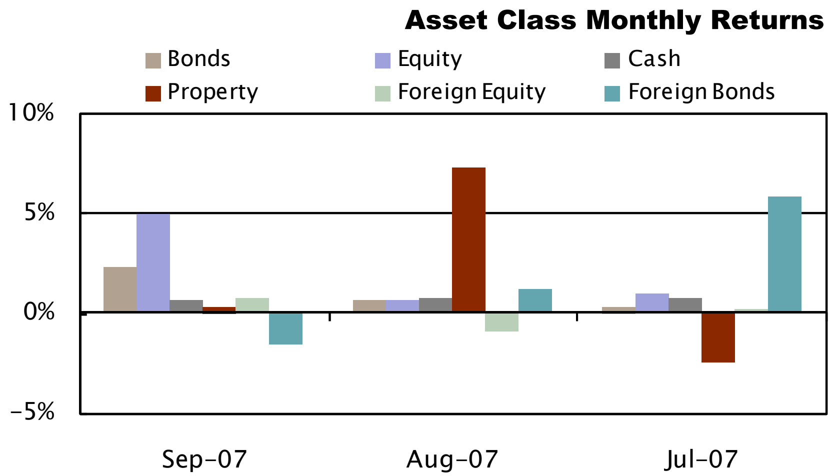
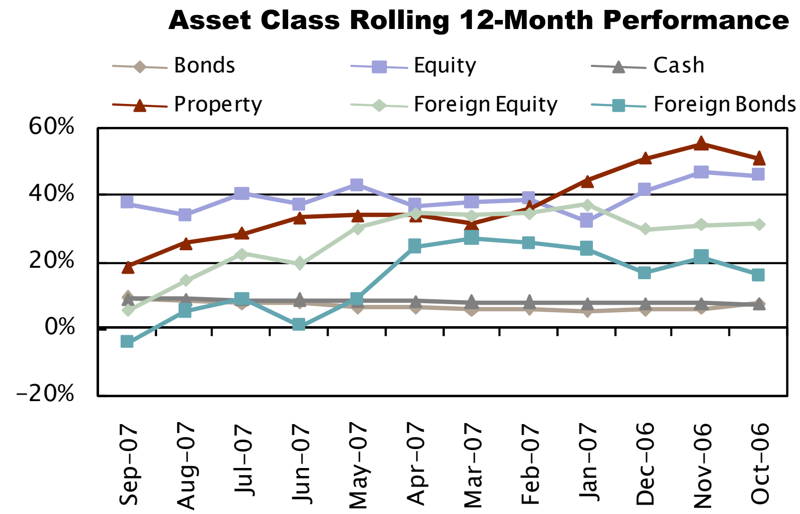
RisCura good thinking

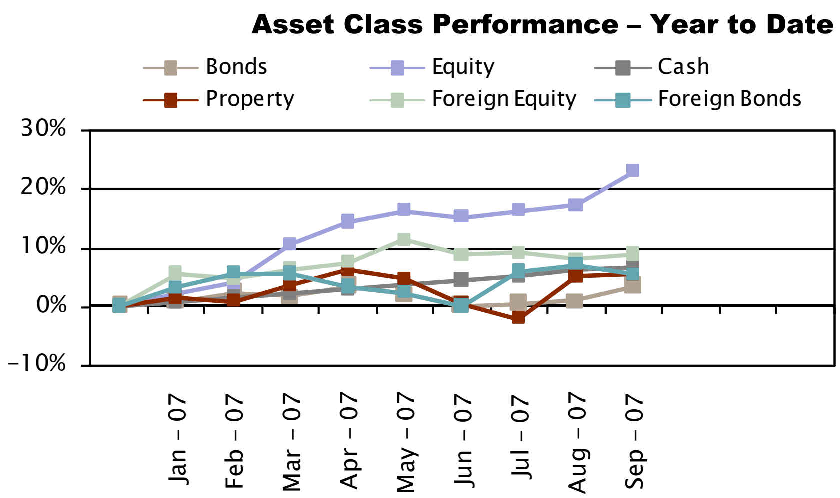
RisCUpdate

quarterly overview
30 Sep 2007

How the different asset classes performed







Sector Indices

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

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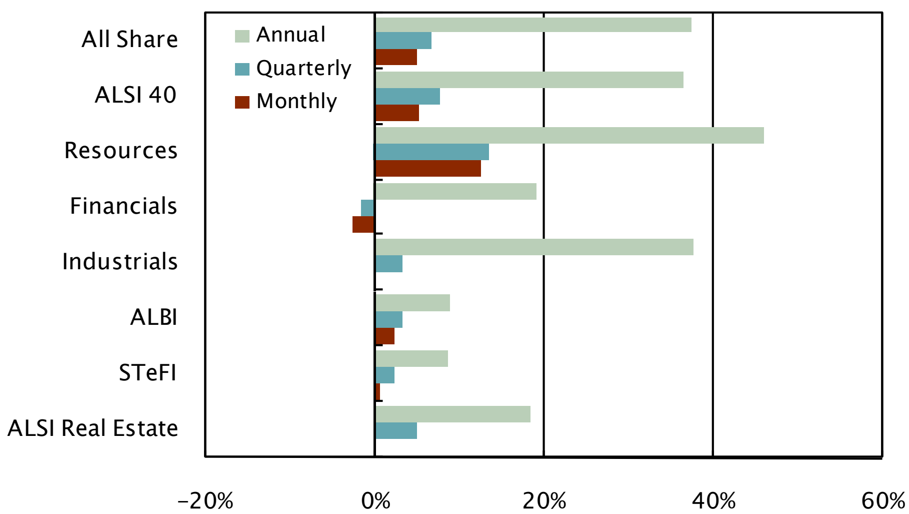
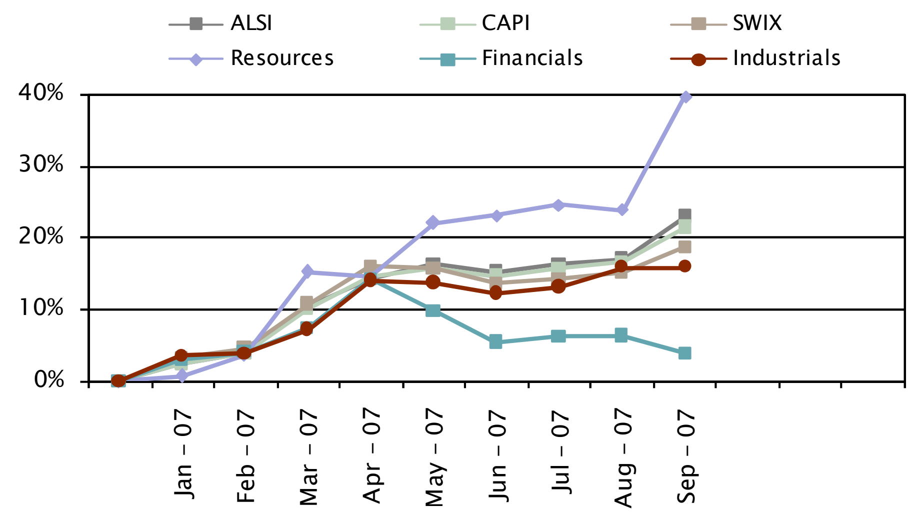
Q3 2007

How the local market indices performed

Returns of FTSE/JSE Sectors & Indices

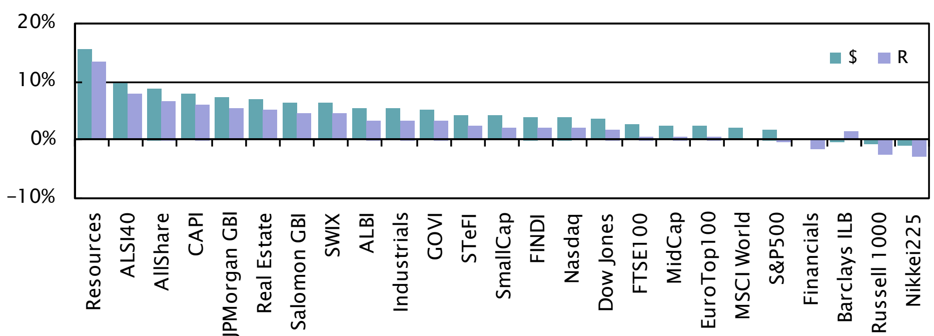


Sector & Indices Performance – Year to Date

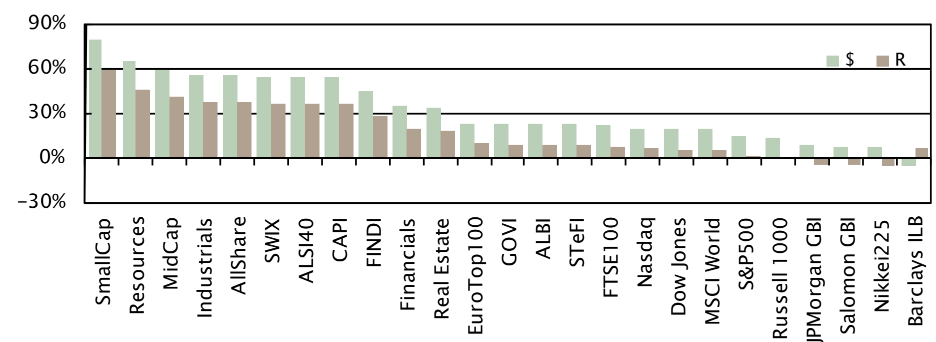


How the world market indices performed

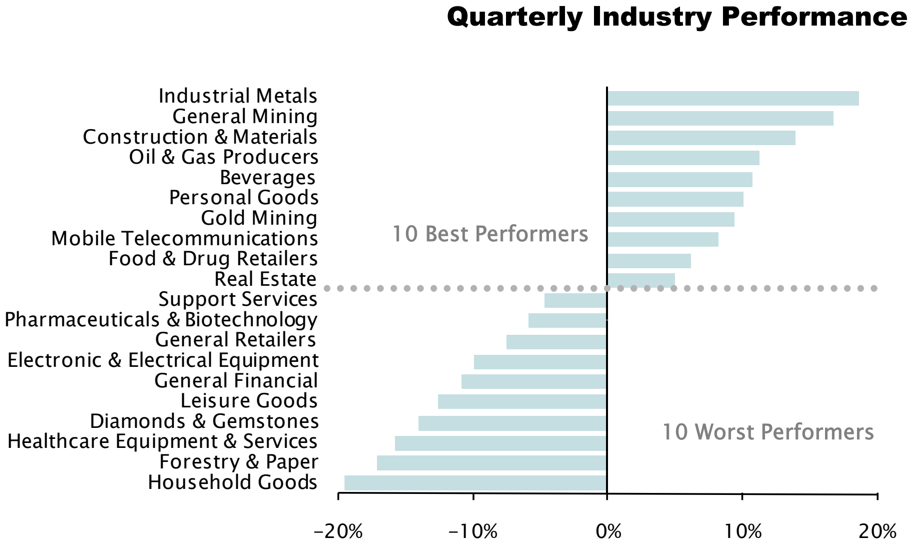
Quarterly Return of Major Indices

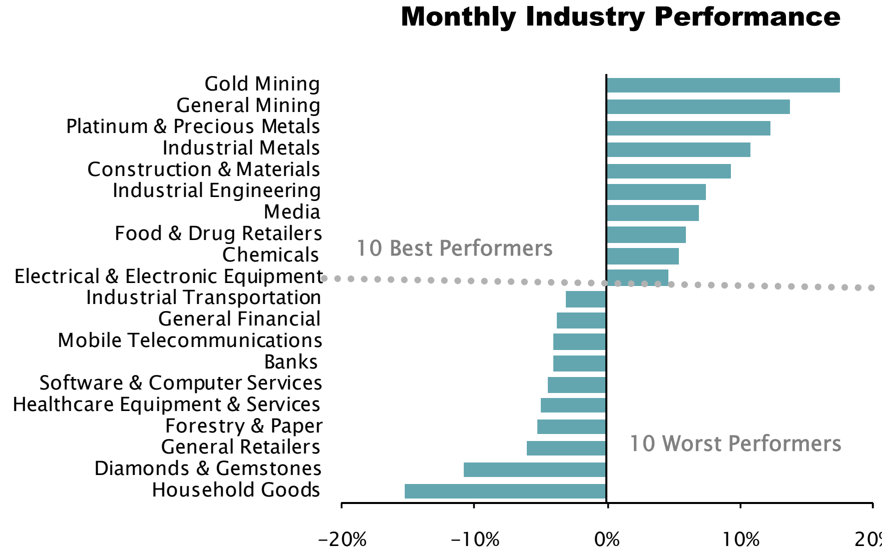


Annual Return of Major Indices



Equity market – how the equity sectors performed



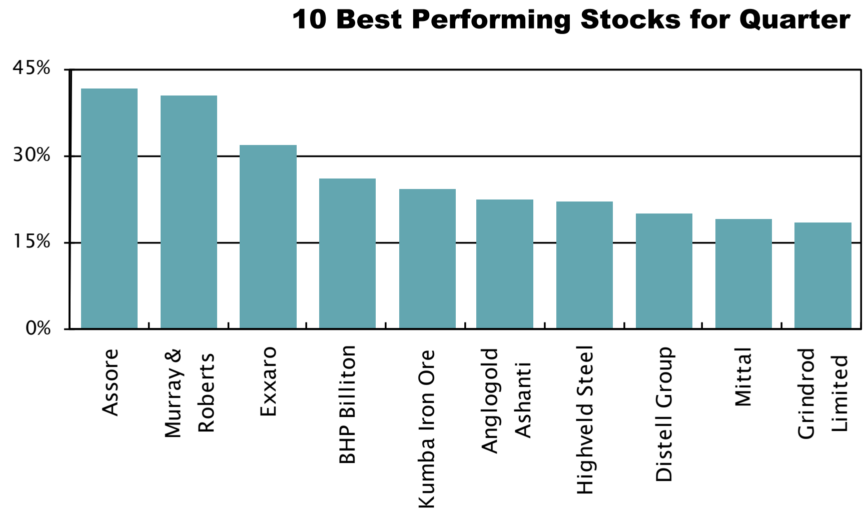


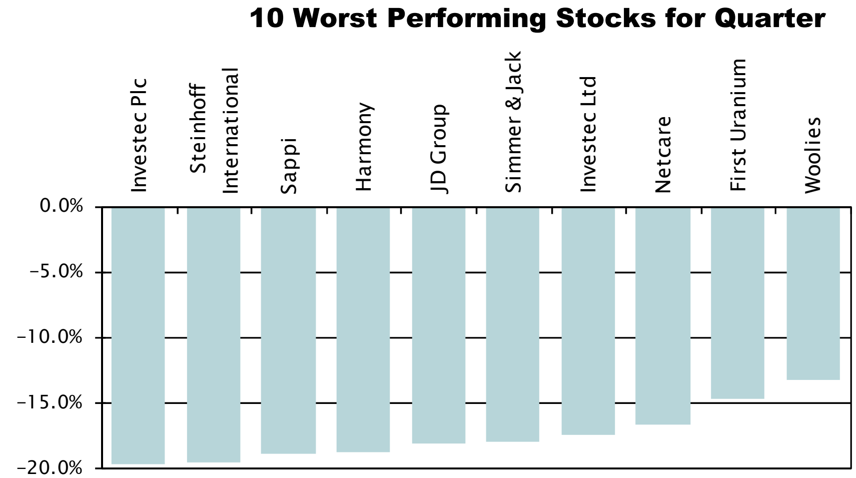
20 largest shares by market cap

	Share	R'million		Share	R'million		Share	R'million		Share	R'million
1	Anglo American	614,381	6	MTN	194,591	11	Old Mutual	122,615	16	Remgro	78,576
2	BHP Billiton	601,265	7	Sasol	186,103	12	Telkom	92,450	17	Lonmin	78,407
3	SAB Miller	290,688	8	Implats	151,416	13	Anglogold	90,329	18	Kumba	71,283
4	Angloplat	246,179	9	Standard Bank	136,406	14	ABSA	84,775	19	Naspers	70,276
5	Richemont	235,526	10	FirstRand	124,549	15	Goldfields	80,971	20	Mittal	61,090

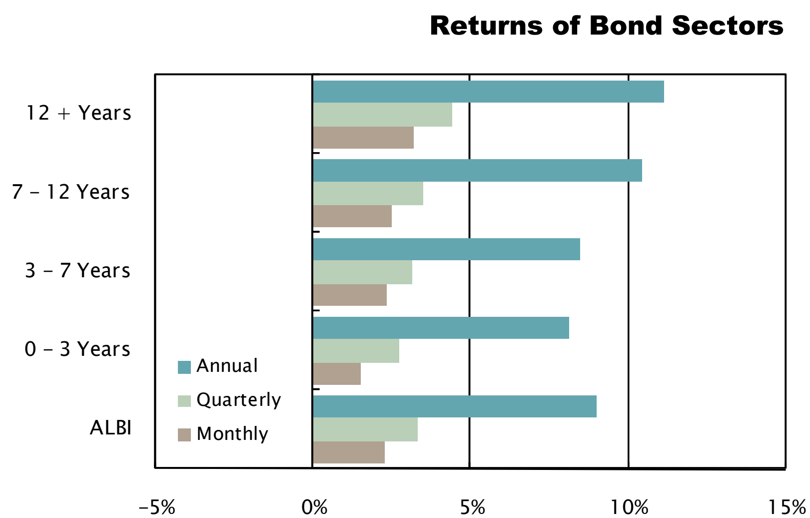
Equity market – how specific equities performed

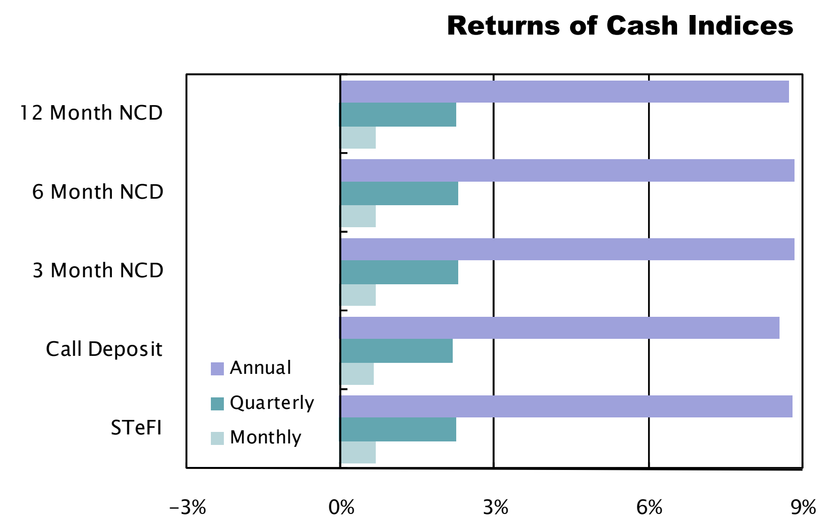
Best and worst performing stocks within the All Share Index.





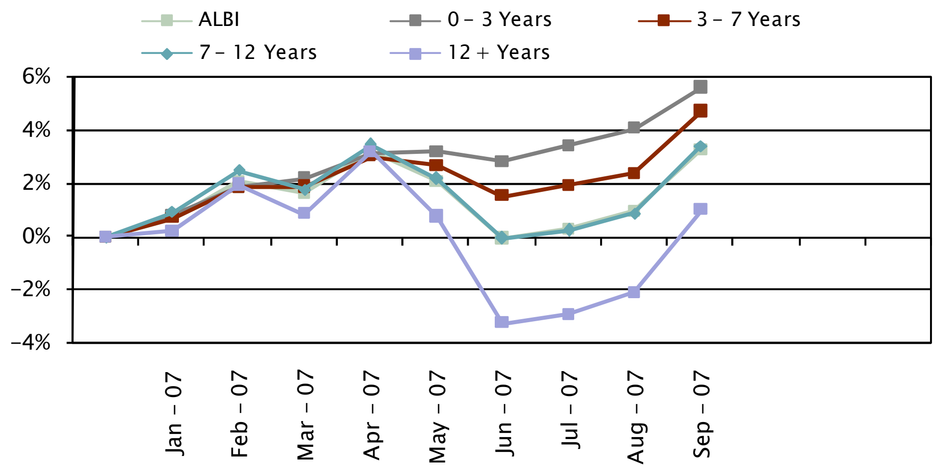
How the fixed interest market performed



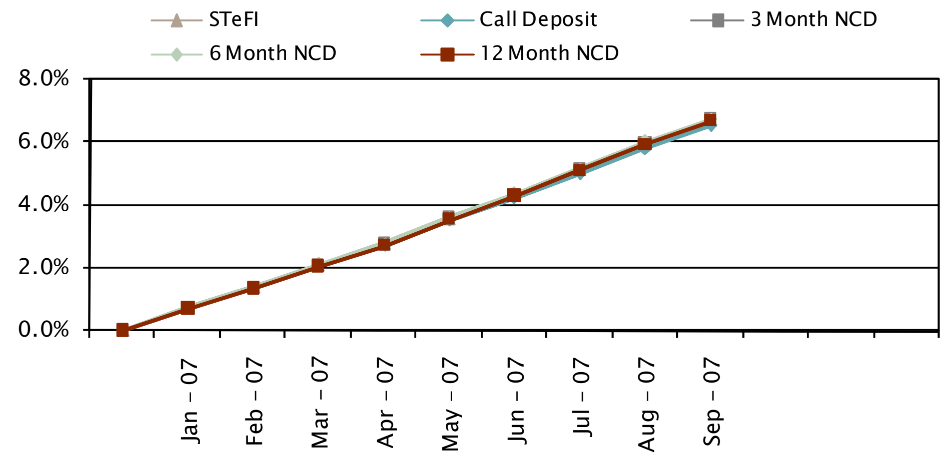


Fixed interest market – how the different sectors performed

Cumulative Performance of Bond Sectors – YTD



Cumulative Performance of Cash Indices – YTD



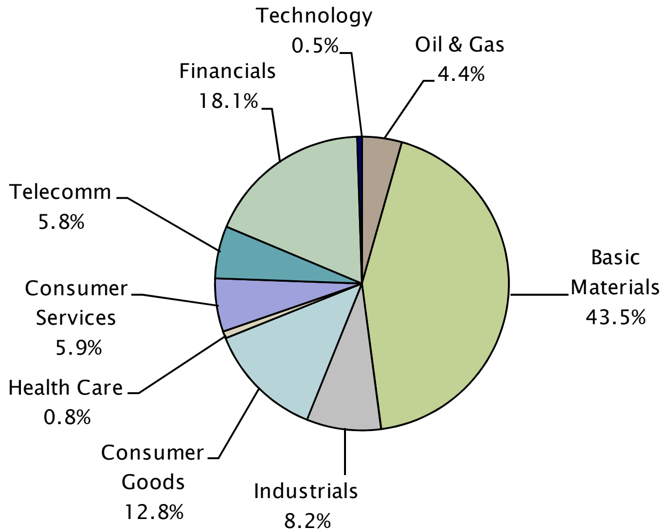
Fixed interest market – how the currency performed

	29 Jun 07	28 Sep 07	% Change
Rand/dollar	7.01	6.88	1.88%
Rand/pound	14.13	14.02	0.78%
Rand/euro	9.52	9.79	-2.73%
Dollar/euro	1.35	1.42	5.24%

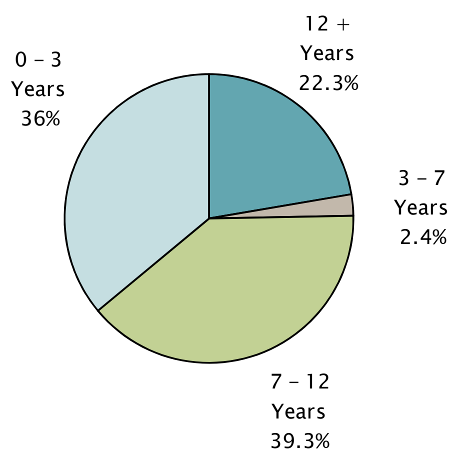
What makes up the benchmarks

Quarterly Composition of All Indices

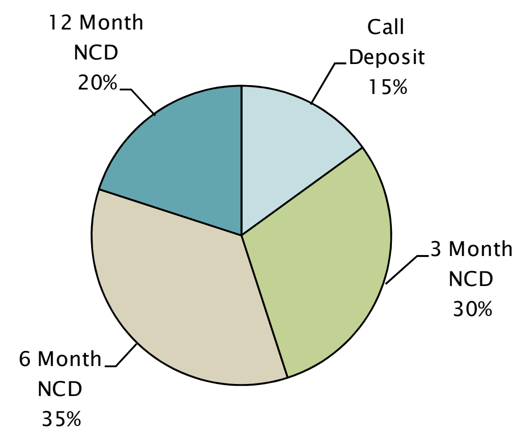
Equity – All Share



Bond – ALBI



Cash – STeFI



Market and economic update

Globally speaking

Background

- Q3 was dominated by sub-prime and US credit concerns amid fears of a financial crisis, increasing the growth prospects of the US economy.
- The general reluctance of banks to lend to each other was not confined to the US, and global banks saw a severe squeeze in liquidity.
- A full blown implosion of the US credit market was narrowly averted when the Fed cut the discount window, the rate at which it lends to commercial banks, and the benchmark Fed Funds rate, from 5.25% to 4.75%, due to concerns that the credit crisis had the potential to intensify the housing correction and restrain economic growth more generally.
- However,global equity markets rebounded strongly in the 2nd half of August and into September as consensus formed that the US economy would muddle through and that the US Fed would do whatever it takes to prevent a US economic recession.
- The S&P Index exceeded 2Q highs to 1526 while the MSCI World index gained 3.4%.
- The MSCI emerging market index extended its positive performance (up 14.5% in USD), mainly on the back of very strong performance out of Asia (up 19%). Latam was up 10.8% while EMEA trailed the composite (up 8.2%).
- The remarkable resilience of global commodity prices throughout this episode of growth fears and financial market volatility points to the tightness of the market and the significant contribution by emerging economies, most notably China, to demand growth.

Outlook

- After the strong equity run of the past 4 years and the recent huge volatility it is tempting to instinctively lower the equity weightings in a multi-asset fund.
- Equity valuations around the world, except in China and India, are currently not particularly stretched. However, there have recently been massive inflows into emerging markets and it appears as if share markets are building up a head of steam. The previous winners of materials, energy and infrastructure are leading the charge.
- The big question in financial markets at present is whether or not the recent global credit crisis will knock on into the real economy and derail global economic growth (similar to early 1990's and 2001) or whether this will turn out to be merely a financial crisis with little real world impact (similar to 1998).
- On this point we remain unconvinced either way, but there is certainly a risk that global growth does indeed moderate with a commensurate fall in commodity prices.
- Aside from US growth, the other major risk is that the Chinese stock market has developed into a genuine bubble and that the Chinese monetary authorities are set to hike interest rates further.
- Equity valuations in China look terrible and too many new stock-broking accounts are being opened on a daily basis. There is a risk that post the 2008 Olympics Chinese growth will slow modestly to 8%.
- In summary, the work from our asset allocation process currently does not suggest that we should lower your equity weighting, but it is certainly an issue that we continually consider.
- We remain relatively confident about the medium-term prospects for equity markets, expecting equities to beat cash and bonds on a two year horizon.
- However, in the short-term we may well cut back equity weightings as a short-term market top appears to be forming very rapidly.
- We may be at that point in the cycle where share prices go up just because they have already gone up.

Market and economic update

Locally speaking

Background

- In SA we witnessed a modest economic slowdown in terms of slightly weaker consumer spending.
- Rising inflation, mostly on the back of sharply higher food prices, and a pick up in inflation expectations were met by a further interest rate hike in August.
- Global events were reflected in the SA market, causing bonds and the currency to weaken and equities to sell off as risk appetite waned with regard to the global economic outlook.
- The bears seemed to lose the battle yet again as Fed Governor Bernanke entered the ring. SA equities rallied (up over 15% from its August lows and 5.3% over the quarter), bond and property yields pushed lower and the rand gained strongly against a falling dollar.
- The local market was led higher by resources (up 13.5%), followed by industrials (up 3.3%), but financials (down 2.2%) were negatively impacted by global credit concerns.
- Over the quarter, the ALBI ended up 3.4%, listed property shares closed at an all time high (up 9.5%) with cash performance steady at 2.5%.

Outlook

- We look for a further opportunity to add to your bond weighting, as we believe that SA inflation will rapidly fall into the back half of 2008.
- Property shares have run hard, but are not expected to re-rate further. However, over the next year we should earn the present 6.5% property dividend yield and assuming they do not de-rate – with some volatility – we should also earn the 10% distribution growth for a total return of 16%.

Economic comment supplied by Investec

Performance table

Index/Sector	1Month	3Month	YTD	1Year	3Year
All Share	4.99%	6.71%	22.84%	37.38%	40.31%
Capped All Share Index	4.15%	5.91%	21.35%	36.28%	40.09%
Shareholder Weighted All Share Index	3.01%	4.33%	18.53%	36.76%	39.53%
Top 40	5.42%	7.68%	23.19%	36.39%	39.83%
Mid Cap	1.70%	0.57%	17.86%	41.14%	41.70%
Small Cap	5.27%	2.13%	33.14%	59.41%	51.94%
Resources	12.72%	13.49%	39.60%	45.86%	45.32%
Mining	13.95%	13.72%	42.70%	49.58%	46.06%
Gold Mining	17.57%	9.49%	-7.46%	-3.01%	9.45%
Diamonds & Gemstones	-10.74%	-13.93%	0.65%	19.34%	-16.71%
Platinum & Precious Metals	12.39%	3.99%	34.88%	52.82%	64.71%
General Mining	13.83%	16.78%	56.59%	61.46%	51.98%
Oil & Gas	2.42%	11.28%	15.83%	19.22%	39.10%
All Share Industrials	0.03%	3.29%	15.85%	37.70%	39.51%
Basic Materials	13.36%	12.76%	41.18%	48.92%	43.64%
Chemicals	5.49%	4.20%	23.79%	36.72%	38.37%
Construction & Materials	9.36%	13.93%	64.53%	102.23%	77.74%
Forestry & Paper	-5.20%	-17.02%	-9.08%	8.43%	7.59%
Industrial Metals	10.86%	18.73%	57.22%	97.12%	60.93%
Industrials	1.64%	1.22%	16.83%	43.60%	42.57%
General Industrials	-1.30%	0.12%	12.24%	40.58%	39.98%
Electronic & Electrical Equipment	4.71%	-9.77%	1.06%	23.30%	42.79%
Industrial Engineering	7.46%	6.20%	32.79%	89.44%	60.94%
Consumer Goods	0.39%	7.42%	13.99%	27.11%	38.75%
Automobiles & Parts	1.05%	0.59%	-4.64%	9.22%	19.17%
Leisure Goods	2.62%	-12.53%	-38.91%	-26.46%	8.95%
Health Care	-3.70%	-12.38%	-6.20%	0.32%	27.70%
Beverages	-1.40%	10.73%	22.20%	36.79%	34.23%
Food Producers	0.50%	1.77%	11.82%	37.15%	37.59%
Health Care Equipment & Services	-4.88%	-15.68%	-11.10%	0.76%	37.45%
Pharmaceuticals & Biotechnology	-1.46%	-5.80%	3.90%	-1.58%	33.09%
Consumer Services	0.40%	-0.85%	12.51%	42.62%	36.79%
General Retailers	-6.03%	-7.48%	0.61%	28.54%	29.97%
Travel & Leisure	-0.62%	2.11%	27.10%	56.45%	49.86%
Media	6.93%	4.05%	15.64%	54.84%	54.32%
Support Services	-1.75%	-4.65%	6.27%	26.06%	30.87%
Industrial Transportation	-2.97%	-4.21%	-2.00%	18.58%	19.13%
Telecommunication	-3.47%	7.27%	24.75%	59.59%	48.83%
Food & Drug Retailers	5.96%	6.23%	30.33%	45.43%	44.48%
Fixed Line Telecommunications	-1.53%	3.64%	30.68%	37.47%	44.10%
Technology	-4.35%	-2.55%	24.77%	36.05%	33.44%
Software & Computer Services	-4.35%	-2.55%	24.77%	37.07%	36.31%

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RisCUpdate

Q3 2007

Index/Sector	1Month	3Month	YTD	1Year	3Year
Financials	**-2.37%**	**-1.56%**	**3.78%**	**19.17%**	**31.41%**
Banks	-3.95%	0.06%	4.55%	29.40%	29.32%
Non-life Insurance	3.01%	3.70%	22.22%	27.43%	28.18%
Life Assurance	-1.11%	-4.30%	3.42%	7.12%	25.69%
Equity Investment Instruments	0.35%	-2.48%	13.76%	25.23%	36.79%
Real Estate	0.30%	4.98%	5.38%	18.43%	32.25%
General Finance	-3.67%	-10.71%	-3.04%	12.43%	49.93%
Financials And Industrials	**-0.78%**	**1.62%**	**11.51%**	**30.82%**	**36.50%**
ALBI	**2.29%**	**3.33%**	**3.29%**	**9.01%**	**9.11%**
1-3 Years	1.50%	2.71%	5.65%	8.10%	7.20%
3-7 Years	2.31%	3.15%	4.74%	8.46%	8.50%
7-12 Years	2.52%	3.47%	3.43%	10.47%	10.93%
12+ Years	3.19%	4.40%	1.03%	11.14%	10.73%
STeFI	**0.69%**	**2.27%**	**6.70%**	**8.80%**	**7.73%**
Call Deposit	0.67%	2.20%	6.53%	8.57%	7.35%
3 Month NCD	0.70%	2.28%	6.72%	8.87%	7.70%
6 Month NCD	0.69%	2.28%	6.75%	8.87%	7.78%
12 Month NCD	0.69%	2.28%	6.68%	8.75%	7.96%
International Index / Other	**1Month**	**3Month**	**YTD**	**1Year**	**3Year**
S&P 500	-0.27%	-0.32%	6.30%	1.20%	13.41%
MSCI World	0.73%	0.07%	8.73%	5.32%	18.41%
JPMorgan GBI	-3.00%	1.38%	1.02%	-9.15%	4.97%
Salomon Brothers GBI	-2.45%	4.39%	4.41%	-5.11%	6.38%
Dow Jones	0.16%	1.72%	10.10%	5.35%	13.65%
Euro Top 100	1.86%	0.33%	11.62%	9.42%	22.46%
Nikkei 225	-2.15%	-2.97%	-0.75%	-5.32%	16.45%
FTSE 100	2.66%	0.61%	10.47%	7.78%	19.86%
Nasdaq	0.19%	1.86%	10.45%	5.92%	14.89%
Russell 1000	-0.61%	-2.64%	2.76%	0.25%	15.01%
Barclays Inflation Linked Bond Index	1.72%	1.37%	3.58%	6.19%	10.51%

Contact us...

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