The Weekly Focus

A market and economic update

08 September 2014

Focused Investing

STANLIB

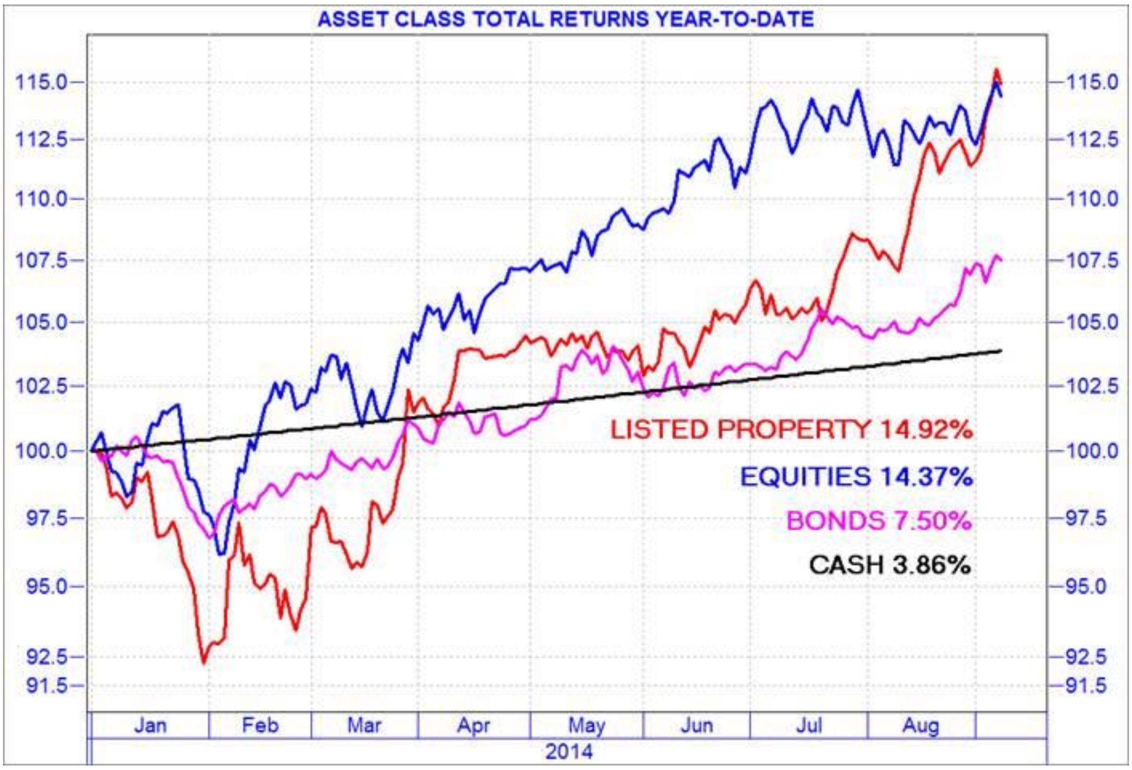
Contents

Newsflash

So far 2014 has been a much better year for listed property offshore and locally, especially of late

Market Comment

- 2013 was a difficult year for listed property offshore and locally, after Bernanke's initial tapering comment in May, which sent bond yields much higher (prices down) and property shares much lower.
- So far 2014 has been a much better year, especially of late. In fact, quite intriguingly the JSE Listed Property Index Total Return (including dividends) at 14.92% as of last Friday is now beating the JSE All Share Index's 14.37% (see chart below of SA Asset Class Returns).
- The All Bond Index has done 7.5%, also better than expected after just 8 months of the year.



Source: I-Net Bridge

- Offshore listed property is beating equities by a much higher margin so far in 2014, with the STANLIB Global Property Feeder Fund up 14% in dollars (18.3% in rands), compared with the 7.4% total return of the MSCI World Index (including dividends).
- Equities did much better last year, so one could say that property is bouncing back after a difficult 2013, when global property did -3.5% in dollars and local property did 8.4% in rands.
- Otherwise there is no question that global bond yields especially and local bond yields are much lower than was expected at this stage of 2014, which is supportive of listed property.
- The graph above shows that SA Listed Property has bounced 10% in just the last 2 months. The index is a massive 24.3% higher than its low at end January this year.
- The JSE ALSI total return index did in fact reach a record high on Thursday, but fell 242 points short of its previous record at end July excluding dividends.

- This is despite the struggling JSE Mining Index, down 10.6% over the last 6 weeks, mostly because of the weak iron ore price (-38% so far in 2014), but also to an extent because of the rampant US dollar, because commodities are priced in dollars and some negative data out of China, including this morning's imports, which were down.
- The Mining Index is dominated by Billiton (52% of the Index) and Anglo American (26%), with number three Anglogold way below at just 5% of the index.
- Fortunately Sasol has held up well so far. It is 20.7% of the Resources Index (only slightly smaller than Anglo's 20.9%), so this index is holding up better than the Mining Index.
- Sasol is just ten rand below its record high of 653 rand in June this year, which is interesting or surprising because the Brent oil price (now just above $100), converted into rands, is down 5.4% so far in 2014, trading where it was 10 months ago. Sasol's earnings are quite geared to the rand oil price.
- Meanwhile the JSE Life Insurance Index has rocketed to a new all-time record high, with a total return (including dividends) of 20.2% so far in 2014. The index comprises Old Mutual at 46% of the index, then Sanlam at 33.4%, Discovery at 8.5%, MMI Holdings at 8.1%, Liberty at 3.8% and Clientele at 0.26%.
- Sanlam is lately having the biggest impact on the index as its share price is up 16% in the past month and 30% so far this year. Since the low on 8th March 2009 (exactly 5.5 years ago), Sanlam has returned 33% per year, excluding dividends, which is exceptionally good. Add in dividends and you're looking at probably around 37-38% per year for 5.5 years compounded.
- Actually Discovery has done 31.5% compounded over the same period, excluding dividends, not far behind at all. So life insurance is one of the hottest sectors on the JSE!
- From its post-crash low of 54 rand in December 2008, Liberty has done 16.9% per year, excluding dividends.
- The MSCI Emerging Markets Index perked up last week to a new 3-year high, with a return of 9.4% in US Dollars so far in 2014, or 11.9% including dividends. It has continued to outperform the developed markets, by 10.5% since the relative low in March this year.
- MSCI China, which comprises over 18% of the MSCI Emerging Markets index, gained another 3% last week to a new 3-year high, although it remains a long way below its record high AND is still trading at levels of 19 years ago (1995)!!

Other Commentators

<u>US Market Analyst, Elaine Garzarelli</u>

- With the S&P 500 hitting a new high last week, investors see many positives, including lots of deals, strong economic data and earnings beating consensus estimates.
- Along with higher share prices, consumers are encouraged by declining petrol prices and hopefully issues in the Ukraine may be settling.
- Garza's quants system remains bullish at 70.5%, where a level below 30% is bearish. The system continues to suggest the bull market is intact, so she recommends full exposure to shares in the US.
- The number of bullish advisors, a contrarian indicator, is back in the danger zone at 56.1% (too high, indicating that advisors have put most of their client's cash to work in the market). Such high bullish sentiment has historically frequently led to corrections. If one were to occur, it should be no more than 4-7%.
- The strong dollar had put downward pressure on some commodity prices, with corn, sugar, iron ore and palm oil making new lows. The oil price is testing new lows for the year too, down 9% in dollars so far in 2014, back at June 2013's level. This is all good for keeping US inflation down.
- Wages in the US are rising by just 2% too.
- Garza suspects that another US recession is "years away".

<u>BCA Research</u>

- Martin Barnes, Chief Economist of BCA, wrote the Global Investment Strategy this week and is in philosophical mode, discussing how the bull market is lasting so long (5.5 years old today).

- He asks whether investors are in the grip of dangerous complacency or are markets responding rationally to a fundamentally bullish backdrop?
- He says frustratingly there is an element of truth in both views.
- Easy monetary policy is an obvious positive for markets, as is the hope that economic growth will improve and support expectations of better company earnings.
- Absent some major unexpected shock, it is not clear what will stop equities from continuing to rise for as long as the powerful combination of low rates and earnings optimism persists.
- He believes US equities have already reached overvalued levels, very different from Garzarelli.
- Europe is battling, with deleveraging still having a long way to run, while Japan's economy is struggling after the big increase in sales tax from 5% to 8% in April.
- Both the US and the UK are doing better.

Steve Sjuggerud's "True Wealth"

- This month Steve is recommending Hong Kong Property Developers, which he thinks are trading at a 40% discount. He recommends the Guggenheim China Real Estate Fund, which trades on the New York Stock Exchange and holds Hong Kong's leading property companies.
- He is also recommending Japanese small cap shares.

Paul Hansen

Director: Retail Investing

Economic Update

United States

In August 2014, the **US unemployment rate** improved slightly to 6.1%, from 6.2% in July 2014. This was in-line with market expectations. Unfortunately, the labour market participation rate eased further to 62.8% in August from 62.9% in July. Overall, the labour market participation rate is still at its lowest level since 1978. As we have indicated previously, it seems sensible that one would argue that the labour market participation rate is probably indicating a higher level of structural unemployment in the US that is not purely related to demographics.

Non-farm payrolls rose by a disappointing 142 000 jobs in August 2014. The market was expecting a gain of around 230 000. The change in total nonfarm payroll employment data for the previous two months was revised down by a combined total of 28 000. Overall, the level of US employment is 753 000 above the previous peak prior to the global financial market crisis. During the financial market crisis the US lost a total of 8.7 million jobs.

The private sector added 134 000 jobs in August 2014, after adding a revised 213 000 jobs in July 2014. The private sector has gained employment in each of the past 54 months at an average of 185 000 jobs a month and is at a record high, comfortably surpassing the previous peak recorded in January 2008. The number of long-term unemployed (those jobless for 27 weeks or more) declined by 192 000 to 3.0 million in August. The number of persons employed part time for economic reasons (sometimes referred to as involuntary part-time workers) was little changed in August at 7.3 million. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.

This month's US labour market report is disappointing and in sharp contrast with the gains in employment during the preceding 6 months. Although the strike in the retail sector helps to explain some of weakness, it was certainly not sufficient to explain the broad-based lacklustre employment gains across a wide range of sectors. Overall, despite the disappointing gain in employment in August, a broad range of economic data continues to suggest that the US economy will keep growing at a respectable pace. This includes the US leading economic indicator. However, it is worthwhile noting that house prices have fallen in each of the past two months and the recovery in the US housing market remains somewhat unconvincing.

US light vehicle sales rose by a massive 6.4%m/m in August 2014 to an annualised 17.45 million units. Up 9.8% year-on-year. This was above market expectations, which was for a rise to 16.6 million units. The August level of vehicle sales is the highest since well before the global financial market crisis, and up an incredible 50% since the low in June 2011.

US vehicles sales declined dramatically during the global financial market crisis, falling from 16 million units to 9.3 million units in just 15 months. This decimated the motor trade, and ultimately led to government providing financial assistance to some of the large vehicle manufacturers. There was a boost in sales during July and August 2009 (see chart attached), although that was almost entirely due to the government's Cash for Clunkers deal. In total 690 115 new cars were purchased through the Cash for Clunkers programme, costing the government a total of $2.877 billion in support. The Cash for Clunkers deal ended on 26 August 2009.

Since then the industry has experienced a remarkable improvement and has fully recovered from the previous recession, helped by both internal and external demand. Overall, the motor industry appears able to sustain the recovery, given the still low cost of finance as well as a solid improvement in employment and strong advertising by the industry, including sales promotions. In fairness, the US government should receive significant praise for assisting the motor industry during the financial crisis, thereby ultimately saving thousands of jobs.

The **European Central Bank** announced a further package of monetary policy measures to try and avoid deflation in the region as well as further stimulate the economy. This follows a fairly extensive monetary stimulus package that was introduced in June 2014. Yesterday's announcement reflect concerns raised by ECB President, Mario Draghi, in his recent Jackson Hole speech.

The key monetary policy measures announced yesterday by the ECB include:

- The interest rate on the main refinancing operations of the Euro-system will be decreased by 10 basis points to 0.05%, starting from the operation to be settled on 10 September 2014 (see chart attached).

- The interest rate on the marginal lending facility will be decreased by 10 basis points to 0.30%, with effect from 10 September 2014.

- The interest rate on the ECB's deposit facility will be decreased by 10 basis points to -0.20%, with effect from 10 September 2014.

- In June 2014 the ECB indicated that they would intensify preparatory work related to outright purchases of asset-backed securities (ABS) and yesterday the ECB decided to start purchasing non-financial private sector assets with effect from October. (The ECB decided against purchasing of government bonds, although this remains a policy option). The asset-purchase programme comprises both 'simple and transparent' ABS (underlying assets consisting of claims against euro area private non-financial sector) and covered bonds. Together with the TLTRO (first auction in mid-September), this will increase the ECB's balance sheet, which had been declining over most of the past two years. Importantly, the size of the asset-purchase program and the details on its design will not be announced until October leaving many market participants wondering how the ECB will find sufficient ABS to implement the program, given the dearth of ABS supply in recent years.

The further reduction in interest rates is unlikely to have much of an impact on the real economy, but it does add to the ECB's stated commitment to keep interest rates extremely low for much longer. Equally, the further reduction in deposit rates is also unlikely to have much effect on the economy, partly because there is a relatively small amount of money on deposit at the ECB. However, it does add credence to the ECB's stated policy commitment and should ultimately help consumer and business confidence.

Although the ECB is clearly committed to on-going monetary stimulus, and the range of new monetary policy measures are relatively bold by European standards (especially negative deposit rates and the introduction of an asset-purchase programme) they might not be all that effective in stimulating real economic activity given the negative impact of the Russian-Ukraine crisis on Europe as well as relatively muted global growth.

Kenya

At their meeting on 3 September 2014 the Central Bank of Kenya decided to keep rates on hold at 8.5% as expected. The monetary policy committee felt that the current policy measures, in the form of monetary policy and liquidity management, are enough to alleviate pressures that may pose a risk to inflation expectations and that there is "no fundamental structural pressures on inflation". However it was still concerned about inflation being above the target, and will utilise monetary policy operations to tighten policy in order to anchor inflationary expectations.

The inflation rate in Kenya was recorded at 8.36% in August 2014, up from 7.67% in July, which continues the upward trend that began in April 2014. This is the highest inflation rate since June 2012, and the second month in succession where inflation has been above the 2.5% – 7.5% target band. This reflects the base effects of new taxes that were introduced in September 2013, but this is expected to start dissipating from September 2014.

The central bank also mentioned in their communique that they were pleased with the progress of the recently introduced Kenya Bank's Reference Rate (KBRR) that was implemented in July 2014 at 9.13%. So far 182 731 loans accounts worth KES 43billion have been priced using the KBRR with an average premium of 3.05% on commercial mortgages and 4.09% on corporate loans of 1 – 5 years.
Kenya is the next African country that has embarked on the exercise of re-basing its GDP. The results are expected to be released by September 2014, with 2009 as the new base year. Expectations are for the country to be 20% larger than it is, upgrading Kenya to a middle income country.

Mauritius

Inflation in Mauritius was recorded at 3.8% for August 2014, up from 3.1% in July, which reverses a 5 month downward trend in the inflation rate. The month on month figure registered 0.5%. Food prices were the biggest contributor to the increase in the inflation rate as vegetable prices continue to rise – in fact the increase in vegetable prices on their own contributed 0.3% percentage points to the overall inflation rate, and food as a whole constitutes 29% of the bucket. The peak inflation rate of 5.6% in February 2014 and the trough in July 2014 at 3.1% were both as a result of movements in vegetable prices.

The Bank of Mauritius gave forward guidance in July 2014 that it would keep rates unchanged until 2015 as long as inflation remained below 4% on a 12 month moving average basis and the growth outlook remained unchanged. The headline inflation rate for the twelve months to August 2014 is at 4.0%, which is a concern, compared to the twelve months to August 2013 where it registered 3.5%. With this in mind, rates are expected to remain unchanged at the next meeting in October with risk to the upside. The bank mentioned in the guidance that rates could increase by at least 25 basis points at its first meeting in 2015.

Please follow our regular economic updates on twitter @lingskevin

Kevin Lings, Laura Jones & Kganya Kgare

(STANLIB Economics Team)

Weekly Market Analysis

Currencies/ Indices/ Commodities	Friday's Close 05/08/14	Weekly Move (%)	YTD (%)
Indices			
*MSCI World – US Dollar	1750.61	0.11	5.39
*MSCI World – Rand	18723.05	0.43	8.88
*MSCI Emerging Market – US Dollar	1096.83	0.82	9.39
*MSCI Emerging Market – Rand	11730.76	1.15	13.01
All Share Index – US Dollar	4844.07	1.31	8.39
All Share Index – Rand	51789.40	1.63	11.96
All Bond Index	469.41	0.14	7.50
Listed Property J253	1603.67	2.99	14.92
Currencies			
US Dollar/Rand	10.69	0.32	3.30
Euro/Rand	13.67	-0.77	-5.20
Sterling/Rand	17.45	-1.36	0.58
Euro/US Dollar	1.30	-1.38	-5.76
Commodities			
Oil Brent Crude Spot Price ($/bl)	100.79	-2.08	-9.03
Gold Price $/oz	1268.71	-1.46	5.24
Platinum Price S/oz	1411.00	-0.95	2.84

Source: I-Net Bridge

* MSCI - Morgan Stanley Capital International

Rates

These rates are expressed in nominal and effective terms and should be used for indication purposes ONLY.

STANLIB Money Market Fund

Nominal: 5.97% per annum

Effective: 6.13% per annum

STANLIB is required to quote an effective rate which is based upon a seven-day rolling average yield for Money Market Portfolios. The above quoted yield is calculated using an annualised seven-day rolling average as at 06 September 2014. This seven- day rolling average yield may marginally differ from the actual daily distribution and should not be used for interest calculation purposes. We however, are most happy to supply you with the daily distribution rate on request, one day in arrears. The price of each participatory interest (unit) is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio.

STANLIB Enhanced Yield Fund

Effective Yield: 6.06%

STANLIB is required to quote a current yield for Income Portfolios. This is an effective yield. The above quoted yield will vary from day to day and is a current yield as at 05 September 2014. The net (after fees) yield on the portfolio will be published daily in the major newspapers together with the “all-in” NAV price (includes the accrual for dividends and interest). This yield is a snapshot yield that reflects the weighted average running yield of all the underlying holdings of the portfolio. Monthly distributions will consist of dividends and interest. Interest will also be exempt from tax to the extent that investor’s are able to make use of the applicable interest exemption as currently allowed by the Income Tax Act. The portfolio’s underlying investments will determine the split between dividends and interest.

STANLIB Income Fund

Effective Yield: 7.03%

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs.” The above quoted yield will vary from day to day and is a current yield as at 05 September 2014.

STANLIB Extra Income Fund

Effective Yield: 6.59%

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs.

Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down." The above quoted yield will vary from day to day and is a current yield as at 05 September 2014.

STANLIB Flexible Income Fund

Effective Yield: 6.87%

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs." The above quoted yield will vary from day to day and is a current yield as at 05 September 2014.

STANLIB Multi-Manager Absolute Income Fund

Effective Yield: 6.31%

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. CIS can engage in borrowing and scrip lending. Commission and incentives may be paid and if so, would be included in the overall costs." The above quoted yield will vary from day to day and is a current yield as at 05 September 2014.

Glossary of terminology

Bonds	A bond is an interest-bearing debt instrument, traditionally issued by governments as part of their budget funding sources, and now also issued by local authorities (municipalities), parastatals (Eskom) and companies. Bonds issued by the central government are often called “gilts”. Bond issuers pay interest (called the “coupon”) to the bondholder every 6 months. The price/value of a bond has an inverse relationship to the prevailing interest rate, so if the interest rate goes up, the value goes down, and vice versa. Bonds/gilts generally have a lower risk than shares because the holder of a gilt has the security of knowing that the gilt will be repaid in full by government or semi-government authorities at a specific time in the future. An investment in this type of asset should be viewed with a 3 to 6 year horizon.
Cash	An investment in cash usually refers to a savings or fixed-deposit account with a bank, or to a money market investment. Cash is generally regarded as the safest investment. Whilst it is theoretically possible to make a capital loss investing in cash, it is highly unlikely. An investment in this type of asset should be viewed with a 1 to 3 year horizon.
Collective Investments	Collective investments are investments in which investors‟ funds are pooled and managed by professional managers. Investing in shares has traditionally yielded unrivalled returns, offering investors the opportunity to build real wealth. Yet, the large amounts of money required to purchase these shares is often out of reach of smaller investors. The pooling of investors’ funds makes collective investments the ideal option, providing cost effective access to the world’s stock markets. This is why investing in collective investments has become so popular the world over and is considered a sound financial move by most investors.
Compound Interest	Compound interest refers to the interest earned on interest that was earned earlier and credited to the capital amount. For example, if you deposit R1 000 in a bank account at 10% and interest is calculated annually; your balance will be R1 100 at the end of the first year and R1 210 at the end of the second year. That extra R10, which was earned on the interest from the first year, is the result of compound interest ("interest on interest"). Interest can also be compounded on a monthly, quarterly, half-yearly or other basis.
Dividend Yields	The dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price. The higher the yield, the more money you will get back on your investment.
Dividends	When you buy equities offered by a company, you are effectively buying a portion of the company. Dividends are an investor’s share of a company’s profits, given to him or her as a part-owner of the company.
Earnings per share	Earnings per share is a measure of how much money the company has available for distribution to shareholders. A company’s earnings per share is a good indication of its profitability and is generally considered to be the most important variable in determining a company’s share price.

Equity	A share represents an institution/individual's ownership in a listed company and is the vehicle through which they are able to "share" in the profits made by that company. As the company grows, and the expectation of improved profits increases, the market price of the share will increase and this translates into a capital gain for the shareholder. Similarly, negative sentiment about the company will result in the share price falling. Shares/equities are usually considered to have the potential for the highest return of all the investment classes, but with a higher level of risk i.e. share investments have the most volatile returns over the short term. An investment in this type of asset should be viewed with a 7 to 10 year horizon.
Financial Markets	Financial markets are the institutional arrangements and conventions that exist for the issue and trading of financial instruments.
Fixed Interest Funds	Fixed interest funds invest in bonds, fixed-interest and money market instruments. Interest income is a feature of these funds and, in general, capital should remain stable.
Gross Domestic Product (GDP)	The Gross Domestic Product measures the total volume of goods and services produced in the economy. Therefore, the percentage change in the GDP from year to year reflects the country's annual economic growth rate.
Growth Funds	Growth funds seek maximum capital appreciation by investing in rapidly growing companies across all sectors of the JSE. Growth companies are those whose profits are in a strong upward trend, or are expected to grow strongly, and which normally trade at a higher-than-average price/earnings ratio.
Industrial Funds	Industrial funds invest in selected industrial companies listed on the JSE, but excluding all companies listed in the resources and financial economic groups.
Investment Portfolio	An investment portfolio is a collection of securities owned by an individual or institution (such as a collective investment scheme). A funds' portfolio may include a combination of financial instruments such as bonds, equities, money market securities, etc. The theory is that the investments should be spread over a range of options in order to diversify and spread risk.
JSE Securities Exchange	The primary role of the JSE Securities Exchange is to provide a market where securities can be freely traded under regulated procedures.
Price to earnings ratio	Price to earnings ratio or p: e ratio is calculated by dividing the price per share by the earnings per share. This ratio provides a better indication of the value of a share, than the market price alone. For example, all things being equal, a R10 share with a P/E of 75 is much more "expensive" than a R100 share with a P/E of 20.
Property	Property has some attributes of shares and some attributes of bonds. Property yields are normally stable and predictable because they comprise many contractual leases. These leases generate rental income that is passed through to investors. Property share prices however fluctuate with supply and demand and are counter cyclical to the interest rate cycle. Property is an excellent inflation hedge as rentals escalate with inflation, ensuring distribution growth, and property values escalate with inflation ensuring net asset value growth. This ensures real returns over the long term.
Resources and Basic Industries Funds	These funds seek capital appreciation by investing in the shares of companies whose main business operations involve the exploration, mining, distribution and processing of metals, minerals, energy, chemicals, forestry and other natural resources, or where at least 50 percent of their earnings are derived from such business activities, and excludes service providers to these companies.

Smaller Companies Funds	Smaller Companies Funds seek maximum capital appreciation by investing in both established smaller companies and emerging companies. At least 75 percent of the fund must be invested in small- to mid-cap shares which fall outside of the top 40 JSE-listed companies by market capitalisation.
Value Funds	These funds aim to deliver medium- to long-term capital appreciation by investing in value shares with low price/earnings ratios and shares which trade at a discount to their net asset value.
Growth Funds	Growth funds seek maximum capital appreciation by investing in rapidly growing companies across all sectors of the JSE. Growth companies are those whose profits are in a strong upward trend, or are expected to grow strongly, and which normally trade at a higher-than-average price/earnings ratio.

Sources: Unit Trust and Collective Investments (September 2007), The Financial Sector Charter Council, Personal Finance (30 November 2002), Introduction to Financial Markets, Personal Finance, Quarter 4 2007, Investopedia (www.investopedia.com) and The South African Financial Planning Handbook 2004.

Disclaimer

The price of each unit of a domestic money market portfolio is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. An investment in the participations of a CIS in securities is not the same as a deposit with a banking institution. CIS are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from STANLIB Collective Investments Ltd (the Manager). Commission and incentives may be paid and if so, would be included in the overall costs. A fund of funds is a portfolio that invests in portfolios of collective investment schemes, which levy their own charges, which could result in a higher fee structure for these portfolios. Forward pricing is used. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. TER is the annualised percent of the average Net Asset Value of the portfolio incurred as charges, levies and fees. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Portfolios are valued on a daily basis at 15h30. Investments and repurchases will receive the price of the same day if received prior to 15h30. Liberty is a full member of the Association for Savings and Investments of South Africa. The Manager is a member of the Liberty Group of Companies.

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