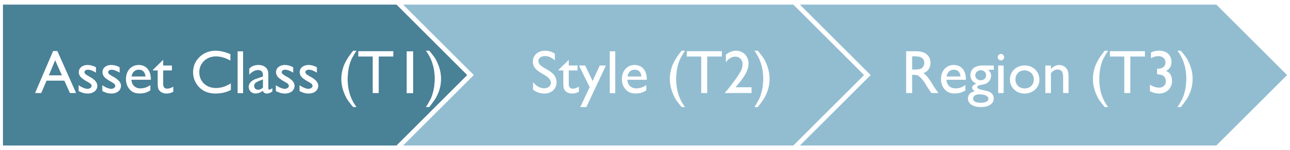
Namibia Fund Classification Model

The aim of the fund classification rules is to assist in the comparison between different collective investment scheme portfolios based primarily on the investment risk faced by the funds. The primary driver of investment risk is the main asset class or asset classes that can be included in the holdings of a fund. In the design of the classification rules the users of the information should be considered. The fund classification alone cannot facilitate an investment decision.

The classification is based on a three-tiered system namely:



The limits referenced throughout the document are per mandate or trust deed and not based on current exposure to asset classes but rather to the manager’s long term intent and is subject to own classification by the manager.

Categories of Asset Class

- Interest Bearing
- Property
- Equity
- Multi Asset
- Unlisted

Definition of Region

- Domestic
    - These are portfolios that comply with the geographic prudential requirements as set out in Pension Fund Act. Currently, portfolios must invest a minimum of 45% in Namibian assets and can invest a maximum of 35% in assets outside the CMA plus an additional 5% in Africa excluding the CMA.
- CMA
    - These are portfolios that are not required to invest at least 45% in Namibian assets and can invest a maximum of 35% in assets outside the CMA plus an additional 5% in Africa excluding the CMA.
- Global
    - These are portfolios that can invest more than 35% outside the CMA.

Sector Classification within Equities

The sector classifications is based on The Global Industry Classification Standard (GICS) and is as follows:

- Energy
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Communication Services
- Utilities

Classification Requirements:

Interest Bearing (T1)

Interest Bearing Portfolios are portfolios that invest exclusively in bond, money market investments, other interest earnings securities and non-perpetual/redeemable preference shares. These portfolios may not include equity securities, real estate securities or perpetual preference shares.

Money Market (T2)

These portfolios seek to maximise income, preserve the portfolio's capital and provide immediate liquidity.

Instruments classified as cash, cash Equivalents and money market instruments make up >90% of these portfolios.

The NAV of these portfolios should = 100 cpu or should never fluctuate irrespective of market movements or accruals.

The weighted average modified interest rate duration of the underlying assets shall never exceed 180 days.

Maximum legal maturity of any instrument is 13 months from day of investment and the weighted average legal maturity of the underlying assets does not exceed 182 days.

Short Term (T2)

These portfolios exhibit less price volatility than variable term portfolios and are characterized by a regular income. Typically, most returns are from income.

These portfolios invest in bonds, fixed deposits, non-perpetual/redeemable preference shares and other interest-bearing securities. They are not allowed to hold any equity, real estate securities or perpetual preference shares.

The NAV of these portfolios may fluctuate.

The weighted average modified interest rate duration of the underlying assets shall never exceed 2 years.

No constraint on maximum legal maturity.

Variable Term (T2)

These portfolios offer the potential for capital growth, together with a regular income. Typically, most returns are from income.

These portfolios invest in bonds, fixed deposits, non-perpetual/redeemable preference shares and other interest-bearing securities. The composition of the underlying investments is actively managed and will change over time to reflect the manager’s assessment of interest rate trends. These portfolios are not allowed to hold any equity, real estate securities or perpetual/non-redeemable preference shares.

The NAV of these portfolios may fluctuate.

No constraint on modified interest rate duration.

No constraint on maximum legal maturity.

Property (T1)

These portfolios invest in direct property, property shares, collective investment schemes in property, property loan stock and real estate investment trusts. The objective of these portfolios is to provide regular income and potential for long-term capital appreciation.

Listed (T2)

At least 80% of these portfolios is invested in listed property shares, property loan stock or REIT investments.

Index Tracking (T2)

These portfolios follow a disciplined approach in mimicking a recognised index of property securities for a minimum of 80% of the total portfolio. The intent is to produce a risk/return profile closely aligned to the referenced index.

Direct (T2)

These portfolios must be registered as a PUT under the Unit Trust Control Act

Equity (T1)

These portfolios invest in listed equities and generally seek maximum medium to long-term capital appreciation as their primary goal.

General (T2)

At least 80% of these portfolios is invested in listed equities, but exposure to a specific sector is limited to 70% of the total portfolio. These portfolios invest in selected shares from equity markets. They do invest across all market sectors, as well as across the range of large, mid and smaller market capitalisation shares.

Index Tracking (T2)

These portfolios follow a disciplined approach in mimicking a recognised index of equities for a minimum of 80% of the total portfolio. The intent is to produce a risk/return profile closely aligned to the referenced index.

Unclassified (T2)

A portfolio not classified as per above. Typically, these portfolios invest in a single sector (e.g. Materials) or in companies that share a common theme or activity as defined in their respective mandates. The performance of these portfolios cannot be compared to others in this category.

Multi Asset (T1)

These portfolios invest in a wide spread of investments in equity, bond, money and property markets to varying degrees to maximise total returns (comprising capital and income growth) over the long term.

Income (T2)

These portfolios can have a maximum effective exposure to property of 15% but is prohibited from holding any equity (which includes perpetual or non-redeemable preference shares). The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

Low Equity (T2)

These portfolios can have a maximum effective combined exposure to equity (which includes perpetual or non-redeemable preference shares) and property of 25%. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

Medium Equity (T2)

These portfolios tend to display reduced short-term volatility and aim for long term capital growth. They can have a maximum effective combined exposure to equity (which includes perpetual or non-redeemable preference shares) and property of more than 25% and up to

50%. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

High Equity (T2)

These portfolios tend to have an increased probability of short-term volatility and aim to maximise long term capital growth. They can have a maximum effective combined exposure to equity (which includes perpetual or non-redeemable preference shares) and property of more than 50% but the maximum effective equity exposure is 75%. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

Unclassified (T2)

These portfolios invest in an unconstrained combination of investments in equity, bond, money and property markets. These portfolios are allowed a maximum equity exposure of more than 75%. They may be aggressively managed with assets being shifted between the various markets and asset classes to reflect changing economic and market conditions and the manager is accorded a significant degree of discretion over asset allocation to maximise total returns over the long-term. The underlying risk and return objectives of individual portfolios may vary as dictated by each portfolios mandate and stated investment objective and strategy.

Unlisted (T1)

These are portfolios envisaged by the FIM Bill to be unitized portfolios structured as unlisted vehicles in accordance with Part 8 of the Pension Fund Act.

Equity (T2)

Portfolios participating in the economic profits and risks of an investment.

Debt (T2)

Portfolios buying debt instruments from unlisted companies.