



SPOTLIGHT

BASANI MALULEKE'S **BIG** **PLANS FOR AFRICAN** **BANK**

SIMON BROWN ON:

OLD MUTUAL **DIS-CHEM** STOR-AGE

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ROLEX

from the editor

JANA MARAIS

Something remarkable has happened in Kimberley. A group of diamond miners has been fighting for years for the right to legally mine on about 400 ha of land they've been operating on for 16 years. However, a mining right over the land was subsequently awarded to the Kimberley Ekapa Mining Joint Venture.

Make no mistake, the system in South Africa is stacked heavily in favour of government and formal, big business. The law has zero tolerance for illegal miners, and there were many efforts – from intimidation, arrests and evictions by police and Ekapa's security – to get the zama-zamas off Ekapa's land.

But somehow, the zama-zamas won the war. In a historic move, the more than 2 000 miners have now received permits that allow them to mine legally. This not only offers them protection against intimidation, but has a major positive impact on the price they are able to get for their diamonds, which they can now sell legally.

Crucially, it also forces government and the private sector to acknowledge and start regularising the affairs of numerous other communities that rely on illegal artisanal mining to make a living, particularly in the diamond and chrome sectors. (Underground illegal gold mining, due to safety issues, will be a much tougher nut to crack.)

Recently, I interviewed one of the activists who assisted the Kimberley miners in their battle. How did they do it?

There were endless meetings over many years, and numerous protests. But, the activist says, the reason they were successful is because they managed to organise themselves effectively. They've done something extraordinary – they have found a way to give everyone a say in the cooperative, regardless of race, age, gender or nationality.

Anyone who has tried to get an effective WhatsApp street group going will know how difficult it is to align different interests, and, more importantly, get things done. Yet somehow, when the Kimberley group had to fight for their interests, they managed to do so with a united voice.

This has allowed them to secure a better life for themselves and their families – and offers a truly wonderful example to those of us who would like to build better communities, and ultimately a better South Africa. ■

After nearly four years, this is my last issue as the editor of *finweek*. Thank you for reading, and for keeping us on our toes with your feedback and suggestions. Please continue to do so – **Anneli Groenewald** is taking over as acting editor and can be reached on annelig@finweek.co.za.

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Why vegetarians are from Knysna and meat-eaters from the Karoo

The theory of factor endowments may seem like a topic reserved for economists, but it provides important insights in explaining why we do things in a certain way – from how we get married to what we eat.

Factor endowments sound like one of the most boring dinner conversation topics ever. The land-to-labour ratio of India, Europe or the Masai Mara does little to whet the appetite and might actually be a polite way to signal that the evening is coming to an end. Yet, factor endowments explain far more about ourselves – from what we produce and trade, to how we marry and what we eat – than we would care to admit.

The ratio between a country's endowment of land and labour – the land-to-labour ratio – is a common economic theory. One of the central theories of international trade, for example – the Heckscher Ohlin theory – uses factor endowments to explain what countries produce and trade. Succinctly put, a country will export goods that use its abundant factors intensively and import goods that use its scarce factors intensively.

Basically, if SA has a lot of land relative to Bangladesh, we should produce things that use land intensively (like cattle), and export this to Bangladesh, while Bangladesh should produce things that uses its most abundant factor – labour – most intensively (like clothes), and export this to SA. Both countries would win from the trade. This is Econ 101 stuff.

But increasingly the land-to-labour ratio is also used to explain the social and cultural differences between places. How we marry is an example. Take lobola, the bride price traditional to most marriages in southern and eastern Africa. Why do Africans have a lobola, while Indians have a dowry? The answer: factor endowments. See, sub-Saharan Africa traditionally had a lot of land relative to people. A high land-to-labour ratio meant people were immensely valued for their ability to perform labour. Women, given their reproductive ability, were therefore of great value, and powerful men would claim multiple wives to ensure a long lineage and

large workforce. That's also why polygamy is still popular among many societies across the continent, and why indigenous slavery (raids on neighbouring tribes to poach their people rather than their land) was a feature of precolonial Africa.

By contrast, labour is abundant in India relative to land. There the institution of a bride price never emerged; instead, it would be a dowry system, where the bride or bride's family would pay (in property or money) for the right to marry the husband. This was to consolidate the most important asset – land, not labour – to ensure a successful lineage. Europeans, incidentally, had the same low land-to-labour ratio, which is why it is typically the wife's family who pays for the wedding in European custom.

Factor endowments can also say much about what we eat. In a series of tweets on 12 June, **agricultural scientist Sarah Taber** explained how our eating habits are the result of the environment and endowments (the land-to-water ratio) around us. She mentions that many cultures have traditionally had low or no-meat diets. Think of the Ganges valley, Nile valley, or the Amazon. What do these places have in common? It rains a lot. This matters because in such environments, plants that humans can consume tend to grow – like those with tender stems, leaves and fruit, or those with enlarged seeds or energy-storing roots.

On the other hand, many societies, like the Mongols, Bedouin, Inuit or Masai, have evolved to consume almost only meat. This is because they live in places that are dry or very cold, where plants are either very sparse or very tough, and made entirely of things

that humans cannot digest. But cows, sheep, goats, horses and camels with three- to four-chambered stomachs that turn the cellulose into sugars can consume these scrubs.

Taber says that we neglect to factor in these differences when we debate vegetarianism, for example: **"Failure to recognise the role of local environment in diet is a major oversight in the vegetarian community at large.** Traditional vegetarian societies are trotted out to showcase that low or no-meat diets are possible. But it's done without recognition as to why those particular societies did it, and others did not." We fail to recognise that for dry regions, the bottleneck in productivity is not land, she says. It is water.

She explains that a farm in a dry area, if used for cultivating vegetables, might produce enough food to feed 10 times the number of people than it would if it was to produce meat. But it would require 1 000 times more water to produce those vegetables. "In places where there's limited land and a surplus of water, it makes a lot of sense to optimise for land. So there, grow and eat crops. And in places where there's a lot of land and limited water, it makes sense to optimise for water. So there, grow and

eat ruminants [meat]."

In many ways, viewing low or no-meat diets as the "one true sustainable way is very much a vestige of colonialism," says Taber. "It found a way of farming that works really well in Northwestern Europe, assumed it

must be universal, and tries to apply it to places where it absolutely does not pencil out," she says.

The next time you run out of dinner conversation, a discussion about factor endowments may not be such a bad option after all. ■

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Johan Fourie is associate professor in economics at Stellenbosch University.



Sarah Taber
Agricultural scientist

Increasingly the land-to-labour ratio is also used to explain the social and cultural differences between places.

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Collaboration is key to success

Any land redistribution policy that is implemented going forward requires a coordinated response by the private sector and government to support emerging black farmers. Otherwise, it will fail. Again.

In traditional economics land is more than just a piece of earth; it is a factor of production. This means in its absence no production would be possible, and therefore no serious wealth accumulation can take place.

Since the ancient times, the true value of land has always stemmed mainly from its scarcity, but many land buyers purchase it to capitalise on its paucity, either to develop it for residential and commercial settlements, commercial farming, mining and minerals processing, or a whole host of other cash-generating activities.

On top of its cash-generating potential, land is loved by the commercial banks because it is one of the oldest forms of collateral as it cannot be moved, stolen, wasted or destroyed. Throughout the world, land is not only scarce; its ownership is concentrated in the hands of the few.

In South Africa, land ownership is linked to the colonial and apartheid conquest and dispossession of land previously occupied by black Africans. This resulted in whites owning the lion's share of the land. Attempts under SA's democratic government to alter this skewed land ownership by redistributing a fair amount of land to landless blacks have been less successful. In fact, the land redistribution process has moved at a snail's pace, and a large number of the commercial farms that have been transferred to blacks have failed and are no longer productive. This has raised concerns about what would happen to food security if land redistribution was to be aggressively pursued and widened.

In the latest flare-up of the often-heated land ownership debate, which is unlikely to fizzle out anytime soon, the focus has been on whether or not to expropriate land without compensation to speed up land redistribution. **The glaring failure of the farms that have been transferred into the hands of emerging black farmers has largely been overlooked in the current debate.**

According to figures provided by **former rural development and land reform minister Gugile Nkwinti** during a State of the Nation debate in February 2013, a total of 5.56m hectares had – at the time – been redistributed since 1994 to land claimants through various land reform programmes. However, this is still a long way from the government's target of redistributing 24.5m hectares of agricultural land to black South Africans. So far, land that has been acquired by the government and returned to its original owners is equivalent to about 6.78% of commercial agricultural land.

Due to a lack of post-acquisition support, some black farmers feeling the pressure of being thrown in at the deep end have since rented their once-productive farms or are considering selling them back to established commercial farmers.

There is a myriad of factors that lead to black farmers throwing in

the towel. These include a lack of access to start-up and investment capital, markets, skills, mentoring and training; and corruption, whereby unskilled politically connected individuals hijack state-sponsored financial assistance at the expense of emerging farmers. The combination of insufficient government assistance and corruption displaces emerging black farmers, defeating the objectives of the land reform policy. Whether any future land reform policy involves expropriation of land without compensation or not, it will have to provide black farmers with effective assistance that addresses their shortcomings.

The make-up of this assistance should involve roping in the private sector to contribute to the sustainability of black farmers. Without the buy-in or involvement of the private sector, there is little hope of developing emerging black farmers into successful commercial farmers. A concerted effort should be made to open up the entire food production value chain to black farmers to ensure that they generate sufficient income to sustain their ventures.

Food retailers and food manufacturers must be encouraged to procure from emerging farmers. As part of their enterprise and supplier development programmes, mandated under empowerment legislation, these companies must be persuaded to offer long-term off-take agreements to emerging farmers to alleviate the cash plight of these farmers.

Emerging farmers will then be in a position to secure loan funding on the back of the off-takers. Since farming is a capital-intensive industry, banks should be encouraged to design lending products for emerging farmers that take into account the cyclical nature of farming. The reality is that black farmers may need to access loans during the planting season and then repay the loans after harvesting. They can't be expected to service the loans on a monthly basis, but only when they have generated income from their harvest.

Another industry that has a moral responsibility to support the development of commercial farming in rural areas is mining. Mining takes place mainly in rural areas and employs many workers from labour-sending regions – often poor, underdeveloped rural areas. Mining company Sibanye-Stillwater is implementing community development programmes that are aimed at stimulating food production and large-scale commercial farming in areas that are impacted by its mining operations.

There is much that can be done to support black farmers, but a coordinated response by the private sector and government needs to be mounted, otherwise land reform will fail again. On its part, the government needs to raise its service delivery game and clamp down on corruption in its ranks. ■

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

Without the buy-in or involvement of the private sector, there is little hope of developing emerging black farmers into successful commercial farmers.



Gugile Nkwinti
Former rural development
and land reform minister

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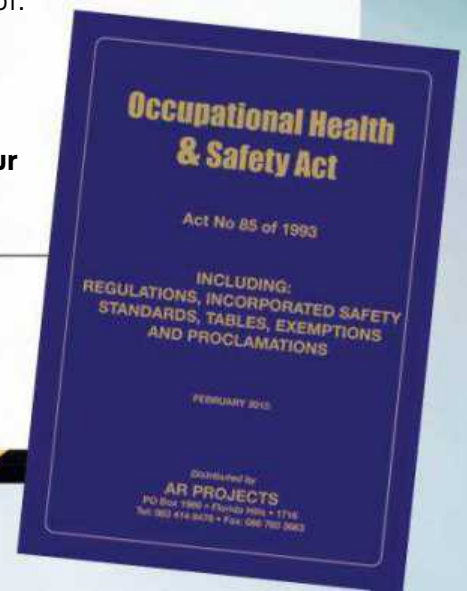
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in brief

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"I FEEL ENERGISED, NOW MORE THAN EVER BEFORE, TO CONTINUE FIGHTING TO BRING CHANGE TO THE LIVES OF THE POOR AND MARGINALISED IN CAPE TOWN."

- **Patricia de Lille, embattled mayor of Cape Town**, comments in a tweet after the Western Cape High Court ruled in her favour. De Lille applied to have the DA's decision to strip her of her membership reviewed and set aside. At the time of writing on 27 June, the DA said it would study the judgment and "consider further legal options, including the possibility of an appeal".

"It is going to be tough to sell anything to South African consumers – insurance needs to be sold, as opposed to hamburgers, which are bought."

- **Justonelap founder and finweek contributor Simon Brown** comments to Moneyweb following the move of Old Mutual's primary listing back to Johannesburg, from London. Brown said the move back to SA is a "tacit admission that its offshore jaunt didn't work" and wasn't a great success for shareholders. "But it is coming home to a more competitive and tough environment. The economy is not growing, taxes and fuel prices have increased, and the currency is weak," he said.

"Ons is moeg vir mooi woordjies en wit tandjies. (We are tired of pretty words and white teeth.)"

- **Andy Pienaar, a representative of the Kommagas community** in the Northern Cape, commented at public hearings on land expropriation in Springbok on 26 June. Pienaar said there was a concern that the government will nationalise the land, further alienating the "indigenous first people" from their land, News24 reported. Pienaar said his community was alienated from their land in 1817. "The sentiment here is that people are angry. They don't own land," News24 reported him as saying.

OPRAH REVIVES WEIGHT WATCHERS

1400%

Oprah Winfrey, who bought an 8% stake in diet company Weight Watchers International for \$43m in October 2015 after trying its new, less restrictive food plan for herself, has seen her investment rise by 1400% as her involvement has helped to revive the previously struggling firm. Her stake is now worth \$543m, boosting her fortune to \$4bn and making her the first black female entrepreneur on Bloomberg's Billionaires List, ft.com reported. She has joined the board and features prominently in Weight Watchers' marketing in the US. She has pushed the brand on her social network channels and hosted a number of members-only conference calls and webcasts, it reported.



THE GOOD

Mercedes-Benz Cars will invest R10bn to expand its East London plant and produce the next generation of the C-Class. The investment will be utilised for the wide expansion of the plant, including construction of a new paint shop, new body shop, new logistic warehouses and upgrading of the assembly shop. The investment "signals to the positive momentum we are making to realise the ambitious target of raising R1.2tr in new investment" in the South African economy over the next five years, President Cyril Ramaphosa said during his visit to the East London plant on 26 June.

THE BAD

Gold and platinum miner Sibanye-Stillwater reported its 21st fatality this year in 10 incidents, after a worker at the group's Khomanani platinum mine near Rustenburg died on 26 June. Sibanye, whose share price dropped 11% on the day, said "all efforts are being focused on addressing this perplexing increase in safety incidents". The company was set to host a second safety summit on 29 June, and has also appointed Kobus de Jager, an academic with more than 40 years' experience in mine safety, as corporate head of safety, in an attempt to improve its risk management techniques at operations.

THE UGLY

The SA Society of Anesthesiologists warned on 26 June that the proposed National Health Insurance (NHI) will spark a mass exodus of doctors and specialists, News24 reported. The aim of the NHI is to ensure everyone has the same access to and standard of healthcare, regardless of income. Government's planned NHI Fund will be the "single public purchaser and financier of health services in the country", News24 reported. While the aim of universal quality healthcare is commendable, serious concerns remain about NHI financing, and government's ability to manage such a system.

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By Glenneis Kriel

Making money from scrap metal

Collins Saguru has channelled his concern over the environmental impact of metal mining into a money-making opportunity.

growing demand for platinum, palladium and rhodium made **Collins Saguru** decide to commercialise a metal recycling process he developed while doing his master's degree in metallurgy and material engineering at the University of the Witwatersrand.

The unique process developed by Saguru entails the recycling of platinum, palladium and rhodium from autocatalytic converters – devices used to reduce toxic emissions from internal combustion engines. His process is a game-changer because **it allows the recycling of the metals at a much lower temperature than the pyrometallurgical processes that currently dominate the recycling industry, making it far more cost-effective.**

Starting his own recycling company, AltMet, made business sense, as recycled platinum group metals contribute a growing share to overall global supply, Saguru explains. And while South Africa provides more than 70% of primary mined platinum supply, its contribution to overall supply is about 55%, with recycled metals contributing the rest, according to PwC data. Most of this recycling takes place overseas, Saguru says.

Recycling is not only cheaper, but much more environmentally friendly than mining these metals, Saguru says. "Just a kilogram of platinum from mining, for example, can produce anything between 20 and 40 tonnes of carbon dioxide. Platinum produced from recycled materials, however, has been found to represent only 1% of the environmental footprint of mined metals."

His plan is to secure waste metal from various sources, such as scrap junctions and scrap yards, and to then supply the recycled material to existing companies that already have access to the international market. "It would be futile for a small company like ours to try and compete with the existing industry giants," Saguru explains. They are currently involved in confidential negotiations to realise their goal.

Funding growth

AltMet has also been approached by an international company to recycle copper, gold, silver and palladium from their electronic waste. "Our preliminary tests show that we will be able to use our process to do this, so we are seriously considering the offer," he says.

The company's innovative smelting process led to a nomination to participate in the Royal Academy of Engineering's Innovation Prize competition, which Saguru believes will help to change the company's fortunes.

"Taking part in the competition was a valuable learning experience, as participants received training and mentoring aimed at developing their business skills. AltMet was one of the four finalists in the competition that won £10 000 (about R178 000 at the time of writing), which is not much, but enough to get us started," Saguru says. They would need at least R6m to fully commercialise their process.

Securing funding has turned into one of the company's biggest challenges. Saguru explains that he is a Zimbabwean, who moved to SA to do a master's degree. "Because I am a foreigner, I do not qualify

for probably close to 70% of the start-up funding available to small businesses in SA. It does not matter that my company will create thousands of downstream jobs by breathing new life into the manufacturing and mining sectors."

AltMet currently has four part-time employees. "The employees are not remunerated for their time, because no money has been realised yet to do so. They have, however, seen my passion and believe in the potential of the project, so are okay with investing sweat capital to help me realise the initiative," he says.

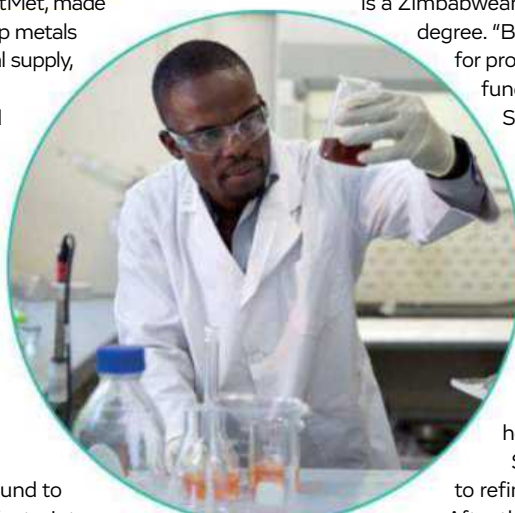
Saguru's goal for the next two years is to refine and patent the recycling process. After that, AltMet wants to construct a processing plant, which would take another 12 to 18 months. "The goal is to establish a plant

in Gauteng. It makes sense to start in SA, as four of the world's biggest [platinum] mining companies are located here. Once we have found our feet, we will consider expanding into other African countries," he says.

His greatest inspiration is the Belgium-based company Umicore: "Belgium is not historically known for metal production and yet Umicore has placed itself at the heart of the global metal recycling chain, producing over 17 metal and metal products.

"Africa will have to follow suit. If we keep focusing on just primary mining and do not put efforts into entering the recycling space, we will over the next few decades slowly but progressively lose a significant share of the metal supply chain." ■

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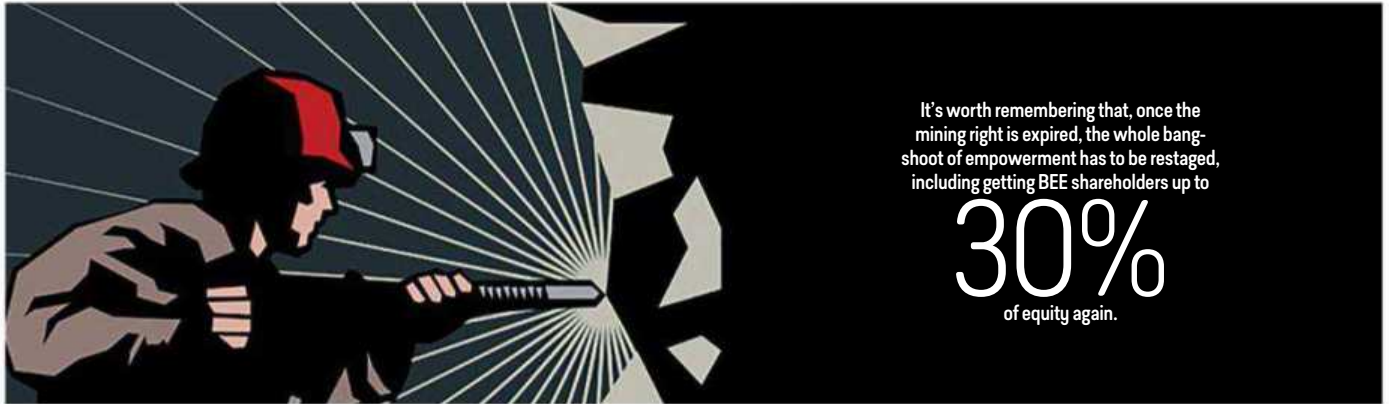


Collins Saguru
Founder of metal recycling company AltMet

"If we keep focusing on just primary mining and do not put efforts into entering the recycling space, we will over the next few decades slowly but progressively lose a significant share of the metal supply chain."

Back to square one with Mining Charter

For minister of mineral resources Gwede Mantashe the aim of a summit early in July is to smooth off the edges of the Mining Charter draft, but for other stakeholders the document is far from needing just a quick polish.



Shutterstock

At the time of writing, a summit involving government, the mining industry as represented by the Minerals Council, and other stakeholders such as unions, is scheduled to take place on the weekend of 7 and 8 July – days of rest the ANC is fond of commandeering for its policy shindigs and the like.

Quite whether the summit will meet expectations is another question, however. In the mind of **mineral resources minister Gwede Mantashe**, the aim of the summit is to smooth off the edges of a document he believes already represents the best possible efforts of three months of negotiations, including visitations conducted during his community roadshow.

The Minerals Council has kept its views private, but the likelihood is that the mining sector will challenge the Mining Charter, believing its demand for a 10% free carry for communities and employees on new mining right applications is a fatal flaw.

The other objection is that highly specific procurement rules are impractical, while a demand for a BEE share top-up to 30% is contrary to a High Court judgment on 'continuing consequences', otherwise known as 'once empowered, always empowered', which the court validated. We are, in other words, back to square one.

As a guide to just how problematic the new Mining Charter draft is – and how far it is from a document requiring just a quick polish – it's worth looking at the number of mining rights that have to be renewed. So far, the mining sector has argued that the Mining Charter redraft hurts 'new' projects, but it also has an impact on existing production and employment.

According to a report by RMB Morgan Stanley, there are about 11 mines, mostly in the gold sector, that have mining rights up for renewal in the next five years, including the Beatrix and Kroondal (the gold, not platinum mine) operations held in Sibanye-Stillwater.

Kopanang, a gold mine sold by AngloGold Ashanti to



Gwede Mantashe
Minister of mineral resources

“We believe global competitiveness of South African mining is paramount, but transformation characterised by real transfer of economic value is as important for the sustainability of the industry.”

Heaven Sent, a Chinese company, is due for a mining right renewal in 2022. Moab Khotsoang and Mponeng, sold by AngloGold Ashanti to Harmony Gold, have more long-dated mining rights, but will be subject to fresh empowerment deals by Harmony Gold in any case.

But some Glencore chrome mines have mining rights that expire in five years, although the details are not entirely clear. While Anglo American, a major investor still in SA, has mining rights for the next 20 years, the notable exception is its Voorspoed diamond mine, held through De Beers, which sees its mining right expire in 2022.

It's worth remembering that, once the mining right is expired, the whole bang-shoot of empowerment has to be restaged, including getting BEE shareholders up to 30% of equity again. The view of Goldman Sachs is that some of the targets in the charter were "not too onerous" and ought to be resolved in time. But others don't quite see it this way.

"In our view, transformation in the mining industry is emotive, mainly due to legacy issues, and may have political implications," said Nkateko Mathonsi and Hunter Hillcoat, analysts for Investec Securities in a report on the Mining Charter. "While the next 30 days (stakeholders have until 27 July to comment on the Mining Charter) ... may provide room for fresh contributions by all key stakeholders, we remain concerned about the challenge of finding common ground among the diverging contributions likely to be made by stakeholders," they said.

"We believe global competitiveness of South African mining is paramount, but transformation characterised by real transfer of economic value is as important for the sustainability of the industry.

We are therefore expecting a slightly longer period of further consultations before the final Charter is gazetted, probably during August/September 2018," they added. ■
editorial@finweek.co.za

By David McKay

Electric vehicles: good news for some metals, bad news for others

That the rise of electric vehicles will have an impact on the demand for metals is undoubted. But not all will be affected equally.

The view of investment banks on the likely impact of electric vehicles (EVs) is just a question of degree. EVs talk so sensibly to society's broad concerns – as contained in the Paris Agreement on climate change, for instance – that demand for the metals required for their fabrication is likely to be anything from robust to stratospheric.

A report by JP Morgan Cazenove suggests the market could use a cold shower, especially regarding the impact EVs will have on lithium and cobalt demand – relatively scarce minerals that go into the manufacture of the all-important batteries used in EVs.

"We temper exuberance for lithium and cobalt prices, but are more optimistic on the outlook for copper and nickel, with copper demand forecast to grow by 845 000 tonnes a year by 2025, offsetting structural decline in Chinese demand," the bank's analysts said in June.

"We forecast rapid growth of EVs, but wide regional dispersion tempers metals demand impact," they said.

"Specifically, China is forecast to lift its EV share from 2.3% in 2017 to 12% by 2025, but its propensity for smaller battery packs with lower metals loadings is likely to mean its rapid EV growth has a lower correlation to metals demand growth than non-China OEM [original equipment manufacturers]," it said.

Where there is broader agreement, however, is on the likely effect on the platinum group metals (PGM) market. Platinum, palladium and rhodium are used in the manufacture of autocatalysts that help remove toxic emissions produced by 'traditional' petroleum and diesel engines. If the EV trend gains enough momentum, it could punch a major hole in PGM demand as they are used in autocatalysts.

This would be very bad news for some of the companies that investors are backing on a value basis, especially as the current PGM basket price, even in rands, is so poor. Northam Platinum, for instance, is favoured

as one of the go-to PGM companies for when the PGM price revives. Sibanye-Stillwater, which has bought into the PGM market at its cyclical low (it claims), is another.

"Platinum will fall victim to the secular trend as the consumer shifts away from diesel cars, in our view, and we believe Anglo American Platinum's expensive valuation is therefore at risk of a structural de-rating," said JP Morgan Cazenove.

Sizeable primary metal production cuts are on the horizon in SA, with Sibanye-Stillwater's takeover of Lonmin, if approved, likely to see the latter cut back significantly. Production cuts are also likely at Impala Platinum. Bank of America Merrill Lynch wrote recently that these dynamics would create a major supply deficit as some 700 000 ounces of expensive PGMs output would leave the market.

While the price of platinum is naturally affected by a range of factors, not just one, the supply risk doesn't seem yet to be factored into platinum pricing, which was at a 12-month low of \$884/oz at the time of writing. Might it be that regulations against diesel cars – such as in Germany where cutbacks have been legislated – are having the greater influence over the PGM market than the risk of less production?

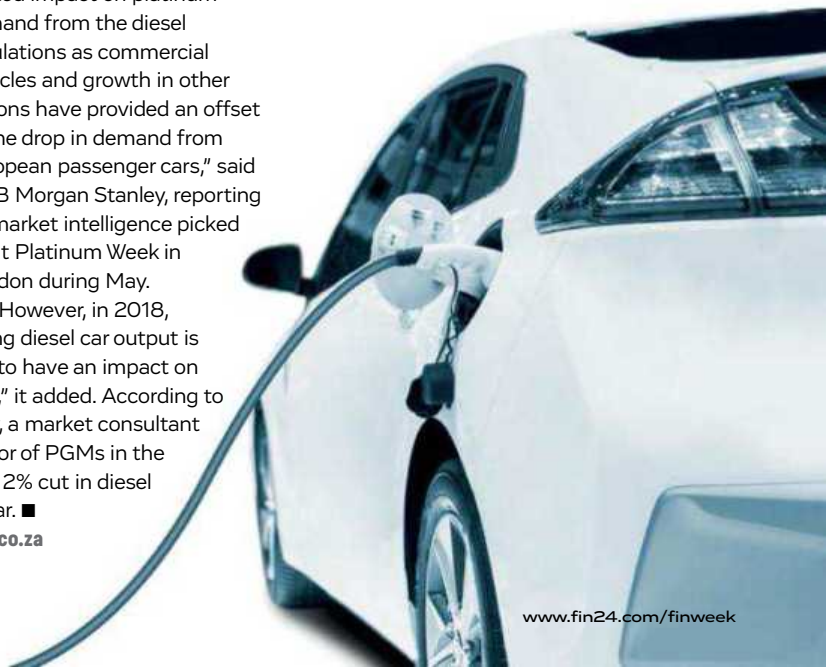
"To date there has been limited impact on platinum demand from the diesel regulations as commercial vehicles and growth in other regions have provided an offset to the drop in demand from European passenger cars," said RMB Morgan Stanley, reporting on market intelligence picked up at Platinum Week in London during May.

"However, in 2018, automakers cutting diesel car output is expected to start to have an impact on platinum demand," it added. According to Johnson Matthey, a market consultant and semi-fabricator of PGMs in the UK, there will be a 2% cut in diesel car output this year. ■

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If the EV trend gains enough momentum, it could punch a major hole in PGM demand as they are used in autocatalysts.

China is forecast to lift its EV share from 2.3% in 2017 to 12% by 2025.



- >> **House View:** Imperial Holdings, Sasol *p.16*
- >> **Killer Trade:** Sasol, Shoprite *p.17*
- >> **Simon Says:** Construction industry, Dis-Chem, Ellies, Invicta, Murray & Roberts, Old Mutual, Pallinghurst Resources, Steinhoff, Steinhoff Africa Retail, Stor-Age, Sun International *p.18*
- >> **Invest DIY:** The meaning of a dual listing *p.20*
- >> **Investment:** Take a look at listed property *p.21*
- >> **Shares:** Keep notes to invest better *p.24*

Keeping a positive domestic outlook

The fund is for investors seeking capital growth over the long term and it aims to provide a total return (the combination of income and capital growth) by investing in equities.

FUND INFORMATION:

Benchmark:	87.5% FTSE/JSE Capped Shareholder Weighted All Share Index TR ZAR (SWIX CAPI) + 12.5% MSCI AC World NR (ACWI) (87.5% ALSI + 12.5% MSCI ACWI pre 1/11/2017 and ALSI pre 15/07/2016)
Fund managers:	Rhynhardt Roodt, Chris Freund, Hannes van den Berg
Fund classification:	ASISA SA Equity General
Total investment charge:	2.4%
Fund size:	R8.7bn
Minimum lump sum / monthly:	R10 000 / R500
Contact details:	0860 500 900 / IAMClientServicesSA@investecmail.com

Fund manager insights:

The return of volatility has again brought to the fore the importance of having portfolio managers with strong stock-selection skills, says Hannes van den Berg, co-portfolio manager of the fund.

"As active managers, our purpose is to grow the capital of our investors over the long term by constructing a diversified portfolio of high-conviction investment ideas, but being cognisant of risk. While equity funds can be volatile over the shorter term, with time they tend to outperform lower-risk investments like cash and bonds, thereby preserving and growing investors' capital in real terms," says Van den Berg.

He says they remain positive on the outlook for global growth and view the recent spike in global volatility as a healthy correction from overbought levels. In addition, despite the positive sentiment towards the 'SA recovery' losing some steam, they believe the positive changes seen on the domestic political front should be positive for confidence and future growth expectations.

The fund therefore maintains a significant exposure to domestic listed counters which will continue to benefit from the improving global environment, such as Mondi, Naspers, Richemont and specific resources such as Anglo American, BHP and Sasol. The fund has benefitted from being underweight in rand-hedge 'defensives', especially British American Tobacco and MTN, where earnings expectations have been deteriorating.

The fund has also maintained an allocation of just under 20% to offshore equities. Working closely with their 4Factor colleagues in London, the offshore component continued to deliver decent gains compared to global equity indices, according to Van den Berg. He says they believe that share prices react to changes in market expectations and they follow a strict investment philosophy by investing in companies where expectations of future profits are being revised upwards (positive revisions) and buying them at a reasonable valuation.

"Conversely, we want to avoid shares where consensus profit expectations are being lowered (negative revisions) and where valuations are excessive."

According to him they have an experienced, globally integrated investment team doing fundamental bottom-up equity research, which they combine with a disciplined and sophisticated screening, evidence-based process. Investing in any share is the net result of investment conviction and a robust proprietary risk management process.

Why finweek would consider adding it:

The Investec Equity Fund has an exceptional long-term track record and celebrated its 30th anniversary in November last year as the number-one fund in the ASISA SA Equity General category. The fund is also in the first quartile over three, five and seven years. It is actively managed by an experienced team based on a unique investment philosophy. The fund has beaten its benchmark since inception. ■

editorial@finweek.co.za

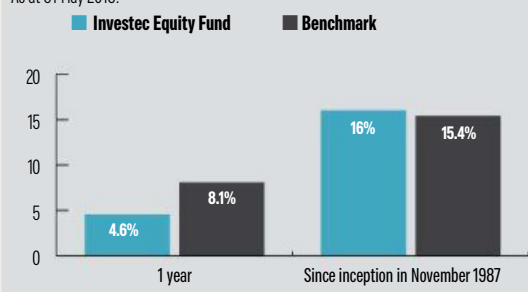
TOP 10 EQUITY HOLDINGS AS AT 31 MAY 2018:

1	Naspers*	10.1%
2	Sasol	5.8%
3	Anglo American plc	5.1%
4	Standard Bank	5%
5	BHP plc	5%
6	Cie Financière Richemont SA ADR/GDR	4.8%
7	Mondi plc	4.2%
8	FirstRand	2.9%
9	Old Mutual plc	2.5%
10	Barloworld	2.3%
	TOTAL	47.7%

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

PERFORMANCE (ANNUALISED AFTER FEES)

As at 31 May 2018:



SASOL

BUY

SELL

HOLD

By Simon Brown

Now's the time to get (back) in



Gallo/Getty Images

Long-time readers of this publication will know I have had some serious doubts about my Sasol* investment over the years, eventually deciding to keep the stock but not adding to the position in the last three years. My main concern was the cyclical nature of the company as oil supply and demand kept the oil price largely range-bound, with only rand movements (ultimately weaker) a long-term upside driver.

But now Sasol's Lake Charles project is nearing completion. This means capital expenditure will end and the company will start to earn revenue from Lake Charles, which is a double win. Further, it will now be a less cyclical company, reducing share price volatility. (Also see page 17.)

Currently a weak rand and high oil price has pushed the stock to multi-year highs. Looking forward it should be able to do around 6 000c in headline earnings per share (HEPS) for the 2021 financial year, and with a fair price-to-earnings ratio (P/E) of about 10 times, that's a R600 stock. So, I am once again buying at below R500. ■

*The writer owns shares in Sasol.

Last trade ideas

HOLD

Curro
21 June issue

BUY

PSG
7 June issue

BUY

Naspers
24 May issue

BUY

Combined Motor Holdings
10 May issue

IMPERIAL HOLDINGS

BUY

SELL

HOLD

By Moxima Gama

Remains a well-managed company

Vehicle and logistics group Imperial Holdings has been going through a successful restructuring over the past four years as part of a strategy to split it into two separate listed entities – Imperial Logistics and Motus.

After breaching the upper slope of its medium-term bull trend, I had expected Imperial to advance further (*Has legs to run further*, 1 March 2018 issue), but Imperial corrected instead, after testing a new high at 28 890c/share. This pullback followed CEO Mark Lambert's shock resignation from Imperial after a court ruled against him in a race discrimination case. Osman Arbee, a former chief financial officer of Imperial and former CEO of the group's Motus vehicle sales division, was appointed new group CEO in May.

Imperial fell back to a key support trendline dated back to January 2016 and could hold there. It's trading in a falling wedge pattern and would have to

break out to motivate a bullish reversal.

As part of a strategic overhaul, the company is planning to separate its more stable business, being the logistics unit, from the more cyclical dealership business. Imperial remains a well-managed company that is subjected to business cycles affected by interest rates and the peaks and drops of the vehicle market.

How to trade it:

A buy signal, which would confirm a positive breakout of the falling wedge pattern, would be triggered above 21 850c/share. Gains to 24 675c/share could then follow, where Imperial could encounter resistance. If not, a 100% retracement to the all-time high at 28 850c/share should then ensue.

A negative breakout of the bull trend would be

confirmed below 18 485c/share – support at 15 170c/share would then be targeted. ■

editorial@finweek.co.za

The company is planning to separate its more stable business, being the logistics unit, from the more cyclical dealership business.

Last trade ideas

BUY

PPC
21 June issue

HOLD

Spar Group
7 June issue

HOLD

Discovery
24 May issue

BUY

MTN Group
10 May issue



SHOPRITE

Downside momentum may be decelerating

Shoprite is the largest supermarket retailer on the African continent, with more than 2 400 outlets in 15 countries. After breaking out of its bear channel in August 2016, Shoprite commenced a new bull phase and tested a new high at 28 190c/share in March.

Outlook: Shoprite has pulled back by about 20% since March. While its non-South African operations have been weighed down by currency weakness, low commodity prices and forex shortages, Shoprite is a well-managed business. The group is also expanding into Kenya, where it is taking over shopping mall space left by Nakumatt Holdings, which filed for bankruptcy last year.

52-week range:	R193.20 - R281.90
Price/earnings ratio:	19.56
1-year total return:	9.6%
Market capitalisation:	R125.63bn
Earnings per share:	R10.86
Dividend yield:	2.49%
Average volume over 30 days:	1 300 155

SOURCE: IRESS

On the charts:

Shoprite's shares have been relatively unaffected by the Steinhoff crisis and the current pullback could serve as a mere correction. Currently trading at a price-to-earnings ratio (P/E) of 20.9, most analysts remain positive on the stock.

Go long: Shoprite has pulled back in the form of a falling wedge.

The oversold three-week relative



SOURCE: Sharenet

strength index (RSI) could curb further selling, potentially retaining support at 21 450c/share. A positive breakout of the wedge would be confirmed above 24 000c/share, and the uptrend would resume gradually back to its all-time high at 28 190c/share. The falling wedge target is at 32 390c/share.

Go short: If Shoprite recovers

from its oversold position, but encounters resistance at 24 000c/share, downside to 21 450c/share or the support trendline of its bull trend could ensue. It should bounce there. Otherwise, a negative breakout would be confirmed below 19 295c/share – triggering a short signal. Support at 16 685c/share may well be retested. ■

SASOL

Could get direction

Petrochemical producer Sasol, whose fortunes have always been tied closely to the rand/dollar exchange rate and the price of oil, has been trading in a huge range between 50 000c/share and 34 655c/share since 2015. With the strengthening rand and the oil price gradually recovering from lows at \$26/per barrel, Sasol traded on the lower end of its range for the better part of last year.

Outlook: Investor sentiment seems to be warming up as the share price regains upside momentum within the huge range. The stock is currently trading at a discount to intrinsic value. Lake Charles, its \$8.9bn chemical project in the US, is expected to start producing next year, while the decline in capex should also have a positive impact on earnings in the coming financial years. (Also see page 16.)

52-week range:	R359 - R497.86
Price/earnings ratio:	12.56
1-year total return:	33.72%
Market capitalisation:	R295.04bn
Earnings per share:	R37.70
Dividend yield:	2.70%
Average volume over 30 days:	1 646 233

SOURCE: IRESS

On the charts:

Sasol appreciated towards 50 000c/share after breaking out of its bear trend, formed within the wide range. It is currently pulling back, but a reversal above 43 630c/share would extend the uptrend – possibly through 50 000c/share.

Go long: Support retained at 43 630c/share would be a good sign – it increases the chances



SOURCE: Sharenet

of Sasol breaching the 50 000c/share major resistance level. An aggressive long above that level is advised – having encountered resistance there a few times before, a move through that level could trigger a spike in the share price. I'd then expect Sasol to retest its all-time high at 65 300c/share in the short to medium term.

Go short: Downside through

43 650c/share would extend the sideways pattern and the petrochemical giant could retrace back to 38 235c/share. Below that level, support at 34 655c/share may well be tested. ■
editorial@finweek.co.za

Moxima Gama has been rated as one of the top five technical analysts in South Africa. She has been a technical analyst for more than 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 recent market developments.



SUN INTERNATIONAL

The Monticello Casino and Hotel in Chile.

Not a good bet

Sun International has lost one of its two Chilean casino municipal licenses, adding to its woes. There were five municipal licenses up for grabs and having had two of them, Sun International now only has one, with a single competitor picking up the other four. This is not good for the company. Coupled with high debt levels and impending smoking legislation locally that can be expected to reduce gaming revenue by as much as 15% – 20% for three years, **this is not a stock one wants to be holding.**

PALLINGHURST RESOURCES

Too many weak spots

Pallinghurst had a successful Singapore Ruby gemstones auction albeit following on from a modest Lusaka Emerald auction that happened in May. More importantly, the market continues to hate the share as it trades at a discount of around 50% to the net asset value (NAV). A stake, albeit very small, in a local platinum mine doesn't help. Jupiter, its manganese mine, does look interesting; it's profitable and has recently listed in Australia, while Gemfields was delisted from London. However, there are issues all over with directors under fire in recent years for excessive pay. We also saw late results and the use of an auditor (BDO) that was not registered with the JSE. BDO has now registered with the JSE, but my sense is that this is a senior management team that is not really concerned with minority shareholders – and that alone is enough reason to stay away.

CONSTRUCTION INDUSTRY

Steer clear

Another construction company has gone into business rescue, and this time it is one of the previously large ones: Basil Read. Oddly, the share was suspended only the day after because of a settlement issue, and only finally suspended at the close on 20 June because of the business rescue. I would think suspension should be as soon as business rescue is announced? Looking at the sector there is only one stock that has actually been investable: WBHO. Pretty much every other construction stock was a horrid investment until the run-up to the 2010 World Cup and the Gautrain build (and let's not forget the price collusion). Then share prices boomed, hitting peaks during 2007 – 2009, followed by a collapse to at best 10-year lows. In all, a horrid sector to invest in with tight margins, no pricing power and little competitive edge between the various groups.

The construction sector faces tight margins, no pricing power and little competitive edge between the various groups.

STEINHOFF

Shareholders' suit in motion

Dutch shareholder group VEB has been visiting South Africa to talk to Steinhoff shareholders. VEB is suing Steinhoff on behalf of shareholders, with a very impressive record of victories against other listed companies. However, two people who met with VEB reported the same concerns from them. In short, VEB feels that Steinhoff will not survive, and will eventually apply for business rescue. As such, very little cash will be left for shareholders. Shareholders are pursuing the court case and expect to win, but they are unsure about how much money they will be able to get.

STEINHOFF AFRICA RETAIL

What is in a name?

Steinhoff Africa Retail is changing its name to Pepkor Holdings to better reflect the business, and to distance itself from majority shareholder Steinhoff. It makes sense, but the reality is that a new name won't make any difference to the underlying businesses and the boardroom battles.

ELLIES

If you have appetite for risk

Ellies' recovery from the brink of bankruptcy seems to be well on track, with half-year headline earnings per share (HEPS) expected to be between 5c and 7c. If we take the mid-range and double it for a full year, that could result in 12c HEPS, which, at current price levels, puts it on a forward price-to-earnings (PE) ratio of around 2.5 times. Now sure, the details of the results due late July are important, but for those who like some risky punts, Ellies could be just that stock for you.

www.sunmonticello.cl

OLD MUTUAL

Interesting times ahead

The Old Mutual return home has finally happened, with every shareholder of Old Mutual plc now holding three Old Mutual Ltd (new share code OMU) shares for every three plc shares they held, and they also received one Quilter share (share code QLT). Towards the end of the year, Old Mutual plc shareholders will also receive Nedbank shares as they spin out the majority of that holding. **Quilter is going to be interesting, while Old Mutual will be competing head-to-head with the likes of Sanlam and Liberty in a tough market right now.** But the sense from those I speak to is that there is likely still some upside for those holding into the new year.

There is likely still some upside for those holding into the new year.

MURRAY & ROBERTS

Amicable Aveng takeover unlikely

Murray & Roberts (M&R) has received shareholder approval to take over Aveng, albeit there are still a number of issues to be resolved before any transaction can go ahead. M&R's majority shareholder, Aton, voted against the deal, but 99.63% of the minority shareholders at the meeting voted in favour of the transaction. This leaves a very messy situation, with Aton holding currently just over 44% of the shares (and potentially more when their 1 700c offer closes) against the deal, while seemingly all other shareholders are in favour. I don't see how this ends amicably, with minority shareholders the ones most at risk. I have said it before – if I was a minority shareholder, I would take my money and run.

DIS-CHEM



Confusing collar hedge

Two Dis-Chem directors, Stan Goetsch and Rui Morais, have taken out collar hedges over Dis-Chem shares, which the statement says helps Morais "align his personal interests with that of the group". This makes no sense. A collar structure is where a put option (a right to sell) is bought and a call option (right to buy) is sold. The result in this case is that below a share price of 2 701c, neither director will be losing any money, while above 3 829c, 3 848c and 3 925c they will not be making any profits on share price moves. These structures are in place until May, June and September 2021. But here's the real truth: these hedges mean directors are no longer aligned with other shareholders. Sure, shareholders could put their own collar hedges in place, and this certainly is legal in terms of the JSE listing rules. But I think they put a serious wedge between directors and shareholders. A last important, but technical point is that unlike futures or CFD (contracts for difference) positions that can see directors being forced sellers, options are a right and not an obligation, so they won't be forced sellers. That said, the counter party could end up with a lot of Dis-Chem shares that they would be eager sellers of.

But here's the real truth: these hedges mean directors are no longer aligned with other shareholders.

INVICTA

Horrid results

Invicta results were horrid. Even removing the extra R400m it has put aside for a potential SARS liability relating to tax structures from years past, headline earnings per share (HEPS) was off 23% on flat revenue. The question many are asking is whether Invicta is another Steinhoff. The Wiese link is a weak theory and Steinhoff was a case of complexity hiding fraud. Invicta has complexity, but thus far no indication of fraud.

STOR-AGE

A Stor-Age facility in Somerset Mall, Helderberg.



Storing attractive potential

When Stor-Age listed, I was not convinced. Concerns around customer acquisition costs, related party transactions and, more recently, the UK acquisition, all meant I was left watching the share. However, the latest set of results has proven my fears unfounded. The related transactions are transparent and measurable; customer costs are low; and the average duration of storage sits at just over two years. The UK deal may still go sour, but a healthy dividend yield of over 7% and a price at a 20% premium to net asset value (NAV) make this a potentially attractive share in a very different part of the property sector. ■ editorial@finweek.co.za

By Simon Brown

SHARES

What is a secondary listing and what does it mean for investors?

Many companies on the JSE are dual-listed, with their primary listings abroad. What are the implications for investors?

often refer to the global nature of JSE-listed shares as earnings of the large stocks are mostly from beyond our borders. This means that while the JSE is our own homegrown exchange, it really is global in nature.

But there is another important aspect to the global nature of our market, and that is dual listings: some stocks trade not only on the JSE, but also on other exchanges around the world.

Taking it still a step further is that many locally listed stocks have their primary listing on another exchange while the JSE listing is a secondary listing.

This has a number of implications for investors on the JSE.

But first let us understand how this works.

A stock listed on two different exchanges will in most cases be fungible – in other words you could, for example, buy British American Tobacco here in South Africa in rands and sell it in London on the LSE in sterling. Now exchange controls prevent private clients from doing this, but it does mean that the price of the two shares on the different exchanges will be kept in sync – taking exchange rates into account.

The question then is where the real price of the stock is. Usually, whichever exchange has the higher value of trade will set the price. So British American Tobacco's price will be set in London and the JSE price will follow. This can be skewed a fair bit by trading hours; for example, when the LSE only starts its day at 10:00 SA time, we get an hour to set our own price before they open.

But ultimately the shares will trade in sync because if they don't, traders will arbitrage the prices by buying on one exchange and immediately selling on the other (and profiting from any price difference).

For traders there is a debate around

whether one should be charting the primary chart as that is the leader. Personally, when I was trading equity, I always just charted the local share as that share still had all the information, and also took into account the exchange rate.

Turning to the primary exchange, this has importance in terms of the rules the company follows, as well as the currency that results are reported in. For example, Steinhoff has a primary listing in Frankfurt so while it is in breach of JSE rules for the late submission of their results (due end January 2018), the company is not in breach of the Frankfurt rules. As such, Steinhoff continues to trade there and the JSE has not suspended the share.

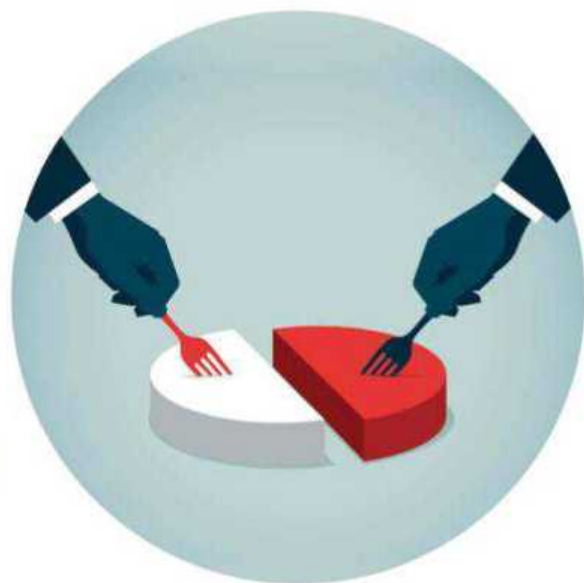
Reporting currency does matter and we'll convert the results back to rands as that's the currency we invest in. But the rest of the world will focus on the reporting currency. So, a weaker rand may make British American Tobacco results look great, while they may be more modest in sterling; and the market will care about the more modest sterling results.

Lastly, in the US we have American Depository Receipts (ADRs). This is effectively a dual listing, but with a twist: the ADR listing in the US will be a certificate, rather than an actual share. This makes it easier and cheaper for stocks to list in the US without requiring all the regulatory process that could rack up serious costs for the company.

As an investor, dual listing – or foreign primary listing – is not a major concern in my selection process. I am always mindful of the fact but, ultimately, I remain a fully-fledged shareholder entitled to my profits, and the dual listing of many of our larger companies means I can easily access offshore stocks and profits. ■

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Ultimately the shares will trade in sync because if they don't, traders will arbitrage the prices by buying on one exchange and immediately selling on the other (and profiting from any price difference).





LISTED PROPERTY

Property shares: Reason for concern, or an opportunity?

Investors who are underweight in local property shares, might have a chance to add to their portfolio.

Any clothing sale has to be my worst nightmare. Aside from the fact that they never have stock of the size items I like, the most frustrating aspect of these sales is that winter sales usually happen towards the end of winter, and summer sales usually happen around the time you start looking for something warm to wear. Without knowing it, my daughter gave me the idea for this edition's article when she cleverly pointed out that she uses these sales to buy clothes at discounted prices, even if it means that she would have to wait for the next appropriate season to wear them.

Local property shares (Index J253) managed to grow by 15% per year between the beginning of 2008 and the end of 2017. The really remarkable thing about this figure is that this period included one of the greatest corrections of all time (2008) and, more importantly, that it managed to outperform local shares (FTSE/JSE All Share Index) by nearly 5% per year over the same period.

Just like the price of summer wear at the beginning of summer, towards the end of 2017 these prices finally started to trade at levels where finding bargains became less and less likely. Mix together the inflated share price levels with the fact that a dark cloud had started to appear over one of the index's largest companies, Resilient (and its sister companies Greenbay, Fortress and Nepi

Rockcastle), and you have a recipe for disaster to such an extent that as at 19 June 2018 the FTSE/JSE Listed Property Index (SAPY) was already down by 21% for the year.

When we compare this to the other four main asset classes (local shares, local money market, local bonds and offshore investments [consisting of 60% shares and 40% bonds]) to determine its relative value, it becomes clear that **SAPY hasn't traded anywhere close to discounted levels since 2013.**

These five asset classes each have a historical return figure and comparing these figures gives us a good indication of just how cheap or expensive they are trading relative to one another. When we take a look at property shares, for example, we learn that this index's average dividend yield (which does not consist entirely of dividends alone) has been trading at a historic average of 104% (1.04 times) that of the other four asset classes' returns (money market, local shares, local bonds and offshore investments) over the last 15 years.

By the end of 2017, this ratio declined to just below 80%, which effectively pointed out

that relative to the other four asset classes, it offered less value in terms of prices at the time. Although those prices couldn't be considered as historically absurd, red lights were starting to flash.

The most recent data shows that this ratio has now increased to 130%, which is considerably higher than the historical average of 104%, but also one standard deviation higher than the 15-year average. This is a sign that either something may be wrong with local property shares that we haven't yet managed to put our fingers on, or that an opportunity is

starting to present itself to investors.

We took things one step further by also investigating individual property shares. First, we looked at what their underlying fair value should be relative to that of long bonds in South Africa. We then looked at what their fair value should be when we place

These ratios and values all showed us that property shares are gradually starting to enter a bargain phase.

their long-term average price-to-book ratio. Finally, we looked at all South African analysts' consensus price forecasts (according to Thomson Reuters). These ratios and values all showed us that property shares are gradually starting to enter a bargain phase.

SAPY makes up about 6% of the total FTSE/JSE All Share Index, and Growthpoint (largest) and Redefine (second-largest) make up about 2% of that 6%. At an average discount of approximately 15% compared to these two companies' fair value, I do feel that investors can slowly but surely start to accumulate these shares in cases where their portfolios are still underweight.

It's crucial for investors to note, however, that much like my daughter's bargain-hunting strategy, they may have to wait a season or two before their purchases come back into style. As they say after all, "good things come to those who wait". ■

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Schalk Louw is a portfolio manager at PSG Wealth.

SA PROPERTY SHARE INDEX'S DIVIDEND YIELD RELATIVE TO OTHER ASSET CLASSES



SOURCE: PSG Wealth Old Oak & IRESS



Annual results announcement

Naspers Limited (Registration number: 1925/001431/06)
(Naspers or the group)
JSE share code: NPN ISIN: ZAE000015889
LSE ADS code: NPSN ISIN: US 6315122092



SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

Commentary

Naspers delivered robust growth for the year ended 31 March 2018. Group revenue, measured on an economic-interest basis, was US\$20.1bn, up 38% on last year (or 39% in local currency and adjusted for acquisitions and disposals). This is a meaningful growth acceleration of which ecommerce and Tencent were key drivers. On the same basis, group trading profit rose 47% to US\$3.4bn (or 52% in local currency and adjusted for acquisitions and disposals). Ecommerce – particularly the classifieds, payments and travel businesses – improved profitability. Tencent's strong performance contributed to the trading profit acceleration. Core headline earnings, the board's measure of operating performance, was up 72% on last year at US\$2.5bn.

In the ecommerce business, revenue growth accelerated 36% versus 27% last year, with meaningful reductions in trading losses (both metrics in local currency and adjusted for acquisitions and disposals). The classifieds business (excluding letgo) became profitable during the year. The payments business reduced trading losses on its existing footprint, while continuing to scale. The group strengthened its position in online food-delivery services by investing a combined US\$1.4bn in Delivery Hero and Swiggy. The video-entertainment business contributed steady revenue and trading profit growth, with trading losses in the sub-Saharan Africa business stabilising despite further currency weakness in Nigeria and Angola.

To reinforce the balance sheet and pursue growth opportunities in, among others, the classifieds, online food-delivery and fintech (financial technology) businesses, we sold a 2% interest in Tencent in March 2018, generating proceeds of US\$9.8bn.

We operate in over 120 countries and markets, resulting in significant exposure to foreign-exchange volatility. This can have a notable impact on reported revenue and trading profit metrics, particularly in video entertainment where revenues are earned in local currencies while the cost base is largely US dollar denominated. Foreign-exchange exposure has a more muted impact on the internet businesses as both revenues and costs are generally denominated in local currency. Where relevant in this short-form results announcement, amounts and percentages have been adjusted for the effects of foreign currency and acquisitions and disposals to reflect underlying trends. These adjustments are quoted in brackets, after the equivalent metrics reported under International Financial Reporting Standards (IFRS).

Consolidated revenue (excluding equity-accounted investments) was up 9% (15%) to US\$6.7bn as ecommerce continued to scale. Ecommerce revenues grew 15% or 32% in local currency and adjusted for the impact of acquisitions and disposals (including Allegro and Netretail). Group consolidated trading loss was US\$41m – a marked improvement on last year.

Development spend – reflecting the trading losses of businesses yet to reach scale – continued the downward trend reported at September 2017. Consolidated development spend was down 17%, when measured in local currency and excluding acquisitions and disposals, as the ecommerce business improved its profitability and scaled. Development spend decreased across several units, including Showmax and letgo, partially offset by additional investment to further expand Movable's iFood business. When the US\$271m invested in consolidated newer initiatives (including letgo and Showmax) is excluded, development spend on older investments decreased 8%.

Our share of the results of equity-accounted investments (associates and joint ventures) was US\$3.3bn – up 79%. This includes once-off gains of US\$692m and impairment losses of US\$159m recognised by these companies. Equity-accounted investments contributed a combined US\$3.0bn to core headline earnings, an increase of 45%.

Several notable transactions were concluded during the year. We distributed the majority of our interest in Novus in September 2017, recognising a loss on disposal of US\$145m. Following the Tencent share sale (as discussed earlier), we recorded a gain on disposal of US\$9.1bn. The participation exemption in South Africa, which prevents double taxation, applied to the sale itself, but any future distributions to shareholders and accretion in value from investment will be taxed in the hands of shareholders at rates of 20% or sometimes more, as applicable.

Naspers and its South African subsidiaries paid and collected a total of US\$769m on behalf of the tax authorities for the 2018 year, making us one of the largest taxpayers in South Africa. We also contribute significantly to employment and tax revenues in several countries.

Net interest expense on borrowings was US\$122m, down 14%, due to lower use of credit facilities and the lower 4.85% coupon achieved on the US\$1.0bn bond issued in July 2017. Following the disposal of Tencent shares, Naspers had net cash of US\$8.2bn at 31 March 2018.

We changed our accounting policy on put option liabilities during the year. An aggregate remeasurement expense of US\$252m was recognised in the income statement on these liabilities during the year and, at 31 March 2018, total put option liabilities were US\$2.4bn.

Consolidated free cash outflow was US\$242m with working capital movements, particularly the video-entertainment business's prepaid content rights renewals, having a significant impact. These effects were partly offset by dividend income of US\$247m from Tencent and improved profitability in the video-entertainment and ecommerce units.

The company's external auditor has not reviewed or reported on forecasts included in this short-form results announcement.

Directorate

On 1 April 2018 the group's executive director and chief investment officer, Mark Sorour, retired after more than 20 years with the group. He has been at the forefront of the group's expansion efforts and has led some of its most meaningful transactions. Mark will remain on the board as a non-executive director and his appointment will be proposed for approval by shareholders at the next annual general meeting. He will also continue to serve as a non-executive director on the Mail.ru Group Limited board. The board thanks Mark heartily for his valuable contribution and looks forward to his insights as a non-executive director.

Preparation of the short-form announcement

The preparation of the short-form announcement was supervised by the group's financial director, Basil Sgourdos CA(SA). These results were made public on 22 June 2018.

ADR programme

Bank of New York Mellon maintains a GlobalBuyDIRECTSM plan for Naspers Limited. For additional information, please visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department – GlobalBuyDIRECTSM, Church Street Station, PO Box 11258, New York, NY 10286-1258, USA.

Important information

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. The key factors that could cause our actual results performance, or achievements to differ materially from those in the forward-looking statements include, among others, changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; the occurrence of labour disruptions and industrial action and the effects of both current and future litigation. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. We cannot give any assurance that forward-looking statements will prove to be correct and investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

Further information

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full summarised consolidated financial results. The full summarised consolidated financial results were released on SENS on 22 June 2018 and can be found on the company's website www.naspers.com. Copies of the full summarised consolidated financial results may also be requested from the company's registered office, at no charge, during office hours. Any investment decision should be based on the full summarised consolidated financial results published on SENS and on the company's website.

The information in this announcement has been extracted from the audited information published on SENS, but the announcement itself was not audited.

On behalf of the board

Koos Bekker **Bob van Dijk**
Chair Chief executive

Cape Town
22 June 2018

SALIENT FEATURES

	Year ended 31 March	
	2018 Audited US\$m	2017 Audited US\$m
Revenue	6 660	6 098
Operating loss	(198)	(360)
Core headline earnings per N ordinary share (US cents) ⁽¹⁾	581	337
Headline earnings per N ordinary share (US cents) ⁽²⁾	416	44
Earnings per N ordinary share (US cents) ⁽²⁾	2 631	542
Net asset value per N ordinary share (US cents) ⁽²⁾	5 906	2 979

⁽¹⁾ Restated for the group's change in calculation of core headline earnings regarding Tencent's digital content amortisation.

⁽²⁾ Restated for the group's change in accounting policy for written put option liabilities.

FINANCIAL REVIEW

The group's financial highlights for the year ended 31 March 2018 are outlined below:

	Year ended 31 March							
	2017 IFRS US\$m	2018 Group composition disposal adjustment US\$m	2018 Group composition acquisition adjustment US\$m	2018 Foreign currency adjustment US\$m	2018 Local currency growth US\$m	2018 IFRS US\$m	2018 Local currency growth % change	2018 IFRS % change
Revenue								
Internet	10 621	(608)	295	511	5 109	15 928	51	50
<i>Social and internet</i>								
platforms	7 692	(45)	23	361	4 250	12 281	56	60
– Tencent	7 506	(40)	–	341	4 217	12 024	56	60
– Mail.ru	186	(5)	23	20	33	257	18	38
Ecommerce	2 929	(563)	272	150	859	3 647	36	25
– Retail	1 659	(338)	167	97	475	2 060	36	24
– Travel	123	120	(20)	2	51	276	21	>100
– Marketplaces	327	(327)	–	–	–	–	–	(100)
– Payments	186	(8)	39	11	66	294	37	58
– Classifieds	426	–	14	38	150	628	35	47
– Food delivery	53	–	49	–	64	166	>100	>100
– Other	155	(10)	23	2	53	223	37	44
Video entertainment	3 401	(73)	1	119	232	3 680	7	8
Media	588	(123)	–	37	5	507	1	(14)
Corporate services	2	–	–	–	1	3	50	50
Intersegmental	(50)	–	–	(1)	30	(21)	60	58
Economic interest	14 562	(804)	296	666	5 377	20 097	39	38
Less: Equity-accounted investments	(8 464)					(13 437)		
Consolidated	6 098					6 660		
Trading profit								
Internet	2 030	(79)	(90)	102	1 090	3 053	56	50
<i>Social and internet</i>								
platforms	2 761	(17)	(7)	92	897	3 726	33	35
– Tencent ⁽¹⁾	2 701	(15)	–	87	902	3 675	34	36
– Mail.ru	60	(2)	(7)	5	(5)	51	(9)	(15)
Ecommerce	(731)	(62)	(83)	10	193	(673)	24	8
– Retail	(281)	79	(39)	(8)	(21)	(270)	(10)	4
– Travel	(88)	6	4	–	17	(61)	21	31
– Marketplaces	137	(137)	–	–	–	–	–	(100)
– Payments	(69)	(9)	(17)	(2)	33	(64)	42	7
– Classifieds	(328)	–	1	18	195	(114)	59	65
– Food delivery	5	–	(23)	1	(13)	(30)	>(100)	>(100)
– Other	(107)	(1)	(9)	1	(18)	(134)	(17)	(25)
Video entertainment	287	(2)	–	17	67	369	24	29
Media	19	(18)	8	–	(6)	3	>(100)	(84)
Corporate services	(14)	–	–	(4)	(4)	(22)	(29)	(57)
Economic interest	2 322	(99)	(82)	115	1 147	3 403	52	47
Less: Equity-accounted investments	(2 536)					(3 444)		
Consolidated	(214)					(41)		

⁽¹⁾ Restated for the group's change in calculation of core headline earnings regarding Tencent's digital content amortisation.

Directors: J P Bekker (chair), B van Dijk (chief executive), E M Choi, H J du Toit, C L Enenstein, D G Eriksson, R C C Jafra, F L N Letele, G Liu, D Meyer, R Oliveira de Lima, S J Z Pacak, T M F Phaswana, V Sgourdos, M R Sorour, J DT Stofberg, B J van der Ross

Company secretary: G Kisbey-Green

Registered office: 40 Heerengracht, Cape Town 8001 (PO Box 2271, Cape Town 8000)

Transfer secretaries: Link Market Services South Africa Proprietary Limited, 13th Floor Rennie House, 19 Ameshoff Street, Braamfontein 2001 (PO Box 4844, Johannesburg 2000)

Sponsor: Investec Bank Limited

How a simple notebook can make you a better investor

Keeping a record of your thoughts on a company and revisiting old investment decisions can offer valuable lessons.

One of the key points of a successful investor or trader is the process of notetaking. I am an almost obsessive notetaker and have filled over 20 journals over the years with my investing ideas, and many times that number with my trading notes.

Something I find very important – which is backed up by research into student notetaking – is that while we can do all this notetaking on an electronic device, I find the process of writing with pen and paper makes me think much better, and I also retain the information better. When we take out a notebook, our brain knows what we’re going to be doing and the process of actually writing embeds it into our brain. Being off an electronic device also means no email or social media pop-ups trying to drag us away from thinking and writing.

What I have started to do in the last decade or so is digitise my hand-written notes into PDF so they’re easier to store, and while old trader journals will be tossed out, I have kept every investing journal dating back to the mid-1990s.

My process is that when I start investigating a potential investment, or when I am reviewing an existing investment, I’ll write down every thought before eventually summarising them down to a single page. Ideally, this page will consist of three positive points on why I like the stock and three points that I consider to be risks to the stock. It is important that we dig into and write down the risky points as well, otherwise we’ll suffer from confirmation bias, believing the company we’re researching only has good points. No company has 100% good points.

What I then do is revisit my notes on a stock I bought every six months when results come out and again at my annual

year-end review process. I will add and adjust the notes as required, but try not to tweak my positive points too much.

If I am constantly changing the three key reasons I like a stock, then I would worry that the reasons were not strong enough, and that maybe I have erred in making them my key reasons for investing.

On the flipside, I am happy to change the risk points as I consider this being up to date on the changing risks to a company.

What I also do is go back and review the notes from stocks I did not buy. This may seem silly, but it has two very important uses.

Firstly, maybe I decided not to invest in a stock that ended up being a massive winner. I don’t beat myself up over this; we can’t own all the winners. But I am always digging to see what

I missed. I also like to check my notes on stocks that I did not buy that were great decisions because the stock either underperformed or crashed.

Here, for example, my 2012 notes for Steinhoff concluded with two points:

1. Balance sheet confusing
2. Can’t reconcile the net debt

These two points were enough for me to stay away from a then much-loved stock and for years it looked like I was wrong. But we know how that ended.

But then my notes on Clicks got it totally wrong when I concluded with:

1. Legislative risk on medicine pricing
2. No competitive edge on product range
3. Weak acquisition strategy (Musica)

Point three was right in that Musica was a dying brand, but the error was that it did not translate into further weak acquisitions. I also learnt single-exit pricing did not kill the pharmacy industry and we’re better off ignoring insiders who moan about new rules threatening their businesses. Lessons learnt. ■

editorial@finweek.co.za



It is important that we dig into and write down the risky points as well, otherwise we’ll suffer from confirmation bias, believing the company we’re researching only has good points.



DIRECTORS' DEALINGS

COMPANY	DIRECTOR	DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
ACCENT	MM du Preez	20 June	Purchase	3	50	1	21 June
ANCHOR	M Teke	25 June	Purchase	10,000	366	36,600	26 June
ANGLO AMERICAN	S Chambers	25 June	Purchase	578	£16.59	£9,589	26 June
ANGLO AMERICAN	P Hampton	25 June	Purchase	512	£16.59	£8,494	26 June
ANGLO AMERICAN	M Ramatlapeng	25 June	Purchase	178	£16.59	£2,953	26 June
ANGLO AMERICAN	J Rutherford	25 June	Purchase	953	£16.59	£15,810	26 June
ARB	AR Burke	19 June	Purchase	170	550	935	20 June
ARB	AR Burke	20 June	Purchase	1,000	550	5,500	21 June
BARLOWORLD	OI Shongwe	26 June	Purchase	1,714	12700	217,678	27 June
BARLOWORLD	OI Shongwe	19 June	Purchase	900	12600	113,400	22 June
BIDCORP	AK Biggs	15 June	Purchase	15,000	23830	3,574,500	19 June
CAPITEC	YM Mouton	19 June	Purchase	455	84743	385,580	21 June
DATATEC	IP Dittrich	21 June	Exercise Options	405,066	2078	8,417,271	25 June
DATATEC	JP Montanana	21 June	Exercise Options	1,291,148	2078	26,830,055	25 June
DATATEC	SP Morris	21 June	Exercise Options	163,782	2078	3,403,389	25 June
DIS-CHEM	RM Morais	15 June	Purchase	1,818,182	2701	49,109,095	21 June
ELB GROUP	AMM Pinto	19 June	Sell	2,740	2150	58,910	20 June
FAIRVEST	DM Wilder	21 June	Purchase	100,000	215	215,000	25 June
FAMOUS BRANDS	JL Halamandres	22 June	Sell	29,590	11206	3,315,855	26 June
HYPROP	PG Prinsloo	23 June	Exercise Options	29,715	10481	3,114,429	25 June
INTU PLC	M Breeden	22 June	Sell	10,445	£1.92	£20,054	26 June
INVESTEC PROP	S Hackner	20 June	Sell	875,000	1315	11,506,250	20 June
INVESTEC PROP	S Hackner	20 June	Purchase	875,000	1315	11,506,250	20 June
INVESTEC PROP	AR Wooler	25 June	Purchase	29,281	1520	445,071	26 June
METTLE INVEST	BA Chelius	19 June	Purchase	310,000	102	316,200	22 June
MONTAUK	BS Raynor	20 June	Sell	180,000	9800	17,640,000	21 June
NEDBANK	H Brody	25 June	Purchase	900	25632	230,688	26 June
NEDBANK	H Brody	25 June	Purchase	500	25642	128,210	26 June
NEDBANK	H Brody	25 June	Purchase	900	25647	230,823	26 June
RESILIENT	D de Beer	20 June	Purchase	100,000	5514	5,513,990	21 June
ROLFES	AP Broodryk	26 June	Purchase	50,000	285	142,500	27 June
SA CORPORATE	AM Basson	18 June	Exercise Options	308,625	458	1,413,502	21 June
SA CORPORATE	AM Basson	20 June	Sell	142,070	448	636,473	21 June
SA CORPORATE	AM Basson	18 June	Exercise Options	542,153	454	2,461,374	21 June
SA CORPORATE	TR Mackey	18 June	Exercise Options	541,164	459	2,483,942	21 June
SA CORPORATE	TR Mackey	20 June	Sell	249,116	448	1,116,039	21 June
SA CORPORATE	TR Mackey	18 June	Exercise Options	944,248	454	4,286,885	21 June
SIRIUS	AJ Coombs	25 June	Sell	7,945	£0.65	£5,164	26 June
SIRIUS	AJ Coombs	25 June	Purchase	7,945	£0.65	£5,164	26 June
SIRIUS	AJ Coombs	25 June	Purchase	100,000	£0.64	£64,000	26 June
SPEAR	QM Rossi	19 June	Purchase	20,500	988	202,540	20 June
SPEAR	QM Rossi	20 June	Purchase	10,000	990	99,000	21 June
STADIO	R Kisten	25 June	Purchase	4,500	435	19,575	26 June

All data as at 14:00 on 27 June 2018. Supplied by IRESS.



Forest Hill City, a Rebosis-owned shopping centre in Centurion.

Sisa Ngebulana
CEO of Rebosis
and Billion Group

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (C)	CHANGE (%)
BEST		
CAFCA	215	115
Hwange Colliery	99	94.12
Oando	34	54.55
Vunani	270	35
Purple Group	30	20
WORST		
Esor	16	-37.5
Old Mutual	2522	-34.39
WG Wearne	3	-25
Aveng	-23.53	-30
Grindrod Shipping	13000	-21.21

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	55 254.66	-2.47
JSE FINANCIAL 15	15 902.18	-0.11
JSE INDUSTRIAL 25	71 507.82	-3.53
JSE SA LISTED PROPERTY	513.37	-1.43
JSE SA RESOURCES	22 057.00	-2.34
JSE TOP 40	49 138.58	-2.5
CAC 40	528 129	-1.69
DAXX	1 223 434	-3.63
FTSE 100	7 537 92	-1.17
HANG SENG	2 888 140	-2.74
NASDAQ COMPOSITE	7 56 162	-2.83
NIKKEI 225	2 234 200	-0.95

*Percentage reflects the week-on-week change.

DIVIDEND RANKING

SHARE	F'CAST DPS (C)	F'CAST DV (%)
REBOSIS	120	16.1
ARROWHEAD	82	14.6
FORTRESS B	179	12.5
GEMPROP B	79	11.6
DIPULA A	106	11.5
DIPULA B	100	10.9
EPP	184	10.8
REBOSIS A	253	10.8
GEMPROP A	107	10.7
RESILIENT	565	10.5

billiongroup.co.za

By Marcia Klein

'WHY WOULD I TAKE MY LIFE'S WORK AND GAMBLE WITH IT?'

As the third-largest shareholder in Steinhoff, Christo Wiese suffered a devastating financial loss when former CEO Markus Jooste's fraudulent scheming hit newsstands. But questions about Wiese's knowledge of Jooste's duplicity remain – how could he not have known? In this interview with *finweek*, he speaks candidly about the scandal, and Jooste.



There is a lot of anger out there following the Steinhoff disaster. And at least some of it is directed at Christo Wiese.

Wiese was Steinhoff's chairman (since May 2016), is a major shareholder and the driving force behind the merger of Steinhoff with Pepkor (to create Steinhoff Africa Retail, or Star) and, ultimately, with Shoprite, to consolidate his investments.

The anger is centered around Wiese's open support of Steinhoff and its disgraced **former CEO Markus Jooste**. His detractors question how much he knew of what was going on at Steinhoff and whether he was in cahoots with Jooste, now known to be the mastermind of multibillion-rand fraud.

The deception was complex and some six months after it was uncovered, Steinhoff has still not been able to give investors a picture of what happened as investigators sort through the rubble.

Steinhoff has cost Wiese R50bn. But he is still considerably wealthy, and his knock has been easier to cushion than the losses many ordinary investors have incurred. Hence the anger.

But Wiese finds it "astounding" that people question him, and is irked by questions over his involvement in a company which he, and many investors, put their faith in. It also upsets him when people say he is able to cushion the Steinhoff blow, whereas others have suffered terribly from its demise, saying he has worked for his money, which is "as valuable to me as much as everyone else's money".



Markus Jooste
Former CEO of Steinhoff

"Yes, there were rumblings and I keep asking myself if I should have considered them more carefully. But surely banks, who take a greater risk, had asked these questions and checked cash flows."

KNOCK-ON EFFECTS

There is some concern about the knock-on effect on other companies Wiese is invested in, with him resigning from some boards (such as New Look) and selling some investments, including a chunk of his shares in Shoprite, to meet obligations and free himself to focus on the issues at hand.

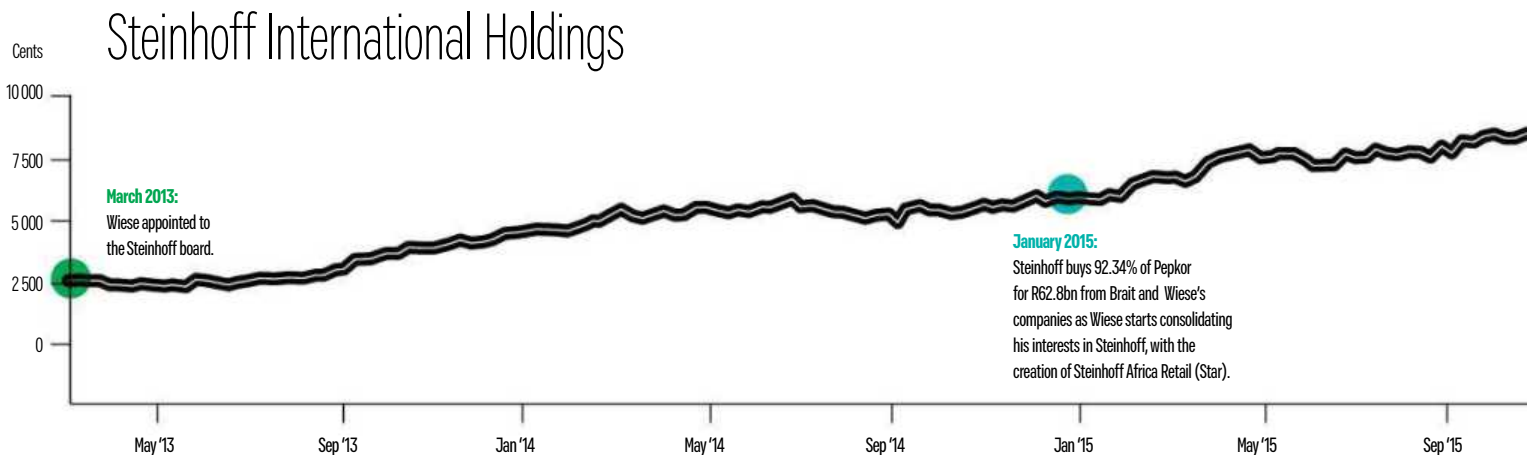
Invicta and Brait results have done little to allay these concerns.

Wiese says he remains on the boards of his major investments, including Shoprite, Tradehold and Invicta, and has only resigned from some to free his time and only sold shares where necessary. "The only assets I disposed of were non-core portfolio investments and I sold a small portion of my Shoprite holdings. There was an impact on my balance sheet when my assets shrunk by R50bn almost overnight, so I sold a number of portfolio investments and the only core investment I sold out of was a portion of my holding in Shoprite."

Wiese, who is 76, says that when he reached the age of 70, he started thinking he should consolidate his investments in one entity. And even now, he will continue to do so.

Asked if there should be concern about any of his other investments, and whether their CEOs or boards were to be trusted, Wiese says there should not be concerns. Shoprite, for example, "is the largest private-sector employer in the country, and is extremely well-run, with a strong board. It has committed people and a strong management that is young and energetic

Gallo/Getty Images



and with good corporate governance.”

He does warn, however: “But then you bump against the Steinhoff phenomenon. The management was trusted by everyone, but look at what appears to have happened there.

“I have had friends who criticised Jooste, and I ascribed it to personal likes and dislikes, or differences of style. I simply looked at the track record, as did analysts, bankers, ratings agencies and everybody else,” he says.

“I served on the Steinhoff board for two years before I made the decision to do the Pepkor deal and to start the process of consolidating my interests. I was sitting on that [Steinhoff] board with some of the most highly respected board members, and I observed how well the company was run and how good the reporting was,” says Wiese. “Everything was done correctly, in a very sophisticated manner. At least, that is the way I and many others perceived it to be. It had the backing of its board, bankers, bondholders, investors, auditors and ratings agencies.”

Steinhoff was the second-largest furniture group in Europe, second only to Ikea. Even when the board became aware of the complaints in Germany at the end of 2015, it appointed highly regarded forensic investigators who reported that there was nothing wrong, he says.

“Yes, there were rumblings and I keep asking myself if I should have considered them more carefully. But surely banks, who take a greater risk, had asked these questions and checked cash flows. In fact, I asked an

WIESE'S OTHER INVESTMENTS

There was more bad news in two of Wiese's major investments, which reported results in June:

INVICTA

- In the year to end-March, Invicta reported an 81% decline in headline earnings per share after a R400m tax provision.

- Revenue was flat, and profit before taxation from continuing operations decreased by 15% to R760m before the tax provision for a liability over which it is in discussions with SARS.

BRAIT

- Brait's net asset value (NAV) shrunk almost a third as its results for the year to end-March reflected a write-down of its investment in UK retailer New Look.

- It also reported a R1.9bn liability on loans to its employees to buy Brait shares in 2011, which it guaranteed. The group's loss for the year was R9.7bn.

investment bank if they were doubly sure this group had positive cash flow. They did the analysis and came to the conclusion it did produce positive cash flow,” he says.

“A week or two before the crisis hit, analysts were still declaring it a buy and in September last year, Steinhoff issued a bond book-build and there was appetite for €3.2bn for 10-year bonds at 1% – literally a month or two before the crash.”

Wiese says Steinhoff operated in 32 countries in clusters where there were separate boards and separate audit committees, and a hugely sophisticated internal audit function. It also had Deloitte as its main auditor. He says the main board “is the only board that I am aware of where all three members of the audit committee hold doctorates in accounting”.

RELATIONSHIPS

Wiese is particularly upset about any accusation that he may have been in cahoots with Jooste, or that he may have considered Jooste's style a bit reckless but value-enhancing for the two of them.

“What did I need to get away with?” he asks. “Why would someone in his 70s take his life's work and gamble with it?”

This was not a case of pushing the envelope or a bit of cowboy behaviour, he says: “This was fraud from day one, completely.

“I look like a fool because I fell into a trap, but fell into a trap with the best of people. I understand people are cross, and they are hurt. But what I would have expected from sane

November 2015:
Steinhoff offices raided by German authorities.
Steinhoff board appoints German forensic investigators.

May 2016
Wiese appointed as Steinhoff chairman.

August 2017: Star enters into a call option for 22.7% (and 50% of the voting rights) of Shoprite as part of a plan to consolidate Shoprite into the Steinhoff group.
August 2017: *Manager-Magazin* in Germany claims fraud at Steinhoff.

September 2017: Former joint venture partner takes Steinhoff to the Enterprise Chamber of the Amsterdam Court of Appeal.
September 2017: Steinhoff delays release of its accounts.

2 January 2018: Steinhoff says 2015 and 2016 financials also need to be restated.
4 January 2018: More executive changes including appointment of acting CEO.

5 April 2018: Bonus proposal scrapped after outcry.
26 April 2018: Wiese's Titan Group sues Steinhoff for R59bn for cash investments in 2015 and 2016.

4 December 2017: Steinhoff reassures investors that results will be released.

6 December 2017: Jooste resigns, share loses most of its value, PwC appointed to investigate “accounting irregularities”, Wiese becomes executive chairman.

14 December 2017: Wiese resigns.

19 December 2017: Steinhoff changes its board.

20 December 2017: Steinhoff starts negotiations with lenders.

23 March 2018: Steinhoff proposes to give three board members bonuses of between €100 000 and €200 000 to handle the crisis.

Jan '16 May '16 Sep '16 Jan '17 Jan '18

“It cannot be one person. There are many CEOs like Jooste and more often than not, they all have a streak of arrogance. They cannot survive otherwise – they have got to show strong leadership.”

people is for them to say: ‘We have known him for 50 years, he has built these businesses to become the largest private-sector employer in the country and they are something to be proud of and they are improving lives’.

“Why, unless I have gone mad, would I do that? Why put my life’s work into something that is a fraud? Through this terrible period I have gone through, I never foresaw that people would think I put my life’s work into something I knew was rotten.”

While people associate him with Jooste, he says he became chairman in May 2016 and chaired a total of four board meetings between then and the collapse. “This has virtually destroyed my life’s work. My balance sheet was over R100bn. What did I want to achieve? What devil would make me decide I am going to risk all this – and to achieve what?”

CULPABILITY

Here he has a point as, since listing, Steinhoff’s board has included people like **Jannie Mouton**, **Johan van Zyl**, David Brink and **Heather Sonn**, most of whom sat on the board for years before he got there and had nothing unusual to report.

The board and management have all claimed ignorance. Wiese agrees this could not have been the work of Jooste alone.

“It cannot be one person. There are many CEOs like Jooste and more often than not, they all have a streak of arrogance. They cannot survive otherwise – they have got to show strong leadership. Jooste was a clever, domineering, an almost arrogant sort of personality. For subordinates to start challenging this kind of leader... that doesn’t happen often. It takes a really special person to stand up as an employee to a domineering, clever, highly respected business leader. Some of the people will



Jannie Mouton
Founder of PSG and former Steinhoff board member



Johan van Zyl
Former Sanlam CEO and former Steinhoff board member



Heather Sonn
Chairperson of Steinhoff since December 2017

possibly be found to have been complicit.”

According to Wiese, the auditors came to him to tell him what their suspicions were for the first time on the Wednesday before the Monday of 6 December when Jooste resigned, and all hell broke loose.

On that Friday, after some gruelling hours with the auditors, Jooste left for Germany and said he would be back on Monday with all the audit evidence to allay their concerns.

“I called him over the weekend and he said he was getting everything together. Then, on Monday morning, he said he would be there at 11am and have all the audit evidence required. He told us he was coming in, and that we could get the teams of auditors lined up. At 5pm, he sent a message of his resignation.

“That Saturday night in Germany he went to Bruno’s [Bruno Steinhoff, who built the Steinhoff business initially] birthday party knowing that the next day he was going on a plane.

“The 6th of December was the final shock and at the time I suggested we don’t accept his resignation as he is the only one who can help us sort this out and get the accounts out,” says Wiese. “I called him, and he told me he would be there in two to three hours.

“He never pitched. Since that date, I have never seen him or spoken to him.”

LESSONS

Wiese has learnt his lessons. One is that in the businesses that he built, he knew those businesses intimately, and he could turn around and say ‘hey, there is something wrong here’.

“A bell would ring. But in the case of Steinhoff, I didn’t know the old Steinhoff businesses that intimately, so nothing alerted me or the board to possible shenanigans.”

Gallo/Getty Images

Wiese says he has learnt not to mourn the loss of money, and also to count his blessings. "If this had carried on for one more year, it would have included Shoprite as well."

The lesson he finds the hardest, is that he should not become bitter. "I am doing my utmost not to dwell, to think about sacrifices people made in building businesses like Pepkor."

He has known all along that it is a risk to trust people. "If I didn't trust people, I would still own only five shops. **But if you want to run, or be involved in, a business spanning the globe and employing hundreds of thousands, you have to trust.**"

"Fraud is always a risk. But when top management is involved, you are dead. If someone in lower ranks is committing fraud, someone in the top echelon will smell them out. If it happens at the top echelon, you are dead. I would like to see the board that could survive that."

THE FALLOUT

Asked if he thought Steinhoff would survive, Wiese says it is difficult to say. "If the right restructure is done – but it will be a different format."

Wiese, who is suing Steinhoff for R59bn, says he is aware that the company cannot repay him, but that he is doing it to get "a seat at the table". According to Wiese, he is not barging in and trying to get ahead of other shareholders. "The assets are now owned by its creditors – I am competing with the other creditors, not shareholders."

"I am not seeking liquidation, I am seeking a seat at the table. I am still the third-largest

HOW WIESE'S INVESTMENTS ARE FARING

Christo Wiese's major investments have shown the following share price movements over the past year:



shareholder in Steinhoff."

One of the biggest fallouts of the Steinhoff disaster is that now there is comprehensive proof that business is involved in corruption and fraud and, in fact, no better than corruption in the public sector.

Wiese agrees, saying that "part of the great sadness is that business in general is tainted by the Steinhoff disaster. My only plea is for people not to look at it one-sided. One bad apple doesn't make the barrel rotten."

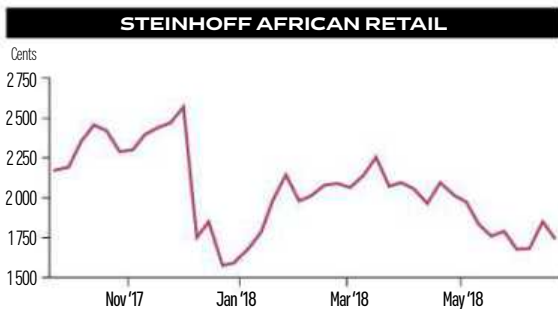
He says this was not just bad for corporate South Africa, but particularly bad for segments which are tarnished, like Stellenbosch, the so-called 'Stellenbosch mafia' and Afrikaners. "A lot of people who are innocent are lumped together with this disaster, not least of which myself."

Where business and the public sector differ, he says, is that with business "there is an immediate reaction and punishment. In the private sector there is immediate reaction, fallout, people lose money... lose their jobs."

Regarding his legacy, Wiese hopes that people would have a balanced view of him. "We started off with five shops and we are the biggest private-sector employer in the country. We have changed people's lives and had an impact. I am hoping, but not much concerned with it – I know that ultimately people will have a balanced view."

As for Jooste, who has laid low and not had to explain himself, time will tell. Given the level of complexity of the fraud committed, it could take years to prosecute successfully. Given his nature, this could be exactly what he is hoping for. ■

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52-week range:	R14,34 - R27,40
Price/earnings ratio:	9.54
1-year total return:	-
Market capitalisation:	R55.89bn
Earnings per share:	R1.70
Dividend yield:	-
Average volume over 30 days:	6 256 018
SOURCE: IRESS	



A PEP retail store, owned by Steinhoff Africa Retail.

By Mariam Isa

ON THE BRINK

If trade tariff hostilities between China and the US continue to escalate, emerging markets and developing economies will bear the brunt of the fallout.

When elephants fight, the grass suffers, points out an old African proverb. The meaning is clear and alarmingly apt for what now appears to be a full-blown trade war evolving between the US and China, as the two powerhouses vie for supremacy in the global economy. Collateral damage is already evident, and nowhere more so than in emerging markets, which are most vulnerable to the so-called 'risk off' sentiment which prompts nervous investors to move their money to perceived 'safe havens'.

Well before the threats and rhetoric ratcheted up to the level where they are now, the World Bank warned of the impact a trade war would have on the global economy. "A broad-based increase in tariffs worldwide would have major



Donald Trump
US President

An escalation of tariffs just up to rates defined as legal by the World Trade Organisation could choke off

9%

of global trade flows, similar to the drop seen during the financial crisis in 2008 and 2009.

adverse consequences for global trade and activity," it said in its latest economic outlook, released in early June.

An escalation of tariffs just up to rates defined as legal by the World Trade Organisation could choke off 9% of global trade flows, similar to the drop seen during the financial crisis in 2008 and 2009, it predicted. The hardest-hit areas in the event of increased protectionism would be emerging markets and developing economies, with sectors like agriculture and food processing the hardest hit, it added.

Emerging market assets were already under pressure from the US Federal Reserve's interest rate hiking cycle, which is taking place faster than initially expected this year. The tightening policy is supporting the dollar, which has



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appreciated by 5.4% this year on an index benchmarked against a basket of currencies.

Pressure on emerging markets

This puts pressure on emerging market currencies, fanning inflation likely to lead to growth-dampening interest rate hikes in their countries. Even worse, the dollar strengthening trend raises the cost of the foreign currency denominated debt in developing countries, making less money available for government spending.

Early in June Argentina was forced to take a \$50bn loan from the International Monetary Fund – the biggest in the Fund’s history – after its peso crashed to a record low despite interest rates rising to 40%. Turkey also hiked its interest rates far more than anticipated to support the lira.

But the real trade war bloodbath took place in the second-to-last week of June, with emerging market currencies taking a beating worldwide – including the rand, which weakened to nearly R14 to the dollar from a peak of R11.50 early this year. Yields for benchmark 10-year government bonds also climbed, extending increases this year from just above 8% to nearly 9%.

Emerging market equities were also hard hit in the same week, and the benchmark MSCI Emerging Market Index saw a staggering \$3.7bn of net outflows, taking its capital flight over the last month to \$5.39bn. The MSCI Emerging Markets ETF extended its recent downward spiral, taking its decline over the past month to 6%, and tumbling 10% from its closing high in the first quarter of this year.

Eroding confidence

Although there has been some recovery since then, many analysts see no relief in sight for emerging market assets.

Even if US President Donald Trump’s latest tariff threats towards China – and the European Union – prove to be no more than brinkmanship, damage has been done.

Before the trade rhetoric erupted, China’s growth was already set to slow to 6.5% this year from 6.9% in 2017. If the slowdown deepens, the country will need less commodities from other emerging markets, and those prices will fall, which will also hit emerging economies in their pockets.

“There is a possibility that things will be defused, but between now and then Trump’s narrative shakes confidence and puts a cloud over prospects. It’s bad for business,

bad for markets and bad for investing,” says Adrian Saville, founder and chief executive of Cannon Asset Managers, which specialises in the management of domestic and global equity portfolios.

Capital Economics, which focuses its research on emerging markets, said in a note on 22 June that the broad sell-off was causing financial conditions to tighten in countries beyond Turkey and Argentina – including Mexico, Brazil, and South Africa. “If conditions continue to tighten over the coming weeks, the headwinds to growth in these economies will mount,” it said.

Reserve Bank deputy governor Kuben Naidoo said on 19 June at a European Central Bank forum in Portugal that the bank’s monetary policy committee could afford to wait “a few months or even a few quarters” before raising interest rates. SA is also better shielded than many of its emerging market peers from the rising cost of foreign currency debt, as only about 10% of its borrowing is denominated in other currencies.

Nonetheless, Naidoo also said in the same interview with CNBC International that SA would suffer from the trade war. “As a small and open economy, we depend on trade for our growth and if there is to be a slowdown in global trade, we will be affected,” he said.

Naidoo pointed out that SA’s exports of steel and motor vehicles would also be affected if tariffs rose on those products, which Trump intends to make happen. About 20% of South African exports go to China – including half of its mineral exports.

Vulnerable economies

Small, open economies in East Asia, such as Taiwan, Singapore and Malaysia, are most exposed to US tariffs on imports from China due to their role in global supply chains, says William Jackson, a senior economist at Capital Economics in London. Chile would also be hard hit as it produces the copper used in China’s electric sector.

South Korea, Chile and Taiwan are most vulnerable, with nearly 30% of their exports going to China last year, according to IMF data. Russia will also be affected, with China taking ten percent of its exports.

According to Capital Economics, emerging market export growth had begun to slow even before the latest fears of a trade war between the US and China escalated. In volume terms, it fell to an 18-month low in April, expanding by around 2% compared with the same month



Adrian Saville
Founder and chief executive
of Cannon Asset Managers

Even if US President Donald Trump’s latest tariff threats towards China – and the European Union – prove to be no more than brinkmanship, damage has been done.



Kuben Naidoo
Reserve Bank deputy governor

last year, and down from an average of 5% over the course of last year.

Higher oil prices are another big negative for the economies of emerging markets that are not exporters of the commodity. Despite an agreement by the Organization of the Petroleum Exporting Countries (Opec) to raise output, the modest increase in supply would not be enough to address an ongoing political and economic crisis in Venezuela, Oxford Economics said in a research note on 22 June.

Although the price of the benchmark Brent crude has dipped since then, it still expects prices to average \$80 a barrel in the second half of this year and \$77 a barrel in 2019. So far this year the price of Brent crude has hovered at above \$70 a barrel – well up from a trough of \$27 in January 2016.

Rising risks

Trade uncertainty is now perceived to be the biggest risk for global companies, with 35% polled in the latest CNBC Global CFO Council quarterly survey saying they believe that US trade policy is the biggest external risk their company faces. This compares with a ratio of 27% in the first quarter of this year and just 11.6% in the fourth quarter of last year.

Perhaps unsurprisingly, two-thirds of the poll's respondents, both in North America and those in the Asia Pacific region, expected the issue to have a negative impact on their firms.

These trends do not bode well for the global economy. Some analysts believe that falling confidence and supply chain disruptions stemming from a trade war would not only slow economic growth, but amplify the trade shock enough to trigger a global recession.

"The good news is that we are still many steps away from a full-blown trade war,"



Liu He
Vice premier of China

The value of Chinese foreign direct investment in the US has already plummeted by more than 90% to \$1.8bn in the first half of this year compared with the same period in 2017.



Jyrki Katainen
Vice president of the European Commission

Michelle Meyer, an economist at Bank of America Merrill Lynch, said in a recent research note. "The bad news is that the tail risks are rising, and our work and the literature suggest a major global trade confrontation would likely push the US and the rest of the world to the brink of a recession."

Both China and the EU weighed in with similar warnings in Beijing on 25 June, with **Chinese vice premier Liu He** saying that he and **European Commission vice president Jyrki Katainen** had agreed to "oppose trade unilateralism and protectionism" as "these actions may bring recession and turbulence to the global economy".

On the face of things, China looks like it will come off far worse in a global trade war as its exports to the US reached \$430bn last year – about a fifth of China's gross domestic product – while the Asian giant only imported about \$130bn of goods from the US.

But China could retaliate in other ways – by devaluing its currency, targeting US companies operating in China, or even dumping some of the \$1.18tr in US Treasuries it owns.

In another salvo, the Trump administration has said it will also restrict Chinese investment in US companies and start-ups in strategically important tech sectors like aerospace, artificial intelligence, and robotics. The value of Chinese foreign direct investment in the US has already plummeted by more than 90% to \$1.8bn in the first half of this year compared with the same period in 2017.

Economists say that if its dispute with the US remains a tariff battle alone, China could lose up to one percentage point of GDP growth, but if the hostilities escalate, the fallout would be much more severe. ■

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The upside: EM yields for the taking

So how should investors position themselves for the volatile global economic outlook? Econometrix Treasury Management's MD George Glynos thinks that the pessimism generated by global trade war concerns are overdone, particularly where emerging markets are concerned.

"I'm not of the view that things are just one way from here. There's been a tremendous amount of readjustment in emerging markets and at these levels one might be tempted to nibble back in (to EM bonds and currencies). We are advising clients that now is the time to expose their portfolios to yields they can't get anywhere else," he said.

Cannon Asset Managers' Adrian Saville is also circumspect. The best

approach would be to take an industry rather than a country approach, avoiding open and highly traded industries like steel, heavy manufacturing and tourism, he said. "We are advising that you pay very careful attention to this risk, and it is always important to separate risk from overreaction," he said.

Goldman Sachs recommends that in the US, investors put their money into companies with large domestic sales exposure rather than more foreign-facing firms, as these would benefit from a global trade conflict.

Chris Potgieter, head of Old Mutual Wealth Private Client Securities, has said that this is a good time to invest in agricultural producers who can substitute production from either the US or China. ■

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CEO INTERVIEW

By Lloyd Gedye

Turning the tide for African Bank

Having recently taken the reins as CEO of African Bank, Basani Maluleke is heading up the strategy to diversify and de-risk the financial institution.

nearly four years after African Bank Investments (Abil) was placed under curatorship, the "good bank" that arose from that process is making steady progress to build its deposit base, improve the quality of its loan book and improve its digital offering.

The "good bank", rebranded African Bank after it was spun out of the curatorship process, remains unlisted. The Reserve Bank owns 50%, the Government Employees Pension Fund 25%, and the big six banks – FirstRand, Standard Bank, Absa, Nedbank, Investec and Capitec – own the remaining 25% in various proportions. The "bad bank", which remains in curatorship, is now known as Residual Debt Services.

At the helm of African Bank since April is Basani Maluleke, a trained accountant and former lawyer and investment banker. Maluleke, who originally joined the board as a non-executive director in 2015, served as operations head since July 2017 and can take some credit for the unsecured lender's improving fortunes.

The bank reported an after-tax profit of R448m in the six months to end-March, up 42% from the same period ended March 2017. While it has been growing its loan book, write-offs of bad debts have dropped significantly, totaling about R1.9bn in the period under review (2017: R4.877bn). Its credit loss ratio improved to 11.1% from 13.8%. Retail deposits have grown by 90% to R680m, no doubt reeled in by the 10.5% interest on 60-month deposits.

De-risking the bank

African Bank has also made progress in paying off long-term debt and luring depositors, which is important as a



Basani Maluleke
CEO of African Bank

stronger deposit base will reduce its reliance on external funders, and can help lower its cost of debt. It believes its transactional offering, My World, which is set to be launched later this year, will help grow this base.

"We are very proud of the results; I think a 42% increase in operating income speaks to how well the bank is positioned to do good things," Maluleke says. "The bulk of the uplift comes from the release of our impairments, due to the fact that the book is starting to mature and that we are now writing a lot more of our business with low-risk customers."

She believes the bank is now starting to do the right business with the right customers with the right risk profiles, which de-risks the bank. "More than 80%

The bank reported an after-tax profit of R448m in the six months to end-March, up

42%
from the same period ended March 2017.

of our loans today are to low-risk customers. It's a different audience than the bank typically targeted."

About a third of the bank's customers over the reported period are new to African Bank, according to Maluleke. "We have R680m in deposits, held in 13 000 bank accounts," she says. This is up from deposits of R204m at the end of March 2017.

"When people trust us with their money, then we have turned around. We are not naïve about the journey we have to tread to be seen as trustworthy by a broad spectrum of society," she adds.

Improved culture

Maluleke says African Bank went through a voluntary severance process in 2017 and about 500 staffers took up the offer. This allowed African Bank to get new blood into the bank, particularly at the branch manager and regional manager levels, she says.

Maluleke insists there has been a culture change within the bank and that the team that remains is determined to stay at the bank to see it emerge from the crisis. People learn more from their failures than their successes, and it is therefore important to walk through the "valley of death", as she terms it.

"If you talk to the guys here at African Bank, about what happened with the curatorship and the lessons learned, you will see that," she says. The team having been through that makes them a stronger business today, she believes.

There has been much progress, but Maluleke still faces an intimidating to-do list, with aggressive financial and customer targets set for the 2021 financial year. The bank aims to improve return on equity to over 15% by 2021, for example, up from 9.6% in the interim period. It also wants to increase its non-interest revenue from the current R14m to more than R300m, mainly through increasing the volumes of its funeral insurance policies. It also wants to build its customer base from the current 1.1m to more than 2.5m by 2021, according to the group's financial results.

Diversifying operations

As part of the drive to diversify and de-risk the bank, African Bank has invested in the development of a transactional banking platform called My World. By the end of the interim period, more than 1 800 staff members have signed up for the My World transactional account, which is expected to be launched to customers towards the end of the year.

"There is an amazing opportunity there to be competitive and grow," she says.

Despite the expected increase in competition in the local banking sector – Discovery is set to launch its bank this year, while other niche operators such as Michael Jordaan's Bank Zero is also set to start operations soon – Maluleke believes African Bank

About Basani

Basani Maluleke comes from a high-profile family. Her father, George Maluleke, who passed away in 2017, was a respected High Court judge and her eldest sister, Tsakani Ratsela, is the deputy auditor-general of South Africa. "There is a big social justice gene that runs in my family," Maluleke says.

However, she has no intentions of becoming a public servant, as she doesn't believe she needs to do that in order to serve South Africans.

At just 40, Maluleke has a wealth of experience across various sectors. She worked as an accountant and lawyer for Edward Nathan Sonnenbergs before entering the world of banking. She spent 12 years with the FirstRand Group, where she would rise to head up FNB Private Clients. She was also a co-founder of private equity firm

African Century Ventures.

One of her big passions is reading. Reading fiction is especially important as it helps humans develop empathy, she believes. "Without empathy, you can't be a leader."

A recent read was Rohinton Mistry's second novel *A Fine Balance*, which is set in the slums of an undefined city in India. Her favourite author is the late American

novelist and cultural critic James Baldwin.

Maluleke admits to regularly consuming articles on leadership and podcasts that interview entrepreneurs.

She is also an avid runner, who completed the Comrades Marathon in 2014 as well as a number of Two Oceans ultra-marathons. ■



already has a loyal customer base, and has no legacy systems to contend with.

Transactional banking will also allow African Bank to get a fuller picture of its customers and what they spend their money on. These insights can assist with credit and risk management, as well as the cross-selling of products, she says.

"The digital story is all about sexy tech, big data and a personalised user experience," says Maluleke. "We are developing skills within the bank to get us to be a competitive digital bank."

Because African Bank has always been positioned as a bank of the people, the transactional banking platform will be geared towards use on a mobile phone, she says. The bank is also still looking at further rollout of its physical branch network.

A key issue is the cost of data and how this will impact the uptake of digital banking services. "We hope data costs will come down," she says. "We can hope, but we can't control it."

Another attempt to diversify African Bank is the relationship with insurance company MMI, which began in the second half of 2017. The tie-up sees MMI selling its products to African Bank customers and using African Bank's banking license to offer unsecured loans to its own customers. These numbers are steadily growing, says Maluleke. ■

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"When people trust us with their money, then we have turned around. We are not naïve about the journey we have to tread."

LEADERSHIP

4 steps to emotional agility

Having flexible thoughts and feelings to respond optimally to everyday situations serves your success.

The way we navigate our inner world – our everyday thoughts, emotions, and self-stories – is the single most important determinant of our life success. It drives our actions, careers, relationships, happiness, health; everything."

This is according to Dr Susan David's book *Emotional Agility: Get Unstuck, Embrace Change, and Thrive in Work and Life*, which was presented by **Sarah Babb, a leadership development specialist**, at the latest We Read For You (WRFY) event hosted by USB Executive Development (USB-ED) and *finweek* in Cape Town on 15 June.

David, a renowned psychologist and expert on emotions, happiness, and achieving success, utilises her more than 20 years of experience to show that those who are emotionally agile have the ability to understand situations and their feelings, and use this knowledge to adapt and make the necessary changes to bring about the best of themselves.

According to Babb, David describes emotional agility as a process that allows individuals to be in the moment and adapt their behaviour with an open mind so that they can live in ways that are in line with their intention and values. The book further explains that the process isn't about ignoring difficult emotions and thoughts, but rather about facing them courageously and compassionately, and then moving past them.

"When we don't go to the source of our different emotions, we miss the ability to really deal once and for all with what's causing distress," according to David.

Babb reiterates David's argument that we own our emotions, they don't own us, and that emotions should be viewed as prompts for life directions and choices. "Emotional agility is about having flexible thoughts and feelings to respond optimally to everyday situations to serve our wellbeing and our success," says Babb.

In order to achieve emotional agility, the book makes reference to four essential movements:

Showing up

Babb explains David's assertion that we should show up to our emotions and not run away from them or bottle them up inside. "Label and notice them. When we show up fully, with awareness and acceptance, even the worst demons (or emotions) back down." Learning to label emotions can be absolutely transformative, says David.

"It does take guts. What David emphasises is that once we show up, then we can have a choice," explains Babb.

Stepping out

Babb explains that once we've showed up to our emotions, we can step out, which dissolves the entanglement between impulses and actions and creates a space between an emotion and an action.

David explains in her book that this requires mindfulness, rather than mindlessness where you are not in touch with who you are and completely disassociated from reality. "Mindfulness requires stepping out so that you can observe the thinker inside," says Babb.

Walking your why

Walking your why is the art of living by your personal set of values and striving for the behaviours and beliefs that you hold dear and that give you a sense of meaning. "So, we show up to our emotions, we step

back from them and then we have a choice," says Babb.

Babb explains that we often make decisions that are not our own and that are influenced by others. "David states that there is an opportunity to live by your values and where you want to be."

Walking your why gives individuals the opportunity to consider their values and make choices that are in line with these. "Each choice point presents you with the opportunity to walk your why," states David.

Moving on

In the last movement to emotional agility, Babb says we need to tweak our mindset, motivations and our habits.

"A malleable sense of self is the cornerstone of emotional agility. The curse of comfort is that we often stay in it because of fear and then disguise it as procrastination, perfection, or opt to shut it down."

With empathy and wit, *Emotional Agility: Get Unstuck, Embrace Change, and Thrive in Work and Life* provides the tools to navigate through emotions and to make sound choices on how to respond. David encourages everyone to live in the zone of optimal development and states that finding a balance of being

whelmed is a way of staying agile and fresh. ■

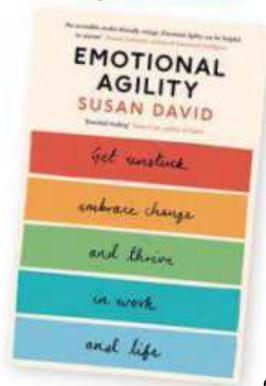
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finweek is the USB-ED's media partner in its We Read For You series.



Sarah Babb
Leadership
development specialist

Emotional agility is a process that allows individuals to be in the moment and adapt their behaviour with an open mind.



By Jana Jacobs

Breaking bad money habits

Not everyone is a natural-born savvy saver, and sometimes just paying the bills and not using your credit card is a win for the month. But taking control of your finances is liberating and can start simply.

no matter which way you look at it, things are tough economically in South Africa. We are constantly being reminded to tighten our purse strings, shrink that budget and live more frugally. Oh, and while you're at it, don't forget to save for emergencies and retirement.

This is a tall order when prices keep rising, but your salary isn't.

All of this can be quite panic-inducing. So how do you foster that coveted self-discipline to manage your money?

From the small, obvious daily habits, to the bigger financial decisions – here are some basic ways you can control your personal finances.

Try a spending detox

Every cent counts. That doesn't mean you can't enjoy life, but small changes can make it that much easier to start saving – no matter how small the amount. **A spending detox is a good way to reign in unnecessary spending and break the habit of swiping your card at every retail temptation,** says **Thandi Ngwane, head of strategic markets at Allan Gray.**

"It may be tough to make space in an already stretched budget," acknowledges Ngwane, "but taking small steps to develop a lifestyle of saving will make a big difference."

Once you have begun freeing up disposable income, it's a good idea to set up a debit order for your savings, she says. "That way the money leaves your account every month, without having to be prioritised in a long list of obligations. While you're at it, it's a good idea to add an annual escalation to your debit order to increase your savings every year."

Yolande Botha, head of wealth management at Galileo Capital, suggests investigating your spending. "Three months' bank statements should give you a clear idea of what you spend your money on. See if there are any frivolous spending habits and cut back on those first. Take a close look at monthly contractual payments. Do you hate the gym and never go? If so, then why pay for it?"

Emergency savings

Whether it's a tyre that's popped and needs replacing, or your pet that needs medical treatment – there will come a time when you'll need to shell

out cash unexpectedly. And you'll need the money on short notice, making a money-market fund the ideal vehicle to keep your emergency savings.

"A money-market fund is a good option as it offers stability from short-term market volatility and earns higher returns than a bank deposit," says Ngwane. Your money is also easily accessible here, according to **Sonia Du Plessis, financial planner at Brenthurst Wealth.**

Craig Gradidge, co-founder of Gradidge-Mahura Investments, agrees that a high-yielding and liquid money-market account is where you should start. "Once your balance sheet grows, [you] can seek higher-yielding, riskier options," he advises.

Botha does add that if you are in a position where you have an access bond (essentially a withdrawable home loan), this is the best place to keep your emergency savings.

Personal loans

In a perfect world, your emergency savings should be enough to cover unexpected monetary needs, but it may not be. This is when personal loans can become very attractive lifelines, but are they a viable solution?

Gradidge believes that "if used wisely, personal loans can be a very good thing. Personal loans per se are not the problem, it is how they are used which can be problematic."

Magnus de Wet, founder of Vista Wealth Management, also believes personal loans can serve a purpose: "I'm in favour of these types of loans, especially for clients who do not have an emergency fund in place. A pre-approved loan from your bank could be used as an emergency fund in the event of a personal financial calamity, such as the loss of a job, a critical illness or a major repair to, for example, your home or car. The funds can be used to pay for these emergency expenses without having to access high-interest debt options like credit cards or unsecured loans."

But going on holiday with your personal loan, for example, is definitely not what you should be doing. Yet, oftentimes that is exactly what happens, says Botha, who recommends avoiding personal loans.

Du Plessis is also not an advocate of personal loans. "If you do use one, it certainly has to be only because it is absolutely necessary, and you are clear that it is a short-term solution."



Thandi Ngwane
Head of strategic markets
at Allan Gray





"It may be tough to make space in an already stretched budget, but taking small steps to develop a lifestyle of saving will make a big difference."



Yolande Botha
Head of wealth management
at Galileo Capital

Quickfire personal finance

Try these free apps for budgeting and investing:

APP	DESCRIPTION
 22seven	Old Mutual's budgeting and investment app
 Stash	Round up your purchases to the nearest R10 and invest in SA's biggest companies.
 Goodbudget	Personal finance app for budget planning and money management.
 MyFinancialLife	Nedbank's budgeting app, which gives you good spending analysis.

RECOMMENDED BY

Magnus de Wet
Magnus de Wet
Magnus de Wet
Yolande Botha

If you do go this route, make sure you keep monthly repayments in mind, as these need to be factored into your monthly budget. Also take note that if you have a pre-approved loan with your bank, the interest charges will in all likelihood be much lower than those provided by a micro-lender.

Pay off your debt, then invest

There's good debt and there's bad debt. With good debt, there is an underlying asset that grows in value, says Botha, like your home loan.

Bad debt is credit for consumption and it is usually expensive because it's high-interest-earning, explains Gradidge. Credit cards fall into this category. And it's often the latter that can give you sleepless nights.

Du Plessis advises that you should try and stay away from bad debt; advice that Botha reiterates. But sometimes that credit card has been whipped out for more than one emergency, or the planned spending detox hasn't happened quite yet.

So, should you be clearing your credit card balance, or should you rather use the money to invest?

"We recommend that you split the amount you have available and pay half of it towards debt and invest the other half. In this way you can see the debt diminishing, but also have some money available for emergencies and extras so that you don't get more indebted," advises Botha.

Du Plessis agrees that you should tackle your high-interest-earning debt first, as does Ngwane, "because it usually costs you more than savings gives you."

Drive a car you can afford

Very few people can afford to buy a car cash, which means your car payments (not to mention the insurance and maintenance costs) need to be factored into your monthly budget as well. What you also need to bear in mind is that a car is a depreciating asset, so it's certainly not good debt to take on.

"A car is such a status symbol for most that it is difficult to think rationally about the amount you spend," says Botha. "One way to look at this is to take the money you have after tax and divide it between musts (50%), wants (30%) and savings (20%).

This is an easy rule to follow that Elizabeth Warren devised. The musts include housing, schooling, groceries, utilities, and transportation and if you stick to this rule, you will never overspend on a car."

Gradidge's personal rule of thumb is to not buy a car which costs more than a third of his annual salary. "That usually translates into an affordable repayment once I have secured the best interest rate."

Whichever way you go about it, be realistic. If you are getting an entry-level salary, you can't drive an Audi S3.

Retirement savings

Not all companies offer pension in remuneration packages, which means you need to take on the responsibility of this saving. In this case, a retirement annuity (RA) should be considered.

"It offers annual tax benefits and is governed by legislation to minimise your exposure to high-risk assets that could compromise your retirement income. You can stop and start contributions as you need to and make additional contributions when you have disposable income available," explains Ngwane. By setting up a debit order for monthly contributions to your RA, this saving happens automatically, adds Botha.

If you find yourself in this situation, it's important to consult a qualified and experienced adviser to undergo a retirement planning process, advises Gradidge. This will also ensure that there will be regular reviews in place to help make sure you are on track with your retirement savings.

Taking ownership of your retirement savings requires self-discipline, and sometimes people are a little late in coming to the party, says Du Plessis. Ideally, you should start saving about 15% of your gross salary when you start your first job, but in reality, most people only start doing this in their 40s, says Du Plessis. Better late than never, though. "It just means that you'll have to put away more than that 15% and you will have to work longer – you won't be retiring at 65."

Final advice when it comes to saving? "Just start and be consistent," says Botha. ■
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Ideally, you should start saving about **15%** of your salary when you start your first job, but in reality, most people only start doing this in their 40s.



Craig Gradidge
Co-founder of Gradidge-Mahura Investments



Sonia du Plessis
Financial planner at Brenthurst Wealth

By Glenda Williams

BMW i8 Roadster: Eco-friendly convertible supercar

This hybrid electric vehicle delivers a combination of emission-free mobility and sports car performance.



The interior of the BMW i8 Roadster.



The i8 Roadster has the advantage of two power sources: an electric motor and three-cylinder 1.5-litre turbo-charged combustion engine.

E convertible supercar is the ultimate status symbol. But can the same be said about an eco-friendly convertible supercar? Does such a machine have the same aspirational pull or power to make that status statement?

When it comes to the head-turning BMW i8 Roadster, the short answer is yes. The two-seater convertible i8 Roadster is pure eye-candy. If anything looks like a supercar, it is this futuristic-looking plug-in hybrid electric sports car.

It's a car that draws the eye, the exterior bragging of its assets and prowess.

Low-slung and wide of girth, with powerful wheel arches and imposing rear end, the elegantly stretched BMW i8 Roadster is a visual feast. And when the soft-

top roof is down, and the gullwing doors are soaring, it is even more eye-catching.

So, looks are up there, and so too is this sports car's green performance.

Its strong, bold form belies its eco-credentials. As a hybrid sports car the i8 Roadster has the advantage of two power sources: an electric motor and three-cylinder 1.5-litre turbo-charged combustion engine. This offers a powerful combination of emission-free mobility and high-performance driving.

That it delivers on looks in spades is not in question. But performance is a very necessary attribute if the road to securing the future of eco-friendly supercars is paved. And the i8 Roadster does not disappoint.

Space capsule

Entering and exiting this low-slung beauty with its airborne gullwing doors is slightly less refined or effortless than one might want. But take heart, all eyes will be on the car and no-one is likely to be watching you. If they are, it's with envy.

This plush cockpit wraps around you like a glove. Figure-hugging leather seats come with standard heating. The leather sports steering wheel, with multifunction buttons, also comes with shift paddles for manual gear changing.

Familiar BMW switchgear makes for intuitive operation of this machine. That's not to say it doesn't boast all the latest tech; it does, and then some.

The i8 Roadster is equipped with fully digital multifunctional instrument display and an 8.8-

inch freestanding screen that displays everything from the navigation system to the vast range of infotainment and connectivity offerings.

An array of standard camera-based driver assistance systems includes cruise control with braking function; collision and pedestrian warning with city braking function; park distance control; high beam assistant; speed limit info, including no-passing info display; and side view and top view functions.

The i8 Roadster's two additional rear mini-seats are really only meant to accommodate tiny tots, but I was determined to try out the modest rear space. Suffice to say that rear entry required more than a modicum of agility and when my skinny form was finally 'seated', my

If anything looks like a supercar, it is this futuristic-looking plug-in hybrid electric sports car.

Photos: Supplied



ROAD TEST: BMW i8 ROADSTER

Engine: Three-cylinder 1.5-litre petrol engine with BMW TwinPower Turbo technology

0-100 km/h: 4.6 seconds

Top speed: 250km/h (electronically limited)

Top speed (electric mode): 120km/h

Total power/Torque: 275kW/570Nm

(Combustion): 170kW/320Nm; **Electric:** 105kW/250Nm

Transmission: six-speed Steptronic transmission

Electric range: 53km

Electric power consumption, (claimed combined): 14.5 kWh/100 km

Fuel consumption (claimed combined): 2.0 litres/100km

CO₂ emissions (claimed combined): 46g/km

Luggage compartment: 88 litres + 100 litres

Safety: Front, side and head/curtain airbags

Service/maintenance plan:

5 year/100 000km motorplan

Lithium-ion battery warranty:

8 year/100 000km

Price: R2.3m

knees were nearer my ears than the floor!

But behind these mini-seats is a rather handy and fairly large compartment that provides storage space adding to that offered in the boot.

Standard fare in the boot is a mode-2 charging cable that allows for the electric motor's battery to be recharged from a standard domestic socket in under four-and-a-half hours. A new mode-3 cable can also be used at public charging points for high-power charging.

Top-down driving

It was a smooth start, with the i8 Roadster's electronically controlled soft-top roof opening fluidly within the specified 15 seconds. It's a roof able to open or close even while travelling at up to 50km/h.

But testing optimal performance was more difficult as the route presented scant opportunity for the i8 Roadster to get the bit between its teeth or display its agility.

This test covered a route that, unlike the scenic and undulating delights of Cape Town, mostly took in the more hectic urban and suburban spaces of Gauteng.

Still, as the test demonstrated, both urban and country roads are the i8 Roadster's territory; its blend of sustainable, emission-free driving and sports car performance perfectly suited to both environments.

Ideal for city driving, the electric motor alone is able to propel the i8 Roadster for a range of up to 53km, just 2km shy of its 60kg lighter sibling, the BMW i8 Coupé.

But virtually silent, pure-electric city motoring does come with some potential hazards for those that

don't hear this car coming, making the optional extra acoustic pedestrian warning a practical fitting.

With electric power comes instantaneous and high-speed response. And there's more electric *woema* too, the latest lithium battery provides an additional 9kW of power over the original used at the i8 Coupé's launch some three years back.

Five driving modes with a combination of all-electric and combustion engine driving can be employed providing

virtually silent pure-electric mobility up to a speed of 120km/h, to a somewhat swifter and sportier drive accompanied by the distinctive soundtrack of a turbo-charged engine.

When the eDrive button is depressed, the combustion engine will only cut in automatically if the battery's energy reserves are nearly depleted or the driver summons full power.

Full throttle brings the combustion engine with its exhaust snarl to life, providing an authentic sports-car driving experience, the open road allowing the i8 Roadster to unleash the full 275kW of power that both motors provide.

It is very, very quick and very

responsive. The low centre of gravity and even weight distribution in addition to all-wheel drive and 20-inch light-alloy wheels contributes to an exhilarating and grippy driving event.

Given that the top has been lobbed off, the unique two-seater convertible is understandably not quite as stiff as the i8 Coupé, but this is really only mildly discernable when driving over badly blemished roads.

Performance on the road in general is taut and composed, and the ride comfortable.

With the soft-top up, the cabin is surprisingly well insulated from road and wind noise.

And top-down driving is less noisy or windy than anticipated. A rear window, which can be raised or lowered at whim, helps to break both the breezy experience and noise factor.

There was little opportunity to unleash the i8 Roadster's true performance, but I gave it my best shot... and got pulled over for speeding.

Luckily, I dodged that bullet and was waved off with: "I didn't know it was old people!"

This though was more likely about a young officer wanting a close-up peek at a new convertible supercar than excessive speed on my part.

And who can blame the traffic officer? It is an extraordinary looking car.

While the i8 Roadster's somewhat unconventional eco-performance and synthetic-assisted soundtrack may not leave you as breathless as would its conventional combustion supercar peers, the hybrid i8 Roadster delivers much of everything a supercar should; the stuff of dreams.

Owning a supercar though is not light on the wallet.

But for those who want to make a statement and send a message about their financial and social status, it doesn't get any better than a convertible supercar.

Now they can still do that and be environmentally responsible with this pioneering eco-roadster, 48 of which will be making their way to our shores this year. ■

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Ideal for city driving, the electric motor alone is able to propel the i8 Roadster for a range of up to

53km

PODCASTS

The modern age of storytelling

The podcasting industry is booming in the US, but the cost of data in South Africa means we are lagging behind in this innovative and fascinating movement.

A few months ago, I had a long six-hour drive to make to Durban. Alone.

Luckily it happened to coincide with my discovery of the SYFY *Origin Stories* podcast series, hosted by Adam Savage.

As the kilometers on the N3 passed, I listened to Savage chatting to science fiction luminaries like Frank Oz – the puppeteer who created Yoda for the *Star Wars* franchise – and writer D.C. Fontana, who created most of the Vulcan lore for the *Star Trek* franchise.

Nigerian-American fantasy and science fiction writer Nnedi Okorafor popped in to talk about her work, as did *Futurama* creator David X. Cohen. British author Neil Gaman, famous for his book *American Gods*, also stopped by.

Before I knew it, I was in Durban.

While I admit that I can't expect all other podcast series to deliver the way that SYFY *Origin Stories* did, the experience has pushed me into the world of podcasts in a way that I had never engaged before.

Most fans could probably identify the moment when a podcast series pushed them to becoming active consumers in the podcast world. For many the 2014 launch of hit podcast *Serial*, hosted by Sarah Koenig, was what got them hooked.

In 2017 the first signs emerged that the podcasting sector in the US was booming. A recent study conducted by the Interactive Advertising Bureau (IAB) and PwC US reported that the podcasting sector reached \$314m in revenue, up 86% from 2016's \$169m.

The study predicts that this is just the beginning, with 110% growth predicted over the next three years, and revenue estimated to reach \$659m by 2020. The study suggests that the increasing revenue and opportunity in podcasting is linked to the changing way we consume audio content.

The role that mobile phones and smart speakers play in this change, it argues, are

important factors.

David Silverman, a partner at PwC US, says the growing trend toward "anywhere and everywhere" media engagement has created opportunities for digital media.

"Whether at home on a smart speaker, at work on a PC, or somewhere in between on a mobile device, more and more Americans are listening while they live, providing a robust podcast platform," he said in statement released alongside the report.

According to TechCrunch, there were more than 20 venture capital financing deals involving podcast sector companies in 2017, with total funds involved reaching over \$70m.

Between 2012 and 2016 the number of financing deals were in the single digits, with total funding generally less than \$20m per year.

In 2017, Stockholm-based company Acast raised \$19.5m in a funding round, while in the US, Gimlet Media raised \$20m, Castbox raised \$13.5m and Anchor raised \$12.8m.

Global information, data and measurement company Nielsen has reported that half of US households listen to podcasts, while competitor comScore claims that one in five Americans between the ages of 18 and 49 listen to at least one podcast per month.

Meanwhile, Apple announced recently that it currently hosts more than 550 000 active shows. When Apple first launched its podcasting service in 2005, it hosted 3 000 shows. According to Apple, the 550 000 active shows are from 155 countries, and delivered in over 100 different languages. In total they represent 18.5m individual episodes.

Since that drive to and from Durban, where I almost consumed the entire SYFY *Origin Stories* podcast series, I have begun to explore the world of podcasts more seriously.

I have listened to and enjoyed the science fiction podcast *The Message*, co-produced by Panoply and GE Podcast Theatre, and I've become a regular listener to electronic music website Resident Advisor's *RA Exchange* podcast, where they have in-depth chats with beat-makers and DJs.

In South Africa the podcasting sector is a lot less dynamic – unsurprising given the cost of data in the country.

A lot of SA's podcasts are essentially repackaged content from existing media players, whereas in the US, most of the podcasts are produced independently and often use innovative formats and storytelling techniques.

Some local podcasts like Paul McNally's *Alibi* and Kagiso Media's *First Person*, produced by Jayne Morgan and Marianne Thamm, have been popularly received, as has Simmi Areff's *Lesser Known Somebodies*.

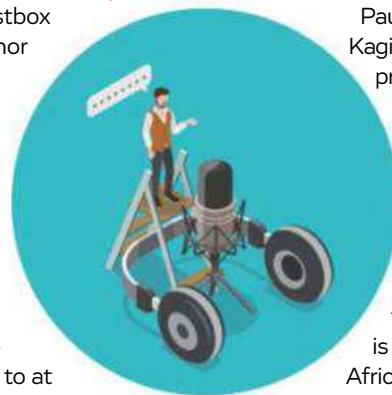
But the booming podcast sector that the US is experiencing is very far from the South African reality. This is a major shame, because there is incredible potential for great storytelling podcasts in many of SA's official languages.

The reality is we live in a country where new video-on-demand entrants have to give away free data in order to get eyeballs on screens. Until data prices fall, SA's podcasting sector will always be on the back foot. ■

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There were more than 20 venture capital financing deals involving podcast sector companies in 2017, with total funds involved reaching over

\$70m.



By Amanda Visser

Leadership is a team effort

Collaboration is needed to lead successfully. Experts from the coaching profession explain how to move away from the concept of a leader, to a leadership team.

The “heroic leader” on his stallion – leading the herd from the front – is realising that the world has become far too complex for him to make it on his own.

It has always been a lonely place, but with increased corporate pressure, a changing workforce and a far more complex world, it can become even lonelier.

Some leaders are getting off their (high) horses to seek help and support, but there are far too many still holding on tightly to the reins.

The coaching profession has seen rapid growth in recent years, mainly because of leaders seeking a trusted adviser relationship where they can unburden, ask advice and get the necessary tools to stay on track.

Team approach

Barbara Walsh, systemic leadership team coach and partner at Metaco Coaching and Training, says her firm has seen a rise in “leadership teams”, and in the need for coaching of such teams. In a leadership team, the leader still makes the final decision, but there is a whole team standing beside him. Team members no longer operate in silos. If a particular person or section of the business is experiencing challenges, it becomes a team issue. Once a decision has been made, every member of the team supports it as an aligned entity.

The team is almost like the leader’s own “wisdom circle”, says Kirstie McFarlane, who runs Greenleaf Consulting, an executive, team and group coaching practice.

“They are not the yes-people. They will give you constructive feedback when you need it. They will tell you when you are doing well, and when you are not.”

Typically, a coach or mentor will be part of this circle, says McFarlane.

The coach will be equally challenging and supportive of the leader and their team. “Leaders find themselves in this tsunami of constant change. Very few take time out to reflect and to think, because they are being reactive all the time. Coaching allows them to have thinking space.”

McFarlane says besides issues of age and gender, socio-economic threats, changed expectations and increased individualism in consumer behaviour,

leaders have to battle with dwindling profits and sluggish economic growth.

Dealing with pressure

The norm that leaders should come across as tough, not allowing their vulnerabilities to show, has been around for far too long, says Mark Smith, owner of Wildcats Coaching and Training Specialists.

He has seen an increase in executive women using coaching to deal with pressure. “Men and women are dealing differently with pressure. Women tend to be more collaborative, while men are more competitive. That is why men have to work a little harder at finding a wisdom circle and unburdening, whereas women are far more naturally inclined that way.”

According to McFarlane, pain often forces change. When a leader gets feedback that they need to embody a different style of leadership, it can be painful. That’s when the “soft skills” become the “hard skills”. It is not easy to onboard these skills if a leader’s success has been based on their technical knowledge.

“They find themselves in a transition phase where they have to learn how to listen and to really hear what is going on. **The leader has to show genuine care for their team. That is difficult for people to whom these skills do not come naturally.** They have to make a concerted effort to get the skills.”

The leader eventually comes to a point where it is not about being “functionally operational”. They are at the point where they need to achieve results through

other people, says Walsh. The things that used to work for these leaders are no longer taking them any further. “They then hit a roadblock.”

Building relational skills

Most universities, and even business schools, do not focus on relational skills, says Walsh. That is where individual coaching comes in. It helps the leader to overcome his limitations, and to connect better with people at all levels.

The coaching process can take anything between six to 10 months. According to Smith, the leader starts to unpack the obstacles that have led them to the point where they need a coach to grow or to step up to the next level.



Barbara Walsh
Systemic leadership team coach and partner at Metaco Coaching and Training



Kirstie McFarlane
Coaching specialist at Greenleaf Consulting

“They are not the yes-people. They will give you constructive feedback when you need it. They will tell you when you are doing well, and when you are not.”

Coping tips from the coaches:

1. Find a mentor or a coach who supports you in a non-judgemental way.
2. Manage your stress, recover from it and move on.
3. Start keeping a journal about the things that made you angry, frustrated, vulnerable or happy.
4. Agendas for meetings are better served by asking questions about what needs to be done. Meetings should not be about operational issues and feedback sessions all the time.
5. Take time out.

In many instances, leaders need to acknowledge where their "limiting beliefs" are. These beliefs are holding them back from an emotional, intellectual, physical or even spiritual perspective and cause rigidity in specific areas.

Smith uses the Enneagram test, which looks at nine different personality styles, and the Appreciative Inquiry, which is a change management approach that focuses on identifying what is working well, analysing why it is working well and then doing more with it.

Finding your blind spots

Coaching assists in unlocking accountability of one's approach, as well as the ability to self-analyse, says Smith. "The executive develops greater self-awareness of their personality styles and defensive patterns that lead them to that particular style."

These coaching tools also highlight the "shadow side" – the blind spots that prevent the leaders from seeing the entire picture.

Most leaders are willing and open to embark on this new learning process, says Walsh. They realise that without it, the chance of veering off the track becomes a reality. Metaco has developed red and green card behaviours in the teams they work with. The teams decide on behaviours they want to promote in the team and behaviours that they do not find acceptable, says Walsh.

It is a fun way of holding each other accountable to uphold the green card behaviours and to remind each other when they slip back into undesirable behaviours.

McFarlane stresses the importance of "mindfulness" and "self-care" for leaders. "Get some exercise, drink more water than coffee and work consciously on relationships outside of work. Follow some leadership blogs and learn about your craft, because leadership is a craft."

Most achievers tend to think for other people; they are three steps ahead of everybody else, and tend to have a "tell approach", says Smith.

A rather steep learning curve is for leaders to adopt an "ask approach"; remain silent, listen more, and be insatiably curious. Ask the members of your wisdom circle all the possible questions before taking strategic decisions, says Smith. ■

editorial@finweek.co.za

Congratulations to Reitumetse Makutoane, who won a book prize in a recent giveaway. How's your general knowledge? Find out by completing our quiz online via fin24.com/finweek from 2 July.

1. Which British singer-songwriter will be performing in SA for the first time in March 2019?
 - Adele
 - Ed Sheeran
 - Ellie Goulding
2. True or false? Yolande van Biljon has been appointed as the new SABC CEO.
3. Recep Tayyip Erdogan achieved a decisive victory in national elections on 24 June, lengthening his 15-year grip on power as president of which country?
 - Egypt
 - Georgia
 - Turkey
4. True or false? Zimbabwean President Emmerson Mnangagwa was present at a Zanu-PF rally in Bulawayo in June when a bomb exploded.
5. On 21 June, a famed gorilla, known for mastering sign language and building a rapport with humans, died in California at the age of 46. What was her name?
6. True or false? Marin Cilic was crowned Queen's Club champion for the second time as the Croatian beat Novak Djokovic in the final.
7. Beyoncé and Jay-Z recently released a new music video which was filmed in a world-famous museum. Name the museum.
8. After nearly 27 years of disagreement between Greece and Macedonia about the latter country's name, the two sides have settled on going forward which of the following names?
 - Macedonia
 - Northern Macedonia
 - North Macedonia
9. Veteran South African photographer David Goldblatt died on 25 June. How old was he?
10. Who is the captain of England's soccer team?

CRYPTIC CROSSWORD

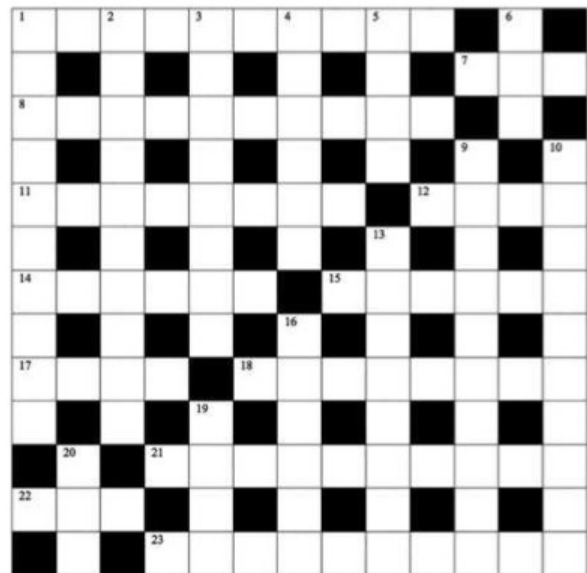
NO 711JD

ACROSS

- 1 Saturnalia practiced by one down under (10)
- 7 & 22 Two Englishmen manning anti-aircraft gun? (3-3)
- 8 Conform during service? (3,3,4)
- 11 Backer has the number to expedite one more time (8)
- 12 Admit to being a married priest (4)
- 14 Child's play when not at school? (6)
- 15 Fuel to go sail at sea (3,3)
- 17 Guarded about the pound (4)
- 18 Professed it's correct about scratch opponents (10)
- 21 A frenzied Latin American dance practice, preparing for competition (10)
- 22 See 7
- 23 Call in beautiful girl, right for the church job (4-6)

DOWN

- 1 Back sovereign's wine to give one a hangover (10)
- 2 Twig to stick out (3,7)
- 3 Unoriginal account editor paraphrased (8)
- 4 Valley flowers? (6)
- 5 Relation's not included in present (4)
- 6 & 20 Enticing advocate of honest government (3-3)
- 9 Authorising temp to take off time owing without hesitation (10)
- 10 Insignificant person's watch, say (5-5)
- 13 Dandy pretending to like Continental style pasta (8)
- 16 Saw little upfront in public relations spread (6)
- 19 One pound note not registered before (4)
- 20 See 6



Solution to Crossword NO 711JD

ACROSS: 1 Taking a memo; 9 Ago; 10 Ergataner; 11 Realm; 13 Liaison; 14 Dealer; 16 Demure; 18 Dodgems; 19 & 21 One of two; 20 Lineament; 21 See 19; 22 Adulterated
 DOWN: 2 Ato; 3 I-beam; 4 Goggle; 5 Methane; 6 Minuscule; 7 Tarradiddle; 8 Frankenfood; 12 Abandoned; 15 Eyeball; 17 Essene; 19 Outta; 21 Tee

On margin

The devil finds work for idle hands

This issue's Zulu word is *isandla*. *Isandla* is a hand.

You can give *isandla*. You can lend *isandla*. But you must keep your hands to yourself. Why do we, as men, struggle with this? Don't put *izandla* where they do not belong. It is that simple. *Izandla* is the plural of *isandla*.

Isandla brings me to the funniest "lost-in-translation" story I was ever part of. *Umsebenzi wesandla* is handiwork, but directly translated it's handjob. As you can imagine, this has inter-generational problems.

My uncle arrives home and says he got a handjob. What? Who gave you a handjob, uncle? Why would you tell me about such? What is wrong with you? And her? It was a woman, right? If it wasn't a woman, you need to talk to the family about your new life choices. No judgement.

Anyway, it turned out my uncle didn't get a handjob from anyone that was not his wife. He got a job where he could use his hands, which is better than most people have in this day and age.

All these idle hands present a problem because the devil will find work for them. That is the real problem with unemployment. Young people don't lie idle. Their hands don't lie idle. They are not built for that. So if you can, keep young people and their hands (and minds) busy. Lend *isandla*. Give *isandla*. But remember to keep your hands to yourself. Oh, and keep them out of the cookie jar.

Speaking of the cookie jar, how do some of these elders keep fitting their hands in the jar? Their hands get fatter, yet the cookie jar remains the same size. One of these days, *isandla* will get stuck in the jar and we will see them for who they truly are.

– Melusi's #everydayzulu
by Melusi Tshabalala



Tom Eaton @TomEatonSA

National Health Insurance: A government that can't maintain a 1987 Ford Escort wants to introduce a new tax so it can buy a space shuttle it doesn't know how to fly.

Bill Murray @BillMurray

The phrase, "Don't take this the wrong way" has a zero percent success rate.

Sithembile Mbete @sithembete

When a man takes your call during a Brazil game, then you know he's the one. Just saying.

Scott Dodds @itsBOMBARDIER

Me at 14: can't wait to travel the whole world once I'm earning my own money.

Me now: mustn't forget that Tupperware at work; it's my only one.

Alan Knott-Craig @alanknottcraig

The height of optimism: Going on a business trip without your phone charger, assuming battery will last. Great way to meet new people.

Yiddish Proverbs @YiddishProverbs

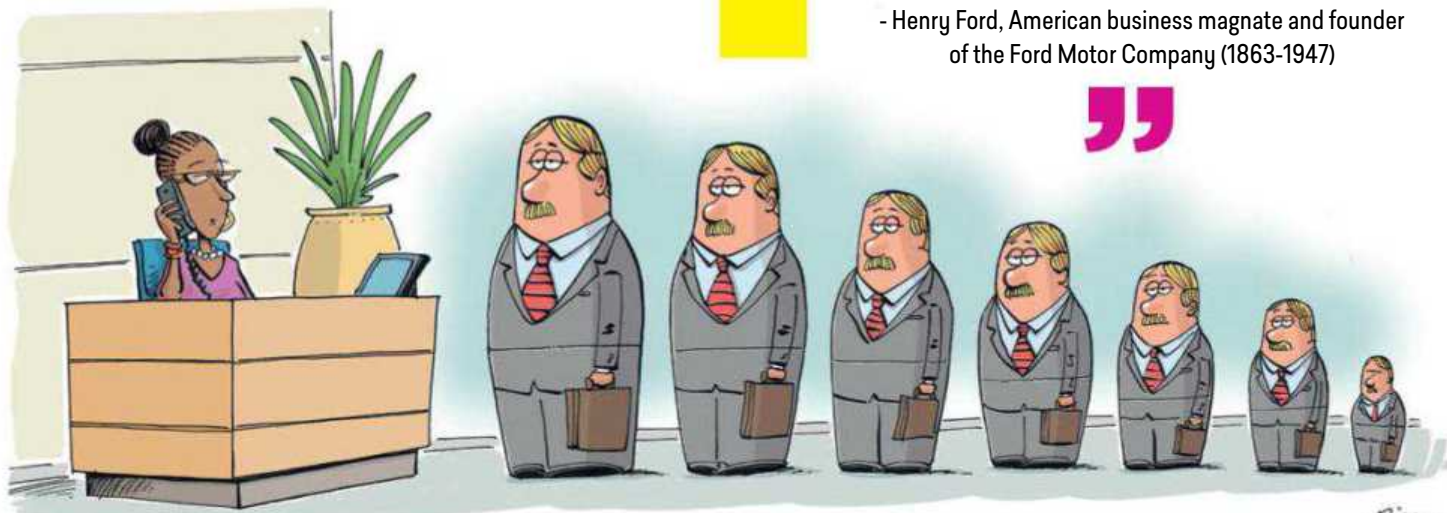
Hope may give a man strength, but not sense. —
Yiddish proverb

The Royal Butler @TheRoyalButler

When somebody says: "Can you pop it in an email?" – What they actually mean is "Please stop talking."

“Don't find fault, find a remedy.”

- Henry Ford, American business magnate and founder of the Ford Motor Company (1863-1947)



“Sir, the Russian investors are here.”

Pico 2018

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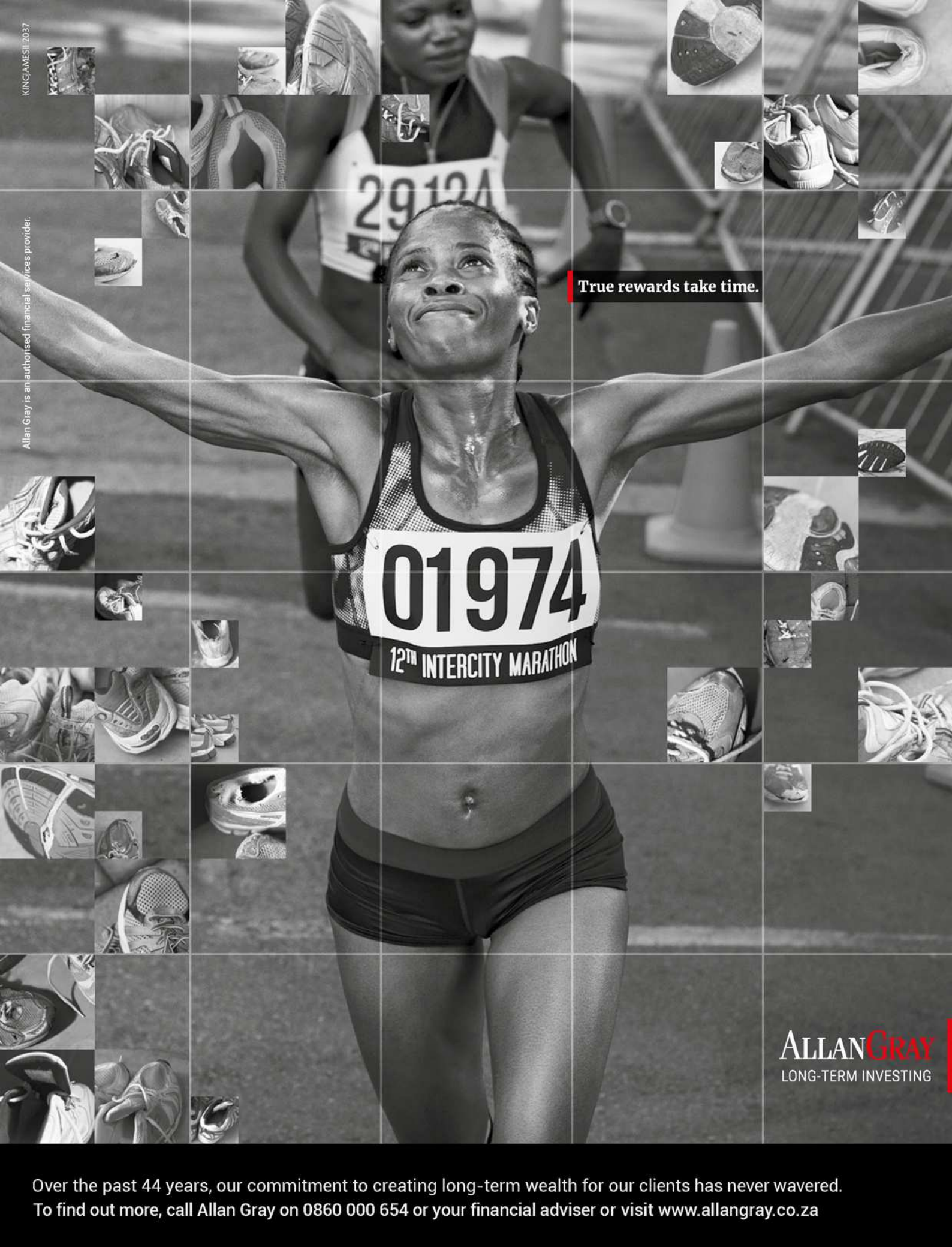
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