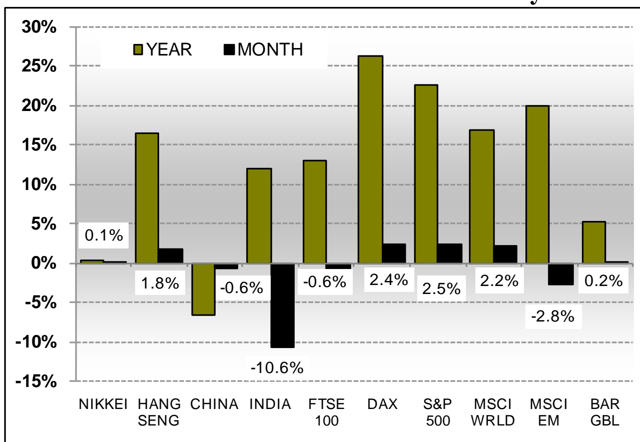
MAESTRO INTERMEZZO

11th Edition | February 2011

January in perspective – global markets

Investors will look back on the start of January with mixed feelings: SA equity markets went backwards, in sympathy with many other emerging markets (refer to Table 6) but equity markets in developed economies rose. When one considers all that happened during January, it is remarkable that *any* market generated a positive return. The month started off well, coming of a high base in December. The "successful" bond auctions in Europe for Portugal, Spain and Italy lifted the gloom hanging over Europe and led to a euro rally. But the bubble was soon pricked as the relentless rise in commodity prices continued unabated. Food prices in particular are seen as a major trigger for civil disruption, particularly in poorer countries who are suffering the most from rising food prices. Weather-related issues, such as the devastating floods in Australia, are not helping matters. China raised its bank reserve ratio yet again – by 0.5% to 19.0%, the fourth hike in three months – in an effort to curb bank lending and rein in prices. Brazil and South Korea instituted yet more measures to control the surge of foreign capital into their countries, which is pushing up the price of their respective currencies and creating internal distortions in those economies. The sovereign rating of Japan was downgraded, a gentle reminder that matters like the level of indebtedness *do* actually matter, although it had no effect of Japanese bond yields. Then Tunisia imploded after civil unrest caused by years of poverty and more recently rising food prices and unemployment - sound familiar? Shortly after that Egypt followed suit, resulting in its sovereign rating also being downgraded. In sympathy the oil price popped above $100 a barrel and to underline the rise in commodity prices, shortly after month-end the tin price rose to all-time high and copper popped above $10 000 a tonne - only last month we reported its rise above $9 000.

Chart 1: Global market returns to 31 January 2011



So as you can see, January really had it all. The MSCI world index rose 2.2% - not a bad achievement under the circumstances I thought – with France, the US and Germany leading the way with returns of 5.3%, 2.5% and 2.4% respectively. But the MSCI emerging market index declined 2.8%, led by India which declined 10.6%, albeit off a very high base. Indonesia declined 8.0%, Brazil 3.9% and China a modest 0.6% (China's annual return to January is still negative, at -6.6%, off its 2010 declined of 14.3%). The bond markets didn't like the higher inflationary environment; the Barclays Global Aggregate Bond index rose only 0.2%. The dollar lost 2.1% against the euro and 2.3% against sterling.

Chart of the month

We have long been of the opinion that the SA banking industry is in relative good health. We believe this was one of the reasons the country survived the Great Financial Crisis of 2007/9 as well as it did. Confirmation of this came in the form of the World Economic Forum's Global Competitiveness Report, which ranked countries on the basis of bank soundness (see page 460 of the actual Report). A score of 7 indicates that the sector is sound and 1 means it may need a government bailout. I list a summary of the findings, below. Not shown in the Table is that Ireland was placed last in the list, ranked 139 with a score of 2.0. Other interesting candidates near the bottom included Zimbabwe at 135 (with a score of 3.4) and Iceland at 137 (2.5).

Table 1: WEF Global Competitiveness Report

Rank	Country	Score
1	**Canada**	**6.7**
2	New Zealand	6.6
3	Australia	6.5
4	Lebanon	6.5
5	Chile	6.5
6	South Africa	6.5
7	Panama	6.4
8	Hong Kong	6.4
9	Singapore	6.3
10	Malta	6.3
111	**United States**	**4.4**

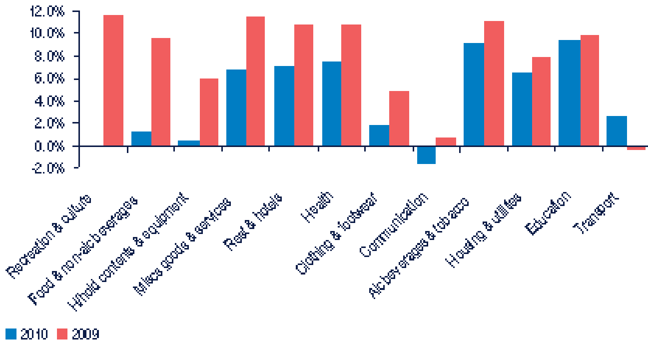
Source: Gluskin Sheff

What's on our radar screen?

Here are a couple of items we are keeping a close eye on:

- *The SA economy:* the SA consumer appears to be in reasonable health; retail sales rose from 6.5% per annum in October to 7.8% in November, with the household appliances and furniture category leading the way with a 19.8% annual increase. On the other hand the third consecutive monthly rise of 0.18% in inflation meant that the annual rate to December declined from 3.6% to 3.5%. The official annual SA inflation rate for 2010 was 4.3%, significantly lower than the 7.1% experienced in 2009. Chart 2 lists the respective sub-categories of the inflation basket, showing both the 2009 and 2010 rates of price increases.

Chart 2: SA inflation rates of sub-categories



Source: Investec Securities

- *The US economy:* Fourth quarter (Q4) growth in the US during 2010 was 3.2%, below expectations. This follows growth during the second and third quarters of 1.7% and 2.6% respectively. Growth in the first quarter this year is likely to remain quite good, thanks to more fiscal stimulus, although the second quarter is likely to prove a moment of reckoning, as much of the stimulus falls away and the effects of higher food and energy prices kick in. Perhaps the biggest surprise from the batch of Q4 economic data was the 4.4% rise in personal consumption. As has been the case many times before, US consumers continue to surprise with their resilience. Speaking of consumers, it is worth recording that the US employment rate declined from 9.8% in November to 9.4% in December and 9.0% in January. However before getting too excited, the January number was severely distorted by the recent snow storms and the December decline was largely due to the fact that many job seekers actually gave up and left the labour "pool" – hardly a positive sign. Our view on the US, its consumers and economy is formed by three simple truths: the housing market remains in a severe crisis, the labour market is in a deep state of distress and government finances are out of control. No guesses as to where, in our opinion, the major risks to the global economy lie, at least for the foreseeable future.
- *The Chinese economy:* as you should be aware by now, Chinese inflation is a key metric to watch, not least because it could threaten growth there, which could lead to further policy measures to slow the economy, which is one of the major engines of growth in the world at present - we are still in the phase of "hanging on to any growth we can get" in the world economy. So it was with some relief that January inflation came in at 4.6%, down from December's 5.1%. That didn't stop the authorities from raising the banks' reserve ratio yet again, as we noted previously. They also adopted other measures to slow the heady pace of certain markets down. For example, in an effort to slow the property market, they raised the down payment on a second home from 50% to 60%. (*Ed*: fair to say, China is not about to experience a sub-prime crisis!) The Chinese economy grew 9.8% in the December quarter and for 2010 as a whole the growth rate was 10.3%. With respect to China's vast foreign exchange reserves, the latter grew by a record $199bn in the last quarter of 2010, having risen by 18.7% for the year as a whole. They ended the year at $2 850bn.

Illustration 1: Chinese performing arts centre, Beijing

Source: National Geographic

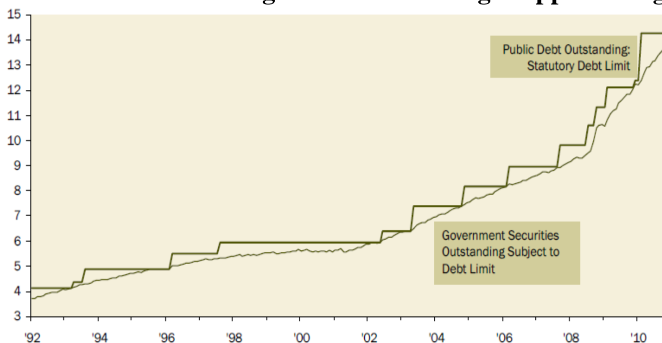
- *The Brazil economy:* Brazil raised its interest rates by 0.5% to 11.25%, the first increase since July last year, in an effort to contain the upward pressure in prices, particularly food. It faces the awkward position of not wanting to push up rates more for fear of attracting more foreign capital in search of yield (which will have the effect of increasing the value of its currency, the *real*) yet knowing it needs to tighten monetary policy (raise interest rates) in order to combat the recent escalation in prices.
- *The Indian economy:* the Reserve Bank of India raised interest rates by 0.25% to 6.5%, the highest level in two years and the seventh increase since the end of 2009.
- *The UK economy:* declined by 0.5% in Q4 10, which came as a big surprise, given that the expectation was for a 0.5% rise. The recent bad weather was said to have shaved 0.5% off the growth. This poor number brought the annual (2010) growth rate for the UK to 1.7%. But the UK still faces a serious problem: its inflation (currently 3.7%) is heading higher at a rapid rate – BoE Governor Mervyn King recently predicted that inflation would rise to between 4% and 5%, double the target range of 2.0%. And while on the subject, inflation in the Eurozone as a whole rose to

2.4% in January from 2.2% in December. Expectations are that it will rise further through the year.

- *The global economy:* the International Monetary Fund (IMF) raised its 2011 growth rate for the global economy to 4.4% from 4.2%. It raised its growth for the US from 2.7% to 3.0%, and for Germany (to 2.2%) and Japan (1.6%). It expects the global economy to grow by 4.5% in 2012. Split between developed and developing economies, the IMF forecasts 2011 and 2012 growth of 2.5% for the former and 6.5% for the latter. It also warned that, at least in their opinion, the gross US government debt would hit 110% of GDP by 2016, and that the fiscal deficit this year would rise to more than twice that of the Eurozone.

The US economy – in too deep, but will it survive?
One of the biggest concerns of the Maestro investment team is the state of the US economy and more specifically the risks that the current situation holds for global markets. Our concerns are encapsulated in a multi-faceted **Big Picture Theme** which we call *The Lost Decade*. It is impossible to comprehensively deal with all its facets in a publication like this. But one of the largest and most destructive factors is the extent of debt being taken on by the US government, seemingly with little consideration of how, let alone when, it will ever be repaid. While the Eurozone's debt problems have occupied much airtime, very little investor attention seems to have been paid to the US situation, where 40 cents of every dollar spent is borrowed. It remains a mystery to us that so many US states, for example, including the largest one, California, are virtually bankrupt, yet this topic receive little media attention. Illinois, for example, which has just raised its income (up 67% from 3% to 5%) and corporate taxes (7.3% to 9.5%) dramatically, has unpaid bills of over $8bn, an unfunded pension liability of at least $80bn and is staring at a $15bn budget deficit.

Chart 3: US debt ceiling: time of reckoning is approaching

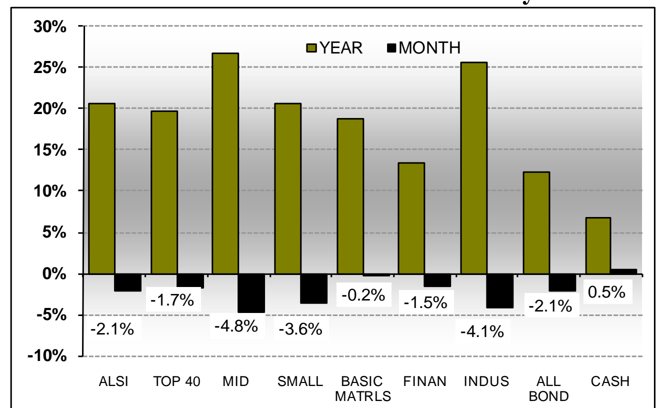


Source: Gluskin Sheff

Sometime between March and May, the US government will reach the debt ceiling mandated by Congress, which currently stands at $14 300bn - refer to Chart 3. Failure to agree to a new ceiling would technically put the US in default – that should be fun! But don't get too worried; this ceiling has been approached and changed 80 times in the past 70 years. And that goes to the heart of the problem: it is far easier to avoid the issue than to deal with it.

January in perspective – local markets
We have already documented the decline in SA equity markets in January. The feature of the month, though, was the rapid decline in the rand; it declined 7.9% against the dollar, and 9.8% and 10.0% against the euro and sterling respectively, despite firm commodity prices, which have traditionally supported the rand. Firm commodity prices did, however, have an impact on the market, with the basic material index declining only 0.2%, less than the financial index decline of 1.5%. The industrial index was uncharacteristically weak, falling 4.1%, although one should bear in mind that many industrial shares posted substantial increases in 2010, the retailers in particular, and many of them gave back some of last year's returns. Perhaps a pause for breather is not unexpected. Given the major index moves, you will not be surprised to hear that the large cap (Top40) index (-1.7%) easily beat the returns of the small cap (-3.6%) and mid cap (-4.8%) indices. The industrial and mid cap indices were particularly weak, but their January declines should be seen in the context of their respective 2010 gains of 27.4% and 30.3% - remember the All share index rose only 19.0% in 2010. Given that Maestro's equity portfolios are biased in favour of industrials and have reasonable exposure to mid caps, we underperformed the market by some way, but are still confident that these biases are justified by the above-market earnings and lower volatility that have consistently characterised these sectors over many years.

Chart 4: Local market returns to 31 January 2011



For the record, the top performing sectors during January were coal mining (7.4%), forestry and paper (7.0%) and industrial metals (5.2%). The worst performers were industrial transport (-13.7%) and construction and materials (-12.0%). Given the decline in the rand and the market, the

dollar return of the All share index for January was -9.8%, but should be seen in the context of the December dollar return of 13.9%.

Speaking of dollar returns, you might be interested to know that the *rand* return between end-February 2009 i.e. the month-end just prior to the market trough (markets turned on 9 March 2009) and end-December 2010 was no less than 82.1% - and that is in less than two years. If you think that is amazing, which it is – at least in our opinion – then consider the dollar return over the same period; it is a remarkable 176.5%. It is important that we bear the sizes of these returns in mind, because it would be unrealistic to, firstly, expect them to continue at that rate and secondly, to not expect some sort of setback every now and then - just like the one we experienced in January.

Illustration 2: Muslim women in group prayer

Source: National Geographic

A few quotes to chew on

Responding to the criticism that China wants to impose on the world its way of doing things, *Fu Ying, a Chinese deputy foreign minister*, says "You will not see China playing a role called follow me. China will judge the world from its own position and from what we see as the main trends of the world."

Ever since the collapse of Lehman Brothers in 2008 an insidious force has taken over the behaviour of global financial asset prices. Almost no asset class or region has escaped, yet it is a phenomenon little discussed beyond risk management departments and trading floors. This phenomenon is known as "Risk On – Risk Off" and is currently dominating the way markets behave. Either the market believes future prospects are good and risk is on; or the market believes future prospects are bad and risk is off. There is no middle ground. When risk is on, assets such as equities and commodities rise whereas credit spreads narrow and the Japanese yen falls. When risk is off, these instruments switch into reverse. Correlations between assets that historically hardly moved together are now highly polarized, being strongly positive or strongly negative. Correlations have continued to increase despite falls in individual asset volatility. The consequences are profound and if it is not your foremost concern as an investor then it probably should be. The most obvious manifestation is the lack of diversification which is now available to you. *Stacy Williams, Head of FX Quantitative Strategy at HSBC.*

America's budget deficit in the year to last September amounted to about $1,300bn, the second highest on record. Over the next several years, as the economic recovery advances and the impact of emergency spending measures taken during the recession start to wane, the country's deficits are expected to shrink naturally. But the relief will be temporary: because of the retirement of the baby-boomer generation, which starts in earnest this year, the cost of government healthcare and pension programmes is projected to soar. According to a report issued last month by an 18-member bipartisan commission on fiscal responsibility, by 2025 tax revenues will be sufficient to finance only interest payments – which are projected to soar from their current $200bn a year to more than $1,000bn – and entitlement programmes, with no room for anything else. "Every other federal government activity – from national defence and homeland security to transportation and energy – will have to be paid for with borrowed money," it warns. By 2035, rising debt could reduce gross domestic product per capita by as much as 15 per cent. That would imply a harsh reduction in Americans' standard of living. *James Politi, Financial Times.*

Illustration 3: Hazrat Ali mosque, Afghanistan

The European solution to high debt levels is to ensure the country in question takes on more debt to repay its initial debt, but at a much higher borrowing cost. This is akin to an individual who cannot obtain further credit from a bank,

going to a loan shark for more funds at a much higher interest rate. The problem is merely postponed and not resolved and is unlikely to end pleasantly. *Terence Craig, Element Investment Managers.*

The US is 244 years old and over one third of the national debt has been created in just the past three years. *Dave Rosenberg, Gluskin Sheff.*

It should be remembered that about half of last year's US GDP growth was inventory accumulation – that is about to come to an end. *Dave Rosenberg, Gluskin Sheff.*

I am hoping that 2011 will not be another year of records. I would like to say goodbye, even by a margin, to the world's largest peacetime deficits in the West, and also to the lowest core inflation rate in the US for fifty years. I hope it will soon be farewell to the biggest central bank bond purchases by the UK and US since Weimar Germany, and I am sure that even in China the authorities would like to forget the stimulus-driven growth records of 2009/10, with all the inflation and credit problems left in their wake. Every emerging economy must be praying that we do not see new highs in food prices after the stratospheric moves in soft commodities last year (cotton broke a post US civil war record over New Year after rising 99% in 2010), and I know from my Asian travels that every emerging world exporter is hoping to see the last of the record gains in local currency as Bernanke's newly minted dollar flow from Washington to Mumbai and Rio ... *Guy Monson, Chief Investment Officer, Sarasin Private Bank.*

Today, emerging markets make up one third of global GDP. They are growing much faster than the developed world and these positive dynamics do not seem to be about to disappear in the foreseeable future. In short, we all know that we want exposure to the develop world, but (before asking how much exposure) we need to think about exactly what exposure means ... How do we measure or quantify the exposure of an American listed oil company, drilling in Libya but selling its commoditized product into a global market where the marginal buyer in Chinese? Or a European luxury good company, whose developing world customers buy their luxury goods whilst travelling in Paris? Or a Japanese exporter of consumer goods competing with a Vietnamese exporter of the same product into Australia? These are examples of a type of emerging market exposure, despite the company in question's product never going directly to a developing country in its lifecycle. *Harry Talbot Rice, Head of global equities, Sarasin Private Bank.*

The US, being the hedonistic society that it is, looks upon consumption as the ultimate source of prosperity and saving as a dirty six-letter word. While consumer spending did fabulously well, again largely on the continued stimulative efforts by the Fed and the Federal government, the other 30% of the economy actually fared quite poorly in Q4 – essentially stagnating (a puny 0.2% annualized growth rate). In fact, while the consumer enjoyed its fastest growth rate since the first quarter of 20006, the remainder of the economy posted its softest showing since the first quarter of 2009, when the economy was plumbing the depths of the recession. *Gluskin Sheff (and ex-Merrill Lynch) Strategist Dave Rosenberg,* commenting on Q4 US economic growth.

For the record

Table 2 lists the latest returns of the mutual funds under Maestro's care. You can find more detail by visiting our website at www.maestroinvestment.co.za. Returns include income and are presented after fees have been charged. Please note that as from this month we have included in this table the returns of the three funds which form part of Maestro's retirement solutions. All three these funds are relatively new – they are just more than one year old – but they form an increasingly important part of our business, so we have decided to include their returns on a monthly basis. Fund Summaries for each respective fund listed in the table are available on our website.

Table 2: The returns of funds under Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Fund	Jan	**-5.3%**	**-5.3%**	**17.5%**
*Maestro equity benchmark **	*Jan*	*-2.3%*	*-2.3%*	*19.8%*
JSE All Share Index	*Jan*	*-2.1%*	*-2.1%*	*20.7%*
Retirement Funds				
Maestro Growth Fund	**Jan**	**-3.5%**	**-3.5%**	**13.8%**
Fund Benchmark	*Jan*	*-1.6%*	*-1.6%*	*16.9%*
Maestro Balanced Fund	**Jan**	**-2.5%**	**-2.5%**	**12.5%**
Fund Benchmark	*Jan*	*-1.3%*	*-1.3%*	*15.6%*
Maestro Cautious Fund	**Jan**	**-2.2%**	**-2.2%**	**11.6%**
Fund Benchmark	*Jan*	*-1.1%*	*-1.1%*	*13.3%*
Central Park Global Balanced Fund ($)	Dec	**5.0%**	**6.9%**	**6.9%**
*Benchmark***	*Dec*	*3.3%*	*7.7%*	*7.7%*
*Sector average ****	*Dec*	*3.5%*	*7.1%*	*7.1%*

* 50% JSE Top 40 Index, 50% JSE Financial & Industrial 30 Index
** 40% MSCI World Index, 20% each in Barclays US Aggregate Bond Index, Credit Suisse Tremont Hedge Index and 3-month US Treasury Bills
*** Lipper Global Mixed Asset Balanced sector ($)

It is time once again to report the returns of the equity portfolios in Maestro's care; they are listed in Table 3. For the benefit of our new readers, we publish these returns once a quarter, usually in the middle month of the quarter. We don't like to comment too much – we comment in detail in clients' respective Quarterly Reports – but it is fair to say that our equity portfolios had a *very* profitable December quarter, which lifted our returns well above the market for not only 2010 but also most other periods since inception. A

large portion of these returns emanated from our industrial and mid and small holdings, which is significant because the bulk of the *market* return was generated by the basic material sector. This underlines our long-held contention that *the returns generated by the "average" Maestro equity portfolio are achieved with substantially less risk than that which prevailed in the market over the same period.* Also bear in mind that our segregated portfolios are tax constrained, which means there is little portfolio turnover (share trading) to speak of.

Table 3: Maestro annual returns to 31 Dec 2010 (%)

SA equity returns	6m *	1 yr	2 yrs	3 yrs	5 yrs	7 yrs
Maestro long-term equity portfolios	*27.4*	*24.3*	*27.3*	*5.9*	*16.6*	*23.3*
Maestro Equity Fund	*22.7*	*18.4*	*21.8*	*3.1*	*11.0*	*N/A*
Maestro equity benchmark **	24.4	19.6	25.0	7.3	14.8	21.0
JSE All Share Index	24.0	19.0	25.4	6.5	15.2	20.7

* 6-month returns are un-annualised
** 50% JSE Top 40 Index, 50% JSE Financial & Industrial 30 Index

An obvious question is why our unit trust, the Maestro Equity Fund, has delivered lower returns than our segregated portfolios. There is no easy answer to this question, but it is best explained by the fact that our segregated portfolios are well established and have thus larger exposure to many of the companies which excelled last year - Abil, Blue Label Telecoms, Capitec, Cashbuild, Mr Price, Naspers and Wilson Bayly readily come to mind. They are also not subject to steady inflows, which tend to dilute the returns in the rising market (but support them in a declining market).

Illustration 4: Serengeti sunset, Tanzania

Source: National Geographic

State of the Nation – an update from the trenches

From time to time we take the liberty of using *Intermezzo* to update you about what is happening within Maestro. We have four important developments to bring to your attention. Firstly, it is with mixed feelings that we took the decision to close our hedge fund, the Maestro Long Short Equity Fund. I won't go into the details here, suffice to say that the single largest contributing factor to our decision to close the fund was the increasingly disproportionate regulatory requirements associated with running a hedge fund. In the December edition of *Intermezzo* I shared some of our frustrations with the regulatory regime. Sadly, we reached the stage where, at least in respect of one aspect of our business, it is simply not worth offering that service to clients anymore because of the onerous regulatory requirements, which are totally disproportionate to the underlying business and operations. The Fund closed at the end of December and the capital has been returned to investors.

Secondly, as most of you will know by now Mark Heerden left the employ of Maestro by mutual agreement. I would like to place on record my sincere and personal thanks for the role he played in the two and a half years he worked with us. His presence in the office is already sorely missed although his contribution in areas such as the retirement fund solutions we now have in place, remain a large part of our firm. He remains a great friend of the company and us all, and we wish him well with his future endeavours.

Thirdly, in the middle of January we welcomed another team member into our family. Victor Mupunga, who hails from Zimbabwe, joined us from the Fund Administrator IDS, and has a B Bus Sc degree from the University of Cape Town as well as an Honours degree in Finance from the same university. He has completed the three levels of gruelling CFA exams and is now completing the required work experience before the charter can be conferred on him. Victor will take a few months to familiarize himself with the administrative protocols and requirements of the business, but at the same time has been allocated some companies to research and some clients to look after, under the watchful eye of the rest of the team. Victor has a lot to learn, including how to make as decent a cup of tea as Mark used to (☺), but we aim to provide a challenging work environment for him and look forward to the role he will play in Maestro's growth and in the lives of its clients, in the coming years.

Finally, we have all but appointed another team member, in the capacity of an Assistant to yours truly, but sadly are dependent on the Department of Home Affairs to provide the necessary Specialist Skills work permit before we can employ her (yes, it is a "her"). We are desperate to bring her on board, but have run into a wall of inefficiency and ineptitude of gargantuan proportions, the likes of which I have never seen! It is a sad indictment that the authorities cannot honour their commitment (the official turnaround time for such a permit is one month, and the incumbent lodged her application in August last year) and yet another

example of the manner in which state agencies have become a burden and impediment to a more efficient and productive economy.

File 13: Information almost worth remembering

A closer look at the global auto industry

I am aware that a number of readers are fascinated by cars and the sales of the luxury brands in particular. So, here with a few useless bits of information which nevertheless make for interesting reading. Rolls Royce, which is owned by BMW, sold 2 711 cars in 2010, more than double the previous record of 1 212 set in 2008. Strong sales growth was reported in the US and the Middle East. Porsche, which is in the process of being acquired by VW, sold 95 000 cars in 2010, of which the US market accounted for 25 000. It sells about the same number of cars in Asia, with China accounting for the bulk of sales.

Total car sales in the US rose 11.5% to 11.6m in 2010, up from a 27-year low reached in 2009, when only 10.4m units were sold.

Despite phasing out specific tax incentives and restricting new car sales, Chinese motor vehicle sales for 2010 totalled 18.1m units (13.8m passenger cars and 4.3m trucks and busses). This represented an increase of 32.4% on 2009 sales. Analysts expect 2011 car sales to rise above 20m in 2011. At a recent industry conference, the president of Beijing Automotive Industry Holding (BAIC), the fifth largest car manufacturer by sales, forecast that China's automotive market would triple in size to 40m units by 2020, by which stage it would account for more than half the world's production of motor vehicles. China's car market has grown by 30% per annum over the last decade, yet the light vehicle penetration is still only 30 per 1 000 people. This compares with 206 per 1 000 people in Russia and 559 per 1 000 in Italy. Now, does the firm oil price surprise you a bit less now? And what impact do you think that will have on, say, the steel industry or the oil price? This is a great example of what we in the office refer to as "the law of large numbers".

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Speaking of large numbers, you may be interested to hear that it is widely acknowledged that sometime late in 2011 or perhaps early in 2012, the seven billionth living person will be born on Planet Earth; the six billionth person arrived in 1999.

A last look at the juicy returns of 2010

Last month we included a Table of selected returns for 2010. For the sake of completion I include a more comprehensive table of returns; this was the same table that appeared in our Quarterly Reports.

Table 4: Selected 2010 returns - equities

	2009 (%)	Sept quarter (%)	Dec quarter (%)	2010 (%)
Japan	12.9	-0.1	9.2	2.9
Hong Kong	52.2	11.1	3.0	5.3
Germany	23.9	4.4	11.0	16.1
UK	22.1	12.9	6.3	9.0
US (S&P500/ large cap)	27.1	10.7	10.9	15.5
S&P Mid cap index	35.0	12.7	13.1	24.9
S&P Small cap index	23.8	9.3	16.0	25.0
MSCI World index	***27.0***	***13.2***	***8.6***	***9.6***
Brazil	82.7	13.9	-0.2	1.0
Russia	128.6	12.6	17.4	22.5
India	81.0	13.4	2.2	17.4
China	80.0	10.7	5.7	-14.3
MSCI Emerging market	***74.5***	***17.2***	***7.1***	***16.4***
JSE All share	***32.2***	***13.3***	***9.5***	***19.0***
JSE All share ($)	***65.9***	***24.5***	***15.4***	***32.4***
Basic materials	40.9	7.0	15.8	11.7
Financial	28.0	15.1	-0.1	16.6
Industrial	31.0	18.5	7.8	27.4
Large cap (Top40)	31.8	13.4	9.9	17.2
Mid cap index	35.7	13.2	6.6	30.3
Small cap index	28.3	10.1	11.3	24.7
SA All Bond index	-1.0	8.1	0.6	14.8
SA Cash	8.9	1.7	1.5	6.9
Barcap US Agg. Bond index	6.1	2.5	-1.3	7.8
Barcap Global Agg. Bond index	N/A	7.3	-1.3	5.5
Emerging market bonds	27.2	8.7	-2.0	12.5
US 10-year bond	-9.7	4.5	-5.6	7.9
US Corporate bonds	19.8	4.9	-1.6	9.5
US high yield bonds	57.5	6.7	3.1	15.2
Cash (US dollar)	0.1	0.0	0.0	0.1
DJ CS Hedge index	18.6	4.9	4.7	11.0
Brent (Oil)	94.1	9.7	15.1	21.6
Gold	27.6	5.1	7.9	27.7
Silver	57.5	17.8	38.8	80.3
Platinum	62.7	8.5	5.6	20.1
Palladium	114.1	28.5	39.1	102.8
Copper	151.3	23.1	20.0	31.0
Nickel	70.00	20.4	7.1	34.5
Baltic Dry index	288.2	6.5	-30.8	-41.0
CRB Com index	23.5	11.0	12.5	13.9
S&P GS Commodity index	61.6	8.9	14.4	18.4
Euro dollar	3.2	11.5	-1.7	-6.5
Sterling dollar	12.3	5.3	-0.6	-3.1
Rand dollar	25.6	9.9	5.4	11.3

Table 6: MSCI returns to 31 January 2011 (%)

	Jan'11	2010
Hungary	11.5	-10.7
Czech	9.0	-7.4
Russia	4.0	17.2
Morocco	3.6	10.8
Taiwan	3.2	18.3
Pakistan	2.6	19.5
Korea	2.2	25.3
MSCI DM	**2.2**	**9.6**
Hong Kong	1.7	19.7
Poland	1.5	12.6
Malaysia	0.8	32.5
Japan	0.1	13.4
Singapore	-0.2	18.4
China	-0.5	2.3
Argentina	-1.2	70.1
AP ex Japan	**-1.4**	**15.0**
EM Asia	**-1.5**	**16.6**
Colombia	-2.1	40.8
Australia	-2.3	10.0
MSCI EM	**-2.8**	**16.4**
Mexico	-2.8	26.0
Israel	-2.9	2.2
Brazil	-4.4	3.8
LatAm	**-4.6**	**12.1**
EMEA	**-4.6**	**20.9**
Thailand	-8.9	50.8
Chile	-9.3	41.8
Turkey	-9.9	18.4
Indonesia	-9.9	31.2
Philippines	-10.5	30.3
Peru	-12.0	49.2
South Africa	-12.3	30.7
India	-13.1	19.4
Egypt	-21.1	9.5

Source: Merrill Lynch

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