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Monthly Investment Report

31 August 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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Anglican Church of Southern Africa Layworkers Pension Fund

FINANCIAL OVERVIEW

Although the domestic economy avoided a technical recession, it stagnated during the first half of this year. Second quarter GDP growth of 0.6% was an improvement from the first quarter's contraction of 0.6%, but it fell short of consensus expectations for growth of 0.9%. The weak growth number not only reflected strike activity in the manufacturing and mining sectors which both contracted, but it also highlighted a slowdown in domestic demand. The latest retail sales figures showed flat growth from a year earlier and vehicle sales growth continued to contract on a year on year basis. The slowdown in consumer spending was driven by a slowdown in real disposable income, less access to credit and a weak employment backdrop. Mining production slumped by 5.7% in June.

The weak economic backdrop weighed on the local equity market and the FTSE/JSE All Share Index closed the month 0.5% lower. The resources sector was the worst performing sector and lost 5.6% on the back of falling iron ore prices. Industrial shares gained 1.6% and financials were 0.7% higher. The financial sector shrugged off the credit rating downgrades by Moody's on all the banks that was triggered by the demise in the African Bank share price. The Reserve Bank displayed swift action by placing African Bank under curatorship to prevent any spill over that could have caused systemic risks to the banking sector. African Bank bucked under the pressure of reckless unsecured lending to low income earners.

Consumer price inflation moderated to 6.3% in July from a cyclical peak of 6.6%, but remained above the Reserve Bank's targeted band. Food inflation seemed to have turned the corner and fell by 0.1% on a monthly basis. Demand for local bonds picked up towards month-end alongside rising global bond prices, lower inflation and weaker domestic growth expectations. The All Bond Index returned 2.8% for the month. Listed property prices benefitted from lower bond yields and gained 3.0%. For the last three months, the rand traded in a tight range between R10.50 and R10.80 against the US dollar. In August, the rand appreciated by 0.4% to close the month at R10.66 against the greenback.

Global Equity (US$)	Level	1 Month	3 Months	6 Months	YTD	12 Months
S&P 500	2,003.4	3.8%	4.1%	7.7%	8.4%	22.7%
Nasdaq	4,580.3	4.8%	8.0%	6.3%	9.7%	27.6%
MSCI Global Equity	1,748.7	2.0%	2.0%	4.4%	5.3%	18.7%
MSCI Emerging Mkt	1,087.9	2.1%	5.9%	12.6%	8.5%	17.0%
Global Bond (US$)						
Global Bonds	526.4	0.6%	0.4%	2.1%	4.9%	5.4%
Commodity Prices						
Brent Oil (USD/Barrel)	102.9	-2.5%	-6.0%	-5.6%	-7.1%	-10.0%
Platinum (USD/oz)	1,424.5	-2.5%	-1.9%	-1.5%	3.8%	-6.4%
Gold (USD/oz)	1,287.5	0.4%	2.9%	-2.9%	6.8%	-7.7%
South African Mkt (Rand)						
Africa All Share	6,557.7	-0.5%	3.2%	9.6%	12.3%	24.5%
Africa Top 40	5,872.9	-0.8%	2.7%	8.7%	12.1%	24.3%
Africa Resource 20	3,163.5	-5.6%	2.7%	2.1%	12.7%	17.9%
Africa Financial 15	6,877.3	0.7%	4.0%	17.1%	17.9%	34.7%
Africa Industrial 25	10,561.7	1.6%	3.1%	10.9%	10.8%	26.3%
Africa Mid Cap	12,745.9	1.6%	6.6%	15.5%	13.1%	25.4%
Africa Small Cap	16,591.7	1.6%	2.5%	11.9%	13.8%	25.6%
All Bond Index	468.9	2.8%	4.9%	8.3%	7.4%	11.7%
Stefi Composite	305.3	0.5%	1.5%	2.9%	3.8%	5.6%
Africa SA Listed Property - (SAPY)	1,557.1	3.0%	8.5%	14.8%	11.6%	20.2%
MSCI Global Equity (R)		1.6%	2.8%	3.4%	8.4%	23.2%
Global Bonds (R)		0.2%	1.3%	1.2%	8.0%	9.4%
Rand Dollar Exchange Rate	10.66	-0.4%	0.8%	-0.9%	3.0%	3.8%

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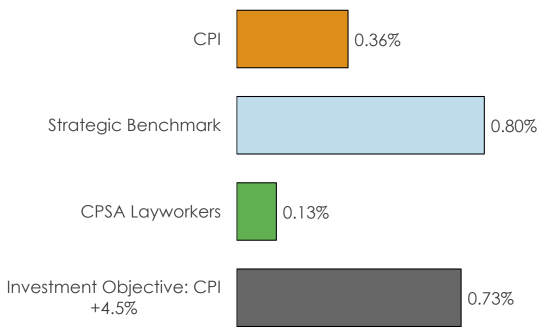
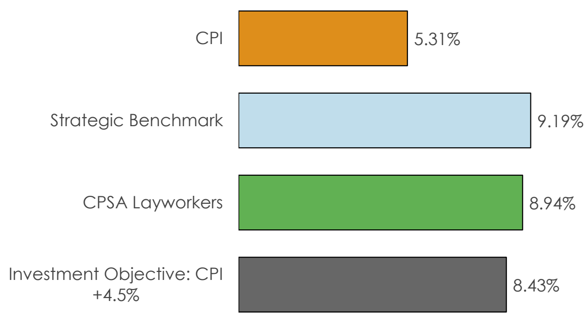
MARKET VALUES AND RETURNS

Monthly Return for August 2014



Return from 1 January 2014 to 31 August 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	24,667,132	3,322,844	9,599,470	7,257,001
% of Fund	26.6%	3.6%	10.3%	7.8%
Monthly Return	0.64%	-0.02%	2.90%	0.41%
Benchmark	-0.46%	0.73%	2.84%	0.50%
Out/ Under Perf	1.10%	-0.75%	0.06%	-0.09%
Last 3 Months	3.64%	1.24%	5.83%	1.40%
Benchmark	3.24%	2.58%	4.88%	1.48%
Out/ Under Perf	0.40%	-1.34%	0.96%	-0.08%
Calendar YtD	17.39%	7.15%	9.37%	3.80%
Benchmark	12.29%	8.43%	7.39%	3.78%
Out/ Under Perf	5.11%	-1.28%	1.98%	0.02%
Last 12 Months	28.70%	12.71%	14.72%	5.65%
Benchmark	24.51%	11.19%	11.72%	5.56%
Out/ Under Perf	4.19%	1.52%	3.00%	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	22.77%	9.00%	2.90%	7.42%
Benchmark	20.97%	11.51%	2.84%	7.48%
Out/ Under Perf	1.80%	-2.51%	0.06%	-0.05%

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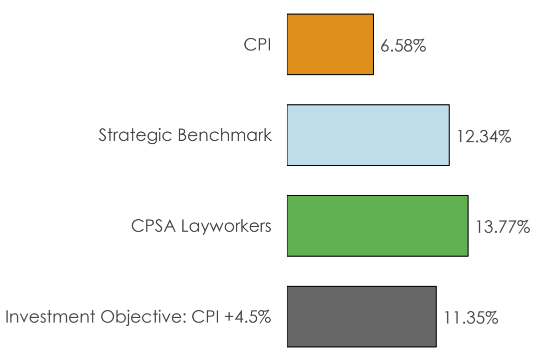
The table below is the return matrix for the CPSA Layworkers Pension Fund's investment portfolio. It shows the various manager returns as well as that of the total portoflio for various periods and compares it with their respective benchmarks. The benchmark used for the portfolio is in line with its investment objective, which is CPI + 4.5% p.a. before fees.

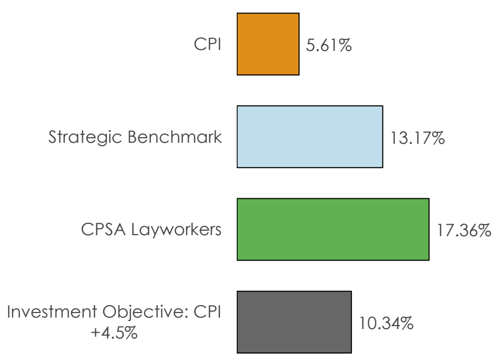
	Liberty Preferred	Liberty Liquid	Lib STMM	Foord International	Total
Market Value	27,180,552	895,428	2,373,862	17,452,428	92,748,716
% of Fund	29.3%	1.0%	2.6%	18.8%	100.0%
Monthly Return	-0.35%	0.43%	0.42%	-1.16%	0.13%
Benchmark	0.01%	0.50%	0.50%	1.60%	0.73%
Out/ Under Perf	-0.36%	-0.07%	-0.08%	-2.76%	-0.60%
Last 3 Months	3.29%	1.32%	1.42%	1.89%	2.89%
Benchmark	3.75%	1.48%	1.48%	2.79%	2.58%
Out/ Under Perf	-0.46%	-0.16%	-0.06%	-0.90%	0.31%
Calendar YtD	9.17%	3.42%	3.98%	2.30%	8.94%
Benchmark	14.68%	3.78%	3.78%	8.40%	8.43%
Out/ Under Perf	-5.51%	-0.36%	0.20%	-6.10%	0.51%
Last 12 Months	18.92%	5.02%	5.85%	10.85%	16.68%
Benchmark	24.42%	5.56%	5.56%	23.24%	11.19%
Out/ Under Perf	-5.50%	-0.54%	0.29%	-12.40%	5.49%
Since Jan 2006	16.20%	n/a	n/a	n/a	13.77%
Benchmark	11.93%	n/a	n/a	n/a	11.35%
Out/ Under Perf	4.27%	n/a	n/a	n/a	2.42%
	Aug-02	Jul-04	Nov-08	Jan-12	Aug-02
Ann Since Inception	17.44%	3.90%	6.66%	21.08%	17.36%
Benchmark	8.42%	7.44%	6.56%	28.54%	10.34%
Out/ Under Perf	9.02%	-3.54%	0.10%	-7.46%	7.02%

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	(5,096,589)	(4,144,768)
Return	94,860,309	7,657,467
Current Market Value	92,748,716	92,748,716

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

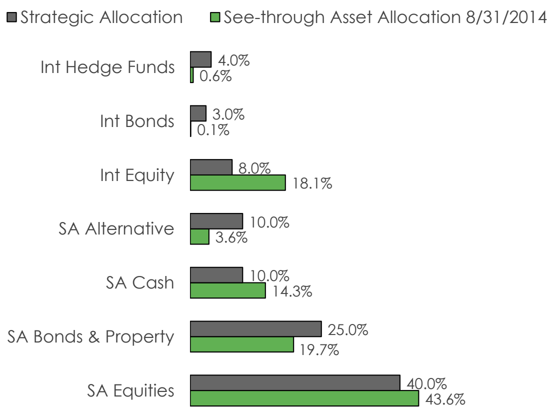
Date	Transferred From	Tranferred To	Amount
1-Aug-14	Foord International	Bank Account	3,310.14
1-Aug-14	Mayibenthsa	Bank Account	645.83
5-Aug-14	Allan Gray	Bank Account	3,033.73
6-Aug-14	Futuregrowth	Bank Account	3,446.60
7-Aug-14	Bank Account	Foord Internation	47,782.61
7-Aug-14	Foord International	Bank Account	5,807.34
13-Aug-14	Foord International	Bank Account	302.29
14-Aug-14	Futuregrowth	Bank Account	281.93
19-Aug-14	Futuregrowth	Bank Account	80,711.03
20-Aug-14	Allan Gray	Bank Account	110,308.46
21-Aug-14	Foord International	Bank Account	189,644.86
28-Aug-14	Foord International	Bank Account	20,277.40

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	17.36%	10.34%
Sep-13	2.66%	0.85%
Oct-13	2.16%	0.56%
Nov-13	0.16%	0.46%
Dec-13	1.96%	0.65%
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%

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	10.2%	9.0%	17.4%
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%

NOVARE HOUSEVIEW MATRIX – August 2014

RSA BONDS

The Reserve Bank found some respite from hiking interest rates due to the deterioration in the economic backdrop. GDP growth of a mere 1.7% is forecasted for this year. The stability in the rand over the last five months have also taken some pressure off the Reserve Bank. But given that consumer price inflation remains outside of the targeted band and that risks remain that the currency can depreciate further, the Reserve Bank will have to hike rates. The government finances are also coming under pressure and with no propensity to reduce spending amidst a slowdown in revenue, fiscal consolidation will be slower than expected. The credit sector has recently borne the brunt of credit rating downgrades following the sovereign credit rating downgrade in June. The combination of continued growth disappointment, a persistently wide current account deficit and a lack of reform momentum could lead to another sovereign ratings 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 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.

RSA EQUITIES

We have repeatedly written about deteriorating domestic economic conditions. The economy probably narrowly avoided a technical recession during the second quarter of this year and leading indicators are signaling no growth acceleration any time soon. Household spending remains under pressure from higher inflation, rising interest rates and a clampdown on unsecured lending. Furthermore, the employment backdrop continued to deteriorate with the unemployment rate edging up to 25.5% in the second quarter. The Reserve Bank's necessity to bail out African Bank bears testimony to the struggle that indebted low-income earners are faced with. Weak sales growth from general retailers reinforces the view that the consumer is under pressure. Whilst households are saddled with weak income growth, businesses are confronted with borrowing costs that are restrictive when compared to economic growth conditions. The power supply will put a cap on potential growth as supply remains very tight.

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. Rand hedge shares that generate earnings offshore should be the outperformers compared to domestic orientated companies.

INTERNATIONAL

In the absence of major global macro-economic risks, geopolitical fears have taken investor sentiment over. The Russian/Ukraine conflict probably has the biggest investment consequences, but unless it escalates further, it should have limited impact within the global backdrop. The US economy continued to strengthen over recent months and showed a significant recovery during the second quarter of the year after the weather-induced first quarter slump. Financial markets are now looking past the US Fed's tapering of its monthly asset purchases towards the first interest rate hike next year. If economic data continue to be robust in coming months, then expectations for the first rate hike can be brought forward, potentially resulting in both an equity and bond market correction. In the meantime, stronger company earnings have been supporting equity valuations that are fair to slightly expensive. Outside of the US, Europe has been looking vulnerable again, reversing the spate of decent performance at the start of the year. The economy is in desperate need of further monetary stimulus and will continue to suffer unless the European Central Bank acts decisively. Until such time, European equities will be under pressure. Emerging market equities have performed well and those countries that have embarked on or are planning structural reforms have outperformed. However, emerging markets stand most at risk of a US interest rate hike induced correction over the coming months. We have reduced our slight overweight equity allocation by reducing emerging market equity exposure. We remain underweight global bonds given their low yields.

NOVARE HOUSE VIEW: August 2014

TACTICAL POSITIONING*

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

* positioning is as a % of strategic asset allocation