

The Weekly Focus

A market and economic update

30 January 2012



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Newsflash

On balance, any correction in global stock markets probably represents a buying opportunity.

Market Comment

- With the first month of 2012 ending tomorrow, below we show some of the performances so far.
- After a tough 2011 for emerging market currencies and stock markets, the table below indicates that 2012 has started very well for both currencies and stock markets, with the MSCI Emerging Markets Index up 10.8% in dollar terms so far, more than double the return of last year's winner, the US S&P 500 Index, although the US Nasdaq Index is somewhat better at 7.5%.
- The Brazilian Bovespa Index is up 11% in their currency plus their currency has gained over 6% so far against the US dollar, giving a dollar return of around 18% so far in January.
- By comparison, the rand has gained 4% against the US dollar, while the JSE All Share Index is up 5.5% in rands and 8.8% in dollars.
- Also interesting is the nice bounce in the MSCI Eurozone Index (up 7.2% in euros). Adding the 1.5% appreciation to-date of the euro currency versus the dollar gives a dollar return of 8.7% for the eurozone, much higher than the S&P 500 Index.
- The global listed property index is up 7.8% in dollar terms and the SA listed property index is up around 4% in rands or 7.4% in dollar terms so far this month.

Equities	Current	YTD Return (local ccy)
S&P	1313	4.5%
Nasdaq	2808	7.5%
Topix	761	4.5%
FTSE 100	5733	3.0%
MSCI Eurozone*	140	7.2%
MSCI Europe*	1079	5.3%
MSCI EM \$*	1015	10.8%
Brazil Bovespa	63025	11.0%
Hang Seng	20502	11.2%
Shanghai SE	2319	5.4%

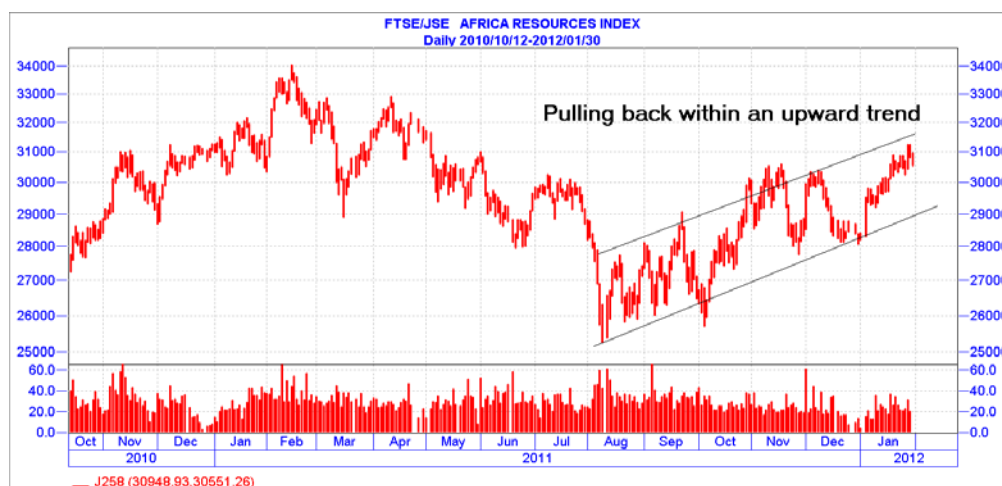
*Levels/returns as of Jan 26, 2012

Local currency except MSCI EM \$

Source: Bloomberg, Datastream. IBES, Standard & Poor's Services, J.P. Morgan

- Are these returns sustainable? Certainly the pace of appreciation is not sustainable, but the actual gains have a good chance of being maintained...and more, even though there are bound to be pullbacks along the way, as there always are.
- Many of the Emerging Markets were cheap by end 2011 after their sharp declines, including Brazil, China and Russia, amongst others. So it is not surprising to see this bounce. So far the Chinese market is up 5.4%, although it is only slightly higher now than it was at its peak in 2001.
- Gold is also doing very well, up 10.5% in dollars or 8% in rands so far in 2012, considering it did well last year. Copper is bouncing back nicely after a tough 2011, up 14% so far in 2012 and Platinum is up 15%, both in dollar terms.
- Metals - all risk assets - received a good fillip last week from Bernanke's announcement that US interest rates would be maintained at current low levels for another 18 months to end 2014. This helped weaken the dollar too. Investors feel a bit easier holding onto gold because they're not giving up any interest in the money markets. Low real rates of interest (interest rates less inflation) are historically good for gold.
- JP Morgan's Global Asset Allocation team says markets are also getting some fundamental support, with improved economic data and central banks signaling even further easing.
- They note that the purchasing manager indices (PMI's) are their best forward-looking indicators of economic activity and the flash PMI's for China and Europe are now indicating some upside potential for current global forecasts for the first quarter of 2012. For example, JP Morgan have reduced their negative forecast for Europe to flat versus -1.5%, raising the 2012 forecast from -0.8% to -0.4%.
- The US Federal Reserve Chairman, Ben Bernanke, made it clear last week that it would not take much for the FOMC (Federal Open Market Committee) to start another round of QE (quantitative easing).
- US market analyst, Elaine Garzarelli, notes that QE is very good for stock markets. From March 2009, when QE1 began, to March 2010, when it ended, the S&P 500 Index rose by 60%. The second time around when QE2 was mentioned in June 2010, the S&P 500 Index rose by 31% from then until the end, in early June 2011.
- QE is the large-scale purchase of assets, such as US government bonds and mortgage-backed bonds. When the Fed makes such purchases it tends to drive the prices of the bonds up, simultaneously driving down interest rates. As interest rates fall, the costs to businesses for financing capital investments, such as new equipment, decreases. Over time, new business investment should bolster economic activity, create new jobs and reduce the unemployment rate through the multiplier theory.
- The Fed turns to non-traditional policies like QE to provide support for a weak economy because its interest rates are already as low as they can go.

- Meanwhile the relatively new President of the European Central Bank, Mario Draghi, mentioned in a speech recently that he expects 2012 to be a much better year for the euro area as governments push ahead with fiscal reforms and the benefits of the ECB's flood of cheap cash become more apparent: "I am confident that the euro will be in better shape in 2012 because I look at the progress that has been achieved on the two root causes of the crisis, namely lack of fiscal discipline and lack of structural reform. I see both problems being addressed with conviction, with determination and with realism in many countries in euroland".
- This helps the JSE's most volatile sector, the Resources sector, which had a negative return in rands in 2011. Despite today's sharp pullback, the index is still up over 8% so far in January. The chart below indicates that the sector is retreating within a general uptrend that began in August.
- The Resources Index remains some 26% below its record high of May 2008 and is currently trading at levels of almost 5 years ago in rand terms. Valuations remain the cheapest for the sector, compared with Financials and Industrials, because of a variety of fears regarding economic growth, or the lack of it, Chinese hard landings etc.



Source: I-Net Bridge

Snippets of Info

- Brazil, a country of some 150 million people and the world's 6th largest economy, saw its jobless rate fall to 4.7% in December to reach an average of 6% for 2011, the lowest annual figure in 9 years. That is very impressive! The jobless rate stood at 6.7% in 2010.
- Last week's eurozone bond auctions saw Italy raise 11 billion euros of short-term money at sharply lower yields (1.969% versus December's 3.25%), underscoring the marked improvement in investor sentiment towards the world's third-largest bond market and nurturing hopes that Europe may have turned the corner.

- Industrial metals (copper, aluminium etc) are heading for the best start in at least 11 years as falling stockpiles add to speculation that demand is strengthening in China and the US. The London Metals Exchange Index of 6 industrial metals is up 12% this year, the most since at least 2001. Stockpiles of copper, used in pipes and wires, have dropped 8.4% this year and tin inventories are down 21%.
- Natural gas prices in the US slumped to a 10-year low this month (over supply). This could save US consumers \$16.5bn on home energy bills during 2012, according to a senior economist at the US Federal Reserve. The typical US household monthly gas bill this year would drop to \$324 from \$469 in the previous year.
- So far in 2012 foreign investors have bought R4.3bn of our government bonds, but have sold a net R5.5bn of our equities, leaving a net outflow of R1.2bn. Considering the strength of the rand and our stock market so far this year, the sale of equities seem a little odd, although SA is regarded as a more defensive stock market within the Emerging market universe. So if one is bullish on emerging markets, one typically goes underweight in SA.
- Currently cash of \$1.7 trillion (equivalent to Canada's annual GDP) accounts for more than 6% (from 3% in 2007) of the assets of US non-financial companies...the highest in at least 60 years; it represents the fruits of high profit margins, partly from cost-cutting and partly from lower borrowing costs because of low interest rates.
- Also, the pay-out ratio (the proportion of earnings paid out in dividends) for the S&P 500 Index is at its lowest in 111 years, because companies are reluctant to let go of their cash.
- Apple Computer is a prime example. It has a cash pile of almost \$100bn, which is enough to buy Dell, its erstwhile conqueror, three times over. Yet Apple has never paid a dividend to shareholders (Financial Times). Apple's \$100bn could almost buy McDonalds for cash too (current market value of \$102.7bn), as well as Cisco Systems (\$97.2bn) and oil company Conoco Phillips (\$97bn).
- Retired people need income and the share of the US population over age 65, now at 13.5%, is set to expand to 16.2% by 2020 and 20.4% by 2040. So shareholders are likely to clamour for more dividends as time goes on.

Paul Hansen

(Director: Retail Investment Marketing - Investments)

Economic Update

Locally, there was a decline in PPI from 10.1 to 9.8% y/y which was due in most part to a slowdown in mining inflation from 15% to 10%/y/y. Importantly, PPI inflation ex mining rose from 5.2% in November to 5.8% y/y in December. The rise in PPI excluding mining was due to an acceleration in Manufacturing PPI from 6.8 to 7.7%/y/y; Manufactured Food rose to 10.2%/y/y on the back of grain price increases of 36.3%/y/y, which fed through to meat price increases which are up 18%/y/y. Agricultural inflation slowed slightly from 12 to 11.8%/y/y. A stronger Rand in January should continue to help moderate inflationary pressure from second round effects of higher administrative prices and petroleum and coal inflation (which rose to 33%/y/y in Dec). Products of petroleum and coal affect a whole host of items from packaging to motor vehicle parts. Second round effects of these persistently high rates of PPI inflation filter through the supply chain.

The SA leading economic indicator for November 2011 was released by the Reserve Bank. An encouraging rise of 0.6%/m/m was recorded, after increasing by 0.2%/m/m in both October and September. To some extent this helps to confirm that the Q4 2011 estimate of SA GDP growth should be reasonably healthy and above the growth rate recorded in Q3 2011. On an annual basis the leading indicator remained positive, growing by 2.0%/y/y, although it is still signaling a likely loss of momentum in the economy during 2012. The rise in November was not emphatic, with only 6 of the 11 components measured during the month, rising. The positive contributions came from hours worked in manufacturing, residential building plans passed, job advertising, volume of manufacturing orders, equity market performance, and the interest rate spread. The largest negatives were the leading indicator for our major trading partners and passenger vehicle sales. The loss of momentum in the domestic economy is likely to become more a little more noticeable in 2012. This is partly due to the ongoing economic weakness in many of the major economies (especially the impending recession in the Euro-area), but it also reflects the damaging effects of rising domestic inflation, and hence a loss of growth momentum in real household incomes during the coming year.

Offshore, last week the global focus was on the World Economic Forum in Davos, the release of the IMF's updated World Economic Outlook, as well as the urgent need to resolve the Greek private sector debt swap. Discussions between representatives of the private sector banks, the Greek Prime Minister, and the Greek Deputy Prime Minister (who is also the Finance Minister) continued last week. It appears that some progress has been made in terms of finalising the conditions of the voluntary debt exchange. We expect that the deal will be concluded this week. The deal has to be in-place before 20 March 2012; otherwise the Greek government is likely to default.

The US Federal Open Market Committee kept the federal funds target rate unchanged at 0.00% to 0.25% and announced that interest rates would remain 'exceptionally' low until at least late-2014. This is an extension from the August 2011 announcement that rates would remain unchanged until at least mid-2013. In making the decision the FOMC highlighted the following key points: the economy has been expanding moderately, notwithstanding some slowing in global growth; indicators point to some further improvement in overall labour market conditions, but the unemployment rate remains elevated; household spending has continued to grow, but growth in business fixed investment has slowed, and the housing sector remains depressed; inflation has been subdued in recent months, and longer-term inflation expectations have remained stable; the FOMC expects economic growth, over coming quarters, to be modest and consequently anticipates that the unemployment rate will decline only gradually; strains in global financial markets continue to pose significant downside risks to the economic outlook. No additional QE was announced, but clearly the Fed is prepared to extend their QE programme, if required. Clearly the rate decision, coupled with the increased transparency in communication are aimed at keeping the long-dated US government bond yield as low as possible for as long as possible. This is aimed at trying to ensure a revival in the still depressed US housing market.

In Q4 2011 US GDP rose by a respectable 2.8%q/q, annualised. This compares with growth of 1.8%q/q in Q3 2011. For 2011 as a whole the US grew by 1.7%, down from 3.0% in 2010. **The growth in Q4 2011 was the tenth consecutive quarterly increase in US GDP, and the highest growth rate since the second quarter of 2010.** The increase in real GDP during Q4 2011 reflected mainly positive contributions from private inventory investment (which added 1.94 percentage point to the quarterly change in GDP), personal consumption expenditures (which added 1.45 percentage points), exports (added 0.64 percentage points), and residential fixed investment (added 0.23 percentage points). These gains were offset by a significant contraction in government activity (mainly defence activity), which deducted 0.93 percentage points from the quarterly change in GDP (defence, on its own, subtracted 0.73 percentage points). Government activity is expected to continue to decline in 2012, reflecting the need for fiscal austerity. Lastly, imports, which are a subtraction in the calculation of GDP, increased in the quarter, resulting in GDP growing 0.75 percentage points lower. There is currently slightly less nervousness about the outlook for the US economy, especially as a result of the reduction in jobless claims, rise in non-farm payrolls, improvement in consumer confidence as well as a little more fixed investment activity. Housing activity also made a very welcome contribution to GDP growth in Q3 2011, but remains extremely depressed overall. (Employment growth is absolutely crucial to the sustainability of the current recovery). It is also crucial to highlight that US GDP growth is expected to slow noticeably in Q1 2012 and Q2 2012, partly as a result of the Q4 2011 inventory growth reversing, as well as ongoing fiscal austerity. Nevertheless, we still think that the US will avoid a return to recession conditions and that growth could become a little more certain in the second half of 2012.

Longer-term, given the structural economic difficulties in the US (housing market overhang, loss of production capacity to emerging markets, huge fiscal constraints), it appears likely that the US economic recovery will remain relatively muted for a considerable period and that employment will take a number of years to fully recover from the great recession.

Emerging Markets, the latest retail sales figures from the National Bureau of Statistics of China show that in December 2011, total retail sales of consumer goods rose at a nominal rate of 18.1%y/y from 17.3% in November. Month-on-month retail sales grew 1.4% in December from 1.3% the previous month, bringing the 2011 annual growth rate to 17.1%. These numbers show that Chinese per capita retail sales have grown 350% since the year 2000. This surge in "consumerism" is evident and can be explained by the rise in wages as well as borrowing, while household savings rates continue to decline.

Ghana Statistical Services published data revealing that in the third quarter of 2011, GDP contracted by 0.7%q/q (seasonally adjusted and annualized), following a contraction of 3.4% in the previous quarter. However, excluding agriculture, which contracted 24.4%, the economy grew by 9.2%.

On the political front, two of Africa's bigger economies experienced some key events. Kenya's Minister of Finance, Kenyatta, resigned after being charged by the ICC for crimes against humanity. These alleged crimes relate to the post election crisis of 2007, which saw the death of over 1,300 people and the displacement of thousands. Also facing trial are Head of Civil Service, Muthaura and former Minister of Higher Education, Rutu.

Egypt's 508-member People's Assembly held its inaugural session - the first post-Hosni Mubarak and fairly elected legislative body in nearly sixty years. This is a first and important step towards a stable political environment and formation of a constitutional democracy. However, events during the first session raise concerns about cohesion among law makers, and the possibility of a stable democratic order.

Kevin Lings, Laura Jones and Xhanti Payi
(STANLIB Economics Team)

Weekly Market Analysis

Currencies/ indices/ commodities	Friday's Close 27/01/12	Weekly Move (%)	YTD (%)
Indices			
*MSCI World - US Dollar	1246.04	0.84	5.06
*MSCI World - Rand	9696.79	-1.67	1.30
*MSCI Emerging Market - US Dollar	1016.61	2.16	10.85
*MSCI Emerging Market - Rand	7911.36	-0.38	6.88
All Share Index - US Dollar	4380.45	3.25	10.50
All Share Index - Rand	33895.02	0.57	5.97
All Bond Index	382.30	1.38	2.16
Listed Property J253	989.10	-0.11	4.39
Currencies			
US Dollar/Rand	7.74	-2.60	-4.10
Euro/Rand	10.23	-0.37	-1.93
Sterling/Rand	12.19	-1.44	-2.55
Euro/US Dollar	1.32	2.23	2.16
Commodities			
Oil Brent Crude Spot Price (\$/bl)	110.69	1.29	3.24
Gold Price \$/oz	1738.80	4.31	11.11
Platinum Price S/oz	1622.00	5.70	15.86

Source: I-Net Bridge

* MSCI - Morgan Stanley Capital International

Rates

These rates are expressed in nominal and effective terms and should be used for indication purposes ONLY.

Standard Bank Money Market Fund

Nominal: 5.29% per annum

Effective: 5.44% per annum

STANLIB is required to quote an effective rate which is based upon a seven-day rolling average yield for Money Market Portfolios. The above quoted yield is calculated using an annualised seven-day rolling average as at 27 January 2012. 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.

STANLIB Enhanced Yield Fund

Effective Yield: 5.87%

STANLIB Dividend Income Fund

Effective Yield: 4.09%

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 27 January 2012. 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.

The Manager has received a circular, (CISCA Circular No.11), from the Registrar of Collective Investment Schemes regarding a joint investigation of National Treasury, SARS and the FSB, which is currently in progress with regard to dividend income fund type portfolios. The Manager is obliged, in terms of this circular, to bring the following to your attention with regard to this investigation. The outcome of the investigation could affect certain structures and SPVs (special purpose vehicles) used by underlying investments of these types of portfolios, which may result in possible adverse tax consequences, and may require amendments to existing legislation. The abovementioned regulators still have concerns which could impact negatively on the future of these portfolios and the continuation of these portfolios can therefore not be guaranteed. The Manager however do not believe that there is any current cause for concern regarding the STANLIB Dividend Income Fund and should there be a more definitive outcome from the investigation investors in our STANLIB Dividend Income Fund will be informed timeously of any legislative changes that may affect their investment.

Liberty Investments' Life Annuities

Current Rates for 23rd Jan 2012 - 27th Jan 2012

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 764	R 806	R 868	R 692	R 729	R 782
	R 250,000	R 1,980	R 2,084	R 2,239	R 1,800	R 1,891	R 2,023
	R 500,000	R 4,006	R 4,214	R 4,523	R 3,645	R 3,827	R 4,090
	R 1,000,000	R 8,058	R 8,475	R 9,093	R 7,337	R 7,699	R 8,225

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 they 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

The price of each unit of a domestic money market portfolio 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. 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. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. 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. Portfolios are valued on a daily basis at 15h30. Investments and repurchases will receive the price of the same day if received prior to 15h30. Liberty is a full member of the Association for Savings and Investments of South Africa. The Manager is a member of the Liberty Group of Companies.

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the art and science of investing

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