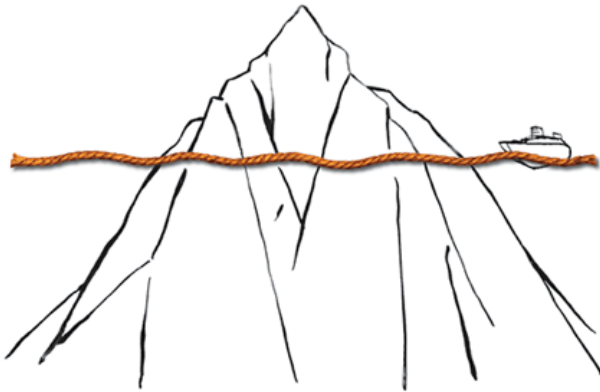


Seeing the big picture.



RisCUpdate

South African Overview

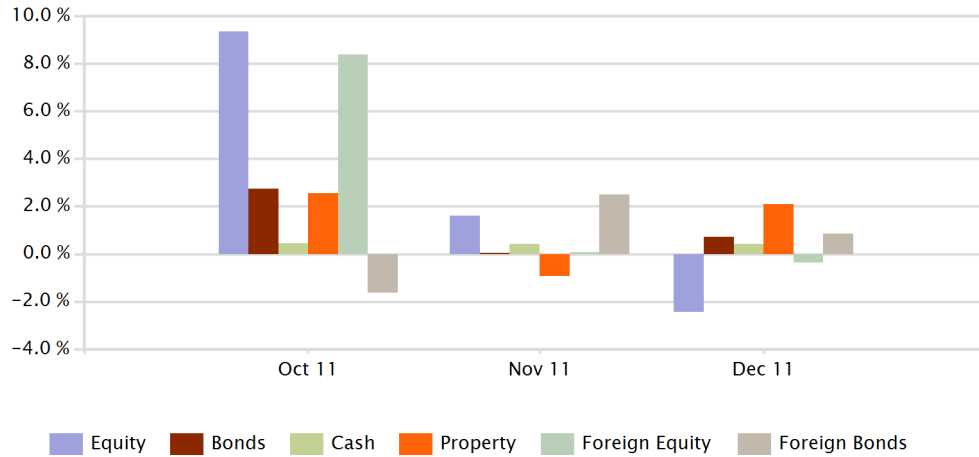
1 October 2011 – 31 December 2011

More Information:

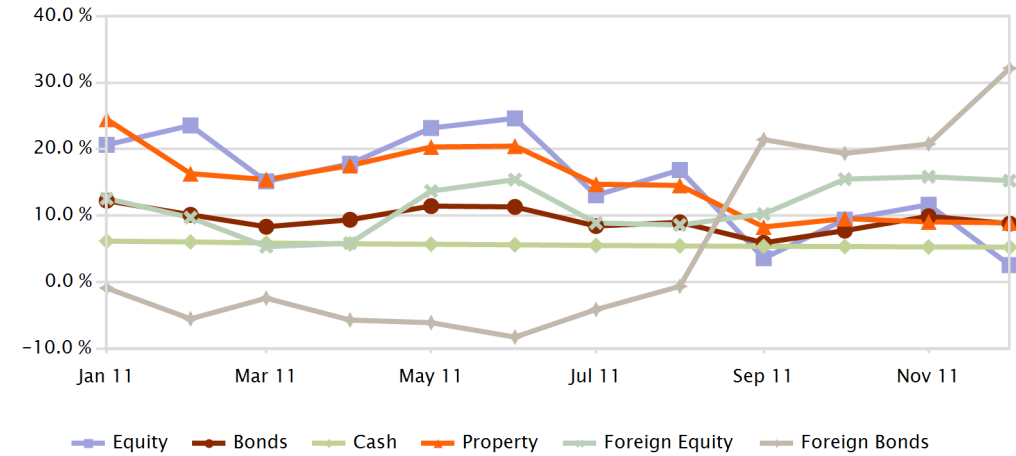
Werner Opperman wopperman@riscura.com +27 21 673 6999

How the different asset classes performed

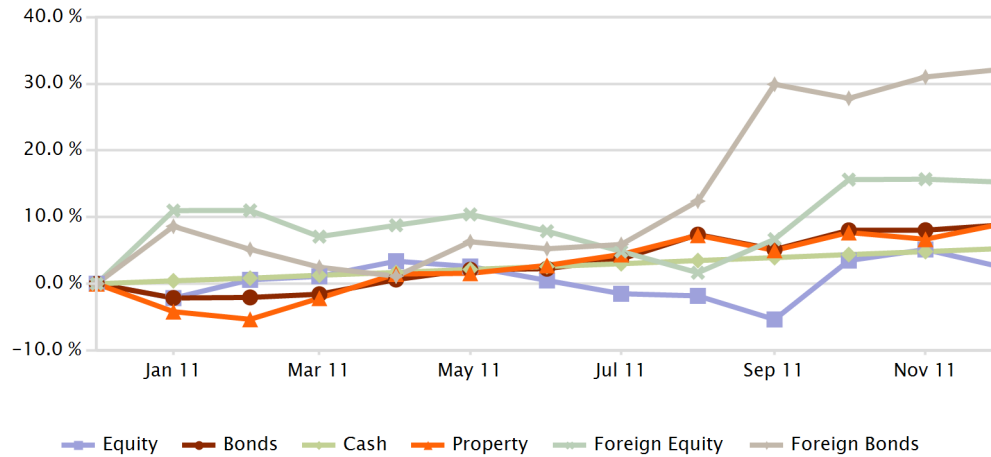
Asset class monthly returns



Asset class rolling 12-month performance



Asset class performance – year to date

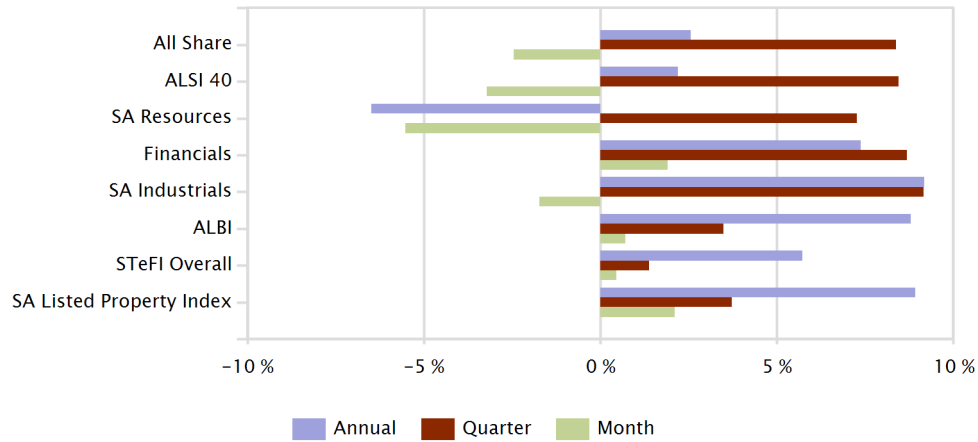


Sector Indices

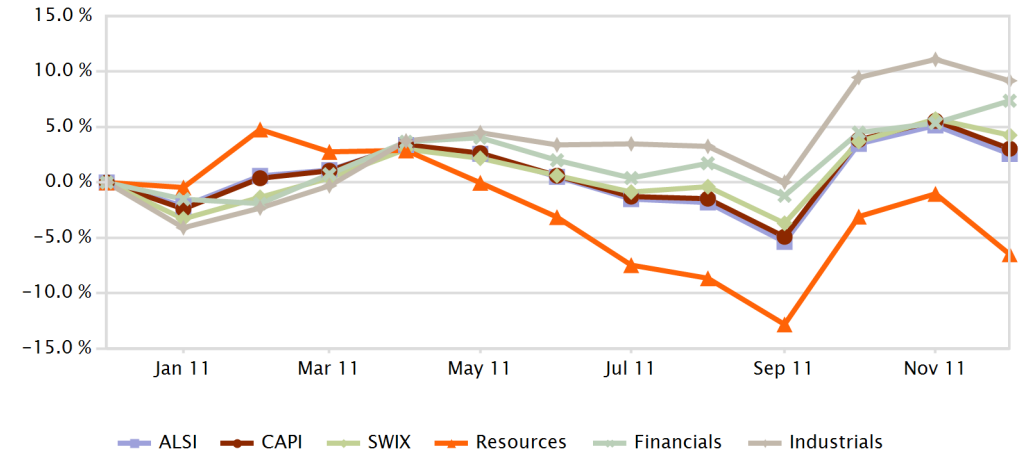
Asset Class	Index
Equity	All Share Index
Bonds	ALBI
Cash	STeFI
Property	SA Listed Property
Foreign Equity	MSCI World Index
Foreign Bonds	JPM Global Aggregate Bond Index

How the local market indices performed

Returns of FTSE/JSE sectors and indices

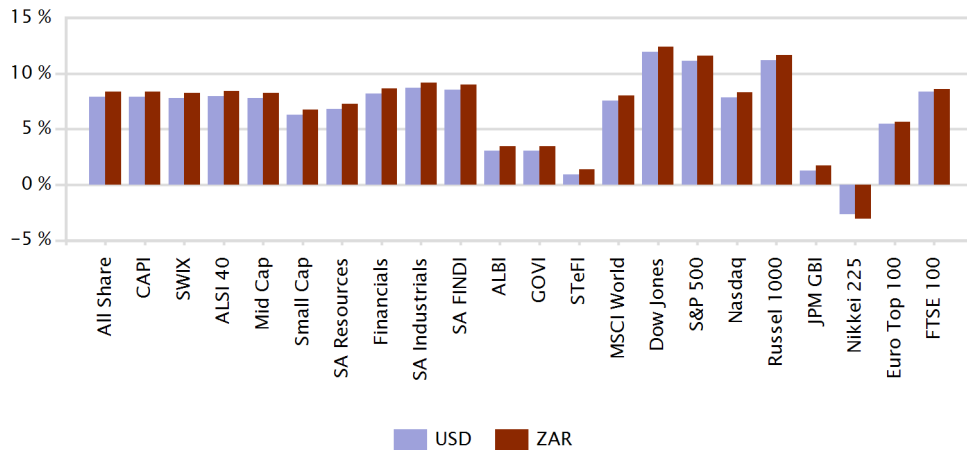


Sector and indices performance - year to date

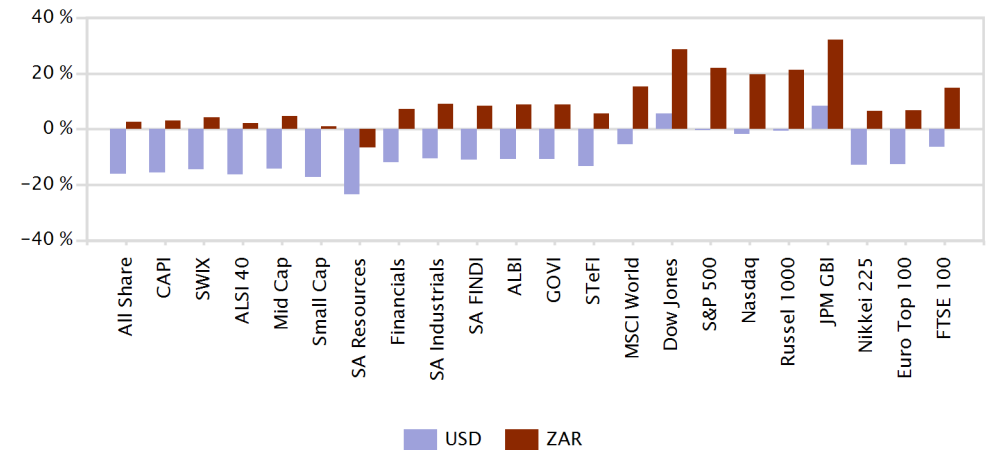


How the world market indices performed

Quarterly return of major indices

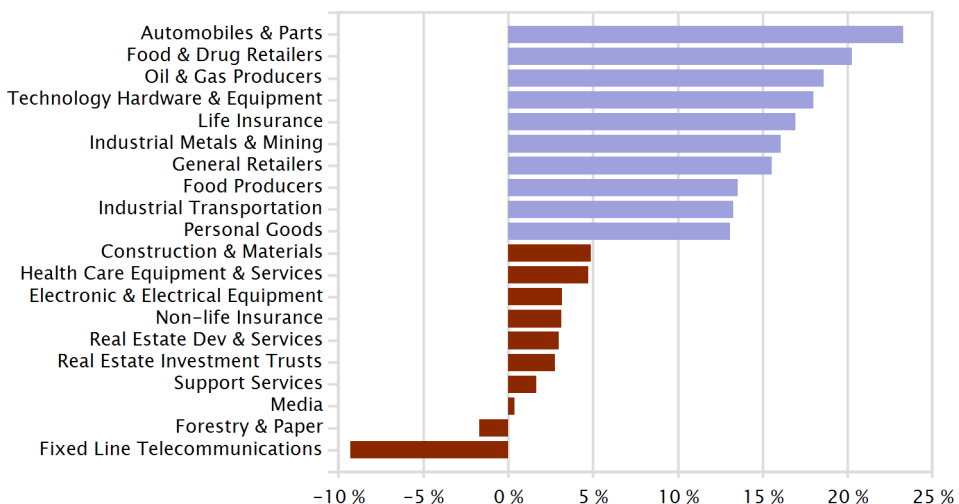


Annual return of major indices

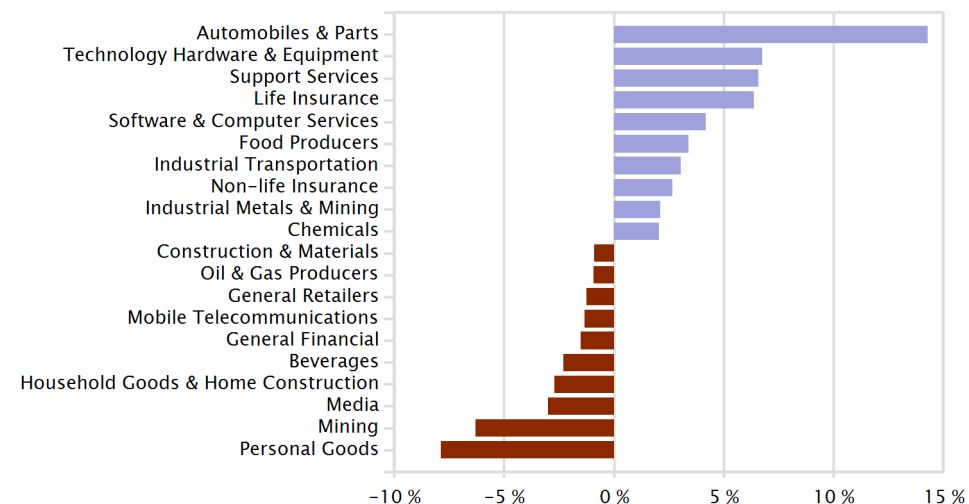


Equity market – how the equity sectors performed

Quarterly industry performance



Monthly industry performance

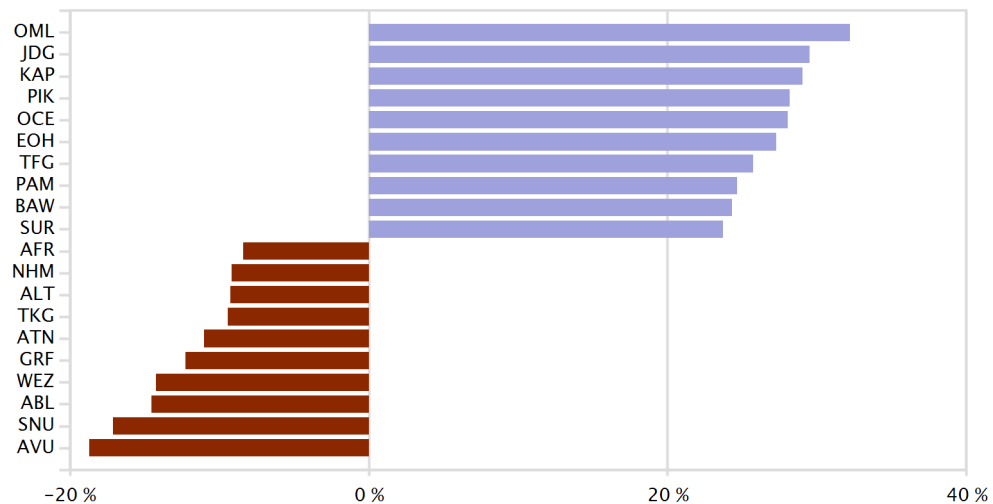


20 Largest shares by market cap

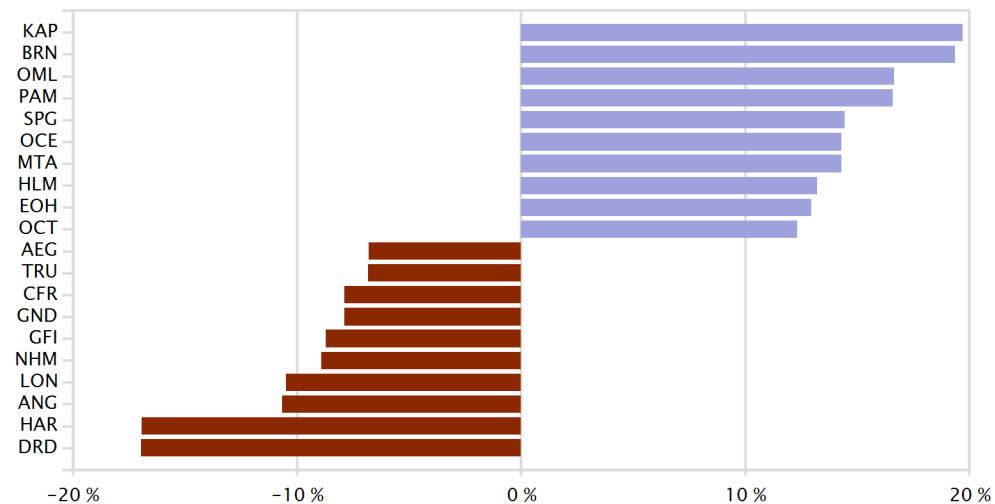
#	Share	R'million	#	Share	R'million
1	BRITISH AM. TOBACCO PLC	776,936	11	ANGLO AMERICAN PLAT LTD	140,124
2	BHP BILLITON PLC	500,508	12	VODACOM GROUP LIMITED	132,428
3	SABMILLER PLC	470,505	13	ANGLOGOLD ASHANTI LTD	131,261
4	ANGLO AMERICAN PLC	399,371	14	FIRSTRAND LTD	116,931
5	MTN GROUP LTD	270,904	15	IMPALA PLATINUM HLGS LD	105,717
6	SASOL LTD	248,300	16	ABSA GROUP LIMITED	101,268
7	COMPAGNIE FIN RICHEMONT	212,819	17	OLD MUTUAL PLC	98,837
8	KUMBA IRON ORE LTD	161,029	18	GOLD FIELDS LTD	90,237
9	STANDARD BANK GROUP LTD	156,889	19	SHOPRITE HLDGS LTD ORD	74,022
10	NASPERS LTD -N-	143,878	20	NEDBANK GROUP LTD	73,577

Equity market – how specific equities performed

Quarterly share performance

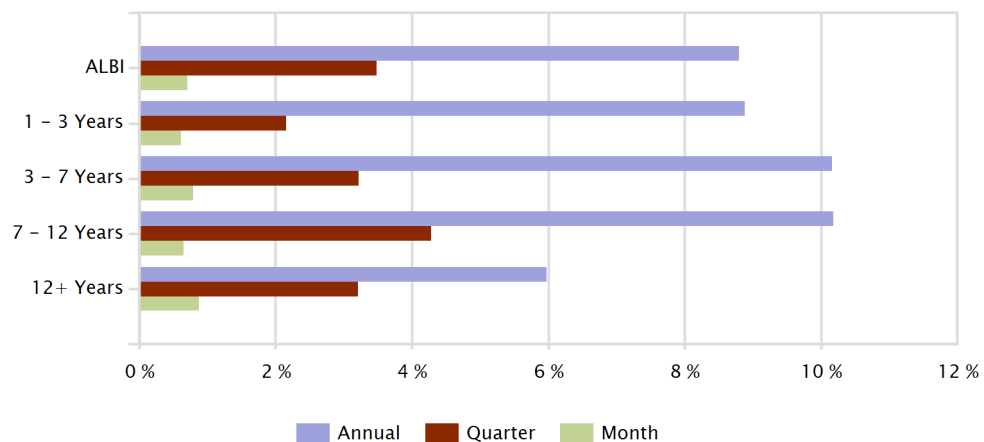


Monthly share performance

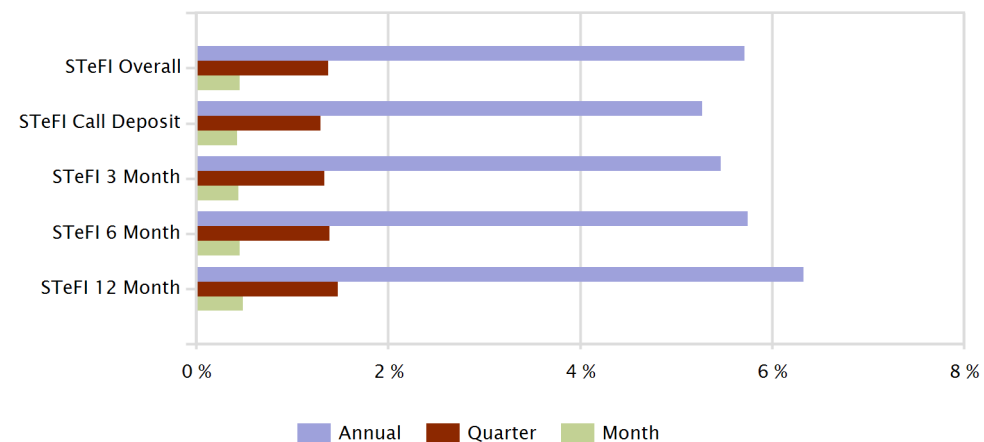


How the fixed interest market performed

Returns of bond sectors

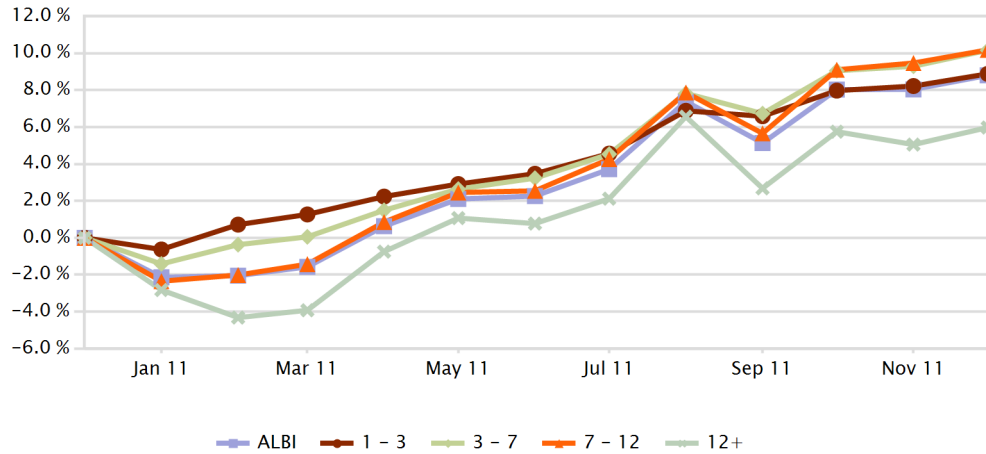


Returns of cash indices

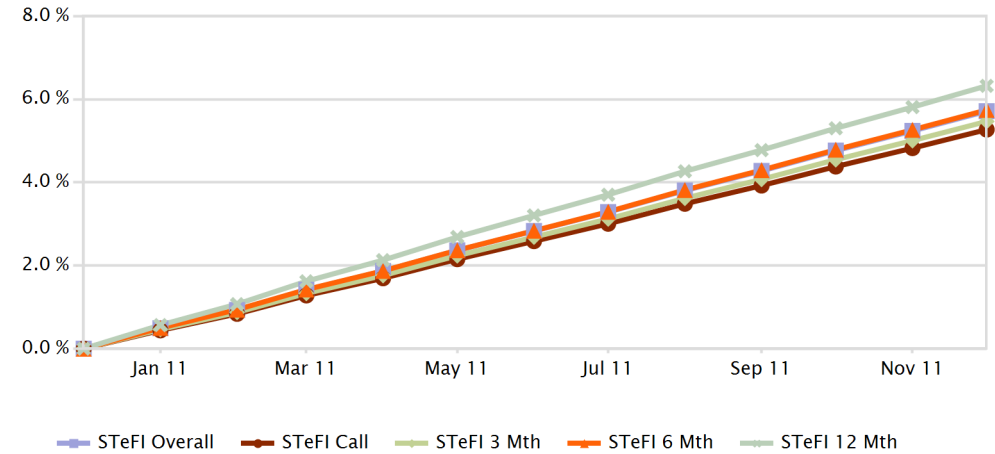


Fixed interest market – how the different sectors performed

Cumulative performance of bond sectors – YTD



Cumulative performance of cash indices – YTD



Fixed Interest Market – How the currency performed

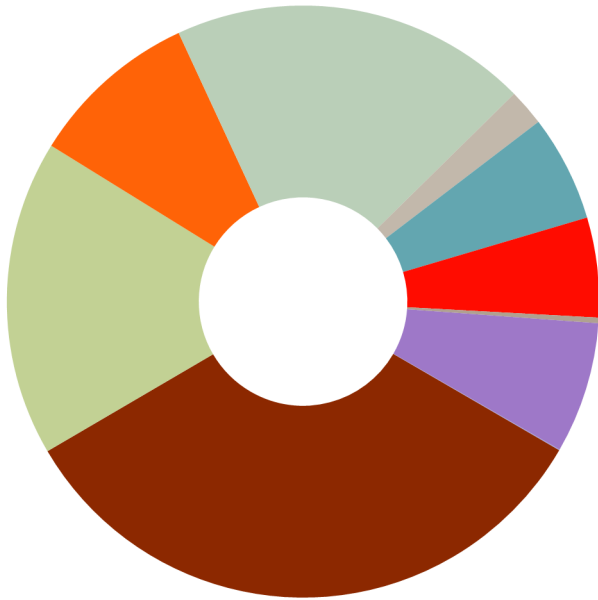
Description	Previous	Current	% Change
Rand/Dollar	8.04	8.07	0.43
Rand/Pound	12.54	12.53	-0.07
Rand/Euro	10.77	10.44	-3.09
Dollar/Euro	1.34	1.30	-3.25

Benchmark Composition

Equity - All Share

Bond - ALBI

Cash - STeFI



- A-basic Materials(0%)
- Basic Materials(33.2%)
- Consumer Goods(17.3%)
- Consumer Services(9.3%)
- Financials(19.5%)
- Health Care(2%)
- Industrials(5.8%)
- Oil & Gas(5.4%)
- Technology(0.3%)
- Telecommunications(7.2%)



- Bond 0-3 Years(10.6%)
- Bond 12+ Years(29.1%)
- Bond 3-7 Years(34.7%)
- Bond 7-12 Years(25.5%)



- 12 Month NCD(20%)
- 3 Month NCD(30%)
- 6 Month NCD(35%)
- Call Deposit(15%)

Market and Economic Update

Global speaking

Background

- During the fourth quarter the European crisis dominated the headlines. Italy became the focus of the Eurozone crisis in September owing to its Euro 1.9 trillion debt and fears it would soon not be able to service the debt. This resulted in alarming increases in yields for Italian debt. The Eurozone leaders stepped in and vowed to contain the situation. In their continued efforts to avert the collapse of the Euro, it was agreed in October that Greece's debt would be written down to 50% if Greece agreed to implement a set of austerity measures going forward. Markets reacted positively to the news that the European leaders were mapping out a plan to contain the crisis, easing concerns. This however, proved short-lived.
- The fact that tax payers in Northern Europe do not wish to subsidise the highly indebted nations of Southern Europe makes it extremely difficult to find any permanent solution to the crisis. This constitutes a grave risk to all investors.
- Simultaneously with escalating problems in Europe, growth in China has slowed significantly. The conjunction of these two events is having an adverse effect on global growth which over the past six months has slowed down significantly.
- The US economy has not fully recovered from the lows of 2009 and growth forecasts do not look particularly encouraging. The trend in global markets continues to be concerning and global leaders appear to be far from coming up with solutions to the problems.

Outlook

- Global economic uncertainties have continued to weigh heavily on equity markets around the world and accordingly, markets delivered anaemic to poor returns for 2011. For the year the FTSE World Index returned -6.5% in US dollars whilst the MSCI Emerging Market Index was down by -20.4% in US dollars for the year. World markets were negatively affected by the unrest in the Middle East and the Japan disaster in the earlier part of the year. More recently, the Euro debt crisis and troubles in the US, as well as a growth slowdown in China and other emerging markets have all negatively affected financial markets.
- Times of heightened and on-going macro uncertainty almost always translate into considerable volatility in asset prices, especially when these prices are not particularly cheap. Volatility, in turn, often causes more consensus-driven investors to overreact in the short-term, and this overreaction can create potential buying opportunities for those investors who prefer to look through the emotion and focus on the fundamentals.
- Given the turmoil in financial markets and unusually high correlations between and within equity markets in the last while, the market's consensus view has been that stock picking is rendered ineffective. This in our view creates individual stock mispricing and offers opportunities for disciplined stock pickers.
- This is currently more apparent in the Technology sector which accounts for 10% of the FTSE World Index. Technology stocks with above-average profitability, strong balance sheets and high growth potential, have been punished by the market due to macroeconomic concerns which are beyond their control and are trading at multiples below many companies in the other industries with considerably less growth potential.
- Similarly, in Japan where the TOPIX returned -16.9% in US dollars there are several compelling opportunities for stock pickers in some sectors. The Consumer Non-Durables is one such sector.
- However, we continue to remain cautious about our expectations for the likely performance of equities over the short-term.

Market and Economic Update

Local speaking

Background

- The global slowdown is having an adverse effect on economic activity in South Africa. Of particular significance to South Africa is the fact that commodity prices have been in decline.
- Consumer spending has held up well due to big wage increases but the output side of the economy has been weak. Inflation reached 6.1% in November with food prices rising 11.1%. The full impact of the recent weakness of the rand will come through in prices in the first half of 2012, so inflationary risks remain on the upside.
- Due to the general weakness of business conditions, the South African Reserve Bank has not responded to rising inflationary pressures by increasing interest rates. The South African Reserve Bank is likely to keep rates unchanged for some time, given the fragility of global economic conditions.

Outlook

- For the full year, the ALSI returned 2.6%. The ALSI return was mainly driven by Industrials and Financials which returned 9.2% and 7.4% respectively, whilst Resources underperformed, returning -6.5% for the year. Significant depreciation of the rand against the US dollar resulted in a US dollar return of -15.8% for the year, underperforming the FTSE World Index which returned -6.5%.
- South African equity markets had a poor 2011. Although the ALSI was up 7.5% in US dollars for the fourth quarter, it declined by -15.8% in US dollar terms for the year as troubles in Europe and the US dominated the news. The slowdown in emerging markets growth prospects worsened the situation. The rand depreciated against the US dollar by 21.8% for the year owing to the continued uncertainty in global markets.
- The South African stock market de-rated from a historic price-earnings (PE) ratio of 17.2x at the start of the year to 12.7x at the end of 2011, but earnings grew by 27%.
- These earnings continue to be high relative to history and estimated consensus market earnings growth of 17% for 2012 remains high. We remain cautious about the sustainability of these earnings going forward and more circumspect on the sustainability of current equity prices. We believe the risk of loss in the South African market is significant.
- Events in Europe have filtered through to emerging markets. Unlike in the first half of the year, flows into emerging markets have dried up as uncertainty surrounding global economic fundamentals has gripped markets. Flows into South Africa have also dried up in line with other emerging markets.
- SA Bonds sold off when the rand drastically weakened against the US dollar in September and we expect flows into SA to remain subdued for as long as global markets remain bearish.
- Cash is currently yielding around 0.6% p.a. in real terms, which is well below our long run real return expectations. The next MPC meeting is scheduled in the third week of January, and with the data showing tentative signs of recovery, it is unlikely that further monetary easing will be considered.

Performance table

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
All Share	-2.45	8.38	2.57	2.57	61.25
ALSI 40	-3.22	8.44	2.20	2.20	57.81
Capped All Share Index	-2.39	8.36	3.04	3.04	62.97
Financial 15	1.89	9.64	6.63	6.63	56.06
Financial and Industrial 30	-1.35	9.15	9.66	9.66	72.96
Industrial 25	-2.43	8.97	10.46	10.46	82.79
Mid Cap	1.28	8.24	4.72	4.72	85.14
Resource 20	-5.17	7.71	-6.74	-6.74	41.86
SA Listed Property Index	2.10	3.73	8.93	8.93	61.05
Shareholder Weighted All Share	-1.38	8.26	4.26	4.26	63.71
Small Cap	3.79	6.77	1.10	1.10	61.66
SA Resources	-5.52	7.26	-6.48	-6.48	42.16
Coal	-5.84	-1.79	25.70	25.70	-44.52
General Mining	-5.37	8.31	-10.64	-10.64	46.92
Gold Mining	-11.13	0.69	6.87	6.87	29.57
Mining	-6.29	5.47	-9.58	-9.58	40.66
Oil & Gas	-0.93	18.60	15.44	15.44	52.05
Oil & Gas Producers	-0.93	18.60	15.44	15.44	52.05
Platinum & Precious Metals	-3.27	-0.77	-25.98	-25.98	21.85
SA Industrials	-1.73	9.16	9.18	9.18	81.52
Automobiles & Parts	14.29	23.27	67.01	67.01	284.19
Basic Materials	-5.67	5.78	-8.31	-8.31	41.54
Beverages	-2.29	9.24	23.04	23.04	87.22
Chemicals	2.07	9.84	0.72	0.72	49.63
Construction & Materials	-0.90	4.89	-23.55	-23.55	-8.77
Consumer Goods	-3.59	10.55	14.66	14.66	98.42

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
Consumer Services	-1.30	10.77	8.56	8.56	124.69
Electronic & Electrical Equipment	-0.50	3.16	-4.60	-4.60	33.19
Fixed Line Telecommunications	0.17	-9.30	-20.48	-20.48	-13.49
Food & Drug Retailers	0.37	20.27	26.87	26.87	146.93
Food Producers	3.38	13.55	17.16	17.16	76.01
Forestry & Paper	-0.60	-1.71	-5.53	-5.53	1.84
General Industrials	-0.77	8.48	5.74	5.74	68.99
General Retailers	-1.26	15.52	19.61	19.61	153.82
Health Care	0.67	5.07	8.80	8.80	132.85
Health Care Equipment & Services	1.55	4.73	11.43	11.43	96.88
Household Goods & Home Construction	-2.71	5.63	-2.99	-2.99	104.44
Industrial Engineering	0.14	8.15	16.79	16.79	62.28
Industrial Metals & Mining	2.11	16.08	16.20	16.20	61.10
Industrial Transportation	3.03	13.25	-1.95	-1.95	94.88
Industrials	-0.15	7.88	-3.43	-3.43	45.69
Media	-2.98	0.38	-8.18	-8.18	109.00
Mobile Telecommunications	-1.32	7.36	12.77	12.77	50.74
Personal Goods	-7.88	13.10	5.55	5.55	-81.03
Pharmaceuticals & Biotechnology	-0.25	5.43	5.45	5.45	152.76
Software & Computer Services	4.18	11.40	21.57	21.57	164.22
Support Services	6.59	1.67	-18.85	-18.85	40.26
Technology	4.45	12.05	25.71	25.71	174.88
Technology Hardware & Equipment	6.75	17.99	63.95	63.95	
Telecommunication	-1.27	6.68	11.22	11.22	46.25
Travel & Leisure	1.58	8.27	-11.44	-11.44	15.01

Performance table continued

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
Financials	1.91	8.68	7.37	7.37	60.24
Banks	0.99	7.80	4.46	4.46	51.60
Equity Investment Instruments	1.42	9.36	16.84	16.84	56.01
General Financial	-1.51	5.31	-7.58	-7.58	55.88
Life Insurance	6.36	16.92	20.76	20.76	107.04
Non-life Insurance	2.68	3.12	13.59	13.59	115.51
Real Estate Dev & Services	1.79	3.00	7.67	7.67	
Real Estate Investment Trusts	-0.84	2.77	5.17	5.17	
SA Financials and Industrials	-0.63	9.00	8.52	8.52	74.14
ALBI	0.70	3.49	8.80	8.80	23.84
1 - 3 Years	0.61	2.15	8.88	8.88	27.57
3 - 7 Years	0.79	3.22	10.16	10.16	27.73
7 - 12 Years	0.65	4.28	10.18	10.18	25.01
12+ Years	0.88	3.21	5.97	5.97	13.61
GOVI	0.68	3.49	8.92	8.92	23.80
STeFI Overall	0.45	1.38	5.71	5.71	23.36
STeFI Call Deposit	0.43	1.30	5.27	5.27	21.21
STeFI 3 Month	0.44	1.34	5.47	5.47	22.12
STeFI 6 Month	0.45	1.39	5.74	5.74	23.53
STeFI 12 Month	0.48	1.48	6.33	6.33	26.42

Description	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)
International Index/Other					
Dow Jones Industrials	1.11	12.43	28.78	28.78	19.06
FTSE 100	-0.37	8.58	14.95	14.95	14.26
FTSE Euro Top 100	-2.07	5.67	6.91	6.91	-7.57
JPM Global Aggregate Bond Index	0.86	1.71	32.16	32.16	3.66
MSCI World	-0.37	8.05	15.27	15.27	17.36
Nasdaq Composite	-0.89	8.32	19.84	19.84	41.28
Nikkei 225	0.90	-3.06	6.62	6.62	-4.41
Russel 1000	0.35	11.69	21.41	21.41	21.57
S&P 500	0.54	11.63	22.03	22.03	19.07