



## Editorial comment

Mike Borland, director, FIRSTGLOBAL GROUP

Another year flies by and the festive season is upon us, thus bringing an end to the year during which we celebrated 10 years of Firstglobal Group's existence. We look back on a year that has seen some great market performances both locally and globally, shadowed by the looming "fiscal cliff" in the US — the wildcat strikes in South Africa — continued demonstrations in parts of Europe in the face of biting austerity measures — continuing strife in parts of the Middle East — the approaching Mangaung conference and the question of who will lead the ANC and South Africa after the 2013 Elections. Of late we have seen a weakening of our currency and local inflation surprising on the up-side (i.e. higher than forecast).

"The World Economy is in its best shape in 18 months as China's prospects improve and the US looks likely to avoid the so-called fiscal cliff" according to the latest Bloomberg Global Poll of Investors.

In this edition Investec's Jeremy Gardiner takes us on a "tour" of the World's Economy and presents a realistic and pragmatic view of what we in South Africa need to do to move forward as a nation. Money Marketing's Patricia Holburn presents a really interesting perspective on factors influencing decision making for investors. So much is said about planning for retirement and how to get there — Dan Benson, in his book entitled "Never Retire" suggests that when you reach retirement don't retire — and adds some philosophical thoughts on how to approach your "retirement years". Finally we include our Firstglobal Asset Management update on our funds.

We at Firstglobal take this opportunity to wish our readers a peaceful and happy time over the holidays and festive season and a prosperous 2013.



## State of the World Economy

By Jeremy Gardiner, director, Investec Asset Management

The world is now four years into what is proving to be the slowest recovery since the 1930s. Normally four years after a crisis, the global economy is recovering strongly. This time, however, we seem stuck with anaemic growth, record low interest rates and QE3. QE3 will of course weaken the US dollar, which is good for US exports and will help American growth recover. It will also obviously have inflationary ramifications which will ironically have a positive angle, in that this will help dilute the debt impact over time.

On the subject of debt: US debt is now more than \$16 trillion. When Mr Obama became president back in 2008, it was \$10.6 trillion, so the Obama increase has been approximately \$6 trillion. Add that to the roughly \$4 trillion from George Bush before that and the two of them have added around \$10 trillion of America's \$16 trillion of debt!

### US economy showing signs of recovery

Economically the US has had a torrid time. With house prices down 34% from the 2007 peaks and 16 years of zero

percent real return on the stock market, this has been a crisis that has effectively wiped out the wealth of the middle class and poor in the US. Middle class wealth is down roughly a quarter since 2000, while the poor have lost close to 50% over the same period.

The good news is that the US economy is showing signs of recovery. Home resales and housing starts are at the highest levels in two and four years respectively, and the level of foreclosures is at a 5 year low. Also, unemployment is below 8% for the first time in 43 months.

The next hurdle for the US economy is the 'fiscal cliff', which will see at least \$600 billion of demand sucked out of the US economy next year, starting 2 January, as a result of a variety of government spending cuts and tax increases. These measures were part of a 'deal' to allow the debt ceiling to be 'pierced' last year and if they are implemented, will most likely put the US economy — and possibly the global economy — back into recession. Expect, therefore, to see some fairly quick action from Mr Obama to alleviate this threat. We anticipate a growth knock of

around 1%, rather than the 3%-4% likely to eventuate if cuts go ahead as currently envisaged.

### European and British waters still murky

Turning to Europe, the eurozone remains in recession, and will probably shrink by close to 1% this year, with flat growth expected next year. Since Mr Draghi agreed to buy the bonds of stricken eurozone countries, thereby ensuring that nobody needs go bankrupt, Europe feels a lot better. Not everybody feels better though - Spain's €100 billion bank bailout pales into insignificance when one considers that €74 billion got withdrawn from their banks in July alone, and €233 billion since June last year. In total, banks in Spain, Portugal, Greece and Ireland have seen approximately \$425 billion withdrawn over the past year alone - we most likely haven't seen the end of bank bailouts yet.

Athens has cash flow problems and needs another €14 billion to pay pensions, service debt and pay public sector wages. If they don't get more money, they will run out of money around November 18th. Interestingly, 57% of Greece apparently prefers default to austerity, so expect more riots across Athens, not less. Greek stock markets are up 76% since June!

Italy remains in a reasonable condition whilst Spain has a property problem. Roughly 50% of Spanish banks' mortgage books are impaired. Italy's problem is debt. At a ratio of 120% to GDP, Italy's total debt is over €2 trillion. To put that into perspective, it is more than Greece, Spain, Portugal and Ireland combined - hence the saying too big to fail or too big to save.

Spanish austerity plans have thus far not been particularly successful, with tax receipts down over the past year and government spending up - which is the opposite of austerity! Now they're trying to spend €30 billion less in exchange for a bailout, so they are cutting pensions, public sector salaries and government spending, and hiking road tolls, fuel taxes and VAT. Needless to say, the Spanish people are not amused, and last weekend saw tens of thousands of people participating in riots across 56 Spanish cities!

Britain, meanwhile, is struggling through an austerity-induced recession. Their economy shrank by 0.7% in the first quarter and by 0.4% in the second. Fortunately Olympic spend had lifted them out of recession in Q3 with growth of 1% being celebrated for the third quarter. Further austerity - induced by debt running into over a trillion pounds - will see taxes, particularly on the rich, remaining high for many years to come.

### China not disappointing

Fears from earlier this year that Chinese growth could possibly collapse to levels of around 3%-4% have proven unfounded. Growth of 6% would be described as a 'hard landing', so 3%-4% would be a 'crash landing', and if the Chinese economy tripped that badly, the global economy would have tripped with it.

First quarter Chinese growth came through at 8.1%, the second quarter at 7.6%, and the third quarter at 7.4%, which is probably as low as it will go. Standard & Poor's recently said that China 'still has plenty more powder in their stimulus keg' and that they expect growth of 8.2% in 2013 (World Bank says 8.6% for 2013) so seemingly one less worry for 2013.

### All good on the home front?

I have just returned from a series of presentations around SA and once again the nation seems to have hit rock bottom. We are a nation of either exuberance or self-loathing; there seems to be very little in between. Currently we are going through a severe self-loathing phase.

I was also confronted regularly by people asking me whether 'this is it', or is it 'time to go'. Therein lies the problem: we cannot every time we hit a bump start thinking emigration, yet many South Africans seem to have the view that at some stage there will be chaos, followed by a mass exodus, mass panic and emigration.

Of course nobody can tell you that won't ever happen, so that you would need to decide for yourself. If you really believe that will be the case one day, or that we are indeed close to that point, then it is probably best for you to sell everything and start planning your move, because the prognosis for asset prices (house, rand, etc.) in such an environment can only be lower.

### Look carefully at the grass on the other side of the fence

Before you make this move, be aware of a few things though when asking yourself the question 'where to?' Firstly, if you are going to the developed world, you are moving from a weak to a strong currency, if not an overvalued currency, so the amount of pounds, euro's or dollars you are going to wind up with on the other side may be disappointing (the Australian dollar is, according to analysts, between 35%-40% overvalued vs. the US\$).

Secondly, properties may cost you a lot more, particularly if city living is your thing. London residential property is exorbitant for what you get and Australian house prices, according to my colleague Michael Power, are 30%-40% overvalued. (If you're looking east it might be worthwhile to bear in mind that Hong Kong house prices are up around 90% since 2009!)

Thirdly, be aware that debt is not just the catchword of today; it is going to be around for a long time, decades even. And if you are going to live in a place with massive debt, you will be expected to help them pay it back in the form of numerous high taxes for many years to come. Effectively you will find yourself paying for a siesta that you didn't even enjoy!

Finally, if you're looking at Africa, or an emerging market to live in, then prices will be a lot more reasonable, but you may find many of the problems (crime, corruption, etc.) are not that different to home, if not worse.

The bottom line is that we cannot give up every time we hit a bump. We need to fix our problems. If all the voices shouting about mismanagement in this country were to leave, then it would continue undeterred. A strong civil society is very important in any country.

### Perspective is imperative

It's also important to maintain perspective. Our proximity at the bottom of Africa is great, because to an extent it has shielded us from being too closely integrated with the likes of Europe, which has lessened the impact of the crisis on us. However, it also means that aside from newspaper articles or TV, we don't see what is actually happening. We don't meet people who live in Madrid or Athens often so we tend to beat ourselves up - sometimes too much - when we suffer pain.

Very simply, we are not the only country being downgraded; everybody's been downgraded. Yes, we are two notches off junk - which doesn't mean that your debt becomes worthless - but what it does mean is that you switch from investment grade to speculative. This means unit trusts, insurance companies and pension funds aren't able to invest in your debt, which wouldn't be good for the current account deficit or the rand, not to mention our reputation! We therefore need to watch what gets said and done at Mangaung, as the world's rating agencies and press will be watching us with increasingly sceptical eyes.

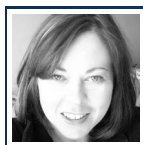
We are also not the only country in the world where people are striking for more money. We are, however, one of the few countries where people striking look as though they are going to war, and that scares foreign investors enormously. Striking is globally acceptable, but we need to remove the dangerous weapons, and strike less as we have one of the highest levels of days lost due to strike action in the world.

On the positive side we have the following lesser discussed but most relevant points counting in our favour:

- Firstly, we don't have a housing crisis. Yes prices are off, but not drastically so, and our banks are not being bankrupted by a massive property collapse (as is the case in Spain and Ireland).
- Secondly, our banks are strong. We have, in fact, the second soundest banks in the world according to the World Economic Forum's Competitiveness Report. This is very important, because if your banks collapse, country collapse is not far behind.
- Furthermore, back in the late nineties, South African investors, and indeed global investors, would never have considered putting money into the South African equity market or the rand. US stock markets and the US dollar were seen as the global 'store of value' and seemingly only appreciated in value. Since then, over the past twelve years, the JSE is up more than 450% in dollar terms, while the FTSE is up by only 51% and the S&P rose by about 26%.
- And finally, we don't need a bailout because we are not bankrupt. This is enormously important. Developed world debt to GDP ranges from 80%-180% (US is 103%, rising at 1.5% per month). Brazil is 55% and Turkey 43%. We are at 29% and will peak at about 40% in 2015. Debt problems will be with many of these countries for decades to come, essentially ensuring their citizens a reduced standard of living for a long time to come.

So the Finance Minister is rightfully annoyed. We are sometimes too pessimistic - it's rough out there, across the world. It is better though, but it's not over. Despite consolidated efforts from the Europeans and the Americans, the fundamentals remain poor, and could still surprise on the downside. So tread carefully and remain diversified.

As for SA? We need leadership. The current problems are the culmination of years of indecision. Put the educationalists in charge of education, and aviation experts in charge of SAA. Very simply, put the right people in the right jobs and SA will start heading in the right direction reasonably quickly.



## The Problem of Certainty

By Patricia Holburn, Editor, Money Marketing

*"Without doubt, investing successfully takes good judgement. The better your judgement, the more successful you will be as an investor. But good judgement, surprisingly, is in short supply. This increases market inefficiency and volatility. Therefore it also increases opportunities for those with longer time horizons and better judgement."*

Foord, Time in the Markets

As investing deals in the future it deals in uncertainty. As human beings, we don't like ambiguity, we prefer certainty. We like to believe someone must know the answer, and the truth. These were the words of Dave

Fishwick, head of macro and equity investments at M&G Investments, speaking at the Prudential Annual Investment Forum in Johannesburg recently. Fishwick said that he believes we give insufficient attention to how we make choices and decisions.

### Decision making problem 1: The world is uncertain

#### We don't like ambiguity

We prefer certainty, and when we seek advice we want clarity, he commented. This is evident in the jokes pointed at economists and their two hands - but what they are correctly telling you, said Fishwick, is that there is a

probability. The problem is that we tend to want a decisive, clear, confident view – rather than a long list of potential outcomes.

And while Fishwick says we acknowledge probabilities it can lead to overconfidence on payoffs. “But actually – the world is a lot more random and chaotic than we like to think.”

### **Events are random and surprising**

As you go through time, Fishwick says you have a great number of events happening that capture our focus. Because of our need for certainty, we reduce these to single issues and address single issues only. The markets become obsessed with these issues in the short term – when in fact there is a lot more happening in the world.

### **Hindsight bias reflects our need for certainty**

Fishwick says this is one of the ugliest biases we have. Risks are easy to spot with hindsight and after they become evident it is easy to say we recognised them – but at the time they are not so clear. In 1999, Fishwick commented that the definition of risk would be not having tech stocks in a portfolio, for example. Hindsight makes it difficult to acknowledge that at the time the meltdown in the tech sector came as a surprise. “I would contain that life and financial markets are full of surprises,” he said, and we don't acknowledge or understand these at the time. What seems obvious to us today about a bubble – was not so obvious when it was happening and about to happen. “There are an awful lot of things that happen to us that are surprising but we struggle to believe this.”

A current example of surprise, ambiguity and uncertainty is occurring in economics and equity markets.

This is what Chris Gilmour of Absa Investment's Private Clients calls a disconnect. Economies are struggling and unemployment is high but markets are rising and showing good returns. This is particularly evident on the JSE – which has hit a number of all time highs this year. Gilmour was speaking at last week's Absa Investments quarterly media briefing.

Investors don't want to believe this will continue – because they feel it does not make sense. And their awareness of this situation shows itself into market inflows. In rising markets people tend to buy equities – but the disconnect between equity and economic performance has led to inflows favouring asset allocation portfolios.

According to Fishwick –the reality of market performance is that company profits have done remarkably well – and this is what drives equity markets. (Please note that this is past performance)

### **The believability of experts**

We like to believe experts. We give them a high degree of plausibility and place confidence in their forecasts. But how good are the experts at consistently forecasting correctly? Because we want to believe someone knows the answer and what will happen we tend to believe forecasts and experts. And the more an expert looks like

they should be an expert – the more believable they become. You can see this in adverts for healthcare products where the 'endorser' is dressed as you would expect a medical professional to be dressed. It happens in finance too – market experts are dressed in smart office wear. This may seem obvious but turn it around and ask yourself if you would believe a market forecast from someone dressed as a medical professional.

Despite expert's predictions, and hindsight bias, we still live in a very uncertain world. An expert may have insight – but it still needs to be questioned.

Fishwick says he would recommend that we try and acknowledge this – and enjoy the ambiguity. Spot it in others and examine inconsistencies and arguments.

### **Decision making problem 2: We like things to be easy**

We might like to believe that we are good decision makers and that we apply logic and sound processes when making decisions – but what goes on in the head, said Fishwick, is not the considered robotic set of decision making steps we would like to believe. It is often automatic application of the rules of the day.

When making decisions Fishwick said we have two parts of the brain – the automatic – that just functions and effortlessly turns out answers, uses rules of thumb; and the logical part that will analyse and examine, take the time to consider a problem and answer. This part – using logic – is very hard to switch on. Considered thought takes time and is painful, he noted, it requires effort.

“When we think about risk we are pretty sure we are using logic – this turns out to be not true.”

This is what Daniel Kahneman calls System 1 and System 2 in the book Thinking, Fast and Slow. System 1 has learned associations between ideas, certain skills and makes decisions automatically. System 2 involves active reasoning. And while we like to believe we use System 2 – most often we use System 1.

This is very important for how we think about risk and investments. We need to understand what happens to ourselves when we make choices.

Feeling isolated is one issue that features strongly in decision making. We don't like being alone in our decision we would much rather be doing what others are doing, even if we know it is wrong.

“Being emotionally consistent and logical is very hard,” Fishwick observed.

We also must be careful of labelling this as wrong and right – something we have a very big tendency to do in many things. Fishwick says this tells us that we are human beings. It is critical to be aware of it and try and stop yourself from doing it.

“Look in the mirror and remind yourself that you don't know

all the answers." We aren't perfect hardwired investors, and we are on an emotional journey as well.

### Useful tools

If you are a fatalist you may now be asking what is the point of it all then?

"The right conclusion," says Fishwick, "is not to give up." Being aware of the problems we face when making decisions gives us ways to ask the right questions and analyse them in the right way. Look at the existing set of odds, and look at facts not stories, he says.

Be aware of what is exaggeration and what is extrapolation.

Understand what is already going on, says Fishwick.

Acknowledge that we are under pressure when we make decisions and that it is harder to act logically.

"It is very important," he notes, "to be prepared for how we respond when prices move up, or down."

Pre-commitment is a useful tool Fishwick mentioned – if this happens I will do this. But he does caution that the emotional stress of following a pre-commitment can be "incredibly hard."

The core challenge is that life is difficult. Understand why markets price the way they do and avoid being myopic and risk averse. That, Fishwick says, is a very dangerous game.



## Rethinking Retirement - An extract from the book "Never Retire"

By Dan Benson, Financial Planner turned Author

We're not focusing on personal finance simply to help you accumulate wealth. Money is only an *implement* of life, not life itself. It's a means, not an end. But the truth is that you live in a world in which your financial condition is likely to be the chief determinant of the type of life you're able to enjoy when the Big Transition comes. Your finances will determine how free you will be to *retire the way you want to and when you want to*. A healthy financial picture will empower you to *keep all your options open*, free travel, work part-time, volunteer, go back to school, recreate, or pursue a lifelong dream.

So our goal goes beyond making the most of what you have for a secure financial future. Dig a little deeper into your psyche, probe beneath the financial questions, and I think you'll make an interesting discovery. Most of our retirement-oriented concerns actually could be summed up in one deeper, more basic question:

### "How can I make the most of the rest of my life?"

That's the foundational question we're dealing with here. Retirement planning doesn't end with financial planning. Retirement planning also involves evaluating your attitudes, perhaps even rethinking your philosophy of retirement. After all, if you're going to spend up to one-third of your life there – and if you're wanting to build the financial resources you'll need for those years – doesn't it follow that you should also plan on making those years some of the best, most productive times of your life?

You see, I want to encourage you to blow the traditional view of retirement out of the water – to ignite a spark of fresh, creative thinking about your laterlife. I'm encouraging my generation to think far beyond the RV, the rocking chair, and the pursuit of the Small White Ball when defining life's purpose in retirement.

This is why I've tilted our visit together *Never Retire*. Sure, we may all leave our jobs or careers someday (many of us have little choice in the matter). But I hope, after investing in some time with me, you will resolve "never retire" as most men and women have retired in past. I hope you'll regard "retirement" not as your time to sit on the sidelines, but as your time to *step up to the plate* for bigger and better things.

Kathy and I prefer to think of the last two or three decades of our lives not as the time to sit back, but as the time to step up. We may indeed "retire" from our present professions – and we probably will hike more trails, see more sights, and enjoy our own pursuit of the Small White Ball. But, God willing, we also hope to use the time and resources of those years in ways that are both a blast for us and a blessing for our world. Instead of the cessation of productivity, retirement is going to provide a fresh start.

*A fresh start....*

*Hmmmmm.*

What if we were to rethink retirement? To look upon it as...

*Commencement?*

Commencement. A fresh start.

The time of new beginnings.

A new attitude.

Looking forward, not back.

Seizing the day. Seizing the *decades*.

Commencement. It's truly the first day of the rest of our lives.

The start of the "New Retirement". A take-charge, proactive time. Always discovering. Always learning. Joyful, vital, productive. Not self-absorbed, but others-orientated – and thus self actualizing.

It's not a time to retreat; it's a time to *rejuvenate*. Not a time to grow old, but a time to *grow*. Not a time to give in,

but a time to give back.

In this spirit of Commencement, your retirement – your *New Retirement* – can actually bring about a personal rebirth. You'll enjoy a rejuvenation of your outlook, a quickening of your step, and a strengthening of your spirit as you approach each day with joyful expectancy. (Kind of energizes you already, doesn't it?)

Isn't this the kind of life you'd really like to live when "retirement time" comes?

I thought so.

It's the twofold purpose of our visit together in these pages. We're not building financial freedom in order to live as prisoners of the old retirement. We're building financial independence to help transform the prospect of retirement into the promise of Commencement- the time of new beginnings, the start of New Retirement. We're seeking to

***Make the most of what you've got... to make the most of the rest of your life.***

## Supplement to Global Brief, 4<sup>th</sup> Quarter 2012



### FG Asset Management

by Klaas Venter, Chief Investment Officer, and Adri Viljoen, Investment Analyst



The FG JUPITER fund (income fund of funds) returned 1.20% since the end of August until 15 November 2012 outperforming the Alexander Forbes Short Term Fixed Interest (STeFI) Composite index (+1.09%) by a small margin. Three of the underlying managers outperformed the index, with the Coronation Strategic Income fund returning a handsome 2.04% over the period, albeit at increased volatility. After returning more than 30% for the year until the end of August, listed property retreated, declining by 4.84% over the period, while longer dated government bonds were also under pressure, declining by 1.7%. In contrast, long dated inflation linked instruments gained more than 5% after consumer inflation surprised on the upside in September and October. The weaker rand will also put pressure on inflation in coming months and after the surprise rate cut in July, interest rates remained unchanged at the September MPC meeting. No changes were made to the fund as the current combination of managers complement each other well.

The FG VENUS fund (cautious fund of funds) has been a first quartile performer over the last three and five years and has matched the average peer fund performance over the last year and year to date. We have maintained our conservative allocation to local and global equities, with preservation of capital an important factor in this decision. We continue to build a position in the Nedgroup Investments Opportunity Fund, managed by Omri Thomas from Abax, which returned close to 4% over the period. Global markets have benefited from massive new monetary stimulus programs by the US Federal Reserve and the European Central Bank announced in September, but the global economy faces a number of headwinds going into 2013, including the still uncertain impact of the "fiscal cliff" in the US and continued recessionary conditions in Europe. The VENUS fund benefited from the 6.4% depreciation of the rand against the dollar, but the poor performance of listed property securities detracted from

performance.

The FG SATURN fund (flexible fund of funds) has been a first quartile performer over 3 years and 5 years and second quartile over the last year. The SATURN fund outperformed its benchmark by more than 1% for the final quarter until 15 November 2012. There were no changes to the fund during the period, as all the managers performed in line with expectations. The Coronation fund returned in excess of 5%, while both the Prescient and Investec funds gained more than 4%. The SATURN fund will stay in the Asset Allocation – Medium Equity category under the new ASISA classification system. The new classification limits funds in this category to a maximum of 60% exposure to equities (both local and global) and the 25% allocation to offshore assets remains unchanged. The current classification allows up to 65% to be invested in equities and the SATURN fund currently has 61% total equity exposure. We will decrease the total equity exposure in the Saturn fund by year end to be in line with the new regulations.

The MERCURY fund (equity fund of funds) has outperformed the average of the general equity category the last one, three and five years. Risk assets globally benefited from the new monetary stimulus programs of several central banks and investors' appetite for risk subsequently increased. The higher exposure to resource shares through the investment into the Nedgroup Investments Mining and Resources fund has benefited investors during the period. The Nedgroup fund returned in excess of 6%, the best performing underlying fund for the period under review. The low-cost SIM Equally Weighted Index Fund returned 6% while the Coronation fund also beat the All Share Index. No changes were made to the fund since the end of August. The fund's top holdings, Anglo American, BHP Billiton and Sasol returned 2.0%, 9.9% and 2.2% respectively. Exposure to Mondi, Richemont, Woolworths and Steinhoff contributed to performance

while exposure to Imperial, Standard Bank and Nedbank detracted from performance.

The FG INTERNATIONAL fund (flexible fund of funds) benefited from continued rand weakness year to date after the currency weakened substantially in September and October. The rand weakened against all major currencies with the violent and illegal strikes across various sectors of the economy contributing to the weakness.

Changes to the fund are still in progress, with all changes expected to be completed by year end. The fund will then have exposure to FGAM Global Cautious and Growth Fund as well as the Investec Global Strategic Managed Fund. The FG International fund is diversified across regions and asset classes, with exposure to developed and emerging market equities, global property as well as selective bond holdings.

### Performance and quartile rankings in sector for periods to 15 November 2012

Index	6 Months	Year to date	1 Year	3 Years*	5 Years*
<b>FG Jupiter Income FoF</b>	4,87%	8,30%	9,31%	8,47%	8,79%
Atlantic Enhanced Income Fund	3,91%	7,61%	8,57%	7,80%	8,62%
Cadiz Absolute Yield Fund	4,98%	9,12%	10,28%	9,65%	10,33%
Coronation Strategic Income Fund	6,55%	10,43%	11,65%	11,02%	9,95%
Prudential Enhanced Income Fund	6,32%	9,87%	11,28%	11,03%	not started
SIM Active Income Fund	3,98%	6,96%	8,01%	8,64%	9,19%
Fixed Interest Varied Specialist Category Average	4,20%	6,95%	7,95%	7,93%	8,40%
<b>FG Venus Cautious FoF</b>	6,71%	11,65%	12,15%	11,26%	8,96%
Coronation Top 20 Fund	12,11%	19,88%	19,18%	16,34%	12,04%
Investec Diversified Income Fund	5,59%	8,92%	9,28%	10,07%	not started
Investec Opportunity Income Fund	4,84%	8,09%	9,23%	9,05%	9,36%
Nedgroup Flexible Income Fund	4,63%	8,30%	8,29%	8,60%	not started
Nedgroup Opportunity Fund	10,76%	16,78%	20,64%	13,30%	5,56%
Nedgroup Value Fund	8,87%	20,30%	19,54%	17,22%	11,16%
Prudential Enhanced SA Tracker Fund	16,89%	28,47%	30,82%	22,20%	13,56%
SIM Active Income Fund	3,98%	6,96%	8,01%	8,64%	9,19%
Prudential Low Equity Category Average	7,02%	11,56%	12,03%	9,99%	7,85%
<b>FG Saturn Flexible FoF</b>	8,71%	14,52%	14,29%	12,54%	7,97%
Absa Balanced Fund	7,39%	12,59%	12,95%	11,85%	8,18%
Coronation Market Plus Fund	10,51%	18,34%	18,73%	15,36%	9,92%
Investec Opportunity Fund	9,96%	16,52%	16,98%	14,45%	10,66%
Prescient Balanced Quantplus Fund	8,34%	10,94%	9,16%	9,72%	8,16%
Prudential Medium Equity Category Average	8,36%	13,65%	13,72%	11,12%	6,31%
<b>FG Mercury Equity FoF</b>	9,60%	18,85%	19,24%	16,07%	6,35%
Coronation Top 20 Fund	12,11%	19,88%	19,18%	16,34%	12,04%
Nedgroup Investments Entrepreneur Fund	14,47%	34,78%	39,45%	25,30%	9,07%
Nedgroup Investments Mining and Resources Fund	2,35%	-0,04%	-4,49%	5,66%	2,46%
SIM Dividend + Index Fund	6,99%	17,71%	19,64%	not started	not started
SIM Equally Weighted Top 40 Fund	12,87%	21,75%	19,46%	not started	not started
SIM Rafi 40 Index Fund	9,01%	15,32%	14,06%	not started	not started
General Equity Category Average	8,79%	15,61%	15,96%	13,16%	5,90%
<b>FG International Flexible FoF</b>	9,37%	19,81%	15,58%	8,11%	4,33%
Colour key	1st quartile	2nd quartile	3rd quartile	4th quartile	

\*Data longer than 12 months are annualised

## FG Saturn Flexible Fund of Funds

Fund	Formation Date	Manager	Size (R)	Benchmark
FG Saturn Flexible Fund of Funds	08/2005	FGAM	1 838 mn	Average of the Domestic - Asset Allocation - Prudential Medium Equity Category – net of fees
Absa Balanced Fund	05/1994	Errol Shear	1 985 mn	CPI + 5% over rolling 5-year periods
Coronation Market Plus Fund	07/2001	Neville Chester	3 017 mn	Composite (63% equity, 22% bonds, 10% international, 5% cash)
Investec Opportunity Fund	04/1997	Clyde Rossouw	29 084 mn	The objective is to achieve returns well in excess of inflation measured over 3- to 5-year periods
Prescient Balanced Quantplus Fund	06/2003	Guy Toms and Liang Du	1 149 mn	CPI (Consumer inflation)

## Quarterly Performance of general indices

Index	Asset Class	4Q 2011	1Q 2012	2Q 2012	3Q 2012	Year to date 2012*
<b>STEFI Composite Index</b>	Local Cash	1,39%	1,38%	1,39%	1,36%	4,86%
<b>Beassa ALBI Total Return</b>	Local Bonds	3,49%	2,36%	5,20%	4,99%	12,41%
<b>Citigroup World Govt Bond index (USD)</b>	Global Bonds	-0,12%	-0,51%	0,92%	2,99%	2,25%
<b>FTSE/JSE Africa All Share (Total Return)</b>	Local shares	8,38%	6,01%	0,98%	7,26%	19,26%
<b>FTSE/JSE Africa Swix Top 40 (Total Return)</b>	Local shares	8,30%	6,58%	1,24%	7,55%	21,15%
<b>FTSE/JSE Africa Small Cap (Total Return)</b>	Local shares	6,77%	10,40%	1,81%	6,23%	20,53%
<b>MSCI AC World USD</b>	Global Shares	6,72%	11,28%	-6,36%	6,13%	6,03%
<b>FTSE/JSE SA Listed Property (Total Return)</b>	Local Property	3,73%	8,03%	10,31%	10,98%	30,10%
<b>US Dollar/South African Rand (+ weaker, - stronger)</b>	Exchange Rate	-0,25%	-5,08%	6,79%	1,59%	10,66%

\*(Data up to 15 November 2012)

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