

The Investor

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

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Big is not just better; its vital if you really want to grow your wealth!

If you read the first two issues of The Investor this year, you will now be familiar with my comparison between two talented young people who have just started work earning an above-average R200 000 a year.

The first young person does as everyone else around him does. He raises a million Rand bond to buy into the Hollywood dream of a house with a white picket fence. He marries his sweetheart, buys a car and a household of furniture, the latter all on hire purchase, and thereafter spends the rest of his working life in debt. Just meeting his bond instalments consumes half of his pre-tax income and his hire purchase commitments consume most of the rest leaving him with practically nothing to feed, clothe and educate his family.



WHAT'S INSIDE

- 1) The latest in our "How to invest" series: The Ten-Minute Millionaire
- 5) Using ShareFinder effectively
- 7) Cees Bruggemans: SA "Off to a good start"
- 13) Brian Kantor: A mortgage plan to create jobs
- 14) John Mauldin: A long-term look at Greek debt
- 19) Company reports

While his starting income is above average, in every other respect he is just like the average married South African whose debt commitments consume 82.3 percent of his monthly income.

Now my second young person – the person I intend to become a Ten Minute Millionaire – makes a different choice. He elects not to marry his sweetheart until he has saved at least a million Rand. He does this by every month saving the same amount as our first young man is paying the bank in bond instalments. The problem is, if he uses the normal savings bank approach he and his sweetheart are in for a very long wait because the savings bank approach paying at best some ten percent is really not the best way to go.

Now it is time to recognise that while the bond repayment example I have offered is a close ap-

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rently paying, the example of a person saving a fifth of his income and investing it at a compound annual rate of ten percent grossly understates what he could achieve.

Better than using a bank savings account to achieve his long-term investment plans, unit trusts offer ordinary folk an easy means of participating in the growth potential of stock-exchange-listed companies. Collectively they on average offer extremely low growth rates, but at least they offer growth while bank savings accounts merely offer the benefit of compound interest. Furthermore, while the dividend income of equity unit trusts is free of income tax, the interest you earn from a savings account is taxed at your marginal rate.

Now, while it is true that the average growth rate of all South Africa's unit trusts is an extremely low 7.7 percent currently compared with the 24.6 percent achieved by the average Blue Chip share, once you add in an average dividend yield of 3.4 percent, you can see that Mr Average, who saves via an equity-based unit trust, would be growing his money annually by 11.1 percent provided he elects to re-invest all his dividends. Assume again that he elects to save **half** of his pre-tax income to keep him in line with the payments faced by the man who raised a million Rand mortgage bond. Assume also, that his pay rises each year by ten percent. If all these factors are combined then he could by this means save R1-million in just over five years.

Now of course there are unit trusts that perform better than this average rate; lots of them. The problem for our young investor is how is he to select the best performers from all the rest? Ask the so-called investment advisers – which is a new term for the old-fashioned insurance salesman — and at best you are likely to be offered a list of the best performers of the past few years. At worst you will be offered the units that pay the advisor the highest commission. The problem, however, is that even if you choose those with the best immediate past track records, there are very few unit trusts which have consistently year after year delivered above average growth rates.

So what is the average investor to do? Well of course you might seek to emulate the practice of many pension fund trustees who elect to spread their funds over several different funds that have in the past offered above average rates of growth and, whenever one of these funds falters in its growth rate for more than three months, simply switch into another high-growth fund.

The problem with this approach, however, is that while pension funds are not subject to taxation when their assets are traded back and forth, when an individual investor decides to switch from one unit trust to another, he becomes liable for capital gains tax on any increase in value that has occurred since he bought into the fund. And if he has held a

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You will need a daily share market prices and volumes feed which costs R1 840 a year (or R150 a month) from InvestorData. You will also need to subscribe at an annual cost of R550 to the ShareFinder Supplemental Data service which keeps the programmes supplied with the detailed balance sheet statistics that enable it to make its quality assessments.

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Richard Cluver's latest books The Simple Secrets of Share Market Success, The Philosophy of Wealth and Footsteps to Fortune are available from RCIS at R130 each while previously-published works cost R90 a copy.

particular fund for less than three years, his entire gain will be taxed as if it was earned income in his hands. Furthermore, while some unit trust management companies allow the investor to switch between the funds within their stable without attracting sales commissions and management fees, the investor enjoys no such freedom from transactional costs when he elects to switch between different unit trust management companies.

So you can see that it is not very practical to switch between unit trusts in order to try and keep your money exclusively in the top-performers. There is, however, a variant on the unit trusts that does not suffer from the blight of management fees and commissions and, furthermore, has proved itself both here and abroad, to often offer far higher growth rates than the commercially-managed unit trusts. Known as tracker funds which seek to replicate the performance of various share market indices, they do this automatically without the intervention of portfolio managers and in a future issue I will examine their performance in some detail.

Now, while it is obvious that one should always try to invest in funds that offer the highest possible rates of capital growth, the average investor appears not to understand how dramatically relatively small differences in growth rates can affect the ultimate value of their investments.

To illustrate the importance of seeking to invest your money at the highest possible compound annual average growth rate, let us take the example of the average growth rate of Blue Chip shares listed on the Johannesburg Stock Exchange; 24.6 percent plus an average dividend of 3.4 percent giving us a Total Return of 28 percent. Guess what; in sharp contrast with my example of the young person who elects to save his money at the 7.7 percent average growth rate achieved in recent years by the unit trust industry together with their average dividend yield of 3.4 percent and consequently manages to save R1-million in just over five years, the young person who instead elects to invest in an average Blue Chip share at their average growth rate of 24.6 percent plus the same dividend average of 3.4 percent, would be able to save R1-million in just over four years!

Significant though this difference is, it does little to illustrate the real impact of rate differences because the other vital ingredient in the compound interest recipe is time. Simply stated, the longer you hold money at compound interest, the more rapidly it grows. To illustrate this point, let us calculate what would happen to our two young investors if they each continued with their chosen investment vehicles for an extended period.

So we have two young investors on a starting salary of R200 000 a year who both elect to save half of their pre-tax income. Assuming that they receive a ten percent pay increase every year for the next 30 years, the investor who chooses the unit trust route at an average growth rate of 7.7 percent plus re-invested dividends of 3.4 percent will see his investment grow to R61.3-million after 30 years.

In contrast, the young investor who chooses to put his money into Blue Chip shares which have on average over the past five years grown at 24.6 percent together with an average dividend yield of 3.4 percent making a Total Return of 28 percent, will see his nest egg grow to an amazing R1.16-billion.

So the effect of time and a two and a half times greater growth rate would be to see our second young investor's capital growing nineteen times bigger.

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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.
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- 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.

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Readers questions



Time to invest in shares offshore!

By Richard Cluver

As so often in the past when I have published details of my latest share portfolio performance (remember the graph on the right) I have again this week faced requests from readers to consider offering a portfolio management service and, as always, I have been telling them all that is something I no longer do....until I got down to some serious thinking!!

Since I repatriated my personal offshore trust a few years ago when SARS offered its amnesty programme, I have been feeling vulnerable having all my investment eggs in just one South African basket. And I am sure many readers feel the same.

Then last week came Finance Minister Pravin Gordhan's latest budget with its powerful tilt against SA investors: a 30% increase in Capital Gains Tax and a 50% increase in dividend tax. Since tax analysts have been warning us for some time that the Government's bloated civil service and rapidly-expanding social benefits programme would inevitably lead to heavier taxation of the "wealthy", the budget announcements were not surprising. But they have nevertheless been a sharp wake up call for there can be very little doubt that there is more to come.

It is, in other words, time to build an overseas portfolio. And the base-100 comparison graph on the right suggests that now would be a very appropriate time to start. Note that when our JSE Overall Index is plotted on a percentage change basis, it has closely paralleled the British market, particularly over the past seven months when both markets have been climbing at exactly the same compound annual average rate of 35.6%.

So I asked myself what could I have done in Britain using the London market version of the ShareFinder Professional and the same methodology as I used to build the Prospects portfolio which over the past 14 months has grown by 30.3 percent. The portfolio detailed below has actually achieved overall growth of 41.6 percent. Though the average dividend yield is a miniscule one percent but it is enjoying an historic dividend growth rate of 24.2 percent



Name	Price	% Change	Quantity	Cost	Per Share	Value	% Gain	% Portfol...	Risk	DY	DivGro	DivGroL
AGKL	22.03	-1.1%	720	10 000.00	13.89	15 061.60	+58.6%	11.3%	39.88%	0.6	24.04	16.09
ARML	5.83	+1.4%	2 155	9 999.20	4.64	12 563.65	+25.6%	9.0%	45.14%	0.4	29.81	17.78
BOKL	0.75		18 519	10 000.26	0.54	13 889.25	+38.9%	9.9%	55.11%	1.2	22.53	12.29
BRKL	13.30		1 050	9 996.00	9.52	13 965.00	+39.7%	10.0%	15.70%	0.6	24.07	13.13
DOML	4.43	-0.7%	2 653	10 001.81	3.77	11 752.79	+17.5%	8.4%	23.78%	1.7	35.28	19.24
ITRKL	22.71	-0.1%	560	9 996.00	17.85	12 717.60	+27.2%	9.1%	-9.27%	1.1	10.08	5.50
PFCL	15.97	-0.1%	826	9 994.60	12.10	13 191.22	+32.0%	9.4%	43.45%	2.2	60.71	33.12
TLWL	15.08	-1.5%	1 057	9 999.22	9.46	15 939.56	+59.4%	11.4%	36.04%	0.4	12.50	6.82
WEIRL	22.05	-1.1%	727	9 996.25	13.75	16 030.35	+60.4%	11.5%	76.38%	1.0	6.13	5.09

How to go about it? If a sufficient number of readers are interested in participating in the formation of an offshore investment trust operating out of the Channel Islands, I would be willing to explore the idea further. Contact me on 031 2621722 or e-mail me at richard@rcis.co.za and let us talk about it. Off the top of my head the fact that individuals are now allowed to send up to R5-million off shore annually without exchange control approval makes the process very simple.

From Richard Cluver Predicts February 24

"The Minister said the government is committed to an environment that will encourage business investment. Why then did he put the CGT rate up by one third and the dividend tax rate by 50%? This simply punishes investors." Leonard Brehm, national chairman of Grant Thornton SA.

It's a point well made. It is bad enough that we move on April 1 from a situation where dividends were taxed in the hands of companies at 10% and hence were, so far as investors were concerned, effectively a tax-free investment to a situation in which they will be taxed as part of the investor's income. But now we will have to pay a massive additional 50 percent.

Even worse, in my opinion, is the huge increase in capital gains tax. Already, this tax is a serious constraint upon the efficient management of personal portfolios because investors are so often reluctant to sell an underperforming share because of the capital gains impact of the transaction.

It is little wonder that this country bleeds jobs and lags so badly behind the leading developing nations when our government continues to treat entrepreneurs as a national affliction. Instead of creating an environment in which entrepreneurship might flourish so that we might grow our economy and provide full employment for all of our people, we punish them for their hard work and imagination. Government appears to view them as socially undesirable exploiters and in the process conveys an unmistakable message that they are not wanted here. It is no surprise that international studies have identified the fact that a distinct lack of entrepreneurs is one of the most significant reasons why South Africa cannot achieve an adequate economic growth rate.

I am reminded of the story of a group of old friends who met regularly for lunch. Since a few had fallen upon hard times the wealthiest among them was in the habit of subsidizing their lunch. Everyone was happy with this arrangement until the restaurant owner decided to reward the group for their regular attendance by offering the friends a ten percent discount in future. Everyone was happy until one of the subsidized group realized that the discount in cash terms the wealthy man would receive on his weekly bill would be greater than the whole amount that the poor man was paying for his lunch. He argued that the wealthy friend had no need of the discount and demanded that the total sum of the discount be equally apportioned among everyone except the wealthy man. All the rest agreed that this seemed fair, particularly the poorer friends who got back more than they had been paying.....until the following week when the rich man did not show up for lunch.

The point is well made, that as our entrepreneurs, our diligent savers, our careful planners and all those who have taken the trouble to sufficiently educate themselves in order that over a lifetime of sacrifice and diligence they might create a nest egg adequate enough to ensure a comfortable retirement – as they gradually wake up to the realization that they are no longer welcome at the lunch party and take themselves off to less hostile places on this planet, this country will steadily decline, government revenues will decline and service delivery diminish until such time as those in charge are kicked out by the very people who had come to expect a free lunch...who believed it was their right!

Dear Richard

Very well put Richard. I am as incensed as you but feel powerless. Other than voting for another political party, what else does one do to fight this? I refuse to be pushed out of this country that I am passionate

about but with a budget like this, it is an uphill battle. Africa is viewed as the next major force and power in the world economy attracting a fortune of investment from the likes of China, and South Africa could

greatly capitalise on this opportunity. But with the attitude of our current finance minister, we run the risk of being side stepped On a positive point, thanks for your mails and the sharefinder program. I have seen excellent growth in my portfolio over the last couple of years thanks to these tools.

Kind regards

Mike

By Invitation

Dr Cees
Bruggemans
Chief Economist First
National Bank

Recent weeks have seen quite a roll call of surprises. The bad news have been the platinum mining disruptions, with the labour unrest possibly spreading, potentially giving us a poor 1Q2012 mining output.

Moodys downgraded the main SA banks, considering public debt to be already too high (projected over 40% of GDP) for the government to have the means in another major crisis to bail one or more major bank, giving them

a riskier profile.

SA electricity output in January 2012 was +0.5% y/y, matching the output level for January 2008, indicative this constraint on the local economy stays as severe as ever (and unlikely to start lifting before 2014, possibly even later). This ongoing electricity constraint wasn't such a surprise, but it was news that Eskom felt the need to ask for 10% electricity savings from consumers at short notice, as it had fallen well behind on its maintenance schedule, having kept power stations actively running for too long in order to generate as much output as possible.

Key heavy industry users keep being targeted to save more on electricity use, with a major ferrochrome producer reportedly idling some of its smelters in the Rustenburg area through midyear. But equally there

have been upside surprises and on balance these have been in the majority. There was the retail trade outperforming at Xmas with 8.7% real and 13.3% nominal sales gains (only slightly slower than FNB card transaction growth for the festive period at 15%), indicative that income and willingness to spend have so far remained unimpaired.

There was the 4Q2011 GDP estimate, with annualised real total growth of 3.2%. Retail, wholesale, motor and accommodation trades led in the growth stakes at +5.2%, government consumption did +4.4%, manufacturing +4.2%, transport/communication +3%, finance +2%, construction +2%, mining +1% and agriculture the only negative at -5%. For 2011 overall, real GDP did +3.1%, despite heavy labour disruption in industry at mid-year.

Credit growth surprised to the upside in January, gaining 7.3% y/y compared to 6.1% in December, suggesting there is a little more credit seeping into the economy, but not yet enough to fully match nominal GDP gains of 10%. In February, the Kagiso Purchasing Managers Index again rose smartly, reaching 57.9 (53.2), sending a strong signal of manufacturing robustness, indicative the gloom of 2H2011, linked to domestic labour unrest and European crisis conditions, was abating along with improving order books (and still strong retail).

The first maize crop estimate for 2012 was 11.7mt, 13% higher than last year, and well in excess of domestic consumption needs at 10mt, allowing scope for exports.



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Total car sales for February 2012 were +6.4% y/y, passenger cars +6.8% and commercial vehicles +5.7%, only modestly slower than 7% growth recorded in January 2012. Wesbank reported the car replacement cycle still to be shortening, while low vehicle price inflation and 35-year low interest rates helped drive demand. SA car exports fell by 10% in February y/y, but Ford and BMW are expected to ramp up volumes from April onward, causing Naamsa to expect at least 10% vehicle export growth for 2012.

Nominal house prices as recorded by FNB were +6.6% in February, maintaining single-digit growth, a hopeful sign in a still heavily stressed sector. The JSE All Share Index has steadily risen in recent weeks, having done well since the opening days of 2012 and now consistently moving above 34 000.

These numbers don't suggest a slowing economy, though one can see there is only limited upside surprise, with the 3% GDP momentum of last year mostly retained, and sector rotation of weakness (with labour unrest moving from industry to mining), even as agriculture so far is looking better.

There is reason for caution, as inflation is yet to peak, with food, electricity and petrol remaining major inflation drivers, eroding household purchasing power. Also, the Minister of Finance in his February budget proposed to trim his real spending to 2.6% (8.8% nominal), mainly by keeping total public wage bill growth limited to 7% (after much higher gains in recent years), with the increase in welfare grant beneficiaries also slowing to 2% compared to 6% last year, coming off a now very large base.

Along with strong tax take from personal income tax (+14% after absorbing R9.5bn in 'relief), +10% in VAT income, R5.5bn from a 15% withholding tax on dividends, R4.5bn increase in fuel levy, and R2bn apiece more from the electricity levy and capital gains tax, the Minister is certainly taking more from households, further reducing real consumer purchasing power. Thus household consumption may slow to 3.5% from nearly 5% last year, with government spending possible down to 4% from 4.5% last year.

Having said that, there are some signs of slightly more public fixed investment but especially private investment in machinery and equipment, as discussed in a February FNB Round Table on fixed investment trends. That could ameliorate the effect of the slight household growth slowing somewhat, while exports may not slow as much on account of Europe as assumed by some.

As such the GDP growth prospect remains about 3% in 2012, as in 2010-2011 provided we don't get hit harder by rising oil prices or any other global crisis condition still materialising in 2012.

So far the year is on balance off to a reasonably start.

Confidence in times of crisis

Crises tend to be driven by two major engines, namely that what has technically gone wrong and the consequent loss of investor confidence in asset values, institutions and policymakers.

So crisis containment needs to address both the technical malfunctioning and the confidence loss. As the first may take time even as the ship is being lost due to the second far more instantaneous action, special measures may be needed to address the confidence loss soonest, cauterising this debilitating weakness, winning time to address the technical problems.

This isn't just a sleight of hand but a tactical necessity. If the patient has gone mad with grief and panic and jumps overboard in a raging storm, there may be nothing left to save or salvage. So, like at the scene of any accident, first stabilise the patient and only then move her to safety.

Both the Anglo-Saxon housing and banking crisis of 2007-2008 and the European sovereign debt and banking crisis in 2010-2012 show up these realities.

It pays to reread Hank Paulson, former US Secretary of the Treasury under Bush at the time of the greatest of US financial crises, if need be a number of times. His "On the

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How to prosper in stormy markets

brink – inside the race to stop the collapse of the global financial system” (2010) highlights the technical mistakes made over a very long time frame (subprime housing, feather-light regulation, increasing leverage, gullibility, greed, high-powered securitisation distributing toxic assets in random anonymous fashion, a lack of power to intervene decisively, wind down large financial institutions, at every turn “too big to fail”).

But understanding the technical issues is one thing. Seeing trust dissolve in real time (in asset values, people, institutions, policymakers) and survival scrambles get underway, in the process destroying the very fabric of the entire global financial system, scaling up many times the actual reach of the disaster, is something in a class of its own. And necessarily these two features need to be mentally separated and addressed individually.

What has technically gone wrong and what will it take, politically and otherwise, to address these complex issues, invariably involving much creative reform and the (unwilling) cooperation of many individuals, interests, institutions? And while this is going on, how to stabilise the patient so that she won't die even as we argue the toss about the many things that need to change and be done and done differently?

Six-foot-two Paulson was the ultimate symbol of this historic effort. At the height of the crisis, from ultimate deep despair, he went on bended knee before five-foot-six Nancy Pelosi, Democrat leader of the US House of Representatives, in a gesture so old it recalls medieval times, to beg political assistance in seeing through this greatest crisis. Drama aside, this was a story of corralling the witless, getting them all back onto the reservation and keeping them safely there while necessary repair was being done to the trampled fencing.

By all means focus on the technical issues, the reforms needed to prevent repeats, and the long time frames involved. But the more fascinating story beyond this needed engine repair was how they had to keep the car going as stopping wasn't an option. For this Paulson needed cooperation from the US Congress (authority to break the rules and invent new ones).

But that wasn't ultimately enough. For the other great player was the Federal Reserve, not a law unto its own or in its own right, but certainly a slumbering power of great capacity, if used in the right way (something about which there exists bitter disagreement).

In Fed chairman Ben Bernanke the US had its perfect counterfoil to Secretary Paulson, both technically and in temperament. Between them they saved the situation (at least according to some.....). The Paulson firefighting, mediating between failing institutions, seeking solutions (and sometimes failing as in Lehman's case) was the deal-making side of the story.

The as yet untold (but heavily documented) story was the way the Fed choose to act, again and again surprising with its boldness to experiment and push the envelope, determined to keep institutions alive and debt markets functioning by providing sufficient liquidity, changing traditions and transmission channels where this was deemed necessary, like so many imaginative tracheotomies to get air to desperate lungs and oxygen to distant capillaries to keep the body finance alive.

That took knowledge, skill, determination, and above all courage few expected to see.

Thus time was bought, asset values stabilised by ending need for panic sales, and asset deflation set in motion. Though the mindsets of many, like

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after any major accident, were going to remain disturbed for very long (in some cases forever, not necessarily unhealthily so), with skepticism and absence of trust a fundamental state harking back to the most primitive pre-civilised state of existence possible, this simply wouldn't do overall. Individuals and institutions had to re-engage, trust the rules and thereby each other, and once more blindly deal and make the sophisticated financial system function the only way it can.

This was achieved by flooding liquidity into every market nook and cranny. And when growing numbers of market players still insisted on disengaging and seeking ever higher and drier land in supposed safe havens far away from the turmoil, in the process preventing a more robust recuperation of the system to get underway, even more drastic action was called for. Thus we saw in the crisis aftermath Quantitative Easing (QE) come to the fore. This was essentially printing of money to buy so-called safe assets (Treasury bonds), shrinking available pools of such money (or preventing their further expansion as record government deficits created ever greater pools of bonds while trying to maintain effective demand in the economy through spending).

This way people and institutions populating the global financial system could ultimately not hide, being prevented from congregating on safe sidelines, forced to make portfolio shifts and maintain positions in riskier assets, assisting repair and recuperation of the overall system. In the process it becalmed overheated fears and allowed a slow restoration of trust in rules, processes and institutions, sufficient to increasingly stand on their own two feet again, until it would eventually be safe for the Fed to stand back and start withdrawing its inflated security blanket (something that is unlikely to be completed before 2020?).

This was the Paulson-Bernanke act, supported by thousands of smaller acts in politics, government and institutions making it all happen in 2007-2008, and its aftermath since, and its full recuperation likely taking the remainder of this decade. This brings me to Europe where the memoirs of German Finance Minister Schaeuble may hopefully one day turn out to be the most interesting of all, for the manner in which he and his leader (Chancellor Merkel) played the modern piano that is Europe. Except that whereas Paulson was in continuous rescue mode, Schaeuble was mostly in disciplinarian mode while only grudgingly considering severely limited and belated bailouts, wishing to rely on others to carry a large part of this burden (as the own electorate and instincts did not encourage this route).

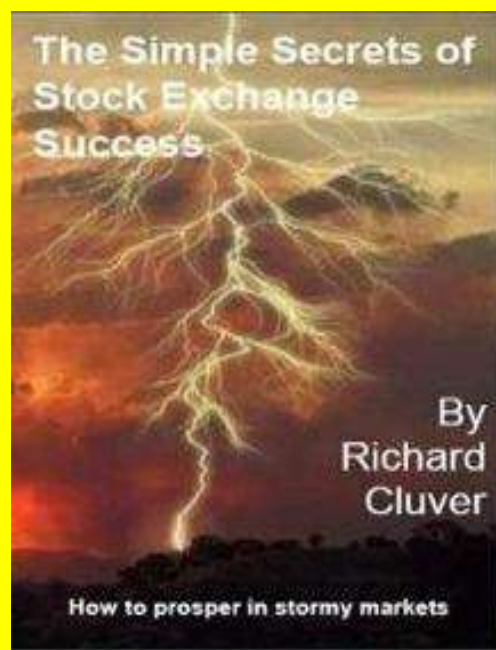
But that is detail, the manner in which European technicalities went deeply wrong (peripheral sovereigns borrowing too much, banks and property developers leveraging too much, European banks blindly overindulging all of them and themselves and their regulators too much), until eventually their situation was little different from the Anglo-Saxon one circa mid-2007. Cleaning up this particular mess was also going to take time, at least a decade and possibly two, for 17 countries are involved, and their varying electorates and political establishments, with little agreement as to the ultimate destination, except the Germanic insistence that this time it would be different (governance wise, financial discipline wise, and with archaic economic structures right-sized so that all could compete more equally and run in tandem growth-wise).

Ambitious, but doable. If the archaic British could do it in the 1980s, and the stoic Germans could do it in the 1990s (both against enormous resistance), and failing communists could do it for decades after 1985, EU peripherals could surely also be made to do it? But while this discipline-in-boots drama was playing to baying galleries, and will be still for another decade, the European financial system had to be safeguarded.

For here, too, just like as with the Anglo-Saxons earlier, individuals and institutions had lost sight of true (fair) value of assets and of trust in each other and the rules, setting in motion panic exits and asset fire sales that only could bring the house down instantly and catastrophically if not addressed. The no-

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brainer to all involved was that the richest Europeans would simply guarantee and bail all those threatening to go under, but they obviously didn't know the working definition of a Dutchman (which is that he is a Scot with the generosity taken out of him.....).

At times, tapping blood from stone appeared to be an easier proposition, even if Germanic tribes clearly felt they were being already far too generous with the first bailouts. And thus belated, limited flawed lifeboats came into being and there was lots of handwringing, much screaming and no fun, as the discipline-in-boots opera reached its richest frenzy.

This is ultimately no way to save a continent from itself. Luckily for the Europeans they too had created a common central bank with uncommon powers, and by default (for the IMF was too puny and controlled by outsiders) it was primarily going to be up to the ECB to keep the baying markets at bay, buying time for Europeans to do all the many things that needed to be done but that inevitably take much time (far more so than in the US, for the institutional frame has to be modernised first, and a lot of vested interests bashed BEFORE they can hope to really resume their journeying at any speed). The ECB, to put it mildly, was not amused, really still very young and untested, and in any case having to keep European politicians away from its easy money levers in lieu of doing the necessary difficult reforms. So the start was unpromising, with EU politicians and central bankers in turn insisting the other would go first (after you!) in taking drastic rescue actions.

ECB President Trichet and his Board ultimately proved flexible, but not before exacting their pound of flesh from EU politicians, in creating lifeboats, in insisting on austere discipline, in being careful about debt defaulting, about the no-no of exiting the Euro, of doing more for beefing up banks, in keeping baying electorates at bay (both Germanic and peripherals), in focusing on structural reform needed to re-start growth.

But in the end it proved too little. There remained a large gap between what could be politically delivered and ECB supported as compared what was needed to keep markets corseted, creating the long space for enduring reform. The ECB drew the line at funding governments direct, illegal per its statutes and in any case giving Germanic dissidents the constitutional grounds to opt out of all this growing madness. The ECB was prepared to bend just a little and enough to keep sovereign debt markets functional, by at crucial moments buying a few billion worth of stressing debt, but that was it. This wouldn't be enough by any stretch of the imagination.

The real ECB focus was on keeping the European banking system afloat. It did this, like the Fed earlier, through very low interest rates (in its case 1% rather than zero) and through increasingly relaxed and generous collateral rules, allowing straining banks to keep funding, if increasingly publicly rather than privately. But all this was taking place within a greater discipline-in-boots context that did not address falling asset prices (peripheral sovereign debt mainly), deteriorating bank balance sheets and gradually evaporating mutual institutional trust.

What took 14 months to come to the boil in the US (ending in Lehman's failure) took over two years in Europe to grow really critical, to the point where it was obvious that the Germanic tribes would not cross the Rubicon in massed ranks, financial markets were deserting in growing numbers and the ECB under Trichet was increasingly unable to hold the dyke indefinitely.

Something needed to give, and it was Trichet who went on pension, having earlier seen out the voluntarily-departing Webber and Stark from his Governing Board, bulwarks of discipline-in-boots and opposed to any real flexibility. In came Mario Draghi as President, and a bevy of new faces (French, German, Dutch and Belgian), all a lot more flexible in the Bernanke experimental mode (though German reticence remained in evidence, understandably so, but not to the point of being overruled in Council by majority vote).

And thus the scene was set last December for the start of the greatest rescue attempt ever, outranking by now even the US TARP and Fed balance sheet exercises of 2007-2012.

The decision turned out to be a simple one. Instead of

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focusing on governments, the ECB focused on EU bank liquidity needs, taking away the fear of short-term bank failure due to a total collapse of trust and an inability to fund daily. By providing unlimited three-year money at only 1%, banks could fund comfortably for the duration, taking away the fear of immediate failure, but also the pressing need for asset fire sales in order to rapidly deleverage balance sheets as deposits were withdrawn and capital buffers needed to be strengthened in terms of tougher rules.

Indeed, by making liquidity availability overwhelming, and not without a few helpful hints that it would be fine to do what would come naturally (from Sarkozy embarrassingly and from Draghi soothingly), banks in the greatest trouble saw the possibility of buying sovereign debt of the most stressed peripherals, thereby assisting both greatly as stressed bond prices started recovering meteorically and yields falling steeply.

Perhaps all this was very contrived, but in the presence of dissolved trust this is how you start repair and recuperation. The whole process was of course undertaken only after a few crucial milestones had been achieved, such as new reform-minded governments in all peripherals, stiff promises made and action irreversibly taken and the system therefore ready and waiting for a saviour. It may sound like an afterthought, but it was a crucial requirement for the ECB to undertake anything big.

The first €0.5 trill of ECB easy term money of last December was followed by another €0.5 trill last week. These actions have taken Italian and Spanish 10-yr bond yields back to 4.9% (something they didn't really expect to see anytime soon again) and these are still falling. With risk switching back on, also assisted by improving US and Chinese economic data and Fed background muttering about remaining accommodative forever (2014), global share and bond markets could boom, while commodities and EM currencies came back into their own.

The European repair process is far from complete, and its recuperation will take a long time, with still plenty of political opportunity to upset the applecart and change the end destination. As things stand, Chancellor Merkel this week said the ECB €1 trill liquidity injection buys two to three years for EU banks to recapitalise, Eurozone countries to curb fiscal deficits and focus on structural reforms to get growth going.

The global financial system has apparently stepped back from the brink for the second time in five years following concerted political actions, with crucial backing from central bank actions. In the process, dissolved institutional trust appears to have been restored to workable proportions (though excess liquidity deposited at the ECB amounts to nearly €800bn), and rule-bound behaviours seem back in vogue.

This doesn't necessarily mean the end to global crisis mode, for much institutionally and structurally remains incomplete and at variance with modern performance requirements. As already indicated, Europe could still make many political mistakes leading to renewed financial strain where not even the ECB might suffice, something that clearly exercises ECB President Draghi (and German Chancellor Merkel).

The US still faces major political choices which if not enacted in time may lead to confrontation with financial interests that similarly may prove the Fed unable to prevent the worst.

China faces existential problems longer term, and South Asia and the Middle East are places famous for long-running conflicts that could easily boil over into something that could cost all of us a pretty penny before being resolved satisfactorily.

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Stockbroker's views by Brian Kantor Investec Securities

February 2012 was another good month for new vehicle sales. Sales of 52 356 units were recorded, up from 48 251 units sold in January 2012. On a seasonally adjusted basis 1 202 more units were sold in February than in January 2012. These latest sales statistics confirm that the industry remains on track to achieve near record sales of a smoothed 60 000 units per month by this time next year, that is an annual rate of sales of some 500 000 units.

February sales were 6.5% up on a year before. However a closer inspection of more recent trends suggests that the underlying trend in sales has been up rather than down. If we convert the increase in seasonally adjusted and smoothed monthly sales into an annual rate the underlying trend has turned decidedly higher rather than lower. On a seasonally adjusted basis, sales in February were nearly 20% up on three months earlier, that is November 2011.

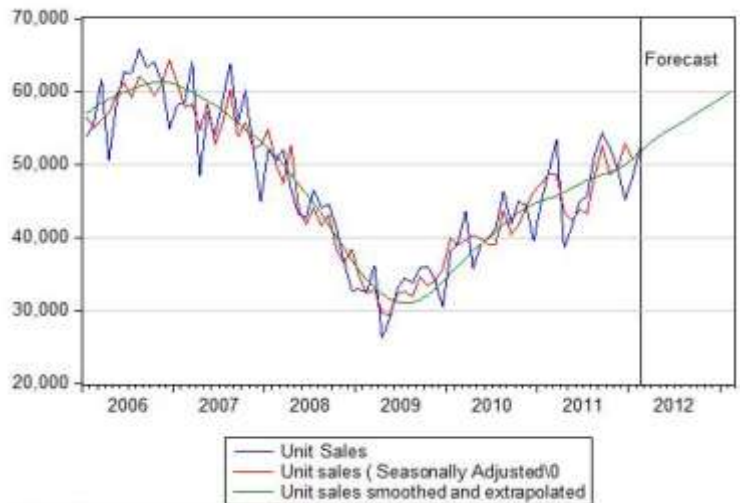
The manufacturing and assembly sector therefore appears in robust health, and could be assisted in the months ahead by a strong pick up in exports of built up vehicles in the months ahead as export programmes at Ford and BMW are rolled out. Naamsa expects exports this year to have grown by 10% to 300 000 units. This strength in vehicle sales will continue to be helpful to the banks extending credit to the private sector. Credit for vehicle purchases will help make up for continued weakness in mortgage lending. As we show below the year on year growth in bank lending to the private sector to January 2012 has picked up to a seven per cent pace while the underlying trend is a little brisker than this.

The growth in mortgage lending appears to have stagnated at about a tepid 2% p.a pace, with no indication of any pick up in the trend. It will take a significant increase in house prices to encourage stronger demands for and supplies of mortgage finance. Perhaps the government's plan to put a billion rand into subsidising mortgages lending for those who miss out on qualifying for free (RDP) homes, will assist mortgage lending. These plans were highlighted by the President

in his 2012 State of the Nation speech and were first aired in the 2011 Budget. They received no additional attention in the 2012 Budget Speech or review. It is another one of those government plans still to materialise, though no doubt the banks in their interactions with government will be doing their best to turn this government intention into something operational. Hopefully, with the aid of an unfairly maligned but still highly feasible mortgage securitisation programme, this could turn one billion rand of mortgage money put at risk by the government into many more billions of funding provided and managed by the banks.

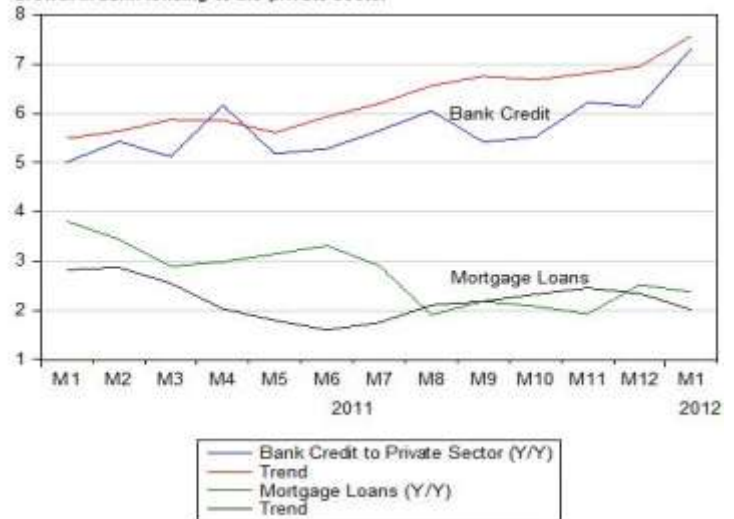
The mistakes of mortgage securitisation in the US, in particular the failure to have recourse to the banks initiating the loans, can be avoided and the benefits of home ownership greatly broadened through the securitisation of loans the government could insure with its one billion rand. The impact on the highly labour intensive home construction business as affordable homes became more valuable and therefore more attractive to build as well as buy, would also be highly favourable. This is perhaps a far more effective and cheaper alternative way of increasing employment than the very expensive and highly regulated job creation schemes unveiled in the Budget .

SA New Vehicle market, unit sales



Source: Naamsa, Investec Wealth & Investment

Growth in bank lending to the private sector



Source: SA Reserve Bank, Investec Wealth & Investment

"Illusions commend themselves to us because they save us pain and allow us to enjoy pleasure instead. We must therefore accept it without complaint when they sometimes collide with a bit of reality against which they are dashed to pieces."

– Sigmund Freud

Let me introduce Mauldin's Rule of Thumb Concerning Unintended Consequences: For every government law hurriedly passed in response to a current or recent crisis, there will be two or more unintended consequences, which will have equal or greater negative effects than the problem it was designed to fix. A corollary is that unelected institutions are at least as bad and possibly worse than elected governments. A further corollary is that laws passed to appease a particular group, whether voters or a particular industry, will have at least three unintended consequences, most of which will eventually have the opposite effect than the intended outcomes and transfer costs to innocent bystanders.

This week we wonder about the consequences of the European Central Bank (ECB) issuing over €1 trillion in short-term loans to try and postpone a banking credit crisis and lower sovereign debt costs for certain peripheral countries in Europe. What if, instead of holding the European Monetary Union (EMU or Eurozone) together, that actually makes a breakup more likely? That would certainly fall under the rubric of unintended consequences, and be worth our time to contemplate in this week's letter.

Further, what if the group that oversees credit default swaps declares an actual sovereign debt default not to be a technical default in order to avoid a credit crisis because CDSs would have to be paid? Could that actually undermine the ability of smaller countries to borrow money at lower cost, if they could even borrow it at all? Thus making the eventual outcome even worse? We will explore these perplexing questions and more as we once again turn our attention to Europe.

Unintended Consequences

The ECB injected (created? printed?) €529.5 billion for an annual cost of 1%, more than the €489 billion they issued just last December. This was called a long-term refinancing operation, or LTRO. The total now is over €1 trillion euros (around \$1.3 trillion), which can only make Ben Bernanke jealous. That money was technically issued to the various national central banks, who in turn lent it to their various commercial banks for almost any collateral that still had a pulse. Which banks in turn used it to shore up their balance sheets, and any spare change was used to buy more sovereign debt of their countries, thus financing their own government's deficits. And making a nice juicy spread for the next three years, which can help repair that balance sheet.

I can't find a chart I have permission to use and don't feel like spending three hours to make one just to show that the ECB has simply exploded in the last 6 months, swelling almost four times in that period, on a time-adjusted basis. Just imagine a slowly rising line that viciously turns north beginning July of last year. As in a "J" curve.

Did we see a rise in loans to commercial establishments? Easy money for all? Hardly. The markets were quite happy that a credit crisis has once again been put off. So were the various governments. Did we see a rise in loans to commercial establishments? Easy money for all? Hardly. So what did the banks buy with

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their new money? (Besides the chance to deposit it back at the ECB?) They bought short-term government bonds, which more or less matched the terms of the money they had borrowed. Which collapsed shorter-term bond yields. In November, Spanish one-year bonds paid about 5% over similar German bonds. Today it is less than 1% more. Still a nice total spread over 1%. Three-year bonds have dropped from around a 5% spread over the corresponding German bonds to slightly under 3%. Italian debt has dropped from a spread (over German yields) of 6% to 1% for one-year bonds and from over 7% to under 4% for three-year bonds. Nine and ten-year bonds are roughly the same for both countries as three months ago.

Sufficient Unto the Day

So what does a country with deficits and growing debt do? It sells lower-current-cost short-term bonds to help its current deficit (more on that later), rather than take on longer-term debt. It can also buy back more expensive longer-term debt sold last year for much lower short-term rates today.

But that means there is more roll-over risk in the very near future, as you have to borrow to replace those bonds when they mature; but why worry about that today? As my Dad was wont to say when he wanted to ignore the problems cropping up in his future, "Sufficient unto the day is the evil thereof."

I saw a table created by those clever people at Bridgewater. They analyzed the nature of the capital of the banks of various European countries. Not much has changed in the last few years, except that foreign capital is still fleeing and that capital is being replaced (almost euro for euro) by ECB debt. Let us make no mistake, without ECB largesse, European banks would either have to sell equity at fire-sale prices or their governments would have to nationalize them. Otherwise they would be insolvent. And that would in all likelihood mean a credit crisis worse than 2008, as hard as that is to imagine.

And while many applaud Mario Draghi's actions, as they feel he has averted a crisis with his initiation of the LTRO, there are others who are not pleased. This note from yesterday's *Financial Times*:

"The head of Germany's Bundesbank has launched a powerful attack on Mario Draghi, president of the European Central Bank, in a sign of mounting concern in Europe's biggest economy at measures being taken to try to contain the eurozone financial crisis.

"Jens Weidmann's warning of increasing risk stemming from some ECB policies highlights fears of potential costs for Germany from its role as the eurozone's biggest creditor nation and may spark fresh doubts about the eurozone's ability to deal with the long-running banking and sovereign debt crisis.

"Mr Weidmann, who has an influential voice on the ECB's governing council, said the central bank risked endangering its reputation and called for a quick return to stricter rules on the collateral that the ECB accepts from banks in return for central bank funds. The criticism in a letter to Mr Draghi was revealed on Wednesday by Germany's [Frankfurter Allgemeine Zeitung](#)."

Peter Sands, the head of Standard Chartered (a British commercial bank), warns that the new money runs the risk of "laying the seeds for the next crisis." He wonders what happens in three years' time when all that debt needs to be refinanced. That seems a reasonable question, as finding a spare €1 trillion will not be a lot easier in three years.

[Former ECB board member \(and fellow Italian\) Lorenzo Bini Smaghi](#) added to Mr.

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Sand's concerns. He said that banks may become "addicted to easy financing," creating a disincentive for them to "stand on their own feet once the crisis is over." (the FT)

The concern is that the ECB is now committed to more than just €1 trillion. As noted above, ECB financing, which amounts to almost 8% of peripheral countries' bank financing, has offset foreign (to the home country) debt that is leaving. Since that exodus is accelerating, the word *fleeing* may be more appropriate. And foreign investors (mostly banks, as I understand it) have another 14% of funding in peripheral banks. The concern is that the ECB may have to come up with even larger sums to offset the losses as foreign assets flee. (Foreign in the sense that they are not from in-country sources. As an example, Italian banks have about 6.5% of ECB funding and 12% of foreign – non-Italian – funding.)

There is really no way to know how much will be needed to forestall a further crisis. The ECB has so far signaled it is willing to step up, and the markets seem to see no reason it won't continue to do so.

But therein lies the unintended consequence. In an effort to keep the eurozone from breaking up in the midst of a credit crisis, they may have made it easier for it to break up in the future. To understand why, let's revisit Greece a few years ago.

Was it only three years ago that the market was willing to lend Greece all the money it wanted at rates not far above those of Germany? And then it seemed like, all of a sudden, in the blink of an eye, Greece could no longer sell debt at interest rates that allowed it to credibly have a hope of repaying the debt.

And Europe had to step in and bail them out. But let's be certain of one thing. As I was writing back then, the ONLY reason that Germany, France, et al., were willing to continue to lend Greece money was that their banks had bought so much Greek debt that if they had to write it off all at once it would cost the various governments hundreds of billions. The financing package of €130 billion that Greece will get? €100 billion goes right back to private bondholders, mostly banks and institutions (like insurance and pension funds). Just to create the fig leaf that there is no default. So Greek debt actually goes up, even though there is a haircut on current debt. (More on that below.)

If the only banks that held Greek debt had been Greek banks, then Europe would simply have let Greece go under, with its banks. Maybe some token help, but nothing like the amounts that have been funded. Greece would have had no choice but to leave the eurozone and return to the drachma.

I wrote at the time that we would know when German banks had essentially sold their Greek debt, written

it down, or were otherwise able to handle a default, because Merkel would no longer be willing to fund Greece. That point was essentially reached a few months ago. Now Europe keeps demanding ever more austerity from Greece, and every time Greece agrees they move the line and ask for more. Greece is now going to have to demonstrate it is willing to cut spending and raise taxes, no matter what.

Greece's economy will experience deflation this year as GDP falls 4.4%, the nation's fifth straight year of recession, according to the European Commission. Greece's economy contracted 6.8% last year and 3.5% in 2010.

As recently as November, the commission forecast the Greek economy would contract just 2.8% this year. But just two weeks ago that estimate was blown away. Fourth-quarter data showed Greece had contracted by almost 7% in 2011. But they had just agreed to massive austerity cuts for the next ten years, totalling as much as their current annual GDP. In an economy where government spending is 40% of GDP. Such cuts will make it even more unlikely they can meet their targets.

Europe will then demand even more cuts when the targets are not reached (or increases in taxes on what's left of the private sector). Everyone realizes the party is over, but no one wants to be the first to leave. It simply will not do for the eurozone to expel a member. The precedent is dangerous. So they make staying in the eurozone so onerous that leaving eventually becomes the best choice (more on that later). "We didn't tell force you to leave; it was your own choice."

So what is happening now is that European banks are slowly shedding their foreign sovereign debt and buying the sovereign debt of their own countries. More Italian debt is coming home to Italy, Spanish debt to Spain, and so on. Given ECB funding, this process will go on for several years.

And at some point, if Spain or Italy decided to partially default, then European banks will be able to absorb the losses. If one of the peripheral countries does not get its budget in order, then it too will have to face the music of austerity and rolling recessions, just as Greece is, in order to get funding from Europe.

If, as an example, Europe decides to no longer fund Spanish debt (at the cost of German and other taxpayers) without draconian austerities, what then? Since Spanish debt will mostly be in the Spanish system (banks, insurance, pensions, etc.), if Spain decides to leave the eurozone it will be much easier on the larger European system.

I think the very fact of allowing (encouraging?) the various countries to bring the debt home to internal banks and institutions is in fact increasing the likelihood of exit from the eurozone, when a future crisis occurs. It's all well and good to talk solidarity, but continuing to fund the peripheral nations at the cost of

other taxpayers, with the accompanying damage to the euro, will soon wear thin on voters in those other countries.

Far-fetched? Aren't Spain and Italy getting their act together? Kiron Sarkar makes the following points, with which I agree, so let's jump to him (courtesy of The Big Picture):

"Spain unilaterally set its 2012 budget deficit at 5.8% of GDP, much higher than the 4.4% previously agreed with the EU. The budget deficit came in at 8.5% last year, once again higher than the target of 6.0%. A 'discussion' between Spain and the EU is inevitable, especially as (to date) the EU has insisted that Spain sticks [sic] its prior commitment. Quite an interesting development, particularly as it has come on the same day that 25 out of 27 EU countries (excluding the UK and the Czech Republic) signed up to the 'fiscal compact' which, once approved by each country's national Parliament (Ireland will need a referendum), will introduce the German inspired 'debt brake' into their constitutions – basically commits the 25 EU countries to reduce borrowings and, indeed, balance their budget deficits.

"Spanish unemployment rose by a massive +2.4% MoM in February, with youth (under 25) unemployment over 50%.

"The EU has a tough task. If it offers concessions to Spain, expect Portugal, Ireland, etc., etc. to submit their own 'requests.' However, I just can't see how Spain can meet its prior commitment. Officially, GDP is forecast to be -1.0% to -1.7% this year, though in reality the actual outcome will be closer to (indeed may exceed) the more pessimistic forecasts.

"Whilst Spain is facing increasing pressures, Italy announced today that its 2011 budget deficit fell to -3.9% (-4.6% in 2010), better than the -4.0% forecast. 2011 GDP came in a marginally higher at +0.4%, (+0.3% expected). Whilst Italy entered into recession in the last Q of 2011 and its economy is expected to contract this year, Italy has pledged to balance its budget deficit by 2013.

"As I keep banging on, Italy is in far better shape than Spain, in spite of its higher headline debt to GDP. Spanish and Italian bond spreads continue to converge – I remain of the view that Italian bond yields will decline below equivalent Spanish bonds."

With that in mind, let's change the focus a bit.

[What Should Greece Do?](#)

This is a hard question. If Greece borrowed money from me, I would want them to pay. But if I am Greek the situation looks different. Let me take a cold-blooded look at what will offer the best long-term economic outcome for Greece, laying aside all the moral arguments about paying one's debts, etc.

The simple arithmetic is that Greece cannot afford to pay its debts. They are getting ready to give debtors close to a 70% haircut, if you figure in the time cost of money. There is no way in Hades, to borrow a Greek term, that they can get back to 120% of debt-to-GDP by 2020, given the massive austerity they have agreed to and which is just the beginning. (Is 120% now the new sustainable level because that is where Italy and Belgium are?)

Forcing debtors to take such a loss is not going to entice future lenders. Greece is effectively shut out of the bond market for a very long time. Their only source of borrowed money is the EU, and that debt is now costing the future of the country for at least a generation.

Most Greeks who are able send their children abroad to study. Given that the unemployment rate for people under age 25 in Greece is nearly 50 percent, it appears few young people are returning from abroad. In September 2011, organizers of a government-sponsored program on emigration to Australia, a program that reportedly attracted only 42 people in 2010, were overwhelmed when more than 12,000 people signed up to attend. (Source: Stratfor)

What is the point of paying back part of the bonds if you don't get access to future bonds? The current program offers no hope, and the people of Greece know that.

Greece should declare an "emergency," along with a bank holiday, and leave the eurozone and return to the drachma. Keep as much hard currency and reserves as you can, so you can buy needed medical supplies and energy until things turn around.

Don't pay one dime of debt to anyone for at least a few months, if not years. Default on every penny. Let the market set a value on the future currency, and only then offer to give two drachmas of debt repayment for the value of one drachma in hard euros in new debt. If you get no euros, then give no drachmas. But be very frugal about making that offer. Run up as little debt as possible in the beginning.

Play the political game, of course. Maybe even promise participation in a better future, when that happens. Meanwhile, get your budget house in order. Figure out how to eventually run small surpluses, which will be easier if you don't have to pay for that old debt. Fix future growth of government spending to some percentage of GDP growth. Amazingly, you will soon – in just a few years – be seen as a worthy credit and be allowed back into the bond market. Ask Iceland or even Argentina (if ever there was a country that should be shut out of the world bond market, it is Argentina. They have made a national sport of defaulting on debt. Go figure.)

Right now tourism is 15% of your GDP. Make it 25%. Divert resources to make it happen. Make your country the best vacation value in Europe. Get your people, who are naturally hospitable, to get behind the drive for more tourism. Greet each traveller like someone bringing you gold, because that is what they are doing. That hard currency is what will buy you the resources you need (like food, energy, and medicine). Note: you are not leaving the European Union, just the euro. There are lots of members of the EU that have their own currencies. You will just be another such country.

But since there will be a black market in euros if you try to keep a closed currency, at some point not too long after converting everything in the banking and financial system to drachmas, just go ahead and let people use their euros. Let businesses post two prices, but all government transactions will be in drachmas. Your citizens and businesses must pay their taxes in drachmas. If they take euros, they will need to find the drachmas to pay the VAT or other taxes.

Don't let the central bank go crazy printing money. That will just cause inflation and drop the value of the drachma further, postponing a recovery.

If a business wants to open a factory, then make it happen. Encourage all the foreign direct investment you can. Give them a tax holiday. Look at Ireland and match their tax rates. No government red tape to open a business, just bring your money and jobs. If some of your citizens "magically" find some euros that were in offshore bank accounts and want to bring them back to invest, let them. Declare a tax holiday on all money that shows up. Let them bring their euros back for the market price of the drachma until things stabilize.

Drop your tax rates to the lowest in Europe and then enforce them. The lower you make them, the more money you will raise in taxes. Look at some of the old Warsaw Pact countries. Selectively sell your government-owned businesses to get the currency you need for infrastructure (roads and such) and to remove the annual losses they have from your books. Or simply give most (and in some cases all) of the assets to the employees and unions, for businesses like your railroads.

There are local contingencies and characteristics I am not close to being aware of, I am sure. But structure everything that you can for the future, which will arrive faster than you think. There is a huge Greek diaspora. If they see opportunity, they will invest, if not come back. Make sure they see it.

It will be tough for the first year or two. But then you can grow your way out of the crisis, at first slowly and then more rapidly. There are myriad examples of countries that have done similar things without your natural advantages.

But staying in the euro and trying to pay that debt will just put chains on your children and elderly. You have been in recession for close to five years. Staying in the euro will mean at least another ten. Facing such a bleak future, the young and entrepreneurial will leave, which is what you cannot afford. They are your most precious asset. Without them there is no growth and no future.

Is leaving the euro and returning to the drachma a good choice? No, it will be a disaster. But I think it will be a lesser disaster than staying.

[And Then There Is Ireland](#)

What do the Greeks get by staying? My friend the Irish provocateur David McWilliams writes last week about how Ireland should view the Greek deal:

"For Ireland, this [the Greek deal] means that we will get a deal on bank debt most definitely. It might take time because the last thing the ECB wants is a queue of 'me too' demands from Ireland and Portugal. But it is clear that our hand has been strengthened, if we decide to play it.

"But just in case you think this is a victory for the citizen, let's examine in a bit more detail how it works. There will be no default. Greece will be given a €130bn loan. With that loan it will pay out €100bn to bondholders, who will have seen their bonds fall 53pc in value. After the penal interest Greece has paid on these bonds already, we still see an insolvent country paying bondholders 50pc of face value when they should be getting nothing.

"So Greece gets €100bn written off, but borrows €130bn in order to achieve this, so it is still borrowing more making its overall debt not better but worse in absolute terms.

"Now it needs to grow to bring these figures down and that is going to be impossible. So we are going to be back to square one in a few years except for one crucial thing.

"After all this is done, private creditors to Greece will have been paid by European public money stumped up by the taxpayers of other European countries. The banks have been bailed out again. Without help they would have got nothing. They now get 50pc of their worthless holdings and the subsidy comes from the taxpayer."

Company reports

MICROMEGA 2012/03/07

Shareholders are referred to the audited financial statements for the year ended 31 December 2011 announcement released on SENS on Monday, 5 March 2012 and are advised that the financial statements were audited by the company's auditors, Nexia SAB & T, and their unqualified audit report is available for inspection at the company's registered office.

ASTRAPAK 2012/03/07

Holders of Astrapak preference shares are advised that the salient dates for the eleventh dividend declaration in respect of the non-redeemable, non-participating, cumulative preference shares in Astrapak ("preference shares"), in the amount of 351.123 cents per preference share for the period between 4 October 2011 and 30 March 2012, will be as follows: Last day to trade: Friday, 23 March 2012 Shares commence trading "ex" the preference share dividend from the commencement of business: Monday, 26 March 2012 Record date: Friday, 30 March 2012 Payment date of the preference share dividend: Monday, 2 April 2012.

LITHA 2012/03/07

Further to the trading statement released on 21 February 2012, shareholders are advised that earnings per share will be between 35% and 40% higher and headline earnings per share will be between 25% and 30% higher than the corresponding reporting period of the previous year.

EOH 2012/03/07

Shareholders are advised that, at the annual general meeting of EOH held on 6 March 2012, all the resolutions set out in the notice of annual general meeting were passed by the requisite majority of shareholders

HYPROP 2012/03/06

Hyprop unitholders are advised that on 2 March 2012 Hyprop and Redefine Properties Ltd. ("Redefine") entered into an agreement in terms of which Hyprop has disposed of its 50% undivided share in Southcoast Mall ("the disposal") to Redefine. As previously communicated to unitholders, Hyprop's strategy is to focus on its core portfolio of premium, sizeable shopping centres, including the disposal of non-core assets and smaller underperforming properties. As part of this strategy Hyprop identified its 50% interest in Southcoast Mall (which it co-owns with Redefine) as an asset for disposal. Towards the end of 2011, a process to dispose of Southcoast Mall was embarked upon and a third party purchaser identified and the principal terms agreed. Redefine then elected that, instead of Hyprop disposing of its interest in Southcoast Mall to the third party purchaser, Redefine would exercise its pre-emptive right to acquire Hyprop's undivided share on the same terms

STANBANK 2012/03/06

According to Business Report, Stanbank planned to have the largest South African retail customer base and the most profitable consumer banking business in the country by 2015. Leon Barnard, the director of inclusive banking, said the lender would add 200 low-cost outlets by the end of this year. The group would start making a profit from its inclusive banking business aimed at lower-income earners from as early as 2014. It would invest R120 million in the operation in 2012 and could expand it into Nigeria and Kenya.

MMIHLDGS 2012/03/06

MMI Holdings Ltd., the diversified financial services group that includes Metropolitan and Momentum, today released a solid set of half-year results to December 2011, with core headline earnings increasing by 4% to R1 294 million as compared to the previous half-year to December 2010, under tough operating conditions. The 4% increase in core headline earnings was largely underpinned by good performance from Metropolitan Retail and Metropolitan Health. The group's new business annual premium equivalent (APE) decreased by 3% to R2.9 billion. The value of new business amounted to R311 million for the six months ended 31 December 2011. MMI's overall new business margin reduced from 1.6% for the six months ended 31 December 2010 to 1.5% for the six months ended 31 December 2011. This margin is however higher than the overall new business margin of 1.4% for the 12 months ended 30 June 2011. The group has reviewed the investment mandates for its shareholder capital. This has resulted in a lower-risk investment strategy being implemented for Metropolitan Life's shareholder capital. This change reduced the amount of capital required and ensured a strong capital position. The group's embedded value sits at R30.8 billion or R19.20 per share as at 31 December 2011, representing an annualised return on embedded value of 7.1%.

BONALTA 2012/03/06

Shareholders are advised that an agreement has been signed between Bonatla and Stagesstep Investments cc ("Stagesstep") whereby Bonatla will acquire the entire issued share capital together with all shareholder claims and loan accounts in Eagle Creek from Stagesstep with effect from 1 April 2012, for a total purchase consideration of R22 500 000. Eagle Creek has as its only asset, erf 12524 portion 74 EThekwini, measuring 7 846 m² and with up to 100 000 m² of mixed usage gross lettable area. Conditions precedent The transaction is subject to the following conditions precedent: The approval of the board of Bonatla; The approval of the JSE, Takeover Regulation Panel and any other regulatory body insofar as is necessary; A satisfactory due diligence being completed; and The approval of shareholders of Bonatla in general meeting

METAIR 2012/03/06

Metair shareholders are referred to the updated trading statement announcement published on SENS on 21 February 2012 wherein they were advised that the results for the year ended 31 December 2011 ("results") would be published on or about Mon-

day, 12 March 2012. The results have been finalised sooner than expected and will, therefore, now be published on SENS on Tuesday, 6 March 2012 and in the financial press the following day. Invitation details for the presentation of the results highlights, (previously to be held in Johannesburg on Tuesday, 13 March 2012 and now to be held in Johannesburg on Monday, 26 March 2012), will be re-sent through the Investment Analysts Society and College Hill in due course.

GIJMAAST 2012/03/05

The company has rendered several outsource services to Absa Bank Ltd. ("Absa") for the past ten years and has delivered in accordance with the relevant contracts. A portion (approximately 50%) of the desktop services contract with Absa is being in-sourced to Absa. The company will continue delivering services on the remainder of this contract. Of the 200 plus Gijima employees specifically dedicated to working on this contract, a significant number of them will go through a Section 197 process in terms of the Labour Relations Act that will see them transferred to Absa, as permanent employees of Absa. Gijima will continue working with Absa and we look forward to tendering for new business with Absa.

TRNSHEX 2012/03/05

Shareholders are referred to the cautionary announcements, dated 6 May 2011, 21 June 2011, 2 August 2011, 13 September 2011, 26 October 2011, 7 December 2011 and 23 January 2012 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.

GOLIATH 2012/03/01

Further to the joint announcements released by Goliath and Gold One International Ltd. ("Gold One") on Wednesday, 28 September 2011, and Tuesday, 31 January 2012, respectively, the circular to shareholders dated Friday, 25 February 2011 ("circular"), and using the terms defined in the previous joint announcement and circular unless otherwise stated, shareholders are advised that the parties have further extended the deadline in relation to the fulfilment of the remaining conditions precedent to the acquisition from 29 February 2012 to 31 March 2012 (the "further extension"). Shareholders will be advised of the revised salient dates and times relating to the acquisition in due course, pending the fulfilment or waiver, as the case may be, of the remaining conditions precedent to the acquisition.

GOLDONE 2012/03/01

Further to the joint announcements released by Gold One and Goliath Gold Mining Ltd. ("Goliath Gold") on Wednesday, 28 September 2011, and Tuesday, 31 January 2012, respectively, the circular to shareholders dated Friday, 25 February 2011 ("circular"), and using the terms defined in the previous joint announcement and circular unless otherwise stated, shareholders are advised that the parties have further extended the deadline in relation to the fulfilment of the remaining conditions precedent to the acquisition from 29 February 2012 to 31 March 2012 (the "further extension"). Shareholders will be advised of the revised salient dates and times relating to the acquisition in due course, pending the fulfilment or waiver, as the case may be, of the remaining conditions precedent to the acquisition.

EOH 2012/03/01

A review of the financial results for the six month interim period ended 31 January 2012 by management has indicated that the earnings per share and headline earnings per share are expected to be between 25% and 35% higher than those in the previous corresponding period, being 96.4 cents per share and 96.2 cents per share, respectively. The financial information on which this trading statement is based has not been reviewed or reported on by EOH's auditors. EOH's interim results are expected to be published on SENS on 14 March

PINNACLE 2012/02/29

Pinnacle provided further guidance to the market regarding the anticipated interim headline earnings per share ("HEPS") and earnings per share ("EPS") ranges for the six months ended 31 December 2011. Shareholders are referred to the trading statement dated 24 January 2012 stating that for the six months ended 31 December 2011 the company's HEPS and EPS was projected to be not less than 75 cents per share which is higher than the results of the comparative period by at least 56% in each case. Shareholders are advised that the company is reasonably certain that its interim results for the six months ended 31 December 2011 will reflect a HEPS and EPS of between 76 cents per share and 80 cents per share which is between 58% and 67% higher than both the HEPS and EPS of 48.0 cents per share of the comparative period last year. The company's unaudited interim financial results for the six months ended 31 December 2011 are expected to be published on or about 15 March 2012.

LONFIN 2012/02/29

Companies are required to publish a trading statement as soon as they are reasonably certain that the financial results for the period to be reported on next will differ by more than 20% from those of the previous corresponding period. The board of directors of Lonfin advised that its earnings per share for the six months ended 31 December 2011 are expected to be 3.6 pence as compared to 6.4 pence for the previous corresponding period and headline earnings per share are expected to be 0.1 pence as compared to headline earnings of 0.6 pence for the previous corresponding period. The preliminary announcement of the company's results for the six months ended 31st December 2011 are expected to be announced by close of business on 29 February 2012.

ILIAD 2012/02/29

Shareholders are advised that Iliad's results for the year ended 31 December 2011 will reflect a loss per share (LPS) of between 170 to 180 cents per share for the year, compared to earnings of 38.8 cents per share in 2010. As reported through our SENS releases dated 12 August 2011 and 23 August 2011, these results include an impairment of intangible assets of R249.5 million, mainly relating to the Campwell Hardware and Thorpe Timber businesses. The headline earnings per share (HEPS) for the year will be between 9 and 10 cents per share, compared to the headline earnings of 39.1 cents per share in 2010. The full year HEPS of between 9 and 10 cents per share represents a significant improvement on the interim result for the period ended 30 June 2011 (Headline loss per share - 32.0 cents per share). The headline earnings for the year include once-off portfolio adjustment costs of approximately R 46 million relating to the rationalisation of underperforming stores.

Excluding the once-off portfolio adjustment and impairment costs, EBITDA is expected to be between 0% and 5% lower than that reported for the prior year, and the relevant EBITDA increase on the comparative period in the second half of the year is between 18% and 22%. In a challenging trading environment, Group turnover for the year increased by between 7% and 8%, with comparable second half turnover growth of between 10% and 11%. Lower than inflation increases were experienced in comparable year-on-year expenses. The company's results will be released on or about 27 March 2012.

RACEC 2012/02/29

Shareholders are advised that the annual report for the year ended 30 September 2011 was dispatched on 28 February 2012 and contains no modifications to the audited results published on SENS on 28 December 2011. Notice was given that the annual general meeting of shareholders of RACEC will be held on Thursday, 29 March 2012 at 10:00 at Kelvin Grove, 144 Campground Road, Newlands, 7700, Cape Town, to conduct the business stated in the notice of annual general meeting, which is contained in the annual report. The board of directors of the company determined that the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 23 March 2012. Accordingly, the last day to trade RACEC shares in order to be recorded in the Register to be entitled to vote will be Thursday, 15 March 2012.

PINNACLE 2012/02/29

Shareholders are hereby advised that Afrimat has, via its subsidiary company, granted a mandate for the repurchase of its ordinary shares during its closed period. This period commences on 1 March 2012 and terminates on or about 10 May 2012 when the company is scheduled to publish its year end results. The mandate has been entered into with a single agent who has full discretion in executing the repurchase programme. The intention is to repurchase a maximum of 5 million Afrimat shares for an aggregate consideration not exceeding R27.5 million. Any repurchase of shares may not be executed at a price greater than 10% above the weighted average traded price for Afrimat ordinary shares for the five business days immediately preceding the date on which any such repurchase is effected

CAPITEC 2012/02/29

The directors of Capitec are pleased to declare Capitec preference share dividend number 11, effective 29 February 2012 (being Capitec's year-end). The dividend, amounting to 336.58 cents per Capitec preference share, will be paid on Monday, 26 March 2012. This is the earliest date possible in terms of the Listings Requirements of the JSE Ltd. The salient dates for the payment of the Capitec preference share dividend are set out below: Last day to trade cum-dividend -- Thursday, 15 March 2012 Trading ex-dividend commences -- Friday, 16 March 2012 Record date -- Friday, 23 March 2012 Payment date -- Monday, 26 March 2012 Share certificates may not be dematerialised or rematerialised between Friday, 16 March 2012 and Friday, 23 March 2012, both days included.

STANBANK 2012/02/29

Notice was given that the following dividends have been declared: 6.5% first cumulative preference shares (first preference shares) dividend number 85 of 3.25 cents per first preference share (share code: SBKP, ISIN: ZAE000038881), payable on Monday, 26 March 2012, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 23 March 2012. The last day to trade to participate in the dividend is Thursday, 15 March 2012. First preference shares will commence trading ex-dividend from Friday, 16 March 2012; and Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 15 of 317.59 cents per second preference share (share code: SBPP, ISIN: ZAE000056339), payable on Monday, 26 March 2012, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 23 March 2012. The last day to trade to participate in the dividend is Thursday, 15 March 2012. Second preference shares will commence trading ex-dividend from Friday, 16 March 2012

PINNACLE 2012/02/29

Linked unitholders are advised that Dipula's annual report, incorporating the audited financial statements for the year ended 31 August 2011, was dispatched on Friday, 24 February 2012 and contains no changes from the reviewed results which were published on SENS on 15 November 2011. The annual report contains a notice of the annual general meeting for the company, which will be held at The Country Club Johannesburg, 1 Napier Road, Auckland Park, Johannesburg, at 10:00 on Monday, 2 April 2012.

CALGRO 2012/02/28

The company expects an increase of more than 225% in the earnings per share ("EPS") for the 12 months ending 29 February 2012 ("the 2012 financial year") amounting to more than 43.36 cents, compared to the 13.34 cents per share reported on in respect of the 12 months ended 28 February 2011 ("the 2011 financial year"). Calgro M3 also expects an improvement of more than 225% in headline earnings per share ("HEPS") for the 2012 financial year amounting to more than 43.81 cents, compared to the 13.48 cents per share reported on in respect of the 2011 financial year. Due to uncertainties with regards to the number of property registrations that will be registered in the deed office by 29 February 2012, Calgro M3 is unable to quantify the range of the increase in the HEPS and EPS with any degree of certainty. The group is also proud to announce that its pipeline has grown to in excess of R8 billion over the next six to seven years. Once the company has obtained a reasonable degree of certainty on the actual range of the increase in both EPS and HEPS, a further trading statement will be released.

SUNINT 2012/02/28

Shareholders are referred to the profit and dividend announcement for the six months ended 31 December 2011, communicated on SENS earlier this morning. The company wished to amend the outlook statement by inclusion of the word "growth" as set out below: Outlook Revenues are expected to improve in both Gaming as well as Hotels and Resorts, albeit it is anticipated that the trading environment will remain challenging in the next six months. Monticello will in particular continue to increase its contribution to the group's results. An improved trading result in the second half, offset by increased financing costs, is likely to result in ad-

justed headline earnings per share growth for the full year (excluding foreign exchange earnings) being below that achieved in the first half.

CROOKES 2012/02/28

Shareholders are advised that, for the financial year ending 31 March 2012, headline earnings per share ("HEPS") are expected to increase by at least 120% over HEPS of 203.9 cents reported in the previous corresponding period. The projected increase arises from improved prices and sound yields, particularly in sugar cane operations. However, earnings per share ("EPS") is expected to decrease to not less than 50% of the prior year EPS of 911.0 cents per share due to the recognition in the prior reporting period of the once-off capital profit realised on the sale of the Komati Estate to the government as part of the land restitution program. The company's results for the year ending 31 March 2012 are expected to be published on or about 30 May 2012.

CIPLAMED 2012/02/24

Shareholders are advised that the Company expects earnings per share ("EPS") and headline earnings per share ("HEPS") for the 12 months ended 31 December 2011 to be between 77% and 85% higher than the EPS and HEPS for the prior corresponding period. As referred to in our previous trading update released on SENS on 11 August 2011, the statement of comprehensive income includes the settlement income from Pfizer Ltd and Pfizer Laboratories (Pty) Ltd. In addition, due to IFRS requirements, a significant unrealised gain relating to the mark to market of forward exchange contracts has been accounted for in the EPS and HEPS. As a result of these adjustments the increase in normalised EPS and HEPS will be less than 20% when compared to the results for the 12 months ended 31 December 2010. The company's results for the 12 months ended 31 December 2011 are expected to be published on or about 15 March 2012.

RMBH 2012/02/24

RMBH considers normalised EPS from continuing operations to most accurately represent operational performance. On this basis, normalised EPS for the six months to December 2011 are expected to increase by between 20% and 24% from 110.1c for the six months ended 31 December 2010. Earnings guidance for six month ended 31 December 2011 Given the impact of the non-recurring prior period items and the changes in the interim to the group structure, shareholders are advised that the expected outcome for the six months ended 31 December 2011 is as follows: Headline earnings - includes both continuing and unbundled operations in prior period -- expected to decrease from 161cps for 2010 by between 12-20% Earnings - unbundled operations in prior period -- expected to decrease from 295.5cps for 2010 by between 45-55% RMBH's interim results for the six months ended 31 December 2011 is expected to be released on SENS on or about Wednesday, 29 February 2012.

AF-&-OVR 2012/02/24

Shareholders were advised on 16 November 2011 regarding the prospects of the group for the first half of the 2012 financial year and particularly the expected negative impact of the withdrawal of the Duty Credit Certificate benefit on operating profit. Accordingly shareholders are advised that Af&Over expects headline earnings per share and earnings per share to be between 25% and 29% lower for the six months ended 31 December 2011 as compared to the previous corresponding period. The company's results for the half year ended 31 December 2011 are expected to be published on or about 9 March 2012.

MONDI 2012/02/24

On 23 February 2012 Mondi announced, in its preliminary results announcement, that a proposed final dividend for the year ended 31 December 2011 of EUR17.75 cents per ordinary share will be paid on 10 May 2012 to all Mondi Ltd. and Mondi plc ordinary shareholders on the relevant registers on 13 April 2012. The final dividend is subject to the approval of the members of Mondi Ltd. and Mondi plc at the respective annual general meetings scheduled for 3 May 2012. Mondi Ltd. and Mondi plc will pay their respective dividends as follows:

Mondi Ltd.

Mondi Ltd. will pay its dividend in South African rand cents. The applicable exchange rate is EUR1 to R10.2189. Therefore, the equivalent final dividend in rand cents per ordinary share will be 181.38548.

Mondi plc

Books to guide your investment

The Philosophy of Wealth



How to identify the long-term share market winners
R130

Footsteps To Fortune



How to identify medium-term investment shares and effectively time the market
R130

Investment Without Tears



Richard Cluver's original best-seller: how to get started on the share market
R90

How To Make A Million



A step-by-step guide to the creation of investment wealth
R90

300 Ways To Make Your Money Grow



300 Investment growth solutions
R90

Making Money With the Mutuals



How to win as a unit trust investor
R90

Mondi plc will pay its dividend in euro. Mondi plc South African branch register shareholders will receive the dividend in South African rand cents, converted at a rate of EUR1 to R10.2189. Therefore, the equivalent final dividend in rand cents per ordinary share will be 181.38548.

REX-TRUE 2012/02/24

were advised on 16 November 2011 regarding the prospects of the group for the first half of the 2012 financial year and particularly the expected negative impact of the withdrawal of the Duty Credit Certificate benefit on operating profit. Accordingly shareholders are advised that Rex True expects headline earnings per share and earnings per share to be between 22% and 26% lower for the six months ended 31 December 2011 as compared to the previous corresponding period. The company's results for the half year ended 31 December 2011 are expected to be published on or about 9 March 2012.

STANBANK 2012/02/23

Stanbank will be releasing its financial results for the year ended 31 December 2011 on SENS on Thursday, 8 March 2012. The group anticipates that normalised headline earnings for the year ended 31 December 2011 will be approximately 20% higher than the previous corresponding period. With respect to results on an International Financial Reporting Standards basis, shareholders are advised that Standard Bank Group's earnings per share, headline earnings per share ("HEPS") and diluted HEPS are expected to be between 18% and 22% higher than the comparative figures for the year ended 31 December 2010. Normalised earnings reflect the legal and economic substance of the group's Black Ownership Initiative and of deemed treasury shares held for the benefit of Liberty Holding Ltd. policyholders and to facilitate

STEINHOFF 2012/02/23

Steinhoff shareholders are advised that the headline earnings per share ("HEPS") and earnings per share ("EPS") of Steinhoff for the six months ended 31 December 2011 will be between 40% and 50% higher than the HEPS and EPS as reported for the comparative six months ended 31 December 2010. The major contributors to the 40% to 50% increase relate to the inclusion of the results of Conforama Holding S.A (acquired in March 2011), a more favourable translation rate of the euro-earnings to rand, and the associate earnings earned on the investment in the JD Group Ltd. The information in this trading statement has neither been audited nor reviewed by the company's auditors.

STANBANK 2012/02/23

Business Day reported that Standard Bank has signed a business co-operation agreement with Japan's Mizuho Corporate Bank under which the two banks will partner to assist Japanese companies in Africa. Standard Bank wants to use its dominant position in Africa to provide financial services to Japanese companies that want to use South Africa as a base for African expansion. This is Standard Bank's first agreement of this kind with a Japanese

BHPBILL 2012/02/22

BHPBill has priced a five tranche Global Bond under its debt shelf registration statement, which has been previously filed with the US Securities and Exchange Commission. The Global Bond comprises USD1 000 million Senior Floating Rate Notes due 2014 paying interest at three-month US Dollar LIBOR plus 27 basis points, USD1 000 million 1.000% Senior Notes due 2015, USD1 250 million 1.625% Senior Notes due 2017, USD1 000 million 2.875% Senior Notes due 2022, and USD1 000 million 4.125% Senior Notes due 2042. The proceeds will be used for debt refinancing, including the retirement of commercial paper, and general corporate purposes.

AMAPS 2012/02/22

Shareholders were advised that for the six months ended 31 December 2011, the group expects to release unaudited earnings per share ("basic EPS") and headline earnings per share ("HEPS") within the ranges shown below. December 2011 & December 2010 Basic EPS: 25 - 30 & 12.6 HEPS: 25 - 30 & 12.6 The above results include an arbitration award handed down in favour of AMAP in respect of a claim by AMAP's subsidiary, Tedex Trading (Pty) Ltd., against Battery Technologies (Pty) Ltd. The claim arose following the cancellation of orders of batteries supplied to Tedex Trading (Pty) Ltd. on the basis that the batteries did not meet specification requirements. The award is an amount of R28.8 million before tax. The group's unaudited results for the period ended 31 December 2011 are expected to be published on or about 5 March 2012

REBOSIS 2012/02/22

Linked unitholders were advised that the company's annual report, incorporating the audited results for the year ended 31 August 2011, was dispatched on 22 February 2012 and contains no material changes to the information contained in the reviewed results which were announced on SENS on 7 November 2011. The annual report contains a notice of annual general meeting for Rebo-sis linked unitholders, which will be held at 3rd Floor, Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng at 10:00 am on Wednesday, 28 March 2012

BHPBILL 2012/02/22

Business Report highlighted that Super Group is on the acquisition trail again after spending much of the late 1990's rationalising its operations and selling unprofitable and non core businesses to reduce its debt and refocus on its core competencies. Chief executive Colin Brown confirmed that the group had identified a few acquisition opportunities in the dealership and supply chain divisions and its fleet solutions business in Australia. The motivation for the acquisitions comes from Super Group's expected future strong cash generation across the group, which it believes will underpin a robust balance sheet and allow it to pursue earnings-enhancing and value accretive strategic opportunities.