THE STERLING TIMES 9

MARCH 2014

STERLING
PRIVATE WEALTH

Inside this issue

Welcome to the first Sterling Times of 2014

Graydon Morris

Since we wrote to you last Nelson Mandela has passed away (there is little left for us to say in respect of this incredible life for which we owe so much that has not already been said), we have seen in the New Year, the Winter Olympics in Sochi have just been completed and now political instability is raising its head in the Ukraine. We have witnessed a failed merger of the DA and Agang, and eagerly await elections in our beloved country in May.

To this end, we have included a piece by Justice Malala outlining the political landscape, in his educated and enlightened view. The budget speech was presented on 26 February 2014. It was largely uneventful. No CGT or Forex changes were introduced and the top Marginal Individual Tax Rate resisted an increase, so it really was all good news on that front. We have included the new tax tables and details herein for your perusal.

The ZAR has seen significant weakness during the start of 2014, only to recover slightly at the time of writing. Given these developments, we have included a piece on the ZAR and the perceived competitiveness of SA industry within a weakened currency environment, as prepared by Cannon Asset Managers.

Finally, Russell Gibson discussed a few behavioural finance pitfalls and we present market data to end February 2014.

By and large, our investors portfolios, although constructed in a unique fashion, according to individual client circumstances, using our high quality approved manager list, have enjoyed a wonderful performance period emerging from the GFC. We remain very cognisant of downside risk and refuse to chase a potentially frothy market in certain areas.

Graydon Morris
Founding Director

Where to for South Africa?

Guest Article by Justice Malala

As the election season gets into full swing, political commentator Justice Malala takes a look at what lies ahead for South Africa over the next three months and after the 7 May election.

They can be funny things, democracies. Take ours, for example. When Nelson Mandela and FW de Klerk walked into a government of national unity in 1994, we all thought we were in for a period of peace and quiet after the upheavals of the 1980s and early 1990s.

Alas, it was not to be. South Africa's democracy has proven to be noisy, robust, contested, bumpy and sometimes downright scary. Every five years we have held an election, and every five years we have had robust electioneering, unlikely political marriages and new parties rising.

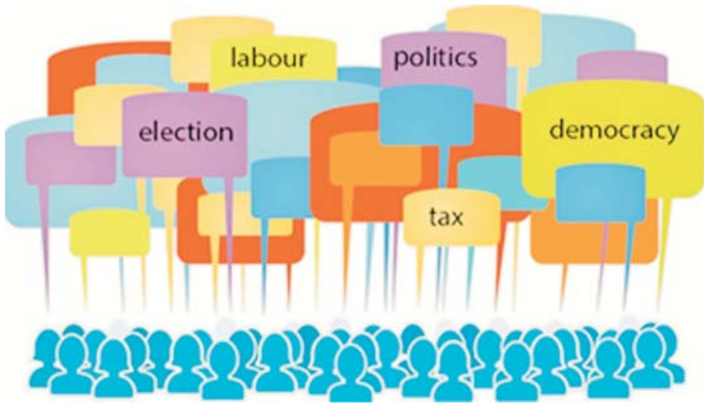
Some have survived, some have merged and others have simply vanished into thin air. Can you believe that the political party that enforced apartheid for 46 years, the National Party, no longer exists? Can you believe that the Pan Africanist Congress of Azania – they are the guys who used to delude themselves that they would 'drive whites into the sea' – has all but disappeared?
And so it is that we find ourselves here today – with the announcement of 7 May 2014 as Election Day, we have entered the formal electioneering period of South Africa's fifth democratic election.

And it is already proving to be as noisy, in fact noisier, than our previous four democratic elections. The opposition DA and new kid on the block Agang jumped into bed together then, within six days, served each other with divorce papers. Other pacts are on the way (Bantu Holomisa's UDM and Mbhazima Shilowa's faction of Cope have announced a merger).

The ANC and the DA have already clashed on the streets of Johannesburg while President Jacob Zuma has given us a rosy, all-is-fine State of the Nation speech. And the noise will continue.

On 7 May the election noise will stop. We will all look back on these electioneering months and wonder what we had been so worked up about. We will remember, on the morning of 8 May, that politicians hug, kiss and talk to us only when an election is around the corner. On 8 May the election will be over and they will be gone. They will be getting back to work.

And so, in truth, what we are going through now is merely the ups and downs of electoral politics. It is democracy at work, and it is noisy and bumpy. It's fine; we will survive it. By all accounts the ANC will still be in power, possibly with a reduced majority. An Ipsos Markinor poll in January suggested a 53% showing for the ANC, but most analysts estimate that the ANC will get 59% from its 65,9% in 2009.



The DA will increase its showing as it has done in every election since 1994, and we will have new MPs wearing Julius Malema's red berets in Parliament. Malema's EFF is likely to get anything between 4% and 8% of the votes, but they are unlikely to have any impact on government policy.

The key question, therefore, is what kind of South Africa will our politicians be grappling with when they return to work after the election? Our problems are serious, and the new, post-election government will have its work cut out.

For example, at the time of Zuma's address in February, police reports indicated that 32 service delivery protests take place in the country every day. Unemployment remains intractable, with Stats SA signalling it continues to hover just above 24%. GDP growth has been at an anaemic 2% for the past year. The rand, along with other emerging market currencies, has taken a beating.

The mining sector, an important player in the economy, remains mired in strikes. Simply put, we need a solution – fast.

The gears are changing in our political world and they are shifting fast. The past 20 years of post-apartheid South Africa have been characterised by a civil but antagonistic relationship between labour, government and business. Now labour is falling apart – the powerful Numsa is walking out on its mother body, Cosatu. In mining, no longer is Cosatu affiliate NUM in power. The new Amcu is calling the shots and it has brought the platinum sector to its knees.

Unfortunately, this means the labour problems we have seen over the past two years are likely to continue, with strikes towards the end of 2013 on the increase. Our new, post-election leaders will need to bring the 'rogue' Amcu into the tent, otherwise they will be negotiating with a union that views them as enemies.

Service delivery protests will not go away. Remember, we have another election looming: the local government elections of 2016. In the run-up to the 2016 election more incumbent local councillors will come under pressure from communities. A solution is needed here, and the new administration must begin to build trust with communities.

However, it is the economy that will need nurturing and fixing over the next year. President Jacob Zuma admitted as much in his State of the Nation speech, saying: 'We have to work together as government, business and labour to grow our economy at rates that are above five per cent, to be able to create the jobs we need.'

The real measure of a post-election government will be whether it implements, quickly and effectively, the economic plan it has: the National Development Plan (NDP). After five years in the making, the NDP is a plan that has been put on the table by Trevor Manuel and Cyril Ramaphosa. It needs leadership to be implemented. Ramaphosa is most likely going to be South Africa's deputy president after the election, which will be good news for implementation of the NDP.

Given the weakness of Cosatu, a body that has opposed many progressive measures to grow the economy, a window of opportunity has presented itself to implement the plan with vigour. It is a window that our leaders should seize quickly. It is our one chance to build an economy that grows at six per cent per annum and creates real jobs for our people.

The ZAR: The AGE OLD Issues

Guest Article by Cannon Asset Managers

We thought it may be worthwhile talking a little about the Rand, the preferred topic of many boardroom and business breakfast conversations these days, and some incorrect perceptions about its impact on us.

There is a prevailing conventional wisdom among labour and certain parts of government and industry that believes that a weak Rand will reverse South Africa's sagging industrial competitiveness and thereby lift economic growth and redress our unemployment problem. But since 2011 the Rand has steadily weakened and where are the jobs? Why hasn't a weaker Rand saved us?

Figure 2: Total Manufacturing Volume 1980 to 2013 (2005=100)

Source: SARB (2014)

Some part of the answer can be found in Figure 1 which shows changes to South African manufacturing output relative to changes in the real effective exchange rate of the Rand, with output lagged by one year to allow industry sufficient time to respond. In eyeballing the scatter chart there doesn't seem to be a discernible relationship between currency and manufacturing output from 1980 to present.

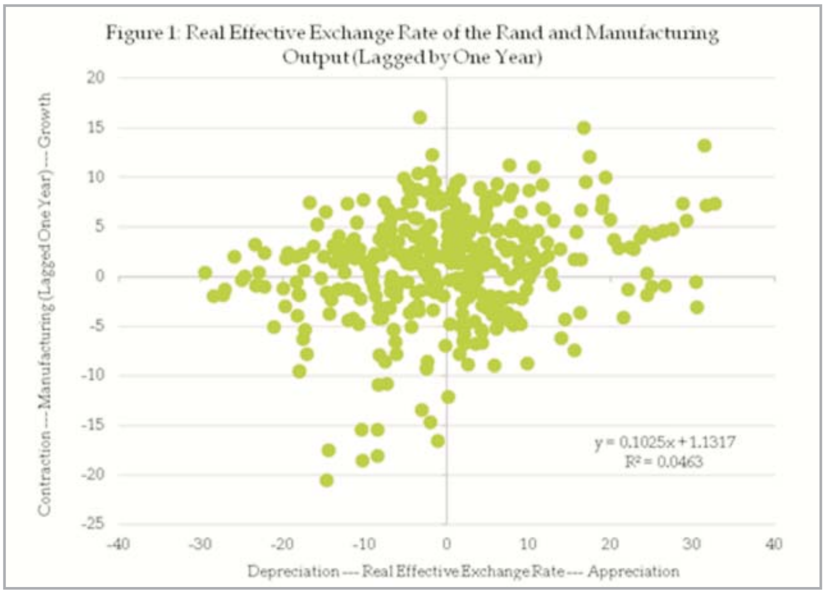


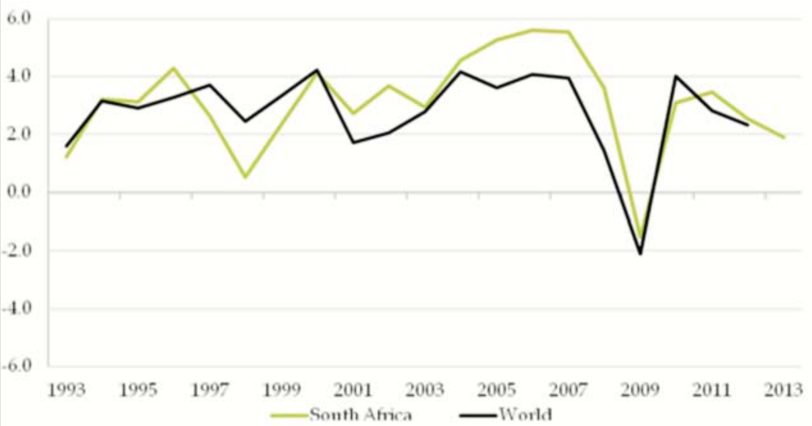
Figure 1: Real Effective Exchange Rate of the Rand and Manufacturing Output (Lagged by One Year)

Source: SARB (2014) and StatsSA (2014)

In fact, currency movement explains just five percent of the change in South African manufacturing between 1980 and 2013, with Figure 1 also suggesting, counter intuitively, that South African manufacturers do better – not worse – under conditions of a strengthening Rand.

Put simply, something other than the Rand drives our industrial activity, and we think the explanation can be found outside the country, namely in global economic growth. When the global economy prospers, our economy prospers, almost irrespective of the level of the Rand. Indeed, Figure 3 indicates that at least three-quarters of our economic growth can be explained by global growth.

Figure 3: South African Economic Growth versus World Economic Growth (1993 to 2013)



Source: Bloomberg (2014)

If a weak Rand doesn't seem to help our manufacturing sector, and we are reliant on world economic growth (which we can't control) to drive our economy, what can we control to create jobs, employment and prosperity, and where has South Africa been going wrong?

To us, the answer lies in Figure 4, which shows that real wages have grown 32.6% since 2000, while labour productivity has fallen 13.9%. Rising real wages are a great achievement for any country. But if wage increases are not matched (or exceeded) by gains in productivity, competitiveness is going backwards. Essentially, South Africa's labour force is 45% less competitive than we were 12 years ago, against a backdrop of increasing global labour competitiveness. A weaker currency does not solve this problem. Rather, it pushes up imported inflation and this aggravates the cost of labour as wages rise to compensate for inflation which, in turn, makes employers less willing to hire new workers.

Source: Cannon Asset Managers (2014); StatsSA (2013); ILO (2013); amd LFS (2013)

If South Africa is serious about improving employment, we need to be more competitive, which will in turn make employers more willing to invest and hire more staff. In the long term, only a massive improvement in the quality of education, coupled with other important drivers of productivity that include managerial capacity and infrastructural productivity, can drive these required gains. In the nearer term, productivity-linked real pay increases may be at least one way in which these principles in the business, labour and policy environment become entrenched.

Rather than a weaker Rand, South Africa needs a new social pact with a serious commitment between labour, government and business to achieve the above. South Africa can solve its unemployment problems with strong political will and even stronger leadership on all sides.

Budget Speech

By Mishka Gamiet

The Minister of Finance announced amendments to tax and other legislation that may affect investors. These changes, which come into effect on 1 March 2014, are discussed in more detail below.

Income tax

Individuals and special trusts

The tax brackets have been adjusted for inflation. The highest marginal tax rate for individual taxpayers remains unchanged at 40%. The personal income tax rates for the 2014/2015 tax year are listed below.

Taxable income

Tax rate

0 – R174 550 18% of taxable income
R174 551 – R272 700 R31 419 + 25% of taxable income above R174 550
R272 701 – R377 450 R55 957 + 30% of taxable income above R272 700
R377 451 – R528 000 R87 382 + 35% of taxable income above R377 450
R528 001 – R673 100 R140 074 + 38% of taxable income above R528 000
R673 101 and above R195 212 + 40% of taxable income above R673 100

Companies and trusts

The income tax rate for companies and trusts remains unchanged at 28% and 40% respectively.

Tax thresholds

The tax thresholds, below which no tax is payable, have been amended as follows:

- R70 700 for taxpayers younger than 65
- R110 200 for taxpayers aged between 65 and 75
- R123 350 for taxpayers aged 75 and older

Rebates

Rebates deductible from tax payable have been amended to:

- R12 726 per year for all individuals (primary rebate)
- R7 110 for taxpayers aged 65 and older (secondary rebate)
- R2 367 for taxpayers aged 75 and older (tertiary rebate)

Interest exemptions

Interest exemptions remain unchanged:

- The exemption on interest earned for individuals younger than 65 years remains R23 800 per annum
- The exemption for individuals older than 65 years remains R34 500 per annum

Medical tax credits

Monthly tax credits for medical scheme contributions will increase as follows:

- From R242 to R257 per month for each of the first two beneficiaries
- From R162 to R172 per month for each additional beneficiary

Dividends tax

Dividend tax remains 15% on dividends paid by resident companies and by non-resident companies for shares listed on the JSE. Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 15%.

Retirement lump sum taxation

The tax brackets for both pre-retirement and retirement lump sum withdrawals have been adjusted.

At retirement

The first R500 000 of a retirement lump sum withdrawal will be tax free. This amount was previously R315 000. The table below illustrates how lump sums will be taxed.

Taxable lump sum Rate of tax

0 – R500 000 0% of taxable income
R500 001 – R700 000 R0 + 18% of taxable income above R500 000
R700 001 – R1 050 000 R36 000 + 27% of taxable income above R700 000
R1 050 001 and above R130 500 + 36% of taxable income above R1 050 000

Pre-retirement

The first R25 000 of a pre-retirement lump sum withdrawal will be tax free. This amount was previously R22 500. The table below illustrates how lump sum withdrawals will be taxed.

Taxable lump sum Rate of tax

0 – R25 000 0% of taxable income
R25 001 – R660 000 R0 + 18% of taxable income above R25 000
R660 001 – R990 000 R114 300 + 27% of taxable income above R660 000
R990 001 and above R203 400 + 36% of taxable income above R990 000

Capital gains tax (CGT)

The CGT inclusion rates remain unchanged.

Investor Maximum effective tax rate
Individuals and special trusts 0% - 13.3%
Companies 18.6%
Other trusts 26.6%

Specific exclusions worth mentioning are:

- Annual exclusion of R30 000 for capital gain or loss granted to individuals and special trusts
- R300 000 granted to individuals in the year of their death

Changes proposed for the future

Tax free savings account

The tax free savings account, first announced in the 2012 Budget Speech, will commence this year. The account will have an initial annual contribution limit of R30 000 with a life time cap of R500 000.

Retirement funding reform

Changes to the taxation of retirement fund contributions (in line with the Taxation Laws Amendment Act, 2013) will provide additional relief to most retirement fund members and encourage them to save for retirement. National Treasury will release a document in the near future that describes the changes up until this point and set out anticipated future reforms.

Skill versus Luck

Atlantic Asset Management Piece, adapted by Lesley Hohne

Late last year, the rugby Springboks defeated Scotland by 28-0. That was a meaningful result for the Springboks, since the last time that Scotland had been defeated by the Springboks and had not scored was the famous November 1951 test, where South Africa won 44-0, and legend has it, a disappointed fan was quoted as saying "Scotland were lucky to get nil". Naturally, as most rugby fans are apt to do, they will inevitably point to the scoreboard and forget the nuances of the game. We can of course point to an occasion when South Africa were also on the receiving end – in 2002 we were hammered 53-3 by England, of all teams! Rightfully, Springbok fans will say that we played 75% of the game with only 14 men, with Jannes Labuschagne having been sent off for a late and dangerous tackle. But the scoreboard doesn't lie, and in time to come who will remember Jannes' sending off? (Note: The memory has not yet faded, one of SA Rugby's darkest days). It will never change the result, or history.

So when the Scots in 2013 only scored nil, (well we perhaps should rather say, failed to score) they could perhaps say that they spurned a number of chances to score a few penalties, and if they had taken them, perhaps the scoreboard might have read 28-6 or even 28-9, which would be remembered in history a lot better than 28-0! So they tried the high risk approach, but with no return. That is how history will judge them.

Investment managers of course, are incentivised to beat the markets by as large a margin as they can. Why, their performance bonus depends on it! And it would be much better to be remembered for beating the market by 5% over 12 months than by 0.5%, and surely the performance bonus will reflect that as well? But perhaps what will not be remembered or even recorded is HOW one came to beat the markets by such a margin. So winners are not remembered for the risks they took to win, but for the fact that they did win. Even in rugby, we do not remember what style of play the Springboks played to win the World Cup in 1995, or in 2007, but that they won. We cannot recall whether it was high risk or low risk rugby.

Then of course, knowing that the investment markets are inevitable zero-sum games, what is not remembered is who the losers are. What, after all, is risk understood as, but downside returns? In other words, losers are the ones whose downside risks were realised, while winners are the ones whose upside risks were realised. And yet, for those winners, it is only the return that is remembered or even understood. We need to ask whether that is indeed correct? In particular, we would point out that given where markets stand – whether in bond markets or equity markets, the feeling is there that we my stand at a risk inflection point. As such, what this means is that in 12 months time, we shall look back and say: here are the winners, and here are the losers - separated not by the risks they are taking NOW, but by the magnitude of their returns. Yet, both sets are perhaps taking enormous and perhaps even unquantifiable risks. The retort may be that it is the job of the investment manager to take risk, and we know some will be winners and some will be losers. Is a 12 month period sufficient for us to claim that the winners are winners because of skill, not luck? By the same token, the losers of course are precisely losers because they lack skill, not because they were unlucky?

This of course informs us that we should be particularly careful in the period ahead in terms of what potential downside risks are being taken in order to generate upside returns. In other words it is not just about maximising potential upside return without due cognisance of downside risks.

How to resist your most costly investing instincts

By Russell Gibson

In a time where investing has once again become an extremely emotional task I found the following article written by Greg B. Davies, head of the Behavioural Investment Philosophy team at Barclays, very interesting and important for our investors to bear in mind.

The field of behavioural finance aims to understand how and why emotions affect investment decisions. It has become an established part of professional investing since our founding date and we believe it could help you deal with your own bad investing habits.

The world of investing may seem an emotionless place – governed as it is by numbers and, increasingly, by automated trading systems. However, it is still run by and for humans, and as such is susceptible to bouts of highly emotional behaviour. The "herd mentality", for example, is especially evident during periods of market volatility, when many investors choose to sell their assets not because this fits with any long-term strategy but because it is what other people are doing.

What behavioural finance tells us about the typical investor

At the heart of behavioural finance is the belief that investors are strongly influenced by their emotions but need not be slaves to them. However, the first step in conquering unhelpful behaviours is acknowledging their existence, and that means confronting the two most common issues that afflict most investors: reluctance and the behaviour gap.

The first of these terms refers to unwillingness to commit funds to long-term investments. Our logical mind may understand that, by committing funds to long-term investments in a diversified portfolio, we are more likely to achieve the best possible returns. However, our emotional mind has a tendency to prefer cash. Research shows this trait costs the average investor four to five per cent per year of foregone returns, over the long term.

The behaviour gap describes the difference between actual investor returns and the returns an investor might have achieved had they simply followed a steady asset allocation over time. Multiple studies have confirmed that the average investor underperforms a simple buy-and-hold strategy over long periods of time. Most credible research on individual (as opposed to institutional) investors finds this underperformance to be between one per cent and two per cent per year, on average (although this can be substantially higher). And the behaviour gap is purely attributable to market-timing decisions, not costs or fees.

Why improved self-knowledge could boost your investment returns

Over half a decade studying investor responses to extreme market conditions, research has mapped the "cycle of investor emotions": from reluctance to invest, through optimism and exuberance as the markets rise, to denial and panic as the markets fall, and finally back to reluctance again. It is our need for short-term emotional comfort that causes many of us to buy high and sell low – but it can be broken (see below).

Moreover, the latest research shows that one can achieve better returns by focusing not only on the risk one is willing to tolerate over the investment journey but also on the anxiety one is prepared to endure. The best investment strategies, in other words, are those that ensure you stay comfortable enough during the ups and downs to prevent yourself from making costly knee-jerk adjustments.

Bad behaviour: the common instincts that could harm your investments

- **Reluctance** – Most investors demonstrate an unwillingness to commit funds to long-term investments in diversified portfolios, despite evidence this generates higher returns over time. Instead many investors find themselves emotionally drawn towards cash.

- **Relying on rules of thumb** – There are limits to the amount of information we are willing or able to process. Our brains therefore seek out heuristics or rules of thumb to help us make better decisions. Unfortunately, these do not provide the right answer in every situation and can easily turn into bad habits that harm our finances.

- **Missing the big picture** – We are all subject to what psychologists call narrow framing – we frame decisions in isolation, without looking at the wider implications. This means investors focus on investment decisions one by one, and decline opportunities that look risky on their own but that could be a good addition to the portfolio overall.

- **Short-term decision-making** – Perceived risk is magnified by short time horizons – and as such most investors shy away from taking decisions that seem imminently risky but could allow them to grow their wealth over a longer timeframe.

- **Falling foul of the comfort zone** – Investors have a strong tendency to take on more risk when markets are strong and to avoid risk when markets are weak. They therefore tend to buy high and sell low when they would be better off holding onto investments for longer.

- **Getting emotionally attached to investments** – Many investors are sitting on investments that they are unreasonably attached to – say, a property left to them by a relative or shares in the company they work for. Such assets are typically highly concentrated, adding more risk than value to a portfolio.

- **Trading too frequently** – Investors generally do too much. In volatile markets in particular, they have a strong bias towards wanting to "do something" because it makes them feel better. But if your portfolio is well structured then simply doing nothing is often a much better option. The more you trade, the higher your costs and the greater the chance of making a wrong decision based on emotions or inaccurate information.

- **Mental accounting** – Many of us simplify our finances by breaking them down into categories, but then fail to notice we may be better off transferring money from one category to another. For example, there is no point opening a savings account that pays a relatively low rate of interest before you clear a credit card that charges a relatively high rate of interest. Good investing depends on putting money where it will work most effectively.

Market performance

investment market performance

period to 31 January 2014	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
South African equity	JSE All Share Index	14.9%	16.3%	20.4%	11.7%	18.60%
South African equity	SWIX	15.0%	17.5%	20.9%	12.0%	19.50%
South African fixed interest	SA All Bond Index	-2.7%	7.9%	7.5%	7.8%	8.80%
South African property	SA Listed Property Index	-0.3%	15.9%	17.4%	13.7%	22.50%
South African cash	STefI (3 month NCD's)*	5.0%	5.3%	6.1%	7.4%	7.40%

*Short Term Fixed Interest Index**

investment market performance

period to 31 January 2014	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
international equity	MSCI World (unhedged) Index (USD)	16.1%	9.3%	16.3%	3.1%	6.4%
international fixed interest	Barcalays Capital Global Aggregate (unhedged) Index (USD)	-0.7%	2.7%	4.8%	5.1%	4.5%
international property	UBS Global Investors Index "(USD, unhedged, net divs)"	0.1%	7.5%	19.3%	-1.4%	7.1%
US dollar	LIBID 1 month (USD)	0.2%	0.2%	0.2%	1.2%	1.8%
euro	LIBID 1 month (EUR)	0.1%	0.4%	0.4%	1.4%	1.7%
pound sterling	LIBID 1 month (GBP)	0.5%	0.5%	0.6%	1.8%	2.7%

breakdown of local share market performance by sector

period to 31 January 2014	% of ALSI	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
Top 40	84.0%	15.8%	16.4%	20.2%	11.5%	18.2%
Mid Cap	13.0%	8.6%	15.6%	21.5%	13.0%	20.8%
Small Cap	3.0%	19.7%	19.0%	21.4%	12.2%	22.6%
oil and gas	5.0%	43.6%	20.3%	18.5%	16	n/a
basic materials	25.0%	0.2%	0.0%	9.8%	4.4%	12.2%
industrials	6.0%	11.4%	16.5%	19.2%	9.4%	19.3%
consumer goods	23.0%	24.8%	31.5%	32.3%	22.6%	26.0%
health care	3.0%	30.3%	32.6%	33.3%	20.1%	26.6%
consumer services	12.0%	36.3%	31.3%	34.8%	21.3%	28.3%
telecommunications	7.0%	17.0%	22.2%	19.1%	14.5%	22.1%
financials	18.0%	7.5%	18.6%	21.4%	8.9%	17.5%
technology	0.0%	26.4%	27.1%	37.4%	19.6%	19.0%

The FTSE Group and the Dow Jones Indices have created a new definitive industy classification standard. The Industry Classification Benchmark indices were implemented by the JSEon 1 January 2006

Market performance

breakdown of international market performance by country

period to 31 January 2014	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa	
United States: S&P 500	24.4%	14.1%	12.6%	3.5%	5.3%	
Germany: DAX	24.4%	11.0%	12.6%	5.4%	9.5%	
United Kingdom: FTSE 100	16.4%	5.9%	9.0%	1.3%	4.6%	
France: CAC	25.4%	3.9%	4.3%	-3.1%	2.5%	
Japan: Nikkei	60.5%	15.9%	10.8%	-1.9%	3.1%	
Hong Kong: Hang Seng	7.2%	0.2%	10.7%	3.4%	6.6%	

all returns are calculated in the respective local currencies and are based on index levels

currency exchange rates

period to 31 January 2014		1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
ZAR/USD	11.1079	-19.3%	-13.6%	-1.7%	-5.9%	-4.5%
ZAR/EUR	14.9965	-18.7%	-13.1%	-2.6%	-6.5%	-5.1%
ZAR/GBP	18.2547	-22.1%	-14.3%	-4.0%	-3.5%	-3.4%
ZAR/JPY	0.1090	-10.3%	-7.1%	0.9%	-8.2%	-4.8%
USD/EUR	1.3486	0.9%	0.6%	-1.0%	-0.5%	-0.8%
USD/GBP	1.6442	-3.5%	-0.8%	-2.3%	2.6%	1.0%
USD/JPY	0.0098	11.3%	7.5%	2.5%	-2.4%	-0.4%

Market performance

economic indicators

economic growth	%	inflation	%
SA real GDP growth "(3rd quarter '13, annualised q-oq) "	0.7%	SA CPI (y-o-y change for December)	5.4%
US real GDP growth "(4th quarter '13, annualised q-oq) "	3.2%	US CPI (y-o-y change for December)	1.5%
Euro area real GDP growth "(3rd quarter '13, annualised q-oq) "	0.5%	Euro area CPI (y-o-y change for January)	0.7%
Japan real GDP growth "(3rd quarter '13, annualised q-oq) "	1.1%	Japan CPI (y-o-y change for December)	1.6%
China real GDP growth "(4th quarter '13, annualised q-oq) "	7.4%	G7 CPI (y-o-y change for December)	1.4%
interest rates		**commodities**	
SA repo rate	5.50	gold (London PM fix in USD as at 31 October)	1251.00
SA prime overdraft rate	9.00	y-o-y % change	24.9%
US Fed Funds rate	0.25	platinum (London PM fix in USD as at 31 October)	1383.00
ECB refinancing rate	0.25	y-o-y % change	-17.3%
BoJ overnight call rate	0.10	brent crude oil (USD)	107.05
BoE repo rate	0.50	y-o-y % change	-7.3%

Market performance

investment market performance

period to 30 June 2011	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
International Equity	MSCI World (unhedged) Index (USD)	30.5%	0.5%	2.3%	5.4%	4.0%
International Fixed	Barclays Capital Global	10.5%	6.0%	7.1%	6.2%	7.4%
Interest	Aggregate (unhedged) Index (USD)					
International Property	UBS Global Investors Index "(USD, unhedged, net divs)"	39.0%	2.6%	0.7%	7.7%	10.9%
US Dollar	LIBID 7 Day (USD)	0.2%	0.6%	2.2%	2.5%	2.3%
Euro	LIBID 7 Day (EUR)	0.7%	1.2%	2.2%	2.2%	2.5%
Pound Sterling	LIBID 7 Day (GBP)	0.6%	1.2%	2.9%	3.4%	3.6%

breakdown of international market performance by country

period to 30 June 2011	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
United States: S&P 500	28.1%	1.0%	0.8%	2.1%	0.8%
Germany: DAX	23.6%	4.7%	5.4%	8.9%	2.0%
United Kingdom: FTSE 100	20.9%	1.9%	0.4%	4.2%	0.5%
France: CAC	15.7%	-3.5%	-4.3%	0.9%	-2.7%
Japan: Nikkei	4.6%	-10.0%	-8.7%	-2.7%	-2.7%
Hong Kong: Hang Seng	11.3%	0.4%	6.6%	9.0%	5.6%

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