

PFPS MARKET COMMENTARY

January 2015



Portfolio and underlying funds performances (* annualised)

As of Date: 2015/01/31

	3 Months	YTD	1 year	2 Years*	3 Years*	4 Years*
PFPS Balanced	6.11	3.05	15.72	16.61	18.16	15.58
South African MA High Equity	4.23	1.88	12.53	12.86	14.29	12.79
SA CPI +7%	1.71	0.40	12.32	12.37	12.48	12.62
Analytics Ci Managed Equity A	5.02	2.94	13.00	14.29	16.01	14.28
Investec Global Strategic Managed FF A	6.00	0.39	5.84	21.32	22.87	17.92
Investec Money Market R	1.55	0.52	5.83	5.46	5.39	5.41
Nedgroup Inv Global Equity FF A	3.05	-1.88	9.31	25.01	25.39	21.47
Old Mutual SA Quoted Property	13.23	7.71	46.42	21.36	23.44	21.96
STANLIB Bond A	7.23	6.83	20.61	8.14	10.20	11.29

Investment Comments

On 22 January Mario Draghi, President of the European Central Bank (ECB), made the long-awaited announcement that the Bank would be implementing its own Quantitative Easing (QE) program, following in the wake of a similar strategy that ended in the USA in October 2014. The US QE program was in operation for 6 years and this program has recently been credited with the salvation of the US economy which moved into recession following the market crisis in 2008/2009. This program in the US was terminated once the Federal Reserve was convinced that targets for inflation and employment were back on track. In total, the Federal Reserve had added \$4.5 trillion of assets to its holdings, increasing their assets eightfold over the course of the QE strategy.

The fall in oil and commodity prices and the launch of QE in Europe has resulted in a quick reversal of interest rate expectations here in SA. Heading into the second half of 2014 (when oil was still at \$115/barrel), there was a strong expectation that interest rates would have to rise early in 2015 as inflation was expected to settle stubbornly above the top of the 3% to 6% range. Now inflation expectations are being rapidly scaled back and the South African Reserve Bank (SARB) expects inflation to average 3.8% this year, down from forecasts late last year of 5.3%. The SARB expects inflation to reach a low of 3.5% in the second quarter.

The start of 2015 has been very different when compared with market expectations in the final quarter of last year. The approach and launch of Eurozone QE has reshaped our local investment landscape from an environment where interest rates were expected to go up to an environment where interest rates may go down. In December our equity market fell by -0.2% and in January it went up by 3.1%. In December the All Bond Index fell by -1.6% and in January it went up by 6.5%. In January our listed property market went up by 7.4%, adding to a 1.1% rise in December last year. Local multi-asset balanced portfolios also produced good returns in January.

PFPS BALANCED PORTFOLIO

January 2015



Investment Strategy

The fund's objective is to provide high capital growth over the long term. The probability of capital loss over the short to medium term is high. Furthermore, the fund will exhibit high levels of return volatility over the short term. 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: **High**



Underlying Holdings

Analytics Ci Managed Equity Fund	50%
Investec Global Strategic Managed FF Fund	16%
Old Mutual SA Quoted Property Fund	12%
STANLIB Bond Fund	9%
Nedgroup Investments Global Equity FF	5%
Investec Money Market Fund	8%
<i>Annual Average Weighted fund fees**</i>	0.76%
<i>Annual Management fee – Analytics</i>	0.20%
<i>Annual Consulting fee - PFPS</i>	0.20%

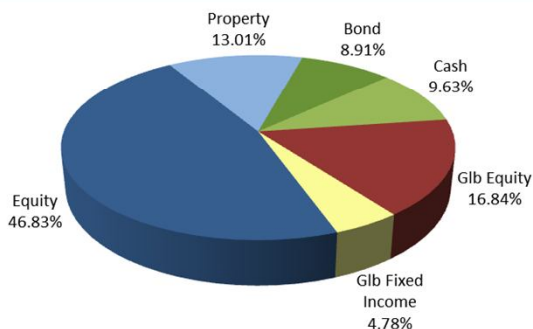
Top 10 SA Equities

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

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.

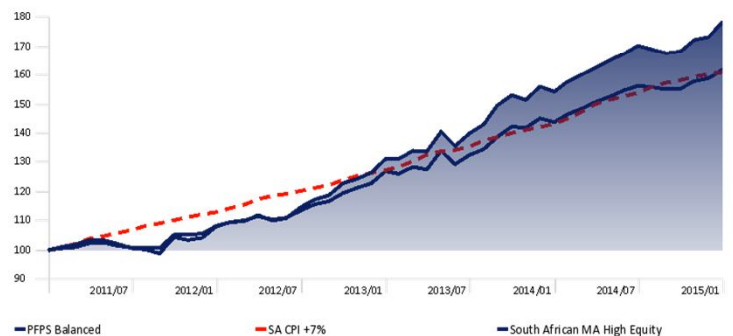
Asset Allocation



Please note: Asset allocation is one month lagged.

Investment Returns

Time Period: 2011/02/01 to 2015/01/31



Performances

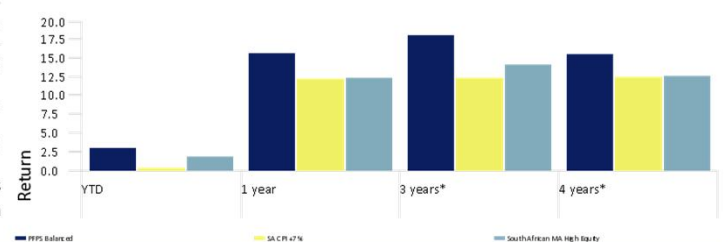
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*Returns are simulated and based on the underlying funds at the initial weightings and are net of published asset manager fees. Returns greater than a year have been annualised.

Return Summary

As of Date: 2015/01/31



Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	3.05												
2014	-1.15	2.21	1.53	1.51	1.56	1.36	1.76	-0.80	-0.78	0.40	2.37	0.59	11.01
2013	3.69	-0.05	2.18	-0.26	5.16	-3.55	3.18	2.19	4.60	2.30	-1.08	3.07	23.25
2012	3.69	1.34	0.32	1.85	-1.70	0.80	3.38	2.32	1.22	3.48	1.18	1.74	21.33

Source: Morningstar Direct

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