The Investor

In our 26th year of free service to the South African investing public!

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It’s a Time to build wealth!

By Richard Cluver

It’s a new year and time for new starts. And there can be few better new courses to embark on than one that will lead to financial security.

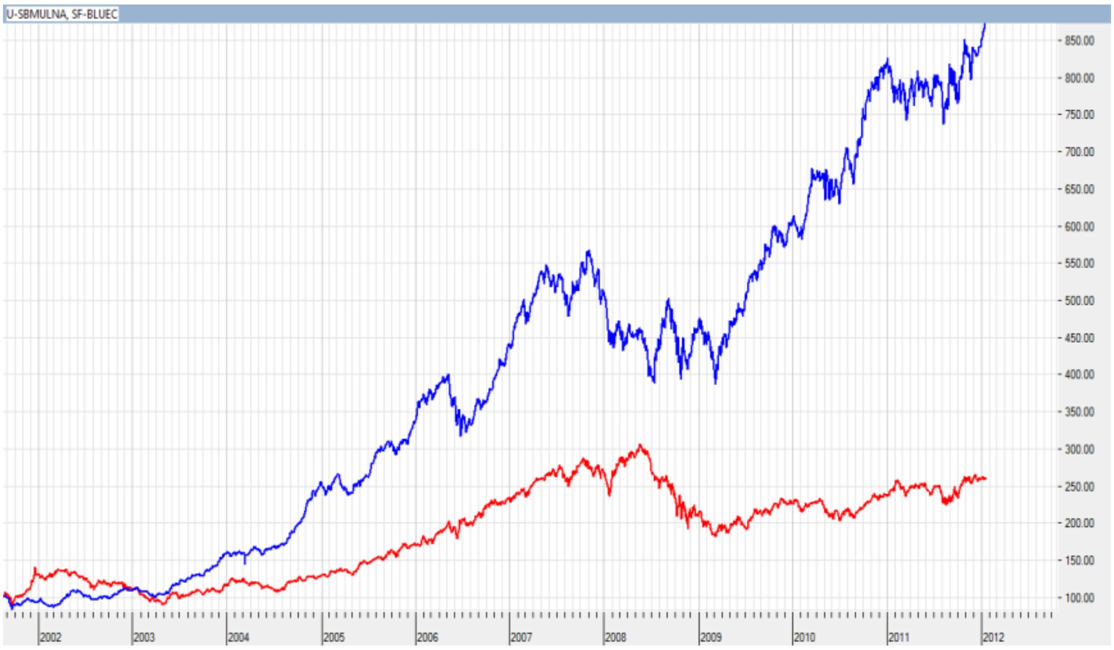
Financial security means never again having to worry about how you are going to pay the household bills at the end of the month and never again having to worry about the financial implications of a family crisis. It also offers you the freedom to take a break whenever you please; to travel or be able to implement projects you have dreamed of all of your life. But most of it buys you peace of mind.

For most people, the concept of such wealth is a seemingly impossible dream. Judging by the latest official statistics, the average South African is totally enslaved by debt. They are obliged to spend 82.3 percent of their disposable income on paying off their debts. Furthermore nearly half of credit-active consumers are three or more months behind on debt repayments.
Clearly then, we as a nation need to make it an urgent national priority to rid ourselves of debt and in subsequent issues of The Investor we plan to take an in-depth look at the most effective means people have of dealing with debt. We are, however, as a publication dedicated to the concept of growing wealth and we have shown repeatedly that the most effective means of achieving this objective is via stock exchange investment: by regularly saving a portion of your monthly income and dedicating it towards the step-by-step acquisition of a Blue Chip share portfolio.

So let us begin by considering the stock market options of the beginner investor, noting that over the past ten years the average growth rate of Blue Chip shares was 24.6% a year. On average, furthermore such shares have yielded a dividend return of 3.4% making for a total return of 28% which, since dividends are tax-free, is the equivalent of a return of 46.7% on a normally-taxed money market investment.

If you care to do the maths, you might thus determine that were you a young person just starting out in your first job with something like a 40-year working expectancy ahead of you and, were you able to invest R50 000 in such a portfolio. Furthermore, other than re-investing the annual dividend income, were you never to save another cent you could expect to have at retirement an investment portfolio worth something of the order of R100-million. That sum would provide you with a monthly income of R283 000.
From this it is clear that long before your normal retirement age, you would have reached a level

WHAT’S INSIDE



of wealth that would have opened up a multitude of life options of which the very least might have been early retirement.

Such incredible wealth numbers are hard to believe given the common—dare I say cynical—experience of people who have tried to grow their savings using instruments such as unit trusts and life assurance policies which are the normal resource of ordinary folk. The sombre fact is that unit trusts have on average been dismal investment performers. Whereas over the past ten years the average Blue Chip share has risen by compound 24.6% annually, the average gain achieved by all the unit trusts that have been in business for ten or more years has been a pitiful 7.7% annually. The graph on the right illustrates the difference between the two averages on a percentage annual change basis over the past decade.

Just why unit trusts perform so badly for the people who invest in them can be partially explained by the fact that they are customarily bought through investment advisers who collect commissions on each transaction. Furthermore the companies that manage unit trusts also collect management fees in addition to the normal transactional taxes and brokerage associated with the buying of the underlying securities.

So what would be the result for our young investor if he were to have put his initial R50 000 into an average unit trust and held it unchanged for the next 40 years? Well, again assuming he had re-invested all his dividend income, he would have achieved an effective compound growth rate of 11.1% and over the next 40 years this would have grown his original capital to a total of R3.37-million.

Can it really be possible that two different investments can yield such a dramatically different outcome: on one hand R100-million and on the other just R3.37-million? Well what readers need to take to heart is that the real secret of growing great wealth is the power of compound interest and that is why just a small difference in the returns you are able to achieve when you invest your hard-earned savings will in the end make a dramatic difference to whether you end your days disgustingly wealthy or in genteel poverty. More about that in the next issue!

ShareFinder Mobile for R1 400

Its very affordable, quick to use and outstandingly reliable so it is no surprise that the new ShareFinder mobile has become one of the hottest sellers in South Africa because it takes all the guesswork and decision-making out of share market investment.

Designed as an ultra-easy-to-use share market investment system for people on the move, the ShareFinder Mobile combines many of the portfolio-building and monitoring features of the ShareFinder Professional at an extremely affordable price tag. There are:

- ☻No daily data downloads to worry about
- ☻No bills to pay for expensive data services
- ☻No complicated charts to try and understand
- ☻A portfolio-builder that tailors 10-share portfolios to your personal needs
- ☻An alert system that tells you when to buy and sell

Conceived with the busy executive in mind; for the kind of person whose only spare time is waiting in airport lounges, the ShareFinder Mobile was designed to operate on a pocket computer. It will, however, function equally well on a standard desk-top computer. With just two or three clicks of a mouse it will tailor a blue chip share portfolio to your personal risk profile, generating portfolios which under practical testing throughout the 2003-2007 bull market have dramatically outstripped the performance of the top-performing unit trusts.

Unlike competing computer programmes which carry extremely costly price tags—sometimes as much as R25 000 — and which are linked to internet data services costing over R2 000 a year, the ShareFinder Mobile is offered as a subscription service costing just **R1 400 a year** and there are no additional costs whatsoever.

It offers you:

1) The tools to help you draw up an investment plan tailored to your personal needs.
2) A systematic portfolio builder that enables you to scientifically minimise risk and maximise capital and income growth rates.
3) A weekly overview of leading world markets accompanied by a graphic commentary of changing trends.
4) A personal portfolio analyser which will keep watch over your investments and suggest periodic changes.
5) An alert system which will signal you by e-mail if emergency action is called for. Shortly we hope to add a facility that will also send you a cell phone SMS so you will be alerted to the need for action wherever you are during the day.

The ShareFinder Mobile system operates from the RCIS servers where your portfolio is subjected to a daily automated analysis. At the end of each week Mobile subscribers receive an e-mailed update that will automatically update the programme.

Having been rigorously beta tested for many months during its final development stages, the ShareFinder Mobile is now ready for you. During the latest 2003-2007 bull market, its top-performing portfolio achieved a compound annual average growth rate of 87.4% . Simultaneously its income-growth portfolio, where dividend growth is more important than share price growth, also significantly outperformed both the Satrix 40 and the unit trust leading Sage Resources fund.

To order it, log onto www.sharefinder.co.za and go to the order form on the left-hand menu. Next scroll down through our list of products and services and click on the Mobile.

** If you want to use this software to its maximum advantage, it is highly recommended that you read Richard Cluver's books "The Philosophy of Wealth" ISBN No: 0958 3067 61 and "The Simple Secrets of Stock Exchange Success" ISBN No 9780 95830 6775 which can also be ordered from Richard Cluver Investment Services at a cost of R130 including postage.*

By Invitation

Dr Cees Bruggemans
Chief Economist First National Bank

Is there anything profitable to be learned from the dire experiences of others, especially of late the rich Anglo-Saxons and the European Continentals (but not forgetting the lessons we may offer others)?

For a country that tends to underperformance over long time frames, going by its deep structural imbalances inherited from the past, its inclination to repeat some past mistakes and its consequent slow pace of advance, South Africa generally prefers to solve its challenges by its own means in its own good time. Too often, this is thin veneer, trying to protect favourite interests or stick with cherished ideals and not attempt anything difficult or different from fear of shattering fragile realities. Yet when going by international example, and even at times our own, it is especially hard times that tend to force open closed debates and rigid societies, looking for new ways forward.

Bill Bryson said it beautifully in our ultimate context (echoing Toynbee):"if you wish to end up as a moderately advanced, thinking society, you need to be at the right end of a very long chain of outcomes involving reasonable periods of stability interspersed with just the right amount of stress and challenge (ice ages appear to be especially helpful in this regard) and marked by a total absence of real cataclysm". (p307)

Ice ages, real cataclysms? The times make you wonder. So the recent past did not constitute real cataclysms, as we are all still here arguing what the Anglo-Saxons and Europeans did, and are doing, wrong.

But mini-ice ages certainly seem to have opened up for them in which new adaptations are needed quickly to overcome the systemic failures of recent times.

South Africa does not seem to be suffering from every shortcoming identifiable abroad, for which much thanks. But there are chinks in our armour that we have in common with others, the difference being that they are being FORCED by circumstance to address these issues while we still happily lumber onward with some of these same warts unaddressed as if time is still on our side (while patently it isn't on theirs, for which reason they show considerable haste now).

In a micro sense, the Anglo-Saxons mainly got a few banking things wrong, especially excessively cheap consumer credit and easy access (focused on housing, credit cards and study loans), too much leverage by far, and too weak bank capital buffers (all old sins, really) needed to absorb risk in bad times.

These are periodic weaknesses which, when combining in a general euphoria, can sweep populations along to great speculative heights until the bills fall due. South Africa, too, experienced housing and credit booms but happily we were late to the global excesses off very low repressed bases, legal checks were set in motion early (the national credit act of mid-2007) and we never got to participate in the lethal securitisation game that anonymously distributed worthless toxic Anglo-Saxon paper far and wide, fatally weakening financial systems.

We, too, overindulged in creating an oversupply of certain types of housing and allowed certain middle class households to become over-borrowed. And we are also paying a price for that, in houses foreclosed, property prices deflating in real terms from overvalued excesses, and the building industry laid low for many years duration while these excesses are worked off. But we were early in addressing these ills, they never went anywhere near the levels observed overseas, and the play-out is painful though digestible without keeping the overall economy completely back.

This is also borne out by the state of our banks, which in any case were better capitalised than many of their overseas peers, and whose credit cultures and capital buffers have been strengthened by the expensive lessons observed abroad.

If some of our banking features were pure pieces of luck (for if the global game had gone on for much longer, where would we have been?), another piece of self-made 'luck' was in the macro area through the containment of budget deficits and reduction in national debt in the preceding 15 years. For when a systemic financial shock hits, causing anxious private players (in this instance banks and households) to start deleveraging their overextended balance sheets, credit extension tends to suffer and saving levels go up, contracting demand in the economy and interfering with the normal conduct of business.

When this happens, output starts to suffer, and a downward spiral can come into being as businesses fail, workers lose their jobs, surviving businesses and households become ever more defensive and spending contracts yet more. At moments like these, fearless governments with long-term vision and impeccable national finances can step into the breach.

Besides normal cyclical shock absorbers (such as unemployment assistance and allowing budget deficits to rise as tax revenue shrinks temporarily), governments can borrow and spend more, maintaining domestic demand and allowing the private sector time to rearrange its finances, stabilise their sentiment, regain confidence and re-engage, signalling the moment for governments to stand back anew.

That's the theory. Practice differed somewhat. It turned out that in good times most rich countries had not kept their national finances in very good order. Instead, foreign wars and/or excessive social promises to electorates had maintained public spending levels in excess of revenue streams, over time taking up much of the public borrowing space.

Budgets deficits in good times were too high, and national debt levels were allowed to stay at excessively high levels rather than be lean, as becomes key national emergency buffers. Thus emergency buffers were gradually eroded away, until many countries, especially in Europe, found themselves with public finances unable to fully address the fallout from large systemic shocks. When large bank bailouts became necessary and recession shocks hit in 2008, most rich country governments still manfully stepped into the breach by allowing their budget deficits and national debt levels to spiral higher. But ere long, country after country discovered that they were on unsustainable borrowing paths, with this mainly pointed out by financial markets and eventually also even by rating agencies in most of Europe, while political gridlock forced the pace towards fiscal consolidation in the US.

Key central banks had also played a major role, first in stabilising failing financial systems, and second in an anti-cyclical role by relaxing their monetary policies, supporting economies once the impotence of fiscal options and the need for austerity showed itself fully while the financial shock play-out promised to stretch over much longer (decade) timeframes.

Today, the leading central banks have lowered their interest rates to near zero (in the presence of low single-digit inflation and large output gaps accompanied by very high unemployment). They have also expanded their balance sheets by many multiples in order to keep debt markets functional and banks funded where necessary, shrink safe haven pools and encourage private investment portfolios to keep taking risk rather than completely withdraw to so-called safe sidelines (and force economic life to a standstill). So with banks, households and most governments out of the game and in full repair mode, it is exceptional support from central banks that keep Western economies today ticking over in recuperation mode.

On all these macro scores, South Africa can take satisfaction that it never got itself in the same pickles that the Anglo-Saxons and most European Continentals did. In the 14 years after 1994, one of the features of our new democratic political dispensation was to clean up our national finances after the devastation of preceding decades, steadily reducing the very high inherited national debt levels until by the onset of global crisis in 2008 it was down to only 22% of GDP. As recession hit, our government too was prepared to act anti-cyclically, protect the economy and limit recession, accepting a temporary increase in budget deficits and a doubling of national debt by 2014 to just over 40% of GDP. This was justified by the available fiscal space and the unwillingness to let the economy go through an unnecessary deep recession.
Unlike many rich countries, whose national debt levels would be allowed to approach 100% of GDP eventually (or even double that), ours remained a responsible action, to be reversed at the earliest opportunity as the economy resumed growing. This process is well under way and so far remains on track as intended, despite some grumbling in markets looking at us with renewed sensitivities.

In a similar fashion, SARB relaxed monetary policy in responsible fashion, eventually taking the repo rate negative in real terms (as inflation rebounded) and signalling that it would remain supportive for a considerable time. But though the growth rebound remained limited to a 3% pace, and the output gap refused to close quickly, this was ultimately traceable to supply side shortcomings and unhelpful micro policy signals keeping economic activity restrained and businesses defensive.

Though SARB has been accommodative, it hadn't been forced by circumstance to take on a much bigger macro stabilisation role, in the process building up longer term exposures with as yet unknown risk consequences. Thus, mostly favoured by global events, aside of the sharp recession of 2008/2009, as much Asian growth pull as Western capital push, South Africa's balance of payments condition remained mostly benign and the country able to resume recovery from within, though subject to structural limitations already mentioned.

We did well, and are doing well, macro-wise compared to what is playing in so many rich countries, and have this in common with many other EM and commodity producing countries not fully drawn into the rich world's crises.
But if we sidestepped the worst in a macro sense (fiscal and monetary, taking action but not at the cost of new risks) and we paid a price in banking, housing and the building trades (but probably not to the same degree as overseas), what else is there to focus on?

In financial markets, there remains much speculation that the weaker EU peripherals can 'only' default on their debt, step out of the Euro and start anew. Yet according to opinion surveys, majorities in all those countries beg to differ, wanting to remain in the Euro.
In making this choice, they seem to opt for the infinitely more difficult path of accepting fiscal austerity and severe structural reform in order to meet Germanic fiscal standards and to regain a growth dynamic within a single currency straightjacket.

The true choice here is not always appreciated. Many of these peripherals know they lack macro discipline and have rigid societal structures, both inhibiting growth. To step out of the Euro and massively depreciate their new currencies would 'protect' such backward structures indefinitely.

They sense an inability to reform from within under their own power and see participation in Europe as the (forced) path to renewal and restored dynamism.

And thus the apparent willingness to submit and painfully commit to many structural reforms aimed to straighten out national finances and structural supply shortcomings, with the monetary union already having done so for serial currency depreciation and its inflation potential.
It materialises that always depreciating one's currency is not always the easy option to protect growth. It too often also protects mediocrity and keeps the long-term growth potential limited rather than forcing change. Serial currency devaluation too often becomes a device against reform for inherently weak societies.

A weak Rand may look attractive in the short-term as well, but if it prevents us from undertaking reform it doesn't do us favours in the longer term. The Rand remains free-floating, set mainly by global forces, and during the past decade mainly making for an overvalued currency demanding structural changes from within.

In the process, South Africa should perhaps also ponder what these many countries are doing structurally in order to revive their growth performances from within and contrast this with the path we are following at home. All these countries are enhancing their tax collection and reducing tax avoidance and overreliance on too much borrowing. We went through that structural change in recent decades, with these EU periph-

erals merely late in starting.
But we also get in every country a reduction in the welfare state to within manageable limits compared to the non-sustainable excesses observable in many. South Africa, too, has had made many changes in its national budget allocation, in the process creating better social safety nets for the poor while letting the middle class carry a larger part of their own burdens.

So far, so good. But two nettlesome questions present themselves, also to global rating agencies and capital markets. Are political promises over time going to increase the social spending burdens in a non-sustainable way, requiring increased tax burdens or more public borrowing? And what is the effectiveness of the public spending?
On the first point, the country can still claim to be living within its means. But are the political trends going to keep this disciplined and sustainable or will the road of least resistance, as in other democracies before us, steadily take us into a different direction?

Clearly, vigilance here will be in order even as political expectations, aspirations and entitlements keep rising without much of a political check. The real answer here needs to be more growth and the many more opportunities it will create, rather than default into a greater welfare state losing growth dynamic.

When it comes to the effectiveness of public spending, we find defenders and detractors parting ways. Is education, health care, housing, public safety, municipal services and public infrastructure generally really served in adequate ways by the monies voted? If they were, we would have a higher growth potential.

Unlike many of the EU peripherals which seem to have overprotective industrial and professional strictures in need of reform, South Africa does not seem to suffer from as much rigidity requiring similar drastic actions. Ours in many ways is a mature economy, but also a small and open one having to find its way competitively.

Both smallness as an economy and industrial maturity naturally generated a measure of industry concentration in most sectors. As long as these are subject to free trade competition (serving to keep them on their toes) and the Competition Commission regulates the rules of the game, ours is not a structure in need of drastic overhaul. Such changes as proved necessary, moving away from an overprotective import-substitution framework and the inefficiencies this brought in its wake, has already taken place over many decades. This in contrast to many EU peripheral late-developers who maintained many domestic strictures protecting vested interests, some ancient, and only now facing up to the need to generate more growth dynamic from within in order to be able to operate alongside northern Germanic countries within a monetary union requiring structural convergence.

A footnote here concerns our New Growth Path ideal, and the favouring of industrial policies that have a protectionist element to them, by way of subsidies and import-substitution schemes. Some of the latter may prove viable, but too much of a protective layer, especially when favouring political over economic outcomes, would take us back into a less-competitive past.
This same reform need is observable in the labour market where every EU peripheral apparently has fallen short, explaining low productivity, high cost levels and high structural (youth) unemployment. This is one of the areas of greatest reform, and greatest conflict, for the EU peripherals as they contemplate coming into line with best social-democratic practice elsewhere in Europe. It is probably in this area where South Africa has also build up her biggest short-term problem, alongside public sector performance.

Our labour dispensation also favours high cost increases and although not so inflexible as to prevent productivity gains, labour absorption here is also far too low (keeping unemployment high) and there is too low productivity growth. Prospects here are not for the better, unlike all these EU peripherals which despite much resistance have singled out this one area (alongside fiscal finances and business practices) where everyone simply needs to become more Germanic. South Africa does not have such an external change agent at present bearing down on her, and it shows daily.

Summing up, we are doing reasonably well macro-wise in terms of fiscal and monetary discipline, while the Rand is subject to global forces. Our banking regime and competition policy is well under control. However, the effectiveness of public expenditure and its restraining impact on growth is a feature we also should pay more attention, while our labour dispensation could be made more flexible in order to assist with greater labour absorption, not unlike the manner facing all EU peripherals as they strive to modernise and win the right to remain within the EMU alongside their northern Germanic partners.

Not everyone in South Africa will be inclined towards similar ambitions, but that is perhaps because circumstance is still favouring us with some bounties, allowing us for now to sidestep the modern difficult path to high performance for all. That is a short-term choice, not a long-term given. We cannot be sure, like the many EU peripherals, that we can indefinitely stay with our shortcomings, without at some point getting ambushed by events, whether from within or without.

Stockbroker's views

by **Brian Kantor**
Investec Securities

The Hard Number Index: Maintaining the recovery

The SA economy in January 2012 continued its strong recovery from the recession of 2009, moving forward at a more or less constant speed according to our Hard Number Index of economic activity (HNI).

Our HNI is based on two very up to date hard numbers: new unit vehicle sales in January 2012 released by Naamsa and the notes in circulation at January month end released by the Reserve Bank (SARB).

We have shown that the HNI provides a very accurate predictor of the Coinciding Business Cycle Indicator provided by the SARB (the latest observation of this is only for October 2011).

Unit vehicle sales in January 2012 must be regarded as highly satisfactory to the industry. Sales grew from 45 200 units sold in December 2011 to 48 251 units in January 2012.

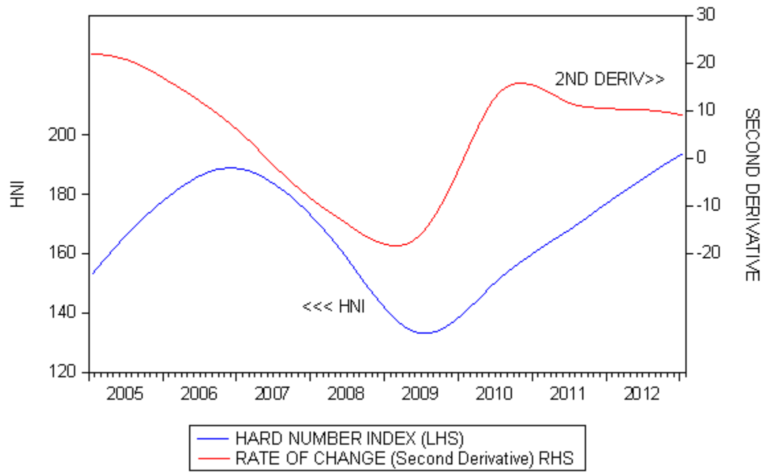
On a seasonally adjusted basis December was a particularly strong month and sales in January, on a seasonally adjusted basis, declined by 2 239 units.

As we show below, January sales have maintained the strong recovery in unit sales – with the industry possibly regaining peak sales of 60 000 units in early 2013, if current trends are maintained. If such buoyant sales were to materialise they would surprise the market place.

On the money supply front, the explosive growth in the suppy and demand for cash registered in the final quarter of 2011 moderated somewhat in January 2012. However the strong underlying growth in the nominal and, more important for the economy, the real (inflation adjusted) supply of cash has been well maintained.

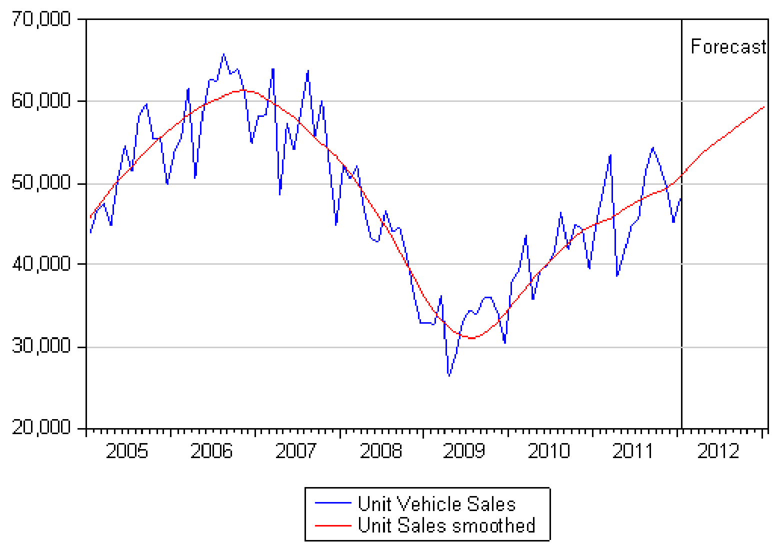
These monetary trends bode well for aggregate expenditure in the months to come. Our impression remains that the consensus continues to underestimate the pace of economic activity under way in SA, especially final demands. This is perhaps best reflected in the improved share market valuations recently attached to the general retailers listed on the JSE.

The Hard Number Index and its rate of change

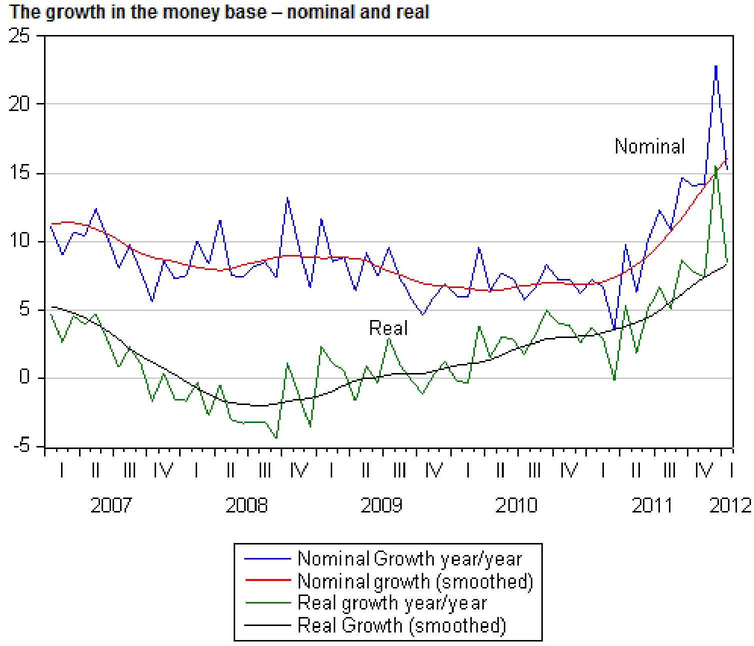


Source: Naamsa, SARB and Investec Wealth & Investment

Unit vehicle sales – actual, smoothed and extrapolated



The growth in the money base – nominal and real



Editorial opinion

Some time ago we wrote an open letter to President Zuma suggesting a way to enrich all South Africans, end unemployment and simultaneously sort out of his problems with officialdom plundering the public purse.

We told him he would be able to promise jobs to most of the currently unemployed, introduce a health care system and a decent pension in their old age.

The heart of the plan is a massive savings scheme in the name of every South African and to kick it off would involve selling off all those troublesome Government utilities which are currently such a drain on the public purse because they are always requiring another cash injection from government.

Next, as readers of my columns well know, the simple secret of making everyone wealthy is to convince them to save a portion their income for a little more than ten years and invest the proceeds in blue chip shares. What has worked for scores of readers can just as well work for our nation as a whole.

But how might this apply to every South African when almost half of us don't have the luxury of a job? I propose that in Year One we start with a little income re-distribution which I am sure will please everyone on the political left who keep on insisting that the ANC is not doing enough for the poorest of the poor. Of course those whose incomes are going to be tapped for re-distribution might be expected to object, even if it is only the modest one percent increase I am suggesting. However, they are likely to co-operate if you promise them that they will get it all back in income tax relief within a few years. Furthermore, I believe everyone would be prepared to help you if you promise them that they will ultimately be spared from paying any more taxes in the not too distant future.

I also suggested that if the Government similarly levy all its other tax sources an additional one percent and the Government itself offer a show of faith by committing itself to matching that Rand for Rand from the money saved from no longer needing to keep on propping up the parastatals.In year two he would need to levy all taxpayers two percent and similarly match that from State funds, increasing that figure each year until by the end of the fifth year the fiscus would be collecting a total levy of 5% from taxpayers and adding Rand for Rand from its own revenue into a giant public investment fund

Actually, from year two the Minister of Finance would be able to start cutting taxes gradually so nobody will have any complaints about the levy.

The effect of these actions would see some R412-billion go into the fund in the first year. All of this money invested it in a spread of blue chip South African shares which have been growing in value each year for the past 25 at a compound annual average rate of 26 percent, will make the fund really begin to perform.

At the end of the second year, dividend income at an average yield of four percent would be R14-billion; enough to meet the cost of all the social pensions the government is currently paying out. And at the end of the 11th year total dividend income of over R1-trillion would allow Finance Pravin Gordhan to declare a tax holiday for everyone for the growth in the capital sum would have become self-fulfilling and the dividend income would be enough to meet Government's spending needs.

Imagine how business would flock to this country if there were no taxes! That would take care of unemployment as well

USA Comment By John Maldin

Everyone knows by now that the US is facing difficult choices. Depending on what assumptions you use, the unfunded liabilities of Social Security and Medicare are between $50 and $80 trillion and rising.

It really doesn't matter, as there is no way that much money can be found, given the current system, even under the best of assumptions. Things not only must change, they will change. Either we will make the difficult choices or those changes will be forced by the market. And the longer we put off the difficult choices, the more painful the consequences.

This week we begin a series on the choices facing the US. In order to make the best of a difficult situation, we need to understand the consequences of the choices we make. "Cut spending," say some. "Tax the rich," say others. "Cut out waste and corruption" is always a popular choice. "Do all of the above," intone others.

There are over 3,000 different tax programs that allow for deductions, as Congress has passed out income tax benefits to almost everyone over the past 100 years. In fact, if we cut out all so-called "tax expenditures" (the deductions we get), the budget would be very close to balanced! But there is some group that sees each one of those tax deductions as vital to the future of the republic. Some are quite big, like charity and mortgage-interest deductions, or agricultural subsidies. Others are small and focused on keeping specific industries competitive and even viable. Your municipal bond interest-rate deduction keeps local funding and borrowing costs low. Local government interest rates would rise dramatically if that was repealed. Some, like the earned-income tax credit, are seen as a way to help out those with less income. All have their beneficiaries.

There is a television commercial in the US that offers an "easy button." Simply push it and the product you want will appear. With regard to the problems facing the country in the next few years, there is no "easy button." There are no easy choices. And the choices we eventually make will have both short-term and long-term consequences. Cutting spending will reduce GDP and tax revenues in the short term, as we see in Europe as countries struggle with "austerity." Raising taxes will also slow the economy for a time and reduce potential private employment over the longer term. If the choices were easy or obvious, even politicians in our admittedly dysfunctional political system could make them.

If the US does not make a choice as to how to get its deficit under control in 2013, the political realities are that it will not happen until 2015, at best, and more likely 2017. By then we will be in a situation that looks like today's Italy at best (if it's 2015) and Greece at worst (if we wait till 2017). Greece is a disaster we all know about. Italy faces a very difficult set of choices that will mean recessions and slow growth, or eventual default. Or Germany has to allow the ECB to target Italian (and then, perforce, Spanish) bond rates to make it possible for Italy to pay back its debts while only suffering a recession, which will not be good for the value of the euro or the inflation level. (And this assumes that Greece and Portugal exit the euro, by the way.)

The US does not want to find itself in a situation where we are faced with the choice between a depression or the Fed monetizing the deficits and debt as we try to find a new balance. Both are disastrous, just in different ways. And not only for the US but for the world. Not dealing with the problem in the near future (in 2013) will necessitate far more draconian cuts in services that we see as essential (healthcare, military, education, and pensions) and far higher taxes than anything we can even contemplate today.

Are things really so dire? I would submit they are. It is simply economic reality. A country cannot run deficits that are 8-10% of GDP forever (and that is the path we are on, under rosy economic assumptions that assume no recessions in the next ten years). In the US, we will soon cross over 100% of federal debt-to-GDP. At some point simply servicing the debt (paying the interest) will eat deep into the budget and decimate what we now think of as critical services and programs that we think of as fundamental rights. When a crisis comes, nothing is off the table. All the sacred cows of today? Some will get led to the altar and sacrificed for the greater good of the others.

In one sense the US is lucky. The basic choice we face can be stated simply: how much health care do we want and how do we want to pay for it? If we want the health-care program in place today, then we either have to raise taxes or cut other programs. Or we have to seriously reform the US medical system and how much we pay for it. Or maybe all of the above. But raising taxes as much as we'd need to would seriously impact employment, both potential and real.

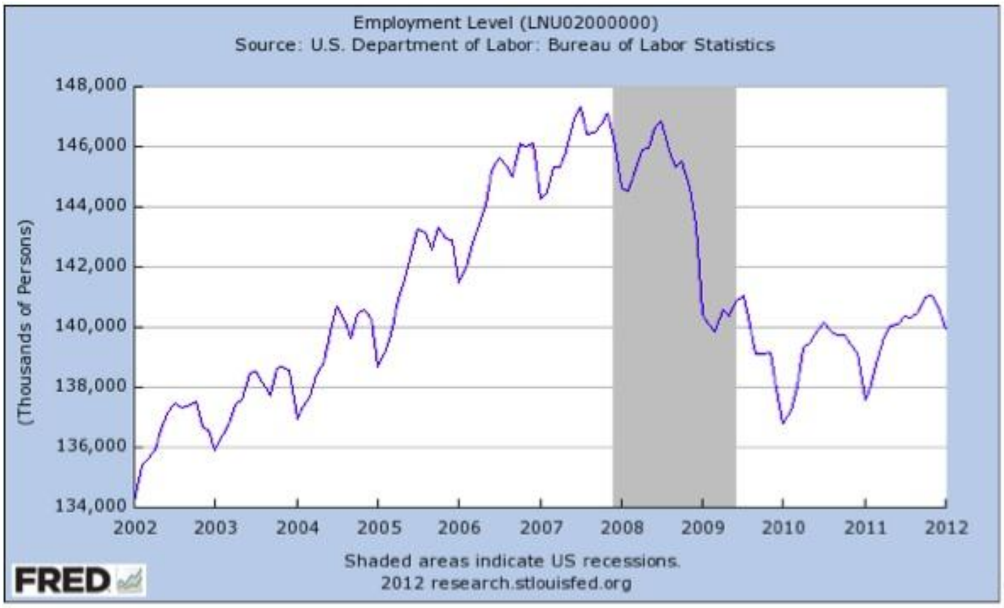
So, as we start on this series, I am going to try to put a human face on the consequences of our choices. Because, in the end, what we are really talking about is jobs and health care. And every solution will have consequences that impact both. So, with that as a preface, let's jump in by starting with the latest employment numbers.

Putting a Good Employment Number in Perspective

The non-farm employment report was good. 243,000 jobs, and they were not just in the health-care and food and beverage categories, but across the board. Unemployment dropped to 8.3%. There were some early comments that the unemployment number was lower because another 1.1 million people dropped out of the work force, no longer looking for work. If you read just the simple number, you might think that. But there were asterisks all over this report, telling us we had to look deeper. A lot deeper.

First, this was the normal month for annual revisions, when the Bureau of Labour Statistics (BLS) makes adjustments to the prior year's data, based on new information. And there were some extensive revisions. So the number in the workforce did not actually drop. Those who thought so "completely missed that this million+ people isn't some new January phenomenon, but a result of the BLS using the 2010 census data to have more accurate data. In other words, the changes in the Household Survey to the various measures had taken place over the years prior to 2010, but for simplicity's sake, the BLS incorporates these changes into one month (which they clearly point out)." (Source: The Big Picture)

Spread out over 10 years, 1 million people is not all that much on a per-month basis. If you just looked at the numbers in the actual release, it would also lead you to believe that somehow last month around 1.2 million working white men and women just disappeared, or that the number of working Hispanics rose by 800,000. There are a lot more of those types of anomalies. But they are also explained by the fact that the BLS incorporated the recent 2010 census data into their formulas. Apparently, the Census Bureau found a lot more Hispanics and Asians in the country than they did in 2000, and that forced the BLS to make adjustments in their estimates, as they did with their numbers of people in the workforce.



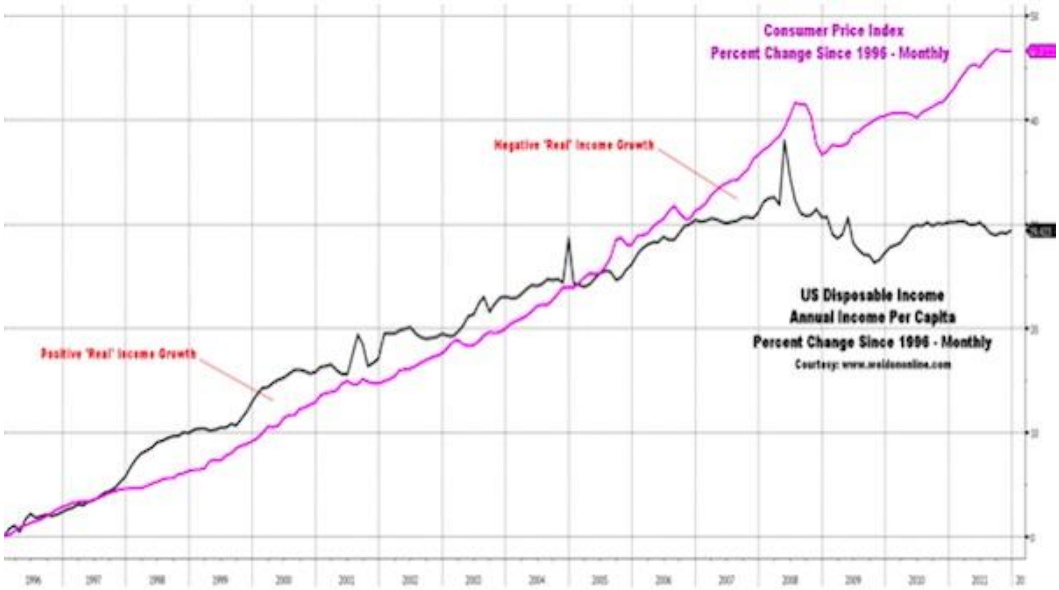
All these numbers need to be taken with a large dose of salt, as they are subject to large revisions. This past year the BLS adjusted the employment numbers on a monthly basis, mostly upward, as more jobs were created than they estimated, which is normal for a recovery. In the last recession, they had to go back and adjust the prior numbers downward. It is simply the result of using models and making estimates. The BLS is very straightforward about how they make their models. You can re-create them if you want to. If you go through that process, you get a better understanding of the extent to which the monthly employment number is just an estimate.

For instance, last month, rather notoriously, the BLS found 42,000 new delivery jobs. No real surprise, as Fedex and UPS and other delivery companies hire more workers for the holiday season, and as more and more of us shop online. But those are temporary jobs, and the BLS likes to use seasonal adjustments to smooth out such anomalies. A friend of mine talked with them today, and they said that they recognized the problem and had made adjustments to their models to take into account the new seasonality of holiday hiring. Next December there will be no surprise of 40,000 temporary jobs showing up in the data. And did they back them out in this release? Yes, but in the revised December data.

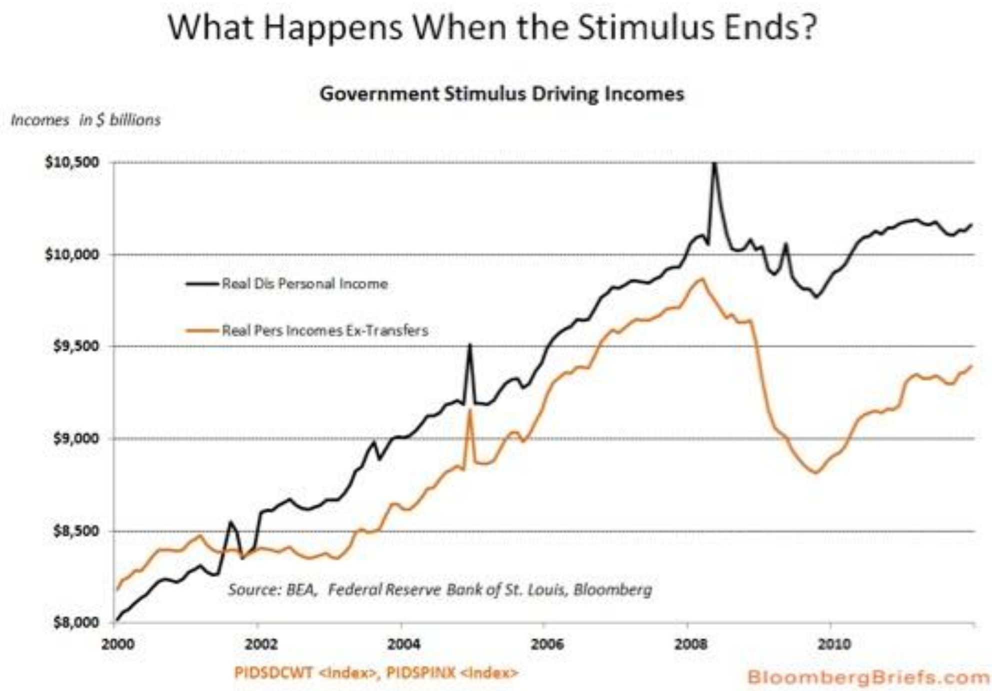
If you subtracted 42,000 jobs from last month's number the non-farm payroll number would have been close to a loss. What would that have done to the stock market? But if they used the current, revised data, it would have shown 207,000 new jobs, which is a good number and much stronger than the first estimate. In fact, the last three months have averaged 200,000 new jobs a month, when we look at the revisions.

And that is the point. These are the best estimates the BLS can come up with. They are very clear about how they go about making the estimates. If you have a better way, then by all means propose it. (In fact, there are a lot of people who do just that. Clearly, they have more time on their hands than I do!)
But anyone who trades on this number is gambling. It can be revised up or down, even years later. I find the preoccupation of the market with that number amusing.

But what is not amusing is the reality that is masked by the joyful response of the stock market to the good news. This was a good employment number, not a great one. It takes about 125,000 new jobs just to keep up with population growth each month. That means we created roughly 120,000 jobs that helped bring down the unemployment number. The US economy has created almost 3 million jobs in the last two years. That means we only need another 7 million to get back to where we were in 2007! Look at the graph of the total numbers of jobs in the country, as of last month. (From the St. Louis Fed FRED database)



So even if we reclassify 1 million workers as Hispanic, Asian, or Black, we are still down 7 million jobs. As I detailed about a year ago, even if we create 250,000 new jobs a month, it will take almost five years to get back to where we were in 2007. That is IF we can avoid a recession in the meantime. Such a growth rate would require whole new industries and new types of work, much like computers and technology in the '80s and '90s. (I think that could happen, but that is a story for another book.)



Is it any wonder that the Conference Board Consumer Sentiment number that came out on Monday dropped precipitously, falling to 61.1 from 64.8 (revised up from 64.5)? The present-situation component led the decline, falling from 46.5 (previously 46.7) to 38.4. The expectations component dropped slightly, from 77 (previously 76.4) to 76.2. "The decline went against expectations of increasing confidence and is a sign of consumers' uncertain views of the economic recovery." This in spite of the fact that today's employment number was so much better than consensus expectations. Things may be getting statistically better, but we don't feel all that content.

And while we should enjoy the better employment numbers, we need to take a peek at another, less sanguine, number in the BLS report, and that is wages and income. Let's look at this chart from my favourite slicer and dicer of data, Greg Weldon, who makes his return to Thoughts from the Frontline after being absent for too long. A chart from the maestro of statistics will help bring the problem into focus. First, look at how real (after-inflation) disposable personal income has gone flat since 2000, after rising in line with inflation for a very long time. (Go to www.weldononline.com for subscription information.)

The above suggests there has been little growth in disposable income for five years. But it is worse than that. This next chart, from Rich Yamarone of Bloomberg shows that government transfer payments have been an increasing share of disposable income since the beginning of 2008. Without that government spending, consumer spending would be much worse than it is. But then so is the federal deficit. There is no free lunch.

We're All Turning Greek

Upon reflection, I have been somewhat (though not intentionally) cavalier when talking about the European crisis. I write in terms of trade balances and labour-cost disparities. Greek labour has risen 30% more than German labour, so Greece must either leave the euro or see their relative wages drop over time. The same with Portugal and the other peripheral countries.

It all makes such perfect economic sense, at least in theory. But try telling a Greek that he is overpaid by 30% compared to a German. And for the good of the country he needs to take a pay and lifestyle cut. The safe thing to do would be to put it in a memo and not be around when he reads it. Think a politician can get elected on that platform?

And yet, that is not unlike what we are going through in the US. We are seeing wages pulled down as jobs become subject to a larger labour market, not just in China or Mexico but also in the US. It costs about half in terms of employee costs to make a car in the South as it does with union labour in Detroit. Jobs and companies move to take advantage of business climate, costs, and taxes.

We are subject to the same wage disparities that the Greeks are dealing with. Yes, we have lots of capital and amazingly productive workers (as measured by output per hour and cost), but low-skill manufacturing jobs are leaving the country. We have seen a boom in manufacturing of late, but much of the demand is for higher-skill workers. The US manufactures as much as it ever did in terms of output, we just do it with a lot fewer workers.

We have promised the Boomer generation more health care than we will be able to afford, without major reforms in what we spend our taxes on. And if we raise taxes enough to even come close to what we need, the shock to our economic body will mean recessions, higher unemployment, and fewer jobs which pay less.

Some point to this country or that and ask, why can't we be like them? They have better healthcare and seem to be able to afford it. But those countries did not move overnight to universal health care. It took time, lots of time, for them to adjust to their current systems.

Could we in the US adjust over time? Of course. But that is like saying the Greeks can adjust over time. In a decade or so things will sort themselves out on the Aegean. In the meantime, it will be an economic disaster. The same would be true for the US.

Raising taxes as much as will be needed to pay for the currently planned programs will take decades of adjustment, and could cause a depression in the meantime. That is just the economic reality. And I am not talking about the Bush tax cuts. Repealing those does not even get us 10% of the way to paying for the current programs, as well as the other "services," like Social Security, the military, education, parks, and the BLS. (Well, at least *I* would miss the BLS data, even if my kids might not.)

Not to make hard choices on the deficit, taxes, and health care is to choose to allow the market, via interest rates, to force us into even harder choices. And that's not in some distant future but in the next all-too-few years.

There are no easy choices. As we will see, raising taxes has consequences in the short and medium term. The transition to where 30%, then 40%, of the economy will be taxes will be wrenching. If we can believe the polls, dialing back health care will not be popular. Raising taxes is no less popular. We want more health care, and we want someone else to pay for it. But there is no one else. It is just "we the people."

And what we do will define our job market for decades. There are no easy choices. We all marshal the "facts" as we see them to support our personal choices on jobs and health care, but it is far more complicated than most anyone wants to admit. There will be costs for whatever choices we make, even if we decide to do nothing at this time.

And with that thought I will end here, although there is much more that can be said.

Company reports

JONDAN 2012/02/07

The restructure initiatives implemented during the September 2011 financial year continue to positively impact the trading results. Illustrated through the turnover growth of 229%, comparing the turnover achieved during the four month period ended 31 January 2012 to the previously reported six month interim period, ended 31 December 2010. The improved trading results include amongst other factors: Significantly increased Biotechnology revenues, generated largely by Cryo-Save SA (Pty) Ltd; Reduction in Lazaron Biotechnology (SA) Ltd overhead structure; Improved orders in the group's Agri-packaging business, Vinguard Ltd, combined with a lower fixed overhead structure; Continued growth in the loan book of the financial services business, - JDH Credit Services (Pty) Ltd's (formerly Viscacom (Pty) Ltd); and The conclusion of a R15 million fully subscribed JDH rights offer, and the conversion of the Escalator Capital Ltd loan into equity.

DRDGOLD shareholders are advised that, following a recommendation from the board of directors of its 74%-owned Blyvooruitzicht Gold Mining Company Ltd ("Blyvoor"), it has resolved to suspend all further mining at Blyvoor's low-grade Number 4 and 6 Shafts with immediate effect. Pursuant to this resolution, which may impact on up to 1 800 employees of the mine, Blyvoor's management has given notice the National Union of Mineworkers and UASA of a 60-day process to seek consensus on the possible cutbacks. These measures follow a decline since April 2011 in recovery grades to below cut-off at the two shafts, which are used mainly to pump water from underground to surface and into Blyvoor's surface recovery circuit. Both shafts failed to respond to turnaround efforts since the introduction of business rescue proceedings in the second half of last year. For the time being, pumping of underground water from the two shafts will not be affected by the cutbacks. Production from Blyvoor's surface recycling circuit and at its principal No 5 production shaft; from which it plans to access an additional 400 000 ounces it is seeking to acquire from AngloGold Ashanti's Savuka Mine - are also not affected by the decision. DRDGOLD has notified Village Main Reef Ltd - with whom DRDGOLD is currently in negotiations for the disposal of its stake in Blyvoor - of its decision, and is of the view that the proposed sale will not be negatively affected by it.

DON 2012/02/06

Further to the cautionary announcement dated 11 April 2011, and the subsequent renewal of cautionary announcements, the last of which was dated 22 December 2011, shareholders are advised that negotiations are still in progress which, if successfully concluded may have a material effect on the price of The Don's securities. Accordingly, shareholders are advised to continue exercising caution when dealing in The Don's securities, until a further announcement is made.

EXXARO 2012/02/06

According to Business Day Exxaro Resources, a diversified miner, said on Friday its earnings for last year would rise by between 27% and 43% boosted by higher prices and strong demand for the commodities it produces. Exxaro, which is primarily a coal miner, also produces mineral sand and base metals and has a 26% stake in Sishen Iron Ore, SA's largest iron-ore mine. Its results will be released on 23 February. "Consolidated net operating profit for the group is expected to show an improvement when compared with the corresponding period in 2010, mainly due to strong demand and generally higher prices across the majority of its commodity suite, partially offset by a stronger average realised local currency and Australian dollar against the US dollar," Exxaro said on Friday. Exxaro owns a mineral sand business in Australia. As part of its strategy to get into the iron-ore business and have its own operating assets, Exxaro has made a bid for Australia's African Iron. Exxaro said the offer for the company with its two exploration projects in the Republic of Congo had been declared final because there were no competing offers.

OCTODEC 2012/02/06

Linked unitholders are advised that, at the AGM of Octodec held at the registered office of the company on Friday, 3 February 2012, all the resolutions were passed by the requisite majority of linked unitholders present and represented by proxy, except ordinary resolution number five relating to the authority to issue shares for cash which was withdrawn prior to the AGM

NEDBANK 2012/02/06

Nedbank experienced ongoing earnings momentum in the fourth quarter of 2011 underpinned by the group's strategic focus areas of repositioning Nedbank Retail, growing NIR, portfolio tilt and expanding business in the rest of Africa. Overall, this is expected to contribute to strong earnings growth for 2011 in excess of the group's medium-to long-term financial target.

Consequently, shareholders are advised that diluted headline earnings per share ("EPS") and diluted basic EPS for the year ended 31 December 2011 are expected to be between 23% and 28% higher than the 1 069 cents per share and 1 050 cents per share respectively reported for the comparative period to December 2010. Nedbank's results for the year ended 31 December 2011 will be released on SENS on Wednesday, 29 February 2012.

STANBANK 2012/02/03
Business Day noted that Stanbank's brand was valued by The 2012 Global Top 500 Banking Brands report at USD2.17 billion. The ranking makes Stanbank the most valuable banking brand in Africa for the second year running. The latest report saw the bank move from 76th position in 2011 to 73 in the world in 2012.

EXXARO 2012/02/03
Shareholders were advised that Exxaro will release its audited financial results for the year ended 31 December 2011 on 23 February 2012. Consolidated net operating profit for the group is expected to show an improvement when compared with the corresponding period in 2010, mainly due to strong demand and generally higher prices across the majority of its commodity suite, partially offset by a stronger average realised local currency and Australian dollar against the US dollar. The coal business is expected to deliver higher operating profit than the corresponding period in 2010 primarily due to higher export volumes at higher international selling prices, despite lower sales volumes from its operations captive to Eskom. It is expected that the mineral sands business will also report a higher operating profit than the corresponding period in 2010 due to a general increase in selling prices of its products, in addition to the partial impairment reversal of approximately R869 million of the carrying value of the property, plant and equipment at the KZN Sands operations. The base metals business will report a consolidated net operating loss due to the decision taken by the board of directors of Exxaro to cease operations at the Zincor refinery, compounded by an impairment of R516 million of the carrying value of the Zincor property, plant and equipment. Headline earnings per share, which exclude the impact of the impairment of the carrying value of the Zincor property, plant and equipment as well as the impact of the partial impairment reversal of the carrying value of the KZN Sands property, plant and equipment for the year ended 31 December 2011, are expected to be between1 901 cents and 2 140 cents, representing an increase of between 27% and 43% when compared with the comparative period in 2010. Attributable earnings for the year ended 31 December 2011 are expected to be between R6 964 million and R7 806 million. This equates to attributable earnings per share of between 2 001 cents and 2 243 cents, representing an increase of between 33% and 49% when compared with the corresponding period in 2010.

REINET 2012/02/03
Further to the public announcement of 24 January 2012, convening notices have been published in respect of an extraordinary general meeting of Reinet to be held in Luxembourg on 5 March 2012 to seek shareholder approval for an amendment to the investment guidelines of the company and its wholly owned subsidiary Reinet Fund SCA, FIS as set out in the prospectus issued in 2008. As Reinet depository receipt ("DR") holders, your votes at shareholder meetings are exercised on your behalf by Reinet Securities SA and as such you will not be able to attend the meeting in person. A letter from the chairman and the proxy voting form is being mailed to all DR holders from 1 February 2012. Reinet would advise all DR holders to exercise their vote and submit their proxy voting instructions within the timeframe as set out in the mailed documents.

MVELA-RES 2012/02/03
According to Business Report, Mvela Group may focus on Avusa Ltd and to a lesser extent, Life Healthcare Group Ltd, in the medium to longer term, if the company's planned disposal of its effective 2% stake in Absa Group Ltd ("Absa") goes ahead. The CE of Blackstar Group SE, which has just purchased a 28% stake in Mvela Group, Andrew Bonamour, who is also the interim CE of Mvela Group, declined to comment, but did confirm that that the company wanted to sell its Absa shareholding and "do something around Avusa

INVESTEC 2012/02/03
This Interim Management Statement is issued by Investec in accordance with the UK Listing Authority's Disclosure and Transparency Rules. Unless stated otherwise, key trends and figures highlighted below refer to the nine months ended 31 December 2011 and the corresponding period in the previous year.

Performance overview
Against a backdrop of volatile markets and low levels of activity the third quarter of the group`s 2012 financial year has proven to be challenging. The asset management and wealth management businesses continued to see net inflows however overall assets under management pre the acquisition of Evolution Group plc (refer below) declined. The Specialist Banking businesses benefited from growth in both margin and fee income but earnings from principal activities decreased substantially. Salient features of the nine month period to 31 December 2011 compared to the nine month period to 31 December 2010:

EQUSTRA 2012/02/03
Shareholders are advised that the group anticipates earnings per share (EPS) to increase by between 53% and 58% and headline earnings per share (HEPS) to increase by between 19% and 24% for the six months ended 31 December 2011 based on continuing operations when compared to previously reported comparative HEPS and EPS. A portion of the Construction and Mining Equipment Distributorship division has been classified as discontinued operations in terms of IFRS5: Non- current assets held for sale and discontinued operations. Shareholders are advised that negotiations regarding the sale of the Eqstra Mining Services business unit are progressing well and further announcements will be made once finalised. The corresponding period's EPS and HEPS of 30.3 and 30.4 respectively have been restated to 31.0 cents per share and 31.1 cents per share respectively.

Eqstra's interim results will be released on SENS on 21 February 2012. The group will be updating the market on its business in a presentation in Johannesburg on the same day, and in Cape Town on 22 February 2012. The presentation will be available on 21 February 2012 for all stakeholders on the group's website www.eqstra.co.za

VILLAGE 2012/02/02
Shareholders are referred to the joint announcement released by DRDGold Ltd ("DRDGOLD") and Village on 8 November 2011 and the further cautionary released on 21 December 2012, in relation to Village's non- binding expression of interest in acquiring DRDGOLD's entire interest in Blyvooruitzicht Gold Mining Company Ltd. Shareholders are advised that negotiations are still in progress and accordingly they should continue to exercise caution when dealing in the company's securities, until a full announcement detailing the financial effects is released.

NAMPAK 2012/02/02
Nampak announced that all the resolutions set out in the notice of the annual general meeting dated 15 December 2011 were passed by the requisite number of shareholders at the 44th annual general meeting held on Wednesday 1 February 2012.

BHPBILL 2012/02/02
BHPBill announced approval of USD917 million (BHPBill share USD779 million) in pre-commitment funding for the construction of a 100 million tonne per year outer harbour facility associated with its Western Australia Iron Ore operations. The project, which is expected to be reviewed for full approval in the fourth quarter of calendar year 2012, has an embedded option to expand by a further 100 million tonnes per year. The funds approved will enable the company to progress feasibility studies and the procurement of long lead time items. It will also allow for dredging to begin, subject to the necessary regulatory approvals. In parallel with this work, engineering studies are underway to match mine and rail expansions to the expanded port capacity. The first phase of the Outer Harbour Development would include the proposed construction of a four kilometre jetty, a four-berth wharf, 32 kilometres of dredged departure channel and landside infrastructure, including stockyards and a rail spur. Start-up would be in the first half of calendar year 2016.

WOOLIES 2012/02/02
Business Report noted that Woolies withdrew its range of vintage cooldrinks from its stores after the group lost in an Advertising Standards Authority ("ASA") hearing on a complaint against it. The ASA told Woolies to immediately remove all packaging of its old-fashioned drinks that resembled the Frankies Olde Soft Drinks Company's vintage drinks range. Woolies CE Ian Moir commented that the ruling was "disappointing."

SASOL 2012/02/02
In a trading statement released on 23 November 2011, Sasol advised shareholders that earnings per share (EPS) and headline earnings per share (HEPS) of the group for the six months ended 31 December 2011 were estimated to increase by at least 45% compared to the prior comparable period. As previously stated, the expected increase in earnings was mainly due to solid operational performance in our businesses, coupled with a strong improvement in the average crude oil and product prices and a weaker rand/US dollar exchange rate. In addition, the results have been positively impacted by exchange gains on foreign exchange contracts. It was also highlighted that the results may be impacted by further changes in oil and product prices, volume variances, the impact of closing exchange rates on financial assets and liabilities, as well as any adjustments, including possible impairments, resulting from our half year- end closure process. Sasol is now able to indicate that the increase in EPS and HEPS for the six months ended 31 December 2011 is expected to be between 80% and 90% compared to the prior comparable period.

Our half-year closure process is currently in progress and further adjustments may arise including re-measurement effects. As previously stated, this trading statement only deals with the comparison to the first half of the 2011 financial year. The higher earnings base of the second half of the 2011 financial year will strongly influence a comparison of the full 2012 financial year's results with 2011. Guidance will be provided when there is a reasonable degree of certainty in this regard. Sasol's financial results for the six months ended 31 December 2011 will be announced on Monday, 12 March 2012.

NAMPAK 2012/02/02
Business Day quoted Nampak CEO Andrew Marshall as saying that the group was aiming to double earnings from the rest of Africa to 16% for the 2001/2012 financial year. The company is also negotiating to double to 40% the beer bottle labels it supplies to Nigeria Breweries.

ZCI 2012/02/01
ZCI announced that it has entered into an additional USD5 million loan facility agreement with ACU. The purpose of the new loan is to provide ACU with further working capital and to invest in its Mowana Mine facilities and operations. The new USD5 million loan from ZCI is a secured loan facility with an interest rate of 9.0%, repayable on 31 March 2013 (the "Facility"). Interest will be accrued and interest payments deferred until 31 March 2013. The terms and

conditions of the Facility are on substantially similar terms to the previous term loans from ZCI. USD1 million will be invested in increasing the trucking of ore from the nearby Thakadu deposit to the Mowana facilities, USD2 million will be invested in a Larox Filter to be installed at Mowana to reduce moisture content in exported concentrate and USD2 million of the Facility will be used for general working capital purposes. Mining and processing at Mowana are making positive progress toward reaching commercial production levels and earning positive monthly cashflow. Both the Larox Filter and the increased Thakadu trucking campaign are key initiatives in the plan to become cash positive.

BHPBILL 2012/02/01
BHPBill has exercised an option to sell its 37% non-operated interest in Richards Bay Minerals (RBM) to Rio Tinto and will exit the titanium minerals industry. RBM is a South African mineral sands mining and smelting operation and the leading producer of chloride titanium feedstock. BHPBill holds a 37% equity stake in RBM with equity partners Rio Tinto (37%), Black Economic Empowerment (BEE) parties (24%) and employees (2%). Rio Tinto manages the operation and is responsible for the marketing of RBM's products. As part of the restructuring of RBM in 2009, BHPBill and Rio Tinto concluded a put option agreement that made provision for BHPBill to sell its interest in RBM to Rio Tinto pursuant to an agreed valuation process. The parties will work together to facilitate a smooth transfer of BHPBill's stake. Completion of the sale is conditional upon the fulfilment of customary regulatory approvals with the final consideration to be determined according to the agreed valuation process.

ITALTILE 2012/02/01
Italtile is currently finalising its results for the six months ended 31 December 2011. Accordingly, shareholders are advised that the group's basic earnings per share ("EPS") and headline earnings per share ("HEPS") are expected to be between 20% and 23% higher than the prior comparable period. Whilst trading conditions remained challenging, the group succeeded in increasing turnover of group-owned stores and entities by between 20% and 25% and gained market share across the brand portfolio. The group's results for the six months ended 31 December 2011 are expected to be published on SENS on 15 February 2012.

EOH 2012/02/01
Shareholders are advised that the annual report for the year ended 31 July 2011 was dispatched to shareholders on 31 January 2012. The audited consolidated financial results contains no material modifications to the reviewed condensed consolidated financial results for the year ended 31 July 2011 as published on SENS on 12 September 2011. Notice was given that the annual general meeting of shareholders of EOH will be held on Tuesday, 6 March 2012 at 11:00 in the boardroom of EOH, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, 2007 to conduct the business stated in the notice of the annual general meeting, which is contained in the annual report.

WINHOLD 2012/02/01
Shareholders are advised that, at the annual general meeting of the company held on 31 January 2012, all the resolutions set out in the notice of annual general meeting were passed by the requisite majority of shareholders present in person or represented by proxy.

IMPLATS 2012/01/31
Implats advised that the majority of the mining workforce at its Impala Rustenburg operation have failed to report for duty on Monday 30 January 2012. This follows on a work stoppage by the operation's rock drill operators (RDO's), who participated in an illegal work stoppage last week. The failure of the workforce to report for work this morning is due to an alternative union, known as the Association of Mineworkers and Construction Union (AMCU), who have, despite no formal process in place, attempted to gain recognition at the Rustenburg operation. The company has applied and been granted a further court interdict declaring the strike illegal. The mining workforce will be given a deadline of 1 February 2012 to return to work or face dismissal. Further announcements will be made in due course.

FOUNTAINHEAD 2012/01/31
Unitholders were advised that Fountainhead has concluded an agreement for the acquisition of Centurion Boulevard, namely Portion 4 of erf 51 Verwoerdburgstad measuring 25 755 m2. The seller of the property is Sanlam Life Insurance Ltd. The property is located in the heart of the Centurion CBD, easily accessible from the N1 and N14 highways. It is attached to Centurion Mall, and is marketed as forming part of the Centurion Mall super-regional shopping centre.

Further to the cautionary announcement dated 30 September 2010 and subsequent renewal of cautionary announcements, the last of which was dated 24 October 2011, shareholders are advised that negotiations are still in progress which, if successfully concluded, may have a material effect on the price of Thabex's securities. Accordingly, shareholders are advised to continue exercising caution when dealing in the company's securities until a further announcement is made.

PHUMELA 2011/12/07

Shareholders are advised that at the annual general meeting all the resolutions set out in the notice were passed by the requisite majority of shareholders. The relevant special resolutions will be submitted to the Companies and Intellectual Property Commission in due course.

DISCOVERY 2011/12/07

At the twelfth (12th) annual general meeting of the shareholders of Discovery held today, 6 December 2011, all the ordinary and special resolutions proposed at the meeting were approved by the requisite majority of votes

ZURICH-SA 2011/12/07

Zurich SA shareholders are referred to the announcement released by Escape Premium Collection (Pty) Ltd ("Escape") today regarding the process entered into by Zurich SA to dispose of its equity interest in Escape. "Escape announced that its shareholder, Zurich SA, has entered into an agreement to sell its interest to Premium Financing Solutions (Pty) Ltd ("PFS") ("the proposed Transaction").

The Escape business of premium collection has been a non-core activity for Zurich SA and the Escape Board has been investigating the possibility of aligning the business with that of a shareholder for whom the business provides a better strategic fit. The proposed Transaction is subject to regulatory sanction (which includes the approval of the South African competition authorities) and could take between 6 to 9 weeks to complete.

TRANSHEX 2011/12/07

Shareholders are referred to the cautionary announcements, dated 6 May 2011, 21 June 2011, 2 August 2011, 13 September and 26 October 2011 wherein Trans Hex announced that an agreement with De Beers Consolidated Mines Ltd ("DBCM") had been signed in terms of which, and subject to certain conditions precedent, its 50% held joint-venture company, Emerald Panther Investments 78 (Pty) Ltd, will acquire assets and liabilities relating to Namaqualand Mines, a division of DBCM ("the proposed transaction"). Shareholders are advised that Trans Hex is currently finalising certain aspects of the proposed transaction and therefore shareholders should continue to exercise caution when dealing in the company's securities until a full terms announcement is made.