RESIDENTIAL PROPERTY OUTLOOK

- World Cup has huge potential benefits in the long term, but in the short term we need to brace ourselves for a slowdown

FNB Property Barometer

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SUMMARY – RESIDENTIAL PROPERTY SLOWDOWN BECKONS, WITH DOUBLE-DIP RISK SIGNIFICANT

The 2010 World Cup has come and gone. It has brought many potential long term benefits for SA, emanating from dramatically improved perceptions of the world regarding the organizational capabilities of the country. However, these are longer term matters, and the World Cup cannot be expected to do much for the short term fortunes of residential property.

The FNB Estate Agent Survey for the 2nd quarter of 2010 showed agents pointing to weaker demand than that of the previous quarter. Of concern, too, was a sharp up-tick in the estimated average time of a property on the market, from a previous quarter's 12 weeks and 4 days to 17 weeks and 1 day. This suggests that price levels have got further out of touch with reality. The implications could be that prices begin to come under pressure, and indeed in June we have seen a slowing in the pace of acceleration in house price growth.

Primary residential demand continues to dominate even more than usual, as non-essential spending remains on the backburner in financially tough times.

Regarding the near term future, estate agents' expectations have also deteriorated in the most recent survey.

We are of the opinion that this probably signals the start of a weakening trend in the residential property market, with signs of a slowing economy, as well as due to a lack of further interest rate stimulus following the 5 percentage points' worth of rate cutting that took place from December 2008 to August 2009.

While the FirstRand base case is for a mild slowdown in economic growth, but positive growth nevertheless continuing, we nevertheless believe that the risk of a so-called "double-dip" recession remains high, given the vulnerability of some highly-indebted developed economies as well as a high level of indebtedness in our own household sector. This implies that, at best, we see house price inflation continuing in the coming years, but receding back into single-digit territory by 2011. This scenario would, however, assume no recession. Given the fragile nature of our household sector, due to having made little progress in reducing its high debt-to-disposable income ratio, along with an already unbalanced (demand versus supply) residential market, we believe that any recessionary conditions would bring about another bout of national house price decline.

For the SARB, setting interest rate policy could be challenging in the times ahead. The US example of the past decade has perhaps shown us that, when interest rates move to abnormally low levels, the pain merely gets delayed, and when rates rise by abnormal magnitudes thereafter, the pain on the household sector and the housing market can be particularly severe.

So, while it is tempting to wish for more interest rate cutting in order to alleviate pain in tough economic times, we will need to consider the implications at a later stage when, ultimately, interest rates rise.

At present, we are of the opinion that the SARB has a nicely balanced interest rate stance from a property point of view, having given significant relief to those with debt, but not stimulating strong new household sector borrowing growth. While it may be tempting to wish for strong borrowing growth, we believe that it would be far better in the long term for credit growth to remain slow, and for SA's high household debt-to-disposable income ratio to be worked down to significantly lower levels. That would provide more of a buffer against any unwanted shocks, something which is sorely lacking at present.

OPINION: THE 2010 WORLD CUP – BENEFITS FOR SA PROPERTY ARE POTENTIALLY HUGE, BUT MAY TAKE SOME YEARS TO MATERIALISE

In some ways, the 2010 Football World Cup proved to be a disappointment, but that was perhaps more confined to those who had unrealistic expectations of what it would bring, and the time frames within which such benefits would materialise.

There were reports of disappointing tourism bookings prior to the competition, and stories of those charging exorbitant prices, be it for property rentals or other accommodation, not always receiving the flow of foreign bookings that they had expected.

So, perhaps in many instances, those who had expected foreign football visitors to significantly boost the local rental or home buying market during the Cup may feel somewhat let down.

It may well have "normalised" the flows of that small group of foreign buyers, who seemingly declined in number in the 2nd quarter following some very negative political events around the time of the murder of Eugene Terreblanche. But foreigners are by far not a key driver of SA's residential property market as a whole, so the direct short term impact on property was probably insignificant.

We had never really expected the World Cup to have major short term direct impacts on the property market, and therefore are not surprised. To the contrary, it may even be possible that the World Cup had a very short term negative impact on local residential property demand as a whole, or at least this is what the FNB 2nd Quarter Estate Agent Survey told us about some estate agents' expectations. The estate agent survey was conducted in May, prior to the World Cup, and agents' expectations regarding near term property demand had already begun to deteriorate at that stage.

This decline in near term expectations is normal as the winter approaches, as a strong seasonal effect on residential buying exists, which is typically dampened in the cold winter months. However, the single most important factor being cited as a driver of near term agent expectations in the survey was the World Cup, with some believing that it was a positive factor because it was improving sentiment in the country, while others believed that many people were so caught up in "World Cup Fever" that they weren't buying homes.

It may be a case of "the king is dead, long live the king", though, because after just giving the reader the impression that the World Cup was possibly insignificant for property around the time of its hosting, we nevertheless believe that it has huge potential benefits for the property market. However, you will notice that we are still talking in the future tense. We believe that its benefits will be felt in a very different way, in an "indirect way", and that these benefits will be felt in the much longer term, having little bearing on the apparently weakening short term state of the property market at present.

By most credible reports, the World Cup was a resounding success, and appears to have far exceeded the expectations of a large part of the world that falls into the "Afro-pessimistic" category. From supposedly not having the infrastructure or the organisational capability for an event of this magnitude (in the eyes of many), it is now a proven fact that we do. There will no doubt still be a few cynics who use the few organisational mishaps that took place to still declare the tournament a failure, but from here on they will probably battle to find much of an audience.

Ironically, fewer tourists than some had expected may have been a blessing, making the event more manageable, and thereby ensuring its organisational success.

The potential benefit for property lies in the event's organisation success, which must surely have greatly improved the perceptions of many foreign citizens towards SA. This in turn has the potential to draw greater long term foreign interest to the country, be it in terms of doing business with SA, investing in the country or arriving as tourists. Should this prove to be the case, the long term pace of economic growth can be enhanced. This would imply faster employment and disposable income growth than would otherwise have been the case, and therefore faster property purchasing power and property demand growth. What's good for the economy is good for property.

The "economic performance" effect of the World Cup may go further, though, because by signing up to such events a government immediately puts the critical eyes of the world upon itself, and in so doing increases the pressure on itself to deliver. This increased pressure may not have lead to the myriad of problems in the education, health and certain other sectors having been resolved, but one wonders if we would have been nearly as far down the road with transport infrastructure upgrades today, had it not been for our self-imposed World Cup deadline.

However, for the full potential benefits of the World Cup to be realised, it is important not to see the hosting of the competition as the "end goal" but as a means to an end, and the country now needs to harness this means to achieve the end goal. Otherwise, 2010 also has the potential to be of little benefit (and great financial cost). The Cup has opened a lot of new doors, due to the change it has brought about in perceptions towards SA. The most obvious door to be opened is the one to the 2020 South African Olympics. Certainly, winning an Olympic bid is by no means a fait accompli, but a successful 2010 must surely been a massive step towards achieving that goal, with the International Olympic Committee likely to sit up and pay far more attention to an SA bid. Now it is up to a bid committee to take it forward, as it is for other entities across SA to move forward through the myriad of other new doors that may now have been opened, and to capitalise on the new opportunities. And their success or failure to do so will determine the ultimate impact that 2010 had on the SA economy, and therefore on its property market.

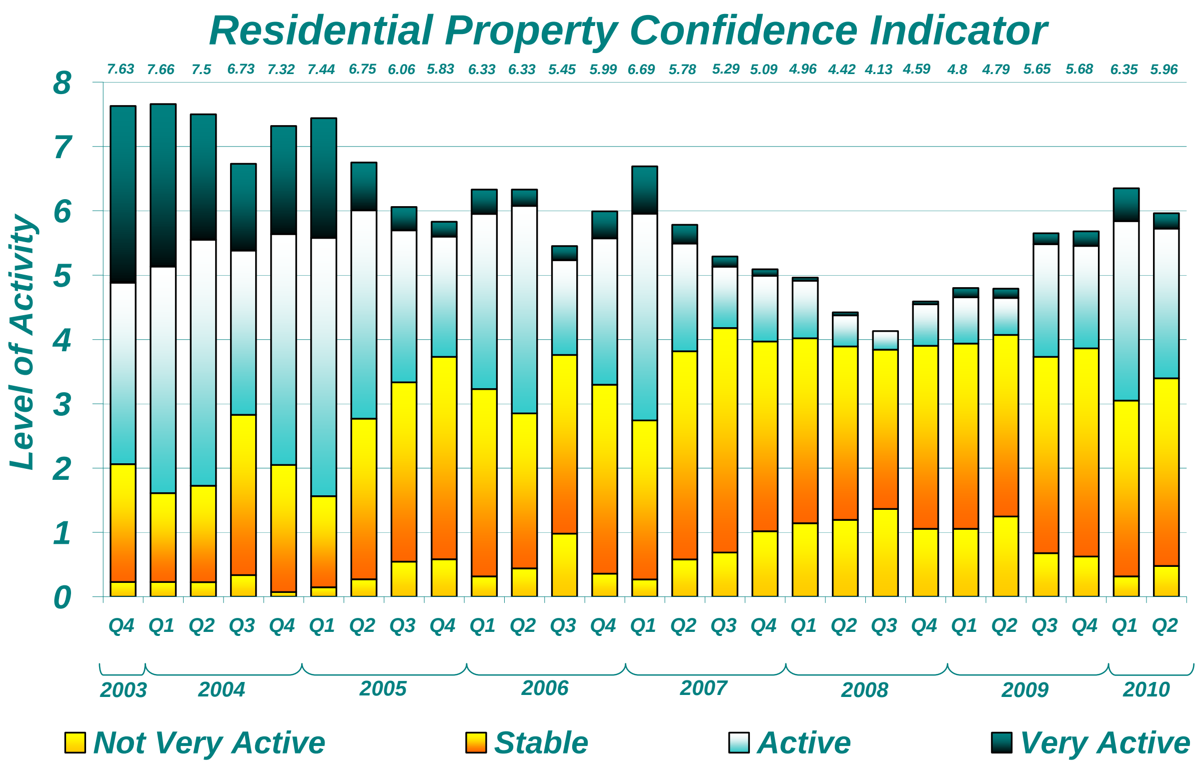
Therefore, while it may sound strange to some, given that the 2010 event has come and gone, we believe that the positive impact, while potentially huge, has yet to be felt in a meaningful way, and that the realisation of such potential benefits, via the economic impact, will depend heavily on SA's ability to capitalise on the future opportunities that the hosting of the World Cup may have created. The real 2010 work has only just started.

WHILE THE 2010 WORLD CUP BOOSTS LONGER TERM OPTIMISM, THE SHORT TERM LOOKS SET TO BRING ABOUT A CYCLICAL RESIDENTIAL PROPERTY SLOWDOWN

While 2010 holds potential long term benefits, because over time it can change long term foreign perceptions and interest in the country, we believe that it means little for the near term cyclical prospects for residential property, which are affected by cyclical economic factors, and the market now looks to be weakening.

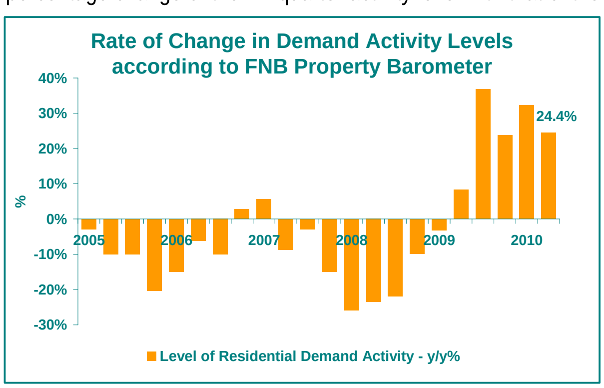
The 2nd quarter FNB Estate Agent Survey has begun to point towards a residential property market weakening, after a mild recovery that lasted from early-2009 to early-2010.

In the survey, the sample of estate agents is asked to rate demand activity, as they experience it, on a scale of 1 to 10. From a level of 6.35 in the 1st quarter of 2010, which was the highest level since early-2007, the activity rating slid to 5.96 in the 2nd quarter survey.



Towards the winter months, it is always possibly that seasonal factors hamper residential demand. However, it would appear that the 2nd quarter demand activity rating decline was a little more than that.

In order to eliminate seasonal factors, we calculate a year-on-year rate of change on the activity ratings, in other words, the percentage change of the 2nd quarter activity level with that of the corresponding quarter of 2009. This year-on-year growth rate was still a healthy 24.4%, but reflects a slowdown from the 1st quarter rate of 32.3%, and year-on-year growth has made no further progress since the peak 36.8% reached in the 3rd quarter of 2009 after a sharp acceleration out of negative growth territory in 2008.



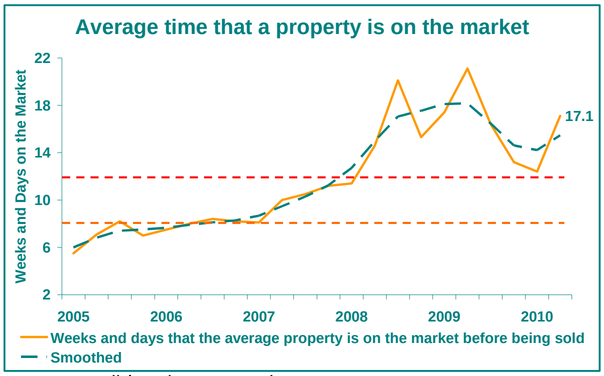
Besides seasonal factors, it is possible that the World Cup proved to be a short term distraction from property buying, with many planning a more elaborate holiday due to longer than usual school holidays, or due to being engrossed in the World Cup and its build up.

In addition, there has been a lack of interest rate cutting since August 2009, with only one further cut in March this year. It could thus be possibly that the big stimulus of 5 percentage points' worth of interest rate cuts from December 2008 to August 2009 is starting to wear off.

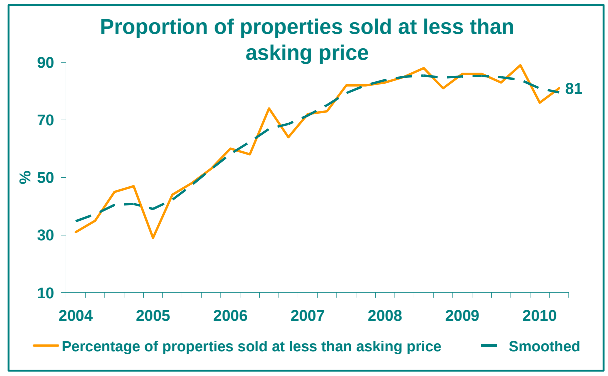
PRICES APPEAR TO HAVE BECOME LESS REALISTIC IN THE 2ND QUARTER OF 2010

A lack of realism by sellers in setting the prices of houses still appears prevalent, and seems to have got worse in the 2nd quarter of 2010.

From 12 weeks and 4 days in the 1st quarter survey, the 2nd quarter estate agent survey showed a large jump to an estimated 17 weeks and 1 day average time that a home is on the market prior to being sold. While subjective, admittedly, we are of the opinion that in a market with a healthy balance between demand and supply, one should probably see the average time on the market being below the 2 month level. A 17 weeks and 1 day average for the entire market suggests a tendency towards oversupply of property relative to demand, and the necessity for some possible price "correction".



The 2nd indicator of pricing realism is the estimated percentage of sellers being required to drop their asking price in order to make the sale. This rose from 76% in the 1st quarter to 81% in the 2nd quarter. Admittedly, moves from quarter to quarter can be volatile, but the bottom line is that the estimates remain sticky at levels not far from 80%, which is a far cry from the boom years where levels nearer to 30% and 40% were seen.

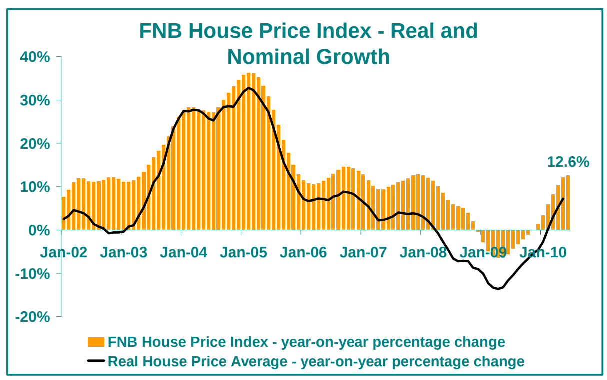


In the 1st quarter, we added a 3rd question related to pricing realism, asking agents to estimate the average percentage price drop by those being required to lower the asking price. The average percentage drop in the 2nd quarter increased mildly from 11% in the previous survey to 12%.

....AND THIS MAY BE STARTING TO HAVE A NEGATIVE IMPACT ON PRICE INFLATION

It is far too early to draw "hard and fast" conclusions, but the deterioration in relative pricing realism as outlined above, for the 2nd quarter, may just be starting to impact negatively on house price trends, not yet in the form of price deflation but rather in causing price inflation to near its peak.

The FNB June House Price Index rose year-on-year by 12.6%. This is a healthy inflation rate, but the rate of acceleration in the inflation rate had slowed significantly to only 0.4 of a percentage point from May's year-on-year growth of 12.2%. This is compared to an acceleration of 1.9 percentage points from the 10.3% year-on-year growth rate in April to 12.2% in May, and 2 percentage points from March to April.

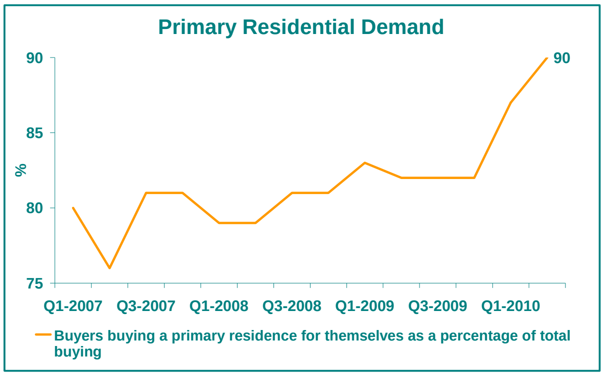


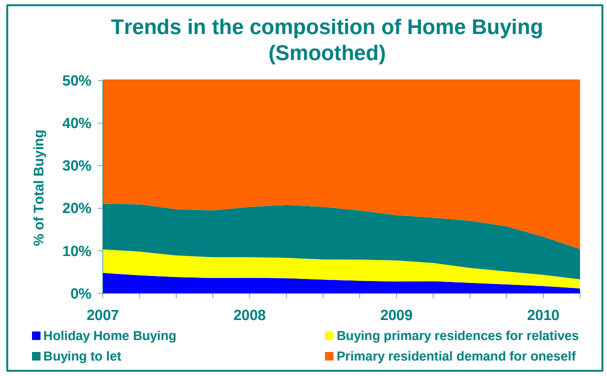
HOME BUYING REMAINS HEAVILY FOCUSED ON "ESSENTIALS",....

Examining the reasons for buying property, agents taking part the survey continue to point to primary residential demand as being all-important. Whereas at a stage early in 2007, primary residential buying dipped below 80% of total buying, and may have been far less back at the peak of the boom around 2004/5, this percentage rose to 90% of total buying by the 2nd quarter of 2010.

This comes as little surprise. Despite some alleviation of the financial pressure on households by the SARB, via major interest rate cuts since late-2008, the reality is that the recession took its toll on job creation and disposable income growth, and the re-building of the household sector's balance sheet is a long slow process.

One way of restoring matters is to cut back on non-essential buying, and this appears to be exactly what as happened. The 3 non-essential demand items are holiday property buying, property buying for a family member or relative (in some instances essential), and buy-to-let buying. All 3 of these buying categories have seen a decline in their percentages of total residential buying over the past three-and-a-half years. With widespread financial pressure remaining in the household sector, and residential property still battling to regain its popularity as an asset class, it would appear likely that this strong relative focus on essential buying will remain in the near term.

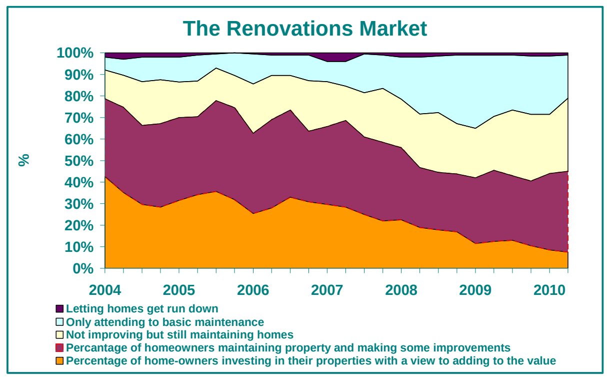




....AS DOES HOME FIXED INVESTMENT,....

With regard to fixed investment in homes, essentials also appear to rule in the financially pressured household sector.

Since the beginning of 2009 there appears to have been some improvement in the level of maintenance of homes on average. However, only 8% of home owners were estimated to be undertaking value adding upgrades of property as at the 2nd quarter of 2010. This is in sharp contrast to a level of over 40% of all homeowners when the survey question started at the beginning of 2004, a further reflection of the measures taken by many households to reign in spending. While there is a lack of investment aimed at value adding improvements, encouraging over the past year or so has been a decline in the percentage of homeowners attending only to basic maintenance, and an increased percentage shifted back into the middle two categories of "not improving but maintaining homes" and "maintaining property with some limited improvements".

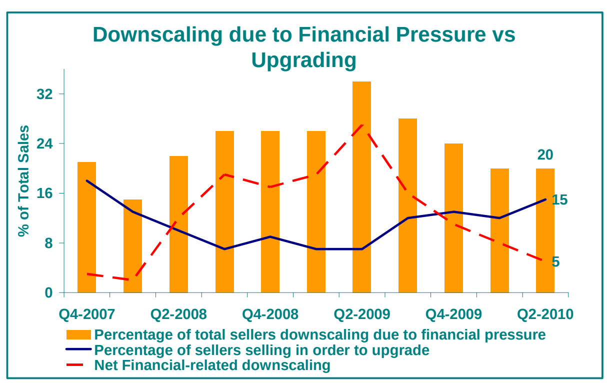


...AND THE REBUILDING OF THE HOUSEHOLD BALANCE SHEET CONTINUES TO REQUIRE A HIGH LEVEL OF HIGH FINANCIAL STRESS-RELATED SELLING

"Cutting one's coat according to the cloth" should be an important goal in financially pressure times, but it is not always pleasant and does not come easily, often requiring a downscaling in one's living standard.

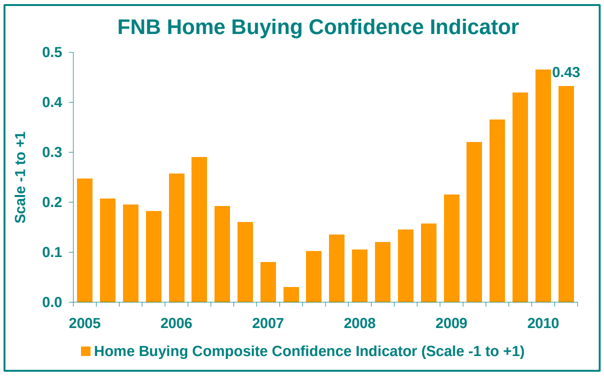
Focusing far more on essential property buying, as well as essential maintenance only, is one way of moving towards this objective. There has also been significant selling in order to downscale due to financial pressure. While recent quarters saw a significant improvement (decline) in the percentage of sellers being those selling in order to downscale due to financial pressure, from the 34% peak in the 2nd quarter of 2009, to 20% early in 2010, the 2nd quarter estimate stalled the declining by remaining unchanged at 20%.

Against this, though, there was an increase in the percentage of sellers selling in order to upgrade to 15% in the 2nd quarter, from 12% in the previous quarter, suggesting that overall financial pressure on the household sector was still on an easing path as at the 2nd quarter. However, there is no getting away from the reality that a 20% downscaling rate is a high number, and still points towards high levels of financial stress despite the very significant relief in the form of interest rate cuts since late-2008.



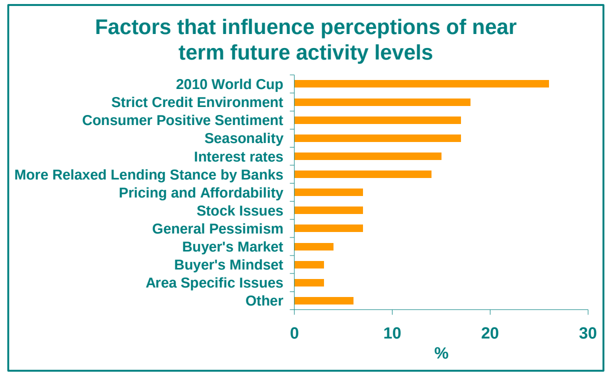
ESTATE AGENT EXPECTATIONS REGARDING NEAR TERM MARKET PERFORMANCE HAVE BEGUN TO WEAKEN,...

Our FNB Home Buying Confidence Indicator has started to decline for the 1st time since the 1st quarter of 2008, from a level of 0.47 in the 1st quarter to 0.43 in the 2nd quarter. This indicator is the 4-quarter moving average of estate agents' expectations regarding the near term performance of the market. Each quarter, they are asked to state whether they believe the market will strengthen, weaken of remain the same in the following quarter. The 4-quarter moving average is taken so as to eliminate seasonal factors that annually have an impact on expectations.



In the 2nd quarter agent survey, there was a sharp decline in the percentage of agents expecting a strengthening in the market in the following quarter, from 54% in the 1st quarter survey to 31%.

What confuses matters is the citing of the World Cup because it had "distracted" the country temporarily away from home buying.

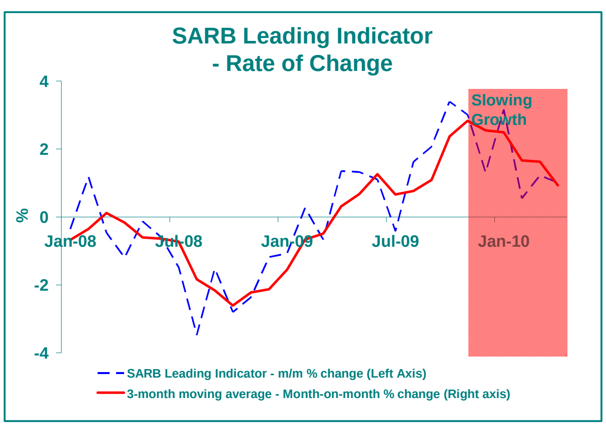


However, in 2nd place amongst the drivers of expectations was the "strict credit environment", something which previously had been put on the backburner for a while as interest rates fell and banks relaxed moderately not so long ago. This suggests that the deterioration in expectations is more than just World Cup.

Admittedly, for confirmation that it is not just a World Cup "blip" causing a decline in the decline in the Home Buying Confidence Indicator, we will have to wait for the 3rd quarter survey, which takes place in August.

...AND WE BELIEVE THAT THE WEAKENING PICTURE PORTRAYED IS MORE THAN JUST A TEMPORARY WORLD CUP EFFECT

What the estate agents expect coincides with a few key economic indicators that point to an economic slowdown, and given that residential property is a leading economic sector, it is reasonable to expect that a slowing trend, and that the weaker picture emanating from the FNB Estate Agent survey is more than just a temporary World Cup effect.



The reality is that SA's economic growth rate looks set to slow. Since late-2009, the SARB Leading Business Cycle Indicator has been showing a broad tapering off in month-on-month growth. This is probably driven by the combination of major global leading indicators whose growth rates are also slowing, along with the fact that there has been a lack of further interest rate stimulus following the aggressive 500 basis points' worth of cuts by the SARB between December 2008 and August 2009 (with only one further 50 basis point cut in March 2010.

Crunch time has come to the global economy. Huge fiscal and monetary stimulus packages were put in place in many developed economies, most importantly the US, and the time has come for these to be withdrawn in the interests of fiscal sustainability.

As the US begins to wind down its fiscal deficit (no sign of interest rate hiking from near zero just yet), it faces huge risks in doing so, with consumer confidence low and the unemployment rate not far below the recent 10.1% peak of October 2009, levels last seen following the early-80s oil price shock.

Locally, the Kagiso Manufacturing Purchasing Managers' Index has declined for the past 4 months, dipping to below the key level of 50 (the dividing line between expansion and contraction in manufacturing output). This suggests more weakness on the way for this major economic sector, and a sector which is usually a good indicator of the direction of overall economic growth.

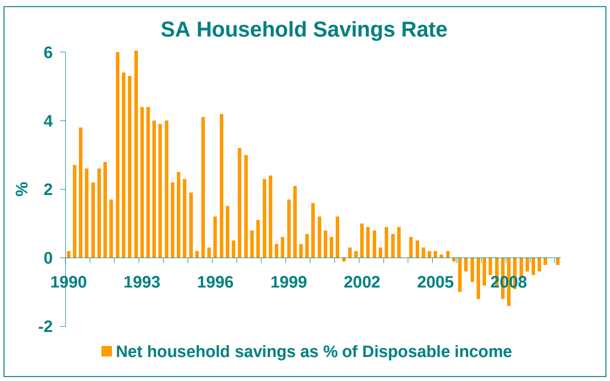
Therefore, we believe that the residential market has started on a weakening trend, which is expected to last well into 2011.How

IN ADDITION, LET'S NOT FOOL OURSELVES, THE RISK OF A "DOUBLE-DIP" FOR PROPERTY IS HIGH

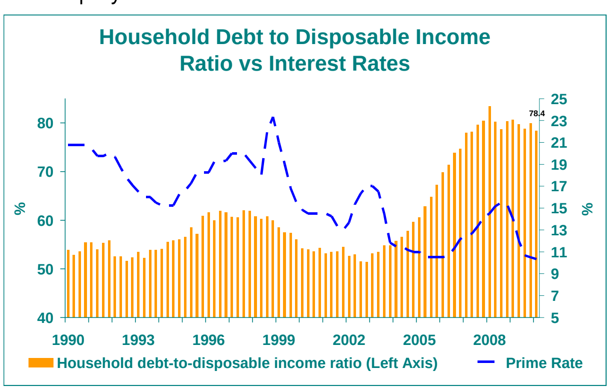
low do we go? Well, it must be said that the risk of a "double-dip" recession for the global and domestic economy is high, with very high levels of indebtedness both in some developed countries, notably the US, as well as in the domestic household sector, making us highly vulnerable.

Domestically, the household sector has battled to build buffers against any resumption of the global crisis.

One would expect to find some improvement in the household savings rate in more uncertain times, but to date very little of this has happened following the 2008/9 recession, probably because income growth has been under substantial pressure. The net rate of dis-saving (gross saving adjusted for depreciation on fixed assets) in the 1st quarter was -0.2% of disposable income, only marginally better (or less bad, perhaps) than the -1.4% dis-saving rate of early 2008.



Household sector indebtedness remains high by our own historic standards, at 78.4% of disposable income. This is down from the early-2008 peak of 83.4%, but not nearly enough to provide a buffer for any interest rate hiking surprise, while also too high to give the household sector room to move in terms of growing its credit rapidly.

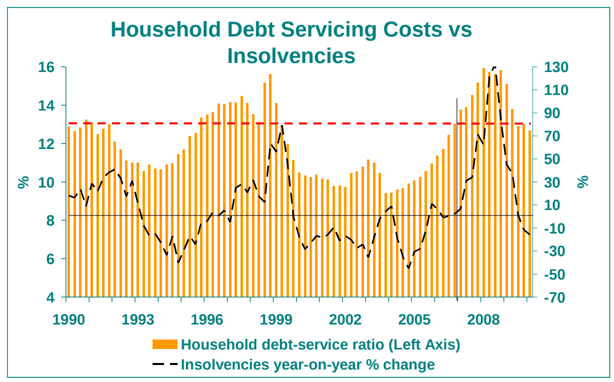


Once again, the severe pressure on disposable income growth in the 2008/9 recession was partly responsible for delaying the move by the household sector towards a lower debt-to-disposable income ratio.

We have, however, had a series of interest rate cuts since late-2008, which have been largely responsible for lowering the household debt-service ratio to a more comfortable level.

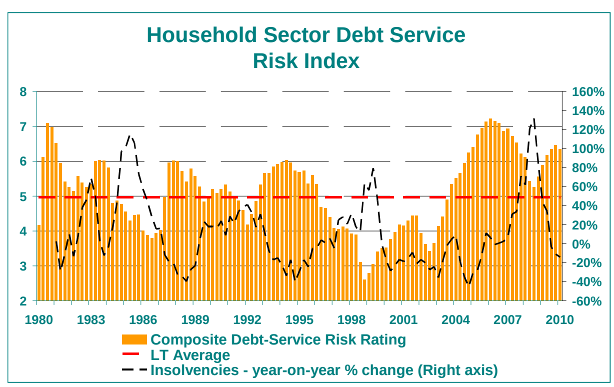
The debt-service ratio (the cost of servicing the household debt burden, interest + capital, expressed as a percentage of household sector disposable income) has declined from a peak of 15.9% in early-2008 to 12.7% in the 1st quarter of 2010, making life significantly more comfortable. We believe that a 13% debt-service ratio is about the "natural limit" above which severe pain sets in, in terms of ability of the household sector to service its debt, and results in painfully high levels of bad debt. The country crossed the 13% mark early in 2007, and it was at about that time that insolvencies growth began to skyrocket and banks bad debts headed for painfully high levels.

The SARB has been largely responsible for bringing the debt-service ratio back to just below 13% through interest rate reduction. However, it has taken the lowest interest rates in a few decades to achieve this, and any mild interest rate hiking at any time soon would very quickly take the ratio back up above 13%.



The goal has to be a significantly debt-service ratio without any further assistance from interest rate cuts, in other words through further significant reduction in the debt-to-disposable income ratio. That would be the way to build a "buffer" against future interest rate hiking.

Our composite Household Sector Debt-Service Risk Index declined slightly from 6.5 to 6.4 in the 1st quarter, due to some



decline in the debt-to-disposable income ratio. However, the 6.4 level remains a high one, due to the fact that the debt ratio remains so high, and also due to interest rates being relatively low compared to longer term inflation rates. Low interest rates relative to longer term average inflation implies a higher risk to borrowers because the risk of future upward moves in interest rates is just that much higher than when rates are at cyclical highs. Any recessionary pounding of disposable income growth can also take the debt-service ratio to higher levels.

The domestic household sector is thus highly-vulnerable and unable to meaningfully stimulate economic growth or strong growth in property demand, due to already high levels of indebtedness.

As a result, it would not take much in terms of an economic slowdown or interest rate hiking to shift the residential market back to either low house price inflation or even another bout of deflation.

Examining the housing market, and given that already we see something of a reported imbalance between supply and demand as indicated by the estimated 17 weeks and 1 day that a property remains on the market, we believe that price growth is likely to come under pressure even in the absence of a recession.

Given the indications of (at least) an economic growth slowdown, with the risk of a double-dip global recession, as 2011, approaches, we see two likely scenarios.

The Outlook - Base Case

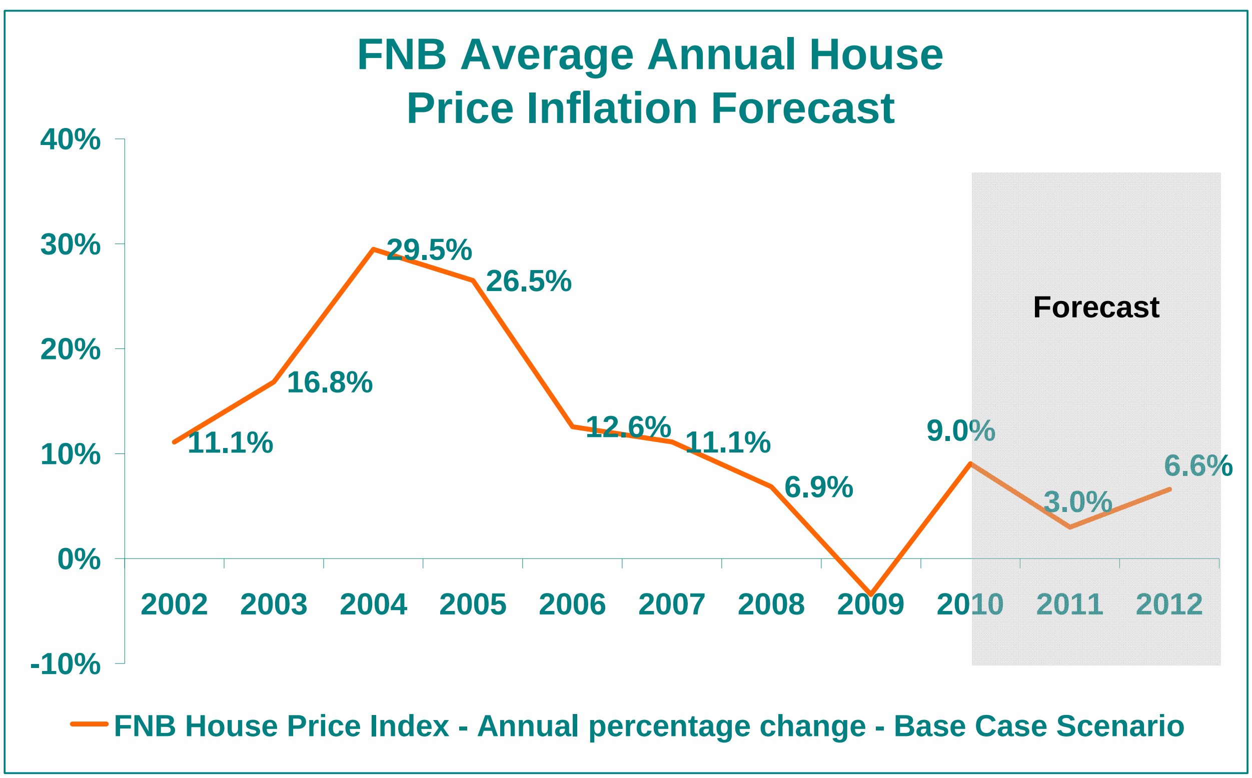
The FirstRand Group forecast is for Real GDP growth to remain in positive territory through 2011 and 2012, but the economic indicators strongly point to a slowing growth picture. However, the Group expects no further interest rate cuts, and two percentage points' worth of rate hikes in 2011.

Considering this macro scenario, a still highly-indebted household sector, and our own property statistics which already point to a mismatch between demand and supply having built up before the slowdown has gathered much momentum, we are of the opinion that 2011 promises little in terms of house price growth. Therefore, after a 9% average house price growth rate for 2010, we therefore project house price inflation to slow back to 3% for 2011, which would reflect another bout of house price deflation in real terms (adjusted for CPI)

The Double-Dip Scenario

However, we consider it essential to consider the key risk of a notorious "Double-Dip" Scenario, where the World and domestic economies enter into a second recession in 2011, due to the high level of vulnerability of the likes of the US, as well as the vulnerability of our own household sector.

Under this scenario, we think it unlikely that the residential property market would avoid house price deflation. However, it need not be too extreme, as a double-dip would possibly be accompanied by further SARB interest rate cutting that could conceivably cushion the blow in the short term.



THE HIDDEN DOUBLE-DIP RISKS FOR THE SARB, LENDING INSTITUTIONS AND HOUSEHOLDS – LOW INTEREST RATES MASK MANY SHORTCOMINGS

Managing interest rate and mortgage lending policy through a potential "double-dip" would be nothing short of an art form and the past decade's US monetary policy history could serve as a lesson in "how not to do it".

At present, from a residential property market point of view we feel that interest rate policy is "nicely balanced, having afforded significant relief for the average bond holder, while simultaneously not promoting speculative activity or rampant borrowing growth.

Such "balanced" policy is what is needed for a few years to come, in order to encourage the household sector further lower its debt-to-disposable income ratio significantly, thereby reducing its vulnerability to future negative economic events.

The past two interest rate hiking cycles have been by 4 and 5 percentage points respectively, and even the last 5 percentage points' worth of hiking could be considered somewhat painful for both borrowers and lender alike.

Now, the reality is that the ability of the borrower to repay debt at the current level of interest rates is very important (though not the only factor) in determining whether a loan is granted or not. There may be some stress testing from time to time, but current interest rate levels are a very important consideration for lender and borrower alike.

This means that, should interest rates stray to "abnormally" low levels, and then require an "abnormal" magnitude of hiking in order to normalise following an "abnormal" economic event, much of the bad debt pain may merely be delayed until after a big dip in economic growth, to the time when the next interest rate hiking cycle takes place.

This was arguably the case in the United States prior to mid-2004, which perhaps fooled itself into believing that the household sector was in financially good health. In actual fact, it was abnormally low interest rates (with a Fed Funds Target Rate of 1% and long bond yields relatively low) which made the household sector and the economy look healthy, and when the massive rise in the fed Funds Target Rate from 1% to 5.25% can between mid-2004 and 2006, the truth came out.

From a residential property perspective, therefore, we need to be careful what we wish for. Should we enter a double-dip recession, the SARB will be between a rock and a hard place, possibly encouraged to cut rates further, but needing to be mindful of the "here-after", and the amount of pain the next hiking cycle could cause should we become too accustomed to borrowing at prime rates below where the structural level of inflation in the country dictates that they should be.

For the household sector, now is the time to "keep the eye on the ball" and continue to restructure the balance sheet. The buffers against shocks are thin, and need to be rebuilt. These essential buffers include a significantly higher savings rate, along with a substantially lower debt-to-disposable income ratio. As a whole, the household sector is not in great financial health, and highly-vulnerable to any shock. It would be foolish to be lulled into a false sense of security by the low interest rate environment, because, like "death and taxes" rates always go up at some point.

Low interest rates have a habit of masking many shortcomings, as well as creating more shortcomings, and when they ultimately rise the shortcomings are viciously exposed.