

# THRIVE



“ There is a Chinese curse which goes: “May you live in interesting times.” Well wasn’t 2011 just a very interesting year indeed.

”

Thomas Schlebusch - CEO  
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STRIVING TO PRESERVE CAPITAL AND  
CREATE WEALTH YEAR ON YEAR

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# INTERESTING times



Thomas Schlebusch  
CHIEF EXECUTIVE OFFICER

Fortunately, we are happy to report that all our funds outperformed the Allshare index, as well as cash in the bank for 2011, with more than half our funds outperforming the bond market as well. But more about this by Eben in our section on fund returns.

Last year was indeed an interesting year with the euro area being and remaining at the forefront of investors' minds. The challenge for us, remains being able to see through the sentiment and noise, and be able to structure our portfolios, so as to be able to continue protecting and growing your wealth.

To this extent we are very fortunate that we now also have access to a dedicated strategist in the form of Dawid Galloway. David drives the strategy for Sanlam Multi-managers, and from this month we are using many of his inputs in our investment process.

In this quarter's publication I thought it appropriate to give you a short excerpt from his Quarter 1 investment review as some guidance on our thinking for the year ahead.

#### From Davids Desk

The 'risk-off' trade that dominated markets in 2011 is expected to give way to the risk-on trade in 2012 aided by monetary reflation and attractive entry level valuations. This does not mean there will not be major headwinds but a greater sense of predictability will prevail. Although global growth is expected to slow from last

year's levels, the new year will see greater policy certainty with respect to resolving the Eurozone debt crisis, while the US will also not be faced with the prospect of a government shutdown as Congress gears up for an election year. The US is funded for the rest of the year and the Treasury has sufficient borrowing authority to see it through into 2013.

The challenges facing the Eurozone will include reaching agreement on a fiscal union by March, thereby paving the way for more aggressive intervention by the ECB in the peripheral bond market (quantitative easing) and the possible introduction of Eurozone bonds. An agreement between Greece and its creditors on the size of the required haircuts will also be central as to whether or not Greece retains its membership of the Eurozone or faces a debt default. Should one domino fall, it may open the door for more exits from the Eurozone which could spell the demise of the Euro. In the US, this year's legislative business will take place against the backdrop of automatic spending cuts and tax increases scheduled for 1 January 2013. As a consequence, Congress will more likely turn its attention



this year to reaching agreement on smaller issues like extending the payroll tax cuts beyond February as job creation becomes the central theme of politicians in the run-up to the elections.

Closer to home, the ANC's policy conference in June and the elective conference later in the year will be closely watched by analysts and rating agencies for any sign of a shift to more populist policies. A changing of the guard in China will also bring with it greater uncertainty as to the role that China will play internationally and the policy direction that the new leadership will take. President Hu Jintao will give way to a new generation of leaders with Xi Jinping expected to be the new leader of the Chinese Communist Party, while a raft of changes to the secretive 11-man Central Military Commission (CMC) is also expected. This could see more hardline, nationalist voices ascending to the top.

#### Highlight

- ▶ Eurozone policy response to the region's debt crisis and positive economic data releases signal turning point for equities but headwinds remain

- ▶ 2012 entry level multiples are attractive favouring developed market equities, at least in H1.
- ▶ Policy reflation in 2012 to underpin risk assets
- ▶ Global bonds expensive yielding negative real yields
- ▶ Global inflation-linkers outperform on inflation carry but asset class is overvalued
- ▶ Carry trade still supportive of SA and emerging market bonds
- ▶ SA equities attractive on forward price to earnings multiples, price to book ratios and margin-of-safety valuations
- ▶ Domestic fixed income asset class returns to converge in the year ahead
- ▶ SA interest rates on hold through 2012 despite inflation breach of target range

Let's hope we can get it right again this year, and that 2012 is less interesting. With that I'd like to thank you for your support during 2011 and wish you all a very prosperous 2012. 🏹

“ Should one domino fall, it may open the door for more exits from the Eurozone which could spell the demise of the Euro. ”

## The question is not about leverage, IT'S ABOUT RISK



GRANT HOGAN  
RESEARCH ANALYST

The current market environment has led many investors to re-examine the structure of their investment portfolios, particularly in light of the global financial crisis and ongoing European debt crisis and the accompanying market volatility.

**H**edge funds represent an investment strategy that has experienced challenges, yet remains an important component of the investment structure for many long-term investors. A key element when evaluating hedge funds is to assess the use of borrowed capital, or leverage, as a part of the investment strategy and the contribution of leverage to expected return and risk.

### Leverage, what is it and how does it work?

Put simply, leverage is the degree to which investors use borrowed capital in their investment strategy. Leverage is a common feature throughout financial markets and allows investors to amplify the return of their original equity investment. In the case of a company, issuing additional debt rather than equity has the effect of amplifying the impact of revenue growth on Earning Per Share; or a bank that issues debt often at multiples of more than ten times tangible assets; or the purchase of a house which usually involves leverage. An equity investment of, say, R1m and a loan of R4m to buy a R5m house, represents a four times ("4x") leveraged purchase.<sup>1</sup>

### Leverage in hedge funds; the basics.

The simplest and most common source of leverage for hedge funds is from a prime broker who provides a form of margin financing, at either the position or portfolio level. Prime broker financing is generally easy to obtain, but financing terms are conditional on the underlying investment strategy. Another source of leverage is when a security is borrowed from a broker and sold short. The hedge fund receives cash from the sale, on which it receives interest and most prime brokerage arrangements allow the borrower to reinvest the cash to purchase additional securities long.

### Higher leverage does not mean higher risk.

Hedge funds are often compared on a risk adjusted basis and this is particularly important since two funds may differ only by their use of leverage and may therefore

differ on an absolute return basis, but be similar on a risk adjusted basis. The amount of leverage used by hedge funds can vary considerably, depending on the strategy being utilised. Hedge fund strategies that have relatively low basis risk or low standard deviation like equity market neutral and fixed income arbitrage generally report higher leverage, while hedge fund strategies with high basis risk or higher standard deviation like long short equity often report lower leverage. Higher risk strategies, often involve directional or unhedged positions which carry higher basis risk and less leverage is required to meet the overall return objectives in these strategies.

The "riskiness" of leverage depends on what positions are being leveraged. For example, if a hedge fund manager applies leverage to a position consisting of two very similar stocks, one long and one short, say Long AGL and Short BIL, this is much less risky than applying that same level of leverage to a single stock or to two stocks with dissimilar characteristics, say long AGL and short ASA. This is because the price similar assets tend to move in conjunction, with the gains on one offsetting the losses on the other. There are a number of characteristics such as asset type, industry, maturity (duration) and the like which describe the extent to which long and short positions will behave similarly or diverge.

In market neutral hedge funds, fund managers typically trade intra-sector stock pairs and look to profit from valuation differences among companies operating in the same sector, buying companies that offer value, and selling short companies that are overvalued. In fixed income hedge funds, positions in two or more different types of interest rate products that have similar maturities or risk, but which are trading at different yields for structural reasons, are paired against one another. In a long short hedge fund, the decision whether or not too long or short is typically based on fundamental conviction rather than the commonality of the shares. In general there is a negative relationship between leverage and volatility; hedge fund strategies that

report higher leverage also tend to report the lower volatility.

**However the question is not about leverage; it's about risk**

Value at Risk (VaR) is one of the broadest measures of capital risk on a specific security or a portfolio of securities. For investors, risk is about the likelihood of capital loss and VaR is based on this common-sense fact, "What is my worst-case scenario?" or "How much do I stand to lose over a really bad week or month?" In statistical speak, VaR is defined as the maximum loss over a given time horizon at a given confidence level under normal conditions.

Let's put this differently. If we had R1m to invest and we bought R1m, of say AGL shares, with 99% confidence, we expect that the worst daily loss will not exceed 10.2% or R102k (Trade I). In a market neutral hedge fund, a R1m long position in AGL would typically be offset by a R1m short position in a similar share, say BIL, and under the same assumptions, the worst expected daily return will not exceed 0.62%, or R6.2k; this is a two times ("2x") leveraged trade, or portfolio, however the capital risk is much less. In fact for the equivalent risk to Trade I, a market neutral hedge fund can

leverage the long AGL short BIL trade more than thirty two times ("32.5x"). In a long short hedge fund, a R1 long position in AGL could be offset by a R1m short position in, say SBK and by the same consideration the worst expected daily loss will not exceed 3.5%, or R35k. For the equivalent risk as Trade I, a long short hedge fund can leverage the long AGL short SBK trade more than five times ("5.5x"). See *Table 1* below.

Fixed income hedge fund managers typically use interest rate derivatives to extract value from both long and short strategies across the yield curve, two or more different types of interest rate products that have similar maturities or risk are traded against another. An example of this would be a duration neutral trade (Trade II). For the equivalent risk as Trade II, a Fixed Income hedge fund can leverage more than four times ("4.5") by buying R10m worth of R157 bonds and selling R3.9m worth of R186 bonds; the worst expected daily loss of this trade is 0.43% or R43k, which is much less risky than Trade II, which has a worst expected daily loss of 1.45% or R145k. See *Table 2* below.

**The role of fund of hedge funds**

A fund of hedge fund manager is a

risk manager, and its role is not only to monitor risk, but to qualify, to quantify and to manage risk. Fund of hedge funds typically mandate the maximum leverage hedge funds may use in their investment strategy and further ensure that the use is prudent and used to enhance the return of compelling positions or strategies.

In hedge funds leverage is used in part to enhance returns, but to a level considered comparable to traditional risky investments. Not constrained by the investment restrictions imposed by CISCA, hedge fund managers utilise the full 'toolkit' of the investment arsenal and capitalise on lower risk opportunities to generate alpha. Higher leverage does not necessarily indicate higher risk as this must always be understood in the context of the investment strategy. In the local hedge fund universe, there is a systematic relationship between risk and leverage; however this relationship is not strictly positive, those strategies with higher leverage, generally have much less risk. In view of the fact that different hedge fund strategies use different amounts and forms of leverage, while risk adjusted returns across hedge fund strategies tend to be similar, the main driver of volatility, risk and return is not leverage. 📈

			LEVERAGE	1 DAY 99% VALUE AT RISK	LEVERAGE FOR EQUIVALENT RISK TO TRADE I
Trade II: Long Only	Long R157	R10.0m		R145252	
Fixed Income	Long R157 Short R186	R10.0m - R3.96m	1.5	R43876	4.5

Table 1

			LEVERAGE	1 DAY 99% VALUE AT RISK	LEVERAGE FOR EQUIVALENT RISK TO TRADE I
Trade I: Long Only	Long AGL	R1m		R102 542	
Market Neutral	Long AGL Short BIL	R1m - R1m	2	R6267	32.5
Long Short Hedge	Long AGL Short ASA	R1m - R1m	2	R35013	5.5

Table 2

1 Leverage may be presented in various forms. In financial markets it is typically expressed as the ratio of equity relative to debt (Equity/Liabilities), while in hedge funds it is typically expressed as the market value of the portfolio relative to the Net Asset Value of the portfolio (( Long + Shorts)/NAV)

# 2011 A year driven by global uncertainty



Eben Karsten  
SENIOR PORTFOLIO MANAGER

In investment circles the one topic that stands out from 2011 is the European debt crisis. The issues surrounding Europe and the debt build up in several of the more southern countries came very much to the fore in 2011.

“ Hedge funds by nature and design can cope with these volatile times as well as return positive numbers to investors. ”

The year started off with a number of negotiations that would “save” some of these countries but as more details came out Europe started to crumble. This can be seen very much in what happened to the EURUSD as shown in chart 1 below. The EUR reached a high of 1.4875 against the USD before falling back to 1.29 at year end as investors started to lose confidence in Europe. The Rand also blew out as foreign investors pulled money from Emerging markets. The Rand depreciated over the course of 2011 by 22% against the USD, most of it in line with what happened in Europe (EURUSD). We can thus see that investments in South Africa is very much aligned with what happens in Europe and the globe and with all the headwinds still faced by many of these governments 2012 could again be a volatile year.

#### What happened in markets in 2011?

As we mentioned in previous newsletters 2011 turned out to be a volatile year for investments. We saw a number of months where stocks went down dramatically inter month just to be pull back in the latter half of the month to more acceptable levels. October was very much the saving grace for the market with a return on the ALSI of 9.35%; barring this the market would have been negative for the year. The ALSI

returned 2.54% for the year including all dividends. Investments in bonds did much better with the ALBI returning 8.52% to investors in 2011. These positive returns came with a lot of uncertainty (volatility) and major swings in indices and individual investments.

Hedge funds by nature and design can cope with these volatile times as well as return positive numbers to investors. The other characteristic of Hedge Funds are that contrary to popular believe they are less risky (less volatile) than traditional investments. Over the long term the annualized standard deviation (volatility) of hedge funds is less than a quarter of the ALSI and less than half of investments in the ALBI.

#### How did the Blue Ink Funds perform over the last year?

The Blue Ink funds have done extremely well over the volatile period we have seen over the last 12 months. All our strategy specific funds as well as solutions outperformed cash as well as the ALSI. The best performing Blue Ink fund has been the Big Oak Fund with a performance for 2011 of 10.40%. This fund is a selection of our best ideas across the Hedge Fund spectrum and seeks opportunities in the equity and fixed interest space.

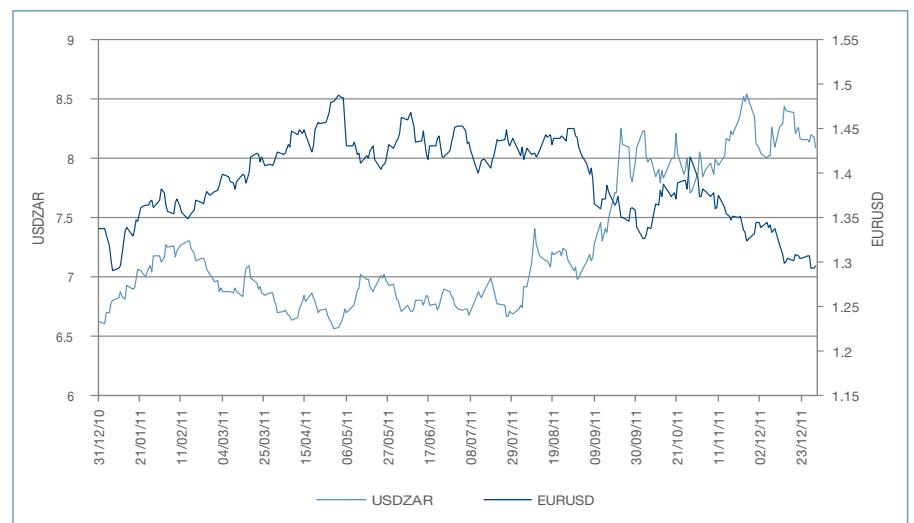


Chart 1: Weakness in Europe drives global uncertainty

On a strategy specific level our best fund for 2011 was the Long Short Aggressive fund with a performance of 9.61% for 2011. This fund is best compared to equities and came in with a healthy out performance of 7% over traditional stocks with a quarter of the volatility. The Fixed Income fund as well as Market Neutral was close behind with respective performances of 9.49% and 9.00% for 2011.

The tables to the right splits out the return for 2011 in terms of what happened in the first half of the year (H1 2011) as well as the second half. All returns are net of fees.

Our solution funds target various cash plus returns, and consist out of a blend of the strategy specific funds as well as other strategies. The solution funds all performed in line with expectations in 2011.

**Looking back over the longer term.**

Hedge Funds continue to be a good alternative for an allocation in any portfolio over the longer term. If one looks at asset class specifics as shown in the charts below you can see that the alpha generated from hedge Funds has been significant over the past 5 years. In the case of Fixed Income Hedge Fund investments the cumulative Alpha over the last 5 years has been almost 60% when compared to an investment in the ALBI (chart 2). Compared to the ALSI the alpha is less pronounced but with stable out performance of 20% over the last 5 years taking the timing of investment decisions out of the equation as shown in chart 3 to the right.

The outlook for 2012 is murky at best. Expectations for global growth continue to be downgraded by leading economists as well as the World Bank and IMF. The issues in Europe need to be sorted out; the question is if politics will win the day? Expectations for the Chinese economy are that it is in for a hard- or soft landing of some sorts. Either way these issues will again create volatility in markets and expectations for asset returns are low at best. Hedge Funds have proven over the last number of years that you should expect a stable return that does not “shoot out the lights”; but does not disappoint. In the long run investing is all about cumulating positive returns, exactly what Hedge Funds offer. 🏔️

TIME PERIOD	BI FIXED INCOME	BI MARKET NEUTRAL	BI LONG SHORT CONSERVATIVE	BI LONG SHORT AGGRESSIVE	ALSI	ALBI	CASH
H1 2011	-0.45%	5.19%	3.92%	4.19%	0.50%	2.26%	2.83%
H2 2011	9.99%	3.62%	2.63%	5.20%	2.03%	6.41%	2.82%
2011	9.49%	9.00%	6.65%	9.61%	2.54%	8.82%	5.74%

Table 1: Strategy specific fund performances vs. markets 2011

TIME PERIOD	BIG OAK	BLUE SKY	EVERGREEN	REDWOOD	ALSI	ALBI	CASH
H1 2011	2.81%	2.15%	1.03%	1.66%	0.50%	2.26%	2.83%
H2 2011	7.38%	4.39%	5.83%	4.65%	2.03%	6.41%	2.82%
Full 2011	10.40%	6.63%	6.92%	6.39%	2.54%	8.82%	5.74%

Table 2: Solution performances vs. markets 2011

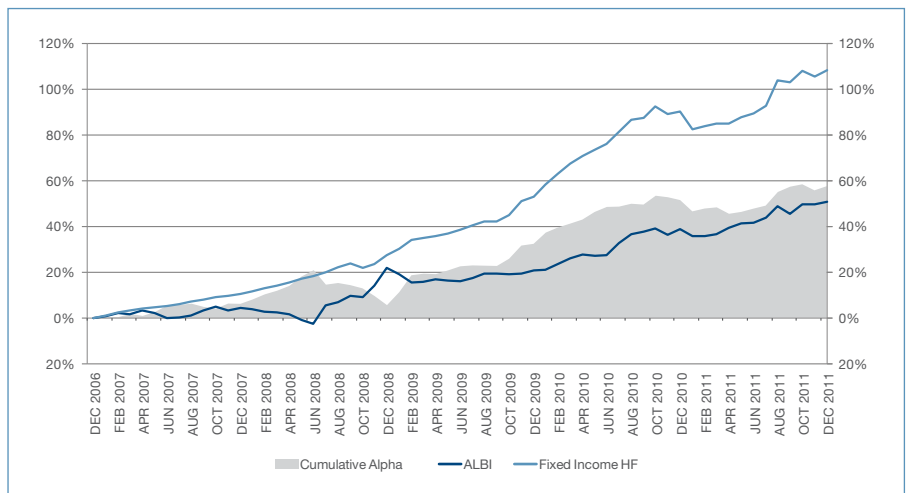


Chart 2: Fixed Income Hedge Funds vs. ALBI

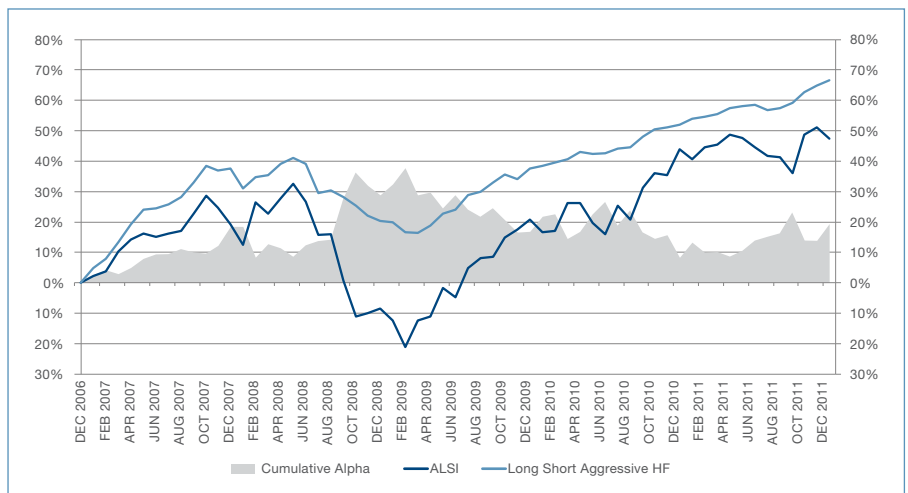


Chart 3: Long Short Aggressive Hedge Funds vs. ALSI

# Blue Ink's GLOBAL HEDGE FUND offering

This month we are happy to introduce the Blue Ink offshore hedge fund offering which has now completed its first year of management by the Blue Ink team.



Allister Langridge  
RESEARCH ANALYST

**B**lue Ink took over the management of all the Sanlam Offshore hedge Fund assets in late 2010. At this point, the funds were managed by a Swiss subsidiary and were being administered in the BVI. Part of the take-over meant that these funds had to be moved from a BVI domicile to the Ireland domicile where Sanlam owns an independent administration office. It also required that we set up an office in London, so as to ensure that we had investment professionals on the ground in London, who could ensure that we select and monitor the best managers that the international market had to offer.

The result was Blue Ink Global Investments, spearheaded by Kevin Ewer and Ali Bajwa as portfolio managers, managing the London office (situated in Cavendish Square) and supported by Allister Langridge in the SA office. Blue Ink Global is a global multi-strategy fund of hedge fund focussed on outperforming the HFRI<sup>†</sup> Fund of Hedge Fund Index (HFRI FoF) in excess of 1% per annum, the fund invests in a variety of strategies including equity long/short, global macro, managed futures/CTA's, credit and other fixed income strategies. The offshore fund is integrated and supported by the local Blue Ink investment team, as well as operations, IT, compliance and legal support. In addition, Blue Ink Global is well supported by Sanlam Asset Managers Ireland with regard to fund manager due diligence and all operational issues.

Blue Ink Global has, at the time of writing, had a 14 month track record in their Blue Ink Global Diversified fund (BIGD), with official inception of November 2010. For the two months of 2010 BIGD returned 1.35% to investors while HFRI FoF returned 2.10%. In its first calendar year, 2011, BIGD had a very good year by outperforming the HFRI

RETURNS	BIGD	HFRI FoF	MSCI WORLD
3 Month	1.07%	-0.26%	7.59%
6 Months	-0.74%	-5.23%	-10.29%
12 Months	-1.70%	-5.51%	-5.54%
Since Inception	-0.32%	-3.03%	-0.67%

Table 1: BIGD performance vs market

VOLATILITY	BIGD	HFRI FoF	MSCI WORLD
3 Month	1.94%	3.60%	23.55%
6 Months	2.97%	5.45%	23.24%
12 Months	2.62%	4.61%	17.54%
Since Inception	2.78%	4.91%	17.78%

Table 2: BIGD volatility vs market

benchmark by 3.81%. Whilst BIGD returned a negative -1.70%, it was a tough year for global markets with HFRI FoF returning -5.51% and MSCI\* World returning a similar -5.54%. On a risk/return comparison BIGD has performed even better - 2011 was a highly volatile year. The MSCI World benchmark gave volatility, measured in standard deviation of returns, of 17.54%. In contrast to this the HFRI FoF benchmarks volatility was much lower at 4.61%. In other words Hedge funds gave similar returns to the world equity markets, but at less than 1/3rd of the risk (as measured in terms of volatility). This once again shows the value of adding hedge funds to a globally diversified portfolio. BIGD's standard deviation (or risk) for the 2011 calendar year was a very low 2.62%. In other words the fund outperformed world equity markets and did so at almost 8 times less risk.

BIGD showed exceptional resilience in the turmoil of 2011, hardly taking part in downturns of equity markets while catching upside beta/trend. The selection of top quality hedge funds across the globe has proved their worth and we look forward to 2012 and its challenges. Expect to hear more news from Blue Ink Global in the near future. 🏆

\* Morgan Stanley Capital International Equity Indices in US Dollar

† HFRI Fund of Fund Composite Index in US - Source: Bloomberg

# On debt, global growth and SOUTH AFRICA

World equity markets have rallied from their sharp dip in August last year as the global economy managed to avoid the dreaded “double-dip” scenario. This was one occasion when collapsed business and consumer sentiment in the US did not signal the onset of a recession. The lesson from history is depressed confidence surveys are often, but not always associated with calamity.

In truth, the US economy has surprised pleasantly relative to disheartened expectations heading into 2012 and recently released data shows China’s policy-induced slowdown was not as sharp as feared in the fourth quarter of 2011.

Key indicators to watch are the US jobs market, credit extension data and the housing market. Non-farm payrolls increased 200000 in November, consumer credit (non-mortgage related credit) surged close to 10% seasonally adjusted and annualized in November and pending home sales jumped, signaling the potential onset of an improvement in the housing market.

Undoubtedly, risk continues to lurk. For example, the recent jump in US pending home sales does not make a trend. It is evident from a speech delivered by Federal Reserve Governor Elizabeth Duke, to the Virginia Chamber of Commerce early in January, the Federal Reserve remains concerned about the adverse impact of the high surplus of vacant properties, still tight mortgage lending standards and sluggish income growth on the housing market. The Governor suggests a raft of measures she thinks should be considered to support a housing market recovery including steps to increase credit availability to either purchase homes or refinance existing mortgages.

The fragility of the US recovery prompted the Federal Reserve last year to commit to no change in the Fed funds target rate until mid-2013. On January 25th 2012 the Fed will release its forecast for the Fed funds rate for the next few years. It would not be surprising if this forecast shows a commitment to an unchanged policy rate for a period beyond

2013, barring unexpected upside surprises in activity. Moreover, the Fed seems willing to embark on a third round of quantitative easing if necessary.

But, we all know the clear and present danger for 2012 is Europe’s ongoing sovereign debt saga. The long-term solution is a shift towards a fiscal union that holds governments to account and allows for automatic fiscal transfer between regions; in addition to economic reform measures, which bolster productivity and hence potential economic growth.

The problem is GDP growth, currently, is too weak to guarantee troubled governments will produce the improvement in their primary budget balances needed to stabilize and ultimately reduce debt ratios. Indeed, it appears as though the Euro zone has entered a mild recession. Weaker than expected growth threatens to deliver poorer than expected government revenue streams. In turn, this could prompt additional fiscal tightening through spending cuts or increased taxes, which would weaken economies further.

In this environment the risk remains governments could struggle to meet onerous funding requirements in the months ahead. Greece is the obvious example, but Italy too has a large funding requirement from February through to April. The provision of cheap three year funding by the ECB to banks appears to have helped. There is a suggestion this measure has underpinned banks’ support for recent



Arthur Kamp  
SIM ECONOMIST



“ South African growth forecasts for 2012, of 3% or less, implicitly assume a decent global growth outcome. ”

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bond auctions in Italy and Spain.

But, liquidity provision does not solve structural problems or address unsustainable debt dynamics. The question remains: who is going to pay? It's either ordinary citizens through shrinking welfare benefits, or taxpayers or creditors through default. Whatever the outcome, somebody is going to pay.

In any event, these are issues that will take years to resolve and remain important reasons for expecting growth amongst developed economies to oscillate around a relatively low trend, while under performing growth in developing countries.

What about the year ahead? On the assumption the governments of Europe and the ECB will provide additional funding support to ailing governments, if required, the base case scenario is global growth should continue through 2012 at around 3% (PPP weighted).

Why would this support be forthcoming, given vociferous opposition to bail-outs and quantitative easing from, for example, Germany? Simply put, disorderly default would be too painful an alternative. Bank for International Settlements (BIS) data shows total exposure to sovereigns, banks and private sector debt in Greece, Ireland, Portugal, Spain and Italy combined amounted EUR 470bn (96% of capital and reserves) for French banks as at June 2011. For Germany the exposure amounted to EUR350bn (89% of capital and reserves). While the loss given default is unlikely to be anywhere near 100%, it is evident the level of exposure is substantial.

Meanwhile, South African growth forecasts for 2012, of 3% or less, implicitly assume a decent global growth outcome. Since the mid-1990s the domestic economy has advanced, by and large, in line with global growth. It has, nonetheless, under performed the global economy during downturns.

The current domestic upswing has been strongly supported by higher global commodity prices. Our terms of trade (export prices relative to import prices) are at their highest level since the 1980s gold boom. From early 2006 until mid-2011 mining exports increased from R150bn

(annualized) to R350bn (annualized). This has boosted purchasing power and has supported domestic demand growth, especially household consumption. Against this backdrop it is no surprise we have witnessed one of the strongest post-recession recoveries in private consumption over the past two years since the 1970s. This demonstrates the risk to South African growth from any collapse in commodity export prices.

Some consumer fatigue is bound to follow through 2012 as inflation slows real income growth, but an outright decline is unlikely in the absence of a renewed global downturn. Assuming the global economy does not fail us, a continued domestic upswing can be expected to eventually entice domestic businesses to invest. We should not be too pre-occupied with the level of surplus capacity. Most fixed investment reflects replacement of existing capital goods. In any event, gross fixed capital formation growth has already turned positive, albeit modest. Looking ahead, that holds the promise of at least some employment growth.

But, although the above is mildly encouraging, the troubling thing is, juxtaposed to household spending, this is the weakest domestic credit extension post-recession recovery since the 1970, even though unsecured lending – a relatively small component of total credit extension – has boomed.

Re-pricing of risk, in tandem with modest employment trends and a lethargic housing market has constrained the recovery in household credit extension. This is unlikely to alter anytime soon. House prices remain elevated relative to per capita income. A robust, sustained recovery in the housing market awaits further growth in personal disposable income.

In the absence of a vigorous recovery in credit extension and employment GDP growth is expected to advance below potential. Together with an expected peak in consumer price inflation at little more than 6% in 1H12 and a subsequent slowdown, to within the inflation target range late this year or early in 2013, this suggests the Reserve Bank could remain on hold through 2012. ▲

# Blue Ink launches NEW WEBSITE

We are very pleased to announce the launch of our new and improved [blueink.co.za](http://blueink.co.za) website.

The site is packed with useful information, easy-to-access downloads, and new portals for our brokers, investors and clients.

When accessing our website the following portals are located at the bottom footer of each browser page. By clicking on one of the selected portals that's suits your profile you will be able to either login to your portfolio or create a new login.

**What each portal represents:**

**Broker Portal:**

You will login in here if you are a registered Broker with Blue Ink

**Investor Portal:**

You currently have a portfolio with Blue Ink

**Client Portal:**

You are not a Blue Ink Investor, but you would like to access our monthly fact sheets, Quarterly Thrive and latest news in the press.

Kindly note that login details provided on the old Blue Ink website is no longer valid and you will need to reregister on the new website. This will allow you access to all Blue Ink information.

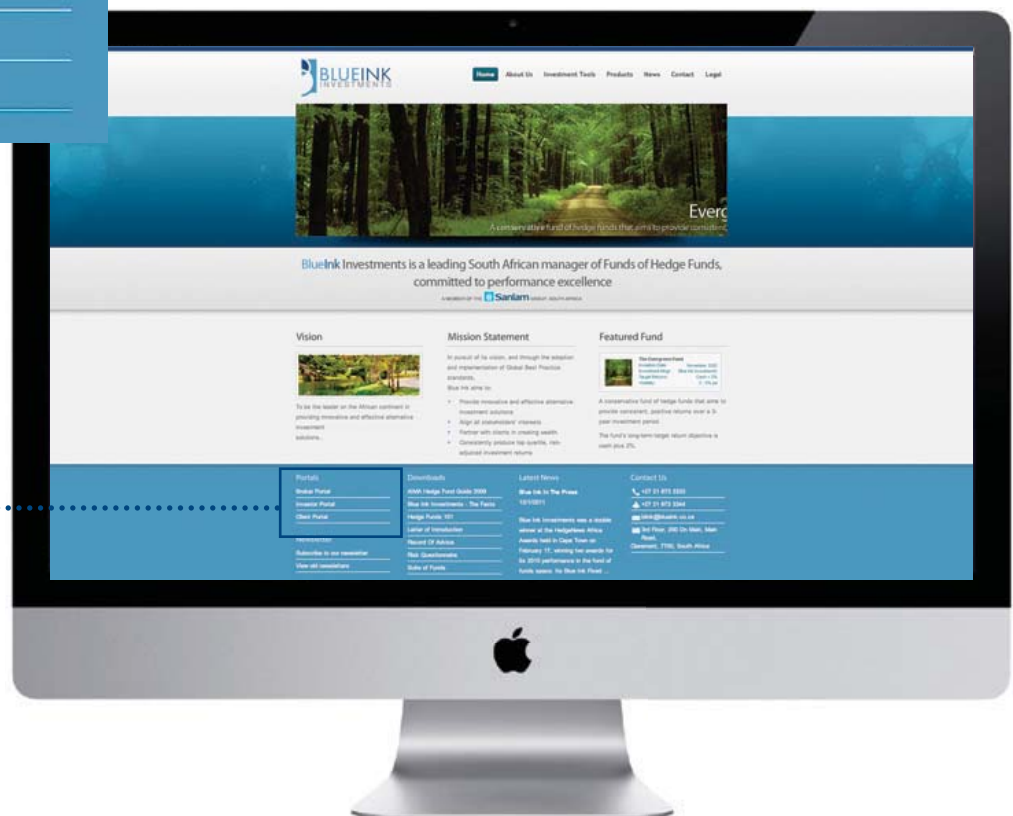
We value any commentary relating to our new website, and welcome you to contact Donné Deacon on telephone 021 673 3333 for all website related queries. 🌊

**Portals**

[Broker Portal](#)

[Investor Portal](#)

[Client Portal](#)



# BLUE INK in the media

Media highlights during the first quarter of 2012 included showcasing the success of the South African hedge fund industry and the significant role that Blue Ink is playing.

**The NEW NORMAL**  
*A guide for Trustees*

42 16 March 2012

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**INVESTOR**  
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The right managers

AFRICA FM

AFRICA FM

**Hedge Fund Investors Should Ensure that their 'Coach' is World Class**

FIA INSIGHT

FIA INSIGHT

**SA equities will carry on falling**

WITNESS

WITNESS

**SA RETIREMENT FUNDING INDUSTRY AND HEDGE FUNDS A PERFECT MATCH**

INVEST SA

INVEST SA

**Hoekom regulasie 28 saak maak**

FINWEEK

FINWEEK

**Less risky than you think**

FINANCIAL MAIL

FINANCIAL MAIL

**SHAPE UP OR SHAKE OUT**

FINWEEK

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**RISKY BUSINESS**

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