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Murray Winckler

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Fund Manager Q&A - Laurium Capital



Laurium Capital's Murray Winckler talks with us about everything from fees to performance.

Tell us about your team

Laurium Capital was founded five years ago by Murray Winckler and Gavin Vorweg who worked together at Deutsche bank for 10 years. The Laurium team comprises 8 professional staff with more than 85 years investment experience. The team includes 3 portfolio managers/analysts, 3 analysts, one of which is also responsible for the trading function, a COO and an office manager.

(Further detail is provided on page 2.)

What is the flavour of your fund and what is your investment style?

The Flagship fund is the Laurium long/short hedge fund. The fund is structured as a limited liability partnership and invests predominantly in equities listed on the JSE. The Fund's investment objective is to provide consistent real returns to Investors. The Fund's long term investment objective is to deliver at least a 7% return above the South African Consumer Price Index per annum, on a rolling three year basis. The Fund seeks to avoid negative returns over any one year period. The Fund uses fundamental bottom-up research, with a value bias, to generate a concentrated but conservative portfolio. Moderate leverage and utilisation of derivatives where appropriate are used to enhance yield, protect asset values and minimize volatility.

Tell us about your performance?

The Fund has outperformed all its benchmarks since inception (August 2008), having delivered a return of 69% or 13.2% per annum. This is against a JSE All Share Index return of 34% over the same period or 7.1% p.a. The long/short fund's real return p.a. has been 8.2%.

The Laurium long/short fund was launched two months before the collapse of Lehman Brothers, has survived turbulent times and steadily grown in size to approximately R 1 billion. Laurium's firm-wide assets are now around R1.5 billion.

How are you differentiated?

Some of the key differentiating factors are as follows:

- Very strong focus on fundamental analysis, particularly financial analysis and detailed due diligence on companies and management
- Use of derivatives as an overlay to the portfolio.
- Strong financial analysis (both partners, Murray and Gavin, are CAs, CFAs who were instrumental in the development of the FAS (Financial Analysis System) and Value Guide used by Deutsche Bank and I-Net). Both tools will form a core part of our investment process.
- Extensive experience in financial markets, particularly equities and equity derivatives. The two principals spent more than 10 years each in Investment banking.
- Broad knowledge of and strong relationships with SA corporates.

The firm believes that the combination of good stock selection from a thorough process, and conservative hedging and portfolio construction, should ensure that we deliver good absolute returns over time.

What do you think about offshore investment and do you ever buy offshore shares in your funds?

While the Fund is focussed primarily on equities that are listed on a South African Exchange, the Fund may transact in



Fund Manager Q&A contd...

opportunities that it identifies in securities that are not issued or listed in South Africa. Transactions in these securities must however be related to the core strategy of South African equities and gross exposure to these securities must not exceed 15% of the portfolio NAV.

The Fund currently has exposure to offshore corporate bonds and offshore listed commodity instruments.

Over the last year, what have been your best trades?

On the long side we have held Old Mutual, Naspers and Richemont which have all performed extremely well. Our best short trades have been Murray and Roberts, ABSA and Pick n' Pay. Our best arbitrage trade has been long Mvela Group, and short ABSA to capture a 20% discount that Mvela was trading at relative to its underlying assets prior to unbundling.

What is your view of resources?

Intrinsically valuations are very depressed, particularly Anglo American and Billiton. Acceleration in growth in China during 2013 to above 8% could provide a tailwind to commodities and the sector. However volatility of returns is high and we limit our exposure to the sector in the overall portfolio.

What is your view of the market currently and what are you doing about it?

With US rates expected to remain extraordinarily low at least until the middle of 2015, the search for yield should continue to benefit equities globally. The US equity risk premium is above 7% and in our view investors should therefore continue to be rewarded for taking risk. The road however is

likely to be bumpy as US earnings growth is poised to turn negative for the first time since 2009, with the market turning its attention to US presidential elections and the looming fiscal cliff. Our net equity exposure remains high at around 65% and our portfolio has significant exposure to rand hedge stocks such as Richemont, Naspers and Sasol to protect against escalating labour action in South Africa and potential net foreign equity and bond out flows.

What is your fee philosophy?

The portfolio managers have a significant portion of their wealth invested in the fund and are therefore invested alongside the investors. The fund charges an annual management fee of 1% and a performance fee of 20% of the fund gains p.a. subject to the investor receiving a hurdle return of at least cash and a high water mark. There is no performance fee if the fund returns are below cash.

Who is your fund suitable for?

The investment opportunity entails becoming a Partner in, and making a Capital Commitment of at least R5 million, to the Fund. Clients are mainly Fund of Funds, Pension Funds and family offices. Being a hedge fund, the fund is only considered appropriate for sophisticated, professional and high net worth investors. Each potential investor in the Fund must have enough wealth or knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of such an investment.

Find out more about Laurium Capital [here](#).

Name	Role	Previous Experience
Ted Woods CA (SA) CFA	(64) Chairman Laurium Advisory Board	Board member Standard Bank, CE Deutsche Bank South Africa
Murray Winckler CA (SA) CFA	(51) Portfolio Manager, Analyst	CE Deutsche Bank South Africa, Head of Equities, Head of Research
Gavin Vorweg CA (SA) CFA	(40) Portfolio Manager, Analyst	Deutsche Bank – Head of Middle East & Africa derivative structures, Deputy head of research
Craig Sorour CA (SA) CFA	(43) Portfolio Manager, Analyst	Deutsche Bank – Retail analyst and equity prop trader
Kevin Shein CFA	(32) Analyst, Trader	Anglo American, Bridge Capital – Corporate finance
Paul Robinson BSc, MBA	(35) Analyst	Merrill Lynch, RALK Capital – Hedge fund analyst
Mark Preston CA (SA) CFA	(29) Chief Operating Officer	Deloitte, Aveng Group - Financial Management & Corporate Finance
Andre Brink CIMA (UK) CFA	(30) Analyst	RMB - Fixed Income, currencies & commodities, physical commodity trader.
Victoria Gorman	(32) Office Manager & Assistant to Investment Team	Peresys – Marketing

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Flexible Fund Top & Bottom 10 Performers

Funds ranked on 12 month performance
All prices as of 06:00 06 Nov 2012.

Fund	Size (Rm)	6mths	12mths	3yrs	5yrs
Visio Actinio Portfolio	673.46	13.11%	36.80%	82.37%	100.28%
36ONE Flexible Opportunity Fund	1372.36	10.96%	32.07%	95.70%	62.79%
BlueAlpha All Seasons Fund	165.11	8.65%	28.96%	65.18%	65.07%
Consilium Flexible Fund	400.54	10.55%	23.45%	53.49%	38.02%
Bateleur Flexible Fund (A1)	180.70	12.03%	22.55%	- -	- -
Prime Champagne Flexible Fund of Funds Class C	33.73	9.65%	22.35%	48.46%	- -
Coronation Market Plus Fund	2975.28	9.98%	19.49%	54.00%	58.73%
Seed Flexible Fund	250.89	7.61%	18.87%	- -	- -
Investec Opportunity Fund (R)	28277.72	9.63%	17.76%	47.70%	60.15%
RCI Flexible Managed Fund	236.89	3.77%	15.81%	41.68%	15.12%
Momentum Flexible Fund (A)	344.55	7.49%	15.22%	37.80%	33.95%
Coronation Absolute Fund	1697.87	8.41%	15.19%	42.33%	45.13%
Investec Opportunity Fund (B3)	28277.72	7.97%	14.76%	38.70%	- -
Skyblue Solar Flexible Fund of Funds	18.33	6.15%	14.50%	29.64%	26.73%
PSG Flexible Fund	2489.06	7.58%	14.34%	60.17%	78.40%
Destiny Multi Asset PSG Fund of Funds	64.85	8.82%	13.78%	29.43%	13.96%
MET Flexible Fund of Funds	48.18	6.36%	12.38%	5.71%	-2.13%
MitonOptimal IP Flexible Fund of Funds	116.54	6.04%	10.28%	25.38%	27.58%
Marriott Core Income Fund	3529.70	4.33%	9.58%	21.05%	37.89%
Flagship IP Flexible Value Fund (A1)	342.37	2.17%	8.35%	32.83%	8.34%

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General Equity Fund Top & Bottom 10 Performers

Funds ranked on 12 month performance
All prices as of 06:00 06 Nov 2012.

Fund	Size (Rm)	6mths	12mths	3yrs	5yrs
Investec Emerging Companies Fund (R)	1453.56	10.07%	35.61%	79.74%	26.91%
Stanlib Industrial Fund (R)	855.67	12.80%	34.23%	79.22%	80.03%
Coronation Industrial Fund	372.99	15.66%	33.82%	83.20%	86.57%
Stanlib Industrial Fund (A)	855.67	12.48%	33.49%	76.77%	75.92%
36ONE MET Equity Fund	369.34	12.45%	30.33%	92.47%	80.32%
Old Mutual Small Companies Fund (R)	843.03	5.89%	29.68%	72.43%	22.38%
Coronation Financial Fund	237.15	9.70%	29.65%	60.72%	47.57%
Foord Equity Fund	2688.75	8.86%	28.42%	77.39%	62.12%
Imara Equity Fund	205.54	9.53%	27.68%	66.43%	- -
Old Mutual Industrial Fund (R)	1074.94	9.61%	27.53%	72.93%	68.36%
Kagiso Islamic Equity Fund A	161.49	4.53%	11.70%	39.35%	- -
Old Mutual Value Fund (R)	804.05	-0.55%	8.62%	25.38%	13.28%
Stanlib Resources Fund (A)	599.22	2.13%	3.83%	12.56%	-23.64%
Investec Commodity Fund (B)	521.99	3.66%	3.11%	21.07%	2.82%
Coronation Resources Fund	207.25	0.97%	1.89%	22.61%	4.83%
Momentum Resources Fund	194.20	-2.05%	1.09%	27.29%	9.21%
Investec Value Fund (R)	6558.69	-1.15%	-1.82%	27.00%	26.27%
Old Mutual Mining & Resources Fund (A)	1543.57	-2.01%	-3.61%	5.25%	4.47%
Stanlib Gold and Precious Metals Fund (A)	300.71	10.85%	-9.85%	14.01%	0.52%
Old Mutual Gold Fund (R)	512.98	8.26%	-14.95%	14.03%	3.02%

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Balanced Fund Top & Bottom 10 Performers

Funds ranked on 12 month performance

All prices as of 06:00 06 Nov 2012.

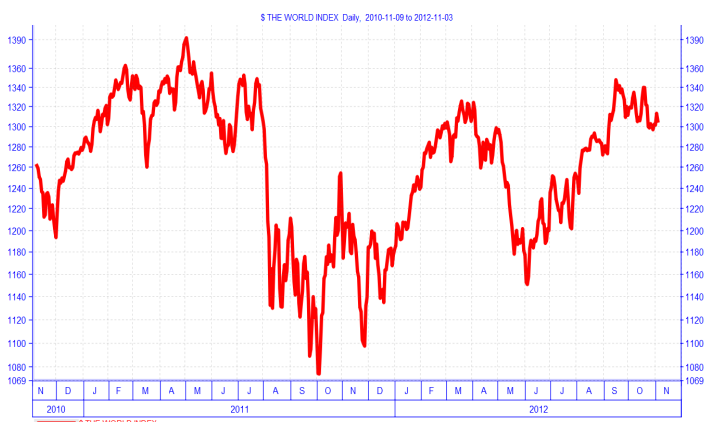
Fund	Size (Rm)	6mths	12mths	3yrs	5yrs
Cadiz Managed Flexible Fund	94,38	7,03%	20,15%	46,14%	43,75%
Foord Balanced Fund	14592,7	9,97%	20,04%	53,99%	54,61%
4i Balanced Fund of Funds	278,98	9,23%	19,69%	40,21%	39,87%
Stanlib Balanced Fund (B1)	2912,07	9,75%	19,39%	53,01%	26,08%
SIM Balanced Fund (R)	3940,22	8,68%	18,01%	44,96%	40,42%
Prudential Balanced Fund	2412,32	9,63%	17,81%	45,33%	43,45%
Investec Managed Fund (R)	5558,16	8,04%	17,49%	46,70%	35,68%
Coronation Balanced Plus Fund A	26070,1	9,62%	17,22%	47,94%	55,00%
Momentum Balanced Fund (R)	3399,2	8,55%	16,70%	38,00%	37,54%
PSG Konsult Moderate Fund of Funds (D)	3137,2	9,05%	16,40%	44,06%	- -
PSG Balanced Fund	1472,3	7,04%	14,40%	42,92%	53,12%
MET Managed Fund	157,16	6,91%	14,15%	28,93%	22,15%
Skyblue Cumulus Moderate Fund of Funds	368,27	7,12%	13,70%	30,46%	40,75%
Lynx Balanced Fund of Funds (B1)	535,22	5,10%	13,19%	- -	- -
Allan Gray Balanced Fund (A)	59706,4	8,48%	12,65%	37,73%	51,75%
MET Balanced Fund of Funds	90,58	6,31%	12,49%	13,89%	13,91%
Symmetry Defensive Fund of Funds (A)	5139,26	6,09%	11,58%	31,89%	39,51%
Stanlib Dynamic Return Fund	541,74	5,56%	10,58%	32,63%	40,32%
Prescient Balanced QuantPlus Fund Class A2	1343,76	7,51%	10,25%	30,27%	65,89%
Nedgroup Investments Managed Fund (A)	5089,77	3,93%	6,76%	27,69%	40,20%

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Extended Market Commentary

After a positive four months in world markets (which saw a 17% rise since early June), October was a down month, with the MSCI World Index declining by around 1%. The US elections are holding centre stage at present, and the direction after the election results will probably be the biggest driver.

MSCI World Index:



The S&P Index declined by 1.3% in October and in the next two months the new/old US president will need to drive a solution for the much-publicised "fiscal cliff". This is a series of temporary measure which are **set to expire at the same time:**

- **George W. Bush's tax cuts**, which were extended for two years under Barack Obama, are due to run out at the end of 2012.
- So are **Mr Obama's temporary jobs measures**, such as a payroll-tax holiday and extended unemployment benefits.
- The **Alternative Minimum Tax**, a levy originally aimed at the rich, is set to hit 30m middle-class Americans.
- **Medicare**, the federal health programme for the elderly, will slash payments to doctors by nearly 30%.
- And thanks to the failure of a congressional "budget super-committee" to agree on a debt-reduction deal last year, **automatic cuts in federal spending are due to start on January 15th.**

Market consensus is that many of these will be delayed further and the estimates are that if all are left to run

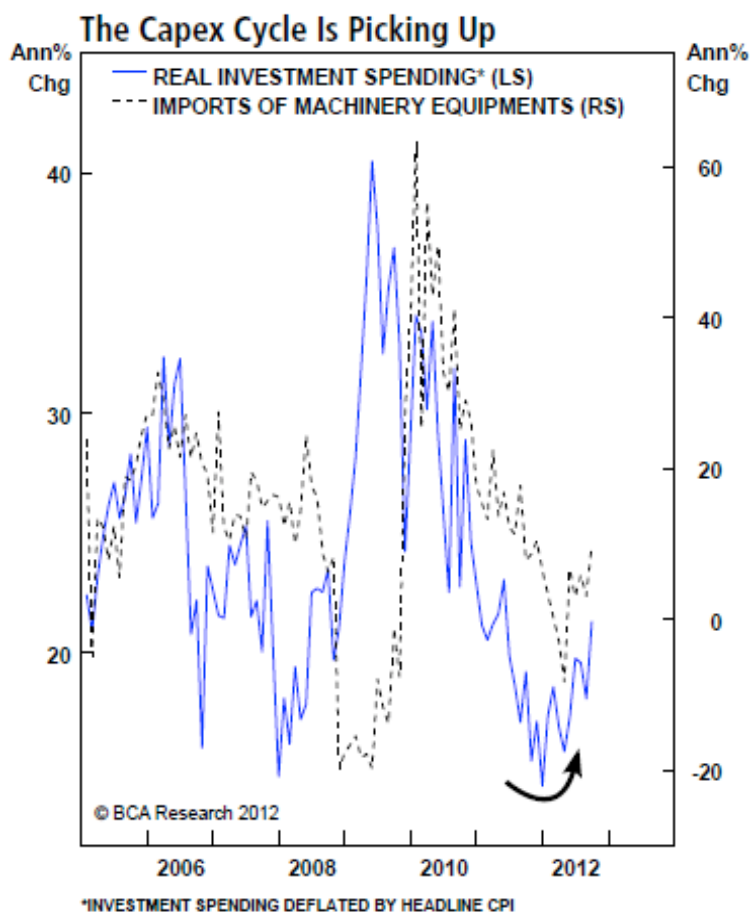
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Extended Market Commentary contd...

their course, it would have a negative 3% impact on US GDP. The risk from an investment perspective is that decisions on these measures are delayed.

From a US market perspective, the majority of companies are exceeding analyst forecasts in the 4Q earnings season. After the fiscal cliff issues are resolved, the market should experience a relatively good start to the year as economic indicators suggest that things are getting moderately better, off a low base, in the US.

Market sentiment is picking up around China and this market has the potential to surprise on the upside in 2013. The valuation of the Chinese market is at a 30-40% discount to the US. The chart below shows the reversal in trend in the Chinese capex cycle:



Source: BCA

The South African market has continued its upward trending, with the JSE SWIX index increasing by 2.4% in October. This was partly due to a 3.7% dip in the R/\$ exchange rate in the period, which is a net benefit for a market dominated by Rand hedge counters. There is little obvious value left in the SA market, with the industrial and financial shares fully priced and the resources shares delicately poised, waiting for direction from the Chinese infrastructure engine. We are able to find some pockets of value, but the risks certainly increase as the market grinds higher. A fairly valued market can still deliver decent returns, but stock picking becomes paramount. The chart below shows the P/E multiple of the JSE All Share:

JSE All Share P/E multiple



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Key Global Indices & Market Update

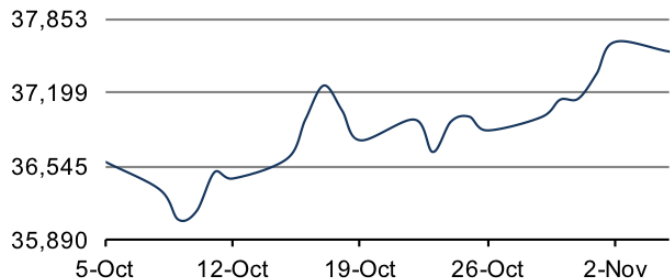
Code	Name	Last Price	1day CHG	% CHG (1_DAY)	% CHG (5_DAY)	% CHG (1_MONTH)	% CHG (YTD)	% CHG (1_YEAR)
JALSH Index	FTSE/JSE AFRICA ALL SHR	37579,38	-85,4	-0,2	1,6	2,7	17,5	17,7
RESI20 Index	FTSE/JSE AFRICA RES10 IX	50966,95	-559,1	-1,1	0,6	2,7	-0,6	-4,0
JFINX Index	FTSE/JSE AFRICA FINANCLS	27619,41	84,7	0,3	1,5	1,7	24,2	30,3
INDI25 Index	FTSE/JSE AFRICA IND25 IX	38166,26	24,4	0,1	2,4	3,5	32,7	34,0
UKX Index	FTSE 100 INDEX	5839,06	-29,5	-0,5	0,8	-0,5	4,8	5,6
DAX Index	DAX INDEX	7326,47	-37,4	-0,5	1,7	-1,0	24,2	22,8
CAC Index	CAC 40 INDEX	3448,5	-44,0	-1,3	1,2	-0,2	9,1	10,4
SPX Index	S&P 500 INDEX	1417,26	3,1	0,2	0,3	-3,0	12,7	13,1
INDU Index	DOW JONES INDUS. AVG	13112,44	19,3	0,1	0,1	-3,7	7,3	9,4
CCMP Index	NASDAQ COMPOSITE INDEX	2999,663	17,5	0,6	0,5	-4,4	15,1	11,7
NKY Index	NIKKEI 225	8962,28	-45,2	-0,5	1,4	1,1	6,0	1,8
SHCOMP Index	SHANGHAI SE COMPOSITE	2085,407	-28,6	-1,4	1,1	0,0	-5,2	-17,5
HSI Index	HANG SENG INDEX	21904,22	-102,2	-0,5	2,2	4,2	18,8	10,4

Markets opened mixed for the week with South African markets ending in the green and Asian markets trading higher on Monday morning on hopes that the Bank of Japan would unveil monetary easing measures to boost its economy. US markets were closed on account of Hurricane Sandy warning and UK stocks took heed of this ending in negative territory, on heightened fear of financial losses among investors as Hurricane Sandy headed towards the US East Coast. Besides the US markets which were still closed on account of Hurricane Sandy markets ended higher across the board on Tuesday. Gains in mining and commodity sector stocks led the gains in South Africa and UK markets respectively. Upbeat US home price data meant markets in Asia were trading higher. Wednesday saw the Wall Street resuming

trading but amid downbeat manufacturing data from the Chicago region and disappointing earnings results from the UK corporations, finished in the red. Markets in Asia traded mostly higher in the morning as upbeat Chinese manufacturing PMI data boosted market sentiment. Thursday saw South African markets closing at a record high, on the back of this upbeat Chinese manufacturing and US labour market data. UK, US and Asian markets followed this trend. South African markets again closed at an all time high on Friday, boosted by stronger-than-expected US jobs data. Amid increased risk appetite resulting from this robust data UK markets also ended higher. US and Asian markets finished in negative trading, amid concerns over the upcoming US Presidential election set to take place later today.

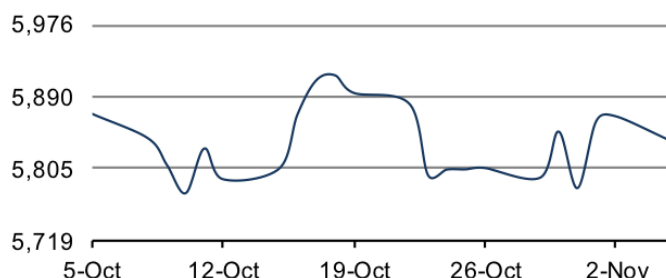
JSE ALSI

JSE All Share - Last Month



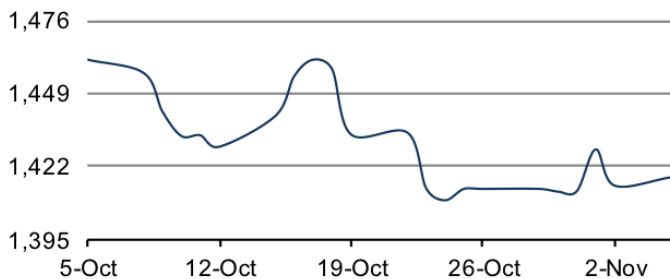
FTSE

FTSE 100 - Last Month



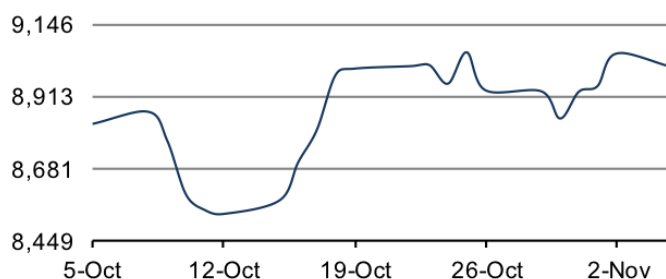
S & P 500

S&P 500 - Last Month



Nikkei 225

Nikkei 225 - Last Month



Currencies

(all prices as of 06:00 SA time 06 Nov 2012)

Today, the South African rand is trading flat against the US dollar, as investors remain cautious ahead of the US presidential election scheduled later today. Data released yesterday indicated that the non-manufacturing Purchasing Managers' Index in the US fell more-than-expected in October.

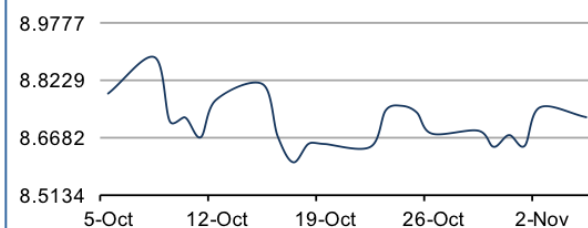
The yield on benchmark government bonds rose marginally yesterday. The yield on the three-year bond rose to 5.47% while that for the longer-dated 2026 issue advanced to 7.68%. The Johannesburg Stock Exchange reported that foreign investors sold R2.1bn in bonds last week.

At 06:00 SAST, the US dollar is trading marginally higher against the South African rand at R8.7273, while the euro is trading flat at R11.1665. At 06:00 SAST, the British pound is trading 0.1% higher against the South African rand at R13.9524.

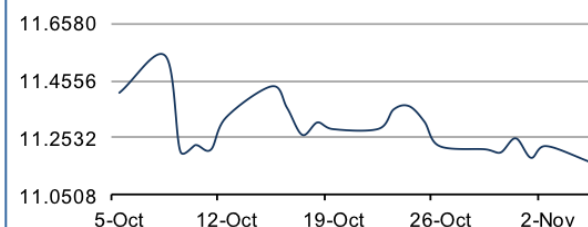
Yesterday, the euro declined against the US dollar, amid uncertainty over a Greek parliamentary vote aimed at seeking approval for austerity steps. At 06:00 SAST, the euro is trading marginally lower against the US dollar at \$1.2793, while it has weakened 0.1% against the British pound to trade at GBP 0.8003.

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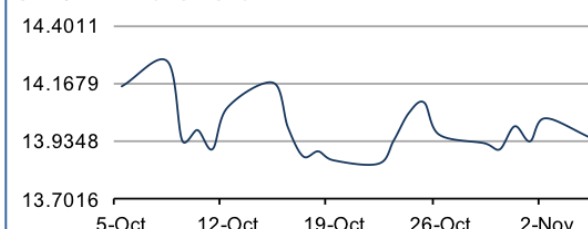
USD/ZAR Movement



EUR/ZAR Movement



GBP/ZAR Movement



Commodities

(all prices as of 06:00 SA time 06 Nov 2012)

At 06:00 SAST today, Brent crude oil is trading flat at \$107.56/bl, amid concerns that Greece would struggle to secure another bailout, as the nation's government faces backlash from coalition members concerning proposed wage cuts. Traders remained cautious on account of the uncertainty over the outcome of the US Presidential elections. Yesterday, Brent crude oil rose 1.6% to settle at \$107.55/bl,

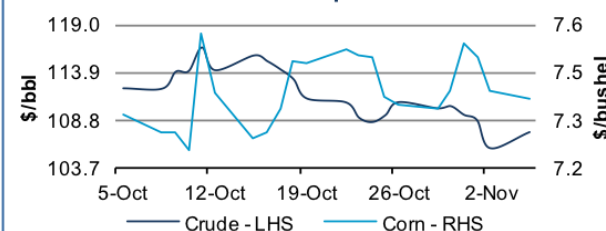
Yesterday, corn spot prices fell 0.4% to \$7.39/bushel, after reports suggested that farmers in Argentina have started corn planting in recent days, bolstering harvest expectations. Meanwhile, a private survey revealed an increase in Chinese corn harvest, despite bad weather conditions. However, Feed division of the Ministry of Agriculture, Forestry and Fisheries in Japan has indicated that feed makers would probably expand inventories to 750,000mt for the next year beginning from 1 April 2013, from 450,000mt this year.

At 06:00 SAST today, gold prices advanced marginally to trade at \$1,685.45/oz. Yesterday, gold gained 0.4% to close at \$1,685.00/oz.

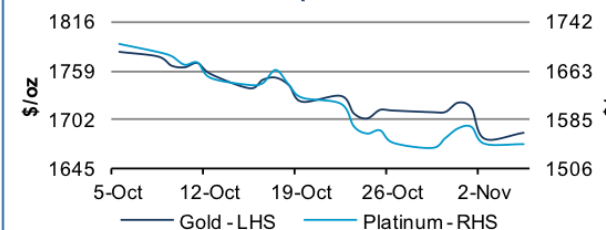
Yesterday, copper declined 0.3% to close at \$7,642.25/mt. Aluminium closed 1.1% lower at \$1,878.75/mt. Base metal prices dropped amid concerns about the eurozone debt crisis and uncertainty regarding the upcoming US Presidential election.

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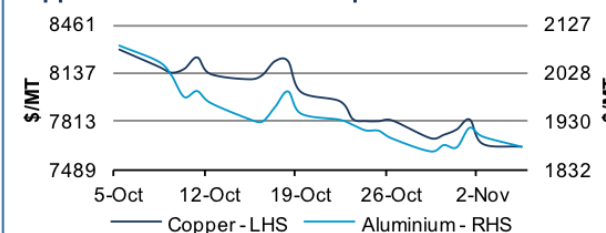
Crude Oil and Corn Prices Spot



Gold & Platinum Prices Spot



Copper & Aluminium Prices Spot



Economic Update

On a yearly basis, **South Africa's private sector credit increased 9.07%** in September, compared to a 7.93% increase recorded in August.

On a monthly basis, **the average asking price of a home in the UK fell 0.1%** in October, in line with market expectations and unchanged from the rate of decline in September.

The Bank of England (BoE) reported that **mortgage approvals for house purchases in the UK rose** to 50,024 approvals in September from a revised 47,921 approvals recorded in August. Meanwhile, total net lending to individuals rose to £1.7 bn in September, compared to a revised decline of £0.3 bn recorded in the prior month. The BoE reported that **consumer credit**, excluding student loans, in the UK increased by £1.2 bn in September, compared to a revised £0.1 bn drop recorded in August.

On a sequentially adjusted monthly basis, the **Consumer Price Index (CPI)** in Germany remained unchanged in October, compared to a flat reading recorded in the previous month. On an annual basis, the CPI rose 2.0% in October, compared to a same rate of rise recorded in the previous month.

On a monthly basis, **personal income in the US rose** 0.4% in September, the most since March, compared to a 0.1% rise recorded in the previous month. On a yearly basis, the personal-consumption expenditures in the US rose 1.7% in September, compared to a 1.6% rise recorded in the previous month.

On a seasonally adjusted monthly basis, **industrial production in Japan has declined** more-than-expected by 4.1% in September, compared to a 1.6% drop reported in the previous month.

South Africa's budget deficit stood at R10.71 bn in September, compared to a deficit of R5.37 bn reported in the previous month.

The **Gfk consumer confidence index** in the UK has unexpectedly dropped to a reading of -30.0 in October, compared to a reading of -28.0 posted in the previous month.

The **economic confidence index in the Eurozone eased** for the eighth consecutive month to a reading of 84.5 in

October, its lowest reading since August 2009, compared to a revised reading of 85.2 recorded in September

On a sequential basis, the **Gross Domestic Product (GDP) in Spain declined** 0.3% in the third quarter of 2012, the fifth successive quarter without expansion, following a 0.4% fall recorded in 2Q FY2012. On an annual basis, the GDP contracted 1.6% in the 3Q FY2012, following a 1.3% fall reported in the previous quarter.

The **Bank of Japan (BoJ)**, in its latest monetary policy meeting, expanded its asset purchase fund by ¥11.0 tn to ¥66.0 tn. Meanwhile, the central bank kept its benchmark interest rate unchanged between zero and 0.1%, in line with market expectations.

On a seasonally adjusted basis, **industrial production in South Korea has climbed** by 0.8% MoM in September, the first rise in four months and compared to a 0.7% decline recorded in August.

South African trade deficit came in worse-than-expected at R13.8 bn in September, compared to a R12.2 bn shortfall recorded in the previous month.

The Confederation of British Industry has raised its 2013 economic growth forecast for the UK to 1.4% compared to a previously estimated 1.3% growth rate. Additionally, it has forecast the growth rate to accelerate to about 2.0% in 2014.

On an annual basis, the preliminary estimate of **Consumer Price Index in the Eurozone rose** 2.5% in October, compared to a 2.6% growth recorded in the previous month.

The **unemployment rate in the Eurozone rose** to 11.6% in September, from a revised rate of 11.5% recorded in August.

According to **Bank Lending Survey (BLS) from the European Central Bank (ECB)**, Eurozone lenders stated that their access to retail and wholesale funding across all funding categories improved in the third quarter of 2012. The survey also indicated that banks expect funding conditions to keep improving in 4Q FY2012.

According to **Mortgage Bankers Association**, for the week ended 26 October 2012, mortgage application volume in the US, on a seasonally adjusted basis, declined 4.8% from

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Economic Update contd...

one week earlier. Additionally, the refinancing demand for the week dropped 6.0% from the week before.

The Labour Department reported that the **employment cost index in the US rose** 0.4% in 3Q FY2012, compared to a 0.5% increase recorded in the previous quarter. Market had expected the index to rise 0.5% in 3Q FY2012.

The China Federation of Logistics reported that the official **manufacturing PMI in China rose** to a reading of 50.2 in October from a reading of 49.8 reported in September. Meanwhile, Markit Economics reported that the HSBC PMI in China improved to a reading of 49.5 in October, the highest level in eight months and compared to a previous estimate of 49.1.

On a seasonally adjusted basis, the **unemployment rate in South Africa climbed** more-than-expected to 25.5% in the third quarter of 2012, compared to a rate of 24.9% posted in the previous quarter.

On a seasonally adjusted basis, **South Africa's Kagiso Purchasing Managers' Index (PMI) fell** to a reading of 47.1 in October, its lowest level since July 2011 and compared to an upwardly revised reading of 48.3 posted in September.

On an annual basis, **South African electricity production fell 0.7%** in September, compared to an upwardly revised 1.6% rise recorded in the previous month; while electricity consumption dropped 2.6% annually in September, compared to a 1.3% drop posted in August.

On a seasonally adjusted basis, **the manufacturing PMI in the UK** edged lower to a reading of 47.5 in October, from a downwardly revised reading of 48.1 posted in September.

The Bureau of Labour Statistics reported that **non-farm labour productivity in the US rose** at a 1.9% annual rate during the third-quarter of 2012, compared to the same rate of revised increase recorded in the previous quarter.

The Institute for Supply Management (ISM) reported that its **US manufacturing PMI advanced** to a reading of 51.7 in October, compared to a reading of 51.5 recorded in September.

On a month-on-month basis, **construction spending in the US rose** 0.6% to an annual rate of \$851.6 bn in September, following a revised drop of 0.1% to \$846.2 bn recorded in August.

Consumer confidence index in the US climbed to a reading of 72.2 in October, its highest level since February 2008, compared to a downwardly revised reading of 68.4 posted in September.

The **National Association of Automobile Manufacturers of South Africa** indicated that new vehicles sales in South Africa climbed 10.5% annually in October, compared to a 1.4% rise recorded in September. The Lloyds employment confidence index in the UK stood at a reading of -35.00 in October compared to a reading of -49.00 recorded in June.

The seasonally adjusted final **manufacturing PMI in Germany** came in at a reading of 46.00 in October, compared to a reading of 47.40 recorded in September and slightly higher than the preliminary reading of 45.70.

On a seasonally adjusted basis, the final **manufacturing PMI in the eurozone fell** to a reading of 45.40 in October, marking its fifteenth consecutive monthly decline, from a reading of 46.10 in September and compared to the earlier flash estimate of 45.30.

According to a report released by the Labour Department, **non-farm payroll employment in the US increased** by 171,000 jobs in October, compared to an upwardly revised increase of 148,000 jobs posted in September. Meanwhile, the unemployment rate rose to 7.9% in October, compared to a rate of 7.8% recorded in September. On a monthly basis, average weekly hours in the US stood at a reading of 34.40 in October, unchanged from the previous month's revised reading.

The Commerce Department reported that, on a seasonally adjusted monthly basis, **factory orders in the US advanced 4.8%** in September, compared to a downwardly revised 5.1% fall recorded in August.

According to the latest survey by the National Bureau of Statistics, the **non-manufacturing PMI in China rose** to a reading of 55.50 in October, from a reading of 53.70 recorded in September.

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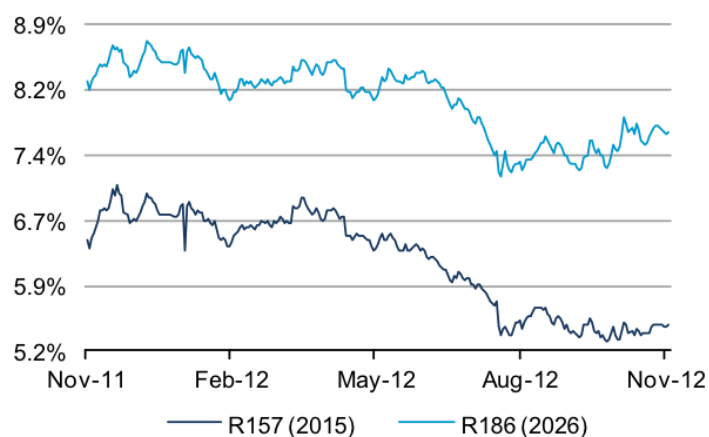


Yields

	% Closing Yield	% Change on Day	Yield % - 1M Ago
South Africa CPI*	5.50	0.00	5.00
South Africa Repo Rate	5.00	0.00	5.00
JSE SA Listed Property Index	6.57	0.15	6.39
R157 (2015) (SA Bond)	5.47	0.07	5.41
R207 (2020) (SA Bond)	6.46	0.03	6.54
R186 (2026) (SA Bond)	7.68	0.05	7.66
US 10 Year Treasury	1.68	-1.78	1.74
US 30 Year Treasury	2.88	-1.05	2.97
Italian 10 Year Treasury	5.00	1.05	5.05
German 10 Year Treasury	1.43	-1.52	1.52

* As of Sep 2012

South African Government Bond Yields



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Corporate Update

South Africa:

Nedbank Group: The bank, in its trading update, reported that net interest income for the nine months ended 30 September 2012 climbed 9.2% to R14.5 bn, while non-interest revenue increased 13.9% to R12.4 bn. The company stated that it is on track to meet its earnings growth target for 2012.

Foschini Group: The company, in its trading update for the first half year ended 30 September 2012, stated that it expects EPS and headline EPS to be between 16.0% and 18.0% higher than those reported for the comparative period prior year.

Shoprite Holdings: In its operational update for first quarter of its 2013 financial year, the food company indicated that its total turnover increased 15.6%, compared to a growth of 10.8% reported in the corresponding period last year.

Anglo American Platinum: The platinum miner stated that it has agreed to reinstate 12,000 South African miners that were dismissed for participating in an illegal strike, on condition that they return to work by 30 October 2012. The company has offered a one-off 'hardship allowance' of R2000.0 net of tax in order to assist employees in dealing with financial difficulties for lost pay. Employees who did not take part in the illegal strike would be paid a one-off 'loyalty allowance' of R2000.0 net of tax.

Cipla Medpro South Africa: The pharmaceutical company announced that Jerome Smith has resigned as a Director of the company and all group companies with immediate effect.

Redefine Properties International: The property investment and development company, in its results for the year ended 31 August 2012, stated that its revenue surged to £78.2 mn from £32.3 mn posted last year. Headline earnings per linked unit came in at 7.23p, a 13.9% increase from the previous year.

Lonmin: The platinum miner, in its production report for the three and twelve months ended 30 September 2012, reported that platinum metal in concentrate has declined 45.7% in the fourth quarter compared to the same period prior year, hurt by the strike action. It reported that it plans to raise \$800.0 mn in a rights issue and had signed amendments to its debt facilities to help it avoid a possible covenant breach next year.

Capitec plans to sell R700.0 mn of bonds: Capitec Bank Holding, South Africa's second-largest provider of unsecured loans, plans to sell R700.0 mn (\$80.0 mn) of bonds to replace more expensive debt that matures next month.

Aquarius adopts new mining model in Kroondal: Aquarius Platinum is on course to switch to owner mining at its Kroondal mine by the end of the year, its core remaining South African mine after it suspended its other operations including its tailings treatment project.

African Bank Investments: The bank, in its trading statement, announced that full year headline EPS and EPS are expected to increase between 17.0% and 19.0% from the year ago period.

Sun International: In its update for the first quarter ended 30 September 2012, the company announced that its rev-

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Corporate Update contd..

Revenue increased 10.7% annually to R2.5 bn. Hotel occupancy was 59.0%, 3.0% lower from the same quarter last year.

Mondi: The paper and packaging group, in its interim management statement for third quarter ended 30 September 2012, reported that underlying operating profit was €135.0 mn, a marginal decline compared to the same period a year earlier, hurt by weak demand and a drop in sales prices.

Fountainhead Property Trust: The property unit trust, in its results for the year ended 30 September 2012, announced that its revenue stood at R1.1 bn, a 19.1% increase compared to the last year. Headline earnings per unit rose to 58.60c from 57.58c posted a year earlier.

Redefine Properties: The company, in its results for the year ended 31 August 2012, stated that its revenue climbed 15.9% annually to R4.1 bn. Headline earnings per linked unit was 125.02c, a 75.5% increase from the previous year, helped by rise in its contractual rental income.

Anglo American Platinum: The miner announced that its offer for the employees to return to work at the Union and Amandelbult mines has been rejected by the employees. As a result, the company has already begun disciplinary hearings for Amandelbult and Union Mine employees engaging in the illegal strike. The company confirmed of losing 3,694 ounces of platinum per day and has lost a total of 141,640 ounces of platinum till date due to strikes which began around seven weeks ago.

Redefine clamps down on errant government tenants: JSE-listed Redefine Properties has clamped down on non-paying government tenants in Pretoria by refusing entry to one of its buildings in Pretoria. CEO of the second largest property loan stock company in South Africa, Marc Wainer, says the company acted against one of the government departments leasing 300 parking bays from Redefine.

Amplats to transfer 51.0% of Zimbabwe mine to locals: Anglo American Platinum has agreed to a transfer majority of its Unki mine in Zimbabwe to locals, the firm said, following pressure from President, Robert Mugabe's government.

Anglo American Platinum: The platinum miner announced the approval of the proposed 51.0% indigenisation implementation plan at Unki Mines by the Zimbabwean Minister of Youth Development, Indigenisation and Empowerment. Accordingly, workers would get a 10.0% stake, the local community 10.0%, a consortium of local investors got 10.0% and 21.0% would go to the National Indigenisation and Economic Empowerment Board.

ABSA Group: The bank reported that that it has completed the first leg of a deal to buy the store-card book of Edcon for R8.80bn and would complete the acquisition of the remaining portion of the portfolio "in due course".

Anglogold Ashanti: The gold miner announced that around 100 employees staged an illegal sit-in at its Mponeng mine and around 200 employees at its TauTona mine, resulting in the suspension of operations.

1time files for liquidation: Embattled budget airline, 1time, filed for liquidation and suspended its operations, CEO Blacky Komani said, leaving passengers stranded at airports around South Africa and others holding worthless tickets ahead of the festive season.

UK & US:

GlaxoSmithKline: The pharmaceutical company announced that the joint venture between GlaxoSmithKline and Pfizer, ViiV Healthcare, would be acquiring the global rights to the assets of Shionogi-ViiV Healthcare, a joint venture set up with Shionogi, the Japanese pharmaceuticals firm.

Ford Motor: In its third quarter results, the carmaker announced that its revenue fell 3.0% annually to \$32.1 bn. EPS came in better-than-expected at \$0.40, as higher vehicle prices and record profit margins in North America offset growing losses in Europe.

Walt Disney: The entertainment company announced that it has agreed to buy Lucasfilm Ltd from Chairman and Founder, George Lucas, in a transaction worth about \$4.1 bn in cash and stock.

NYSE Euronext: The Chief Executive Officer of NYSE Euronext, Duncan Niederauer, issued a statement that the building and systems were not damaged and normal trading will commence today.

Rolls-Royce Holdings: The power systems company reported a collaboration deal with Hitachi to support its delivery of new nuclear reactors in the UK, following Hitachi's acquisition of Horizon Nuclear Power.

John Wood Group: The energy services company announced that it has been awarded a £17.0 mn management contract to fabricate, install, commission, operate and maintain two weather monitoring stations in one of the UK's largest offshore wind farm developments off the coast of Norfolk and Suffolk.

IMI: The engineering group stated that that it has signed an agreement with Shanghai Automation Instrumentation Company to form a new joint venture in China to supply control valves into the nuclear power market.

BP: The oil and petrochemicals company, in its third quarter results, indicated that its revenue and other income declined 4.7% annually to \$93.1 bn. However, diluted EPS rose to 28.39c from 26.28c posted in the same quarter last year,

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Corporate Update contd..

helped by strong refining margins in the downstream business.

Imperial Tobacco Group: In its preliminary results for the year ended 30 September 2012, the tobacco company reported that its revenue fell 2.2% to £28.6 bn from the comparative period prior year. Diluted EPS came in at 67.9p, a 61.6% decline compared to the corresponding period a year ago, due to weakness in market volumes in Spain.

General Motors: The car manufacturer, in its results for the third quarter, announced that its revenue rose 2.3% annually to \$37.6 bn. However, diluted EPS fell to \$0.89 from \$1.03 posted in the same period a year ago, due to continuing losses in Europe and higher warranty expenses in North America.

Visa: In its results for the fourth quarter, the company indicated that its revenue rose to \$2.7 bn from \$2.4 bn posted in the comparative period previous year. Diluted EPS was better-than-expected at \$1.54, helped by improved margins and as it reversed its previously recorded tax reserves. The company authorised a new \$1.5 bn share repurchase programme.

Vodafone Group: The mobile telecommunications company announced that it has completed the acquisition of Telstra-clear Limited for a cash consideration of £429.0 mn.

Barclays: The bank, in its interim management statement for the third quarter ended 30 September 2012, stated that total income net of insurance claims dropped to £6.9 bn from £7.0 bn reported in the corresponding quarter prior year. It reported a loss of 2.3p per share compared to EPS of 9.7p posted in the comparable period a year ago, hurt by the charges on its own debt and provisions connected to the mis-selling of insurance to clients.

Pfizer: The pharmaceutical company, in its third quarter results, stated that its revenue dropped 15.9% annually to \$14.0 bn, due to a sharper-than-expected decline in sales of its cholesterol drug, Lipitor. Diluted EPS was in line with market estimates of \$0.53. The company expects full year EPS to be in the range of \$2.14 to \$2.17, compared to the previously forecasted range of \$2.12 to \$2.22.

Avon Products: In its results for the third quarter, the company indicated that its revenue came in at \$2.6 bn, a 7.7% drop from the corresponding quarter last year. EPS missed market expectations at \$0.17, weighed down by poor sales in the UK and China.

Royal Dutch Shell: The oil and gas company, in its results for the third quarter, indicated that its revenue came in at \$115.4

bn, an 8.4% drop from the same period prior year. However, diluted EPS rose 1.8% to \$1.14 from the comparable period a year ago, boosted by higher earnings from its liquefied natural gas operations.

Lloyds Banking Group: In its results for the third quarter ended 30 September 2012, the bank announced that its net interest income declined 15.6% annually to £2.6 bn. It reported a loss of 0.5p per share, compared to a loss of 0.8p per share posted in the corresponding quarter last year, as it set aside £1.0 bn to compensate UK customers for mis-selling payment protection insurance.

Glencore International: The mining company reported that it has through subsidiaries, completed the acquisition of Vale's European manganese ferroalloys operations for a cash consideration of \$160.0 mn.

Chevron: In its results for 3Q12, the oil and gas company announced that its revenue came in at \$58.04bn, a 9.9% decline from the comparable period a year ago. Diluted EPS was worse-than-expected at \$2.69, weighed down by lower oil prices and as production was disrupted due to maintenance, legal issues and storms, causing a sharp drop in fuel sales.

Ralph Lauren: In its results for the 2Q13, the apparel manufacturer stated that its revenue stood at \$1.86bn, a 2.2% drop from the comparable period previous year. However, diluted EPS surpassed market expectations at \$2.29, due to steady demand for higher-priced fashion.

Royal Bank of Scotland Group: The bank, in its interim management statement for 3Q12, announced that its net interest income stood at £2.87bn, a 6.7% decline compared to the same period a year ago. It reported a loss of £1.38bn, compared to a profit of £1.23bn posted in the corresponding quarter last year, hit by a £1.46bn own debt charge.

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