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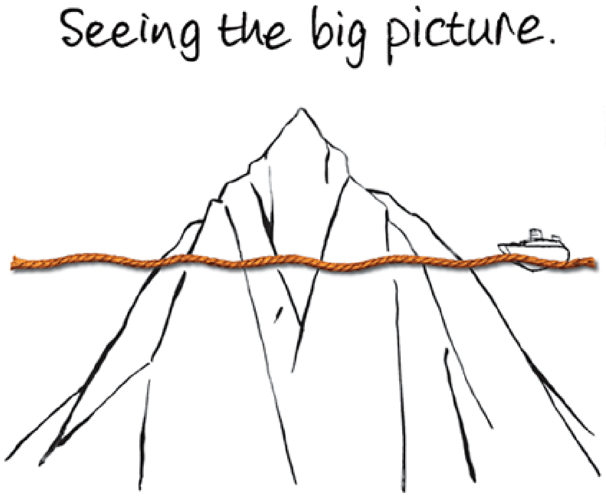
good thinking



RisCUpdate

South African Overview

3 January 2012 – 30 March 2012

More Information:

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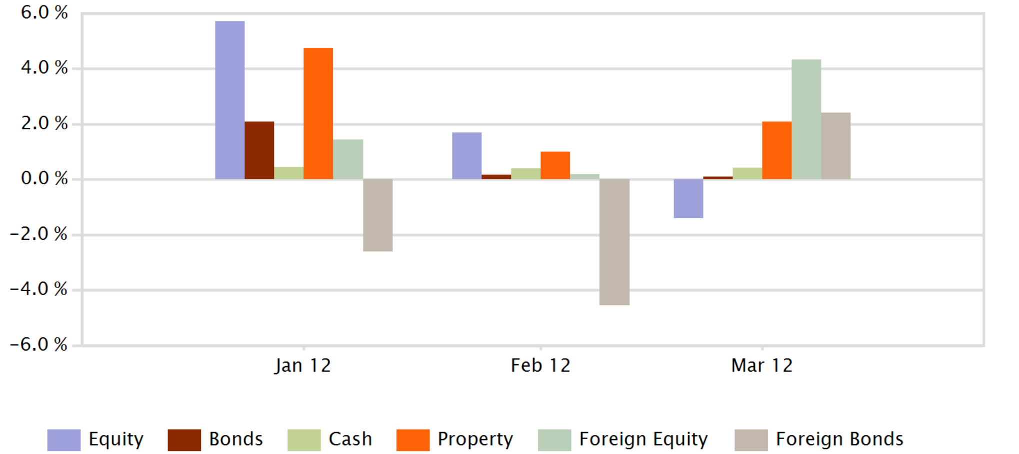
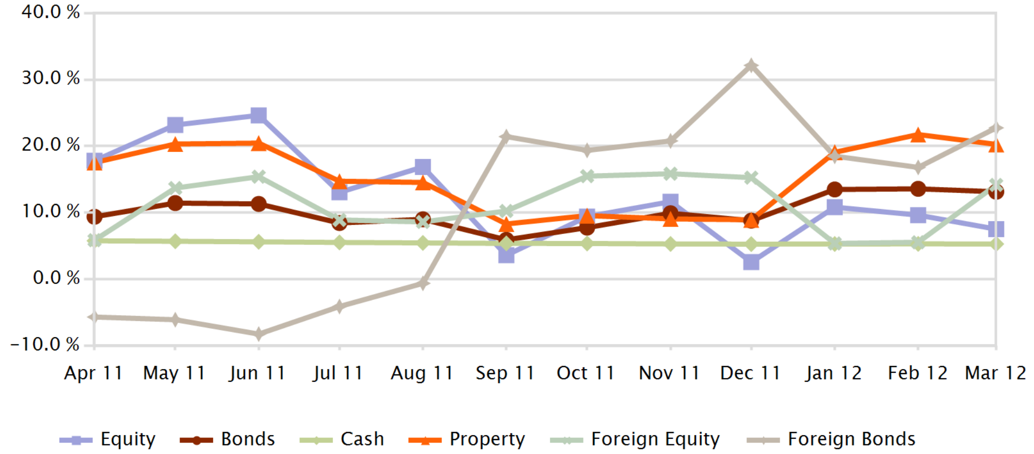
How the different asset classes performed

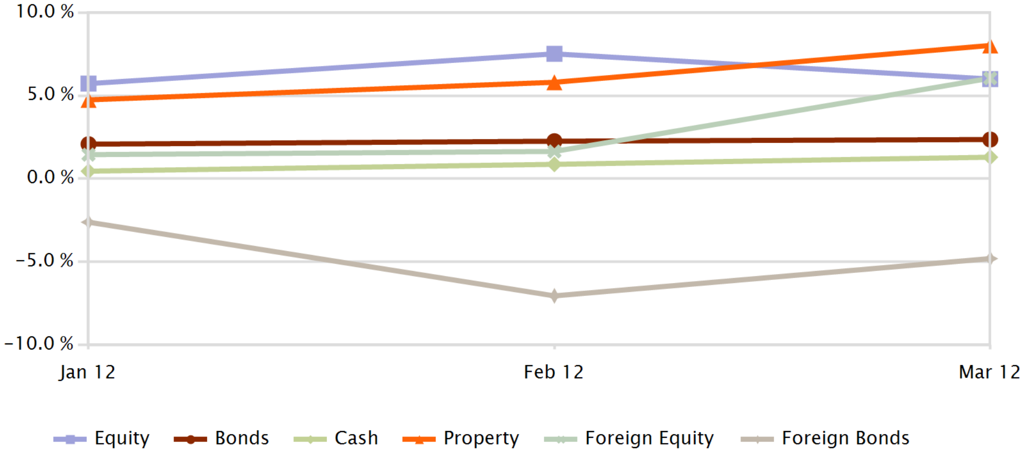
Asset class monthly returns



Asset class rolling 12-month performance



Asset class performance - year to date

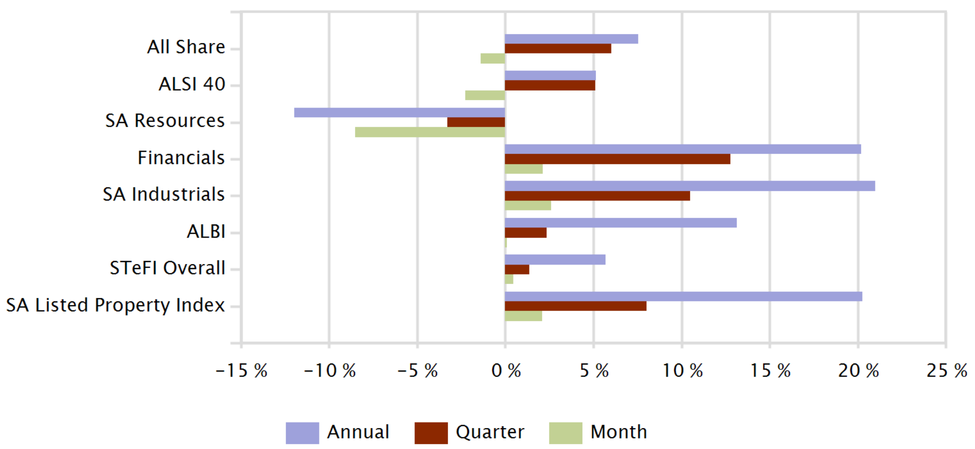


Sector Indices

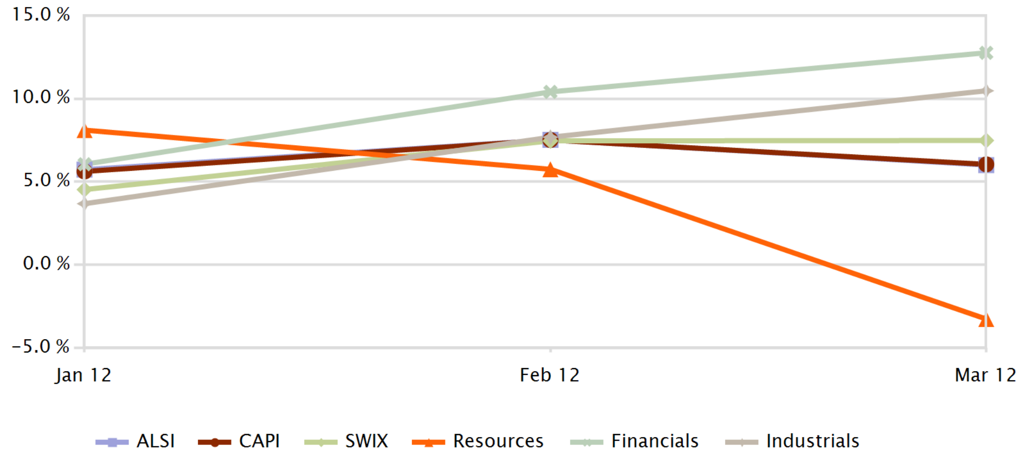
Asset Class	Index
Equity	All Share Index
Bonds	ALBI
Cash	STeFI
Property	SA Listed Property
Foreign Equity	MSCI World Index
Foreign Bonds	JPM Global Aggregate Bond Index

How the local market indices performed

Returns of FTSE/JSE sectors and indices

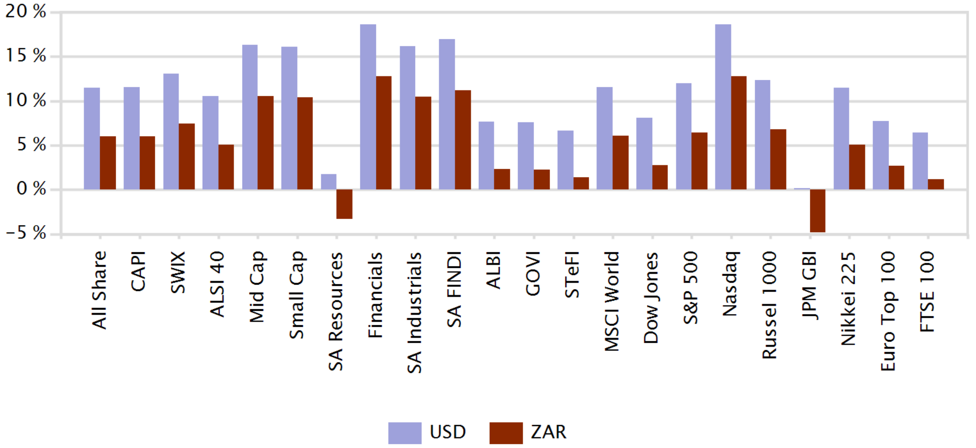


Sector and indices performance – year to date

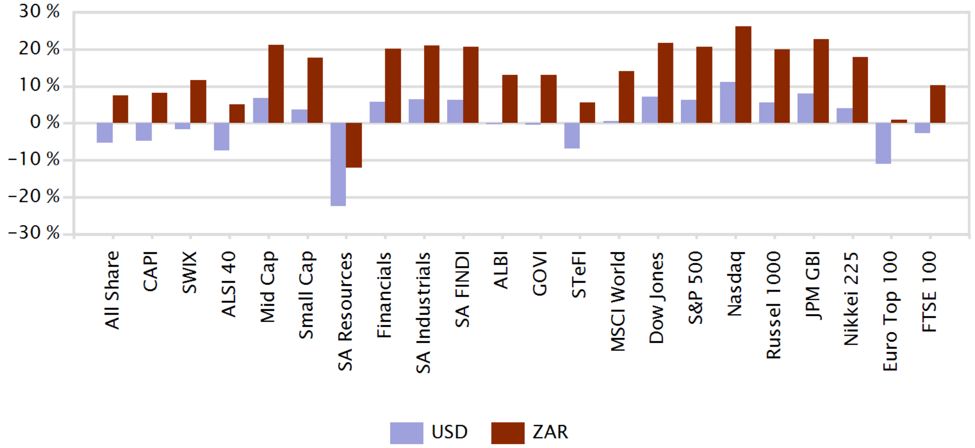


How the world market indices performed

Quarterly return of major indices

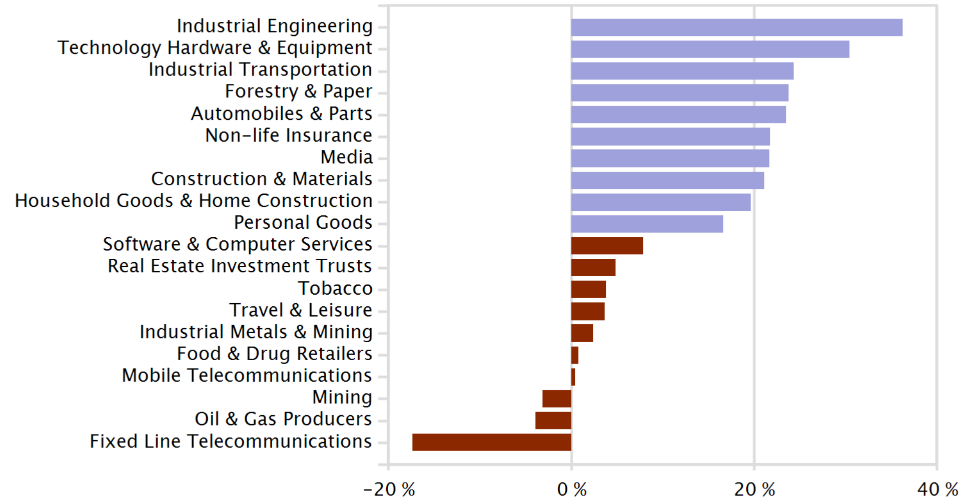


Annual return of major indices

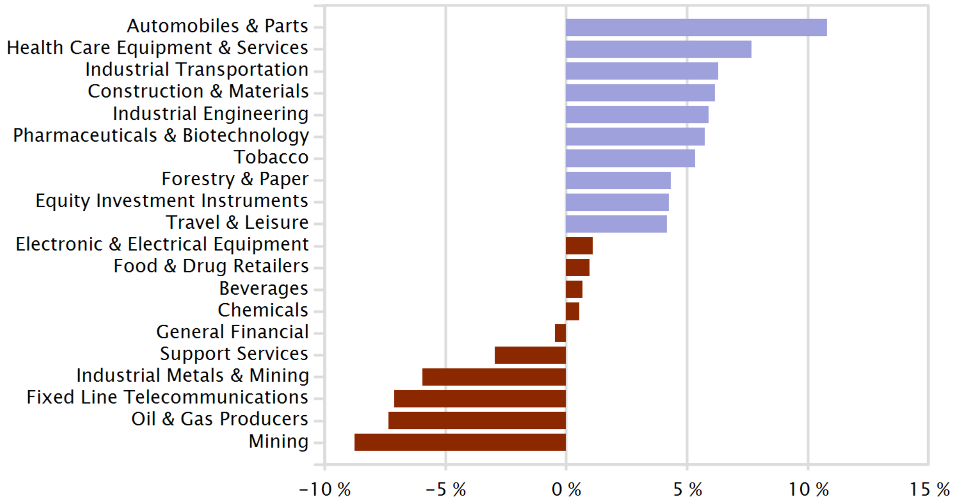


Equity market – how the equity sectors performed

Quarterly industry performance



Monthly industry performance

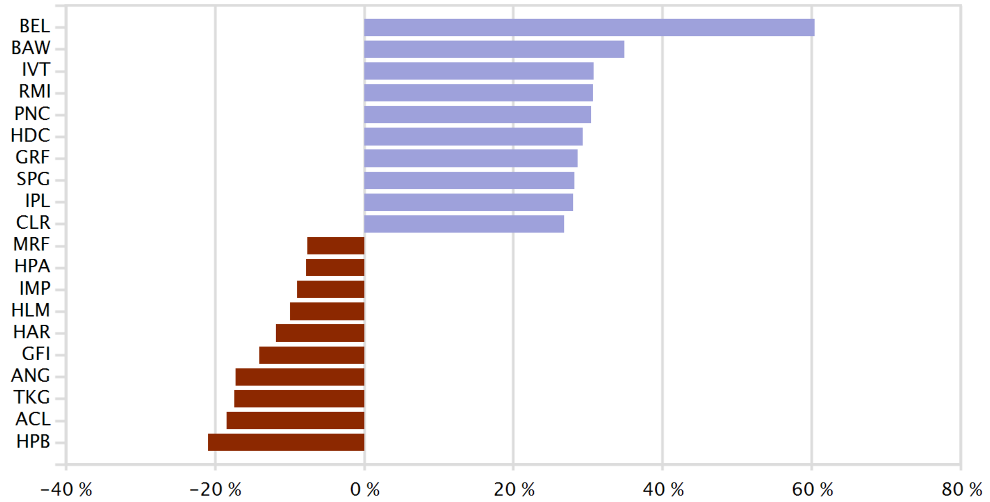


20 Largest shares by market cap

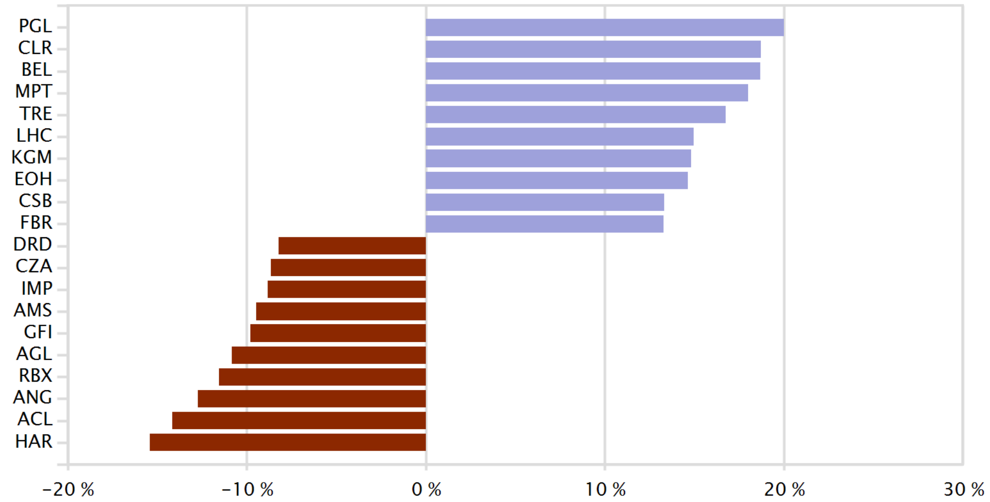
#	Share	R'million	#	Share	R'million
1	BRITISH AM. TOBACCO PLC	784,057	11	VODACOM GROUP LIMITED	160,922
2	SABMILLER PLC	511,115	12	ANGLO AMERICAN PLAT LTD	144,010
3	BHP BILLITON PLC	498,842	13	FIRSTRAND LTD	133,619
4	ANGLO AMERICAN PLC	382,871	14	ABSA GROUP LIMITED	112,041
5	MTN GROUP LTD	254,495	15	OLD MUTUAL PLC	108,125
6	COMPAGNIE FIN RICHEMONT	248,211	16	ANGLOGOLD ASHANTI LTD	107,989
7	SASOL LTD	238,711	17	IMPALA PLATINUM HLGS LD	95,452
8	NASPERS LTD -N-	177,448	18	NEDBANK GROUP LTD	83,219
9	STANDARD BANK GROUP LTD	177,245	19	SHOPRITE HLDGS LTD ORD	78,341
10	KUMBA IRON ORE LTD	169,419	20	GOLD FIELDS LTD	76,078

Equity market – how specific equities performed

Quarterly share performance

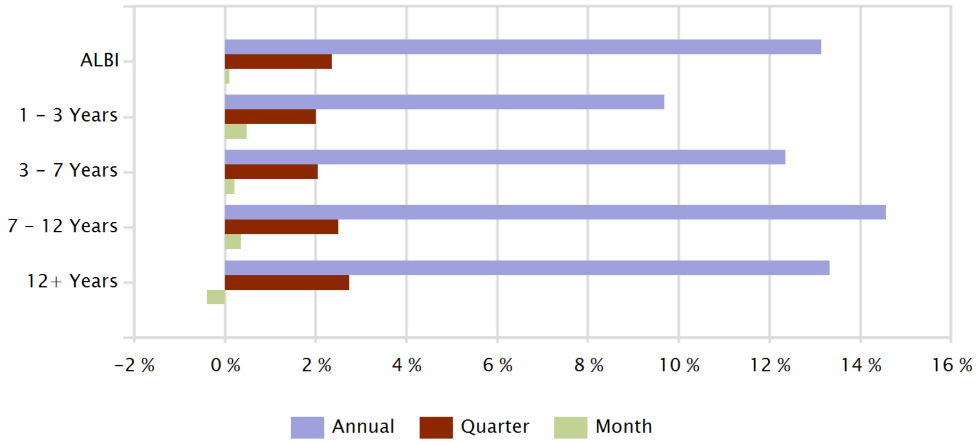


Monthly share performance

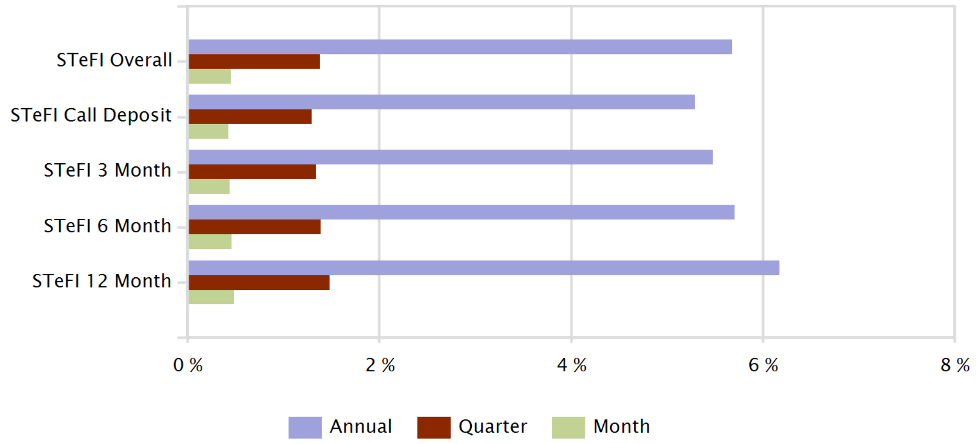


How the fixed interest market performed

Returns of bond sectors

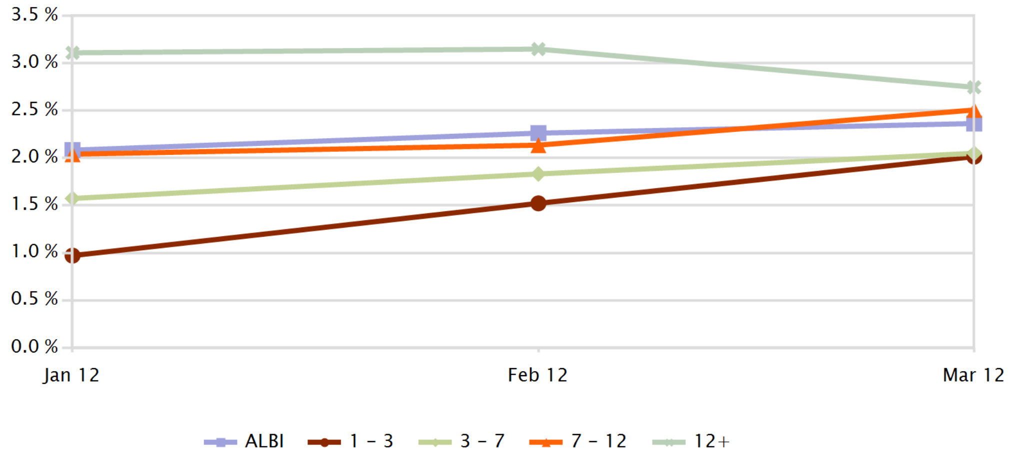


Returns of cash indices

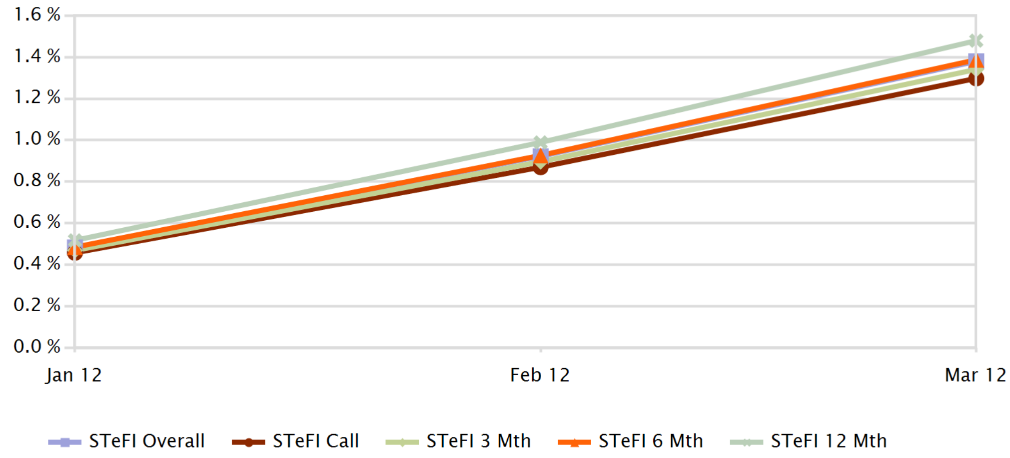


Fixed interest market – how the different sectors performed

Cumulative performance of bond sectors – YTD



Cumulative performance of cash indices – YTD

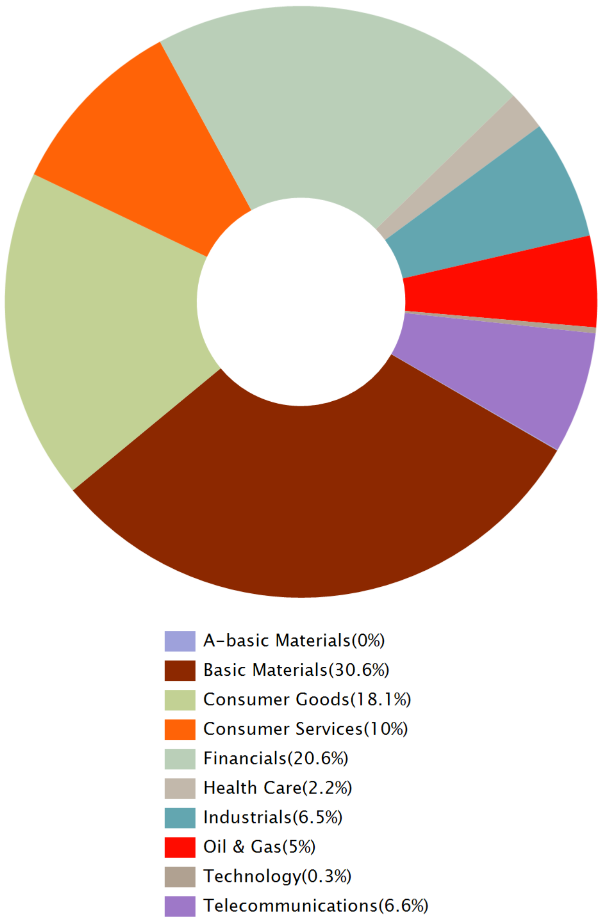


Fixed Interest Market – How the currency performed

Description	Previous	Current	% Change
Rand/Dollar	8.07	7.67	-4.94
Rand/Pound	12.53	12.25	-2.25
Rand/Euro	10.44	10.21	-2.20
Dollar/Euro	1.30	1.33	2.58

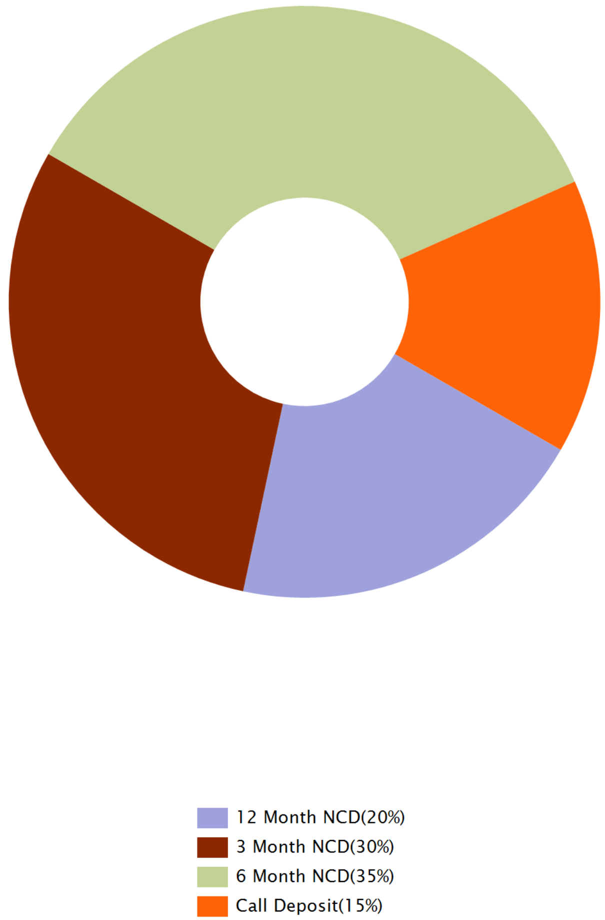
Benchmark Composition

Equity – All Share



Bond – ALBI

Cash – STeFI



Market and Economic Update

Global speaking

Background

- After a great start to 2012, things became slightly unhinged during March. This, despite the fact that private investors agreed to swap 86% of their Greek government bonds for new securities, which is equivalent to about €172bn: the biggest sovereign debt restructuring in history. It was always going to be difficult to maintain the momentum after the announcement of the LTRO ("long-term refinancing operation") by the ECB ("European Central Bank") in January. The news was sufficient to lift world equity markets by 6% in the month, with a spill over into February of another 5% and the US$ on the back foot. Most of the positive momentum in March was initiated by the US (where news that 15 out of 19 US banks had passed a stress test saw a rally in financials), whereas Emerging Markets hit the skids. Thus the more cyclically oriented stocks which had clawed back some of their massive underperformance of 2011 at the beginning of the year, slipped again in March with Energy and Materials especially beaten down. China came out with its revised growth forecast for the next 5 years at 7.5%, which ignited the cyclical woes. In our view, China's revised figure will in all likelihood be exceeded, as it has in the past.
- The yield on the 10y US Treasury bond increased from a low of 1.88% at the end of December to a peak of 2.36% in the last week of March. This selloff was driven by some positive economic data which the market considered to suggest the beginning of a recovery which will lead the US Federal Reserve to raise its lending rate sooner than previous expected. Other developed bond markets followed suit. Emerging Market fixed income assets benefitted from the improved risk appetite arising out of the actions of the U.S. economy and the liquidity injections by the ECB. Emerging Market external debt posted a return of 4.86% during the first quarter as measured by the JPMorgan EMBI Global Index. In local debt terms, the return was 8.30%.
- A key development within Emerging Markets was that inflationary pressures within the leading BRIC economies have subsided to levels which have allowed monetary authorities to either ease (e.g., lowering Reserve Ratio Requirements in India and China) or indicate prospects of easing (the Selic rate in Brazil).

Outlook

- We agree with market sentiment that the US economy is in a better shape that it has been at any time since the financial crisis struck. However, we are not at all convinced that the US economy is strong enough to suggest that the US Fed will raise its interest rates anytime soon. Therefore, we expect US Treasury yields to remain in a range of 2% to 2.25% for the foreseeable future as there is sufficient slack in the US economy to "ensure" that economic growth does not fuel inflation, this despite the massive monetary stimulus that Central Banks have injected into the US and other economies. US equities have rallied by 28% since the low of October 2011 and are at best, fairly valued.
- The Eurozone will enter a recession in 2012 driven by continued fiscal austerity which in turn will lead to further deleveraging and higher fiscal deficits. Italy, Portugal and Spain may soon test policymakers' resolve to resist further sovereign debt restructuring. The ECB has often stated its aversion to being the lender of last resort. Against that backdrop, it is not yet clear how Europe will be able to avoid a disorderly deleveraging. Furthermore, voters in several key economies will go to the polls this year. The uncertain economic backdrop will provide scope for greater irrationality and hence, electoral surprises.
- Given the macro prospects for a large part of the developed world, our foreign investment orientation remains in favour of emerging market equities, where some form of monetary stimulus is still a part of the armoury and relative growth prospects are more appealing. We believe that concerns around China are overdone and that the infrastructural development imperative will remain supportive of demand for commodities - with the exception of gold, where the absence of a QEIII has eroded confidence.
- Whilst investing in offshore markets is attractive from a portfolio diversification perspective, we do not believe that the Rand will play much of a role in the composition of returns. We view the rand as being more-or-less at fair value on both a real effective exchange rate and on an absolute basis against the US dollar.

Market and Economic Update

Local speaking

Background

- Local data released over the first quarter showed a somewhat subdued growth picture. The latest car sales, retail trade sales and private sector credit data point to the growth momentum in consumer spending weakening. The performances on the supply-side of the economy have been mixed, with manufacturing production maintaining its growth momentum while that of mining production collapsed. While the Kagiso BER PMI survey still point to continued expansion in manufacturing over the next few months, the rand's strength over the first quarter is worrying.
- After a weak performance through 2011, the local currency started the year on the front foot. The rand gained 7.5% on a trade-weighted basis through to the middle of March, although it has given up some of these gains since. While the firmer rand will help restrain inflation pressures, it will also act as a dampener to economic activity.
- Consumer inflation declined to 6.1% in February after rising to 6.3% in January. The lower-than-expected outcome in February was largely driven by declines in food price inflation. Inflation has been on an upward trajectory since it bottomed at 3.2% in September 2010, with food, petrol and electricity prices the key culprits.
- South African equities returned 6% for the first quarter of 2012 - most of that generated in January and February. Nevertheless, this was sufficient to outperform both bonds and cash at 2.4% and 1.4%, respectively. It was insufficient however, to beat listed property, which continues its trend as asset class of choice by returning 8%. Despite having had a strong January, resource counters lagged in the quarter (-3.3%) as sell-side analysts continue to wind back on earnings forecasts. Financials (13.8%) set the pace with Old Mutual, FirstRand and Standard running ahead, closely followed by Industrials (10.5%) which were boosted by Richemont, Naspers and SABMiller.
- Strong foreign demand (foreigners bought R20.7bn in the 1Q2012) supported the bond market earlier in the quarter, but was not sufficient to hold on to those gains. After returning an impressive 2.06% in January, the ALBI returned 0.18% and 0.12% in the subsequent two months to total a respectable 2.36% for the quarter. Inflation-linked bonds have fared much better during the quarter (returning 2. 86%) as real yields continued to decline.

Outlook

- Ten years ago, the Resource Index constituted over 45% of the JSE All Share Index, a clear 15% ahead of the Industrial Index. In 2012, the positions have been largely reversed, with the Industrial Index accounting for 46% and the Resource Index 32% of the larger composite. Despite world economies staging a substantial recovery post 2008, the Resource Index has failed to recapture its previous shine. The reasons are well-known: Chinese growth concerns, European recession, resource nationalisation/taxation by producing nations and punitive mining inflation - all impacting negatively on earnings prospects. We are of the opinion that this is more than reflected in the ratings. On our calculations, only in the event of resource earnings undershooting an already significantly scaled back consensus forecast by 30%, would the PE rating of the sector equal its mean of 13.6X. This is overly conservative for the current stage of the cycle - hence our overweight position in the resource sector.
- At the other end of the spectrum, certain defensive stocks - primarily within the consumer retail sector - offer little value on a relative basis as momentum continues to drive them to new all-time price highs. We believe that the risk to disposable income maintaining its growth trajectory of the past few years is elevated given the below-trend growth prospects for the local economy.
- With little signs of demand pull inflation in the domestic market the South African Reserve Bank will keep the repo rate at its current rate well into next year. With this and low US Treasury yields our valuations suggest that South African bonds, particularly in the long end of the yield curve, are offering good value. However, we are very well aware of the event risks associated with the European sovereign crisis as well as geopolitical risks that may well have a negative influence on the rand (being a currency with a high correlation with global market sentiment). We gradually increased the portfolio's duration versus the benchmark and it is now neutral versus the ALBI. We have, however, maintained an overweight position on the long end of the yield curve as we believe that the yield pick-up in that area offers compensates for the risk of increased in domestic issuance. We also maintain our exposure to inflation-linked bonds (6.7%) as a defensive strategy despite the fact that we think that nominal bonds should do as well or better than inflation-linked bonds.
- The SA Listed Property index should deliver a distribution yield close to 8% over the coming year.

Performance table

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
Tobacco	5.33	3.83	3.83		
All Share	-1.41	6.00	6.00	7.53	78.42
ALSI 40	-2.28	5.10	5.10	5.14	72.93
Capped All Share Index	-1.37	6.05	6.05	8.13	81.18
Financial 15	1.78	13.46	13.46	19.46	92.74
Financial and Industrial 30	2.14	11.03	11.03	19.93	110.55
Industrial 25	2.49	10.38	10.38	20.90	122.43
Mid Cap	2.90	10.56	10.56	21.20	114.15
Resource 20	-8.50	-3.36	-3.36	-12.00	34.82
SA Listed Property Index	2.10	8.03	8.03	20.27	76.42
Shareholder Weighted All Share	0.02	7.49	7.49	11.62	84.44
Small Cap	3.12	10.40	10.40	17.82	90.71
SA Resources	-8.53	-3.27	-3.27	-11.97	35.34
Coal	-3.03	18.25	18.25	24.50	-31.07
General Mining	-8.13	-0.09	-0.09	-13.51	53.79
Gold Mining	-12.12	-14.89	-14.89	-10.88	-10.17
Mining	-8.74	-3.16	-3.16	-13.55	33.20
Oil & Gas	-7.34	-3.89	-3.89	-1.93	48.80
Oil & Gas Producers	-7.34	-3.89	-3.89	-1.93	48.80
Platinum & Precious Metals	-8.20	-4.30	-4.30	-20.85	6.45
SA Industrials	2.60	10.48	10.48	20.99	120.98
Automobiles & Parts	10.81	23.47	23.47	81.29	512.76
Basic Materials	-8.09	-1.98	-1.98	-12.02	37.80
Beverages	0.68	8.54	8.54	29.64	133.82
Chemicals	0.54	13.21	13.21	18.81	105.86
Construction & Materials	6.16	21.15	21.15	23.13	23.60
Consumer Goods	2.17	10.87	10.87	25.08	153.30

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
Consumer Services	2.60	12.04	12.04	26.08	170.45
Electronic & Electrical Equipment	1.11	12.73	12.73	17.13	86.44
Fixed Line Telecommunications	-7.12	-17.38	-17.38	-32.53	-22.43
Food & Drug Retailers	0.97	0.79	0.79	25.63	168.06
Food Producers	2.96	8.90	8.90	33.26	94.70
Forestry & Paper	4.33	23.75	23.75	1.23	127.94
General Industrials	2.50	15.61	15.61	22.95	119.22
General Retailers	2.73	12.27	12.27	38.15	208.53
Health Care	6.71	14.52	14.52	31.87	137.35
Health Care Equipment & Services	7.67	13.57	13.57	26.80	123.30
Household Goods & Home Construction	2.43	19.67	19.67	12.86	204.29
Industrial Engineering	5.91	36.23	36.23	52.80	231.62
Industrial Metals & Mining	-5.94	2.43	2.43	3.93	84.00
Industrial Transportation	6.29	24.35	24.35	36.70	176.53
Industrials	3.73	18.19	18.19	24.90	97.41
Media	3.42	21.70	21.70	18.70	165.18
Mobile Telecommunications	3.52	0.48	0.48	9.09	53.98
Personal Goods	3.03	16.63	16.63	21.27	232.54
Pharmaceuticals & Biotechnology	5.74	15.51	15.51	37.62	138.50
Software & Computer Services	1.78	7.90	7.90	28.29	198.66
Support Services	-2.96	9.79	9.79	4.49	79.61
Technology	2.10	10.40	10.40	35.69	217.88
Technology Hardware & Equipment	3.93	30.41	30.41	108.61	
Telecommunication	3.17	-0.15	-0.15	7.17	49.68
Travel & Leisure	4.17	3.71	3.71	6.87	40.63

Performance table continued

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
Financials	2.13	12.77	12.77	20.19	94.32
Banks	2.47	15.61	15.61	19.45	94.39
Equity Investment Instruments	4.27	8.39	8.39	29.22	78.72
General Financial	-0.45	11.18	11.18	8.05	78.15
Life Insurance	2.33	13.59	13.59	28.87	142.59
Non-life Insurance	3.19	21.74	21.74	38.21	162.27
Real Estate Dev & Services	1.77	8.77	8.77	19.85	
Real Estate Investment Trusts	2.41	4.89	4.89	11.77	
SA Financials and Industrials	2.45	11.18	11.18	20.67	111.59
ALBI	0.10	2.36	2.36	13.15	33.63
1 - 3 Years	0.49	2.01	2.01	9.68	27.24
3 - 7 Years	0.21	2.05	2.05	12.36	33.45
7 - 12 Years	0.36	2.51	2.51	14.58	36.22
12+ Years	-0.39	2.75	2.75	13.33	30.84
GOVI	0.11	2.29	2.29	13.02	33.08
STeFI Overall	0.45	1.38	1.38	5.68	21.77
STeFI Call Deposit	0.42	1.30	1.30	5.29	19.69
STeFI 3 Month	0.44	1.34	1.34	5.48	20.56
STeFI 6 Month	0.46	1.39	1.39	5.71	21.93
STeFI 12 Month	0.49	1.48	1.48	6.18	24.75

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
International Index/Other					
Dow Jones Industrials	5.08	2.80	2.80	21.76	39.86
FTSE 100	0.98	1.20	1.20	10.25	31.83
FTSE Euro Top 100	1.21	2.72	2.72	0.93	13.05
JPM Global Aggregate Bond Index	2.42	-4.81	-4.81	22.76	-2.50
MSCI World	4.34	6.05	6.05	14.17	40.01
Nasdaq Composite	7.34	12.81	12.81	26.21	62.90
Nikkei 225	4.20	5.10	5.10	17.85	19.04
Russel 1000	6.08	6.79	6.79	19.98	44.67
S&P 500	6.24	6.46	6.46	20.61	42.19