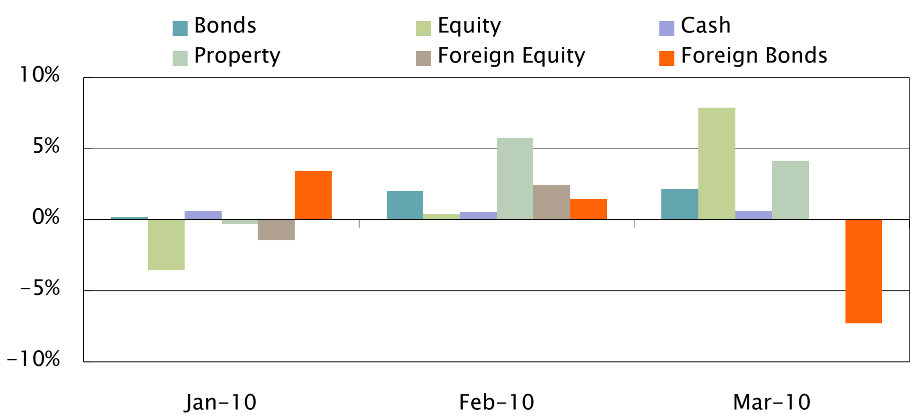
RisCura good thinking

RisCUpdate

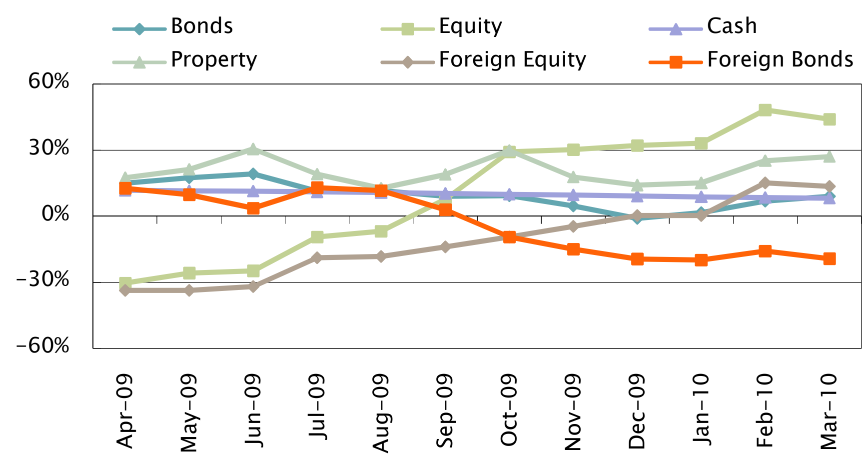
QUARTERLY OVERVIEW - 31 MARCH 2010

HOW THE DIFFERENT ASSET CLASSES PERFORMED

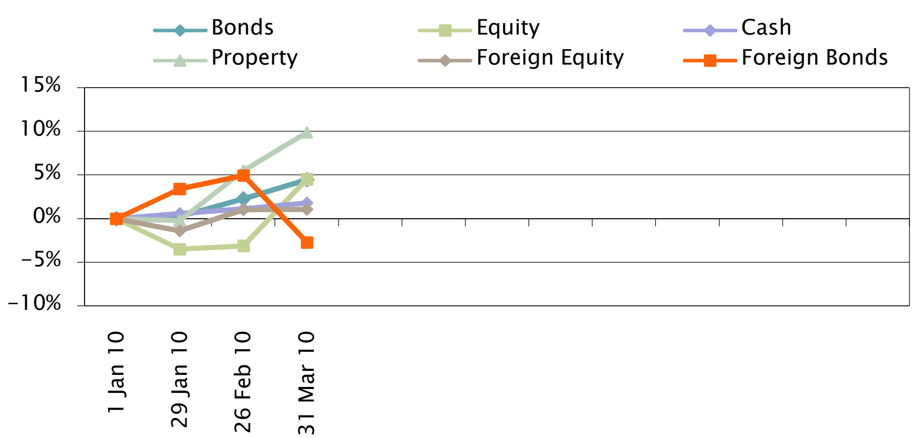
ASSET CLASS MONTHLY RETURNS



ASSET CLASS ROLLING 12-MONTH PERFORMANCE



ASSET CLASS PERFORMANCE – YEAR TO DATE

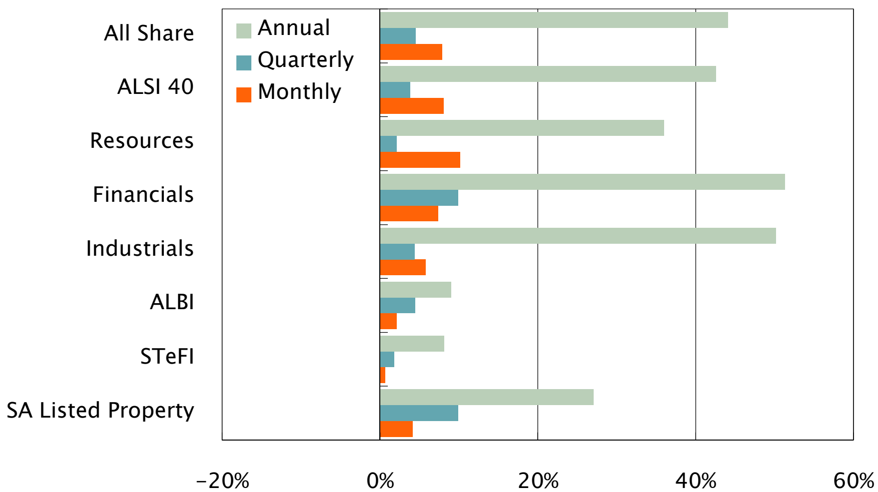


SECTOR INDICES

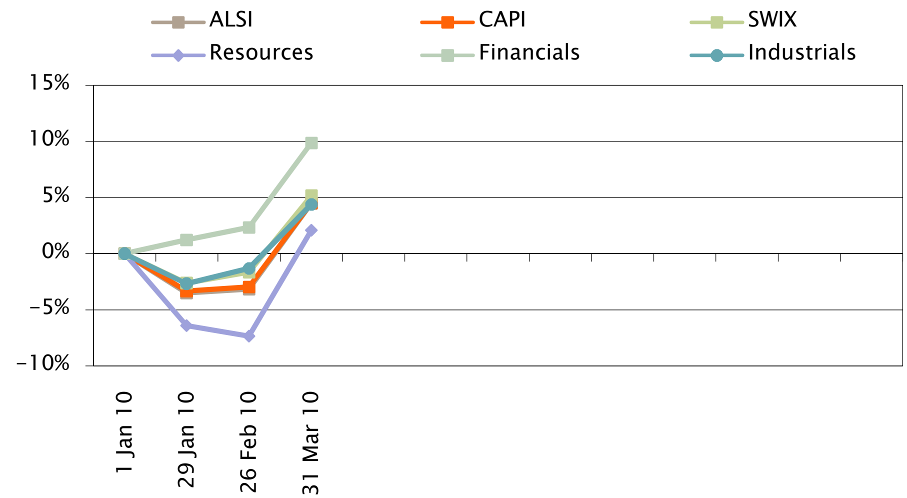
Bonds	ALBI
Equity	All Share Index
Cash	STeFI
Property	SA Listed Property
Foreign Equity	MSCI World Index
Foreign Bonds	JP Morgan Government Bond Index

HOW THE LOCAL MARKET INDICES PERFORMED

RETURNS OF FTSE/JSE SECTORS & INDICES

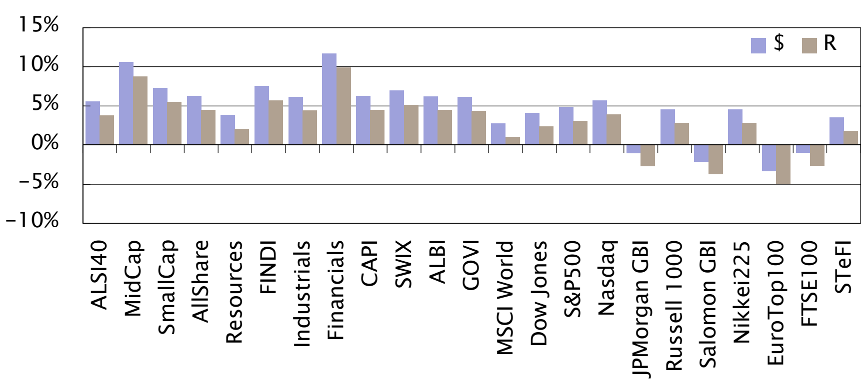


SECTOR & INDICES PERFORMANCE – YEAR TO DATE

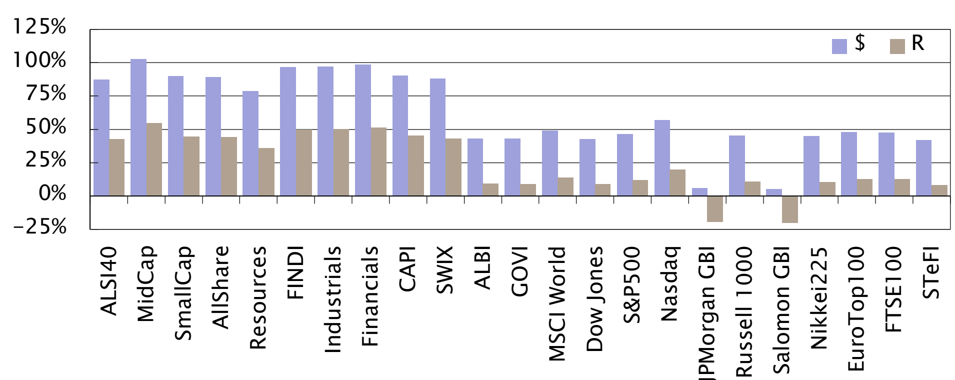


HOW THE WORLD MARKET INDICES PERFORMED

QUARTERLY RETURN OF MAJOR INDICES

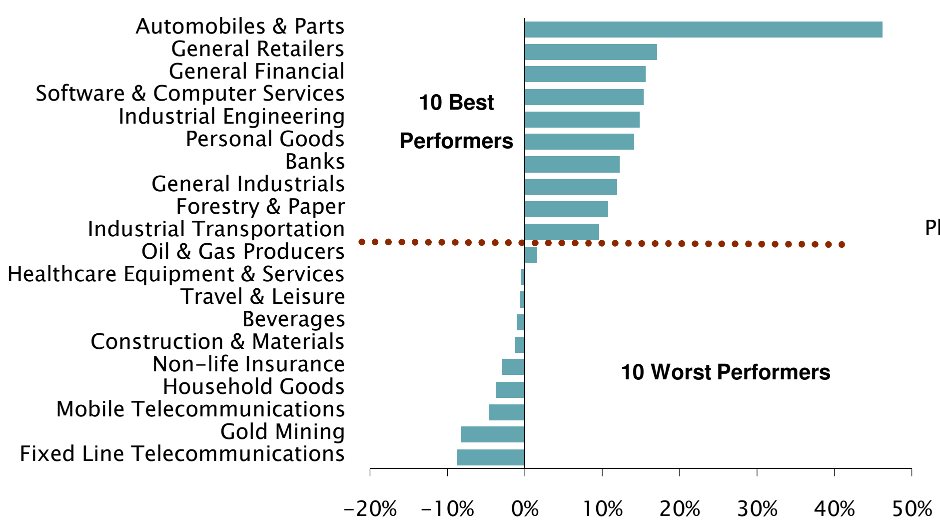


ANNUAL RETURN OF MAJOR INDICES

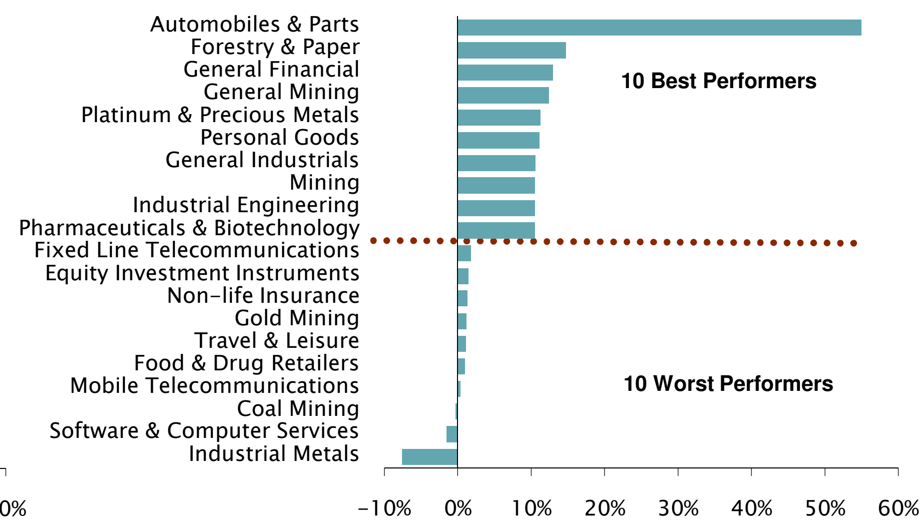


EQUITY MARKET – HOW THE EQUITY SECTORS PERFORMED

QUARTERLY INDUSTRY PERFORMANCE



MONTHLY INDUSTRY PERFORMANCE

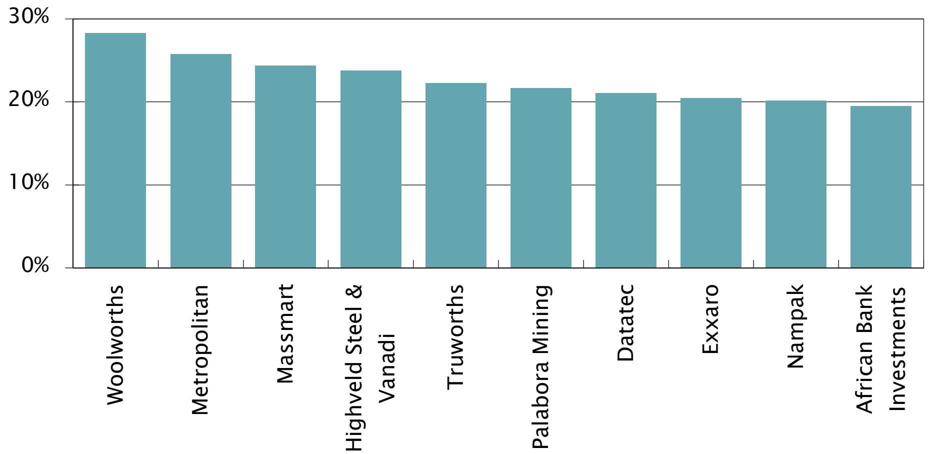


20 LARGEST SHARES BY MARKET CAP

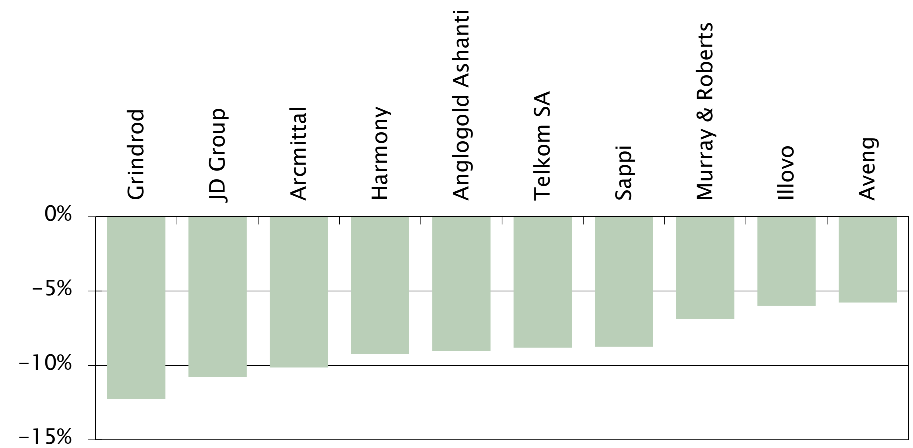
	Share	R'million		Share	R'million		Share	R'million		Share	R'million
1	BHP Billiton	562,243	6	Anglo Platinum	194,720	11	Naspers	128,446	16	Vodacom	82,730
2	British AM Tobacco	513,632	7	Sasol	193,334	12	FirstRand Limited	113,886	17	Old Mutual	76,833
3	Anglo American	428,327	8	Standard Bank	178,834	13	Kumba Iron Ore	113,473	18	Nedbank	70,497
4	SAB Miller	354,109	9	Richemont	148,248	14	ABSA	102,201	19	Goldfields	65,041
5	MTN Group Limited	206,141	10	Implats	135,158	15	Anglogold Ashanti	100,715	20	Sanlam	53,719

EQUITY MARKET – HOW SPECIFIC EQUITIES PERFORMED

10 BEST PERFORMING STOCKS FOR QUARTER (ALSI)

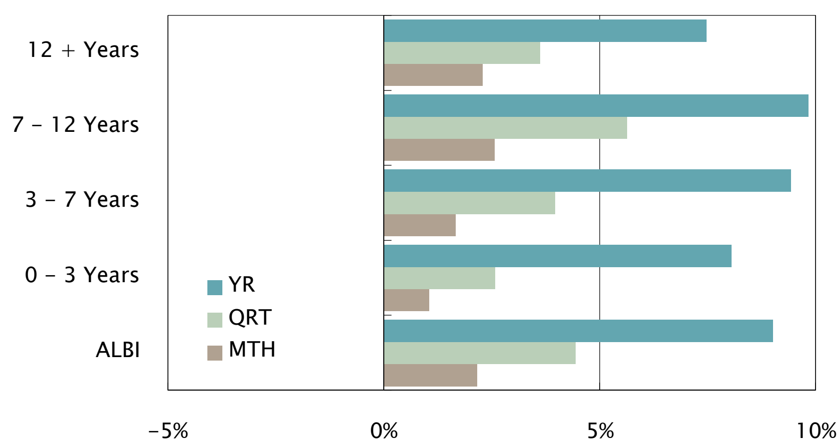


10 WORST PERFORMING STOCKS FOR QUARTER (ALSI)

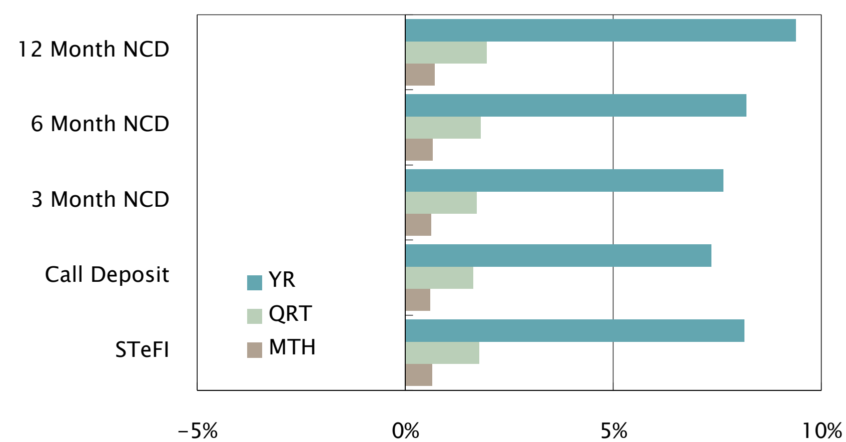


HOW THE FIXED INTEREST MARKET PERFORMED

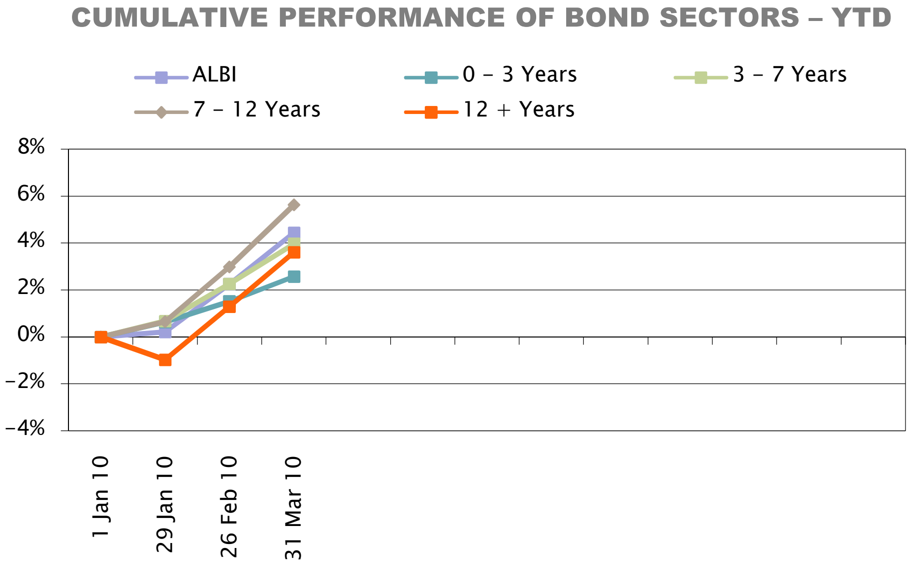
RETURNS OF BOND SECTORS

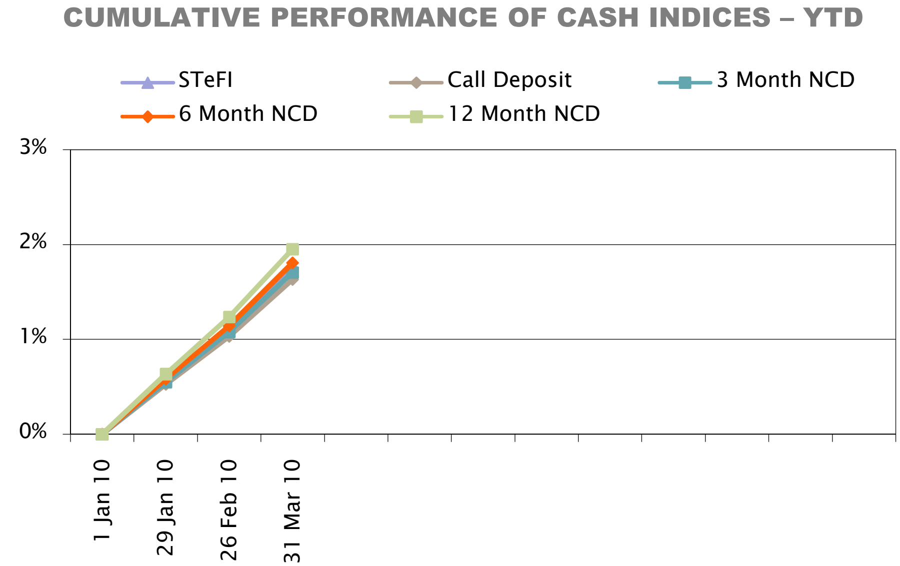


RETURNS OF CASH INDICES



FIXED INTEREST MARKET – HOW THE DIFFERENT SECTORS PERFORMED



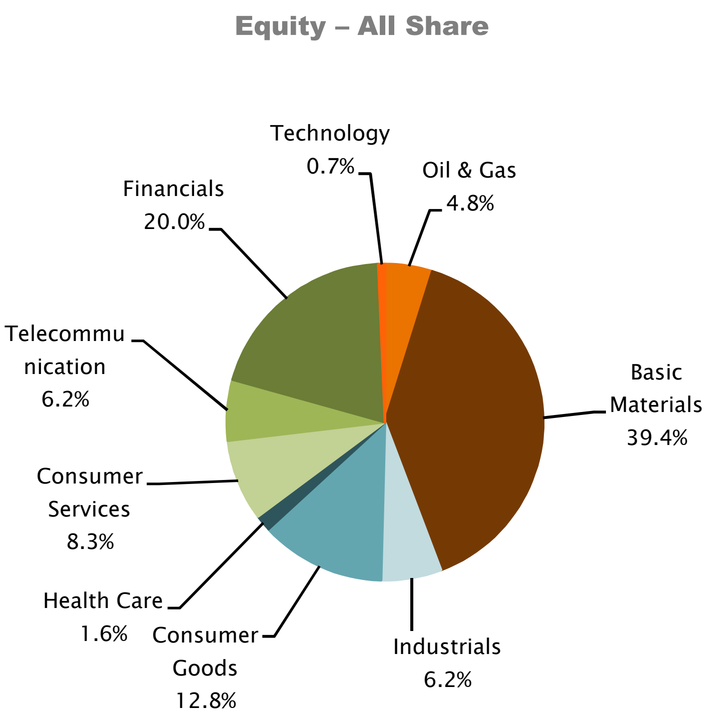


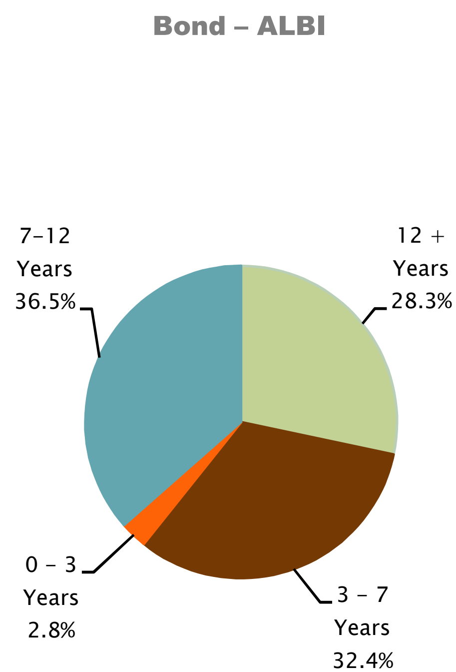
FIXED INTEREST MARKET – HOW THE CURRENCY PERFORMED

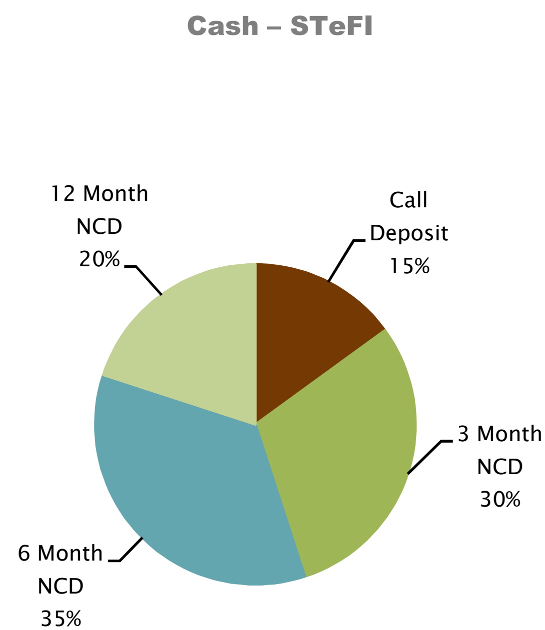
	31 Dec 09	31 Mar 10	% Change
Rand/Dollar	7.41	7.29	1.70%
Rand/Pound	11.97	11.06	8.21%
Rand/Euro	10.61	9.84	7.78%
Dollar/Euro	1.43	1.35	-5.63%

WHAT MAKES UP THE BENCHMARKS

QUARTERLY COMPOSITION OF ALL INDICES







Market and economic update

Globally speaking

Pushing on a string…on several fronts

- In the current global environment, performance of the following four key macro indicators: oil and gold prices, US Treasury yields and the renminbi exchange rate continues to suggest the world economy is healing itself in the policy wake of cheap money and fiscal expansion. Both have provided a ready font of liquidity that has served to underpin the reflation of global risk asset prices even as valuations have become more demanding.
- A more stable, though still elevated, gold price points to a turn in cyclical US dollar weakness vs. the euro, yen and Swiss franc. US dollar strength may yet prove more durable: the Euro still faces clear risks should Greece become Euroland's first sovereign defaulter; Japan has resumed quantitative easing given the resumption of deflation; while the Swiss are in two minds whether to stave off or to accommodate a stronger franc: so far, they have preferred to weaken the currency to keep deflation at bay. Having depreciated sharply vs. almost all currencies, sterling has held up relatively well against the US dollar this year.
- A more convincing sign of global recovery, especially in emerging markets and basic resource exporting economies, is the further rise in commodity prices, with this corroborated by higher prices of both oil and base metals, notably copper and steel (the latter, as a contract-based price system has finally morphed to spot market price discovery). Global recovery is also indicated by the rise in US Treasury yields to c.4%, even as the Federal Reserve continues to flag only a modest normalisation path for the Fed Funds rate. Thus far, the only significant policy normalisation has been to raise the discount rate (at which US banks borrow funds from the Fed) by 25bp to 75bp in February, but only because so few banks now need this distress funding source. As a result, the US yield curve has continued to steepen, which is typically a reliable indicator of stronger growth. This dynamic has been reinforced by monetary tightening where recovery has been fastest: in emerging markets (e.g. China, India and Malaysia) and big commodity exporters (e.g. Australia and Norway).
- These developments will be complemented in coming months by the likelihood of renminbi revaluation. Market indicators and commentary suggest this may happen sooner rather than later, buttressed by the intensity of US (and other) political pressure on the Chinese to revalue, as well as a clear body of opinion in China itself - notably from the People's Bank of China - that a revaluation would also be in the national economic interest. A reset of the renminbi will, however, be orderly, steady and gradual, but, when it happens - initially probably of the order of 3-5% - will nonetheless release an important re-balancing valve to sustain the global upswing.
- Even given all the above factors, a strong recovery is still not guaranteed, with the greatest stumbling block remaining the pace and form of fiscal consolidation and, thereafter, a steady, though certain, reduction in government budget deficits. Policy settings clearly reflect a preference to deflate swollen fiscal deficits via incremental expansion of tax bases and, to a much lesser extent, some freezing of non-core government expenditure. Above all else, this requires a meaningful revival in domestic demand, but which may prove less tractable should households sustain a preference to continue to repair indebted balance sheets. Since 2008, most progress in this regard has been made in the US and the UK, but without deterring a US emphasis on renminbi revaluation, or the UK's willing accommodation of a much cheaper pound, as vital means to sustain foreign demand for American and British exports.
- The 'fiscal exit' challenge is nowhere more apparent than in Greece, where the resolution of an increasingly probable sovereign default has embroiled much of the rest of Europe. Germany, in particular, as a significant current account surplus and relatively un-indebted economy, has been put in the pressure-cooker as the over-prudent counterpart of Greek fiscal profligacy. While there may be scope for relatively more German stimulus, there will be tight limits to this, given the popular support for Mrs. Merkel's government not to cede any more of Germany's 'sound money' credit rating to sovereigns, like, but not confined to, Greece, who have compromised their Euro membership. Thus, without the escape option of currency devaluation, it remains to be seen whether the Greek government will have the political will to retrench the economy sufficiently to divert resources to debt servicing. This seems more unlikely to us than three months ago. The assumption is that the threat to the Euro will see (mostly) Franco-German resolve to try to hold Greece's fiscal line – the recent marshalling of previously repudiated IMF support is a good example of this – but very tough choices still lie ahead. By contrast, sterling could start to appreciate, given the scale of its relative price decline with respect to all major currencies. However, this prospect is also contingent only a clear fiscal plan emerging whoever forms the next government after the UK's May 6 general election.

Market and economic update

Locally speaking

Catching up on lost opportunity at home

The SA Reserve Bank's further 50bp easing to 6½% at its March MPC meeting represented a catch-up on lost opportunities since October last year to bring the local easing cycle into line with that of other economies that dipped into recession in 2009. For the SARB, the decision rested on three catalysts:

- Rand strength corroborated by improving balance of payments dynamics;
- A modest revival in domestic demand once accounting for restocking by firms, and
- Clarity on administered electricity tariff hikes - remarkably close to the SARB's number of c.25% p.a. - that permitted the official CPI forecast to fall within a new "flexible" 3-6% target band.

Indeed, several indicators have continued to propagate a more convincing view of local economic recovery. Chief amongst these have been consumer confidence (mostly driven by easier credit conditions and dissipating spectre of job losses), business confidence (mainly due to lower rates and a firming in risk asset prices - especially the stock market and home equity), new vehicle sales (though these also reflect Soccer World Cup related orders) and, finally, tax revenues that have started to perk up and could see the Treasury post a sub-7%/GDP fiscal deficit for 2009/10 vs. a prospect of over 9%/GDP at the end of last year. The glaring omission here remains still sluggish private sector credit growth, which suggests some basis for caution.

SA's recovery path typically mirrors that of the world economy. Thus, the re-balancing themes discussed above, especially with respect to sustainable fiscal exits and appropriate exchange rate adjustments are particularly important. In the event that they materialise, SA should benefit as buoyant commodity prices and continuing capital inflows both underpin the rand's value and support import demand, especially given SA's strong infrastructure investment needs for the foreseeable future.

In this environment, it remains possible that the SARB could again cut the repo rate. A possible appropriate setting remains 6% but whether further SARB easing actually happens will depend on the inflationary risks inherent in an economic upswing. Indeed, firmness of global and local recovery point to little fundamental scope for further easing. The overriding caveat can be reiterated: if strong net capital inflows are sustained, the rand will be stronger, monetary conditions looser and credit growth stronger. Thus, a full jury is still out on SA's near-term monetary policy trajectory.

Since SA is at, or very close to, the bottom of its easing cycle, a key question is which sectors will absorb the economy's savings. Current contributors to SA's net savings pool are firms and foreigners, since households and government are net borrowers. Unless there is a much stronger than expected savings contribution from net capital inflows (i.e. >4¼ %/GDP), it is still more likely that personal spending will be constrained in this up-cycle relative to 2002-08 where a levered property boom anchored trend-plus GDP and jobs growth.

Indeed, while the cost of money has fallen sharply, a historically high personal debt stock hasn't budged. Some de-leveraging drag by SA households thus seems likely. We also expect a similar trajectory from government as the budget deficit is reduced. This suggests that SA's cyclical growth mix will be biased to net exports, given good terms of trade prospects, and to investment – in export, transport, communication and new technologies, relative to consumption. As the upswing consolidates, rising labour productivity should also see some jobs growth, but this will be muted relative to the last up-cycle. On balance, the GDP growth forecast is up at 3½% for 2010 and 3¾% for 2011 respectively.

Economic comment supplied by RMB Asset Management
Top performing manager Q4, 2009

RMB ASSET MANAGEMENT

Performance table

Index/Sector	1Month	3Month	YTD	1Year	3Year
All Share	**7.87%**	**4.48%**	**4.48%**	**44.09%**	**4.60%**
Capped All Share Index	7.69%	4.51%	4.51%	44.94%	5.37%
Shareholder Weighted All Share Index	6.92%	5.16%	5.16%	43.20%	4.50%
Top 40	8.10%	3.82%	3.82%	42.59%	4.26%
Mid Cap	6.90%	8.74%	8.74%	54.40%	7.42%
Small Cap	4.51%	5.49%	5.49%	44.60%	2.03%
Resources	**10.17%**	**2.09%**	**2.09%**	**36.01%**	**3.55%**
Mining	10.55%	2.16%	2.16%	39.73%	2.75%
Gold Mining	1.19%	-8.20%	-8.20%	-19.38%	-7.80%
Platinum & Precious Metals	11.25%	2.08%	2.08%	45.09%	-3.28%
General Mining	12.42%	4.45%	4.45%	60.13%	6.27%
Oil & Gas	7.37%	1.59%	1.59%	13.41%	10.98%
All Share Industrials	**5.79%**	**4.41%**	**4.41%**	**50.15%**	**7.94%**
Basic Materials	9.75%	2.58%	2.58%	40.77%	2.31%
Chemicals	5.07%	3.80%	3.80%	46.34%	-2.71%
Construction & Materials	6.58%	-1.22%	-1.22%	25.89%	-4.21%
Forestry & Paper	14.72%	10.75%	10.75%	85.49%	-16.75%
Industrial Metals	-7.61%	6.66%	6.66%	41.42%	4.36%
Industrials	7.51%	6.17%	6.17%	48.07%	1.02%
General Industrials	10.57%	11.89%	11.89%	48.02%	10.61%
Electronic & Electrical Equipment	7.72%	2.22%	2.22%	55.70%	-8.92%
Industrial Engineering	10.52%	14.82%	14.82%	73.91%	-6.64%
Consumer Goods	8.21%	3.89%	3.89%	64.38%	15.73%
Automobiles & Parts	55.00%	46.23%	46.23%	72.60%	-14.24%
Health Care	7.40%	5.08%	5.08%	65.34%	12.71%
Beverages	8.20%	-1.00%	-1.00%	55.59%	13.26%
Food Producers	3.29%	6.78%	6.78%	34.86%	12.44%
Health Care Equipment & Services	2.30%	-0.52%	-0.52%	55.95%	3.11%
Pharmaceuticals & Biotechnology	10.52%	8.53%	8.53%	71.64%	26.26%
Consumer Services	7.29%	9.60%	9.60%	70.68%	10.30%
General Retailers	10.01%	17.11%	17.11%	66.64%	0.59%
Travel & Leisure	1.13%	-0.62%	-0.62%	30.70%	-4.95%
Media	9.65%	5.61%	5.61%	93.65%	20.04%
Support Services	4.48%	7.31%	7.31%	61.12%	1.93%
Industrial Transportation	7.44%	9.61%	9.61%	79.08%	-6.29%
Telecommunication	0.42%	-4.78%	-4.78%	7.39%	3.31%
Food & Drug Retailers	0.97%	9.52%	9.52%	53.49%	31.21%
Fixed Line Telecommunications	1.79%	-8.81%	-8.81%	-2.35%	-11.55%
Technology	-1.51%	15.36%	15.36%	85.66%	6.53%
Software & Computer Services	-1.51%	15.36%	15.36%	85.66%	6.53%

Index/Sector	1Month	3Month	YTD	1Year	3Year
Financials	**7.35%**	**9.87%**	**9.87%**	**51.28%**	**-0.08%**
Banks	9.60%	12.25%	12.25%	56.07%	4.89%
Non-life Insurance	1.32%	-2.90%	-2.90%	40.37%	10.18%
Life Assurance	4.00%	6.91%	6.91%	67.35%	-3.11%
Equity Investment Instruments	1.46%	2.94%	2.94%	42.54%	-0.62%
Real Estate	4.15%	9.86%	9.86%	27.07%	9.38%
General Finance	12.97%	15.65%	15.65%	60.65%	-2.31%
Financials and Industrials	**6.32%**	**6.12%**	**6.12%**	**50.34%**	**5.07%**
ALBI	**2.15%**	**4.45%**	**4.45%**	**9.01%**	**7.45%**
1-3 Years	1.05%	2.58%	2.58%	8.05%	9.36%
3-7 Years	1.66%	3.96%	3.96%	9.42%	8.49%
7-12 Years	2.56%	5.63%	5.63%	9.82%	7.55%
12+ Years	2.29%	3.61%	3.61%	7.47%	4.65%
STeFI	**0.65%**	**1.78%**	**1.78%**	**8.15%**	**9.97%**
Call Deposit	0.59%	1.63%	1.63%	7.35%	9.47%
3 Month NCD	0.62%	1.71%	1.71%	7.64%	9.81%
6 Month NCD	0.66%	1.81%	1.81%	8.19%	10.05%
12 Month NCD	0.71%	1.95%	1.95%	9.38%	10.42%
International Index / Other	**1Month**	**3Month**	**YTD**	**1Year**	**3Year**
S&P 500	-0.03%	3.12%	3.12%	11.67%	-6.17%
MSCI World	0.02%	1.03%	1.03%	13.60%	-7.33%
JPMorgan GBI	-5.67%	-0.50%	-0.50%	-22.15%	4.90%
Salomon Brothers GBI	-6.87%	-3.77%	-3.77%	-19.94%	6.95%
Dow Jones	-0.72%	2.37%	2.37%	8.71%	-4.10%
Euro Top 100	-0.17%	-4.96%	-4.96%	12.51%	-9.32%
Nikkei 225	-1.65%	2.84%	2.84%	10.40%	-6.64%
FTSE 100	-0.64%	-2.64%	-2.64%	12.41%	-2.83%
Nasdaq	1.15%	3.91%	3.91%	19.52%	-0.21%
Russell 1000	0.14%	2.81%	2.81%	10.67%	-9.90%
Barclays Inflation Linked Bond Index	0.39%	-0.02%	-0.02%	5.09%	9.74%

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