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from the editor

JANA MARAIS

If there is one good thing about the firing of finance minister Nhlanhla Nene and the subsequent politically motivated charges brought (and then retracted) against his successor Pravin Gordhan, it is that it finally shook us out of our collective slumber.

We sat idly through years of front-page splashes by the Sunday newspapers on everything from the disbanding of the Scorpions, the Zumafication of the National Prosecuting Authority and the laughable Seriti Commission into the arms deal to the smear campaigns against what was the highly effective investigative unit at the South African Revenue Service.

While many of us have been celebrating the decision to withdraw charges against finance minister Gordhan (for now), it would be naïve to think the Treasury is safe. Even if Zuma goes, the tentacles of corruption and incompetence will remain, squeezing the life out of various state institutions.

So let us not nod off into a blissful state of denial once more. No, let us rage against the running of Eskom, which provides the lifeblood for this economy and where installed capacity has increased by a mere 6% since 2007, but employee costs have ballooned by a massive 210% and tariffs by an eye-watering 333%. Let's demand answers as to why Eskom, with a performance like that, is allowed to side-line independent power producers and entrench its grip on this economy.

Let us demand an end to the bailouts that are so lavishly handed out to parastatals like South African Airways, seemingly without improvements in governance and management.

While we're at it, let's insist on an end to the billions of wasteful and fruitless expenditure; the corrupt state tenders; the crony deployment; the job-killing laws and policies; the politically motivated witch-hunts against competent government officials.

Treasury alone cannot fight this battle; we need to demand that every single government minister in this country do their job.

Why are we still waiting for new tourism regulations scrapping the requirement for unabridged birth certificates for minors, more than a year after a Cabinet decision to that effect? Why, four years after Marikana, are police still not properly trained to deal with public protests? How did we allow 113 children to starve to death in Gauteng, our richest and most urban province, in the 2015/16 financial year?

Let us not be so mesmerised by the Zupta headlines that we're caught napping again on the countless other crucial issues that impact our economy – and every South African's livelihood. ■

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By Peter Fabricius

US ELECTIONS

Destiny of the world in their hands

Democratic presidential candidate Hillary Clinton and the Republican candidate Donald Trump have very different policies in mind both where war and trade are concerned.

Like most of the world, South Africa and the rest of this continent are fixated on the outcome of the US presidential election on 8 November.

But for most of us spectators here and elsewhere, this is much more showbiz than it is about the serious business of choosing the next leader of the world's military and economic superpower. Because most parts of the world – especially Africa – have not featured in the election campaign, few foreigners have a real clue how either Democrat Hillary Clinton or Republican Donald Trump in the White House would impact their country or region.

Linda Thomas-Greenfield, US assistant secretary of state for Africa, told the Foreign Press Centre in New York in late September that many African governments had been asking her what that impact might be on them.

One can guess they were more curious about a possible Trump victory because he is the wildcard in this election. Clinton was secretary of state and she is a Democrat like President Barack Obama, so she is more or less predictable. (Also see page 30.)

Thomas-Greenfield told the Africans not to worry because not much is going to change either way. Africa enjoyed "tremendous" support from both Democrats and Republicans. US businesses will continue to seek investment opportunities in this "last frontier" and will ensure that policymakers support them.

She notes that the major US-Africa policies enjoy bipartisan support. These include the African Growth and Opportunity Act (Agoa), which provides duty-free and quota-free entry into the rich US market for most African exports, and the Pepfar progamme, which has poured billions of dollars into the fight against Aids.

She didn't mention the US Africa Command, Africom, which is doing a lot of work to help African militaries fight terrorism and other threats.

Even so, the choice Americans make on 8 November could still have a major impact on SA and Africa, though largely indirectly, through its effects on the global economy and global security.

Trump's protectionist plans to roll back several major US free trade agreements, if implemented, would destroy 4m jobs, the Washington-based Peterson Institute for International Economics, an independent research body, recently calculated.

These measures would probably "lead the world into a recession or worse", says Paul Drazek, a former US trade negotiator and now independent consultant. He warns that the Great Depression was triggered not so much by the crash of the New York Stock Exchange in 1929 but America's consequent imposition of heavy trade protection measures in 1930 to try to save US jobs.

Clinton was also forced to take some anti-free-trade positions during the election campaign to fend off the big challenge in the primaries from left-wing senator Bernie Sanders.

Donald Trump and Hillary Clinton

Trump's protectionist plans to roll back several major US free trade agreements, if implemented, would destroy

4m

jobs.

But her leaked emails confirm she is a free-trader at heart.

The elections could also impact global security. Trump has promised a quite radically isolationist stance for the US, threatening to renege on America's historic commitments to defend its Nato and other allies. He has vowed to pull the US entirely out of the Syrian war.

Both of these positions have been music to the ears of Russian president Vladimir Putin, who is challenging Nato on its eastern front and has intervened aggressively in Syria, bombing President Bashar al-Assad's enemies.

That's why he is credibly suspected of trying to influence the outcome of the election in Trump's favour by hacking embarrassing emails of Clinton and her team and passing them on to WikiLeaks.

The leaks lead to the FBI reopening its investigation of her in the last week of October and helped Trump to close in on her in the polls.

Clinton, by contrast, would be more interventionist even than Obama, let alone Trump. She would probably confront Putin if he continued to threaten America's Nato allies on his doorstep.

Clinton would probably also confront him in Syria. She has advocated arming the Syrian rebels and creating a safe area, which implies enforcing a no-fly zone. These proposals, if implemented, would increase the chances of direct military confrontation between the US and Russia.

But Clinton's foreign policy adviser, James Rubin, says that having a greater military stake in the war would give the US the leverage at the peace talks which it now lacks.

A President Clinton would probably also confront China over its seizure of disputed islands in the South China Sea to control strategic sea lanes.

Whether Clinton's interventionism or Trump's isolationism would be more likely to ignite wider conflict is moot. Trump bellows that Clinton would provoke a "Third World War with nuclear-armed Russia".

But Rubin insists that Trump's appeasement of Russia would be more dangerous, encouraging Putin to hazard further military adventures, like his 2014 annexation of Crimea. That could, he implied, in turn provoke greater local conflicts that would inevitably suck in the US.

Wider conflict on either of those fronts could impact the global economy. So America's voters will hold our destiny in their hands when they make their crosses on 8 November. They just don't know it. ■

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Peter Fabricius was foreign editor of the Independent Newspaper group for 20 years, writing on African and global issues. He has been writing weekly columns for the Institute for Security Studies (ISS) since 2013.

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By Alan Fine

MINING SECTOR

Tackling occupational lung disease

While a working group consisting of mining companies and affected stakeholders has been making huge strides toward its goal of eliminating mining-related lung diseases, a lot more still needs to be done.

Two years ago, several of South Africa's largest mining companies established the Occupational Lung Disease (OLD) Working Group to seek a comprehensive solution to the legacy and ongoing concerns relating to silicosis. This journey has brought the working group companies – African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Gold Fields, Harmony and Sibanye – and affected stakeholders to a point where many of our goals are within reach.

For the four working group companies with gold mining operations, the primary goal is to eliminate silicosis entirely through effective management of silica dust present in gold orebodies.

Industry, government and organised labour have been working towards this goal since the early 2000s through the Mine Health and Safety Council. New milestone targets were set in 2002, setting limits on silica dust exposure in the underground mining environment. The goal was that no employees not exposed prior to 2008 should be diagnosed with silicosis. Thus far, no miner who has commenced work since 2008 has been diagnosed.

While this is encouraging, it is too early to claim success, because improving dust management measures over many decades means that those diagnosed today are likely to have had an average of 20 years' exposure, almost a trebling of this timeframe since the mid-20th century. Research and growing scientific knowledge have advanced in this period, and the dust exposure targets were further reduced in 2014.

The goal was that no employees not exposed prior to 2008 should be diagnosed with silicosis. Thus far, no miner who has commenced work since 2008 has been diagnosed.

Dr Barry Kistnasamy
Compensation commissioner

The activities of the working group fall into three categories.

First, the working group has been working closely with the minister and department of health to improve the quality of administration of the compensation fund that currently covers OLD in mining. The administration of this fund had been neglected until the appointment of the commissioner for the Compensation Commission for Occupational Diseases, Dr Barry Kistnasamy. Over the past two years, the working group has provided funding for additional staff, has seconded project management and medical staff and provided various other services. The Chamber of Mines has also been working with the compensation commissioner, including making a multimillion-rand donation to fund the digitisation of hundreds of thousands of claim forms.

All this has helped treble the monthly number of payments to claimants since 2014. Although this project has been successful, given the significant backlogs, this is still insufficient to clear the huge payment arrears within an acceptable timeframe, and further measures are being considered.

The second pillar of the working group's activities is the initiative to see current and future mineworkers who are compensated for OLDs in terms of the Occupational Injuries in Mines and Works Act (ODMWA) moved to the Compensation for Occupational Injuries and Diseases Act (COIDA).

The COIDA fund, with its significantly better compensation, is recognised – by the Constitutional Court among others – as adhering to international standards of "no fault" compensation systems. The Constitutional Court has approved the provision protecting companies from civil litigation – a common, internationally recognised feature of a "no fault" compensation system.

The administration of illness and injury claims in mining (except OLD) has been outsourced to the Rand Mutual Association (RMA). RMA's effectiveness is such that employers and trade unions in the engineering sector decided recently to transfer the administration of their compensation system to RMA too.

Dialogue between government and the working group led to the initiation in 2016 of a process to achieve the shift to COIDA. Intensive engagement with all stakeholders has been undertaken, in a process led by the deputy minister of mineral resources, with the support of his counterparts in health and labour.

Some interest groups have recommended a wholesale revision of COIDA at this stage. This will draw out the process and will keep current mineworkers in an inferior fund for considerably longer. The industry is seeking an immediate integration of the compensation systems for miners, including carrying over some of the rights that mineworkers currently receive in terms of ODMWA, such as the right to lifelong free medical benefit examinations. Any further revisions of COIDA could be reviewed once this first step has been achieved.

Finally, for almost two years, the working group has been in frequent discussion with legal representatives of those who have brought legal actions against the working group companies, including lawyers who brought the class action litigation. The idea is to establish a legacy fund that would pay additional compensation to those entitled to ODMWA compensation as part of the settlement of the actions. We understand that compensation cannot make up for the loss of health, but it can ease the hardship of claimants and their families. For them and for the companies, a reasonable settlement on these terms would be preferable to a lengthy court engagement that would benefit only the lawyers.

While the details of the talks are confidential, a great deal of ground has been covered. There is no reason to believe that, with goodwill on all sides, a settlement cannot be found that would be fair to claimants and sustainable for the companies. ■

editorial@finweek.co.za

Alan Fine is part of Russell & Associates, which represents the Working Group.

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in brief

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"BUSINESS CANNOT ULTIMATELY SUCCEED IN A SOCIETY THAT FAILS."

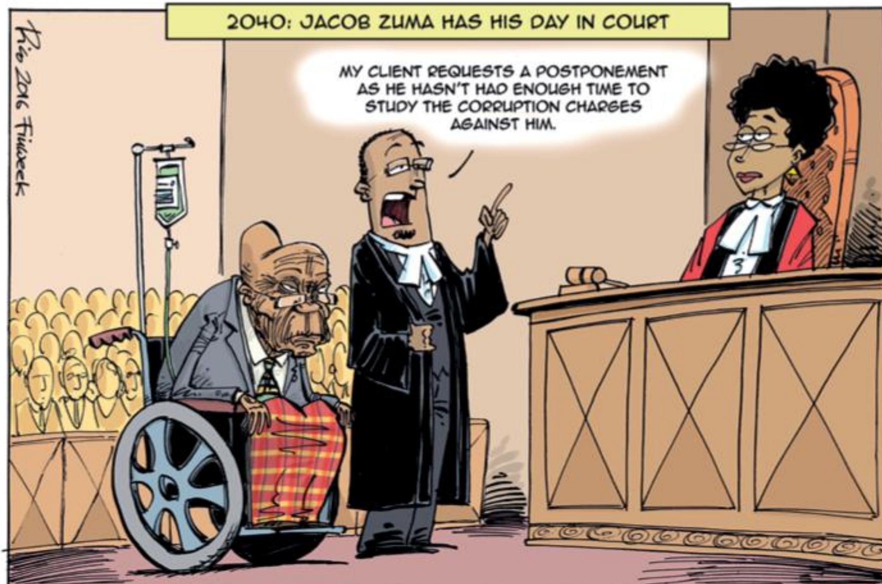
– **Chief Justice Mogoeng Mogoeng**, speaking at the launch of the King IV Report on Corporate Governance in Johannesburg on 1 November. Mogoeng urged business to also get its own house in order on aspects such as transformation, anti-competitive behaviour and fronting, and to assist with job creation.

"THE RAND IS WEAK, TOURISM IS DOING WELL, THE OIL PRICE HAS BEEN LOW BUT SAA HAS LOST R7.1BN IN THE LAST TWO YEARS?"

– **Sizwe Nxedlana, chief economist at FNB**, comments on Twitter after South African Airways (SAA) reported a loss of R1.5bn for the 2015/16 year, following a loss of R5.6bn in the previous year. It relies on guarantees of R4.7bn from Treasury to continue operating as a going concern, and has loans of R4.3bn maturing in the current financial year. Speaking at a briefing on 31 October, SAA chairwoman Dudu Myeni, a close associate of President Jacob Zuma, said SAA needs another five years to break even, Moneyweb reported.

"Why would JZ suddenly develop a conscience when it deserted him at the rape trial, Shaik conviction and his firing, and Nkandla?"

– **Mbhazima Shilowa, a founder of Cope and former ANC premier of Gauteng**, comments on Twitter after ANC secretary general Gwede Mantashe said the ANC was unable to recall President Zuma. However, Mantashe said, if people were calling on the president to step down, it was a call to Zuma to appeal to his own conscience, eNCA reported.



THE GOOD

Shoprite CEO Whitey Basson, one of the best-paid executives in the country, will retire at the end of December, ending a career of nearly 45 years. Basson joined Shoprite when it was a small eight-store chain worth about R1m, and helped build it into an African behemoth with a market capitalisation of R112bn, operating in 15 countries and employing more than 140 000 people.

THE BAD

Fashion retailer Stuttafords, which was founded in 1858 as a high-end department store, applied for business rescue on 31 October after the group's turnover and margins dropped substantially since February. The retailer said numerous measures had failed to mitigate the effects of the tough economic climate and the impact of customer migration to lower-priced products. Stuttafords is operating in an increasingly competitive environment as lower-cost international retailers like Zara, H&M and Topshop grow their footprints in South Africa.

THE UGLY

It was never going to be easy filling Thuli Madonsela's shoes, but new Public Protector Busisiwe Mkhwebane wasted no time to disappoint. Her decision not to oppose a court application by President Jacob Zuma and ministers Des van Rooyen and Mosebenzi Zwane, all close associates of the Gupta family, to block the release of her predecessor's state capture report was described as "quite extraordinary" by media and information lawyer Mario Dilo, who says it can set a "dangerous precedent", effectively leading to reports being withheld from the public for years.

NEW CAR SALES DROP

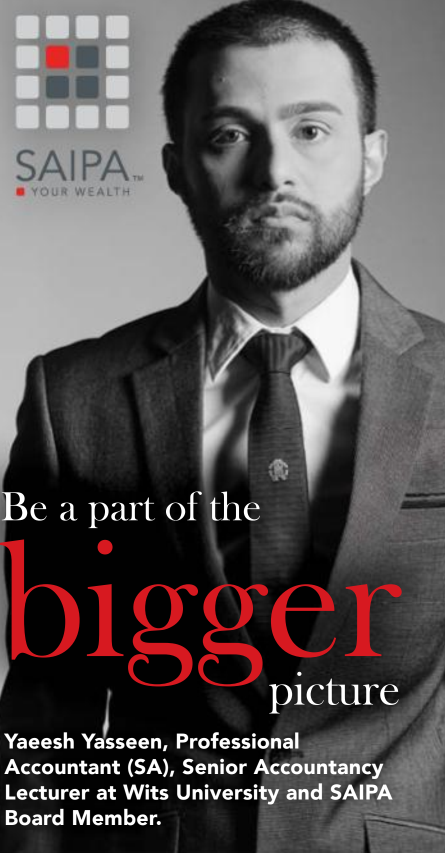
10.1%

New car sales declined 10.1% year-on-year in October, with total industry sales of 48 745 new vehicles, according to the latest industry data. Year-to-date sales are down 11.2% to 459 486. The decline in demand is driven in part by higher vehicle prices (on average, a new car was 12.7% more expensive year-on-year in October), rising living costs and higher interest rates, which have put consumers' monthly budgets under pressure, Wesbank said. In contrast, the bank has seen a record number of applications for used cars, where the average transaction value for a used car is nearly R100 000 less than a new car, it said.

DIS-CHEM FOUNDERS CASH IN

R1.3bn

Ivan and Lynette Saltzman, who founded Dis-Chem in 1978, have received nearly R1.3bn in dividends from the group since February, Moneyweb reported. Public filings by Dis-Chem, which is planning to list on the JSE in November, show the group has significantly ramped up its dividend payments ahead of the listing, from R402.8m in the year to end February 2014 to R1.038bn in the year to end February 2016. It paid a further dividend of R889.6m in the six months to end August 2016. The Saltzman's stake in Dis-Chem will decline from 66.9% to just over 50% post-listing, which could net them another ±R1.6bn, depending on the share price achieved, Moneyweb reported.



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YOUR WEALTH

By Eugene Yiga

A new approach to music streaming that will benefit smaller artists

Catherine Lückhoff, founder and CEO of NicheStreem, is making waves in the online music world.

It was a combination of factors that inspired Catherine Lückhoff to create NicheStreem. But the biggest driver was the underlying belief that there must be a way to make music streaming profitable.

"The idea was conceptualised in March 2014, but the company officially started operating in March 2015 after we closed a funding round in January of the same year," says Lückhoff. "I spent 2014 mostly focused on my previous start-up, HQAfrica.com. I did however use all my spare time and money to identify the building blocks for NicheStreem."

Once all the key elements were in place – the advisory board, key partners, team members, content suppliers, and so on – Lückhoff created an investor deck and sent it to angel investors she thought may be interested. The business closed a $250 000 round in five days.

"We are currently raising a seed capital round of $1.5m at a pre-money valuation of $3.5m," Lückhoff says. "The round is 50% subscribed and will afford us an 18-month runway to scale Liedjie [an Afrikaans music stream launched in February, now projected to break even at 26 500 subscribers] and release a second stream."

The NicheStreem platform is custom-built to support multiple streams: each branded, curated, and promoted to a specific audience. The focus is on emerging markets where there is a need for affordable, curated music solutions, and where music and cultures are intrinsically linked.

"The round is 50% subscribed and will afford us an 18-month runway to scale Liedjie [an Afrikaans music stream launched in February, now projected to break even at 26 500 subscribers] and release a second stream."

"The users no longer have to wade through the clutter to find their favourite artists, tracks, and albums," Lückhoff says of the over 8 000 lifetime users who have registered since the platform's launch. "And artists no longer have to compete with international hit sensations for market share and revenue payouts."

NicheStreem, which was one of the finalists in the FNB Business Innovation Awards this year, makes money from a monthly subscription (business-to-consumer) model and, in the future, will do so from business-to-business revenue generated through white-label platform-licensing agreements (i.e. building streams on behalf of mobile operators or brands); via in-stream brand advertising (e.g. artist endorsements, sponsored playlists, and the like); and through value-added service plugins (e.g. ticketing and mobile vouchers that unlock retail discounts).

Catherine Lückhoff
Founder and CEO of NicheStreem

"The music industry is in flux, much like a teenager trying to figure out exactly who and what he or she should or wants to be," Lückhoff says. "While users rapidly adopt streaming, many artists and record companies are still reluctant to embrace the change. As a result, business models are struggling, services come and go, users are bombarded with choice, and we see an enormous amount of money being thrown at the problem without a clear vision for what the future holds."

And yet it's an exciting time to be in the business. Lückhoff recently attended the FastForward conference in Amsterdam where Benji Rogers, founder and chief strategy officer at PledgeMusic, was advocating the use of blockchain technology to include the relevant metadata for music tracks and videos. He argued that doing so would make it easier for rights holders to assign rights and trace the use of their content. It's something that speaks to the lack of transparency that haunts the industry.

"I don't believe artists are being fairly compensated for their music streamed on 'all-you-can-eat' services," Lückhoff says. "The inequality gap is simply too wide for a local artist to compete against an international star backed by millions of record label dollars to promote their latest release and send them on tour. As a result, the market share of plays for smaller artists is too small to translate into any meaningful pay-out of the content revenue pool."

The challenge is to prove to artists that they can make money from streaming and that they should harness the distribution channel to complement and inform their touring schedules, their album and single releases, and their connection to their fans. And while many artists have been badly burnt, Lückhoff believes the key lies in creating streams that allow artists to only compete with their peers for market share of plays, and to plug in value-added services from the get-go.

The NicheStreem platform is custom-built to support multiple streams: each branded, curated, and promoted to a specific audience.

She also believes in radical transparency and, to this end, is working on a dashboard that will allow artists to track the performance of their content on NicheStreem's services. This will inform tour schedules, ticket sales, merchandising, artistic direction, and more.

"There will always be those who embrace disruption and those who fight against it," Lückhoff says. "Streaming has and will continue to disrupt the status quo. And until everyone is on board, we will see many more shifts and moves from established brands and newcomers alike." ■

editorial@finweek.co.za

Image: Supplied

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By David McKay

Coal uptick boon for miners

With China having cut production, the price of coal has risen, leaving miners such as Anglo American and Glencore with much to smile about.

What a difference $10 can make; especially in the case of South Africa's listed diversified mining companies with exposure to coal. These include South32, Glencore and Anglo American, which are enjoying the completely surprising improvement in coal prices.

This has led Macquarie Bank to forecast much-improved earnings for these companies. "The net effect on the coal-exposed equities has been a meaningful uplift in our earnings estimates as well as significant increases to TPs [target prices], especially for Anglo American, Glencore and South32," it said.

The improvement for Glencore might have been even better had it not sold forward 55m tons (mt) of production at a set price of $53/t, which compares to a current spot price for thermal coal of $109/t.

Anglo American said at its half-year figures presentation in July that every $10 improvement in the price of thermal coal was equal to an additional $50m in pre-tax earnings. Given that the thermal coal has improved 64% in the last quarter, that's a huge benefit to the bottom line.

The improvement in coal prices is related to the implementation of a policy to limit operating days at China's coal producers to

276

days a year.

"Among the diversified miners, Anglo has the greatest coal exposure in 2017 with 40% of the group's earnings before interest, tax, depreciation and amortisation expected to be generated by coal," said Macquarie. "South32 follows at 35% while coal's 23% contribution to Glencore's earnings mix has been diluted by its coal hedge," it said.

The improvement in coal prices is related to the implementation of a policy to limit operating days at China's coal producers to 276 days a year, which has had the effect of cutting its domestic production capacity by some 300m tons. Coupled with an increase in steel production, this led to a drawdown of inventories and higher pricing.

There has been talk that China may reverse this strategy – already it has called on some coal mines to increase production days – but the drawdown in inventories has been such that it will take time for new production to affect the price. The northern hemisphere is also moving into winter, which means demand support for coal will be strong, at least for the next four to five months.

Anglo American declined to comment directly on the improved coal prices. "While we appreciate the improvement in the commodity prices, our focus remains on increased productivity, managing our cost structure, and improving our safety performance," said coal division spokesperson Moeketsi Mofokeng.

However, the feeling among coal producers is that they can't quite believe in the rally since China appears to hold all the aces. "The export market has picked up significantly over the recent past," said Waheed Sulaiman, CEO of Wescoal Holdings. "But when we speak to traders a lot of it seems to be driven by China and the challenge is that it's difficult to predict what is going to happen there. They are driving the export market," he said.

Macquarie said prices for hard coking coal in 2017 and 2018 would be 24% and 4% higher than the forecast $150/t and $120/t respectively. Thermal coal forecasts of $64/t and $58/t for 2017 and 2018 would be increased 11% and 5% respectively.

Investec Securities said: "This highlights the benefits of a diversified portfolio for both large traders and diversified mining companies in that surprise rallies do occur and by not having exposure one can miss out altogether.

"Although the reverse can also happen, however, in the case of miners, having tier-one assets provides protection, and for traders, they need not necessarily trade in more distressed markets or can certainly reduce exposure if necessary."

David Brown, CEO of Coal of Africa (CoAL), said: "The coal commodity market has experienced a sensational recovery during the 2016 calendar year. CoAL is optimistic about the opportunities created by the commodity price increase for both its Vele Colliery and the Makhado project, but it needs to evaluate the sustainability of these prices as part of the investment decisions for these projects." ■

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Waheed Sulaiman
CEO of Wescoal Holdings

Anglo American said at its half-year figures presentation in July that every $10 improvement in the price of thermal coal was equal to an additional $50m in pre-tax earnings.

David Brown
CEO of Coal of Africa

Gallo Images/Getty Images

Images: Supplied

By David McKay

Platinum sees resurgence in SA

Anglo Platinum has decreased its debts while signing a wage deal that will guard against damaging strikes. Other miners in the space are also poised to ramp up production.

Things are clearly looking up for Anglo American Platinum (Amplats), which at the end of October finally packed off its Rustenburg Platinum Mines (RPM) to Sibanye Gold in a transaction that immediately releases R1.5bn from its debt pile.

The platinum firm, which is 80% owned by Anglo American, had already agreed to sell mineral rights to Northam Platinum for R1bn, therefore the deal would see net debt reduced to R7.4bn. It was at R12bn to R13bn at the end of 2015.

Another piece of good news is that the hit to production from a furnace leak at its Waterval refinery was not as bad as feared. The group said last month that it would lose some 75 000 ounces from the breakout, worth R750m at the pre-tax level, but it was earlier scoping for a worst-case scenario of 100 000 ounces.

Now comes news the group has signed a new wage agreement with the Association of Mineworkers and Construction Union (Amcu), thereby avoiding a repeat of the strike action in 2014 where tools were downed for five-and-a-half months.

"The new agreement envisages a 6.74% average annual increase in the labour cost over the three-year period, which is broadly in line with our and industry expectation of 6% to 8%, but is less than the 10% agreements seen in previous years (reflecting the current downturn in the mining industry)," said Ed Sterck, an analyst for BMO Capital Markets.

"The conclusion of the wage agreement removes the overhang on the wage-related uncertainty in the platinum belt and allows the company to focus on its restructuring and cost optimisation initiatives," he added.

Focusing on cutting costs will prove all important to Amplats, and not just because it's a key deliverable for its main shareholder. The fact of the matter is that there's plenty of new production due to come on stream from SA.

Northam Platinum said recently the purchase of minerals from Amplats will allow it to increase production to 870 000 ounces/year, 70 000 ounces more than expected annually and helping it to track its ambition to reach output of 1m ounces/year.

On top of that, Royal Bafokeng Platinum said it would pick up the pace on its 300 000 ounces/year expansion at Styldrift 1 following a heartening improvement in the rand price of platinum. It had earlier decelerated the project until further notice.

With so much new production potentially coming on line – supporting Goldman Sachs' contention that the platinum price was set to remain subdued given new production in the offing – it'll be more important than ever to remain among the cheapest and most robust of producers. ■

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The group said last month that it would lose some 75 000 ounces from the breakout, worth R750m at the pre-tax level, but it was earlier scoping for a worst-case scenario of

100 000

ounces.

Sipho Pityana
Chairman of AngloGold Ashanti

Neal Froneman
CEO of Sibanye Gold

Steve Phiri
CEO of Royal Bafokeng Platinum

Gallo Images/Getty Images

MINERS SPEAK OUT AGAINST GOVERNMENT

After years of playing nicely, South Africa's mining sector has come out strongly against state capture and other forms of corruption in the country, most vocally through the barnstorming comments of **AngloGold Ashanti chairman, Sipho Pityana.**

His "Save SA" may have embarrassed the ruling ANC as it seeks to argue against a credit rating downgrade, but in reality his criticism of President Jacob Zuma, who he has asked to resign, has shown SA to have a strong civic will.

Neal Froneman, CEO of Sibanye Gold, has also stood out from the crowd in respect of voicing his opinion against the ANC even though it's generally thought that outspokenness is met with behind-the-scenes sanctions in the form of ad-hoc safety inspections by the department of mineral resources (DMR), which can result in the closure of mines for minor infractions.

Less acknowledged, however, is **Steve Phiri – a former lawyer and now CEO of Royal Bafokeng Platinum** for the last five years. It was Phiri, for instance, who said in the company's 2014 financial report that a line had to be drawn in the sand regarding who was ultimately – constitutionally – responsible for the mining communities: the private sector or government.

At the time, RBPlat had just ploughed R2.8bn into employee housing in the Rustenburg community and yet was also required to pay for the infrastructure as related to basic living standards.

A few months later, he then described corruption as SA's national sport. "Those trying to be clean are seen as stupid or obstructive, and they are removed," said Phiri some two years before Pityana spoke out on the subject.

Now, unreported comments in the company's annual report puts the boot into the over-zealous issuing of Section 54s by the DMR, which compel mining firms to stop mining in terms of the Mines Health and Safety Act.

Phiri said: "Contrary to our publicly declared acceptance and support in the past of the Section 54 stoppages in the interest of safety, we are unable to reiterate the same view with regard to these stoppages and we are very disappointed." RBPlat lost 17 production shifts at its North shaft operation following one Section 54 instruction, equal to a loss of 7 000 ounces of platinum group metals.

As Phiri ups the ante on heavy-handed safety stoppages, this will be a case of "watch this space". ■

By Lloyd Gedye

Collusion in the fertilizer industry?

A company owned by Oscar Pistorius's grandfather is at the heart of allegations regarding a cartel that for years seems to have been fixing the rates of agent commission for agricultural lime.

A trust set up by Oscar Pistorius's grandfather Hendrik Pistorius has been at the heart of delays in the prosecution of an alleged fertilizer cartel.

The Hendrik Pistorius Trust – along with a number of other fertilizer businesses – is embroiled in the cartel allegations because the company H Pistorius & Co is run through it.

The Pistorius family has a multimillion-rand business empire, with interests in mining, tourism and property development. In total it is invested in over 90 companies, including a private game reserve, a ski lodge in Austria and a mine in Limpopo.

Hendrik Pistorius, now in his 90s, is still the chairman of the company. He founded the agricultural limestone supply company H Pistorius & Co in 1944.

The Competition Commission alleges that between January 1995 and May 2008, the respondents fixed the rates of agent commission on an annual basis for the product agricultural lime.

This substance is used as a soil additive to address acidity.

In the fertilizer industry agents are paid commission by manufacturers to market, sell and distribute their product to fertilizer companies.

The accused in the case include Hendrik Pistorius, Oscar's uncles Leo Pistorius and Arnoldus Pistorius, and a Hermine Pistorius.

The fertilizer manufacturers that are also accused are Kalkor, CML Taljaard & Sons, PBD Boeredienste, Grasland Ondernemings and the Fertilizer Society of South Africa (Fertasa).

Last month, the Competition Tribunal ruled that the Competition Commission could amend its 2014 referral of its case against the fertilizer cartel accused, so it could add two new trustees. They were named as Ian McIntyre and Daniel du Plessis.

The commission has argued previously that the Pistorius family has deliberately frustrated the investigation and prevented it from obtaining documents and not providing all the details of all the trustees.

However, the Pistorius family has since placed the blame for the delays squarely with the commission.

Speaking on behalf of the Hendrik Pistorius Trust, attorney Johan Louw told *finweek* that his clients had pointed out that the commission's citation of the trust in the original referral affidavit was incomplete in February 2015, but that the commission only brought an application to supplement their complaint referral on 25 May 2016 and joinder of the additional trustees were only filed in May 2016 and June 2016 respectively.

"Only the commission can be blamed for the delay," said Louw.

"Effectively the parties are only now where we should have been if the Competition Commission had thoroughly and diligently done what it was supposed to have done initially.

In total it is invested in over

90

companies, including a private game reserve, a ski lodge in Austria and a mine in Limpopo.

Hendrik Pistorius
Chairman of H Pistorius & Co

"The merits of the complaint referral are still to be addressed in the future and are strongly opposed by the respondents," he said. "The respondents are still of the view that the Competition Commission is misinterpreting the facts and the complaint as presently formulated is flawed both in law and fact.

"The respondents have and continue to deny any contravention of the Competition Act," he added.

Louw said his clients were still considering the order and reasons of the recent judgment by the Competition Tribunal.

The other fertilizer producers named as respondents either chose not to comment or didn't respond to requests for comment from *finweek*.

The commission first referred the matter to the Competition Tribunal in December 2014, after initiating the investigation in 2009. It argues that the fertilizer companies used Fertasa as a platform to collude.

"The meetings of the respondents to agree on the rates of agents' commission were generally held prior to, during an adjournment of, or after the Annual General Meeting of Fertilizer Society of South Africa, and took place at the offices of the Fertilizer Society of South Africa and other restaurants outside the premises of the Fertilizer Society of South Africa," reads the commission's original referral affidavit from 2014.

"In the instances where some representatives of these firms were absent from the meetings, the chairman of the Lime Committee of the Fertilizer Society of South Africa would contact the absent respondents telephonically or by fax to inform them of the agreed agents' commission and to obtain and record their respective consent.

"At all material times to this complaint referral, the chairman was Dr. Pieter Haumann, who was also the managing director of Grasland," reads the affidavit. "The agreements reached by the respondents in respect of their agents' commission were effective for a one-year period, and were revised on an annual basis at the time of the AGM."

Attached to the affidavit from the commission is correspondence between Haumann and the fertilizer companies and manufacturers regarding the implementation of the agreed agent rates.

In one letter addressed to Sasol employees, Haumann states that the "normal procedure" was for the lime producers to agree annually on a commission that should be paid for agricultural lime sales.

Speaking to *finweek*, Fertasa said it and its members were committed to promoting a culture of integrity and trust within the fertilizer industry and would co-operate in any way possible with the commission's investigation.

"Fertasa and its members are committed to compliance with the Competition Act and adhere to a Code of Conduct," it said. "All its meetings are conducted in accordance with Fertasa's Competitive Behaviour Compliance Guidelines." ■

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Gallo Images/Getty Images

market place

THIS WEEK:

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>> **Killer Trade:** Telkom gambles on mobile *p.17*
>> **Simon Says:** Dis-Chem, Rolfes, Esor, Nu-World, Tongaat Hulett *p.18*
>> **Invest DIY:** How to buy a car without breaking the bank *p.19*
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>> **Financial Planning:** Is your financial planner clued up? *p.22*

FUND IN FOCUS: ABSA MULTI-MANAGED BOND FUND

By Niel Joubert

Growth with less volatility

The primary objective of this fund is to provide investors with income and capital growth over the medium to long term at levels of capital volatility associated with fixed-interest type of investments.

FUND INFORMATION:	
Benchmark:	BEASSA ALBI Total Return Index
Fund manager:	Neville James
Total expense ratio:	1.06% (Class A) / 0.63% (Class C1)
Fund size:	R960.82m
Minimum lump sum / subsequent investment:	R2 000 / R200 a month
Contact details:	0860 111 456 / unittrust@absa.co.za

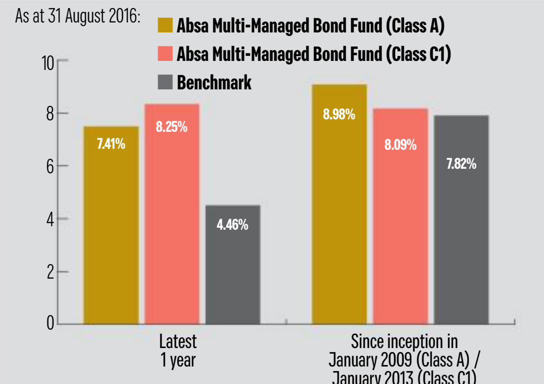
UNDERLYING MANAGER ALLOCATION

As at 31 August 2016:

Fund	Portfolio allocation
Coronation Absolute Bond Portfolio	49.4%
Prescient Global Flexible Bond Portfolio	49.47%
ZAR Settlement Account	1.13%
TOTAL	**100%**

ASSET ALLOCATION	
Bonds	77.05%
Cash	22.95%

PERFORMANCE (ANNUALISED AFTER FEES)



Fund manager's insights:

At the end of November Moody's will decide if South Africa's credit rating will be downgraded or kept unchanged, with Standard & Poor's and Fitch deciding in December on the country's fate.

Most analysts agree that a downgrade is likely, but Neville James, portfolio manager of the Absa Multi-Managed Bond Fund, says the fund is more defensive than most other bond funds due to its diversified approach and therefore is more resilient to shocks in the bond market.

The fund "should achieve a positive return over most medium-term time periods" due to the portfolio's defensive nature, according to James. The fund will tend to underperform in months when the bond market rallies sharply, says James.

Since inception the fund has had 72 positive months out of 91.

A multi-managed bond fund is typically a bond fund that is managed by more than one asset manager. The asset managers are selected by a multi-manager, based primarily on how well they complement each other, says James. The objective of a multi-managed bond fund is to provide a more diversified, lower risk fund than would be achieved using a single-manager fund.

In the case of the Absa Multi-Managed Bond Fund, the underlying managers are Coronation Fund Managers (Absolute Bond Portfolio) and Prescient Investment Management (Global Flexible Bond Portfolio).

James says the underlying managers are selected on the basis of their ability to deliver a stable return that will outperform the All Bond Index in the medium to long term, as well as how well they combine with the other managers in the fund to provide a better risk-adjusted return profile.

The two local bond managers were collectively able to outperform the All Bond Index over the one-year, three-year and five-year periods, as well as since inception.

"The Absa Multi-Managed Bond Fund is designed to give investors a more stable return profile than would be achieved by a single-manager bond fund," says James.

"The Absa Multi-Managed Bond Fund has outperformed the All Bond Index (and most other bond funds) with significantly less risk."

Why *finweek* would consider adding it:

The Absa Multi-Managed Bond Fund combines the collective expertise of selected fixed-interest managers with proven track records and seeks to provide attractive income yields, together with moderate levels of capital growth.

It provides investors with an actively managed fund seeking exposure to the South African fixed-interest market, with less risk than other bond funds. ■

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FAMOUS BRANDS* BUY SELL HOLD

By Simon Brown

Servicing debt is a good idea

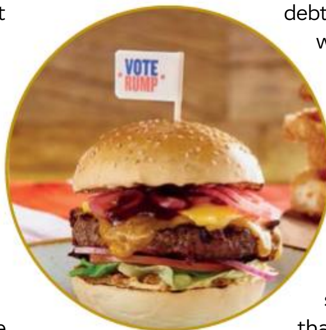
BUY CoreShares S&P Global Property ETF *3 November issue*

WAIT Taste Holdings *27 October issue*

BUY Metrofile *20 October issue*

BUY Rolfes *13 October issue*

The results were great but the cancelling of the dividend was a surprise. Management stated that it will rather aggressively pay down the debt for the R2.1bn Gourmet Burger Kitchen (GBK) acquisition in the UK, and that dividends will most likely return in the 2018 financial year. In other words, the next set of results for the year to end February will also be dividend-free. This will save the company some R450m, paying down just under a quarter of the GBK cost.



As a shareholder this caught me by surprise, but a quick pay-down of the new debt is not a bad idea and I can live with no dividends for a few results. The share price has been flying, hitting R186.52 in early October before retreating to below R160 as I write. Earlier in the year I said that R120 was a great buying price, and with the new results R135 is now my buying zone, so if we see more weakness to around that level I will add to my holdings, otherwise I wait and watch. ■

**The writer owns shares in Famous Brands.*

CLICKS GROUP BUY SELL HOLD

By Moxima Gama

Little room for error

BUY Redefine Properties *3 November issue*

SELL Steinhoff International Holdings *27 October issue*

HOLD Capitec Holdings *20 October issue*

SELL Famous Brands *13 October issue*

Health and beauty retailer Clicks recently reported a strong performance for the year to end August, with group turnover increasing by 9.5% to nearly R24.2bn and operating profit growing 12.6% to R1.57bn. It spent a record amount on capital investment, refurbishing 45 stores, adding 25 net new stores and 39 net new pharmacies. It has a total footprint of 511 stores with 400 pharmacies.

While Clicks earned a sky-high return on equity (RoE) of

49.2%

in the past financial year, it is trading at quite an expensive price-to-earnings ratio of over 27, leaving little room for error with its growth plans.

Competition is expected to heat up in the market, with rival Dis-Chem planning to use proceeds from its listing, earmarked for 18 November, to also expand its retail footprint. Dis-Chem, which currently owns 101 stores in South Africa and two partner stores in Namibia, is planning to double the number of stores in operation over the next five to eight years, it said.

While Clicks earned a sky-high return on equity (RoE) of 49.2% in the past financial year, it is trading at quite an expensive price-to-earnings ratio of over 27, leaving little room for error with its growth plans.

How to trade it: Currently range-bound between 13 050c/share and 11 775c/share, Clicks seems overextended and could potentially top out. Although it managed to recently bounce above its key support at 11 775c/share, it must overcome major resistance at 13 050c/share to extend its gains to 14 325c/share – in this case go long above 13 050c/share. Clicks has been struggling to breach that level since August 2016; therefore, a breakout should prompt swift upside to the target. I believe that move could be the last leg of its major bull trend.

However, failure to trade through 13 030c/share should sound alarm bells. An aggressive sell would be triggered below 11 775c/share, with the downside target situated at 10 500c/share. ■

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By Moxima Gama

TELKOM

Can the parastatal win the battle for data customers?

Telkom has been positioning itself to take advantage of the growing demand for affordable internet, hoping to disrupt the local mobile market. And with the new management team making good decisions, the group could outperform its peers.

A few years back the telecoms industry, driven by the rise of mobile phones, was on a steep growth trajectory. Today things don't look as rosy as the sector struggles to maintain growth momentum in a world of slowing voice revenue growth, falling data tariffs and squeezed profit margins.

While the number of internet users have been growing in South Africa – according to the latest Statistics SA data, 53.3% of South African households have at least one member with access to the internet either at home, work, place of study or internet cafés, up from 48.7% last year – data prices remain a contentious issue. (Also see the Spotlight interview on page 37.) The perception that the cost of internet is too high in SA has spurred the #DataMustFall campaign, which is putting operators under even more pressure to cut data tariffs.

Telkom has been positioning itself to take advantage of the growing demand for affordable internet by launching its FreeMe packages in July, which are aimed at disrupting the mobile market. It for example zero-rated calls over WhatsApp, Viber and BlackBerry BBM, and provides customers with free internet access at 6 000 WiFi hotspots.

Will it be a game-changer?

52-week range:	R51.40 - R71.14
Price/earnings ratio:	19.13
1-year total return:	-8.8%
Market capitalisation:	R32.86bn
Earnings per share:	R1.99
Dividend yield:	4.33%
Average volume over 30 days:	831 244

SOURCE: INET BFA

Time will tell, as Telkom's mobile customer base remains small in comparison to those of its rivals. At the end of March, it had 2.7m active subscribers, compared with 35.1m for Vodacom and MTN's 29.8m (both at the end of June), according to Techcentral. According to a regulatory filing in October, Cell C had 12.6m active subscribers.

Telkom said in a trading statement on 27 October that it expects normalised headline earnings per share (HEPS) for the six months to end September to be between 10% and 30% higher than in the same period last year. Reported HEPS will be between 370% and 390% higher than in the previous year, but these numbers are skewed by the R1.5bn that was spent on voluntary severance packages and voluntary early retirement packages Telkom paid out last year, as well as the resultant R446m tax benefit. The group's results will be released on 15 November.

The group's share price could rise further and outperform its peers. The group's new team has shown a good track record of allocating capital, and Telkom has got a few very good assets. Although its shares are currently trading at a price-to-earnings ratio, according to INET BFA data, of 19.13 – meaning its share price is not particularly cheap at current levels – the charts show there is still room for further upside after a breakout.

TELKOM

SOURCE: MetaStock Pro (Reuters)

What next?

Possible scenario: Compared to its peers, Telkom is looking bullish. It is currently forming rising bottoms within its huge correction pattern. Support retained above 5 600c/share should see Telkom retest the upper slope of its channel. A positive breakout would be confirmed above 6 900c/share – potentially triggering gains to either the 7 460c/share level or the black dashed trendline. Above that trendline, the 8 535c/share prior high should be tested. Go long above 6 900c/share.

Alternative scenario: A reversal below 5 600c/share would extend the correction. In which case, refrain from going long. Support at 4 845c/share could be tested, or else Telkom could land on the lower slope of the channel. ■

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

By Simon Brown

Simon's stock tips

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

ROLFES

Drought not a big worry

There was a good trading update from Rolfes, with the agriculture being of special interest in light of the recent drought. The company reports that, as it supplies mostly into the permanent and semi-permanent crop sector, it has a barrier to entry against competition and to a degree against drought. As such the agriculture operating profit increased a healthy 19.2% for the three months ending September. There still seems to be a seller at around 400c but they will finish selling in time and it offers an easy entry into a great and cheap-looking stock.

ESOR

Hang on to this one

Esor has created a lot of uncertainty with smaller shareholders after it published a mandatory offer to minorities at 38c/share. Geomer Investments now owns more than 35% of the company and has to make the offer by law, but directors have stated they are not selling. So, while a few others may take the opportunity to exit, Geomer Investments will not get enough support to force a delisting or share sale. Geomer is the unlisted vehicle of former Hosken Consolidated Investments chairman Marcel Golding, who has a great reputation for his dealings.

Geomer Investments now owns more than 35% of the company and has to make the offer by law, but directors have stated it is not selling.

Esor shareholders would do well to hang onto their share and enjoy the support from Geomer, and the proposed rights issue in the new year will offer a route to pick up some discounted shares, although we do not as yet have pricing details.

NU-WORLD

Consumer crunch a worry

Nu-World is a small R700m stock with a hefty dividend yield of over 5%. Its recent results show good sales and profits, except for a one-off bad debt. This bad debt totalled R88m, reducing net operating profit by some 44%, but this was all about an Australian/New Zealand business going bust and really was a one-off event. Nu-World sells consumer products such as TVs, fridges, car audio and even imported liquor. It is therefore active in the tough consumer space, but the company has some solid brands and is growing revenue and profits after a tough few years. Overall it looks like a very well-managed business with a good dividend policy, but we still have consumers very much under pressure as we see with the latest news of Stuttafords entering business rescue.

DIS-CHEM

Dis-Chem's distribution centre in Midrand, Gauteng.

There may be opportunity waiting here

The Dis-Chem private placement is underway, with a few brokers offering it to their clients – as it's a private placement, not everyone gets the opportunity to apply. The pricing is between 1 625c and 2 025c, a very wide range. With just over 100 stores – compared to Clicks with almost 500 stores – there certainly is space for lots of growth within Dis-Chem, but also some risks. Dis-Chem has been a family-run business for almost 40 years and this is very much a partial exit by the founders. Nothing wrong with that. The last set of published results contained all sorts of strange figures – including a R960m dividend payment to the founder shareholders resulting in a R1.5bn overdraft and net cash of negative R1.256m – ahead of the listing, which distorted profits. This debt will be paid down from listing proceeds with the remainder being used to fund growth. The stock is attractive at 1 625c but not so much at 2 025c, but that said I do think it will shoot higher on listing and a quick profit is possible if you can get in on the private placement.

TONGAAT HULETT

Still a buy

Back in July I rated Tongaat* a buy on expected improved rainfall, which would have resulted in better outcomes for the sugar section of the business. I had hoped for a pullback to around R100, but that hasn't happened, so with results due mid-November I have started buying at around R120. ■

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**The writer owns shares in Tongaat Hulett.*

Getty Images/iStock Images

By Simon Brown

VEHICLE PURCHASES

Buying a car – the smart way

While it is clear that vehicles are depreciating assets, there are some steps you can follow to ensure that you don't throw too much money out of the window when buying one.

Recently I wrote about buying a home and said that, while it is not the best investment, there are emotional reasons for buying instead of renting. But we should certainly be smart about how we buy a house. This week I want to focus on what is likely our second-largest monthly expense (after a home loan) – a car.

We can argue about whether buying a home is an investment or not, but nobody would say that a normal car is an investment. A car is a depreciating asset and shouldn't even be called an asset; it's a liability that offers some utility in that it enables us to get around independently.

The first problem buying from a dealer is that it includes VAT of 14%. But when you sell it or trade it in you cannot charge that VAT. So immediately you are well behind the curve on the car's value – before even driving a new car off the lot and seeing its price plunge, as it's no longer brand new.

Aside from the instant, large loss we incur, we need to watch what we spend. Maybe you can afford a R5 000 car payment every month. But what if you only spent R4 000? You'd still have a nice car and R1 000 to invest every month. Depending on your age, you'll be making car payments for a number of decades. If we assume that you make 30 years of car payments, a saving of R1 000 per month means you'll save R360 000 over your lifetime. This number is not adjusted for inflation, growth or future value of money, but it is still a large sum and all you did was slightly shop down on your car. Why not?

Maybe you can afford a **R5 000** car payment every month. But what if you only spent R4 000? You'd still have a nice car and **R1 000** to invest every month.

Importantly the monthly payment is not just the cost to repay the loan. It also has to include insurance, running costs and servicing. Maybe you got a service plan included, but that wasn't really free, you pay for it somewhere in the cost of the car.

Your first car will likely be bought on credit unless you're buying a rust bucket. Ideally, though, your vehicle should be reliable and safe. So for your first car, sure, you may want that luxury German sedan or fancy SUV, but work out what you can afford and then drop one level down. Get the slightly less fancy car, which will immediately have you saving some money every month. The ideal is ultimately to buy down and pay cash, driving the car until it almost gives in.

Importantly, never lease a car and never opt to make those lump-sum balloon payments on completion of the loan. Balloon payments reduces monthly payments but significantly increase cost of the car overall as you're charged interest in the balloon every month. Also: do not pay the car off for any period longer than four years.

After four years the car is paid off, but it is still perfectly good for driving, so keep driving it and save what you would have been paying every month. After another three or four years of driving your now paid-off car, and you'll have a large deposit for when you buy your next car. Again buy down and pay it off over four years (or less), keeping it for another couple of years after you have paid it off.

Now when buy your third car, you may have enough cash and trade-in value to not need a loan. If not now, then certainly your fourth vehicle will be loan-free. And with that, you are no longer wasting money every month on a depreciating asset. Sure, you still have running costs, insurance and upkeep, but your monthly car bill will be significantly smaller than those paying full value, and you have thousands to save and invest every month. ■

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After another three or four years of driving your now paid-off car, and you'll have a large deposit for when you buy your next car.

Gallo Getty Images/iStockphoto

By Steinman de Bruyn

BANK OF AMERICA

Regaining investor trust

After years of investor caution US banks are starting to look promising again and Bank of America is certainly an underappreciated large bank, as its latest results have shown.

Since the financial crisis of 2008/09 banks have been under tremendous pressure and understandably so – their reckless business practices led to a massive decline in asset prices across the globe. One of these banks is Bank of America. During the aforementioned crisis it incurred more than $200bn in losses and litigation expenses. Couple this with a share count that ballooned from 4bn to almost 11bn and you can understand why investors may still be wary.

Be that as it may, after years of regulation changes and more stringent monitoring, US banks have started to look promising again – for the first time we're seeing some movement and sentiment changes in the industry. The bank's balance sheet is robust and easily passed the Federal Reserve's stress test. Under the hypothetical scenario, Bank of America was forced to project losses assuming a 10% unemployment rate, a 6.25% decline in GDP, a 50% decline in stock prices, a 25% decline in residential home prices and a 30% decline in commercial real estate prices.

The company recently reported a strong third-quarter earnings release. Some highlights from the release:

- Total revenue is up 3% to $21.6bn.
- Net interest income increased 3% to $10.2bn.
- Non-interest expense declined by $458m to $13.5bn.
- Net income increased 7% to $5bn and earnings per share (EPS) increased 8% to $0.41.
- Book value per share increased 8% to $24.19.
- Tangible book value per share increased 11% to $17.14.

The ultimate end goal is to reverse what has led to so much shareholder pain, like share dilution and compression of net-interest margin (NIM). The bank recently finished a $4.8bn share repurchase, with a new $5bn repurchase under way. It is expected that ±25m shares will be bought every month. As the shares currently trade at a significant discount to book value (as well as tangible book value), the buybacks do make a lot of sense. It naturally increases the book value per share as there are fewer and fewer shares that share in the earnings. There is a very good chance that Bank of America will increase the size of the next buyback programme, leading to an accelerated increase in book value.

The bank recently finished a **$4.8bn** share repurchase, with a new $5bn repurchase under way.

Regarding the net-interest margin – banks struggle in low interest rate environments as their margins are stretched to absolute lows; the opposite applies when interest rates are high. Bank of America estimates that a one percentage point rise in interest rates would improve profitability by $5.3bn. Although a cumulative one percentage point increase over the next year seems unlikely, we expect an increase of 0.25 basis points in December and another 0.25 basis points increase during the course of next year.

In addition to the above, a relentless push towards lower costs is starting to bear fruit. This should benefit margins in the short to medium term.

Something worth mentioning is the latest Wells Fargo debacle. In short, the US bank opened more than 2m fictional accounts (since 2011), complete with forged signatures, fake pin numbers and emails linked to them. This is definitely not helping investors regain the trust they once had in big US banks, but it may unfold into a positive event for Bank of America. Fed-up clients of Wells Fargo need to find themselves another bank and as the second-largest US bank (according to the value of assets), it's a natural alternative for clients. It could turn out to be a bit of a "sweetener".

In conclusion, we're of the view that Bank of America is an underappreciated large bank with solid earnings, good cash flow and a robust balance sheet that trades at an unreasonable discount to book value. ■

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Steinman de Bruyn is a director of Capilis Asset Managers.

BANK OF AMERICA CORPORATION

52-week range:	$10.99 - $18.09
Price/earnings ratio:	11.77
1-year total return:	-2.7%
Market capitalisation:	$164.66bn
Earnings per share:	$1.38
Dividend yield:	1.84%
Average volume over 30 days:	29 693 053

SOURCE: INET BFA

Getty Images/iStock Images

By Schalk Louw

BANKING SECTOR

Opportunity amidst uncertainty

The rand, a possible credit rating downgrade and political uncertainty create an opportunity to invest in banks.

In a previous *finweek* article (6 October 2016) I referred to investors who often find salvation in stocks yielding high dividends.

I specifically discussed why it's better to identify those investments which can give you both an income and growth over time, as opposed to selling units on a regular basis to supplement your income. When we take a closer look at South Africa's four largest banks (Absa, FirstRand, Nedbank and Standard Bank), we will find that they in fact currently offer one such investment opportunity.

Banks are very sensitive to movements created by a weakening (or strengthening) in the rand, and especially to interest rate hikes. Throw an unstable political environment into the mix, and you are left with an environment that is far less than ideal for bank shares. This has been clearly visible the past two years, with bank shares struck by interest rate hikes, a weaker rand, a possible downgrade in credit status and more recently our unstable political environment.

Over this period, these four banks still managed to increase their earnings by 19% during a time when the FTSE/JSE All Share Index's earnings dropped by 24%. The share prices, however, painted a different picture. Even with their higher earnings yield, they still underperformed by 4% compared to the FTSE/JSE All Share Index.

But it's only when we consider these four banks' average 12-month historical dividend yield that these shares really stand out. At a current average dividend yield of 5.4% (before dividend tax), it doesn't only look better than its 10-year average dividend yield of 4.3%, but it's also very close to trading levels after the great correction of 2008.

The healthy nature of these four banks, however, is where this opportunity plays a more prominent role. Due to the nature of business of banks, price-to-earnings ratio (P/E) is not the best valuation tool, but this ratio does show us that these four banks with their current 12-month P/E of 10 times are currently trading 15% below their 10-year average. It's important to note that the last time these banks' P/E reached 10 was in August 2009, shortly after one of the greatest corrections of our time.

One of the best ways to evaluate a bank is by looking at its price-to-book value. This ratio is used to compare a company's current share price to its book value. The higher this ratio, the more expensive the company or bank will be priced. When we put this ratio into perspective, with "expensive" being shortly before the great correction of 2008, and "more correctly priced" shortly after the correction during August 2009, this ratio would have been 2.33 times just before the correction, and 1.69 on 31 of August 2009. More than seven years down the line (17 October 2016), the average price-to book value of these for banks is 1.67, even cheaper than shortly after the correction.

Finally, let's have a look at the sustainability of the dividends. If you had invested R100 in these four banks at the end of October 2006 (10 years ago), your income from dividends alone over the following 12 months would have added up to R4.47 (or 4.47% on your original R100 investment, excluding dividends tax).

> This means that these banks' dividends managed to grow by a further **9%** in addition to its capital growth of 6% in share price a year.

Even taking the great correction of 2008 into consideration, your investment would still be worth more than 80% more today, even after all dividends have been withdrawn. The dividends surely stand out as the variable in this calculation.

Over the last 12 months your income (from dividends, before any dividends tax) would have been worth R9.74 (or 9.74% on your original R100 investment). This means that these banks' dividends managed to grow by a further 9% in addition to its capital growth of 6% in share price a year.

I'm not saying that bank shares will be exempted from a correction, should we face one in the near future. But for those who are looking for exposure to shares, and more importantly an above-average dividend-based income, this is an ideal investment opportunity. ■

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Schalk Louw is a portfolio manager at PSG Wealth.

By Craig Kiggen

FEES

How to assess the value a financial planner adds

Often clients don't know how their financial planner justifies their fees. A client may also struggle to work out how much they actually pay for these services or products.

I cannot remember how many times a prospective client has told me about financial brokers or planners who hounded them for an appointment, and how they then had to ignore these financial professionals or make excuses in order to avoid them. The reason often given is that they battled to reconcile how a financial planner could justify the costs they charged for their service, or that the client struggled to work out how much they actually pay for the services or products in their portfolios.

Unsurprisingly, these points are highly emotive and have finally made it onto the regulator's radar, thanks to the ever-increasing calls from consumers who feel that they overpaid for the services they received once they discover how much they paid in total.

As an advisory partner, people might expect me to be on the side of the financial planners in this argument. But you may be surprised to discover that I am more sympathetic towards the regulators and clients than I "theoretically" should be.

I believe there are just too many "financial planners" in the industry who are not adding enough value to their clients' lives and, at times, seem to hide behind the complex or confusing fee structures in their clients' portfolios. Many would struggle, if they were pushed, to justify the fees that they are charging. Sadly, this is not limited to high-net-worth clients, but is a common concern across the wealth spectrum of clients whom we meet for the first time.

As a result, regulation is gradually being geared towards ensuring that consumers are adequately informed about how much they are paying – and what they are paying for. A recent development is the manner in which fees are disclosed in proposals. The standardisation of fee reporting in an effective annual costing (EAC) structure now enables the consumer to compare products on a level playing field and attempts to remove any areas where fees can be disclosed in an ambiguous manner.

The introduction of the EAC enables the consumer to discuss in an open and transparent manner the value the planner is providing for the fee being charged. I would suggest that if you as a client feel that your planner understands your needs, and if you are confident that your planner has the competency to walk beside you and to guide you through the many financial potholes in life's road, you would be able to complete the following statements without hesitation:

1. The value my financial planner adds to my portfolio is...

2. This will be measured as follows...

3. The ongoing fees I pay are justifiable because...

Once you have been able to define the fees being charged, it is worth considering the manner in which your planner is remunerated. Your planner is your personal financial director who should be rewarded for achieving the goals and benchmarks established when building a financial structure for you. Performance fees do have a place in investing and planning and aim to align the client's outcomes with the work being done by the planner. This keeps the planner focussed on creating value.

Does my financial planner have a sufficiently large network to be able to bring the appropriate expert to my aid when needed?

Other questions to consider when looking at what your financial adviser brings to the table would be:

1. Am I confident that my planner is helping me navigate the path to my financial success? How is this being measured?
2. Does my financial planner have a sufficiently large network to be able to bring the appropriate expert to my aid when needed?
3. Does my financial planner have sufficient support, from an infrastructure perspective, to provide me with sound advice on an ongoing basis?

If you are unable to complete the statements above or answer positively to these questions, you may want to reconsider what you are paying for. ■

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Craig Kiggen is a financial adviser at Citadel.

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RETIRE LIKE A BOSS
A HOW-TO GUIDE

Is it time to revisit your retirement plan? Or are you changing jobs and have to move your savings out of your company's pension fund? Can't decide between a retirement annuity or perservation fund? A group of financial experts tackles all your retirement-related questions.

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HOW DO YOU KNOW YOU ARE SAVING ENOUGH FOR RETIREMENT?

If you want to retire at the age of 65 with about 60% of your pre-retirement income, for example, **this is a rough rule of thumb on how much you should be saving:**

- **If you start saving at 20, you need to save about 15% of your income each month (about 14% for males and 16% for females);**
- **If you start saving at 30 and are male, you need to save 20% of your income each month; if female, you need to save 25%; and**
- **If you start saving at 40 and are male, you need to save 35% of your income each month; if female, you need to save 40%.**

To illustrate the absolute amount one then needs to save, based on the rand value of retirement income required, we can use the example below:

To provide R25 000 a month (in today's terms) from age 65, assuming inflation of 6% and an investment return of inflation plus 3% (after costs) until retirement and an income of 4.9% a year (based on Sanlam guidelines for investment-linked annuity for males):

A 20-year-old needs to save around R5 800 a month, increasing annually with inflation;

A 30-year-old needs to save around R8 750 a month, increasing annually with inflation; and

A 40-year-old needs to save around R14 500 a month, increasing annually with inflation.

But as already stated, this is a rough guide, and these percentages are increasing over time as people live longer. The monthly saving that will allow you to meet your retirement objectives depends on when you plan to retire and how much income you want to earn at retirement. It also needs to consider any existing savings you have.

Achieving your retirement objectives is much easier if you start saving early. A long savings horizon gives you more time to benefit from the power of compound interest. The most powerful thing about compound interest is that it's not about the amount you're saving; it's about the period of time you're letting your money grow. As an early saver, compound interest could turn an average saver into a financially independent person in retirement. ■

Danelle van Heerde
Head of advice processes and tools at Sanlam Personal Finance

BATTLE OF THE SEXES

Women need to save more than men with the same planned retirement age and income requirement, because women are likely to live longer than men after retirement. The impact of longer life expectancy of women can be illustrated as follows: A 30-year-old woman who hasn't started saving for retirement but plans to retire at 65 with a monthly gross income of R25 000 in today's rand value will need to save R10 300 a month, increasing every year with inflation, compared to the R8 750 a month for a man. This is based on an income of 4.2% a year (based on Sanlam guidelines for investment-linked annuity for females) and the same inflation and investment assumptions as mentioned (see left). ■

HOW OFTEN SHOULD YOU REVISIT YOUR RETIREMENT PLAN?

It is generally a good idea to review your retirement investment decisions once every year. If you've had life-changing events like a promotion, additions to your family, changes in your health status or anything else that might cause you to retire earlier or later than initially envisaged, consider having a conversation with your financial adviser to see how these events affect your retirement contributions.

The purpose of the annual reviews is to ensure that your retirement income keeps up with inflation. It is important to invest your retirement savings in funds that earn a decent investment return or you will need to save even more to meet your retirement objectives.

If you have already retired, revisiting your retirement plan regularly allows you to manage your retirement income so that it will last throughout your lifetime. You need to carefully consider the income you take from your retirement savings. Some retirement income options may provide a higher income at retirement, but if the income does not keep up with inflation, you will have problems meeting even your basic income needs 10 or 15 years into retirement.

Our experience shows that at least half the men retiring today at age 65 will live beyond 86, and at least half the women beyond 92, and these ages are rising every year. Your retirement income may therefore need to sustain you for a very long time. ■

Danelle van Heerde is head of advice processes and tools at Sanlam Personal Finance.

Wouter Fourie
Director of Ascor Independent Wealth Managers

YOU ARE CHANGING JOBS AND HAVE TO MOVE YOUR MONEY OUT OF YOUR COMPANY'S PENSION FUND. WHAT SHOULD YOU DO WITH IT? IS A PRESERVATION FUND THE BEST IDEA, OR SHOULD YOU MOVE IT TO A RETIREMENT ANNUITY (RA), FOR EXAMPLE?

The best thing to do is to preserve the funds and not to withdraw them, or "cash them in" as this process is often called.

Now that you have decided to preserve the funds you have two choices, namely to transfer it to a retirement annuity (RA) or to a pension preservation fund. Both options provide similar benefits, being:

1. No tax will be levied on transferring your current pension to an approved pension provident fund or retirement annuity;

2. No tax will be levied on the growth of the investment in the pension preservation and retirement annuity in terms of the five-fund tax approach;

3. No tax will be levied on the funds if you die – it is excluded from your estate for estate duty tax;

4. Your funds will be safe from creditors, who are not allowed to claim against your retirement funds; and

5. On retirement the first R500 000 of the amount you withdraw will be tax free.

The biggest difference between a pension preservation fund and a retirement annuity is that a pension preservation fund allows you to withdraw once before the age of 55, providing you with an emergency exit – should you need it. A retirement annuity does not.

UNDER WHICH CIRCUMSTANCES IS IT ACCEPTABLE TO CASH OUT YOUR PENSION MONEY?

Preferably not before your official retirement date. The problem with withdrawing before retirement is that you are taxed at a much higher rate.

The first issue is that, if you change jobs, or withdraw from your pension or provident preservation funds before age 55, you will only receive R25 000 tax free compared to R500 000 upon retirement.

Second, people who use their pension funding to consolidate or settle debt very seldom adjust their expenditure budgets and keep on spending at the same rate as before, leaving them with not enough extra income to "catch up" on their pension savings.

> If you change jobs, or withdraw from your pension or provident preservation funds before age 55, you will only receive R25 000 tax free compared to R500 000 upon retirement.

My advice would be to revisit your expenditure budget, increase your contributions to your pension funds (you can contribute as much as 27.5% of your taxable income with a limit of R350 000 per year) and receive between 18% and 41% back from Sars as a tax refund. The tax refund should then be used to pay extra lump sums into your house bond or debt. The growth in your pension fund is tax free and after age 55 you can withdraw R500 000 tax free that can be used to settle the last bit of debt and leave you debt free and with funds for your retirement. ■

Wouter Fourie is director of Ascor Independent Wealth Managers and was named financial planner of the year for 2015/16.

In your 40s, all salary increases and bonuses should be seen as an opportunity to contribute more to your pension fund or savings account.

Schalk Louw
Portfolio manager at PSG Wealth

WHAT SHOULD MY FINANCIAL PRIORITIES BE?

20s: In your 20s, your focus should be on paying off any outstanding debts, such as overdraft facilities, credit card debt and study loans.

30s: In your 30s, it may be necessary to shift your financial goals towards the purchase of a house or perhaps to expansion of your family. Carefully monitor existing debts and make sure that you are making good progress in paying them off. This is also an excellent time to join your company pension scheme or to invest in a personal retirement annuity. Other long-term investments should also be considered at this stage.

40s: In your 40s, you should focus on saving, so acquiring a share portfolio or savings account becomes essential at this stage. At this point, all salary increases and bonuses should be seen as an opportunity to contribute more to your pension fund or savings account. Another excellent saving method is to deposit extra funds into your mortgage or credit card account. At the current mortgage rate, this is equal to earning 10.5% (prime rate) tax free on your savings, while this rate is doubled on your credit card. This is the decade in which you need to focus on wiping out your debt so that you can increase your monthly savings to the maximum when you are in your 50s.

50s: This is the time during which you have to decide on your exact retirement age. It must serve as a guideline for your saving strategy going forward, as this will determine the amount of effort you will need to put into reaching your retirement goals.

HOW CAN I GET MY SPENDING UNDER CONTROL?

Many people have trouble saving money and often find it impossible to make ends meet. Out of desperation, many of them feel that earning an extra income is the only way to survive. The sad fact is that most of them still struggle with saving, despite the increase in income. Start by determining the exact flow of funds into, and out of your bank account on a monthly basis. Following a regularly updated and strict budget will certainly help you to achieve this. In the words of Warren Buffett: "If you can measure it, you can manage it."

"If you can measure it, you can manage it."

Once you know exactly what your spending habits look like, you can start to control them. One of the biggest culprits that keeps South Africans from saving is the fact that too many people live above their pay grades. Buy cheaper and smarter. If, for example, you cannot afford a specific TV package, cancel it, or consider a downgrade to a cheaper package. Also avoid incurring additional debt that will ultimately only keep you from reaching your financial goals for longer. ■

Schalk Louw is a portfolio manager at PSG Wealth.

Craig Gradidge
Co-founder of Gradidge-Mahura Investments

THERE IS A BIG FOCUS ON THE TAX-DEDUCTIBILITY OF PENSION FUND/RETIREMENT ANNUITY (RA) CONTRIBUTIONS OVER THE COURSE OF YOUR WORKING LIFE. BUT WHAT HAPPENS TAX-WISE WHEN YOU REACH RETIREMENT?

The tax-deductibility is an important incentive for people to provide for their retirement. It can be a significant incentive for people earning more than R188 000 per annum, as they can get as much as R28 back for every R100 invested. They then get growth in their pension fund/RA on the R100 invested.

At retirement they can access these funds either in the form of a lump, an income, or a combination of the two. If the investor takes a lump sum at the point of retirement, that lump sum will be subject to the retirement tax tables. With the retirement tax tables, the first R500 000 is tax free and the remainder is taxed on a sliding scale. If the retiree has withdrawn funds before this (post October 2007) such withdrawals are added to the current withdrawal when calculating the tax. This means that previous withdrawals may reduce the tax-free portion that the retiree receives. There is a difference in how much of the pot the retiree is able to withdraw; they can withdraw a third from pension funds and retirement annuities, and up to the full amount from the provident fund. Such withdrawals are subject to the same tax treatment though.

With the retirement tax tables, the first **500 000** is tax free and the remainder is taxed on a sliding scale.

Whatever income the retiree takes from this pot is subject to income tax. Retirees qualify for higher rebates from age 65, which has the effect of reducing their effective tax rate. A higher rebate applies from age 75. All income from a retirement income product is subject to income tax, irrespective of where those funds originated from – whether from provident funds, pension funds or RA funds. Funds in the retirement income product grow tax free, but the income is taxed.

AS A RETIREE, HOW CAN YOU MINIMISE THE IMPACT OF TAX ON YOUR EARNINGS?

A proper retirement plan takes into account the tax efficiency of the retiree's income long before they reach retirement age. All income from a retirement income product (living annuity or a guaranteed annuity) is subject to income tax. A retiree earning over R9 680 a month could benefit from some tax planning. However, this requires that the retiree has some discretionary capital, and not all their retirement monies are invested in retirement products.

To mitigate tax, the retiree has a few options:

- **Make use of all tax exemptions (the interest exemption is R34 500 per annum for persons over 65. (Capital Gains Tax annual exemption is R40 000);**
- **Use tax-exempt products (like tax-free savings accounts);**
- **Earn dividend income (currently taxed at 15%);**
- **Consider tax-efficient funds (such as those offered by Sanlam and Prescient);**
- **Take some income from capital drawdowns (to access exemption and lower tax rates – the maximum rate is 16.4%); and**
- **Those who earn really high incomes could invest a portion of their funds into an endowment as returns are taxed in the endowment at a lower rate than in the hands of the investor.**

In order to achieve a high level of tax efficiency, an investor needs to plan long in advance of retirement. This will ensure that they have a large enough capital amount in the tax-free savings account, and long enough exposure to dividend-yielding equity for the income to be at a meaningful level. ■

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

Jeanette Marais
Director of distribution and client service at Allan Gray

PERSON X ALREADY CONTRIBUTES TO A COMPANY PENSION OR PROVIDENT FUND. SHOULD THEY ALSO GET A RETIREMENT ANNUITY (RA), OR WOULD IT BE BETTER TO LOOK AT OTHER INVESTMENT PRODUCTS?

Your decision will depend on how much you are currently saving with your company scheme. Making full use of your 27.5% tax deduction allowance will help you in the long run, so it may be advisable to supplement your pension or provident fund with a retirement annuity. An RA is different from a company scheme in that you are the ultimate owner and it stays with you as you progress through your career with different jobs.

You may want to consider using other products, like tax-free investments (TFI) and basic unit trusts. With TFI products you use after-tax money to invest, but you pay no tax later; your withdrawals are completely tax free. The catch being that you may only invest R500 000 over your lifetime and R30 000 a year, which may not be enough to fund your retirement – but you can use a TFI in conjunction with your normal retirement product to give you greater access to equities and offshore investments, and reap tax-free returns.

Unlike in RAs and TFIs, your returns in a unit trust will be taxed – which will reduce your returns. The benefit is the freedom to invest into any assets and access to your money when you choose. However, you may be tempted to withdraw and lose out in the long term. We encourage investors to see an independent financial adviser who can help them make a decision that meets their needs.

WHAT ARE THE KEY ISSUES AN INVESTOR SHOULD CONSIDER BEFORE SIGNING UP FOR AN RA?

RAs offer flexibility and choice for investors, but they have some restrictions that you need to be aware of:

- **Prescribed legal investment limits restrict how much you can invest in the types of investments that are considered higher risk, for example equities and offshore investments;**
- **You can only access your money after the age of 55; and**
- **When you retire you can only withdraw up to one-third of your investment as cash (you may only withdraw all of it as cash if the total amount is below R247 500). The rest must be transferred to a product that can provide you with retirement income.**

To compensate you for these restrictions you can make full use of your tax deduction that is the greater of: 27.5% of total gross taxable income or 27.5% of total gross remuneration (subject to an annual ceiling of R350 000).

WHAT IS THE IDEAL PROPORTION OF A PERSON'S GROSS SALARY THAT SHOULD BE INVESTED INTO A PENSION/ PROVIDENT FUND OR RA?

Assuming that you will be comfortable living off 75% of your pre-retirement salary, our research indicates that saving 17% of your salary is a reasonable starting point for the 25-year-old saver. This amount increases dramatically the later you start. You need to save 22% if you start saving at 30, up to 42% if you start at 40, and up to 59% if you start at 45. It is important to note that these numbers are simply averages and assume a consistent, inflationary salary increase each year, that you retire at 65 and that you earn an average return of consumer price inflation (CPI) plus 5%. ■

Jeanette Marais is director of distribution and client service at Allan Gray.

WHAT ARE THE FOUR BIGGEST RETIREMENT SAVINGS MISTAKES YOU SHOULD AVOID?

Rupert Giessing
Director at Vista Wealth Management

Not starting to save early enough

People often delay starting to save for retirement, because there is always something more important to do, and thinking that it's so far in the future and they can start "next year". Quite often next year then becomes the year after that and the year after that, and then you wake up one morning and you are 10 years away from retirement and you haven't put away anything. The earlier you start, the less pressure there will be the closer you get to retirement. Never underestimate the power of compounding and what it can do for you.

Not saving enough

If people do save for retirement, quite often they don't save enough. But now I hear you asking: "How much should I save?" The first answer to this question is: "As much as you can, and from as early as you can." As a general rule of thumb, it's recommended that you save at least 10% to 15% of your gross income for retirement. But that is just a general guideline, you need to have a goal, and a plan that is going to help you get there. Saving for retirement is the same as training for a marathon. You need to measure your progress and success on an ongoing basis to ensure you stay on track.

Withdrawing funds when you change jobs

You save for retirement in order to provide you with an income during retirement. The days where people stay in one job their whole lives are gone. People change jobs more often, and when doing so they don't preserve their retirement benefits, but instead withdraw the funds and take the cash. This has the same effect as starting to save for retirement too late and the result is severely compromised benefits at retirement.

Not using the correct retirement saving vehicles

You're allowed to contribute as much as 27.5% (capped at R350 000 per annum) of your gross remuneration or taxable income towards pension, provident or retirement annuity funds. With these saving vehicles you save pre-tax and therefore get the benefit of compounded growth on a larger amount. Investors must also utilise their tax-free saving account (TFSA), which currently has an annual limit of R30 000 with a lifetime contribution limit of R500 000. The returns or growth you earn on your TFSA are completely tax free. ■

Rupert Giessing is a director at Vista Wealth Management, a representative under supervision of Accredinet Financial Solutions.

WHAT SHOULD YOU ASK YOUR FINANCIAL ADVISER?

Magnus de Wet
Director at Vista Wealth Management

What are your qualifications and experience?

Investors must remember that anyone can call themselves a financial adviser. This is not to say an adviser with good qualifications and a great deal of experience will by default be a good adviser, but at least it's a starting point. In South Africa, Chartered Financial Analyst (CFA) or Certified Financial Planner (CFP) are two highly respected qualifications. If you're too shy to ask the adviser straight up about their qualifications or experience, you can Google them or look at their profile on LinkedIn.

What services do you provide?

Personal finance is a wide field and over the years financial advisers inevitably start specialising. You might have a specific need, so ensure your financial adviser can service that need, or at least have access to someone who would be able to.

Are you tied to a specific product provider, or are you independent?

"Tied" advisers often benefit from large financial institutions that back their advice. They have access to qualified leads, support systems and sometimes a guaranteed salary at the end of the month. The problem with "tied" advisers is that if they move to another financial institution their clients stay behind and they need to start a relationship with a new adviser from scratch. This is not the case with independent advisers.

How are you remunerated, and what are your fees?

Some advisers charge a percentage for assets under management whereas others make money selling specific products to you. By asking this question, not only will you understand the costs to you but you'll also know whether the adviser has an incentive to sell you a specific product.

Can you provide me with references?

This way you can get an independent opinion about your potential new adviser. Ask the references questions like how regularly they meet and the adviser's response time on queries or issues in the past.

Could I see an example of a financial plan you have prepared?

There is no set structure for financial plans. Some might be very long and detailed with charts and graphs while others could provide a snapshot plan within a few pages. The investor must decide which approach they feel more comfortable with. ■

Magnus de Wet is a director at Vista Wealth Management, a representative under supervision of Accredinet Financial Solutions.

AN ELECTION OF FIRSTS

By Petri Redelinghuys

The US will vote for a new president on 8 November and for various reasons this election is an historic one. The market, however, is not a fan of unpredictability, so here are a few things to consider going into election week.

Every so often the market becomes obsessed with the seasonality of its own returns. I use the term 'market' broadly in order to encompass the market itself, as well as those who participate in it, including traders, investors, analysts and media. The reason being that all of these participants and commentators have some impact, or influence, on the outcome of the market, no matter how big or small.

Collectively we all get a little caught up in the hype from time to time and have a particular penchant for forecasting and speculating over the outcome of the US elections (also see page 4). Perhaps it is because we all have a vested interest in who the next president of the United States is, seeing as the US is probably the most powerful and influential country in the world, especially when it comes to financial markets.

One does not have to look too hard in order to find some of the statistics around the cyclical nature of the US elections, and in truth, there is likely some value in understanding the statistics behind the interaction of the four-year election cycle and the market in general.

"This time it's different" is written all over this election though, and for the most part it is true. For the first time in US history there is a woman in the running to become the next president. Take that in, because it is a big moment. Regardless of whether she wins or not, the very fact that Hillary Clinton is in the running for the White House is historic and, in the view of this writer, a great victory for fairness and equality.

Not only is there a woman in the running for this election, but there is also Donald Trump. Loved by those who love him for "saying it like it is" and "being a normal (relative, I suppose) person and not a politician". Hated by those who hate him for "grabbing them by the p*ssy" and "building a wall to keep the bad, bad *hombres* out". The man is, I don't know, different to any other candidate that has ever run for president in the US. So yes, this time around it is different, if only because we have two absolute firsts of their kind to run for US president, head-to-head in the same election.

For the first time in US history there is a woman in the running to become the next president. Take that in, because it is a big moment.

US elections and the market

Different, new and unpredictable are all concepts with which the market is somewhat uncomfortable. I hate to say this because it is said so often, but the market does not like unpredictability. This means, of course, that many participants are becoming uneasy and are looking for clues as to how to position their investments before the "end of the world" as brought on by their favourite candidate, whomever it may be, not winning the election. Therefore, from the onset of this article, I propose that if you are invested with a long-term outlook, you do nothing going into the election on 8 November.

Nonetheless, it may be helpful to understand the potential impact it would have on world markets if one or the other candidate wins.

Let's start by looking at how the market has performed in general during election years in history.

Alan Blinder and Mark Watson, professors of economics at Princeton University, wrote a paper about the performance of the US economy with respect to US

"The performance of the stock market between Election Day and Inauguration Day might be taken, in part, as a statement of investor confidence - or lack thereof - in the incoming administration."

PERFORMANCE & VALUATION OF US S&P 500 IN YEAR OF US PRESIDENTIAL ELECTION AND IN THE NEXT YEAR

Year	Gain (%)				Cyclically-adjusted P/E ratio			
	Election year			Next year	Election year			Next year*
	Total	Pre	Post		Start	Nov.	End	
1960	-3	-8	5	23	19	17	18	22
1964	13	14	-1	9	21	23	23	24
1968	8	7	1	-11	22	22	22	17
1972	16	12	4	-17	17	18	19	13
1976	19	14	4	-12	10	11	12	10
1980	26	20	5	-10	9	9	9	8
1984	1	3	-2	26	10	10	10	12
1988	12	11	1	27	13	15	15	18
1992	4	1	4	7	18	19	20	21
1996	20	16	4	31	25	26	28	33
2000	-10	-3	-8	-13	44	39	37	31
2004	9	2	7	3	27	25	27	26
2008	-38	-32	-10	23	26	16	15	20
2012	13	15	0	30	21	22	21	25
Average	5	4	1	7	17	17	17	17

SOURCES: Bloomberg, Thomson Datastream, Shiller, Capital Economics *At year-end

presidents making use of data dating all the way back to Harry Truman. One of the things they had looked at was a period they called the "lame duck" session between an election and the inauguration of the new president.

"The performance of the stock market between Election Day and Inauguration Day might be taken, in part, as a statement of investor confidence – or lack thereof – in the incoming administration," they wrote.

Looking at the figures, they noted: "It gives a slight edge to incoming Republicans, despite the fact [...] that stock prices actually rise much faster under Democratic presidents than under Republican presidents. Specifically, the S&P 500 gained a minuscule 0.15%, on average, during the four Democrat-to-Republican transitions, but lost an average of 1.38% during the four Republican-to-Democrat transitions.

"However, more than 100% of the average Democratic transition loss came because stock prices were crashing during the Obama transition. Since the economy was collapsing at the time, it is hard to attribute this drop to lack of confidence in Barack Obama."

The general reasoning that Republican presidents are better for financial markets due to a less conservative and more pro-business attitude is well established, although looking at history it is clear that markets have performed better under Democratic leadership. S&P Capital IQ analysts looked at the average annual returns of the S&P 500 Index under American presidents since 1945 and found that the average annual gain under Democratic leadership was 9.7%, while under Republican leadership it was 6.7%.

Looking at general market performance during and in post-election years in the US, we can see that on average since 1960 the S&P 500 has gained 1% during the election year and 7% in the year immediately after the election (see bottom table). Also, interestingly, the third year of the four-year election cycle has proven to be the strongest year of the four-year election cycle, with the highest probability of being a positive year, regardless of who wins.

Investors remain jittery though. During the week of 19 October a total of $17bn was withdrawn from mutual funds (unit trusts) and almost all of the funds that

were withdrawn were from US funds. This indicates to us that the market at large is not comfortable with whatever the outcome might be of the election.

What if Trump wins?

The biggest fear, it would seem, stems from a potential Trump win. Billionaire investor Mark Cuban has gone as far as predicting a crash in the event of a Trump win. He said during an interview with Fox Business that he has hedged himself 100% going into this election and that if Trump wins the presidency, he will increase that hedge to over 100% as he expects that the market will crash.

Forecasting firms seem to share his sentiment. Macroeconomic Advisors, one such firm, has forecast an 8% selloff if Trump wins and a 2% rally if Clinton wins. The Bookings Institute is forecasting a 10% to 15% nosedive in the event of a Trump win. The main reasoning behind the bearish sentiment that surrounds a Trump presidency is the fact that Trump is perceived as a bit of an unpredictable loose cannon. The market, as said earlier, does not like unpredictability. Clinton, on the other hand, represents a well-groomed, vastly experienced candidate that will be good for foreign trade policy, and therefore the market is a lot more comfortable with her at the helm.

Mark Cuban
Billionaire businessman and investor

Even though these forecasts are interesting and topical, they lack a certain practicality. There must be some opportunity in either outcome, so let's explore some of the potential opportunities and the reasoning behind them in either scenario. Fortune did a study in which they looked for stocks that were closely correlated to candidate polling odds.

Firstly, the Mexican peso has weakened each time Trump's polling numbers have increased, and strengthened each time his polling numbers have decreased. The driving force behind this is that Trump has said, among other things, that he wants to build a wall along the Mexican border to "keep immigrants out" and impose substantial import duties on Mexican goods. As you could imagine, that would be catastrophic for Mexico as trade relations between the two countries would break down. We can therefore assume that regardless of the result of the election, there is likely to be a rather big reaction in the Mexican peso versus the US dollar. A potential, and very speculative, trade looms.

Then there is this business of actually building the wall. A company called Cemex – one of the biggest concrete makers in the world, which just so happens to be located in, you guessed it, Mexico – has been displaying a very high positive correlation to Trump's polling numbers as well. In fact, since Trump's initial comments about the wall, the company's stock has risen some 30%-odd. One could reason that should Trump win, this company could potentially land a $10bn cement supply contract. The stock will likely soar. In the event that Trump does not win, however, it seems that the market has traded this stock up to a 30% premium… Again, a potential opportunity exists, regardless of the outcome.

Winners and losers of a Clinton presidency

Clinton has her own impact on the market as well, particularly in biotech and banking. She has been rather outspoken on her stance with regard to the biotech industry and the pricing of medicines. In fact, she has sent the biotech sector into a bear market once in the past already when she'd tweeted in September 2015 that she would be laying out a plan to take on price gouging in the industry. Most recently, in August of this year, she'd commented that the prices of EpiPens, a measured-dose epinephrine auto-injector, are too high and that such high prices could mean the difference between life and death. It can be reasoned then that her ascent to the White House could lead to a descending price trend in biotech stocks as heavier regulations for the sector looms.

Clinton could be good for banking though. Her close ties to Goldman Sachs have often been a topic in one of the many anti-Hillary spewings of her opponent. The correlation between Wall Street banks and Clinton's polling numbers are rather high as she is perceived to be pro-financial services and pro-Wall Street.

Trump has also commented that he is against continued free trade agreements with current North American Free Trade Agreement (Nafta) members. This raises concern that he may want to renegotiate most foreign trade agreements to more favourable terms for the US, which of course could lead to disaster. Higher taxes on imports into the US from China, for example, could put a lot of pressure on a seemingly recovering Chinese economy, and thus world economic growth.

This is all speculation though. The one thing that we do know for certain is that markets are cautious and so far $17bn worth of capital has left the capital markets in search of safety. Interestingly, there is also a relatively high correlation between the performance of gold and Trump's polling numbers, so we can assume that some of those funds have found their way into the historic safe haven. Perhaps another potential trade once the outcome of the election is known?

The one thing that we do know for certain is that markets are cautious and so far

$17bn

worth of capital has left the capital markets in search of safety.

Other than the odd speculative trade on the back of the election outcome, there is not terribly much to do for the longer term investors, I would think. The outlier, or fat tail, here is that there is a Brexit-type reaction to the election result. That would be the worst case scenario. Although even so, markets will recover and long-term investors will hardly notice the move on a chart in ten years from now. So grab some popcorn and enjoy the show, because whatever the outcome might be, the US will have the first ever of a new kind of president. ■

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POLES APART ON MINIMUM WAGE DEBATE

By Ciaran Ryan

A national minimum wage is due to be introduced in South Africa, but consensus about its level and effects seems to be far off.

South Africa is to have a national minimum wage. The only remaining question is at what level: speculation is it could be anything from R2 500 to R4 000 a month.

This is a highly polarising debate. Labour and government say a national minimum wage is needed to reduce inequality and achieve a dignified wage. A study by Wits University's National Minimum Wage Research Unit suggests a national minimum wage set at R3 500 to R4 600 a month will not seriously imperil jobs. Some suggest a reasonable minimum wage could in fact promote economic growth. The University of Cape Town's School of Economics says the economy could probably sustain a minimum wage of R2 447 a month, whereas a higher minimum wage of R3 400 would likely result in job losses.

Others have set much higher targets: The UK-KZN Pietermaritzburg Agency for Community Social Action (Pacsa) wants a minimum monthly wage of R8 000. "Why stop there?" asks Leon Louw, executive director of the Free Market Foundation (FMF). "Why not R10 000, R100 000, R1m? Any increase in wages will result in job losses, so the higher the minimum wage the more jobs will be lost."

Big business has been largely silent on the issue, but the FMF and employer organisations such as the

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National Employers' Association of SA (Neasa), representing smaller businesses, are dead against it. They argue a national minimum wage will add to the country's official unemployment rate of 26.6% and create an aristocracy of workers pitted against an underclass of angry, disillusioned job seekers.

In fact, big business may even see some benefit in a national minimum wage that would raise costs for smaller competitors. Notably absent from the debate are the unemployed, other than a few plaintive voices on the trailing edge of the hurricane of support for a national minimum wage. All that remains to be decided, it seems, is what the level of the minimum wage will be, and whether any exemptions will be allowed. If exemptions are allowed, this may render the minimum wage ineffective.

In August deputy president Cyril Ramaphosa, wearing his hat as chair of the National Economic Development Council (Nedlac), appointed a panel to decide on an appropriate national minimum wage.

Leon Louw
Executive director of the Free Market Foundation

"The national minimum wage is cruel, inhumane, discriminatory, regressive and oppressive."

Existing minimum wages

Roughly 70% of low-wage workers in SA are already covered by some form of minimum wages, enforced through sector-specific bargaining councils and so-called sectoral determinations. Domestic workers fall under sectoral determinations, establishing the lowest minimum wage in rural areas at R1 813 a month. The highest sectoral determination is R6 506 a month for managers in the retail sector. The median wage for all South African workers in 2015 was R3 171.

Collective bargaining councils set wages and conditions for different industries – a highly contentious point currently being challenged in court by the Neasa and other employer groups. But certain occupations fall outside the collective bargaining councils, which is a hole the government wants to plug.

Collective bargaining, covering about 32% of lower-wage workers in SA, has succeeded in maintaining wage levels but is unable on its own to combat working poverty, according to a paper by Gilad Isaacs, a researcher at Wits University's School of Economic and Business Science. "Sector-set minimum wages, enacted via eight sectoral determinations, cover approximately 46% of lower-wage workers. Since their institution the levels of the sectoral determinations have increased by between 16% and 81% in real terms. But many workers in these sectors still earn exceptionally low wages: 75% of agricultural workers earn below R2 600, and 90% of domestic workers below R3 120."

Unskilled workers are most at risk from rising minimum wages, and for proof we need look no further than domestic workers, numbering 984 000 across the country and making up 7.8% of the black SA labour force. According to Stats SA, 45 000 domestic workers lost their jobs in the first quarter of 2016. A recent survey by Old Mutual found 61% of households across all income groups said that they would fire their domestic worker in order to cut monthly expenses.

Given the growth in the black middle class in SA over the last decade, domestic employment should be substantially higher. Instead it has shrunk in recent years as economic conditions tighten and labour restrictions make it less attractive for households to hire workers, according to Louw.

THE CASE FOR A NATIONAL MINIMUM WAGE

A study by the University of Cape Town's School of Economics called Investigating the Feasibility of a National Minimum Wage for SA says 90% of International Labour Organization members have some form of minimum wage in place. The stated purpose is reducing low pay levels, redistributing income from employers to workers and encouraging labour productivity. However, there is little empirical evidence "to suggest that minimum wages alone can significantly impact poverty in a labour market such as South Africa's, where many of the poorest households either have very few or no wage earners".

While the international evidence suggests moderate increases in minimum wages result in little or no decrease in employment, the University of Cape Town study says most research has focused on high-income countries. While advocating a modest minimum wage for the country, the University of Cape Town study notes: "There is certainly a level beyond which a minimum wage will begin to negatively affect employment, and crucially this level may vary across geographic regions, sectors, and firms. This is a noted strength of South Africa's current SD [sectoral determination] and BC [bargaining council] system, where wages are bargained in a decentralised manner, or set by sector."

Wits University's Isaacs concludes that minimum wages work, and are easier to implement than

sector-based minimum wages. "Minimum wages have been successful at raising wages for low-wage earners in both developed and developing countries. In Latin America, a 10% increase in minimum wages led to an increase in average wages of between 1% and 6%, with low-wage workers benefitting disproportionately. Minimum wages have directly reduced inequality in the formal and informal sectors across Latin America, and in Indonesia, Russia, China, India and Europe."

In another study by Wits University's National Minimum Wage Initiative, Ilan Strauss and Gilad Isaacs argue that an increase in labour's share of the economy will allow wages to catch up with labour productivity. Labour's share of the economy is about 5% of GDP, which is below that of its emerging-market peers.

"A rising labour share can help reduce income inequality in SA given that wage income, though incredibly unequally distributed, is still less unequally distributed than capital income." It does this by promoting increased consumption as workers have more to spend, and is sufficient to outweigh any negative impact on investment, according to the researchers.

THE CASE AGAINST A NATIONAL MINIMUM WAGE

FMF's Louw points out that those who push a national minimum wage understand that job losses will be the result, the only question is how many. He has called for the names of the national minimum wage (NMW) panel to be made public so that those who lose their jobs as a result of minimum wages will know who to blame.

"The national minimum wage is cruel, inhumane, discriminatory, regressive and oppressive," said Louw at a media event in Johannesburg in October. He referred to the research by Wits University as "academic deception".

Louw told *finweek* that if SA must have a minimum wage, it should be zero. "The research we've seen in support of a NMW applies to countries which are nothing like SA, where more than half the youth are unemployed. One point often overlooked in academic studies is that SA has a high labour substitution rate. We've already seen this in parts of the Western Cape where thousands of farm workers in the fruit industry have been replaced by machines."

Given the large number of unemployed South Africans, raising the price of employing someone is "economically insane and morally reprehensible", said Louw.

If a compromise is required and the NMW is a deal done, then the FMF urges the use of job seekers' exemption certificates (JSECs), where the job seekers can waive their rights to legal terms and conditions and to offer their labour at a rate negotiated with the employer, for prescribed periods and conditions. The FMF says a socio-economic impact assessment must be undertaken before any decision on establishing a national minimum wage is reached, as this would impact the job prospects for the millions of unemployed people in SA.

Some commentators point to the agriculture sector as an example that minimum wages can lead to job losses.

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Impact on employment

Certain sectors in SA are particularly sensitive to wage increases. A 2015 unpublished study by Stellenbosch University estimates that farm employment decreased by 16% as a result of agricultural minimum wages, of which roughly half was attributed to higher unskilled labour costs. In the clothing and textile sector, which is not covered by a sector determination, minimum wages enforced by the national bargaining council resulted in the closure of four factories in Newcastle in 2011, threatening 20 000 jobs. These factories had to contend with minimum wages set by bargaining councils dominated by unionised firms in metro areas producing clothing for wealthier clients, and therefore with more scope to pay higher wages. The Newcastle factories, producing for the lower end of the clothing market, could not compete and were beaten into oblivion.

The effect of minimum wages in SA has not been extensively studied, but what studies have been done show mixed results. "In most sectors the effects on employment have been benign, while employment in the agricultural sector was negatively affected by the introduction of minimum wages," according to the University of Cape Town study.

Metalworkers in SA earn

40%

more than the next best paid sector.

Gerhard Papenfus
Chief executive of Neasa

Gerhard Papenfus, chief executive of Neasa, says metalworkers in SA earn 40% more than the next best paid sector. The cost to companies of this arrangement is close to R10 000 a month per worker employed, which he says is unsustainable. This is the result of a restrictive labour environment, specifically the collective bargaining system where trade unions and mainly big business agree on pay and working conditions. These agreements are then applied throughout the sector, even to those who are not signatories to the agreement. This has the effect of raising labour costs for all businesses in the sector.

A group calling itself the Langeberg Unemployed Forum has come out against a national minimum wage, arguing that most of SA's unemployed are young. "In cases where the unemployed people were once breadwinners, this means families who are struggling and starving, silently [and] far from the eyes of politicians who are living comfortable and sheltered lives," said the forum in a recent statement. "The situation is getting worse, with more joining the ranks of the unemployed. More retrenchments are imminent and that will increase the number of unemployed people. Setting a minimum wage will result in the exclusion of especially young, unskilled workers, many of whom do not have work experience." ■

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Government's duplicity on minimum wages

While a government-appointed body decides on an appropriate minimum wage for the country, it risks shutting millions of South Africans out of any kind of work at all.

Nothing expresses the duplicity of government policies more than its Expanded Public Works Programme (EPWP), which recently increased wages for participants to R83.59 a day from the previous R78.86 a day.

That works out to about R1 800 a month, which is well below the minimum wage levels being touted by various contributors to the debate.

Advocates of low or no minimum wages argue that the principle behind the EPWP should be extended to the private sector so that unemployed South Africans can get a break into the job market.

The idea behind the EPWP is to provide some level of economic participation and skills training for the otherwise unemployed.

The Centre for Development and Enterprise (CDE) published a series of papers earlier this year setting out policy recommendations for achieving higher rates of growth and employment. "Sustained, rapid and inclusive growth is the sole basis on which the quality of life of millions of people can be permanently raised: it is economic growth that raises wages and income and makes it possible for farm workers to risk leaving poorly-paid, back-breaking toil in the countryside for a higher-paying job with better prospects in the city; and that makes possible a rise out of poverty and the attainment of a greater measure of dignity and empowerment," the CDE says in one paper.

SA is mired in a low-growth trap, hemmed in by policies that favour the elite and the already employed, but positively discriminate against the unemployed. The CDE says future growth must be far more inclusive and labour-intensive than the high-skill, high-capital intensity of the existing economic scene.

Eventually, government will be faced with a stark choice between high and low growth. The low-growth route is the one we are on, and it risks an unravelling of the social order. The high-growth route requires a substantial overhaul of labour policies as well as its elitist approach to transformation. ■

on the money

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CEO INTERVIEW

By Lloyd Gedye

Icasa a weak ref in tough fight

The legal challenge to his position as acting chair of the Independent Communications Authority of South Africa is not the only obstacle Rubben Mohlaloga has found himself confronted with.

"tough is an understatement," answered Icasa acting chair Rubben Mohlaloga, when asked by *finweek* how his first few months in the job had been.

The Independent Communications Authority of South Africa (Icasa) has found itself on the receiving end of government legal challenges and consumer activism campaigns in the recent past. At the same time, Mohlaloga's job as acting chair is also the subject of a legal challenge from Icasa councillor Nomvuyiso Batyi.

Batyi has alleged that minister of communications Faith Muthambi gave her a letter of appointment as acting chair, but refused to gazette her appointment unless she made sure that a television-broadcasting license went to a company owned by the controversial Gupta family.

Both Muthambi and the Gupta family have denied the allegations.

Who is Rubben Mohlaloga?

Mohlaloga is a trained teacher. He comes from a "poor" background in Limpopo and wanted to be a lawyer or a journalist, but ended up studying teaching. "I fell in love with the teaching profession," he said. "I suspect I may retire to teach again."

Officially Mohlaloga joined the Congress of South African Students in 1988 and the ANC in 1991, but says he was active in ANC politics before the organisation was unbanned. He has served both locally and regionally for the ANC and SACP and served as a member of Parliament (MP).

Mohlaloga served as the ANC Youth League's deputy president from 2001; first under the presidency of Malusi Gigaba who took the reins in 1996, and then under Fikile Mbalula who took over in 2004.

Mohlaloga was arrested in 2012, alongside two other accused, on charges of theft and corruption related to the misappropriation of R6m from the Land Bank's AgriBEE fund.

At the time of the alleged theft, Mohlaloga was an MP and chairperson of the agriculture portfolio committee in Parliament.

The state alleges that R866 000 of the stolen money was used to buy two BMWs for Mohlaloga.

All the accused were expected to appear in the Specialised Commercial Crimes Court in Pretoria this year, but the case was postponed.

Mohlaloga said he had no comment on the matter, "safe to say that the charges are baseless and with suspicious motive".

He joined Icasa as a councillor in July 2013. Before that he had held the position of chief director of policy at the department of communications. The department was later split into two, namely communications and telecommunication & postal services.

#DataMustFall

Speaking about the #DataMustFall campaign started by DJ TBo Touch in September, Mohlaloga says "we welcome

consumer activism in our sector. Consumers must appreciate that they have rights that must be protected."

The DJ appealed to the network operators to lower their costs within a month, or he would move to the network provider that did make a change. The hashtag trended on Twitter and soon Mohlaloga was calling up the DJ to set up a meeting.

The campaign gained support from students, unions, political parties and even became the focus of the parliamentary portfolio committee on communications.

Icasa has been busy this year with a roadshow taking their regulatory work to diverse communities, exposing them to its complaints mechanisms that consumers can use to protect their rights.

"We take bringing down the cost to communicate very seriously," says Mohlaloga. "I hope the operators are listening to consumers."

But not everyone is convinced.

"If Icasa thinks that the mobile operators hold consumers' interests above those of their shareholders, its delusional," said an industry insider.

Spectrum auctions and high court interdicts

Another pressure point for Icasa has been its plan to auction off valuable spectrum to the highest bidders.

Icasa announced its decision to hold a spectrum auction in July this year. The regulator stipulated that there would be five lots of spectrum on auction, lots A to E. Lot A would not be part of the auction and would be allocated through another process.

Mohlaloga said Lot A was intended for the open access network that the ministry of telecommunications and postal services wanted to create.

The network is detailed in the department's ICT Policy White Paper, which was only published after the spectrum auction was announced. Icasa stipulated five lots for auction that included spectrum allocations in the 700MHz, 800MHz and 2 600MHz bands.

Icasa stipulated that each lot would have a reserve price of R3bn and that applicants would only be allowed to bid for one of the lots.

DJ TBo Touch
Entrepreneur, entertainer and founder of the #DataMustFall campaign

It had initially stipulated an October deadline for its invitation to apply, but later extended it till November. The regulator had hoped to announce the results of the auctions by January next year, and issue licences in March.

However, then telecoms and postal services minister Siyabonga Cwele took the regulator to court, seeking and receiving an interdict against the auction process.

The High Court ruled that the auction process should be subject to a full review in court and interdicted Icasa against continuing with the process.

A date has not been set for the case; some have suggested it may only be heard in the middle of next year.

It has been suggested that the licensing process could take seven to eight months, so this process may well drag into 2017, even without further legal challenges.

"It's going to take a long time," said one industry insider.

In the meantime the department has published its ICT Policy White Paper. "There is no point in Icasa continuing with the auction," said a department insider. "There is policy now and they are required by law to consider it."

Mohlaloga said that Icasa is busy studying the policy paper as required by the Electronics Communications Act. "In our work we have to consider policy," says Mohlaloga. "We don't necessarily have to agree."

"We hope Icasa revise the ITA," said an industry insider. "The policy is not asking for an auction, it's saying invest this money in a public network instead."

"They [the operators] should come together and run this network on a voluntary basis," said the insider. "If they don't want to, they don't have to be party to the network, but they can still buy capacity from the network."

Many vocal critics have dismissed the plan as doomed, insisting the investment case was not there for the operators if they don't own the spectrum.

The spectrum

However, not all of the 700MHz to 800MHz and 2 600 MHz bands of spectrum can be used immediately.

Traditionally the 800 MHz is used for mobile. There is 60 MHz of this, and it is anticipated this could accommodate three operators at decent speeds, with each receiving an allocation of 20 MHz.

When it comes to the 700 MHz, there are currently no gadgets in South Africa that can pick up the signal, so this will delay any roll-out in the market using this band.

Numerous industry players that *finweek* spoke to insist that the two lucrative spectrum bands are lots C and D. This is because they have allocations in the 800MHz band. "We are not talking about spectrum of equal value," said one industry insider, who pointed out that despite this, operators must pay the same service fees as for the more lucrative lots.

Critics argue that Icasa with its planned auction was merely going to hand over the most valuable spectrum to the dominant players, MTN and Vodacom.

"The incumbents are dictating the conversation," said one industry stakeholder who did not want to be named. "They don't care about the 400 other licensees," he said. "There is no survival without spectrum. If you don't have it you are not going to be a player."

> **"There is no survival without spectrum. If you don't have it you are not going to be a player."**

Another industry insider said Icasa's auction amounted to selling off the spectrum to very powerful companies and then expecting itself, a "weak regulator", to keep them in check.

Critics have argued that the auction model, which was widely used in Europe and the USA, has led to massive consolidation. Small players with no spectrum end up being acquired by larger firms that do.

Some critics argued that the auction amounted to a death sentence for Cell C and Telkom, which is why they were considering legal action.

Mohlaloga said keeping track of consolidation in the market would be critical. ■

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Gallo/Getty Images

By Lloyd Gedye

The money is moving to live entertainment

A single live music event can contribute millions to a city's economy, but South Africa is lagging behind in this regard, to the detriment also of local artists. What can be done to give this underfunded but growing sector a boost?

Live music is hardly the first sector that comes to mind when the task at hand is boosting job creation and the local economy, but numerous studies have shown the economic and social value of live music are not to be sniffed at.

PricewaterhouseCoopers' *Entertainment and Media Outlook: 2015-2019* shows live music ticket sales in South Africa increased by 32% to R811m between 2010 and 2014.

During the same period recorded music revenue dropped 36% from R1.5bn to R968m.

"The growth rates of recorded and live music continue to diverge," reads the report. "Consumer spending on live music overtook spending on recorded music in 2014, and the difference in fortunes for the two sectors will result in a widening of the gap in the next five years."

In 2019 live music revenue is forecast to be sitting at R1.2bn, while recorded music is forecast to be at R611m. It's clear that if your business is music, the live music sector is the one you need to be playing in.

Musician Gil Hockman (39) has been making music since he was at university, as a member of cult South African band The Buckfever Underground and also as a solo artist.

He has been at it full-time for the last seven years and has released three solo albums and a whole host of releases with the Underground.

He plays between 100 and 150 shows every year, both in South Africa and abroad, he tells *finweek*. He has so far self-financed five European tours and played between 60 and 70 shows to audiences across Europe.

He says the revenue that he generates from live shows is where he makes his living. "Live revenue is almost everything," he says. "It's very important."

A concert ticket providing entry to his show is also the entry ticket to his shop, where he sells T-shirts, bags and CDs to fans.

Image: Supplied

Gil Hockman
Solo artist and band member of The Buckfever Underground

It's clear that if your business is music, the live music sector is the one you need to be playing in.

Live music and the economy

The 2015 United Kingdom music survey, *Measuring Music*, indicated that music sector growth was outperforming the rest of the economy by 100%, growing at a rate of 5%.

A 2010 study found that the Cape Town International Jazz Festival contributes more than R475m to the Western Cape economy, while a recent study in Bristol in the UK found that the live music sector injected £123m into the city's economy.

Clearly there are jobs and revenue in live music, but how does the private sector and government come together to make sure they nurture this growing cultural sector?

Concerts SA has facilitated 593 live music shows in 2015, including at schools. Here Mandla Mlangeni from the Amandla Freedom Ensembele performs at Sansikane Primary School in KwaZulu-Natal.

From top: Concerts SA has helped facilitate many shows at The Orbit in Johannesburg. Here Feya Faku performs.

Louis Moholo performing at the Luthuli Museum during Amandla Freedom Ensemble's Born to be Black tour. The tour was supported by Concerts SA.

Musician Tumi Mogorosi plays the drums with a scholar from Khutlo Tharo High School as part of Concerts SA's project to take live music to music fans.

Siyabonga Mthembu (far right) with his fellow members of The Brother Moves On (TBMO) band.

Image: Supplied

Some of the answers to that question are contained in a recent discussion paper released by Concerts SA, titled *It Starts With a Heartbeat.*

Concerts SA is a live music development project started in 2013 by the Samro (Southern African Music Rights Organisation) Foundation, the Norwegian Embassy and Rikskonsertene (Concerts Norway).

Through grants it facilitated and supported 593 live music shows in 2015, involving over 1 000 musicians performing to over 70 000 music fans.

André le Roux, the Samro Foundation's managing director, says the new report is a direct call to policymakers, politicians and decision-makers to acknowledge the importance of music in our country.

What does the policy recommend?

The Concerts SA policy paper recommends a whole manner of interventions that could have positive spin-offs for the live music scene in South Africa.

These include:

- The development of a central marketing platform for events;
- The roll-out of generic "support live music" campaigns for audience awareness;
- The preservation and creation of musical heritage sites in the country, which could be tourist drawcards;
- The scrapping of taxes on musical instruments;
- Making poster permissions simpler;
- Improving transportation to areas where night-time music events take place;
- Conducting an investigation into subsidies for those who can't afford to attend live music events, to be issued as cultural coupons;
- The establishment of the position of Night Mayor in major cities, who would be tasked with running the night-time economy and co-ordinating all municipal work that feeds into the night time economy; and
- Addressing the fact that live music venues are concentrated in certain areas due to apartheid spatial planning.

The report says that the live music sector generates a lot more revenue than just ticket sales.

"As well as paying for a ticket or entry fee, live music patrons are likely to spend on a number of related goods and services," reads the report.

Accommodation, transport, merchandise, food and drink are all related services that could be consumed in the course of attending a show.

Music audiences divided by apartheid

The policy paper states that costs, transport, security and lack of publicity are high among factors deterring consumers from attending live music shows.

The paper points out how many of these factors are disproportionally felt by certain consumers because of the spatial and economic legacies of apartheid.

"For black respondents it can take close to an hour to travel between Soweto and the Johannesburg city centre where many music venues are situated," reads the policy. "And public transport between those two points stops running shortly after 8pm, the time when most live music is just starting."

Siyabonga Mthembu, member of local band The Brother Moves On (TBMO), adds: "Transportation, security and price are definitely issues."

TBMO have been a regular on the local live music scene for a number of years and have toured internationally numerous times, both on the African continent and in Europe.

Mthembu says many of the band's black fans in South Africa do not have a lot of money to spend on entertainment or art, but they are still involved in what he refers to as the "brown band scene".

Mthembu says there are many spaces serving this scene that receive no support at all.

He lists venues like Trackside Live, His & Hers, Tembisa Lifestyle Market and Bicycle Stokvel as venues that have a great following in the townships but get no funding to assist with the work they are doing for the live music scene.

"We need more township gigs," says Mthembu. "But we can't be playing as artists for R1 000 though."

Images courtesy of Concert SA

On the subsidy front, the report points to one system in Brazil, which funds cultural activities for low-income workers, and another in Italy, which subsidises students attending cultural events.

Mthembu explains that there is a need for free concerts where the bands are paid to play in open-air spaces that are accessible for audiences. He says recently the Bassline in Johannesburg held two sponsored free events and the venue was packed to the rafters. "There is an audience and they are prepared to travel but prices are too high because overheads are too high," says Mthembu.

He adds that once a musician has paid for sound equipment, transport, marketing and rehearsal space, they are looking at close to R6 000 in overheads before a single punter has even arrived at their show's venue.

Venues need to play a greater role

Many of the music fans interviewed by Concerts SA complained that they were dissatisfied with the information on events they can currently access. Some live music venues don't even have websites and if they do, they don't have an "upcoming gigs" section. Others only post information on upcoming gigs on Facebook and this excludes those who don't use the social networking platform.

"It's impossible to find out what is happening in Johannesburg," says Hockman.

He adds that, in South Africa, patrons are not loyal to venues, explaining that when he tours in Europe each venue has its own regular crowd besides those audience members who come only for the show.

"Venues need to work hard, develop an email list and communicate with their audience," he says.

Hockman adds that his experiences touring Europe have shown him that it can take up to five years before people start paying attention to you as a musician. "From the word go, I was making money touring in Europe," he says. "Musicians need to be able to do that touring South Africa, so they have time to develop." ■

"Venues need to work hard, develop an email list and communicate with their audience."

editorial@finweek.co.za

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By Jana Jacobs

Cooking up some tasty profits

After leaving his nine-to-five job, Lesego Semenya travelled South Africa for a year before enrolling at Prue Leith Chef's Academy in Centurion to study towards becoming a chef. He has since cooked up a prestigious storm and started his own business, LesDaChef, in 2015.

Catering to Warren Buffett's son, Liverpool FC and numerous local and international celebrities are but a few of the highlights of Lesego Semenya's flavourful culinary career.

Until May 2014 he worked at Richard Branson's private game reserve in the Sabi Sands before returning to his hometown of Soweto to begin focusing on building his business, LesDaChef.

We spoke to the entrepreneur about the power of social media and turning himself into a well-known brand.

What did you do prior to starting your own business?

For the first six years of my working life I was a process engineer for IQ Business. I then travelled South Africa for a year before enrolling at chef school. I worked in various locations and hospitality businesses before deciding to start my own business.

Where did the idea come from?

I think there is a gap for a vocal and well-trained black chef in South Africa who isn't afraid to go against the grain when it comes to the culinary world. I decided to talk about my profession and journey in order to show people that chefs are actually human and everyday people. The goal is to create a brand around my name, similar to what European chefs have done.

What motivated you to turn it into a business?

Honestly, I dislike working for anyone. I wanted to challenge myself and to see if it was possible to build a brand name around a chef in South Africa. The end goal is to eventually have a product line and chain of restaurants.

How did you make the first sale happen?

People saw my work on social media and asked if they could order or book me for events.

When did you officially start operating?

Officially LesDaChef Culinary Solutions began operating in February 2015.

How did you get funding to get started?

I have never received funding. Everything has been built up from savings and profits. I've realised, though, for me to achieve all the goals for the business I will need to seek funding soon.

Where do you currently operate? Tell us about your future plans.

I currently operate from my home, which I've converted to suit my business. The next goal is to move into a warehouse and to split my business into separate divisions. One will be a stand-alone cake boutique; another will focus on product development; another will be culinary classes; the fourth division will focus on culinary consulting and business ventures; the fifth one will deal with the media and TV show side of things.

Lesego Semenya
Chef and entrepreneur

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

- Starting and running a business without having capital or funding has been a challenge.
- Finding competent staff. I work in an industry where perfection is a must, there isn't any space to hide mistakes and errors.
- My business grew at a pace I had not anticipated; the amount of admin that one deals with when running a business is immense! I've actually missed out on big opportunities due to being swamped by admin and not replying to all messages on time.

SPARK Schools have gained global recognition for their i
scaleable business – will **2017** be your year?

As recipients of the "Special Recognition Award" in the **FNB Business INNOVATION Awards 2015**, Stacey Brewer and Ryan Harrison, founders of SPARK Schools, have benefited from ongoing mentorship from a selected team of executives from FNB and Endeavor SA.

SPARK Schools is a network of primary schools dedicated to delivering accessible, high-quality education at an affordable rate since 2013. Their model is centred on offering a unique, individualised educational opportunity for students which focuses on classroom combined with the use of online its kind for primary school students in Afric

They recently had an opportunity to presen solution to top international business lumi **International Selection Panel** in Medelli October. It is at this event that co-founders **Endeavor Entrepreneurs**.

Q&A:

Biggest lesson learnt?
Always be honest with your clientele and customers. Don't be defensive. Even in business the principles of ubuntu apply.

Career highlight(s)?
Too many to name. Personally being a chef for Richard Branson and also being a judge on *Top Chef* would rank up there though.

How tough is competition in your sector, and what differentiates your product and service from others?
Competition in the sector I work in is immense, but the industry is large enough for all the players in it. My business is different from your typical chef business in that I make sure all I do is linked to my personal journey and where I'm from. Every dish I serve is linked to Soweto or to my background somehow.

How many people do you currently employ?
At the moment two people, but I'm in the process of building up a chef brigade of young people from townships who have the culinary talent but don't have the finances to afford chef school.

What is the best business advice you've ever received?
Keep it simple.

LesDaChef also produces and sells branded wear on order.

What was unexpected?
I didn't expect to be well known or get this much media attention so quickly. Being recognised in public still shocks me.

How do you stay motivated?
I focus on the ultimate goal and plans. Talking to friends and partners about my plans helps a great deal. It also gives you a chance to use them as a sounding board. I also check what other chefs and players in the international market are doing.

What are your non-work habits that help you with your work-life balance?
I love reading. So the knowledge that I've gained from reading and feeding my mind has helped me in my business via social media; I even created the hashtag #ChefTip based specifically on the sharing of my knowledge. I tweet a lot, it helps me release stress, and interacting with people on social media also helps my business.

What is your three-year goal for your company?
To own an organic farm where I grow my own produce for my restaurant, linked to a culinary school and factory where we will produce a line of various LesDaChef products. ■

editorial@finweek.co.za

LESEGO'S ACCOLADES

- ► *Top Chef South Africa* judge
- ► 2015 *Mail & Guardian* Top 200 Young South Africans
- ► 2015 *House & Leisure* Rising Star
- ► Glenfiddich Mavericks 2015 top 3 finalist
- ► Singleton Whisky CoLab #MadeOfTaste co-collaborator and ambassador

Images: Supplied

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, Colombia this past
, Stacey and Ryan, became

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By *finweek* team

How a coach can boost your career

Coaching as a career option has exploded in South Africa, with everyone and their well-intentioned mother seemingly getting on the bandwagon. But not all coaches are created equal. Here's how the right professional can help you achieve your goals.

In an increasingly complex and fast-moving world, managers need all the support they can get.

In South Africa, this gap has been filled by an ever-expanding corps of coaches. Who are these people? And what can they do for you?

A coach isn't a therapist, a friend, a mentor or a counsellor, says Judy Goodwin, a change consultant and coach in Cape Town. The focus of coaching is on achieving specific goals.

"While you will be encouraged to share your past experiences, the emphasis is on the future and removing particular roadblocks from your career path." A coach will help you build specific skills that will bolster your professional performance, says Goodwin.

In general, there are two kinds of executive coaching, says Janine Everson, academic director of the Centre for Coaching at the UCT Graduate School of Business. The first is remedial coaching. This is when a manager is creating problems, and may be completely out of their depth and misaligned. "Turning to a coach when everyone is at the end of their tether is never ideal."

The second, and most successful, kind of coaching is when a manager is feeling challenged, and may be in a "stretch" position: a job that is currently beyond their skill level. A coach can help to equip you with what is needed to do the job well.

Don't wait for a crisis before contacting a coach. Instead, consider coaching when you are not feeling entirely up to dealing with the challenges of your job. "Especially when feelings of inadequacy get in the way of your performance, and start to hijack your focus, you should consider getting a coach on board," says Everson.

Other signs you may need a coach:

- When it is starting to feel like Groundhog Day in your career, you may need help to break out of it, says Everson. An alarm bell should go off if an uncomfortable pattern is emerging: for example, if you constantly get into trouble for certain behaviours, if you often struggle to relate to your team, or if you *always* have a jerk for a boss.
- If you have time management problems, or struggle to find a balance between life and work, a coach can help you become more efficient and address the stressors in your career.
- Coaching can also help managers who want to move on to the next level of leadership, says Goodwin. "Coaching can work for anyone who knows they can do a lot better, who is not satisfied with their current performance and has a bigger dream," says Asanda Gcoyi, who coaches high-potential employees and is CEO of the employee development and recruitment firm CB Talent.

How does coaching work?

The approach will depend on the needs of a client. Gcoyi typically starts with a two-hour diagnostic session with a new client, during which their strengths are assessed and objectives are established.

Goals are critical in coaching. Unlike therapy and mentoring, coaching is exclusively focused on achieving specific objectives. These could include a whole range of goals, for example achieving a better performance, being more assertive (or calm), managing or engaging your team, or working on your motivation levels. While greater self-awareness will often be part of achieving these goals, your coach is not a sounding board, adviser or a teacher.

Janine Everson
Academic director of the Centre for Coaching at the UCT Graduate School of Business

"Coaching can work for anyone who knows they can do a lot better, who is not satisfied with their current performance and has a bigger dream."

Asanda Gcoyi
CEO of the employee development and recruitment firm CB Talent

Getty Images/iStock Images

Images: Supplied

Instead, the coach should equip you with specific skills to help you achieve your goals.

In order to achieve these goals a coach will work to develop the client's levels of self-awareness around their subtle, often unconscious habitual patterns of behaviour and how these support and hinder them, says Everson. "And then a coach has to work on developing the actual skills and capabilities of the coachee so they can adopt new patterns of behaviour. New habits that slowly develop into new unconscious behaviours that feel natural and authentic."

The relationship with your coach will typically have an end-date, and won't continue indefinitely. The coaching sessions are typically intensive for the first few weeks, and then less frequent as the client works on achieving goals. A large part of coaching is holding the client accountable to do the work for themselves, says Gcoyi. While everyone is different, it can take three to six months before behaviours start to shift in a meaningful way, says Goodwin.

How do you choose a coach?

The coaching sector is relatively unregulated. Coaches and Mentors of South Africa (Comensa), established 10 years ago, has embarked on a professionalisation of the industry. Currently, however, the gold standard is an accreditation from the International Coach Federation (ICF). ICF coaches have completed courses that have been certified by the organisation.

To find the right person for you, Everson says personal referrals can be useful. Get references and also scrutinise the coach's CV to see whether they have the skills that will help you. Get a sense of where the person has worked and confirm their qualifications. The latter is crucial, she says. Many so-called coaches will punt their experience – "30 years in HR" or "extensive consulting work" – but don't have any credible (e.g. ICF-certified) coach-specific training.

Goodwin recommends having a coffee with a prospective coach to make sure you are a good match. "It has to be someone you will trust." There should be chemistry between you: your interaction should not be forced and you should feel understood.

These days, many companies offer coaching as part of their employee wellness programme, or as part of professional training.

An intervention often works best with people who ask their company for a coach, rather than those who have coaching forced on them, adds Gcoyi. "If it's part of a KPA, often coaching just becomes a box-ticking exercise." ■

editorial@finweek.co.za

We've got a copy of Paul Hoffman's *Confronting the Corrupt: Accountability Now's Battle Against Graft in SA* up for grabs this week. To enter, complete the online version of this quiz, which can be accessed via fin24.com/finweek from 7 November.

1. Where did the deliberations regarding the so-called state capture report take place?
   - In Parliament
   - In the North Gauteng High Court
   - In the Constitutional Court
2. **True or false?** Whitey Basson is to retire as CEO of Shoprite.
3. Which body has dropped the charge against finance minister Pravin Gordhan?
4. **True or false?** Last week's *finweek* cover story was about SA's agrisector.
5. Which local bank's systems crashed on the weekend of 30 October?
6. **True or false?** The US elections are held every five years.
7. Name the annual Hindu festival that began at the end of October.
8. What new product did Tesla unveil recently?
   - A hydrogen battery
   - A solar roof
   - A device that extracts water from the air
9. How long could the country's dams take to refill, according to the department of water and sanitation?
   - Up to three years
   - Up to five years
   - Up to six months
10. As featured in the previous edition of *finweek*, of which health club group is Manny Rivera the CEO?

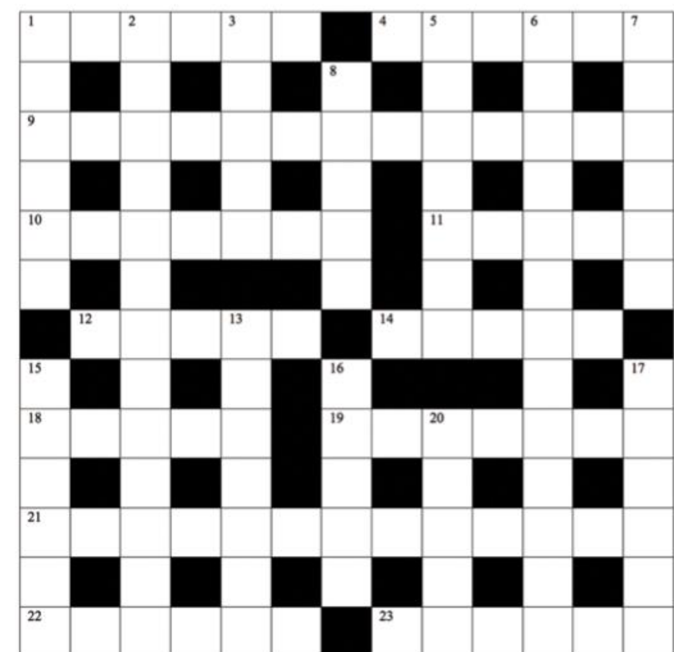
CRYPTIC CROSSWORD 656JD

ACROSS

1 Clasp a short shield (6)
4 East Indian seaman turned out to be a rogue (6)
9 Resisting change to an electric car (13)
10 Mostly reticent to get involved with flirt (7)
11 So-called coastal hardwood (5)
12 Partridge's day of Christmas (7)
14 Shrill accent (5)
18 Back Irish writer's season (5)
19 Discharge Englishman at Eton Primary (7)
21 Blazer's pressing need? (7,6)
22 Silly editor changed repeatedly from one position to another (2-4)
23 Eccentric Yankee out of order (6)

DOWN

1 Unable to bear announced cut (5)
2 Tactical porky concocted at social gathering (8,5)
3 I call out the name of the plant (5)
5 Flying a short time without requiring oxygen (7)
6 Thought to be against money share out (13)
7 Doctor, first year, is persistently present (6)
8 Fool around with gunpowder compound (5)
13 Somehow insures it happens daily (7)
15 Spoil by getting bad-tempered (6)
16 Protect against loss in future dodge (5)
17 Contrary opinion about unknown beneficiary (6)
20 Some inclement weather can mean early close (5)



Solution to Crossword NO 655JD

ACROSS: 1 Viewfinder; 7 & 6 Down Cha-cha; 8 Catenation; 11 Feeblest; 12 Beta; 14 Rehash; 15 Curtal; 17 Tutu; 18 Ointment; 21 Palindrome; 22 & 20 Down Cut-out; 23 Petrolhead

DOWN: 1 Vociferate; 2 Entrechats; 3 Finalist; 4 Notist; 5 Eton; 6 See 7 Across; 9 & 19 Best-before date; 10 Daily trend; 13 Subtidal; 16 Vizier; 19 See 9; 20 See 22 Across

On margin

Hindsight

A slightly drunk woman is watching TV.

She yells: "Don't go there! Don't go up the stairs! Don't go into the church, you stupid moron!"

Her husband asks: "What are you watching?"

"Our wedding video."

Trumpanomics

Donald Trump told *The Washington Post* that he'll be able to get the United States completely out of debt in eight years.

When asked how, Trump was like: "Easy, declare bankruptcy and start fresh! It's fantastic. I've done it already. It's amazing."

– From *The Tonight Show Starring Jimmy Fallon*.

The luck of the Irish

An Irishman, an Englishman and a Scot were sitting in a bar in Cardiff. The view was fantastic, the beer excellent, the food exceptional.

"Y'ken," said the Scotsman, "I still prefer the pubs back home. Why, in Glasgow there's a wee bar called McTavish's. Now, the landlord there goes out of his way for the locals so much that when you buy four drinks he will buy the fifth drink for you."

"Well," said the Englishman, "at my local, the Red Lion, the barman there will buy you your third drink after you buy the first two."

"Ahhh, that's nothin," said the Irishman. "Back home in Dublin there's Ryan's Bar. Now the moment you set foot in the place they'll buy you a drink, then another, all the drinks you like. Then when you've had enough drinks you can go upstairs and even get laid. All on the house!"

The Englishman and Scotsman immediately pour scorn on the Irishman's claims.

But the Irishman swears every word is true.

"Well," said the Englishman, "did this actually happen to you?"

"Not me myself, personally, no," said the Irishman.

"But it did happen to me sister."

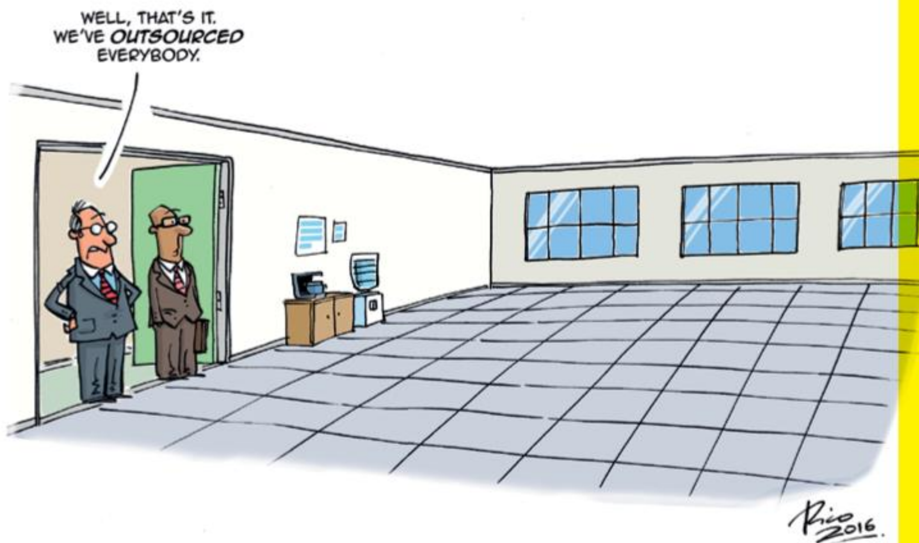
With age comes wisdom

Just before the funeral service, the undertaker comes up to the very elderly widow and asks, "How old was your husband?"

"Ninety-eight," she replies, "Two years older than me."

"So you're 96," the undertaker comments.

Says the widow: "Hardly worth going home, is it?"



Scapegoat @AndiMakinana
In court, Des van Rooyen is being referred to as a "mere exhibit".
In Parliament, he is called "two-minute noodles".
Shem maan!

Darrel Bristow-Bovey @dbbovey
The worst thing about being Zuma must be the quality of the cronies he's stuck with.

Garg Unzula @gargunzulo
Junk status will be a blessing in disguise. We won't even be able to afford the corruption.

Renegade Report @Renegade_Report
This heat is almost as oppressive as the state.

Rico Schacherl @ricoschacherl
Does #shaunabrahams get paid by the word? #NPA

Erik Willey @erikwill
I don't celebrate Halloween. I do read newspapers. I feel doing both would be redundant.

Bill Murray @BillMurray
If running on a treadmill was the only way to recharge our phones, we would be the healthiest people on the planet.

Third Eye View @BrainandMoney
"When an analyst is wrong, it is called a revised forecast. When a trader is wrong, it is called a loss. A big difference."

"The person who says it cannot be done should not interrupt the person who is doing it."

– Chinese proverb

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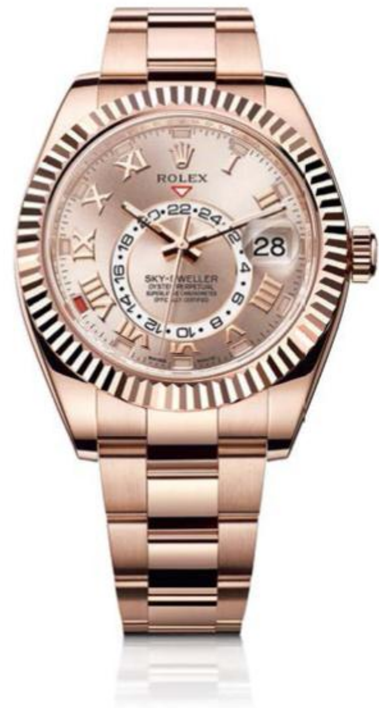
The newest and most sophisticated Rolex model, the Sky-Dweller is a statement of watchmaking ingenuity. Built the Rolex Way, with 14 patents, its Saros annual calendar intelligently distinguishes between 30- and 31-day months. A perfect travel companion, its red triangle always points to the time at home, while its hour hand can be easily set to a second time zone via the innovative Ring Command bezel. Cutting edge mechanical performance resulting from centuries of tradition. It doesn't just tell time. It tells history.



OYSTER PERPETUAL SKY-DWELLER