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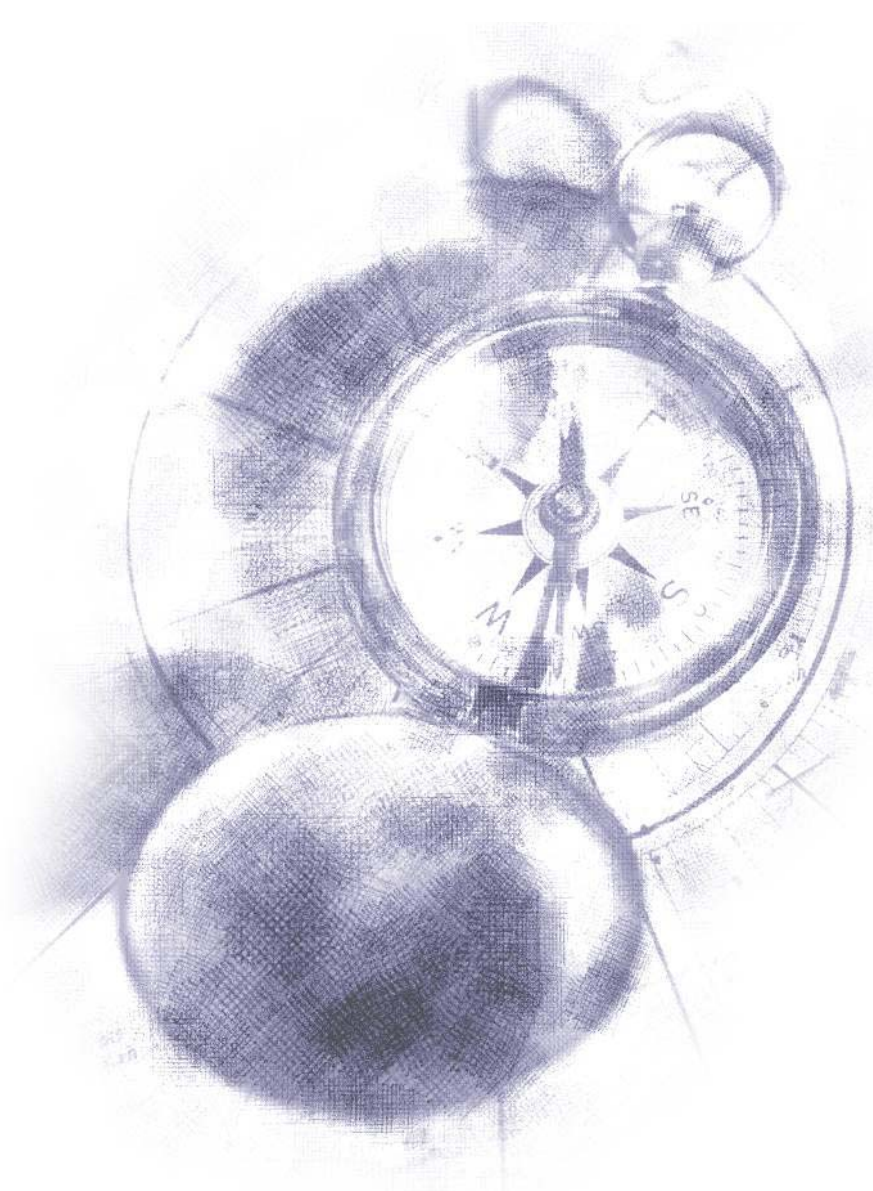
NFB ASSET MANAGEMENT

MONTHLY MARKET REPORT

MARCH 2009

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MARCH 2009 COMMENTARY

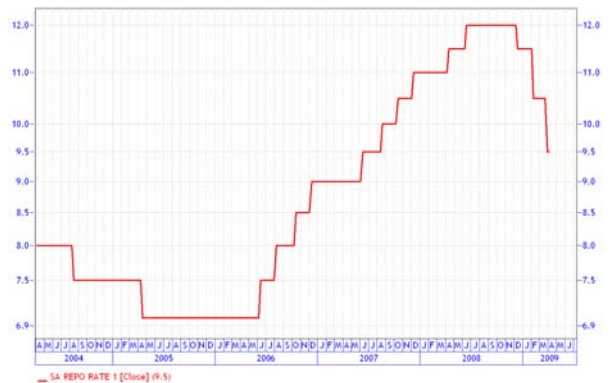
Front-end Loading

Throughout March we became increasingly concerned that if the Reserve Bank did not meet soon enough before its scheduled April meeting, that interest rate cuts at said unscheduled meeting would be viewed by the investing community and the public at large as emergency rate cuts rather than rate cuts at interim meetings. Fortunately, the Bank elected to reschedule its meeting dates citing current travel commitments on the part of its members as the reason for the delay in committing to an interim meeting. Having recalibrated 2009's meeting dates - allowing for a meeting on the 23rd and 24th of March - the Bank elected to lower interest rates by a widely anticipated 100 basis points, bringing the repurchase rate, at 9.5%, to its lowest level in almost two years. Further rate cuts of 250 - 300 basis points are expected for the remainder of 2009, with the majority of these cuts being front-end loaded, i.e. coming earlier in the year rather than later. **Expect a cut of another 100 basis points at the Bank's April meeting, now scheduled for the 29th and 30th.**

[The table below contains the economic data released during March that would have persuaded - if they were not already convinced - the Bank to lower rates].

As noted in the February edition of this Report, the Bank of England and the European Central Bank also elected to lower rates during March. In lowering rates from 1.00% to 0.50% the BOE effectively halved interest rates. Perhaps the SARB could develop a policy of "measured aggression" from its offshore counterparts? Interestingly, the rand rallied magnificently during the month on the back of a positively charged local interest rate environment, one whose interest rate ammunition reserves are well stocked, this coupled with dollar weakness and better-than-expected current account deficit data provided the catalysts for a near 5% rally in the rand; it moving from 10.07 through to 9.57 with a best closing level of 9.33 during March.

SA Repurchase Rate, Weekly, Mar 04 - Mar 09



USDZAR, Daily, March 09



Did this convince you, Governor?

- Vehicle sales fell 36.3% for February 2009,
- 61% of bond applications are being turned down according to fin24.co.za,
- South African manufacturing output fell 11.1% over the year to January and
- According to an article in the Business Day SA's big 5 banks all expect economic output to shrink this year.

If not, how about this?

- AIG set for more Fed aid - www.fin24.co.za, 02.03.09
- Australian economy shrinks for first time in 8 years - www.bloomberg.com, 04.03.09
- ECB cuts rates to record lows as economy sinks, job losses mount - www.bloomberg.com, 05.03.09
- Bank of England cuts rates, starts asset purchases - www.bloomberg.com, 05.03.09
- US sheds 651,000 jobs in Feb - www.fin24.co.za, 06.03.09
- Britain takes over Lloyds - www.fin24.co.za, 08.03.09

- Japan posts first current account deficit since 1996 on exports - www.bloomberg.com, 09.03.09
- Brazil fourth quarter GDP shrank 3.6%, most on record - www.bloomberg.com, 10.03.09
- Ireland runs into deflation - www.fin24.co.za, 12.03.09

Gold and Corporate Bonds as Investment Themes

We have recently been exploring gold and corporate bonds as investment themes for your portfolios (the NFB AM Fund of Funds and Offshore Funds).

On gold:

- Has rallied strongly to around \$920 an ounce and may act as a strong hedge against the USD in the offshore funds.
- However, we cannot quantify how much of this might be speculative interest that was so prevalent in the oil price as it moved from \$50 a barrel to \$140 and then plunged back as the speculative interest met the forces of a global slowdown.
- Should we take a position in gold we would expect to do so through an exchange traded fund that takes the physical resource off the market and therefore is closely aligned with changes in the dollar price of gold.
- We are not positively disposed to the use of gold funds or gold stocks as access points as these import other dynamics into the portfolio (union, forward selling and leverage issues to present but a small selection).

On corporate bonds:

- We note the massive spread between corporate bonds and equivalent duration US treasuries but have concerns that this gap shows no signs of closing. Therefore the default risk the spread implies has not been rewarded through capital appreciation but rather by rather strong stomachs (i.e. holding onto the corporate debt in anticipation of the coupon and then sighing with relief if these get paid).
- We also note that the spread may close not due to capital appreciation in the corporate bond but rather through the mechanics of government bond yields moving up (prices moving down).
- Should we elect to take a position we will do so through funds that have corporate counters with short durations (i.e. are closer to repaying outstanding capital - though we do have concerns about possible refinancing risk) and are defensive in nature, e.g. breweries and telecommunications companies.

Gold, Daily, Dec 07 - Mar 09



US Corporate Bonds v US Government Bonds, Daily, Jun 05 - Apr 09



All charts are sourced from I-Net Bridge.

MARCH 2009 DATA BANK				
Inflation Rates as at 28-Feb-09				
	Index Value	Last Month	Last 12 Months	
CPI	103.5	1.16%	8.65%	
PPI	179.4	-0.33%	7.30%	
Interest Rates as at 31-Mar-09				
	Value	Last Month	YTD	Last 12 Months
SA Repo Rate	9.50%	-1.00%	-2.00%	-1.50%
US Federal Funds Rate	0.25%	0.00%	0.00%	-2.00%
UK Overdraft Rate	0.50%	-0.50%	-1.50%	-4.75%
European Repurchase Rate	1.50%	-0.50%	-1.00%	-2.50%
JSE Indices as at 31-Mar-09				
	Value	Last Month	YTD	Last 12 Months
JSE ALSI	20,363.91	10.28%	-5.32%	-31.17%
JSE FINDI	14,407.82	10.25%	-8.69%	-26.33%
JSE Mining	25,061.39	15.30%	1.06%	-41.35%
JSE INDI	18,433.35	3.75%	-14.25%	-32.40%
PE Ratios as at 31-Mar-09				
	Value	Last Month	At End Dec '08	12 Months Ago
JSE ALSI	9.68	8.21	9.45	14.97
JSE FINDI	9.79	5.93	6.88	9.06
JSE Mining	9.82	8.51	9.60	20.16
JSE INDI	7.55	7.10	9.12	12.30
International Indices as at 31-Mar-09				
	Value	Last Month	YTD	Last 12 Months
MSCI	805.22	7.24%	-12.50%	-43.98%
S&P 500	797.87	8.54%	-11.67%	-39.68%
FTSE 100	3,926.14	2.51%	-11.46%	-31.15%
DJ Euro Stoxx 50	2,071.13	4.80%	-15.52%	-42.91%
Nikkei 225	8,109.53	7.15%	-8.47%	-35.26%
Bond Markets as at 31-Mar-09				
	Value	Last Month	YTD	Last 12 Months
ALBI	162.09	-0.75%	-7.39%	2.73%
JPM Global Government Bond Index	425.33	2.34%	-4.75%	-2.62%
Bond Markets as at 31-Mar-09				
	Value	Last Month	At End Dec '08	12 Months Ago
R153	6.89	6.93%	7.3%	9.72%
US 10 Year Government Bond	2.69	3.03%	2.18%	3.43%
JPM Emerging Market Bond Spread	636	649	690	308
Currencies as at 31-Mar-09				
	Value	Last Month	YTD	Last 12 Months
USDZAR	9.57	-4.92%	0.52%	18.42%
EURZAR	12.62	-0.10%	-4.14%	-1.36%
GBPZAR	13.70	-3.85%	-0.21%	-14.55%
EURUSD	1.32	4.28%	-5.54%	-16.13%
GBPUSD	1.43	-0.05%	-2.34%	-27.84%
Other				
	Value	Last Month	At End Dec '08	12 Months Ago
PSCE (Feb '09)	11.05%	11.85%	13.60%	20.83%
M3 (Feb '09)	13.95%	13.96%	14.68%	20.73%
Gold (Mar '09)	\$918.5	\$943.75	\$865	\$937.25
Petrol Price Unleaded JHB (Mar '09)	R7.07	R6.62	R7.35	R8.25

All data is sourced from I-Net Bridge.

