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financial services group

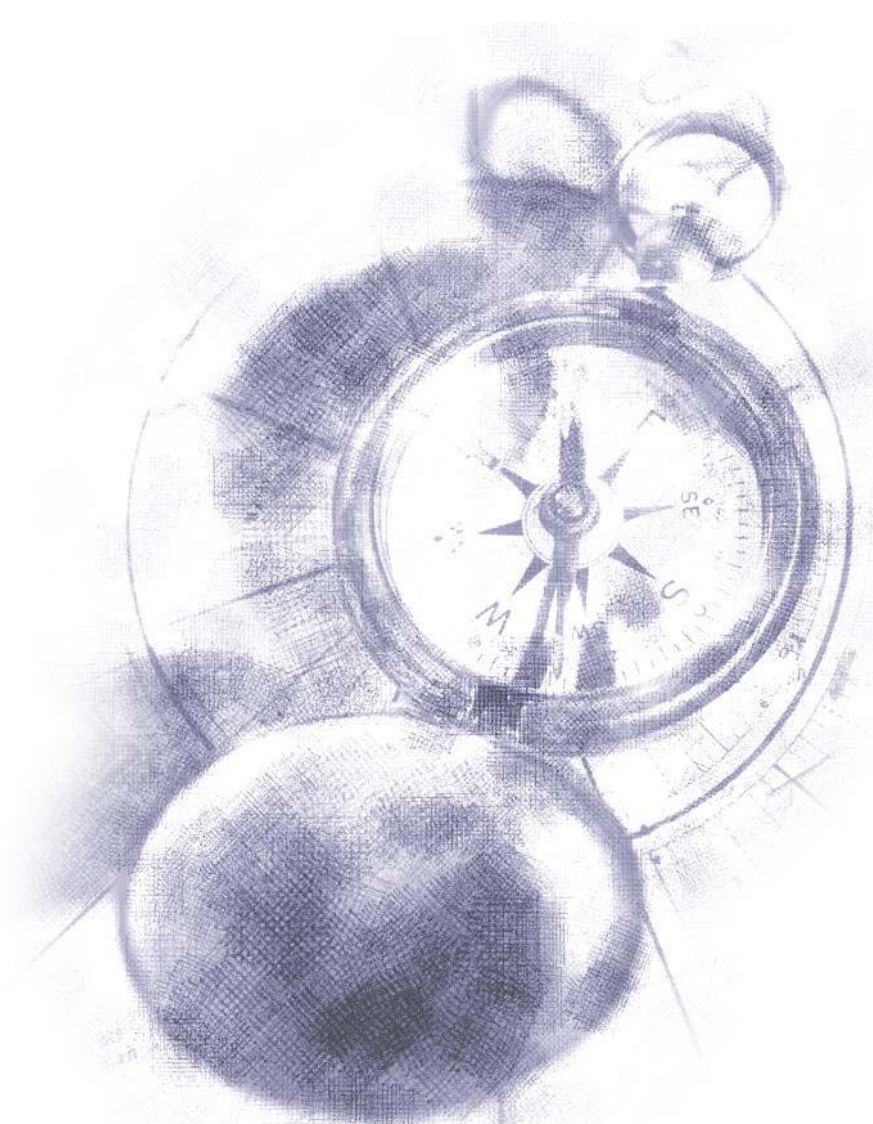
NFB ASSET MANAGEMENT

MONTHLY MARKET REPORT

MAY 2009

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The Inflation-Targeting Debate

At 8.4% the annual change in South Africa’s Consumer Price Index exceeds the 3 to 6% target range for a 26th consecutive month. The last reading inside the inflation target was in February 2007.

At -6.4% quarter-on-quarter, seasonally adjusted and annualised, South Africa’s economic growth rate slumps to its lowest level since the third quarter of 1984.

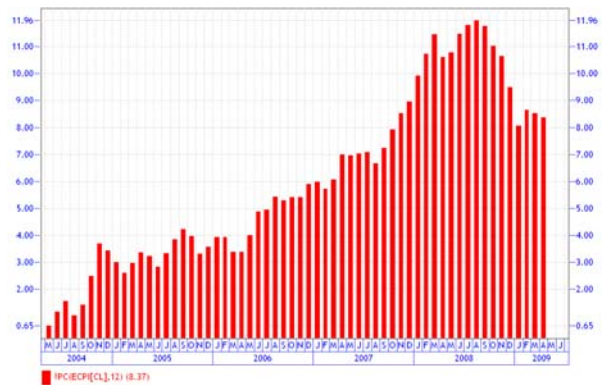
During April 2009 Jacob Zuma is elevated to the Presidency in South Africa’s fourth democratic election and during May 2009 he appoints Pravin Gordhan as Finance Minister replacing the world’s longest serving Finance Minister; Trevor Manuel.

In the same month our new Finance Minister opens discussions on the efficacy of inflation targeting and our Governor of the Reserve Bank lowers interest rates by a full 2%.

Are we to combine sticky inflation, anaemic economic growth and government rhetoric into a more leftist-leaning economic regime? A more growth-orientated rather than inflation-focused leadership? Or is there, perhaps, space for both discourse on policy and aggressive easing of monetary policy without necessarily implying an unbalancing of the regime?

What markets crave and good leaders provide is direction. Whilst Zuma’s first month in office has been sanguine - the appointment of a pharmacist-cum-tax-gatherer-extraordinaire as Finance Minister is a good one and the appointment of his predecessor as a ‘Super’ Minister possibly an even better one - **the inflation-targeting debate cannot be left open indefinitely**. Doing so would constitute *de rigueur* an abandonment of the inflation targeting regime and would sink the market slowly into a mire of economic confusion.

Consumer Price Index, Annually
Apr 04 - Apr 09



Gross Domestic Product, Quarterly, Annualised
Sep 04 - Mar 09



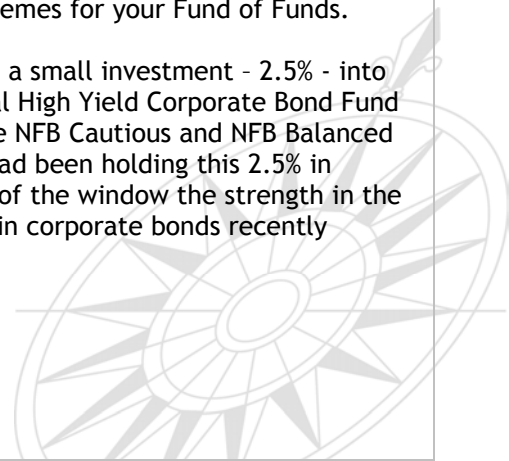
USDZAR, Daily
Jan 09 - May 09



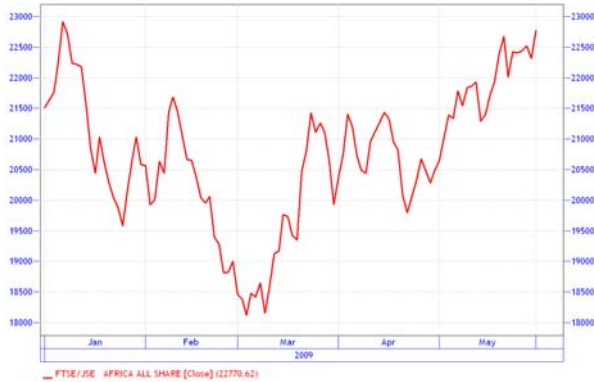
Corporate Bonds, Volatility and your Fund of Funds

In these, and other Reports from NFB, we have touched on corporate bonds and the volatility of the JSE as investment themes for your Fund of Funds.

During May we made a small investment - 2.5% - into the Prudential Global High Yield Corporate Bond Fund of Funds for both the NFB Cautious and NFB Balanced Fund of Funds. We had been holding this 2.5% in physical cash ahead of the window the strength in the rand and the uptick in corporate bonds recently afforded us.



JSE All Share Index, Daily Jan 09 - May 09



In addition, we extended the volatility strategy undertaken early in April this year. The strategy is to remove local equity exposure from the portfolios by selling the SIM Index Fund as the market breaches key levels - determined on an ongoing basis by your Investment Committee at its weekly teleconference calls - and to reintroduce these exposures as the market falls below certain key levels.

Thus far 7.5% of both the NFB Cautious and NFB Balanced Funds exposure to the SIM Index Fund have been sold, including both April's and May's sales. The proceeds have been invested in physical cash and will earn prevailing call interest rates as we await an opportunity to re-enter the equity market.

Corporate Bonds, UK Commercial Property, Sterling and your Offshore Funds

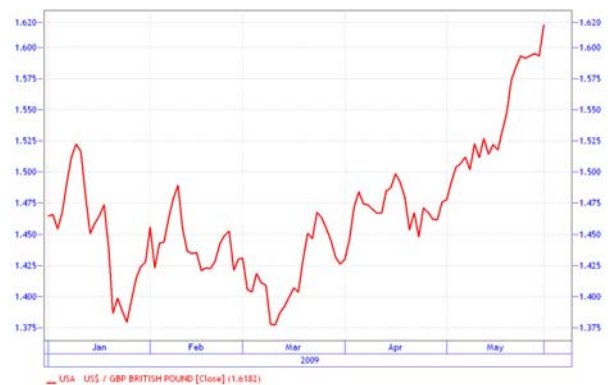
In a similar manner to your Fund of Funds we raised the exposure of the Offshore Funds to corporate bonds by increasing the exposure to the Investec Global Bond Fund by 5%. This Fund has a 50% exposure to global corporate bonds.

In addition, a small allocation - 2.5% - was made to the Skandia Property Fund which in turn invests into the ING Property Fund managed by Nigel Pickup. We anticipate that much of the worst has past for UK commercial property and that the pound has been through most of its damage, thereby presenting us with the opportunity to reintroduce property exposure into the offshore funds at heavily sold levels.

The intention is to raise the exposure of the Funds to UK property to 10% in small, measured increments discussed weekly by your Investment Committee.

Finally, in making the move to UK property it was deemed appropriate to take advantage of the weakness in sterling and pick up an additional 7.5% in physical sterling cash for the USD Funds. This is ahead of any further moves into UK property.

GBPUSD, Daily Jan 09 - May 09



All charts are sourced from I-Net Bridge.



MAY 2009 DATA BANK				
Inflation Rates as at 30-Apr-09				
	Index Value	Last Month	Last 12 Months	
CPI	106.2	0.47%	8.37%	
PPI	179.2	-0.22%	2.93%	
Interest Rates as at 31-May-09				
	Value	Last Month	YTD	Last 12 Months
SA Repo Rate	7.50%	-2.00%	-4.00%	-4.00%
US Federal Funds Rate	0.25%	0.00%	0.00%	-1.75%
UK Overdraft Rate	0.50%	0.00%	-1.50%	-4.50%
European Repurchase Rate	1.00%	-0.25%	-1.50%	-3.00%
JSE Indices as at 31-May-09				
	Value	Last Month	YTD	Last 12 Months
JSE ALSI	22,770.62	10.29%	5.86%	-28.49%
JSE FINDI	15,428.69	2.42%	-2.22%	-15.49%
JSE Mining	28,396.76	16.34%	14.51%	-39.81%
JSE INDI	20,644.10	3.22%	-3.96%	-23.93%
PE Ratios as at 31-May-09				
	Value	Last Month	At End Dec '08	12 Months Ago
JSE ALSI	10.72	9.83	9.45	15.99
JSE FINDI	10.75	10.30	6.88	8.55
JSE Mining	11.16	9.56	9.60	22.84
JSE INDI	9.01	8.03	9.12	11.89
International Indices as at 31-May-09				
	Value	Last Month	YTD	Last 12 Months
MSCI	970.00	8.62%	5.41%	-36.42%
S&P 500	919.14	5.31%	1.76%	-34.36%
FTSE 100	4,417.94	4.11%	-0.37%	-27.02%
DJ Euro Stoxx 50	2,451.24	3.20%	-0.01%	-35.12%
Nikkei 225	9,522.50	7.86%	7.48%	-33.59%
Bond Markets as at 31-May-09				
	Value	Last Month	YTD	Last 12 Months
ALBI	160.41	-1.23%	-8.35%	7.00%
JPM Global Government Bond Index	437.43	2.99%	-2.04%	5.22%
Bond Markets as at 31-May-09				
	Value	Last Month	At End Dec '08	12 Months Ago
R153	6.78	6.35%	7.30%	11.53%
US 10 Year Government Bond	3.46	3.11%	2.18%	4.04%
JPM Emerging Market Bond Spread	460	529	690	243
Currencies as at 31-May-09				
	Value	Last Month	YTD	Last 12 Months
USDZAR	7.93	-6.05%	-16.78%	4.27%
EURZAR	11.24	0.65%	-14.62%	-4.99%
GBPZAR	12.82	2.68%	-6.59%	-14.78%
EURUSD	1.42	7.06%	1.16%	-8.97%
GBPUSD	1.62	9.52%	10.48%	-18.37%
Other				
	Value	Last Month	At End Dec '08	12 Months Ago
PSCE (Apr '09)	8.73%	8.51%	13.60%	20.03%
M3 (Apr '09)	8.84%	10.81%	14.68%	20.73%
Gold (May '09)	\$972.00	\$889.00	\$865.00	\$867.75
Petrol Price Unleaded JHB (May '09)	R7.35	R7.38	R7.35	R8.91

All data is sourced from I-Net Bridge.

