MONTHLY INVESTMENT REPORT

31 December 2008

CPSA
PROVINCIAL TRUST BOARD

FUTURE STRATEGY

- The CPSA PTB has a significant exposure to local Equities and Property.

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

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CPSA Provincial Trust Board

FINANCIAL STATEMENT

Income Statement Over Various Periods

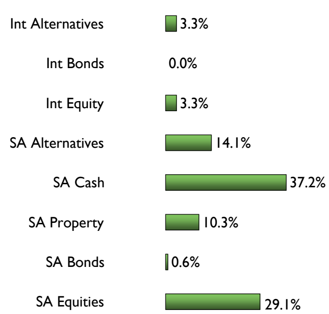
	From 1 Jan 2008	Last 12 Months	From 1 Jan 2006
Market Value Start	8,717,959	8,717,959	7,547,382
Bank Interest	134,175	134,175	163,522
Interest (Listed Property)	209,448	209,448	708,501
Dividends (Listed Shares)	89,412	89,412	263,081
Income	**433,036**	**433,036**	**1,135,104**
Net Purchases	(397,565)	(397,565)	(397,565)
Net Sales	492,315	492,315	1,931,818
Realisation	**94,750**	**94,750**	**1,534,253**
Contributions / (Withdrawals)	**3,410,255**	**3,410,255**	**755,255**
Investec Security Fees	**(684)**	**(684)**	**(2,308)**
Unrealised Profit / Loss	**(1,220,398)**	**(1,220,398)**	**1,904,735**
Current Market Value	**11,340,168**	**11,340,168**	**11,340,168**
Annualised Return	**-6.29%**	**-6.29%**	**11.20%**

MARKET VALUES AND EXPOSURES

Market Values

Share / Product	Market Value	%Split	Asset Class
Foord Compass	854,000	7.5%	SA Alternatives
Fountainhead Property	1,164,840	10.3%	SA Listed Property
Standard Bank	422,719	3.7%	SA Listed Equity
Sasol	700,050	6.2%	SA Listed Equity
Remgro	152,880	1.3%	SA Listed Equity
BAT	199,151	1.8%	SA Listed Equity
Reinet Inv	12,358	0.1%	SA Listed Equity
Impala Platinum	232,200	2.0%	SA Listed Equity
Investec Cash	1,313,731	11.6%	SA Cash
Fraters EE	817,715	7.2%	SA Listed Equity
RMB Equity	765,659	6.8%	SA Listed Equity
Investec Gilts	72,776	0.6%	SA Bonds
Investec MM	2,900,000	25.6%	SA Cash
AG Orbis	759,224	6.7%	Int Equity & Alternatives
Mayibentsha	972,865	8.6%	SA Alternatives
Total	**11,340,168**	**100.0%**	

Asset Class Exposure



The CPSA Provincial Trust Board has a significant exposure to local Equities and Property.

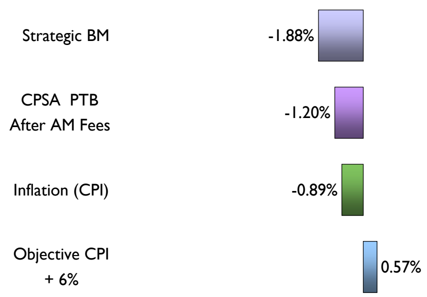
The Property exposure together with the Foord Compass Shares should provide most of the income through interest payments as rental income and growth are still expected to return around 10% over the short to medium term. Bonds exposure still remains low, as the intetest rate cycle may still surprise on the up side.

Monthly Investment Report
31 December 2008

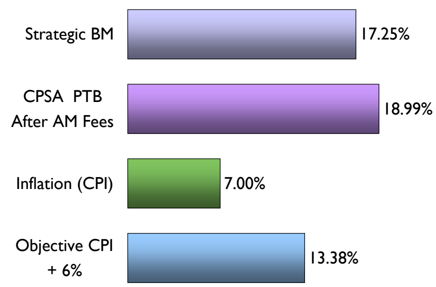
CPSA Provincial Trust Board

PORTFOLIO RETURNS

Quarterly Return for December 2008



Annualised Return since 1 January 2005 up to 31 December 2008



The table below (and on the following page) is the return matrix for the CPSA Provincial Trust Board. It shows the various share and 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 + 6.0% p.a.

CPSA PTB	Monthly Return	Last 3 Months	Calendar YtD	Last 12 Months	Since July 2005
Foord Compass	-2.40%	-2.40%	-29.07%	-29.07%	15.97%
CPI + 4.5%	-0.78%	0.21%	14.63%	14.63%	49.87%
Out/ Under Perf	-1.62%	-2.61%	-43.70%	-43.70%	-33.90%
Fountainhead Prope	2.88%	1.96%	-15.41%	-15.41%	23.86%
JSE: REAL ESTATE	-1.35%	-15.54%	-27.26%	-27.26%	9.28%
Out/ Under Perf	4.24%	17.50%	11.85%	11.85%	14.58%
Standard Bank	-4.13%	-11.26%	-17.07%	-17.07%	28.38%
JSE: BANKS	-2.03%	-6.95%	-14.80%	-14.80%	30.83%
Out/ Under Perf	-2.10%	-4.31%	-2.27%	-2.27%	-2.45%
Sasol	-2.54%	-19.97%	-17.40%	-17.40%	54.88%
JSE: OIL&GAS	-2.54%	-19.97%	-17.40%	-17.40%	54.88%
Out/ Under Perf	0.00%	0.00%	0.00%	0.00%	0.00%
Remgro	4.00%	n/a	n/a	n/a	n/a
FTSE/JSE:AFR GEN IND	6.37%	n/a	n/a	n/a	n/a
Out/ Under Perf	-2.37%	n/a	n/a	n/a	n/a
Impala Platinum	8.87%	-18.67%	-43.10%	-43.10%	80.89%
JSE: PLATINUM & PM	9.06%	-25.79%	-46.60%	-46.60%	82.00%
Out/ Under Perf	-0.19%	7.11%	3.50%	3.50%	-1.11%
Investec Cash	1.05%	2.96%	11.41%	11.41%	n/a
Stefi Composite	0.98%	2.95%	11.70%	11.70%	n/a
Out/ Under Perf	0.07%	0.02%	-0.29%	-0.29%	n/a

Monthly Investment Report
31 December 2008

CPSA Provincial Trust Board

PORTFOLIO RETURNS (CONTINUED)

CPSA PTB	Monthly Return	Last 3 Months	Calendar YtD	Last 12 Months	Since July 2005	Ann Since July 05
Fraters EE	6.66%	-5.61%	-17.68%	-17.68%	52.34%	12.78%
J203T	1.52%	-9.17%	-23.23%	-23.23%	67.47%	15.87%
Out/ Under Perf	5.15%	3.55%	5.55%	5.55%	-15.13%	-3.09%
RMB Equity	2.49%	-10.93%	-25.21%	-25.21%	35.25%	9.01%
J203T	1.52%	-9.17%	-23.23%	-23.23%	67.47%	15.87%
Out/ Under Perf	0.97%	-1.77%	-1.98%	-1.98%	-32.22%	-6.86%
Investec Gilts	6.73%	8.48%	7.61%	7.61%	25.36%	6.67%
BEASSA All Bond	6.93%	11.35%	16.97%	16.97%	36.54%	9.31%
Out/ Under Perf	-0.20%	-2.87%	-9.36%	-9.36%	-11.17%	-2.63%
Investec MM	1.00%	3.00%	n/a	n/a	n/a	n/a
Stefi Composite	0.98%	2.95%	n/a	n/a	n/a	n/a
Out/ Under Perf	0.02%	0.06%	n/a	n/a	n/a	n/a
AG Orbis	1.19%	11.67%	18.00%	18.00%	65.36%	15.45%
60MSCI / 40 JPMGC	-0.81%	3.87%	6.71%	6.71%	40.07%	10.11%
Out/ Under Perf	2.00%	7.80%	11.29%	11.29%	25.29%	5.35%
Mayibentsha	0.36%	-2.33%	-6.42%	-6.42%	42.65%	10.68%
CPI + 4.5%	-0.78%	0.21%	14.63%	14.63%	49.87%	12.26%
Out/ Under Perf	1.14%	-2.54%	-21.05%	-21.05%	-7.22%	-1.57%
Total	1.12%	-1.20%	-6.29%	-6.29%	77.20%	17.76%
CPI + 6%	-0.66%	0.57%	16.26%	16.26%	57.49%	13.86%
Out/ Under Perf	1.78%	-1.76%	-22.55%	-22.55%	19.71%	3.90%

LAST 12 MONTH MARKET VALUES

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 6% per annum) and shows contributions and withdrawals on a monthly basis

Period	CPSA PTB	Objective: CPI + 6%	Contributions / Withdrawals	Market Value History
Last 12 Months	-6.29%	16.26%	3,410,255	
Jan-08	-5.60%	1.63%	-	8,230,004
Feb-08	7.55%	0.82%	-	8,851,358
Mar-08	-1.98%	2.07%	-	8,676,117
Apr-08	0.91%	2.24%	1,200,000	9,960,420
May-08	0.81%	1.64%	-	10,040,655
Jun-08	-3.66%	1.75%	2,882,115	12,502,220
Jul-08	-1.21%	2.61%	(28,444)	12,322,762
Aug-08	2.53%	1.22%	(28,982)	12,604,723
Sep-08	-3.99%	0.67%	(28,167)	12,074,622
Oct-08	-4.13%	0.69%	(29,066)	11,547,345
Nov-08	1.93%	0.55%	(28,216)	11,741,171
Dec-08	1.12%	-0.66%	(528,985)	11,340,167

Monthly Investment Report
31 December 2008

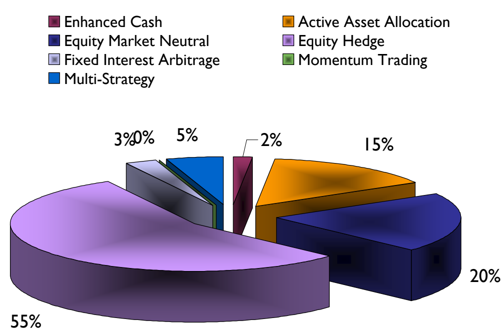
CPSA Provincial Trust Board

MARKET / SHARE VALUATION

	Foord Compass	Fountainhead Property	Standard Bank	Sasol	Remgro	Impala Platinum
No. of Shares	140,000	204,000	5,093	2,500	2,000	1,720
Month end price	610	571	8,300	28,002	7,644	13,500
Market Value	854,000	1,164,840	422,719	700,050	152,880	232,200
BENCHMARK	CPI + 4.5%	JSE: REAL ESTATE	JSE: BANKS	JSE: OIL&GAS	FTSE/JSE:AFR GEN IND	JSE: PLATINUM & PM
Current P/E Ratio	11.36	11.52	8.07	7.46	n/a	6.55
BM P/E Ratio	n/a	11.90	7.64	7.35	9.89	6.99
Dividend Yield	13.0%	8.4%	4.8%	4.6%	n/a	10.9%
BM Dividend Yield	n/a	7.9%	5.2%	4.6%	6.4%	11.0%
12 Month Return	-29.1%	-15.4%	-17.1%	-17.4%	n/a	-43.1%

MAYIBENTSHA

Mayibentsha Strategic Asset Allocation



Mayibentsha Fund of Funds ended positive for the month. Underlying strategies adding to the positive return includes: Market Neutral and Asset Allocation, both posting positive return in a difficult month. Multi-strategy and Equity Long/Short ended flat, while Fixed Interest Arbitrage detracted slightly from the overall positive performance. Underlying managers maintained low levels of Net Exposure and Leverage during December and into the New Year, helping Mayibentsha to preserve capital and brighten the outlook for a promising start to 2009.

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NOVARE HOUSEVIEW MATRIX – NOVEMBER/DECEMBER 2008

RSA Equities

In line with developments around the globe, domestic growth is under significant pressure. This can be seen from a number of surveys and data releases that continue to reflect that business and consumers are struggling. Vehicle sales, retail sales, Purchasing Managers survey, business and consumer confidence surveys have all plunged. The Treasury has estimated GDP growth for 2009 at 3% but we believe that this view may be too optimistic which does not bode well for domestic equity performance.
Furthermore, we believe that company earnings have much further to fall in the local market and that this will further undermine domestic equity performance.
The recent bull run was largely driven by foreign portfolio inflows. As foreigners have had to deal with problems in their own markets they have continued to withdraw their funds. In October they withdrew in excess of R20bn. Losing this key support for our market keeps us under weight this asset class.

RSA Bonds

Interest rates in South Africa remain oppressively high despite rates falling dramatically in the global economy. Our growth picture has turned for the worst but the inflation outlook continues to improve. Oil prices have plunged and petrol prices will follow suit bringing about much needed relief.
Forward Rates are pricing in interest rate cuts as early as December 2008 but with the Rand trading at levels beyond R10/$, there are definite risks to this view. The Monetary Policy Committee will have to balance the risks of the Rand depreciating on the back of lower interest rates as the carry trade benefit is reduced as opposed to the risks of the domestic economy stalling. At this stage, we hold the latter view; that concerns of domestic overkill may well prevail and we may see some policy reprieve.
As such we believe that this is the opportune time to close our under weight position in this asset class. Furthermore, corporate spreads have widened giving rise to attractive pickings.

RSA Property, Alternatives & Cash

Property yields are now at attractive levels and with our benign view of inflation and interest rates, we continue to find this asset class compelling. The main detractor comes from our expectation that Property Income will come under pressure in line with falling GDP growth. This leads us to maintain our on weight position in this asset class as some headwinds remain.
We continue to advocate a neutral exposure to alternative assets as they play a key role in reducing risk via the diversification opportunities that they provide for portfolios.
Although cash has been very good to us in recent market conditions, it is now beginning to lose some of its appeal. While we remain over weight this asset class, we have pared the exposure down somewhat, favouring the other asset classes.

International

International equities have suffered immensely over the very recent three months and the bottom remains elusive. Worse yet prospects of global economic recession imply that there is unlikely to be a bounce back in financial markets. Rather, a long and hard road lies ahead were international equity returns are likely to be soggy and desperately uninspiring. As such we maintain our under weight position.
In the United States, advance third quarter GDP growth numbers reflected a modest 0.3% contraction but we believe that in the fourth quarter, the growth picture will worsen considerably. Numerous surveys and data releases bear testimony to this. The October US ISM manufacturing survey plummeted as the stronger dollar and slowing global activity undermined export performance. The unemployment rate jumped to 6.5% in October while US Retail sales plunged; both of these are at worse levels than those recorded during the 2001 recession. The October Consumer Confidence surveyed confirmed that indeed, the outlook is bleak. We look to further fiscal and monetary stimulus to help to kick start this economy.
The outlook in other developed countries is also gloomy. In the United Kingdom, the Bank of England recently slashed interest rates by 1.5% and the governor, Mervyn King, issued a sombre assessment of the economy. Specifically that the inflation scare is behind us but they forecast 2009 GDP growth for the UK at -1.3% The UK economy faces major headwinds as house prices are expected to fall further and a large proportion of national income has been derived from the now defunct financial services industry. The Euro zone as well as Japan are now in technical recession as GDP growth contracted in the second and third quarters of 2008. Export-led saver countries like Germany and Japan are likely to come out of this malaise before the US and UK due to stronger fiscal balances that can be used to stimulate domestic demand.
In essence, the global interest rate cutting cycle is to continue well into 2009 and our view remains positive on the outlook for International Bonds, while we continue to sideline the riskier equity asset class.

NOVARE HOUSE VIEW: NOV/DEC 2008

	Balanced Fund	Relative	Present Month	Previous Month
RSA	**85%**	**ON**	**85%**	**84%**
RSA Equities	50%	UNDER	42%	42%
RSA Bonds	15%	ON	15%	13%
RSA Property	5%	ON	5%	5%
RSA Alternatives	10%	ON	10%	10%
RSA Cash	5%	OVER	13%	14%
International	**15%**	**ON**	**15%**	**16%**
Int Equity	9%	UNDER	7%	7%
Int Bonds	3%	OVER	6%	6%
Int Alternatives	3%	UNDER	0%	0%
Int Cash	0%	OVER	2%	3%

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BANK OF ENGLAND INFLATION REPORT PRESS CONFERENCE: Wednesday 12 November 2008

Opening Remarks by the Governor, Mervyn King

Since the August *Report,* the economic landscape has changed. As a result, the downward revision to the inflation outlook in today's *Report* is the largest in any one quarter since the Monetary Policy Committee was set up. It is very likely that the UK economy entered a recession in the second half of this year. The preliminary estimate of the fall in output in the third quarter was 0.5%, a little more than the fall in the Committee's central projection in August. But since then three factors have transformed the outlook.

First, the short-run indicators for activity declined markedly. Surveys and reports from the Bank's Agents suggest that in September and October there was a sharp fall off in demand, both at home and abroad. Growth in the fourth quarter is likely to be materially weaker than the Committee expected in August. And, as we saw this morning, unemployment in the UK has risen at the fastest rate for seventeen years.

Second, following the failure of Lehman Brothers, the most serious banking crisis since the outbreak of the First World War reduced the supply of credit to the real economy, and, in some cases, led to a cessation of lending altogether. Confidence has been badly affected. All this will restrain demand looking into next year.

Third, although CPI inflation did rise above 5% in September, its expected future path has fallen very significantly. Oil and other commodity prices have more than halved since their peak. In August, the projections were conditioned on a starting level for the oil price of around $124 a barrel, whereas today's *Report* assumes a level of $64 a barrel. In the space of a few months, we have gone from the highest rate of manufacturing input price inflation in nearly thirty years to the lowest monthly rate on record. And measures of short-run inflation expectations have fallen back sharply.

In response to those three factors, there have been significant policy actions. On 8th October, the UK authorities announced a plan to recapitalise the banks in order to repair banks' balance sheets and thereby restore confidence in the UK financial system. Other countries have taken similar measures. Central banks around the world cut interest rates in a coordinated move in early October. And the MPC cut the Bank Rate again last week. The Committee's latest projection for GDP growth is shown in Chart 1 (below). The central projection is for output to decline over the next year, so that four-quarter growth falls further in the near term. That is markedly lower than the projection in August, reflecting the impact of the banking crisis on credit supply and the sharp falls in confidence in the real economy. Further ahead, domestic demand should gradually start to recover as the impact of lower interest rates, the effects of the bank recapitalisation programme on credit availability, and some recovery in real take-home pay take hold. And that, together with a pickup in exports following the fall in sterling's effective exchange rate, should support a recovery in output growth to slightly above its long-run average. But in the central projection, inflation reaches the 2% target in the second half of 2009 and then moves materially below the target. The weakness in inflation further out in the forecast period reflects weak demand which, despite a material slowing in the growth rate of potential supply, opens up a margin of spare capacity and pulls down on price and wage increases.

For some time, the Monetary Policy Committee has faced a balancing act between the upside risk to inflation from continuing high inflation in the near term, and the downside risk that a sharper or more prolonged slowdown could pull inflation well below the target in the medium term. Over the past two months, the three factors I described earlier have turned the prospects for inflation decisively to the downside. As a result, the Committee judged at its meeting last week that, to return inflation to the target, it was necessary to cut Bank Rate by 1 ½ percentage points to 3%. The outlook for inflation has changed substantially. But the Committee's approach to setting monetary policy has not. It continues to set interest rates in a deliberate, forwardlooking manner in order to ensure that inflation is on track to hit the inflation target in the medium term. That approach has served the UK economy well over the past eleven years. And I am confident that it will continue to do so in these exceptional and difficult times.

Chart 1 GDP projection based on market interest rate expectations

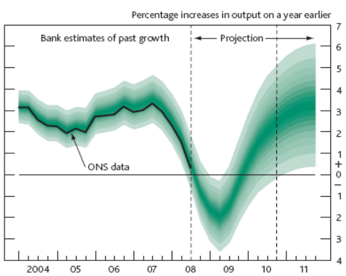
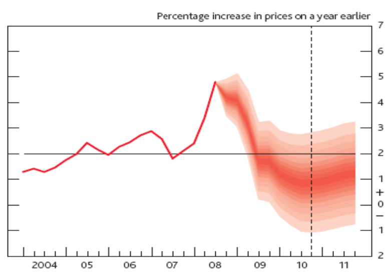


Chart 2 CPI inflation projection based on market interest rate expectations



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