

MONTHLY INVESTMENT REPORT

31 December 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

The concerns over the failure to decisively resolve the European credit crisis continued to weigh in on the local market and foreigners once again shed their holdings of local equities. The FTSE/JSE All Share Index lost 2.5% which pushed its 2011 return down to 2.6%. The negative return in the equity market was driven by a 5.2% drop in the resources sector. Industrial shares ended the month 2.4% lower while financial shares bucked the trend and closed 1.9% higher. For the year, industrial shares were the best performers with a return of 10.5%. Financial shares gained 6.6% while resources shares ended the year in the red with a loss of 6.7%.

Domestic economic data released during the month was mixed. Retail sales remained strong, highlighting the resilience of household consumption demand that has been driving economic growth of late. In contrast, mining and manufacturing activity has been weak. Manufacturing data for October slumped on the back of lower vehicle production. Consumer price inflation rose slightly from 6.0% to 6.1% in November, breaching the upper limit of the Reserve Bank's target for the first time in 22 months. Inflation has been driven by higher food prices and transport costs. The Reserve Bank's forecast is for inflation to peak at 6.3% in the first quarter of 2012.

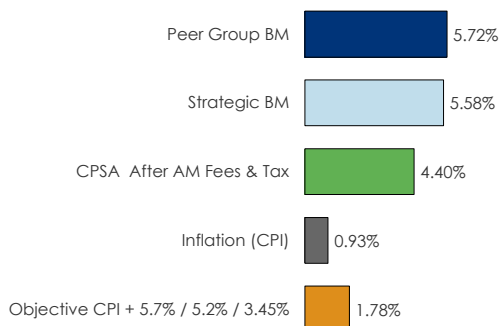
Bond yields had a volatile month, driven by foreign portfolio flows, but the All Bond Index firmed by 0.7% to push its year to date return to 8.8% - outperforming cash's return of 5.7%. Listed property achieved a return of 2.1% during the month that give it a year to date return of 8.9% - slightly outperforming bonds. Although depreciating mid-month, the rand clawed its way back against the US dollar to close the month marginally firmer at R8.07/dollar.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1 257.6	0.9%	11.2%	-4.8%	0.0%	0.0%
Nasdaq	2 605.2	-0.6%	7.9%	-6.1%	-1.8%	-1.8%
MSCI Global Equity	1 182.6	-0.2%	7.1%	-11.2%	-7.6%	-7.6%
MSCI Emerging Mkt	916.4	-1.3%	4.1%	-20.1%	-20.4%	-20.4%
Global Bond (US\$)						
Global Bonds	519.2	1.0%	0.1%	3.2%	7.2%	7.2%
Commodity Prices						
Brent Oil (USD/Barrel)	107.2	-4.1%	1.2%	-4.1%	13.2%	13.2%
Platinum (USD/oz)	1 394.0	-10.5%	-8.6%	-19.2%	-21.2%	-21.2%
Gold (USD/oz)	1 564.4	-10.3%	-3.7%	4.2%	10.1%	10.1%
South African Mkt (Rand)						
Africa All Share	3 796.4	-2.4%	8.4%	2.1%	2.6%	2.6%
Africa Top 40	3 383.9	-3.2%	8.4%	1.3%	2.2%	2.2%
Africa Resource 20	2 649.8	-5.2%	7.7%	-3.5%	-6.7%	-6.7%
Africa Financial 15	3 532.9	1.9%	9.6%	4.8%	6.6%	6.6%
Africa Industrial 25	4 773.5	-2.4%	9.0%	5.4%	10.5%	10.5%
Africa Mid Cap	7 700.4	1.3%	8.2%	6.1%	4.7%	4.7%
Africa Small Cap	8 951.4	3.8%	6.8%	4.3%	1.1%	1.1%
All Bond Index	374.1	0.7%	3.5%	6.4%	8.8%	8.8%
Stefi Composite	265.0	0.5%	1.4%	2.8%	5.7%	5.7%
Africa SA Listed Property - (SAPY)	947.5	2.1%	3.7%	6.0%	8.9%	8.9%
MSCI Global Equity (R)		-0.8%	6.8%	6.0%	12.6%	12.6%
Global Bonds (R)		0.4%	-0.2%	23.2%	30.7%	30.7%
Rand Dollar Exchange Rate	8.07	-0.6%	-0.3%	19.3%	21.9%	21.9%

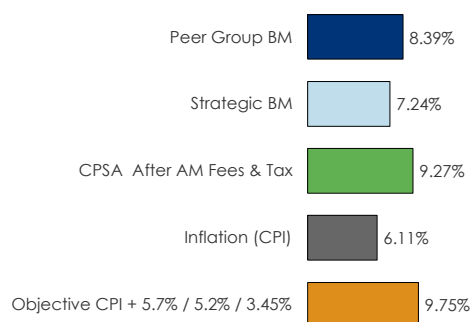
CPSA Provincial Pension Fund

MARKET VALUES AND RETURNS

Quarterly Return for December 2011



Return since 1 January 2011 up to 31 December 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	197 028 717	374 762 579	57 008 171	30 961 511	32 344 528
% of Fund	23.5%	44.7%	6.8%	3.7%	3.9%
Benchmark	JSE SWIX	AFGLMW	All Bond Index	n/a	JSE Listed Property
Monthly Return	-1.96%	-0.71%	1.72%	0.64%	1.67%
Benchmark	-1.38%	-0.21%	0.72%	n/a	2.10%
Out/ Under Performance	-0.59%	-0.50%	1.00%	n/a	-0.43%
Last 3 Months	5.88%	4.74%	3.95%	1.70%	3.11%
Benchmark	8.26%	5.72%	3.51%	n/a	3.73%
Out/ Under Performance	-2.38%	-0.97%	0.44%	n/a	-0.61%
Calendar YtD	3.97%	12.62%	11.41%	5.95%	8.71%
Benchmark	4.26%	8.39%	8.82%	n/a	8.93%
Out/ Under Performance	-0.29%	4.23%	2.59%	n/a	-0.22%
Last 12 Months	3.97%	12.62%	11.41%	5.95%	8.71%
Benchmark	4.26%	8.39%	8.82%	n/a	8.93%
Out/ Under Performance	-0.29%	4.23%	2.59%	n/a	-0.22%
Since July 2005	n/a	189.45%	95.23%	35.41%	n/a
Benchmark	n/a	139.11%	69.12%	n/a	n/a
Out/ Under Performance	n/a	50.34%	26.11%	n/a	n/a
	Sep-09	Jul-01	Dec-03	Feb-02	Jul-07
Ann Since Inception	13.54%	19.26%	11.25%	5.99%	11.35%
Benchmark	14.75%	14.85%	9.19%	n/a	12.17%
Out/ Under Performance	-1.21%	4.41%	2.06%	n/a	-0.82%

CPSA Provincial Pension Fund

MARKET VALUES AND RETURNS (CONTINUED)

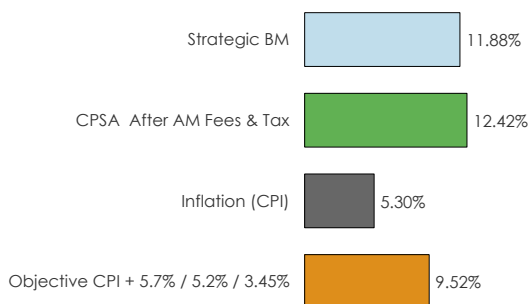
	FG CPF	NBAIUS	Mayibentsha Market Neutral	Mayibentsha Core	Mayibentsha Focused	Total
Market Value	16 438 226	55 617 978	18 044 302	36 758 406	18 687 769	837 652 188
% of Fund	2.0%	6.6%	2.2%	4.4%	2.2%	100.0%
Benchmark	CPI + 4%	60% MSCI/40% JPMGGB	CPI + 2.5%	CPI + 3.5%	CPI + 4.5%	CPI + 5.7% / 5.2%
Monthly Return	0.67%	-0.03%	0.48%	1.36%	1.27%	-0.52%
Benchmark	0.49%	-0.30%	0.37%	0.45%	0.53%	0.45%
Out/ Under Performance	0.18%	0.27%	0.11%	0.91%	0.74%	-0.97%
Last 3 Months	-1.04%	3.56%	3.10%	4.58%	5.71%	4.40%
Benchmark	1.92%	4.08%	1.55%	1.79%	2.04%	1.78%
Out/ Under Performance	-2.95%	-0.51%	n/a	n/a	n/a	2.62%
Calendar YTD	5.08%	18.81%	n/a	n/a	n/a	9.27%
Benchmark	10.33%	19.95%	n/a	n/a	n/a	9.75%
Out/ Under Performance	-5.25%	-1.15%	n/a	n/a	n/a	-0.48%
Last 12 Months	5.08%	18.81%	n/a	n/a	n/a	9.27%
Benchmark	10.33%	19.95%	n/a	n/a	n/a	9.75%
Out/ Under Performance	-5.25%	-1.15%	n/a	n/a	n/a	-0.48%
Since July 2005	n/a	64.88%	n/a	n/a	n/a	151.18%
Benchmark	n/a	48.25%	n/a	n/a	n/a	104.52%
Out/ Under Performance	n/a	16.64%	n/a	n/a	n/a	46.65%
	May-07	Mar-04	Jul-11	Jul-11	Jul-11	Jul-02
Ann Since Inception	12.17%	6.76%	3.16%	5.07%	6.84%	15.82%
Benchmark	10.94%	6.06%	3.66%	4.16%	4.66%	10.94%
Out/ Under Performance	1.23%	0.70%	-0.50%	0.91%	2.18%	4.87%

LONGER TERM RETURNS

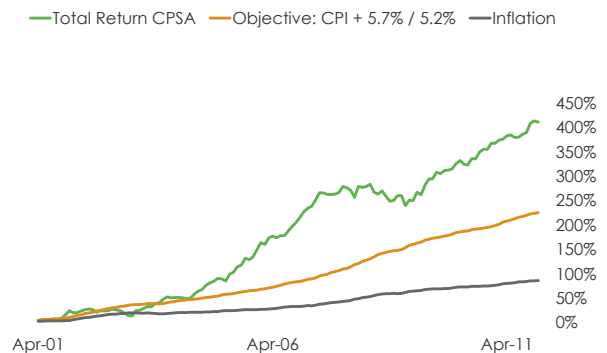
The Fund's Investment Objective is set over 3 year rolling periods. Longer term returns should be used to assess the Fund's performance when compared to its set Investment Objectives as short term market volatility may distort short term performance measurement.

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	9.27%	9.75%	7.24%	
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%	0.35%	792 643 572
Jun-11	-1.07%	0.71%	-1.14%	798 495 267
Jul-11	0.13%	1.14%	-0.74%	797 491 742
Aug-11	1.23%	0.45%	0.75%	805 061 071
Sep-11	0.67%	0.71%	-0.62%	807 203 588
Oct-11	3.89%	0.79%	5.75%	835 539 586
Nov-11	1.02%	0.53%	0.94%	844 402 442
Dec-11	-0.52%	0.45%	-1.09%	837 652 187

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	(134 870 788)	(125 502 436)	(101 398 138)	(52 195 722)	(42 542 079)	(22 109 011)
Return	707 496 355	661 767 635	463 868 088	257 336 804	167 131 130	72 011 844
Current MV	837 652 187	837 652 187	837 652 187	837 652 187	837 652 187	837 652 187

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	9.27%	4.40%	-0.52%
Total Out/(Under) Performance of Benchmark	2.02%	-1.18%	0.57%
Out/(Under) Performance due to Asset Allocation	0.17%	-0.26%	0.12%
Out/(Under) Performance due to Stock Selection	1.85%	-0.92%	0.45%
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.

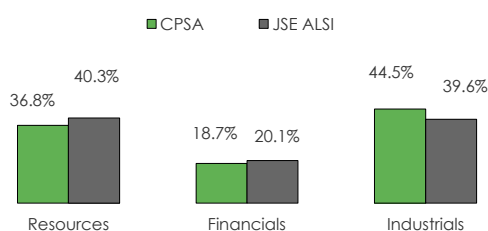
Portfolio Expected Return	0.52%
Portfolio Standard Deviation	0.91%
Individual Portfolio VaR	2.91%
Portfolio VaR	1.50%
Total Amount VaR	12 564 445

CPSA Provincial Pension Fund

FUND SPECIFIC ANALYSIS (CONTINUED)

Most recent strategic changes

Date	Transferred From:	Transferred To:	Amount
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
18-Oct-11	Allan Gray	Bank Account	5 000 000

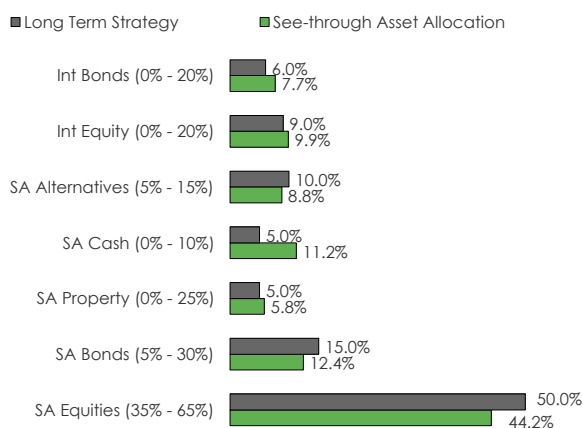


The Fund is currently underweight Resources, slightly underweight Financials and overweight Industrials. For the month of December, Financials was the best performing sector (1.9%), followed by Industrials (-2.4%), and Resources (-5.2%).

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

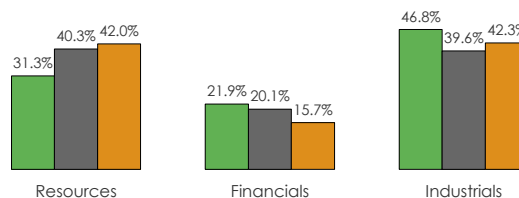
The Fund is fairly conservatively positioned to take advantage of current volatile market conditions.

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	535.58%	34.48%
Benchmark	328.03%	37.84%
Annualised Return	19.26%	13.54%
Benchmark	14.85%	14.75%
Information ratio	n/a	(0.05)
Sharp Ratio	n/a	0.18

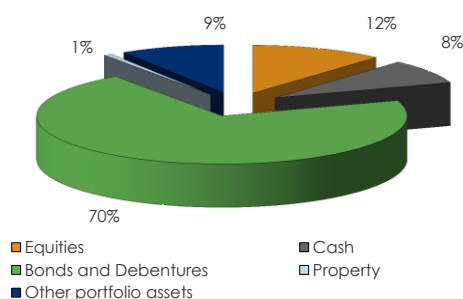
■ Allan Gray ■ JSE ALSI ■ Investec



Allan Gray was underweight Resources and significantly overweight Industrials whilst Investec had an overweight position in Resources at the end of December 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	70.9%	136.8%	62.2%
Ann Return since inception	12.2%	11.3%	11.3%
Avg Monthly return	0.97%	0.91%	1.01%
% + months	94.6%	74.2%	59.3%
% - months	5.4%	25.8%	40.7%
Max Drawdown	-1.4%	-5.1%	21.7%
Std Deviation	n/a	6.0%	4.7%

Mayibentsha Strategic Asset Allocation



Mayibentsha® Fund of Funds posted positive returns in December despite the FTSE/JSE All Share Index ending in the red. The best performing strategy for December 2011 was equity long short, mostly supported by good stock picking by managers. Fixed income managers also posted positive returns on average. Market neutral managers however posted diverse returns for December, with multi strategy ending slightly negative for the month.

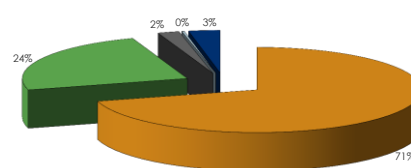
Going into 2012, Mayibentsha's underlying managers continue to position their portfolios cautiously and are maintaining low levels of exposure. Mayibentsha® Funds of Funds remain positioned to strive to deliver excellent risk adjusted returns and protect capital in the current volatile market.

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	-0.03%	3.56%	18.81%	66.87%
Benchmark	-0.30%	4.08%	19.95%	58.50%
Out/Under perf	0.27%	-0.51%	-1.15%	8.38%
MSCI GEI	-0.78%	6.80%	12.62%	34.17%
JPM WGBI	0.40%	-0.15%	30.71%	89.70%
Rand / \$ *	-0.61%	-0.30%	21.90%	21.24%

* 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%	4.4%	33.0%	33.0%	113.8%
Sarasin Global Thematic	14.31%	3.9%	8.0%	8.0%	0.0%
Templeton Global Equity	18.85%	4.8%	9.1%	9.1%	0.0%
Franchise Partners	16.57%	6.7%	34.5%	34.5%	0.0%
EMM Africa	2.90%	-1.6%	-11.9%	-11.9%	0.0%
MSCI Emerging Markets	4.49%	7.8%	n/a	-2.9%	n/a
Global Bonds & Property	27.0%				
Franklin Templeton Global Bond	11.49%	1.0%	18.7%	18.7%	0.0%
Franklin Templeton Global Total Return	12.44%	1.7%	21.3%	21.3%	0.0%
Grand Towers	3.07%	n/a	n/a	n/a	n/a
Global Alternative	2.1%				
Woodbine	1.98%	-7.1%	7.0%	7.0%	0.0%
Quellos ILF Ltd	0.12%	-4.2%	6.6%	6.6%	0.0%
Global Cash	0.2%				
Cash	0.24%				

NOVARE HOUSEVIEW MATRIX – December 2011

RSA Equities

The pace of domestic economic growth has been disappointing and the cyclical sectors of the economy (manufacturing, mining and agricultural) have had a negative contribution to GDP growth during the last two quarters. In contrast, the defensive sectors, and more specifically household consumption, have remained robust. The manufacturing sector should continue to work out the impact of industrial action from earlier this year, but the slowdown in the domestic economy's main trading partners will weigh in on the recovery. Sustained low interest rates will help to bring down household debt levels since debt servicing costs remain near all-time lows. This should support consumer demand. Equity valuations remain undemanding and although company earnings growth is peaking, earnings should remain healthy over the next two years as long as the economy avoids recession. Given the global risks that prevail, we are only slightly overweight equities as an asset class, although the return prospects are the most attractive across all asset classes.

RSA Bonds

As expected, inflation has been creeping higher, with October's inflation reading reaching 6%. The rand's disinflationary effect is waning and the acceleration in inflation has been broadening. The upward pressure from the rand's recent depreciation is becoming more severe as the duration of the rand's weakness persists. Although it is expected that the Reserve Bank will look past short term inflationary pressures and keep interest rates unchanged, the possibility of further interest rate cuts has diminished. The extension of the European crisis will keep foreign investors sidelined from the domestic bond market and upward pressure on bond yields have increased. We have moved underweight bonds from a previous on-weight position.

RSA Property, Alternatives & Cash

The outlook for distribution growth in the listed property market remains muted, with downside risks to the office segment in particular. Cost pressures from rising administered prices are a key threat. Industrial vacancies have fallen, but vacancy levels in the office and retail sectors have been rising. Listed property yields can come under pressure from rising bond yields. In lieu of the upside risks to the sector and the expectation of weak distribution growth over the next two years, we have reduced our on-weight position to the asset class to a slight underweight.

Money market yields will remain low and remains unattractive from an income yielding perspective. We will, however, allocate to this asset class should other asset classes fail to deliver a better expected return.

International

The failure of European officials to provide a concrete solution to the European crisis continues to dent investor sentiment as the expectations grow for some sort of Euro zone break-up. The European Central Bank has kept the crisis from spiraling out of control, but has refused to step in voluntarily to solve the solvency problem. Furthermore, political paralysis persists and leaders will only do enough to avoid a sustained Euro zone meltdown. At the same time, economic conditions in Europe have been deteriorating and forward looking indicators are now consistent with a recession in the region. In contrast, US economic data and indicators have been improving and their manufacturing sector has been more robust than what has been expected. Consumer demand and retail spending has also remained firm in the US.

The trade links between the US and Europe is limited and the slow-down in the European economy should have only a small impact on the US. It is the financial links between the two economies that pose the biggest threat should the Euro zone continue to deteriorate. The US Fed has already stepped in to provide additional liquidity to European banks that should help to re-establish confidence in the European banking sector and slow the pace of deleveraging.

Many central banks have started to ease monetary policy in recent months, and a period of monetary reflation may develop. Accommodative monetary policy and undemanding equity valuations make equities attractive from an asset class perspective, but we do take into consideration the many uncertainties and risks that are around. We remain underweight global developed bonds and instead, prefer higher yielding sovereign and corporate debt.

NOVARE HOUSE VIEW: December 2011

TACTICAL POSITIONING*

	UNDER-WEIGHT	← ON-WEIGHT →	OVER-WEIGHT	PREVIOUS
DOMESTIC	Under-weight			Under-weight
Equities			105%	105%
Bonds		90%		100%
Property		90%		100%
Alternatives		100%		100%
Cash	Under-weight			Under-weight
OFFSHORE			120%	120%
Equities		100%		100%
Bonds	85%			85%
Alternatives			115%	115%
AFRICA		100%		

* positioning is as a % of strategic asset allocation

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