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from the editor

JANA MARAIS

BlackRock, the world's biggest fund manager, rarely dishes out free advice. But for all of us who had sleepless nights this week over the future of our country, BlackRock's emerging-markets expert Sergio Trigo Paz had some words of wisdom: "There will be noise in South Africa but we will have to live with it."

As I write this on 29 March, there is no certainty about President Jacob Zuma's plans for Treasury or the reasons why he recalled finance minister Pravin Gordhan from an international investor roadshow. What we do know is that the rand tanked against major currencies, the prospects of an interest rate cut dimmed, and anyone who might have considered significant, long-term investments in SA will either sit on their hands for a few more months, or find viable projects elsewhere to bank on.

We'll just have to live with it, at least until the ANC elects a new president at the end of the year. The odds are that Zuma will simply be replaced with one of his cronies, which will make it extremely difficult to change the course we are on – of democratic institutions under siege, negative GDP per capita growth, and the dismal performance of key state-owned enterprises.

Perhaps I'm foolishly encouraged by the scenes from struggle stalwart Ahmed Kathrada's funeral, but I don't think we should write off the ethically grounded camp within the ANC just yet. If they didn't have any power, the Zuptas would've long ago run Treasury.

If there is one takeaway from Kathrada's funeral, it is the reminder of what the ANC, at its core, has always been: political royalty. This is a party that has survived for more than a century in a hostile country; that has produced leaders who were willing to die for the party's very noble ideals; and that still enjoys the support of the majority of South Africans.

Love or hate them, it is in every South African's best interest to hope that the ANC can rid itself of the corruption and leadership that is threatening to destroy it; that it can reinvent itself to focus again on its core objectives: to unite the people of South Africa and liberate the country from all forms of discrimination and oppression; to promote economic development for the benefit of all; to fight for social justice and eliminate inequality.

This will remain a dream as long as the Zuptas are in power. But keep an eye on the Mantashes of the movement. They don't want to live with it no more. ■

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opinion

By Johan Fourie

REMUNERATION

Do CEOs deserve their high salaries?

A mismatch between a CEO's skills and a company's requirements could be costly to that company. But does that justify the high salaries that South African CEOs earn?

Last year, Bloomberg reported that South African CEOs earn the seventh-most of any country in the world – at R102m per person per annum, equivalent to 541 times the income of average South Africans. The study, understandably, caused some outrage.

These numbers have been disputed, mostly because they include CEOs who earn in foreign currency. A study by 21st Century Consultants found that the CEO salary of the median large-cap South African firm in 2016 was less than R6m, roughly 5% of the Bloomberg average. PwC found the median between R3.1m and R7.7m.

But even at these levels, many ask whether CEOs *deserve* what they earn. Does the value that they add outweigh the millions spent on salaries and bonuses? This is an incredibly complex question. Economists have no laboratory where they can randomly assign CEOs their salaries, and see what the outcome might be. Instead, we have CEOs that respond to the firm's internal and external demands in various ways, planning, strategising, meeting and organising. Which of these activities adds more value seems impossible to determine.

That is, until now. A new study by four economists – Oriana Bandiera (LSE), Stephen Hansen (Oxford), Andrea Prat (Columbia Business School) and Raffeala Sadun (Harvard Business School) – measure the behaviour of CEOs in Brazil, France, Germany, India, the UK and the US, and compare these to their firm's performance. They used a two-stage method: first, they collect the weekly diaries of 1 114 CEOs in the six countries. Diaries include detailed information about the hourly activities of each CEO: meetings, the number and duration of plant/shop-floor visits, business lunches, how many people joined, the functions of these participants (were they in finance or marketing, for example, or clients or suppliers).

Their finding is that CEO activities differ remarkably across firms. While CEOs spend most of their time in meetings, they "differ in the extent to which their focus is on firms' employees versus outsiders, and within the former, whether they mostly interact with high-level executives versus production employees". The authors then use a machine learning algorithm to create an index of CEO behaviour. At low values of the index, CEOs spend more time with production and in one-on-one meetings with employees and suppliers. At high values CEOs spend more time with executives and in meetings with more participants.

The authors note that there is no theoretical reason for one type of behaviour to lead to better outcomes. Different types of behaviour may just be a consequence of firms requiring different types of CEOs. Some firms will do better with a low-index CEO, and others with a high-index CEO. When CEOs are perfectly matched – or "assigned" – to the type of firm that suit their style, there should be no correlation between the index-value of a CEO and the firm's performance. A low-index CEO matched to the correct firm would perform just as well as a high-index CEO matched to a firm that will benefit from this CEO style type.

The results, however, shows the opposite. High values on the CEO index are strongly correlated with higher firm productivity, a measure of firm performance. CEOs who spend most of their time in meetings with senior executives, engage in communication (phone calls, videoconferences, etc.), bring together inside and outside functions, and bring together more than one function of a kind are also more likely to lead more productive firms.

Their results also show that CEOs are often not matched to the right firm: "…while low-index CEOs are optimal for some of the sample firms, their supply generally outstrips demand, such that 17% of the firms end up with the 'wrong' CEO".

In the two developing countries in their sample – Brazil and India – matching is especially bad: 36% of firms in those countries end up with the 'wrong' CEO compared to the 5% in the developed countries. "The productivity loss generated by the misallocation of CEOs to firms equals 13% of the labour productivity gap between high and low income countries."

The authors do not speculate on why this difference exists. A reason is weaker competition for top jobs within a thinner talent pool owing to the unequal levels of education in these countries. Or that appointments happen for reasons other than merit.

The small talent pool means that most firms are willing to pay exceptional salaries to those rare individuals with a high CEO index-value.

The study shows that the choice of CEO is critical for firm success. Although some firms benefit from a CEO who frequently has one-on-one conversations and visits the production floor, most firms benefit from a CEO who spend their days leading large meetings with top executives from different fields.

That helps to explain the high salaries for CEOs in SA too. A mismatch between CEO and firm is costly and seems to happen quite frequently. The small talent pool means that most firms are willing to pay exceptional salaries to those rare individuals with a high CEO index-value. If they don't, the firm is likely to suffer far more costly productivity losses.

It also points to the dangers of policies that hope to place an upper-bound on managerial remuneration. Lower levels of remuneration will likely lead to fewer CEOs with high index-value, and to higher levels of mismatch between CEOs and firms. That, as the authors show, will be devastating for firm-level productivity, and economic development. Beware the unintended consequences of policies made with good intentions. ■

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Gallo Getty Images/iStock Images

opinion

By Andile Ntingi

ECONOMY

ANC makes the right policy noises

A new economic policy document drafted by the ruling party's leaders avoids revolutionary rhetoric and seems intent on attracting investment into the country.

"Money talks, bullshit walks." The writers of the ANC's latest discussion document on economic policy probably had this expression in mind when they sat down to pen the paper titled *Economic Transformation*.

The 19-page document appears to represent the dominant economic policy thinking in the upper echelons of South Africa's ruling party ahead of its national policy conference to be held in Johannesburg from 30 June to 5 July.

The party's rank and file, buoyed by a few ANC leaders, have been clamouring for the ruling party to implement radical economic policies, including expropriating prime farmland and mines (without compensation) from so-called "white monopoly capital" and redistributing this wealth to the poor majority.

Instead, the radical slogans that appeal to the masses have given way to economic pragmatism – a posture that signals that investors hold the upper hand. The ANC is unwilling to admit it, but the party has clearly been cowed by an investment strike by foreign and local investors, with local corporates now hoarding more than R1tr in cash which could have been ploughed into the economy.

If the ANC ever wants to see this massive pile of cash flowing back into the economy, it has to play ball and craft policies that give investors regulatory certainty. Thus the voice of investors carries significant weight, since the ANC is aware that revolutionary slogans do not put food on the table.

Confronted with this reality, the writers of the *Economic Transformation* document are clearly preoccupied with making sure that SA avoids credit downgrades, laying the groundwork for the country to attract substantial investment. For this to happen, the writers of the document understand that SA has no choice but to eliminate policy uncertainty and endemic corruption.

The ruling party proposes that the government must conduct an audit that identifies policy and regulatory constraints that impede private sector investment and set a clear timeframe for removing those constraints.

Interestingly, President Jacob Zuma and the writers of the ANC policy discussion paper seem to hold differing opinions on what constitutes "radical economic transformation".

In his State of the Nation Address on 9 February, Zuma described radical economic transformation as follows: "We mean fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female, as defined by the governing party, which makes policy for the democratic government."

Zuma believes that the solution to undoing skewed economic ownership is for the state to use legislation, regulations, licensing, race-based procurement and black economic empowerment (BEE) policy to give black people a bigger share of the economy.

But the crafters of the ANC's policy discussion document have a different version of radical economic transformation in mind.

"Primarily, radical economic transformation is about fundamentally changing the structure of SA's economy from an exploitative exporter of raw materials, to one which is based on beneficiation and manufacturing, in which our people's full potential can be realised.

"In addition to ensuring increased economic participation by black people in the commanding heights of the economy, radical economic transformation must have a mass character," the document explains.

As far as the document's writers are concerned, who owns the economy is secondary and attaining job-creating economic growth is primary, whereas Zuma is more concerned about forcing through policies that fundamentally change the ownership and control of the economy in favour of black South Africans.

Perhaps one of the most interesting sections of the document is the argument in favour of a developmental state, where the state manages a mixed economy that accommodates the interests of both the public and private sectors.

The developmental state must also intervene to reduce inequality, de-racialise the economy and participate in strategic economic sectors alongside the private sector.

However, the ANC says, despite the superior political and economic logic of its vision, the developmental state has come under continuous ideological attack. Although it does not mention the EFF by name, the ANC seems to be wary of the growing political influence of the leftist upstarts, who are calling for the nationalisation of mines and the expropriation of land without compensation. The EFF was instrumental in the ANC losing the key metros of Port Elizabeth, Pretoria and Johannesburg in last year's municipal elections.

"The ANC's political opponents on the right have resisted interventions aimed at increasing the state's role in guiding the process of economic development. On the other hand, populist voices have sought to dismiss the ANC's programme as not radical enough, often calling naively for nationalisation as a panacea for all ills," the ANC document reads.

It warns that the nationalisation of mines would lead to massive job losses and severely damage SA's fiscal position. The question is: who holds the biggest sway in a deeply divided ruling party – Zuma, or those who drafted the economic policy document? ■

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Andile Ntingi is CEO and co-founder of GetBiz, an e-procurement and tender notification service.

The ANC is unwilling to admit it, but the party has clearly been cowed by an investment strike by foreign and local investors, with local corporates now hoarding more than

R1tr

in cash which could have been ploughed into the economy.

President Jacob Zuma

Gallo Images/Getty Images


Business Travel Expenses

in brief

"WE CANNOT PRETEND LIKE SOUTH AFRICA IS NOT IN CRISIS, OUR COUNTRY IS IN CRISIS AND ANYONE WHO CANNOT SEE THAT IS JUST BLUFFING THEMSELVES."

– **ANC veteran and struggle stalwart Winnie Madikizela-Mandela** speaking to News24 on the sidelines of the Ahmed Kathrada commemoration ceremony at the Nelson Mandela Foundation in Johannesburg on 28 March. "All that we fought for is not what is going on right now," News24 reported her as saying.

Philip Hammond
British Chancellor of the Exchequer

"We can't have our cake and eat it."

– **British Chancellor Philip Hammond** in an interview with the BBC, commenting on the compromises Britain would have to make to secure a new deal with the EU. British Prime Minister Theresa May signed the historic letter that starts Britain's exit from the EU on the evening of 28 March, ft.com reported. Current offers from Britain include a proposal to beef up its security cooperation with the EU, and that it won't announce the immediate cessation of full citizens' rights for new EU arrivals in Britain, ft.com said.

"THERE WILL BE NOISE IN SOUTH AFRICA BUT WE WILL HAVE TO LIVE WITH IT."

– **Sergio Trigo Paz, head of emerging markets fixed income at BlackRock,** the world's largest asset manager, told a briefing in London on 29 March that he remains "long" on South African debt, despite the signs of tensions within the government, Reuters reported. One reason for his optimism is that he believes the Reserve Bank has room to cut interest rates, it reported.

Gallo Images/Getty Images

THE GOOD

Rural development and land reform minister Gugile Nkwinti moved to quell fears over radical land reform in a briefing on 28 March, saying land reform would take place within the parameters of the law and that there would be no Zimbabwe-style land grabs in South Africa, *Business Day* reported. There has been much concern about policy changes regarding land reform after President Jacob Zuma said the Constitution should be amended to allow for land expropriation without compensation. The ANC has called a special meeting to deal with the issue before its policy conference in June, the newspaper said.

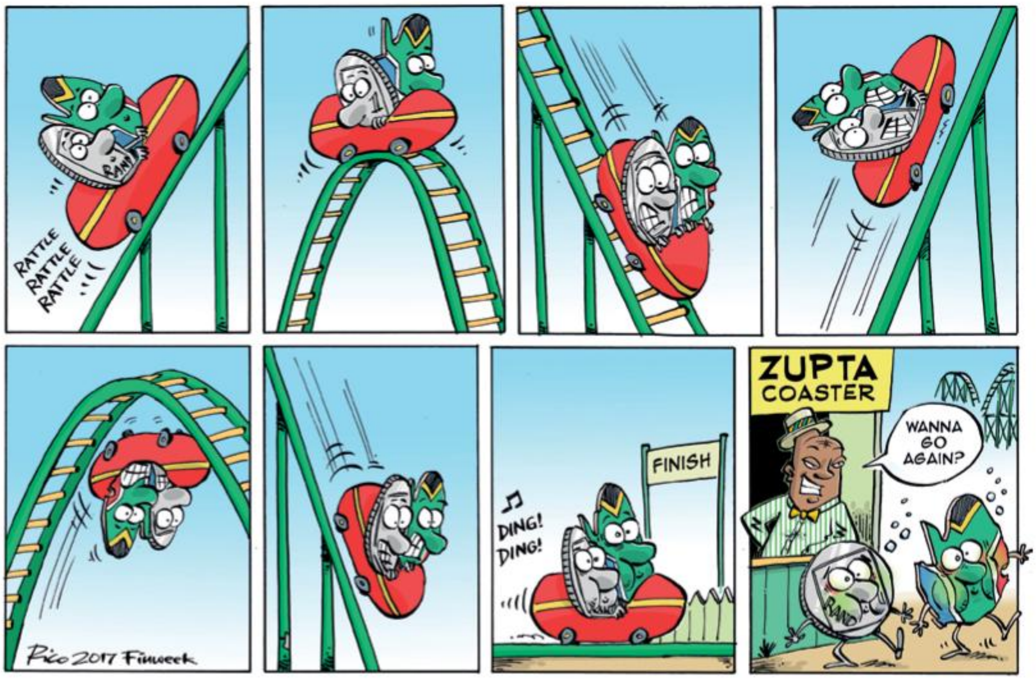
THE BAD

Some 200 000 university students across the country are yet to receive their grants from the National Student Financial Aid Scheme (NSFAS), the DA said. The grants are used by students to pay for private accommodation, food, books and travel, but a technical problem at NSFAS has apparently led to the inability to make these payments, the party said. Belinda Bozzoli, the DA's shadow minister of higher education, says Parliament's portfolio committee on higher education has received reports of students dropping out as a result of not being able to pay their expenses, while reports of students going hungry on various campuses are "rife".

THE UGLY

President Jacob Zuma's decision to recall finance minister Pravin Gordhan from an international investor roadshow – sparking a run on the rand in the process and renewing speculation of Gordhan's imminent firing – is "economic sabotage", trader and investor Karin Richards said on Twitter. And after Nenegate in December 2015, Zuma was well aware of the consequences, Richards said. The roadshow is standard practice after the announcement of the Budget, and Gordhan and his team did not only have Zuma's permission, but were also accompanied by a group of South African corporate leaders. At the very least, we deserve an explanation for this folly.

DOUBLE TAKE BY RICO



TENCENT BUYS TESLA STAKE

5%

Tencent Holdings, in which Naspers* is a major shareholder, has bought a 5% stake in Tesla for $1.7bn, making it the company's fifth-largest shareholder, ft.com reported. The transaction was arranged on 17 March, and the market value of those shares is now around $2.2bn. The deal comes at a time when Tesla has been looking for a $1bn cash injection ahead of the launch of its mass-market Model 3 electric car later this year, the newspaper said. Tencent's related investments include electric carmaker Nio, which just raised $600m, and Didi Chuxing, China's largest on-demand service, Techcrunch.com reported.

**finweek is a publication of Media24, a subsidiary of Naspers.*

BLOOMBERG TERMINALS DECLINE

3 145

Financial information company Bloomberg suffered its second-ever drop in the number of its terminals, which are used daily by bankers, traders and fund managers, ft.com reported. The number of terminals declined by 3 145 last year to just under 324 500, reflecting a year-on-year decline of nearly 1%, it said. It is only the second contraction in terminal numbers since the company was founded by former New York mayor Michael Bloomberg in 1981, ft.com said. The decline in terminals, which cost $22 000 each a year, is attributable to cost-cutting by the financial industry, it said. The previous decline followed the global financial crisis in 2009.

CAPITEC GROWS CUSTOMER BASE

1.3m

Capitec signed up a record 1.3m new retail customers in the year to end February, bringing its total number of customers to 8.6m, *Business Day* reported. The bank's gross loans and advances rose 10% for the year to R45.1bn, significantly ahead of its rivals, whose loan books grew an average 4.1% in the 2016 financial year, according to EY research. Capitec's earnings grew 18% to R3.8bn, while transaction income jumped 30% to R3.9bn, *Business Day* reported. Arqaam Capital said Capitec, which earns the bulk of its profits from its unsecured lending business, has "plenty of growth opportunities" as it develops into a fully fledged bank.

AB INBEV MOVES TO RENEWABLES

100%

Anheuser-Busch InBev (AB InBev), the largest beer group in the world and recent acquirer of SABMiller, has committed itself to secure 100% of its purchased electricity from renewable sources within eight years, *Business Day* reported. The commitment will shift 6 terawatt-hours of electricity annually to renewable sources in the markets where AB InBev is operating, which will have the same effect as removing 500 000 cars from the roads, the newspaper said. CEO Carlos Brito said climate change has "profound implications" for the company, and that cutting back on fossil fuels is "good for the environment and good for business".

By Ru Harris

Tech solution for learners without data access

Mastering grade 8 and 9 maths, science or accounting is now as easy as scan, watch and learn – without data or an internet connection.

A ground-breaking innovation has been developed by video education pioneers Paper Video in partnership with the Actuarial Association of South Africa (ASSA) to remove the barriers to maths and science success for grades 8 and 9.

"Grades 8 and 9 are crucial foundation years, and yet we are finding that many students, especially those in more rural and impoverished areas, do not receive the adequate grounding to continue with mathematics and physics," Mike McDougall, CEO of ASSA, says in a press release announcing the Subject Maps.

Siphelele Xabendlini
The Western Cape's best achiever in physical science for 2016

Subject Maps will guide learners through a two-year journey, covering every concept in the grade 8 and 9 curricula for maths, physics, life sciences, natural sciences and accounting.

"It shows you where a subject is going but it can also show you where you need to go back to, if you don't understand something. So it's easy for a student to identify where the gaps in their content knowledge are," says Paul Maree, Paper Video co-founder and mathematics teacher.

With Subject Maps, a learner uses his phone to scan a QR code next to the concept as it appears on the map. A step-by-step video lesson ranging in length from 30 minutes to two hours appears on the phone and then takes the learner through the entire concept.

> The microSD cards can be purchased via the online store on Paper Video's website, with cost ranging from
> **R149**
> to R349 depending on the size of the microSD card required.

Maree says a key feature of the resource is that all the videos represented on the map can be watched without internet connectivity or data. While there are a lot of tech-based learning resources in South Africa, they often exclude students who do not have an internet connection or data. With Subject Maps the learner inserts Paper Video's microSD card that contains thousands of videos into any Android device or Windows computer.

Paper Video became known for supplying series of past exam papers, supported by video solutions, to schools across the country. One of their success stories was that of Siphelele Xabendlini from Phandulwazi High School in Philippi who achieved 100% in physical science in the final matric exam last year. He became the first student from a township school to achieve the best grade for physical sciences in the Western Cape. Xabendlini specifically mentioned "his use of our resources to achieve that result," Paper Video co-founder Chris Mills says in a press release.

Maree adds that Paper Video works alongside its partner, ASSA, to get their resources to learners and schools that would otherwise not be able to afford them in a private capacity.

"We have so far rolled out to just over 15 000 students across the country, thanks to projects sponsored by some of the largest companies in South Africa, including Momentum, Metropolitan, Old Mutual, SAB, Swiss Re and Investec. Once we have a corporate sponsor on board, we then work with them and local representatives from the department of education to identify recipient schools and learners," Maree adds.

Individual learners can also visit Paper Video's website where they can learn more about resources available to them and visit the online store if they would like to purchase Subject Maps. Learners can watch these videos on a smartphone, tablet or computer via Paper Video's website or app (which is available for all Android devices and Windows computers). Learners who use the website or Windows app would simply type in the video code instead of scanning the QR code.

The microSD cards can be purchased via the online store on Paper Video's website, with cost ranging from R149 to R349 depending on the size of the microSD card required. ■

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Mzukisi Makaluza of Masibambane High School, Bloekombos, Cape Town, with the maths Subject Map.

Images by © 2016 Mark Chipps

By David McKay

Gold back in favour

A renewed interest in gold and a surge in the gold price means many believe it is a good time to add the precious metal to a diversified portfolio.

Total holdings in gold-backed exchange-traded funds (ETFs) in February was 2 246 tonnes, an increase of 90.6 tonnes over January, according to recent data from the World Gold Council. The holdings were valued at $90.7bn, reflecting a month-on-month increase of 8%.

"Increases in total North American and European fund holdings were a close match," the council said. "The former added 44.1t to 1 207t while the latter gained 43.3t to 922.9t. Funds in Asia saw a marginal outflow to 68.8t while holdings by other regions grew 8% to 46.8t," it said.

These increases reflect new interest in gold, which is dated from the close of the US national election, while comments from the US Federal Reserve on further increases in interest rates have also favoured gold. As a "fixed asset", gold is seen as a natural hedge against inflation.

Now is the time to be adding some level of gold exposure to the portfolio, said Bank of America Merrill Lynch in a recent report. "Our quantitative models suggest that gold prices in a range of $1 200 per ounce are easily justified at present," it said.

"Having said that, we highlighted in a recent note that rising equity market volatility could push gold prices higher. Inflation trends also seem increasingly supportive for gold," it added.

At the time of writing, gold had already surged through the $1 221/ounce support level that Ole Hansen, head of commodity strategy at Saxo Bank, said it need to re-establish. He also believed geopolitical risks would continue to drive the metal.

"Geopolitical risks in Europe have faded following the Dutch election result [in which populist Geert Wilders was defeated by Mark Rutte], but plenty of other hot spots currently exist which may attract demand for precious metals," he said.

"An analysis of diversified portfolios suggests that gold would not have been a great diversifier for most of the time since the GFC [global financial crisis]," said Bank of America. "Yet since 1Q15, when both core and headline inflation bottomed in the US, gold has added value to a diversified portfolio," it said. ■

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At the time of writing, gold had already surged through the

$1 221/oz

support level.

Mark Rutte, Dutch prime minister, (right) following national elections in that country, with the defeated Geert Wilders in the background.

Gallo Getty Images/iStockphoto

Harmony's hedge pays off

A gold hedge installed by Harmony Gold last year is becoming increasingly valuable as the rand strengthened, depressing the revenues of gold mining firms 100% exposed to the dollar price of gold.

At the time of writing, the rand gold price was about R512 000/kg compared to its level a year ago when gold producers could have expected to receive R100 000 more for each kilogram of gold produced.

The difference has turned a highly profitable sector into a struggling one. The word from many of SA's gold producers is that many operations have now returned to loss-making territory last experienced in 2015 when the gold price was testing $1 000 per ounce.

"Management's gold forward sale contracts [...] will come in handy in this environment of a stronger rand," said Momentum SP Reid earlier this month in commentary of Harmony's first-quarter results.

The hedge was installed in June 2016 when the rand gold price was cresting to its highest level in more than five years, the terms of which was about 20% of Harmony's total production – about 432 000 ounces – at an average rate of R682 000/kg for about two years. It also has a currency hedge in place.

Writing on 6 March, Deutsche Bank analyst Patrick Mann said the hedge structures were worth R2.9bn (R1.9bn for the gold hedge), equal to some R7 per share. But Mann's note was titled *Hedges get Harmony out of a Hole*, indicating that it had produced to marginal status again, thanks to rand strength.

It's worth noting that Harmony's average all-in sustaining costs increased to about R511 000/kg, which would make some of its operations loss-making – a turn of events which is reflected in the firm's share price, down 30% since the beginning of the year. ■

The hedge structures were worth R2.9bn (R1.9bn for the gold hedge), equal to some R7 per share.

By David McKay

Atha-Africa optimistic despite legal challenges

While the Indian coal miner is fighting off appeals against its water licence and possibly its mining right, it still plans to start construction of the mine in the coming months.

As if wanting to mine coal in a protected area were not controversial enough, Indian firm Atha-Africa Ventures is also fighting a rearguard action against allegations it may be corrupt.

The allegations mainly turn on the fact that Atha-Africa was able to win an integrated water use licence (IWUL) and environmental authorisation (EA) for its Yzermyn thermal coal project despite its location in Mabola near Wakkerstroom in Mpumalanga.

Mabola is where the Pongola, Vaal and Tugela rivers converge. It was declared a protected area but only after Atha-Africa received its permits – a development that has environmental groupings, such as Earthlife Africa, in a tizz.

Then there's also the fact that one of the project's black economic empowerment beneficiaries is none other than Sizwe Zuma, a nephew of President Jacob Zuma. In this era of political paranoia and fear, it's easy to suspect Atha-Africa has friends in high places.

Sizwe Zuma takes the criticism on the chin. "I'm my own man. I'm a grown-up person. I have travelled the world and advanced in business without the help of my uncle. He doesn't even know what I'm doing," he said in an interview with *finweek*.

Praveer Tripathi, senior vice-president of Atha-Africa Ventures, is more forthright.

"It's demeaning to the government departments. We started this process in 2012 when the first scoping of the project was done. Our mining right application was granted in March 2013. Then we only got the mining right two years later.

"The EA was put in around October in 2013. It has taken four painstaking years of negotiations to get the EA and four-and-a-quarter years to get the IWUL. If we had political connections, then they aren't doing a good job."

The plan is to build

2.25m

tonne-a-year coal mine within about a year.

The plan is to build a 2.25m-tonne-a-year coal mine within about a year, assuming it was approved today. The production would be exported even though it is unwashed coal – one of the reasons Tripathi said helped it to meet its environmental standards – because Indian buyers are able to use coal of increasingly lower energy levels.

First though, Atha-Africa is fighting an appeal against the IWUL. There's also a potential High Court appeal against the mining right. This hasn't yet been accepted to court and Tripathi said the project can continue its development in the meantime.

A strong motivation had been provided to the department of water affairs regarding the IWUL. "We have written to Edna Molewa [minister of water affairs] that she lifts the appeal as soon as expedient, and we are expecting her to make a decision very soon," said Tripathi.

"Notwithstanding this challenge, we have the approval to proceed to mining," Tripathi added. The intention is to start awarding contracts by the end of May with construction of the project pencilled in for July onwards.

The stakes are high, however.

Exxaro Resources recently had plans for its coal-based independent power producer scheme at Thabametsi in the Limpopo province dented after the North Gauteng High Court judged on 8 March that the climate change impact of the scheme had not been given sufficient enough consideration.

It was South Africa's first climate change lawsuit, and will almost certainly not be the last, and has been referred back to Molewa, who had initially granted Thabametsi an environmental authorisation. The suit was brought by Earthlife Africa.

"This judgment could set a very important precedent for all future EA applications – and even amendment applications – particularly for projects that will emit greenhouse gases and have an impact on climate change," said Garyn Rapson, an attorney at Webber Wentzel.

Tripathi is more optimistic.

"It's not a precedent. All that was decided in that High Court judgment is that the minister in question hadn't properly considered the climate change effects of that mine. There's no climate change law that should stop the mine being developed in the long run," he said. ■

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Edna Molewa
Minister of water affairs

Then there's also the fact that one of the project's black economic empowerment beneficiaries is none other than Sizwe Zuma, a nephew of President Jacob Zuma.

Garyn Rapson
Attorney at
Webber Wentzel

Gallo Images/Getty Images

By David McKay

Platinum on painful path to recovery

As China and the eurozone slowly recover, so will the price of platinum group metals.

Apart from Goldman Sachs, which is bearish, analysts are finding reasons to be cheerful regarding the platinum price, which had troughed. However, they warned the recovery in the price of the metal would be slow and painful, and there will be pain too for South African platinum shares.

"We view the current spot rand basket as too low," said Citi analyst Johann Steyn in a research note dated 23 March when the rand platinum price was at R12 048 per ounce against the rand price at the time of writing at R12 561 per ounce.

"Given our view of the market supply and demand and inventory levels, we view a range of R12 700 to R13 400 per ounce over the near to medium term more appropriate," he added.

As a result of the poor platinum price last year, valuations of SA platinum stocks had fallen heavily. "The upside outlook, together with recent falls in equity values, has made us incrementally more bullish on the sector," said Steyn. He recommended Impala Platinum (Implats) and Royal Bafokeng Platinum (RBPlat) as buys, upgraded Anglo American Platinum (Amplats) to a buy while Lonmin was "neutral to high risk".

Investec Securities has taken a similarly cautious approach to platinum shares. "We believe PGM [platinum group metal] prices have troughed, mainly based on our expectation of a recovery in global growth," said Nkateko Mathonsi, an analyst for the bank.

"However, we anticipate a slower recovery for platinum in line with slower economic recoveries in the eurozone and China, the major platinum markets," he added.

"We believe platinum demand will continue to face headwinds, particularly slowing jewellery demand in China, mainly as a result of this market reaching maturity."

Perhaps alarming for platinum shares was the scope for more restructuring with an estimated 85% of aggregate throughput from Amplats, Implats, RBPlat and Northam Platinum unlikely to cover total operating costs, including total capital expenditure, at the current spot price by 2021, compared to 63% which couldn't cover costs today.

This implied the likelihood of further cost curtailments and supply rationalisation and that PGM prices were likely to rise as supply slimmed down. Nonetheless, Investec believed investors ought to plump for quality – focusing on cost structures, sensitivity to labour and electricity costs, the life of mine of reserves and safety – if they are to invest in SA platinum.

"We rank Amplats first, followed by Northam, RBPlat and then Implats," said Mathonsi. "Amplats's rating is bolstered by Mogalakwena while Northam's rating benefits from Booysendal North and the upside potential of the new Booysendal South project." ■

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By Glenda Williams

Boldly mapping out uncharted territory

The JSE-listed residential-focused real estate investment trust Indluplace continues to drive the provision of affordable rental accommodation by acquiring Diluculo Properties.

When Indluplace Properties listed on the JSE in June 2015, it was with a residential portfolio of 95 properties valued at R1.6bn. Emerging from Arrowhead Properties (which currently holds 60% of the fund), it was the country's first listing of a residential-focused real estate investment trust (REIT).

Indluplace's aggressive growth strategy at the time was to double the portfolio within the year. That goal was somewhat scuppered by Nenegate. Still, the REIT had by early 2017 grown its portfolio to R2.4bn with 117 properties.

The company acquires yield-enhancing properties that provide income from the outset by investing in rental residential properties. Focus is on affordable rental housing where a proven demand exists, generally in larger urban areas close to work opportunities and transport infrastructure.

This year Indluplace is growing aggressively, with the purchase of Diluculo Properties and its portfolio of eight properties for R475m its "first acquisition of the year", says Indluplace CEO Carel de Wit. The fund, which has a low 8% loan-to-value ratio, is in discussions with banks to fund the transaction.

Subject to Competition Commission approval, the acquisition of these properties – spread across Gauteng, bar one in Bloemfontein – will increase Indluplace's portfolio by 24%, its value to around R2.9bn and number of residential units from 5 511 to 6 830.

Townhouse complex units make up 55% of the portfolio with the remainder in suburban blocks. Forty percent of units are located in the Johannesburg and Pretoria CBDs.

The portfolio comes with vacancies of less than 3% and an average rental of around R4 000 per unit per month.

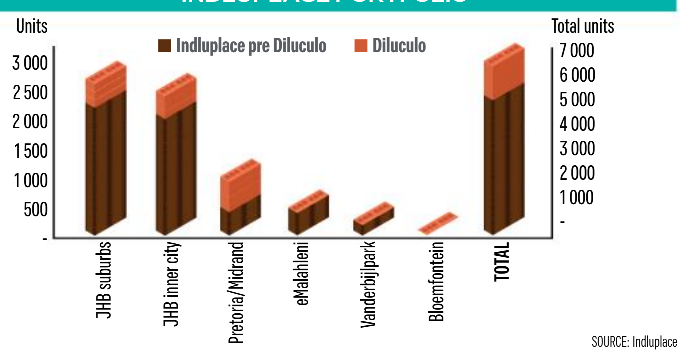
Specialist property managers CSI Rentals and Zelri Properties manage approximately 66% of the Diluculo portfolio and are already entrenched in Indluplace where they manage a considerable portion of the fund's current portfolio.

Evan Robins
Listed property manager of Old Mutual Investment Group's MacroSolutions

Carel de Wit
CEO of Indluplace

The Diluculo property Willowbrook in Centurion is in the same secure estate as Summer Place, where Indluplace holds 60 units.

INDLUPLACE PORTFOLIO



SOURCE: Indluplace

Providing affordable, value-for-money rental accommodation

Giving renters from lower and middle-income earning households what they need by providing affordable, secure and well-maintained accommodation is not a space that many listed property funds play in.

Yet those bold enough to venture into this space are not only providing an essential need, but also revitalising inner cities as Indluplace is doing by being actively involved in several inner-city improvement area initiatives to provide safe, clean and vibrant living spaces.

While the bulk of the specialised fund's portfolio is primarily comprised of Gauteng properties, the portfolio is diverse in location, building type and unit type.

Indluplace's average rental of around R4 000 a month targets households earning between R12 000 and R15 000 a month. Rentals range from R1 285 a month for a room to R5 228 a month for a three-bedroom apartment, its top-end rentals around R7 500 a month for its townhouses in eMalahleni. While not a focus for the fund, student accommodation constitutes around 9% of revenue.

Investors and analysts alike have worried that potential returns may be outweighed by the risks often associated with this market, like that of tenant delinquencies.

Ironically, the reverse is true, says De Wit.

"In this market, people pay very well. Bad debts are almost non-existent, around half a percent of the portfolio, and we have never had to evict a tenant."

Other risks that perhaps drew a lukewarm response to the asset class were the small size of the fund, and the management-intensive nature of the residential sector.

But as Indluplace proves, well-managed, well-maintained and secure properties reduce risk and investors are now warming to the asset class. "We outsource our property management to specialists in their field, like Mafadi, which manages around 68% of the portfolio," says financial director Terry Kaplan.

Indluplace's inner-city buildings boast fully equipped maintenance departments, 24-hour security, fingerprint or security card access, as well as prepaid electricity. Some buildings even have waiting lists.

Globally, as a listed investment, the residential sector is an important part of the market, so having access to this sector is beneficial for investors, says Evan Robins, listed property manager of Old Mutual Investment Group's MacroSolutions.

"For investors interested in the residential sector, it is far better to be in a listed company than doing it as a buy-to-let yourself. You get a better return and diversification. With the change in scale, Indluplace is certainly a better bet for individual investors," he tells *finweek*. ■

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Gallo Images/iStock/Supplied

market place

THIS WEEK:

FUND IN FOCUS: NEDGROUP INVESTMENTS FINANCIALS FUND

By Niel Joubert

Consistent top performer

The fund is for investors who require specific exposure to financial sector shares as part of their overall investment strategy, with maximum capital appreciation as their primary goal over the long term.

FUND INFORMATION:

Benchmark:	Asisa Category Average
Fund manager:	Denker Capital
Fund classification:	South African – Equity – Financial
Total expense ratio:	1.94%
Fund size:	R501m
Minimum lump sum / monthly debit order:	R10 000 / R500
Contact details:	0860 123 263 or info@nedgroupinvestments.co.za

**Denker Capital is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No 47075).*

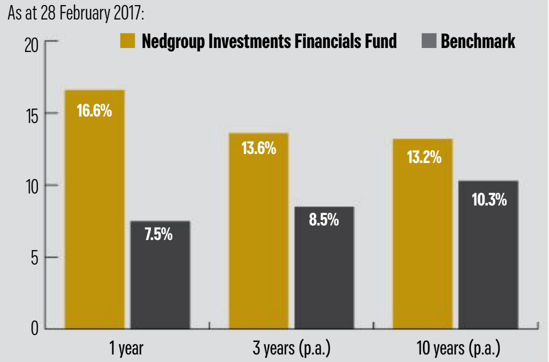
TOP 10 EQUITY HOLDINGS

As at 28 February 2017:

1	Old Mutual plc	9.5%
2	FirstRand	9%
3	Standard Bank Group	8.1%
4	Sanlam	7.6%
5	JSE	7%
6	Sasfin	6.1%
7	PSG Group	5.8%
8	Investec	5.7%
9	Nedbank Group	4.5%
10	Investec plc	2.7%
	TOTAL	**66%**

PERFORMANCE (ANNUALISED AFTER FEES)

As at 28 February 2017:



Fund manager insights:

2016 was eventful for markets and 2017 promises to be the same, while in South Africa things seem to be going from bad to worse. What investors need to remember, says Denker Capital, which manages the fund, is that bad news headlines are often already priced in by the time the average investor reads them, that good companies can and do overcome bad environments, and investors shouldn't let their emotions play a role.

"We don't ignore current events but focus on the tide, not the waves," Denker Capital's Kokkie Kooyman says. "2017 will be tumultuous, but we have been hard at work identifying companies with excellent track records that are mispriced."

According to Kooyman, valuations of financial companies globally remain attractive, which means the probability is high that they'll surprise positively in 2017.

There are two aspects to the investment philosophy of the fund. First, the Nedgroup Investments Best of Breed investment approach, and Denker Capital's investment philosophy as the appointed manager.

The Best of Breed investment approach entails carefully and independently selecting a range of "exceptional external managers to partner with us and manage funds on behalf of our investors". Nedgroup has been applying and refining this process for the past decade to deliver good long-term performance for their investors.

Denker Capital's investment philosophy is anchored by the belief that the price at which investment securities trade on markets often diverges from the true long-term value of the underlying asset.

This happens when market participants become either too optimistic or too pessimistic about the prospects of the asset. Denker Capital aims to exploit the opportunities offered as a result of this behaviour to achieve superior long-term investment returns through the dispassionate application of a well-founded and disciplined investment process. They will therefore be attracted to assets when they are out of favour with the majority of other market participants and disinclined toward them when they are fashionable.

Being disciplined in the application of this philosophy means that the portfolio will inevitably contain many exposures that differ markedly from their respective benchmarks and the ruling consensus opinion.

This will likewise inevitably result in investment performance that for periods could be different to that of the benchmark and peer group. This is an unavoidable condition for the achievement of Denker Capital's goal of long-term outperformance.

Why *finweek* would consider adding it:

The fund manager and team have a proven long-term track record of consistently being one of the top-performing financials funds in SA and have won numerous Raging Bulls and other awards.

At the Raging Bull Awards in January the fund received a certificate for the Best South African Equity Financial Fund. ■

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By Moxima Gama

PALLINGHURST

Saddling up again

The natural resources investment company says its three business platforms are all well-positioned for growth and value-unlock for shareholders might not be far off.

Pallinghurst reported a net profit of $44.57m for the year to end December, up from a loss of $149.1m in 2015.

Pallinghurst Resources is a natural resources investment company whose strategy is to hold investments, often minority stakes, primarily in the natural resources sector. Its current portfolio includes exposure to platinum group metals (PGMs), steelmaking materials and coloured gemstones.

Chaired by Brian Gilbertson, one of the masterminds behind the formation of BHP Billiton, it sees itself as a private equity firm with a main focus on "underperforming assets and businesses that lack direction, are poorly managed, stranded or distressed". Billionaire businessman Christo Wiese is a major shareholder.

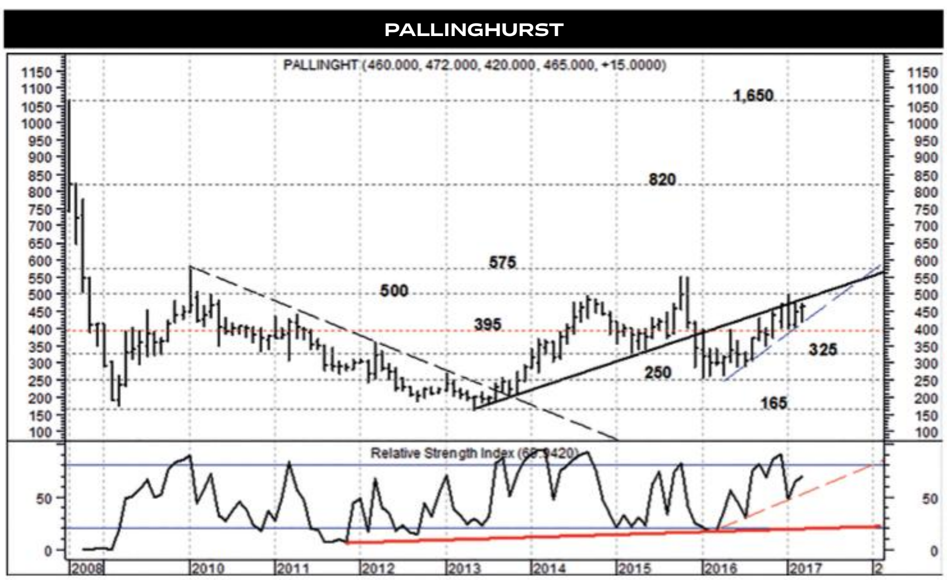
Pallinghurst has interests in Sedibelo Platinum Mines, which has been under pressure due to low platinum prices; Tshipi Borwa manganese mine in the Northern Cape, which had a record year thanks to the increase in the manganese price in the second half of 2016; and a stake in Gemfields, which reported record revenues in its 2016 financial year. Over the past few years, Gemfields have made "tangible strides" towards its stated aim of becoming the "De Beers for coloured gemstones", and is now the world's largest emerald and ruby producer, Gilbertson said in the results.

Arne Frandsen, chief executive, said the group's three business platforms are all "well-positioned for further growth and value-unlock" for shareholders. "Although the current market environment remains challenging, we continue to prepare the assets for eventual value realisation. When commodity prices and market sentiment recover further, each of our investments will be well-positioned to realise significant value for shareholders," Frandsen said in the latest results. A proposal to this end will "shortly" be presented to shareholders, Gilbertson said.

52-week range:	R2.66 - R5.00
Price/earnings ratio:	-
1-year total return:	33.85%
Market capitalisation:	-
Earnings per share:	-
Dividend yield:	-
Average volume over 30 days:	23 000
	SOURCE: IRESS

Pallinghurst's original plan in 2007 was five years of investing in its assets and five years of harvesting them.

Overall, Pallinghurst reported a net profit of $44.57m for the year to end December, up from a loss of $149.1m in 2015. Net asset value (NAV) per share increased 14% year-on-year to $0.48 at the end of December 2016. Historically, Pallinghurst has traded beneath its NAV per share. At the time of writing on 29 March, Pallinghurst was trading at R4.35 a share, significantly below its NAV per share of R6.28 at current exchange rates.



SOURCE: MetaStock Pro (Reuters)

Technical view:

After breaking out of its long-term bull trend in 2015 – the stock declined by 40% – Pallinghurst recovered the majority of its losses. However, upside is currently decelerating as Pallinghurst mutters over resuming its previous bull trend, which should revive upside momentum to the 2008 all-time high.

How to trade it:

Go long: Pallinghurst would return to its previous bull trend once it trades through the black bold trendline, or above 550c/share. With both the three-week and three-month relative strength index (RSI) remaining bullish, buying momentum should persist. Increase positions above 575c/share, as the next resistance would be at 820c/share. Above that level, the 1 065c/share all-time high should be tested. This is a medium- to long-term call. A move above 550c/share would present a very good buying opportunity.

Go short: A reversal below 395c/share would mark defeat – go short. Downside through 325c/share would end the current uptrend and downside to 250c/share would follow. ■

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Moxima Gama has been rated as one of the top five technical analysts in South Africa. She has been a technical analyst for 10 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the research team in the Treasury division of CIB.

ANCHOR CAPITAL

BUY SELL HOLD

Changing to a lower gear

It has been a tough year for the Anchor share price, having traded at 1 590c in April last year only to collapse down to 580c in February this year. It was up to 770c by the end of March. The results for the year to end December were not as great as we've come to expect during Anchor's short life as a listed company, but the growth had to slow at some point and it has, with headline earnings per share (HEPS) up only 8%, while the dividend increased 18.5%.

Asset management is all about fees earned. Therefore assets under management (AUM) and the performance of the funds are what matter to earn performance fees that markedly add to the bottom line. In the case of Anchor, its funds are not doing as great as when the company started out, and AUM growth has slowed.

After current earnings, the company is on a historic price-to-earnings ratio (P/E) of some 11.4 times and a dividend yield of 4.3%. If Anchor can get growth up to 20% in the year ahead, it will be on a P/E of below 10 times and offering value.

So, for now a hold, and a buy on weakness if they drop down to around 600c. ■

By Simon Brown

Last trade ideas

BUY NFEMOM
30 March issue

BUY SARB
23 March issue

BUY MTN
16 March issue

BUY Shoprite
9 March issue

BRITISH AMERICAN TOBACCO

BUY SELL HOLD

Creating the world's largest tobacco company

Despite increasing regulatory pressure from governments around the world, tobacco stocks are still popular as a defensive investment.

British American Tobacco (BAT) says despite overall cigarette volume continuing to decline year-on-year at a global level, the value of the cigarette market continues to grow. The global tobacco market is worth an estimated $770bn, with cigarettes making up about $700bn of the overall market.

However, BAT's latest annual report shows an industry fighting battles on various fronts. If it's not government courts looking to ban the product completely, it's the race to grab market share in vapes, heated tobacco, or whatever product will become the mechanism of choice to deliver nicotine to consumers.

Reynolds American is the second-biggest tobacco company in the US with cigarette brands like Camel and Pall Mall.

In January, BAT, whose brands include Lucky Strike and Dunhill, agreed to buy the nearly 58% of Reynolds American it did not yet own for $49.4bn. The transaction is expected to close in the third quarter of 2017, and will create the world's largest listed tobacco company by sales, ft.com reported.

Reynolds American is the second-biggest tobacco company in the US with cigarette brands like Camel and Pall Mall.

BAT estimated that it can deliver annual cost savings of at least $400m within three years of the deal, ft.com said.

How to trade it: BAT has been in a bear trend, a correction within its primary bull trend, since August 2016.

After retaining support at 72 820c/share, BAT has been forming rising bottoms and is currently testing the resistance trendline of its short-term bear trend. A move above 85 300c/share would confirm a positive breakout with potential upside to 94 100c/share and then 98 740c/share. Buy at any level above 85 300c/share with a fair stop-loss. Alternatively, if BAT should fail to trade above that level, a reversal below 72 820c/share would be a bearish move that could send BAT to 63 000c/share. ■

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By Moxima Gama

Last trade ideas

BUY Lonmin
30 March issue

SELL Remgro
23 March issue

HOLD Exxaro Resources
16 March issue

HOLD Discovery
9 March issue

The global tobacco market is worth an estimated

$770bn,

with cigarettes making up about $700bn of the overall market.

Gallo Images/Getty Images/Reuters

By Simon Brown

Simon's stock tips

Founder and director of investment website JustOneLap.com, Simon Brown, is *finweek*'s resident expert on the stock markets. In this column he provides insight into the week's main market news.

CAPITEC

Deal has potential

Capitec* announced that it's taking a 40% stake in online lender Creamfinance for an initial amount of around R280m, with the right to increase the stake to 49% in time. Creamfinance operates in Poland, Latvia, Georgia, Czech Republic, Mexico and Denmark with a low-cost lending model very similar to Capitec's, except it is all done online. Importantly, risk management and the like seem to be a very good fit. For me the issue is the minority stake. Sure, this is a small deal for Capitec and it is testing the waters, but ultimately you need to be the majority shareholder otherwise you have no real control. So, for now a small but interesting deal that will make a very modest difference, but certainly has potential over time.

CAPITAL & COUNTIES PROPERTIES

Less frequent updates make sense

Capital & Counties Properties (Capco) has announced that it will no longer be doing quarterly updates, but only bi-annual with results. Many have bemoaned this but I think it makes sense. As a long-term investor, how much changes quarterly, especially in listed property? I always worry that short reporting periods (especially quarterly reporting as we see in the US) could lead to overly short-term managing by listed companies with no real benefit to shareholders.

MASTER DRILLING

Slight improvement, for now

Master Drilling saw headline earnings per share (HEPS) in US dollars up only 3.6% and this shows that while miners are benefitting from improved commodity prices, they are not rushing out to sink new shafts. This has two implications. First, it means no new supply is coming on stream and this is good news as it means prices will have a better base, albeit that base is likely lower than current prices. Second, it suggests miners are not convinced by the higher commodity prices; a circular argument in a sense. Both point to commodity prices having run ahead of themselves but with better longer-term prospects and a slim chance of the absolute price collapses we've seen in recent years before the current rally.

The currency could even go below R11/$ over the next few years.

ADVTECH

Winner in the sector

ADvTECH results show education remains a solid space to be operating in, with tertiary the real winner for the company. I wonder if the company will go the Curro route and list tertiary separately, and in time dispose of resourcing, which has had a very tough number of years. It isn't core to its business or profits, adding only some 3.3% to operating profits. Further, with Pembury listing and Curro splitting, we now have a decent education sector on the JSE after years of ADvTECH being the only player. This is great news for investors for several reasons. First, it gives choice, but it also gives easier comparisons as we can compare like for like. My preferred choice here would be ADvTECH as it is offering dividends and growth. While Curro is growing faster, it has a much higher valuation and one gets the feeling that another rights issue is always potentially just around the corner. Pembury is very small and seems opportunistic and I did not apply for any shares.

RAND

Stronger rand shouldn't be concern

The rand has been strengthening against major currencies until recent events sent it back to R13/$ after trading at R12.30/$. Politics aside, I expect the local currency to strengthen even more over the next year or two. It won't happen in a straight line and sub R12/$ is likely. The currency could even go below R11/$ over the next few years. We've seen this before and it should be no reason to panic. Sure, we'll see some weakness in rand earnings of several stocks earning in other major currencies. The risk here is politics. But if political shenanigans remain at a mimimum, more rand strength is the likely outcome. For those concerned about a weaker rand the exchange-traded note NEWUSD is the perfect hedge for weakness. (Also see the cover story on page 26.) ■

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**The writer owns shares in Capitec.*

Image supplied/masterdrilling.com

By Simon Brown

ESG INVESTING

Why you should invest in ethical companies

Just because a company complies with environmental, social and governance standards doesn't mean it isn't also profitable. In addition, investors who put their money into such stocks boost the sustainability of the planet and uplift its inhabitants.

With the South African Social Security Agency (Sassa) and Cash Paymaster Services (owned by JSE- and Nasdaq-listed Net1) in the news for all the wrong reasons, several people have stated that they would never invest in Net1 because of its business model and alleged lack of ethics when dealing with social grant recipients. This is a nice gesture, but it is lacking in substance.

Net1 is the easy target for any investor claiming to only want to invest in ethical companies, but surely we need to take it further than just this one company? Cigarettes kill, this is an undisputed fact, yet we have British American Tobacco (BAT) listed on the JSE and with a market cap of over R1.6tr, it is one of the largest JSE stocks. Why does that company get a free pass when Net1 is being pilloried? Surely we should have equal standards?

Investing is about profits and, truth be told, most investors care very little about the actual source of those profits. They just want profits – the higher the better – ethics be dammed.

Yet there is a growing movement for socially responsible investing (SRI), or environmental, social and (corporate) governance (ESG) investing as it is becoming known by the public. Yet when it is brought up (which is very seldom), it generally gets shot down as namby-pamby greenie stuff that is not at all serious.

But the Net1 issue shows that we do care, we just seem to only care at certain times, or when it suits us. For example, very few people are invested in Net1 (unless you hold Allan Gray products in which case you likely hold a small slice of Net1), so it is easy to vilify the company and take the moral high ground. And it already seems like we have moved on from Net1 – the court case is over and it's as if the investors no longer care about what the company did.

Very few people are invested in

Net1

(unless you hold Allan Gray products in which case you likely hold a small slice of Net1), so it is easy to vilify the company and take the moral high ground.

However, we have just one planet and we get only one life on it, and we need to care not only about the Earth but also the other people we inhabit it with.

Further, if we are long-term investors, the long-term sustainability of the companies and sectors we invest in is critical to our investments and ESG is a large part of that sustainability.

Locally we have one exchange-traded fund (ETF) in this space with the CGREEN from CoreShares. But this ETF only focuses on environmental issues as defined by the "United Nations register of Clean Development Mechanism projects in South Africa and the Carbon Disclosure Project database". A nice start, but this leaves out social and corporate governance issues.

So, here's the challenge both to myself and you the reader. Let's start being more focused on ESG issues when we invest. Importantly, let's look for companies that not only truly embrace ESG but also offer great investment potential.

Locally (and most likely globally), most of ESG is just statements without any real fact. Claims about caring for staff and the environment and to support proper corporate governance are great but they're not always backed up with any evidence. It's too easy to claim ESG but not follow the King Commission's corporate governance guidelines. Far too many companies pay staff ridiculously low wages and treat ESG as something they pretend to care about but don't.

A last point is that many will claim that supporting ESG hurts a company's profitability. This is not true and many papers have been published showing that ESG-compliant companies (or funds that invest only in high ESG stocks) do better than their peers. So, we can get better returns, a better planet and happier people. Who wouldn't embrace that? ■

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Cigarettes kill, this is an undisputed fact, yet we have British American Tobacco listed on the JSE and with a market cap of over R1.6tr it is one of the largest JSE stocks.

Gallo Getty Images/iStock Images

By Shaun Murison

STEINHOFF INTERNATIONAL

Still boasting double-digit revenue growth

Two of Steinhoff International's three retail divisions have been performing well, while its enlarged footprint in the US also bodes well for the future.

Steinhoff International, the Frankfurt- and JSE-listed vertically integrated retail giant, continues to prove the resilience of the group's value retail offering as it maintains double-digit revenue growth even without the inclusion of new acquisitions Poundland and Mattress Firm.

The group operates across three broad integrated retail divisions, namely: Household Goods, General Merchandise and Automotive Dealerships.

Household Goods

The Household Goods segment comprises of the furniture and homeware retail businesses. It is the largest division of Steinhoff's operations, accounting for around 61% of group revenue.

The newly acquired Mattress Firm, the largest speciality mattress retailer in the US, has drawn both concern and excitement in terms of the opportunity and risk associated. The revenue contribution from this new inclusion to the Steinhoff stable already accounts for 23% of the Household Goods division's total revenue. The acquisition has provided Steinhoff with a significant footprint into the largest economy in the world, with 3 505 retail outlets and around 1.7m square metres of floor space, providing further opportunity for future product synergies.

Concerns have been raised regarding Mattress Firm's termination of the Tempur Sealy supply agreement, which represented roughly 40% of Mattress Firm's sales in 2016. However, concerns may be somewhat tempered by the news that Serta Simmons has available capacity to fulfil Mattress Firm's supply requirements.

Mattress Firm and Serta have also announced that they would co-invest $100m over the next 18 months in advertising to push the "replacement" product.

Europe remains the most meaningful geographic area for revenue in the Household Goods division, accounting for around 60% thereof. The Conforama group, Europe's second-largest home furnishings retail chain, maintains its position as one of the leading retailers in France and Switzerland, while also still growing significantly (at double-digit rates) in Portugal, Spain, Croatia and Serbia.

The European Retail Management business (ERM) is performing well in Germany and the Eastern European territories, which remain opportunities for growth.

General Merchandise

The General Merchandise division focuses on clothing and footwear, accessories and homeware, and accounts for around 33% of group revenue. Revenues here are more or less evenly split between Europe (including the UK) and Africa (45% and 44% contributions respectively), with a smaller contribution coming from Australasia (11%).

The European operations have been performing well, particularly the Eastern European divisions led by Hungary and Romania. The addition of Poundland to the UK operations, besides adding a meaningful amount of revenue and product diversity to the business, allows Steinhoff to further scale into the UK retail value and discount market in synergies with Steinhoff's Pep&Co group's in-store roll-out.

The South African operations have been consistently good for the company with revenue and operating profit having remained consistent in producing double-digit growth for the last 17 years in a row. The recent acquisition of Tekkie Town is expected to further supply chain benefits and increase buying power in the footwear division of the company.

Automotive Dealerships

The Automotive Dealerships division in Southern Africa is perhaps the more underwhelming side of the business at present, currently achieving only minimal growth (4% like-for-like in the first quarter of 2017), although it does only account for around 6% of total group revenue. The division is linked to vehicle sales growth, particularly that of new vehicles which is expected to remain under pressure in the short to medium term.

Investment case

Steinhoff's widening geographical footprint provides what appears to be favourable currency diversity at present. Recent acquisitions should provide the group with future cost efficiencies and further outlets for growth and retail synergies. The group maintains leading retail positions across Europe, Africa and the US, while still considering organic and acquisitive growth opportunities.

Conservative valuations suggest the Steinhoff 12-month target price to be around R71.88 per share, with the mean of rated analyst estimates at around R85 per share. Trading on a relatively unaggressive price-to-earnings multiple of 12 times while offering a historical dividend yield of nearly 3%, Steinhoff might be one to tuck away in the bottom drawer, waiting for the value to be unlocked. ■

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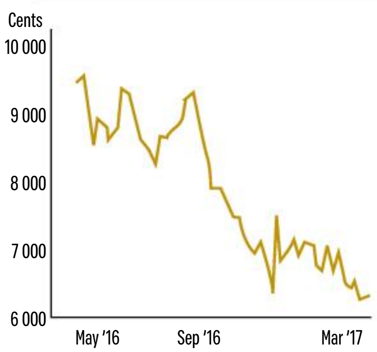
Shaun Murison is a market analyst at IG.

STEINHOFF



52-week range:	R61.71 - R96.94
Price/earnings ratio:	-
1-year total return:	-31.18%
Market capitalisation:	R277.13bn
Earnings per share:	-
Dividend yield:	0.64%
Average volume over 30 days:	18 795 511

SOURCE: IRESS

By Schalk Louw

FUNDAMENTALS

Following a focused investment strategy in 2017

Which companies and sectors are likely to benefit from the current environment?

The fact that the FTSE/JSE All Share Index (Alsi) barely delivered any returns in the last two years shows us that, when it comes to managing a personal share portfolio, it's often wise to stick to specific themes.

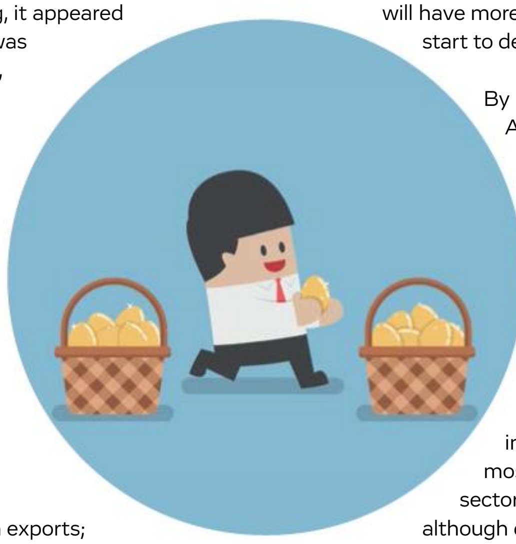
The easiest way to do this is to manage your share portfolio in the same way you would put together a puzzle. If you assemble a 1 000-piece puzzle by simply forcing pieces together, irrespective of whether they fit where you place them, you may end up with something that might make Picasso proud, but would definitely be considered a failed attempt when you consider the true purpose of a puzzle.

The same principle applies to constructing your personal share portfolio. You can identify a few shares that you like and randomly buy them as you please, and in the process run the risk of ending up with a diversified portfolio that is completely unfocused.

You can identify a few shares that you like and randomly buy them as you please, and in the process run the risk of ending up with a diversified portfolio that is completely unfocused.

When I talk about investing in themes, I'm referring to two things: Analysing your current environment and the focused purchases that will benefit from it.

Let's use 2017 as an example. The year started with a strengthening in the rand. Although we ended 2016 with local inflation levels at 6.8%, which is much higher than the 4% to 6% range the Reserve Bank is targeting, it appeared as though inflation reached its peak and was ready to start its decline. In the meantime, GDP figures showed that the economy had contracted by 0.3% in the fourth quarter of 2016. This meant that on an economic level, we simply didn't grow fast enough and with inflation (along with further strengthening in the rand) now becoming less of a problem on a monthly basis, the probability of a drop in local interest rates is becoming more likely. A thematic investor would use this opportunity to structure their portfolio accordingly.



Gallo Images/iStock

Companies that should benefit from this environment are institutions:

- Whose income is not fully dependent on exports;
- Whose income grows while experiencing a decrease in expenses as interest rates decrease;
- That adjust prices upwards as inflation rises, but keep prices unchanged when it falls; and/or
- Whose production depends on imports (i.e. lower input costs).

Certain sectors stand out when taking the above into consideration:

- The banking sector, which came under severe pressure in 2015 (down by 13%), has since made a strong comeback thanks to the strengthening of the rand. Before new rumours about the axing of finance minister Pravin Gordhan started swirling on 27 March, hurting bank stocks, the index was up by 27% since the end of 2015.
- Food inflation lost some speed along with overall inflation as from the end of last year, in part thanks to the strengthening of the rand. Food producers' input costs should also decline, which will have a positive effect on the profit margins of companies like Pioneer Foods, Tiger Brands and Zeder.
- With the expectation that interest rates will drop, the interest rate relief should also benefit the retail sector. When we take a look at companies like Truworths, Massmart and TFG, it becomes clear that they have already started to respond positively.
- The building and construction sector should also benefit from companies and individuals who will have more disposable income once interest rates start to decline.

By looking at the companies listed on the Alsi that have performed the best so far this year, you will see that investors who focused on the abovementioned themes have had a very good year so far. Of the top 20 shares that delivered the best returns for 2017, most companies could be found in the banking sector, building and construction sector, retail sector and food producing sector, boasting an average return of 34% for 2017.

I doubt that these themes will change in the short term and I do believe that the most relative value can still be found in these sectors. In short, my message this week is that although diversification lowers your investment risk, it doesn't mean that your portfolio composition necessarily has to end there. ■

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Schalk Louw is a portfolio manager at PSG Wealth.

By Devin Shutte

RISK TOLERANCE

Are you a rational investor?

Most people are more afraid of losing, even if what they could gain exceeds what they currently possess.

How we manage our money can often differ significantly from how traditional finance prescribes. The reality is that most of us struggle to conform to the requirements to act as rational economic men.

Traditional finance assumes that individuals are risk-averse, have perfect information, and focus on maximising their personal utility. Behavioural finance will analyse how individuals behave and make financial decisions.

Risk is a central concept to investing, and how we handle risk is a major determinant of our approach to investing. Investors' risk tolerance can range from risk-averse, to risk-neutral, to risk-seeking.

Let me illustrate by way of an example from FinaMetrica:

You are considering what you would pay for an investment that would return either R10 000 or R20 000 in a year's time.

Risk-averse	Risk-Neutral	Risk-seeking
Less than R15 000	R15 000	Greater than R15 000

EXPLANATION: As this investment would pay back on average R15 000, a risk-averse investor would place more importance on a potential loss than the potential gain in investment. Accordingly then, the investor would pay less than the expected payoff of R15 000. However, a risk-seeking investor places more importance on the potential rise in the investment than the potential loss, hence they would be willing to pay more than the R15 000.

Understanding your risk profile as an investor is a central step in determining your optimal level of investment risk, and then what type of investment is best suited to you based on this. There are three components to consider:

Risk required: The risk associated with the return required to achieve your goals from the financial resources available;

Risk capacity: The level of financial risk you can afford to take; and

Risk tolerance: The level of risk you are comfortable with.

Our risk tolerance will dictate our comfort with various levels of risk. Naturally a low risk tolerance will produce risk-averse behaviour in an investor. Humans naturally find loss painful. As a result, the pain of a loss (or a potential loss) can prevent us from taking on a calculated risk, even when the rewards are potentially significant.

Generally, we as investors hate losing money much more than we enjoy winning. Compare how happy you would be with a 10% return on your portfolio versus a 10% loss? However, the behaviour of averting loss can lead to averting gains, an often unintended and punitive consequence.

Let's look at an example to illustrate:

By trying to avoid loss and investing in lower risk investments, the "cost" of this safety is often under-appreciated. If an investor had R100 to invest for five years, using historic data, the amount would have grown by the following:

Inflation	R131
Money market	R135
Bonds	R148
Shares	R180

By attempting to avoid losses and moving into safer investments, investors run the risk of paying for this safety with negative real returns (returns after inflation).

However, investors do not always handle risk in a uniform manner. Empirical studies have shown that most investors are risk-averse when presented with gains, and risk seekers when confronted with likely losses. Many people simultaneously purchase low-payoff, low-risk insurance policies (risk-averse behaviour), and low-probability, high-payoff lottery tickets (risk-seeking behaviour).

Let me illustrate by way of two examples:

Would you invest in an opportunity that has two equally possible outcomes:
Make R10 000 or lose R7 000. Although the expected payoff is actually R1 500 profit, the majority of investors would not take the opportunity. [Both outcomes has an equal probability of occuring (+R10 000 or -R7 000). The average expected return will therefore be (R10 000-R7 000)/2 = R1 500.]

As another example, an investor was offered a choice of a guaranteed loss of R600, or a 50/50 chance of making R600 *or* losing R2 000. Investors exhibit risk-seeking behaviour here and go for the 50/50, which is a payoff of R700 and worse than the sure loss of R600.

We also see evidence of this innate risk aversion in the way investors handle profitable as well as losing investments. Investors have an aversion to realisation of losses (selling assets that are below their purchase price). In what is termed the Disposition Effect, investors tend to sell shares whose price has increased early, and keeping investments whose value has dropped.

The tendency for investors to realise gains but their reluctance to realise losses is considered irrational behaviour, as decisions to sell and hold should depend on the perceived future value of a security, not the purchase price.

It is evident that most investors are not rational economic men. Our psychology, brain chemistry and emotions all contribute to our decision-making, creating biases that can cause our decision-making to become irrational. However, awareness of these biases will help to resist or overcome them. Now where's that lottery ticket? ■

Understanding your risk profile as an investor is a central step in determining your optimal level of investment risk, and then what type of investment is best suited to you based on this.

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Devin Shutte is the head of investments at The Robert Group, a private wealth management company.

DIRECTORS' DEALINGS

COMPANY	DIRECTOR	DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
A V I	S Naidoo	6 March	Exercise Options	15,794	3229	509,988	29 March
A V I	S Naidoo	6 March	Sell	15,794	9830	1,552,550	29 March
ACCELERATE	A Costa	14 March	Sell	89,189	677	603,809	29 March
ALVIVA	CJ Brunsden	15 March	Sell	62,908	2232	1,404,106	29 March
ARGENT	TR Hendry	14 March	Purchase	2,000	460	9,200	29 March
ASCENDIS	KS Pather	10 March	Purchase	10,000	2393	239,300	29 March
ATTACQ	LLS van der Watt	14 March	Sell	2,000,000	1767	35,340,000	29 March
BARLOWORLD	PJ Blackbeard	7 March	Sell	25,000	12320	3,080,000	29 March
BRAIT	CS Seabrooke	3 March	Purchase	41,523	7488	3,109,242	29 March
CAPITAL & REG	T Hales	10 March	Purchase	100,000	_60	_60,000	29 March
CAPITAL & REG	H Scott-Barrett	9 March	Purchase	158,174	_59	_93,322	29 March
CAPITAL & REG	H Scott-Barrett	9 March	Sell	125,000	_59	_73,750	29 March
ELB GROUP	CJ Smith	14 March	Purchase	5,100	2270	115,770	29 March
FORTRESS-A	MW Stevens	16 March	Sell	1,500,000	1796	26,940,000	29 March
GOLD FIELDS	NJ Holland	2 March	Purchase	77,795	4099	3,188,817	29 March
GOLD FIELDS	NJ Holland	7 March	Purchase	330,822	4158	13,755,578	29 March
GROWTHPOINT	AL Davis	6 March	Sell	16,914	2685	454,140	29 March
GROWTHPOINT	SA le Roux	7 March	Sell	110,390	2701	2,981,633	29 March
INVICTA	DI Samuels	6 March	Sell	1,246	6400	79,744	29 March
INVICTA	DI Samuels	6 March	Sell	2,339	6400	149,696	29 March
INVICTA	DI Samuels	13 March	Sell	7,694	6350	488,569	29 March
INVICTA	DI Samuels	13 March	Sell	14,506	6350	921,131	29 March
KUMBA IRON ORE	T Mkhwanazi	16 March	Exercise Options	5,205	21179	1,102,366	29 March
KUMBA IRON ORE	T Mkhwanazi	16 March	Exercise Options	2,082	21179	440,946	29 March
MR PRICE	J Cheadle	9 March	Exercise Options	8,012	16362	1,310,923	29 March
MTN GROUP	G Motsa	9 March	Exercise Options	66,500	12022	7,994,630	29 March
NASPERS	MR Sorour	8 March	Purchase	117	214299	250,729	29 March
NEDBANK	MWT Brown	15 March	Exercise Options	58,197	24915	14,499,782	29 March
NEDBANK	TSB Jali	15 March	Exercise Options	11,198	24915	2,789,981	29 March
NEDBANK	TSB Jali	15 March	Exercise Options	7,465	24915	1,859,904	29 March
NEDBANK	RK Morathi	15 March	Exercise Options	32,109	24915	7,999,957	29 March
NEDBANK	MC Nkuhlu	15 March	Exercise Options	37,126	24915	9,249,942	29 March
NORTHAM	AZ Khumalo	3 March	Exercise Options	64,950	5491	3,566,404	29 March
NORTHAM	L van Schalkwyk	7 March	Purchase	52,374	5296	2,773,727	29 March
RHODES	WP Hanekom	13 March	Purchase	50,000	2597	1,298,500	29 March
RHODES	WP Hanekom	13 March	Purchase	5,000	2597	129,850	29 March
SAFARI	K Pashiou	14 March	Sell	84,272	710	598,331	29 March
SAFARI	K Pashiou	14 March	Sell	11,507	719	82,735	29 March
SANLAM	AD Botha	15 March	Sell	270,000	6956	18,781,200	29 March
SAPPI	PB McGrady	14 March	Sell	11,250	8650	973,125	29 March
SEPHAKU	L Mohuba	13 March	Sell	900,000	300	2,700,000	29 March
SEPHAKU	L Mohuba	13 March	Sell	100,000	300	300,000	29 March
SPUR CORP	KA Madders	13 March	Sell	779,372	3400	26,498,648	29 March
TFG	M Maritz	15 March	Sell	2,059	16641	342,638	29 March
TRANSPACO	SI Jacobson	10 March	Sell	150	3000	4,500	29 March
TRUWORTHS	D Dare	14 March	Sell	2,283	8839	201,794	29 March
TRUWORTHS	S Furlong	14 March	Sell	423	8839	37,388	29 March
TRUWORTHS	MS Mark	14 March	Sell	30,332	8839	2,681,045	29 March
TRUWORTHS	DB Pfaff	14 March	Sell	909	8839	80,346	29 March
TRUWORTHS	S Proudfoot	14 March	Sell	4,601	8839	406,682	29 March
WBHO	EA Mashishi	10 March	Sell	2,335	14988	349,969	29 March
WESCOAL	T Tshithavhane	6 March	Purchase	19,800	255	50,490	29 March
WESCOAL	AL van der Walt	6 March	Purchase	200,000	253	506,000	29 March
WOOLIES	SN Susman	14 March	Sell	7,952	7255	576,917	29 March
WOOLIES	SN Susman	16 March	Sell	92,048	7260	6,682,684	29 March

All data as at 14:00 on 29 March 2017. Supplied by IRESS.

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (c)	CHANGE (%)
BEST		
Tawana Resources	265	43.24
Accentuate	90	38.46
WG Wearne	8	33.33
Imbalie Beauty	15	25.0
African Dawn	85	21.43
WORST		
Nutrition	1	-50.0
Oakbay	1037	-33.1
Rockwell	40	-32.2
Eastplats	375	-27.18
Vunani	180	-21.74

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	52 309.22	0.41
JSE FINANCIAL 15	15 233.24	-1.72
JSE INDUSTRIAL 25	68 443.39	1.28
JSE SA LISTED PROPERTY	638.73	-1.59
JSE SA RESOURCES	17 877.31	1.25
JSE TOP 40	45 215.35	0.8
CAC 40	504 620	1.03
DAXX	1 214 942	2.06
FTSE 100	734 342	0.26
HANG SENG	2 434 587	0.1
NASDAQ COMPOSITE	587 513	0.92
NIKKEI 225	1 920 287	0.85

*Percentage reflects the week-on-week change.

DIVIDEND RANKING

SHARE	F'CAST DPS (C)	F'CAST DY (%)
TEXTON	105	12
EMIRA	143	10.1
REBOSIS	125	9.9
RI PLC	56	9.8
ACCPROP	58	8.5
REDEFINE	92	8.2
SA CORPORATE	46	8.2
FORTRESS-A	136	8
KUMBA IRON ORE	1580	7.8
CORONATION	504	7.6


THE
OF AMERICA
UNITED STATES
FEDERAL RESERVE SYSTEM

By Marcia Klein

GUARDING AGAINST UNCERTAINTY

WHERE SHOULD YOU PUT YOUR MONEY?

The recent downward slump in the rand, which started when finance minister Pravin Gordhan was recalled from an investment roadshow overseas, is a stark reminder that the local currency is vulnerable and susceptible to any number of forces. So into which stocks and sectors should investors put their hard-earned cash?

As increasing offshore exposure is the name of the game for JSE-listed companies, the rand's direction is critical when it comes to picking investments.

The slump in the rand in the last week of March, following President Jacob Zuma's decision to recall finance minister Pravin Gordhan and his deputy Mcebisi Jonas from an international investor roadshow, was a timeous reminder that despite a prolonged period of rand strength, nothing is certain or stable when it comes to our currency.

It is generally acknowledged that after its escalation from testing R17 to the dollar at the start of 2016 to R12.30 prior to the end of March's slump, the rand was at more than fair value.

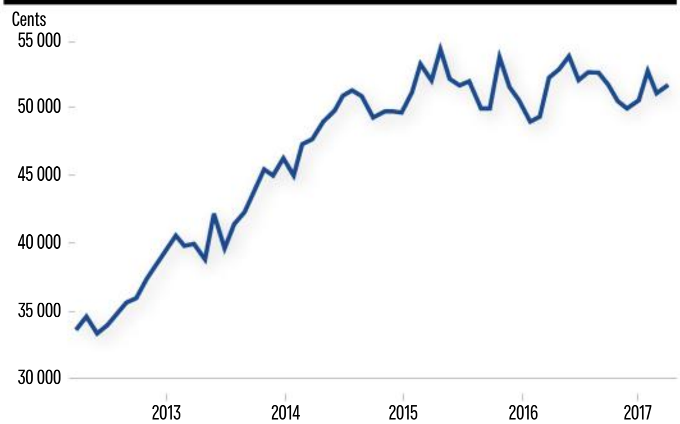
Sean Ashton
Chief investment officer at Anchor Capital

Sean Ashton, chief investment officer at Anchor Capital, says the purchasing power parity fair value of the rand is around R12.65, "so the risk at this point when positioning portfolios is of one becoming too bullish at the wrong point in the cycle".

Traditional rand hedge stocks have been relatively poor performers on the JSE over the past year as the rand continued to show strength. But a period of rand weakness could be around the corner.

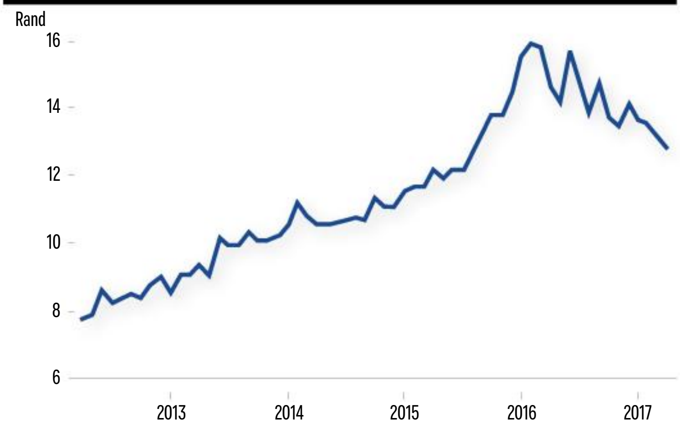
The big question is when. What is certain, according to a number of experts, is that investors should be turning their attention to rand hedges, and as Ashburton Investments senior portfolio manager Wayne McCurrie suggests, it may be advisable to stagger investment in rand hedge stocks over the next few months because it is impossible to predict the point at which the cycle turns.

FTSE/JSE ALL SHARE



SOURCE: IRESS

ZAR/$



SOURCE: IRESS

TO INVEST OR TO HANG ON TO CASH?

But with the bull market in the US officially marking its eighth birthday and expectations that this prolonged run is unsustainable, perhaps now is the time to sit on cash rather than invest in equities.

In South Africa, the FTSE/JSE All Share Index returned just 2.6% last year and share prices are expensive.

There is strong building evidence of a synchronised global growth uplift occurring, says Ashton. "This is the first time in at least five years we have seen synchronised global growth emerging. I agree the bull market is now quite old and one could expect corrections along the way, but valuations are not in bubble territory yet (they are not low either, admittedly) and many global corporates we talk to are talking about conditions for their businesses improving.

"When global bonds are still yielding 2.5% and probably have capital downside risk (with rising short rates), equities with a 5% earnings yield (i.e. a price-to-earnings ratio of 20 times) with an improving growth outlook look relatively attractive. Asset class attractiveness is all relative, and we would still prefer equities over bonds."

Vunani Wealth and Investments head of asset management Michele Santangelo says: "We are seeing a far more synchronised growth story with Europe and the US markets improving. China's economy is continuing to remain stable – we're no longer talking about China's hard landing – and India is improving along with a number of other emerging markets, so we're seeing a much better growth outlook across the globe.

"Locally, however, there are lots of headwinds, and South Africa remains one of the worst performers in the G20, even among emerging markets, with low growth and a subdued outlook."

McCurrie says market valuations "are not massively expensive" and SA's growth prospects are improving. It is not time to be overweight in equities, but there are certainly buying opportunities.

FOCUS ON RAND HEDGES

"Now is the time you should start looking at rand hedge exposure," says McCurrie, "but the rand may go above fair value. It could go stronger this year but will more than likely start to weaken next year."

He explains that this recent strength is not fuelled by a surge in demand for commodities, but driven by recovering commodity prices, which were unsustainably low a year ago. "It is not caused by a surge in demand but by a cut in supply, so there is no reason for prices to go much higher. There is not enough sustained demand growth to keep commodity prices – and the rand – higher."

This means investors should be looking at global rand hedges, but McCurrie warns that timing is the issue and there may be better buying opportunities later in the year. The best strategy is to spread your investment over the next months to take into account potential short-term volatility, he says, but "on a three year view you want money overseas at this level".

Ashton adds that "on a longer term basis, we think it makes sense to be starting to add more offshore exposure, but the timing is

Wayne McCurrie
Senior portfolio manager at Ashburton Investments

In South Africa, the FTSE/JSE All Share Index returned just

2.6%

last year and share prices are expensive.

Michele Santangelo
Head of asset management at Vunani Wealth and Investments

Investors should be looking at global rand hedges, but timing is the issue and there may be better buying opportunities later in the year. The best strategy is to spread your investment over the next months to take into account potential short-term volatility.

highly uncertain and the risk is that the rand could well strengthen further. We estimate purchasing power parity fair value (PPP) of around R12.65, but the rand has traded either side of PPPs at various levels for extended periods in history. The conditions right now may favour further strength – major political own goals [in South Africa] aside. We've tried to adopt a reasonably balanced approach to the rand positioning in our portfolios currently, far more so than 12 months ago."

Arthur Karas, senior portfolio manager at Old Mutual's MacroSolutions, says: "MacroSolutions would not base an investment case on a currency call. We run multi-asset class portfolios that always have global exposure."

He believes British American Tobacco (BAT), where profit growth is underpinned by its Reynolds acquisition and efficiencies, offers value. (Also see page 19.)

UK property stocks have taken a hit from Brexit, and while there may be more to come, UK property is cheaper than it was. While he is not necessarily putting a buy recommendation on them, he says both Intu and Capital & Counties (CapCo) have de-rated, so they are relatively cheaper.

He also mentions Bidcorp, which operates in a growing food service market that is still quite fragmented.

Santangelo says Sibanye is looking attractive based on its acquisition of Stillwater in the US and its globally diversified portfolio of assets.

"Naspers* is trading at a nice discount to NAV [net asset value] and has unique offshore exposure, including Mail.Ru and Tencent, which recently published a phenomenal set of results once again."

Vunani also likes Steinhoff. Its share price has eased on uncertainty over how its acquisitions will be bedded down and that it has recently had nothing in store in the way of new deals in the pipeline. "It is definitely an acquisitive business, so there should be nice opportunities going forward," he says.

Vunani is, however, avoiding Richemont. "It is a great business but the high-end market is not doing well, and it has a high valuation for mediocre growth at best."

Sibanye Gold's Driefontein operations

Arthur Karas
Senior portfolio manager at Old Mutual's MacroSolutions

SECTOR PICKS

Rand hedge stocks are not the only attractive options out there. In fact, there are some South Africa-focused investments that investors would do well to consider. "Education is still red hot at the moment," says Santangelo, with government's shortcomings playing into the hands of companies like Curro and ADvTECH.

"This is one sector which still has a good outlook, even though it is a specifically South Africa-focused sector. Even their tertiary businesses are going to do well."

He says food producers, emerging from the effects of a massive drought, will have a good year, specifically Pioneer, which has a quality portfolio of products.

McCurrie believes retailers look a bit overvalued: "We are a little cautious in our exposure there."

While some fund managers think the rebound in resources and mining has taken its course, Anchor Capital believes diversified miners, which "is not a historically favoured sector of ours," have a margin of safety despite their strong run – "given that corporates appear more disciplined with capex (which should keep supply relatively tight) and the equities are pricing in much lower commodity prices with spot P/E multiples well below consensus figures and in mid to high single digits."

Ashton says some commodity prices, like iron ore, have downside risk relative to levels required to incentivise new supply, but this appears more than priced in.

He says that selected clothing retailers' share prices "have begun to recover and we think earnings are at trough levels.

"While valuations are not rock-bottom, you can still find 5% dividend yields and if the rand remains this strong, we could see a cyclical up-lift in the SA consumer [...] there could be more upside here and we are overweight this sector."

Anchor Capital also likes Rand Merchant Investment's investment in Hastings plc, a direct-to-consumer short-term insurer that is gaining market share in the UK motor insurance market.

McCurrie says rand hedge shares, which are reasonably valued at the moment, have taken such a beating and may decline further if the rand strengthens. "But clearly they are good value and we are keeping our rand hedges.

"We like the banks and life assurers and are maintaining our neutral position in mining shares."

STOCK PICKS

Stocks that Anchor Capital has high exposure to currently include Naspers, which is trading at a 32% discount to the sum of its parts, in Ashton's assessment. "We think the discount will narrow from here and Tencent continues to deliver strongly." Anchor also has high exposure to Reinet and Steinhoff, which looks cheap at a forward P/E of 13.5. "A lot of bad news is in the price with respect to the Mattress Firm contract loss, but we think this will cost them 5% of earnings at most – probably less." (See page 22.)

Anchor has not owned MTN shares for years, but recently added it to its portfolio as the company's most recent results have taken all the bad news into account and "normalised earnings could grow off this base".

Ashton likes Bidcorp, with its strong market positions in global food service. "Margins are likely to rise from here, they are a market consolidator and we think they could prove to be a target themselves for a larger food services operator."

Anchor also has holdings in RMI Holdings and in Truworths and TFG in the retail sector.

McCurrie says that among the rand hedges, Ashburton is bullish on Mediclinic, where it expects a big turnaround in the Middle East. It also favours Steinhoff, which has made some good acquisitions and has good management, but is cautious on Richemont, which has had a price run, and neutral on AB InBev, which needs to digest SABMiller.

▲ **Brian Joffe** (executive chairman of Bidcorp) **Bernard Berson** (CEO of Bidcorp), **Nicky Newton-King** (JSE CEO) and **David Cleasby** (chief financial officer of Bidcorp) at the JSE listing.

BIDCORP

52-week range:	**R221.83 - R304.00**
Price/earnings ratio:	**-**
1-year total return:	**8.54%**
Market capitalisation:	**R88.5bn**
Earnings per share:	**-**
Dividend yield:	**1.89%**
Average volume over 30 days:	**1 590 597**

SOURCE: IRESS

McCurrie says Naspers remains a good buy. "It has come down quite a bit off its highs, the results of Tencent are still encouraging, there is a discount on Naspers's other assets and they are cash generative."

He likes Anglo American in terms of taking part in the uptick in the resource cycle. "We don't think commodity prices are going to go up more, but current share prices look cheap," he says, adding that mining companies have done a lot of work to clean up operations and balance sheets in the downturn.

For Old Mutual, Karas says that the "top of the domestic rate cycle is one of our major themes, so SA interest sensitives – including TFG and Imperial have a big positive driver on the horizon."

THE REST OF AFRICA

There is general consensus among fund managers that this is not the best time to invest in companies with an Africa focus.

"Our macro call on Africa is negative with economies and currencies still under pressure," says Karas.

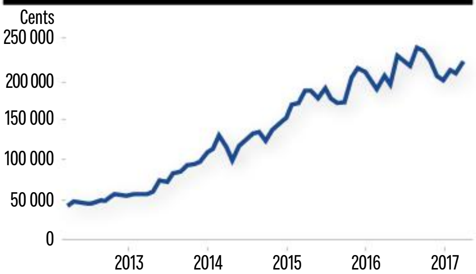
Some opportunities are, however, beginning to emerge and this could be advantageous to companies like MTN, Nampak and most South African banks, which have sizeable operations in Africa.

"Over the longer term, growing, wealthier populations in Africa should underpin demand for telephony, data, banking services and beverages. Timing is

Images: Supplied Gallo Getty Images/iStock Images www.bidcorpgroup.com

The headquarters of **Tencent** in Nanshan District, Shenzhen, China.

NASPERS



52-week range:	R1883.01 - R2553.59
Price/earnings ratio:	98.26
1-year total return:	14.34%
Market capitalisation:	R1.02tr
Earnings per share:	$1.83
Dividend yield:	0.22%
Average volume over 30 days:	1 109 580

SOURCE: IRESS

"It has come down quite a bit off its highs, the results of Tencent are still encouraging, there is a discount on Naspers's other assets and they are cash generative."

uncertain, which is why these stocks appear undervalued."

Santangelo says there are a number of African countries showing good economic growth and over the next few years, improvements in economic conditions could provide investment opportunities.

One of the companies doing relatively well is Consolidated Infrastructure Group, which has some interesting and successful projects in Africa. "Shoprite's growth has been really strong and it is one of the most successful in terms of African expansion."

Santangelo says MTN's recovery "might not be as slow as you think. In its latest results, it took a lot of the bad news on the chin and in my opinion, it can now look forward and focus on fixing the business and cleaning up its relationship with the Nigerian government." ■

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*finweek *is a publication of Media24, a subsidiary of Naspers.*

WHAT TO AVOID

The building and construction sector is not on anyone's buying list at the moment and it is easy to see why, as forward order books point to limited growth in the near term. "The construction industry in South Africa is really struggling," says Michele Santangelo, head of asset management at Vunani Wealth and Investments. "Not only is activity not high but there is huge competition and margins are tight."

Santangelo is also avoiding asset managers at the moment. "They are not going to decline, but there won't be a growth story for local asset managers, faced with a lot of competition, not much growth and a saturated, struggling market.

"The construction industry in South Africa is really struggling, not only is activity not high but there is huge competition and margins are tight."

"I would probably also avoid general manufacturing and industry that is South Africa-focused. In some cases (Imperial, Barloworld, Invicta and Hudaco) we have seen rallies, but I do not expect huge growth in stock prices."

Ashburton Investments' Wayne McCurrie says gold is always a difficult investment to call and platinum, no matter what happens, does not seem to go up and these are probably best left alone at the moment.

Is there still a buying opportunity in mining resources, or has the dead cat bounced?

Anchor Capital is keen on investment in diversified miners, but, as in the case of the rand, investors are unsure when the cycle will turn.

"Mining and resources are unlikely to be growth areas until we see a true surge in demand," says McCurrie. "This may come in a couple of years' time – but over two to three to four years, we do not expect a surge in growth."

Resource companies' balance sheets continue to improve, says Old Mutual's Arthur Karas, with a likelihood of (better) dividends or merger and acquisition activity, as was recently seen with Volcan Investments' move on Anglo American. Volcan is the family holding company of Indian mining billionaire Anil Agarwal, who said in March that he plans to buy a stake of about 13% in Anglo.

Vunani also believes there are buying opportunities in the sector, which has rationalised, cut back on supply, reduced costs and improved efficiencies, "but you do need to be patient", says Santangelo. "The rally last year pushed them and commodity prices up a lot. We do like the outlook for some resource companies, but they require some patience. There may be some normalisation over the next few months, but we don't expect massive growth from current levels." ■

STEERING A CRUCIAL JOB DRIVER

The South African automotive industry supports just under 1m jobs. While the industry is stable thanks to considerable support from government, it is imperative that it stays that way.

By Lloyd Gedye

The South African automotive industry is eight times the size it was in 1994. That's some healthy growth spread across 22 years.

The National Association of Automobile Manufacturers of South Africa (Naamsa) is projecting that the industry's contribution to GDP will sit at around 7.5% in 2017 and going forward could reach 8.5% by 2020, if the sector meets its goal of 1m units sold annually. In 2015 it contributed R256.7bn or 7.2% of SA's GDP.

Currently, BMW, Ford, General Motors, Mercedes-Benz, Nissan, Toyota and Volkswagen all manufacture cars in SA, with Chinese manufacturer BAIC having announced it will begin manufacturing in SA from 2018/19.

This growth has come with considerable support from the department of trade and industry (dti), first with its Motor Industry Development Plan (MIDP) launched in 1995, and then its successor, the Automotive Production and Development Programme (APDP), which was launched in 2013. Capital expenditure by the top seven automotive manufacturers was expected to grow to R7.6bn in 2016, up from R6.6bn in 2015, driven to a large extent by the incentives offered by the APDP.

The APDP expires in 2021, so currently its replacement is under consideration and is expected to be finalised by the end of the year. Naturally, the automotive industry is calling for policy certainty on which to base investment decisions and is highlighting the employment it creates and the revenue it generates.

"Government policies and support ensure that the automotive industry in SA continues to thrive, and it is important to sustain this as it is one of the main contributors to the economy."

Rob Jeffrey
Senior economist and managing consultant at Econometrix

Too big to fail

A recent study by Econometrix, commissioned by Naamsa to look at the impact of the sector on the SA economy, found that the automotive sector supported over 925 000 jobs in 2015. Econometrix found that 18% of these jobs were highly skilled, 52% skilled and 30% semi-skilled.

The SA automotive industry is a "crucial job driver", argued Econometrix's Rob Jeffrey, adding that when you add an average four dependents to every job, you are talking about 4m people who depend on the automotive sector.

In total R55.9bn was paid out in worker compensation by the sector in 2015, which equates to 3% of total SA worker compensation.

After having mapped out the positives, Jeffrey, speaking at the launch of the study report in March, turned to the ramifications should the automotive industry fail. Jeffrey argued that Morocco, Kenya and Nigeria

are aggressively competing for new automotive investments and if the motor manufacturing industry in SA doesn't receive the necessary domestic and international support, other countries may seize the opportunity to become a more lucrative environment for motor manufacturers.

He said that the closure of the automotive industry, with all cars being imported, would have a "devastating effect" on the rest of the economy. "The loss of the automotive manufacturing industry, as a result of policy instability, would result in enormous loss to SA's GDP, employment and government revenue."

Production incentives

Mike Whitfield, managing director of Nissan South Africa and current Naamsa president, told *finweek* that the MIDP and APDP have helped the industry to plan, invest and grow in a stable and predictable environment.

"Government policies and support ensure that the automotive industry in SA continues to thrive, and it is important to sustain this as it is one of the main contributors to the economy," Whitfield stated.

"Today, thanks to the incentive structure and guidance of the MIDP and APDP, we are seeing a huge contribution to GDP, growing employment rates, export growth, localisation of components manufacture, as well as enterprise and skills development."

Commenting on whether SA is an attractive investment destination for automotive manufacturers, Whitfield said that attractiveness is affected by a number of factors. He explained that there is a complex interplay between local and global factors that influence investment decisions. These include vehicle manufacturers' global capacity, expansion plans, future prospects and internal competition between manufacturing plants within a company.

"South Africa has some challenges which we have to compensate for in future bids for local production contracts and investments," Whitfield commented. "These include our distance from major markets, currency volatility and political uncertainty, as well as the depth of localisation."

He added that these factors mean strong partnerships with government and labour is important. "In light of the above challenges, the MIDP and APDP has been a significant help in providing long-term planning certainty and we managed to negotiate the newest round of wage increases without any production disruptions."

He said as with the previous iterations of the auto industry policy, the dti has consulted with all roleplayers. "We trust that the new policy will build on the success of the MIDP and APDP."

According to him, the automotive industry would like to see more attention placed on growing regional markets, skills development, developing upstream and downstream industries, transformation and technology. ■

CLEANER FUELS

At the current rate of development, South Africa will only get access to cleaner fuels in the next decade, and as such will lag the rest of the world by as much as 15 years, said Mike Whitfield, managing director of Nissan South Africa and current president of the industry body Naamsa.

Currently SA refineries and government are locked in a tussle over who will pay for upgrades required to produce cleaner fuel. In 2012 government published Clean Fuels 2 specifications, indicating that these would be introduced in July 2017. Europe is already at Euro 6-plus standards, while SA still only demands Euro 2 standards. The Clean Fuels 2 specs would have brought SA in line with Euro 5 specs.

Whitfield explained that as international vehicle and engine technology improves, engines become more and more efficient, but at the same time they require cleaner fuels to operate efficiently.

"As South Africa lags behind with clean fuels, they are being denied access to the latest engine technology or, where the technology is available, engines deliver less power and emit more pollution than elsewhere, because engineers have to accommodate the poor fuel quality," he argued.

Whitfield said that in many instances SA automotive manufacturers export vehicles with more advanced technology for the export markets than for their own domestic market. "This is not ideal and it would be more efficient and more beneficial to the customer if he or she had access to the latest engine technology."

In addition, automotive manufacturers are being taxed on their CO_2 emission levels, he said: "These taxes are in some cases more stringent than in Europe, yet we do not have access to the same quality of fuels as in Europe. We are being punished for emissions that we have limited control over." ■

Mike Whitfield
Managing director of Nissan South Africa and current Naamsa president

Gallo Getty Images/iStockphoto

THE ELECTRIC CAR MARKET

At the most recent National Association of Automobile Manufacturers of South Africa (Naamsa) briefing there was a lot of talk about electrical cars being the future.

However, the South African electric car fleet is reported to sit at only about 500, a mere blip when considering the 7m electric vehicles on roads globally.

As of December 2016, the electric vehicle sector has an industry association, EVIA, which was launched in Johannesburg as a consortium of policymakers, city officials, industry and academics.

Nissan South Africa laid the foundations for electric vehicles by being the first company to introduce an all-electric vehicle into its line-up.

Nissan South Africa MD Mike Whitfield said that the LEAF was the world's first mass-produced all-electric vehicle and it has been on sale in SA since 2013.

Global sales of the LEAF are in excess of 224 000 units. BMW is the only other manufacturer to have a full electric car on sale in SA, the BMW i3.

"We do not foresee a mass market uptake of electric vehicles in SA in the short term," he commented. "But certainly believe that the market will track the global trend in the long term.

"It is also important that all stakeholders work together to ensure we are not left behind in terms of global trends," he argued. "In preparing for a future where electric vehicles will become more commonplace, we have started investing in an electric charging grid at our dealer network and, in partnership with BMW South Africa, at several tourist and shopping hotspots."

Mercedes-Benz recently announced plans to launch more than 10 electric vehicles by 2025, expecting the segment to make up 15% to 25% of the group's unit sales by then. In SA, Mercedes-Benz only offers the hybrid models, the C350e and S500e.

It is expected that the extension of the mileage that an electric car can do on a full charge will be key to making electric cars viable in SA.

A recent global consumer study conducted by financial services firm Deloitte showed some interesting data on SA consumers relating to electric cars.

Fifty-five percent of South Africans surveyed were prepared to wait up to an hour to charge an electric vehicle, which is way short of current norms of three to six hours. More than half of South Africans surveyed would expect more than 400km from a fully charged electric vehicle, exceeding norms of 120km to 320km. ■

Investment flow from carmakers keeps coming

By Glenda Williams

The ongoing commitment to the country from car manufacturers continues in 2017, in March both BMW and Mercedes-Benz announcing investments of R400m and R200m respectively.

BMW Group South Africa is investing R400m into local operations for a new state-of-the-art warehouse and refurbishment of its Midrand headquarters where a dealer training centre and essential IT hub will be housed.

The warehouse, which is expected to be operational by mid-2018, will allow capacity to 2035 and a quicker turnaround in parts delivery, said CEO of BMW Group South Africa and sub-Saharan Africa, Tim Abbott. Initially geared for the local market, it also comes with capacity for sub-Saharan Africa.

"We are exploring a CKD (complete knock-down) operation in Africa with the X3. And we will look at links from SA to the rest of Africa for an opportunity to move parts there as well," said Abbott.

Production of the X3 at the Rosslyn plant north of Pretoria was set for 2019, but demand saw the deadline cut by a year, the X3 now coming off the production line in 2018.

"Worldwide demand for the X-product is growing quicker than expected. The Spartanburg plant in the US produces around 420 000 units. With further investment that will increase to 450 000. But that won't cope with world demand. So production of the X3 in SA will help supply," Abbott explained.

First year production numbers are unlikely to challenge those of the 3-Series. "We will not rush production. Quality and getting the car right is more important. This is the first time an X-product will be built outside of America, so it is absolutely key that we don't drop the ball here in SA," he said.

Mercedes-Benz South Africa (MBSA) has not lagged on investment either, this year announcing an investment of over R200m to start production of three Mercedes-AMG models – the Mercedes-AMG C 43 4MATIC, Mercedes-AMG C 63 and the Mercedes-AMG C 63 S – as well as the Mercedes-Benz C400 4MATIC.

MBSA exports to 80 markets globally and that affords the car manufacturer more wiggle room in the event of impact from Brexit or Trump, UK and US export numbers unlikely to fundamentally affect local operations. "It's a very diversified and flexible portfolio that changes frequently based on the international manufacturing network," MBSA CEO Arno van der Merwe told *finweek*. ■

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on the money

PROFILE

By Natalie Greve

Defending the Earth

While Kumi Naidoo resigned from his job as executive director of Greenpeace two years ago, he has not stopped lobbying business leaders to bring about drastic changes that will address climate change and economic inequality.

Cognitive dissonance, according to the Merriam-Webster dictionary, is "psychological conflict resulting from incongruous beliefs and attitudes held simultaneously or when performing an action that contradicts existing beliefs". Pared down, this concept describes the discomfort one experiences when consciously carrying out a behaviour one knows to be wrong in some way. And, according to former Greenpeace International executive director and prominent South African human rights activist Kumi Naidoo, there is a good chance that you suffer from it.

"Business leaders are suffering from a simple case of cognitive dissonance, where it is becoming increasingly clear that we are running out of time in terms of avoiding catastrophic climate change, and yet these people cannot extricate themselves from the structural economic system that has set us on this trajectory.

"While business leaders know that the economic system in place is broken and that it only serves a handful of people, perpetuates levels of inequality and is unsustainable, their brains aren't able to process the ongoing impact of this flawed system, because they are key actors in the system – this is cognitive dissonance," he asserts.

Updating *finweek* on the initiatives he has been seized with since resigning from Greenpeace in early 2015, Naidoo repeatedly interweaves the twin challenges of climate change and structural economic inequalities, reiterating that, in attempting to advocate for the world's poor, one cannot overlook issues of environmental justice.

The former struggle activist has long been a proponent of environmental and social justice, and, during his time at Greenpeace, became well-known for his unabashed criticism of established global finance and economy bodies such as the World Economic Forum, dubbing these entrenched seats of capital as obstacles to global equality.

Kumi Naidoo
Human rights activist and former Greenpeace International executive director

Business opinion

His tenure at Greenpeace also afforded him access to some of the world's most powerful business leaders and, as a result, their perspectives on intensifying global poverty occurring concurrently with profound business growth, Naidoo says.

"I've had meetings with some of the most powerful business leaders in the world, and in the one-on-one meetings they never contest the science; they never contest the urgency; they never contest the broad data. They don't necessarily agree, but they don't contest.

"To mobilise action on issues that require structural change [by business leaders] is not the easiest thing in the world. It's a condition I've come to describe as 'affluenza'," he says.

Noting the difficulties of homogenising the attitudes of business leadership towards required structural change, Naidoo has observed a continuum of opinion on a global level that also applies to the domestic private sector.

"About 10% of business leadership actually fully 'get it'. They acknowledge that the current system is unsustainable and that there have to be massive changes in the business environment and they recognise that climate change is a game-changer," he explains.

"They're willing to make changes and want government to take the lead in terms of regulatory changes."

On the other end of the spectrum, another 10% to 15% of the heads of business are still trying to raise questions and doubts around the veracity of climate change and inequality claims.

"They accuse civil society of being alarmists, even though they are completely

"We get trapped into a status quo where we are trying to rearrange the deckchairs while the ship is sinking."

out of synch with the data," he declares.

Around 60% of business leaders, Naidoo adds, believe that "symbolic interventions" are sufficient.

"Nedbank, for example, will say that they're a green bank because they support the World Wildlife Fund, but, on the other hand, they are funding fossil fuels. So there is still a lot of 'greenwashing' that happens," he holds.

Climate finance lobby

Dissatisfied with the apparently measured pace of structural change in the global financial and economic sectors, Naidoo last year joined over 40 organisational delegates from across the world at an inaugural workshop for the establishment of the Global Climate Finance Campaign.

Its overall goal is to introduce new interventions aimed at urgently shifting finance and investments away from fossil-fuel and other "climate-destructive" projects, and towards capital-hungry renewable energy projects.

Describing the campaign as one that aims to address climate change by "following the money", Naidoo explains that the lobby's initial intervention will involve challenging regulatory and central banks to introduce strong sustainability criteria in terms of lending, through stricter national regulation.

The second, and perhaps most contentious approach, is to discourage lending institutions from providing funding to projects that involve fossil fuels, deforestation, the construction of large dams and other "climate-destructive" lending.

Among the aims of this intervention is to drive 20% disinvestment in climate-destructive projects by 2020 and to ensure that the world's 20 largest multinational banks publicly support climate-constructive investment by the end of the decade.

"The lobby will also challenge pension funds, trusts, foundations, universities, and institutions which have investments and actually don't know where those investments are actually sitting. We want them to divest from all projects that involve fossil fuel," Naidoo tells *finweek*.

Among the aims of this intervention is to drive

20%

disinvestment in climate-destructive projects by 2020 and to ensure that the world's 20 largest multinational banks publicly support climate-constructive investment by the end of the decade.

Africans rising

Domestically, Naidoo remains active in social and environmental advocacy, and is currently focusing on building a coalition for energy justice in SA.

"This is not simply about defeating the nuclear deal, but is also about presenting a different energy vision for SA which is more driven by renewables," he says.

On a continental level, Naidoo is readying for the 25 May launch of social justice organisation Africans Rising for Justice, Freedom and Dignity, a multi-national African organisation that will promote civic action, fight for social rights and freedoms, demand good governance and promote environmental justice.

He adds that the organisation will critically evaluate the methods conventionally used by civil society to mobilise support in order to become more effective at creating real, structural change across Africa.

"Albert Einstein said that 'insanity is repeating the same thing over and over and expecting a different result', and government leaders are guilty of this, but to be honest, so are some civil society leaders. We get trapped into a status quo where we are trying to rearrange the deckchairs while the ship is sinking.

"As Africans rising… we are being self-critical of what has worked, what hasn't worked and whether we are posing the right questions," he argues.

Naidoo is, meanwhile, cognisant of the enduring reluctance of many in business and government to engage over issues of climate change and structural economic inequality, but remains resolute in his undertaking to lobby the public and private sector towards enduring change.

"All of us want to live a well-adjusted life. But there are so many things in the world that are unfair and unjust that we should refuse to be well-adjusted to it. If people say I'm maladjusted to the levels of poverty, structural inequalities, corruption, then I am okay with that.

"I realise that some of your readers will say I'm too radical [around structural economy and climate change], but I wish I was more wrong about this more consistently," he concludes. ■

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BACKGROUND

Born in Durban in 1965, Naidoo got involved in anti-apartheid activities at the age of 15, leading to his expulsion from high school. He was arrested in 1986 and charged with violating the state of emergency regulations, forcing him underground and eventually into exile in the UK where he was a Rhodes Scholar at the University of Oxford.

Naidoo, who returned to South Africa in 1990, eventually earned a DPhil in political sociology.

Before joining Greenpeace in 2009, Naidoo's roles included being one of the official spokespeople of the Independent Electoral Commission during the 1994 elections; founding executive director of the South African National NGO Coalition (Sangoco); and founding chairperson of the Global Call to Action Against Poverty.

During his time at Greenpeace, Naidoo made international headlines when he got arrested and spent four days in a Greenlandic prison after scaling an oil platform owned by Cairn Energy as part of a protest. ■

SOURCE: Greenpeace

Image supplied

By Lloyd Gedye

REVIEWING

Thumbs down for reviewing system that lacks nuance

Is society giving up nuanced tools for evaluating itself in favour of the digital equivalent of hand signals?

Netflix recently announced it was scrapping its five-star rating system and replacing it with a simpler thumbs up, thumbs down system from the beginning of April.

"This is the lingo of the internet now, this is the language people speak," said Todd Yellin, vice president of product at Netflix, when the announcement was made.

In the same week, two colleagues of mine separately expressed concerns that nuance in critical debate on social media was incredibly lacking of late. They argued that the state of debate in the country appeared to be incredibly polarised, with little space for the middle ground.

As an example, depending on where you stand in the current debate on state capture, you can either see the Gupta family or the Rupert family as the main protagonists. But how many voices have you heard saying perhaps both need to be in the spotlight? Why is it an either-or?

The nuance of debate

Bringing it back to television shows and movies, how could you possibly rate everything with a simple thumbs up or thumbs down?

That's not how I consume films.

Recently, I was sitting with a few friends, having a debate about the new local feature film *Kalushi* that we had all seen. The film brings to life the story of Solomon Mahlangu, a young member of the ANC's Umkhonto we Sizwe who was arrested, tried and eventually hanged in 1979.

The debate that night ranged from how life in the ANC camps in exile was portrayed, to the strengths and weaknesses of different actors' performances. We discussed how the film attempts to tell the story of an ordinary human being dragged into the struggle out of circumstance, rather than the tired revolutionary struggle hero narratives intertwined with ideas of exceptionalism.

We spoke about how films like *Kalushi* are important because they attempt to bring much nuance to the way in which we celebrate and remember the struggle. There were some who loved the film, others who loved only parts of it and those that were indifferent to its charms.

Not only did I learn a lot about how my friends look at the world, I was able to look at the film through new eyes too.

Dumbing down criticism

Now imagine if we had forced that conversation into a thumbs up, thumbs down rating system. Firstly it would have taken a minute, not an hour, and secondly, what value would the ultimate result hold for me?

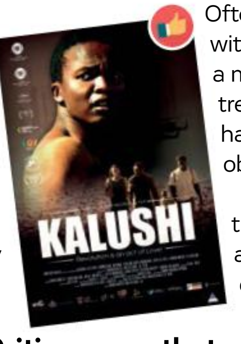
Can we seriously rate pieces of art, be they books, films, paintings, songs, or theatre plays, the same way we rate a funny video on YouTube or a meme that's tied to some current event and which won't have a lifespan beyond a few days?

As Tom Vanderbilt wrote in a 2013 piece for the *Wilson Quarterly* titled *Star Wars: The Rise of Online Review Culture*, there are complications with this idea that the internet has obviated the need for experts and for critical authority.

"One question is what is happening to criticism itself when the evaluative architecture on a site such as Amazon is the same for leaf blowers as it is for literature, when everything seems to be quantifying one's hedonistic response to a consumption activity; when we are forced into a ruthless dyad of thumbing up or thumbing down, or channelled into expressing a simple 'liking' for something when the actual response may be more complex," he wrote.

Herd behaviour and popularity contests

If you are on Facebook, take a few minutes to look at a popular comment thread and check what comments get the most likes.



Often people just aim to make the wittiest remarks without making a meaningful contribution, a trend some commentators have referred to as the mindless obsession to get the thumbs up.

Critics argue that this thumbs up, thumbs down approach to ratings is destroying critical thinking and debate. The argument is that the need to be approved of is greater than the need to foster healthy critical debate.

Critics argue that this thumbs up, thumbs down approach to ratings is destroying critical thinking and debate.

Another concern is the impact of the herd mentality. Studies have shown that consumers are more inclined to make their rating positive if the service they are rating has received many previous positive ratings.

There have also been concerns raised that ratings bubbles could in fact be created and manipulated by the use of fake reviews. There have been calls for policymakers and website designers to make a greater effort to scientifically understand the concept of herd behaviour and to create policies and websites that aim to prevent herding and ratings bubbles.

Until then, I won't be paying attention to how many thumbs up, or thumbs down, people hand out. I like to make up my own mind and express my opinion with words, not digital hand signals. ■

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Images: Gallo Getty Images/iStock Images http://trueafrica.co

By Jana Jacobs

How to buy your first home

Getting ready to buy your first home is exciting, but the process is complicated – and daunting. You need to make sure you have all your ducks in a row and that you don't make this life-altering decision lightly.

Are you tired of paying off someone else's mortgage? Is the body corporate in your apartment block driving you mad? Or are you stuck with a landlord that moves at a glacial pace when it comes to fixing things in your rental?

Whatever the reason, you have reached the point where you are ready to buy a place of your own and stay settled for at least the next few years. Exciting? Yes. Simple? Not quite.

It's not a case of finding a property you like, making an offer and moving in if it's accepted. There are a few hoops to jump through, extra costs and other important elements to consider when it comes to finding the right property, securing the finance and actually successfully purchasing your home.

Be realistic

When you decide to buy your first property, make sure you are realistic about the price range you can afford. This should be based on affordability and not on your dream home, explains Albertus van Staden, head of credit at FNB Housing Finance.

"Merely taking your income into account is not an accurate assessment of your affordability, as there are expenses that will have to be maintained along with your bond repayments."

Other expenses to consider include furnishing your home, for example, and you will need to budget for municipality rates, taxes, insurances and levies.

Samuel Seeff, chairman of Seeff Properties, says it is important to "buy within your means and consider whether you will be able to cope with any additional expenses such as an interest rate hike or a hike in the cost of basic utilities".

Don't see buying a house as a way to make a quick buck. "It is important to remember that property is a long-term investment, and therefore you need to consider the amount of time required to realise equity and capital appreciation," says Nondumiso Ncapai, head of business development at Absa Home Loans.

Get your finances in order

If possible, when applying for a home loan, try and put down a deposit, no matter the amount, encourages Ncapai. "If you do not have savings that can go toward a deposit, you should start saving now and get in the habit of trying to put some money away each month [towards a deposit]."

As an example, putting down a 10% deposit on a R1m home (R100 000) will save you almost R1 000 a month and just short of R240 000 over 20 years. A minimum of 10% to 15% of the property purchase price should be the target that customers set themselves, she says. "If you can put down more, it will arguably be one of the best financial decisions to make as a homeowner." And a deposit most certainly positively influences the application's chance of approval.

Albertus van Staden
Head of credit at
FNB Housing Finance

"Ideally you want to purchase in an area that has enjoyed house price growth in the past, and is expected to do so in the years to come."

Nondumiso Ncapai
Head of business
development at
Absa Home Loans

Choose the right location

Consider a suburb with good transport infrastructure, good schools, better security, that offers a lifestyle with facilities and amenities, and offers good capital value growth, advises Seeff Properties.

"It is always important to ensure that you buy in an area with sound property value growth, which will be important if the time ever comes that you want to sell," explains Seeff.

Although house price growth can never be guaranteed, it should definitely form part of location criteria, according to Ncapai. "Ideally you want to purchase in an area that has enjoyed house price growth in the past, and is expected to do so in the years to come."

Make a suitable offer

Before making an offer on a property, it's important to do your homework thoroughly by looking at which properties have sold in the area over the last few months and at what prices, advises Seeff. Also look online for similar properties to see whether the prices are at a similar level.

And consider the market at the time of making your offer. "In a buoyant market, sellers can ask higher prices and because there is high demand, are likely to achieve those higher prices. There is then little point in going in too low as you are simply wasting your time. When the market is flat and especially if there

HOME SWEET HOME

Don't forget that transfer typically takes about three months – and can take a little longer towards the end of the year as the deeds offices close over the December period, according to Seeff.

If you would like to move in before transfer takes place (or the seller wishes to stay on after transfer is complete), this can be agreed to by both parties by incorporating an occupational rent clause in the offer to purchase.

"Occupational rent or occupational interest is a clause which in general is found in most offers to purchase or deeds of sale of immovable property between a seller and buyer," explains Ncapai.

"The parties agree in the contract what cost of taking occupation prior to or after registration, as the case may be, may be charged between the parties." ■

Samuel Seeff
Chairman of Seeff Properties

TRANSFER DUTY RATES

VALUE OF PROPERTY (RAND)	RATE
0-900 000	0%
900 001-1 250 000	3% of the value above R900 000
1 250 001-1 750 000	R10 500 + 6% of the value above R1 250 000
1 750 001-2 250 000	R40 500 + 8% of the value above R2 250 000
2 250 001-10 000 000	R80 500 +11% of the value above R2 250 000
10 000 001 and above	R933 000 + 13% of the value above R10 000 000

SOURCE: Sars

are loads of similar properties on the market, you can put in an offer below the asking price. The agent should be able to give you some guidance in regard to the price range that the seller would be prepared to look at," says Seeff.

Understand the legal implications

When you have decided on the price you are willing to put on the table, you will have to sign an offer to purchase. This is a legally binding document, and once all of the conditions are met, it is very difficult to get out of, explains Seeff. "There is a cooling-down period, but only for properties priced below R250 000."

The offer to purchase provides security to both the buyer and seller, and ensures there is no uncertainty about the property being sold, its condition and any other important elements.

"Once both parties have signed, both the buyer and seller are required by law to fulfil their responsibilities as set out in the agreement. If the offer expires or the seller has rejected it, the buyer is no longer bound by that offer. Once the offer is accepted though, cancelling the agreement is then only possible should there be a basis in law for doing so."

So don't enter into this agreement lightly, because it can cause you a lot of pain down the line if you sign it in haste.

Consider all the extra costs

Should your offer be accepted, remember that you are not only paying the purchase price of the house. There are additional costs that you will incur in order to complete the transaction.

- Transfer duty is payable on properties above R900 000. This is calculated according to Sars guidelines (see table and sidebar).
- Bond registration fees, transfer fees and attorney's fees.
- Rates and taxes deposit.

The seller pays the estate agency commission, as well as for the various clearance certificates, e.g. electrical and plumbing.

Over and above the transaction costs as noted above, the buyer should also budget for expenses such as electricity deposits, putting in a new phone, satellite TV installation, internet connection, the costs of moving and any cleaning needed, says Seeff.

Buyers should also consider insurance costs on the property, as well as life insurance that would cover any outstanding amount on the bond should they pass away before it has been settled in full.

Take your time

"When someone gets to the stage of buying their first home, practical thinking is sometimes overruled by the excitement," warns Van Staden. So even if you have reached the point where you are considering taking the leap, patience is truly a virtue.

"Don't rule out renting completely because it has various benefits. You can save up for a deposit to ensure that when a good deal comes along, you will have a very good chance to secure the mortgage and the house that you really want, in an area that you have thoroughly researched." ■

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Images: Supplied Getty Images/iStock Images

By Natalie Greve

Taking software solutions around the world

Almost two decades ago Striata was a start-up in a garage. Today the company offers cutting-edge products to clients across the globe.

It's a classic entrepreneur story come to life over almost two decades. With operations in North America, Latin America, Europe, Africa, Australia, New Zealand and Asia-Pacific expanding, customer communications management (CCM) software company Striata bears little resemblance to the start-up founded in a Johannesburg garage 17 years ago by rainmaker Mike Wright.

The company started out sending emails on behalf of third parties (email marketing, as it is now known) and evolved into providing authentication, secure document delivery and electronic billing services and solutions to companies all over the world, including a number of Fortune 100 banks across the globe.

The software developer has not only expanded its reach into mature global markets, but has also been lauded internationally for its achievements – most recently being recognised for innovation, its ability to execute and a "completeness of vision" in the CCM software segment by US research and advisory firm Gartner's 2017 Magic Quadrant IT awards. Wright tells us how he turned what he calls a "simple idea" into an internationally recognised software leader.

What did you do prior to starting your own business?

I studied for a CA (SA) and completed articles at PricewaterhouseCoopers (PwC – then Coopers & Lybrand) in the area of Internet Strategy and Business Information Services. I then moved to head up VWV Interactive, one of SA's premier digital agencies, where I met our chief technology officer Nic Ramage. I started the business – initially called The Email Corporation – in February 1999.

Where did the idea come from?

Being involved in internet services at PwC and then building websites at VWV gave me good exposure to the business opportunities that the internet provided. I realised that email was not only a new way to communicate person-to-person, but would become a key channel for businesses to communicate with customers. The idea behind The Email Corporation was to specialise in all aspects of email as a communication tool for businesses to connect with their customers. We started sending loads of email for some of SA's biggest banks and retail entities.

Arthur Goldstuck
Managing director at World Wide Worx

What motivated you to turn your idea into a business?

At VWV, website design and development was very project-based – and it meant that we either had too much work or not enough. I wanted to build a business that had annuity revenue from long-term relationships with major clients. This eventually meant becoming a software and services business rather than just a project house.

How did you secure your first client?

As the SA executive of networking forum First Tuesday and the chairperson of the Audit Bureau of Internet Standards (ABIS), I had a good network of internet professionals to call upon. One of my first clients was World Wide Worx's Arthur Goldstuck (thanks Arthur!), who was then very quickly followed by Standard Bank and then Absa. We were offering a solution to a significant pain point of bulk email delivery.

When did you officially start operating?

We started operating in 1999, but I'd say we became

Striata ensures that the same email renders differently on different devices.

Q&A:

Mike Wright
CEO of Striata

a real business in 2000 when Nic Ramage joined and we started developing the Striata Application Platform. It's risky to build a business on someone else's technology, so once Nic and I agreed to build our own messaging platform, we were on our way. We rebranded to Striata in 2003 as a prerequisite to taking our solutions to a global market.

How did you get funding to get started?

We started with some initial capital from a corporate investor, who followed on with a second investment a year later. When the dot-com crisis changed their focus, we did a management buyout with the help of a single external investor and continued operating on our profits. To this day, we have built our business on our own dollar.

What have been the three biggest difficulties you've had to overcome?

1. Learning to be patient with the speed of software development when you do it properly.
2. Realising that the SA business mindset is very different to First-World economies and having to retrain myself to think differently as we became a global business.
3. Spending US dollars and British pounds – when we were earning rands – in order to grow the business.

Biggest lesson learnt?

It is still all about the bottom line – don't let anyone tell you that it is only revenue that matters unless you have deep venture capitalist pockets to plunder.

How tough is competition in your sector, and what differentiates your product/service from others?

There are different levels of competition in the different markets we operate in. South Africa was our first territory and we have competitors who have followed our lead on both the secure document side and email marketing. We don't find many that do both as an integrated solution, though. In the global markets, our interactivity in a secure attachment, or online, is what customers are loving.

It is still all about the bottom line – don't let anyone tell you that it is only revenue that matters unless you have deep venture capitalist pockets to plunder.

How many people do you currently employ?

We are 140 people spread across the world – we have people in Johannesburg, Cape Town, London, New York, Orlando, Miami, Hong Kong, Sydney and Budapest.

What is the best business advice you've ever received?

My father-in-law impressed upon me the value of client relationships and my uncle reinforced the idea of long-term thinking and making good business decisions over short-term gains.

What was unexpected?

The time and cost of establishing a brand and presence in an overseas market should not be underestimated. It will cost three times as much and take twice as long as you initially expect.

How do you stay motivated?

We set out to take over the world one email at a time – we are going to stay the course, we are just encrypting the documents now so no-one sees us coming.

What are your non-work habits that help you with your work-life balance?

I beat a squash ball to death regularly, which helps to manage my stress levels, and I submerge myself in the ocean with a scuba tank or two – where my mobile phone doesn't work.

What is your three-year goal for your company?

We have recently launched our Secure Document Repository, which is a cloud-ready online vault for document storage and we are seeing a hugely positive response to all the applications of this technology. We are rolling this out with existing and new customers across the globe. It brings an entirely new market segment into play that needs secure access to documents in the cloud. ■

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Images: Supplied

By Glenda Williams

The Toyota C-HR: A cracker of a

Toyota's funky urban crossover, the C-HR compact high-rider, is a marriage of quirky, eye-catching

Nowadays, cars of inferior quality are few and far between. So looks need to be a primary differentiator. And cars that look strikingly different or stunningly beautiful will have that much-needed presence to stand out in the crowd.

One such vehicle is Toyota's all-new C-HR compact crossover.

Toyota design has historically been, ahem, stodgy. But there has been a complete about-face with its new compact high-rider. That fresh take on design has produced a broad, muscular and unconventional-looking fusion of hatchback and SUV with oodles of personality.

The sweeping and sloping roof, tapered rear windows and integrated "disappearing" rear door handles give the trendy Toyota C-HR a distinctly coupé-esque profile while a notably more streamlined, wrapping grille and lusty wing extremities define the crossover's assertive facial language.

This car deserves a lot of credit, not only for its bold, unconventional design but also for its competence and handling on the road.

Towards the rear, that radical departure in design is even more pronounced, the flaring wheel arches and raised rump with its distinctive light clusters and rear spoiler emphasising its SUV underpinnings.

This hip front-wheel-drive cross-hatch runabout comes in three variants: a base manual model and two "Plus" models in either manual or auto.

Standard features on the Toyota C-HR 1.2T manual base model include electric windows, follow me home lights, remote central locking, daytime running lights, an audio system with six speakers as well as Bluetooth and USB.

Plus models come with additional features like cruise control, front and rear fog lamps, 17" alloy wheels and rain-sensing wipers.

Toyota has also introduced some funky colours for the C-HR, one of them "Aztec Green". While I am generally not a fan of

Photos: Supplied

crossover

design and new engine technology.

green as a car colour, this particular green is not only a beautiful hue, it is also extremely eye-catching and enhances the car's lines.

The distinctively styled C-HR is deceptively larger than it looks, especially on the inside. The expansive cabin is refined and driver-focused, not burdened with overcomplicated features that detract from the ease of driving this car.

An asymmetrically designed centre console, multi-information touch-screen and all switchgear are within easy reach of the driver. The black and silver trim, clear blue built into the analogue instruments, bucket seat design-inspired supportive black leather seats and a leather steering wheel with audio, info and telephone switches lends the cockpit an energetic air.

This car deserves a lot of credit, not only for its bold, unconventional design but also for its competence and handling on the road. It's quite a bit longer than some of its competitors, yet the funky urban crossover strengthens its case with a new ultra-efficient engine and a TNGA-based platform (Toyota New Global Architecture). The C-HR is the second model after the Prius to use this platform, a platform that has been tweaked to suit the C-segment crossover.

It is difficult to reconcile effortless hauling of a considerable form with a small engine, yet the leaps and bounds made in engine technology allow for just that. Under the C-HR's hood is Toyota's advanced new 1.2-litre turbo engine, the first local model to utilise this engine.

The 1.2T engine uses advanced technologies that allow the engine to change from the Otto-cycle (consistent power) to the Atkinson cycle (improved efficiency at the expense of power). On the road, the combined workings of the low-inertia turbocharger and four-cylinder direct injection system make for effortless and consistent cruising and surprisingly decent punch when needed.

Both the auto and manual variants are incredibly fun to drive. A low centre of gravity endows the C-HR with balanced handling and reduced body roll. Together with accurate steering, a firm yet comfortable suspension and 17" alloy wheels it contributes to impressive stability and competent performance on the tar.

TESTED:

Toyota C-HR, 1.2-litre Turbo 6MT Plus
0-100 km/h: 10.9 secs
Top speed: 190km/h
Power/Torque: 85kW/185Nm
Transmission: 6-speed Manual
Fuel consumption (claimed combined): 6.3 litres/100km
CO_2 emissions: 141g/km
Luggage volume: 377 litres
Ground clearance: 160mm
Safety: Driver and passenger airbags
Warranty/service plan: 3 yr/100 000km warranty; 5yr/90 000km service plan
Price: R345 000
Base model – manual: Toyota C-HR 1.2T 6MT – R318 500
Automatic model: Toyota C-HR 1.2T CVT Plus – R 356 000

The smooth-shifting continuous variable transmission (CVT) automatic gearbox is an obvious choice for stop-start driving and urban traffic while also allowing for polished cruising, but it is not quite as dynamic as its manual sibling.

Mating a slick intelligent Manual Transmission (iMT) 6-speed manual gearbox to the 1.2-litre turbo engine is like flicking a switch that brings the engine alive. The marriage of this gearbox and this engine is spot on and it endows the car with soul. Aside from added friskiness and gears that are as smooth as a baby's bum, there is instant driver engagement. It's a real cracker of a car to drive.

Happily, all C-HR models come with a full spare tyre, not one of those skinny "Marie biscuit" types. There is one feature though that would really round off the Toyota C-HR. A reversing camera or reversing sensors would not only assist drivers to cope with the crossover's high back end and narrowed visibility out the rear, it would also likely help prevent a ding to the car's pronounced rump.

Each month, 150 units will make their way to South Africa from the production plant in Turkey, the only Toyota C-HR manufacturing plant. While new car sales are not lighting any fires of late, methinks Toyota's fresh take on design with the sassy C-HR may change that.

This is a car the styling of which you will either love or hate. I'm going to go out on a limb and say it's likely to be the former, especially if apart from quality and reliability, design and a quest for individuality happen to be central to the buying proposition. ■

editorial@finweek.co.za

By Natalie Greve

Leadership lessons from Antarctica

The harsh environment of the South Pole inspired MBA graduate Daleen Koch to investigate the mindset of South Africans regarding leadership styles. Her research contains surprising but valuable tips for business leaders.

Few would imagine that travelling to the world's coldest, driest, windiest and least-populated continent would deliver important lessons on how to be a better boss. Not University of Stellenbosch Business School (USB) MBA graduate Daleen Koch, who has undertaken fascinating research into how the unique challenges offered by an isolated environment with limited infrastructure and an unforgiving climate can teach South African corporate managers critical leadership skills.

Koch, an engineer by profession, arrived in Antarctica in 2007 after being appointed a space physics support engineer for the South African National Space Agency as part of an International Polar Year project.

She spent 14 months living and working at South African National Antarctic Expedition (SANAE) IV, the South African base in Antarctica, between 2007 and 2009, and participated in maintenance voyages to Marion Island and Gough Island, where South Africa manages two more research stations.

This inspired her, as part of her MBA research, to investigate the mindset of South Africans in terms of leadership styles and the expectations placed on them as leaders by themselves and others.

The research is based on a survey of 180 multidisciplinary team members of various ages who participated in overwintering expeditions between 1961 and 2015. Some 15.6% of the participants were women and 84.4% were men.

The participants were required to have spent at least 12 uninterrupted months at Gough Island, Marion Island or one of the SANAE bases in Antarctica and comprised scientists, engineers, doctors and personnel who were specialists in various disciplines such as physics, biology, geology and oceanography.

Trust is integral for leaders that take their organisations through tough times. Business leaders need to be emotionally intelligent in order to manage themselves and when working with others, and also socially intelligent to build a personal bond to further facilitate trust.

Daleen Koch
MBA graduate

LEADERSHIP REQUIREMENTS

Currently employed by the Australian Bureau of Meteorology as a technical engineering officer, and a third of the way through her second winter on the Antarctic continent, Koch believes the Antarctic station environment offers unique perspectives on leadership because of the close proximity of the work and social environments.

"It is the one place where it is extremely difficult to keep your work and social life separate," she tells *finweek* from Antarctica. "A quick comparison between the Antarctic work environment and the environment back home makes it seem like two very different environments. On the one side you have 10 to 20 individuals living and working together in a remote and inhospitable environment, compared to a normal employee that goes in to work for a set time per day and then goes home to friends and family. However, when you start digging deeper, some similarities start to emerge."

According to Koch, the Antarctic station leader is required to maintain a strict balance between their task and supportive roles: the leader is responsible for achieving the outcomes of the Antarctic Programme, but also to look after the well-being of the team members.

"The same holds for an organisation in SA, where the manager must implement and achieve organisational goals, but also develop the people in their teams," she says.

The ideal Antarctic station leader also needs to be trustworthy, skilled at conflict management and a good communicator while possessing a high level of emotional and social intelligence.

"Back in SA, trust is integral for leaders that take their organisations through tough times. Business leaders need to be emotionally intelligent in order to manage themselves and when working with others, and also socially intelligent to build a personal bond to further facilitate trust," Koch explains.

Additionally, the format of the Antarctic station team resembles that of a project or company team in SA, comprised of multidisciplinary members that are required to contribute and work collaboratively towards their survival in the harsh and unforgiving Antarctic.

"A project team in SA are also multidisciplinary, and work together to achieve the goal of the project or organisation. Should they fail, their organisation and potential employment, thus livelihood, are put at risk. The interdependence on one another for survival and the need for good leadership are some similarities these two very different groups share," she notes.

A key theme that emerged from Koch's research was the need for an Antarctic station leader to possess a more participative leadership style, which sees a leader acting as a facilitator and allowing the team to be part of the decision-making process, fostering a greater commitment to decisions and goals.

This is in stark contrast with many hierarchical organisations in SA, which still take decisions in isolation without consulting subordinates.

"A more participative approach by SA organisations can potentially see more employee buy-in, and greater commitment to the organisation when you feel more like a partner," says Koch.

THE BIGGEST LEADERSHIP LESSONS FROM KOCH'S RESEARCH:

- Employees prefer a participative management style in which they feel they have influence over the direction and strategy of the organisation.
- Team members indicate the need for a personal relationship with their leader rather than purely formal interactions.
- A ranking matrix revealed that trust, communication and conflict management were the most important personal attributes of a leader.
- During periods of organisational distress, it is better for the leaders to retain decision-making autonomy.

Having observed South Africans' working practices in comparison to several other nationalities, including those from Russia, the US, the UK, Australia, New Zealand, Chile, Argentina, Latvia, Romania, Nepal, Germany, Norway, China, Spain and Sweden, she considers South African work ethic as among the greatest strengths of its diaspora.

"We are free thinkers who solve problems using logic and a go-getter attitude. The South Africans I have worked with in Antarctica were excellent at multidisciplinary work environments, and able to put on many hats at the same time," she observes.

"In terms of leadership style, South African leaders still tended to be more authoritative than participative in their approach. It is thus interesting to see that team members actually value a more participative leader, which could create a disconnect if there is a difference in expectation and reality." ■

editorial@finweek.co.za

Images: Supplied

Let's see if you've been paying attention to the news over the past few days. We've also included some general knowledge questions just to keep you on your toes. The answers to this quiz will be published on fin24.com/finweek on 10 April. Good luck!

1 In which country were finance minister Pravin Gordhan and his deputy Mcebisi Jonas when they were recalled from an international investor roadshow?

2 Which of these is not an Australian state?
- Queensland
- Nova Scotia
- Victoria

3 **True or false?** The country's current maize crop is bigger than that of last year.

4 In which city did a fire rage recently, destroying a warehouse?

5 **True or false?** Sahara Computers is owned by the Gupta family.

6 Which country is the world's youngest?

7 It is alleged that a family member of acting Eskom CEO Matshela Koko was the director of a company that got R1bn in Eskom contracts. What is her relation to him?
- Aunt
- Sister
- Stepdaughter

8 **True or false?** US President Donald Trump has managed to repeal the Affordable Care Act ("Obamacare").

9 Who is SA's water and sanitation minister?
- Nomvula Mokonyane
- John Peters
- Faith Muthambi

10 **True or false?** Toyota manufactures cars in South Africa.

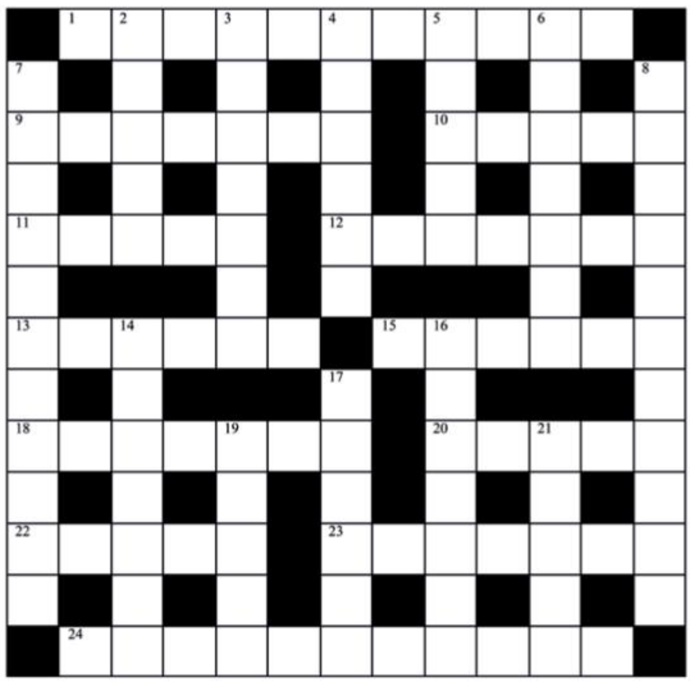
CRYPTIC CROSSWORD NO 674JD

ACROSS

1 Cargo in container port? (1,4,2,4)
9 Nearing a relative transformation (7)
10 Sheriff's court meeting without planned statement (5)
11 Squeeze in without first standing still (5)
12 Precious stone fish (7)
13 World Body organisation not stable (6)
15 Knight strangely treating sheik to Jewish food! (6)
18 End of a passage in a book (2,5)
20 Move towards the left in party (5)
22 Alternatively back the first party (5)
23 Clash with artist in a state of anxiety (5,2)
24 Play on here now? (2,4,5)

DOWN

2 A boxcar, old and dilapidated (5)
3 Pleased to take an alternative political appointment (7)
4 Out-of-the-body experience is principal magic of witchcraft (6)
5 Weaken how much lady's overheard (5)
6 Help to feed (7)
7 Shortly get a hold on breeding husbandry (11)
8 History preceding start of Stalinism (11)
14 Fencer trying to baffle his opponent? (7)
16 Critic has no alternative review to present (7)
17 We object after sailor's bones are uncovered (6)
19 The other half that's doubly incomprehensible (5)
21 Fixed reconstruction – one good to dismantle (5)



Solution to Crossword NO 673JD

ACROSS: 1 Tiptoes in; 8 Owl; 9 Bearskin rug; 11 Yamalia; 12 Agent; 13 Rioter; 15 Starve; 17 Solar; 18 Re-audit; 20 Almighty row; 22 Cos; 23 Sand dunes

DOWN: 2 Ire; 3 Ousel; 4 Spiral; 5 Nor'east; 6 Rogue trader; 7 Allotment; 10 Aim to please; 11 Yardstick; 14 Euro-MPs; 16 Dragon; 19 Anted; 21 Owe

On margin

The great outdoors
While performing an annual medical check-up, the doctor asked the patient about his daily activity level.

The patient described a typical day this way: "Well, yesterday afternoon, I waded along the edge of a dam, drank eight beers, escaped from wild dogs in the heavy brush, jumped away from an aggressive cobra, marched up and down several rocky hills, got hooked in a thorn bush, crawled out of quicksand and took four leaks behind big trees."

Inspired by the story, the doctor said: "You must be one hell of an outdoorsman!"

"Nah," the man replied, "I'm just a terrible golfer."

Lessons from the movies
1. It doesn't matter if you are heavily outnumbered in a martial arts fight – your enemies will wait patiently to attack you one by one by dancing around in a threatening manner until you've knocked out their predecessors.

2. A man will show no pain while taking the most ferocious beating, but will wince when a woman tries to clean his wounds.

3. Once applied, lipstick will never rub off – not even while scuba diving.

4. The Eiffel Tower can be seen from any window in Paris.

Retouched painting
Cindy decided to have her portrait painted. She told the artist: "Paint me with diamond rings, a diamond necklace, emerald bracelets, a ruby broach, and gold Rolex."

"But you are not wearing any of those things," Vincent replied.

"I know," Cindy said. "It's in case I should die before my husband. I'm sure he will remarry right away, and I want his new wife to go crazy looking for the jewellery."

In brief
In Russia, you watch TV.
In America, TV watches you.

When a man steals your wife, there is no better revenge than to let him keep her.

Marriage is the triumph of imagination over intelligence.

The second marriage is the triumph of hope over experience.

Verbatim

Paul Berkowitz @paulyberk
Financial media: Rand at strongest level in almost two years.
Zuma: Hold my beer!

Mpinga @SipheMacanda
Pravin misled Baba when he asked for that permission to go to London. Baba thought he is going to East London.

Tom Eaton @TomEatonSA
Rand drops over 2% as Zuma orders Gordhan home because trip was "unauthorized". You know what else is unauthorized? 783 acts of corruption.

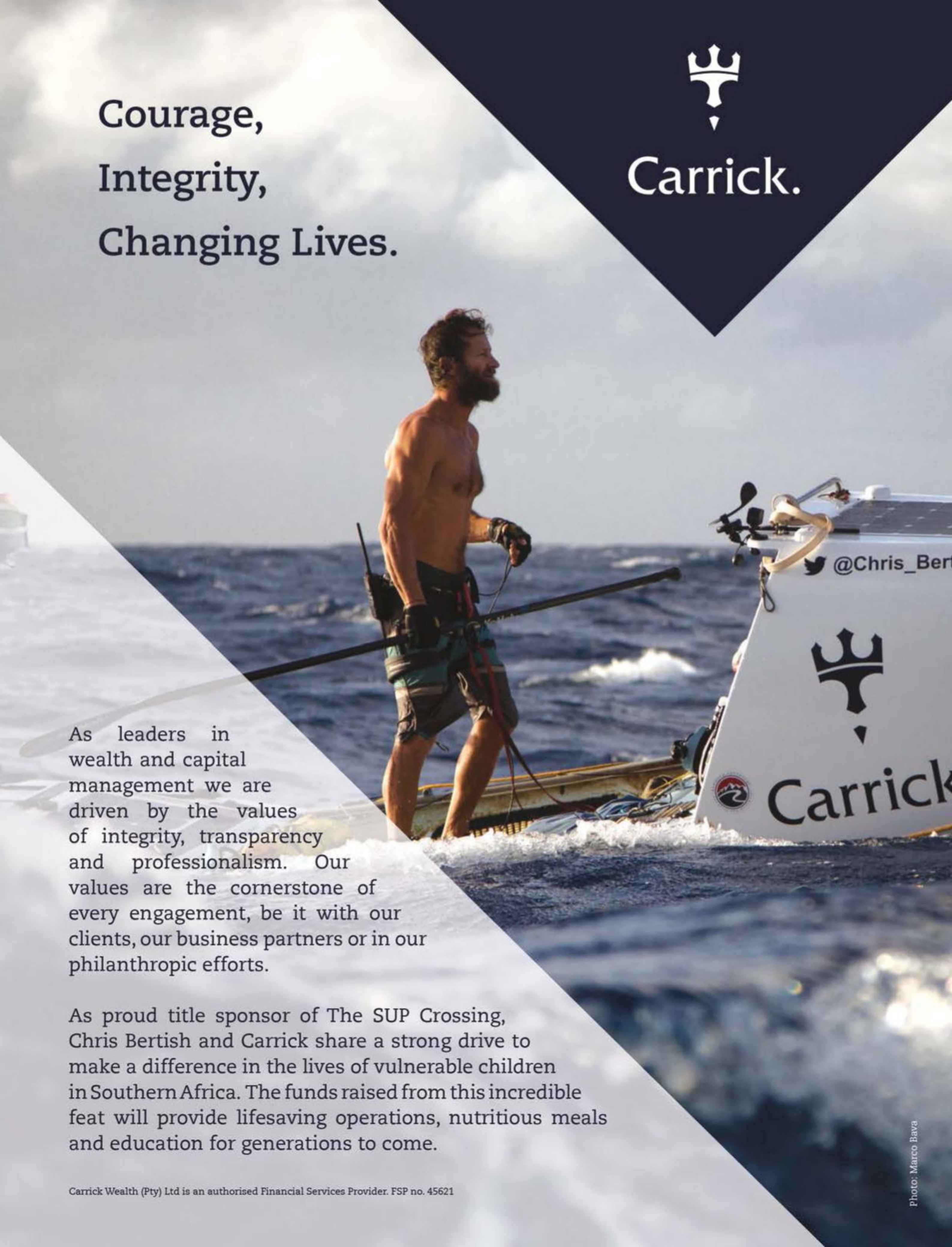
Karin Richards @Richards_Karin
Situation with Zuma shows why Rand hedges are always necessary. We are constantly at the mercy of a ravenous self-serving despot.

Ramp Capital @RampCapitalLLC
If you take out all of the Dow stocks that are red, the Dow would be green.

VeryBritishProblems @SoVeryBritish
Meanings of "we'll see":
1. No

John Lyon @JohnLyonTweets
I'm not saying your perfume is too strong. I'm just saying the canary was alive before you got here.

"An ounce of luck is worth more than a pound of gold."
– Yiddish proverb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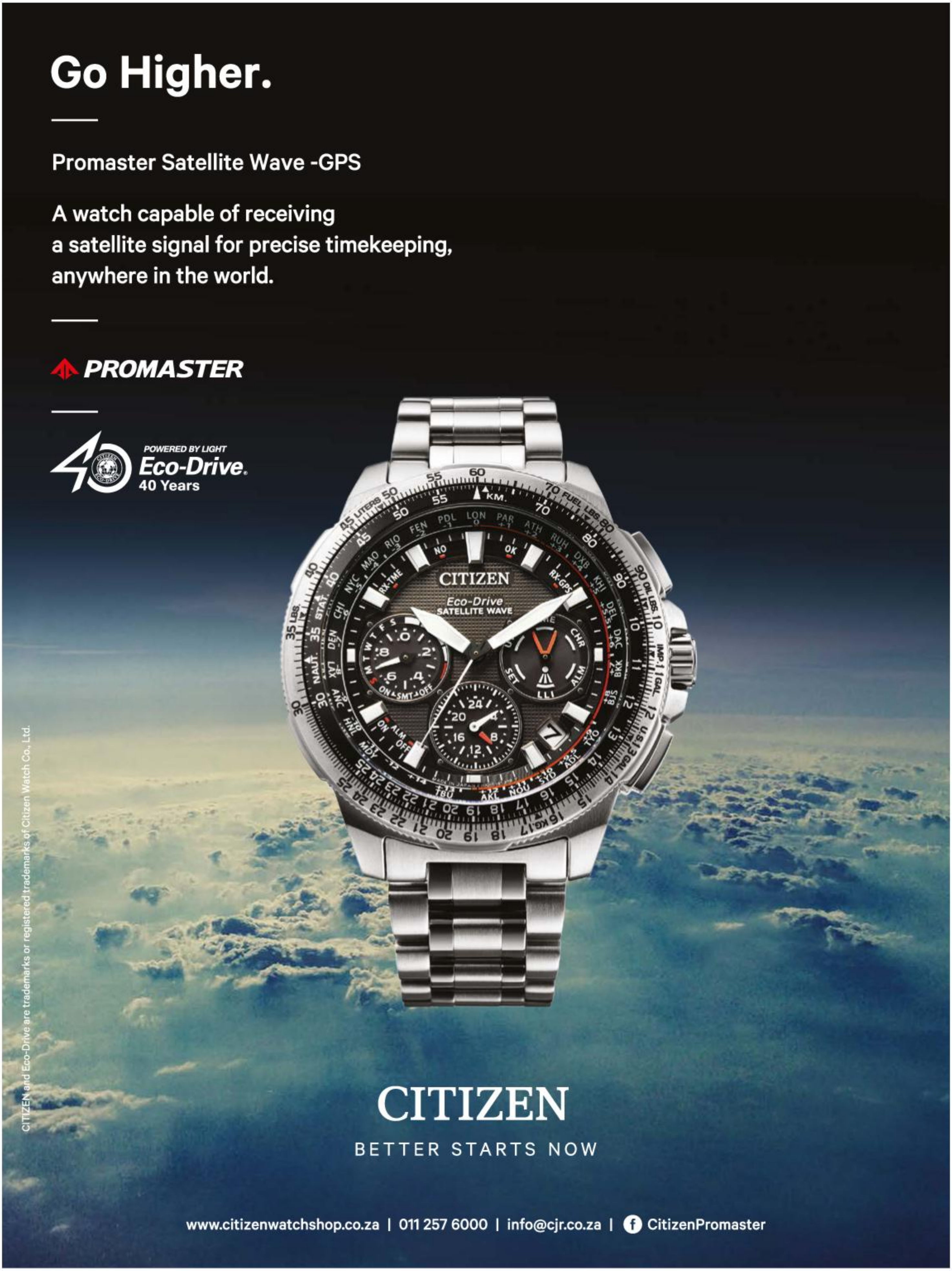
Go Higher.
Promaster Satellite Wave -GPS
A watch capable of receiving
a satellite signal for precise timekeeping,
anywhere in the world.
PROMASTER
POWERED BY LIGHT
Eco-Drive
40 Years
CITIZEN
Eco-Drive
SATELLITE WAVE
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