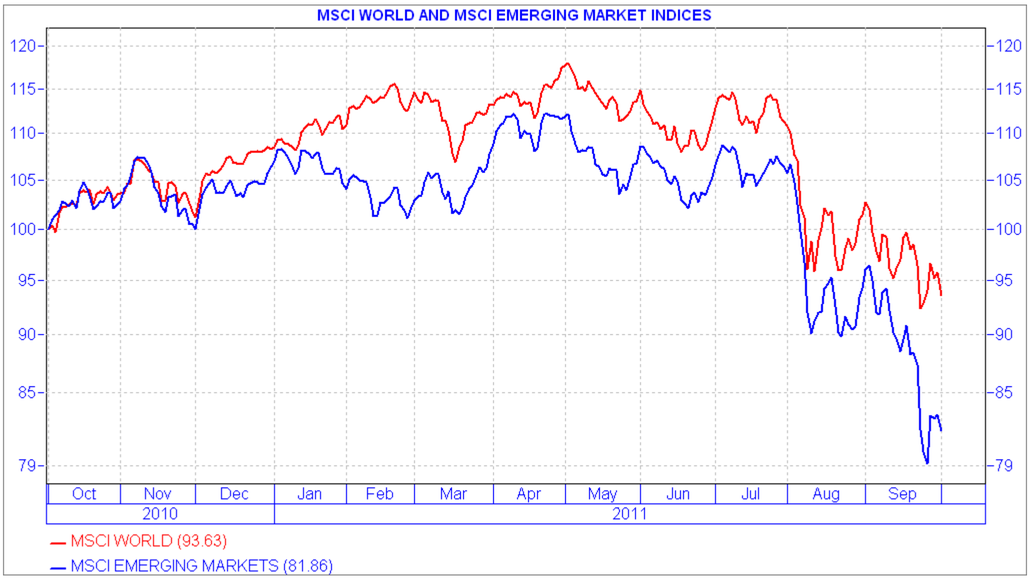
PLEXUS QUARTERLY REPORT
SEPTEMBER 2011

General market and economic review

Global equity markets experienced their worst quarter since the end of the 2008 financial crisis, with the MSCI World Index ending the September quarter down by 17,1% and the MSCI Emerging Markets Index down by 23,2%.



Taking centre stage in the heightened risk aversion is the Eurozone debt crisis as investors fear the possibility of Greece defaulting on its debt on its own terms. If that happens, the entire Eurozone financial system would be at risk as some major banks' balance sheets will come under huge pressure. This in turn is likely to trigger a liquidity crisis that will certainly rub off on the rest of the world. In addition, the European Union would come under scrutiny, as would the existence of the euro.

The European Union and the rest of the world cannot afford another liquidity crisis of the same magnitude as in 2008/09. We are of the opinion that Greece will be allowed an orderly default where some of its debt will effectively be written off by other governments, and that vulnerable banks will be recapitalised by the European Financial Stability Facility (EFSF), which is financed by members of the Eurozone to combat the sovereign debt crisis. The debt crisis and Greece deadlock have already dented business confidence in the Eurozone and resulted in the contraction in both the manufacturing and services sectors of the economy.

A combination of other factors is also contributing to the extreme volatilities in the markets. Besides the Eurozone debt crisis which started in the Mediterranean countries and Ireland last year, uncertainty was exacerbated by the uprisings in the

MENA countries, resulting in a strong rise in the oil price due to supply concerns. Then Japan's terrible twin disasters struck and had an immediate impact on China as global economic growth locomotive. Consumer and business confidence is under heavy pressure in the US as employment has stagnated with austerity measures implemented in the government sector. Although the rebuilding of Japan is on schedule the strong yen is hurting exports, while China's normal seasonal strength in its manufacturing sector is below par. Growth in global manufacturing halted for all intents and purposes and a currency war between the majors developed with the Swiss and Japanese at the forefront to stave off further appreciation of their already overvalued currencies, resulting in the Swiss pegging their currency against the euro at lower levels.

The following table shows the movement (i.e. excluding dividends) in the major international equity market indices over the quarter and one-year period ended 30 September 2011:

Indices	**% Change**	
	Quarter	**1 Year**
MSCI World	-17,1	-6,4
MSCI Emerging Markets	-23,2	-18,1
Dow Jones Industrial	-12,1	1,2
S&P 500	-14,3	-0,9
Nasdaq	-12,9	2,0
London FTSE100	-13,7	-7,6
German Dax	-25,4	-11,7
French CAC	-25,1	-19,7
Japanese Nikkei	-11,4	-7,1
Hong Kong Hang Seng	-21,5	-21,3

On 21 September the US Fed announced "Operation Twist" whereby the Fed would purchase $400 billion of long-term Treasury securities to replace short-term securities of the same value. While this had the desired effect of lowering long-term interest rates (a move designed to encourage long-term borrowing and thereby stimulate business expansion and the housing market), the equity markets did not seem too excited about it. US government bonds were, however, big beneficiaries with the US 10- and 30-year government bonds gaining 12,1% and 16,6% respectively. The JP Morgan Global Bond Index yielded a return of 3,1%, while the JP Morgan Emerging Markets Bond Index declined by 1,2% in US dollars.

The heightened risk aversion and fears of another recession led to a large decline in commodity markets, with the CRB Commodities Index falling by 11,8%, Brent Crude oil by 8,6% and the Economist Metals Index by 15,0%. The copper price, which is regarded as a leading indicator of the health of the global economy, declined by 23,3%.

Gold managed to show a positive trend over the quarter with an increase of 8,2% in US dollars. However, this can be attributed to the strong price increases shown in July and August as the gold price joined the rout in financial markets during September, toppling by 11,0%.

Emerging markets have been on the receiving end of risk aversion, resulting in a flight of capital out of emerging economies to significantly lower risk assets such as hard currencies and mature-market bonds. Foreigners were net sellers of South African equities and bonds during the September quarter, resulting in the rand losing 16,5% against the US dollar, 9,5% against the euro and 14,1% against the British pound. Most of the damage was done during the month of September.

While the weaker rand provided a cushion for the domestic equity market, the JSE could not escape the negative trend in global markets. The returns achieved by the JSE and various subsectors over the quarter and one year ended 30 September 2011 are shown in the following table:

FTSE/JSE Indices	**% Return**	
	Quarter	**1 Year**
All Share	-5,8	3,6
Financial	-3,1	-1,3
SA Industrial	-3,3	7,8
SA Listed Property	2,2	8,3
Mining	-10,6	0,3
Gold Mining	19,5	12,6
Basic Materials	-10,8	0,4
Top 40	-6,6	3,6
Mid-cap	-2,0	3,1
Small Cap	-2,3	5,4

Strong foreign selling of South African bonds in September and the accompanying increase in yields shaved a significant amount off the BESA All Bond Index's strong returns of July and August. The Index ended the quarter with a total return of 2,8%. The Barclays/ABSA Government Inflation Linked Bond Index yielded a return of 3,0% for the quarter and cash (STeFI Composite Index) 1,4%.

The extreme volatility in financial markets over the past few weeks has no doubt been unnerving for investors. Developed-market equities have declined by just over 20% from their 2 May 2011 highs, and emerging-market equities by over 27%. And while the possibility of the global economy going back into recession cannot be ruled out, especially if the current global financial crisis takes a turn for the worse, it appears as if the situation has begun to stabilise somewhat in the past week or so.

We reduced equity exposure within our balanced portfolios early in the September quarter as the debt crisis in the Eurozone intensified, and are currently slightly below benchmark. We do, however, believe that all markets correctly reflect the height in anxiety and that we may well be approaching those levels at which financial institutions start bargain-hunting.

Please contact your financial adviser or one of the Plexus client service team members (Anita Vermeulen or Teresa Heydenrych) on 0861 115 115 should you wish to discuss your investment portfolio.