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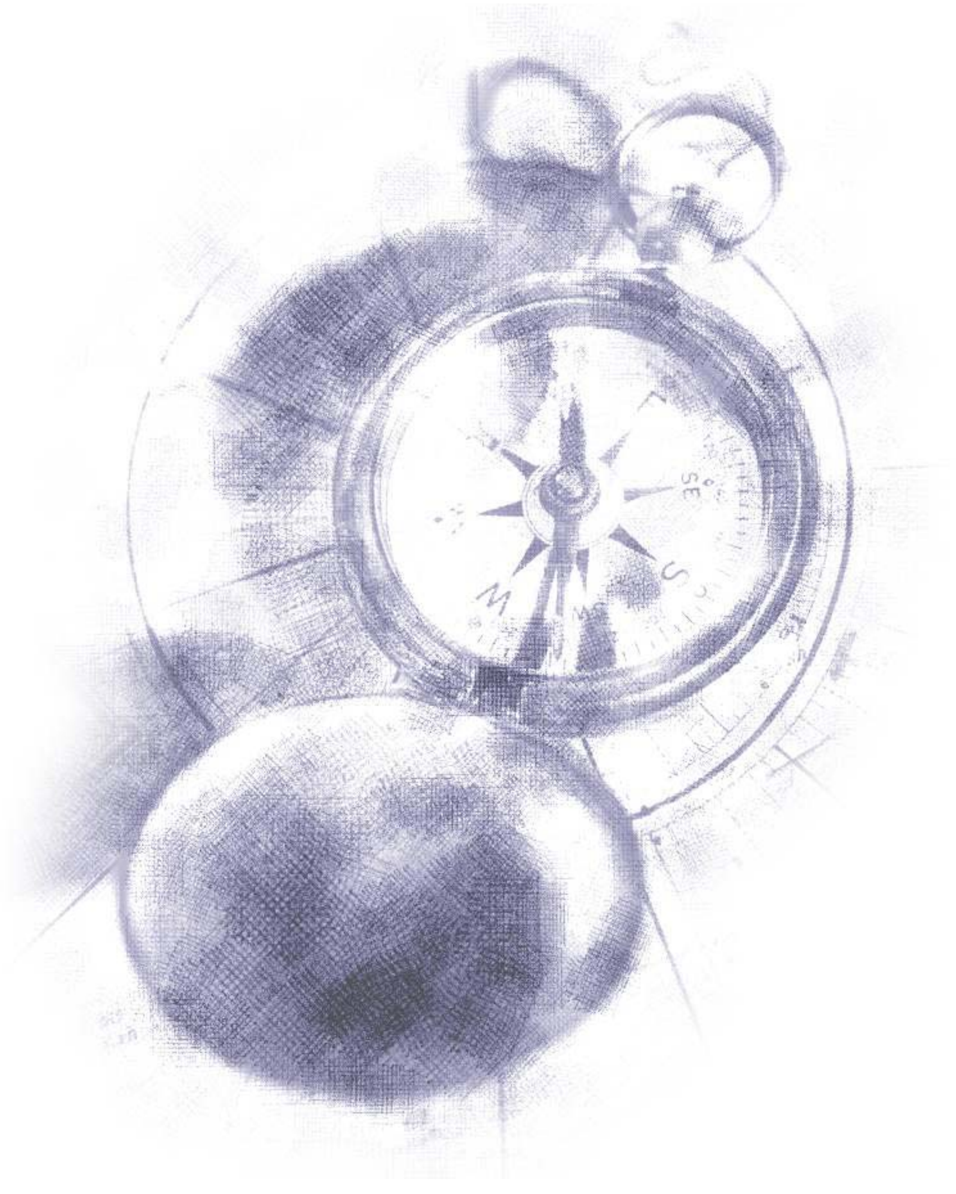
NFB ASSET MANAGEMENT

MONTHLY MARKET REPORT

DECEMBER 2008



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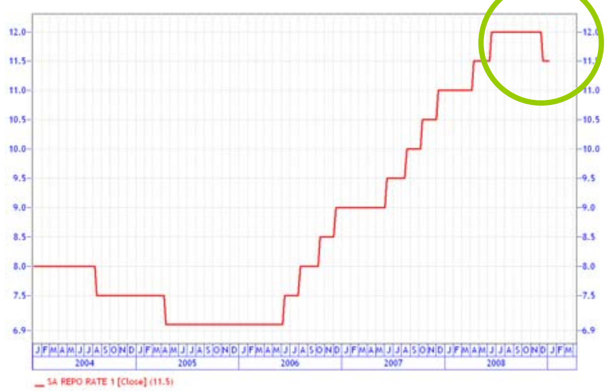
DECEMBER 2008 COMMENTARY

Global rate cuts continue, intensify

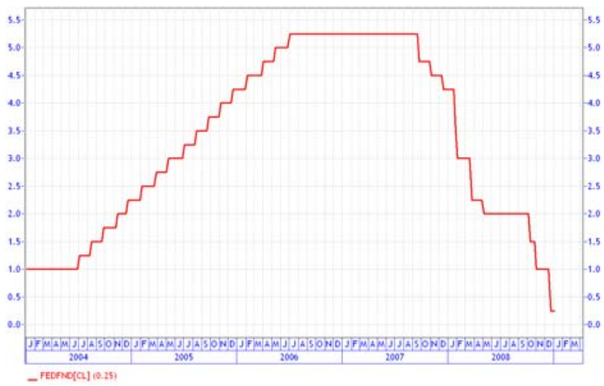
Contrary to our expectations in early December, the South African Reserve Bank elected to lower interest rates by 50 basis points. This is the first interest rate decrease since April 2005, following the Bank's sequence of ten 50 basis points increase in the repurchase rate. December's decision is largely as a result of the Bank's anticipation that inflation is likely to fall dramatically during 2009, perhaps even falling to within the inflation target before the year is out, as well as the pressure the Bank must have felt as central banks around the world lowered their prevailing rates aggressively. It is likely that rates in South Africa will continue to fall throughout 2009, perhaps by as much as 300 – 400 basis points, with a cut of as much as 100 basis points in February alone.

The SARB was not alone in cutting interest rates in December; all four of the central banks we monitor in this Report continued to cut interest rates. The BOE and the ECB reduced rates by a significant 75 basis points and the Fed by an astounding 100 basis points. The Fed has now lowered rates to 0.25% and has very little ammunition with which to fight any further bad news the US economy receives in 2009 and runs the very real risk of Japanese-styled monetary policy impotence. Further stimulus can therefore only come from the government, most likely in the form of spending plans (think America's New Deal) and/or in lower taxes, which is highly unlikely given the woefully over indebted state of the US.

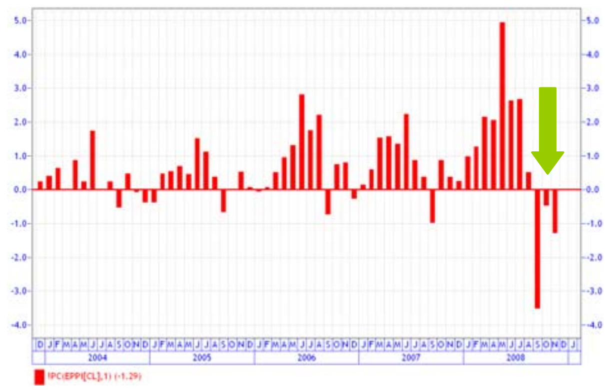
SA Repurchase Rate, Monthly, Dec 03 – Dec 08



US Federal Funds Rate, Monthly, Dec 03 – Dec 08



Monthly Change in SA PPI Nov 03 – Nov 08



SA inflation decelerates dramatically

South Africa's Producer Price Index has fallen in each of the last three calendar months (-3.5%; -0.5% and -1.3%) bringing the annual change down dramatically from its peak in excess of 19% to a touch over 12%. This is largely a result of the, perhaps more dramatic, fall in the oil price. Having peaked at around $140 a barrel, the price of oil has fallen some 70% which has a natural knock on effect on petrol prices locally and thereby the cost of almost every good and service in the economy (Jan '09 update: it is likely that in the first week of January that petrol prices in South Africa will fall by around R1.30 a litre).

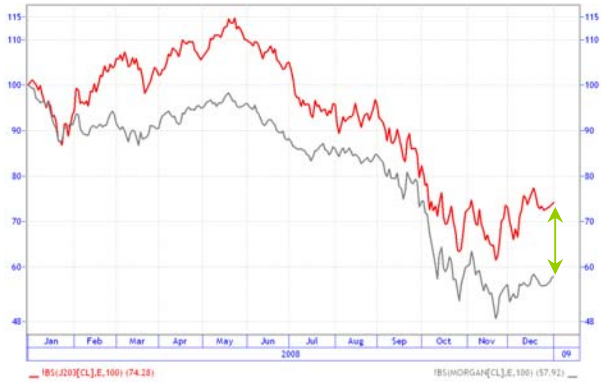
Consumer prices, however, rose marginally in November; an anomaly in an ongoing deflationary environment is our assessment. We anticipate that consumer inflation will fall off a cliff throughout 2009 as a result of base effects, a deflationary global environment, falls in commodity prices and changes to the inflation basket by Statistics South Africa (this change alone will take somewhere between 2 and 3% off the annual rate of change in consumer inflation).

2008 equity market returns

Whilst the JSE's return of -25% for 2008 was most unwelcome, the list below does a succinct job of placing the JSE's performance in context by highlighting the 20 worst performing stock exchanges in 2008 (source unknown).

- Reykjavik (OMX index): -94.4%
- Moscow (RTS): -72.5%
- Dubai (DFM): -72.4%
- Bucharest (BET): -70.5%
- Dublin (IOI): -66.2%
- Hanoi (HCMSI): -65.9%
- Shanghai (SE Composite): -65.4%
- Athens (Athex): -65.3%
- Vienna (ATX): -61.2%
- Lima (IGBVL): -59.9%
- Pakistan (KSE-100): -58.3%
- Riyadh (Tadawul): -56.5%
- Cairo (Case 30): -56.4%
- Brussels (Bel-20): -53.8%
- Helsinki (OMX Helsinki): -53.4%
- Budapest (BSEI): -53.3%
- Oslo (OBX): -52.8%.
- Mumbai (Sensex 30): -52.5%
- Amsterdam (AEX): -52.3%
- Istanbul (ISE 100): -51.6%

MSCI World Index; JSE ALSI Performance, Daily, 2008



All charts are sourced from I-Net Bridge.

DECEMBER 2008 DATA BANK

Inflation Rates as at 30-Nov-08	Index Value	Last Month	Last 12 Months
CPI	165.4	0.06%	11.76%
CPIX	173.4	0.17%	12.09%
PPI	183.4	-1.29%	12.58%

Interest Rates as at 30-Dec-08	Value	Last Month	YTD	Last 12 Months
SA Repo Rate	11.50%	-0.50%	0.50%	0.50%
US Federal Funds Rate	0.25%	-0.75%	-4.00%	-4.00%
UK Overdraft Rate	2.00%	-1.00%	-3.50%	-3.50%
European Repurchase Rate	2.50%	-0.75%	-1.50%	-1.50%

JSE Indices as at 30-Dec-08	Value	Last Month	YTD	Last 12 Months
JSE ALSI	21,509.20	1.41%	-25.72%	-25.72%
JSE FINDI	15,778.69	-1.53%	-30.35%	-30.35%
JSE Mining	24,797.73	0.19%	-32.20%	-32.20%
JSE INDI	21,496.09	5.03%	-27.92%	-27.92%

PE Ratios as at 30-Dec-08	Value	Last Month	At End Dec '07	12 Months Ago
JSE ALSI	9.45	9.28	14.52	14.52
JSE FINDI	6.88	6.99	10.89	10.89
JSE Mining	9.60	9.58	15.98	15.98
JSE INDI	9.12	8.27	13.26	13.26

International Indices as at 30-Dec-08	Value	Last Month	YTD	Last 12 Months
MSCI	920.22	3.06%	-42.08%	-42.08%
S&P 500	903.25	0.78%	-38.49%	-38.49%
FTSE 100	4,434.17	3.41%	-31.33%	-31.33%
DJ Euro Stoxx 50	2,451.48	0.87%	-44.28%	-44.28%
Nikkei 225	8,859.56	4.08%	-42.12%	-42.12%

Bond Markets as at 30-Dec-08	Value	Last Month	YTD	Last 12 Months
ALBI	175.02	6.31%	6.08%	6.08%
JPM Global Government Bond Index	446.53	7.06%	12.00%	12.00%

Bond Markets as at 30-Dec-08	Value	Last Month	At End Dec '07	12 Months Ago
R153	7.3%	8.27%	9.37%	9.37%
US 10 Year Government Bond	2.18%	2.92%	4.04%	4.04%
JPM Emerging Market Bond Spread	690	718	239	239

Currencies as at 30-Dec-08	Value	Last Month	YTD	Last 12 Months
USDZAR	9.53	-5.22%	39.84%	39.84%
EURZAR	13.16	2.97%	32.06%	32.06%
GBPZAR	13.73	-11.01%	0.61%	0.61%
EURUSD	1.40	10.27%	-4.05%	-4.05%
GBPUSD	1.46	-4.77%	-26.23%	-26.23%

Other	Value	Last Month	At End Dec '07	12 Months Ago
PSCE (Oct 08)	15.30%	16.36%	21.53%	22.70%
M3 (Oct 08)	16.16%	15.87%	24.45%	23.45%
Gold (Dec 08)	$865	$813.5	$836.5	$836.5
Petrol Price Unleaded JHB (Dec 08)	R7.35	R8.96	R7.47	R7.47

All data is sourced from I-Net Bridge.