



Your Oasis

Monthly News Update

Your Oasis | April 2009

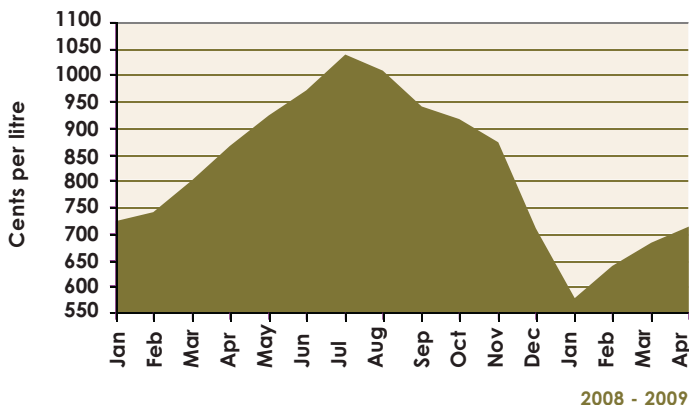
CEO Introduction

George Santanya once said, "Those who forget the lessons of history are condemned to repeat them." These words are even more relevant today as the world finds out that fraudsters like Bernie Maddoff relied on the greed and gullibility of investors to carry out their fleecing schemes. An old adage in investing is that if the returns sound too good to be true, they probably are. That is why we at Oasis rigorously research each company we invest in, but we do not restrict ourselves to what the company puts out on its website, but also look at its peers, the industry it operates in, what legislation, such as tax and pension obligations, may help or hinder it and what the global macro-environment is. This newsletter shares some of our insights, so that you can make a better informed investment decision. Should you have any queries regarding your investment please contact our client services department on 0860 100 786.

Retail Petrol Price

The retail petrol rose by 31 cents per litre on 1 April 2009 from March, but what is relevant for the consumer inflation data is what happened to the year-on-year (y/y) change. Although this is the third consecutive monthly increase, the y/y decline accelerated to -17.6% y/y in April from -14.7% y/y in March and -13.8% in February if you live at the coast. We are still more than 30% below the peak in July 2008, so that will help keep inflation low in the coming months, allowing the South African Reserve Bank to continue cutting interest rates after cuts of 2.5 percentage points in the past four months. These interest rates cuts have added some R1 000 per month in disposable income to the household with a R600 000 mortgage, while its petrol savings are now some 20% compared with a year ago.

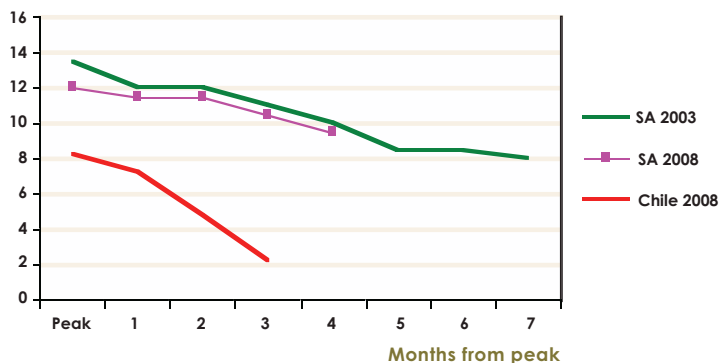
Unleaded 95 Petrol (Coast)



Interest Rate Cuts

The SARB started its current interest rate cutting cycle with a 0.5 percentage point cut in December 2008 and then followed this up with cuts of 1 percentage points in February and March 2009. This is a welcome change in policy in response to the slowdown in consumer inflation from 13.7% y/y in August 2008 to 8.6% y/y in February 2009. The policy response this time has been slower than in 2003, in part due to the uncertainty about the behaviour of the new consumer inflation basket, as January 2009 was the first time we had y/y data. In 2003, the SARB cut by 5.5 percentage points in seven months, while Chile, which is a small export-dependent country like South Africa, has cut by 6 percentage points since December 2008. The market currently expects a further 2 percentage point cut in domestic interest rates, but given the severity of the global downturn, more cuts may be required.

Central bank policy rate cuts



Credit Extension

South African credit extension to the private sector (PSCE) eased to a four-year low of 11.05% y/y in February. The February increase is substantially lower than August's 20.36% y/y. Cash conservation is a current priority of both households and businesses, while banks have tightened credit criteria. The result is that credit extended to businesses fell by 18.1% y/y in February to R3.6bn, while credit extended to households plunged by 70% y/y to R4.8bn. The good news is that household's debt burden relative to disposable income is reducing.

Credit Extended to Households

