

Growing clarity on the extent of the December fuel price decrease.

18 November 2016

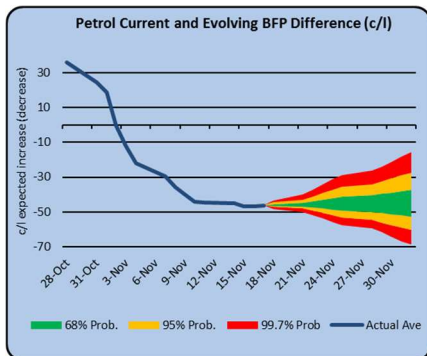
Our forecast last week indicated an expected 67c/l drop for petrol and a 50c/l drop for diesel, both with a margin of error of 13c/l. As we noted, Trump’s presidency spooked the markets and weakened the Rand by about 7%. This move has meant that the current forecast reduction is about 20c/l less than last week’s .

Our current forecast indicates an expected drop in December of 45c/l and 43c/l for petrol and diesel respectively. The margin of error in our forecast has reduced to +/- 8c/l.

Being 60% through the pricing cycle, the effect of moves in the underlying constituents is dampened somewhat, meaning we are increasingly confident of the extent of the December price decreases. As a measure of this confidence, the change in price over 3 standard deviations has reduced from R1.20/l 3 weeks ago to only 50c/l currently.

The table below outlines our current expectations

| Next price change takes place on 07-Dec-16 | Inland Price (R/l) | Current (Under)/Over recovery (c/l) | Probability of increase | Probability of decrease | Price Change Expected (c/l) | Margin of error (c/l) |
|--|--------------------|-------------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------|
| Petrol 95 Retail | 13.05 | 46.29 | 0.0% | 100.0% | (45) | 7.8 |
| Diesel 500ppm Wholesale | 11.36 | 40.88 | 0.0% | 100.0% | (43) | 7.6 |



The graphs to the left show the current average price difference between market rates and the current Basic Fuel Price (BFP) and varying ranges of future outcomes based on 1,2 and 3 standard deviations.

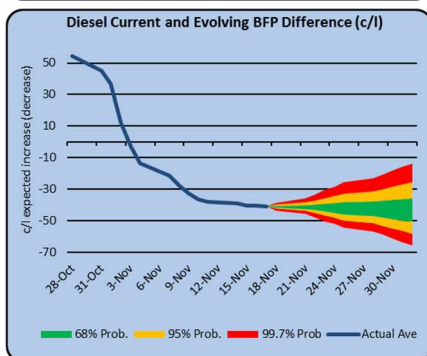
They are based on market data from 28 Oct – 17 Nov, comprising 15 of the 25 data points in the current cycle, and 10,000 possible price scenarios for the remaining 10 business days.

The forecasts are formulated based on actual historical moves, using specifically designed forecasting tools, and not on subjective market predictions for the oil price or the USD/ZAR exchange rate.

As with any statistical forecast, as more data becomes available, the forecast will become increasingly accurate, and the range of possible price changes will reduce.

All data is sourced from data published by CEF, including historical data from March 2014. (<http://www.cefgroup.co.za/petrol-price/>)

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Rubicon Risk Advisory Services specialises in Monte Carlo simulation, assisting executives in their decision-making processes, avoiding many common psychological traps such as Confirmation Bias, Cognitive Dissonance and Group Think.