

MONTHLY INVESTMENT REPORT

30 September 2011

CPSA PROVINCIAL PENSION FUND

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The Fund is currently under weight SA Equities, Bonds and Alternatives, but over weight Property, SA Cash and Internationals.

The Fund remains conservatively positioned to take advantage of the current volatile market conditions.

FUND MANAGER

Leo Vermeulen

FUND ADMINISTRATOR

Nuraan Desai

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CPSA Provincial Pension Fund

FINANCIAL OVERVIEW

Local asset prices plunged amidst concerns over global economic stagnation and a potential Greek default. The FTSE/JSE All Share Index ended, during a very volatile month, 3.6% lower. It was a broad based sell-off with resources 4.7% lower and financial and industrial shares down 3.3% and 3.4% respectively. The rand posted its largest daily loss since October 2008 and depreciated by 15.7% against the dollar during the month. It closed at R8.09 against the dollar.

The rand's sharp depreciation right before the Reserve Bank's Monetary Policy Committee meeting might have swayed some members from calling for an interest rate cut. The Reserve Bank left interest rates unchanged, but revised their economic growth forecasts lower. This is in conjunction with the deterioration in the growth of the leading economic indicator. The manufacturing sector is already struggling, with a 6% year on year contraction experienced in July. The manufacturing sector has continued to shed jobs, according to the latest employment data, while the public sector has been the employer of last resort. In contrast, consumer demand has been resilient according to growth in retail sales.

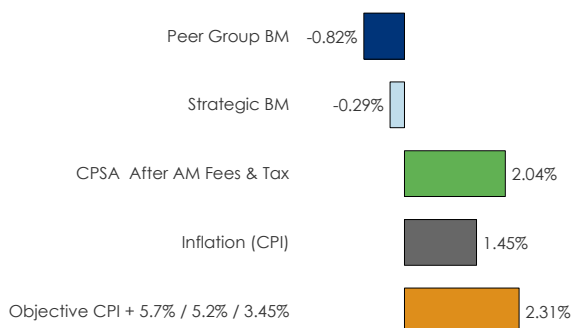
Even though inflation for August, at 5.3%, surprised to the downside, local bonds suffered severe withdrawals from international investors. Foreign investors withdrew more than R18bn from the bond market. The All Bond Index lost 2.1% - the same as the decline in the listed property sector during the month.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1 131.4	-7.2%	-14.3%	-14.7%	-10.0%	-0.9%
Nasdaq	2 415.4	-6.4%	-12.9%	-13.1%	-9.0%	2.0%
MSCI Global Equity	1 104.1	-8.8%	-17.1%	-17.3%	-13.7%	-6.4%
MSCI Emerging Mkt	880.4	-14.8%	-23.2%	-24.8%	-23.5%	-18.1%
Global Bond (US\$)						
Global Bonds	518.5	-1.4%	3.1%	6.5%	7.1%	5.2%
Commodity Prices						
Brent Oil (USD/Barrel)	105.9	-8.2%	-5.3%	-9.7%	11.8%	30.4%
Platinum (USD/oz)	1 525.5	-17.4%	-11.6%	-13.6%	-13.8%	-7.8%
Gold (USD/oz)	1 624.4	-11.0%	8.2%	13.4%	14.3%	24.1%
South African Mkt (Rand)						
Africa All Share	3 502.8	-3.6%	-5.8%	-6.4%	-5.4%	3.6%
Africa Top 40	3 120.4	-4.0%	-6.6%	-7.8%	-5.8%	3.6%
Africa Resource 20	2 460.0	-4.7%	-10.4%	-15.5%	-13.4%	0.9%
Africa Financial 15	3 222.4	-3.3%	-4.4%	-4.0%	-2.7%	-3.5%
Africa Industrial 25	4 380.7	-3.4%	-3.2%	0.5%	1.4%	8.8%
Africa Mid Cap	7 114.1	-1.8%	-2.0%	1.3%	-3.3%	3.1%
Africa Small Cap	8 383.9	-0.3%	-2.3%	0.0%	-5.3%	5.4%
All Bond Index	361.4	-2.1%	2.8%	6.8%	5.1%	5.9%
Stefi Composite	261.4	0.5%	1.4%	2.8%	4.3%	5.9%
Africa SA Listed Property - (SAPY)	913.4	-2.1%	2.2%	7.3%	5.0%	8.3%
MSCI Global Equity (R)		5.5%	-0.7%	-0.9%	5.5%	8.9%
Global Bonds (R)		14.0%	23.4%	27.6%	30.9%	22.3%
Rand Dollar Exchange Rate	8.09	15.7%	19.7%	19.8%	22.3%	16.3%

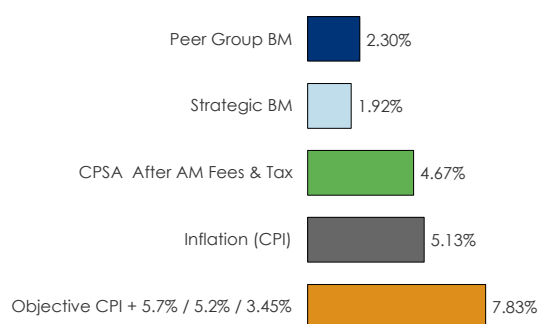
CPSA Provincial Pension Fund

MARKET VALUES AND RETURNS

Quarterly Return for September 2011



Return since 1 January 2011 up to 30 September 2011



The table below (and on the following page) is the return matrix for the CPSA. 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 + 5.7% p.a. and CPI + 5.2% p.a. from 1 January 2009.

	Investec Contrarian	Allan Gray	FG IBF	Liberty Cash	Sortino
Market Value	186 518 431	363 305 947	54 944 608	30 403 956	31 369 165
% of Fund	23.1%	45.0%	6.8%	3.8%	3.9%
Benchmark	JSE SWIX	AFGLMW	All Bond Index	n/a	JSE Listed Property
Monthly Return	-2.72%	2.25%	-1.01%	0.43%	-1.40%
Benchmark	-3.32%	-0.07%	-2.09%	n/a	-2.11%
Out/ Under Performance	0.59%	2.32%	1.08%	n/a	0.71%
Last 3 Months	-2.65%	4.51%	2.89%	1.41%	3.15%
Benchmark	-4.28%	-0.82%	2.81%	n/a	2.19%
Out/ Under Performance	1.63%	5.33%	0.08%	n/a	0.95%
Calendar YtD	-1.80%	7.52%	7.18%	4.18%	5.43%
Benchmark	-3.69%	2.30%	5.13%	n/a	5.01%
Out/ Under Performance	1.88%	5.22%	2.05%	n/a	0.41%
Last 12 Months	6.02%	11.54%	9.50%	7.58%	8.91%
Benchmark	4.14%	6.84%	5.92%	n/a	8.30%
Out/ Under Performance	1.88%	4.70%	3.58%	n/a	0.61%
Since July 2005	n/a	176.35%	87.82%	33.16%	n/a
Benchmark	n/a	125.67%	63.39%	n/a	n/a
Out/ Under Performance	n/a	50.67%	24.43%	n/a	n/a
	Sep-09	Jul-01	Dec-03	Feb-02	Jul-07
Ann Since Inception	12.16%	19.23%	11.08%	5.97%	11.25%
Benchmark	12.30%	14.59%	9.02%	n/a	11.96%
Out/ Under Performance	-0.13%	4.64%	2.06%	n/a	-0.71%

CPSA Provincial Pension Fund

MARKET VALUES AND RETURNS (CONTINUED)

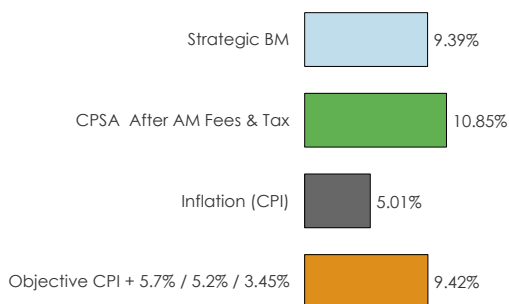
	FG CPF	NBAIUS	Mayibentsha Market Neutral	Mayibentsha Core	Mayibentsha Focused	Total
Market Value	16 628 442	53 704 083	17 501 150	35 149 819	17 677 989	807 203 589
% of Fund	2.1%	6.7%	2.2%	4.4%	2.2%	100.0%
Benchmark	CPI + 4%	60% MSCI/40% JPMGGB	CPI + 2.5%	CPI + 3.5%	CPI + 4.5%	CPI + 5.7% / 5.2%
Monthly Return	0.72%	7.59%	-0.13%	0.06%	-0.15%	0.67%
Benchmark	0.75%	8.90%	0.63%	0.71%	0.79%	0.71%
Out/ Under Performance	-0.03%	-1.30%	-0.76%	-0.65%	-0.94%	-0.04%
Last 3 Months	1.83%	6.18%	0.05%	0.47%	1.06%	2.04%
Benchmark	2.45%	8.51%	2.08%	2.32%	2.57%	2.31%
Out/ Under Performance	-0.62%	-2.34%	n/a	n/a	n/a	-0.28%
Calendar YtD	6.18%	14.72%	n/a	n/a	n/a	4.67%
Benchmark	8.25%	15.26%	n/a	n/a	n/a	7.83%
Out/ Under Performance	-2.07%	-0.54%	n/a	n/a	n/a	-3.16%
Last 12 Months	10.56%	13.85%	n/a	n/a	n/a	8.80%
Benchmark	9.90%	14.41%	n/a	n/a	n/a	9.32%
Out/ Under Performance	0.66%	-0.56%	n/a	n/a	n/a	-0.52%
Since July 2005	n/a	59.21%	n/a	n/a	n/a	140.59%
Benchmark	n/a	42.44%	n/a	n/a	n/a	100.94%
Out/ Under Performance	n/a	16.77%	n/a	n/a	n/a	39.65%
	May-07	Mar-04	Jul-11	Jul-11	Jul-11	Jul-02
Ann Since Inception	13.17%	6.49%	0.05%	0.47%	1.06%	15.74%
Benchmark	11.12%	5.70%	2.08%	2.32%	2.57%	11.04%
Out/ Under Performance	2.05%	0.79%	-2.03%	-1.85%	-1.51%	4.70%

LONGER TERM RETURNS

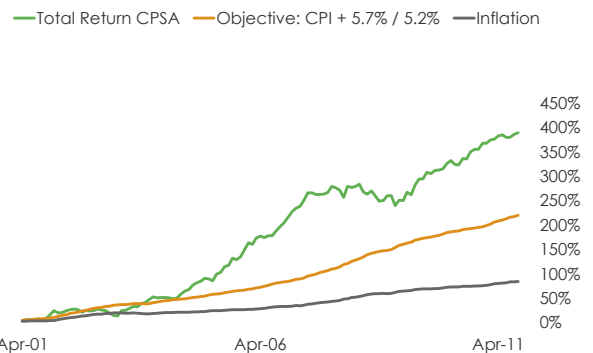
The Fund's Investment Objective is set over 3 year rolling periods. Longer term returns should be used to assess the Fund's performance when compared to its set Investment Objectives as short term market volatility may distort short term performance measurement.

The cumulative graph below shows the Fund performance since 1 Jan 2001. It is benchmarked against its Investment Objective i.e. CPI + 5.7% / 5.2% as well as inflation.

Last 36 Months Annualised Return



Cumulative Returns since 1 Jan 2001



CPSA Provincial Pension Fund

FUND SPECIFIC ANALYSIS

The **Return Table** below shows the monthly returns added to the portfolio. It is compared to the Fund's Investment Objective (i.e. to outperform CPI plus 5.7% / 5.2% / 3.45% per annum) and its strategic Benchmark.

Period	CPSA Net of Fees & Tax	Objective: CPI + 5.7% / 5.2% / 3.45%	Strategic Benchmark	Market Value History
Last 12 Months	8.80%	9.32%	7.03%	
Oct-10	1.12%	0.46%	2.47%	775 686 122
Nov-10	-0.01%	0.46%	-0.60%	773 318 900
Dec-10	2.81%	0.46%	3.09%	787 749 353
Jan-11	-0.02%	0.73%	0.01%	792 863 361
Feb-11	1.38%	0.99%	1.36%	798 339 522
Mar-11	0.45%	1.51%	0.02%	798 189 538
Apr-11	1.39%	0.54%	1.62%	809 873 149
May-11	0.44%	0.80%	0.36%	792 643 572
Jun-11	-1.07%	0.71%	-1.15%	798 495 267
Jul-11	0.13%	1.14%	-0.76%	797 491 742
Aug-11	1.23%	0.45%	0.92%	805 061 071
Sep-11	0.67%	0.71%	-0.43%	807 203 588

The **Cash Flow Table** below, gives an indication of the Rand value that has been added to the CPSA portfolio. The added value is divided between cash in/out flows and the return achieved on the Fund's investments over various periods.

	Since Jun 03	Since Jan 04	From 1 Jan 06	From 1 Jan 09	From 1 Jan 10	From 1 Jan 11
MV at Start	265 026 619	301 386 988	475 182 236	632 511 105	713 063 136	787 749 354
Cash In/Out Flow	(129 887 182)	(120 518 830)	(96 414 532)	(47 212 117)	(37 558 473)	(17 125 406)
Return	672 064 151	626 335 430	428 435 884	221 904 600	131 698 925	36 579 640
Current MV	807 203 588	807 203 588	807 203 588	807 203 588	807 203 588	807 203 588

Attribution Analysis measures the value added through stock and asset class selection, where the Fund's actual returns are compared to its benchmark return. The Asset Allocation out/under performance is the extra return achieved by the Fund by using tactical deviation from its long term strategic asset allocation. The Stock Selection out/under performance is the extra return achieved by the various Asset Managers of the Fund, by selecting equities/holdings which are different from the underlying benchmark indices.

	Last 12 Months	Last 3 Months	Last Month
CPSA Provincial PF Return	8.80%	2.04%	0.67%
Total Out/(Under) Performance of Benchmark	1.77%	2.32%	1.10%
Out/(Under) Performance due to Asset Allocation	0.07%	0.15%	0.41%
Out/(Under) Performance due to Stock Selection	1.70%	2.17%	0.70%
Residual Term	0.00%	0.00%	0.00%

The Fund's **Value at Risk** i.e. expected maximum loss over 20 working days at a 95% probability can be seen in the table. Compared to the sum of the individual Managers Value at Risk, it shows the diversification benefit achieved by combining various investment mandates.

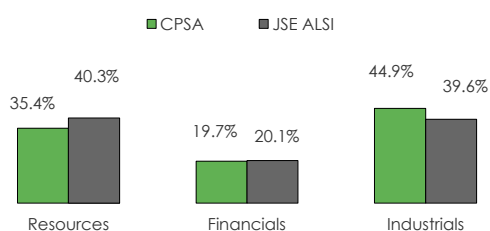
Portfolio Expected Return	0.46%
Portfolio Standard Deviation	0.76%
Individual Portfolio VaR	2.93%
Portfolio VaR	1.25%
Total Amount VaR	10 049 817

CPSA Provincial Pension Fund

FUND SPECIFIC ANALYSIS (CONTINUED)

Most recent strategic changes

Date	Transferred From:	Transferred To:	Amount
10-Mar-10	Allan Gray	Bank Account	3 000 000
29-Jun-10	Allan Gray	Bank Account	5 000 000
11-Aug-10	Allan Gray	Bank Account	5 000 000
07-Oct-10	Allan Gray	Bank Account	5 000 000
23-Dec-10	Allan Gray	Bank Account	20 000 000
07-Jan-11	Bank Account	Investec Contrarian Equity	10 000 000
22-Feb-11	Allan Gray	Bank Account	5 000 000
01-Mar-11	Allan Gray	Bank Account	5 000 000
13-Apr-11	Allan Gray	Bank Account	5 000 000
30-May-11	Allan Gray	Bank Account	20 000 000
06-Jun-11	Bank Account	Investec Contrarian Equity	20 000 000

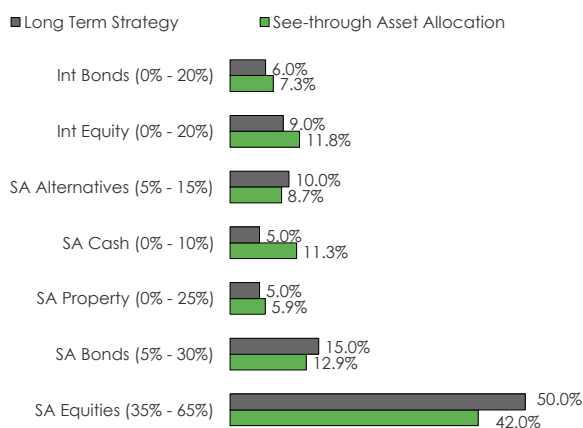


The Fund is currently underweight Resources, slightly underweight Financials and overweight Industrials. For the month of September, Financials was the best performing sector (-3.33%), followed by Industrials (-3.41%), and Resources (-4.7%).

CPSA Top 15 Shares	% of CPSA Equities	% JSE ALSI
SASOL	12.73%	4.85%
SAB	9.70%	6.60%
MTN GROUP	6.84%	5.59%
REMGRO	5.22%	1.17%
ANGLO	4.83%	10.03%
REINET INV SCA	4.65%	0.63%
HARMONY	4.21%	0.79%
STANBANK	4.01%	4.51%
ANGLOGOLD ASHANTI	3.66%	2.71%
SAPPI	3.12%	0.43%
SANLAM	2.98%	1.43%
JD GROUP	2.90%	0.20%
TELKOM	2.43%	0.24%
STEINHOFF	2.30%	0.77%
VODACOM	2.26%	0.65%

PORTFOLIO STRATEGY

Strategic vs. Actual Asset Allocation



The CPSA Pension Fund is currently:

- under weight equities
- under weight bonds
- slightly over weight property
- over weight cash
- under weight alternatives, and
- over weight international

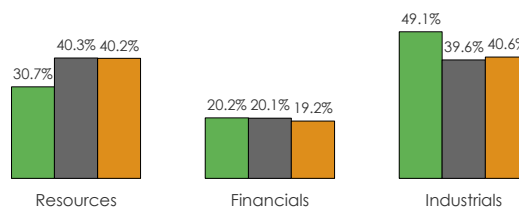
The Fund is fairly conservatively positioned to take advantage of current volatile market conditions.

CPSA Provincial Pension Fund

MANAGER PERFORMANCE

Equity Manager	Allan Gray	Investec Contrarian
Inception Date	Jul-01	Sep-09
Classification	Concentrated	Concentrated
Benchmark	AFGLMW	JSE SWIX
Return since Inception	506.80%	27.01%
Benchmark	303.98%	27.33%
Annualised Return	19.23%	12.16%
Benchmark	14.59%	12.30%
Information ratio	n/a	0.01
Sharp Ratio	n/a	0.14

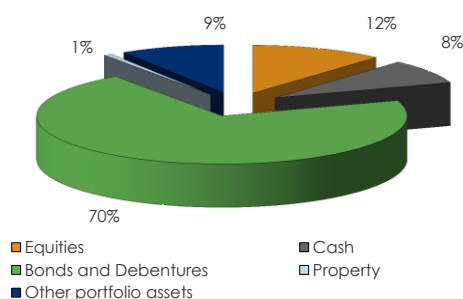
■ Allan Gray ■ JSE ALSI ■ Investec



Allan Gray was underweight Resources and significantly overweight Industrials whilst Investec had on on weight position in Resources at the end of September 2011. Sector allocation and stock selection still remains critical in the current economic environment.

Manager	FG CPF	FG IBF	Sortino
Inception Date	May-07	Dec-03	Jul-07
Return since inception	72.7%	127.8%	57.3%
Ann Return since inception	13.2%	11.1%	11.3%
Avg Monthly return	1.05%	0.89%	1.00%
% + months	96.2%	74.5%	58.8%
% - months	3.8%	25.5%	41.2%
Max Drawdown	-1.4%	-5.1%	21.7%
Std Deviation	n/a	6.1%	4.8%

Mayibentsha Strategic Asset Allocation



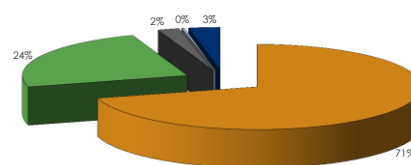
September proved to be a tough month across all hedge fund strategies, with all strategies posting diverse returns for the month. Equity long/short was the best performing strategy for the month followed by fixed income hedge. The market neutral strategy continues to muddle through tough current markets; managers are seeing a lot of opportunities but relative value pairs are not reverting. Mayibentsha Fund of Funds continued to remain defensively positioned within the context of the above.

CPSA Provincial Pension Fund

INTERNATIONAL MANAGER PERFORMANCE

Fund Name : Novare Global Balanced Fund Institutional
Manager : IFG Fund Administration Jersey Limited
Investment Advisor : Novare Investments (Pty) Limited
Custodian : BNP Paribas
Auditors : PricewaterhouseCoopers CI LLP
Trustee : BNP Paribas
Domiciled : Jersey, Channel Islands
Inception Date : March 2004
Benchmark : 60% MSCI Global Equity Index
 : 40% JP Morgan World Government Bond Index

NBAIUS Asset Allocation



Equities Bonds Hedge Funds Cash - USD African Property

	1 Month	3 Months	Year to Date	Since Mar 04
NBAIUS	7.59%	6.18%	14.72%	61.13%
Benchmark	8.90%	8.51%	15.26%	52.29%
Out/Under perf	-1.30%	-2.34%	-0.54%	8.84%
MSCI GEI	5.47%	-0.72%	5.47%	25.63%
JPM WGBI	14.04%	23.36%	30.91%	90.00%
Rand / \$ *	15.70%	19.70%	22.26%	21.60%

* Negative change indicates Rand strength

Underlying Managers of NBAIUS	Fund Allocation	3 Months	Year to Date	Last 12 Months	Since Mar 04
Global Equity	70.7%				
Morgan Stanley Global Brands (SICAV)	13.54%	12.0%	27.5%	17.9%	104.9%
Sarasin Global Thematic	14.31%	0.9%	4.0%	4.8%	0.0%
Templeton Global Equity	18.85%	-6.7%	4.1%	4.7%	0.0%
Franchise Partners	16.57%	11.3%	26.0%	n/a	0.0%
EMM Africa	2.90%	-1.2%	-10.5%	-14.1%	0.0%
MSCI Emerging Markets	4.49%	-11.7%	n/a	n/a	n/a
Global Bonds & Property	27.0%				
Franklin Templeton Global Bond	11.49%	10.2%	17.6%	4.3%	0.0%
Franklin Templeton Global Total Return	12.44%	10.2%	19.3%	7.4%	0.0%
Grand Towers	3.07%	n/a	n/a	n/a	n/a
Global Alternative	2.1%				
Woodbine	1.98%	20.1%	15.1%	-5.0%	0.0%
Quellos ILF Ltd	0.12%	6.6%	11.2%	-13.8%	0.0%
Global Cash	0.2%				
Cash	0.24%				

NOVARE HOUSEVIEW MATRIX – September/October 2011

<p>RSA Equities</p> <p>Industrial action and the global growth slow-down have put the brakes on the domestic economy. The union strikes have crippled the manufacturing sector and confidence levels (both business and consumer) have fallen. Data from the second quarter of this year indicated that the growth deceleration has been caused by cyclical components and that growth in the non-cyclical sectors of the economy actually strengthened. Although the employment backdrop remains weak, income growth has been strong and this has supported retail sales and household spending. Company earnings growth has also been robust so far, and although they are expected to moderate, equities are supported by attractive valuations. The Reserve Bank will have to keep monetary policy accommodative given the economic backdrop and this should add further support to the domestic equity market, but the economic backdrop will remain fragile given growing risks and hence we have pared back our overweight equity position.</p>	<p>RSA Bonds</p> <p>Foreign investors have remained strong buyers of the local bond market for the last few months, but we are aware that portfolio flows can reverse very quickly. Domestic inflation will be pushed by higher administered prices and wage negotiations, but rand strength and low core inflation should keep it contained. The Reserve Bank should keep interest rates unchanged, although there is the possibility that they might cut rates given the fragile global environment and its knock-on effects on domestic growth. The bond market has already started to discount the possibility of an interest rate cut by early 2012. The more accommodative interest rate environment, growth slow-down and low international bond yields all support current bond valuations, although great upside potential is limited. We remain on-weight bonds.</p>	<p>RSA Property, Alternatives & Cash</p> <p>The listed property market has benefitted from falling bond yields and the possibility of lower interest rates. There have, however, been downgrades to forecasted earnings in recent months and distribution growth has been, and is expected to remain, within single digits. This is in line with its long term average growth. There has been a lot of corporate action within the listed property sector and this has resulted in some cost savings. Further cost savings have come from restructuring of debt and interest costs. Quality portfolios continue to outperform and we have witnessed a downward trend in these portfolios' vacancy rates. The gap between bond yields and listed property yields have narrowed. We remain on-weight listed property.</p> <p>The money market (cash) remains our least favourite asset class, given its very low yield and more attractive opportunities that can be found elsewhere.</p>
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International

In a very short period, the global economic landscape has changed drastically. What initially seemed like a mid-cycle slowdown, turned out to be a substantive and broad based loss of economic momentum. Financial markets' violent reaction to recent data and events can be seen as a sign that investors have lost confidence in the decision makers and their ability to revive their economies. Global growth expectations have been revised lower to a large degree, especially for developed market economies, and the probability for recession has once again increased. In reaction, major central banks have given their commitment to continue to provide monetary stimulus to the affected economies, although investors fear that the tools available to the central banks are ineffective. While many economic variables have deteriorated, some remain positive. In the US, consumer demand has held up well and companies have been extremely profitable. Industrial production has also remained robust in light of forward looking indicators that have lost momentum.

Global equity valuations remain undemanding, and they will benefit from the ultra-low monetary policy. Although profit margins are at historical highs and should deteriorate, companies should continue to grow earnings. However, given all the global uncertainties and the small margin of error for policy makers, we have cut down our overweight position on equities to neutral.

US treasuries have benefited from a flight to safety, lower interest rates for longer and slower growth expectations. At current levels, they are overvalued, but there are few catalysts that can cause a spike in yields any time soon. We still prefer credit bonds and a short overall duration exposure.

NOVARE HOUSE VIEW: Sep / Oct 2011

TACTICAL POSITIONING*

	UNDER-WEIGHT	← ON-WEIGHT →	OVER-WEIGHT	PREVIOUS
DOMESTIC	Under-weight			Under-weight
Equities			105%	110%
Bonds		100%		100%
Property		100%		100%
Alternatives		100%		100%
Cash	Under-weight			Under-weight
OFFSHORE			120%	120%
Equities		100%		105%
Bonds	85%			85%
Alternatives			115%	110%
AFRICA		100%		

* positioning is as a % of strategic asset allocation

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