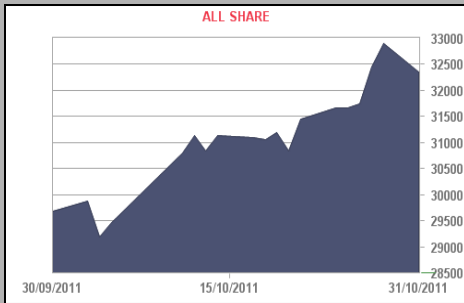
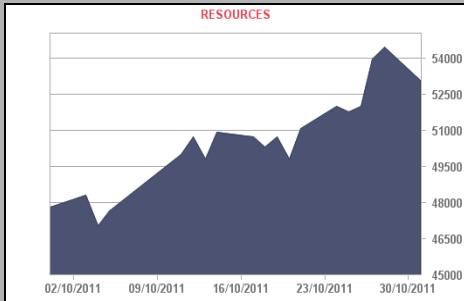


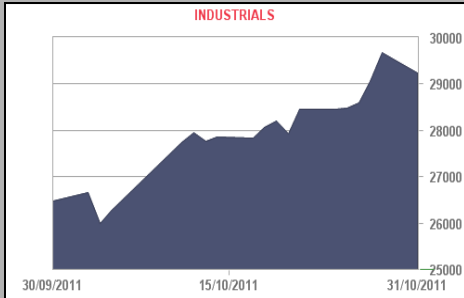
All Share



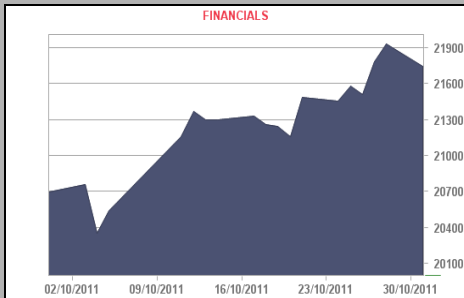
Resources



Industrials



Financials



Market Indicators 31 October 2011

Index	Value	Monthly Move (%)
All Share	32349	▲9.01%
Resources	53068	▲10.97%
Industrials	29246	▲10.45%
Financials	21740	▲5.05%
S&P 500	1285	▲10.75%
FTSE	5702	▲11.19%
Rand/USD	7.70	▲3.35%
Rand/GBP	12.40	▲0.15%
USD/Euro	1.41	▼4.17%
Gold (\$)	1741	▲7.94%
Platinum (\$)	1606	▲6.29%
Brent Oil (\$)	109.0	▲2.91%

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

About \$10 trillion was wiped from global equity markets in the third quarter. At the start of October 37 of the 45 nations in the MSCI All-Country World Index posted declines of 20% or more from their peaks – usually the threshold of a bear market. World markets were in a dire state and the taint of fear was keeping asset prices bogged down as investors shunned any form of risk. Although seemingly in the nick of time, a string of stronger-than-expected economic indicators, emanating mostly from the US, were released and spurred markets into a hefty rebound. The JSE All climbed a refreshing 9% in October, while the likes of the FTSE and S&P 500 managed similar gains, returning 11% and 10.7% respectively.

The positive news coming from the US started with some much needed relief in the jobs market, with a 103,000 gain in payrolls in September, which eased concerns that the US will slip into recession in the second half of the year. This positive sentiment was then later amplified by news that PMI manufacturing numbers and US retail sales rose more than forecast, the latter being an important indicator given that household spending accounts for about 70% of the world's largest economy. Robust domestic demand in China in the form of consumption and investment spending as well as solid export growth to emerging markets have allowed the nation's manufacturing and output activity to rebound back into expansionary territory in October. Thus even in the face of fading demand from the US and especially Europe, its two biggest export markets, domestic and emerging market demand conditions seem solid enough to keep the economy growing by around 9%, and should prevent any sort of hard landing for the Eastern giant.

Meanwhile in Europe, efforts by policymakers to assure markets that they would do everything within their power to weather the sovereign debt crisis and prevent the European banking sector from imploding allayed market fears to some extent. A strong focus has been placed by European governments on the recapitalisation of local banks as these lenders face likely writedowns on their sovereign debt issued by the likes of Greece and other Southern European nations in a market where investors prove reluctant to provide short-term funding. The most significant development for the region, however, came towards the end of the month when European leaders persuaded bondholders to take 50% losses on Greek debt and boosted the firepower of the EFSF rescue fund to 1 trillion Euros. This 'haircut' should cut Greece's debt burden from 170% currently to 120% of GDP in 10 years and along with a 'fattened' second bailout package, a strengthened EFSF and an effort to recapitalise the banking sector, form part of a plan that is probably the most concerted and significant of its kind since the onset of the Euro debt crisis. Markets, hungry for some sense of direction, responded with much praise and relief which translated into an extremely strong run in equity markets towards the end of the month.

Locally, the main attraction for the month was the medium-term budget statement, outlined by Finance Minister Pravin Gordhan on the 25th of October. Some of the highlights include the following:

- The economic growth forecast for 2011 is cut to 3.1%, rising to 3.4% in 2012 and 4.1% in 2013.
- CPI inflation is expected to average 5% in 2011 and remain below 6% over the next 3 years, and thus within the government's 3%-6% target range.
- The treasury plans to trim the budget deficit to 3.3% in the 2014/15 financial year from 5.5% in 2011/12 and keep borrowing in check.
- Total government spending as a % of GDP is seen declining gradually over 3 years, from an estimated 32.9% in 2011/12 to 32.2% in 2012/13 and 31% in 2014/15.
- Government will provide R25bn over the next 6 years to boost industrial development zones, assist job creation and support transition to a green economy.

All in all, the Minister outlined a fiscal path that should assure investors and keep credit ratings safe. The sluggish economic recovery up till now have hampered tax revenues and thus the Minister has had to pick and choose his spending priorities, opting for investment spending with plans to limit expenditure in other areas, including the state wage bill which is sure to anger some of the ANC's leftist allies. Investment spending, on both a public and private scale, has been lacking since the onset of the recovery and any means of assistance to get such activities back to trend levels should be welcomed.

Company results

Pick n Pay Stores Ltd (Interim):
HEPS 54.7c ; PE 31.03 ; Dividend yield 3.5% ; details hereunder...

The Value Group Ltd (Interim):
HEPS 25.0c ; PE 6.57 ; Dividend yield 4.52% ; details hereunder...

Trading updates

Share	Price	Increase / Decrease	Expected change in HEPS
Value	410	Increase	20%
TFG	10014	Increase	23-26%
PicknPay	3975	Decrease	35-45%
Mr Price	7640	Increase	18-23%
Raubex	1302	Decrease	89-103cps

Snippets

Would you pay more for a restaurant meal than a Will?...

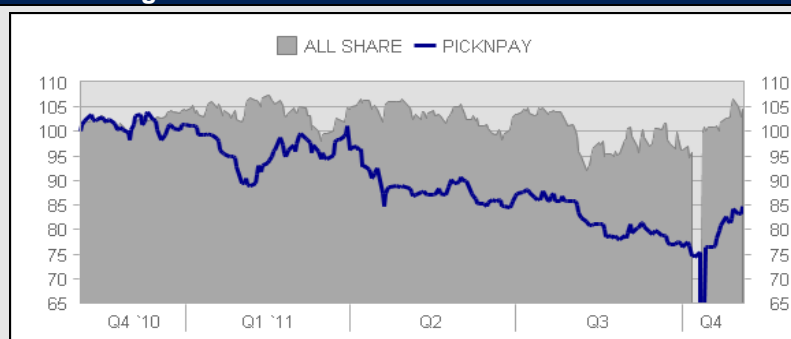
Corporate Cash Management Rates

Up to 5.28% net – Call Deposits
Effective rates from 4.70% to 6.10% - Fixed Deposits

Company Results

Pick n Pay Stores Ltd – Interim results for the period ended August 2011

Headline EPS	54.7c
Historical PE	31.03
HEPS growth	-39.3%
Turnover growth	7.4%
ROE	40.2%
NAV per share	396.2c
Dividend yield	3.5%
Share price	R40.50



The group operates through three divisions, the Retail Division (Pick 'n Pay branded businesses), the Group Enterprises Division and Franklins Australia, each with their own managing director and management boards.

Pick 'n Pay delivered a subdued set of results for the interim to August 2011 mainly due to significant costs incurred in light of its strategic transformation initiatives. These initiatives involved the set-up of the group's specialist category buying function, continued centralisation of its supply chain, as well as the launch of the Smart Shopper loyalty programme in March 2011. During the period, the group operated in a highly competitive environment and its internal inflation remained below CPI. Notwithstanding this, revenue increased by 7% to R27.1bn driven by strong growth from like-for-like stores. In addition, the Smart Shopper programme was well received with 4.1m cardholders obtained. Gross margin reduced slightly from 17.8% to 17.7% as benefits from improved specialist buying were offset by the discounts offered under the Smart Shopper programme. Gross profit increased by 7% to R4.8bn. The resultant operating margin decreased to only 1.8%. Consequently, HEPS from continuing operations declined by 39% to 54.7 cents for the period under review.

Dividend

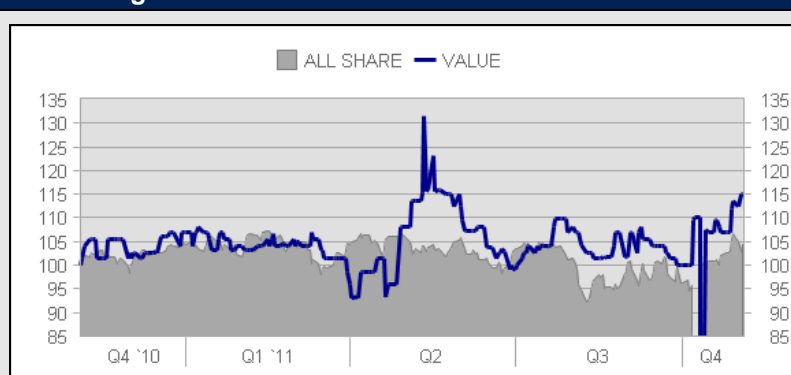
The interim dividend declared came in 39% lower at 22.5 cps. Cash generation was strong attributable to improved working capital management.

Prospects

Pick 'n Pay is a high quality company with an extremely impressive track record. The group has consistently achieved a high ROE and strong cash generation. The group has been making good progress in transforming its business and is optimistic for the period ahead. The Smart Shopper loyalty programme has resulted in an improved customer offering and will drive top line growth in the medium to long-term. In respect of Specialised buying, regional work undertaken to date has already positively impacted the gross margin. Management believes that its margins will be strengthened over the next few years without compromising its competitive price position, which will be achieved through category management and supply chain improvements. Management intends to optimise the Longmeadow operation before proceeding with its 4 new distribution centres over the next 5 years. Although operating conditions are expected to remain subdued in the short term the group will start to reap the benefits of its strategic initiatives through its bigger store footprint, the Smart Shopper loyalty programme and better operating efficiencies through its supply chain. Should retail conditions eventually improve, the group seems well positioned to benefit from heightened consumer spending.

The Value Group Ltd – Interim results for the period ended August 2011

Headline EPS	25.0c
Historical PE	6.57
HEPS growth	14.2%
Turnover Growth	14.4%
ROE	24.7%
NAV per share	317.7c
Dividend yield	4.52%
Share price	R4.20



Value Group Limited and its subsidiaries provide a comprehensive range of tailored logistical solutions throughout Southern Africa.

The group experienced challenging trading conditions during the interim to 31 August 2011, mainly as a result of disrupted fuel supplies and operational change within certain business units. Notwithstanding this, total revenue grew by 14% to R847.3m as the supply chain services increased on the back of an expanded customer base. Gross profit improved by 8% to R351.1m. However, gross margin at 41.4% was lower than prior period's 43.7%. Adjusted operating rose by 11% to R73.4m but the resultant operating margin decreased slightly to 8.7%. Consequently, adjusted HEPS grew by 14% from 21.9 to 25 cents due to a 9% decline in the weighted average number of shares issued.

Dividend

Interim dividend declared amounted to 17% higher at 7 cps.

Prospects

Value has good operating margins, traditionally good cash generation and a high ROE. Management is aware that global financial market volatility and uncertainty could induce another recessionary environment both locally and abroad. In light of this, management is focused on growing a diversified revenue base across all logistical service offerings, whilst simultaneously reducing costs. This is due to the reduced volumes amongst certain customers operating in different industry verticals within the supply chain. Traditionally logistics' volumes are higher in the second half due to increased consumer demand. However, this must be viewed in light of a possible economic downturn which could depress volumes, particularly over the Christmas season. The group approved capital expenditure of approximately R68.2m for the remaining six months, which will be funded from a combination of existing interest-bearing debt facilities and cash flow.

It would appear that some South Africans are prepared to pay a couple of hundred rands for a restaurant meal, yet are not happy to pay an expert the equivalent to draft their Will, a vital document that speaks for you when you are gone.

Recent affluent (see note 1) and high net worth (see note 2) market research commissioned by Glacier Fiduciary Services, a division of Glacier by Sanlam, revealed a startling disparity in the public's understanding of the importance of having a professionally drafted Will. Furthermore, many affluent and high net worth individuals do not recognise the expertise required to draft a Will that you can trust to have the consequences you intend. The necessary area of expertise required to draft a competent Will includes not only estate planning in the narrow sense, but also marriage law and planning, insolvency law and asset protection, the intestate succession rules, the administration of deceased estates, all areas of tax law, trust law, exchange control etc.

Wills are drafted by a wide range of organisations and service providers, including attorneys, banks, accountants and financial advisers. Members of the public should ensure that the person they consult to draft their Will is properly qualified and experienced to do so. One's Will dictates the manner in which your assets will be divided and your dependants looked after when you are not around to help them or remedy any mistakes or misunderstandings. Accordingly, anyone with dependants or with assets they wish to leave behind, needs to take the process seriously and not simply focus on getting a Will drafted as cheaply as possible, or free for that matter.

The objectives of the Glacier research were to provide detailed information about the current behaviour of its target market of affluent and high net worth (HNW) individuals with regard to Wills, family trusts, offshore trusts and estate planning advice, as well as to explore attitudes towards the concept of "free advice".

The questions asked about Wills in particular revealed a huge disparity in market perceptions and expectations. Ninety-eight percent of respondents had a Will. However, only 33% overall said their Will was updated in the last year (39% HNW; 28% Affluent); 21% updated it one to two years ago; 21% updated it three to five years ago; and 25% updated it more than six years ago (17% HNW; 32% Affluent). Nominated executors are most commonly relatives (29%) or banks (25%). Attorneys are more commonly used by HNW individuals (22%) than affluent individuals (8%). When asked who drafted their Wills, an alarming 17% said that they had drafted their own Wills or a relative had drafted their Wills. The majority (63%) had Wills drafted by their attorneys or accountants.

The respondents were asked how much they paid for their Wills and how much they would expect to pay today. The fees paid ranged from nothing (44%) to between R15,000 and R20,000 (2%). 15% of respondents paid less than R1,000 and the balance (20%) paid between R1,000 and R15,000. Those who paid less than R1,000 are likely to fall into the category of people who have not updated their Wills for a very long time. The research also revealed a disparity between what people paid, and what they would expect to pay now. As regards what they expected to pay today – only 20% said that they expect a Will to be for free; 18% expected to pay less than R1,000; 8% between R1,000 and R2,500; 28% expect to pay between R2,500 and R5,000; and 12% expect to pay between R5,000 and R15,000.

The glaring difference between clients' perceptions was highlighted in their answers to the following questions. Firstly, the respondents were asked why they would not expect to pay for a Will.

"I did not pay for my Will as part of the service of a private bank client and the bank will make money out of the estate when they have to wind it all up one day. However, I did expect to pay for it!"

"It is part of the bank service. Banks and all financial institutions make so much money from their clients, the least they can do is to provide a free Will. After all, it takes only one hour to 'cut and paste' in preparation for Wills."

"A Will should be part of the service I am being offered either by my private banker or my financial adviser. The cost of the Will should be included in the fees that I pay my private banker or financial adviser every year."

But when the researchers asked, "How do you feel about people who are willing to pay more for a restaurant meal than a Will?" The response was very different.

"You're being stupid because you are gambling with lots of money. You don't want the family to sit with problems after you die. You get what you pay for. Cheap/free Wills are not worth the paper they are written on."

"It would then appear as if there is no value perception to the Will. Wills usually need specific tailoring when assets are involved and the various beneficiaries and not just the run of the mill type Will. If it is simple and a standard template type of Will with no effort put into it, then it could be a modest meal. But I think it is foolhardy. I am willing to pay far more for a Will than a meal because I want proper professional advice that I can trust regarding tax consequences, asset details, etc."

Regardless of whether you are paying R10,000 for your Will or if the cost is included in other fees you are paying to your adviser, just make sure that it is drafted by a properly qualified expert in Will drafting, estate planning and the related tax issues. Furthermore, don't be misled into thinking that a relatively small estate necessarily requires less Will drafting complexity or is easier to wind up when you pass on, than a large estate. A R3.5 million estate with private company shares, children from two marriages and a usufruct attached to a property would be more complex than a R20 million estate with equities, cash and a house.

Notes:

1. Annual income R360K - R1.6 mil plus net investable assets of R3.5 mil - R7 mil OR gross estate value R7.5 – R19.9 mil
2. Annual income R1.6 mil+ plus net investable assets of R7 mil+ OR gross estate value R20 mil+

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 31 October 2011

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
	100.000 - 249.999.99	5.15	0.45	4.70
CALL MONEY FUND	250.000 - 499.999.99	5.38	0.35	5.03
	500.000 - 999.999.99	5.38	0.25	5.13
	1.000.000 - 9.999.999.99	5.38	0.15	5.23
	10.000.000 upwards	5.38	0.10	5.28

Dividends payable

Dividends in LDT order

Company	Decl	LDT	Pay	Amt	Curr
Adcorp Holdings Ltd (ADCORP)	12-Oct	04-Nov	14-Nov	57	ZARc
Barloworld Ltd (BARWORLD6)	27-Oct	11-Nov	21-Nov	6	ZARc
Country Bird Holdings Ltd (CBH)	23-Aug	11-Nov	21-Nov	10.84	ZARc
Octodec Investments Ltd (OCTODEC)	21-Oct	11-Nov	21-Nov	64.3	ZARc
Premium Properties Ltd (PREMIUM)	21-Oct	11-Nov	21-Nov	55.8	ZARc
Remgro Ltd (REMGRO)	20-Sep	11-Nov	21-Nov	213	ZARc
Datatec Ltd (DATATEC)	12-Oct	18-Nov	28-Nov	7	USDc
Fountainhead Property Trust (FPT)	03-Nov	18-Nov	28-Nov	27.56	ZARc
Redefine Properties Ltd (REDEFINE)	03-Nov	18-Nov	28-Nov	37	ZARc
Afrimat Ltd (AFRIMAT)	03-Nov	25-Nov	05-Dec	6	ZARc
Capitec Bank Holdings Ltd (CAPITEC)	28-Sep	25-Nov	05-Dec	125	ZARc
Grand Parade Investments Ltd (GRANPRADE)	08-Sep	02-Dec	12-Dec	10	ZARc
Nu-World Holdings Ltd (NUWORLD)	27-Oct	02-Dec	12-Dec	29.5	ZARc
Pick n Pay Stores Ltd (PICKNPAY)	19-Oct	02-Dec	12-Dec	22.5	ZARc
Pinnacle Technology Holdings Ltd (PINNACLE)	16-Sep	02-Dec	12-Dec	23	ZARc
Pick n Pay Holdings Ltd (PIKWIK)	19-Oct	02-Dec	12-Dec	10.91	ZARc
Combined Motor Holdings Ltd (CMH)	12-Oct	08-Dec	19-Dec	13	ZARc
Famous Brands Ltd (FAMBRANDS)	20-Oct	08-Dec	19-Dec	80	ZARc
The Foschini Group Ltd (TFG)	03-Nov	29-Dec	09-Jan	190	ZARc
Value Group Ltd (VALUE)	18-Oct	13-Jan	23-Jan	7	ZARc
Clicks Group Ltd (CLICKS)	20-Oct	20-Jan	30-Jan	88	ZARc
The Foschini Group Ltd (TFG PREF)	03-Nov	15-Mar	26-Mar	6.5	ZARc

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