

# PFPS MARKET COMMENTARY

December 2014



## Portfolio and underlying funds performances (\* annualised)

As of Date: 12/31/2014

	3 Months	YTD	1 year	2 Years*	3 Years*	4 Years*
PFPS Moderate	3.32	10.81	10.81	15.43	16.44	12.78
South African MA Medium Equity	2.30	9.14	9.14	12.42	13.53	11.46
SA CPI +5%	1.40	10.81	10.81	10.56	10.58	10.73
Analytics Ci Managed Equity A	2.21	7.44	7.44	14.15	16.78	12.64
Investec Diversified Income A	2.02	5.71	5.71	5.94	6.85	7.57
Investec Global Strategic Managed FF A	2.26	10.35	10.35	26.57	22.92	20.08
Investec Money Market R	1.54	5.73	5.73	5.40	5.37	5.40
Nedgroup Inv Global Equity FF A	2.39	16.80	16.80	32.17	26.26	24.79
Old Mutual SA Quoted Property	10.65	26.87	26.87	16.98	22.24	18.34
STANLIB Bond A	3.64	8.22	8.22	4.58	8.52	8.90

## Investment Comments

Since the middle of last year, the price of Brent crude oil has fallen from around \$116/bbl to just above \$45/bbl – a fall of nearly 60%. This takes the oil price back to levels last seen in 2008. At the last Organisation of Petroleum Exporting Countries (Opec) meeting Saudi Arabian oil minister Ali al-Naimi told Opec members that they must combat the US shale oil boom, and he successfully argued against cutting oil output in order to depress prices and undermine the profitability of North American producers, according to Reuters. Continued weakness in the oil prices would most certainly undermine the profitability of marginal shale oil producers in the USA, which has rapidly moved towards energy independence through the geological process of hydraulic fracturing, commonly known as fracking. Fracking technology employs costly methods of producing oil, while Opec member countries rely on old and cheap drilling methods for oil extraction and so their mostly state-owned companies can sustain lower prices for longer.

One of the countries suffering the most at the hands of the oil price is Russia. The Russian rouble has been in free-fall, raising the risk of emergency exchange controls and tightening the noose on Russian companies and bodies with more than \$680 billion of external debt. Russia has lost its ranking as the world's eighth biggest economy, shrinking in just nine months from a petro-giant to a mid-sized player comparable to Korea or Spain, reports The Telegraph. Oil and gas provide two-thirds of Russia's exports and cover half of its fiscal revenues leaving the country highly exposed to the ups and downs of the commodity cycle. Most Russian companies have been shut out of global capital markets since the escalation of Western sanctions. The oil giant Rosneft has recently called for state aid of \$49 billion.

It seems as if 2015 will be another eventful year – with increased volatility and ongoing uncertainty. Our investment portfolios will be guided through all the volatility and noise by their robust construction characteristics and their in-built risk mitigation features. In December, the FTSE/JSE All Share Index returned -0.2%, with Resources returning -5.2%, and Financials and Industrials returning 0.2% and 1.1%, respectively.

# PFPS MODERATE PORTFOLIO

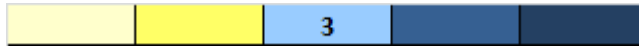
December 2014



## Investment Strategy

The fund's objective is to provide moderate capital growth over the medium to long term. The probability of capital loss over the medium term is high. Furthermore, the fund will exhibit moderate levels of return volatility. The fund aims to achieve returns in excess of inflation over 3 years and longer. This fund complies with Regulation 28 of the Pension Funds Act.

Risk Weighting: **Moderate**



## Underlying Holdings

Analytics Ci Managed Equity Fund	38%
Investec Global Strategic Managed FF Fund	15%
Investec Diversified Income Fund	13%
STANLIB Bond Fund	13%
Old Mutual SA Quoted Property Fund	11%
Nedgroup Investments Global Equity FF	7%
Investec Money Market	3%
<b>Annual Average Weighted fund fees**</b>	<b>0.75%</b>
<b>Annual Management fee – Analytics</b>	<b>0.20%</b>
<b>Annual Consulting fee - PFPS</b>	<b>0.20%</b>

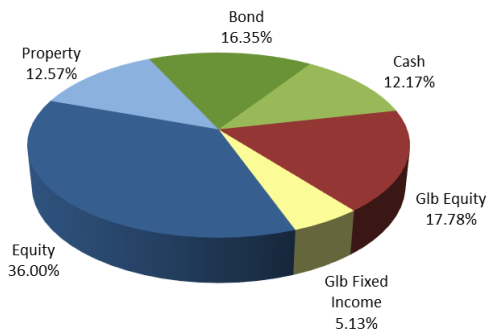
## Top 10 SA Equities

1 British American Tobacco	6 Mondi
2 Growthpoint Properties	7 Hyprop Investments
3 Naspers	8 Intu Properties
4 Anglo American	9 Sasol
5 MTN Group	10 Old Mutual

Estimated top 10 holdings as disclosed by Morningstar

\*\* The average weighted cost of underlying funds is indicative and varies daily as the weightings of the funds vary. The fee excludes Financial Advisor and platform fees and VAT.

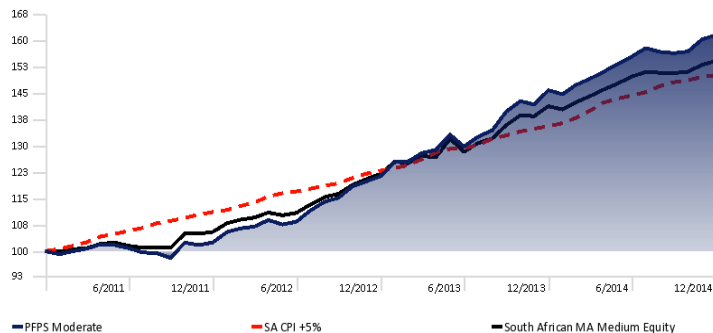
## Asset Allocation



Please note: Asset allocation is one month lagged.

## Investment Returns

Time Period: 1/1/2011 to 12/31/2014



## Performances

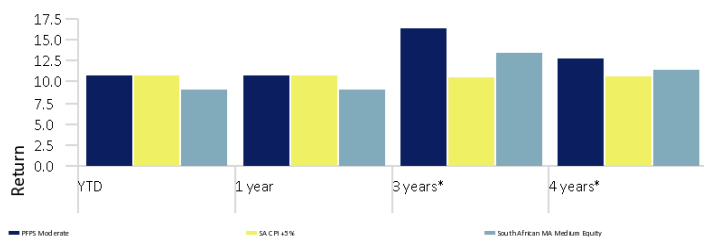
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\*Returns are simulated and based on the underlying funds at the initial weightings and are net of published asset manager fees. Returns greater than a year have been annualised.

## Return Summary

As of Date: 12/31/2014



## Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	-0.79	1.79	1.22	1.35	1.49	1.34	1.60	-0.69	-0.23	0.29	2.18	0.82	10.81
2013	3.37	0.06	1.98	0.67	3.40	-2.56	2.16	1.39	3.95	2.15	-0.68	2.88	20.24
2012	2.91	0.98	0.51	1.73	-1.16	0.73	3.01	2.22	0.99	2.88	1.17	1.20	18.47

Source: Morningstar Direct

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