



RFLAUN

Retirement Fund for Local Authorities
and Utility Services in Namibia

NEWSLETTER

MARCH 2020

EDITOR'S DESK



We would like to welcome you all to the first edition of the RFLAUN newsletter in 2020. We hope that the year has started on a positive note and we wish you good health and prosperity in this new year.

Last year, the Fund launched the Online Benefit Statements functionality that is available for all active members. The function allows you to view your updated benefit statement throughout the year, anytime and anywhere. This forms part of the Fund's strategy to avail services and benefits to its members by embracing the fast-moving digital age. Through rigorous engagements with the stakeholders, the fund maintains a firm stand on enhancing member benefits. An evident result if this was the enhancement of the Disability benefit and the Funeral benefit. More of these topics are unpacked during the Road Show sessions held throughout our participating employers and we encourage all members to part take in these conversations.

In this edition of the newsletter, you will find the full update on the investment returns of the fund, as well as the economic outlook of Quarter 4 of 2019.

This newsletter is circulated with the Benefit Statements and Beneficiary Nomination Form to all members. It is important that you read through the benefit statement and ask the relevant questions based on your benefits during the Road Show

sessions. Furthermore, the beneficiary nomination form needs to be updated annually as your life circumstances changes. This also enables the Fund to speedily distribute the benefits in the event of the members passing. We hope you find this edition of the newsletter worth reading, until next time, Chao.



Mr. Julianus Rukamba
Senior Officer: Information and Marketing

INVESTMENT RETURNS

The Funds' total assets as at 31 December 2019 amounted to **N\$4,957,018,579**. This is made of the portfolios below:

φMarket Value Portfolio	N\$4,339,363,868
† Capital Protection Portfolio (Old Mutual)	N\$381,485,825
† Capital Protection Portfolio (Sanlam & Old Mutual)	N\$236,168,886

The table below clearly gives figures on the investment return within the said portfolios from 01 January 2019 till 31 December 2019. See figures in table below.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year 2019
Market Value Portfolio	0.8	3.3	1.8	2.4	-3.4	1.3	-0.5	0.6	1.5	1.3	-0.6	1.1	9.9%
Capital Protection Option (Old Mutual)	0.0	0.0	0.2	0.2	0.6	0.0	0.2	0.0	0.0	0.0	0.2	0.2	1.8%
Capital Protection Option (Sanlam & Old Mutual)	0.3	0.3	0.2	0.5	0.7	0.4	0.5	0.3	0.3	0.3	0.4	0.4	4.6%

MARKET COMMENTARY

ECONOMIC OUTLOOK Q4 2019

Although the year ebbed and flowed with old risks and volatility, 2019 closed with much healthier financial market returns than 2018, albeit the subdued economic growth in many nations around the globe with the back and forth trade tensions and global market growth slowing. Locally, the Namibian economy was also adversely affected by these risks, but also intensified by its own weak factors, which they were not dealing with alone, as the same can be said for the South Africa economy.

With mixed signals in the trade war after the escalation of further trade tariffs, investors saw a silver lining when announcements were made that trade talks between the US and China were set to resume during October. This abruptly failed, however, when obstacles (and tweets) got in the way, halting talks. Fortunately, November brought talks regarding an impending 'phase one' trade deal to be signed at beginning of 2020, and by December additional tariffs had been suspended.

Brexit increased financial market risk, was still prominent, as Boris Johnson made it his mission for Britain to leave the EU on the 31st October, deal or no deal. This, however, did not happen and an early general election took place on the 12th December, whereby he and the rest of the Conservative party won an outright majority. The new deadline is for Britain to leave the EU with a withdrawal agreement on the 31st of January 2020. These reduced risks had a positive knockon effect on most financial markets by the end of December.

As mentioned, the year of 2019 brought much welcomed positive figures across the globe. While the local NSX market only returned 3% and the NSX Overall market returned 4.6% (largely pulled down by consumer services), the South African market returned 12.1% for the year, which was largely pulled up by resources. Other emerging markets also enjoyed the riskon sentiment, returning 18.9% for the year of 2019. Developed financial markets generally had a stellar year, largely driven by the strong US market which hit alltime highs time after time, ending the year 28.4%, and the US closing the year with a whopping 31.5% return. Gold also finished out the year strongly with an 18.1% yearly return for 2019.

Inflation dropped to 2.5% at the end of November, the lowest inflation rate since August 2005. After the cut in August, the Bank of Namibia kept interest rates at 6.5% at the December meeting. Reasoning includes aims to stimulate growth while considering the subdued inflation. Speaking of growth, or lack thereof, concerns continue to grow as the economy continues its downturn. GDP growth for the third quarter of 2019 came out at 0.8%, the main detractor being mining, the fourth consecutive negative growth figure. With both Fitch and Moody's downgrading Namibia's credit rating further, the outlook for the year's growth looks dismal, expecting to show a contraction of 1.5%.

The Namibian bond market once again showed strong performance, with 12.1% for the year, and the IJG Money Market showed an annual figure of 7.9%.

FUND'S INVESTMENTS

Most of the Fund's assets are held in Market Value portfolios which implies that the Fund's value goes up and down with the markets. This should provide the best return in the longer-term, however it may result in short term negative returns. The stronger investment returns which members of the Fund have received during 2019,

was largely accredited to the strong recovery of the JSE as well as international equity markets. The Fund's return on their international investments also benefited from the devaluation of the currency which resulted in the Fund's investments outside of the common monetary area being more in Namibian Dollar terms.

CAPITAL PROTECTION OPTION

Members closer to retirement may not have the stomach to weather volatile short-term returns, with the probability of recovering short-term losses decreasing as the time to retirement approaches. At the age of 55, members are automatically moved to the Capital Protection Option to ease out the volatile short-term returns. However, the member has the option to remain in the Market Value Portfolio by instructing the Fund in advance.

A Capital Protection Option allows members the option

of preservation as they progress closer to retirement. The Board have taken the decision to offer the Old Mutual AGP Secure as well as Sanlam Namibia Stable Bonus Portfolio as a protection option for members.

Both these portfolios are well diversified across asset classes, enabling it to take part in growth opportunities. While its preservation feature allows for a smoother return experience, ideal for the member with a lower risk tolerance – especially valuable in the tumultuous financial markets.

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.