

MONTHLY INVESTMENT REPORT

31 December 2011

CPSA LAYWORKERS PENSION FUND

FINANCIAL OVERVIEW

PORTFOLIO STRATEGY

MARKET VALUES AND RETURNS

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FUTURE STRATEGY

The Fund is over weight Equities, over 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

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.

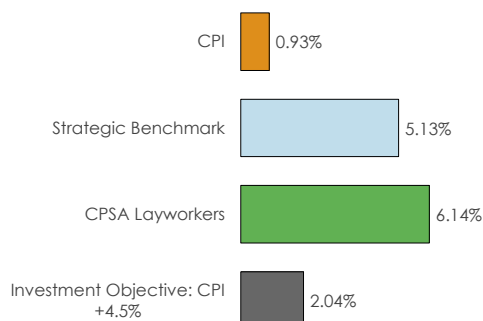
Bond yields had a volatile month, driven by foreign portfolio flows, but the All Bond Index firmed by 0.7% to push its year to date return to 8.8% - outperforming cash's return of 5.7%. Listed property achieved a return of 2.1% during the month that give it a year to date return of 8.9% - slightly outperforming 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%

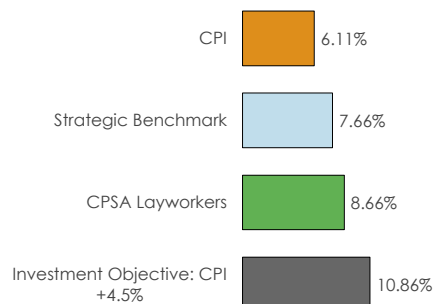
CPSA Layworkers Pension Fund

MARKET VALUES AND RETURNS

Quarterly return for December 2011



Return from 1 January 2011 to 31 December 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	25 704 323	3 121 607	15 829 810	2 363 121
% of Fund	38.7%	4.7%	23.8%	3.6%
Monthly Return	-1.33%	0.99%	1.72%	0.48%
Benchmark	-2.45%	0.53%	0.72%	0.47%
Out/ Under Perf	1.12%	0.46%	1.00%	0.01%
Last 3 Months	8.11%	4.65%	3.95%	1.41%
Benchmark	8.38%	2.04%	3.51%	1.39%
Out/ Under Perf	-0.27%	2.61%	0.44%	0.01%
Calendar YtD	n/a	7.10%	n/a	5.64%
Benchmark	n/a	10.86%	n/a	5.73%
Out/ Under Perf	n/a	-3.76%	n/a	-0.09%
Last 12 Months	n/a	7.10%	n/a	5.64%
Benchmark	n/a	10.86%	n/a	5.73%
Out/ Under Perf	n/a	-3.76%	n/a	-0.09%
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	7.98%	7.40%	1.72%	8.33%
Benchmark	4.13%	11.72%	0.72%	8.46%
Out/ Under Perf	3.85%	-4.32%	1.00%	-0.13%

CPSA Layworkers Pension Fund

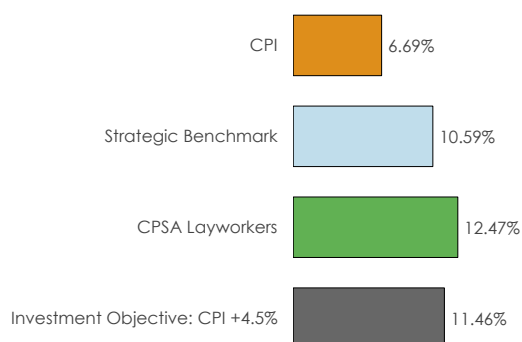
MARKET VALUES AND RETURNS

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.

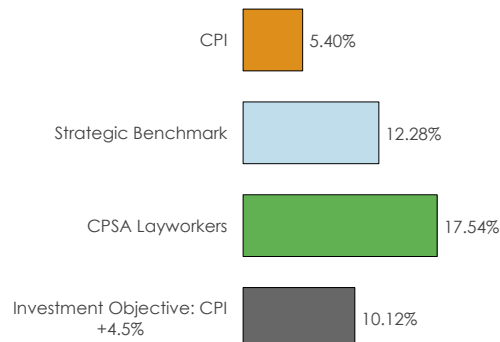
	Liberty Preferred	Liberty Liquid	Lib STMM	Foord International	Total
Market Value	5 691 076	2 034 153	1 722 651	9 925 647	66 392 388
% of Fund	8.6%	3.1%	2.6%	14.9%	100.0%
Monthly Return	3.01%	0.45%	0.48%	n/a	0.18%
Benchmark	-0.29%	0.47%	0.47%	n/a	0.53%
Out/ Under Perf	3.30%	-0.02%	0.01%	n/a	-0.36%
Last 3 Months	8.51%	1.33%	1.40%	n/a	6.14%
Benchmark	6.37%	1.39%	1.39%	n/a	2.04%
Out/ Under Perf	2.13%	-0.07%	0.00%	n/a	4.10%
Calendar YtD	11.30%	5.39%	5.68%	n/a	8.66%
Benchmark	6.94%	5.73%	5.73%	n/a	10.86%
Out/ Under Perf	4.36%	-0.34%	-0.05%	n/a	-2.20%
Last 12 Months	11.30%	5.39%	5.68%	n/a	8.66%
Benchmark	6.94%	5.73%	5.73%	n/a	10.86%
Out/ Under Perf	4.36%	-0.34%	-0.05%	n/a	-2.20%
Since Jan 2006	99.80%	18.32%	n/a	n/a	102.46%
Benchmark	61.61%	61.86%	n/a	n/a	91.78%
Out/ Under Perf	38.19%	-43.54%	n/a	n/a	10.67%
	Aug-02	Jul-04	Nov-08	Jan-12	Aug-02
Ann Since Inception	15.20%	3.41%	7.60%	n/a	17.54%
Benchmark	5.23%	8.16%	7.51%	n/a	10.12%
Out/ Under Perf	9.97%	-4.75%	0.09%	n/a	7.43%

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	2 984 996	62 451 392
Cash In / Out Flow	1 310 221	(1 357 648)
Return	62 097 171	5 298 644
Current Market Value	66 392 388	66 392 388

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

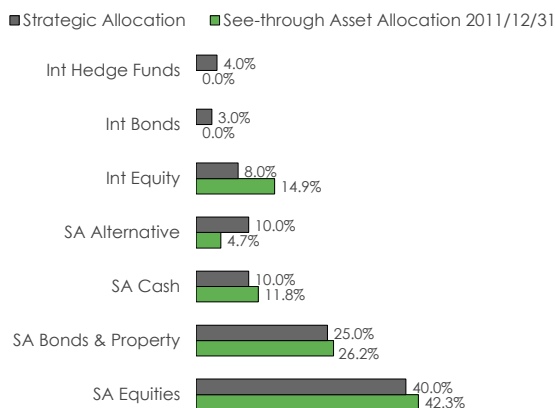
Date	Transferred From	Transferred To	Amount
1-Dec-11	Mayibentsha	Bank Account	12 424.52
5-Dec-11	Liberty Preferred	Food International	10 000 000.00
5-Dec-11	Futuregrowth	Bank Account	13 941.80
7-Dec-11	AG Equity	Bank Account	192.69
7-Dec-11	Liberty Preferred	Futuregrowth	7 935 965.41
13-Dec-11	Futuregrowth	Bank Account	118.15
19-Dec-11	Futuregrowth	Bank Account	75 869.76

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	17.54%	10.12%
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%
Sep-11	-0.29%	0.79%
Oct-11	5.44%	0.87%
Nov-11	0.48%	0.62%
Dec-11	0.18%	0.53%

PORTFOLIO STRATEGY

Fund See-through Asset Allocation



The CPSA Layworkers Fund is:

- over weight SA Equity
- over 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	10.5%	7.4%	15.2%
Average Monthly return	0.8%	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 – 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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