

PFPS MARKET COMMENTARY

February 2015



Portfolio and underlying funds performances (* annualised)

As of Date: 2015/02/28

	3 Months	YTD	1 year	2 Years*	3 Years*	4 Years*
PFPS Moderate	6.27	5.40	15.66	16.53	16.99	14.29
South African MA Medium Equity	4.29	3.50	12.14	13.03	13.60	12.28
SA CPI +5%	0.88	0.47	9.44	10.11	10.19	10.46
Analytics Ci Managed Equity A	6.62	7.02	13.07	17.06	16.52	14.71
Investec Diversified Income A	2.39	1.65	7.09	5.95	7.47	8.17
Investec Global Strategic Managed FF A	7.79	4.21	13.08	23.60	24.94	19.37
Investec Money Market R	1.53	1.00	5.91	5.51	5.41	5.42
Nedgroup Inv Global Equity FF A	5.73	2.17	13.83	28.44	27.01	23.33
Old Mutual SA Quoted Property	12.08	10.36	44.71	20.12	23.95	23.22
STANLIB Bond A	1.54	3.47	13.71	5.84	8.97	10.32

Investment Comments

The first Budget Speech by Finance Minister Nene was in general well received across the board by local commentators. In a recent Business Day editorial, the point is made that although the speech was comprehensive it tended to tiptoe around politically sensitive issues. Mr Nene referred to the “sales of nonstrategic state assets” to fund power utility Eskom’s considerable capital expenditure requirements. The editorial suggests that there are a number of reasons for this brief reference to the sale of assets. The first is that where the issue is very politically sensitive and is thus a subject best avoided, that issue could intentionally be buried deep inside a technical document such as the budget review. The dreaded “P-word” is one of them. That is why what everyone secretly understands to be a form of privatisation – albeit an involuntary one – is referred to by such a longwinded euphemism.

While the budget speech did contain a lot of positives, the Fitch ratings agency has already fired a warning shot. Fitch’s attitude is in contrast to what analysts were hoping was a budget that had done enough for the country to ward off a downgrade. Fitch said that it was concerned that Nene did not flesh out enough detail in his budget speech to be convincing on the level of debt-to-GDP ratio, the outlook for public finances, the downward revision of economic growth and the strategy to help Eskom not only keep the lights on but help spur economic growth. “The outlook for the public finances will form an important part of Fitch’s next scheduled review of South Africa’s sovereign rating on 5 June,” Fitch said in a statement.

While the government and the ANC remain at odds with each other, placing huge demands on the need to keep fiscal policy tight and independent, investment markets seem to have no end in sight. The threat of deflation in the Eurozone, and the inability of the Americans and the Japanese to inject meaningful inflation into their economies, is providing on-going support for risky assets. In February, the FTSE/JSE All Share Index returned 4.1%, with Resources returning 8.7%, and Financials and Industrials returning 3.4% and 3.2%, respectively.

PFPS MODERATE PORTFOLIO

February 2015



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%
Annual Average Weighted fund fees**	0.75%
Annual Management fee – Analytics	0.20%
Annual Consulting fee - PFPS	0.20%

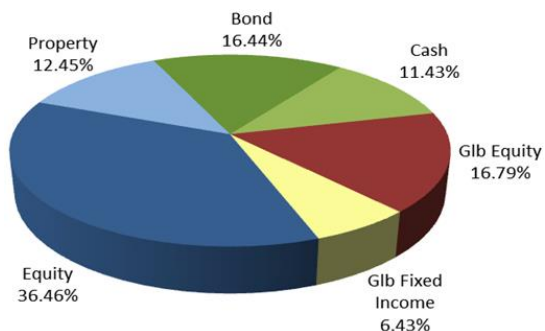
Top 10 SA Equities

1 Naspers	6 Standard Bank Group
2 Growthpoint Properties	7 Mondi
3 Redefine Properties	8 Hyprop Investments
4 Steinhoff International	9 British American Tobacco
5 Anglo American	10 Intu Properties

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.

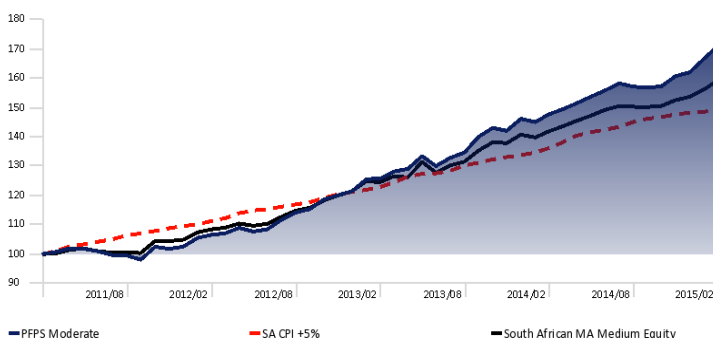
Asset Allocation



Please note: Asset allocation is one month lagged.

Investment Returns

Time Period: 2011/03/01 to 2015/02/28



Performances

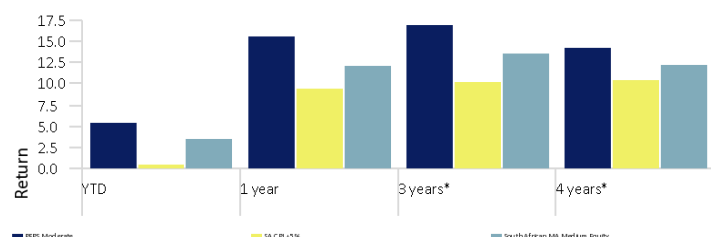
As of Date: 2015/02/28

	3 Month	YTD 1 Year	3 Years*	4 Years*	
PFPS Moderate	6.27	5.40	15.66	16.99	14.29
SA CPI +5%	0.88	0.47	9.44	10.19	10.46
South African MA Medium Equity	4.29	3.50	12.14	13.60	12.28

*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: 2015/02/28



Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	2.85	2.48											
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

The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be credible. No representation, warranty, undertaking or guarantee of whatever nature is given on the accuracy and/or completeness of such information or the correctness of such opinions. Portfolio Analytics Consulting (Pty) Ltd ("Analytics") and/or PFPS Asset Management (Pty) Ltd ("PFPS") will have no liability of whatever nature and however arising in respect of any claim, damages, loss or expenses suffered directly or indirectly by the investor or the investor's financial advisor acting on the information contained in this document. Furthermore, due to the fact that neither Analytics nor PFPS act as the investor's financial advisor, they have not conducted a financial needs analysis and will rely on the needs analysis conducted by the investor's financial advisor. Analytics and PFPS recommends that investor's and financial advisors take particular care to consider whether any information contained in this document is appropriate given the investor's objectives, financial situation and particular needs in view of the fact that there may be limitations on the appropriateness of any advice provided. No guarantee of investment performance or capital protection should be inferred from any of the information contained in this document.

Portfolio Analytics Consulting (Pty) Ltd (FAIS License 18490) and PFPS Asset Management (Pty) Ltd (FAIS License 44904) are authorised Financial Services Providers.

