

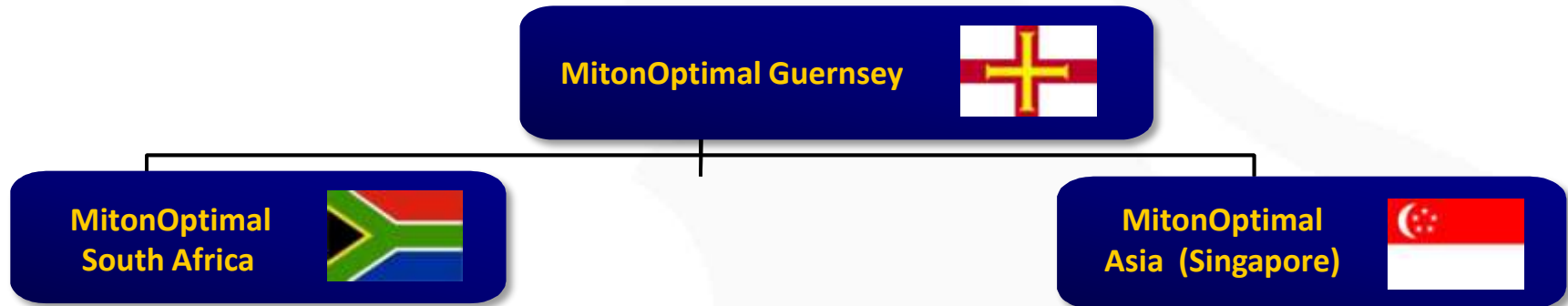
An Era of Uncertainty?



Scott Campbell
March 2012

Group Profile

- ❑ Founded in 2002, MitonOptimal is a private group of companies owned by its management & directors.
- ❑ Group assets under management US\$ 500 mil



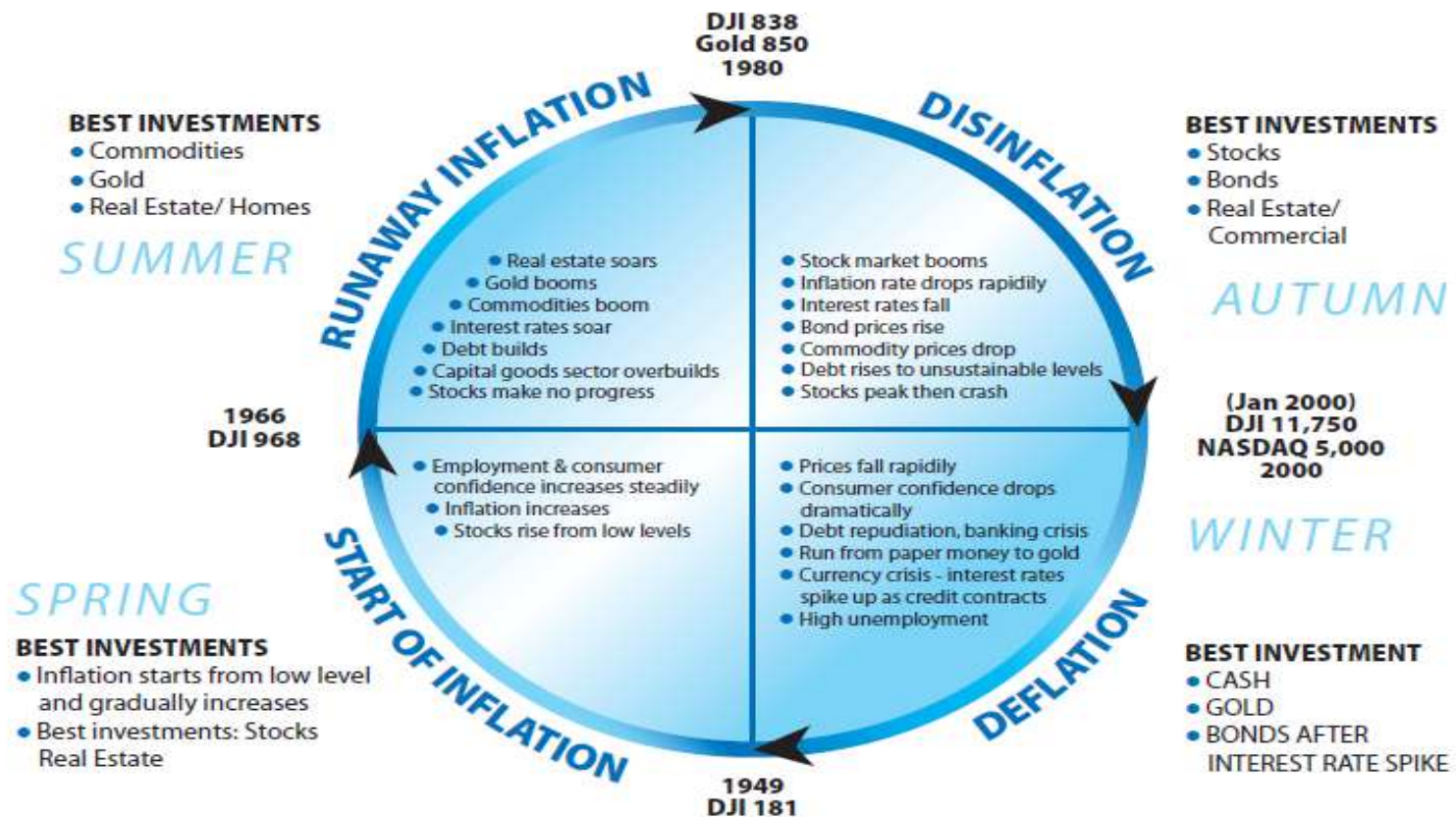
- ❑ Offshore Funds regulated by the Guernsey Financial Services Commission
- ❑ Retail and Institutional investment adviser in South Africa.
- ❑ Multi Asset, Multi Management approach to investing.
- ❑ Experience Team based philosophy and processes.

The Long term strategic Asset Allocation

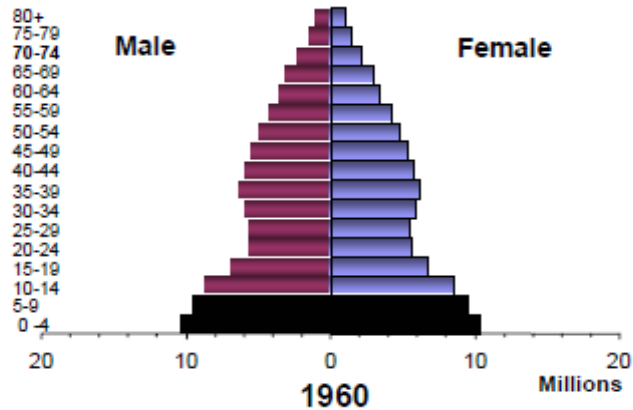
The rules of the game haven't changed




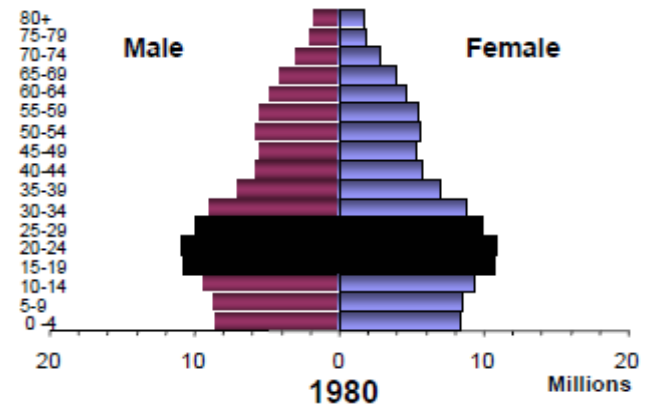
THE KONDRATIEFF SEASONS




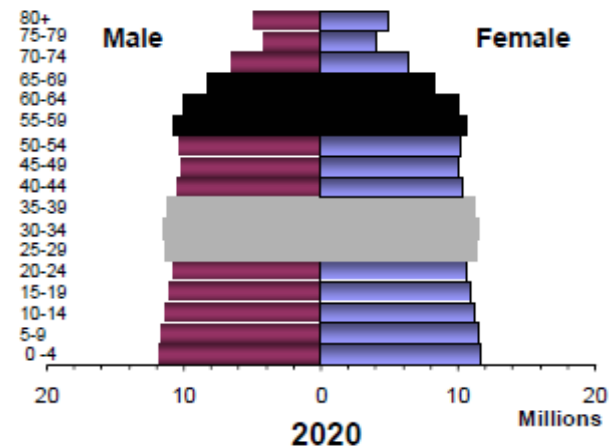
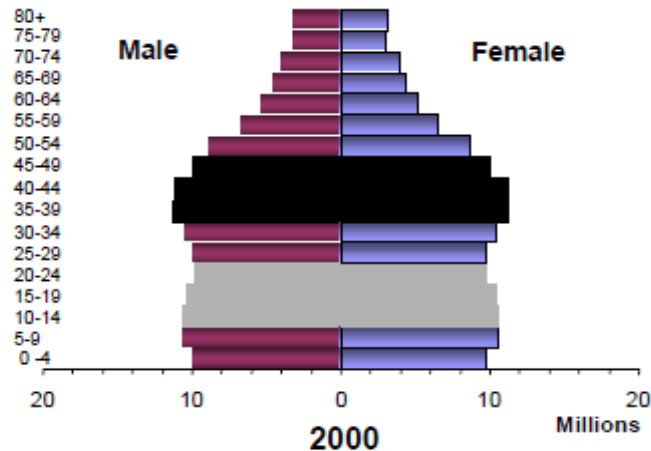
Progress of baby boomers throughout the US population pyramid: 1960 - 2020



 **Baby Boom Cohort**



 **Baby Boom "Echo"**



India demographics profile: 2000, 2025 and 2050

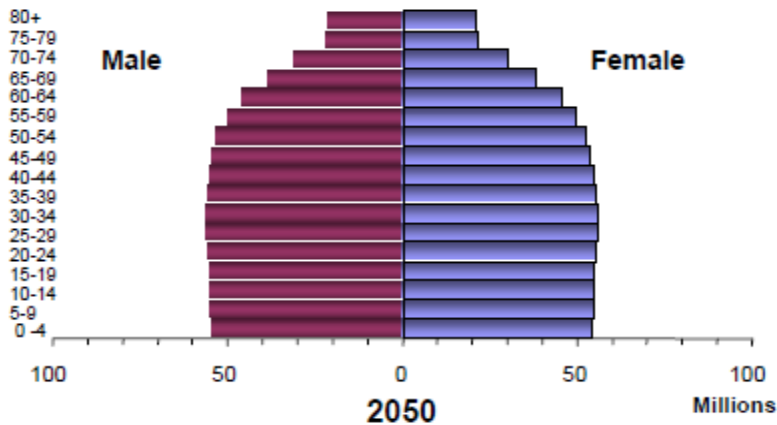
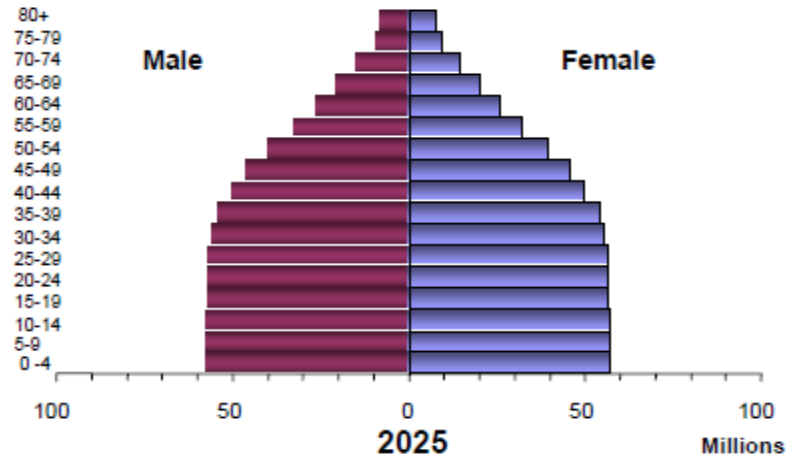
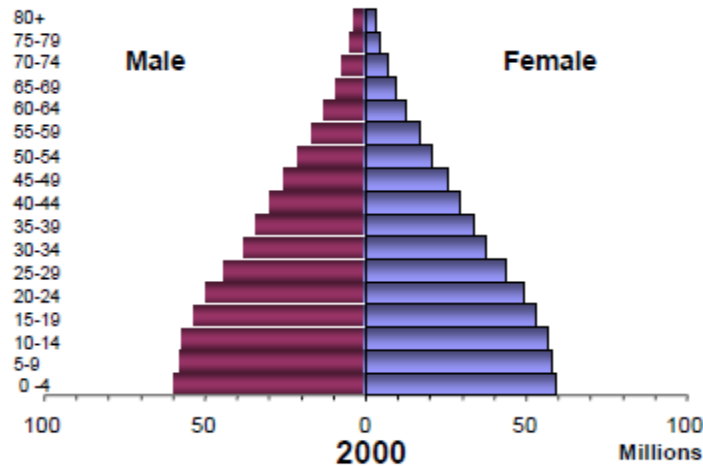
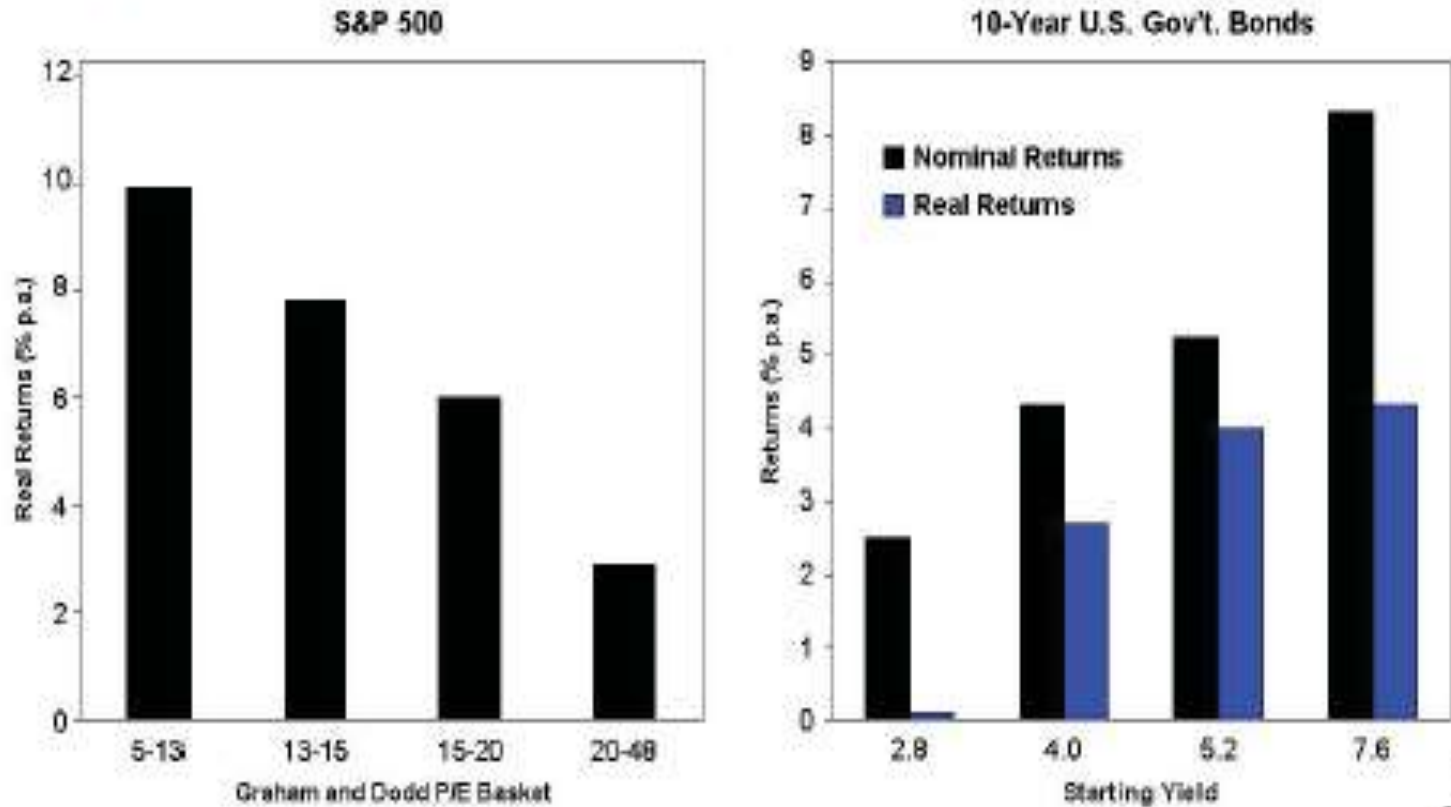
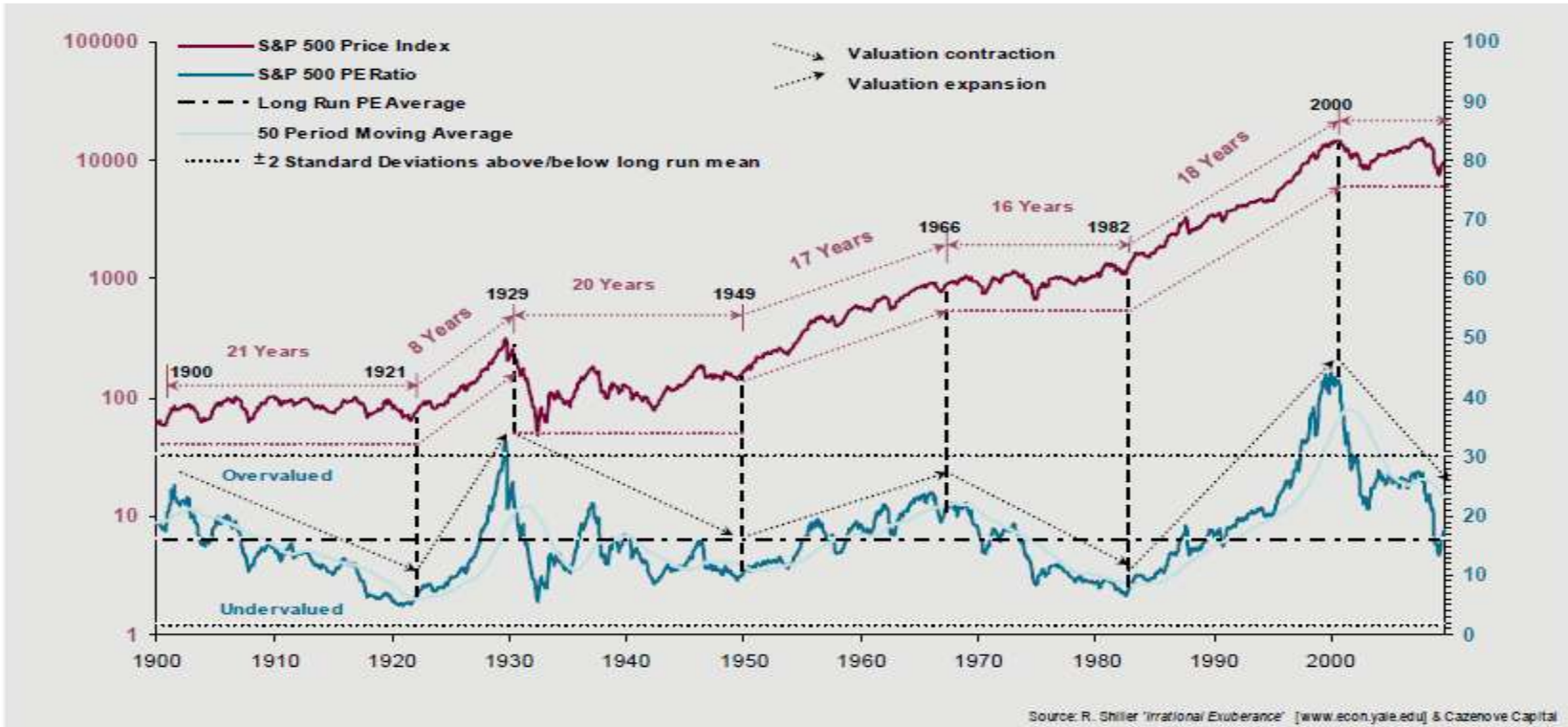


Exhibit 5: Valuation works across asset classes



How long is long term?



Why asset allocation funds?

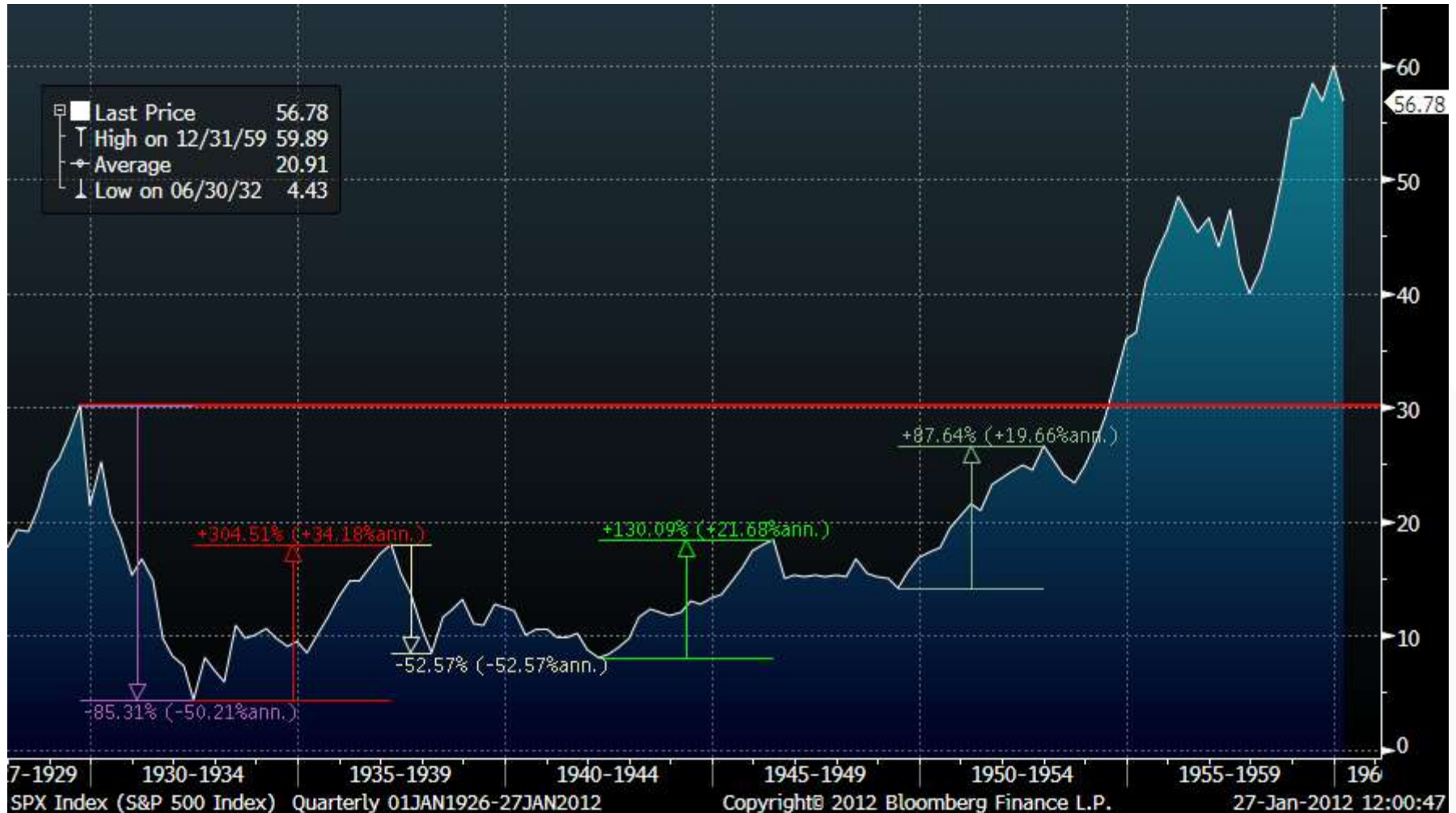
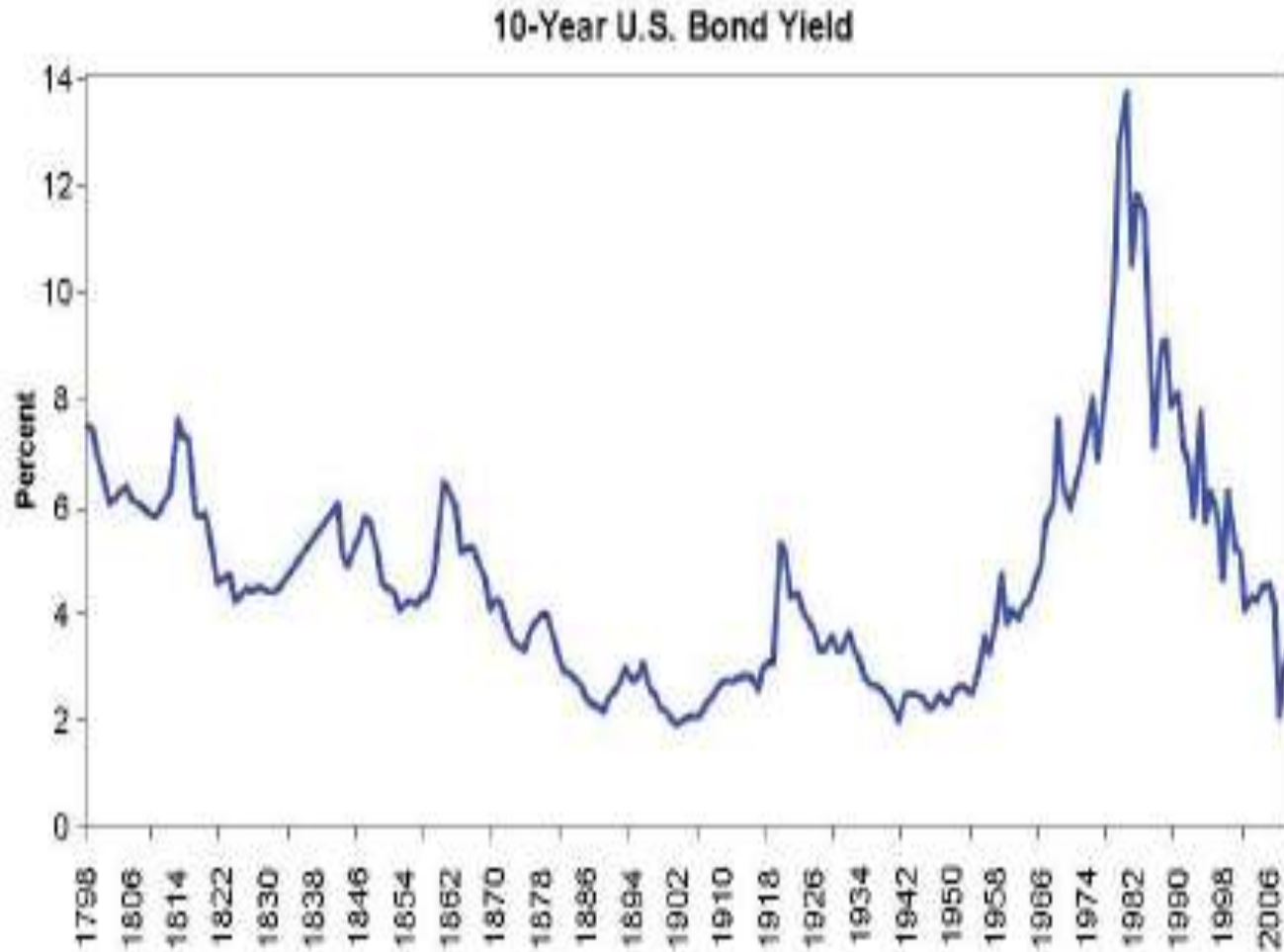
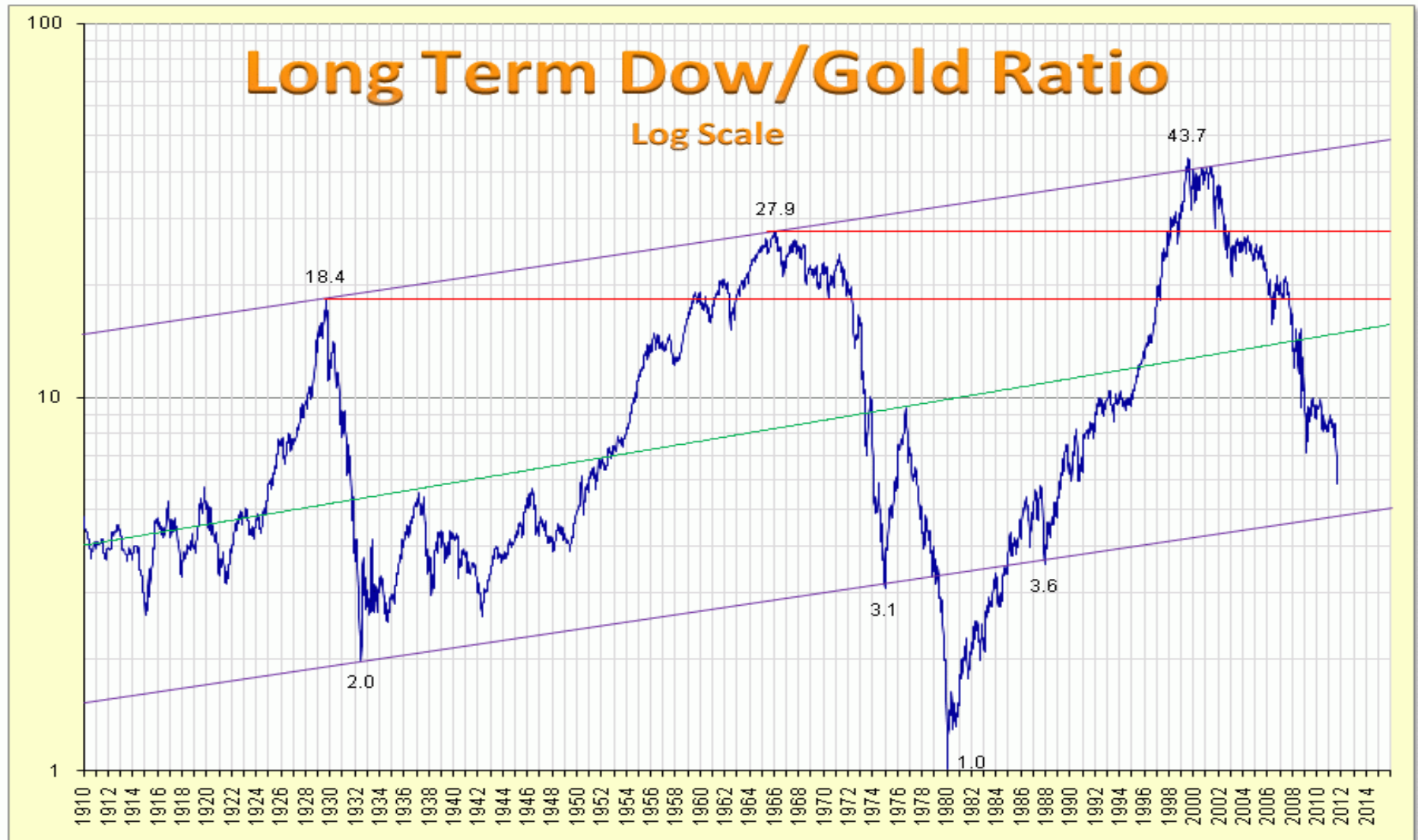


Exhibit 19 : A return free risk?

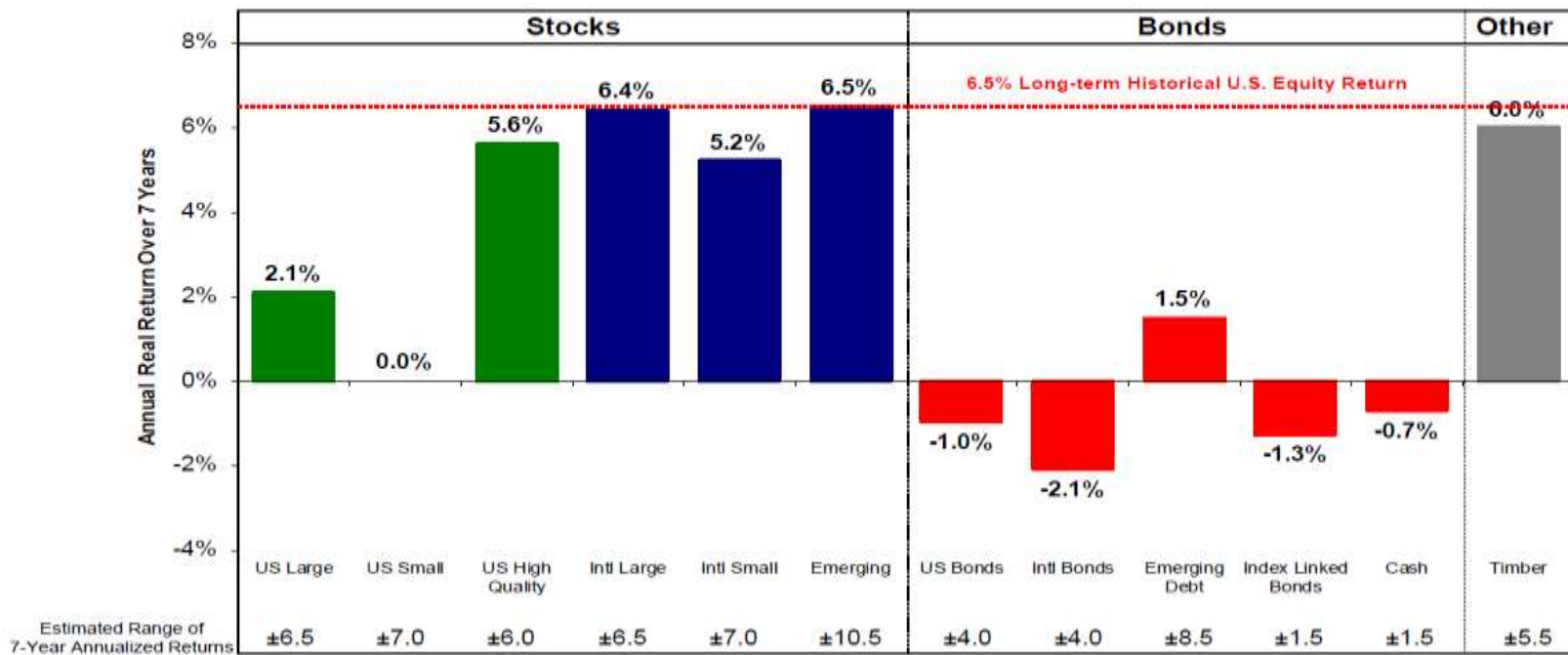


Source: GAO



GMO 7-Year Asset Class Return Forecasts*

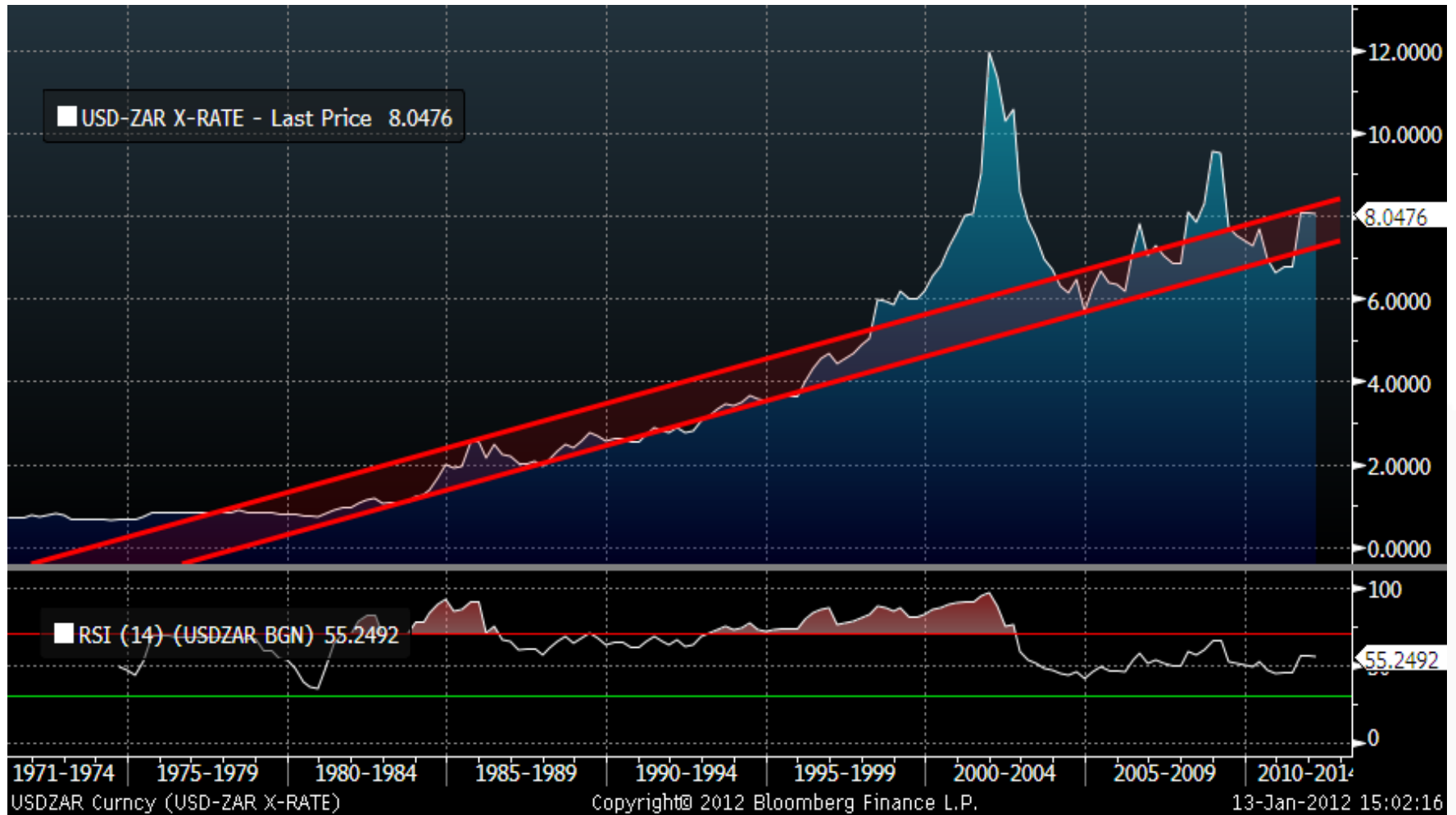
As of November 30, 2011

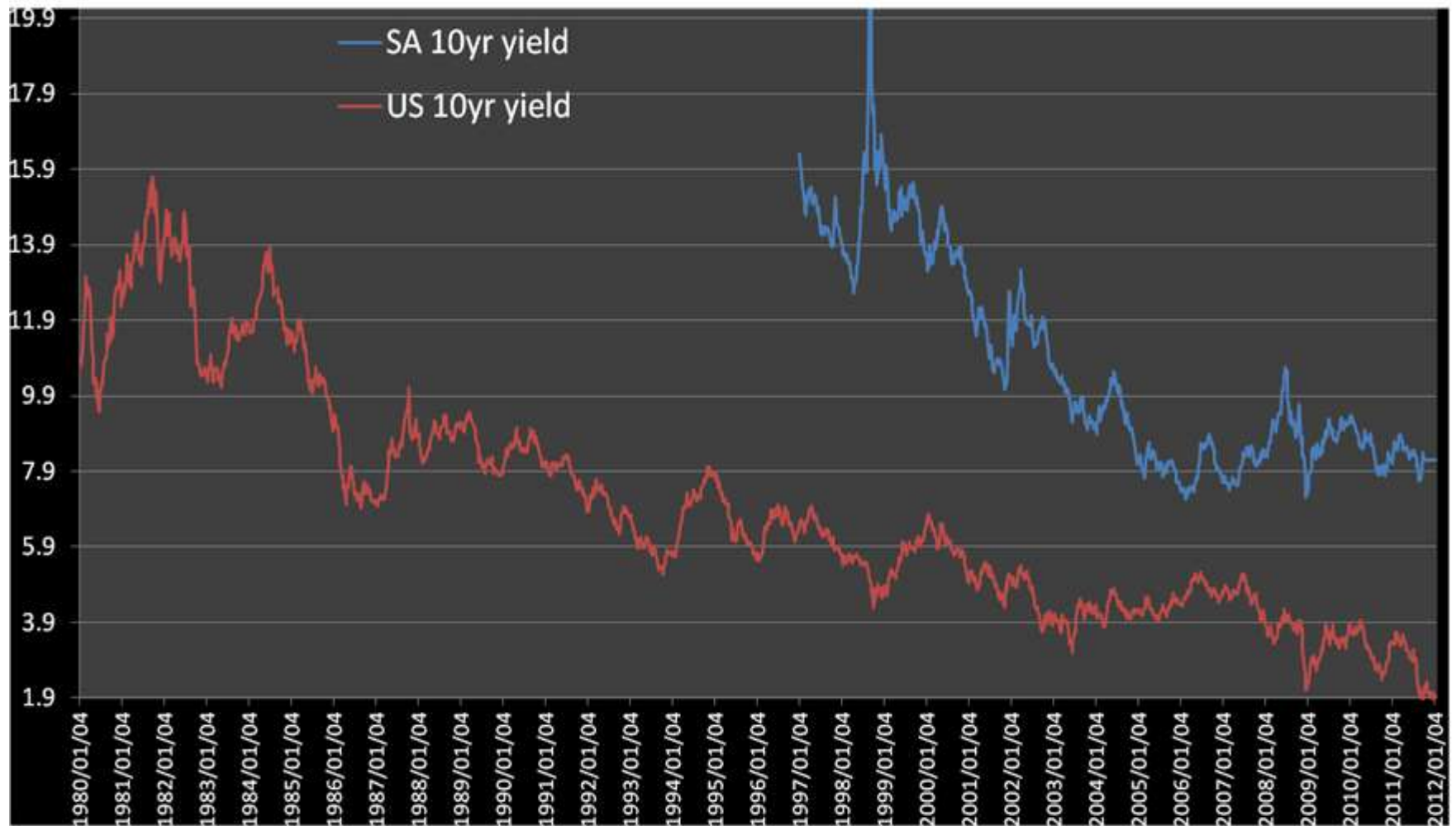


*The chart represents real return forecasts¹ for several asset classes. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Actual results may differ materially from the forecasts above.

¹ Long-term inflation assumption: 2.5% per year.

South African Strategic issues





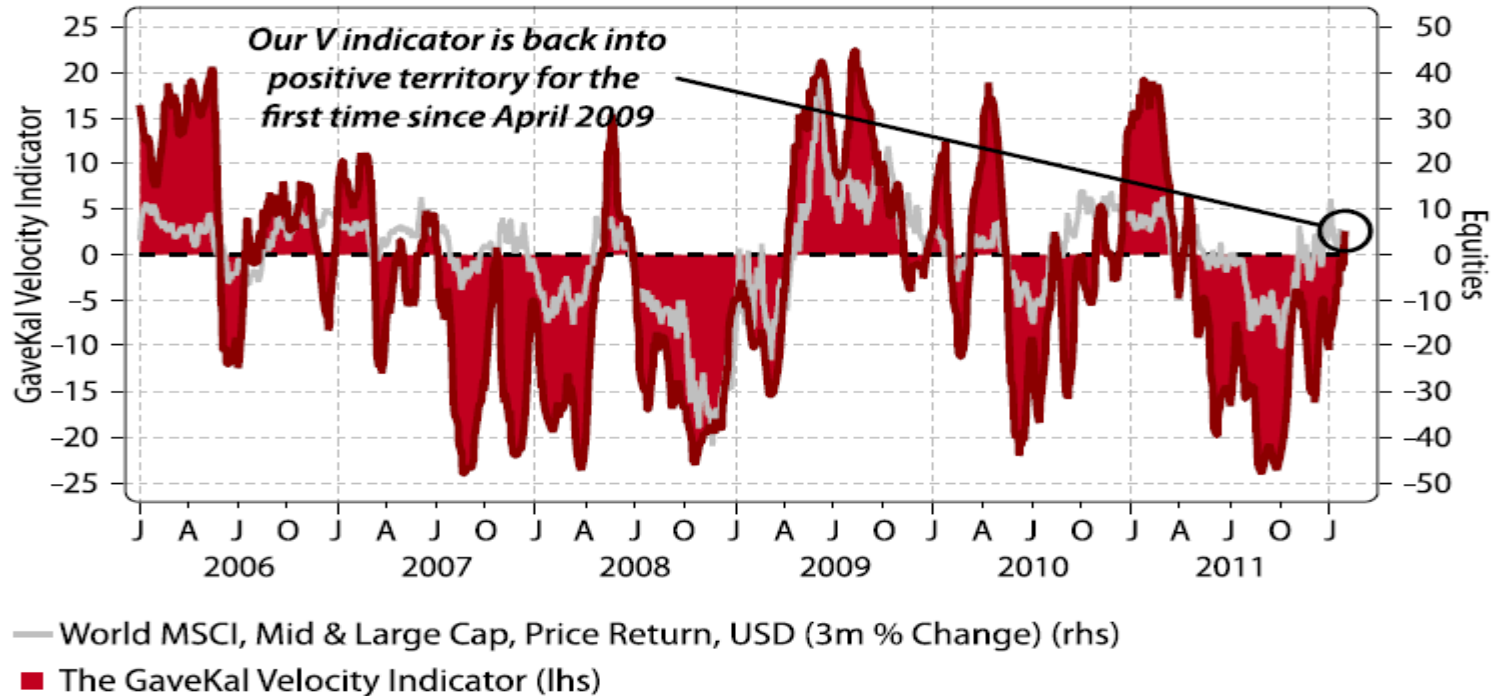


Tactical asset allocation for 2012

Velocity back to bullish

GaveKal velocity indicator vs. equities

Combination of market-based spreads & fundamental data aimed at estimating risk appetite



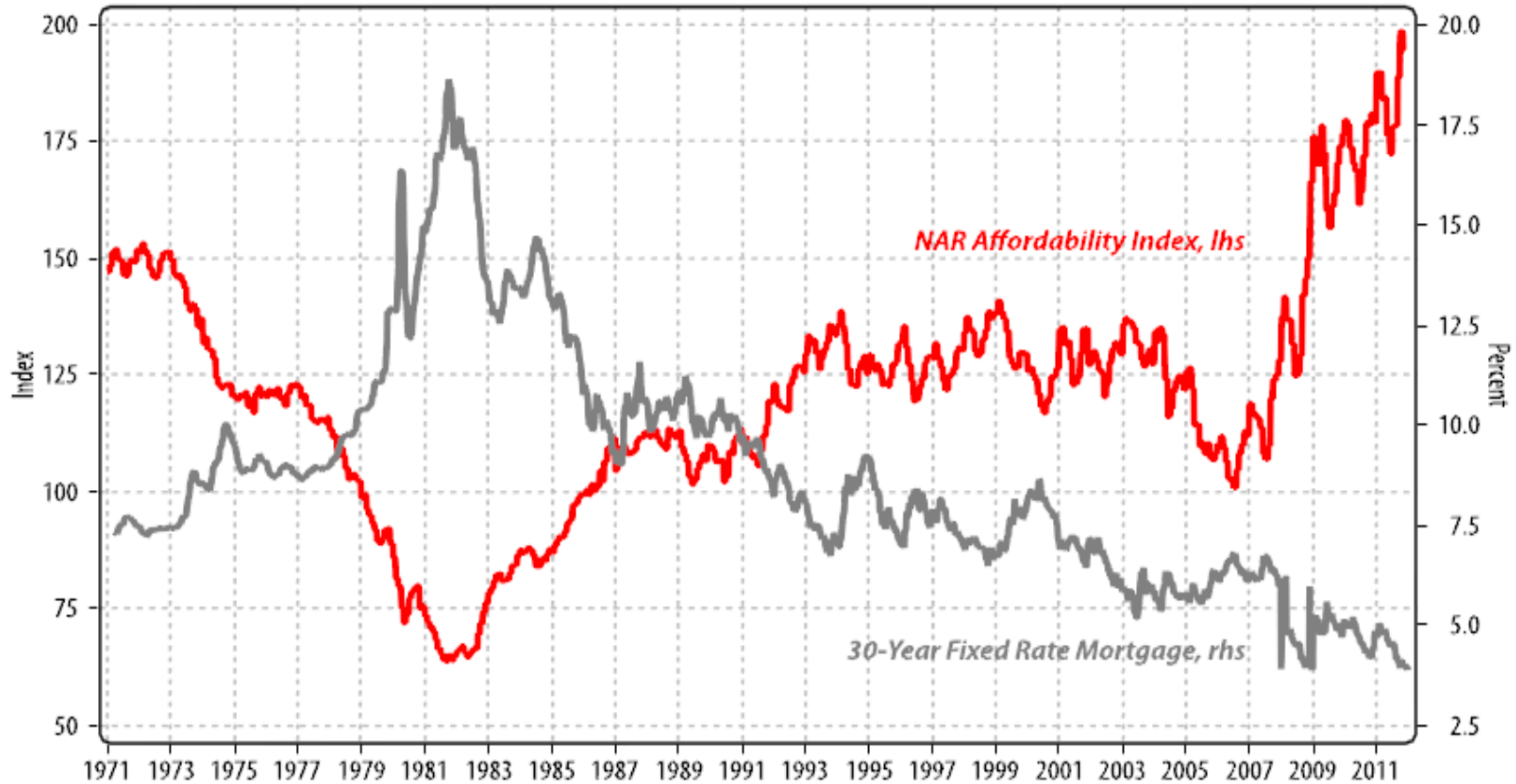
GaveKal Data

Job market improving



US housing , question of time

US Housing Is Extremely Affordable



GaveKal

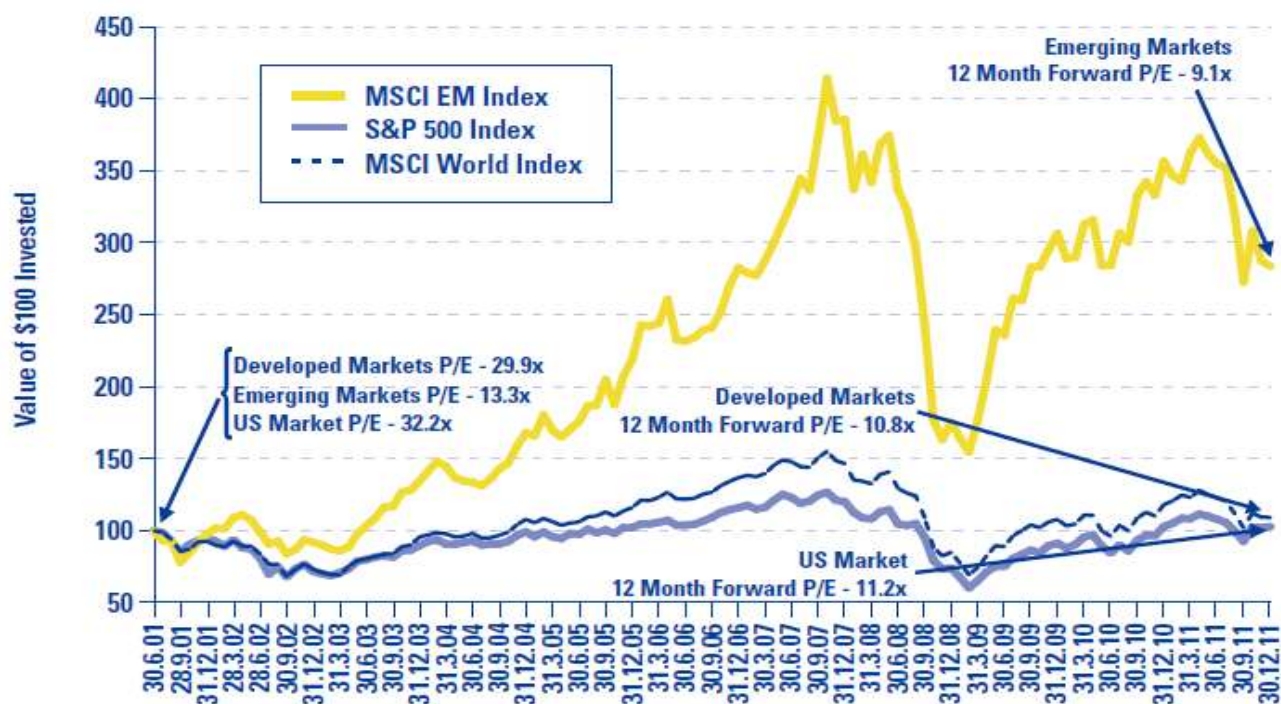
Volatility has dropped



EM offering value

MSCI Emerging Markets Index vs. the MSCI World Index and the S&P 500 Index (US\$)

(Rebased from 30th June 2001)



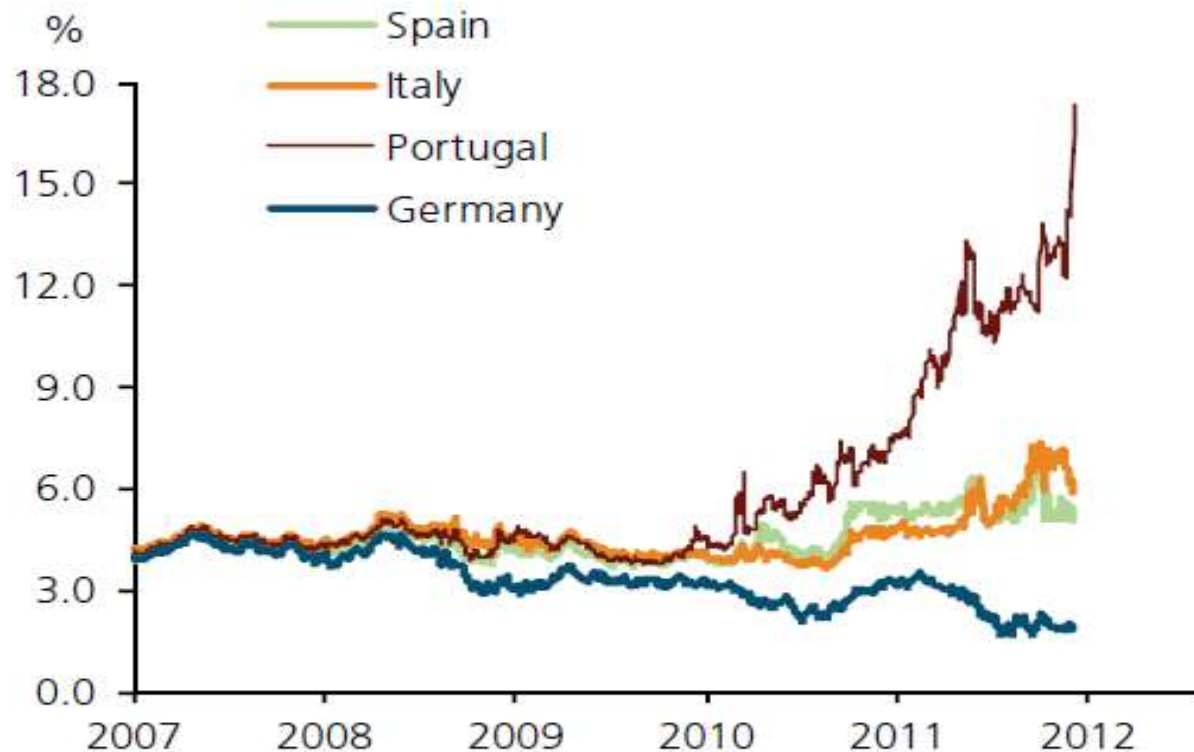
Source: MSCI, S&P, Bloomberg

Social Media Bytes

- With over 500 million users, Facebook is now used by 1 in every 13 people on earth, with over 250 million of them (over 50%) logging in every day.
- To reach 50 million users took Radio 38 years, TV 13 years, Internet 4 years and Facebook 9 months.
- 48% of 18-34 year olds check Facebook when they wake up, with 28% doing so before even getting out of bed.
- Almost 72% of all US internet users are now on Facebook, while 70% of the entire user base is located outside of the US.
- Over 700 Billion minutes a month are spent on Facebook, 20 million applications are installed per day and over 250 million people interact with Facebook from outside the official website on a monthly basis, across 2 million websites.
- Over 200 million people access Facebook via their mobile phones.
- 1 in 8 people married in the US last year met via social media.
- Social media has now overtaken pornography as the number one activity on the web.
- 48% of young people said they now get their news through Facebook.
- 14% of people believe adverts, 78% of people believe peer reviews.
- If Facebook was a country it would be the world's fourth largest.

The big worry

Figure 1: Eurozone — government bond yields



Source: Reuters, RMB FICC Research
Data as at January 2012

Short term in a nutshell

- ❑ US economic data broadly positive
- ❑ Liquidity plentiful - Fed & ECB
- ❑ Emerging market inflation falling
- ❑ Equity valuations attractive vs bonds
- ❑ But , Greece and now Portugal a worry
- ❑ Iranian sanctions
- ❑ ECB liquidity not long term solution

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