BENCHMARK RETIREMENT FUND

Reg. No. 25/7/7/489

INVESTMENT POLICY AND STRATEGY DOCUMENT

March 2012

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The purpose of this document is to spell out the Fund's investment policy and strategy. The Trustees will ensure that the investment policy of the Fund is transparent at all times and will communicate decisions in this regard to the members on a regular basis. This Investment Policy document will be available on request to appointed Investment Managers and the relevant regulatory authorities.

1. Nature and Objectives of the Fund

The Benchmark Retirement Fund ("the Fund") is an umbrella arrangement established to provide participating employer groups who wish to provide their employees with retirement benefits, and individuals (deferred pensioners) who wish to preserve their retirement capital, with a cost efficient vehicle. The Fund also offers a living annuity to pensioners.

The Fund is a defined contribution fund. The contributions to the Fund are both employer and members' own contributions. Retirement benefits are defined in terms of the Fund's General Rules as well as the participating employers' Special Rules and are dependent on a number of factors, one being the performance of the investments. The member thus carries the risk that if investments perform poorly there could be a negative impact on his/her retirement capital.

For Pension Fund arrangements, the benefit at normal retirement age is a tax-free lump sum equal to one-third of the member's accumulated credit as well as a pension purchased with two thirds of the member's accumulated credit. The full fund credit is only commutable if the amount falls within the framework of income tax legislation.

For Provident Fund arrangements, the benefit at normal retirement age is a tax-free lump sum equal to one third of the member's accumulated credit as well as a taxable lump sum of two-thirds of the member's accumulated credit.

The Trustees of the Benchmark Retirement Fund take cognisance of the fact that the Fund is a defined contribution arrangement and that the investment returns achieved on the assets of the Fund are critical in determining the level of members' ultimate benefits.

2. Roles and Responsibilities

Various parties are involved in the investment process. The table below clarifies the roles and responsibilities of the parties.

Group	Responsibilities	Executed by
Board of Trustees	o Institute and review the Investment Policy o Monitor compliance with the Investment Policy o Provide a suitable range of investment products and portfolios in which members can invest o Delegate and monitor investment management of portfolios o Review the Investment Manager's performance	Board of Trustees Principal Officer

	o Ensure compliance with regulatory standards o Select and manage a suitable Default Portfolio in which members can invest	
Investment Managers	o Invest the Fund's assets in compliance with legislation and the investment mandate o Employ sound audit principles o Prepare portfolio and performance reports for the Trustees as directed o Attend Trustee meetings when required o Maintain investment files and records	Incumbent Asset Managers
Investment Consultant	o Assist the Trustees with the preparation, review and implementation of the Investment Policy o Assist in the selection and appointment of investment managers o Assist in the regular monitoring of the Fund's and the investment managers' performance o Assist the Trustees with investment related matters o Keep the Trustees informed of market developments o Monitor the market and bring new investment portfolios to the attention of the Trustees o Attend Trustee meetings when required o Advise Trustees on compliance with legislation	Jacques Malan Consultants and Actuaries
Actuary	o Determine financial soundness of the Fund o Conduct Actuarial Valuations o Attend Trustee meetings when required o Comment on the investment policy statement to ensure the investment choices offered are appropriate for the member's emerging liabilities	Colin Hendriks (Strategic Actuarial Partners Namibia (Pty) Ltd.)
Participating Employer Individual Pensioner	o Selection of investment portfolio(s) to invest in o Switching between investment portfolio(s) as and when deemed appropriate o Determine appropriate salary replacement ratio's o Perform asset-liability modelling and matching	Participating Employer Individual Pensioner
Employee Benefit Consultant	o Assist and advise participating employer with selection and switching of investment portfolio(s) o Assist the participating employer with member communication regarding investments o Assist the participating employer to determine an appropriate salary replacement ratio	Employee Benefit Consultant appointed by Participating Employer

3. Risk & Return

The Trustees accept their fiduciary duty to the members with respect to the investment of the Fund's assets. They will strive to achieve optimum returns whilst ensuring that all parties' interests are protected as far as possible. Specifically, the Trustees have two fundamental objectives with regard to the investment of the Funds' assets:

- To ensure that assets are available to meet the liabilities as they fall due;
- To maximise the investment return of each investment portfolio subject to its relevant level of risk.

The following factors are informing the investment strategy:

- The need to maximise investment returns in respect of the assets held for the members' liabilities and in particular to achieve returns in excess of inflation.
- The acknowledgement that members have different risk tolerances.
- The acknowledgement that the majority of the Fund's members are long term investors.
- Capital preservation portfolios should be available for those members who have the need to preserve capital.
- Compliance, at member level, with Regulation 28 and other relevant legislation.

Investment returns: in order to achieve an adequate salary replacement ratio it is imperative that members achieve a <u>real</u> investment return, i.e. a return in excess of price inflation. Refer to Annexure B 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 <u>explicit performance objective</u> of an investment portfolio, a lot of investment portfolios that are suitable for retirement funds do not have an explicit performance objective related to inflation, however.
The member will therefore have to consider the <u>historic performance experience</u> of an investment portfolio in relation to inflation as a proxy 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, as explained.

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 used in this investment policy 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 portfolios 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 <u>aggressive risk portfolios</u>, but will make them available when suitable portfolios have been identified.

Each portfolio's return will be compared quarterly to its internal benchmark objective, a common benchmark, as well as Namibian inflation.

4. Investment Strategy

4.1 Overall Investment Strategy

The Trustees will delegate the responsibility to invest the assets of the Fund to external Investment Managers.

The Trustees are responsible for the selection of external Investment Managers and the investment results of the Default Portfolio. Investment portfolios will be selected based on the suitability of their mandates, i.e. to the extent that the portfolio's investment mandate supports the Trustee's investment strategy

The number of portfolios made available shall be determined by the Trustees after consideration of the options available in the market and the limitations of the Fund's administration system.

An Investment Consultant, independent from all asset managers, will be retained to assist with Investment Manager selection. Tenure of the Investment Consultant will be reviewed at least every two years.

The participating employers, deferred pensioners and pensioners are responsible for selecting appropriate investment portfolio(s) from the range made available by the Trustees.

Contributions are set at participating employer level and are not under the control of the Fund's Trustees. In order to achieve adequate anticipated salary replacement ratios, participating employers have to set the contribution levels for their members and choose an appropriate investment portfolio. Accordingly participating employers, and their employee benefits consultant, are encouraged to formulate and document investment strategies that relate to their employees.

Investments are currently restricted to pooled investment portfolios offered through policies of insurance or collective investment schemes (unit trusts) due to the size of the anticipated investments and the need for daily unit prices.

All investment portfolios selected must comply with Regulation 28 of the Pension Funds Act.

The full investment return net of charges is allocated to members' credits on a monthly basis. The Fund's Administrator calculates the monthly return on the assets, which is checked by the Investment Consultant. This is verified annually by the Fund's Actuary when any adjustment for ad hoc expenses is made.

4.2 Investment Choice

In recognition of the members' differing tolerance for risk, different risk-profiled investment portfolios are offered. Participating employers in their own right or via a management committee have discretion over the investment structure which can be:

4.2.1 Participating Employer Choice: The participating employer or management committee determines the investment portfolio or combination of portfolios into which the participating employer's assets are invested. The assets of all members of a specific participating employer are invested in that proportion between the Investment Managers selected. All members of the participating employer will have the same return allocated to their accounts.

4.2.2 Participating Employer Choice combined with Individual Member Choice: Where provided for in the Special Rules, the participating employer or management committee determines the investment portfolios which are available for members for investment. Members of the participating employer individually select how their retirement credits and contributions should be invested between the portfolios made available by their participating employer. The participating employer or management committee selects the default portfolio applicable to their members.

4.2.3 Individual Member Choice: Where provided for in the Special Rules, members of the participating employer individually select from the entire investment portfolio range where their retirement credits and contributions should be invested. Members in this category are strongly advised to obtain assistance and guidance from a suitably qualified financial advisor when choosing investment portfolios.

Deferred pensioners and pensioners only invest on an Individual Member Choice basis and need to select investment portfolio(s) themselves in order to achieve their own investment strategy. Deferred pensioners and pensioners are strongly advised to obtain assistance and guidance from suitably qualified financial advisors when choosing investment portfolios.

The investment portfolios available are detailed in Appendix C.

Participating employers and members can select any of the available investment portfolios up to a maximum combination of five portfolios.

4.3 Default Portfolio

The Default Portfolio is a moderate-low risk portfolio constructed by the Trustees that has the following objectives:

- To reduce volatility of returns relative to the return earned on a cash portfolio.
- To achieve a real return of 4% (after fees) over a rolling 3 year period.
- To reduce the risk of large negative returns over any rolling 12 month period.

- To reduce risk by spreading assets between more than one Investment Manager.

Participating employer groups choosing the Default Portfolio should make net contributions towards retirement of at least 14% of pensionable salary in order to achieve a reasonable salary replacement ratio as illustrated in Appendix B.

The Default Portfolio has a risk profile lower than that of moderate risk portfolios and as such the expected long term returns should also be lower. This portfolio is managed by the Trustees in their absolute discretion and the Trustees reserve the right to appoint additional Investment Managers or replace Investment Managers at any time.

The Default Portfolio is only available to participating employers and not to deferred pensioners or pensioners. Deferred pensioners and pensioners who wish to achieve the objectives of the Default Portfolio can invest in similar proportions in the underlying investment portfolios that make up the Default Portfolio.

Participating employers who do not make a specific investment portfolio selection will be placed in the Default Portfolio.

4.3.1 Current Default Portfolio

The current Default Portfolio is split funded between the Allan Gray Namibia Investment Trust and the Prudential Namibia Inflation Plus Fund in the strategic allocation of 50%/50% respectively.

The current rebalancing strategy requires that the portfolios will be rebalanced to the strategic allocation (50%/50%) should the deviation from the strategic allocation be larger than 5 percentage points (i.e. 45%/55%). The rebalancing will take place in the month following the month in which the 45%/55% split has been reached.

4.4 Segregated Investment Portfolios

While investment vehicles used by the Fund are currently restricted to pooled investment portfolios, segregated investment portfolios may be utilised under the following conditions:

- The size of the anticipated investment portfolio justifies a segregated mandate;
- The Investment Manager can provide daily unit prices for the segregated portfolio;
- The asset manager fees are not less favourable than those for pooled investment vehicles;
- The Fund has the capacity to manage the custodian and matters associated with direct ownership of the assets by the Fund;
- The additional cost to manage and administer the segregated portfolio are not prohibitive;
- The segregated mandate assists the Trustees, and therefore the members, to achieve an investment objective that cannot be achieved through a pooled investment portfolio.

4.5 Multi-Managers and Wrap Funds

Multi-manager products and wrap products group together various specialist or balanced mandates managed by different asset managers to form a combined product with a specific investment mandate. Investment decisions regarding the multi-manager or wrap product are taken by the entity or person managing the product. Wrap Funds and/or and multi-manager portfolios can be utilised by the Fund under the following conditions:

- The investment manager of the selected wrap or multi-manager product must meet the Trustees' criteria regarding investment process, philosophy and personnel as detailed in section 5.
- The process and philosophy of designing the product and combining the underlying building blocks needs to be managed by registered investment managers.
- The selected product must meet a need not currently met by direct investment products.
- The investment manager must have adequate systems to ensure continuous monitoring of compliance with Regulation 28 and other relevant legislation.
- The investment manager must be able to provide reporting according to the Trustee's standards.
- The fees of the product must be fully transparent.
- The fees must, in the view of the Trustees, be justified when alternative approaches are considered.

Wrap funds are less regulated than multi-manager products and therefore additional caution needs to be exercised when considering offering wrap funds.

4.6 Smooth Bonus Investment Portfolios

For the purpose of this policy, under smooth bonus investment portfolios the Trustees classify portfolios that typically have some or all the following characteristics:

- They are issued and underwritten by an insurance company by means of an insurance policy;
- Investment returns are declared by the insurance company and may have vested and non-vested portions;
- Investment returns are smoothed making use of reserves held and owned by the insurance company or by using derivative products;
- The capital invested via the policy may be guaranteed fully or partially;
- An additional fee is charged for the guarantee;
- The book value of the investment is different to the market value of the investment, these being determined by the insurance company;
- On partial or full termination the lesser of book value or market value is paid to the Fund.

The Trustees have decided not to make these types of investment portfolios available to the members of the Fund due to the onerous termination conditions and cross subsidisation between members which is not appropriate in an umbrella fund environment.

In an umbrella arrangement, participating employers usually do not have reserves or reserves may not be adequate and accordingly losses incurred on termination may have to be passed on to the active members. While this issue is only a concern on termination and where market value is below book value, the risk to the active members can be significant and it cannot be justified that only the active members carry the losses.

After periods of poor markets these products may have negative reserves which must be restored from future returns. Members may not be aware of these negative reserves or that contributions in that period will attract poor returns.

4.7 Restricted Investment Portfolios

Restricted investment portfolios are those investment portfolios that do not form part of the range of investment portfolios that are available to all participating employers of the Fund. The Trustees will determine which portfolios are classified as restricted. Restricted portfolios are normally requested specifically by a participating employer in order to assist the participating employer to achieve its investment objectives. As the Trustees have a fiduciary duty to members with respect to the investment of the Fund assets, the restricted portfolios must still comply with all aspects of this investment policy document.

The number of restricted investment portfolios should be kept to a minimum as the existing range of investment portfolios made available to members of the Fund should already cater for the varying needs, objectives and risk tolerances of the majority of members.

A participating employer that wishes to use an investment portfolio that is not part of the range of portfolios made available by the Trustees, needs to apply to the Trustees in writing, motivating why the requested portfolio is required to achieve a specific investment objective and why the existing range of portfolios is not suitable to achieve the specific investment objective. The investment portfolio suggested should also comply with the following:

- Should be larger than N$ 50 million;
- Must have a track record of at least 3 years;
- The investment manager must have sufficient means to diversify the portfolio, especially being able to invest into bonds, property and offshore where the mandate requires such investment.

Restricted investment portfolios will not be accepted by the Fund where only a limited number of individual members (deferred pensioners or pensioners) request to make use of the portfolio.

The Trustees will review the restricted investment portfolios at least annually. The Trustees can decide to un-restrict the investment portfolio and make it part of the range of portfolios that is available to all members. Should a restricted portfolio cease to meet the requirements of this investment policy, the Trustees may give notice to a participating employer that the restricted portfolio will be removed.

The Fund retains the right to levy additional administration charges on restricted portfolios.

Currently there are no restricted investment portfolios.

4.8 Unlisted Investments

In principle the Trustees will not invest directly in unlisted securities, private equity, venture capital or any other unlisted investments.

Prudential Investment Guidelines of the Pension Funds Act may from time to time require the Fund to invest portions of its assets in unlisted investments. The Fund only offers regulation 28 compliant products and the managers of these products may include the relevant unlisted investments in order to comply with the regulations.

4.9 Conservative Investment Portfolios and Capital Preservation Portfolios

Actual investment returns are allocated to members on a monthly basis and thus participating employers in the Fund cannot smooth investment returns by means of an investment reserve. Members close to retirement can, however, be given the option of choosing a more conservative investment portfolio or a capital preservation portfolio.

The following aspects related to capital preservation portfolios need to be taken into account by participating employers:

- Return objectives: As long term real investment returns are essential for members, typical (lower) investment returns that can be achieved when invested in a capital preservation portfolio need to be balanced with the period that a member is invested in such a product;
- Capital guarantee: Most members selecting a capital preservation option require an explicit capital guarantee;
- Track record: it is important that the product considered has a sufficient track record to demonstrate performance during various market cycles;
- Methodology: the methodology and underlying instruments will determine how the product will perform during different market cycles;
- Fees: due to the lower return expectations of these products, fee levels are a material consideration.

Some of these aspects should also be applied to conservative investment portfolios.

Products that typically are classified as either capital preservation portfolios or conservative investment portfolios (but that do not necessarily meet all the considerations mentioned above) are:

- Cash funds
- Low equity market value funds
- Income funds
- Absolute return funds
- Smoothed bonus products (guaranteed funds).

Details of the capital preservation portfolios available are included in Appendix C.

4.10 Life-Stage Model

A life-stage investment model typically is designed to match the risk tolerance of a member with the investment portfolio, but in particular assuming that the risk tolerance is related to the member's age and as the member ages his/her risk tolerance reduces.

The Trustees support the notion that investment decisions should be closely related to the member's risk tolerance.

Participating employers can allow individual member choice which may be constructed along some of the principles of what is referred to in the market as a life-stage model, but any investment choice model will have to consider the following factors when being designed by the participating employer:

- Typical life stage models often reduce exposure to growth assets over time, thus reducing the risk profile at the expense of investment returns;
- A member's risk tolerance does not necessarily decrease as the member reaches retirement age;
- The type of product used by the member in retirement (living annuity vs the various types of life annuity) has a major influence on the type of investment portfolio the member should be invested in pre retirement;
- Life-stage models (and individual member choice per se) normally introduce another layer of costs and risk;
- The Trustees have decided to not allow a life-stage model as the default option;
- Automatic transition into the next stage based on ages or fixed points in time is not allowed; members have to elect the next stage when they are eligible for the next stage and must not automatically be moved to the next stage;
- Member's are normally over-cautious when making investment choices;
- Only the investment portfolios available in the range of portfolios of the Fund can be used as building blocks;
- Life-stage models require a significant amount of member communication which is not provided by the Fund;
- The last few years prior to retirement are critically important to the terminal value of a pension fund investment. Being moved to a conservative portfolio 5 or 7 years before retirement can seriously reduce the potential growth of the investment;
- The (positive or negative) consequences of adopting a life stage model will only manifest over the long-term.

4.11 Size of Investment Portfolio

The Trustees will consider the size of an investment portfolio as one of the criteria for inclusion, or removal, of the range of investment portfolios, as small investment portfolios may be more difficult to manage effectively.

The value of the underlying investment portfolio provided by the asset manager should not be smaller than N$ 50 million.

The Trustees will monitor the investments of the Fund as percentage of the entire investment portfolio. Where these become so significant that removal from the range of portfolios could cause the asset manager to having to close the portfolio, the Trustees should consider diversifying the range and offering more choices in the specific risk category

4.12 Unclaimed Benefits

Unclaimed benefits remain invested in the applicable investment portfolio prior to receipt of the full documentation necessary for the calculation of the claim. Once the amount of the claim has been established, the assets are disinvested and held in the Fund's bank account. The full return earned on these assets less associated charges including an administration charge is allocated to these benefits. If the unclaimed benefit is still unclaimed after three years the claim is paid to the Guardian Fund of the Master of the High Court.

5. Investment Manager Selection and Evaluation Criteria

All Investment Managers will be evaluated before their appointment. Criteria may be expanded to relate to a specific mandate. The criteria and evaluation process will be fully transparent and will be documented for review by future Trustees. When selecting suitable Investment Managers or investment portfolios, the following criteria will be considered:

- Portfolios must be suitable for retirement fund investments.
- Investment portfolios which diversify across asset classes will be preferred.
- The Trustees are of the view that it has historically been possible in Namibia for Investment Managers to add value through active portfolio management and therefore an active asset allocation approach is preferable.
- The Trustees are of the view that it is still possible for Investment Managers to add value by active stock picking and fundamental research, thus an active, research driven investment approach should be adopted.
- Unless inappropriate for the mandate, for risk reduction objectives, the maximum permissible offshore allocation will be the legal limit for each Investment Manager's product. Investment Managers will be expected to determine the appropriate level within the limit.
- Suitable Investment Managers must exhibit stability in investment process and investment personnel.
- Trustees will take into consideration management and custodial fees in the selection process.
- Selected portfolios must comply with Regulation 28 of the Pension Funds Act.

All Investment Managers will be reviewed on an ongoing basis. A special review may be necessary due to changes in the Investment Managers' investment philosophy, process or personnel. Whilst performance will be a strong evaluation tool, short term underperformance will not be a strong consideration.

The current investment portfolios are detailed in Appendix C. The benchmark against which each manager will be measured is included in that appendix along with specific details of the agreed fees and appointed custodians.

6. Investment Mandates

6.1 Discretion

Within the parameters of the mandate, the Investment Managers will not be limited in their ability to invest in any investment vehicle, except as prescribed by Prudential Investment Guidelines and any other applicable legislation. The Trustees accept that the responsibility for performance rests with the Investment Manager at all times and will not influence any decisions made by the Investment Managers. The Trustees, however, retain the right to question any decision made by the Fund's Investment Managers.

The Trustees recognise that Investment Managers make decisions in light of certain economic views. When reviewing performance, Investment Managers will be given sufficient time for their strategies to emerge.

6.2 Social Responsible Investments

The primary focus of the Fund's investments is to provide real growth to members rather than broader social improvement, however the Trustees note the existence of such investments and in particular those investments which aid infrastructure development.

6.3 Broad Based Black Economic Empowerment

Investment Managers are expected to reflect the diversity of the Namibian environment both with regard to shareholding and staff. The extent to which Investment Managers reflect this diversity will be one of the factors considered when evaluating managers.

6.4 Proxy Voting Policy

The Fund's assets are currently held via pooled products, and as a result the Fund cannot exercise its ownership rights in respects of its investments. However, Investment Managers are expected to influence the behaviour of companies into which they invest to encourage them to meet corporate governance best practice standards. Appointed Investment Managers must have a stated policy of voting proxy's in the best interest of shareholders. Such policy shall be in writing and be available for review by the Trustees on request. Investment Managers should also be able to provide a report on their proxy voting record on request.

6.5 Liquidity Requirements

The Fund is ongoing with regular monthly inflows. In the longer term these monthly inflows generally exceed outflows, thus the Fund has no significant short term liquidity requirements. This can, however change and termination conditions should be clearly understood prior to any investments being made.

6.6 Derivative Use

Derivatives may be utilised by the Investment Managers however such use is restricted to the implementation of asset allocation decisions or for hedging purposes. The use of derivatives for speculative purposes will not be permitted. Each Investment Manager must have a formal derivative policy in place which must be available on request by the Trustees.

6.7 Scrip Lending, Commission Recapture Schemes, Soft Dollar and other similar arrangements

In the case of pooled investments it is not possible for the Trustees to monitor the underlying activities of the Investment Manager. Investment Managers however will be expected to disclose any income earned from such activities. It is expected that such activities should only be undertaken if they are in the best interest of the Fund and any associated risks must be clearly communicated to the Trustees prior to appointment.

6.8 Performance Based Fees

Performance based asset manager fees are structured such that the fee includes a share in performance in excess of an agreed benchmark and are generally in addition to a base fee.

The following issues need to be considered when deciding to adopt or accept a performance based fee arrangement with an Investment Manager:

- The performance fee should be fair relative to the service being provided;
- It must be clear which objective is being rewarded (investment returns or capital protection etc);

- Clients on similar mandates should be treated equally (on the same mandate it should not occur that some clients pay flat fees and some pay performance fees);
- Performance based fees should not reset at too short intervals (like a year). However for umbrella funds, performance based fees that operate from inception of a portfolio may not be appropriate due to the changing members selecting the portfolio;
- Low base fees should form part of the structure to ensure the Investment Manager can cover certain fixed costs and is not taking unacceptable risks in periods of underperformance;
- Performance benchmarks should be well defined and easily calculable. The performance benchmark must be aligned to the objective that is to be achieved. Peer comparisons, whilst popular, do not meet a number of the requirements for benchmarks (investable and transparent to name two).

Where both performance and fixed fees are offered by the Investment Manager, the fixed fee option is favoured by the Fund.

In the case of managers who have limited capacity, either as a house or within a particular product, performance fees may be appropriate to align the objectives of the managers and members.

7. Monitoring

7.1 Role of the Investment Consultant

The Trustees are responsible for the monitoring of the performance of the Investment Managers. This task will be delegated to the Fund's Investment Consultant who must submit a quarterly report suitable for distribution to the members which will include the investment performance of the appointed Investment Managers over the medium and longer term. In monitoring the investment performance of the Investment Managers, the Investment Consultant will provide the Fund with an extra risk management layer.

The Investment Consultant should keep the Trustees informed of any investment related industry and Investment Manager developments.

The Investment Consultant will advise the Trustees where the portfolio of an Investment Manager has changed to such an extent that it no longer achieves the risk and return objectives it was expected to achieve as per its investment mandate.

The investment report must be available for the meetings of the Board of Trustees and the Investment Consultant must attend two meetings a year to discuss investment related issues.

7.2 Role of Investment Managers

Investment Managers will be required to present monthly statements of the Fund's investments and report personally to the Trustees when required.

A principle of full disclosure and transparency must be endorsed by all Investment Managers and their monthly statements must clearly indicate their remuneration earned.

Investment Managers are expected to inform the Trustees of any changes within their organisation with regard to ownership, investment philosophy or investment personnel which can be expected to have a material impact on the Trustees' view of the Investment Manager.

Only products which comply with Regulation 28 will be utilised and the Investment Managers will be required to certify Regulation 28 compliance on an annual basis.

8. Review Date

This investment policy will be reviewed annually or if any of the following changes occur.

- Major change of member profile e.g.
    - Large scale retrenchments (more than 10% of the fund by liability)
    - Bulk transfers in or out of the Fund
    - Closure of the Fund to new entrants
- Changes in legislation e.g.
    - Change to retirement fund tax
    - Relaxation of exchange control regulations
- Change in economic factors e.g.
    - Significant change in inflation
    - A market correction
- A change in the Board of Trustees – so as to ensure continuity of information
- A change in Investment Consultant

9. Signatories

This investment policy and strategy document has been set and approved by the Board of Trustees at a Trustee meeting held on 15 March 2012.

Original signed

…………………………………………………
CHAIRMAN OF BOARD OF TRUSTEES

Original signed

....
PRINCIPAL OFFICER

Original signed

....
ACTUARY

APPENDIX A : Fund Statistics as at 31 December 2011

Member Profile (incl. living annuity pensioners)

Age	Number of members	%	% (cumul.)	Fund Credit (N$ million)	%	% (cumul.)
< 25	485	7.7%	7.7%	3.8	0.5%	0.5%
25 – 29	1 055	16.7%	24.4%	21.6	2.8%	3.3%
30 – 34	1 278	20.3%	44.7%	50.7	6.6%	9.9%
35 – 39	1 090	17.3%	62.0%	68.5	8.9%	18.8%
40 - 44	860	13.6%	75.6%	92.5	12.0%	30.8%
45 – 49	660	10.5%	86.0%	114.8	14.9%	45.7%
50 - 54	453	7.2%	93.2%	119.2	15.5%	61.2%
55 - 59	296	4.7%	97.9%	138.9	18.1%	79.3%
> 60	131	2.1%	100%	159.4	20.7%	100%
TOTAL	**6 308**	**100%**		**769.5**	**100%**	

APPENDIX B: Salary Replacement Ratios

	Assumed NET contribution towards retirement i.e. AFTER all costs for risk and administration etc (as % of pensionable salary)				
Assumed Investment Return for 30 years before retirement (after fees)	**8%**	**10%**	**12%**	**14%**	**16%**
CPI + 5%	47%	59%	70%	82%	94%
CPI + 4%	39%	49%	59%	69%	79%
CPI + 3%	33%	42%	50%	58%	67%
CPI + 2%	28%	35%	42%	50%	57%

The Trustees consider an appropriate post retirement income to be 60% of pre-retirement pensionable income after 30 years of service (assuming that 2% accumulates for each year of service). This ratio is defined as the salary replacement ratio. The above table shows a range of ratios for various net retirement funding contribution rates in relation to real investment returns, assuming retirement at age 60. Other assumptions are:

Pre-retirement:

- Real rate of return before retirement is dependent on the investment portfolio chosen;
- Salaries are assumed to increase in line with price inflation. In order to assess the impact of a salary increase of 1.0% per annum above inflation, one needs to look

at a 1.0% per annum lower real return (e.g. if the targeted real rate of return on the selected investment portfolio is CPI + 4% then one needs to look at the results of CPI + 3% in the above table to see the salary replacement ratio if salaries increase 1.0% per annum above price inflation);

- No break in service or 100% preservation of accumulated fund credit where there is a change of employer;
- Full fund credit available on retirement (one-third and two-thirds) is used to generate the pension;
- Effect of tax is not taken into account.

Post retirement

- Single life with-profit annuity is purchased at age 60 years;
- Allowance for future pension increases is approximately 2/3rds of price inflation.

APPENDIX C: RANGE OF INVESTMENT PORTFOLIOS

The following investment portfolios are available to members:

Investment Portfolio	Risk categorisation	Asset manager's explicit performance objective (before fees)	Return expectations derived from historical experience *
AF Namibia Balanced Growth Fund	Moderate	None	CPI + 5% - 6%
Allan Gray Namibia Investment Trust	Moderate	None	CPI + 5% - 6%
Investec Managed Fund Namibia	Moderate	None	CPI + 5% - 6%
Old Mutual Namibia Profile Balanced Fund	Moderate	None	CPI + 5% - 6%
Prudential Namibia Balanced Fund	Moderate	None	CPI + 5% - 6%
Sanlam Namibia Prudential Managed Fund	Moderate	None	CPI + 5% - 6%
Standard Bank Namibia Managed Fund	Moderate	None	CPI + 5% - 6%
Default Portfolio	Moderate-Low	-	CPI + 4% - 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% - 3%
Sanlam Namibia Active Fund	Low	1-3 yr ALBI	CPI + 1% - 2%
Money Market Fund	Capital Preservation	7-day repo rate	CPI to CPI + 1%

* refer to exposition per section 3 of the policy

MODERATE RISK PORTFOLIOS

Moderate Risk Portfolio 1: AF Namibia Balanced Growth Fund

The AF Namibia Balanced Growth Portfolio is a moderate risk balanced portfolio which is suitable for investors with a medium to longer term investment horizon.

It is benchmarked against an internal benchmark on a rolling three year basis. Investment Solutions select managers based on different investment styles. Investment Solutions select specialist investment managers and manage the portfolio according to a static asset allocation model.

The agreed fee between the Fund and the product follows a sliding scale:

- 0.8% p.a. for the first N$50m
- 0.7% p.a. next N$50m
- 0.6% p.a. next N$100m

- 0.5% p.a. next N$300m
- 0.4% p.a. above N$500m

The fee for international assets is 0.9% p.a.

Since this is a policy of insurance with Investment Solutions, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

A calendar month's written notice is required for termination.

Legal form: Insurance policy

Moderate Risk Portfolio 2: Allan Gray Namibia Investment Trust

The Allan Gray Namibia Investment Trust is a pooled market-linked portfolio which represents Allan Gray's best investment view for balanced mandates.

It is suitable for investors with an average risk tolerance and is benchmarked against the mean performance of other large managers. The returns on this investment are directly linked to a significant equity exposure and as such this investment is regarded as carrying a moderate risk and negative returns in the short term are possible. The investment philosophy is value orientated by identifying quality assets priced below their intrinsic value. Allan Gray defines intrinsic value as the discounted value of the expected future cash flows.

Since this is a Trust, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

The Fund is benchmarked against peers, specifically the mean performance of the large managers as surveyed by consulting actuaries.

The agreed fee between the Fund and the product is 0.75% p.a.

A calendar month's written notice is required for termination.

Legal form: Trust

Moderate Risk Portfolio 3: Investec Managed Fund Namibia

The Investec Namibia Managed Fund is a market-linked pooled balanced portfolio which represents Investec's best investment view for Retirement Funds in Namibia.

It is suitable for investors with a moderate risk tolerance and is benchmarked against the mean performance of other managers as surveyed by investment consultants.

The investment philosophy has neither a value nor a growth bias, and obtains diversification by investing across all asset classes. It aims to deliver consistent real returns over a rolling three year period.

The agreed fee between the Fund and the product is 0.70% p.a.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

A calendar month's written notice is required for termination.

Legal form: Unit Trust

Moderate Risk Portfolio 4: Old Mutual Namibia Profile Balanced Fund

The OMIGNAM Profile Balanced Portfolio is a pooled market-linked balanced portfolio which places emphasis on asset allocation across all asset classes.

The portfolio is closely aligned with OMIGSA's multi asset class boutique's best investment view, emphasizing the portfolio's aim to have a balanced, optimal asset allocation to provide long-term growth. It adopts a moderate risk strategy that aims to deliver consistent real returns over the long-term, whilst outperforming peer funds.

Since this is a policy of insurance with Old Mutual, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Nedbank.

The portfolio is benchmarked against an internal benchmark as follows:

33%	South African Equities
17%	Namibian Equities
5%	Namibian Money Market
5%	South African Bonds
13%	Namibian Bonds
7%	South African Property
13%	International Equities
7%	International Bonds

The agreed fees between the Fund and the product are 0.55% p.a. on domestic assets and 0.8% p.a. on global investments.

Termination is available with one calendar month's written notice.

Legal form: Insurance policy

Moderate Risk Portfolio 5: Sanlam Namibia Managed Prudential Fund

The Sanlam Namibia Managed Prudential Fund is a market-linked balanced unit trust portfolio which invests across different asset classes.

The portfolio is closely aligned with Sanlam Investment Management's (SIM) best investment view for a moderate risk balanced fund and aims to provide investors with returns consistently above the average peer group over the long term.

The agreed fee between the Fund and the product is 0.75% p.a..

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

Termination is available with one calendar month's written notice.

Legal Form: Unit Trust

Moderate Risk Portfolio 6: Standard Bank Namibia Managed Fund

The Standard Bank Namibia Managed Fund is a market-linked balanced portfolio which invests across different asset classes.

It is suitable for investors with a moderate risk tolerance and is benchmarked against the mean performance of other managers as surveyed by investment consultants.

The portfolio represents Stanlib's best investment view for a balanced mandate in Namibia. The returns on this investment are directly linked to a significant equity exposure and as such this investment is regarded as carrying a moderate risk and negative returns in the short term are possible.

The agreed fee between the Fund and the product is 0.5% p.a.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

Termination is available with one calendar month's written notice.

Legal form: Unit Trust

Moderate Risk Portfolio 7: Prudential Namibia Balanced Fund

The Prudential Namibia Balanced portfolio is a market-linked portfolio which aims to achieve consistent growth of capital and income by maintaining a superior stock selection across all industries.

It is suitable for investors with an average risk tolerance and is benchmarked against the mean performance of other large managers.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is First National Bank.

The agreed fee between the Fund and the product is 0.75% p.a.

A calendar month's written notice is required for termination.

Legal form: Unit Trust

MODERATE-LOW RISK PORTFOLIOS

Moderate-Low Risk Portfolio 1: Prudential Namibia Inflation Plus Fund

The Prudential Namibia Inflation Plus Portfolio is suitable for investors who have a low risk tolerance. The Fund reduces risk by investing across various asset classes as well as in defensive securities. The Fund also limits its exposure to growth assets, such as equities, which also reduces the risk of achieving short term negative returns.

The Fund aims to achieve real returns in excess of inflation plus 4% over a rolling 3 year period. Prudential apply their value philosophy to absolute return investing.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is First National Bank.

The agreed fee between the Fund and the product is 0.75% p.a.

A calendar month's written notice is required for termination.

Legal form: Unit Trust

Moderate-Low Risk Portfolio 2: NAM Coronation Capital Plus Fund (Class C) (previously called the NAM Coronation Absolute Fund)

The NAM Coronation Capital Plus Fund is suitable for members with a lower risk tolerance. It is an actively managed, moderate-low risk fund with exposure to all asset classes. The fund aims to achieve consistent positive real returns with a primary focus on offering downside protection and preserving capital in real terms over any rolling 12 month period. The fund is benchmarked against inflation plus 4% gross of fees over a rolling 12-month period.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

The agreed fee between the Fund and the product is a base fee of 0.95% plus a performance fee of 10% of the outperformance of the benchmark (CPI+4%) over a rolling 12 month period, capped at 2.25%p.a. effective 1 February 2012. Basic fee reduces to 0.75% if portfolio delivers a negative return over a rolling 12 month period until return is positive.

A calendar month's written notice is required for termination.

Legal Form: Unit Trust

Moderate-Low Risk Portfolio 3: Benchmark Retirement Fund Default Portfolio

Currently 50% Prudential Namibia Inflation Plus Fund and 50% Allan Gray Namibia Investment Trust. Refer to section 4.3 above for more detail on this portfolio.

Moderate-Low Risk Portfolio 4: NAM Coronation Balanced Defensive Fund

The NAM Balanced Defensive Fund targets the IJG Money Market Index +3% and aims to provide a reasonable level of income whilst seeking to preserve capital in real terms. It is an actively managed, low equity fund with exposure to all asset classes.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

The fee charged on this fund is a flat fee of 1.25%p.a. This Fund is regulation 28 compliant.

A calendar month's written notice is required for termination.

Legal Form: Unit Trust

LOW RISK PORTFOLIOS

Low Risk Portfolio 1: Sanlam Namibia Active Fund

The Sanlam Active Fund's objective is to provide a high level of income and maximise returns. This fund invests in income yielding assets including fixed income assets, preference shares and property. The Benchmark of this Fund is the ALBI.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank

The agreed fee between the Fund and the product is 0.60% p.a. This Fund is regulation 28 compliant.

A calendar month's written notice is required for termination.

Legal form: Unit Trust

CAPITAL PRESERVATION PORTFOLIOS

Capital Preservation Portfolio 1: Money Market Portfolio

The money market fund used is currently the Bank Windhoek Investment Fund managed by Capricorn Asset Managers. The Fund aims to produce stable and secure returns to investors who wish to protect themselves against capital loss over any rolling period.

Since this is a collective investment scheme, the manager is responsible for the appointment of the custodian of the assets. The current appointed custodian is Standard Bank.

The agreed fee between the Fund and the product is 0.5% p.a.

A calendar month's written notice is required for termination.

Legal form: Unit Trust

APPENDIX D: SPREAD OF FUND ASSETS

The spread of the Fund's assets as at 31 December 2011 is as follows:

	%	Benchmark Retirement Fund Assets N$ million	Benchmark assets as % of portfolio	Size of the portfolio N$ million
Moderate risk portfolios	**53.0**	**409.7**		
Allan Gray Namibia Investment Trust	37.6	290.5	18.6 (2)	2,145
Investec Managed Fund Namibia	12.3	94.8	16.8	563
Old Mutual Namibia Profile Balanced Fund	2.3	18.1	7.3	249
Standard Bank Namibia Managed Fund	0.4	3.1	3.0	103
Prudential Namibia Balanced Fund	0.2	1.5	10.7	14
Sanlam Namibia Managed Prudential Fund	0.1	1.1	0.9	117
AF Namibia Balanced Growth Fund	0.1	0.6	0.07	832
Moderate-low risk portfolios	**39.3**	**303.9**		
Benchmark Retirement Fund Default Portfolio (1)	28.0	216.6	- (2)	-
Prudential Namibia Inflation Plus Fund	10.6	82.3	64.8 (2)	294
NAM Coronation Capital Plus Fund	0.7	5.0	1.7	300
Low risk portfolios	**0.6**	**4.4**		
Investec High Income Fund Namibia	0.6	4.4	1.0	460
Capital preservation portfolios	**7.1**	**55.1**		
Money Market Portfolio	7.1	55.1	1.3	4,290
Total	**100.0**	**773.1**		

Notes:

1. The Default Portfolio is invested roughly 50/50 between the Allan Gray Namibia Investment Trust and the Prudential Namibia Inflation Plus Fund.
2. The investment in the Allan Gray Namibia Investment Trust and Prudential Inflation Plus Fund via the Default Portfolio has been added to the single mandates to calculate overall exposure of the Fund to the investment portfolio.

APPENDIX E: INVESTMENT PERFORMANCE AS AT 31 DECEMBER 2011

The following net returns were achieved by the Fund's investment managers relative to the agreed benchmarks. Please note that returns are gross of fees, i.e. before any fees.

MODERATE RISK PORTFOLIOS

	1 Year	3 Year	5 Year
AF Namibia Balanced Growth Fund	9.2%	13.1%	8.2%
Allan Gray Namibia Investment Trust	13.7%	11.2%	11.0%
Investec Managed Fund Namibia	7.7%	12.9%	9.8%
Old Mutual Namibia Profile Balanced Fund	7.4%	12.1%	7.1%
Prudential Namibia Balanced Fund	4.4%	12.8%	-
Sanlam Namibia Managed Prudential Fund	6.3%	12.2%	5.7%
Standard Bank Namibia Managed Fund	9.5%	15.1%	10.7%
Average Moderate Balanced Portfolio*	**8.6%**	**13.1%**	**8.5%**
Headline Inflation	**7.2%**	**5.7%**	**7.0%**
Inflation plus 6%	**13.2%**	**11.7%**	**13.0%**

*The average shown is the average of the Jacques Malan Consultants and Actuaries Survey for Moderate Balanced portfolios.

MODERATE-LOW RISK PORTFOLIOS

	1 Year	3 Year	5 Year
NAM Coronation Balanced Defensive Fund	8.8%	11.3%	5.2%
NAM Coronation Capital Plus Fund	4.9%	11.1%	-
Prudential Namibia Inflation Plus Fund	11.2%	11.8%	9.5%
Benchmark Retirement Fund Default Portfolio	12.5%	10.6%	9.1%
Headline Inflation	**7.2%**	**5.7%**	**7.0%**
Inflation plus 3% to 5%	**10.2 – 12.2%**	**8.7 – 10.7%**	**10.0 – 12.0%**

LOW RISK PORTFOLIOS

	1 Year	**3 Year**	**5 Year**
Sanlam Namibia Active Fund	7.7%	9.1%	-
BEASSA 1-3 Year All Bond Index	**8.9%**	**8.5%**	**9.1%**
Headline Inflation	**7.2%**	**5.7%**	**7.0%**
Inflation plus 2%	**9.2%**	**7.7%**	**9.0%**

CAPITAL PRESERVATION PORTFOLIOS

	1 Year	**3 Year**	**5 Year**
Money Market Fund (currently the Bank Windhoek Investment Fund)	5.9%	7.4%	8.7%
IJG Money Market Index	**6.0%**	**7.1%**	**8.3%**
Headline Inflation	**7.2%**	**5.7%**	**7.0%**
Inflation plus 1%	**8.2%**	**6.7%**	**8.0%**