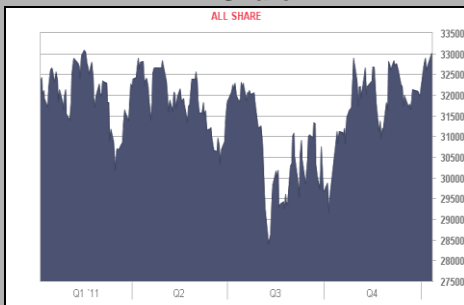
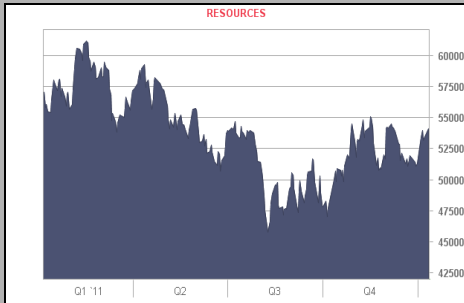


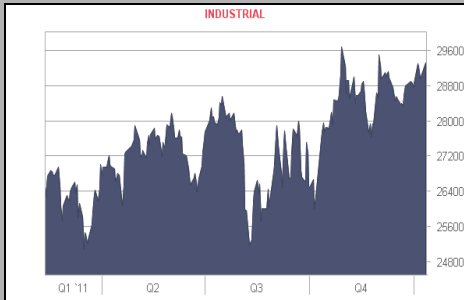
## All Share



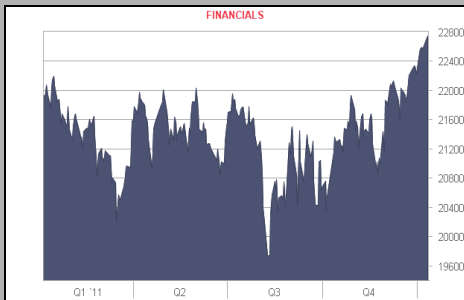
## Resources



## Industrials



## Financials



### Market Indicators 30 December 2011

Index	Value	Monthly Move (%)
All Share	31986	▲2.57%
Resources	51280	▼8.92%
Industrials	28760	▲7.34%
Financials	22234	▲2.71%
S&P 500	1263	▲0.41%
FTSE	5507	▼7.79%
Rand/USD	8.16	▼23.3%
Rand/GBP	12.56	▼23.14%
USD/Euro	1.29	▲2.55%
Gold (\$)	1547	▲10.06%
Platinum (\$)	1366	▼21.52%
Brent Oil (\$)	108.3	▲16.05%

The above candlestick data represents the daily movement of each index for the past month. Blue represents upward movement and red represents downward movement.

## Market Report

What does 2012 hold in store for the world economy? Whatever course we take, let's hope not to be blindsided like we were in 2011 when a relatively optimistic outlook for the year ahead was brought down harshly to the realities of a contagious Eurozone debt crisis, political gridlocks and severe natural disasters that all together resulted in a below-par global economic recovery and a torrid time in markets. Equity markets along with most of the characteristic risk assets had a tough time in markets last year, as heightened risk aversion redirected funds to the more traditional "safe-haven" assets. The various asset class performances for 2011 paint the picture quite clearly: Our local JSE All Share produced a meagre total return of 2.57% for the year, against a local Cash return of 5.73% and 8.82% by local Bonds. Local money clearly shunned away from risk but the annual performance by Foreign Bonds of 30.83%, which will mainly be US Treasury Bonds, shows that foreign money viewed any form of emerging market asset class as high risk and stayed away. Our expectations for the year ahead, given the year we had last year, has definitely been trimmed to the bone but luckily there is still enough about to not jump ship altogether!

We've had a good start to the year in terms of positive developments for the world economy. The pace of growth in the US Manufacturing sector accelerated at its fastest pace in 6 months, US housing starts exceeded expectations with a 9.3% jump in December, the most since April 2010, and building permits climbed to more than a 1 year high. Similarly, manufacturing activity in China, the U.K., India and Australia all topped forecasts in December and the Eurozone's purchasing manager's index contracted less than had been feared. German unemployment fell sharply to its lowest levels in two decades and German business confidence also sparked a big turnaround, which does ease concerns somewhat for the Eurozone's growth prospects. Also the news that Chinese money supply grew faster than forecast in December added to the sense that the Chinese government is making headway in its attempts to ensure the world's 2nd largest economy does not suffer a hard landing. What we can hope for is that the positive developments mentioned above gain further traction as the year progresses, and gathers enough momentum to dispel the impact to sentiment of the lingering Eurozone stresses.

As much as I'd like to deny it, the Euro-zone qualms will continue to hamper markets in 2012 as well as put a drag on global growth. At this point, a Eurozone recession is almost certain. While its depth and length cannot be predicted, a continued credit crunch, sovereign debt problems, lack of competitiveness, and fiscal austerity imply a serious and inevitable downturn. The IMF cut its forecast for global growth in 2012 to 4% from a prior estimate of 4.5%, mainly on the back of a sour Eurozone outlook. On the positive side, the unprecedented moves and cohesive effort by policy makers to tackle this crisis does improve the picture somewhat. The recent intervention by top central banks to lower the cost of emergency dollar funding for banks (as interbank lending has virtually dried up), and the move by European Central Bank to give Eurozone banks unlimited 3-year loans in the hope that those banks will use the cash to buy government debt, signify the level of official concern and should assist any sovereign bond sales coming up by keeping rates low.

As can be expected, the severity of the global economic slowdown holds the key to the South African economic outlook in 2012. Not only will this to a large extent determine the local growth trajectory, but will also play a big part (as it has in 2011) in driving future Rand movements, which in turn is a critical determinant of the inflation and interest rate expectations. The measly growth expectations for the global economy in 2012 will spill over to our local economy, which should at best grind out about 3% for the year. This will continue to fall well short of the levels required to improve the 25% unemployment picture, and unfortunately together with an inflation rate that will most likely hover between 6%-7% will not give the SARB much wiggle room to ease monetary policy. SA consumers, who have remained robust throughout the post-recession recovery, supported by the lowest interest rates in more than 30 years, modest inflation and higher-than-expected wage increases, will find it harder to keep up the momentum this year as high food and energy prices erode spending power.

All in all, another tough year lies ahead, but this time we're better prepared for it and hopefully with continued and albeit slow progress toward a full recovery we can find a way to grind on through!

## Company results

**Datacentrix Hld Ltd (Interim):**

HEPS 26.2c ; PE 9.5 ; Dividend yield 3.2% ; details hereunder...

**Famous Brands Ltd (Interim):**

HEPS 120.0c ; PE 18.5 ; Dividend yield 3.6% ; details hereunder...

## Trading updates

Share	Price	Increase / Decrease	Expected change in HEPS
Value	410	Increase	20%
TFG	10014	Increase	23-26%
PicknPay	3975	Decrease	35-45%
Mr Price	7640	Increase	18-23%
Raubex	1302	Decrease	89-103cps

## Snippets

Your Three Investing Opponents...

## Corporate Cash Management Rates

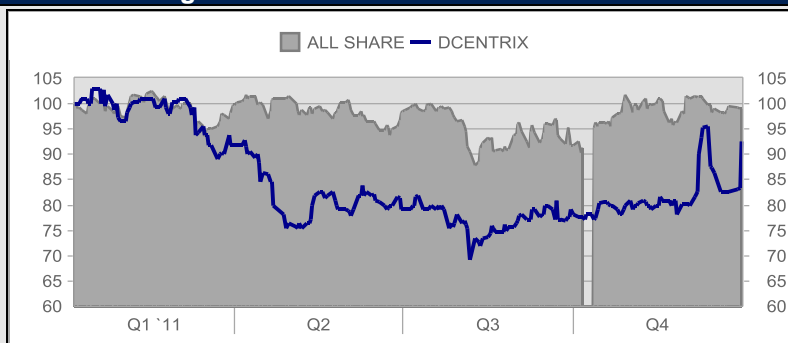
Up to 5.28% net – Call Deposits

Effective rates from 4.70% to 6.10% - Fixed Deposits

## Company Results

### Datacentrix Holdings Ltd – Interim results for the period ended August 2011

Headline EPS	26.2c
Historical PE	9.5
HEPS growth	-4.7%
Turnover growth	9.2%
ROE	20.8%
NAV per share	233.6c
Dividend yield	3.2%
Share price	R4.50



Datacentrix is a South Africa-based black empowered company that provides full high performing and secure ICT solutions to the country's corporate and public services sectors.

The group reported a subdued set of results for the six months ended August 2011. Revenue increased by 9% to R913m, despite the anticipated revenue drop-off following the once-off FIFA World Cup event last year. Revenue growth was all organic. However, adjusted operating profit fell 7% to R70m, resulting in a lower operating margin of 7.7% (2010: 9%), attributable to increased margin pressure on transactional business and a greater investment in key technical competencies. Net finance income increased marginally by 3%, while EBT decreased by 7% to R77m. Ultimately headline earnings shrunk 4% to R52m, supported slightly by a lower effective tax rate of 31.9% (2010: 33.7%). Consequentially diluted HEPS decreased by 5% from 27.5 cents to 26.2 cents.

#### Dividend

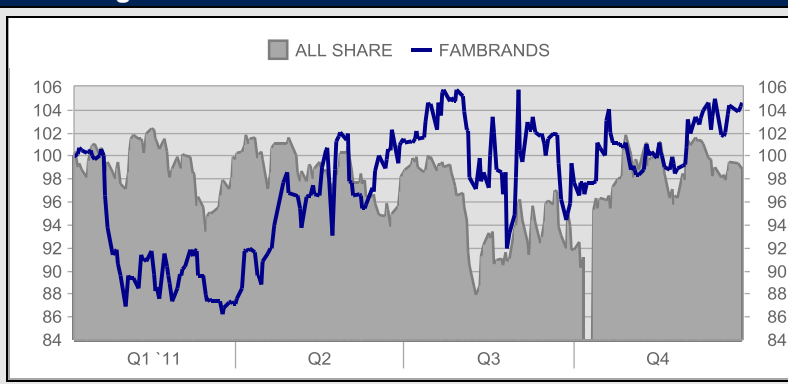
Cash generation remained strong, while an interim dividend of 13.4cps was declared, 4% lower than the prior period.

#### Prospects

The group will continue to drive the business up the value chain, delivering tangible strategic business value to clients. Wins in the Managed Services and Solutions divisions have substantially strengthened the group's market position. The group has also expanded their offering organically to incorporate Datacentre, Microsoft, Storage (software), BI, Security MPS, Outsourcing expertise and the deployment of SOC. The group is exploring acquisitions to accelerate growth in identified areas, despite current growth been attributable to organic growth. Acquisitions will principally be done to enter into new market segments and to create critical mass in existing competencies. The group has a strong balance sheet, an ROE in excess of 20% and historically strong cash flows.

### Famous Brands Ltd – Interim results for the period ended August 2011

Headline EPS	120.0c
Historical PE	18.5
HEPS growth	7.1%
Turnover Growth	11.6%
ROE	35.6%
NAV per share	784.6c
Dividend yield	3.6%
Share price	R45.10



Famous Brands Limited is Africa's leading Quick Service and Casual Dining Restaurant franchisor which also has representation in the United Kingdom. Its brand portfolio includes Steers, Wimpy, Debonairs Pizza, Mugg & Bean, FishAways, House of Coffees, to name but a few.

The group operated in a difficult trading environment during the interim to 31 August 2011. Consumer confidence remained subdued in both South Africa and the United Kingdom (UK). In South Africa, the previous buoyant growth in the volume-based middle class market was curtailed. The situation was also exacerbated by competitive trading and a sharp rise in input costs. The group experienced unprecedented fragmentation in the marketplace, which was reflected in aggressive price-cutting and divergence from traditional core menu offerings, as well as pressure from retailers who entered the fray aiming to gain market share. Against this backdrop, Famous Brands reported revenue growth of 12% to R1013.4m underpinned by its resilient business model and brands strength. It should also be noted that the prior period benefited from robust FIFA World Cup sales. Consequently, headline earnings rose by 10% to R120.2m. Diluted HEPS improved by 9% to 120 cents for the period under review.

#### Dividend

The Interim dividend increased by 14% to 80 cps. Cash generation was weak as working capital increased largely due to higher inventories.

#### Prospects

Consumer disposable income is likely to remain restrained while intense industry competition will persist in the period ahead. In addition, the price of beef is expected to escalate in the second half. As a result, the group adopts a cautious view going forward. Growth opportunities exist in the lower-end entry level market, expansion projects in Africa, as well as further expansion into the its manufacturing capability as part of the backward integration business model. Trading in the second half has been traditionally stronger and the group is confident that it will reap the benefits of its high profile brands, coupled with robust marketing and promotion campaigns. Famous Brand's footprints are expected to exceed 2100 restaurants by February 2012. The group has a strong track record boasting a sustainable high ROE, good margins, and historically strong cash flow. Famous Brands also has an attractive portfolio of businesses and appears on track in expanding this portfolio. Going forward, the group's performance will remain dependent on the global economic recovery, of which the timing and extent is uncertain at this stage.

### Three Opponents in Investing

With markets more challenging than ever, individual investors need to understand exactly whom they are going up against when they step onto the field of battle. You have three opponents to consider whenever you invest.

The first is **Mr. Market** himself. He is, as Benjamin Graham described him, your eternal partner in investing. He is a patient if somewhat bipolar fellow. Subject to wild mood swings, he is always willing to offer you a bid or an ask. If you are a buyer, he is a seller – and vice versa. But do not mistake this for generosity: he is your opponent. He likes to make you look a fool. Sell him shares at a nice profit, and he happily takes their prices so much higher you are embarrassed to even mention them again. Buy something from him on the cheap, and he will show you exactly what cheap is. And perhaps most frustrating of all, Mr. Market has no ego – he does not care about being right or wrong; he only exists to separate the rubes from their money.

Yes, Mr. Market is a difficult opponent. But your next rivals are nearly as tough: they are everyone else buying or selling stocks.

Recall what Charles Ellis said when he was overseeing the \$15-billion endowment fund at Yale University:

"Watch a pro football game, and it's obvious the guys on the field are far faster, stronger and more willing to bear and inflict pain than you are. Surely you would say, 'I don't want to play against those guys!'"

"Well, 90% of stock market volume is done by institutions, and half of that is done by the world's 50 largest investment firms, deeply committed, vastly well prepared – the smartest sons of bitches in the world working their tails off all day long. You know what? I don't want to play against those guys either."

Ellis lays out the brutal truth: investing is a rough and tumble business. It doesn't matter where these traders work – they may be on prop desks, mutual funds, hedge funds, or HFT shops – they employ an array of professional staff and technological tools to give themselves a significant edge. With billions at risk, they deploy *anything* that gives them even a slight advantage.

These are who individuals are doing battle with. Armed only with a PC, an internet connection, and CNBC muted in the background, investors face daunting odds. They are at a tactical disadvantage, outmanned and outgunned.

### We Have Met the Enemy and They Is Us

That is even before we meet your third opponent, perhaps the most difficult one to conquer of all: **You**.

You are your own third opponent. And, you may be the opponent you understand the least of all three. It is more than time constraints, lack of discipline, and asymmetrical information that challenges you. The biggest disadvantage you have is that melon perched atop your 3<sup>rd</sup> opponent's neck. It is your big ole brain, and unless you do something about it, it is going to lose all of your money for you.

See it? *There*. Sitting right behind your eyes and between your ears. That "thing" you hardly pay any attention to. You just assume it knows what it's doing, works properly, doesn't make too many mistakes. I hate to disabuse you of those lovely notions; but no, sorry, it does not work nearly as well as you assume. At least, not when it comes to investing. The wiring is an historical remnant, hardly functional for modern living. It is overrun with desires, emotions, and blind spots. Its capacity for cognitive error is nearly endless. It was originally developed for entirely other purposes than risk assessment in capital markets. **Indeed, when it comes to money, the way most investors use those 100 billion neurons or so of grey matter, they might as well not even bother using their brains at all.**

Let me give you an example. Think of any year from 1990-2005. Off of the top of your head, take a guess how well your portfolio did that year. Write it down – this is important (that big dumb brain of yours cannot be trusted to be honest with itself). Now, pull your statement from that year and calculate your gains or losses.

How'd you do? Was the reality as good as you remembered? This is a phenomenon called selective retention. When it comes to details like this, you actually remember *what you want to*, not what factually occurred. Try it again. Only this time, do it for *this year* – 2011. Write it down. Go pull up your YTD performance online. We'll wait.

Well, how did you do? Not nearly as well as you imagined, right? *Welcome to the human race*.

This sort of error is much more commonplace than you might imagine. If we ask any group of automobile owners how good *their* driving skills are, about 80% will say "Above average." The same applies to how well we evaluate our own investing skills. Most of us think we are above average, and nearly all of us believe we are better than we actually are. (Me personally, I am *not* an above-average driver. This is despite having taken numerous high-performance driving courses and spending a lot of time on various race tracks. I know this is true because my wife reminds me of it constantly.) [JM here – I am also in the bottom 25%, as my kids constantly remind me!]

As it turns out, there is a simple reason for this. The worse we are at any specific skill set, the harder it is for us to evaluate our own competency at it. This is called the **Dunning-Kruger effect**. This precise sort of cognitive deficit means that areas we are least skilled at – let's use investing decisions as an example – also means we lack the ability to identify any investing shortcomings. As it turns out, the same skill set needed to be an outstanding investor is also necessary to have "metacognition" – the ability to objectively evaluate one's own abilities. (This is also true in all other professions.)

Unlike Garrison Keillor's Lake Wobegon, where all of the children are above average, the bell curve in investing is quite damning. By definition, all investors cannot be above average. Indeed, the odds are high that, like most investors, you will underperform the broad market this year. But it is more than just this year – "underperformance" is not merely a 2011 phenomenon. The statistics suggest that 4 out of 5 of you underperformed last year, and the same number will underperform next year, too.

Underperformance is not a disease suffered *only* by retail investors – the pros succumb as well. In fact, about 4 out of 5 mutual fund managers underperform their benchmarks every year. These managers engage in many of the same errors that Main Street investors make. They overtrade, they engage in "groupthink," they freeze up, some have been even known to sell in a panic. (Do any of these sound familiar to you?)

These kinds of errors seem to be hardwired in us. Humans have evolved to survive in competitive conditions. We developed instincts and survival skills, and passed those on to our descendants. The genetic makeup of our species contains all sorts of elements that were honed over millions of years to give us an edge in surviving long enough to procreate and pass our genes along to our progeny. Our automatic reactions in times of panic are a result of that development arc.

This leads to a variety of problems when it comes to investing in equities: our instincts often betray us. To do well in the capital markets requires developing skills that very often are the *opposite* of what our survival instincts are telling us. Our emotions compound the problem, often compelling us to make changes at the worst possible times. The panic selling at market lows and greedy chasing as we head into tops are a reflection of these factors. The sort of grinding market we had in 2011 only exacerbates investor aggravation, and therefore increases poor decision making. Facts and logic go out the window, and thinking gets replaced with naked emotions. We get annoyed, angry, frightened, frustrated – and that does not help returns. Indeed, our evolutionary “flight or fight” response developed for a reason – it helped keep us alive out on the savannah. But the adrenaline necessary to fight a Cro-Magnon or flee from a sabre-toothed tiger does not help us in the capital markets. Indeed, study after study suggests our own wetware works against us; the emotions that helped keep us alive on the plains now hinder our investment performance.

The problem, as it turns out, lies primarily in those large mammalian brains of ours. Our wiring evolved for a specific set of survival challenges, most of which no longer exist. We have cognitive deficits that are by-products of that. Much of our decision making comes with cognitive errors “secretly” built in. We are often unaware we even have these (for lack of a better word) defects. These cognitive foibles are one of the main reasons that, when it comes to investing, we humans just ain’t built for it.

### **We Are Tool Makers**

But we are not helpless. These large mammalian brains of ours can do a whole lot more than merely overreact to stimulus. We think up new ideas, ponder new tools, and create new technologies. Indeed, our ability to innovate is one of the factors that separates us from the rest of the animal kingdom.

As investors, we can use our big brains to compensate for our known limitations. This means creating tools to help us make better decisions. When battling Mr. Market – as tough as any Cro-Magnon or sabre-toothed tiger – it helps to be able to make informed decisions coolly and objectively. If we can manage our emotions and prevent them from causing us to make decisions out of panic or greed, then our investing results will improve dramatically.

So stop being your own third opponent. Jiu jitsu yourself, and learn how to outwit your evolutionary legacy. Use that big ole melon for a change. You just might see some improvement in your portfolio performance.

### **Individual Investors Have Certain Advantages Over Institutions**

One final thought. Smaller investors do not realize that they possess quite a few strategic advantages – if only they would take advantage of them. Consider these small-investor pluses:

- No benchmark to meet quarterly (or monthly), so you can have longer-term time horizons and different goals
- You can enter or exit a position without impacting markets.
- There is no public scrutiny of your holdings and no disclosures required, so you don’t have to worry about someone taking your ideas.
- You don’t have to limit yourself to just the largest stocks or worry about position size (this is huge).
- Cost structure, fees, and taxes are within your control.
- You can reverse errors without professional consequences – you don’t get fired for admitting a mistake.
- You can have longer-term time horizons and different goals.

And with those thoughts, good luck and good trading in 2012!

*The opinion and comment in this newsletter is opinion and comment only and does not in any way constitute financial advice. For any financial decision please consult one of our PCH professional financial advisers.*

## Corporate Cash Manager Rates

Cash Manager Rates at 30 December 2011				
FUND	BALANCE	RATE	FEE	NET RATE
CALL ACCOUNT	0.00 - 9.999.99	5.15	1.60	3.55
	10.000 - 24.999.99	5.15	1.10	4.05
	25.000 - 49.999.99	5.15	0.85	4.30
	50.000 - 99.999.99	5.15	0.60	4.55
	100.000 - 249.999.99	5.15	0.45	4.70
CALL MONEY FUND	250.000 - 499.999.99	5.38	0.35	5.03
	500.000 - 999.999.99	5.38	0.25	5.13
	1.000.000 - 9.999.999.99	5.38	0.15	5.23
	10.000.000 upwards	5.38	0.10	5.28

## Dividends payable

Dividends in LDT order						
Liberty Holdings Ltd (LIBHOLD11)	05-Dec	22-Dec	03-Jan	5.5	ZARc	
Crookes Brothers Ltd (CROOKES)	29-Nov	29-Dec	09-Jan	65	ZARc	
Illovo Sugar Ltd (ILLOVO)	23-Nov	29-Dec	09-Jan	23	ZARc	
The Foschini Group Ltd (TFG)	03-Nov	29-Dec	09-Jan	190	ZARc	
Adcock Ingram Holdings Ltd (ADCOCK)	22-Nov	06-Jan	16-Jan	106	ZARc	
Barloworld Ltd (BARWORLD)	14-Nov	06-Jan	16-Jan	105	ZARc	
Business Connexion Group Ltd (BCX)	30-Nov	06-Jan	16-Jan	40	ZARc	
Grand Parade Investments Ltd (GRANPRADE)	13-Dec	06-Jan	16-Jan	60	ZARc	
Lonmin plc (LONMIN)	14-Nov	06-Jan	03-Feb	15	USDc	
Pretoria Portland Cement Company Ltd (PPC)	08-Nov	06-Jan	16-Jan	95	ZARc	
Tiger Brands Ltd (TIGBRANDS)	23-Nov	06-Jan	16-Jan	510	ZARc	
Astral Foods Ltd (ASTRAL)	14-Nov	13-Jan	23-Jan	505	ZARc	
Lewis Group Ltd (LEWIS)	14-Nov	13-Jan	23-Jan	172	ZARc	
Nampak Ltd (NAMPAK)	23-Nov	13-Jan	23-Jan	30.5	ZARc	
Nampak Ltd (NAMPAK)	23-Nov	13-Jan	23-Jan	43.5	ZARc	
Netcare Ltd (NETCARE)	14-Nov	13-Jan	23-Jan	31	ZARc	
Omnia Holdings Ltd (OMNIA)	22-Nov	13-Jan	23-Jan	100	ZARc	
Reunert Ltd (REUNERT)	15-Nov	13-Jan	23-Jan	253	ZARc	
Tongaat Hulett Ltd (TONGAAT)	14-Nov	13-Jan	26-Jan	120	ZARc	
Value Group Ltd (VALUE)	18-Oct	13-Jan	23-Jan	7	ZARc	
Clicks Group Ltd (CLICKS)	20-Oct	20-Jan	30-Jan	88	ZARc	
Pioneer Food Group Ltd (PNR FOODS)	28-Nov	27-Jan	06-Feb	40	ZARc	
Liberty Holdings Ltd (LIBHOLD11)	05-Dec	22-Dec	03-Jan	5.5	ZARc	

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