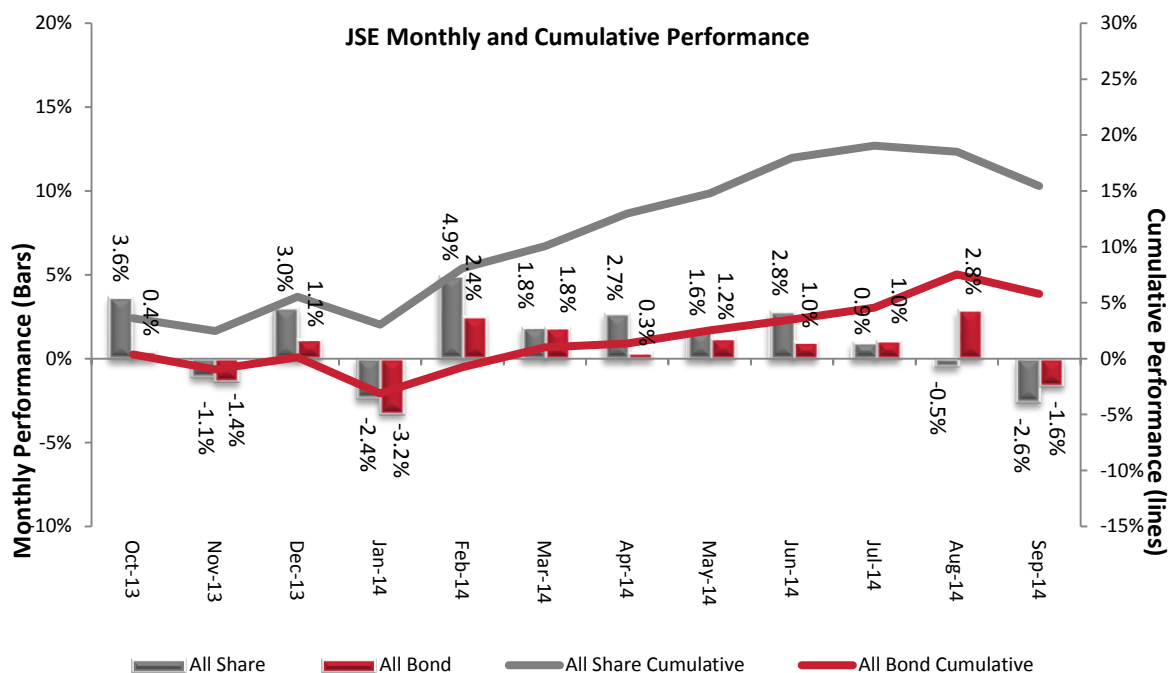
	2011	2012	2013	Q3 2014	One Year	Three Years
All Share (SA)	2.6%	26.7%	21.4%	-2.1%	15.4%	22.2%
JSE: Financials	7.4%	38.1%	19.1%	0.4%	22.8%	27.1%
JSE: Industrial	9.2%	40.8%	35.0%	-0.7%	16.5%	31.3%
JSE: Resources	-6.5%	3.1%	1.4%	-7.1%	7.9%	5.8%
All Bond (SA)	8.8%	16.0%	0.6%	2.2%	5.8%	8.5%
STeFI (SA)	5.7%	5.5%	5.2%	1.5%	5.6%	5.5%
MSCI World	15.8%	21.3%	57.0%	3.9%	26.9%	32.5%
JP Morgan Bond	30.7%	5.4%	17.6%	3.5%	14.0%	11.3%
Rand/Dollar ¹	21.9%	4.1%	23.2%	6.1%	12.5%	11.7%
CPI (SA)	6.1%	5.7%	5.4%	1.2%	5.9%	5.8%

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

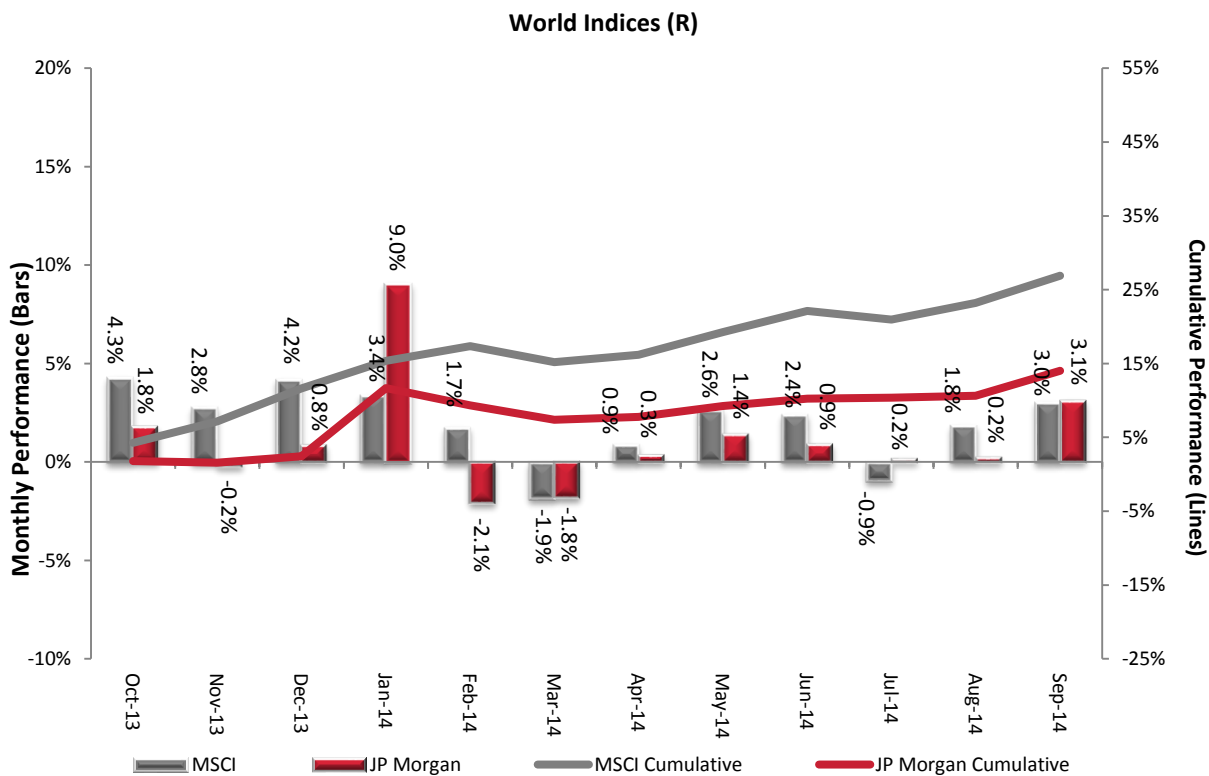
2.3 Short Term Market Performance

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

2.3.1 South Africa



2.3.2 World



2.3.3 South African and International Market Commentary

The South African economy seemed to struggle to find its feet during September, with the Reserve Bank opting to leave interest rates unchanged at 5.75% citing the weak economic climate as the reason. The bank has stated that it has little room to manoeuvre as inflation remains above the target band whilst growth continues to dwindle. South Africa's trade deficit widened to R16.3 billion during August, moving to its highest level in seven months. Economists have predicted that this deficit will remain high over the next few months, indicating that a dramatic change in the country's economic environment is unlikely in the short term.

Investors within the US maintain their cautious stance, as any positive data could signal that interest rates will rise sooner than expected. Both employment and manufacturing data reflected a growing economy, whilst annual home prices declined to their lowest level since 2012.

The Chinese economy still faces downward pressure, as growth is predicted to slow from 7.5% in the second quarter to only 7.0% for the period from July to September. Weak exports, poor domestic demand and a decline in the property market have weighed on the largest Asian economy.

The ECB stated that it will buy assets for at least two years in an effort to boost the struggling nations within the Eurozone. Given the stuttering economies, analysts are anxious that the region will slip into yet another recession. Inflation slowed to 0.3%, marking the lowest annual rate of inflation since October 2009. The economic powerhouse Germany, has also been struggling to create growth, with the crisis within the Ukraine and a faltering European economic recovery being the main reason for the lack of progress.

Gold prices fell by almost 6.0% last month, despite the increased level of global volatility.

Equities

The All Share Index tumbled by 2.6% in September, with financials, resources and industrials ending in negative territory. The MSCI World Index added 3.0% in Rand terms. (-2.7% in Dollar terms)

Bonds

The South African All Bond Index lost 1.6% for the month, whilst the JP Morgan Global Bond Index climbed by 3.1% in Rand terms. (-2.6% in Dollar terms)

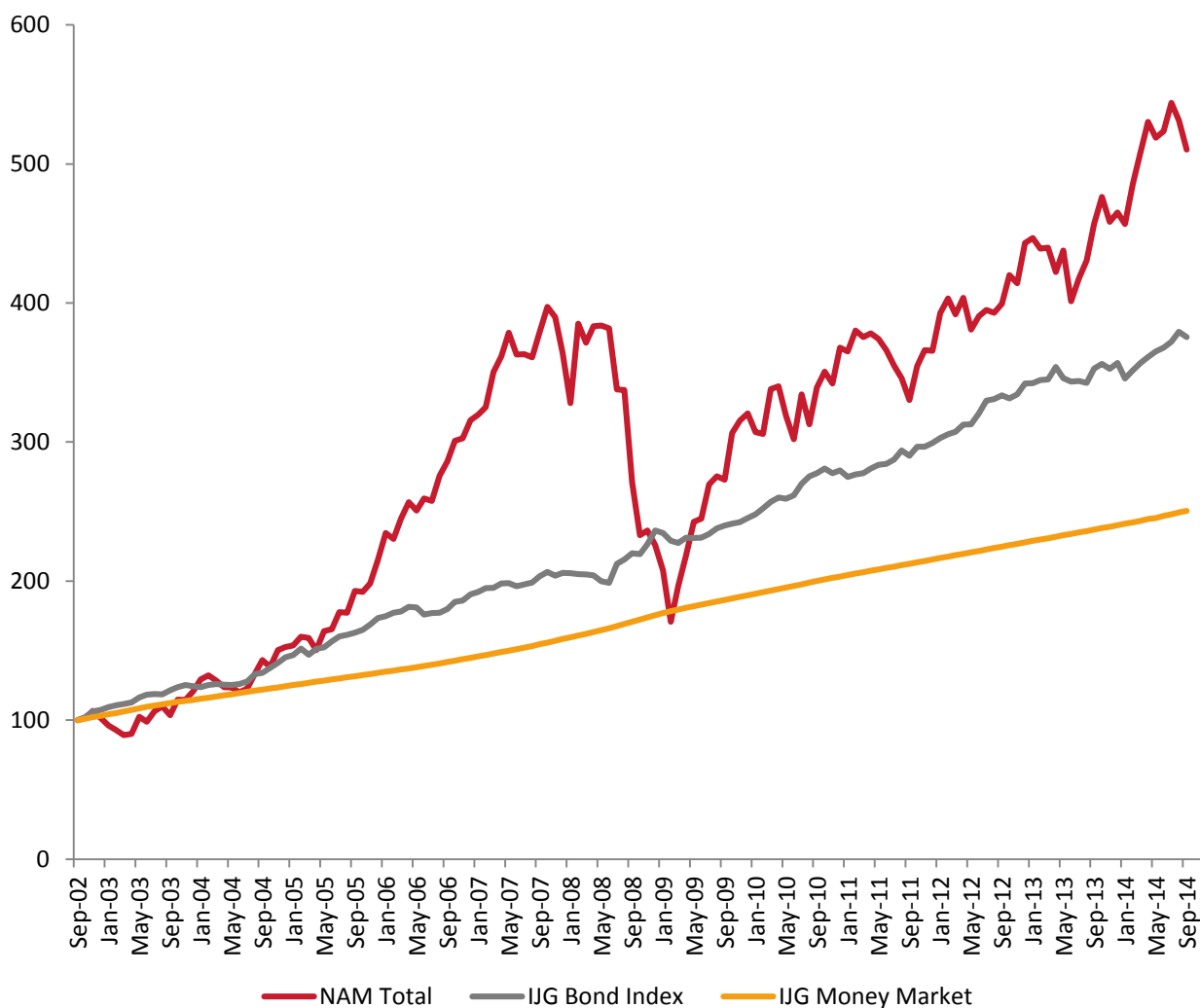
Currency

The local currency closed off the third quarter at R11.28. Poor economic factors, including an increasing trade deficit caused the rand to plummet to an eight month low.

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 September 2002 to 30 September 2014**.



2.4.2 Medium Term Market Performance

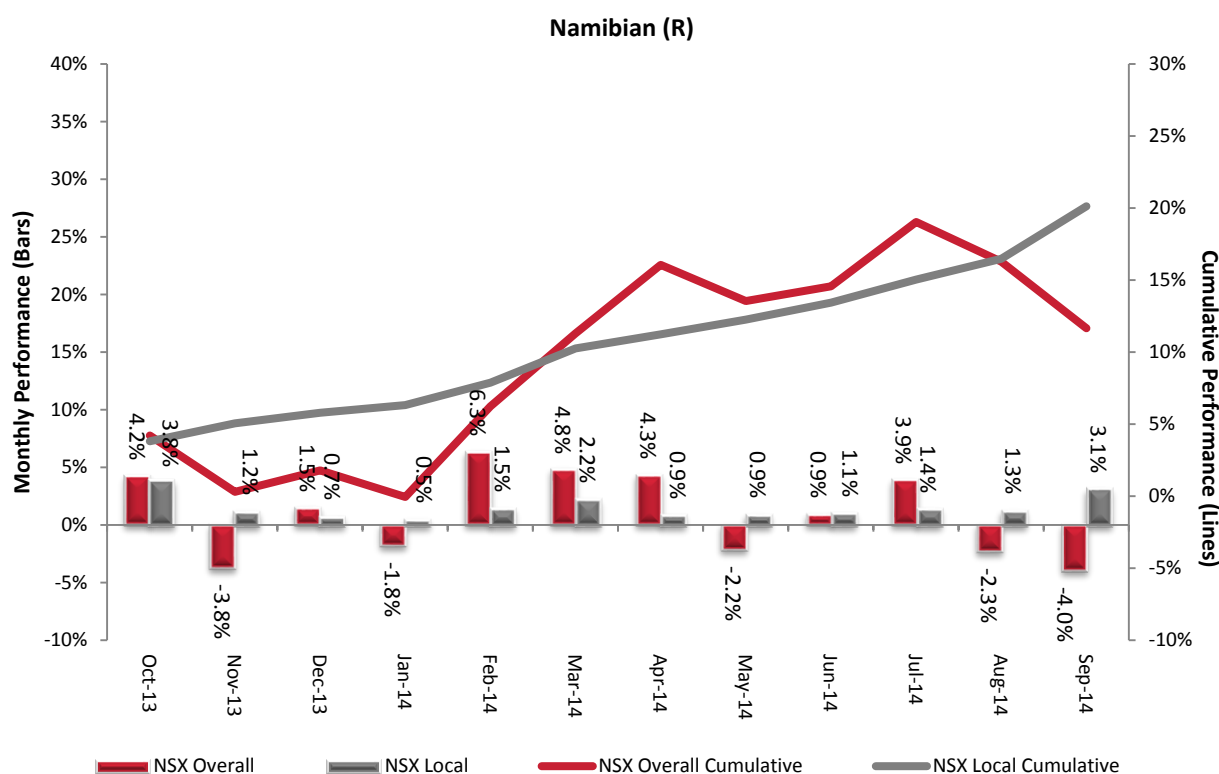
The following table presents the performance of various market indices to **30 September 2014**.

	2011	2012	2013	2014 YTD	One Year	Three Years
NAM Total	-0.6%	21.2%	4.8%	9.7%	11.7%	15.6%
NAM Local	36.7%	31.2%	27.7%	13.5%	20.1%	26.7%
NAM CPI	7.4%	6.4%	5.0%	4.5%	5.3%	5.9%
IJG Bond Index ¹	7.1%	15.4%	4.3%	5.2%	6.5%	9.3%
IJG Money Market	6.0%	5.7%	5.4%	4.3%	5.7%	5.6%

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

2.4.3 Short Term Market Performance

The following graph represents the monthly performance of various market indices for the year ending **30 September 2014**.



2.4.4 Namibian Market Commentary

Year-on-year GDP growth for the second quarter recorded an increase of 3.0%, this growth was attributed to better performance in transport, communication, mining, construction, electricity and water. GDP growth for 2013 was also revised upwards from 4.4% to 5.1%. According to the Namibian Statistics Agency, these changes came about as the result of changes in methodology, designed to make the accounts more accurate. September inflation came in at only 5.3%, compared to 5.4% in the previous month. The decline in inflation resulted from a fall in food, non-alcoholic beverages, housing and transport prices among others. In other news, the Business Climate index slowed following a decrease in building plans, motor vehicle sales and company registrations.

3. Performance Comparison as at 30 September 2014

3.1 Moderate Portfolios

3.1.1 Asset Allocation

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

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNA M Profile Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia Equities	20.1%	15.0%	20.6%	10.5%	15.8%	16.7%	9.4%
Namibia Bonds	9.2%	12.9%	11.1%	7.4%	2.4%	7.9%	1.6%
Namibia Cash	7.2%	18.1%	7.6%	18.2%	15.9%	13.6%	29.1%
Namibia Property	1.8%	0.7%	-	2.1%	1.7%	0.4%	-
South Africa Equities	20.9%	15.5%	24.9%	24.8%	25.5%	25.9%	35.2%
South Africa Bonds	-	0.1%	4.7%	0.8%	5.0%	6.7%	0.7%
South Africa Cash	4.4%	-	3.0%	-	-	0.1%	-
South Africa Property	-	3.2%	3.1%	1.3%	0.7%	0.7%	-
International Equity	17.0%	23.8%	12.8%	32.4%	23.2%	22.1%	23.9%
International Bonds	-	7.8%	3.4%	1.7%	9.8%	1.8%	-
International Cash	-	2.2%	1.8%	0.5%	-	2.2%	0.1%
International Other	17.3% ¹	0.7% ⁶	0.3% ⁵	-	-	1.9% ⁴	-
Other	2.1% ²	-	6.7% ³	0.3% ²	-	-	-
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 International Property and Commodities

6. Other represents International Unit Trusts

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

	Allan Gray	Investec Managed	OMIGNAM Profile Pinnacle	Standard Bank Managed	AF Balanced Growth	Sanlam Namibia Balanced	Prudential Balanced
Namibia Equities	18.8%	13.5%	14.7%	9.1%	21.9%	12.3%	16.9%
Namibia Bonds	9.1%	14.2%	22.0%	1.3%	10.8%	9.2%	7.6%
Namibia Cash	6.9%	12.1%	-	24.5%	7.8%	11.7%	13.8%
Namibia Property	2.6%	0.4%	-	-	-	4.5%	-
South Africa Equities	25.2%	25.5%	24.6%	23.2%	14.4%	29.0%	24.1%
South Africa Bonds	-	0.6%	1.4%	-	6.7%	6.5%	5.5%
South Africa Cash	0.3%	0.4%	1.2%	-	1.8%	-	-
South Africa Property	-	2.3%	1.5%	-	3.4%	-	-
International Equity	16.1%	23.2%	34.6%	28.0%	18.5%	20.6%	32.0%
International Bonds	0.4%	1.7%	-	2.8%	5.5%	-	-
International Cash	3.1%	6.1%	-	-	3.1%	3.1%	0.1%
International Other	15.2% ³	-	-	-	0.4% ⁴	3.1% ³	-
Other	2.3% ¹	-	-	11.1% ²	5.7% ⁴	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

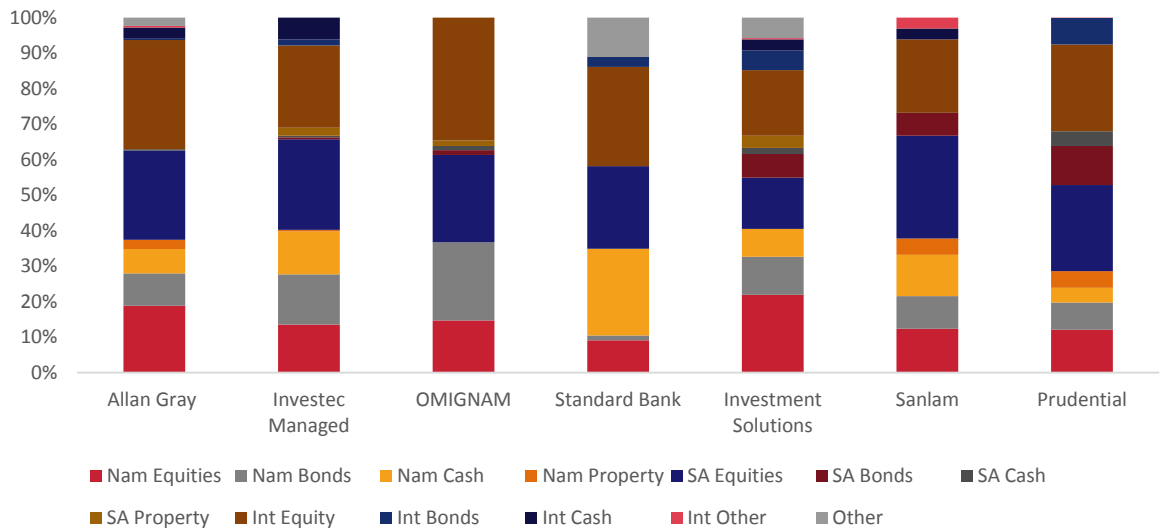
1. Other represents Commodity ETF's

2. Other represents SA Hedge Funds

3. Other represents International Property & Hedged Equity

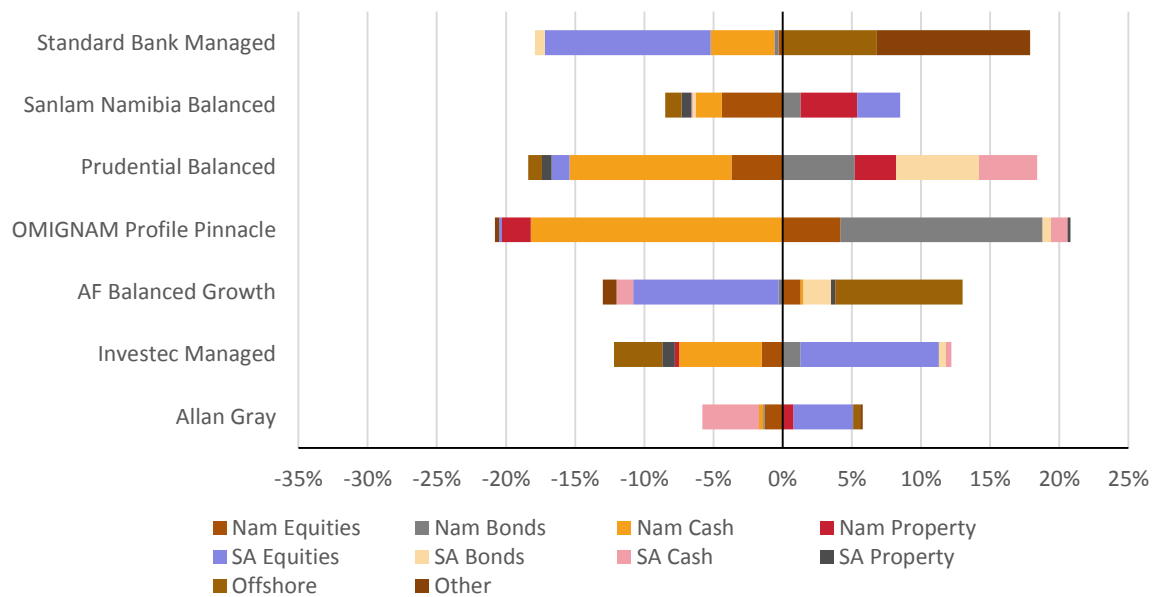
4. Other represents commodities

Asset Allocation as at 30 September 2014



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 September 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 graph indicates that both Standard Bank and OMIGNAM made significant changes over the year. OMIGNAM down weighted local cash whilst increasing local bond exposure. Standard Bank, on the other hand, sold South African equities in exchange for alternative and offshore assets. Allan Gray had the least change in its asset allocation over the past year, largely attributable to market movements.

3.1.3 Geographical Split as at 30 September 2014

	Allan Gray	Investec Managed	AF Balanced Growth	OMIGNAM Pinnacle	Prudential Balanced	Sanlam Namibia Balanced	Standard Bank Managed
Namibia	37.4%	40.2%	40.4%	36.7%	38.3%	37.8%	46.0%
South Africa	27.8%	28.8%	32.0%	28.7%	29.6%	35.5%	23.2%
International	34.8%	31.0%	27.6%	34.6%	32.1%	26.7%	30.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

3.1.4 Time Weighted Returns

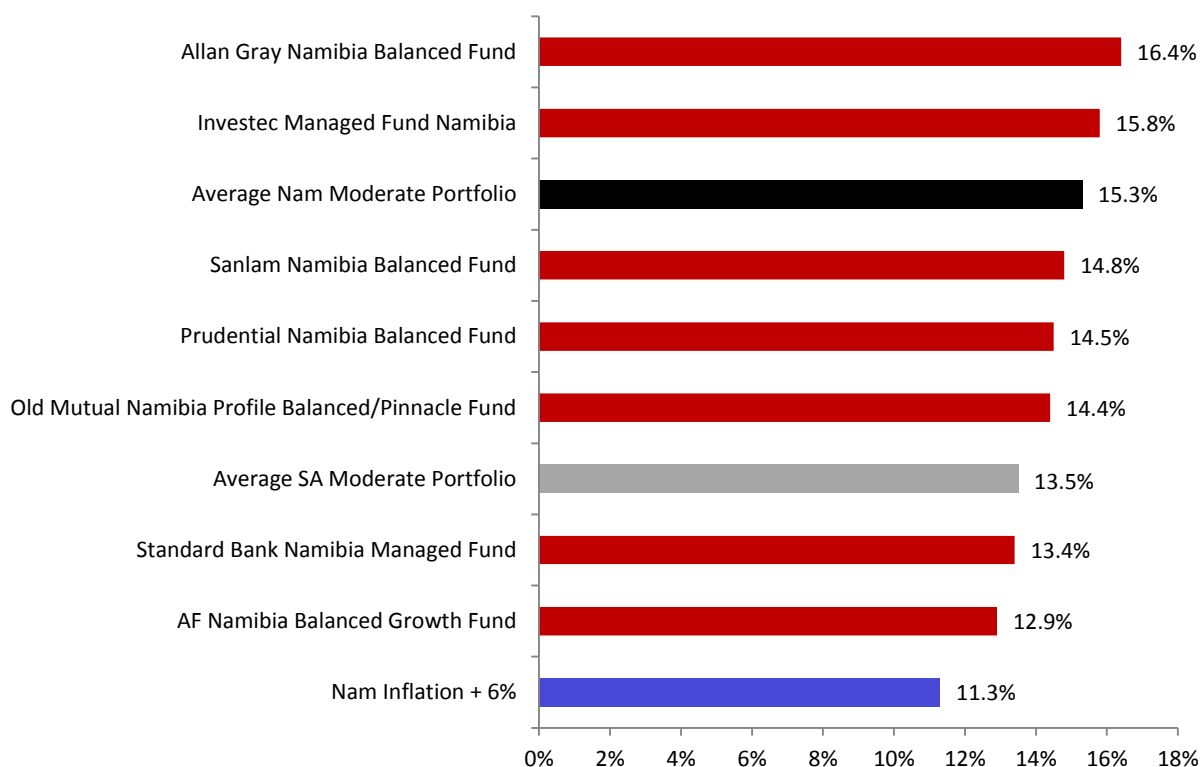
Listed below are the investment returns achieved for the specified periods. Please note the returns are **gross** of fees.

Investment Portfolio	One Year	Three Years (annualised)	Five Years (annualised)	Ten Years (annualised)
Allan Gray Namibia Balanced Fund	16.4%	19.6%	15.8%	18.4%
Investec Managed Fund Namibia	15.8%	18.4%	14.5%	16.3%
AF Namibia Balanced Growth Fund ¹	12.9%	17.3%	14.4%	15.3%
Old Mutual Namibia Profile Balanced/Pinnacle Fund ²	14.4%	18.4%	14.8%	15.3%
Prudential Namibia Balanced Fund	14.5%	19.3%	15.3%	-
Sanlam Namibia Balanced Fund	14.8%	18.3%	15.2%	11.2%
Standard Bank Namibia Managed Fund	13.4%	18.9%	16.3%	16.3%
Average SA Moderate Portfolio³	13.5%	18.0%	15.2%	16.0%
Average Nam Moderate Portfolio⁴	15.3%	19.3%	15.5%	16.4%
All Share (JSE)⁵	15.4%	22.2%	18.0%	18.8%
Nam Inflation	5.3%	5.9%	5.3%	6.1%
Nam Inflation + 6%	11.3%	11.9%	11.3%	12.1%

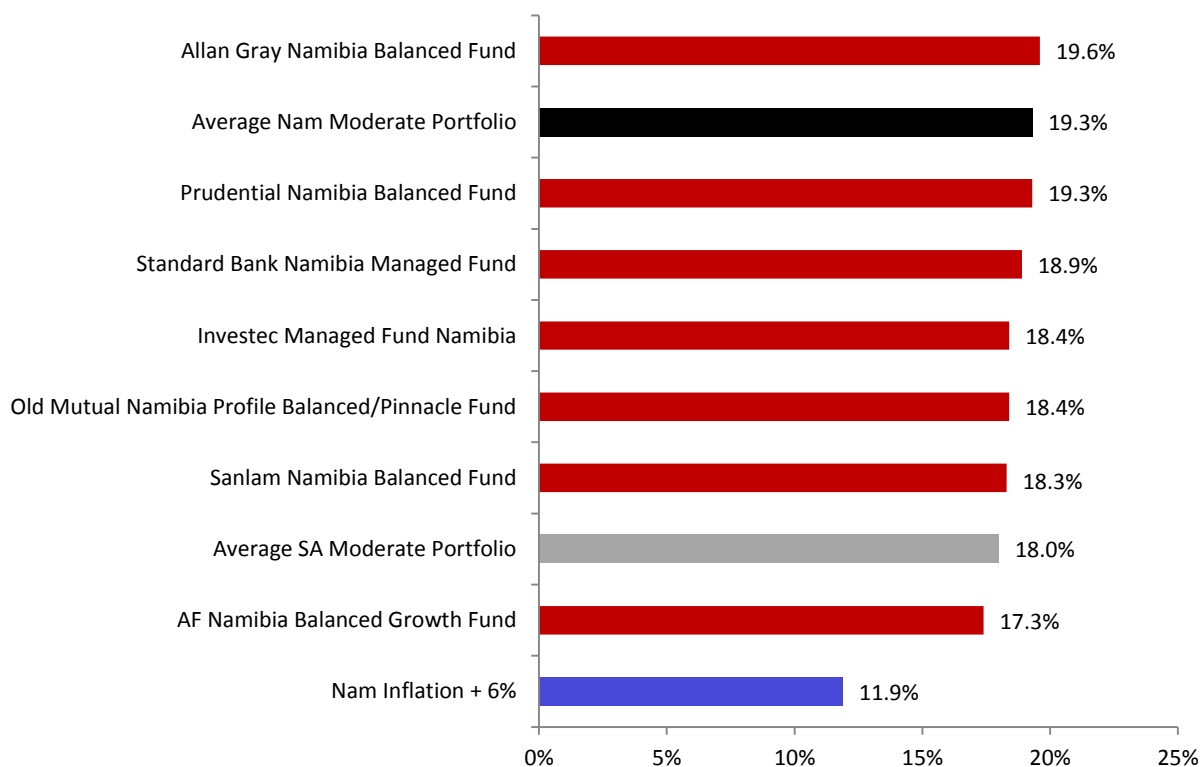
1. Returns prior to April 2009 were for the Investment Solutions Focused Growth Fund. The fund's name changed to AF Balanced Growth in March 2009.
2. OMIGNAM Profile Balanced was closed and assets transferred to OMIGNAM Profile Pinnacle during September 2013.
3. Average of the NMG Consultants and Actuaries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

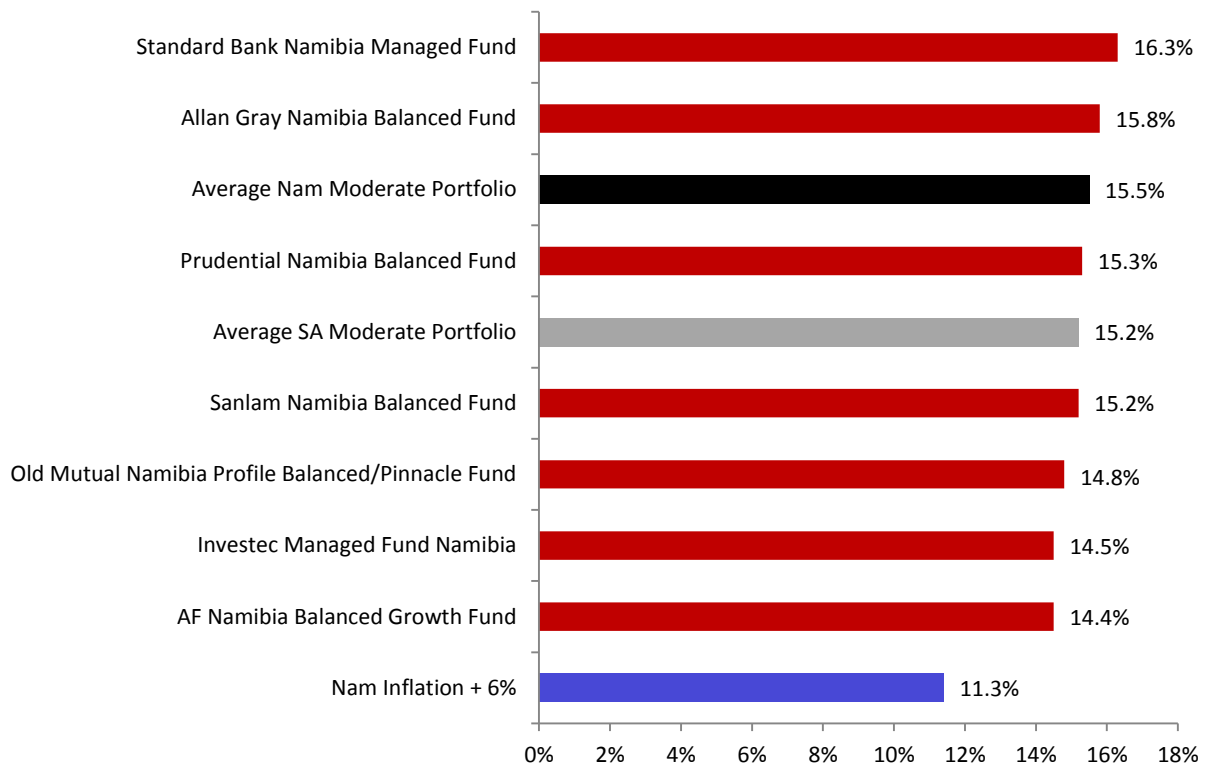
1 year performance for the period ending 30 September 2014



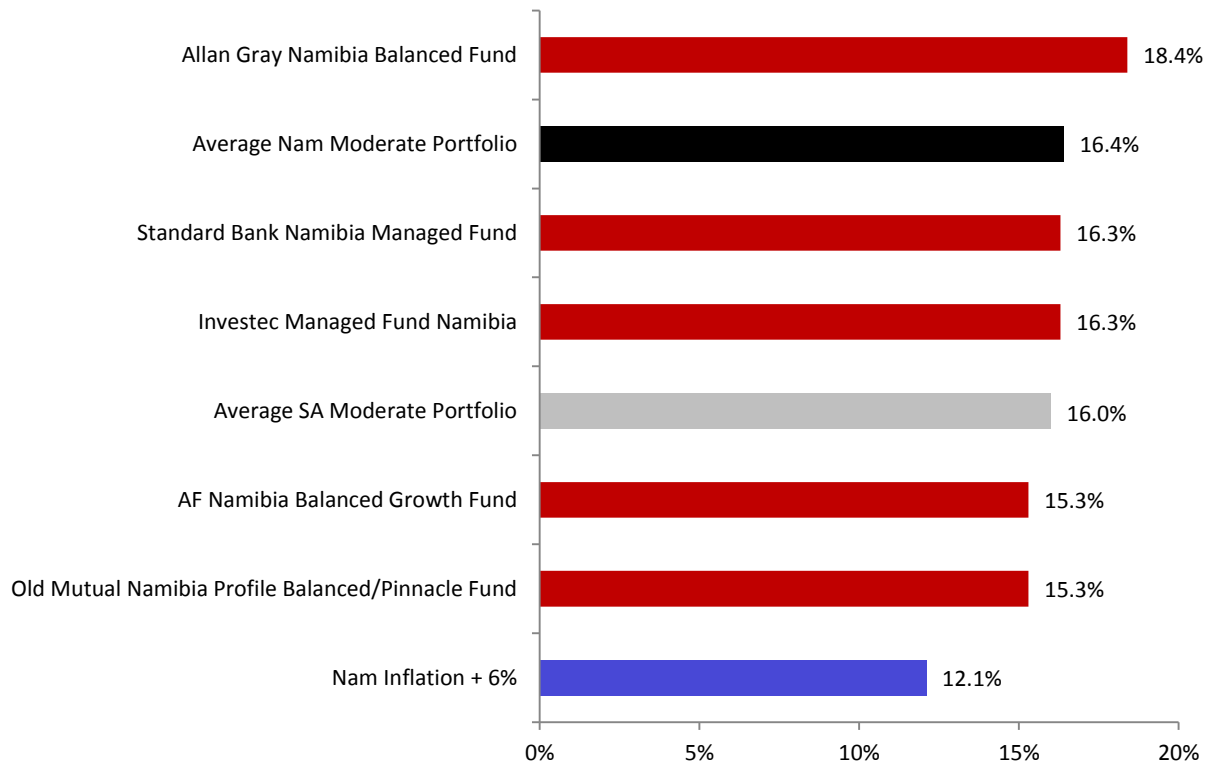
3 year performance for the period ending 30 September 2014



5 year performance for the period ending 30 September 2014

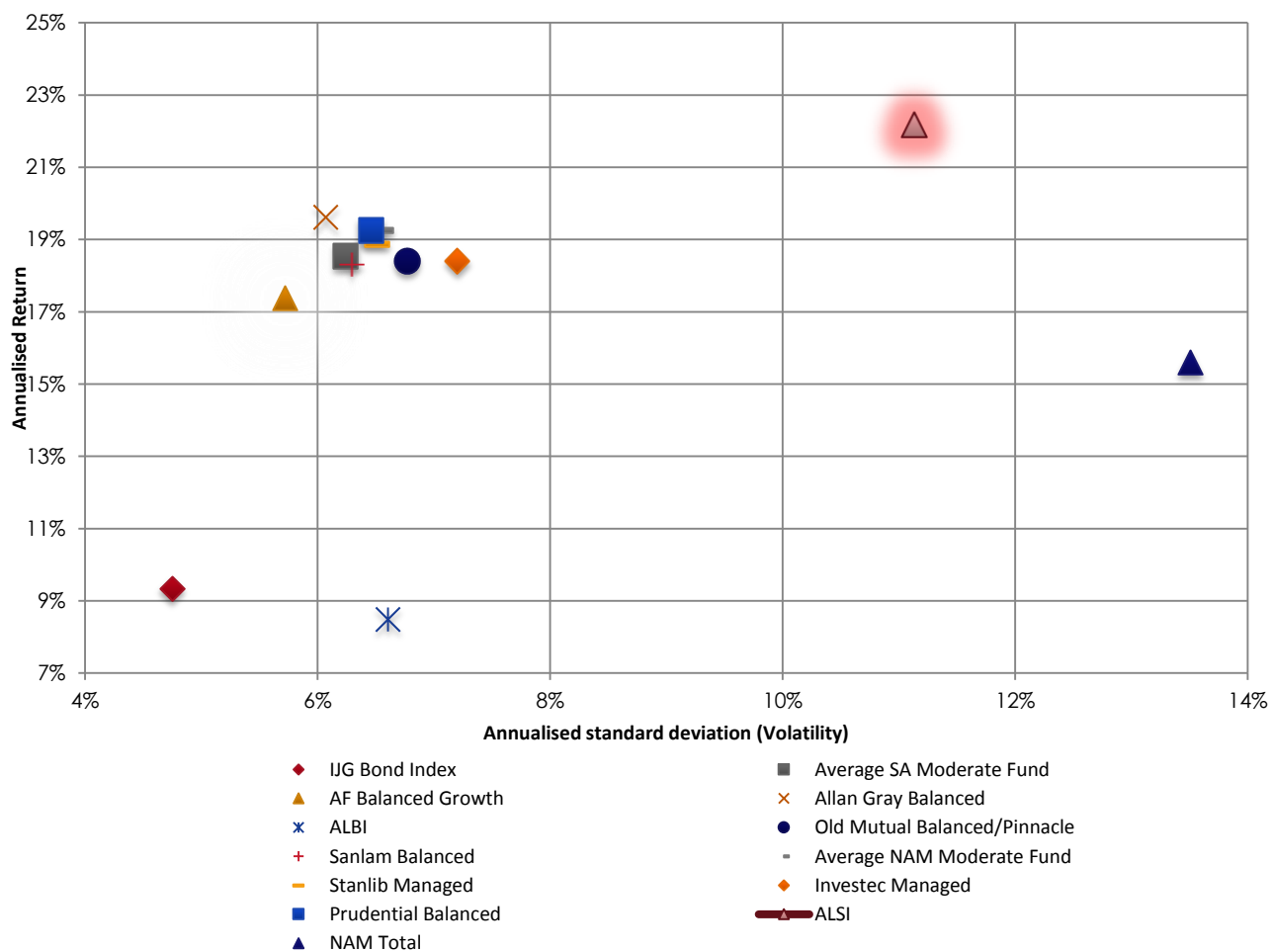


10 year performance for the period ending 30 September 2014



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 September 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 September 2013 (12 Months ago)**

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	7.7%	2.7%	9.6%	15.0%
Nam Bonds	13.8%	2.5%	3.9%	6.6%
Nam Cash	19.7%	37.5%	20.4%	13.6%
Nam Property	-	-	1.7%	1.8%
SA Equities	22.2%	5.1%	10.3%	15.7%
SA Bonds	6.6%	17.6%	20.7%	10.1%
SA Cash	-	3.9%	1.8%	3.1%
SA Property	4.0%	4.5%	4.1%	2.0%
International Equity	19.6%	21.2%	14.9%	16.1%
International Bonds	-	1.6%	12.6%	6.1%
International Cash	5.0%	0.6%	-	-
International Other ¹	-	0.3%	-	8.8%
Other ²	1.4%	2.5%	-	1.1%
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 September 2014**

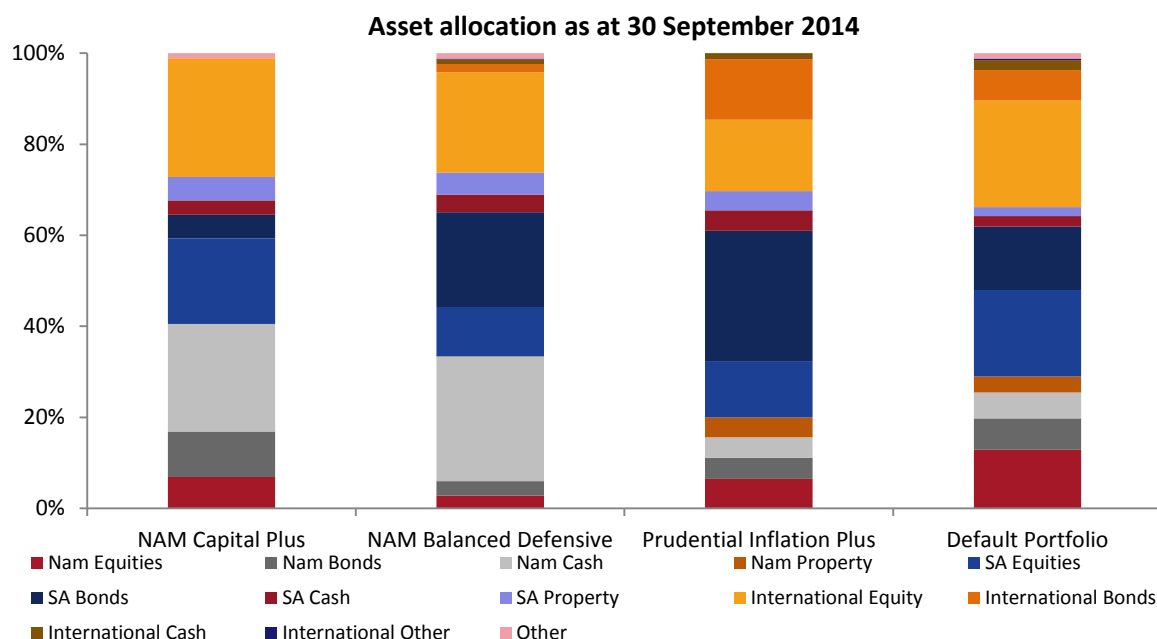
	Nam Coronation Capital Plus*	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Nam Equities	6.9%	2.8%	10.9%	14.9%
Nam Bonds	10.0%	3.2%	4.6%	6.9%
Nam Cash	23.6%	27.4%	21.4%	14.0%
Nam Property	-	0.1%	-	1.3%
SA Equities	18.8%	10.8%	16.6%	21.0%
SA Bonds	5.2%	20.8%	15.7%	7.6%
SA Cash	3.2%	3.9%	0.4%	0.4%
SA Property	5.1%	4.8%	-	-
International Equity	26.1%	22.0%	29.1%	30.0%
International Bonds	-	1.8%	-	0.2%
International Cash	-	1.0%	1.4%	2.2%
International Other ¹	-	0.2%	-	0.3%
Other ²	1.1%	1.2%	-	1.2%
Total	100.0%	100.0%	100.0%	100.0%

1. Other represents International Property

2. Other represents Commodities

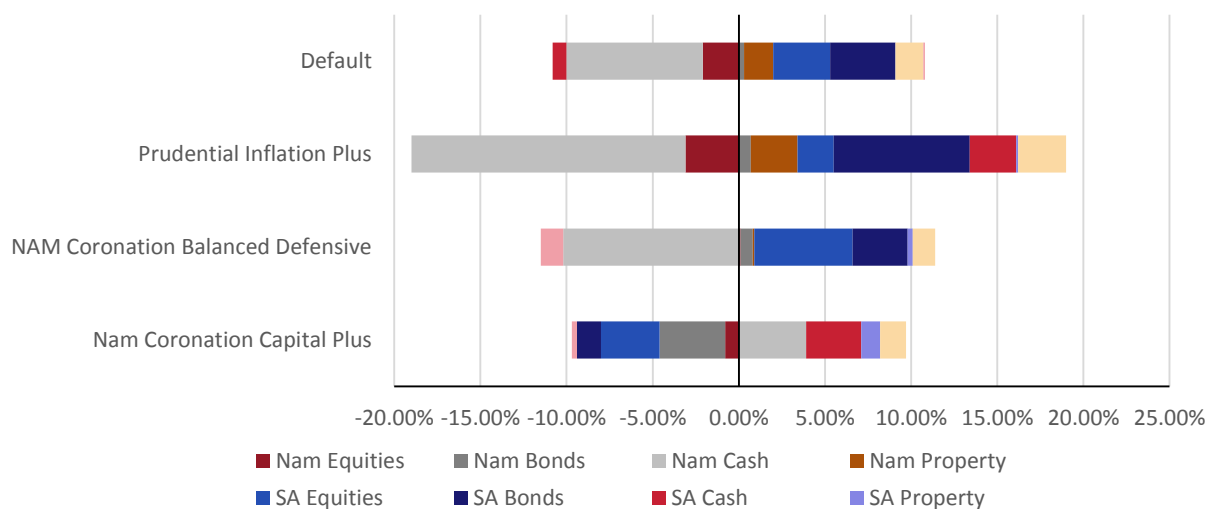
*Please note that the exposure to equities within the portfolio can be as high as 65.0% at times should the asset manager deem that to be appropriate.

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



Prudential Inflation Plus, NAM Coronation Balanced Defensive Fund and the Default portfolio down-weighted their level of Namibian cash. Prudential Inflation Plus acquired more South African bonds, whilst NAM Coronation Balanced Defensive added more South African equities.

3.2.3 Geographical Split

Listed below is the geographical split as at **30 September 2014**. The NAM Coronation Balanced Defensive Fund has moved away from the 35% limit required by Regulation 28 due to market movements.

	Nam Coronation Capital Plus	NAM Coronation Balanced Defensive	Prudential Inflation Plus	Default Portfolio
Namibia	40.5%	33.5%	36.9%	37.2%
South Africa	33.4%	41.5%	32.7%	30.2%
International	26.1%	25.0%	30.4%	32.7%
Total	100.0%	100.0%	100.0%	100.0%

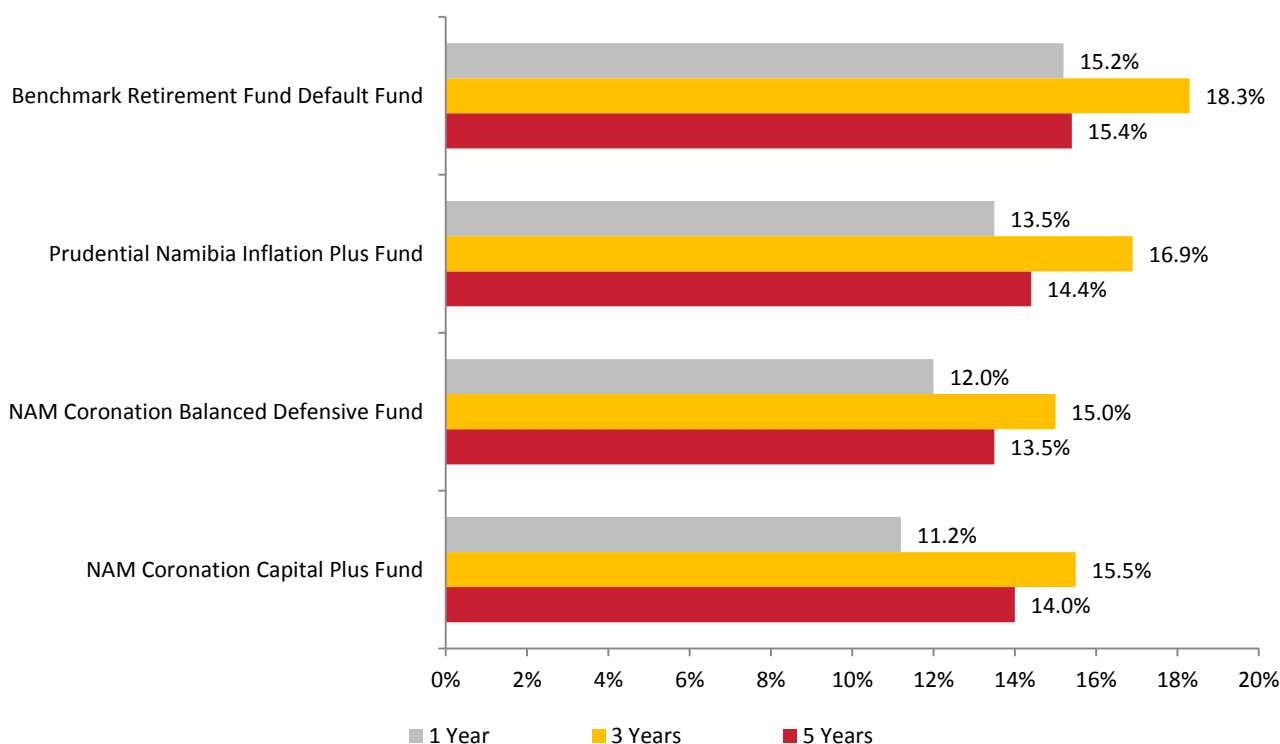
3.2.4 Time Weighted Returns

Listed below are the investment returns achieved for the specified periods to **30 September 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	11.2%	15.5%	14.0%	-
NAM Coronation Balanced Defensive Fund	12.0%	15.0%	13.5%	-
Prudential Namibia Inflation Plus Fund	13.5%	16.9%	14.4%	14.1%
Benchmark Retirement Fund Default Fund	15.2%	18.3%	15.4%	14.0%
Nam Inflation	5.3%	5.9%	5.3%	6.1%
Nam Inflation + 3% to 5%	8.3% - 10.3%	8.9% - 10.9%	8.3% - 10.3%	9.1% - 11.1%

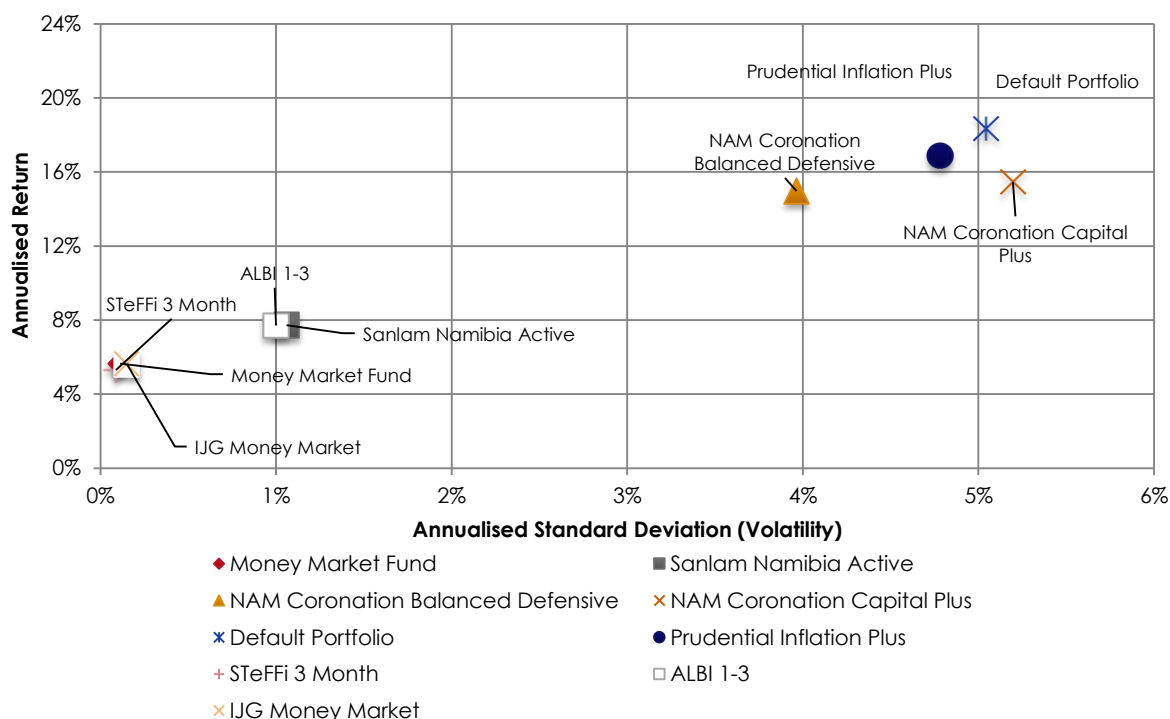
1. The NAM Coronation Absolute Fund was renamed to NAM Coronation Capital Plus Fund effective 26 April 2011.

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 September 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 September 2014	30 September 2013	Change
Nam Equities	-	-	-
Nam Bonds	1.0%	1.5%	-0.5%
Nam Cash	36.0%	36.5%	-0.5%
Nam Property	-	-	-
SA Equities	-	-	-
SA Bonds	14.2%	20.9%	-6.7%
SA Cash	46.1%	39.4%	6.7%
SA Property	2.7%	1.7%	1.0%
Offshore	-	-	-
Other	-	-	-
Total	100.0%	100.0%	-

The total Namibian exposure is 37% as at 30 September 2014.

3.3.1 Time Weighted Returns

Listed below are the gross investment returns achieved for the specified periods to **30 September 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	7.4%	7.7%	8.3%
ALBI 1-3 Years Index	5.2%	6.2%	7.2%
Inflation	5.3%	5.9%	5.3%
Inflation + 1% to 2%	6.3% - 7.3%	6.9% - 7.9%	6.3% - 7.3%

Capital Protection Portfolios

Investment Portfolio	One Year	Three Years (Annualised)	Five Years (Annualised)
Money Market Fund ¹	5.8%	5.6%	6.1%
IJG Money Market Index	5.7%	5.6%	6.1%
Inflation + 1%	6.3%	6.9%	6.3%

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.