THE STERLING TIMES 7

JUNE 2013

STERLING
PRIVATE WEALTH

Inside this issue

Introduction
Graydon Morris

What a first half of the year we have experienced! The big story in all of our minds will of course be the weakness of the ZAR. It truly has exceeded most expectations (perhaps not all of you SA bears) in terms of its weakness. For many of our clients, our longer term decision to continue to hedge away from the SA economy and indeed the currency has finally paid dividends. We are delighted, in addition, that many of our dominant international manager positions have delivered significantly above their benchmarks over the past year or two, further improving global performance.

This delivers an important message. Investment performance is not linear! A 15% per annum smooth performance over 5 years delivers broadly the same end result as 0% per annum for 4 years and 100% in the 5th year, ignoring cash flow impacts.

As I write this, we concern ourselves, importantly, in addition to general, ever-present market uncertainty, with the ailing health of one of the World's most revered struggle icons, Nelson Mandela. We owe so much to this leader, a leader of great significance to our country, and indeed the world. Our thoughts are with him in his time of ill-health, during the sunset of his time.

During May, the latest, 2013 edition of the carnival that is the Berkshire Hathaway AGM was held, "Woodstock for Capitalists" as it is known. I was fortunate enough to attend this wonderful event in 2007. We have attached below a few of the comments attributed to Charlie Munger at this enlightening gathering. He truly is a joy to listen to.

Wisdom

It's so old fashioned and boringly trite. Keep plugging along. All the old virtues still work. And work where you're turned on. You have to love something to do well at it. There may be exceptions. You're at an enormous advantage if you love what you do, every minute of it. The game of life is a game of everlasting learning. At least it is if you want to win.

Banking

Banking in the U.S. is stronger than in the past 20 years. Compared to the EU or 20 years ago, it's dramatically stronger. Don't worry about banking being the cause of the next bubble. Usually we don't get to a bubble the same way we got to the last one. I feel good about our investments at MNT and Wells Fargo (). We won't earn as much return on equity because the rules change.

Bank of America

Bank of America () in 2011 was subject to rumours, there was big short interest, morale was terrible. It struck me that an investment by Berkshire ()() might be helpful to the bank and might be to us. I never met O'Brien, but gave him a call. Not because I calculated some precise P/E ratio, but because I have some idea of what the company may look like in five years and a reasonable amount of confidence and there was a disparity between price and value.

Macro Picture

Warren Buffett: Charlie and I don't pay attention to macro forecasts. We have worked together now for 50 years and can't think of a time we made a decision on a company where we've talked about macro. We don't know what things will look like in precise way. Naturally we think if we don't know that nobody else knows. Why spend time talking about something you don't know anything about? People do it all the time. But it's not very productive.

Throughout my adult lifetime there have always been opinions about what's going to happen in the next years; nobody knows. What we know with a high degree of certainty is BNSF (the railway business they bought) will be carrying more cars in a year or two. That there will be two important railroads in the West and two in the East and will have assets that will have incredible replacement value.

Introduction

We don't have anything against someone talking about a new normal; my own guess is people will do very well owning good businesses if they don't pay too much for them in 20 and 30 years. If they try to time based on what they're going to do they're going to do very well for their brokers and not for themselves.

Ben Graham Influence

I read every book in the public library on investing by age 11. But I never developed a philosophy, I just enjoyed stocks. Graham's book gave me a philosophy, a bedrock philosophy on investing that made sense. It taught me how to think about a stock and the stock market. It taught me the market was there not to instruct me but to serve me. Think about stocks and pieces of businesses. So that philosophy was furthered by Phil Fisher's book.

Airlines

The airline industry has situations where they have very, very, very low incremental cost per seat with enormous fixed costs. The temptation to sell that last seat at a very low price is very high and sometimes it's very to distinguish between that seat and the last seat. It's labour-intensive and capital intensive and largely a commodity type business. As Bill Miller points out, it's been a death trap for business since Orville took off. You really couldn't create another railroad. And you could create another airline. And that's what I don't like about it.

Sterling Private Wealth continues to grow and develop, excitingly, as we enter our 12th year as a solid and stable unit. We have recently undertaken a small refurbishment at our Sandton office, where we have signed a new 3 year lease to take us through to 2016. Our association with Janet Hugo of Hugo Capital and the growing Counterpoint Boutique Asset Management Team adds tremendously to our depth and strength. Our continued quest to be recognised as one of SA's leading niche, privately owned Wealth Management companies, remains work in progress. It always will, as the landscape in which we operate evolves. Our staff complement will swell to 11 in August.

I was recently reading through a few pieces of sage advice from Sir John Templeton, doyen of the investment world. He was quoted in May 1951 as saying: "Do something where you're performing a real service for people. It'll be a success. I like investment counselling. And I like helping others. It gives you pleasure you can't get spending thousands of dollars." This quote resonated well with our team, and is similar to Charlie Munger's wisdom provided earlier. We remain passionate about what we do. Make no mistake, it is tough. It is competitive, and our views and strategies at times take years to be validated. They are questioned and critiqued in the short term, and at times feel almost indefensible, but we remain secure that our experience has taught us that the route to success is not always doing what feels comfortable from an investment perspective. Sometimes you need to swim against the tide in the short term to guarantee long term results.

After the market debacle triggered by the Great Recession, "Staying The Course No Longer Works," and "Modern Portfolio Theory is Dead," have been popular headlines with the financial media. It is plausible to take this view of course, after all, why would any investor willingly subject their portfolio to the massive losses of 2008 and early 2009? Of course no one would; so does that mean that long term strategic investing is out the window? One of the core beliefs at Sterling Private Wealth is that to earn significant real returns an investor needs to be in the market over an extended period of time. Is that yesterday's story? We very much doubt it. Our investment committee takes the allocation of client assets and manager selection processes very seriously and we regularly review our investment philosophy and strategies.

Critics claim that modern portfolio theory, asset allocation, and buy and hold are all equivalent concepts and all are passé. What surprises us is that the critics of such an approach (read market timing protagonists) seem to believe they have just discovered the new truth, when in reality a new group of "gurus" consistently discover the same truth after every bear market.

We do expect future returns to be modest relative to past returns, and our expectations regarding risk is that the markets will remain more volatile than in the past. Finally, we believe that we live in an increasingly global world, so that markets will move more in tandem in the future than in the past. The result is that the benefits of diversification will be diminished but not eliminated.

We have included in this issue of Sterling Times, a brief note by Joubert Strydom cautioning against short term (and by short term we mean 3-5 years) fund comparisons, followed by a brief update from Sandy le Roux, manager of the PT High Yield Growth Fund, and some practical tips from Russell Gibson around Estate Administration. For our more mature clients who long for the simplicity of the life of yesteryear, we have included a piece recently penned in the US by Michael Gartner that will certainly take one on a nostalgic trip down memory lane!

Graydon Morris
Founding Director

Chasing Performance

Joubert Strydom
Director: Sterling Private Wealth

It is almost every day that we walk into a meeting where someone is sitting with a monthly fund performance report and wants to discuss the performance of one fund relative to another.

It may be natural to want to discard one fund in place of another in situations where Fund A has returned 10% and Fund B 20%. What we as investors have to realise is that different funds, even in the same fund classification and with the same benchmark and long term objective, will be composed of very different components and in very different proportions. It is extremely unlikely that two different funds will return the same short term performance over the same review period.

Think back to the last time you sat on the beach and watched the surfers bobbing around waiting for the next perfect wave. Some of the time you would see some of the surfers and as the motion of the swells came towards the beach those would disappear from view and you would see others. At no time would you have seen all of them in a single moment - unless the ocean was absolutely flat that day. Then you may not have seen any surfers there anyway.

The point that needs to be made is the fact that relative performance is simply a snapshot in time of the funds relative to each other. The market goes through cycles very similar to waves of the ocean. Wind your review period back or forward and the picture will look very different. This issue cannot be over-emphasized. There will always be someone in the trough of the wave and someone at the crest.

Unless one could find and ride a never-ending wave, it is virtually impossible to be at the top of every frame of the picture at the same time. And, in attempting this, you would have to deviate from your investment philosophy quite regularly.

What we know is that those at the top of the current wave are likely to be closer to pulling out when they feel their ride is coming to an end, and then go into a setup phase for the next potential wave. Those in the trough, that aren't caught sleeping, should already be positioned to catch the next wave.

Focus on the future

While it is important to consider the relative performance of funds, it is key to be confident that the investment you make today is going to managers that are ready for the next market cycle. This is not an easy task, but it may be helpful to ask yourself:

- Do you believe in the way the manager is investing?
- Does the manager have the required skill and not only rely on luck?
- Does the manager have a repeatable process to consistently perform well?
- Under what circumstances and over what period should the strategy pay off?

How does the manager’s performance stack up in times of market stress?

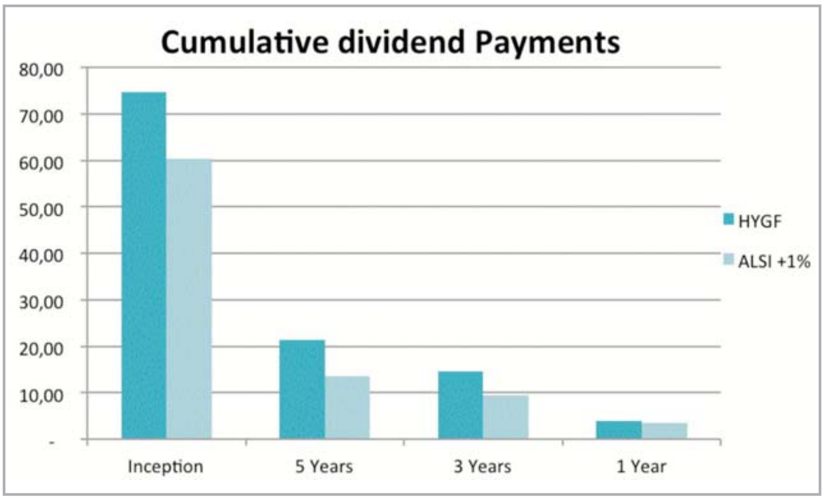
With the above in mind, we have included a short piece below, from Sandy le Roux, manager of the PT High Yield Growth Fund. This is a local equity fund investing for a growing dividend-based income stream, to which a number of our clients have exposure.

Personal Trust High Yield Growth – The Search For Quality

Sandy le Roux

The Personal Trust High Yield Growth Fund has had a solid period in the recent past, delivering healthy dividends well in excess of the overall market which is in line with its core objective. It has also delivered market-like returns at a significantly lower level of risk as per the charts and statistics below.

The core objective is a 1% greater annual dividend than the JSE All Share Index and this has been achieved over all periods.



Capital growth is a secondary objective; to grow ahead of inflation and produce a market-like return is a stated goal.

High Yield Growth Fund vs ALSI over 5 years to end March 2013

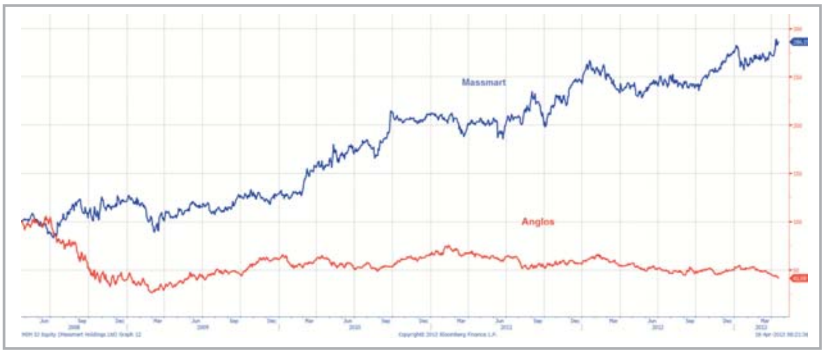
Delivering these returns at a moderate level of risk is an equally important goal of the fund. Our prudent stock selection, with no regard for the index, produces dividends and capital growth at a far more moderate level of risk than the market and most equity funds. While risk is difficult to measure, according to Morningstar's measurement (volatility and standard deviation) the fund's risk statistics for the three years to March are the lowest of all 94 funds in the General Equity category.

We are of the view that delivering the desired results going forward will require very careful stock selection, given current market levels and the dividend yields on offer. High quality domestic companies are trading at very rich valuations and are therefore risky investments, but the area of the market that offers value is of low quality.

Personal Trust High Yield Growth Fund

The dilemma we face is as follows. We do not want to own Massmart or other retailers that we think are high quality companies because their valuations are stretched and expectations are high. For the first time in years we have started buying Anglos in the High Yield Growth Fund because we think it is cheap, but will do so very cautiously due to the poor visibility around future dividend payments. The end result is that we are sitting on a lot of cash and a high weighting in preference shares.

Massmart vs Anglos over 5 years

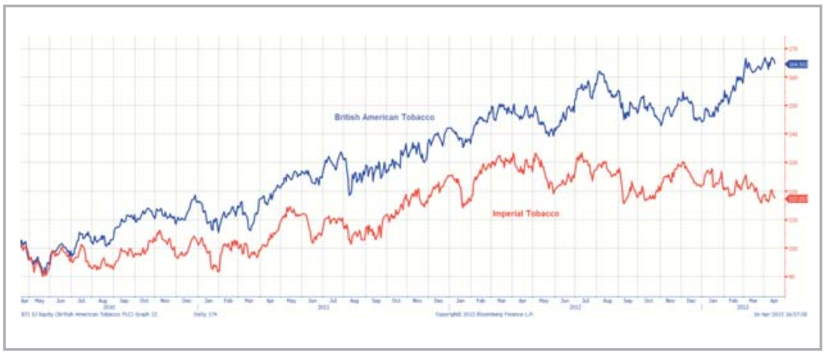


As a result of the poor domestic opportunity set we have decided to take advantage of the fund's ability to invest internationally and will be venturing offshore in the weeks and months ahead. Our rationale has nothing to do with our view on the domestic economy or exchange rate, but is quite simply that the local opportunity set has become a limiting factor, making it difficult to achieve the fund objectives at the desired level of risk. Our plan is to do this very cautiously and on a stock by stock basis, seeking easily understandable, high quality overseas companies that trade at more attractive dividend yields than those on offer in the local market.

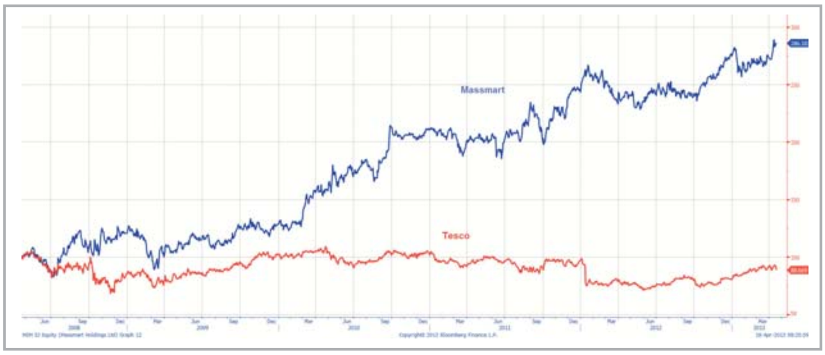
Let's look at a few practical examples:

Tobacco is an appealing sector for dividend-seeking investors due to the very stable cash flows and dividend payments that it produces. By investing globally we will no longer be limited to SA-listed British American Tobacco, but will be able to invest in other tobacco companies that may trade on lower valuations (e.g. Imperial Tobacco as per the chart below).

British American Tobacco vs Imperial Tobacco



Massmart vs Tesco



If we wanted retail exposure we would not be limited to domestic retailers, but could seek alternatives that also have exposure to the emerging market consumer, but at better valuations.

Summary

The High Yield Growth Fund has provided investors with a relatively smooth journey in a very difficult environment. Our expectation is that the environment is unlikely to get any easier, but through careful stock selection and the ability to balance the portfolio with some international companies we are confident that we will continue to deliver on the stated objectives of the fund.

The process of winding up a deceased estate

Russell Gibson
Director: Sterling Private Wealth

The death of a close family member or friend is a highly emotional event, exacerbated by the realities of handling the personal effects and estate of the deceased. As professional wealth managers we are directly involved in assisting our clients and families through this process. We act as both facilitators between the Estate and the appointed executors, as well as providing practical guidance on the most cost-effective manner in handling the various assets and distributions.

During the process of the winding up of estates we often experience a significant amount of frustration from beneficiaries in the delay of the actual finalising of the estate by the administrators/executors. In an attempt to understand what causes these delays we recently attended an in-depth training session with Sentinel International Trust Company, one of our two approved professional executor service providers. Our aim was to understand the practicalities and reality of processing a deceased estate, and where we can pro-actively pre-empt and avoid unnecessary delays and problems.

The basic process is as follows:

Appointment of Professional Executor

The deceased's Will indicates who are appointed as Executors of the Estate. If a family or friend is appointed, this person is responsible for making the final decision in appointing a professional executor/administrator. The Master of the Court will not issue a Letter of Executorship to a private individual, unless appropriately qualified.

We recommend appointing a family member, friend or Trusted Advisor as the Executor in your Will, who can then on the death of the Testator/testatrix assist the heirs in appointing the most appropriate professional Executor to the Estate. Geographical location, costs and direct referral are all important criteria in making this decision.

Initial interview between Executor and Heirs

Once the professional executor has been agreed upon, an initial meeting is scheduled between the executor and the heirs. This is one of the most important steps of the entire process, where adequate preparation ensures the meeting is as productive as possible.

In order for the estate to be reported to the Master of the High Court and the Letters of Appointment issued, the following will be required:

- The Death Notice;
- Certified copy of death certificate;
- An Acceptance of Trust as executor;
- Original Last Will document.

An inventory list detailing the assets of the deceased – this merely needs to be a summary of estimated values.

The executors will usually provide the family with a checklist of further information that is required, to be submitted as soon as possible. Examples of further information relating to the deceased would include:

a) Retirement fund details;
b) Income tax details;
c) Personal obligations & liabilities;
d) Medical aid details.

Whilst there will be no formal 'reading of the Will', each heir will receive a copy of the Last Will and Testament of the deceased for their records. Beneficiaries present at the meeting will each receive a Beneficiary questionnaire to complete.

It is essential that the deceased's medical aid is informed of the death, and that membership is transferred to the spouse and/or any other dependent members.

Master of the Court

After the initial interview, the estate is reported to the Master of the High Court for the appointment of the executor. It takes two to four weeks for the Master to issue his Letter of Executorship. During this time the Master also has to examine and accept the original Will lodged with him.

Receiving the Letters of Executorship

It is only on receipt of the Letters of Executorship that the executor has authority to act. Until then, it may well happen that institutions will not divulge any information, or act on any of the requests of the nominated executor. Nevertheless, the executor will now begin communication with all the investment institutions and insurance companies that the deceased dealt with, requesting valuation certificates in respect of investments and long term insurance policies, as well as capital gains tax and income tax certificates.

The wealth manager will assist in providing investment and retirement fund information.

Initial Executor Actions

The executor will start the process of contacting the relevant institutions and obtaining the necessary information, including:

For quoted shares, the executor would request confirmation of each individual shareholding (unless the shares are held in a managed portfolio through a nominee company) from the transfer secretaries, follow up on outstanding dividends and arrange for a valuation through a stockbroker.

If the deceased held private company shares or a membership in a Close Corporation, the executor will request a valuation of the deceased interest in the company or closed corporation as well as up-to-date financial statements from the auditors / accountants. In cases where the estate is subject to estate duty, the Master of The High Court will require that the valuation is approved by SARS.

Shareholders/Members agreements and buy/sell agreements are critical in the efficient processing of an interest, as are effective life cover provisions and liquidity.

Short-term insurance is required to vest in the estate, so where the deceased's assets were already covered by an existing insurance policy, the estate's interest is noted on the policy. If the heirs require insurance where there was no policy, it will be arranged by the executor, but only on the instructions of the heirs. Car insurance is a good example, as the deceased may not have held car insurance, unbeknown to the heirs.

All medical accounts are submitted to the deceased's medical aid for processing and the estate is reported to SARS for Income Tax purposes.

Banking accounts and all current accounts will now be closed and the proceeds credited to an estate banking account where interest will be earned at prevailing call account rates. This may have relevance if spouses shared one account.

If shares are to be sold, the transfer secretaries are provided with details of the estate's FICA documents, a copy the deceased's banking account and the Letters of Executorship for noting.

Advertisement of Estate/Creditors

The executor has to place an advertisement in a local newspaper and in the Government Gazette for creditors to forward their claims for processing. the Government Printer requires a two-week notice period before placing the advertisement and creditors then have 30 days within which to lodge their claims with the executor. This does however not preclude a late claim being admitted against the estate.

The total time required for the advertising is therefore at least 6 weeks.

Moveable Assets/Conveyancing

At this time any movable assets (such as furniture and personal effects) are advanced to the heirs as an advance on account of their inheritance. This means that they will hold it on a caretaker basis until the Liquidation and Distribution Account has been finalized and lain for inspection free from objections, where after the award will become final.

The appointed Conveyancer will be given official instruction to commence with the preparation of the conveyancing documents for any immovable property to be transferred. Where the immovable property is to be sold, the estate agents will be advised to proceed. (Although marketing may commence earlier, but the executor will not be able to accept any offers to purchase until he has received his appointment.)

Conveyancing fees should be negotiated with the relevant Conveyancing Attorney. On request, these fees can often be reduced.

In order for a property to be transferred or sold a rates clearance certificate needs to be obtained from the Local City Council. This may result in long delays owing to certain City Councils not having their billing affairs in order. Any pre-existing disputes on amounts owed will further delay the finalisation of a rates clearance certificate.

Expiry of Section 29 Advertisement

After the 30-day period from placement of the advertisement has expired, the Executor will assess the solvency of the estate and where there appears to be no risk, proceed to pay interest-bearing claims such as funeral accounts and credit cards.

Draft Liquidation and Distribution Account

Once all of the vouchers have been collected a Liquidation and Distribution Account is prepared. At this time the account is reconciled and any investments to be realized, which have not yet been collected, are now called up.

A copy of the account is forwarded to each of the residuary heirs to the estate and the original to the Master of the High Court to examine.

Master's Query Sheet

The Master will examine the account and issue a 'query sheet' which raises any matters requiring clarification or attention by the executor. It can take between three to six weeks to receive the Master's Query Sheet. Before advertising the account again, the executor is required to attend to any preliminary requirements the Master may raise.

Estates where estate duty is payable take longer as the estate file is also audited by SARS in order for them to approve the estate duty calculation. Extended delays can be experienced.

Section 35 Advertisement

Having completed the Master's 'query sheet' the executor will place the second advertisement required by law, in the Government Gazette and a local Newspaper, advising that the Liquidation and Distribution Account is now open for public inspection. The Government Printer requires a two-week notice period to place the advertisement, and from the date of placement the account lies open for public inspection for a period of 21 days.

Total time required for the advertising is at least 5 weeks.

Assuming no objections are received, the executor will then prepare a Cash Statement dealing with the Capital and Income cash awards as per the Liquidation and Distribution Account and any income and expenditure from the date of the account to the date of distribution.

Where Income Tax has not yet been assessed and a provision for payment thereof has been made in the Liquidation and Distribution Account, this will be retained, pending the issue of the final tax assessment.

It is essential that regular liaison occurs between the executor and the tax practitioner of the deceased. Any outstanding tax submissions or queries can substantially delay finalisation of the final tax assessment.

It is therefore essential that taxpayers ensure their personal tax affairs remain up to date, and disputes are settled as quickly as possible. Clients should ensure that they do not rely totally on feedback from their tax practitioners, but also receive copies of tax submissions and assessments, as proof their tax affairs are indeed current.

The Conveyancer can only now be advised to proceed with transfer of any fixed property to the heirs, as the executor must furnish a certificate to the Deeds Office that the property is being transferred in terms of a Liquidation and Distribution Account that has been open for inspection free from objection.

All other assets awarded to the heirs in terms of the Liquidation and Distribution Account may now be transferred.

Once the distribution has been effected and the assets transferred to beneficiaries, the executor furnishes an affidavit to the Master confirming that all creditors, legatees and heirs have been paid in accordance with the Liquidation and Distribution Account lodged with the Master.

Finalisation of Income Tax

Once Income Tax has been assessed, this is either included in the Liquidation and Distribution Account (if at that time it has not yet been drafted), or if a provision has been retained, paid from there and the balance distributed to the beneficiaries

Filing Notice

Once all of the Master's requirements have been met including a complete set of estate bank statements from opening to closing of the account, the Master will file the estate and furnish the Executor with a filing notice. This is not a discharge of the executor and should a further asset eventuate at a later date, the executor will still be in a position to deal with it without being re-appointed.

File Closure

Again the file is reviewed to ensure that all matters have been attended to. The file can now be prepared for storage and is stored offsite for a period of five years, where-after it is destroyed.

No Left Turns
Michael Gartner

My father never drove a car. Well, that's not quite right. I should say I never saw him drive a car. He quit driving in 1927, when he was 25 years old, and the last car he drove was a 1926 Whippet.

"In those days," he told me when he was in his 90s, "to drive a car you had to do things with your hands, and do things with your feet, and look every which way, and I decided you could walk through life and enjoy it or drive through life and miss it."

At which point my mother, a sometimes salty Irishwoman, chimed in:

"Oh, bull——!" she said. "He hit a horse."

"Well," my father said, "there was that, too."

So my brother and I grew up in a household without a car. The neighbours all had cars — the Kollingses next door had a green 1941 Dodge, the Van Laningham's across the street a gray 1936 Plymouth, the Hopson's two doors down a black 1941 Ford — but we had none. My father, a newspaperman in Des Moines, would take the streetcar to work and, often as not, walk the 3 miles home. If he took the streetcar home, my mother and brother and I would walk the three blocks to the streetcar stop, meet him and walk home together.

Our 1950 Chevy

My brother, David, was born in 1935, and I was born in 1938, and sometimes, at dinner, we'd ask how come all the neighbors had cars but we had none. "No one in the family drives," my mother would explain, and that was that. But, sometimes, my father would say, "But as soon as one of you boys turns 16, we'll get one."

It was as if he wasn't sure which one of us would turn 16 first.

But, sure enough, my brother turned 16 before I did, so in 1951 my parents bought a used 1950 Chevrolet from a friend who ran the parts department at a Chevy dealership downtown. It was a four-door, white model, stick shift, fender skirts, loaded with everything, and, since my parents didn't drive, it more or less became my brother's car.

Having a car but not being able to drive didn't bother my father, but it didn't make sense to my mother. So in 1952, when she was 43 years old, she asked a friend to teach her to drive. She learned in a nearby cemetery, the place where I learned to drive the following year and where, a generation later, I took my two sons to practice driving. The cemetery probably was my father's idea. "Who can your mother hurt in the cemetery?" I remember him saying once.

For the next 45 years or so, until she was 90, my mother was the driver in the family. Neither she nor my father had any sense of direction, but he loaded up on maps — though they seldom left the city limits — and appointed himself navigator. It seemed to work.

The ritual walk to church

Still, they both continued to walk a lot. My mother was a devout Catholic, and my father an equally devout agnostic, an arrangement that didn't seem to bother either of them through their 75 years of marriage. (Yes, 75 years, and they were deeply in love the entire time.) He retired when he was 70, and nearly every morning for the next 20 years or so, he would walk with her the mile to St. Augustin's Church. She would walk down and sit in the front pew, and he would wait in the back until he saw which of the parish's two priests was on duty that morning. If it was the pastor, my father then would go out and take a 2-mile walk, meeting my mother at the end of the service and walking her home. If it was the assistant pastor, he'd take just a 1-mile walk and then head back to the church.

He called the priests "Father Fast" and "Father Slow."

After he retired, my father almost always accompanied my mother whenever she drove anywhere, even if he had no reason to go along. If she were going to the beauty parlour, he'd sit in the car and read, or go take a stroll or, if it was summer, have her keep the engine running so he could listen to the Cubs game on the radio. (In the evening, then, when I'd stop by, he'd explain: "The Cubs lost again. The millionaire on second base made a bad throw to the millionaire on first base, so the multimillionaire on third base scored.") If she were going to the grocery store, he would go along to carry the bags out — and to make sure she loaded up on ice cream.

As I said, he was always the navigator, and once, when he was 95 and she was 88 and still driving, he said to me, "Do you want to know the secret of a long life?" "I guess so," I said, knowing it probably would be something bizarre.

"No left turns," he said.

"What?" I asked.

"No left turns," he repeated. "Several years ago, your mother and I read an article that said most accidents that old people are in happen when they turn left in front of oncoming traffic. As you get older, your eyesight worsens, and you can lose your depth perception, it said. So your mother and I decided never again to make a left turn."

"What?" I said again. "No left turns," he said. "Think about it. Three rights are the same as a left, and that's a lot safer. So we always make three rights."

"You're kidding!" I said, and I turned to my mother for support. "No," she said, "your father is right. We make three rights. It works."

But then she added: "Except when your father loses count."

I was driving at the time, and I almost drove off the road as I started laughing. "Loses count?" I asked. "Yes," my father admitted, "that sometimes happens. But it's not a problem. You just make seven rights, and you're okay again."

I couldn't resist. "Do you ever go for 11?" I asked.

"No," he said. "If we miss it at seven, we just come home and call it a bad day. Besides, nothing in life is so important it can't be put off another day or another week."

My mother was never in an accident, but one evening she handed me her car keys and said she had decided to quit driving. That was in 1999, when she was 90. She lived four more years, until 2003. My father died the next year, at 102. They both died in the bungalow they had moved into in 1937 and bought a few years later for $3,000. (Sixty years later, my brother and I paid $8,000 to have a shower put in the tiny bathroom — the house had never had one. My father would have died then and there if he knew the shower cost nearly three times what he paid for the house.) He continued to walk daily — he had me get him a treadmill when he was 101 because he was afraid he'd fall on the icy sidewalks but wanted to keep exercising — and he was of sound mind and sound body until the moment he died.

A happy life

One September afternoon in 2004, he and my son went with me when I had to give a talk in a neighbouring town, and it was clear to all three of us that he was wearing out, though we had the usual wide-ranging conversation about politics and newspapers and things in the news. A few weeks earlier, he had told my son, "You know, Mike, the first hundred years are a lot easier than the second hundred." At one point in our drive that Saturday, he said, "You know, I'm probably not going to live much longer." "You're probably right," I said. "Why would you say that?" he countered, somewhat irritated. "Because you're 102 years old," I said. "Yes," he said, "you're right." He stayed in bed all the next day. That night, I suggested to my son and daughter that we sit up with him through the night. He appreciated it, he said, though at one point, apparently seeing us look gloomy, he said: "I would like to make an announcement. No one in this room is dead yet." An hour or so later, he spoke his last words: "I want you to know," he said, clearly and lucidly, "that I am in no pain. I am very comfortable. And I have had as happy a life as anyone on this earth could ever have."

A short time later, he died. I miss him a lot, and I think about him a lot. I've wondered now and then how it was that my family and I were so lucky that he lived so long.

I can't figure out if it was because he walked through life.

Or because he quit taking left turns.

Market performance

investment market performance

period to 31 May 2013	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
South African equity	JSE All Share Index	30.7%	19.2%	8.9%	13.9%	20.60%
South African equity	SWIX	28.6%	19.7%	10.6%	14.6%	21.60%
South African fixed interest	SA All Bond Index	11.5%	11.3%	12.1%	9.0%	9.80%
South African property	SA Listed Property Index	27.0%	22.2%	22.7%	17.5%	24.9
South African cash	STefI (3 month NCD's)*	5.1%	5.5%	7.0%	7.7%	7.80%

*Short Term Fixed Interest Index**

investment market performance

period to 31 May 2013	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
international equity	MSCI World (unhedged) Index (USD)	27.8%	13.3%	1.5%	3.7%	7.7%
international fixed interest	Barcalays Capital Global Aggregate (unhedged) Index (USD)	-0.5%	4.5%	3.9%	5.2%	4.8%
international property	UBS Global Investors Index "(USD, unhedged, net divs)"	21.3%	16.5%	2.4%	3.3%	10.0%
US dollar	LIBID 7 Day (USD)	0.2%	0.2%	0.4%	1.7%	1.9%
euro	LIBID 7 Day (EUR)	0.1%	0.5%	0.9%	1.7%	1.9%
pound sterling	LIBID 7 Day (GBP)	0.5%	0.6%	1.0%	2.3%	2.9%

breakdown of local share market performance by sector

period to 31 May 2013	% of ALSI	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
Top 40	83.0%	32.7%	19.3%	7.6%	13.5%	20.1%
Mid Cap	14.0%	20.1%	18.4%	18.3%	16.5%	24.0%
Small Cap	3.0%	29.5%	19.7%	13.3%	14.7%	26.2%
oil and gas	5.0%	31.3%	22.3%	3.0%	12.7	n/a
basic materials	26.0%	5.6%	2.2%	-5.8%	5.6%	13.0%
industrials	7.0%	33.8%	21.8%	12.7%	15.0%	22.7%
consumer goods	21.0%	61.9%	38.4%	27.2%	26.2%	29.6%
health care	3.0%	60.5%	34.2%	36.2%	23.7%	29.3%
consumer services	12.0%	40.3%	31.4%	29.5%	23.0%	30.6%
telecommunications	7.0%	37.0%	23.5%	7.6%	18.9%	29.9%
financials	19.0%	28.7%	20.8%	16.1%	12.1%	19.4%
technology	0.0%	42.4%	31.1%	24.5%	20.8%	25.6%

The FTSE Group and the Dow Jones Indices have created a new definitive industy classification standard. The Industry Classification Benchmark indices were implemented by the JSEon 1 January 2006

Market performance

breakdown of international market performance by country

period to 31 May 2013	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
United States: S&P 500	24.5%	14.4%	3.1%	3.6%	5.4%
Germany: DAX	33.3%	11.9%	3.3%	5.6%	10.8%
United Kingdom: FTSE 100	24.0%	8.3%	1.7%	2.0%	5.0%
France: CAC	30.9%	4.0%	-4.7%	-3.1%	2.8%
Japan: Nikkei	61.2%	12.1%	-0.8%	-1.6%	5.0%
Hong Kong: Hang Seng	20.2%	4.2%	-1.8%	5.1%	9.0%

all returns are calculated in the respective local currencies and are based on index levels

currency exchange rates

period to 31 May 2013		1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
ZAR/USD	10.0771	-13.1%	-5.3%	-3.5%	-5.4%	-0.5%
ZAR/EUR	13.1130	-16.4%	-4.7%	-1.9%	-7.0%	-2.8%
ZAR/GBP	15.2170	-13.6%	-5.0%	0.9%	-3.8%	-0.1%
ZAR/JPY	0.1005	4.6%	-4.8%	-6.4%	-8.7%	-3.2%
USD/EUR	1.2998	-3.9%	0.6%	1.8%	-1.6%	-2.3%
USD/GBP	1.5202	-0.7%	0.2%	4.6%	1.6%	0.4%
USD/JPY	0.0100	20.2%	0.5%	-2.9%	-3.4%	-2.6%

Market performance

economic indicators

economic growth	%	inflation	%
SA real GDP growth "(1st quarter '13, annualised q-oq) "	0.9%	SA CPI (y-o-y change for April)	5.9%
US real GDP growth "(1st quarter '13, annualised q-oq) "	2.4%	US CPI (y-o-y change for April)	1.1%
Euro area real GDP growth "(1st quarter '13, annualised q-oq) "	-0.8%	Euro area CPI (y-o-y change for April)	1.4%
Japan real GDP growth "(1st quarter '13, annualised q-oq) "	3.5%	Japan CPI (y-o-y change for April)	-0.7%
China real GDP growth "(1st quarter '13, annualised q-oq) "	6.6%	G7 CPI (y-o-y change for April)	0.9%
interest rates		**commodities**	
SA repo rate	5.00	gold (London PM fix in USD as at 31 May)	1394.50
SA prime overdraft rate	8.50	y-o-y % change	-10.5%
US Fed Funds rate	0.25	platinum (London PM fix in USD as at 31 May)	1459.00
ECB refinancing rate	0.50	y-o-y % change	3.8%
BoJ overnight call rate	0.10	brent crude oil (USD)	100.19
BoE repo rate	0.50	y-o-y % change	-2.5%4.4%

Market performance

investment market performance

period to 30 June 2011	Index	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
International Equity	MSCI World (unhedged) Index (USD)	30.5%	0.5%	2.3%	5.4%	4.0%
International Fixed Interest	Barclays Capital Global Aggregate (unhedged) Index (USD)	10.5%	6.0%	7.1%	6.2%	7.4%
International Property	UBS Global Investors Index "(USD, unhedged, net divs)"	39.0%	2.6%	0.7%	7.7%	10.9%
US Dollar	LIBID 7 Day (USD)	0.2%	0.6%	2.2%	2.5%	2.3%
Euro	LIBID 7 Day (EUR)	0.7%	1.2%	2.2%	2.2%	2.5%
Pound Sterling	LIBID 7 Day (GBP)	0.6%	1.2%	2.9%	3.4%	3.6%

breakdown of international market performance by country

period to 30 June 2011	1yr	3yrs pa	5yrs pa	7yrs pa	10 yrs pa
United States: S&P 500	28.1%	1.0%	0.8%	2.1%	0.8%
Germany: DAX	23.6%	4.7%	5.4%	8.9%	2.0%
United Kingdom: FTSE 100	20.9%	1.9%	0.4%	4.2%	0.5%
France: CAC	15.7%	-3.5%	-4.3%	0.9%	-2.7%
Japan: Nikkei	4.6%	-10.0%	-8.7%	-2.7%	-2.7%
Hong Kong: Hang Seng	11.3%	0.4%	6.6%	9.0%	5.6%

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