

MONTHLY INVESTMENT REPORT

31 August 2011

CPSA LAYWORKERS PENSION FUND

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FUTURE STRATEGY

The Fund is over weight Equities, under weight Bonds and Property and over weight SA Cash.

The Fund is fairly conservatively positioned to take advantage of current volatile market conditions.

The Fund is in the process to investigate individual member default options to form part of its investment strategy.

FUND MANAGER

Leo Vermeulen

FUND ADMINISTRATOR

Nuraan Desai

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CPSA Layworkers Pension Fund

FINANCIAL OVERVIEW

Local financial markets weren't spared the carnage that took place in international markets, but the FTSE/JSE All Share Index's return of -0.3% hides most of the extreme volatility that took place intra-month. At the bottom, the All Share Index was nearly 9% lower than at the start of the month. The resources sector suffered the worst from the downward revisions to global growth – ending 1.5% lower. Given the volatile conditions, the industrial and financial sectors fared well, gaining 0.3% and 1.2% respectively.

Domestic economic growth slowed down to 1.3% in the second quarter of this year, compared to a downwardly revised 4.5% in the first quarter. The manufacturing, mining and agricultural sectors contracted during this time. In response to the slowdown in domestic economic growth and the international developments, the South African Reserve Bank has indicated that they are willing to act. This has resulted in financial market participants pricing in the full possibility of an interest rate cut by next year February, notwithstanding current high inflation. Consumer price inflation for August accelerated to 5.3%.

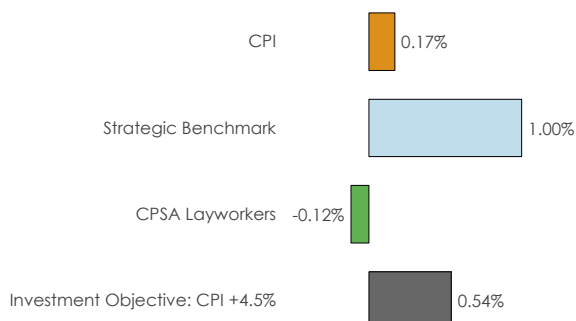
Local bond yields followed international bond yields lower, on the back of slower growth expectations and the potential for more accommodative monetary policy. The All Bond Index gained 3.5% and Listed Property, initially negatively impacted by the equity market sell-off, benefitted from lower bond yields to end the month 2.8% higher. The rand depreciated against the other major currencies and closed the month at R6.99 against the dollar.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1 218.9	-5.7%	-9.4%	-8.2%	-3.1%	16.2%
Nasdaq	2 579.5	-6.4%	-9.0%	-7.3%	-2.8%	22.0%
MSCI Global Equity	1 211.2	-7.3%	-10.6%	-10.4%	-5.4%	12.1%
MSCI Emerging Mkt	1 033.2	-9.2%	-11.5%	-6.7%	-10.3%	6.5%
Global Bond (US\$)						
Global Bonds	526.1	2.2%	4.8%	8.3%	8.6%	9.1%
Commodity Prices						
Brent Oil (USD/Barrel)	115.4	-1.1%	-0.9%	3.1%	21.8%	54.1%
Platinum (USD/oz)	1 846.5	3.7%	0.7%	2.1%	4.3%	21.1%
Gold (USD/oz)	1 826.1	12.2%	18.9%	29.4%	28.5%	46.4%
South African Mkt (Rand)						
Africa All Share	3 634.1	-0.3%	-4.3%	-2.4%	-1.8%	16.9%
Africa Top 40	3 250.3	-0.3%	-5.0%	-3.3%	-1.8%	17.7%
Africa Resource 20	2 581.4	-1.5%	-8.8%	-13.3%	-9.1%	14.2%
Africa Financial 15	3 333.5	1.2%	-3.5%	2.3%	0.6%	8.3%
Africa Industrial 25	4 535.2	0.3%	-1.2%	6.7%	4.9%	24.4%
Africa Mid Cap	7 247.8	-0.4%	-0.1%	3.4%	-1.4%	12.4%
Africa Small Cap	8 413.1	-1.9%	-2.1%	-0.5%	-5.0%	12.4%
All Bond Index	369.1	3.5%	5.2%	9.6%	7.4%	9.0%
Stefi Composite	260.2	0.5%	1.4%	2.8%	3.8%	6.0%
Africa SA Listed Property - (SAPY)	933.2	2.8%	5.6%	13.3%	7.3%	14.6%
MSCI Global Equity (R)		-3.0%	-8.0%	-10.0%	-3.0%	6.4%
Global Bonds (R)		6.9%	7.7%	8.8%	14.8%	3.5%
Rand Dollar Exchange Rate	6.99	4.6%	2.9%	0.5%	5.7%	-5.1%

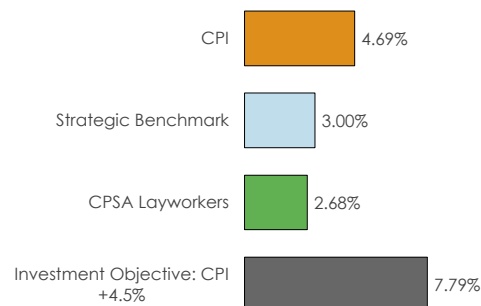
CPSA Layworkers Pension Fund

MARKET VALUES AND RETURNS

Monthly return for August 2011



Return from 1 January 2011 to 31 August 2011



The table below is the return matrix for the CPSA Layworkers Pension Fund's investment portfolio. It shows the various manager returns as well as that of the total portfolio for various periods and compares it with their respective benchmarks. The benchmark used for the portfolio is in line with its investment objective, which is CPI + 4.5% p.a. before fees.

	AG Equity	Mayibentsha	Futuregrowth IBF	Std MM Fund
Market Value	24 740 597	3 053 427	7 834 885	1 822 411
% of Fund	39.3%	4.9%	12.5%	2.9%
Monthly Return	0.55%	0.36%	n/a	0.44%
Benchmark	-0.32%	0.54%	n/a	0.47%
Out/ Under Perf	0.87%	-0.18%	n/a	-0.03%
Last 3 Months	n/a	0.32%	n/a	1.31%
Benchmark	n/a	2.58%	n/a	1.41%
Out/ Under Perf	n/a	-2.26%	n/a	-0.10%
Calendar YtD	n/a	2.63%	n/a	3.71%
Benchmark	n/a	7.79%	n/a	3.81%
Out/ Under Perf	n/a	-5.16%	n/a	-0.10%
Last 12 Months	n/a	7.93%	n/a	5.98%
Benchmark	n/a	10.06%	n/a	5.99%
Out/ Under Perf	n/a	-2.13%	n/a	-0.01%
Since Jan 2006	n/a	n/a	n/a	n/a
Benchmark	n/a	n/a	n/a	n/a
Out/ Under Perf	n/a	n/a	n/a	n/a
	Aug-11	Mar-07	Sep-11	Jun-06
Ann Since Inception	0.55%	6.95%	n/a	8.50%
Benchmark	-0.32%	11.94%	n/a	8.64%
Out/ Under Perf	0.87%	-4.99%	n/a	-0.14%

CPSA Layworkers Pension Fund

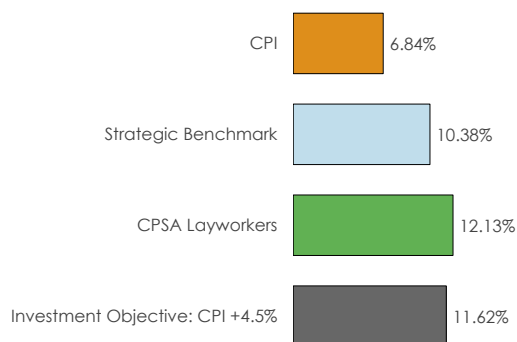
MARKET VALUES AND RETURNS

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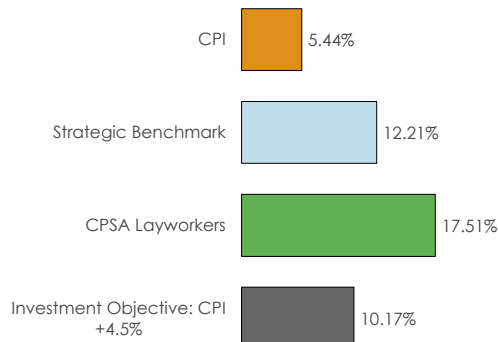
	Liberty Preferred	Liberty Liquid	Lib STMM	Total
Market Value	21 829 156	2 006 798	1 622 360	62 909 635
% of Fund	34.7%	3.2%	2.6%	100.0%
Monthly Return	-0.79%	0.46%	0.45%	-0.12%
Benchmark	0.98%	0.47%	0.47%	0.54%
Out/ Under Perf	-1.77%	-0.01%	-0.02%	-0.65%
Last 3 Months	-1.19%	1.33%	1.36%	-0.82%
Benchmark	-0.61%	1.41%	1.41%	2.58%
Out/ Under Perf	-0.58%	-0.08%	-0.05%	-3.39%
Calendar YtD	2.18%	3.56%	3.76%	2.68%
Benchmark	2.70%	3.81%	3.81%	7.79%
Out/ Under Perf	-0.52%	-0.24%	-0.04%	-5.11%
Last 12 Months	13.75%	5.47%	5.89%	8.78%
Benchmark	14.21%	5.99%	5.99%	10.06%
Out/ Under Perf	-0.46%	-0.52%	-0.10%	-1.28%
Since Jan 2006	83.42%	16.27%	n/a	91.31%
Benchmark	55.20%	58.92%	n/a	86.48%
Out/ Under Perf	28.22%	-42.64%	n/a	4.83%
	Aug-02	Jul-04	Nov-08	Aug-02
Ann Since Inception	14.72%	3.32%	n/a	17.51%
Benchmark	n/a	8.28%	n/a	10.17%
Out/ Under Perf	n/a	-4.96%	n/a	7.34%

LONGER TERM RETURNS

Annualised Return from 1 January 2006



Annualised Return from August 2002



CPSA Layworkers Pension Fund

FUND SPECIFIC ANALYSIS

The cash flow table below, gives an indication of the Rand value that has been added to the CPSA Layworker's portfolio. The added value is divided between cash in/out flows and the return achieved on the Fund's investments since January 2006 and January 2011.

	From Jan 06	From Jan 11
Market Value at Start	30 803 599	62 451 392
Cash In / Out Flow	1 474 476	(1 193 393)
Return	30 631 559	1 651 636
Current Market Value	62 909 635	62 909 635

The table below gives a recent history of money flows between managers, as well as portfolio in or out flows.

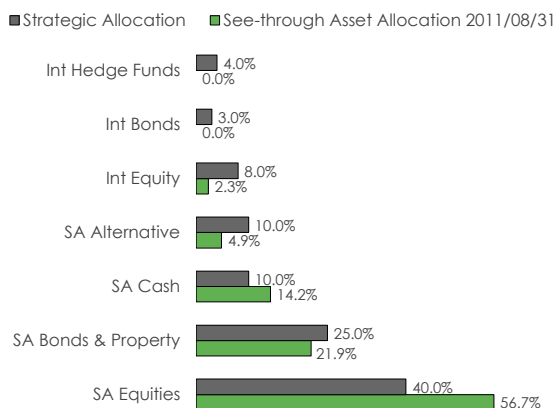
Date	Transferred From	Transferred To	Amount
1-Aug-11	Mayibentsha	Bank Account	9 748.66
11-Aug-11	AG Equity	Bank Account	3 114.38
12-Aug-11	Futuregrowth	Bank Account	543.15
16-Aug-11	Futuregrowth	Bank Account	3 886.31
17-Aug-11	AG Equity	Bank Account	11 408.52
24-Aug-11	AG Equity	Bank Account	97 220.70
25-Aug-11	Futuregrowth	Bank Account	17 460.12

The return table below shows the monthly returns added to the portfolio. It is compared to the CPSA Layworker's Investment Objective (to outperform CPI with 4.5% per annum after fees). The Fund's rolling annualised returns are indicated in the top line.

Period	Return	CPI + 4.5%
Annualised from 08/2002	17.51%	10.17%
Sep-10	2.44%	0.46%
Oct-10	1.01%	0.55%
Nov-10	0.82%	0.55%
Dec-10	1.55%	0.54%
Jan-11	0.99%	0.81%
Feb-11	0.60%	1.07%
Mar-11	0.32%	1.59%
Apr-11	0.91%	0.63%
May-11	0.66%	0.88%
Jun-11	-0.76%	0.80%
Jul-11	0.06%	1.22%
Aug-11	-0.12%	0.54%

PORTFOLIO STRATEGY

Fund See-through Asset Allocation



The CPSA Layworkers Fund is:

- over weight SA Equity
- under weight SA Bonds and Property
- over weight SA Cash
- under weight SA Alternatives
- under weight international

The CPSA Layworkers Pension Fund will maintain its conservative position in the months to come, as local equity valuations can be considered to be on the high side.

MANAGER COMPARISON

Manager	ALBI	Mayibentsha	Liberty Preferred
Inception Date	Aug-02	Mar-07	Aug-02
Ann Return since Inception	10.8%	7.0%	14.7%
Average Monthly return	0.9%	0.1%	1.2%
% Positive months	63.3%	70.2%	70.0%
% Negative months	36.7%	29.8%	30.0%
Maximum Drawdown	-6.7%	-6.0%	-10.7%
Standard Deviation	6.7%	5.6%	11.0%

NOVARE HOUSEVIEW MATRIX – July/August 2011

<p>RSA Equities</p> <p>The domestic economy will not be spared from the current slowdown in the global economy and its main trading partners. It is a temporary cyclical slowdown and should not result in a double dip recession. The slowdown has been evident in moderating manufacturing activity and the recent retail figures which came to an abrupt halt. High wage demands and strike action can complicate the business environment in the short run, while placing a dampener on longer term job creation. The fragile global economic environment and the local economy having lost some steam have caused the Reserve Bank to adopt a more dovish stance on monetary policy. Interest rates will be left lower for longer than what was initially expected. The equity market will be supported by the accommodative monetary policy environment and a still strong company earnings growth. Most of the risks stem from the slowdown in global growth and global developments, most of which have already been largely priced in.</p>	<p>RSA Bonds</p> <p>The current domestic economic slowdown and global developments have led to a more dovish stance from the Reserve Bank. Although the Reserve Bank has adjusted their inflation forecast slightly upwards, they still expect the breach of the upper end of their target to be temporary and that inflation will moderate again. In addition, they have focused more on the economic growth prospect which, at this stage, looks fragile. The market has already started to price in less aggressive monetary policy tightening from the Reserve Bank, but as global developments unfold, the Reserve Bank might just keep rates steady for longer. Given South Africa's favourable debt metrics and the attractive yield on offer from the 10 year bond, we have seen a lot of foreign interest for local bonds. We expect this to continue. We have changed our tactical position on bonds to on-weight from the previous underweight.</p>	<p>RSA Property, Alternatives & Cash</p> <p>The South African listed property market is in a much healthier position than its global counterparts, but growth in this sector is expected to remain muted. One of the reasons for this is that current property vacancy levels are above their longer term trend level; although prime properties have remained well buoyed while secondary properties have suffered. Another reason is that economic growth remains soggy and investors are not yet convinced of a sustainable recovery. The lower interest rate environment will benefit this sector. The yield on listed property is 7.3%, which compares favourably against that of cash's 5.5%. We remain on-weight listed property.</p> <p>Cash's low yield of 5.5% means this is our least favourite asset class, and instead, we see opportunities elsewhere.</p>																																																											
<p>International</p> <p>We have previously cautioned about slowing global economic conditions. More data has come out pointing towards a cyclical slowdown and market fears of a potential double dip economic recession should prove to be overdone. There are plenty macro-economic uncertainties abound. The European sovereign debt crisis requires decisive action (which has already started with the structuring of the second bail-out package for Greece), the US needs to lift its debt ceiling to prevent a potential default and at the same time implement austerity to prevent a sovereign rating downgrade and finally, the market remains worried over economic growth in China in light of their tighter monetary policy stance. Chinese growth for the second quarter of this year remained firm, surpassing expectations. Most of the other risks are already priced in, and given corporate earnings results that remain firm, the market can extend a bull rally should the short term concerns be alleviated. We remain overweight global equities given strong company earnings and the low global interest rate environment.</p> <p>The safe haven global bond markets have benefitted from the risk averseness of investors, but they are vulnerable to positive news flow. In addition, the US's safe haven status stands in jeopardy, should they not come to a resolution on lifting the debt ceiling and hence, default. We remain underweight government bond and prefer credit bonds to government issues.</p>	<p align="center">NOVARE HOUSE VIEW: July/August 2011</p> <p align="center">TACTICAL POSITIONING*</p> <table border="1"> <thead> <tr> <th></th> <th>UNDER-WEIGHT</th> <th>← ON-WEIGHT →</th> <th>OVER-WEIGHT</th> <th>PREVIOUS</th> </tr> </thead> <tbody> <tr> <td>DOMESTIC</td> <td>Under-weight</td> <td></td> <td></td> <td>Under-weight</td> </tr> <tr> <td>Equities</td> <td></td> <td></td> <td>110%</td> <td>110%</td> </tr> <tr> <td>Bonds</td> <td></td> <td>100%</td> <td></td> <td>95%</td> </tr> <tr> <td>Property</td> <td></td> <td>100%</td> <td></td> <td>100%</td> </tr> <tr> <td>Alternatives</td> <td></td> <td>100%</td> <td></td> <td>100%</td> </tr> <tr> <td>Cash</td> <td>Under-weight</td> <td></td> <td></td> <td>Under-weight</td> </tr> <tr> <td>OFFSHORE</td> <td></td> <td></td> <td>120%</td> <td>120%</td> </tr> <tr> <td>Equities</td> <td></td> <td></td> <td>105%</td> <td>105%</td> </tr> <tr> <td>Bonds</td> <td>85%</td> <td></td> <td></td> <td>85%</td> </tr> <tr> <td>Alternatives</td> <td></td> <td></td> <td>110%</td> <td>110%</td> </tr> <tr> <td>AFRICA</td> <td></td> <td>100%</td> <td></td> <td></td> </tr> </tbody> </table> <p>* positioning is as a % of strategic asset allocation</p>		UNDER-WEIGHT	← ON-WEIGHT →	OVER-WEIGHT	PREVIOUS	DOMESTIC	Under-weight			Under-weight	Equities			110%	110%	Bonds		100%		95%	Property		100%		100%	Alternatives		100%		100%	Cash	Under-weight			Under-weight	OFFSHORE			120%	120%	Equities			105%	105%	Bonds	85%			85%	Alternatives			110%	110%	AFRICA		100%		
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