

The Weekly Focus

A market and economic update

06 February 2012



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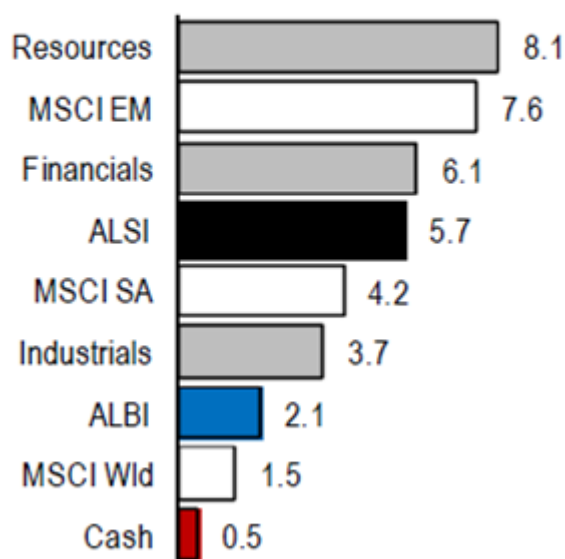
Newsflash

Emerging market currencies have bounced back sharply from a bad 2011.

Market Comment

Performance — January 2012

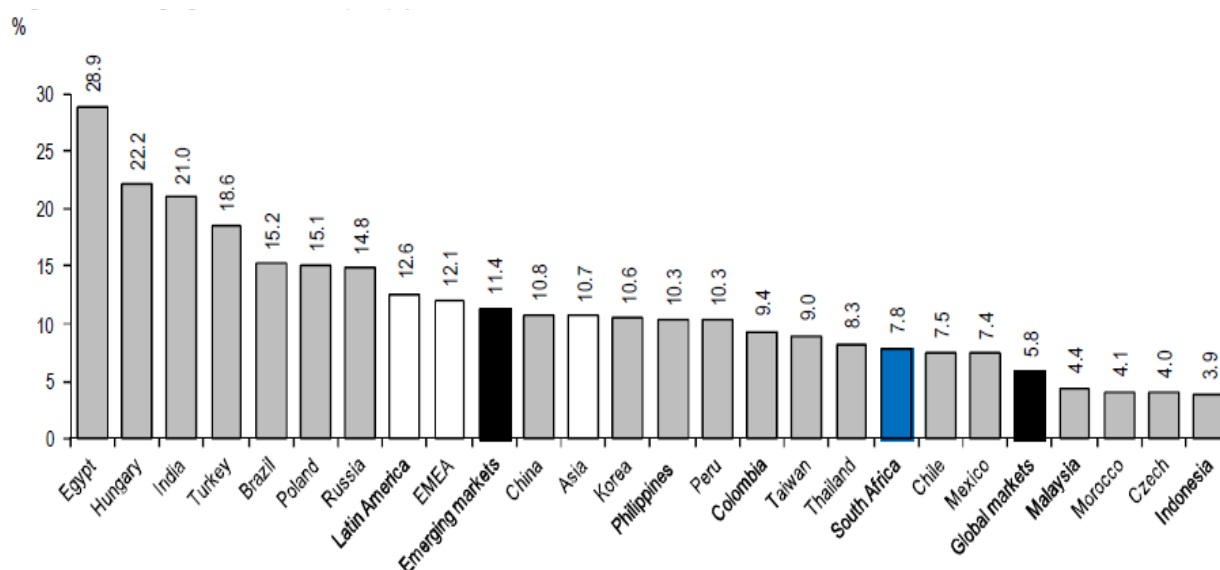
Total return, rand, %



Source: I-Net Bridge, MSCI

- With “risk on” so far in 2012, money has been flowing back into emerging markets and their currencies, as well as into commodities - out of cash and to a lesser extent bonds.
- Hence the JSE Resources sector did best in January (see chart above) with a return of 8.1% (11.9% in dollars). MSCI EM refers to MSCI Emerging Markets, which did 7.6% in rands (11.4% in dollars); more than double the developed world MSCI World Index’s return of just 1.5% in rands (5% in dollars).
- Even our ALBI (All Bond Index) beat the MSCI World Index with a return of 2.1%.
- Emerging market currencies have bounced back sharply from a bad 2011, helping the dollar returns of their stock markets (see chart below).
- The best dollar return came from Egypt (28.9% in January!!) - typically the biggest market in an Africa equity fund - while India (the 5th biggest emerging stock market, after SA) gained a whopping 21% in dollars (7.3% from its currency).
- Brazil’s stock market gained 15.2%, Russia gained 14.8% and China gained 10.8%. So the BRIC countries had a fantastic first month of 2012. All 4 BRIC stock markets continue to offer good value, particularly because inflation is now declining, which is promoting some monetary easing.

Emerging Market Returns (US\$): past month



Source: MSCI

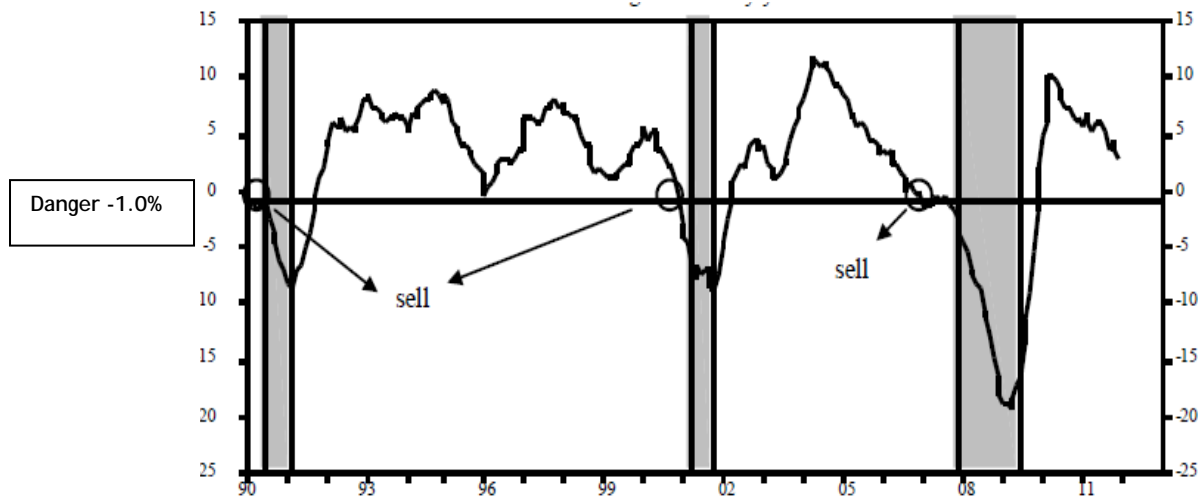
- Interestingly, Greece had one of the best stock market performances in January, up over 25% in euro terms.
- On the JSE, Barlows share price gained 18% in January, followed by Exxaro's 14.9%, Palamin's 14.2%, Billiton's 12.7%, Imperial's 12.2%, Coronation's 11.7%, Naspers' 10.9% and Anglo's 9.8%.
- Anglo is up another 5% so far in February, partly on the back of rumours that an Xtrata/Glencore merger may lead to a renewed bid for Anglo (Xtrata approached Anglo 2 years ago).
- Meanwhile our only hedge against a rising petrol price, Sasol, gave an indication that its earnings for the 6 months to December would be up 80-90% year-on-year, much better than analyst expectations, largely because of a 35% uptick in average oil prices and a 7.5% depreciation of the rand to the dollar. The share is trading at 8-9 times earnings expected in 17 months time. Sasol is up 5% so far in 2012, trading at its highest level in 4 years.
- So resource shares are getting a lot of attention so far in 2012, despite the rand's 6.5% gain so far against the dollar. The JSE Resources Index is up 9.7% so far in 2012, beating the ALSI's 7.3% return.
- Better-than-expected global manufacturing numbers out last week are further positives for resource shares, as was the superb US employment report on Friday (private sector job creation in January was almost 100,000 higher than expected). Of course, investors know by now that the resource sector is the most volatile of all and therefore some caution is always called for.
- CrossBorderCapital, a financial services company that monitors money flows (liquidity) in the world, says that global liquidity conditions are reassuringly rising. Based on history, this indicates that the year ahead should be increasingly "risk on".
- They note that the change in leadership at the European Central Bank (from Trichet to Mario Draghi) has been highly significant.

- In their view the biggest opportunity in 2012 is eurozone equities, while the biggest risk to their view is a US dollar that is too strong. The MSCI Europe (excl the UK) Index is up 9% so far in 2012 (in dollars), but remains over 20% below its peak last May. The more volatile German Dax index is already up 15.6% so far in 2012, in dollars.

US Market Analyst, Elaine Garzarelli....expects shares to “rock”

- Whilst acknowledging that corrections of 4-7% are expected and normal in a cyclical bull market, Elaine notes that her quantitative stock market indicator composite rose to 82% last week, which is the most bullish reading in a while. A level below 30% is bearish.
- The stock market is a discounting mechanism and the poor news from 2011 has been, for the most part, discounted in share prices. “We believe shares should keep rocking now that European bond rates are declining, the US economy is growing and earnings are healthy”.
- She expects operating earnings for the S&P 500 Index to reach 102 in 2012. At a 14 to 15 PE multiple, fair value is 1430 to 1545, a 7% to 15% gain from here.
- Interestingly, one of her indicators, sentiment, which measures the number of bullish investment advisors declined last week to the fewest number of bulls since mid-December. This is positive for shares (a contrary indicator).
- She says both the Bloomberg Financial Conditions Index and the ECRI weekly leading economic indicator are ranked bullish in her quants system (moving upwards).
- One of her best stock market indicators has been accurate at catching stock market tops over the past 40 years. This is when the year-over-year change in the leading economic indicator reaches -1%. The year-over-year change for this indicator in December (latest) was +2.8%, which is far from the danger point (see chart below of Leading Indicators y/y % change)
- Meanwhile she says US economic releases of late continue to indicate that the 2nd half of 2011 bounce is continuing into the 1st quarter of 2012. “The economy is percolating around 2% growth, January chain-store sales were much stronger than expected and made a new all-time high and are now 7% above their 2007 level. Manufacturing activity is accelerating after its slowdown in early autumn. The manufacturing PMI (purchasing managers index) rose to 54% in January and the leading components suggest further good gains in manufacturing activity over the next several months”.
- Also, price increases for companies are running higher than unit labour cost increases, so profit margins should continue to rise.
- Housing continues to be one of the major risks in the US. So far no definite floor has been seen in prices and this is the most negative aspect of the US economy.
- Portugal (debt unsustainably high) and Greece are also risks.
- Meanwhile interest rate cuts continue around the world. Even China’s money-market rate had its biggest monthly drop since July after the Chinese central bank added the most cash to the financial system in almost 4 years.

Leading Indicators y/y % ch



(0) = Sell Signal

Source: MSCI

Other Investment Factors

- BCA Research warns that Portugal's debt situation is approaching unsustainability, meaning that Portugal will at some stage require a debt restructuring, just like Greece
- The main development in China in recent weeks, notes Citigroup, has been some reduction in the worries about a hard landing (growth below 6%), resulting from stronger data in December. Manufacturing growth year-on-year rose to 12.8% from 12.4% the previous month, while retail sales growth reached 18.1%, up from 17.3% in November. This was helped by a rise in urban per capital disposable income of 14.1% and rural per capita income of 17.9%.
- Star veteran 63 year old Fidelity fund manager, Anthony Bolton, who is now based in Hong Kong, managing an equity portfolio investing in Chinese small cap shares, mid caps and large caps, says valuations and sentiment in the Chinese stock market had reached extremely low levels by end 2011: "Everything I know about investments makes me continue to bet against this extremely depressed sentiment; so when everyone is very cautious and valuations are low, in my view you have to be positive and bullish. I think it will become apparent in the next 12 months that the 'house of cards' view of China, that some international investors have, is going to be wrong. We are not going to see the hard landing and growth disappear in China as those investors think".
- Of the 83 Januaries in the history of the US S&P 500 Index since 1929 (excluding 2012), 51 have been up, 2 have been flat and 30 have been down. Of the 51 positive Januaries, 42 have been followed by gains for that calendar year, a ratio of 82%.
- Also, as we've noted before, the direction of the US equity market in January has accurately predicted the direction of the full year in 14 out of the past 15 presidential election years.

- When one looks at “Seasonal global stock market returns for the past 23 years” (courtesy of Macquarie Research), one notes that February has on average been a small up-month for the MSCI All Countries World Index and has been the 3rd best month (after December and April) for the MSCI Emerging Markets Index, on average up 2% over 23 years.
- Meanwhile Hong Kong’s Hang Seng Index has had its best start to the year since the mid-1990s, rising 12.5% over the past month; yet it still looks cheap, trading at 9.4 times earnings of the past year (PE ratio), well below its long-term average of 14 (Financial Times). Its price-to-book ratio is 1.5, which is close to the average of global shares. Some caution comes from the fact that about half of the index is comprised of Chinese state-owned enterprises, mainly financial groups. There is a growing awareness that the Communist Party committees of state-owned enterprises do not always share the same priorities as their minority shareholders. As long as a company remains a state-owned enterprise (SOE), the party holds sway over important decisions, such as the nomination of top executives, asset acquisitions and disposals, as well as annual budgets.
- Bank of America/Merrill Lynch sees 2012 as a positive transition year for US large cap shares, especially the mega caps like Walmart. Many mega caps have gone nowhere for 5 to 11 years and seem uninteresting and forgotten; but on the charts, it looks like 2012 will see a lot of breakouts on the upside, with 20-30% upside potential from current levels. Consider this: in 2001 Walmart’s book value per share was \$7 and earnings per share was \$1.40. Merrill’s forecast for this year is a book value of \$23.50 and earnings of \$4.48 per share, yet the share price remains barely unchanged from eleven years ago. Merrills regard the share, now trading at 12.7 times earnings expected in 2012 (the forward PE ratio), as cheap, especially considering rising US same store sales and international growth opportunities. Plus active fund managers are underweight the share, holding on average 0.6% in their portfolios versus the S&P 500 Index’s 0.9% weighting.
- The tech-laden Nasdaq 100 Index is similarly poised for a big jump, say Merrills. It is currently challenging its highest level in 11 years. Two of its biggest shares are Intel and Microsoft, both looking good.
- Nedbank’s share price last week rose to its highest in almost 11 years (June 2001). The JP Morgan technical analyst, Murray Morrison, is positive on the share, saying his first price target is the previous all-time record high of 179.60 (January 2001). That is 12% higher than today’s price. (Note that technical analysis (charting) is an art, not a science. It works a lot of the time, but certainly not all the time).
- Great to see Old Mutual deciding to pay a special dividend in June to shareholders of R12bn (one billion pounds) from the sale of its Nordic Skandia operations for 2.1bn pounds. This special dividend equates to approximately R2.17 per share, which is 11.5% on the current share price. Patient investors are finally reaping the rewards. Well done to Old Mutual management.

Snippets of Info

- SA is a net food exporter, selling abroad 30% more agricultural goods than it imported, at least in 2010. Agricultural exports grew by 10% between 2008 and 2010, amounting to \$6.8bn. During the same period, agricultural imports grew by less than 1% (\$5.2bn). Agricultural exports were 5% of SA's total exports in 2010 and imports were 2% of total imports.
- The Netherlands was our biggest export destination in 2010 (10% of our agricultural exports).
- Argentina is our biggest source of agricultural imports (12% in 2010), though declining.
- Facebook is looking to list on the stock market this year, with an estimated market value (once it lists in May) of \$80bn, less than half Google's current market value of \$189bn, but much bigger than LinkedIn's \$7bn value.
- Facebook, which brought in \$3.2bn (up 69% year-on-year) in advertising revenue last year, already employs 3,200 people, although only 1/10th of Google's 32,500 people. It has a handsome operating profit margin of 47%.
- When Facebook lists, its initial backers stand to make huge returns. Accel Partners, the Silicon Valley venture capital firm whose partner Jim Breyer sits on Facebook's board, is set to reap more than \$9bn from an investment of \$12.7m made 7 years ago. Incredible!
- Founder Mark Zuckerberg, 27, will see his 28.4% stake yield an estimated \$22.7bn. Zuckerberg signed on to Warren Buffett and Bill and Melinda Gates' Giving Pledge long ago, vowing to donate half of their lifetime fortunes to charity (Financial Times).

Paul Hansen

(Director: Retail Investment Marketing - Investments)

Economic Update

Locally, SA private sector credit rose a little more than expected in December, up 6.2%/y. Consumer credit jumped by R15.8bn, but was distorted by a R5bn reclassification of credit card debt. In December 2011, SA growth in broad money supply (M3) was recorded at 8.2%/y, which is above the 7.2%/y recorded in November 2011. Despite the larger than expected increase in December, the overall trend in money supply growth remains modest. Increase in credit during December was relatively broad-based and included fairly significant increases in unsecured credit to households as well as instalment sales (motor vehicles). The growth in mortgage credit remained subdued. Based on the data available, during 2011 consumer credit rose by a total of R73.7bn, which compares with R70.7bn during 2010 and a mere R29.3bn in 2009. At the height of the SA consumer credit binge from 2005 to 2009, household debt rose by R189.2bn over a 12 month period (April 2007 to March 2008). The annual rate of growth in consumer credit is still modest (+6.7%/y), especially for this phase of the business cycle and taking into account the fact that interest rates are at their lowest level since 1974. Clearly, the NCA coupled with conservatism on the part of banks, have combined to keep household credit growth, most especially mortgage advances, well contained (banks are no longer offering the 'two-below-prime' deals they did a couple of years-ago). However, the growth in unsecured credit to households remains the clear exception - especially to the lower LSM groups. Based on the BA900 returns, the growth in unsecured credit to households has been rising by in-excess of 30%/y. During most economic upswings, the initial part of the recovery is driven by a rise in incomes (cash sales) and not a rise in credit. Credit demand, typically, emerges a little later in the recovery (especially if inflation starts to rise). Hence, we expect all forms of credit to continue to gain a little more momentum in 2012.

In January 2012, the Kagiso PMI manufacturing index rose more than expected to 53.2, compared with a disappointing 49.4 in December 2011. The January outcome was well above market expectations, which was for the index to rise marginally to 50.2. January data is a welcome respite after six months of disappointing PMI data - the PMI data has, in general, been weak since the July 2011, dropping below the key 50 index level on a number of occasions. It is particularly encouraging to see that the key forward looking component of the PMI index (namely New Sales Orders), jumped by a massive 9.0 index points to 57.3. This follows a decline of 3.0 index points in December 2011. It will be crucial to see if this type of improvement is sustained, given the volatility of the manufacturing data, more than one month's improvement in the index is required in order to raise expectations. Unsurprisingly, the employment index remained well below the key 50 index level at 45.2. This is the eleventh consecutive month in-which the employment index has been below 50. The Prices Paid component of the PMI eased to 81.4 from 83.3 in December, highlighting that although PPI inflation fell to below 10%/y in December, manufacturers are still experiencing fairly significant cost pressure. In recent months, there had emerged a fairly significant divergence between the actual manufacturing data and the PMI readings.

The latest PMI reading closes some of that discrepancy. Nevertheless the large change in the PMI, over a one-month period, raises concerns about the survey process. Equally, both the monthly as well as the annual rate of change in Stats SA manufacturing data has been extremely volatile for a considerable period, with a substantial divergence in performance at sector or industry level. Simply stated, SA's aggregated manufacturing data just seems far too volatile. Given the volatility in the data, it is, perhaps, useful to look at the trend cycle index for manufacturing, which clearly shows that although SA manufacturing has recovered from the 2008/2009 severe recession, it has been stagnating for the past year and remains under pressure. The performance of manufacturing has certainly not kept pace with the performance of the retail sector. Instead it has been negatively impacted by a range of factors including higher import demand (helped by the strong currency), a relatively poor performance in the domestic mining and agricultural sectors, a slump in construction activity as well as a general lack of fixed investment spending. While we still expect the manufacturing sector to maintain a reasonable growth rate in 2012, it will struggle to gain any real momentum without an improvement in the global economy and/or a revitalisation of the domestic economy in the form of increased investment activity and employment growth.

Offshore, in January 2012, the US unemployment rate fell to a surprise 8.3%, from 8.5% in December. During the month, total non-farm payrolls rose by an impressive 243 000. There was a significant upward revision to the historical data, which is part of the annual revision process. The private sector has added 2.229 million jobs in the past year and has gained employment in each of the past 23 months at an average of 159 000 jobs a month. While this is not spectacular or even remarkable, it is certainly not indicative of a return to recession conditions. In other words, the US economy would, typically, not add over 2.2 million jobs in twelve months if it was in recession or about to experience a recession. The government however, continued to shed jobs, with total employment declining by a further 14 000 in January 2012. Over the past year, the government has shed a total of 276 000 jobs. Overall, this month's labour market report is extremely encouraging. The job gains were broad-based, including 50 000 new jobs in manufacturing and 21 000 new jobs in construction. On the downside, the information industry lost 13 000 jobs (mostly the movie industry down 7 000) while the broad financial services sector shed 5 000. Given the structural economic difficulties in the US (housing market overhang, loss of production activity to emerging markets, huge fiscal constraints), it appears likely that employment will still take a number of years to fully recover from the great recession (employment is still down 5.6 million jobs since before the great recession; and a portion of those job losses are likely to become structural in nature). This implies that the US will continue to struggle to return to its desirable or even its historical rate of growth over the next few years. However, the latest trend in employment suggests that the US economy can continue to recover at a moderate pace.

Greece has been given a deadline for tomorrow afternoon, to tell the EU whether they accept the painful terms of a new bailout deal (an additional Euro3.3bn in austerity). The Eurozone is playing hardball - no agreement, no money. Angela Merkel continued to attempt to avert the Euro crisis and went on a recent funding mission to China. Beijing has been reluctant to reveal measures it might take to support Europe, but they are examining ways they could help Europe. China fears the crisis could trigger friction in trade relations and have a negative impact on China's exports.

Emerging Markets, **Nigeria is facing social and political headwinds**, with continued attacks on civilians by Islamist group Boko Haram, and more recently, bombings by the Movement for the Emancipation of the Niger Delta (MEND). **Central Bank of Nigeria Governor Lamido Sanusi announced that the Monetary Policy Committee (MPC) had resolved to keep monetary policy unchanged as previous tightening had proven effective.** Our concern has been whether or not the MPC would be able to look through the temporary up-tick in prices, due to the reduction in fuel subsidies. In this regard, Sanusi commented that the MPC had observed that in the past when adjustment had been made to fuel prices, impact on general prices was short lived. The CBN forecast inflation to range between 11% and 14% in the first half of 2011 (in line with our 14%), and then trend down, falling below 10% in late 2013. However, the MPC expressed concerns about fiscal policy - stating that considerations to increase the benchmark price of crude oil from US\$ 70 to US\$ 75 suggested increased government expenditure and thus loose fiscal policy, which would have the effect of fuelling inflationary pressures.

Brazil's official statistics office revealed that 2011 had been a poor year for industrial production. December numbers show that the index of industrial output increased 0.9% month-on-month after growing 0.3% in November. On a year-on-year basis, industrial output fell 1.2% in December 2011 compared to December 2010. This means industrial output in 2011 grew by a pedestrian 0.3%, compared to 10.5% seen in 2010. The main drag came from consumer durables, which contracted by 2%, while Capital Goods only rose 3.3% in the year.

**Kevin Lings, Laura Jones and Xhanti Payi
(STANLIB Economics Team)**

Weekly Market Analysis

Currencies/ indices/ commodities	Friday's Close 03/02/12	Weekly Move (%)	YTD (%)
Indices			
*MSCI World - US Dollar	1273.74	2.22	7.39
*MSCI World - Rand	9591.44	-1.09	0.19
*MSCI Emerging Market - US Dollar	1048.36	3.12	14.31
*MSCI Emerging Market - Rand	7894.25	-0.22	6.65
All Share Index - US Dollar	4575.17	4.45	15.41
All Share Index - Rand	34386.97	1.45	7.51
All Bond Index	383.74	0.38	2.54
Listed Property J253	1010.15	2.13	6.61
Currencies			
US Dollar/Rand	7.52	-2.87	-6.85
Euro/Rand	9.89	-3.31	-5.18
Sterling/Rand	11.89	-2.45	-4.94
Euro/US Dollar	1.32	-0.45	1.71
Commodities			
Oil Brent Crude Spot Price (\$/bl)	112.94	2.03	5.33
Gold Price \$/oz	1725.85	-0.74	10.28
Platinum Price S/oz	1621.50	-0.03	15.82

Source: I-Net Bridge

* MSCI - Morgan Stanley Capital International

Rates

These rates are expressed in nominal and effective terms and should be used for indication purposes ONLY.

Standard Bank Money Market Fund

Nominal: 5.30% per annum

Effective: 5.45% per annum

STANLIB is required to quote an effective rate which is based upon a seven-day rolling average yield for Money Market Portfolios. The above quoted yield is calculated using an annualised seven-day rolling average as at 03 February 2012. This seven-day rolling average yield may marginally differ from the actual daily distribution and should not be used for interest calculation purposes. We however, are most happy to supply you with the daily distribution rate on request, one day in arrears. The price of each participatory interest (unit) is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio.

STANLIB Enhanced Yield Fund

Effective Yield: 5.92%

STANLIB Dividend Income Fund

Effective Yield: 4.10%

STANLIB is required to quote a current yield for Income Portfolios. This is an effective yield. The above quoted yield will vary from day to day and is a current yield as at 03 February 2012. The net (after fees) yield on the portfolio will be published daily in the major newspapers together with the "all-in" NAV price (includes the accrual for dividends and interest). This yield is a snapshot yield that reflects the weighted average running yield of all the underlying holdings of the portfolio. Monthly distributions will consist of dividends (currently tax exempt) and taxable interest. Interest will also be exempt from tax to the extent that investor's are able to make use of the applicable interest exemption as currently allowed by the Income Tax Act. The portfolio's underlying investments will determine the split between dividends and interest.

The Manager has received a circular, (CISCA Circular No.11), from the Registrar of Collective Investment Schemes regarding a joint investigation of National Treasury, SARS and the FSB, which is currently in progress with regard to dividend income fund type portfolios. The Manager is obliged, in terms of this circular, to bring the following to your attention with regard to this investigation. The outcome of the investigation could affect certain structures and SPVs (special purpose vehicles) used by underlying investments of these types of portfolios, which may result in possible adverse tax consequences, and may require amendments to existing legislation. The abovementioned regulators still have concerns which could impact negatively on the future of these portfolios and the continuation of these portfolios can therefore not be guaranteed. The Manager however do not believe that there is any current cause for concern regarding the STANLIB Dividend Income Fund and should there be a more definitive outcome from the investigation investors in our STANLIB Dividend Income Fund will be informed timeously of any legislative changes that may affect their investment.

Liberty Investments' Life Annuities

Current Rates for 06th Feb 2012 - 10th Feb 2012

Payments are assumed to be paid monthly in advance with no guarantee period or annual escalation in income. Ages indicated assume client is the exact age shown. No tax has been deducted.							
Gender		Male			Female		
Age last birthday		55	60	65	55	60	65
Contribution	R 100,000	R 762	R 804	R 866	R 690	R 727	R 780
	R 250,000	R 1,974	R 2,079	R 2,234	R 1,794	R 1,885	R 2,018
	R 500,000	R 3,995	R 4,204	R 4,514	R 3,634	R 3,816	R 4,080
	R 1,000,000	R 8,036	R 8,454	R 9,074	R 7,315	R 7,678	R 8,205

The table above shows the monthly annuity that an annuitant will receive for life in return for the single premium in the left hand column. Note that the annuity depends on the annuitant's exact age and gender.

The rates above were calculated assuming maximum commission and will be enhanced if a commission discount is selected.

Glossary of terminology

Bonds	A bond is an interest-bearing debt instrument, traditionally issued by governments as part of their budget funding sources, and now also issued by local authorities (municipalities), parastatals (Eskom) and companies. Bonds issued by the central government are often called "gilts". Bond issuers pay interest (called the "coupon") to the bondholder every 6 months. The price/value of a bond has an inverse relationship to the prevailing interest rate, so if the interest rate goes up, the value goes down, and vice versa. Bonds/gilts generally have a lower risk than shares because the holder of a gilt has the security of knowing that the gilt will be repaid in full by government or semi-government authorities at a specific time in the future. An investment in this type of asset should be viewed with a 3 to 6 year horizon.
Cash	An investment in cash usually refers to a savings or fixed-deposit account with a bank, or to a money market investment. Cash is generally regarded as the safest investment. Whilst it is theoretically possible to make a capital loss investing in cash, it is highly unlikely. An investment in this type of asset should be viewed with a 1 to 3 year horizon.
Collective Investments	Collective investments are investments in which investors' funds are pooled and managed by professional managers. Investing in shares has traditionally yielded unrivalled returns, offering investors the opportunity to build real wealth. Yet, the large amounts of money required to purchase these shares is often out of reach of smaller investors. The pooling of investors' funds makes collective investments the ideal option, providing cost effective access to the world's stock markets. This is why investing in collective investments has become so popular the world over and is considered a sound financial move by most investors.
Compound Interest	Compound interest refers to the interest earned on interest that was earned earlier and credited to the capital amount. For example, if you deposit R1 000 in a bank account at 10% and interest is calculated annually; your balance will be R1 100 at the end of the first year and R1 210 at the end of the second year. That extra R10, which was earned on the interest from the first year, is the result of compound interest ("interest on interest"). Interest can also be compounded on a monthly, quarterly, half-yearly or other basis.
Dividend Yields	The dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. The higher the yield, the more money you will get back on your investment.
Dividends	When you buy equities offered by a company, you are effectively buying a portion of the company. Dividends are an investor's share of a company's profits, given to him or her as a part-owner of the company.
Earnings per share	Earnings per share is a measure of how much money the company has available for distribution to shareholders. A company's earnings per share is a good indication of its profitability and is generally considered to be the most important variable in determining a company's share price.
Equity	A share represents an institution/individual's ownership in a listed company and is the vehicle through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase and this translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares/equities are usually considered to have the potential for the highest return of all the investment classes, but with a higher level of risk i.e. share investments have the most volatile returns over the short term. An investment in this type of asset should be viewed with a 7 to 10 year horizon.

Financial Markets	Financial markets are the institutional arrangements and conventions that exist for the issue and trading of financial instruments.
Fixed Interest Funds	Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable.
Gross Domestic Product (GDP)	The Gross Domestic Product measures the total volume of goods and services produced in the economy. Therefore, the percentage change in the GDP from year to year reflects the country's annual economic growth rate.
Growth Funds	Growth funds seek maximum capital appreciation by investing in rapidly growing companies across all sectors of the JSE. Growth companies are those whose profits are in a strong upward trend, or are expected to grow strongly, and which normally trade at a higher-than-average price/earnings ratio.
Industrial Funds	Industrial funds invest in selected industrial companies listed on the JSE, but excluding all companies listed in the resources and financial economic groups.
Investment Portfolio	An investment portfolio is a collection of securities owned by an individual or institution (such as a collective investment scheme). A funds ' portfolio may include a combination of financial instruments such as bonds, equities, money market securities, etc. The theory is that the investments should be spread over a range of options in order to diversify and spread risk.
JSE Securities Exchange	The primary role of the JSE Securities Exchange is to provide a market where securities can be freely traded under regulated procedures.
Price to earnings ratio	Price to earnings ratio or p: e ratio is calculated by dividing the price per share by the earnings per share. This ratio provides a better indication of the value of a share, than the market price alone. For example, all things being equal, a R10 share with a P/E of 75 is much more "expensive" than a R100 share with a P/E of 20.
Property	Property has some attributes of shares and some attributes of bonds. Property yields are normally stable and predictable because they comprise many contractual leases. These leases generate rental income that is passed through to investors. Property share prices however fluctuate with supply and demand and are counter cyclical to the interest rate cycle. Property is an excellent inflation hedge as rentals escalate with inflation, ensuring distribution growth, and property values escalate with inflation ensuring net asset value growth. This ensures real returns over the long term.
Resources and Basic Industries Funds	These funds seek capital appreciation by investing in the shares of companies whose main business operations involve the exploration, mining, distribution and processing of metals, minerals, energy, chemicals, forestry and other natural resources, or where at least 50 percent of their earnings are derived from such business activities, and excludes service providers to these companies.
Smaller Companies Funds	Smaller Companies Funds seek maximum capital appreciation by investing in both established smaller companies and emerging companies. At least 75 percent of the fund must be invested in small- to mid-cap shares which fall outside of the top 40 JSE-listed companies by market capitalisation.
Value Funds	These funds aim to deliver medium- to long-term capital appreciation by investing in value shares with low price/earnings ratios and shares which trade at a discount to their net asset value.

Sources: Unit Trust and Collective Investments (September 2007), The Financial Sector Charter Council, Personal Finance (30 November 2002), Introduction to Financial Markets, Personal Finance, Quarter 4 2007, Investopedia (www.investopedia.com) and The South African Financial Planning Handbook 2004.

Disclaimer

The price of each unit of a domestic money market portfolio is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. An investment in the participations of a CIS in securities is not the same as a deposit with a banking institution. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments Ltd (the Manager). Commission and incentives may be paid and if so, would be included in the overall costs. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. TER is the annualised percent of the average Net Asset Value of the portfolio incurred as charges, levies and fees. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Portfolios are valued on a daily basis at 15h30. Investments and repurchases will receive the price of the same day if received prior to 15h30. Liberty is a full member of the Association for Savings and Investments of South Africa. The Manager is a member of the Liberty Group of Companies.

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