

**WEBSITE MONTHLY REPORTS
SALA PENSION FUND**

The domestic equity market benefitted from the prospect of further quantitative easing in the US as it lifted sentiment and pushed risky asset prices higher during the month. The FTSE/JSE All Share Index gained 3.6%, ending the month above the 30,000 level. The bourse was driven higher by the 8.5% surge in the price of resources shares. The financial sector suffered, ending the month 3.0% lower due to HSBC's withdrawal from the Nedbank take-over deal and the announcement of massive job cuts at Standard Bank. Foreign investors once again turned net buyers of the domestic equity market.

The Finance Minister delivered a prudent Medium Term Budget Policy Statement, forecasting that the budget deficit for the fiscal year will narrow from 6.2% of GDP to 5.3%. His projections for the next few years showed that the deficit continues to narrow over the forecasted timeline. The Speech held few surprises, although he did announce a relaxation in foreign exchange controls. The initial measures pertain mostly to rules on individuals, but further relaxation will be announced soon. The rand weakened somewhat on the news of looser exchange controls, but not to a large degree as the measures that were presented do not translate into an immediate mass outflow of capital. The rand ended the month only 0.4% weaker at R6.98 against the dollar.

The bond market experienced a volatile month, but better than expected inflation figures resuscitated hopes for additional interest rate relief and the All Bond Index closed 1.0% higher. Consumer price inflation moderated more than expected to 3.2% in September from 3.5% the previous month. Underlying price pressures remain absent. It is to be seen what impact the government's proposed *New Growth Path* plan will have on inflation, as it will aim to create an additional 5 million jobs by 2020 and reduce the unemployment rate from the current 25% to 15%. The *New Growth Path* follows on *ASGISA*, which aimed to halve unemployment between 2004 and 2014. *ASGISA* died a quiet death.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1,183.3	3.7%	7.4%	-0.3%	6.1%	14.2%
Nasdaq	2,507.4	5.9%	11.2%	1.9%	10.5%	22.6%
MSCI Global Equity	1,222.2	3.6%	8.7%	2.0%	4.6%	10.5%
MSCI Emerging Mkt	1,105.8	2.8%	11.5%	8.4%	11.8%	20.9%
Global Bond (US\$)						
Global Bonds	499.6	1.3%	5.8%	10.9%	9.8%	7.7%
Commodity Prices						
Brent Oil (USD/Barrel)	82.5	1.6%	5.6%	-3.9%	6.9%	10.7%
Platinum (USD/oz)	1,707.0	3.1%	8.6%	-1.1%	16.2%	28.8%
Gold (USD/oz)	1,359.6	3.8%	15.1%	16.3%	24.0%	30.1%
South African Mkt (Rand)						
Africa All Share	3,501.2	3.6%	8.6%	7.8%	12.5%	18.3%
Africa Top 40	3,124.1	3.7%	8.6%	7.0%	10.6%	17.0%
Africa Resource 20	2,647.1	8.5%	9.7%	4.2%	4.6%	13.6%
Africa Financial 15	3,239.4	-3.0%	1.0%	1.7%	12.2%	13.7%
Africa Industrial 25	4,087.3	1.5%	11.0%	14.4%	19.8%	24.5%
Africa Mid Cap	7,081.8	2.7%	8.4%	13.3%	25.5%	26.7%
Africa Small Cap	8,276.6	4.0%	11.3%	7.0%	16.5%	21.1%
All Bond Index	344.8	1.0%	4.8%	9.0%	15.3%	16.8%
Stefi Composite	248.1	0.5%	1.6%	3.4%	5.8%	7.1%
Africa SA Listed Property - (SAPY)	855.0	1.4%	8.0%	13.9%	27.4%	29.9%
MSCI Global Equity (R)		4.1%	4.1%	-3.5%	-1.3%	-1.2%
Global Bonds (R)		1.7%	1.4%	4.9%	3.6%	-3.7%
Rand Dollar Exchange Rate	6.98	0.4%	-4.2%	-5.4%	-5.6%	-10.6%

As a result of the movements in the financial markets the SALA Fund's total assets grew to R7,949,781,716 as at the end of October 2010. For the month of October the Active Members' portion of the total Fund returned 1.85% whilst the Pensioners Members' portion returned 1.36% p.a. Over the past 5 years to 31 October 2010 the total Fund returned 14.51% p.a.