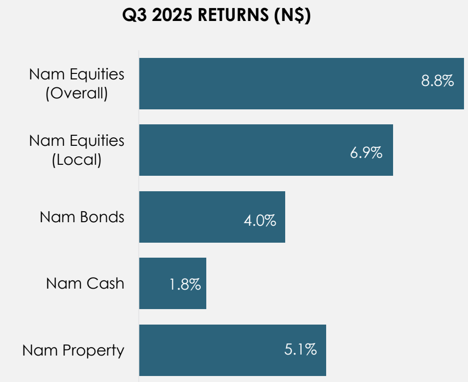
NAPOTEL PENSION FUND - QUARTERLY MEMBER NEWSLETTER

WHAT HAPPENED IN **Q3 2025?**

The third quarter showed a slowing but still growing global economy, with inflation pressures easing, albeit with concerns about sustainability. As monetary policy gradually shifts, risks include trade tensions, geopolitical uncertainty, and potential policy missteps. However, stable inflation, improving real incomes, and anchored expectations support a soft-landing trajectory. In equities, leadership is broadening beyond US markets, with global cyclicals and quality financials gaining traction. Gold remains a hedge against policy and geopolitical risks, while commodities show mixed performance, with oil weakening and industrial metals seeing selective strength. Overall, the quarter marks a transition phase, from peak tightening to policy normalization and the search for sustainable real returns. Emerging markets and non-US equities have outperformed, driven by a softer dollar and more attractive valuations. The outlook for equities remains constructive, with potential for further gains as monetary policy becomes more accommodative. Despite lingering uncertainties, the global economy's underlying fundamentals appear robust, supporting a favourable outlook for risk assets. As policy normalization unfolds, investors will be watching for signs of sustained growth and stability. The quarter's trends suggest a gradual shift towards a more balanced and sustainable economic progression.

ECONOMIC OVERVIEW

1 NAMIBIAN MARKETS

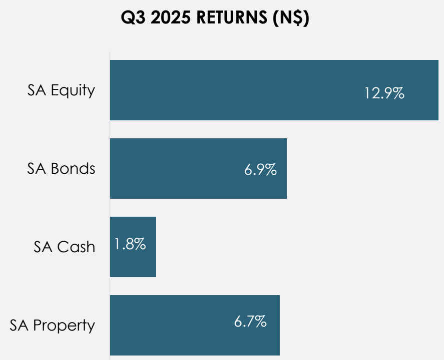


Over the quarter, Namibian Equities (Local) and Namibian Equities (Overall) saw a performance of 6.9% and 8.8% respectively. However, over the one-year period ended September 2025, the Nam Equities (Local) index has been a strong outperformer and outperformed Nam Equities (Overall). On a sector basis, industrials and financials did well over the quarter while Financials and Telecoms stocks remained outperformers on a 12-month basis. Nam Cash and Bonds provided stable returns of 1.8% and 4.0%, respectively. Nam Property also generated a good return of 5.1%.

The Bank of Namibia cut its benchmark repo rate by 0.25% to 6.5% in October 2025, aiming to support the domestic economy while maintaining the peg between the Namibia Dollar and the South African Rand. Namibia's annual inflation rate rose to 3.5% in September 2025, remaining within the target range and averaging 3.6% in the first eight months of the year. Inflation forecasts for 2025 and 2026 were revised down to 3.6% and 4.0% respectively, reflecting a stronger exchange rate assumption and a lower oil price outlook.

Economic growth slowed to 1.6% in the second quarter, a post-pandemic low, largely due to weak performance in manufacturing, fishing, and agriculture. Economic growth for 2025 is now projected to weaken from the 3.7% recorded in 2024, with downside risks becoming more pronounced.

2 SOUTH AFRICAN MARKETS

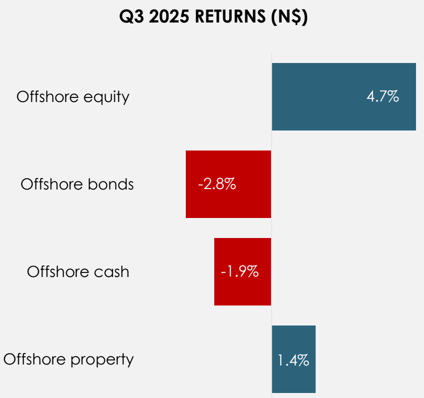


In Q3 2025, South African assets showed resilience, with SA Equity standing out as the top performer, delivering a 12.9% return driven by strong resource performance, particularly gold miners. The sector benefited from a weaker US dollar and rising bullion prices. Other asset classes also performed well, with SA Cash generating a 1.8% return, SA Bonds returning 6.9%, and SA Property posting a strong 6.7% gain, driven by lower interest rates.

The South African Reserve Bank cut by 0.25% in early Q3 but subsequently maintained the repo rate at 7.0% during the September meeting, signalling caution amid global uncertainty while preparing to adopt a new 3.0% inflation target. Since September last year, rates have been reduced by 1.25%, and policymakers are taking a pause to assess the impact on the economy, evolving expectations, and inflation risks. They observed that headline inflation has risen recently as expected and is projected to peak in the near term, averaging 3.4% in 2025 and 3.6% in 2026, slightly higher than the previous forecast, before easing back to 3.0% in 2027.

South Africa's annual inflation rate ticked up to 3.4% in September 2025, within the SARB's target range of 3%-6%. The economy showed strong growth, with Q2 GDP expanding by 0.8% quarter-on-quarter, beating expectations. The 2025 growth forecast was revised up to 1.2% from 0.9%, driven by structural reforms and modest gains expected in the coming years.

3 GLOBAL MARKETS



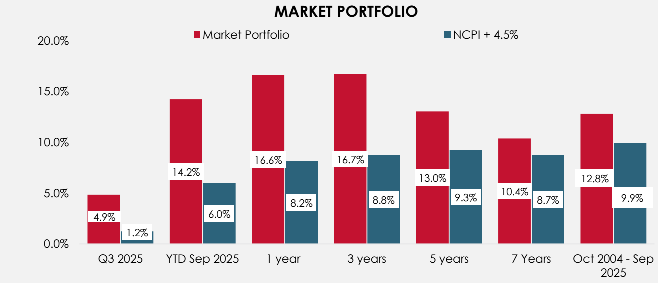
Global equities extended their gains in Q3 2025, driven by resilient growth and supportive policy shifts. Offshore equities returned 4.7% for the quarter and 17.5% over a one-year period. In contrast, offshore bonds delivered a negative return of -2.8% for the quarter but managed a marginal gain of 1.7% over the one-year period. Other asset classes saw varied performances, with offshore property returning 1.4% and cash posting losses of -1.9%. Regional markets showed strength, with European and UK equities posting solid gains in Q3 2025. Emerging market equities outperformed developed markets, supported by decisive stimulus measures in China. The US equity market extended its rally, setting multiple record highs, largely driven by tech stocks.

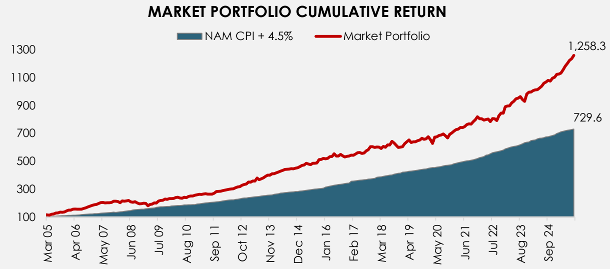
Global disinflation is underway, albeit at different paces across regions. Services inflation remains stubbornly high in most areas. The US saw inflation rise to 3.0% in September 2025, up from 2.9% in August 2025, marking the highest rate since January 2025. In contrast, Europe's inflation rate edged up to 2.2% in September 2025, a slight increase from the 2.0% average over the previous three months. The UK's inflation held steady at 3.8% in September, with services price pressures offsetting lower transport and energy costs. China, however, continues to experience deflation, dropping 0.3% in September 2025, following a 0.4% decline in August 2025.
Central banks have been taking measures to address these trends. The Federal Reserve delivered its first rate cut of the year in September, lowering rates by 0.25%, and then cut another 0.25% in October, bringing the target range to 3.75%-4.00%, the lowest since 2022. The European Central Bank kept its key interest rate unchanged at 2.0% in both July and September. The Bank of England held rates steady in September 2025 after a 0.25% cut in August 2025. The People's Bank of China maintained key lending rates at record lows for the fifth consecutive month in October. Despite these actions, trade policy and political risks continue to contribute to market volatility.

PERFORMANCE SUMMARY

The following summary provides an overview of the portfolio performance for the Napotel Pension Fund (the Fund) across three key portfolios: Market Portfolio, Capital Protection Portfolio, and Living Annuity. This summary offers a comprehensive view of portfolio performance over various measurement periods, enabling members to track returns earned over time and make informed decisions about their investments.

MARKET PORTFOLIO

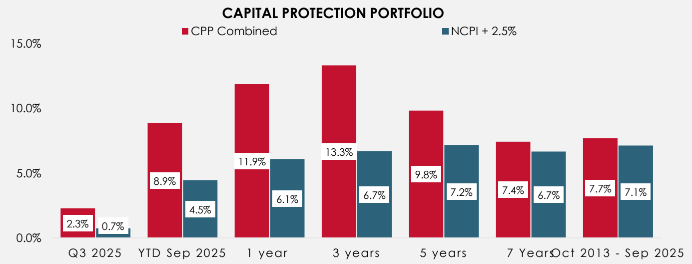


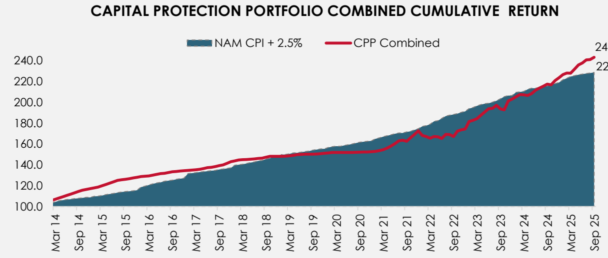


The Market Portfolio has comfortably outperformed its benchmark (NCPI + 4.5%) across all periods. with particularly strong short-term results driven by robust performances in Namibian and South African equities. The Portfolio achieved its return targets over the rolling three-year period, demonstrating its ability to generate value for members. Its solid long-term track record underscores its resilience and adaptability in shifting market conditions. The Portfolio's diversified exposure across local and regional markets has been key to its outperformance, showcasing its capacity to adapt and thrive under different market cycles. Since its inception in October 2004, the Portfolio has delivered impressive growth, affirming that members can expect long-term growth despite potential short-term volatility due to economic and market fluctuations.

To provide a clearer understanding of the returns, consider an initial investment of N$100 in the Market Portfolio in October 2004. By September 2025, this investment would have grown to N$1,258, significantly outperforming the benchmark return of N$729. This remarkable growth highlights the effectiveness of the Portfolio's strategic positioning and expert management in delivering long-term value to its members, emphasizing the benefits of a well-diversified and expertly managed investment approach.

CAPITAL PROTECTION PORTFOLIO (CPP)

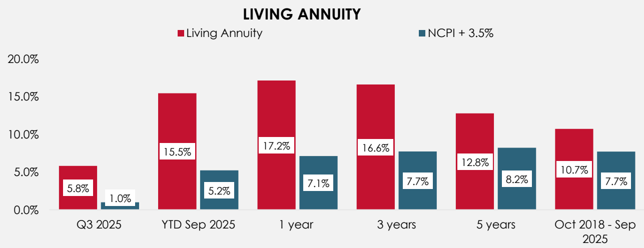


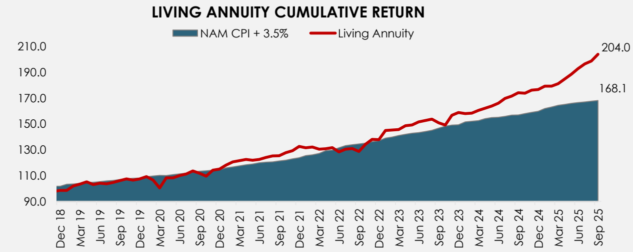


The Capital Protection Portfolio (CPP) has successfully delivered strong performance across all reported periods, outperforming its benchmark (NCPI + 2.5%) over all periods. The CPP also achieved its 5-year rolling return objective and outperformed the benchmark since inception, showcasing its ability to generate value while managing risk and protecting capital. The CPP effectively navigated market fluctuations, capturing upside performance in both the short and medium term.

To put this in to perspective, consider an initial investment of N$100 in the CPP in October 2013. By September 2025, this investment would have grown to N$243, surpassing the N$229 that would have been accumulated if invested in the benchmark. This strong performance demonstrates the CPP's value proposition, offering members a stable investment solution that balances growth and protection.

LIVING ANNUITY





The Living Annuity Portfolio delivered exceptional performance, exceeding its benchmark (NCPI + 3.5%) across all reported periods. Notably, it met its return objective over the rolling three-year period, demonstrating its ability to deliver value as expected. Despite market volatility, the Portfolio recorded impressive short-term performance and comfortably outperformed the benchmark since inception, providing members with confidence in the strategy's long-term value creation.

The Portfolio's growth potential is evident when considering an initial investment of N$100 in the Living Annuity Portfolio in October 2018, which is the inception date. By September 2025, this investment would have grown to N$204, significantly outperforming the benchmark return of N$168. This strong performance highlights the Portfolio's effectiveness in delivering sustainable growth and protecting assets, ultimately benefiting pensioners in dynamic markets.

Note: Returns for periods exceeding one year are annualized.