

Portfolio and underlying funds performances (* annualised)

As of Date: 2015/03/31

	3 Months	YTD	1 year	2 Years*	3 Years*	4 Years*
PFPS Cautious	4.93	4.93	13.00	12.54	13.98	11.74
South African MA Low Equity	3.48	3.48	10.30	10.04	11.37	10.63
SA CPI +3%	1.01	1.01	6.92	7.92	8.23	8.45
Analytics Ci Managed Equity A	6.54	6.54	9.75	15.92	16.79	14.28
Investec Diversified Income A	2.49	2.49	6.97	6.12	7.36	8.36
Investec Global Strategic Managed FF A	7.47	7.47	19.86	23.30	24.79	20.92
Investec Money Market R	1.53	1.53	5.98	5.56	5.44	5.44
Nedgroup Inv Global Equity FF A	6.34	6.34	18.81	27.71	27.30	25.08
Old Mutual SA Quoted Property	12.92	12.92	42.24	19.41	24.11	22.75
STANLIB Bond A	2.79	2.79	11.21	5.47	8.66	9.95
STANLIB Income R	1.72	1.72	5.28	5.74	6.21	6.54

Investment Comments

With the FTSE/JSE All Share Index sniffing once again at the 53,000 level it is time to take a step back and assess just where we stand as investors who are compelled by legislation to keep the bulk of retirement-funding assets in the South African markets. By both short term and long term measures our equity market is expensive. The 12 month historical price-to-earnings ratio (PE) sits at around 20x. The longer term PE, based on cyclically averaged earnings, is estimated by Stanlib to be around 29x. This is slightly higher than the similar ratio for the S&P 500 Index of shares in the USA – the most widely followed index of shares in the world. The yield on the generic 10-year South African government bond has been falling for at least the last 15 years, offering a current yield of 7.65% compared with a 15-year average of 9.10%. In the USA, the generic 10-year Treasury Bond has been falling for the last 35 years, from a peak of 16% on the early 1980s to a current level of a mere 1.86%. These bond markets are by no means cheap relative to history.

The expensive nature of domestic investment markets (particularly equities) means that we must still consider a significant offshore exposure in our domestic multi-asset portfolios. However, instead of relying on the ZAR to boost returns we should rather be focusing on underlying returns driven by fundamentals and hope that these returns will be sufficient to offset any periods of ZAR strength (or USD weakness) that we may have to weather in the short term.

As pointed out by Sarasin in London, the negative bond yields are a reflection of the fact that the ECB is now a “forced buyer” of sovereign bonds and that Mario Draghi actually has more money to spend than there are bonds available in Europe. Relative to developed nation government bonds, our domestic bond market looks appealing and offshore markets may only offer some attraction in the higher yielding, albeit more risky, arena where credit ratings will be very important. For the month of March the FTSE/JSE All Share Index returned -1.3%, Resources returned -8.9%, and Financials and Industrials giving returns of 2.9% and -0.6% respectively.

PFPS CAUTIOUS PORTFOLIO

March 2015



Investment Strategy

The fund's objective is to provide stable capital growth while maintaining a high level of income. The probability of capital loss over the medium term is low. Furthermore, the fund aims to preserve capital while exhibiting low 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: **Low**



Underlying Holdings

Investec Diversified Income Fund	32%
STANLIB Bond Fund	10%
Analytics Ci Managed Equity Fund	15%
Nedgroup Investments Global Equity FF	11%
Investec Global Strategic Managed FF Fund	8%
Old Mutual SA Quoted Property Fund	8%
Stanlib Income Fund	9%
Investec Money Market Fund	7%
Annual Average Weighted fund fees**	0.68%
Annual Management fee – Analytics	0.20%
Annual Consulting fee - PFPS	0.20%

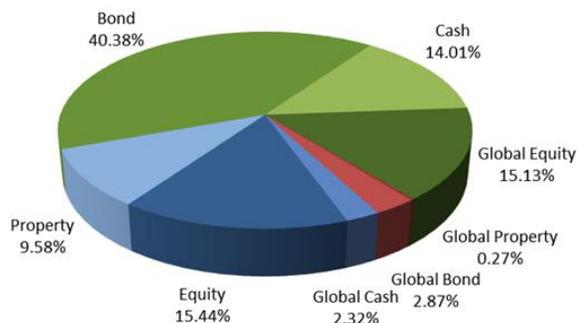
Top 10 SA Equities

1 Anglo American	6 BHP Billiton
2 British American Tobacco	7 Nedbank Group
3 MTN Group	8 Firstrand
4 Naspers	9 Mondi
5 Sasol	10 Impala Platinum

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.

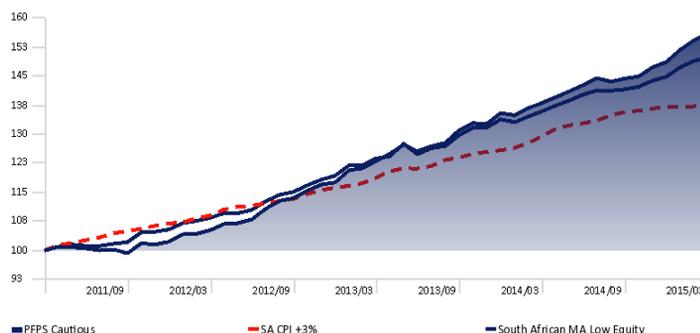
Asset Allocation



Please note: Asset allocation is one month lagged.

Investment Returns

Time Period: 2011/04/01 to 2015/03/31



Performances

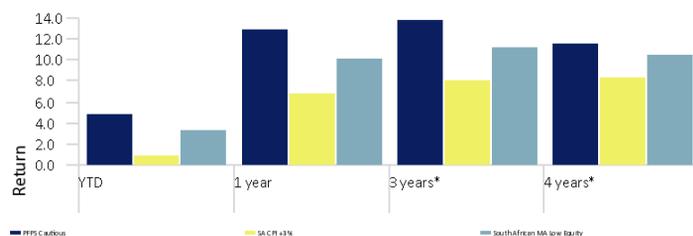
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*Returns are simulated and based on the underlying funds at the initial weightings and are net of published asset manager fees. Returns greater than a year have been annualised.

Return Summary

As of Date: 2015/03/31



Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	2.13	1.51	1.21										
2014	-0.42	1.32	0.97	1.09	1.11	1.12	1.29	-0.63	0.55	0.38	1.61	0.95	9.71
2013	2.67	0.38	1.59	1.45	1.92	-1.35	1.04	0.68	2.53	1.41	-0.14	2.10	15.18
2012	1.84	0.13	0.90	1.49	0.22	0.86	2.57	1.85	0.59	1.72	1.33	0.49	14.91

Source: Morningstar Direct

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