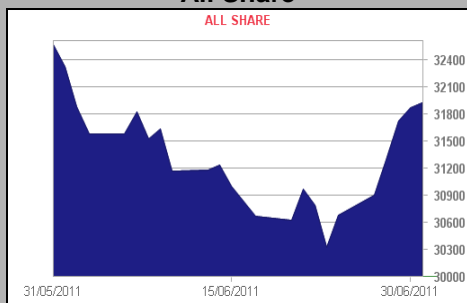


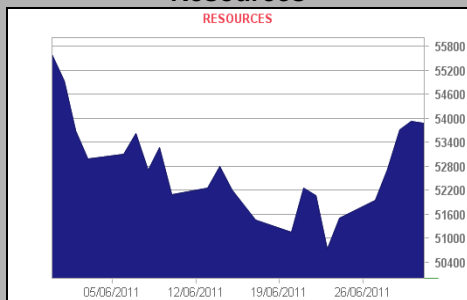


JULY 2011

All Share



Resources



Industrials



Financials



Market Indicators 30 June 2011

Index	Value	Monthly Move (%)
All Share	31865	▼2.15%
Resources	53933	▼3%
Industrials	27749	▼1.51%
Financials	21566	▼2.13%
S&P 500	1307	▼1.78%
FTSE	5856	▼2.24%
Rand/USD	6.79	▲1.93%
Rand/GBP	10.89	▲4.31%
USD/Euro	1.44	▼1.02%
Gold (\$)	1504	▼2.1%
Platinum (\$)	1720	▼5.92%
Brent Oil (\$)	112.0	▼3.83%

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

Investors can't be blamed for feeling a slight sense of déjà vu after the rather dismal two months of market returns in May and June. More striking is that, like a year ago, it is concerns emanating from the sovereign debt debacle playing out in Peripheral Europe and fears of the US economic recovery faltering which have hampered equity markets. The JSE All Share ended the month 2.15% down, while the S&P500 was slightly better off, ending the month 1.78% in the red. Fortunately when taking a closer look the picture might not seem as dire as it did a year ago, however it is still important to note that the risks keeping markets on edge will remain with us for a while still as the severity of the issues faced will not subside over night.

Global markets for the past nine months have experienced what could best be described as a sugar-high. Assets from commodities to equities have been boosted and the US Dollar pummeled by one of the biggest experiments in US central bank history, namely QE2. This second round of quantitative easing whereby the US Fed committed to buying \$600 billion in US Treasury was designed to help stimulate the US economy and stave off deflation. The latter has been achieved as core inflation numbers have picked up over the last few months but with a housing market still in decline, unemployment levels back up to 9% and manufacturing activity stumbling, it is easy to see why markets are worried. The plug was pulled on QE2 at the end of June and while the Federal Reserve will continue to reinvest maturing bonds, it will no longer buy new ones, thus raising the question of whether the US and global economy will survive in a "sugar-free" world? As mentioned earlier, a closer look does provide a somewhat more sanguine outlook. The slump in manufacturing activity can be ascribed to a temporary spike in energy costs and supply chain disruptions caused by the earthquake in Japan earlier this year and while employment developments remain anaemic, corporate America is in a much healthier state with cash strong balance sheets and robust earnings. Thus, an expected pickup in Japanese activity in the latter half of the year as well as the cooling off of high energy costs, should revive manufacturing numbers and further improvements in earnings should provide US companies with the means and confidence to start hiring again. An improvement in payrolls should translate into the housing market regaining its pulse and could see economic activity progressing back to more healthy levels. In June, Greece became the lowest credit-rated country in the world, dropping below the likes of Pakistan and Ecuador, according to Standard & Poor's, as the rating agency found that there is a significantly higher likelihood of one or more defaults. This sparked fresh concerns across markets as the risk of contagion to economies like Spain and Italy intensified and fears that a "domino effect" would put the region's banking system under severe strain. The EU and the IMF offered Greece another life-line, in the form of a EUR12bn loan to meet short term demands and stave off default, but only if the Greek government passed a set of reforms to reduce spending and privatize some of the state-owned assets by the end of June. This did not prove an easy task for Greek authorities, as public unrest and displeasure hindered negotiations but in the end they did manage to clinch enough votes to pass the required austerity plans. This brought some much needed relief across markets and provided for a comeback in equities towards the end of the month. Elsewhere, Chinese data released in June managed to allay fears that China is in for a "hard landing". While inflation was up, running at 5.5% in May, other activity data showed that while there was some moderation in May, the economy is still performing at quite robust levels. Thus there may still be some scope for further monetary tightening in the short term without risking growth, a good sign for the global economic recovery which is strongly dependent on growth emanating from the eastern giant.

Locally the Reserve Bank Quarterly Bulletin provided us with an update of the state of the local economic recovery. The main theme that can be extracted from the report is that the economy is growing at a satisfactory level, led by household and government spending. However, for this growth to be sustained and improved the economy needs a stronger commitment by businesses to additional capital expenditure and to the provision of more employment. A pick up in employment levels would help stimulate the struggling housing market as well as resuscitate the labour-intensive construction sector. This will also speed up the pace of money supply and credit growth, which have decelerated in recent months and illustrate the lack of demand prevalent in the economy. The biggest concern is that the economy remains fragile and could easily lose momentum which supports the call to leave interest rates unchanged for the time being.

Company results

Metair Investments Ltd (Year-end):
HEPS 187.0c ; PE 7.1 ; Dividend yield 6.0% ; details hereunder...
Omnia Holdings Ltd (Year-end):
HEPS 765.1c ; PE 9.7 ; Dividend yield 0.0% ; details hereunder...

Trading updates

Share	Price	Increase / Decrease	Expected change in HEPS
Omnia	7932	Increase	760-775cps
Imperial	12125	Increase	30-40%
Grindrod	1395	Decrease	35-45%
Naspers	38195	Increase	10-20%
Citylodge	6523	Decrease	30-36%

Snippets

Changes to Reg. 28 & whether RA's are still worth it?...

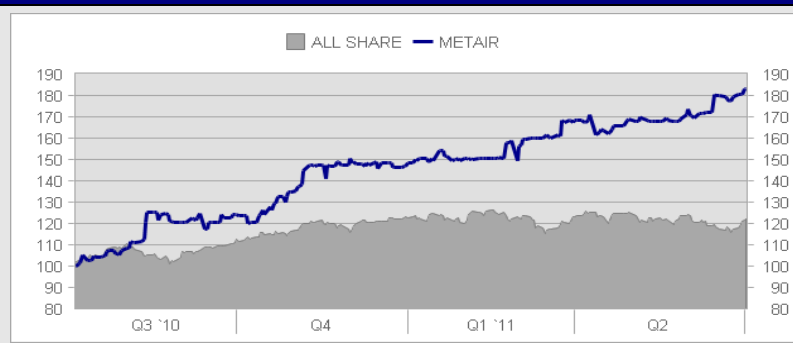
Corporate Cash Management Rates

Up to 5.39% net – Call Deposits
Effective rates from 5.00% to 6.10% - Fixed Deposits

Company Results

Metair Investments Ltd – Year-end results for the period ended December 2010

Headline EPS	187.0c
Historical PE	7.1
HEPS growth	179.1%
Turnover growth	12.3%
ROE	23.9%
NAV per share	894.8c
Dividend yield	6.0%
Share price	R15.19



Metair Investments Limited encompasses a portfolio of companies manufacturing and distributing products predominantly for the automotive industry. The seven operating subsidiaries and two associate companies are autonomously managed and each has a specific product focus.

The group reported a strong set of results for the year ended December 2010, benefiting from the upturn in economic conditions. Revenue came in 12% higher at R3.7bn, while gross profit jumped 48%, resulting in the gross margin improving from 16% to 21.2%. EBIT more than doubled to R400m (2009: R194m), supported by profit from associates of R16.7m (2009: R419k). Profit for the period ended 162% higher at R288m, despite taxation expense jumping 92%. Consequentially HEPS jumped 179% from 67 cents to 187 cents, of which 52% or 98 cents was attributable to the second half of the year.

Dividend

A final dividend of 65cps was declared, 433% higher than the previous period, bringing the total dividend up to 80cps for the period. Cash generation remained strong for the period.

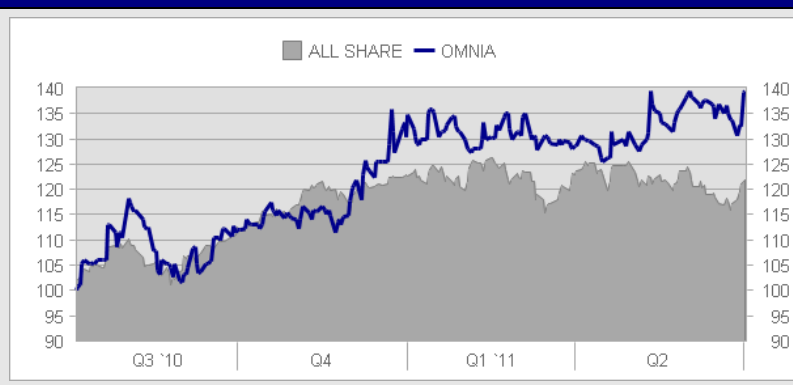
Prospects

The OE industry has an improved outlook for the short to medium term, while the aftermarket sector is expected to benefit from high vehicle sales in 2007 and 2008. The group feels they are well placed to take advantage of the improved industry outlook, given their focus on a balance between the OE and aftermarket businesses, selective capacity expansions and new products. The group remains committed to a continued improvement in cost competitiveness and manufacturing and logistical excellence, as well a further rationalisation and consolidation of the plastics business. The group will actively pursue strategic acquisitions where they can take advantage of their technological advantages and robust balance sheet to expand the product offerings, with particular emphasis on the aftermarket sector. The group's restructuring has paid off with it reporting significantly improved results for the period under review. The group is in much better shape going forward with improved operating margins, a decent ROE and an ungeared balance sheet.

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Omnia Holdings Ltd – Year-end results for the period ended March 2011

Headline EPS	765.1c
Historical PE	9.7
HEPS growth	897.5%
Turnover Growth	6.1%
ROE	17.9%
NAV per share	5034.2c
Dividend yield	0.0%
Share price	R79.32



Omnia is a diversified, specialist chemical services company providing customised solutions to the agricultural, mining and chemical markets. The group's business model, which leverages its intellectual capital and technology, differentiates it from commodity chemical companies.

The group reported good results of a low base as the macro environment became more stable resulting in good performances from Omnia's Mining and Agriculture divisions. The Chemical division, however, performed disappointingly on the back of subdued demand and a stronger Rand. Group revenue increased by 6% to R9.4bn driven by higher volumes and prices, which were partially offset by rand strength. No carbon credit revenue (CER) was generated for the period under review (2010: R50m). Adjusted operating profit, which took into account the downward inventory valuation in the previous year, grew by 10% to R659m attributable to operating efficiencies within the Mining division. The operating margin enhanced from 6.8% to 7% for the period. Foreign exchange losses amounted to R30m (2010: R44m profit) in light of a firmer rand. Notwithstanding this, EBIT improved substantially by 160% to R684m due to the absence of the downward inventory valuation in the current year. HEPS grew substantially from 76.7 to 765.1 cents.

Dividend

Whilst net proceeds from the rights offer amounted to R971m, cash generation was poor due to an increase in working capital of R755m. No dividend was declared for the period under review. The group will positively review the resumption of a dividend for the 2012 financial year.

Prospects

Going forward, the macro environment appears to be improving but it will be affected by the direction of the rand. Management expects inflation to start rising in the period ahead, which will negatively impact the group's overheads. Management anticipates an improved Chemical division going forward. This will be achieved through the focus on driving revenue through volume growth and an expected increase in local manufacturing activity. In addition, this division should benefit from cost restructuring initiatives implemented in the period under review. Given the nature of the group's operations, results are always going to be cyclical due to the commodity type product market that the group services and a number of external factors that influences Omnia and its clients. A strong Rand remains a threat to the group; however, we do expect significant internal cost savings upon the completion of the group's new nitric acid complex.

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Despite the Financial Services Board (FSB) announcing that it would grant retirement funds and retirement fund members an exemption from complying with the investment limits in the revised regulation 28 of Pension Funds Act for six months after it comes into effect on July 1, RE:CM says that it is still important for investors to prepare for these changes, which have significant implications for pooled retirement savings. It is therefore crucial for trustees, consultants and members of these funds to understand the changes in order to ensure that they take advantage of the new opportunities and guard against the risks presented.

Key change 1: Direct commodities

Previously one could invest 10% of a fund in Kruger Rands (ie gold). The market for Kruger Rands for large investors can be inefficient due to illiquidity and consequently this option was never really a viable investment alternative. While the commodity maximum exposure stays at 10%, one can now use any exchange traded commodity (such as copper, silver, lead, wheat, orange juice or pork bellies). Very interestingly gold is still the exception at a 10% maximum; any other single commodity will be limited at 5%. The barbarous relic strikes again!

Key Change 2: Hedge Funds and Private Equity Funds

Previously one could invest a maximum of 2.5% of a fund in so-called 'Other Assets'. The industry classified both hedge funds and private equity funds inside this band and managed accordingly. This has now increased to 15% in total, with a limit of 10% in either. Considering the relative scale of the savings pool this is a very substantial change that will disrupt the fund management industry for some time to come. A lot of savings capital could potentially shift from the hands of traditional long only fund managers to these alternatives. The fund management industry notoriously enjoys zero barriers to entry – anyone with a laptop and a shingle could potentially lay a claim on managing these assets. It will be up to trustees and consultants to figure out the wheat from the chaff, and fast, because if they don't the market will do it for them, with potentially damaging consequences for their retiring and retired savers.

Key change 3: Unlisted shares

Previously one could invest a maximum of 5% in unlisted shares. This limit will increase to 10% and opens up opportunities to allocate more meaningful fund capital exposures. This has its issues no doubt, including pricing and associated costs as there is no readily available share price. From the perspective of the fund manager/analyst, investing in unlisted businesses brings to bear a whole range of considerations, including Board and/or management involvement of the underlying investments, which is a skillset that is rare, time consuming and potentially stressful.

Key change 4: Mid Cap and Small Cap Equity

Companies with market caps of between R2bn and R20bn: A single fund can now own a maximum of 10% of the investee company - down from 15%. Companies with market caps of less than R2bn: A single fund can now own a maximum of 5% of the investee company - down from 10%.

These two changes may appear harmless, but where there are large single funds with exposures that are in breach of the revised legislation it could mean they become forced sellers of very illiquid securities – with the potential to dislocate market price from business value. The limitation implies that there will be less capital hunting for investment opportunities in the listed mid cap and small cap equity minority universe, which we would welcome. This will in time of course be countered by the increased pool of capital available to control buyers such as private equity funds. Here's to hoping they take a while to get going, but that's wishful thinking given the economies on offer.

A final regulatory change – increase in offshore limits

A seemingly small other legislative allowance is the increase in offshore limits for Regulation 28 funds from 20% to 25% upon approval, with an additional 5% in African markets outside South Africa. This is another step towards the further relaxation of exchange controls, implying further flexibility in terms of our investable universe. It is very interesting to us that Botswana enforces no foreign exchange control limitations on their institutional savings industry. In our view this is the way it should be; please give us a good reason why not to include the worlds' best businesses and other asset class opportunities in your investable universe.

Professionals within the financial planning industry are debating whether the amendment to Regulation 28 (maximum of 75% equity exposure allowed in retirement funds) is beneficial or not - especially for younger individuals who still have sufficient time horizon to be exposed to funds that have more than 75% equity exposure. This question was asked recently when an investment report was drafted for a client. This is his situation: He is a candidate attorney at a top law firm in the country and earns R 240 000 per annum. He is not on a pension/provident fund while working in this position. He wants to do his pupillage to become an advocate in two years time and currently has R 3 000 pm to invest for retirement. He is currently 25 years old and thus has sufficient time horizon to be in an aggressive strategy. Let's just look at the basics of an RA to refresh our memories. The greater of the following contributions to retirement annuities can be tax deductible per tax year:

- 15% of your non retirement funding income OR 3 500 less pension fund contributions OR R 1 750

He is thus able to deduct $R\ 240\ 000 \times 15\% = R\ 36\ 000$ pa ($R\ 3\ 000$ pm) as he is not on a pension or provident fund. He is currently in the 30% marginal tax bracket so theoretically he could save $R\ 10\ 800$ per annum in tax ($30\% \times R\ 36\ 000$). Initially the first thought was to invest the funds in a unit trust structure rather than in an RA. The argument was that the tax deduction available in the RA did not justify the potentially higher returns one could earn in a unit trust based aggressive equity fund. This topic was debated with a colleague who argued that the RA should still be the better investment. His argument was that if the client reinvested the tax saving from the RA back into the unit trust based aggressive equity fund, the client would be better off than putting the full $R\ 3\ 000$ pm into a unit trust based aggressive equity fund. The analysis assumed the RA was invested in a CPI + 6% investment strategy and the $R\ 10\ 800$ pa tax saving was to be reinvested into a unit trust structure targeting CPI +8%. The result from those investments combined was to be compared against the entire $R\ 3\ 000$ pm being invested into a unit trust structure targeting CPI +8% (assuming the same cost structure and flat contributions). Who would win after 30 years? The results were fascinating.

The unit trust was severely lagging the combination of the RA and unit trust in the first couple of years. However, after 30 years the values were almost identical. The combination of the RA and unit trust had a future value of $R\ 14\ 750\ 000$, whereas the unit trust had a future value of $R\ 14\ 642\ 000$. The RA was recommended as the best option for the client for the following reasons:

- The client can get the immediate tax deduction from the RA and save $R\ 10\ 800$ per annum. He can then invest the $R\ 10\ 800$ into a unit trust based aggressive equity fund therefore increasing his returns over the long term and increasing his liquidity.
- The RA offers protection from creditors. This is a significant factor as he wants to become an advocate and work for himself.
- He would be able to nominate a beneficiary on a RA which he could not do in a unit trust, thus reducing executor's fees should he pass away.
- The RA prevents the client from accessing the money prior to age 55 therefore enabling him to use this money for retirement.
- This exercise was based on a 30% marginal rate throughout. In practice the client's tax rate should increase to 40% in the next few years. Thus making the RA even more attractive due to the increase in future savings. If the client had 20 years to retirement as opposed to 30 years and was in the top tax bracket, the RA would have been a straightforward decision. If he had 40 years until retirement and decided to continue as a practicing lawyer (and joined the company pension fund), the unit trust may have been the better option.

So to answer the big question.... Are RA's still worth it? Yes they definitely are. But an individual's unique circumstances needs to be taken into account and a tailored financial plan needs to be in place.

* 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 July 2011				
FUND	BALANCE	RATE	FEE	NET RATE
CALL ACCOUNT	0.00 - 9.999.99	5.00	1.60	3.40
	10.000 - 24.999.99	5.00	1.10	3.90
	25.000 - 49.999.99	5.00	0.85	4.15
	50.000 - 99.999.99	5.00	0.60	4.40
	100.000 - 249.999.99	5.00	0.45	4.55
CALL MONEY FUND	250.000 - 499.999.99	5.49	0.35	5.14
	500.000 - 999.999.99	5.49	0.25	5.24
	1.000.000 - 9.999.999.99	5.49	0.15	5.34
	10.000.000 upwards	5.49	0.10	5.39

Dividends payable

Dividends in LDT order					
Company	Decl	LDT	Pay	Amt	Curr
Adcorp Holdings Ltd (ADCORP)	25-May	08-Jul	18-Jul	121	ZARc
Cadiz Holdings Ltd (CADIZ)	30-May	08-Jul	18-Jul	20	ZARc
Datacentrix Holdings Ltd (DCENTRIX)	20-Jun	08-Jul	18-Jul	9.18	ZARc
Merchant & Industrial Properties Ltd (MERCHANT)	20-Jun	08-Jul	18-Jul	11	ZARc
Tongaat Hulett Ltd (TONGAAT)	30-May	08-Jul	21-Jul	140	ZARc
Amalgamated Electronic Corporation Ltd (AMECOR)	29-Jun	15-Jul	25-Jul	8	ZARc
Lewis Group Ltd (LEWIS)	23-May	15-Jul	25-Jul	207	ZARc
Nictus Ltd (NICTUS)	30-Jun	15-Jul	25-Jul	9.5	ZARc
Netcare Ltd (NETCARE)	16-May	15-Jul	25-Jul	22	ZARc
Peregrine Holdings Ltd (PERGRIN)	01-Jun	15-Jul	25-Jul	35	ZARc
Primeserv Group Ltd (PRIMESERV)	29-Jun	15-Jul	25-Jul	2.5	ZARc
Trustco Group Holdings Ltd (TRUSTCO)	28-Jun	15-Jul	12-Aug	2	NADc
Avusa Ltd (AVUSA)	23-Jun	22-Jul	01-Aug	85	ZARc
Investec Ltd (INVLTD)	19-May	22-Jul	08-Aug	9	GBPp
Investec plc (INVPLC)	19-May	22-Jul	08-Aug	9	GBPp
SABMiller plc (SABMILLER)	19-May	01-Aug	05-Aug	61.5	USDc
Hudaco Industries Ltd (HUDACO)	29-Jun	12-Aug	22-Aug	130	ZARc
Argent Industrial Ltd (ARGENT)	23-Jun	02-Sep	12-Sep	3	ZARc
Exchange Traded Notes (SBRJSEP11)	15-Jun	02-Sep	15-Sep	145	ZARc
Compagnie FinanciFre Richemont SA (RICHEMONT)	19-May	09-Sep	15-Sep	4.5	CHFc
Naspers Ltd (NASPERS-N)	27-Jun	16-Sep	26-Sep	270	ZARc
The Foschini Group Ltd (TFG PREF)	26-May	16-Sep	26-Sep	6.5	ZARc

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