ANTLER FINANCIAL SERVICES

in association with

RICHTON EMPLOYEE BENEFIT CONSULTANTS

Market Commentary – December 2010

Circulated to Antler investment clients

Riding a recovery or approaching a cliff???

I promised muted returns in 2010, but have watched my expectations comfortably exceeded in recent months. It appears the global 'hunt for yield' has forced reluctant markets back towards previous highs. This could very well continue, but the doubts remain.

If we believe the latest CPI stats, with inflation quoted at 3.4% per annum for the 3rd quarter, then there is not a single asset class that has underperformed inflation for the year. Cash, as the worst performer, has provided inflation plus 2.54% and Listed Property, as the best performer, has provided inflation plus 24.88% year to date.

The equity markets have given all of their returns for the year in the last 3 months, and these could very easily be undone in a matter of days, so I would suggest if new money is to be committed to the markets, it should be done so gingerly. Existing investments should similarly not be geared up to the usual expectation that recent history will repeat itself. Our client portfolios have performed well without exception, but I would like to ask all clients drawing a pension to please contain their pension increases in 2011 to an absolute minimum – it is definitely not entirely 'blue sky' ahead.

	1 Jan 10	10 Dec 10	Year to date performance
SA MARKETS			
All Share	27666	31489	13.82%
Financials	19326	20982	8.57%
Industrials	25245	29559	17.09%
Resources	28109	30331	7.91%
Listed Property	323	383	18.39%
Gold Mining Index	2410	2723	12.91%
Platinum Index	81	81	-0.76%
EXCHANGE RATES			
R/$	7.40	6.85	-7.37%
R/€	10.50	9.07	-13.62%
R/£	11.87	10.79	-9.06%
GLOBAL MARKETS			
Dow Jones Industrial	10428	11410	9.42%
US S&P 500 Index	1115	1240	11.24%
UK FTSE 100 Index	5413	5813	7.39%
French CAC 40 Index	3936	3857	-2.01%
Hang Seng Index	21886	23163	5.83%
German DAX Index	5957	7006	17.60%
Japanese Nikkei 225	10546	10212	-3.17%
US Nasdaq Index	2269	2638	16.23%
MSCI ($)	1168	1257	7.54%

Ireland is the latest to create some sort of news in the financial world, but these scares appear to be becoming less frequent and less severe – this tells me the world has adjusted to the current state of affairs, and the risk of global meltdown is seen as unrealistic by all but the most extreme pessimists.

Due to the general lack of news around to pass on, I hope that you will gain something from what I have to say below.

An Experience to share…

My family and I are still living through a rather interesting experience that I hope you have never and will never have to live through yourself. A few hours after sending out my last market comment on the 30th of July, I got a rather frantic phonecall to inform me that my house was on fire.

My wife had just left to fetch my eldest daughter from school, when my kids' nanny smelled smoke and immediately dragged the 2 babies outside.

I was at the house within a few minutes of the call, which I believe was within a few minutes of the fire starting, and already the slate roof was starting to collapse. It was not safe to try and salvage anything from inside the house, so I had to stand there and watch it burn. The house was totally destroyed within 30 to 40 minutes, and the fire engines turned up after about 45 minutes. There was absolutely nothing left of our furniture, artwork, paperwork and clothing.

We were incredibly lucky that the fire happened at the time of day that it did, as there were no injuries. It is not worth contemplating how much worse it could have been.

It appears the fire started in the roof due to an electrical fault, and I now realise that even if I had been sitting under the fire when it started, neither a hose pipe nor a fire extinguisher would have been any good at all as neither can penetrate the ceiling from below or the roof from above. I may have been able to save the birth certificates and passports – possibly a painting or 2, but would have been able to do nothing to stop the fire.

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The lessons I have been forced to learn in rather quick succession are as follows:

- Most importantly, ensure that you can get access to and escape from both sides of your house. Burglar bars are a major problem in this regard, as they make it as hard for you to get out as for a potential rescuer to get in.
- Have a rehearsed plan with your family and domestics so everyone knows what to do in case of fire (The same can be said for a housebreaking and/or hijacking).
- Point out the things that should be saved if the house is on fire, but emphasise they should only be retrieved if it is safe to do so.
- Get a few smoke detectors – they are cheap and easy to hang, needing battery replacement probably once every 3 years.
- Check your insurance policy to ensure it covers alternative accommodation after an event like this, as renting a house while trying to build one is madly expensive. Having never considered this before, I am very grateful that mine does.
- Check regularly that you are sufficiently insured. The cost of replacing everything from the cheese grater to the bath towels is incredible.
- Be as good a neighbor as mine have been to me – you never know when you may need such kindness returned.
- Have a great broker on your side to fight your corner against the insurer when needed – My short-term insurance broker has been hugely helpful and indispensable. I would be thrilled to refer him to as many people as possible.
- If you get a really fancy bottle of tequila as a gift, drink it – you never know what is coming round the bend, and then no one gets to enjoy it…

It seems that were adequately insured, and we are rebuilding on the old foundations. All of my electrics will be chased into the floor, and every room will have an 'emergency exit'. My entire family of 5 and all our possessions currently fit in a Kombi, but we are all ok.

Antler will be closing on the 24th of December this year, and will reopen on the 3rd of January 2011. I would like to wish you all of the best over the festive season – Travel safe and enjoy the time off – I have a feeling 2011 is going to be another challenging yet fascinating year.

Annuity income payments that were due to be paid by our various providers on the 25th, will be paid either on the 24th or on the 27th of December – please plan accordingly.

I am available on my cell throughout the season should there be any problems.

Please remember us when speaking with family members or friends about financial issues. We appreciate all references, and will do our best to assist wherever possible.

Please get in touch if there have been any significant changes to your financial situation that would necessitate a rebalancing of your portfolio.

JSE All Share Index

Kind Regards,

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