SHARES TO BUY
IN CURRENT MARKET TURMOIL

Written by Andrew Kent - NFB East London

Investors world wide are reeling from the huge decline in stock markets since the effects of the sub prime crisis started a little over a year ago. The drying up of liquidity in the banking sector has started affecting all types of businesses with the first signs of earnings downgrades resulting in further drops in share prices. We have gone through a period of panic selling and a mood of extreme pessimism now pervades the investment community with the man in the street bewildered and in a state of shock.

History has shown that the best time to buy into the market is when everyone else is selling and no one else is buying. The ongoing volatility we are experiencing is creating opportunities for the astute investor to buy into shares which sometimes fall as much as 10% in a day.

The question on most investor's minds once they have overcome their initial fear of buying, is what to buy. Below find six companies which one can buy with the comfort of knowing that they are offering great value and will be around for many years to come. Investors will look back in time and be very happy that they bought the following shares at current levels:

Anglo American Plc is the world's third largest mining group and has interests in gold, platinum group metals, coal, base & ferrous metals and industrial minerals. The group is geographically diverse, with operations and developments in Africa, Europe, South and North America and Australia (65 countries). Anglo provides exposure to a diversity of commodities, many of which continue to be buoyed by strong Chinese demand. With most of Anglo's products denominated in US dollars, the share also provides a hedge against depreciation of the rand. Anglo American is listed on the LSE, JSE and NYSE.

The Sasol Group of companies comprises diversified fuel, chemical & related manufacturing and marketing operations, complemented by interests in technology development, oil & gas exploration and production. Sasol also uses various petrochemical feedstocks in its chemical plants outside of SA. Sasol manufactures over 200 different chemical & fuel products at facilities in more than 20 countries (50 operations) in Europe, Africa, the Americas, the Middle East and the Asia-Pacific rim. Sasol has the only coal-based synthetic fuels manufacturing facility in the world. The group refines crude oil into liquid fuels and uses natural gas as a primary feestock in SA. Sasol is listed on the JSE and the NYSE.

SABMiller Plc is an international brewing company employing 53,000+ people in over 60 countries across six continents. The group has over 200 brands, owns six of the world's top 50 beer brands by volume and sells over 33,500 litres of lager every minute of every day. Outside of the USA, SABMiller is one of the largest bottlers of Coca-Cola products in the world. The company is committed to achieving sustained commercial success, principally in beer & other beverages, but also with strategic investments in hotels & gaming operations.

The Standard Bank Group Ltd has a broad representation in banking and related financial services with operations in 18 African countries and 21 countries outside Africa. The group, which has an emerging market focus, realigned its business units in 2005 to reflect its executive focus areas and reporting lines and is currently segmented as follows: Personal & Business Banking, Corporate & Investment Banking and Investment and Investment Management & Life Assurance (the activities of Liberty Life). The Industrial & Commercial Bank of China (ICBC) has taken a 20% stake in the company, paying R136 a share, in a $5,5bn deal. The CE said that growth rates in markets in which Standard operates are expected to slow in 2008, consequently the growth target of 10% above inflation has been reduced to 5%. But over the medium term the target remains 10%.

The MTN Group is a multinational telecommunications company that currently provides communications services (cellular network access and business solutions) to 21 countries in Africa and the Middle East). The group structure incorporates: **MTN SA** - operating through MTN Network Operator and MTN Service Provides; **MTN International** – Subsidiaries, associates and JVs include MTN Mauritius (100%), MTN Cameroon (70%), MTN Nigeria (75%), Libertis Telecom (100%, Congo Brazzaville), Irancell (49%) and Investcom LLC (11 operations); **Strategic Investments** – including MTN Network Solutions (100%) and associates Leaf (40%) and I-Talk (40%).

EPS growth will be hampered in the short-term by the need to reduce gearing, but with its leadership position in the emerging markets telecoms space and its potential to grow subscribers, revenue, earnings and dividends over the medium to longer term, MTN remains the chosen telecoms exposure.

REINET Investments has been created as a result of the restructuring of Richemont, the Swiss luxury goods business.

Reinet Investments S.C.A. is a securitization vehicle incorporated under the laws of Luxemborg. It is listed on the Luxemborg Stock Exchange. Reinet Fund S.C.A. F.I.S. is a wholly-owned subsidiary of Reinet Investments and is a closed-end, specialized investment fund also established in Luxemborg. It is the Investment vehicle for all of the investments held with the structure.

Its portfolio is ungeared, initially consisting mainly of BAT shares and 350 millions euros in cash. The goal is for Reinet to provide shareholders with an investment vehicle which will manage their funds in a conservative manner, protecting capital whilst aiming to achieve growth over the long-term.

DATA AS PER REUTERS - Current: 14/11/08

NOTE: 2009 Forward Dividend Yield based on information from I-NET

Reuters Code	Name	Current 11/14/2008	Dividend	Div.Date	Ex.Date	Dividend Yield	2009 Forward Div Yield %	Earnings	Earnings Yield	P.E
AGLJ.J	ANGLO	21080	993.19	18-Sep-08	18-Aug-08	4.712	6.02	5269.46	25.00	4.00
SOLJ.J	SASOL	26400	1300	13-Oct-08	6-Oct-08	4.924	5.28	3737.7	14.16	7.06
SABJ.J	SAB	15090	436.16	7-Aug-08	7-Jul-08	2.890	3.44	1094.71	7.25	13.78
SBKJ.J	STANBANK	7527	398	22-Sep-08	15-Sep-08	5.288	5.79	1247.61	16.58	6.03
MTNJ.J	MTN	11100	136	14-Apr-08	7-Apr-08	1.225	2.10	605.9	5.46	18.32
REIJ.J	REINET	1125								

Source: Who Owns Whom Securities Exchange Digest

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PROFICIO
NFB FINANCIAL UPDATE

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FROM THE CEO's DESK

As 2008 draws to an end I believe many will be thanking their lucky stars that they survived the extraordinary events which beset the financial markets and the very system, which has been the centre of the storm, over the last year. What started out as an apparent policy oversight, where individuals had been allowed by banking and federal policy to over borrow, rapidly deteriorated into a morass where it became ever clearer that the very institutions who had lent these non-qualifying borrowers money, had then given this poor quality debt to its product structuring divisions. These were then leveraged and sold on to apparently unsuspecting clients, insurers or other banks, as high yielding but "safe" structured loans. One of the problems is that they factored in that only a few of these poor quality borrowers would default. As we now know, they all did, making this crazy product, and the world's key banks, technically insolvent.

The cavalry, in the form of the major (and some minor) governments, have done what they had to; i.e. save the day by rescuing the banks and thereby their investors. The biggest problem with this bail out is the effective wiping clean of the slate; a fact that does not sit well with regulators, politicians and the media. This space needs to be watched carefully and no doubt much will be written about it and, hopefully, even more will be done both to fix what was wrong, as well as bringing individuals and boards of directors to book. Finally, the formulation of processes to prevent the possibility of a recurrence needs implementation.

Through the smoke and flames one witnessed all markets of listed securities plummeting to new lows. This was complemented with a massive reduction in global interest rates and the consequent drop in interest earned by investors. This is being done to alleviate some of the pressure being felt by the retail investor, notably in the USA, which remains the world's primary consumer. South Africa, at the time of writing this article, has yet to follow suit and the author has taken several bets in anticipating a cut in our official rate as early as the December meeting of the MPC.

It is also NFB's view that rates will drop fairly dramatically next year as inflation, in sync with the slow down in the world economy, plummets. Factors, led by the significant drop in the price of crude oil, but notably complemented by the concurrent drops in the price of maize and many other basic foodstuffs, will allow, if not force, the hand of the SARB to cut rates. Almost unprecedented levels of rate reduction in the USA and UK can and, if prudent, should be emulated in SA. When this happens we will witness the flow of funds back into shares and other growth assets such as listed and retail property. This pattern has and will continue to repeat itself. The timing of these cycles can vary; but repeat themselves they will.

It is not my opinion that the storm is over, with well over a million job losses in the formal financial markets of just the US and UK and no doubt more to come. Having had the pleasure and good fortune to be in London to see the Springboks "klap" the Poms; I also witnessed "Post Xmas" sales, the only problem was the date was a month before Xmas! The British economy is in big trouble and I have on good authority that the euro system has 1 trillion euro's of bonds and debt maturing next year. The question, which begs answering, is who is going to finance this rollover? This testy question is further complicated by the fact that almost all of the banks and financial institutions are trying to deleverage their own balance sheets; never mind lending new money.

So, what does this mean for us in the SA market? Well I know that our teams are actively communicating with clients and institutions and we are creating ideas and themes to remedy the weaknesses and value reductions suffered over the last ten months. These ten months, whilst devastating in their impact on investments that were fully exposed to shares, should not be seen in isolation. They have been preceded by a period of material growth and this will occur again and again; over time.

In my opinion 2009 will continue to display fairly volatile markets, including interest rates which will drop materially; property rentals which will improve given the maturing leases, last negotiated prior to the material increases in building and land costs of the last four or five years. Shares, whilst remaining volatile will find a tipping point where returns (combination of dividends and growth potential) will become attractive to interest earners suffering from dropping rates and high income tax.

In conclusion, we at NFB wish our investors, institutional associates, business introducers and the many service providers to our Group a Merry Xmas and a prosperous 2009.

Mike Estment, CEO

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2008: The Year of the Pendulum

A pendulum is a unique device in that it never immediately stops in the middle but rather swings from one extreme to another. Financial markets are no different to a pendulum and 2008 has seen the needle swing violently from one end to the other.

Written by Andrew Duvenage and Stephen Katzenellenbogen, Independent Financial Advisors – NFB Financial Services Group

Within the space of six months we have witnessed both local and international equity indices, various commodities, as well as other assets and currencies move from all time highs to, in some cases, twenty year lows. The driving forces behind the extreme movements have been some incomprehensible practices within financial systems that have had a ripple effect throughout the globe.

"Catch 22"

The extent of the damage to markets, the depth thereof and the long-term ramifications were almost impossible to predict by even the most astute market participants. The general investor has been caught with an even bigger surprise. Certain investors who have had excessive exposure to equity markets find themselves in a difficult situation. Those investors' who allocated their portfolios too aggressively, based on recent market performance, are in a 'catch 22' situation: switching to more conservative assets will realize losses and preclude them from any future market recovery, but staying in the market or holding their positions will in all likelihood expose them to further volatility and potentially to further losses. This in itself may be too much for investors to bear, from either an emotional perspective or from a practical financial point of view.

Diversification and the return of credit risk

The most widely advocated and effective tool in portfolio construction is appropriate diversification (in the words of one of the world's most astute investors, Mr. Warren Buffet, "never forget the 3 D's of investing: Diversification, Diversification, and Diversification!!"). No matter what qualities a market displays, proper diversification should provide investors with a risk-reward profile commensurate with their personal circumstances. The recent market and economic turmoil we have experienced has highlighted the importance of this management strategy. Not only has it reinforced its importance, but it has also demonstrated its attributes across a variety of levels. Traditionally, investors have focused on market risk when considering an investment portfolio, and since the market crash of 1987 the investment community as a whole became indifferent to the issue of credit risk. However 2008 has provided a rude awakening for investors the world over with the multiple failures of multiple massive institutions in the US, the UK and in Europe. The old mantra that "cash is king" has been tested by such failures. In reality, the near collapse of the world's financial system has re-emphasized the ignored truth that cash itself may have significant implicit risks. In response to this, investors have been taking money from banks en masse and depositing it in US Treasuries resulting in a strengthening of the dollar and exacerbation of the liquidity squeeze in global markets. The lesson learnt: When contemplating diversification it is not only asset allocation that needs attention but the split between local and international assets and very significantly institutional or credit risk.

Where to from here?

Depending on how an investor was positioned prior to the "troubles", various questions will come to mind regarding the correct investment philosophy going forward. These questions may focus on issues ranging from getting out of the market to avoid further loss, to committing new funds to the market to take advantage of perceived value in current asset prices. The crux of these questions focuses on one issue though, and that is "what are the markets going to do from here?"

In the words of Sun Tzu (the legendary author of the Art of War) "if you do not respect the past, there is no future". Thus, perhaps a useful starting point in determining what the best strategy going forward will be is to revisit some of the lessons that history has taught us. An astute investor needs to question the wisdom of the 5 words that seem to be the war cry of current times "this time it is different". Many market commentators are of the opinion that the current financial crisis that we are seeing is so dramatic that history is an irrelevant source of information this time around. But is it? History is littered with financial crises. Whenever these crises occur, the "here and now" factor makes the world feel that it is the worst event the world has seen. The reality is that the world has seen recessions and even depressions before. The world and its financial system has survived 'the great depression' in 1929, 2 World Wars, the 1987 stock market crash, the virtual collapse of the Japanese market, the terrorist attacks of 2001, the tech boom and bust of 2000, multiple Asian and emerging market crises, and many, many other events in between. There is no doubt that the financial crisis in which we are currently embroiled is a serious issue, and in all likelihood, combined with various other factors, has resulted in a global recession. The gravity of the situation does not however invalidate the lessons that history has taught us.

If anything, times past should have taught the human race that patience is a virtue. Time and time again financial markets have recovered from turbulence. The key though is to avoid making rash decisions that preclude an investor from participating in the inevitable improvement in conditions. Two interesting graphs have been provided below supporting this view.

The first is from the US S&P500 (a US equity index) going back to the early 1800's. This graph shows that the number of years of positive performance outweighs negative performance by more than 2:1. This in itself is a startling fact, but more importantly in the current environment is to notice how years of significantly negative return are very often followed by years of strong recovery (the so called pendulum effect). From an investor's point of view, the message to take to heart is that one needs to remain exposed to the market to benefit from the recovery.

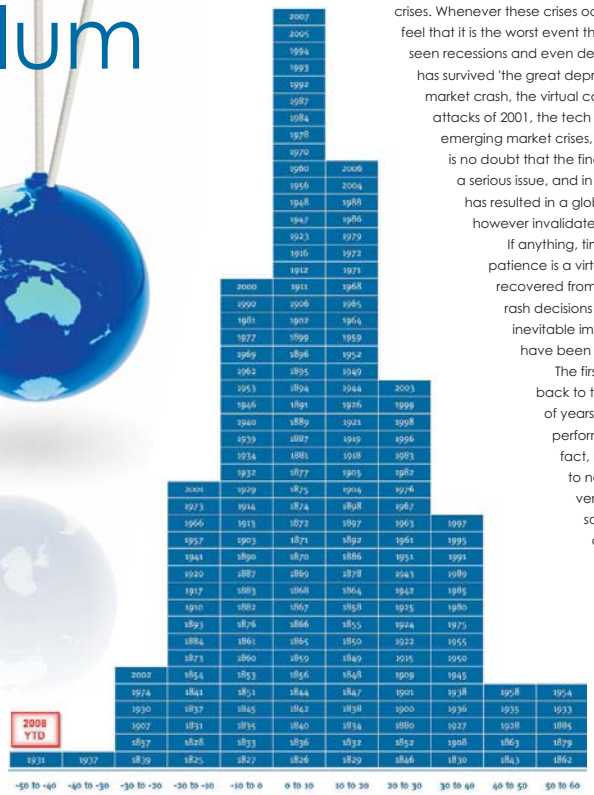
Refer Graph 1.

As a South African investor, if one looks back to 1960, one can see that despite numerous serious economic, political and social events of both a South African and global nature, the market has time and time again recovered and forged ahead. Recovery may take time, but it will inevitably come.

Refer Graph 2.

There are therefore two fundamental lessons to be leant, that we can take with us into 2009 and beyond, and they are that diversification and patience are the key to successful investing. Human beings' entrenched psychology makes it very difficult to be patient in difficult markets. As investors we all castigate ourselves using hindsight as an investment tool. Short term tactical adjustments are seen as a solution to what seems like a never ending downward trend. The reality is that markets will improve, and investors who take heed of the lessons that history has taught us will benefit in the long term.

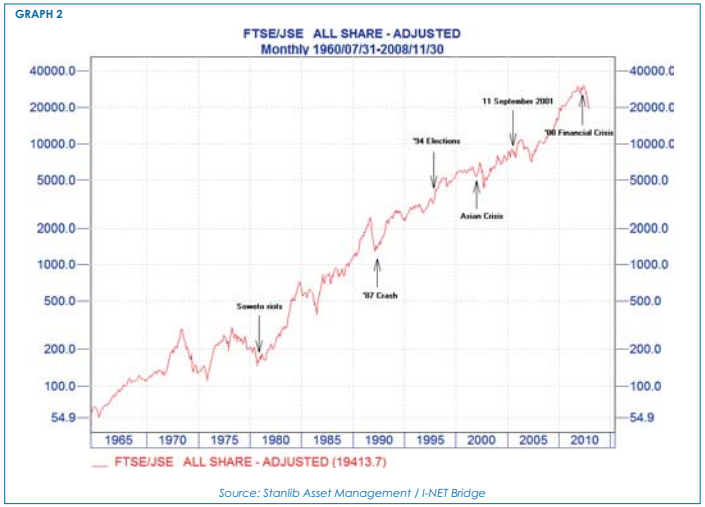
GRAPH 1



Percentage Total Return

Source: Value Square asset management, Yale University

GRAPH 2



Source: Stanlib Asset Management / I-NET Bridge

Photo BigStockPhoto.com