



**RFLAUN**

Retirement Fund for Local Authorities  
and Utility Services in Namibia

# NEWSLETTER

**MARCH 2022**

## WELCOME MESSAGE FROM THE PRINCIPAL OFFICER

The financial year of 2021 had been a phenomenal one toward the Fund amid the Covid-19 pandemic. RFLAUN surpassed the N\$ 6 billion mark in total assets and maintaining the position as the 2nd largest fund in Namibia in terms of our assets. In terms of investment return for the year 2021, the Market Value Portfolio achieved an investment return of 17.9%, while the Capital Protection Portfolios achieved in investment returns of 9.7% \*CPO 1 and 7.1% \*\*CPO 2 respectively. The active members were also allocated an additional 1.7% interest because of distribution from contingency reserves. In the same vein, pensioners were allocated a pension increase of 4% in the year 2021, while the pensioners reserve was improved by N\$42. 4 million distribution from the contingency reserve. In October 2022, the Financial Institution Market (FIM) Act will be implemented.



**Mr. Dorian Amwaandangi**  
Principal Officer

The FIM Act will bring improved governance to the operations of Pension Funds. The Fund will communicate to members the key governance aspects that will be

associated with the implementation of the FIM Act in the coming newsletters. The Financial Statements of as at 31 December 2020 were approved by the Board in June 2021 and a copy is available on the Fund website. The Actuarial Valuation Report of the Fund was approved by the Board in September 2021 and the copy of the valuation report is also available on the Fund's website. The Fund received an unqualified audit (good audit) opinion and the actuarial report confirm that the Fund is in a financially sound position.

As it has been the case in the past years RFLAUN, will continue to serve the Members to bring about dignified retirement saving and other related benefits. The valued contributions from our Members and Participating Employers greatly contribute to the success of RFLAUN. I therefore wish all our stakeholders' prosperity in 2022 and beyond.

\*Capital Protection Option 1

\*\*Capital Protection Option 2

## INVESTMENT RETURNS

The Funds' total assets as at 31 December 2021 amounted to **N\$6,316,142,935**. This is made of the portfolios below:

|  |                  |
|--|------------------|
| <b>Market Value Portfolio</b>  | N\$5,590,106,227 |
| <b>Capital Protection Portfolio (CPO 1)</b> (Old Mutual)                         | N\$188,053,950   |
| <b>Capital Protection Portfolio (CPO 2)</b> (Sanlam, Old Mutual & Standard Bank) | N\$537,982,758   |

The table below clearly gives figures on the investment return within the said portfolios from 01 January 2021 till 31 December 2021. See figures in table below.

|                        | Jan | Feb | Mar | Apr | May  | Jun | Jul | Aug | Sep  | Oct | Nov | Dec | Year 2021 |
|------------------------|-----|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|-----------|
| Market Value Portfolio | 2.4 | 2.9 | 1.0 | 1.2 | -0.2 | 0.4 | 1.8 | 1.0 | -0.2 | 2.5 | 1.5 | 2.6 | 17.9%     |
| CPO 1                  | 0.2 | 0.2 | 0.4 | 0.9 | 0.9  | 0.9 | 0.9 | 0.9 | 0.9  | 0.9 | 0.9 | 1.1 | 9.7%      |
| CPO 2                  | 0.4 | 0.5 | 0.5 | 0.6 | 0.6  | 0.6 | 0.6 | 0.6 | 0.6  | 0.5 | 0.6 | 0.7 | 7.1%      |

# MARKET COMMENTARY

## RFLAUN NEWSLETTER Q4 2021

With the dawn of 2022 there is a general expectation and believe that we might be through the worse of the Covid pandemic and that we can get back to some sense of normality as more and more of the restrictions that were imposed the past two years to curb the spread of the virus are being lifted. We should however still remain cautiously optimistic as new variants could potentially put the current recovery trajectory again under pressure. What the "new normal" post-Covid is going to be only time will tell. What is certain however is that some of the disruptions that occurred the last two years will be permanent.

Although we saw stellar investment returns over the last 18 months, especially from equities, a lot of volatility still exists with inflation started picking up pace considerably, interest rates being hiked from record all-time lows which will put an already vulnerable consumer under even more pressure as well as escalating political tensions in Europe as a result of the recent invasion of Ukraine by Russia.

It is therefore probably just important to pause for a while and to look back at 2021 and what impacted on performance.

The expected economic recovery in 2021 was delayed by the successive new waves of infection and severe disruptions of the global supply chain, including shipping delays and shortages of vital manufacturing components, such as computer chips.

These shortages caused a surge in inflation, which reached 6.8% in the United States and 4.9% in Europe in November 2021. Central banks in North America and Europe also abandoned their previous complacency about inflation and are tapering asset purchases in anticipation of increasing interest rates from prevailing low levels. Rising inflation is also putting pressure on governments to rein in bloated fiscal deficits. Consequently, the fiscal stimulus that has characterised recent years is being reversed, which will slow global growth.

South Africa's economy continued to disappoint. The riots of July 2021 brought the economy to a halt. While mining and agriculture continued to boom and the current account remained in a comfortable surplus, Omicron dashed hopes of a return to normal in the Tourism sector over the summer months.

The Namibian economy also continues to be weak.

## MARKET

What is firstly very important to understand is that the Fund's assets are invested in different underlying classes (baskets) such as equities, bonds, listed property and cash. The risk is further diversified by investing in different geographical areas. For instance, 45% of the Fund's assets must be invested in Namibia, a maximum of 35% can be invested internationally with the balance then invested in South Africa.

A breakdown of the Fund's exposure to these different asset classes as at 31 December 2021 are as follows:

| Asset class  | Allocation |
|--------------|------------|
| Equities     | 65.6%      |
| Bonds        | 20.4%      |
| Cash         | 9.6%       |
| Property     | 1.9%       |
| Other assets | 1.6%       |
| UIM's        | 0.8%       |

The best performing asset classes (baskets) last year was

South African listed property with a return of 36.9% for the year ended 31 December 2021 (must just be noted that this was from a very low base and over the last five years listed property were barely able to beat inflation), followed by Global Equities at 32.3%, South African Equities at 21.1% and Namibian Equities at 16% over the same period.

The good performance of Global Equities were predominantly as a result of your IT stocks such as Amazon, Apple, Google and Netflix. The demand out of China for commodities (iron, steel and coal) supported South African Resources stocks and on the Namibian side the announcement late last year that the Olthaver and List Group will sell their holding in Namibia Breweries to Heineken result in the share price increasing quite handsomely.

Worst performing asset classes for the year ended 31 December 2021 were Global Bonds with a return of 3.5%, Namibian Cash with a return of 4.2% followed by Namibian Bonds at 4.4% and US Cash at 7.9% over the same period.

## FUND INVESTMENTS

The total market value of the Fund's underlying assets amounted to N\$ 6.3 billion at the end of December 2021. The Fund had an excellent year from an investment performance perspective in terms of the market value portfolios with a total return of 17.9% as at 31 December 2021. Considering that inflation over this period was 4.5% it amounts to a real return of 13.5% for the year.

Because of the unique structure of the Capital Protection Portfolio, where the guaranteeing of capital is first and foremost, it did not have a similar exposure to the more risky growth assets (equities) as the Market Value Portfolios had, and as such the returns on this portfolio lagged the market value portfolios performance for the year ended 31 December 2021.

**This newsletter has a dual purpose, firstly to keep the members up to date on the developments of the Fund and secondly, it serves as an educational tool. As a member or pensioner of the Fund, you are invited to forward comments, suggestions and contributions to [info@rflaun.com.na](mailto:info@rflaun.com.na).**