UNIVERSITIES RETIREMENT FUND
Newsletter
December 2023

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INVESTMENTS

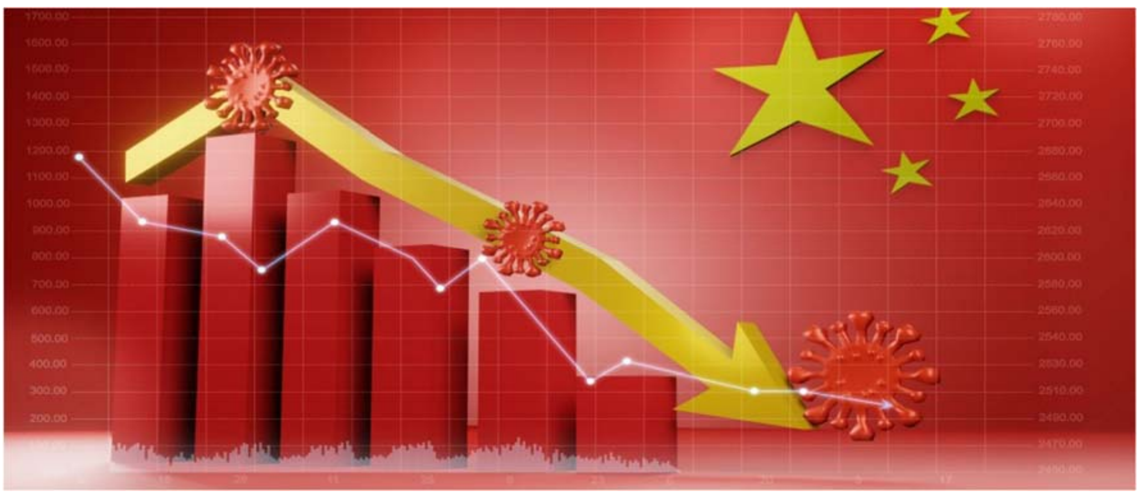
Market Commentary – Global Markets

As was highlighted in previous editions of this newsletter **Inflation, Inflation, Inflation** was the biggest driver of markets the last two years and the measurers Central Banks

had to implement to rein in inflation by rapidly increasing interest rates over this period, had a massive impact on the daily livelihoods of billions of people across the World.
We can all probably attest to the fact that as a result of interest rates that increased continuously, we had less money to spend at the end of the month, and then as a result of rising inflation (and especially food inflation) we could buy less and less every month with our N$100,00. It also cost us a lot more today than two years ago to get to our respective places of employment due to petrol prices that also increased drastically over the last two years.

The invasion of Ukraine by Russia in February last year resulted in even further upwards pressures on inflation due to the fact that it firstly had an immediate impact on the price of oil which increased as a result, and also considering that 30% of the Worlds wheat production came out of Ukraine which were predominantly exported to developing countries in Africa.

To complete the “perfect storm” supply chain constraints once economies across the globe started opening-up again post-Covid resulted in even further upward pressures on inflation.



In the beginning of 2023 to expectation was that China, being the second largest economy in the World, would be the driver of global growth for the year but unfortunately the reality is that China is still struggling to recover from the impact Covid had on its economy, and especially due to the long harsh lockdown measures they had until the end of last year.

As indicated in the previous newsletter China is currently facing further challenges in terms of transitioning from a heavily infrastructure expenditure driven economy to a consumer driven economy, hugely inflated property sector (bubble?) as well as an aging population.

The global labor market, particularly in the US, reflects a unique dynamic with strong worker bargaining power. Wages have outpaced current inflation, and despite a sizable number of job listings, there are concerns about a potential resurgence in services inflation, prompting a multi-decade high in strike actions. Amid resilient consumers and corporates in the US, combined with potential second-round inflation shocks, the Federal Reserve is opting to keep interest rates higher for a more extended period. This decision has repercussions for both the US bond and equity markets,

both experiencing significant declines in the third quarter. A notable concern lies in imprudently high US government spending, leading to a credit rating downgrade.
Although it would appear that inflation has peaked and that it started tapering off, risks still remain that current geo-political tensions in the Middle-East between Israel and Hamas could spread to the rest of the region, which constitutes some of the World's biggest oil producers in Saudia Arabia and Iran.

The war between Ukraine and Russia is further also continuing unabated and tensions between China and the United States surrounding Taiwan is also still simmering……………..at least they started talking to one-another again.

If there are no further escalations in current conflicts across the globe as highlighted above (or new conflicts/ wars), the price of oil can stay stable around U$80 a barrel, the N$/ ZAR do not depreciates drastically, then hopefully we have seen the end of the current interest rate hiking cycle.

As already vulnerable consumers, we should however brace ourselves for still further tightening of the belts for at least the next six months or so as interest cuts are optimistically only expected towards the middle to latter part of 2024.

Regional Markets

In Namibia and South Africa, central banks are poised to respond to economic challenges through monetary policy adjustments, considering factors such as inflation, currency movements, and global economic trends.

Investors remain concerned about holes in the nation's budget, which the Central Bank said will force local rates to remain elevated for some time to come. The budgetary problems of the country have less to do with over-spending and more to do with declining revenue collection. Turgid economic growth, lower commodity prices and declining exports of coal and iron due to infrastructure deficits, have all contributed to the country's looming fiscal crunch.

Household debt to disposable income edged higher to 62.5% in the second quarter of 2023 as household debt outpaced growth in nominal disposable income. This was exacerbated by higher debt servicing costs considering the cumulative 475 basis point increase in the prime lending rate since November 2021.

Despite risk-off sentiment and US dollar demand, the ZAR ended the quarter just -1.2% lower than the US dollar. This meant fewer gains for investors in rand hedge shares like Richemont, BAT and Anglo Platinum.

Namibian Economy

In Namibia, the trend of strong GDP growth continued, albeit at a slower pace.

Growth was once again driven by sectors that are all connected to mining and quarrying. The Bank of Namibia kept interest rates on hold over the quarter, as inflation averaged 4.9% for Q3. There has however been a reacceleration in inflation with September's print coming in at 5.4%. This was largely driven by transport inflation after oil prices increased almost 20% in the third quarter.

The third quarter further witnessed a commendable performance from the FTSE NSX Local Index, marking a substantial 3.8% return. This outperformance was particularly striking when contrasted with the FTSE NSX Overall Index (1.0%) and the FTSE/JSE All Share Index (ALSI), which faced a less favourable return of -3.5%.

Noteworthy sector-wise, Financials contributed positively at +2.2%, while Resources and Industrials experienced declines at -4.3% and -6.2%, respectively. During the same period, both the rand and Namibian dollar strengthened by 0.3% against the US dollar, impacting the ALSI's dollar return (-3.2%), narrowly surpassing the FTSE World Index in dollars (-3.3%).

The Trustees continuously strives to optimize the benefits being offered by the Fund to its members and following the outcome of a recent investigation conducted in terms of the costs of the insured death, disability and funeral benefits, it was decided to increase the **funeral benefits** as follows:

- in the event of the death of the **Principal Member** the amount that will be paid out increases from N$30,000.00 to **N$50,000.00**;

- in the event of the death of a **Qualifying Spouse** the amount that will be paid out increases from N$30,000.00 to **N$50,000.00**;

- in the event of the death of a **Child between the ages of 14 and older** the amount that will be paid out increases from N$30,000.00 to **N$50,000.00;**

- in the event of the death of a **Child aged 6 but younger than 14** the amount that will be paid out increases from N$20,000.00 to **N$40,000.00;** and

- in the event of the death of a **Child younger than 6 and including a stillborn baby** the amount that will be paid out remain at **N$10,000.00** as this is the maximum level of cover that can currently be provided in respect of children in this age category.

Please note that the above benefit enhancements will become effective from 1 January 2024.

Further good news that followed this annual investigation being conducted by the Fund, is that, even considering the increase in the funeral benefits as indicated above, the Fund **will save approximately N$9,000,000.00** next year in terms of insured costs. The way the Fund is currently structured means that this saving will be allocated to your share account.

Additional Member Contribution Categories

A couple of months ago we informed you of the amendment to the Income Tax Act which made provision for the tax deductibility limit in respect of contributions towards approved retirement vehicles (including individual retirement annuity policies) in Namibia, as well as educational policies to **be increased from N$40,000 per annum to N$150,000 per annum**.

Members were requested to give an indication of their appetite for the inclusion of two additional member contribution categories to save on cost and tax effective basis for retirement and in order to make full use of this increase in tax deductibility limit as indicated.

I am happy to inform you that a Rule Amendment in respect of the introduction of the two additional member contribution categories being **12.5% (twelve and a half per centum) of pensionable salary** and **15% (fifteen per centum) of pensionable salary** was recently submitted to NAMFISA and then also approved.

The new additional contribution categories will already become effective 1 January 2024. It must just be emphasized again that the **Employer's contribution remain unchanged at 18% of pensionable salary** in respect of each member.

FORMS TO BE SUBMITTED

Beneficiary Nomination Form and Member Data Form

It is imperative that all members must complete a Beneficiary Nomination Form and Member Data Form every year. The forms were forwarded to all Members via e-mail and it is also available on the website of the Fund http://uniref.nust.na

All Members are urged to complete their Beneficiary Nomination Form before they go on leave. The duly completed forms can be e mailed to uniref@nust.na and then you can forward the original forms to Human Capital for onward transmission to the Office of the Principal Officer.

FORMS THAT HAD TO BE SUBMITTED

Contribution option form

Members who submitted a Contribution Option Form are urged to check their January 2024 payslip if the correct deduction were made. Please inform the Office of the Principal Officer of any discrepancies on or before 17 January 2024 and submit documentary proof i.e. payslip and Contribution Option Form (if a copy were kept)

This document is for information purposes only. Members' rights are embodied in the Rules and Policies of the Fund.

On behalf of the Board of Trustees, Office of the Principal Officer and all Fund Service Providers we want to wish each Member and their loved-ones a peaceful and safe festive season.