Financial Mail

ANNUAL REPORT

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TOP COMPANIES 2014

A leading review of SA's listed companies

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TOP COMPANIES

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Narrow the digital divide

And a future that transcends boundaries will be a reality

We commend all the top company leaders who have had the temerity to challenge their status quo and define for themselves, and their companies, a future of unprecedented opportunity.

This acknowledgment is given in the context of your participation in this 2014 *Financial Mail Top Companies* survey. You are part of the evolution of Africa which is being pitched against the unique backdrop that a connected world has brought to our continent.

Technology evolves at a rapid pace. And at Accenture we believe that the digital evolution is already beginning to influence business growth in Africa. We believe that every business must become digitally enabled and that technology can transform every aspect of an enterprise.

Digital redefines industries and facilitates market leadership; it brings to an increasingly demanding customer, at a point of need, the ability to aggregate transactions and payments. And as trade has underpinned economies over the centuries, it will now offer Africa and its emerging youth a future that no other technological evolution could present. This is a future that transcends traditional boundaries of business, cultures and geographies. Digital will empower many who have been previously disintermediated by location, education or access.

Accenture has operated in Africa for as many years as the Internet has been in existence. Yet, even with our steeped history, the exciting refocusing of our 290 000-person organisation has never been more acute than in our recent geographic and delivery restructuring.

We have acknowledged the importance of our evolving African footprint and supplemented that by growing the established African delivery network that has enjoyed a spread across the length and width of our continent. Digital has become core to our company's operation, matching the strategic intersection of technology and business.

For this reason, we have begun positioning ourselves to ensure that our clients capitalise on these digital opportunities. We have formed Accenture Digital, a new growth platform that brings together the company's digital capabilities — including industry-leading digital marketing, mobility and analytics services — into one powerful global capability that will help clients unleash the power of digital to transform their businesses.

Also, Accenture Digital brings together 23 000 professionals, with wide-ranging experience in developing, delivering and managing digital strategies and solutions — which we believe creates the world's largest digital capability. Accenture Digital will enable us to quickly assemble specialised skills and form integrated teams that can best serve our clients' specific needs — at scale and anywhere in the world.

As we widely adopt digital, we will need to go beyond in understanding the new opportunities that exist for us all, and how those opportunities will translate into Africa coming into its own.

This current "digital disruption" presents opportunities for companies. It presents a paradigm shift for business leaders. In fact, history teaches us that in a fast-changing and volatile market environment, business leaders must ensure that they have the right scale, agility, insight and flexibility built into their business models in order to compete successfully. The transformation has begun. The wise will harness the potential of tomorrow, today.

I salute all the top firms whose leadership is already in play. To each of those nominated, you are already demonstrating the characteristics we need to leapfrog our continent towards greater sustainable growth.

To those who have won, you have shown the way for others to follow. And as we stand together, as leaders of today, I challenge you all to prepare to lead tomorrow as we enable our businesses to redefine global industries of the future, born on African soil.

William Mzimba, Accenture SA CE


William Mzimba

Figures in tables provided by INET BFA were calculated according to the definitions below. Consolidated audited financial statements received before the end of March 2014 were used. For certain companies with financial year-ends towards the end of the calendar year, statistics may thus refer to financial years ended during 2012.

STANDARDISATION OF FINANCIAL DATA

The figures used in this publication differ from those published by the companies. INET BFA standardises all the published financial statements because the accounting conventions used by companies differ, making it practically impossible to compare and rank companies using their published data. The JSE-listed companies to be compared with each other are diverse. There are also many financial items to be considered in the process of standardisation. It is therefore impossible to describe, in a few words, what is done with each item in the process of standardisation to achieve the goal of comparability. In interpreting and allocating specific items, however, basic accounting principles are followed.

INTERNAL RATE OF RETURN

The internal rate of return is a market-related return taking into account, by way of a discounted cash flow calculation, both share price movements and dividends paid. The share price five years ago (end-March 2009) is taken as a cash outflow and all annual dividends for the next five years (both cash dividends and dividends in specie) as well as the share price at end-March 2014 are taken as cash inflows. The internal rate of return is then quantified by finding the discount rate that equates the present value of all dividends and the share price at end-March 2014 with the share price five years ago (end-March 2009). All data is adjusted for share splits and share consolidations.

GOLD COMPANIES, FINANCIAL COMPANIES & THE REST

The structure of the financial statements in the database of INET BFA differs between gold companies and all other companies. The reason for this is basically the difference in the nature of business of the two categories. The definitions of the ratios of the two categories of companies therefore differ, but the meaning and quantification are the same. Financial companies — comprising the banking, short-term insurance, long-term insurance and financial services sectors — are also treated differently in defining the various ratios. Again this is done because of the difference in the nature of the business. In all cases care is taken to maintain the comparability of the performance and other measures. For example, all the ratios are calculated before taking extraordinary and exceptional items in the income statement into consideration. Naturally, these items include the profit or loss on transactions in the financial markets. These transactions have been treated as "in the normal course of business" for financial companies, but as extraordinary for all other companies. As no turnover in the normal sense of the word exists for banks, the total of interest received, commission earnings, currency exchange earnings and other fee earnings have been used instead of turnover.

DEFINITIONS OF THE MOST IMPORTANT VARIABLES

❍ *Turnover:* Total turnover as published by the company (for banks refer to the paragraph above).
❍ *Total assets:* Fixed assets and current assets are included. Investments are at market value or directors' valuation at latest Statement of Financial Position date. Other assets, such as land and buildings, are at book value. Where revaluations are not taken into the Statement of Financial Position, these are ignored. Where cash balances are netted off against bank overdrafts, the cash balances are added back. Tax paid in advance is netted off against tax payable and only the net amount included. Cost of control and intangible assets, such as goodwill, patents and licences, are not included — mining assets are, however, included. Where amounts invoiced on contracts in progress exceed the value of the contracts in progress, the difference is included with retained income; or, if the amounts received consist of deposits received, the difference is included with creditors. If inventories are valued using last in first out (Lifo), it is adjusted to reflect the first in first out (Fifo) or average value.
❍ *Market capitalisation:* Market capitalisation equals the market value of all fully paid and issued ordinary shares calculated at the closing price of the last trading day of March 2014.
❍ *Equity funds:* Equity funds (ordinary shareholders' funds) consist of ordinary share capital, all capital reserves and distributable reserves, adjusted for the same items as the "total assets" above.
Provisions included with credit balances such as warranty provisions, provisions for self-insurance and provisions for maintenance are included with long-term loans or creditors in the case of short-term provisions.
Deferred tax is regarded as retained profit.
❍ *Net profit:* Net profit is defined as taxed profit attributable to ordinary shareholders, excluding extraordinary and exceptional items. Deferred tax and amounts transferred to reserves, is excluded from the calculation of net profit and directly handled in retained profit, thus increasing taxed profit. Provisions are treated as disclosed under the equity funds definition above. Currency conversion gains and losses are excluded in all cases as not all companies treat this item in the same manner. Also excluded are items such as cost of control written off and prospecting expenditure. The pre-tax difference in profit between Lifo and Fifo or average inventory values is added to net profit.
❍ *Pre-tax profit:* The effect of extraordinary and exceptional items is excluded from pre-tax profit (profit after interest paid but before taxation). Apart from this, pre-tax profit has been adjusted with all the variables as described in "net profit" above. Earnings per share: Headline earnings per share as published by the companies are used in all instances. Where historical EPS (as in the case of growth in EPS) is used, this is adjusted for stock splits and consolidations.
❍ *Dividend per share:* Dividends per share consist of the total of cash dividends and stock dividends (as a proxy for cash dividends), declared in respect of the years under review.
❍ *Debt:* Total debt (the sum of long-term interest-bearing debt and short-term interest-bearing debt) is used in all ratios.

DEFINITIONS OF SOME OF THE RATIOS

❍ *Compound growth:* In earnings per share and pre-tax profit. The compound growth in the above variables is calculated using the available data for the latest five years available. Where a company has not been listed for five years, the compound growth has been calculated for the shorter period. Where either the beginning or ending figures or both are negative, N/A is indicated because the calculation would result in bias.
❍ *Average dividend yield:* The average dividend yield for the five years ending March 2014 is calculated. If a firm is listed for less than five years, the average dividend yield for the shorter period is given.
❍ *Return on assets:* Profit before interest but after tax as defined above, divided by total assets as defined above.
❍ *Return on equity:* Net profit as defined above, expressed as a percentage of equity as defined above.
Interest and financial lease cover: Profit before interest, operating financial lease charges, tax and extraordinary items divided by the total of interest and operating financial lease charges paid.
❍ *Debt to equity:* The total of long-term interest-bearing debt plus the total of short-term interest-bearing debt (including overdraft facilities utilised) divided by total equity as defined above.
❍ *Total serviced debt:* The total of long-term interest-bearing debt plus the total of short-term interest-bearing debt (including overdraft facilities utilised).
Cash and cash equivalents: The total of cash, positive bank balances and short-term loans advanced.
❍ *Currency conversion:* In cases where a company publishes its financial statements in some foreign currency, all financial figures are converted to rand before the ratios for such a company is calculated. For figures in the Statement of Financial Position the exchange rate at financial year-end is used in the conversion calculation. For figures in the Income Statement an average exchange rate is used in the conversion calculation.
❍ *Annualisation:* Financial statements not covering 12 months are annualised. If more than one financial period is reported on in a calendar year, the results are consolidated and then annualised.

Picking out the top performers

Those that are likely to perform well again and offer investor value rise to the top

For more than a decade, the *Financial Mail Top Companies* report has supplemented the traditional voluminous data with a value-adding assessment. This aims to identify not only those companies that performed the best in the previous year by the various measures, but which among them are likely to perform well again and also appear to offer investors value. The 20 *Top Companies* award winners are accordingly chosen through a combination of historic financial performance and the analysis and judgment of the *Financial Mail*'s team of investment writers.

The financial performance of all listed companies was assessed by INET BFA. Using their figures, we first eliminated all companies below R1bn in market cap to focus the assessment on large companies with significant investment potential.

Over the years the INET BFA numbers have been questioned because they do not always match a company's own financials, but their approach is consistent and is explained in detail elsewhere (see page 9). INET BFA aims to eliminate inconsistencies by standardising the treatment of the figures. For example, the ways companies treat foreign exchange conversions are brought into a common formula.

We then weighed various financial performance indicators: earnings-per-share growth and internal rate of return were measured over five years to ensure that the top companies were long-term performers. These two factors counted 40% each. The remaining 20% represented the most recent year's return on equity to ensure these companies were current performers.

We then took the top 40 companies that were identified, based on financial performance, and assessed each one. The *Financial Mail* team examined a number of factors: corporate governance, empowerment commitment, strength of management, investability (value buy and tradability), industry and company profit prospects. Scores were given in each of these areas, with overall weighting being 60% for these qualitative factors and 40% for the historic quantitative information.

Thus there is both an objective and a subjective element to the assessment, and then selection, of the companies that make the Top 20. The point about the table is not that these companies are outstanding performers — they all are — but that they are expected to again do much better than their peers.

The *Financial Mail* acknowledges that ranking the JSE's property companies on a net profit basis, particularly property loan stock companies (PLSs) including sector heavyweights such as Growthpoint, Redefine and Hyprop, is not necessarily the best way to compare the performance of individual property stocks.

PLSs pay out profits in the form of an interest distribution to shareholders, which can render the net profit number meaningless. However, most PLS companies have already (or are in the process of) converting to the new real estate investment trust (Reit) structure that was adopted by the JSE last year.

Under the Reit dispensation, interest distributions are effectively treated as dividends, which makes it more viable to rank property stocks in a similar way to general equities.

The Top 20 is not meant to be a list of blue-chip companies. And as a glance will reveal, many of the JSE traditional blue chips are not there. Rather, it's an attempt to identify those companies that represent the best investment opportunities.

To perform well in one year makes it even tougher the next year. Investors will reward a top performer, which means in time there will be less value on offer in the share price. Even outstanding companies can be too expensive. If their price-to-projected-earnings ratio is too high, it could take decades for the initial premium to be repaid, if ever. The Top 20 companies, therefore, are those that have unquestionably done well, but also have the potential (in the view of the *Financial Mail*'s analysts) to deliver yet again even if they look expensive. ■

A historic run and quite a feat

But questions are being raised about whether Coronation will be able to maintain its performance next year

Coronation Fund Managers is the *Financial Mail*'s Top Company for the second year in succession. This is quite a feat — in the history of *Top Companies*, there has never been a back-to-back winner.

So much has been written about this nimble, entrepreneurial company it is difficult to find a new angle. Scoring well on both quantitative and qualitative metrics, the biggest single advantage that Coronation had this year and last was its extremely high return on equity (ROE). But it also had one of the best five-year internal rates of return (IRR) in its share price and one of the best five-year growths in share price. The share has undoubtedly become something of a darling of the investment community in recent years, which is not surprising considering the outstanding returns that it has delivered. Investors also obviously like the fact that the company pays out most of its earnings to its shareholders in the form of dividends.

But without wishing in any way to rain on Coronation's parade, there are a couple of warnings being sounded regarding its ability to remain number one next year. The local equity market has run hard in the past few years and the chances of it repeating that this year seem less than last year, for example. But over and above that, investment history is against Coronation greatly outperforming the market for much longer. This isn't an opinion as such, rather a statistical likelihood, borne out of many years of research into fund manager performance.

Clientele has soared up the rankings from an already impressive number 18 position to this year's number two spot. This is a diversified financial services group, offering its products via direct marketing and sales distribution channels. The products offered range from hospital and funeral plans through legal, life, loan and investment products. Clientele's ROE has consistently been above 50% for many years and this is one of the features that has helped propel the company into number two position this year.

Almost as impressive as Clientele's meteoric rise up the rankings was Clicks' performance in going from number 17 last year to number three this year. Founded in the 1960s by the late Jack Goldin (who incidentally also founded Pick n Pay), Clicks was modelled on the American drug-store concept. It took decades before pharmaceutical retailing was deregulated in the early part of past decade but Clicks has undoubtedly been the biggest beneficiary of this change. Most of its outlets now sell scheduled pharmaceuticals, ably augmented by a wide range of general merchandise products.

EOH's historical earnings and share price graphs look very similar, as they both rise virtually exponentially. And even though each year the graphs look like they must surely peak out, EOH still manages to perform incredibly strongly. This is arguably one of the best IT stocks in the entire IT sector and is rated very highly, on a p:e ratio of over 23 times. But it wasn't always like that. Back in the aftermath of the global financial crisis of 2008, EOH's p:e ratio slumped to less than six times, even though its earnings growth was still intact. That, of course, was the time to buy this exceptionally well-managed and visionary company's shares, led by the charismatic and deep-thinking CEO Asher Bohbot.

Woolworths moves up from number eight to number five in this year's rankings. A firm favourite with both local and foreign institutional investors, Woolies has managed to convincingly buck the downwards trend in share price that has afflicted many of its peers in the retail sector.

And it's not just a favourite with investors, SA's emerging middle class obviously likes shopping at Woolies in ever-increasing numbers. It's pitched very much at the middle and upper end of the social spectrum, so Woolies' customers appear to be less vulnerable to the effects of economic slowdown and are thus managing to maintain their spending patterns.

Mr Price wasn't in last year's Top 20 but manages an extremely respectable number six position this year. Hugely iconic, the Mr Price brand now straddles not just apparel but also homeware and sport. In the 28 years to end-March 2014, its compound annual growth rate (CAGR) in earnings per share has exceeded 23%, while its CAGR in share price is over 27%. There are precious few JSE-listed companies that come anywhere near that kind of superlative performance. Targeting mainly younger customers in the mid to upper living standards measure (LSM) categories, Mr Price retails mainly its own branded merchandise and more than 80% of sales are for cash.

Originally conceived more than 20 years ago and run as a private equity group, Brait — at number seven — transformed itself into an investment holding company in 2011.

The Naspers share price has defied gravity in the past couple of years, the main reason being its significant shareholding in Chinese Internet company Tencent. Number 14 in last year's Top 20, Naspers moves up to number eight this year. The main factor driving its greatly improved performance this year has been the virtually exponential rise in its share price.

Though a relatively small market capitalisation company, Mix Telematics has a surprisingly wide geographical reach. Its products are fitted in almost half-a-million mobile assets (trucks, vans, cars, motorcycles, buses and trailers) in 112 countries on six continents. The group has offices in SA, the US, the UK, UAE, Australia, Brazil and Uganda.

Sanlam has generated much better growth than its peers during the past 10 years, even though, back in the middle of the past decade the company didn't have much with which to differentiate itself. By transforming its local offering and by buying its way into foreign growth markets in countries such as Malaysia, India, the UK and the rest of Africa, Sanlam is now superbly positioned to capitalise on its inherent strengths. Little wonder, then, that it is rated so highly this year, coming in at number 10.

Shoprite comes in at number 11 in the rankings this year, even though its share price came off last year as earnings fell somewhat short of analyst expectations. In terms of market capitalisation, Shoprite is still the largest listed retailer in SA by a big margin. And it retains the best geographical footprint in the rest of the continent, having gained a significant first-mover

Cape Town-based Coronation Fund Managers has had an extremely high return on equity for the past two years

Getty Images

advantage by opening up shop in Mozambique almost 20 years ago.

Consolidated Infrastructure Group (CIG) is a firm favourite among small capitalisation specialist analysts. Not only is CIG operating in a sweet spot in the establishment of much-needed electrical infrastructure both in SA and the rest of Africa, but it also operates highly efficiently. Just outside the top 10 this year, it seems likely that CIG will advance even further in years to come.

Supergroup had a torrid time a few years ago, but has mounted a spirited return to profitability in recent years — much to the relief of anchor shareholder Allan Gray. A broadly based logistics and supply-chain management company, Supergroup listed on the JSE back in the mid-1990s and enjoyed a number of years of strong earnings growth before getting into trouble.

Cullinan is a travel-orientated company that operates in a variety of segments, including inbound and outbound travel, travel agencies, coaches and touring, marine and boating as well as the recently added financial services.

Pinnacle Technology Holdings has enjoyed an outstanding run on the JSE in recent years as a direct consequence of its very strong earnings growth. Unfortunately, its otherwise exemplary share price track record was badly marred in March when it was announced that a director of the company, Takalani Tshivhase, had been arrested on charges relating to bribing a police officer to win a contract. At the time of writing, the Financial Services Board was also conducting a probe into possible insider trading by company officials prior to the announcement of Tshivhase's arrest.

Founded by financial services doyen Jannie Mouton, PSG has gone from strength to strength and now holds a broad spectrum of interests, including financial services, banking, private equity, agriculture and education.

Operating in an out-of-favour sector — construction — Afrimat has succeeded in turning earnings around, mainly by astute earnings-accretive acquisitions.

Capitec has made regular appearances in both Top Performers and in the final Top 20 rankings of *Top Companies* in recent years. In a year in which sentiment was against the smaller banking institutions, as a result of the reduction in unsecured credit, it scrapes in at number 18.

SA's largest drug company, Aspen, comes in at number 19 and will surely keep rising up the rankings in future. Supplying branded and generic pharmaceuticals in over 150 countries globally, as well as consumer and nutritional products in selected territories, it is unquestionably one of the greatest success stories on the JSE in the past decade or so.

Kumba Iron falls from six last year to 20 this year. The share price has been in secular decline since the beginning of 2013 and is not materially higher than it was five years ago, hence its fall down the rankings.

Staff writer

Russell Roberts

The iconic Mr Price, which didn't make last year's Top 20, also offers homeware and sports brands

Clicks managed to turn in another solid performance

1 CORONATION
Total score: 76,1

Historic score: 33,5 FM's score: 42,6

To win the Top Company title is an outstanding achievement — to win it back-to-back in consecutive years almost defies description. But the opposition is closing in and Coronation may find it virtually impossible to repeat this performance next year. Performance fees for beating the market will be more difficult to attain this year; Coronation's metrics in the calculation will be coming off an already high base and the market itself is unlikely to repeat the outstanding performances of recent years. But this shouldn't detract from what is a reflection of an incredible success story, achieved in a remarkably short time.

Woolworths' acquisition plans in Australia will be a major boost

2 CLIENTELE
Total score: 59,3

Historic score: 15,5 FM's score: 43,8

Not only is Clientele writing quality business in its traditional markets, it has also expanded its interests. Earnings growth has been strong, but the real attraction for investors lies in its exceptionally high ROE of almost 60%. These factors have resulted in the share price almost quadrupling over the past five years. Provided it maintains or improves its current momentum, it's possible that Clientele could be a contender for the top position next year.

3 CLICKS
Total score: 59,1

Historic score: 14,7 FM's score: 44,4

Despite a relatively poor economy, Clicks managed to turn in another solid performance last year. But its fortunes rely almost exclusively on trading conditions in the local economy, which means the outlook for the remainder of 2014 is going to be tough. Unlike many of its retail sector peers, Clicks has no meaningful footprint in the rest of Africa as yet, which could affect it negatively. Its pharmaceutical whole-saling arm, UPD, was the star performer.

4 EOH
Total score: 58

Historic score: 19 FM's score: 39

EOH has demonstrated an exquisite ability to identify emerging trends in the IT space, capitalise on them and, in the process, provide sustainable high-quality solutions for its quality client base. As long as these macro and micro factors remain intact, it should continue to defy the sceptics and maintain a high profile in the rankings. But EOH's shareholder base needs no convincing; in the five years to March 2014, the share price rose by a factor of almost 15 times.

5 WOOLWORTHS
Total score: 57,6

Historic score: 17,4 FM's score: 40,2

During 2014, Woolworths announced its intention to acquire David Jones, Australia's largest department store chain. Provided this R20bn deal is completed successfully, it will change the outlook for Woolies in a meaningful way. About 40% of its profits would emanate from Australia, providing a useful rand hedge element to this well-managed firm's portfolio. It would also become one of the largest department store chains in the southern hemisphere.

Naspers's share price reached a record high earlier this year

6 MR PRICE
Total score: 57,6

Historic score: 16,8 FM's score: 40,8

Mr Price has further consolidated its position as arguably SA's best clothing retailer. Defying the odds, it once again managed to turn in a strong performance in the year to end-March 2014. Its innovation, especially in online shopping, is paying off. Apparel was launched online in 2013 and is shipped to over 130 countries. Growth in the rest of Africa is also increasing apace; double digit operating margins are being achieved in West Africa.

7 BRAIT
Total score: 56,7

Historic score: 11,7 FM's score: 45

Perhaps because of its relatively low profile, Brait's outstanding share price performance during the past five years has gone largely unnoticed by a lot of investors. Between March 2009 and March 2014, the share price grew by more than 400% and the market cap ballooned from around R1bn to over R30bn. Brait trades on a healthy premium to net asset value, and this factor may be primarily responsible for its explosive share price growth.

8 NASPERS
Total score: 55,4

Historic score: 11 FM's score: 44,4

The Naspers share price doubled during 2013, and in March 2014 it reached a record high of over R1 354/share. This was driven by the performance of Tencent in China, in which Naspers holds over 30% of the equity. But no sooner had the share price peaked, it fell precipitously, dropping around 30% by early May and giving rise to speculation that Tencent, and by extension Naspers, was in bubble territory. But it has since clawed back about two-thirds of its losses.

9 MIX TELEMATICS
Total score: 54,4

Historic score: 14,2 FM's score: 40,2

Between late August 2013 and early June 2014, the Mix Telematics share price gave up over a third of its value. This was perhaps in anticipation of the drop in operating profit margin that materialised in the full-year results to end-March 2014. HEPS increased only marginally in the 2014 financial year. Mix Telematics will merit close attention to see how its growth plans work out. Provided strong earnings growth resumes, a return to a higher price trajectory seems likely.

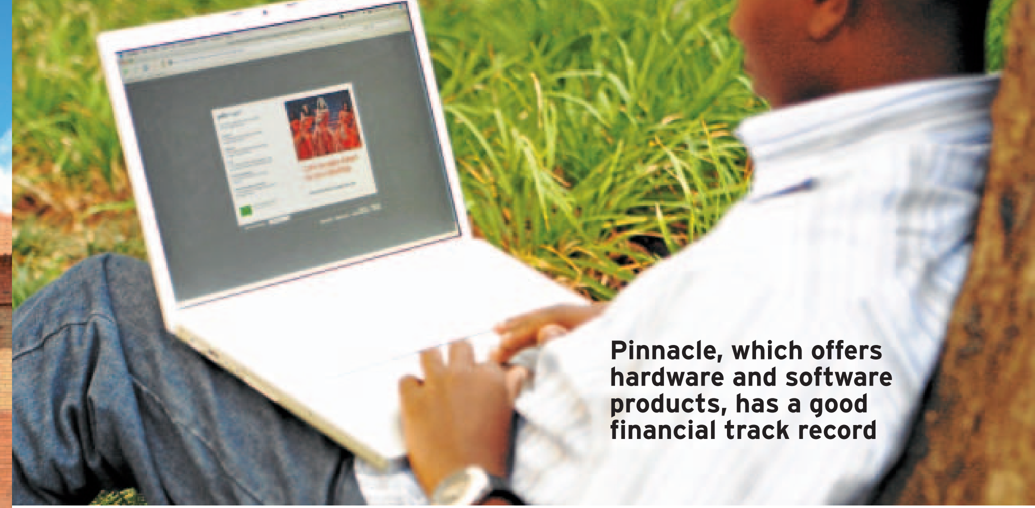
Mix Telematics, which offers vehicle tracking, lost some of its share price value

10 SANLAM
Total score: 54,1

Historic score: 9,7 FM's score: 44,4

Sanlam's share price movement in the year to early June 2014 has been about twice as strong as the JSE all share index generally, recording almost 16% growth in that period. The company also released a four-month trading update in early June, showing that operating earnings were about 40% up, compared with the same period in 2013. Notwithstanding its traditionally cautious outlook on prospects, it seems reasonable to expect strong earnings growth for 2014.

Shoprite's intrinsic qualities remain intact despite challenges



Pinnacle, which offers hardware and software products, has a good financial track record

11 SHOPRITE
Total score: 53,9

Historic score: 9,5 FM's score: 44,4

Since peaking at just over R206/share in early 2013, Shoprite had lost over 20% of its value by early June 2014. Even so, with a market cap of over R90bn in early June 2014, it was still the largest listed retailer on the JSE. Sentiment towards it remains negative, given its large exposure to the lower end of the market consumer, hardest hit by SA's economic slowdown. But its intrinsic qualities remain intact, keeping it in good stead in future.

12 CONSLD INFRA GRP
Total score: 52,7

Historic score: 16,7 FM's score: 36

Consolidated Infrastructure Group's share price has risen three-fold – from R10-R30 – in the past 2,5 years and its market cap has risen from about R1,2bn in early 2012 to R4bn. This performance reflects not only the strong historic earnings growth of the company but also the expectation that this growth will continue well into the future. The demand for energy in the rest of Africa is forecast to rise exponentially in the next decade.

13 SUPERGROUP
Total score: 52,7

Historic score: 19,7 FM's score: 33

Supergroup had all but been given up for dead by most investors, following the precipitous fall in its share price in 2008/2009 as a result of its disastrous trading and subsequent bailout. But the new management team has worked wonders. The company is once again properly capitalised and the share price has more than tripled since the turnaround began in late 2010. Whether it will ever regain its premium rating on the market will only be known in a few years' time.

14 CULLINAN HLDNGS
Total score: 52,1

Historic score: 19,7 FM's score: 32,4

Cullinan's eight-fold increase in its share price during the past five years warrants its inclusion. It's a small market cap company, but its main impediment as far as potential investors are concerned is the poor liquidity of the share. In the year to end-May 2014, only 4m out of 800m shares changed hands. The weak rand is a mixed blessing for tourism-orientated companies such as Cullinan, as it enhances incoming travel but deters potential outbound travel.

15 PINNACLE
Total score: 51,9

Historic score: 15,3 FM's score: 36,6

Pinnacle Holdings is one of Africa's largest providers of information & communication technology products and services. It has an outstanding financial track record, even if interim results to end-December 2013 were relatively pedestrian. But much of its historic performance will be ignored by potential investors. The share price took a beating recently, and was over 50% down from its peak, at the time of writing. Still, it was four times higher than five years ago.

Afrimat's earnings have come under fire

Kumba Iron Ore has fallen out of favour with investors

16 PSG GROUP
Total score: 51,3

Historic score: 10,5 FM's score: 40,8

PSG Group holds an enviable stable of interests, including 28,3% of Capitec, 57,1% of fast-growing education group Curro, 42,4% of Zeder and 64,8% of soon-to-be listed PSG Konsult, whose CEO is Francois Gouws, former banking analysis wunderkind. In early June, PSG completed a successful bookbuild, raising almost R1bn for future expansion, though at the time of writing it was not known into which areas of the business the new capital would be deployed.

17 AFRIMAT
Total score: 51,1

Historic score: 10,3 FM's score: 40,8

Like other construction firms, Afrimat's earnings have come under pressure as margins have been squeezed in SA. During the year ended February 2014, revenues rose by over 42%, with HEPS rising by a similar percentage. The balance sheet is strong, with a net gearing ratio of only 15,5%. It acquired just under 80% of Infrasors, a mining resources firm. And its strategy of diversifying its base of operations has worked well and management is confident of further growth.

18 CAPITEC
Total score: 51

Historic score: 16,2 FM's score: 34,8

Capitec has attracted a lot of negative attention in the past year or so from the troubles affecting African Bank. Though the two operate quite differently, they are perceived to be competitors in the same space. But while African Bank's woes continue, Capitec managed to put in a decent performance in the year to February 2014, with HEPS rising by 15%. The number of active clients is now 5,4m. From July, it will enter the home loan market in partnership with SA Home Loans.

19 ASPEN
Total score: 50,8

Historic score: 13 FM's score: 37,8

Aspen has been growing revenue and profits sustainably for some time now, in SA and in offshore jurisdictions. In the six months to Dec 31 2013, revenues rose by 33% to R12bn, while HEPS increased by 14% to 424,2c. SA accounts for only 30% of its revenue and operating profits. Asia Pacific accounts for 33% of revenue and 31% of profits. Given the group's global expansion, it seems likely that the SA component of revenue and profits will continue to decline.

20 KUMBA IRON ORE
Total score: 50,3

Historic score: 16,7 FM's score: 33,6

Kumba Iron Ore, as a single commodity producer, has recently fallen out of favour with investors. Also, it has caught all the negatives because its main focus is iron ore – a commodity whose price has fallen – and a number of new iron ore producers have come onstream globally in the past few years. Unless iron ore prices start moving upwards again, its share price appears destined to languish. And it's hard to see how Kumba can maintain a Top 20 finish next year.

The rand hedge exposure

Looking at the numbers and positions, the advantages of being active outside SA are evident

This section is well named; these are the giant companies listed on the JSE — the blue-chip companies that tend to dominate most of the weightings in the portfolios of financial institutions.

Most of these companies have been in existence for decades and these days many of them have significant income emanating from offshore. They straddle the entire spectrum, from industrial, through financial and mining. They are well covered by the investment research departments of stockbroking firms and investment banks.

As one might intuitively expect, there is a fairly close correlation between most companies' turnover, net profit and their market capitalisations. More precisely, the relationship between these three parameters tends to be relatively stable over time, unless a company's earnings fall sharply and their market capitalisation reacts negatively. This type of behaviour would result in turnover tending to continue rising, but market capitalisation falling.

It is interesting to note the breakdown in this type of relationship at both Murray & Roberts and Telkom. Turnover at Murray & Roberts rose by just under 10% between 2012 and 2013, its market capitalisation rose by 5%, while its net profit improved from a loss of R1,2bn to a marginal loss of R158m. During the same period, Telkom's turnover fell by 2%, its market capitalisation more than doubled and yet its net profit almost disappeared, going from R2,4bn to R522m.

In recent years, large SA corporates have tended to derive an increasing proportion of their turnover and profits from outside the country. This has imparted a type of "rand hedge" quality to these companies, a factor that has aided them noticeably during periods when the rand has

Ivan Glasenberg

Gallo Images/AFP

been weak. This was especially noticeable during 2013, when the rand was one of the world's worst performing currencies. It is important to recognise the degree of rand hedge exposure in these companies when examining their relative rankings in the SA Giants table. A weak rand obviously improves turnover, net profit and market capitalisation as well as many other metrics.

There is a new leader in the SA Giants ranking this year — Glencore Xstrata, renamed Glencore towards the end of May 2014. Formed by the amalgamation of Glencore and Xstrata in 2013, the merged company was listed in Johannesburg late last year. There are no comparative figures for the previous year as 2013 was the group's maiden appearance on the JSE.

Glencore is a diversified mining behemoth, its genesis going back to the days of the late Marc Rich. Today its CEO is SA-born Ivan Glasenberg,

who owns a measurable chunk of the equity of the firm. This imparts a large degree of entrepreneurial flair to the group. Its recently appointed chairman is Tony Hayward, who was BP's CEO for a number of years.

Glencore is undoubtedly the most diversified of all the large global mining giants and it is the only one that doesn't have an exposure to iron ore. Its other main point of difference from the likes of BHP Billiton and Anglo American is that it has a meaningful commodities trading arm, something that may well be a big plus in years to come. Following the recent sale of its Las Bambas copper mining assets, it seems likely that the group will pay a special dividend to shareholders later in 2014.

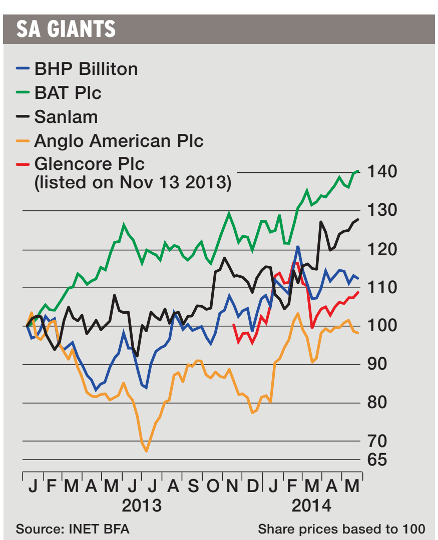
Mark Cutifani

Russell Roberts

Like Glencore, the next three companies all have their primary listings outside SA. BHP Billiton has its main listing in Australia and is triple listed in that country, London and Johannesburg. Ousted from this year's number one position by Glencore, BHP Billiton remains a firm favourite of fund managers not only in SA but in many other countries. It has a superb diversification of assets, mainly in the base metals and minerals space but also including a decent exposure to petroleum.

Anglo American falls from second to third position in the ranking, with net profit falling by 22%, very similar to BHP Billiton's 21% profit decline.

In 2013 former AngloGold Ashanti CEO Mark Cutifani assumed the top position at Anglo American, following the departure of Cynthia Carroll. Cutifani is a firm favourite among fund managers and his straight-talking style has won him many friends and admirers, both in SA and in the rest of the financial world. But he knows that the next few years will be tough as he transforms Anglo American into a leaner, more profitable entity.



British American Tobacco (BAT) is a stalwart of many institutional and private client portfolios in SA and around the globe, as its revenue and profits are perceived to be almost of an annuity nature. Though it may be an inconvenient truth, cigarette smoking still has an extremely large following around the world, and in the developing world it is actually growing.

The one country that BAT and other Western tobacco companies cannot break into, of course, is China, where the tobacco industry is state-controlled and foreign entrants are prohibited. But there are many other developing countries where BAT does exceptionally well, especially with its so-called "global drive brands" comprising Pall Mall, Rothmans, Kent, Lucky Strike and Dunhill.

From an SA investor's perspective, this is one of the ultimate nonresource rand hedges, as its primary listing is in London and it derives its revenue and profits from all over the world. It is also one of the best examples of a trinity encompassing turnover, market capitalisation and net profit all largely moving in the same direction and by similar quanta. Between 2012 and 2013, BAT's turnover grew by 18%, market capitalisation grew by 19% and net profit rose by 22%.

Sanlam stays at number five in the rankings, with turnover increasing by 32% and market capitalisation rising by 26%, but net profit (according to BFA) declined by 43%. Sanlam is arguably SA's most successful large insurance company and its highly conservative approach has paid off handsomely in recent years.

SABMiller remains at number six, with all three metrics of turnover, market capitalisation and net profit improving noticeably.

Like BAT, SABMiller is a firm favourite among fund managers, even though it trades at a rarefied p:e ratio. Given its high exposure to emerging economies (and thus emerging currencies) SABMiller's US$-based metrics took some strain from foreign exchange headwinds last year, but this was hardly apparent at an SA level due to the exceptionally weak rand.

SABMiller's good performance was, of course, marred by the tragic death of former CEO Graham MacKay in December 2013. This highly

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THE INTERNATIONAL VIEW

Chinese firms outshine the rest

THE FORBES GLOBAL 2000 is a comprehensive list of the world's largest, most powerful public companies, as measured by revenues, profits, assets and market value. These are weighted equally to arrive at a composite score, which is the basis of the Global 2000 ranking.

Last year, Chinese companies took first and second places in the ranking, displacing US companies for the first time. This year, that trend has been extended, with Chinese firms taking the top three slots. In the 11 years since the Global 2000 ranking has been calculated, the number of countries incorporated in the ranking has risen from 46 to 62. The superlatives make interesting reading: total revenues of these 2 000 companies as at May 2014 was US$38 trillion; profits were $3 trillion; assets were worth $161 trillion; and total market capitalisation was $44 trillion.

Industrial & Commercial Bank of China, which holds 20% of SA's Standard Bank, is in first spot, as last year. China Construction Bank is in second place, with the Agricultural Bank of China in third spot. The next five are American companies – JPMorgan Chase (4), Warren Buffett's Berkshire Hathaway (5), Exxon Mobil (6), General Electric (7) and Wells Fargo (8). Two more Chinese companies – Bank of China (9) and Petro China (10) – complete the top 10.

Apple is still the world's most valuable firm, with a market cap of $483bn, followed by Exxon Mobil ($422bn), Google ($382bn), Microsoft ($344bn) and Berkshire Hathaway ($309bn).

SA or SA-related companies in the Global 2000 are: SABMiller (212), Standard Bank (287), Old Mutual (295), Sasol (321), Compagnie Financière Richemont (371), MTN (378), FirstRand (475), Anglo American Plc (551), Steinhoff (672), Sanlam (688), Naspers (857), Bidvest (1 006), Shoprite (1280), Remgro (1 440), MMI (1 574), Aspen (1 608), Imperial (1 687), RMB (1 801) and Hyprop (1 833). ***Staff writer***

continued from PAGE 22
cerebral and strategic thinker had guided the group through its most successful period in its long and illustrious history.

Sasol fell from number four to number seven. Its 46% rise in market capitalisation made it one of the best performers on the JSE last year and net profit didn't disappoint either, rising by 25% on a modest 7% increase in turnover.

Bidvest, one of SA's largest industrial companies, dropped one notch from seventh to eighth spot, as did MTN, going from eighth to ninth position.

The really big winner in this year's Top 10 is Steinhoff, which rose from 13th to 10th position, thanks to a combination of strong fundamentals and a major benefit from the weak rand.

Staff writer

ASSET HEAVYWEIGHTS

Financial services firms the best performers

THE ASSET HEAVYWEIGHT listing is dominated by the large financial services companies, such as the banks and insurance companies, as well as the large diversified mining companies. In the top 10 of this ranking, seven are in financial services and three are mining companies.

It is perhaps not surprising that this is the case, as the ranking is based on total assets, rather than turnover or market capitalisation. Banks and insurance companies naturally attract financial assets in the form of pension funds and discretionary savings, while the large diversified miners have substantial and immovable assets in varying geographical jurisdictions.

As has been the case for a number of years, Old Mutual leads the ranking by a wide margin, even though its total asset base has declined slightly in the past year, from R1 975 trillion to R1 931 trillion. Having languished for a number of years after listing in the late 1990s, the business has been streamlined significantly in recent years.

It has demonstrated a fair degree of innovation, with respect to its investment products and services, and in 2013 entered the high net-worth individual investor space for the first time. Old Mutual should also benefit from the change in UK pension rules announced in the 2014 UK budget. The change will allow retirees a greater choice of how to deploy their pension fund payouts, rather than being compelled to buy retirement annuities.

More than R400bn behind, Standard Bank retains its second place ranking, with total assets of R1 528 trillion. During 2013, long-serving CEO Jacko Maree stepped down, having presided over a number of momentous events in the bank's history. One notable event was the successful rebuff of Nedbank's hostile takeover bid in the late 1990s and more recently the Chinese bank ICBC's acquisition of a 20% stake in the group.

Glencore Xstrata (now Glencore) comes straight into the rankings at number three, having been listed on the JSE only in late 2013. The most diversified of all the large mining groups, Glencore is differentiated from its peers by not having an exposure to iron ore and also by having an extensive commodities trading arm. Total assets were R1 508 trillion, only slightly behind Standard Bank.

BHP Billiton comes in at number three, its total asset base having risen sharply to R1 249 trillion. It should be remembered, however, that BHP Billiton's assets are largely located outside of SA and so the weak rand will have contributed to the sharp increase in the company's asset base.

FirstRand, at number five, also experienced a large increase in its asset base, from R770bn to R871bn and in the process leapfrogged Absa Group (now renamed Barclays Africa Group), which fell back to number six.

Investec Plc benefited from the weak rand as it has a substantial offshore asset base. Total assets rose from R622bn to R704bn, placing it just behind Barclays Africa Group in seventh position. Investec Ltd had an identical total asset base.

Anglo American fell back to ninth position, even though its asset base rose from R616bn to R687bn. Of all the large diversified miners, Anglo American has the greatest exposure to SA, unsurprising considering its heritage. At the time of writing, the long-lasting strike on the platinum belt continued to weigh on the group's Anglo Platinum subsidiary.

Nedbank fell back to 10th position from sixth the previous year, total assets having moved marginally from R640bn to R675bn.

It is interesting to note that the JSE's two largest companies by market capitalisation – British American Tobacco and SABMiller – didn't make it into the top 10 of Asset Heavyweights, only managing to make 12th and 15th positions respectively.

Staff writer

NO. 4 BAT The tobacco firm has recently called for world governments to adopt a policy of tobacco harm reduction as a more progressive approach to tobacco regulation

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
1	Glencore Xstrata Plc	2 442 048, 4	1 508 861,0	726 992, 7	779 502, 6	22 406 1	Dec 13
NA		NA	NA	NA	NA	NA	Dec 12
2	BHP Billiton Plc	590 335, 9	1 249 193,0	694 837,0	923 616 8	111 394, 9	Jun 13
1		586 351, 4	976 980,0	576 748, 7	755 039, 9	141 688, 5	Jun 12
3	Anglo American Plc	275 362, 6	687 317,0	377 522, 7	517 198, 7	26 868, 1	Dec 13
2		238 098, 5	616 876,0	336 397, 4	503 628, 1	34281, 3	Dec 12
4	British American Tobacco Plc	234 841, 7	479 466,0	1 190 907, 9	300 812 3	65 035, 4	Dec 13
3		199 614, 7	368 571,0	1 004 420 9,	239 537 2	53 379, 5	Dec 12
5	Sanlam	206 951,0	555 450,0	124 658, 8	38 884,0	2 592,0	Dec 13
5		157 174,0	437 962,0	99 078,0	33 269,0	4 556,0	Dec 12
6	SABMiller Plc	194 525, 3	263 337,0	879 557, 5	282 087, 3	32 330, 1	Mar 13
6		156 486, 2	201 334,0	810 376, 8	222 638, 6	25 033, 5	Mar 12
7	Sasol	181 269,0	244 608,0	383 206, 7	180 691,0	31 715,0	Jun 13
4		169 446,0	202 675,0	263 260, 7	153 548,0	25 354,0	Jun 12
8	The Bidvest Group	153 404, 5	56 519,0	91 306, 1	25 457,0	4 575, 5	Jun 13
7		133 533, 6	47 293,0	79 429, 8	20 826, 6	3 909,0	Jun 12
9	MTN Group	135 112,0	145 456,0	403 555, 7	86 989,0	24 911,0	Dec 12
8		121 884,0	145 169,0	304 145,0	86 709,0	22 814,0	Dec 11
10	Steinhoff International Holdings	115 486,0	103 211,0	108 364, 8	64 266,0	7 036,0	Jun 13
13		80 434,0	82 559,0	45 922, 2	47 828,0	5 657,0	Jun 12
11	Compagnie Fin Richemont	111 444, 2	155 194,0	527 115, 6	110 841, 5	24 396, 9	Mar 13
10		87 861, 4	107 605,0	378 345, 6	81 837, 4	17 063,0	Mar 12
12	Standard Bank Group	109 117,0	1 528 019,0	224 600, 6	108 829,0	14 279,0	Dec 12
9		95 610,0	1 477 950,0	190 230, 8	96 821,0	15 039,0	Dec 11
13	Shoprite Holdings	92 747, 3	31 850,0	90 836, 3	13 805, 3	3 818, 7	Jun 13
11		82 730, 6	29 516,0	104 301, 9	11 111, 4	3 077, 4	Jun 12
14	Imperial Holdings	92 382,0	45 417,0	39 576, 7	16 420,0	3 736,0	Jun 13
12		80 830,0	40 585,0	44 161, 8	14 317,0	3 084,0	Jun 12
15	Vodacom Group	69 917,0	49 972,0	193 419, 1	15 142,0	13 892,0	Mar 13
15		66 929,0	42 622,0	163 526, 1	12 538,0	11 963,0	Mar 12
16	Barclays Africa Group	68 587,0	804 953,0	126 314, 9	65 466,0	8 833,0	Dec 12
14		66 961,0	784 048,0	111 322, 6	60 424,0	9 285,0	Dec 11
17	FirstRand	67 031,0	870 986,0	203 529, 7	71 254,0	14 307,0	Jun 13
16		62 287,0	770 228,0	181 541, 7	63 570,0	11 957,0	Jun 12
18	Barloworld	65 102,0	36 774,0	25 484, 1	14 673,0	2 099,0	Sep 13
19		58 554,0	32 428,0	22 140, 2	12 364,0	1 912,0	Sep 12
19	Massmart Holdings	64 887, 8	19 659,0	29 852, 6	3 783, 6	1 669, 5	Dec 12
23		52 950, 1	14 628,0	41 267,0	3 436, 5	1 502, 4	Jun 11

Source: INET BFA

NO. 23 PICK N PAY With a new CEO, the group is carefully considering its expansion strategy into the rest of the continent to ensure that it's not just about "planting flags"

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
20	Mondi	62 822, 7	66 007,0	21 877, 3	31 487, 7	3 115, 7	Dec 12
20		57 889, 3	56 501,0	14 730,0	29 371, 3	2 340, 5	Dec 11
21	Mondi Plc	62 822, 7	66 007,0	67 851, 4	31 487, 7	3 115, 7	Dec 12
21		57 889, 3	56 501,0	45 721, 5	29 371, 3	2 340, 5	Dec 11
22	Pick n Pay Stores	59 271, 3	11 898,0	24 788, 5	1 910, 3	652, 7	Feb 13
17		58 984, 2	10 905,0	20 450, 5	1 772, 3	733, 7	Feb 12
23	Pick n Pay Holdings	59 271, 3	11 899,0	1 1847, 3	905, 5	396, 6	Feb 13
18		58 984, 2	10 905,0	9 759, 4	867, 8	218, 8	Feb 12
24	Nedbank Group	57 268,0	675 559,0	115 094,0	53 580,0	7 474,0	Dec 12
22		54 215,0	640 766,0	97 190,0	49 315,0	6 359,0	Dec 11
25	AngloGold Ashanti	55 665, 4	168 133,0	73 716, 1	61 419, 5	8 105,0	Dec 12
25		50 023,0	136 219,0	82 512, 7	54 638,0	8 764,0	Dec 11
26	Sappi	53 899, 7	56 294,0	20 033, 5	13 262, 3	1 064 3	Sep 13
24		51 815, 3	49 799,0	15 550, 3	14 045, 6	449,0	Sep 12
27	Anglo American Platinum	52 822,0	89 027,0	127 734, 8	80 113,0	4 317,0	Dec 13
28		43 148,0	87 800,0	103 061, 6	76 598,0	-4 114,0	Dec 12
28	Aveng	51 704,0	27 457,0	8 833, 7	12 265,0	85,0	Jun 13
30		40 885, 5	25 027,0	12 580, 1	11 977, 3	41 7	Jun 12
29	Naspers	50 249,0	76 350,0	483 049, 8	52 813,0	9 923,0	Mar 13
32		39 487,0	58 397,0	238 042, 2	46 955,0	6 517,0	Mar 12
30	Old Mutual Plc	48 950, 9	1 931 835,0	173 402, 5	96 289, 6	12 628, 7	Dec 12
31		40 496, 2	1 975 395,0	137 658, 5	98 238, 6	8 982, 8	Dec 11
31	The Spar Group	47 387, 3	9 370,0	21 050, 2	2 624, 3	1 195, 2	Sep 13
27		43 166,0	9 493,0	19 641, 4	2 356, 7	1 078 8	Sep 12
32	Gold Fields	45 469, 3	143 996,0	31 229, 1	63 910, 7	6 610, 6	Dec 12
29		41 876, 8	141 575,0	52 008, 5	57 276 5	7 365, 9	Dec 11
33	Kumba Iron Ore	45 446,0	35 618,0	121 748, 5	16 302,0	13 618,0	Dec 12
26		48 553,0	33 723,0	158 456, 6	13 330,0	18 987,0	Dec 11
34	Datatec	42 773, 5	18 794,0	9 621, 8	7 669, 9	775, 9	Feb 13
33		36 377, 6	14 247,0	9 847, 6	6 028, 8	761, 8	Feb 12
35	Murray & Roberts Holdings	39 310, 8	23 124,0	10 936, 1	6 537, 1	-158, 3	Jun 13
34		35 789,0	21 366,0	10 446, 9	5 744, 8	-1 230, 7	Jun 12
36	Oando Plc	36 587, 9	25 812,0	9 908, 1	13 257, 4	656, 9	Dec 12
41		27 396, 7	19 102,0	1 933,0	9 391, 7	-72, 2	Dec 11
37	Woolworths Holdings	35 227,0	9 025,0	62 152 3	4 012,0	2 703,0	Jun 13
39		28 604,0	8 182,0	59 417 4	3 265,0	1 973,0	Jun 12
38	MMI Holdings	32 670,0	332 267,0	38 617, 2	26 843,0	3 011,0	Jun 13
43		26 692,0	290 430,0	36 466, 5	25 240,0	3 029,0	Jun 12

NO. 39 TELKOM An overhaul of its product offering and an eye on acquisitions and partnerships are on the cards as the company looks at repositioning itself

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
39	Telkom SA Soc	32 501,0	38 990,0	17 524, 4	17 827,0	522,0	Mar 13
36		33 237,0	48 934,0	7 811, 8	30 401,0	2 434,0	Mar 12
40	ArcelorMittal SA	32 291,0	30 740,0	14 937, 2	24 361,0	-766,0	Dec 12
37		31 453,0	32 620,0	12 677, 2	25 334,0	30,0	Dec 11
41	Liberty Holdings	30 720,0	291 745,0	35 589, 3	17 574,0	3 475,0	Dec 12
42		27 302,0	252 112,0	34344 3	15 625,0	2 111,0	Dec 11
42	Impala Platinum Holdings	30 032,0	80 156,0	75 865, 7	107 583,0	5 660,0	Jun 13
40		27 593,0	71 433,0	85 728, 3	99 277,0	4 489,0	Jun 12
43	Tiger Brands	28 091 3	22 539,0	52 152, 6	15 166 3	2563 2	Sep 13
46		22 677,0	15 865,0	56 300, 7	12 744 8	2 705,0	Sep 12
44	Netcare	27 801,0	20 042,0	34 458, 3	7 767,0	2 024,0	Sep 13
44		25 731,0	36 323,0	29 096, 7	1 636,0	3 868,0	Sep 12
45	JDGroup	27 401,0	19 200,0	6 215, 1	9 096,0	862,0	Jun 13
38		28 656,0	16 268,0	7 983, 3	8 762,0	1 122,0	Jun 12
46	Grindrod	27 156 6	21 248,0	15 319, 5	10 044,0	596 1	Dec 12
35		35 690 4	19 659,0	11 993, 3	9 203, 5	705,0	Dec 11
47	Allied Electronics Corp	25 049,0	11 244,0	8 427, 8	4 577,0	1 368,0	Feb 13
45		23 563,0	10 396,0	7 250, 5	4 671,0	1 284,0	Feb 12
48	Mediclinic International	24 562,0	49 207,0	61 881, 2	22 862,0	1 780,0	Mar 13
47		21 986,0	43 629,0	53 090 7	14 848,0	1 303,0	Mar 12
49	Wilson Bayly Holmes-Ovcon	23 773 5	11 426,0	9 094, 8	4 105, 2	606 9	Jun 13
52		17893 4	10 474,0	10 181 2	3 614, 6	524 2	Jun 12
50	Santam	20 631,0	21 341,0	23 190 2	5 764,0	1 239,0	Dec 13
49		19 386,0	18 625,0	22 936,0	5 226,0	1 279,0	Dec 12
51	Pioneer Food Group	20 551 1	11 093,0	19 313 9	7 028, 6	697 1	Sep 13
51		18 609 8	9 863,0	16 521 3	6 680, 7	690 1	Sep 12
52	African Rainbow Minerals	19 844,0	37 593,0	45 185 3	35 557,0	3 155,0	Jun 13
54		17 530,0	35 096,0	40 811 4	33 614,0	3 707,0	Jun 12
53	Nampak	19 361 8	18 826,0	25 188 1	6 909 3	1 111, 1	Sep 13
53		17 639 1	14 466,0	22 389 2	6 327 3	1 274, 7	Sep 12
54	Aspen Pharmacare Holdings	19 308,0	20 035,0	128 363,0	22 310 3	3 952, 6	Jun 13
56		15 541 4	14 232,0	87 018 9	16 977 9	3 373, 1	Jun 12
55	Blue Label Telecoms	18984 2	4 992,0	5 868, 2	3 083, 4	485, 8	May 13
50		18722 1	4 410,0	5 321, 9	2 778, 3	451, 8	May 12
56	Discovery	17 893,0	50 844,0	49 936, 3	15 959,0	2 899,0	Jun 13
58		14 691,0	37 146,0	46 308, 1	13 381,0	2 804,0	Jun 12
57	Clicks Group	17 543, 3	4 936,0	16 134, 3	1 031, 1	729, 8	Aug 13
57		15 436, 9	4 308,0	15 560, 1	1 057, 6	708, 2	Aug 12

NO. 72 GROUP FIVE Despite challenges in the SA market, the company managed to deliver improved results, with increased revenue in the six months to December 2013

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
58	Harmony Gold Mining Company	16 776,0	66 905,0	14 247, 7	36 948,0	321,0	Jun 13
55		16 573,0	67 126,0	25 728, 1	38 382,0	2 433,0	Jun 12
59	Remgro	16 446,0	97 725,0	98 597, 9	90 889,0	4 592,0	Jun 13
60		13 532,0	72 544,0	88 114, 6	68 109,0	5 040,0	Jun 12
60	Exxaro Resources	16 122,0	62 114,0	50 136, 2	54 349,0	6 022,0	Dec 12
48		21 305,0	54 157,0	58 435, 1	47 778,0	8 325,0	Dec 11
61	Distell Group	158 58 2	12 658,0	28 441, 1	7 291, 7	1075 3	Jun 13
59		14 176,0	9 544,0	22 535, 6	6 038, 6	834 1	Jun 12
62	KAP Industrial Hldgs	15 386,0	13 724,0	8 704, 4	6 763,0	792,0	Jun 13
68		11 018,0	13 061,0	7 742, 4	6 071,0	605,0	Jun 12
63	AECI	14 516,0	11 294,0	16 286, 6	5 301,0	746,0	Dec 12
63		12 920,0	10 895,0	13 085, 7	4 565,0	649,0	Dec 11
64	Tongaat Hulett	14 373,0	20 923,0	125 01 1	10 128,0	1 262,0	Mar 13
64		12 081,0	17 458,0	15 585, 5	8 193,0	1 179,0	Mar 12
65	Lonmin Plc	13 827, 4	45 975,0	28 541, 4	71 998, 1	245 6	Sep 13
61		13 200,0	38 006,0	23 413, 1	52 168, 1	-5 495 9	Sep 12
66	Omnia Holdings	13 543,0	8 535,0	14 193, 1	5 064,0	944,0	Mar 13
69		10 945,0	6 991,0	10 625, 5	4 158,0	827,0	Mar 12
67	Assore	13 500, 9	20 222,0	56 959, 7	26 365, 8	3 272, 1	Jun 13
62		12 947, 8	17 434,0	43 355,0	22 531, 9	3 493, 8	Jun 12
68	Mr Price Group	13 266,0	4 658,0	39 538, 9	2 486,0	1 527,0	Mar 13
65		11 766, 8	4 116,0	29 386,0	2121 3	1 191, 7	Mar 12
69	The Foschini Group	12 896, 4	14 961,0	23 787, 8	6 237,0	1715 5	Mar 13
66		11 630, 5	12 492,0	25 774, 6	5 501, 6	1530 4	Mar 12
70	Life Healthcare Group Holdings	11 843,0	8 792,0	40 135, 5	5 072,0	1 845,0	Sep 13
70		10 937,0	7 946,0	36 060, 5	4 539,0	1 547,0	Sep 12
71	Super Group	11 718,0	8 262,0	9 065, 9	3472 2	629 1	Jun 13
71		10204 8	6 079,0	7 662, 6	2 855,0	517 3	Jun 12
72	Group Five	11 199, 1	8 745,0	4 945, 8	2 069 5	253 4	Jun 13
76		9 093, 1	7 533,0	3 988, 1	1 755,0	90 1	Jun 12
73	Illovo Sugar	11 128, 9	12 226,0	12 902,0	6 564, 4	1 147 1	Mar 13
75		9 173, 2	11 130,0	14 642, 2	6 192 1	713,0	Mar 12
74	Reunert	11 100, 2	6 490,0	12 077, 7	4 512,0	946, 5	Sep 13
67		11 454, 6	5 750,0	15 412,0	4 088, 6	1116 4	Sep 12
75	Sun International	10 267,0	12 316,0	10 775,0	2 357,0	705,0	Jun 13
72		9 754,0	11 037,0	11 462, 2	1 627,0	556,0	Jun 12
76	RCL Foods	10 230, 9	11 309,0	13 827,0	8 149, 8	52, 5	Jun 13
84		7 855, 1	4 877,0	10 202, 4	3 244, 6	261, 6	Jun 12

NO. 86 CAPITEC The bank is branching into the home loans market — through a partnership with SA Home Loans — to attract middle- to upper-income customers

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
77	Afgri	10 220,0	6 987,0	2 658, 6	2 181,0	106,0	Jun 13
74		9 226,0	6 626,0	2 008, 9	1 776,0	222,0	Jun 12
78	Tsogo Sun Holdings	9 910,0	10 882,0	29 947, 6	9 015,0	1 567,0	Mar 13
78		9 031,0	10 858,0	29 273, 5	8 684,0	1 351,0	Mar 12
79	Truworths International	9 765,0	6 989,0	32 535, 3	5 470,0	2 341,0	Jun 13
79		8 830,0	6 675,0	41 738, 7	5 208,0	2 202,0	Jun 12
80	Palabora Mining Company	9 741,0	7 119,0	5 486, 3	6 946,0	810,0	Dec 12
77		9 092,0	7 202,0	5 075, 4	6 421,0	1 072,0	Dec 11
81	Stefanutti Stocks Holdings	9329 7	4 904,0	1 720, 9	2072 8	156 9	Feb 13
83		7990 7	4 772,0	1 705, 9	2145 2	262 5	Feb 12
82	AVI	9251 9	5 360,0	19 499, 4	3344 7	1093 4	Jun 13
80		8433 3	4 711,0	18 473, 7	2742 3	1020 9	Jun 12
83	Eqstra Holdings	9 154,0	13 163,0	2 920, 7	3 834,0	443,0	Jun 13
73		9 263,0	12 496,0	2 788, 7	3 633,0	431,0	Jun 12
84	Combined Motor Holdings	8971 8	2 613,0	1 170, 9	698 7	207 3	Feb 13
81		8293 7	2 343,0	1 360, 3	582 6	136 1	Feb 12
85	Adcorp Holdings	8616 8	2 378,0	3 152, 9	1821 5	225 5	Feb 13
91		6423 2	1 502,0	2 800, 3	1397 5	173 4	Feb 12
86	Capitec Bank Holdings	8580 8	37 939,0	22 425, 5	7519 5	1568 8	Feb 13
95		6003 9	23 317,0	24 511, 1	4394 3	920 5	Feb 12
87	Astral Foods	8 524,0	3 790,0	3 626, 9	2046 9	185 5	Sep 13
82		8160 1	3 403,0	3 970, 8	1864 8	318 5	Sep 12
88	Rand Merchant Insurance Holdings	8 442,0	34 151,0	42 787, 8	23 341,0	2 079,0	Jun 13
86		7 384,0	26 802,0	34 601, 7	16 456,0	2 092,0	Jun 12
89	PPC	8 316,0	8 575,0	17 701, 3	2 040,0	1 235,0	Sep 13
87		7 346,0	6 837,0	19 402, 4	1 591,0	1 110,0	Sep 12
90	Hosken Consolidated Investments	8214 1	21 423,0	17 920, 5	15 316, 3	1 297, 3	Mar 13
85		7661 6	16 127,0	14 510, 1	11 662, 1	1 244, 7	Mar 12
91	Intu Properties Plc	8205 6	142 655,0	48 448, 8	57 243, 7	3 898, 1	Dec 13
89		6908 3	104 702,0	44 363, 9	37 914, 2	1 417, 9	Dec 12
92	Clover Industries	7996 5	3 975,0	3 525, 5	2 202, 8	251, 3	Jun 13
88		7223 9	3 499,0	3 044, 9	1 986, 2	310, 6	Jun 12
93	Invicta Holdings	7557 9	11 251,0	8 711, 1	1 672, 8	418, 3	Mar 13
98		5599 5	7 856,0	7 636,0	1 744, 4	485, 5	Mar 12
94	Basil Read Holdings	6834 1	4 451,0	1 178, 7	1 435, 2	-96, 6	Dec 12
94		6230 5	3 983,0	1 567, 2	1 799, 2	148, 6	Dec 11
95	Mpact	6820 8	4 771,0	4 444, 4	2 626, 4	438, 2	Dec 12
93		6 281,0	4 525,0	3 826,0	2 248, 6	131, 2	Dec 11

NO. 104 ADCOCK INGRAM
For the six months to end-March, the prescription business showed a turnover increase of 14% from the introduction of new products

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
96	Pinnacle Holdings	6 596, 2	2 929,0	2 432, 5	1 003, 2	320, 9	Jun 13
96		5 844, 6	2 109,0	3 741, 4	732, 6	274, 6	Jun 12
97	Cashbuild	6 376, 9	2 015,0	3 425, 8	1 051, 6	270, 3	Jun 13
92		6 310, 1	1 873,0	3 153, 8	902, 6	289, 3	Jun 12
98	Business Connexion Group	6 173, 3	2 847,0	2 348, 8	2 157, 2	268, 8	Aug 13
97		5 829, 6	2 621,0	2 352, 9	2 013, 2	201, 3	Aug 12
99	Times Media Group	6 013,0	2 606,0	2 732, 2	1 046,0	194,0	Jun 13
NA		NA	NA	2 096, 8	NA	NA	Jun 12
100	Growthpoint Prop	5 782,0	62 800,0	51 754, 8	1 462,0	-4 196,0	Jun 13
100		5 290,0	54 339,0	49 146 1	1 708,0	-1 858,0	Jun 12
101	Bell Equipment	5 670, 2	3 278,0	1 806, 8	1 896,0	278,0	Dec 12
103		5 070, 8	3 670,0	2 079,0	1630 8	306, 4	Dec 11
102	Raubex Group	5 635, 5	4 074,0	4 125 1	3 089, 3	352, 4	Feb 13
104		5 032, 6	3 607,0	3 598, 5	2870, 8	350, 5	Feb 12
103	African Oxygen	5 558,0	5 236,0	6 788, 5	3 261,0	374,0	Dec 12
102		5 246,0	5 194,0	7 820, 5	3 274,0	358,0	Dec 11
104	Adcock Ingram Holdings	5 445, 6	5 368,0	10 363,0	3 760, 5	642 3	Sep 13
109		4 599, 2	4 566,0	10 610, 7	3 325, 8	748 9	Sep 12
105	Comair	5 386, 6	3 560,0	1 783, 1	1 108, 5	296,0	Jun 13
112		4 162, 9	2 150,0	1 051, 7	913, 5	11 7	Jun 12
106	Metair Investments	5 227, 4	6 173,0	8 516, 6	3 919, 3	421 2	Dec 13
101		5 273, 4	3 308,0	5 704, 7	1 891, 1	471 4	Dec 12
107	Caxton CTP Publishers & Printers	5 156, 9	6 675,0	6 674, 7	5 580, 2	514 1	Jun 13
105		4 819, 1	6 069,0	8 174, 7	5 086, 9	458, 6	Jun 12
108	EOH Holdings	5 071, 5	2 294,0	9 355 3	1 302, 5	384, 5	Jul 13
118		3 636, 1	1 582,0	5 267 3	907, 6	253, 6	Jul 12
109	Oceana Group	4 997, 4	2 747,0	10 823, 1	1 515, 1	448, 5	Sep 13
108		4 648,0	2 456,0	9 312, 3	1 346, 6	475, 4	Sep 12
110	Mustek	4 737 3	2 156,0	699 4	787, 7	129, 9	Jun 13
113		4 143,0	2 027,0	665 8	716, 3	174, 3	Jun 12
111	Uranium One Inc	4 655, 4	26 361,0	23 827, 9	32 387, 6	-196 8	Dec 12
116		3 846, 3	25 424,0	NA	33 657, 3	546 8	Dec 11
112	Distribution & Warehousing Network	4 588, 3	2 749,0	2 321, 7	1 388, 8	137,0	Jun 13
111		4 228, 3	2 364,0	2 173,0	1 238, 1	82,0	Jun 12
113	Trencor	4 553,0	30 605,0	11 527, 1	5 709,0	676,0	Dec 12
107		4 649,0	19 914,0	12 748, 9	4 775,0	873,0	Dec 11
114	Iliad Africa	4 493, 1	1 591,0	988, 3	718, 4	66,0	Dec 12
110		4 229, 5	1 678,0	691, 1	715, 5	51 9	Dec 11


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NO. 121 REDEFINE PROPERTIES An offer to acquire 100% of the Annuity Property Fund has been approved by the competition commission

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
115	Northam Platinum	4 421,0	14 348,0	15 478,0	23 202, 4	461 4	Jun 13
117		3 684,0	12 230,0	15 188 7	21 217, 8	358 3	Jun 12
116	Evraz Highveld Steel & Vanadium	4 346,0	3 588,0	879 5	1 659,0	-922,0	Dec 12
99		5 587,0	4 291,0	1 983,0	2 453,0	-52,0	Dec 11
117	Lewis Group	4 105,0	7 249,0	5 687, 4	4 716, 3	897 9	Mar 13
114		3949 1	6 114,0	6 337, 5	4 126, 4	785 4	Mar 12
118	African Bank Investments	4 034,0	64 815,0	16 136, 8	7 820,0	5,0	Sep 13
106		4 792,0	56 738,0	24 541, 9	12 872,0	2 602,0	Sep 12
119	Net 1 UEPS Technologies Inc	3 989,0	10 073,0	6 079, 4	3 466, 9	235, 3	Jun 13
125		2 825, 3	5 508,0	3 855,0	2 918, 5	374, 7	Jun 12
120	Hudaco Industries	3 942, 2	2 154,0	3 570, 4	1 707, 5	315, 6	Nov 13
120		3 492, 4	4 064,0	3 224, 1	1 561, 2	358, 6	Nov 12
121	Redefine Properties	3 771,0	42 999,0	29 327, 8	20 422, 8	631, 6	Aug 13
121		3 289, 2	42 096,0	27 653, 3	17 331,0	1 953, 1	Aug 12
122	Zurich Insurance Company SA	3 766 5	5 001,0	3 227, 6	2 003, 5	-13, 7	Dec 12
115		3 890,0	4 843,0	3 020, 5	2 022, 2	181, 2	Dec 11
123	Coronation Fund Managers	3 635,0	71 734,0	34 630, 1	1 085,0	1 405,0	Sep 13
139		1 975 3	54 574,0	16 790, 4	1 149, 6	705, 2	Sep 12
124	Aquarius Platinum	3 259,0	6 971,0	3 049, 9	4 212, 1	-2 566, 4	Jun 13
119		3 526, 5	9 103,0	3 314, 7	9 331, 7	-1 484, 8	Jun 12
125	Royal Bafokeng Platinum	3 251, 1	18 517,0	11 573, 6	30 995, 3	433,, 3	Dec 13
124		2 865, 3	17 801,0	8 939, 6	29 852, 5	235, 7	Dec 12
126	Country Bird Holdings	3 236, 6	1 831,0	556, 7	676, 2	17, 1	Jun 13
122		3 094, 5	1 537,0	797, 6	601 2	48 7	Jun 12
127	Village Main Reef	3 020, 5	3 713,0	447, 5	1 234, 7	228, 4	Jun 13
131		2 519, 5	5 654,0	1 129, 7	2 438, 8	381, 2	Jun 12
128	BSI Steel	2 804, 9	1 514,0	402, 8	532, 5	18, 3	Mar 13
136		2 130, 1	1 298,0	424, 7	484,0	49, 1	Mar 12
129	Lonrho Plc	2713, 7	4 032,0	1 015, 3	2 094, 7	141, 9	Dec 12
147		1 767, 5	3 640,0	NA	1 724, 7	-84, 3	Dec 11
130	Santova	2 640,0	444,0	232,0	138,0	21, 7	Feb 13
128		2 605, 9	356,0	141, 9	117, 4	22, 1	Feb 12
131	Astrapak	2 635, 9	2 243,0	966, 2	1 213 5	264, 6	Feb 13
126		2 705, 6	2 021,0	979, 7	954 2	45, 5	Feb 12
132	Merafe Resources	2 542,0	4 301,0	2 668, 8	6 025, 3	74,0	Dec 12
133		2 426 8	3 922,0	1 820, 1	5 487, 8	199, 2	Dec 11
133	Seardel Investment Corp	2 513, 5	2 469,0	1 215, 5	1 426, 9	19,0	Mar 13
129		2 556, 7	2 385,0	771,0	1 388, 1	-59,0	Mar 12

NO. 140 DRDGOLD The miner recently announced measures to address challenges it faces in the commissioning of the new high grade section of its Brakpan plant

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
134	Famous Brands	2 499 5	695,0	9850 8	891 8	329 1	Feb 13
135		2145 1	516,0	8403 4	759 5	268 6	Feb 12
135	Esor	2 326,0	1 824,0	158 1	1 179 4	86 2	Feb 13
146		1 771 7	1 388,0	505 8	1 053 7	35 1	Feb 12
136	Hyprop Investments	2 199,0	22 969,0	18 669 9	10 844 4	633 7	Jun 13
138		2 025 4	21 523,0	17 783 7	9 344 9	638 2	Dec 12
137	Capital Property Fund	2 169 4	20 690,0	16841 2	15 050 7	1 846 5	Dec 12
141		1 946 2	18 381,0	17 917 9	13 242 4	1 056 1	Dec 11
138	Italtile	2 141,0	2 628,0	7 853 3	2 167,0	425,0	Jun 13
142		1 845,0	2 603,0	5 972 7	1 864,0	379,0	Jun 12
139	Sentula Mining	2 085,0	2 659,0	123 2	2 358 3	-192 2	Mar 13
132		2 512 4	3 401,0	967 8	3 229,0	132 6	Mar 12
140	DRDGold	2 076 5	4 419,0	1 526 1	1 995 6	265 1	Jun 13
123		3 004 3	4 088,0	2 759 3	2 017 2	386 2	Jun 12
141	Consolidated Infrastructure Group	2 037 4	2 295,0	3 324 8	1 619 9	108 2	Aug 13
157		1 553 5	1 496,0	2 258 9	1 200,0	123 2	Aug 12
142	Metmar	2024 5	1 468,0	387 6	652 7	-77 3	Feb 13
127		2 644 5	1 661,0	489 2	680 9	27 8	Feb 12
143	PSG Group	2 001 8	27 426,0	19 264 3	9 332 2	1 338 4	Feb 13
354		0,0	23 609,0	13 067 5	8 569,0	764 4	Feb 12
144	Ellies Holdings	1 996 1	1 455,0	1 299,0	949 6	211 7	Apr 13
154		1 711 3	1 112,0	2 868 1	725 1	165,0	Apr 12
145	ELB Group	1 984 6	1 601,0	1 422 1	593 8	120 4	Jun 13
152		1 725 5	1 346,0	1 151 2	437 6	88,0	Jun 12
146	Value Group	1 945 4	1 367,0	1 032 8	779 1	134 8	Feb 13
144		1 798,0	1 338,0	1 152,0	690 3	136 5	Feb 12
147	ARB Holdings	1 944 5	1 049,0	1 339 5	620 7	97 4	Jun 13
156		1 565 3	899,0	1 269,0	584 4	81 7	Jun 12
148	Nu-World Holdings	1 943,0	822,0	396 3	654 9	83,0	Aug 13
137		2 123 4	879,0	452 9	632 6	31 1	Aug 12
149	Datacentrix Holdings	1 915 2	805,0	841 6	441 6	82 4	Feb 13
151		1 755 1	710,0	718 4	409,0	94 6	Feb 12
150	Kelly Group	1 909 6	412,0	215,0	204 2	9 2	Sep 13
140		1 974 3	401,0	181,0	181 8	-7 1	Sep 12
151	Marshall Monteagle Plc	1 908 2	1 306,0	325 2	705 1	23 5	Sep 13
153		1 720 5	1 177,0	247 4	574 2	24 1	Sep 12
152	Argent Industrial	1 850 4	1 760,0	482 5	1411 4	95 6	Mar 13
145		1 797 2	1 691,0	564 5	1357 4	85 6	Mar 12

NO. 166 HOLDSPORT This retailer of specialist sports & outdoor apparel and equipment has 54 stores, including Sportsmans Warehouse, in SA and one in Namibia

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
153	Gijima Group	1 848, 4	682,0	132 9	36, 7	-291, 9	Jun 13
130		2 530, 1	804,0	145, 3	125,0	-51, 4	Jun 12
154	Capital & Counties Prop Plc	1 843, 6	39 701,0	46 990,0	31 559, 7	581, 7	Dec 13
158		1 515, 4	26 570,0	28 618, 9	20 288, 7	301,0	Dec 12
155	Brimstone Investment Corp	1 795,0	5 558,0	631, 5	3 307, 4	1 118, 1	Dec 12
150		1 759, 8	4 430,0	608, 1	2 281, 6	576, 9	Dec 11
156	AfroCentric Investment Corp	1 770, 3	818,0	2 053, 9	764, 9	138, 5	Jun 13
160		1 448, 3	661,0	1 292, 7	655, 2	166, 3	Jun 12
157	Pan African Resources Plc	1 715, 8	5 076,0	4 536, 3	2 899, 4	450, 3	Jun 13
172		1 189, 1	2 197,0	4 061, 6	1 486 7	334,0	Jun 12
158	AdvTech	1 687, 2	1 133,0	3 201, 7	711, 5	156, 5	Dec 12
155		1 605, 6	992,0	2 949,0	720, 2	166, 7	Dec 11
159	Workforce Holdings	1 618, 8	444,0	108,0	191, 7	3, 4	Dec 13
159		1 461, 2	447,0	115, 2	211, 5	26, 5	Dec 12
160	JSE	1 577, 6	21 074,0	8 278, 6	1 759,0	605, 6	Dec 13
162		1 384, 9	16 952,0	6 194, 4	1 848, 2	468, 2	Dec 12
161	Sanyati Holdings	1 533, 1	725,0	94, 7	682, 8	41, 4	Feb 11
134		2 191, 2	972,0	94, 7	757, 6	76, 5	Feb 10
162	Peregrine Holdings	1 523, 8	18 037,0	3 995, 9	1 446, 1	441, 8	Mar 13
161		1 390, 8	12 977,0	2 336, 7	1 988, 7	372, 2	Mar 12
163	Andulela Investment Holdings	1 472,0	601,0	248,0	429, 9	-14 3	Dec 12
216		542 8	687,0	788 8	578, 2	24,0	Dec 11
164	Litha Healthcare Group	1 459,0	883,0	1 147, 3	1164, 5	28 6	Dec 12
149		1 760, 2	1 104,0	1 990, 2	436, 8	110,0	Dec 11
165	South Ocean Holdings	1 406 3	867,0	156, 4	698, 3	56, 1	Dec 12
167		1 261,0	743,0	244,0	816, 8	59, 2	Dec 11
166	Holdsport	1 374, 5	503,0	1 768, 7	806, 6	174, 4	Feb 13
169		1 243, 5	445,0	1 960, 7	737, 5	161, 2	Feb 12
167	Afrimat	1 332, 3	1 053,0	2 034, 3	825, 1	111, 1	Feb 13
184		989, 2	890,0	1 217, 7	728, 6	92,0	Feb 12
168	Wilderness Holdings	1 300, 2	793,0	808, 5	365, 5	47, 1	Feb 13
177		1 059, 3	712,0	577, 5	339, 4	9, 2	Feb 12
169	1time Holdings	1 285, 4	606,0	8, 4	155, 1	-101, 3	Dec 11
164		1 308, 2	623,0	8, 4	185, 5	87, 4	Dec 10
170	Sovereign Food Investments	1 268,0	1 031,0	434, 5	739,0	88, 1	Feb 13
168		1 258 7	1 116,0	386, 9	813,0	60, 7	Feb 12
171	Coal of Africa	1 256, 7	3 689,0	807, 2	5 909, 1	-1 057, 7	Jun 13
143		1 804, 3	4 347,0	2 170, 1	6 370, 5	-651, 7	Jun 12

NO. 190 CITY LODGE HOTELS The group's expansion plans into the rest of Africa have received a boost with recent full ownership of Fairview Hotel in Kenya

SA GIANTS

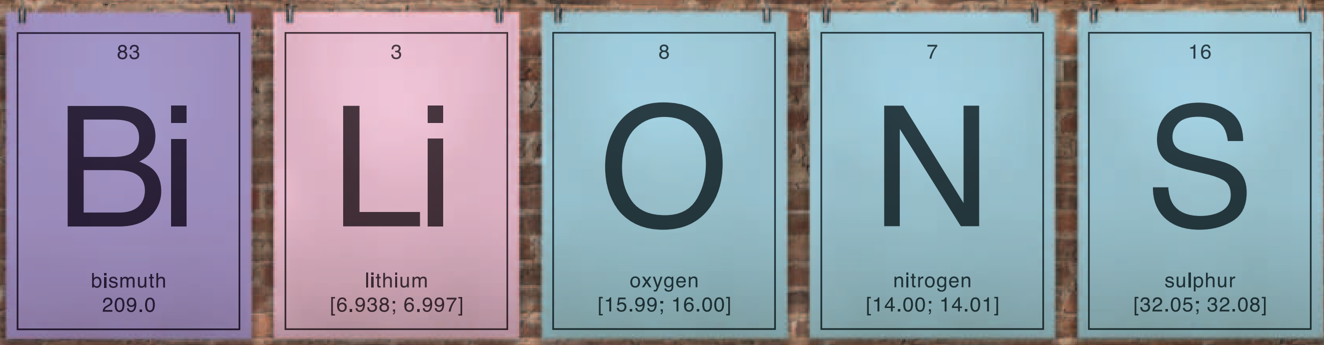
Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
172	Erbacon Investment Holdings	1 255 5	275,0	73 2	38,0	-90 2	Feb 13
173		1 156 1	395,0	117 1	79 6	-134 6	Feb 12
173	Resilient Property Income Fund	1 251 3	18 061,0	16 673 4	11 249 1	1 533 7	Jun 13
171		1 191 3	15 872,0	15 780 2	9 072 4	908 7	Dec 12
174	Great Basin Gold	1 227 9	11 956,0	386 7	3 325 8	172 7	Dec 11
204		680 6	10 079,0	386 7	3499 2	-161 1	Dec 10
175	Clientele	1224 5	2 909,0	4 935 2	291 8	300 8	Jun 13
170		1 194 9	2 905,0	3 890,0	230 6	288 6	Jun 12
176	Fountainhead Property Trust	1 188 3	11 598,0	8743 6	8249 1	679 5	Aug 13
175		1074 5	11 249,0	10 417 9	8 062 9	681 4	Sep 12
177	Buildmax	1 186 4	1 197,0	487 7	695 2	64,0	Feb 13
166		1 272 1	1 076,0	409 7	655 9	19 4	Feb 12
178	Vukile Property Fund	1 171, 8	9 228,0	8 525 2	2 632 5	4 7	Mar 13
186		979 3	6 432,0	8 181 1	2 509,0	-15 6	Mar 12
179	Mix Telematics	1 171, 5	488,0	3 607 1	823,0	178,0	Mar 13
182		1 018, 5	412,0	2 441 9	732 1	155,0	Mar 12
180	Conduit Capital	1 168 2	961,0	364 1	310, 9	36, 5	Aug 13
176		1 071, 9	844,0	461 5	271, 9	32, 2	Aug 12
181	Jasco Electronics Holdings	1 146,0	757,0	196, 6	205,0	-7, 9	Jun 13
185		983 7	657,0	197, 6	326 2	19, 5	Jun 12
182	York Timber Holdings	1 132,0	3 090,0	1 291, 8	2827 9	141, 9	Jun 13
174		1 112, 8	2 935,0	1 328, 3	2689 5	222, 7	Jun 12
183	Transpaco	1123 2	587,0	588 9	360 3	64, 5	Jun 13
178		1054 2	557,0	570 7	323 4	70, 4	Jun 12
184	Blackstar Group SE	1 073, 3	1 436,0	1 005, 6	1 144, 5	284, 4	Dec 12
148		1 764,0	1 321,0	985, 1	1 067,0	4, 4	Dec 11
185	Onelogix Group	1 050 5	705,0	727 5	360 9	65, 1	May 13
191		895 3	571,0	706 4	290 2	55, 8	May 12
186	Winhold	1 043 3	532,0	82,0	244, 1	5, 6	Sep 13
183		1 001 7	623,0	108, 5	235, 4	-8, 9	Sep 12
187	Protech Khuthele Holdings	1 027, 2	819,0	130, 5	381, 9	8, 5	Feb 13
187		965, 8	769,0	199, 4	369, 6	-20 1	Feb 12
188	ConvergeNet Holdings	1 017, 4	539,0	119, 1	467, 2	-19, 3	Aug 12
181		1 029, 4	525,0	202, 7	508, 5	27, 2	Aug 11
189	Emira Property Fund	1 007, 6	10 114,0	6 903, 8	6 608, 9	769, 2	Jun 13
188		941, 6	9 362,0	7 260, 6	5 989, 2	421, 0	Jun 12
190	City Lodge Hotels	975, 9	1 452,0	5 048, 2	516, 5	206, 3	Jun 13
192		875, 8	1 350,0	4 955, 1	382,0	136, 4	Jun 12

NO. 194 PHUMELELA GAMING & LEISURE
Despite challenging local trading conditions, some divisions, including racing operations, performed well

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
191	Atlatsa Resources Corp	964, 2	6 836,0	2 799, 2	5 230, 0	-816, 4	Dec 12
180		1 041, 1	6 962,0	443, 9	5 304, 8	-800, 4	Dec 11
192	Morvest Bus Group	956, 2	457,0	193, 6	174, 4	62, 9	May 13
193		868, 6	360,0	129,0	185, 7	31, 5	May 12
193	Keaton Energy Holdings	918, 8	1 377,0	565, 3	1 710, 8	-68, 4	Mar 13
225		474, 4	1 099,0	364, 2	1 530, 7	26,0	Mar 12
194	Phumelela Gaming & Leisure	875, 8	576,0	1 418, 7	379, 5	77, 4	Jul 13
189		933, 9	536,0	805, 7	364, 1	63, 7	Jul 12
195	Digicore Holdings	862, 6	649,0	549, 8	652, 3	19,0	Jun 13
197		796,0	603,0	594, 4	601, 3	25, 5	Jun 12
196	SA Corporate Real Estate Fund	853, 7	9 442,0	7 920, 4	7 280, 2	636, 1	Dec 13
190		902, 1	8 744,0	8 808, 4	7 120, 1	561, 9	Dec 12
197	Insimbi Refractory & Alloy Supplies	839, 5	273,0	156,0	110, 7	5, 4	Feb 13
194		844, 7	264,0	156,0	81, 3	19,0	Feb 12
198	Petmin	833, 5	2 140,0	1 401, 9	2 206, 4	465, 3	Jun 13
202		691, 1	2 036,0	1 240, 4	2 107, 6	141, 6	Jun 12
199	Redefine International Plc	818, 8	16 926,0	11 941, 1	4 357, 2	1 006,0	Aug 13
NA		NA	NA	NA	NA	NA	Aug 12
200	Rolfes Holdings	801, 7	484,0	477, 9	268, 1	40, 0	Jun 13
210		636, 2	372,0	720, 1	197, 7	36, 5	Jun 12

After studying the critical elements of Dow's business, guess what we're helping them save?



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SECTORS

A weaker rand a major boost

As both positives and negatives contribute to Sasol's strong operational growth figures

Global integrated energy and chemicals company Sasol expects stable crude oil prices in the near term, slightly improved natural gas prices, slow recovery of chemical product prices and softer refining margins. It also believes the rand will strengthen slightly in the next few months.

For the six months to December 2013, however, the company's numbers were supported by a 19% depreciation in the rand, as well as a relatively flat average Brent crude oil price and improved chemical prices. A strong operational performance added to revenue coming in 23% higher at R98bn, compared to the same period last year, while adjusted operating profit grew by 19% to R24bn. The operating margin came in lower at 24,5% (2012: 25,3%).

Sasol grew headline EPS by 26% to R30/share in the interim because of a good performance from several divisions, boosted by an organisational restructuring process. HEPS excluded a net R5,7bn one-off charge, largely reflecting the impairment of Sasol's Canadian shale gas assets as well as some smaller extraordinary items.

The interim dividend was raised by 40% to R8 in line with the group's dividend policy. Sasol's cash flow from operations rose 50% to R28,1bn.

Sasol CE David Constable said at the half-year results presentation that a weaker rand and a slight improvement in chemical product prices supported the company's earnings growth. But on the flip side, crude oil prices had a slight negative effect. "However, being a consistently successful business is all about leveraging the positives and limiting the negatives, whatever the macroeconomics are."

He said Sasol management focused on factors that they could control, including optimising volumes, enhancing organisational structures and systems, executing on capital projects and driving business performance. Since launching its cost-optimising programme in 2013, Sasol has made significant progress in right-sizing and repositioning the company.

It has finalised the design of its new group-wide operating model, including top management structures. And the company says it is on track to implement its new platform on July 1.

"By the end of June, we will have reorganised the majority of our senior management structures and refined our financial reporting processes," he said at the presentation. "This will significantly reduce the company's top management decision-making layers." For example, Sasol has reduced the number of group executive subcommittees from 57 to nine.

It says the financial year to June savings are trending above R200m and the overall programme charges are about R1,2bn for this financial year. This includes project costs, charges associated with the reconfiguration of its ERP systems and restructuring expenses. "Last year, we confirmed that we expect to generate annual savings of at least R3bn. Based on our current analyses, we are confident that we will exceed this target, with 30%-40% of the savings realised by the end of financial year 2015," said Constable.

From an operational viewpoint the group has a couple of growth projects in the pipeline. Progress is continuing on the group's front-end engineering & design (Feed) phases of an integrated, world-scale ethane cracker and downstream derivatives complex and a gas-to-liquid (GTL) facility in Westlake, Louisiana, in the US.

An investment decision is expected to be reached by the 2014 financial year-end with regards to the latter and management expects a final decision on the facility at Westlake to be made 18-24 months thereafter.

Most of the Feed analysis at the Uzbekistan GTL plant, which commenced in October 2011, has been completed. The group expects to reach financial closure during the second half of 2014. Management, however, says the investment decision will be dependent on securing project funding and signing up a new partner to take a 19% stake in the project.

The long-delayed Escravos GTL project in Nigeria is expected to start up soon. Constable said construction has been completed and the plant is in the commissioning phase. The project has been severely delayed and capital expenditure on it is approaching US$10bn, according to Chevron, one of the shareholders. This compares with the $1,2bn that was spent on the Oryx GTL project in Qatar, a similar project in terms of technology and capacity, which was inaugurated in 2006.

Offshore in Gabon, the group is maturing and developing additional proven oil reserves to maintain and potentially boost production in the nonoperated Etame Marin Permit for $168,2m.

In SA, the Sasol Synfuels growth programme is also nearing completion, with the beneficial operation expected to be reached at the end of 2014. The brownfields volatile organic compound abatement project, however, as well as the replacement of tar tanks and separators and the coal tar filtration project are experiencing schedule and cost pressure. The total approved cost of these projects is estimated at R7,5bn.

Construction of the R1,98bn loop line from Mozambique to Secunda is also expected to be completed during the second half of the 2014 calendar year. Meanwhile, the development of the $246m 140 MW gas-fired power plant at Ressano Garcia, Mozambique — in partnership with the country's state-owned utility company — is on track for the middle of 2014.

The group's mining R14bn replacement programme is still in progress as well as the FT wax expansion in Sasolburg, at a cost of R13,6bn. Looking at upstream activities closer to home, Sasol recently converted an offshore technical co-operation permit to an exploration right for the Durban and Zululand Basin. The exploration right covers an area of 82 117 km², in water depths ranging from 50 m-3 200 m.

The company, according to Constable, is committed to enhancing its existing asset base in Southern Africa, and evaluating other growth opportunities. "Here, securing our mining rights up to 2040 provides us with key feedstocks, ensuring supply of liquid fuels, chemicals and electricity to the SA market for several decades to come. Our US growth programme is advancing well and our GTL ambitions are gaining traction in Nigeria, Uzbekistan and the US."

Management remains confident of the long-term opportunities created by these investments as they form an integral part of its global growth strategy and provide a natural hedge for downstream plans in the US.

The group remains on track to maintain improved operational performance, with a normalised fixed cost slightly above the SA PPI inflation, as it remains focused on factors within its control.

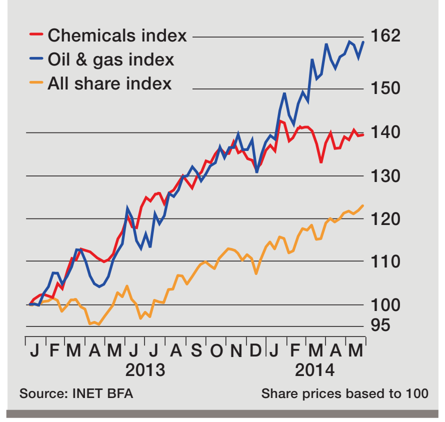
It also expects an overall solid production performance for the 2014 financial year, with Synfuels volumes expected to be between 7,3 Mt and 7,5 Mt. The average utilisation rate at Oryx GTL in Qatar is expected to remain above 90% of nameplate capacity while the shale gas venture in Canada should show marginally decreased production due to reduced drilling activities and less new wells coming on stream.

Sasol has managed to contain costs and successfully deleverage its balance sheet, giving it ample room for growth and to return cash to shareholders. Also, the group remains at the mercy of a number of external factors, which have a significant effect on profitability, such as the oil price and exchange rate movements.

That being said, analysts predict that earnings in the medium term should be supported by Sasol's new operating model. They feel that the group remains a sound investment, with its long-term drivers intact given its diverse portfolio of operations and the potential inherent to its GTL ventures.

Ruan Jooste

CHEMICALS, OIL & GAS



TOP 5 CHEMICALS, OIL & GAS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap June '13 Rm	Equity funds Rm
1	Sasol	31 715,0	244 608,0	383 206,7	180 691,0
2	Omnia Holdings	944,0	8 535,0	14 193,1	5 064,0
3	AECI	746,0	11 294,0	16 286,6	5 301,0
4	Oando Plc	656,9	25 812,0	9 908,1	13 257,4
5	African Oxygen	374,0	5 236,0	6 788,5	3 261,0

Source: INET BFA

Negotiating a maze of challenges

With steel consumption expected to moderate, steelmakers must learn to survive in the tough times

Steelmakers are addressing myriad challenges such as volatility, shifting demand centres, complex supply chains, productivity and cost efficiency. And as they increase their ability to survive in tough times, E&Y's 2014 global steel report foresees increased market competition in nearly all products, especially as there is a focus shift to high-value, higher-margin steel products.

In 2014, global demand is forecast to grow at about 3,3%, with greater demand expected to come from outside China as the Chinese government pushes through economic restructuring with a focus on private consumption.

"With the exception of China, global supply and demand for steel will largely follow economic growth recovery around the world. In China, national mandates to rationalise capacity will have an effect on supply and as the Chinese economy moves to a more consumer-driven model, steel consumption is expected to moderate," the report states.

Short-term estimates by the World Steel Association for global steel demand are similar, with some more positive views for growth in the US, the EU, Brazil and Russia but a relatively lower expectation for Asian countries. Though there are signs that the outlook for demand is slowly improving, the sector is still straining under the pressure caused by years of excess steelmaking capacity and low margins.

To counteract the investment in new steelmaking capacity, E&Y estimates that about 300 Mt of steelmaking capacity needs to be closed. That is for the industry's profit margin to reach a sustainable level and raise the capacity utilisation rate for the sector globally, from below 80% to more than 85%. The overall net effect, however, has been an increase in steel-making capacity, despite the Chinese government mandating 80 Mt of capacity to be removed by 2018.

The global steel market continues to face challenging trading conditions, with China's economic growth slowing. With softening steel demand, this is leading to lower international steel prices and the ever-increasing oversupply of steel.

Locally, economic growth is below expectations, affected by weak fixed investment expenditure and subdued global demand for locally produced goods. Key steel consuming sectors remain weak, which together with higher-than-usual steel imports are leading to increased stocks in the SA market and intense local competition.

ArcelorMittal SA (Amsa), the largest steel producer on the continent, has been severely affected by subdued conditions. The group delivered another poor set of results for the year to December 2013. Revenue remained largely unchanged at R32bn, with a 9% increase in average steel prices offsetting an 8% drop in total steel sales. Domestic steel prices rose 7%, while export steel prices jumped 13% due to an 18% average depreciation in the rand. This helped offset a 9% drop in steel shipments, which consisted of exports being 14% lower and domestic sales dropping 6% during the period.

Adjusted earnings before interest, tax, depreciation & amortisation grew 55% to R1,7bn, driven by an 18% drop in import coal prices in rand terms and the depreciation of the rand exchange rate. This increase was contained by a 23% increase in Sishen iron ore prices and a 49% increase in Thabazimbi ore prices to R1 317/t (2012: R883/t). Cash cost of hot rolled coil increased by 4%, while the cost of billets rose 1%.

With a couple of extraordinary events coming into play — including an impairment charge of R1,87bn relating to the Thabazimbi mine and a R72m impairment to the investments in Coal of Africa and Microsteel — the headline loss per share came to 56c/share from a loss of 129c the previous year.

SA's second-largest steel producer, Evraz Highveld Steel & Vanadium, posted a loss of R105m for the first quarter of the year, compared to a net profit of R30m in the corresponding quarter last year. It remains adamant that it is a going concern despite "matters that may cast doubt on its capacity to realise its assets and discharge its liabilities."

The SA operation's shares have been taking a beating after it announced that its Russian-based parent, Evraz, was talking to more than one potential buyer of its stake in the local steel company. Evraz had been discussing selling its 85,11% stake to Nemascore, a BEE consortium, since March last year. Market talk is that negotiations have taken so long because Evraz has set the price too high.

Last year Evraz Highveld's cash flow was strained because of subdued demand and above-inflation cost increases. Credit lines were withdrawn because of uncertainty over the sale of the Evraz stake, it says. Most analysts who used to cover the company no longer do so.

Recently Alert Steel, a small steel group, said it had been forced into business rescue after its main backers withdrew their financial support.

The slow recovery of the steel industry and modest global economic growth is not expected to result in significant improvement in international steel demand during 2014, which doesn't bode well for local companies. Also, the strained economic conditions in SA, together with delays in government's planned infrastructure spend, weigh heavily on local steel demand, which is highly dependent on the construction sector.

Similarly, downstream industries such as iron ore producers are dependent on the steel industry. Prices for iron ore fell below US$100/t at the beginning of June for the first time in nearly two years, amid growing concerns over a slowing Chinese economy. But given the deteriorating global supply and demand fundamentals for the commodity, maybe the worst is still to come. According to estimates by Goldman Sachs, the price of iron ore could plunge to $80/t by next year. That could have potentially grave consequences for a number of large producers.

But up to now iron ore suppliers have been coining it. Iron ore contributed 32% to BHP's total revenue for the six months to December. It grew 31% to $11bn as production grew 19% to a record 98 Mt due to a strong showing from Western Australia Iron Ore and early delivery from Jimblebar — also in Western Australia — as well as a 10% increase in the average realised price of iron ore to $112/t. Underlying Ebit jumped 36% to $6,5bn supported by volume growth. Underlying Ebit was further supported by productivity-led volume efficiencies, as several debottlenecking initiatives increased the overall capacity of critical components within the supply chain. As a result, the unit reported an improved underlying Ebit margin of 59,1% (2012: 57,2%). Total iron ore production guidance for 2014 remains unchanged at 192 Mt.

BHP Billiton has, however, admitted that it expanded its iron ore production too rapidly, causing the miner to overlook the underlying growth of its overall business. However, CEO Andrew Mackenzie says despite the iron ore market facing temporary overcapacity, there is enough demand coming back from China and elsewhere to justify the firm's capacity increase. "We don't quite see the case for the scale of investment we saw in the past 10 years . . . But the base business we built is going to be a strong bedrock for decades to come," he says.

Kumba Iron Ore reported a strong set of results for the year to December, driven by a weaker rand and marginally improved average export iron ore prices. Market conditions were better than expected as a 3% increase in global steel production sustained government infrastructure spend in China, and a steel mill restocking prior to the winter season supported demand for iron ore.

Seaborne iron ore supplies grew 10% as increased output from Australia more than offset the decline in supplies from India and flat exports from Brazil. The average iron ore index price increased marginally by 4% to $135/t. This combined with a 17% decline in the average rand/US dollar exchange rate, which more than compensated for a 2% decline in mine production to 42,4 Mt, resulting in revenue growing 20% to R54,5bn. Export sales decreased by 2% to 39,1 Mt, with sales volumes to China accounting for 68% of that.

Analyst consensus is that global crude steel demand will grow by 3% in 2014, with China's production increasing by 4%. Production growth in other developing countries is expected to be offset by reduced output in some developed markets. This is, however, expected to shift in the second half due to increased supply from Australia and Brazil, as well as slowing demand growth, which should result in price pressure in the second half of the year.

Ruan Jooste

TOP 11 INDUSTRIAL METALS & MINING

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap June '13 Rm	Equity funds Rm
1	Kumba Iron Ore	13 618,0	35 618,0	121 748,5	16 302,0
2	Palabora Mining Company	810,0	7 119,0	5 486,3	6 946,0
3	BSI Steel	18,3	1 514,0	402,8	532,5
4	ZCI	12,6	961,0	245,0	1 525,5
5	Insimbi Refractory & Alloy Supplies	5,4	273,0	156,0	110,7
6	Ferrum Crescent	-20,6	19,0	258,8	16,8
7	Metmar	-77,3	1 468,0	387,6	652,7
8	First Uranium Corp	-141,7	42,0	54,8	-464,3
9	African Eagle Resources Plc	-329,9	53,0	34,7	23,1
10	ArcelorMittal SA	-766,0	30 740,0	14 937,2	24 361,0
11	Evraz Highveld Steel & Vanadium	-922,0	3 588,0	879,5	1 659,0

Source: INET BFA

Facing a perfect storm

Challenges include volatility in commodity prices and uncertain regulatory environments

The mining industry faces a confidence crisis. Low confidence in cost controls, return on capital and commodity prices are keeping industry leaders awake at night. To add to these concerns, the mining industry has recently stopped outperforming the broader equity markets.

"In response, miners are trying to rebuild the market's confidence. Capital expenditure has been scaled back, hurdle rates are being increased and noncore assets are being disposed of. There's a shift from maximising value by increasing production volumes to maximising returns from existing operations from improved productivity and efficiencies.

"Regaining investor confidence depends on how the industry responds to its rising costs, increasingly volatile commodity prices and other challenges such as resource nationalism. Now is the time to show that the industry can deliver in good times and bad, and remain a good industry to operate in for many years to come."

This was the broad comment on global mining in *Mine 2014: Realigning Expectations*, the latest in a series of annual reports by PwC mining specialists on the Top 40 global mining companies. It was a timely reminder that SA mining companies are certainly not alone in the challenges they face (though they do have some issues peculiar to them). It's also a reminder that SA miners are less prominent than they may think on the investor landscape.

Only four companies listed on the JSE are ranked in the global Top 40 by market capitalisation — Anglo American, BHP Billiton, Glencore and Impala Platinum (Anglo American Platinum is counted as part of Anglo American). Investors have many options.

The PwC report notes that after "record impairments of US$40bn during 2012, a further $57bn of assets were wiped off balance sheets during 2013. Gold companies suffered the lion's share, impairing $27bn of assets. The Top 40's aggregate net profit sank $52bn (72%) to a decade low $20bn; gold companies were responsible for $20bn of net losses". Only seven of the Top 40 companies increased profits year-on-year. But companies also adapted — "underlying performance as represented by adjusted earnings withstood the tough conditions, only down 8%".

Mining companies have faced a perfect storm, continues PwC. "After investing in projects that require a long time to generate targeted returns, challenges have arisen due to increasing volatility in commodity prices and uncertain regulatory environments in some emerging markets. As a result, net profits during the year were $20bn, down a staggering 72% from the prior year, setting the largest single year-on-year decrease in net profit margin for the second year in a row, reaching its lowest level in the past decade."

There are some sectors — mining, construction and airlines — that are intrinsically cyclical and investors need to be reminded in hard times that a long-term view can be advantageous. In no industry, however, is the long term longer than in mining. The industry is also unique in that its assets, by definition, have a finite life. The demand for immediate or even medium-term (say two to five years) returns is understandable, but has to be balanced against the danger of a lack of capacity and exploitable resources in future when demand threatens to outstrip supply.

Jeremy Glyn

Cyril Ramaphosa

Of course, the market will work in such circumstances, but it is the companies that get the calculation right that will have the edge operationally and with investors.

In the mid-2000s there was much talk of a supercycle in commodities. CEOs such as Tony Trahar at Anglo American were regarded as having been too cautious. His successor, Cynthia Carroll, was therefore under immediate and specific pressure to expand, develop and acquire — an approach that later came to be regarded as overambitious and wasteful. New CEO Mark Cutifani has duly pushed the pendulum the other way, with much talk of fixing the business and extracting value from present operations.

SA's mining industry executives have been speaking the language of extracting more value from what they have, instead of finding and developing new projects. There has also been a new emphasis on cutting head office costs and even in-the-field skills in geology, engineering and exploration.

However, as former Anglo head the late Harry Oppenheimer once remarked, it is only big companies that can do big, difficult things. And implicit in that is the need to hold your nerve in tough times and spot the investments that need to be made in order to make a return in 20, 30 or 100 years' time. Given that kind of time scale, there is an argument that only family dynasties have a genuine incentive to take a responsible long view. Professional managers, however brilliant, will generally no longer be around to live with the consequences of the decisions they make.

PwC says "measuring success of the short-term responses to cost-cutting initiatives is difficult as there is little consistency in what is reported as 'cost savings' and operating costs have not yet slowed, increasing 4% during 2013. The full extent of reported cash-saving initiatives across the top 40 will become apparent only during the remainder of 2014 and beyond".

So, how much of mining companies' expenditure is discretionary at this punishing stage of the cycle? "In addition to cutting back on merger & acquisition activity," says PwC, "companies responded to cost pressures by cutting exploration activities for another year, with exploration costs dropping by more than 20% during 2013. Miners should be rewarded by investors for a focus on strictly managing their costs. However, the long-term impact may not be seen for years; if demand returns quickly, creating a supply imbalance, only the most nimble with strong project portfolios will be able to respond."

Says Glencor CEO Ivan Glasenberg: "We are afraid of greenfields, and it's been proven we were correct. Greenfields are risky. They do have capital overruns. They do have delays that kill the net present value on those projects." Glasenberg is not wrong, of course, unless you are more concerned with the long term — without greenfields development, mining companies will die sooner rather than later.

But then Glencore is unique among the big resources companies because it combines mining with trading, and its merger with Xstrata was the major story in the sector's corporate activity. That, in turn, created other possibilities. As the *Financial Mail* pointed out in September last year, ever since Xstrata's rejected "merger of equals" offer for Anglo American in 2009, speculation persisted that another offer may be made. However, Anglo's platinum and diamond businesses wouldn't fit into the new Glencore, where the focus is on base metals, energy and agricultural products.

Glencore executed its secondary listing on the JSE in November 2013. Since then it has had a share-price high of nearly R63 and a low of around R50. In early June its market cap was R767bn, placing it third behind BAT and SABMiller, and R50bn ahead of fourth-placed BHP Billiton — which in global terms is the biggest miner. Glencore is more than double the size of Anglo (R365bn), and the only other resources company in the JSE Top 20 by market cap is Amplats (17th, R126bn).

Asked whether there might be merit in a merger with Glencore, Cutifani says: "We have to look at all pathways to value and that is where we are focused. If there were an approach, we would have to take it seriously. That is our duty." He says Anglo has not had approaches from Glencore about a merger. But if he were elsewhere in the industry, "I would look at Anglo and say, there is an undervalued group".

Cutifani has explicitly set about changing that perception. He says Anglo is targeting overhead savings of $500m/year to 2016 by focusing activities, eliminating duplication, streamlining processes, adopting best practice and embedding a cost-conscious culture. In total, he is targeting $1,3bn/year of improved cash flow from 2016 from a range of initiatives, including more disciplined capital allocation and a more efficient organisation.

Anglo is, of course, no longer really an SA company, though it retains the greatest exposure in the country of all the big miners, mainly through platinum, iron ore and diamonds.

In November 2013 PwC published a special

SECTORS

report on the SA mining industry. It included companies with a market cap of more than R200m at the end of June 2013 — 37 companies met these criteria. PwC noted the continued decrease in the market cap of SA companies — down by 28% from R833bn to R597bn in the 12 months to June 2013. Gold mining companies were the hardest hit, losing 48%, following the largest annual decline in the gold price for many years. Platinum companies lost R75bn of their market cap — and that was long before the start of the months-long strike on mines in the Rustenburg area.

Though SA executives and analysts sometimes seem inclined to blame all their woes on a difficult operating and regulatory environment, PwC takes a more level-headed view. "Though the challenging local mining environment, particularly relating to labour, played a role in the decrease in market capitalisation, a significant contributor was the global economic environment," it says. "The impact of the global economic environment on the mining industry is apparent when one compares the movements of the HSBC global mining index to the JSE mining index in US$ terms. There is an almost perfect correlation between these indices, with variances almost exclusively explained by price movements in the different baskets of commodities. The only exception is the period from August to October 2012, when the tragic Marikana violence and its aftermath resulted in the JSE mining index dipping below the global mining index."

The new deputy president of SA, Cyril Ramaphosa, is on record as saying that problems in the local mining industry are due mainly to the industry's inability to deal with the economic and social needs of its workers and their dependants.

"The migrant labour issue therefore has become synonymous with community issues," says PwC, following on Ramaphosa's comment. "Migrant labourers, mostly from the Eastern Cape and Lesotho, are not fully resident in the areas where they work and tend to migrate home on an annual basis. The impact of displacement has become an issue for mining companies as migrant workers are not fully invested in the local community. Living-out allowances created informal settlements as migrant workers often preferred to use the cash benefit for other purposes. In many cases, workers are supporting families in rural areas as well as second families in local communities around the mines. In turn, these communities have become dependent on migrant workers."

But is it the responsibility of the mining industry alone to see to the needs of its workers beyond its operations? As PwC says: "There's no other industry where expectations of an employer to meaningfully contribute to the greater good, over and above providing much needed jobs, are as high."

This is partly because mining is the only industry where operational geography is not determined by broader economic trends and concentrations, but by arbitrary and often highly inconvenient geological allocation of resources. In a sense, all mining communities are migrant ones, and they will disappear when mining is exhausted unless there has been sufficient

Robbie Tshabalala

Gold mining companies have been hardest hit

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development of secondary industries and services. This is also why mines are expected to rehabilitate, as closely as possible to its original condition, land that has been worked out.

In SA there is an additional and extremely emotional legacy: migrant labour was an integral part of the apartheid economic system and it led to the destruction of many rural communities, both in terms of undermining family life and reducing the capacity of those communities to farm on a subsistence basis and even commercially. That is why modern mining companies are expected to compensate for the omissions of their predecessors — a compensation that is as much social and political as it is economic. This is in addition to taxes, royalties, corporate social responsibility programmes and sponsorships.

The PwC report argues, however, that "the mining industry adds significant value to our country and its people". It has examined the "value added statements" offered by many mining companies and has calculated that collectively the monetary value created by them goes mostly to reinvestment in the business (37%), employees (36%) and taxes and royalties (21%).

That employee number presumably includes executive remuneration, and much has been made of the contrasting multimillion packages for a handful of people and the low wages of ordinary and even relatively skilled mineworkers. Boards point to the fierce competition globally for skilled executives, as well as the unfortunate reality that an executive in demand globally can be paid in dollars if he works somewhere else. That means to keep such a person in SA will entail a much inflated package in rand terms because of exchange rates.

Be that as it may, there is little public sympathy and none in government for that line of reasoning. As a result, remuneration committees are said to be acutely aware that reward cannot be regarded simply as a factor of supply and demand; apparently exorbitant packages could even be regarded as a risk to the business.

All of these factors can influence the granting of a company's "licence to operate". This concept is both literal, in the sense that government grants actual licences to companies, and figurative, in that a company needs to enjoy legitimacy in the broader society. Increasingly, the concept of resource nationalism, as opposed to nationalisation, is being used by governments globally to insist on a fair distribution of the benefits from mining.

"The growing need by stakeholders for short-term benefits from the wealth created by mineral resources has seen populist measures introduced in a number of countries in an attempt to maximise income from mining. Unfortunately unintended consequences often result, significantly jeopardising employment opportunities and in many cases actually decreasing the community benefits derived from mining projects," says the report.

An example cited is the decision of Indonesia to ban the export of unprocessed mineral ore, effective from January 2014. A consequence has been that global miner Newmont announced in May 2014 that it would scale back production, potentially reducing its 8 000-strong workforce and affecting the communities where it operates. Another instance is the Philippines issuing a ban on all new mineral extraction contracts, and, says PwC, it is exploring an increase in excise tax on mining companies from 2%-7%. In China, to curb production output, government has increased taxes on iron ore and other metals. In Latin America, Mexico has also introduced additional taxes on resource companies.

"Resource nationalism, in one form or another," says PwC, "is a key risk and a reality that every organisation in the resource extractive industry has to manage and factor into its risk management."

One of the obvious fallacies of the mid-2000s was that China would continue growing its GDP at around 10% indefinitely. Such an assumption was readily accepted by many companies and investors. However, it ignored the structural rigidities in China's economy; its lack of democratic processes, and therefore the creation of long-term social stress; and the reckless and increasing pollution caused by an industrial approach that recalls the Satanic mills of Victorian Britain rather than the 21st century.

"With northern Chinese steel mills struggling to limit carbon emissions from blast furnaces," PwC argues, "a push for 'green' iron ore is gaining momentum as a means to address pollution concerns currently choking major cities. The use of low-quality iron ore has been prevalent in China; however, with reforms focused on turning poor environmental readings around, suppliers of iron ore are being encouraged to deliver a blend of ore that will reduce emissions."

However, "China's continuing path of urbanisation westward will still see demand for iron ore remain strong for many years to come. Delivering on urbanisation objectives, without adding to China's pollution woes, will therefore be a key focus for the Chinese government. This will present both challenges and opportunities for the mining industry to meet this changing appetite for minerals". *David Williams*

SECTORS

The glitter keeps on fading

Though Africa, in general, might present challenges, these are not insurmountable

Here we have shown what can be achieved in Africa when we all work together: a government that understands the importance of attracting and retaining the investments that are necessary to build a modern economy; mining companies that believe in sharing the value they create with all their stakeholders, especially the local community; a labour force that is eager to grasp the opportunity of working and learning; and a people who have welcomed us and supported our endeavours."

Such words seem like a fantasy in the SA mining context, and of course they are. The speaker was then Randgold Resources chairman Philippe Liétard, at the opening of the Kibali mine in the DRC. On the same occasion, Randgold CEO Mark Bristow said the company needed "to ensure that we deliver the returns expected by the investors who entrusted us with their money. We have to run a profitable mine, focused on long-term viability that pays taxes and employs and develops citizens from this region and this country.

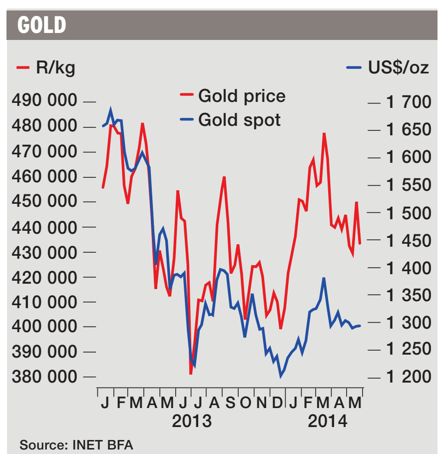
"Kibali must become the catalyst that triggers the additional investment required to grow a strong regional economy. Wishful thinking will not make this happen. But if we continue to work together as partners pursuing a common goal . . . then this dream of greater things will also come true."

He reminded investors that though gold supply from SA has continued to decline, Africa still accounts for 20% of global gold output. "Considering the continent's vast mineral wealth, however, it still has a long way to go to deliver on its full potential," Bristow said.

Referring to Tongon, another successful Randgold project in West Africa, Bristow said "investors are deterred by the political and infrastructural risks associated with Africa, but in Côte d'Ivoire we have shown how these challenges can be overcome by a true partnership between a mining company, the government and the people".

This spirit of co-operation was evident in the process of formulating a new mining code, said Bristow, and he was sure that the country's mining companies would also be involved in the finalisation of the rules for the code's implementation. "It's now all about delivery by the government as well as the industry, but the principle has already been established that this country needs business partners, not barriers. That applies to the rest of the continent as well," he said. "Partnership implies a long-term commitment to mutual goals between the partners."

Bristow, an SA geologist educated at the University of Natal, is arguably the star among African mining CEOs at the moment. Unfortunately, his firm is not listed on the JSE, but its counterparts in SA have had a less happy time. All producers have battled a relatively low gold price, cost increases and a regulatory environment that is perceived as being hostile to investors.



Source: INET BFA

Kibali will rank as one of the largest gold mines in Africa when it is in full production, says Randgold. "While still a work in progress — it is both an operating mine and a development project — Kibali produced 88 200 ounces of gold and made a profit from mining — before interest, tax and depreciation — of US$68,3m in the three months to December, its first production quarter. Current production is from its open pit mine and an oxide circuit. Commissioning of the sulphide circuit started during the past quarter and development of the underground mine remains on track with the vertical shaft reaching the halfway mark and the first underground ore accessed.

There is an SA corporate connection: AngloGold Ashanti is a nonoperating partner with Randgold Resources, and they have each invested about $2,5bn. Each has a 45% stake, with the balance held by the DRC state gold mining company. AngloGold Ashanti CE Srinivasan Venkatakrishnan (who took over from Mark Cutifani) has said that for Kibali's full potential to be realised, it is of the utmost importance that the DRC's mining code remains supportive of the gold mining sector.

"The government now has an important opportunity to show the world that it is welcoming of gold mining by helping to create what can in a short time become one of the largest gold producers in the world and an engine of growth for this region and this country."

Under CEO Venkat (as he is happy to be known), AngloGold Ashanti has cut costs, not least through chopping a range of head office jobs. For the most recent quarter to end-March 2014, the company posted "a strong set" of results, "beating first-quarter production and cost guidance, as operating performance and cost initiatives continue to reposition the business. Adjusted headline earnings were $119m, or US29c/share. Our operators have delivered another strong performance and we continue to manage costs aggressively."

Gold Fields CEO Nick Holland has also been costcutting, and has initiated major strategic shifts in the business model. The emphasis is less on developing new projects and more on getting better value from existing assets and operations. South Deep, the company's remaining asset in SA, is pushing to mechanise more of its working. But it came under pressure when mining was halted at the end of May, pending an investigation into two separate fatalities. Holland has also been under pressure for his R50m-plus annual package, though he declined a bonus last year due, in part, to the controversy over the company's black empowerment dealings.

At the end of May 2014 Gold Fields was trading at around R37, a far cry from the 12-month high of R66. In terms of annualised returns with dividends reinvested (ARDR) as calculated by Profile Sharedata, investors have seen no gains, whether invested for any period between one and 10 years. The same applies to AngloGold Ashanti and Harmony.

Harmony CEO Graham Briggs has impressed with his clear strategy and no-nonsense approach to cost containment. Exploration growth for the company will come mainly from its Papua New Guinea presence, where it has a 50% joint venture with Newcrest Mining. That includes the Hidden Valley open-pit gold and silver mine.

In SA the surprise performer has been Sibanye. Formed from Gold Fields' discarded assets in SA and listed in 2013, it is perceived under the circumstances to have performed better than Gold Fields. Sibanye CEO Neal Froneman made it clear from the start that Sibanye's appeal for investors would have to be in regular dividend flows rather than long-term value.

The Sibanye share has been volatile. After listing at around R13, it went as low as R6, but by May 2014 it was at R26. This was just R3 off its 12-month high and it was producing a market cap of R23bn (compared to Gold Fields' R28bn and Harmony's R12bn). As measured by ARDR, if you had invested R1 000 in Sibanye a year ago you would now have R3 443 — a return of 244%.

Froneman's reputation as a can-do, hands-on miner who makes the most out of declining assets has stood him in good stead. Also, his experience in the uranium sector must have influenced Sibanye's recent emphasis on that mineral: uranium oxide production from the Ezulwini plant is forecast to build up to 600 000 lb/annum. There has also been talk of Sibanye getting into platinum, and this cannot be seen as far-fetched, given the uncertainty that has been hanging over the platinum sector because of the crippling strike.

The experience of Bristow and Randgold Resources suggests that difficulties in the African mining environment are not insurmountable, with goodwill and pragmatism on the part of both government and business. In SA, it is accepted that gold mining is a sunset industry — but one gets the impression that mining companies' mindsets may linger too often in the past, while government is doing little to retard the descent of that sun towards the horizon.

David Williams

TOP 10 GOLD

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap June '13 Rm	Equity funds Rm
1	AngloGold Ashanti	8 105,0	168 133,0	73 716,1	61 419,5
2	Gold Fields	6 610,6	143 996,0	31 229,1	63 910,7
3	Pan African Resources Plc	450,3	5 076,0	4 536,3	2 899,4
4	Harmony Gold Mining Company	321,0	66 905,0	14 247,7	36 948,0
5	DRDGold	265,1	4 419,0	1 526,1	1 995,6
6	Village Main Reef	228,4	3 713,0	447,5	1 234,7
7	Great Basin Gold	172,7	11 956,0	386,7	3 325,8
8	Randgold & Exploration Company	-7,3	218,0	142,5	175,9
9	Witwatersrand Consolidated Gold Resources	-18,8	1 053,0	393,2	534,8
10	Central Rand Gold	-29,3	278,0	175,6	112,2

Source: INET BFA

GOLD

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How things have changed

The new gold is now facing the possibility of being downgraded to just another commodity

Several years ago, it seemed that nothing could go wrong for the platinum sector. The share price of the biggest player, Anglo American Platinum (Amplats), was the most expensive on the JSE. In 2007 and 2008 the company paid out more than R29bn in dividends. The only cloud on the horizon was that government was eyeing the huge profits and making noises about windfall taxes. Now Naspers is the most pricey share on the exchange and Amplats is trading at less than a third of its value seven years ago.

The good days seemed set to last forever. In July 2007 Amplats said it was pleased to announce a "substantial improvement" in headline earnings per share, up by 47% to R29 and an interim dividend of R29/share was declared. CEO Ralph Havenstein noted that the "record half-year earnings reflect continued strong demand and record metal prices".

It could have been even better because Havenstein said "increasing competition for labour in SA and a deterioration in safety performance at our Rustenburg mine reduced our operating efficiency, resulting in lower than expected growth in production from operations and higher operating costs. Our focus remains on achieving a step change improvement in employee safety and improving operating efficiencies at the group's mines".

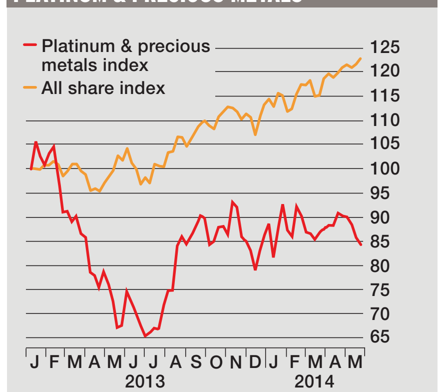
He assured investors that the company was committed to increasing production in line with growth in global demand. In light of continuing growth in autocatalyst and industrial demand, and the resilience of the jewellery market at higher prices, average growth in production of around 5%/year was expected.

That now all seems like a long time ago — in a galaxy far, far away. Havenstein resigned when he felt unable to give new Anglo CEO Cynthia Carroll cast-iron assurances on safety. The global financial crisis blasted demand for commodities. Pressure on the big platinum miners culminated in sporadic industrial action, and then the Marikana shootings at Lonmin's operation in mid-2012. Amplats' market cap dropped from R187bn in December 2009 to R105bn four years later, and has since recovered to R121bn (May 2014).

Also in May, on the basis of investor returns — share price performance with dividends reinvested — a R1 000 investment in Amplats a year before would have produced R1 409, and over 10 years R2 362. But those invested for any other period in the decade would have lost money.

Miners affiliated to the Association of Mineworkers & Construction Union (Amcu) went on strike in January 2014 for a minimum underground starting wage of R12 500, and by early June their action had lasted nearly five months with no sign of an end. This was despite several mediation attempts and the intervention of new labour minister Ngoako Ramathlodi — who withdrew after about a week of orchestrating talks, clearly shaken by the gap and the bitterness between the two sides.

PLATINUM & PRECIOUS METALS



Source: INET BFA — Share prices based to 100

In May Amplats CEO Chris Griffith reacted angrily to accusations that he was receiving an excessive pay package, especially in relation to his lower-paid workers: "Am I getting paid on a fair basis for what I have to deal with in this company? Must I run this company and deal with all this nonsense for nothing? I'm at work. I'm not on strike. I'm not demanding to be paid what I'm not worth," he fired at critics. He later backtracked and apologised for his choice of words, saying they were inappropriate, insensitive and a result of intense frustration.

With autocatalytic demand from Europe and the US still flat and fairly substantial mine ore reserves, the platinum price failed to react to the strike, which has become the longest in SA's history. There was also ominous talk of the auto industry finding alternatives to platinum in its manufacturing, raising the possibility that the metal would decline from being the new gold to being just another commodity. By June there were reports that the platinum companies were considering closing shafts and even whole mines.

Widespread job losses were seen as inevitable, making the proposed retrenchment of 14 000 workers by Amplats in 2013 seem reasonable and modest by comparison. The hardship endured by about 70 000 miners and their families after four months without wages was severe.

That hardship had not extended to refiners and manufacturers who use the metal. Johnson Matthey (JM), a major refiner and authoritative commentator on the platinum market, said in early June "supplies of platinum held by jewellers and exchange-traded investments are helping prevent shortages of the metal and curbing price gains", despite the strike in SA. "Our access to platinum and palladium is still reasonably good. There's plenty of metal around for industrial users. The miners are more affected than we are."

The three major companies operating in the Rustenburg area — Amplats, Impala Platinum and Lonmin — have maintained a united front throughout the strike. Their position is probably best expressed in an Amplats statement in early March: "We have been diligent and transparent in engaging all our stakeholders on the financial position of the company . . . We are hopeful that Amcu will come to recognise and appreciate the realities of the company's position and will work towards a solution that will benefit its members. We remain open to further engagements to help bring the strike to an end."

One of the defining characteristics of the strike was that, for the first time in 30 years, a major strike was undertaken by a union not affiliated to the ANC through its tripartite alliance. This created uncharted territory, with government unsure on how to proceed. The acceptance in December 2013 of the companies' offer by the Cosatu-affiliated National Union of Metalworkers of SA and National Union of Mineworkers threw the extreme position of Amcu into sharp relief.

The platinum price had started 2013 at near highs, but by the end of the year it was about US$400 off its peak of US$1 735. Impala Platinum noted in February that this was due "to an anaemic European economy, which saw auto sales continue to decline, the ever-present threat of the softening of quantitative easing in the US and to the abundance of above-ground metal inventories.

"The quantity of available metal continues to surprise despite the removal of metal from the market due to industrial action . . . and the rapid uptake of the recently launched SA-based platinum exchange traded fund (ETF), which by year-end had become the largest in the world with more than 900 000 ounces taken up in just over seven months. This combination of mixed fundamental news was sufficient to see a significant sell-off in the futures markets, where some 1,8m oz of platinum and just over 1m oz of palladium were liquidated from their respective peak levels."

But the platinum price — down 1,8% at $1 432/oz since the 2014 strike began — was not expected to remain static for much longer. JM predicted that demand would exceed supply by 1,22m oz this year, the biggest gap in more than three decades, given the strike and growing consumption by carmakers. SA was expected to supply a quarter of a million fewer ounces of metal in 2014 than in 2013 — 3,95m ounces against 4,2m. With Russian output expected to drop by 15 000 oz, total mined supply was expected to fall 267 000 ounces to 5,56m. However, that would be offset by a 190 000 oz rise in recycling of the metal.

In summary, said Impala Platinum, "the supply and demand balance for both platinum and palladium remained in fundamental deficit for the year, but have both been bedevilled by an accumulation of above-ground inventory, which may take a little while longer to be eroded. The industry-wide strike, depending on its duration, is likely to have a significant impact on these stock levels."

David Williams

TOP 12 PLATINUM & PRECIOUS METALS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Dec '13 Rm	Equity funds Rm
1	Impala Platinum Holdings	5 660,0	80 156,0	75 865,7	107 583,0
2	Anglo American Plat	4 317,0	89 027,0	127 734,8	80 113,0
3	Northam Platinum	461,4	14 348,0	15 478,0	23 202,4
4	Royal Bafokeng Platinum	433,3	18 517,0	11 573,6	30 995,3
5	Lonmin Plc	245,6	45 975,0	28 541,4	71 998,1
6	Wesizwe Platinum	11,5	4 858,0	1 269,7	5 716,6
7	Bauba Platinum	-9,2	36,0	88,9	67,5
8	Platfields	-11,3	64,0	15,8	85,2
9	Sable Metals & Min	-27,6	9,0	145,7	9,1
10	Jubilee Platinum Plc	-105,6	1 249,0	170,9	2 278,7
11	Eastern Platinum	-670,9	6 319,0	742,6	8 072,9
12	Atlatsa Resources Corp	-816,4	6 836,0	2 799,2	5 230,0

Source: INET BFA

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There are signs of recovery

But the slow pace at which big projects are coming on line is a major hindrance

Despite the roll-out of big projects in government's R4 trillion infrastructure plan having largely stalled, the construction sector is slowly and steadily making a recovery. But it is not yet out of the woods.

The industry has criticised the slow pace of the roll-out of major projects in the country. It complains that development of municipal infrastructure, which would provide the construction industry with low-cost, consistent work, has been especially slow to get off the ground. Red tape, lack of skills and project management capacity and corruption are to blame. Government processes can be cumbersome for construction companies, in a sector where tendering has come under suspicion and has therefore created extra bureaucracy to ensure compliance. The downside is complicated paperwork that can take months to wade through.

Complications can be experienced even in the building of basic housing as well as water reticulation and sewerage works. As a further deterrent, small-scale municipal work offers low margins.

The SA Federation of Civil Engineering Contractors (Safcec) has recently started its Adopt-a-Municipality initiative. Safcec's aim is to get experts in multiple sectors to look at individual needs of municipalities. But its initiative has faltered amid red tape. "Because tenders for basic projects needed by many municipalities — especially those in poor areas — are so political, or just slow to get going, the construction industry loses out," says Fred Platt, CEO of AltX-listed Accentuate.

Former finance minister Pravin Gordhan during his budget speech in February warned that delays to the introduction of new infrastructure projects, particularly electricity generation projects, could be detrimental to the economy. He highlighted slow infrastructure roll-out, as well as higher inflation, electricity cuts and protracted labour disputes as potential risks to SA's economic outlook.

Eskom has scaled down its medium-term capital spending plans because of its lower revenue forecast. But there are still plans to build a third coal-fired power station and to develop nuclear energy. Over the medium term, Gordhan said, government will still "add to the electricity supply to improve the balance between available energy and the amounts required by businesses and households to thrive".

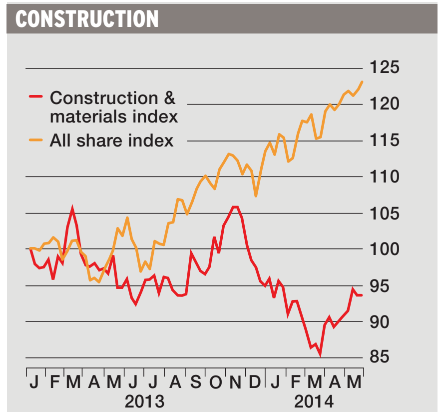
The passing in parliament in May of the department of economic development's Infrastructure Development Bill could alleviate some concerns. The bill aims to fast-track regulatory decision-making time on infrastructure programmes to 57 days and to extend the state's powers for expropriation of land.

Government has budgeted to spend R847bn on investment over the next three years. About R1 trillion has been invested over the past five years. Government also hopes to leverage private finance. Successful bidders for the third round of the Independent Power Producer Procurement Programme were announced last year. Seventeen projects, with an investment value of R33bn, were awarded during the third round.

Spending on social infrastructure, which includes education, health and community facilities, is set to rise from R30bn in the previous financial year to R43bn by 2017. Gordhan said priority would be given to eradicating school infrastructure backlogs and refurbishing clinics and hospitals. Health and education account for more than 65% of the social infrastructure budget.

A total of R40bn in infrastructure grants will be transferred to local government for water, sanitation, energy and environment functions. SA's water investment requirements have spiralled.

CONSTRUCTION



Source: INET BFA — Share prices based to 100

SECTORS

TOP 10 CONSTRUCTION

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Sep '13 Rm	Equity funds Rm
1	PPC	1 235,0	8 575,0	17 701,3	2 040,0
2	Wilson Bayly Holmes-Ovcon	606,9	11 426,0	9 094,8	4 105,2
3	Raubex Group	352,4	4 074,0	4 125,1	3 089,3
4	Group Five	253,4	8 745,0	4 945,8	2 069,5
5	Stefanutti Stocks Holdings	156,9	4 904,0	1 720,9	2 072,8
6	Distribution & Warehousing Network	137,0	2 749,0	2 321,7	1 388,8
7	Afrimat	111,1	1 053,0	2 034,3	825,1
8	Calgro M3 Holdings	98,0	762,0	875,7	340,3
9	Esor	86,2	1 824,0	158,1	1 179,4
10	Aveng	85,0	27 457,0	8 833,7	12 265,0

Source: INET BFA

Gordhan said a programme to rehabilitate 35 dams has been completed and work is in progress on the country's five large water transfer schemes.

Special economic zones have been allocated R3,6bn to promote value-added exports. Government wants the zones, located principally in economically disadvantaged parts of the country, to be a creator of jobs.

Economic indicators continue to disappoint, while conditions are slowly turning less favourable for both the building and the civils industry. Fewer commercial projects are in the pipeline, while higher interest rates are likely to dampen the limited recovery in recent months in residential project approvals.

The project postponement rate has started to accelerate, affecting the building industry. Tender activity has contracted in the civil industry while awards are also slow.

But despite tough trading conditions, some construction companies fared well in this year's *Financial Mail Top Companies* survey.

Market darling Calgro M3 came in at number eight in the construction sector, and at number 22 in the overall rankings, out of 322 companies ranked. Calgro put a smile on investors' faces by giving them a 50,24% internal rate of return (IRR) in the five years to March. It delivered 18,77% growth on earnings per share (EPS) over a five-year period. And its latest return on equity (ROE) came in at 28,8%.

The affordable-housing developer said in May it had secured a pipeline of projects worth more than R10bn in the year to February — from R8bn the previous year — and created more than 5 000 direct new sustainable jobs. Calgro's headline EPS grew almost 40% to R71,84 in the year to February from R51,44 in the previous year. Revenue rose by 55% to R798,4m. Operating profit more than doubled to R89,4m from R43,2m. A dividend was not declared, with Calgro's board opting to retain cash to fund growth in the absence of readily available development finance.

Wilson Bayly Holmes-Ovcon (WBHO) was the second-rated construction company, with Raubex Group taking the third spot followed by Group Five and Stefanutti Stocks.

But WHBO, though second in the construction sector, only came in at 183 in the overall rankings, giving investors 13,24% in IRR in the five years to March. It delivered a -1,84 growth on EPS over a five-year period, but its latest ROE came in at a respectable 6,12%.

Group Five, fourth in the construction sector, only came in at 192 in the overall rankings, with 12,19% in IRR, but a poor -8,71 in EPS growth over a five-year period. Fifth-ranked Stefanutti Stocks's IRR was 12,11% and its latest ROE came in at 7,57%.

Raubex did well to bring in 8,67% in IRR, but a disappointing -2,50% in EPS growth over a five-year period to March and 11,41% in its latest ROE.

PPC, which came in at 239 in the overall rankings, gave investors a measly 3,62% in IRR, a -8,75% in EPS growth, but an impressive 60,44% in its latest ROE.

Also disappointing was SA's largest construction group Aveng, which was ranked seventh in the construction sector but a lowly 233 in the overall rankings. Its IRR came in at a disappointing 2,50%, its growth in EPS was -0,69 and, worse, its latest ROE was also -0,87%.

But the biggest loser of them all was Murray & Roberts, which claimed the 26th spot in the construction sector rankings. Murray was ranked 272 in overall rankings. And the numbers don't lie. It managed to give investors -7,80% in IRR over a five-year period to March, also -19,70% in EPS growth over a five-year period and -2,48% in the latest ROE.

Though the balance sheets of most construction companies are slowly showing some improvement, especially the ones operating offshore, locally there are still challenges. These are in the form of slow project implementation and issues such as bid-rigging investigations by the competition commission, which are yet to be completed and have tainted the construction sector, potraying it as a corrupt industry. The sector will have to work hard to repair the damage caused by the bid-rigging allegations.

Thabang Mokoanele

Foreign expansion an answer

As the local economy's stagnation and challenges continue to affect growth prospects

Investors who backed the general industrial and industrial engineering sectors have been rewarded with some spectacular performances in recent years. But for exceptional overall performance, Howden Africa has been the company to beat.

No heavyweight, Howden tips the market cap scales at R3,3bn. But it punches way above its weight in the performance arena. If one metric alone tells the story of Howden's performance, it is return on equity (ROE). At 76,8% in Howden's year to December 2013, it is in a class of its own. More pertinently, ROE has been rising steadily for many years, and this was achieved without the help of a geared balance sheet.

This specialist engineering equipment company's other performance metrics are as impressive, including revenue which jumped 72% over the past five years. Profit margins have been on an even steeper rising curve, driving a 211% increase in headline EPS (HEPS) over the five years — with the biggest increase, 94,5%, coming in 2013.

From a share-price perspective, Howden shareholders also have reason to smile. Over five years its share price has increased almost seven-fold — and with dividends added, including two hefty special dividends in 2010 and 2012, total return was over 800%. Howden's cash position at almost two-thirds of shareholders' funds indicates another special dividend may not be far off.

But while past performance is great, it is a company's future potential that really counts. Here Howden remains a standout company. As a subsidiary of US engineering equipment heavyweight Colfax, Howden has the ability to manufacture in SA or source state-of-the art equipment. The group's key focus is on air and gas handling solutions and environmental control solutions.

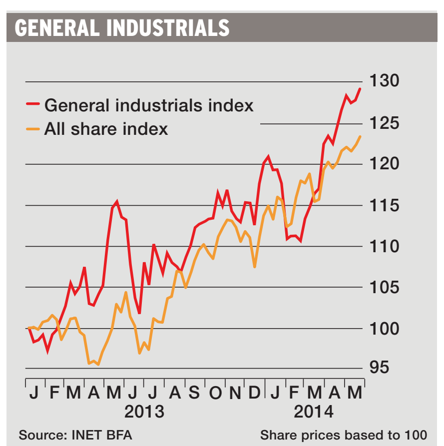
"Howden is a major engineering force," says its CE, Thomas Bärwald. "Its equipment underpins economic development on the African continent. We play a significant role in large-scale power generation, mining, construction, petrochemical and infrastructure projects."

Highlighting the growing importance of Africa, Howden reported a 44% rise in orders from the rest of Africa at its 2013 year-end.

Another standout company on past performance and potential is Invicta. To its credit over the past five years is revenue growth of 125%, a 112% increase in HEPS and a 460% share price rise. It has been under the able leadership of CE Arnold Goldstone since 2000, and the big drivers of growth have been engineering spares and agricultural equipment, supplemented by numerous successful acquisitions and diversification into building material supplies. Invicta is now in the early stages of a new growth phase in which international expansion will be the big driver. It's a strategy Goldstone says is vital given SA's dismal growth rate.

"Our focus is now on offshore expansion," says Goldstone. "It will protect our business in future." The biggest step yet was Invicta's acquisition in October 2012 of Kian Ann, a Singapore-based distributor of earthmoving equipment parts and diesel engine spares. At R1,75bn it was Invicta's biggest acquisition yet.

More foreign acquisitions will certainly follow. For Invicta this may spell a period of indigestion before the next phase of its growth story kicks in in earnest.



Also looming large when it comes to acquisitive and organic growth is Bidvest. Led by a master capital allocator, CE Brian Joffe, Bidvest has grown from an R8m cash shell in 1988 into a group generating annual revenue of R180bn and spanning five continents. Focus has remained steadfastly on trading, services and distribution businesses.

Over the past five years Bidvest's growth pace has reflected extreme economic conditions in many regions, limiting its revenue and HEPS growth to an average of about 10%/year over the period. Summing up the situation in the group's 2013 annual report, Joffe noted: "We operate in highly competitive markets all over the world [where] there are no easy wins and there's no low-hanging fruit." But the global economic recovery is gaining traction, a trend very much in Bidvest's favour. This reality has helped its share price double over the past three years and boost its HEPS growth back into the higher mid-teens.


Trevor Samson

Arnold Goldstone

Joffe's acquisitive appetite also remains as strong as ever. Since 2009 Bidvest has closed nine material and numerous smaller bolt-on acquisitions. The latest major buy, a controlling stake in Adcock-Ingram in January, followed a bitter battle with Chilean group CFR Pharmaceuticals and reaffirmed Joffe as a formidable dealmaker. Expect Africa to play a growing role in Bidvest's acquisition strategy. "In the months ahead, expansion into Africa will receive increased attention at Bidvest," Joffe emphasised in the 2013 annual report.

Remgro has also made a strong showing in recent years, transitioning from a dull investment holding company into one pursuing a far more dynamic approach. The transition was set in motion by Remgro's former CE, the late Thys Visser, following Remgro's unbundling of its stake in British American Tobacco (BAT) in 2008 and ably sustained by successor Jannie Durand since his appointment in May 2012.

As a mark of Remgro's more dynamic approach, about R7,4bn was pumped into investments in the year to June 2013. These included R1,4bn through Mediclinic's rights issue and R3,1bn through RCL Foods' (formerly Rainbow Chickens) rights issue.

The RCL rights issue also signalled Remgro's big ambitions in the sub-Saharan food industry. Proceeds of the rights issue were used primarily by RCL to acquire an 88% stake (now 100%) in Foodcorp, which brought with it much-needed diversification and annual revenue of over R7bn. Further strengthening RCL as its food industry kingpin, Remgro sold its 100% stake in one of SA's largest sugar producers, TSB Sugar to RCL in late-2013 for R4bn. The deal added more than R5bn to RCL's revenue, taking its total revenue to about R22bn.

Remgro's new dynamism has been warmly received by investors. Reflecting this, Remgro's share price's discount to its intrinsic value has narrowed markedly from 28% at the time of BAT's unbundling to well below 10%. The group's intrinsic value is also growing apace, rising by 34,2% in its year to June 2013 and by 13% in the six months to December 2013. Shareholders have been well rewarded by a doubling in its share price over the past three years.

But for many general industrial and industrial engineering companies, tough conditions, in great measure instigated by SA's economic growth woes, are taking a toll.

As a sign of tough times, Barloworld's strong recovery from the depths it reached in 2010 slowed markedly in the six months to March 2014, with year-on-year revenue growth at only 5% and HEPS from continuing operations edging up 9%. It was a far cry from the 175% HEPS rise in the two years to August 2013.

Hudaco, which proved resilient even during the great recession, has also faltered, its HEPS falling 13% in its year to November 2013. Hitting Hudaco hard were turmoil in SA's mining sector and stalling growth in the manufacturing sector, which remains highly dependent on mining. The two sectors combined account for two-thirds of Hudaco's revenue. Also under pressure was Eqstra, which had its HEPS slump 25,4% in its half-year to December 2013. Causing the damage were strikes affecting its contract mining and related plant rental business units.

Though Hudaco and Eqstra reflect the worst of SA's economic woes, they serve as a warning of the increasing pressures that companies face in extracting growth from the domestic economy. It makes foreign expansion strategies into Africa and elsewhere all the more important.

Stafford Thomas

GENERAL INDUSTRIALS

SECTORS

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SECTORS

Efficiency of logistics questionable

Strong supply chains will make SA more competitive regionally and globally

There was a time when manufacturing companies used to develop a product range, plan their distribution channels, schedule marketing campaigns and deliver the final packaged items to their retailers themselves. It was a simple supplier-managed supply chain, requiring little more from logistics service providers than movement of products from factory to distribution centre to retail outlet. But over time, the scope of customer needs has broadened significantly.

Today, logistics operations have become more complex and producers are increasingly outsourcing the function to specialised operators to improve the performance of a company's warehousing, inventory management and distribution network — and subsequently their competitive advantage.

Logistics will play a pivotal role in making SA more globally and regionally competitive. The private sector appreciates the role supply chain management (of which logistics is a major constituent) plays as a creator of competitive advantage.

In the latest supply chain foresight survey by Barloworld Logistics, 55% of respondents ranked "using supply chain as more of a competitive advantage" as one of their top three strategic business objectives.

Furthermore, 83% and 54% of respondents ranked "growth and expansion into new markets" and "introduce new products and services into my business", respectively, as business objectives — indicating a keen drive from SA freight industries to expand their business.

However, the question of how competitive and efficient the SA logistics industry really is remains. In the most recent biennial report of the World Bank where the logistics performance of countries is determined through surveys and compared, the point is made very strongly that "if service delivery is poor, good physical connectivity is not enough".

The logistics performance index (LPI) of SA has decreased to 34 out of 160 countries (LPI 3,43) from 23 out of 155 countries (LPI 3,67) two years ago. Not only is it the first time SA is not positioned within the first 30 countries, it is also the lowest position since 2007 when the World Bank started these surveys.

"Both good service delivery in the logistics environment and good infrastructure are under pressure in the country. Attaining 34th position out of 160 is still reasonably good, but the indicators are all going in the wrong direction and this should be a matter of concern," says the 10th *State of Logistics Survey* by the Council for Scientific & Industrial Research (CSIR).

The CSIR further says the performance and growth of the SA logistics industry are both inputs to and outflows from the performance and growth of the local economy. The exchange rate, inflation rate and interest rate directly affect the cost performance of the industry. Other macroeconomic issues such as the structure of the SA economy, balance of payments, budget deficits and the human resource problem affect the economy as a whole, which influences the demand for logistics services, it says.

Simultaneously, the performance of the logistics industry, specifically the cost of logistics, affects the global competitiveness of SA industries. Logistics costs as a percentage of transportable GDP have grown significantly over the past four years, according to the CSIR. "A deeper investigation of individual cost components and cost drivers shows that the increase in logistics costs is perhaps not so much the result of deteriorating efficiency in the industry but the disproportionate growth in cost drivers — especially fuel.

"To change the trends in underlying cost drivers or significantly mitigate their impact requires more than just operational efficiency enhancements; it requires bold steps in addressing the ingrained issues that stifle the economy as well as new directions in how supply chains operate," says the CSIR report.

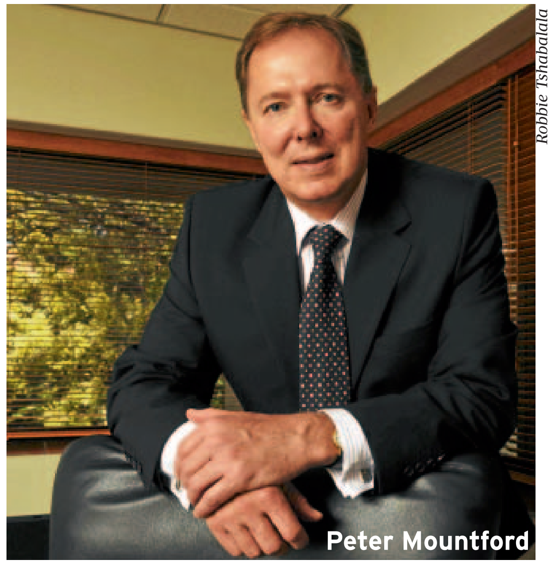
Super Group's outlook for the local economy remains subdued given the negative GDP growth

reported for the first quarter of the year. This is in addition to the bleak operating and trading prospects in both the industrial and mining industries, following a contraction in manufacturing and production over the same period. The implementation of Sanral's e-toll system is also expected to negatively affect all areas of group operations and remains a concern in terms of distribution costs and the knock-on effect on GDP.

However, Super Group delivered solid results for the six months to December. Headline earnings and diluted HEPS grew 27% to R351m and 117,1c respectively,

Super Group CE Peter Mountford argues that the group's earnings growth is commendable, given the highly competitive trading environment and strenuous economic conditions experienced by all industries in both SA and Australia. "We believe that there are opportunities to expand our core businesses, and with the Domestic Medium Term Note Programme listed at the end of October 2013, it will allow the group to diversify its sources of funding, optimise its borrowing costs and facilitate its growth strategy," he says. "SG Fleet is in the process of listing on the Australian Securities Exchange, we will marginally increase our controlling interest to approximately 50,7% in the listed entity."

Fellow logistics giant Imperial believes the group is well positioned to take advantage of organic growth, which will be aided by acquisitions when opportunities arise. In the six months to December, the company acquired a further 11% in Renault SA, thereby increasing its shareholding from 49%-60%. Imperial also entered into an agreement to acquire a 53% interest in Ecohealth, for a cash consideration of US$74m. Ecohealth is a leading distributor of pharmaceutical products in Nigeria with a meaningful market share of the ethicals (branded products) market. It has an excellent distribution network, supplying pharmaceutical products to 4 200 hospitals, 8 000 pharmacies and 2 000 clinics. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Also in the period under review, the group sold its tourism division to Cullinan Holdings.


Robbie Tshabalala

Peter Mountford

Imperial says the company's balance sheet remains strong despite significant organic and acquisitive growth and share buy-backs in the recent past. As a result, the group is well positioned to take advantage of organic growth and acquisition opportunities as they arise. "In SA, we expect trading conditions in the logistics industry to remain challenging, driven by a sluggish economy. The division recently underwent a strategic consolidation process, which positions it well to be more competitive and cost-effective in a tough market," it says.

"Further benefits from this process will be realised in the second half of the 2014 financial year. The fundamentals of the logistics industry are good and given Imperial's infrastructure, network and expertise, it is ideally positioned to capitalise on these growth opportunities and gain more business in SA."

Imperial also remains positive on prospects in the rest of Africa and says that international activity has normalised from a slowdown in December. "We will continue to follow our customers who are entering new markets. Acquisitions will also be a growth driver."

The company expects that trading conditions in its other divisions will be tougher. "Overall, given current market conditions, it will be difficult to achieve growth in the 2014 financial year as we expect our vehicle distribution activities to be under continued pressure in the second half of the financial year, while the remainder of our Automotive value chain together with Financial Services is expected to be robust and our Logistics pillar is expected to perform well."

Similarly, smaller logistics player — the Value Group — expects the difficult operating environment to persist in 2015 due to e-tolls, increased fuel and labour costs, inflationary pressure and rising interest rates. However, management has said it remains committed to organic and acquisitive growth strategies by leveraging off its intellectual property, infrastructure, low gearing and strong positive cash flows.

"Opportunities are being evaluated and pursued actively in segments that will complement existing divisions and diversify and grow new revenue streams both in SA and neighbouring countries."

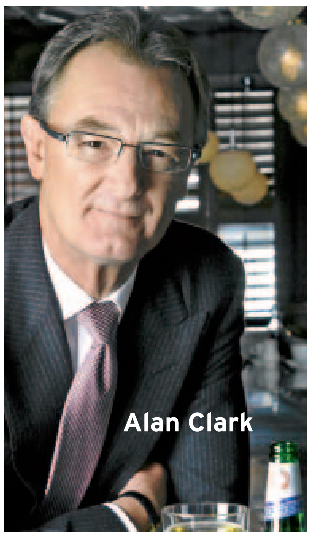
Ruan Jooste

SECTORS

Emerging markets drive growth

In a concentrated beer industry that has undertaken major acquisitions recently

This is a hybrid sector, comprising the brewers, distillers & vintners sector as well as a couple of food subsectors. The sector is dominated by SABMiller, the second-largest company on the JSE after BAT, with a market capitalisation approaching R1 trillion. It is significantly larger, in terms of market cap, than all of the other companies in the food & beverages sector combined. SABMiller is the world's second-largest brewer behind the Brazilian-Belgian Anheuser-Busch Inbev (ABI), both in terms of volume brewed and market capitalisation.



Alan Clark

But SABMiller has the most comprehensive footprint of any global brewer, having operations in 75 countries, mainly in developing countries such as Colombia, Peru, Poland, Romania, China and India. In association with French brewer Castel, it is represented in 44 out of the 54 countries in Africa.

According to the *Bernstein Global Beer Guide 3rd Edition* from October 2013, the global beer market in 2012 comprised 1,93bn hectolitres (hl) — 1 hl equals 100*l*) — US$177bn of net revenue and $35,2bn of earnings before interest and taxation (Ebit). This implies an Ebit margin of 20%.

Bernstein analysts perceive global beer growth to continue to be driven by emerging economies, especially Latin America, Asia and Africa. The "big four" global brewers — ABI, SABMiller, Heineken and Carlsberg — account for 47% of global beer volume, 49% of revenue and 60% of Ebit. ABI accounts for 18% of global volume and 32% of Ebit, with SABMiller at 12% of volume and 14% of Ebit. Heineken is estimated to control 10% of volume and 9% of Ebit, while Carlsberg has 6% of volume and 4% of Ebit.

These statistics illustrate how concentrated the global beer industry has become in the past couple of decades, the inevitable consequence of the major acquisition drives that the big four and other global brewers have been involved in during this time.

The African continent is served mainly by SABMiller/Castel, Heineken and Diageo (Guinness), with ABI being conspicuous by its absence. And because of its oligopoly nature, African beer profit margins are very high by global standards. China, on the other hand, is the world's biggest beer market by volume, but its profits are tiny, the result of a highly fragmented market. North America remains the global beer market's largest profit pool.

SABMiller is undoubtedly entering a new phase in its development, one of consolidation of its profound and highly successful acquisition programmes of recent years. Tragically, the architect of those acquisitions, Graham Mackay, died in December 2013 from a brain tumour. But the CEO's baton was passed on to current incumbent Alan Clark, who has demonstrated in a remarkably short period that he will be able to carry on the excellent work that was initiated by Mackay. And veteran brewer Norman Adami signalled his intention to retire from the group in mid-2014. He is one of SABMiller's longest serving and most successful senior managers and will be sorely missed, having run both SAB in SA

TOP 5 FOOD & BEVERAGES

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Sep '13 Rm	Equity funds Rm
1	SABMiller Plc	32 330,1	263 337,0	879 557,5	282 087,3
2	Tiger Brands	2 563,2	22 539,0	52 152,6	15 166,3
3	Tongaat Hulett	1 262,0	20 923,0	12 501,1	10 128,0
4	Illovo Sugar	1 147,1	12 226,0	12 902,0	6 564,4
5	AVI	1 093,4	5 360,0	19 499,4	3 344,7

Source: INET BFA


Our digital capabilities can help bridge today's world with tomorrow's.
Today, technology can transform every aspect of your company and every business must be a digital business. Our industry expertise — combined with our integrated digital capabilities — can help you innovate and compete to win. We can manage your digital processes for you and we can also take them to the cloud. It's all about delivering tangible results from the virtual world. That's high performance, delivered.
High performance. Delivered.
Strategy | Digital | Technology | Operations
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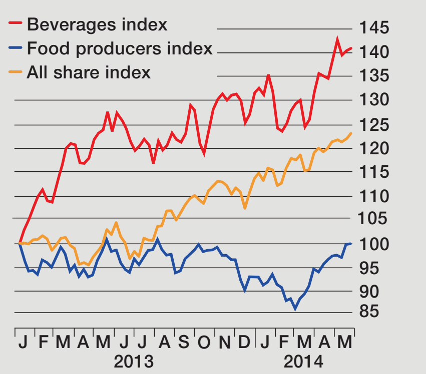
(twice) as well as SABMiller's operations in the Americas.

At the announcement of Adami's retirement, it was also announced that SAB and SABMiller Africa will be merged into a single entity under the stewardship of Mark Bowman, who has previously run SAB's Coca-Cola operations in SA, SABMiller's Polish operations and SABMiller Africa. In a separate statement, SABMiller indicated that it will consider the disposal of its holding in hotel and gaming operation Tsogo Sun.

During 2013, the debate surrounding whether or not SABMiller will become a target for ABI flared back into life. If ever consummated, such a deal (prosaically referred to as "Megabrew") would create one of, if not the world's largest consumer companies. But most analysts believe that Megabrew is some years away at best.

Tiger Brands is SA's largest listed food company and has a long and illustrious heritage dating back to the late 19th century. In more recent times it has become obvious that it is starting to outgrow its home base and in this regard has been making acquisitions on the rest of the African continent, with patchy results. It has direct and indirect interests in Kenya, Zimbabwe, Cameroon and Nigeria. In May 2014, the group announced that it was writing off

FOOD & BEVERAGES



Source: INET BFA Share prices based to 100

about US$82m relating to its investment in Dangote Flour Mills (DFM) in Nigeria. DFM is likely to be a drag on Tiger's earnings for some time to come, though Nigeria's favourable demographics suggest that it will be a successful investment when viewed in the longer term.

Distell is one of SA's premier alcoholic beverage producers, with strong markets both in SA and globally. Spirits brands include Klipdrift brandy, Bisquit cognac and Three Ships whisky. Its most famous liqueur is Amarula Cream and it produces a large array of well-known wines. The group also owns Burn, Stewart Distillers in Scotland.

From an investment perspective, Distell suffers from a very poor shareholder spread, with Remgro, Capevin and SABMiller each holding 29% of the company's equity.

Pioneer Foods has had a torrid time in the past few years, as it bore the brunt of the competition commission's probe into food price fixing. But that is now a thing of the past and the group is once again demonstrating the power of its brands. For the six months to end-March 2014, its revenue rose by 9%, while adjusted operating profit rose by 43%. Adjusted headline earnings per share for continuing operations rose by 41% to 325c.

Staff writer

All-round impressive performance

FAMOUS BRANDS TURNED in another strong performance in the year to end-February 2014. This was its 13th consecutive year of record turnover and profits, and the group managed to surpass the 20% operating profit margin figure for the first time ever.

In a year of superlatives, headline earnings per share rose by 20%, the share price broke through the R100/share mark and the market capitalisation exceeded R10bn. The company is debt-free and the outlet network now comprises 2 378 stores in SA, the UK, India, Dubai and 14 countries in the rest of Africa.

Tsogo Sun experienced mixed fortunes during the year, with its gaming operations treading water, while its hotels experienced improving occupancy levels. But at the lower end of the spectrum, its Sun1 product (rebranded from the previous Formule 1) struggled somewhat as its transient commercial base of customers travelled less. In May 2014, it was announced that Tsogo Sun had acquired Grand Parade's 40% holding in Sunwest. SABMiller may well be a seller of its 39% holding in Tsogo Sun during 2014.

Taste Holdings announced in May 2014 that it had acquired the master franchise licence for US pizza multinational chain Domino's Pizza for SA and the surrounding countries. But at the time of going to print, it was revealed that this association had been challenged in the courts.

City Lodge's average occupancy levels improved and the group continued to grow into the extra capacity it created in anticipation of the 2010 soccer World Cup. Like Tsogo Sun, its lower-end customers travelled far less. City Lodge bought out its joint venture partners in Kenya during 2013/2014. ■

Keeping the fire burning

Innovation and acquisitions keep players in the game

This is a strange collection of disparate companies, ranging from cigarette and tobacco producers (BAT) — the world's second-largest tobacco firm — through small electronic suppliers (Nu-World), textile manufacturers (Seardel), furniture manufacturer (Steinhoff) and all the way up to one of the world's premier luxury goods makers, Compagnie Financière Richemont (Richemont).

BAT is the largest JSE-listed company in terms of market cap. In terms of net profit it is more than twice the size of the personal and household goods sector combined. Though it's experiencing declining volumes overall, it enjoys good growth in most of the developing countries in which it operates. And like all tobacco firms, it is showing remarkable resilience in a global industry that continues to decline, albeit at a slow pace.

In its first quarter interim management statement released in April 2014, it guided to high single-digit earnings growth in constant currency terms. Geographically, Asian volume growth remains robust at over 4%, but European volumes declined by almost 8% in the quarter. BAT's so-called "global drive brands" — Dunhill, Kent, Lucky Strike, Pall Mall and Rothmans — continued their traditionally strong performance, with volumes rising by 6,3% in the first quarter.

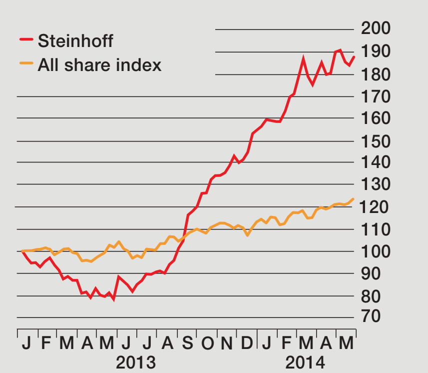
BAT's innovation continues with its focus on so-called "e-cigarettes" and low-heat tobacco products that deliver a cigarette flavor but with less tar and smoke.

Richemont's full year results to end-March 2014 were pedestrian, though the market obviously liked the 40% increase in the dividend that was paid out. The longer-term outlook seems bright, particularly if the global economy maintains its current growth outlook and the Chinese economy manages to grow in the 7%-7,5% range in the medium term. In a recent report on the outlook for jewellery, consulting firm McKinsey noted that branded jewellery as a percentage of the total global market could double in size by 2020. This is good news for Richemont, as it has the largest share of the branded jewellery market via its Cartier, Van Cleef and Piaget brands.

Steinhoff has now become primarily a European play, what with the increasing importance of Conforama and recent acquisitions such as Kika-Leiner. JD Group and Kap are the main SA entities, which are unlikely to account for more than 20% of profits in financial 2015. JD Group's last set of results to December 2013 were very poor, with the company having to make larger provisions for bad debts than previously expected. Steinhoff has made an offer to JD Group minorities to buy them out. There has been speculation that Steinhoff may transfer its main listing to Europe, which would leave its JSE listing as a secondary one.

Though a tiny firm with a market cap of about R400m, Nu-World Holdings houses an impressive list of 22 international and local consumer electrical and electronic brands, including JVC and Nu-Tec.

STEINHOFF



Source: INET BFA Share prices based to 100

Seardel has had a torrid time in recent years, but there are nascent signs that it may be turning around, after an extensive transformation of its businesses. During 2013, the group sold its apparel manufacturing interests to an associate company of clothing and textile union Sactwu. It also acquired a 63,9% stake in Sabido, the holding company of e.tv and Yfm, from its parent company HCI.

Staff writer

TOP 4 PERSONAL & HOUSEHOLD GOODS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Aug '13 Rm	Equity funds Rm
1	Compagnie Fin Richemont	24 396,9	155 194,0	527 115,6	110 841,5
2	Steinhoff International Holdings	7 036,0	103 211,0	108 364,8	64 266,0
3	Nu-World Holdings	83,0	822,0	396,3	654,9
4	Seardel Investment Corp	19,0	2 469,0	1 215,5	1 426,9

Source: INET BFA


"If you're driven to succeed, there's only one designation to drive you forward"
Sizwe Nxasana CA(SA)
Chief Executive Officer: FirstRand Limited,
and avid car enthusiast
Solar-powered family friendly refueling station
Rest area for weary travellers & WiFi hotspot
PETROL
Recharge point for electric vehicles
Additional lane
Safety barriers
A CA(SA) puts you in the fast lane to business leadership.
"A CA(SA) designation gives you the torque and traction to perform in any business. It keeps you up to speed with the hard and fast rules of the corporate world, and hones your finer business skills. This enables you to become a catalyst for positive change. That's why a CA(SA) will never lead in isolation, but instead have the unique ability to put those around them on the road to success."
80% of Top 200 JSE company CFOs are CAs(SA)
32% of Top 200 JSE company CEOs are CAs(SA)
Over 98% of all registered auditors in South Africa are CAs(SA)
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SECTORS

Offshore prospects look healthy

Saturation in the SA scene and competition are muting private health-care growth

Local listed hospital groups are venturing offshore to look for bottom-line growth as the SA private health-care scene for the rising middle-class becomes increasingly saturated. Private hospitals are also facing more competition and limitations on what they can charge, as health minister Aaron Motsoaledi continues to push for broadening access to health care.

The inclusion of lower-income and unemployed individuals into the system via the National Health Insurance does not seem like a priority in the near term. The inquiry launched by the competition commission in January is, however, expected to guide government on the kind of regulation that needs to be instituted.

Life Healthcare will return to Europe, which it ditched six years ago in favour of developing markets, by acquiring 80% of Scanmed Multimedis, a large private health-care company in Poland, for R427m. The Polish firm has a 130-bed multidisciplinary acute hospital in Krakow; a 22-bed ophthalmology hospital near Krakow; and 23 medical centres, which provide outpatient care and diagnostic services, in major cities across the country.

Life CE Andre Meyer, who took over in April when Michael Flemming retired, said at the company's interim results in March that the health-care sector in Poland allows private entities to provide treatment to state-funded patients. This will be boosted by reforms in the private health insurance sector, he said, following the introduction of mandatory health insurance for all Polish workers.

Meyer added that Life Healthcare "will aim to increase its presence in the fragmented Polish private hospital market through select acquisitions, in partnership with Medicover, which is the second-biggest health insurer in Poland". Most people in the Eastern European country use public hospitals. The private sector, said Meyer, accounts for about 16% of health-care services. But the Polish government is privatising many hospitals, opening up opportunities for private investment.

Life's entry into Poland follows its venture into India through the acquisition of Max Healthcare. For now the group still operates mainly in SA and has yet to make a profit from its Indian business. It delivered a strong set of results for the interim period back home, supported by a growing demand for its services. This led to a total of 142 (2013: 80) acute care hospital beds being added during the period, bringing the total number of beds to 8 430.

Hospital paid patient days (PPDs) increased by 2,7%, limited by the aforementioned increase in hospital beds only contributing for the last two months of the six-month period. The group's occupancy for the period increased by 2,3% to 70,6%, the highest level since the company's listing in 2010.

Group revenue increased by 10% to R6,2bn, driven mainly by the hospital division growing revenue by 10,5% to R5,77bn. Both normalised earnings and normalised EPS increased by 16% to R858m and 82c/share respectively. EPS surged to 174c from 72c in the previous year, largely due to a R955m net-of-tax profit realised on the disposal of Joint Medical Holdings during the period.

Life was the first SA hospital group to venture into the global market, through a joint venture in the UK in 2004. The group, then called Afrox Healthcare, was contracted to run surgical centres in the UK to help government reduce waiting lists. It divested from the UK in 2008.

Netcare followed suit in 2010 with the acquisition of a 50,1% stake in the UK's General Healthcare Group. Mediclinic bought into the United Arab Emirates (UAE) in 2006 and, the following year, into Switzerland. The group's numbers for the six months to March were driven by a good trading performance from the SA operations and aided by a weakening of the rand relative to the pound.

TOP 5 HEALTH & PHARMACEUTICALS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Sep '13 Rm	Equity funds Rm
1	Aspen Pharmacare Holdings	3 952,6	20 035,0	128 363,0	22 310,3
2	Netcare	2 024,0	20 042,0	34 458,3	7 767,0
3	Life Healthcare Group Holdings	1 845,0	8 792,0	40 135,5	5 072,0
4	Mediclinic International	1 780,0	49 207,0	61 881,2	22 862,0
5	Adcock Ingram Holdings	642,3	5 368,0	10 363,0	3 760,5

Source: INET BFA

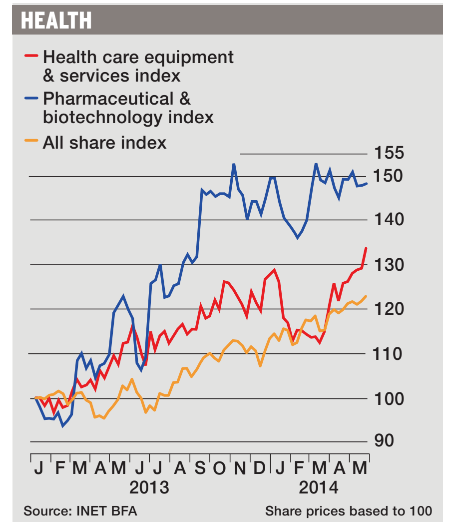
SECTORS

Gallo Images

Netcare, like its SA counterparts, has ventured into the global market

The UK operations delivered a credible trading performance, but profitability was affected negatively by costs related to a competition commission private health-care market investigation in the country.

Revenue grew 17% to R15,4bn, of which currency conversion accounted for 11%. Adjusted headline earnings grew by 21% to R1,01bn, and adjusted HEPS increased by 20% to 75c/share from 63c, marginally contained by a 1% increase in the weighted average number of shares in issue. Diluted EPS, however, fell 77% to 68,9c due to a one-off profit of R3,27bn on selling its GHG property businesses.



Source: INET BFA

Share prices based to 100

Mediclinic delivered a stellar set of results for the year to March due to an increase in the number of patients treated and the effect of a weak rand exchange rate against the Swiss franc and UAE dirham in translation of foreign operations, which now account for more than 60% of revenue and operations.

Normalised revenue increased by 25% to R30bn, with normalised diluted HEPS increasing by 46% to 369c/share, somewhat limited by an 8% increase in the weighted average number of shares issued.

Mediclinic Southern Africa has nearly 7 130 beds in more than 52 multidisciplinary hospitals in SA and Namibia. Mediclinic Corp also has interests in Switzerland, where it owns the largest private hospital group, Hirslanden, as well as the Middle East, where it holds the controlling share in Emirates Healthcare, a private health-care group in the UAE.

In April the UK competition commission delivered its final report on the investigation into the expected lack of effectiveness of the private health-care market. This report concluded that insured patients did not suffer from an adverse effect on competition outside of central London, and that Netcare's BMI Opco would not be required to divest of any hospitals. The report also included certain behavioural and information-sharing remedies that private providers generally support. The order prescribing the implementation of these remedies is expected in October and they are not expected to have a material adverse impact on BMI.

In Switzerland, Mediclinic has had to deal with government's introduction of fixed fees for in-patient services, based on the country's new Diagnosis Related Grouping system. Talks now involve the regulation of specialised services, with plans to exclude some hospitals from performing these functions.

Investments into the hospital industry are normally lower-risk due to the high barriers to entry. Life Healthcare, Netcare and Mediclinic are quality firms boasting high operating margins, a good return on equity and consistent strong cash generation.

Analysts, however, believe that above average growth in earnings off this high base is going to be difficult. To this end, the expansion into other territories and an improvement in efficiencies and occupancy rates offshore may prove essential to sustain earnings growth.

In addition, regulatory pressure to provide greater access and reduce pricing is inevitable and may have an effect on margins. Demand for health-care services in the hospital groups' respective markets are expected to increase due to a higher disease burden, particularly in SA, and an ageing population in the UK.

Nevertheless, the private hospital operation in SA remains of good quality and analysts generally recommend that investors hold onto their shares for now.

Ruan Jooste

Priority is defending the market share

In a sector where competition is ratcheting up fast, Shoprite faces a major challenge

Retail is a tough, highly competitive game in SA, with many retailers having business models that are capable of holding their own against the world's best. This makes for a close race in which the title of top retail company is hard-won.

The top retail company title goes to Shoprite, with a Heps growth record over two decades matching Mr Price's. But for Shoprite the biggest factor working against it is its own success, reflected in a 34% share of SA's formal food retail market. In an SA food sector where competition is ratcheting up fast, defending its market share is now arguably its biggest challenge.

It makes Shoprite's strategy in Africa all the more important. Shoprite CE Whitey Basson puts it simply: "Africa is our future growth driver."

Shoprite has a big first-mover advantage in Africa, having taken its first tentative steps outside SA 25 years ago. It has been a long learning curve now yielding significant value.

African operations spanning 162 supermarkets in 15 countries contributed 16% of sales and 12,3% of operating profit to the group's core supermarket results in the six months to December.

For Basson this represents a strategy that is just gaining momentum. In his longer-term sights are 600 or more stores in Nigeria alone. Angola also features high in his growth objectives.

Success in Africa on the scale envisioned by Basson has the potential to make Shoprite an undisputed heavyweight champion of SA retail. But it will not happen overnight.

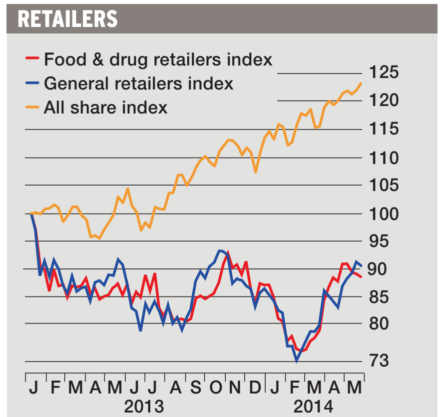
It leaves the door open for other companies to stake their claim to being the best of SA's retail best. There are two standout contenders: Pick n Pay and Massmart, both anything but winners in recent years.

Making it to the second position this year is Woolworths, which has excelled over the past three years in driving the metrics that count: sales and market share growth as well as operating margins. Crowning Woolworths' achievements is a 59% return on equity, the highest of any SA retailer.

The Woolworths success story is also one of transforming a tired, decades-old business model into one that's ahead of the curve in the fast-evolving clothing and food retail sectors. Credit for kick-starting transformation goes to Andrew Jennings, retail director between 2007 and 2010. But it is Ian Moir, Woolworths' CE since November 2010, who has taken the retailer to new heights of profitability and scale.

Fresh from restoring Woolworths' once-troubled Australian venture Country Road to good health, Moir homed in on slashing costs by improving efficiency, ramping up margins and growing market share. A superbly executed strategy delivered results rapidly.

RETAILERS



Source: INET BFA — Share prices based to 100

In Woolworths' three financial years to June 2013 its headline EPS rocketed by 110% off sales, which grew 51% to R35bn. Since Moir's appointment, Woolworths' share price has trebled.

Adding to Woolworths' achievement is the execution of transformation simultaneously across two different retail sectors, clothing and food. In Woolworths' clothing division radical streamlining of the supply chain played the key role in driving its operating margin from 10,4% to 18,5% in the three financial years to June 2013. A big focus is also on offering customers what they want at the right price. "We are very conscious about offering value across all pricing points," says Moir.

Ambitiously, Moir looks to increase the R11bn annual sales clothing division's operating margin to 19% and trading space by 18% by 2016.

Also crucial to Woolworths' transformation was the de-risking of its food division, which had long been restricted by a limited house brand product range and, more seriously, plagued by an image of being overpriced. The latter cost Woolworths market share during the 2006-2009 retail cycle slump.

"The problem was easy to fix," says Moir. "We gave our customers what they wanted: better pricing and a wider product range." The result shows in a rapid rise in food sales, which reached R19bn in the six months to December 2013, up 55% from R12,2bn in the year to June 2010.

Beyond driving food sales growth above the market average since September 2011, Woolworths' food division excelled by lifting its operating margin from 3,6% of sales to 6,1% over the three financial years to June 2013. It is a margin second only in SA to Shoprite's 6,35%.

To drive Woolworths' food retail growth, Moir is looking primarily to expanding existing stores and new store openings. Again ambitiously, his target is to expand trading space by 24% and lift operating margin to 7% by 2016.

Making Woolworths' transformation all the more impressive has been a simultaneous strategy in Australia, a country in which success has eluded many other SA retailers, most notably Truworths and Pick n Pay. Key to Moir's strategy to consolidate Country Road's turnaround was achieving scale in Australia's highly fragmented speciality apparel retail sector.

The opportunity presented itself in then private equity owned Witchery Group, which Woolworths acquired in August 2012 for A$172m (then R1,5bn). The deal, which included Witchery's luxury accessory goods unit Mimco, boosted Country Road's sales by two-thirds and rocketed it into second position in its market. Country Road now contributes 17% of Woolworths' profit.

Australia is set to play a far bigger role in Woolworths' future. Moir has in his sights beleaguered Australian department store group David Jones (DJ), now subject to an A$2,1bn (R22,4bn) cash bid by Woolworths.

By far the biggest acquisition in Woolworths' history, the deal weighs in at 40% of its market capitalisation. Based on Woolworths' 2013 annual results, the deal would boost its revenue by 35% to R51bn, of which 43% would be derived in Australia.

Moir is confident the transformation of Woolworths in SA will be replicated at DJ. "There is a huge amount we can achieve without doing any more than we did in SA," says Moir. Strategies to boost DJ's dismal 3,3% operating margin will include upping highly profitable private label brands from 3% to 20% of sales, he says. On a target of adding A$130m to DJ's earnings through synergies in five years, Moir says: "We will do more in less time."

But acquisitions, especially on the scale of DJ, come with no guarantees. Any slip and waiting in the wings to grab that second position from Woolworths are a host of rivals.

Not least is Mr Price, ranked top retailer and third overall in the 2013 *Top Companies* report. And for good reason. Mr Price comes with a second-to-none long-term track record, including delivering average HEPS growth of just on 22% since its listing in 1990.

Trevor Samson

Ian Moir

It is a growth pace Mr Price sustained in its year to March 2014 in the face of stalling consumer spending growth. At work for Mr Price is a primarily cash-based business model focused on offering fashion at reasonable prices.

Also working in Mr Price's favour is a steep rise in apparel prices. "Our average product price is far lower than our competitors' and rising prices widen the value gap for us," the retailer's chief financial officer Mark Blair noted in a recent interview with the *Financial Mail*.

For Pick n Pay the prize would be to re-emerge as a food sector market leader. Its hefty historic 43 p:e suggests the market believes it will.

Achieving success hinges heavily on the ability of Richard Brasher, Pick n Pay CE since March 2013 and former Tesco UK boss. It is a case of so far so good. In the 52 weeks to March 2 the retailer's HEPS lifted 43%, thanks to a 7,6% sales rise and, more pertinently, cost control that boosted operating margin from 1,3% to 1,6%, the first rise in five years.

Brasher gives little away. "We made the first step in the right direction by stabilising the business," he told the *Financial Mail* in April. "But the hard work has now begun in earnest."

Massmart has also dished up disappointment in lashings since its Heps peaked in 2009. But the past five years was a period of huge transition. Taking its toll was a R5bn expansion programme that included a complete supply chain revamp and entry into food retail. Adding no little pressure was a lengthy and complex integration with Walmart.

TOP 10 RETAIL

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Sep '13 Rm	Equity funds Rm
1	Shoprite Holdings	3 818,7	31 850,0	90 836,3	13 805,3
2	Woolworths Holdings	2 703,0	9 025,0	62 152,3	4 012,0
3	Truworths International	2 341,0	6 989,0	32 535,3	5 470,0
4	The Foschini Group	1 715,5	14 961,0	23 787,8	6 237,0
5	Massmart Holdings	1 669,5	19 659,0	29 852,6	3 783,6
6	Mr Price Group	1 527,0	4 658,0	39 538,9	2 486,0
7	The Spar Group	1 195,2	9 370,0	21 050,2	2 624,3
8	Lewis Group	897,9	7 249,0	5 687,4	4 716,3
9	JD Group	862,0	19 200,0	6 215,1	9 096,0
10	Pick n Pay Stores	652,7	11 898,0	24 788,5	1 910,3

Source: INET BFA

RETAIL

SECTORS

The heavy lifting is over and the benefits are about to "kick in", Grant Pattison told the *Financial Mail* just prior to stepping down as Massmart CE in June. From here on, he believes, keys to Massmart's success will be "discipline and operational focus", challenges its new CE, Guy Hayward — former COO and a 14-year Massmart veteran — is eminently suited to address.

It all makes for an SA retail scene that is as competitive as it gets. And while many retailers may not be winners of the SA top retail company title, they are winners in their own right.

Among smaller caps Italtile is a standout, having beaten the odds in the building sector to deliver a 57% rise in Heps over the past three years.

Clicks Group is another standout retailer, having honed its business model to deliver solid earnings, dividend growth and robust cash flow in good and bad times. Its reward by the market is a record high share price, an honour shared only by Woolworths and, notably, Pick n Pay.

Stafford Thomas

Business Day

Mark Blair

SECTORS

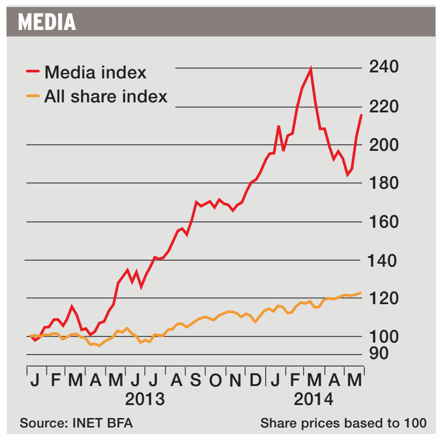
Diversify, restructure to stay afloat

Firms find alternative ways to augment revenue

Media giant Naspers continues to be the best performer in the listed media sector. Late last year its share price hit the R1 000 mark, primarily due to the meteoric rise in the Tencent share price. Naspers owns a 34% stake in this Chinese firm, which makes up 95% of its value. Naspers is therefore closely correlated with the share movement of Tencent.

Naspers has diversified its business from print and pay-TV and now makes most of its money from its Internet businesses in Russia, Brazil and China. It is eyeing e-commerce (online shopping) as a new growth area.

Kagiso Asset Management head of research Abdul Davids says Naspers' substantial investment in e-commerce will be a drag on its earnings for the next few years. But e-commerce could be a strong value and earnings driver for the company in the future. "Naspers has invested the most in its online platforms and though revenue growth has been strong, profitability is still some way off," he says. He says investors need to take a view on Tencent's valuation, given the substantial value contribution to the Naspers share price.



Naspers' rivals Times Media Group (TMG), the publisher of the *Financial Mail*, and Caxton are also venturing into other media areas. TMG is diversifying into radio through the acquisitions of majority stakes in two regional stations in KwaZulu Natal and Mpumalanga. It has also expanded into other territories in East and West Africa, with acquisitions of companies that give the group access to radio, TV and newspapers.

TMG has undergone significant restructuring, with disposal of its retail assets such as Nu Metro and Exclusive Books. The disposal has helped the company to substantially reduce its debt, which was raised to buy out the minority shareholders in the company then known as Avusa.

Davids points out that the share price increased by 50% after the reorganisation, which was led by Blackstar, and the earnings growth profile of the business has been enhanced due to the restructuring. "We have been impressed and pleasantly surprised at the speed and extent of the turnaround, and we are encouraged by the recent initiatives in radio," says Davids.

Caxton, the owner of a number of magazines and a slew of community newspapers, experienced a price spike to R24/share in November last year, following the announcement of a takeout of Element One, but has since languished below R16, says Davids. The company also reported a disappointing 7% drop in half-year earnings.

Not to be left behind, Caxton has apparently developed a digital strategy. Speculation is that it may use its online business news subsidiary Moneyweb in certain areas. However, the existing online platforms of other media companies are not necessarily yielding results. TMG does not report its online platforms as a separate division, so "it is difficult to gauge the profitability of its online initiatives", says Davids.

He says though it is a strategic move to go digital, a focused print media business like Caxton, with modern printing presses as well as "economies of scale and cost-conscious management can be successful and profitable".

Generally, print media companies are battling with falling readership and newspaper sales. The profitable route forward is surely to use social media to augment and support other media platforms.

Thabiso Mochiko

TOP 5 MEDIA

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap June '13 Rm	Equity funds Rm
1	Naspers	9 923,0	76 350,0	483 049,8	52 813,0
2	Caxton CTP Publishers & Printers	514,1	6 675,0	6 674,7	5 580,2
3	Times Media Group	194,0	2 606,0	2 732,2	1 046,0
4	African Media Entertainment	37,5	193,0	683,8	131,8
5	Moneyweb Holdings	2,0	31,0	37,7	27,9

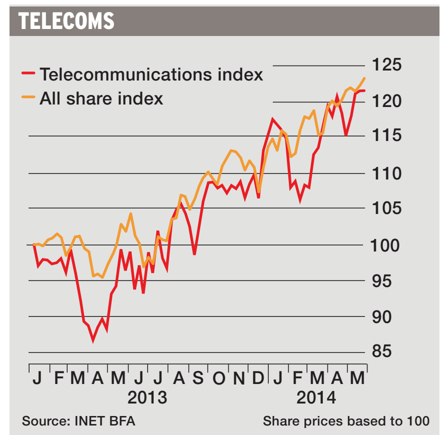
Source: INET BFA

SECTORS

The effect of changing user patterns

But there is room for providers to introduce strategies that will ensure sustainability

Pressure to cut costs and maintain market share, in addition to making profits for shareholders of mobile network operators MTN and Vodacom, has begun to tell on smaller companies. News of the closure of Nashua Mobile, a subsidiary of listed firm Reunert, did not come as a surprise. As mobile termination rates began declining, pressure grew on MTN, Vodacom and Cell C to reduce retail prices and costs. Mobile termination rates are fees that operators pay to carry each other's calls. With steadily decreasing voice services revenues, mobile operators are looking for ways to reduce operating costs.



Nashua Mobile's demise has highlighted that it has become increasingly difficult to differentiate offerings and remain relevant. Nashua Mobile and its rival Altech Autopage operated as middle men for mobile operators. Altech says there are no plans to sell Autopage. Instead its product offering will be extended.

Over the past four years, there has been fiercer competition in the sector. MTN and Vodacom are experiencing decreased average revenue per user on voice-based services. This is due to cheaper voice tariffs offered by competitors and a shift in end-user trends.

Data-based services such as social media platforms have increased the demand for mobile data within SA.

Competition has intensified, with MTN taking a knock in SA compared to Vodacom. Though the reduction in termination rates was expected, analysts are concerned about the future strategies of the mobile network industry.

The reduction led to a share price decline for both major companies, but they soon regained lost ground due to new price cuts. But, in terms of active subscribers, MTN lost close to 1m subscribers because it discontinued inactive SIM cards. However, because of its 79c permanent call tariff, the market is confident that MTN will regain its lost customers.

The introduction of affordable smartphones, according to a study by Frost & Sullivan, will improve subscriber growth and data usage. The research firm advises SA telecom operators to review their data tariffs against emerging-market trends. Moreover, in SA the subscriber base for smartphones is likely to exceed 50% by 2017.

Mobile devices are also quickly becoming the preferred platform for Internet browsing. To counter these changes, MTN and Vodacom need to promote and encourage consumers to shift to data-heavy smart devices and technologies, while providing a spectrum of more affordable data bundles and plans, says Lakshmi Narayanan from Frost & Sullivan Africa Practice.

Meanwhile, Telkom had a stellar performance in its share price since CEO Sipho Maseko took over in April 2013. It is in its first year of a turnaround programme and so far it seems investors are pleased with what the management is communicating to them. The share price has more than doubled to beyond R30 since April last year. But pressure is mounting on Maseko and his team to return the firm to profitability. At end-May Telkom announced a proposed takeover of Business Connexion, at which the share price of the former dropped by 2% and the latter's rose by 6%.

Thabiso Mochiko

TOP 5 TELECOMS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Mth year Rm	Equity funds Rm
1	MTN Group	24 911,0	145 456,0	403 555,7	86 989,0
2	Vodacom Group	13 892,0	49 972,0	193 419,1	15 142,0
3	Telkom SA	522,0	38 990,0	17 524,4	17 827,0
4	Blue Label Telecoms	485,8	4 992,0	5 868,2	3 083,4
5	Telemasters Holdings	0,9	41,0	57,5	26,813

Source: INET BFA

The secret to success lies in diversification

Despite enduring the worst, it's mixed fortunes for the local players

The big SA banks delivered a solid performance in 2013. This was despite predictions that the banking industry would be under threat from a growing global asset management industry that could overtake banks' asset lending values at some future point.

The first signs of this probable trend emerged in the first quarter of 2014, as global banks struggled to show growth. US bank earnings disappointed due to pressure on trading income. And European banks were also under pressure, with Barclays announcing 19 000 job cuts, mainly at its investment banking division. HSBC delivered lower earnings growth.

Some analysts have ventured that the boom years for global banks since 2009 could be over. But over the short term, local banks — together with other emerging market banks — are not expected to lose their key interlocutor role between lenders and borrowers. The asset management industry symbolises rising wealth and income in developed countries, with banks in an emerging market context still expected to play an important role.

Sizwe Nxasana

Business Day

But it is not going to be easy for banks. The surge in unsecured and mortgage lending before 2008 left the big four — Absa (now Barclays Africa), First National Bank (FNB), Nedbank and Standard Bank — with a huge bad debt headache from which they recovered only recently. More circumspection in lending has since become the norm, leading to questions as to whether banks are really playing their proper role as wealth creators to the middle and lower classes.

High executive remuneration relative to performance, stubbornly high fees and commissions on loans, as well as excessive capital retention remain controversial issues affecting the banking sector. However, banks have been improving their market rating, with the banking index hitting new highs regularly since the beginning of 2014.

Local banks have certainly become more attractive investment opportunities since reducing bad debts, resuming quality lending and upping returns on equity (ROE), a key yardstick for global investors. They also remain major money-spinners, delivering strong combined headline earnings of R27,6bn in 2013.

Over a longer-term perspective, FirstRand, with Sizwe Nxasana as CE, has proven to be the best investment, with an internal rate of return (IRR) of 34,37% over the past five years. It is still behind the 48,12% recorded by Capitec. But compared with the other big banks, FirstRand has pulled ahead. Nedbank has been the other top performer over the period, growing by 25,92%, followed by Standard Bank with 15,26%. Barclays Africa came in last with 14,2%.

FirstRand remains a quality outfit. Its average ROE of 23,4% remains the best of the big four. At 0,77% it has the lowest credit loss ratio, and at 52,5% the lowest cost-to-income ratio. It is also the most capital-flush, with a tier 1 capital adequacy ratio of 14,8%, compared to 13,2% at Standard, 12,5% at Nedbank and 11,9% at Barclays Africa.

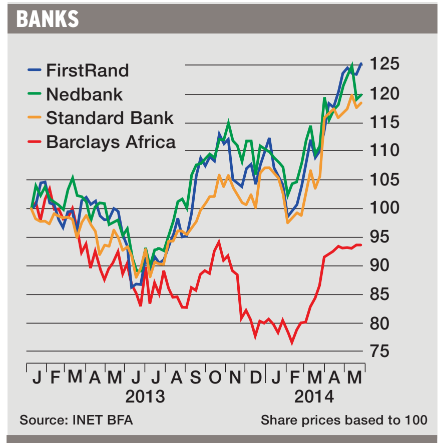
FirstRand's success recipe rests on the predominance of its FNB franchise, which under the leadership of Michael Jordaan made concerted and sharply innovative efforts to grow customers with digital products, reducing costs.

Its paperless branches may have frustrated some older customers, but it remains a winning strategy for the group. It is a strategy that is set to be taken further under the stewardship of new CEO Jacques Celliers.

Complementing FNB has been the WesBank franchise, the clear leader in the motor financing market, as well as Rand Merchant Bank (RMB). With the life insurance interests removed from the FirstRand structure three years ago, an investment in the pure FirstRand banking group has rewarded shareholders handsomely. This was underpinned by solid results, with FirstRand improving normalised earnings for the six months to end-December by 20% to R8,7bn.

FirstRand has proven that without judicious lending earnings cannot grow. It grew net interest income (NII) by 20% to end-December, thanks to new business at FNB and WesBank, with RMB continuing to grow its core corporate lending bank strongly.

By sporting the highest noninterest revenue (NIR) ratio, the group could focus less on onerous fee and commission income growth by increasing NIR by a lesser 8% compared to that earned on NII. Its strong reduction in bad debts makes FirstRand an attractive investment, as income growth can now be reflected exclusively in earnings without having to include high impairments.



In many ways Nedbank has become a mirror of FirstRand's success recipe. In the past it was mainly a corporate and business bank, with retail trailing behind and being a less successful contributor to profits. But all that changed meaningfully when Mike Brown took over as CEO in 2009. Under the inspired direction of retail head Ingrid Johnson, who is now leaving Nedbank to be financial director at Old Mutual, the group made huge strides in the retail sector.

In 2013 the headline earnings reported from Nedbank retail exceeded those of the capital, corporate and business banking divisions. The overall headline earnings growth of 15,9% was still lower than FirstRand's interims. NII growth was at 7,8%, notably lower than that of FirstRand, probably indicating Nedbank has reached some ceiling over the short term in its retail lending growth. Overall NIR growth also shows the group is prone to grow income with fees and income, rather than on lending.

Analysts note that Nedbank will have to diversify its earnings stream if it wants to capitalise on its growth since 2009. It faces some disadvantages compared to the other banks due to its limited African footprint, though it has made moves to change that through its alliance with Ecobank. Its earnings from Africa only amount to about 3,9%, compared with 24% at Standard and 15% at Barclays Africa. FirstRand obtains 8% of its earnings from Africa.

The key to Nedbank's African expansion is the link with Ecobank, the West African group in which Nedbank has a US$250m loan interest. CEO Brown has indicated the bank is likely to convert the loan into equity. Analysts at Imara SP Reid say this will be necessary as Nedbank is currently the laggard in Africa among its peers. It will then provide Nedbank a 20% stake in Ecobank.

But the links to Ecobank have been controversial. Brown has emphasised Nedbank has not become embroiled in corporate governance issues at the bank, preferring to emphasise the positive effects that the Ecobank links could bring to Nedbank. But Imara notes Ecobank has well publicised governance woes, and it will take time for Nedbank's links to positively affect earnings. "On the positive side, Nedbank is expanding on its own in Southern Africa and slipstreaming Old Mutual's surge into Africa, so this will improve over time," Imara notes.

Standard Bank is the market cap leader among the big four, but has had its relative market dominance challenged by FirstRand. A concerted effort by top management under previous CEO Jacko Maree after 2008 to reposition the group has been successful up to a point, but it cannot be complacent regarding FirstRand.

Standard's 15% rise in headline earnings for 2013 was still overshadowed by that of FirstRand. Standard's ROE of 15,6% is also lower than that of FirstRand, with Standard's credit loss ratio of 1,04% more of a drag on earnings than the 0,77% at FirstRand. Cost-to-income at Standard at 58,5% is also still measurably higher than FirstRand's 52,5%. Standard's ratio is higher as a result of the strong expansion into Africa, which is also reflected in the lower overall ROE of 15,6%.

Standard's footprint in Africa is the biggest of the big four and if the earnings from this source deliver over the coming years, Standard could

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surge ahead. Then again, the rest of Africa could be more risky than the local market, though it does offer potentially greater earnings growth on historical trends.

The market has given Standard the benefit of the doubt and has rerated the group considerably from the deep trough it fell into after 2008. Deutsche analysts described the 2013 results as strong, with earnings from Africa growing 44%. The fact that overall earnings growth of 14% was still lower than that of FirstRand relates to greater provisioning to address bad debt, as well as losses still emanating from the Standard Plc operations in London, despite being sold to majority shareholder ICBC.

Standard's balance sheet has been considerably strengthened by the repatriation of $3bn worth of assets from Standard Bank London Plc. Clearly the bank has learnt from the years before the 2008 crisis when provisioning was at much lower levels. This leaves Standard in a much better position now than in the past.

Though the market has reacted favourably to the changed direction of the bank, which also resulted in the appointment of Sim Tshabalala and Ben Kruger as joint CEOs, it has not been shooting out the market lights. One of the drawbacks is that Standard is still strongly linked to global developments. Though it has exited emerging markets such as Argentina, Turkey and Brazil, it is now much more linked to the vagaries of Africa.

Despite heavy investments on the continent, Standard's personal business banking (PBB) activities in Africa reported a R361m loss in 2013. The question remains whether Standard can turn lending income around meaningfully in Africa, as the market remains risky.

Another drag on its share price is paradoxically its strong capital position. Deutsche analysts have calculated that the group's tier 1 capital ratio of 13,2% is above its own medium-term target range of between 10,5% and 12,5%, thanks to the repatriation of Plc capital. "Given that the growth in Africa appears to be largely organic, with almost no merger and acquisition activity in African banking, we are not anticipating any substantial demands on capital in the medium term," Deutsche says.

That has increased clamour for management to return some of the capital in the form of a special dividend. But no firm commitment has been made.

Barclays Africa has received positive market attention recently, with some fund managers, notably Allan Gray, increasing exposure. Optimism rests mainly on the group's turnaround potential — which has been a long time coming — under CEO Maria Ramos. On the capital adequacy and ROE levels, Barclays Africa has improved. But on the bad debt level, as well as with its low NIR ratio relative to income, it falls short compared to the other bigger banks.

This reflects the group's subdued lending activities, significantly curtailed since 2010. Any real benefits of the takeover of the Barclays Africa interests, for which it paid a hefty fee, still have to be reflected in superior earnings growth. And there are more questions on the horizon, relating mainly to plans by majority shareholder Barclays to cut its own investment banking activities.

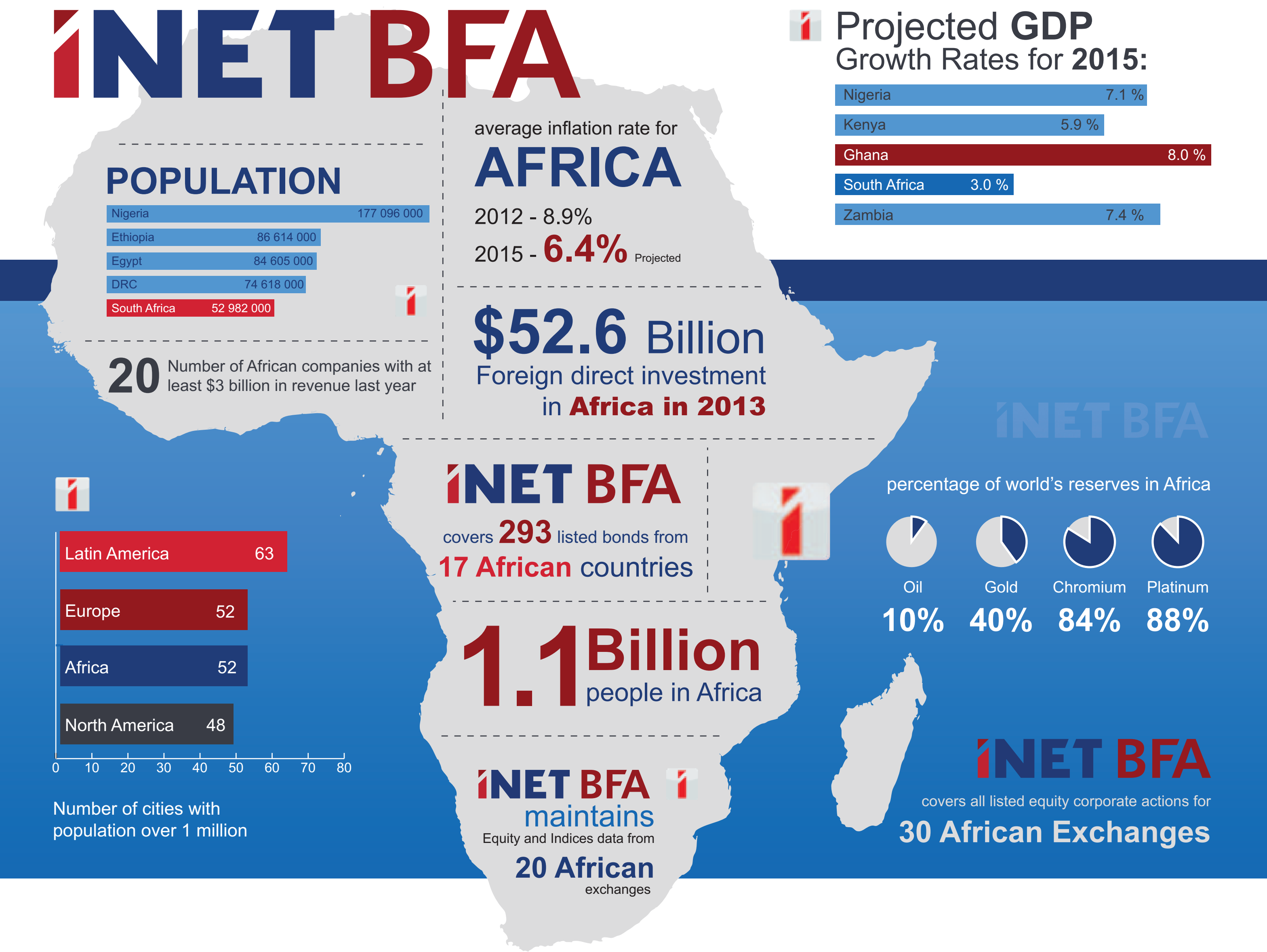
With Absa Capital being the star performer up to 2009, its activities have also been clipped locally in favour of the Barclays Africa franchise on the rest of the continent. Barclays CEO Antony Jenkins has emphasised Barclays Africa will not be affected by the changes. And with the renewed focus on retail, the local Absa franchise could benefit with the implementation of the "Prosper" retail thrust.

The problem is that Barclays

TOP 6 BANKS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap June '13 Rm	Equity funds Rm
1	Standard Bank Group	14 279,0	1 528 019,0	224 600,6	108 829,0
2	Barclays Africa Group GRP	8 833,0	804 953,0	126 314,9	65 466,0
3	FirstRand	14 307,0	870 986,0	203 529,7	71 254,0
4	Nedbank Group	7 474,0	675 559,0	115 094,0	53 580,0
5	Capitec Bank Holdings	1 568,8	37 939,0	22 425,5	7 519,5
6	RMB Holdings	4 969,0	55 398,0	67 705,3	52 622,0

Source: INET BFA



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Africa has often in the past failed to deliver, just as it started to look as if everything was going well. And the market clearly did not like these surprises. But there are good reasons to believe that Ramos has her hand firmly on the wheel this time, though the recovery is still expected to be gradual.

Among the smaller banking outfits, African Bank Investments (Abil) has been a renewed disappointment. Its IRR of the past five years has been a negative 7,66%, reflecting the huge effect of the bad debt scourge on its income. Abil was a money-spinner before 2009, becoming a darling of shareholders because of the huge margins on shorter-dated loans, with profits often distributed in the form of fat special dividends.

All that changed after 2009 as more players came into the lucrative market. At the same time, Abil increased the loan amounts it extended, and also lengthened the payback terms. Customers soon got into trouble with paying their loans back on schedule, which Abil to a degree masked in the numbers by the extension of new consolidated loans to existing customers.

But the party had to end sometime. And so it did in 2013, with African Bank forced to come to the market for a new capital injection of more than R5bn. That led to some improvement at end-2013, but the lender again disappointed the market with its announcement of a loss of more than R3bn for the interims to end-June 2014. This apparently relates to a lack of income, with fraud occurring in lending activities and with provisioning proving to be insufficient. Whether African Bank will survive in its present form remains to be seen, as the unsecured lending market has changed fundamentally.

To some degree, Capitec has also been a victim of the negative sentiment in the unsecured lending market. But it has been more adept at surviving, though its share price has remained stagnant for most of 2013. Compared to the bigger banks, Capitec appears to be a risky outfit. For example, it has a credit loss ratio of 10%, with loan impairments — bad debts plus provisions less recoveries — increasing from R2,7bn in 2013 to R4bn at end-February. The ROE at 23% is favourable, though down from previous years. But to fund activities Capitec has to keep a very high tier 1 capital ratio of 39%. This "lazy" capital has to be kept as a war chest on the balance sheet for the group not to replicate the Abil fiasco.

Thanks to its diversification into transaction fee income, which grew 42,8% to R1,93bn for the full year to end-February, Capitec's earnings per share grew a credible 15% over the period. But it is probably fully priced for now, as loan growth is expected to be slower this year.

Though Investec struggled with the advent of the crisis in 2008 — especially vulnerable due to its exposure to the UK Kensington mortgage business — it has since recovered and has delivered a strong IRR of 20% over the past five years. This is not as flashy as that of Capitec or FirstRand. But considering the challenges it faced, Investec has regained the market's confidence.

Investec's successful asset management business under CEO Hendrik du Toit has since 2009 been the tail wagging the Investec dog. With assets under management of £66bn, it has grown into a much bigger enterprise than the traditional wealth and investment activities, with assets of just under £30bn.

That has led to speculation that Investec's asset business could be listed separately from its other activities, which include the property division. But CEO Stephen Koseff has dispelled these notions, saying the group will remain diversified as it benefits from cyclically driven earnings.

Investec started as a retail private banking outfit, with normal loans extended to customers. The asset management business was then built up, with Du Toit relocating to London. Along the road Koseff embarked on a variety of global takeovers — ranging from the US and Israel to Australia and Ireland — but most of those have now been sold.

Maybe Investec's stronger growth in asset management, and the subdued performance in wealth and investments point to the way banks will generally have to diversify in the future if they want to stay ahead of the game.

Maarten Mittner

Ben Kruger and Sim Tshabalala

Business Day

There is scope for innovation

Working harder to retain business, with a sharper focus on end clients rather than products

Thabo Dloti

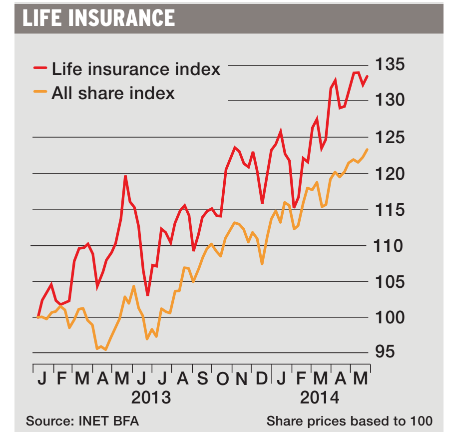
Russell Roberts

Life assurance remains the bedrock of the SA economy. Only in Taiwan and South Korea do life assurance premiums make up a larger part of GDP than in SA, where the proportion is more than 11%. The two largest life offices remain Old Mutual, with a market cap of R174bn, and Sanlam, with R128bn.

But competition in the sector has developed as a result of entrepreneurial activity. Donald Gordon's Liberty set the mould, but with a market cap of R37,2bn it is behind newer groups such as Adrian Gore's Discovery (R49bn) and MMI, born out of a union between Momentum and Metropolitan. Momentum was developed from a tiny life office in the 1980s into an investment powerhouse by maverick Afrikaans businessmen Niel Krige and Hillie Meyer. It now has a R41bn market cap.

Discovery Life now has a 40% higher profit than its older sibling Discovery Health. But Discovery Life CE Herschel Mayers concedes that it would not have enjoyed the same success without the relationship to the health business. Key to growing and retaining business has been the use of the Vitality programme, which has led to improved mortality and morbidity.

LIFE INSURANCE



The other listed life office, Clientele, can also boast entrepreneurial roots in the Enthoven family group. Clientele is the king of the infomercial and has an enviable low-cost distribution model.

It may be surprising to see such entrepreneurial activity in what might seem to be a mature slow growth industry, except for two factors. Apartheid meant that the proportion of formal life products among black South Africans was low in 1994 — in spite of a cultural affinity for the industry's funeral products in particular. The other factor is that SA companies that were excluded in the dark years of apartheid from investing in the rest of Africa have been able to do so since 1994.

Take Sanlam, which has a new-business margin of about 3% in its traditional "white" business. The SA emerging markets have a 5% margin, while out of SA it is closer to 8%. Sanlam's acquisition of African Life in 2005 gave it the best footprint in Africa.

Thabo Dloti, the new CE of Liberty, says the top end of the market, which Liberty targets, has grown. This is thanks to the JSE's bull run, which has created an unexpected number of millionaires. And life companies have realised that there is scope for innovation if they use their balance sheets creatively. Liberty has sold another R4bn of its Evolve products, which do not charge clients fees until they achieve a 13% return.

But Dloti concedes that the traditional high-advice model at Liberty may not translate well into Africa — apart from the more affluent sectors in Nigeria. It is looking at a cheaper, more outbound-based model for the rest of Africa.

To confirm Dloti's point on new wealth coming into SA, the driver of sales growth has not been life insurance itself but saving for retirement. Sanlam CE Johan van Zyl says the pendulum has swung back from unit trusts to life products, as many people cannot stomach the volatility of pure market-linked products. But whether in unit trusts or life-based retirement annuities, South Africans significantly upped their retirement savings efforts last year, resulting in strong premium growth for retirement annuity (RA) policies in 2013.

Says Peter Dempsey, deputy CEO of the

SHORT-TERM INSURANCE

More harsh realities


Edwyn O'Neill

Jeremy Glyn

MORE THAN ANY other sector on the JSE, short-term insurance needs new blood. Gone are many of the great names of the past, such as Guardian National and Commercial Union, and more recently broker Glenrand-MIB was folded into Aon.

All that is left of the sector are two shares – the overall market leader Santam, with a market cap of R25bn, and Zurich SA (once known as SA Eagle), which has a more chequered past and a market cap of R3bn.

Santam isn't a bargain on a p:e ratio of 20, while Zurich is recovering from heavy underwriting losses, though it still pays a dividend. Neither share had a strong past 12 months – Santam is up just 8%, Zurich down 2%.

Arguably, the best quality indirect play is Rand Merchant Insurance (RMI), in which about a third of earnings are provided by Outsurance, the most profitable insurer in SA with an underwriting margin north of 20%. It has an implied market capitalisation (once RMI's holdings in MMI and Discovery are excluded) of R18,4bn, not far behind the much older and more diversified Santam. Discovery and MMI also have short-term insurance businesses, but they are each a fraction of the size of their life and health units.

Outsurance is the leading direct insurer, selling policies directly over the telephone and the Internet. Its direct peers such as Telesure (the company behind Dial Direct and Budget Insurance) and MiWay (part of Santam) also boast high underwriting margins.

In contrast, the broker-based businesses such as Zurich and Mutual & Federal reported losses in 2013. Santam CE Ian Kirk says the Bellville-based insurer lost R45m in its personal lines, but thanks to strong commercial and specialised business, it was able to eke out a modest 2,8% underwriting margin. The weather turned out to be particularly harsh on the insurers, with two major hailstorms in Gauteng in November and floods in the Western Cape in the same month.

Zurich SA MD Edwyn O'Neill says that even taking into account the increase in catastrophes over the past few years, the quantum of events in 2013 was way above long-term benchmarks. "We shouldn't complain as we are here to help people when there is a crisis, but we should budget for a 4%-6% loss ratio just from major weather events."

But O'Neill says Zurich's future lies in large corporate business, leveraging off the global capabilities of the group, which is the largest corporate insurer in Europe and the second-largest in the US. "We are not pushing product but rather offering bespoke solutions."

Stephen Cranston

Association for Savings & Investment SA (Asisa): "Over the past three years consumers have shown a renewed appreciation for the benefits offered by RA products. This indicates that concerted efforts by government, the media and the savings and investment industry to highlight the importance of retirement savings in light of the country's poor savings rate are paying off."

New recurring RA policy premiums grew by 29% to R2,2bn in 2013 from R1,7bn in 2012. Single-premium RAs had significant growth of 37% in premiums last year, from R6,2bn in 2012 to R8,4bn in 2013.

Life risks were not ignored by any means. In 2013 consumers took out 5,3m new individual risk policies, paying monthly premiums of R10bn for the year to cover events such as death, disability and dread disease. In 2012 consumers took out 5m risk policies worth premiums of R8,8bn. This represents a 13% increase in risk policy premiums for 2013.


Herschel Mayers

Robbie Tshabalala

Dempsey points out that the beneficiaries of individual policyholders who had death and disability cover in place in 2013 received benefit payments worth R26,7bn from the life insurance industry. Group policies paid out death and disability benefits of R13,8bn in 2013.

Living annuities maintained their popularity in 2013, recording a 29% increase in new single premiums from R27,4bn in 2012 to R35,4bn in 2013. Dempsey says compulsory annuities, on the other hand, had only 5% growth in new single premiums from R4,3bn in 2012 to R4,5bn in 2013. He says market conditions in 2013 favoured living annuities. "The equity market performed well, which is good for living annuities. At the same time, low interest rates meant lower annuity rates. This made compulsory annuities a hard sell."

Unfortunately, living annuity sales are also driven by demand from consumers who have not saved enough for their retirement and then turn to living annuities for the wrong reason. Being able to draw a higher income from a living annuity than would be available from a traditional compulsory annuity may help someone who does not have enough retirement capital to maintain a certain lifestyle in the early years. But, warns Dempsey, hardship will follow when the capital has been depleted over a short period of time.

The life insurance industry held assets of R2 trillion at the end of 2013, a healthy increase of 16% from the R1,7 trillion held at the end of 2012. Dempsey says this means in 2013 the long-term insurance industry assets exceeded liabilities by 2,4 times the legal reserve buffer required.

In 2013 the life industry attracted total new premium income (recurring and single premiums) of R105,7bn, an increase of 22% from the R87bn collected in 2012. Recurring premium income grew by 13% in 2013 to R19bn, driven mainly by risk policies, retirement annuities and endowment policies. Single-premium policies (investment policies, living annuities, compulsory annuities, retirement annuities) delivered strong growth of 24% in 2013, with premium income of R86,7bn.

Of course, these figures were achieved in the comparatively balmy conditions of 2013, not under the technical recession that has struck in 2014. But in the freshest trading update before *Top Companies* went to press, MMI's CE Nicolaas Kruger says there was a 15% increase in new business flows, measured in the present value of premiums, the actuary's measure of the business. He says this was achieved even though the operating environment is highly competitive and consumers are under pressure.

MMI and its peers are certainly working harder at retaining business. Until recently the focus of these businesses was on the broker and not on the end client. Now MMI's purpose is "to enhance the lifetime financial wellness of people, their communities and their businesses". As the companies now all say, they are no longer in the business of products but in the business of solutions.

Stephen Cranston

TOP 6 LIFE ASSURANCE

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Dec '13 Rm	Equity funds Rm
1	Old Mutual Plc	12 628,7	1 931 835,0	173 402,5	96 289,6
2	Liberty Holdings	3 475,0	291 745,0	35 589,3	17 574,0
3	MMI Holdings	3 011,0	332 267,0	38 617,2	26 843,0
4	Discovery	2 899,0	50 844,0	49 936,3	15 959,0
5	Sanlam	2 592,0	555 450,0	124 658,8	38 884,0
6	Clientele	300,8	2 909,0	4 935,2	291,8

Source: INET BFA

SECTORS

Eclectic, but some are exemplary

It's been a few months of declines, rises and outstanding performances

The financial services sector has an unusually wide mix of companies. These range from banks such as Investec and Sasfin to Grand Parade — the main shareholder in Burger King — and the JSE, which has a monopoly over SA's listed markets.

There has been a wide range of activity, from a 36% decline in fund manager Prescient and 28% in Cadiz, right up to a 120% rise in Purple Capital and 81% in Peregrine. The heavyweight PSG was up 60%. In many ways, PSG represents what the financial services sector should be all about — a catalyst to developing new business. PSG has already given birth to a bank, Capitec; an investor into private schools, Curro; and an agricultural holding company, Zeder. It is about to bring PSG Konsult, its financial planning business, onto the boards. Through a national network of advisers, PSG aims to be known for personal service and building lifelong relationships.

There are 182 offices and 597 advisers in the PSG Konsult network. It has three divisions: PSG Wealth (the advisory business); PSG Asset Management (unit trusts and wholesale fund management); and PSG Insure, the insurance broker.

The outstanding story in the financial services sector has to be Coronation Fund Managers, which now sits on a market cap of R34bn, just a little below the much larger Liberty Holdings. It is also larger in market cap than Barloworld, Nampak, Pick n Pay and Tsogo Sun.

Over the past year to March 2014, Coronation's assets under management have increased by a third to R547bn. Coronation does not have to increase its cost much to handle new business; it still employs the same number of portfolio managers and might have to employ two or three more people in client service. Its revenue from fund management increased by 56% to R23bn, but its profit increased by two-thirds to R1,29bn. Staff numbers increased by just 32 to 262.

It is a ruthless game in the retail unit trust field, where the spoils are almost all enjoyed by half a dozen companies. Coronation had retail inflows of R17bn in the half year. The house has closed its domestic portfolios to new institutional business, so it did not have the benefit of flows from pension funds, except into its emerging markets and global funds. Net institutional flows were a negative R2,3bn. Money can leave Coronation as quickly as it comes in, but the house's long-term track record will protect it. Its houseview equity fund, started in October 1993, has outperformed the Swix index since inception by 3,5%.

Coronation is top of the Alexander Forbes global large manager watch over five years. With a 21,7% return, it is second only to Foord in the domestic large manager watch over five years.

TOP 15 FINANCIAL SERVICES

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Dec '13 Rm	Equity funds Rm
1	Investec Plc	4 087,2	704 865,0	51 634,6	45 021,1
2	Investec	4 087,2	704 865,0	24 004,2	45 021,1
3	Brait SE	2 835,0	15 141,0	27 330,4	13 279,0
4	Coronation Fund Managers	1 405,0	71 734,0	34 630,1	1 085,0
5	PSG Group	1 338,4	27 426,0	19 264,3	9 332,2
6	JSE	605,6	21 074,0	8 278,6	1 759,0
7	Peregrine Holdings	441,8	18 037,0	3 995,9	1 446,1
8	Sasfin Holdings	143,6	6 170,0	1 481,0	1 048,7
9	Prescient Limited	93,2	6 863,0	1 198,5	696,0
10	London Finance & Investment Group Plc	66,4	231,0	120,0	198,6
11	Blue Financial Services	41,4	933,0	1 069,9	64,2
12	Vunani	16,0	515,0	226,6	169,2
13	African Bank Investments	5,0	64 815,0	16 136,8	7 820,0
14	Efficient Group	3,1	46,0	216,4	72,9
15	Cadiz Holdings	2,5	5 376,0	267,9	639,1

Source: INET BFA

SECTORS

Coronation has created a range of unit trusts designed to make it simple for advisers: from low risk to highest it has Strategic Income, Balanced Defensive, Capital Plus, Balanced Plus and Top 20. All the funds are in the first quartile over five and 10 years.

CEO Anton Pillay does not talk up the share; he prefers to say the absolute level of market returns is not sustainable and expectations must be reset. "We are in a cyclical business and our strong performance cannot continue indefinitely," says Pillay.

Asset managers are by no means always a good investment. Prescient, which listed last year, has a market cap of barely R1bn, in spite of a strong reputation as the top quantitative asset manager in SA. It did not impress the shareholders much by acquiring a fund management shop from Allied Irish Bank and selling it again within a year.

Peregrine, now worth R4,2bn, has been a more successful story. It has a portfolio of quality assets, including Citadel — PSG Konsult's great rival — with R30bn under management; the Peregrine Capital hedge fund business; and Peregrine Securities, well known as a prime broker. Securities is now the second-largest stockbroker by volume, and its low charges are favoured by algorithmic traders and hedge funds. Some of today's top hedge fund managers, such as Bateleur, 36One and Visio, are Peregrine clients.

Peregrine CE Jonathan Hertz says Citadel operates at a higher level than most wealth management groups. Its average new client has R9m of investable assets. "We are happy to partner advisers and offer a different service for clients with R2m-R3m investable." He says the group slightly increased its interest in Stenham, its fund of hedge funds and property business in the UK, to 71%. Both business lines are benefiting from a recovery of the UK economy and, in the case of property, a solid trading environment in Germany.

Peregrine paid very little last year for Cannon Asset Managers. Hertz says the business came with distribution, through which he would like to see the Peregrine product set sold. "Cannon itself has had a tough time as the market has not favoured its value style, but there has been some rotation in its favour."

Perhaps the best way to benefit from the cyclical business of investment management is to invest "on the house" by taking shares in the JSE. Every share bond or derivative traded on the JSE contributes towards shareholder wealth, whether in tough times or easy ones. However, as JSE CE Nicky Newton-King points out, market activity remains generally strong, with equity trades up 45% in 2013, currency derivative contracts up 81% and bond derivatives contracts up 48%.

The equity market, what most of us understand as "the stock exchange", still represents 26% of revenue and is not yet mature — revenue grew 17% last year. With just a 14% increase in revenue to R1,58bn, profit after tax was up 68% to R507m.

The JSE used to be notorious for wasting money on grandiose technology projects, but in the two years under Newton-King that reputation is changing. It has impaired the final R48m from the disastrous project to replace its back office system. In contrast, its repatriation of the trading system from the UK has been a great success — by May there had been zero downtime since it went live last year.

Newton-King says even though the JSE is a sole provider, it has no divine right to succeed. "Just look at Eskom and SAA. We have to work hard for our success." *Stephen Cranston*


Jonathan Hertz

Russell Roberts

SECTORS

No strategic plan, no survival

Traditional IT changes as other providers seize opportunities in the sector

Depressed microeconomic conditions in addition to competition from noninformation and technology providers such as telecommunications operators have put the pressure on traditional IT firms.

More providers in adjacent sectors are entering the IT services market, according to the International Data Corp. Telecommunications operators are aggressively targeting network-related services and providing cloud and data centre services. Hardware providers, meanwhile, are pushing the benefits of integrated systems and offering specialised implementation services.

Listed electronics group Altron has combined the businesses of its delisted communications unit Altech with its technology firm Bytes, forming one entity that will sell end-to-end products and services.

Lise Hagen, research manager for software and IT services at IDC SA, says local providers, who often have a multinational presence, are capturing the lead in the market.

Small software provider AdaptIT has topped the list of top performing companies in the IT sector. Ranked number two in Top Performers, AdaptIT has shown consistent growth as a result of the strong performance of the manufacturing and education sectors. There has been an uptrend in AdaptIT's share price and overall earnings over a number of years.

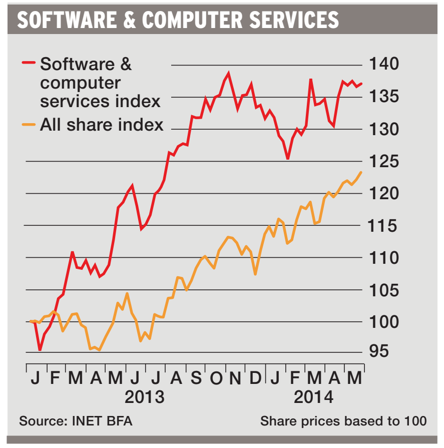
But it was EOH that again stood out last year. The company was a top performer on the JSE, with its share price surging just over 100% in 2013. Over the past 15 years, it has been growing at an annual compound growth rate of 44%.

EOH's longstanding formula of organic and acquisitive growth continues to bear fruit. EOH has had a steady operating model that is efficient due to its simplicity and superior market relevance, says technology research associate at Frost & Sullivan Ankit Trivedi.

But its run rate is expected to slow down at some point as it grows bigger and the markets it operates in mature. Trivedi says even with this exceptional performance, institutional investors may not be comfortable with holding the stock. That would be due to difficulties in understanding EOH's share price and earnings as a result of, among other things, a lack of clarity in factoring in the growth from acquisitions. Its current p:e ratio is a high 22,29.

Pinnacle Technology, which in 2013 surprised the market by buying a 33,4% stake in another listed entity, Datacentrix, saw its share price plummet in March and April. This came after the arrest of executive director Takalani Tshivase — an event not communicated to the market when it occurred. He was accused of bribery, though by early June the case had not been resolved. The market will be watching to see how this affects its ability to secure more public-sector business and retain existing business.

Pinnacle has a tough task ahead as it needs to restore investor confidence. Government business is an important market for technology firms, and for Pinnacle such contracts have been estimated to be worth about 25% of its revenue. Before the scandal, it was seen as a steadily figures from and the acquisition of a stake in Datacentrix was expected to boost the business, with the market expecting some collaboration between the firms.



Gijima, which took a huge financial and reputational knock three years ago after losing one of its biggest government tenders, is showing encouraging signs of a turnaround. It has cut costs, appointed impressive new management and has also renewed R1,6bn worth of multiyear contracts. Even though revenue is falling, it seems to be on the path to a full recovery.

Business Connexion continues its geographical expansion, with acquisitions in Botswana and Nigeria, where it is already operating a data centre. The company is aiming to have 25% of its turnover coming from international operations.

Thabiso Mochiko

SECTORS

Ups and downs continue

Investors forced to realign their real estate holdings

The huge swings in listed property share prices over the past year will no doubt prompt investors to realign their real estate holdings and become increasingly picky in their stock selections.

Though the R280bn SA listed property index has recovered some of its losses in recent months, the index is still down around 12% for the year to May 16 2014. The sector's average forward income yield is now sitting around 7,5%, up from 6,7% a year ago.

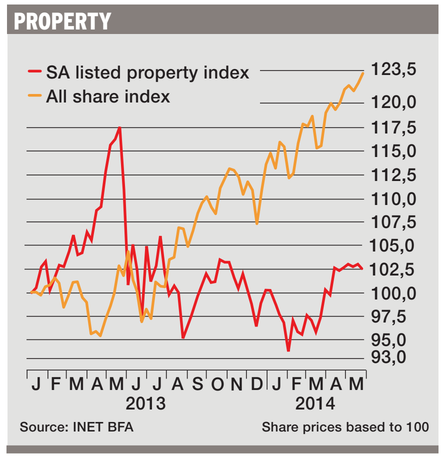
But the performance of individual property counters differs significantly. In fact, the performance gap between the best and worst performers among the JSE's 41 individual property counters is a hefty 112% for the 12 months ending April, figures from Cape-based Catalyst Fund Managers show. Investors who betted on a weaker rand were clearly in the pound seats with offshore property stocks generally outperforming their local counterparts by far. Redefine International, which owns an R18bn portfolio of shopping centres, offices and hotels spread throughout the UK, Germany, Switzerland and Australia, was one of the top performers with a substantial 92% total return for the 12 months ending April.

London-focused Capital & Counties Properties and Romanian retail play New Europe Property Investments (Nepi) delivered an equally impressive 37% and 34% respectively over the same period. Intu Properties, formerly Liberty International, which owns some of the largest malls in the UK, delivered a total return of 24% while new kid among the JSE's offshore property stocks, Investec Australia Property Fund, notched up a 23% total return since listing in November last year.

Rockcastle Global Real Estate Company, which owns a R10bn portfolio of globally listed property stocks and stakes in three Zambian shopping centres, was also among the sector's top performers with a total return of 15%.

However, not all SA-focused property stocks disappointed. A number of local players, most notably the newer listings and those funds that have been involved in some form of corporate action, have also comfortably outperformed the sector's -3,64% total return. These are developer Attacq, which made its JSE debut in November last year (24%); government-tenant focused Ascension Properties A units (10%), which has been the subject of a three-way merger with Rebosis Property Fund and Delta Property Fund; Synergy Income Fund B units (17%), which is involved in merger talks with Vukile Properties; and the sector's newest kid on the block, township mall owner Safari Investments (12%), which listed in March this year.

The key question for investors is what are the main drivers that will affect listed property returns? Analysts cite three key factors that are likely to affect the performance of the sector over the next 12 months: rising interest rates, continued capital market volatility and corporate action. "The SA listed property sector will continue to be characterised by corporate activity. There are likely to be more new property listings as well as further consolidation in 2014/2015," says Catalyst Fund Managers investment manager Paul Duncan. He believes new listings are encouraging, as it will give investors access to previously unavailable real estate investment opportunities. "However, the investment case and value proposition will be the only factor that determines our decision whether or not to support new listings."



Keillen Ndlovu, head of listed property funds at Stanlib, agrees that mergers, acquisitions and takeovers will remain a major theme over the next six to 12 months. He notes that the sector has already raised about R7,8bn in new equity in the year to date to fund acquisitions, which Ndlovu argues is a reflection of a still strong appetite for listed property scrip.

However, as far as the consolidation trend goes, Ndlovu says most of the merger and takeover deals have already been announced. "There's not much low hanging fruit anymore. There may be one or two more deals on the horizon, but the next stage is the finalisation of those transactions already under way."

There are 16 companies involved in merger or takeover talks. These include Growthpoint/Acucap/Sycom; Redefine/Fountainhead; Redefine/Annuity; Arrowhead/Vividend; Arrowhead/Dipula; Premium/Octodec; Rebosis/Delta/Ascension; and Vukile/Synergy. "If all these potential deals materialise, the JSE's property sector could have 10 less counters by year-end."

Ndlovu says though that will mean less choice for investors, the upside is that investors will gain access to larger and more liquid companies with improved ratings.

"Until recently, we had a lot of newer, smaller funds that were struggling to grow their portfolios, given higher funding costs and increased volatility in bond yield movements since May 2013. That meant these funds could not improve their liquidity, which saw them trading at a much higher yield than the market average and made it difficult to conclude yield-enhancing acquisitions."

However, Ndlovu believes investors' primary focus should now be on yield, as property stocks are likely to continue to beat other asset classes on the income return front.

"Listed property still has a place in any balanced investment portfolio. It is less volatile than equities and offers better returns over the long term than cash and bonds. But what makes listed property stand out among all asset classes is its stable and growing income stream."

He notes that property stocks are now trading at a relatively attractive one-year forward yield of 7,5%, with distribution growth likely to continue to outpace inflation. "We are looking at an income growth range of 7%-8% over the next two years and to average at about 6,9%/year over the next four years."

Ndlovu concedes that capital growth will come over time, but stresses that ongoing volatility in bond yields (and therefore also property yields) will require investors to take a longer three- to five-year view.

Evan Jankelowitz, a director of boutique property asset manager Sesfikile Capital says though the SA Reserve Bank decision in March to keep interest rates on hold gave the sector some breathing room, Bank governor Gill Marcus clearly indicated that SA is in an upward interest rate cycle. "So the sharp respite in listed property prices could be somewhat overdone in the short term."

Jankelowitz believes rising interest rates could negatively affect the earnings growth of property stocks that are aggressively geared. "As such, we continue to tend towards higher-quality portfolios with specific focus on balance sheet strength."

He says though there is lots of hype in the market surrounding consolidation, with the smaller counters being primed as targets by the bigger players, Sesfikile is not swayed by this theme. "We prefer stocks that have a solid investment case outside of corporate action. We are happy to have a limited and calculated exposure to smaller cap stocks, but remain vigilant of the liquidity discount they deserve."

Jankelowitz expects listed property to deliver an average 12%-14%/year total return over the next three to five years as time will smooth out the impact of interest rate movements. However, he says continued short-term volatility in property share prices, driven primarily by movements in bond yields, will allow for attractive entry points into the sector.

Of late, distribution growth for the sector has been strong, with a number of companies surprising on the upside with growth in income payouts exceeding 10%. But Jankelowitz cautions that earnings growth is likely to moderate in light of higher funding costs. "However, there is no reason to believe that long-term growth should be under any significant pressure."

Joan Muller

TOP 15 REAL ESTATE

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Dec '13 Rm	Equity funds Rm
1	Intu Properties Plc	3 898,1	142 655,0	48 448,8	57 243,7
2	Capital Property Fund	1 846,5	20 690,0	16 841,2	15 050,7
3	Resilient Property Income Fund	1 533,7	18 061,0	16 673,4	11 249,1
4	Redefine International Plc	1 006,0	16 926,0	11 941,1	4 357,2
5	Emira Property Fund	769,2	10 114,0	6 903,8	6 608,9
6	Fortress Income Fund	744,8	8 802,0	5 312,4	3 472,2
7	Fountainhead Property Trust	679,5	11 598,0	8 743,6	8 249,1
8	SA Corporate Real Estate Fund	636,1	9 442,0	7 920,4	7 280,2
9	Hyprop Investments	633,7	22 969,0	18 669,9	10 844,4
10	Redefine Properties	631,6	42 999,0	29 327,8	20 422,8
11	Capital & Counties Prop Plc	581,7	39 701,0	46 990,0	31 559,7
12	Sycom Property Fund	460,0	8 987,0	4 603,0	6 707,3
13	New Europe Property Investments Plc	402,2	7 220,0	17 877,2	4 459,6
14	Tradehold	118,5	1 403,0	1 898,4	1 273,7
15	Octodec Investments	79,9	4 022,0	2 264,8	1 811,7

Source: INET BFA

When success breeds success

But how much longer can this remarkable winning formula be maintained?

The Top Performers section used to be regarded as something of an "incubator" for high-flying firms that could conceivably graduate to becoming the overall Top Company. And there have been such incidences over the years.

But because the ranking is based on the five-year internal rate of return (IRR) in the share price, it is not always a given that the companies' underlying fundamentals in the ranking match the share price performance. In certain years, a number of "one-hit wonders" have zoomed to near the top of the rankings, only to subsequently disappear virtually without a trace. These have often been small- or micro-capitalisation companies, whose share prices can easily double, triple, quadruple within a short period. Unfortunately, they can often unwind on the downside in similarly spectacular fashion.

This is certainly not the case in this year's Top Performers. For the second year in succession, Coronation Fund Managers is top of the ranking, and by a very wide margin. It has a five-year IRR in its share price of 92,06%, a return on equity (ROE) of 129% and a five-year compound annual growth rate (CAGR) in EPS of 52,3%. Its fundamentals underpin its spectacular share price movement in recent years. The company now has more than R500bn in assets under management and has been a major participant in the excellent performance of global equity markets.

Hetty Zantman

Anton Pillay

Besides its extraordinary share price performance, it's a classic case of success breeding success at Coronation. In recent years, it has beaten many large competitors by generating performance fees that are related to outperforming the market. And everyone in the firm participates in its success. It is estimated that the average bonus paid to its 250 employees in 2014 will be R4,5m.

It will be instructive to observe for how much longer Coronation's excellent fund management team can continue beating its benchmark and generating large performance fees. Investment history suggests that no manager can continue beating the market forever — so Coronation's remarkable run may not last much longer.

AdaptIT's share price rose by 240% during 2013. It provides a variety of innovative information technology (IT) services and specialised solutions to the mining & manufacturing, energy, financial services and higher education sectors. Operating out of business divisions in Johannesburg, Pretoria, Durban and Cape Town, AdaptIT has 120 customers in SA, East Africa, Asia, the US and Europe. This is a highly focused IT company that specialises in production and processes, something that sets it apart from many of its peers in the IT space.

EOH has made regular appearances in the upper echelons of Top Performers in recent years and moves up from last year's number seven position to number three this year. During 2013, its share price rose by 117%. Listed in 1998, EOH is represented in 120 locations in SA, in 15 countries in the rest of the African continent and in the UK. It has achieved virtually exponential growth in revenue, operating profit and earnings per share (EPS) during the past 16 years and yet still managed to increase revenue by over 38% and EPS by over 30% in the six months to January 2014. EOH provides technology, knowledge, skills and organisational ability to a wide variety of clients.

Taste Holdings, number 11 last year, moves up to number four, even though its share price declined during the course of 2013. This is a statistical anomaly, as its share price in 2008 (the base year for calculating its five-year IRR this year) was significantly lower than its base year the previous year. But Taste is a worthy inclusion in Top Performers. It has not only confounded critics who suggested that incorporating jewellery and fast food franchises together under one banner wouldn't work, but its earnings have also grown strongly in recent years. The group operates from three main areas — Natal Wholesale Jewellers (NWJ); Scooters and St Elmo's Pizza/Maxi's; and The Fish & Chip Shop.

Recently Taste announced the acquisition of Zebro's Chicken and the acquisition of the master franchise licence for Domino's Pizza in Southern Africa. All of its pizza outlets will eventually be converted to Domino's Pizza. Five-year compounded annual growth in EPS during the past years has averaged just under 11%, while ROE is 15,3%. Though reasonable, these are not superlative metrics, which are belied by the very strong five-year IRR in the share price of 66,8%. Investors obviously expect great things from this company during the next few years.

Mix Telematics has soared up the rankings from 64 last year to number five. It is a global provider of fleet and mobile asset management solutions. Put simply, it offers mobile tracking systems for individual and corporate clients in 112 countries in six continents. Its most well-known brand, at least from an individual consumer perspective, is Matrix Vehicle Tracking. EPS growth over the past five years has averaged just over 11% and its ROE is 21,6%. The five-year IRR in its share price has been 66,7%.

Listed in 1998, Micromega is a holding firm with controlling interests in a number of operating subsidiaries, with include occupational health and safety, financial services, IT and labour supply services. It has come from virtually nowhere (148 last year) to this year's number six position. Its chairman and founder is Dave King, who recently came to an agreement with Sars over a long-standing dispute regarding his tax affairs. Its five-year EPS growth is negative, at -4,9%, and it has a relatively pedestrian ROE of just under 11%. Investors and speculators obviously believe that freed from his battle with Sars, King will be able to impart his former magic touch to Micromega.

Onelogix is a specialised logistics business, with PostNet as its most well-known asset. The group has an extensive logistics footprint extending into Namibia, the DRC, Zambia, Zimbabwe, Botswana, Mozambique and Malawi. Its five-year CAGR in EPS has been just over 13% and it has an ROE of 18%. But its five-year IRR in share price of 64,2% allowed it to move from position 49 last year to seventh place this year.

Poynting is involved in the manufacture and supply of a wide range of antenna applications. Its commercial division manufactures low-cost antennas for wireless networking and cellular end-user antenna applications and radio frequency identification (RFID), while its defence and specialised division focuses on electronic warfare antenna solutions for the global defence, security and communications markets. A high (29,3%) ROE company, its five-year CAGR in EPS is not so impressive, averaging a dismal -13,9%.

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Nevertheless, its five-year IRR in share price is an impressive 63,4%, which propelled it from position 47 last year to the eighth spot this year.

Metair holds and manages a portfolio of companies that manufacture and distribute products mainly for the automotive industry. Starting life more than 30 years ago as a supplier to Toyota SA, then a sister company, Metair today produces and supplies components to all of the major original equipment manufacturers (OEMs) in SA. The group also manufactures and distributes spare parts for use in the motor vehicle aftermarket, and nonautomotive products for various other sectors of industry. Though its ROE is relatively low at 10,75%, Metair has an enviable five-year CAGR of 24,2%. Its five-year share price IRR of 61,7% helped moved it up from position 39 to ninth.

Labat Africa is an incongruous inclusion in the otherwise illustrious Top 10 of Top Performers. A serial underperformer, Labat has an ROE of -146,7% and doesn't have a five-year CAGR of EPS owing to its extremely patchy earnings record that oscillates between profit and loss. The nature of its business appears to have changed in recent times, ranging from the manufacture of integrated circuits to offshore oil and gas, and more recently rail. It now operates as an oil, gas and energy management company in SA. It holds interests in three Namibian offshore blocks covering about 25 000 km².

There were three notable falls from grace as far as performance in last year's rankings goes — Woolworths, Mr Price and Capitec. Woolies fell from four to 19; Mr Price from three to 21; and Capitec from nine to 26. The Woolies and Mr Price share prices languished during 2013 as investors dumped retail shares in the face of depressed consumer spending. Only towards the end of the year did they recover, which adversely affected their five-year IRR in share price movement. Capitec's share price also languished in the wake of the troubles that affected fellow bank African Bank, as unsecured lending was reduced by banks and retailers alike and lending criteria were tightened. *Staff writer*

200 TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2014	EPS growth over 5-year period	Return on equity over 5-year period	Return on assets over 5-year period	Dividend yield 5-year average	Pretax profit growth over 7-year period
1	Coronation Fund Managers	92,06	52,33	129,49	1,96	7,51	50,12
2	AdaptIT Holdings	79,35	22,12	33,20	21,45	4,44	23,81
3	EOH Holdings	75,79	28,50	29,52	19,05	2,80	41,24
4	Taste Holdings	66,80	10,98	15,29	17,54	1,72	25,55
5	Mix Telematics	66,65	11,05	21,63	37,13	5,52	21,08
6	Micromega Holdings	64,72	-4,91	10,63	7,96	0,00	-4,57
7	Onelogix Group	64,16	13,04	18,03	12,18	0,86	10,78
8	Ponyting Holdings	63,36	-13,91	29,28	31,12	0,00	13,58
9	Metair Investments	61,70	24,23	10,75	7,80	3,98	21,06
10	Labat Africa	58,49	NA	-146,69	-20,47	0,00	NA
11	Findbond Group	56,64	-37,50	4,10	7,11	0,00	-21,47
12	Mondi Plc	56,55	11,67	9,86	7,16	3,80	2,88
13	Howden Africa Holdings	56,36	-100,00	NA	NA	3,31	-100,00
14	Cullinan Holdings	56,35	60,86	11,38	5,29	0,37	NA
15	Afrimat	56,00	1,78	13,46	11,97	4,63	3,06
16	Pinnacle Holdings	55,62	24,05	31,99	13,61	3,21	25,94
17	Famous Brands	52,05	18,68	36,90	49,00	4,21	18,51
18	ISA Holdings	51,94	1,20	23,54	17,14	10,28	-5,60
19	Woolworths Holdings	50,96	24,09	67,37	31,84	6,25	19,61
20	Capital & Counties Prop Plc	50,92	NA	1,82	2,35	0,68	NA
21	Mr Price Group	50,25	23,75	61,42	32,78	4,18	24,01
22	Calgro M3 Holdings	50,24	18,77	28,80	14,17	0,00	21,04
23	Curro Holdings	49,58	NA	1,87	2,68	0,00	NA
24	Naspers	49,46	9,86	18,79	15,88	0,85	17,96
25	PSG Group	48,46	10,23	14,34	7,00	4,94	16,93

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Ranking IRR	Company	IRR 5 years to Mar 2014	EPS growth over 5-year period	Return on equity over 5-year period	Return on assets over 5-year period	Dividend yield 5-year average	Pretax profit growth over 7-year period
26	Capitec Bank Holdings	48,12	42,45	20,86	8,57	2,93	46,56
27	Compagnie Fin Richemont	47,83	5,02	22,01	15,93	12,08	7,08
28	ELB Group	47,23	9,00	20,28	9,53	3,42	6,45
29	Invicta Holdings	47,10	20,73	25,01	9,82	4,76	11,20
30	Mondi	47,04	11,67	9,86	7,16	3,64	2,88
31	CSG Holdings	46,36	14,31	47,75	40,41	1,02	10,98
32	Metrofile Holdings	45,25	12,11	24,47	24,60	1,21	20,72
33	Aspen Pharmacare Holdings	44,72	27,78	17,72	24,17	0,13	31,38
34	Brait SE	44,65	18,06	21,35	19,68	6,56	56,25
35	Brimstone Investment Corp	44,11	1,48	33,81	22,38	3,12	0,01
36	Amalgamated Electronic Corp	43,26	6,15	15,57	16,17	6,15	11,12
37	Trematon Capital Investments	42,67	6,40	9,07	6,66	1,11	5,69
38	Steinhoff International Holdings	42,06	8,42	10,95	10,88	0,66	18,88
39	Rand Merchant Insurance Holdings	41,30	NA	8,91	7,02	5,53	NA
40	Kaydav Group	41,20	52,64	21,16	12,57	0,00	9,49
41	Assore	40,37	-21,33	12,41	16,77	2,10	0,84
42	Life Healthcare Group Holdings	39,74	NA	36,38	26,88	2,46	NA
43	Old Mutual Plc	39,15	-6,03	13,95	2,33	5,25	0,41
44	Vukile Property Fund	39,13	8,30	0,18	8,09	8,94	18,51
45	Rolfes Holding	39,06	6,07	14,92	13,09	4,45	12,35
46	Clicks Group	38,78	17,61	70,78	15,84	1,14	13,10
47	Trencor	38,33	21,32	11,84	6,51	5,97	14,02
48	Oceana Group	38,06	15,47	29,60	17,91	5,93	16,11
49	Indequity Group	37,69	NA	26,99	18,06	0,75	NA
50	Seardel Investment Corp	37,68	NA	1,33	2,51	0,00	NA
51	New Europe Property Investments Plc	37,54	NA	9,02	6,78	4,86	NA
52	Pan African Resources Plc	36,84	30,36	15,53	14,31	4,72	27,98
53	Transpaco	36,41	17,92	17,91	11,51	5,84	18,92
54	Super Group	35,91	78,01	18,12	11,60	0,00	57,41
55	Litha Healthcare Group	35,43	-11,32	2,45	10,22	0,00	34,97
56	RMB Holdings	35,17	3,30	9,44	9,15	4,80	1,37
57	Consolidated Infrastructure Group	35,14	65,80	6,68	6,22	0,00	20,69
58	FirstRand	34,37	7,64	20,08	3,97	4,21	4,81
59	Sabvest	34,22	22,68	14,77	14,34	1,45	22,92
60	Imperial Holdings	34,15	20,23	22,70	10,92	3,90	15,19
61	Omnia Holdings	34,06	12,93	18,64	12,42	1,58	17,29
62	Verimark Holdings	33,96	15,42	6,96	5,12	6,09	3,78
63	Ellies Holdings	33,87	19,32	22,29	16,42	0,57	34,58
64	ARB Holdings	33,50	-3,43	15,70	12,10	5,10	-2,74
65	African Media Entertainment	33,45	10,72	28,42	21,31	4,09	6,87
66	AVI	33,08	17,02	32,73	21,61	5,23	13,97
67	Spur Corp	32,75	15,41	22,78	31,71	5,01	10,92
68	SABMiller Plc	32,69	10,88	11,46	16,76	2,54	11,07
69	Datatec	32,54	-0,46	10,12	5,60	0,00	7,73
70	Mustek	32,49	-0,23	16,48	7,98	3,96	1,73

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200 TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2014	EPS growth over 5-year period	Return on equity over 5-year period	Return on assets over 5-year period	Dividend yield 5-year average	Pretax profit growth over 7-year period
71	Sanlam	32,41	25,18	6,67	0,75	4,45	NA
72	Pioneer Food Group	31,98	5,86	10,28	7,69	1,80	8,24
73	Alexander Forbes Pref Share Inv	31,93	NA	4,23	11,32	0,00	NA
74	Peregrine Holdings	31,72	-9,01	30,55	3,82	4,85	-4,98
75	Kumba Iron Ore	31,58	31,27	83,54	50,30	8,25	32,40
76	Hosken Consolidated Investments	30,97	9,14	8,47	8,45	0,42	-6,43
77	Vodacom Group	30,89	NA	91,74	30,12	5,02	NA
78	Barloworld	30,88	6,96	14,33	8,68	2,54	5,59
79	Cargo Carriers	30,80	9,31	6,71	5,76	2,53	12,56
80	Mediclinic International	30,50	NA	7,79	7,47	2,40	19,02
81	Foneworx Holdings	29,87	7,45	24,55	18,36	5,87	13,39
82	AfroCentric Investment Corp	29,79	34,35	18,10	21,68	0,72	80,82
83	Discovery	29,71	16,68	18,17	6,52	2,04	15,92
84	Austro Group	29,43	-41,33	1,60	2,05	3,17	-48,77
85	The Bidvest Group	29,17	7,88	17,97	10,21	2,59	7,95
86	Italtile	29,12	6,62	19,61	17,58	6,50	7,59
87	Shoprite Holdings	28,96	16,86	27,66	13,39	2,60	16,74
88	Clientele	28,68	16,70	103,09	11,01	6,41	11,73
89	Bell Equipment	28,58	-9,28	14,66	10,67	0,00	-6,77
90	Remgro	28,49	-12,78	5,05	4,86	2,40	-10,98
91	Palabora Mining Company	28,18	NA	11,66	12,08	5,29	-19,12
92	Santam	28,10	12,01	21,50	6,61	5,94	16,52
93	Nampak	27,94	3,37	16,08	7,18	3,78	1,40
94	Netcare	27,93	17,61	26,06	13,93	2,29	18.22
95	MMI Holdings	27,07	NA	11,22	1,43	11,81	NA
96	Mpact	26,90	NA	16,62	12,26	1,23	NA
97	Control Instruments Group	26,83	NA	NA	NA	NA	NA
98	Zeder Investments	26,79	-10,70	15,70	13,73	2,17	20,72
99	Combined Motor Holdings	26,72	13,48	29,67	10,01	3,99	11,49
100	AECI	26,58	9,03	14,07	9,00	3,08	7,33
101	Resilient Property Income Fund	26,46	7,29	13,63	14,54	6,20	NA
102	Grand Parade Investments	26,39	4,39	8,54	7,97	4,35	-27,13
103	Tawana Resources NL	26,19	NA	-138,73	-190,69	0,00	NA
104	Wescoal Holdings	26,14	1,19	11,83	11,81	0,67	8,61
105	British American Tobacco Plc	26,12	14,50	21,62	16,48	4,40	14,09
106	Nedbank Group	25,92	2,08	13,94	4,86	4,49	3,81
107	Conduit Capital	25,85	19,51	11,74	5,83	0,00	16,99
108	Hudaco Industries	25,62	-0,76	18,49	18,41	4,75	3,57
109	The Foschini Group	25,42	9,44	27,51	14,56	4,86	8,69
110	Infrasors Holdings	25,21	NA	-36,80	-27,56	0,00	NA
111	Truworths International	24,73	14,07	42,80	33,50	4,03	12,02
112	Kap Industrial Hldgs	24,15	0,49	11,71	9,45	0,94	54,95
113	Clover Industries	23,80	NA	11,41	7,77	1,56	NA
114	The Spar Group	23,70	11,42	45,54	13,02	4,13	11,05
115	Distell Group	23,51	2,61	14,74	10,54	3,70	3,12

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Ranking IRR	Company	IRR 5 years to Mar 2014	EPS growth over 5-year period	Return on equity over 5-year period	Return on assets over 5-year period	Dividend yield 5-year average	Pretax profit growth over 7-year period
116	Santova	23,46	103,90	15,72	7,06	0,00	29,61
117	Sephaku Holdings	22,90	NA	-1,59	-1,09	0,00	NA
118	Trans Hex Group	22,19	NA	2,10	2,87	0,00	9,48
119	Capital Property Fund	21,68	18,54	12,27	10,62	7,56	51,68
120	Ingenuity Property Investments	21,67	5,92	2,04	4,12	0,74	-13,21
121	Hyprop Investments	21,44	-1,50	5,84	8,66	6,52	80,80
122	Adcorp Holdings	21,09	3,89	12,38	12,28	6,44	16,18
123	SA Corporate Real Estate Fund	20,82	1,94	8,74	7,85	8,96	0,02
124	Imbalie Beauty	20,79	-38,33	10,12	12,88	0,00	-24,14
125	Reinet Investments SCA	20,72	NA	8,76	8,08	0,00	NA
126	JSE	20,70	7,13	34,43	7,02	3,46	5,61
127	Investec	20,68	-11,13	9,25	3,36	3,62	-6,10
128	Investec Plc	20,54	-11,07	9,25	3,36	3,72	-6,04
129	Liberty Holdings	20,30	-14,52	19,35	1,39	3,40	-10,72
130	Workforce Holdings	20,11	-22,71	1,76	4,35	0,00	-47,62
131	AdvTech	19,93	1,57	22,00	14,14	1,76	4,12
132	Sasol	19,81	6,68	18,05	14,52	3,94	5,03
133	Arrowhead Properties	19,78	NA	1,64	6,71	14,52	NA
134	Growthpoint Prop	19,74	NA	-287,00	0,97	7,22	NA
135	Delta EMD	19,70	NA	3,98	3,39	21,62	NA
136	Exxaro Resources	19,65	26,94	11,13	10,60	3,82	25,85
137	Premium Properties	19,65	NA	1,34	6,82	8,05	-0,41
138	Business Connexion Group	19,54	-5,38	12,46	11,39	4,80	12,26
139	MTN Group	19,52	13,24	28,64	22,30	3,15	14,61
140	Sasfin Holdings	19,47	-6,08	13,69	6,70	4,91	-2,09
141	Tiger Brands	19,25	1,28	16,88	13,25	2,58	0,09
142	Purple Group	19,14	NA	-9,69	-11,19	0,00	NA
143	Marshall Monteagle Plc	19,08	NA	3,33	4,68	4,79	NA
144	Phumelela Gaming & Leisure	19,00	-0,47	20,40	13,57	6,74	-2,98
145	Vunani Prop Inv Fund	18,97	NA	4,91	9,53	5,23	NA
146	Cashbuild	18,93	7,69	25,70	13,62	3,66	7,97
147	Massmart Holdings	18,84	10,51	44,13	9,72	4,05	7,15
148	Grindrod	18,81	-14,26	5,93	5,25	2,10	-3,41
149	Reunert	18,59	-2,20	20,98	15,05	5,06	-3,72
150	Compu-Clearing Outsourcing	18,08	0,51	29,76	21,25	7,74	1,79
151	Fortress Income Fund	17,80	NA	21,45	14,93	8,02	NA
152	Investec Property Fund	17,49	NA	-4 953,85	2,56	7,09	NA
153	Putprop	17,23	5,57	6,96	6,74	5,48	4,46
154	Synergy/Income Fund AL/U	17,02	NA	4,32	8,28	6,15	NA
155	Redefine Properties	16,99	38,88	3,09	9,01	7,87	NA
156	Value Group	16,88	19,74	17,30	11,67	4,65	17,08
157	Datacentrix Holdings	16,87	-5,30	18,67	10,72	6,45	-5,40
158	Pick n Pay Holdings	16,68	-10,86	43,80	6,57	4,06	-9,02
159	Ferrum Crescent	16,62	NA	-121,98	-104,64	NA	NA
160	Comair	16,39	25,48	26,70	10,04	1,79	34,32

200 TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2014	EPS growth over 5-year period	Return on equity over 5-year period	Return on assets over 5-year period	Dividend yield 5-year average	Pretax profit growth over 7-year period
161	Bowler Metcalf	16,23	4,03	11,97	11,14	4,51	2,72
162	City Lodge Hotels	16,23	2,47	39,94	17,71	3,82	0,49
163	Emira Property Fund	16,06	4,53	11,64	9,97	8,90	4,91
164	MAS Real Estate Inc	15,98	NA	1,67	2,03	1,82	NA
165	Dipula Income Fund	15,91	NA	5,26	8,54	9,19	NA
166	Acucap Properties	15,81	65,02	0,52	7,51	7,88	-3,29
167	Octodec Investments	15,72	-45,41	4,41	8,96	8,40	12,55
168	Spanjaard	15,72	2,36	9,33	8,13	8,82	3,48
169	Blue Label Telecoms	15,64	16,19	15,76	12,74	2,34	18,39
170	Pick n Pay Stores	15,63	-10,95	34,17	6,59	3,52	-8,98
171	Fairvest Property Holdings	15,59	NA	-1 983,13	-2,68	7,04	NA
172	Standard Bank Group	15,26	-1,39	13,12	3,50	4,13	4,96
173	Rebosis Property Fund	15,20	NA	5,28	9,72	5,92	NA
174	Sappi	15,18	NA	8,03	4,72	0,00	-16,33
175	BHP Billiton Plc	14,99	-2,30	13,01	10,72	3,48	-0,37
176	Fountainhead Property Trust	14,43	3,98	8,24	7,70	7,67	6,59
177	Barclays Africa Grp	14,20	-2,63	13,49	4,48	4,33	-1,80
178	Lewis Group	14,08	7,77	19,04	13,84	6,61	6,20
179	Hospitality Property Fund	14,03	-3,85	2,19	7,50	11,73	-11,67
180	Sycom Property Fund	14,01	6,38	6,86	6,14	7,48	4,13
181	Adcock Ingram Holdings	14,00	12,37	17,08	13,75	2,16	13,85
182	Tongaat Hulett	13,29	11,16	12,43	9,34	2,10	19,80
183	Wilson Bayly Holmes-Ovcon	13,24	-1,84	14,78	6,12	2,78	0,42
184	Petmin	13,22	-0,07	5,01	6,50	1,37	-23,29
185	Country Bird Holdings	13,13	23,44	2,54	4,59	0,70	NA
186	Mazor Group	12,96	-12,76	7,45	7,46	5,00	-19,35
187	Chrometco	12,93	NA	-3,96	-6,98	12,94	NA
188	Blackstar Group SE	12,77	NA	24,85	22,62	4,86	NA
189	Anglo American Plc	12,67	-20,32	6,65	7,69	1,90	-7,29
190	London Finance & Investment Group Plc	12,62	-8,15	33,41	28,77	1,87	NA
191	Cafca	12,47	-86,33	11,31	9,82	0,00	NA
192	Group Five	12,19	-8,71	12,25	3,91	2,73	-3,39
193	Stefanutti Stocks Holdings	12,11	NA	7,57	4,44	3,98	-0,54
194	Trustco Group Holdings	11,94	NA	4,44	5,52	3,62	NA
195	Oasis Crescent Property Fund	11,75	-0,52	5,65	5,45	7,85	7,84
196	Crookes Brothers	11,71	19,70	16,62	13,60	3,67	18,22
197	Tradehold	11,71	NA	9,30	8,47	0,00	NA
198	Tsogo Sun Holdings	11,58	2,92	17,38	19,50	2,35	34,71
199	Interwaste Holdings	11,04	-10,03	6,51	7,01	0,00	-7,42
200	African Rainbow Minerals	10,65	-1,86	10,38	10,81	2,15	-4,78

Source: INET BFA


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INVESTMENT

Managing risk is a priority

The JSE is justifiably proud of its standing among global exchanges

2014 marked the end of an era in the 127-year history of the JSE with the retirement of chairman Humphrey Borkum, bringing to an end a 70-year family association with the exchange. His late father, Max, was a leading broker and also president of the JSE.

"My father was a cofounder of the brokerage firm Davis Borkum Hare. I was a founder member of the JSE board in 2000, when the JSE became an incorporated company, and I became chairman in 2002." Columnist Jamie Carr, with pardonable exaggeration, described Borkum as "a highly respected member of the broking community since the days of quill pens and frock coats".

It is now more than 20 years since the JSE, under the leadership of Roy Andersen, ditched the open-outcry trading system. Subsequent technological advances have also brought new risks and challenges that were unimaginable in the 1990s.

"When I first became a member of the JSE," Borkum recalls, "a manual system of back-office desks and white boards was adequate to clear trades. The global business of clearing has changed dramatically since then and is still changing, enabled by technological innovations. Previously seen as an unglamorous part of the market, post-trade risk management is moving to centre stage and a growing number of exchanges are looking to expand their clearing and settlement services rather than offering purely traditional trading."

The JSE is acutely aware that as an effective monopoly or virtual sole provider of exchange facilities, "we don't have a divine right to business success", says CEO Nicky Newton-King. She told the *Financial Mail* in March that the JSE has to provide a service at an acceptable price to its clients. It made so much money on its core equity market in 2013 — revenue was up 17% to R385m — that it rebated R84m to clients. Even after this the JSE's net profit after tax was up 68% to R507m. Of course, its revenues are really out of its control, in the sense that they are directly related to the amount of trading on the market.

The JSE had a mixed record on its IT development in 2013. It wrote off a further R48m (after losing R75m in 2012) on the aborted software it had earmarked to replace its back-office service. But its new trading system, brought back from London, was 100% interruption-free. Its latest preoccupation was the T+3 project aimed at forcing clients to settle trades three days after execution instead of five.

The JSE is justifiably proud of its standing among global markets. For the fourth consecutive year, SA (and by extension the JSE and its regulator, the Financial Services Board) was placed first in the WEF *Global Competitiveness Report 2013-2014* in terms of regulation of securities markets; number one in the protection of minority shareholders' interests; and number two in financing through the local equity market.

In September 2013 the *Financial Mail* noted that JSE data on local shareholding registers showed SA institutions swimming against the tide of foreign selling of SA mining shares in the past couple of years.

The local appetite for undervalued blue-chip mining shares, especially those with SA operations, may help to explain why Glencore decided to take a secondary listing on the JSE in the fourth quarter of last year. The group has significant coal and ferrochrome mining interests in SA and copper in the Democratic Republic of Congo, though most of its revenue is earned from its global marketing activities.

"Africa is an important and growing market for the group and SA has a strong institutional investor base," Glencore said. JSE business development manager Patrycja Kula said Glencore's listing strongly indicated that large multinational companies believe the JSE is an exchange that provides world-class services and access to another investor pool that understands resource companies. About 20% or R1,63 trillion of the JSE's market capitalisation is represented by basic resources companies.

Globally, mining company shares were hit hard by weaker commodity prices and many fund managers shifted to other sectors. One of the charts presented by Glencore during its investor day in September 2013 showed the HSBC global mining index had dropped 19% over one year and 28% over three years.

Foreign sentiment towards SA-based miners has been even more negative, mainly because of events around Marikana and the long platinum strike. However, uncertainty over nationalisation, classification of strategic minerals, higher taxes on mining companies and steeply rising operating costs — especially for Eskom power — have had an effect. As a result, there was an interesting swing in the proportion of shares traded on the SA register of some of the biggest dual-listed mining companies, including Anglo American, Lonmin and Aquarius Platinum.

Anglo American's local shareholding register represented 49% of shares in issue from 35% four years ago. Lonmin's local share register was 51% of the total, against 6% in January 2009.

There are two requirements for a successful secondary listing: maintaining good investor relations and ensuring there's sufficient share liquidity. The local shareholding register of the Billiton portion (listed on the JSE) of BHP Billiton has remained fairly flat at 19%-22% for the past four years as the group has focused its investor relations efforts in Australia and the UK rather than SA. Some companies, such as Coal of Africa and Pan African Resources, have issued shares in SA as well as their primary markets, which has boosted tradability.

One of the reasons major producers' shares were more attractive to local than offshore institutions is that SA institutions don't apply a sovereign risk discount. They don't need to because their portfolios are denominated in rand. "The lack of companies listing in SA and raising capital in the past couple of years is due partly to the financial crisis and the markets — locally and globally — not being conducive for the listing of a company," Kula says. "This was not just an SA phenomenon."

In Jamie Carr's selection of the JSE as a "diamond" in one of his *Financial Mail* weekly columns, he remarked that the JSE "is a huge asset for the country, allowing investors to buy into a slice of African equity with the reasonable assurance that they'll be able to exit gracefully when they move on to the next hot story.

"The JSE had a great year in 2013, with revenues growing strongly and operating costs on a tight leash, keeping cost growth down to a creditable 5%. Its revenues are variable, depending on activity levels on its various markets, so it has to concentrate on doing the basics well, providing innovative products that the punters will want to trade and keeping its costs down."

Staff writer

NEW LISTINGS IN 2013

Company	Date	Price (c)	Sector
Sibanye Gold	Feb 11	1 775	Gold Mining
GoGlobal Properties	Apr 29	1 409	Alternative Exchange
Giyani Gold Corp	Jun 26	-	Alternative Exchange
Tower Property Fund	Jul 19	870	Diversified Reits
The Waterberg Coal Company	Sep 30	-	Coal
Southern View Finance	Oct 1 1	033	Alternative Exchange
Attacq	Oct 14	1 450	Real Estate Holding & Dev
Investec Australia Property Fund	Oct 23		Real Estate Holding & Dev
Redefine International Plc	Oct 28	767	Diversified Reits
Glencore Xstrata Plc	Nov 13	-	General Mining
Ascendis Health	Nov 22	1 100	Pharmaceuticals
Accelerate Property Fund	Dec 12	488	Retail Reits

Source: JSE

RIGHTS ISSUES FOR 2014

Company	Date	Price (c)	Capital raised (Rm)
Pan African Resources Plc	Jan 7	190	703,1
Rebosis Property Fund	Jan 28	1 120	650,0
Rainbow Chicken (RCL Foods)	Feb 25	1 420	3 932,9
Delta Property Fund	Apr 26	840	1 000,0
Curro Holdings	May 6	1 200	605,9
Sycom Property Fund	May 20	2 725	900,0
Vividend Income Fund	May 27	540	247,4
Gijima Group	Jun 14	5	150,0
RBA Holdings	Jul 8	8	10,0
New Europe Property Investments	Jul 23	6 480	1 349,9
Vunani Property Investment Fund	Aug 19	987	478,9
African Bank Investments	Dec 2	800	5 482,3

Source: JSE

DELISTINGS FOR 2014

Company	Date	(Rm) Market capitalisation
Sallies Debentures	Jan 2	14,4
New Africa Investments	Jan 30	0
Queensgate Hotels & Leisure	Feb 18	18,1
Hardware Warehouse	Feb 26	0,8
JCI	Apr 16	604,9
Simmer & Jack Mines	Apr 16	37,8
Zaptronix	Apr 30	9,5
Cape Empowerment	May 14	256,0
New Bond Capital	Jun 4	62,5
Amalgamated Appliance Holdings	Jul 2	740,5
Thabex	Jul 9	9,0
Mobile Industries	Jul 16	10,7
Cipla Medpro	Jul 16	4 484,9
Muvoni Tech Group	Jul 30	34,4
RGT Smart Market Intelligence	Jul 30	43,7
Lonrho Plc	Aug 5	1 877,2
Allied Technologies	Aug 20	5 038,0
AG Industries	Aug 27	86,4
Sable Holdings	Sep 3	0,1
IFA Hotels & Resorts	Sep 10	41,5
Uranium One Inc	Oct 22	9,4
Redefine Properties International	Nov 4	85,0
Racec Group	Nov 5	34,4
Mvelaserve	Nov 12	1 299,5
Kagiso Media	Dec 10	3751,1
First Uranium Corp	Dec 24	26,2

Source: JSE

JSE

INVESTMENT

Growth in numbers continues

Multi-asset funds, though, are proving to be best sellers

In a country with barely 60 tradable shares and a dozen tradable bonds, the number of unit trusts continues to grow to baffling levels. In the year to March, the number of funds increased by a further 65 to 1 053.

Unit trusts used to be a convenient way to make monthly investments into the JSE. SA equity funds still make up 27% of all unit trusts, but they mainly attract lump sums from sophisticated financial planners — debit-order business has been neglected for years.

However, Thabo Khojane, MD of Investec Asset Management SA, says he expects unit trusts to become ever more important to the shop. "The retail savings pool is growing a lot faster than the institutional asset base, and unit trusts are now making their way into the pension fund market as a convenient way to offer member choice in a defined contribution environment."

To get into this market, fund houses often have to simplify their range and reduce duplication that has crept in. Investec plans to merge its Growth and Active Quants funds into its Equity Fund, but it will keep Investec Value separate, as it has its own well-defined client base. In common with its peers, the best sellers at Investec are multi-asset funds, the Opportunity and Cautious Managed Fund along with Diversified Income and Global Strategic Managed.


Hetty Zantman
Thabo Khojane

Pure equity funds are a declining portion of the industry. Over the past year R2,37bn has been pulled out of equity funds. There was a period in the late 1990s and early 2000s in which money market funds appeared to be taking over the industry. They offered the security of bank deposits, but at much more attractive yields. It was not long before corporate treasurers piled excess cash into money funds. But over the past year there has just been a trickle of R125m into money funds. Not only are bank rates becoming more competitive, but many investors have discovered the joys of other interest-bearing unit trusts that offer both enhanced yields on money-market rates, and more capital protection than bond funds.

Short-term funds attracted R20bn over the past year while variable term funds brought in R7,1bn.

The heart of the industry is now the multi-asset funds. They account for 506 funds, almost half the funds in the industry, across the spectrum of risk profiles, from multi-asset income funds right up to high-equity funds. Over the past year the flow into high-equity funds — made up primarily of traditional balanced funds — has been R53,8bn, with a further R38,7bn into low-equity funds.

Peter Dempsey, the deputy CEO of the Association for Savings & Investment SA (Asisa), says it is a good thing that multi-asset classes are now the preferred vehicle for unit trust investment. "Financial planners are tending to leave the asset allocation decisions to asset managers. Multi-asset funds can be called


Hetty Zantman
Jeanette Marais

one-stop shops or solution-based vehicles."

No less than six of the largest funds in SA are multi-asset funds — Allan Gray Balanced (R89,4bn); Coronation Balanced Plus (R56,9bn); Investec Opportunity (R36,5bn); Allan Gray Stable (R35bn); Foord Balanced (R34,1bn); and Coronation Balanced Defensive (R30,7bn).

Only one of the top 10 is an equity fund, Allan Gray Equity with R38,8bn, and only three are now money funds. These are Absa Money Market (R49,6bn), Standard Bank Corporate Money Market (R32,2bn) and Investec Money Market (R27,9bn).

Khojane says few of these businesses are focusing on independent financial advisers — the fixed income offering at Stanlib is an exception to this — and rely on the selling of structured and guaranteed products through their tied agents.

The structure of the industry has changed significantly over the past four years. Back in March 2009, money market accounted for 36% of assets: prudential funds — balanced funds that are in line with the prudential guidelines of the Pension Funds Act — accounted for 16% of assets.

The proportion in money funds has fallen to 18% and multi-asset dominates, with high-equity multi-asset funds making up 21% of assets, low-equity 12% and multi-asset income funds (the flexible fixed income funds) account for a further 8%. The industry remains highly concentrated in spite of the large number of funds. The top 10 management companies account for 76% of the assets, including money market funds and 78% of assets excluding money funds. The top 30 funds account for 70% of industry flows.

Pieter Koekemoer, head of Coronation unit trusts, says the preference for multi-asset funds has made it tough for start-up asset managers, as the majority are equity specialists with no expertise to run a blend of equities, bonds, property, cash and international assets. "One of the recent trends, though, has been for balanced funds to be launched by a group such as Sygnia, in which there are passive (index tracking) building blocks for each asset class," he says.

The weight of money into Allan Gray and Coronation has positioned them as the largest management companies in SA, ahead of Stanlib, which could rely on its money market assets to keep it at the top. Allan Gray head of retail Jeanette Marais says Gray also has the largest linked-product provider in SA, with R128bn under management. Other management companies wait eagerly for the annual ballot when advisers who use the Allan Gray platform choose new funds that they would like to see introduced. It is critical for management companies to get onto a platform such as this, or similar platforms from Momentum, Glacier and Investec.

Starting a fund, however, has become easier with the introduction of Boutique Collective Investments. It was started by the former head of Momentum unit trusts Robert Walton. He has a restraint until July 1 before he can take on business which is leaving Momentum. But he says on that day his book will grow from R7bn to R34bn. He provides all the administration, compliance and marketing backup the fund houses.

"This is all I do," says Walton, "so the managers wake up one day to find that the business unit has been closed, and many of the outsourcing businesses at the large houses have been closed. The white labelling, or hosting of funds by management companies, has been controversial, not least because of the quality of some of the funds, particularly those managed by advisers and not by professional asset managers."

But Walton says minimum levels of compliance and transparency are not negotiable. He has brought some top houses on board, including two of the finalists in the Morningstar small fund house of the year, Southern Charter and AS Sure. BCI might soon become the largest component of its parent company, the Efficient Group, as it offers a full backup service to aspiring unit trust businesses, on an asset base of R34bn.

Stephen Cranston

In need of a confidence boost

As the global economy slowly recovers, SA moves in the opposite direction

Perhaps the best brief analysis of SA's economic malaise of the past few years came from Nomura analyst Peter Attard Montalto. In May this year, as SA celebrated 20 years of democracy, Montalto noted that while the lives of average South Africans are undoubtedly much better, quality of life generally could have been far better with alternative policy choices.

In June the IMF and the World Bank revised their predictions for GDP growth in SA for 2014 downwards to around 2%. And there are fears that, due to contraction in mining and manufacturing as a result of the prolonged strike in the platinum sector, SA will have two successive quarters of negative growth, thus technically entering a recession for the first time in five years.

Economists have for months been noting the factors that point to lower growth. In particular, the consumer is not about to come to the rescue, as household indebtedness is still around record levels.

Montalto pointed to some moderately encouraging aspects behind the depressing headline numbers. "The youth wage subsidy, the public sector build programme and a more general fiscal response from government to counter external shocks (in a stalling of consolidation) could offset the negative rate effects to some degree, offsetting the last point.

"Corporates are cash-rich but not in cyclically adjusted terms. This basically means there is sufficient cash at this recovery point of the cycle to fund expansions without the need for credit extensions to reach particularly high levels during the rate-hiking cycle.

"Real rates are still historically low and so real wage increases look very healthy at this point in the cycle. Equally, neither the SARB nor ourselves expects strong inflation as our baseline with simply a period of rising core and headline inflation sitting on the top of the central bank's target — this means some shielding of households from rate increases on this front."

The Reserve Bank has said it will do its best to stave off rate increases. Though inflation is pushing the upper end of the 3%-6% band, the fear is that nascent economic growth will be snuffed out by a hike. In mid-June governor Gill Marcus warned that export figures will be affected if the five-month-long platinum strike continues. She said the strike has already negatively affected economic growth, but has not yet shown an effect on export data as mining houses have significant platinum inventories.

Gill Marcus

"However, these inventories are being depleted and the longer the strike continues, the sooner the adverse effects on exports will be felt," she said. Like new finance minister Nhlanhla Nene, Marcus believes a recession is unlikely but urged all sectors to work together to rebuild confidence. "It behoves all of us — government, business and labour — to rebuild the confidence and trust that is an imperative to change the negative trajectory that the economy is presently on."

She said the main risks to the economy are the strike and electricity supply constraints, with the stoppage accounting for 19 percentage points of the total mining sector contraction in Q1.

At the same time, new mining minister Ngoaka Ramathlodi signalled government's frustration and impatience with the strike, warning for the first time that shafts and mines might have to close. It was the first time that government appeared to take the side of the mining companies.

What seems clear is that the platinum strike may have changed the labour, business and government relations landscape more dramatically than any other event in the past 30 years. How the parties handle this will determine whether SA will take a high or low economic road as the global economy slowly recovers.

David Williams

It should all be about openness

Alleged executive transgressions should be dealt with in a transparent way

The suspension of a senior executive of any listed entity is a serious matter, especially if that person is the financial director or chief financial officer (CFO).

Three cases over the past eight months — at Telkom, Pinnacle Holdings and Protech Khuthele — have raised questions about how transparent boards are (and should be) about executive transgressions or alleged transgressions.

It is also not clear whether the present approach by boards to report these issues through the Stock Exchange News Service (Sens) is adequate and serving its intended purpose — to inform investors without favour on matters that, once known, could have a material impact on the share price.

In early June 2014, investors in Telkom could be forgiven for having forgotten the identity of its CFO — suspended at that stage for seven months, with no information on his case for almost as long. The bones of the matter were briefly revealed in a series of Sens announcements:

❑ September 30 2013: Telkom CFO Jacques Schindehütte buys 243 700 shares worth R5,9m.

❑ October 2 2013: A routine update on Telkom directors' dealings states that "clearance has been obtained in respect of these dealings in securities on the open market".

❑ October 8 2013: A trading update states that Telkom's basic and headline earnings per share for the six months to end-September 2013 are expected to be at least 20% higher than those of the prior comparable period.

❑ October 24 2013: Shareholders are told that Schindehütte has been suspended immediately pending a disciplinary process. This follows a probe commissioned by the board after "certain allegations were made against Schindehütte".

❑ October 25 2013: "This note is issued to shareholders in order to clarify certain misconceptions about and to dispel speculation on the reasons behind Schindehütte's suspension." The board states unequivocally that "there is no connection whatsoever between the suspension and the insider trading inquiry instituted by the JSE in relation to Schindehütte's trade in Telkom shares on September 30 2013".

However, the board's October 25 statement also stated that "the suspension has no connection with and will not have an impact on the financial performance of the company. The suspension relates to allegations of personal misconduct levelled against Schindehütte and which came to the board's attention through a whistle-blower".

In early June, more than seven months after the suspension started, he remains suspended and there has not been a word on the disciplinary process.

One other subsequent Sens comment related to Schindehütte, and it was immediately assumed by many commentators that this might explain the suspension:

Sipho Maseko

❑ February 24 2014: Telkom announces it has received a compliance notice from the Companies & Intellectual Property Commission (CIPC) relating to an interest-free loan to Schindehütte during November 2013. The CIPC says it believes Telkom has contravened the Companies Act, as the payment of the loan "was authorised prematurely and prior to the board of directors of Telkom passing the necessary precursory financial assistance resolutions".

The CIPC, part of whose mandate is the "efficient and effective enforcement of relevant legislation", required Telkom to recover the loan (which was done) and ordered Telkom CEO Sipho Maseko "to attend a corporate governance and director duties course within 90 business days". Such an order to the CEO of a listed company is humiliating and unprecedented, but apparently Maseko had no choice but to obey it.

What the order strongly implied was that the loan to Schindehütte should not have been approved by Maseko, though the company sought to make it clear that this had been done in good faith. Could the loan have been the reason for Schindehütte's suspension? If so, the CIPC directive would have offered an opportunity to confirm this, but there has been no confirmation or denial from Telkom.

There has inevitably been much speculation on what Schindehütte is alleged to have done, or not done. The disciplinary process remains shrouded in silence, perhaps for legal reasons. But shareholders surely have a right to some clarification, and the Sens process has raised the matter only to obscure it.

Then there was the case of Pinnacle Holdings, a successful player in the ICT sector. One of its directors, Takalani Tshivhase, was arrested in January 2013 on suspicion of offering a bribe of R5m to a lieutenant-general in the SA Police Service. However, the company only announced this more than a year later.

❑ March 25 2014: Pinnacle states that Tshivhase "denies all allegations of attempted bribery, and will defend the charges. From the evidence thus far available to the company, (it) is satisfied that there is no reason to doubt the veracity of Tshivhase's denial of the allegations".

However, as with the first Telkom statement on Schindehütte, this aroused much controversy. Why had the company not announced the allegation of bribery a year earlier? The share price dropped sharply and, as with Telkom, Pinnacle was compelled to issue a second statement the next day to explain the delay:

❑ March 26 2014: "The company, acting on legal advice, made the announcement immediately that a charge was formally made against Tshivhase. The making of the charge on Monday, March 24 2014, was the moment at which criminal proceedings were initiated and was the first appropriate time for the company to report thereon."

More to the point was the sale of Pinnacle shares prior to the Sens announcement, by parties with inside knowledge of the arrest — a family trust connected to CEO Arnold Fourie (1,2m shares sold) and Tshivhase himself (200 000 shares worth around R4m).

The company explained that "these sales occurred prior to the bringing of any charge against Tshivhase and therefore prior to the Sens announcement."

It also said the first sale was occasioned by the exercise of an option and was therefore a forced sale, and that Tshivhase's sale represented "a very small percentage of his holdings and was related to the need to fund a specific transaction of a personal nature". Two subsequent statements were made:

❑ April 24: Pinnacle announces that Tshivase has appeared in court in the morning and the matter is postponed until July 2.

❑ April 30: Pinnacle says the Financial Services Board (FSB) has registered an investigation in terms of section 84 of the Financial Markets Act, relating to insider trading in "share transactions in the company executed during March 2014".

Pinnacle said that it had taken legal advice before it decided not to immediately announce the allegation of bribery. But the reaction of the market when the announcement was eventually made showed that to be legally in the right might not be sufficient. The two share trades may well have been explicable and innocent, but the FSB thought they were worth investigating. Did the Pinnacle board apply its mind fully to these matters? And did it make the best use of Sens?

At the end of May 2014, Protech Khuthele, a small construction company, announced that it had filed for business rescue because it did not have cash to meet its commitments. Two days earlier the CEO and two nonexecutive directors had resigned. There had been earlier warning signs via SENS — at the end of January, Protech admitted that its cash resources were "under considerable strain" because of a nonperforming contract in the Democratic Republic of Congo.

But was enough attention paid to the news that a special board meeting was held in December 2013 to discuss "the way forward" — and in particular the evidently tense relationship with major shareholder Eqstra? Or to the earlier announcement in November that the financial director had not been re-elected to the board at the AGM? He continued working for the firm — but why was he moved off the board?

The spirit of disclosure is to ensure the release of all relevant information to all players to make certain that the market works fairly and efficiently. These cases show that it is easy to observe the letter but not the spirit and — through cryptic announcements — to obscure issues relevant to investors, rather than throw light on them. The media, analysts and investors should not have to do detective work to find out what is going on in a company. *David Williams*

A move in the right direction

The benefits of mediation can now finally help alleviate pressure in the justice system

Mediation will be introduced as a preferred alternative to litigation in magistrates' courts from August 1, when amendments to the rules regulating the conduct of proceedings of these courts come into effect.

The revised rules, following from the Rules Board for Courts of Law Act, include the addition of a chapter regulating court-annexed mediation. They were published in the *Government Gazette* in March for public comment.

The Centre for Effective Dispute Resolution, a global conflict management and resolution consultancy, defines mediation as "a flexible process conducted confidentially in which a neutral person actively assists parties in working towards a negotiated agreement of a dispute or difference, with the parties in ultimate control of the decision to settle and the terms of the resolution".

Yvonne Wakefield, founder of Caveat Legal, a local low-cost legal service provider, says it is hoped the introduction of court-annexed mediation into the SA legal system will lead to quicker and more cost-effective dispute resolution in matters that fall under the jurisdiction of the magistrates' courts.

In terms of the new rules, a magistrate or the parties themselves may refer a dispute for mediation prior to the commencement of litigation or where litigation has already started, but before judgment has been passed — and provided all parties agree. The new rules set out the procedures that must be followed once a dispute has been referred to mediation.

Wakefield says mediation is increasingly becoming a preferred option in complex commercial disputes, workplace disputes and those involving family trusts. This is because it helps preserve relationships between litigants and facilitates an expeditious and cost-effective resolution of a dispute.

Yvonne Wakefield

Acting judge Martin Brassey, in his judgment in Brownlee v Brownlee in the South Gauteng high court, further stressed the need to rely on mediation in matrimonial disputes. The judge voiced his unhappiness at the failure of both parties' attorneys in this matter, as they did not advise their clients to use mediation before settling the matter through the court. In line with this dissatisfaction, the judge capped the fees of the attorneys of both parties.

However, notwithstanding the broadened jurisdiction of magistrates' courts as from June 1 (regional courts will be able to hear matters involving amounts of up to R400 000), most commercial disputes far exceed the jurisdiction limits and are usually resolved in the high court, with litigation costs running into hundreds of thousands, even millions of rand.

Industry players hope to see mediation rules introduced into the high court in the near future.

Mieke Krynauw, a senior associate in mergers and acquisitions at Bowman Gilfillan, says SA is a latecomer to the commercial mediation space compared to its global counterparts. However, the judicial system can draw from an already rich body of law and of practical and theoretical literature in other jurisdictions, including the UK, North America, the European Union, China, Singapore and a number of Middle Eastern countries.

"In addition to the lack of a statutory framework, one of the primary hindrances to large commercial cases going to mediation is that many local commercial lawyers are unfamiliar with the benefits. And too often they have an outdated perception that mediation is a 'soft' process relevant only in family law or labour disputes," she says. "Commercial mediation facilitated by trained mediators can successfully assist parties to resolve complex and large commercial cases. At the very least, it can narrow the issues to be decided in arbitration or litigation.

"The introduction of court-annexed mediation in the magistrate's court is an encouraging sign that the SA civil justice system is moving in the right direction. Extending this approach to the high court will free up an overloaded court roll and benefit all parties involved."

Ruan Jooste

LEGAL ADVISERS AND CORPORATE CLIENTS

- *ABSA LEGAL SERVICES*
  SA Giants: Absa (16)
  Top Performers: Absa (177)
- *ADAMS & ADAMS*
  SA Giants: Woolies (37)
  Top Performers: Woolies (19)
- *ALLEN & OVERY LLP (UK)*
  SA Giants: Lonmin (65)
  Top Performers: Lonmin (298)
- *BAKER & MCKENZIE*
  SA Giants: Bidvest (8), Adcorp (85), Trustco (220)
  Top Performers: Bidvest (85), Adcorp (122), Trustco (194)
- *BARNARD INC*
  SA Giants: Calgro (201)
  Top Performers: Calgro (22)
- *BELL DEWAR INC*
  SA Giants: RBPlat (125), Wildrness (168)
  Top Performers: RBPlat (238), Wildrness (275)
- *BERKOWITZ COHEN WARTSKI*
  SA Giants: Gooderson (285)
  Top Performers: Gooderson (242)
- *BERNADT VUKIC POTASH & GETZ ATTORNEYS*
  SA Giants: Mr Price (68), Invicta (93), Spurcorp (215), Trematon (320)
  Top Performers: Mr Price (21), Invicta (29), Trematon (37), Spurcorp (67)
- *BLAKISTON & CRABB (AUSTRALIA)*
  SA Giants: Gfields (32)
  Top Performers: Gfields (278)
- *BOTOULAS KRAUSE & DA SILVA INC*
  SA Giants: EOH (108)
  Top Performers: EOH (3)
- *BOWMAN GILFILLAN*
  SA Giants: Stanbank (12), Barworld (18), Datatec (34), ARM (52), Nampak (53), Tongaat (64), Northam (115), RBPlat (125), DRDGold (140), Value (146), Trnshex (204)
  Top Performers: Datatec (69), Barworld (78), Nampak (93), Control* (97), Trnshex (118), Value (156), Stanbank (172), Rebosis (173)
- *BRINK FALCON HUME INC*
  SA Giants: Afgri* (77), ELBGroup (145), Rockwell (262)
  Top Performers: ELBGroup (28), Rockwell (245)
- *CHRISTELIS ARTEMIDES ATTORNEYS*
  SA Giants: Fambrands (134)
  Top Performers: Fambrands (17)
- *CLAYTON UTZ (PERTH)*
  SA Giants: Aquarius (124)
  Top Performers: Aquarius (302)
- *CLEARY GOTTLIEB STEEN & HAMILTON LLP*
  SA Giants: SAB (6)
  Top Performers: SAB (68)
- *COERTZEN WILLIAMS ATTORNEYS*
  SA Giants: Calgro (201)
  Top Performers: Calgro (22)
- *COGHLAN WELSH & GUEST (ZIMBABWE)*
  SA Giants: Cafca (269)
  Top Performers: Cafca (191)
- *COLLINS NEWMAN & CO (BOTSWANA)*
  SA Giants: Wildrness (168)
  Top Performers: Wildrness (275)
- *COREUS (FRANKFURT)*
  SA Giants: Steinhoff (10)
  Top Performers: Steinhoff (38)
- *COUZYNS INC*
  SA Giants: Omnia (66)
  Top Performers: Omnia (61)
- *COX YEATS ATTORNEYS*
  SA Giants: Tongaat (64), Hulamin (341)
  Top Performers: Tongaat (182), Hulamin (269)
- *DE CHALAINS*
  SA Giants: BCX (98)
  Top Performers: BCX (138)
- *DLA CLIFFE DEKKER HOFMEYR*
  SA Giants: Steinhoff (10), Richmont (11), Massmart (19), Medclin (48), WBHO (49), Santam (50), PNR Foods (51), Remgro (59), Omnia (66), LifeHC (70), Sunint (75)
  Top Performers: Metair (9), Richmont (27), Brimston (35), Steinhoff (38), LifeHC (42), Omnia (61), PNR Foods (72), Medclin (80)
- *DM KISCH INC*
  SA Giants: Primeserv (216)
  Top Performers: Primeserv (236)
- *DEREK H RABIN & ASSOCIATES*
  SA Giants: Itltile (138)
  Top Performers: Itltile (86)
- *DOGULIN SHAPIRO & DA SILVA INC*
  SA Giants: Dorbyl (281)
- *DORSEY & WHITNEY LLP*
  SA Giants: Fiuunit* (244)
- *EDELSTEIN-BOSMAN INC*
  SA Giants: Digicor (195), Ansys (290)
  Top Performers: Ansys (254), Digicor (261)
- *EDWIN JAY INC*
  SA Giants: Moneywb (316)
  Top Performers: Moneywb (266)
- *ELVINGER, HOSS & PRUSSEN (LUXEMBOURG)*

LEGAL ADVISERS AND CORPORATE CLIENTS

SA Giants: Reinet (362)
Top Performers: Reinet (125)

- *ENSafrica (EDWARD NATHAN SONNENBERGS)*
SA Giants: BATS (4), Sanlam (5), Sasol (7), Bidvest (8), Massmart (19), Picknpay (22), Pikwik (23), Nedbank (24), Gfields (32), Woolies (37)
Top Performers: Woolies (19), Brimston (35), Trencor (47), Oceana (48), Seardel (50), Litha (55), Sabvest (59), Sanlam (71), HCI (76)
- *EOH LEGAL SERVICES*
SA Giants: ArcMittal (40), Exxaro (60)
Top Performers: Exxaro (136), ArcMittal (285)
- *EVERSHEDS*
SA Giants: Itltile (138), Kelly (150), Workforce (159), Keaton (193), Insimbi (197), Fiuunit* (244), Taste (230), PSV (233), JCI* (328)
Top Performers: Taste (4), Itltile (86), Workforce (130), Insimbi (215), Kelly (267), PSV (288), Keaton (303)
- *FASKEN MARTINEAU DUMOULIN LLP (CANADA)*
SA Giants: Urone* (111), Fiuunit* (244)
- *FLUXMANS INC*
SA Giants: Suprgrp (71), Afgri* (77), Caxton (107), Winhold (186), Wearne (242), Invprop (247), Secdata* (257), AME (270)
Top Performers: Poynting (8), Suprgrp (54), AME (65), Compclear (150), Invprop (152), Vividend (201)
- *FRIEDLAND HART SOLOMON & NICOLSON*
SA Giants: Finbond (340)
Top Performers: Finbond (11)
- *GARLICKE & BOUSFIELD INC*
SA Giants: Spar (31), Tongaat (64), Bonatla (319)
Top Performers: Spar (114), Tongaat (182)
- *GIDE LOYRETTE NOUEL AARPI (PARIS)*
SA Giants: Steinhoff (10)
Top Performers: Steinhoff (38)
- *GILDENHUYS MALATJI INC*
SA Giants: Silverb (298)
Top Performers: Silverb (286)
- *GIRARD HAYWARD INC*
SA Giants: York (182)
Top Performers: York (264)
- *GLYN MARAIS INC*
SA Giants: Sanlam (5), Firstrand (17), Growpnt (100), Andulela (163), Verimark (239), VPIF (266), Blue (339), Invltd (345)
Top Performers: FirstRand (58), Verimark (62), Sanlam (71), Invltd (127), Growpnt (134), VPIF (145)
- *GRAYSTON ELLIOT*
SA Giants: Zeder (254)
Top Performers: Zeder (98)
- *HALSTEAD PAOLA*
SA Giants: Nutrition (317)
Top Performers: Nutrition (284)
- *HERBERT SMITH FREEHILLS*
SA Giants: Lonmin (65)
Top Performers: Lonmin (298)
- *HR LEVIN ATTORNEYS*
SA Giants: Fambrands (134), Amecor (255), Infrasors (259)
Top Performers: Fambrands (17), Amecor (36), Infrasors (110)
- *HUTCHEON ATTORNEYS*
SA Giants: Adrenna (318)
Top Performers: Adrenna (257)
- *JAVA CAPITAL*
SA Giants: Redefine (121), Hyprop (136), CIL (141), Ellies (144), Andulela (163), Buildmax (177), Mixtel (179), Conduit (180)
Top Performers: Mixtel (5), Onelogix (7), Kaydav (40), CIL (57), Ellies (63), Austro (84), Conduit (107)
- *JONES DAY*
SA Giants: ResGen (366)
Top Performers: ResGen (255)
- *KWA ATTORNEYS*
SA Giants: Wescoal (213)
Top Performers: Wescoal (104)
- *KERN & PARTNERS*
SA Giants: CountryB (126)
Top Performers: CountryB (185)
- *KNOWLES HUSAIN LINDSAY INC*
SA Giants: Accent (258)
Top Performers: Accent (243)
- *LARSON FALCONER HASSAN PARSEE INC*
SA Giants: IFA* (307)
- *LE ROUX, VIVIER & ASSOCIATES ATTORNEYS*
SA Giants: Fairvest (308)
Top Performers: Fairvest (171)
- *LEVIN VAN ZYL INC*
SA Giants: Indeqty (313)
Top Performers: Indeqty (49)
- *LINKLATERS (UK)*
SA Giants: Glencore (1), BHPBill (2), Anglo (3), Steinhoff (10), OldMutual (30), Gfields (32), Intuprop (91), Mpact (95), Capco (154)
Top Performers: Capco (20), Steinhoff (38), OldMutual (43), Mpact (96), BHPBill (175), Anglo (189), Intuprop (213), Gfields (278)
- *LIVINGSTON LEANDY INC*
SA Giants: Santova (130), Crookes (241)
Top Performers: Santova (116), Crookes (196)
- *M PARTNERS*
SA Giants: MAS (312), Brait (350)
Top Performers: Brait (34), MAS (164)
- *MALAN SCHOLES INC*
SA Giants: BlueTel (55)
Top Performers: BlueTel (169)
- *MARTINI & PATLANSKY ATTORNEYS*
SA Giants: AME (270)
Top Performers: AME (65)
- *MAWERE & SIBANDA LEGAL PRACTITIONERS (ZIMBABWE)*
Top Performers: Hwange (314)
- *MCCARTHY TETRAULT LLP (CANADA)*
SA Giants: Atlatsa (191)
Top Performers: Atlatsa (252)
- *MCMILLAN LLP*
SA Giants: Eastplats (211)
Top Performers: Eastplats (304)
- *MCPHERSON KRUGER ATTORNEYS*
SA Giants: Dcentrix (149)
Top Performers: Dcentrix (157)
- *MICHAEL KRAWITZ & CO*
SA Giants: Rex True (235), Af & Ovr (236)
Top Performers: Rex True (204), Af & Ovr (220)
- *MILBANK (US)*
SA Giants: Steinhoff (10)
Top Performers: Steinhoff (38)
- *MINTER ELLISON (AUSTRALIA)*
SA Giants: Gfields (32)
Top Performers: Gfields (278)
- *MOSS COHEN & PARTNERS*
SA Giants: Micromega (205)
Top Performers: Micromega (6)
- *MOURANT OZANNES*
SA Giants: Pallinght (363)
Top Performers: Pallinght (221)
- *NORTON ROSE FULBRIGHT CANADA LLP*
SA Giants: Eastplats (211), Delrand (372)
Top Performers: Delrand (273), Eastplats (304)
- *NORTON ROSE FULBRIGHT SA*
SA Giants: Firstrand (17), Kumba (33), ARM (52), Omnia (66), Assore (67), Coronat (123), Sanyati (161), Huge (261), Rare (278)
Top Performers: Coronat (1), Labat (10), Assore (41), Firstrand (58), Omnia (61), Kumba (75), ARM (200)
- *PETER WENTZEL ATTORNEYS*
SA Giants: Primeserv (216)
Top Performers: Primeserv (236)
- *PSG CAPITAL*
SA Giants: Zeder (254)
Top Performers: Zeder (98)
- *PAGDENS*
SA Giants: Sovfood (170)
Top Performers: Sovfood (246)
- *PAUL HASTINGS LLP*
SA Giants: Blackstar (184)
Top Performers: Blackstar (188)
- *PENNINGTONS MANCHES LLP*
SA Giants: Sabvest (352)
Top Performers: Sabvest (59)
- *PETERSEN HERTOG & ASSOCIATES*
SA Giants: Afdawn (330)
Top Performers: Afdawn (316)
- *PINSENT MASONS LLP*
SA Giants: IPSA (306)
Top Performers: IPSA (292)
- *PRINSLOO, TINDLE & ANDROPOULOS INC*
SA Giants: ABIL (118), Alert (208)
Top Performers: ABIL (268), Alert (320)
- *READ HOPE PHILLIPS ATTORNEYS*
SA Giants: Adcock (104), Village (127)
Top Performers: Adcock (181), Village (223)
- *ROBERT MITCHLEY ATTORNEY*
SA Giants: 1Time (169)
- *ROODT INC*
SA Giants: S Ocean (165), Phumelela (194)
Top Performers: Phumelela (144), S Ocean (260)
- *RUDOLPH, BERNSTEIN & ASSOCIATES*
SA Giants: Cenrand (277)
Top Performers: Cenrand (321)
- *RUSHMERE NOACH INC*
SA Giants: Iquad* (297)
- *SCHALK BRITZ INC*
SA Giants: Torre (299)
- *SCHWARZ-NORTH INC*
SA Giants: Sqone (271)
- *SHAPIRO-AARONS INC*
SA Giants: Hosp (251)
Top Performers: Hosp (179)
- *SHEPSTONE & WYLIE ATTORNEYS*
SA Giants: Tongaat (64), CMH (84), Masnite (214), Adaptit (256), Biosci (322)
Top Performers: Adaptit (2), CMH (99), Tongaat (182), Masnite (206)
- *SLAUGHTER AND MAY (UK)*
SA Giants: BHPBill (2), OldMutual (30)
Top Performers: OldMutual (43), BHPBill (175)
- *SMIT SEWGOOLAM INC*
SA Giants: BCX (98), Net1UEPS (119)
Top Performers: BCX (138), Net1UEPS (258)
- *STAN FANAROFF & ASSOCIATES*
SA Giants: AH-Vest (286)
Top Performers: AH-Vest (277)
- *STEINEPREIS PAGANIN (AUSTRALIA)*
SA Giants: Firestone (364)
Top Performers: Firestone (283)
- *STRAND PARTNERS (UK)*
SA Giants: Lonrho* (129)
- *STRAUSS SCHER ATTORNEYS*
SA Giants: Growpnt (100)
Top Performers: Growpnt (134)
- *SWEIDAN ATTORNEYS*
SA Giants: Mustek (110)
Top Performers: Mustek (70)
- *TW FERGUSON*
SA Giants: Seakay (275), Mastdrill (293)
- *TABACKS*
SA Giants: Woolies (37), Tongaat (64), AVI (82), Metair (106), Metmar (142), Trnshex (204)
Top Performers: Metair (9), Woolies (19), AVI (66), Trnshex (118), Tongaat (182), Metmar (281)
- *TANYA BESSINGER LEGAL CONSULTANT*
SA Giants: BCX (98)
Top Performers: BCX (138)
- *THEUNISSEN LOUW & PARTNERS (NAMIBIA)*
SA Giants: Nictus (265)
Top Performers: Nictus (237)
- *THOMSON WILKS INC*
SA Giants: Esorfrank (135), Miranda (348)
Top Performers: Esorfrank (291), Miranda (306)
- *TRAVERS SMITH LLP (UK)*
SA Giants: Steinhoff (10)
Top Performers: Steinhoff (38)
- *TUGENDHAFT WAPNICK BANCHETTI & PARTNERS*
SA Giants: Pinnacle (96), ABIL (118), Litha (164), Octodec (228), Premium (237), Bonatla (319)
Top Performers: Pinnacle (16), Litha (55), Premium (137), Octodec (167), ABIL (268)
- *VAN DER MERWE ATTORNEYS*
SA Giants: Afgri* (77)
- *VAN DER MERWE-GREEFF INC*
SA Giants: Trustco (220)
Top Performers: Trustco (194)
- *VAN HOEPEN ATTORNEYS*
SA Giants: Indeqty (313)
Top Performers: Indeqty (49)
- *VAN HULSTEYNS ATTORNEYS*
SA Giants: Rangold (354)
Top Performers: Rangold (265)
- *VAN HUYSSTEENS*
SA Giants: Telemastr (283)
Top Performers: Telemastr (249)
- *VAN DER HEEVER & ASSOCIATES*
SA Giants: Cashbil (97)
Top Performers: Cashbil (146)
- *VAN DER MERWE DU TOIT INC*
SA Giants: Rolfes (200)
Top Performers: Rolfes (45)
- *VAN DER SPUY & PARTNERS*
SA Giants: Capitec (86)
Top Performers: Capitec (26)
- *WEBBER WENTZEL*
SA Giants: Anglo (3), MTN Group (9), Firstrand (17), Mondi (20), Aveng (28), Woolies (37), Implats (42), ARM (52), Remgro (59)
Top Performers: Afrimat (15), Woolies (19), Capco (20), Mondi (30), Metrofile (32), RMIH (39), Assore (41), Oceana (48), Firstrand (58)
- *WERKSMANS ATTORNEYS*
SA Giants: Glencore (1), Sanlam (5), Bidvest (8), Naspers (29), Lib Hold (41), Santam (50), PNR Foods (51), Aspen (54), Afgri* (77)
Top Performers: Naspers (24), Aspen (33), Sanlam (71), PNR Foods (72), Pergrin (74), Afro-C (82), Bidvest (85), Santam (92)

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SERVICES

Regulatory landscape tightens further

With SA staying ahead as a number of requirements are already in practice

Though the fundamental role and reporting responsibilities of a company's auditor have remained constant over the years, the regulatory environment in which they operate has become quite burdensome — and rightfully so.

"The industry cannot afford another large failure," says Andrew Mackie, leader of Clients & Industries for Audit Africa at Deloitte. "Auditors have accepted and embraced the fact that the audit industry is a regulated profession, and auditing standards and audit quality are entrenched in law."

He says company audit committees — comprising independent nonexecutive directors — are increasingly asserting their right and obligation to determine the scope of audits and negotiate audit fees, independently of management, as is required by the Companies Act.


Andrew Mackie

Regulators abroad, however, feel more can be done. There is a growing expectation that the statutory audit report should provide more insight into areas of risk within the financial statements.

The International Auditing & Assurance Standards Board, the US Public Company Accounting Oversight Board and the European Union have issued proposals to make auditors' reports more informative. They have introduced a new section providing insight into key audit matters that are of most significance or involve the most difficulty.

"This will be a significant change in reporting. And, as a result, auditors' dialogue with audit committees in future will inevitably include discussions on such critical audit matters and what they propose to say about them," says Brendan Deegan, head of Assurance for Africa at PwC.

He says there is also a wider recognition that corporate reporting needs to continue to evolve from the traditional annual reporting to a broader and more integrated approach.

"In SA, we are at the forefront of this thinking, due primarily to the JSE requirement for all listed companies to prepare integrated reports, which in many cases will contain nonfinancial data such as sustainability, rather than old-style annual reports. Notwithstanding this, there is still a long way ahead before the practice of preparing and assuring integrated reports is well developed," says Deegan.

Furthermore, in April the European parliament ratified and formally adopted proposals intended to reform its audit market. These include the mandatory rotation of audit firms after 10 years; a cap on the provision of nonaudit services; and further restrictions on the provision of nonaudit services.

The regulatory position in SA on audit rotation, however, is that the audit partner (not the firm) needs to rotate every five years. Most audit firms support this position, as does the recently released Practice Note issued by the Institute of Directors and the King committee.

The Practice Note takes a balanced view by highlighting the pros and cons of mandatory rotation, commenting on the various developments in territories around the world — for example, the US, Australia and Canada do not support it. It then concludes that mandatory rotation actually takes away the rights of the audit committee and shareholders to decide who their auditors should be and when it is necessary to change them.

It also states that, through compliance with the SA legal and regulatory frameworks, the objectives of enhancing the independence and objectivity of the auditor and the quality of the audit will be better served.

Andrew Hannington, CE of Grant Thornton Johannesburg, agrees and says SA already has a sufficiently robust regulatory framework that avoids the conflicts which these reforms set out to address.

This is most clearly evident in the local stipulation of audit partner rotation every five years, in terms of the Companies Act, as opposed to the audit firm rotation as expected in the EU. He argues that the factors that make this unsustainable in SA include the tremendous cost involved in rotating firms, as well as loss of corporate knowledge.

Another area in which SA already surpasses the new regulations is in the requirement that nonaudit services account for no more than 70% of the audit fee. SA practice tends to be less than the maximum proposed in Europe, Hannington says.

The Companies Act also already imposes limitations on the scope of services that auditors can provide, he says. Similarly, the EU reforms that call for greater communication and transparency to shareholders by the auditors are already well entrenched in local reporting practices.

"Given IFRS [International Financial Reporting Standards], Companies Act and JSE disclosure requirements, I think shareholders are getting more than enough information and I would be surprised if there is a demand for more information," Hannington says. *Ruan Jooste*

Net closes in for corporate tax evaders

But until more jurisdictions commit, culprits will still use existing loopholes

New global standards on the exchange of tax information, intended to raise the bar for international co-operation, will make it easier for the authorities to track down corporate tax cheaters and to fight tax evasion.

The global common reporting standard for the automatic exchange of information between tax authorities is the brainchild of the Organisation for Economic Co-operation & Development (OECD). It has a strong focus on tax collection, compliance and international co-operation to increase revenue collections.

The common reporting standard will require financial institutions and brokers to report information to the tax authorities in their own jurisdictions, which will in turn be shared with the tax authorities of other relevant countries.

This comes in the wake of a mandate from the G20 leaders to take action against tax evasion, as well as to promote greater fairness and trust in the international tax system — at a time when economic uncertainty prevails and national deficits expand.

To date, more than 40 jurisdictions have committed to the new standard, including SA.

Tax evasion is a hot topic, and the biggest culprits seem to be large multinational corporations. Huge globalised US-listed companies Amazon, Google and Apple have been put through the wringer in the US and Europe due to alleged dubious tax practices.

India has gone after Cadbury, Vodafone and Nokia. And more recently a Chinese state-run newspaper has accused British drugmaker GlaxoSmithKline of evading at least 100m yuan in taxes.

Closer to home, tax evasion charges against cellphone giant MTN Uganda were filed but later dropped. SABMiller has also been accused by the Tax Justice Network and Action Aid of doing the same in Ghana, but without result.

Data in a Global Finance Integrity report shows that global corporate tax evasion accounted for 60%-65% of the global total for illicit financial flows. This is well above the global proceeds generated through criminal activities and corruption, which accounted for 30%–35% and 3% respectively.

No proceeds of commercial tax evasion were calculated for Africa. But a separate report by the Africa Progress Panel in 2013 revealed that an estimated US$38bn is being removed from the continent every year due to "illicit deals such as tax avoidance and evasion, unfair pricing practices and secrecy around company ownership and revenue flows".

Companies and other legal structures such as trusts, whose ownership and control are not clear are viewed as a key mechanism of tax avoidance, according to Zweli Mabhoza, head of tax at SizweNtsalubaGobodo. And this can seriously undermine many countries' development efforts.

"The opaque nature of ownership also frustrates countries negotiating with one another on who should be allowed to tax what on a certain company. Even where the taxing rights are clear, these structures ultimately shift profits to jurisdictions with lower taxes," he says.

The second area of concern involves transfer pricing. This is where a company uses intersubsidiary charges, often at hugely inflated or deflated rates, in order to move revenue into more favourable tax environments. That way it avoids heavy profit taxation in the country where the revenue was actually generated.

"Multinationals often report huge profits in tax havens such as Ireland, the Cayman Islands and the Isle of Man — very much out of proportion to their economic activity there," says Mabhoza.

"Such governments may also find it difficult to deal with political aspects relating to various tax laws," he adds. For example, certain countries need to consult extensively before they can implement any changes in tax laws. Other countries that are viewed as tax havens believe that low taxes attract businesses and they may not be prepared to forgo this advantage.


Dennis Davis

In SA former finance minister Pravin Gordhan kicked off a major tax system review in 2013, with the global tax evasion debate as its backdrop. Currently under way, the investigation led by Judge Dennis Davis is undertaking a "tax review to assess our tax policy framework and its role in supporting the objective of inclusive growth, employment, development and fiscal sustainability".

Ruan Jooste

AUDITORS AND CORPORATE CLIENTS

- *ASB BANK (UK)*
  SA Giants: Bidvest (8)
  Top Performers: Bidvest (85)
- *ABSA BANK*
  SA Giants: BHPBill (2), Sanlam (5), Sasol (7), Bidvest (8), Shoprit (13), Imperial (14), Absa (16), Barworld (18), Massmart (19), Picknpay (22), Pikwik (23), Aveng (28), Naspers (29), Kumba (33), MMI (38), Telkom (39), ArcMittal (40)
  Top Performers: EOH (3), Poynting (8), Metair (9), Labat (10), Finbond (11), Fambrands (17), ISA (18), Mr Price (21), Curro (23), Naspers (24), PSG (25), Invicta (29), MSHolding (31), Aspen (33), Trematon (37), Vukile (44), Indeqty (49)
- *ACCESS BANK (NIGERIA)*
  SA Giants: Oando (36)
  Top Performers: Oando (259)
- *AFRICAN BANKING CORP (ZIMBABWE)*
  SA Giants: Bell (101)
  Top Performers: Bell (89)
- *ALLIED IRISH BANKS (IRELAND)*
  SA Giants: Kibo (368)
  Top Performers: Kibo (322)
- *AUSTRALIA & NEW ZEALAND BANKING GROUP*
  SA Giants: Aveng (28), ELB-Group (145), Tawana (332)
  Top Performers: ELBGroup (28), Tawana (103)
- *BNP PARIBAS*
  SA Giants: Oando (36), ZCI (229)
  Top Performers: Oando (259), ZCI (290)
- *BANCABC*
  Top Performers: Hwange (314)
- *BANCO INTERNACIONAL DE MOCAMBIQUE SA*
  SA Giants: Stefstock (81), Bell (101)
  Top Performers: Bell (89), Stefstock (193)
- *BANCO SANTANDER SA (SPAIN)*
  SA Giants: Bell (101)
  Top Performers: Bell (89)
- *BANK OF AMERICA (US)*
  SA Giants: Aspen (54)
  Top Performers: Aspen (33)
- *BANK OF MONTREAL*
  SA Giants: Eastplats (211)
  Top Performers: Eastplats (304)
- *BANK OF WINDHOEK*
  SA Giants: Trustco (220)
  Top Performers: Trustco (194)
- *BANQUE CANTONALE DE FRIBOURG (SWITZERLAND)*
  SA Giants: Bell (101)
  Top Performers: Bell (89)
- *BARCLAYS BANK (MIDDLE EAST)*
  SA Giants: Stefstock (81)
  Top Performers: Stefstock (193)
- *BARCLAYS BANK (UK)*
  SA Giants: Anglo (3), SAB (6), Bidvest (8), Aveng (28), Suprgrp (71), Intuprop (91), Bell (101), Lonrho* (129), Afeagle (369), Diamondcp (371)
  Top Performers: Suprgrp (54), SAB (68), Bidvest (85), Bell (89), Anglo (189), Intuprop (213), Aveng (232), Diamondcp (296)
- *BARCLAYS BANK (ZIMBABWE)*
  SA Giants: Cafca (269)
  Top Performers: Cafca (191)
- *BIDVEST BANK*
  SA Giants: Stefstock (81)
  Top Performers: Stefstock (193)
- *CALYON CORPORATE & INVESTMENT BANK*
  SA Giants: ArcMittal (40)
  Top Performers: ArcMittal (285)
- *CANADIAN IMPERIAL BANK OF COMMERCE*
  SA Giants: GB Gold* (174), Atlatsa (191)
  Top Performers: Atlatsa (252)
- *CHINA CONSTRUCTION BANK*
  SA Giants: Nuworld (148)
  Top Performers: Nuworld (216)
- *CITIBANK INTERNATIONAL*
  SA Giants: Oando (36)
  Top Performers: Oando (259)
- *CITIBANK NA*
  SA Giants: Shoprit (13), Oando (36), Telkom (39), ArcMittal (40), JDGroup (45), Invicta (93), Nuworld (148)
  Top Performers: Invicta (29), Shoprit (87), Nuworld (216), Telkom (218), JDGroup (239), Oando (259), ArcMittal (285)
- *COMMONWEALTH BANK OF AUSTRALIA*
  SA Giants: Bidvest (8), Aveng (28), Aspen (54), Suprgrp (71)
  Top Performers: Aspen (33), Suprgrp (54), Bidvest (85), Aveng (232)
- *CONSOLIDATED DISCOUNTS (NIGERIA)*
  SA Giants: Oando (36)
  Top Performers: Oando (259)
- *COUTTS & CO (UK)*

AUDITORS AND CORPORATE CLIENTS

SA Giants: IPSA (306), Lonfin (356)
Top Performers: Lonfin (190), IPSA (292)

- *CREDIT SUISSE (LUXEMBOURG)*
SA Giants: Marshall (151)
Top Performers: Marshall (143)
- *DEXIA BIL (LUXEMBOURG)*
SA Giants: Brait (350)
Top Performers: Brait (34)
- *DIAMOND BANK PLC*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *ECOBANK NIGERIA PLC*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *EMIRATES NBD BANK PJSC*
SA Giants: Stefstock (81)
Top Performers: Stefstock (193)
- *FNB NAMIBIA*
SA Giants: Trustco (220)
Top Performers: Trustco (194)
- *FIDELITY BANK PLC*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *FIRST BANK OF NIGERIA*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *FIRST CITY MONUMENT BANK*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *FIRST NATIONAL BANK (A DIVISION OF FIRSTRAND BANK)*
SA Giants: Bidvest (8), Shoprit (13), Imperial (14), Vodacom (15), Firstrand (17), Massmart (19), Picknpay (22), Pikwik (23), Anggold (25), Aveng (28), Naspers (29), Spar (31), MMI (38), ArcMittal (40), Implats (42), JDGroup (45), Altron (47)
Top Performers: Taste (4), Micromega (6), Finbond (11), Fambrands (17), Mr Price (21), Calgro (22), Curro (23), Naspers (24), PSG (25), Capitec (26), ELBGroup (28), Invicta (29), Aspen (33)
- *FIRST NATIONAL BANK OF BOTSWANA*
SA Giants: Wildrness (168)
Top Performers: Wildrness (275)
- *FIRSTRAND BANK*
SA Giants: KAP (62), Afgri* (77), Primeserv (216), Hosp (251), Sabvest (352)
Top Performers: Sabvest (59), KAP (112), Hosp (179), Primeserv (236)
- *GOLDMAN SACHS INTERNATIONAL*
SA Giants: Blackstar (184)
Top Performers: Blackstar (188)
- *GUARANTY TRUST BANK PLC*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *HSBC INTERNATIONAL (JERSEY)*
SA Giants: Marshall (151)
Top Performers: Marshall (143)
- *HSBC AFRICA*
SA Giants: Shoprit (13), Barworld (18), Stefstock (81), Invicta (93), Sentula (139)
Top Performers: Invicta (29), Barworld (78), Shoprit (87), Stefstock (193), Sentula (315)
- *HSBC BANK BERMUDA*
SA Giants: Aquarius (124)
Top Performers: Aquarius (302)
- *HSBC BANK PLC*
SA Giants: Bidvest (8), Datatec (34), Lonmin (65), Suprgrp (71), Intuprop (91)
Top Performers: Suprgrp (54), Datatec (69), Bidvest (85), Intuprop (213), Lonmin (298)
- *HSBC NORTH AMERICA HOLDINGS INC*
SA Giants: Datatec (34)
Top Performers: Datatec (69)
- *ING LUXEMBOURG*
SA Giants: Blackstar (184)
Top Performers: Blackstar (188)
- *INVESTEC BANK (CHANNEL ISLANDS)*
SA Giants: Pallinght (363)
Top Performers: Pallinght (221)
- *INVESTEC BANK*
SA Giants: Bidvest (8), Shoprit (13), Massmart (19), Aveng (28), Naspers (29), JDGroup (45), Aspen (54)
Top Performers: Mixtel (5), Fambrands (17), ISA (18), Naspers (24), Aspen (33), Suprgrp (54), Foneworx (81)
- *KEYSTONE BANK*
SA Giants: Oando (36)
Top Performers: Oando (259)
- *LLOYDS TSB (UK)*
SA Giants: Lonmin (65), Intuprop (91)
Top Performers: Intuprop (213), Lonmin (298)
- *MERCANTILE BANK*
SA Giants: Iliad (114), Purple (294), Biosci (322)
Top Performers: Purple (142), Iliad (219)
- *NATIONAL AUSTRALIA BANK*
SA Giants: Aspen (54), Bell (101), Coal (171), Ferrum (367)
Top Performers: Aspen (33), Bell (89), Ferrum (159), Coal (312)
- *NATIONAL BANK OF NEW ZEALAND*
SA Giants: Bell (101)
Top Performers: Bell (89)
- *NATIONAL WESTMINSTER BANK PLC (UK)*
SA Giants: OldMutual (30), Jubilee (303)
Top Performers: OldMutual (43), Jubilee (295)
- *NEDBANK*
SA Giants: Bidvest (8), Shoprit (13), Imperial (14), Massmart (19), Nedbank (24), Aveng (28), Naspers (29), ArcMittal (40), Tigbrands (43), Netcare (44), JDGroup (45), Altron (47), ARM (52)
Top Performers: Coronat (1), Onelogix (7), Pinnacle (16), Naspers (24), Invicta (29), Aspen (33), Brimston (35), Rolfes (45), Oceana (48), Indeqty (49), Seardel (50)
- *NEDBANK SWAZILAND*
SA Giants: Stefstock (81)
Top Performers: Stefstock (193)
- *OLD MUTUAL BANK*
SA Giants: Aspen (54)
Top Performers: Aspen (33)
- *RMB CORPORATE BANKING (A DIVISION OF FIRSTRAND BANK)*
SA Giants: Crookes (241)
Top Performers: Crookes (196)
- *RAND MERCHANT BANK*
SA Giants: Imperial (14), Firstrand (17), Naspers (29), Aspen (54), Suprgrp (71), Sunint (75), Tsogo Sun (78), RMIH (88), Pinnacle (96), Adcock (104), PSG (143), Attacq (203)
Top Performers: Pinnacle (16), Naspers (24), PSG (25), Aspen (33), RMIH (39), Suprgrp (54), Firstrand (58), Imperial (60), Adcock (181), Tsogo Sun (198), Sunint (212)
- *ROYAL BANK OF CANADA*
SA Giants: Forbes (202), Fiuunit* (244)
Top Performers: Forbes (319)
- *ROYAL BANK OF SCOTLAND PLC*
SA Giants: ArcMittal (40), Intuprop (91)
Top Performers: Intuprop (213), ArcMittal (285)
- *ST GEORGE BANK*
SA Giants: Suprgrp (71), ResGen (366)
Top Performers: Suprgrp (54), ResGen (255)

***Delisted**

A stifling operating environment

But legislation changes could give the industry the boost it needs to stay competitive

The Board of Healthcare Funders (BHF) has acknowledged that reforms are needed in the Medical Schemes Act (MSA) to support affordability. Of particular importance is the introduction of tariffs against which health-care practitioners will have to benchmark their fees as well as revisiting prescribed minimum benefits (PMB).

As it stands now, legislation dictates that medical schemes pay in full for a list of 270 PMB conditions, regardless of the charges, BHF spokesman Heidi Kruger told the *Financial Mail* earlier this year that these two issues are pushing up costs significantly, increasing the shortfall between what doctors charge and what medical schemes pay. She said until these reforms are in place, government cannot stop people from protecting themselves by taking out shortfall cover.

It is for that reason that a second set of draft regulations under the Long-term Insurance Act and the Short-term Insurance Act were published by national treasury for public comment at the end of April. This followed significant industry push-back against draft regulations published in 2012.

The first set of demarcation regulations proposed the banning of gap cover altogether and the introduction of strict rules in the marketing of hospital cash plans. This was done to protect medical schemes amid claims by the Council for Medical Schemes that these products posed a threat to the sustainability of medical schemes. National treasury agreed that the sustainability of medical aid schemes is under threat from the rapid growth of health insurance products, which often attract young and healthy people. This left the old and sickly to be carried by medical aid schemes, which are not allowed to turn anyone away.

Treasury explains that the revised draft regulations contain so-called added safeguards to ensure that the design, sale and marketing of health insurance products do not undermine the social solidarity principles of medical schemes.

According to law firm Bowman Gilfillan, the basics of a health insurance policy are that it is a contract in terms of which an insurance company promises to pay for certain costs if the insured falls ill or is injured, and the insured pays a premium directly informed by his or her age, health status and income on a monthly basis. Medical schemes, however, don't fall within the ambit of this definition.

Unlike insurers, medical schemes may not link contributions to age, health status or income. Rather, contributions apply universally and as a result, medical schemes can only effectively function through the collective pooling of good and bad risk. "Because of the different regulatory environments within which medical schemes and insurance companies operate, the challenge is to formulate regulations which allow for insurance companies to develop health insurance products that do not undermine medical schemes, which are compelled to uphold social solidarity principles of community rating, open enrolment and cross-subsidisation," says Bowman Gilfillan.

In addition, it says, in a further effort to protect the sale of medical scheme benefit options, the revised draft regulations contemplate "an alignment of broker commission between health insurance and medical schemes products," which are currently regulated separately. "The revised draft regulations propose a cap on commission on insurance products to the maximum allowed in terms of the MSA regulations, presumably to discourage brokers from pushing health insurance products to the detriment of medical schemes."

The latest rules suggest medical gap cover benefits be capped to R50 000 per individual per year, and that the per-day benefit applicable to lump sum or income replacement policy benefits payable on a health event be limited to R3 000.

However, Bowman Gilfillan says a broker would still be motivated to sell medical scheme membership to an individual at a lower benefit option, "topping-up" that benefit option with a gap cover product, resulting in two commissions payable to that broker.

"Brokers should tread carefully, in light of the statutory (FAIS), professional and ethical standards associated with providing independent advice," the firm says.

With the proposed broadening of the regulatory environment, allowing for the further development of health insurance policies, medical schemes are understandably fearful. Their concern is that the increase in such products will result in current members downgrading to less comprehensive benefit packages and new members buying in at lower benefit packages, negatively affecting the ability of medical schemes to cross-subsidise.

"The actual meaning of these and other proposed 'safeguards' requires further attention and analysis," says Bowman Gilfillan. "The draft regulations are ambiguous and thus open to interpretation, which could lead to confusion in the industry if published in their current form."

The BHF agrees that gap-cover products should be fairer and perhaps not include risk rating. "Though we believe that the concept of community rating [charging a uniform premium regardless of health risk and claims record] within the health insurance products covered by the short-term and long-term insurance acts is laudable, there may be unintended consequences in that the cost of gap cover and hospital cash plans may rise, thereby potentially increasing out-of-pocket expenditure," says the BHF's Kruger.

"This may result in people buying down and leading to product consolidation and rationalisation — possibly also increasing the burden on the state."

Ruan Jooste

MEDICAL AID SCHEMES/SOCIETIES AND CORPORATE CLIENTS

- *AECI MEDICAL AID SOCIETY*
  SA Giants: AECI (63)
  Top Performers: AECI (100)
- *AFROX MEDICAL AID SOCIETY*
  SA Giants: Afrox (103)
  Top Performers: Afrox (217)
- *ANGLO MEDICAL SCHEME*
  SA Giants: Anglo (3), Mondi (20)
  Top Performers: Mondi (30), Anglo (189)
- *ANGLOVAAL GROUP MEDICAL SCHEME*
  SA Giants: ARM (52), AVI (82)
  Top Performers: AVI (66), ARM (200)
- *BHP BILLITON SA MEDICAL SCHEME*
  SA Giants: BHPBill (2)
  Top Performers: BHPBill (175)
- *BUPA (UK)*
  SA Giants: Anglo (3)
  Top Performers: Anglo (189)
- *BANKMED*
  SA Giants: Stanbank (12), Absa (16), Net1UEPS (119)
  Top Performers: Stanbank (172), Absa (177), Net1UEPS (258)
- *BARLOWORLD MEDICAL SCHEME*
  SA Giants: Barworld (18)
  Top Performers: Barworld (78)
- *BESTMED MEDICAL SCHEME*
  SA Giants: Sanlam (5), Sappi (26), Telkom (39), Santam (50), Suprgrp (71)
  Top Performers: Suprgrp (54), Sanlam (71), Santam (92), Sappi (174), Telkom (218)
- *BONITAS MEDICAL FUND*
  SA Giants: Vodacom (15), Kumba (33), Telkom (39), ArcMittal (40), Exxaro (60), ABIL (118), Sentula (139), Hulamin (341)
  Top Performers: Kumba (75), Vodacom (77), Exxaro (136), Telkom (218), ABIL (268), Hulamin (269), ArcMittal (285), Sentula (315)
- *BUILDING & CONSTRUCTION INDUSTRY MEDICAL AID FUND*
  SA Giants: Stefstock (81)
  Top Performers: Stefstock (193)
- *CAPE MEDICAL PLAN*
  SA Giants: Caxton (107), Afrimat (167)
  Top Performers: Afrimat (15), Caxton (208)
- *CHARTERED ACCOUNTANTS (SA) MEDICAL AID FUND*
  SA Giants: MTN Group (9)
  Top Performers: MTN Group (139)
- *COMPCARE WELLNESS MEDICAL SCHEME*
  SA Giants: Basread (94)
  Top Performers: Basread (244)
- *DECISION HEALTH*
  SA Giants: Pzgold (249)
- *DISCOVERY HEALTH MEDICAL SCHEME*
  SA Giants: Bidvest (8), Steinhoff (10), Vodacom (15), Firstrand (17), Anggold (25), Aveng (28), Gfields (32), Kumba (33), M&R Hld (35), Telkom (39), ArcMittal (40), Implats (42), JDGroup (45), Grindrod (46), Altron (47), WBHO (49), Santam (50)
  Top Performers: Coronat (1), Adaptit (2), EOH (3), Micromega (6), Onelogix (7), Metair (9), Labat (10), Howden (13), Culinan (14), Afrimat (15), Pinnacle (16), Fambrands (17), ISA (18), Mr Price (21), Curro (23), PSG (25), Capitec (26)
- *FEDHEALTH MEDICAL SCHEME*
  SA Giants: Implats (42), Reunert (74), Astral (87), Growpnt (100), Zurich SA (122), Insimbi (197), Invprop (247), Invltd (345)
  Top Performers: Invltd (127), Growpnt (134), Reunert (149), Invprop (152), Zurich SA (202), Insimbi (215), Astral (222), Implats (253)
- *FOSCHINI GROUP MEDICAL AID SCHEME*
  SA Giants: Foschni (69)
  Top Performers: Foschni (109)
- *GEN-HEALTH MEDICAL SCHEME*
  SA Giants: Cafca (269)
  Top Performers: Cafca (191)
- *GENESIS MEDICAL SCHEME*
  SA Giants: Vodacom (15), Reunert (74)
  Top Performers: Vodacom (77), Reunert (149)
- *HORIZON MEDICAL SCHEME*
  SA Giants: Clicks (57), Holdsport (166)
  Top Performers: Clicks (46), Holdsport (230)
- *IMPERIAL GROUP MEDICAL SCHEME*
  SA Giants: Imperial (14), Eqstra (83)
  Top Performers: Imperial (60), Eqstra (207)
- *INGWE HEALTH PLAN*
  SA Giants: Telkom (39), JDGroup (45), Foschni (69), Truwths (79), Mustek (110), Pzgold (249)
  Top Performers: Mustek (70), Foschni (109), Truwths (111), Telkom (218), JDGroup (239)
- *LIBERTY MEDICAL SCHEME*
  SA Giants: Lib Hold (41), Converge (188), Pzgold (249), Spanjaard (284), Don (325)
  Top Performers: Lib Hold (129), Spanjaard (168), Converge (308)
- *MALCOR MEDICAL AID SCHEME*
  SA Giants: Aspen (54), Omnia (66)
  Top Performers: Aspen (33), Omnia (61)
- *MASSMART HEALTH PLAN*
  SA Giants: Massmart (19)
  Top Performers: Massmart (147)
- *MEDIHELP*
  SA Giants: Dcentrix (149), Gijima (153)
  Top Performers: Dcentrix (157), Gijima (313)
- *MEDSHIELD MEDICAL SCHEME*
  SA Giants: Trnshex (204)
  Top Performers: Trnshex (118)
- *METROPOLITAN MEDICAL SCHEME*
  SA Giants: Implats (42)
  Top Performers: Implats (253)
- *MINEMED MEDICAL SCHEME*
  SA Giants: Harmony (58), Pzgold (249)
  Top Performers: Harmony (294)
- *MOMENTUM HEALTH*
  SA Giants: Suprgrp (71), Illovo (73), Stefstock (81), Cashbil (97), Bell (101), Caxton (107), ABIL (118), Metmar (142), Gijima (153)
  Top Performers: Afrimat (15), Suprgrp (54), Bell (89), Cashbil (146), Stefstock (193), Caxton (208)
- *MOREMED MEDICAL SCHEME*
  SA Giants: JDGroup (45)
  Top Performers: JDGroup (239)
- *MOTO HEALTH CARE*
  SA Giants: CMH (84)
  Top Performers: CMH (99)
- *NAMIBIA MEDICAL CARE*
  SA Giants: Exxaro (60)
  Top Performers: Exxaro (136)
- *NAMMED MEDICAL AID FUND*
  SA Giants: Nictus (265)
  Top Performers: Nictus (237)
- *NASPERS MEDICAL FUND*
  SA Giants: Naspers (29)
  Top Performers: Naspers (24)
- *NATIONAL MEDICAL PLAN*
  SA Giants: Invicta (93), Marshall (151)
  Top Performers: Invicta (29), Marshall (143)
- *NEDGROUP MEDICAL AID SCHEME*
  SA Giants: Nedbank (24)
  Top Performers: Nedbank (106)
- *NETCARE MEDICAL SCHEME*
  SA Giants: Netcare (44)
  Top Performers: Netcare (94)
- *OCSACARE*
  SA Giants: KAP (62)
  Top Performers: KAP (112)
- *OLD MUTUAL HEALTHCARE*
  SA Giants: JCI* (328)
- *OXYGEN MEDICAL SCHEME*
  SA Giants: Caxton (107), AME (270)
  Top Performers: AME (65), Caxton (208)
- *PSMAS WELLNESS MEDICAL AID SCHEME (ZIM)*
  Top Performers: Hwange (314)
- *PHAROS MEDICAL PLAN*
  SA Giants: Exxaro (60), Rainbow (76), Sanyati (161), Pzgold (249), Gooderson (285)
  Top Performers: Exxaro (136), Rainbow (226), Gooderson (242)
- *PICK N PAY MEDICAL SCHEME*
  SA Giants: Picknpay (22), Pikwik (23)
  Top Performers: Pikwik (158), Picknpay (170)
- *PLATINUM HEALTH*
  SA Giants: Amplats (27), Atlatsa (191)
  Top Performers: Amplats (241), Atlatsa (252)
- *PRO SANO MEDICAL SCHEME*
  SA Giants: Telkom (39)
  Top Performers: Telkom (218)
- *QUANTUM MEDICAL AID SOCIETY*
  SA Giants: Bidvest (8), Sunint (75)
  Top Performers: Bidvest (85), Sunint (212)
- *REMEDI MEDICAL AID SCHEME*
  SA Giants: Medclin (48), Remgro (59), Distell (61), Trnshex (204)
  Top Performers: Medclin (80), Remgro (90), Distell (115), Trnshex (118)
- *RESOLUTION HEALTH MEDICAL SCHEME*
  SA Giants: Rex True (235), Af & Ovr (236)
  Top Performers: Rex True (204), Af & Ovr (220)
- *RETAIL MEDICAL SCHEME*
  SA Giants: Shoprit (13)
  Top Performers: Shoprit (87)
- *SASOLMED*
  SA Giants: Sasol (7)
  Top Performers: Sasol (132)
- *SIZWE MEDICAL FUND*
  SA Giants: Sappi (26), ArcMittal (40), Exxaro (60), Timesmed (99), Adcock (104), DAWN (112), EHSV (116), Buildmax (177), Delta (250)
  Top Performers: Delta (135), Exxaro (136), Sappi (174), Adcock (181), DAWN (214), ArcMittal (285), Buildmax (305), EHSV (311)
- *SA BREWERIES MEDICAL SCHEME*
  SA Giants: SAB (6)
  Top Performers: SAB (68)
- *SPECTRAMED*
  SA Giants: Trnpaco (183), Phumelela (194)
  Top Performers: Trnpaco (53), Phumelela (144)
- *SUREMED HEALTH*
  SA Giants: Northam (115)
  Top Performers: Northam (205)
- *TIGER BRANDS MEDICAL SCHEME*
  SA Giants: Spar (31), Tigbrands (43), Adcock (104)
  Top Performers: Spar (114), Tigbrands (141), Adcock (181)
- *TOPMED MEDICAL SCHEME*
  SA Giants: Sanlam (5)
  Top Performers: Sanlam (71)
- *UMVUZO HEALTH MEDICAL SCHEME*
  SA Giants: Exxaro (60), Clover (92), Adcock (104), Sentula (139)
  Top Performers: Clover (113), Exxaro (136), Adcock (181), Sentula (315)
- *WITBANK COALFIELDS MEDICAL AID SCHEME*
  SA Giants: Exxaro (60)
  Top Performers: Exxaro (136)
- *WOOLTRU HEALTHCARE FUND*
  SA Giants: Woolies (37), Truwths (79)
  Top Performers: Woolies (19), Truwths (111)

***Delisted**

MEDICAL AID

SERVICES

Digital takeover gains speed

As online access grows, it's becoming more cost-effective to advertise on the Web

Digital advertising in SA is reaching critical mass, with a range of indicators showing that it is a far-reaching and cost-effective platform for advertisers who want to reach a mass audience.

According to a report released last year by PwC, during the next five years the Internet will be the fastest growing advertising category, with a 37% compound annual increase. The Internet's share of total advertising in SA will more than triple to 7,9% in 2016 from 2,5% in 2011.

The report marks a milestone, reflecting the fact that people are spending ever more time online — especially on their smartphones.

Less than two years ago, it seemed as if the arrival of the smartphone as a primary means to access communications and entertainment was going to cap the growth of online giants, but the mobile offering has actually enhanced the offering.

Most of SA's Internet users use their smartphones to access the Web. This is according to the SA Mobile Report — a survey of desktop users' attitudes and uses of mobile phones — released in March by Effective Measure, a provider of digital audience, brand and advertising measurements.

In addition, about 20% of smartphone owners have been exposed to mobile-based advertisements in the past. The company based its findings on a survey of 4 956 desktop Internet users in SA.

Interestingly enough, the report found that accessing social media sites is the third most popular activity by South Africans on their smartphones.

Yahoo, Google and Facebook say that the biggest advantages of ads on their platforms are lower advertising expenses, greater control over ad campaigns, faster customer conversions, easier performance tracking and more accurate customer targeting.

Mobile advertising accounts for 59% of Facebook's total advertising revenues, says Eden Zoller, a consumer telecom principal analyst at Ovum, a UK-based information business.

Facebook used its f8 developer conference at the beginning of May to officially launch an eagerly awaited mobile advertising network called the Facebook Audience Network, which will support standard IAB banners, interstitials (ads that appear while webpages are still loading) and native advertising. Ovum expects the Audience Network to play a key role in driving further growth in mobile advertising.

"But the mobile advertising network space is very crowded and Facebook's offering will have to compete with more established players such as Google's AdMob, Millennial Media and Twitter's MoPub, to name but a few," says Zoller. "But the entry of Facebook will without doubt shake up the market and keep at least some of these players awake at night."

From a return on investment (ROI) perspective, digital advertising is not just a new wave, it's something well worth taking a second look at because it makes financial sense — and this is what will get advertising budgets prioritised by a company's CFO.

"The initial uncertainty of digital migration is giving way to a sharper focus on identifying and executing the business models, organisational structures and skill sets that will deliver rising future value in the changed environment," writes Vicki Myburgh, Entertainment & Media leader at PwC Southern Africa. "Put simply, digital is now established as the new normal. The relative availability and affordability of fixed and mobile broadband will set the pace of consumer adoption of digital."

Vicki Myburgh

Local CEs are, however, still concerned about their companies' ability to keep up with the speed of technological change, another PwC report finds. The CEs see advances in social media and mobile devices as a trend that will transform their businesses over the next five years, together with demographic changes and global shifts in economic power. The interplay between these trends will be "as significant as the trends themselves. Together they will create new opportunities for innovation and growth, but also raise new challenges".

The findings are based on interviews with 39 communications CEs in 25 countries, which are part of PwC's 17th annual global CE survey. SA CEs regard technological advances as the most important trend.

Ruan Jooste

ADVERTISING AGENCIES AND CORPORATE CLIENTS

- *ALL BRAND NO FLAKES*
  SA Giants: Vividend (273)
  Top Performers: Vividend (201)
- *ARTIFACT ADVERTISING*
  SA Giants: Taste (230)
  Top Performers: Taste (4)
- *AT PACE DESIGN & ADVERTISING*
  SA Giants: Coronat (123)
  Top Performers: Coronat (1)
- *BBDO SA*
  SA Giants: Cadiz (280)
  Top Performers: Cadiz (225)
- *BASE TWO*
  SA Giants: Absa (16)
  Top Performers: Absa (177)
- *BASTION GRAPHICS*
  SA Giants: Implats (42), Emira (189)
  Top Performers: Emira (163), Implats (253)
- *BROOKE BROWDE COMMUNICATIONS*
  SA Giants: B&W* (243)
  Top Performers: B&W* (289)
- *CREATIVITY ADVERTISING & DESIGN*
  SA Giants: Iliad (114)
  Top Performers: Iliad (219)
- *CROSS COLOURS*
  SA Giants: Tsogo Sun (78)
  Top Performers: Tsogo Sun (198)
- *DDB SA*
  SA Giants: Control* (351)
  Top Performers: Control* (97)
- *DESIGN INK STUDIO*
  SA Giants: Afrox (103)
  Top Performers: Afrox (217)
- *DIESELBROOK BRAND CONSULTING*
  SA Giants: Tsogo Sun (78)
  Top Performers: Tsogo Sun (198)
- *dotJWT*
  SA Giants: Altron (47)
  Top Performers: Altron (210)
- *DRAFTFCB SA*
  SA Giants: Firstrand (17), Tigbrands (43), Adcock (104), Dorbyl (281)
  Top Performers: Firstrand (58), Tigbrands (141), Adcock (181)
- *FCB REDLINE*
  SA Giants: Rainbow (76)
  Top Performers: Rainbow (226)
- *FD BEACHHEAD*
  SA Giants: Miranda (348)
  Top Performers: Miranda (306)
- *FISHGATE ADVERTISING*
  SA Giants: Digicor (195)
  Top Performers: Digicor (261)
- *GLOBAL MOUSE*
  SA Giants: Discovery (56)
  Top Performers: Discovery (83)
- *GRAPHICOR*
  SA Giants: Sovfood (170)
  Top Performers: Sovfood (246)
- *GRAPHICULTURE*
  SA Giants: Primeserv (216)
  Top Performers: Primeserv (236)
- *GREYMATTER & FINCH*
  SA Giants: PSG (143), Trnshex (204), Sephaku (310)
  Top Performers: PSG (25), Sephaku (117), Trnshex (118)
- *HKLM*
  SA Giants: WBHO (49), AECI (63)
  Top Performers: AECI (100), WBHO (183)
- *HAAS COLLECTIVE*
  SA Giants: Spurcorp (215)
  Top Performers: Spurcorp (67)
- *IDEA ENGINEERS*
  SA Giants: Tsogo Sun (78)
  Top Performers: Tsogo Sun (198)
- *INCE*
  SA Giants: Imperial (14), Massmart (19), M&R Hld (35), Altron (47), Suprgrp (71)
  Top Performers: Suprgrp (54), Litha (55), Imperial (60), Conduit (107)
- *INITIATIVE MEDIA SA*
  SA Giants: Taste (230)
  Top Performers: Taste (4)
- *INTIMEDIA*
  SA Giants: Growpnt (100)
  Top Performers: Growpnt (134)
- *IRELAND/DAVENPORT*
  SA Giants: Vodacom (15), Altron (47), Invprop (247)
  Top Performers: Vodacom (77), Invprop (152), Altron (210)
- *JWT*
  SA Giants: Lewis (117)
  Top Performers: Lewis (178)
- *JACKSON ADVERTISING INC*
  SA Giants: Masnite (214)
  Top Performers: Masnite (206)
- *JALAPENO ADVERTISING & PROMOTION*
  SA Giants: Primeserv (216)
  Top Performers: Primeserv (236)
- *JOE PUBLIC*
  SA Giants: Nedbank (24), Amplats (27), Clover (92)
  Top Performers: Nedbank (106), Clover (113), Amplats (241)
- *JOHNSON HAYDENBRY AFRIKA*
  SA Giants: JDGroup (45)
  Top Performers: JDGroup (239)
- *KEYTER RECH INVESTOR SOLUTIONS CC*
  SA Giants: Sanyati (161)
- *KING JAMES GROUP*
  SA Giants: Sanlam (5), Tigbrands (43), Santam (50), Comair (105)
  Top Performers: Sanlam (71), Santam (92), Tigbrands (141), Comair (160)
- *LOWE AND PARTNERS SA*
  SA Giants: Adcock (104)

ADVERTISING

SERVICES

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ADVERTISING AGENCIES AND CORPORATE CLIENTS

Top Performers: Adcock (181)

■ *MAGNA CARTA PUBLIC RELATIONS*
SA Giants: Sasol (7)
Top Performers: Sasol (132)

■ *MARKETING CONCEPTS*
SA Giants: Growpnt (100), Octodec (228), Premium (237)
Top Performers: Growpnt (134), Premium (137), Octodec (167)

■ *MAXXMEDIA*
SA Giants: Afrimat (167)
Top Performers: Afrimat (15)

■ *MINDSHARE SA*
SA Giants: Zurich SA (122)
Top Performers: Zurich SA (202)

■ *MORTIMER HARVEY*
SA Giants: Absa (16), Altron (47)
Top Performers: Absa (177), Altron (210)

■ *NINETY9CENTS*
SA Giants: Shoprit (13), Capitec (86), Spurcorp (215)
Top Performers: Capitec (26), Spurcorp (67)

■ *OGILVY & MATHER*
SA Giants: Adcock (104), Itltile (138)
Top Performers: Itltile (86), Adcock (181)

■ *OGILVYONE WORLDWIDE*
SA Giants: SAB (6), OldMutual (30), Sunint (75)
Top Performers: OldMutual (43), SAB (68), Sunint (212)

■ *ONE KINGDOM CREATIVE STUDIO*
SA Giants: BCX (98)
Top Performers: BCX (138)

■ *OVEREND OUTSOURCE*
SA Giants: M&R Hld (35)
Top Performers: M&R Hld (271)

■ *PHD*
SA Giants: Capitec (86)
Top Performers: Capitec (26)

■ *PATON TUPPER ASSOCIATES*
SA Giants: Tongaat (64), Santova (130)
Top Performers: Santova (116), Tongaat (182)

■ *PRIMA PLUS*
SA Giants: Acucap (218)
Top Performers: Acucap (166)

■ *PRIME MEDIA*
SA Giants: Poynting (292)
Top Performers: Poynting (8)

■ *PURPLE FROG COMMUNICATIONS CC*
SA Giants: Andulela (163), Wildrness (168), Verimark (239)
Top Performers: Verimark (62), Andulela (256), Wildrness (275)

■ *RED ROCKET DESIGN & ADVERTISING*
SA Giants: Taste (230)
Top Performers: Taste (4)

■ *REDLINE*
SA Giants: Anggold (25), Nampak (53)
Top Performers: Nampak (93), Anggold (280)

■ *ROOTS COMMUNICATIONS*
SA Giants: Chemspec (238)
Top Performers: Chemspec (270)

■ *SMART STRATEGIC MARKETING*
SA Giants: Dcentrix (149)
Top Performers: Dcentrix (157)

■ *STUDIO 5*
SA Giants: Litha (164)
Top Performers: Litha (55)

■ *SWITCH BRANDING & DESIGN*
SA Giants: MTN Group (9), Aspen (54), Invprop (247), Invltd (345)
Top Performers: Aspen (33), Invltd (127), MTN Group (139), Invprop (152)

■ *TBWA\HUNT\LASCARIS*
SA Giants: Sasol (7), Stanbank (12), Spar (31), Tigbrands (43), JDGroup (45), Illovo (73), Cityldg (190)
Top Performers: Spar (114), Sasol (132), Tigbrands (141), Cityldg (162), Stanbank (172)

■ *TERRANOVA*
SA Giants: Cargo (207), Torre (299)
Top Performers: Cargo (79)

■ *THE AGENCY FOR ADVERTISING & MARKETING*
SA Giants: Telkom (39)
Top Performers: Telkom (218)

■ *THE FIRE TREE DESIGN COMPANY*
SA Giants: Gooderson (285)
Top Performers: Gooderson (242)

■ *THE FIREHOUSE ADVERTISING*
SA Giants: Beige (209), Blue (339)
Top Performers: Beige (287)

■ *THE FLAGSHIP COMMUNICATIONS CO SA*
SA Giants: IFA* (307)

■ *THE HARDY BOYS*
SA Giants: Rainbow (76)
Top Performers: Rainbow (226)

■ *THE IDEA WORX MARKETING & DESIGN*
SA Giants: Wearne (242)
Top Performers: Wearne (297)

■ *THE JUPITER DRAWING ROOM (JOHANNESBURG)*
SA Giants: Absa (16)
Top Performers: Absa (177)

■ *THE JUPITER DRAWING ROOM (SA)*
SA Giants: Medclin (48), PPC (89)
Top Performers: Medclin (80), PPC (229)

■ *THE KASHAN GROUP*
SA Giants: Argent (152), Wescoal (213)
Top Performers: Wescoal (104), Argent (274)

■ *THE LOOKING GLASS*
SA Giants: William (276)

■ *THE MEDIASHOP*
SA Giants: Mustek (110)
Top Performers: Mustek (70)

■ *THE NEW BLACK*
SA Giants: Growpnt (100)
Top Performers: Growpnt (134)

■ *THE RED PHONE*
SA Giants: Nampak (53), AECI (63)
Top Performers: Nampak (93), AECI (100)

■ *TROIKA IMAGINEERING WORKS*
SA Giants: Sappi (26)
Top Performers: Sappi (174)

■ *VISIONEERS*
SA Giants: Pergrin (162)
Top Performers: Pergrin (74)

■ *VISUAL COMMUNICATIONS*
Top Performers: Hwange (314)

■ *VISUAL IGNITION*
SA Giants: Faritec (206)

■ *WPP GROUP*
SA Giants: SAB (6)
Top Performers: SAB (68)

■ *WISDOM AND YOUTH ADVERTISING AGENCY*
SA Giants: Mr Price (68)
Top Performers: Mr Price (21)

■ *WORDS' WORTH*
SA Giants: Metair (106)
Top Performers: Metair (9)

■ *YOUNG & RUBICAM SA*
SA Giants: Picknpay (22), Pikwik (23), JDGroup (45)
Top Performers: Pikwik (158), Picknpay (170), JDGroup (239)

■ *ZONKE IGNITION ADVERTISING*
SA Giants: Sasol (7)
Top Performers: Sasol (132)

■ *ZOOM RETAIL MARKETING & ADVERTISING SOLUTIONS*
SA Giants: Cashbil (97)
Top Performers: Cashbil (146)

***Delisted**

Capability is no longer a luxury

As firms flock into Africa, competitive offerings are becoming important

In the past couple of years numerous global PR networks have flocked to the continent, buying agencies and launching offices, particularly in SA, to lead their African communications. This has been either through acquisitions (Burson-Marsteller, Edelman) or start-ups (Waggener Edstrom and Weber Shandwick).

Waggener Edstrom Worldwide expanded its global presence to SA with a new, wholly owned office in Johannesburg in 2010. The agency was appointed to drive pan-African corporate and technology PR for Microsoft Corp's West, East, Central Africa and Indian Ocean Islands business.

Weber Shandwick opened up shop in SA in August 2011. It has its own offices in Cairo, Casablanca and Tunisia, with representation in major hubs such as Nigeria, Senegal and Kenya.

Burson-Marsteller acquired a majority stake in local consultancy Arcay Communications last year, marking the firm's first ownership position in Africa. Arcay has been its exclusive affiliate partner on the continent since 2007. The full-service firm is now known as Arcay Burson-Marsteller.

Edelman entered Africa by acquiring SA affiliate Baird's Renaissance last year. The agency was renamed Edelman SA, following the deal that resulted in the US firm taking majority ownership. Baird's had been Edelman's affiliate for 20 years.

Francois Baird told the Holmes Report that the firm's capabilities across the continent — it services 29 countries — would prove pivotal to Edelman SA's success. "There is enormous opportunity to leverage the strength of the entire Edelman network, intellectual capital and talent to benefit this dynamic continent and to deploy our Africa expertise and network to the benefit of Edelman clients," he said.

Other international PR firms that own operations in SA include Fleishman-Hillard, Text 100, Ogilvy PR and FTI Consulting.

FTI Consulting Strategic Communications MD Max Gebhardt says the agency's multinational clients need the business to have a presence in Africa, and SA in particular.

"As more companies look north for growth opportunities, they are looking towards us to join them on that journey and provide them with on-the-ground support in those countries where they are operating. In that light a pan-African footprint is becoming an imperative. At FTI Consulting we have spent years on building an affiliate network with representatives in 29 African countries," he says.

Gebhardt says though some strategies can be developed here and adapted for the rest of Africa, it is important that local agencies that understand their markets and local issues are used. "I think there is a need to be careful not to be seen as knowing it all and rather listening to what local agencies have to say about how to approach a specific industry or country," he says.

"One of the key competitive offerings of FTI Consulting is that it has in place a global network of highly skilled communication practitioners and an ability to share and draw on that knowledge. Our affiliates in Africa have access to this network to ensure that we offer our clients the levels of service they are used to, whether it is in New York or Lagos.

"For an agency to be successful it needs to provide the same consistent level of service and strategic advice, no matter where the project or contract might be. Clients want to be able to receive good advice that helps them achieve their objectives. Key to that is having the right people who understand the local markets."

Sconaid McGeachin is CE of Middle East, Africa & Turkey for Hill + Knowlton. She agrees that they also aim to provide the same level of service on all platforms, irrespective of the country in which they operate. The agency bought into Corporate Communications Consultants in SA, with whom they were already affiliated, but opted to establish its own branch in Kenya, building it up from scratch as opposed to entering an existing partnership in that country.

"Most international firms have started in SA, being the most developed market [on the continent], and then moved north. But we established our own East African operation in Nairobi five years ago and now also have fully fledged H+K offices in Kampala and Kigali," she says. "H+K also has an office in Ghana and the firm hopes to establish another West African office in Nigeria by year-end. Even so, building a pan-African network has a lot of complexity and uncertainty about how best to do it, but we found that doing our own thing and building capacity from the ground works best."

Most SA agencies have strong affiliate networks, but McGeachin says an African PR hub could be run out of any country. "What's important is the track record and experience of the agency managing the hub, its systems and, most importantly, the quality of people it has on the account. We also believe that our network is just as strong as our weakest link, so co-ordination and knowledge sharing between team members are imperative. We could move staff from one hub to another without any disruption to operations," she says.

For global networks and local firms alike, it seems clear that a cohesive pan-African capability is no longer a luxury they cannot afford. As the PR industry in East and West Africa matures, perhaps the idea of a single African hub (in SA) is under threat, but not SA's prospective role.

Ruan Jooste

PUBLIC RELATIONS AGENCIES AND CORPORATE CLIENTS

- *ALL BRAND NO FLAKES*
  SA Giants: Vividend (273)
  Top Performers: Vividend (201)
- *APRIO STRATEGIC COMMUNICATIONS*
  SA Giants: Trnshex (204), Wesizwe (337)
  Top Performers: Trnshex (118), Wesizwe (272)
- *ARIEL ASSOCIATES*
  SA Giants: Cafca (269)
  Top Performers: Cafca (191)
- *ATMOSPHERE COMMUNICATIONS*
  SA Giants: Sanlam (5), Truwths (79), Capitec (86), Comair (105)
  Top Performers: Capitec (26), Sanlam (71), Truwths (111), Comair (160)
- *BAIRD'S RENAISSANCE*
  SA Giants: EHSV (116)
  Top Performers: EHSV (311)
- *BISHOPSGATE COMMUNICATIONS (UK)*
  SA Giants: Jubilee (303)
  Top Performers: Jubilee (295)
- *BRIAN GIBSON ISSUE MANAGEMENT*
  SA Giants: Rangold (354)
  Top Performers: Rangold (265)
- *BROOKE BROWDE COMMUNICATIONS*
  SA Giants: B&W* (243)
  Top Performers: B&W* (289)
- *BRUNSWICK (SA)*
  SA Giants: Anglo (3), MTN Group (9), Imperial (14), Absa (16), Massmart (19), Sappi (26), Gfields (32), Implats (42), Tigbrands (43), Omnia (66), Iliad (114), Advtech (158), Invltd (345)
  Top Performers: Imperial (60), Omnia (61), Invltd (127), Advtech (131), MTN Group (139), Tigbrands (141), Massmart (147), Sappi (174), Absa (177), Anglo (189), Iliad (219), Implats (253), Gfields (278)
- *BRUNSWICK GROUP*
  SA Giants: SAB (6), ArcMittal (40), Invprop (247)
  Top Performers: SAB (68), Invprop (152), ArcMittal (285)
- *CALIBRO COMMUNICATIONS*
  SA Giants: Shoprit (13)
  Top Performers: Shoprit (87)
- *CARDEW CHANCERY (UK)*
  SA Giants: Lonmin (65)
  Top Performers: Lonmin (298)
- *CHILLIBUSH INVESTOR RELATIONS*
  SA Giants: Rolfes (200), Sacoil (329)
  Top Performers: Rolfes (45), Sacoil (235)
- *CLEAR DISTINCTION COMMUNICATIONS*
  SA Giants: Astrapak (131)
  Top Performers: Astrapak (248)
- *CORALYNNE & ASSOCIATES*
  SA Giants: Torre (299)
- *CORPORATE COMMUNICATIONS CONSULTANTS*
  SA Giants: JSE (160), ResGen (366)
  Top Performers: JSE (126), ResGen (255)
- *CORPORATE IMAGE CONSULTANTS INC*
  SA Giants: Vodacom (15), Picknpay (22), Pikwik (23), Mr Price (68), Oceana (109), Granprade (234)
  Top Performers: Mr Price (21), Oceana (48), Vodacom (77), Granprade (102), Pikwik (158), Picknpay (170)
- *DINATLA INDUSTRIES*
  SA Giants: Howden (346)
  Top Performers: Howden (13)
- *DU PLESSIS ASSOCIATES*
  SA Giants: Alert (208)
  Top Performers: Alert (320)
- *ENVISAGE INVESTOR & CORPORATE RELATIONS*
  SA Giants: Esorfrank (135), Hyprop (136), Afrimat (167), Morvest (192), B&W* (243)
  Top Performers: Afrimat (15), Hyprop (121), Morvest (240), B&W* (289), Esorfrank (291)
- *EPIC COMMUNICATIONS*
  SA Giants: Metrofile (222)
  Top Performers: Metrofile (32)
- *FCB REDLINE*
  SA Giants: MMI (38), Rainbow (76)
  Top Performers: MMI (95), Rainbow (226)
- *FD BEACHHEAD*
  SA Giants: Mondi (20), Woolies (37)
  Top Performers: Woolies (19), Mondi (30)
- *FTI CONSULTING*
  SA Giants: Anglo (3), Lonrho* (129)
  Top Performers: Anglo (189)
- *GABLE COMMUNICATIONS (UK)*
  SA Giants: PanAfric (157)
  Top Performers: PanAfric (52)
- *GECKO COMMUNICATIONS*
  SA Giants: Micromega (205)
  Top Performers: Micromega (6)
- *GRAPHICULTURE*
  SA Giants: Primeserv (216)
  Top Performers: Primeserv (236)
- *GRAY CORPORATE & INVESTOR RELATIONS*
  SA Giants: Emira (189), Iquad* (297)
  Top Performers: Emira (163)
- *HG STRATEGIC COMMUNICATIONS*
  SA Giants: Group 5 (72), Litha (164), Jasco (181), Protech (187)
  Top Performers: Litha (55), Group 5 (192), Jasco (247), Protech (276)

PUBLIC RELATIONS AGENCIES AND CORPORATE CLIENTS

- *HUDSON SANDLER (UK)*
  SA Giants: Intuprop (91), Capco (154)
  Top Performers: Capco (20), Intuprop (213)
- *INCE*
  SA Giants: Spar (31), Santova (130), Erbacon (172)
  Top Performers: Spar (114), Santova (116)
- *INSTINCTIF PARTNERS*
  SA Giants: Barworld (18), Datatec (34), Assore (67), Illovo (73), AVI (82), Intuprop (91), Clover (92), Raubex (102), Metair (106), Zurich SA (122), Coronat (123), Sentula (139), Capco (154), Brimston (155), Atlatsa (191), Delprop (282), Vunani (287)
  Top Performers: Coronat (1), Metair (9), Capco (20), Brimston (35), Assore (41), AVI (66), Datatec (69), Barworld (78), Clover (113), Zurich SA (202), Raubex (209), Intuprop (213), Illovo (231), Atlatsa (252), Vunani (307), Sentula (315)
- *INVESTOR COMMUNICATIONS*
  SA Giants: Fambrands (134), Itltile (138)
  Top Performers: Fambrands (17), Itltile (86)
- *JENNI NEWMAN PUBLIC RELATIONS*
  SA Giants: Cenrand (277)
  Top Performers: Cenrand (321)
- *KEYTER RECH INVESTOR SOLUTIONS CC*
  SA Giants: Suprgrp (71), Afgri* (77), Stefstock (81), Astral (87), ARB (147), Afrimat (167), Wescoal (213), PSV (233), Accent (258)
  Top Performers: Afrimat (15), Suprgrp (54), ARB (64), Wescoal (104), Stefstock (193), Astral (222), Accent (243), Actowers (272), PSV (288)
- *LANGE STRATEGIC COMMUNICATIONS*
  SA Giants: Foschni (69)
  Top Performers: Foschni (109)
- *MACMILLAN COMMUNICATIONS*
  SA Giants: Cityldg (190)
  Top Performers: Cityldg (162)
- *MAGNA CARTA PR*
  SA Giants: Stanbank (12), Miranda (348)
  Top Performers: Stanbank (172), Miranda (306)
- *MAKINSON COWELL (UK)*
  SA Giants: OldMutual (30)
  Top Performers: OldMutual (43)
- *MARKETING CONCEPTS*
  SA Giants: Growpnt (100), Vukile (178), Octodec (228), Premium (237)
  Top Performers: Vukile (44), Growpnt (134), Premium (137), Octodec (167)
- *MARTINA NICHOLSON ASSOCIATES (MNA)*
  SA Giants: Netcare (44)
  Top Performers: Netcare (94)
- *MEDIAVISION*
  SA Giants: Curro (252)
  Top Performers: Curro (23)
- *MEROPA COMMUNICATIONS*
  SA Giants: Tigbrands (43)
  Top Performers: Tigbrands (141)
- *MICHAEL KERKHOFF & ASSOCIATES*
  SA Giants: Truwths (79)
  Top Performers: Truwths (111)
- *MORTIMER HARVEY*
  SA Giants: Trustco (220)
  Top Performers: Trustco (194)
- *MOTIV INVESTOR COMMUNICATIONS*
  SA Giants: HCI (90), Sanyati (161), Erbacon (172), Rare (278), Ansys (290)
  Top Performers: HCI (76), Ansys (254), Rare (318)
- *NORTHERN GRAPHICS CC*
  SA Giants: Cashbil (97)
  Top Performers: Cashbil (146)
- *OGILVY & MATHER*
  SA Giants: Adcock (104)
  Top Performers: Adcock (181)
- *OGILVY PUBLIC RELATIONS WORLDWIDE*
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