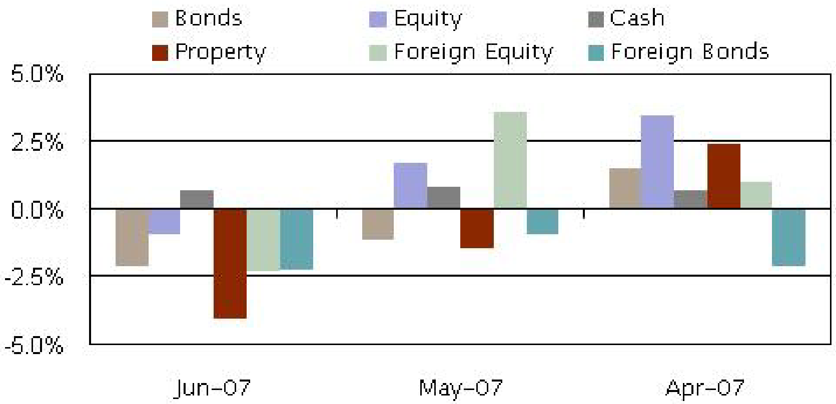
# RisCUpdate

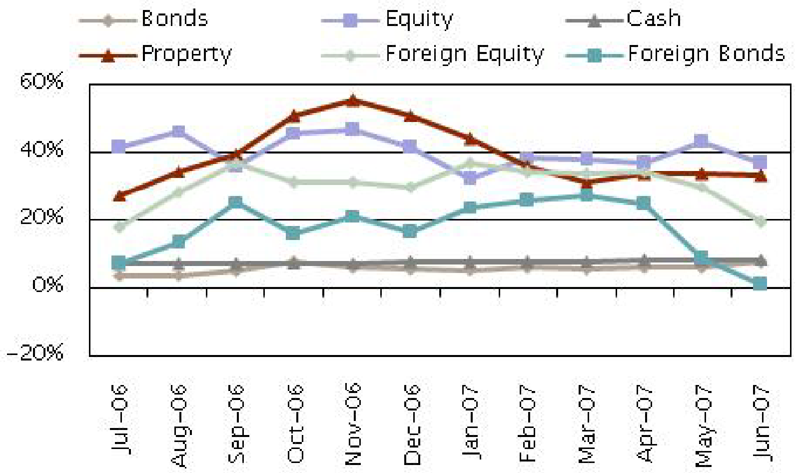
quarterly overview
30 Jun 2007

## How the different asset classes performed

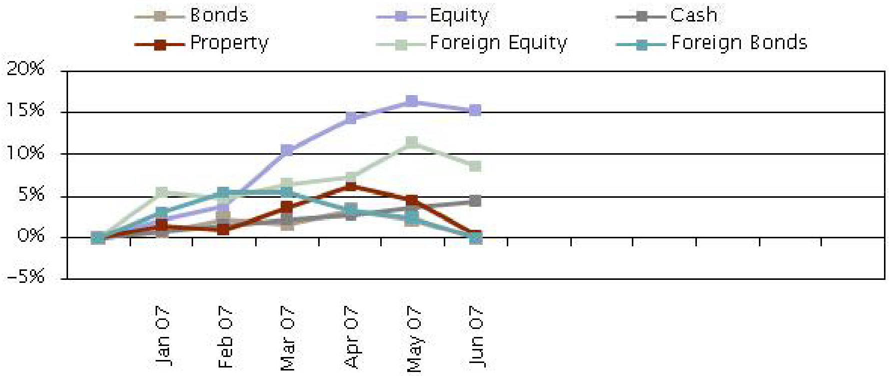
**Asset Class Monthly Returns**




**Asset Class Rolling 12-Month Performance**




**Asset Class Performance – Year to Date**

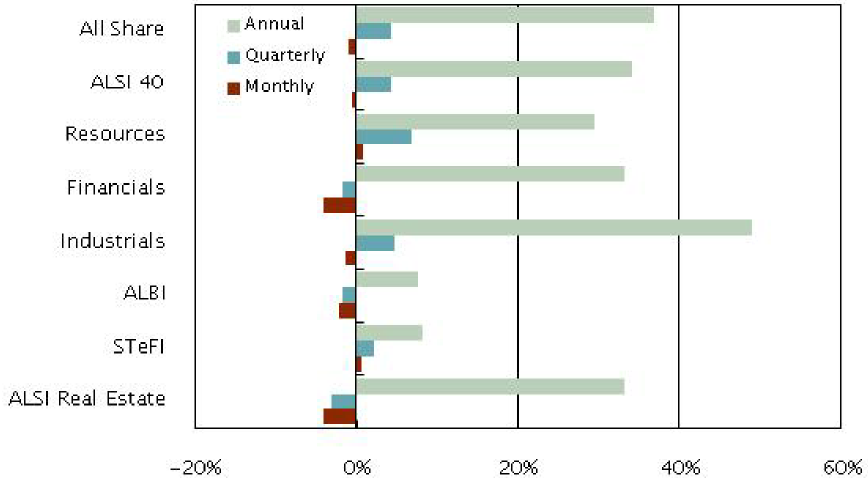



**Sector Indices**

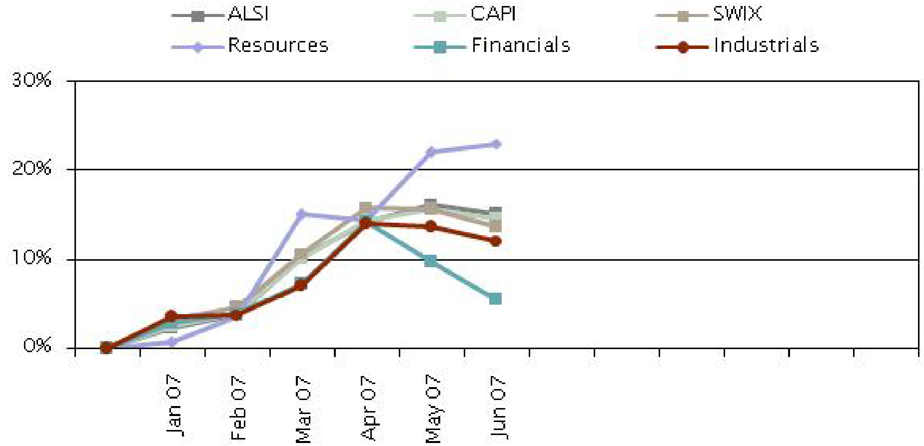
| | |
|---|---|
| Bonds | ALBI |
| Equity | All Share |
| Cash | STeFI |
| Property | ALSI Real Estate |
| Foreign Equity | MSCI World |
| Foreign Bonds | JP Morgan Govt Bond |

## How the local market indices performed

### Returns of FTSE/JSE Sectors & Indices

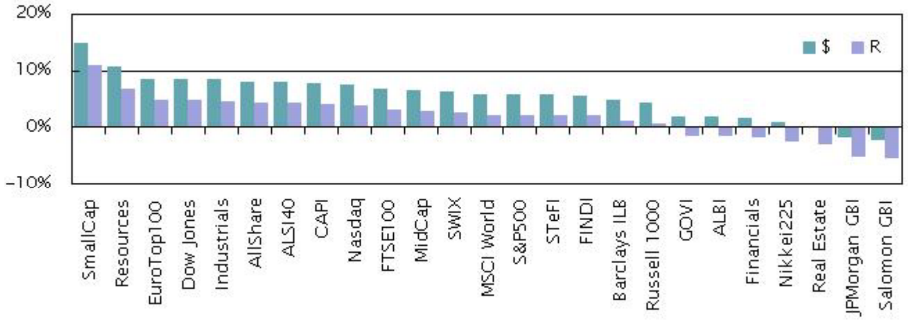



### Sector & Indices Performance – Year to Date

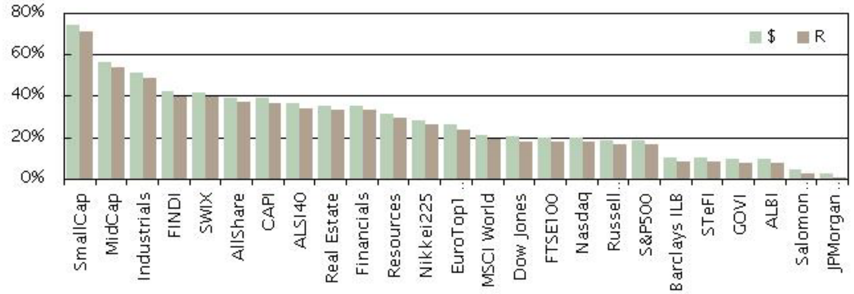



## How the world market indices performed

### Quarterly Return of Major Indices

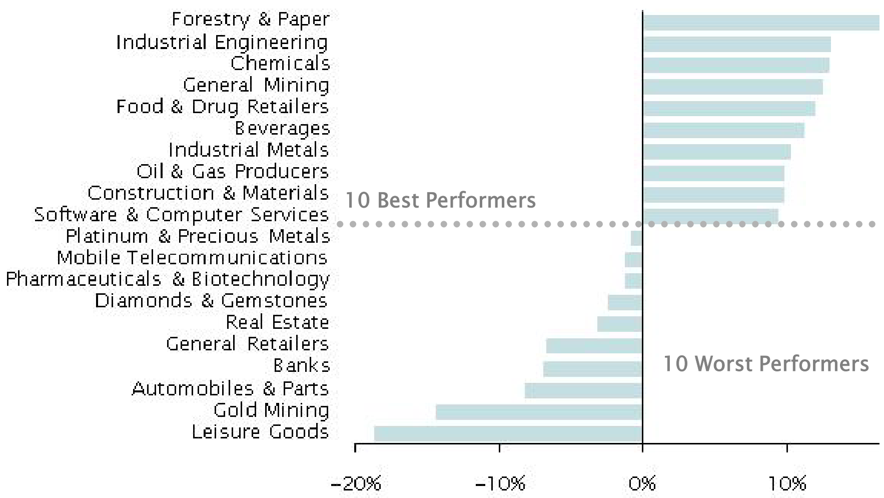



### Annual Return of Major Indices

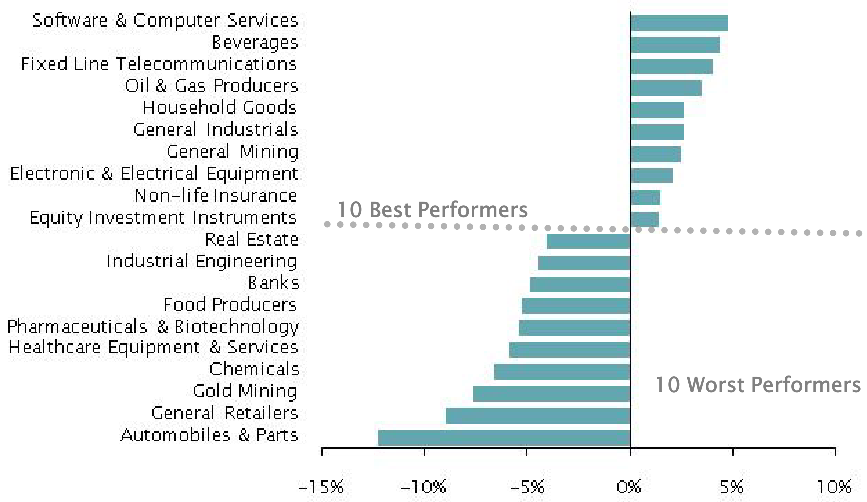


## Equity market – how the equity sectors performed

**Quarterly Industry Performance**




**Monthly Industry Performance**

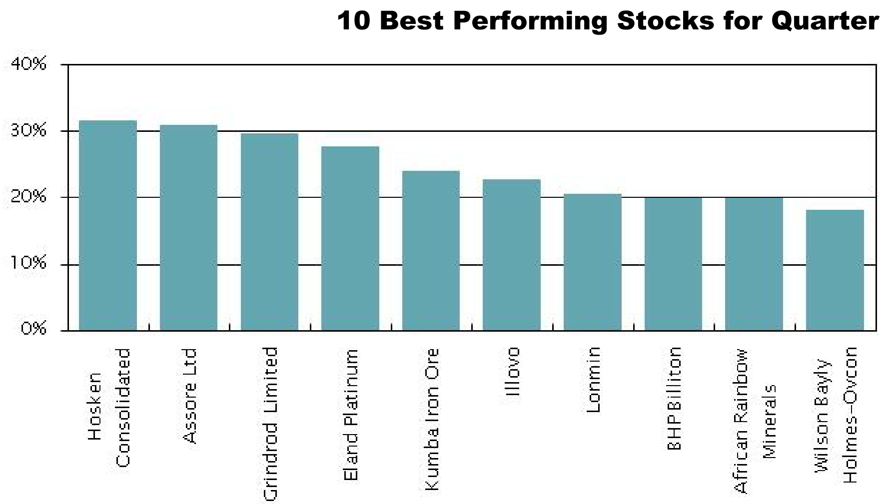


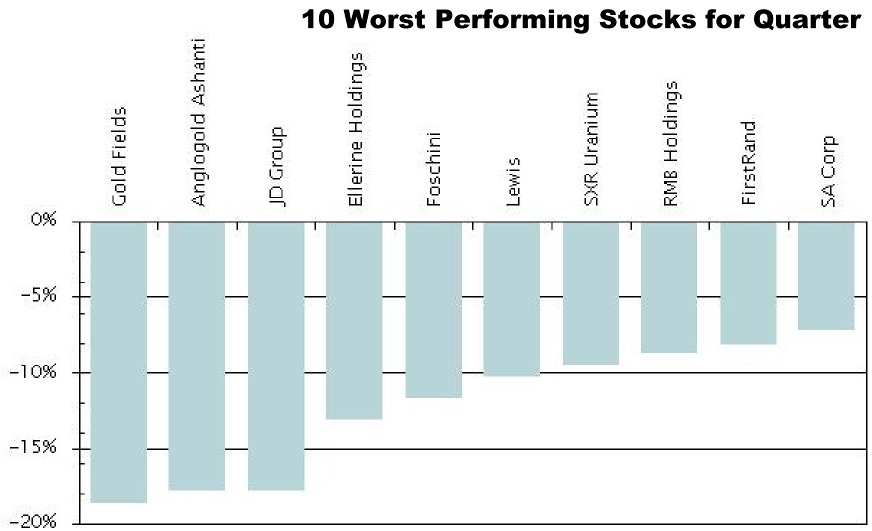

## 20 largest shares by market cap

| | Share | R'million | | Share | R'million | | Share | R'million | | Share | R'million |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Anglo American | 621,383 | 6 | MTN | 179,420 | 11 | FirstRand | 127,367 | 16 | Angolgold | 73,942 |
| 2 | BHP Billiton | 481,239 | 7 | Sasol | 166,838 | 12 | Telkom | 95,110 | 17 | Goldfields | 71,320 |
| 3 | Angloplat | 274,745 | 8 | Implats | 136,274 | 13 | ABSA | 88,757 | 18 | Naspers | 66,906 |
| 4 | SAB Miller | 266,127 | 9 | Standard Bank | 134,738 | 14 | Lonmin | 87,893 | 19 | Nedbank | 60,241 |
| 5 | Richemont | 219,919 | 10 | Old Mutual | 130,591 | 15 | Remgro | 84,781 | 20 | Liberty Int | 59,001 |

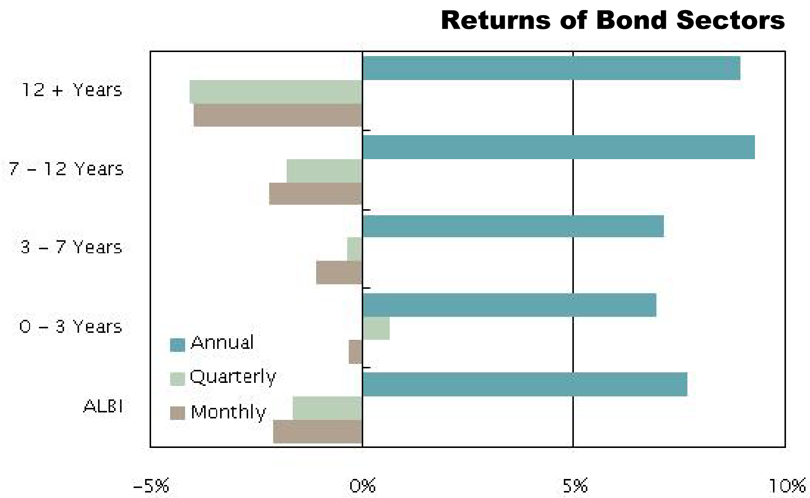
# Equity market – how specific equities performed

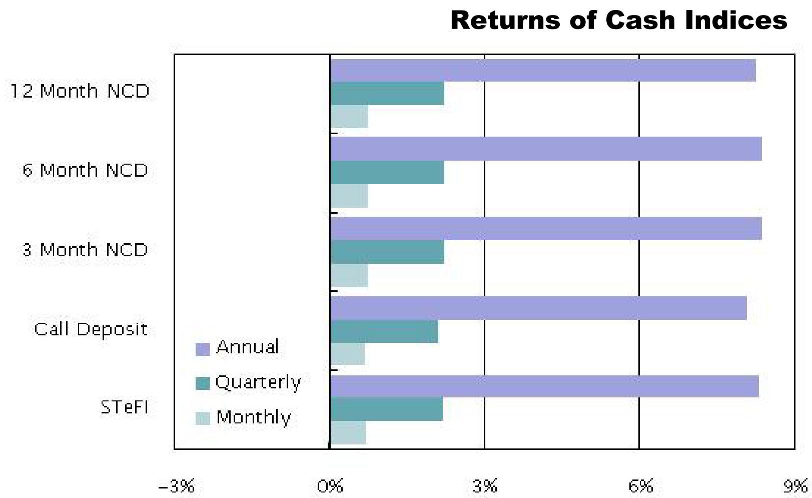
Best and worst performing stocks within the All Share Index.



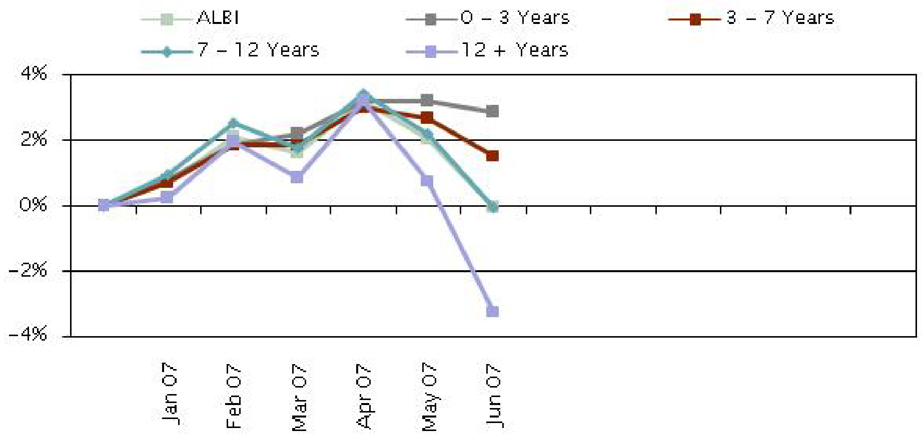

# How the fixed interest market performed



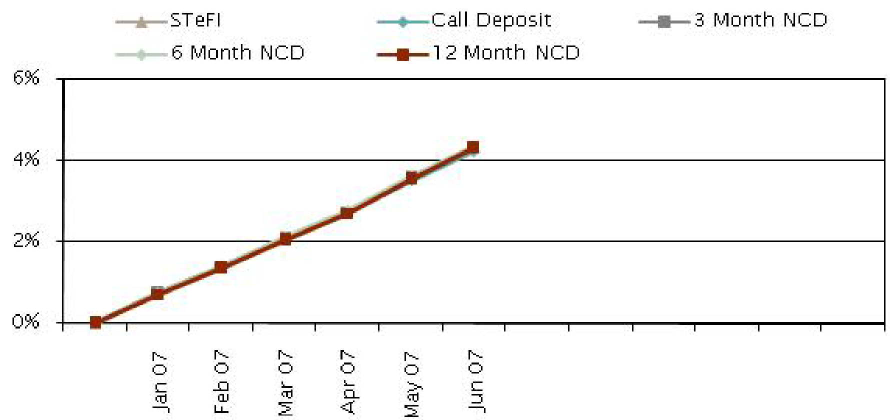



## Fixed interest market – how the different sectors performed

**Cumulative Performance of Bond Sectors - YTD**




**Cumulative Performance of Cash Indices - YTD**



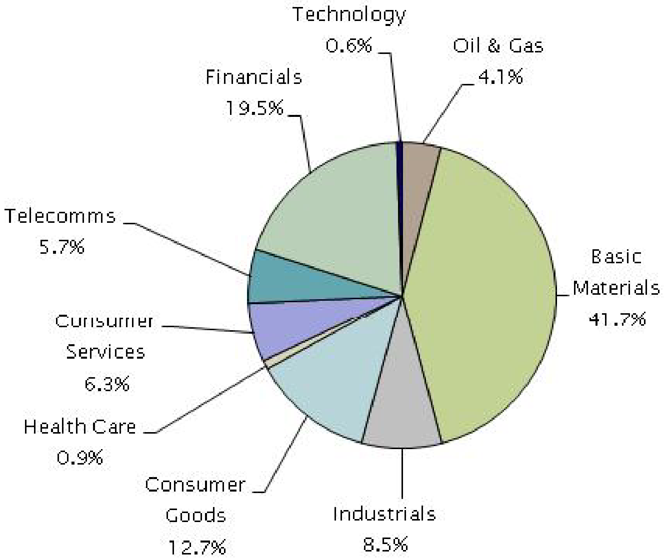

## Fixed interest market – how the currency performed

| | 30 Mar 07 | 29 Jun 07 | % Change |
|---|---|---|---|
| Rand/dollar | 7.26 | 7.01 | 3.53% |
| Rand/pound | 14.24 | 14.13 | 0.72% |
| Rand/euro | 9.66 | 9.52 | 1.48% |
| Dollar/euro | 1.33 | 1.35 | 1.54% |

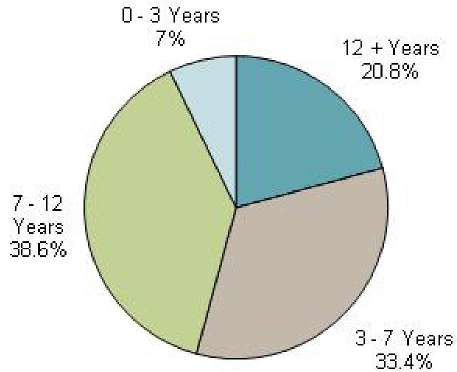
## What makes up the benchmarks

### Quarterly Composition of all Indices

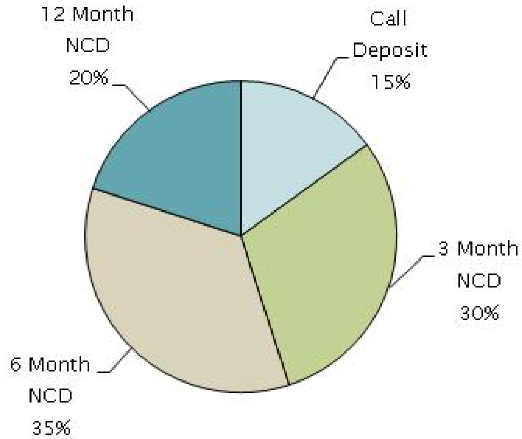
**Equity – All Share**




**Bond – ALBI**




**Cash – STeFI**



# Market and economic update

## Globally speaking

### Background

- Q2 2007 was yet another consecutive period of excellent equity returns, as global equities returned approximately 7% during the quarter.
- Emerging markets did well with an average return of 15%, as investors became optimistic on the prospects for economic growth, especially with respect to the US.
- Worries about US housing and the consequent knock-on effect to consumers persists, but improved prospects for US exports, inventories and capital expenditure provide offsetting comforts.
- Chinese equities performed well but with considerable volatility.
- In short, market views on global growth settled on the "goldilocks" scenario – not too hot, not too cold.
- Global bonds suffered as the former Federal Reserve Chairman Greenspan's "conundrum" of too low bond yields began to reverse. US long bond yields rose 0.22% over the quarter in response to the improved growth prospects and the realisation that US short-term interest rates are unlikely to be reduced in 2007.
- Markets remain unconcerned about a pickup in inflation, considering the increase to date is not reflective of any underlying structural inflationary pressures.
- Risk aversion did however pick up in response to certain hedge fund defaults in the corporate bond market.
- Corporate credit spreads widened, but a potential crisis was averted when the investment banking principal covered the losses.
- The US dollar was generally weak against most currencies, helping the rand to strengthen 3.3% versus the dollar, despite perennial concerns about the current account deficit. Dollar weakness was generally positive for commodities.
- The gold price was down 2%, which is further evidence of a lack of global inflation worries.

### Outlook

- Although global equity markets have done well over the past 4 years, they are not more expensive than previously as corporate earnings have grown at least as fast as share prices.
- Global economic growth is set to slow down modestly from the robust 5% levels as witnessed in the past 3 years, however, corporate earnings growth should still remain reasonable.
- Short-term interest rates are set to continue rising, providing the traditional tension between interest rates and earnings. However, rising interest rates are likely to have already been discounted.
- Consequently, we remain bullish on equity prospects although slowing corporate profit growth and higher company debt are likely to result in significantly greater equity volatility levels than in the past.
- Global bond yields look normal at present levels, thus bond returns are expected to be pedestrian.
- Property yields are unlikely to compress further, however robust property distribution or earnings growth is expected to continue and provide bond beating returns.
- The one asset class that appears closest to a "bubble valuation" is corporate or high yield bonds.
- Too many hedge funds or private equity funds have caused credit spreads to narrow unreasonably to levels that don't adequately price the risk of default or company failure. How this situation corrects will have a bearing on future broader financial market returns.
- An orderly unwinding similar to 1996 will not be a problem, but a credit crunch and rapidly widening credit spreads will undermine confidence.

# Market and economic update

## Locally speaking

Background

- Short-term policy interest rates in Q2 2007 rose in many countries, including SA.
- Within SA this environment translated into a rand return of 4.3% for the All Share, largely driven by the 6.8% resource sector return.
- The de-facto pension fund equity benchmark shareholder downweighted index (SWIX) return for the quarter was 2.6%.
- The interest rate sensitive SA bank and retail sectors did poorly, with resource shares such as Billiton, Lonmin and Kumba performing very well.
- In response to higher global bond yields as well as worsening inflation pressures specific to SA, the SA bond return was -1.7%.
- SA listed property performance was a muted 0.3% for the quarter, disguising the negative returns towards quarter-end as the SA interest rate environment worsened.

Outlook

- Within SA equities, we expect the global cyclical shares to continue to perform.
- Furthermore, construction or infrastructure shares remain good investments despite their strong performance this year as expectations of future earnings continue to be revised upwards.
- The rand is expected to weaken should the growth outlook in SA worsen.

Economic comment supplied by Investec

Investec South Africa

## Performance table

| Index/Sector | 1Month | 3Month | YTD | 1Year | 3Year |
|---|---|---|---|---|---|
| **All Share** | **-0.95%** | **4.29%** | **15.11%** | **36.89%** | **44.86%** |
| Capped All Share Index | -0.88% | 4.00% | 14.57% | 36.59% | 44.90% |
| Shareholder Weighted All Share Index | -1.77% | 2.62% | 13.61% | 39.47% | 44.75% |
| Top 40 | -0.52% | 4.28% | 14.40% | 34.09% | 44.25% |
| Mid Cap | -3.95% | 2.92% | 17.19% | 53.99% | 47.06% |
| Small Cap | -1.34% | 11.01% | 30.37% | 71.30% | 57.11% |
| **Resources** | **0.81%** | **6.85%** | **23.01%** | **29.39%** | **49.55%** |
| Mining | 0.52% | 6.53% | 25.48% | 33.99% | 50.10% |
| Gold Mining | -7.63% | -14.36% | -15.48% | -23.71% | 15.17% |
| Diamonds & Gemstones | -3.08% | -2.41% | 16.94% | 30.14% | -7.93% |
| Platinum & Precious Metals | -2.13% | -0.78% | 29.71% | 50.24% | 70.13% |
| General Mining | 2.50% | 12.51% | 34.08% | 46.36% | 55.01% |
| Oil & Gas | 3.48% | 9.89% | 4.09% | -0.26% | 44.75% |
| **All Share Industrials** | **-1.33%** | **4.70%** | **12.15%** | **48.93%** | **43.07%** |
| Basic Materials | 0.38% | 6.85% | 25.20% | 34.88% | 40.65% |
| Chemicals | -6.61% | 12.94% | 18.80% | 35.18% | 40.13% |
| Construction & Materials | -2.11% | 9.89% | 44.42% | 108.71% | 74.79% |
| Forestry & Paper | -3.22% | 17.04% | 9.57% | 48.58% | 13.19% |
| Industrial Metals | 1.13% | 10.37% | 32.42% | 73.80% | 62.75% |
| Industrials | 0.31% | 5.58% | 15.43% | 55.72% | 49.65% |
| General Industrials | 2.58% | 5.50% | 12.11% | 50.54% | 48.22% |
| Electronic & Electrical Equipment | 2.06% | 1.24% | 12.01% | 48.46% | 53.20% |
| Industrial Engineering | -4.46% | 13.14% | 25.03% | 108.51% | 68.20% |
| Consumer Goods | -0.54% | 6.87% | 6.11% | 35.46% | 40.81% |
| Automobiles & Parts | -12.23% | -8.16% | -5.19% | 15.03% | 23.93% |
| Leisure Goods | -0.67% | -18.73% | -30.16% | -7.52% | 18.40% |
| Health Care | -5.69% | 2.36% | 7.05% | 30.82% | 38.06% |
| Beverages | 4.38% | 11.25% | 10.36% | 41.52% | 33.82% |
| Food Producers | -5.23% | 4.29% | 9.87% | 37.48% | 42.19% |
| Health Care Equipment & Services | -5.85% | 4.27% | 5.44% | 51.73% | 50.48% |
| Pharmaceuticals & Biotechnology | -5.38% | -1.26% | 10.29% | -0.39% | 43.67% |
| Consumer Services | -5.16% | 0.59% | 13.48% | 51.50% | 44.66% |
| General Retailers | -8.97% | -6.73% | 8.74% | 47.45% | 42.77% |
| Travel & Leisure | -1.55% | 7.02% | 24.48% | 79.36% | 53.02% |
| Media | -3.02% | 4.54% | 11.14% | 53.01% | 57.89% |
| Support Services | 0.88% | 5.01% | 11.46% | 53.57% | 39.09% |
| Industrial Transportation | -3.76% | 2.80% | 2.31% | 24.73% | 26.91% |
| Telecommunication | -0.33% | 0.47% | 16.29% | 73.27% | 47.16% |
| Food & Drug Retailers | -0.28% | 12.04% | 22.68% | 36.66% | 47.72% |
| Fixed Line Telecommunications | 4.02% | 7.47% | 26.09% | 45.05% | 43.44% |
| Technology | 4.75% | 9.44% | 28.04% | 54.81% | 37.03% |
| Software & Computer Services | 4.75% | 9.44% | 28.04% | 57.45% | 39.56% |

# RisCUpdate

**Q2 2007**

| Index/Sector | 1Month | 3Month | YTD | 1Year | 3Year |
|---|---|---|---|---|---|
| **Financials** | **-3.95%** | **-1.72%** | **5.43%** | **33.09%** | **39.02%** |
| Banks | -4.83% | -6.87% | 4.49% | 34.25% | 36.89% |
| Non-life Insurance | 1.50% | 5.47% | 17.86% | 40.07% | 33.37% |
| Life Assurance | -3.22% | 6.90% | 8.06% | 25.55% | 34.66% |
| Equity Investment Instruments | 1.39% | 5.66% | 16.66% | 34.88% | 44.41% |
| Real Estate | -4.02% | -3.12% | 0.38% | 33.18% | 35.62% |
| General Finance | -3.26% | 0.67% | 8.60% | 42.54% | 59.48% |
| **Financials And Industrials** | **-2.25%** | **2.38%** | **9.73%** | **42.89%** | **41.62%** |
| **ALBI** | **-2.08%** | **-1.66%** | **-0.04%** | **7.67%** | **10.36%** |
| 1-3 Years | -0.34% | 0.65% | 2.86% | 6.96% | 7.72% |
| 3-7 Years | -1.10% | -0.34% | 1.55% | 7.11% | 9.66% |
| 7-12 Years | -2.19% | -1.79% | -0.04% | 9.29% | 12.43% |
| 12+ Years | -3.99% | -4.07% | -3.23% | 8.93% | 12.44% |
| **STeFI** | **0.72%** | **2.20%** | **4.33%** | **8.30%** | **7.62%** |
| Call Deposit | 0.69% | 2.11% | 4.24% | 8.10% | 7.20% |
| 3 Month NCD | 0.72% | 2.22% | 4.34% | 8.36% | 7.58% |
| 6 Month NCD | 0.72% | 2.21% | 4.37% | 8.36% | 7.68% |
| 12 Month NCD | 0.73% | 2.21% | 4.30% | 8.27% | 7.88% |
| **International Index / Other** | **1Month** | **3Month** | **YTD** | **1Year** | **3Year** |
| S&P 500 | -3.20% | 2.20% | 6.64% | 16.36% | 14.65% |
| MSCI World | -2.32% | 2.22% | 8.66% | 19.35% | 19.93% |
| JPMorgan GBI | -2.14% | -4.90% | -0.36% | 0.29% | 7.28% |
| Salomon Brothers GBI | -2.11% | -5.58% | 0.02% | 2.80% | 7.88% |
| Dow Jones | -3.02% | 4.84% | 8.24% | 18.23% | 13.69% |
| Euro Top 100 | -0.38% | 4.91% | 11.25% | 23.97% | 24.89% |
| Nikkei 225 | -0.79% | -2.56% | 2.29% | 26.03% | 15.71% |
| FTSE 100 | -0.75% | 3.22% | 9.80% | 18.12% | 23.53% |
| Nasdaq | -1.49% | 3.84% | 8.43% | 17.83% | 13.29% |
| Russell 1000 | -3.21% | 0.69% | 5.54% | 16.82% | 17.21% |
| Barclays Inflation Linked Bond Index | -0.12% | 1.17% | 2.18% | 8.59% | 10.82% |

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