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Monthly Investment Report

31 December 2014

ANGLICAN CHURCH OF SOUTHERN AFRICA LAYWORKERS PENSION FUND

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The Fund is underweight Alternatives, Bonds and Property, while being overweight Cash, Equities and International assets.

The Fund is well 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 / Yole Smith**

FUND ADMINISTRATOR **Samantha Adams**

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FINANCIAL OVERVIEW

The rand was the recipient of several punches during the month that knocked it through key technical levels and saw it depreciate by 3.7% against the US dollar. During 2014, the rand lost 9.3% of its value against the dollar to close at R11.45 from R10.35 at the start of the year. The decline during the month was triggered by the strong US payroll number and the expectation for an earlier unwinding of ultra-accommodative monetary policy by the Fed. It was followed on by a worse than expected current account deficit, which remained stubbornly large at 6% of GDP during the third quarter, despite narrowing from 6.3% during the previous quarter. Concerns over rolling blackouts from Eskom continued to threaten the economy and the government's commitment to reduce the fiscal deficit was seen as the main reason for the country managing to avoid further sovereign credit rating downgrades when the credit rating agencies, Fitch and Standard & Poor's, announced their latest updates on South Africa's credit rating during the month.

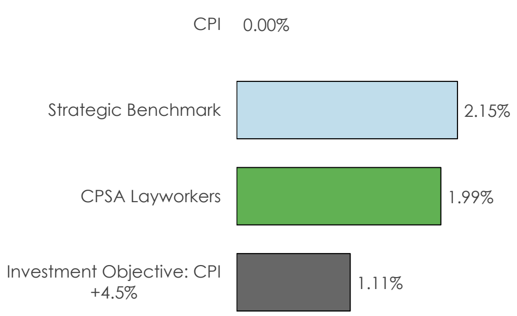
The local equity market followed other global equity markets by plunging during the first half of the month, but recovered most of its losses to end only 0.2% lower. For the year, the FTSE/JSE All Share Index gained 10.9%. The resources sector was the worst performing sector during the month as it declined by 5.2%. Industrial and financial shares had positive returns of 1.1% and 0.2% respectively. During 2014, the best performing equity sectors were the more defensive ones that had exposure to lower interest rates and/or a weaker currency. After three years of being net sellers of local equities, foreigners returned to be net buyers to the tune of R18.1bn during the year. They did, however, sell local bonds to the value of R5.7bn over the same period.

The All Bond Index lost 1.5% during December on the back of currency weakness and foreign selling, despite an improvement in inflation figures. Consumer price inflation moderated to 5.8% in November from 5.9% the previous month and inflation expectations receded as a consequence of the recent drop in oil and food prices. Listed property bucked the trend of higher bond yields and the sector gained 1.1% during the month. For the year, listed property was the best performing asset class with a return of 26.6%, benefitting from consolidation and new listings within the sector.

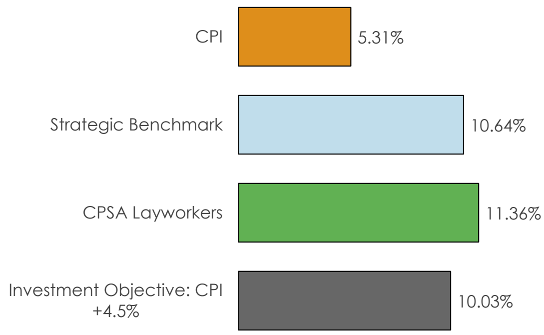
Global Equity (US$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	2,058.9	-0.4%	4.4%	5.0%	11.4%	11.4%
Nasdaq	4,736.1	-1.2%	5.4%	7.4%	13.4%	13.4%
MSCI Global Equity	1,709.7	-1.7%	0.7%	-1.9%	2.9%	2.9%
MSCI Emerging Mkt	956.3	-4.8%	-4.9%	-9.0%	-4.6%	-4.6%
Global Bond (US$)						
Global Bonds	504.1	-0.8%	-1.7%	-4.1%	0.4%	0.4%
Commodity Prices						
Brent Oil (USD/Barrel)	57.3	-21.2%	-39.5%	-49.1%	-48.3%	-48.3%
Platinum (USD/oz)	1,209.0	0.6%	-7.1%	-18.7%	-11.9%	-11.9%
Gold (USD/oz)	1,183.2	1.4%	-2.1%	-10.8%	-1.9%	-1.9%
South African Mkt (Rand)						
Africa All Share	6,475.3	-0.2%	1.4%	-0.8%	10.9%	10.9%
Africa Top 40	5,720.4	-0.5%	0.0%	-2.9%	9.2%	9.2%
Africa Resource 20	2,386.3	-5.2%	-19.8%	-25.1%	-15.0%	-15.0%
Africa Financial 15	7,457.6	0.2%	10.4%	9.8%	27.8%	27.8%
Africa Industrial 25	11,170.9	1.1%	7.2%	6.1%	17.2%	17.2%
Africa Mid Cap	13,477.0	1.1%	8.8%	10.8%	19.6%	19.6%
Africa Small Cap	17,578.1	1.8%	6.6%	8.7%	20.6%	20.6%
All Bond Index	481.0	-1.6%	4.2%	6.6%	10.1%	10.1%
Stefi Composite	311.5	0.5%	1.5%	3.1%	5.9%	5.9%
Africa SA Listed Property - (SAPY)	1,767.3	1.1%	11.1%	19.1%	26.6%	26.6%
MSCI Global Equity (R)		2.0%	2.2%	5.6%	13.9%	13.9%
Global Bonds (R)		2.9%	-0.2%	3.3%	11.1%	11.1%
Rand Dollar Exchange Rate	11.45	3.7%	1.5%	7.7%	10.6%	10.6%

MARKET VALUES AND RETURNS

Quarterly Return for December 2014



Return from 1 January 2014 to 31 December 2014



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 portoflio 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	23,697,750	3,343,480	9,741,489	7,265,686
% of Fund	25.0%	3.5%	10.3%	7.7%
Monthly Return	-0.23%	0.94%	-1.30%	0.58%
Benchmark	-0.19%	0.19%	-1.55%	0.52%
Out/ Under Perf	-0.04%	0.75%	0.25%	0.06%
Last 3 Months	0.35%	1.96%	4.63%	1.58%
Benchmark	1.36%	1.11%	4.25%	1.55%
Out/ Under Perf	-1.01%	0.86%	0.38%	0.03%
Calendar YtD	15.92%	9.49%	12.80%	6.01%
Benchmark	10.88%	10.03%	10.15%	5.90%
Out/ Under Perf	5.04%	-0.54%	2.66%	0.11%
Last 12 Months	15.92%	9.49%	12.80%	6.01%
Benchmark	10.88%	10.03%	10.15%	5.90%
Out/ Under Perf	5.04%	-0.54%	2.66%	0.11%
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	19.90%	8.90%	-1.30%	7.39%
Benchmark	18.31%	11.20%	-1.55%	7.43%
Out/ Under Perf	1.59%	-2.30%	0.25%	-0.04%

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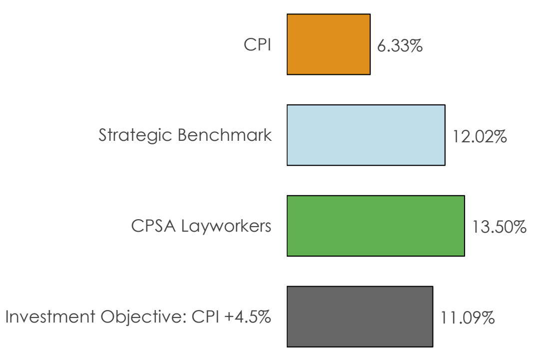
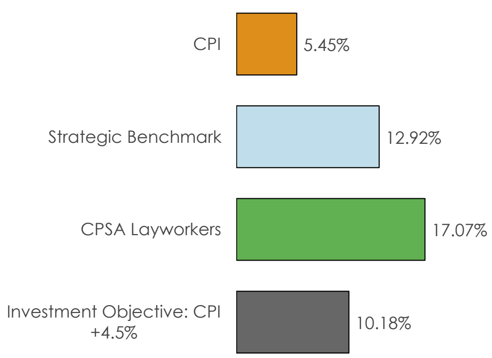
	Liberty Preferred	Liberty Liquid	Lib STMM	Foord International	Total
Market Value	29,225,802	909,679	2,150,628	18,390,014	94,724,530
% of Fund	30.9%	1.0%	2.3%	19.4%	100.0%
Monthly Return	0.63%	0.49%	0.58%	4.19%	0.78%
Benchmark	0.02%	0.52%	0.52%	1.96%	0.19%
Out/ Under Perf	0.61%	-0.03%	0.06%	2.23%	0.59%
Last 3 Months	2.71%	1.38%	1.61%	3.03%	1.99%
Benchmark	1.95%	1.55%	1.55%	2.19%	1.11%
Out/ Under Perf	0.76%	-0.17%	0.06%	0.85%	0.88%
Calendar YtD	12.29%	5.35%	6.26%	9.48%	11.36%
Benchmark	15.28%	5.90%	5.90%	13.87%	10.03%
Out/ Under Perf	-2.99%	-0.56%	0.36%	-4.39%	1.32%
Last 12 Months	12.29%	5.35%	6.26%	9.48%	11.36%
Benchmark	15.28%	5.90%	5.90%	13.87%	10.03%
Out/ Under Perf	-2.99%	-0.56%	0.36%	-4.39%	1.32%
Since Jan 2006	15.92%	n/a	n/a	n/a	13.50%
Benchmark	11.53%	n/a	n/a	n/a	11.09%
Out/ Under Perf	4.39%	n/a	n/a	n/a	2.41%
	Aug-02	**Jul-04**	**Nov-08**	**Jan-12**	**Aug-02**
Ann Since Inception	17.20%	3.96%	6.67%	21.24%	17.07%
Benchmark	8.23%	7.41%	6.55%	27.07%	10.18%
Out/ Under Perf	8.97%	-3.45%	0.12%	-5.83%	6.89%

LONGER TERM RETURNS

Annualised Return from 1 January 2006



Annualised Return from August 2002



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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 2012.

	From Jan 06	From Jan 14
Market Value at Start	2,984,996	89,236,017
Cash In / Out Flow	(5,172,346)	(4,220,525)
Return	96,911,880	9,709,038
Current Market Value	94,724,530	94,724,530

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

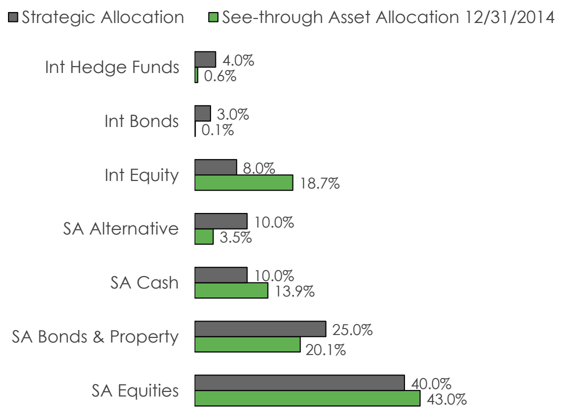
Date	Transferred From	Tranferred To	Amount
21-Nov-14	Foord International	Bank Account	6,871.12
1-Dec-14	Mayibenthsa	Bank Account	1,046.56
2-Dec-14	Futuregrowth	Bank Account	3,379.01
10-Dec-14	Futuregrowth	Bank Account	16,095.53
9-Dec-14	Allan Gray	Bank Account	22,831.03
12-Dec-14	Foord International	Bank Account	22,942.97
12-Dec-14	Foord International	Bank Account	662.70
12-Dec-14	Foord International	Bank Account	7,963.56
18-Dec-14	Allan Gray	Bank Account	8,092.80
18-Dec-14	Futuregrowth	Bank Account	5,872.44
24-Dec-14	Allan Gray	Bank Account	125,168.16
30-Dec-14	Allan Gray	Bank Account	39,833.65

The return table below shows the monthly returns added to the portoflio. 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	17.07%	10.18%
Jan-14	-0.73%	1.03%
Feb-14	1.87%	1.50%
Mar-14	1.82%	1.67%
Apr-14	1.86%	0.83%
May-14	0.95%	0.55%
Jun-14	1.88%	0.64%
Jul-14	0.86%	1.19%
Aug-14	0.13%	0.73%
Sep-14	0.22%	0.37%
Oct-14	-0.26%	0.55%
Nov-14	1.46%	0.37%
Dec-14	0.78%	0.19%

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
- underweight SA Alternatives
- overweight 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	10.1%	8.9%	17.2%
Average Monthly return	0.8%	0.1%	1.3%
% 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%

house view matrix

november

RSA BONDS

The Reserve Bank continued to delay its interest rate normalization process as downside risks to its growth outlook remained and its inflation outlook became more balanced due to the recent pull-back in oil and food prices. Consumer price inflation remained stable at 5.9% during October. Although lower petrol and food prices brought some respite, foreign exchange pass-through effects have become more evident and the currency will remain vulnerable to foreign portfolio outflows amidst a persistent large current account deficit. Finance Minister Nene's Medium Term Budget Policy Statement was seen as positive due to a clamp-down on the budget deficit, but in the absence of stronger GDP growth it is questionable whether his aggressive targets will be met. Recently, Moody's responded by lowering South Africa's sovereign credit rating by one notch, citing the poor growth outlook, elevated debt levels and persistent structural issues as reasons for the downgrade. We continue to have a large underweight position in domestic bonds and are worried that the foreign portfolio flows that have supported the bond market can reverse quickly.

RSA PROPERTY, ALTERNATIVES & CASH

The listed property sector has closely tracked the bond market in recent months, albeit with greater volatility. We continue to worry over the impact of higher bond yields on property yields. Income growth will be under pressure due to the deteriorating backdrop in economic fundamentals and we believe that vacancy levels will struggle to improve given the amount of completed properties that will become available. The current yield available in the property sector is extremely low compared to other fixed interest alternatives. We remain underweight listed property.

Money market yields have been creeping up in anticipation of an interest rate hiking cycle and is now starting to offer better valuations than what they did a few months ago. However, compared to history, yields are still low. In the absence of other alternatives, money market investments do provide capital protection in the short term.

INTERNATIONAL

The global macro-economic backdrop is one of sluggish growth and disinflation. The Eurozone has stagnated with weakness now centered in the core economy of Germany. The Eurozone grew by 0.2% during the third quarter and Germany narrowly avoided recession when it grew by a mere 0.1% during this period. Japan has not recovered from its consumption tax hike and re-entered recession. The economy contracted by 0.4% during the third quarter. The US economy continues to perform well as the job market improves and forward looking indicators point to conditions remaining strong. The recent collapse in the oil price will act as a tax cut and boost global demand. This should bode well for the European economy which now also has a more competitive currency following its depreciation. China is suffering from a gradual slowdown. The end result is diverging monetary policies across global central banks. The European Central Bank will have to join the Bank of Japan in more aggressive stimulus measures whilst the Fed might hike rates sooner than what the market is discounting due to robust economic growth conditions and a strong recovery in the job market. Continued dollar strength might remove some of the heavy lifting in tighter monetary policy for the Fed. Amidst further stimulus measures and strong growth from the US, equities will do well and the recent equity market correction might just have been the transition into the next up-leg in share prices. Global bonds offer little value in real terms.

RSA EQUITIES

Domestic economic growth conditions remain weak and are unlikely to firm much on a 12-month view. Growth forecasts for next year are continuously revised lower and as a result, the South African Reserve Bank refrained from hiking interest rates since July despite inflation that breached the upper limit of their targeted range. Interest rate normalization, however, is unavoidable. Given the country's large current account deficit, high inflation and low interest rates, the currency will be under pressure from the potential for large foreign portfolio outflows. Consumer and business confidence levels are still weak compared to historical averages and they should expect headwinds to remain as credit growth slows down, real disposable income growth remains low and interest rates normalise. Manufacturing activity has picked up, but this is from a low base caused by strike action and will not sustainably boost GDP growth. South Africa's main trading partner, Europe, is struggling and demand for South African goods will not meaningfully pick up. Company earnings expectations remain on the optimistic side and equity valuations expensive. There is little margin of safety in the local equity market and we remain underweight this asset class. We did take advantage of the recent weakness in the equity market to reduce the underweight position. Rand hedge shares that generate earnings offshore should be the outperformers compared to domestic orientated companies.

NOVARE HOUSE VIEW: November 2014

TACTICAL POSITIONING*

	UNDER-WEIGHT	←	ON-WEIGHT	→	OVER-WEIGHT	PREVIOUS
DOMESTIC	Under-weight					***Under-weight***
Equities		90%				80%
Bonds	40%					40%
Property		70%				70%
Alternatives			100%			100%
Cash				Over-weight		Over-weight
OFFSHORE				**120%**		***120%***
Equities				105%		100%
Bonds		70%				70%
Alternatives				125%		130%
AFRICA			***100%***			

* positioning is as a % of strategic asset allocation

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