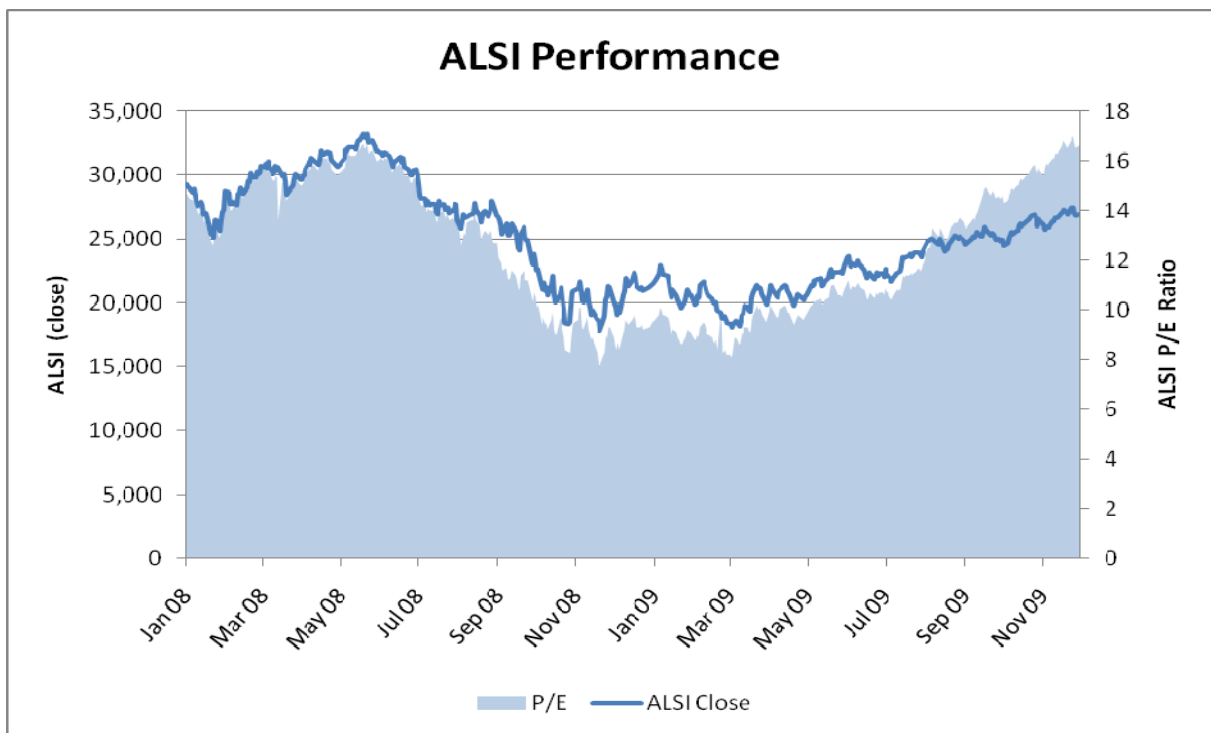




## Investment Environment November 2009

We are now 9 months after bumping along the bottom when there was no visibility as to where markets would go, let alone the direction of economies or currencies which are an important underpin to company results. The current situation can be compared to a three legged stool, requiring the asset price recovery to be supported by economic improvements which will allow company results to justify their share price recovery. Each leg has to hold up to maintain the recovery.

In line with our previous Investment Environment articles of both May and August, we have seen a significant recovery in equity share prices (the first leg). It is easy with hindsight, but as expected equity markets have led the recovery and we now have to wait and see if this will be endorsed by improving economic indicators (the second leg). The graph below shows the recovery of the All Share Index (ALSI) which is mapped against the PE ratio (a broad valuation indicator) of the same index. What is evident from the graph is not only the share price recovery, but also the need for the E (earnings) of the PE to endorse this recovery (the third leg).



It would appear that the actions referred to in the August Investment Environment regarding business (cut costs and inventories), consumers (improved savings) and governments (aggressive economic stimulation) have paid off. We are starting to see economic indicators around the world confirming the lead taken by asset prices. This has been more prominent in emerging economies that have demonstrated a greater potential of growth and in particular the South African economy which has been a beneficiary of the improvement in commodity prices as off-takes have normalised. Cynics would argue that this is simply a re-stocking of the pipelines but at least re-stocking is in anticipation of increasing production. Purchasing Manager Indices from Chicago to Europe are providing comfort to investors. Copper and zinc prices add to this belief of recovery as they potentially test 12 month highs.

It would be remiss not to refer to the Dubai World debt standstill. It remains to be seen as to whether this is simply a stress test of the risk investors are prepared to absorb or whether it will have a contagion effect causing further debt concerns to surface. Such a scenario would be a significant setback in any recovery from a credit crisis! However, we choose to believe that while investors continue to have had their risk appetite tested the momentum into 2010 appears to remain intact. We expect the Rand to remain stronger for longer as forecasts for the JSE remain bullish. Strategically, we would use any significant market weakness to continue to build portfolios and we hope for a calm ending to a tumultuous 2009 as we go into a more stable and improving 2010.

Please note that our offices will be closed from Monday 21 December, and we will re-open on Monday 4 January. We wish our Investors a safe and happy holiday season and all the best for a successful 2010.