

DRW Investment Research



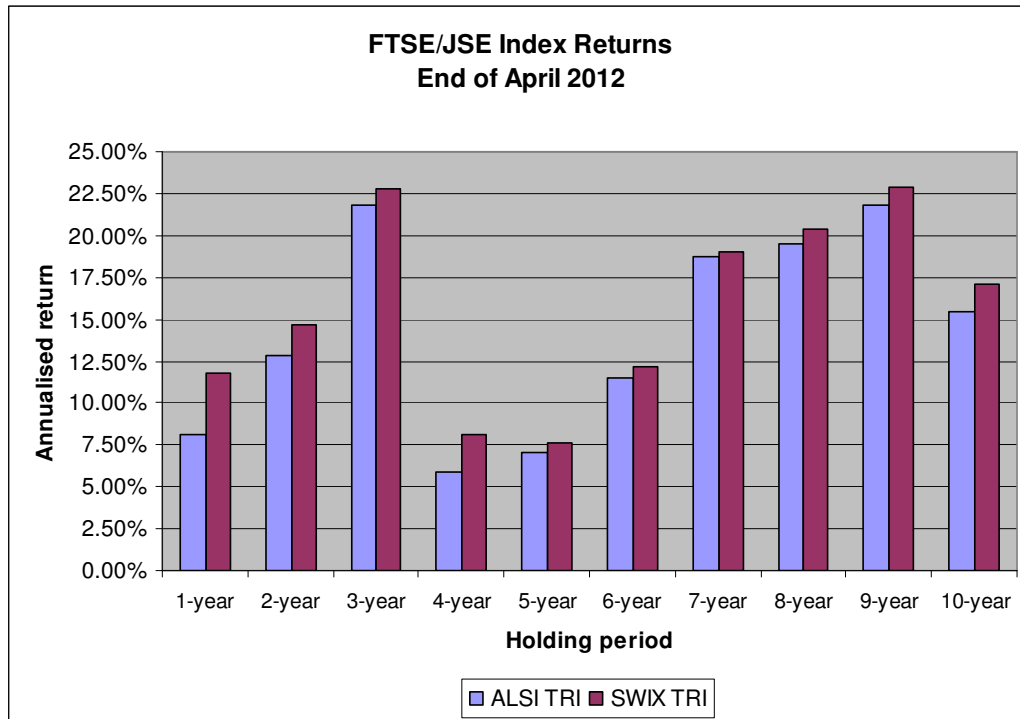
Market Performances and Indicators

April 2012

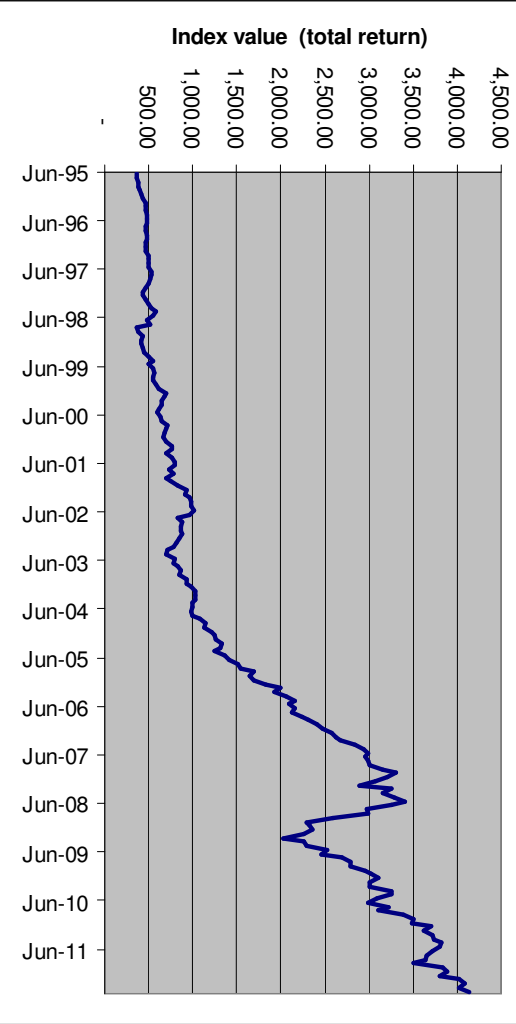
1. FTSE JSE Indices Performances

	ALSI	ALSI TRI	SWIX	SWIX TRI
1-year	4.76%	8.15%	7.86%	11.76%
2-year	9.60%	12.87%	10.98%	14.69%
3-year	18.55%	21.78%	19.13%	22.77%
4-year	2.85%	5.91%	4.66%	8.13%
5-year	4.08%	7.08%	4.27%	7.60%
6-year	8.46%	11.53%	8.75%	12.16%
7-year	15.49%	18.75%	15.42%	19.01%
8-year	16.15%	19.45%	16.77%	20.41%
9-year	18.42%	21.84%	19.15%	22.91%
10-year	12.07%	15.40%	13.39%	17.07%

TRI = Total return index, dividends re-invested



FTSE/JSE All Share Index
June 1995 - April 2012



Top40 = Top 40 shares by market capitalisation

Resi 20 = Top 20 resources sector shares by market capitalisation

Fini = Top 15 financial sector shares by market capitalisation

Indi = Top 25 industrial sector shares by market capitalisation

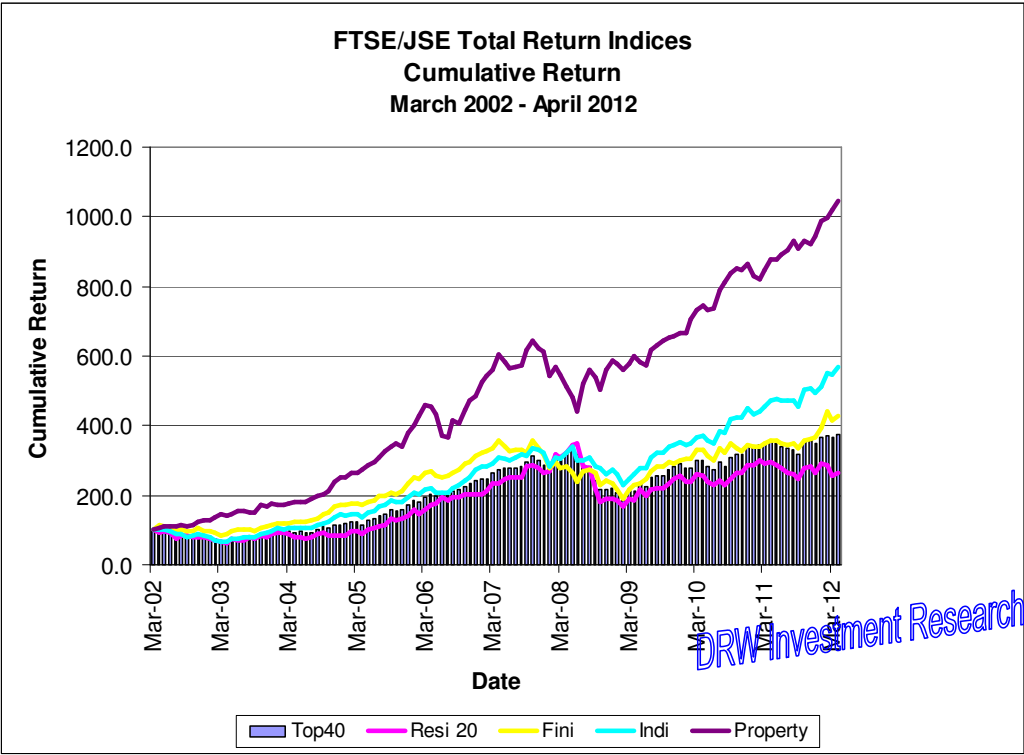
Property = SA listed property

30 April 2012

Performance over	J200T	J210T	J212T	J211T	J253T
	Top40	Resi 20	Fini	Indi	Property
1 Month	2.9%	2.8%	2.2%	3.6%	2.5%
3 Months	2.0%	-8.3%	8.9%	10.5%	5.8%
6 Months	6.3%	-4.0%	19.6%	12.9%	12.1%
12 Months	5.9%	-9.6%	18.7%	20.2%	18.9%
24 Months *	12.0%	1.8%	13.4%	23.6%	18.2%
36 Months *	21.0%	12.6%	23.3%	30.0%	20.2%
48 Months *	4.3%	-4.9%	10.9%	15.2%	19.6%
60 Months *	6.6%	2.6%	3.6%	13.0%	11.6%
84 Months *	18.2%	17.1%	13.8%	22.5%	21.2%
120 Months *	14.2%	10.9%	14.0%	18.9%	25.8%

Since January 2012	8.2%	-0.6%	16.0%	14.4%	10.8%
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* Annualised Returns

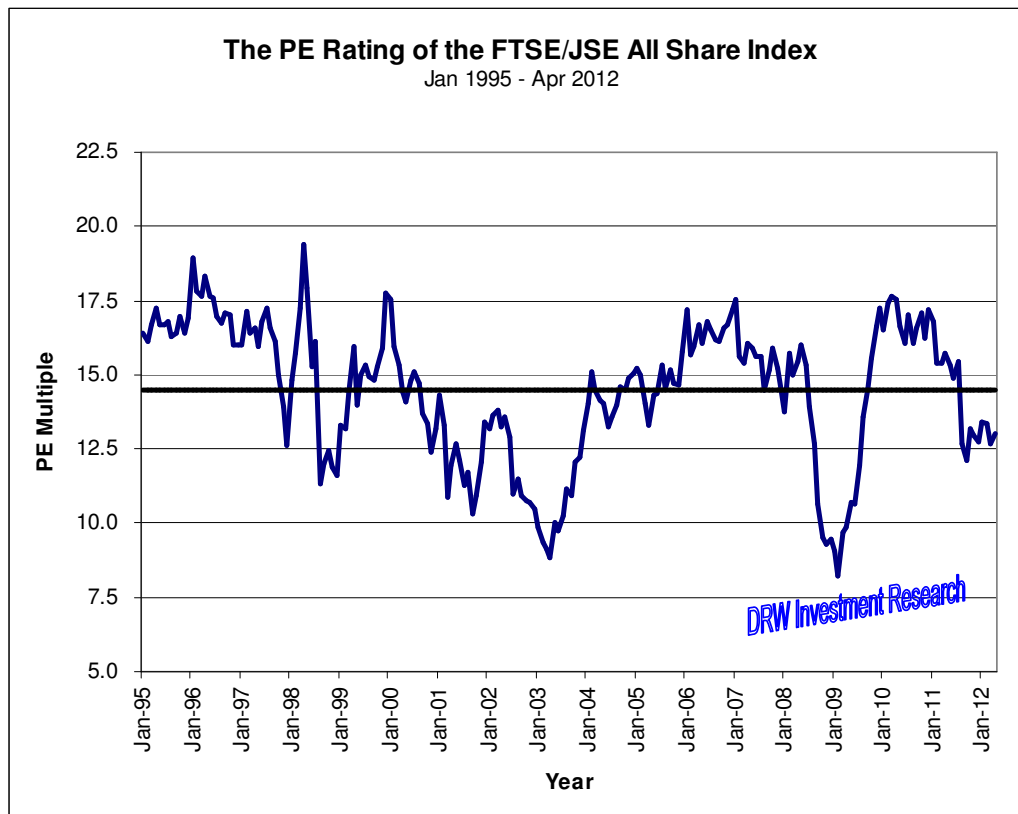


2. Market Indicators

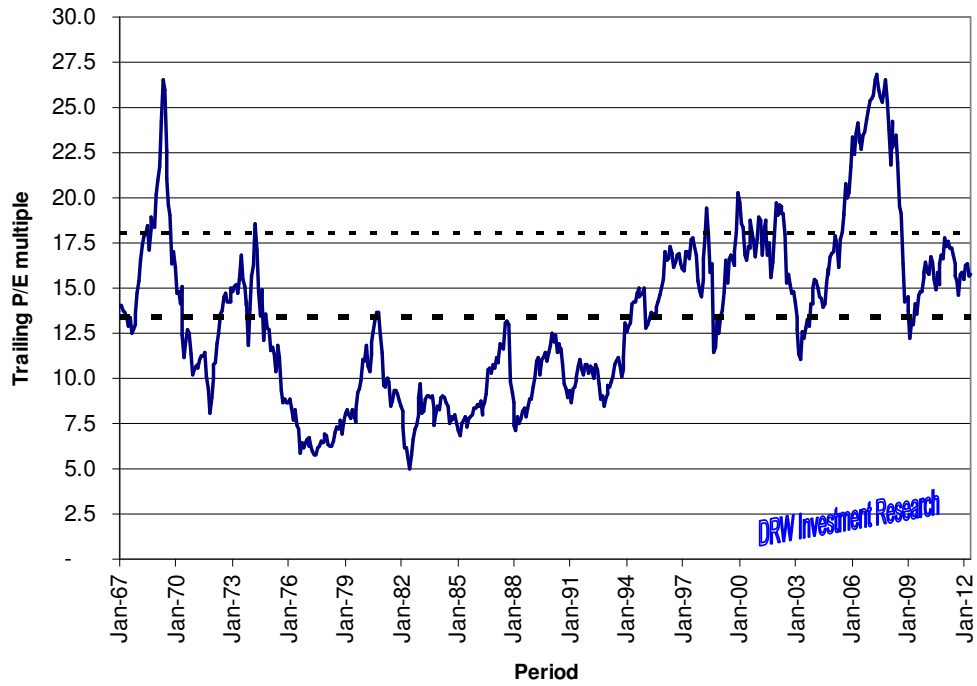
Price / Earnings Ratio

The most common valuation ratio; current share price relative to the historical earnings per share (EPS)

An alternative and perhaps more useful indicator; share price relative to “normalised” earnings per share whereby historical earnings are smoothed out over a rolling 7-year period and adjusted for inflation.

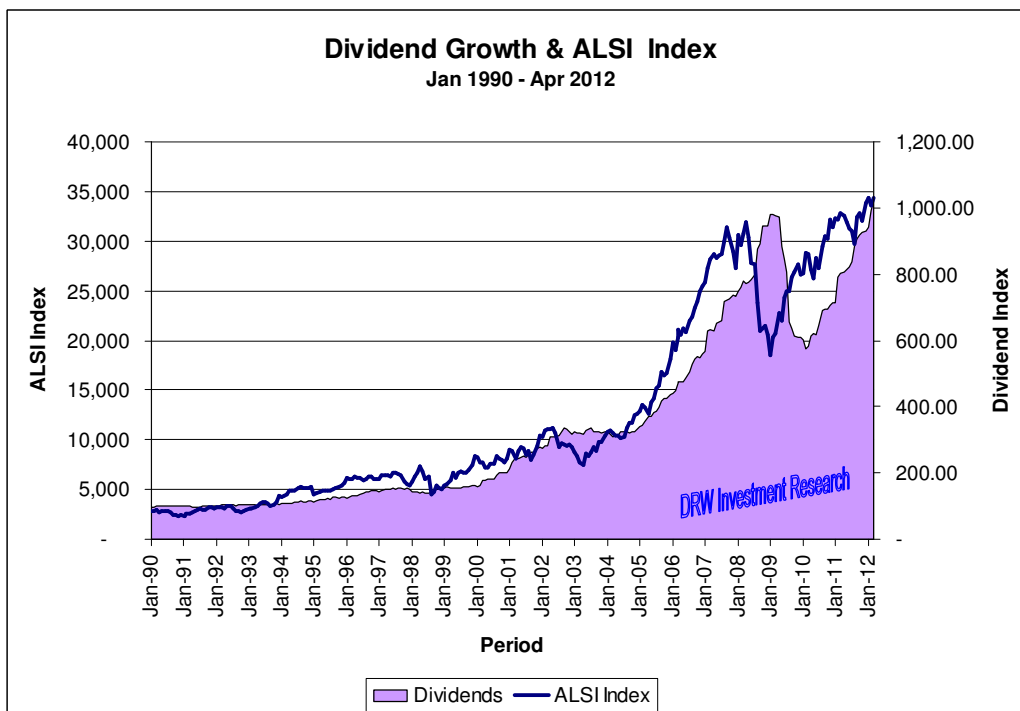
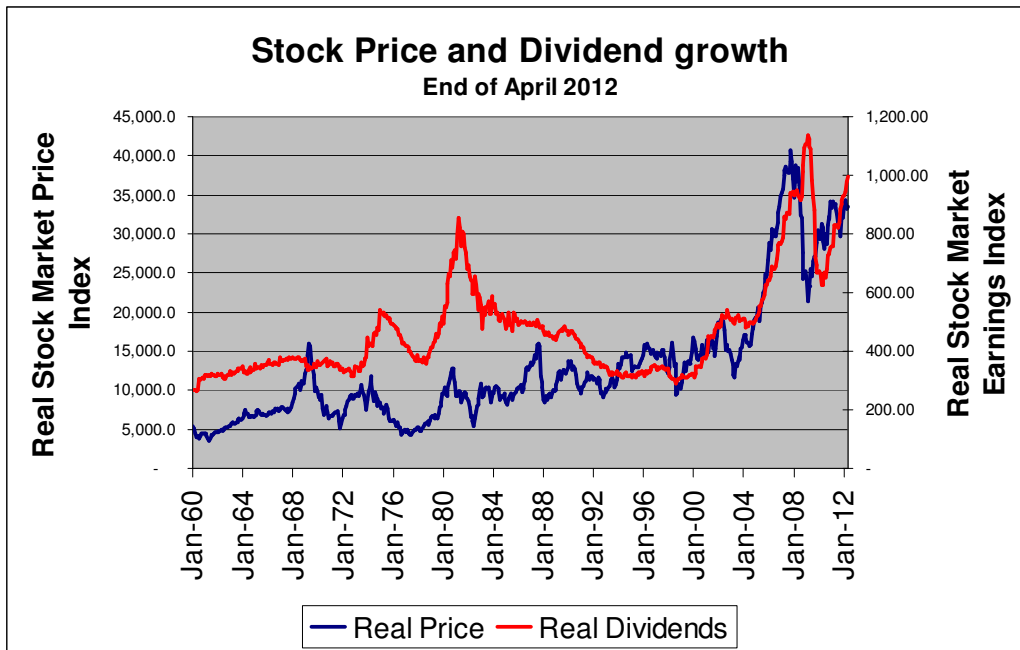


Shiller's P/E
(Real ALSI Index divided by 7-year normalised real earnings)
April 2012



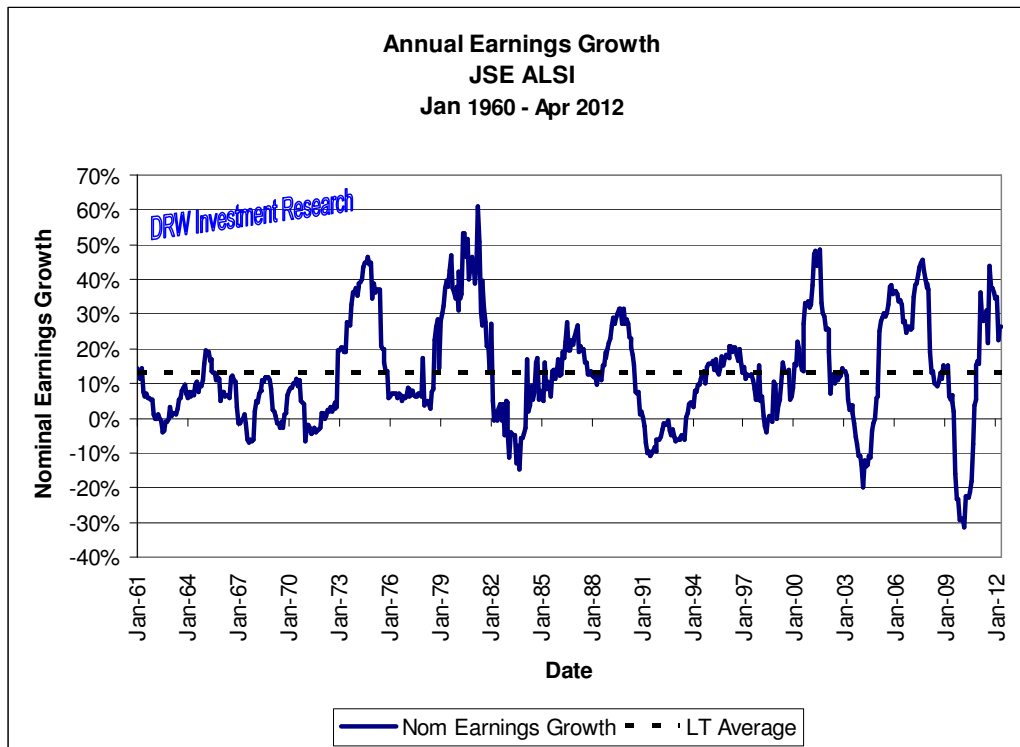
Dividend Growth

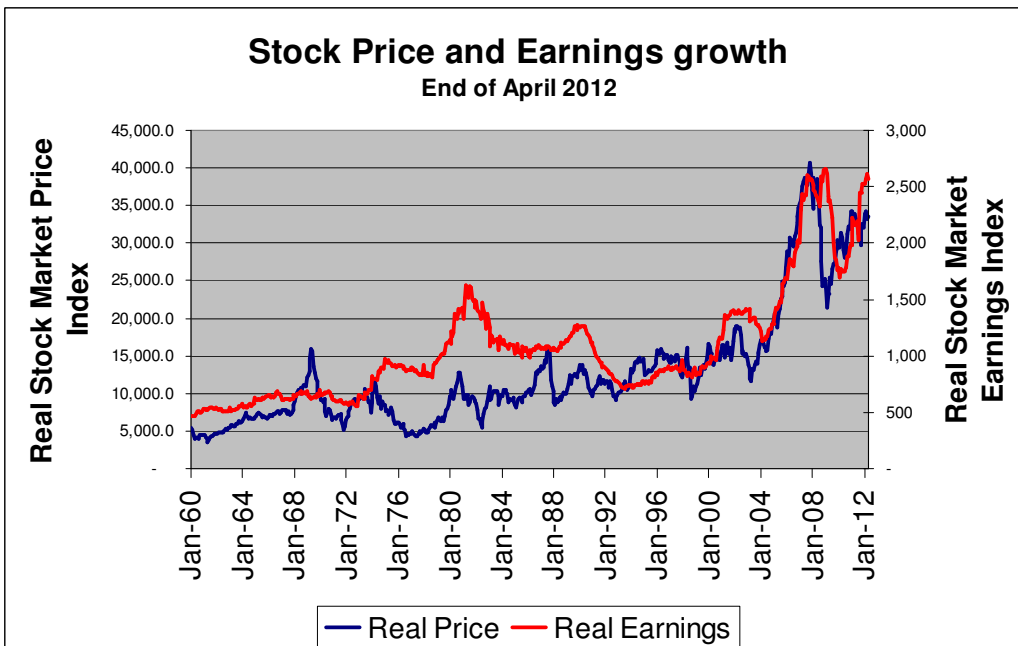
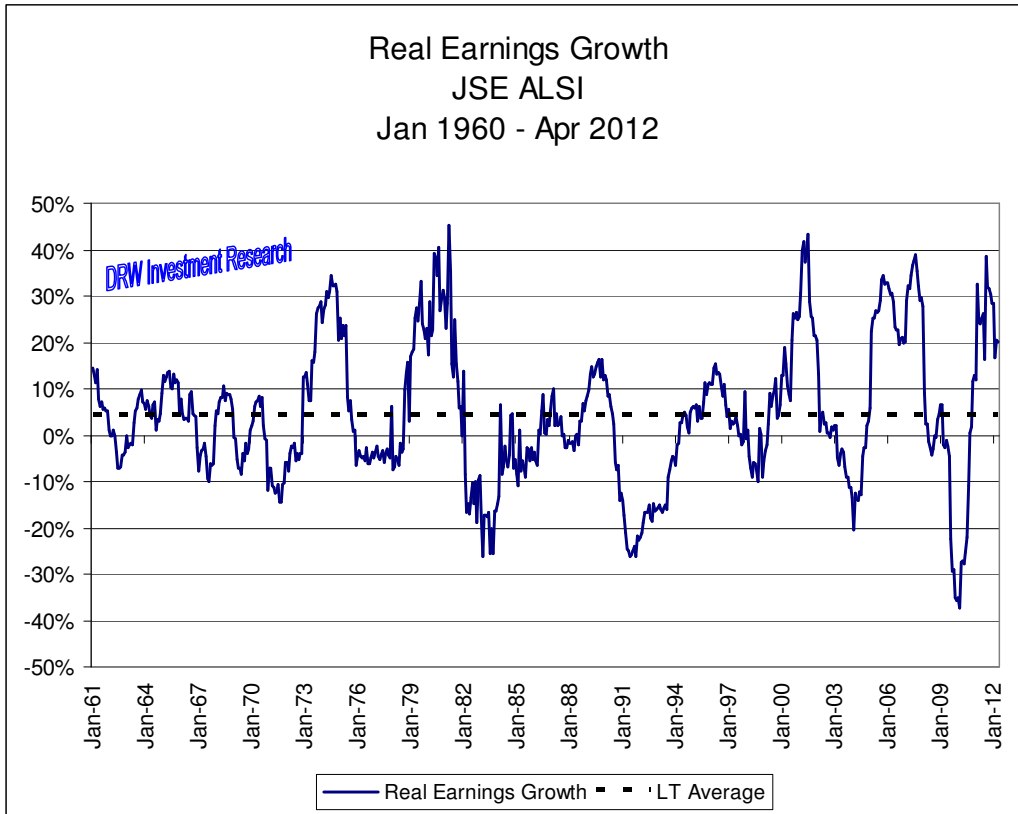
Stock prices follow dividend growth; sometimes price lags dividend growth—typically a value proposition— but when prices are running far ahead of dividend growth one should take a more cautious stance.



Earnings Growth

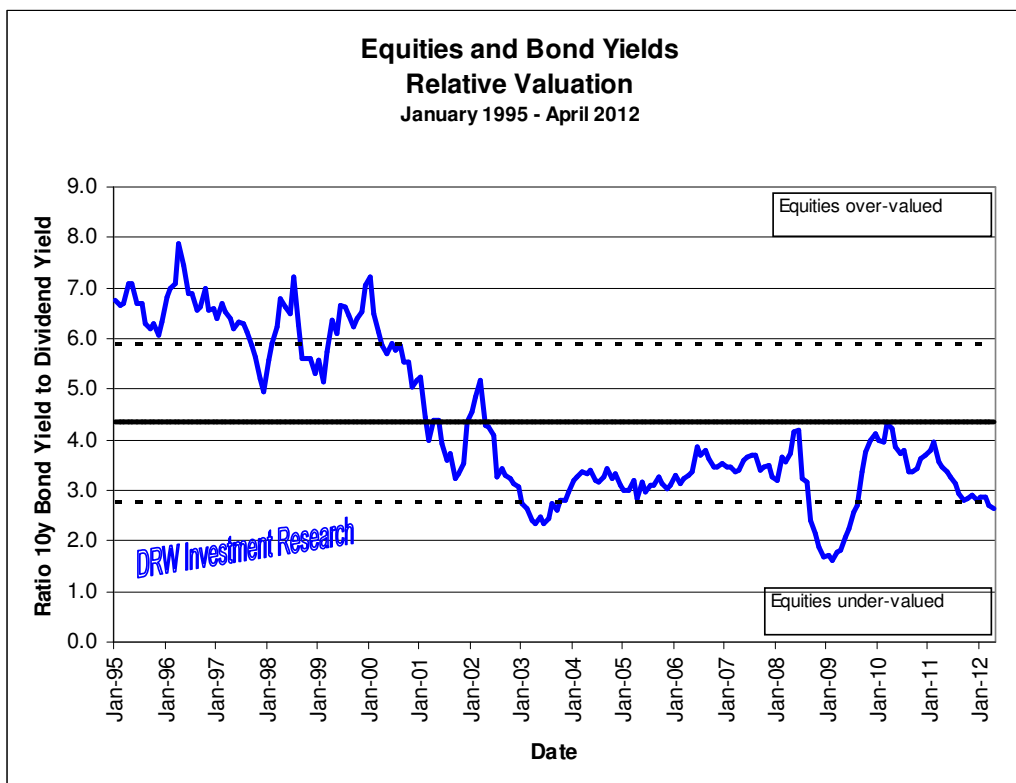
A primary component of equity returns in the long run that is linked to the overall growth in the economy, which in turn is affected by inflation rate (and interest rate) trends.



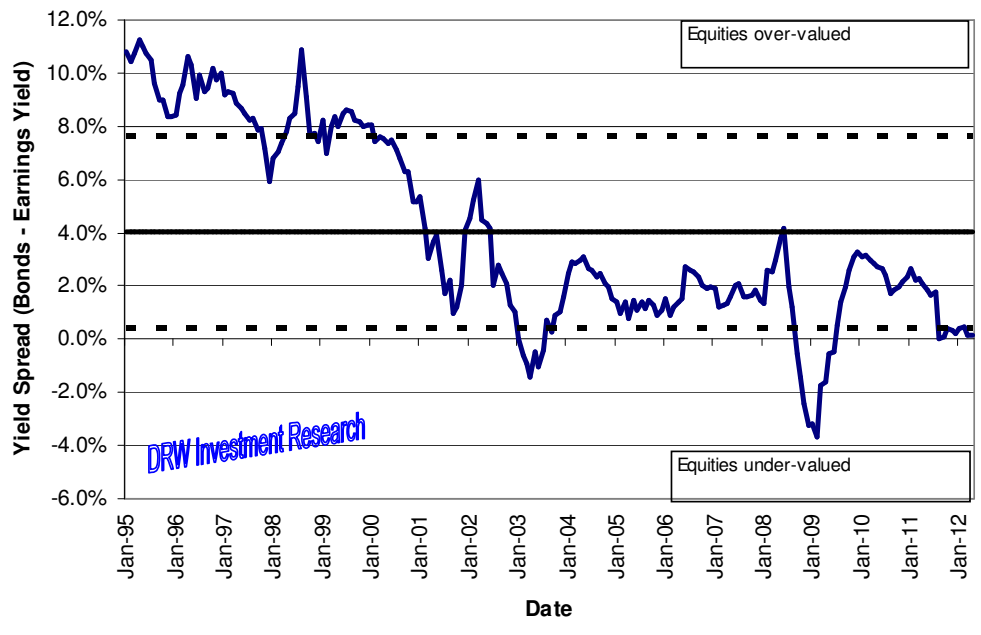


Equity Income Yield versus Long-term Bond Yield

The dividend and earnings yield of the stock market are compared with the long-term bond yield. The spread (difference) between the respective yields is used to gauge the relative expensiveness of the equity market versus the capital market.



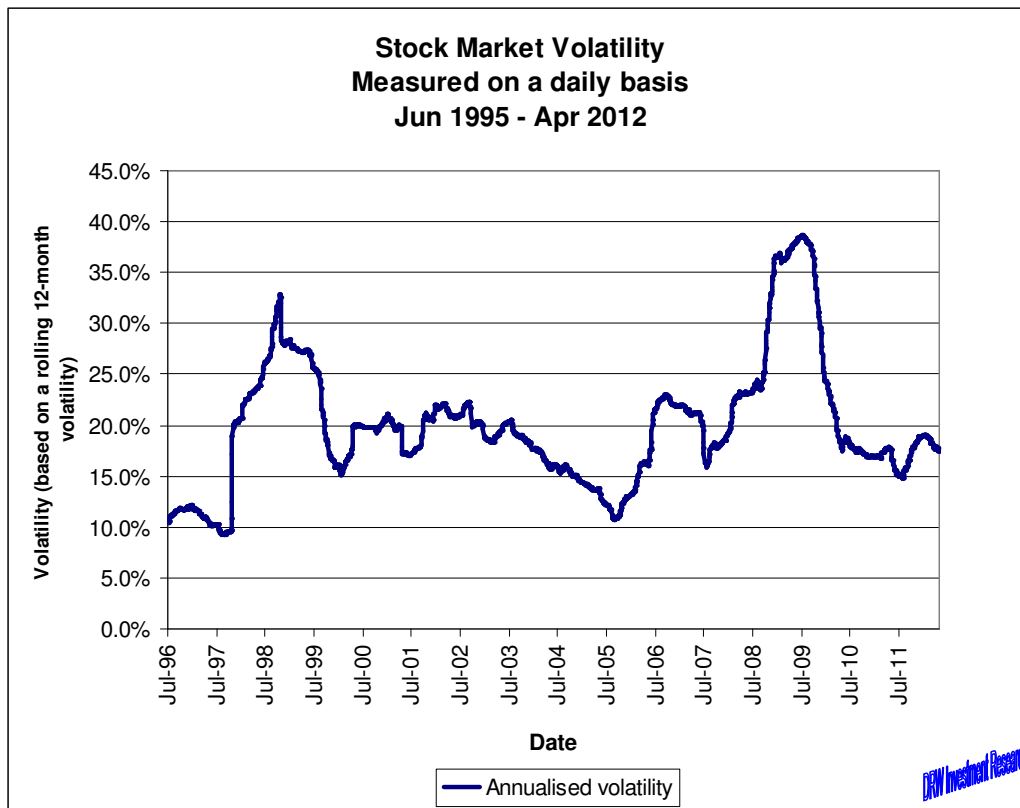
**Yield Spread Equities vs Bonds
Relative Valuation
January 1995 - April 2012**

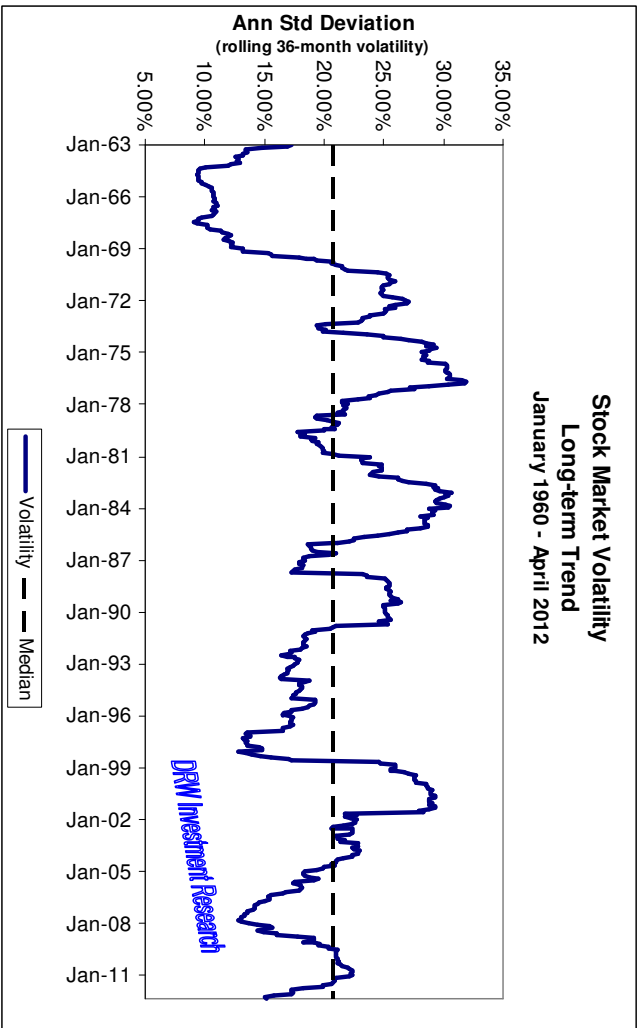


Stock Market Volatility

The short-term volatility trend is calculated by the annualised standard deviation of the daily returns of the stock market index.

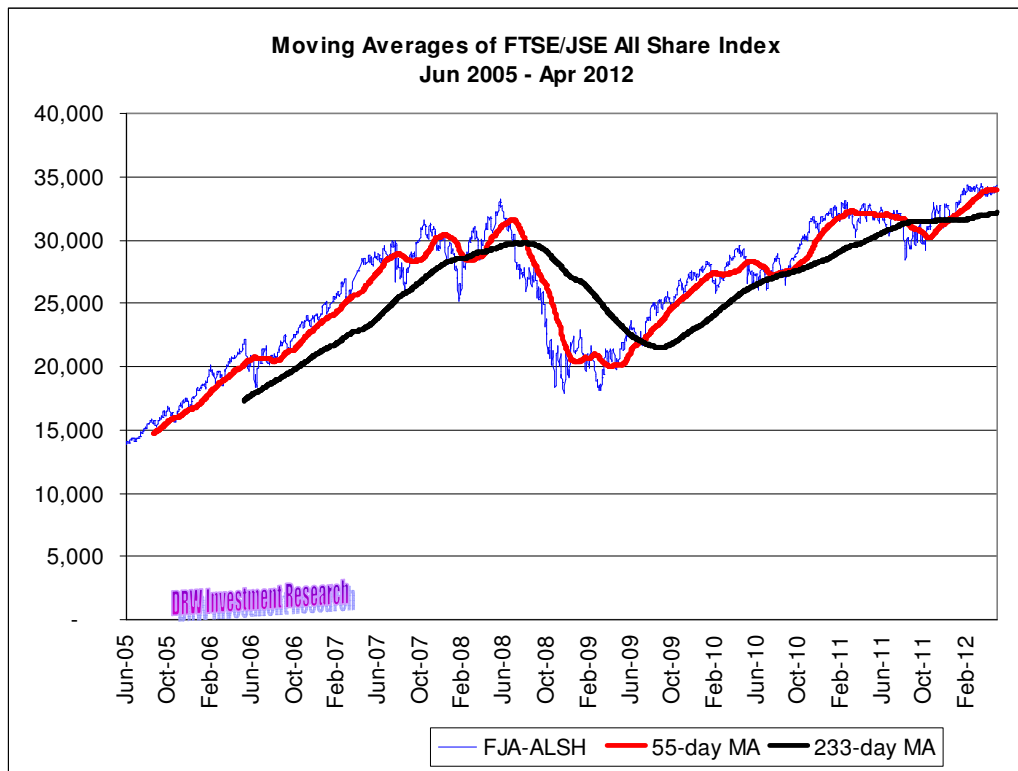
The long-term volatility trend is calculated by the annualised standard deviation of the monthly returns of the stock market index and then categorized into two halves, each with its own unique return profiles.





Moving Averages (MA)

The relative price movement of 55-day and 233-day MAs; crossovers of these trendlines often indicate buy or sell opportunities. For example, if the 55-day trendline breaks out above the 233-day trendline it represents a bullish market period or if the 55-day trends below the 233-day it represents a bearish market period.



Asset Class Returns

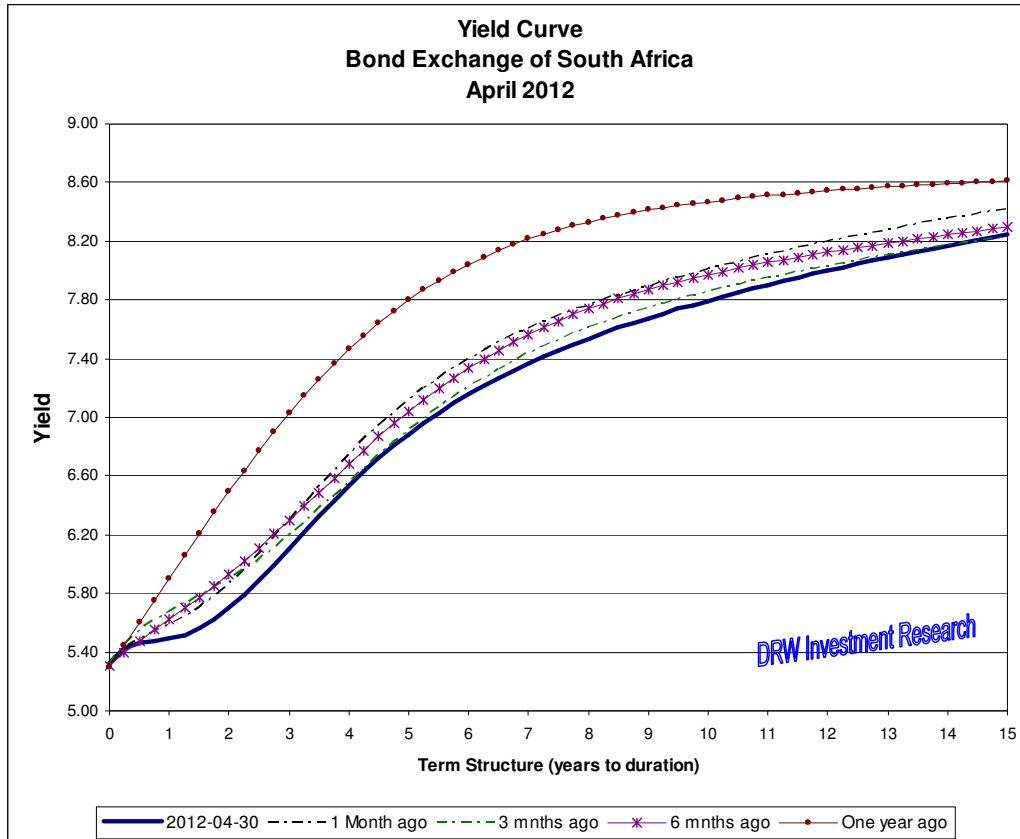
Historical returns of the major asset classes

YEAR	EQUITY	PROPERTIES	BONDS	CASH	INFLATION
1992	-2%	1%	28%	12%	10%
1993	55%	16%	32%	11%	10%
1994	23%	17%	-9%	10%	10%
1995	9%	10%	30%	11%	7%
1996	9%	-9%	7%	12%	9%
1997	-5%	13%	29%	17%	6%
1998	-10%	-4%	5%	17%	9%
1999	61%	44%	30%	16%	2%
2000	0%	26%	20%	11%	7%
2001	29%	6%	18%	11%	4%
2002	-8%	18%	16%	12%	12%
2003	16%	37%	18%	12%	0%
2004	25%	41%	14%	8%	3%
2005	47%	50%	11%	8%	4%
2006	41%	28%	5%	8%	6%
2007	19%	27%	4%	9%	9%
2008	-23%	-5%	17%	12%	10%
2009	32%	14%	-1%	9%	6%
2010	19%	30%	15%	7%	4%
2011	3%	9%	9%	6%	6%

YEAR	BEST	2ND	3RD	WORST
1989	EQUITIES	PROPERTIES	BONDS	CASH
1990	BONDS	CASH	PROPERTIES	EQUITIES
1991	EQUITIES	PROPERTIES	BONDS	CASH
1992	BONDS	CASH	PROPERTIES	EQUITIES
1993	EQUITIES	BONDS	PROPERTIES	CASH
1994	EQUITIES	PROPERTIES	CASH	BONDS
1995	BONDS	CASH	PROPERTIES	EQUITIES
1996	CASH	EQUITIES	BONDS	PROPERTIES
1997	BONDS	CASH	PROPERTIES	EQUITIES
1998	CASH	BONDS	PROPERTIES	EQUITIES
1999	EQUITIES	PROPERTIES	BONDS	CASH
2000	PROPERTIES	BONDS	CASH	EQUITIES
2001	EQUITIES	BONDS	CASH	PROPERTIES
2002	PROPERTIES	BONDS	CASH	EQUITIES
2003	PROPERTIES	BONDS	EQUITIES	CASH
2004	PROPERTIES	EQUITIES	BONDS	CASH
2005	PROPERTIES	EQUITIES	BONDS	CASH
2006	EQUITIES	PROPERTIES	CASH	BONDS
2007	PROPERTIES	EQUITIES	CASH	BONDS
2008	BONDS	CASH	PROPERTIES	EQUITIES
2009	EQUITIES	PROPERTIES	CASH	BONDS
2010	PROPERTIES	EQUITIES	BONDS	CASH
2011	BONDS	PROPERTIES	CASH	EQUITIES

Yield Curve (Bond Exchange of South Africa)

The yield curve derived from the yields of government bonds with different maturities traded on the Bond Exchange of South Africa.



Commodities

Brent Crude Oil price in US\$ per barrel.

Copper price (in US\$) as a leading indicator of base metal prices.

Gold price (\$/oz), the ultimate store of wealth.

Platinum price index (\$/oz); SA's most precious and leading export commodity.



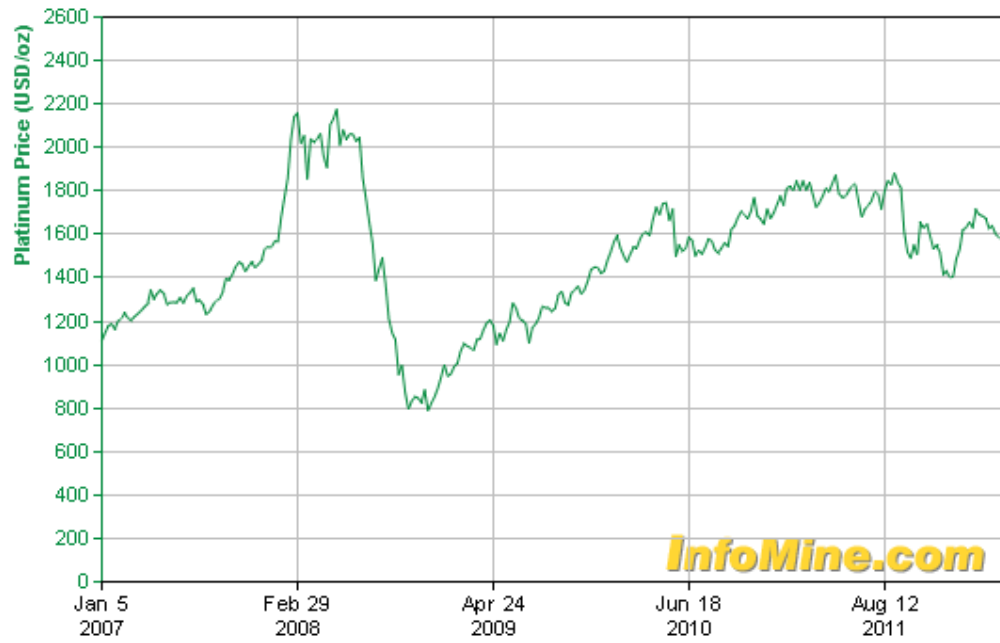
Copper Price
8,527.92 USD/t
1 May '12



Gold Price
1,654.03 USD/oz
2 May '12

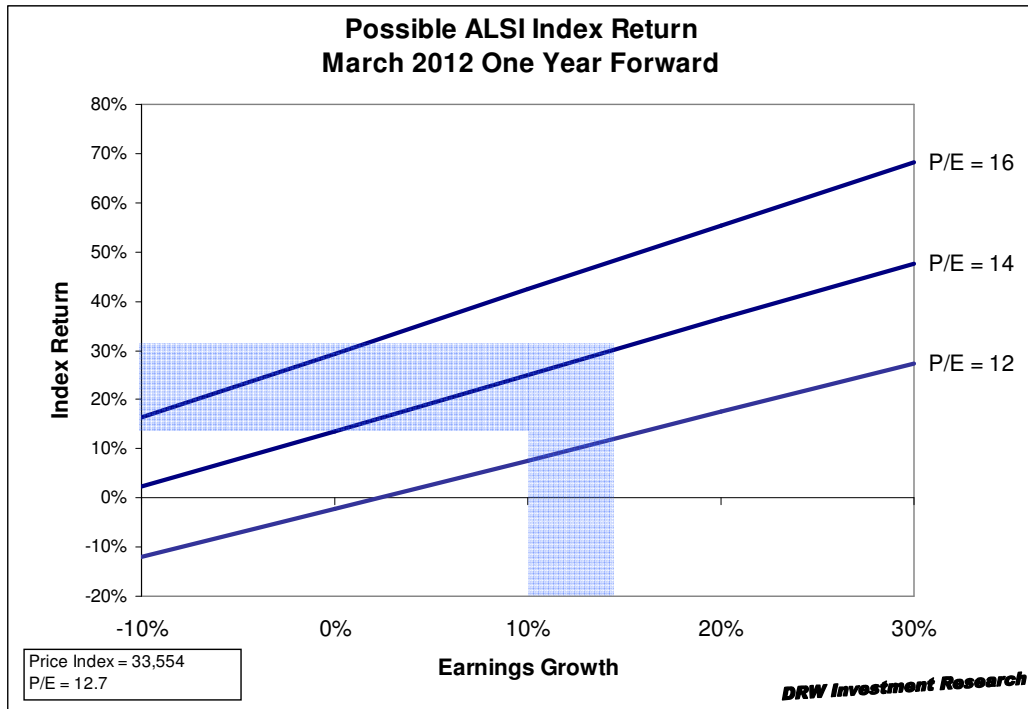


Platinum Price
1,563.50 USD/oz
2 May '12



3. Return expectations

Equity returns over the short term are predominantly driven by market ratings (P/E ratio) and earnings growth. The most likely market returns over the next twelve months are depicted below based on possible combinations of earnings growth and market ratings.





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