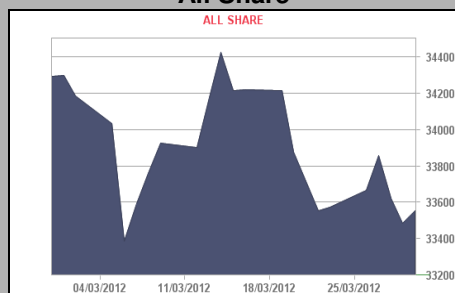
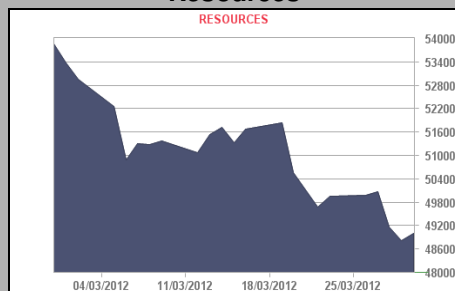


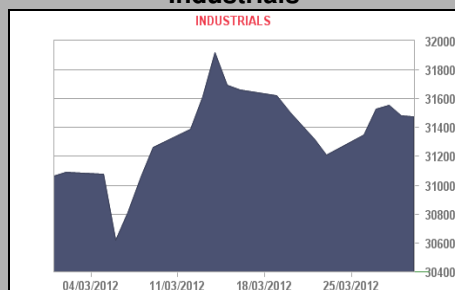
## All Share



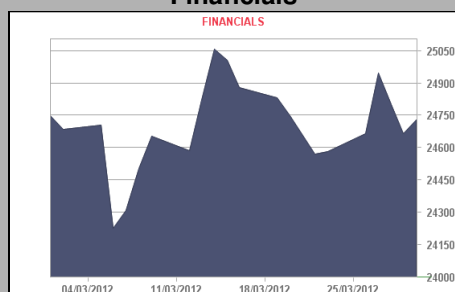
## Resources



## Industrials



## Financials



### Market Indicators 30 March 2012

Index	Value	Monthly Move (%)
All Share	33554	▼2.16%
Resources	49003	▼9.01%
Industrials	31474	▲1.68%
Financials	24729	▲0.83%
S&P 500	1403	▲2.27%
FTSE	5774	▼2.58%
Rand/USD	7.71	▼3.13%
Rand/GBP	12.28	▼3.46%
USD/Euro	1.33	▲1.19%
Gold (\$)	1662	▼6.86%
Platinum (\$)	1640	▼4.98%
Brent Oil (\$)	123.9	▲1.59%

The above candlestick data represents the daily movement of each index for the past month. Blue represents upward movement and red represents downward movement.

## Market Report

After 2 months of consecutive stock market gains, we've hit our first road bump in March. The JSE ALSI was down 2.2% for the month, dragged down by the Resources sector, which took a massive hit, down 9% in March. The Rand also weakened against the Dollar to around the R7.71 level, which when taken together with the abovementioned suggests that risk-aversion levels have picked up again as resources, emerging market equities and currencies all form part of your more risky asset classes. Developed market equities fared somewhat better, with the S&P 500 gaining 2.3% for the month which subsequently marked the best quarter for US stocks since 1998, and has outperformed gold by the most in more than a decade – a sign of growing confidence in corporate profits and that the economy is gaining traction.

There are a couple of factors to consider in finding the reason behind the dampened mood in equity markets. Firstly the constant threat of rising global oil prices in the face of tight demand/supply conditions and tensions in Iran, and the potential drag it would place on worldwide growth has hung over equity markets throughout the month. Secondly, the evident economic slowdown in China has made equity markets really nervous as investors fear a hard-landing in the world's second largest economy. Early in the month the Chinese government pared the nation's economic growth target to 7.5% from an 8% goal in place since 2005, a signal that leaders are determined to reduce reliance on exports and capital spending in favour of developing their local consumer base. Chinese exports fell for the first time in two years in February on the back of weakened demand from recession-battling Europe, which together with a rebound in local imports resulted in the nation's largest trade deficit since 1989. Plus strict curbs on the nation's property market, to cut down capital spending, have reduced production of steel and cement which hurt the likes of iron ore and coking coal (and our local Resources sector). Since China has practically been keeping the global economic recovery intact for the last two years, we understand that any glitches in the Chinese growth engine will inevitably be a cause for concern. However we feel that current developments are not as dire as markets make it out to be. Firstly we support the plans to tilt the Chinese economy toward consumption and away from a dependence on capital spending and exports as such developments will prove much more sustainable for the Chinese in terms of long-term growth. Secondly, it is important to remember that annual economic-growth targets have been routinely surpassed and are more indicative of the direction of policy – the Chinese economy is still expected to expand by between 8-9% in 2012. Lastly with more than \$3trillion in reserves and further room to ease policy, Chinese policymakers have the necessary ammunition to avert a hard-landing. Other than that, barring the above mentioned risks, a growing body of evidence suggests that the world economic recovery is gaining traction. Positive developments include further progress in European efforts to tackle the debt crisis over the past month, as Greece reached a debt-swap deal with its private creditors and officials approved a second bailout. Also the ECB, which supported the region's economy with measures including a record 1 trillion euros in 3-year loans to banks, kept its benchmark interest rate at a record low of 1% to support the region's consumer-base. In the US: the best 6 months of job gains since 2006; consumer confidence hitting a one-year high; and an acceleration in the writing down of bad loans from the credit bubble as well as the pull-back in household debt as a % of disposable income has aided a strong housing recovery and is flashing the strongest signals yet of a sustainable rebound; which all bodes well for a broader based economic recovery.

Locally, our Reserve bank Governor Gill Marcus stated earlier in the month that the combination of an (unexpected) ease off in inflation so far in 2012; a stronger and less volatile Rand; and an economic recovery that, while still on track, is firing well below potential; warrants a policy stance to leave rates unchanged for the time being. Consumer inflation slowed unexpectedly to 6.1% in February – easing back towards the Reserve Bank's 3-6% target band after breaching it in November 2011. Global oil prices pose the biggest threat to the inflation outlook, as geopolitical tensions remain high in the middle-east, while food price inflation is expected to moderate in the short run and administrative price pressures have eased off since last year this time. Consumer spending has been the main life-force of our local economy over the past 2 years, but has slowed down somewhat in January 2012 and supports the accommodative stance taken by the MPC. The Governor stated that the committee expects the economy to grow at 3% in 2012, which is still well below potential and is insufficient to meet South Africa's socioeconomic challenges.

## Company results

### Metair Investments Ltd (Year-end):

HEPS 255.0c ; PE 8.6 ; Dividend yield 0.0% ; details hereunder...

### Pinnacle Tech Hld Ltd (Interim):

HEPS 78.3c ; PE 9.8 ; Dividend yield 1.6% ; details hereunder...

## Trading updates

Share	Price	Increase / Decrease	Expected change in HEPS
Ellies	340	Increase	40%
Value	550	Increase	20%
Investec Ltd	4533	Decrease	22-27%
Excell	120	Increase	8-14%
Telkom	2400	Decrease	25%

## Snippets

An economic tour of the world; and the rand ...

## Corporate Cash Management Rates

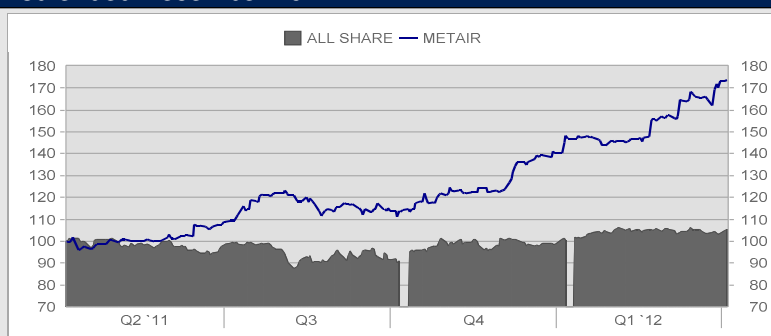
Up to 5.29% net – Call Deposits

Effective rates from 4.70% to 6.10% - Fixed Deposits

## Company Results

### Metair Investments Ltd – Year-end results for the period ended December 2011

Headline EPS	255.0c
Historical PE	8.6
HEPS growth	36.4%
Turnover growth	14.4%
ROE	27.5%
NAV per share	1118.8c
Dividend yield	0.0%
Share price	R24.25



Metair Investments Limited encompasses a portfolio of companies manufacturing and distributing products predominantly for the automotive industry. Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signaling devices, plastic mouldings and wiring harnesses.

Metair produced a strong set of results for the year ended December 2011. Revenue grew by 14% to R4.3bn largely driven by higher vehicle production and growth in local non-auto sales. Total local revenue for the year increased by 14% to R4bn, while total export revenue grew by 13% to R261.6m, despite a stronger Rand for most of the year. The group's exports consist mainly of aftermarket and OE (Original Equipment) product exported to Europe. Gross margin improved slightly from 21.2% to 21.4% due to volume increases across OEMs, resulting in a 16% increase in gross profit to R917.4m. The subsequent operating margin increased to 11.4%. This boosted EBIT up by 38% to R550.4m. Net finance income rose by 33% to R6.4m and the effective tax rate was lower at 26.2%. However, this benefit was offset by a substantial 87% increase in profit attributable to minorities. As a result, headline earnings grew by 38% to R367.8m.

#### Dividend

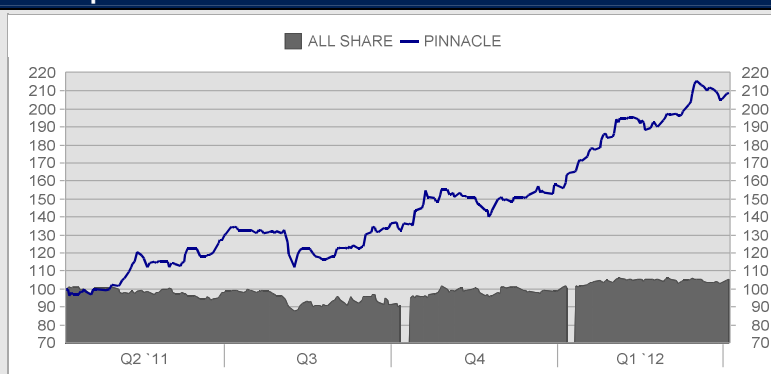
No dividend was declared. Cash generation was affected by a R178m increase in working capital, of which R92m was the insurance proceeds accrual related to the FNB.

#### Prospects

The group has a sound balance sheet with good operating margins, an above average ROE and traditionally healthy cash generation. Despite a flat OE market for 2012, the group expects some growth in the aftermarket sector due to strong sales of new vehicles in the years before the global financial crisis. Metair's performance should be sustained for 2012 but remains under the influence of volume and exchange rate fluctuations. Going forward, the group will focus developing markets for the new Start/Stop batteries. Metair has successfully launched its Start/Stop battery product range in 2011 and was awarded its first series production order in February 2012. Management believes that world carbon footprint reduction decisions will result in a significant shift in the requirements for Start/Stop batteries from 2015/2016. The group remains focused on diversifying its earnings base though growth in its aftermarket and non-automotive businesses. The group is currently considering the declaration of a dividend and a further announcement will be made in this regard.

### Pinnacle Technology Holdings Ltd – Interim results for the period ended December 2011

Headline EPS	78.3c
Historical PE	9.8
HEPS growth	63.1%
Turnover Growth	32.2%
ROE	48.2%
NAV per share	431.4c
Dividend yield	1.6%
Share price	R14.53



Pinnacle is a diversified group active in all areas of Information, Communication and Technology hardware, software and services. The group offers a world-class selection of branded products including Microsoft, Dell, Hewlett-Packard, Intel and IBM as well as its own Proline range.

Pinnacle delivered a strong set of results for the interim to December 2011 despite tough trading conditions. Activity held up in the ICT distribution division while good growth was recorded in the projects and financial services divisions. The group's performance was further supported by the weak Rand in the period under review. Revenue grew by 32% to R2.7bn largely driven by contributions from Pinnacle Africa and AxizWorkgroup hardware, which had offset an 11% revenue decline in software. Gross profit rose remarkably by 41% to R430.5m due to synergies from the Axiz acquisition and an increase in the mix of higher margin products. Subsequently, gross margin improved from 14.8% to 15.8%. Adjusted operating profit grew substantially by 51% to R177m attributable to good cost control, resulting in a higher operating margin at 6.5%. As a result, headline earnings rose by 46% to R129.6m.

#### Dividend

Cash generation was poor due to its cyclical investment in inventories in December 2011. No interim dividend was declared for the period.

#### Prospects

The group expects further growth in turnover and margins as it continues to diversify its revenue streams into additional vertical and horizontal markets. Increased activities in the public sector and large ICT tenders being issued also augur well for the period ahead. The integration of Axiz and Workgroup for the creation of AxizWorkgroup will be completed by the end of the current financial year. This will continue to impact Pinnacle's turnover and profit growth positively. Software sales in AxizWorkgroup are likely to return to normal as the group expanded its offerings with nine additional software agencies. Pinnacle Africa continues to grow in Africa, with Botswana showing 100% growth year-on-year. The group intends to duplicate the same efforts in Namibia, while projects to open offices in two other African countries are close to completion.

#### **A less concerning outlook and three important questions**

If sentiment was very bleak at the end of 2011 it has become a little less bleak in many economic areas of concern. US growth looks more sustainable (although still slow) and employment is growing (US February non-farm payrolls rose by 227 000). Speaking at the first Absa Capital quarterly perspective for 2012, head of Macro and Fixed Income Research at Absa Capital, Jeff Gable, said that compared to the previous quarter the outlook was less concerning. This does not mean it is great – but more along the line of the optimism with a small o; and the Ben Bernanke phrase not completely confident. The European economy remains a trouble spot – and Gable said the recession in Europe may be “deeper than we thought.” However the signs are there that if more needs to be done to deal with the situation it will be done by authorities. And while this “does not change the very difficult fiscal maths,” it does moderate the potential for a big shock.

Gable highlighted three key issues for the global economy.

#### **1. A shrinking Europe**

Europe is still a trouble spot, there is still “nervousness,” and many European economies are shrinking. In the last quarter of 2011 the Greek economy, for example, shrunk about one-fifth. Gable’s best guess is that by the time the situation has returned to normal the Greek economy will be a quarter smaller. Spain and Italy are also shrinking. “These are dramatic numbers,” said Gable, “and this is not a small recession.” Unemployment is also worth highlighting in Europe – Greece has an unemployment rate of 21% (51% in the age group 15 – 24), Spain 23% (up from 8% in May 2007). These numbers also place some context on the stop start situations we see in Europe and highlight the difficult environment in the area and the difficult decisions politicians are making.

#### **2. China - how much will it slow?**

There are not many commentators who are predicting a hard landing for China – but again this is an unknown. Following much anticipation of a property bubble, policies to slow this were introduced in China and there is always the question Gable said – can these work better than anticipated? He does believe that the authorities are watching the situation closely and there has been some loosening of reserve requirements for example that indicates there will be as far as possible an avoidance of a too hard landing. China also slowed last year, Gable noted, as their exports to Europe slowed. “We believe the fourth quarter of 2011 was the low point for the global economy,” said Gable. With Europe possibly reaching a low in the middle of this year. Absa Capital are forecasting growth in China of 8 – 8.1% in 2012.

#### **3. Oil – cheap oil a thing of the past?**

The third watchpoint on Gable’s global economic concern list is oil. The price of oil is not going down, and the geopolitical tensions in Iran create a very uncertain environment. This is very topical in SA – where the price of filling your vehicle of choice is about to become very expensive. Alwyn van der Merve, director of investments at Sanlam Private Investments, also highlighted Middle-east instability as a potential pothole two weeks ago. As far as oil goes – we now have to ask what issues to debate, Gable noted: is the oil price high today because of Iran or is it high because of demand? The core trend in energy prices going forward appears to be upwards. The global demand for oil is significantly higher today than ever before and global supply is tighter, said Gable. And so small changes in demand or supply or both can lead to more volatility.

In an article Take with one hand, and the other, from the UCT Graduate School of Business newsletter research, Gareth Coetzee writes the following: “It is estimated that China alone will consume 20% of the world’s energy by 2035 and that by 2020 the country’s ratio of imported petroleum dependency at an estimated 80% will be higher than the US rate. China changed in 1993 from being a net exporter of oil to being an importer. Since 1995 petroleum consumption has risen by 4.9% per year.”

“Over time,” said Gable, “the price of oil is likely to rise.” There may be some tempering of this bad news – the price is not rising as quickly as it has – it is not the level of the price of oil that matters but the rate of change. Why the price of oil matters is captured in a line in the book *Why your world is about to get a whole lot smaller* by Jeff Rubin – “In a world of triple-digit oil prices, distance suddenly costs money and lots of it.”

So globally – no big shocks, US looking better and Europe likely to hit the worst this year. At the beginning of the year OMIGSA senior economist Johann Els said there is more room for positive than negative surprises this year and so far this looks on track.

### The local scenario – consumer support but there are headwinds

Locally it is important, Jeffrey Schultz, economist on South Africa at Absa Capital said, to distinguish between sentiment and what is actually going on. “On the face of it – looking a lot better, but in the SA economy there are some structural issues we are concerned about.” Schultz noted that the SA economy is being well supported by the consumer who is spending – many had above inflation wage increases last year; and low interest rates. The labour market is also slowly coming to the party – with the addition of 522 000 jobs since the third quarter of 2010 – not quite the million recovered that were lost but a move in the right direction. Will the consumer continue to spend? We are expecting some moderation said Schultz, inflation is moving higher and this will “eat away at real income levels.” Schultz also noted some improvement in fixed investment spending – including in the private sector (although this is only a slight improvement) – and better construction and manufacturing sector performance and confidence. He highlighted two headwinds – industrial action and electricity supply – both of which place well reported strains on the economy. This has led to Absa Capital revising GDP for 2012 down 0.1% to 2.7%. Schultz also spoke about inflation – and this is key for any saver, investor and spender. In SA the Reserve Bank has the mandate of inflation targeting within the range of 3 – 6%. Last year the inflation number headed outside of this range – most recently measured at 6.1%. Previously much of this increase was attributed to cost-push factors like food and fuel. Things that we don’t really have that much control over. From the November MPC statement comes the following: “The Monetary Policy Committee remains of the view that the underlying inflation pressures are of a cost push nature and that the subdued state of domestic demand and output will contribute to core inflation remaining contained, notwithstanding the continued pressures from some administered prices.” Core inflation – taking out these numbers – was seen as within the target range. However of late, there have been references to this number also rising, with the following being noted in the Monetary Policy statement in November last year. “The Bank’s forecast of core inflation, which excludes food, petrol and electricity, continues to show a moderately rising trend.”

SA Reserve Bank Governor Gill Marcus at the recent MPC meeting spoke about inflation pressures becoming more broad-based. Schultz warned recently that core inflation is rising and “it is not unreasonable to assume that it will continue to rise this year.” “Our view is that core inflation will start to become a larger driver,” and by year end Schultz says it could reach 5.5%. Add this to food inflation and petrol and the inflation picture becomes anything but pretty. While Schultz says they are not expecting any dramatic MPC decision any time soon – they are forecasting a 50bp rise in interest rates this year (November) and 150bp increase in total in 2013.

### The rand – is it as volatile as we think?

One of an audience’s favourite questions and an economist’s least is what is the rand going to do. This is never an exact science and seems to be the forecast most shy away from. And more than any other number we appreciate that when it comes to the rand all bets are off. Mike Keenan at Absa Capital is a currency strategist. “We are the rand bulls,” said Keenan, but this rests heavily on the global outlook and the renewed appetite for risky assets. His USD/ZAR and EUR/ZAR forecasts are below: (please keep in mind that these come with all the usual health warnings accompanying any forecast - they are just a forecast and anything can change at any time)

	USD	EUR		ZAR/USD Exchangerate
2012 Quarter1	7.72	10.14	2009	8.44
2012 Quarter2	7.24	9.52	2010	7.32
2012 Quarter3	7.20	9.18	2011f	7.26
2012 Quarter4	7.45	9.22	2012f	7.40
			2013f	7.67

The rand is often held forth as very volatile and something that affects our business, growth, prices. While this is true – our perception of the truth may be a little clouded and the rand is “in absolute terms,” said Keenan, less volatile than it has been. It is also subject to foreign events, global economics, appetite for risk, sentiment towards emerging markets and political events. But the volatility it has experienced in recent years is not as extreme as it was ten years ago. Malcom Charles of Investec Asset Management has previously noted that it is not a strong or weak currency that is good for business – it is a stable currency. It would be a stretch to call the rand stable – but it may also be a mistake to call it highly volatile and lay all manner of poor economic outcomes at its door. Cannon Asset Managers CIO, Adrian Saville, showed delegates at last year’s FPI (Financial Planning Institute) conference that SA’s manufacturing performance fortunes are tied rather more to the global economy than the exchange rate.

*The opinion and comment in this newsletter is opinion and comment only and does not in any way constitute financial advice. For any financial decision please consult one of our PCH professional financial advisers.*

## Corporate Cash Manager Rates

Cash Manager Rates at 01 April 2012				
FUND	BALANCE	RATE	FEE	NET RATE
CALL ACCOUNT	0.00 - 9.999.99	5.15	1.60	3.55
	10.000 - 24.999.99	5.15	1.10	4.05
	25.000 - 49.999.99	5.15	0.85	4.30
	50.000 - 99.999.99	5.15	0.60	4.55
CALL MONEY FUND	100.000 - 249.999.99	5.15	0.45	4.70
	250.000 - 499.999.99	5.39	0.35	5.04
	500.000 - 999.999.99	5.39	0.25	5.14
	1.000.000 - 9.999.999.99	5.39	0.15	5.24
	10.000.000 upwards	5.39	0.10	5.29

## Dividends payable

Dividends in LDT order					
Company	Decl	LDT	Pay	Amt	Curr
Metair Investments Ltd. (METAIR)	23-Mar	13-Apr	23-Apr	72	ZARc
Old Mutual plc (OLDMUTUAL)	09-Mar	13-Apr	07-Jun	3.5	GBPp
Old Mutual plc (OLDMUTUAL)	09-Mar	13-Apr	07-Jun	18	GBPp
Putprop Ltd. (PUTPROP)	23-Mar	13-Apr	23-Apr	15	ZARc
Rainbow Chicken Ltd. (RAINBOW)	21-Feb	13-Apr	23-Apr	28	ZARc
Remgro Ltd. (REMGRO)	15-Mar	13-Apr	23-Apr	126	ZARc
Steinhoff International Holdings Ltd. (SHFINV-PREF)	03-Apr	13-Apr	23-Apr	374	ZARc
AVI Ltd. (A-V-I)	02-Apr	19-Apr	30-Apr	83	ZARc
Liberty Holdings Ltd. (LIB-HOLD)	02-Apr	19-Apr	30-Apr	221	ZARc
Shoprite Holdings Ltd. (SHOPRIT)	02-Apr	19-Apr	30-Apr	109	ZARc
Sanlam Ltd. (SANLAM)	08-Mar	19-Apr	09-May	130	ZARc
Truworths International Ltd. (TRUWTHS)	03-Apr	19-Apr	30-Apr	169	ZARc
Woolworths Holdings Ltd. (WOOLIES)	02-Apr	19-Apr	30-Apr	75	ZARc
Country Bird Holdings Ltd. (CBH)	21-Feb	04-May	14-May	5.98	ZARc
Cipla Medpro South Africa Ltd. (CIPLAMED)	15-Mar	04-May	14-May	7.5	ZARc
Digicore Holdings Ltd. (DIGICORE)	21-Feb	04-May	14-May	3	ZARc
Capital & Counties Properties PLC (CAPCO)	29-Feb	11-May	21-Jun	1	GBPp
JSE Ltd. (JSE)	13-Mar	18-May	28-May	250	ZARc
Spanjaard Ltd. (SPANJAARD)	29-Feb	18-May	28-May	18	ZARc
Capital Shopping Centres Group PLC (CAPSHOP)	23-Feb	25-May	03-Jul	10	GBPp
Metmar Ltd. (METMAR)	30-Mar	15-Jun	25-Jun	16.5	ZARc
Value Group Ltd. (VALUE)	29-Mar	22-Jun	02-Jul	14	ZARc

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