

# MONTHLY INVESTMENT REPORT

30 September 2008

## CPSA PROVINCIAL PENSION FUND

■ FINANCIAL OVERVIEW

■ FUND SPECIFIC ANALYSIS

■ MARKET VALUES AND RETURNS

■ PORTFOLIO STRATEGY

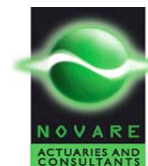
■ LONGER TERM RETURNS

■ MANAGER PERFORMANCE

### FUTURE STRATEGY

- The Fund is currently slightly under weight equities, under weight bonds and property and overweight cash.
- Allan Gray still hedges out almost 8% of their equity exposure.
- The Fund remains conservatively positioned to take advantage of the current volatile market conditions.

Fund Manager: Leo Vermeulen  
Fund Administrator: Nuraan Desai  
Novare Actuaries & Consultants



## CPSA Provincial Pension Fund

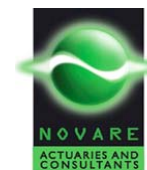
### FINANCIAL OVERVIEW

Financial markets suffered major blows this month as the global credit crisis intensified to unprecedented levels. The FTSE/JSE All Share Index ended heavily in the red, down a whopping 13.2% for the month. Heavyweight Resource stocks were hard hit, down a staggering 21.9% for the month while Industrials and Financials did relatively better, yielding -7.7% and -2.1% respectively for the month.

Fears of global recession and heightened risk aversion have sent commodities plummeting. For the month, the oil price fell 13.9%, the copper price fell 14.5% while the platinum price fell 31.8%. The gold price held up exceptionally well as investors poured funds into the metal to benefit from its traditional safe haven status. This precious metal rewarded investors with a return of 5% in most difficult market conditions. The fall in commodity prices has devastated Resource stocks; for the month Anglo American PLC was down 31%, BHP Billiton PLC was down 21% while Sasol Ltd lost 18%.

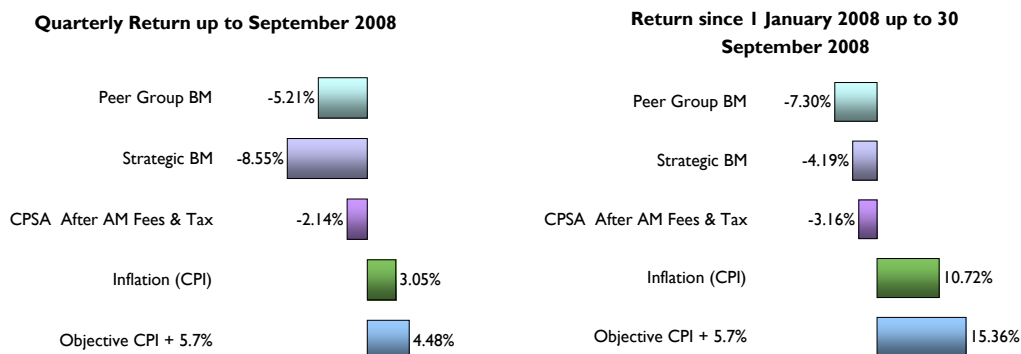
The listed Property sector fared better, down 3.3% for the month while the Bond market cheered investors by returning 2.4%. The Bond market did well despite the Rand weakening considerably over the month. The Rand closed at R8.24/\$, having depreciated by 7.1%. Rand weakness tends to benefit Resource counters and hurt Bond performance but this did not play out in these unique market conditions. The driver of the markets has been fears around global financial markets collapsing as access to credit has rapidly diminished. The country also experienced major political developments but these did little to affect markets. The Commander in Chief of the country, Thabo Mbeki, resigned despite his term of office coming to an end in about six months time.

Global Equity (US\$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1,166.4	-9.1%	-8.9%	-11.8%	-20.6%	-23.6%
Nasdaq	2,082.3	-12.0%	-9.2%	-8.6%	-21.5%	-22.9%
MSCI Global Equity	1,163.5	-13.5%	-17.0%	-19.1%	-26.8%	-28.8%
MSCI Emerging Mkt	775.1	-18.9%	-28.7%	-29.8%	-37.8%	-35.7%
<b>Global Bond (US\$)</b>						
Global Bonds	407.0	-1.0%	-2.6%	-6.8%	2.1%	6.1%
<b>Commodity Prices</b>						
Brent Oil (USD/Barrel)	98.5	-13.9%	-30.3%	-6.0%	2.9%	21.5%
Platinum (USD/oz)	1,014.5	-31.8%	-51.0%	-49.2%	-33.5%	-26.8%
Gold (USD/oz)	872.4	5.0%	-5.7%	-4.7%	4.6%	17.2%
<b>South African Mkt (Rand)</b>						
Africa All Share	2,591.9	-13.2%	-20.6%	-17.9%	-15.5%	-18.0%
Africa Top 40	2,382.5	-14.3%	-23.3%	-19.2%	-15.1%	-18.0%
Africa Resource 20	2,145.3	-21.9%	-38.3%	-30.1%	-17.8%	-24.0%
Africa Financial 15	2,560.8	-2.1%	11.9%	-3.8%	-16.0%	-16.9%
Africa Industrial 25	2,731.8	-7.7%	-5.9%	-6.9%	-11.8%	-10.0%
Africa Mid Cap	4,265.4	-6.0%	3.6%	-6.5%	-16.6%	-16.8%
Africa Small Cap	6,126.0	-6.0%	-1.5%	-15.3%	-23.9%	-23.4%
All Bond Index	271.2	2.4%	12.6%	7.1%	5.1%	6.0%
Stefi Composite	208.6	0.9%	2.9%	5.7%	8.5%	11.2%
Africa SA Listed Property - (SAPY)	542.4	-3.3%	23.1%	-1.1%	-11.9%	-12.3%
MSCI Global Equity (R)		-7.3%	-12.6%	-17.5%	-11.4%	-14.5%
Global Bonds (R)		6.1%	2.6%	-5.0%	23.5%	27.4%
Rand Dollar Exchange Rate	8.24	7.1%	5.3%	1.9%	21.0%	20.0%



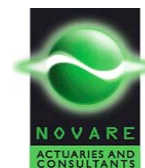
## CPSA Provincial Pension Fund

### MARKET VALUES AND RETURNS



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.

	Fraters	RMB	Allan Gray	FG IBF	Liberty Cash
Market Value	49,417,525	64,592,526	322,373,871	28,002,032	21,905,290
% of Fund	7.8%	10.2%	50.7%	4.4%	3.4%
Benchmark	JSE ALSI	JSE ALSI	AFGLMW	All Bond Index	n/a
Monthly Return	-7.02%	-10.73%	-1.32%	2.31%	-4.63%
Benchmark	-13.24%	-13.24%	-5.55%	2.43%	n/a
Out/ Under Perf	6.21%	2.51%	4.23%	-0.12%	n/a
Last 3 Months	-7.14%	-11.55%	-1.12%	12.43%	-2.91%
Benchmark	-20.56%	-20.56%	-5.21%	12.57%	n/a
Out/ Under Perf	13.41%	9.00%	4.10%	-0.14%	n/a
Calendar YtD	-9.58%	-11.28%	-1.14%	6.64%	8.32%
Benchmark	-15.49%	-15.49%	-7.30%	5.05%	n/a
Out/ Under Perf	5.91%	4.21%	6.16%	1.59%	n/a
Last 12 Months	-11.48%	-12.79%	2.19%	8.05%	12.13%
Benchmark	-18.00%	-18.00%	-7.34%	5.98%	n/a
Out/ Under Perf	6.52%	5.21%	9.53%	2.07%	n/a
Since July 2005	94.75%	83.57%	91.90%	30.83%	33.58%
Benchmark	84.37%	84.37%	69.18%	22.62%	n/a
Out/ Under Perf	10.38%	-0.80%	22.72%	8.20%	n/a
	Jul-05	Jul-05	Jul-01	Dec-03	Feb-02
Ann Since Inception	22.76%	20.55%	21.94%	10.02%	8.82%
Benchmark	20.71%	20.71%	16.51%	8.39%	n/a
Out/ Under Perf	2.05%	-0.16%	5.43%	1.63%	n/a



## CPSA Provincial Pension Fund

### MARKET VALUES AND RETURNS (CONTINUED)

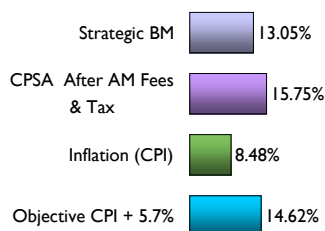
	Sortino	FG CPF	Stanlib IF	NOAF	Mayibentsha	Total
Market Value	18,858,978	7,957,750	16,518,393	45,749,146	60,024,722	635,400,234
% of Fund	3.0%	1.3%	2.6%	7.2%	9.4%	100.0%
Benchmark	JSE Listed Property	JSE Listed Property	All Bond Index	60% MSCI/40% JPMGGB	CPI + 4.5%	CPI + 5.7%
Monthly Return	-2.67%	0.55%	1.32%	-0.45%	-2.87%	-2.87%
Benchmark	-3.27%	-3.27%	2.43%	-1.04%	0.55%	0.64%
Out/ Under Perf	0.60%	3.82%	-1.11%	0.59%	-3.42%	-3.51%
Last 3 Months	22.74%	1.09%	5.52%	-3.92%	-3.54%	-2.14%
Benchmark	23.08%	23.08%	12.57%	-5.77%	4.18%	4.48%
Out/ Under Perf	-0.33%	-21.99%	-7.05%	1.85%	-7.72%	-6.62%
Calendar YtD	-10.62%	5.79%	8.02%	-1.08%	-4.19%	-3.16%
Benchmark	-11.92%	-11.92%	5.05%	2.74%	14.39%	15.36%
Out/ Under Perf	1.30%	17.71%	2.97%	-3.82%	-18.58%	-18.53%
Last 12 Months	-11.77%	9.46%	10.23%	-1.42%	-3.99%	-1.98%
Benchmark	-12.31%	-12.31%	5.98%	1.87%	18.18%	19.52%
Out/ Under Perf	0.54%	21.77%	4.25%	-3.30%	-22.17%	-21.50%
Since July 2005	n/a	n/a	n/a	35.62%	46.06%	76.66%
Benchmark	n/a	n/a	n/a	34.85%	49.56%	55.18%
Out/ Under Perf	n/a	n/a	n/a	0.77%	-3.50%	21.48%
	Jul-07	May-07	Oct-06	Mar-04	May-03	Jul-02
Ann Since Inception	-4.36%	21.28%	9.29%	7.15%	16.13%	18.17%
Benchmark	-3.23%	-36.94%	7.50%	8.31%	10.32%	12.03%
Out/ Under Perf	-1.13%	58.22%	1.80%	-1.15%	5.81%	6.13%

### LONGER TERM RETURNS

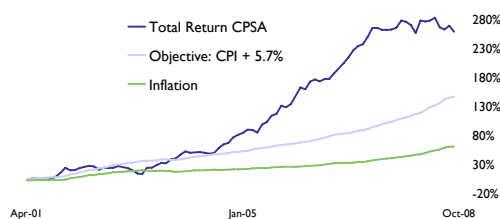
The Fund's Investment Objective is set over 3 year rolling periods. Longer term returns should be used to assess the Fund's performance when compared to its set Investment Objectives as short term market volatility may distort short term performance measurement.

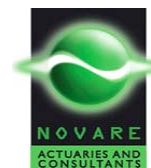
The cumulative graph above shows the Fund performance since 1 Jan 2001. It is benchmarked against its Investment Objective i.e. CPI + 5.7% as well as inflation.

#### 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% per annum) and its strategic Benchmark.

Period	CPSA Net of Fees & Tax	Objective: CPI + 5.7%	Strategic Benchmark	Market Value History
Last 12 Months	-1.98%	19.52%	-5.00%	
Oct-07	3.33%	1.35%	2.55%	678,976,634
Nov-07	-0.57%	0.87%	-1.48%	675,129,197
Dec-07	-1.48%	1.34%	-1.85%	665,842,188
Jan-08	-3.81%	1.60%	-1.80%	639,182,042
Feb-08	6.09%	0.79%	6.82%	676,975,352
Mar-08	-0.41%	2.05%	-0.89%	676,710,448
Apr-08	0.39%	2.22%	1.44%	676,807,905
May-08	1.37%	1.61%	1.81%	683,814,016
Jun-08	-4.34%	1.73%	-2.41%	654,456,488
Jul-08	-1.16%	2.58%	-3.62%	645,737,997
Aug-08	1.93%	1.20%	1.09%	653,593,711
Sep-08	-2.87%	0.64%	-6.14%	635,400,233

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.

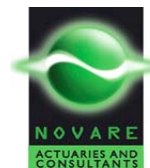
	Since Jun 03	Since Jan 04	From 1 Jan 06	From 1 Jan 07	From 1 Jan 08
MV at Start	265,026,619	301,386,988	475,182,236	602,209,484	665,842,189
Cash In/Out Flow	(79,347,489)	(69,979,138)	(45,874,840)	(25,601,929)	(9,633,240)
Return	449,721,103	403,992,383	206,092,836	58,792,678	(20,808,716)
Current MV	635,400,233	635,400,233	635,400,233	635,400,233	635,400,233

**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	-1.98%	-2.14%	-2.87%
Total Out/(Under) Performance of Benchmark	3.02%	6.41%	3.27%
Out/(Under) Performance due to Asset Allocation	0.78%	-0.16%	0.19%
Out/(Under) Performance due to Stock Selection	2.24%	6.58%	3.08%
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	-0.28%
Portfolio Standard Deviation	2.66%
Individual Portfolio VaR	6.31%
Portfolio VaR	4.38%
Total Amount VaR	27,849,269

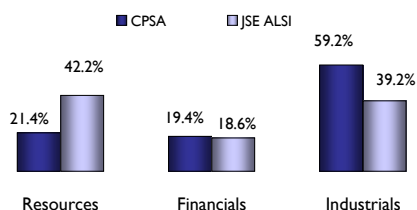


## CPSA Provincial Pension Fund

### FUND SPECIFIC ANALYSIS (CONTINUED)

#### Most recent strategic changes

Date	Transferred From:	Transferred To:	Amount
10-Aug-07	Liberty Cash	Investec Bank	8,786,000
24-Aug-07	Investec Bank	NOAF	6,000,000
03-Sep-07	Investec Bank	Liberty Cash	2,798,103
16-Oct-07	Stanlib IF	NOAF	1,393,000
20-Dec-07	Allan Gray	Liberty Cash	5,000,000
28-Jan-08	Liberty Cash	NOAF	4,680,000
08-Feb-08	Allan Gray	Liberty Cash	2,000,000
14-Apr-08	Investec Treasury	Liberty Cash	37,235
12-May-08	Fraters	Liberty Cash	10,000,000
13-May-08	RMB Equity	Liberty Cash	10,000,000

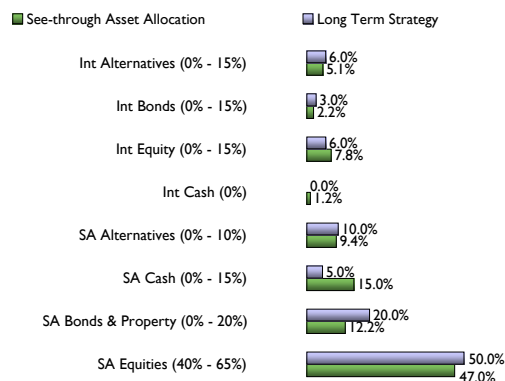


The fund is currently underweight Resources, overweight Financials and overweight Industrials. For the month of September, Financials was the best performing sector (-2.1%), followed by Industrials (-7.7%), and Resources (-21.9%).

CPSA Top 15 Shares	% of CPSA Equities	% JSE ALSI
MTN GROUP LTD	7.39%	6.35%
SABMILLER PLC	7.01%	5.35%
REMGRO LTD	6.62%	2.52%
RICHEMONT SECURITIES	6.13%	5.71%
STANDARD BANK GROU	5.07%	4.23%
ANGLOGOLD ASHANTI	4.90%	1.99%
SASOL LTD	4.78%	6.91%
ABSA GROUP LIMITED	3.40%	1.09%
HARMONY G M CO LTD	3.38%	0.99%
SAPPI LTD	3.08%	0.57%
SANLAM LTD	3.08%	1.17%
AFRICAN RAINBOW MIN	2.23%	0.39%
NAMPAK LTD ORD	2.17%	0.27%
SHOPRITE HLDGS LTD O	2.10%	0.75%
ILLOVO SUGAR LTD	1.79%	0.13%

### PORTFOLIO STRATEGY

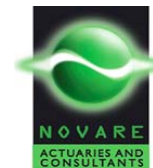
#### Strategic vs. Actual Asset Allocation



The CPSA Pension Fund is currently:

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

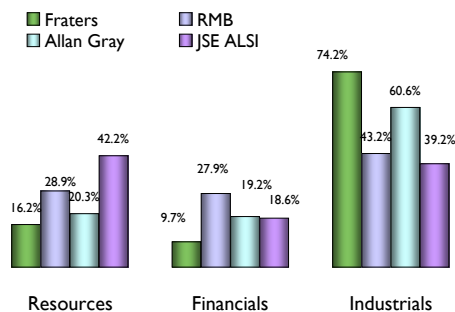
The Fund is fairly conservatively positioned to take advantage of current volatile market conditions. Please note that Allan Gray has hedged out almost 8% of their equity exposure.



## CPSA Provincial Pension Fund

### MANAGER PERFORMANCE

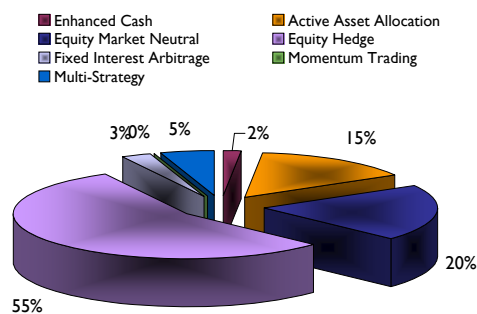
Equity Manager	Fraters	RMB
Inception Date	Jul-05	Jul-05
Classification	Concentrated	Concentrated
Benchmark	JSE ALSI	JSE ALSI
Return since Inception	94.75%	83.57%
Benchmark	84.37%	84.37%
Annualised Return	22.76%	20.55%
Benchmark	20.71%	20.71%
Information ratio	0.05	(0.02)
Sharp Ratio	0.25	0.20



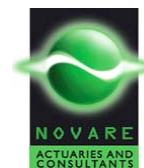
All the Equity Managers were underweight Resources at the end of September 2008. Fraters and Allan Gray were significantly overweight Industrials at the end of September 2008 while RMB had a slight overweight exposure to this sector. Sector allocation and stock selection still remains critical in the current economic environment.

Manager	Mayibentsha	FG CPF	FG IBF	Sortino
Inception Date	May-03	May-07	Dec-03	Jul-07
Return since inception	124.8%	31.4%	58.7%	-4.4%
Ann Return since inception	16.1%	21.3%	10.0%	-4.4%
Avg Monthly return	1.27%	1.65%	0.81%	-0.17%
% + months	78.5%	94.1%	72.4%	46.7%
% - months	21.5%	5.9%	27.6%	53.3%
Max Drawdown	-6.0%	-0.1%	-5.1%	21.7%
Std Deviation	6.0%	n/a	6.1%	7.1%

#### Mayibentsha Strategic Asset Allocation



Mayibentsha's annualised return since inception of 16.1% p.a. is still above their target return of 15% p.a. Its allocation to Equity Hedge and Equity Market Neutral Strategies are still their highest strategy exposures. In volatile market conditions they manage to maintain a standard deviation which is in line with that of the Bonds market, whilst their percentage of positive month still remains just below 80%. This compares very well with Bonds and Property. On a see through basis they maintain a very low equity exposure of around 25% and a cash exposure of around 70%. This shows their low risk profile adopted in current volatile market conditions.

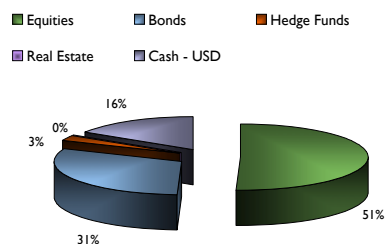


## CPSA Provincial Pension Fund

### INTERNATIONAL MANAGER PERFORMANCE

**Fund Name** : Novare Offshore Advised Fund  
**Manager** : Standard Bank Fund Administration Jersey Limited  
**Advisor** : Novare Investments (Pty) Limited  
**Custodian** : Standard Bank Jersey Limited  
**Auditors** : PricewaterhouseCoopers CI LLP  
**Trustee** : Capita Trust Company (Jersey) Limited  
**Domiciled** : Jersey, Channel Islands  
**Inception Date** : March 2004  
**Benchmark** : 60% MSCI Global Equity Index  
 : 40% JP Morgan World Government Bond Index

### NOAF Asset Allocation



	1 Month	3 Months	Year to Date	Since Mar 04
NOAF	-0.45%	-3.92%	-1.08%	37.26%
Benchmark	-1.04%	-5.77%	2.74%	44.18%
Out/Under perf	0.59%	1.85%	-3.82%	-6.91%
MSCI GEI	-7.30%	-12.64%	-11.41%	37.00%
JPM WGBI	6.10%	2.57%	23.48%	51.84%
Rand / \$ *	7.14%	5.28%	20.97%	23.82%

\* Negative change indicates Rand strength

\* Returns Up to 31 August 2008

Underlying Managers of NOAF *	Fund Allocation	3 Months	Year to Date	Last 12 Months	Since May 04
<b>Global Equity</b>	<b>50.55%</b>				
Morgan Stanley Global Brands (SICAV)	18.04%	-0.4%	-2.0%	-0.8%	60.0%
Investec Global Strategic Equity	12.69%	-15.5%	-18.7%	-19.7%	n/a
Fortune Global Equities	5.15%	-20.2%	-21.4%	-22.8%	n/a
Templeton Global	12.22%	-9.6%	-13.6%	-14.2%	n/a
Fortune Explorer	2.46%	-25.3%	-24.5%	-20.6%	n/a
<b>Global Bonds &amp; Property</b>	<b>30.82%</b>				
Franklin Templeton Global Bond	22.92%	6.1%	23.7%	24.6%	n/a
Franklin Templeton Global Total Return	7.90%	0.2%	15.6%	15.0%	n/a
<b>Global Alternative</b>	<b>2.60%</b>				
Quellos ILF Ltd	2.60%	-0.8%	8.3%	9.1%	n/a
<b>Global Cash</b>	<b>16.02%</b>				
Fidelity Institutional Cash - USD	12.91%	6.0%	23.9%	24.4%	46.2%
Cash	3.12%	n/a	n/a	n/a	n/a

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