

## 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 R14 008 854 546 as at the end of December 2015. For the 12 months up to December the Active Members' portion of the total Fund returned 12.52%, DC Members returned 11.69% whilst the Pensioners Members' portion returned 10.42% p.a. Over the past 5 years to 31 December 2015 the total Fund returned 14.02% p.a.

### FINANCIAL MARKET OVERVIEW

December proved to be a catastrophic month for local financial markets that capped a poor year for domestic investment returns. It started with a downgrade to the country's credit rating by international rating agency Fitch. Thereafter, Standard & Poor's surprised by changing its long-term foreign currency credit rating for

South Africa from "stable" to "negative", which left it teetering on junk status. The largest surprise, however, happened on the 9th December when President Zuma removed Finance Minister Nhlahla Nene from his position and replaced him by an industry unknown, David van Rooyen. Due to the severe negative market reaction, Nene's successor only served for 4 days before being replaced by former Finance Minister, Pravin Gordhan. The initial market reaction to Minister Nene's sacking included a sharp currency depreciation and a spike in the country's bond yields.

The FTSE/JSE All Share Index lost 1.7% during the month, with all the major sectors ending in negative territory. The financial sector tumbled by 6.1% as the axing of Finance Minister Nene triggered uncertainty over the local financial market and more specifically, the banking sector which plummeted by 17.3%. At the epicentre, it wiped out R150 billion of the sector's market value in one day. Some of the losses were recouped later in the month. The resources sector was the biggest loser for 2015 as the sector was down 36.4% for the year compared to industrials which gained 17.9%. The FTSE/JSE All Share Index underperformed cash with its return of 5.1% for the year.

The benchmark R186 bond started the month with a yield of 8.5%, but ended at 9.6% after it spiked to an intraday high of 10.6% on the 11<sup>th</sup> of December in the midst of the turmoil surrounding the Finance Minister debacle. The All Bond Index lost 6.7% during December, ending the year 3.9% lower. The rand was another casualty of the financial crisis and from an open of R14.43 at the end of November, it reached a peak of R16.07 before finally settling at R15.46 to the US dollar at the end of the month. Against the euro, the rand lost 10.4% during the month. Consumer price inflation for November edged up to 4.8% and the current account deficit for the third quarter widened more than expected to 4.1% of GDP from 3.1% the previous quarter. Consumer confidence hovered near 14 year lows and business confidence levels were at 5 year lows.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	2 043.9	-1.8%	6.5%	-0.9%	-0.7%	-0.7%
Nasdaq	5 007.4	-2.0%	8.4%	0.4%	5.7%	5.7%
MSCI Global Equity	1 662.8	-1.9%	5.1%	-4.2%	-2.7%	-2.7%
MSCI Emerging Mkt	794.1	-2.5%	0.3%	-18.3%	-17.0%	-17.0%
<b>Global Bond (US\$)</b>						
Global Bonds	492.5	0.5%	-1.5%	1.2%	-2.3%	-2.3%
<b>Commodity Prices</b>						
Brent Oil (USD/Barrel)	37.3	-16.6%	-23.2%	-41.2%	-35.0%	-35.0%
Platinum (USD/oz)	891.0	7.2%	-1.7%	-17.3%	-26.3%	-26.3%
Gold (USD/oz)	1 060.8	-0.3%	-4.9%	-9.6%	-10.3%	-10.3%
<b>South African Mkt (Rand)</b>						
Africa All Share	6 807.4	-1.7%	1.7%	-0.5%	5.1%	5.1%
Africa Top 40	6 150.4	-1.1%	2.5%	1.0%	7.5%	7.5%
Africa Resource 20	1 518.5	-1.9%	-19.7%	-33.2%	-36.4%	-36.4%
Africa Financial 15	7 536.3	-6.1%	-3.3%	-6.1%	1.1%	1.1%
Africa Industrial 25	13 168.6	-0.1%	7.3%	9.0%	17.9%	17.9%
Africa Mid Cap	12 460.3	-4.2%	-2.5%	-8.2%	-7.5%	-7.5%
Africa Small Cap	16 889.0	-8.9%	-4.5%	-8.2%	-3.9%	-3.9%
All Bond Index	462.1	-6.7%	-6.4%	-5.4%	-3.9%	-3.9%
Stefi Composite	331.6	0.5%	1.6%	3.2%	6.5%	6.5%
Africa SA Listed Property - (SAPY)	1 908.5	-6.1%	-4.7%	1.3%	8.0%	8.0%
MSCI Global Equity (R)		5.2%	17.6%	21.7%	31.3%	31.3%
Global Bonds (R)		7.7%	10.1%	28.6%	31.9%	31.9%
Rand Dollar Exchange Rate	15.46	7.2%	11.8%	27.0%	35.0%	35.0%