

**SPECIAL NOTE FROM THEO AND WARREN**

We were very disappointed with President Zuma's firing Minister Nene and replacing him with an unknown party loyalist, now Minister David van Rooyen. As no plausible reasons were provided for the axing of Minister Nene, we are left no choice but to deduce that this was to further Zuma's own interests and not done in the best interest of the country or our economy. We overestimated the maturity and quality of decision making within the ruling party – and would be happy to be proven wrong in this assumption.

We are concerned about the long term effect of having a Treasury and Minister of Finance that does not put the long term best interest of the country first. Our current investment process takes a certain amount of volatility into consideration, and is positioned to mitigate against bad economic policy decisions. Should things not deteriorate dramatically further from current levels, we are comfortable that our downside risk on a 12 month view is limited due to the large exposure to cash and foreign assets.

We believe the next 2 months will be crucial for the direction the country will take going forward. Should the ANC not act to curb President Zuma, we would propose that we add to our offshore exposure (20% to the current offshore exposure) to balance any further bad news. Should we see compelling signs that the ANC places the country above the narrow interests of Zuma's own interests then we believe our investment solutions are well placed for the recovery that could follow such a principled stand.

In an irrational time in the markets, we need to be absolutely sure that we act with as much concrete information as we can obtain. This means that we will use the next few weeks to get a better understanding of our new situation, so that we can give you the best advice possible.