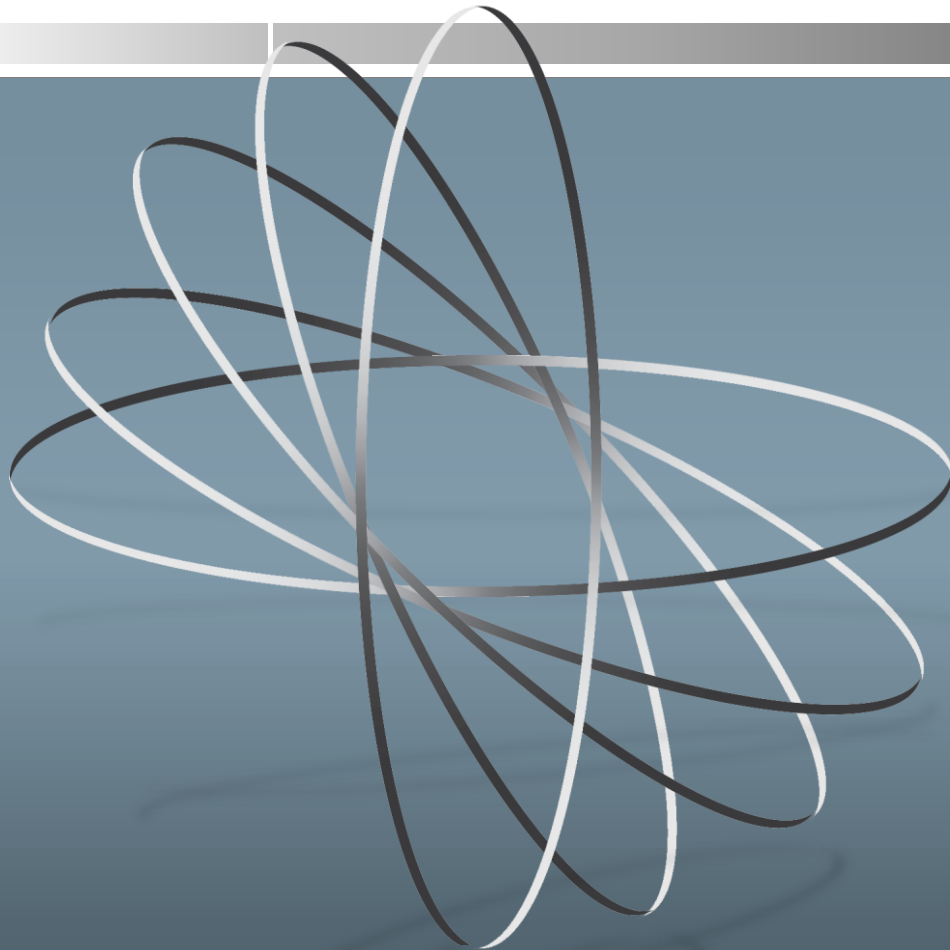


Growth and Employment

Investment
Solutions



Market and Investment Conditions



12 July 2012

Chris Hart: Chief Strategist



Financial Market Message



Central Banks and Economic Policy



SA Growth and Employment



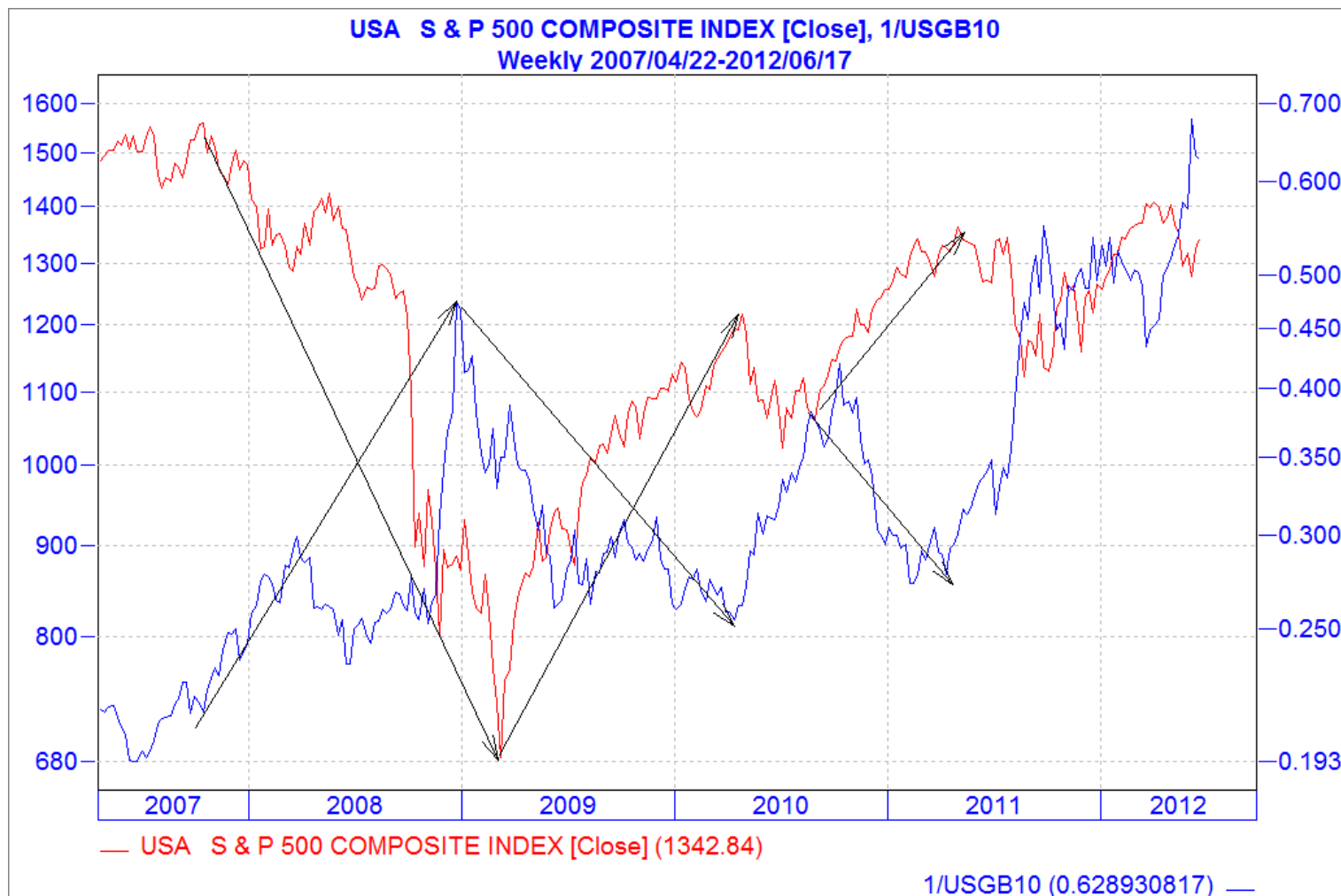
Investing for Growth



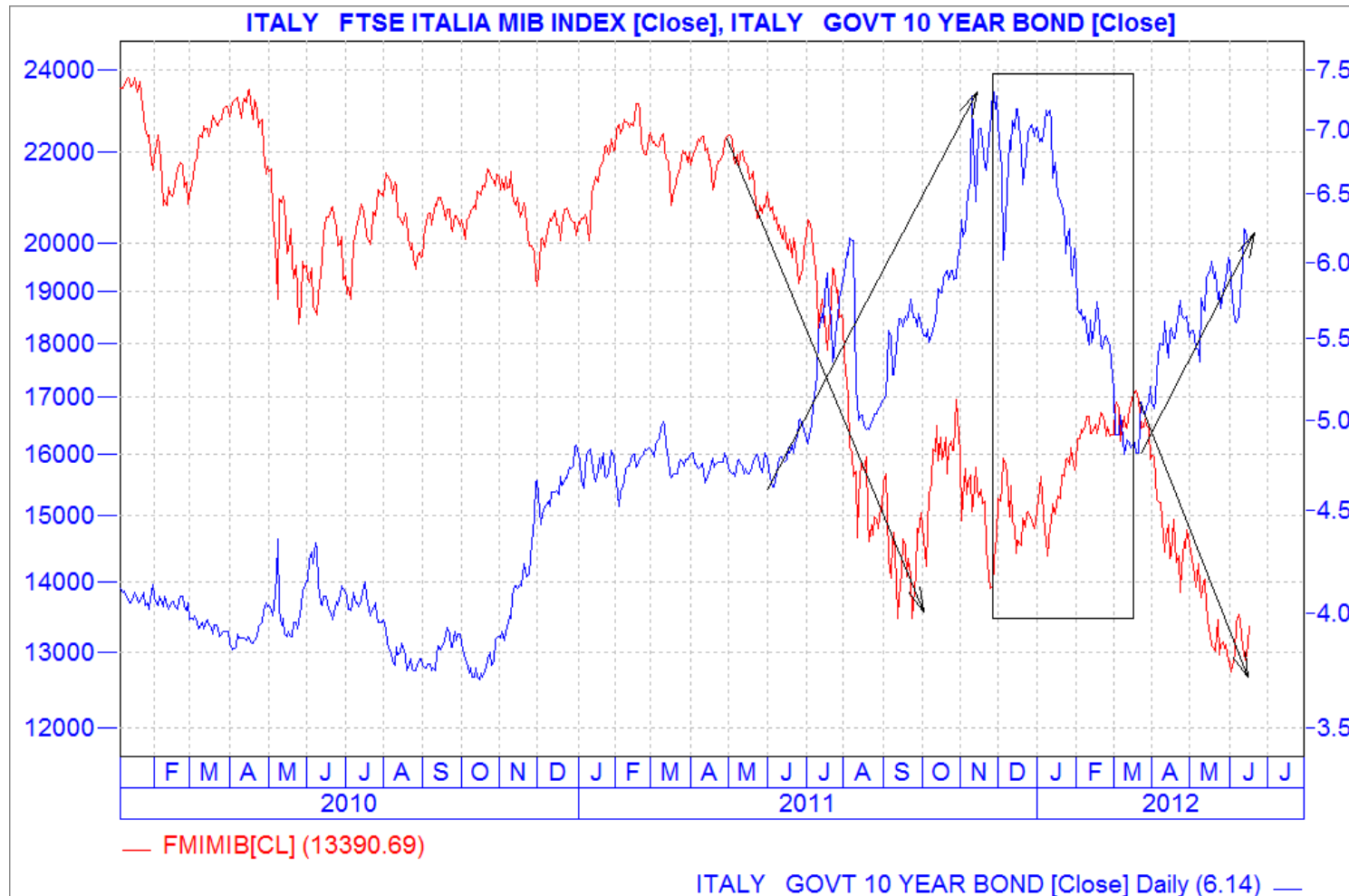
South Africa's Neighbourhood



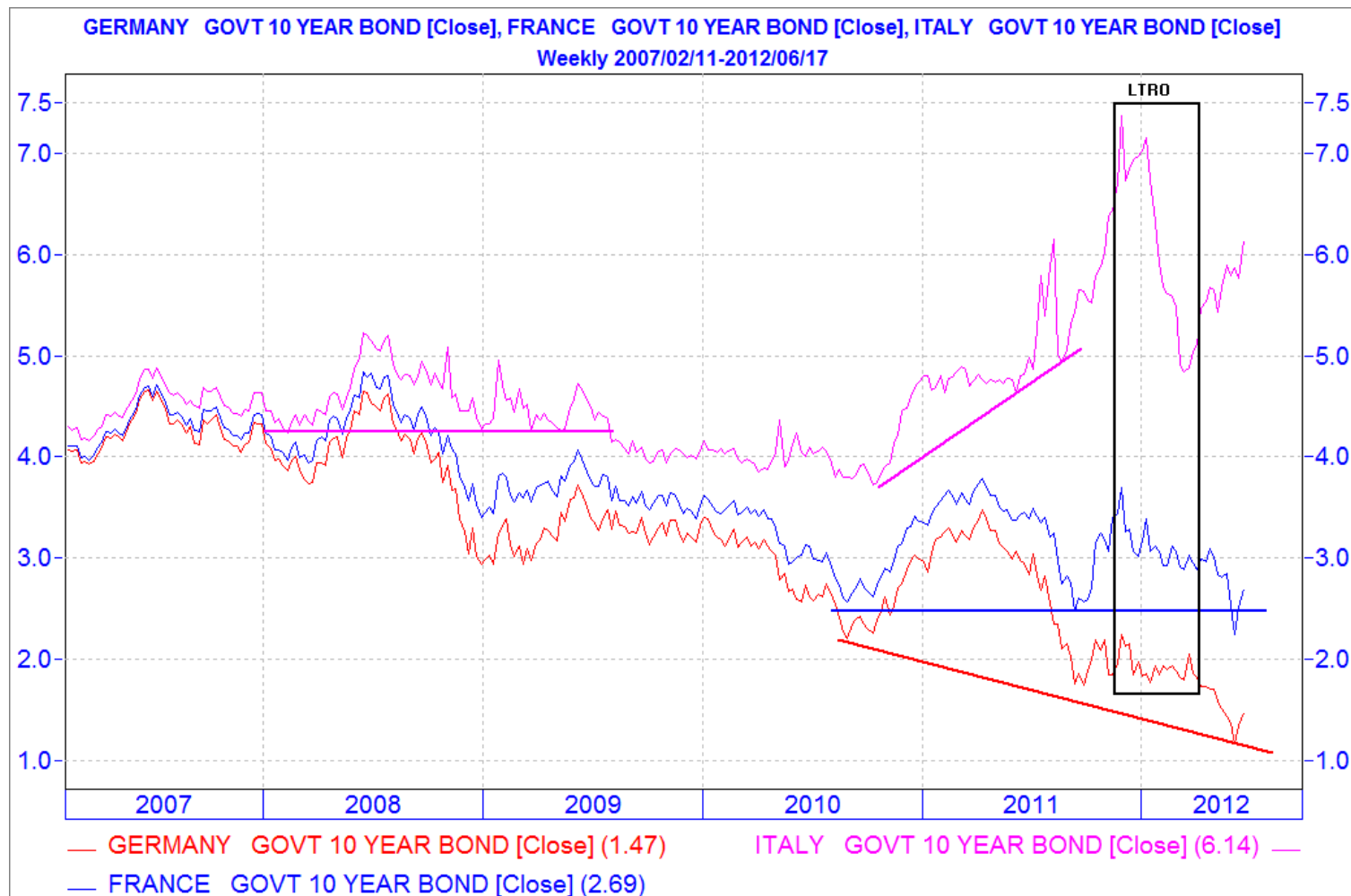
Risk and taking refuge from risk.



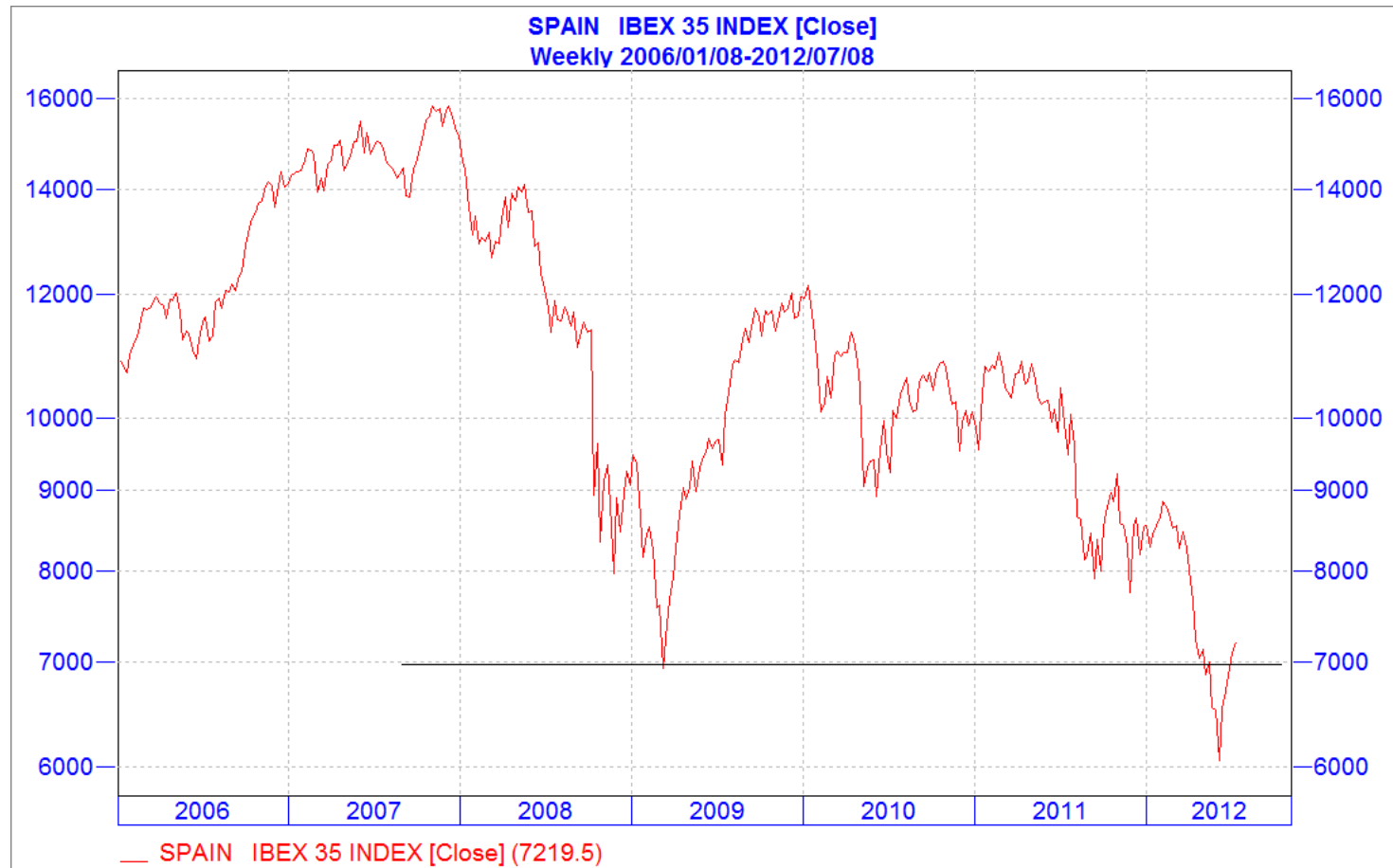
Italian Markets: distress is backand for Spain, Greece....



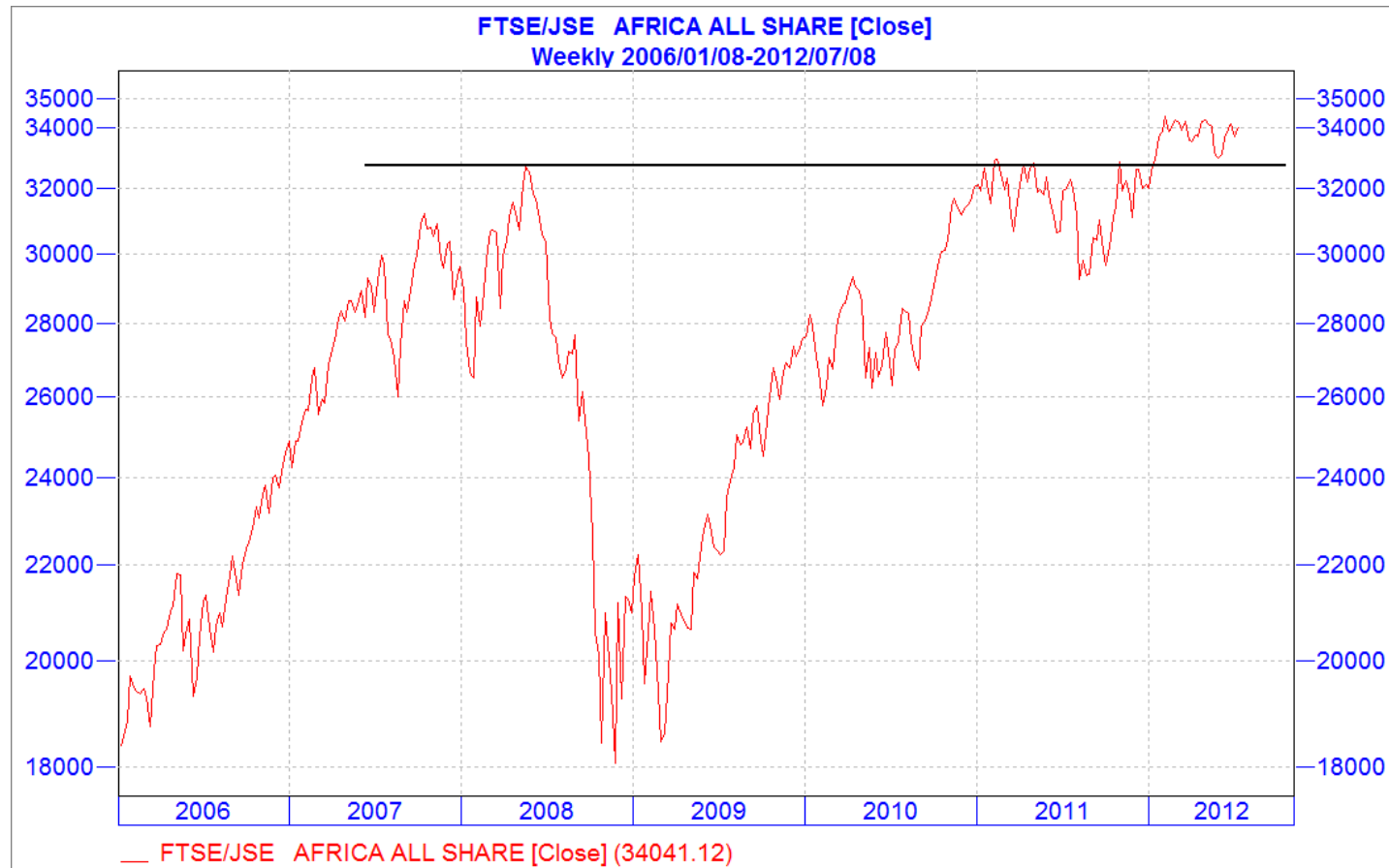
Procession: The Distress trade with LTRO relief



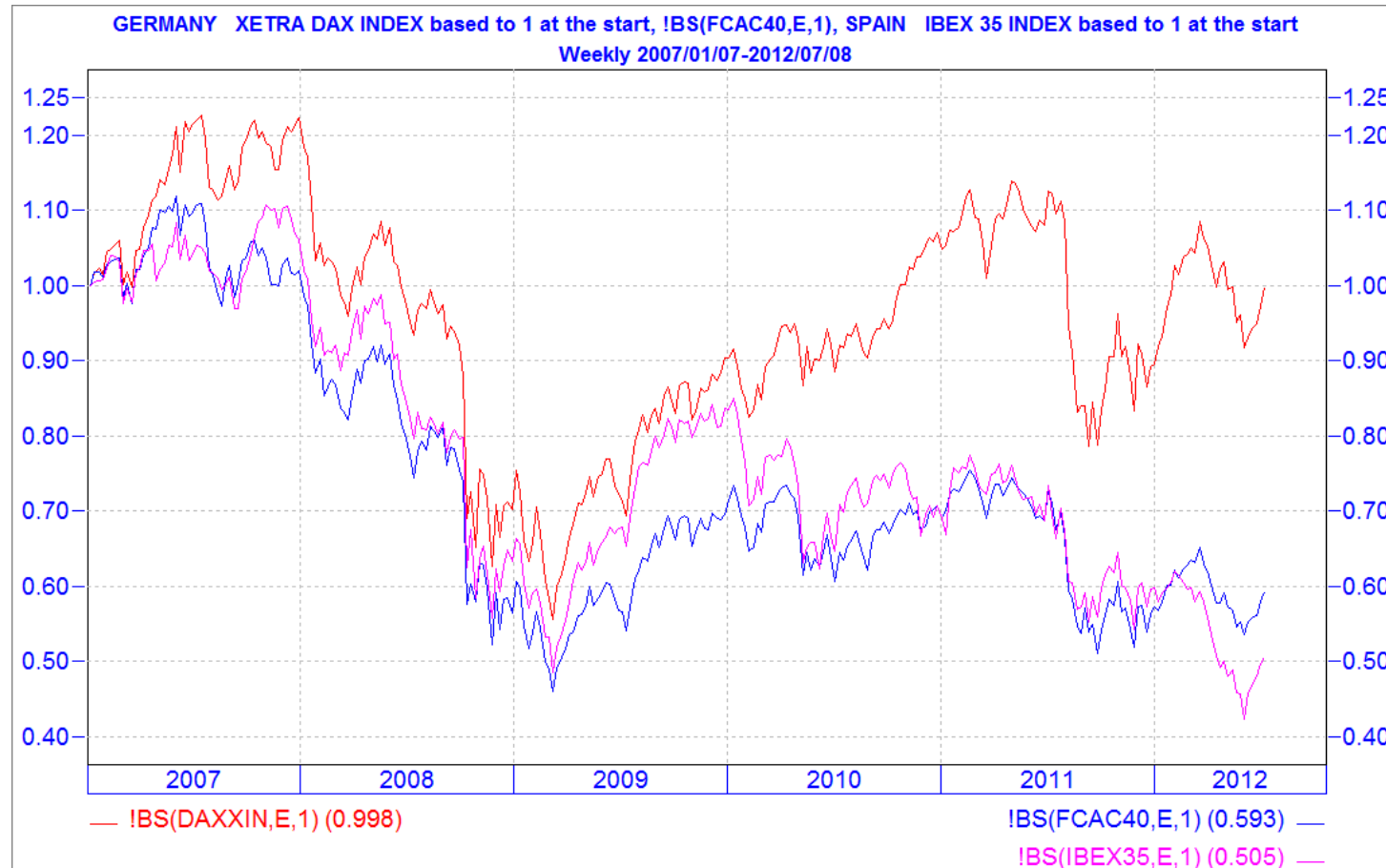
Spanish Equity Market: Bearish ...familiar pattern across Southern Europe



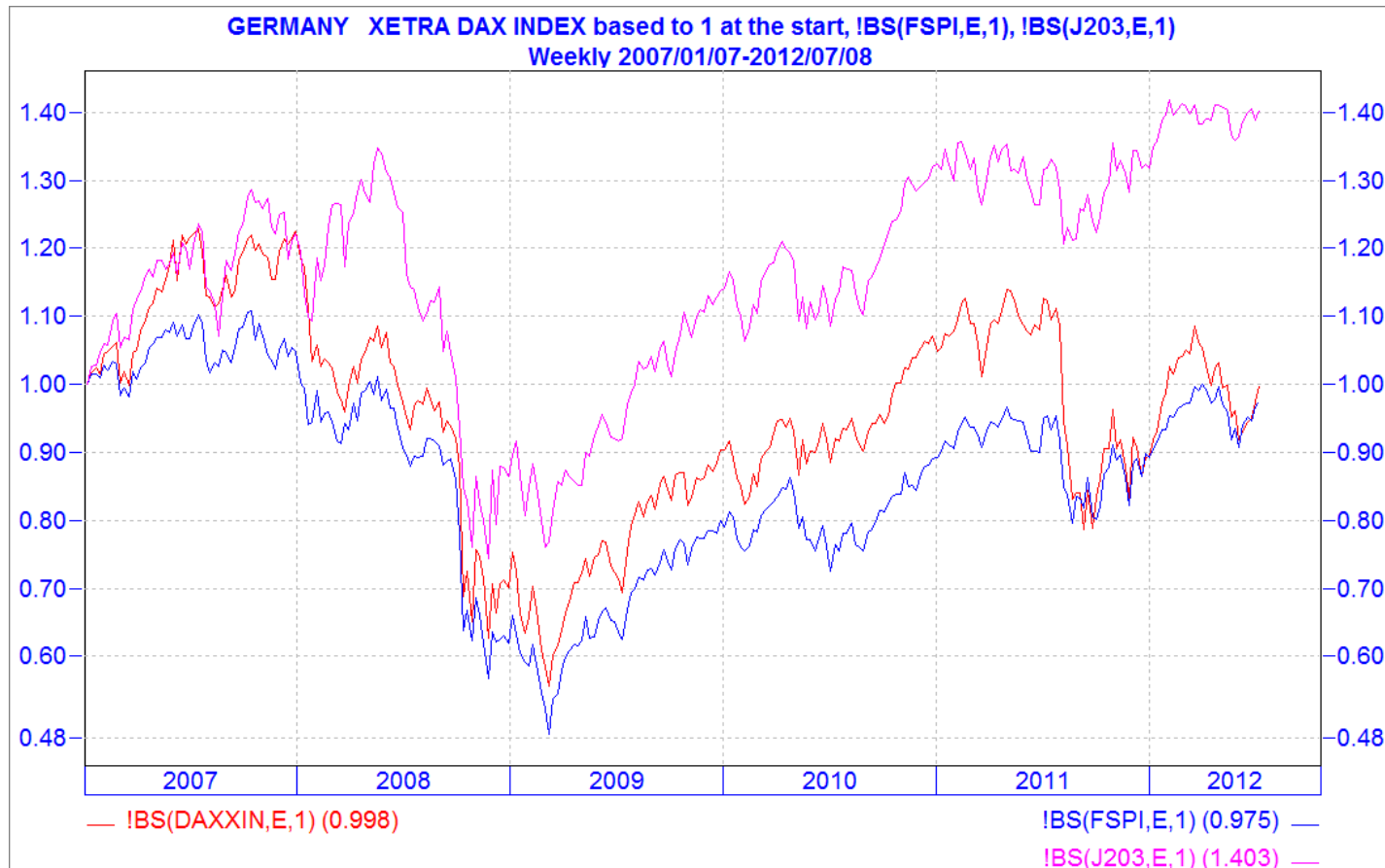
JSE: setting fresh new highsalong with Indonesia, Columbia, Thailand...



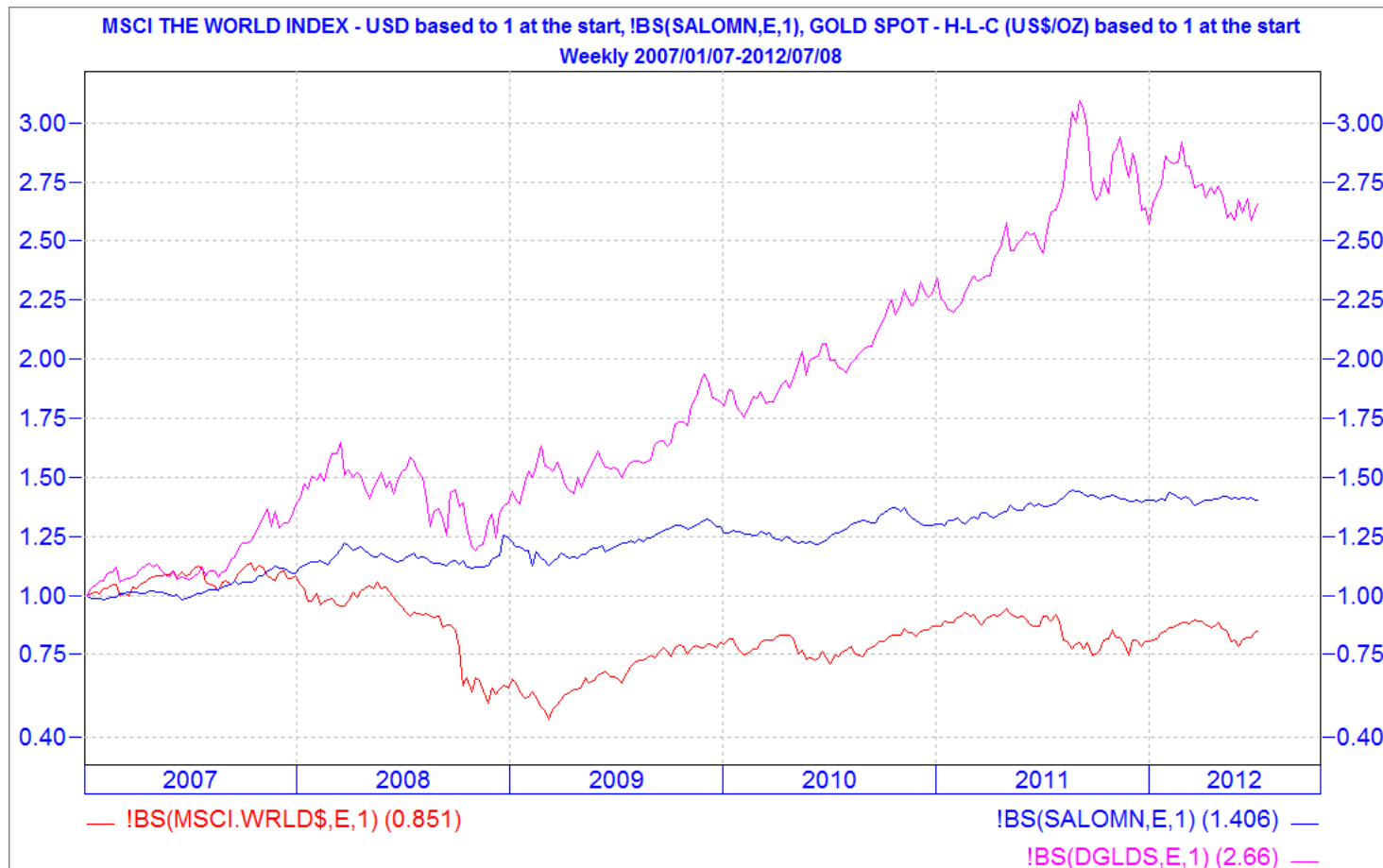
Relative 5-year Performance: Germany flat; France & Spain halved



Relative 5-year Performance: Germany & US lower; SA almost 40% better



Relative 5-year Performance: Equities the laggard. Protection from gold and bonds





Financial Market Message



Central Banks and Economic Policy



SA Growth and Employment



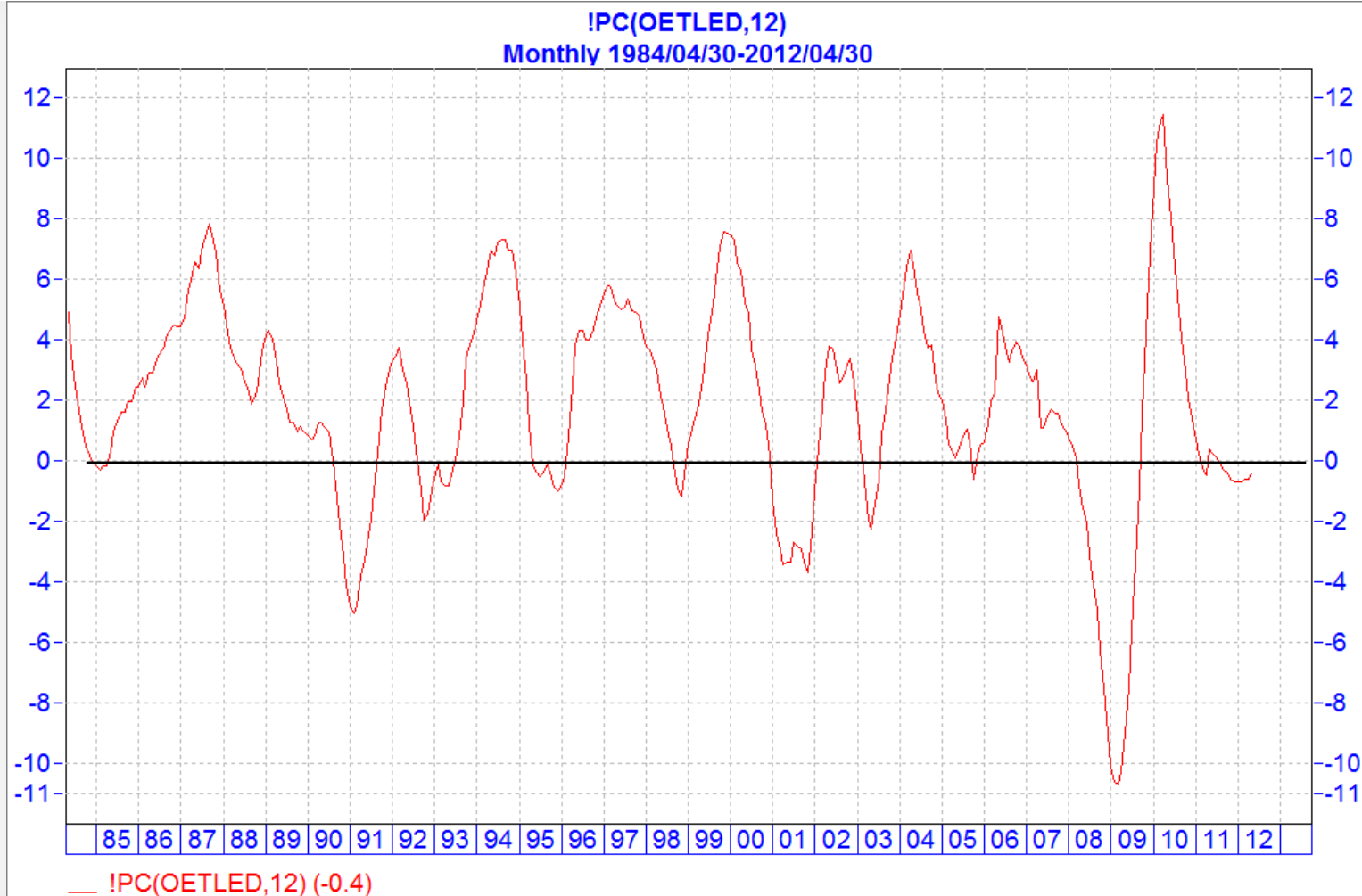
Investing for Growth



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OECD Lead Indicator: now suggesting recession

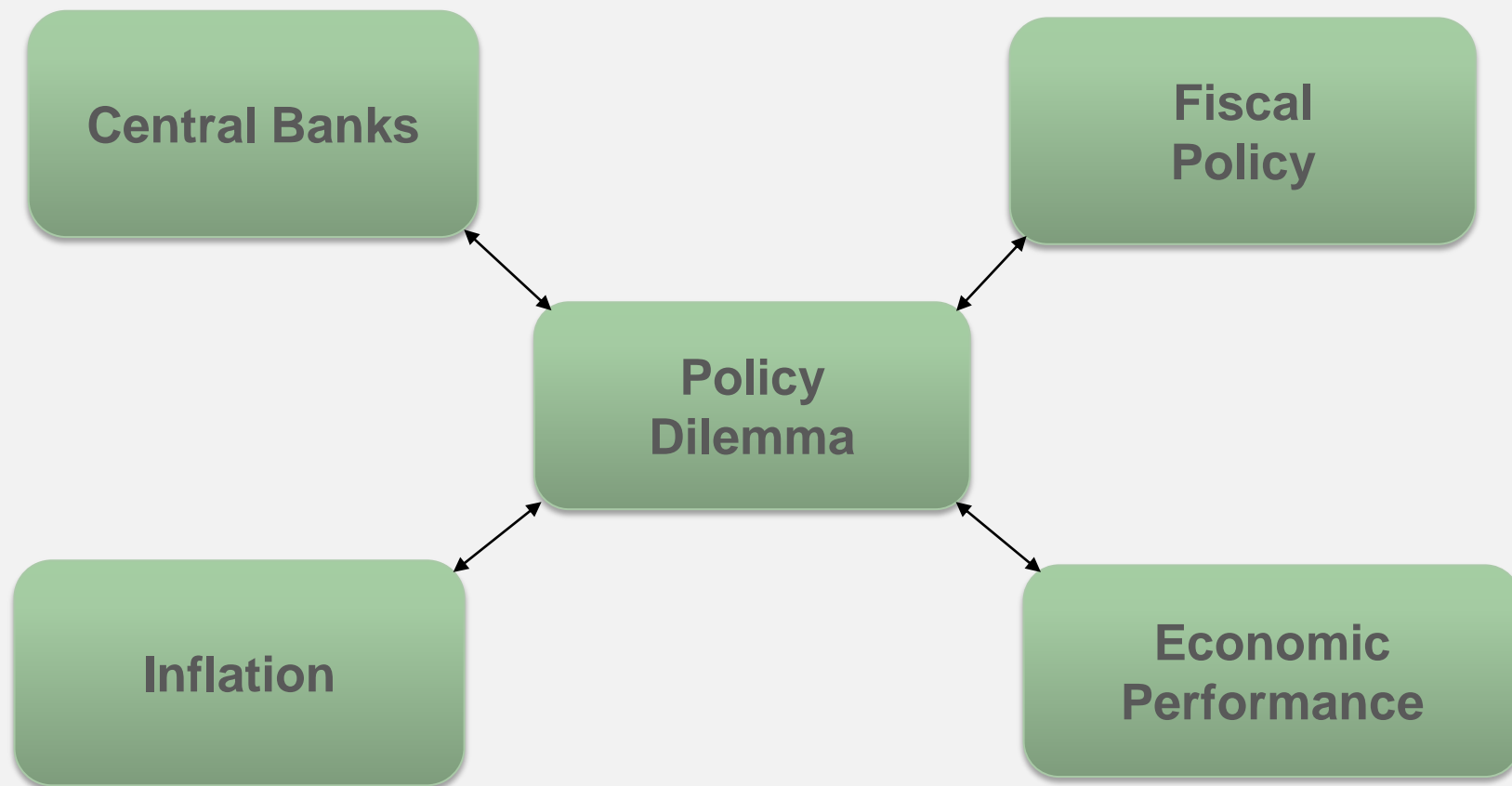


Source: INet

Relative 5-year Performance: Germany flat; France & Spain halved

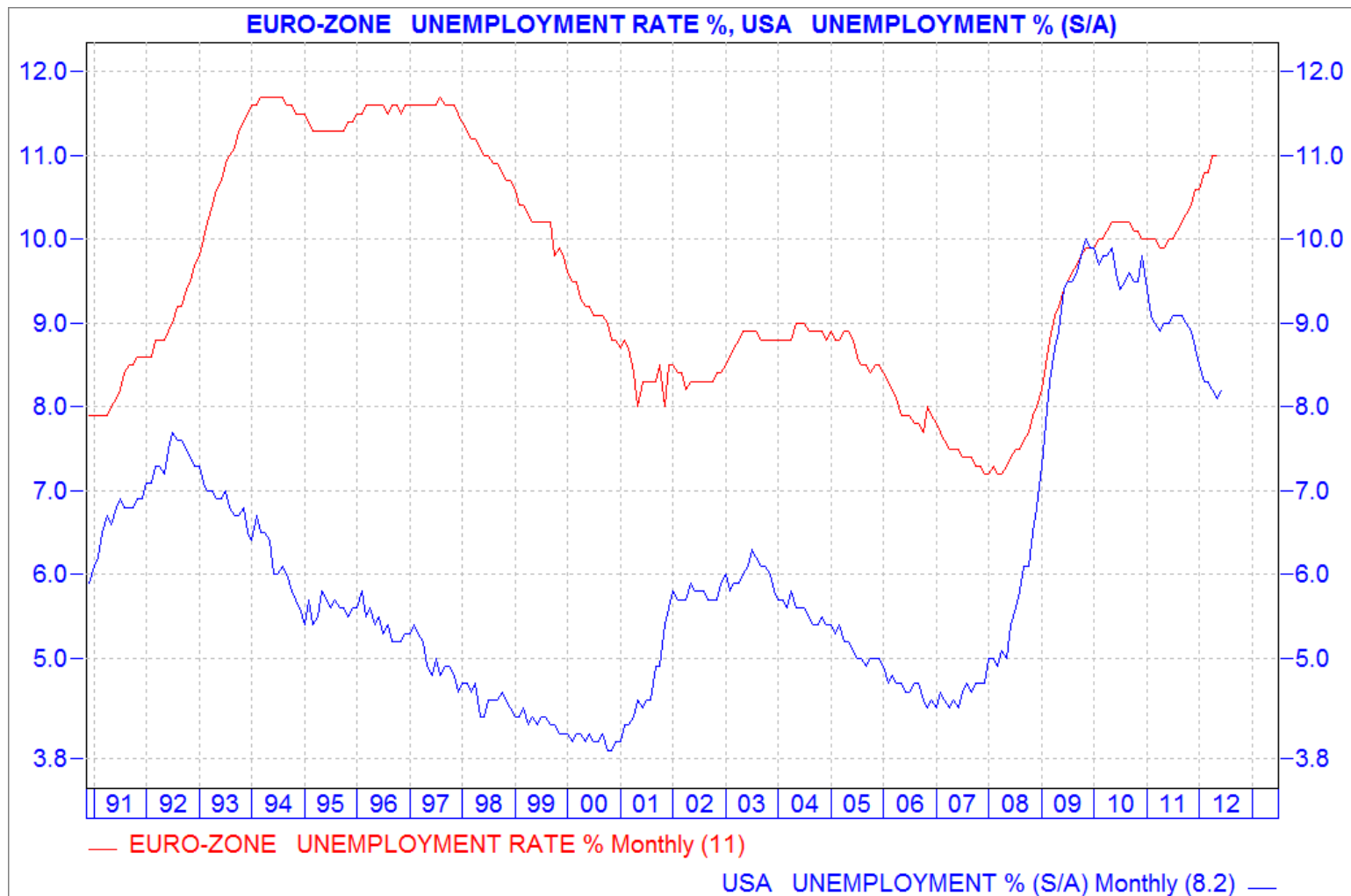


Central Banks: starting to move to universal easing

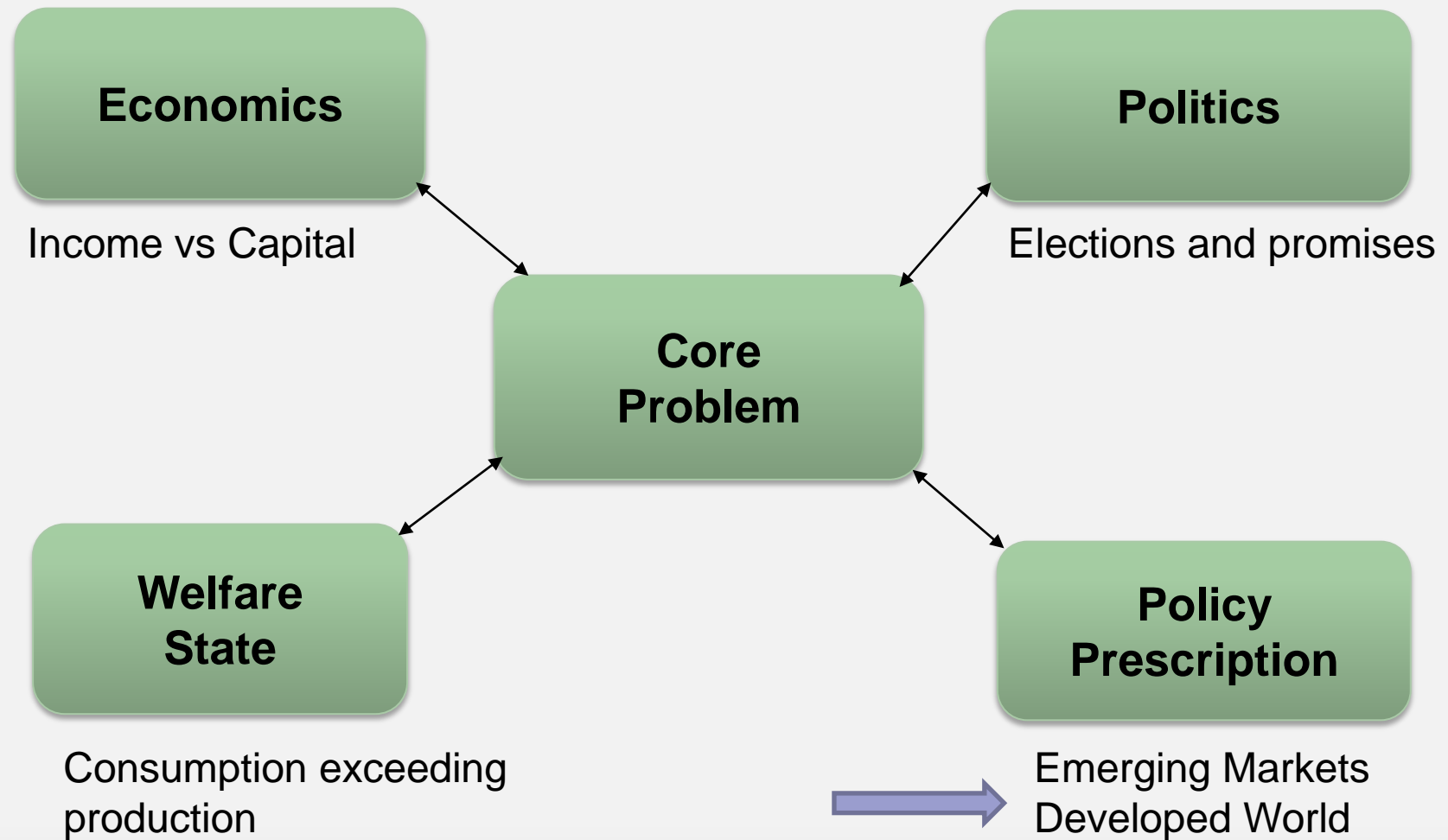


Negative real rates now structural than temporary

US and Eurozone Unemployment.



Why the deterioration?



The situation is not stable and also deteriorating



Financial Market Message



Central Banks and Economic Policy



SA Growth and Employment



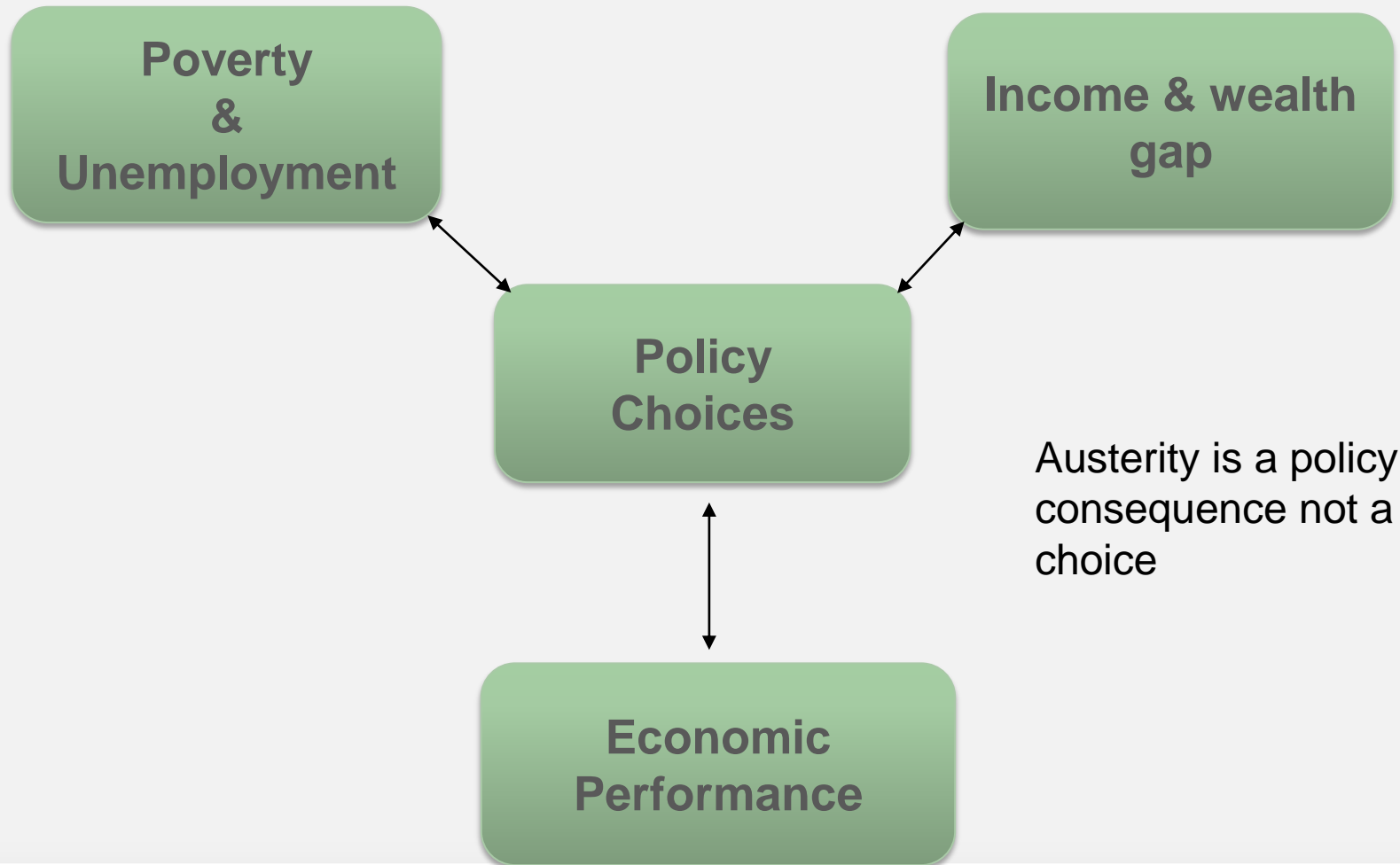
Investing for Growth



South Africa's Neighbourhood



The Global Challenge – the state and neo-feudalism



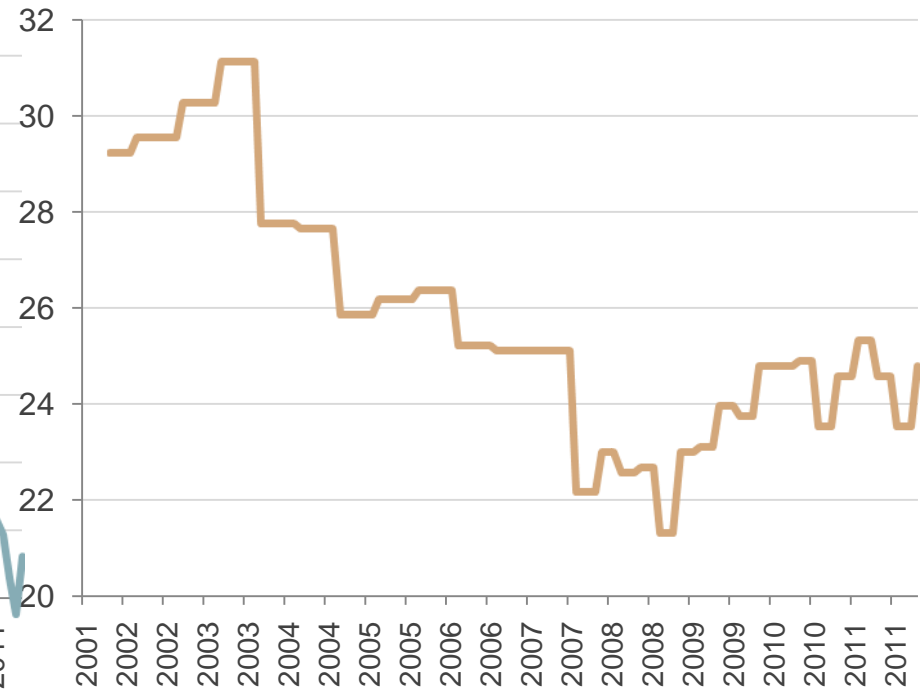
Incumbency is being punished

Unemployment | 2001 - 2011

- **Brazil Unemployment**

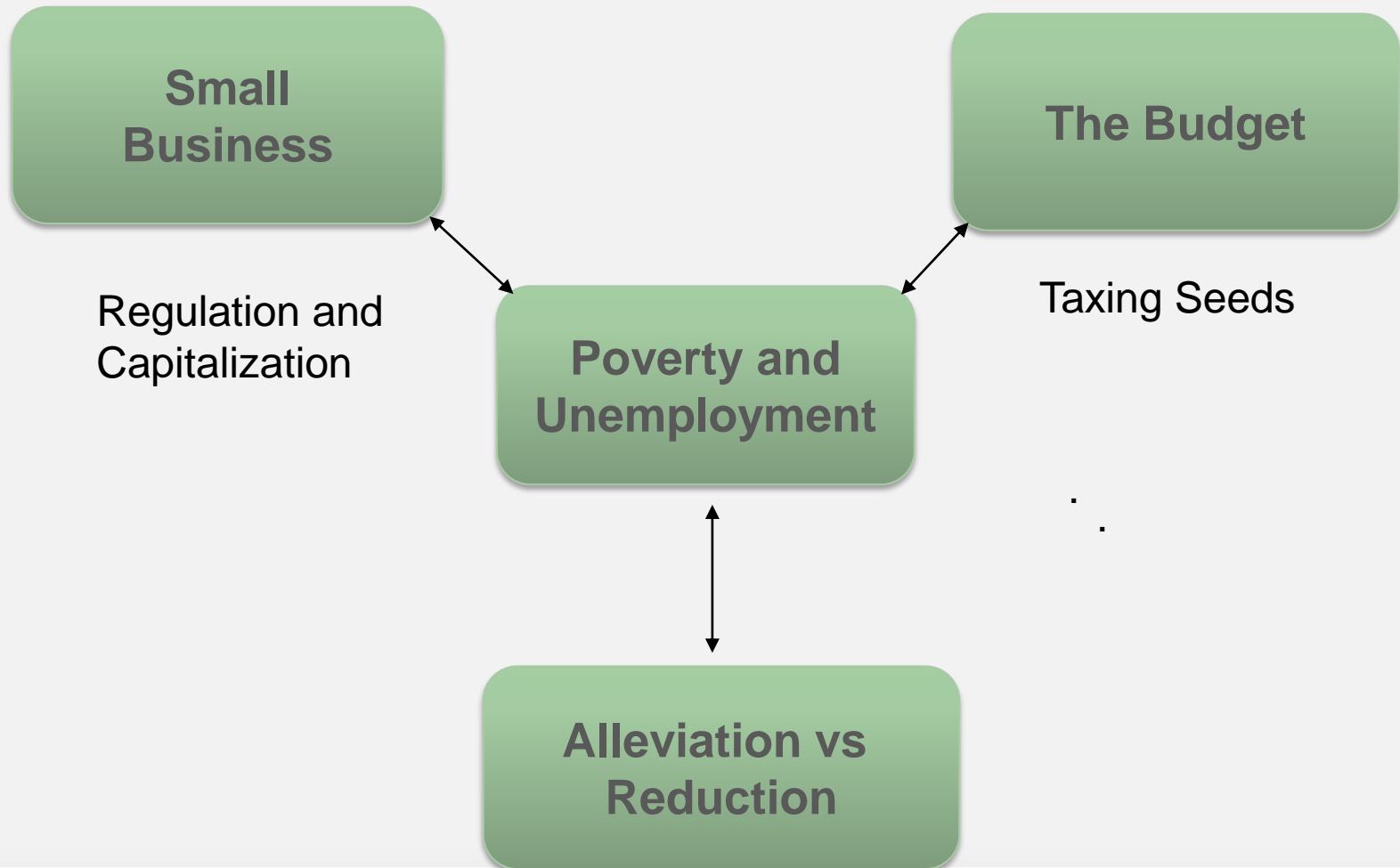


- **South Africa Unemployment**



- **Brazil unemployment: The Enigma**

South Africa: risk of policy mistakes



Job creation without employers



Financial Market Message



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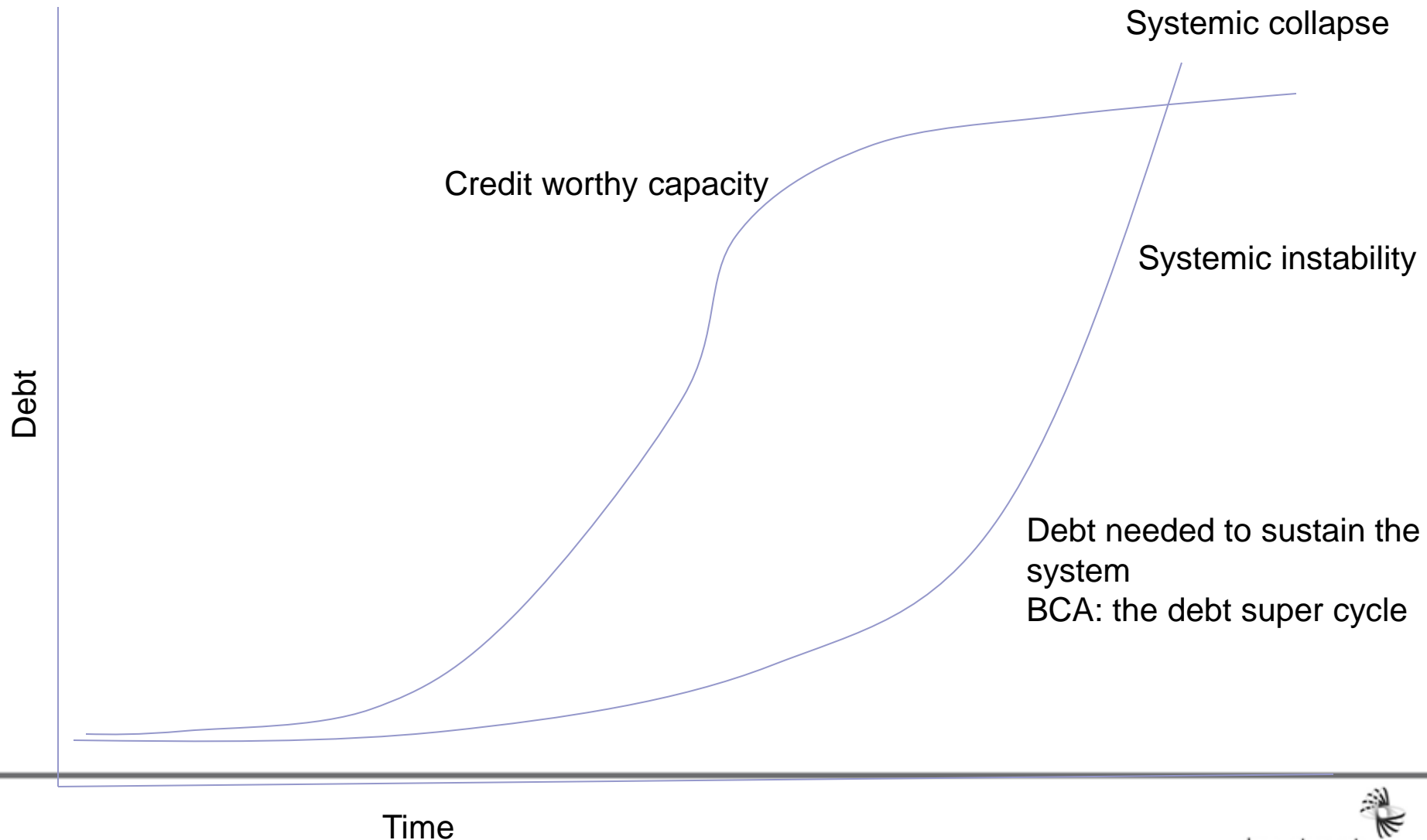
South Africa's Neighbourhood





The systemic Ponzi – dynamics

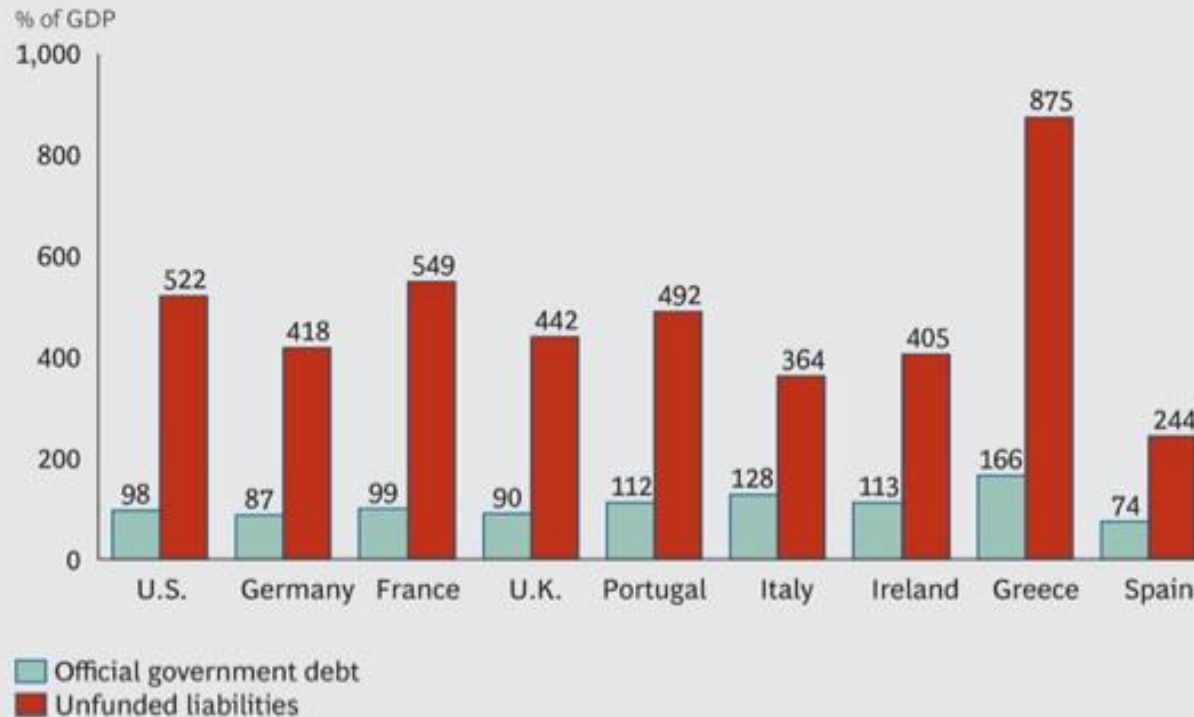
At the 11th hour, as government compensates



Government finances: weak and still deteriorating and unstable

EXHIBIT 1 | Net Expected Tax Revenues Are Not Adequate to Continue Funding Current Social Policies

Unfunded liabilities and official government debt

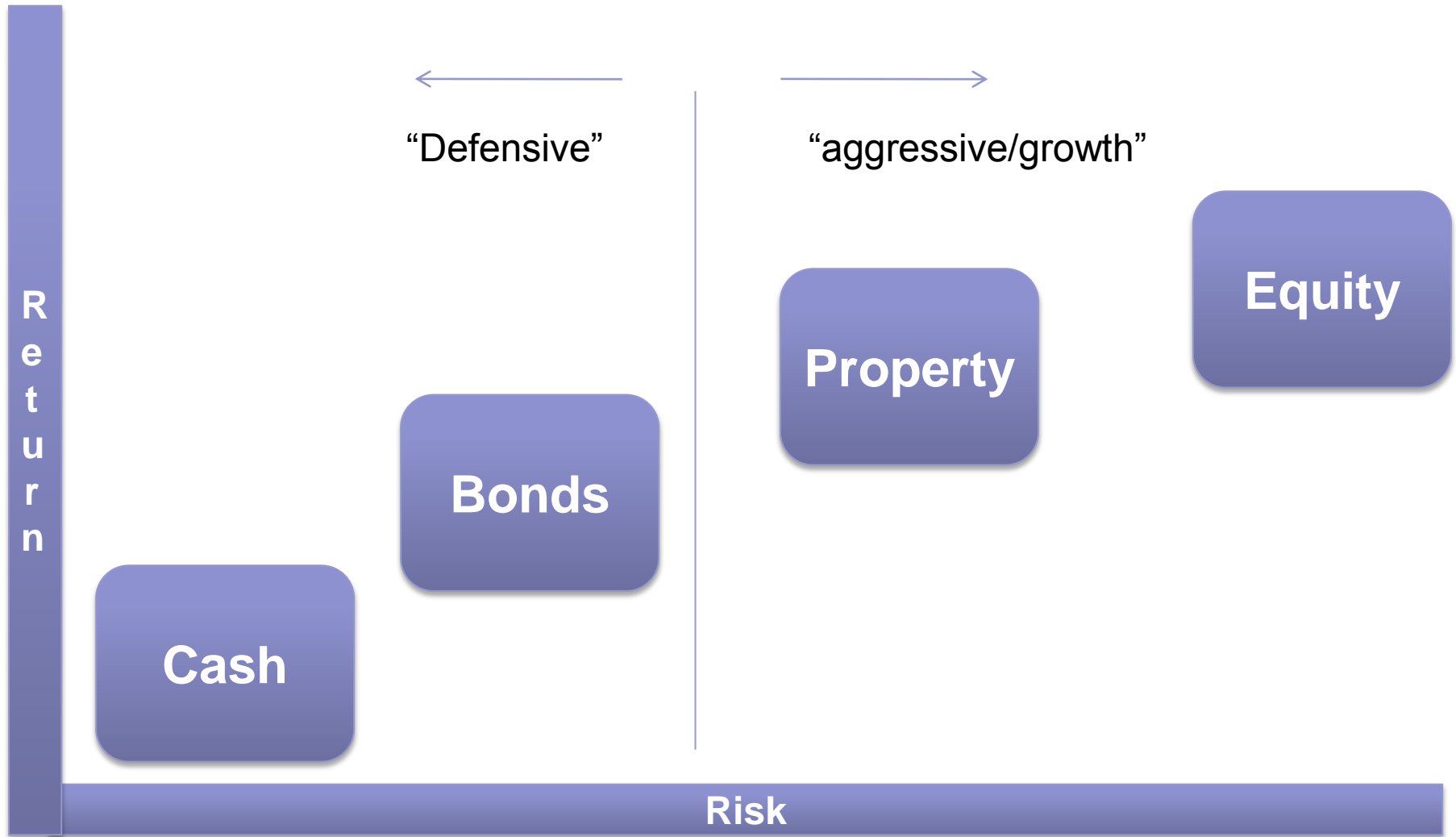


Sources: Jagadeesh Gokhal, "Measuring the Unfunded Obligations of European Countries," 2009; OECD.

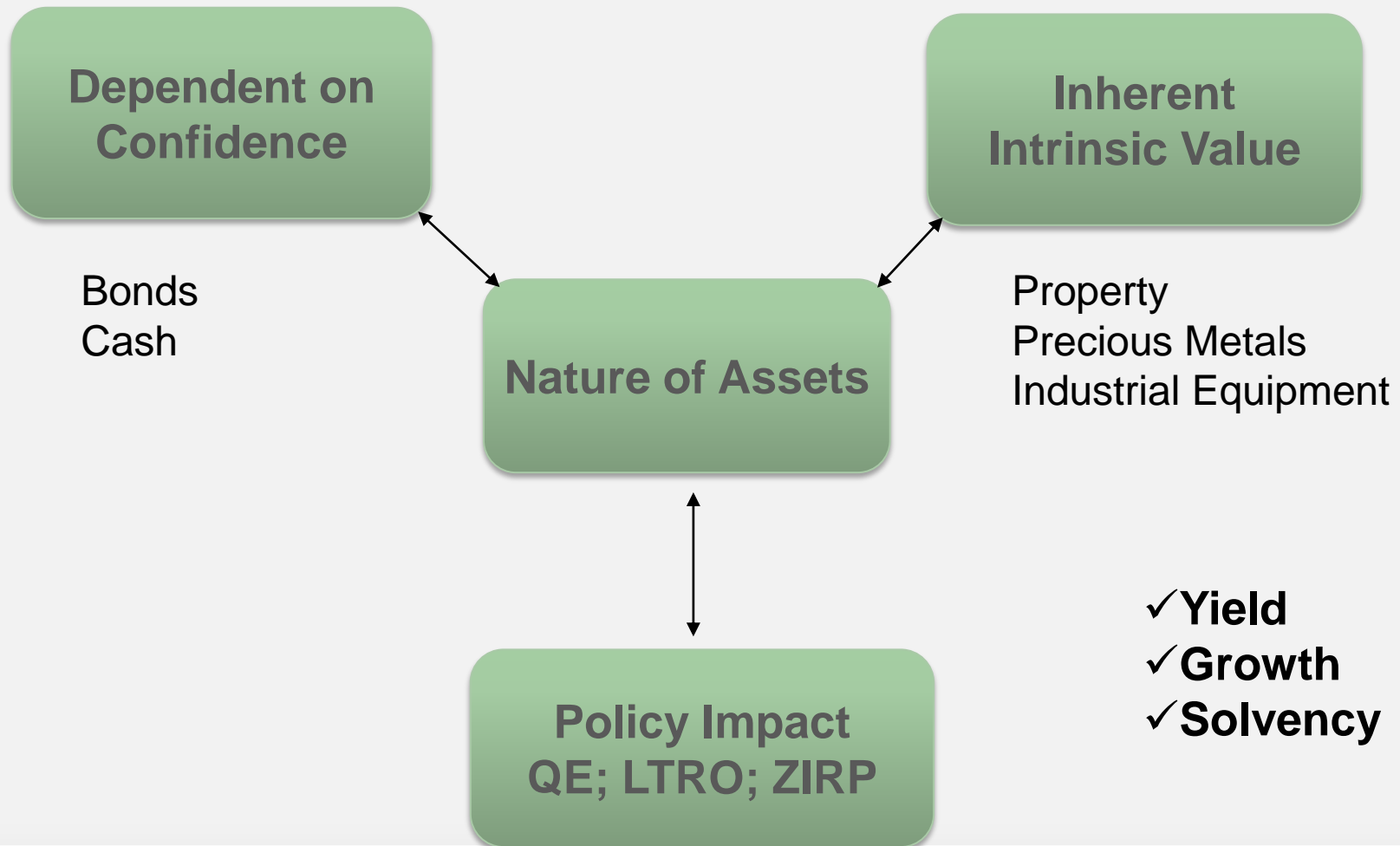
Note: Unfunded liabilities are the difference between the projected cost of continuing current government programs and net expected tax revenues. Government debt based on 2011 forecasts from the OECD.

Challenge to asset management doctrine and foundation

Does 'risk free' rate become redundant?



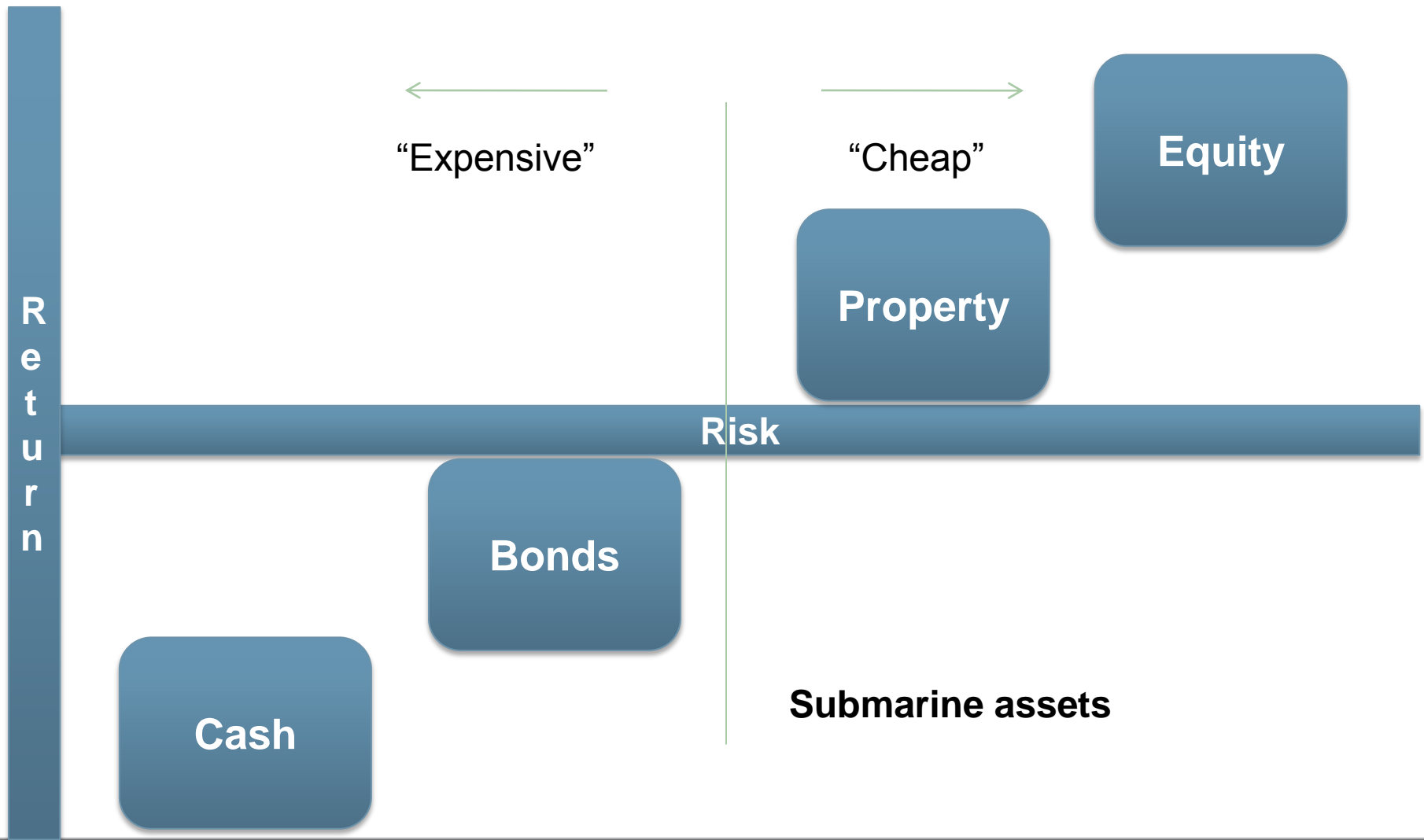
Investment Divide



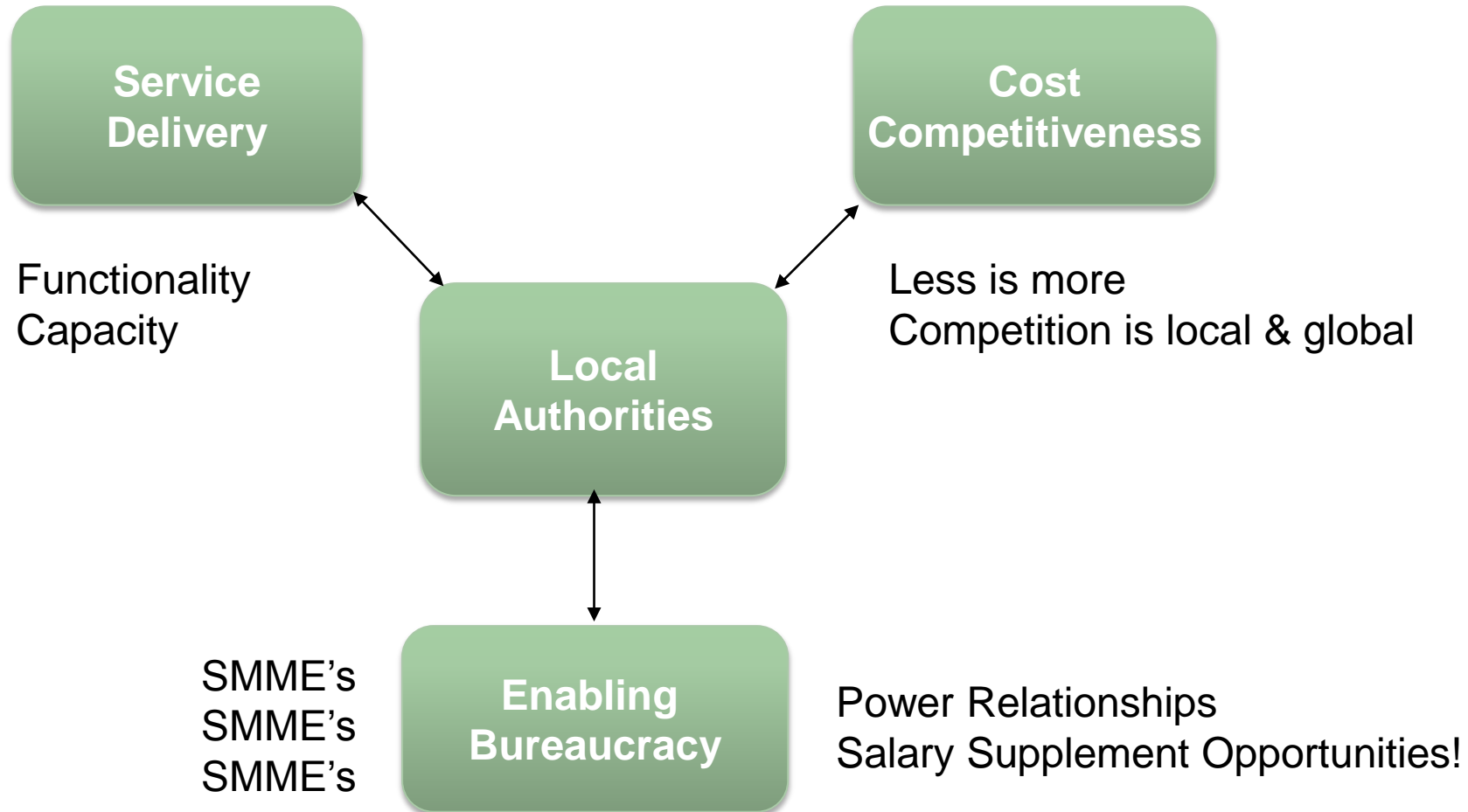
Indebted politically more powerful than the saver

Inflation adjusted and the model falls apart

Does 'risk free' rate become redundant?



Impact and Leverage of Local Authorities



ALL wealth is generated by business activity

Public Transport and the Green Economy





Financial Market Message



Central Banks and Economic Policy



SA Growth and Employment



Investing for Growth



South Africa's Neighbourhood



Reality: Africa is still a challenging business environment



Damn Potholes!

Damn Potholes!

Infrastructure

Governance

Institutions

Regulation



Budget Deficits: a problem

Angola +7.1%

Gabon +4.6%

Libya +4.4%

Brazil +2.9%

DRC +2.4%

Switzerland +1.0%

Sweden -0.2%

Rwanda -0.4%

CAR -0.5%

Ethiopia -1.4%

China -1.6%

Equatorial Guinea -1.7

Ivory Coast -2.0%

Madagascar -2.0%

Cameroon -2.5%

Germany -3.3%

Zambia -3.3%

Nigeria -3.4%

Uganda -3.5%

Russia -4.1%

South Africa -4.1

Italy -4.6%

Mauritius -4.6%

World -5.3%

Netherlands -5.3%

India -5.6%

Mozambique -5.8%

Tanzania -6.1%

Kenya -6.3%

Namibia -6.5%

Botswana -7.0%

France -7.0%

Ghana -7.6%

Slovakia -7.9%

Egypt -8.0%

Japan -8.1%

USA -8.8%

Niger -8.9%

Portugal -9.2%

Spain -9.3%

UK -10.3%

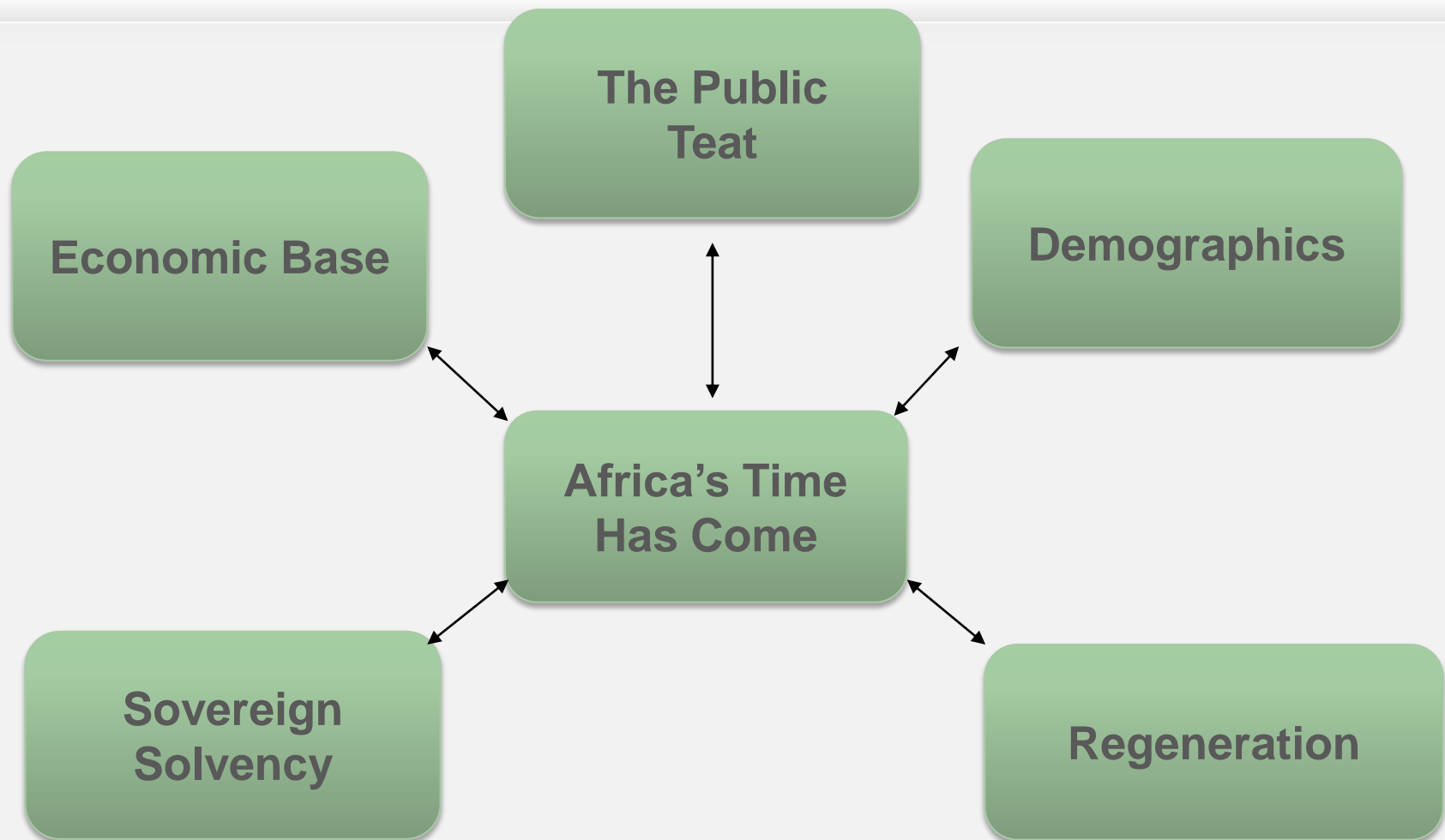
Greece -10.4%

Ireland -32.4%

Data for 2010

Source: CIA Factbook

African Investment Case: not just being less bad



Improvement both relative and absolute

Debt: too much of it; contrast to BRICS

Country 90%	Debt: GDP 2010
Japan	197.5%
Greece	142.8%
Iceland	126.1%
Italy	119.1%
Singapore	105.8%
Belgium	100.9%
Ireland	96.7%
Portugal	93.0%

Country	Debt: GDP 2010
Canada	84.0%
Germany	83.2%
France	82.4%
UK	76.1%
Austria	71.0%
Netherlands	62.6%
US	62.3%
Spain	60.1%

Country BRICS	Debt: GDP 2010
Brazil	59.0%
India	51.9%
SA	32.3%
China	18.9%
Russia	9.0%

Source: INet

Africa: HIPC status now merely a legacy

Country	Debt: GDP 2010
Ivory Coast	63.1
Mauritius	57.7
Ethiopia	48.3
Kenya	47.7
Mozambique	46.3
Tanzania	34.4
Ghana	34.0
South Africa	33.4

Country	Debt: GDP 2010
Zambia	26.7
Uganda	21.8
Angola	21.4
Namibia	20.1
Botswana	19.9
Nigeria	17.8
Cameroon	16.1
Libya	3.5

Source: CIA Factbook

Growth is a multi-sectoral phenomenon

No longer just single-commodity dependent economies

Agriculture

Manufacturing

Telecoms

**Property
Development**

Mining

**Financial
Services**

Tourism

Technology

Retailing

Africa: no longer off a low base

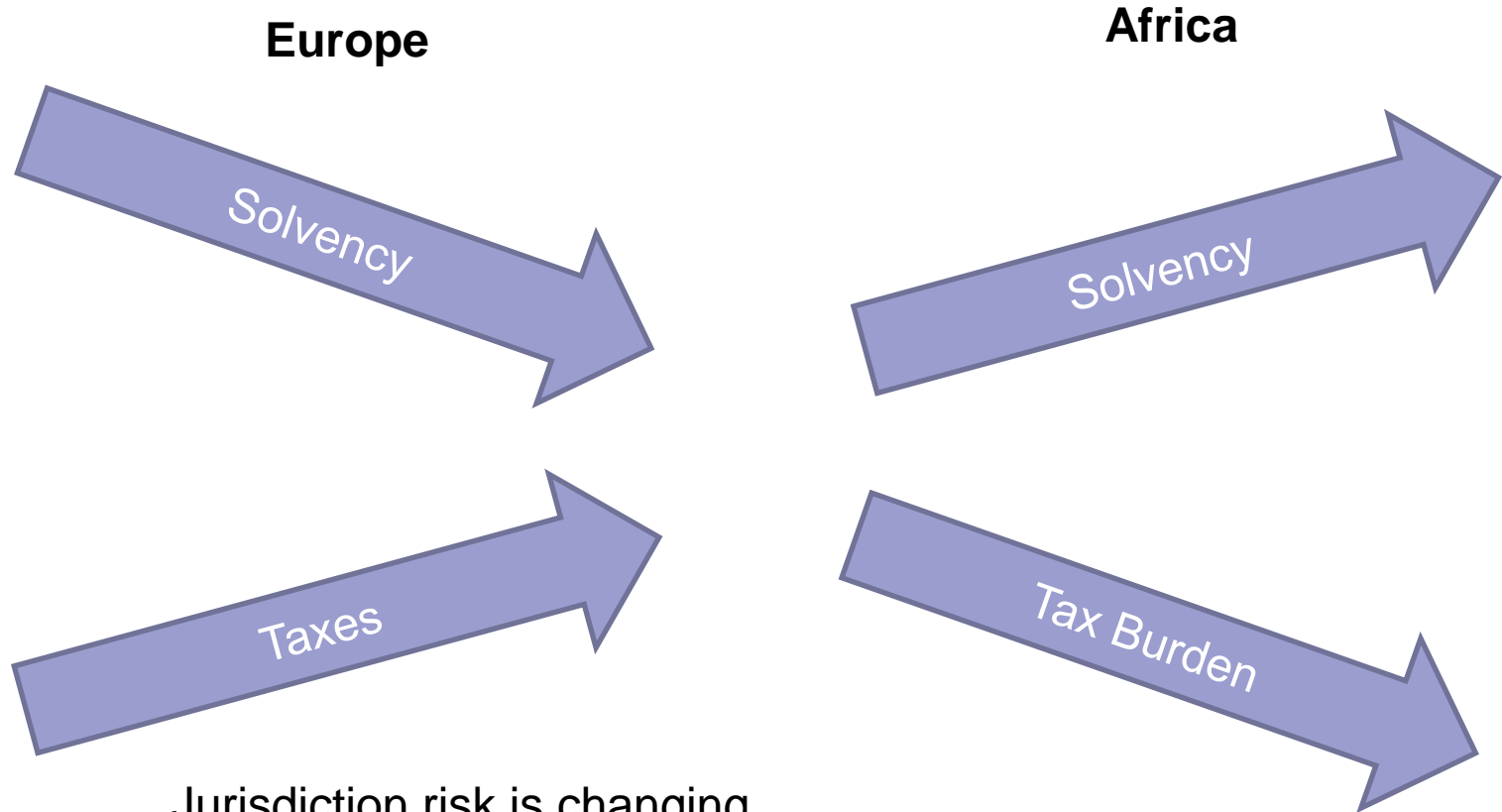
Country	GDP 2000	GDP 2012
South Africa	133.0	443.3
Nigeria	46.4	263.2
Angola	8.4	109.0
Ghana	7.4	45.1
Kenya	12.3	40.6
Ethiopia	8.2	36.9
Cameroon	10.0	27.6
Ivory Coast	10.4	26.7

Country	GDP 2000	GDP 2012
Tanzania	9.6	24.1
Zambia	3.3	20.1
Botswana	5.6	17.5
Gabon	5.1	17.0
Uganda	6.2	17.0
DRC	4.3	16.5
Namibia	3.9	13.4
Mozambique	4.2	13.1

Source: CIA Factbook

Political Risk

Rating agencies and investors



Jurisdiction risk is changing.
...but

Neither Africa nor Europe completely homogeneous



Socio-Economic Context: Growth



Central Bank Policy: Yield



Global Financial Crisis: Solvency



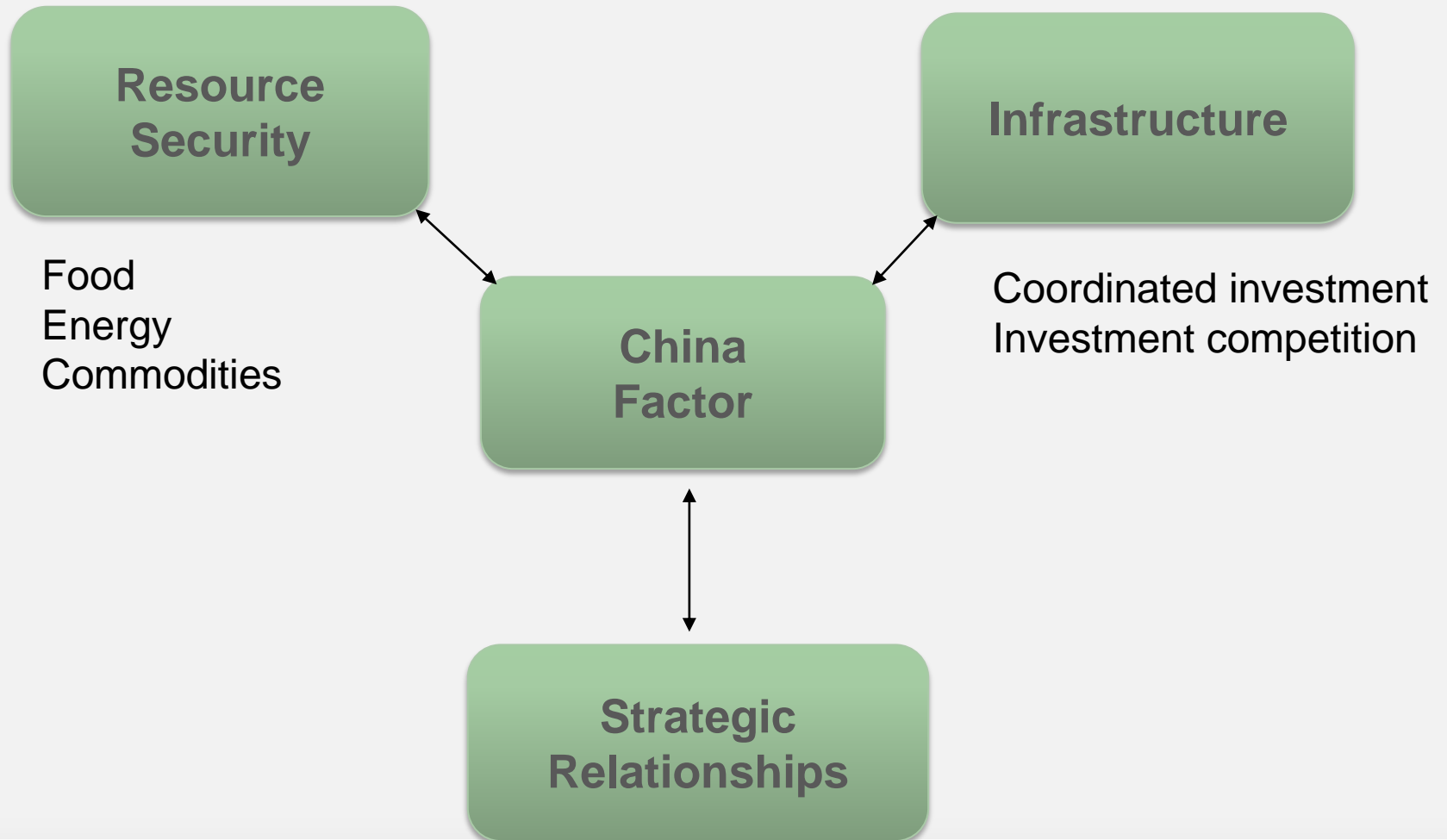
Africa: something different this time



Investment Drivers



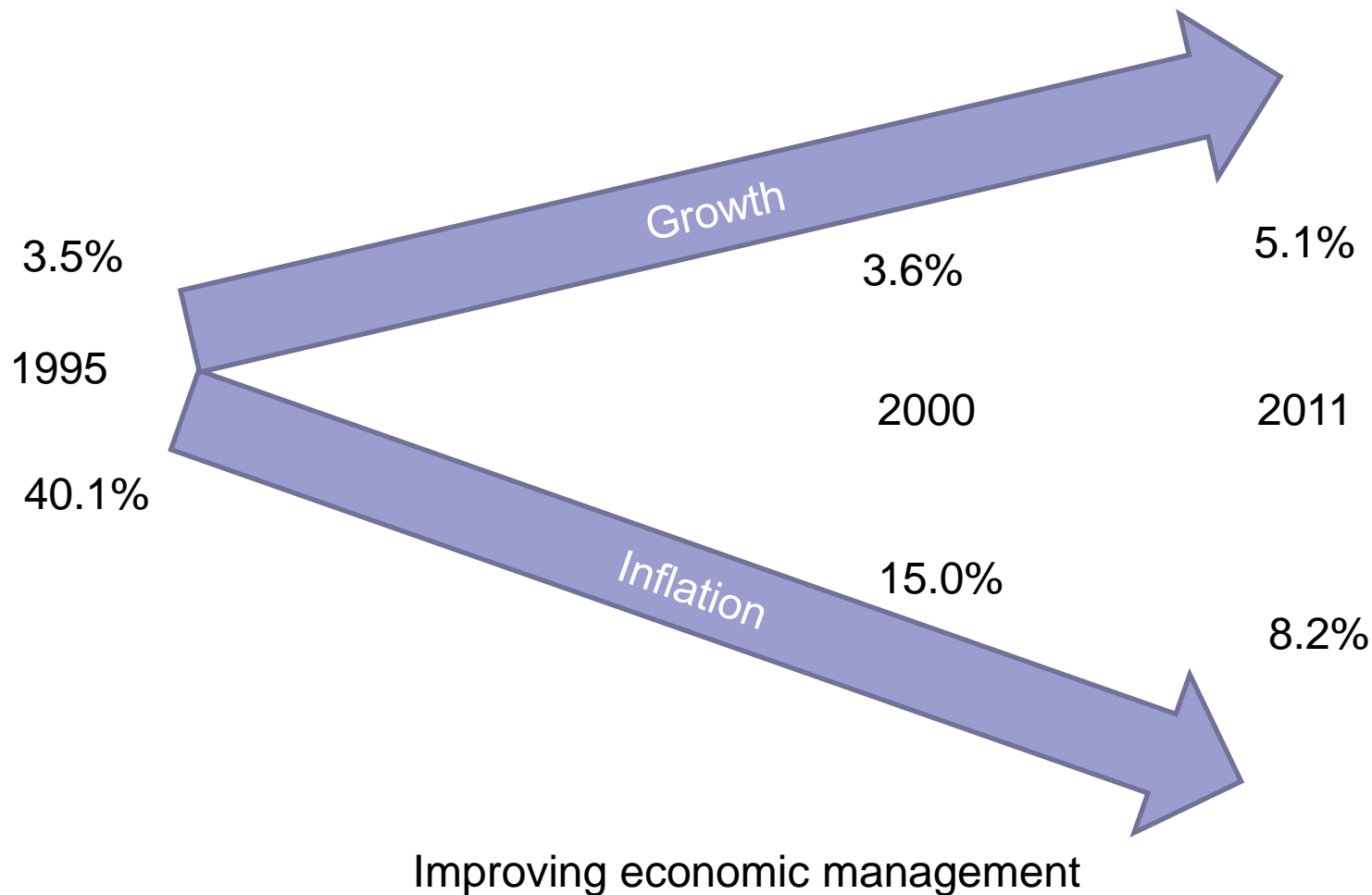
The 3rd scramble for Africa



Greater confidence; greater assertiveness

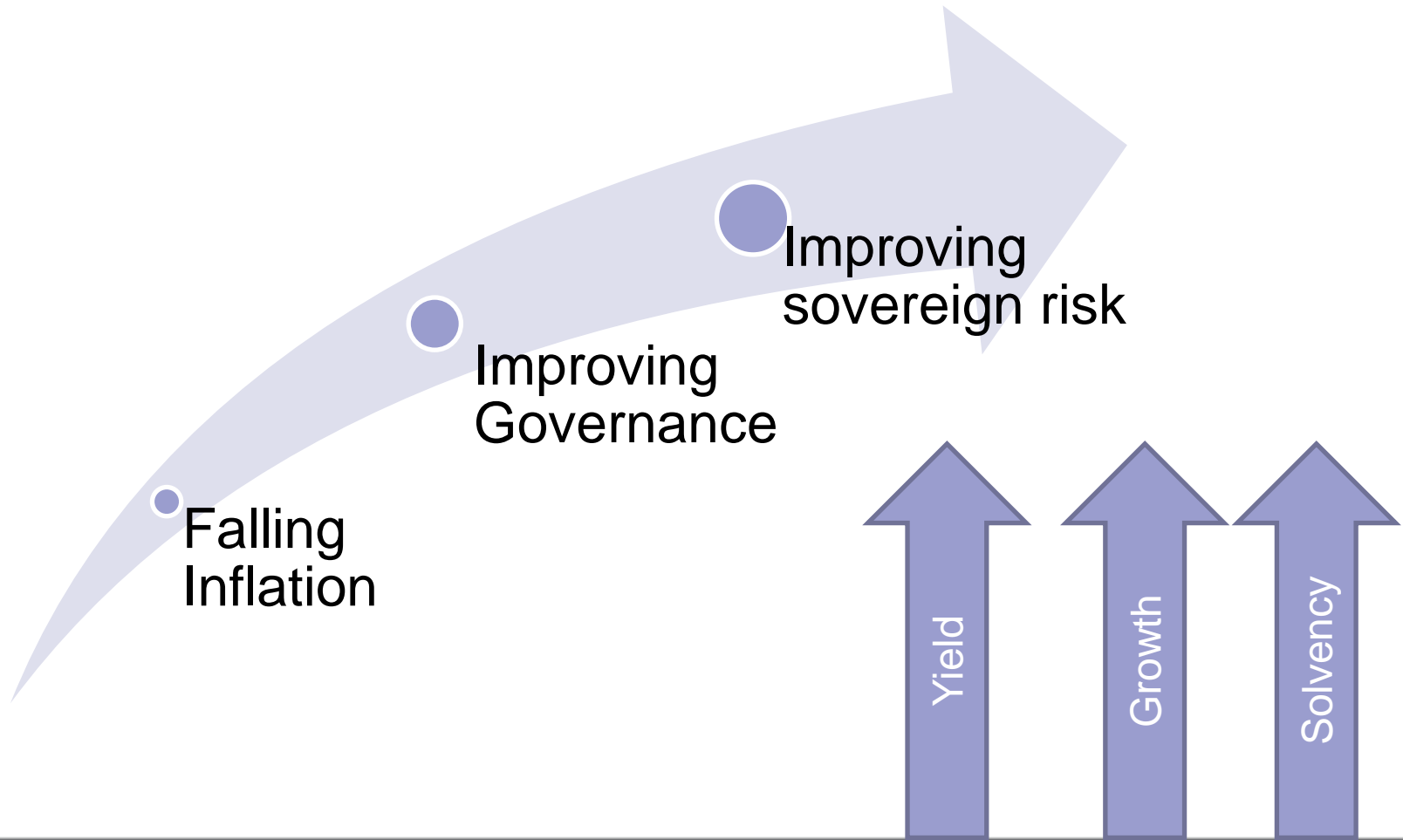
Macro-economic outcomes

Proof of the pudding

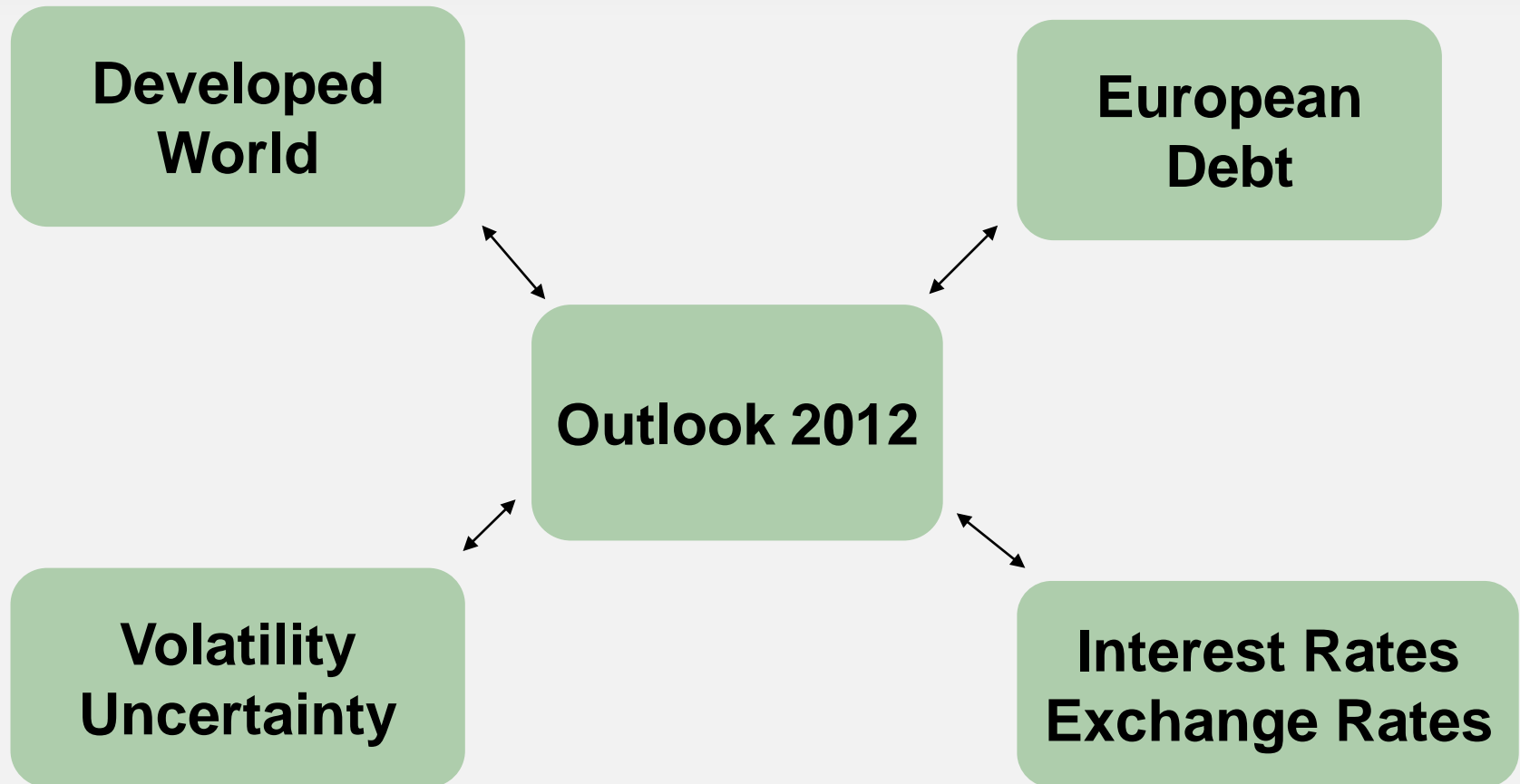


Investment Timelines

Getting longer



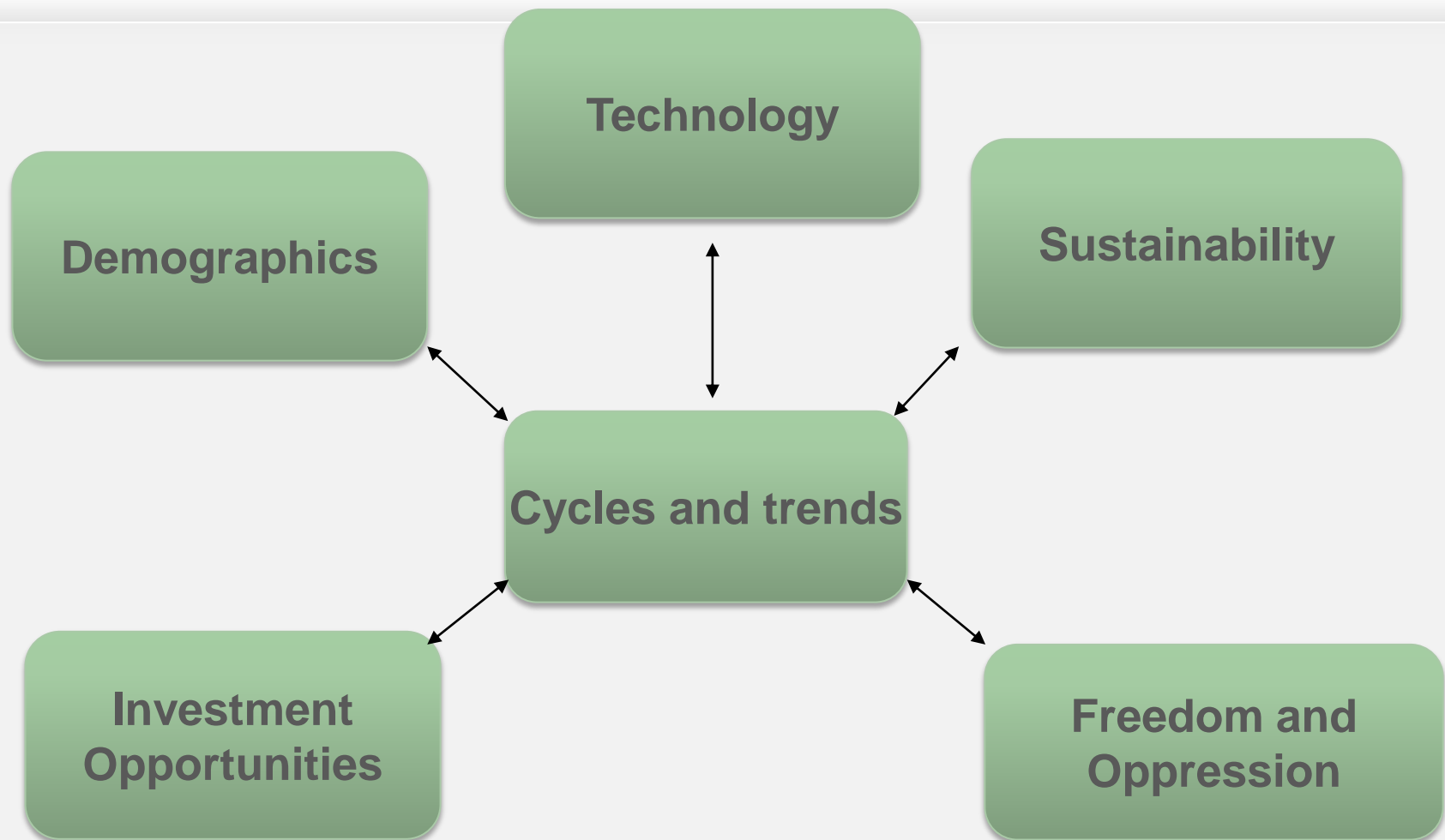
2012: will there be a cascading debt problem?



2011 will stamp its authority on 2012. No fresh start

Humanity: a history of progress and destruction

Never the end of the world!!



Standards of living are generally improving

Thank You

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