

# Benchmark Retirement Fund

## MONTHLY REVIEW OF PORTFOLIO PERFORMANCE TO 30 APRIL 2019

By T H Friedrich – Managing Director, Retirement Fund Solutions Namibia (Pty) Ltd

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### 1. Review of Portfolio Performance

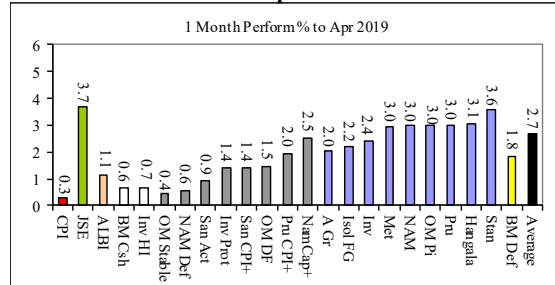
In April 2019 the average prudential balanced portfolio returned 2.7% (March 2019: 1.4%). Top performer is Stanlib (3.6%); while Allan Gray Balanced Fund (2.0%) takes the bottom spot. For the 3-month period, Stanlib takes top spot, outperforming the 'average' by roughly 1.7%. On the other end of the scale Momentum Namibia Growth Fund underperformed the 'average' by 1.7%. Note that these returns are before asset management fees.

Graphs 1.1 to 1.10 reflect the performance for periods from 1 month to 20 years of a number of the most prominent prudential balanced portfolios (blue bars), 'special mandate portfolios' with lower volatility risk (grey bars), fixed interest portfolios (no color bars), the average of prudential balanced portfolios (black bar), the JSE Allshare Index (green bar), and the CPI (red bar). Benchmark investors should take note of the performance of the default portfolio (yellow bar), which represents a combination of Prudential Namibia Inflation Plus, Sanlam Inflation Linked and Allan Gray Namibia Balanced Funds.

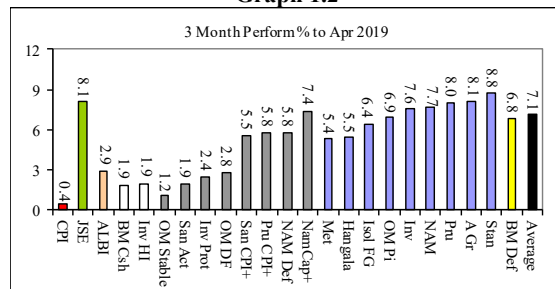
Below is the legend to the abbreviations reflected on the graphs:

Benchmarks	
Namibian Consumer Price Index	CPI (red)
All Bond Index	ALBI (orange)
JSE Allshare Index	JSE Cum (green)
Benchmark Default Portfolio	BM Def (yellow)
Average Portfolio (prudential, balanced)	Average (black)
Special Mandate Portfolios	
Money market	BM Csh (no color)
Investec High Income (interest bearing assets)	Inv HI (no color)
Prudential Inflation Plus	Pru CPI+ (grey)
Old Mutual Dynamic Floor	OM DF (grey)
Sanlam Active	San Act (grey)
Sanlam Inflation Linked	San CPI+ (grey)
NAM Capital Plus	NamCap+ (grey)
NAM Coronation Balanced Def	NAM Def (grey)
Smooth bonus portfolios	
Old Mutual AGP Stable	OM Stable (grey)
Market related portfolios	
Allan Gray Balanced	A Gr (blue)
Hangala Prescient Absolute Balanced	Hangala (blue)
Investec Managed	Inv (blue)
Prudential Managed	Pru (blue)
Momentum Namibia Growth	Met (blue)
NAM Prudential Balanced	NAM (blue)
Old Mutual Pinnacle Profile Growth	OM Pi (blue)
Stanlib Managed	Stan (blue)
Investment Solutions Bal Growth (multimanager)	Isol FG (blue)

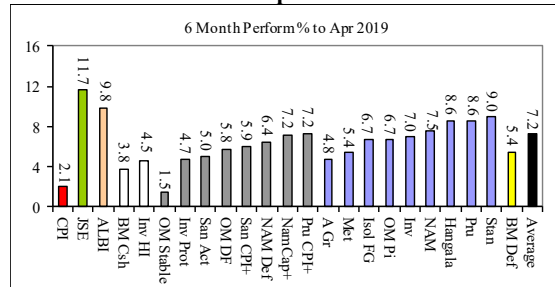
Graph 1.1



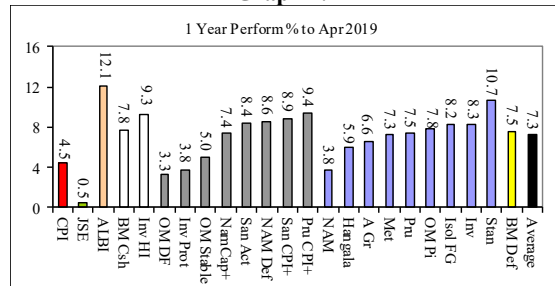
Graph 1.2



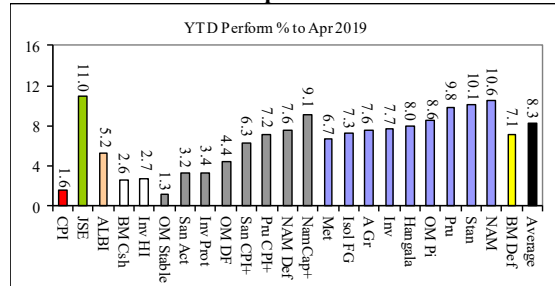
Graph 1.3



Graph 1.4



Graph 1.5



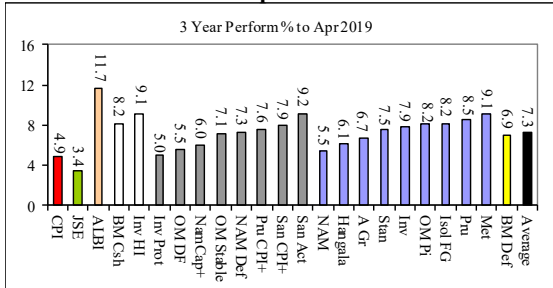
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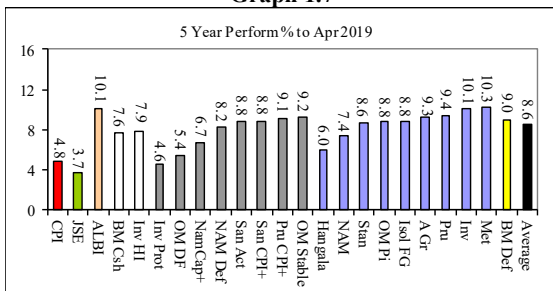
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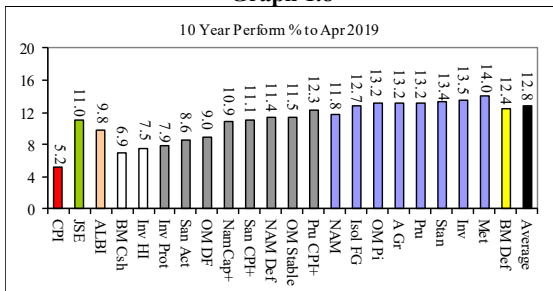
**Graph 1.6**



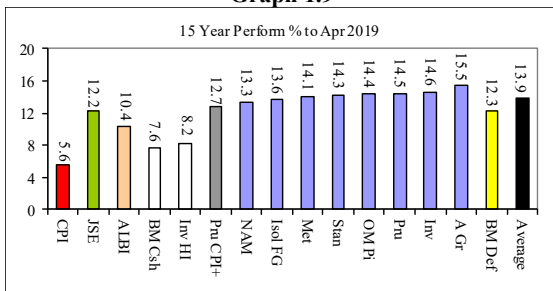
**Graph 1.7**



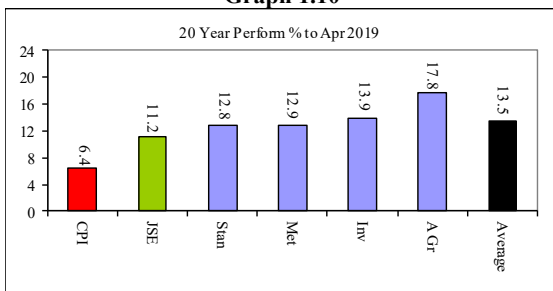
**Graph 1.8**



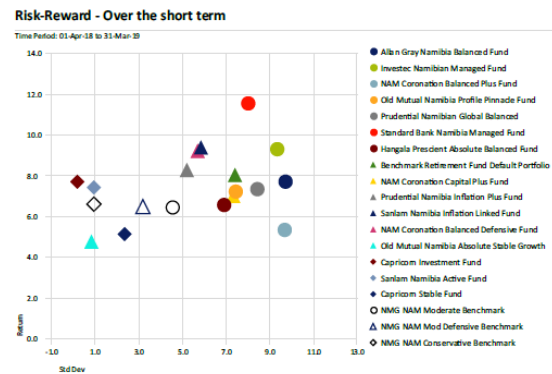
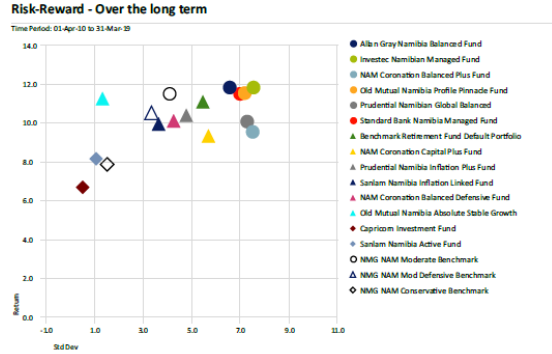
**Graph 1.9**



**Graph 1.10**

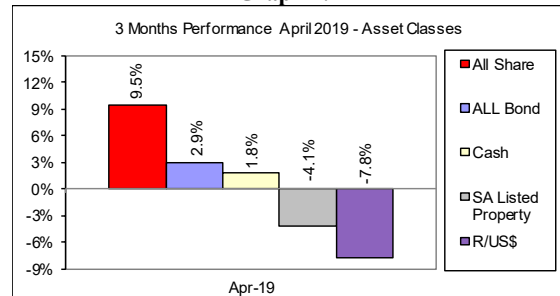


## Risk/ Return

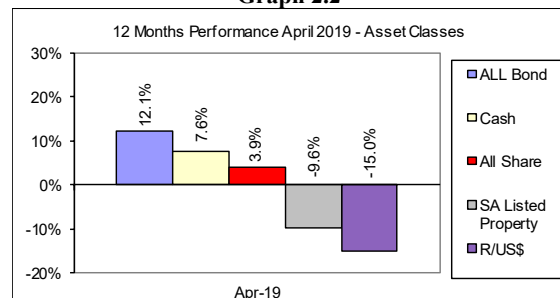


## 2. Performance of Key Indices (index performance by courtesy of IJG/Deutsche Securities)

**Graph 2.1**



**Graph 2.2**



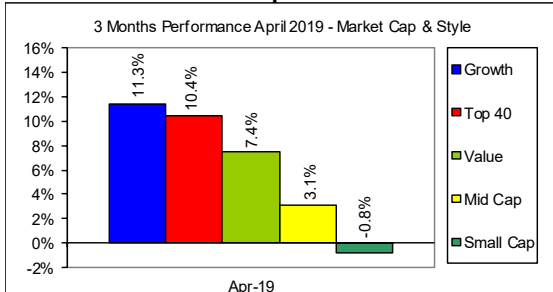
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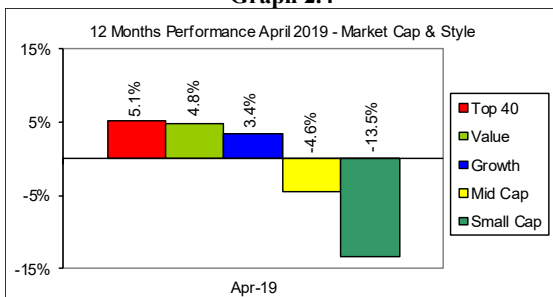
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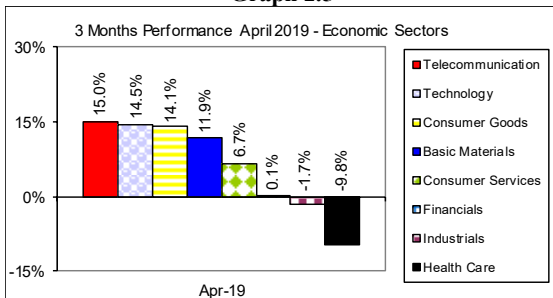
**Graph 2.3**



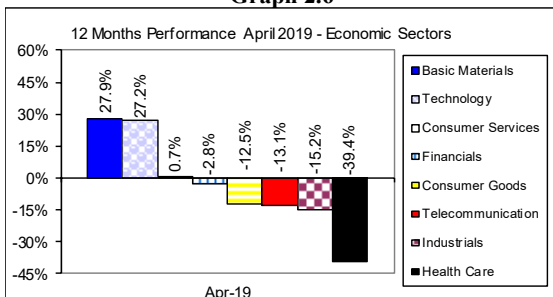
**Graph 2.4**



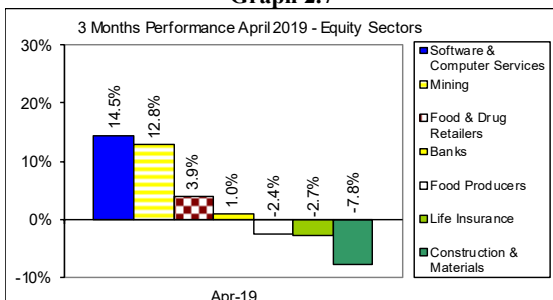
**Graph 2.5**



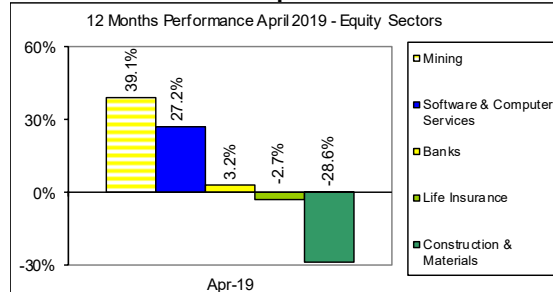
**Graph 2.6**



**Graph 2.7**



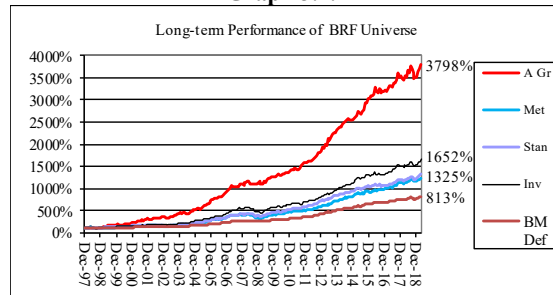
**Graph 2.8**



### 3. Portfolio Performance Analysis

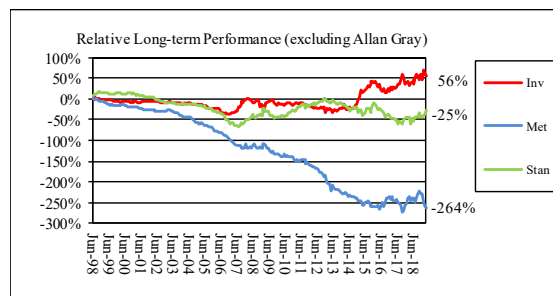
#### 3.1 Cumulative performance of prudential balanced portfolios

**Graph 3.1.1**

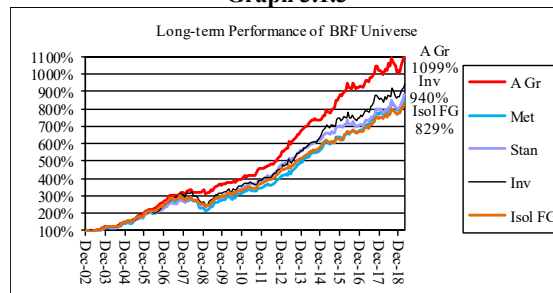


**Graph 3.1.2**

#### Cumulative performance of prudential balanced portfolios relative to average prudential balanced portfolio on zero



**Graph 3.1.3**



# Benchmark Retirement Fund

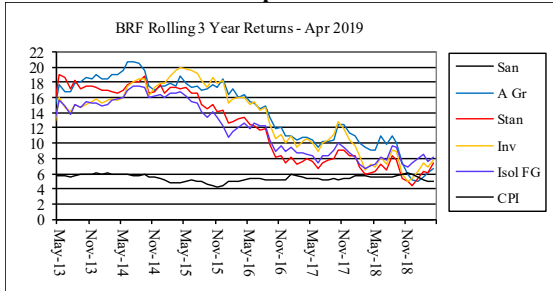
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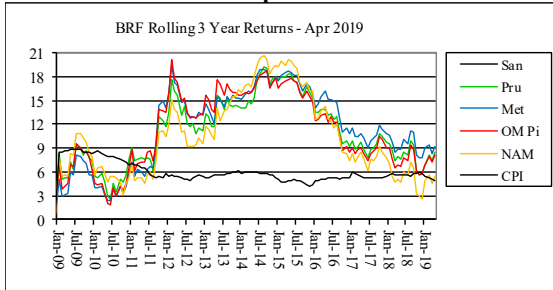
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### 3.2 3-year rolling performance of prudential balanced portfolios relative to CPI

Graph 3.2.1

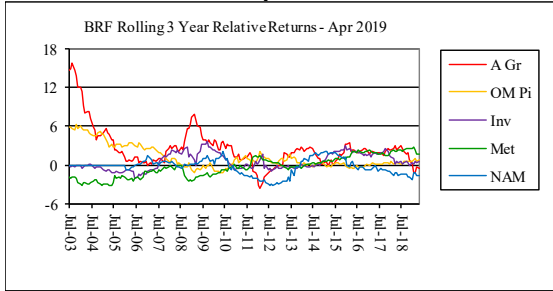


Graph 3.2.2

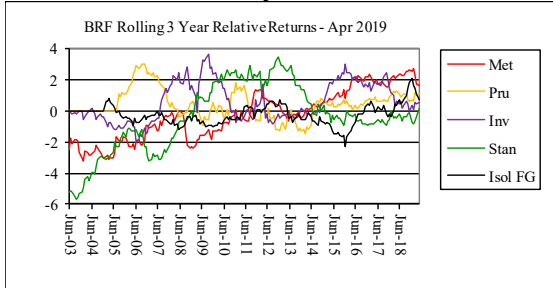


### 3.3 3-year rolling performance of prudential balanced portfolios relative to average prudential balanced portfolio on zero

Graph 3.3.1

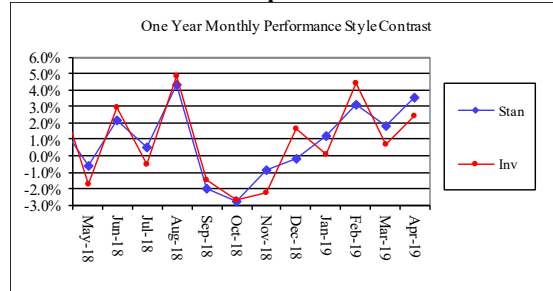


Graph 3.3.2

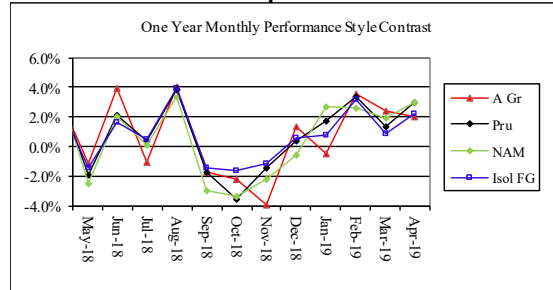


### 3.4 Monthly performance of prudential balanced portfolios

Graph 3.4.1

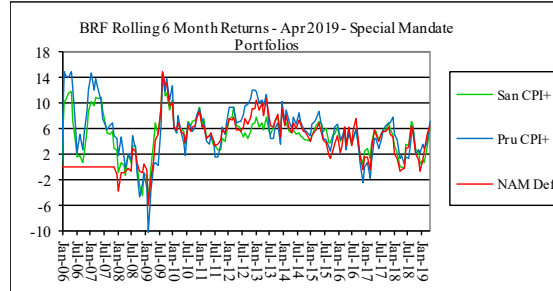


Graph 3.4.2

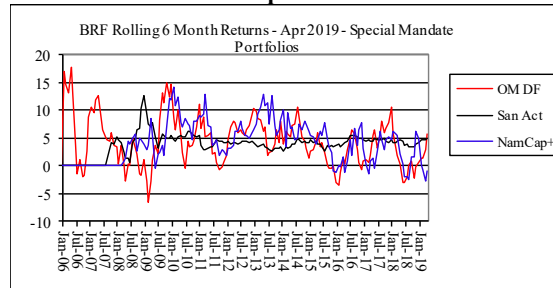


### 3.5 6-month rolling and cumulative returns of 'special mandate' portfolios

Graph 3.5.1



Graph 3.5.2



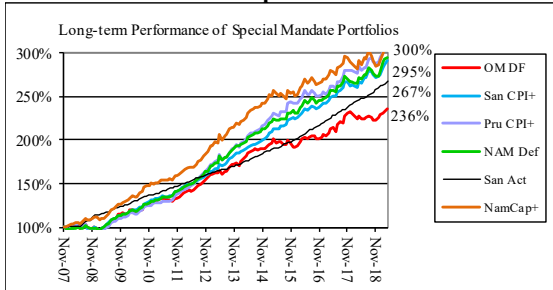
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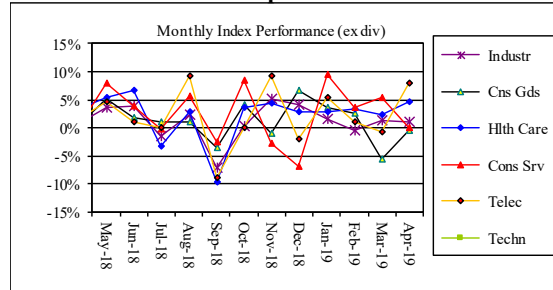
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**Graph 3.5.3**

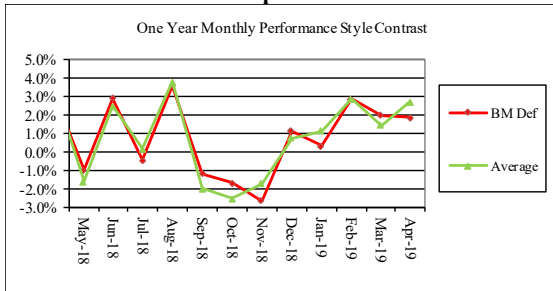


**Graph 3.7.2**

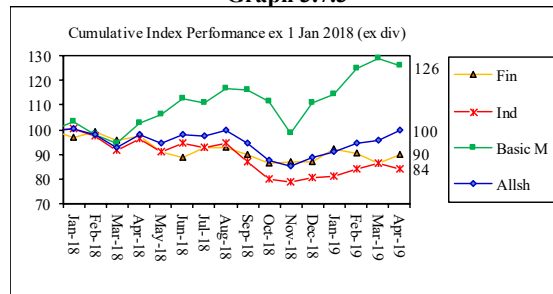


### 3.6 Monthly and cumulative performance of 'Benchmark Default' portfolio relative to average prudential balanced portfolio

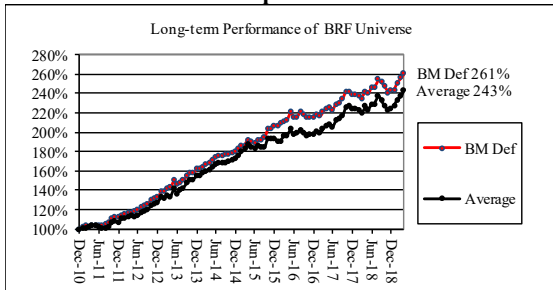
**Graph 3.6.1**



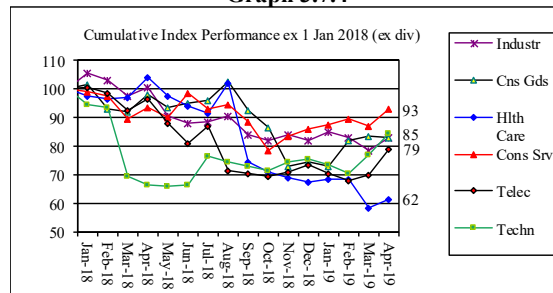
**Graph 3.7.3**



**Graph 3.6.2**

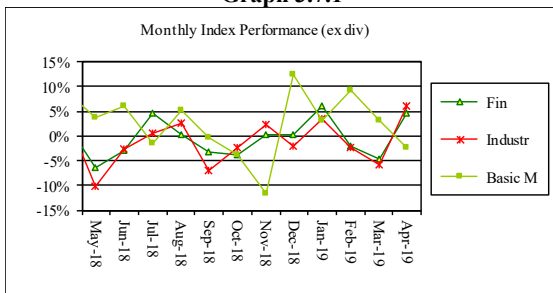


**Graph 3.7.4**



### 3.7 One-year monthly performance of key indices (excluding dividends)

**Graph 3.7.1**



## 4. The Benchmark Default Portfolio – Facts in figures

**Table 4.1**

Portfolio	Default portfolio	Average Prud Bal
5-year nominal return - % p.a.	9.0	8.6
5-year real return - % p.a.	4.2	3.8
Equity exposure - % of portfolio (qtr end March 2019)	48.1	67.2
Cumulative return ex Jan 2011	160.7	143.4
5-year gross real return target - % p.a.	5	6
Target income replacement ratio p.a. - % of income per year of membership	2	2.4
Required net retirement contribution - % of salary	13.0	11.6

The above table reflects the actual returns of the Default Portfolio versus target returns required to produce an income replacement ratio of 2% of salary per year of fund membership that should secure a comfortable

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retirement income. It is to be noted that the default portfolio managed to out-perform the average prudential balanced portfolio despite its significantly lower risk profile as represented by its equity exposure.

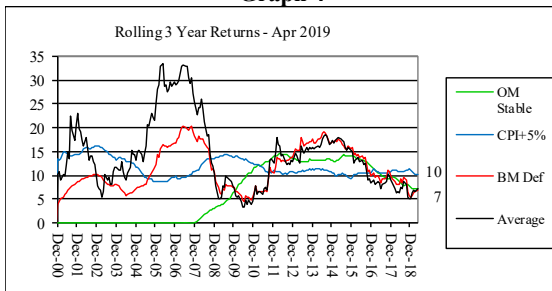
The default portfolio's long-term return must be read in the context of it initially having been managed with a low risk profile that was only changed from the beginning of 2011 when the Metropolitan Absolute Return fund was replaced with the Allan Gray balanced portfolio.

**Table 4.2**

Measure	Money Market	Default Portf	Average Prud Bal
Worst annual performance	6.4%	5.5%	5.0%
Best annual performance	8.2%	14.0%	13.1%
No of negative 1-year periods	n/a	0	0
Average of negative 1-year periods	n/a	n/a	n/a
Average of positive 1-year periods	7.6%	9.4%	8.4%

The table above presents one-year performance statistics. It highlights the performance differences between the 3 portfolios over the 3 years May 2016 to April 2019. This gives an indication of volatility of the performance of these 3 risk profiles.

**Graph 4**



**Graph 4** measures the success of the Benchmark Default portfolio in achieving its long-term gross investment return objective of inflation plus 5%, on a rolling 3-year basis. It also shows rolling 3-year returns of the average prudential balanced portfolio and rolling 3-year CPI. The Benchmark default portfolio 3-year return to end April was 7.0%, the average was 7.3% vs CPI plus 5% currently on 10.1%.

### 5. Review of Foreign Portfolio Flows and the Rand How is the Rand doing?

**Graph 5.1** indicates that the Rand by our measure is at fair value at 11.63 to the US Dollar while it actually stood at 14.32 at the end of April. Our measure is based on adjusting the two currencies by the respective domestic inflation rates.

**Graph 5.1**

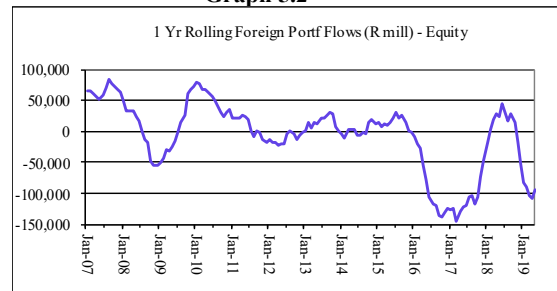


The Rand strengthened by 0.50% in April with net foreign investment inflows from bonds and equities of R 6.4 bn. Over the past 12 months the Rand weakened by 14.98%. Net outflows of foreign capital from equity and fixed interest securities over the past 12 months amounted to R 169.0 bn (outflow of R172.2 bn to end of March 2019).

Since the beginning of 2006, total net foreign portfolio inflows amounted to R 221.2 bn (March R 214.8 bn).

**Graph 5.2** reflects a net outflow of capital from South African equities on a rolling one-year basis, of R 108.5 bn at the end of April (outflow of R 103.2 bn year-on-year to end March). The month of April experienced a net outflow of R 0.6 bn. Since the beginning of 2006, foreign net investment outflows from equities amounts to R 69.7 bn (end March net investment outflow of R 69.1 bn). This represents roughly 0.42% of the market capitalization of the JSE.

**Graph 5.2**



**Graph 5.3** on a rolling one-year basis reflects foreign portfolio outflows in respect of SA bonds of R 60.5 bn over the past 12 months to end of April (outflow of R 68.9 bn over the 12 months to end of March). The month of April experienced a net inflow of R 6.9 bn. Since the beginning of 2006, foreign net investment in bonds amounts to R 290.9 bn (to March R283.9 bn).



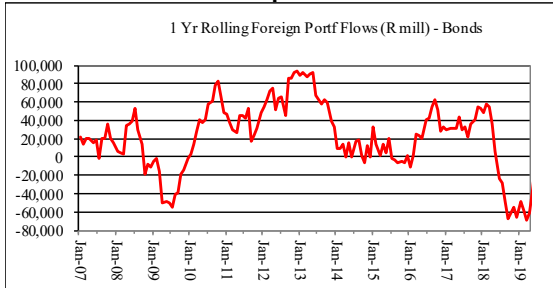
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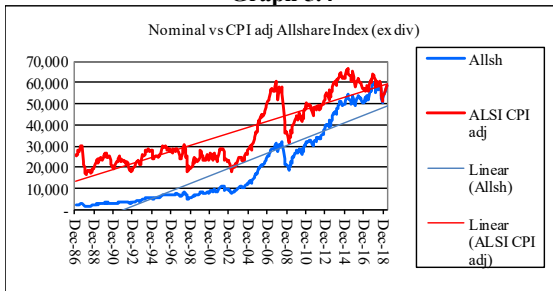
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**Graph 5.3**



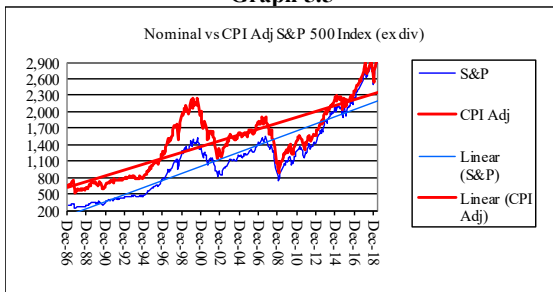
Graphs 5.4 reflects the movement of the JSE since January 1987 in nominal and in inflation adjusted terms, with trend lines for these. In nominal terms, the JSE grew by 11.0% per year since January 1987, and this excludes dividends of 3%. Namibian inflation over this period of 30 years was 8.0% per year. This is equivalent to a growth in real terms of 3% p.a. over this period, excluding dividends, or around 6% including dividends.

**Graph 5.4**



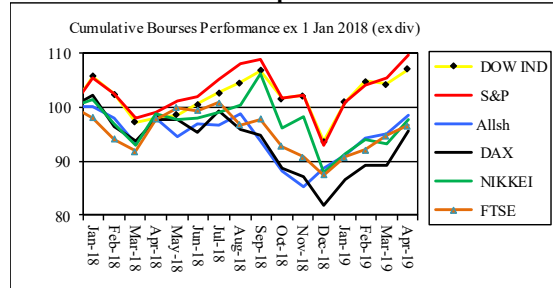
Graph 5.5 reflects the movement of the S&P500 Index since January 1987 in nominal and in inflation adjusted terms, with trend lines for these. Since January 1987 the S&P500 Index has grown by 7.6% per annum, over this period of 30 years. US inflation over this period was 2.6%. This is equivalent to a growth in real terms of 5.0% p.a. over this period, excluding dividends or around 8.0% including dividends.

**Graph 5.5**



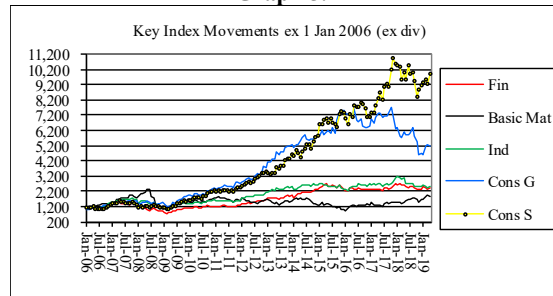
Graph 5.6 provides an interesting overview of some of the major global share indices, showing up the S&P as the top performing index since the start of 2018.

**Graph 5.6**



Graph 5.7 provides an overview of relative movement of the key equity sectors on the FTSE/JSE since December 2005 when these indices were first introduced. From this the investor should be able to deduce which sectors offer greater value and which one's offer less value on the basis of fundamentals. Annualised returns for these indices since the beginning of 2006 were: Consumer Services: 18.6%; Consumer Goods: 13.1%; Industrials: 7.2%; Financials: 6.9%; and Basic Materials: 4.8%.

**Graph 5.7**



### 6. What history tells us about the current state of the JSE

Dear reader, due to the fact that I will be on leave at the time this newsletter will be published no investment commentary will be available.

There will most probably (and hopefully!) not be any dramatic developments in global financial markets so that there is no need to changes one's investment strategy and that previous commentaries are still relevant.

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