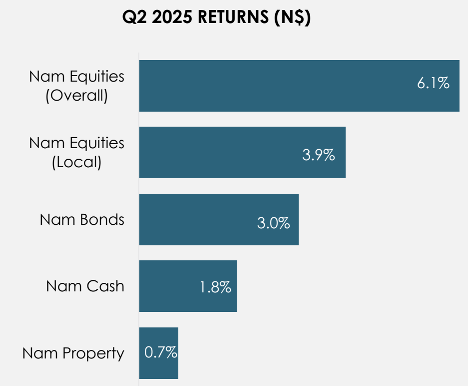
NAPOTEL PENSION FUND - QUARTERLY MEMBER NEWSLETTER

WHAT HAPPENED IN **Q2 2025?**

The second quarter of 2025 was marked by policy shocks and market volatility, driven by trade-war fears and geopolitical tensions that caused significant swings in global equity markets. Despite this, Emerging Markets equities rose steadily due to a weakening US dollar and easing tariff concerns. The Trump Administration's tariff announcements created uncertainty, but markets rebounded as the stance on trade moderated. Inflation concerns eased in most regions, while the Organisation for Economic Co-operation and Development (OECD) revised its global growth forecast downward. The tech sector was a standout performer, with the Nasdaq index up about 18%. US equity markets closed out June and Q2 at all-time highs, driven by big tech stocks and expectations of interest rate cuts. Geopolitical tensions, such as the Israel-Iran conflict, caused oil price volatility, but relief came after the US helped broker a ceasefire, easing fears of a wider conflict and alleviating some potential inflationary pressure. Looking ahead, flexibility and discipline will be crucial for investors as markets navigate uncertainty and elevated valuation risk. In Namibia, real GDP growth is projected to improve slightly, but risks remain from tariff restrictions, policy uncertainty, and geopolitical tensions, making it essential for investors to prioritize equity defensiveness, diversification, and risk management.

ECONOMIC OVERVIEW

1 NAMIBIAN MARKETS

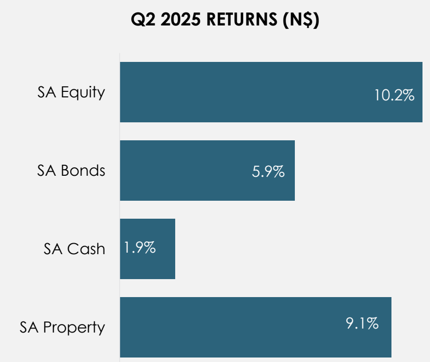


The Namibian equities market saw mixed performance in Q2 2025, with the Nam Equities (Local) index underperforming the Nam Equities (Overall) index at 3.9% and 6.1%, respectively. Property generated marginal returns of 0.7%, while Nam Cash and Bonds provided stable returns of 1.8% and 3.0%, respectively. Over the one-year period, the Nam Equities (Local) Index outperformed the Nam Equities (Overall) Index, returning 15.6% versus 4.1%. Financials and Telecoms stocks were among the top performers over both Q2 and the one-year period.

The Bank of Namibia held the repo rate at 6.75% in its June meeting, citing the need to preserve the currency peg between the Namibian dollar and the South African rand while supporting domestic economic growth. Namibia's annual inflation rate rose slightly to 3.7% in June 2025, from 3.5% in May, driven by food and housing costs. Policymakers noted that inflation remains well-contained, and the central bank's cautious stance aims to balance economic growth and stability.

The Namibian economy contracted by 3.2% in Q1 2025 but grew 2.7% year-on-year. The Finance ministry trimmed its 2025 growth forecast to 3.5%-4% due to a diamond-sector slump. However, uranium output and offshore oil finds are expected to provide a medium-term boost amidst ongoing risks and uncertainties, prompting the central bank to maintain a cautious policy stance

2 SOUTH AFRICAN MARKETS

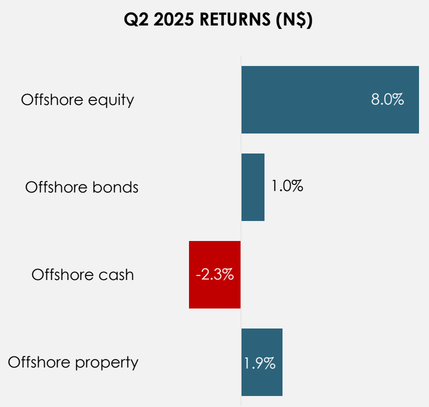


In Q2 2025, SA Equity stood out as the top performer, delivering a 10.2% return driven by strong performance from resources and industrials stocks. Platinum group metals and gold miners were the standout performers, with gold continuing its exceptional run and platinum rising 32% over the quarter. SA Cash generated a 1.9% return, while SA Bonds returned 5.9%. SA Property posted an impressive performance of 9.1%, with property and financial stocks benefiting from lower interest rates.

The South African Reserve Bank (SARB) cut the repo rate by 0.25% in May to 7.25% and further cut by another 0.25% in July 2025, taking the interest rate to 7.0%, the lowest level since November 2022. June's CPI showed headline inflation at 3.0% and core inflation at 2.9%, both near the lower bound of the target range. The rand strengthened by 5.0% against the dollar in Q2, and inflation is expected to rise modestly to 3.3% this year before stabilizing at 3.0% in 2027.

South Africa's economy grew marginally by 0.1% in Q1, driven by agriculture, while mining and manufacturing remained drags. The economy's outlook remains subdued due to persistent supply-side challenges, particularly in logistics. Consequently, growth forecasts have been revised down to 0.9% for 2025, reflecting the ongoing challenges facing the economy.

3 GLOBAL MARKETS



Global markets rebounded strongly in Q2, driven by fading trade-war fears and a weaker US dollar. Offshore equities returned 8.0% for the quarter and 13.3% over one year, leading the charge. Offshore bonds delivered a marginal return of 1.0% for the quarter but still managed to gain 5.6% over one year. Offshore property returned 1.9%, while cash posted losses of -2.3%. European and UK shares delivered positive returns, recovering from April's dip, and emerging markets, including China and India, were notable performers. US equities reached all-time highs despite lagging behind other markets over the past year. The quarter's strong finish was supported by a weaker US dollar and reduced concerns over global growth risks.

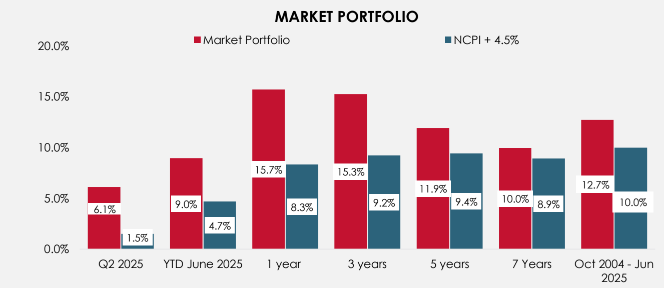
Global inflation rates showed varied trends, with the US annual inflation rate accelerating to 2.7% in June, its highest level since February, while Europe's rate edged up to 2.0%. The UK's inflation rate rose to 3.6%, exceeding expectations, and China's rate increased by 0.1%, reversing a previous decline and beating market forecasts. According to the IMF, global inflation is expected to decline at a slower pace, from 5.8% in 2024 to 4.4% in 2025, with forecasts projecting a surge in US inflation and an acceleration in Chinese disinflation.

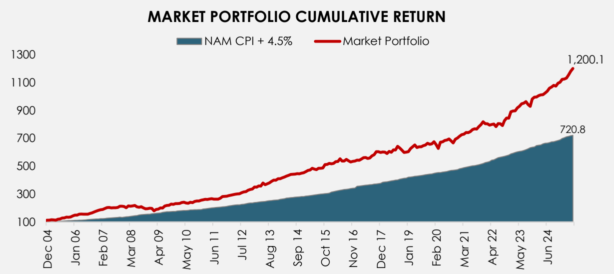
The US Federal Reserve maintained a wait-and-see approach, keeping interest rates steady at 4.25-4.5% for a fifth consecutive meeting, amid concerns that the ongoing trade war could impact progress toward the 2% inflation target. Although the market is pricing in two rate cuts by December, tariffs complicate the outlook. In contrast, other central banks took different stances, with the European Central Bank cutting rates by 0.25% and the Bank of England holding steady after a May cut of 0.25%, while China's People's Bank of China kept lending rates at record lows.

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

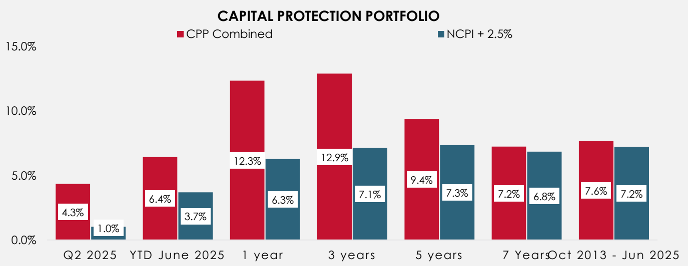


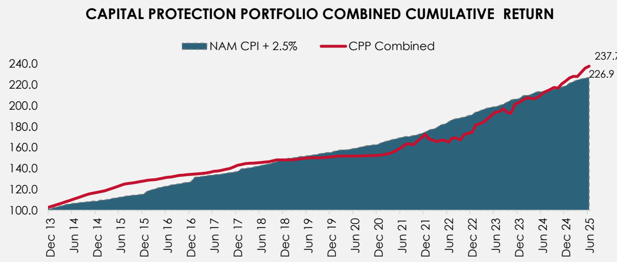


The Market Portfolio has consistently delivered impressive returns, outperforming its benchmark (NCPI + 4.5%) across all periods. In Q2, the strong performance of risk assets, particularly equities, significantly boosted the Portfolio's short-term performance. Over longer periods, the Portfolio's track record demonstrates its strength in adding value to members, comfortably achieving its return objective over the rolling three-year period. The Portfolio's diversified asset allocation across local, regional, and international markets has also been instrumental in its robust performance, showcasing its ability to adapt and thrive in various market conditions. With exceptional growth since inception in October 2004, the Portfolio has proven its ability to add substantial value over the long term.

To provide a clearer understanding of the returns, consider an initial investment of N$100 in the Napotel Pension Fund in October 2004. By June 2025, this investment would have grown to N$1,200, significantly outperforming the benchmark return of N$721. This remarkable growth underscores the effectiveness of the Portfolio's strategic positioning and expert management in delivering long-term value to its members, highlighting the benefits of a well-diversified and expertly managed investment approach.

CAPITAL PROTECTION PORTFOLIO (CPP)

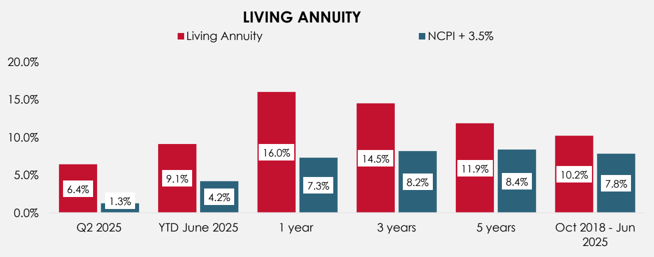


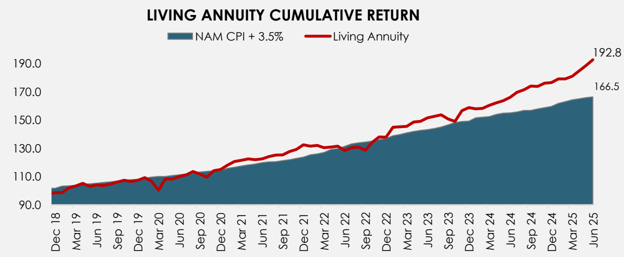


The Capital Protection Portfolio (CPP) has consistently delivered strong performance across all reported measurement periods, outperforming its benchmark (NCPI + 2.5%) over all periods. Notably, the CPP successfully met its 5-year rolling return objective and outperformed the benchmark since inception, showcasing its ability to navigate shifting market dynamics while protecting capital. The Portfolio's resilience and stability have been key factors in its performance, demonstrating a defensive investment approach that effectively manages market fluctuations.

To illustrate the Portfolio's performance, consider an initial investment of N$100 in the CPP in October 2013. By June 2025, this investment would have grown to N$238, surpassing the N$227 that would have been accumulated if invested in the benchmark. This highlights the Portfolio's ability to provide a stable foundation for investors while delivering returns above its benchmark, underscoring the value of its strategy.

LIVING ANNUITY





The Living Annuity Portfolio delivered exceptionally strong results, exceeding its benchmark (NCPI + 3.5%) across all periods. The Portfolio achieved its return objective over a rolling three-year period, demonstrating its ability to consistently outperform. Notably, the portfolio recorded impressive one-year gains and successfully outperformed the benchmark since inception, providing members with confidence in the strategy's ability to add value over time. The Portfolio's strong performance showcases its resilience and growth potential, making it an effective solution for protecting pensioners' assets in dynamic markets.

To put this into perspective, consider an initial investment of N$100 in the Living Annuity Portfolio since October 2018, which is the inception date. By June 2025, this investment would have grown to N$193, significantly outperforming the benchmark return of N$167. This outperformance highlights the Portfolio's effectiveness in delivering strong returns while navigating complex market conditions, ultimately benefiting pensioners through sustainable growth and asset protection.

Note: Returns for periods exceeding one year are annualized.