

## WEBSITE MONTHLY REPORTS

# SALA PENSION FUND

### FINANCIAL POSITION AND PERFORMANCE

As a result of the movements in the financial markets the SALA Fund's total assets is R11 947 381 540 as at the end of January 2014. For the month of January the Active Members' portion of the total Fund returned -0.31%, DC Members returned -0.57% whilst the Pensioners Members' portion returned 0.49% p.a. Over the past 5 years to 31 January 2014 the total Fund returned 14.54% p.a.

### FINANCIAL MARKET OVERVIEW

The domestic market felt the full brunt of the emerging market turmoil as investors were worried over the similarities between South Africa and Turkey, given that both countries run large current account and fiscal deficits and have large external debt positions. Rising interest rate expectations were validated when the Reserve Bank announced an interest rate hike at their meeting on the 29<sup>th</sup> of January. The 0.5% rate hike was seen as a reinforcement of the Reserve Bank's inflation targeting credibility, given the sharp deterioration in its inflation outlook. Despite a rise in expected inflation, the economic growth outlook was revised lower.

The FTSE/JSE All Share Index shed 2.4% of its value. The industrial sector lost 4.9% whilst the financial sector tumbled by 7.1%. Domestic orientated companies suffered from the interest rate announcement and more evidence that the consumer is under strain. Vehicle sales for January slumped and private sector credit extension slowed down. Resources shares, however, benefitted from the depreciation in the rand and rose by 5.7%. Gold shares were the best performing shares during the month as they benefitted from the weaker currency, the rise in the gold price as well as news out of Ghana that they will put a windfall tax on gold miners on hold. Despite an improving global backdrop and a more competitive exchange rate, South African manufacturers have not been able to take advantage of this and manufacturing data remained weak.

Massive foreign selling of domestic bonds to the tune of almost R23bn, coupled with the interest rate hike decision, pushed bond yields higher and the All Bond Index lost 3.2%. Listed property followed the bond index lower and lost 7.1% during the month. The rand depreciated by 5.7% to touch a 5 year low against the US dollar. On top of general emerging market concern, the industrial action in the mining sector soured investor sentiment towards South Africa. The platinum industry has been in lock-down due to extra-ordinary high wage demands from unions that has led to prolonged strikes.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1,782.6	-3.6%	1.5%	5.7%	-3.6%	19.0%
Nasdaq	4,103.9	-1.7%	4.7%	13.2%	-1.7%	30.6%
MSCI Global Equity	1,598.5	-3.8%	-0.3%	6.0%	-3.8%	13.7%
MSCI Emerging Mkt	936.5	-6.6%	-9.5%	-1.2%	-6.6%	-12.4%
<b>Global Bond (US\$)</b>						
Global Bonds	509.8	1.6%	-0.7%	1.7%	1.6%	-1.6%
<b>Commodity Prices</b>						
Brent Oil (USD/Barrel)	107.1	-3.4%	-1.5%	-0.8%	-3.4%	-7.3%
Platinum (USD/oz)	1,378.2	0.5%	-5.0%	-4.1%	0.5%	-17.6%
Gold (USD/oz)	1,244.6	3.2%	-5.9%	-6.0%	3.2%	-25.2%
<b>South African Mkt (Rand)</b>						
Africa All Share	5,702.3	-2.4%	-0.6%	11.1%	-2.4%	14.9%
Africa Top 40	5,127.6	-2.1%	0.0%	11.9%	-2.1%	15.8%
Africa Resource 20	2,967.3	5.7%	5.3%	18.6%	5.7%	4.7%
Africa Financial 15	5,418.0	-7.1%	-7.4%	5.3%	-7.1%	7.4%
Africa Industrial 25	9,059.8	-4.9%	-0.8%	10.1%	-4.9%	26.9%
Africa Mid Cap	10,819.3	-4.0%	-3.8%	5.9%	-4.0%	8.6%
Africa Small Cap	14,374.4	-1.4%	-1.5%	11.0%	-1.4%	19.7%
All Bond Index	422.5	-3.2%	-3.5%	-0.7%	-3.2%	-2.7%
Stefi Composite	295.5	0.4%	1.3%	2.6%	0.4%	5.2%
Africa SA Listed Property - (SAPY)	1,295.9	-7.1%	-9.0%	-3.4%	-7.1%	-0.3%
MSCI Global Equity (R)		3.3%	10.2%	19.5%	3.3%	41.0%
Global Bonds (R)		9.0%	9.7%	14.7%	9.0%	22.0%
Rand Dollar Exchange Rate	11.11	7.3%	10.5%	12.7%	7.3%	24.0%