COMMUNITY GROWTH FUND OF FUNDS

Godwin Sepeng
Portfolio Manager - Old Mutual Investment Group

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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 Q42011. 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.

UNDERLYING FUND RETURNS to 31 December 2011

	3 Mths	1 Yr	2 Yrs
Community Growth Equity Fund	9.0%	-1.7%	5.6%
FTSE/JSE All Share Index	8.1%	1.4%	9.2%
Community Growth Gilt Fund	3.3%	9.0%	12.6%
BEASSA All Bond Index	3.4%	8.2%	11.2%
Community Growth Money Market Fund	1.3%	5.4%	6.1%
STeFI	1.3%	5.1%	5.7%
IDEAS Managed Fund	7.7%	18.0%	16.6%
CPI + 7%	2.6%	13.1%	11.8%
Total Portfolio	**6.0%**	**0.0%**	**4.8%**
Benchmark	**6.3%**	**5.2%**	**11.0%**

Note:

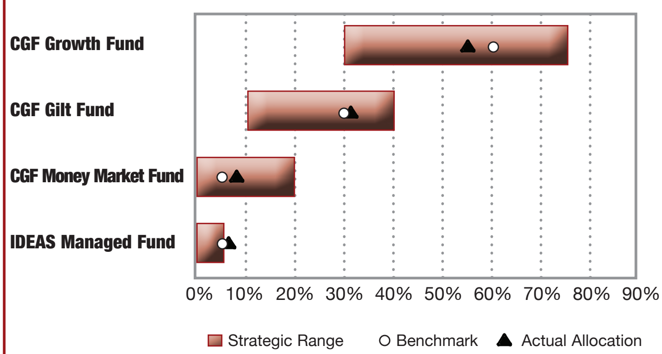
1. Unit trusts: Figures as at 31 December 2011, based on lump sum investment excluding initial charges (NAV-NAV prices). All fund and Benchmark returns are nett of fees. Income is reinvested on the ex-dividend date. Actual investment performance will differ based on the initial fees applicable, the actual 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 a 31 December 2011.
2. IDEAS Managed Fund: Performance returns are time-weighted and gross of charges; data source: Old Mutual Investment Group & Statistics SA.

PAST PERFORMANCE as at 31 December 2011

	Actual	Benchmark
3 Months	6.0%	6.3%
1 Year	0.0%	5.2%
2 Years	4.8%	11.0%

Note: The performance return is time-weighted, gross of charges and includes capital and income. The portfolio was launched on 1 April 2005. Data Source: Old Mutual Investment Group's Internal Performance System as at 31 December 2011.

FUND ALLOCATION as at 31 December 2011



Notes: The performance benchmarks used are published indices except for the IDEAS Managed Fund where the benchmark is CPI+7%.

In the 1st quarter 2007, the gilt and money market asset allocation ranges for the CGF Fund of Funds were changed and aligned to OMIGSA's balanced fund ranges.

* The Community Growth Funds have been managed with social and environmental dimensions since 1992 by the Community Growth Management Company Limited (Comanco). Comanco is a jointly owned company between Unity Incorporated (representing a group of seven trade unions) and Old Mutual Investment Group (South Africa). Comanco is a member of the Association of Collective Investments, SA.

CONTACT: **MANDISA ZUNGU, COMMUNITY GROWTH MANAGEMENT COMPANY LIMITED;** TEL: **+27 11 217 1751;** FAX: **+27 11 217 1757;**
EMAIL: **mzungu@omigsa.com;** INTERNET: **www.comanco.co.za**