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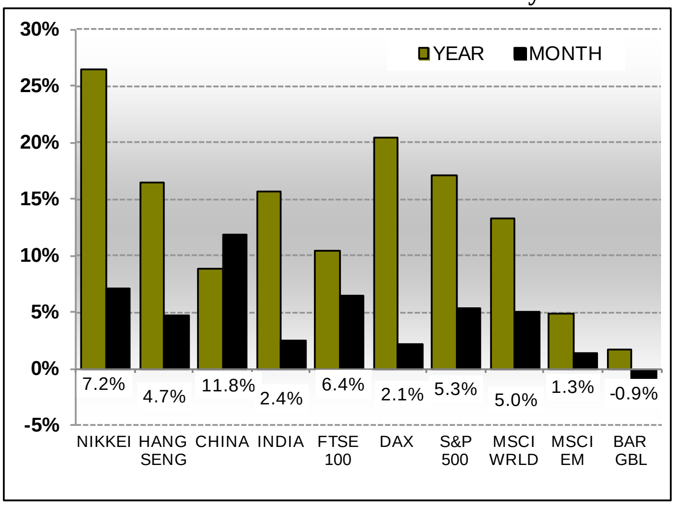
INTERMEZZO
Investment Letter | 13th Edition | February 2013

January in perspective – global markets

The momentum that drove global equity markets during the final weeks of 2012 continued into the New Year. Equity market strength across most markets was a feature throughout January. This, despite no real news other than hope of the return to some form of normality within the global economy, brought about through the resolution of the US fiscal crisis and further healing in the Eurozone. Tangible signs of an increase in economic activity in China were offset by initial negative readings on the US. In the end the MSCI World index registered a gain of 5.0% in January versus the 1.3% increase in the MSCI Emerging market index. Strong gains in Germany of 2.2%, Hong Kong 4.7%, the US 5.3%, the UK 6.4% and Japan 7.2% (driven by further yen weakness) helped propagate positive sentiment. The respective increases in the S&P mid and small cap indices of 7.2% and 7.8% were noteworthy. Within emerging markets the story was mixed; Brazil declined 2.0% but India rose 2.4%, Indonesia and South Africa 3.2%, Russia 6.2% and China up a mouth-watering 11.8% (admittedly off a low base). Not surprisingly, global bond markets were under pressure; the Barcap Global bond index declined 0.9%.

Chart 1: Global market returns to 31 January 2013



Currency markets also drew attention; the rand was uniquely weak against most currencies – it declined 5.0% and 7.8% against the dollar and euro respectively – while the yen was arm-wrestled lower by the Bank of Japan. It ended 5.3% weaker against the greenback, bringing its decline during since September to 14.8%. The price of Brent oil rose 4.0%. Platinum rose 9.5% and palladium 5.0%, reflecting concerns about supply emanating out of South Africa. Base metals were firm across the board. The widely followed CRB and S&P GSCI commodity indices rose 3.4% and 4.9% respectively.

Afro-pic 1: A leopard and cheetah get to know each other

What's on our radar screen?

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

- *The US economy*: The US economy shrank by 0.1% at an annualized rate during the December quarter, pulled lower by a drawdown in inventories and a reduction in defence spending. The two latter factors, which one could argue are once-off in nature, each reduced growth by 1.3%, so investors concluded that the underlying economy was still sound. The number of jobs created rose in January and the numbers for November and December were revised sharply upwards, providing more fuel to the positive sentiment towards global equity markets. The US unemployment rate rose marginally to 7.9%.
- *Other development economies*: the **Japanese economy** declined by 0.9% during the third quarter of 2012 (Q3) and inflation declined at a rate of 0.6% in the year to January. **Eurozone** unemployment rose to 11.8% across the 17-nation region, the highest since data has been kept (1995). There are now 18.8m unemployed people in the EU. The southern regions are the hardest hit, with unemployment in Spain at 26.6% (56.5% of Spanish youth are now jobless). Germany's rate is 5.4%, France 10.5% and Austria the lowest at 4.5%.
- *Emerging economies*: The **Chinese economy** grew by 7.9% in the fourth quarter (Q4), an improvement on Q3's 7.4%. It annual growth rate for 2012 was 7.8% of which 51.8% came from consumption, 50.4% from capital formation and -2.2% from net exports. The 7.9% Q4 growth was driven by government stimulus, primarily in the form of infrastructural spending. Fixed asset spending grew 20.6% during the year and retail sales rose 15.2%. Industrial production rose 10.3%. Chinese inflation in December rose to 2.5%, driven by

higher pork and vegetable prices due to cold weather. The **Indonesian economy** grew 6.3% in Q3 and inflation rose 4.3% in November. **Malaysia** grew by 5.2% in Q3 and **Chile** by 5.7%. **South Korea** grew by 1.5% in Q4.The Reserve Bank of **India** cut the official rate of interest by 0.25% to 7.75% despite inflation rate rising to 10.6% in December.

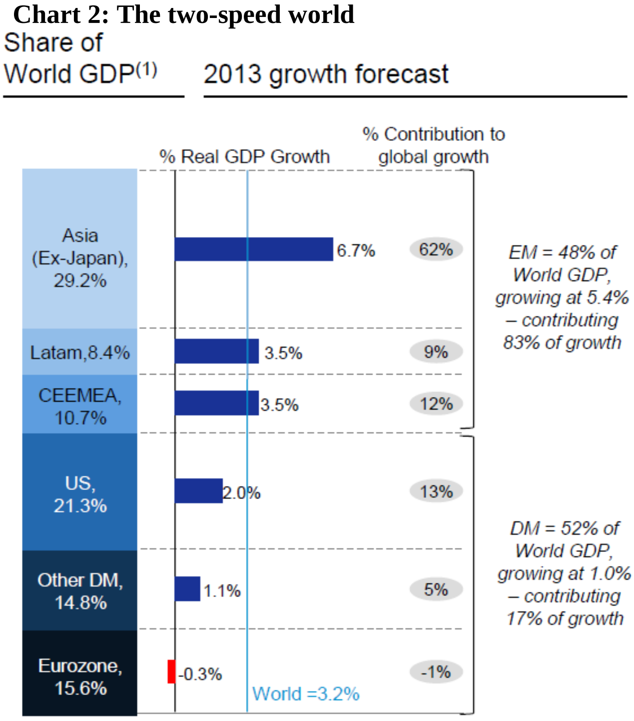
Afro-pic 2: Hippos bathing in water

Chart of the month – Part 1

The global economy has grown at an average long-term rate of 3.8%; Deutsche Bank's forecast growth rate for 2013 is 3.2%. This forecast paints a fairly positive picture for equities; however we need to remain cautious for two specific reasons. Firstly, the lion's share of growth is expected to be generated in the second half of the year, which increases the forecast risk, and secondly a significant position of this growth is expected to come from developing nations. Chart 2 highlights the importance of Asia (excluding Japan) to world growth. The region constitutes 29.2% of the world economy (GDP) and is expected to grow by 6.7%. Its overall contribution to forecast global growth is 62.0%. In stark contrast developed markets, which now constitute 52.0% of world GDP, are collectively only growing at a pedestrian pace of 1.0% and will contribute only 17.0% towards the expected overall growth rate. One can only imagine how bleak this picture may have looked had developed market central banks not acted in the aggressive manner in which they did. It would be naïve to believe that the world would not have retracted sharply had these institutions not adopted such dramatic policies.

Christine Lagarde, managing director of the International Monetary Fund (IMF), recently noted that the world had avoided collapse, but that it needed to guard against any relapse. She felt in many respects that 2013 will be a make-or-break year. In a few respects, we believe she may be right. The extended period of ultra-loose monetary policy, including both exceptionally low interest rates and huge expansions in central banks' balance sheets, needs to translate into developed market growth and subsequent reductions in their historically high unemployment rates. We are still not out the woods, but if Europe can "turn the corner" and the US can continue to grow while improving its fiscal position, it will provide a supportive tail wind to emerging markets. At some point in the near future, the developed market needs to come to the party. Substantial fiscal and monetary support is still essential. If policy makers can sustain their efforts, the world could be far closer to a full recovery.

Chart 2: The two-speed world



Source: Deutsche Bank

Another year of hedge fund disappointment

We commented on it a few times during the course of last year, but with 2012 now a thing of the past we can conclusively say that last year is probably another year hedge fund managers and investors would like to forget. Following a year of disappointment - the DJCS Hedge index declined 2.5% and the HFR Global hedge fund index fell 8.9% - investors must have been hoping for improved returns in 2012. Although the two latter indices rose 7.7% and 3.5% respectively, many high profile hedge funds posted a second consecutive year of disappointing returns. One example is the Advantage Plus Fund of John Paulson, the manager who rose to fame with spectacular gains after correctly predicting the 2007 sub-prime collapse. Since then, though, the Advantage Plus Fund has struggled to make headway – it declined 51% in 2011 and followed this with a 19% decline in 2012. Paulson's Gold Fund declined 11% in 2011 and another 25% last year. Of course there were many hedge funds that did well last year, but on the whole the asset class struggled with markets that demonstrated very little differentiation between asset classes and companies.

And what are the "Big Guys" doing?

Speaking of returns, I recently came across an interview with the Jack Ehnes, the Chief Executive Officer of the $157.8bn California State Teachers' Retirement System, otherwise known as Calstrs (pronounced Calsters) and the second largest retirement fund in the US. The interview covered many interesting aspects, the two most important of which, at least in my mind, were the extent to which the Fund is struggling to satisfy its return assumptions and secondly, its asset allocation. With regard to the latter, at the end of 2012 the Fund had 51.3% invested in the equity market, 17.9% in fixed income assets, 14.0% in real estate, 13.8% in private equity investments, 2.3% in cash and 0.6% in other assets.

But it was the extent to which the Fund is struggling to deliver meaningful long-term returns that intrigued me – a reflection of the flat but volatile global investment markets experienced during the past 12 years. The Fund has reduced its long-term investment assumptions i.e. its expectation of long-term returns, from 8.0% to 7.5%. In its year to June 2012 the Fund generated a return of only 1.8%, leaving a large funding gap. As Ehnes said "In the US we are looking at over 70m baby boomers moving into retirement, that for the most part do not have secure or predictable sources of income." That sums up the predicament of many retirement funds in the developed world; the challenge to produce an adequate return in the midst of volatile and flat markets remains a significant factor in determining the level and direction of markets into the future.

Some quotes to chew on

A quick analysis of SA tax regime

The following excerpt comes per kind favour of auditing firm Logista's monthly newsletter. The data make for very interesting reading. "SARS recently released their annual tax statistics for 2012 which make for some interesting reading. 33% of taxes come from individuals. This is made up of 6m taxpayers of whom 1.5m are below the threshold of submitting tax returns. This is up from 1.7m taxpayers in 1994. The average rate of tax paid by individuals is 21%. We often hear that South Africa is the most unequal country when it comes to distribution of income, so it is not surprising that 10% of individuals pay 57% of personal income tax. The next highest category is indirect taxes – VAT (25.7%) and Fuel Levy (4.9%). As this is a consumption tax it is borne by all citizens. Over the past several years, there has been a boom in retail spend driven by black consumers and this confirms that taxation falls on all the people of the country. The fact that taxis contribute substantially to the fuel levy underlines this. Corporate South Africa pays 20.6% of taxes. This sector has been under pressure since the 2008 global slump and only one in three corporations actually pay tax. The remainder of tax collections comes from Customs and Excise (4.6%), Secondary Tax on Companies (STC or dividend tax) 3% and then "other" makes up the balance. How do we compare globally? On a **corporate basis** we compare reasonably well – our overall average rate is 33% as opposed to 44% globally and 57% for the rest of Africa. This puts us at 59th position out of 179 countries. On an **individual basis** we are amongst the higher taxed nations – our top rate is 40% whereas the average global maximum rate is 28.9%. As this includes all countries it is perhaps best to compare South Africa to the BRICS (Brazil, Russia, India, China and South Africa) – Russia's rate is 13%, Brazil's 27.5%, India's 30% and China's 45%. We are still high on this basis. On the **indirect front**, our VAT rate of 14% is relatively low versus other countries including the BRICS (Brazil 17%, Russia 18%, India 12.5% and China 17%). In the past several years, SARS has considerably improved revenue collections. If we look at the three different sectors (corporate, individuals and indirect), we are probably close to global averages. We also know the government will continue to try and improve the lives of the poorer communities – more than 1m more people to receive social grants, National Health Insurance etc. It looks as though tax increases could therefore be coming – and a VAT increase looks like the most likely option.

Afro-pic 3: Feline affection

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For the record

If you are a regular reader of *Intermezzo* you will be aware that in the mid-month in the quarter we table the returns of the funds under our management. We first list the returns of our "public" solutions (funds) as per usual in Table 1, followed by the returns on our "private" client portfolios i.e. the portfolios which we manage on a segregated (separate) basis i.e. where the assets are registered in the name of the client and not in a collective investment scheme such as a unit trust, retirement or preservation fund. Returns include income and are presented *after* fees have been charged. Fund Summaries for each respective fund listed in the table are available on our website.

Table 1: The returns of funds under Maestro's care

	Period ended	Month	Year to date	Year
Maestro Equity Prescient Fund	**Jan**	**1.1%**	**1.1%**	**21.0%**
JSE All Share Index	*Jan*	*3.2%*	*3.2%*	*23.7%*
Retirement Funds				
Maestro Growth Fund	**Jan**	**1.7%**	**1.7%**	**17.5%**
Fund Benchmark	*Jan*	*2.7%*	*2.7%*	*19.8%*
Maestro Balanced Fund	**Jan**	**1.8%**	**1.8%**	**16.1%**
Fund Benchmark	*Jan*	*2.4%*	*2.4%*	*17.9%*
Maestro Cautious Fund	**Jan**	**0.6%**	**0.6%**	**13.5%**
Fund Benchmark	*Jan*	*1.2%*	*1.2%*	*13.3%*
Central Park Global Balanced Fund ($)* **	**Dec**	**0.5%**	**7.8%**	**5.9%**
*Benchmark**	*Dec*	*0.9%*	*7.8%*	*7.8%*
*Sector average ***	*Dec*	*1.3%*	*6.8%*	*6.8%*

* 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 ($)
*** Estimate

By now you would have all seen the returns for 2012. Being the investment creatures we are though, we like to pore over and analyze them to death to see where we went wrong, what we got right, how our competitors fared and of course what we can learn from last year's market behaviour. To that end, I have included some tables at the end of this edition of *Intermezzo* which you might find interesting.

Last year was a strange year on the markets in many respects, perhaps the most obvious being that despite all the risk and uncertainty, equity markets posted superb returns, some of which were nothing short of spectacular. There was also a lot of opportunity to get it wrong and we note that some of the more "established", large South African managers managed to do just that. We were more fortunate – I will not enter into the debate of whether it was luck or skill here ☺ - and despite lagging the market returns a bit during the final quarter of 2012, the returns of the portfolios in our care generally ended the year with more-than-respectable returns. On a relative basis we enjoyed a very good quarter and year. Our relative returns i.e. the returns of portfolios under *our* management compared (relative) to the returns of portfolios managed by our competitors and professional peers, posting strong gains.

A few quick words on our local general equity unit trust, the **Maestro Equity Prescient Fund**. Using data provided by Morningstar, our Fund delivered a return for 2012 of 25.5% and was placed in 27th position with the category of general, growth and value funds. There are 105 funds in this category, which means that we ended the year on the cusp of the top quartile – if we had been in 26th position we would have been in the top quartile. This is a significant improvement on our rankings from a year ago and we are delighted to know that our clients benefitted accordingly.

Our retirement fund solutions, which include our retirement annuity and preservation fund solutions, namely the Maestro Growth, Balanced and Cautious Funds, also enjoyed a strong quarter and year in absolute and relative terms. Had we participated in the Morningstar survey, the **Maestro Balanced Fund** would have been placed in 32nd position out of 119 funds, also just outside of the top quartile. Its return of 18.3% was well ahead of the average sector return from comparable funds, of 15.9%. The **Maestro Growth Fund** achieved a return for the year of 20.0%. The **Maestro Cautious Fund** had a particular good year; had it participated in the Morningstar survey its 16.0% return for 2012 would have placed it in 13th position out of 69 comparable funds, comfortably in the top quartile and well ahead of the sector average return of 13.5%.

So all in all, while there is still some room for improvement, it is fair to say that we met our relative performance objectives during last year. Of course, the simple absolute returns say nothing about the degree of risk implicit in each fund. Although the issue of risk is a complicated one and beyond the scope of a publication like this, it is fair to say that we are comfortable that the returns we achieved across all the funds under our management were achieved with substantially less risk than that which is implicit in the underlying markets.

Let me now turn briefly to the returns achieved on the private (segregated) equity portfolios in our care. The actual returns are contained in Table 2 below and the same returns are depicted in Chart 3. For the record, all of the portfolios included in the calculation of the returns below are tax-constrained, unlike all unit trusts and retirement funds.

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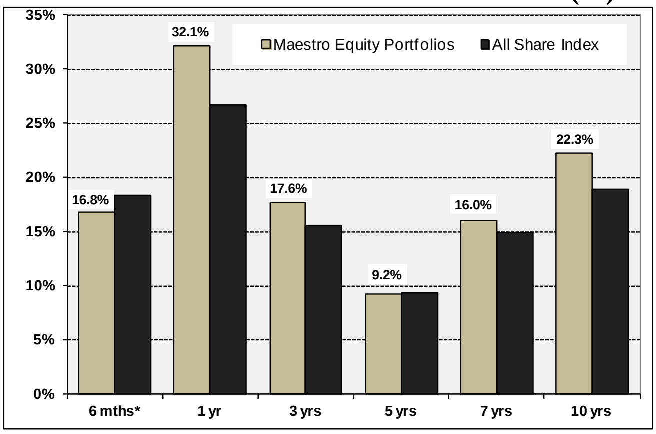
Table 2: Maestro annual returns to 31 Dec 2012 (%)

SA equity returns	6m *	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Maestro long-term equity portfolios	*16.8*	*32.1*	*17.6*	*9.2*	*16.0*	*22.3*
JSE All Share Index	18.3	26.7	15.6	9.4	14.9	18.9

* 6-month returns are un-annualized

The returns in Table 2 speak for themselves. Of note is the fact that, with the exception of the 5-year return i.e. the period from just after the onset of the Great Financial Crisis in October 2007, our private client returns have exceeded the returns of the All share index for each period. What is not evident from the data is that we achieved these returns without exposing the assets to inordinate risk. In fact the returns have been achieved through the assumption of less risk than was experienced by the underlying equity market. I hope to spend more time in next month's edition on the matter of risk in the SA equity market, at which stage you will understand why we can comfortably assert that our returns were achieved through the assumption of less risk than that of the market.

Chart 3: Maestro annual returns to 31 Dec 2012 (%)



* 6-month returns are un-annualized

One of the key determinants of our consistent out-performance of the All share index is the fact that all the portfolios under our management, public and private, are characterized by a bias in favour of industrial shares. Our clients are very aware with this, but if you would like to obtain more details, I encourage you to review our literature, specifically the Maestro Equity Fund's Fund Summaries and Quarterly Reports. We have had this bias since inception and it is unlikely to change if our view of the future is remotely correct. We have also invested in many mid and small caps shares over the years, to the extent that it is fair to say that our portfolios have probably been more heavily weighted towards these sectors over the long-term than the average unit trust. Given that mid and small cap shares, and industrial shares have outperformed the All share index substantially over the long-term, it is not difficult to identify one of the main sources of our outperformance. Thus, the compound *annual* return of the All share index to end-December was 18.9%, while the return over the comparable period from the industrial index were 24.7%.The mid and small cap indices generated returns of 23.6% and 25.6% over the same period. And it is a matter of record that the returns of these three indices were less volatile than those of the All share index, underlying our assertion that the returns of the portfolios under our management were achieved with less risk. It also underlines our conservatism, which we think is an appropriate stance to adopt when looking after the assets of our clients. Where we need to, we will suggest clients take on more risk, but it is fair to say that our conservatism has not acted as a brake on client returns over the long-term. On the contrary, although it sounds counterintuitive, our conservatism has complimented and in fact boosted their risk-adjusted returns over the past decade.

Afro-pic 4: Cheetah mother and cubs

Chart of the month – Part 2

This chart is self-explanatory, but an interesting one nonetheless. Most global equity indices are weighted according to the size of their underlying constituents. So the largest companies have the heaviest weightings in the index. However, if one apportions an equal weight to all constituent companies, the direction and outcome of the underlying index is often quite different. Upon further analysis, although most US equity indices have not returned to their pre-2007 peaks i.e. the peaks reached prior to the onset of the Great Financial Crisis in October 2007, an equal weighted index of US stocks shows that they are actually at an all-time high.

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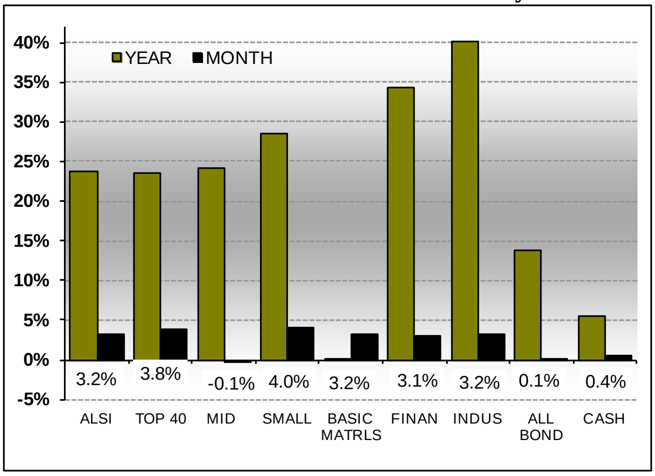
Chart 4: Equal weighted index of US stocks at record high

Source: Merrill Lynch

Chart 5: Local market returns to 31 January 2013



January in perspective – local investment markets

The movement in South African investment markets mirrored the global trend – the equity market was strong and the bond market relatively weak. The All share index rose 3.2%, and the basic material, financial and industrial indices rose 3.2%, 3.1% and 3.2% respectively – all very similar, which is quite unusual. Also unusual was the large disparity between the returns of the mid and small cap indices; the former declined 0.07% while the small cap index rose 4.0%. One of the features of the mid cap decline was the broad-based weakness in retailers, which were severely punished on the back of disappointing trading updates and meteoric 2012 returns. The food and drug retail sector declined 14.2% to take the ignominious title of the "worst performing sector of the month", while the general retail sector fell 9.7%. By way of indication, consider the *monthly* declines in Shoprite of 17.6%, Foschini 16.8%, Cashbuild 15.0%, Mr Price 11.9%, Spar 10.8% and Woollies 10.4%. Another interesting feature during the month was the 5.2% decline in the gold index, despite a flat gold price and a very weak rand.

So there were plenty of unusual features within the local market in January – it seems like this year will be an interesting one if the past month is anything to go by. The best performing sector was the beverage sector (SAB Miller rose 13.3%, assisted in part by the 5.0% decline in the rand), followed by forestry and paper (Mondi rose 16.2%) and personal goods sectors (Richemont rose 11.4%, also aided by the weak rand), which rose 12.0% and 11.4% respectively. The All bond index posted a small (0.07%) gain during the month. The major feature of the annual returns to end-January remains the huge disparity between the basic material sector on the one hand and the financial and industrial sectors on the other – consider the difference in the chart, below. The former sector rose 0.1% in the past year while the two latter sectors boast annual gains of 34.3% and 40.1%.

File 13: Things that are almost worth remembering

Some of you may have seen the following, but I so enjoyed it that I just have to share it with those who haven't seen it. I am not 100% certain the numbers are even correct, but that is beside the point. I am sure that you, like all of us in our investment team, are sick and tired of hearing about the Fiscal Cliff and Debt Ceiling. Sure, they are huge, largely unresolved issues that should not be taken lightly. But the following item succinctly captures the absurdity of what so-called responsible politicians have been arguing about for years! Here then is an alternative perspective; the source is unknown – enjoy!

Lesson #1:

- US Tax revenue: $2 170 000 000 000
- Fed Budget: $3 820 000 000 000
- New debt: $1 650 000 000 000
- National debt: $14 271 000 000 000
- Recent budget cuts: $38 500 000 000

Let's now remove 8 zeros and pretend it's a household budget:

- Annual family income: $21 700
- Money the family spent: $38 200
- New debt on the credit card: $16 500
- Outstanding balance on the credit card: $142 710
- Total budget cuts so far: $38.50

Got it?? OK, now on to...

Lesson #2: Here's another way to look at the Debt Ceiling: Let's say you come home from work and find there has been a sewer backup in your neighbourhood. Your home has sewage all the way up to your ceilings. What do you think you should do? Raise the ceilings, or remove the sh*t?

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So what's with the pics?

After the inclusion of some European photographs in [last month's edition of *Intermezzo*], (admittedly one would hardly have guessed they were from Europe, but they were nice photos, weren't they?) and having returned from abroad to set foot once again on "Mother Africa" I thought it would be appropriate to celebrate our beautiful continent with some suitable pictures. Enjoy the taste of Africa. Most pictures are courtesy of National Geographic.

Afro-pic 5: A lone cheetah surveys the investment landscape

Table 3: MSCI returns to 31 December 2012 (%)

	YTD	MTD
ACWI	**4.5**	**4.5**
DM	**5.0**	**5.0**
Asia Pacific	**4.2**	**4.2**
Australia	5.5	5.5
Hong Kong	5.8	5.8
Japan	3.7	3.7
New Zealand	10.0	10.0
Singapore	1.4	1.4
GEM	**1.3**	**1.3**
EM Asia	**1.0**	**1.0**
China	4.1	4.1
India	5.0	5.0
Indonesia	2.2	2.2
Korea	-4.1	-4.1
Malaysia	-4.8	-4.8
Philippines	7.7	7.7
Taiwan	0.2	0.2
Thailand	5.8	5.8
EMEA	**-0.4**	**-0.4**
Czech	-6.0	-6.0
Egypt	-2.1	-2.1
Hungary	11.1	11.1
Morocco	1.2	1.2
Poland	-3.1	-3.1
Russia	6.3	6.3
South Africa	-5.7	-5.7
Turkey	1.7	1.7
LATAM	**3.7**	**3.7**
Brazil	2.8	2.8
Chile	7.4	7.4
Colombia	1.9	1.9
Mexico	5.5	5.5
Peru	-1.1	-1.1

Source: Merrill Lynch

Table 4: Winners and losers in 2012 (%)

	2011	2012
Global Equities	-6.9%	16.8%
US	2.0%	16.1%
Europe	-10.5%	19.9%
UK	-2.5%	15.3%
Japan	-14.2%	8.4%
Pacific Rim ex-Japan	-12.7%	24.7%
Emerging Markets	-18.2%	18.6%
Global Fixed Income	5.8%	4.9%
Government	6.8%	1.7%
US Treasuries	9.8%	2.2%
Quasi-government	5.3%	6.4%
Investment Grade Corporate	4.5%	11.1%
High Yield Corporate	2.6%	19.3%
EM Corporate Debt	3.8%	15.8%
Collateralized Debt	5.0%	5.0%
US Mortgage Backed Securities	6.1%	2.6%
Commodities	-2.6%	-0.3%
Energy	4.2%	-2.2%
Industrial Metals	-22.2%	1.1%
Precious Metals	7.1%	6.1%
Agriculture	-11.9%	2.7%
Cash	0.1%	0.1%
US Dollar	0.5%	1.5%

Source: Merrill Lynch

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Table 5: Ranked returns for 2012 (%)

1	Greece Govt Bonds	108.2%
2	Portugal Govt Bonds	62.8%
3	Turkey Equities	62.3%
4	Poland Equities	40.2%
5	Ireland Govt Bonds	31.1%
6	Mexico Equities	30.1%
7	Hong Kong Equities	29.4%
8	Germany Equities	29.0%
9	Singapore Equities	28.9%
10	Turkey Govt Bonds	27.3%
11	Poland Govt Bonds	26.6%
12	India Equities	25.2%
13	China Equities	24.1%
14	Italy Govt Bonds	23.1%
15	France Equities	22.4%
16	Australia Equities	22.2%
17	Russia Govt Bonds	20.9%
18	Korea Equities	20.7%
19	Mexico Govt Bonds	20.6%
20	Taiwan Equities	19.3%
21	Switzerland Equities	19.0%
22	S. Africa Equities	17.8%
23	US Equities	17.3%
24	Global Equity Index	16.9%
25	US HY Corp Bonds	15.6%
26	Korea Govt Bonds	15.4%
27	UK Equities	14.8%
28	Italy Equities	13.6%
29	France Govt Bonds	12.2%
30	Greece Equities	11.9%
31	Russia Equities	11.2%
32	US IG Corp Bonds	10.3%
33	S. Africa Govt Bonds	9.9%
34	Spain Govt Bonds	9.7%
35	India Govt Bonds	8.8%
36	Singapore Govt Bonds	8.8%
37	Canada Equities	8.7%
38	Japan Equities	7.2%
39	Indonesia Govt Bonds	7.1%
40	Ireland Equities	7.0%
41	Australia Govt Bonds	6.8%
42	UK Govt Bonds	5.9%
43	Spain Equities	5.8%
44	China IG Corp Bonds	5.7%
45	Germany Govt Bonds	5.5%
46	Indonesia Equities	5.2%
47	Brazil Govt Bonds	4.9%
48	Portugal Equities	4.9%
49	Canada Govt Bonds	4.7%
50	China Govt Bonds	3.9%
51	Switzerland Govt Bonds	3.7%
52	Hong Kong Govt Bonds	3.0%
53	US Govt Bonds	2.1%
54	Global Govt Bond Index	1.4%
55	Brazil Equities	-2.0%
56	Israel Equities	-5.4%
57	Japan Govt Bonds	-10.4%
58	Japan IG Corp Bonds	-10.8%

Source: Merrill Lynch

Afro-pic 6: A friendly, feline welcome