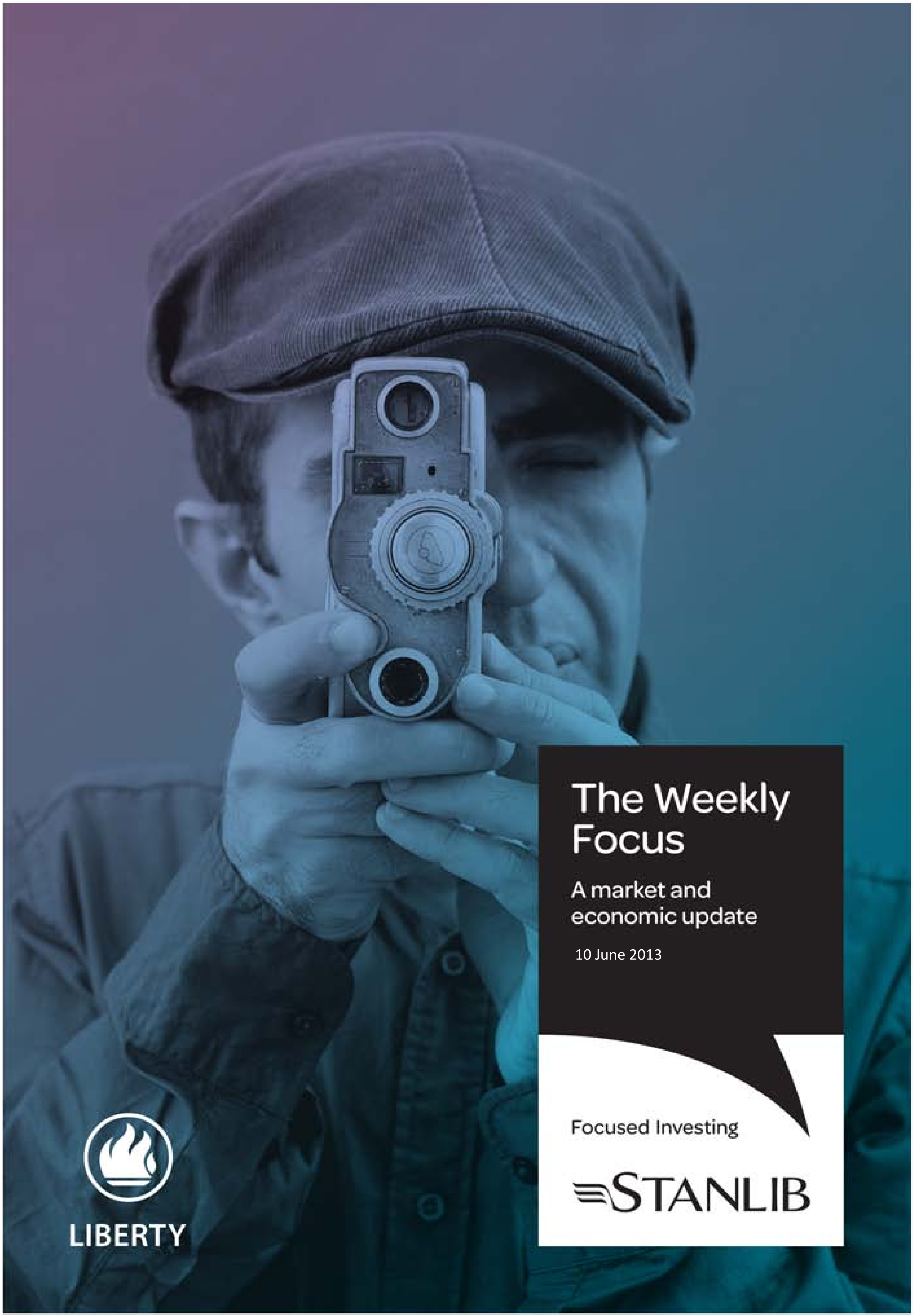


The Weekly Focus

A market and economic update

10 June 2013

Focused Investing

STANLIB

LIBERTY

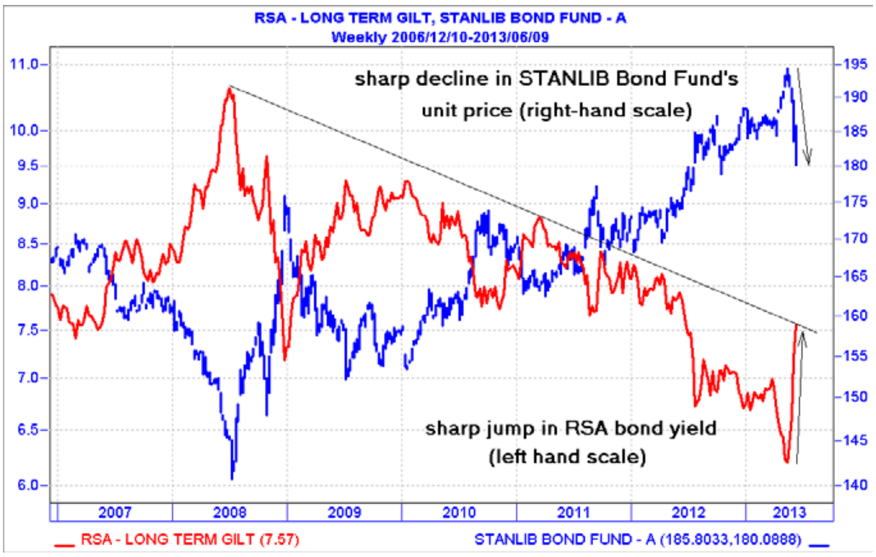
Contents

Newsflash

The world has never been through all the quantitative easing that we're now witnessing

Market Comment

- The ongoing correction in our bond market, with the 13 year R186 RSA bond yield jumping from 6.6% a month ago to over 8% today, is hurting industrial shares, probably because of the relationship between earnings yields and bond yields - which hits industrial share more, especially SA Inc rand-based shares.
- Last week, the big declines came from Aspen -9.4% in the week (up 5% today), Invicta -8.2%, Truworths -8%, Firstrand -7.6%, Wilson Bayly Homes -7.5%, RMB -7.3%, Bidvest -7.2%, Clover -6.8%, Imperial -6.6%, Nampak - 6.6%, MTN -6.3%, Coronation Fund Managers -6%, Woolies -5.9%, Clicks -5.5%, Spar -5.4%, Foschini -5.2%, Tiger Brands -4.8%, Nedbank -4.8%, Reunert -4.8% etc.
- The gainers included a strong bounce from listed property shares (up 4.4% in the week) and a few bombed out shares like African Bank - up 12.2%, JD Group - up 10.4%, Telkom - up 7.2% and the best of the lot, Brait, on excellent results, up 14% to a high for the year.
- The 10 year RSA 2023 bond yield has gone up to 7.6% this morning, the highest since last June, which implies that the STANLIB Bond Fund's unit price has declined around 7.5% in the past month (see chart below)
- The chart below of the 10 year bond yield indicates that - hopefully - we're close to the end of the sharp correction, which has hurt all bond-related investments, including the STANLIB Income Fund, which seems to have lost about 0.5%, which make sense given that its modified duration, or sensitivity to changes in bond yields, is approximately 0.5.
- The STANLIB Aggressive Income Fund has declined by around 4.7% and the 5 STANLIB Risk-profiled funds are down between 2.5% and 2.8%.
- The chart below shows the RSA - Long-term Gilt or bond yield in red on the left hand scale and the STANLIB Bond Fund unit price in blue on the right hand scale.
- Yields have shot up to the same level as last June, before the rate cut, while the bond fund's unit price has declined to last July's price level.
- The trend-line on the bond yield from the 10.8% peak during the Lehman Bros-led stock market crash in 2008 shows that the jump in yields is hopefully now hitting resistance - and therefore hopefully is about to peter out.



Source: I-Net Bridge

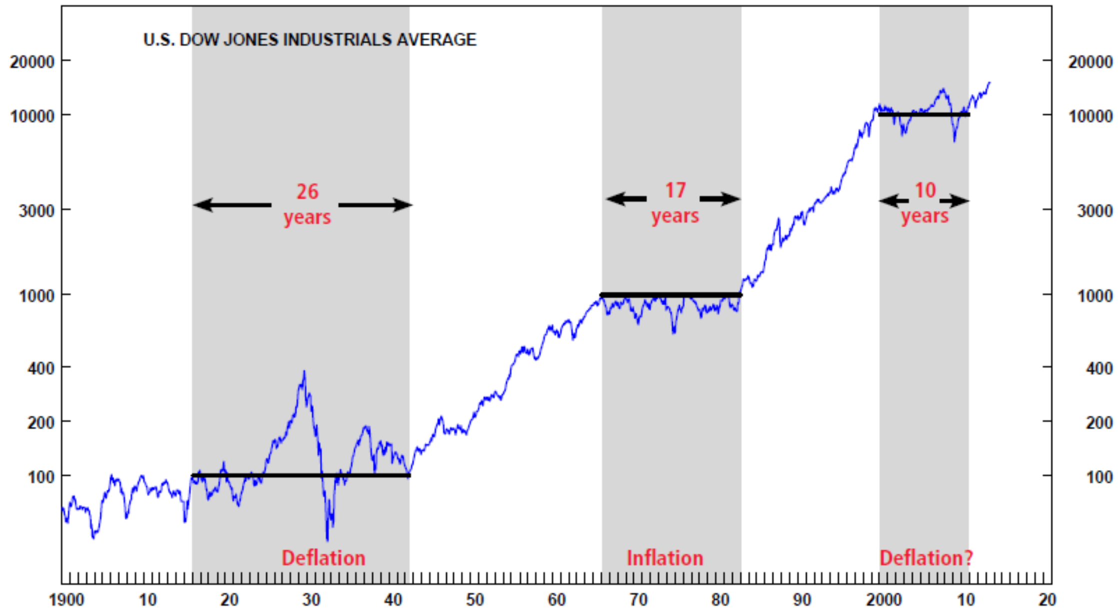
The conundrum of a stronger US/Global economy being "bad" news

- The world has never been through all the quantitative easing that we're now witnessing.
- So it has been an eye opener watching the reaction of bond markets - as well as other interest sensitive markets like listed property - over the past few weeks, in response to Ben Bernanke's comment about tapering back the US Fed's bond buying, or quantitative easing program.
- Just as the Eurozone's central bank chief, Mario Draghi's simple "we'll do whatever it takes" comment a year ago galvanized markets on the upside, so Bernanke's comment about "tapering" had the reverse effect, sending bond yields up sharply and hurting share prices.
- The irony is that a stronger economy is good for the world, including for company profits and therefore share prices. However, markets are undergoing an adjustment as they digest the implications of a cutting back in the bond buying (quantitative easing program), which is that bond yields are likely to rise or normalize, at least a bit, from unduly depressed levels.
- Last Friday the US jobs report showed 175,000 new jobs in May, which was a bit better than expected, but not strong enough to cause the Fed to curtail its bond buying program, so it was good for markets. Employment is key for when QE will be tapered off.
- The odds of tapering QE shift from day-to-day and as a result shares and bond could remain volatile for a while until the market has fully digested the issue.
- At the earliest it seems the Fed might taper bond buying from $85 billion to $60 billion in August, but that is still a good deal of stimulus.
- Shares should rally once the current process of discounting the tapering is over, or fully digested and understood.

Other Commentators

- BCA Research's Chen Zhao notes that in the postwar period, the average duration of a cyclical bull market is 48 months, with a total price gain of 148% in dollars. The current bull market has run for 51 months with a total price increase of 140%, leading some to predict that the bull market is near its end.
- However, cyclical bear markets (that follow bull markets) usually happen because of a pending recession. The recession in turn happens because central banks have raised interest rates (monetary tightening) to curb excessive spending and inflation.
- Chen says that after two recessions in the past decade, the economic and financial excesses in the private sector (including the dotcom bubble of 2000 and the housing bubble of 2006) have been cleaned up, reducing the odds of another immediate recession.
- New excesses will emerge in time, but it will take some time before this happens, probably associated with current monetary policy - record low interest rates and QE.
- Chen thinks the Fed will likely keep short-term interest rates at zero until 2015. After that the risk of an equity bear market and an economic recession could escalate.
- Chen notes that the Dow Jones Industrial Average Index (30 top US shares) struggled for more than 26 years around the 100 level, stagnated for 17 years at the 1,000 level and suffered from repeated bear markets for a decade at the 10,000 level (see chart below, courtesy of BCA).

The Dow Jones Since 1900: Round Number "Phobia"?



Source: BCA Research 2013

* Are we finally breaking out of the 10,000 resistance level? If so, says Chen, we could see 20,000 before another cyclical bear market unfolds; but that is just a hunch, not a forecast. If it reaches 20,000 in two years time, that would be a 30% gain from here.

- US market analyst, Elaine Garzarelli, says her proprietary stock market indicator composite declined last week to 68% from 80% the previous week, but remains bullish.
- Although there were some downgrades (Bloomberg Financial Conditions Index and junk bond ratio), the number of bullish investment advisors declined sharply from 52% to 46%, which is positive for markets (contrarian sign), indicating there is more cash on the sidelines to further fuel a share price rally.
- Garza echoes what Chen was saying, that a Fed tightening is very far into the distant future and the S&P 500 Index peaks have historically been preceded by higher interest rates.
- She does not expect a Fed tapering later in 2013 to affect growth because a huge and still expanding global easing cycle has created over 400 stimulative initiatives in the world, housing has recovered, consumer confidence is on an upside breakout and there is no inflation - or deflation.

Snippets of Info

- Forward Price-to-Earnings ratio (PE ratio), one year out: courtesy of JP Morgan.
- All look reasonable considering low interest rates and continuing sub-par but better world growth.
- South African stock market: All Share Index 13.1
  i.e. the JSE is trading at 13.1 times earnings forecast over the next 12 months.
- Developed World 14.1
- Emerging Markets 10.5
- Brazil 10.7
- China 9.2
- India 14.2
- Korea 8.1
- Russia 4.9
- Taiwan 14.6

- Turkey's stock market fell 10.5% on Wednesday last week - the biggest fall in a decade amidst continuing clashes between demonstrators and police. It is now -17% in the past 2 weeks.
- However, the market was due for a fall, notes the Financial Times, having hit all-time record high 2 weeks ago.
- Turkey's economic story is a great one. Per capital income has more than doubled in a decade; inflation has been tamed; a strong economy has emerged from the ruins of the country's financial crisis in 2000-01. Its political stability has been remarkable.
- In the past 10 years the Istanbul stock market has risen 9 times, while Brazil's stock market is up just 1.5 times in that period. The main action has been privatization and public spending.
- UBS's Donald Reid says it is sad to hear that the easiest and arguably most cost effective solution to solving South Africa's electricity crisis lies in the flick of a switch at BHP Billiton's Southern Africa Aluminum smelters. These smelters consume roughly 2000MW of electricity which is 5-6% of the grid capacity. As a comparison the latest reported estimated cost for the construction of the Medupi plant is at around R125bil and Medupi is estimated to generate 4,800MW of power at full capacity. With the extra 2000MW, according to Eskom, there would be no electricity crisis in South Africa. As it stands, load shedding risks are high and will remain so for at least the next two years.
- In terms of new build cost that 2000MW is worth around R50bil. Surely given that these smelters are hardly significant in BHP's life and loss making a compromise between the government and BHP Billiton can be reached? Even an outright purchase of these businesses by the government would make sense in the greater interest of South Africa.

Special Sub-snippet on Google, courtesy of the Financial Times:

- Google has struck its first renewable energy deal in Africa with a $12m investment in one of a host of new solar power projects being built in South Africa.
- The move underlines how attractive Africa's biggest economy has become to global investors thanks to an ambitious drive to boost its nascent renewable energy sector and dilute its dependence on coal. Renewables drew more than $5bn of investment last year, up from just a few tens of millions in 2011.
- The deal is small by the standards of Google, which has invested more than $1bn in wind and solar plants round the world in recent years, including a $200m investment in a West Texas wind farm six months ago.
- But it is significant for South Africa, where a heavily coal-dependent energy system is creaking under the weight of years of under-investment and needs more sources of power to prevent a repeat of the crippling blackouts of five years ago.
- The government has introduced a new renewables programme in the hope of generating 18GW of renewable energy by 2030 – equivalent to almost half the country's current installed capacity of 44GW.
- That has made it more attractive for investors than some European countries, where older subsidy programmes are being pared back, or US states where renewable energy goals are close to being met.
- This is one reason Google cited for investing in the 96MW Jasper solar photovoltaic plant in the country's Northern Cape province, which eventually aims to generate enough electricity to power 30,000 South African homes.
- "There's a clear need for more power in South Africa," said Rick Needham, director of energy and sustainability at Google, explaining that this made the country attractive to companies seeking a stable investment climate.
- Google only invests in renewables projects where it can be assured of a reasonable return and not necessarily for its own energy-hungry data centres. Rather, it hopes to help spur more deployment and growth in the sector generally, said Mr Needham, so eventually all users are buying more renewable power.
- "In the meantime, we can make some returns on our investments, so it's a win-win," he said.
- Ompi Aphane, a deputy director-general at the South African department of energy, said the project was "sizeable" in the context of the country's renewables programme and hoped it could lead to the possibility of further business.

- "It's very good that the likes of Google see value and have expressed an interest in our programme. Over and above that we would like to also have solid investors participating in the programme," Mr Aphane said. "You have the confidence that those kind of brand-conscious companies are not going do a quick and nasty."
- The $260m Jasper project is being developed by a consortium including SolarReserve, Intikon Energy and the Kensani Group, with senior debt and preference share funding being provided by Rand Merchant Bank.
- It is one of many projects spurred by South Africa's Renewable Energy Independent Power Producer Procurement Program, which awards developers the right to build wind and solar plants, provided they meet requirements relating to cost, local employment and other factors.
- The Jasper solar plant is expected to create about 300 jobs for construction and 50 permanent jobs.

Paul Hansen

Director: Retail Investment Marketing – Investments

Economic Update

Locally last week, **the RMB/BER Business Confidence index fell to 48.0 in Q2 2013, down 4 index point from the Q1 2013 level of 52.0.** While the fall in confidence was slightly worse than analysts had expected, the decline is actually relatively modest given the significant rise in labour market unrest, especially in the mining sector. At an index level of 48, business confidence is extremely close to the long-term average confidence level of 47. It is interesting to see that decline in confidence in Q2 2013 was broad-based, with confidence levels falling in four of the five sectors covered by the survey. This includes manufacturing (sharply lower confidence at 34, down from 42), retail (down 9 index points to 41), wholesale trade (down 10 index points to 61) and the motor industry (down 5 index points to 61). The exception was the construction sector, which recorded a sharp increase in confidence, but off a very low base (up 15 index points to 45). Most of the major construction companies have experienced an increase in order books in recent months (still largely public sector projects or projects outside South Africa) and are hopeful of increasing profits margins on the upcoming projects.

Overall, though, a business confidence reading of 48 remains less than encouraging, reflecting a wide range of domestic concerns including a sharp drop in mining activity, sluggish manufacturing production, slowing consumer activity, and an ongoing concern about the state of the global economy. In addition, the labour market has been more fractious than ‘normal’ in recent months, and government policy remains somewhat unconvincing. This does not imply that business conditions are signaling a return to recession. Rather it reflects the fact that the economy is systematically losing momentum, and that many businesses are not about to expand and increase employment.

Offshore, **in May 2013, the US unemployment rate edged higher to 7.6%, from 7.5% in April 2013.** The rise in the rate of unemployment was largely due to an increase in the labour market participation rate, which rose to 63.4% from 63.3% in April. The participation rate remains extremely low by historical standards. The low participation rate is most likely indicating a higher level of structural unemployment in the US. Non-farm payrolls rose by a solid 175 000 in May 2013. The change in total nonfarm payroll employment for March 2013 was revised from +138 000 to +142 000, and the change for April was revised from +165 000 to +149 000. With these revisions, employment gains in March and April combined were 12 000 less than previously reported. During 2010 as a whole, the US economy created 1 022 000 jobs, or an average of 85 000 jobs per month. In 2011, the job gains averaged a far more respectable 175 000 a month, while in 2012 job gains averaged 180 000 a month. In the five months of 2013 employment has risen by an average of 189 000 jobs a month. The private sector added 178 000 jobs in May 2013, after adding a revised 157 000 jobs in April 2013. The private sector has added 2.173 million jobs in the past year and has gained employment in each of the past 39 months at an average of 178 000 jobs a month.

In contrast, the government shed a further 3 000 jobs in May 2013. Over the past two years, the US government has shed a total of 276 000 jobs. The average workweek for all employees on private nonfarm payrolls was unchanged in May at 34.5 hours. In manufacturing, the workweek increased by 0.1 hour to 40.8 hours, and overtime was unchanged at 3.3 hours. In May, average hourly earnings for all employees on private nonfarm payrolls, at $23.89, changed little (+1 cent). Over the year, average hourly earnings have risen by 46 cents, or 2.0 percent. In May, the number of persons employed part time for economic reasons (sometimes referred to as involuntary part-time workers) was unchanged at 7.9 million. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.This month’s US labour market report is encouraging with another solid gain. Equally, the survey data on hiring plans remains reasonably optimistic, while the weekly jobless claims are still trending lower. Overall, the labour market data helps to confirm that the US economy continues to recover at a respectable, but not an exciting pace.

The US Federal Reserve released the Q1 2013 update of the US household balance sheet on Thursday last week. In Q1 2013 US household net wealth rose by $3.0 trillion to a record high of $70.349 trillion which was boosted by a further surge in the value of financial assets. In addition, the household debt servicing cost fell further and is now at its lowest level since the data started in 1980. Most of the gain over the past year ($15.6 trillion) has been due to a rise in the value of financial assets, which are back up at a record high. Housing asset values have risen by $1.7 trillion over the same period. US household assets have declined in only 30 of the last 246 quarters. 6 of these declines occurred following the bursting of the Tech-bubble in 2001/2002 and another 6 occurred with the bursting of the credit bubble in 2008/2009. The total loss in household asset values during the credit crisis (-$17.5 trillion, or a decline of a staggering 21.9%) far exceeded the loss during the bursting of the Tech-bubble (-$2.8 trillion, or a decline of 5.5%). At the end of Q1 2013, the level of US total household debt was recorded at $13.4 trillion; comprising mostly home mortgages (70% of total).

Household mortgage debt rose by a massive 104% from the third quarter 2001 to the first quarter of 2008. That is an increase of $5.4 trillion in a period of just 7 years. During this time US new home starts rose from an annual rate of 1.55 million houses to over 2.2 million homes a year in early 2006. (With the bursting of the sub-prime bubble, home starts fell to a record low of below 500 000 a year). The total stock of US housing units increased from 119.3 million in 2002 to 130.8 million in 2008, a rise of 10.8 million units in 6 years. US consumers have been trying to deleverage, especially their exposure to mortgage debt, which is now $1.3 trillion below the peak in Q1 2008. This decline, coupled with a rise in personal income, has meant that the ratio of US household debt to personal disposable income has fallen from a peak of 135% in Q4 2008 to around 111% currently. While this ratio would still be considered high by historical standards, it is meaningfully below the peak. Debt servicing costs has also been on the decline, dropping from almost 14% of disposable income in early 2008 to 10.3% currently. The current level of household debt servicing costs is the lowest since the data series started in 1980.

As a result of the strong rise in asset values during the past few quarters, the net worth of US households rose to a record high of $70.349 trillion in Q1 2013; an increase of $3.0 trillion relative to the end of 2012. Household net wealth has risen by an impressive $18.3 trillion since the low in Q1 2009. US net wealth represents a very respectable 586% of household disposable income. The current ratio is well above the long-term average of 498%, which dates back to 1946; although there have been times when the ratio has risen to over 600%. Ironically, with hindsight, a ratio of higher than 600% has been associated with an asset bubble (i.e. the Tech-bubble in 2001/2002 and sub-prime housing bubble in 2008/2009). **Overall, the US balance sheet has recovered impressively since the financial market crisis in 2008/2009. The US household sector is now the wealthiest they have ever been; and it appears that house prices are gaining momentum. The rise in household wealth should boost consumer confidence levels, although US income and wealth distribution remains relatively uneven.**

The Japanese economy grew at a faster pace than originally reported in Q1 2013. The revisions indicated that gross domestic product rose by 4.1%y/y in the first three months of the year. On a quarterly basis, Japan's GDP increased by 1.0%. The numbers are an improvement over the initial 3.5% estimate for annualized growth. The positive GDP data should bolster hopes that the country's economic outlook is brightening.

In the emerging markets, **China released disappointing Industrial data.** In addition, **the Chinese National Bureau of Statistics reported that China's annual consumer inflation slowed in May, suggesting that the world's second-largest economy could be weakening.** China's consumer inflation increased by 2.1 percent, 0.3 percentage points lower than one month ago, which is the lowest rate in three months. Producer prices fell 2.9 percent from a year earlier, the lowest since September 2012.The latest subdued inflation rate will enable China to maintain a stimulatory monetary policy, with the possibility that the People's Bank of China could cut rates later this year.

Kevin Lings, Laura Jones and Xhanti Payi

(STANLIB Economics Team)

Weekly Market Analysis

Currencies/ Indices/ Commodities	Friday's Close 07/06/13	Weekly Move (%)	YTD (%)
Indices			
*MSCI World – US Dollar	1470.22	-0.12	9.84
*MSCI World – Rand	14629.01	-1.41	29.29
*MSCI Emerging Market – US Dollar	980.64	-2.80	-7.12
*MSCI Emerging Market – Rand	9757.58	-4.06	9.34
All Share Index – US Dollar	4101.43	-1.63	-12.25
All Share Index – Rand	40813.33	-2.86	3.98
All Bond Index	425.08	-2.22	-2.05
Listed Property J253	13.17	0.42	18.08
Currencies			
US Dollar/Rand	9.95	-1.25	17.74
Euro/Rand	13.17	0.42	18.08
Sterling/Rand	15.47	1.67	12.48
Euro/US Dollar	1.32	1.72	0.19
Commodities			
Oil Brent Crude Spot Price ($/bl)	104.67	4.47	-5.80
Gold Price $/oz	1383.50	-0.32	-17.36
Platinum Price S/oz	1501.00	1.42	-2.47

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: 5.00% per annum

Effective: 5.12% 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 07 June 2013. 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: 5.65%

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 07 June 2013. 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.

STANLIB Income Fund

Effective Yield: 6.38%

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. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs." The above quoted yield will vary from day to day and is a current yield as at 07 June 2013.

STANLIB Extra Income Fund

Effective Yield: 6.08%

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. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs.

Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down." The above quoted yield will vary from day to day and is a current yield as at 07 June 2013.

Liberty Investments' Life Annuities

Current Rates for 10th June 2013 – 14th June 2013

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 784	R 825	R 886	R 705	R 739	R 788
	R 250,000	R 2 030	R 2 133	R 2 285	R 1 832	R 1 917	R 2 039
	R 500,000	R 4 108	R 4 314	R 4 619	R 3 711	R 3 881	R 4 125
	R 1,000,000	R 8 263	R 8 675	R 9 285	R 7 470	R 7 808	R 8 296

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.
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.

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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