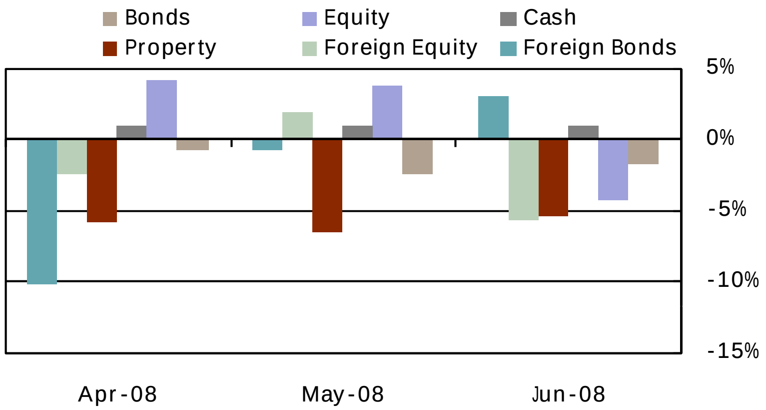
# RisCUpdate

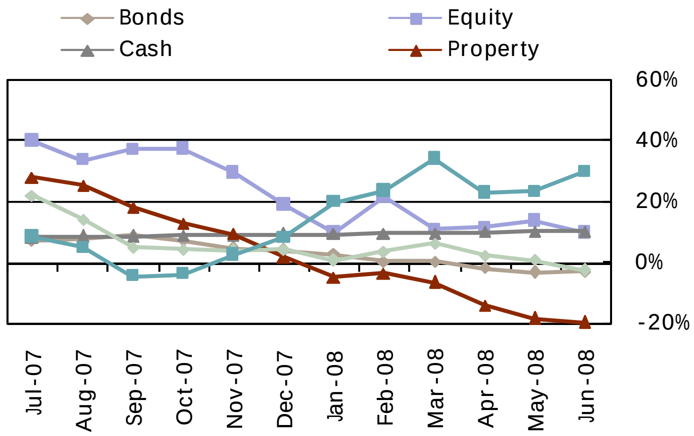
quarterly overview
30 June 2008

## HOW THE DIFFERENT ASSET CLASSES PERFORMED

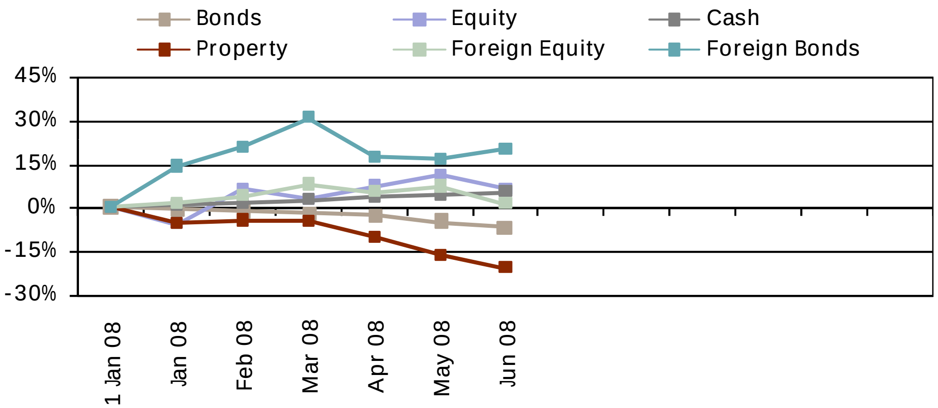
### ASSET CLASS MONTHLY RETURNS




### ASSET CLASS ROLLING 12-MONTH PERFORMANCE




### ASSET CLASS PERFORMANCE – YEAR TO DATE

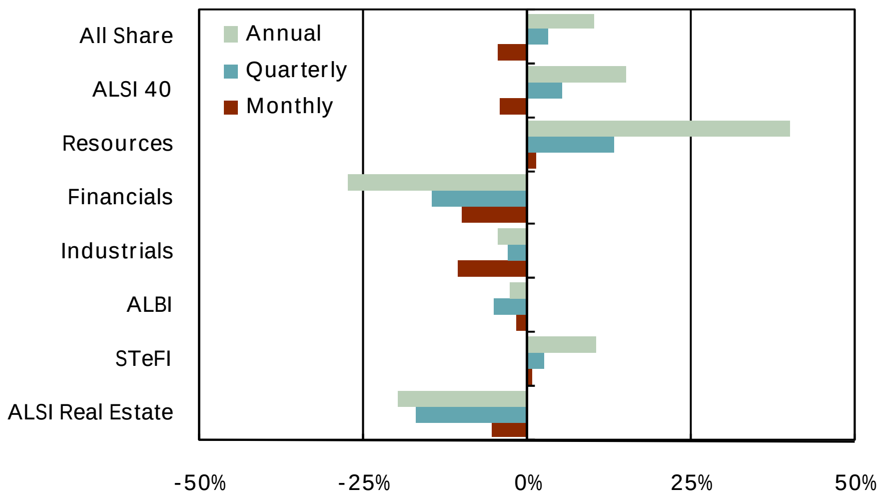



### SECTOR INDICES

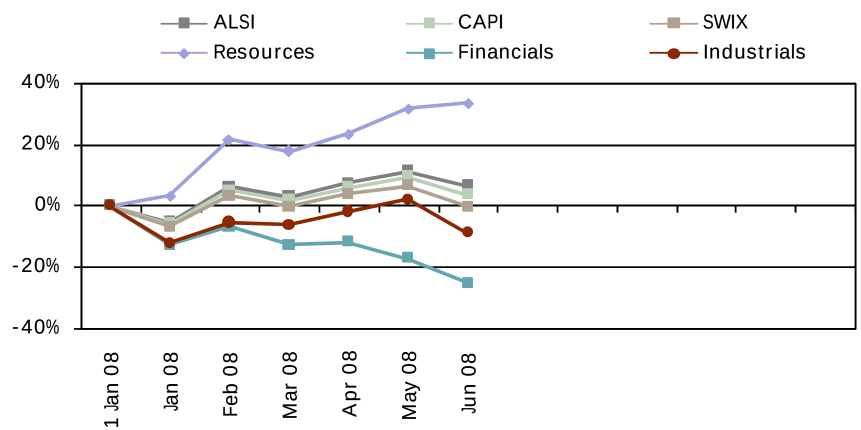
| | |
|---|---|
| Bonds | ALBI |
| Equity | All Share |
| Cash | STeFI |
| Property | ALSI Real Estate |
| Foreign Equity | MSCI World |
| Foreign Bonds | JP Morgan Govt Bond |

# HOW THE LOCAL MARKET INDICES PERFORMED

## RETURNS OF FTSE/JSE SECTORS & INDICES

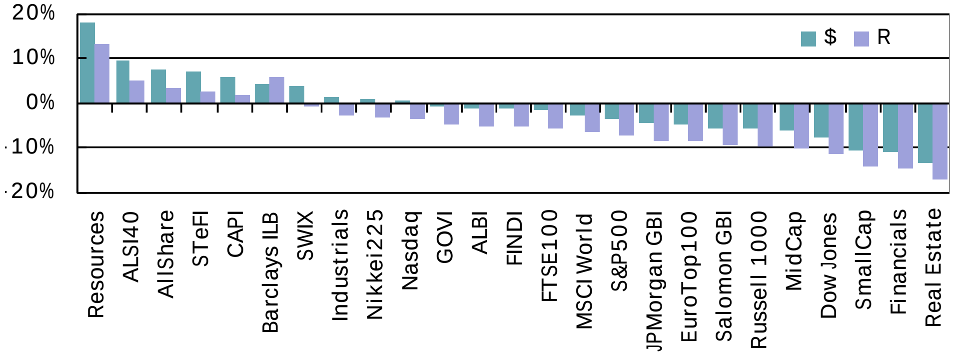



## SECTOR & INDICES PERFORMANCE – YEAR TO DATE

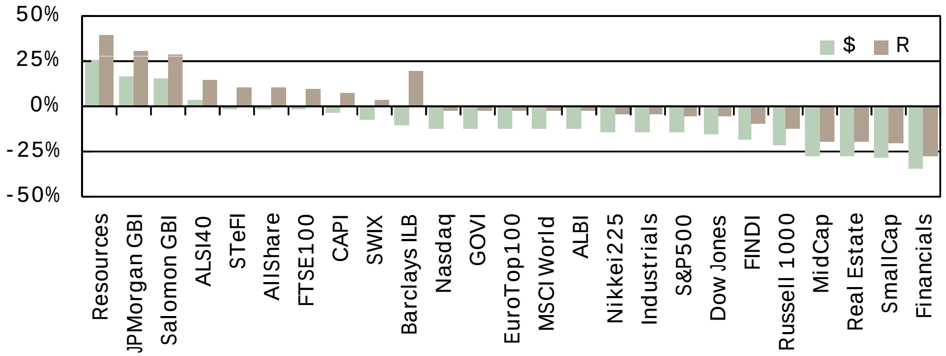



# HOW THE WORLD MARKET INDICES PERFORMED

## QUARTERLY RETURN OF MAJOR INDICES

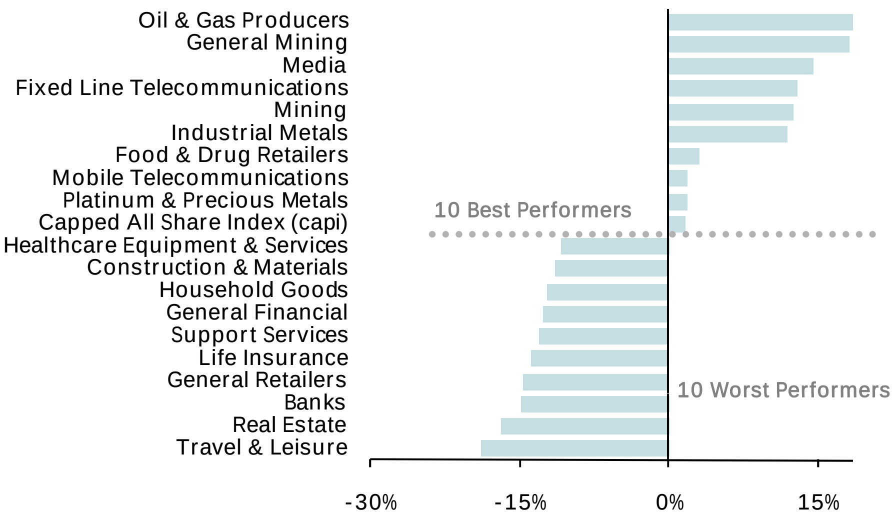



## ANNUAL RETURN OF MAJOR INDICES

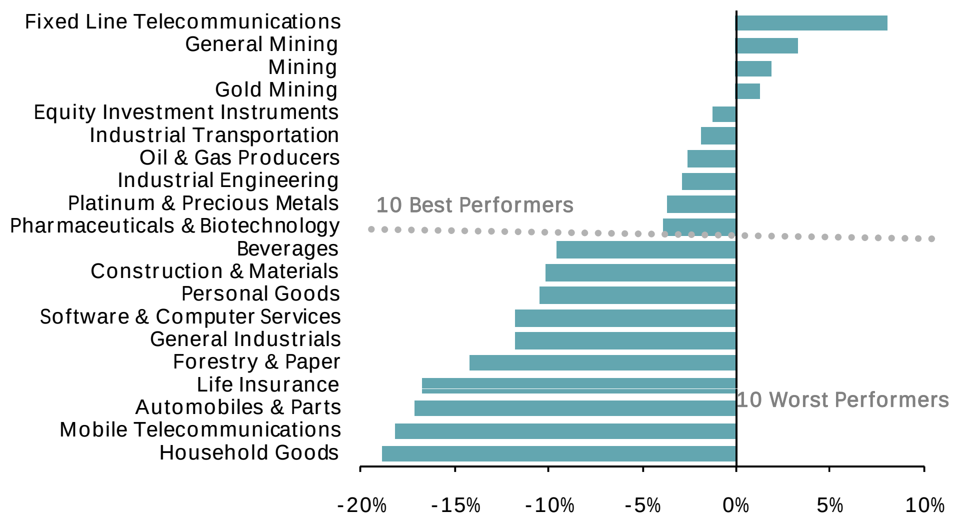


# EQUITY MARKET – HOW THE EQUITY SECTORS PERFORMED

## QUARTERLY INDUSTRY PERFORMANCE




## MONTHLY INDUSTRY PERFORMANCE

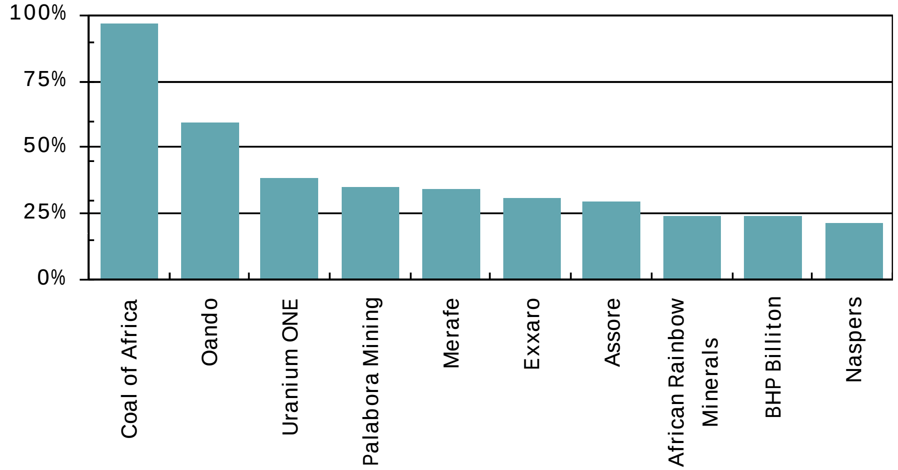



# 20 LARGEST SHARES BY MARKET CAP

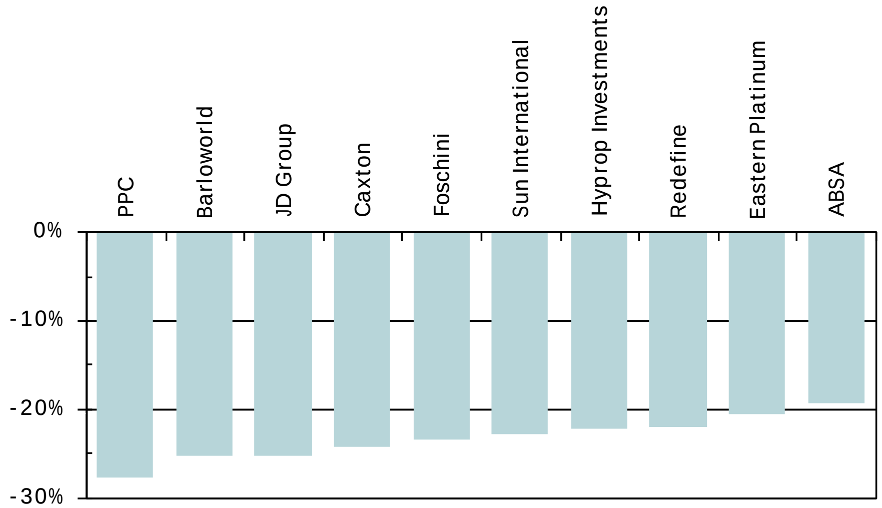
| | Share | R'million | | Share | R'million | | Share | R'million | | Share | R'million |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Anglo America | 735,918 | 6 | MTN | 232,236 | 11 | Arcelor Mittal | 99,403 | 16 | Anglogold Ashanti | 74,711 |
| 2 | BHP Billiton | 661,461 | 7 | Richemont | 224,147 | 12 | Remgro | 84,368 | 17 | Telkom | 73,691 |
| 3 | Angloplat | 311,054 | 8 | Implats | 195,158 | 13 | Old Mutual | 79,238 | 18 | Naspers | 68,966 |
| 4 | Sasol | 307,601 | 9 | Standard Bank | 116,533 | 14 | LonMin | 77,247 | 19 | GoldFields | 64,989 |
| 5 | SABMiller | 268,660 | 10 | Kumba | 99,888 | 15 | FirstRand | 74,983 | 20 | African Rainbow Minerals | 59,229 |

## EQUITY MARKET – HOW SPECIFIC EQUITIES PERFORMED

### 10 BEST PERFORMING STOCKS FOR QUARTER (ALSI)

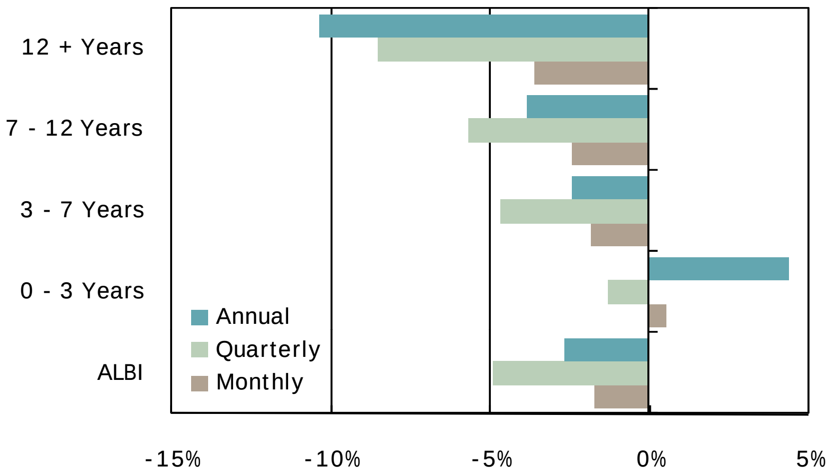



### 10 WORST PERFORMING STOCKS FOR QUARTER (ALSI)

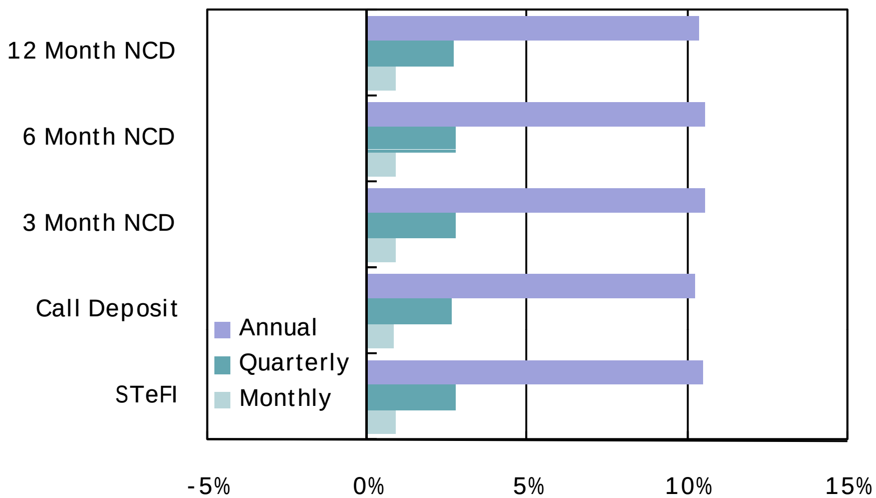



## HOW THE FIXED INTEREST MARKET PERFORMED

### RETURNS OF BOND SECTORS

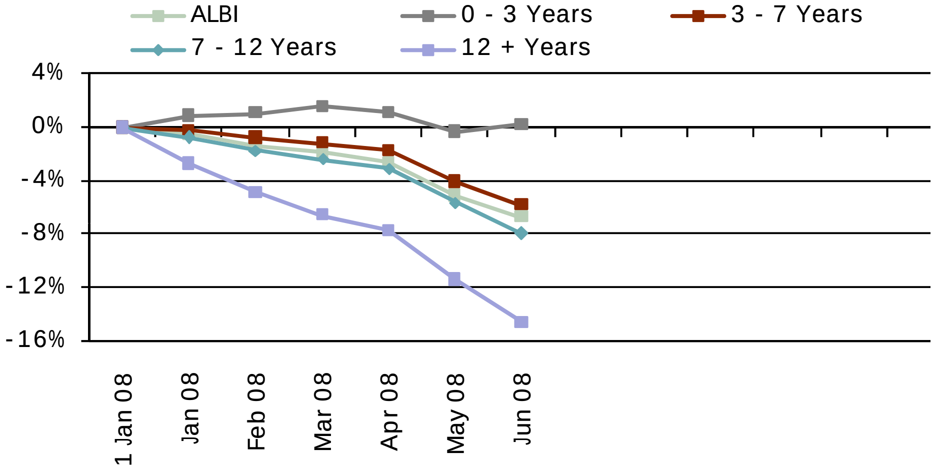



### RETURNS OF CASH INDICES

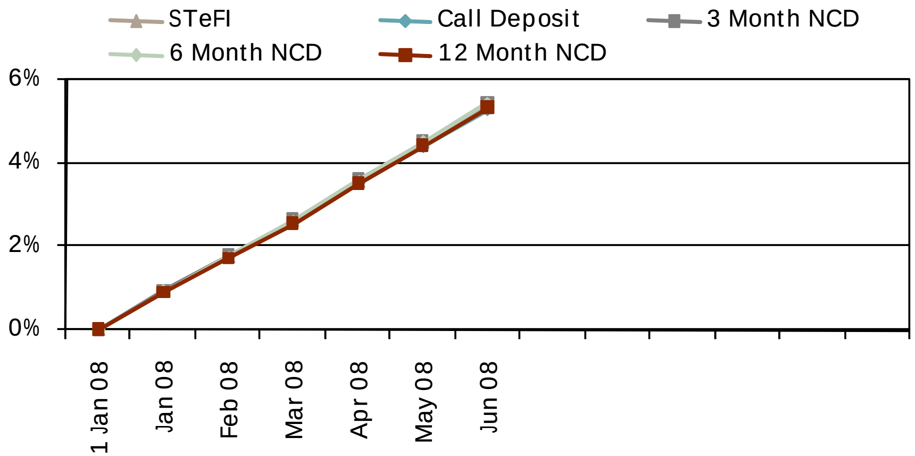


## FIXED INTEREST MARKET – HOW THE DIFFERENT SECTORS PERFORMED

CUMULATIVE PERFORMANCE OF BOND SECTORS – YTD




CUMULATIVE PERFORMANCE OF CASH INDICES – YTD



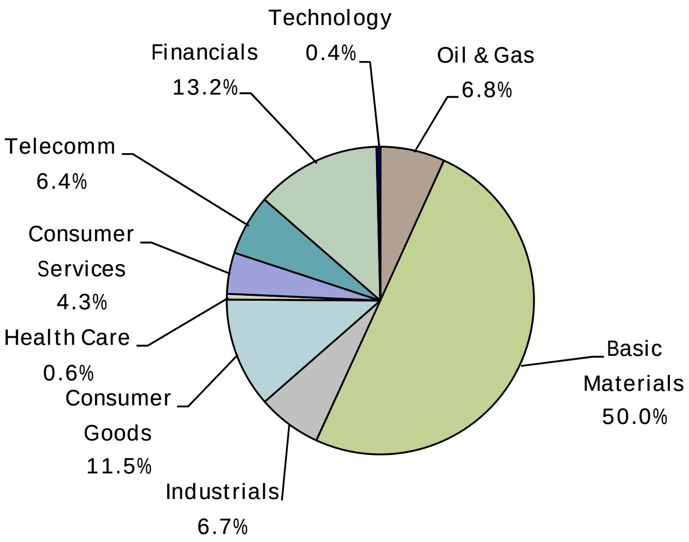

## FIXED INTEREST MARKET – HOW THE CURRENCY PERFORMED

| | 31 Mar 08 | 30 Jun 08 | % Change |
|---|---|---|---|
| Rand/dollar | 8.14 | 7.81 | 4.17% |
| Rand/pound | 16.16 | 15.55 | 3.95% |
| Rand/euro | 12.83 | 12.30 | 4.30% |
| Dollar/euro | 1.58 | 1.58 | -0.32% |

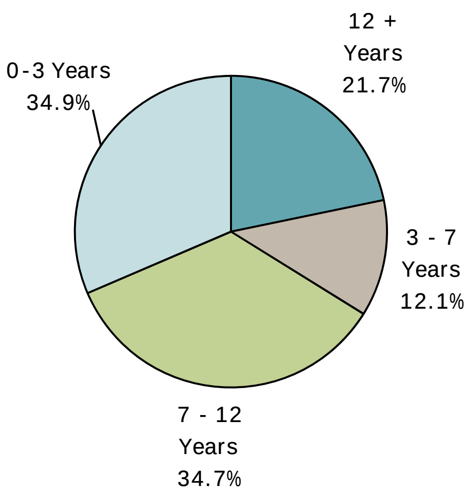
## WHAT MAKES UP THE BENCHMARKS

QUARTERLY COMPOSITION OF ALL INDICES

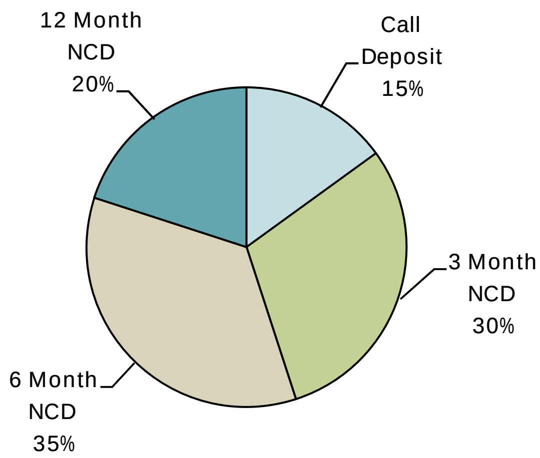
Equity – All Share




Bond – ALBI




Cash – STeFI



# Market and economic update

## Globally speaking

### Background

- Equities rallied strongly during the quarter but then, Asia aside, retreated on inflation concerns.
- Financials continued to underperform as their balance sheets were undermined by escalating US and UK property price declines. This is despite substantial amounts of bank equity capital raised.
- US unemployment rate rose sharply as consumer spending came under pressure from higher energy and food prices. As of yet, Euro zone and Asian economies have not yet been affected.
- Bond yields rose sharply as prospects of interest rate declines are offset by cost push inflation due to high commodity prices.
- Commodity prices remained firm despite the US economic slowdown. In particular, oil gained on supply disruptions despite the promised Saudi output increases.
- The US Dollar recovered, especially versus the Yen, with the competitive dollar benefiting exports.

### Outlook

- Equities will remain under pressure especially while the financial sector remains undercapitalised. Corporate earnings stand to disappoint at a time when monetary policy could progressively become less accommodative.
- Corporate margins are to retreat from current high levels owing to the difficulty in passing on input cost increases to an increasingly “challenged” end user.
- Bond yields could rise further as real interest rates need to rise to curb commodity price-led inflation - China’s exports are no longer helping by falling in price.
- The oil price could remain elevated despite its rapid ascent, which is modestly curbing demand. Insufficient scope to increase production in case of supply disruptions prevails.
- Euro likely to remain firm as interest rates could rise despite weakening Euroland economies – while US presidential election uncertainties and twin deficits should inhibit sustainable dollar strength.

# Market and economic update

## Locally speaking

**Background**

- South African economic growth showed signs of increasing consumer strain, but infrastructure spend continued to expand at a robust pace thereby preventing an overall recession.
- Rising inflation, initially due to higher food and energy prices, became more broad-based and became especially visible in wage settlements, thereby culminating in still rising short term interest rates.
- The Rand remained volatile, but attractive at face value shorter term, due to high and rising interest rate differentials, but longer term prospects are weak as funding of large current account deficit became increasingly challenging.
- Outperformance of resources companies continued in light of higher commodity prices and upgrades to earnings growth forecasts, while headwinds to recovery in local economy stocks continued. There were notably fast declines in discretionary spending due to higher food and transport costs accompanied by higher energy prices and a rising debt service burden.
- Bond yields rose significantly, finally acknowledging the poor inflation outlook and relatively subdued demand for bonds from local and foreign investors.
- Listed property yields rose in sympathy with higher bond yields, resulting in declining capital values.

**Outlook**

- Household expenditure will remain a drag on South African gross domestic product (GDP) into 2009, and should result in below trend growth overall, despite strong infrastructure-related spending and rising exports.
- Interest rates to peak in H2 despite still rising inflation and declining real interest rates, as consumer strain intensify. In addition, the trend for inflation post Q3 08 is positive. However, a permanent decline to below 6% remains unlikely until 2010.
- The Rand will remain volatile as positive yield differentials are countered by large current account deficit and commodity price volatility.
- The longer term prospects for local equity market are improving, though exact timing of a switch to more bullish position remains challenging as sentiment towards local financial and consumer-related shares are unlikely to improve in the short-term given the rising debt service cost, declining disposable income and rising bad debt provisions by banks.
- Bond yields are to rise further, though highs in yields are approaching given the possible end to rising interest rate and the inflation cycle in the third quarter of 2008. Cash remains attractive relative to bonds given the differential in yields.
- Listed property is attractive given the recent decline in prices, as distribution growth remains relatively unaffected by the slowdown in economic growth, given still low rentals and supply constraints.

Economic comment supplied Foord Asset Management

FOORD SERIOUSLY GROWING YOUR ASSETS

RisCUpdate

Q2 2008

## Performance table

| Index/Sector | 1Month | 3Month | YTD | 1Year | 3Year |
|---|---|---|---|---|---|
| **All Share** | **-4.36%** | **3.36%** | **6.38%** | **10.15%** | **32.40%** |
| Capped All Share Index | -5.38% | 1.79% | 3.52% | 7.51% | 30.97% |
| Shareholder Weighted All Share Index | -6.56% | -0.16% | -0.51% | 3.39% | 28.73% |
| Top 40 | -4.04% | 5.29% | 10.66% | 15.08% | 33.91% |
| Mid Cap | -6.73% | -9.82% | -19.56% | -19.26% | 20.90% |
| Small Cap | -8.44% | -13.95% | -22.70% | -20.55% | 24.73% |
| **Resources** | **1.30%** | **13.39%** | **33.30%** | **39.91%** | **49.40%** |
| Mining | 1.91% | 12.54% | 32.79% | 35.88% | 51.13% |
| Gold Mining | 1.36% | -4.51% | 4.14% | -2.11% | 11.61% |
| Platinum & Precious Metals | -3.63% | 1.89% | 31.48% | 32.95% | 71.10% |
| General Mining | 3.35% | 18.07% | 37.91% | 43.33% | 56.01% |
| Oil & Gas | -2.54% | 19.79% | 37.30% | 78.27% | 40.55% |
| **All Share Industrials** | **-10.50%** | **-2.70%** | **-8.90%** | **-4.32%** | **24.49%** |
| Basic Materials | 1.24% | 12.09% | 32.07% | 34.54% | 46.67% |
| Chemicals | -5.15% | -0.91% | -15.66% | -18.57% | 15.24% |
| Construction & Materials | -10.15% | -11.37% | -18.14% | 0.53% | 52.83% |
| Forestry & Paper | -14.13% | -6.48% | -8.49% | -27.90% | 9.54% |
| Industrial Metals | -9.19% | 11.94% | 61.56% | 94.98% | 80.99% |
| Industrials | -9.63% | -9.88% | -17.11% | -15.10% | 23.40% |
| General Industrials | -11.76% | -9.12% | -11.58% | -5.58% | 26.68% |
| Electronic & Electrical Equipment | -7.88% | -7.29% | -22.20% | -28.35% | 19.47% |
| Industrial Engineering | -2.84% | -2.01% | -16.10% | -5.53% | 36.27% |
| Consumer Goods | -10.27% | -2.73% | -8.20% | -0.94% | 23.81% |
| Automobiles & Parts | -17.05% | -1.00% | -17.38% | -16.06% | 4.02% |
| Health Care | -6.43% | -8.03% | -26.13% | -32.97% | 7.79% |
| Beverages | -9.45% | 0.59% | -6.29% | 2.62% | 22.32% |
| Food Producers | -8.67% | -1.18% | -15.37% | -15.75% | 17.15% |
| Health Care Equipment & Services | -7.94% | -10.75% | -30.06% | -41.33% | 12.55% |
| Pharmaceuticals & Biotechnology | -3.88% | -3.42% | -19.06% | -15.21% | 9.56% |
| Consumer Services | -5.67% | -1.56% | -16.13% | -21.44% | 15.42% |
| General Retailers | -8.36% | -14.53% | -26.72% | -38.34% | 2.80% |
| Travel & Leisure | -4.15% | -18.84% | -35.14% | -33.14% | 16.62% |
| Media | -4.15% | 14.58% | -0.36% | -9.64% | 26.32% |
| Support Services | -9.20% | -12.91% | -20.63% | -31.70% | 12.08% |
| Industrial Transportation | -1.84% | -6.97% | -25.15% | -39.82% | -3.87% |
| Telecommunication | -15.17% | 3.35% | -0.94% | 21.33% | 36.10% |
| Food & Drug Retailers | -5.18% | 3.19% | -13.21% | 6.63% | 30.39% |
| Fixed Line Telecommunications | 8.07% | 12.85% | 7.29% | -11.55% | 19.42% |
| Technology | -11.73% | -8.02% | -17.36% | -20.10% | 18.97% |
| Software & Computer Services | -11.73% | -8.02% | -17.36% | -20.10% | 21.84% |

# RisCUpdate

Q2 2008

| Index/Sector | 1Month | 3Month | YTD | 1Year | 3Year |
|---|---|---|---|---|---|
| **Financials** | **-9.97%** | **-14.50%** | **-25.48%** | **-27.17%** | **9.65%** |
| Banks | -8.28% | -14.76% | -23.91% | -25.27% | 8.37% |
| Non-life Insurance | -6.58% | -6.54% | -22.18% | -12.09% | 12.63% |
| Life Assurance | -16.69% | -13.75% | -30.57% | -31.37% | 7.19% |
| Equity Investment Instruments | -1.26% | -9.05% | -14.13% | -17.53% | 18.14% |
| Real Estate | -5.42% | -16.77% | -20.80% | -19.48% | 10.50% |
| General Finance | -9.09% | -12.55% | -28.03% | -37.89% | 13.24% |
| **Financials And Industrials** | **-10.35%** | **-6.44%** | **-14.41%** | **-12.25%** | **19.37%** |
| **ALBI** | **-1.70%** | **-4.89%** | **-6.68%** | **-2.67%** | **2.89%** |
| 1-3 Years | 0.56% | -1.31% | 0.27% | 4.42% | 5.63% |
| 3-7 Years | -1.85% | -4.68% | -5.79% | -2.41% | 2.97% |
| 7-12 Years | -2.42% | -5.67% | -7.90% | -3.84% | 3.03% |
| 12+ Years | -3.58% | -8.53% | -14.52% | -10.37% | -0.22% |
| **STeFI** | **0.88%** | **2.73%** | **5.41%** | **10.47%** | **8.58%** |
| Call Deposit | 0.85% | 2.65% | 5.29% | 10.22% | 8.29% |
| 3 Month NCD | 0.89% | 2.74% | 5.46% | 10.56% | 8.61% |
| 6 Month NCD | 0.89% | 2.77% | 5.46% | 10.55% | 8.64% |
| 12 Month NCD | 0.88% | 2.72% | 5.34% | 10.37% | 8.62% |
| **International Index / Other** | **1Month** | **3Month** | **YTD** | **1Year** | **3Year** |
| S&P 500 | -6.20% | -7.10% | -0.04% | -5.15% | 8.04% |
| MSCI World | -5.70% | -6.36% | 1.20% | -2.52% | 12.73% |
| JPMorgan GBI | 2.69% | -6.21% | 14.89% | 17.22% | 7.17% |
| Salomon Brothers GBI | 1.01% | -9.17% | 20.37% | 28.63% | 11.55% |
| Dow Jones | -7.84% | -11.15% | -1.88% | -5.70% | 9.05% |
| Euro Top 100 | -5.83% | -8.27% | -2.12% | -2.06% | 15.89% |
| Nikkei 225 | -4.04% | -2.91% | 6.62% | -4.11% | 12.59% |
| FTSE 100 | -3.43% | -5.41% | 7.09% | 10.04% | 18.84% |
| Nasdaq | -6.73% | -3.42% | -0.86% | -1.87% | 9.38% |
| Russell 1000 | -7.74% | -9.39% | -3.10% | -12.19% | 7.11% |
| Barclays Inflation Linked Bond Index | 4.63% | 6.05% | 11.78% | 19.40% | 12.79% |

## Contact us...

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