

South Africa: The untapped market!




Microscope

Among emerging markets, South Africa is a productive and industrialized economy that exhibits many characteristics associated with developing countries, including an uneven distribution of wealth and income. The country has abundant natural resources, well-developed financial, legal, communications, energy and transport sectors, a stock exchange ranked among the top 20 in the world, and a modern infrastructure supporting efficient distribution of goods throughout the southern African region. The primary sector, based on manufacturing, services, mining, and agriculture, is well developed. South Africa's transportation infrastructure is among the best in Africa, supporting both domestic and regional needs. The country is maintaining its strong showing in world rankings, with a number of recent international reports supporting the country's strengths as an investment destination. It is ranked 45th out of 134 countries in the World Economic Forum's Global Competitiveness Index for 2008/09 - down one place from 44th in 2007/08. According to the WEF, the index calculates its rankings from publicly available data and an annual poll of over 12 000 business leaders worldwide. 

South Africa has been enjoying asset inflation since 1Q this year, together with other emerging markets. Nevertheless it is expected the economy can grow by a mild 2.5% in 2010 since many shock absorbers there are in place, like a flexible rand exchange rate, counter cyclical policies, lower inflation, a social safety net, falling interest rates and infrastructure spend, still cannot prevent recession in South Africa. However, when there is a global upswing, South Africa tends to outperform global growth, but when there is a global downturn, the country tends to underperform global growth. On the stockmarket, South Africa's JSE is one of the first stock exchanges worldwide to become a signatory to the United Nations Principles of Responsible Investment (UN PRI), which guide investors in taking environmental, social and corporate governance issues into account when investing. The exchange sees the move as

a step forward in its already strong support of corporate and investor decision-making, which includes environmental, social and corporate governance factors as well as traditional business issues. Investment-wise, investment in capital infrastructure had increased from 5.9% of South Africa's GDP in the second quarter of 2007 to 9.4% in the second quarter of 2009, according to the Finance Minister. Accordingly, while South Africa's GDP was expected to decline by 1.9% overall for 2009, the economy was expected to move back into growth in the last quarter of the year. GDP growth of 1.5% is forecast for 2010, rising to 3.2% by 2012. One of the key momentums for the economy to weather the financial tsunami in 2008 is the sound fiscal position. In fact, a sound position has allowed the South African government to sustain public

service delivery while increasing spending on fixed capital investment to boost economic growth and create employment, according to the Finance Minister. Presenting his Medium Term Budget Policy Statement in Parliament in October, Finance Minister said that low levels of public debt had also enabled a rapid increase in infrastructure spending, much of it supported by government - guaranteed borrowing by the country's state-owned enterprises. Over a decade of comprehensive institutional reform and sound economic management, South Africa has been rewarded with improved sovereign credit ratings, implying less risk for investors and cutting the cost of capital for the country's public and private sector borrowers. It's credit ratings have improved since 1994, let alone stimulus from the upcoming super-event. 

MARKET BRIEFING


YTD % (local curr)

US DJ	10,318 (17.6%)
Nasdaq	2,146 (36.1%)
Euro Stoxx 50	2,833 (15.6%)
HSI	22,455 (56.1%)
Japan NK225	9,497 (7.2%)
China Shanghai Composite	3,308 (81.7%)
Singapore	2,761 (56.8%)
India BSE30	17,021 (76.4%)
Brazil BOVESPA	66,327 (76.6%)
Aus All Ord	4,706 (28.6%)
US-10yr Bond	Yield 3.37%


As at 20/11/09

Insight: "Wealth Protection and Management"

Wealth protection and management is another important element of a comprehensive financial plan. Wealth management usually incorporates financial planning, investment portfolio management and a number of aggregated financial services. High net worth individuals or small business owners who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate private banking, estate planning, legal resources, tax professionals and investment management. In general, wealth management can be provided by large corporate entities, independent

financial advisers or multi-licensed portfolio managers whose services are designed to focus on high-net worth customers. After the fallout of the events of 2008, a high level of skepticism and distrust among investors was produced. Those customers will demand greater transparency from their providers to understand what they own, the value of their investments and associated risks. For this reason wealth managers must be prepared to respond to a greater need by clients to understand, access, and communicate with advisers regarding their current relationship as well as the products and services that may satisfy future needs. Moreover, advisors must have sufficient information, from providing product information to answer inquiries regarding degree of risk tolerated by customers. 

A-Z Financial Tools

Unique risk refers to the specific risk exposed by a company with regard to operating and financial aspects. For example, a property developer may face the problem of drop in property price when it sells properties. Fund manager usually studies the specific risk for different companies first and then diversify such risk with the help of portfolio formation. The process will enhance the risk-reward ratio of such fund. 



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