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The Weekly Focus

A market and economic update

15 March 2010

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Newsflash

"Be optimistic; the world belongs to optimists"

(Mark Mobius of Franklin Templeton, in an interview on CNBC Africa, March 2010, when asked by interviewer Bronwyn Nielsen whether he had a final word of advice for listeners)

"An optimist sees an opportunity in every calamity; a pessimist sees a calamity in every opportunity." – Winston Churchill

Market Comment

- Some of the stock markets have reached new post-recovery highs, such as the Nasdaq Index in the US, the Russell 2000 Index (of smaller shares in the US) and the FT100 Index in the UK. This is important because for chartists this is a sign that the bull market remains intact.
- The JSE All Share Index, the German Dax Index, the Japanese Nikkei Index and the US S&P 500 Index are either close to or back at their previous (early January) post-recovery highs, but need to move higher to confirm the continuation of their bull markets.
- Last week the JSE rose by another 1.3%. Foreigners have continued to invest in the JSE, probably mostly because of our 7% weighting in the MSCI Emerging Markets Index. The total for the year-to-date is now R9.66bn (R75bn in 2009).
- The current very high price-to-earnings (PE) ratio of the All Share Index is causing nervousness amongst local investors. The PE ratio is the current level of the JSE All Share Index (28,063) divided by the 2009 earnings of companies in the index. The current level is 18.4, which is the highest in ten years (ie the most expensive), since just before the bubble burst in 2000.
- However, one needs to be aware that the 2009 earnings were extremely depressed, having declined the most in recorded history (28.4%) amidst the first SA recession in 18 years.
- By contrast, the forward PE ratio one year out, based on consensus earnings forecasts as reported by Nedgroup Securities, is 11.6, which is close to the three-year rolling average (ie not expensive like the historic PE ratio is). Of course the earnings expectations need to be met as the 2010 year progresses. That is the key. The current consensus forecast is for 35% growth over the next year.
- Despite recent advances in the share prices of both Billiton and Anglo American, UBS analysts are forecasting a 12 to 18 months PE ratio of 9.2 for Anglos (very reasonable) and 9.4 for Billiton, assuming their various forecasts for metal prices and the rand pan out.
- Stock markets are known to be "leading indicators", giving investors and economists a steer on what will happen in the economy in around six months time. This was perfectly illustrated exactly one year ago when markets bottomed and started to rally, even though economies looked shocking at the time and sentiment was about as negative as one could imagine.

- Now our market is rallying again and on the surface is looking very expensive, at least based on last year's very weak earnings (the historic PE ratio referred to above). Of course, investors are entitled to be sceptical because sentiment sways markets in the short-term and investors are scared that the market may have run too hard (running ahead of fundamentals) and that it may be proven to be wrong this time round. However, this is fairly normal at this stage of the cycle where 2009 was so bad that people are nervous that 2010 may not be that good. Below we summarise the findings of one of the more positive research teams, JP Morgan Cazenove. They have been pretty good over the years.

JP Morgan Cazenove remains overweight SA banks

- Deanne Gordon, Strategist at JP Morgan Cazenove, notes that SA bank shares have significantly outperformed not only other emerging market banks, but also the overall MSCI Emerging Market Index so far in 2010.
- Many investors are worried that our banks have run too hard and too far (too fast) because their PE ratios are looking stretched relative to the averages of the past.
- JP Morgan disagree with this and continue to recommend an overweight holding in SA banks for six reasons: 1) Sustained low interest rates in SA through 2010 versus a tightening in many other emerging markets 2) Recovery in loan growth 3) Unwinding of bad debts 4) Strongest expected earnings rebound (from SA companies) in 2010/11 compared with other emerging markets 5) Attractive relative valuations and 6) SA banks are under-owned.
- JP Morgan estimate that SA banks had total impairment charges (bad debts) of around R35bn in 2009 and that this will decline to around R30bn in 2010. For example, Standard Bank's impairment charges were R12bn in 2009 and are estimated to decline to R9bn for 2010. This should help bank earnings jump 30% in 2010 and a further 26% in 2011 (-24% in 2009).
- SA company earnings growth forecasts for 2010 and 2011 are one of the highest in the emerging market universe.
- JP Morgan Cazenove note that SA as a whole and SA banks too look cheap relative to other emerging markets.
- In particular, they prefer the price-to-book ratio for SA banks, saying that this valuation metric is more meaningful at this stage of the cycle than PE ratios. Price-to-book is the share price divided by the net asset value of the company (as reflected in its accounts/balance sheet). Essentially it is assets minus liabilities.
- Currently the price-to-book for SA banks is a "very attractive" 1.8 (back at 2004 levels), cheaper than the 15 year average of 2.4. By comparison, Brazilian bank price-to-book ratios are 3-plus.
- Interestingly, according to JP Morgan Cazenove's analysis of domestic fund managers' equity positions, SA banks are one of the biggest underweight sectors.

- "Given that the SA bank sector is the biggest domestic cyclical sector to play an unwinding of bad debts and a sustained low interest rate environment (12.4% weighting in the SWIX (shareholders weighted) index versus just 4% for General Retailers), we (JP Morgan Cazenove) believe that as confidence in the domestic economic recovery builds, this underweight position in SA banks should be reversed."

Investors give Metals a vote of confidence

(Financial Times, 9th March, 2010)

- "Financial inflows (inflows from investors around the world, as opposed to buying from industry) into commodity markets in 2010 should match or beat the record $70bn of new money that was invested last year, according to 64% of the investors attending the 6th annual Barclays Capital commodity conference held in Barcelona last weekend."
- "The results of the survey are a very positive vote of confidence by investors in commodities as an asset class".
- Over the next three years, 65% of the attendees at the conference planned to initiate or increase their exposure to commodities, while 27% intended to maintain their current allocation.
- Platinum group metals (platinum, palladium, rhodium) were chosen as the top pick for 2010 by 23% of those surveyed, while 16% voted for copper and 15% for freight. These picks were driven by strong Chinese demand and leverage to global economic growth.
- Exchange Traded Funds (ETFs) were seen as the preferred way to invest in commodities over the next 12 months by 34% of those surveyed, while 22% said they would invest via commodity indices such as the S&P GSCI (Goldman Sachs) commodity index, which remains the most widely followed benchmark in commodity markets.
- Although 43% cited portfolio diversification as their main reason for investing in commodities, 31% also cited returns. Almost 25% of those surveyed thought commodities could deliver returns of more than 10% per year (in US dollars) over the next 3 years, while 47% thought returns of 6 to 10% were achievable.

Snippets of Info

- US market analyst, Elaine Garzarelli, notes that in February US government tax receipts from corporate profits rose by 56% year-on-year.
- On a less negative note, US households facing foreclosure grew by 6% in February year-on-year, which is the smallest annual increase in 4 years (per RealtyTrustInc).

- Despite all the negatives in the US economy (high debt levels, a far from normal banking system, massive foreclosures and delinquencies, high unemployment, state and local government problems, tax hikes and a rapidly expanding government sector), the US has not yet felt the full effects of the US government stimulus announced over a year ago. Garzarelli expects the peak from the stimulus to come in the next two quarters when public construction spending projects start.
- US government debt is high and tricky due to the political climate there, making progress on debt reduction difficult. However, it has been done before in the decade after 1945, when debt was cut from 110% of GDP to less than 60%. Debt reduction also occurred during the 1980's and 1990's.
- In its annual update on billionaires in the world, Forbes magazine notes that the US has 403 billionaires. For the first time China, with 64 billionaires, has more than any other country, apart from the US, followed by Russia with 62. The top ten list includes two from India and one from Brazil. Taiwan tripled its number to 18, Turkey more than doubled its number to 28 (SA has just 3 billionaires in Rupert, Oppenheimer and Patrice Motsepe) and Brazil's share increased 50% to 18.
- The Business Day today reports that SA has slipped further down the global rankings to be the fourth-largest gold producer in the world, after China, Australia and the US. SA was the biggest gold producer for most of the past century until 2006, when China overtook us.
- Below we show a graph, courtesy of INET, of the MSCI Emerging Markets Index, of which the MSCI SA Index comprises around 7%. Chartists will be watching this index very closely because their view is that the index crucially needs to break through the down-trend line currently in place (the bear market that started in October 2007) for the bull market to continue. If it fails here, there could be trouble (continuation of the bear market).
- A number of key stock markets are reflecting a similar picture, including the US S&P 500 Index.
- So the tug-of-war between the optimists (bulls) and the pessimists (bears) is at a crucial stage.
- Our view tends to be of the more optimistic variety. We are heartened by the breaks in this down-trend seen so far in some of the other stock market indices (mentioned at the beginning of the weekly report) and of course by the progress being made in the economic recovery. However, the risks are there (no guarantees).

Paul Hansen
(Director: Group Advisory Services - Investments)

Economic Update

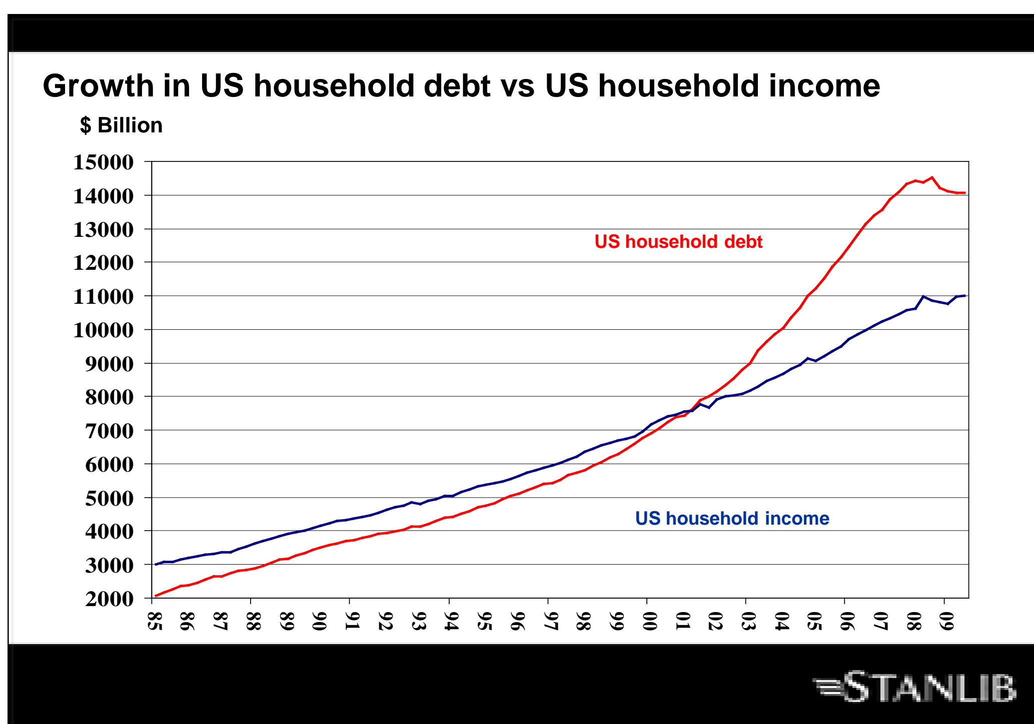
Last week saw a small spark of revival in the US consumer, as consumer credit increased for the first time in 12 months. What would be healthier for the US economy right now would be a combination of modest increases in credit coupled with a healthy increase in employment. Elsewhere in emerging markets, Chinese consumer inflation (CPI) increased again in February 2010 by 2.7%y/y; and Brazil recorded strong growth of 8.4%q/q during Q4 2009. On the back of the strong growth, the Brazilian central bank may decide to hike interest rates, especially as concerns over inflation are increasing.

Locally, business confidence rose sharply during Q1 2010, and is expected to improve further in the quarters ahead; however it is likely to take a fairly long time to regain its previous high. SA manufacturing activity fell disappointingly in January; but over the past 3 months production is up a healthy 4.1%, with 8 out of the 10 major sectors expanding. We expect manufacturing activity levels to continue to recover in the coming months.

Global

- **In January 2010, US consumer credit rose by $5.0bn**. This was well above market expectations, which was for a further decline of $4.5bn. This is the first monthly increase in US consumer credit since January 2009, and only the second monthly increase in the past 16 months. Prior to that US consumer credit rose each month for a consecutive 125 months.
- **This measure of US consumer credit excludes any mortgages advances**.
- **The total amount of consumer credit (excluding mortgages) outstanding is currently $2.456 trillion,** which is an amazing $125.67 billion below the peak level of consumer credit, which was recorded in July 2008.
- **Since the middle of 2008 the US consumer has been trying to de-leverage**. This was reflected in a dramatic fall-off in mortgage advances during 2008/2009, but also in a sharp decline in consumer credit.
- This decline in consumer credit has been very unusual relative to the history of consumer credit. For example, over the years from 1995 to 2008 US consumer credit rose by a total of $1.56 trillion or at an average of $111.7 billion a year. In contrast, during 2009, US consumers reduced their credit (excluding mortgages), by a significant $109.7 billion.
- **The ratio of US household debt to disposable income is now down at 127.8% (Q3 2009), having peaked at 135.9% in Q1 2008**. However, at 127.8% the indebtedness ratio is still well above the average for the past ten years of 118%.

- Overall, it is encouraging to see a modest increase in US consumer credit, after a long-period of monthly contractions. The reason it is encouraging is that it suggests that the commercial banking sector is slowly starting to re-engage with the consumer. It also suggests that the consumer is a little more willing to take on additional debt.
- However, given that the US consumer remains highly indebted, (see graph below) with modest monthly savings, a significant acceleration in consumer credit at this stage of the cycle would actually be deeply concerning, from both a banking and from a consumer perspective.
- **Rather the US needs to see a combination of modest increases in credit coupled with a healthy increase in employment.**



- **Chinese price inflation** recorded an increase of 2.7% y/y in February 2010, after recording a 1.5% increase in January. Prices increased by 2.6% y/y in the cities, while the countryside experienced a 2.9% increase in prices.
- The increase in prices can mainly be attributed to an increase in **food prices** and **healthcare** costs. Food inflation in February was stoked by the increase in the price of vegetables and fruit caused by the rain and snow experienced over the last few months. However food inflation in March should ease off as weather conditions begin to improve.
- **The central bank hasn't raised the benchmark interest rate since December 2007.** The one-year lending rate is currently at 5.31% and the deposit rate is at 2.25%. Interest rates will have to rise if inflation surprises on the upside in the coming months. Inflation may climb further if food inflation doesn't ease off due to the better weather conditions or if nationwide wage hikes are rapid and greater than inflation.

- **Brazil recently announced an increase of 2.0%q/q GDP for Q4 2009 (+8.4%q/q annualised).** The market was expecting an increase of 4.5% according to the Bloomberg survey of 31 economists.
- Brazil's GDP declined by 0.2%y/y during 2009. The 2009 reading was the first negative annual result since a 0.5% decrease in 1992.
- In the final quarter of 2009 industry experienced an increase of 4.0%q/q, while services expanded by 0.6%q/q. Agriculture remained unchanged.
- **The latest growth figures highlight the possibility that the Central Bank may decide to increase interest rates**; especially given that there is a concern about inflation. The inflation rate in Brazil is back up at 5%, while the current benchmark interest rate stands at a historic low of 8.75% and could possibly be increased quite soon.

South Africa

- In Q1 2010 the RMB/BER Business Confidence index rose by a very significant 15 index points to 43.0, its highest level since Q2 2008 (before the peak of the credit crisis) and the largest quarterly increase in 16 years. The index has risen for three consecutive quarters from a low of 23 index points in Q3 2009.
- This improvement in business confidence is reflected in a wide range of domestic economic conditions including; an expanding PMI (manufacturing) index, rising manufacturing production, improved vehicle sales, higher house prices, better export performance, expanding leading economic indicator and two consecutive quarters of positive GDP performance.
- This does not imply that trading and business conditions are vibrant. Rather it reflects that the economy appears to be moving past the worst of the recession and that some sectors (but not all) have seen an increase in activity relative to an extremely low or depressed base.
- The average level of business confidence in SA, measured since the start of 1975, is 44.8 index points. This suggests that the current business confidence reading is fractionally below the long-term average. Additionally, a confidence level below 50 is taken to reflect a generally 'negative' environment.
- Business confidence is expected to improve further in the quarters ahead, but is likely to take a fairly long-time to regain the previous peaks.

- In January 2010, SA manufacturing production fell by a somewhat disappointing 0.6%m/m (seasonally adjusted), compared with a revised increase of 2.9%m/m in December. The January reading was worse than market expectations for an increase of 0.9%m/m. The expectation for a further rise in manufacturing during January was based on an increase in the Kagiso PMI index.

- SA manufacturing production is extremely volatile on a month-on-month basis, but the current trend certainly appears to reflect an improvement. Although there was a decline in January, manufacturing output has risen in seven of the last nine months, helped by an unwind of the inventory overhang that prevailed in late 2008 and in the first half of 2009.
- On an annual basis, production is now up +3.7%y/y, which is a significant improvement relative to the decline of -15.2%y/y recorded in August 2009 and the -21.7%y/y in April 2009. Furthermore, looking at the 3-month rate of change, manufacturing activity appears to be exiting the recession, although the stability/improvement remains a little fragile given that final consumer demand remains under pressure, while the inventory adjustment has clearly provided a, relatively temporary, uplift.
- For 2009 as a whole SA manufacturing production declined by a record 12.3%y/y.
- The recent improvement in manufacturing activity was preceded by a strong rise in the Kagiso PMI index. Global PMI readings have also improved noticeably. Capacity utilisation is up at to 80.1% (Q4 2009), compared with 77.3% in Q3 2009. Another sign of improvement off a low base.
- Overall, given recent signs of improvement in the local PMI readings, relatively low inventory levels, and some pick-up in world demand, we expect manufacturing activity levels to continue to recover, on a trend basis, in the coming months.

Kevin Lings and Melissa Dyer (née Rankin)
(STANLIB Economics and Group Advisory Services)

Weekly Market Analysis

Currencies/ indices/ commodities	Friday's Close 12/03/10	Weekly Move (%)	YTD (%)
Indices			
*MSCI World – US Dollar	1187.37	1.45	1.62
*MSCI World – Rand	8801.88	1.37	1.62
*MSCI Emerging Market – US Dollar	992.68	1.82	0.32
*MSCI Emerging Market – Rand	7358.64	1.75	0.32
All Share Index – US Dollar	3834.37	1.67	2.55
All Share Index – Rand	28262.40	1.28	2.15
All Bond Index	306.97	0.18	2.64
Listed Property J253	709.87	-0.07	5.78
Currencies			
US Dollar/Rand	7.37	-0.38	0.42
Euro/Rand	10.16	0.69	-3.26
Sterling/Rand	11.20	0.38	-5.76
Euro/US Dollar	1.38	1.04	-4.33
Commodities			
Oil Brent Crude Spot Price ($/bl)	78.46	-0.72	1.63
Gold Price $/oz	1102.13	-2.76	0.48
Platinum Price S/oz	1608.50	1.93	9.46

Source: I-Net Bridge

* MSCI - Morgan Stanley Capital International

Rates

The following yields are calculated using an annualised seven-day rolling average as per the unit trust industry standard. These rates are expressed in nominal and effective terms and should be used for indication purposes ONLY.

Standard Bank Money Market Fund

Nominal: 7.32% per annum

Effective: 7.57% per annum

A constant unit price will be maintained. Past performance is not necessarily a guide to future performance. A schedule of fees and charges and maximum commission is available on request from the Manager. Commission and incentives may be paid and if so, are included in the overall costs. The yield is calculated using an annualised seven-day rolling average as at 14 March 2010.

STANLIB Cash Plus Fund

Effective Yield: 7.91%

This is a current yield as at 12 March 2010.

STANLIB Dividend Income Fund

Effective Yield: 5.45%

This is a current yield as at 12 March 2010.

Liberty Investments' Life Annuities

Current Rates for 15th March – 19th March 2010

Payments are assumed to be paid monthly in advance with no guarantee period or annual escalation in income. Ages indicated assume client is the exact age shown. No tax has been deducted.

	Gender	Male			Female		
	Age last birthday	55	60	65	55	60	65
Contribution	R 100,000	R 828	R 891	R 971	R 757	R 800	R 861
	R 250,000	R 2,092	R 2,251	R 2,452	R 1,915	R 2,023	R 2,175
	R 500,000	R 4,200	R 4,517	R 4,920	R 3,845	R 4,061	R 4,365
	R 1,000,000	R 8,415	R 9,049	R 9,856	R 7,705	R 8,137	R 8,746

The table above shows the monthly annuity that an annuitant will receive for life in return for the single premium in the left hand column. Note that the annuity depends on the annuitant's exact age and gender.

The rates above were calculated assuming maximum commission and will be enhanced if a commission discount is selected.

Glossary of terminology

Bonds	A bond is an interest-bearing debt instrument, traditionally issued by governments as part of their budget funding sources, and now also issued by local authorities (municipalities), parastatals (Eskom) and companies. Bonds issued by the central government are often called "gilts". Bond issuers pay interest (called the "coupon") to the bondholder every 6 months. The price/value of a bond has an inverse relationship to the prevailing interest rate, so if the interest rate goes up, the value goes down, and vice versa. Bonds/gilts generally have a lower risk than shares because the holder of a gilt has the security of knowing that the gilt will be repaid in full by government or semi-government authorities at a specific time in the future. An investment in this type of asset should be viewed with a 3 to 6 year horizon.
Cash	An investment in cash usually refers to a savings or fixed-deposit account with a bank, or to a money market investment. Cash is generally regarded as the safest investment. Whilst it is theoretically possible to make a capital loss investing in cash, it is highly unlikely. An investment in this type of asset should be viewed with a 1 to 3 year horizon.
Collective Investments	Collective investments are investments in which investors‟ funds are pooled and managed by professional managers. Investing in shares has traditionally yielded unrivalled returns, offering investors the opportunity to build real wealth. Yet, the large amounts of money required to purchase these shares is often out of reach of smaller investors. The pooling of investors' funds makes collective investments the ideal option, providing cost effective access to the world's stock markets. This is why investing in collective investments has become so popular the world over and is considered a sound financial move by most investors.
Compound Interest	Compound interest refers to the interest earned on interest that was earned earlier and credited to the capital amount. For example, if you deposit R1 000 in a bank account at 10% and interest is calculated annually, your balance will be R1 100 at the end of the first year and R1 210 at the end of the second year. That extra R10, which was earned on the interest from the first year, is the result of compound interest ("interest on interest"). Interest can also be compounded on a monthly, quarterly, half-yearly or other basis.
Dividend Yields	The dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. The higher the yield, the more money you will get back on your investment.
Dividends	When you buy equities offered by a company, you are effectively buying a portion of the company. Dividends are an investor's share of a company's profits, given to him or her as a part-owner of the company.
Earnings per share	Earnings per share is a measure of how much money the company has available for distribution to shareholders. A company's earnings per share is a good indication of its profitability and is generally considered to be the most important variable in determining a company's share price.
Equity	A share represents an institution/individual's ownership in a listed company and is the vehicle through which the are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase and this translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares/equities are usually considered to have the potential for the highest return of all the investment classes, but with a higher level of risk i.e. share investments have the most volatile returns over the short term. An investment in this type of asset should be viewed with a 7 to 10 year horizon.

Financial Markets	Financial markets are the institutional arrangements and conventions that exist for the issue and trading of financial instruments.
Fixed Interest Funds	Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable.
Gross Domestic Product (GDP)	The Gross Domestic Product measures the total volume of goods and services produced in the economy. Therefore, the percentage change in the GDP from year to year reflects the country's annual economic growth rate.
Growth Funds	Growth funds seek maximum capital appreciation by investing in rapidly growing companies across all sectors of the JSE. Growth companies are those whose profits are in a strong upward trend, or are expected to grow strongly, and which normally trade at a higher-than-average price/earnings ratio.
Industrial Funds	Industrial funds invest in selected industrial companies listed on the JSE, but excluding all companies listed in the resources and financial economic groups.
Investment Portfolio	An investment portfolio is a collection of securities owned by an individual or institution (such as a collective investment scheme). A funds' portfolio may include a combination of financial instruments such as bonds, equities, money market securities, etc. The theory is that the investments should be spread over a range of options in order to diversify and spread risk.
JSE Securities Exchange	The primary role of the JSE Securities Exchange is to provide a market where securities can be freely traded under regulated procedures.
Price to earnings ratio	Price to earnings ratio or p:e ratio, is calculated by dividing the price per share by the earnings per share. This ratio provides a better indication of the value of a share, than the market price alone. For example, all things being equal, a R10 share with a P/E of 75 is much more "expensive" than a R100 share with a P/E of 20.
Property	Property has some attributes of shares and some attributes of bonds. Property yields are normally stable and predictable because they comprise many contractual leases. These leases generate rental income that is passed through to investors. Property share prices however fluctuate with supply and demand and are counter cyclical to the interest rate cycle. Property is an excellent inflation hedge as rentals escalate with inflation, ensuring distribution growth, and property values escalate with inflation ensuring net asset value growth. This ensures real returns over the long term.
Resources and Basic Industries Funds	These funds seek capital appreciation by investing in the shares of companies whose main business operations involve the exploration, mining, distribution and processing of metals, minerals, energy, chemicals, forestry and other natural resources, or where at least 50 percent of their earnings are derived from such business activities, and excludes service providers to these companies.
Smaller Companies Funds	Smaller Companies Funds seek maximum capital appreciation by investing in both established smaller companies and emerging companies. At least 75 percent of the fund must be invested in small- to mid-cap shares which fall outside of the top 40 JSE-listed companies by market capitalisation.
Value Funds	These funds aim to deliver medium- to long-term capital appreciation by investing in value shares with low price/earnings ratios and shares which trade at a discount to their net asset value.

Sources: Unit Trust and Collective Investments (September 2007), The Financial Sector Charter Council, Personal Finance (30 November 2002), Introduction to Financial Markets, Personal Finance, Quarter 4 2007, Investopedia (www.investopedia.com) and The South African Financial Planning Handbook 2004.

Disclaimer

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In terms of the Association for Saving & Investment South Africa (ASISA) Code of Practice for Advertising of Collective Investment Schemes in Securities and ASISA Standard Pricing and Valuation, STANLIB is required to quote a current yield for Income Portfolios. This is an effective yield. The above quoted yield will vary from day to day and is a current yield as at 14 March 2010. The net (after fees) yield on the portfolio will be published daily in the major newspapers together with the "all-in" NAV price (includes the accrual for dividends and interest). This yield is a snapshot yield that reflects the weighted average running yield of all the underlying holdings of the portfolio. Monthly distributions will consist of dividends (currently tax exempt) and taxable interest. Interest will also be exempt from tax to the extent that investor's are able to make use of the applicable interest exemption as currently allowed by the Income Tax Act. The portfolio's underlying investments will determine the split between dividends and interest.

In terms of the ASISA Code of Practice for Advertising of Collective Investment Schemes in Securities and ASISA Standard Pricing and Valuation, STANLIB is required to quote an effective rate which is based upon a seven-day rolling average yield for Money Market Portfolios. This seven-day rolling average yield may marginally differ from the actual daily distribution and should not be used for interest calculation purposes. We however, are most happy to supply you with the daily distribution rate on request, one day in arrears. The price of each participatory interest (unit) is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio.

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. An investment in the participations of a CIS in securities is not the same as a deposit with a banking institution. CIS are traded at ruling prices and can engage in borrowing and scrip lending. Different classes of units apply to this portfolio and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments Ltd (the Manager). Commission and incentives may be paid and if so, would be included in the overall costs. This portfolio may be closed. Forward pricing is used. TER is the annualised percent of the average Net Asset Value of the portfolio incurred as charges, levies and fees. 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 TERs. This portfolio is valued on a daily basis at 15h30. Investments and repurchases will receive the price of the same day if received prior to 15h30. The Manager is a member of the ASISA.