

The Investor

In our 27th year of free service to the South African investing public!

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By Richard Cluver

ShareFinder user Allan Robinson of Pietermaritzburg SMSd me to announce that his portfolio grew 35 percent in 2012, adding the comment "Thanks for a great programme."

Hopefully most users of the programme did equally well. Fuelled by central bank printing presses, most share market investors had a spectacular 2012 and will very likely have an even more spectacular 2013. My own theoretical portfolio which I run for the benefit of readers of my Prospects newsletter service, did twice as well in 2012 as it did in 2011, achieving a remarkable 44.84 percent as illustrated by my graph below:

On January 1 2012 it was worth R1 221 598 and on January 1 2013 that figure had climbed to R1 769 346.

In the previous year the Prospects portfolio achieved 22.15 percent climbing from a starting value of R1-million to R1 221 598.

So I wondered how other investors coped with the past year? ShareFinder's Unit

Trust analyser records the SIM Global Financial Fund the best unit trust performer of 2012 with 36.9% followed by Nedbank Financials with 32.9% and Sanlam Industrial A with 29%.

Now the reality of most long-term portfolios is that their performance tends to slow somewhat as they mature due to the fact that most of us become wedded to favourite shares which did exceptionally well in their early years resulting in big capital gains. Later, when these companies enter a more mature phase and their price growth slows, the average investor tends to



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hang on in the hope that the glory days will return. Furthermore most investors exhibit an understandable reluctance to incur capital gains tax in respect of such shares. So they end up holding too many modest performers.

In my own personal portfolio, for example, I have long held onto a substantial investment in Sasol shares which have collectively grown in value by 213% since I bought them but which have in recent years been achieving a Total Return of just 5.7%. To have sold them all would have attracted so much capital gains tax that it would have wiped out most of my dividend income for the year. Accordingly each year I have disposed of a quantity of my Sasols and replaced them with better performers. It is a slow process but one that most readers will be familiar with. So if your portfolio has not done as well as the Prospects portfolio, you should not necessarily feel unduly troubled provided you have learned the lesson that it is important to systematically dispose of the laggards whenever the opportunity presents itself.

For those readers who do not subscribe to Prospects, I list below the portfolio which I have systematically put together over the past 24 months, warning readers in advance of proposed buys and sells together with the prices I hoped to achieve.

Did you beat me last year? If so I would like to hear from you. But please don't write to tell me you had all your money in Mr Price or some other single top performer. If you got great growth by such a method I can only say you were lucky but not very wise. If you do not diversify your portfolio you will sooner or later take a terrible tumble.

Name	Price	% Change	Quantity	Cost	Per Share	Value	% Gain
2011 Prospects Folio		-0.7%				1 702 298.96	67.5
*Cash						52 443.46	
A-V-I	55.09	-1.2%	3 000	165 090.00	55.03	165 270.00	+0.1%
CAPITEC	197.50	-0.7%	562	100 036.00	178.00	110 995.00	+11.0%
CLICKS	58.20	-3.0%	1 700	100 300.00	59.00	98 940.00	-1.4%
CORONAT	42.25	-1.3%	4 014	99 988.74	24.91	169 591.50	+69.6%
FAMBRANDS	73.15	+1.6%	2 674	100 000.00	37.40	195 603.10	+95.6%
MASSMART	181.74	-0.9%	736	100 000.00	135.87	133 760.64	+33.8%
MRPRICE	120.00		1 804	100 000.00	55.43	216 480.00	+116.5%
NASPERS-N	548.00	-0.2%	280	100 000.00	357.14	153 440.00	+53.4%
PINNACLE	18.77	-1.2%	10 638	99 997.20	9.40	199 675.26	+99.7%
SHOPRIT	180.00	-1.6%	1 145	100 000.00	87.34	206 100.00	+106.1%

How did other investors cope with the past year? If you have beaten the unit trusts — and with an average growth rate of 13.09% last year they were not hard to beat — lets hear from you. I am sure readers would like to know what share selection method you used and what growth rate you clocked up?

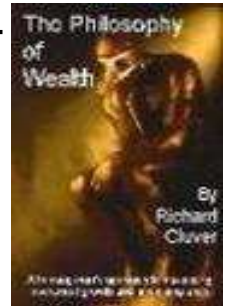
Write to richard@rcis.co.za and tell me which shares you bought and when...and most importantly, please share with me what selection method you used to choose the shares you bought. I appreciate that many of you will be reluctant to have your names published and so I promise to respect that.

Our office has moved to Kloof and our new phone number is 031 9400 012 and our fax line is 086 5588 562

Books to guide your investment

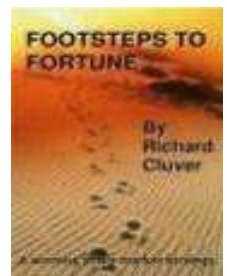
The Philosophy of Wealth

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



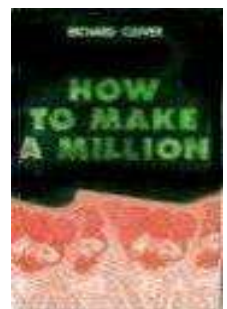
Investment Without Tears

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



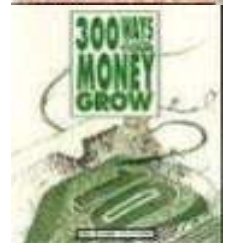
How To Make A Million

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





ANCHOR CAPITAL

RICHARD CLUVER OFFSHORE MANAGED PORTFOLIO

The Parties



Richard Cluver is a legend of the SA private client investment world. Over many years his Sharefinder programme and regular publications have been guiding SA investors on the JSE and offshore markets. Richard is also the author of numerous investment books.

Nature of the equity investment portfolio

This is an investment in offshore listed shares following a model portfolio compiled and regularly updated by Richard Cluver, in collaboration with Anchor Capital. The initial focus will be on London-listed equities.



Saxobank is a Denmark-based bank, which focusses on providing trading platforms to investors all over the world. This portfolio is managed on the Saxobank platform and provides investors with 24-hour online access (PC, iPhone or iPad) to their segregated portfolios.

The shares are purchased in an account in the investor's name on the Saxobank platform—in other words, the investor owns the shares directly. This is the ultimate protection in the volatile investment world, and there is complete transparency for the investor.



Anchor Capital is SA's fastest growing asset manager, and is the FSB-registered entity which will implement the Richard Cluver Offshore portfolio on the Saxobank platform. Anchor Capital has offices in Durban, Sandton, Irene and London.

Richard's investment process has been developed and fine-tuned over decades. The approach is:

- ⇒ Firstly, to apply a number of fundamental filters, which identify shares of sufficiently high quality which are trading at attractive valuations.
- ⇒ Secondly, a technical overlay is applied which assists in timing the purchase of the shares and setting target prices for purchase.
- ⇒ A portfolio is constructed taking the overall mix and exposure into account. Shares are patiently accumulated, with acquisition target prices in mind.
- ⇒ Shares will normally only be sold in the event of a deterioration in balance sheet fundamentals or unjustified valuations.

The facts and figures

- **Fund manager:** Richard Cluver and Anchor Capital
- **Asset class:** Offshore developed market long-only portfolio of equities, initially limited to those listed on the London Stock Exchange
- **Minimum Investment:** R500,000
- **Nature of product:** Segregated portfolio with shares owned in the investor's name. These are held on the Saxobank platform, with a London domicile.
- **Default currency:** Pounds
- **Risk profile:** Medium
- **Management fee:** 1% per annum
- **Investment horizon:** 3-5 years
- **Liquidity:** Investors can sell their portfolio at any time

The objective of the portfolio is capital growth over the long-term and is appropriate for investors who wish to have a managed offshore equity component to their portfolio.

The risk profile is considered "medium", as equities are volatile by nature.

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Anchor Capital (Pty) Ltd, FSP number 39834. www.anchorcapital.co.za

The Ten Minute Millionaire

By Richard Cluver



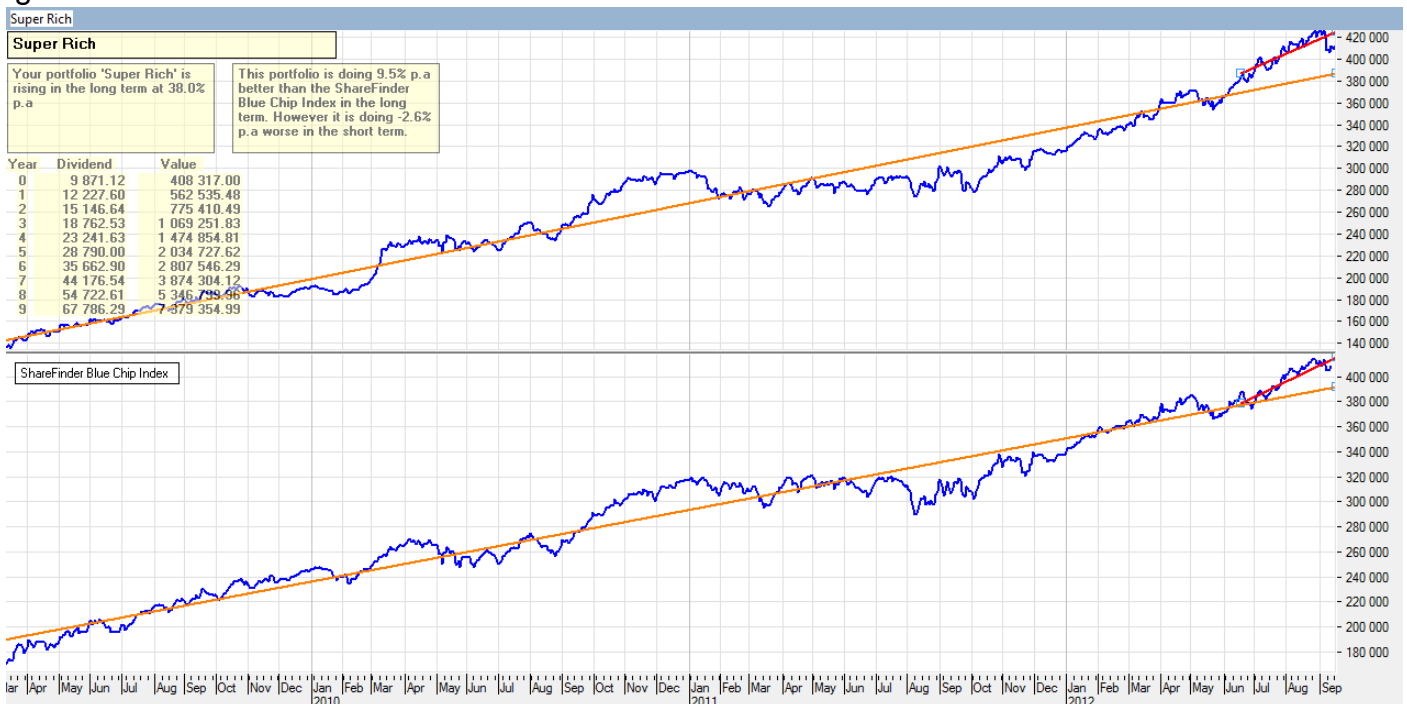
There is no need to pay thousands of Rands to professional portfolio managers who, on the whole, are unable to outperform the share market averages. The fact is that, as I have been illustrating in this recent series, choosing a winning share portfolio is as easy as 123. In my view, nobody cares more about your money than you yourself, so why leave it to others to do it for you?

Let us start by re-capping my “Super Simple” rules for selecting a safe share investment portfolio:

- 1) Confine your selections to the shares of companies that have consistently grown their dividend payouts for a minimum of ten years.
- 2) From this list select only those whose shares are regularly traded in high volume
- 3) From this list in turn select those which have achieved the highest compound annual average dividend growth over the past five years.
- 4) From this latter list select those which have achieved the highest compound annual average share price growth over the past five years.

That is practically all there is to it. The only remaining tasks are to ensure that there is not too much sector domination: i.e. ensure that there is as even a spread as possible over the various share market sectors

The graph composite below illustrates how a portfolio chosen by this method performed relative to the rest of the market, outdistancing the ShareFinder Blue Chip Index by 9.5% between the start of the current bull market and the time of writing and achieving a compound annual average growth rate of 38%.



When we applied these super simple rules, the selection process gave us ten Blue Chip shares: Shoprite, Naspers, Famous Brands, Sanlam, Hyprop, Foschini, Wilson Bayley, Mr Price, Standard Bank and Massmart. So let us construct a portfolio and, to illustrate how well the selection process works, we will go back to the start of the current bull market in March 2009 assuming that each block of shares was bought at their price lows of that time.

Here it is important to note that, ideally you should try to buy shares in blocks of 100 or more because you save on brokerage charges. Furthermore, in order to reduce the risk that one or more

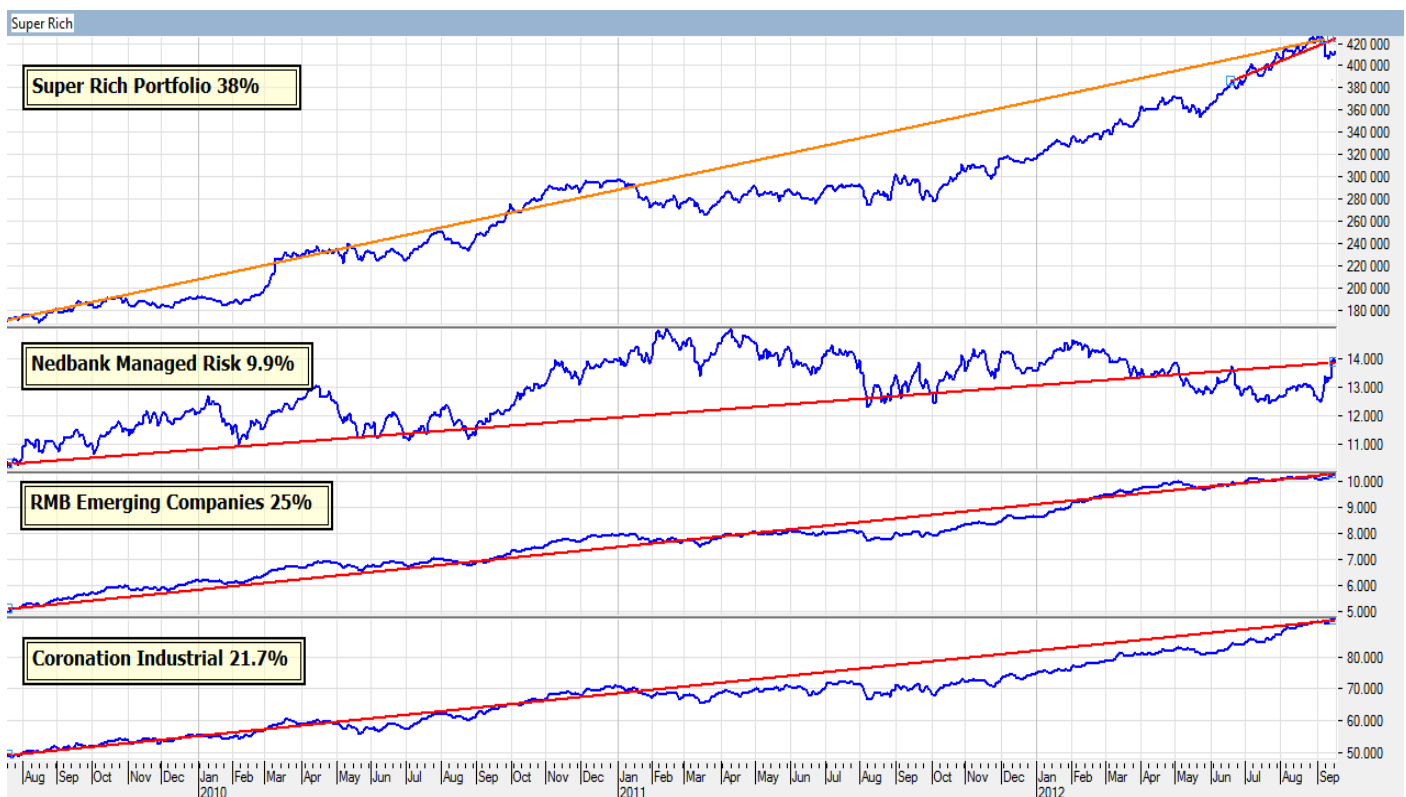
of your selections might underperform the market average, you should spend approximately the same sum of money on each share in the portfolio.

A little trial and error calculation thus showed me that to achieve an approximately even spread, I would need to invest around R12 000 per share.... and so I derived the list on the right:

Now, I began this chapter with my belief that nobody can do things better than yourself for the very obvious reason that only you really care about the welfare of

Share	Buy Price	Date	Quantity	Cost
Shoprit	4650	Mar5 2009	250	11 625.00
Naspers	14390	Mar6 2009	100	14 390.00
Famous Brands	1360	Mar10 2009	900	12 240.00
Sanlam	1394	Mar 6 2010	900	12 546.00
Hyprop	3845	May15 2009	300	11 535.00
Foschini	3690	Mar 6 2009	400	14 760.00
Wilson Bayly	8350	Mar 9 2009	150	12 525.00
Mr Price	2190	Mar 9 2009	600	13 140.00
Standard Bank	6015	Mar 4 2009	200	12 030.00
Massmart	6180	Mar 6 2009	200	12 360.00
TOTAL				127 151.00

your money. So let us take a look at how others managed public money over the same period. And, to even the playing fields, let us choose the three unit trusts that have achieved the highest compound annual price growth over the past ten years. Nedbank Managed Risk achieved compound 23.8%, RMB Emerging Companies 23.66% and Coronation Industrial 22.73%.



Since 2009 Nedbank Managed Risk achieved little more than a third of its ten-year average rate at 9.9 percent compound while RMB Emerging Companies bettered its 10-year average of 23.66 by lately scoring 25% compound and Coronation Industrial managed 21.7% compound compared with its ten-year average of 22.3%.

Had you thus opted to average your investment over the three the three best-performing unit trusts of the past decade you would have achieved average growth of 18.86 percent. Against this the Super Rich portfolio, chosen by the simplest of selection methods did twice as well achieving 38% compound. So I ask again, why pay someone else to do it for you when you can do it yourself so easily and effectively?

By Invitation

Dr Cees
Bruggemans
Chief Economist First
National Bank

In retrospect, 2012 was a series of stillborn global panic attacks. It was like a promised Perfect Storm of potentially gigantic proportions, even a replay of 2007-2008, that never really materialized, as it was somehow deflected and passed us by.

But even if it was all false alarms in the end, the year saw much noise, indeed enough to test the strongest

nerves. There was at times clearly much angst in the ether (as confirmed by regular methane readings when sniffing the air). It felt like a cattle abattoir at times. So much anxiety and second-guessing in the normal course of events does not stay without results. It tends to induce defensiveness, if not a willingness to run for the hills. It certainly tends to advise strongly against adventuresome exploits. Instead, it favours sticking with the herd in a contemplative, if not regressive, wait-and-see mode.

This could still be observed clearly in most equity markets during 1H2012, as much regards China and Europe, until ECB President Draghi declared "bombs away" and finally gave his blessing to the sovereign and banking backstop that greatly eased market anxiety about Europe.

Business executives, especially in the US, still went into a funk during 2H2012 as the implacable domestic standoff regarding the US fiscal cliff saw rising risk of another major recession in 2013 potentially taking shape. Most company managements don't like uncertainty, and when on the scale offered by the US fiscal cliff debacle they clearly recoil (even when markets tended to take it with a pinch of salt right up to the end, being perhaps slightly more experienced on this score and less led by news feeds, with a deep scepticism about politicians).

Whatever the exact cause-and-effect explanations, just about everybody in 1H2012 was deeply disturbed by European antics, feared the outcome of some kind of Iranian confrontation, had more questions than answers about what was really playing in China, and was wearily watching the approaching US fiscal cliff confrontation (with proceedings throughout enlivened by feisty national elections in Greece, France, Holland and the US, a generational handover in China and serial drama in Spain and Italy, with Japan awakening right towards year end).

South Africa thus wasn't alone on its long and winding Road to Bloemfontein and the often violently changing sentiments that accompanied that wake. And yet in the end nothing happened. Or more precisely, no bad detours arose. Instead, at every fork in the road, something turned up magically to defuse potentially explosive situations.

There was no Grexit, even as Mario Monti resigned in early December. There was no Dutch Revolt (though afterwards one kind of wondered if the Dutch electorate had already had second thoughts). Romney didn't make it in the end, Germany stuck to Merkel like a second skin, Hollande felt it necessary to



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placate the Left and show his credentials (inviting successful French to pack up and go, most memorial Depardieu), while the US Congress and President Obama engaged in a complex mating dance that apparently wasn't intended to really lead to lasting results).

A weird year indeed. It was left to the central bankers to provide the real markers. Draghi was most forceful in naysaying the Bundesbank, speaking for the majority, finally backstopping sovereigns and banks. Fed chairman Bernanke opened the way for QE extension and the paradigm shift in Japanese politics opened the way for more fiscal and monetary aggression there as well. Right towards the end, the IMF changed its mind about austerity multipliers (not good) and the BIS watered down a bit its Basel 3 liquidity requirements for banks (both actions seen as supportive for the world economy).

What does all this say about 2013? It cannot be claimed with a straight face that there are no major crises to be expected in 2013, seeing they didn't happen in 2012 and as the global audience can stand only so much false alarm. For that is to reckon without Taleb's Black Swans. There remains much unresolved in the world, and quite a bit can go wrong. What 2012 did show, however, was the way the world kept finding workable answers to its problems.

An unexpected systemic breakdown is one thing (its causes going unrecognized until the collapse is upon us). Addressing a visible, well-defined problem is often something quite different. That is the main difference between 2007-2008 and 2012. By definition we can't know the 2013 surprises in store for us. But at the next level are the known problems, in many cases the same as offered up by 2012, and yet today strangely less intimidating, given the 2012 outcomes.

There is the Italian general election next month, but the world along with German finance minister Schauble apparently expecting Italians to do the right thing (for them and Europe).

There is the US debt ceiling by mid-February, likely to create even more heat than the December 2012 fiscal cliff and its August 2011 precursor, although Republicans appear ready to kick that can 100 days down the road (but are the Democrats?).

There is apparently greater willingness now to assume that US politicians somehow will keep doing deals, even as the fiscal implacableness following the limited tax deal seems to have deepened. That could cause market unease during February potentially on a surprising scale. But would it change anything?

Iran remains an issue that hasn't gone away. German politics may be lively in the fall, but ultimately come together again in the person of Angela Merkel who is likely to carry on in similar vein even when heading a different coalition.

Japan and China are engaged in interesting experiments. China's growth will likely be resilient in 2013, as inventories, exports, infrastructure and household spending underwrite equity market recovery. Japan, too, may succeed in attaining some of its new goals while injecting a lot more liquidity.

It isn't a perfect picture, but it doesn't seem to offer really severe storm warnings either. It is the kind of placidness that make businesses want to loosen their belts after over tightening them previously.

As global business relaxes some more in coming months, the global inventory, business in-

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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.

vestment spending and new hiring lift now apparently underway should impart somewhat greater liveliness to growth (eventually). European government austerity will likely be less stringent than in recent years even if US austerity picks up somewhat as it mishandles the cliff challenges.

Despite pockets of resistance insisting on new major crisis potential in 2013 (it is often their only calling card), the year ahead may see as little real drama as 2012 ultimately offered up (despite the often shrill visuals, thinking of Greece protest, Syrian civil war, French strike, Afghan and Pakistani bombings, Marikana). Its debt ceiling debacle and the decisions made in its wake will probably keep the US slow, the Fed supportive of QE and the Dollar weak.

Europe is digesting its worst austerity and loss of business confidence at this very moment but ECB backstop, reviving confidence and better global trade prospects should see it start slowly (glacially) lifting out of recession within months. China (and Japan) should be growth stories with upside, in turn kindling the commodity producer fires.

Global equity markets are likely to thrive on the better growth and risk prospects, with liquidity still very much unstintingly in support for now, while bonds may find themselves increasingly in transition (though not yet in a stampeding maelstrom as the great tide turns, it perhaps being still too early for that?).

At home, anticipating Bloemfontein is being replaced with preparing for the 2014 general election. This may still be accompanied by much labour unrest as the country is trying to redefine its workable contours, as much labour as employers and politicians. That could well turn out to be costly, but then most transitions are not without premiums for costly pasts.

But could any of this derail 2013? The global picture looks encouraging, even though nationals in each country can probably trot out enough downside to make one wonder. Yet when seen together, 2013 could be 2012 without the angst and with more investment commitment, in the process yielding more growth and job gains and (mostly) strong market returns (though not necessarily in bonds).

This would also prove to be a prop for South Africa, with export volumes gaining modestly along with world trade, while our commodity prices may also receive boosts, if sector specific. Domestically, our prospect looks a bit like America's, with growth tempered by challenges, in our case labour.

Our biggest questions this year (unlike early last year) are probably not primarily globally directed (except for the US debt ceiling), but much more locally driven. To what extent is there a paradigm shift underway in ANC thinking, and in which direction? And how can labour again be moored more firmly rather than acting as so much loose cargo, whether in mining, agriculture, civil service or industry?

Some of this has to do with expectations (somewhat out of control following so many empty political promises?), much with social issues (household financial overreach?), but also with institutional arrangements (competing unions and whether collective wage bargaining constraints can only apply to employers?).

These many complex issues came to the boil first in the lead up to a definitive elective leadership conference, and can potentially keep playing for another 18 months leading up to a 2014 general election. Thus our main performance-related challenges seem to be homegrown, politically induced as much in labour as in infrastructure contexts, with the global backdrop on balance supportive (unless our deepening own goals makes the world ever more weary of supporting us with capital flows, in which case our downside might not be pretty).

An inspiration, if any was needed, to address all these issues simultaneously. On this score, the CNN interview with ANC-deputy chair Ramaphosa two weeks ago was interesting, even heartening, though we now have to await the follow-through. That is always more difficult than speech-

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Our Interim Transition is getting a little stale

Some 35 years ago the country had its Wiehahn Moment, effectively unshackling Black labour unions, giving them much more power to organise.

Just 20 years ago we had our first fully Democratic Moment, following which the ANC government, business and the unions struck a Big Deal in which all three partners thought they gained something crucial.

Business was to retain its market capitalism (though with a lot more intervention than it really bargained for, but such are life's little tradeoffs). The unions gained a partner in government and ever more friendly labour legislation. Government won the public sector and the right to apply affirmative action to undo injustices from the past.

Fast forward to today and what has been achieved? Business has transitioned quite nicely, with many firms internationalising out of recognition and many SA operations steadily transforming, mostly efficiently so, though the regulatory burden has become (much) heavier and government interventions often more intruding.

Especially for small business it means a very high entry hurdle. Just how stiff becomes only obvious when visiting Indonesian MBA students ask questions that make you cringe and wonder how our locals can ever get off the ground compared to loving care bestowed elsewhere on undercapitalised starters with a great idea.

Labour unions greatly increased their influence, winning more members and championing their causes, causing real labour costs to outpace productivity with large margins. And the ANC government? It was in a hurry to gain political power and entrench it, determined to prevent the past ever again from gaining a foothold. In its hurry to do so, it often replaced unwanted manpower with trusted cadres, often irrespective of technical merit.

The problem with such excesses at the expense of efficiency is predictable. There eventually is payback. The sacrifice of merit undermined public sector delivery, eventually feeding public protest on a scale where even some ANC ministers started to acknowledge things weren't quite what they should be. Long standing senior members started to criticize the party, and some working and middle class voters started to slip away, most noticeably at municipal level, often in the most unlikely places (heartlands even), but at national level, too.

And throughout this long reform transition, the ruling party became increasingly long on promises, naturally upping the aspiration levels of its electorate, steadily fanning expectations to an ever finer pitch and in the process feeding an ever hungrier entitlement appetite.

Yet the country's underperformance, flowing from many shortcomings, especially the manner in which government actions constrained the supply side of the economy and steadily inhibited private confidence and risk taking, did not allow the rising expectations of many people to be adequately met (if at all), in turn giving rise to increasing dissatisfaction with the status quo.

On another level, many working class people (and many poor) became often enticed by tempting consumption offerings from

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sophisticated world-class businesses and were thereby drawn into the stifling embrace of the consumptive economy, with many households not always fully understanding the pitfalls. After enough of this, parts of the labour force felt themselves inadequately rewarded and inadequately represented, ultimately taking the right in their own hands, preferring to follow new unions or otherwise striking out on their own, going extra-legal and trying their luck with their strike and protest weapons to achieve better wage and job deals of their own.

In the process, the leading labour unions, labour legislation, the ANC government and ultimately the consumptive economy and employers (jointly and severally) were gradually called to account, none more so than during the past 12 months, especially in mining and agriculture (but not limited thereto). It would seem an era of liberation is maturing, indeed is getting very fruity like unpicked plums being left to rot on the trees. Parts of society are on the move again, undoing agreed ways of doing things like collective bargaining and its closed shop (even where it offers legal 'protection'), becoming radically revolutionary in their demands and actions.

Nothing can ultimately prevent poor mistakes from being doubled-up on if those in power or newly coming into power are determined to drive ever deeper into trouble, for they don't necessarily conceive it as such. But events appear to suggest it isn't all one way anymore, if it ever really was. The liberators may have by and large shot their bolts and now need to reform in their own right or find that the populace gradually shifts the balance of power once again, entirely democratically of course.

Here we see two interesting phenomena occurring together. Major established unions are getting devastating competition from new startups, in addition to which labour in certain instances tries to deal with employers directly. It is a situation which cries out for reform and renewal, indeed another Wiehahn Moment, like the first such Commission addressing some of the excesses that have come into being, with the aim of again achieving a better functioning labour market more in tune with a growth-oriented economy.

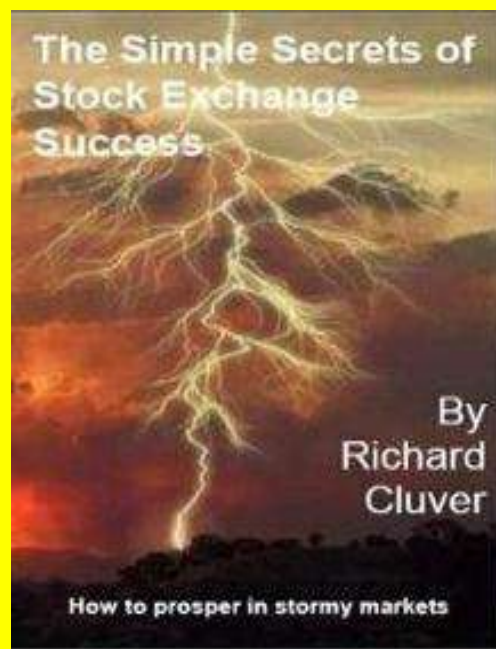
Also, one notices how the ANC government in its own right appears to have shifted direction once again, preferring now greater internal discipline, potentially better governance, and adopting the National Planning Commission's main mantra, appointing senior office bearers capable of leading party and country forward in this image.

Big ships take long turning. When adequate performance is not being achieved, course corrections are needed in order to remain relevant for the long haul. Thus the present Interim Transition, which started with the reform decade of the 1980s and which was given major impetus by the move to fully inclusive democracy in 1994, appears to have entered a waning stage, hinting at the start of yet another new reform era, one that will take time taking shape. As such new movements have to start somewhere, it could well be that 2012/2013 may prove such a watershed, with thereafter a gradual drift (or even a hop-and-skip) towards a new beginning (depending on choices made) later in the decade.

The Old will likely experience a difficult fading while the New will probably have a difficult birth. There is little that is new in this, as most era changes proceed in this manner as new thinking overtakes old. South Africans are by now old hands at these kinds of rollicking movements, having had our fair share of them during our long modernisation drive stretching over many generations. More of it seems to lie ahead, before we hopefully find a more appropriate societal shape that fits us more comfortably than the present one. As to 'failed' state, that is when a nation gives up the struggle for modernisation, indeed gives the ghost as it returns to medieval arrangements, if not the stasis of the unforgiving jungle. Experimentation with change must not immediately be taken as the death throes of modernity. As wave follows wave of reformers and accompanying pickpockets, one looks for renewal rather than demise even though the onion peeling can get pretty tearful at times. Some parts of the world got this wrong (North Korea, Somalia). Most did get it right, some only after long detours. Our society may prove luckier than

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The South African Reserve Bank (SARB) left the repurchase rate unchanged at 5.0% as widely expected, citing the risk of CPI inflation temporarily breaching the upper limit of the inflation target range (of 3-6%) in the third quarter of 2013. The SARB identified exchange rate depreciation and high wage settlements as key risk factors to CPI inflation, raising its forecast for 2013 from 5.5% to 5.8% yesterday. The CPI forecast does not include the new CPI weights and rebasing, but will incorporate these changes in the next release.

The Monetary Policy Committee (MPC) said "despite a generally positive reaction to the ANC elective conference, ongoing labour conflict, the proposed scaling down of mining operations and ratings agency downgrades are symptomatic of the challenging domestic outlook. In the absence of coherent and consistent structural policy initiatives, domestic economic growth is expected to continue to be well below both what is possible and required to make significant inroads into unemployment." At the same time the global environment remains challenging, despite improved financial market sentiment, with expected protracted recession in the Eurozone and continued uncertainty on fiscal policy in the US. A more positive outlook has however emerged on the Chinese economy, but SA's growth remains below its potential.

The MPC highlighted "continued labour disputes and announcements of possible closures of shafts and mines, a consequence of increased cost pressures, weak global demand and prices" and "the potential impact of the higher level of wage settlements on employment and inflation. There are indications that wage increases are trending higher, with growth in nominal remuneration per worker increasing from 7,2 per cent in the second quarter of 2012 to 8,1 per cent in the third quarter."

A wage-price spiral, where well above inflation demand increase spurs higher demand inflation and so higher wage demands and retrenchments as productivity fails to keep pace, is concerning the Bank. The SARB revised its growth outlook for 2013 down to 2.6% from 2.9% year on year, expecting a higher outcome for 2014 at 3.8% year on year (but revised down from 3.6%) based on a more favourable global outlook.

We expect interest rates to remain unchanged for most of 2013, leaving SA's monetary policy stance quite ac-

Figure 1: SA Consumer Inflation: History and Forecasts



Sources: Stats SA, Investec

Figure 2: CPI inflation forecasts (% y/y): the SARB's forecasts move closer to ours

	2013	2014
Investec	5.6	4.9
SARB 24 th January 2013	5.8	5.2
SARB 20 th November 2012	5.5	5.0
SARB 20 th September 2012	5.2	5.0
SARB 19 th July 2012	5.1	5.1
SARB 24 th May 2012	5.5	5.0

commodative. Should economic growth deteriorate significantly or the global outlook worsen the SARB will likely cut interest rates again, but potentially by 25bp, not 50bp.

The rand has weakened from R8.10/USD to R9.04/USD, from R12.70/GBP to R14.32/GBP and from R9.94/EUR to R12.04/EUR to date since the start of the strike action and in August 2012 in the mining industry, that ran over into the transport sector, then the agricultural sector and most recently the social unrest in the Vaal area. Foreign investor perceptions of South Africa have worsened and so led to a rebalancing of portfolios.

The Fitch downgrade, partly on the back of the rise in social unrest, has also caused the rand to weaken as SA government bonds are now rated only two notches away from speculative grade. Since the middle of August 2012 foreigners sold R5.4bn worth of South African equities on a net (of purchases) basis as sentiment toward SA worsened on the perceived deterioration in policy clarity from both government and the ruling political party, the implications of illegal strike action on many companies (likely dip in profitability due both to production losses in the afflicted sectors and negative impact on retail sales) and the increased operating difficulty for corporates in SA on the rising rigidities in the labour market.

R2.2bn of the net equity sales occurred in January this year, showing also increasing foreign equity investor fatigue with the escalation in strike incidence, and consequent negative impact on growth, government finances and corporate activity in South Africa.

Foreign purchases of bonds totalled R17.6bn in the period mid August 2012 to end 2012 on the fortuitous timing of the inclusion of SA in Citi Bank's WGBI, i.e. World Government Bond Index (see "Rand outlook: strikes, Moody's downgrade and global weakness afflict the rand", 10 October 2012). This allowed the rand to start the first quarter of 2013 at R8.45/USD, in line with our forecast of R8.43/USD, but the downgrade Fitch delivered to SA's sovereign credit rating in January 2013 subsequently saw foreigners sell off R816million worth of SA government bonds and R5bn worth of equities, and the rand weakened to current low levels. South Africa needs to run a large surplus on its financial account (including foreign purchases of South African bonds and equities and foreign direct (bricks and mortar) investment) to fund its persistent current account deficit.

We have weakened our forecast for the domestic currency somewhat as the post Mangaung (ANC elective conference) euphoria proved short-lived, with Cyril Ramaposa's election as Deputy President of the ANC yet to improve the perception of the attractiveness of SA as an investor destination, S&P and Moody's have SA on a negative outlook (could downgrade SA's sovereign rating again, to one notch above speculative grade for S&P) and social unrest remains concerning.

South Africa's illegal strike action (workers were not paid) in the mining and transport industries in 2012 reduced retail sales and manufacturing production growth and caused mining production to contract in Q3.12 and Q4.12. Foreigners were net sellers of equities on the expected slowdown in profitability in the related companies and expected potentially lower dividend payouts and/or share prices. Resulting currency weakness further exacerbates foreigners' losses, and increase the disincentive for investment, both portfolio and direct. This is the vicious cycle which is slowly playing out in South Africa as a consequence of the strike action and is widening the current account deficit.

Another downgrade from Standard and Poor's would place South Africa on the last notch of investment grade and so make foreign purchasers of SA's bonds and equities nervous, and likely to result in large investment outflows. Should SA's sovereign rating fall to speculative grade, that of its corporates will as well, and the combination will herald substantial portfolio outflows that will cause immediate, substantial rand weakness and have the impact of moving the domestic currency to a new, much weaker level, potentially R2.00/USD or worse in a very short space of time.

While our forecast for the rand for Q1.13 at R8.60/USD is below current levels, and the rand is trading closer to our down case, we believe SA will receive no more ratings downgrades this quarter, the budget (on 27th February 2013) will show government has realised it cannot allow any further fiscal slippage and greater focus will be given to enabling the private sector to do business and so raise the economic growth rate and government revenue. Should this not occur then expect greater alignment to the down case.

I wrote some time ago that Greece had a choice between Disaster A: staying in the euro; and Disaster B: leaving the euro. I have recently come back from four days in Greece, meeting with lots of people at all levels of society, and will share with you in this letter my analysis of their choices and the results. I'll also have a few things to say about what the developments in Greece might mean for the rest of Europe and the developed world.

I penned these words in January of 2010: "Everyone knows the problems of Greece. There is no political will in the country (so far) to do what Ireland has done, and really cut their budget. I think Spain is an even bigger nightmare for the EU when compared to relatively small Greece. Italy? Belgium? Portugal? All those countries (and their voters) will be watching to see how the EU deals with Greece."

Which was good for Greece, as it gave good reason for the rest of Europe to care about what happened to Athens. Let's start with the conclusion: they have chosen to stay in the euro. If a depression meets your definition of an economic disaster, then it is reasonable to conclude that their choice has been a disaster. Greek GDP is projected to be down by 25% by the end of 2013, as measured from the beginning of the crisis. Exiting the euro at this time would only double the disaster. They must now finish what they began. As we will see next week, this may be the story all over Europe. The cost of breaking up the euro, or of a country leaving on its own, is simply now too high. For better or worse, the marriage must endure.

Let's rewind the tape to see what I meant when I said that whatever Greece decided to do would be a disaster. At the beginning of the crisis, Greece was totally dependent on borrowed money both to finance its government spending and its massive trade imbalance in the private sector. While the cause of the crisis was too much debt and a deficit (both public and private) that was out of control, the immediate trigger was the loss of access to the bond market as interest rates rather quickly spiralled out of control. Let's look at two graphs. The first is the Greek ten-year bond for the last five years. Notice that three years ago Greek interest rates had not yet moved up. The bond market was clearly not seeing what I and other observ-

Interactive Chart for Greece Govt Bond 10 Year Acting as Benchmark (GGGB10YR)



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ers (and multiple hedge funds) were seeing: Greece simply could not pay its bills. Greek (and peripheral-country) debt had become the new subprime. But European leaders were in massive denial about Greek solvency. You only have to do a simple Google search to find dozens of quotes from said leaders assuring us that Greece would not default, almost right up until the moment they did! (One even admitted that it was necessary to lie about it!)

The second chart is Greek two-year debt. By this time last year interest rates had skyrocketed to 177.37% (and bond values had plunged!).

As the crisis was unfolding, a narrative developed about the Greek national personality. "They don't pay their taxes."

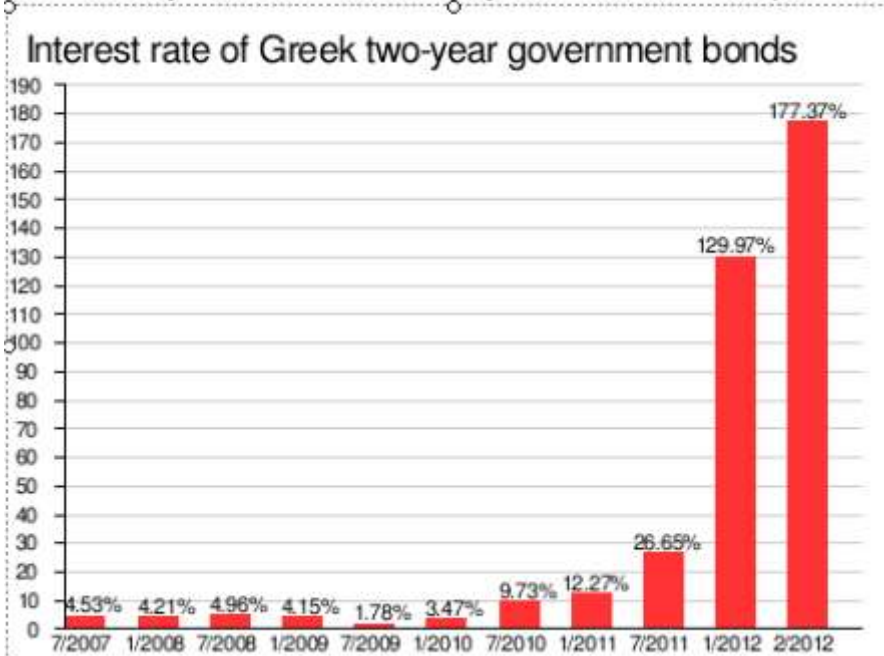
(There is more than an element of truth there. Tax evasion was a national sport at which they excelled, perhaps matched only by the Italians.) "They are overpaid and don't work hard." (Verifiably false.) "They cheated to get in the eurozone." (True, but they were in good company.)

The classic piece was the story written by Michael Lewis for *Vanity Fair*, delving into the systematic corruption of the tax system, among other national issues (more on which later). It is a brilliant piece of narrative journalism. It became easy to dismiss Greece as a failed system. "Spain is not Greece," Prime Minister Rajoy told us in the midst of their own crisis. Indeed, we were told by leader after leader that their countries were not Greece, that somehow their crises were different and that helping them was not the same as helping Greece.

We were greeted almost daily with the spectacle of riots and demonstrations, of political chaos. It seemed like the news was "all Greece, all the time." Was Greece going to be the first in a series of dominoes to fall as it exited the euro? Those of us who characterized the euro as an experiment and not yet a currency (as it had not gone through a crisis) saw even more reason to be sceptical of a currency union that existed without a fiscal union. The term "PIIGS" (Portugal, Italy, Ireland, Greece, and Spain) entered the vernacular as a euphemism for debt-ridden profligates.

Writing that Greece had only a choice between two disasters was not being dismissive on my part. It was simply recognizing the cumulative effects of the failure to make difficult choices. Once Greece lost access to the bond market, the game of borrow and spend was over. (By "lost access" I mean that they could not borrow money at interest rates that gave them any hope of being able to pay off their debt. The compounding nature of their debt and deficits would mean that soon the interest payments would be more than government revenue. Bond markets will exit long before that point.)

Since we know what happened as a result of Greece in the euro, let's undertake a thought experiment and imagine what Greece would look like if they had exited the euro. The "good news" is that the new drachma would have immediately dropped by 50%, thus eliminating almost overnight the trade imbalance, as any imports would require a "hard" currency (euros, dollars, pounds) and that money would only come from exports. Greece would have been plunged into an immediate and steep depression. While government workers would get paid



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in drachma, banks would have gone bankrupt and been forced into nationalization. Businesses that needed to import materials to make goods, either for local use or to turn into exports, would have been cash-starved. It would have been chaos.

True, Greece could simply have walked away from their debt and then appealed for emergency and humanitarian aid from the IMF and others. But it would take time for any such institutional response to happen.

At the time, I thought that Greece might indeed elect a government that would leave, because of the pain involved in staying. If you remember, there were several elections, keeping politicians throughout Europe on edge for months on end. It was close. Last year it took two elections to come up with a coalition government. In the end, a real majority of Greeks wanted to stay in the euro, whether they were politically left or right. A crisis-management coalition government emerged to try and figure a path out of the mess. And it has not been (and will not be) easy.

Greece has been, is, and will be on financial life support for some time. That means money from the "Troika" (the IMF, the ECB, and the European Union). But that money has come with strings. It has meant a regimen of "austerity," otherwise known as living on a budget.

As I have written about at length, the European banking system is a systemic disaster. The regulators **ENCOURAGED** (there is no graphic strong enough to express the outrageousness of such a design) their banks to buy government debt and allowed them to leverage that debt by up to 40 times. This was on the theory that no sovereign (European) government could actually default, so therefore there was no need to actually reserve capital against the possibility of a default. And if Greek (and Portuguese and Irish, etc.) debt returned a modest premium (2-3%) over German or French debt, then the spread was worth it to the bank managers and shareholders. After all, the regulators had said there was no risk; it was easy money.

Even economists can figure out how to make money at a "modest spread" on 40 times leverage with no risk. Just ask those clever guys at Long Term Capital. And if the spread was 2%? Then back up the truck and give me some more. 100% on your capital per year with no risk? Where do I sign up?

And thus the EU found itself in a credit crisis when Greek debt started to rise in risk, having already been decimated by the subprime crisis. Someone finally noticed that Greece could not hope to pay off its debt. However, German and French banks had so much Greek (and other peripheral-country) debt that if Greece defaulted they would be bankrupt. That would of course force the respective governments to capitalize their banks to keep their countries afloat. But then that would call into question their own credit worthiness as we are talking a great deal of money.

And if Greece were allowed to default, then what would that imply about other peripheral-country debt? The word *contagion* slipped into the economic lexicon as Merkel and Sarkozy (and many other European leaders) openly worried that if Greece were allowed (or forced) to exit the euro, the entire euro experiment might be called into question.

So the easy fix was to simply loan Greece the money to allow them enough to pay the banks until the loans were small enough that what remained could be written off. Of course, the loans from the Troika were considered sacred and have not yet been written down (more below). But private holders of Greek debt are down some 90% on a market-to-market basis (as I predicted). And I may have been optimistic. We shall see.

So, let's fast forward to my four days in Greece. I was in Europe for a series of speeches in Scandinavia for the Skagen Funds. I had to be in Geneva eight days later, so rather than return home to Dallas just to fly back again, I decided to stay in Europe. I had been writing about Greece for many years but had not visited, though I had corresponded with Greek readers during that time. So after Scandinavia I spent the weekend in the south of Spain, a day in London, and then flew on to Athens.

I had asked my good friend Christian Menegatti, managing director and

head of research at Roubini Global Economics, to come with

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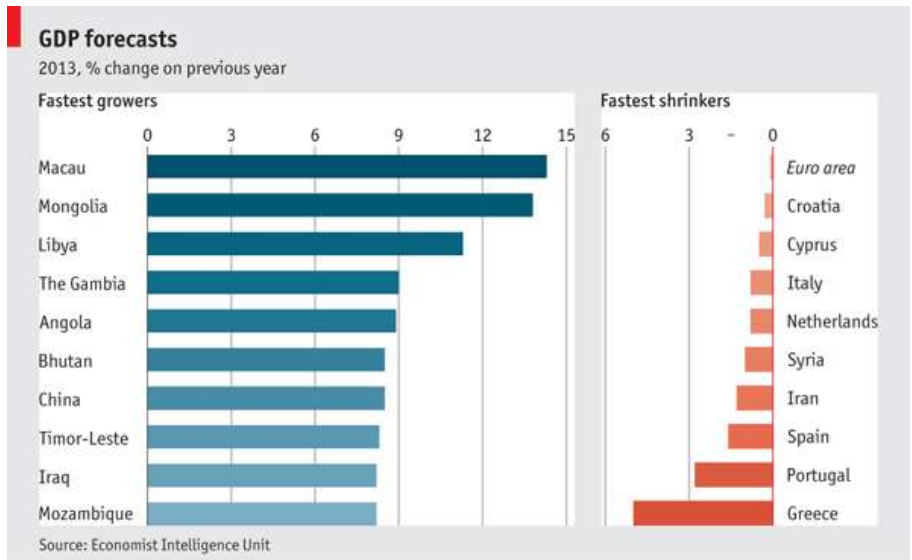
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me. Christian is Italian and married to a Greek wife (with a new baby!). Between the two of us, we stayed extraordinarily busy with meetings. We saw business leaders and entrepreneurs, politicians, economists, central bankers, and investors. And at night, neither of us being shy, we made a point of frequenting the tavernas and meeting the locals.

Let's review a few quick facts, and then I'll share with you some of what I learned, starting with some anecdotes gleaned from those evening sojourns. The Greek economy is down some 20% in terms of GDP since the beginning of the crisis.

This year it is forecast to be down another 5% or more. Indeed, *The Economist* projects that Greece will be the worst-performing economy in the world in 2013. A glance at the table below shows the best and worst nations among their forecast. (Question for the people putting this forecast together: How can Greece be worse than Syria? Seriously?)



Unemployment, I was told, is close to 27%, still rising, and could approach 30%. Youth unemployment is over 50%, and young people are leaving. Over €80 billion has left the banking system for other countries. Banks are basically depending on emergency Greek central bank lending in order to maintain liquidity. Theoretically, these loans will eventually be a debt of the Greek government.

Greek banks are totally bankrupt, having had to take massive haircuts on their Greek debt. Banks that are considered "systemic" will be required to raise 10% of the money needed to recapitalize them, in order to get the 90% available from EU funds. Banks that are not considered systemic will simply be nationalized. This is a point we will revisit. That all sounds so grim. And indeed, there were reports of bombs being set off as I left the coun-

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try. Apparently, no one was hurt. And there was a demonstration of sorts arranged for me on Saturday afternoon. They blocked the streets off in front of our hotel (the Grand Bretagne), which is on the plaza in front of the capital building. When you see pictures of Greek demonstrations, they are likely taken from the same vantage point we had. After experiencing a march with 700,000 protesters when I was in Buenos Aires last November, this seemed rather tame. Mostly it looked and sounded like a rock concert with bad music. I was told by the doorman that it was a protest by the “radical left” against the racism of the “radical right.”

“If no one shows up, then they will open the streets pretty soon.” I waited, and when the only assault was upon my ears, I went back to my room. All the economic devastation and political talk conjures up a mental picture of a war zone, yet it all seems so normal when you are there. The setting is somewhat surreal, with the Acropolis and 2,500-year-old Parthenon dominating the view, beautifully lit up at night. (Athens really should be on your bucket list. It is off-season now, but the streets are not empty at night, and the restaurants and tavernas fill up, mostly with locals, as the evening progresses.)

Christian and I ended up taking the same early-evening plane to Athens. We quickly parked our luggage and set out to find dinner, walking to an area that Christian knew. We sat outside, ordered some simple fare, and planned our next few days. Eventually the owner came by, noticed the odd accent (mine), and stopped to chat. When he found out we were trying to learn about the situation in Greece, he opened up. We peppered him with questions about business and his feel for the economy. How was he making it?

It struck me as odd at the time that he emphasized several times that he had cut his overhead by going directly to local farms for his food (which was good). No middlemen for him! I wondered why you would wait until a crisis to source better and less expensive food, but I didn’t ask. We shook hands and he started to walk away, and then on a whim I asked him what he thought about the new coalition government.

He looked down and then glanced around. He said quietly that he had voted for the Golden Dawn Party, looking to see if we would turn away. When we simply asked more questions, without commenting, he warmed up. (Note: this is the party of the “radical right” that was mentioned by the doorman. Golden Dawn gets about 8-10% in the polls. When it is mentioned in the global media it is often referred to as neo-Nazi.) Within a few minutes he was quite upset – not at us, though! He pointed animatedly in the direction of the capital, punching the air for emphasis, and exclaimed (without raising his voice too much), “They stole billions and put it in Swiss accounts and now they want to tax us more to pay for their theft. They’re all the same!”

The next night offered quite a contrast. In the evening we walked to the base of the Acropolis and found what looked like a promising venue and entered. It was early by Greek standards, but a performer was playing a guitar and singing Greek tunes to a table of six (ahem) older gentleman, clearly old friends eating and drinking together. (Later we found out they had been gathering once a month like this for 20 years.) As the evening went on and the wine kept flowing, they began to sing. A second guitar appeared. The aromatic cigars came out and were smoked directly beneath the no-smoking sign, with no sense of irony. One patrician gentleman stood a few times to have his picture taken with locals who dropped by that evening.

The singer sang on for three hours without a break, clearly into the moment. Evidently, you cannot sing certain songs without using your arms. At first it was just one participant providing the counter-melody, but then others joined in a multi-part chorus of practiced harmony. The young owner of that tavern came by, and we started out as the night before, asking questions. When he found out what we were looking for, he went to the table and pulled one of the elderly gentlemen away and introduced us. It turned out that he was an economic journalist and chairman (emeritus) of a Greek journalism society. I quickly borrowed a pen and

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began to take notes on a paper placemat.

He was an odd mixture of pessimism and hope, a perfect living metaphor for what I found from top to bottom in Greece. This was the best government he had seen in his life: “I trust this government.” But when asked if he was optimistic, he shook his head wearily and said no. When we pressed him as to why – and we had heard variations on this throughout the trip – he said, “The government is the prisoner of the bureaucracy. We have 4,021 associations and 6,200 codes. You simply cannot change things. There are 600,000 tax elements. No one really knows who pays what.”

He continued: “Remember the spectacle a few years ago, when a new government came in and found massive debts and accounting irregularities? The blamed all the problems on the old government as they negotiated for new loans from the EU. Of course, the people they were blaming were bureaucrats they themselves had appointed, the *last* time they were in power.

The government still to this day does not know how money is spent. They will try to change. But even if they pass new laws, under the rules a minister does not have to enforce them.” It seems the bureaucracy is the prisoner of the associations – what we refer to in the US as regulatory capture. This is when a regulatory agency, “created to act in the public interest, instead advances the commercial or special concerns of interest groups that dominate the industry or sector it is charged with regulating. Regulatory capture is a form of government failure, as it can act as an encouragement for firms to produce negative externalities. The agencies are called ‘captured agencies.’” (Wikipedia)

Which brings us back to the comments by the first restaurant owner about cutting out middlemen. I asked one of my hosts (and got someone to confirm) that the rules are set up so that very few suppliers of a product get to compete. You buy your oil or produce from a very limited group of suppliers. Going direct is legal but evidently not all that easy. Is it the same in every business and industry? No, but enough to be an issue.

One businessman told us that he has a factory in Germany and one in Greece. The one in Greece is just as productive as the one in Germany, but he needs five times the number of accountants and lawyers and clerks to deal with the system.

This letter is getting long and I am only halfway through (but just getting going on Greece!), so I will pen a second part next week, detailing my impressions from meetings with businesses and government officials, along with some new reports and quotes. But I don’t want to end here without giving you some sense of my conclusions.

I found guarded optimism in Greece that things can change, and from people that six months ago would have been deeply pessimistic. The source of that change, as we will see, is somewhat ironic. Greeks are natural entrepreneurs. As I noted a few weeks ago, it was the son of a Greek immigrant who pioneered horizontal drilling and fracking here in Texas. And new Greek businesses are sprouting everywhere. There is real potential for an upbeat finish to what was a disastrous beginning to this crisis.

I heard time and time again, “If we can get through the next six months without real protests or ...” More cuts are coming, and deep ones. Things must change, and there is a real constituency, especially in the bureaucracy, that does not want to see change, at least for their part of the world. But all that will have to wait for next week – just remember, what happens in Greece will not stay in Greece.

As I noted three years ago, the rest of Europe is watching. This Greek song will be sung in tavernas and inns and bistros and gasthäuser and pubs and osteria all over Europe. The words will be different, but the tune will be the same. Sung by old men who wish for better times for their grandchildren.

Company reports

NETCARE 2013/01/24

Shareholders are advised that: Netcare has purchased the interests in GHG previously owned by entities managed by Brockton Capital LLC (collectively "Brockton Capital") for a cash consideration of P11 million; and (ii) Netcare has simultaneously agreed to sell to its other GHG partners (being Apax Partners and London & Regional Properties) certain interests in the GHG property companies which house the 35 properties acquired in 2006 ("GHG PropCo 1") previously managed by Brockton Capital. As a result of the transactions, Netcare's beneficial interest in BMI OpCo, the operating company within the GHG Group, and GHG PropCo 2, which consists of six hospital properties acquired from Nuffield in 2008, is now 53.72% and its beneficial interest in GHG PropCo 1 remains at 50.0%. Effective immediately, Brockton Capital, and any entities advised by Brockton Capital, no longer maintain any involvement with GHG, its operating brand BMI Healthcare, or any other related holdings or subsidiaries.

BRAIT 2013/01/23

Brait reported a net asset value per share at 31 December 2012 of R24.70, an increase of 28.6% on the number as at the end of 2011.

CLICKS 2013/01/23

Clicks Group increased sales by 11.7% to R5.97 billion in the 18 weeks to 30 December 2012 ("the period") as consumer spending remains muted. Selling price inflation averaged 2.2% for the period. The Clicks chain grew turnover by 8.0%, with dispensary sales growing by 9.0% and front shop sales by 7.6%. Comparable sales grew by 5.3% with selling price inflation of 2.6%. Musica increased same stores sales by 8.2%. Turnover was impacted by the closure of a further seven stores during the period and total sales increased by 1.0%. The Body Shop grew sales by 10.2% and in comparable stores by 6.8%. Total retail sales increased by 7.3% and by 5.5% on a comparable store basis, with inflation of 2.8%. UPD benefited from its growing distribution business and increased turnover by 20.3%. Chief executive David Kneale said: "The trend of consumers delaying their purchases until closer to Christmas continued while consumers were increasingly value conscious this festive season."

BHPBILL 2013/01/23

BHP Billiton grew its December quarter iron ore production by 3%, compared with the similar quarter in 2011. Metallurgical coal production rose 5%, while thermal coal production grew 8%.

ADAPTIT 2013/01/23

AdaptIT expects to report an increase in HEPS for the six months to December of between 25% and 45%. Results are due out on 13 February.

BRIMSTON 2013/01/23

Brimstone expects its HEPS for the year to December to rise by at least 20%. Results are due out by 5 March but a further trading statement is expected before then.

SPURCORP 2013/01/23

Spur grew its restaurant sales over the six months to December by 17.5%, with existing outlets growing turnover 12.8%.

CLICKS 2013/01/23

Clicks grew its turnover for the 18 weeks to 30 December by 11.7%, with Clicks stores growing sales by 8% and UPD by 20.3%.

PINNACLE 2013/01/22

In compliance with section 3.4(b) of the JSE Listings Requirements, Pinnacle is pleased to provide guidance to the market regarding the anticipated interim headline earnings per share ("HEPS") and earnings per share ("EPS") ranges for the 6 months ended 31 December 2012. Shareholders are advised that the Company projects that its interim results for the 6 months ended 31 December 2012 will reflect a HEPS and an EPS of between 91 cents per share ("cps") and 96 cps which is between 16% and 22% higher than the HEPS of 78.3 cps and the EPS of 78.5 cps achieved in the comparative period last year.

RICHEMONT 2013/01/22

Richemont (R70.85; market cap: R370bn; 12m forward: PE 16.9x; 12m forward DY: 1%) announced disappointing sales figures for the third quarter to 31 December 2012. Sales were up 5% in the various local currencies it operates in, below the 12% posted for the first six months of the year and below market consensus expectations of around 8.9%. The 5% sales growth equates to an increase of 9.3% when converted into euros for the quarter. Better than expected sales out of America were more than offset by worse than expected sales out of Asia Pacific and Europe. There are a number of possible reasons for the disappointments, including a high comparative base set in the first half of the year, Asian consumers becoming a lot more circumspect in their buying patterns and higher operational costs due to investments in after sales service and production, especially in Asia. Furthermore, currency movements have worked against the group, with production costs mainly in Swiss francs, which remains a strong currency, whereas many of the various currencies they sell in have weakened, resulting in pressure on sales. Lastly management was downbeat with its comment that "at this stage, it is unclear how business patterns may develop and how the business in Asia Pacific region will evolve in the near future". The share has run very hard in the last two months, from R58.40 when it announced interim results on 12 November, to close at R70.85 last night (even after dropping 6% on the day). Market consensus forecasts are for HEPS to grow at 32% to March 2013 (which still looks a big ask) and 14% for 2014. Based on these numbers Richemont is on a forward PE of 16.9x one year out and a forward dividend of around 1% pa 12 months out. Market consensus is a Hold.

TFG 2013/01/21

Christmas trading was mixed across merchandise categories with group sales growth for December (2 December 2012 to 29 December 2012) of 10,5% and same store growth of 4,7%. Most merchandise categories performed satisfactorily with clothing growth at 14,5% (same store growth of 7,6%); homewares at 14,5% (same store growth of 10,7%) and cosmetics at 10,7% (same store growth of 6,8%). Jewellery and cellphones underperformed with growths of 0,5% (same store growth of -2,5%) and -5,7% (same store growth of -10,3%) respectively. Group sales for the 9 months to 29 December 2012 increased by 11,4% with same store sales growth of 5,6%. Growths in the various merchandise categories for the 9 months to 29 December 2012 were as follows: clothing 12,5% (same store growth 6,1%); homewares 18,9% (same store growth 11,8%); cosmetics 11,4% (same store growth 8,0%); jewellery 7,6% (same store growth 3,6%) and cellphones 2,3% (same store growth -1,4%). Merchandise inflation for the period averaged 5,5%. Sales post Christmas for the period 30 December 2012 to 17 January 2013 have been strong across all merchandise categories with group sales increasing by 19,8% and same store growth of 12,9%.

FAMBRANDS 2013/01/16

Famous Brands grew its December sales by 13.2% (9% on a like for like basis), with SA sales growing 12.4% (8.5% like for like) and rest of Africa sales growing 25.6% (15.1% like for like). 21 new restaurants were opened in the month in SA, and 10 in the rest of Africa.

WOOLIES 2013/01/16

Woolworths grew its sales for the first 26 weeks to 23 December by 18%, while comparable store sales grew 9.4%. Clothing sales in SA grew 13% (comparable store sales growth of 7.7% and in store inflation of 5.5%) while food sales grew 11.1% (comparable store sales growth of 7.8% and inflation of 7.4%). The group expects HEPS for the half year to grow by between 18% and 24%, while core HEPS are expected to rise 33%-39%. Results are due out on 14 February.

KUMBA 2013/01/16

Kumba Iron Ore expects its HEPS for the year to December to be between R36.30 and R38.80, from 2011's R53.13. Results are due out on 12 February.

DATATEC 2013/01/16

Datatec expects to report underlying EPS for the year to February 2013 of between 40 US cents and the 47.9 US cents reported last year. A distribution of 17 US cents is expected for the year.

SHOPRITE 2013/01/15

Shoprite grew its turnover for the six months to December by 13.8%, or by 6.9% on a like for like basis. Internal food inflation was an average 4.3%. Interim results are due out on 19 February.

A-V-I 2013/01/15

AVI grew its revenue of the six months to December by 10.7% to R4.9bn. Results are due out on 11 March.

ANGLO 2013/01/15

Anglo American Platinum is to restructure its Rustenburg mines into three mines and will move four of its shafts in the area onto long term care and maintenance. This will cut production by 400 000oz a year and affect about 14 000 jobs. The group is also looking to sell Union mine.