BOOKS
WHAT SA'S CEOs ARE READING

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ENTREPRENEUR
WHEN YOU START A BUSINESS AND YOUR DAD IS CHRISTO WIESE

finweek

ENGLISH EDITION

15 December 2016

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THE TRENDS THAT SHAPED 2016

10 MUST-HAVE APPS FOR THE HOLIDAYS

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from the editor

JANA MARAIS

I do read *The New York Times*, US president-elect Donald Trump said in an interview with the newspaper shortly after his election win. But he's not a happy reader: "I'd live about 20 years longer if I didn't," he quipped. That, in a nutshell, is what I suspect 2016 did to my longevity.

What a year it's been – the economy is still down in the dumps, unemployment has reached a 13-year high of 27.1%, Jacob Zuma is still our president. Even our weekends have been ruined by one record-breaking Springbok defeat after the other.

On the upside, we've only had one finance minister this year (touch wood), the country's managed to cling to its investment grade rating against all odds, we've averted a recession and indications are that consumers may have a somewhat easier time in 2017, with interest rates at a peak and food price inflation expected to ease.

The political sands have also shifted, and though Zuma remains in power, his influence has certainly declined since his bold move to fire finance minister Nhlanhla Nene a year ago. If the DA and its opposition partners can do a decent job in the next two years running their newly acquired metros (and this at a time when the ANC will be too focused on its own internal squabbles and power plays to fix the economy), the 2019 elections will be the opposition's to lose.

It is also heartening that Corporate SA has been woken from its deep slumber, and is increasingly vocal – and heading to court – to address the regulatory burdens that are deterring investment, growth and job creation in this country.

Most exciting for me this year has been the SA tech start-up scene, where a number of entrepreneurs are finding keen investors and international recognition. Some of the stand-out businesses include KaChing, an app that allows for automatic payment of parking tickets at a number of malls; SweepSouth, which links domestic workers with employers; Zebra Cabs, local competition for Uber; recruitment platform Giraffe; and Lumkani, an early-warning system that seeks to reduce the damage and destruction caused by the spreading of fires in informal settlements. Long may they flourish. ■

The next issue of *finweek* will be on shelves from Friday, 23 December, with the dateline 29 December. Our offices will be closed from 15 December until 9 January 2017. If you experience any problems with deliveries over the holidays, please contact me on janam@finweek.co.za.

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By Johan Fourie

DEVELOPMENT

Don’t lose sight of liberty and progress

In 2016 it seemed as if much of the gains of the last few decades were reversed in favour of a conservative nativism. But we are missing the bigger story: the incredible improvement in living standards of most of humanity.

I arrived in the USA a day after Donald Trump was announced as president-elect of the United States. I gave talks at Harvard and MIT, and met with several faculty and students over the four days of my visit. It was eerie. Some students were still in denial, not helped by the fact that they had started drinking as soon as the results became evident. Others were in various stages of grief: angry at the nativism of a large chunk of Americans, bargaining in the hope that Hillary might still win, or depressed at how quickly the America of Obama – to whom many at these prestigious institutions look up to as an inspiring intellectual – has given way to the America of Trump – whom they consider to be a coarse, boastful buffoon.

Trump’s victory seems to have been another nail in the coffin of liberty and progress. In America, walls will replace bridges. Despite what Trump has said on the campaign trail, his tax cuts will likely benefit the wealthy elite. And his views on women, LGBT rights, climate change, healthcare, trade openness and immigration are likely to reverse much of the gains in general freedoms the US has made over the last decade.

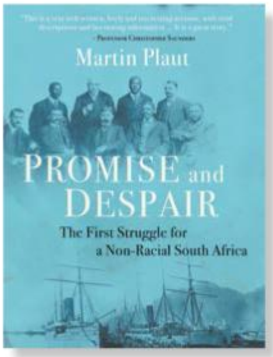
These trends are not limited to America. Earlier this year the Brexit result revealed the same nativist fear; an anti-open, anti-globalisation vote. Brexit was a vote for a return to the “good old times”, however unlikely that is to materialise. It was a vote against intellectualism; liberal London against the conservative hinterland. And in South Africa, the rise of nativist populism on both the extreme right and left reflect a similar frustration with the progressive Rainbow Nation of yesteryear and its liberal (sell-out!) Constitution.

Across the globe, it seems, the extraordinary liberty and progress of the 1990s and 2000s are being rejected for a more insular, protectionist conservatism.

We should not be that surprised. Liberty and progress, as a historian at MIT reminded me on my visit, are never a forgone conclusion, never an obvious eventuality. Liberty and progress are not an Uber ride, taking the shortest, fastest route to a known destination. It is, as The Beatles knew, a long and winding road. Sometimes there are detours, and sometimes we get lost.

Take, for example, Martin Plaut’s latest book, *Promise and Despair*, the story of the delegation of black leaders that travelled to London in 1909 to fight for representation in the new Union of South Africa. Remember, since 1853 the Cape Colony had had a non-racial franchise, allowing men of all races who had sufficient income or property to vote. When the unification of South Africa began to be discussed following the Anglo-Boer War, many had assumed that the (liberal) English government would extend the same franchise to all. In fact, this was the promise Lord Salisbury had made in 1899. But politics trumped morals. To secure the support of whites in SA in case of war, the English reneged on their promises and turned down the appeal of the delegation. Liberty and progress had to wait.

“Despite what we hear on the news and from many authorities, the great story of our era is that we are witnessing the greatest improvement in global living standards ever to take place.”



But to focus on the newsworthy failures of liberty and progress the last few months misses the much bigger story of the last few decades: the incredible improvement in living standards of most of humanity. Johan Norberg, in a new book simply titled *Progress*, concurs: “Despite what we hear on the news and from many authorities, the great story of our era is that we are witnessing the greatest improvement in global living standards ever to take place.” Life expectancy has risen sharply, poverty and malnutrition have fallen. For us, the risk of dying in war or natural disaster is tiny in comparison to our parents or grandparents. “200 000 people were lifted out of poverty yesterday” could have been a newspaper headline each day of the last decade.

But this does not mean we should be complacent. Says Norberg: “There is a real risk of a nativist backlash. When we don’t see the progress we have made, we begin to search for scapegoats for the problems that remain. Sometimes it seems that we are willing to try our luck with any demagogue who tells us that he or she has quick, simple solutions to make our nation great again, whether it be nationalising the economy, blocking foreign imports or throwing the immigrants out. If we think we don’t have anything to lose in doing so, it’s because we have a bad memory.”

2016 has been a year of setbacks. It reminds us that liberty and progress are never *fait accompli*, never self-evident. We have to work hard at it, and even then it is not guaranteed. It requires patience, and a long-term view. But don’t let 2016 shake your beliefs about humanity’s march forward: we are still on the way up, even if it will take us a little longer to get there. ■

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Johan Fourie is associate professor in economics at Stellenbosch University.


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in brief

>> **TREND:** Top apps for the holidays p.8

"[XI'S] ATTENDANCE AT DAVOS WOULD BE LOOKED AT AS A SIGN THAT CHINA IS STARTING TO FILL SPACE BEING POTENTIALLY VACATED BY THE US UNDER TRUMP."

Chinese president Xi Jinping

– **Kerry Brown, a Chinese studies professor at King's College London,** comments to ft.com on news that Xi Jinping will attend the World Economic Forum in Davos in January, the first Chinese president to do so. "It demonstrates just how much ambition China has to the outside world now, and how Xi is the carrier of that," she said. Since Brexit and Donald Trump's victory, China has stepped forward with offers of regional free-trade agreements and pledges to continue the battle against climate change, ft.com said.

"IT ISN'T JUST MOST OF THE JSE'S LARGER SHARES THAT ARE PERFORMING POORLY. THE ALL SHARE INDEX WITH ITS WIDER COVER ALSO FINDS ITSELF IN A BEAR MARKET AS SHOWN BY ITS FALLING 200-DAY EMA (EXPONENTIAL MOVING AVERAGE)."

– **Lucas de Lange, investment writer and former editor of *Finansies & Tegniek*,** says in his latest *finweek* column that the JSE has weakened even further over the past month, with only 34% of the top 100 shares lying above their 200-day EMAs. (See page 18.)

"The industry has been guilty of crying wolf too soon, as the bull market has lasted longer. Today is the right time to cry wolf."

– **Rhynhardt Roodt, fund manager at Investec Asset Management,** warns that the generous returns seen across asset classes over the past few years have come to an end, and that investments have to shift into cyclical sectors which offer value rather than quality. (Also see page 28.)

Gallo Getty Images / iStockphoto

THE GOOD

ANC heavyweight John Block has been sentenced to 15 years in jail and fined R2m for fraud and money laundering. Block, the former chairman of the ANC in the Northern Cape and the provincial government's finance MEC (member of the executive committee), said he will appeal the sentence, which relates to the leasing of buildings to the Northern Cape social development department, *Business Day* reported. The buildings belonged to Trifecta Group, whose director, Christo Scholtz, received the same sentence. It remains to be seen whether Block will actually end up in jail, but it sends a strong message that even big-shot officials may be held accountable.

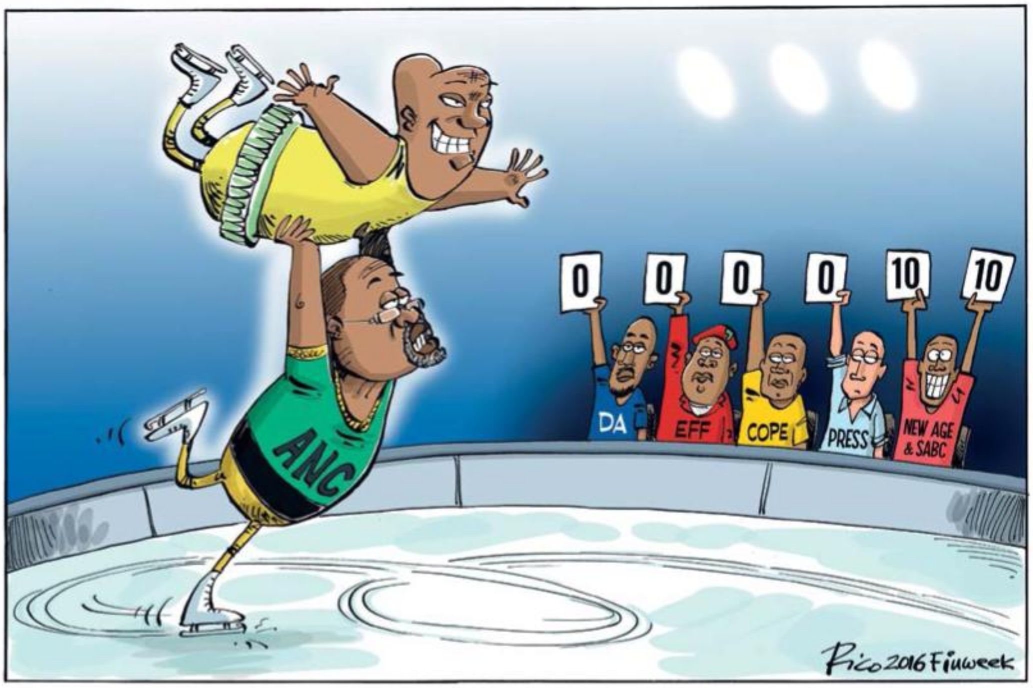
THE BAD

The economy grew by a mere 0.2% quarter-on-quarter (q/q) in the three months to end September, substantially below the second quarter's 3.5% and market expectations of 0.6%. This was driven in part by a 3.2% q/q decline in manufacturing activity and a 2.1% drop in retail sales. Over the past year, GDP increased by a mere 0.7%, and has averaged growth of only 0.8% over the past four quarters, according to Stanlib. "The latest GDP growth data confirms that the South African economy has lost momentum over the past two years and still remains at risk of slipping into recession," Stanlib said.

THE UGLY

South Africa will miss the February deadline to introduce tighter monitoring of financial transactions. The delay follows the Presidency's decision to send the Financial Intelligence Centre Amendment Bill back to Parliament, saying it is unconstitutional. The Presidency's lawyers believe the Bill's provision for warrantless searches was too broad and contravened citizens' right to privacy, *Business Day* reported. Given the troubles some of the President's friends have been running into related to dodgy transactions and bank accounts getting closed down, one can't help but think the Constitution has nothing to do with this matter.

DOUBLE TAKE BY RICO



NEW VEHICLE SALES DROP

12%

Sales of new vehicles in South Africa will drop by around 12% in 2016 compared with 2015, according to FNB. Using the same forecast model, the worst-case scenario for 2017 is a further decline of 5%, or a best-case scenario of sales staying flat as household income levels remain under pressure, *Engineering News* reported. One notable decline has been vehicle sales to government, which are down 56.3% year-to-date, to 10 930 units, it reported. Ford said it expects a flat to strengthening rand next year, which should make car imports more affordable and should also lead to stable interest rates.

LIBERTY LISTS PROPERTY PORTFOLIO

R4bn

Liberty Group unbundled and listed a portion of its property portfolio on the JSE on 6 December, raising R3bn from invited investors and R780m from Liberty Group in the process. The real estate investment trust Liberty Two Degrees (L2D) owns interests in assets such as Sandton City, Eastgate, Nelson Mandela Square and Melrose Arch. Liberty said the capital raised would enable it to expand its existing portfolio of property assets and unlock the portfolio to investors outside its base of policyholders, *Engineering News* reported. The listing of L2D brought the number of listed property sector companies on the JSE to 63, according to the bourse.

GOOGLE COMMITS TO RENEWABLES

100%

Google plans to buy enough renewable energy in 2017 to match the entire needs of all its data centres and offices around the world as part of its efforts to combat climate change, ft.com reported. In 2015, the company used 5.6 terawatt hours of energy, enough to power the entire city of San Francisco for a year. The commitment to purchase renewable energy to match 100% of its demand is partly thanks to falling prices and greater availability, Google said. Where the tech giant can't buy renewable power for its operations, it purchases renewable power in other areas (and resells it to grid operators) to offset the carbon-based power used.

VENTERS HAND OVER ALTRON REINS

R400m

Investment firm Venture Capital Partners (VCP) will invest R400m in Altron, giving it a 15% stake, *Business Day* reported. As part of the deal, the Venter family will retain its 17.8% economic interest in Altron, but will reduce its voting rights to 25.1%, from 57% previously. Bill Venter, who founded the group 51 years ago, and his son Robbie will step down as chairman and CEO respectively, but remain as non-executive directors, the paper said. Analysts said the deal will be good for minority shareholders, and the share price rallied as much as 20% after the announcement was made on 6 December.

By Jessica Hubbard

Essential holiday apps for silly-season travellers

Here are some of our top picks for the upcoming festive season.

For those of us who are not planning on using December as an opportunity for a full digital detox, mobile apps can certainly smooth out some of the predictable bumps in the road as we negotiate local and global travel:

Airbnb's Trips – 'experience the real deal'

The much loved homestay network Airbnb, which specialises in listing short-term lodging in residential properties, has just released its Trips offering. Calling it the most significant development in its eight-year history, Trips aims to personalise travel by offering users access to experiences that are designed and led by local experts. The goal is to immerse travellers into local communities and give them real, authentic insights and experiences – instead of remaining the excluded outsider with little to no understanding of the local culture and environment. The app has just launched with around 500 so-called Experiences in 12 cities worldwide. For travellers with a thirst for the unexpected, Trips will certainly be worth a try. In a local first, executive mayor of Cape Town, Patricia de Lille, was hosted by Airbnb Experience host Delecia Forbes as one of the first Trips experiences. Forbes's offering introduces travellers to the dynamic art community of Cape Town, and enables them to interact with the artists and their work.

It currently offers more than **20** languages in easy and accessible bite-sized formats.

Penzu – keep a daily diary of your (mis)adventures

Many travellers still take advantage of their downtime to write down their thoughts, feelings and observations as they feed their wanderlust. But in the chaos of moving around, it can become near impossible to keep track of your notebooks, postcards and personal diaries. Unsurprisingly, there is now an online solution in the form of Penzu, a web-based journal tool that allows users to create a personal online diary. There are three account options available: Classic, Pro and Pro Plus. Prices range from free for the Classic account to $49.99 for Pro Plus. Most reviewers agree that the Classic version provides all that most daily journal writers would require.

Duolingo – learn the language

For global travellers, nothing is more frustrating (and limiting) than not being able to speak the local language, or at least have a grasp of the basics. As a mobile app, Duolingo is one of the best free language-learning programmes. It currently offers more than 20 languages in easy and accessible bite-sized formats. You can decide how much time you want to spend learning on a daily basis (15 minutes for the lazy, an hour for the dedicated), and the app tailors the lessons according to your preferences. Although there is no real-time e-tutoring, it is certainly one of the best ways to quickly – and painlessly – learn your way around a new language. In October, Duolingo launched a talking bot that allows users to practise their conversational skills by talking to the bot. The chat bot is currently only available on iPhones, and only for users learning French, Spanish or German.

XE Currency – for easy online conversions

When travelling abroad, it can be exhausting (and anxiety-provoking) to keep track of spending when you're dealing with foreign currencies. To make life easier and let you know exactly where you – and your South African bank balance – stand, this free app keeps you up to date with current rates. It is one of the most popular and frequently used digital tools for converting currency, and it will store the last updated rates (so even when you don't have an internet connection, you'll still be able to do your conversions). Users can immediately check on the values for every world currency, and for the geeks and traders among us it lists precious metals and over 30 000 currency charts for historic rates. You can also personalise your settings, so that the most relevant numbers and charts are immediately displayed on your mobile device. The app is available in several languages, and has become a must-have for both the business and leisure traveller.

Images supplied

WHAT ARE SA'S **TOP TECHIES** USING?

Simon Dingle
Tech broadcaster

Arthur Goldstuck
Founder of
World Wide Worx

Simon Dingle, tech broadcaster and designer who is constantly crossing continents for both work and play, shares his top apps for the festive season:

ASANA – A SIMPLE SOLUTION FOR YOUR HOLIDAY PLANNING ADMIN

Asana has come a long way since launch and is now a productivity powerhouse that can be used not only to make your business work smarter, but also for organising your personal life and holidays. Use it to gather information about flights and car rentals, collaborate and share pictures of potential holiday spots, make an itinerary card to track your plans, and more. It's especially useful if you're planning a big trip with a group of friends, or for getting your family to share tasks and ideas.

UBER EATS – FOR THE PECKISH POOL LOUNGERS

Uber has a very simple mission statement: "We're all about technology moving the physical world." Now we're starting to see Uber broaden its mission with the launch of Uber Eats, which can be used to bring food to you (provided you live in Johannesburg, for now). So save yourself some cooking time these holidays and let Uber bring the meal to you!

INSTAGRAM – TELL YOUR STORIES

The Facebook-owned picture and video sharing service recently launched Instagram Stories, which lets you share playful videos and photos in a personal timeline format, similar to Snapchat. That, combined with the regular Instagram service, makes it my favourite way to share places, ideas and other beautiful things with the world. Instagram's photomap is also a fun way to reminisce about travels to exotic spots and good times in general.

Arthur Goldstuck, founder of technology consultancy World Wide Worx, relies on the old and new for his globetrotting missions:

GOOGLE MAPS – DISCOVER THE GEMS

My most-used travel and holiday app is Google Maps, which is not only about finding directions, but also a great guide to shopping, entertainment and places of interest.

UBER – TRUE LIBERATION

My most powerful app is Uber, which has liberated me from dependence on a car, parking and all the stress and time that goes with that.

OPENSIGNAL – ALWAYS ONLINE

For any holiday app to work, you also need a connection to the internet, and a reliable way to find that connection. Here I've just discovered a tool I've been wanting for a long time. It's called OpenSignal, and it's ideal to find the best mobile, 3G and LTE signals, as well as the most effective WiFi hotspots. Its free WiFi hotspot finder is probably one of the best technology back-ups to good holidaying that I've found. ■

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market place

THIS WEEK:

FUND IN FOCUS: SIM GLOBAL EQUITY INCOME FEEDER FUND

By Niel Joubert

An attractive yield is the goal

The objective of the fund is to generate a growing stream of dividend income through equities, while also pursuing moderate growth in capital.

FUND INFORMATION:

Benchmark:	Annualised income yield of MSCI World High Dividend Yield Index + US CPI
Fund manager:	Douw Steenekamp (Denker Capital)
Total expense ratio:	2.4%
Fund size:	R103.8m
Minimum lump sum / subsequent investment:	R4 000 lump sum / R500 monthly
Contact details:	021 916 1800 / service@sanlaminvestments.com

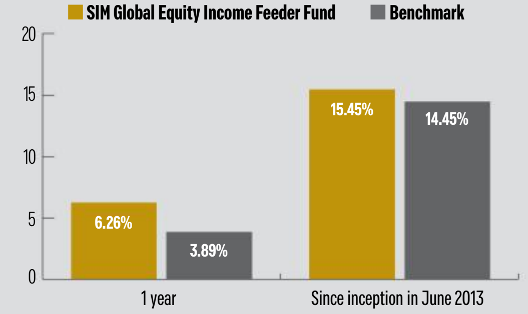
TOP 10 EQUITY HOLDINGS

As at 30 September 2016:

1	Philip Morris International	3.88%
2	Cisco	3.66%
3	British American Tobacco	3.6%
4	Legal & General	3.58%
5	Unilever	3.54%
6	Verizon Communications	3.48%
7	Procter & Gamble	3.46%
8	Singapore Telecomm	3.43%
9	GlaxoSmithKline Consumer Nigeria	3.42%
10	Imperial	3.3%
	TOTAL	**35.35%**

PERFORMANCE (ANNUALISED AFTER FEES)

As at 30 September 2016:



Fund manager's insights:

The SIM Global Equity Income Feeder Fund differs from most conventional equity funds, says Douw Steenekamp from Denker Capital, manager of the SIM Global Equity Income Feeder Fund, because its primary objective is to deliver an attractive yield, derived from the dividends received from its investee companies, "rather than the traditional myopic focus on capital appreciation".

The fund's secondary objective is to simultaneously grow the invested capital in real terms in the medium term.

"This provides our investors with the option of deriving an attractive stream of income from their capital, while maintaining its value in real terms, or reinvesting that income to benefit from its compounding effect on the long-term value of their investment," says Steenekamp.

"An analysis of long-term index data has shown that by consistently harvesting a superior yield and then patiently reinvesting that additional income, one is very likely to enjoy market-beating returns in the long term."

Steenekamp says to achieve the fund's objectives they focus on companies that are well established, cash generative, financially sound, with a history of rational capital allocation and offering an attractive dividend yield.

"We seek companies that are expected not only to maintain their dividend payments, but also grow them over time, while taking particular care to ensure that the dividend expectations are realistic," says Steenekamp.

"Our second line of defence is to always ensure that the portfolio contains an adequate and sensible degree of diversification at all times in order to provide some protection against unforeseen events."

He says they do not really concern themselves too much with trying to predict macroeconomic and political events such as Brexit and the recent US presidential elections. "Experience has taught us that the outcomes and reactions are largely unpredictable," he says.

"However, we are constantly aware of the potential risks and try to ensure that the portfolio is sensibly positioned." Because of the very specific yield objective of the fund, Steenekamp says they tend to look at the valuation of the market through the lens of dividend yield. "On this basis, we are currently finding attractive value in many UK-listed shares post the Brexit reaction."

Why *finweek* would consider adding it:

The fund has a very distinctive objective and could be appealing to investors seeking to derive an attractive level of income from their capital while maintaining the real value of that capital in the long term.

The underlying fund has delivered consistent top quartile performance within the UK equity income category and this was recognised by Morningstar, which awarded the fund five stars in its most recent review. ■

editorial@finweek.co.za

ALEXANDER FORBES

BUY SELL HOLD

By Simon Brown

Challenges on all fronts

Since the company listed out of a complex preference share structure just over two years ago, it has been a rough ride for Alexander Forbes shareholders. The share price has lost some 20%, although a decent dividend yield of around 5% has helped ease the pain.

The company focuses on employee benefits and investment solutions for institutional clients. The employee benefit space is typically very sticky as it is not a simple process for a company to move all its staff to a new provider.

But recent results were very modest with headline earnings per share (HEPS) growth of only 3%. One gets the sense that apart from the challenges Alexander Forbes already faces, its other worry is newly listed Sygnia, which operates in the same space. With its much cheaper offering, Sygnia would be gobbling up some of the market share. For Alexander Forbes to compete on reduced pricing is not a simple process as it has legacy systems, whereas Sygnia started life with low costs at the core of its DNA.

Alexander Forbes is finding it very tough to operate in the new lower cost index tracking world and I would exit any position. ■

The share price has lost some **20%,** although a decent dividend yield of around **5%** has helped ease the pain.

Last trade ideas

- BUY — Woolworths, *8 December issue*
- HOLD — Vodacom, *1 December issue*
- BUY — Consolidated Infrastructure Group, *24 November issue*
- BUY — Facebook, *17 November issue*

BRITISH AMERICAN TOBACCO

BUY SELL HOLD

By Moxima Gama

Honing in on the vaping trend

British American Tobacco (BAT), which owns brands including Dunhill, Lucky Strike and Kent, recently reported revenue growth of 10.2% in the first nine months of the year to end September. The volumes of cigarettes sold increased in a number of markets, notably Ukraine, Bangladesh, Russia, Vietnam and Turkey. It reported declines in Pakistan, Brazil and Venezuela. Overall, volumes were up 2.2% to 497bn cigarettes over the period.

The group is aiming to become the largest listed tobacco business with the takeover of Reynolds American, currently the second-largest cigarette seller in the US. BAT already owns a 42% stake in Reynolds, and is widely expected to increase its initial $47bn buy-out offer for the remainder of the business in order to gain board approval for the deal. The transaction would give BAT a strong foothold in the US and access to Reynolds' leading e-cigarette position, Bloomberg reported.

BAT has been investing aggressively in alternative tobacco products, and launched a new e-cigarette, named the Vype Pebble, on 1 December with a retail store in Milan. The tobacco group believes the Pebble, which is brightly coloured and ergonomically shaped, fills a gap in the market as e-cigarettes, which have fewer negative health effects, are currently either shaped like traditional cigarettes or are bulky with "tanks" that can be refilled, Reuters reported. BAT has spent about $700m over the past five years to develop its alternative tobacco products.

Over the past four years, sales of vapour devices grew by 59% to more than $6bn, with sales in the US more than doubling, according to data from Euromonitor International.

How to trade it: As BAT fell to previous lows from October, the three-day relative strength index (RSI) formed higher bottoms – a sign of gradual investor interest. However, BAT would have to trade above 79 400c/share to escape its bear trend and retest highs at 94 100c/share. Investors could reload above 89 500c/share but should maintain a tight stop-loss at first, and keep it trailing. Do not go long if BAT reverses below 74 400c/share – the bear trend would then remain intact. ■

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▲ A promoter shows British American Tobacco's new tobacco heating system device 'glo' and a packet of Kent tobacco.

Gallo Getty Images/Reuters

Over the past four years, sales of vapour devices grew by **59%** to more than **$6bn,** with sales in the US more than doubling.

Last trade ideas

- SELL — Naspers, *8 December issue*
- BUY — Sappi, *1 December issue*
- HOLD — Sasol, *24 November issue*
- BUY — Nampak, *17 November issue*

By Moxima Gama

IMPERIAL HOLDINGS

A big breakout is pending

Imperial Holdings has been out of investor favour the past year but the company's strategy now is to grow revenues and profits that are less susceptible to currency volatility.

A number of factors have hurt vehicle and logistics group Imperial Holdings in recent months: subdued consumer goods and commodity volumes, currency movements, a 14.3% decline in new vehicle sales in South Africa in the nine months to end September, and low water levels on the Rhine and Rio Parana.

Although there are a number of transportation and logistics companies in SA, I'm concentrating on Imperial because a significant breakout seems underway. Imperial, which is undergoing restructuring, focuses on two sectors of mobility: logistics and vehicles. Imperial Logistics consists of three sub-divisions: South Africa, Africa Regions, and International. Its vehicle business has two divisions: Imports, Retail and Aftermarket Parts as well as Motor Related Financial Services.

For the past 12 months or so, Imperial fell out of investor favour as the company endured a difficult phase of its business cycle. On the charts, Imperial negatively broke out of a two-year symmetrical triangle, resulting in a sharp fall (we had recommended a short in August 2015).

The group said at its AGM in November that it expects 56% of revenue in the year to end June 2017 to be derived from SA, 33% in the EU, Australia and South America, and 11% in sub-Saharan Africa north of SA.

With SA contributing such a large portion of the group's operations, CEO Mark Lamberti highlighted a number of SA-specific challenges at the AGM, saying most of the slowdown in economic growth is attributable to "avoidable local factors".

In an assessment of the state of affairs, Lamberti said: "Business and consumer confidence is being eroded by serious political interference in the workings of core public institutions and state-owned enterprises. Such activity is being conducted with appalling self-interest, impunity and duplicity, at the expense of national priorities such as economic growth, fiscal rectitude, policy certainty, unemployment and poverty alleviation, crime prevention and funding of universities."

With economic growth in SA expected to be flat next year, Imperial said it expects single-digit revenue growth and a moderate decline in operating profit in continuing operations for the 2017 financial year. It will continue to dispose of "non-core, strategically misaligned, underperforming or low return on effort assets", using the proceeds to pay off debt.

Imperial's strategy is to grow revenues and profits that are "less susceptible to currency volatility, in order to reduce the group's exposure to exchange-rate sensitive operating profits attributable specifically to directly imported vehicles", as mentioned in its interim results presentation. Forward-looking investors have already considered current valuations on the share and a price-to-earnings ratio at 11.5 as an opportunity for longer-term gains, which should gain traction as business conditions improve.

52-week range:	R79.46 - R180.30
Price/earnings ratio:	12.56
1-year total return:	39.42%
Market capitalisation:	R35.8bn
Earnings per share:	R14.23
Dividend yield:	4.45%
Average volume over 30 days:	965 624

SOURCE: INET BFA

IMPERIAL HOLDINGS

SOURCE: MetaStock Pro (Reuters)

What next?

Possible scenario: Imperial is teetering on the resistance trendline of its long-term bear trend – which would be breached above 17 875c/share. With the three-month relative strength index (RSI) escaping its four-year bear trend, a positive breakout, confirmed above 18 865c/share, seems possible. Thereafter, a 100% retracement to 23 345c/share should ensue. A new bull phase would commence above that all-time high. Investors could initiate a neutral long above 17 875c/share and increase positions aggressively above 18 865c/share.

Alternative scenario: A reversal below 15 580c/share would mark defeat – attracting further selling towards 13 610c/share or even 12 300c/share. In this case refrain from going long. ■

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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.

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.

ANGLO AMERICAN

What about Kumba?

Anglo American exited its 9.7% stake in Exxaro, while the BEE partner sold 5%. For Anglo American the price of 8 700c per share was 10% below the market price and well off the highs of over R200 for Exxaro, but it is a decent price considering Exxaro has been below 4 000c since last December. The question now is what happens to Kumba. Anglo American has stated it wants to exit iron ore and selling 9.7% in Exxaro is easy enough. But selling its 69.7% stake in Kumba is not going to be easy. With the Kumba share price up some eight-fold from its December 2015 lows, this is a good time to sell. The problem is the size of the stake. A book build as done with Exxaro is not feasible, so either a piecemeal sale or a one-off unbundling to shareholders will occur. As I have stated before, an unbundling will put serious pressure on the share price as one can assume a significant number of those receiving the shares would sell them, putting downward pressure on the price. I would be a nervous shareholder unless Anglo changes its mind, and surely it wouldn't do that? Maybe it's time for some profit-taking from Kumba shareholders.

CONSOLIDATED INFRASTRUCTURE GROUP

Rights issue was huge success

The rights issue for Consolidated Infrastructure was a huge success with applications more than twice the number of shares being issued. I suggested shareholders follow their rights and the demand tells us that at these lower price levels (the rights issue was priced at 1 930c), shareholders are keen buyers. The share has lost about a third of its value over the last year and a single-digit price-to-earnings ratio (P/E) makes it very cheap. The new acquisition, to be funded by the cash raised from the rights issue, coupled with existing businesses, makes for a compelling investment at current levels.

OMNIA

Hope for 2017

The Omnia results reflect a very tough environment as HEPS fell 24.9% and operating margins contracted by 1.1% to 5.8%. The margin contraction is to be expected due to a lot of fixed costs within the group, with the agricultural and mining divisions the biggest losers. However, agricultural division's loss can be expected to recover with improved rainfall. The boom in many commodity prices during the past year should help if it can be sustained. If commodity prices remain at these higher levels, then Omnia will see a much improved 2017, but I am concerned that a lot of the commodity price moves are hot air rather than due to increased demand or reduced production. Overall I prefer the much smaller but also much cheaper Rolfes, which operates in broadly the same sectors.

The risks have not gone away and, importantly, when placed on negative outlook, the agency either needs to drop the rating or make us stable within two years.

RATING AGENCIES

Gallo Getty Images

Dodged the bullet, for now

The rating agencies have spoken and Moody's was the surprise, leaving South Africa's rating unchanged at two notches above junk with a negative outlook. Fitch dropped us to negative outlook at one notch above junk, and Standard & Poor's (S&P) dropped the local rand debt rating to one notch above junk and negative outlook, while the offshore rating was left unchanged at just above junk and negative. In short, we avoided junk status; something I did not think we would achieve, and now all attention turns to 2017. All the agencies commented on state-owned enterprises and political issues while also highlighting a lack of GDP growth. The risks have not gone away and, importantly, when placed on negative outlook, the agency either needs to drop the rating or make us stable within two years. So, we'll be watching the June and December updates from S&P. I think the risks of a drop to junk remain real, but maybe the odds have shifted to even, rather than my 2016 view that the odds favoured a drop to junk from S&P. ■

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By Simon Brown

PORTFOLIO MANAGEMENT

Keep calm and hang on to quality stocks

Many companies have had a rough time of it, with share prices trading down. But don't panic and sell. This is what it means to be a long-term investor.

Two of my long-term "'til death do us part" stocks have had a rough 12 months. Woolworths* hit a high of almost R104 in late 2015 and is now trading down around 6 500c. Richemont* was R115 in December last year and is now just above 9 000c. Neither price drop is a fun experience but I can promise you this is part of being a long-term investor, watching a stock you own collapse; it's happened before and it'll happen again.

Back in late 2012, Shoprite* was around R200 before losing about a third of its value over the next few years. But recently we've seen it on the move again, trading up above R210 in August and I held on to the position, adding more and collecting dividends along the way.

This is the critical point – quality will always recover in time and will, via dividends, pay you to hold it.

With Woolies and Richemont I am getting emails and direct messages galore from investors asking what we should do. I am also getting a bunch of doomsday messages telling me how these companies have had their day in the sun and that it's all over for them. Frankly, this ignores the bigger picture and is rather focusing on short-term price movements, very much more a trading outlook than that of a long-term investor.

This is the critical point – quality will always recover in time and will, via dividends, pay you to hold it.

To deal with the first question of what we should do – well, we should buy more. I have been buying both as the prices have fallen. With Woolies it has been years since I last bought as I have considered it expensive and hence have not been a buyer. But eventually all stocks offer an opportunity to buy them at great prices. However, too often, the great price scares us as we're concerned the company is on its last legs (we incorrectly assume as indicated by the falling price), so we panic and miss the opportunity the market offers to buy quality at great prices.

Remember, price is what you pay and is the view of the market. It does not indicate quality. Some people have asked why I didn't just sell at R100 and now buy back at much cheaper and the answer is simple – hindsight bias.

Sure, it is now easy to see where we should have sold Woolies, but I have rated it expensive for years and would have sold much lower down. In other words, we will not get the top right. I would also have missed out on dividends and would have had to pay capital gains tax and brokerage when I sold and very likely would have struggled to re-enter at a lower price.

So, forget trying to time the price and rather focus on quality. We should check that we hold quality and I have gone back to my notes on Woolies, making sure that what I liked about them still rings true and that I am still happy to own the stock.

This brings the second issue that always arises when great stocks fall and that is the fear that the game is over for them. In some cases, it may be, but most often quality stocks will outlive us. Woolies was very expensive at over R100 and that wasn't going to last forever. Further, consumers are under pressure and new clothing retailers are giving the locals a run for their money. Woolies also has its Australian adventure (which at the time, I said, would take longer to do well than promised).

But consumers will recover, Woolies will get back to pumping profits again and its Australian venture will start to kick in. This is just a tough time for the price, it's not the end of their world. ■

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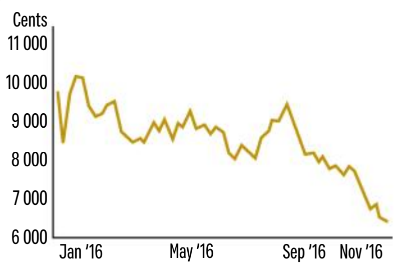
The writer owns shares in Woolworths, Shoprite and Richemont.

WOOLWORTHS



52-week range:	R62.19 - R101.78
Price/earnings ratio:	14.09
1-year total return:	-32.22%
Market capitalisation:	R67.23bn
Earnings per share:	R4.56
Dividend yield:	4.88%
Average volume over 30 days:	6 029 187

SOURCE: INET BFA

Gallo Images/Getty Images

By Craig Gradidge

CLUCASGRAY EQUILIBRIUM FUND

Small and beautiful

This fund currently only has around R240m under management, but it deserves attention given its track record of delivering market- and sector-beating returns at low cost.

One thing that has surprised me a lot since becoming a financial planner is just how much energy investors expend trying to identify which of the newer fund managers will be "the next big thing".

Hardly a month goes by without investors or prospective investors wanting to know who we think will be the next big thing. I suppose there are bragging rights that come with having picked a winner before everyone else, in addition to the excess returns that a manager has to deliver to truly become "the next big thing".

Recently we have fielded a few questions on Sygnia's 4th Industrial Revolution Global Equity Fund in particular, but often we get asked for a general opinion on which fund we think could be a future titan.

We generally do not spend much time and effort specifically trying to identify tomorrow's winners, but we do have an obligation to our clients to consider the merits of all funds in the market. However, given that we act in a fiduciary capacity for clients, our focus has to be on issues such as sustainability and risk management rather than the potential to win performance based awards.

We generally do not spend much time and effort specifically trying to identify tomorrow's winners, but we do have an obligation to our clients to consider the merits of all funds in the market.

One fund that has caught our attention recently is the ClucasGray Equilibrium Fund (CGEF). It is reasonably unexciting, but sufficiently different for us to be interested. The CGEF is a balanced fund and complies with regulation 28 of the Pensions Fund Act. The fund was launched in January 2015 and is managed by Andrew Vintcent (previously of Stanlib and RMB), and Grant Morris (previously of Accenture and Standard Bank). Balanced funds are unlikely to get anyone's blood racing with excitement, which is possibly reason enough to invest.

There are a number of factors that have resulted in us adding the CGEF to our shopping list for client portfolios: their attitude to risk, pricing, and the way they use their size advantage to benefit clients. In all our engagements with fund management, we noted a consistent awareness of risks to the portfolio, and a general conservatism against taking any big bets. The company did not list this as a strength, but it was clear to us that we were not talking to mavericks.

From a cost perspective, the fund is currently priced at 0.6% with no performance fees. This puts it at the cheap end of the active management pricing curve for balanced mandates. There is an intention to raise this fee to 0.75% from January 2017. Perhaps they could be convinced to leave it at 0.6% if they get enough support from the market.

Finally, the fund has exposure to stocks such as ADBEE (share code: ADE), which is an asset-backed security listed on the JSE as part of Adcock's BEE deal. ADE has a potentially attractive risk/return profile over the next three years. Larger funds are not able to take a meaningful exposure to such opportunities. There were numerous examples of such small- and mid-cap exposures in the portfolio.

The graph shows the fund's performance since inception, versus the sector average and the JSE. It is clear that the fund came into existence in what has been a difficult period for markets.

The fund has managed to outperform both peers and the market in difficult market conditions, which is comforting for investors. I suspect that their attitude to risk and low cost structure have played a big part in this outcome.

The fund has around R240m assets under management, which makes it very small. However, I suspect that it will become a whole lot bigger if its managers continue to deliver market- and sector-beating returns at a low cost. Those are two important ingredients in the endeavour to become the next big thing! ■

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Craig Gradidge is a co-founder of Gradidge-Mahura Investments.

Andrew Vintcent
Manager of ClucasGray Equilibrium Fund

Grant Morris
Manager of ClucasGray Equilibrium Fund

HOW THE CLUCASGRAY EQUILIBRIUM FUND MEASURES UP

A – ClucasGray Equilibrium Fund Prescient A1 in ZAR (11.76%)
B – South African Multi Asset High Equity in ZAR (5.07%)
C – FTSE/JSE All Share in ZAR (2.23%)

SOURCE: FE

By Schalk Louw

YEAR IN REVIEW

The A-Z of investments in 2016

What were the most important factors that impacted investors in the past year?

A – #ALLMUSTFALL
After 2015 was largely highlighted by campaigns such as the #RhodesMustFall and #FeesMustFall movements, hopes were high that 2016 would be different. Unfortunately, our hopes were in vain as the #FeesMustFall campaign only intensified. Let's truly hope that 2017 marks the end of these destructive #AllMustFall movements and the start of a much-needed #SAMustGrow campaign.

B – Brexit
The abbreviation for "British Exit", which refers to the referendum held in June this year to determine whether Britain would remain part of the EU or not. It came as a great shock when the results indicated that they would in fact be leaving the EU. The news caused havoc in the markets and the pound's value weakened drastically against the US dollar – to levels last seen in 1985.

C – Cash
I'm sure that most pensioners experienced some relief after two interest rate hikes in 2016. With money-market rates at 6.2% as at the end of 2015, the current rate of 7% surely makes for a welcome income increase.

D – Diversification
In 2016 we were yet again reminded of the fact that a well-diversified portfolio provides investors with peace of mind. Investors who were only invested in local shares at the end of 2015 would have underperformed compared to all three asset classes (as at 29 November 2016): bonds, property shares and even the money market.

E – Economy
From a local economic perspective, South Africa suffered another bad year in 2016, after recording growth of only 1.3% in 2015. Standard & Poor's is forecasting growth of only 0.3% this year, with a slight recovery to 1.2% in 2017. Stanlib warned that SA will struggle to lift its growth rate meaningfully back up to 2% over the next two years given low business confidence, domestic policy constraints and below-average global growth.

F – Federal Reserve
2016 certainly proved to be an interesting year for the US Federal Reserve (Fed). The year didn't kick off with the question of how many interest rate hikes would take place, but rather when the first one would take place. One cannot but wonder whether there would have been more than one hike if Trump hadn't been elected president, but stay tuned as we believe things will get even more interesting as we move along.

Most pensioners experienced some relief after two interest rate hikes in 2016. With money-market rates at 6.2% as at the end of 2015, the current rate of

7%

surely makes for a welcome income increase.

G – Gold
After dropping to $1 060/ounce at the end of 2015 from $1 700/ounce at the end of 2012, I had to ask whether this was the end of the price drop at the beginning of this year. Amongst all the uncertainty surrounding Brexit and Trump, we didn't only see the gold price recover, but also rally a bit to its current price of $1 193/ounce.

H – House prices
Higher interest rates continued to take their toll on local house prices, which, according to Absa, only rose by 4.4% over the last 12 months. For the first time in a very long time, listed properties couldn't manage to outperform the money market. At 6% growth up to 29 November 2016, however, they still managed to outperform local shares.

I – Inflation
Inflation is the sweet and sour sauce of 2016. The recent 6.4% year-on-year growth definitely falls outside of the level where it's supposed to be (4% to 6%). But when we consider the great drought, higher oil prices and a rand that is still trading higher than last year's average, we can be thankful that it wasn't even higher.

J – JSE
After growing by only 5% last year, 2016 definitely didn't turn out to be the local market's turning point. On the contrary, it was a particularly poor year on the FTSE/JSE All Share Index, with a mere 1.5% growth up to 29 November 2016.

K – 'Kite-Flyers' Society
Debt levels are still much higher than 10, 20 or even 30 years ago. However, debt as a percentage of income has come down in 2016, from 78% at the end of 2015 to 75% currently. Let's hope that this downward trend continues in 2017.

L – Long bonds
Long bonds managed to sidestep the 2016 interest rate hikes and looking ahead, the general impression is that rates may not stay too high for too long. Long bonds closed at 10% at the end of 2015, and at their current level of 9.2%, they may just take the prize for best-performing asset class of 2016.

M – Maimane & Malema
2016 turned out to be a good year for both the DA's Mmusi Maimane and the EFF's Julius Malema. There were great expectations and excitement surrounding the 2016 local municipal elections and the result was a huge success for both parties, with the ANC having lost the most supporters.

Images: Gallo Images/ Getty/Nasief Manie/Foto24 Getty Images/iStock images

N – Nest egg

Just as in 2015, South Africans performed horribly when it came to saving in 2016. At the turn of the millennium, South Africans still managed to save around 2% of their personal incomes annually. In 2016, this level has dropped to a tragic -2%.

O – Oil

2016 turned out to be a much better year for oil producers. After dropping to $37/barrel by the end of 2015 from $110/barrel at the beginning of 2014, its current price of $47/barrel is definitely an improvement.

P – Prime rate

At the end of last year, there were rumours that interest rates may rise even further in 2016. Little did we know then that we would see two interest rate hikes in one year. Luckily, they were two relatively small hikes of 0.5 percentage points and 0.25 percentage points respectively, taking us to a prime rate of 10.50%. Let's hope that these hikes are a thing of the past for now, so that we can sail through the Trump storm without the added burden of more interest rate hikes in 2017.

With the economy still under pressure and interest rates very low, a comfortable retirement was still a massive concern for many South Africans in 2016.

Q – Quantitative easing (QE)

After the Fed announced the initial round of QE in November 2008, later followed by further rounds, it seemed as though they had found some traction in the US and that they were coming to an end at the beginning of 2016. Recently, things were still relatively uncertain regarding just how strongly they will phase out these "easings", but with Trump in the driver seat, 2017 will prove to be a very interesting year.

R – Retirement

With the economy still under pressure and interest rates very low, a comfortable retirement was still a massive concern for many South Africans in 2016.

S – South African rand

As with inflation, 2016 turned out to be a bittersweet year for the rand. Currently (on 7 December) priced at R13.54/$, we're still well below the levels seen at the end of 2013 (±R10/$). At the same time, we have also had some relief from the R15.46/$ levels seen at the end of 2015. With a tad more political stability in 2017, we still feel that the rand would be better priced at levels around R12/$.

T – Trump

Donald Trump – the man who gave Hillary Clinton and countless other Americans sleepless nights. No one really thought that he had any chance of victory, so it came as a massive shock when he was elected as the new president of the US. Let's just hope that most of his promises don't turn into policies.

U – United States

US markets followed in the footsteps of world markets with the S&P 500 losing 1.48% of its value in 2016.

Syrians in a refugee camp in Suruç, Turkey, near the Syrian border.

V – Volatility

After falling to its lowest levels since 2006 in June 2014 (12%), the SA Volatility Index is currently trading higher at an average of 21.6% (the average for 2015 was 19.7%), which clearly shows that investors are not too comfortable with current investment conditions.

W – World markets

We already mentioned that the JSE had a very tough year with a meagre 1.5% growth. The rest of the world, however, didn't perform much better, with the FTSE 100 (-13.79%), MSCI World Index (-1.48%) and Nikkei 225 (-7.87%) performing even worse in rand terms in 2016.

X – X-factor (Wars, bombings, terror, etc.)

Anxiety levels are still very high in the Middle East with Isis showing no intention of putting an end to its terror attacks.

Y – Yuan

After China ended 2015 with year-on-year GDP growth of 6.9%, everyone hoped that that would be its lowest level and that it would return to levels around 10%, as last seen in 2010. Unfortunately, this wasn't the case, with a further decline to 6.7% in 2016. The Shanghai Comp Index was down by more than 7% by 29 November, which clearly reflects the current difficult market conditions. The yuan also performed poorer relative to the US dollar in 2016.

Z – Zuma

Of course, the year won't be complete without mentioning President Jacob Zuma yet again. His leadership remains unstable at best, especially when we look at the increasing amount of pressure being put on him from within the ANC itself. The question on everyone's lips is whether he will be able to complete his term as president under all this pressure. Only 2017 will bring us the answer. ■

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President Jacob Zuma

By Lucas de Lange

MARKET OUTLOOK

JSE weaker in the knees

The moment has arrived for commodity groups such as Glencore and Anglo.

The JSE has weakened even further with only 34% of the top 100 shares, measured by market cap, lying above their 200-day exponential moving averages (EMAs). Some quality shares are so far below their EMAs that quite a number of investors are starting to show interest based on the overbought levels that have been reached. And for the first time this year, there isn't a single share that looks promising enough to appear in the breakthrough column.

However, it isn't just most of the JSE's larger shares that are performing poorly. The All Share Index with its wider cover also finds itself in a bear market as is shown by its falling 200-day EMA.

What has probably surprised many market players is that Glencore, which has dropped by almost 70% since reaching its high of R69 in July 2014, has recovered so dramatically that it's the strongest share in the top 100, with Anglo American closely behind followed by South32, Kumba and Assore. It's enlightening to have a look at the dark predictions regarding especially Glencore and Anglo when they reached their lows. True to the history of commodity bear markets, those who had the courage to buy when things appeared at their worst, made profits of up to a few hundred percentage points. In the past, the bear markets of commodities also tended to recover quickly from oversold levels.

It is interesting to note that the depressed industrial sector also have its winners among the heavyweights this year. Two that catches the eye are Sappi and Tiger Brands, which both had difficult times not too long ago. Sappi's share price has risen by about 120% since reaching its low in August, before it dropped slightly. This followed on the success it achieved with a number of steps taken to increase profitability. Its net profit for the year to September improved by 91% compared to the previous year. Its policy to focus more on profitable specialised packaging products in Europe and North America is increasingly bearing fruit.

Tiger Brands, South Africa's largest food group, acquired a new CEO in Lawrence MacDougall in May. He must still prove himself, but the market has high hopes for him, which partially led to the share price recently reaching a new high. MacDougall ordered a comprehensive strategic review of the group shortly after his arrival, which is expected to be completed in April. Cost-cutting is one of his priorities with which he's had a measure of success. He also indicated that he believes the group should unlock more value from its established brands such as the Jungle, All Gold and Koo product ranges.

The group could also be given a profit boost next year with the price of maize and wheat having already dropped by almost a quarter. Should we have good rains, the downward trend could continue, which would reduce the group's input costs quite considerably. The prices of many products have increased substantially on supermarket shelves through increased input costs owing to the drought, but as in the past, it is unlikely that the food groups would pass lower prices on to the consumer. In other words, profit margins could widen considerably. (Also see page 39.)

Among the weakest shares, we still have Lonmin and PPC, which lie the furthest below their long-term EMAs, while the Choppies retail group of Botswana has apparently lost investors' confidence. Gold shares, which have until recently been so popular, have also weakened to such an extent that it once again proves how speculative (and dangerous) any runs in gold shares could be. ■

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Among the weakest shares, we still have Lonmin and PPC, which lie the furthest below their long-term EMAs.

WEAKEST SHARES

COMPANY	% BELOW 200-DAY EXPONENTIAL MA
LONMIN	-47.5
PPC	-42.5
CHOPPIES	-37.6
SIBANYE	-34.2
GOLD FIELDS	-29.5
HARMONY	-28.0
BIDVEST	-24.2
NAMPAK	-22.5
WOOLIES	-22.4
ANGLOGOLD ASHANTI	-21.9
IMPALA PLATINUM	-19.5
RBPLAT	-18.8
CAPCO	-18.6
AMPLATS	-18.4
LIFE HEALTHCARE	-17.3
MR PRICE	-16.9
ITU PLC	-16.8
LEWIS	-16.0
MTN GROUP	-14.7
MPACT	-14.4
REMGRO	-14.3
RESILIENT	-13.4
ASPEN	-13.3
REINET	-13.3
TRUWORTHS	-13.1
OLD MUTUAL	-11.7
DATATEC	-11.1
NETCARE	-10.0
LIBERTY HOLDINGS	-9.9
SASOL	-9.8
DRDGOLD	-9.4
M&R HOLDINGS	-9.1
BAT	-9.1
FORTRESS-B	-8.9
NASPERS-N	-8.7
NORTHAM	-8.5
PICK N PAY	-8.1
RCL	-7.8
PIONEER FOODS	-7.8
EMIRA	-7.6
RMI HOLDINGS	-7.6
HYPROP	-7.5
MMI HOLDINGS	-7.4
VODACOM	-7.4
REDEFINE	-7.3
DISCOVERY	-6.6
CITY LODGE	-6.5
SUN INTERNATIONAL	-6.4
NEPI	-5.6
SANLAM	-5.4

STRONGEST SHARES

COMPANY	% ABOVE 200-DAY EXPONENTIAL MA
GLENCORE	36.4
ANGLO AMERICAN	34.6
SOUTH32	33.6
KUMBA IRON ORE	32.2
ASSORE	30.3
AVENG	30.0
BARLOWORLD	27.6
BHP BILLITON	16.4
SAPPI	16.3
AFRICAN RAINBOW MINERALS	15.7
TELKOM	11.7
GRINDROD	11.0
OCEANA	10.6
BLUE LABEL TELECOMS	10.6
KAP	9.4
TONGAAT HULETT	8.5
NEDBANK	7.8
STANDARD BANK	7.5
IMPERIAL	7.5
TFG	6.7
ARCELORMITTAL	6.5
STEINHOFF	6.3
TIGER BRANDS	5.9
FIRSTRAND	5.9
CAPITEC	5.6
SA-CORP	4.2
SANTAM	4.1
RAUBEX	4.1

BREAKING THROUGH

COMPANY	% ABOVE 200-DAY EXPONENTIAL MA
-	-

DIRECTORS' DEALINGS

COMPANY	DIRECTOR	DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
ACSION	K Anastasiadis	25 November	Purchase	18,288	700	128,016	30 November
ADV HEALTH	CA Grillenberger	28 November	Purchase	26,936	150	40,404	30 November
ADV HEALTH	CA Grillenberger	5 December	Purchase	481,899	150	722,848	6 December
ASTRAL	T Eloff	30 November	Purchase	500	12390	61,950	1 December
BARLOWORLD	S Moodley	29 December	Sell	2,000	10695	213,900	2 December
BARLOWORLD	DM Sewela	28 November	Sell	249,685	10416	26,007,189	2 December
BARLOWORLD	DM Sewela	29 November	Sell	66,866	10507	7,025,610	2 December
BRAIT	D Boodhoo	28 November	Purchase	3,458,946	9058	313,311,328	1 December
BRAIT	BI Childs	28 November	Purchase	3,458,946	9058	313,311,328	1 December
CLICKS	BD Engelbrecht	1 December	Purchase	3,970	120000	4,764,000	5 December
CLICKS	BD Engelbrecht	2 December	Purchase	2,343	11999	281,136	5 December
CLICKS	M Fleming	1 December	Purchase	6,028	12000	723,360	5 December
CLICKS	M Fleming	2 December	Purchase	3,556	11999	426,684	5 December
CLICKS	DA Kneale	1 December	Purchase	16,080	12000	1,929,600	5 December
CLICKS	DA Kneale	2 December	Purchase	9,488	11999	1,138,465	5 December
CLIENTELE	F Pretorius	28 November	Purchase	75,689	1600	1,211,024	30 November
CLIENTELE	F Pretorius	28 November	Sell	75,689	1600	1,211,024	30 November
CSG	R Kisten	28 November	Purchase	20,000	150	30,000	30 November
CSG	J Lombard	28 November	Sell	70,000	150	105,000	30 November
DISTELL	VC de Vries	1 December	Sell	344	15400	52,976	5 December
DISTELL	SW Klopper	28 November	Sell	2,858	15000	428,700	30 November
EQUITES	B Swales	1 December	Purchase	5,000	1465	73,250	2 December
EXTRACT	C Halsey	28 November	Purchase	2,000,000	30	600,000	30 November
EXTRACT	ZB Swanepoel	28 November	Purchase	8,000,000	30	2,400,000	30 November
FAMOUS BRANDS	JL Halamandres	25 November	Sell	134,864	14932	20,137,892	30 November
FAMOUS BRANDS	DP Hele	5 December	Sell	5,000	15924	796,200	7 December
FORTRESS-A	AA Bornman	28 November	Sell	215,781	1623	3,502,125	1 December
FORTRESS-A	AA Bornman	29 November	Sell	263,480	1624	4,278,915	1 December
FORTRESS-A	WJ Serfontein	29 November	Sell	202,500	1624	3,288,600	1 December
IMPERIAL	MV Moosa	1 December	Purchase	74,374	1756	1,306,007	7 December
INDLUPLACE	T Kaplan	1 December	Exercise Options	810,860	930	7,540,998	2 December
INDLUPLACE	T Kaplan	1 December	Exercise Options	900,000	930	8,370,000	2 December
INVPROP	MM Ngoaseng	30 November	Purchase	100,000	1530	1,530,000	1 December
JSE	D Khumalo	18 November	Purchase	9,684	16350	1,583,334	1 December
MIXTEL	P Dell	5 December	Exercise Options	875,000	328	2,870,000	7 December
MIXTEL	P Fitzgerald	30 November	Sell	60,000	305	183,000	7 December
MIXTEL	C Lewis	5 December	Exercise Options	875,000	328	2,870,000	7 December
MIXTEL	G Pretorius	5 December	Exercise Options	875,000	328	2,870,000	7 December
MIXTEL	CWR Tasker	5 December	Exercise Options	875,000	328	2,870,000	7 December
MTN GROUP	PF Nhleko	30 November	Sell	1,079,506	11386	122,912,553	1 December
MTN GROUP	PF Nhleko	30 November	Sell	1,218,981	10701	130,443,156	1 December
NAMPAK	RJ Khoza	29 November	Exercise Options	1,374	1621	22,272	30 November
NAMPAK	CWN Molope	29 November	Exercise Options	98,650	1621	1,599,116	30 November
NAMPAK	FV Tshiqi	29 November	Sell	35,000	1632	571,200	30 November
NASPERS	SJZ Pacak	30 November	Sell	2,000	209016	4,180,320	6 December
NASPERS	SJZ Pacak	1 December	Sell	5,500	204742	11,260,810	6 December
NEDBANK	RK Morathi	5 December	Sell	21,901	22830	4,999,998	7 December
NUWORLD	F Davidson	28 November	Purchase	40,000	3100	1,240,000	30 November
REDEFINE	L Kok	25 November	Purchase	3,210	1053	33,801	1 December
REDEFINE	L Kok	25 November	Purchase	10,066	1053	105,994	1 December
RHODES	YG Muthien	28 November	Purchase	7,750	2602	201,655	1 December
SAPPI	PB McGrady	28 November	Sell	14,000	8300	1,162,000	30 November
SHOPRITE	C de Wet Burger	25 November	Purchase	57,470	17944	10,312,416	30 November
TREMATON	AL Winkler	29 November	Exercise Options	57,500	160	92,000	30 November
WESCOAL	B Mazarura	28 November	Exercise Options	1,000,000	245	2,450,000	30 November
WESCOAL	T Tshithavhane	28 November	Exercise Options	850,000	245	2,082,500	30 November

All data as at 12:00 on 7 December 2016. Supplied by INET BFA.

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (c)	CHANGE (%)
BEST		
Global Asset Mng	400	90.48
Afdawn	65	66.67
Altron-A	872	29.19
Altron-N	803	19.85
Verimark	42	13.51
WORST		
Telemasters	28	-55.56
Efficient Group	480	-24.41
Safari	600	-15.49
Ecsponent	12	-14.29
Astrapak	485	-14.16

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	48 935.89	-2.54
JSE FINANCIAL 15	14 427.61	-1.36
JSE INDUSTRIAL 25	61 215.62	-3.10
SA LISTED PROPERTY	597.63	-1.67
JSE SA RESOURCES	18 212.02	-3.20
JSE TOP 40	42 422.35	-2.90
CAC 40	463 194	1.17
DAXX	1 077 532	1.27
FTSE 100	677 984	-0.06
HANG SENG	2 267 515	-0.50
NASDAQ COMPOSITE	533 300	0.18
NIKKEI 225	1 836 054	0.28

*Percentage reflects the week-on-week change.

DIVIDEND RANKING

SHARE	F'CAST DPS (C)	F'CAST DY (%)
TEXTON	105	13.2
REBOSIS	125	11.6
EMIRA	143	10.5
ACCPROP	58	9.3
REDEFINE	93	9.1
RI PLC	58	9.0
FORTRESS-A	136	8.4
MMI HOLDINGS	175	8.0
GROWTHPOINT	195	8.0
SA CORPORATE	43	7.9

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Trump and the rise of populism, a move to a g
These are just some of the trends that became
continue to shape your w

▼ Populism

▼ Protests

▼ Migration

THE MIGRANT'S LIFE

▼ Facebook

▼ Investment

RENDS

ig economy and a risk-on investment world.
ever more prevalent during 2016, and that will
orld in the years to come.

Mobility

Urbanisation

Luxury goods

Gig economy

Renewables

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By Jana Jacobs

The rise of populism

2016 has been a torrid year for international politics. From Brexit to the recent election of Donald Trump as the 54th US president, the rise in populism and protectionist views has brought deep ideological divides to the fore. So what is fuelling this trend, and where is it headed?

Speaking at a breakfast address at the Gordon Institute of Business Science (Gibs) in November, outgoing US ambassador to South Africa Patrick Gaspard likened the "rough and tumble" of the US election to a reality show. Fitting analogy, as the 54th president of the US, Donald Trump, is no stranger to the medium. However, the reality of his election has proven a bitter pill to swallow and, unfortunately, can't be dismissed as mindless entertainment anymore.

Whether or not you were in shock on the morning of 9 November, a lot of people would have been asking how this happened. And why. Surely a man who has promulgated racist, misogynistic and other very questionable views (not to mention the fact that he has never held public office and more often than not disregards facts) could not win the highest office in the US. But he did.

Speaking recently at the Discovery Leadership Summit, Scottish historian Niall Ferguson unpacked the history of populism around the globe, finding that at present it is really the northern hemisphere seeing a rise in this. Whereas the southern hemisphere, particularly South American countries, already tried this experiment and saw that it didn't work.

But if Brexit and Trump happened, what are the chances of more populist wins around the globe – notably continental Europe, which is seeing a rise in popularity of conservative right-wing politicians?

In Europe, the Syrian refugee crisis has led to heavy anti-immigration and anti-globalisation sentiment, with conservative right-wing parties leading the charge. In France, the first round of the presidential election takes place on 23 April. The leader of the far-right National Front party, Marine Le Pen – who has been ahead in polls – has called for a withdrawal from the EU and has expressed anti-immigration policy objectives. Unpredictably, François Fillon, the leader of the centre-right Republican Party, won a vote on 27 November to run in the race. He has similar foreign policy and immigration views as Le Pen, and is seen as a strong contender for the country's top position.

Italy held a constitutional referendum on 4 December, which saw Prime Minister Matteo Renzi resigning after Italians voted against changing the constitution. The three opposition parties in the wings are all in favour of exiting the euro should they come to power. Meanwhile, also on 4 December, Austrians rejected far-right presidential candidate Norbert Hofer, with Alexander Van der Bellen narrowly clinching the victory. However, concerns remain that the Netherlands' general elections in March could follow Europe's right-wing surge.

So what does this mean?

Many theories have done the rounds in the aftermath of the US election, and parallels have been drawn with the unexpected Brexit outcome as well as a surge in populism in continental Europe. The unpredictability of the political landscape does make it difficult – and risky – to forecast the future.

Further, the US case in particular is unprecedented: The rise of a politically inexperienced business tycoon cum reality star and beauty pageant mogul making a move from his penthouse in Manhattan to the White House in Washington. In the case of the UK and continental Europe, the political players have some credentials and have been in the game for some time – albeit they are promulgating similar nationalistic views.

Says Yannick Thiem, associate professor of philosophy at Villanova University in the US: "First of all, we need to understand 'Trump' as a symptom rather than as a cause of the current situation. There were plenty of xenophobic, racist, sexist, and economic fears converging in complex ways already. An enormous factor also was a feeling of '[to hell with it], the system is broken, let's try something else' on the side of people who *also* already harbour unconscious racist and sexist sentiments. Trump is a symptom of the reality that Anglo-American liberalism and Clintonism is a failed experiment."

And the cacophonic noise – from Trump himself and his supporters – is populism at work. As Professor John Stremlau, visiting professor in the department of international relations at Wits University, describes it: "[It's] a democratic expression of people feeling their voices aren't being heard." The problem with this is that in accommodating this process, it cannot be done at the expense – as is the case in the US – of African Americans and others, he warns.

Trump's voice is making promises that will see to just that. In his first televised

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speech about his plans for his first 100 days in office, Trump's rhetoric remained true to his campaign slogan, making it clear that his aim is to put America first, bring back "OUR jobs and rebuild the middle class".

"My sense is that a lot of people who I know voted for Trump did so because they feel their lives have become precarious or are on the verge of becoming precarious. The neoliberal economy and globalisation have not only eroded manufacturing and other formerly important and well-paying sectors of our economy, we all, nearly, regardless of whether we already are experiencing materially economic precarity, feel the uncertainty and economic threat. Many people I know who voted for Trump wanted change. Clinton seemed like more of the same," says Thiem.

It's clear that the discontent was underestimated in the US. And if they got it wrong, then it is very likely that Europe could too – Brexit proved the precarity felt by voters there.

(Anti) globalisation – not everyone is getting an equal share of the pie

It is extremely important to note that each country is unique in its problems, says Stremlau. So predicting the outcome of upcoming elections and referendums in Europe is risky, at best.

On the globalisation tip, as positive as it has been, it is not a one-sided coin. Speaking at the Old Mutual Corporate Wisdom Forum Gala Dinner in Johannesburg in early November, American economist Jeffrey Sachs pointed out that, "Globalisation has been a major source of economic growth for decades, especially in countries like China... The results, however, are not uniform across all countries, and within countries the benefits are also not equally shared, which is a big part of the problem."

This sentiment contributes heavily to the anti-globalisation movement, and is fuelled in Europe by the Syrian refugee crisis.

On the immigration front, there is an important distinction when it comes to the issue of migrants in the US and Europe. Stremlau believes that in terms of giving enough feeling of comfort for identity groups, there has been a lot of progress in the US, whereas in Europe there is a lot more discomfort and uncertainty. At this stage, there are second- and third-generation immigrants legally in the US. "My impression is that in Europe [the case of] the 'other' that comes in is a lot more sensitive and real than the huge population living legally in the US."

In a country like France, which has the highest concentration of Muslims living in a European country and has been marred by a spate of terrorist attacks, illegal immigrants are of concern to citizens and could just push them to casting their votes to the right.

A new world order?

Should populism take hold in continental Europe, and bring with it increased protectionism and inward-looking policies, the implications for global growth and trade are concerning. Already Trump, as an example, has made it clear that he will be withdrawing the US from the Trans-Pacific-Partnership (TPP) when he takes office.

Should populism take hold in continental Europe, and bring with it increased protectionism and inward-looking policies, the implications for global growth and trade are concerning.

Says Arthur Kamp, investment economist at Sanlam Investments: "I think this is concerning when viewed against the backdrop of a loss in global trade liberalisation momentum generally... On current information it appears as though the best we can hope for is that the status quo is maintained, i.e. no new deals are signed (although bilateral deals between the US and specific countries are a possibility), while the US also refrains from introducing new protectionist measures. But even this would not be ideal. Trade liberalisation has already lost momentum in the post-global financial crisis environment and more protectionist measures are evident. This must, at least in part, explain the weakness in global goods trade."

Moreover, trade fosters competition and can promote investment and further transfer of technology, adds Kamp. "In other words, it encourages innovation and drives productivity – a key ingredient required to grow economies. This does not mean we should ignore workers adversely affected by trade deals. It's just that we should ask whether they would not be better served with more efficient safety nets and re-skilling initiatives."

Too bad a candidate like Trump is more personality, little policy.

Stremlau emphasises that Trump should serve as a warning to the rest of the world and advises that citizen obligation must take a front seat.

His populism prediction?

"Who knows?" ■

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Gallo Images/Getty Images

THE YEAR OF PROTESTS

By Lloyd Gedye

The year of the protest

2016 was marked by dozens of protests, with accusations of police brutality once again coming to the fore. What do researchers and the police themselves have to say about this?

EFF supporters protest in the Pretoria CBD during a march against state capture on 2 November.

Gallo Images/Getty Images/Alet Pretorius

South Africa has seen more protests in 2016 than any other year, says University of Johannesburg (UJ) sociology professor Peter Alexander, who holds the South African Research Chair in Social Change. "The general trend has been upward since 2004."

The country has seen labour protests, pre-election protests, service delivery protests, land protests, anti-racism protests, #FeesMustFall protests, #ZumaMustFall protests, #HlaudiMustFall protests and #PravinMustStay protests.

But while protests are increasing, finding reliable data on the topic is a challenge, says Malose Langa, a senior research associate at the Centre for the Study of Violence and Reconciliation (CSVR).

The academics and analysts that *finweek* spoke to say the annual Incident Registration Information System (Iris) data, supplied by the South African Police Service (Saps) after a Promotion of Access to Information request, is the most reliable, but it is not without its problems.

They insist that this data needs to be decoded, and some have compared it to other data sets, which they argue have led to some interesting findings.

"The data needs to be reconfigured," says Alexander. "It needs to be looked at in more helpful ways."

According to the Saps annual report for the 2015/16 financial year, there were 14 693 crowd-related incidents recorded in Iris and 14 740 in the 2014/15 financial year. Of the 2015/16 incidents, 24% are classified by the police as "unrest incidents".

But academics and analysts point out that this figure includes all incidents where the police had to stage a form of intervention, so this could include a community erecting barricades or burning tyres, which are not quite violent protests.

According to the annual report, the police have dedicated detectives tasked with focusing on public violence-related incidents and dedicated crime intelligence gatherers had been assigned to work closely with the public order policing units in the various provinces.

Peaceful versus violent

A research project titled *Counting Police-Recorded Protests,* published earlier this year out of the South African Research Chair in Social Change, housed by the Social Change Unit at UJ, looks at long-term trends in police data.

According to the report, out of the total of 67 750 of police-recorded protests from 1997 to 2013, 80% were categorised as orderly, 10% as disruptive and 10% as violent.

Langa says the media tends to focus on protests that have turned violent and not report protests that were peaceful. "This creates the wrong perception that protests are violent."

UJ's Jane Duncan, who holds the Highway Africa Chair of Media and Information Society, recently published a book called *Protest Nation: The Right To Protest in South Africa*, which covers five years of research (2008-2013) in 11 municipalities, where the data for all protests and gatherings was logged.

According to her, many gatherings that are recorded at a municipal level don't get recorded in any other way because they are peaceful protests. Since they are not recorded properly, there is a "drastic understatement" of the number of peaceful protests.

"This has important public policing implications," says Duncan. "Especially when the police are busy arguing for more resources."

Lizette Lancaster, manager of the crime and justice information hub at the Institute for Security Studies, says it takes a very long time for a protest to become violent.

"Most protestors follow the process," she explains. "They only start mobilising when they feel their grievances have not

POPULISM

been heard."

She adds that if communities' grievances had been addressed appropriately before they had mobilised, the protests may never have taken place.

According to Duncan, some communities do take to the streets without making their intention to protest known to authorities, as they often feel a sense of "profound distrust" of local government. Their view is that it is inappropriate to inform the municipality that they are going to protest against it.

The rise in violent protests

Peaceful protests may make up the overwhelming majority, but Lancaster says a growing percentage of protests is turning violent. "The question is why? When police intervene it leads to heightened frustration."

Langa adds: "Police are called in to bring law and order but often they do the opposite of that. Often police don't come to facilitate a peaceful protest, they come to disperse people using rubber bullets, water canons and stun grenades, then things get out of control. It's a worrying trend."

Alexander agrees, explaining that often activists are shot in the upper body with rubber bullets, which is not policy. Increasingly, activists are being arrested and not charged, often over a weekend.

He explains that these are forms of punishment and intimidation, adding that interdicts are being used to give the police the "green light" to intervene in protests, as they often take place on private land.

Responding to questions from *finweek*, Saps says the approach to policing any crowd is based on what it terms the "democratic balance".

"Consideration is given to the rights of protesters of protesting peacefully and the rights of non-protesters," it explains. The police says it uses force as prescribed in legislation supported by national instructions and this is reviewed internally and by the Independent Police Investigative Directorate (Ipid). The national instructions of 2014 relate to the Regulation of Gatherings Act.

According to Lancaster, since then-police commissioner Jackie Selebi disbanded the public order policing units, the police's ability to deal with protests has taken a knock. "A lot of expertise was lost."

She states that the way the police acted was not proportional to the threat during the #FeesMustFall protests. According to her, it seems as if Saps is resorting to tactics last seen under apartheid, where intelligence operations and the courts are being used to keep protest leaders off the streets.

But according to Saps, "Intelligence-led policing is one of the many approaches available to public order policing, which allows for early interventions, which favour the preventative approach. The 'pro-vention approach' is much more favoured as it allows for early intervention and finding negotiated settlements to the dispute."

Saps also states that interdicts "are obtained by the academic institutions and not the police – interdicts do not provide the police blanket authority to act differently to our prescripts. Acting on the court order still requires a complaint statement and further request from the institutions before we intervene.

"However, it must be noted that the SA Police Service does not need an invitation to act when confronted with criminality," it says.

Duncan identifies a shift from para-military to intelligence policing as a "post-Marikana" development. "What do the police have against those student leaders? The fact that one is a leader does not make one guilty.

"It's a strategy to intimidate students," she adds.

Langa says another ploy of the police is to insist that there is a "third force" at play. He adds that this "delegitimises" what is a "legitimate" protest. According to him, harassment from and abuse by police is unacceptable and given our history as a country is a "worrying trend".

"We had students living in fear, going into hiding," he says. "We need to ask whether our police are well equipped to manage protests. Looking at the desperation of the state, we need to ask how we arrived at this point."

Lancaster adds: "It's very disappointing. A lot of analysis needs to be done; we need to come up with appropriate policies." ■

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PROTEST NATION 1997-2013

Some of the key findings in the South African Research Chair in Social Change's *Counting Police-Recorded Protests* report (covering the period 1997 to 2013), include:

Total police-recorded protests between 1997 and 2013 were about 67 750 (an average of 11 every day).

Adjusted for underreporting, the number is boosted to 71 000.

The lowest recorded number was in 2004 at 2 378 (there had been an upward trend since then).

The highest number was recorded in 2012, with 5 589 protests.

Labour protests made up 46% of all protests.

Community protests come in second with 22% (since 2015, this has been the fastest-growing category).

Xenophobia occurred during 1% of all recorded protests, but evidence suggests it is a growing problem.

Gauteng is the protest hotspot, with 14 299 protests during the period, followed by the Eastern Cape with 10 251 protests.

The Northern Cape recorded the lowest number of protests at 3 169.

> "We need to ask whether our police are well equipped to manage protests. Looking at the desperation of the state, we need to ask how we arrived at this point."

MIGRANTS

By Lloyd Gedye

The migrant’s life

Refugees might be the face of migration, but 90% of migrations are voluntary, and mostly occur for economic reasons.

Migration, refugees and asylum seekers have often dominated political debate in 2016. From Europe to North America migration has been a political hot potato, often seen as a key issue when it comes to electing public officials, while back at home South Africa again faced a spate of xenophobic attacks in 2015.

According to the UN’s *Migration Report 2015* (the 2016 report is yet to be released), the total number of international migrants grew to 244m in 2015, an increase of 41% from 2000’s total of 173m.

Between 2013 and 2015, the growth rate was 5%.

By the end of 2015, there were an estimated 76m international migrants living in Europe, 75m in Asia, with North America in third place with 54m and Africa in fourth with 21m.

Voluntary migration

In its *People On the Move* report, released at the beginning of December, McKinsey Global Institute points out that while “refugees might be the face of migration in the media”, 90% of total migrations were voluntary, and mostly for economic reasons.

The sum of financial remittances sent by international migrants back to their families was $581.6bn in 2015, according to the UN’s report.

Of this, 75% went back to developing countries and is equivalent to three times the amount of foreign aid received by these countries.

In 2015, India received $70bn in remittances, followed by China ($64bn), the Philippines ($28bn) and Mexico ($25bn). The money mostly flows from the USA, Saudi Arabia and Russia.

Importantly, the amount of international migrants as a percentage of the global population has remained around 2% to 3% for a long time. In 2000 it was 2.8%, in 2013 it was 3.2%, last year it was 3.3%. This means that 96% of the world’s population still resides in their country of birth.

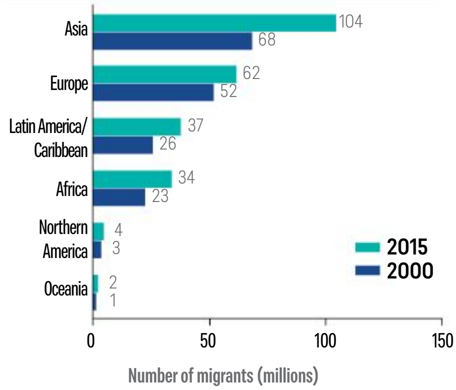
WHERE DO MIGRANTS GO?

Historically, according to the UN’s *Migration Report*, countries like the USA (46.6m), Germany (12m), Russia (12m), Saudi Arabia (10m) and the UK (9m) have been the biggest recipient countries, with most migrants coming from India, Mexico, Russia, China and Bangladesh.

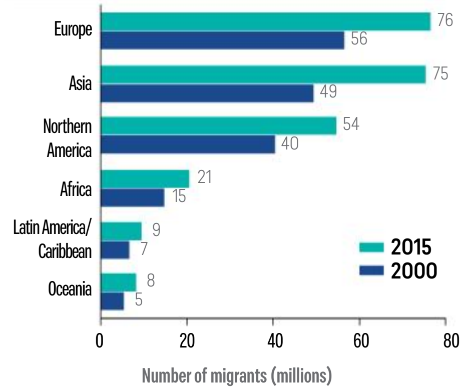
The city of Auckland in New Zealand has the highest percentage of international migrants in its population at 39%, followed by Sydney, Singapore, London, Melbourne, Amsterdam, Frankfurt, Paris and Stockholm.

■ *18 December is International Migrants Day.*

NUMBER OF INTERNATIONAL MIGRANTS BY MAJOR AREA OF DESTINATION, 2000 AND 2015



NUMBER OF INTERNATIONAL MIGRANTS BY MAJOR AREA OF ORIGIN, 2000 AND 2015



SOURCE: UN *Migration Report 2015*

Fleeing to safety

According to McKinsey, a total of 10% of migrants are “refugees and asylum seekers who have fled to another country to escape conflict and persecution”.

For those who are forced to migrate, the journey is often fraught with danger. According to the UN’s report, 2015 saw an additional 5.8m people forcibly displaced due to persecution or conflict, the highest level of forced displacement ever recorded.

By the end of 2015 the world was hosting 21.3m refugees, a 55% increase on 2011, mostly driven by the continuing escalation of the Syrian conflict. It also, according to McKinsey, hosted 3m asylum seekers.

In 2015, at least 5 600 migrants lost their lives or went missing while migrating, with 3 370 of these dying in the Mediterranean, a 12% increase on the death toll in the region in 2014, according to the UN.

About 800 migrants are estimated to have died or gone missing in Southeast Asia in 2015, 482 in Africa, and 341 at the US and Mexico border.

It is estimated that the Syrian refugee population is above 4.9m, the Afghanistan refugee population sits at over 2.7m and the Somalian refugee population sits at over 1m.

Globally, 1.8m people were given refugee status in 2015, compared with 1.2m in 2014. The major hosts of refugees are Turkey (2.5m) and Pakistan (1.6m), Lebanon (1.1m) and Jordan (628 000).

Almost one in three first-time asylum applicants in the EU were minors, an 11% increase on 2014. Almost one in five of these was unaccompanied by an adult, a 300% increase on 2014. ■

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PROTESTS

By Lloyd Gedye

'Fox on steroids'?

The social media giant, which has nearly 1.8bn users, has come under fire in recent months, with critics slamming Facebook for allowing fake news to be circulated and for censoring content.

The year 2016 was when social media giant Facebook faced heightened scrutiny regarding the role it plays within the media landscape.

It was the year that saw founder Mark Zuckerberg deny that Facebook was a media company – to howls of objection and derision from many commentators around the world.

One critic described Facebook as "Fox News on steroids".

The critics essentially argued that the only reason Zuckerberg would not admit that Facebook is a media company, is that it would be bad for business.

Venture capitalists speculated that Facebook had a lot to lose and nothing to gain from declaring itself a media company.

If Facebook was considered a media company, it would be forced to pay more attention to issues of free speech and censorship, never mind journalistic integrity and ethics.

But the facts speak for themselves.

In 2015, Facebook was ranked number five in the ZenithOptimedia's 2016 *Top Thirty Global Media Owners* report.

Its media revenue grew 63% year-on-year.

The report says that Facebook's \$11.49bn in revenue placed it behind Google holding company Alphabet, The Walt Disney Company, Comcast and 21st Century Fox.

Meanwhile, Facebook is spending \$50m commissioning companies and individuals to create videos for its platform.

Election fall-out

In the wake of Donald Trump's shock election win in the US, the criticism of Facebook intensified.

It was accused of spreading fake news and misinformation to its almost 1.8bn users and that this had had an effect on the election result. A recent study by the Pew Research Centre found that half of all Americans rely on Facebook for news. A few days after the election, Zuckerberg published an essay, reacting to the criticism.

"After the election, many people are asking whether fake news contributed to the result, and what our responsibility is to prevent fake news from spreading," he wrote.

"These are very important questions and I care deeply about getting them right."

Zuckerberg argued only a small percentage of content that is shared was fake news, but admitted there is more the social media giant can do.

A few days after the essay was released, *The New York Times* published an account of a private chat that had taken place the night of the election between various Facebook executives.

The issue they were debating was the role that Facebook had played in the election result.

According to the newspaper, many Facebook staffers were concerned about the spread of racist content across the network, while others are concerned with the idea that the network creates "filter bubbles", cycles that reinforce the views of the user and never challenge them.

The social media company was accused of political bias and censorship in May during the run-up to the US election, and in September came under fire for removing a Pulitzer Prize-winning photo of a naked girl fleeing napalm bombs during the Vietnam War because it violated Facebook's nudity policy.

It's clear that walking this tightrope between being a technology company and a media company will plague Facebook for its immediate future.

Nunu Ntshingila
Head of
Facebook Africa

In South Africa, a quarter of all citizens are users, with a total of

14m

people using the platform monthly.

Facebook in SA

In June 2015, Facebook opened its first African office, headquartered at upmarket development Melrose Arch in Johannesburg.

Advertising veteran Nunu Ntshingila was named as the new head of Facebook's African office. She helped drive the creation of Ogilvy's network in sub-Saharan Africa.

The social media giant said it had plans to use the Johannesburg office to grow its business in Africa, with an initial focus on Kenya and Nigeria, alongside South Africa.

However, Senegal, Ivory Coast, Ghana, Tanzania, Rwanda, Uganda, Zambia, Mozambique and Ethiopia were also included in its plans.

The company said it would partner with governments, telecoms operators, agencies and other stakeholders to "deliver localised solutions to advertisers and users across the continent".

In SA, Facebook has already partnered with Cell C to zero rate access to its network.

Facebook had about 120m active users a month in Africa in 2015, Reuters reported.

In SA, a quarter of all citizens are users, with a total of 14m people using the platform monthly, according to the South African Social Media Landscape 2017 study, which was released in September.

This presents growth of 7.7% in its South African user base from 13m in 2015. Nearly 86% of them access the social media platform via their mobile phones, up from 71% in 2015, the study found. ■

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INVESTMENTS

By Mariam Isa

Time for a 'risk-on' mindset

The last few years has seen a definite trend towards passive rather than active investing, but with the recent political surprises worldwide, is that still the best way to go in 2017?

Global financial markets are entering what is likely to be a sustained period of volatility created by unexpected and unsettling political events – Donald Trump's US election victory, Britain's exit from the EU, and the rise of right-wing populism in Europe.

These events and their aftermath have generated an unprecedented level of political and economic uncertainty which is likely to last for several years, making investment choices more difficult and their outcomes less predictable.

Asset managers are divided on whether this signals an end to the bull market in equities seen since the global financial crisis ended eight years ago, although there is a prevailing view that investors should expect lower yields in many asset classes.

Most believe that the rise of "passive investment" in indexed mutual funds and exchange-traded funds (ETFs) will continue as these offer hard-pressed retail investors lower fee costs and less punitive tax implications.

However, they all argue – perhaps predictably – that active investment strategies as well will be essential as trends seen over the past few years end and interest rates climb in the US. Trump's promises of sweeping tax cuts, and of $1tr of infrastructure spending have spurred anticipation that growth in the world's biggest economy will accelerate, lifting the global economy as a whole.

In its latest economic outlook at the end of last month, the Organisation for Economic Cooperation and Development (OECD) predicted that US growth will quicken to 2.3% next year and 3.0% in 2018, boosting global growth to 3.3% and 3.6% respectively in those years.

Marine Le Pen
National Front leader

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Uncertain times

However, there is also concern about how easily Trump, the businessman turned politician, will achieve his aims – and trepidation over the possibility of trade wars as he withdraws from long-standing global agreements and complains about the strength of China's currency.

In Europe, the fallout from Brexit will make itself felt for years to come and the continent is braced for the rise of right-wing political leaders as populations rebel against government austerity and the influx of millions of immigrants into their countries.

There is even a very real risk that other countries will leave the EU. This process kicked off on 4 December, when the Italians voted against constitutional reform. This had led to the resignation and dissolution of Italy's government, triggering a political crisis and possibly an election.

On the same day, however, there was a re-run of Austria's presidential election after a knife-edge result in May was cancelled due to voting irregularities. This time, Norbert Hofer of the country's right-wing Freedom Party was defeated by his Green Party opponent, Alexander Van der Bellen. Hofer had promised to call a referendum on EU membership if Turkey is granted accession or if Brussels consolidates more power.

In France, National Front leader Marine Le Pen could emerge victorious after first and second rounds in April and May. She also has a strong Eurosceptic and anti-Islam stance – worrying for the country's large Muslim population – and has pledged to hold a referendum on France's membership of the EU.

Far-right Dutch leader Geert Wilders – who is being tried for hate speech and discrimination, is nonetheless tipped to become Netherlands' next prime minister after an election in March. He has also vowed to call a referendum on Dutch EU membership and to end immigration from Muslim countries.

In keeping with the pattern, Germany may be confronted with a shock federal election

FACEBOOK

Hywel George
Investment director at Old Mutual

"I'm not predicting a big crash – there are always opportunities in asset markets. People must stretch their nets as wide as possible but be mindful that risk is elevated in equity markets right now."

Marius Oberholzer
Head of Absolute Return at Stanlib

outcome in September 2017, when Angela Merkel runs for a fourth term as chancellor in the face of competition from the anti-EU Alternative for Germany.

"Trump's election victory has changed the geopolitical and investment landscape for the next multiple years and was a wake-up call for politicians everywhere," says Old Mutual investment director Hywel George. "Broad populations won't stand for more austerity and quantitative easing has broadly failed in terms of ordinary people."

Shift away from accommodative monetary policy

Economic policy will shift its emphasis from monetary to fiscal expansion to meet a pro-growth agenda, which will add up to an investment world that will benefit equities, particularly small-cap companies, along with emerging- and frontier-asset markets, he says. "Investors must get into a risk-on mindset, which they are not in at the moment. Equity markets will go up but continue to be very volatile," he adds.

Analysts are quick to point out that rising interest rates do not mean lower equity returns, as the opposite has often been the case in the past. Economic trends across the world are more divergent than they have ever been and this requires investors to think differently, they maintain.

But agreement appears to end there – many asset managers believe that equities are riskier than ever as valuations are so high, making the market ripe for a correction.

"The world is set up for disappointment," says Marius Oberholzer, head of Absolute Return at Stanlib. "I'm not predicting a big crash – there are always opportunities in asset markets. People must stretch their nets as wide as possible but be mindful that risk is elevated in equity markets right now."

Passive investments

This is where a heated debate kicks in over whether to invest with expensive asset managers who try to beat the market, or put money into a "passive" mutual or ETF which seeks to track, rather than surpass, an investment benchmark. The benchmark could be a share index, fixed income securities, commodities, foreign exchange, a particular sector of the economy, or derivatives – among others.

Estimates vary, but according to investment management giant Vanguard Group, the average cost for passively managed funds is 0.18% versus 0.78% for actively managed funds, virtually all of which are mutual funds. ETF fees are on average about 0.35 percentage points, according to other data, while hedge funds are much more expensive, charging an average of 1.5% on assets managed and nearly 19% on profits generated.

ETFs are more tax efficient than mutual funds, because they don't have to distribute capital gains to investors when they sell securities – which is particularly important against a global background of rising capital gains tax rates.

They are also more flexible as they allow intraday trading, while mutual funds can only be traded when their net asset value is calculated at the end of the day.

This helps to explain the huge migration of capital away from actively managed equity funds and into ETFs. Data provider Morningstar says that assets managed in passive mutual funds have grown four times faster globally than traditional active products since 2007. They now amount to $6tr – but are still dwarfed by active asset funds of $24tr. Assets in the ETF industry alone are estimated at $3.2tr, having overtaken the $2.97tr held in hedge funds.

According to research by Stanlib there has also been an exponential rise in passive unit trusts and ETFs in South Africa over the past few years, although their entry into domestic markets lagged their global appearance by about two decades. In the first six months of this year, South Africans bought R5bn worth of ETFs – the same amount as in the whole of 2015, which was up from just over R3bn in 2014 and R1bn in 2013.

"It's not about stock-picking anymore," says Leonard Jordaan, head of distribution at Stanlib Index Trackers. "We think there's value to be had for an investment professional to construct a portfolio which makes use of

INVESTMENTS

Economic policy will shift its emphasis from monetary to fiscal expansion to meet a pro-growth agenda, which will add up to an investment world that will benefit equities, particularly small-cap companies, along with emerging- and frontier-asset markets.

passive building blocks."

Investors should find a solution that blends both active and passive funds to free up their fee and risk budget, which could then be allocated to higher conviction active managers, giving them the best of both worlds, George maintains.

Underperforming asset managers

In October, figures released by S&P Dow Jones showed that the huge shift in asset allocation was justified – almost all actively managed US, global and emerging market funds had failed to outperform stock market indexes since 2006.

The evidence has reinforced criticism of the asset management industry, which is now widely perceived to be overcharging its clients at times of poor returns.

In an investigation concluded in November, Britain's financial watchdog, the Financial Conduct Authority, said it had found "there is no clear relationship between price and performance".

Margins at asset management firms had stuck at around 36% over the past six years – regardless of market swings – while managers clustered around the same prices for their services, telling the FCA that competition on fees seldom brought in new business.

At the same time, more than half of ordinary investors in the UK were unaware that they were paying fund charges and six in 10 had never switched to a new provider.

Nonetheless, many asset managers believe passive investing is not appropriate at this point in time. Informed choices had to be made as the performance of individual stocks varies more and the generous returns seen across asset classes over the past few years come to an end, says Investec Asset Management fund manager Rhynhardt Roodt.

"The industry has been guilty of crying wolf too soon, as the bull market has lasted longer. Today is the right time to cry wolf," Roodt said.

Rhynhardt Roodt
Fund Manager at Investec Asset Management

Oyvind Schanke
Chief investment officer for asset strategies at Norway's oil fund

Investments had to shift into cyclical sectors which offered value rather than quality, and active managers could do better, he maintains. Investors would have to be brave, choosing cheaper companies priced at a discount to the market.

Other asset managers predict that cyclical sectors that could do well in the wake of a US economic upturn fuelled by Trump's policies include infrastructure, construction, manufacturing and housing, while US banks could put in a better performance in a more relaxed regulatory environment.

Decline in equity

There has been mounting concern over a sharp decline in the amount of stock in circulation after a steady wave of takeovers, mergers, share buybacks and delisting – coupled with a decline in the number of Initial Public Offerings.

Oyvind Schanke, chief investment officer for asset strategies at Norway's $880bn oil fund, told the *Financial Times* last month that countries with a higher rate of listed companies on average had a better pace of growth and public listings gave people the benefits of that trend.

But other managers say the world is changing, and the decline in IPOs is understandable. Many innovative companies were frustrated with the short-term mindset of investors and had easy access to capital outside of equity markets, George says.

Crowdfunding is playing an ever increasing role in raising private capital, with platforms generating an estimated $2.1bn for start-ups in the US alone last year – and the amount could double in 2016 as investors hunt for better returns. ■

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Images: Supplied Getty Images/iStock Images Gallo Images/Getty Images

INVESTMENTS

By Ciaran Ryan

Disrupting the traditional 9-to-5

Around the world, people are taking on freelance "gigs" to supplement their incomes, while some have even abandoned their permanent jobs, opting to make this growing informal economy their only source of income(s).

Software developer Marco Ryan* lives in Johannesburg but "works" in the US. Four years ago he answered an online advertisement from a US company looking for developers. The pay wasn't that exciting at the time, and the rand was a lot stronger than it is now. He started off working a dozen or so hours a week for the US firm, which is involved in the entertainment industry, and the pay – and the number of hours – increased steadily.

Prior to this he had been a full-time employee, first at a Johannesburg-based software development company servicing the mobile networks, and then at a recruitment firm. When the financial crisis hit in 2008, the job market fell apart, so he decided to venture out on his own as a software developer.

One of the downsides of working for a US firm from Johannesburg is keeping the same office hours as the US. This means he usually gets to bed around 4AM, which can play havoc with family life.

But the upside wipes out the negatives: he earns US dollars at a time when the rand has been sinking, and now works for a string of US companies. He is part of the so-called "gig economy", which is reshaping the way we work and live. Technology and high-speed internet access have opened up work possibilities that simply weren't there a decade ago.

There are estimated to be more than 4 000 Uber drivers in SA. With nothing more than a car and a smartphone, they are feasting on the guts of the dinosaur taxi business, which seems destined to go the way of the VHS player. Airbnb is having the same effect on the accommodation business, with more than 21 000 listings in SA and R210m in revenue from the country last year.

Uber drivers can set their own work times, and for many this is a part-time gig to supplement incomes earned from regular jobs. Airbnb has opened up income-earning possibilities for thousands of South Africans with spare rooms to rent. Airbnb now rents out 2.3m rooms in 191 countries. Its inventory makes it bigger than the three largest hotel chains – Hilton, Marriott and InterContinental – combined, according to Bloomberg.

The gig economy is most virile among tech-savvy millennials, and accounts for the rise of freelancing sites such as Upwork, Freelancer.com and People per Hour, where virtually any skill imaginable is now on offer, from nursing to architecture, accounting, writing and web design.

The gig economy is nothing new: since the first motor car, mechanics would work on friends' cars in the evenings to supplement their incomes, and doctors would tend patients privately. What is new is how technology is ripping across geographical and sectoral boundaries. Why employ a full-time accountant with all the regulatory and cost headaches this implies when someone halfway around the world can do it more efficiently and cheaper?

There are downsides for both employers and freelancers. The employer has to test the freelancer's competence in specific tasks before engaging them – but can also drop them in a heartbeat if the work is not up to scratch. Freelancers receive few of the perks or benefits available to full-time employees – but this is something both parties understand from the outset.

A study by McKinsey Global Institute (MGI) entitled *Independent Work: Choice, Necessity, and the Gig Economy*, found that 20% to 30% of the working age population in the US and Europe engage in some form of independent work.

"Working nine to five for a single employer bears little resemblance to the way a substantial share of the workforce makes a living today," says MGI. "Millions of people assemble various income streams and work independently, rather than in structured payroll jobs. This is hardly a new phenomenon, yet it has never been well measured in official statistics – and the resulting data gaps prevent a clear view of a large share of labour market activity."

Technology and high-speed internet access have opened up work possibilities that simply weren't there a decade ago.

MGI reckons online talent platforms such as Upwork will grow the world economy by 2% over the next decade, creating the equivalent of 72m full-time jobs. These workers fall into four categories: free agents, casual earners, those who are forced to work out of necessity – the "reluctants" and the financially strapped. By far the biggest of these are the casual earners, representing 40% of the gig economy, says MGI. With roughly half of SA's youth officially unemployed, the gig economy offers one of the few avenues open to them. Casual earners include a large percentage of retirees with specific skills, such as engineers and architects.

MGI says other forces could fuel growth in the independent workforce: the stated aspirations of traditional workers who wish to become independent, the large unemployed and inactive populations who want to work, and the increased demand for independent services from both consumers and organisations. ■

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Marco Ryan is a close relative of the author.

RENEWABLES

By Lloyd Gedye

From leader to losing out

Globally, investment shows that clean renewable energy is the future but Eskom and factions in government seem hell-bent on making South Africa pursue nuclear energy.

South Africa's energy sector is facing uncertainty and turmoil, which appears to be directly related to the current political crisis the country is dealing with.

Eskom's Brian Molefe featured prominently in Public Protector Thuli Madonsela's *State of Capture* report, which investigated the influence the Gupta family has on the president, a number of ministers and state-owned entities (SOEs). Molefe has since fallen on his sword and will be leaving the utility at the end of December, and Madonsela has left the office of the Public Protector after her term ended.

However, the *State of Capture* report remains a political football being kicked around and Eskom appears intent on pursuing nuclear energy, despite department of energy (DOE) policy delaying the need for nuclear to 2037. Other academic studies have pushed this back as far as 2040, or suggested nuclear is not needed at all.

Critics believe factions of government are pushing the nuclear programme, which is expected to cost billions, as it will provide opportunities for enrichment similar to the arms deal.

The power utility's head of generation, Matshela Koko, who has been appointed as acting CEO to replace Molefe, has made public statements that suggest nothing has changed in Eskom's hunger for nuclear.

Although he has stated that the parastatal is not "married" to nuclear, he has insisted that Eskom will continue to pursue it and that the power utility could pay for the nuclear build programme from its own cash reserves. He stated that this would amount to R150bn in 10 years' time.

Global expansion of renewables

However, while Eskom advocates for nuclear, globally investment is shifting to renewable energy sources, which are growing at a rapid pace.

In 2010 there were 10 gigawatts (GW) of solar energy in the world, by 2015 there was 299GW and by 2030 there is forecast to be 30 000GW. Earlier this year, *The Guardian* reported that 147GW of renewable energy had come online in 2015, the largest annual increase ever.

Clean energy investment increased to $286bn, more than twice that of spending on coal- and gas-fired power generation. Solar energy accounted for 56% of the total and wind power for 38%.

In South Africa, over R200bn has been invested in the renewable energy sector in the last few years, says Jesse Burton from the Energy Research Centre at the University of Cape Town.

"It's a sector that is growing in an economy that is hardly growing at all," says Burton. According to her there has been a large decrease in costs of delivering renewable energy in the last few years and insists that renewable energy is now competitive with coal generation. "Not just Eskom coal, but with private sector coal," she adds.

The total SA energy system is between 40GW and 44GW, with renewable energy currently contributing 2GW of this, with another 4GW

Matshela Koko
Acting CEO of Eskom

Gallo Images/Getty Images | Jacques Claassen

PRICE SHOCK ON THE CARDS

Eskom is headed for a coal price shock in the next few years, warns Jesse Burton from the Energy Research Centre at the University of Cape Town.

She says traditionally Eskom would build next to a coal deposit and co-fund the mine, with the coal being delivered according to a long-term contract, while the mining company gets a margin. Increasingly these mines have been under-delivering on these contracts forcing Eskom to procure up to 30% of its coal using short- and medium-term contracts, which are more expensive, close to R500 a tonne.

Five years ago a tonne would have cost close to R200.

But it's not just the cost of coal. As the existing mines come to the end of their lives, Eskom is increasingly responsible for rehabilitation and clean-up costs, she says.

According to Burton the world is changing a lot quicker than South African policymakers realise and many feel that global coal demand has peaked, as illustrated by hundreds of European and US coal-fired energy plants being shut down. ■

GIG ECONOMY

commissioned but not yet online.

However, some projects have been sitting in limbo for more than six months as Eskom refuses to sign the power purchase agreements with commissioned independent renewable energy projects.

Burton describes Eskom as the "veto player".

"Eskom is integral to the energy system in South Africa and it's in their interests not to let Independent Power Producers (IPPs) into the system," she says.

Burton says this is all interwoven with the politics of the nuclear deal.

Says Solar Capital's chairperson, Paschal Phelan: "We set the standard for the world in how to procure renewable energy.

"Now we are playing silly games and missing the opportunity. We are going from being leaders to being also-rans."

Solar Capital has two solar energy plants in De Aar with 132kV Eskom lines traversing the sites; one is 282 hectares and the other 191 hectares.

Delays hurt renewable sector

Momentus Energy plays in both the wind and solar sectors and was one of the first companies to benefit from the DOE's IPP programme.

It built RustMo1 Solar Farm, a 7MW solar photovoltaic (PV) power generation facility located at Buffelspoort, which is 22km outside Rustenburg in the North West.

Momentus Energy managing director Gareth Warner says the power struggle between Treasury and Eskom over the nuclear deal has had very negative consequences for the renewable sector.

Red Cap runs the Kouga wind farm, which reached commercial operation in March last year and adds 300GWh of clean renewable energy to the grid annually.

Red Cap's Mark Tanton says the renewable industry just ignored the debate over nuclear knowing that the economics should stack the argument in their favour.

Says Phelan: "We in the industry laughed when we heard about the nuclear deal. The capital costs are outrageous."

Government guarantee exposure to the power sector at the beginning of the current financial year sat at R368bn, which is the majority of its total exposure of R467bn.

Warner says nuclear is being considered despite the fact that costs associated with renewables have dropped to a third of what they were in round one of the IPP programme.

According to Tanton no one could have foreseen renewable costs dropping so drastically. He attributes the downward cost pressure to the European utilities "piling" into the country. "They were very bullish on South Africa. Our renewable programme was very attractive to them.

"It's a lovely success story. But the last six months it's been hard to keep the Europeans positive," says Tanton.

Warner says that renewable projects awarded over a year ago in round four of the IPP programme still have not been signed off. He says this process normally only takes four to five months.

Tanton is of the opinion the repercussions of the delays will mean small players will be squeezed out of the market. ■

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WHERE TO FOR OIL PRICES?

The oil industry has been through a tough two years, culminating in the Organization of the Petroleum Exporting Countries (Opec) agreeing to a cut of 1m to 1.2m barrels a day in production on 30 November; its first production cut deal in eight years. The cut will see Opec production of about 32.5m barrels a day.

The aim is to lower record global oil stocks to support prices, which dropped from above $100 a barrel in mid-2014 to below $30 earlier this year. The decline in prices led to projects worth over $200bn getting cancelled or postponed, while more than 200 000 jobs in the sector were affected globally.

Ashburton Investments said Opec's cut, should it be adhered to, will tighten markets and lead to normalised inventory levels in OECD (Organisation for Economic Cooperation and Development) countries by the middle of 2018. It expected compliance to the production cut to be higher than in previous periods of production cuts (2008 to 2009; 2000 to 2002 and 1998 to 1999), when compliance was at 85%.

In addition, non-Opec countries, notably Russia, also agreed to a cut of 600 000 barrels a day. Russia will account for half of the production cut.

"The act of the oil markets tightening and inventories falling will create a tailwind for oil prices, sending it back towards the cost of supplying the most expensive barrel to the market (marginal cost) of ±$70 (a barrel)," Richard Robinson, investment manager at Ashburton, said in a note.

Opec will meet again on 25 May 2017, and is expected to then extend the cuts by another six months, "taking us to the period when inventories could be normalised", Robinson added. ■

URBANISATION

By Lloyd Gedye

WHAT DOES A SMART CITY LOOK LIKE?

A smart city is about far more than just smart electricity meters and South Africa's cities are lagging far behind.

Getty Image/iStock Images

A few years ago this *finweek* correspondent attended a conference in Barcelona on the Internet of Things and Smart Cities.

The city of Barcelona had partnered with various private sector players to test smart city technologies through pilot projects.

Delegates got to interact with bus stops that had been turned into WiFi hotspots. Smart parking spots allowed commuters to log into an app and find the nearest available spot to park, and the city could tell when you had overstayed and didn't have to rely on random monitoring to issue tickets for parking violations.

Efficiencies in waste and refuse systems had been created, with sensors monitoring smell and gas build-up and waste. Refuse removal trips were planned so that half-full storage containers were not emptied.

Water supply and distribution were monitored and problems picked up by the system, not through complaints.

Museums illustrated how they had digitised their entire collections. This had taken them from being national or regional museums to international online museums.

On the streets of Barcelona, tourists were able, via their phones, to have virtual interactions with the history of certain sites in the city.

All very impressive.

But when considering the state of internet connectivity in South Africa, it did feel as if many of these technologies were for the developed world. After all, we live in a country where #DataMustFall is top of mind for many South Africans.

INCREASED URBANISATION

Globally, cities produce more than 80% of economic output and are critical to the world economy.

In SA, the eight largest cities house 37% of the population and contribute 59% of economic activity.

But SA's cities are expanding rapidly. It is estimated that by 2050, 80% of all South Africans will be living in one of its cities.

While our cities cannot create enough jobs for all residents, the average metropolitan income for an SA resident is 60% higher than the national average and four times that of rural residents.

Economic migration is on the increase and the race for the best skilled residents is becoming increasingly competitive.

Cities need to think about how to attract today's global workforce, and citizens from within its own country, to become residents.

In SA, the eight largest cities house

37%

of the population and contribute

59%

of economic activity.

Reshaad Sha, chief strategy officer at Dark Fibre Africa (DFA), says the increased levels of urbanisation that SA's cities face mean that they have to have a long-term plan to manage six key areas.

He lists these as:

- Electricity/Gas
- Sanitation/Waste
- Safety/Security
- Water
- Transportation/Traffic management
- Connectivity

He says SA's cities should plan for how they will deliver these services, to its current and future residents, and believes there is not enough long-term planning in SA's cities.

According to him there should be a 50-year-plan that addresses all of these areas. And when you take into account future population and economic growth, it becomes clear that these services will increasingly need to be automated.

"It's not possible for all these things to be managed by people. We need to build a lot of intelligence into these areas."

RENEWABLE ENERGY

HOW SMART ARE SA'S CITIES?

Johannesburg and Cape Town are seen as leaders in the race to become a smart city, yet they are only just out of the starting blocks in the bigger scheme of things.

Both have announced smart city strategies – Johannesburg has its Growth and Development Strategy 2040, while Cape Town has its Smart Cape project.

Both have prioritised the roll-out of WiFi hotspots and begun installing smart meters, but these are seen as mere building blocks of a smart city.

This year, Johannesburg was ranked as the top African city in terms of sustainable urban development and ICT maturity. It was ranked 35th (it dropped from 29th place in 2014) on the 2016 Ericsson Networked Society City Index, with the only other African cities being Cairo at 37 and Lagos at 40.

IT'S WHAT YOU DO WITH THE DATA

"There is no room for a city not to be smart," says Sha.

DFA builds, installs and maintains a communications network of more than 10 000km and offers both inner metro transmission and long-haul transmission, meaning that both your email to a friend in the same city and to one on the other side of the country may travel on its network.

DFA started rolling out its network in 2007 and has invested over R5bn in its fibre infrastructure. It's networks like these that create the environment for smart city technologies to be put in place.

"The future for smart cities is not 2020, it's tomorrow, it's this afternoon," says Sha. "Today there are lots of efficiencies that can be created through the use of operational technologies."

Operational technologies are at the heart of the smart city concept. They are the OT to information technologies' IT.

Objects, whether they are smart electricity meters, smart parking sensors or smart waste monitoring sensors, have a certain level of operational intelligence built in so that they can collect and transmit data. This data can then be transmitted to a storage site.

But it's how the data is used and analysed that creates the real benefits.

"It's not about saying this is a smart meter," says Sha. "A smart meter is just a basic building block, it's what you do with the information from that smart meter."

A smart utility can measure consumption of electricity by the hour and transmit this information back to the utility daily. It also allows for two-way communication between meter and utility.

"How do I find optimisations, efficiencies and savings from that information?" he asks. "It's still a dumb meter if you are not using the data properly."

In essence, all cities are going to have to hire teams of data wranglers to turn the data into useful chunks that can help drive service delivery and policies, making living in the city a more pleasant experience and a much cheaper place to live.

Cape Town's WhereIsMyTransport app, which helps residents coordinate access to public transport, is an example of a more innovative smart city solution for residents.

"Instead of building more RDP houses, existing home owners should be provided with incentives to build second or third dwellings on their properties."

THE CITY AND NATIONAL PLANNING

A recent report by the Centre for Development and Enterprise (CDE) argues that the "centrality of the city" is not evident in South African policy documents, that even the National Development Plan only devotes a few pages to cities in its chapter on transforming human settlements.

The report argues that cities need to play a much greater role in national policy-making and suggests amending the Constitution to give SA's largest metros the same political and fiscal standing as the provinces.

It argues that this will allow them to take direct responsibility for schooling and healthcare, which are currently managed by provinces.

The report suggests that the current human settlement programme results in RDP homes being built on the cheapest land, which is often poorly located at the outskirts of the city and creates a transportation headache for residents. These transport costs, whether borne by the state or residents, are unsustainable and cities' housing policies need to be reconfigured.

"Instead of building more RDP houses, existing home owners should be provided with incentives to build second or third dwellings on their properties. This would reduce the cost of housing provision, because bulk infrastructure and roads are already present."

The report said it would also positively increase city density and provide homeowners with potential revenue sources. It suggests a political system which allows for directly elected mayors, who should build their campaigns around what they would do for the city and how. ■

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THE STATE OF SA'S METROS

In 2013/14 Johannesburg, Cape Town and Durban had revenues of nearly R90bn, according to a recent report by the Centre for Development and Enterprise (CDE), part of its series of articles called *The Growth Agenda*.

The report says 80% of this was generated by the cities through the sale of electricity and property taxes. Revenue from water, refuse collection and fines provide a much smaller percentage. The remaining 20% is from other tiers of government.

At least 60% of the cities' revenue goes to pay for bulk water and electricity purchases as well as human resources expenditure.

The three largest metros have a combined bad debt of R30bn, according to the report, and writing off portions of this every year accounts for 8% of annual operational spending.

The report states that the metros' growing backlog in infrastructure maintenance is becoming a "growing contingent liability" and asks whether there is a looming crisis in city financing.

LUXURY GOODS

By Marcia Klein

Luxury brands limp towards recovery

The luxury goods sector has been under pressure, partly due to the increasing popularity of smartwatches and the clampdown on gift-giving by the Chinese government.

recent news of a profit slump, management shake-up and possible job cuts at Johann Rupert's luxury goods group Richemont sent ripples of fear and anxiety through investors in the historically defensive luxury sector.

The sector has felt pressure since the 2008 global financial crisis, but there have, more recently, been new challenges which have thrown it into a new era of cutbacks and consolidation.

Instead of the external environment improving, as was hoped, it has continued to deteriorate and Richemont, which is one of the luxury goods groups that is most exposed to watchmaking, has been among the most affected, says Fairtree Capital's Jean Pierre Verster.

"The first issue to affect luxury goods groups over the last decade was the post-2008 economic environment, the second was the clampdown on gift-giving in China since 2012 [by government, as part of its anti-corruption campaign], and the third has been a generational or technological issue – the advent of the smartwatch, which has been a disruptor in the industry."

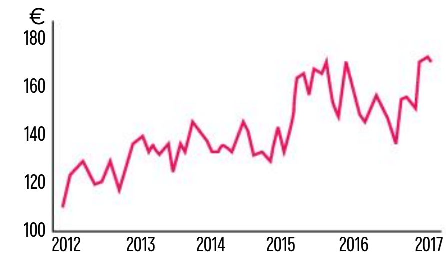
Luxury watches have always had an additional use apart from their timekeeping utility – they represented value, signifying the status of their wearer. To get some idea, Richemont's Piaget Altiplano costs more than $91 000 and its Vacheron Constantin $150 000.

But the smartwatch now has functionality that a luxury watch has not been able to add, forcing the hand of companies like Richemont. "This is a structural industry issue, which luxury watchmakers have had to grapple with, and they are now cutting back on production, retrenching and cost-cutting, so really it is a torrid time, especially for Richemont, which derives 40% of revenue from watches," says Verster.

RICHEMONT

52-week range:	R78.54 - R115.43
Price/earnings ratio:	-
1-year total return:	-14.42%
Market capitalisation:	R519.25bn
Earnings per share:	-
Dividend yield:	2.64%
Average volume over 30 days:	2 458 937

LVMH



52-week range:	€130.55 - €175.35
Price/earnings ratio:	23.77
1-year total return:	15.87%
Market capitalisation:	€88.79bn
Earnings per share:	€7.37
Dividend yield:	2.06%
Average volume over 30 days:	446 765

SOURCE: INET BFA

Richemont's results were a shocker. Sales fell 13% to €5bn, operating profit dropped 43% to €798m and profit slumped 51%. The group had to make some radical adjustments including buying back slow-moving stock from retailers and "optimising" (closing) some stores, reflected in one-time charges of €249m.

Chairman Rupert announced a big management shake-up, which included getting rid of the CEO position. The group is also looking at hiring freezes, early and voluntary retirement and retrenchments.

It is not just watches. Across the sector there have been reminders of the challenges ahead. Hermès, which makes Birkin handbags, scrapped its 8% sales target and the UK-based Burberry, which is fighting off a takeover bid by US rival Coach, saw its half-year profits slump 34%. Swiss watchmaker Breitling is reportedly for sale.

Trouble in China

After a period in which luxury goods companies clamoured to open stores everywhere they could in China, they are now closing some down.

Investment Week said luxury goods companies "have to rethink strategies as the implosion of the gift-giving bubble, the store openings euphoria, and shifting consumption patterns have led to an increasingly competitive landscape".

But, it said, their balance sheets are strong and China remains a growing market. China accounted for 30% of luxury goods purchases, according to Bain & Co. Although this is down, recently, from 31%, Chinese purchases were only 1% in 2001.

Bain expects the market to grow

Gallo Images/Getty Images

Johann Rupert
Chairman of
Richemont

An employee adjusts a watch by Jaeger-LeCoultre, a watchmaking unit of Richemont, in a display at the Tourneau Inc. Madison Avenue store in New York.

between 2% and 3% a year between now and 2020, and Bloomberg points out that the sector will, for the first time, not grow above GDP.

Cobus Cilliers, investment analyst at 36ONE Asset Management, says the effect of anti-extravagance measures in China "was very pronounced for the Swiss watch industry, as well as high-end cognac and scotch industries in China. These clients are not buying luxury goods for gifting purposes anymore, but now only for personal consumption. Terror attacks in France and Germany have also led to lower tourism numbers, which affected luxury sales.

"The supply channel is also overstocked, hence Richemont's buying back inventory from some suppliers. Swatch has not done the same, which is a little concerning."

Richemont's reaction to its poor results is significant, says Verster. "It is trying to respond quicker to changes in the market and trying to be closer to the market, to try find out what the customer wants and what offerings it should be making to the customer. It has, for example, talked about the development of a smart strap."

He says Richemont is buying stock that is not moving instead of seeing it discounted by retailers. "This is an extreme reaction. It wants to control the route to market to maintain the exclusivity and rarity of its products."

Cilliers adds that time will tell if these changes will be positive or negative, but "we believe it will be positive in the long run. We are optimistic that Mr Rupert will be guiding the company out of the difficult times it is facing today. This will take time and he takes a very long-term view on these matters, which is good for the company longer term."

Market disruptions

Luxury goods groups need to align their businesses with changes in their markets.

While technological disruption has caused a trend from luxury to smartwatches, other trends are less clear. However, says Verster, there has been a decrease in the appetite for conspicuous consumption and a crackdown on bribery and gifting as well as on tax havens, so many people no longer want to stand out or flaunt their wealth as it will attract attention, leading, for example, to tax audits or other crackdowns.

By opening a large number of stores, especially in China, luxury goods groups saw their products lose some of their status as premium products. "They always run the risk that if they grow too quickly and their products are available too widely, they are not seen as that exclusive anymore. This has happened in luxury luggage where discounting and availability can make them mass affluent products rather than luxury products. Michael Kors and Coach are such examples. Luxury goods groups have opened lots of stores in China and are now starting to close some," says Verster.

Cilliers says the Chinese are buying more locally, whereas before they used to purchase luxury goods while travelling. "We are seeing more local buying and in mainland China, Macau and Hong Kong luxury sales coming back.

"There also seem to be pockets of growth for some companies," he says. "Gucci (Kering) is doing very well, while TAG Heuer (LVMH) is also doing well despite the slowdown in the Swiss watch sales numbers."

Outlook

Despite the challenges, there is hope for the luxury goods sector.

First, it has not been all bad. LVMH, the world's largest luxury goods group, said revenue in the third quarter, which had improved since earlier this year, was up 6%. Second, LVMH said in its results that demand from China, which was flat in the first half, has picked up considerably.

And with luxury goods groups sitting with strong balance sheets, they are likely to weather the storm, but not without some pain.

Bain, in its most recent luxury market research, says this sector has reached a maturation point. "Brands can no longer rely on low-hanging fruit. Instead, they really need to implement differentiating strategies to succeed going forward."

Verster expects some merger and acquisition activity as the sector consolidates. "The market is not going to die but it is changing and the addressable market is smaller, so they need to rightsize their cost base, which is exactly what they are doing by retrenching and cutting back production and closing some facilities. This is not easy because companies naturally focus on growth. But these are the right steps to follow for now.

"Rupert is a strong leader and has street smarts, and he sees the writing on the wall and is driving the process of shrinking. The silver lining is that they have lots of cash on the balance sheet, which allows them options," according to Verster.

Cilliers says they are a bit cautious about the current price of Richemont. The share, trading at around R90, has lost 16% this year but is on a forward price-to-earnings ratio of 27.

"But the dividend is still attractive, the balance sheet is rock solid, but if you look at the share price it looks like it is pricing in a little too much. With the most recent Swiss watch export number update for the month of October (down over 16%), we are still a little concerned that the recovery that everyone might be pricing into the share is not there yet," he says. ■

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MOBILITY

By Glenda Williams

From ‘horseless’ to ‘driverless’

The evolution from “horseless carriages” to “driverless cars” demonstrates the pace and scale of automotive technology.

The extent of the revolution in locomotion is something that even the automobile’s pioneers would undoubtedly not have been able to envisage, the pace and scale of automobile development taking us from “horseless” to “driverless” in just over a century.

The leap from horse-drawn carriage to combustion-powered vehicle first impacted South Africa in 1896 with the arrival of the first “horseless carriage”, a Benz Velo, imported by a local businessman. It was followed by a Ford 1903 Model A and Henry Ford’s legendary, mass-produced Ford Model T.

That, though, is yesterday’s news and today it is more about doing away with the driver than it is about doing away with the horse. Self-driving cars are tomorrow’s reality. Autonomous-driving (AD) vehicles may not yet be available to the masses, but they are already being tested on the road.

These technologically gifted cars are expected to make travelling easier and safer, the number of vehicle fatalities and crashes expected to be significantly minimised.

AD technologies include advanced sensor technologies, supercomputing with extensive use of artificial intelligence substituting human perception and understanding of the environment.

“Highly autonomous cars and everything they connect to will require powerful and reliable electronic brains to make them smart enough to navigate traffic and avoid accidents,” said Brian Krzanich, CEO of technology leader Intel.

It’s a two-fold goal, self-driving and with that crash-less cars.

According to KPMG’s report *Self driving cars: The next revolution*, distractions account for 18% of crashes with injuries, 11% of drivers under the age of 20 involved in crashes with fatalities reporting distractions.

To realise its vision of connected, autonomous driving, BMW has teamed up with Intel and computer visionary firm Mobileye to bring fully autonomous driving to the streets by 2021.

The goal is to enable drivers to not only take their hands off the steering wheel, but to reach level 3 “eyes off”, level 4 “mind off” – transforming the driver’s time spent in the car – and even the final stage of travelling without a human driver inside, level 5.

Ford’s intention is a high-volume, fully autonomous SAE level 4-capable vehicle in commercial operation in 2021 in a ride-hailing or ride-sharing service.

▲ Tesla’s self-driving demonstration. The car does the driving and the driver is only in the seat for legal purposes.

▲ BMW’s connected, autonomous-driving car, the BMW i Vision Future Interaction.

Greg Maruszewski
Managing director of Volvo Cars SA

Distractions account for

18%

of crashes with injuries,

11%

of drivers under the age of 20 involved in crashes with fatalities reporting distractions.

“We’re dedicated to putting on the road an autonomous vehicle that can improve safety and solve social and environmental challenges for millions of people – not just those who can afford luxury vehicles,” said Mark Fields, Ford president and CEO.

Ford has tripled its autonomous vehicle test fleet of Fusion Hybrid sedans to 30, making this the largest test fleet of any automaker.

Recently produced in Sweden is Volvo Cars’ first fully autonomous Volvo XC90. It’s the first of 100 self-driving XC90s that form part of the Drive Me programme where 100 real customers will provide real-world feedback to Volvo engineers.

Volvo Cars and Uber have also partnered in a $300m project to develop next-generation AD cars, Volvo also partnering with automotive safety systems leader Autoliv Inc to develop next-generation AD software.

Technology company Google has logged over 1.8m miles in a fleet of self-driving cars, but the carmakers now appear to be outpacing the former AD leader. Technology rival nuTonomy is also nipping on Google’s heels, soon to test its self-driving fleets of Renault Zoe electric vehicles on specific streets in Boston, US.

Tesla Motors Inc could have its nose ahead in the AD race, all of its cars now coming with full self-driving hardware, only software updating and regulatory approval preventing a win on the finishing line.

The developed world is likely to enjoy a driver-free experience far sooner than us, Ford SA confirming that there is no timing or context for autonomous cars locally.

But South Africans are already benefitting from the multitude of semi-autonomous-driving features like adaptive cruise control, collision warning, lane departure warning and lane-keeping assistance, cross-traffic alert, driver monitoring and automatic emergency braking fitted in many of the country’s premium cars.

“Volvo Cars’ existing semi-autonomous-driving technology (Pilot Assist), launched in the latter half of 2016, is proving effective in the South African context – the system is compatible with South African road markings, allowing it to work just as well as it does in Europe,” Volvo SA MD Greg Maruszewski tells *finweek*.

Semi-autonomous-driving technology is already mitigating risk of crashes and contributing to the driving experience being a more hands-off and relaxed one… that is, unless you suffer angst at giving up control. ■

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LUXURY GOODS

on the money

THIS WEEK:

>> **Entrepreneur:** Local luxury jewellery designer aims for the red carpet *p.41*
>> **Holiday reads:** Recommendations from South African CEOs *p.44*

CEO INTERVIEW **By Marcia Klein**

Tiger on the prowl for new ideas

Tiger Brands' results for the year to end September weren't great and analysts worry that the food products giant is resting on its laurels. But new CEO Lawrence MacDougall is injecting some much-needed intensity and making his presence felt.

It would be unfair to assign too much responsibility or credit to Tiger Brands CEO Lawrence MacDougall for the group's results for the year to September.

Tiger Brands has been going since 1921 and his time in the CEO's office since mid-May is just a momentary flash in its long history. It will take longer than that to make his mark on brands like Albany, Tastic, Jungle Oats, KOO, Black Cat and All Gold, which have taken nearly a century to build and maintain, or for him to find solutions to some more recent errors of judgment, particularly in the group's Africa strategy.

Yet, by all accounts, he has made his presence felt.

Chief financial officer Noel Doyle, who acted as CEO since January following the resignation of Peter Matlare late last year, says MacDougall's immersion in the group has been swift and noticeable. "What he has brought is an intensity around short interval measurement of performance, making sure we are not letting a day or week go past without improvements, otherwise competitors take the opportunities we open up."

This is exactly what the group needs. Its biggest mistake in Africa, the investment in the Dangote Flour Mills in Nigeria, which resulted in a R2.8bn write-off (a heavy price for a R1.5bn acquisition some three years earlier), is behind it. It has also disposed of other investments in Africa, reducing MacDougall's challenges on the rest of the continent. The group's brands are ubiquitous, but their growth and development unexciting, and what the group needs, really, is some "intensity" and the injection of some energy and focus on performance.

Lawrence MacDougall
CEO of Tiger Brands

Strategic review

It also desperately needs new ideas. Analysts have not been happy with its levels of innovation, feeling it has been resting on its laurels as a market leader in so many of its brand categories.

Innovations mentioned in its latest results include Fatti's & Moni's launching instant noodles and Jungle adding single-serve Jungle cups, moves which appear to reflect it following already established trends rather than innovating itself. MacDougall says there have been small innovations but the group will work on big innovation projects.

Its promised strategic review, announced earlier this year, is not yet concluded but is aimed at rejuvenating the domestic business, establishing a strong and profitable growth trend in the rest of Africa, restructuring and re-engineering the business to achieve a competitive cost base and provide savings for reinvestment and creating a competitive organisational structure.

It is all a bit business jargon-heavy, but one gets the point. For frustrated shareholders, the review's progress may seem a bit slow, but they may be comforted to know that MacDougall is not sitting around waiting for the outcome of the review before he acts.

The review, says MacDougall, looks at the portfolio, costs and supply chain strategy, procurement and manufacturing and the operating model and organisational design – "and whether the group has the capability to execute its strategy correctly".

In the meantime, he has honed in on understanding the growth opportunities of each brand, has met investors and

His biggest challenge, perhaps, is to restore Tiger Brands to its former glory as the undisputed leader of South Africa's food and consumer goods manufacturing industry.

key customers and "tried to immerse myself as much as possible and get as wide an understanding as possible".

Challenges

He has learnt as much as possible about areas of the business he has no experience with – like baking – and spoken to employees to ascertain what motivates them and what energy there is in the group.

Doyle says MacDougall recognises the value and resilience of the brands and there is a renewed focus on the "power brands" and making sure the group extracts maximum value from them.

His biggest challenge, perhaps, is to restore Tiger Brands to its former glory as the undisputed leader of South Africa's food and consumer goods manufacturing industry. Rivals like Pioneer, RCL, AVI and Rhodes have capitalised on the energy Tiger Brands has lacked.

The experience MacDougall brings in operating world-class businesses through his career at global consumer goods group Mondelez will enable the group to tackle its future head on, says Doyle.

Looking at the base on which he will build this future, in the year to September continuing operations increased turnover by 11% to R31.7bn (on domestic volume growth of 2%), while operating income rose 5% and headline earnings rose 2%.

The drought and currency volatility put pressure on raw material costs and prices. While cost management is improving, with savings of R380m, it was not enough to counter the inflation in soft commodities, so the domestic operating margin declined.

Not exactly exciting results, but not bad given the drought, economic malaise and increasing impoverishment of many South African and African consumers.

> The drought and currency volatility put pressure on raw material costs and prices. While cost management is improving, with savings of
>
> **R380m,**
>
> it was not enough to counter the inflation in soft commodities, so the domestic operating margin declined.

International footprint

The international division, which includes exports, performed strongly with a 19% rise in operating income, including excellent results from deciduous fruit company Langeberg and Ashton Foods, a recovery at the problem-ridden Haco Tiger Brands (now profit-making from a loss last year), and "exceptional" results from Chococam (turnover up 25% and operating income 25%, in rand terms), all indicating some serious potential for growth in exports and markets outside of SA.

There are, however, issues with other exports and foreign exchange liquidity in Zimbabwe, Nigeria and Mozambique.

Income from associates Oceana Group and Chilean-based Empresas Carozzí rose 43%, although this largely reflects asset disposals.

Tiger Brands is selling its 51% stake in the poor-performing EATBI to its Ethiopian partner. With this and Dangote Flour Mills out of the picture, the bulk of the group's problems in the rest of Africa have been dealt with.

The loss-making Deli Foods in Nigeria will require MacDougall's immediate attention, though.

MacDougall says the immediate focus, across the group, will be on a "high performance culture", on optimising margins without sacrificing market share, cost-saving, innovation and targeted investment in brands.

Apart from his appointment, there have also been board changes to bring in new energy. Andre Parker makes way for Khotso Mokhele as chairman and CA Emma Mashilwane and Famous Brands' Kevin Hedderwick join the board as non-executive directors, filling some skills gaps, says MacDougall.

Despite recent problems for the group on the rest of the continent, MacDougall says he is an "Africa optimist, and the long-term potential to expand our footprint remains. There are short-term challenges creating some short-term headwinds ... and we will work our way through those." ■

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GETTING TO KNOW LAWRENCE MACDOUGALL

Before joining Tiger Brands, MacDougall was executive vice-president and regional president for Eastern Europe, Middle East and Africa at Mondelez International, whose brands include Cadbury, Halls, Toblerone and Stimorol.

He has in excess of 25 years' experience in fast-moving consumer goods in countries across Africa, the Middle East, Eastern Europe and Russia.

HIS MANAGEMENT STYLE

CFO Noel Doyle says MacDougall has continued with the collaborative team-based management style that was Matlare's. "The key thing that has changed is the uplift in intensity in the organisation.

"He comes from a world-class organisation and managed multiple categories in multiple geographies, so he is bringing in knowledge and expertise and insight we did not know about. We may be a big fish and may be performing well, but in terms of global best practice we are slipping behind. He is seeing where the gaps are." ■

By Natalie Greve

Putting South Africa's mark on the luxury jewellery market

Paka Paka, an upmarket jewellery line launched by Clare Wiese less than a year ago, has already made its way onto Hollywood red carpets. Wiese talks about the origins of the brand and what she envisions for the future.

A model showcases Paka Paka's Zaga range.

Abandoning a burgeoning career in litigation, Clare Wiese – daughter of South African retail magnate Christo Wiese – has turned her energy to developing and growing her fledgling contemporary fine jewellery brand Paka Paka in international markets. Launched online nine months ago, the jewellery line aims to celebrate the romance and beauty of Africa, its rich mineral resources and its pool of creative talent.

Placing the competitive US market firmly within the company's crosshairs, Wiese aims to establish Paka Paka, which means "cat" in Swahili, as an A-list brand among the Hollywood elite.

Prior to starting your own business you studied law and journalism. Why did you enter these fields and what made you decide to leave law?

I studied journalism in London at the University of Westminster straight after finishing matric, as I wanted to spend some time abroad and I have always had a love for writing and the creative expression it allows me. After having obtained my journalism degree and working in magazine journalism in Cape Town for a while at *House & Leisure* and *Marie Claire*, I felt the time was right for the academic challenge of obtaining my postgraduate LLB.

My father started his career as an advocate at the Cape Bar, so I guess there was always a subliminal familial influence there. I absolutely loved the three years I spent practising as an attorney and had the privilege of working in litigation, more specifically in the field of medical negligence. However, in my late 20s I guess the creative inside me wanted to cut loose from the corporate world and to start my own business doing something in the design world.

Clare Wiese
Founder of Paka Paka

Where did the idea for Paka Paka originate?

My first business was Sloane & Madison, a Cape Town-based fine jewellery company specialising in personalised fine jewellery items, such as gold and diamond necklaces and bracelets. When I realised that people were responding very favourably to my design ideas, I felt compelled to launch a more international contemporary fine jewellery brand in the United States – the biggest jewellery market in the world. South Africa has so much design talent and we have access to some of the world's best diamonds and gemstones, so I wanted to create a brand that celebrated Africa and South Africa, but in a timeless, global and contemporary way.

How does Paka Paka benefit from your family's large stake in gemstone miner Gemfields and other diamond mining operations?

We are planning to use some Gemfields emeralds in our next collections, which will be launching next year, and – yes – being connected to the company via the family's shareholding definitely has its advantages. We are very excited about using Gemfields stones, as nobody does coloured gemstones better than they do!

Q&A

How long have you been operating and how did you make your first sale?

We opened about nine months ago online and we are currently in talks with two large online retailers and two very elite brick-and-mortar stores based in New York. It's all still very new and very exciting. The response has been extremely positive State-side, so of course this is a very rewarding and humbling experience. One of our first sales – and one I remember most vividly – was actually to Chrissy Teigen – wife of singer John Legend. Her stylist brought her a few of our rings to wear to a red carpet event and she fell in love with one of them and purchased it on the spot in Los Angeles.

How did you find your head designer?

For our first few collections, I worked with Ida Elsje and Kim Boezaart, two of South Africa's top jewellery talents and both very established and respected in their own right. They both also know a lot about the technical side of manufacturing jewellery, which is not always easy, especially if you are as perfectionistic as I am about craftsmanship and quality. Ida and I have been on quite the journey together and although she is a world-class talent, she is so open to my ideas and my vision and always allows me to have the final creative say.

How did you get funding to get started? To what extent did your father put up the initial funds?

I put in some of my own money and my father of course did lend a helping hand!

How do you defend yourself from possible criticism that it is easy to start and sustain a business when funding is not an issue?

To be honest, I don't really feel the need to defend myself as I live by the maxim "live and let live". But, to anyone who believes that, all I can say is that it is one thing to have start-up money be made available, but it's a whole different kettle of fish taking that money and multiplying it by successful business practices. There is a reason why the majority of new businesses fail, regardless of where the cash comes from.

What have been the biggest difficulties you've had to overcome in your business?

ABOVE: Paka Paka's range includes the Sugarbush Necklace **(1)**, which sells for over R38 000. The Ishari Gold Necklace **(2)** is priced at R113 058.50, the Sugarbush Small-Leaf Bracelet **(3)** at R46 695, the Zaga Rocknroll Cocktail Ring **(4)** at R76 905.25 and the Savannah Caro Cocktail Ring (rose gold) **(5)** at R60 137.50.

Some of our first designs were incredibly complicated to manufacture and, given our high expectations when it comes to luxury-level craftsmanship, we have had to go back to the drawing board a few times.

It has also not always been easy launching a South African brand in the US, without being physically present in the US for most of the time. Sending emails and making phone calls will never compare to meeting people face-to-face in New York City, where things can happen very quickly. I therefore try to visit New York at least once or twice a year.

Biggest lesson learnt?

Learning how to work with people and how to get the most out of them is an invaluable part of building any business. People skills are what I learn most from my father, much more so than specific business lessons.

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

The jewellery market is incredibly competitive and cut-throat. What has been a saving grace for us, and helped to land us in the pages of *Harper's Bazaar, Glamour US* and *Marie Claire US* (and on the likes of Uma Thurman, Kerry Washington and Amy Adams at red carpet events) is that our product offering is unique and distinct, yet has a strong commercial appeal. It's very important to do something different and not simply imitate what everyone else is doing. Otherwise, you will just fade into the mix.

> The jewellery market is incredibly competitive and cut-throat.

Where is the jewellery currently manufactured?

In Cape Town and Los Angeles. We have tried and tested a few workshops and I am very happy with the level of craftsmanship and service we are getting from these two workshops. I prefer having everything made right here under my nose, for simple quality control purposes.

How many people do you currently employ?

I have a PR team in the US, a sales team in the US, an operations manager in Cape Town and a workshop based in Cape Town that I contract with. In addition to that, I work with Ida on an ad-hoc basis (when new designs are being created and set up). Because we are still a new and young business, I like to stay very involved and I am not too keen on delegating too much.

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

My father always has a chuckle when people ask him what is the secret to success. He says there is no one secret, but without a certain four-letter word (WORK) you can forget about it. People often want shortcuts or hope to make a quick buck. That doesn't exist.

How do you stay motivated?

My husband is quite good at keeping me sane when it all gets too much. Being an entrepreneur without a business partner can get lonely and overwhelming at times. Luckily, I married someone with a lot of patience and a solid business brain, so he is always there to listen and dispense advice. I have one or two very close girlfriends whom I also lean on a lot for support when I need it. I am very lucky that way!

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

I have recently fallen in love with transcendental meditation, a very simple but very powerful and effective relaxation technique that has been receiving a huge amount of press. It requires a bit of discipline (sitting still for 20 minutes twice a day), but I find it makes a tremendous difference to my day and how I deal with the stresses of daily life. I try to exercise three times a week with my personal trainer and I am quite mindful about what I eat.

What is your three-year goal for your company?

We would love to be stocked by some of the world's most influential and iconic stores like Bergdorf Goodman, Net-a-Porter and Harrods, and – of course – continue to see our jewellery grace the pages of international glossies and accessorise the Hollywood A-listers. I would love to see Paka Paka become an international icon of South African contemporary luxury. ■

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By Jana Jacobs

What SA's CEOs are reading

Not sure what to read this December? We asked some of the country's CEOs what they recommend.

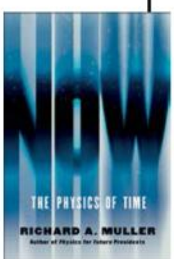
Willem Roos
CEO of OUTsurance

Favourite reads of the year

Fiction: *The Rosie Project* by Graeme Simsion

"I found it very funny."

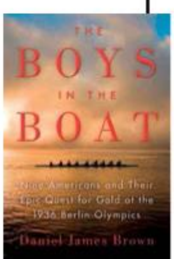
This *New York Times* bestseller is Australian author Graeme Simsion's debut novel. Protagonist Don Tillman is a professor in genetics who designs the Wife Project in a quest to find the perfect wife. Enter Rosie Jarman, who fulfils the requirements of the 16-page scientific survey but is disqualified by Don. But Rosie has a quest of her own: the Father Project, aimed at discovering her biological father. Don becomes intrigued and the two collaborate to fulfil her mission.



Non-fiction: *Now: The Physics of Time* by Richard A. Muller

"I am a huge fan of physics books."

Physicist Richard A. Muller writes about the flow of time, running from the creation of the universe to "now" and in so doing reaches the conclusion that our expanding universe is continuously creating not only new space, but also new time. Critics believe this book (which was released in September) together with Muller's theory, will "spark major debate about the most fundamental assumptions of our universe".



Holiday reading

***The Boys in the Boat: Nine Americans and their Quest for Gold at the 1936 Berlin Olympics* by Daniel James Brown**

Another *New York Times* bestseller, this book chronicles the amazing story of the nine young Americans that went on to defeat the German eight-oar team rowing for Adolf Hitler in the 1936 Olympics in Berlin. The story focuses on Joe Rantz, one of the American rowers, by drawing on his own journals and memories.

***The Count of Monte Cristo* by Alexandre Dumas**

This classic really needs no introduction. Follow Edmond Dantès as he becomes the mysterious Count of Monte Cristo after being falsely imprisoned for treason without trial. Read how he avenges himself on those who were out to destroy him.

SOURCE: goodreads.com

Jacques Celliers
CEO of FNB

Take your pick from Jacques' comprehensive recommended reading list:

***Exponential Organizations – Why New Organizations are Ten Times Better, Faster, and Cheaper Than Yours (and What to Do About it)* by Salim Ismail**

"I highly recommend *Exponential Organizations* and *Second Machine Age* in particular."

Ismail's book serves as a guide to navigating the shifting business environment due to the introduction and proliferation of exponential technologies. "*Exponential Organizations* lays the framework for organisations to adapt and thrive in a world of abundance by diving into new organisational structures that leverage exponential technologies and a shifting global business mindset."

SOURCE: exponentialorgs.com

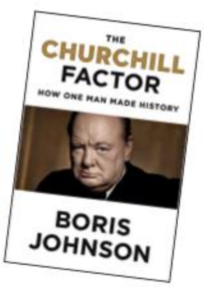
***Second Machine Age* by Erik Brynjolfsson and Andrew McAfee**

MIT's Erik Brynjolfsson and Andrew McAfee – two thinkers at the forefront of their field – reveal the forces driving the reinvention of our lives and our economy. As the full impact of digital technologies is felt, we will realise immense bounty in the form of dazzling personal technology, advanced infrastructure, and near-boundless access to the cultural items that enrich our lives.

***Bank Management in South Africa: A Risk Management Perspective* by Johan Coetzee**

South Africa's banking industry is regarded as one of the best in the world. Why? Coetzee's comprehensive work provides insight into the structure of the industry and

Andrew Möller
CEO of Citadel Wealth Management



***The Churchill Factor: How One Man Made History* by Boris Johnson**

"Johnson is a writer with a wonderful turn of phrase and his critical analysis of Churchill's history-defining decision-making and influence is remarkable in its ambition and insight."

Fifty years after Winston Churchill's death, former London mayor and current secretary of state for foreign and Commonwealth affairs, Boris Johnson, chronicles the life of this larger-than-life leader.

SOURCE: goodreads.com

The end of the year is a great time to catch up on your reading, but it's not always easy to decide what you're going to devote your downtime to. So we thought we'd ask for some recommendations. From comedies and biographies to tech and business books, you're bound to find something to add to your reading list this holiday.

South African banks' financial risk management.
SOURCE: juta.co.za

***The Big Data-Driven Business: How to Use Big Data to Win Customers, Beat Competitors, and Boost Profits* by Russell Glass, Sean Callahan**

Big Data. Everyone has heard the term, but few really understand it, and the opportunities it presents. By using real-life examples – from Nate Silver to Copernicus, and Apple to BlackBerry – the authors of this book demonstrate how "the winners of the future will use Big Data to seek the truth".
SOURCE: eu.wiley.com

***The EVA Challenge: Implementing Value-Added Change in an Organization* by Joel M. Stern, John S. Shiely and Irwin Ross**

EVA (economic value added) is a measure of the true financial performance of a company, and a strategy for creating corporate and shareholder wealth. It is also a method of changing corporate priorities and behaviour throughout a company, right down to the "shop floor". This how-to guide shows executives how to customise and implement EVA at their companies.
SOURCE: eu.wiley.com

***Smart Cities* by Anthony M. Townsend**

In a world defined by urbanisation and digital ubiquity, more people live in cities than in the countryside. In *Smart Cities,* urbanist and technology expert Anthony Townsend takes a broad historical look at the forces that have shaped the planning and design of cities and information technologies from the rise of the great industrial cities of the 19th century to the present.
SOURCE: books.wwnorton.com

Adrian Saville
Chief strategist at Citadel

***Superforecasting: The Art and Science of Prediction* by Philip E. Tetlock and Dan Gardner**

A masterful look at the art and science of prediction. The book is accessible and groundbreaking in the same stroke. Arguably, as noted by Jason Zweig in *The Wall Street Journal*, this is the most important book on decision-making since Daniel Kahneman's *Thinking, Fast and Slow*. ■

editorial@finweek.co.za

Let's see if you've been paying attention to the news recently. The answers to this quiz will be published on fin24.com/finweek on 19 December.

1 Which African country recently elected Adama Barrow as president, marking a change in power after 22 years?

2 **True or false?** An HIV vaccine trial was recently launched in SA.

3 Italy's president recently stepped down. What is his name?

4 **True or false?** Norbert Hofer won the recent Austrian election.

5 In a controversial move, who did US president-elect Donald Trump call recently?
- Russian president Dimitri Medvedev
- Former US president Bill Clinton
- Taiwanese president Tsai Ing-wen

6 **True or false?** Zimbabwe has adopted the rand as its sole legal tender.

7 What will happen with regard to the salaries of MPs and other top government officials?
- They will receive an increase of 7%.
- They will receive no increase.
- Their salaries will be cut by 5%.

8 **True or false?** Glencore is to resume dividend payments next year.

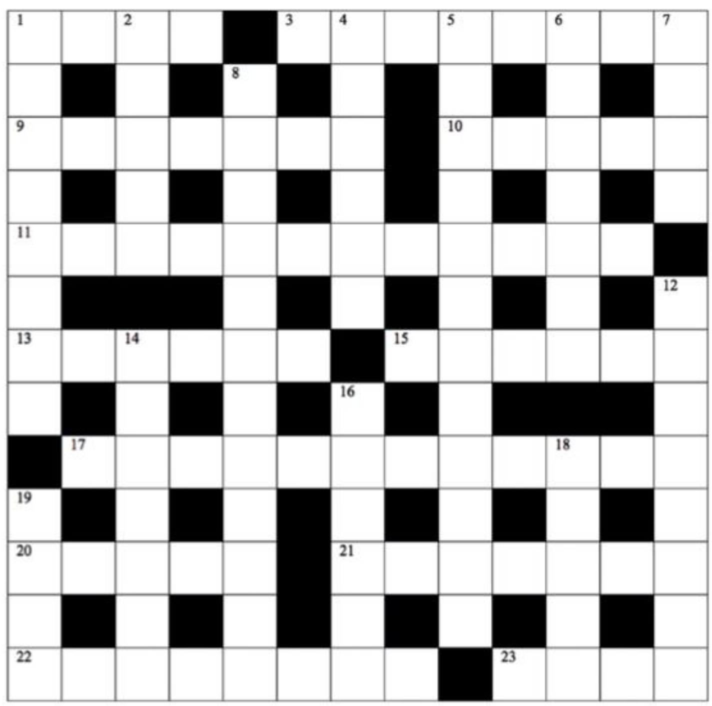
9 What is the annual December student festival that takes place in Plettenberg Bay called?

10 **True or false?** Wits University has announced that it will increase fees by 5% next year.

CRYPTIC CROSSWORD NO 661JD

ACROSS
1 Shortage experienced from the start of embargo (4)
3 Travelling lady abandoning van in the wrong (8)
9 Mountaineer frightened to go back to the top (7)
10 Top toy in the end gets pinched (5)
11 Spirit follower? (1,4,2,5)
13 Not at all clever to have first refusal (6)
15 Specific to soldiers peripheral responsibility (6)
17 Puts out call to solve problems proactively (12)
20 Relieve sailor at bow of eight-oared boat (5)
21 Longshoreman is the current casualty (7)
22 How icy reception disappointed one? (8)
23 I object to church getting expensive vehicle (4)

DOWN
1 She's seen a drop in letters (8)
2 Likes a drink (5)
4 A smack in the eye from religious fanatic (6)
5 An abundance of abbreviations and acronyms dished up? (8,4)
6 Muscle neither I nor we object exercising first on gym equipment (7)
7 Toy for lower-class readers (2-2)
8 Get quiz sheet solution for: "Quart into a pint pot" (5,7)
12 Mad, overwhelming laughter short-lived (8)
14 Call for commission (7)
16 More than one friend accepted short invite (6)
18 Shocking combination dismissed again (5)
19 I can leave outer defence to make a point (4)



Solution to Crossword NO 660JD
ACROSS: 4 Basmati; 8 Unhook; 9 Odontic; 10 Hoodoo; 11 Negate; 12 Doggy bag; 18 Unpaired; 20 Stalls; 21 Go-peds; 22 Monitor; 23 Adduce; 24 Gets off
DOWN: 1 Much ado; 2 Through; 3 Nobody; 5 Adding up; 6 Manage; 7 Taints; 13 Brush off; 14 Fried up; 15 Odyssey; 16 At home; 17 Allies; 19 At odds

On margin

Problem solving

A mathematician was interviewing for a job. The interviewer asks him: "You are walking towards your office and running late for a very important meeting. But then you see a building on fire with people screaming for help. What will you do?"

The mathematician thinks for a while and replies: "People's lives are more important than a meeting. I would immediately call for a fire brigade and help those trapped to the best of my abilities."

The interviewer is impressed with the mathematician's answer and is about to move on to the last question. Then, just to check his sanity, she asks: "And what if the building is not on fire?"

After a moment of thought, the mathematician replies with confidence: "I will set the building on fire. Now I have reduced it to a problem that I have already solved before!"

For the love of language

An acquaintance of Piker recently shared this break-up tale on Twitter:

"I remember some time ago saying to my friend Phindi:

I loved that man dearly, Phindi. I didn't leave him because he cheated. I was not going to leave him for that. I left him because he cheated with the kind of woman who sent me SMSes filled with grammatical and syntax errors. I left him because she begins her sentences with small letters. I left him because she told me: 'luk cc, dat man he luvs me very march.'

I knew at that moment that it was a losing battle. I was disrespected immensely, my friend. And when respect goes out the door, you follow it."

In brief

I went for a job interview today and the manager said: "We're looking for someone who is responsible."

"Well, I'm your man," I replied, "In my last job, whenever anything went wrong they said I was responsible."

"And I have to point out that you're seriously over-exposed to the Chinese toy manufacturing sector..."

Verbatim

Elizabeth Windsor* @Queen_UK
Had absolutely no idea Italy had a government in the first place.

Kashana @kashanacauley
"That's a Nazi."
Nazi puts on fedora
"That's an international alt-right man of mystery."

Ntsako @Ntsako__Khosa
What if the real bad guy is 2017 and 2016 was just a pre-run?

Sarah Britten Pillay @Anatinus
The continuing popularity of Carrol Boyes is a mystery that surpasses all understanding.

Adam Liaw @adamliaw
I remember a simpler time before Twitter when having strong opinions about something you have no understanding of was considered a negative.

Creed @novicefather
Marriage should come with a stenographer.

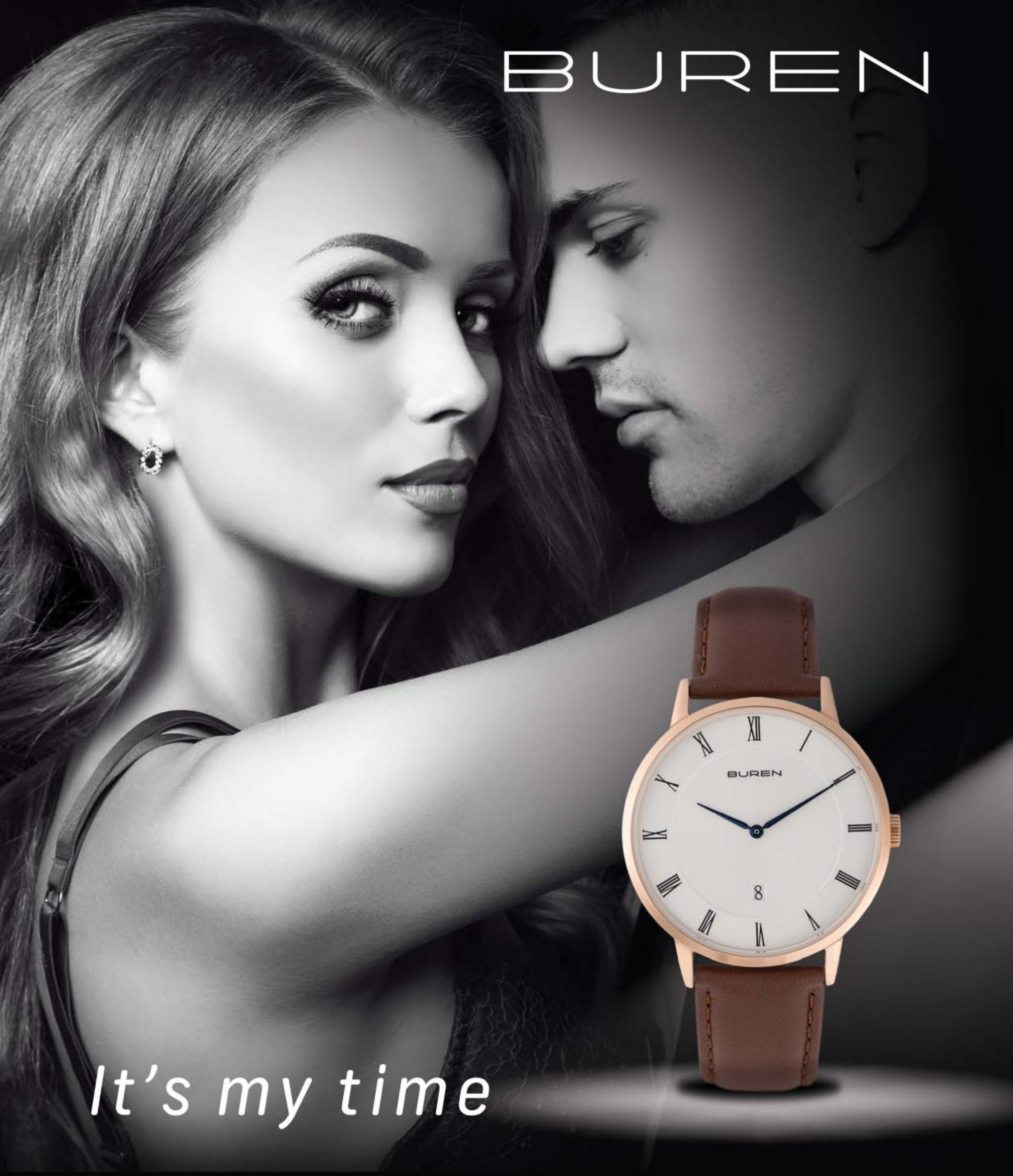
*Parody account

"Politics are a lousy way for a free man to get things done."

– PJ O'Rourke, American political satirist and journalist (1947-)

"A society that gets rid of all its troublemakers goes downhill."

– Robert A. Heinlein, American science-fiction writer (1907-1988)


BUREN
BUREN
It's my time