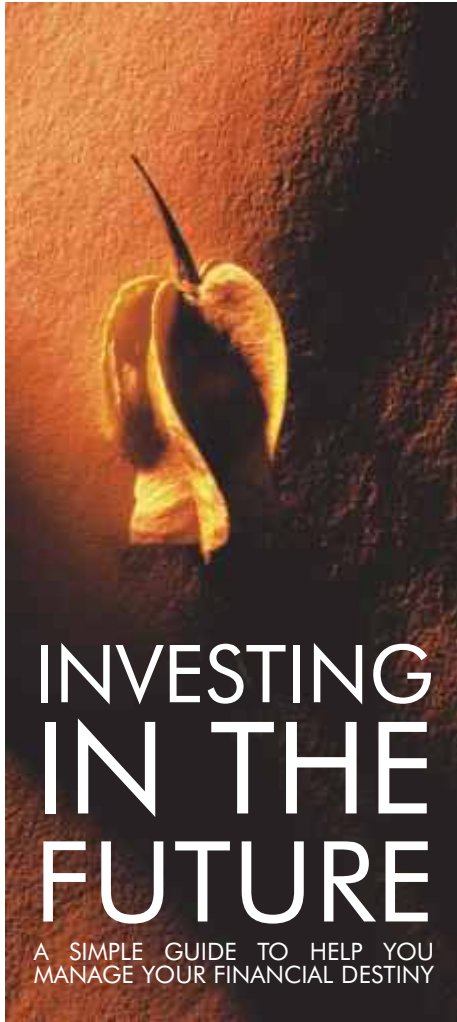




NAMIBIA ASSET MANAGEMENT
LIMITED



INVESTING IN THE FUTURE

A SIMPLE GUIDE TO HELP YOU
MANAGE YOUR FINANCIAL DESTINY

CORONATION 
FUND MANAGERS



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INTRODUCTION

When Namibia Asset Management Limited (NAM), a firm listed on the Namibian Stock Exchange (NSX), decided to present a road show around the country to help Namibians gain knowledge to encourage them to plan their personal and business finances better, we never anticipated the tremendous response. Impressively, in 2007 more that 400 Namibians from all walks of life attended NAM'S Investing in the Future presentation at 19 locations around the country.

Following the success of the Investing in the Future road show and as a result of the numerous calls that we continue to receive for further information, NAM decided to convert the presentation into a booklet. This is the end product.

NAM hopes that clients, prospective clients and other Namibians with a genuine interest in getting their financial affairs in order by investing a portion of income generated, will find this booklet useful. Not only to help plan and implement investment strategies but also as a reference tool that will unselfishly be shared with other members of the family unit, young and old.

We thank the local consultancy firm SMEs Compete for supporting NAM in its quest to educate Namibians on 'money matters' and thereby help them to gain financial independence. Not only did SMEs Compete conceptualise and help us undertake the road show but they also assisted with the design of this publication.

Enjoy the read and feel free to let us have your comments. NAM takes its corporate social responsibility seriously and we assure you that the firm will continue running similar programmes of an educational nature over the coming years. So keep in touch.

Albert (Ben) Bertolini
Chief Executive



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1. WHO IS NAM AND WHAT ARE OUR CORE VALUES?

1.

BACKGROUND OF NAM

- Historically, companies in South Africa managed all of Namibia's investments.
- NAM was incorporated in 1997 and was formed in response to a national call for Namibians to take leadership in the development of the economy – specifically in the important financial services sector.
- NAM is in partnership with Coronation Fund Managers Limited. Coronation is a highly respected South African asset management firm which assists NAM in managing the assets that have been entrusted to NAM.
- NAM is a local company that is managed by Namibians for Namibians.

OUR CORE PURPOSE

“To guard and to grow the wealth entrusted to us by the Namibian people”

OUR CORE VALUES

- We are passionate
- We excel at what we do
- We think ahead
- We are open to new ideas
- We have integrity



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2. UNDERSTANDING 'CHOICES'

2.

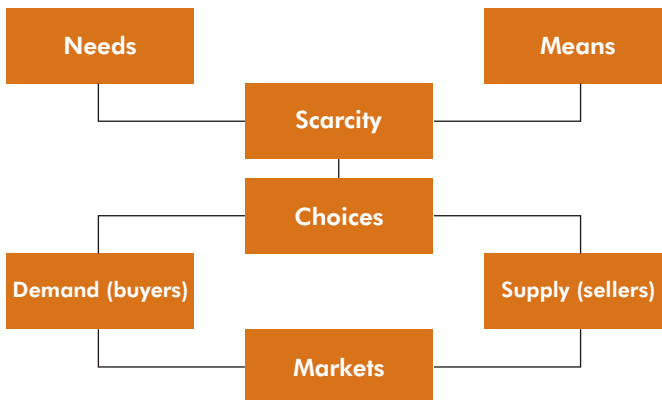
- Life is a series of effects or acts and omissions that originate in our own mind – personal thought.
- Consequently conduct is moulded by thought. All deeds—good or bad - are thoughts made visible.
- A thought is like a seed planted into the ground. The seed germinates, a plant grows, evolves and bears fruit after its own kind.
- Just as a mahango seed won't grow into a pumpkin, good thoughts cannot produce bad fruit, and bad thoughts cannot produce good fruit.
- Following this rationale, a thought in one's mind triggers a chain of conduct. The thought first takes root in the mind, a plant develops in the form of conduct (acts or omissions), which in turn evolves into character and destiny.
- So what does this mean? Simply put, you are the gardener of your own mind!

3. UNDERSTANDING ECONOMICS

SOME ECONOMIC DEFINITIONS

- Economics is the study of the relation of man's wants in relation to his resources.
- Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.
- Economics is the study of limited resources and how the consumer's needs and wants are satisfied.

It is all about choices...

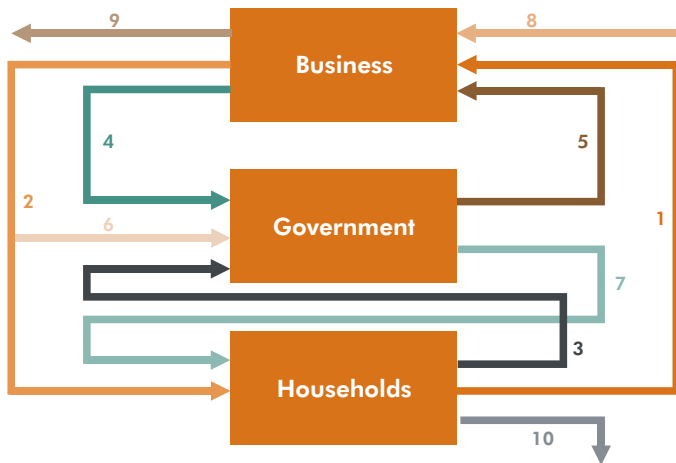


As individuals we (the buyers) use our means (i.e. income) to meet our needs by choosing between the products and services offered to us by a number of suppliers (the sellers). The interaction between buyers and sellers is referred to as the marketplace.



THE CIRCULATION OF MONEY IN NAMIBIA

The diagram provides an indication of how money flows within a typical economy. In an economy there are essentially three key participants: the Government, Households and Business. It is as a result of interaction between these participants that causes money to circulate in an economy.



- 1. Consumer spending
- 2. Income (salaries)
- 3. Personal taxes
- 4. Business taxes
- 5. Government purchases
- 6. Social security
- 7. Grants & Pensions
- 8. Investments
- 9. Business saving
- 10. Personal saving

THE CIRCULATION OF MONEY IN NAMIBIA

Households are the most important of the three as they vote for the Government and they are the reason that the Businesses are in existence. Households contribute financially to Businesses by buying their products and services and to Government by paying tax and social security contributions. Some Households save money which is invested in Businesses.

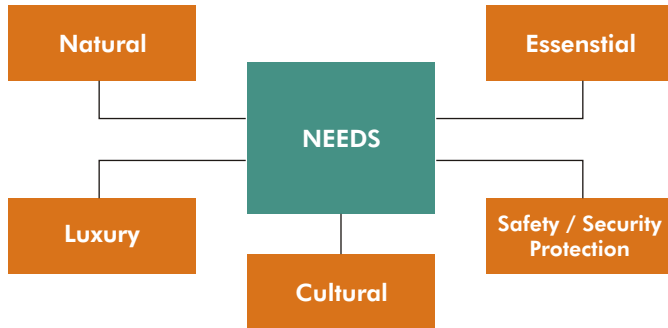
The Businesses contribute to the economy by providing the products and services that the Households require. They pay salaries to their employees. The employees belong to Households which use the income to purchase products and services. Businesses also pay tax to the Government and some of them invest in other Businesses.

The Government pays grants and pensions to those Households that qualify for these benefits. They also purchase products and services from Businesses.

3.



NEEDS ARE THE URGE OR DESIRE FOR CERTAIN THINGS IN LIFE

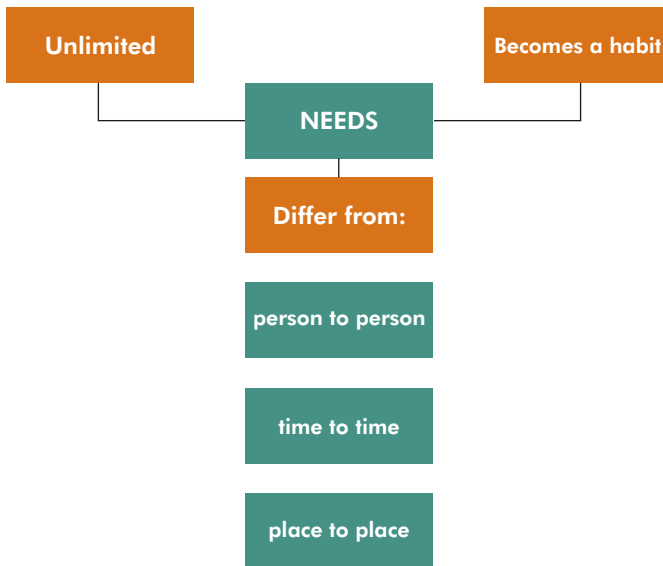


A distinction is often made between “needs” and “wants”. A need is generally defined as being something that you cannot live without. A good example of this would be oxygen, water and food. A “want” is something that you can live without, for example a big screen TV.

“Wants” tend to be unlimited – however as much as we have, we can always “want” more. Our “needs” and “wants” tend to differ from person to person, from time to time (e.g. our needs in winter differ somewhat from our needs in summer) and from place to place. “Needs” can also be formed as a result of habits. For example, smokers become addicted to nicotine as a result of habitually smoking cigarettes and then find it very difficult to live without their daily “kick”.

NEEDS ARE THE URGE OR DESIRE FOR CERTAIN THINGS IN LIFE

Characteristics of needs



3.



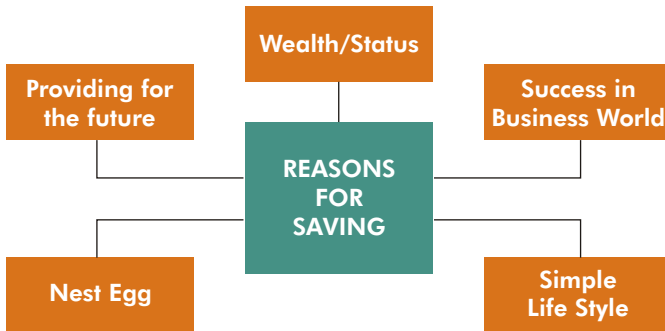
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UNDERSTANDING CONSUMPTION

- Consumption is the application or use of goods and services with the purpose of satisfying your needs.
- If you pay for goods and services and expect to derive satisfaction from them, you are known as a consumer.
- Some goods are bought for the purpose of immediate consumption. An example of this kind of good is a hamburger. The same hamburger cannot be consumed more than once.
- Other goods are purchased for the purpose of deferred consumption. These goods are also known as durable goods as they are “consumed” (used) over a long time. Goods that fall into this category would include a house, a car, television set, etc.

3.

SAVING = INCOME - CONSUMPTION



The influence of saving on an economy is huge!

These include:

- providing for future needs, e.g. education for children;
- providing a nest egg to cover times when consumption exceeds income, e.g. setting aside money to cover the cost of servicing a vehicle;
- increasing wealth or status;
- achieving success in the business world; and
- a desire to live a simple lifestyle

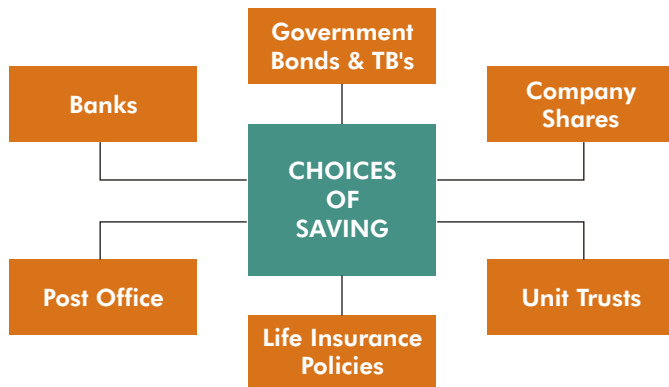
In most countries the Government encourages Households to save for their retirement by giving them tax incentives. (In some countries, such as Chile, retirement saving is compulsory.)



SAVING = INCOME - CONSUMPTION

Saving essentially represents a delaying of consumption. Any income that is not used for immediate consumption can be set aside for future consumption. There are a number of reasons why Households save.

Saving and Investment alternatives



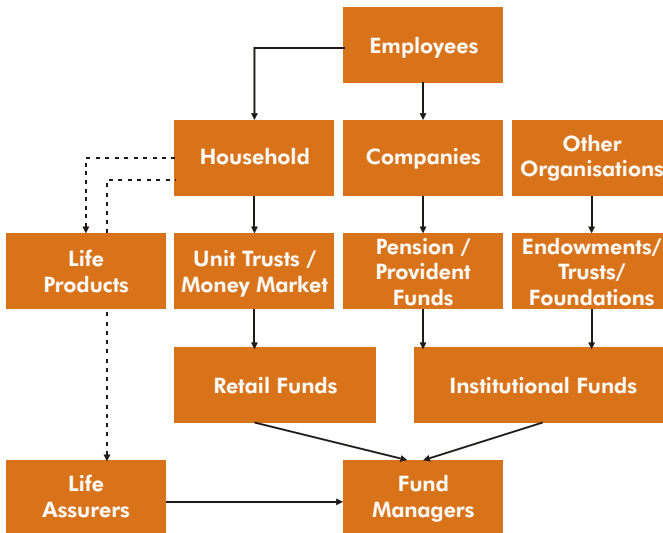
Households have a number of saving and investment options. These include:

- Bank deposits
- The Post Office's savings vehicle
- Pension Funds
- Life Insurance Policies
- Unit Trusts
- Government Bonds
- Company Shares
- Property

All the money that is invested in a pension fund, life insurance policy or unit trust is managed by an asset manager who uses the money to buy share, bonds, property, etc. on behalf of the investor.

4. WHERE DOES CASH COME FROM AND WHERE DOES IT GO?

Where does cash come from?



4.

Where does the cash go?

Portfolio Managers

- Shares/Equities
- Bonds/Gilts
- International Funds
- Cash/Money-market
- Property



5. HOW INVESTMENTS WORK

Investment is essentially lending money in exchange for interest. The interest is supposed to compensate the lender for not being able to use the money themselves, to protect the lender from the value of the money reducing (i.e. inflation) during the time that the money being utilised by the borrower and to protect the lender from the possibility that the borrower will not repay part or all of the loan. (A safe investment is one where the borrower will almost definitely repay the loan.)

Note on Investment Principle:

- The less safe (higher risk) an investment is and the longer the time period until the borrower pays back the money (the term), the higher the interest that should be earned on the investment.

The “safest” investments are:

- investments with terms of less than one year
- investments with government or banks
- investments that lots of people want to buy or sell (liquid)

In the investment world these investments are normally referred to as “Cash”.

Some examples of Cash investments:

- 32 Day Call Deposit
- Treasury Bill
- Negotiable Certificate Deposit
- Fixed Deposit

GOVERNMENT BONDS (INVESTING WITH GOVERNMENT)

A bond is the same as a cash investment but has a term (payback period) of more than one year and is exempt from taxation.

The safest bonds to invest in are those issued by the Government. Companies issue bonds too. These are known as “corporate bonds”. The “safety” of these bonds depends on how reliable the borrower is considered to be.

Practical example of a government bond: 5 year term, 6% coupon

1. The Government borrows N\$ 100* from the lender
2. They agree to pay the N\$ 100 back to the lender in 5 years' time(maturity date).
3. They also agree to pay 3 dollars (coupon) every six months during the next 5 years.
4. They give the lender a certificate to prove that he is entitled to the repayment of N\$ 100 and the coupon payments.
5. The lender can sell the certificate (i.e. the coupon and bond repayment entitlement) to someone else.

* Government Bonds are much larger - usually multiples of N\$10,000

TREASURY BILLS

A Treasury Bill is a short term money market instrument which is issued by Government and is tax free. It is fully secured and guaranteed by Government and matures between 91 and 365 days. Treasury Bills (TB's) are discount instruments - you can buy them at a discounted price.

Practical example of a treasury bill: 91 days, 10% discount

1. You pay N\$9,750 for a N\$10,000* TB
2. You receive N\$10,000 after 91 days
3. Your return/yield is 10.25%

* Treasury Bills are traded in units of N\$10,000



PROPERTY OR 'REAL ESTATE'

- An investor can invest directly in a property (i.e. buy and own the property). He can also own a portion of a property by owning shares in a company that owns the property.
- Owning the shares of a property company is essentially the same thing as owning the shares of any other company.
- Owning a property directly has the advantage of being able to invest in something that will not be affected by the day-to-day movement of the stock market.
- The disadvantage of owning a property directly is that it is more difficult to sell than shares and can be costly, both in terms of maintenance and trading costs.

SHARES – THERE ARE NO GUARANTEES

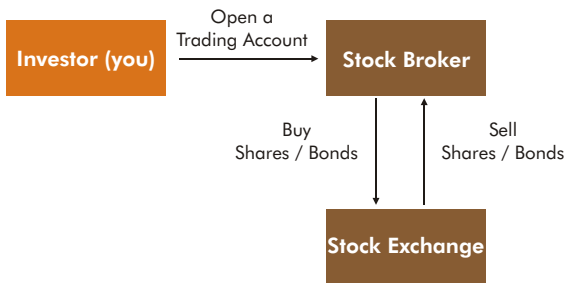
- Represent a way for companies to raise or borrow money.
- A portion (share) of the company is sold to investors.
- The investors share in the profits (dividends) of the company.
- A company that is listed on a stock exchange is referred to as being a public company — anyone can buy their shares.
- A Namibian company would list on the Namibian Stock Exchange (NSX).
- There are a number of companies listed on the NSX that are also listed on another exchange. For example Old Mutual and Shoprite are listed on the Johannesburg Stock Exchange (JSE), as well. These shares are referred to as dual-listed shares.
- To list on the NSX a company must be Limited (legal status), must have a 3 year profit history, have financial statements that are International Financial Report Standards (IFRS) compliant and 150 shareholders who are not related to the business.
- Shares offer two sources of income:
 1. Share price increases
 2. Dividends

Dividends represent the portion of the company's profits that is paid to the shareholders. The rest of the profit is kept (retained) by the company and is invested in projects that will help grow its business and consequently increase the company's profit in future.

6. HOW DO I INVEST IN SHARES?

1. Do it yourself :

Choose which companies to invest in and do so through a stockbroker.



As a potential investor, you open a trading account with a stock broker. You deposit the amount that you would want to invest in the trading account. You instruct the stock broker to buy the shares that you want to invest in. The stock broker buys the shares with the funds in the trading account. To sell the shares, you must instruct the stock broker to do so. You earn interest on the funds in the trading account. You can also deposit money monthly in the trading account, and when it reaches N\$ 10,000 instruct the stock broker to buy Treasury Bills.

2. Invest in a unit trust:

Unit trusts are investment products that are managed by asset managers, banks or brokers.

STOCK EXCHANGE

A stock exchange is a centralised marketplace where listed shares are traded.

Some examples of stock exchanges include:

- Wall Street (Dow Jones) in New York;
- London Stock Exchange (LSE);
- Nikkei in Tokyo, Japan;
- Johannesburg Stock Exchange (JSE);
- Namibian Stock Exchange (NSX).

The purchasing or selling of shares is conducted through the stock exchange that the shares are listed. The trading is usually done using a stockbroker who is registered to deal on that exchange.

A stock exchange acts purely as a mechanism through which to buy and sell shares. It does not recommend buys or sells. The exchange records the price at which the most recent share transaction has taken place. It also has a monitoring role — it monitors the listed companies to make sure that the listed companies submit their financial statements on time and all important SENS announcements made by listed companies are distributed via the stock exchange.

STOCKBROKERS

When buying and selling shares it is recommended that one uses a stockbroker. There are four stock broking firms in Namibia:

- IJG Securities
- Investment House Namibia
- Namibia Equity Brokers
- Simonis Storm Securities

WHAT DO STOCKBROKERS DO?

- Match buyers and sellers of shares.
- Share their research with their clients.

In exchange for these services their clients pay them a commission.

WHAT DO ASSET MANAGERS DO?

- Invest money on their clients' behalf. (These clients include pension funds, medical aid funds, other institutions and individuals)
- Employ experts (analysts) who do research on shares, bonds, etc. and decide where would be the best place to invest their clients' money.
- Charge a fee for their services.
- In order to operate in Namibia, they must be registered with the regulatory authority known as NAMFISA.
- Most Namibian based asset managers are linked to South African partners.

WHO IS NAMFISA?

The Namibian Financial Institutions Supervisory Authority (NAMFISA) was established by an Act of Parliament (Namfisa Act No. 3 of 2001) NAMFISA's function is to regulate and supervise the non-banking financial industry. NAMFISA is non-profit, autonomous entity, fully funded by the industry it regulates via levies.



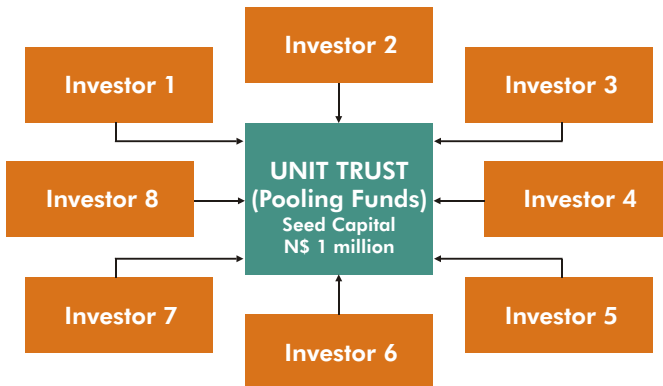
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UNIT TRUST

- Instead of buying shares or bonds directly, one can invest in a unit trust.
- A unit trust is an investment vehicle that allows a group of investors to invest together / pool their funds. (see graph on page 23).
- Asset managers, insurance companies, banks and even some brokers offer investors unit trust products.
- A unit trust is not part of the company managing it but is a separate entity. It has a trust deed which defines what the investment goals (objectives) of the unit trust are. The Trustees of the unit trust are responsible for ensuring that the unit trust is properly managed.
- Namibian unit trusts must comply with the Unit Trust Controls Act and are regulated by NAMFISA.
- The unit trust uses the money that it has received from its investors to buy shares, bonds or cash instruments.
- The investment objective of the unit trust will determine the kind of assets that the unit trust invests in. If the objective is conservative, the unit trust will invest in more “safe” assets but will, over the long-term, earn less interest than a unit trust with an aggressive objective which invests in more risky assets.

UNIT TRUST

- By investing in a unit trust, the investor gets exposure to a lot of different investment assets (diversification). This would be very difficult to do directly, unless you have a lot of money available to invest. The investor is also paying the unit trust manager to make investment decisions on his behalf.



6.



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EXAMPLE OF HOW A UNIT TRUST WORKS

- The investor pays a cash amount into the unit trust, e.g. N\$ 1 000.
- The N\$ 1 000 (less up-front unit trust fees) is converted into a certain number of units. The number of units allocated to the investor depends on the price of these units at the time that the money is invested.
- The price of a unit is calculated based on the value of the assets* in the unit trust on the date on which the investor makes the N\$ 1 000 investment.
- To illustrate with a simple example: If the value of a unit is N\$ 10 on the day that the investor pays N\$ 1 000 into the unit trust then the investor will receive 100 units.
- The price of the units will increase if the value of the assets that the unit trust is invested in increases. For example, the units might increase to N\$ 12. Since the investor holds 100 units, the value of his investment has now increased to N\$ 1 200.

* Assets are equities, bonds, cash etc.
It is also referred to as a portfolio of investments.

HOW A UNIT TRUST WORKS

- If the assets owned by the unit trust reduce in value the unit price will reduce too. If, for example, the unit price reduces to N\$ 9. The value of the investor's 10 units will be N\$ 900.
- A unit trust with a conservative investment objective is less likely to have units that decrease in value than a unit trust with an aggressive investment objective but it will also have smaller unit price increases overall.
- Since unit prices do move up and down on a daily basis, it is recommended that if you invest in a moderate or aggressive unit trust, you should not invest for a period of less than five years.
- If the investor wants to take his money out of the unit trust, he can sell his units. The amount that is paid to him would be calculated based on the value of the units on the date on which he sells them.



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HOW A UNIT TRUST WORKS

Advantages of investing in a unit trust:

- Professionals with an understanding of markets and investment instruments do the work for you
- You own a portion of many different companies
- You own shares in 'blue chip' companies where the cost of a share may be beyond the reach of an average investor
- You determine the size of your investment
- Your units can be used as collateral or security against borrowings
- You derive benefit from pooling of resources, i.e. sharing risks and reducing costs

Disadvantages:

- You pay an upfront entry fee if you invest through a life broker
- You need to pay a monthly service fee
- No performance guarantee – market value fluctuates
- Others make the investment decisions for you

6.

7. NAM UNIT TRUST PRODUCTS

NAM presently has two unit trust products:

- **NAM Coronation Balanced Defensive Fund**
The fund aims to provide a reasonable level of current income and seeks to preserve capital in real terms, with lower volatility over the medium to long-term.
- **NAM Coronation Strategic Income Fund**
This Unit Trust Fund aims to provide a higher level of income with greater diversification than a traditional money market or pure income fund with moderate capital growth.

Should you require more information about these unit trust funds, please contact our unit trust administrators. Find the contact details on the back of this booklet.



NAMIBIA **ASSET MANAGEMENT**
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