NAPOTEL
PENSION FUND

NEWSLETTER
SEPTEMBER 2022

NEW HOUSING LOAN RULES

Effective from 01 October 2022, the current housing loan process as applied by the Fund's Administrators, RFS Fund Administrators (Pty) Ltd (the "Administrator"), be revised and implemented as per below:

- The payment frequency in respect of new loan payments and progress payments be reduced to once a month only.
- The due date for submission of fully completed housing loan applications to the Administrator be the 15th day of a month (or the previous working day) and 10th day of the month to the Fund (Principal Officer), for payment to be made by the end of that month. In cases where the application is incomplete or non-compliant, the application will be returned by the Administrator for resubmission.

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- The current arrangement to make direct payments to a supplier will remain.
- Only two payments will be made per loan application:
    1. The first payment (new loans) upon approval of the loan application with 100 % material and 50% labour costs being paid; and
    2. The final payment (progress payments) upon completion of the building project with the final 50% of the labour costs being paid.

2023 RISK BENEFITS

ANNUAL RISK REVIEW:
1 OCTOBER 2022 TO 30 SEPTEMBER 2023
FAMILY FUNERAL COVER

The Board of Trustees, after the annual market review, announces that the family funeral cover has remain the same and will be placed with a reputable insurer for the next year ensuring a decent contribution to funerals for members and their direct family. The Fund's insured funeral benefits remain insured with Sanlam at the cost of N$ 10.00 per member per month.

We urge members to take note of the benefits for qualifying family members in terms of the family funeral cover secured by the Fund. Claims should be submitted timeously with all relevant documentation. This includes two sets of originally certified copies of the deceased's death certificate, identification document or full birth certificate or marriage certificate, whichever is relevant for the specific claim, should such an event arise, to the relevant employer's HR office.

The family funeral cover is as follows:

Principal member	N$ 18 000
Qualifying spouse	N$ 18 000
Child 14 to 21	N$ 18 000
Child 6 and younger than 14	N$ 9 000
Child younger than 6 and stillborn	N$ 4 500

DEATH IN SERVICE COVER

The Board of Trustees announce that in spite of the Fund's recent claims experience, mainly due to the effects of Covid-19, they were able to negotiate improved lump sum death benefits for the members using the define contribution rate of 2.78% for this benefit.

The new death benefit will be 5.65 times annual salary, which is an improvement from the current five (5) times multiple, effective 1 October 2022 for a year placed with Sanlam Namibia.

DISABILITY COVER

The Fund maintains the disability income replacement cover of 75% of pensionable salary for members. Fund's insured income disability benefits remain insured with Liberty life at the cost of 0.630% of Annual pensionable salary.

For any queries, please contact the Principal Officer, Ms. Getrud Baisako at email: baisakog@telecom.na

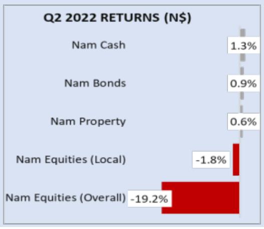
WHAT HAPPENED IN Q2 2022?

Market uncertainties continued being elevated in Q2 2022. This has created anxiety for members when they monitor short periods market movements. However, NAPOTEL Pension Fund products are invested for the long term and it is important that short term views should not be used to make long term decisions. Average Balanced Fund returns in Q2 2022 were -3.6% and YTD Jun 2022 were -5.0%. There were nowhere to hide for members in the market.

HERE ARE THE TOP CONTRIBUTORS TO THE NEGATIVE IMPACT ON THE INVESTMENT MARKETS

1 ECONOMIC & MARKETS

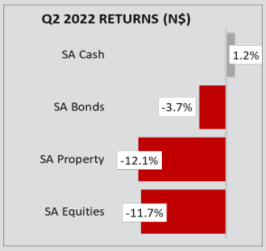
The central bank of Namibia has hiked interest rate by 75bps to 5.50% in Aug 2022, a forth consecutive hike. This is because of persistent inflation pressures that printed 6.8% in Jul 2022 driven mainly by transport and food inflation. Higher inflation on the back of lower prime rates may cause the Namibian dollar to depreciate against the US dollar. This is not good for the economy.



Namibian equities weakened in Q2 2022. Equities returns were -19.2% whilst cash and bonds were 1.3% and 0.9%, respectively. Basic materials and banking sectors detracted the performance. For the quarter these sectors' returns were -24.4% and -16.2%. Average return recorded on all asset classes was -3.6%.

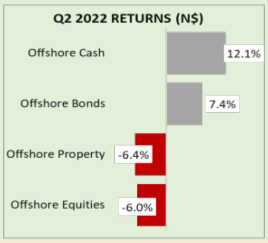
2 ECONOMIC & MARKETS

South African inflation printed at 7.4% in Jun 2022. this was mainly driven by both fuel and food prices. Overall risks to the inflation outlook continue being on the upside in the short term due to elevated prices for oil and food items. SARB increased the repo rate by 75bps to 5.50% due high inflation pressures.



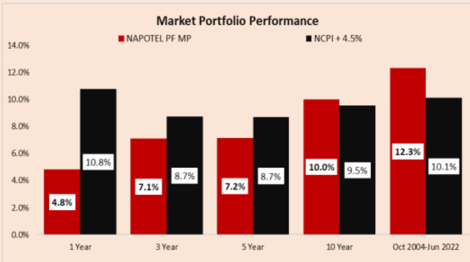
Despite the fact that South African assets were cheaper at the start of the year, they were also affected by general market sell offs. The most impacted were properties and equities that sold off 12.1% and 11.7%, respectively. SA bonds outperformed relative local equities but still posted negative return of 3.7%. Only cash had positive return of 1.2%. Despite equities sell offs, this asset class continue being attractive

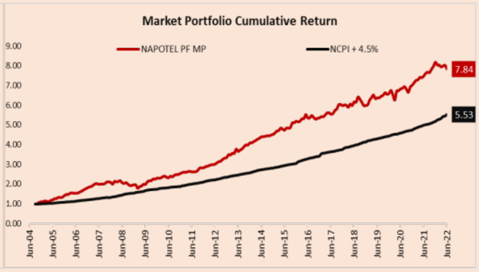
3 GLOBAL ECONOMIC & MARKETS



2022 global economic growth expectations have been revised downwards from 4.1%, (January projection) to 3.1% (June projections). Russia-Ukraine war continue to disrupt the commodity markets and supply chains of important global goods. Demand outlook for commodities deteriorated in Q2 2022 on the back of subdued business activities among the biggest economies. WTI Crude Oil topped US$122/bl on Jun 08, 2022, a 22% increase since Mar 31, 2022. US and other countries released some oil inventories into the market to reduce demand. Global markets continue to decline on the back of key macro factors such as elevated inflation, high interest rates, supply chain disruptions and high energy prices. Offshore equities and properties declined 6.0% and 6.4%, respectively. Weaker Namibian dollar, recorded 11.4% decline in Q2 2022, has improved the returns recorded from offshore investments. Decline in broad market return averages have compressed most valuation multiples. Developed market equities continued being less attractive to emerging market equities.

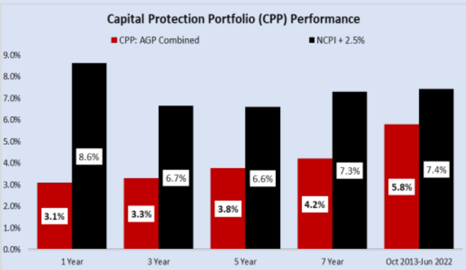
MARKET PORTFOLIO

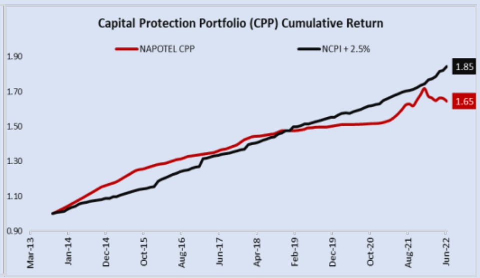




The Market Portfolio and the benchmark (NCPI + 4.5%) achieved 1 year return of 4.8% and 10.8%, respectively. The Fund has faced some headwinds over short term due to equities not performing well. However, since Oct 2004 to Jun 2022, the Market Portfolio has outperformed NCPI + 4.5% by 2.0% per annum. Over long term, the Fund has created more value to its members. For instance, Every N$100 invested in Oct 2004 has grown to N$784 as at end of Jun 2022. If the same amount was invested in the benchmark, it would growth to N$553.

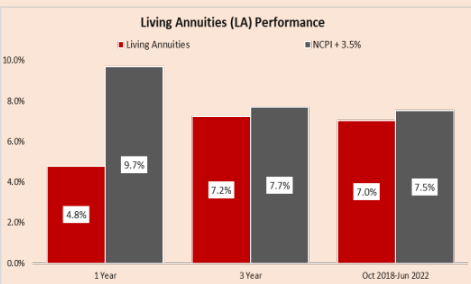
CAPITAL PROTECTION PORTFOLIO

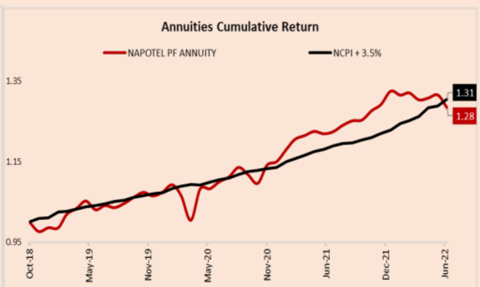




The Capital Protection Portfolio (CPP) had a 1 year return of 3.1% whilst the benchmark (NCPI + 2.5%) achieved 8.6% over the same period. Over 5 years ending Jun 2022, the CPP had a return of 3.8% vs. 8.6% return for the benchmark. CPP Portfolio has been restructured in order to continue protecting assets over the investment horizon (at least 5 years) and provide improved returns that target to outperform inflation by 2.5% annually. For every N$100 invested exactly 5 years ago ending Jun 2022, the money would have grown to N$120. If it was in the benchmark it would have increased to N$138.

LIVING ANNUITIES





Living annuities had a 1 year return of 4.8% and 9.7% for its benchmark (NCPI + 3.5%) ending Jun 2022. Since inception, (Oct 2018), Living Annuities has generated annualised return of 7.0% and 7.5% over the same period. For every N$100 invested since inception, has grown to N$128. If this was invested in the benchmark it would have increased to N$131. Living annuities unlike the Market Portfolio or CPP do not receive monthly contributions. However, there are monthly withdrawals. Despite these withdrawals, the assets have grown.