MONTHLY INVESTMENT REPORT

31 December 2010

CPSA LAYWORKERS PENSION FUND

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FUTURE STRATEGY

- The Fund is under weight Equities, significantly under weight Bonds and Property and significantly 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
Novare Actuaries & Consultants

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CPSA Layworkers Pension Fund

FINANCIAL OVERVIEW

Upbeat global investor sentiment lifted the domestic financial market during December as the global economic outlook for 2011 improved. The FTSE/JSE All Share Index gained 6.2% during the month to lift its year-to-date return to 19.0%. In dollar terms, the All Share Index delivered a phenomenal 32.8% during 2010. The equity market experienced a broad-based advance during the month, but the resources sector was the best performing sector with a return of 7.7%. The local equity market benefitted from net foreign equity purchases to the value of R16.9bn during the final quarter of the year.

Economic data also turned more upbeat during the final month of the year. Manufacturing data improved, recovering from the negative impact of strike action earlier the year and money supply data indicated that lending activity is on a recovery path once again. The Reserve Bank released its Quarterly Bulletin for the third quarter of 2010 that revealed a much smaller than expected current account deficit at 3% of GDP and a surge in household expenditure which reassured the recovery in domestic economic growth.

The bond market benefitted from the strength in the local currency and the All Bond Index closed the month 1.7% higher. In December, the rand was the strongest emerging market currency in the world against the dollar and on a real effective exchange rate basis it appreciated to its best level since 1997. The rand closed at R6.62 against the dollar, notwithstanding looser foreign exchange regulation for pension funds announced early the month. The listed property sector appreciated 2.2% during the month and with a 12-month return of 29.6%, it ended the year as the best performing asset class.

Global Equity (US$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	1,257.6	6.5%	10.2%	22.0%	12.8%	12.8%
Nasdaq	2,652.9	6.2%	12.0%	25.8%	16.9%	16.9%
MSCI Global Equity	1,280.1	7.2%	8.6%	22.9%	9.6%	9.6%
MSCI Emerging Mkt	1,151.4	7.0%	7.1%	25.4%	16.4%	16.4%
Global Bond (US$)						
Global Bonds	484.3	1.5%	-1.8%	6.0%	6.4%	6.4%
Commodity Prices						
Brent Oil (USD/Barrel)	94.8	9.9%	16.6%	26.7%	22.7%	22.7%
Platinum (USD/oz)	1,770.0	6.6%	6.9%	15.4%	20.4%	20.4%
Gold (USD/oz)	1,421.4	2.6%	8.6%	14.4%	29.6%	29.6%
South African Mkt (Rand)						
Africa All Share	3,701.3	6.2%	9.5%	24.0%	19.0%	19.0%
Africa Top 40	3,310.9	6.7%	9.9%	24.6%	17.2%	17.2%
Africa Resource 20	2,841.1	7.7%	16.5%	24.8%	12.3%	12.3%
Africa Financial 15	3,313.1	5.3%	-0.8%	14.9%	14.8%	14.8%
Africa Industrial 25	4,321.3	5.8%	7.4%	28.7%	26.6%	26.6%
Africa Mid Cap	7,353.2	3.1%	6.6%	20.6%	30.3%	30.3%
Africa Small Cap	8,854.1	4.6%	11.3%	22.6%	24.7%	24.7%
All Bond Index	343.7	1.7%	0.7%	8.9%	15.0%	15.0%
Stefi Composite	250.6	0.5%	1.6%	3.3%	6.9%	6.9%
Africa SA Listed Property - (SAPY)	869.8	2.2%	3.1%	17.2%	29.6%	29.6%
MSCI Global Equity (R)		0.1%	3.3%	6.1%	-2.0%	-2.0%
Global Bonds (R)		-5.3%	-6.6%	-8.5%	-4.8%	-4.8%
Rand Dollar Exchange Rate	6.62	-6.7%	-4.9%	-13.7%	-10.6%	-10.6%

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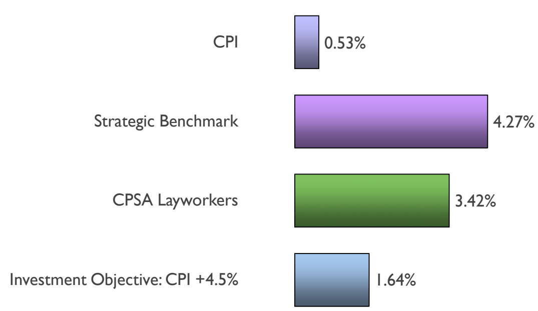
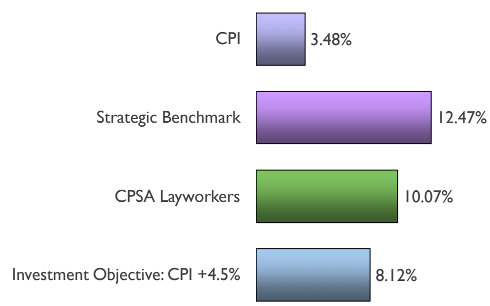
MARKET VALUES AND RETURNS

Quarterly return for December 2010



Return from 1 January 2010 to 31 December 2010



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 Global Stable	Mayibentsha	AG Global Balanced	Std MM Fund
Market Value	15,289,561	3,161,690	18,673,205	1,469,386
% of Fund	24.5%	5.1%	29.9%	2.4%
Monthly Return	-0.13%	1.53%	2.17%	0.51%
Benchmark	0.43%	0.54%	2.87%	0.51%
Out/ Under Perf	-0.56%	0.99%	-0.70%	0.00%
Last 3 Months	1.02%	3.25%	3.41%	1.64%
Benchmark	1.30%	1.64%	4.44%	1.56%
Out/ Under Perf	-0.29%	1.61%	-1.03%	0.08%
Calendar YtD	5.80%	10.28%	11.81%	7.21%
Benchmark	5.69%	8.12%	13.86%	6.93%
Out/ Under Perf	0.11%	2.16%	-2.05%	0.28%
Last 12 Months	5.80%	10.28%	11.81%	7.21%
Benchmark	5.69%	8.12%	13.86%	6.93%
Out/ Under Perf	0.11%	2.16%	-2.05%	0.28%
Since Jan 2006	n/a	n/a	98.12%	n/a
Benchmark	n/a	n/a	82.36%	n/a
Out/ Under Perf	n/a	n/a	15.76%	n/a
	Mar-07	Mar-07	Aug-02	Jun-06
Ann Since Inception	9.39%	7.48%	20.06%	8.93%
Benchmark	7.22%	11.95%	16.87%	9.07%
Out/ Under Perf	2.18%	-4.47%	3.19%	-0.14%

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MARKET VALUES AND RETURNS

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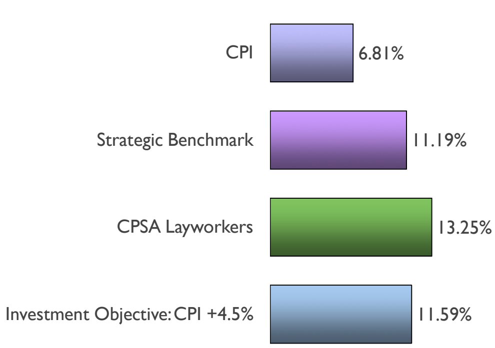
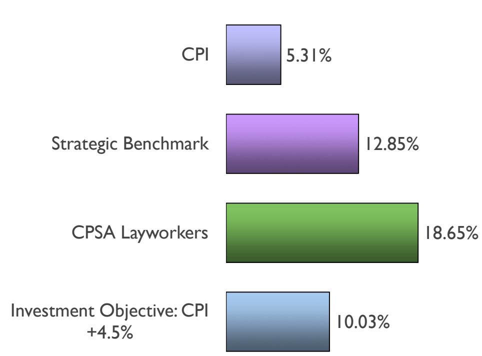
	Liberty Preferred	Liberty Liquid	Lib STMM	Total
Market Value	20,605,556	1,958,504	1,293,490	62,451,392
% of Fund	33.0%	3.1%	2.1%	100.0%
Monthly Return	2.69%	0.44%	0.51%	1.55%
Benchmark	4.18%	0.51%	0.51%	0.54%
Out/ Under Perf	-1.49%	-0.07%	0.00%	1.01%
Last 3 Months	6.36%	1.37%	1.51%	3.42%
Benchmark	5.79%	1.56%	1.56%	1.64%
Out/ Under Perf	0.57%	-0.20%	-0.05%	1.78%
Calendar YtD	14.94%	6.13%	7.39%	10.07%
Benchmark	16.31%	6.93%	6.93%	8.12%
Out/ Under Perf	-1.37%	-0.80%	0.46%	1.95%
Last 12 Months	14.94%	6.13%	7.39%	10.07%
Benchmark	16.31%	6.93%	6.93%	8.12%
Out/ Under Perf	-1.37%	-0.80%	0.46%	1.95%
Since Jan 2006	79.51%	12.27%	n/a	86.32%
Benchmark	51.12%	53.09%	n/a	73.00%
Out/ Under Perf	28.39%	-40.82%	n/a	13.32%
	Aug-02	Jul-04	Nov-08	Aug-02
Ann Since Inception	15.68%	3.11%	n/a	18.65%
Benchmark	n/a	8.54%	n/a	10.03%
Out/ Under Perf	n/a	-5.43%	n/a	8.62%

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 2010.

	From Jan 06	From Jan 10
Market Value at Start	30,803,599	55,690,353
Cash In / Out Flow	2,667,869	1,124,124
Return	28,979,924	5,636,916
Current Market Value	62,451,392	62,451,392

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

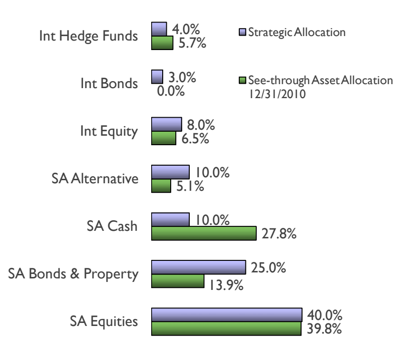
Date	Transferred From	Tranferred To	Amount
17-Nov-10	AG Global Balanced	Bank Account	R 9,418.61
24-Nov-10	AG Global Balanced	Bank Account	R 6,300.34
1-Dec-10	Mayibentsha	Bank Account	R 3,463.02
15-Dec-10	AG Global Stable	Bank Account	R 55,983.80
15-Dec-10	AG Global Balanced	Bank Account	R 110,299.02
22-Dec-10	AG Global Stable	Bank Account	R 4,276.58
22-Dec-10	AG Global Balanced	Bank Account	R 87,503.37

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	18.65%	10.03%
Jan-10	0.10%	0.64%
Feb-10	0.63%	1.01%
Mar-10	1.88%	1.18%
Apr-10	1.18%	0.55%
May-10	-1.20%	0.55%
Jun-10	-0.41%	0.37%
Jul-10	2.30%	1.00%
Aug-10	-0.59%	0.46%
Sep-10	2.44%	0.46%
Oct-10	1.01%	0.55%
Nov-10	0.82%	0.55%
Dec-10	1.55%	0.54%

PORTFOLIO STRATEGY

Fund See-through Asset Allocation



The CPSA Layworkers Fund is:

- under weight SA Equity
- significantly under weight SA Bonds and Property
- significantly 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	AG Global Stable	Mayibentsha	AG Global Balanced	Liberty Preferred
Inception Date	Aug-02	Mar-07	Mar-07	Aug-02	Aug-02
Ann Return since Inception	10.7%	9.4%	7.5%	20.1%	15.7%
Average Monthly return	0.9%	0.2%	0.2%	1.5%	1.2%
% Positive months	64.4%	74.5%	71.7%	69.5%	69.5%
% Negative months	35.6%	25.5%	28.3%	30.5%	30.5%
Maximum Drawdown	-6.7%	-3.3%	-6.0%	-6.8%	-10.7%
Standard Deviation	6.6%	4.3%	5.6%	9.8%	11.1%

NOVARE HOUSEVIEW MATRIX – OCTOBER / NOVEMBER 2010

RSA Equities

It is expected that the domestic equity market will continue to gain its direction from developments in international markets. That should prove to be positive, taking into consideration the potential impact of quantitative easing by develop market central banks and the higher expected growth trajectory of emerging economies over their developed market counterparts. The IMF predicts that the domestic economy will grow by 3% for this year and that growth will accelerate to 3.5% next year. Business and consumer confidence levels continue to pick up and local companies are expected to report strong earnings growth over the next two years. The low interest rate, low inflation environment is an additional impetus to the local equity market. From a forward valuation perspective, taking into consideration expected company earnings growth, the equity market is trading at a discount to its long term average. We feel that developments within global emerging markets, in general, will be a tailwind to our own equity market. That, together with the attractive equity valuation levels and historically low interest rates, determines our positioning of being overweight domestic equities.

RSA Bonds

The domestic bond market has received substantial foreign portfolio inflows since the start of the year. This is due to global investors who are looking for a yield pick-up over their holdings of developed market bonds that are currently trading at very low yield levels. In fact, some US government bonds are trading at negative real yields. South African bonds compare favourably against other emerging market bonds from a real return perspective and are expected to continue attracting foreign portfolio flows. From a domestic investor's perspective, the bond market is attractive due to the lower interest rate environment and inflation that is benefitting from a stronger-for-longer rand. If the rand remains strong and inflation continues to surprise to the downside, then one can not rule out the possibility of another interest rate cut in the near future. The bond market may also benefit from a fiscal balance that is coming in better than expected. We take into consideration the positive factors together with the fact that the bond market has seen a strong rally and is vulnerable to a short term correction and remain on-weight this asset class. We prefer equities and property over bonds, however.

RSA Property, Alternatives & Cash

The listed property market has been displaying a Dr. Jekyll and Mr. Hyde personality, taking its cue from the bond market when bonds are rallying and equities are pulling back, while participating in the equity rally when equity markets are doing well and bonds are struggling. From a yield perspective, bonds are more attractive than cash, yet yields are lower than what is on offer in the bond market. From an income growth perspective, however, listed property is looking more and more attractive due to vacancy levels having bottomed out, retail spending having remained robust and economic growth accelerating. Listed property will additionally benefit from the lower interest rate environment.

The money market (cash) remains our least favourite asset class, given its very low yield and more attractive opportunities that can be found elsewhere.

International

The global economy is currently moving through a soft patch after having displayed a strong recovery in the aftermath of the recent recession. There are many divergences however. Emerging markets are growing at a healthy pace while developed markets are lagging at a below trend growth rate. In the US, company profitability is high, but job creation is weak and the housing market has not responded well to the expiry of tax credits to first time home buyers. In Europe, Germany has displayed a robust recovery while peripheral Europe is weak, entangled in its own debt web. Although having been fast out of the blocks, China has recently displayed some signs of weakness and vulnerability to the global slowdown. The positive news is that the strong corporate profitability should lead to improved job creation, especially in the US where it will further underpin the housing market. The reaffirmation from some of the major central banks to keep monetary policy accommodative is key to prevent a double dip recession scenario and it is a positive development for the equity market. The result will be lower interest rates for longer in an environment of slow growth and low inflation. Equities normally do well in such an environment and hence our overweight global equities position. Chinese leading indicators are pointing to a resurgence in industrial production and hence, a low possibility of a hard landing. Quantitative easing will support current bond valuations that are looking stretched from a fundamental point of view, but that can remain expensive for some more time. Our preference is for equities over bonds, especially taken into consideration that in many countries, one can get dividend yields that are in excess of bond yields in those markets.

NOVARE HOUSE VIEW: October / November 2010

TACTICAL POSITIONING*

	UNDER-WEIGHT	←	ON-WEIGHT	→	OVER-WEIGHT	PREVIOUS
DOMESTIC			***100%***			
Equities				110%		105%
Bonds			100%			100%
Property			100%			90%
Alternatives			100%			100%
Cash	Under-weight					Under-weight
OFFSHORE			***100%***			
Equities				105%		100%
Bonds		95%				100%
Alternatives			100%			100%
AFRICA			***100%***			

* positioning is as a % of strategic asset allocation