overberg
asset management

Local performance factsheet

OAM Local Growth Portfolios

ZAR Rand

DEC 2011

Introduction

Overberg Asset Management specializes in the management of individual portfolios, tailored to the investment objectives of each client. As an independent company, Overberg can set objective standards in its selection of investments. Your portfolio will be in the safe custody of Investec stockbrokers, and managed from here. We produce customised statements and investment reports to specific requirements. Constant availability and a quick and flexible response are fundamental to our client relationships.

Technical Details

- **FSB** approved
- Base currency: **South African Rands**
- Minimum investment: **R500,000**
- Benchmark: **JSE AllShare**
- Asset Allocation: **flexible mix of equities, bonds and cash**

Investment Objectives:

- conservative growth
- consistent annual returns
- low volatility

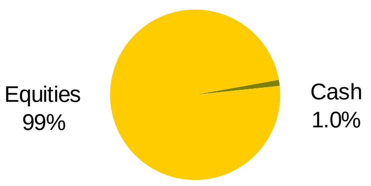
	Local %	Benchmark %
Annualised Total Return	19.87	11.67
2005	39.51	34.28
2006	21.14	28.47
2007	14.39	16.23
2008	7.13	-25.27
2009	28.32	28.63
2010	15.05	16.09
2011	10.52	-0.41

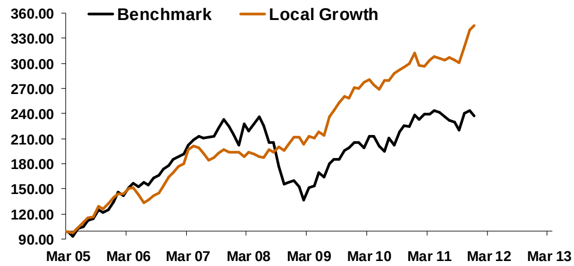
*Since March 2005: All performance figures include income and are net of fees and expenses

Growth 2011	Local %	Benchmark %
January	-4.77	-2.24
February	-0.19	2.78
March	2.32	-0.21
April	1.44	1.96
May	-0.53	-0.82
June	-0.78	-2.15
July	1.04	-2.06
August	-0.97	-0.65
September	-1.09	-4.29
October	6.13	9.01
November	6.51	1.43
December	1.45	-2.52

	%
Annualised Income Yield	3.45

ASSET ALLOCATION





(As calculated by Overberg 31 Dec 2011)

Commentary

In the context of the 2011 global economic slowdown, SA's own performance is encouraging. Although its growth has been below trend with specific weakness in the manufacturing sector, other parts of the economy have been robust especially on the consumption side. In contrast to the lackluster 1.3% annualized GDP growth in the 3rd quarter, Gross Domestic Expenditure (GDE) increased in the same period by 4.2%, accelerating from 1.1% in the 2nd quarter. The marked improvement is attributed to strong government and consumer spending. Household spending increased 3.7%, up from 3.3% in the 2nd quarter. Consumer spending power improved, with disposable income rising 3.9%, helped by a reduction in the ratio of household debt to disposable income over the quarter from 75.8% to 75.0% and a reduction in household debt costs from 6.9% of disposable income to 6.8%. Meanwhile growth in gross fixed capital formation increased over the quarter from 5% to 5.6%. The increase in GDE will compensate for recent sharp declines in mining, manufacturing and agricultural output.

Retail sales have continued to power ahead with the latest data showing retail sales increased by 6.8% on the year in November. Durable goods sales were especially strong with the hardware, paint and glass component increasing by 17.6% followed by the household furniture, appliances and equipment component with an increase of 10.4%. Corroborating these robust consumer spending patterns, Reserve Bank notes in issue, measuring cash held in shop tills, bank ATMs and by the public, increased sharply from R92 billion at the end of November to R101.3 billion at the end of December. Growth accelerated from November's 14.2% year-on-year rate to an impressive 22.9% in December. On a seasonally adjusted quarter-on-quarter basis, 4th quarter growth was even stronger at 30.4% annualized. Notes in issue tend to be a reliable indicator of the public's spending intentions, currently indicating continued strong growth in retail spending.

Other data meanwhile, showed a slight improvement towards the end of the year. Manufacturing output which contributes around 15% of SA's GDP, increased in November by 2.6% on the year, up from October's 1.2% increase and above the 1.3% consensus forecast. Although the Kagiso Purchasing Managers' Index (PMI) for manufacturing fell from 51.6 in November to 49.4 in December, below the neutral 50 level, the "expected business conditions", which is not included in the headline figure, jumped sharply from 55.0 to 61.3. Even the construction sector, in the doldrums since the 2010 Soccer World Cup, is showing signs of life. Cement demand increased in December by 8.5% on the year with year-on-year growth improving consistently by the quarter from -2.8% in Q1, to +2.8% in Q2, 5.7% in Q3 and 6.6% in Q4.

Most significantly, jobs are finally being created. The Adcorp employment report shows a total 103,327 new jobs were created in December, the highest number in 9 months. Temporary jobs increased 15.1% on the month and permanent jobs by 6.2%. The total number employed remains 850,000 below the employment peak just prior to the 2009 recession, but if the current trend is extrapolated the shortfall should be made up within the next 18 months.

Meanwhile, inflation appears well contained. Consumer price inflation (CPI) remained at its November level in December at 6.1% year-on-year, comfortably below the 6.3% consensus forecast. Again, food prices were the main contributor rising 0.5% on the month which together with utilities accounted for around half the month-on-month increase in CPI. Core inflation, excluding food and energy prices, increased by just 3.9%. As expected the SA Reserve Bank kept the benchmark repo rate unchanged at 5.5% at its policy meeting in January, and is likely to maintain this rate throughout the year. CPI should return to its 3-6% target range once the base effect of year-ago comparative data works out of the system.