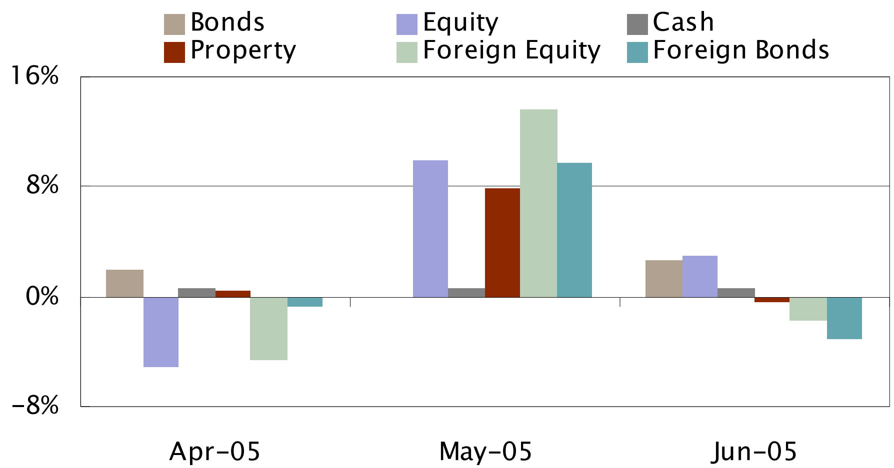
RisCura good thinking

RisCUpdate

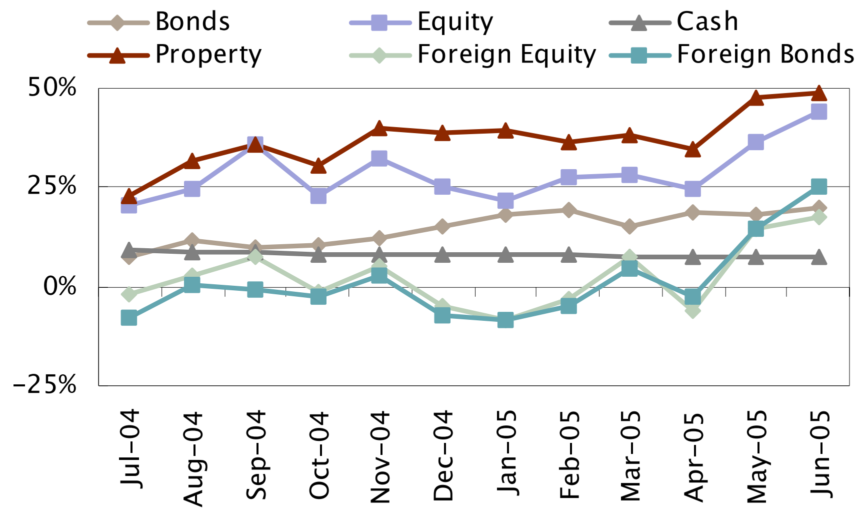
quarterly overview
30 Jun 2005

How the different asset classes performed...

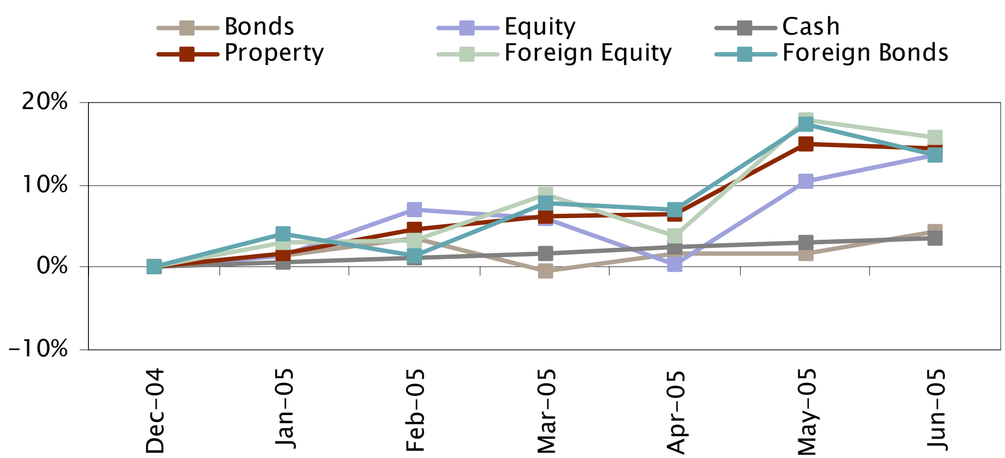
Asset Class Monthly Returns



Asset Class Rolling 12-Month Performance



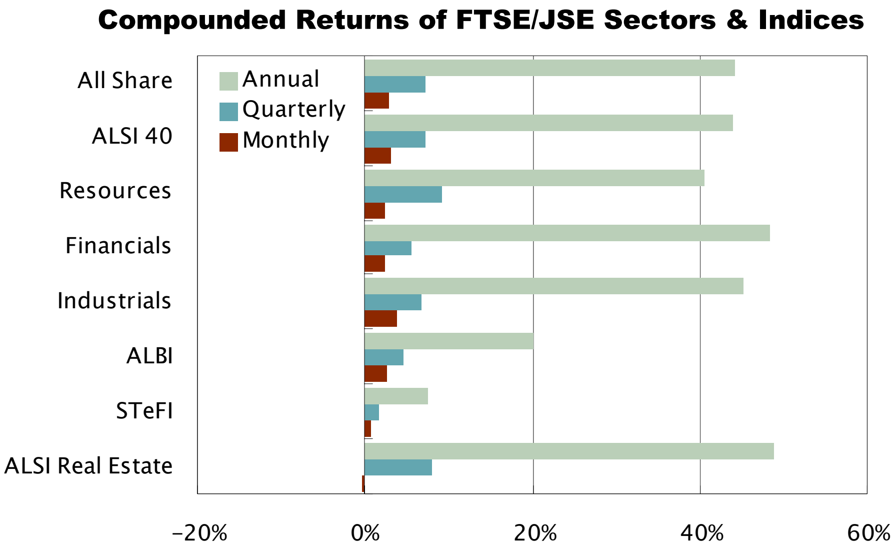
Asset Class Performance – Year to Date

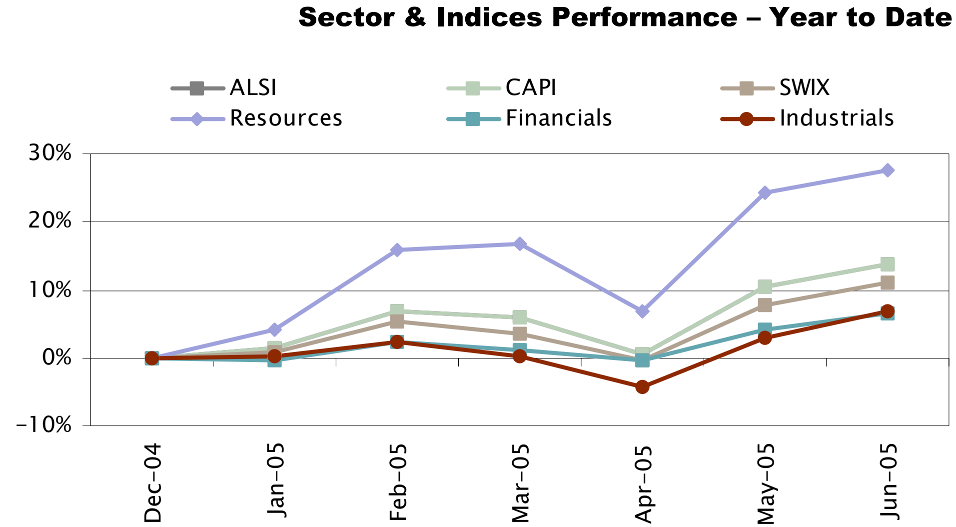


Sector Indices

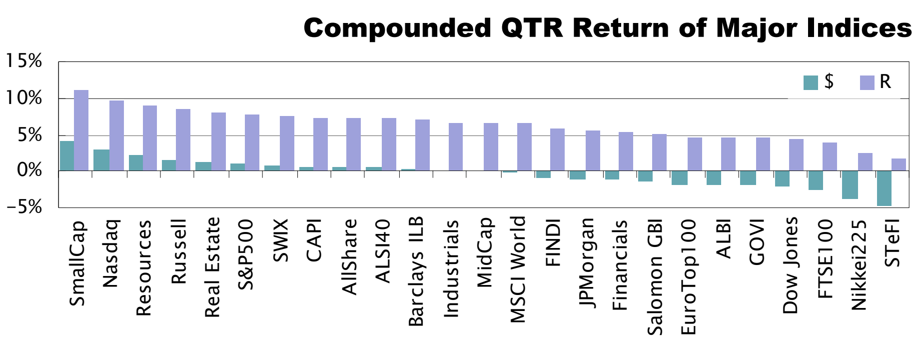
Bonds	ALBI
Equity	All Share
Cash	STeFI
Property	ALSI Real Estate
Foreign Equity	MSCI World
Foreign Bonds	JP Morgan Govt Bond

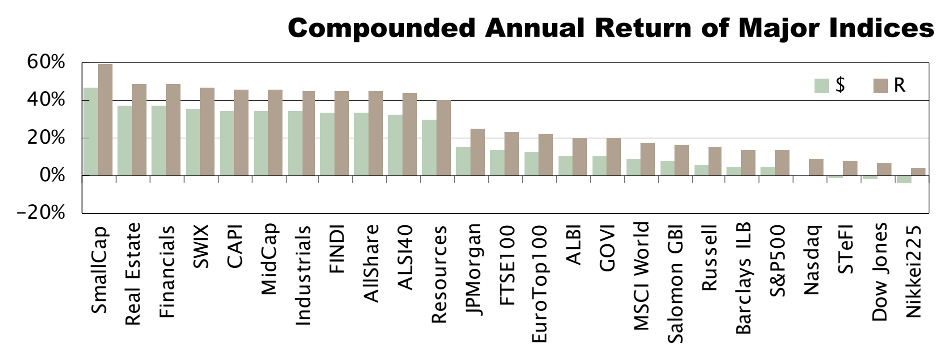
How the local market indices performed...



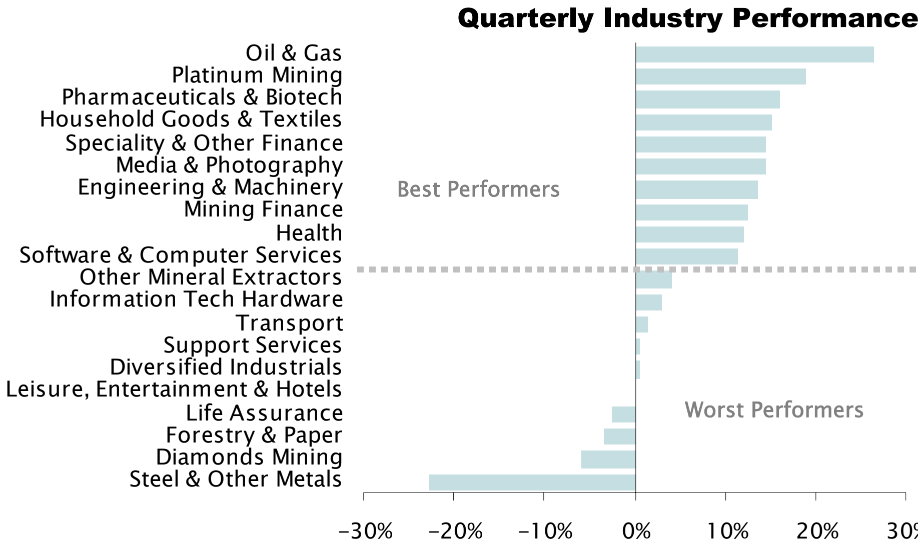


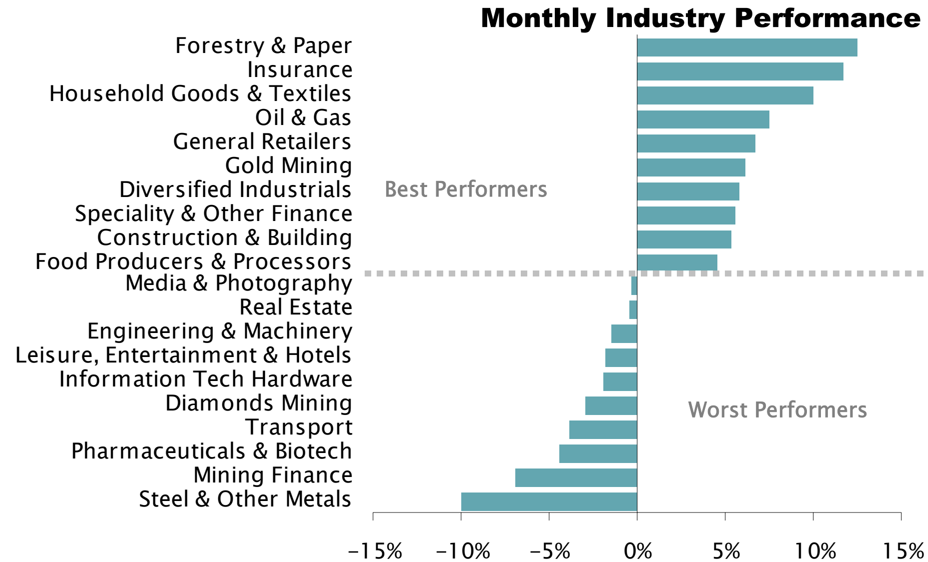
How the world market indices performed...





Equity market - how the equity industries performed...

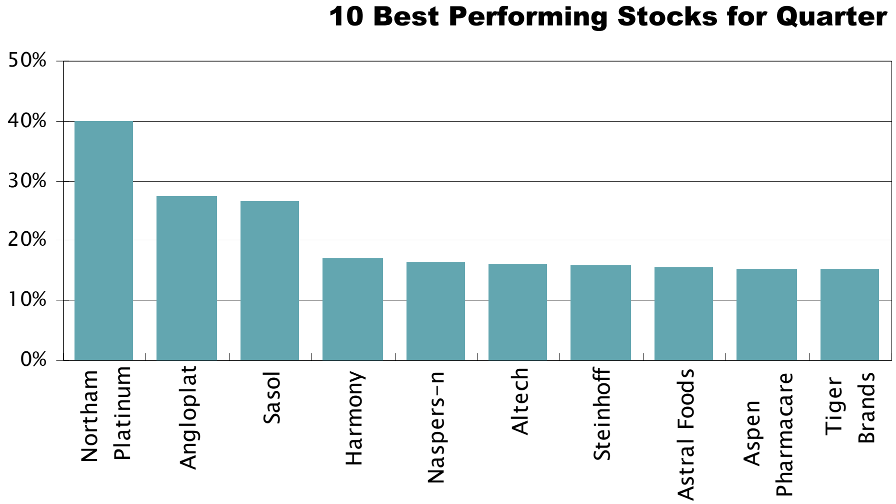


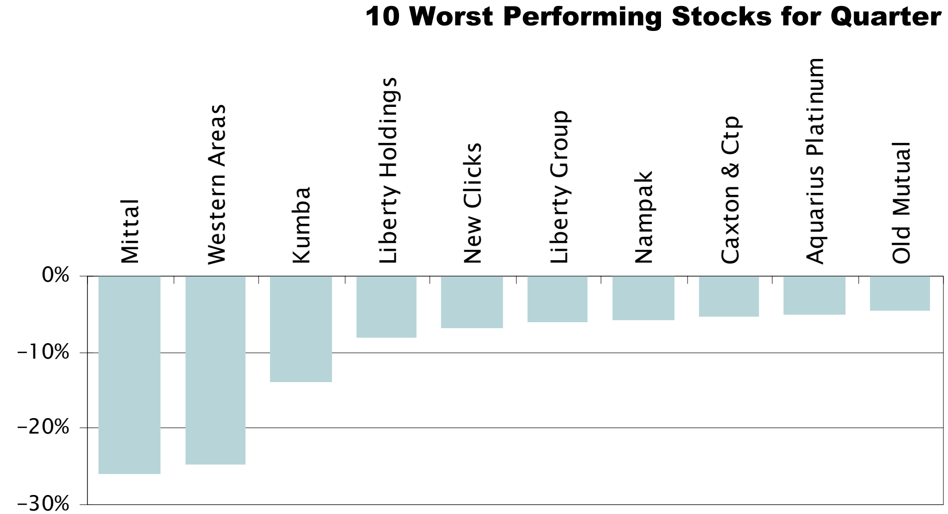


Equity market top 20 shares by market cap...

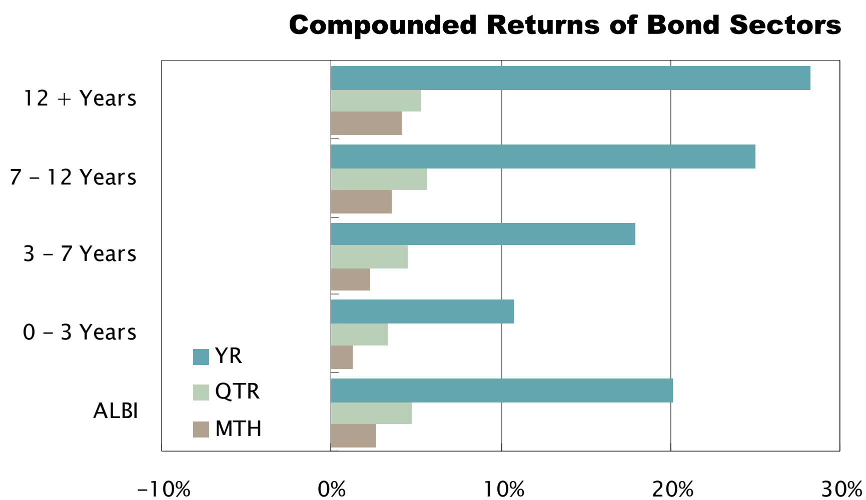
	Share	R'million		Share	R'million		Share	R'million		Share	R'million
1	Anglo American	234,171	6	Standard Bank	87,755	11	Telkom	60,772	16	Gold Fields	37,513
2	BHP Billiton	210,533	7	FirstRand	76,210	12	Old Mutual	56,273	17	LIB-INT	37,154
3	Sasol	122,376	8	MTN	73,566	13	ABSA	55,002	18	Sanlam	32,491
4	Richemont	117,189	9	Angloplat	64,843	14	Remgro	51,179	19	Nedbank	29,408
5	SAB Miller PLC	114,726	10	Anglogold Ashanti	63,374	15	Implats	39,907	20	RMB Holdings	26,429

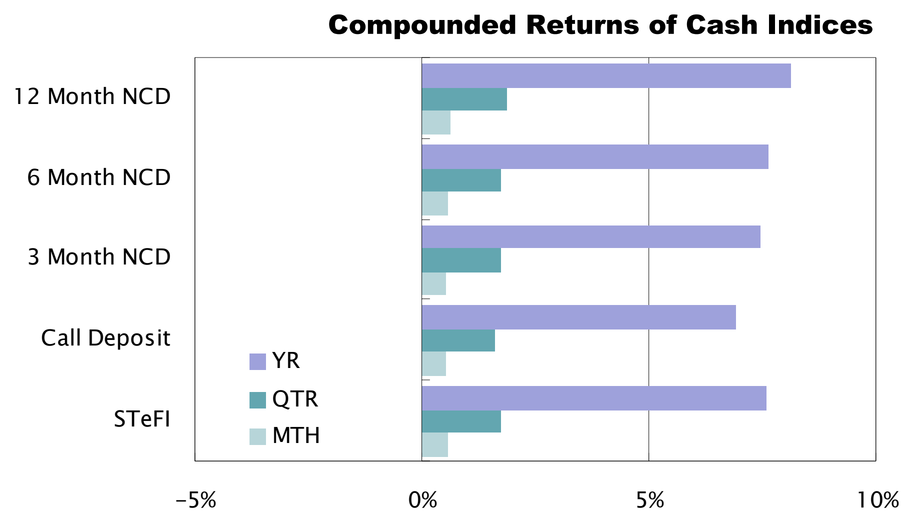
Equity market - how specific equities performed...



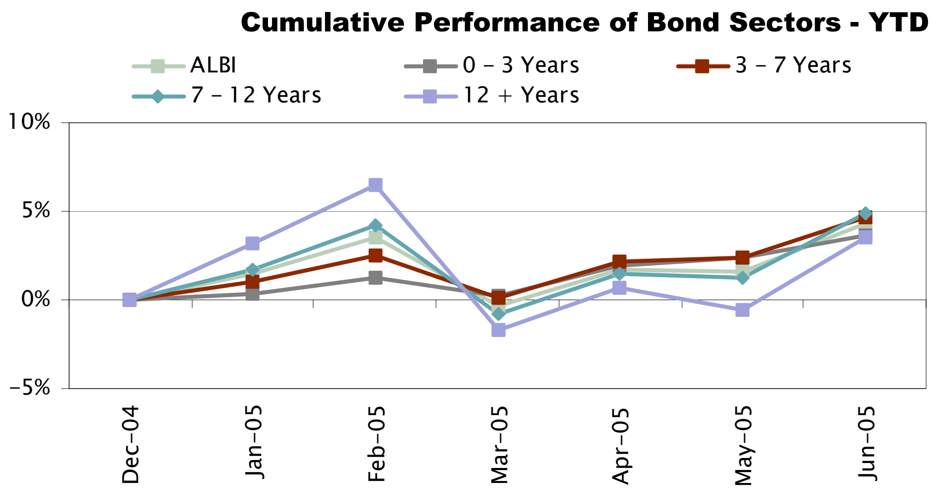


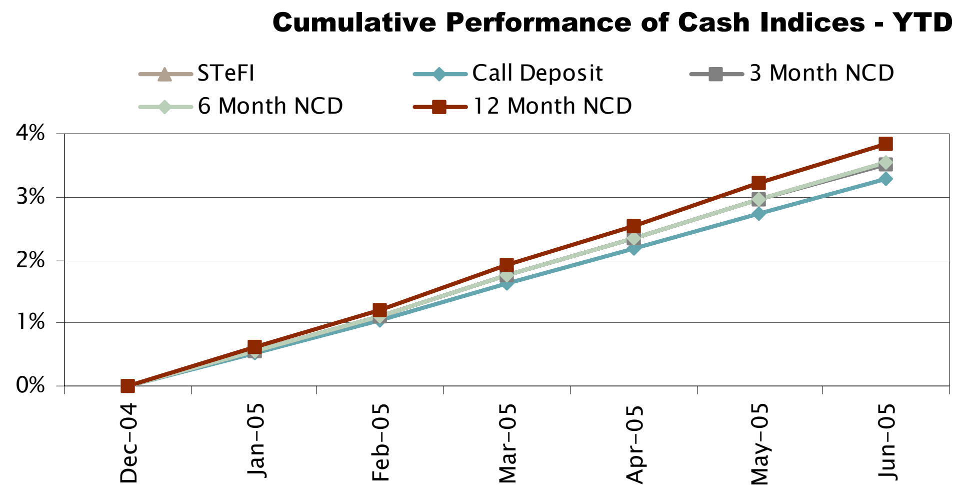
How the fixed interest market performed...





Fixed interest market – how the different sectors performed...





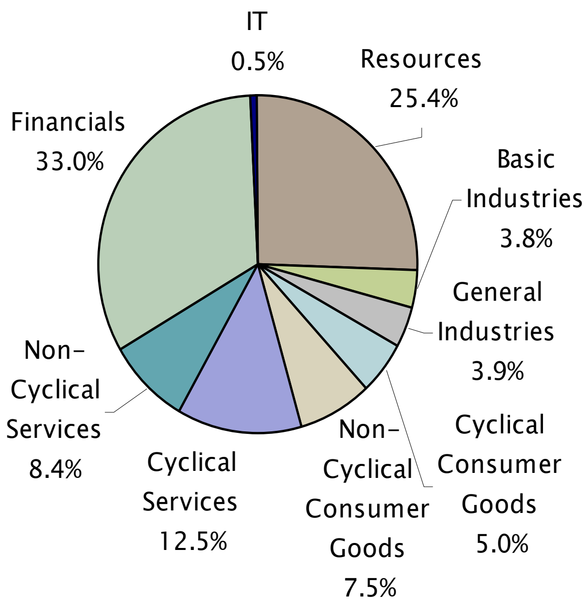
Fixed interest market – how the currency performed...

	31 Mar 05	30 Jun 05	% Change
Rand/dollar	6.24	6.66	-6.28%
Rand/pound	11.78	11.92	-1.17%
Rand/euro	8.09	8.07	0.34%
Dollar/euro	1.30	1.21	-6.67%

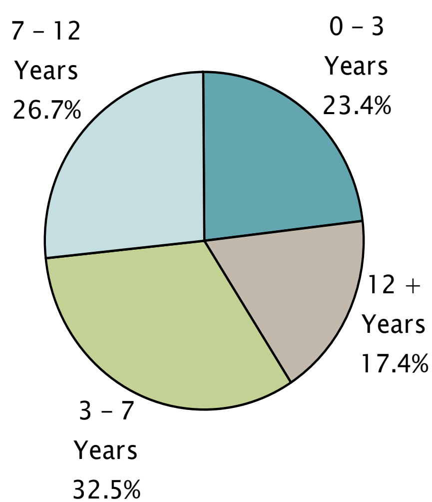
What makes up the benchmarks...

Quarterly Composition of all Indices

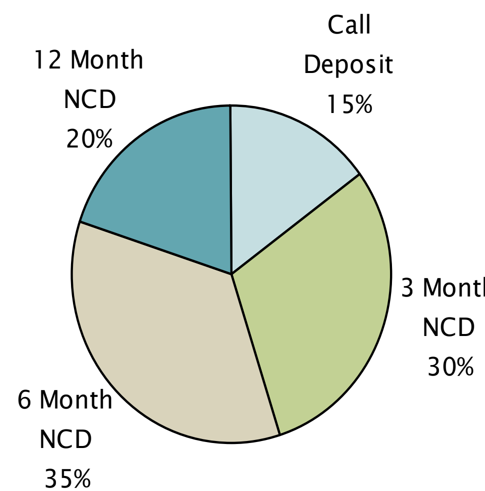
Equity – All Share



Bond - ALBI



Cash - STeFI



market and economic update…

Globally speaking…

Background

- In the first half of 2005, economic growth was patchy with Europe stagnating, Japan starting to recover, the US remaining buoyant due to strong consumer spending and the Chinese boom continuing relentlessly.
- At the start of 2005 there was a widely held consensus that the dollar would depreciate further against the Euro and that US long bond yields would rise. The outcome has been very different with the dollar strengthening to about €1.20 and US 30-year bond yield falling from 4.80% in January to 4.34%.
- The US Federal Reserve has continued to raise interest rates and has indicated that its tightening bias remains intact. With the Fed Funds rate at 3.25%, dollar rates are 1.25% higher than in Europe, and this differential will grow if the Fed keeps hiking rates. Together with an adverse change in sentiment regarding Europe following the rejection of the proposed constitution by French and Dutch voters, the rising gap between dollar and Euro rates has reversed the downward trend of the dollar.
- Oil prices remain stubbornly above $50/barrel. The market has only recently started to accept that oil prices may be much higher for much longer than previously expected. High oil prices are creating large financial surpluses in the hands of oil producing countries and companies, which are being recycled into financial markets buoying asset prices. Equities, bond and property markets have advanced strongly in most countries.

Outlook

- Many leading indicators suggest the world economy should slow down into 2006.
- However, consumer spending continues to be buoyed by high asset prices, and in particular property prices. While the US is raising interest rates, monetary policy in the rest of the world remains accommodative, partly because other countries do not wish their currencies to appreciate against the dollar.
- The strengthening of the dollar provides the opportunity for monetary tightening but to date, with a few exceptions such as the United Kingdom, this has not happened. The combination of factors supporting higher asset prices and sustaining consumer spending remain in place.

market and economic update…

Locally speaking…

Background

- Spending in South Africa remains buoyant as can be seen from the following statistics:

Annual Increase in Value or Volume	%
Food sales	10
Clothing sales	15
Mobile phone company revenues	19
VAT collections	21
Government spending	12
Motor vehicle sales (number of cars)	35
Cement sales (tons)	10

- Strong demand is being met partly by rising imports. In the 12 months to May 2005, imports in dollar terms were up 36% while exports have increased only 24%, mainly due to higher commodity prices. The current account deficit was 3.8% of GDP.
- The Reserve Bank surprised the market by cutting interest rates by 0.5% in April. Ostensibly the rationale was the benign inflation outlook (CPIX rose 4.3% in the year to May) but its action was in accordance with increasing government concern that the exchange rate is too strong. The SARB cut rates despite the fact that annual growth in private sector credit has reached 23%.
- Since January the rand has depreciated between 5 – 12% against the currencies of South Africa's major trading partners.

Outlook

- South Africa's current spending boom is typical of what has happened elsewhere when disciplined fiscal and monetary policy eliminated inflation, allowing interest rates to fall dramatically.
- In other countries, these boom conditions have lasted for up to a decade. However in South Africa the output side of the economy is not sufficiently competitive to sustain the current level of domestic spending. The problem is not only the exchange rate but also the costs of multiple agendas imposed on business by government.
- Ultimately either demand will have to slow or the exchange rate will weaken further to restore competitiveness.
- There is a significant possibility that the rand will be much weaker than market participants currently expect.

Economic comment supplied by Allan Gray

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performance table

Index/Sector	1Month	3Month	YTD	1Year	3Year
All Share	**2.96%**	**7.24%**	**13.62%**	**44.29%**	**13.63%**
Capped All Share Index	3.06%	7.36%	13.71%	45.58%	14.87%
Shareholder Weighted All Share Index	3.19%	7.44%	11.09%	47.00%	18.18%
Top 40	2.99%	7.21%	14.50%	43.84%	11.44%
Mid Cap	2.92%	6.66%	7.34%	45.30%	28.42%
Small Cap	1.96%	11.25%	13.76%	58.78%	43.78%
Resources	**2.47%**	**9.09%**	**27.51%**	**40.46%**	**4.87%**
Mining	1.53%	6.22%	23.62%	33.14%	2.28%
Gold Mining	6.18%	8.58%	13.56%	7.56%	-13.45%
Diamonds Mining	-3.00%	-5.77%	-15.00%	-12.69%	-1.87%
Platinum Mining	4.02%	18.89%	32.70%	30.71%	-0.64%
Other Mineral Extractors	0.28%	4.08%	24.69%	40.59%	11.99%
Mining Finance	-6.90%	12.50%	0.00%	-40.00%	-28.36%
Oil & Gas	7.56%	26.38%	51.69%	94.73%	23.63%
All Share Industrials	**3.86%**	**6.69%**	**6.87%**	**45.22%**	**19.89%**
Basic Industries	3.06%	-3.34%	-5.97%	18.64%	6.98%
Chemicals	0.96%	6.42%	6.06%	46.39%	31.87%
Construction & Building Materials	5.31%	7.08%	0.46%	50.39%	33.12%
Forestry & Paper	12.50%	-3.40%	-9.22%	-20.44%	-18.44%
Steel & Other Metals	-10.00%	-22.72%	-19.03%	41.78%	39.87%
General Industrials	5.08%	2.87%	-1.58%	51.45%	25.90%
Diversified Industrials	5.82%	0.52%	-3.50%	51.25%	25.36%
Electronic & Electrical Equipment	3.13%	10.39%	3.77%	51.10%	26.11%
Engineering & Machinery	-1.50%	13.67%	21.61%	77.64%	42.64%
Cyclical Consumer Goods	9.78%	14.97%	19.38%	45.74%	3.78%
Automobiles	0.61%	8.16%	16.80%	41.95%	27.98%
Household Goods & Textiles	10.03%	15.16%	19.44%	45.85%	3.59%
Non-cyclical Consumer Goods	1.31%	8.02%	12.52%	40.82%	17.75%
Beverages	0.70%	6.22%	9.06%	34.35%	12.58%
Food Producers & Processors	4.53%	10.51%	15.21%	50.66%	26.43%
Health	2.34%	12.01%	21.83%	40.22%	29.13%
Pharmaceuticals And Biotech	-4.42%	16.10%	30.05%	91.23%	50.07%
Cyclical Services	3.12%	5.63%	0.47%	54.67%	39.09%
General Retailers	6.74%	6.87%	-0.75%	65.19%	50.21%
Leisure, Entertainment & Hotels	-1.76%	0.21%	9.26%	51.03%	37.10%
Media & Photography	-0.38%	14.46%	10.39%	76.46%	57.95%
Support Services	2.79%	0.63%	-5.92%	30.55%	17.72%
Transport	-3.90%	1.38%	1.03%	38.48%	36.77%
Non-cyclical Services	2.23%	4.84%	8.78%	53.39%	52.66%
Food & Drug Retailers	3.86%	7.77%	13.70%	55.06%	29.45%
Telecommunication Services	1.96%	4.35%	7.99%	53.28%	60.36%
Information Technology	1.66%	10.52%	2.84%	22.11%	1.21%
Information Tech Hardware	-1.94%	3.06%	9.51%	42.96%	56.02%
Software & Computer Services	2.07%	11.41%	2.13%	20.10%	-5.13%

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RisCUpdate

Q2 2005

Index/Sector	1Month	3Month	YTD	1Year	3Year
Financials	**2.37%**	**5.44%**	**6.55%**	**48.41%**	**21.11%**
Banks	2.72%	5.84%	4.14%	50.63%	28.22%
Insurance	11.67%	11.31%	12.89%	45.98%	15.15%
Life Assurance	2.02%	-2.57%	0.91%	36.10%	10.64%
Investment Companies	1.76%	10.60%	13.41%	50.65%	20.86%
Real Estate	-0.41%	7.93%	14.47%	48.84%	19.30%
Speciality & Other Finance	5.58%	14.49%	11.73%	73.50%	29.60%
Financials And Industrials	**3.25%**	**6.17%**	**6.75%**	**46.55%**	**20.44%**
ALBI	**2.69%**	**4.68%**	**4.33%**	**20.09%**	**16.58%**
1-3 Years	1.25%	3.38%	3.63%	10.74%	12.08%
3-7 Years	2.27%	4.49%	4.65%	17.90%	15.81%
7-12 Years	3.53%	5.68%	4.87%	24.96%	18.47%
12+ Years	4.12%	5.36%	3.55%	28.28%	19.52%
STeFI	**0.56%**	**1.75%**	**3.55%**	**7.57%**	**9.71%**
Call Deposit	0.52%	1.60%	3.27%	6.90%	9.31%
3 Month NCD	0.55%	1.73%	3.51%	7.44%	9.66%
6 Month NCD	0.57%	1.76%	3.55%	7.65%	9.76%
12 Month NCD	0.60%	1.88%	3.83%	8.11%	10.00%
International Index/Other	**1Month**	**3Month**	**YTD**	**1Year**	**3Year**
S&P 500	-2.28%	7.67%	15.64%	13.14%	-7.93%
MSCI World	-1.57%	6.47%	15.57%	17.14%	-6.37%
JPMorgan GBI	-1.41%	10.00%	22.14%	17.36%	-10.34%
Salomon Brothers GBI	-3.12%	5.18%	12.97%	16.59%	-4.94%
Dow Jones	-4.06%	4.38%	12.09%	6.68%	-10.33%
Euro Top 100	-0.90%	4.70%	14.89%	22.26%	-6.33%
Nikkei 225	-1.81%	2.57%	10.40%	4.23%	-8.68%
FTSE 100	-1.05%	3.98%	11.71%	23.26%	-4.55%
Nasdaq	-2.80%	9.78%	11.23%	8.83%	-3.04%
Russell 1000	-2.02%	8.40%	16.72%	14.85%	-7.17%
Barclays Inflation Linked Bond Index	4.04%	7.00%	9.67%	13.26%	11.37%

contact us...

cape town
ground floor, colinton house, the oval, 1 oakdale rd,
claremont, 7735
po box 23938, claremont, 7735
tel: +27 21 683 7111
fax: +27 21 683 8277

info@riscura.com
www.riscura.com

johannesburg
ground floor. 23 melrose boulevard, melrose arch, 2076
postnet suite 116. private bag X1, melrose arch, 2076
tel: +27 11 214 9800
fax: +27 11 214 9801