

# COMMUNITY GROWTH EQUITY FUND

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## COMMENTARY – DECEMBER 2011

### Global Economy

The European debt woes and the resulting political impasse continued to drive global market sentiments in Q4 2011. The squabbling claimed the political careers of the Greek and Italian prime ministers. Following a series of summits, the Eurozone countries agreed on a series of measures to avoid the sovereign debt crisis, i.e. 50% cuts on private sector Greek debt holdings, to maintain a structural deficit of no more than 0.5% of GDP. Further, the new European Central Bank (ECB) President cut the policy rate 50bps to 1% and expanded funding support for banks including three-year liquidity tenders. The US economy continued to recover at a slower pace. Chinese inflation and manufacturing production slowed raising hopes of rates easing in the new year.

### Global Markets

Emerging markets underperformed the developed markets for the fourth consecutive quarter in 2011 – MSCI Emerging Markets rose 4.4% while the MSCI Developed Markets rose 7.7% in the fourth quarter of 2011. For the year 2011, emerging markets (-18.2%) have underperformed the developed (-5%) markets by 13.2 percentage points. Developed markets' good performance was driven mainly by the North American and the European regions, which produced total returns of 11.1% and 5.5% respectively. The Asia Pacific region shed 30bp over the quarter. Within emerging markets, Latin America (+8.8%) was the best performing region followed by Asia (+3.3%) and EMEA (+2.9%).

### Domestic Economy

Following the disappointing growth numbers in Q2 and Q3, expectations were that the economy would experience a technical bounce in Q4. However, the economic data released during the quarter painted a different picture – manufacturing and mining data were weaker than expected. It was not all doom and gloom though, as cement and retail sales were strong. Credit data indicated that the SA consumer is not out of the woods yet. However, their financial situation is improving as the household debt to disposable income ratio continued to fall. Also, data showed that fixed investment is improving. Inflation pressures still lingered amid rising soft commodity prices (especially food). However, the risks abated due to relatively subdued expected economic growth.

### Domestic Markets

In Q4 2011, the FTSE/JSE All Share Index (ALSI) posted a rand total return of 8.4%. The industrial (+9.2%) and the financial (+8.7) sectors led the ALSI's good performance in Q4 2011. The excellent performance from the industrial sector was driven mainly by the automobile & parts, food & drug retailers and technology hardware subsectors on the back of strong sales numbers. Within the financial sector, life insurers, non-life insurers and banks drove the performance respectively. The excellent performance within the life insurance sector was driven by Old Mutual, which was up 32.2% for the quarter on the news that it sold its Nordic business for GBP2.1 to Skandia Liv. The resources sector (+7.8) lagged the markets amid fears of concerns over global growth, in particular concerns about a loss of momentum in China.

### OUTLOOK

As mentioned in our previous communication, the global economy will continue to grow in the near term, albeit at a slower pace than when it was recovering from the recession. The Eurozone is expected to enter recession amid the sovereign debt and banking crisis while the US is expected to grow at stall speed. Emerging markets are expected to grow at better rates than their developed counterparts. The high oil price, rising interest rates in developing markets and austerity measures in most developed economies will lead to even slower global growth going forward. The South African economy is also expected to grow at a moderate pace going forward, in line with the global economy.

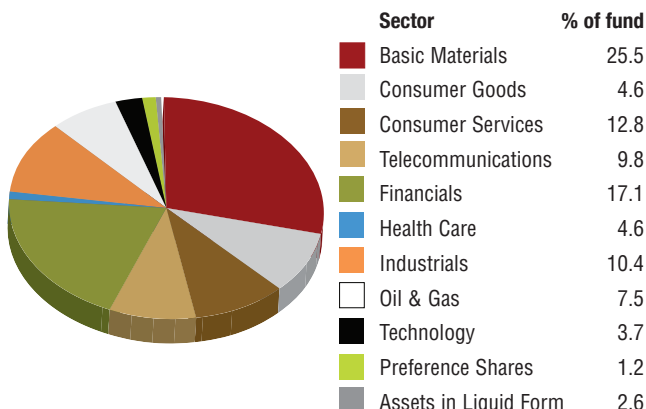
### RISK FACTOR

This is a medium to higher risk fund. The fund is exposed to share price movements, which are affected by the activities of individual companies, general market conditions as well as global and local political and economic changes.

### INVESTMENT AIM

This general equity unit trust fund aims to provide long-term capital growth while promoting sustainable and responsible investing. The fund invests in JSE-listed companies that are viable and sustainable, and have a clear commitment to job creation, skills development, affirmative action, sound environmental practices and effective corporate governance. It also aims to achieve long-term investment returns in excess of inflation.

## PORTFOLIO COMPOSITION as at 31 December 2011



## PAST PERFORMANCE

	Fund	Fund Benchmark	Category Rankings
1 Year	-1.7	1.4	75/80
3 Years	13.4	15.9	61/74
5 Years	6.7	6.9	31/57
7 Years	13.9	16.0	29/41
10 Years	14.4	13.9	22/34

Figures as at 31 December 2011, based on lump sum investment excluding initial charges (NAV-NAV prices). All fund and benchmark returns are net of fees. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Sources: Fund Returns – Morningstar as at 31 December 2011; Fund Benchmark Returns – Old Mutual Investment Group's Internal Performance System as at 31 December 2011.

## TEN LARGEST HOLDINGS as at 31 December 2011

Share	Market Value (R'000)	%
MTN GROUP LIMITED	210 363	9.8
ANGLO AMERICAN PLC	174 061	8.1
SASOL LTD	161 259	7.5
STANDARD BANK GROUP LTD	126 558	5.9
ANGLOGOLD ASHANTI LIMITED	125 553	5.9
BHP BILLITON PLC	117 150	5.5
OLD MUTUAL PLC	100 104	4.7
NASPERS LTD	91 967	4.3
GOLD FIELDS LTD	65 916	3.1
THE FOSCHINI GROUP LTD	54 595	2.6
<b>TOTAL</b>	<b>1 227 526</b>	<b>57.5</b>

<b>Fund Category</b>	Domestic - Equity - General
<b>Fund Benchmark</b>	FTSE/JSE All Share Index
<b>Launch Date</b>	1 June 1992
<b>Net Asset Value</b>	R2 125 million (total market value of assets + net income)
<b>Dealing Price</b>	NAV
<b>Distributions</b>	Declared 30 September
	Distributed 1 business day after declaration
	September 2006: 19.88c per unit
	September 2007: 22.59c per unit
	September 2008: 26.22c per unit
	September 2009: 19.73c per unit
	September 2010: 12.49c per unit
	September 2011: 20.83c per unit
<b>Minimum Investment</b>	Lump sum - R500. Monthly debit order - R100
<b>Initial Charge</b>	Upfront charge is 3.42% (incl. VAT), which is broker commission and is deducted prior to the purchase of units.
<b>Service Fee</b>	0.57% p.a. (calculated on the market value of the fund's assets and deducted from the portfolio monthly). Additional administrative charges incurred by the Management Company are deducted from the fund's portfolio.
<b>Unit Price (cents/unit)</b>	Buy and sell: 811c
<b>Total Expense Ratio (TER)*</b>	0.58% (Annualised)
<b>Fund Code</b>	CGMG

\*From April 2007, the unit trust industry introduced a new measure called Total Expense Ratio (TER) to evaluate the effect of costs on an investment. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that was incurred as charges, levies and fees related to the management of the portfolio.

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STATUTORY INFORMATION: Collective Investment Schemes in Securities (Unit trusts) are generally medium to long-term investments. Past performance is no indication of future growth. It is important that you are prepared for some shorter-term fluctuations as your investment moves in line with markets. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts may engage in scrip lending and may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. An upfront charge for broker commission of 3.42% of the investment amount is deducted prior to the purchase of units. An annual service fee of 0.57% is calculated on the market value of the fund's assets (excluding income and permissible deductions) and deducted from the portfolio on a monthly basis. A schedule of fees and charges and maximum commissions is available from the management company/intermediary. Unit trust prices are calculated on a net asset value (NAV) basis, which is the total market value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio divided by the number of units in issue. Permissible deductions may include compulsory and bank charges, brokerage, marketable securities tax, other taxes and levies, custodian and trustees' fees and audit fees. Commission and incentives may be paid by Comanco and if so, are included in the overall costs. Each fund's total expense ratio (TER) reflects the percentage of the average Net Asset Value of each portfolio that were incurred as charges, levies and fees related to the management of the portfolio. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. You can easily sell your investment at the ruling price of the day (calculated at 15h00 on a forward pricing basis). Instructions must reach Community Growth Management Company before 15h00 to ensure same day value.

Community Growth Management Company is a member of the Association of Collective Investments, SA. Trustees: The Standard Bank of South Africa Limited, PO Box 54, Cape Town, 8000.

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COMPLAINTS: Write to our Client Services Manager at the above address or for further information call 0860 103 180. Compliance Officer: (021) 509 2570