STANLIB's

WeeklyFocus

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STANLIB

Items covered: Stock market correction; Snippets of info.

HOT NEWS: STANLIB has attained the TOP ranking in the PlexCrown rankings to become the leading unit trust management company based on the PlexCrown ratings of all the management companies' funds at the end of September.

This is a tremendous tribute to STANLIB's relatively new franchise approach to managing money, introduced by CEO George Brits just over a year ago.

The PlexCrown ratings assess a fund's performance on four different measures that take risk and consistency of performance into account over various periods up to five years.

STANLIB's performance was all the more remarkable, according to Ryk de Klerk, who developed the PlexCrown ratings, in that it took the TOP spots in six of the 17 sub-categories that are rated in the PlexCrown system.

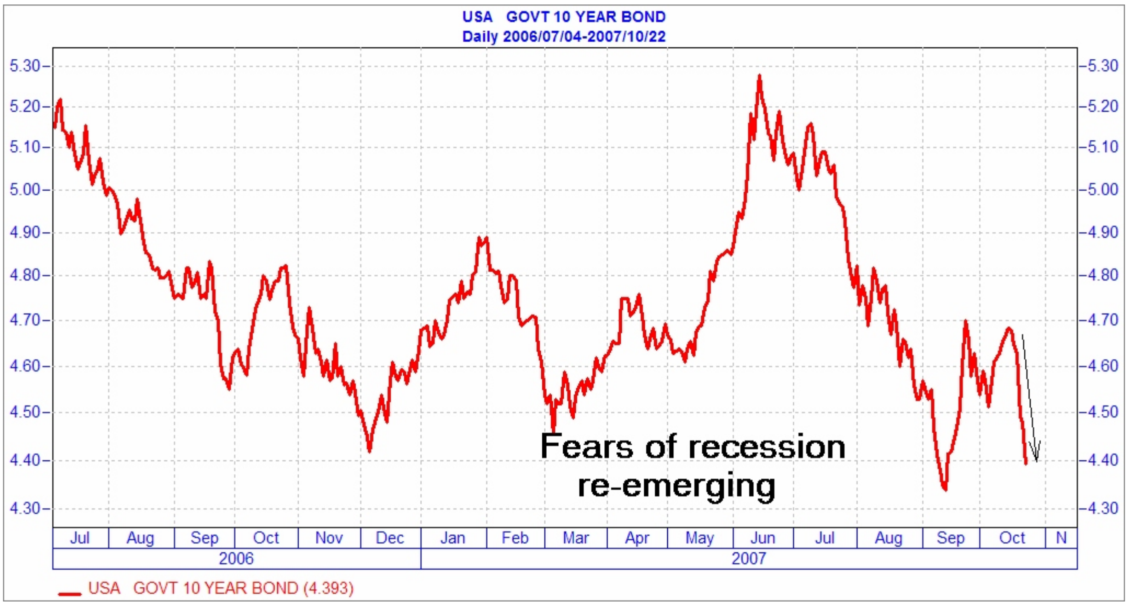
STANLIB has 20 funds that are assessed in the PlexCrown rating system, of which six led their sub-categories with five PlexCrowns each - the highest rating. These funds are the STANLIB Bond and Income funds, the STANLIB European Fund of Funds, the STANLIB Value Fund and Capital Growth Fund and the STANLIB International Aggressive Fund of Funds.

Five of STANLIB's funds obtained four PlexCrowns, the second highest ranking.

1. STOCK MARKETS PROBABLY UNDERGOING A CORRECTION IN THE BULL MARKET

- Overextended stock markets (MSCI World Index up almost 14% in two months and MSCI Emerging Markets Index up over 30% in two months), coupled with soaring oil prices and renewed fears of recession in the US (Caterpillar said on Friday that a number of its markets in the US are already in recession) seem to have triggered another correction.
- Interestingly, the correction began on the anniversary of the mighty 1987 crash, namely October 19th (Friday). In that crash the US stock market fell 22% in one day, to add to the 8% decline in the previous three days, making it 30% in total in just four trading days.
- The SA market fell 44% in four months, bottoming in February 1988.   As it turned out, the crash in the US and elsewhere (including in SA) did not signal the start of a big bear market. It merely ended up being a particularly vicious correction in an ongoing bull market. The bull market had started in the US in 1982 so by 1987 it had already been going for five years and had gained 201% by then (excluding dividends). It lasted another 13 years in full, finally ending in 2000, except that some, like Elaine Garzarelli, believe that the US is still in that big big bull market that began in 1982!!.

- By comparison the bull market from 2000 has gained just 87% (for the S&P 500 Index) and has merely retraced its losses incurred between 2000 and late 2002.



- The chart above of the ten year US government bond shows how sharply the yield has declined since last week, from almost 4.7% to under 4.4%, almost back to the lows seen during the height of the credit crisis in August/September. This is because of renewed fears of recession.
- The JSE All Share Index had gained 21% from its low in August to its high in October, so also became overextended (the elastic became stretched), especially after the recent interest rate hikes (two since August)
- The markets in the US are now pricing in a 70% probability of another rate cut from the Fed next week. If this occurs, it would be positive for stock markets.

2. <u>SNIPPETS OF INFO</u>

- Today's Financial Times (22nd October) talks about the possible resources bubble in that there is near universal bullishness on resources. The sector is up 15% since the US cut their interest rates recently and the resources market looks “frothy”.
- However, whereas the dot-com bubble occurred with price-to-earnings ratios (PE's) around 70 to 100, the forward PE ratio for the global metals and mining sector is still only 13 times. That is below the ten year average of 15 times and well short of the decade's highs of over 20 times.

- The FT quotes research done by Barclays Wealth which notes that South Africans "have emerged as the nationality most willing to take risks with their investments, while the UK, US and Canadian investors are the most cautious."
- Apparently 84% of South African investors questioned in SA believed that a high appetite for risk had helped achieve their riches. This percentage dwindled to only 25% in the UK.
- These findings on SA are interesting in that the SA unit trust statistics show the reverse: fewer and fewer investors have been buying pure equity funds.
- Respondents in Singapore, Dubai and Hong Kong also had a high appetite for risk, while in Europe the Italians proved to be the raciest investors.
- Demand for the more exotic investments such as derivatives and hedge funds was showing fast growth in Asia and the Middle East where investors wanted to help smooth market volatility.

Paul Hansen
Director, Group Retail Investing

The following yields are calculated using an annualised seven-day rolling average as per the unit trust industry standard. These rates are expressed in nominal and effective terms and should be used for indication purposes ONLY.

Standard Bank Money Market Fund

Nominal: 9.42% per annum
Effective: 9.84% per annum

A constant unit price will be maintained. Past performance is not necessarily a guide to future performance. A schedule of fees and charges and maximum commissions is available on request from the Manager. Commission and incentives may be paid and if so, are included in the overall costs. The yield is calculated using an annualised seven-day rolling average as at 19 October 2007.

STANLIB Cash Plus Fund

Effective Yield: 10.05%

This is a current yield as at 19 October 2007

Protection Series Rates

These rates are indicative and are subject to change

Fund	18 Months	36 Months
STANLIB Prosperity Fund	17.26%	34.86%
STANLIB Gold Fund	19.23%	48.70%
STANLIB International Equity Fund of Funds	17.26%	34.86%
STANLIB Multi-National Fund	17.26%	34.86%
STANLIB Alsi 40 Fund	11.85% (12 months only)	-