



Richard Cluver Predicts

In our 32nd year of service to the investing public



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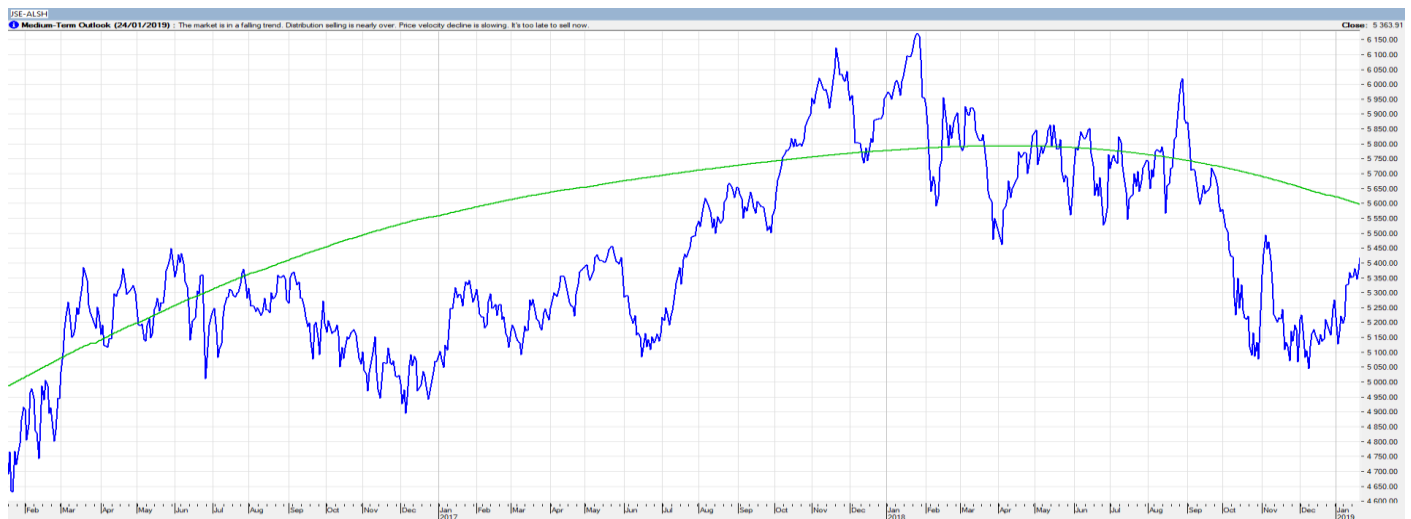
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Listening to President Cyril Ramaphosa's Davos speech this week must have left the average TV viewer convinced that South Africa Pty Ltd is a land of opportunity where fortunes are to be made if you would but come and invest here.

And the reality is that foreign investors have been waking up to that fact as evidenced by a 400 percent increase in fixed long-term investment figures for the past 12 months compared with the 12 before that. But here on the ground in South Africa where we have been daily startled by the unravelling extent to which we have been misgoverned during the past 25 years of ANC rule, so much so that as someone argued to me this week, "The whole B... lot have been bleeding us dry for years," pessimism abounds.

And of course it has been reflected by the JSE All Share Index performance which turned negative in January last year and has been headed downwards ever since:



But is the index reflecting reality? We know, of course, that the trend of share prices always reflects the mood of investors rather than economic reality. Surely, however, South Africans are entitled to be worried? After all we stand on the brink of a ratings agency downgrade to "Junk" status which would force the majority of pension funds to dump local share holdings leading to massive capital flight. And a downgrade is virtually certain if the debts of state owned enterprises

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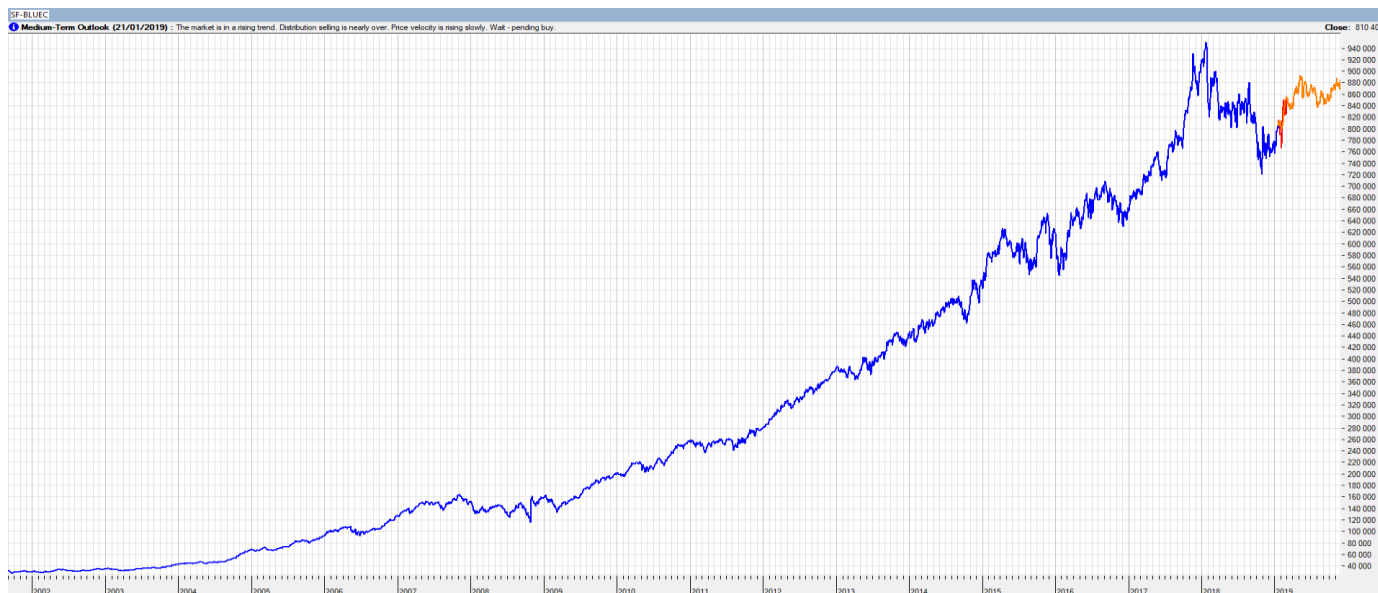
like Eskom and SAA are allowed to continue rising at their present alarming rate.

Well it might surprise you but the fact is that corporate South Africa is showing all the signs of blooming good health. Furthermore the figures are getting steadily better. Just consider the stats below, drawn directly from the ShareFinder database this morning:

Consider the average trend of corporate earnings of ALL JSE listed companies in the topmost line of my table. Note that over the past 15 years earnings were growing on average at compound 75 percent. Then came the Zuma years of slowing economic growth and so we see that over the past decade that growth rate had slowed marginally to 74.87 percent. However, in the most recent five-year period earnings had on average begun to accelerate again to a massive 109.12 percent and, finally, in the past year the average earnings rate has more than doubled.

Name	15YrE...	10YrE...	5YrEarn	1YrEarn
Averages:	75.08	74.87	109.12	258.30
Blue Chip Inde...	100.78	134.68	225.18	547.09
Rising Star In...	56.20	30.92	23.85	46.13
— Grand Old Favourites —				
Group Avg.	17.78	10.76	14.12	6.24
ASSORE LTD	38.53	26.17	30.30	-1.90
REUNERT ORD	15.70	1.71	4.52	3.53
STANDARD B...	10.80	5.61	12.08	13.89
SANLAM LTD	16.69	11.22	11.12	-1.36
ITALTILE LTD	13.66	11.17	15.40	11.63
RMB HOLDING...	11.32	8.67	11.27	11.64

More importantly, consider the progression of Blue Chip company earnings which have been steadily increasing as the years have progressed. And if you doubt that fact, then consider my next graph which tracks the price performance of JSE Blue Chip shares over the past 15 years noting the upward curvature of the graph which telegraphs the fact that prices had been rising ever-faster until they began to reverse in January last year:



More importantly, note that since the end of October last year, investors have woken up to the fact that the Blue Chips represent a good investment opportunity. Furthermore, with better than 90 percent forecast accuracy as testified by the statistics that I publish every week at the end of this

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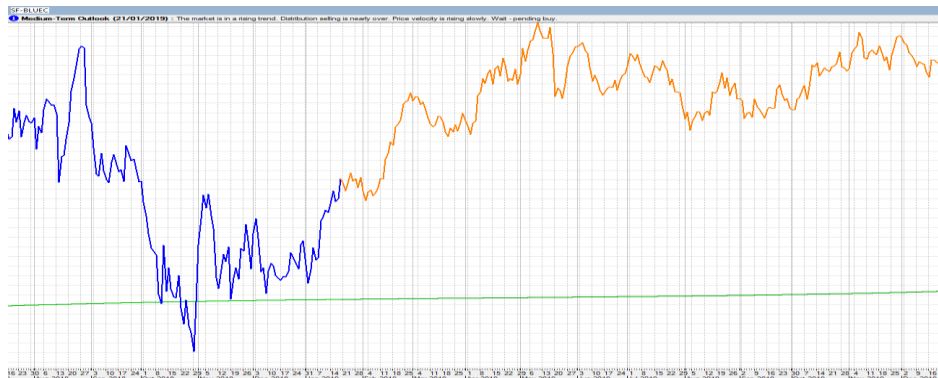
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column, ShareFinder is predicting that the Blue Chips will continue rising in value at least until May 10 when it senses the beginning of a two and a half-month retraction before it gathers steam again until at least November:



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ASSORE LTD	38.53	26.17	30.30	-1.90

—Mid-Cap Companies—

Group Avg.				
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—Tightly Held Mid-Cap Companies—

Group Avg.	13.28	13.96	17.82	-0.73
ADAPTIT HOL...	18.11	24.81	25.94	13.97
AFRIMAT LTD.	12.74	12.74	19.81	-7.99
PHUMELELA G...	9.00	4.32	7.70	-8.17

—Blue Chips—

Group Avg.	128.95	175.64	295.12	728.15
SABVEST LTD	1 119.63	1 662.28	3 297.86	16 392...
NASPERS LTD.	223.43	288.41	565.00	2 918.91
BRITISH AME...	32.15	32.15	49.03	191.87
EMIRA PROPE...	15.35	10.98	9.16	74.17
LIBERTY HOLD...	386.91	568.60	1.57	48.20
DISCOVERY LTD	19.61	21.26	25.02	31.69
OCTODEC INV...	11.97	6.60	7.97	30.49
MR PRICE GR...	20.80	18.51	12.52	20.70
CAPITEC BAN...	35.09	31.55	20.58	17.59
CLICKS GROU...	18.11	24.17	14.44	15.98
FIRSTRAND LTD	12.97	10.98	11.23	11.56
NEDBANK LTD...	0.00	0.00	0.00	11.51
VUKILE PROPE...	9.46	9.93	4.56	8.58
WILSON BAYL...	19.39	2.36	5.05	8.08
AVI LTD	8.42	13.61	9.76	6.97
PEREGRINE H...	36.29	26.35	13.85	3.70
THE FOSCHIN...	14.93	7.96	7.93	3.39
HUDACO INDU...	1 288.31	1 925.34	3 835.70	2.78
TRANSPACO L...	104.62	14.26	5.44	0.48
ADVTECH LTD.	20.63	9.11	15.75	-2.67
REMGRO LTD	6.96	3.82	15.82	-4.10
SHOPRITE HL...	22.09	12.43	7.80	-5.24
JSE LTD	15.22	15.22	17.44	-6.26
THE SPAR GR...	14.98	12.21	9.52	-6.62
GROWTHPOIN...	18.63	12.93	3.79	-11.03
TIGER BRAND...	5.68	1.20	1.43	-26.36
Brimstone Inv ...	0.00	0.00	0.00	-76.67

Here I should explain to the sceptics that those dramatic earnings rate increases were confined to just a few shares like Sabvest and Naspers. But note that most Blue Chips which I have listed here, have been showing steady progress. Those with the numbers highlighted in green are obviously the predictable top-performers.

The next month:

New York's SP500: I correctly predicted the market would head downhill and I now see that trend continuing until early March.

London's Footsie: I correctly predicted market would head downwards and I now see that negative trend extending until September.

JSE Industrial Index: I correctly predicted the Index would top out this week. Now I see it falling into February.

Top 40 Index: I correctly predicted that the index had topped and saw it falling until early in February. Now I see the possibility of a rise beginning between January 31 and February 4.

ShareFinder Blue Chip Index: I correctly predicted the end of the upward trend with weakness lasting until February 5 and I continue to hold that view.

Gold shares: I correctly predicted the start of a long decline until the end of May and I continue to hold that view.

Gold Bullion: I correctly predict declines which I saw lasting until February 4. Now I see a whip-saw immediate future with possible gains today followed by a falling trend from Monday until month-end when a brief recover is possible lasting until the 7th.

The Rand: I correctly saw weakness amid considerable volatility. Now, I sense that the overall trend will be for further strength until April accompanied by big volatility with weakness until February 5 followed by gains till mid February.

The Predicts accuracy rate on a running average basis over the past 691 weeks has been 84.99%. For the past 12 months it has been 93.13%.

Richard Cluver