FUTURE

IMAGINING THE WORLD IN **2030**

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CYBERCRIME: HOW TO PROTECT YOUR PERSONAL DATA

from the editor

JACO VISSER

I [redacted]und myself sitting with a cup of coffee in one hand and a cigarette in the other [redacted]e morning during the first week of a new year, with my two loyal mutts at my side, [redacted]eep in thought about what's happening in this world of ours. (I have found that it's [redacted]ways good to sit and think about this world and her tribulations early in the morning while the day is still full of hope.) Then, suddenly, my cellphone woke me from my pensive state, and I saw it's a 010 number calling and I am filled with trepidation: Is someone in trouble? No, the voice on the other side is friendly and addresses me in English. It's still too early for my brain to converse in any of the other languages, so out of deference, I reply in my best Northern Cape English, but after my second sentence, the voice switches over to Afrikaans (a far better accent than mine at that time of the morning, to be sure). "Sir, do you know that you have a share portfolio that's managed externally?" I suddenly go cold with fear and curtly reply in my best Namaqualand tongue: "What?" I ask. "As far as I know, I manage my own portfolio." My blunt reaction causes the voice to quickly lose interest, "Oh." And with that the call is cut off.

At that moment, I felt like Ron Swanson from the American TV series *Parks and Recreation* in the episode where – after he had searched for his house on Google Earth using his work computer and was overwhelmed by pop-up adverts with personal recommendations – he summarily tossed the computer in the trash bin. How do other people know about my investments? Where do they get their information? Who gave it to them and when did I give them permission to access it?

It's astounding to me how companies can peddle our personal information. And it seems that other people have also become fed up with this. Facebook informed WhatsApp users early in January this year that it will be using certain personal data for its own income-generating purposes (lest we ever forget the Cambridge Analytica scandal of 2016). WhatsApp users apparently took flight and within 72 hours over 25 million new users switched to Telegram, one of Facebook's competitors. Telegram's security and its use of personal information are apparently far better. Amanda Visser's article about hacking and the stealing of users' personal data does tackle the illegal side of peddling personal data, but its profitability cannot be denied (see p 44). Otherwise nobody would want to steal it.

The commencement of local legislation later this year – which will force companies to do more to protect data – is a step in the right direction. Nobody will let their company's bank statements lie around everywhere. Why then allow your clients' information to lie around? We should really all be more careful when using our and other people's personal information. ■

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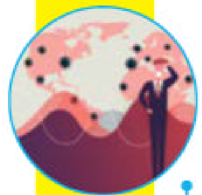


By Johan Fourie

FUTURE

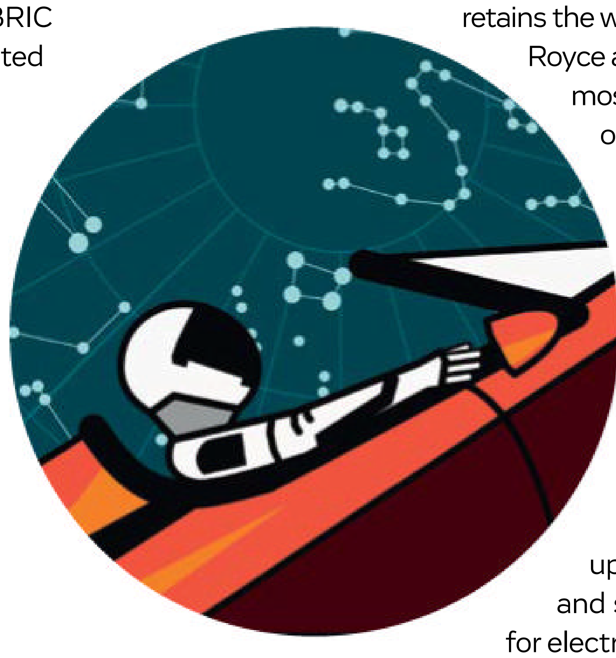
This is the world of 2030

Space, food, energy and institutions – the world is on track for big changes.

Historians are good forecasters. They are good not because they possess some original insight into the future but because they are smart in their choice of time horizon: instead of speculating about life over the next few months, they prefer to predict the distant future. It buys them more degrees of freedom and less oversight. This is because humans tend to overestimate change in the short term but vastly underestimate change in the long run.

So, taking a leaf out of the historian's playbook, let me try my hand not at predicting where we will be at the end of 2021, but rather the world of 2030. What could happen in ten years?

Space travel, for one. SpaceX will be the world's largest company in 2030, rivalled by Amazon's space spin-off. A permanently settled colony will be operational on Mars. Don't expect large numbers of inhabitants yet, though. SpaceX and their BRIC equivalents will have small settlements inhabited by geologists, biologists, engineers and psychologists, building a template for a future society. We will see the first tentative steps towards Amazon CEO Jeff Bezos' dream to outsource all heavy industry to space.



But space won't only be about life beyond Earth. Space technologies could reduce the impact of natural disasters and connect those in remote parts of the world to high-speed internet. A new report by the UN Office for Outer Space Affairs (Unoosa) is adamant that spacetech is key to achieve the UN's ambitious sustainable development goals by 2030.

Don't be surprised if the biggest impact of spacetech is on that most ancient of industries: agriculture. Today, GPS technology allows self-driving tractors to cultivate most of America's farmland. Remote sensing already helps with water resource management, especially in drier areas. As more satellites cover the globe and remote sensing expands into new markets, another green revolution may be in the offing.

The revolution will be green – and blue. Because catches from the open sea continue to dwindle, aquaculture is the future. Here Egypt is a great example of what can be done: despite its desert location, privately-owned aquaculture farms produce 65% of Egypt's fish, providing employment to more than 800 000 people, many of them rural women. As research on fish genetics and nutrition (insects!) improves, raising yields and lowering costs, expect more African entrepreneurs to enter this space.

These food revolutions will come not just from the supply side but from the demand side, too. By 2030, we won't find it strange to eat a burger produced entirely of plant-based meat substitutes. That does not mean that meat consumption will decline; as incomes increase, notably in Asia and Africa, the demand for high-quality meat will soar. More food predictions: we will consume less sugar, but more nicotine (gum not cigarettes); less alcohol, but more opioids.

Paying for your plant-based burger will also change. Because of the proliferation of digital currencies, central banks will issue their own. Central bank digital currencies (or CBDCs) will be equivalent to a country's fiat currency, backed by monetary reserves like gold, foreign currencies and other cryptos like Bitcoin or Ethereum. But blockchain will soon expand beyond financial services.

The astronomical speed at which renewables have replaced fossil fuels in the 2010s will continue unabated, now joined by hydrogen power and, perhaps surprising for some, nuclear. In October, two companies received grants from the US department of energy to demonstrate advanced nuclear reactors. TerraPower, founded by Bill Gates and Nathan Myhrvold, combines a sodium reactor with molten salt energy storage in modular nuclear units. X-energy, a Canadian company headed by several South African scientists, will build a modular 80MW hydrogen gas-cooled reactor by 2027. It seals its uranium particles in a protective coating and retains the waste inside forever, making it meltdown-proof. Rolls-Royce also has plans for modular nuclear reactors. Expect most large cities to be in the process of acquiring their own modular nuclear reactors by 2030.

The next decade will see not only technological but institutional changes as well. In contrast to the last year of the previous decade – I choose to include 2020 as part of the 2010s not because of a pedantic affinity to the calendrical basis for counting decades but rather because the disastrous year seems best paired with South Africa's previous lost decade – the twenties will see cities come roaring back to life. In many parts of Africa, urbanisation will speed up further, creating large backlogs of public services and severe levels of inequality, but also fuelling demand for electric cars and (electric, automated) public transport.

The rising economic power of cities will increasingly clash with the political power of the nation state; expect more, not fewer, movements for self-governance and independence.

That is why most countries will want to appease voters by rolling out basic income grants (BIGs). Although there is no consensus on the long-term impact of BIGs – and whether alternative policies, like targeted transfers, do not buy more bang per buck – their introduction will be political rather than economic.

The greatest challenge of the twenties – climate change – will also pose great political challenges. Natural and social scientists will have the technological and economic solutions to pre-empt devastating hurricanes, clean up the oceans and reduce carbon emissions, but whether global collaboration can be reached will depend on political leadership. One clue will be provided by the response to Covid-19, a response that has seen a widening fault-line develop between the rich and soon-to-be-rich world.

By the end of the decade, though, climate change will not be the biggest challenge facing humanity. With rapidly declining population growth rates, ageing populations, and the digitalisation and robotification of even intimate relations, the most pressing issue by 2030 will be … loneliness. ■

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Photo: Shutterstock

By Andile Ntingi

POLITICS

A year for the turning of political tables?

As South Africa's local government elections loom, the ruling party may face the wrath of urbanisation.

There is a threat to the ANC's 26-year grip on power, but this danger does not emanate from its political foes.

The threat comes from rapid urbanisation and this formidable rival already sent a strong message to the ruling party when it lost the control of three metropoles during the 2016 local government elections.

Throughout South Africa, thousands of poor, unemployed people are deserting their villages to seek greener pastures in major cities. These migrants leave their villages deeply in love with the ANC, only to relocate to squalid squatter camps, where the resentment for their beloved organisation is fomented.

In their villages, these migrants never engaged in service delivery protests despite being subjected to unfulfilled promises of rural economic development so often woven in the lexicon of sweet-talking politicians. But in cities, the villagers-turned-city dwellers revolt against the ANC-led government, demanding houses, clean water, flush toilets, effective crime fighting, tarred roads, and free electricity. From time to time, when promised jobs are not forthcoming, they attack foreign nationals for allegedly stealing jobs, business opportunities, and local women.

Land, wealth disparity, and illegal immigration are now important electoral issues and are all influenced by urbanisation.

The rising number of people flocking into cities is not only increasing competition for resources, but also infrastructure is unable to cope with the influx.

By international standards, SA's level of urbanisation is high, with 65.85% of its population having been reported by Stats SA to be living in urban areas in 2017 compared with 60.62% in 2007. This dwarfs India's level of urbanisation, where 32% of its citizens reside in urban areas, while 47% of Nigeria's population live in cities and 54% in China.

> Land, wealth disparity, and illegal immigration are now important electoral issues and are all influenced by urbanisation.

If it was not for apartheid, which enacted racist laws to restrict movement of black people within SA, it is possible that urbanisation in our country would have been a lot higher than it is today. Apartheid was mainly implemented from 1948 to protect low-skilled white people from competing for jobs with black migrants.

Despite rising urbanisation, the SA government has tried to accelerate the provision of basic services across the country. But poor maintenance of infrastructure is beginning to reverse these gains, as evidenced by persistent water and power cuts. By 2016, about 89.8% of homes had access to piped water, 63.4% used flush toilets connected to either the public sewerage or to a local septic system. In addition, 63.9% of households received refuse removal services and 87.6% had access to electricity.

Rural dwellers have also benefitted from this rollout of basic services. This is a fact that is missed by suburban, upper-middle-class voters, who often question why poor villagers overwhelmingly support a political party that is plagued by corruption.

Under the ANC rule, the life of an average rural dweller has been transformed for the better, even though high levels of unemployment are masking this reality. These days, some villagers have toilets, electricity, boreholes, water reservoirs and water tanks in their villages – meaning that they no longer must walk long distances to fetch water from rivers and streams. Mud schools and clinics are being replaced by brick and mortar.

To top it all, they have access to all types of social grants, from old age to child support grants that relieve money scarcity.

Who would not love a party that has restored a little bit of what colonialists took away from them? That's why you seldom find service delivery protests in rural areas.

However, the picture is different in urban areas, where service delivery protests are a regular occurrence. A closer look into the period from 2008 to 2018 shows that there is a correlation between the sharp decline in the SA economy and the spike in service delivery protests. Between 2004 and 2007, when the economy recorded healthy growth, service delivery protests were low.

According to Municipal IQ, a firm specialising in local government data, there were ten protests in 2004, two in 2006, and 37 in 2008. But from 2009 we started seeing a big jump, when in that year service delivery protests leaped to 107 protests, 191 in 2014, and 237 in 2018.

From 2004 to 2008, SA's economy recorded a strong performance, growing 4.6% in 2004, 5.6% in 2006, and 3.6% in 2008. However, the wheels came off in 2009 when the economy went into a recession, largely due to global economic contraction sparked by the sub-prime lending crisis in the US. In 2009, the SA economy contracted by 1.5% and has been in the doldrums since. In 2017, it grew 1.3% and in 2018 registered a meagre growth of 0.8%.

The weak performance of our economy is also closely linked to a decline in fixed investment, significantly limiting our capacity to create jobs. Prior to the 2009 recession, total fixed investment in the SA economy stood at 24% of GDP in 2008. Over the years it has declined to around 19% of GDP in 2017.

In 2020, the Covid-19 pandemic struck, and the economy went into recession. The SA Reserve Bank expects the economy to have shrunk by 8% in 2020 before bouncing back 3.5% in 2021.

With the 2021 local government elections just around the corner, the ruling party will have to think about how it grapples with urbanisation and the pressure it puts on its ability to deliver services. If it fails, it might find itself in trouble again in this year's municipal elections and the 2024 general elections. ■

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Photo: Gallo/Getty Images

By Bonang Mohale

ECONOMY

Reforms to kickstart South Africa in 2021

A lot of things need to be done to get SA's economy off to a good start again.

What came out of the 2020 ashes were success is human capital. Now that the feasibility of working at home has been proven, it will be tough for companies to walk things back to pre-pandemic times.

Over 2021, millions of companies will begin reengineering everything from physical offices to digital infrastructure, and this has broad implications for the economy and our culture. It seems like only recently that the term "ESG" (environmental, social and governance) gained mainstream traction in the investment community. In a short amount of time though, the trend has blossomed into a full-blown societal shift.

In 2020, investors piled a record $27.7bn of money into exchange-traded funds (ETFs) traded in US markets, and that momentum only appears to be growing. At the time of writing, China, the world's most populous country, has already left the pandemic behind and is back to business as usual.

Over the past few years, brands have become increasingly values-driven. Millennials, who are now the largest generation in the workforce, are shaping society in their own image and the expectation is that companies should have an authentic voice and that their actions align with their words. This trend is augmented by the transparency that the internet and social media has enabled.

The year 2021 will prove to be yet another existential crisis, a historic defining moment, tipping point or an inflection point where economic, political and social freedoms will never be viewed quite the same again. Megatrends we are living through have been fast-tracked, bringing the future ever closer to our doorstep.

In the meantime, South Africans are hurtling fast towards a fiscal cliff with the country's debt at about R3tr, where we are borrowing at a rate of R2.1bn per day, sit with a debt-to-GDP ratio of 93% and when we include government guarantees to public enterprises, it shoots up to 110%.

We are forecasting GDP growth of between 1% and 2% in 2021. The contraction in real GDP is expected to be 8% in 2020 and tax revenue declined by an estimated 18%. In addition, 2020 was characterised by dwindling exports from SA for the period April through August.

The road to recovery will be long for the whole world. The second wave of Covid-19 infections pose significant downside growth risk. The downside to growth imparted by new Covid-19-related restrictions will be met with further policy support.

A lot of things need to go right simultaneously. To address the lowest levels of confidence, trust and hope since World War II, we must send some top state capture miscreants to prison. We need to secure vaccines as a matter of life and death; execute on the long-promised deep systemic socio-economic reforms; reduce the soaring government debt and fix the more than 740 state-owned companies.

Reducing the public sector wage bill is becoming a tall order.

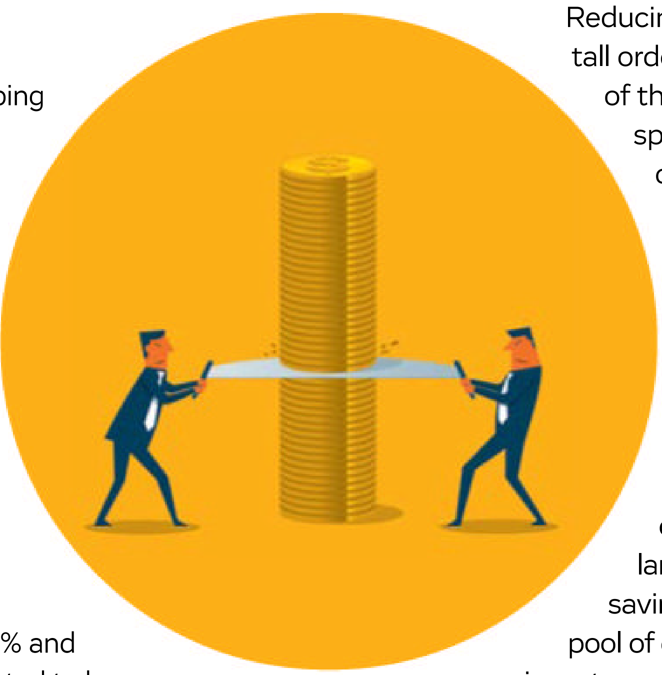

Photo: Gallo/Getty Images

We need to increase our infrastructure spend; execute on the 10-year old spectrum auction as it is now underwhelming when SA says it is going to do anything. The heart of good management is execution.

Very crude arithmetic dictates that, if interest rates are about 8% and inflation is at about 4%, then we must grow the GDP by, at least, 4%. This is especially the case when considering that SA's population growth is about 1.5%. Yet, in the past five years, at least, our GDP growth has been less than 1.5%, which means that both our disposable income and discretionary purchasing power have been seriously eroded on a per-capita basis.

SA's major economic constraints are the R70bn that is planned to go to Eskom over the next three years, with the real risk of further bailouts at state-owned companies. Furthermore, social grant payments keep pace with inflation – which is necessary to protect the poor. In addition, capital expenditure by the government is budgeted to grow faster than inflation – which is commendable, and operational costs have essentially been flat in real terms since 2017.

Reducing the public sector wage bill is becoming a tall order. The dilemma is who will bear the brunt of the planned wage cuts, among government spending priorities such as learning and culture; peace and security; health; economic development; general public services; social development and community development. The conundrum is the three-year wage freeze agreement that must be struck in a municipal election year. No less than 80% of the reductions must occur where trade unions are the strongest and most influential.

There is a real risk of fiscal slippage, thereby creating a crowding-out effect. This refers to a large budget deficit leading to government dis-saving and a subsequent reduction in the available pool of domestic savings necessary to fund fixed investments. This may result in a steep yield curve, driven in part by a rising sovereign risk premium which raises the cost of borrowing for various public and private sector entities. Higher interest rates lead to increased interest payments which absorb an ever-increasing share of tax revenue, thereby leaving less available to buy vaccines, build hospitals, clinics, schools and houses. ■

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Professor Bonang Mohale is the chancellor of the University of the Free State, professor of practice in the Johannesburg Business School (JBS) College of Business and Economics, and chairman of both Bidvest Group and SBV Services. He is the past president of the Black Management Forum and author of *Lift As You Rise.*

in brief

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Published by New Media, a division of Media24 (Pty) Ltd
Johannesburg Office: Ground floor, Media Park, 69 Kingsway Avenue, Auckland Park, 2092 **Postal Address:** PO Box 784698, Sandton, Johannesburg, 2146 **Tel:** +27 (0)11 713 9601 **Head Office:** New Media House, 19 Bree Street, Cape Town, 8001 **Postal Address:** PO Box 440, Green Point, Cape Town, 8051 **Tel:** +27 (0)21 417 1111 Fax: +27 (0)21 417 1112 **Email:** newmedia@newmedia.co.za

Printed by **Novus Print Montague Gardens – Sheetfed & Digital** and Distributed by **On The Dot** Website: **http://www.fin24.com/finweek** Overseas Subscribers: **+27 21 405 1905/7**

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"WE HAVE PERMANENTLY SUSPENDED THE ACCOUNT."

Former US President Donald Trump

— Twitter stated that it has permanently banned **Donald Trump's** account from its platform, citing the risk of the US president using the platform to incite further violence, following the storming of Capitol Hill by his supporters. "Twitter was a political tool that had helped get him elected and a digital howitzer that he relished firing," wrote *The New York Times* last year, in a piece on how Trump reshaped the presidency with tweets. Other online platforms that have outright removed or restricted Trump's accounts include Reddit, Facebook, Instagram, Snapchat and TikTok, among others.

"Many of these things are unaffordable."

– **Dr Azar Jammine,** Econometrix director and chief economist, responding to President Cyril Ramaphosa's comment in his address of the ANC's January 8 statement that the country needs to investigate the viability of a basic income grant. Jammine told Fin24 it would be a waste to implement a universal basic income grant as it would likely mean everyone would get it, including those who are employed. He said many of these things are unaffordable and that as it stands, every person earning over R1m is subsidising the survival of 60 to 80 people through the tax that they pay.

"**TOTAL** IS FOLLOWING THE DEVELOPMENT OF THE SECURITY SITUATION IN NORTHERN MOZAMBIQUE WITH THE GREATEST ATTENTION."

— **Total** has suspended construction work on Africa's largest natural gas project as Islamist militants are staging attacks increasingly closer to the site. A Total spokeswoman told S&P Global the company has decided to also reduce the number of personnel present at the Afungi site in view of the "evolving" security situation. Last year, SA's Rand Merchant Bank confirmed it is among a consortium of banks providing $15bn in funding for Total's project. The energy company plans to start production in 2024 and had no comment on whether the removal of staff might affect the project timeline.

Photo: Gallo/Getty Images

PMI SLIPS MORE

50.3

Absa Purchasing Managers' Index (PMI) declined further to 50.3 index points in December 2020, down from 52.6 in November. This is the lowest level since July 2020, according to the bank. It said the latest reading suggests that growth is levelling off in the manufacturing sector after solid month-on-month gains were recorded in the wake of April's lockdown-induced plunge in activity. Worryingly, the new sales orders index fell further back below the neutral 50-point mark. As was the case in November, a deterioration in export orders seems to have contributed to the decline in overall orders. Absa said the renewed lockdown restrictions will likely also negatively impact domestic demand.

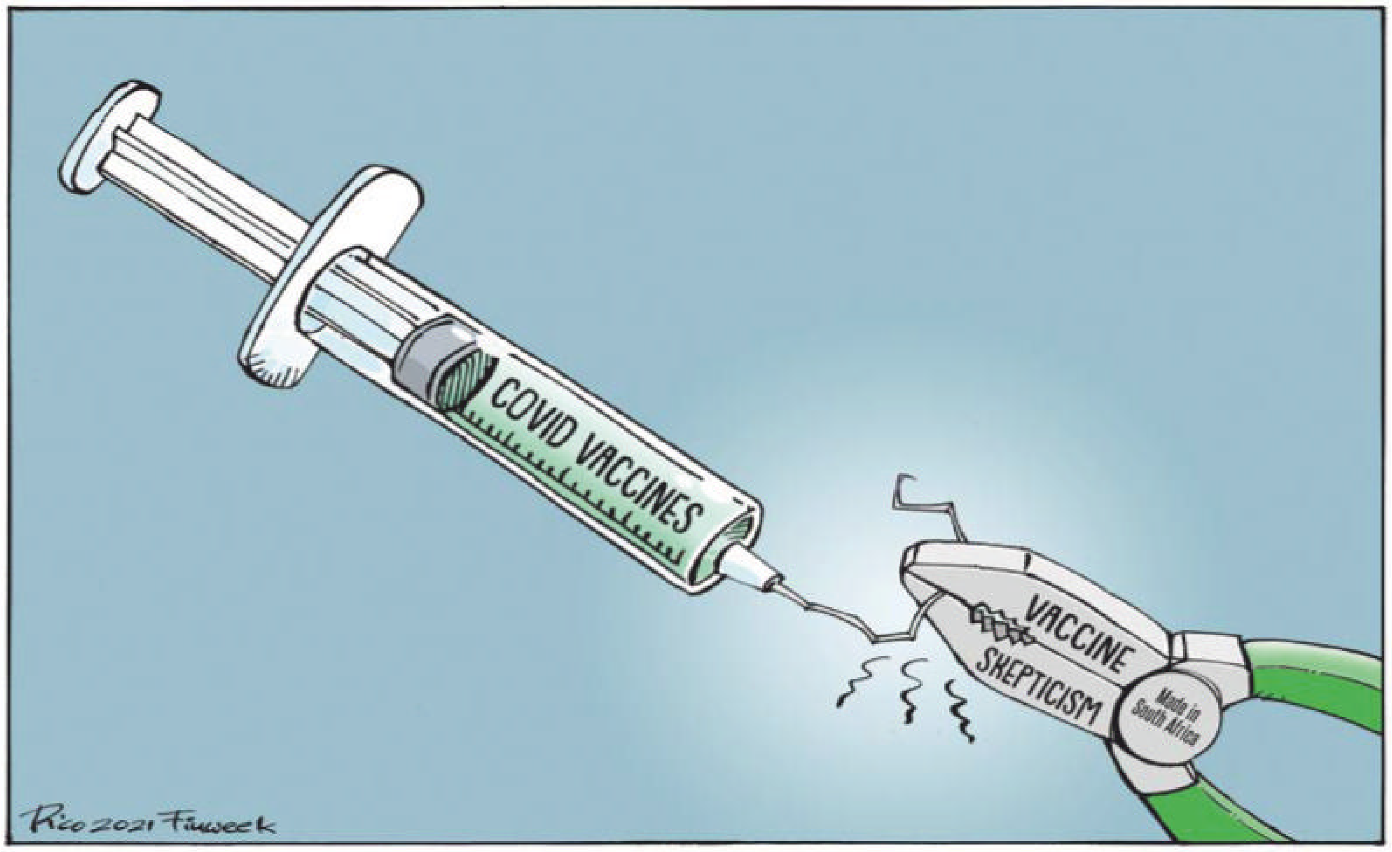
LESS US JOBS

140 000

Stock markets shrugged off news that the US economy unexpectedly shed 140 000 jobs in December, the first decline since April, while the unemployment rate remained at 6.7%. The decline in jobs was worse than the expected 50 000 from economists surveyed by Dow Jones. Investors are betting on more fiscal stimulus from the new president, Joe Biden, as both chambers of Congress are now controlled by Democrats, reported *The Wall Street Journal.* The US jobs market is expected to receive some relief after Congress agreed on a $900bn stimulus package that could help protect the recovery in the first quarter of 2021.

DOUBLE TAKE

BY RICO



THE GOOD

Ratings agency Fitch upgraded the national long-term ratings of the country's five largest banks by assets (Standard Bank, Absa, Investec, Nedbank and FirstRand) to "AA+ (zaf)" from "AA (zaf)", citing an improvement in creditworthiness. Fitch said the banks have significant headroom to withstand current pressures on the operating environment in South Africa. Fitch had previously downgraded the banks to "BB" at the start of the lockdown in March 2020, saying that it expected a negative impact from the coronavirus outbreak on the banks' operating environment and key financial metrics.

THE BAD

The Western Cape High Court has granted a provisional liquidation order against Bitcoin trading company Mirror Trading International (MTI), whose founder and CEO, Johann Steynberg, allegedly disappeared in December while travelling in Brazil. The order follows cases lodged by investors who are unable to recover funds. The FSCA warned citizens against investing in the company last year, confirming that it was not licensed to conduct financial services. The Hawks are probing allegations of fraud in contravention of the Financial Advisory and Intermediary Services Act and Banks Act. The court has asked creditors and interested parties to reconvene in early March to show why a final liquidation order should not be granted.

THE UGLY

A new variant of the coronavirus is apparently driving a powerful second wave of infections in South Africa. The variant has already spread to other countries in Africa and Europe. New daily cases and deaths have already surpassed those seen in the first wave, which peaked in July 2020, and infections are still going up. At the time of publication, the country registered about 17 000 new daily cases, taking up the total of active cases to around 265 000 with deaths surpassing the 34 000 mark. President Cyril Ramaphosa said government was concerned about the continuing spike in infections.

By David McKay

MINING

The vaccine-related metals amid a global economic bounce-back

There are some minerals, from precious to industrial ones, that may receive a boon as the world adjusts after the pandemic.

Gold is a disaster metal. In other words, its price improves when life becomes more difficult for human beings. This seems a time-honoured fact of gold's reputation as "a store of wealth" – a well-known characteristic behind the logic for owning Krugerrands, for instance.

Consequently, the metal has had a pretty good pandemic. The gold price pushed through $2 000 an ounce in August and is forecast to do the same again this year, possibly assisted by renewed stimulus once President Joe Biden takes the reins in the US.

Less known, however, is how Covid-19 is helping the gold price in a more direct, industrial way. According to legendary gold bull, Sprott Asset Management, a Canadian firm, precious metals in medical instruments, which comprises between 3% to 5% of overall precious metal demand, is also playing its part.

Gold, as well as silver and platinum used in a host of medical devices, including Covid-19 preventative face masks, will benefit from a rise in health spending. Pathogens travel less easily on silver (as well as copper) which is interesting to know considering national health spending in the US is expected to rise to 19.4% of GDP by 2027, about $6tr a year, which Sprott says represents "a generational shift".

If extracting benefits for gold from the daily (but necessary) chore of putting on a face mask smacks of the overzealous, it's worth remarking that some of the gold price hysteria is just part of the enormous enthusiasm that is being extended to nearly all other metals and minerals, excluding the old-world energy products such as coal.

Surprisingly robust GDP growth in China, and supply concerns, have led to a hike in the spot price of iron ore, the mineral that goes into making steel.

Assuming the current spot price for iron ore of $166 per tonne (76% higher year-on-year), a combination of dividend increases and share buy-backs could hand investors a yield of between 15% and 30%, according to a recent RBC Capital Markets report.

Kumba Iron Ore, a company controlled by Anglo American, would be an immediate beneficiary. But Anglo American is also expected to benefit from its exposure to so-called 'transition metals', which include copper and cobalt, platinum group metals and nickel.

As documented many times recently in *finweek*, this is the investment boon expected to flow as the world's leading economies seek to meet Paris Agreement targets on decarbonisation. "We have written extensively on the potential increase for copper in renewable energy and electric vehicles, but we also note that nickel, cobalt, aluminium, and zinc are increasingly important as well," said Jefferies, a US bank, in a recent report.

"Our view is that the miners of these transition metals are positioned to be structural winners as the world goes green," it said, identifying the Johannesburg-listed South32, Anglo American, and Glencore as the seventh-, eighth- and ninth-highest ranking diversified mining companies in terms of their production of transition metals.

Goldman Sachs said that after Covid-19, a new era had been ushered in for minerals and metals, after a decade of relative underperformance. "What we think is key, however, is that this recovery in commodity prices will actually be the beginning of a much longer structural bull market for commodities," it said in a November report.

Underinvestment in mining would apply upward price pressure on metals in a vaccine-driven economic recovery, the bank said. It also thought that a new era of government policies worldwide aimed at social need instead of financial stability would "likely create cyclically stronger, more commodity-intensive economic growth".

A preference for commodities over dollar investment will be another factor. The dollar was already under pressure before Covid-19; it's now thought that a revaluation of the dollar and subsequent reflation will assist the commodity complex. ■

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Gold, as well as silver and platinum used in a host of medical devices, including Covid-19 preventative face masks, will benefit from a rise in health spending.

Photo: Shutterstock

By David McKay

MINING

Gold and copper – will Botswana coin it?

Former SA gold-mining heavyweights turn their attention to the riches laying unclaimed in the Kalahari desert.

When John Munro and Johan Ferreira were last employed in the SA gold sector, it could still claim a stake as an influence globally. National production in 2010 was just short of 200 tonnes, comprising about 8% of world production and making the country the globe's fifth-largest producer.

By 2019, gold production was 100 tonnes and people employed in the sector totalled 100 000, about 60 000 less than in 2010, according to Minerals Council South Africa data. The country is a bit-part player in the world's gold mining stakes. Even in Africa, SA has been overtaken by Mali and Ghana.

Munro left his job as business development vice-president at Gold Fields in 2008. Ferreira, senior vice-president of gold operations at AngloGold Ashanti's Vaal River region – which contained the Kopanang, Great Noligwa and the significant Moab Khotsong mines – left for US gold giant Newmont Mining in 2012 where he worked for about four years.

Neither think SA's gold sector is likely to scale its former heights, the boom in the price of the metal notwithstanding. "I think you need to understand that basically mines have finite life and the reserve base is shrinking," says Ferreira. "You need a different type of company to run those assets which have low overhead costs such as a Harmony Gold."

There's still opportunity, such as mining out regions of those giant extant mines by seeking out pillars of remnant gold, but environmental pressure, the relatively poor safety record of the sector against global peers, and the increasing cost of power required for cooling at greater mine depths make for an industry that needs specialist hands, he says.

After a brief spell in uranium, Munro relocated to a leafy suburb in Surrey in the UK where he's worked in start-up projects, with perhaps the most successful being Khoemacau Copper Mining (original spelling: Khoemacau) in Botswana. Munro is an executive director on Khoemacau's board, which is ultimately financed by international private equity. Ferreira is the CEO.

The two are developing the most progressed new copper mine in Botswana's so-called Kalahari copperbelt,

John Munro
Executive director of Khoemacau Copper Mining

"I don't want to exaggerate, but the best description is that this is an emerging copperbelt."

Khoemacau Copper Mine, a 65 000-tonnes (of copper metal) a year operation. Some $400m is being spent in project developing costs.

"I don't want to exaggerate, but the best description is that this is an emerging copperbelt," Munro says. In addition to Khoemacau, an Australian firm, Sandfire Resources, is spending $259m on a nearby mine, known as T3 at its Tshukudu operations, that may eventually provide some synergies with Khoemacau. It could be the start of a major economic system for Botswana, which is heavily reliant on diamond production.

Interestingly, copper and gold are spoken about in the same sentence these days. SA mining executive Mark Bristow, CEO of Barrick Gold, says the world's new gold deposits will most likely present themselves in combination with copper reserves in a geology known as porphyries. But the market economics that drive production of the two minerals are quite different. The enthusiasm about gold, currently, is largely to do with safe-haven investing in a world in foment, and only secondarily influenced by the relative paucity of new mine supply.

Copper demand, however, is all about industrial demand and the inability of current mining to meet its growth, a trend largely driven by decarbonisation.

Offshore wind technology consumes 15 tonnes of copper per megawatt of installed capacity owing to copper cabling requirements whereas only a tonne of copper is used in the manufacture of the conventional installed power equivalent.

Consequently, the price of copper crested at $8 100/t in the first week of January, the highest price since 2013. "This current price strength is not an irrational aberration, rather we view it as the first leg of a structural bull market in copper," said Goldman Sachs.

For Ferreira, the immediate focus is for Khoemacau to complete construction and begin the process of ramping up from the middle of the year. There's an option of major expansion, requiring new processing facilities (current facilities are partly based on a brownfield refurbishment). "There's lots of opportunity to get the expansion done from 2022. For now, let's get the base right." ■

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Photos: Gallo/Getty Images | khoemacau.com

By Peter Fabricius

FOREIGN AFFAIRS

Fast to the starting line, slow out of the blocks

Lauded continent-wide free trade came into effect on 1 January, but very few countries were ready to trade.

The much-heralded African Continental Free Trade Area (AfCFTA) officially became operational on 1 January this year, with some fanfare. African countries, at least theoretically, began trading under the more favourable terms of the treaty on that day, marking the start of a new trading dispensation that should eventually create an immense single market of 54 countries, some 1.3bn people and a combined GDP of around $3.4tr.

Of the African Union's (AU's) 55 member states, only the reclusive nation of Eritrea in the Horn of Africa has not signed the AfCFTA and 34 countries have so far ratified it, a necessary step to implementation.

The clock is now ticking for countries, basically, to eliminate tariffs on 90% of goods over five years (ten years for least developed countries or LDCs) and on an additional 7% over the next five years (eight years for LDCs).

Africa's ambitions for the AfCFTA are exceedingly large. It is pinning its hopes on it as the panacea for most of Africa's many economic ills. President Cyril Ramaphosa, outgoing 2020 chairperson of the AU, said at a webinar on 1 January, to mark the implementation of the AfCFTA, that he believed it would kickstart industrialisation, tackle "extreme poverty, unemployment and inequality" and thereby unshackle "the stubborn legacy of colonialism".

The World Bank seems to share these high hopes, estimating that if fully implemented, the AfCFTA would, by 2035, increase total exports by almost 29% and intracontinental exports by more than 81%.

That would lift an extra 30m people from extreme poverty, 68m people from moderate poverty and increase real incomes by 7% or nearly $450bn. The AfCFTA could anchor Africa's recovery after the Covid-19 pandemic, it said.

"AfCFTA is a major opportunity for Africa, but implementation will be a significant challenge."

Indeed. The AfCFTA reached its official implementation day of 1 January 2021 in record time. It was only signed in Kigali in March 2018 and trade deals like this normally take up to a decade or more to implement. It is clear, though, that the AU and champion nations, including South Africa, rushed the AfCFTA into existence, mainly to meet the high expectations of urgency they had themselves created but also as a sort of "vaccine" to the economic impact of the pandemic.

> Africa's ambitions for the AfCFTA are exceedingly large. It is pinning its hopes on it as the panacea for most of Africa's many economic ills.

This haste, though, means that many countries were not yet ready to trade on 1 January and even for those who officially were, it is not yet quite clear if any of their exports have yet crossed any African borders at the lower or zero AfCFTA tariffs.

Wamkele Mene, the South African who heads the AfCFTA secretariat in Accra, told *finweek* that among the countries which did have customs agreements in place to begin actual trading on 1 January were SA, Egypt and Ghana.

He says trading had begun among those countries that were ready, in the 81% of goods for which "rules of origin" had been agreed. These rules are crucial to free trade deals including the AfCFTA, as they specify how much of any product must be manufactured within the AfCFTA borders to qualify for its preferential terms.

The AU has given countries which are not yet ready to trade leeway until 30 June to get ready to do so and has also set that as the deadline for countries to negotiate the liberalisation of trade in five key service sectors. And Mene says the secretariat has made special provision for countries which has not had customs regimes in place on 1 January. Traders in these countries will be able to claim credit retroactively to 1 January 2021, for the extra import tariffs they have had to pay.

These reimbursements are legally binding, he indicated.

Some analysts have expressed concerns about these arrangements. Donald MacKay, director of XA International Trade Advisors, says SA's Customs Act has only been amended so far to incorporate AfCFTA trade between SA and two states – Egypt and São Tomé and Príncipe – the latter a tiny island state off West Africa with which SA has virtually no trade.

And even this is in doubt, as an Egyptian official told *finweek* that Cairo is still negotiating tariff reductions with Pretoria, which is acting for the whole Southern African Customs Union (SACU) bloc. The official says trading between Egypt and SACU also could not start until Botswana, a SACU member, had ratified the AfCFTA. Botswana's investment, trade and industry minister, Peggy Serame, confirmed on 9 January that Botswana was still in the process of ratifying the agreement.

SA's minister of trade, investment and competition, Ebrahim Patel, has nonetheless called on SA farmers and manufacturers to seize the new opportunities in export markets, particularly for expansion to new markets in West, Central, East and North Africa – with which SA did not have other free trade deals.

Photos: Shutterstock | Messe Frankfurt South Africa | xa.co.za

But MacKay says it is hard for farmers and manufacturers to do this without knowing what the AfCFTA preferences are and on which products.

"So, if you're a factory and you want to export your product to Egypt, the first thing you need to know is that your duty into Egypt will be under the trade agreement. I'm sure that's available. But it's not available anywhere I can find. And also, I'm not even sure if Egypt has implemented the agreement on their side. So, we have implemented, does it mean they have implemented? That's extremely important if you are an exporter."

But OK. Let us accept that Africa was in a huge hurry to get the AfCFTA officially operational and so there will be teething problems. Let's assume all countries will soon come on board. Let us also trust that when they do, their traders will in fact be reimbursed for tariffs they pay, backdated to 1 January 2021, and that in the meantime those traders will also show enough faith in these reimbursements to make their purchasing decisions accordingly.

But even if all of this happens, will that radically transform the continent's economies, as hoped?

The World Bank, significantly, predicates its high hopes for the AfCFTA on more than just reducing tariffs. Reducing non-tariff barriers – such as import quotas, subsidies and customs delays – will be more important.

Others have calculated that moving goods much faster across borders not only through cutting customs red tape but also radically improving physical infrastructure like roads, bridges and ports would have the greatest impact.

Wamkele Mene
Head of the AfCFTA secretariat in Accra

Donald MacKay
Director of XA International Trade Advisors

Even then, though, MacKay observes that very few African countries have revenue services capable of efficiently collecting income taxes – making them overly dependent on import tariffs for government revenue.

So, he believes they will be extremely reluctant to abandon those import tariffs, whatever the terms of the AfCFTA.

The World Bank seems to disagree, calculating that in the short term, the AfCFTA would only reduce tax revenues by less than 1.5% in 49 African countries. That is because only a small share of tax revenues – less than 10% on average – come from imports from other African countries. And because the percentages of goods which countries may exclude from tariff reductions can shield them from most tariff revenue losses.

This point does raise the logical question, though, that if the tariff reductions are so tiny as barely to impact revenues, how could they boost trade very much?

In short, the AfCFTA has rushed to the starting line, but then has been slow to get out of the blocks, and still faces many challenges.

But Mene says: "These things take a long time before the poor people on the ground feel the real benefits. But you've got to start the implementation process somewhere." ■

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Peter Fabricius is a consultant to the Institute for Security Studies (ISS) and a freelance foreign affairs journalist.

By Glenda Williams

PROPERTY

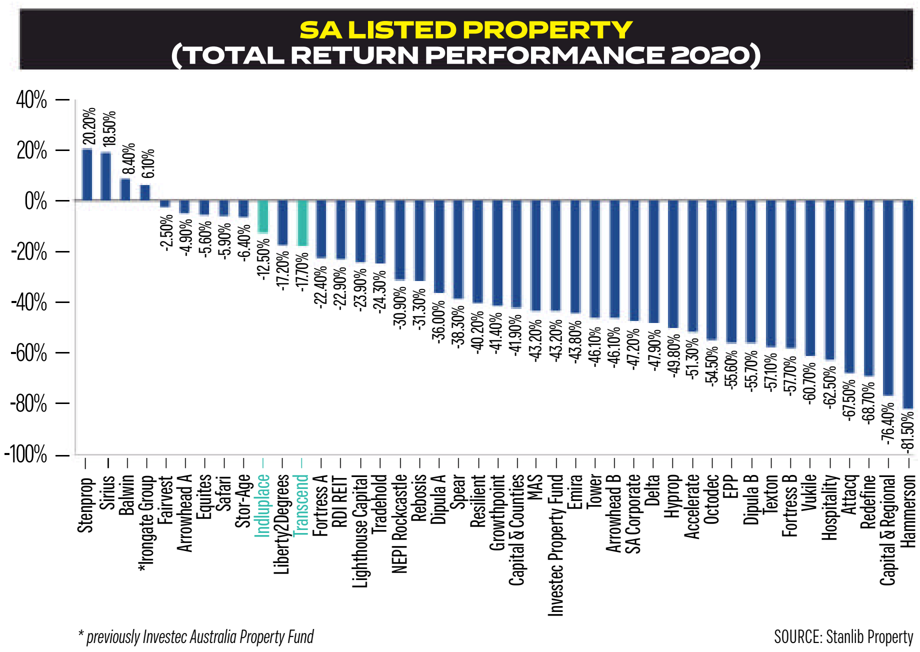
Residential property bucks the trend

Focus on affordable renting proves defensive for SA's residential REITs.

Of the more than two dozen South African real estate investment trusts (REITs) on the JSE, only two – Indluplace and Transcend Residential Property Fund – offer investors specific exposure to residential property. Both focus on the affordable residential rental segment.

Institutional investors have largely ignored the residential sector. As an asset class, residential makes up under 3% of the total listed property sector in South Africa.

But with Covid-19 putting pressure on office and retail sectors as South Africans prioritise health by retreating to the safety of their homes, the residential asset class could be a more tempting investment alternative. "The impact of Covid-19 has shown that these residential REITs have been somewhat more defensive than the traditional property subsectors," Nesi Chetty, senior fund manager at Stanlib, tells *finweek*. "Both Indluplace and Transcend outperformed the property sector in 2020." (See chart.) The FTSE/JSE SA Property Index slumped by 39% over the past 12 months.



* previously Investec Australia Property Fund

SOURCE: Stanlib Property

▶ Indluplace

Indluplace – the first residential-focused REIT to list on the JSE – has a R3.8bn portfolio of 147 buildings comprising 9 668 residential units and 18 834m² of associated retail space. It focuses on the affordable rental market in Gauteng, the Free State, KwaZulu-Natal and Mpumalanga.

Its recent dividend of 44c per share on a 75% pay-out ratio is conservative given the operating environment.

Indluplace's loan-to-value (LTV) is 34.7% and deemed manageable. For the financial year ended September 2020, the REIT had R150m of available cash. The sale of 22 properties is agreed for R80m and a further 19 properties identified for sale is estimated to realise around R500m.

Chetty views recently renewed bank facilities as positive but maintains that Indluplace has a lot more work to do in the short term managing portfolio vacancies (6.3% in January 2020 and 11.3% at financial year-end).

Indluplace's forward yield is 12%. The share trades at a 60% discount to net asset value (NAV).

Nesi Chetty
Senior fund manager at Stanlib

Photo: Supplied

▶ Transcend

In February 2020, the value-oriented residential REIT migrated from the AltX to the JSE's main board.

Transcend's R2.7bn portfolio of 23 properties comprises 4 697 residential units.

The specialist REIT focuses on affordable rentals in secure estates located in high-growth urban areas. It concentrates on Gauteng and the Western Cape, while its single Mpumalanga asset is up for sale.

Rentals in Transcend's portfolio range from R3 000 to R7 000 per month, mostly targeting SA's growing urban middle class. For the six-month period to 30 June 2020, Transcend's portfolio occupancy was 94%.

Transcend declared an interim dividend of 12.1c/share for the period. "While distribution per share was down some 60%, the company continues to generate strong cash flows at a property level," says Chetty.

Although still within debt covenant requirements (55%), Transcend's LTV ratio is high at 49.1%. Management aims to reduce that to between 30% to 40%. Proceeds from the sale of Acacia Place, Midrand Village units and De Velde units will be used to pay down debt.

On an adjusted basis, Transcend's forward yield is closer to 9%. The share currently trades at a 43% discount to NAV.

Both Transcend and Indluplace still offer good value, notes Chetty.

▶ Investor positioning

"While the development pipelines look exciting and the balance sheets stronger, investors are still cautious on the fragile SA recovery in 2021," says Chetty.

Historically, investors have preferred size and liquidity to specialisation. Chetty says future investor positioning on residential REITs will centre on growth prospects and residential valuations, benchmark weightings and liquidity, and consolidation opportunities.

Both REITs have a market capitalisation under R1bn (Indluplace at R938m and Transcend at R650m), thus out of benchmark bets for managers who manage to either a SAPY (SA Property Index) or ALPI (All Property Index) benchmark.

For traditional property funds looking to invest, low liquidity is dissuading. Still, mid-cap REIT Emira Property Fund has a 34.9% stake in Transcend, while diversified REIT Arrowhead Properties has a 55.73% interest in Indluplace.

There are upsides. Chetty believes that impairment will be moderated in the residential sector versus the large, double-digit property valuation drops seen in some listed retail REITs.

And, he says, both Transcend and Indluplace are well-positioned to capitalise on growth in the affordable rental segment.

"Indications suggest a considerable shortage of affordable housing in SA in the long term. New residential supply will continue to increase to meet demand. There continues to be long-term value in these sectors for investors." ■

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market place

FUND IN FOCUS: SYGNIA 4TH INDUSTRIAL REVOLUTION GLOBAL EQUITY FUND **By Timothy Rangongo**

Exposure to pioneering tech stocks

The global equity fund aims to provide investors access to new technology and innovation stocks and deliver long-term capital growth.

FUND INFORMATION:

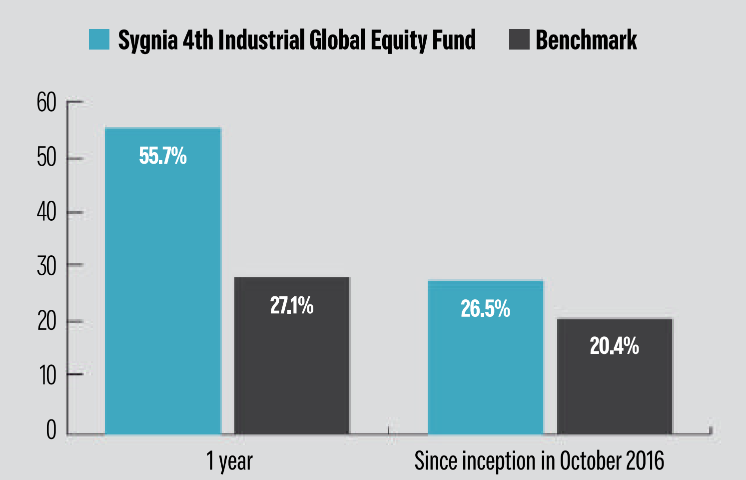
Benchmark:	S&P 500 Net Total Return Index (SPTR500N)
Fund managers:	Iain Anderson and Wessel Brand
Fund classification:	Global – Equity – General
Total investment charge:	1.25%
Fund size:	R2.2bn
Minimum lump sum/ subsequent investment:	R20 000/R500
Contact details:	0860 794 642/info@sygnia.co.za

TOP 10 HOLDINGS AS AT 30 NOVEMBER 2020:

1	NIO	3.7%
2	Oxford Sciences Innovations	2.6%
3	Sunrun	1.7%
4	Plug Power	1.6%
5	Tesla	1.5%
6	Workhorse Group	1.3%
7	Pacific Biosciences of California	1.3%
8	Overstock.com	1.1%
9	Zoom Video Communications	1.1%
10	Fossil Group	1.1%
	TOTAL	**17%**

PERFORMANCE (ANNUALISED AFTER FEES)

as at 30 November 2020:



Fund manager insights:

At the inception of global lockdowns intended to curb the rapid spread of the coronavirus in the first quarter of 2020, Intel's CEO Bob Swan penned a letter to the multinational tech company's customers, saying "we are witnessing what will surely be remembered as a historic deployment of remote work and digital access to services across every domain".

Throughout 2020, a multiplicity of data continuously indicated that the world had leaped years forward in consumer and business digital adoption, which was also witnessed in the overperformance of tech stocks.

The Nasdaq Composite Index, home to many of the US's biggest tech stocks, invariably outperformed its peers. According to the *Wall Street Journal,* the benchmark's gains totalled 39% for 2020.

Sygnia Asset Management's 4th Industrial Revolution (4IR) Global Equity Fund, a high-risk, passively-managed fund, offers investors access to global companies positioned to benefit from new technologies and innovations.

Its current holdings comprise new kid on the block Zoom (listed April 2019, with one-year returns of 374.72%), Oxford Sciences Innovations (OSI) and Tesla, among others. The fund invests into shares as prescribed by S&P Kensho, the index most involved with the shaping of the future and 4IR, explains Kyle Hulett, head of investments, and Wessel Brand, one of the fund's managers.

Covid-19 forced a step-change in the acceptance of new technologies, benefitting several companies, they say. The S&P Kensho New Economies Composite Index is designed to measure the performance of companies involved in the 21st century new economies sectors such as clean power, human evolution (think wearables, robotics and 3D printing) and smart transportation (electric vehicles).

The fund's second-largest holding, OSI – a joint venture between Oxford University and private sector asset managers – has produced two Covid-19 vaccine candidates, for example. The venture is closely linked to the Oxford/AstraZeneca vaccine through OSI's portfolio company Vaccitech.

Inasmuch as the fund is exposed to prospects not available in the local market for SA investors, Hulett and Brand note that it is a long-term investment, and that "investors should not try to time entry into the fund".

Why *finweek* would consider adding it:

The strengthening of the rand since the second half of 2020 and at the time of publication makes the current period an opportune time to build up a portfolio with offshore exposure to tech companies involved in pioneering products and services. ■

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KAAP AGRI

BUY SELL HOLD

By Simon Brown

Bumper crop may be boost

The drought of a few years ago really hurt the farming industry, but the return of the rain has got the industry back on a solid footing and a strong harvest in 2020 is expected to be followed by an even stronger harvest in 2021.

This boost in the crop will directly benefit farmers due to higher output and in some parts, such as maize, we're seeing an oddity as prices are not falling even as record crops are expected, giving some farmers a double win.

This bumper season will see increased spending from farmers and Kaap Agri, operating in the wheat and citrus areas of the Western Cape, should benefit significantly. Kaap Agri is at its core a retail business with a fuel division (which is doing poorly) and grain handling. Half-year results to end-March will likely only be modest but should improve for the September year-end as the spend picks up post-harvest.

We should also see a dividend increase and on a forward price-to-earnings ratio of around seven times there certainly is value in the stock. ■

Last trade ideas

BUY Ashburton Midcap ETF
26 November 2020 issue

BUY Reunert
5 November 2020 issue

BUY Metrofile
22 October 2020 issue

BUY Sea Harvest
8 October 2020 issue

BHP

BUY SELL HOLD

By Moxima Gama

Cleaner steel

BHP's share price surged at the beginning of the year – defying two key resistance trendlines. It seems shareholders are pleased with BHP's investment in a US-based start-up company, Boston Metals, to develop less polluting ways of producing steel. Steel is not only the backbone of the industrial world but is also a lucrative business and is responsible for more than 8% of global carbon emissions. Each year 1.9bn tonnes is produced to build anything from transportation systems and skyscrapers to infrastructure.

BHP's investment will be funded under the $400m climate investment programme, which was set up last year with the purpose of reducing so-called scope 1, 2 and 3 emissions. Last month BHP signed a memorandum of understanding with world-leading steel producer China Baowu, with the intention to invest up to $35m and share technical knowledge to assist with the challenge of reducing greenhouse gas emissions currently facing the global steel industry.

How to trade it:

BHP has traded through a key resistance trendline dated back to 2016 and is currently forming new highs. With the weekly relative strength index overbought, expect a near term pullback. However, if BHP should hold above 42 355c/share, then a new, steeper bull phase could commence to a target situated at 56 700c/share in the near to short term.

A reversal below 42 355c/share could see BHP's share price fall back to support at 37 720c/share, in which case refrain from going long. ■

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Steel is not only the backbone of the industrial world but is also a lucrative business and is responsible for more than 8% of global carbon emissions.

Last trade ideas

BUY Naspers
26 November 2020 issue

BUY EOH
5 November 2020 issue

BUY Reunert
22 October 2020 issue

BUY Transaction Capital
8 October 2020 issue

Photos: Shutterstock

By Moxima Gama

RICHEMONT

Through its symmetrical triangle

52-week range:	R79.19 - R147.45
Price/earnings ratio:	197.5
1-year total return:	30.01%
Market capitalisation:	R839.4bn
Earnings per share:	R0,89
Dividend yield:	1.23%
Average volume over 30 days:	2 844 503
	SOURCE: IRESS

SOURCE: MetaStock Pro (Reuters)

Richemont is the world's second-largest luxury goods group after LVMH. Though Richemont has maintained its long-term bull channel, it was volatile for the past three years – forming a pattern known as a symmetrical triangle.

Outlook: Richemont's share price has breached the upper slope of the symmetrical triangle which it had formed within its long-term bull channel. With online and e-commerce growth accelerated by the Covid-19 pandemic, Richemont's executive chairman and controlling shareholder Johann Rupert is looking to be the leader in the field – hence teaming up with Farfetch and China's Alibaba.

On the charts: Richemont is approaching the upper slope of its long-term bull channel. Because it has failed to breach that channel a few times before, further upside may be limited. If so, Richemont's share price could retrace. Otherwise, a new bull phase would commence.

Go long: The upside target of the symmetrical triangle is situated at 17 180c/share and could be tested once the upper slope of the long-term channel has been breached. The target of the bull channel is situated at 20 635c/share. With the weekly relative strength index (RSI) in overbought territory, expect a near-term pullback. If Richemont holds firmly above 13 500c/share (go long), then the share price may well breach the upper slope of its channel and fulfil both targets in the medium to long term.

Go short: A reversal through 13 500c/share could see Richemont's share price fall to the lower slope and possibly hold there. Failing which, a negative breakout of the channel would be confirmed below 7 850c/share and downside to 5 150c/share could ensue. ■

WOOLWORTHS

Maintaining a recovery?

52-week range:	R24.01 - R52.83
Price/earnings ratio:	33.5
1-year total return:	-13.4%
Market capitalisation:	R42.6bn
Earnings per share:	R1.20
Dividend yield:	2.2%
Average volume over 30 days:	3 435 541
	SOURCE: IRESS

SOURCE: MetaStock Pro (Reuters)

Woolworths has lost more than half its share value over the past five years. Roy Bagattini, appointed group CEO at the beginning of last year, has launched a threefold strategy to turn the company's Australian division, David Jones, around. Shareholders will not be asked to inject more money into Woolworths or David Jones through an equity raise. David Jones properties will be sold, and Woolworths floor space will be cut by 20% over the next five years to save money on rental costs.

On the charts: If Woolworths maintains its current recovery bull trend – formed within its bear channel – a move through the upper slope of the channel would be possible. Breaching the 5 000c/share mark should prompt further gains to 6 155c/share. Above that level a positive breakout would be confirmed – thus triggering a buy signal and ending the four-year bear trend. Note that if the upper slope is not breached, the long-term bear channel will be retained.

Go long: Investors could start buying Woolworths marginally above 5 000c/share and increase positions aggressively above 6 155c/share. Upside to 7 795c/share would be anticipated and breaching that level could see Woolworths' share price appreciate further to 9 615c/share – potentially retesting its all-time high at 10 800c/share in the long term.

Go short: Refrain from going long if Woolworths reaches a ceiling at 4 305c/share, as the bear channel would remain intact. A reversal back to 2 400c/share would be possible and below that level Woolworths could retest the lower slope of its bear 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 12 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the research team in the Treasury division of CIB.

Between words and seeing

Eben Venter on Lien Botha's annotated photographs

Lien Botha steps out of the car onto the road. It is a straight, gravel-compacted road running from the town of Sutherland - population 2 800 - leading north, north-west to the Knersvlakte, the Valley of Gnashing Teeth. As writer, photographer and visual artist, Lien Botha needn't go as far as the valley, she is surrounded by a palette of colours she favours: loamy grey, sallow yellow, the shy green of squat bush and bleached sky blue. Words will come later. [...]

The Canon EOS slung over her shoulder, Lien Botha crosses the road, carefully scales a jackal-proof fence and walks up the koppie, the Afrikaans word for the small rocky hills so distinct to the Great Karoo.

This is far enough. She has found what she wanted, in other words: the landscape has presented her with an image. [...]

Her frame covers the slope of the koppie showing neither its foot nor its crest, and closes in on the surface textured with slate stone, pale green euphorbia fingers and small bush of ashen pearls. In the distance to the left, white cloud offers reprieve from the harshness of the Great Karoo.

The camera zooms in and, like the landscapes elsewhere in her work, intimacy is established between artist and image. The intimacy is affirmed by naming the image twice, in English and Afrikaans. [...]

Sugar Hill (Speeltaal)

The aptly named Golden Series features the characters of Boet and Saartjie with cameo appearances by Moeder (mother), Vader (father), Kleinsus (little sister) and Buks the dog. The line drawings place Boet and Saartjie in safe, happy environments: the interior of a home, the flower garden, at the sea-side or under a tree with a swing tied to a branch. Even when Boet and Saartjie walk home after school, black kids never appear on the sidewalks of the town; black people do not exist in the Golden Series.

The Perks of being a Wallflower (Blomtaal)

The Boet and Saartjie story follows a basic approach to reading, instilling words and sounds into the young reader through repetition and recognition. Lien Botha follows the method too. She overlays every one of her photographs with a line drawing from the Golden Series. There is Vader reading his newspaper against the backdrop of a grey waterscape. There is Saartjie made to stand in the kapok veld of a wintry Karoo. The older white viewer will instantly recognize the reference to the Golden Series; whoever the viewer, it is, through repetition, easy to see that something is going on with these figures.

Finally there are the Afrikaans titles.[...] Here too, Lien Botha is not allowing the viewer-reader to be consoled by her evocative micro poems. She splits the titles from the images and transports them to another room. There they hang, all twelve of them, digitally embroidered on cotton fibre. [...] The viewer-reader walks slowly through the exhibition, taking in image and title, making up things in their mind. [...] No sooner are the words uttered, or the understanding seems to lose ground: what does the image and its complementing Afrikaans title in the adjoining room really mean? What does the writer-artist intend for her work not to mean?

Somewhere in between words and seeing meaning flickers and fades: the viewer-reader has to find comfort in this in-between-world of understanding and non-understanding, more than that the artist is not prepared to offer.

Eben Venter is the award-winning author of eleven works of fiction. His most recent novel, Green as the Sky is Blue, was written in English and self-translated into Afrikaans.
Venter has recently completed a PhD at the University of Queensland on the Theory of Self-translation.

Lien Botha's exhibition 'Lost in Translation' will open at Barnard Gallery on 9 March 2021.

By Simon Brown

Simon's stock tips

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

ALTRON

Is Netstar next?

Altron is an interesting offering with serious potential for unlocking value. The Bytes UK deal richly rewarded shareholders and Netstar is a potential next demerger and listing. The Netstar business is about the same size and profitability as Mix Telematics while Cartrack is about 50% larger. Yet, Altron has a market cap of some R4.4bn, Mix Telematics is around R4.8bn and Cartrack (after the delisting announcement) is worth just over R15bn. So, it is very possible that a Netstar listed on its own would be as large as the whole Altron and we could possibly expect news on this front in the next few months.

METROFILE

The rumours are true

The initial delisting offer for Metrofile* was in December 2019 at 330c per share, but the pandemic meant the buyer (Housatonic Consortium) couldn't visit South Africa to conclude their due diligence. Housatonic eventually withdrew their offer in October 2020 while stating they were still interested. Rumours had been circulating about a potential second buyer, rumours I was not convinced about, but then an announcement in mid-December confirmed them to be true. The new delisting proposal is "preliminary in nature", does not include an offer price nor is the buyer named. That all said, I'd rather continue to hold the company, especially as it has been paying down debt and has withstood the pandemic relatively well, but we'll have to wait for more details in time.

BYTES

Great addition to JSE

Bytes UK was spun out of Altron in mid-December and now trades on the JSE under the code BYI. They operate in the UK, offering cloud and security IT solutions, so not a wild tech stock in the same vein as the super-growth tech stocks. But it is a great new addition to our stock exchange, offering UK earnings in pound sterling.

Existing shareholders can elect to sell their shares at

4 200c

(which is well below the current price of around 5 200c) or they can instead elect to receive new shares in the entity Karooooo.

DELISTINGS

Bargains galore!

The last couple of years have seen several delistings from the JSE and 2021 is likely to continue that trend. Often, we investors end up worse off. Sure, we get a great price quickly if the delisting is done at a premium, but in the long term we lose access to some great stocks and their potential returns. That said, this can be used to our advantage if we hunt out some decent stocks at low valuations with the potential for a delisting boost. The important thing here is quality, because if there is no delisting then price downside is a real risk. Some stocks I would consider for such a list of potential delisting targets would include Adapt IT, Alviva, Italtile, Zeder, Adcock, Grindrod and RCL Foods, among others. Keep an eye on them, watching for volume spikes and maybe buy a few with cheeky offers.

CARTRACK

Off to Nasdaq

Cartrack has issued a delisting announcement, but of quite a different type of delisting. Existing shareholders can elect to sell their shares at 4 200c (which is well below the current price of around 5 200c) or they can instead elect to receive new shares in the entity Karooooo. (This entity is owned and controlled by Cartrack's founder Zak Calisto.) The new entity will hold all the Cartrack shares after the delisting, and will then list the business on the Nasdaq with an inward listing on the JSE. If you stay invested, you will end up still holding Cartrack on the JSE, but in theory the idea is that the Nasdaq listing will help boost the price. Cartrack's management stated that a Nasdaq listing will "potentially yield a re-rated company valuation of the Cartrack Group similar to global software peers". If you currently hold Cartrack and like the business, there is no reason to take the 4 200c offer, rather stay invested. But understand that the Nasdaq listing may not happen as planned and even if it does, it will take time, during which you will be unable to sell your shares on an exchange.

COMMODITIES

Strong results ahead

The new year has seen gold moving higher with platinum group metals (PGM) stocks also holding firm while iron ore has hit new highs. The prices may soften a bit in gold (assuming the pandemic is mostly under control by the end of 2021) and iron ore (prices are currently well ahead of demand). But there will be great results coming from mining stocks with Anglo American almost at all-time highs. Anglo has PGMs (albeit Anglo American Platinum has issues), iron ore (Kumba and its Brazilian operations) and lots of copper, which is also flying. Sibanye-Stillwater* offers great PGM (platinum and palladium) exposure coupled with some gold via their local assets.

TSOGO SUN HOTELS

A risky bet

The Tsogo Sun Hotels takeover of the Hospitality Property Fund and its delisting was set for 19 January. Most investors feel that Tsogo got a great deal here and it is trading at about a quarter of its stated net asset value. As I write elsewhere in this issue (see pg.25), leisure remains a high-risk space, but Tsogo will survive and for those looking for some risky leisure investments, Tsogo Hotels (not the gaming) may just be it. There is, however, no rush as 2021 will be tough for the leisure industry.

Photos: netstar.co.za | tsogosun.com | Shutterstock

DIS-CHEM

Buying, buying, buying

Dis-Chem have announced details of the deal they mentioned in their November results in late December. They'll pay R282m for 50 Medicare pharmacies which also offer primary healthcare. Dis-Chem also announced the purchase of a majority stake in Healthforce, a medical software business with a telemedicine capability already operating in 440 clinics. I like these deals and the direction the company is taking with it. Dis-Chem is a big box retailer focusing on health and these deals takes it down the value chain to more pure health offerings in smaller format stores. In the same December announcement Dis-Chem also confirmed the conclusion of the Baby City deal. At around 2 200c the stock is on a historic price-to-earnings (P/E) valuation of around 30 times, which is expensive. But I think there is opportunity here for those looking for local health investments. The regulatory issues that always concern me have already happened in the South African pharmacy space so that risk is much lower than other health investment options.

Dis-Chem also announced the purchase of a majority stake in Healthforce, a medical software business with a telemedicine capability already operating in 440 clinics.

BITCOIN

Quo vadis?

Perhaps the biggest story over the holidays was Bitcoin* that has more than doubled in value to over $41 000 apiece in the last month. We've seen crazy and fast runs before from Bitcoin but this one does feel different, especially compared with the 2017 rush to almost $20 000. Back then it really felt like a bubble and the resultant collapse pretty much confirmed that. This time is, to a degree, different. My non-tech friends aren't all piling in and a lot of the price driver seems to stem from PayPal enabling the easy purchasing of the coins along with a general excitement sending prices higher. At $41 000 Bitcoin's market cap is still only around $770bn, so actually small considering all the hype, exchanges and platforms that were set up around it. Consider that Facebook has a similar market cap with over 2bn users across three of the internet's most popular platforms. Yet, Facebook only trades on one stock exchange with very few websites and online user groups dedicated only to the stock. Bitcoin, on the other hand, has hundreds. The question as to where next for Bitcoin is answered with: nobody knows. The volatility of Bitcoin is apparent as it lost 23% over two days just to pair half those losses in a single subsequent day. JPMorgan predicts $146 000 apiece. I hold and will continue to hold; I see nothing special in Bitcoin or the blockchain, and as a means of payment or a store of wealth and, frankly, it is mostly useless. But it is going up wildly and I like owning what goes up. ■

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**The writer owns Bitcoin and shares in Metrofile and Sibanye-Stillwater.*

By Simon Brown

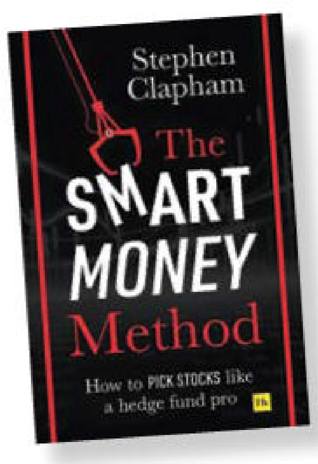
INVESTMENT

How to be a smarter small investor

Private investors have several edges over their large money-managing peers. Use this to your advantage.

One of the benefits of lockdown for me was more time to read books, and even though I read more fiction than usual, I also got in several rereads of my favourites and a few new books.

One I ended the year off with was *The Smart Money Method* by Stephen Clapham. It is one of those books on how to be your own stock picker and often they're not really worth the time. But this one had several gems that made it worth the price and time spent reading. That said, for the average private investor the overall strategy is frankly too much for us to handle in terms of time and resources required. But it still made me smarter and for those wanting to get into the professional side of research and research report writing it is very much worth the read as he details the full process of researching and writing.



The author also brings in several other people's ideas, such as one by Phil Huber, a US wealth manager who has written about the three edges a person can have in the market. They are information, analytics, and your time horizon. He noted that as a private investor, the first two are very difficult as we don't have the resources such as a Bloomberg terminal nor quality access to management. When it comes to time horizon, however, private investors have a very solid edge as they can truly be longer-term investors.

Money managers, as opposed to private investors, have quarterly reporting and typically much shorter time frames to realise returns. On the other hand, private investors can use this to their advantage – albeit, as I have written before, this is a double-edged sword should our expectations never materialise.

I would also add a fourth edge which the smaller private investor has, namely liquidity. If you're managing billions of other people's money, there is a vast number of stocks that are uninvestible due to the lack of daily trading volumes. Now, this is also a risk for us smaller investors, but we still have a much larger pool of stocks we can invest in as our minimum liquidity requirement is vastly smaller.

Clapham also writes a lot about self-dealing where directors buy and sell assets to and from the company. In every example where I have seen this it has not ended well for minority investors.

Overall, the book is well worth a read and the author has also been a guest on a few podcasts out of the US that are worth listening to.

I especially recommend his appearance on Bloomberg's podcast programme The Odd Lots released in late October, which is where I first heard of him and his new book. The topic is about risk in Chinese investments and he ends with three top red flags that make him pause and consider fraud or perhaps just a bad investment.

There are a few topics that Clapham didn't discuss in the book but did on the podcasts. First off, he discusses working capital ratios. If they are rising, then at best they're not a good investment as it indicates customers aren't paying, either because they can't or because they no longer like a company's products or services and have found an alternative.

Secondly, Clapham advises to check a company's margins against the past and the peer group. He comments that every single fraud he has dug into had margins higher than their peers. Now, high margins in itself aren't an indication of fraud, but are a red flag and they need to be explainable in simple terms.

Thirdly, look at cash flow compared to earnings. If there is a trend where earnings are not turned into cash, then those earnings are surely suspect and at some point must start to decline. ■

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Money managers, as opposed to private investors, have quarterly reporting and typically much shorter time frames to realise returns.

Photos: harriman-house.com | Shutterstock

By Peet Serfontein

TECHNICAL ANALYSIS

The index inclusion effect on Tesla

Strong-performing shares tend to get stronger, while the weak get weaker.

52-week range:	$70.10 - $884.49
Price/earnings ratio:	1 345
1-year total return:	709%
Market capitalisation:	$805.1bn
Earnings per share:	$0.63
Dividend yield:	0%
Average volume over 30 days:	53 929 624

SOURCE: IRESS

SOURCE: Peet Serfontein/TradingView

Tesla was included in the S&P 500 Index in December last year. The share showed an astronomical return up to and including the day before its inclusion, which came into effect on 21 December. Since then the share has increased in value by a further 9%. It has therefore increased in value almost sevenfold since the beginning of last year.

What does inclusion in this index mean for a share, and is it worth it if there is this kind of opportunity to increase your exposure to the share?

Do bear in mind that Tesla trades in the automotive market segment as well as in energy generation and storage. The automotive segment includes the design, development, manufacture and sale of electric vehicles. The energy generation and storage segments include the design, manufacture, installation, sale and lease of stationary energy storage products and solar power systems as well as the sale of electricity generated by solar power systems. Tesla can therefore be seen as a green energy company with a focus on the future.

Since being included in the S&P 500 in December last year, the share has increased in value by

9%.

But what is an index?

In the financial markets, an index is an indication of the overall change in the values of some or all of the shares listed on a particular market. The index is compiled as a portfolio in which each share is weighted according to its market interest.

Well-known indices include the Dow Jones Industrial Average, the S&P 500, the FTSE 100 in London, the DAX in Germany and the Nikkei 225 in Japan. Our FTSE/JSE All Share Index is also an example of such an index.

Specifically, the S&P 500 is generally seen as the benchmark for major US shares and one of the most important indices in the world. Many fund managers are judged on how well they perform against the S&P, which therefore encourages them to own Tesla and not deviate from the index.

With the inclusion of Tesla in the S&P 500, several index funds would automatically have to add Tesla shares – so that they can follow the S&P 500. This automatic addition supports the share price because it causes a demand for the share.

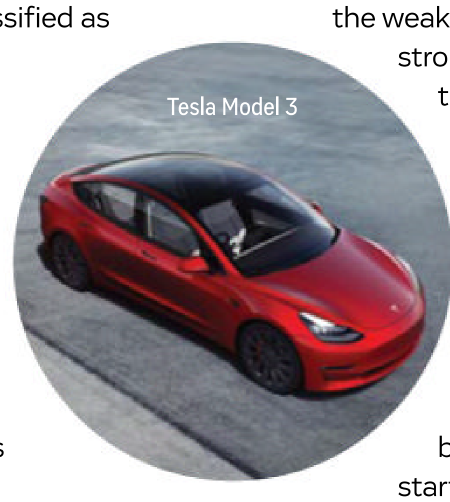
When a share is included in the S&P 500, it can bring more liquidity to the share, which means that it is easier to buy and sell the share without significantly affecting the price.

Furthermore, there are requirements by the index that determine which and when shares can be included in or must be excluded from the index. One of the requirements for inclusion in the S&P 500 is that the share's (company's) most recent quarterly earnings and the sum of the four most recent quarterly earnings must be positive.

By being included in the index, Elon Musk's company has complied with this requirement and can be classified as a blue-chip company.

What makes the share an attractive investment option?

Many empirical studies have found a phenomenon called the index inclusion effect. This effect is associated with significant abnormal returns for a share.



Tesla Model 3

Improved liquidity and earnings as well as increased investor awareness of the increase in the share price accompany such index inclusion.

Investor awareness has been found to be the primary contributing factor to the abnormal recorded returns. Remember that any negative news about competitive market power can impact these shares negatively.

But should you buy?

The index inclusion effect is actually a thing of the past, but if such an opportunity does arise, it is important to pay attention to it.

The price action of Tesla is in an overbought area. This means there is a greater possibility of the share undergoing a correction. Such a situation can occur in three scenarios. The share can firstly undergo a substantial correction. Secondly, the share can undergo a temporary correction and lastly, it could move higher over time.

Since the share is showing very strong upward momentum, the price could continue to move upward. A customary observation in the market is that investors are rewarded for buying the strongest shares and avoiding the weakest ones. Shares that perform strongly tend to get stronger, while the weak ones get weaker. This makes sense because markets like winners and dislike losers.

For the bull trend to continue I would prefer the price to stay above $690. Long-term upside potential could be $900.

If the price breaks through below the $690 level I would start worrying.

Use $660 as a stop-loss.

The graph is the medium-term (weekly) chart of Tesla's share price. Note that it is a logarithmic scale.

Be vigilant with this share as its volatility is high: Increased volatility leads to bigger returns, but also to bigger losses. ■

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Photo: tesla.com

By Paul Marais

INFLATION

Why there may be two further interest rate cuts

The lack of inflationary pressure combined with calls to boost the economy could spur more decreases.

The South African Reserve Bank (SARB) is under both political and social pressure to also target economic growth, which is sometimes accompanied by a demand for "full employment". Arguably, the economically devastating effects of the Covid-19 pandemic cannot be offset by further reductions in the repo rate, which goes some way to explaining why pressure for changes in, or enhancements to, the SARB's mandate receded toward the end of 2020. Similarly, calls for the SARB to lose its independence have also receded in the last few months.

The current year-on-year change in Consumer Price Index (CPI), as published by Statistics SA in the first week of December for the November month-end, is 3.2%, within the SARB's target range but close to the bottom. Barring a handful of breaches of both the upper and lower limit of the inflation-targeting range, the 12-month rate of change in CPI has been contained to within the range since at least 2010, the most recent breach being in June last year when inflation was at 2.22%.

The average rate of inflation over the last five years is 4.8%, almost exactly the mid-point of the range and therefore in line with the central bank's stated preference. Whether the official rate of inflation accurately approximates what consumers experience is an important debate, compounded by the underresourcing of Stats SA, which led to a delay in the reporting of CPI in the first half of 2020.

Food and non-alcoholic beverages constitute one of the three largest components of the CPI basket with a weight of 17%. The others include housing and utilities (25%) and transport (14%). Neither housing nor transport are inflationary at present. Transport is in fact deflationary at -1.4% but it is also one of the most volatile inflation components and could easily return to the inflation-targeting range relatively quickly. January's large increase in retail petrol prices will have an impact.

The area that is of interest from an inflationary perspective is food, which has been running at about 3% year-on-year for years. However, in the most recent data set food was up 5.8%; very close to the upper limit of the SARB's target range. The inflation target, however, does not apply to the individual CPI components.

The difference between the yield on a SA government-issued nominal bond and the equivalent duration inflation-linked bond provides a useful market indicator for expected inflation over the term to maturity of the pairs of bonds. Unfortunately, SA does not run constant maturity nominal and inflation-linked bonds, so this type of analysis is only ever an approximation. Nevertheless, the three pairs of bonds we track indicate that over the short term inflation is expected to average just over 3%, over the medium term around 5.5% and over the longer term a little over 6%. These figures are all comfortably within or near the SARB's inflation-targeting range.

Interestingly, the difference between the three outlooks has never been as wide as it is now; indicating an almost complete absence of inflationary pressure in the short term, which must accelerate meaningfully to get the average inflation rate over the long term back up to 6%.

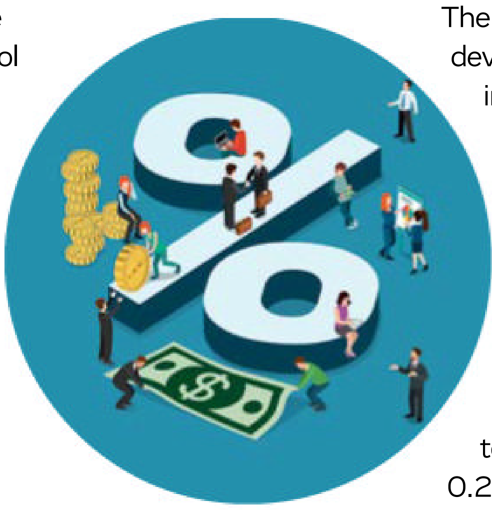
Given the lack of current inflationary pressure (other than food prices for which we only have a single data point) and the market's entirely benign inflation outlook, there is little to no pressure on the central bank to lower the repo rate further than it already has within the strict confines of its mandate. Interest rates are already at all-time lows. Even real interest rates (arrived at by subtracting the current rate of inflation from the repurchase rate) are close to all-time lows. Widening the frame of reference to include economic growth and unemployment clearly creates the impetus to cut rates that is not there from an inflation perspective.

Interestingly, the difference between the three outlooks has never been as wide as it is now; indicating an almost complete absence of inflationary pressure in the short term, which must accelerate meaningfully to get the average inflation rate over the long term back up to

6%.

It is possible to compare three-month forward-rate agreements (FRA's) with three-month negotiable certificate of deposit (NCD) rates to derive the market's expectations for interest rate changes. Using this methodology, the market anticipates a repo rate cut of 0.25 percentage points most likely at the SARB's January Monetary Policy Committee meeting; with a greater than 50% probability of a further 0.25 percentage point cut thereafter.

There are two global trends worth mentioning in conclusion. The first is the US Federal Reserve's recently expressed tolerance for higher inflation over the medium term so that inflation averages 2% over the review period. In our view this is irrelevant to the SARB as the inflation target is a range and the bank could easily allow inflation to drift towards 6% so that the average is around 4.5% without having to officially say anything to this effect.



The second trend is that many central banks, particularly in developed markets, have explicitly targeted negative real interest rates as a component of their Covid-19 response efforts. Despite the obvious fact that those central banks are developed market central banks and ours is an emerging market, with a 0.25 percentage point cut in interest rates and just a 0.25 to 0.5 percentage point increase in CPI, SA interest rates are likely to be negative in real terms anyway.

The outlook for interest rates has changed meaningfully in the last month, from largely unchanged to now including a reasonable probability of two 0.25 percentage point cuts. The first of which may soon occur. The inflation outlook, however, remains entirely benign. Given that the SARB's mandate is to target inflation, we surmise that interest rate changes would then be almost entirely about protecting the economy as much as possible from further devastating impacts of lockdown restrictions that are not already being experienced. ■

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Photo: Shutterstock

By Simon Brown

PORTFOLIO

The local sectors that may have a hard one in 2021

Preparing for market weakness in the year ahead may pose buy opportunities for those who've done their research.

As I write this, President Cyril Ramaphosa has moved the country into an adjusted level-3 lockdown with alcohol sales and onsite consumption thereof banned, a longer curfew and limits on gatherings including at restaurants, gyms, casinos and so forth. This is coupled with the second surge of coronavirus cases that has fast become a global event and larger than the first, even as authorities have started to roll out vaccines.

This is likely to be the trend for 2021 locally and globally. We'll move between different lockdown levels, although I think that level 4 or 5 hard lockdowns are unlikely. This is due to the first vaccines being expected in South Africa in January for healthcare workers but a much longer wait for the general population. Even developed economies are only expected to have vaccinated sufficient percentages of their populations by late 2021. It is going to be a long, tough year.

With this in mind, we can expect a repeat of some of the aspects of the 2020 pandemic on our investments and as we're a year wiser, it should be 'easier' this time around.

One of the surprises to me last year was a lot less capital being raised through either book building exercises or rights issues. I would expect some companies to come to market this year. Some will shore up their balance sheets while others will desperately try to avoid bankruptcy.

But overall, the flood of capital required did not happen to the extent I'd expected. This is good and bad news. Good because there is a finite amount of cash to put into these capital raises but also because it suggests maybe company balance sheets were stronger than I had expected. The bad news is that few expected 2021 to be as tough as 2020, so maybe some companies got their calculations wrong and will need to come to market for capital anyway.

So yes, again the balance sheet and debt profile of listed investments will be critical, especially those that will see their revenue under pressure due to the lockdown. Two sectors stand out for me: leisure and office space.

Foreign tourists will not be returning in large numbers in 2021 so the leisure sector will have to rely on locals for revenue generation. While the evidence is that South Africans are traveling locally for their holidays, do keep in mind that the economy is under pressure and so are consumers' wallets. This leaves the entire sector under a revenue squeeze, but I do think most of the listed stocks in this space will be able to at least squeak out a break-even profit this year.

Listed property, and specifically office rentals, will remain under severe pressure for several years as they lose tenants due to bankruptcy and companies shifting their employees to work from home. This will decrease the need for office space with working from home becoming a longer-term trend that will to some degree remain the new way of working.

With this in mind, we should draw up a list of stocks in these two spaces that we really like and dig into their balance sheets. What are their debt profiles (amount, rate and expiry) and what are their break-even levels? Once we know the stocks well from our research, we'll be able to identify probable winners and can then decide on a price we'd like to pay.

Stay away from those you are worried may not make it or who will have an extra long road to recovery. There are plenty of quality stocks we will be able to buy. There is no need to buy second-tier stocks.

Lastly, I do not expect another collapse in 2021 like we saw in 2020, but I do expect periods of weakness and we can use them as an opportunity to buy stocks if we're ready and our research has been done. ■

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Photo: Shutterstock

Listed property, and specifically office rentals, will remain under severe pressure for several years as they lose tenants due to bankruptcy and companies shifting their employees to work from home.

By Lucas de Lange

JSE

Difficult decisions await investors

For how long can stock markets move north and economies south?

Investors are going to face difficult decisions in 2021 judging by the analyses and predictions of economists, investment gurus and others who traditionally have their say in January. Is there a boom period ahead for the world economy when business returns to "normal" at the end of the coronavirus pandemic and when the pent-up demand is released? Or is the recovery going to be weak despite the large-scale money creation by authorities?

In the US alone, 25% of all dollars were created over the past nine months. The expectation is that the new Biden administration will continue with the plenty-of-money policy to avert a serious recession. As one commentator put it: The US doesn't want to go through more recessions. Since Alan Greenspan, the former chairman of the US Federal Reserve Board, averted earlier crises by pumping new money into the system to alter the traditional market cycle, it has become a global practice.

But it's not only through the authorities that heaps of money flow through to the economy. Savings worldwide are also at record levels. The excess savings and reticence of companies to invest have forced interest rates down to unfamiliar levels. About a quarter of investment-grade bonds are currently yielding negative returns.

The tremendous money creation and the effect it has on financial assets – such as Wall Street's new highs, which are being followed by the rest of the world – is going to cause serious problems, as predicted by many. The value of financial assets cannot increase indefinitely while the underlying economy is moving in the opposite direction. For how long can the money supply move north and the economies south, is the question being asked.

One of the indicators that has an international following and is flashing warning signs is the so-called CAPE indicator of Prof Robert Shiller, chair in economics at Yale University and Nobel laureate. The cyclically-adjusted price-to-earnings ratio already in September passed the danger level of 30, making it higher than in 1929 before the Wall Street collapse, which was followed by the worldwide depression.

The so-called Buffett indicator is also negative. This instrument takes the total market cap of the US stock markets and divides it by the country's quarterly GDP, reflecting the ratio between the markets' valuation and the size of the economy. Currently, the valuation stands at 170%, meaning there's a record disconnect between market prices and the economy.

Contrasting these indicators, we have Michael Strobaek, global chief investment officer at Credit Suisse, who reckons there is huge pent-up demand in the institutional investment world.

The best opportunities in 2021?

Companies involved in development of infrastructure are widely recommended because governments will stimulate this area through cheap loans to create jobs and growth. This will have a ripple effect creating favourable commodity prices, as can already be seen in the copper price. The copper price, which has increased about 75% since March last year, is regarded as a good indicator of investments in infrastructure.

As far as SA is concerned, there is general pessimism regarding the government's ability to capitalise on the expected economic revival. Eskom remains a serious millstone.

Firm commodity prices favour SA, and that investors are pinning their hopes on this is evident in the fact that commodity companies are strongly represented in the table of the strongest shares. For example, Anglo American has increased about 184% since March 2020.

Property shares are again among the weakest. Yet, some analysts believe they are offering such good value at the moment that they can recover remarkably, provided the economy can get going.

Among the shares that have broken through, Reinet and Santam look the most interesting. ■

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Lucas de Lange is a former editor of *finweek* and the author of two books on investment.

STRONGEST SHARES*

COMPANY	% ABOVE 200-DAY EMA
MONTAUK	96.0
THARISA	54.4
CARTRACK	49.5
TEXTAINER	42.1
GLENCORE	41.2
ARM	38.6
ANGLO	37.4
NORTHAM	34.8
SAPPI	32.7
KUMBA-IO	32.0
IMPLATS	31.9
SIBANYE-S	30.0
BHP	27.6
RBPLAT	25.6
BARWORLD	24.7
MPACT	23.9
DISCOVERY	23.5
CAPITEC	23.3
KAP	23.0
RICHEMONT	22.7
EXXARO	21.6
MC-GROUP	21.3
PAN-AF	20.9
SOUTH32	19.4
SASOL	18.7
TRANSCAP	17.6
ABSAGROUP	17.4
PSG-KST	16.6
MONDIPLC	16.6
SUPRGRP	15.6
MOTUS	15.1
FIRSTRND	14.6
MASSMART	14.4
TELKOM	13.4
NAMPAK	12.6
SIRIUS	12.3
MR-PRICE	12.1
QUILTER	11.4
NINETY-1L	11.4
ASPEN	10.8
ITLTILE	10.3
CORONAT	10.1
DIS-CHEM	10.1
AB-INBEV	10.1
ZPLATPREF	9.6
SHOPRIT	9.6
WOOLIES	9.5
DISTELL	9.4
RMIH	9.3
CLICKS	9.0
TIGBRANDS	8.1
STANBANK	8.0
MTN-GROUP	7.5
SPAR	7.5
NEPIROCK	7.2
VODACOM	6.2
BIDCORP	5.5
PROSUS	4.9
IMPERIAL	4.3
PEPKORH	4.2
NEDBANK	4.1
NASPERS-N	3.4
OCEANA	3.3
TFG	3.2
REINET	1.5
SANTAM	1.3
EQUITES	1.1
SANLAM	1.0
A-V-I	0.8
BIDVEST	0.6
VIVO	0.6
MERAFE	0.4

WEAKEST SHARES*

COMPANY	% BELOW 200-DAY EMA
HAMMERSON	-91.3
ALTRON-A	-48.0
GROWPNT	-12.3
ANGGOLD	-11.2
NETCARE	-10.6
GFIELDS	-9.2
RHODES	-9.1
LIB-HOLD	-9.1
REMGRO	-8.8
FORTRESSB	-8.1
HARMONY	-7.4
ASTRAL	-6.9
RESILIENT	-5.4
CAPCO	-4.9
PICKNPAY	-3.9
LIFEHC	-3.9
OMUTUAL	-3.8
INVLTD	-3.6
IAPF	-3.3
DRDGOLD	-3.1
REDEFINE	-3.0
MEDCLIN	-1.7
HYPROP	-1.7
RCL	-1.2
VUKILE	-1.1
BATS	-0.6
TRUWTHS	-0.5
FORTRESSA	-0.3
JSE	-0.2
MOMMET	-0.1
INVPLC	0.0

BREAKING THROUGH*

COMPANY	% ABOVE 200-DAY EMA
REINET	1.5
SANTAM	1.3
BIDVEST	0.6
VIVO	0.6

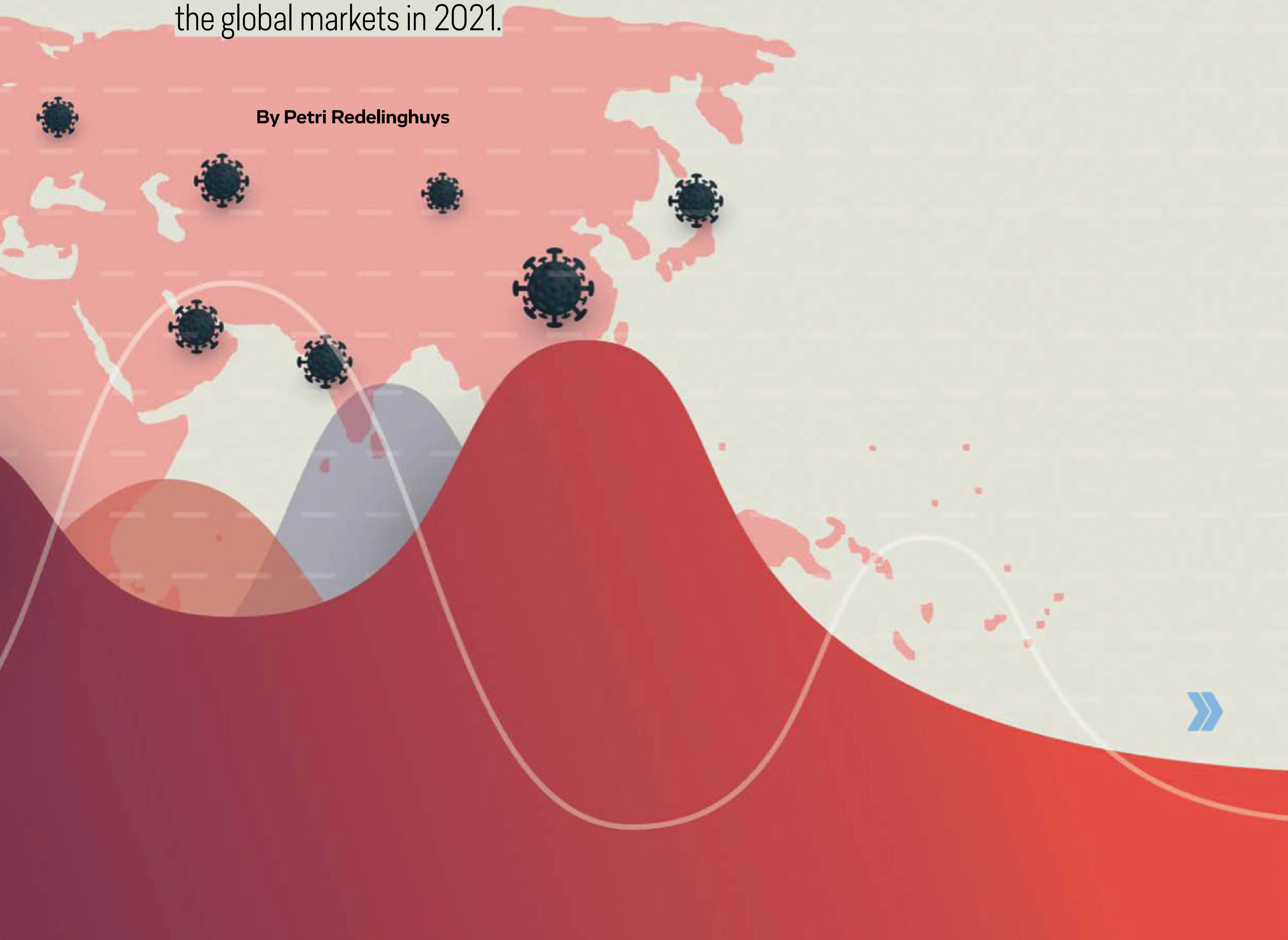
*Based on the 100 largest market caps.

RIDING 2021 OFFSHORE

’s THEMES IN INVESTING

Trader Petri explains his picks of the main trends he expects to see play out on the global markets in 2021.

By Petri Redelinghuys



2020 was one wild year. The pandemic, the lockdowns, the quick crash and recovery, the US election mess, our own local political mess … so much happened and so much took the world by complete surprise. 2021 should be much better, right? Well, six days into 2021 and the US Capitol was stormed by outgoing President Donald Trump's supporters and the leader only seems to have asked them to "go home" because his advisers pressured him into making a statement. If that is any indication of what 2021 is going to be like, we are probably in for another wild ride. So, hold onto your hats, folks. The 2020s are here, and the world is going to change even more than it already has.

Each year we try to establish what the major market themes, or trends, will be in the year ahead. Last year we had a special shoutout to Tesla as our primary major theme was the continued rise of technology stocks. Although Tesla was our primary call last year, we never imagined that it would perform quite as well as it did. Technology also had a fantastic year as the global lockdowns drove global technological adoption at a faster pace than ever before in history. Online retail saw more growth in 2020 than it did in all the years leading up to it, combined. Truly mind-blowing stuff. The question now is, will that trend continue, or will another major theme emerge to drive markets in 2021?

We must admit, this year the task of identifying the major themes for the year ahead is a little more challenging that it has ever been before. So much can change so quickly and if 2020 taught us anything, it's that anything is possible at any given moment. In other words, as much as we think the themes, trends and ideas we will explore in this article are likely to be the ones that drive the market in 2021, we have to acknowledge that some absolutely crazy stuff might happen literally next week that nobody saw coming. So, keep an open mind, but also remember – when the world is in turmoil, panicking is never the right course of action. That said, let's look at what some of the major market themes are likely to be in the year ahead.

Supporters of outgoing US President Donald Trump gather outside the Capitol building in Washington DC on 6 January 2021.

Photo: Gallo/Getty Images

World economy will bounce back

Anything should be better than 2020. Well, maybe we shouldn't curse it, but during 2020 the world practically came to a standstill and restarted. There were several valuable lessons learned in the process. Businesses adapt and so do people.

Firstly, the virus can be treated much better now than it could in 2020. There are several vaccine options available, which will be distributed in due course. Doctors and nurses are also learning how to treat Covid-19 patients much more effectively. New methods and techniques combined with better medicine and a deeper understanding of the virus will most certainly make a difference. Although there is a long road ahead, slowly the world's people will start to recover. This will, of course, lead to a higher overall production level and the world economy will start to recover.

Furthermore, companies have a better understanding of what works and what does not. We've seen mass global adoption of video conferencing technologies and working from home is now the norm. In general, the way that the world does business will likely never go back to the way it was before and let's be honest, that's probably a good thing. Over the last year, companies have been forced to adopt work-from-home policies and had to very quickly figure out how to make it work for them. Those lessons have now been learned, so any additional lockdowns from here will very likely not negatively impact companies the way it did last year. There are still some industries that will be under pressure from lockdowns of course, but overall, the world of business and industry has adapted.

Eventually we should see some sort of herd immunity kicking in. As is evidenced by two previous seasons of coronaviruses, their spread eventually slows down to that of a normal seasonal flu. Of course, this version of the coronavirus is much more deadly, but other than the bitter-enders, most people are wearing masks and adhering to social distancing protocols. That should have a slowing effect on the further spread of the virus.

Overall, we think the world will recover in 2021. Considering the base affect, jobs growth, industrial output growth and just a general return of 'demand'

in the global economy will likely be a major driver in the year ahead.

A Democratic US Senate

The US Senate will be in the hands of the Democratic Party at least for the next two years, handing them full control of all policy for that time. We have no real horse in that race, but we do expect tax increases are on the horizon for the US. That could be the bogey man that crushes the stock market.

The departing Trump administration had cut taxes and rolled back many environmental laws to promote corporate profitability. We are likely to see those environmental laws reinstated and expect to see higher taxes. Any increase in capital gains tax in the US could be a big negative too.

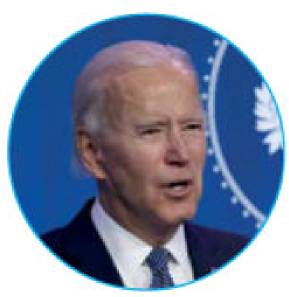
We also think the Democrats will go after big tech companies as senators like Elizabeth Warren have been pushing for reform for some time now. Ironically, big tech was a big help during the election, but that's a story for another day. Right now, we're thinking that the US Senate will at least try to break up some of the bigger tech companies like those that make up FAANG (Facebook, Amazon, Apple, Netflix, and Google's parent Alphabet). With so much of the global equity market capitalisation tied up in these big companies, this poses significant risk to equities. This is at least the case for those that are highly correlated to the major indices, like the S&P 500 and Nasdaq.

Gain in 2020, lose in 2021

The 'stay-at-home' stocks like Zoom and Amazon have had a tremendous year. We think that they might make way for more 'traditional economy' stocks like airlines and hotels. After the influenza pandemic of 2018 to 2019 (believe it or not, there actually was one), people travelled a whole lot. We think that once the Covid-19 vaccine begins to curb the virus, leisure travel and tourism will come back in a big way.

We like local and international hotels, resorts, and casinos, as well as airlines and cruise-liners. Perhaps right now is not the perfect time to buy them but given the current share prices of many of the stocks in these sectors, they certainly are looking very attractive given a recovery scenario after the pandemic. We think that anything holiday- and tourism-related should do well in 2021.

Elizabeth Warren
US Senator



Joe Biden
US President-elect

Energy is cheap right now

The global lockdowns decimated demand for energy during 2020. In a previous article we wrote about our views on the oil market (21 May edition of *finweek*) and why we think not only oil, but energy in general is probably one of the biggest trades over the next 12 to 24 months. We want to reiterate that view and want to focus on anything energy-related in the US as we think right now this sector is very cheap.

We are also very, very bullish on uranium stocks. As elaborated on in our previous article on the energy market (24 September edition of *finweek*), the world is moving to green energy. That green energy will need a stable 'baseload' supply of power and as that baseload also needs to be 'green', it can only come from nuclear power. Therefore, uranium is our big green energy call, not only for 2021, but likely for a good few years going forward. Another one is natural gas, as it's going to replace coal even more in future.

US-China relations are an unknown

Honestly, we are not sure how relations between the US and China will develop as things in that realm are very murky right now. In truth, we would like to avoid the topic altogether, although we should mention that trade relations are expected to be better under the incoming administration of Joe Biden. This is not a guarantee, though, as the Biden administration is likely to put pressure on China over human rights abuses and the political situation that seems to be spiralling out of control in Hong Kong. This is something that we need to keep an eye on, because so far, the spat between the US and China has only been focused on trade. We're not sure what will happen if, or when, human rights abuse allegations are put on the table. This is a bit of a wild card.

Brexit is (finally) done

Now that Brexit is done and dusted, it removes much uncertainty from the UK investment thesis. We like real estate investment trusts (REITs) in the UK, in particular Hammerson.

There are also a few other things to consider here given the narrative after the Covid-19 recovery. Rolls-Royce, for example, could be a big winner if air travel makes a comeback. It is a high-risk play to be sure, but something to be considered.

We also believe that house prices in metropolitan areas may come under some pressure as people

Photos: Gallo/Getty Images

The Biden administration is likely to put pressure on China over human rights abuses and the political situation that seems to be spiralling out of control in Hong Kong.

move farther away from big cities in search of greener areas and bigger homes. This sort of rhymes with the world is adapting to working from home. Many companies have realised that they don't need massive inner-city offices and that their staff can work from home effectively. Thus. We think it is very likely that people will choose to leave the big cities and move to less densely populated areas.

It seems counter-intuitive to be bullish on property stocks while saying that inner-city residential housing prices are likely to come down. In the UK context though, REITs have been hammered due to uncertainties about Brexit. Those are now behind us and once the short-term dual fallout of Covid-19 and Brexit passes, economic activity will return to the heart of London and REITs should once again be on a good foot. Residential property prices, however, might not be so lucky.

The return of commodities

Quite a few commodities have already had stellar runs during 2020. Palladium is one such winner, as is rhodium. These might be joined by platinum too. But we think the biggest commodity winner of 2021 is going to be energy.

Good, old-fashioned crude oil, we think, is going to have a knockout year. During the height of the pandemic, demand for crude oil fell to extremely low levels. It got so bad that at one time last year oil futures contracts traded negative as traders were willing to pay others to take the oil off their hands. There was just simply nowhere to store it, and nobody wanted to pay the bill for keeping it in an oil tanker floating offshore.

The thing is, before 2020 there was already a structural shortage building in the oil market. The global economy is growing. During 2020, things got a little wild and everyone stayed at home for a while. This, of course, routed the demand for oil and in the process shut down many shale gas producers and traditional oil rigs. Now that the world is 'coming back to normal', many of the old-world oil producers have gone out of business. This makes the structural shortage of oil supply even worse than it was looking to be before the pandemic. This means only one thing – too little supply vs increasing demand equals higher prices. We believe that oil is the big play for 2021 and we like Sasol as our best local large-cap idea.

A Tesla electric vehicle charges at a supercharger station in Redondo Beach, California.

We also like copper. Say what you will about Elon Musk and Tesla, him and his company has proved that electric vehicles are here to stay. We are now seeing pretty much every car manufacturer enter the space and this, of course, will drive demand for copper (which is used in electric vehicle batteries). It's not just copper though, we will be keeping an eye on cobalt too.

Locally we believe gold shares will offer opportunities at various times. We say various times because we know that over the long term, gold shares go sideways. They swing from extreme lows to extreme highs over relatively long periods of time. It is our view that the colossal amount of monetary stimulus used by central banks over the last 12 months (with more likely to come) is very likely going to be a strong backwind for the gold price. Therefore, we think local gold stocks could prove to be a good hedge against the US Federal Reserve spiralling out of control, or a currency that might implode.

Something to consider is that AngloGold Ashanti may be a takeover target now that it has rid itself of its deep level assets. Also, Harmony would likely benefit the most from owning AngloGold's assets. ■

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Petri Redelinghuys is a trader and the founder of Herenya Capital Advisors.

By Jaco Visser

E-commerce and healthcare ETFs worth a look

Some investment trends have become evident in different parts of the world in the wake of 2020.

If there is one thing the coronavirus pandemic showed us last year, it is that different regions' economies reacted differently to the fallout. Now as regional comparison of investment destinations is dangerous in our globalised world where goods and even services can be 'shipped' or sold almost anywhere in the world, people do tend to have a top-down approach when they discuss offshore investments.

With countries' differing internal laws and regulations pertaining to anything from taxes to the way in which goods are manufactured, regional outlooks will remain of key interest to investors until worldwide uniform rules exist and are implemented. In the main story of our cover package, Petri Redelinghuys looked at some of the major themes expected this year. We will now turn to some regional outlooks for shares specifically.

Asia

As in the rest of the world, e-commerce stocks have been big winners during the pandemic as people's consumption behaviour shifted. In addition, Schroder Investment Management said in a note in early January that the shift towards fifth-generation telecommunication infrastructure (5G) will continue in 2021. "Chip makers are likely to benefit from rising prices for (computer) memory, after a downturn in 2019 and 2020," Toby Hudson, head of equity investments for Asia ex-Japan, said in the note. "Meanwhile the digitisation of many areas of the economy will continue, which drives demand for increased processor power, bandwidth and storage."

In September last year, Mirae Asset Global Investments, based in Pennsylvania, launched the Global X Emerging Markets Internet & E-Commerce ETF on the Nasdaq (with ticker EWEB). The ETF tracks the Nasdaq CTA Emerging Markets Internet & E-commerce Net Total Return Index which was launched at the beginning of November and has jumped by 24% at the time of writing. Just more than 80% of the underlying assets are invested in Chinese and South Korean e-commerce stocks with Meituan (8.9%), Tencent (8.79%) and Alibaba (8.38%) the three largest holdings.

Europe

The rollout of vaccines – long held not to be a profitable part of pharmaceutical companies' business – to fight the coronavirus pandemic brought healthcare into the spotlight last year. Coupled with an ageing population in Europe, those investors who want to profit from these two shifts may have a look and consider BlackRock's iShares STOXX Europe 600 Health Care UCITS ETF listed in Frankfurt. This ETF tracks the similarly named STOXX Europe 600 Healthcare Index with 56 constituents in 13 European countries and Singapore.

Photo: Shutterstock

Among the largest holdings are Roche (15.13%), Novartis (14.61%), AstraZeneca (8.4%), Novo Nordisk (7.47%) and Sanofi (6.94%). The index and ETF had a tepid 2020 in terms of performance with an annualised return of -1.99% compared with its previous year's 31.3% return. Past performance is, however, not an indication of future returns. What stands out, is the valuation of the ETF's underlying holdings. At a price-to-earnings ratio of 26.9 times it may seem expensive from a South African equity valuation perspective. With the MSCI All Country World Index's P/E at around 22 times, it would take a 20% increase in the iShares portfolio's earnings to reach the average valuation of the world's 2 241 largest investible companies.

South America

The largest economies in South America (Brazil, Argentina, Chile, Colombia and Peru) were hard hit by the pandemic last year. According to credit ratings agency S&P, among "emerging markets, Latin American economies were some of the worst hit by the Covid-19 downturn, and we expect they will also be some of the slowest to recover". This recovery, the agency said in its final report for 2020 on the region, is already unbalanced with commodities and manufacturing faring better than services.

Some of the best-performing ETFs in South America were those with a full exposure to stocks in Chile and Colombia. The iShares MSCI Chile ETF returned 11.4% whereas the iShares MSCI Colombia ETF returned 11.1%. Knowing the underlying dynamics of a country's companies and macro-economic policies is however crucial before buying these assets.

Frontier markets

With frontier markets are meant those nations that will be considered as developing or emerging markets in due course. Investing in stocks in these markets is usually hampered by liquidity and sometimes by governance issues. Nevertheless, there are investors who have an appetite for stocks in these nations. The MSCI Frontier Markets Index was created to serve this purpose. Two ETFs are listed on the US markets with allocations towards frontier markets: iShares MSCI Frontier 100 ETF (which from March this year will change its name to iShares MSCI Frontier and Select EM ETF, which will track a similarly named new MSCI index) and the Global X MSCI Next Emerging & Frontier ETF (which tracks the MSCI Select Emerging and Frontier Markets Access Index). iShares' ETF has returned -1.3% in 2020 while Global X's ETF saw a -3.16% return. ■

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** This article is for information purposes only and doesn't constitute investment advice.*

HOW WILL THE BEST EXECUTI

The introduction of an international share-trading

For over 100 years, the Johannesburg Stock Exchange (JSE) operated as the sole exchange in South Africa, except for a few competitors over the years that either went bust (the Union Exchange in 1951) or got acquired by the JSE (the SA Futures Exchange in 2001), thereby cementing its de facto monopoly on both primary and secondary capital markets across a range of securities, spanning equities, derivatives, and debt markets.

Brokers have therefore predominantly looked to the JSE for the best possible result for clients when trading in securities on behalf of those clients. But the JSE's monopoly has since been challenged and disrupted again in recent times with the arrival of new competitor exchanges such as A2X Markets, 4AX, ZARX and the Equity Express Securities Exchange (EESE).

This increase in the number of exchanges in the local market involving the same authorised users has the potential to create market fragmentation and could lead to arbitrage, for example, if no comprehensive framework and rules supporting market quality and integrity are introduced, warned the Financial Sector Conduct Authority (FSCA), which rattled the cage last year by publishing a draft "Conduct Standard for Exchanges" proposing new requirements and among them, the best execution rule.

Best execution rule

What the new proposed requirement of best execution simply means is that your broker must, by law, buy or sell your shares on the exchange that has the better price, thereby achieving the best possible result for the client when trading in securities on behalf of that client. The best bid or offer, total trading costs, certainty of execution, speed of execution and several other criteria, would now have to be taken into consideration.

Best execution had been a long established international financial markets best practice in many other countries and had understandably taken time to be implemented in SA, as there was virtually no competition in terms of securities exchanges.

The best execution provisions are only applicable to a situation where competing local exchanges trade in dual-listed securities and have common member firms and prior to the licensing of other local exchanges, this situation was not present, says the JSE.

"All listed securities were traded on the JSE, and therefore a best execution requirement of this nature was not necessary," the JSE said in response to questions from *finweek*.

The FSCA was also still responding to the changing market environment, according to A2X Markets CEO Kevin Brady, just as Australia's Securities and Investments Commission had spent about two years trying to make sure that the market integrity rule was in place before allowing for competition.

Brady adds that the FSCA was also most probably still consumed with the implementation of the so-called "Twin Peaks" regulatory model that established two separate financial services industry regulators: a prudential regulator and a new market conduct regulator, in 2018.

> What the new proposed requirement of best execution simply means is that your broker must, by law, buy or sell your shares on the exchange that has the better price.

Impact on competition, savings and revenues

"In its current draft form, it is not clear what the potential impact of this proposed requirement will be on competition," says the JSE.

Due to the draft conduct standard not being finalised by the FSCA, the potential impact on the local financial markets of the requirements to be incorporated in the conduct standard cannot be determined until the final conduct standard is issued, it says.

The draft conduct standard also does not introduce a best execution rule as such, as it does not stipulate how best execution is to be achieved.

"Rather it requires those local exchanges that trade in dual-listed securities and have common member firms (currently the JSE and A2X) to introduce rules that require the common member firms to agree with their clients how they intend to achieve best execution, taking certain criteria into account," according to the JSE.

Inasmuch as it is a "sensible approach to best execution", the JSE says in its draft form the proposed best execution requirements in the conduct standard are unlikely to have a material impact on the JSE's revenues.

Nevertheless, the JSE says it sees its future revenue and growth coming from areas such as the growth of passive investments. The JSE is expecting

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ON RULE AFFECT INVESTORS?

practice may lower the cost of investment in future.

By Timothy Rangongo

a bumper growth in structured products, particularly exchange-traded funds (ETFs) and exchange-traded notes (ETNs).

"To date, there are 78 ETFs listed on the exchange with a market capitalisation of close to R100bn," the JSE says.

It should come as no surprise that smaller exchanges welcome the draft proposal. A2X's Brady says the proposed regulation is a way of bringing competition, especially to the secondary market, and ensures that the country's market infrastructure and regulatory environment is aligned with what is happening internationally.

He mentions two benefits in the form of direct and indirect cost savings.

"Direct cost savings are the fees that brokers pay to transact on a market. So, for instance, if broker A buys 1 000 Sanlam shares on the JSE and broker B buys 1 000 shares on A2X, the savings to that broker B in terms of paying for exchange fees are reduced by around 50% by trading on A2X."

He explains that A2X does not compete in the report-only trades or open auctions space which accounts for 28% of overall transactions, at this part of its development. "We are effectively fighting for 72% of the market."

A2X has calculated that based on an average trading day of R20bn in SA listed equities, the savings available to end investors will be more than R1bn a year.

An analogous example of how it works, according to Brady, is a traveller who needs to buy $1 000 ahead of a trip to America. Historically, there has only been one bank in town, and they quote an exchange rate of R17.00/R17.40. This means the traveller can buy $1 for R17.40 at the bank (and similarly, sell $1 at R17.00). A new digital bank opens and has a much lower cost structure. They are happy to quote R17.10/R17.30 for each $1. The 10c saving on buying each dollar at R17.30 (rather than R17.40) ends up in the pocket of the traveller.

Indirect cost savings such as the reduction of friction costs, as measured by the end-to-end cost of a trade, has a positive impact on the price formation process and the overall quality of the market, he says. It reduces the average bid-offer spread and increases the amount of liquidity at the best price in the market (typically known as the national best bid and offer).

"We now have a total of 40 securities listed with a combined market capitalisation of just short of R5tr amassed in just three years."

Kevin Brady
CEO of A2X Markets

"By reducing the costs of doing business, you get more business. If everything that is listed on the JSE was also listed on the A2X and the spread on our market was 1c narrower than the bid side and the offer is at 2c closer, just on an average year the market would save upwards of R1bn a year — from buying and selling at a better price," Brady tells *finweek*.

"We now have a total of 40 securities listed with a combined market capitalisation of just short of R5tr amassed in just three years."

Market infrastructure: readiness of systems

"The infrastructure of brokers was designed so many years ago for one market," says Brady.

When you look at the plumbing, he says the JSE has been locked in and as a result, brokers have struggled to adjust to this changing environment.

"We realised quickly how big the hurdle was and tried to bring in vendors to operate in that space because we believe that you want to have an ecosystem that is competitive at all levels, because that is what creates efficiencies."

The offshore vendors, however, came in with prices and contracts that were not attractive to SA markets. A2X eventually did a joint venture with a local tech firm and rolled out its own post-trading system (broker dealing account system that keeps brokers' client accounts and is used in deal and risk management) towards the end of 2020 and has been through a six-week due diligence with one of SA's biggest banks to ensure that it meets all their requirements.

Brady's view is that, from a post-trade perspective, brokers now have options and A2X's option is half the price of the JSE's post-trade system. "So, you can use our system or theirs for trades."

The price of smart order routes has also come down tremendously, according to Brady, meaning that there are competitively-priced packages even for non-top-tier brokers to access them.

Brokers are therefore now in a position where there are suppliers and vendors that could give them everything they need to be able to deal and ensure that they are getting best execution for their client, he says.

"Ultimately, this achieves competition through regulators creating efficiencies and lowering the costs of raising capital, which is good for economic growth." ■

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>> **Management:** Know how to protect yourself against cybercrime p.44

CEO INTERVIEW

By Jaco Visser

Leading a life insurer through Covid-19

Riaan van Reenen was appointed CEO of Discovery Life shortly before the coronavirus pandemic hit South Africa.

Starting his career at Discovery back in 1999, Riaan van Reenen took the reins of the company's life insurance division as CEO a year ago. Little did anyone back then know how the outbreak of a novel coronavirus in the city of Wuhan in China will spread across the planet and grind economies to a halt. Also unbeknownst back then was the death toll – which surged to almost 2m people at the time of writing from an infected population of 90m, according to Johns Hopkins University data – that would rattle life insurers. In SA, the infected population has climbed to more than 1.2m people whilst more than 34 000 have lost their lives, data from the national health department shows.

As the first wave of coronavirus infections and deaths hit South Africans, the listed life insurance market took extremely conservative steps in providing for the unknown impact the pandemic would have on their businesses. Discovery Life made provisions for a R2bn impact, compared with Sanlam's R1.3bn, Old Mutual's R2.79bn, Momentum Metropolitan's R1bn and Liberty's extremely cautious R3bn provision.

In SA, the infected population has climbed to more than

1.2m

people whilst more than 32 000 have lost their lives, national health department data shows.

Obsidian Capital's Royce Long in October supplied *finweek* with their own research on the possible impact of the pandemic on headline earnings for each of the insurers, which ranged from a 41% decline at Sanlam, 67% slump at Old Mutual to more than 100% decline at the other three, including Discovery Life. The provisions – which are non-cash flow accounting transactions – were the main culprit for the dearth in earnings.

Despite being extremely cautious about the unfolding impact of the coronavirus pandemic on its business, Discovery Life may ride out the wave better than its peers. This is due to their so-called shared-value approach to life insurance – something which originated back in the day with the launch of Discovery Vitality. This product, which measures members' health outcomes, was expanded from its health to its life business.

"A pivotal moment for Discovery was the launch of the Health Integrator," says Van Reenen, who was part of the actuarial team that developed the product. "That was launched about two years after Discovery Life in 2002. We didn't know at the time that it would come to be called a shared-value model. That was the start

Riaan van Reenen
CEO of Discovery Life

Where members from the medical aid scheme had demonstrable and measurable healthier outcomes, the severity of the illness due to the coronavirus proved less than for less healthy members.

of what would become shared-value life insurance."

The concept entailed that Discovery gave life insurance clients an upfront discount on their premiums and, depending on how they managed their health, they would maintain or increase their discount, or the discount would get eroded over time, he explains. This dynamic underwriting of insured lives saw the utilisation of health data combined with engagement data from Vitality to incentivise policyholders to look after themselves, he says. And if they do, they benefit from lower initial premiums and significantly lower premiums and enhanced benefits over time, he says.

"When we started with this dynamic underwriting, we had a hunch that we would benefit from lower claims and specifically we would be retaining healthier lives at a much better rate than the market and risks would be priced at a more appropriate price than less healthy lives," says Van Reenen. The Health Integrator product worked "remarkably" well, he says, and remains the insurer's flagship product and primary component of the shared-value model. This enabled Discovery Life to continuously launch new products in the life insurance space – up to two new offerings a year, he says.

The pandemic

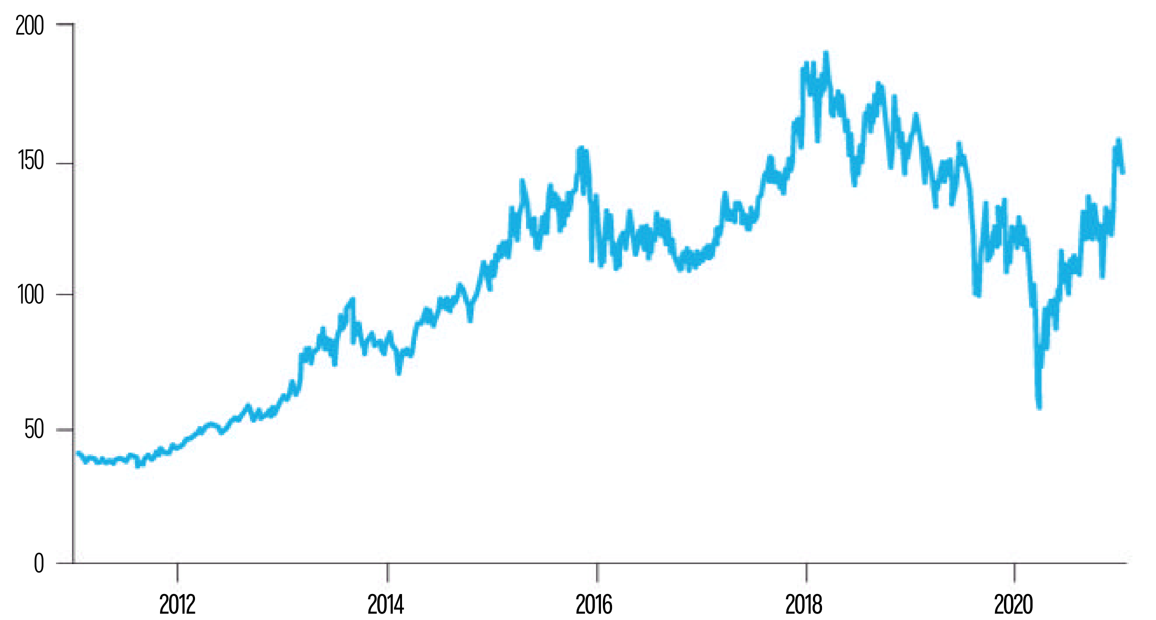
But the big question is whether this shared-value approach benefitted both the client and Discovery as the coronavirus ravaged lives in South Africa? As Discovery Life learned more about the coronavirus pandemic, it became apparent that healthier lives had better chances of survival, explains Van Reenen.

"As we gathered more data from our own (life insurance) book, and worldwide from studies being done, it became very apparent that the same factors that Vitality and the healthy living programme target to reduce the risk of chronic diseases – thus focusing on exercise, nutrition, healthy living, not smoking and understanding your health and managing your chronic conditions – were perfectly correlated to the risk factors of this pandemic," Van Reenen explains.

Where members of the medical aid scheme had demonstrable and measurable healthier outcomes, the severity of the illness due to the coronavirus proved less than for less healthy members, he says. At the time of the interview the company had 120 death claims due to Covid-19 of which three were from highly-engaged Vitality members, meaning they exercised rigorously, according to Van Reenen. When plotted on a graph which encompasses all life policies, you see a dramatic downward slope in terms of claims experience where insured lives are healthier, he says.

Van Reenen's team did an exercise in which they estimated that the risk for a 60-year-old with the best health outcomes – such as being engaged in Vitality and living a healthy lifestyle – was similar to that of an average 40- to 45-year-old. "This really shows you that healthy living impacts on the disease, too," he says.

DISCOVERY GROUP'S 10-YEAR SHARE PRICE



SOURCE: Iress

Growth in a stagnant market

The coronavirus pandemic hit SA's economy when it was at its most vulnerable. Millions lost their jobs with Stats SA estimating – amid diminished collection resources – that those people in formal employment shrunk to 10.3m at the end of September last year from 11.2m a year earlier. The informal sector saw a similar decline – from 3m people in September 2019 to 2.4m a year later. Total employment slumped to 14.6m people from 16.4m over the same period out of a mid-year population of just south of 60m people in July last year. This means that just over a third of the population between the ages of 15 and 64 years have jobs.

In its latest three-yearly report on the insurance gap in SA, the Association for Savings and Investment South Africa (Asisa) found that the poorest 20% of income earners in SA (with an average annual income of R14 416) provided for only 3% of their total income when they die. This compares with cover of 50% for the richest 20% of earners (with an average annual income of R619 859 covered at a replacement ratio of 54%).

Photos: Supplied

Discovery Life has 'dipped its toes' into the funeral cover market some years ago, he says, but it remains a small earner for Discovery as this type of cover is less relied upon by the more affluent market.

It is in this latter market that Discovery Life mainly operates. Nevertheless, according to the Asisa report, there was R7.2tr in cover up for grabs should all rich earners insure themselves adequately (see table). Given the impact of the coronavirus pandemic on SA's economy, jobs and migration of skilled workers, it stands to be asked where Discovery Life would see future premium growth coming from?

"The South African affluent risk pool has been fairly stagnant over the last number of years," says Van Reenen. "I think the total affluent in-force premium block is about R44bn a year and new business premiums has been static at about R3.8bn a year. So, it is about growing market share rather than catching a ride in the rising tide. We've been focusing on growing our market share through product and service innovations. In addition, we're delivering a strong agency force to customers."

Some of these new service offerings include the use of artificial intelligence to scan existing policies to quickly generate new premium quotations which financial advisers can then offer to clients. The company, maybe a little belated when compared with its peers, will also now offer a wills and estate planning service to clients from this year. This service will see the company offering clients a product called the Estate Preserver, which will give life cover targeted at the costs involved in executing an estate, such as executors' fees, property transfers and other (many times unforeseen) cash outflows, Van Reenen says.

Discovery Life has "dipped its toes" into the funeral cover market some years ago, he says, but it remains a small earner for Discovery as this type of cover is less relied upon by the more affluent market. It does, however, pose an opportunity for expansion, he says. ■

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THE DEATH INSURANCE GAP FOR DIFFERENT INCOME EARNERS PER QUINTILE

	Poorest 20% (R14 416 p.a.)	2nd Quintile (R42 249 p.a.)	3rd Quintile (R76 225 p.a.)	4th Quintile (R165 289 p.a.)	Richest 20% (R619 859 p.a.)
Insurance need	**R114 277**	**R477 814**	**R899 025**	**R1 725 555**	**R4 636 170**
Total income at risk	R14 416	R42 249	R76 225	R165 289	R619 859
Replacement ratio	43%	61%	66%	61%	54%
Capitalisation factor	18.6	18.5	18	17	13.8
Actual cover	**-R3 363**	**-R29 767**	**-R131 022**	**-R409 203**	**-R2 325 853**
Retail insurance	-R792	-R8 078	-R48 853	-R217 775	-R1 548 502
Group insurance	-R2 572	-R21 689	-R82 169	-R191 428	-R777 351
Government grants	R0	R0	R0	R0	R0
Insurance gap	**R110 913**	**R448 046**	**R768 004**	**R1 316 352**	**R2 310 318**
Cover adequacy	**3%**	**6%**	**15%**	**24%**	**50%**
Number of earners (millions)	3.1	3.1	3.1	3.1	3.1
Total insurance gap	R346bn	R1 397bn	R2 395bn	R4 102bn	R7 206bn

SOURCE: Association of Investment and Savings SA, True South Actuaries & Consultants

There remains a place for independent financial advisers

The swift shift to service more clients digitally because of the coronavirus pandemic, has brought the role of human financial advice into the spotlight. Will robo-advice, underlain by artificial intelligence, be one of the enduring consequences of the pandemic? Or will people's need to interact with other people trump or slow down this trend?

It's a question of complexity. More affluent customers' idiosyncratic needs will continue to be addressed by human financial advisers, although the latter's administrative burden will likely be lessened using technology.

"The Covid-19 pandemic has accelerated the digitisation of financial advice and we have invested heavily into that space," says Riaan van Reenen, CEO of Discovery Life.

These investments include, among others, quotes processed by artificial intelligence and virtual underwriting. The latter also makes it possible for Discovery Life's employees to work from home undeterred.

Van Reenen says that in the less complex and lower end of the market there will probably be a larger uptake of digital advice. In the more affluent side of the market, financial advisers will still be in demand to help clients plan for their financial needs. Utilising digital tools more effectively, and especially during the initial government lockdown where face-to-face interaction was limited, Van Reenen says that many independent financial advisers were more productive, especially given that they didn't need to travel to meetings. ■

By Glenda Williams

A coupé that commands attention

There is a lot more to the exuberant BMW 4 Series Coupé than just its controversial kidney grille.

Much has been made of 'The 4's' oversized kidney grille … not all of it good. So, before I crack on with the BMW 4 Series Coupé review, let's get something out of the way. And yes, it's about those oversized nostrils.

Frankly, I'm not sure I get what all the fuss is about. Personally, I think the oversized snout fits the personality of the car, providing an edgy element to an otherwise elegantly-styled coupé. I liked the look in the photos. I like it even better in the flesh.

Given historical DNA, a supersized grille was not that unexpected. Take the large vertical kidney grille of the 1938 BMW 327 Coupé. Back in the day, large grilles were not only style-inspired but also instrumental in engine cooling, particularly for high-performance cars.

Besides paying homage to the past, engine cooling is another motive for this new BMW 4 Series Coupé's expanded grille size.

On this car it works. Like it or not, those flaring nostrils give the coupé head-turning presence. And they hint at the dynamism of this luxury two-door machine.

But I digress, so on to the review of the BMW M440i, the current flagship in the petrol and diesel model line-up. *finweek* sampled the newcomer at its unveiling in Cape Town in December.

Fusing elegance with edginess

The BMW 4 Series has all the underpinnings of the popular BMW 3 Series. But its signature coupé proportions, and blend of elegant and edgy styling, clearly differentiate it from its sedan sibling.

Two doors, sloping roofline and a wider and low-slung stance set it apart from the 3 Series. Then there's the dynamic front end with aggressive air intakes and the controversial grille, sculpted side profile and beefy rump. The M440i's muscular rear boasts a lip spoiler, LED rear lights extending well into the flanks, and dual exhausts.

Sporty sophistication within

While centred around a sporty driving experience, inside it's classic BMW with all the *accoutrements* one expects from a premium coupé.

It has the same infotainment system as the 3 Series as well as Apple CarPlay and Android Auto and advanced driver safety features including adaptive cruise control, lane keeping and parking assistance.

The sophisticated cockpit is driver-focused with comfy ergonomic leather sport seats that hug you in the curves. An elegant rear has child seat attachments and accommodates two with ample leg and headroom for the average person. And for a coupé it has a good size boot.

Getting in and out the rear requires some agility. But hey, it's a two-door coupé so that's no surprise.

When the tyres hit the tar

The BMW M440i has all the attributes of a sports coupé. It looks, feels and drives like an M Performance car. BMW's M Performance cars are unique vehicle variants. Apart from a sport trim package that adds distinctive exterior and interior aspects, genuine speed is added with a more powerful engine.

This coupé has a powerful and remarkably responsive engine, and slick-changing eight-speed gearbox with sprint function for instantaneous and potent acceleration manoeuvres.

In comfort mode, performance is brisk and the ride set-up pliant. Sport mode brings out the car's more exuberant character. Suspension stiffens, steering is weightier, exhaust note is enhanced, and performance is taken up several notches.

This performance car is quick. Very quick. A mere 4.5 seconds is all it needs to reach 100km/h from a

A head-turner. The BMW 4 Series Coupé with its prominent, vertical BMW kidney grille is even better in the 'flesh'.

TESTED:
BMW M440i xDrive Coupé

Engine: 3-litre, 6-cylinder twinturbo petrol
Transmission: 8-speed Steptronic
0-100 km/h: 4.5 secs
Top speed: 250km/h
Power/torque: 275kW/500Nm
Fuel consumption (claimed combined): 7.8 litres/100km
CO_2 emissions: 178g/km
Luggage compartment: 440 litres
Safety: Six airbags
Warranty/motor plan: 5 year/100 000 km
Price: (incl. VAT, excl. CO_2 tax) R 1 117 450

Photos: Supplied

The GWM Steed 5's 64km/h crash test.

standing start.

Opening up the throttle on the open road is a delight, the M440i's acceleration and blistering pace are breathtaking. In the blink of an eye, you are catapulted from a sedate 'stuck-behind-an-old-timer' pace to a needle pointing nearer 180km/h. At full tilt, the M sport exhaust song is throaty, and when speed is rapidly reduced there's staccato chattering from the dual tailpipes.

Not only is it fast with impressively smooth power delivery, it is also exceptionally planted and agile, inspiring confidence to push the car in the corners.

This low-slung, athletic coupé was born to take on the twisting mountain switchbacks at a dizzying pace. It bites down on the tar and hugs the corners. I loved how glued to the road it was and how secure I felt behind the wheel when powering through mountain hairpin bends.

Advancing that sporty performance (in particular cornering dynamics) is its wider rear track and lower centre of gravity (21mm lower than the 3 Series).

The M440i's razor sharp turning ability and great grip is aided by the car's xDrive all-wheel-drive system and bespoke chassis technology, including the adaptive M suspension and M Sport differential that assists quicker acceleration out of corners.

Ride comfort is also enhanced. Performance cars often come with a ride that is firm, if not bone-jarring. Yet, for all its exuberance and athleticism, this sporty, midsize coupé manages to balance performance and handling with a comfortable ride quality.


Peter van Binsbergen
New CEO of BMW Group SA

This exuberant and elegant, yet somewhat edgy-styled coupé has the proportions, looks and performance of a sporty and spirited machine. It also has the sophistication, trappings, comfort and safety of a premium everyday driving car.

But more than that, the BMW M440i Coupé is huge fun to drive. And there is a near perfect balance between dynamic prowess and driver involvement. One can't really ask for more. ■

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CHANGING OF THE GUARD

In December, BMW Group SA bid farewell to CEO Tim Abbott. Under Abbott's watch BMW's Rosslyn plant was transformed for production of the BMW X3, a training academy was built, and BMW's Lifestyle Park and off-road training experience facility was constructed in Waterfall, Midrand. During Abbott's tenure, BMW SA also partnered with Bio2Watt to bring renewable energy to its Rosslyn plant. Bio2Watt now provides 50% of the plant's energy requirements.

Abbott's enthusiasm for conservation also saw BMW SA partnering with the Rhino Orphanage. It's a passion he will continue to pursue, he tells *finweek*.

After 18 years abroad, Peter van Binsbergen has returned home to South Africa to assume responsibility as new CEO of BMW Group South Africa and sub-Saharan Africa. ■

SAFETY FIRST

In December, Global NCAP and the Automobile Association of South Africa (AA) conducted the fourth round of #SaferCarsForAfrica crash tests.

Three models were tested – the Steed 5 four-door pick-up from Chinese manufacturer Great Wall Motors (GWM); the Haval H1 five-door SUV (also built in China); and the five-door compact Renault Kwid, built in India.

All gave serious cause for concern with poor levels of adult and child protection.

Alarmingly, the zero-rated GWM Steed 5 demonstrated a high probability of life-threatening injury. It offers no safety features – no airbags, no ISOFIX (child seat anchorage) or anti-lock braking system (ABS) and its bodyshell integrity is rated as unstable.

In late 2018, during the second round of crash tests, the SA-built Nissan NP300 Hardbody achieved a zero-star rating after the vehicle structure collapsed, which also rendered the airbags ineffective.

Since the #SaferCarsforAfrica programme's first results were launched in 2017, AA South Africa has been calling for an improvement in the safety standards set by government. "These results again confirm the urgent need for this to happen; we simply cannot have unsafe cars on our roads anymore," said Willem Groenewald, AA South Africa CEO. ■

By Amanda Visser

Fortifying your wealth against online criminals

South Africa is known in cyber circles as a soft target. Here's how you can improve your personal online security.

As a hopefully better 2021 dawns upon South Africans, cybercriminals, however, will continue to try and liberate individuals from their money and personal data.

South Africa has the third-highest number of cybercrime victims in the world and loses around R2.5bn per year to cybercrime. The main reason for this shocking figure is that SA end-users and businesses, especially small businesses, are "incredibly naïve", says Professor Basie von Solms, director at the Centre for Cyber Security at the University of Johannesburg.

His statement is echoed in a report by iDefense, an Accenture security company, which notes that SA internet users are "inexperienced and less technically alert" than users in other countries. SA has also been slow to adopt cybercrime legislation and lacks investment in cybersecurity. According to iDefense analysts, cybercriminals consider SA a testing ground for malware as cybersecurity measures are not as "robust" among private and public enterprises as they are in other countries.

Elaborate tactics

Hackers have become more sophisticated and although phishing, smishing and vishing will remain constant threats, more elaborate tactics designed to compromise the financial information of individuals and businesses are surfacing.

According to Von Solms, the use of ransomware is currently rising at an alarming rate. Cybercriminals hack a company or entity's systems, encrypt all the data, and then demand a ransom be paid for the return of their own data.

He is aware of some of SA's local government authorities who have fallen victim to ransomware attacks, leaving them in the dark about who has paid them and who owes them. Many cybercriminals demand payment in Bitcoin – which is fast approaching $35 000/Bitcoin.

Regulations pertaining to the Protection of Personal Information Act came into effect on 1 July 2020 and companies have been granted one year to become compliant with the regulations.

"It is going to be an interesting time because many small businesses will not be taking the act seriously. Some may close their doors because of the high fines

Prof Basie von Solms
Director at the Centre for Cyber Security at the University of Johannesburg.

According to iDefense, ransomware is widely available for sale for as little as

$100.

Niel van Rooyen
Head of information security at telecommunications company Vox

they face if found to be non-compliant," says Von Solms. Many have already closed their doors because their data has been ransomed and they simply could not service their clients, suppliers, and debtors, or afford to pay the ransom, he says.

According to iDefense, ransomware is widely available for sale for as little as $100.

Many fraudsters have been targeting property transfers. They obtain inside information about the finalisation of registration processes and send the buyer an "authentic looking" email from the attorney, asking them to transfer the amount due to a specified account. Von Solms has knowledge of an individual who lost R2m through this scam. If you are aware of the scams out there, it is easier to protect yourself, he says.

In addition, scammers target people's sense of goodwill. Fake charity scams are not unique to the internet, but combined with all the Covid-19 scams it is easy to have one slip through and to donate "by accident", warns Niel van Rooyen, head of information security at telecommunications company Vox.

"The minute it takes to make a call to confirm the validity of the request for donations can save you countless hours of trying to recover your funds and change your online banking details."

The same goes for "free" vouchers. "There is no such thing as a free lunch. Someone is bound to pay for it, and it will most probably be you if you are not careful," says Van Rooyen.

Cybercrime alertness

He says it is "incredible" how easily people will divulge their personal information. He refers to an experiment where someone randomly stopped people on the street asking them simple and "innocent" questions such as their dog or their husband's name, which year they were born and their email address.

"Bad actors use all of this information and the way you reacted to some of the questions to get a sense of how you think. These people are quite ingenious in the way they structure their questions in order to catch you out," says Van Rooyen.

It is important for companies to remember that cybercriminals are not always targeting their systems, but that they are after the end-user. That

According to iDefense analysts, cybercriminals consider SA a testing ground for malware as cybersecurity measures are not as 'robust' among private and public enterprises as they are in other countries.

unwary person sitting behind his desk happily clicking on strange links, reacting to strange emails, opening attachments, reacting to strange and unsolicited phone calls, and visiting unsecured websites, says Von Solms.

There is sufficient evidence that during the Covid-19 lockdowns there has been an increase in cyberattacks, mainly because of people not applying critical thinking before acting.

People received emails from their "line managers" requesting them to finalise a financial transaction, with a payment link. They clicked, paid and the money was gone.

"Small and medium enterprises need to continuously remind their employees to think twice before acting on a phone call or an email."

Each employee who has access to the company's systems must undergo a cybersecurity awareness course. They should be aware of the different attack techniques to recognise them.

Do the updates

Van Rooyen says it is important for individuals and companies to update all their applications and operating systems, whether it is Android, iOS or something else. The updates contain essential security features that protect you against some of the latest developments in cyberattacks. "Uninstall apps that you do not use. Not only will this free up storage space, it also reduces your digital footprint by eliminating potential weak points in your security."

The importance of unique and strong passwords can never be stressed enough. Van Rooyen warns against the use of passwords that can be linked to you, such as your husband or dog's name, or using the same password for all your online accounts. "It is quite impossible to remember all these passwords, but there are products that can assist you to store your passwords securely."

Password managers such as Dashlane, RoboForm, NordPass, KeePass and Keychain will keep your passwords secure and store them in an encrypted vault which can be unlocked with one master key (password).

Von Solms advises people to be critical when engaging online. "Think on your feet and do not trust anyone." ■

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SME checklist:

IT security policies

- Does the company have a privacy policy?
- Is the acceptable use of IT equipment defined in a policy (password guidelines)?
- Does the company have an information security policy defined?
- Are there confidentiality agreements between the company and third-party vendors, contractors, and suppliers?
- Do all the computers and servers connected to the network have some anti-virus software installed?
- Are all connected devices updated and the latest security patch updates installed?

Internet and network security

- Does the company have a firewall with intrusion detection enabled on all incoming web connections?
- Does the company use VPN (virtual private network) for remote connections?
- Does the company use the latest wireless security protocol such as WPA2 personal or enterprise for wireless or wi-fi connections?

Privacy or sensitive information

- Is all sensitive information, for example financial (customer and internal) and personal identifiable information encryption enabled and only accessible on a need-to-know basis?
- Are all paper copies which might contain this information stored in locked cabinets with controlled access?

Backups of data or information

- For critical data (anything needed in day-to-day operations, including customer information): Does the company have it centrally stored on a server and backed up daily to a remote location?
- For important data (anything important to the business but not updated frequently): Does the company have it centrally stored on a server and backed up to an off-site location on defined intervals?

Regular review or audits

- Does the company annually (at least) review these controls as defined within the checklist?

SOURCE: VOX

Secure online payment services

PayPal

PayFast (Instant EFT, MobiCred, Masterpass, SnapScan, Zapper).

PayFlex

PayGate

Netcash

Photos: Supplied

Piker

On margin

Stop the spread!

This issue's isiZulu phrase is *abantu abadala.* It means "grownups" or "elders". Even if you are a grownup *(umuntu omdala)*, you still refer to your elders as *abantu abadala.* The key words are *abantu* (people) and *abadala* (who are old). *Umuntu omdala* is the singular.

In the time of fake news, *abantu abadala* just forward all manner of stuff to family WhatsApp groups without fact-checking it. I guess they are from a more honest time so they cannot wrap their heads around the fact that people would spend time putting together fake info.

Okay, maybe they're not from such an honest time because it's they who get caught out lying on *Utatakho* – the original fake news debunker. *uTatakho* is a TV show involving paternity tests that often yield embarrassing results for *abantu abadala.*

Anyway, we love *abantu abadala* but their phones must come with an automatic fact-checker that stops them from forwarding nonsense info. Seriously. Even on social media it's *abantu abadala* who share the wackiest conspiracy theories.

Then you have *abantu abadala* in politics – that's a pandemic for another day.

Abantu abadala must be stopped.

The irony of this piece is that I too am *umuntu omdala.* That's what the kids on social media will say. They definitely call me *umuntu omdala,* writing for *abantu abadala* about *abantu abadala.*

On a more serious note, Covid-19 does not discriminate so it doesn't matter if you are *umuntu omdala* or not, take care of yourself.

– Melusi's #everydayzulu by Melusi Tshabalala

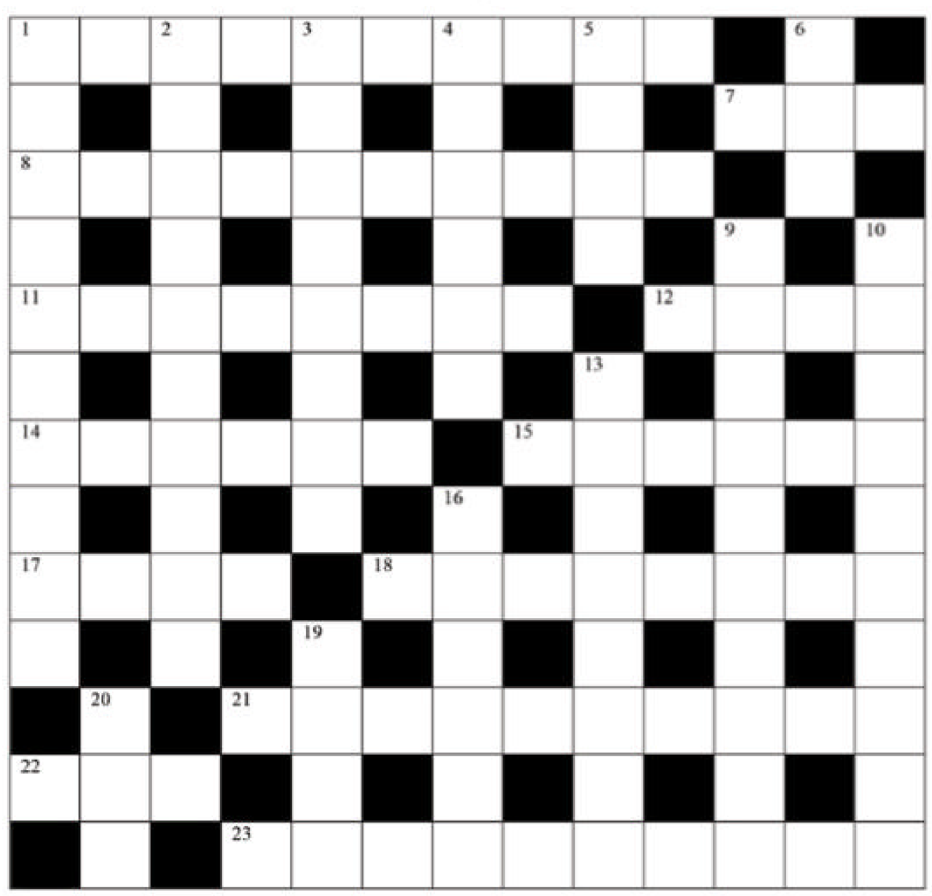
Fancy yourself a general knowledge whizz? Then give our first quiz of 2021 a go! You can complete it online via fin24.com/finweek from 18 January.

1. **True or False?** South32 was spun out of Exxaro Resources in 2015.
2. South African Breweries (SAB) approached the courts to challenge the constitutionality of South Africa's latest alcohol ban. Who is the CEO of SAB?
3. How much in government bailout does the Land Bank need to ease their ongoing cash crunch, keep operating and enable it to take on new clients and meet existing customers' full needs?
   - R700m
   - R7bn
   - R70bn
4. **True or False?** In early January, the World Bank said it projects SA's economy to contract by 3.3% in 2021.
5. SA's private sector activity barely changed in December as demand stalled, including decreases in purchases and inventories. What level did the Purchasing Managers' Index drop to during this period?
   - 50.3
   - 40.2
   - 30.2
6. **True or False?** The US Republican Party has maintained control of the US Senate for six years running.
7. In which Southern African country did Total ask its staff to vacate its $20bn liquefied natural gas (LNG) project due to attacks by Islamist militants getting closer to the site?
   - Angola
   - Zambia
   - Mozambique
8. **True or False?** Grit, a real estate investment trust which is set to become the first Mauritius company to have a premium listing on the London Stock Exchange, has a primary listing on the JSE.
9. The CEO of Heaven Sent Gold SA, the parent company of Village Main Reef, was recently placed on leave. Which of these gold mines is not owned by the company?
   - Mponeng gold mine
   - Tau Lekoa gold mine
   - Kopanong gold mine
10. The 2021 Grammy Awards ceremony has been postponed, due to concerns about the spread of the coronavirus, to which date?

CRYPTIC CROSSWORD NO. 767 JD

ACROSS
1 A mad loner, writer is misrepresented as a diarist (6,4)
7 See 6 Down
8 Charming Democrat can win the ticket (10)
11 Developing into rude person making a habit of eating away from home (5-3)
12 Make better go-between (4)
14 To the French the tail is cooked with milk (2,4)
15 Instructs counsel (6)
17 Old union America forged with Sweden and Romania (4)
18 Short time with European heads – a cutting experience! (8)
21 Itinerant traveller at sea? (5,5)
22 See 6 Down
23 Mad appeals for surgery to the thyroid cartilage (5,5)

DOWN
1 Leave dud ad out for something to promote product appeal (5,5)
2 Barbarian to come round on fewer occasions? (10)
3 & 19 Basic accord I contrive to get for vitamin (8,4)
4 Back numbers to brew tea in the passage (6)
5 Girl has time on swing (4)
6, 7 & 22 Do bat on to work up average (3,3,3)
9 Forces PA to scrap idea and disappear (4-2-4)
10 Mark up in hers but not in his (10)
13 Have best mate for afternoon fare (5,3)
16 Still stand easy (6)
19 See 3
20 Organ music (3)



Solution to Crossword NO 766JD

ACROSS: 1 Almond paste; 9 Nip; 10 Expressed; 11 Ad hoc; 13 Centaur; 14 Old hat; 16 Conics; 18 Ice cube; 19 Climb; 20 Truculent; 21 Roo; 22 Adulterated

DOWN: 2 Lap; 3 Oleic; 4 Depict; 5 Ate into; 6 Toscanini; 7 Antagonists; 8 Address book; 12 Hedge fund; 15 As usual; 17 Delete; 19 Cotta; 21 Rue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