



Robert Cowen Investments (Pty) Ltd.

Growing Families' Wealth Since 1982

NEWSLETTER - END MAY 2010

4 JUNE 2010

"Finish each day and be done with it. You have done what you could. Blunders and absurdities no doubt crept in. Forget them. Tomorrow is a new day; begin it well and serenely and with too high a spirit to be encumbered with your old nonsense."
- Ralph Waldo Emerson

"You've got to take the bitter with the sour."

- Samuel Goldwyn

"To be a real journalist, you just have to remember two words: Governments lie."
- US investigative journalist Isidor Stone (1907-1989)

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RCI Flexible Managed unit trust - RCI Flex was down by 3.7% during May compared to a 5.7% fall in the JSE Top 40. For 2010 it is still up slightly at 0.39% compared with the JSE Top 40's drop of 3.36%. Thus our hedging, cash holding and gold are helping to reduce the extent of the downside. Our concerns about the risk/ reward relationship of the market remain – but at least shares are no longer so expensive if the 12 month forecast earnings are achieved. In the long term, the levels of the market will be determined by value, in the short term by foreign investors cashing (crashing?) in and out of our market. However, interest rates are so low in America and their growth prospects so mediocre that the medium term trend should be for Americans to continue increasing exposure to emerging markets. Short term blips will occur from time to time e.g. concerns over Europe so one must remain ever vigilant, but that would give us a chance to buy more shares at lower prices .

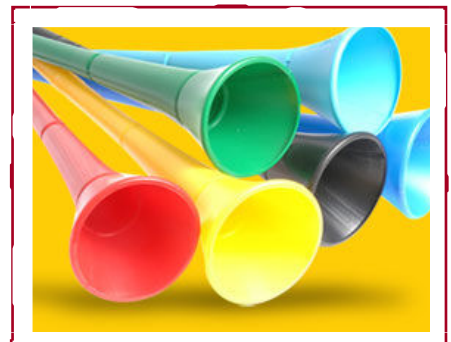
Is this a 'normal' correction or are things going to get rough again?

What really counts: are your shares managing to grow their dividends?

Actual dividend growth of our typical shares.

Enhancing performance by buying when yields are high and selling when yields are low.

The World Cup – a great 'gees' is building, uniting the country-repairing the Malema damage.



If the rand is too strong, what could be done about it? IMF theory when capital inflows are too strong.

PERSONAL SERVICE

FORESIGHT

EXPERIENCE

Is this a “normal correction” or are things going to get rough again?

Con-trar-i-an

English, Noun

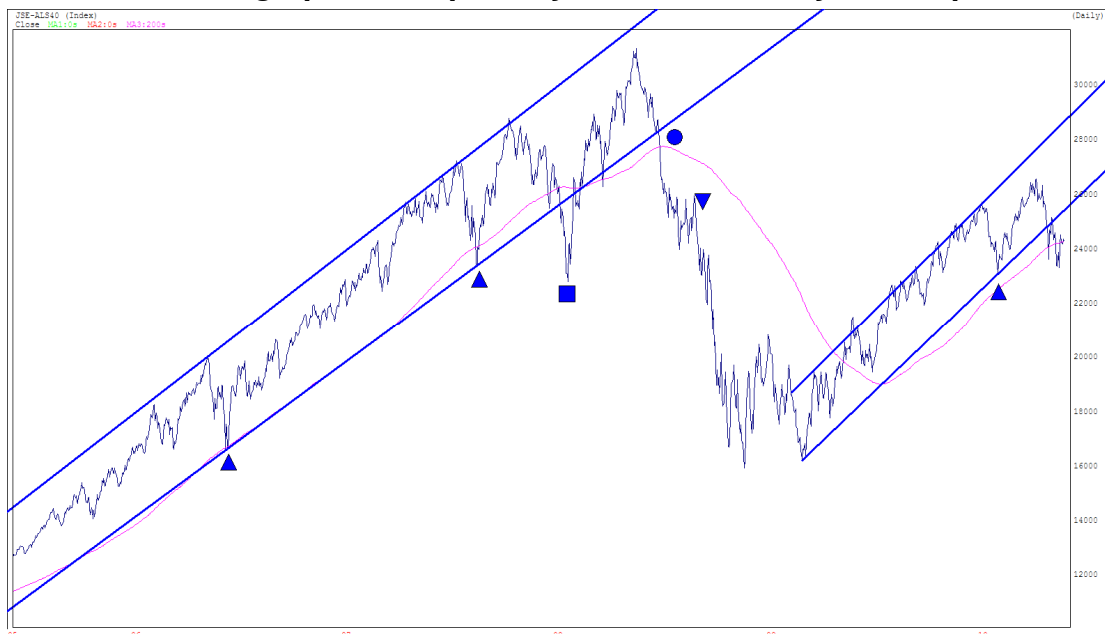
In finance, a contrarian is one who attempts to profit by investing in a manner that differs from the conventional wisdom, when the consensus opinion appears to be wrong.

Source: Wikipedia, December 2008 (extract)

The first problem about being a contrarian is that one needs to be able to ascertain what the consensus opinion is – before you can decide if it is wrong! Behold the following graph of the JSE-AllS40 which is designated by the blue graph with the pink line being its 200 day moving average. Note how the market often moves in channels and will break down to the bottom of the channel and bounce up again, as indicated by the up- triangles. Usually, the turn will come at or close to the 200 day moving average.

In a normal bull market, these usually provide buying opportunities and normally occur about twice per year.

The JSE TOP 40 graph of the past 5 years with 200 day m.a. in pink



Source: Sharefriend

Sometimes the graph breaks well below its moving average but turns up again, providing an even better buying chance – as marked by the square in January 2008.

Then the nasty surprise can occur as marked by the circle in July 2008. It broke down through the bottom of the channel and the moving index and just when it appeared to be turning up again in August (marked by the down-triangle); it plunged in almost a straight line down to October.

Currently, the market is poised at decisive point. It has fallen through the bottom of its up-channel and is showing tentative signs of turning up from just below its 200 day moving average. In a normal market, it should now bounce up (another up-triangle) so we would be buying shares and cutting hedge. This is far from a ‘normal’ market with the anxiety caused by financial problems in Europe, it is always possible that it turns into a rout, and it plunges further as it did in 2008.

So what are we doing in our unit trust? We have some 30% in hedge, gold and cash but if the market turns down again through its support levels, we will increase our hedge.

What is our guess as to what will happen?

Sorry folks, in markets like this, investor opinions are nothing but educated guesswork. There are no certainties, only hard to define probabilities of what might happen.

On the positive side, we have metal prices that are significantly higher than a year ago and a recovering SA economy so forecast earnings for the next year are rising encouragingly. If they are achieved, shares will no longer be overvalued and will return to slightly better than long-term averages. For metal prices to remain good, China must continue to grow, even if at a slower pace than its break-neck pace.

On the negative side, we have the problems in Greece and Europe that are causing people to expect low growth in Europe for years. The ultra-pessimistic commentators fear that the Euro may collapse and the European Union broken up. We think this is extreme, European governments, supported by America and China, have indicated that they will do what is necessary to prevent this. Thus the likely outcome is that the problems of Europe (and America, for that matter) will be papered over for now, only to re-appear in a few years' time.

What is unpredictable is how the American investors will react. Will they decide that the growth in the Far East and emerging markets will be vastly superior so they will invest more and more money in SA, pushing up share prices? So far they have not blinked, even in April we had net inflows into our share market (albeit small). However, if they panic, and take their money home at all costs as they did in 2008, then our market would plunge lower, despite it being close to fair value based on the current predictions of company earnings in a year's time. Unfortunately, we have seen that when panic is rampant, all logic flies out of the window, and 'reasonable valuations' are ignored for the time being.

However, the beauty of 'reasonable valuations' is that if prices plunge further, shares become very attractive relative to keeping your money in cash so once the panic is over, investors return to the markets quite quickly and long-term holders are comforted by high dividend yields.

Our conclusion: the odds favour that the tentative upturn in both the JSE and most foreign markets will continue into a reasonable upward bounce— that is why we are 70% in shares. However, the risks of a panic resulting from further problems in Europe are not negligible – so we are on high alert – prepared to increase the hedge or sell shares if the market falls through its support levels – represented by the last up- triangle on the graph.

“The only thing that makes life possible is permanent, intolerable uncertainty; not knowing what comes next.”

- Ursula K LeGuin

It's the dividend growth that really counts over the medium term

Share prices fluctuate. As the wag said, share prices will rise and fall but not necessarily in that order. Share prices can be volatile but in the long run, they tend to follow growth in earnings and dividends. In trying times for the stock market, it is instructive to look back and see how one's shares are performing in terms of growing dividends. Table A gives 11 of the shares prevalent in our portfolios.

The first four are resource shares which have choppy dividend streams. Anglo has cut its dividend completely but will hopefully resume later this year. Billiton has grown its dividend (in USc) very smoothly but Implats has only grown at 4% a year. Resource shares are also suffering due to the strong rand. The erratic nature of Resource dividend growth makes them harder to rely upon and less predictable than banks and retailers.

	Current	-1	-2	-3	-4	-5	5 year growth	5 Year Annualised Growth	
Anglo	0	325	925	758	561	421	-100%	-100.0%	Very disappointing but should pay some div this year
Billiton (USc)	82	70	47	36	28	26	215%	25.8%	Did not cut its dollar dividend despite downturn
Implats	320	1475	975	400	288	263	22%	4.0%	Cyclical shares need weak rand and high resource prices
Sasol	850	1300	900	710	540	450	89%	13.6%	Disappointing last year -but still good growth
Standard	386	386	386	320	267	232	67%	10.8%	Only SA company never to cut a div in last 42 years
RMH	99	142	142	114	94	78	28%	5.0%	Banks took pain in this recession
BATS (GBP)	1.00	0.84	0.66	0.56	0.47	0.42	138%	18.9%	Smokers don't cut back in recessions
Mr Price	173	133	116	101	81	60	188%	23.6%	Unaffected by downturn
Spar	322	255	185	123	95	77	318%	33.1%	Excellent growth - yield still high
Naspers	207	180	156	120	70	38	445%	40.4%	Growing off a very low base
SABrews	521	495	440	355	314	237	120%	17.0%	Impressive growth, but still on low yields
Average							139%	8%	

The banks' performance has been a bit disappointing compared to industrials. Standard's dividend has compounded at 10.8% per annum (but it is the only share on the JSE to have never cut its dividend in the past 42 years); and RMH at 5% per annum having cut its dividend last year. The industrial shares have grown dividends by between 17% p.a. for SA Brews and 40.4% for Naspers which comes off a low base. We feel that this has been very good for a tough recession.

It is also interesting to compare the rate of dividend growth from Table A with the growth in shares prices over the past 5 years. Dividends have averaged 139% growth while share prices have grown an average of 129%. Comparisons are a bit distorted by the suspension of the Anglo dividend).

Table B: Share price growth

	Current	6/6/05	5 year growth	5 Year Annualised Growth
Anglo	29337	16195	81%	12.6%
Billiton (US	20741	8430	146%	19.7%
Implats	19170	7162	168%	21.8%
Sasol	28046	17590	59%	9.8%
Standard	10632	6570	62%	10.1%
RMH	3305	2279	45%	7.7%
BATS (GBP)	24015	n.a	0%	0.0%
Mr Price	4565	1221	274%	30.2%
Spar	7800	2360	231%	27.0%
Naspers	29492	8620	242%	27.9%
SABrews	21701	10095	115%	16.5%
Average			129%	17%

Enhance returns by buying when dividend yields are high

One of the key foundations of investment policy is that over time, dividend yields will revert to the mean. In plain English, this means that a steady dividend payer such as Standard Bank tends to trade in a price band that will give an average dividend yield of around 3.25%, will seldom become so expensive that the dividend falls below 2.5% and seldom be so cheap that the dividend yield is above 4%. This can be seen in the graph below. The share price is the squiggly blue line and the dividend yield is the squiggly grey line. Normally, when the dividend yield goes below 2.5%, the share price has a sharp fall within the next few months and when the yield is above 4%, the price rises over the next few months.



If history repeats itself, then at some point in the next few months, or years, the share price will get back to its average dividend yield.

As investors tend to live off their dividends, the key issue is that dividends must keep growing faster than inflation. If one starts off by buying shares in a steady grower, such as Standard when it is around its average dividend yield, then as long as those dividends keep growing over the medium terms, at some point in the future, the share price should get back to its average yield. The growth in the share price will then equal the growth in the dividends.

In table A we show a dividend increasing by 15% p.a. for five years from R1.00 to R2.01, a gain of 101%. If it is originally on a cheap 4% yield the starting price will be R25 and if it is still cheap after five years the price should be R50.28 (a 4% yield on a dividend of R2.01) and the gain will also be 101%.

Year		0	1	2	3	4	5	Growth
Div per share		1.00	1.15	1.32	1.52	1.75	2.01	101%
	Div. Yield	Share price						Gain
Cheap	4.00	25.00	28.75	33.06	38.02	43.73	50.28	101%
Average	3.25	30.77	35.38	40.69	46.80	53.82	61.89	101%
Expensive	2.50	40.00	46.00	52.90	60.84	69.96	80.45	101%

Similarly, if it is bought on an average yield of 3.25%, then the price would be 30.77 and if sold at an average price at the end of five years the gain will also be 101%. If the share is initially expensive (on a dividend yield of 2.5%) you would have to pay a whopping R40 to start – substantial higher than the R25 if it cheap. Bear in mind, the initial dividend you are buying is R1 and the final dividend you are selling is R2.01 – it's simply the price that varies. If there is no change in the dividend yield, then the price will rise by the same extent as the rise in the dividend = 101%.

Buy Cheap, Sell expensive

One may try to increase performance by buying the share when it is cheap – around a dividend yield of 4% and sell it when the price is expensive on 2.5% yield. In Table B, if you bought cheap at R25 and sell again at cheap after 5 years you make 101%. However if you buy cheap at R25 and sell at average, the gain rises to 148% and if the market is being silly and is at expensive levels, the gain rises to 202%. That is double the gain, despite the fact that the dividend only rose 101%. The difference is purely that you bought cheap and sold expensive.

Buy at	Div. Yield	Share price	Sell at	Div. Yield	Share price	Gain
Cheap	4.00	25.00	Cheap	4.00	50.28	101%
Cheap	4.00	25.00	Average	3.25	61.89	148%
Cheap	4.00	25.00	Expensive	2.50	80.45	222%
Average	3.25	30.77	Cheap	4.00	50.28	63%
Average	3.25	30.77	Average	3.25	61.89	101%
Average	3.25	30.77	Expensive	2.50	80.45	161%
Expensive	2.50	40.00	Cheap	4.00	50.28	26%
Expensive	2.50	40.00	Average	3.25	61.89	55%
Expensive	2.50	40.00	Expensive	2.50	80.45	101%

If you buy on average yields at R30.77 and sell expensive after five years for R80.45, your gain is 161% - but if you are forced to sell cheap, you will get a gain of 63%.

Finally, have a look at why you should not buy at expensive levels if you can help it. If you buy expensive and are lucky enough to sell expensive you will gain the 101%. If you sell at average yields your gain drops to 55% but if you are forced to sell cheap then your gain is a paltry 26%. That is a huge difference compared to a gain of 101% or even 202%.

N.B. Resource Shares are different: The above concept applies to shares displaying relatively steady dividend growth - it does not apply to cyclical shares where an historical dividend may appear cheap but is about to be drastically cut or it may appear historically expensive but dividends are about to leap substantially.

The problem with buying on high dividend yields and selling on low dividends = it is against human nature

Fear: When shares get cheap and should be bought, investors are screaming that they have lost too much money and sell more shares so they don't lose even more.

Greed: After a great run, the economy and the entire financial world often looks rosy – no need to sell yet, things will still rise much further. If one sells a bit and the shares rise further, investors feel they have given away profits unnecessarily – then it falls down – now it's too late to sell, but prices then drift to much lower levels.

Conclusion: Fear and Greed overrides reason for 95% of humans.

World Cup - the 'Gees' is with us! Much needed cohesion

The spirit building in South Africa is simply awesome, enhanced by the wonderful hospitality received by the Blue Bulls in Soweto. Amazingly no drunken fans got beaten up or robbed – so hopefully the robbers have placed a moratorium on crime against tourists for the rest of the world cup. Much of the damage to race relations caused by 'Dilemma' has been repaired by the big-heartedness of the people of Orlando.

While the number of foreign visitors is going to end up below expectations (aggravated by the economic woes of Europe), some estimates say that the visitors are going to stay longer than originally expected and spend more money. Viva, football, viva.

Besides the monetary boost and the upward pressure on the rand of all that spending, we are seeing a morale boosting, unifying spirit providing a much needed optimism that is pulling our people out of their depressed mind-set of the past 18 months. Positive people find answers, produce more, earn more, pay more tax and help set a sustainable growth path for the next few years. If we are lucky, and behave ourselves, it will be judged "the best world cup ever" by old Sepp and by the tourist fans. If so, we will see a positive spin off in increased tourism, investment and interest in South Africa for many years to come.

What if we get too much money flowing into SA from the World Cup – will it push the rand up too much?

Last month we wrote about the government's desire for a weaker rand, will the influx of tourists for the World Cup push it much higher? What can be done to weaken it anyway if strong inflows continue?

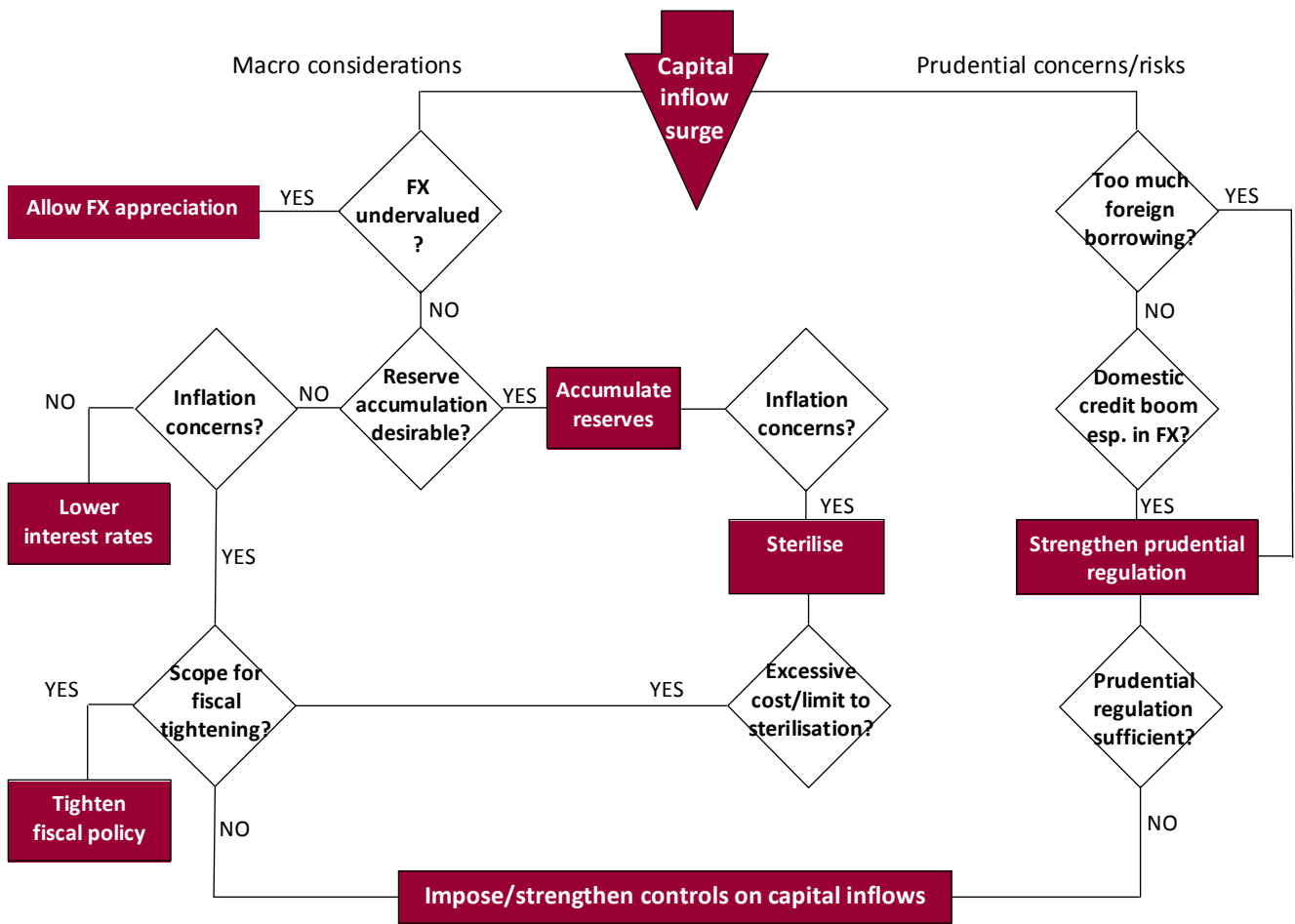
This is a piece of economic theory that holds no interest for normal human beings. If you find it interesting you should examine yourself carefully in a mirror!

Firstly, the World Cup is over by the end of July so although it should keep the rand strong for that period, the longer term effect should not be substantial. It is more meaningful if it leads to further strong investments into South African shares or business operations.

What does a government do if too much money keeps flowing in, pushing up the rand to the extent that it makes the mines and manufacturers uncompetitive? The press and politicians often make a noise that our currency is too strong and it should be dropped but it is difficult to drop a currency without other undesirable economic consequences occurring – e.g. if you drop interest rates to make depositing money in South Africa less attractive to foreigners, you may encourage inflation, or perversely enough, it may result in an increase in the expected economic growth rate encouraging foreigners to plough in more money into shares than they are taking out of deposits!

We now give you an economics lesson, courtesy of the **International Monetary Fund**. We found the chart in Sarasin and Partners' Strategy Outlook No.19, March 2010 – they were discussing China but it applies to any country. We loved their title "not very simple recipe".

Chart 2: It's getting complicated: The IMF's not very simple recipe to deal with capital inflows



Source: Capital Inflows. The role of controls. IMF, February 2010

The chart is largely self-explanatory. When there is a surge of inflows there are both macroeconomic considerations to take into account as well as prudential concerns.

The Macro considerations:

Is the currency undervalued? If yes, allow it to appreciate.

If not undervalued, decide if it is desirable to accumulate reserves.

- if no, and there are no inflation concerns, lower interest rates. If inflation is a problem either tighten fiscal policy or impose controls on capital inflows.

- if yes, accumulate reserves and if necessary sterilise these reserves if inflation is concerning.

On the prudential side, it must be decided if there is too much foreign borrowing and/or if there is a credit boom occurring, if necessary, regulation must be increased.

This chart gives some idea of the policy levers available to financial authorities but also illustrates the daunting complexity in trying to get it right in an uncertain world.

RCI Flexible Unit Trust

In order to view / obtain RCI Flexible unit trust statements, unit holders may register on Metropolitan's website www.metropolitan.co.za.

To obtain an access user manual, please contact Irene on 011 486 0576.

Unit trust has flexibility – happy to take small amounts

The unit trust has the flexibility to buy and sell resource shares and to change weightings more frequently than in an individual portfolio. We are happy to take small amounts into the unit trust (from R500 upward). As we do not pay commission to any agents (most get paid 5% on small amounts), the cost of getting in and out of our fund is about 0.29% (to cover the admin fees involved).

Collective Investment Schemes in Securities (Unit trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. The portfolio is registered under the license of Metropolitan Collective Investments, a member of the Association for Savings & Investment SA. Forward pricing is used. More details are contained in a fact sheet that is available on request.

To conclude

That is all for this month – we are off to vuvuzela practise!

Thank you for being our clients.

Kind regards

Rob, Di and Alan

P.S. You are welcome to pass this newsletter on to friends who may wish to learn more about investment. To be added to our email, contact alan@rcinv.co.za



Annexure A REALITY CHECK: Valuation Indicators - not cheap

Table 1: Valuation & sentiment indicators		31 May 2010					
	TOP40	FIN 15	RES 20	IND 25	BANKS	Mid Cap	Small Cap
Valuation indicators							
Current PE ratio (x)	17.01	10.87	21.28	18.15	13.61	13.87	26.74
10 year average (x)	13.95	11.93	14.91	14.83	10.26	12.03	12.18
% below / above(-) ave	-22%	9%	-43%	-22%	-33%	-15%	-120%
10 year cheap level	11.51	9.07	11.40	12.04	8.33	9.85	7.73
10 year expensive level	16.39	14.79	18.42	17.62	12.19	14.21	16.63
Comment	4% worse than expensive	better than average	13% worse than expen.	3% worse than expen.	10% worse than expen.	2% better expensive	Abberation
Current Div Yield %	2.07	3.89	1.59	1.77	3.36	3.35	3.11
10 year average DY%	2.76	3.80	2.81	2.09	3.65	3.57	4.30
% below (-)/ above ave	-25%	2%	-43%	-15%	-8%	-6%	-28%
10 year cheap level	3.45	4.94	3.63	2.63	4.48	4.30	5.36
10 year expensive level	2.07	2.66	1.99	1.55	2.82	2.84	3.24
Comment	At historically expensive	average	*20% worse than expen.	15% worse than ave.	8% worse than ave.	6% worse than ave.	4% worse than expen.
* Mining earnings and div's fluctuate wildly so ratios based on expected results must also be considered.							
* Most results are released in Feb and August causing PE's to drop and Div Yields to rise if results are positive							
+ Poor results to December 2009 have now been taken into account, most companies earnings and dividends should improve from here							
Sentiment indicator							
% above/ below (-)							
200 day moving ave	0%	1%	-2%	8%	4%	7%	4%
(Be cautious above 20%)	Down	Down	Down	Down	Down	Down	Down

An explanation of Table 1 - Historically expensive and not much growth expected in 2010

Absolute Value: (P/E) (N.B. Lower PE's = better value) The ten year average PE (Price/ Earnings ratio) for the JSE Top 40 index is 13.95x whereas over 16.39x is expensive. Currently at 17.01x it is 4% above expensive! However, if current forecasts for the earnings growth for the next 12 months are taken into account, they shares will return to fair value due to a substantial rise in resource earnings.

(DY valuation) (Higher div's = better value) The dividend yield (DY) of the Top 40 has averaged 2.76%, is expensive below 2.07% but is cheap above 3.45%. So at 2.07% it is right on historically expensive so strong dividend growth from mining shares is required to restore value.

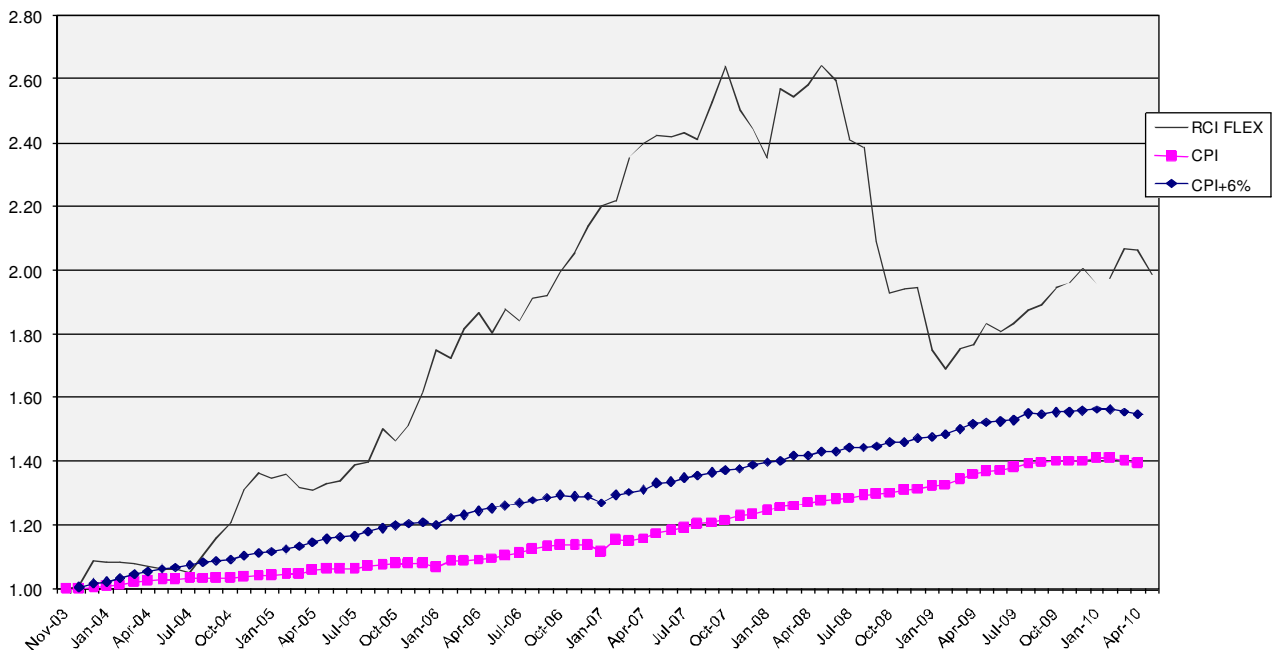
Sentiment level: (we measure whether the market has run too fast by what percentage the Index is above its long term (200 day) moving average). Above 20%, it is usually a time to exercise caution. It bottomed out at -37.7% in 2008. It rose back to 19.57% in October 2009 but is now back at zero. So will it turn up soon or is there more downside to go.

Underlying Indices: We then split out the underlying indices. The resources index (RESI 20) fell dramatically to bottom at -52% below the moving average. It rose back to 22% in early January is currently it is at 1%. Banks are still falling at 4% while industrials are still 8% above their moving average but are dropping. The Small Cap Index is on a PE of 27x which is very expensive but has been distorted by losses in some of the companies in the Index.

Indices performance to 31 May 2010

Index	Prices	One Month %	Y-T-D %	12 Month Rolling %	OB/OS	Current historical PE ratio	Div Yield%
International							
DJI	101,366	(7.92)	(2.79)	19.25	-1.62%		
NASDAQ	225,704	(8.29)	894.66	1,172.05	1.05%		
SP500	108,941	(8.21)	(2.30)	18.52	-1.59%		
FTSE100	51,884	(6.57)	(4.15)	17.44	-2.35%		
AUSTRALIA	4,453	(7.86)	(8.79)	16.78	-5.36%		
HANG SENG	19,765	(6.36)	(9.63)	8.77	-6.55%		
Local							
TOP40	24,158	(5.74)	(3.36)	17.24	-0.33%	17.01	2.07
FIN 15	7,512	(6.32)	1.76	28.26	1.15%	10.87	3.89
RES 20	47,639	(6.49)	(6.74)	9.00	-2.19%	21.28	1.59
IND 25	21,658	(3.73)	0.19	25.81	8.34%	18.15	1.77
JSE-Banks	38,408	(6.01)	4.73	34.46	4.01%	13.61	3.36
JSE-Midcap	37,256	(1.74)	7.43	31.90	7.32%	13.87	3.35
JSE-Small Cap	28,691	(4.97)	2.89	24.66	3.99%	26.74	3.11
Currencies							
Rand/US\$	7.66	4.13	3.88	(4.97)			
Rand/Euro	9.46	(3.30)	(10.70)	(15.58)			
Rand/Aus\$	6.43	(5.49)	(2.40)	1.49			
Rand/GBP	11.13	(1.11)	(6.59)	(14.56)			
RCI Unit Trust							
RCI Flexible (ZAR c) (Performance includes divs paid)	198.80	(3.70)	0.39	13.05	0.83%		
RCI Off-shore Funds							
RCI Asset Swap (ZAR)	1,737.97	0.92	(0.72)	(3.72)			
RCI Asset Swap (\$)	226.95	(3.09)	(4.43)	1.28			
RCI Fund (ZAR)	1,160.99	0.31	0.00	(3.95)			
RCI Fund (\$)	151.60	(3.67)	(3.73)	1.04			

RCIFLEXIBLE MANAGED FUND
31 MAY 2010 (LOCAL UNIT TRUST)



Annexure B: RCI's Offshore Funds have performed very strongly versus the New York and London Stock Exchanges.

Our asset swap up 60.6% in USD vs a fall in SP500 of -32%

With the strength in the rand, our offshore investments battled to perform in rand terms in 2009. However, in dollars, their performance over the ten years they have been in existence is excellent relative to investing in the American or UK Indices. We have updated our performance to the end of December 2009.

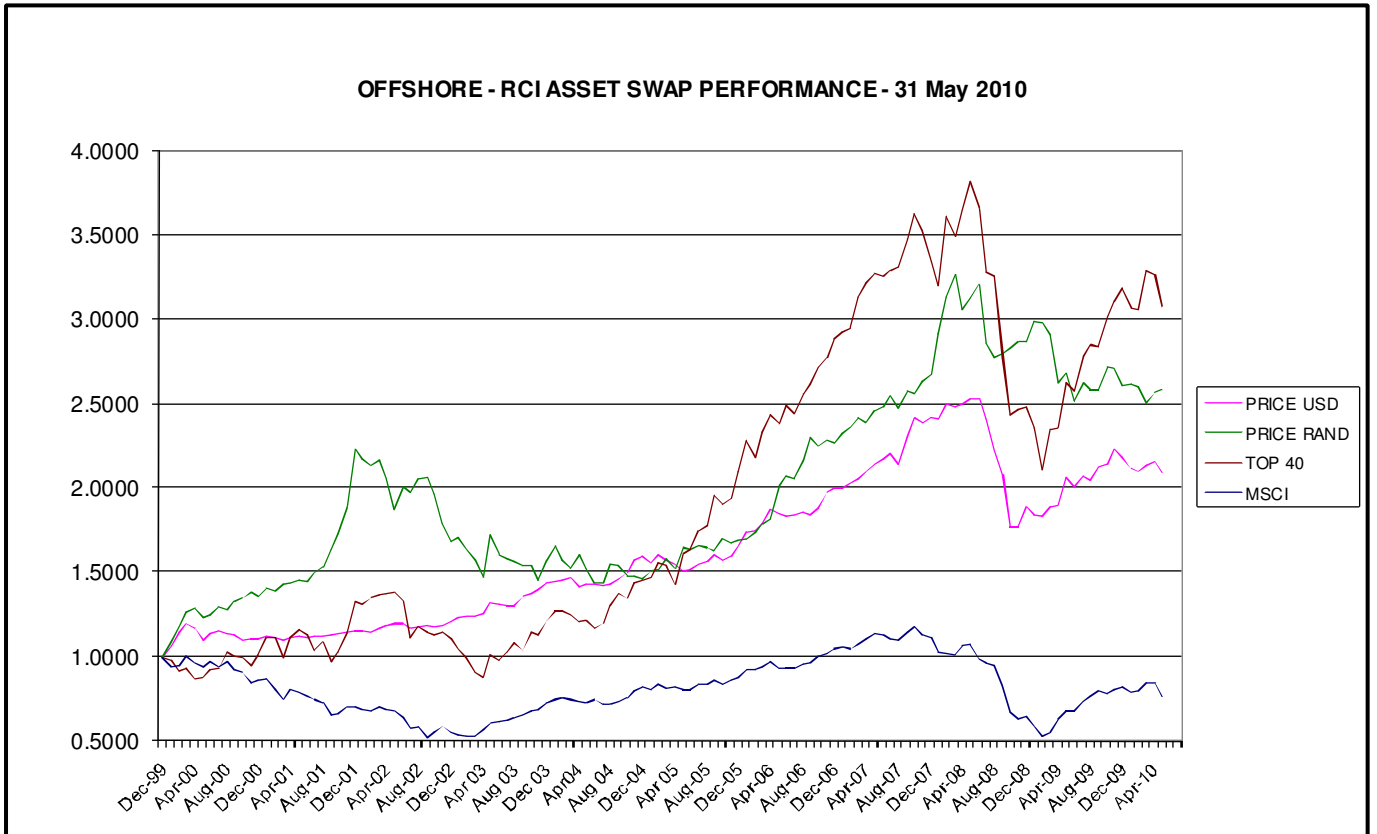
RCI Offshore performance has been excellent relative to main stockmarkets								
Year	RCI FUND		RCI Asset Swap		MSCI	SP 500	FT100	
Ending	In Rand	In US\$	In Rand	In US\$	In US\$	In US\$	In US\$	In GBP
Dec-00	20.3	-0.8	35.8	10.8	-14.0	-8.5	-15.2	-8.2
Dec-01	60.2	1.5	64.4	4.2	-17.8	-13.0	-18.1	-15.9
Dec-02	-25.8	3.0	-24.9	4.5	-21.1	-24.2	-16.6	-24.7
Dec-03	-10.9	14.2	-6.8	19.6	31.0	26.4	26.4	13.6
Dec-04	-7.7	9.2	-6.1	10.7	12.7	9.0	15.2	7.5
Dec-05	16.9	5.4	15.0	3.7	7.4	3.0	5.4	16.7
Dec-06	32.4	19.1	34.0	20.5	18.1	13.6	25.0	10.7
Dec-07	18.3	20.9	18.4	21.0	6.4	3.5	5.8	3.8
Dec-08	0.7	-26.4	7.0	-21.7	-41.7	-38.5	-50.3	-31.3
Dec-09	-12.5	11.2	-9.1	15.5	27.0	23.5	35.6	22.1
Cumulative performance to December 2009								
10 Years	89.5	60.6	160.6	118.6	-17.8	-32.3	-20.7	-20.1
Last 5Yrs	61.2	24.2	77.5	36.8	-0.1	-18.5	-6.0	12.4

The table shows that:

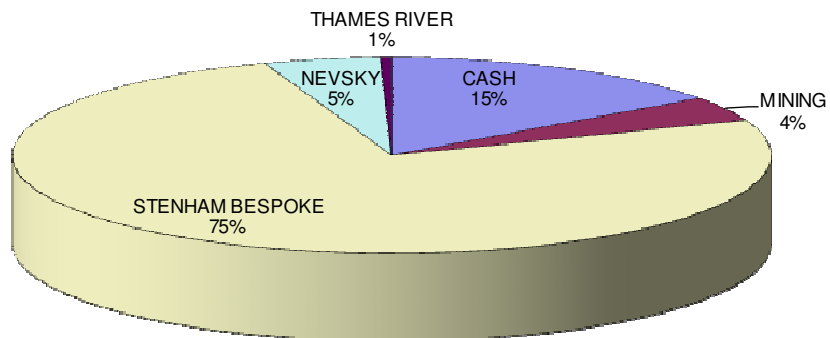
- America's main index, the SP500 fell by -32% in the 10 years to 31 December 2009 and fell in four of the 10 years.
- UK's FT100 fell by -20.1% in 10 years or -20.7% when valued in dollars. It also had four down years.
- The MSCI global index fell -17.8% and had four down years.
- The RCI Fund rose by 60.6% in dollars suffering only one large down year (2008) and a minimal -0.8% fall in 2000.
- The RCI asset swap fared best of all rising 118.6% in dollars and experiencing only one down year (2008).

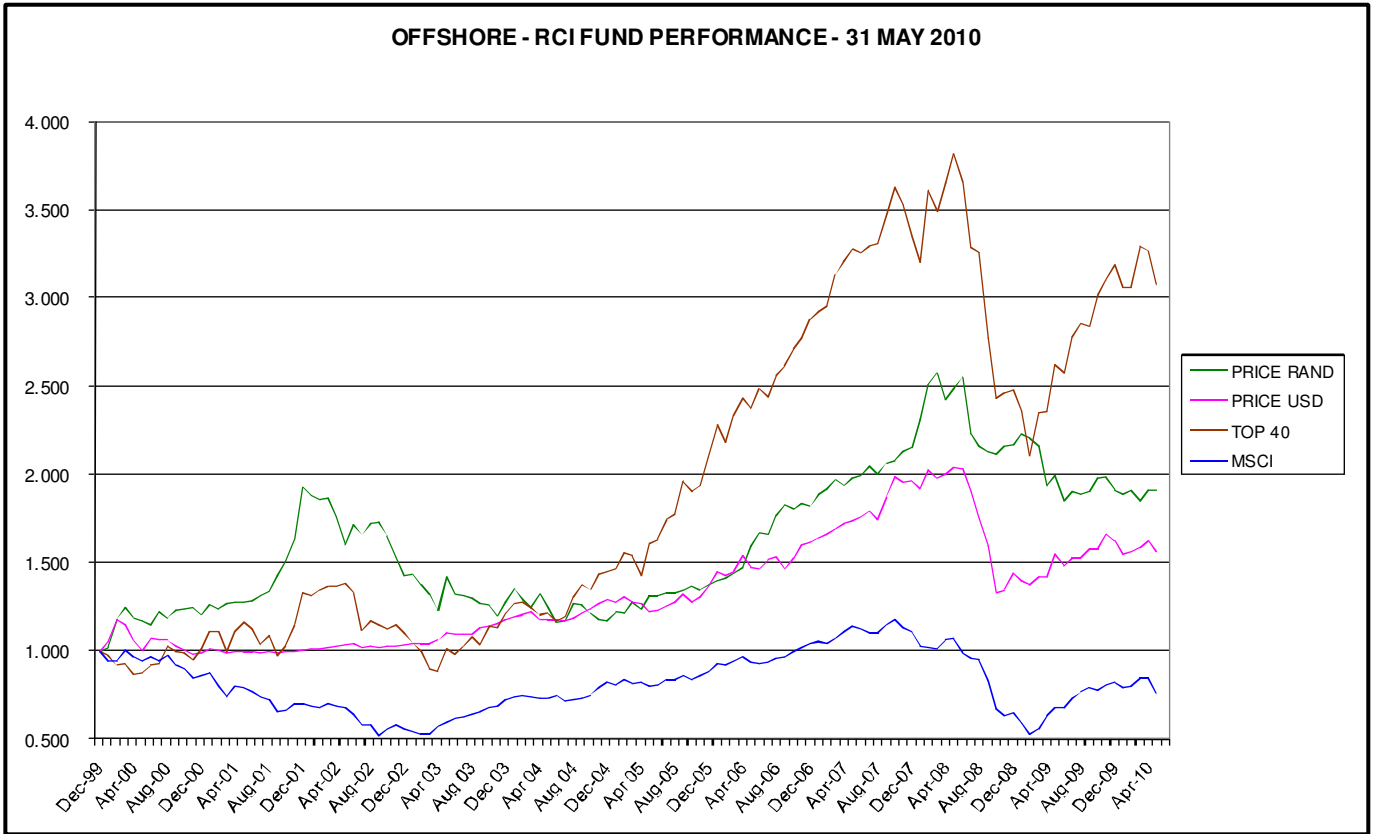
For interest sake we have also put in the cumulative performance of the past five calendar years. Once again the RCI Asset Swap performed best (up 36.8%), the RCI Fund up 24.2% whereas the MSCI fell -0.1%, the SP500 fell -18.5% with the FT100 down -6% in dollars but up 12.4% in sterling.

Lastly we have included the rand performance of the RCI Fund and the Asset Swap. With the volatility of the rand, this performance swings wildly but they ended up 89.5% and 160.6% respectively, despite 2008 being the worst year on record in dollar terms and the strength of the rand in 2009.



OFFSHORE RCI ASSET SWAP - MAY 2010





OFFSHORE RCI FUND - MAY 2010

