Financial Mai

ANNUAL REPORT

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TOP COMPANIES 2015

SA's leading review of listed companies

TOP COMPANIES

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* Due to space constraints, these tables have been shortened

Figures in tables provided by INET BFA were calculated according to the definitions below. Consolidated audited financial statements received before the end of March 2015 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 2013.

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 2010) 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 2015 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 2015 with the share price five years ago (end-March 2010). 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 VITAL VARIABLES USED

❍ *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 2015.*

❍ *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 pretax difference in profit between Lifo and Fifo or average inventory values is added to net profit.*

❍ *Pretax profit: The effect of extraordinary and exceptional items is excluded from pretax profit (profit after interest paid but before taxation). Apart from this, pretax 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 pretax 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 2015 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.* ■


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Value-add counts

To make the Top 20, past performance matters as much as perceived future gains

The *Financial Mail Top Companies* publication has, for more than a decade, supplemented the traditional voluminous data with value-adding assessments.

The aim is to identify not only those companies that performed well 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 Top 20 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 has been 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 INET BFA's numbers have been questioned because they do not always match a company's own financials, but the research firm's approach is consistent and is explained in detail under Definitions (see page 6).

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 the Top 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); as well as 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 ultimate selection of the companies that make the Top 20. The point about the table is not that these companies are just outstanding performers — which 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) converted to the new real estate investment trust (Reit) structure that was adopted by the JSE in 2013. 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 — in fact, as a glance reveals, 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 that 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* analysts) to deliver yet again even if they look expensive. ■

The impossible becomes possible

A strong run and the ability to outperform the market produce a remarkable feat for Coronation — again

Many of the names from last year's Top 20 ranking are still here in 2015. The placing, though, is different, with one exception: Coronation Fund Managers. Coronation has achieved what most observers would have thought was impossible to do: three consecutive number one rankings in the Top 20.

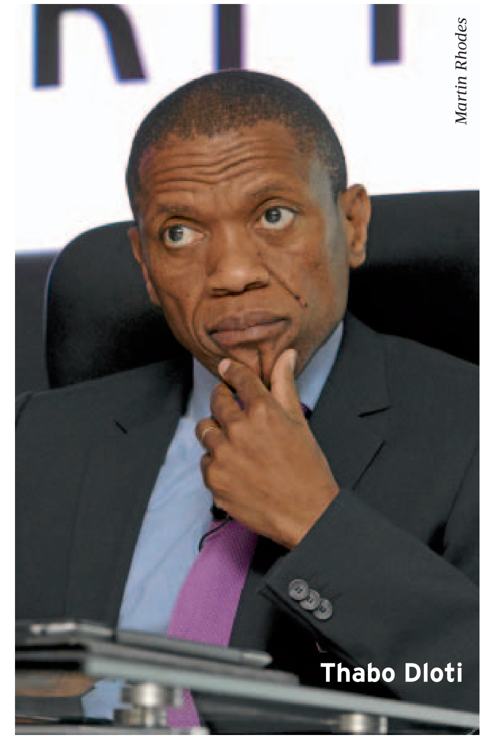
Of course, the strong run in global equity markets played its part here, with the bull market that began in March 2009 still very much intact, both in SA and beyond. This has been one of the longest equity bull markets in history, so it is perhaps not so surprising, in retrospect, that Coronation has done so well these past three years. Having said that, one has to acknowledge that Coronation's investment team has outperformed the market during that time and this, of course, is the trick to sustaining high-net inflows of funds from investors.

But Coronation's win this year is the closest it has ever been, with second placed Liberty Holdings breathing hard down its neck. Only an elusive couple of points separated the first two positions, which is probably the closest shave in the Top 20 in recent years.

Jackie Clausen

Afrocentric, with its health-care provider model, makes it into the Top 20 this year

While Coronation's high score is due mainly to its very high return on equity (RoE), Liberty Holdings' high score is due largely to extremely high five-year compound annual growth rate (CAGR) in earnings. Liberty's investment performance was severely dented a few years ago. Since then it has transformed successfully and now operates in 16 countries in Africa. Much of the credit for this profound turnaround must go to former CEO Bruce Hemphill and current CEO Thabo Dloti. After a brief spell back at Liberty's owner, Standard Bank, Hemphill has now taken up the CEO position at Old Mutual.



Martin Rhodes

Thabo Dloti

Assets under management at Liberty were R646bn at end-March 2015. It is the third-largest life assurance company in SA after Old Mutual and Sanlam and its investment arm, Stanlib, is right up there with the big boys of the investment management industry.

Mr Price came roaring up the rankings to take third position. Currently the darling of the SA retail industry, this company has scarcely put a foot wrong. Not only does its philosophy of providing quality fashion at a low price appeal to a wide demographic, it has in more recent times been able to beat all of its clothing competitors hands down when it comes to online retailing. Moreover, it has also managed to penetrate deep into the African continent, where its degree of recognition is surprisingly high. Its CAGR of 23% over a 28-year period in earnings and 25% in dividends per share is perhaps unparalleled in JSE listing history.

Calgro M3's prodigious share price growth is the main reason this company finds itself in the top three. Even without a five-year track record in earnings, this nimble and innovative company has managed to find itself within spitting distance of top honours. Though its main business remains mixed-use and integrated residential development, it has more recently diversified into the burial business with the establishment of memorial parks.

Woolworths Holdings, affectionately known in the retail industry as Woolies, has gradually reinvented itself, first under the watch of former CEO Simon Susman and more recently with his successor Ian Moir. Almost 20 years ago, when it was still amalgamated with Truworths within Wooltru, the company was languishing. A hybrid of food, clothing and general merchandising retailing, Woolies gradually got its focus right over the years, especially with respect to its clothing offering. Food always was and remains an outstanding performer in the group and the desire was always to match the quality of the clothing offering to that of its food, so that customers would cross-shop in the stores and synergies would result. That aim was largely achieved some years ago and now Woolies has embarked upon a highly ambitious new journey into Australian retailing with the recent acquisition of David Jones. This audacious move has propelled the group into the top 10 of department store retailers in the entire southern hemisphere.

Consolidated Infrastructure Group (CIG), ranked number 12 last year, has moved rapidly up the rankings this year to sixth position. A favourite among small-cap analysts, this firm operates in the electrical transmission and other infrastructural areas in SA, but more importantly the rest of the continent. CIG operates in 19 African countries and aims to have at least 50% of its revenue sources from outside SA.

Another firm favourite among small cap analysts is AdaptIT, a highly innovative IT services and solutions provider. Mainly black-owned and with a large number of acquisitions under its belt, its strategy is to concentrate on growth in the public sector as well as into the rest of Africa.

Largely down and out five years ago amid a scandal and a collapse in earnings, Super Group has risen from the ashes in recent years and has established an enviable track record once more. Ranked number 13 last year, its outstanding five-year CAGR in earnings has propelled it up to eight position this year.

For decades, sceptics have warned that retail property development is reaching saturation point in SA and that investment in shopping malls is not a good long-term strategy. Of course,

David Kneale

Trevor Samson

quite the opposite has been true and Resilient is a blue-chip player in the retail property industry. As with most other real estate investment trusts (Reits), the market likes it, even though its RoE is fairly pedestrian.

EOH has been a regular inclusion in both Top Performer and the Top 20 in recent years. Founded by charismatic CEO Asher Bohbot, EOH has managed to carve out a special niche for itself in the IT sector of the JSE. Not satisfied with relying on its wide range of local companies for support, EOH has, in recent years, expanded aggressively into the rest of the African continent and has been remarkably successful at that. And the market still likes the share, which explains its high five-year internal rate of return (IRR) in its share price, even though both its RoE and CAGR in earnings appear to have matured, admittedly at very high levels.

Number three in last year's rankings, Clicks has slipped a bit this year to 11th position, but it is, nevertheless, in an enviable position among its peers. Guided by CEO David Kneale, formerly of the UK's Boots group, Clicks has managed to retain a loyal customer following over the years, aided in no small measure by its highly successful loyalty card.

Trustco is a Namibian-based financial services company that was the first company to be listed on the African board of the JSE in 2009. Now listed on the JSE main board, its main interests are in insurance, banking and finance.

Sekunjalo was rebranded in April 2015 as African Equity Empowerment Investments, partly to avoid confusion with its unlisted holding company, Sekunjalo Investment Holdings.

Not even an 87% RoE could prevent Clientele from falling from the second to 14th position this year. Its other parameters, while respectable, were just not quite good enough to keep it in the Top 10.

A previous *Top Companies* winner, Famous Brands is still defying the sceptics and exhibiting outstanding returns for shareholders. The group now has more than 2 500 outlets in SA, the rest of Africa, the Middle East and London. And while it still expects to be able to get real growth from its SA operations, its geographical diversification of recent years has also been a strong driver.

Though the construction sector of the JSE has been out of favour for some time now, a few niche players such as Afrimat still manage to do well. Benefiting from government spending on smaller projects as well as gaining a gradual footprint in the rest of Africa, Afrimat has demonstrated a strong and sustainable track record.

Omnia Holdings has been around for many years in both the mining and agricultural fertiliser arenas. Though its earnings growth has been strong in recent years, the poor outlook for mining, coupled with the drought in SA, are resulting in profound headwinds.

The brainchild of SA investment legend Jannie Mouton, PSG Group has managed to attract and retain a loyal following among both private and institutional investors over the years. The group's five-year CAGR in earnings has averaged a respectable, though not outstanding, 17% while its RoE is a relatively disappointing 12%. Nevertheless, the market loves the "Mouton factor" and its share price movement has been excellent.

Cofounded by former SABMiller CEO and chairman Meyer Kahn, Afrocentric is a black-owned diversified investment holding company whose interests are directed mainly towards the health-care provider model.

Under the aegis of outgoing CEO Julian Roberts, Old Mutual largely reinvented itself over much of the past decade. The group divested itself of many of its ill-conceived acquisitions from the late 1990s and early 2000s and has focused on its core strengths and abilities.

Staff writer

Ian Moir


You see a Chartered Accountant and CEO of SAICA
WE SEE A BUSINESS AND
Transformational leader
TERENCE NOMBEMBE CA(SA)
CHIEF EXECUTIVE OFFICER: SAICA

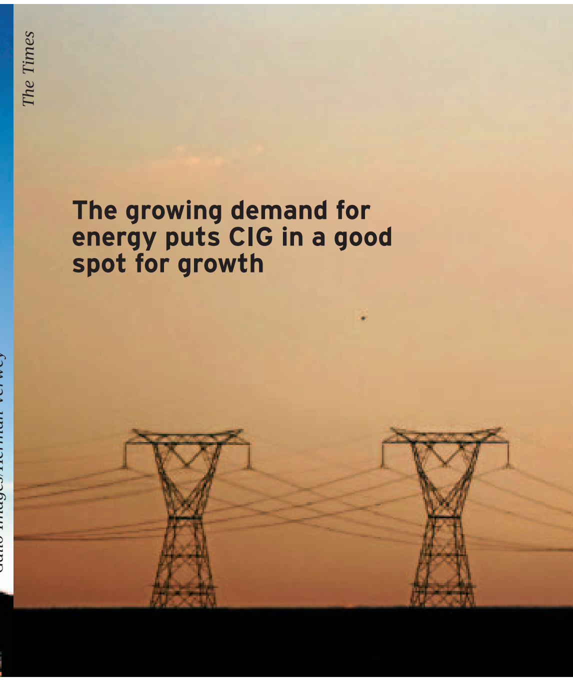
1 CORONATION
Total score: 70,1

Historic score: 31,1 FM's score: 39

Notwithstanding Coronation's outstanding feat in coming top in this ranking for the past three years, there are signs that the group's exemplary fundamental performance is slowing. First-half inflows slowed substantially to R7,5bn and net fee margin fell to 60 basis points, due mainly to a decline in performance fees. However, its assets under management (AUM) are still growing strongly — at year-end they were R588bn, due mainly to favourable market movements. But equity market volatility is rising, which means that AUM growth may not be as strong this year. RoE remains well above 90% and this factor alone should ensure that Coronation is still in with a shot when it comes to appearing in the top three of this publication next year.

Calgro M3 is diversifying into other industries

Gallo Images/Herman Verwey

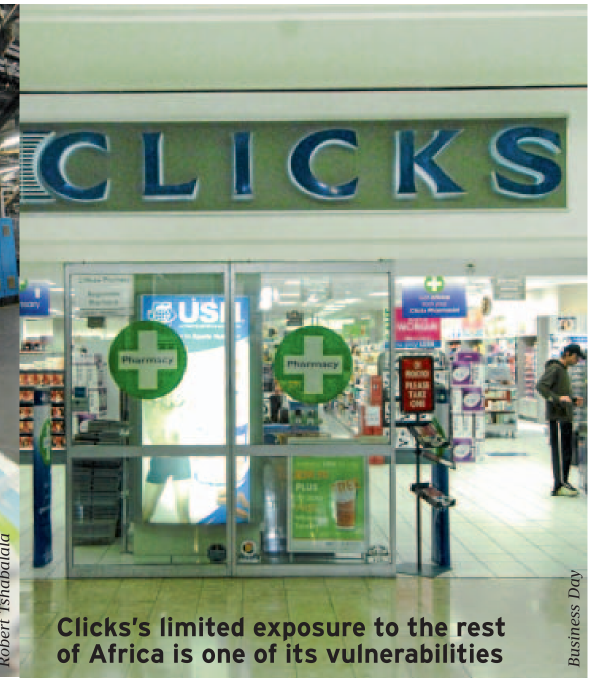


The growing demand for energy puts CIG in a good spot for growth

The Times

Sekunjalo paid a maiden dividend to its shareholders

Robert Tshabalala



Clicks's limited exposure to the rest of Africa is one of its vulnerabilities

Business Day

2 LIBERTY HOLDINGS
Total score: 68,4

Historic score: 28,2 FM's score: 40,2

Liberty's strong momentum continues, with a positive trading update in late May 2015. Assets under management were reported at R646bn, an increase of 2,1% from its year-end, with its Stanlib investment management business recording a 1,9% increase. Life sales in the rest of Africa increased four-fold, admittedly from a low base. In the retail affluent segment, in which Liberty tends to dominate, sales growth of only 3% was slightly disappointing. It will be fascinating to compare and contrast Coronation with Liberty during the course of 2015 to see if they end up vying for the top spot once again.

3 MR PRICE
Total score: 63,4

Historic score: 16,6 FM's score: 46,8

Many SA clothing retailers pay lip service to online retailing by having websites that only have a marketing role. But Mr Price has grasped the online challenge effectively. It offers a multichannel approach to payment and delivery and is not daunted by SA's relatively poor logistics options. Its "click and collect" approach has been successful. In a languishing economy, an increasing number of shoppers should be attracted to the Mr Price value proposition. Its decades-long unbroken earnings and dividend track record are the envy of most listed firms. This SA icon seems destined to keep turning out above-average growth for many years to come.

4 CALGRO M3
Total score: 61,7

Historic score: 19,1 FM's score: 42,6

By ploughing back all of its earnings into the company and not paying a dividend, Calgro M3 is demonstrating a huge vote of confidence in its ability to grow its niche within the SA construction industry. This is especially important and revealing at a time when many companies are handing back increasing amounts of money to shareholders because they don't have growth avenues to exploit. The company has the capacity to convert its pipeline into tangible projects and thus build sustainability well into the future. Diversification into burial sites and renewable energy will be followed with interest.

5 WOOLWORTHS
Total score: 61,4

Historic score: 14 FM's score: 47,4

The Woolworths Group is benefiting from two main sources of interest from investors: Woolies has become the destination food shop of choice for the aspiring emerging middle class and the group's Australian businesses give it a real rand hedge quality. Though the group still has a presence in the rest of Africa, the main focus of attention as far as offshore expansion is concerned will remain in the hard currency Australian market. These are potent and very unique differentiators for Woolies and ones which are likely to continue to please investors. This group now has global size and scale and is an excellent rand hedge.

6 CIG
Total score: 59,6

Historic score: 18,2 FM's score: 41,4

Though the African growth story has faltered a little, with the large drop in the oil price in 2015, it nevertheless remains well above that of SA and is likely to remain so for the foreseeable future. CIG is committed to sourcing more than half of its earnings from outside SA and has "paid its dues" as far as operating in the rest of Africa is concerned. The demand for energy, especially renewable energy, is growing exponentially in Africa and CIG is well placed to help satisfy that demand. The group enjoys a fair degree of "first mover advantage" in Africa and the barriers to entry are high.

7 ADAPTIT
Total score: 59,6

Historic score: 19,4 FM's score: 40,2

AdaptIT's relatively small size (R1,1bn cap) means the effect of acquisitions can be meaningful. In the past five years, it has not only made one acquisition per year, but it has improved operating margins noticeably and sustainably. Little wonder then that the market has rewarded it with a relatively high p:e rating of over 21. Even SA's languid economy still provides great opportunities for consolidation in the highly fragmented IT field and AdaptIT will be looking to capitalise on that. Only around 10% of revenue comes from the rest of Africa and now that the scourge of ebola has subsided, that figure is likely to grow considerably.

8 SUPER GROUP
Total score: 58,5

Historic score: 25,5 FM's score: 33

In its latest interim results to end-December 2014, operating profit margin declined to 8,2% (December 2013: 9,1%) as a result of continued competitive and inflationary pressures; extremely disappointing performances by African Logistics and FleetAfrica; and an impairment charge of R8,4m relating to the closure of a business within Supply Chain SA, directly attributable to the crippling impact of the SA steel industry strike in 2014. Total gearing remains low at around 15%, even after the acquisition of Allen Ford (UK). A decision was taken not to declare a dividend for the interim period.

9 RESILIENT
Total score: 57,8

Historic score: 11,6 FM's score: 46,2

Notwithstanding the languishing SA economy and electricity disruptions, Resilient still managed a respectable 16,3% increase in its dividend payment to end-December 2014. Progress in the rest of Africa continues unabated and in November 2014 it increased its interest in Resilient Africa, a joint venture for the development of properties in Nigeria, from 50,98% to 60,94%. Shoprite Checkers, its joint venture partner, increased its interest from 32,68% to 39,06%. Electricity blackouts had a negative impact on Resilient's performance through reduced trading hours and loss of parking revenue. Steps are being taken to facilitate continued trading.

10 EOH
Total score: 57,5

Historic score: 17,3 FM's score: 40,2

Some analysts have expressed the view that EOH's virtually exponential growth rate in earnings has to flatten out, while others complain about a lack of transparency when it comes to segmental earnings contribution. Neither view has made much difference to the appetite among investors to own EOH shares, and the price keeps rising. Globally, growth in IT demand is much higher than global GDP growth, suggesting that IT spend will continue unabated, almost regardless of the strength of the global economy. And there is even more growth on offer in the longer term in the rest of Africa.

11 CLICKS
Total score: 55,7

Historic score: 11,9 FM's score: 43,8

Clicks is a solid business that has come right with a vengeance under current CEO David Kneale. But it seems to have a few vulnerabilities, notably its relatively small exposure to the rest of Africa. Musica remains vulnerable to enhanced and cheaper broadband rollout in SA. Clicks recently relaunched its ClubCard loyalty programme, replacing cumbersome vouchers with card-based rewards. UPD, its pharmaceutical wholesaling arm, remains the stalwart operation in the group and continued innovation in this business is paying off. But if competitor Dis-Chem ever considers a JSE listing, that could take away much of the attraction of Clicks.

12 TRUSTCO
Total score: 55

Historic score: 11,2 FM's score: 43,8

Total group revenue for the nine months to end-December 2014 rose by 28,8%, with net profit up by 52,5% for the group that defines itself as having "an original and unmistakable Namibian flair". Headline earnings growth was 132,5%. The star performer in the group was the investment portfolio, which grew by 95,8% during the period. Insurance operations in the rest of the continent contributed a loss of 9,07c/share to earnings per share for the period (2013: loss of 9,48c/share). The loss was due to the ongoing operational cost of the insurance business in SA, with the launch of a new product line and distribution channel in the 2015 financial year. The board intends to pursue opportunities in the resources sector during the 2016 financial year.

13 SEKUNJALO
Total score: 54,4

Historic score: 19 FM's score: 35,4

Renaming this firm may well go a long way in distancing itself from its controversial founder and major shareholder, Iqbal Survé. The fundamental growth in the business is outstanding and this is reflected in the share price. For the six months to end-February 2015, headline earnings per share rose by 188% and the company paid a maiden dividend to shareholders. Due to the seasonal nature of the group, the results are expected to be much stronger in the second half of the financial year. But only time will tell whether this type of explosive growth is sustainable.

14 CLIENTELE
Total score: 54,1

Historic score: 12,7 FM's score: 41,4

For the six months to December 2014 the value of new business rose by 23% to R400,5m. Of this figure, Clientele Life contributed about 86% and remains by far the largest contributor to Clientele's overall business. Clientele is a niche player in the SA insurance industry and its board is committed to providing products that are relevant and meet the individual policyholder's needs. In addition, the board is committed to delivering these products to the market conveniently and efficiently as well as creating and nurturing mutually beneficial partnerships with all its stakeholders that add value on a sustainable basis.

Sunday Times

This Famous Brands fast-food restaurant has a growing footprint on the continent

Gallo Images/AFP/Paballo Thekiso

Old Mutual is looking far better than it has in years


Sunday Times

Omnia has been a favourite among small caps for a while

15 FAMOUS BRANDS
Total score: 53,9

Historic score: 11,3 FM's score: 42,6

Famous Brands has an enviable five-year CAGR of 14% in revenue and 17% in profit. It is easily the most diversified quick-service restaurant group in the country. In addition, the group has demonstrated over many years that it is able to take on the multinational players and beat them at their own game. Offshore expansion is growing apace, with more than 440 out of a total of 2 545 outlets being outside SA. Even the UK Wimpy operation has at last turned the corner. With no debt in the company, the focus is on building capability and capacity across brands, logistics and manufacturing to compete aggressively in the leisure and consumer product space.

16 AFRIMAT
Total score: 53,6

Historic score: 11 FM's score: 42,6

The construction sector in the country is in the doldrums and the situation is likely to remain that way until the local economy starts gaining some traction. Any growth is currently coming either from the rest of Africa or the Australasia region. But Afrimat is in a highly niched environment in the construction space. Because it is relatively small, it can benefit from small projects and thus does not have to rely on the crumbs from grandiose projects. In addition, Afrimat's activities revolve around supplying mining and construction companies with the materials that they require, rather than having to satisfy an end-consumer. Its margin mix is also changing, with a greater emphasis on higher-margin work.

17 OMNIA
Total score: 53,2

Historic score: 17,8 FM's score: 35,4

Omnia is a well managed company and has been a firm favourite among small cap analysts for a while, but the allure began to wane last year. Its two main areas of activity — mining and agriculture — are experiencing strong headwinds that are unlikely to abate any time soon. The fertiliser business, especially, could be in for a tough time if drought conditions persist in the Southern African region for a protracted period of time. The SA mining industry faces a variety of challenges, ranging from cost increases through industrial action and this could affect demand for explosives in future.

18 PSG
Total score: 52,4

Historic score: 11 FM's score: 41,4

PSG owns 30,7% of Capitec, which in turn accounts for 42% of PSG's asset base as at June 1 2015. Capitec has emerged from the aftermath of the African Bank disaster in very good shape and intends to expand its product offering considerably. PSG Konsult listed successfully in June 2014 and this solid business accounts for 16% of PSG. But Curro, accounting for 19% of PSG's assets, was mired in controversy recently and its rating appears particularly high relative to its earnings. Zeder, the agricultural arm, continues to perform well and accounts for 10% of assets. Don't be surprised if founder Jannie Mouton pulls out an acquisition from far left field in the future.

19 AFROCENTRIC
Total score: 52,2

Historic score: 10,8 FM's score: 41,4

Late last year, Afrocentric announced two deals that further enhance the appeal of this nimble and innovative company. The first was Sanlam's acquisition of a 28,7% stake in ACT Healthcare Assets, formerly a wholly owned Afrocentric asset. Unlike its main competitors in the life assurance space, Sanlam doesn't own its healthcare administrator, so this deal indirectly gives Sanlam a stake in Medscheme, which is owned by ACT Healthcare. The second deal was Afrocentric's acquisition of pharmaceutical distributor Pharmacy Direct. There appears to be a number of synergies between Medscheme and Pharmacy Direct and the cash that Afrocentric got from Sanlam will undoubtedly be invested in something complementary to the group as a whole.

20 OLD MUTUAL
Total score: 52,2

Historic score: 10,8 FM's score: 41,4

Notwithstanding the general view that life companies have experienced a steady loss of assets to unit trusts in recent years, Old Mutual is looking much better than it was even a few years ago. Outgoing CEO Julian Roberts did a great job in streamlining the business, and incoming CEO Bruce Hemphill now has the task of taking this venerable institution to the next level. The first quarter interim management statement contained few surprises, except for the fact that net client cash flows were well below expectations, recording net inflows of only R500m against consensus of R1,8bn.

Cashing in on a weaker rand

Offshore exposure seems to be an important factor not only for investors but for firms' strong performance

These are the largest listed companies in SA: the "royal companies", so named because their size and scale imparts a sense of longevity and purpose to investing in them. They are invariably in the portfolios of most, if not all of the large financial institutions in the country and have been for many years and decades. And in more recent years they have found their way into foreign portfolios, as some of them have dual listings in Johannesburg and London.

The top five companies in this ranking are all dual-listed entities and two of them — Glencore and BHP Billiton — have three listings, in London, Hong Kong and Johannesburg, in the case of Glencore, and London, Sydney and Johannesburg for Billiton. The weakness of the rand that has been so apparent in the past couple of years has obviously inflated the values of all the metrics relating to these giant companies in the ranking tables.

But what this also means is that the composition of the JSE all share index is heavily skewed towards large, multinational companies, as reflected in the top tier of SA Giants. From an investors' perspective, it means that just by buying the all share index, one is effectively getting a high degree of offshore exposure. This is perhaps one of the reasons that foreign investors like the all share index, with its heavy exposure to non-SA dynamics and why this index has been one of the star performers among global equity indices in recent years.

Mark Cutifani

Russell Roberts

These companies are monitored closely by the research divisions of the global investment banks and this research serves many purposes. For example, it is used by financial institutions to help make buy or sell decisions. However, it can also be used by the advisory and other areas of investment banks to help in merger and acquisition activity. Because of the sheer scale of these companies, both in terms of market capitalisation and turnover, they provide more than ample opportunities for investment and investment related activities.

Glencore tops the ranking of SA Giants, with a turnover almost three times the size of its closest competitor, BHP Billiton. Of all the large diversified mining houses, Glencore exhibited the best performance for financial 2014. Commodity stocks had a torrid time last year as demand fell and production of certain metals continued unabated. Glencore, however — perhaps because of its unique structure and small exposure to iron ore — emerged in the best shape of all of the large mining stocks. Earnings per share fell by 13% to US33c but the dividend was increased by 9% to 18c.

BHP Billiton caught a number of negatives in 2014 and into 2015, notably the continuing decline in the prices of both iron ore and petroleum. But its obsession with driving down costs and improving productivity in all of its areas is now showing positive results.

In early 2015, BHP Billiton gave greater clarity on the reorganisation of its assets into two companies — BHP Billiton and South32. The new

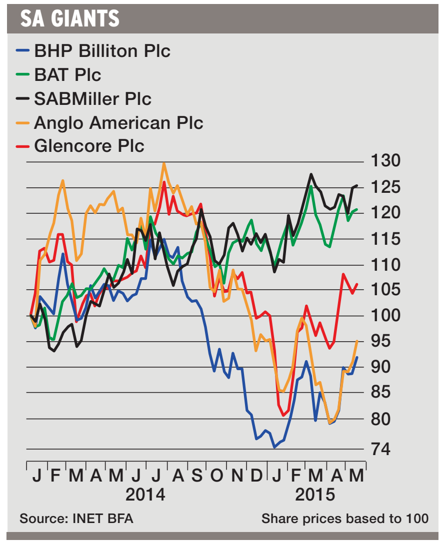
Gallo Images/AFP

Glencore had the best performance in 2014 among its large diversified mining peers

BHP Billiton will be focused on tier 1, upstream assets with long resources life. It will have a core portfolio of 19 assets, with a smaller geographical spread and a higher proportion of common characteristics. This simplification is designed to facilitate greater focus on improving performance and driving substantial additional productivity benefits.

South32 will be a globally diversified metals and mining business with a complementary portfolio of high-quality assets, but on a different scale to those in BHP Billiton's core portfolio. Eligible BHP Billiton shareholders will receive one South32 share for each BHP Billiton share they own.

Anglo American has had a plummeting share price as commodity prices tumble, but thankfully its diamond interests have held up, and there is no oil exposure. Some analysts have been calling the current share level — about half of its record high — a "generational low" and saying it now presents a lifetime opportunity for long-term investors to get into this stock.



The turnaround in Anglo has to come from a turnaround in the platinum market, as its other divisions remain solid. The diamond business is pumping and even though iron ore prices have dived, it still earns good margins from this income stream.

With platinum being the swing factor, there has to be a revival in the European autocatalyst market. With the collective European economies still languishing, there seems little hope of revival in anything but the long term.

Investment in, or disinvestment from, Anglo American is an ongoing theme among institutional fund managers in SA. On the one hand, the relatively low share price appears seductive, but on the other, the weak commodity background and the fact that Anglo still needs surgery weighs against that positive sentiment.

The company has long ties to SA, even though its main listing is now in London. Having said that, around half of its assets are still in SA — a much higher proportion than any of its competitors. Mark

Gallo Images/AFP/Ria Novosti

Some investors have ethical concerns about investing in tobacco companies such as BAT

Cutifani, the gritty mining engineer who now heads Anglo American, has impressed local and foreign investors alike with his no-nonsense approach to transforming this company. But it will take all of his steely resolve to turn this behemoth around.

British American Tobacco (BAT) might not be the largest company in terms of turnover on the JSE, but it is certainly the largest in terms of market capitalisation. Certain investors have ethical concerns about investing in tobacco companies, whose products have been shown to be carcinogenic if ingested over a long period of time. But these concerns don't appear to be shared by the majority of investors who like the stable returns offered by these stocks. There ought to be an entry in the dictionary of persistence for tobacco companies globally, as they have not only managed to fend off individual lawsuits brought against them in many geographical jurisdictions but have also succeeded in maintaining good returns for investors.

First quarter 2015 results for BAT were not encouraging, with volumes down 3,6% in the quarter and revenue falling 5,8%.

SABMiller is arguably the SA corporate sector's most successful export. Realising that it needed to grow by acquisition if it was to compete with the world's largest brewers, SAB — as it was then known — moved its primary listing offshore in 1999 and was then able to access global capital markets. Though its organic growth has been strong, it has made clever acquisitions over the years and this has propelled the company right up the world brewing league.

The world's number two brewer by volume behind Anheuser-Busch InBev, SABMiller has the broadest geographical footprint of any global brewer. Though its main listing is in London, where it is a large component of the FTSE-100, it is the second-largest listed company in SA in terms of market capitalisation behind BAT.

Sanlam, Sasol, Bidvest, Richemont and MTN are found in pretty much the same rankings as last year, completing positions six to 10. Mondi Ltd and Mondi Plc move up rapidly, from positions 20 and 21 to 15 and 16 respectively. Fellow paper company Sappi moves up from 25 to 22. Naspers, whose share price recently hit over R2 000, makes a significant upwards move from position 30 to 25. *Staff writer*

THE INTERNATIONAL VIEW

SA companies make a respectable showing

THE *FORBES* 2000 list is constructed annually by taking an equally weighted combination of sales, profits, assets and market capitalisation. In the latest ranking, which came out in early May 2015, Chinese banks occupy the top four places, with Warren Buffett's Berkshire Hathaway, the largest US company according to *Forbes*'s measure, coming in at number five globally.

Industrial & Commercial Bank of China, which owns 20% of SA's Standard Bank, tops the *Forbes* 2000 list for the third consecutive year. China Construction Bank comes in at number two, Agricultural Bank of China at number three and Bank of China at number four. JPMorgan Chase, Exxon Mobil, PetroChina, General Electric and Wells Fargo occupy positions six through 10.

Apple remains the world's most valuable firm, with a market cap of US$741,8bn; second placed Google's market cap ($367,6bn) is less than half of Apple's value. Exxon Mobil ($357,1bn) comes in third, Berkshire Hathaway ($354,8bn) fourth and Microsoft ($340,8bn) fifth.

Facebook (number 280) and Starbucks (460) soared up the rankings, while Brazilian oil producer Petrobras (416) fell due to the low oil price. American Airlines, bankrupt a few years ago, had better times due to the lower fuel price, climbing to number 221 in the rankings.

SA companies with a primary listing in Johannesburg made a respectable showing, with 10 companies appearing in the *Forbes* 2000 list. These were Standard Bank (number 329), Sasol (366), MTN (395), FirstRand (397), Sanlam (602), Steinhoff (614), Naspers (691), Bidvest (1 143), Remgro (1 436) and Aspen (1 455). Other firms with a historical SA ancestry or close association and which are now listed in London, Zurich or Australia, include BHP Billiton (50), Glencore (110), British American Tobacco (199), SABMiller (217), Old Mutual (328), Compagnie Financiére Richemont (374), Barclays (404), Anglo American (620), Investec Plc (974), Intu Properties (1 331) and Metcash of Australia (1 932). *Staff writer*

ASSET HEAVYWEIGHTS

Another predictable, but good, performance

ONCE AGAIN, AND predictably so, financial services and mining companies dominate the asset heavyweight listing.

Old Mutual is the only company in this report to have an asset base of more than R2 trillion – increasing from R1,9 trillion at end-2013 to R2,4 trillion at end-2014. Group CEO Julian Roberts announced a surprise departure in April 2015, but his replacement was quickly announced. Taking over the global helm is Bruce Hemphill, who previously headed Liberty and more recently was a Standard Bank executive.

The financial crisis resulted in the Old Mutual share price plummeting to R4/share, doing badly in the US life savings market and hit by related interests in developed market junk bonds. Operationally, things have come right since then and the group is now more focused, looking at East Africa – with a big stake in UAP – and moving away from the Scandinavian markets. In late 2014 it listed its US asset management operations. With its vast array of services, the group should enjoy growth in emerging markets and a recovery in the UK.

The second-highest asset base, at R1,7 trillion, is another financial services group, Standard Bank, 20% held by China's ICBC. The group is now a solid African play, having offloaded international assets to its Chinese shareholder. It is hoped that this will provide uplift to its lagging return on equity (RoE). The dual CEO structure continues to be criticised by some analysts, though it seems to be working at the moment.

In fifth place is financial group Barclays Africa Group, formerly listed as Absa Group. It spent a few years in the wilderness, but the market is now warming to the stock as its African strategy takes hold. Also, its huge mortgage book write-downs are now out of the system, while the RoE starts to tick up and earnings growth creeps up to around 11%.

Mining heavyweights are Glencore and BHP Billiton. The Switzerland-based Glencore, which now includes Xstrata, is not only a metals producer, but also a commodities supplier and trader. It has a diversified basket of commodity exposures, with a huge chunk of earnings coming from copper. A notable positive is there is no production facilities exposure to hard-hit iron ore. Speculation continues on corporate action involving Rio Tinto or Anglo American, and though prices for these target mining giants would be low in currently depressed commodity markets, the commensurate finance-raising would be challenging.

Anglo-Australian mining giant BHP Billiton, by far the largest of the diversified global players, has a strong balance sheet, new leadership, has had some restructuring and is enjoying successful cost cutting. But it is looking at how it can maintain its good dividend policy. Its iron ore, copper and oil interests have been affected by brutal commodity price dives. It is hoped prices will not collapse any further and the dividend policy can stay intact. Though copper and oil are expected to recover, the concern is the outlook for the iron ore market – Billiton iron ore operations, however, are still making profits at these depressed base commodity price levels. Analysts are debating whether mining groups such as Billiton should be pulling back on their huge capital expenditure plans, or look through the cycle on a long-term basis and continue with capital spend. A rationalisation strategy has it spinning out some marginal southern hemisphere assets into South32.

Industrial shares in the upper echelons of the Asset Heavyweights ranking include BAT, SABMiller, Richemont, Remgro, Naspers, Sasol, MTN and Steinhoff. Offshore property company Intu (formerly Liberty International) also makes an appearance with an impressive asset base of around R143bn. *Staff writer*

NO. 5 SABMILLER PLC The group's US$117m saving in the past financial year through water and energy related initiatives shows commitment

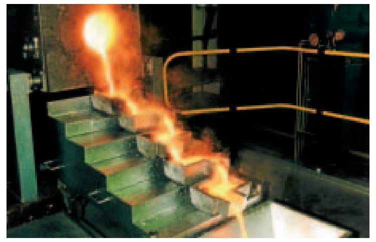
SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
1 1	Glencore Plc	2 398 151,00 2 245 255,00	1 629 582,00 1 501 001,00	685 032 937,00 726 992 699,00	858 478,00 775 441,00	27 825,00 20 601,00	Dec 14 Dec 13
2 2	BHP Billiton Plc	729 036,00 636 523,00	1 601 838,00 1 319 793,00	567 862 179,00 694 837 042,00	1 179 938,00 975 816,00	160 449,00 120 110,00	Jun 14 Jun 13
3 3	Anglo American Plc	293 682,00 283 120,00	697 305,00 683 736,00	258 254 715,00 377 522 716,00	482 001,00 514 504,00	22 390,00 27 625,00	Dec 14 Dec 13
4 6	British American Tobacco Plc	230 528,00 197 792,00	479 211,00 367 128,00	1 190 907 900,00 1 004 420 860,00	300 652,00 238 599,00	63 841,00 52 892,00	Dec 13 Dec 12
5 4	SABMiller Plc	225 716,00 215 464,00	293 177,00 286 173,00	1 065 559 985,00 879 557 457,00	311 480,00 306 549,00	40 093,00 35 717,00	Mar 14 Mar 13
6 5	Sanlam	207 376,00 206 951,00	604 430,00 555 450,00	169 786 395,00 124 658 787,00	43 660,00 38 884,00	5 360,00 2 585,00	Dec 14 Dec 13
7 7	Sasol	202 683,00 181 269,00	273 486,00 244 608,00	268 277 708,00 383 206 713,00	202 590,00 180 691,00	39 696,00 31 808,00	Jun 14 Jun 13
8 8	The Bidvest Group	183 645,00 153 405,00	67 002,00 56 519,00	110 161 424,00 91 306 057,00	30 654,00 25 457,00	5 381,00 4 576,00	Jun 14 Jun 13
9 10	Compagnie Fin Richemont	152 839,00 123 641,00	206 295,00 177 867,00	510 046 200,00 527 115 600,00	153 089,00 127 034,00	29 523,00 27 067,00	Mar 14 Mar 13
10 9	MTN Group	136 495,00 135 112,00	186 167,00 145 456,00	403 555 659,00 304 145 048,00	112 768,00 86 989,00	28 833,00 25 043,00	Dec 13 Dec 12
11 11	Steinhoff International Holdings	135 865,00 115 486,00	134 411,00 103 211,00	262 286 731,00 108 364 750,00	87 809,00 64 266,00	9 453,00 6 964,00	Jun 14 Jun 13
12 12	Standard Bank Group	112 358,00 109 117,00	1 670 647,00 1 528 019,00	224 600 570,00 190 230 820,00	126 388,00 108 829,00	14 935,00 14 406,00	Dec 13 Dec 12
13 14	Imperial Holdings	103 567,00 92 382,00	51 143,00 45 417,00	40 089 736,00 39 576 723,00	17 141,00 16 420,00	3 213,00 3 664,00	Jun 14 Jun 13
14 13	Shoprite Holdings	102 204,00 92 747,00	38 837,00 31 850,00	94 105 676,00 90 836 250,00	15 797,00 13 805,00	3 904,00 3 806,00	Jun 14 Jun 13
15 20	Mondi	83 048,00 61 299,00	79 863,00 65 795,00	21 877 252,00 14 729 965,00	39 289,00 31 386,00	5 771,00 3 040,00	Dec 13 Dec 12
16 21	Mondi Plc	83 048,00 61 299,00	79 863,00 65 795,00	67 851 411,00 45 721 480,00	39 289,00 31 386,00	5 771,00 3 040,00	Dec 13 Dec 12
17 17	FirstRand	77 455,00 67 031,00	943 399,00 870 986,00	313 233 809,00 203 529 694,00	75 044,00 71 254,00	18 754,00 14 307,00	Jun 14 Jun 13
18 16	Barclays Africa Group	77 293,00 68 587,00	955 298,00 804 953,00	126 314 851,00 111 322 556,00	73 657,00 65 466,00	12 032,00 9 117,00	Dec 13 Dec 12
19 15	Vodacom Group	75 711,00 69 917,00	55 312,00 49 972,00	197 436 616,00 193 419 140,00	18 229,00 15 142,00	15 357,00 13 878,00	Mar 14 Mar 13

NO. 34 WOOLWORTHS HOLDINGS The group's Australia acquisition, David Jones, is now planning to enter the New Zealand market

SA GIANTS

20 19	Massmart Holding	72 263,00 64 888,00	22 535,00 19 659,00	29 852 559,00 41 267 018,00	3 991,00 3 784,00	1 141,00 1 667,00	Dec 13 Dec 12
21 18	Barloworld	64 884,00 65 102,00	40 191,00 36 774,00	21 446 660,00 25 484 086,00	16 079,00 14 673,00	2 355,00 2 078,00	Sep 14 Sep 13
22 25	Sappi	64 099,00 54 996,00	59 767,00 56 239,00	26 492 963,00 20 033 510,00	13 294,00 13 249,00	1 470,00 1 105,00	Sep 14 Sep 13
23 22	Pick n Pay Stores	63 117,00 59 271,00	12 905,00 11 899,00	24 098 088,00 24 788 501,00	2 118,00 1 910,00	835,00 650,00	Feb 14 Feb 13
24 23	Pick n Pay Holdings	63 117,00 59 271,00	12 905,00 11 899,00	11 335 855,00 11 847 286,00	1 002,00 906,00	565,00 394,00	Feb 14 Feb 13
25 30	Naspers	62 728,00 50 249,00	96 120,00 76 350,00	783 910 488,00 483 049 802,00	64 806,00 52 813,00	8 987,00 9 912,00	Mar 14 Mar 13
26 24	Nedbank Group	61 297,00 57 268,00	741 255,00 675 559,00	115 093 954,00 97 190 013,00	59 240,00 53 580,00	9 200,00 7 605,00	Dec 13 Dec 12
27 32	Datatec	59 684,00 47 961,00	25 463,00 21 533,00	12 216 878,00 9 621 785,00	9 238,00 8 787,00	920,00 915,00	Feb 14 Feb 13
28 31	Old Mutual Plc	55 910,00 48 504,00	2 382 841,00 1 924 266,00	173 402 517,00 137 658 521,00	115 730,00 95 912,00	14 533,00 12 839,00	Dec 13 Dec 12
29 28	Anglo American Platinum	55 626,00 52 822,00	92 642,00 93 429,00	80 235 754,00 127 734 825,00	85 571,00 84 515,00	1 213,00 4 222,00	Dec 14 Dec 13
30 33	The Spar Group	54 483,00 47 387,00	14 356,00 9 371,00	32 691 397,00 21 050 235,00	2 387,00 2 624,00	1 351,00 1 195,00	Sep 14 Sep 13
31 27	AngloGold Ashanti	54 478,00 53 868,00	146 672,00 167 526,00	73 716 132,00 82 512 722,00	44 307,00 61 198,00	6 995,00 8 352,00	Dec 13 Dec 12
32 29	Aveng	52 959,00 51 704,00	28 600,00 27 457,00	4 683 381,00 8 833 731,00	12 239,00 12 265,00	265,00 122,00	Jun 14 Jun 13
33 26	Kumba Iron Ore	47 597,00 54 461,00	50 028,00 43 618,00	50 245 411,00 121 748 498,00	29 139,00 22 986,00	11 364,00 15 286,00	Dec 14 Dec 13
34 36	Woolworths Holdings	39 707,00 35 227,00	18 524,00 9 025,00	87 530 795,00 62 152 321,00	4 894,00 4 012,00	3 284,00 2 722,00	Jun 14 Jun 13
35 35	Murray & Roberts Holdings	38 064,00 39 311,00	18 634,00 23 125,00	6 088 437,00 10 936 061,00	5 417,00 6 537,00	981,00 -158,00	Jun 14 Jun 13
36 41	Liberty Holdings	35 782,00 30 720,00	349 810,00 291 745,00	35 589 265,00 34 344 284,00	19 838,00 17 574,00	2 458,00 3 479,00	Dec 13 Dec 12
37 38	MMI Holdings	34 685,00 32 670,00	400 969,00 332 267,00	51 591 423,00 38 617 171,00	26 633,00 26 843,00	3 713,00 3 011,00	Jun 14 Jun 13
38 45	JD Group	33 567,00 27 401,00	16 360,00 19 200,00	7 191 333,00 6 215 068,00	6 998,00 9 096,00	-1 116,00 791,00	Jun 14 Jun 13
39 39	Telkom SA Soc	32 723,00 32 501,00	36 551,00 38 990,00	41 246 084,00 17 524 378,00	22 774,00 17 827,00	4 815,00 298,00	Mar 14 Mar 13



NO. 53 SIBANYE GOLD
Operational performance improved at the end of Q1, following disruptions during January and February

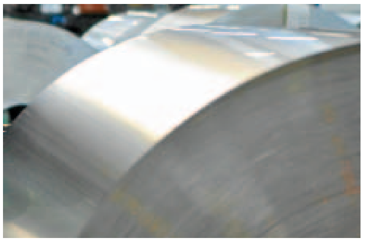
SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
40	ArcelorMittal SA	32 421,00	32 563,00	14 937 153,00	22 465,00	-372,00	Dec 13
40		32 291,00	30 740,00	12 677 190,00	24 361,00	-849,00	Dec 12
41	Netcare	31 783,00	23 708,00	61 680 629,00	10 593,00	2 278,00	Sep 14
44		27 801,00	20 042,00	34 458 273,00	7 767,00	2 076,00	Sep 13
42	Gold Fields	30 628,00	126 166,00	31 229 091,00	46 180,00	2 633,00	Dec 13
34		45 469,00	143 997,00	52 008 545,00	63 911,00	6 991,00	Dec 12
43	Mediclinic International	30 495,00	60 989,00	105 882 114,00	30 855,00	3 647,00	Mar 14
48		24 562,00	49 207,00	61 881 216,00	22 862,00	1 234,00	Mar 13
44	Tiger Brands	30 259,00	22 514,00	58 656 216,00	14 585,00	2 879,00	Sep 14
43		28 091,00	22 540,00	52 152 629,00	15 166,00	2 545,00	Sep 13
45	Aspen Pharmacare Holdings	29 515,00	36 308,00	175 237 838,00	28 550,00	5 313,00	Jun 14
55		19 308,00	20 035,00	128 362 976,00	22 310,00	3 953,00	Jun 13
46	Impala Platinum Holdings	29 028,00	79 190,00	37 193 165,00	107 347,00	-277,00	Jun 14
42		30 032,00	80 156,00	75 865 713,00	107 583,00	5 603,00	Jun 13
47	Oando Plc	27 870,00	36 423,00	9 908 113,00	17 741,00	57,00	Dec 13
37		34 831,00	25 746,00	1 933 000,00	13 223,00	740,00	Dec 12
48	Allied Electronics Corp	27 772,00	14 120,00	1 479 367,00	4 022,00	690,00	Feb 14
47		25 049,00	11 244,00	2 583 610,00	4 577,00	1 411,00	Feb 13
49	Wilson Bayly Holmes-Ovcon	25 777,00	12 319,00	7 436 220,00	4 129,00	311,00	Jun 14
49		23 773,00	11 427,00	9 094 800,00	4 105,00	555,00	Jun 13
50	Remgro	24 621,00	116 543,00	127 878 073,00	109 643,00	6 756,00	Jun 14
60		16 446,00	97 725,00	98 597 939,00	90 889,00	4 592,00	Jun 13
51	Discovery	23 090,00	67 200,00	80 799 007,00	20 411,00	4 326,00	Jun 14
57		17 893,00	50 844,00	49 936 273,00	15 959,00	2 899,00	Jun 13
52	Santam	22 710,00	23 927,00	26 920 971,00	6 600,00	1 729,00	Dec 14
50		20 631,00	21 341,00	23 190 202,00	5 764,00	1 239,00	Dec 13
53	Sibanye Gold	21 781,00	49 838,00	23 688 937,00	20 443,00	1 783,00	Dec 14
54		19 331,00	35 110,00	16 886 611,00	14 227,00	2 924,00	Dec 13
54	Pioneer Food Group	21 290,00	12 217,00	41 338 205,00	6 495,00	1 196,00	Sep 14
51		20 551,00	11 093,00	19 313 895,00	7 029,00	696,00	Sep 13
55	Nampak	20 901,00	18 327,00	28 589 481,00	7 570,00	1 353,00	Sep 14
53		19 362,00	18 826,00	25 188 123,00	6 909,00	1 153,00	Sep 13
56	RCL Foods	20 204,00	14 112,00	16 032 022,00	10 557,00	255,00	Jun 14
78		10 231,00	11 309,00	13 826 957,00	8 150,00	52,00	Jun 13
57	Clicks Group	19 150,00	5 590,00	22 506 837,00	1 113,00	809,00	Aug 14
58		17 543,00	4 937,00	16 134 330,00	1 031,00	738,00	Aug 13
58	Blue Label Telecoms	18 984,00	4 993,00	5 868 228,00	3 083,00	486,00	May 13
56		18 722,00	4 411,00	5 321 876,00	2 778,00	452,00	May 12

NO. 67 MR PRICE GROUP
The retailer's cash-based fashion-value model produced strong results for the 52 weeks ended March 28 2015

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
59	Distell Group	17 740,00	13 987,00	33 965 728,00	8 683,00	1 414,00	Jun 14
62		15 858,00	12 659,00	28 441 114,00	7 292,00	1 074,00	Jun 13
60	Omnia Holdings	16 259,00	10 025,00	11 780 603,00	6 055,00	1 073,00	Mar 14
67		13 543,00	8 535,00	14 193 075,00	5 064,00	938,00	Mar 13
61	AECI	15 942,00	12 659,00	16 286 624,00	6 278,00	719,00	Dec 13
64		14 516,00	11 294,00	13 085 725,00	5 301,00	736,00	Dec 12
62	KAP Industrial Holdings	15 793,00	14 180,00	12 913 588,00	7 351,00	941,00	Jun 14
63		15 386,00	13 724,00	8 704 357,00	6 763,00	790,00	Jun 13
63	Tongaat Hulett	15 716,00	23 568,00	18 172 632,00	12 464,00	1 268,00	Mar 14
65		14 373,00	20 923,00	12 501 051,00	10 128,00	1 261,00	Mar 13
64	Harmony Gold Mining Company	15 682,00	67 410,00	9 219 033,00	35 462,00	225,00	Jun 14
59		16 776,00	66 905,00	14 247 739,00	36 948,00	368,00	Jun 13
65	Grindrod	15 524,00	27 548,00	15 319 515,00	11 883,00	679,00	Dec 13
46		27 157,00	21 249,00	11 993 306,00	10 044,00	590,00	Dec 12
66	Group Five	15 360,00	9 887,00	2 820 750,00	2 553,00	384,00	Jun 14
73		11 199,00	8 746,00	4 945 783,00	2 069,00	229,00	Jun 13
67	Mr Price Group	15 227,00	6 196,00	65 830 337,00	2 946,00	1 863,00	Mar 14
69		13 266,00	4 658,00	39 538 852,00	2 486,00	1 526,00	Mar 13
68	Super Group	14 297,00	9 712,00	10 957 859,00	4 130,00	787,00	Jun 14
72		11 718,00	8 262,00	9 065 854,00	3 472,00	648,00	Jun 13
69	The Foschini Group	14 159,00	16 627,00	38 101 182,00	6 320,00	1 792,00	Mar 14
70		12 896,00	14 962,00	23 787 841,00	6 237,00	1 723,00	Mar 13
70	Exxaro Resources	13 568,00	76 812,00	50 136 170,00	69 889,00	5 890,00	Dec 13
61		16 122,00	62 114,00	58 435 093,00	54 349,00	6 019,00	Dec 12
71	Capitec Bank Holdings	13 526,00	45 778,00	60 705 326,00	8 981,00	2 088,00	Feb 14
76		10 681,00	37 939,00	22 425 460,00	7 520,00	1 569,00	Feb 13
72	Illovo Sugar	13 190,00	13 432,00	10 956 172,00	7 210,00	1 136,00	Mar 14
74		11 129,00	12 227,00	12 902 049,00	6 564,00	1 150,00	Mar 13
73	Life Healthcare Group Holdings	13 046,00	9 238,00	44 095 894,00	4 168,00	1 885,00	Sep 14
71		11 843,00	8 792,00	40 135 497,00	5 072,00	1 844,00	Sep 13
74	Adcorp Holdings	11 802,00	2 684,00	3 491 115,00	2 019,00	277,00	Feb 14
85		8 617,00	2 378,00	3 152 890,00	1 821,00	220,00	Feb 13
75	Reunert	10 838,00	8 788,00	10 983 227,00	6 138,00	654,00	Sep 14
75		11 100,00	6 491,00	12 077 737,00	4 512,00	950,00	Sep 13
76	Sun International	10 825,00	13 059,00	14 380 311,00	1 564,00	529,00	Jun 14
77		10 267,00	12 316,00	10 774 961,00	2 357,00	702,00	Jun 13
77	Rand Merchant Insurance Holdings	10 801,00	40 593,00	68 727 942,00	27 885,00	3 233,00	Jun 14
87		8 442,00	34 151,00	42 787 824,00	23 341,00	2 079,00	Jun 13



NO. 91 HULAMIN Despite the costs, the installation of a 6 MW generator will help keep production going whenever there is load-shedding

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
78 79	Tsogo Sun Holdings	10 767,00 9 910,00	13 773,00 10 882,00	28 957 406,00 29 947 634,00	10 614,00 9 015,00	2 009,00 1 567,00	Mar 14 Mar 13
79 84	Combined Motor Holdings	10 753,00 8 972,00	2 452,00 2 613,00	1 275 833,00 1 170 918,00	472,00 699,00	168,00 207,00	Feb 14 Feb 13
80 93	Invicta Holdings	10 465,00 7 558,00	12 390,00 11 251,00	7 892 992,00 8 711 075,00	1 972,00 1 673,00	523,00 418,00	Mar 14 Mar 13
81 80	Truworths International	10 458,00 9 765,00	7 764,00 6 989,00	37 760 669,00 32 535 283,00	5 827,00 5 470,00	2 432,00 2 341,00	Jun 14 Jun 13
82 82	AVI	10 267,00 9 252,00	5 910,00 5 360,00	28 620 146,00 19 499 367,00	3 873,00 3 345,00	1 293,00 1 097,00	Jun 14 Jun 13
83 66	Lonmin Plc	10 205,00 14 109,00	43 652,00 45 931,00	12 350 499,00 28 541 426,00	72 034,00 71 927,00	-1 206,00 251,00	Sep 14 Sep 13
84 52	African Rainbow Minerals	10 004,00 19 844,00	35 906,00 37 593,00	21 500 319,00 45 185 290,00	33 856,00 35 557,00	3 947,00 3 147,00	Jun 14 Jun 13
85 83	Eqstra Holdings	9 978,00 9 154,00	13 623,00 13 163,00	1 851 155,00 2 920 712,00	4 111,00 3 834,00	279,00 443,00	Jun 14 Jun 13
86 86	Astral Foods	9 602,00 8 524,00	4 206,00 3 791,00	7 696 617,00 3 626 911,00	2 273,00 2 047,00	361,00 185,00	Sep 14 Sep 13
87 81	Stefanutti Stocks Holdings	9 424,00 9 330,00	5 002,00 4 904,00	993 066,00 1 720 938,00	2 263,00 2 073,00	90,00 157,00	Feb 14 Feb 13
88 89	Hosken Consolidated Investments	9 201,00 8 214,00	23 848,00 21 424,00	15 253 807,00 17 920 470,00	14 522,00 15 316,00	1 122,00 1 291,00	Mar 14 Mar 13
89 88	PPC	9 039,00 8 316,00	10 932,00 8 575,00	11 096 608,00 17 701 300,00	2 779,00 2 040,00	1 009,00 1 305,00	Sep 14 Sep 13
90 91	Clover Industries	8 530,00 7 996,00	4 147,00 3 976,00	3 403 565,00 3 525 486,00	2 393,00 2 203,00	210,00 260,00	Jun 14 Jun 13
91 92	Hulamin	8 039,00 7 560,00	6 184,00 5 664,00	2 716 573,00 2 141 873,00	4 206,00 3 780,00	318,00 -457,00	Dec 14 Dec 13
92 95	Mpact	7 698,00 6 821,00	5 107,00 4 772,00	4 444 350,00 3 826 034,00	2 887,00 2 626,00	418,00 438,00	Dec 13 Dec 12
93 139	PSG Group	7 569,00 2 002,00	34 155,00 27 427,00	36 459 406,00 19 264 298,00	9 744,00 9 332,00	1 169,00 1 340,00	Feb 14 Feb 13
94 106	Metair Investments	7 279,00 5 227,00	6 624,00 6 174,00	6 683 935,00 8 516 595,00	4 339,00 3 919,00	617,00 421,00	Dec 14 Dec 13
95 108	EOH Holdings	7 199,00 5 071,00	3 447,00 2 294,00	20 825 314,00 9 355 254,00	2 073,00 1 303,00	572,00 377,00	Jul 14 Jul 13
96 96	Pinnacle Holdings	7 103,00 6 596,00	3 179,00 2 930,00	1 780 719,00 2 432 493,00	1 213,00 1 003,00	266,00 321,00	Jun 14 Jun 13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NO. 105 COMAIR The airline reported capacity consistency with the previous year for the interim period leading up to December 2014

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
97 97	Cashbuild	6 781,00 6 377,00	2 574,00 2 015,00	5 894 415,00 3 425 814,00	1 160,00 1 052,00	284,00 273,00	Jun 14 Jun 13
98 101	Growthpoint Prop	6 605,00 5 782,00	81 986,00 62 800,00	68 920 434,00 51 754 790,00	49 428,00 1 462,00	3 476,00 -4 196,00	Jun 14 Jun 13
99 112	Trencor	6 590,00 4 553,00	44 304,00 30 605,00	11 527 127,00 12 748 896,00	7 950,00 5 709,00	1 161,00 683,00	Dec 13 Dec 12
100 98	Business Connexion Group	6 512,00 6 173,00	2 918,00 2 848,00	2 522 978,00 2 348 840,00	2 162,00 2 157,00	95,00 265,00	Aug 14 Aug 13
101 94	Basil Read Holdings	6 495,00 6 834,00	4 148,00 4 451,00	1 178 663,00 1 567 161,00	1 836,00 1 435,00	66,00 -99,00	Dec 13 Dec 12
102 103	Raubex Group	6 325,00 5 636,00	4 546,00 4 075,00	3 390 675,00 4 125 125,00	3 363,00 3 089,00	341,00 352,00	Feb 14 Feb 13
103 102	Bell Equipment	6 319,00 5 670,00	4 498,00 3 278,00	1 806 791,00 2 078 980,00	2 408,00 1 896,00	297,00 277,00	Dec 13 Dec 12
104 116	Net 1 UEPS Technologies Inc	6 310,00 4 299,00	12 519,00 10 631,00	8 330 434,00 6 079 397,00	5 174,00 3 659,00	977,00 254,00	Jun 14 Jun 13
105 105	Comair	6 282,00 5 387,00	3 989,00 3 561,00	2 421 447,00 1 783 065,00	1 179,00 1 109,00	274,00 296,00	Jun 14 Jun 13
106 236	Zeder Investments	6 011,00 328,00	7 042,00 4 027,00	12 041 658,00 4 087 385,00	4 300,00 3 298,00	322,00 518,00	Feb 14 Feb 13
107 100	African Oxygen	5 834,00 5 825,00	5 825,00 5 899,00	4 662 799,00 6 788 487,00	3 516,00 3 701,00	317,00 241,00	Dec 14 Dec 13
108 107	Caxton CTP Publishers & Printers	5 390,00 5 157,00	6 301,00 6 676,00	6 694 951,00 6 674 681,00	5 004,00 5 580,00	301,00 519,00	Jun 14 Jun 13
109 119	Redefine Properties	5 372,00 3 771,00	52 188,00 42 999,00	46 680 337,00 29 327 842,00	31 932,00 20 423,00	2 017,00 632,00	Aug 14 Aug 13
110 114	Northam Platinum	5 339,00 4 421,00	14 637,00 14 348,00	18 332 694,00 15 478 026,00	23 725,00 23 202,00	-96,00 468,00	Jun 14 Jun 13
111 111	Distribution & Warehousing Network	5 192,00 4 588,00	3 225,00 2 750,00	1 574 578,00 2 321 691,00	1 432,00 1 389,00	99,00 137,00	Jun 14 Jun 13
112 115	Evraz Highveld Steel & Vanadium	5 190,00 4 346,00	3 526,00 3 588,00	879 461,00 1 983 001,00	1 411,00 1 659,00	-357,00 -922,00	Dec 13 Dec 12
113 109	Oceana Group	5 039,00 4 997,00	2 836,00 2 748,00	12 024 331,00 10 823 093,00	1 439,00 1 515,00	627,00 447,00	Sep 14 Sep 13
114 99	Times Media Group	4 915,00 6 013,00	2 209,00 2 606,00	2 605 081,00 2 732 154,00	1 441,00 1 046,00	201,00 194,00	Jun 14 Jun 13
115 104	Adcock Ingram Holdings	4 820,00 5 446,00	4 562,00 5 369,00	9 138 550,00 10 363 040,00	2 752,00 3 761,00	-214,00 642,00	Jun 14 Sep 13

NO. 121 LEWIS GROUP The group reported a strong second-half performance for the year to March 2015, with market share gains

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
116 121	Coronation Fund Managers	4 774,00 3 635,00	75 607,00 71 734,00	34 367 761,00 34 630 111,00	1 064,00 1 085,00	1 950,00 1 406,00	Sep 14 Sep 13
117 110	Mustek	4 764,00 4 737,00	2 612,00 2 156,00	999 329,00 699 393,00	857,00 788,00	125,00 130,00	Jun 14 Jun 13
118 118	Hudaco Industries	4 480,00 3 942,00	2 295,00 2 155,00	3 876 425,00 3 570 410,00	1 550,00 1 708,00	42,00 350,00	Nov 14 Nov 13
119 113	Iliad Africa	4 464,00 4 493,00	1 286,00 1 592,00	988 257,00 691 088,00	670,00 718,00	90,00 69,00	Dec 13 Dec 12
120 120	Zurich Insurance Company SA	4 085,00 3 767,00	4 898,00 5 001,00	3 227 567,00 3 020 516,00	1 742,00 2 003,00	-241,00 -11,00	Dec 13 Dec 12
121 117	Lewis Group	4 073,00 4 105,00	7 989,00 7 249,00	7 589 686,00 5 687 361,00	5 246,00 4 716,00	795,00 909,00	Mar 14 Mar 13
122 129	Seardel Investment Corp	3 992,00 2 513,00	4 400,00 2 470,00	925 247,00 1 215 478,00	3 118,00 1 427,00	18,00 14,00	Mar 14 Mar 13
123 124	Royal Bafokeng Platinum	3 768,00 3 251,00	21 201,00 18 518,00	10 005 374,00 11 573 572,00	34 590,00 30 995,00	656,00 433,00	Dec 14 Dec 13
124 123	Merafe Resources	3 609,00 3 497,00	5 388,00 5 004,00	1 983 456,00 2 668 763,00	7 015,00 6 650,00	266,00 286,00	Dec 14 Dec 13
125	Quantum Foods Holdings	3 561,00	2 036,00	909 669,00	1 648,00	26,00	Sep 14
126 126	BSI Steel	3 347,00 2 805,00	1 651,00 1 515,00	424 714,00 402 830,00	618,00 533,00	62,00 18,00	Mar 14 Mar 13
127	Country Bird Holdings	3 237,00	1 831,00	556 720,00	676,00	17,00	Jun 13
128 127	Santova	3 222,00 2 640,00	566,00 444,00	484 430,00 231 980,00	185,00 138,00	26,00 21,00	Feb 14 Feb 13
129 130	Famous Brands	2 826,00 2 499,00	805,00 696,00	11 178 992,00 9 850 804,00	1 097,00 892,00	399,00 329,00	Feb 14 Feb 13
130 138	Pan African Resources Plc	2 762,00 2 017,00	5 918,00 6 865,00	3 754 564,00 4 536 279,00	3 609,00 3 921,00	445,00 525,00	Jun 14 Jun 13
131 133	Italtile	2 714,00 2 141,00	2 687,00 2 628,00	11 624 994,00 7 853 329,00	2 081,00 2 167,00	467,00 426,00	Jun 14 Jun 13
132 136	Consolidated Infrastructure Group	2 636,00 2 037,00	3 451,00 2 295,00	3 869 281,00 3 324 833,00	2 209,00 1 620,00	251,00 108,00	Aug 14 Aug 13
133 128	Astrapak	2 620,00 2 636,00	2 129,00 2 244,00	567 551,00 966 188,00	1 159,00 1 214,00	-90,00 272,00	Feb 14 Feb 13
134	Tharisa Plc	2 546,00	3 837,00	1 528 683,00	5 249,00	-26,00	Sep 14

NO. 135 HYPROP INVESTMENTS Costs from renovating the Rosebank Mall should start being recouped in the next financial year

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
135 132	Hyprop Investments	2 515,00 2 199,00	26 861,00 22 970,00	28 704 218,00 18 669 905,00	12 818,00 10 844,00	253,00 634,00	Jun 14 Jun 13
136 122	Aquarius Platinum	2 444,00 3 514,00	7 457,00 7 365,00	2 479 447,00 3 049 891,00	7 817,00 4 450,00	-320,00 -2 767,00	Jun 14 Jun 13
137	Rhodes Food Group Holdings	2 444,00	1 504,00	4 771 390,00	304,00	81,00	Sep 14
138 141	ELB Group	2 349,00 1 985,00	1 900,00 1 601,00	1 468 805,00 1 422 120,00	710,00 594,00	96,00 121,00	Jun 14 Jun 13
139 131	Esor	2 317,00 2 326,00	1 339,00 1 824,00	75 085,00 158 074,00	787,00 1 179,00	-155,00 86,00	Feb 14 Feb 13
140 137	Metmar	2 280,00 2 025,00	1 496,00 1 468,00	176 422,00 387 594,00	434,00 653,00	-111,00 -80,00	Feb 14 Feb 13
141 146	Datacentrix Holdings	2 276,00 1 915,00	833,00 806,00	677 376,00 841 589,00	494,00 442,00	96,00 82,00	Feb 14 Feb 13
142 143	ARB Holdings	2 217,00 1 945,00	1 136,00 1 050,00	1 433 500,00 1 339 500,00	686,00 621,00	112,00 97,00	Jun 14 Jun 13
143 144	Nu-World Holdings	2 108,00 1 943,00	975,00 822,00	588 808,00 396 313,00	723,00 655,00	70,00 83,00	Aug 14 Aug 13
144 140	Ellies Holdings	2 106,00 1 996,00	1 812,00 1 456,00	521 016,00 1 299 004,00	1 049,00 950,00	89,00 212,00	Apr 14 Apr 13
145 142	Value Group	1 975,00 1 945,00	1 463,00 1 367,00	769 669,00 1 032 822,00	856,00 779,00	141,00 135,00	Feb 14 Feb 13
146 149	Capital & Counties Properties Plc	1 975,00 1 810,00	55 541,00 39 681,00	60 791 374,00 46 989 995,00	45 318,00 31 543,00	-163,00 529,00	Dec 14 Dec 13
147 145	Brimstone Investment Corp	1 968,00 1 931,00	7 806,00 6 630,00	733 292,00 631 464,00	3 842,00 3 742,00	288,00 574,00	Dec 14 Dec 13
148 150	Afrocentric Investment Corp	1 958,00 1 770,00	872,00 819,00	2 947 487,00 2 053 883,00	944,00 765,00	224,00 138,00	Jun 14 Jun 13
149 151	Marshall Monteagle Plc	1 947,00 1 695,00	1 305,00 1 178,00	325 227,00 247 416,00	704,00 574,00	24,00 24,00	Sep 13 Sep 12
150 161	Afrimat	1 893,00 1 332,00	1 313,00 1 054,00	2 464 113,00 2 034 326,00	925,00 825,00	155,00 111,00	Feb 14 Feb 13
151 147	Argent Industrial	1 880,00 1 850,00	1 558,00 1 760,00	420 699,00 482 453,00	1 183,00 1 411,00	18,00 96,00	Mar 14 Mar 13
152 179	Atlatsa Resources Corp	1 831,00 966,00	7 556,00 6 826,00	2 799 156,00 443 945,00	7 151,00 5 221,00	-194,00 -818,00	Dec 13 Dec 12
153 135	DRDGold	1 809,00 2 076,00	4 190,00 4 420,00	817 013,00 1 526 119,00	1 827,00 1 996,00	14,00 265,00	Jun 14 Jun 13

NO. 154 JSE The stock exchange is once again improving its systems and adopting international settlement standards

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
154 153	JSE	1 779,00 1 578,00	28 868,00 21 074,00	10 698 107,00 8 278 566,00	2 007,00 1 759,00	636,00 606,00	Dec 14 Dec 13
155 68	Assore	1 769,00 13 501,00	18 931,00 20 222,00	18 567 731,00 56 959 656,00	16 728,00 26 366,00	4 049,00 3 269,00	Jun 14 Jun 13
156 152	AdvTech	1 766,00 1 687,00	1 446,00 1 134,00	3 201 746,00 2 948 976,00	775,00 712,00	173,00 155,00	Dec 13 Dec 12
157 154	Peregrine Holdings	1 756,00 1 524,00	20 796,00 18 038,00	5 806 651,00 3 995 893,00	1 790,00 1 446,00	422,00 445,00	Mar 14 Mar 13
158 125	Village Main Reef	1 725,00 3 020,00	3 098,00 3 714,00	601 002,00 447 499,00	1 350,00 1 235,00	211,00 228,00	Jun 14 Jun 13
159 158	South Ocean Holdings	1 691,00 1 406,00	937,00 868,00	156 378,00 243 950,00	578,00 698,00	35,00 56,00	Dec 13 Dec 12
160 162	Howden Africa Holdings	1 682,00 1 317,00	1 225,00 1 036,00	2 892 738,00 2 037 602,00	530,00 254,00	318,00 153,00	Dec 13 Dec 12
161 160	Wilderness Holdings	1 678,00 1 351,00	969,00 839,00	1 275 353,00 808 500,00	437,00 387,00	65,00 49,00	Feb 14 Feb 13
162	Ascendis Health	1 634,00	1 255,00	4 075 942,00	1 230,00	151,00	Jun 14
163 156	Workforce Holdings	1 619,00 1 461,00	444,00 448,00	108 000,00 115 200,00	192,00 212,00	3,00 27,00	Dec 13 Dec 12
164 134	Sentula Mining	1 593,00 2 085,00	1 709,00 2 660,00	99 715,00 123 177,00	1 352,00 2 358,00	-511,00 -200,00	Mar 14 Mar 13
165 148	Gijima Group	1 519,00 1 848,00	462,00 683,00	118 643,00 132 939,00	-114,00 37,00	-143,00 -292,00	Jun 14 Jun 13
166 166	Vukile Property Fund	1 443,00 1 172,00	11 376,00 9 229,00	11 025 394,00 8 525 156,00	3 113,00 2 632,00	81,00 5,00	Mar 14 Mar 13
167 159	Holdsport	1 418,00 1 375,00	588,00 503,00	2 106 162,00 1 768 727,00	881,00 807,00	178,00 174,00	Feb 14 Feb 13
168 164	Clientele	1 406,00 1 224,00	2 597,00 2 910,00	5 941 232,00 4 935 225,00	376,00 292,00	326,00 301,00	Jun 14 Jun 13
169 163	Sovereign Food Investments	1 391,00 1 268,00	1 074,00 1 032,00	629 595,00 434 466,00	786,00 739,00	58,00 88,00	Feb 14 Feb 13
170 181	Keaton Energy Holdings	1 373,00 919,00	1 154,00 1 378,00	448 885,00 565 263,00	1 518,00 1 711,00	103,00 -68,00	Mar 14 Mar 13
171 170	York Timber Holdings	1 324,00 1 132,00	3 143,00 3 091,00	745 291,00 1 291 838,00	2 893,00 2 828,00	67,00 142,00	Jun 14 Jun 13
172 206	Resilient Property Income Fund	1 301,00 626,00	24 515,00 18 061,00	35 589 753,00 16 673 392,00	16 112,00 11 249,00	1 732,00 767,00	Jun 14 Jun 13

NO. 182 WESCOAL HOLDINGS Boardroom clashes might have drawn the market's attention away from this firm's impressive prospects

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
173 172	Fountainhead Property Trust	1 282,00 1 089,00	12 601,00 11 599,00	11 975 910,00 8 743 577,00	8 842,00 8 249,00	717,00 623,00	Aug 14 Aug 13
174 165	Buildmax	1 274,00 1 186,00	1 250,00 1 197,00	110 593,00 487 699,00	767,00 695,00	64,00 64,00	Feb 14 Feb 13
175 167	Mix Telematics	1 272,00 1 171,00	1 262,00 488,00	2 608 435,00 3 607 090,00	1 672,00 823,00	168,00 179,00	Mar 14 Mar 13
176 216	New Europe Property Investments Plc	1 253,00 541,00	21 371,00 14 789,00	39 129 843,00 17 877 166,00	17 587,00 11 021,00	1 045,00 755,00	Dec 14 Dec 13
177 171	Transpaco	1 247,00 1 123,00	648,00 587,00	633 032,00 588 900,00	404,00 360,00	70,00 65,00	Jun 14 Jun 13
178	Homechoice International Plc	1 213,00	2 052,00	3 308 205,00	1 488,00	403,00	Dec 14
179 175	Niveus Investments	1 155,00 1 017,00	2 588,00 2 009,00	2 805 792,00 2 772 278,00	1 231,00 859,00	120,00 26,00	Mar 14 Mar 13
180 266	Master Drilling Group	1 155,00 89,00	1 663,00 1 336,00	1 705 053,00 1 186 123,00	1 006,00 796,00	175,00 9,00	Dec 13 Dec 12
181 193	Redefine International Plc	1 148,00 734,00	20 912,00 16 935,00	15 224 377,00 11 941 089,00	8 135,00 4 360,00	262,00 902,00	Aug 14 Aug 13
182 198	Wescoal Holdings	1 147,00 677,00	612,00 235,00	386 713,00 397 058,00	431,00 206,00	-68,00 24,00	Mar 14 Mar 13
183 190	Attacq	1 140,00 764,00	18 105,00 13 340,00	19 425 517,00 12 913 076,00	10 801,00 6 140,00	204,00 -48,00	Jun 14 Jun 13
184 230	Transaction Capital	1 133,00 380,00	9 384,00 13 247,00	5 126 663,00 3 058 551,00	2 999,00 3 721,00	317,00 608,00	Sep 14 Sep 13
185 177	Emira Property Fund	1 116,00 1 008,00	11 639,00 10 115,00	9 164 374,00 6 903 778,00	7 005,00 6 609,00	N/A 769,00	Jun 14 Jun 13
186 180	Morvest Group	1 101,00 956,00	463,00 458,00	184 800,00 193 600,00	220,00 174,00	64,00 63,00	May 14 May 13
187 174	Winhold	1 099,00 1 043,00	570,00 533,00	63 107,00 82 039,00	257,00 244,00	14,00 5,00	Sep 14 Sep 13
188 178	City Lodge Hotels	1 063,00 976,00	1 685,00 1 453,00	5 954 230,00 5 048 183,00	572,00 517,00	238,00 207,00	Jun 14 Jun 13
189 169	Jasco Electronics Holdings	1 035,00 1 146,00	604,00 758,00	131 039,00 196 559,00	263,00 205,00	8,00 -8,00	Jun 14 Jun 13
190 184	SA Corporate Real Estate Fund	1 034,00 854,00	11 268,00 9 443,00	9 918 395,00 7 920 372,00	7 603,00 7 280,00	652,00 636,00	Dec 14 Dec 13
191 173	Onelogix Group	1 034,00 1 050,00	846,00 705,00	1 404 329,00 727 458,00	416,00 361,00	79,00 66,00	May 14 May 13

NO. 196 INSIMBI REFRACTORY & ALLOY SUPPLIES With good results, the firm declared a final gross dividend of 2,5c/share in May

SA GIANTS

Ranked by turnover	Company	Turnover Rm	Total assets Rm	Market cap Rm	Equity funds Rm	Net profit Rm	Financial year-end
192 186	Petmin	1 020,00 833,00	2 035,00 2 140,00	778 826,00 1 401 886,00	1 991,00 2 206,00	139,00 463,00	Jun 14 Jun 13
193 187	Rolfes Holdings	1 001,00 802,00	573,00 484,00	346 464,00 477 859,00	302,00 268,00	32,00 39,00	Jun 14 Jun 13
194 229	CSG Holdings	978,00 387,00	281,00 70,00	834 019,00 1 028 079,00	235,00 56,00	35,00 27,00	Mar 14 Jun 13
195 176	Stellar Cap Partners	943,00 1 017,00	405,00 540,00	119 116,00 202 682,00	209,00 467,00	-90,00 -24,00	Aug 13 Aug 12
196 185	Insimbi Refractory & Alloy Supplies	939,00 840,00	331,00 274,00	169 000,00 156 000,00	118,00 111,00	18,00 5,00	Feb 14 Feb 13
197 182	Phumelela Gaming & Leisure	927,00 876,00	720,00 577,00	1 272 181,00 1 418 674,00	429,00 379,00	91,00 77,00	Jul 14 Jul 13
198 194	Cargo Carriers	915,00 727,00	835,00 840,00	355 000,00 450 000,00	493,00 456,00	38,00 31,00	Feb 14 Feb 13
199 183	Digicore Holdings	892,00 863,00	468,00 650,00	683 567,00 549 825,00	564,00 652,00	1,00 19,00	Jun 14 Jun 13
200 155	Andulela Investment Holdings	891,00 1 472,00	572,00 601,00	248 034,00 788 803,00	410,00 430,00	5,00 -14,00	Dec 13 Dec 12

Source: INET BFA

Sting of low oil prices still hurts

But as the market regains its equilibrium, prices should start maintaining an upward trend

Between the end of the 2015 first quarter and mid-May, crude oil prices rose by around 30%, despite inventories rising to record levels. Rather than focus on inventories, the market was responding to one of the sharpest drops in the US rig count on record and the potential for a weakening US production trend.

Edison, a global investment intelligence firm, says in its oil and gas macro outlook that though the lows for this cycle have probably been reached, the price trend could soften near-term. That would be a reflection of hefty inventories and buoyant supply by members of the Organisation of the Petroleum Exporting Countries (Opec).

Iranian exports could also weigh on prices ahead of the final agreement between the world's major powers and Iran over its nuclear programme. "Looking at the balance of 2015, however, we expect an upward trend in prices as the market regains its equilibrium, driven by slowing non-Opec supply growth and firming demand," says Edison.

The firm upgraded its 2015 brent crude oil price forecasts, calling for increases from US$52,50/bbl to $58,50/bbl. Brent crude forecasts for 2016 remain unchanged at $72,5/bbl.

Many oil-producing countries felt the pinch when oil dropped to $50/bbl at the beginning of the year. The oil price tumbled after global supply exceeded demand. This was driven by new energy produced by the hydraulic fracturing (fracking) industry in the US.

International oil prices in the quarter to December were down 89%, losing another 4% in the three months to March. By mid-May they had recovered by 18%.


David Constable

Martin Rhodes

In SA, though consumers enjoyed the relief of lower fuel prices, Sasol's earnings were severely affected. The company produces synthetic fuel from coal at its Secunda plant and its earnings, largely domestic, are materially affected by the rand/oil price.

Sasol also holds a majority interest in the 88 000 bbl/day Natref refinery in Sasolburg, along with Total SA. It is involved in coal mining and marketing of natural gas and oil products. It mines 40 Mt of saleable coal per year and sells about 2,8 Mt/year. It also distributes and markets natural gas produced in Mozambique. This is exported to SA via a pipeline Sasol partially owns.

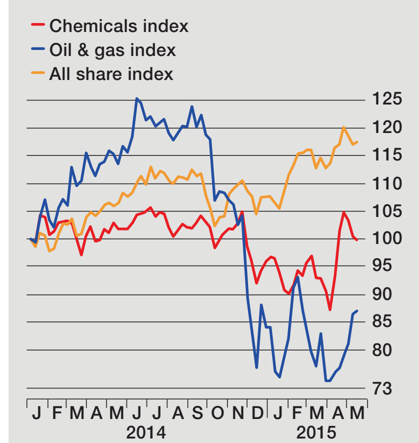
Sasol's share price dropped by close to 30% in the December quarter and a further 4,37% in the March quarter. It took another dip in the first week of May following a terse update on its production for the nine months to March. It produced 24,6m barrels of synfuels refined product in nine months, compared with 32,4m barrels for the preceding 12 months. It produced 42,7m barrels of white liquid fuels and 3,4m barrels of black liquid fuels, compared with 54,5m barrels and 4,3m barrels respectively.

The firm has operations around the world. It has a 49% stake in Qatar's Oryx GTL plant (Qatar Petroleum owns 51%) that came online in 2007. Sasol also has GTL projects in Nigeria and Uzbekistan, and is considering developing plants in the US and Canada.

Condensate production from the Canadian shale gas assets showed a stronger trend, at

145 000 barrels from 69 200 barrels in the full year. There is continued focus on developing the Cypress A acreage to derisk the asset, and on production from wetter areas. Crude oil output from the Gabon assets was 1,12m barrels from 1,59m barrels in the full year, reflecting oversupply in the face of weak oil prices and the souring of wells.

CHEMICALS, OIL & GAS



Source: INET BFA
Share prices based to 100

Normalised volumes of sales of base chemicals, stripping out the Sasol Polymers Middle East and Solvents Germany businesses, which have been disposed of, were 2,43 Mt in nine months versus 3,19 Mt in the previous 12 months. Sasol says full-year normalised sales volumes are expected to be slightly higher than last year.

Sasol implemented a new reporting format, making comparisons with previous periods difficult. But Nedbank Capital Securities analyst Mohamed Kharva says extrapolating from the previously reported periods, it seems there is nothing unexpected in the nine-month performance. That the volume of liquid fuel sales will be slightly above previous guidance suggests Sasol is running its plants harder to help offset weak selling prices.

In the year to May the basket price of base chemicals — including polymers, solvents, fertilisers and explosives — fell 10% compared with last year. This was better than the 29% decline in oil prices over the same period.

Construction of Sasol's ethane cracker, located near Westlake, Louisiana, is scheduled to be finished by 2017, with a capacity of 1,5 Mt/year when fully operational. Sasol began the Front End Engineering Design (Feed) phases for the ethane cracker GTL plant in December 2012. Given lower energy prices, the group said in January it would slow down preliminary work on the plant and delay a final investment decision.

"The ethane project is the largest single manufacturing investment in the history of Louisiana and also represents one of the largest foreign direct investment manufacturing projects in the history of the US," Sasol said at the time.

The GTL plant is expected to produce, among others, several highly volatile, flammable liquid mixtures of hydrocarbons distilled from petroleum, coal tar and natural gas.

The group delivered a decent set of results for the interim period to December 2014, despite a volatile trading environment and a sharp decline in oil prices. Revenue increased by 2% to R99,8bn, supported by higher sales volumes in liquid fuels. Adjusted operating profit before depreciation and amortisation increased by 19% to R36,9bn — supported by a 9% weakening in the average rand/US dollar exchange rate — partly offset by a 19% decline in average brent crude oil prices.

Ultimately, headline earnings came in 6% higher at R20,88/share, limited by a 22% decline in profits from associates and a 30% increase in income attributable to noncontrolling interests. Consequently, normalised EPS declined by 23% due to the effect of one-off charges, movements in share-based payments and unrealised profits on inventory. The group says a revised dividend policy will be based on a dividend cover of between 2,2 and 2,8 times, with a 40:60 split between interim and year-end pay-out. A gross interim dividend of 700c/share was declared, 13% lower than the prior period. This translated into a net payable dividend of 595c/share.

CEO David Constable, who will step down when his contract expires in 2016, expects the global economic environment to remain volatile.

Management expects oil prices to be at least 30% lower in the second half of the year, but with a possibility of increased volatility due to the trend towards interest rate normalisation across key economies and geopolitical tension.

A $1/bbl movement down in the oil price will affect operating profit by R799m, while a 10c movement in the $/rand exchange rate will affect profit by R605m.

Ruan Jooste

TOP NINE CHEMICALS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Sasol	39 696,0	273 486,0	268 277 708,0	202 590,0
2	Omnia Holdings	1 073,0	10 025,0	11 780 603,0	6 055,0
3	AECI	719,0	12 659,0	16 286 624,0	6 278,0
4	African Oxygen	317,0	5 825,0	4 662 799,0	3 516,0
5	Oando Plc	57,0	36 423,0	9 908 113,0	17 741,0
6	Rolfes Holdings	32,0	573,0	346 464,0	302,0
7	SacOil Holdings	14,0	1 305,0	784 760,0	1 296,0
8	Delta EMD	12,0	544,0	221 736,0	442,0
9	Spanjaard	2,0	72,0	48 857,0	48,0

Source: INET BFA

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SECTORS

Market flooding a bad act

Appetite to gain more market share adds to global price pressures

Talk of expanding production facilities by the world's leading iron ore miners has added to the pressures that are driving down global prices of the commodity.

Industry critics argue that large companies have driven this by flooding the market to gain more market share. The biggest iron ore producers — Rio Tinto, BHP Billiton and Vale — are all in expansion mode.

The price of iron ore fell to US$47/t in April, but recovered somewhat towards the end of the month when BHP Billiton indicated a slowing of its iron ore growth plans. In May iron ore was trading at about $57/t. The slight recovery follows Rio Tinto's move last year to delay the development of its Silvergrass iron ore mine in Western Australia. Anglo American's management at its Minas-Rio iron ore project in Brazil is also looking to cut iron ore production.

Brazil's Vale, the world's largest iron ore producer, is also considering cutting production. Kumba, SA's largest iron-ore miner, is barely profitable at prevailing prices, according to brokerage house Liberum.

Chinese imports of iron ore from countries other than Australia and Brazil are now running at 80 Mt/year, lower than this time last year, the firm says in a note to clients. "Of the approximately 120 Mt that remain, very little is likely to be sustainably cash-flow positive at current prices and two of the largest and highest-quality producers in that bracket, Iron Ore Company of Canada and SA's Kumba, are struggling to break even on a cash basis," it says.

London-based Liberum's Richard Knights and Ben Davis say a large proportion of the remaining supply will stay sticky unless prices move lower to a point where significant losses on a per ton basis are being sustained. Pressure from vested interests, cross-subsidisation, currency devaluation, Chinese ownership or an unsurpassable freight/location advantage will contribute to keeping "marginal supply open", they say.

As the next wave of supply hits the market in the weeks ahead from Rio Tinto's Pilbara expansion (60 Mt/year), and later in the year with the commissioning of Roy Hill (55 Mt/year), prices will need to move much lower to drive further supply rationalisation, they say.

Citi has already downgraded the price of the steel-making ingredient to $37/t in the second half of this year from $47/t currently.

Beleaguered Kumba Iron Ore's share price has taken a nosedive, bringing losses since the start of the year to a staggering 46%.

IG SA market analyst Shaun Murison tells the *Financial Mail* that iron ore has historically been one of the most profitable resources, but record output and slow demand have depressed the ore price. INET BFA has a sell recommendation on the mining counter stock.

Kumba delivered a subdued set of results for the year to December. Revenue declined by 13% to R47,6bn. Export sales volumes were up 4% to 40,5 Mt, with volumes to China accounting for 57% of total export sales. Gross profit declined 24% to R29,5bn, resulting in a lower gross profit margin of 62% (2013: 71,2%). Adjusted operating profit before depreciation declined 26% to R22bn, affected by the 9% increase in operating costs mainly due to increased costs relating to the 37 Mt growth in total mining volumes. Above-inflation increases in labour costs, diesel, mining contractors, rail and port tariffs, freight costs and waste stripping also contributed to the higher operating costs, it says.

Unit cash costs at Sishen mines in the Northern Cape were contained at R272/t (2013: R267/t) as input cost pressures and the increased costs relating to higher mining volumes were offset by higher production volumes and deferred stripping. However, Kolomela near Postmasburg and Thabazimbi unit cash costs increased by 14% to R208/t (2013: R182/t) and 6% to R682/t respectively. Diluted Heps came in 29% lower. Cash generation remained strong for the period under review. A final gross dividend of 773c/share was declared, 61% lower than the prior period, resulting in the total dividend declining 42% to 2334c/share.

TOP EIGHT INDUSTRIAL METALS & MINING

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Kumba Iron Ore	11 364,0	50 028,0	50 245 411,0	29 139,0
2	BSI Steel	62,0	1 651,0	424 714,0	618,0
3	Insimbi Refractory & Alloy	18,0	331,0	169 000,0	118,0
4	Ferrum Crescent	-18,0	18,0	41 502,0	9,0
5	Metmar	-111,0	1 496,0	176 422,0	434,0
6	ZCI	-311,0	831,0	277 831,0	1 341,0
7	Evraz Highveld Steel & Vanadium	-357,0	3 526,0	879 461,0	1 411,0
8	ArcelorMittal SA	-372,0	32 563,0	14 937 153,0	22 465,0

Source: INET BFA

Kumba CEO Norman Mbazima told journalists at the Mining Indaba earlier this year that the outlook for 2015 was dire. He predicted no rise in the iron ore price this year because of expected increases in supply from the major global iron ore producers combined with declining demand from major consumer China.


Martin Rhodes

Norman Mbazima

He said the annual growth in Chinese crude steel production had slowed to 4,5% in 2014 from 6,5% in 2013 and was expected to slow down further to between 1,5% and 2% in 2015.

Management will in the short term reduce production costs, capital expenditure and headcount. In the longer term, it will reconsider the future of Thabazimbi mine, restructure support services and improve operational and supply chain efficiencies.

The group has targeted export sales volumes above 43 Mt in 2015, while domestic sales volumes are estimated at 6,25 Mt, in line with the ArcelorMittal SA (Amsa) supply agreement.

Management says it intends to continue paying dividends after considering growth and investment opportunities, while remaining within its committed debt facilities. Meanwhile, the long-term strategy will include the assessment of various opportunities in target countries in Central and West Africa.

Independent Fundamental Research (IFR) analysts say: "The group remains vulnerable to a number of external variables such as commodity prices and exchange rates, which have a significant effect on group profitability, but are not under the control of management.

"This leads to significantly higher forecasting risk. Accordingly, short-term investors should be cognisant of market dynamics and developments when considering an investment in the share. We feel the share is fairly valued at current levels and would recommend that investors hold their shares. The share offers an attractive dividend yield of 10%, but we doubt that it is sustainable."

RMB's global markets research team says there has been an uptick in iron ore prices, which have pushed above $55/t recently. "Though iron ore still remains oversupplied in a market that is facing a slowdown in demand, speculation that the Chinese government will provide additional stimulus has supported the short-term gains."

Meanwhile, Goldman Sachs said in a note it did not expect the major iron ore producers to alter their plans. Investec agrees: "The recent blip up in iron ore prices was merely a seasonal restocking event that happens every year after Chinese new year. Iron ore prices will now recommence their downward trajectory."

Standard & Poor's downgraded Anglo American, the owner of the new Minas-Rio iron ore mine in Brazil, to a BBB rating as it expects the iron ore market to be in "a severe supply and demand imbalance in the next two years". Standard & Poor's estimates an average iron ore price of $45/t for the rest of this year and $50/t next year.

The iron ore market has been savaged as new, low-cost supplies have come online — mainly from Australia and Brazil — while Chinese demand is reduced as its economy slows.

Though there are some signs that commodity prices might be stabilising, the outlook is still fairly gloomy. Meanwhile, there also might be investment opportunities in steelmaking companies until the market turns.

Analysts warn that short-term investors should be cognisant of market dynamics and developments when considering an investment in Amsa. Trading at a 50% discount to its net asset value (based on the financial year results to December), the share does offer speculative appeal with earnings on a cyclical low, but there are a lot of uncertainties surrounding the group.

Amsa is the largest steel producer in Africa, with a production capacity of 7,8 Mt of liquid steel per annum and the group's earnings are highly geared towards production volumes and metal prices as well as the exchange rate.

There is also a reasonable prospect of business rescue of Evraz Highveld Steel & Vanadium, as there is potential for recovery when steel markets turn. That's according to Piers Marsden of Matuson Associates and Daniel Terblanche of Mazars Recovery & Restructuring, the practitioners appointed to assess the company's future.

Shares in SA's second-largest steel maker were suspended a few months ago after the Russian-backed group said it did not have "adequate funding" to meet its short-term obligations and that it had voluntarily entered into business rescue.

Ruan Jooste

INDUSTRIAL METALS & MINING

SECTORS

Value in battered mining

Investors see potential benefits in South32, while Zambezi's BEE deal raises old concerns

Not long ago, the prospect of Anglo American being outside the top 10 on the JSE in terms of market capitalisation was not contemplated. But that was almost the case in early June, when Anglo was in 10th place with a market cap of R267bn (2,3% of the exchange) — and in fact it had slipped out of the top 10 briefly earlier in 2015. Anglo's market cap is slightly more than half that of BHP Billiton (R530bn, sixth) and way behind Glencore (R713bn, third).

Billiton's market cap was, of course, reduced when it created a new vehicle, South32, for Billiton interests in zinc, silver, nickel, thermal coal, aluminium and manganese operations in Southern Africa, Australia and Colombia. South32 was listed on May 18 in the UK, Australia and SA.

The consequence is that Billiton remains listed on the JSE, but has no operational interests in SA. Billiton shareholders received one new South32 share for every Billiton share they hold. Billiton's focus is now on iron ore, coking coal, copper and petroleum. Chairman Jac Nasser announced that the spin-off "will deliver more value for Billiton's shareholders than other options, including asset sales".

In early June South32's market cap was at R107bn (20th), substantially higher than that of another former giant of the JSE, Anglo American's Amplats (R76bn, 29th). The spin-off of South32 was the biggest mining listing globally in four years, and was seen as a test of whether investors are starting to see value in battered mining.

The answer seemed to be in the affirmative. The week after the listing of South32, the *Financial Mail* reported that its price "firmed steadily as investors took a positive view of its prospects. The shares traded as high as R22,33 from an opening of R18,97. Adding that to the Billiton share price of R263,49 showed Billiton shareholders gained 7% in a week on Billiton's pre-demerger price of R265,66".

SP Angel analyst John Meyer says "investors are buying South32 because they like the basket of assets, the potential benefits that more focused management can bring, the leverage to metals prices and the potential for corporate action". But he warns that "management will have to be nimble to avoid predators such as Mick Davis of X2 or Ivan Glasenberg of Glencore" because South32's assets would fit well into Glencore and there is no obvious regulatory impediment.

South32 CEO Graham Kerr says there are opportunities around existing assets and management is open to making value-adding acquisitions.

In a report rebasing forecasts for BHP Billiton after the demerger, Investec analyst Hunter Hillcoat upgraded his recommendation on Billiton shares to "hold" from "sell". After the divestment, and with commodities prices at their lowest since 2009, Billiton is likely to report decade-low earnings in its first year post-merger. But in future years, earnings are likely to grow by about 3%/year, based on Investec's outlook for its key commodities.


Graham Kerr

Paxley Makgatho

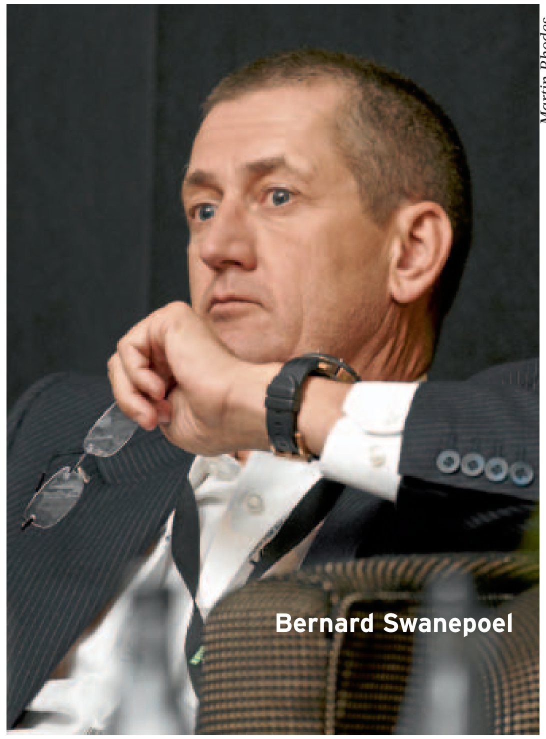
In other major corporate activity, Zambezi Platinum, the new BEE vehicle for Northam, listed on the JSE in late May. Zambezi Platinum is a special-purpose vehicle (SPV) for holding a 31,4% BEE stake in Northam. Another 4% of Northam is held by black employees. Zambezi has 10 000 issued ordinary shares held by BEE consortia, including Atisa Platinum (headed by current Northam chairman Lazarus Zim, who also headed the Afripalm consortium), Mpilo and Malundi. They cannot sell for 10 years. It also has 159,9m issued preference shares, and one N-share held by Northam, which gives Northam certain powers if a defined "trigger event" occurs.

It has been argued that structures that prevent black empowerment shareholders from selling for a specified period — to save the company from having to go to all the trouble and expense of finding new partners — are hollow because encumbered shares that cannot be sold are worthless. But the Zambezi SPV is seen as different, says Zim, because it is using shareholder financing, not bank financing. So, it is more flexible, and the upfront payment is fair compensation for the 10-year lock-in.

However, as the *Financial Mail* noted at the time of the Zambezi listing in May, "the Zambezi SPV does not address the other unresolved issue around BEE deals, on which mining companies and the department of mineral resources have agreed to seek a court ruling. That is whether once empowered, always empowered applies to mining companies whose BEE shareholders have taken profits on their shares.

"BEE deals are expensive for companies. It takes months or years to find partners, the bill for advisers and financiers is high, and companies usually issue shares at a discount," the article said. "If the courts rule that companies have to keep replacing their BEE shareholders, either the duration of lock-ins will have to increase or companies will have to impose an obligation on their BEE partners to sell only to other BEE entities, both of which are problematic."

A counterpoint to the general gloom about the commodities cycle was provided by the intense interest in the newly launched Junior Indaba, which took place in early June 2015. (The obvious name, "Junior Mining Indaba", was apparently not used because of copyright issues related to the established Investing in Mining Indaba.) High


Bernard Swanepoel

Martin Rhodes

on the agenda was the global capital crisis — seeking capital is much more of an issue for junior miners — and the quest for innovative global solutions. "Answers will be sought," it came out at the Junior Indaba, "on why Africa is not getting more of the global exploration spend."

Investors expected to hear updates on how junior companies are performing in African countries such as Botswana, Mozambique, Zambia, Zimbabwe, Tanzania, SA and Ghana, across commodity sectors, including bulk commodities, base metals, industrial minerals, gold, precious metals, diamonds and PGMs.

Keith Scott, CEO of lead sponsor MSA, said: "Africa's mineral endowment is exceptional, with large tracts of the continent unexplored. Economic and political development in sub-Saharan Africa is opening up new opportunities for exploration and mining. It's vital that we understand and share what is needed to foster exploration, so we can develop a framework to best promote investment and stimulate the junior mining sector, and therefore create a better environment for new entrants."

Bernard Swanepoel, former CEO of Harmony and chairman of the highly successful annual Joburg Indaba, said: "It is the junior sector that can unlock the potential of the minerals under the ground, but this sector of the industry has not been properly organised and represented. Nor do I believe there has been a tax regime sufficiently investor-friendly to the high-risk dollars that are required for exploration."

David Williams

A blurry reality awaits

Hope for the metal lies in investors seeing its glitter once again

Twenty-five years ago, SA's gold cost US$200/ounce to produce, compared with $260 in Australia and North America. The numbers have changed, but the ratio has not improved. Even in the 1980s, analysts were worried about costs increasing due to ever deeper levels of mining and higher wage demands.

SA's gold mines are still the most expensive in the world, and the industry has been in decline for 45 years. In 1970 the country was the number one producer of gold, with 1 000 t. That was down to 605 t in 1987, though SA remained the world's leading producer until 2007.

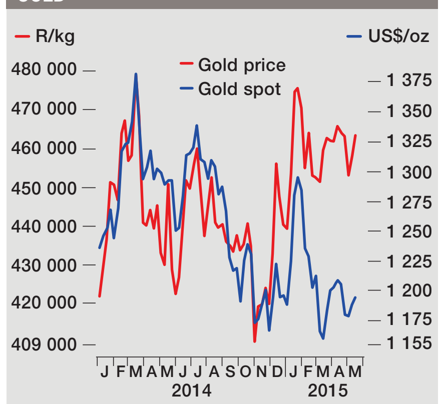
In 2014 global gold production was 3 109 t, with China as the leader with 465 t and SA in 6th place with 164 t. In January 2015 SA produced 87% less gold compared with the same month in 1980. Stats SA research indicates that SA's gold will be exhausted in 33 years — though that could be sooner, if the gold price, the currency as well as the legal and regulatory environment deter investors.

The few remaining mines are mostly working older shafts or tailings, understandably concentrating on dividends for investors (Sibanye's stated strategy, for example) rather than long-term investment. Gold Fields has taken the other route at its remaining asset, South Deep, with substantially increased mechanisation.

Gold Fields CEO Nick Holland said in a presentation in September 2014 "equity and debt investors need to return to provide funding to grow the gold industry". The firm has made headway in its mechanisation drive, but the skills needed have proved elusive and investors are getting impatient. It paid $4bn for South Deep, expecting it to produce 750 000 oz/year. This year the production forecast is 228 000 oz. In 2014 it produced 62 t to Sibanye's 50 t — not the ratio expected at the spin-off two years ago.

The *Financial Mail* commented earlier this year on how "investors' flight from SA's biggest gold companies has slashed the miners' share prices over the past few years". That was against a gold price that fell 5% from about $1 250/oz five years ago to about $1 190 in late May this year. "It has been well known that the operating environment for SA mining companies is very difficult, with weak pricing, rising costs, volatile labour, limited electricity supply and regulatory uncertainty."

GOLD



Source: INET BFA

Over the past two years, according to the *Financial Times* (*FT*), the combined market capitalisation of global gold miners has fallen from a peak of about $260bn to $80bn. Though the price of bullion has fallen 30% in that time, the FTSE gold mines index is down by nearly twice that amount.

The *FT* also quoted Evy Hambro, chief investment officer of the equity team of BlackRock Natural Resources, as saying: "You are going to need to be persuading investors to sell their shares in Microsoft or Apple to be able to help you finance your way out of trouble."

This is the hard reality that should be focusing the minds of unions, mining companies and government in a combined effort to slow the setting of the sun on SA gold mining. *David Williams*

TOP SEVEN GOLD

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	AngloGold Ashanti	6 995,0	146 672,0	73 716 132,0	44 307,0
2	Gold Fields	2 633,0	126 166,0	31 229 091,0	46 180,0
3	Sibanye Gold	1 783,0	49 838,0	23 688 937,0	20 443,0
4	Pan African Resources Plc	445,0	5 918,0	3 754 564,0	3 609,0
5	Harmony Gold Mining Company	225,0	67 410,0	9 219 033,0	35 462,0
6	Vilage Main Reef	211,0	3 098,0	601 002,0	1 350,0
7	DRDGold	14,0	4 190,0	817 013,0	1 827,0

Source: INET BFA

Glory days still way in the past

As cost pressures start to bite, companies streamline and consolidate

There were signs in May 2014 that the platinum market would post a deficit for the year, estimated by Johnson Matthey at 1,2m ounces — the largest deficit since the research and refining firm started producing data in 1975. As the world's largest producer, SA was expected to supply a quarter of a million fewer ounces in 2014, due to the long strike that hit the sector.

Autocatalyst demand, the largest single segment of consumption, was expected to rise 8,5%, with jewellery demand rising by 5,3%. The deficit for palladium, one of the platinum group metals, was expected to widen to 1,6m ounces.

Such statistics produced some optimism that the balance between supply and demand would adjust in 2015 to produce a higher platinum price, and therefore relief for an embattled sector whose glory days of the mid-2000s seemed very far off.

A year later, in May 2015, the picture was rather different than had been hoped. Analysts at Thomson Reuters suggested that platinum prices could test US$1 000/oz this year, a level not seen since early 2009. This is due to rising supply from SA mines, off the low 2014 base, and from global autocatalyst recycling.

Spot prices, which have fallen 35% over the past five years, are forecast to average $1 170/oz in 2015 as rising supply cuts the deficit to 670 000 oz. "The price trajectory from current levels is upwards, towards $1 290," GFMS said in its annual Platinum & Palladium Survey in mid-May. "However, the upside potential will be limited, and we would not be surprised if platinum tested $1 000/oz this year." It expects a 22% rise in SA mine production and a 10% rise in autocatalyst scrap. On the other hand, demand is expected to rise to an eight-year high at 7,72m oz this year, mainly as a result of the increase in off-take from carmakers and the glass industry.

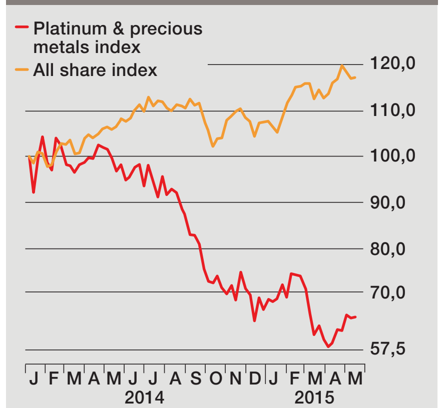
The pressure on costs has been a driver for streamlining and consolidation. In February this year Anglo American Platinum (Amplats) said it wanted to dispose of four SA mines. A possible buyer that has been mentioned is gold miner Sibanye, whose CEO Neal Froneman has said he would be interested in getting into the platinum sector, but not at any cost. Amplats CEO Chris Griffith says if Amplats can't sell the assets, it will pursue a separate listing for them.

Some observers think it would be a good opportunity for government to bid for the assets, perhaps in an empowerment joint venture, so as to show it is serious about starting a state mining company as it has often promised. But analysts think the price tag of about R10bn on its Rustenburg mines alone will deter potential buyers.

In actual major corporate activity, Northam announced at the end of April it would pay R400m in cash to Aquarius on June 26 for the concentrator and other assets at the Everest mine. Initially, Aquarius wanted to buy the southern part of the Booysendal property, but struggled to raise the funds. Mid-2012 it suspended Everest due to the weak platinum price and labour issues.

The second part of the Northam-Aquarius transaction depends on ministerial approval for the transfer of mineral rights to Northam. Even if the rights are not granted, however, the first part of the transaction will not be unwound. *David Williams*

PLATINUM & PRECIOUS METALS



Source: INET BFA

Share prices based to 100

TOP SEVEN PLATINUM

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Anglo American Platinum	1 213,0	92 642,0	80 235 754,0	85 571,0
2	Royal Bafokeng Platinum	656,0	21 201,0	10 005 374,0	34 590,0
3	Northam Platinum	-96,0	14 637,0	18 332 694,0	23 725,0
4	Atlatsa Resources Corp	-194,0	7 556,0	2 799 156,0	7 151,0
5	Impala Platinum Holdings	-277,0	79 190,0	37 193 165,0	107 347,0
6	Aquarius Platinum	-320,0	7 457,0	2 479 447,0	7 817,0
7	Lonmin Plc	-1 206,0	43 652,0	12 350 499,0	72 034,0

Source: INET BFA

Small is beautiful for now

Delays on construction projects and poor economic growth hit the sector hard

For Calgro M3 — a specialist in lower-market housing development supported by state funding — the 2015 financial year has been highlighted by a strengthened pipeline, investment in new ventures that will result in diversification and an increased focus on sustainable construction practices. Its business model is defined by a turnkey approach to property development, and the diversification of risk through the development of products that target a broad spectrum of the residential market.

The company is one of the winners in this year's *Top Companies* Top 20 (see page 14) — which makes it an outstanding exception to the overall trend of stagnant and declining financial performance in SA for the construction sector.

It has become customary for construction companies to complain about government's failure to translate its commitment to infrastructure spending into action, or to pay in time for work completed. However, Calgro said at its annual results presentation in May, "the expected decrease in the group's exposure to infrastructure development after the 2014 elections did not materialise, and an increase in urgency from government towards the provision of low- to medium-cost housing-related infrastructure is expected to continue to the 2016 local elections".

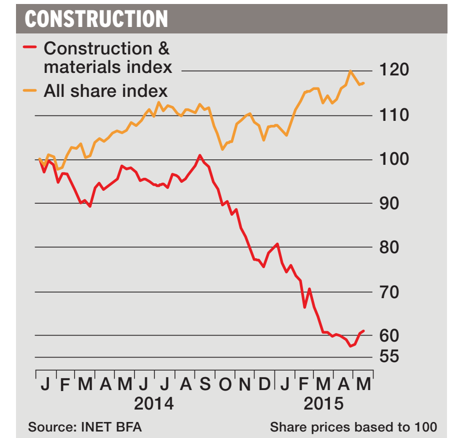
The introduction of external contractors to grow the group's construction capacity to deliver on projects has proven successful. It said: "With nine projects currently running consecutively and with the potential of a further two projects commencing during the 2015/2016 financial year, the group's risk profile has been significantly diversified. With an ever increasing barrier to entry into the integrated market segment, the group has benefited from the introduction, by the national department of human settlements in partnership with provinces, of new housing programmes."

Calgro M3 also announced an interesting expansion into the cemetery sector — or "private memorial parks". This project is "founded on the principle of utilising Calgro M3-owned land parcels not suitable for residential development". It is still in the pilot phase of development. It is also expected to assist government in meeting the growing demand for safer and better maintained alternatives to the cemeteries available in the market. Calgro M3 CEO Ben-Pierre Malherbe says this is viewed as a complementary business to Calgro M3's existing business model, and will not distract the company from its core business of property development.

Calgro M3's market cap is around R2,1bn, indicating that, for now, small is beautiful in this sector. The largest company in the sector, Murray & Roberts (M&R), has a market cap that at round R11bn is more than three times that of the next largest company. Its fortunes reflect the struggles of the construction sector as a whole since the global financial crisis of 2007/2008. If you had invested R1 000 in M&R 10 years ago, at the end of June 2015 you would have made a profit of about R50 — a return of 5% over a decade. If you had invested such a sum at any point since 2008, your return would have been severely negative.

Henry Laas

The company reported dismal results for the six months to December 2014. Profit for the period fell to R369m from R863m last year, as headline earnings per share from continuing and discontinued operations stayed flat. However, the group states that it has "restored financial stability, returned to profitability and resumed the payment of dividends, during the last three years of its recovery and growth strategy". More than 90% of its profits come from outside SA at the earnings before interest and tax level, along with 65% of revenue. CEO Henry Laas says the company has never had such a high proportion of earnings coming from outside the domestic market.



The SA market was hit by big delays on construction projects and broadly by poor economic growth. To counter this, the group has undergone a three-year restructuring process to focus on oil and gas, underground mining, energy, industrial projects as well as infrastructure and building. The order book fell to R37,8bn from R44,9bn a year ago, mainly because of the changes to its oil and gas unit — which moved to smaller and shorter-term contracts — and a drop in new projects as a result of the oil price spike. The effect of a sharply lower oil price in early 2015 has yet to come through for the group.

Nedbank Capital said early this year spending on new infrastructure in SA halved last year compared with 2013. This is also reflected in the earnings of Group Five, whose core operating profit dropped 35,5% in the half-year to December. Group Five says its civil engineering business is the problem. Apart from poor state infrastructure spending in SA, it has had difficulty with various projects in the country and also in the rest of Africa.

Another of the larger players, Aveng, has had its revenue fall 14% as net operating earnings dropped 19% and headline earnings per share fell 58%. Aveng says it is feeling pressure from a fall in mining investment and the slow roll-out of government infrastructure in SA. It also has major outstanding claims to deal with on an Australian natural gas project.

For some players, performance has been good, in parts. Wilson Bayly Holmes-Ovcon (WBHO), for instance, reporting on the year to December, says its building divisions "continue to perform well under the current favourable market conditions. In Gauteng, strong revenue growth was supported by construction at eight different shopping centres and mixed-use developments, seven of which were completed and handed over in the current six-month period.

"Construction at the Mall of Africa shopping centre in Waterfall in Midrand will continue well into 2016. Ongoing construction at various corporate office precincts contributed significantly during the period, following the commencement of new phases at both Menlyn Maine and Alice Lane in Tshwane and Sandton respectively."

WBHO reported a 5% increase, from R36,2bn to R38,1bn, in its order book over the six months to end-December 2014. This included a 14% increase in the Australian book, while the roads and earthworks order book declined by 22%. "This has resulted in further dilution of the contribution from Africa (including SA) to 31%," said WBHO.

It expects the strength currently being experienced in the local building market to continue over the short to medium term. "The building and civil engineering division's order book, which has grown significantly over the past two years, has been maintained at R8bn."

Esor, one of the smaller construction companies, seemed to put the worst of its problems behind it. However, in May it warned of a basic loss per share of between 24c and 29c and a headline loss per share of between 17c and 20c, as against 43,5c and 11,3c in the previous financial year. However, it pointed out that the loss from continuing operations "represents a marked improvement in financial performance".

"The losses have, to a large extent, resulted from a further loss on the N4 Mooinooi Road contract (R56m)," said Esor. "This project was completed in November 2014." A fair-value adjustment loss of R35,4m and the impairment of goodwill in the civils business of R29,7m also had material effects. Esor says its work on hand and its future pipeline remain healthy, with a secured outstanding two-year order book in excess of R2,4bn and imminent pending awards of about R600m.

Esor CEO Bernie Krone has stepped up to the role of chairman and CFO Wessel van Zyl has succeeded him.

David Williams

TOP ELEVEN CONSTRUCTION

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	PPC	1 009,0	10 932,0	11 096 608,0	2 779,0
2	Murray & Roberts Holdings	981,0	18 634,0	6 088 437,0	5 417,0
3	Group Five	384,0	9 887,0	2 820 750,0	2 553,0
4	Raubex Group	341,0	4 546,0	3 390 675,0	3 363,0
5	Wilson Bayly Holmes-Ovcon	311,0	12 319,0	7 436 220,0	4 129,0
6	Aveng	265,0	28 600,0	4 683 381,0	12 239,0
7	Afrimat	155,0	1 313,0	2 464 113,0	925,0
8	Distribution & Warehousing Net	99,0	3 225,0	1 574 578,0	1 432,0
9	Stefanutti Stocks Holdings	90,0	5 002,0	993 066,0	2 263,0
10	Basil Read Holdings	66,0	4 148,0	1 178 663,0	1 836,0
11	Esor	-155,0	1 339,0	75 085,0	787,0

Source: INET BFA

SECTORS

There's good in some of these stocks

Investors should look only at those firms that have robust business models

As a sector, general industrials has of late been very much a curate's egg: good, even excellent, in parts, but to be stayed well clear of in others. Leaving no doubt about which side of the divide it lies is KAP Industrial. This mid-cap's recent blistering share price rise left its sector peers in the dust. KAP's attraction is what investors have come to expect from its parent Steinhoff: the promise of aggressive growth.

KAP CE Gary Chaplin clearly spells out the group's growth ambitions. "We have spent three years cleaning up assets and it is now time to change the focus to growing the business," he told the *Financial Mail* recently.

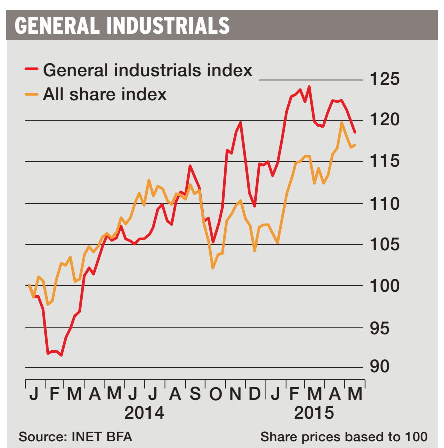
The clean-up resulted in KAP selling three noncore units — Brenner Mills, Bull Brand and Jordan Footwear — inherited through the R8,9bn reverse listing by Steinhoff of its Unitrans logistics as well as PG Bison timber and mattress component units into KAP in April 2012.

The highly cash-generative KAP now has a lot of headroom to take on debt to make acquisitions. KAP has already struck with its first big acquisition, mattress manufacturer Restonic, in a deal closed in January 2015. There are more acquisitions in the pipeline, promises KAP executive deputy chairman Jo Grové.

Well conceived acquisitions can add big value, as small-cap general industrial stalwart Hudaco has shown. Hudaco's acquisition strategy was born out of need. Faced by steep declines in the key target markets for its engineering consumables products, mining and manufacturing, Hudaco embarked on a diversification drive in 2010. The strategy has worked wonders, enabling the 124-year-old Hudaco, under CE Graham Dunford, to do what few companies have managed: execute a successful transformation.

Into Hudaco's value-added distribution fold have come power tools (Makita), automotive aftermarket products, security equipment, specialised batteries, and communications equipment. Now diversified across seven operating sectors, its reliance on engineering consumables is falling fast — their contribution in 2015 of about 50% of sales was well down from 63% in 2011.

KAP and Hudaco are still of a size where acquisitions can add meaningful earnings value. However, this becomes increasingly difficult when a company reaches mega-size. This is showing in Bidvest, a company that founder CEO and master-acquisitor Brian Joffe has grown from an R8m cash shell in 1988 into a group with R210bn annual revenue spanning five continents.



Disappointing investors, Bidvest's headline EPS (Heps) growth rate has slowed appreciably, coming in at an annual average of 5,8% over the past three rolling 12-month periods. Also disappointing was the heavyweight's showing in its most recent reporting period — the six months to December 2014.

Affected negatively by its problem-ridden acquisition of a 34,5% stake in SA pharmaceuticals firm Adcock Ingram, Bidvest's interim Heps was up 5,2% year-on-year. Adjusted for the negative Adcock impact, Heps was up a still modest 8,4%.

Bidvest's showing reflects tough conditions in SA, which still accounts for 41% of its revenue and just on 55% of trading profit. Given SA's muted economic prospects, Bidvest's growth appears set to continue relying heavily on its foreign operations, dominated by its R100bn annual turnover food distribution subsidiary, Foodservice.

Operating in 30 countries across Europe, the Middle East, South America and the Pacific region, Foodservice has delivered solid growth, upping revenue 20,6% and trading profit 31,6% in Bidvest's latest interim reporting period. For investors, this makes Bidvest's decision in 2014 not to list Foodservice on the London Stock Exchange all the more disappointing. The value-unlock could have been considerable.

Graham Dunford

It is a different situation with Remgro, the diversified industrials sector's biggest company and the JSE's 20th biggest by market cap. Listed investments Mediclinic, RMI Holdings, FirstRand/RMB, RCL Foods, Distell and Grindrod made up 70% of Remgro's intrinsic value at the end of its six months to December 2014. This was up from 54% three years earlier.

Investors have to make a call: invest directly in Remgro's underlying listed investments, or follow its management's ability to make astute business decisions, particularly in the unlisted space, and take advantage of its share price's discount to intrinsic value, now around 10%. The patient investor may be well advised to do the latter.

With Barloworld, investors face a conundrum of a different type. The company comes with the credentials of able management, good operational cash flow and a not-too-demanding rating.

However, Barloworld has vulnerabilities, most notably a high exposure to the mining sector through its Caterpillar equipment operations in sub-Saharan Africa (SSA) and in Russia. In Barloworld's six months to March 2015 the SSA operation accounted for 47% of operating profit, and the Russian operation 6%.

Facing headwinds in the mining sector, Barloworld expects revenue movement in SSA to range between a 4,3% fall and a 5,3% rise in its year to September 2015. In Russia a 21%-34% fall is expected.

The next biggest contributor is Barloworld's automotive retail, leasing and rental division at 45% of operating profit. Though the division offers stability, it operates in a tough, mature market in which Barloworld expects its revenue to grow by 4,5%-8,2% in its year to September 2015.

Barloworld did well to lift its interim Heps by 16%. However, it remains a company in which investors must be prepared to accept high share price volatility driven heavily by sentiment towards commodities.

Barloworld shareholders have fared far better than those who have backed Eqstra since its unbundling by Imperial in May 2008. A sorry tale, Eqstra's share price has lost over two-thirds of its value since listing. Its Heps, locked in a sideways drift since 2011, remains 45% below the 2008 level.

Eqstra has been dogged by problems and profit collapses in divisions that were once key: mining and construction equipment distribution as well as contract mining. Distribution was exited and contract mining left to largely wind down, but was still a drain on financial resources. In 2012 focus swung to growing Eqstra's fleet management as well as industrial equipment leasing and rental operations. Both are capital-hungry pursuits as reflected in Eqstra's very high 2,4:1 debt-to-equity ratio.

This has proven to be the Achilles heel for Eqstra, now starved of bank funding and locked in survival mode. Eqstra has, as it says, "moved from a growth strategy to a cash preservation and balance sheet strengthening strategy". Eqstra has also mooted abandoning its current business model. Little wonder the likes of Coronation Asset Management and RECM have been big sellers.

Howden Africa, the general equity sector share to beat for many years, has also come under selling pressure of late. Though Howden is far from being financially strapped, the drivers of its five-year winning streak — demand from mines and Eskom for its fans and heat exchanger equipment — have stalled.

First to stall was the mining sector, where Howden CE Thomas Bärwald describes the fall in demand over the past two years as "dramatic".

More recent and far more serious are severe financial constraints being faced by Eskom, which accounts for 70% of Howden's revenue. The Eskom picture is bleak, with the utility predicting a R225bn revenue shortfall over the next five years.

Headwinds being faced by general industrial sector companies appear likely to get stronger before they abate. It makes it imperative to invest in companies with robust business models, particularly those with a penchant for undertaking meaningful, earnings-adding acquisitions.

Stafford Thomas

SECTORS

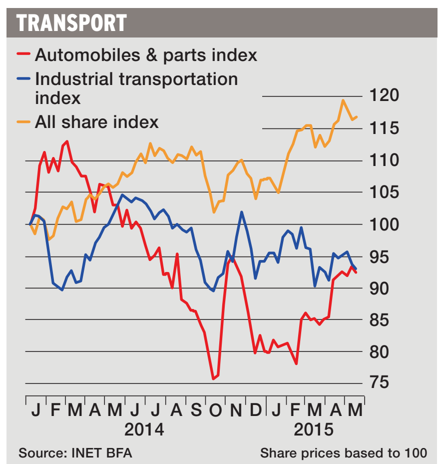
Business strategies evolve

With SA's economy stunted, the focus is on boosting profit growth from outside markets

Imperial Group has invented an acronym to describe the environment in which it operates: Vucca (volatile, uncertain, complex, chaotic, ambiguous). In Imperial's response to this environment, the hand of CEO Mark Lamberti, appointed in March 2014, is clearly apparent.

In his results presentation for the year to June 2014, Lamberti said: "The size and complexity of Imperial demands strategic clarity at two levels: corporate strategy as a group, being more expansive and precise as to the value added and the parenting advantage created by Imperial Holdings; and business strategy at the divisional and company level, by determining precisely the bases for competitive advantage, clarifying how each client-facing business competes and wins in its chosen market."

In terms of capital allocation, Imperial wants to grow the logistics business by drawing on strong revenue from the motor business. This has been thriving in a tough market, with 86 passenger car dealerships, and an increase in the shareholding in Renault SA from 49% to 60% for R65m. The car rental business is strong, with leading brands Europcar (formerly Imperial Car Rental) and Tempest. In the motor trade, Imperial is linked to 14 locally based original equipment manufacturers, and it has an extensive dealer footprint owning 85% of properties occupied.



At the interim stage of the 2015 financial year, Imperial reported that its portfolio of businesses "performed to expectation in deteriorating trading conditions. Revenue growth of 9% to R56bn was attributable mainly to acquisitions. Operating profit decreased 9% to R2,9bn, due mainly to depressed margins caused by the delayed impact of a weakening rand".

The profitability of the logistics international division "was depressed by low and declining activity levels in most eurozone logistics sectors, and the financial services division's results were depressed by weaker equity markets". These disappointments were offset by "an excellent performance" from the logistics division serving the rest of Africa, and by the vehicle retail, rental and after-market parts division. Headline earnings per share were down 9%.

Imperial's comment on the environment might have been provided by just about any large SA corporate linked to the local economy: "Consumer and business confidence in SA remained fragile exacerbated by electricity shortages. Continually deteriorating business conditions were generally more challenging than in the comparable period."

Grindrod is a company still not fully understood by many investors. Former chairman Ivan Clark used to say that being headquartered in Durban rather than Johannesburg and Cape Town seemed to keep the company under the radar, when in fact it is almost alone on the JSE in offering exposure to global shipping growth. That proposition has been enhanced by the deliberate investment in the logistics chain beyond shipping lanes and ports.

Grindrod reported an 11% drop in revenue for the year ended December, as depressed commodity market prices delayed recovery in dry bulk shipping markets and industrial action in SA hurt its businesses. "This has led to speculation that the company may separately list its shipping business," reported *Business Day*, "most likely in Singapore, which is a benchmark for the global maritime industry." Including joint ventures, revenue increased just 2% to R32,7bn. CEO Alan Olivier says the group has seen some of the lowest shipping rates "in a long time". Headline earnings per share were down 9%, but this was caused by the issue of new shares, resulting in the weighted average number of issued shares increasing by 15%. The amount raised was R2,4bn.


Martin Rhodes

Mark Lamberti

Ron Klipin, portfolio manager at Cratos Capital, says the most important factor in Grindrod's results is the possibility of it splitting off its shipping division. "They are open for a separate listing in shipping provided they have a substantial stake," he says. "Listing in Singapore would unlock a lot of value. It might be a good time to slim the entity down and keep a large stake in shipping."

Grindrod has been a big spender on infrastructure for some time. Growing its network of port and rail operations allows the group to diversify away from international shipping, which can be extremely cyclical. With many important rail and port facilities spread through Africa, where infrastructure development is generally poor or nonexistent, Grindrod often has to invest in and build, or improve, the facilities it needs. This makes the whole transport process — which often starts in coal or iron ore mines and ends with the raw materials on Grindrod vessels being exported overseas — more efficient.

Capital spending is focused on rail development, with the company stepping in where large state-owned companies such as Transnet have failed to be sufficiently agile in competing with road and in increasing port-to-land transfer efficiencies. Further expansion at the Maputo and Richards Bay coal terminals has been mentioned.

The *Financial Mail* reported in February that logistics specialist OneLogix has started a concerted drive into selected African markets, an initiative that could markedly boost the company's overall trading margins.

CEO Ian Lourens says margins in its recently launched vehicle transport operations in Tanzania and Kenya are likely to be "north of 18%". This compares very favourably with the 9%-12% margin achieved in the core SA operations and the 12%-18% earned in neighbouring countries.

In Tanzania, OneLogix will be moving mainly second-hand Japanese vehicles from Dar-es-Salaam to the interior. "We have pushed the button on this operation. We do the clearing and storage of these vehicles as well, and are targeting 5% of the market to make it profitable. We've already been operating for a few weeks, and the margins are nice," he says.

Lourens says OneLogix has partnered a Swiss multinational logistics player in Kenya. "We'll be operational in May or June, and will be running the show."

He says there is a possibility of competition for OneLogix in these markets, but believes the company has first-mover advantage. "There are only a few small vehicle carriers, and most of the market is self-drive service. We have newer equipment plus the expertise." He says a foothold in Kenya and Tanzania can open up roads into Rwanda, South Sudan and Ethiopia.

OneLogix reinforced its African presence with its recent acquisition of Jackson & Buffelshoek. This specialist logistics group moves agricultural products into various African markets. Lourens says: "Currently 15%-20% of profits are earned outside SA. We want to grow this to 30%."

For the fourth major industrial transportation group in this sector, Super Group, reducing reliance on SA to drive profit growth is also a priority. Boosting its non-SA pretax profit above the 50% mark, the Super Group snapped up Allen Ford, the number two independent Ford dealer network in the UK, in December for R614m. Eight properties related to the deal could add another R329m to the cost.

"Allen Ford has 13 franchised Ford motor dealerships across Ford's UK heartland market counties and two Kia dealerships," says Super Group CEO Peter Mountford. In a full year, Allen Ford will contribute 14% of total group pretax profit, he says. That will take Super Group's non-SA pretax profits from about 47% of the total to just on 60%, with the lion's share (40%) coming from 53%-owned listed Australian fleet management company SG Fleet. *David Williams*

TOP FIVE TRANSPORT

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Imperial Holdings	3 213,0	51 143,0	40 089 736,0	17 141,0
2	Trencor	1 161,0	44 304,0	11 527 127,0	7 950,0
3	Super Group	787,0	9 712,0	10 957 859,0	4 130,0
4	Value Group	141,0	1 463,0	769 669,0	856,0
5	OneLogix Group	79,0	846,0	1 404 329,0	416,00

Source: INET BFA

SECTORS

Structured plans work best

Talk of major corporate action could change the look of the sector

SABMiller, the world's second-biggest brewer by volume, covers Africa well, in contrast to its larger competitor AB InBev, which has no African exposure. The brewer is adept at moving into new markets, taking existing brands, tidying them up and marketing them with skill. Its periods of softness on the market tend to mirror emerging market sell-offs in general. But this is partly counterbalanced by its MillerCoors operations in the US, the beer world's largest profit pool.

China's alcohol consumption is relatively low in world terms so there is still opportunity in this region. However, further consolidation of its many breweries will need to occur before its real profit potential is fully exploited. The same applies in India. SABMiller is well positioned in both of these markets.

Chatter on corporate action regarding number one and number two continues. Regulatory approval would be required only in the US and China. In the rest of the world there are few, if any, regulatory hurdles to surmount.

AB InBev wants to absorb SABMiller and seems to have the balance sheet capability to do so. Rumours abounded in 2014 of a large capital-raising exercise having taken place in Europe, with the aim being to buy out SABMiller minorities, but nothing materialised.

Towards end-2014, SABMiller made overtures to the board of Heineken, the world's third-largest brewer, about a possible amalgamation. Heineken seemed to rebuff the approach and the suggestion was that SABMiller had miscalculated by showing its hand to Heineken. But further investigation suggested that the Heineken board had entertained the idea before the controlling shareholder (Charlene de Carvalho, Freddie Heineken's daughter) scotched the deal. With a fortune estimated at around US$12bn, she really doesn't need the money and there also appears to be a strong sentimental attachment to the family firm.

The smart money is now on AB InBev making a bid for SABMiller, which would create a global consumer goods giant, with huge buying power.

Tiger Brands, a large manufacturer and marketer of FMCG products in Southern Africa, has been criticised for its Dangote acquisition in Nigeria. That misstep resulted in huge write-downs, and some analysts have criticised management for not keeping enough of the locals on board, thus imposing the SA way of doing things on this foreign operation. However, the group strongly believes that Nigeria, and the rest of Africa, is a market in which a presence is essential.

Over the past decade the group has gone into West African countries such as Cameroon and acquired businesses that have then been rejigged, rather than just establishing supply lines as its smaller competitors have done. As it expands, its well-known SA brands face global competition. Can All Gold tomato sauce hold its own against Heinz tomato ketchup, or Koo baked beans pit itself successfully against Campbell labels?

Distell, which owns many premium liquor brands, has always been plagued by poor liquidity, with a shareholder spread of not much more than 12%. With 29% owned each by SABMiller and the Remgro/Capevin consortium, there is talk that corporate action in the form of SABMiller selling its holding to the consortium is a possibility. But SABMiller tends to defend its holding in Distell on the grounds that Distell's wines and spirits are not too different to those of SABMiller's, and the dynamics that drive alcoholic beverage consumption are common to both companies.

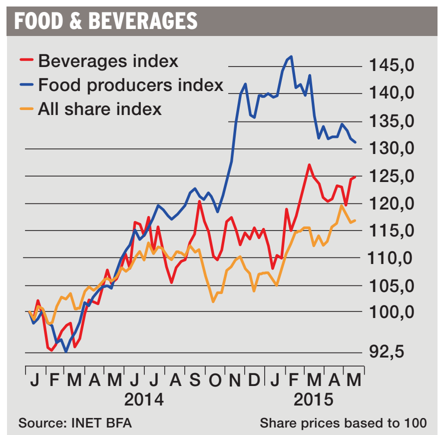
AVI is, perhaps, an incongruous inclusion in the food and beverage sector and should be regarded as more of a brand company. It has an extensive and well diversified branded portfolio of beverages, snacks, convenience foods, cosmetics, shoes & accessories and apparel. The share price has flatlined over 2012-2014 on concerns that luxury brand sales could run out of steam, with the stock being geared to the consumer cycle. Still, the group's luxury brands have managed to buck the trend convincingly.

Tongaat Hulett is still about the highly profitable Moreland property development side. Some investors hold this stock just for these property interests. For sugar, Mozambique is an exciting part of this division, as is Zimbabwe, but the latter is facing some indigenisation issues.

Pioneer Foods' Bokomo brand bravely takes on Kellogg's products, and its Sasko and Ceres brands are strong. With the unbundling of Quantum Foods, the group is now focused on branded products, instead of being built on commodity products. The group was previously inefficient, run with a co-op mentality, but its strategy seems to be coming right. The share price has responded recently to the overhaul of the group and the taint of the bread price-fixing scandal is fading. But will it follow its peers and start setting up operations in the rest of Africa?

RCL Foods merged with Foodcorp in 2013 and shortly thereafter acquired Remgro's TSB Sugar. Though seen as a bold move at the time, it made perfect sense to derisk the notoriously volatile chicken business by merging it with the far more stable food-manufacturing businesses of Foodcorp. The group has been plagued by tariff problems on the chicken side and global sugar prices are under pressure. As it's controlled by Remgro, analysts hope this shareholder will put the group in order and bed down acquisitions.

Rhodes Food Group — a food production and processing company that has a major relationship with Woolworths — has no dividend yield as yet, as it recently listed. It has made small acquisitions in juice and packaging. Earnings from the Bull Brand acquisition are starting to come through nicely. *Staff writer*



TOP FIVE FOOD & BEVERAGES

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	SABMiller Plc	40 093,0	293 177,0	1 065 559 985,0	311 480,0
2	Tiger Brands	2 879,0	22 514,0	58 656 216,0	14 585,0
3	Distell Group	1 414,0	13 987,0	33 965 728,0	8 683,0
4	AVI	1 293,0	5 910,0	28 620 146,0	3 873,0
5	Tongaat Hulett	1 268,0	23 568,0	18 172 632,0	12 464,0

Source: INET BFA

TRAVEL & LEISURE

Battles on many fronts to contend with

LEADING QUICK-SERVICE restaurant group Famous Brands has been the darling of this sector, from an investment perspective, over the long and medium term. And it has grown organically and through acquisition.

Its downside risks are that this space is becoming a little crowded. Also, its plethora of smaller holdings such as Wakaberry and Tasha's could divert management's attention from the larger core operations.

Spur Corp is well positioned in the quick-service restaurant space – benefiting from customers who downgrade from more formal dining and those who upgrade from takeaway foods. Most Spurs have liquor licences, so customers stay a little longer and this helps increase spend. Cash conversion is excellent and the dividend payout ratio is appealing.

City Lodge is recovering well from a period of depressed occupancies. Its occupancy figures sit at around 68% and this is reflected in the share price. It's unique in always owning its properties, and there are also no gaming interests in this group. It exports its model into the rest of Africa. But this is a conservative and solid company. The group recently bought out its partners in Kenya in a move that underlines its confidence in that country's potential. As with all ventures in Africa, land prices and availability present ongoing challenges to developers.

The Tsogo Sun Group earns most of its revenues from the gambling side of its operations. It has expanding interests in the rest of Africa and SA properties are being revamped. A recent attempt to acquire the Grand Parade interests in GrandWest in the Western Cape was blocked by the competition authorities. And SABMiller has exited its noncore holding in this gaming and hotel group, after at least a decade of speculation as to when this would happen.

There is pressure from government revenues as civil servant travel budgets have been tightened, leading to an edict that allows for a R1 300 travel budget per night for staff. This has to include accommodation, breakfast, dinner and parking. And it's suitable for Tsogo's lower-end establishments, as it is for City Lodge's Road Lodge and Town Lodge chains.

Rather disappointingly, the weak rand has not, as yet, made an appreciable difference to the number of foreign travellers staying in Tsogo's more upmarket hotels. And recent xenophobic violence, among other issues, won't help to attract foreign visitors. *Staff writer*

SECTORS

SECTORS

Tenacity the quality to pursue

Stronger margins, global presence and diversification keep the sector steady

Richemont is linked to the Rupert family and holds some of the world's super-premium luxury goods brands. It has strong pricing power and its commodity input costs, such as for gold, are declining. It has done well in expanding into Asia. And the group is highly cash-generative.

Over a five-year period, the share price has performed well, but recently it has languished. The price took a knock in mid-January 2015 when the Swiss National Bank decided to end the peg of the Swiss franc to the euro. It also suffered in late April due to a technical loss in derivatives trading, which resulted in a 36% decline in income.

At end-March, Richemont announced that it had merged its Net-a-Porter business with Yoox and would have a 50% stake in the combined entity.

BAT products are in almost every country and the JSE-listed share has been steadily increasing its dividend yield and improving margins, increasing its prices even in declining markets.

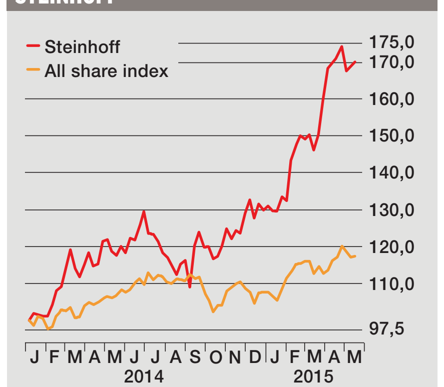
Though global cigarette consumption is declining at around 1%/annum, BAT's volumes, at least in developing economies, are defying this trend and are increasing. It is viewed as an emerging market growth story.

Some analysts are cautious of this stock in the light of increased smoking regulation, taking the view that eventually tighter and tighter government regulation will overwhelm tobacco firms. In reality, BAT and the other tobacco companies have proven to be adaptable to the effects of government regulations. The stock serves SA investors especially well in a bearish rand environment.

As an integrated retailer that manufactures, sources and retails furniture and household goods in Europe, Africa and Australasia, Steinhoff is a heavyweight in the personal and household goods sector and its share price performance has been strong since mid-2013. Most of its profits come from Europe. And though this economy is still sluggish, group store refurbishments should pay off when the recovery eventually materialises. The group is led by risk-taking founder Markus Jooste, a master in extracting efficiencies and reducing the tax rate, and his team is certainly not afraid of adding debt to the balance sheet.

Not one for the faint-hearted, this great rand hedge recently acquired Pepkor in the biggest deal in SA corporate history at R64bn, giving it exposure to emerging market consumers. As the group has expanded and diversified, its cyclicality has reduced. Famous for its vertical integration strategy, the group is working on a Frankfurt listing, which should lower its borrowing costs, and make it a notable consumer goods component of the DAX 30.

STEINHOFF



Source: INET BFA   Share prices based to 100

Listed since 1998, Steinhoff has an outstanding earnings track record, but it is only recently that SA investors have been prepared to impart a decent rating to the group. It will be instructive to see how the group stands up to investor scrutiny in the wake of the Frankfurt listing.

Seardel and Nu-World are small players. As an importer and distributor of electrical appliances, Nu-World sources many products from Asia, and has some decent brands. But a deteriorating rand hurts it as an importer. Being family-controlled, the share is choppy and tightly held.

Seardel has transformed from a languishing clothing manufacturer into a diversified media group owned by Hosken Consolidated Investments.

Staff writer

TOP FOUR PERSONAL & HOUSEHOLD

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Compagnie Fin Richemont	29 523,0	206 295,0	510 046 200,0	153 089,0
2	Steinhoff International Hldgs	9 453,0	134 411,0	262 286 731,0	87 809,0
3	Nu-World Holdings	70,0	975,0	588 808,0	723,0
4	Seardel Investment Corp	18,0	4 400,0	925 247,0	3 118,0

Source: INET BFA

SECTORS

Exits are shrinking the sector

But firms continue to forge deals that will expand their exposure into other markets

JSE-listed drug maker Aspen Pharmacare recently entered into an agreement to sell part of its SA business for a cash consideration of R1,6bn to Litha Pharma, according to a regulatory announcement released in May. Aspen has also agreed to sell a portfolio of products to Indian firm Stride Arcolab.

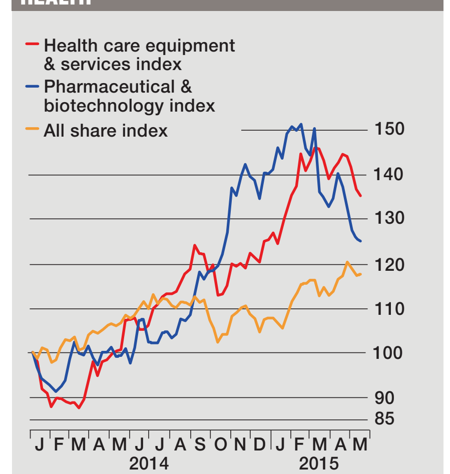
Litha Pharma is the pharmaceutical division of Litha Healthcare, which delisted from the JSE earlier this year. This was after the acquisition of its holding company, Paladin Labs, by US multinational Endo, which is listed on the Nasdaq. Litha's exit followed the decision by its Canadian parent company Paladin Labs to buy out minority shareholders at R2,75/share.

The smallest of the JSE's health providers, Litha listed on the main board through the reverse-listing of Myriad Medical Holdings in May 2010, after raising R100m from a rights issue at 80c/share. It has three divisions: pharmaceuticals, medical devices and vaccines.

Considering the price at which it was delisted, investors who had been with the group for the five years to the February delisting would have little to complain about. Says chief financial officer Martin Kahanovitz: "We are happy with our performance. We think we've done well for shareholders in terms of the return."

Though industry players feel that Litha's prospects are brighter with the backing of a bigger holding company, its departure from the JSE is a loss to SA investors as the pharmaceutical sector loses substance. The group delisted just 18 months after Cipla Medpro exited from the exchange when it was bought by its long-term partner Cipla India. Adcock Ingram is likely to follow the same route when the Bidvest buyout of the pharmaceutical company is finalised.

HEALTH



Source: INET BFA   Share prices based to 100

The Aspen unit up for sale has a product portfolio comprising injectables and established brands and the company says this portfolio has produced revenue of R362m and a direct contribution to profit before tax of R136m for the year to June 2014.

Aspen says the transactions form part of its strategic intent to focus attention in areas where most value can be added and to lessen complexity. But it would not discuss the details of the transactions beyond what it published on Sens, nor would it disclose the brands it was selling. The transaction was conditional upon the approval of competition authorities.

After the reporting cut-off for the 12 months to December, the group entered into an agreement with Swiss-listed Novartis AG for the acquisition of Mono-Embolex, an injectable anticoagulant, for a consideration of US$142,3m. The group says the product presents an excellent strategic fit with recent acquisitions in this therapeutic area, and will be positioned as a simple-to-use once-daily prophylaxis treatment supporting Aspen's other current anticoagulant offerings. "As the product is only commercialised in Germany, Switzerland and Austria, it presents Aspen with an opportunity to launch it in other countries," the firm says. The transaction is subject to the approval of the German competition authorities.

Aspen also acquired a 50% interest in New Zealand New Milks (NZNM), an Auckland-based producer of infant milk. The operation is one of a limited number of firms that hold the required endorsements from the Chinese regulatory authorities to produce infant milk formula for this key territory. Since the 2008 baby milk scandal — when thousands of babies suffered kidney problems due to contaminated milk — Chinese authorities imposed stringent regulations and now prefer reputable international suppliers to local producers.

"The investment in NZNM represents another step towards Aspen's aspirations to enter the Chinese infant milk formula sector, valued at about $15bn," Aspen said when the deal was announced last year.

36One Asset Management analyst Jean Pierre Verster says the deal is strategic in that it opens up many possibilities for Aspen in China. "Infant formula is a lucrative market. It's not considered to be core by many pharmaceutical companies because it's a fast-moving consumer goods product. But if you already have distribution channels to retailers, you can easily load infant formula in the same truck."

Also late last year, TesoRx Pharma LLC, a speciality pharmaceutical, announced that it had licensed select international rights to TSX-002 — the first unmodified oral testosterone replacement therapy — to Aspen. As part of this agreement, Aspen will invest a total of $15m in TesoRx.

Aspen is a supplier of branded and generic pharmaceuticals in more than 150 countries as well as consumer and nutritional products in selected territories. The company has gone from strength to strength in its 17 years of existence.

In 1998, Aspen Pharmacare founders CEO Stephen Saad and deputy CEO Gus Attridge took their ambitions public through the reverse takeover of JSE-listed Medhold by their one-year-old business. A year later they pulled off a R2,4bn hostile takeover of the well resourced but poorly managed SA Druggists. And the rest is history. Now Aspen is represented in SA, Australia, Hong Kong, Malaysia, Philippines, Taiwan, Japan, Kenya, Nigeria, Tanzania, Uganda, Ireland, United Arab Emirates, France, Germany, the Netherlands, Mauritius, Brazil, Mexico, Venezuela and the US.

Acquisitions in 2013 have further extended the group's emerging market presence to Russia and other former Soviet republics, as well as to Central and Eastern Europe.

In the six months to December the group delivered a solid set of results. Revenue rose 51% to R18bn, while gross profit was 52% higher at R8,5bn, supporting a higher gross margin at 47% (2013: 46,6%). Normalised headline earnings and diluted normalised headline earnings grew 22% to R2,6bn, benefiting from a slightly lower effective tax rate. And management says this performance remains exposed to a stronger US dollar against their primary trading currencies, the euro, Australian dollar and the rand.

The group has, through acquisitions, successfully internalised the supply chain for injectable anticoagulants. Management said at the publication of the results in March that it will focus on profit-enhancing opportunities, including the effective integration of this supply chain and extracting value from economies of scale.

"Emphasis will be placed on enhancing procurement and production processes for the key anticoagulant portfolio," the company said, adding that the addition of Mono-Embolex to the product range in Germany would benefit the portfolio even more. Measures have been taken to secure additional production of the active pharmaceutical ingredient for the blood thinner Orgaran, as management is optimistic about its growth once supply constraints have been lifted.

Aspen snapped up a selection of drugs and a manufacturing plant from MSD for about $1bn in 2013. Under the deal, Aspen bought itself MSD's API manufacturing business in the Netherlands and its satellite facility and sales office in the US. The group also announced with its results that processes to reduce the cost of nutritional products were under way.

IFR analysts say the global business is at risk of political turmoil in Venezuela and Russia — countries that management has highlighted as niche growth markets. Currency devaluation has reduced the value of the Russian business.

But Aspen management believes that the Asia Pacific business will report subdued results due to the exit from certain businesses, products and licences. "Furthermore, the Australian business will be affected by a weaker currency and a further price cut in the second half. Aspen Japan, which is expected to begin trading in July 2015, has been marked as a material step towards establishing the brand in the country that is ranked second by pharmaceutical sales," it says.

In SA, Aspen is confident that it can sustain the strong momentum achieved in the private sector. Government approved a 7,5% increase in the single exit price, which is expected to relieve margin pressures driven by raw material inputs as the rand depreciates.

"Aspen is a good firm with an impressive track record," says IFR. "In addition, the group has a growing presence in international markets, which is continuously being bolstered by additional acquisitions."

Though pickings are slim for investors in SA's pharmaceutical sector, Aspen has rewarded investors well over the years. The group will furthermore implement plans to achieve greater market penetration within the global brands portfolio and improved production efficiencies.

Ruan Jooste

TOP SEVEN HEALTH CARE

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Aspen Pharmacare Holdings	5 313,0	36 308,0	175 237 838,0	28 550,0
2	Mediclinic International	3 647,0	60 989,0	105 882 114,0	30 855,0
3	Netcare	2 278,0	23 708,0	61 680 629,0	10 593,0
4	Life Healthcare Group Hldgs	1 885,0	9 238,0	44 095 894,0	4 168,0
5	Afrocentric Investment Corp	224,0	872,0	2 947 487,0	944,0
6	Ascendis Health	151,0	1 255,0	4 075 942,0	1 230,0
7	Adcock Ingram Holdings	-214,0	4 562,0	9 138 550,0	2 752,0

Source: INET BFA

Local appetite limited

Valuations make foreign investors more likely to continue directing this sector's fate

Facing the challenges of a stalling economy and consumers under pressure, the retail sector should by all accounts be best avoided. But far from it — and defying the odds — many retailers have continued to shine.

The sector has not been short of surprises, producing new challengers for the position of sector leader. Not least of these challengers is the Spar Group, which has swapped its dull but reliable image for one of a firm with dynamic growth potential. The image changer for Spar Group has been its acquisition of an 80% stake in Irish Spar brand-holder BWG in August 2014 for €55m. BWG's business model parallels Spar Group's in SA: centralised, wholesale distribution to owner-run Spar-affiliated stores. The Irish group brought with it 850 Spar and Mace branded stores in Ireland and 250 Spar stores in South West England, a region of eight counties.

Jackie Clausen

Graham O'Connor

Acquired at a bargain 4,8 p:e, BWG adds €1,2bn (30%) to Spar Group's annual revenue and in its first full year of consolidation will, says Spar Group CE Graham O'Connor, boost group headline EPS (Heps) by 15%-18%. This will be just the start, says O'Connor, who predicts that BWG will be accretive to Spar Group's earnings over the next five to 10 years. Adding momentum, BWG has embarked on an internally funded €100m, five-year expansion drive. It comes at a time when Ireland has emerged as the European Union's fastest-growing economy.

In the tough SA market, Spar is also more than holding its own, despite minimal expansion of the Spar store base. The most recent figures released by Spar reveal sales volumes across the group (excluding BWG) growing at 2,8% year-on-year, well ahead of food retail sector volume growth of under 2%. Its dynamic growth potential has caused its rating to soar to a record high and its share price performance trounced those of its food sector rivals.

A notable underperformer has been sector market-share leader Shoprite, which has had its share price meander largely sideways since 2013. It is a far cry from its average annual share price rise of more than 40% over the previous decade. However, Shoprite is far from being relegated to the ex-growth ranks. A period of share price underperformance was inevitable after a blistering run, which elevated its rating to what proved to be an unsustainable 34 p:e in December 2012.

From a business performance perspective, Shoprite continues to excel and gain market share in SA. Supermarket sales in SA in the six months to December 2014 increased by 12% year-on-year. Sales volume adjusted for internal food inflation was up 6,8%. It also continues to build on its first-mover status in Africa. African operations, which account for 19% of group sales, have been described by CE Whitey Basson as "our future growth driver".

Leaving no doubt about its aggressive expansion ambitions, Shoprite will in its year to June 2015 have pumped R1,5bn into African expansion, primarily in Angola and Nigeria. Its more than double planned spending of R697m in SA will lead to the opening of 30 supermarkets, taking the total in 15 African countries to 195.

The food retail sector's once undisputed top company Pick n Pay remains the wild card. In a parlous state just two years ago, Pick n Pay has under Richard Brasher, its CE since March 2013, been placed firmly on the road to recovery. Brasher's strategy is divided into three phases. The first was to restore stability, a task he has declared "substantially achieved". Now at its start is what he terms the "trajectory phase" aimed at accelerating the retailer's growth. Though it's still early days, the first notable sign of acceleration was the retailer's results in the 52 weeks to March 1 2015. This came in a key indicator, trading margin, which lifted to 2,14% in the second half of the reporting period from 1,2% in the first.

Pick n Pay needs to generate far stronger sales growth, an objective Brasher says the recently finalised store operating model and rising centralised distribution efficiency position it to achieve. Backing this objective, it will plough R2bn into capex in the current financial year and R3bn in the next.

Pick n Pay has re-emerged as a company worthy of serious investment consideration.

Still entrenched as one of SA's outstanding retailers is Woolworths. But it is now a changed company, following its acquisition in August 2014 of then struggling Australian apparel retailer David Jones (DJ) for more than R22bn. DJ adds about R12bn (30%) to Woolworths' annual sales and together with its Country Road apparel subsidiary takes the Australian contribution to group sales to almost 40%.

Doug Murray

Freddy Mavunda

Woolworths paid a hefty 23,8 p:e for DJ in a deal financed by R10bn in cash, A$600m new debt and a R10bn rights issue. The overall effect indicates a consensus forecast by 11 analysts polled by INET BFA who say this will limit Woolworths' Heps growth in its year to June 2015 to 10%, down sharply on the 27,4%/year average in the previous five financial years.

Woolworths CE Ian Moir's strategy is to extract value from DJ by upping its margins. There is huge scope, with DJ's 3,3% operating margin at a fraction of Woolworths SA apparel division's 17,6%. Based on Moir's record, the strategy's execution risk is low.

DJ serves another strategic role: increasing scale in a global apparel sector where, to compete effectively with apparel giants such as Zara and H&M, Moir argues scale is essential. DJ does that for Woolworths, taking its apparel sales to more than US$2,8bn and positioning it to become the dominant southern hemisphere apparel retailer.

Another apparel retailer that has been making a big impression is The Foschini Group (TFG). Enthusiastic investors have boosted TFG's share price into record high territory and its p:e rating to its highest level in 17 years.

TFG has been doing the right things to attract investor interest, starting in 2014 with the sale of its 55% stake in RCS, its joint personal loan and private-label credit card venture with Standard Bank. Though a rock-solid business, RCS was tainted by fallout from the African Bank and JD Group's unsecured lending debacles. Adding to its attraction, TFG has also worked wonders in reducing its reliance on credit sales by increasing cash sales to about 44% of total sales in 2014 compared with 37% three years earlier. Cash sales could soon approach 50%, if there is no recovery in the credit cycle, according to TFG CE Doug Murray.

The sale of RCS also gave TFG more financial flexibility, bringing in R1,45bn in cash and freeing TFG's balance sheet of R3,3bn in RCS-related external funding.

TFG has put its stronger position to good use, snapping up an 85% stake in UK-based upmarket women's fashion retailer Phase Eight in a £140m cash deal. Phase Eight came with a record of growing sales by 18,9%/year over the previous five years and profit before interest, tax, depreciation and amortisation by 27,5%/year.

"Phase Eight is a perfect fit," noted TFG financial director Ronnie Stein at the time of the deal. Adding R2,6bn to TFG's annual retail sales of more than R14bn, Phase Eight has the makings of a game changer for TFG by providing global exposure. In the UK and Ireland Phase Eight operates 107 stores and 203 outlets in leading department stores. A further eight countries are to be added to the line-up.

Though TFG has excelled, the once darling of the fashion retail sector, Truworths, has faltered. Truworths' efforts to grow cash sales have so far failed. In the 26 weeks to December 28, its credit sales lifted by only 5,4% and cash sales by an even lower 4,7%. This left cash sales at 29% of total sales, a level little changed for many years. Many analysts are also expressing concern about Truworths' focus on the upper segment of the fashion market, which is the most vulnerable to the growing number of foreign fashion retailers entering SA.

By contrast, analysts praise TFG for positioning itself to have far lower exposure to foreign retailer encroachment. Not least of TFG's strengths is diversification across 18 brands and most consumer income groups.

Change could be in store for Truworths. Potentially heralding it is the appointment of Frenchman Jean-Christophe Garbino to succeed Michael Mark, who has stepped down after 23 years as the retailer's CE. Garbino is the former CE of French fashion retailer Kiabi. A cash-only discounter with stores located outside major cities, Kiabi is as different from Truworths as it could be.

TOP 10 RETAILERS

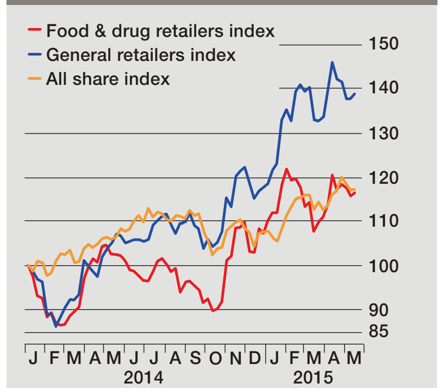
Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Shoprite Holdings	3 904,0	38 837,0	94 105 676,0	15 797,0
2	Woolworths Holdings	3 284,0	18 524,0	87 530 795,0	4 894,0
3	Truworths International	2 432,0	7 764,0	37 760 669,0	5 827,0
4	Mr Price Group	1 863,0	6 196,0	65 830 337,0	2 946,0
5	The Foschini Group	1 792,0	16 627,0	38 101 182,0	6 320,0
6	The Spar Group	1 351,0	14 356,0	32 691 397,0	2 387,0
7	Massmart Holdings	1 141,0	22 535,0	29 852 559,0	3 991,0
8	Pick n Pay Stores	835,0	12 905,0	24 098 088,0	2 118,0
9	Clicks Group	809,0	5 590,0	22 506 837,0	1 113,0
10	Lewis Group	795,0	7 989,0	7 589 686,0	5 246,0

Source: INET BFA

Garbino could just be what Truworths needs, says Sasfin Securities analyst Alec Abraham, who sees a strong possibility that the new CE will aggressively expand Truworths' mid-income-focused value fashion chain Identity, which generates only 15% of group sales. The market will be watching Garbino's progress with interest. But this introduces an element of uncertainty.

In contrast, Mr Price has had its rating boosted to dizzy heights. The attraction is simple. In the current environment its value-fashion, primarily cash-sales model, provides resilience. Adding attraction is its proven ability to enhance margins through initiatives such as retail space optimisation. Mr Price also comes with a growth record second to none, its Heps having grown by 22%/year on average over the past 10 and 20 years. A consensus forecast by analysts polled by INET BFA indicates a similar growth pace over the two years to March 2017.

RETAILERS



Source: INET BFA

Share prices based to 100

Certainty has also worked strongly in Clicks Group's favour, which in 2015 has also had its p:e boosted to highs that rank it as one of the most highly rated retail shares. Attracting investors, of which about 61% are offshore, is its cash-only, in-store pharmacy, health-care and beauty drug store model, which has generated earnings, dividend and powerful cash flow growth even in harsh consumer environments.

Unlike many SA retailers, Clicks Group has scope to increase its store footprint. Leading the way is the core Clicks stores chain, which is set to increase stores to 600, from 485, within five to seven years. However, it is not immune to the headwinds of the current tough consumer market. There has been a sharp fall in its Heps growth rate, from an average of 27%/year between 2005 and 2010 to 11%/year between 2010 and 2015.

In all respects Clicks Group is a well managed, blue-chip firm. But its high rating has become hard to justify, suggesting that its share price performance could be muted for some time.

A stronger share price is what investors in SA's second-largest retailer by sales, Massmart, have been hoping for since 2011, when Walmart finalised its acquisition of a 53% stake. But they have faced profit performance disappointment, with Massmart's Heps in its year to December 2014 still wallowing 22% below its peak in 2008. The biggest drag on its performance has been its Game unit housed in its Massdiscounters division. Though Massdiscounters' sales grew from R11,2bn in 2009 to R17,96bn in 2014, its trading profit before interest slumped by R500m to R180,7m.

In 2009 Massmart transformed Game's business model, introducing food retail through the Foodco brand and reducing exposure to consumer electronics. As for when Game will again pull its weight remains to be seen, with Massmart only noting in a recent results presentation that it is "hopeful of a better performance in 2015".

Sterling growth is what a far smaller retailer, Italtile, has delivered even during the deep recession that its key market, residential upgrades and renovations, experienced between 2011 and 2013. It finds itself in a sweet spot at a time when its biggest competitors — small, independent tile retailers — have their backs to the wall. Dependent on imports, they are being pounded by a weak rand. Leaving Italtile largely immune is that about 75% of its tiles are produced in SA. It also capitalised on its position in the six months to December 2014, lifting sales volume 10%, while Heps jumped 29%.

Italtile's growth story is far from over, says Warren Jarvis of Old Mutual Investment Group. "It has a sustainable competitive advantage."

Another retailer that has recently found itself at a competitive advantage is Lewis, thanks to the demise of Ellerines, a former big player in the lower-income credit-driven furniture market segment. However, furniture retail as a sector is under pressure. Stats SA reports that furniture sales value in the three months to May 2015 was up a mere 2,2% year-on-year compared with total retail market sales value growth of 7%.

Retail will remain one of the market's most closely followed sectors. Of some concern is that many retail shares have run hard — far harder indeed than most SA analysts had expected, thanks largely to buying by foreign investors.

The run has left the retail sector as a whole stretched in terms of its valuation at a time when consumer confidence remains fragile. With most local market players showing little appetite for the broad retail sector at current valuations, its fate is likely to continue being determined by foreign investors for some time. *Stafford Thomas*

One share shines brighter

Despite the continuing onslaught on print media houses

Naspers has surpassed market expectations and become the first company to break through the R2 000/share barrier — thanks to its China-based associate company Tencent. But the share price has reverted to trading under R2 000, though it may end the year back at that level. Naspers's share price is correlated closely with the share movement of Tencent, which accounts for almost all Naspers's value. Tencent operations include online games and instant chat services. Naspers has over the years transitioned from a media house into Africa's biggest Internet provider. The Internet operations contribute 58% of sales.

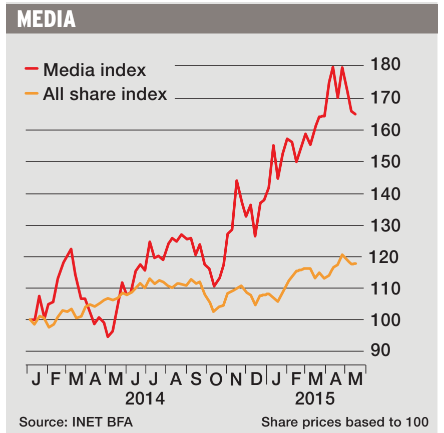
The latest leg-up in its shares has revived valuation concerns for some market watchers. Some of the share price moves experienced this year from both firms were attributed to a relaxation in share ownership rules for Chinese investors. Though existing investors are reaping the rewards of early investments, the base is elevated and it won't be possible to get similar returns at the entry point.

Abdul Davids, Kagiso Asset Management head of Research, says the investment case for buying Naspers at these levels is based on a successful execution of the company's e-commerce strategy. Also of importance is the expansion of its global and regional market share in a fast growing market, as well as Tencent continuing to successfully execute its online games and social networks strategy on mobile phone platforms.

But as JM Busha head of equities Farai Mapfinya warns: "Our risk adjusted allocation to the share has been continually coming down. As the share goes up, the margin of safety is really getting quite tight and very narrow at current levels."

Naspers's local media operations continue to have low growth as consumption of traditional media platforms wanes. Naspers and its rivals Caxton and Times Media Group (TMG) are battling with shrinking readership and falling newspaper sales. The trading environment has been difficult, forcing companies to restructure their businesses, a step that has included diversifying into new markets.

TMG, which will delist from the JSE following a buyout of minority shareholders by majority investor Blackstar, has diversified into radio broadcasting in Africa. It said in a secular in February that in the face of digital media and the decline of print media, it has limited scope for investment and "therefore limited opportunity to optimise shareholder returns".



Caxton has strengthened its packaging business through the acquisition of Nampak Cartons & Labels.

Worldwide, the biggest challenge for newspapers is to remain relevant in today's volatile media environment. Though all the traditional media houses are investing heavily in online platforms, it will be a while before returns are evident. Caxton says the challenge will be to translate online readership into advertising revenue. But the progress it has already made in this area "is reason for optimism," it said in August at the release of its 2014 financial year results.

It warned that the investment is negatively affecting its bottom line. This is a general trend for firms diversifying into new areas. However, the benefits will be rewarding as broadband access becomes widely available and prices come down. *Thabiso Mochiko*

TOP FIVE MEDIA

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Naspers	8 987,0	96 120,0	783 910 488,0	64 806,0
2	Caxton CTP Publishers & Printers	301,0	6 301,0	6 694 951,0	5 004,0
3	Times Media Group	201,0	2 209,0	2 605 081,0	1 441,0
4	African Media Entertainment	40,0	212,0	715 992,0	146,0
5	Moneyweb Holdings	-3,0	29,0	34 486,0	25,0

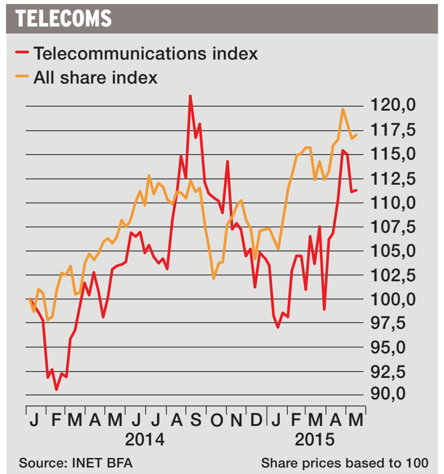
Source: INET BFA

Hope for better services

Convergence of offerings likely to be the next big move as the sector shrinks

The telecommunications industry has been going through some consolidation over the past year, and this is set to continue this year as the market awaits the outcome of the proposed R7bn acquisition of Neotel by Vodacom.

As consolidation is shrinking the sector in terms of the number of players, the market is likely to experience increased convergence of services such as information technology; fixed and mobile data as well as voice; and video on demand.



Telkom's R2,6bn acquisition of Business Connexion was approved recently and this will strengthen Telkom's business in the enterprise market, where there is growth opportunity for the fixed-line business. The global trend is for operators to develop greater capabilities in both fixed and wireless markets and present increasingly converged products and services as a single provider.

Ultimately, the market may be left with fewer operators and service providers but with enough sufficiency to maintain a competitive environment. These operators will also be stronger and better able to service future business and consumer needs, says Africa Analysis MD Dobek Pater.

Though Telkom's share price has continued its strong run, the group's decline in revenue from its traditional fixed-line business, especially in the consumer segment, continues. But this has not stopped investors from buying the stock. The group has spent the past two years cutting costs and this has recently led to it outsourcing some operations.

It is also benefiting from the lower mobile termination rates that have resulted in a reduction in its payments to mobile network operators. Mobile termination rates are fees that operators pay to carry each other's calls. The cuts wiped out R2bn from Vodacom's top line and R1,2bn from its bottom line in the year to March 2015. Vodacom relies heavily on its local operations, but it plans to ramp up its international businesses, including making new acquisitions. In Tanzania and the Democratic Republic of Congo it competes with Airtel and has stiff competition from state-owned mcel in Mozambique. Lesotho does not make any material difference, even though Vodacom is the leading player in that market because of its size.

Unlike Vodacom, MTN is cushioned by its vast geographical footprint. Though many of those markets are small, they have potential for growth. But MTN's subscriber numbers in SA have been declining due to, among other issues, weaknesses in the distribution network.

All operators, including unlisted Cell C, have increased their expenditure in network infrastructure. This is because demand for data continues. Also, this expenditure increase will enable them to improve coverage, the user experience and quality. Growth in voice is slow — hence the focus on data. Data contributes on average 25% of the total revenues of mobile network operators. Though price competition on voice and data will continue, Pater says pricing will start "stabilising" as operators begin to reach a point of low profitability on products and services.

Meanwhile, the low termination rates have resulted in the closure of service provider Altech Autopage — a year after its rival Nashua Mobile closed shop. *Thabiso Mochiko*

TOP FIVE TELECOMS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	MTN Group	28 833,00	186 167,00	403 555 659,00	112 768,00
2	Vodacom Group	15 357,00	55 312,00	197 436 616,00	18 229,00
3	Telkom SA SOC	4 815,00	36 551,00	41 246 084,00	22 774,00
4	Blue Label Telecoms	486,00	4 993,00	5 868 228,00	3 083,00
5	Telemasters Holdings	4,00	39,00	60 900,00	29,00

Source: INET BFA

Fairly decent growth

With average double-digit gains, it has not been a dismal year overall

Apart from African Bank, local banks experienced a satisfactory 2014, lifting earnings to double-digit territory on average, with capital still comfortably above regulatory levels.

New challenges are developing, however. And of note are rising bad debt, pressure on African earnings and the low local growth environment, which is not being conducive for earnings growth and improved lending activities.

Banking earnings in 2014 came in somewhat lower than in 2013, indicating that further pressure is to be expected in 2015. For example, FirstRand reported earnings growth of 25% then. Now it is 15%, due mainly to an uptick in bad debt from WesBank and at FNB's business division. Standard Bank delivered 15% in 2013, now it is an overall 1%.

The big four's share prices rose in 2014, lifting the average price:earnings ratio for the banking sector to around 14. The highly valued stocks are Standard Bank and FirstRand, trading above the market average, with Nedbank and Barclays Africa lagging the average. Smaller banking outfit Capitec continues to show phenomenal growth. But at a p:e of 24 it is now regarded as very expensive.

The strong run in banking shares in 2014 has led to questions about where growth will come from. Banks need to continue delivering superior earnings growth to justify present valuations, but local GDP growth at around 2% is still subdued.

Shifts in the traditional revenue bases of banks already became evident in 2014, with more reliance on increasing traditional interest income than fleecing customers by increasing fees, with Capitec the exception.

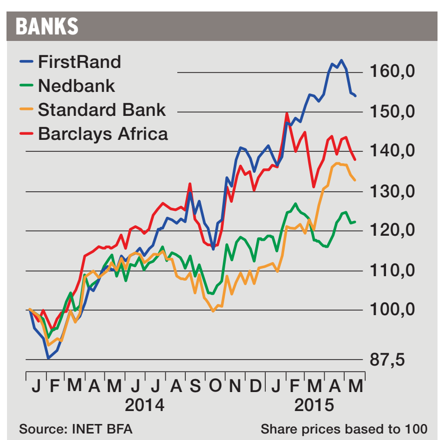
Net interest income — what banks earn on normal lending such as personal loans and mortgages — will struggle to record growth above 10% for this year as indebted consumers focus on paying down debt, rather than increasing borrowings. There have been interesting developments on noninterest revenue (NIR) — what banks earn on commissions and fees. It was a cash cow for banks for many years, but some have scaled down growth in this segment. For example, NIR grew only 4,9% at Nedbank, once regarded as the most expensive local bank.

Nedbank now regards NIR as a strategically important area for the future, maintaining transactional fees at 2013 levels. Credit life pricing has also been reduced.

Barclays Africa followed a similar plan in 2014, with NIR increasing only 2%. The net interest margin improved to 4,65% from 4,46% as loans advances grew a pedestrian 5% in the year.

Future revenue at banks will, to a large extent, depend on past investments. In this respect, the tide is finally turning for Standard Bank's retail side. It set itself an ambitious target years ago to become the top retail bank at a time that other banks, notably Absa, were pulling back on mass lending practices in the retail sector.

Standard's headline earnings from continuing operations increased 20% in 2014, a figure that overshadowed FirstRand's overall 15% interim growth result. Standard's personal and banking division recorded 17% growth and corporate and investment banking grew strongly by 26%.



Obviously, the overall 1% headline earnings per share growth does not flatter Standard, and it reflects the continued bad debt emanating from its global operations. The good news is that Standard in 2014 finally rid itself of these interests in London Plc, after selling a 60% stake to majority shareholder Industrial & Commercial Bank of China.

For 2014 Standard still had to write off a hefty R4bn, including a further R1,6bn written off in China on the fraudulent aluminium contracts of which the bank had become a victim. But in addition to that, another unexpected R1,6bn as part of the R4bn was payable on discontinued operations, with losses

mainly from oil-trading operations.

This again led to questions about Standard's overall strategy. The trend of offshore losses has now become so endemic that it has tarnished the group's image and reputation, obscuring its good local recovery and increased earnings growth from African operations.

However, co-CEOs Sim Tshabalala and Ben Kruger have painted an optimistic picture of the future. They say the bank has closed the chapter on its global operations, which started before 2008 but were damaged heavily in the global financial crisis which followed.

Sim Tshabalala

Ben Kruger

Tshabalala is also keen to indicate the progress Standard has made on reducing bad debts, pointing to Africa as the area where the main reductions have occurred. However, new problems have arisen, notably in the oil-rich economies of Nigeria and Angola, where Standard has a strong presence.

Already, before the release of the 2014 results, rumours were doing the rounds that Standard would be hard hit by the adverse conditions in Angola, where revenue has sagged drastically due to lower oil prices affecting the Angolan economy. However, Standard pointed out that activities in Angola were in fact profitable for the first time in 2014. But the jury is still out as to what extent strong results will be carried forward.

FirstRand remains a sizeable force among the big four, with its market cap at mid-April still a comfortable R36bn, ahead of Standard, the previous market cap leader. FirstRand's return on equity (RoE) of 24% is way above the rest, showing clearly it has invested capital more profitably for shareholders than the other banks.

At first glance, the interim 15% growth reported by FirstRand seems disappointing. But on closer inspection it seems the group made a prudent step to increase provisions at the expense of earnings growth to account for expected higher impairments in future.

Already there was some evidence of bad debt pressure building up, with WesBank's credit loss ratio upping to 3,01% from 2,67%. RMB experienced a similar problem, with the credit loss ratio increasing to 0,61% from 0,30%.

However, at FNB nonperforming loans — where bad debts emanate before actual impairment write-downs — as a percentage of advances dropped from 3,55% to 2,82%, and the credit loss ratio improved to 0,87% from 0,95%, painting a much rosier picture.

The more conservative financial stance came when CEO Sizwe Nxasana stepped down, after four years during which the group recovered admirably from the reverses it suffered due to the global financial crisis. Nxasana handed over the baton to financial and operational stalwart Johan Burger, who prefers to keep a low profile. But there is probably nobody else who knows the ins and outs of the group better than him. Questions were asked about why Nxasana was not succeeded by another black CEO, possibly indicating deficiencies in the group's succession planning process. But there can be little doubt about Burger's talents. He is now expected to push FirstRand's African strategy further. At the same time, FNB and WesBank are expected to remain top performers for the group, with FNB reporting interim earnings up 17% and African operations growing 25%.

Unfortunately, the bad debt picture does not appear that rosy at Barclays Africa, still trading locally under the Absa trademark. The credit loss ratio has come down strongly since 2011, but at 1,02% still remains higher on average than those of competitors. Barclays Africa has been reluctant to meaningfully increase lending, with retail banking only increasing loans by 2%. Mortgages actually decreased by 2%.

However, CEO Maria Ramos has largely delivered a creditable performance in 2014, though the diluted headline earnings growth of 10% is rather average, even surpassed by the earnings growth reported by parent company Barclays Plc.

Barclays Africa as a group has still not made that dramatic breakthrough some analysts have been clamouring for. But with its RoE of 16,7% from 15,5%, Ramos has probably done enough for Barclays as a majority shareholder to be happy, as it surpasses Standard's RoE of 14,1%.

What is worrying is that Barclays Africa's African operations appear to be under strain, as retail and business banking headline earnings decreased by 19% in the year. By earning a pedestrian R785m from Africa in 2014, after paying R18bn for Barclays' African interests, Barclays Africa is set to rely even more on its local Absa operations to generate revenue. The problem is local retail banking grew headline earnings by only 7%, even though credit impairments fell 51%. The group is clearly not investing for the future, with retail costs up only 2% and earnings from existing lending flat or lower. Past transactions can also be questioned as Barclays Africa reported a R9m loss from the Edcon portfolio.

At 14%, Nedbank's headline earnings growth was the best annual growth reported among the big four, as the green bank continued to make progress with its selected strategies.

Investec recovered well from a torrid period after 2009, following the global financial crisis, as in 2014 it reduced debt and upped the performance at the asset management and wealth divisions. It also continues to be bedevilled by currency movements as the annual results to end-March 2015 were affected negatively by the weaker rand. Investing in a local outfit such as Capitec would have been more rewarding for local investors betting on a weaker rand. At the beginning of April, Investec Plc's market value was actually surpassed by that of Capitec momentarily.

Capitec remains the wunderkind in the local banking sector, with its share price climbing over 150% in the 12 months to end-March. With earnings growth of 25% reported to end-February, the question of what the bank has up its sleeve to justify this rating remains. It certainly is not increasing lending, as interest income was up only 14% and net loan fee income down 26%. Bad debt is under control, with impairments up only 1%, but that is just an indication of the lower lending strategy. It is winning more customers, with active clients totalling 6,1m, on par with Nedbank.

The results show Capitec is increasingly becoming dependent on transaction fee income, which grew 35%. These are the fees and commissions customers are charged on use of their accounts. Capitec now plans to increase the number of primary clients — those who use it as their bank of preference — by encouraging them to deposit salaries into a Capitec account. The problem is a primary client usually uses other banking products, such as a home loan, vehicle finance or credit card, which increases the bank's income. Capitec has none of these products.

The reluctance is surely related to doubts about Capitec's capital levels accommodating the bad debt of a credit card, for example. Capitec's RoE of 25% has dropped markedly over the past two years, which is an indication it has probably reached the limits of the present growth cycle. Introducing further products will further reduce RoE and capital, at least initially.

For now, Capitec has proven it is no African Bank. Though the average loan amount has increased 15% to R6 887, Capitec management has clearly learnt from the failures of others.

African Bank was the big disappointment of 2014. Despite strenuous efforts by CEO Leon Kirkinis to prove that an unsecured lending outfit can be a standalone success, he had to throw in the towel in August 2014, resulting in African Bank being put in curatorship. It has since been divided into a "good bank", to be listed next year, and a "bad bank" supported by the Reserve Bank and with a capital injection from the big four banks.

In hindsight, African Bank went the well-trodden path of failure of previous microlending outfits, foundering on a shoal of high debt and reduced lending. It also exposed the fundamental flaw of a banking group specialising in the unsecured lending market without diversifying income streams.

To remain profitable an unsecured group has to up lending to higher amounts, with paybacks over longer terms to replace initial profits made on shorter-term lending. Shorter-term lending initially is highly profitable. But as the market grows, and new players enter the lucrative market, higher lending amounts of up to R280 000 and longer payback terms, sometimes over seven years, are introduced to boost profits.

Over time these extended loans also become less profitable, inducing the unsecured lender to consolidate loans into bigger amounts, so that customers pay off previous debts in a new lending product. That also cannot last.

Kirkinis was confident that he had the expertise to prevent this cycle from repeating itself by writing off bad debt more aggressively. But after African Bank recovered nicely from the 2008 crisis, management was duped into growing strongly again from 2011, and became more lax in writing off bad debt, which kept on growing. The witch's brew just became worse when lending income contracted.

In the nature of African Bank, its failure was not going to be a systemic threat to the sector. But creditors were unhappy, and foreign investors had put a lot of money into its bonds. For a long time it continued to hold high capital-adequacy levels, but it was ineffectual in the end, indicating the devastating effect a change of sentiment in the industry can have. *Maarten Mittner*

TOP FIVE BANKS

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	FirstRand	18 754,0	943 399,0	313 233 809,0	75 044,0
2	Standard Bank Group	14 935,0	1 670 647,0	224 600 570,0	126 388,0
3	Barclays Africa Group	12 032,0	955 298,0	126 314 851,0	73 657,0
4	Nedbank Group	9 200,0	741 255,0	115 093 954,0	59 240,0
5	Capitec Bank Holdings	2 088,0	45 778,0	60 705 326,0	8 981,0

Source: INET BFA

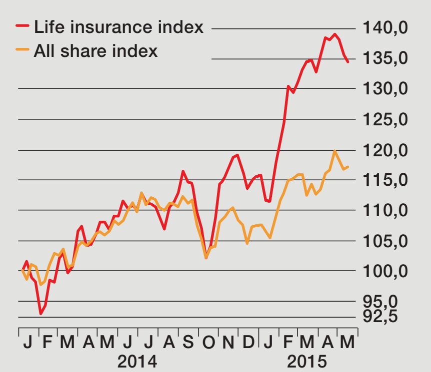
Big industry moves to shape growth of firms

Expansion plans into the rest of the continent set to open up more opportunities

This year there's a changing of the guard at Sanlam, with Johan van Zyl leaving after 12 highly successful years and handing over to former Santam CE Ian Kirk. It will be hard for Kirk to repeat Van Zyl's success — the share price went from R6 to R70 over the past 12 years. But Kirk acquired his reputation for putting administrative systems together at Capital Alliance and then improving an already successful business at Santam.

He has already identified the risk business as an area in which Sanlam needs to increase its market share. Health is another area in which Sanlam is underrepresented, and there is room to create an entirely new category of business from the tax-free savings accounts.

LIFE INSURANCE



Source: INET BFA Share prices based to 100

Another big move will be Bruce Hemphill taking over from Julian Roberts as CE of Old Mutual Plc. Hemphill has not revealed his plans but most of the heavy lifting has already been done. This includes the sale of US Life, Skandia Nordic and most of the subscale continental European business.

He will inherit a strong entry-level-market business in Mass Foundation. In the first quarter of the year, its gross sales were up 10%. The more troubled part of the business, retail affluent, had a good start to the year, with sales up 15% driven by the XtraMax enhanced endowment product and the rollout of Old Mutual Wealth.

In the past two years there has been a rerating of the life assurance sector. This was once seen as mature and overtraded in SA. And nimbler independent investment firms were expected to eat into the savings business, which is still the bedrock of the SA industry. Two years ago it was the norm for life offices to trade at a discount to the main way to measure the businesses — embedded value (EV). EV takes no account of future profits and it puts no value at all on the book of nonlife business such as unit trusts, short-term insurance and health.

Says MMI Holdings CEO Nicolaas Kruger: "We trade on a huge premium to EV and this is because the industry has reinvented itself by becoming more diversified." MMI is not even one of the more expensive life offices. Standard Bank Group analyst Risto Ketola reckons it is on a 20% premium to his adjusted EV, while Sanlam and Discovery are closer to 50%. Liberty, which lagged, has caught up under new CE Thabo Dloti and is on a 10% premium. Even Old Mutual, now that it has sold most of its problem businesses, is on par with EV.

Kruger says though SA has one of the highest penetrations of long-term insurance globally, there is no safety net. "The insurance gap studies show that a great deal more needs to be sold to protect people from the loss of income caused by death or disability."

He says the industry is enjoying some credit for its expansion into the rest of Africa, where there is a growing middle class, but he says there is a long runway. Liberty deputy CEO Steven Braudo agrees: "You can't set up on Monday and expect to start making profits on Tuesday. We don't expect to get much traction even after a year."

TOP SIX INSURANCE

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Old Mutual Plc	14 533,0	2 382 841,0	173 402 517,0	115 730,0
2	Sanlam	5 360,0	604 430,0	169 786 395,0	43 660,0
3	Discovery	4 326,0	67 200,0	80 799 007,0	20 411,0
4	MMI Holdings	3 713,0	400 969,0	51 591 423,0	26 633,0
5	Liberty Holdings	2 458,0	349 810,0	35 589 265,0	19 838,0
6	Clientele	326,0	2 597,0	5 941 232,0	376,0

Source: INET BFA

Liberty numbers in the rest of Africa are getting better, with index insurance (100% of recurring premiums and 10% of single premiums) increasing from R32m to R120m. Its focus remains on its tied sales force and single premium sales, particularly, which in the first three months of the year increased by 10% to R5bn. Its recurring sales were flat.

Discovery has so far avoided employee benefits and group schemes, focusing on the individual market. It had the advantage of setting up a large health-care administration business before going into life, giving it a mine of data about people's health. Discovery Life is now a larger contributor to the group. In the six months to December, operating profit increased by 17% to R1,46bn. Its cash flow from existing business was R1,07bn in the second half of 2014.

Discovery Life provides conservatively in its EV assumptions, and has found that since June 2010, lapses and surrenders have come in R765m below assumptions, and mortality and morbidity R653m. Discovery has a demanding minimum requirement of risk-free plus 10%.

Elsewhere in the world, Discovery's focus has been on its Vitality programme, which is being adopted all over the Asia Pacific region through AIA. In the US it is run by the Vitality Group.

Life assurers, however, have to cope with pages of tedious laws. Liberty's Braudo says key changes include the Retail Distribution Review (RDR), which will ban commission on investment products; Solvency Assessment & Management will change minimum solvency levels for all insurers; Treating Customers Fairly; and the Protection of Personal Information Act, which will change the way financial services businesses handle personal information.

He says these laws will not stifle product innovation, but will lead to opportunities to be more creative. In any case, he says, regulation such as RDR will not be staggered over several years. So, it seems regulations will keep the industry busy for some time. ***Stephen Cranston***

SHORT-TERM INSURANCE

Subdued economic growth stunts market

THE BIG NEWS in short-term insurance has been a change in the CE of the largest company, Santam, from Ian Kirk to Lize Lambrechts.

Lambrechts had previously run the core Sanlam Personal Finance long-term insurance business. It will take time for her to learn the short-term business, but at least she is inheriting a business that is in good shape. The underwriting margin increased from 2,8% in 2013 to 8,7%: the extensive hail damage of the fourth quarter of 2013 was not repeated. Santam also weeded out poorer-quality risks in the motor and property books and made selected increases in premium rates.

But Lambrechts argues that it is not an easy environment. There is subdued economic growth, and premium growth is correlated closely to GDP; intense competition is putting pressure on profitability; and changes in regulation are affecting short-term insurers as much as life assurers.

The claims of intense competition might lead to scepticism. If you look at the listings on the JSE, the short-term (or property and casualty) insurance business looks like a one-horse race. Santam, with a R26,4bn market capitalisation, dwarfs Zurich SA on R2,9bn. And Zurich has not made a profit for the past two years, in addition to making little progress in specialist fields such as liability insurance or reinsurance.

But there aren't just lame horses facing Santam. Its unlisted historic enemy Mutual & Federal turned from a negative underwriting margin of 4,9% in 2013 to a positive 1,4% last year – though this hardly makes it Santam's peer – and it is establishing a highly profitable line of business in the rest of Africa, where the margin is 6,7%.

The real game changer, however, has been Outsurance, which has proved the demand for a direct model is high. Because it does not pay the standard 15% commission, Outsurance's underwriting margins are higher – in 2014 its margin was 17,5%. It makes up about a third of the profit from Rand Merchant Insurance, which is also the shareholder of reference for Discovery and MMI.

And there are strong players in the unlisted sector. Telesure, started by the flamboyant Douw Steyn in 1985, now controls a range of brands from Auto & General to Dial Direct, Budget and First for Women. It is jointly controlled by the Enthoven family, which also controls the highly entrepreneurial Hollard Group. Hollard is the third-largest short-term insurer in terms of premiums and it has a sizeable life business. It operates on a partnership model for many of its businesses as it argues that 50% of a business with a good partner is worth far more than 100% of a business without one. ***Stephen Cranston***

Eclectic but surely determined to grow

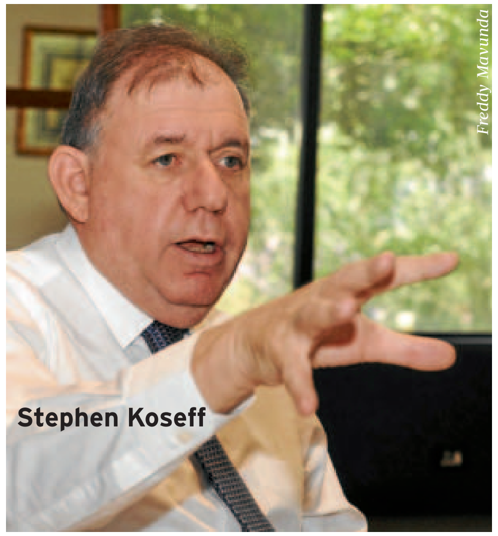
With failed acquisitions, and exits and new listings, this group has lessons to impart

The financial services sector is an eclectic mix of businesses. It includes businesses that probably should be on the banking board, such as Investec and Sasfin.

Investec is the largest share in the sector, with a combined market capitalisation — between the Ltd and Plc shares — of R108bn. It has not had an easy time in recent years, with failed acquisitions in the UK and Irish mortgage market as well as in the Australian property sector. But a sharp fall in bad debt in the year to March 2015 led to a respectable 10,2% rise in earnings. Impairments fell by 38,8% to £39,4m.

CE Stephen Koseff says Investec will focus on three core businesses: asset management, a consistent earnings stream run by the hard-driving Hendrik du Toit; wealth and investment, comprising private banking and stockbroking; and specialist banking, mainly merchant banking. It still earns 60% of its profits from SA.

Specialist banking's operating profit was up 18,4% during the year to £392,3m — with core advances and loans up 15,4% to £16,5bn. But it was a slow year for asset management, with operating profit up just 3,6% to £149m, but third-party assets under management increased by 13,7% to £124bn.



Freddy Mavunda

Stephen Koseff

The other heavyweights are Brait (R57bn market cap) and PSG (R47bn). Brait ceased to work in traditional private equity and many believed it would become another passive holding company for Pepkor, Premier Foods and Iceland in the UK. But instead it has sold its interest in Pepkor to Steinhoff (for a combination of shares and cash) and bought control of two businesses — the Virgin Active gym chain for about R12bn and a further R14bn for the UK discount fashion chain New Look.

PSG will never be a passive company, as its chairman Jannie Mouton and his son, Piet, are natural dealmakers. The highlight of the year was the listing of PSG Konsult. With a market cap of R10,4bn, it is a substantial business in its own right, similar in size to Alexander Forbes. The core of PSG Konsult is the financial planning business, which has a particularly strong franchise in smaller towns. Konsult is known for its annual rally with thousands of enthusiastic advisers. It ends in songs and a torchlit parade.

PSG Konsult, however, also includes the low-key PSG Asset Management, an underrated business that is raising its profile under MD Anet Ahern and chief investment officer Greg Hopkins. And the third leg is an insurance broking business that white-labels products through Santam.

The biggest single part of the PSG group is its 37% holding in Capitec Bank, which accounts for about half the net asset value. But it also controls the agricultural investment trust Zeder, the main shareholder in Pioneer Foods as well as in Curro, which runs a chain of schools.

Financial services consists of a number of asset managers, of which Coronation, with a market cap of R32bn, is by far the biggest. Coronation is taking a breather after a phenomenal run. It had compound annual revenue growth of 43% in the five years to September 2014, but revenue fell by 6% in the six months to March. However, CE Anton Pillay says the beauty of the Coronation model is that a high proportion of costs are variable — such as its administration through Maitland, whose majority of remuneration comes through bonuses, and the rebates it pays to linked-product houses that put its unit trusts on their platforms. Variable costs fell by 4% to R807m and this was 78% of total operating expenses. Variable income, though, was also hit as performance fees were reduced.

Coronation had a disappointing year, at least in equity funds. But it has an extraordinary franchise, growing to R636bn under management without the benefit of a life insurance business to feed it assets. The long-term record is exceptional, making it the default choice for independent financial advisers alongside unlisted Allan Gray. Last year's highlight was the rebuilding of its international operation. It was an early adopter of the fund-of-hedge-funds model, and the core of its global strategy is now a long-only fund of funds.

But it has been rolling out its own direct funds — run from Cape Town and starting in 2008 — in areas in which it could claim a competitive advantage, Africa and Global Emerging Markets (GEM). The Africa Fund has had an annual outperformance (or alpha) of 8%, GEM of 5,5%. In November it launched a Global Frontiers Fund under African Fund veteran Peter Leger as well as the long-awaited Global Equity Select Fund run by former chief investment officer Louis Stassen.

One of the more interesting shares in the asset managers' subsector is Peregrine. This has a relatively small institutional asset manager, having recently merged Cannon with the in-house equity team at Citadel, the wealth manager. Citadel itself is the biggest part of Peregrine's earnings and it is very stable. But in the year to March 2015 substantially better growth was provided by its local hedge funds, where the assets are up 50%, as well as Peregrine Securities, which is one of the top three brokers by volume on the JSE.

Jannie Mouton

CE Jonathan Hertz says the interest in the offshore business Stenham has risen from 50% to 81%. The global businesses are expected to provide about a third of profit in the current financial year.

Cadiz, at one time, looked as though it could be a similar business to Peregrine. But with a market cap of less than R280m, Cadiz is a shadow of the financial conglomerate it might have been. It paid R200m for African Harvest's asset management business and most of the intellectual capital from that deal has walked. There is a strong possibility that Cadiz will not be listed this time next year.

One of its high-flyers was African Bank, now under curatorship. It is unlikely to come back to the market for another two years, but curator Tom Winterboer has made progress dividing the business between a "good" and a "bad" bank, with former WesBank MD Brian Riley taking over the "good" bank.

The quality relisting of the past year has been Alexander Forbes, which under charismatic and media-friendly CE Edward Kieswetter has shed many of its business units — its insurance broking was sold to Marsh, its cell captive insurer Guardrisk to Momentum. It now focuses on asset management, financial planning, pension fund administration and consulting as well as short-term insurance. Its first results since listing were surprisingly good, with revenue up 12% to R4,85bn and operating profit up 7% to R782m.

Forbes has pushed up the value chain. It has 1m members under administration, and for every rand preserved, 86c stays with Forbes and 78c goes to its wholly owned multimanager Investment Solutions. This is the biggest contributor to the operating profit of the group. It has more than R300bn under management or administration.

Forbes has historically been weak in the public sector. But as a long-time public-sector employee, Kieswetter is determined to crack this. And the company is gaining traction. Revenue was up 12% with new business worth R14m/year and it had a total of 38 new clients on board. Forbes is also growing its African business, AfriNet, which remains a regional business focused mainly on Namibia and Botswana, but Kenya is growing.

Stephen Cranston

TOP 10 FINANCIAL SERVICES

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Investec Plc	5 518,0	849 432,0	62 332 600,0	56 037,0
2	Investec	5 072,0	814 984,0	28 720 594,0	53 765,0
3	Brait SE	2 364,0	18 423,0	43 126 916,0	15 996,0
4	Coronation Fund Managers	1 950,0	75 607,0	34 367 761,0	1 064,0
5	PSG Group	1 169,0	34 155,0	36 459 406,0	9 744,0
6	JSE	636,0	28 868,0	10 698 107,0	2 007,0
7	Peregrine Holdings	422,0	20 796,0	5 806 651,0	1 790,0
8	Sasfin Holdings	191,0	8 094,0	1 718 759,0	1 790,0
9	Prescient	93,0	7 428,	407 668,0	692,0
10	Efficient Group	10,0,	121,0	407 668,0	191,0

Source: INET BFA

Demand for more services a big boost

As IT spending increases worldwide, though at a slightly slower rate

With two companies exiting the JSE this year, the information and technology (IT) index is shrinking. The exit leaves the index with few big companies and a number of small but cash generating entities. Gijima delisted following a buyout of minority shareholders by Guma Investments, which is owned by Gijima chairman Robert Gumede. Business Connexion will delist once the competition tribunal approves its takeover by Telkom.

There are some gains that will come from the remaining listed firms such as EOH, one of the market darlings; Pinnacle Technology; and Datatec. Smaller ones like AdaptIT are expected to come up the ranks in a bid to attract more investments and improve liquidity.

Worldwide, IT spending is on track to total US$3,8 trillion this year, a 2,4% increase from last year, according to global research company Gartner. This growth rate, however, is down from earlier projections of 3,9%. The slower outlook for 2015 is largely attributed to the rising dollar as well as a modest reduction in growth expectations for devices, IT services and telecommunications services, says Gartner.

Growing public and private sector IT spending, together with maturing and increasingly competitive business environments, are also driving IT services demand, says consulting firm International Data Corp.

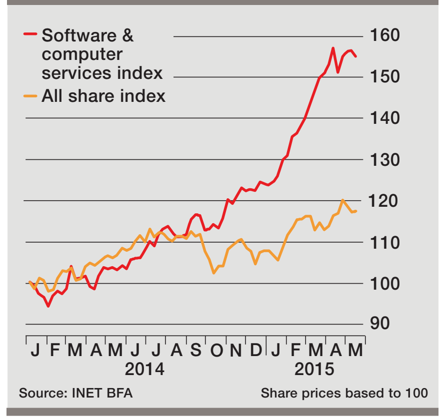
AdaptIT has maintained its ranking as the second top-performing company. The small software firm has topped the list in the IT sector due to its consistent performance in the markets in which it operates. There has been an uptrend in AdaptIT's share price and overall earnings over a number of years. Early this year, one of its investors, Sanlam, increased its stake to 5%.

Ranked fourth, EOH continues to show strong performance, with growth expected to continue. However, some analysts have warned that future returns may be lower but solid results will continue. EOH is looking at increasing its black economic empowerment stake, which is currently at 34%. It recently bought shares in Twenty Third Century Systems, which has a presence across Africa. The deal will further strengthen its business outside SA.

A big turnaround is expected from Pinnacle Technology, which arguably had the toughest year in 2014. Its share price tumbled due to allegations of bribery levelled against one of its executives. But that case was subsequently dismissed. Judging by its 2015 half-year performance, the business is moving in the right direction, with analysts optimistic of a recovery in full-year earnings. Also, its current share price offers a good buying opportunity for investors.

Pinnacle, which owns 34,99% in Datacentrix, has increased its share. Datacentrix has also recorded strong full-year financial results. The momentum should continue as it has secured new contracts worth about R500m.

SOFTWARE & COMPUTER SERVICES



Datatec ranks 27th, up from 32 last year in the SA Giants index. It has continued its steady increase in earnings, thanks to its exposure to various markets.

"Datatec has high operating leverage and, as we have seen from the results, any top-line boost has a multiplier effect on the bottom line. However, the same applies when the top line is under pressure and off the current base we continue to see some challenges in achieving sustained double-digit top line," says Farai Mapfinya, head of equities at JM Busha. Datatec, like its rivals, is seeing growth in cloud computing, which is still being adopted by clients.

Datatec is also an "almost perfect" rand hedge and the weakening rand should bode well for its SA investors, says Mapfinya.

Thabiso Mochiko

SECTORS

Selected value to be had

Ongoing search for yields drives stellar performance among some stocks, while others fail to impress

Despite recent weakness in share prices, the JSE's R440bn listed property sector has delivered a decent return for investors over the past year. Latest figures from Cape-based Catalyst Fund Managers show that the listed property index (J253), which comprises about 40 counters, achieved a total return of just more than 38% for the 12 months ending April. The sector's stellar performance has no doubt been driven by an ongoing search for yield and the better-than-expected earnings growth reported by a number of real estate companies in recent months.

The top five performing counters have all delivered a total return exceeding 63% in the 12 months ending April. These include Fortress B, offshore-focused Rockcastle Global Real Estate Company, mall owners Resilient Property Income Fund and Hyprop Investments as well as Romanian-based New Europe Property Investments (Nepi). Fortress B, which has a sizeable exposure to commuter malls that serve lower-income shoppers as well as to rand-hedge sister funds Rockcastle and Nepi, achieved a hefty 237% total return over the 12-month period.

However, not all property stocks have made money for investors over the past year. Nine counters delivered a total return of less than 10% over the 12 months ending April. The three worst performers were hotel fund Hospitality B, with a negative total return of -41%, followed by newly listed African-focused Delta International (-9%) and Synergy B (-3%), which has been involved in a protracted takeover bid by Vukile Property Fund.

Analysts warn that property investors should not expect the same level of super returns in future. The general forecast is for a total return of no more than 5%-10% over the next 12 months.

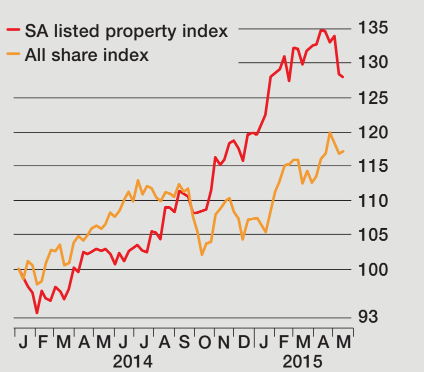
In fact, the sector has already come under pressure in recent weeks. The index weakened by about 7% in May, which analysts say could be due partly to growing perceptions that property stocks are in overvalued territory.

Neil Stuart-Findlay, portfolio manager at Investec Asset Management, says inflation-beating returns remain achievable over the medium term, given the sector's healthy distribution growth outlook. So far this year, property companies that have reported results have declared growth in dividend payouts of above 9% on average, despite a tough operating environment and stalling economy.

"The recent results season has been encouraging, which again bore witness to the fact that the vast majority of listed property counters are either meeting or beating market expectations. This is illustrative of the asset class's defensive earnings capability derived from its fixed-lease escalations and high proportion of fixed debt," says Stuart-Findlay.

Old Mutual Investment Group property portfolio manager Evan Robins has a similar view. "If you had told me a few years ago that SA property companies could produce the level of distribution growth they are currently delivering in such a tough environment, I would not have believed it. A key question, though, is whether these companies can sustain this performance."

PROPERTY



Source: INET BFA — Share prices based to 100

Robins says while the sector is no doubt looking expensive on a headline level relative to bonds, not all property stocks are overvalued. He says there are anomalies in the index that may be skewing the overall perception. "Though nondividend payers such as developers Attacq and Pivotal, offshore counters Rockcastle and Nepi and retail-dominated Fortress B, Resilient and Hyprop have performed exceptionally, there are others that have delivered a fairly pedestrian performance. Some of the more vanilla offerings, such as sector heavyweight Growthpoint

Properties, are looking far less expensive."

He says there is still value in the sector long-term, and this will come from the increase in distributions (dividends) over time not available from bonds. Of course, this comes with capital risk as both listed property and bond yields rise and fall with the market.

Analysts agree stock-picking is now the name of the game. The key question is: which individual property counters are likely to outperform the market over the next 12 months?

Stuart-Findlay says Investec will continue to seek out counters that show sustainable, above-average distribution growth at reasonable prices. This has to be backed by quality assets, strong balance sheets and experienced management teams. In the large cap universe, he singles out Redefine Properties, the sector's second-largest counter with a market cap exceeding R45bn, and Hyprop as preferred exposures.

At the smaller end of the spectrum, portfolio favourites are high-yielding Arrowhead Properties and office-dominated Texton Property Fund. Stuart-Findlay says they remain cautious on prospects for the rand given stubbornly high twin deficits and the volatile global risk environment. As such, they will continue to own Nepi shares.

"Nepi's recently released strong set of results reflects its ever strengthening position as the number one retail landlord in Romania. Even more encouraging is that its exceptional development pipeline should drive an acceleration of growth in the short to medium term."

Macquarie First South Securities property analyst Leon Allison also ranks Hyprop and Nepi as top picks for 2015. Blue chip mall owner Hyprop surprised the market with dividend growth of a healthy 13,7% for the six months to December when it reported interim results in early March, comfortably ahead of market expectations of 10%-12%. It has a portfolio of 13 shopping centres across SA, Ghana and Zambia, and these include Canal Walk in Cape Town, Rosebank Mall in Johannesburg and Clearwater Mall on the West Rand.

Allison says Hyprop's recent set of results again reinforces Macquarie's view that prime, regional shopping centres that are well managed show the highest growth through the cycle and are also the most defensive in a downturn. Though Hyprop is trading at a lower yield than the sector, Allison says the stock should continue to deliver higher dividend growth than the sector — around 200 basis points above the market average — and should therefore continue to outperform on the total return front.

Ma'Alot Investments' Maurice Shapiro singles out Redefine Properties, Octodec Investments and Vukile as his current top picks. He says Redefine has over the past five years made impressive headway to restructure and modernise its underlying portfolio through redevelopments, acquisitions and disposals. Management has also successfully restructured its offshore offering, with plans to further grow its rand-hedge exposure.

Though the market still perceives Redefine as having a poorer quality portfolio compared to peer Growthpoint, Shapiro says both companies produce predictable and quality income streams. Another positive is that Redefine is likely to finalise the long-awaited acquisition of Fountainhead Property Trust's assets later this year.

Shapiro says Octodec's strategy to focus on the Pretoria and Johannesburg CBDs is playing out nicely with the successful conversion of offices into residential properties. "Last year's merger with sister fund Premium Properties will mean a further focus on this strategy. The ability to convert vacant space into a regular residential income stream will drive consistent distribution growth over the next three to five years."

Shapiro says Vukile's core competence is that management really knows its portfolio well and is very active in the asset management of its properties. "Vukile is one of the few companies that can tell you every metric about its individual assets."

He says a positive is that earnings from the asset management of the Sanlam portfolio will no longer distort Vukile's income stream, which will allow analysts to better forecast distribution growth. The fund has also cleverly restructured its sovereign/government-tenanted portfolio while improving its BEE rating, which allows the fund to participate actively in this space.

Joan Muller

TOP 10 REAL ESTATE

Ranked by net profit	Name	Net profit Rm	Total assets Rm	Market cap Rm	Equity funds Rm
1	Growthpoint Properties	3 476,0	81 986,0	68 920 434,0	49 428,0
2	Redefine Properties	2 017,0	52 188,0	46 680 337,0	31 932,0
3	Resilient Property Income	1 732,0	24 515,0	35 589 753,0	16 112,0
4	Rockcastle Global Real Estate	1 465,0	18 480,0	25 444 961,0	10 970,0
5	New Europe Property Inv Plc	1 045,0	21 371,0	39 129 843,0	17 587,0
6	Intu Properties Plc	753,0	9 558,0	82 407 725,0	4 524,0
7	Fountainhead Property Trust	717,0	12 601,0	11 975 910,0	8 842,0
8	SA Corporate Real Estate Fund	652,0	11 268,0	9 918 395,0	7 603,0
9	Investec Property Fund	309,0	6 553,0	7 422 468,0	4 805,0
10	Redefine International Plc	262,0	20 912,0	15 224 377,0	8 135,0

Source: INET BFA

A solid feat out of hard work

With a lot of opportunities in the lower to middle property market, this group's performance can improve

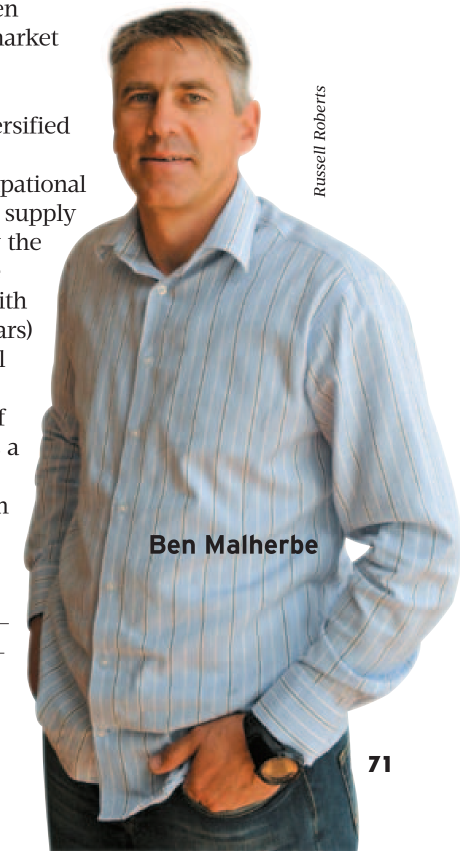
Top Performers is arguably the most exciting section in the *Financial Mail*'s *Top Companies* publication, as it highlights those companies that have performed best on the JSE over the past five years. The ranking methodology uses an internal rate of return for the latest five years (in this year's case to end-March 2015) in the share price of each company. Over the years, many outstanding companies have been identified in this ranking, including Capitec and Coronation.

Of course, not all of the companies in the upper echelons of the Top Performers ranking manage to sustain their performance and often they fade from the scene. But the "one-hit wonders" — those companies that have little or no underlying fundamental strength — can easily be identified by cross-referencing their five-year share performance with other metrics such as return on equity (RoE) or compound annual growth rate (CAGR) in earnings per share.

This year's Top Performer is lower-to-middle LSM property group Calgro M3, which has a R17bn pipeline of property projects. Started by the Steyn brothers and the Malherbe family, it has run very hard recently. However, there is still so much scope in the market it serves, considering the acute shortage of low-cost housing, estimated at around 1,6m units. It has the state as a client, which can sometimes lead to late payments and contractual disputes, and this puts pressure on working capital. But it will benefit significantly from government's housing subsidy for earners below R15 000/month. It has good relations with financiers and township development authorities. This can sometimes be a competitive and difficult sector, as seen with competitors RBA and SeaKay. The share is mostly held by its directors. Despite being in a sweet spot at the moment, it is unlikely that Calgro would be the target of an acquisition as the bigger construction companies do not have the cash to spend at present. It is also moving into the burial business.

AdaptIT is an application solutions provider touching on all sectors of the economy, including the manufacturing, mining, higher education and financial services sectors. Founded by Sbu Shabalala, it merged into the Infowave listing. The question is, can AdaptIT step into the shoes of Pinnacle and fill that space as the bright small-cap stock in this sector? It is constantly winning government and corporate work, posting sequential growth in earnings, and is controlled and owned by dynamic black entrepreneurs. It has broken through the billion-rand market cap mark but has liquidity constraints.

Micromega — with diversified interests in information technology, financial, occupational health & safety and labour supply services — is controlled by the colourful Glaswegian Dave King, whose tax dispute with the SA Revenue Service (Sars) was long-running and well covered by the media. Among its conglomerate of interests, the company has a valuable division that provides operational health and safety gradings for other businesses. Called "the reincarnation of Specialised Outsourcing" — King's previous business — the company follows a strong acquisitive growth



Russell Roberts

Ben Malherbe

strategy and has some interesting international projects. The share price only picked up when King settled with Sars and could then devote himself full-time to the group. Some investors tend to follow this one for the man rather than the underlying operations. At lofty valuations, its components are under pressure to deliver on expectations.

Under the visionary leadership of CEO Asher Bhobot, IT consulting group EOH continues to grow through spectacular organic growth and shrewd acquisitions. It has been a fantastic five-year story, buying up entrepreneurial IT businesses at good relative price:earnings ratios, offering enticing medium-term earn-out terms to the selling management team, so that everyone makes money.

Bhobot is a phenomenal leader, a hands-on manager, who scrutinises every detail, clearly assigns responsibility, rarely puts a foot wrong and earns constant accolades and awards. There is still substantial growth and scope as the group looks at the rest of Africa.

Coronation Fund Managers is a phenomenally

Hetty Zantman

Iqbal Survé

successful third-party fund management company, with assets under management showing a rocketing trend over time. It is an SA story, making its founders exceptionally wealthy and creating quite a few billionaires over time. Its impeccable fund performance track record recently came in for some criticism with regard to the African Bank (Abil) debacle. Coronation was one of the first fund managers to put up its hands regarding the Abil saga and this honest communication served it well. Its risks are a huge market blowout, as the business is highly dependent on an upward market trend. The business is well diversified, being in credit, bonds, equities and alternative assets.

Coming in at number six in the rankings is private equity firm Sekunjalo, led by controversial businessman Iqbal Survé. Sekunjalo hit the headlines in the past decade when one of its major holdings — LeisureNet Health & Racquet Club — went bust. Since then, the group has concentrated on accumulating media assets such as Independent News & Media, which it acquired in 2013. The media house includes titles such as *The Star* and the *Cape Argus*.

Finbond, coming in at number seven in the rankings, is an incongruous inclusion as its underlying fundamental metrics are dismal, with no five-year earnings record to speak of and a pedestrian RoE of just over 12%. It's a plucky little operator, however, having managed to survive the aftermath of the Abil debacle of 2014, which tainted many smaller lending operations such as Finbond. What appears to have saved Finbond is the nature of its lending, which is short-term and thus far less risky compared with what Abil was offering.

OneLogix Group has been around for a while, offering a variety of services in the logistics arena, including — until December 2014 — the popular PostNet operation, which it sold for R190m. Companies in the stable include Vehicle Delivery Services, Commercial Vehicle Delivery Services, OneLogix Projex, OneLogix Projex Cargo Solutions, Madison, Onelogix Linehaul, UnitedBulk, Atlas360, DriveRisk and QSA. The group employs about 1 600 people and has an extensive footprint throughout SA and neighbouring countries, with logistics capability extending to Namibia, Botswana, the Democratic Republic of Congo, Malawi, Mozambique, Zambia and Zimbabwe.

Poynting Holdings, now known as Alaris Holdings, comes in at number nine in Top Performers. It is a technology group specialising in defence and specialised antennas and digital television broadcast equipment. The primary markets for antennas are Europe, the US and the Middle East, while the digital TV market focuses on SA and the rest of Africa. This is a small, niche technology company that employs only 120 people, but has an enviable profit track record. Its eight-year compound annual growth rate (CAGR) in sales is 30% and its eight-year CAGR in operating profit is 27%. Little wonder, then, that it has attracted the attention of PSG as a significant shareholder, with 28% of its issued equity.

At number 10 is Santova, formerly known as Spectrum Shipping, a specialist supply chain solutions group. Its five-year CAGR in earnings per share of 141,75% is truly outstanding and is easily the best in the Top 10 of Top Performers. Not surprising, then, that its share price performance has been so strong in the past five years.

✧ TOP PERFORMERS ✧
INVESTMENT

With Trustco at number 11, Taste Holdings comes in at number 12 in the rankings, even though its underlying financial metrics are solid rather than inspiring. Led by the charismatic Carlo Gonzaga, Taste has an interesting mixture of franchise businesses, ranging from fast-food to jewellery. Recently it acquired the SA franchise for Domino's Pizza and has been steadily converting its Scooters Pizza chain into Domino's outlets. During 2014 it also acquired jewellery chain Arthur Kaplan Jewellers and chicken fast-food chain Zebro's. The Fish & Chip Company and Maxi's complete the brand lineup.

Mr Price's underlying financial metrics are really impressive and the group has an almost 30-year unbroken track record of gradually increasing earnings and dividends per share. It is one of only a small handful of SA retailers that can genuinely claim to have a serious online offering and its expansion into the rest of the African continent is growing apace. The formula is seductively simple: offer fashion at a low price and make it an exciting destination shopping experience.

Sabvest is very much an "under-the-radar" type of operation, but one that has an excellent track record over its almost 30 years of existence as a listed entity. An investment holding

Brett Eloff

Dave King

company, it has investments in Brait, Datatec, Metrofile, Torre and Transaction Capital as well as a variety of unlisted entities such as SA Bias.

The only surprising thing about Naspers's position at number 20 in Top Performers is that it is not a lot higher. As at early May 2015 its share price was trading at around R2 000, a first for any listed entity on the JSE. Tencent in China is the big driver in Naspers's life and there are few, if any, signs that Tencent's growth is slowing down. After a short sabbatical, former CEO Koos Bekker rejoined the board on April 20 2015 as non-executive chairman.

Staff writer

TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2015	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	Calgro M3 Holdings	106,80	N/A	24,76	12,00	N/A	N/A
2	AdaptIT Holdings	86,71	23,15	22,25	26,22	3,82	23,55
3	Micromega Holdings	71,17	20,26	22,08	29,96	0,39	19,50
4	EOH Holdings	71,14	23,35	27,60	19,07	2,10	36,72
5	Coronation Fund Managers	69,88	32,70	183,27	2,59	7,30	31,20
6	Sekunjalo Investments	68,42	43,82	12,52	15,47	0,53	27,07
7	Finbond Group	59,75	N/A	12,07	8,45	0,15	N/A
8	Onelogix Group	59,01	19,14	18,99	13,14	1,12	13,37
9	Poynting Holdings	58,20	N/A	25,96	2,24	N/A	-14,99
10	Santova	55,28	141,75	13,91	7,47	0,43	35,12
11	Trustco Group Holdings	54,18	8,31	14,70	11,24	3,75	22,01
12	Taste Holdings	52,16	11,46	15,08	15,85	2,06	15,46
13	Mr Price Group	49,35	22,54	63,24	30,05	3,68	23,89
14	Sabvest	48,91	38,61	26,12	23,70	1,07	37,51
15	Kaydav Group	47,51	42,89	16,76	11,08	N/A	20,87
16	Indequity Group	47,34	21,50	26,99	18,06	1,28	29,75
17	Rand Merchant Ins Holdings	45,38	N/A	11,88	8,99	4,97	N/A
18	PSG Group	45,34	17,21	12,00	5,53	1,73	3,78
19	Afrimat	43,96	16,27	16,74	14,34	4,02	17,50
20	Naspers	43,15	11,36	13,87	12,64	0,65	11,91

TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2015	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
21	New Europe Property Investments Plc	42,51	32,21	5,94	4,94	5,32	70,21
22	Capital & Counties Properties Plc	42,15	0,54	-0,36	0,39	0,65	N/A
23	Capitec Bank Holdings	41,16	27,16	23,47	9,26	2,73	34,30
24	Seardel Investment Corp	40,44	N/A	0,59	5,48	N/A	N/A
25	Metair Investments	39,78	9,90	14,89	11,57	4,27	14,97
26	Trematon Capital Investments	37,97	N/A	2,80	5,20	1,38	102,70
27	Mondi Plc	37,87	54,42	14,69	9,76	3,40	26,55
28	Aspen Pharmacare Holdings	37,87	16,05	18,61	19,00	0,13	19,02
29	Pioneer Food Group	37,78	33,95	19,11	11,04	1,39	3,65
30	Super Group	37,78	112,06	19,05	12,59	N/A	38,58
31	Famous Brands	37,72	14,53	36,39	51,64	3,89	14,32
32	Conduit Capital	37,52	27,83	31,17	14,03	0,61	39,18
33	Mediclinic International	36,84	17,76	11,82	8,12	2,05	23,02
34	Afrocentric Investment Corp	36,38	9,91	25,37	29,50	1,53	20,23
35	ENX Group	36,21	3,24	5,90	5,56	2,32	-4,54
36	Brait SE	36,20	22,39	15,90	14,11	3,05	47,85
37	Vukile Property Fund	35,86	-31,42	2,60	9,05	8,49	56,87
38	Woolworths Holdings	35,56	17,28	69,21	19,57	4,01	21,37
39	Workforce Holdings	35,52	-24,21	1,76	4,35	N/A	-47,70
40	Resilient Property Income Fund	34,65	32,19	10,75	10,90	5,30	32,10
41	Zeder Investments	34,28	8,32	7,50	6,41	1,51	29,90
42	Mondi	34,00	54,42	14,69	9,76	3,39	26,55
43	AVI	33,93	15,88	33,38	22,39	5,22	15,64
44	ELB Group	33,72	14,33	13,56	7,06	2,93	19,05
45	Discovery	33,07	14,22	21,53	6,87	1,91	13,76
46	Life Healthcare Group Holdings	32,97	22,87	45,23	26,40	3,50	11,68
47	Steinhoff International Holdings	32,96	11,74	10,94	10,01	1,19	20,94
48	Oceana Group	32,72	12,38	43,55	23,93	5,50	11,63
49	Howden Africa Holdings	32,12	25,53	59,99	26,11	3,45	27,66
50	Imbalie Beauty	31,95	N/A	8,46	10,62	N/A	N/A
51	Invicta Holdings	31,44	11,65	29,87	11,56	3,85	15,41
52	Pan African Resources Plc	30,71	16,13	12,34	11,38	3,44	17,45
53	Sanlam	30,14	9,88	12,28	1,15	4,18	-1,81
54	FirstRand	30,03	13,58	25,37	5,10	4,25	12,39
55	Consolidated Infrastructure Group	30,01	78,03	11,35	9,21	N/A	18,04
56	RMB Holdings	29,95	8,69	8,57	8,23	4,78	7,91
57	Diamondcorp Plc	29,46	N/A	-14,09	-9,00	N/A	N/A
58	Cashbuild	29,33	9,80	24,52	11,23	3,71	8,55
59	Mustek	29,21	11,75	14,55	6,59	3,39	15,61
60	Compagnie Fin Richemont	28,94	37,44	19,28	14,60	14,41	30,90
61	Netcare	28,50	10,39	21,94	11,94	2,77	9,61
62	Clicks Group	28,19	9,99	72,74	15,31	1,71	11,15
63	Mix Telematics	28,02	15,77	10,04	13,51	3,47	10,43
64	Marshall Monteagle Plc	27,59	N/A	3,40	4,78	3,39	N/A
65	Italtile	27,36	11,72	22,44	18,68	6,07	11,98

TOP PERFORMERS

Ranking IRR	Company	IRR 5 years to Mar 2015	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
66	Metrofile Holdings	27,35	21,30	26,53	24,96	1,82	20,76
67	Grand Parade Investments	27,33	-27,06	3,87	2,94	3,65	-2,04
68	ARB Holdings	26,87	11,48	16,33	13,08	4,59	12,90
69	SABMiller Plc	26,46	17,63	12,87	18,13	2,24	15,12
70	Vodacom Group	26,38	11,93	84,24	30,43	6,34	8,55
71	Spur Corp	26,27	10,28	22,84	33,40	4,57	7,59
72	Sephaku Holdings	26,19	N/A	-0,14	2,83	N/A	N/A
73	The Foschini Group	26,07	11,76	28,36	12,63	4,53	9,53
74	Old Mutual Plc	25,80	35,03	13,17	2,02	5,15	12,44
75	Compu-Clearing Outsourcing	25,78	10,63	31,86	23,34	7,21	10,73
76	Pinnacle Holdings	25,36	15,42	21,94	11,21	2,13	13,92
77	Remgro	25,32	13,37	6,16	6,65	2,19	12,92
78	African Media Entertainment	25,23	14,47	27,11	21,40	3,00	11,54
79	Cognition Holdings	24,81	5,99	24,97	19,65	5,75	6,78
80	AH-Vest	24,57	N/A	-169,93	-24,16	N/A	N/A
81	Omnia Holdings	24,44	77,70	17,72	12,09	1,58	52,43
82	The Spar Group	24,17	7,84	56,60	9,72	3,96	7,08
83	British American Tobacco Plc	24,15	9,96	21,23	16,19	4,46	10,25
84	Interwaste Holdings	23,73	2,68	10,60	9,03	N/A	3,92
85	Santam	23,47	1,13	26,20	7,98	5,69	-0,19
86	Huge Group	23,36	9,19	9,04	18,41	N/A	21,33
87	MMI Holdings	22,89	2,73	14,11	1,07	11,72	21,13
88	Hyprop Investments	22,63	3,44	1,98	6,96	6,21	1,42
89	Purple Group	22,52	N/A	-9,89	-13,71	N/A	N/A
90	London Finance & Investment Group Plc	22,39	N/A	-0,97	-0,82	2,83	N/A
91	Nampak	22,28	9,41	17,87	9,67	4,50	1,86
92	CSG Holdings	22,28	38,89	14,79	19,56	1,02	18,97
93	Clientele	22,21	13,68	86,81	12,99	5,79	11,69
94	Rolfes Holdings	21,91	9,31	10,53	9,68	4,45	9,34
95	Peregrine Holdings	21,84	11,20	23,59	4,33	5,47	8,78
96	Fairvest Property Holdings	21,84	N/A	-594,87	2,47	7,35	N/A
97	The Bidvest Group	21,83	10,14	17,55	10,20	2,94	10,14
98	Adrenna Prop Group	21,75	N/A	3,42	5,08	N/A	N/A
99	ISA Holdings	21,68	-1,89	30,39	23,12	8,11	-4,58
100	Liberty Holdings	21,39	148,68	12,40	0,96	3,16	24,42
101	Trencor	21,14	42,52	14,60	6,78	5,49	45,48
102	Telkom SA Soc	20,89	65,88	21,14	15,24	14,61	-25,11
103	Spanjaard	20,64	-7,43	3,50	4,05	3,98	-0,85
104	Distell Group	20,61	8,99	16,29	11,75	3,24	5,57
105	Octodec Investments	20,58	N/A	8,74	10,36	7,17	67,61
106	Shoprite Holdings	20,41	8,90	24,75	11,27	2,32	9,65
107	Cargo Carriers	20,28	14,06	7,65	7,36	2,56	11,73
108	Amalgamated Electronic Electronic Corp	19,52	-1,96	12,70	12,56	4,74	-2,96
109	Growthpoint	19,11	N/A	7,03	6,86	6,82	N/A
110	Phumelela Gaming & Leisure	19,11	10,83	21,14	12,76	6,40	1,28

TOP PERFORMERS

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111	Ingenuity Property Investments	19,00	33,25	6,29	6,70	1,31	47,12
112	SA Corporate Real Estate Fund	18,93	-3,44	8,57	7,50	8,36	1,27
113	KAP Industrial Holdings	18,70	9,99	12,80	9,30	1,56	47,16
114	Imperial Holdings	18,45	10,37	18,74	9,02	4,05	12,81
115	MTN Group	18,21	11,53	25,57	20,20	4,18	5,56
116	Brimstone Investment Corp	17,65	-7,51	7,48	6,34	2,48	16,30
117	Cullinan Holdings	17,03	17,85	11,31	6,09	0,53	16,04
118	Sycom Property Fund	17,02	6,48	8,33	7,09	7,34	18,01
119	Transpaco	16,99	1,55	17,30	11,20	5,28	3,71
120	JSE	16,99	11,00	31,68	7,10	3,66	8,20
121	Acucap Properties	16,78	N/A	1,06	6,82	7,71	N/A
122	Reinet Investments SCA	16,57	-28,36	2,25	2,25	N/A	-28,38
123	Fortress Income Fund	16,42	2,48	14,56	13,50	10,15	100,39
124	Datatec	16,41	21,07	9,96	5,00	N/A	16,10
125	Barloworld	16,30	38,87	14,65	9,06	2,74	39,27
126	Clover Industries	16,14	-24,83	8,79	6,70	1,93	-4,78
127	AECI	15,79	17,98	11,50	7,42	2,64	17,33
128	Blue Label Telecoms	15,50	4,46	15,76	12,74	2,34	2,02
129	Truworths International	15,49	8,83	41,74	31,32	4,13	7,61
130	Redefine Properties	15,46	-5,60	6,32	9,72	8,65	18,82
131	Nedbank Group	15,37	13,28	15,53	4,64	4,03	11,52
132	Hosken Consolidated Investments	15,08	26,22	8,31	6,61	0,61	-5,02
133	City Lodge Hotels	15,06	7,05	48,22	17,14	3,43	1,85
134	Comair	14,65	21,31	23,20	8,80	1,82	16,43
135	Hudaco Industries	14,64	-62,42	2,72	4,22	4,62	11,24
136	Tradehold	14,25	75,47	6,68	5,69	1,27	60,27
137	Tiger Brands	14,16	5,44	19,74	14,44	2,86	3,85
138	Astral Foods	13,96	-2,09	15,88	9,28	5,11	-3,17
139	Investec Plc	13,89	4,94	10,95	3,37	3,48	9,18
140	MAS Real Estate Inc	13,79	N/A	0,43	0,62	2,65	N/A
141	Fountainhead Property Trust	13,79	0,54	8,11	7,63	7,47	5,48
142	Emira Property Fund	13,77	9,12	10,26	8,43	8,62	8,67
143	Oasis Crescent Property Fund	13,18	-9,07	3,99	3,84	7,25	-3,99
144	Crookes Bros	12,78	49,74	24,36	20,87	3,74	107,13
145	Lewis Group	12,72	7,47	15,16	11,41	6,68	5,66
146	Investec	12,57	3,19	10,49	3,23	3,30	7,36
147	Chrometco	12,48	N/A	-1,06	-2,46	12,94	N/A
148	Cafca	11,84	17,55	13,79	12,26	N/A	18,80
149	Insimbi Refractory & Alloy Supplies	11,76	15,37	15,36	7,53	4,52	9,95
150	Combined Motor Holdings	11,66	15,36	35,64	10,50	4,06	15,02
151	Infrasors Holdings	11,49	-16,18	1,05	4,63	N/A	-20,27
152	AdvTech	11,29	-0,76	22,28	12,15	2,54	0,04
153	Wescoal Holdings	11,28	29,57	-15,79	-6,78	1,07	N/A
154	Standard Bank Group	10,92	7,05	12,09	3,08	4,07	8,67
155	Sasfin Holdings	10,85	6,48	17,70	7,03	4,05	8,75

TOP PERFORMERS

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156	Tsogo Sun Holdings	10,85	11,23	18,93	18,14	2,38	43,43
157	Sasol	10,59	17,76	19,99	15,74	4,04	15,86
158	Putprop	10,42	3,21	10,78	10,44	5,05	12,60
159	Intu Properties Plc	10,39	N/A	16,25	7,69	3,36	11,77
160	Barclays Africa Group	10,32	4,92	16,34	4,22	5,58	13,39
161	Rex Trueform Clothing Company	10,21	N/A	-4,86	-4,01	N/A	N/A
162	Massmart Holdings	9,71	0,34	28,59	6,58	3,48	-0,55
163	Adcorp Holdings	9,68	-0,76	14,00	13,14	5,35	13,13
164	Hospitality Property Fund	9,05	9,89	0,31	7,85	11,42	N/A
165	Sappi	8,59	34,98	11,06	5,89	N/A	16,82
166	African & Overseas Enterprises	8,58	N/A	-6,40	-4,40	N/A	N/A
167	Sun International	8,53	N/A	33,82	10,03	2,23	-0,88
168	Nu-World Holdings	8,47	1,60	9,64	7,96	2,49	-0,11
169	Zurich Insurance Company	8,46	N/A	-13,85	-4,51	0,56	N/A
170	Ansys	8,45	N/A	-38,40	-12,80	N/A	N/A
171	Ecsponent	8,45	N/A	30,53	10,09	N/A	N/A
172	Morvest Group	8,35	15,33	29,17	25,08	2,77	18,19
173	Tongaat Hulett	7,98	3,69	10,17	8,35	2,76	11,19
174	Value Group	7,51	5,41	16,44	11,01	4,59	3,66
175	Pick n Pay Holdings	7,04	-8,39	56,33	7,57	3,28	-6,61
176	Eastern Platinum	6,73	N/A	-6,24	-13,18	N/A	N/A
177	Bowler Metcalf	6,58	-2,31	13,38	11,84	4,32	-3,81
178	Business Connexion Group	6,47	-12,95	4,40	6,42	4,56	3,12
179	Reunert	5,99	N/A	10,66	8,09	5,23	-3,58
180	Pick n Pay Stores	5,35	-8,32	39,43	7,59	2,88	-6,58
181	Orion Real Estate	4,93	44,04	0,13	2,50	N/A	59,79
182	Nictus Beperk	4,85	-25,01	4,48	0,85	8,77	-22,21
183	Grindrod	4,75	-8,94	6,18	4,71	2,38	-2,91
184	Net 1 UEPS Technologies Inc	4,69	21,66	18,89	8,45	N/A	11,84
185	BHP Billiton Plc	4,55	11,02	13,60	11,62	3,56	6,31
186	Caxton CTP Publishers & Printers	4,41	5,27	6,02	4,94	3,21	-3,04
187	RCL Foods	4,16	N/A	2,41	5,34	3,04	-14,25
188	Wilderness Holdings	3,89	-18,61	14,89	8,09	1,78	28,00
189	Verimark Holdings	3,79	6,39	12,12	11,78	6,09	-5,84
190	SacOil Holdings	3,71	6,96	1,11	1,32	N/A	80,15
191	Gooderson Leisure Corp	2,86	-4,15	2,94	3,34	1,75	-5,95
192	Datacentrix Holdings	2,69	2,15	19,51	12,05	5,45	1,68
193	BSI Steel	2,67	11,91	10,05	7,42	5,53	20,34
194	Randgold & Exploration Company	2,65	-30,12	3,16	2,89	3,19	-37,87
195	Assore	2,27	-8,07	24,53	21,84	2,23	13,27
196	Wilson Bayly Holmes-Ovcon	1,75	-7,81	7,53	1,38	2,78	-18,97
197	Iliad Africa	1,27	-5,62	13,40	9,38	3,24	-0,10
198	Sovereign Food Investments	1,21	13,26	7,40	6,33	1,37	27,89
199	Silverbridge Holdings	0,58	-15,60	23,56	22,97	0,68	-16,48
200	Trans Hex Group	0,42	-12,86	-1,01	-0,29	N/A	-62,73

Source: INET BFA

INVESTMENT

A good disconnect

Despite a declining SA economy, the stock exchange produces some impressive numbers

The JSE Ltd makes money in proportion to the amount of trading on the exchange — for it, volatile times are good times. And it has been a period of record highs for trading. At the end of April, for example, the equity market had a record of 1,025m trades — well above the previous high of 1,018m, which was recorded in July 1999 when Old Mutual listed.

"This is an encouraging milestone for the JSE as it reinforces our value proposition as an enabler of capital markets," says Leanne Parsons, director of the equity market. "In comparison to the corresponding period in 2014, the daily average volume traded on the JSE has increased 15% to 281m shares, further illustrating the growth in market sentiment led by resource stocks."


Nicky Newton-King

Freddy Mavunda

Though the JSE notes in its report for the year to March 2015 that its financial performance "was delivered against the backdrop of a declining economy", in fact it has become increasingly disconnected from the SA economy. Investors know this very well.

More than half of the market capitalisation of the JSE is provided by 10 companies, and more than a fifth by just two. The 10 are: BAT (12%), SABMiller (9%), Naspers (7%), Glencore (6%), Richemont (5%), Billiton (5%), MTN (3%), FirstRand (3%), Sasol (2%) and Steinhoff (2%).

All these companies are global in their operations or at least substantially exposed to economies beyond SA. On the exchange as a whole, it seems there are few companies reporting these days without reference to material expansion in other African countries. Those not exposed to the rest of Africa, but only to the SA economy, have generally been reporting flat numbers.

Billable value traded on the equity market grew by 7% year-on-year, which resulted in an 11% increase in revenue to R426m (2013: R385m). That was supported by post-trade services, including rebates given in the prior year, producing growth of 20% to R299m (2013: R249m). The other major source of revenue is in the provision of market data, where revenue grew 15% to R203m (2013: R177m). This was ascribed to growth in the number of data terminals and increased passive tracking. Earnings per share (EPS) rose to 742c (up 25%) and headline earnings per share to 735c (14%), with a total dividend of R417m.

The JSE expects the technology component of its costs to increase, "though we are clearly mindful of the need to keep a tight handle on these costs".

Last year the JSE said goodbye to chairman Humphrey Borkum, ending an individual and family association going back many decades. This year it was the turn of another legend. Geoff Rothschild's association with the JSE began in the mid-1960s, when he began auditing work for a stockbroker. In 1991 he was elected to the JSE committee and served on the JSE board until 2008. During this period he was deputy chairman and then chairman (2000/2001). Rothschild worked full-time for the JSE from 2003 and his last role — from which he retired at the end of March — was head of government and international affairs.

In 2015, the JSE's "top priorities are progressing the move of the equity market to a three-day settlement cycle (T+3) and to the integration of our trading and clearing platforms", says CEO Nicky Newton-King. "Much of our corporate energy and investment will be dedicated to these. At the same time, we are conscious that the financial market landscape is changing fast and so we continue to work on initiatives that will provide compelling and cost-effective services to our clients."

David Williams

INVESTMENT

New model required

Partial privatisation could be the only route to make these entities more efficient and not a drain on state resources

The problem with Eskom is not that it is a state-owned company (SOC), but that its confused governance model has created unaccountability, with dire consequences for operational efficiency and financial accountability.

For many years after the Electricity Supply Commission (known as the ESC or Escom) was founded in 1923, there was no doubt that it was a state entity. Escom's brief was to build generating capacity, and later it took an increasing role in distribution. If it failed in these tasks, there was no doubt who would be held ultimately accountable: government, with the minister the first point of call.

Escom became Eskom in 1987, and over the past two decades the utility has increasingly taken on the status and trappings of a large private company. It paid tax. Its human resources practices became a benchmark. It produced the cheapest power in the world, efficiently. Flushed with success, it built an opulent corporate headquarters, Megawatt Park, on prime land north of Sandton. The GM became a senior GM, and then a CEO. This title inflation was matched by ever bigger executive packages and bonuses, and ever fancier annual reports.

The entity developed highly sophisticated budgeting processes, with the kind of fundraising expertise and management of risk normally found in big banks (a far cry from the single accountant employed in 1923). Yet Eskom remained, and remains, a 100% state-owned entity — even though, like Transnet, it likes to talk about its "shareholder".

Though it has a board of well-paid non-executives, they all know who is the real boss — not the chairman but the minister of public enterprises. However, the board is nominally in charge, which means the minister can claim ignorance if anything goes wrong. So the corporate history has produced a kind of multiple personality. When it suits government, it likes to treat Eskom as an independent company. At other times, Eskom must do government's bidding — and also endure instructions and appointments that are politically inspired.

At the heart of good corporate governance is absolute clarity on the lines of authority and responsibility. Shareholders appoint the board, and the board then elects its chairman. The board — which should include members who have a balance of skills and experience relevant to the company — decides on the strategic agenda for the company, appoints the senior executives and lets them get on with day-to-day management.

Trevor Samson


Brian Molefe

Very little of this has been in evidence at Eskom in recent years.

The dangers of a command that is not only divided, but divided in an opaque way, came home to roost with the suspension of four senior Eskom executives, including the CEO, towards the end of 2014. This was bizarre: the four had hardly been in office long enough to make any difference to a large, complex organisation, and it was specifically stated that they were not accused of doing anything wrong.

By the end of May, two of the four had resigned or departed, presumably with generous severance packages that are not provided for in the public service regulations and will remain secret.

Transnet is the one major SOC that has been well run and has been able to sustain itself financially. Over the next five years its market development strategy projects big increases in the export tonnage of iron ore (53 Mt in 2013 to 83 Mt) and coal (68 Mt to 98 Mt). But the lion's share of its capital spending will go to the two dedicated lines from Ermelo to Richards Bay (coal) and Sishen to Saldanha (iron ore). Those two links, with some feeder lines from the mining areas, could in theory exist as self-contained railways. They support the broader network only by revenue gained, not operationally.

Strategically, the crucial expansion is intended to be in the national general freight business (GFB), comprising commodities that are suited to rail (such as fertiliser and grain) and container traffic. The GFB had declined steadily for more than two decades, and in some cases rail-friendly traffic has largely been lost to the roads. Transnet will have to recapture that work if it expects to achieve its target of raising the GFB tonnage in seven years from 80 Mt to 170 Mt, including the doubling of the number of containers on rail between 2012 and 2018. Internal coal traffic will also be important as rail aims to recapture some of the Eskom supply lost to road.

The reward, if it can be called that, for Transnet CEO Brian Molefe was to be seconded in April this year by public enterprises minister Lynne Brown to be acting CEO of Eskom. It was not clear if he would have the political clout to resist interference from government, but he sent some refreshing signals in his first weeks in office.

For years paying consumers have been outraged that Eskom is owed huge amounts (R8bn by mid-2015) because of bills unpaid by municipalities and Soweto (most of which is supplied directly by Eskom). For political reasons that have their roots in boycotts in the 1980s and 1990s, the household defaulters' lights are not switched off. Molefe made it clear that this cannot continue, and the municipal debts started being collected. The Soweto problem will not be as easy to solve, especially as the ruling party's eyes turn increasingly to the municipal elections next year.

There have been welcome indications that government is again prepared to consider public-private partnerships for aspects of Eskom's operation. There is little option to this route. Private companies must be encouraged, both by Eskom and through tax concessions, to sustain themselves where possible and to deliver surplus power to the national grid. Some industrial and agricultural companies are already doing this. But are they being sufficiently rewarded?

Renewable energy sources such as solar and wind power are never going to provide the bulk of SA's energy needs, but they could make the difference when the network is under strain. They are not fully reliable, but SA is second only to Chile when it comes to days of sunshine per year, and there is no shortage of coastal wind. Again, private operators must be given incentives.

Further electricity price increases are inevitable, but here too creativity is needed. The price increase schedule can be extended from three years to, say, 10 years, so that bond holders have clarity about the capacity of Eskom to meet future financial commitments.

Above all, Eskom needs competent leaders and technicians. There is talk of retrenchments (often an unimaginative response to budgetary pressure), but little about retaining and hiring the best people. The people of the country are the real shareholders in Eskom (not government), and we want to see a few big appointments in project management and operations. It remains to be seen if the appointment of Molefe is the answer — and, if he is effective, whether he will be appointed permanently.

Freddy Mavunda

Confirmation of Telkom's acquisition plans boosted its shares


Russell Roberts

Transnet's coal exports could increase

Government loves to describe itself as the "shareholder" in SOCs. The obvious point is that, if government wants to tell Eskom what to do, it should abolish the board and have the CEO report to the director-general of public enterprises. Without a board to blame, the politicians would be much more circumspect in their promises and demands — and more careful about whom they appoint to key positions.

The governance record at SA Airways (SAA) has been even worse than at Eskom. As Ansie Ramalho, CEO of the Institute of Directors in Southern Africa, has pointed out, "there is a widespread, fundamental misunderstanding of what corporate governance actually is. Policies, structures and processes are just ways to position the company to achieve good governance, but trust is required to make corporate governance a living reality that delivers benefits. And building trust requires good relationships".

Nowhere has the consequences of a lack of trust between directors themselves, and between the board and some executives, been more vividly illustrated than at SAA. Suspensions, acting appointments, the minister wishing to remove the chair but being prevented from doing so by the president — such behaviour has become routine.

Behind the poor governance is an organisation that government argues is "strategic" and must therefore remain state-owned, but has received more than R22bn in taxpayer funding. Competitor Comair, listed on the JSE and profitable in every year of its 60-year history, has repeatedly resorted to court action to prevent government giving further support to the loss-making national carrier.

"For as long as government provides funding to SAA, it can continue to operate in an anticompetitive and noncommercial manner in the domestic market," Comair has argued. "SAA's excessive capacity and pricing at below cost causes market distortion." The result is that competing, private-sector airlines are "unable to earn reasonable profits to allow them to cover operating costs, replace aircraft, provide a return to shareholders and remain in business".

Comair has also argued that the billions in state funding given to SAA since 1991 go against the Domestic Aviation Transport Policy and contravene the SAA Act, the Promotion of Administrative Justice Act, the Public Finance Management Act and the constitution.

In a court case this year, Comair argued that government is using the guarantees it gives to SAA as a "device" to raise funding from commercial banks, thus delaying the payments it would eventually have to make on behalf of the airline. Comair said SAA would never be able to pay its debts, and was instead raising debt against fresh guarantees to pay for interest on older debt. Comair also argued that parliament rather than the minister needed to authorise bailout payment, but this application was dismissed by the court in early June.

The model for a future route for major SOCs such as Eskom and SAA is surely provided by Telkom. It was partially privatised 15 years ago, with 40% of the equity owned by government and 10% by the Public Investment Corp (PIC), the largest investor on the JSE with the funds it invests on behalf of the Government Employees' Pension Fund. This effectively gives the state a controlling share, though the PIC insists it acts independently and is not an agent of government.

In 2014 the Telkom share price touched lows around R12, but has since recovered markedly under the steady and innovative leadership of CEO Sipho Maseko. It was trading at around R68 in early June, boosted by the confirmation in May that it intended to acquire the entire issued share capital of listed IT company Business Connexion.

David Williams

INVESTMENT

Alsi exploits refocus attention

Multi-assets momentarily lose out to SA equity portfolios as the Alsi performs well in Q1

Jeremy Glyn

The SA unit trust industry has for the past decade been dominated by multi-asset funds. These are funds in which the fund manager is given discretion to allocate between equities, bonds, cash and property. They account for 49% of the total industry, which has R1,77 trillion under management.

In the SA industry there is a mind numbing choice of 1 211 funds, of which about half are multi-asset. But SA investors suddenly threw caution to the wind in the first quarter of 2015, turning to SA equity portfolios with a view to tapping into the strong performance delivered by the JSE all share index (Alsi) at the beginning of this year.

The Collective Investment Schemes industry statistics for the quarter and year ending March 2015, released by the Association for Savings & Investment SA (Asisa), show that for the first time in a number of years quarterly net inflows into SA equity portfolios exceeded net inflows into SA multi-asset portfolios by more than double.

SA equity portfolios attracted R8,8bn in net inflows for the first quarter of this year, with the bulk of the money flowing into SA general equity portfolios, while SA multi-asset portfolios recorded R4,3bn.

Pieter Koekemoer, head of retail investments at Coronation, warns that these figures are somewhat distorted. "There have been a number of amalgamations of management companies such as the old SIS funds into Old Mutual. Stanlib Multimanager has brought on board funds that used to be managed by Investment Solutions, and funds are moving from the Metropolitan management company to Boutique Collective Investments (run by former Metropolitan management company head Robert Walton). "But there has been a revival of interest in SA equities, quite contrary to the industry consensus that the market is overvalued."

Money market funds continued their decline, with a R35bn outflow in the year to March 31. This was partly brought about by reaction to losses the funds suffered from short-dated Abil paper when the business collapsed. In the previous year, money market inflows were flat.

Asisa CEO Leon Campher points out that though SA equity portfolios have been attracting unusually high net inflows over the year ended March 2015, this was the first quarter where net inflows actually exceeded those into SA multi-asset portfolios.

As a result, net inflows for the 12 months to end-March 2015 amounted to R83bn for SA multi-asset portfolios and R27bn for SA equity portfolios. Total net flows for the 12 months to March were R98bn.

In the 12-month period to end-March 2014, SA equity portfolios suffered net outflows of R2bn, while SA multi-asset portfolios attracted net inflows of R115bn. Campher notes that the net inflows attracted by SA equity portfolios in the 12 months ending March 2015 are higher than the

INVESTMENT

total net inflows recorded by these portfolios in the previous five years.

He says it will be interesting to see whether SA general equity portfolios will continue drawing the bulk of net inflows during the current quarter, with world markets having lost some of their momentum at the beginning of May. The JSE Alsi reached a record high of 55 188 points on April 26, but has weakened since then due to realigned investor sentiment. "Though having sufficient general equity exposure in a portfolio is a good thing, we sincerely hope that the sudden surge in interest in general equity portfolios is not a case of investors trying to time the market, but rather investors taking a long-term view on equities aimed at helping them achieve their financial goals," says Campher.

Anthony Katakuzinos, chief operating officer of Stanlib Retail, says he shares the sentiment that it is a time to be cautious, though the inflows into the Stanlib equity funds have been more muted than the industry trend.

Campher says unfortunately many investors still believe they can time the market and end up making emotional investment decisions based on either fear or greed. He reminds investors that proper diversification is critical, since different asset classes will perform differently when market conditions change.

Multi-asset portfolios invest across the equity, bond, money and property markets, with the asset manager deciding how much money to invest in each asset class. These portfolios have become popular with investors and advisers alike since they provide diversification across asset classes within one portfolio, with an expert deciding on the appropriate mix. Portfolios ranging from low-equity to high-equity exposure are available within the multi-asset category.

In the past year, the top performer in the flexible category was the Baobab Flexible Opportunity Fund (44,7% return); in high equity Plexus Wealth Balanced Fund (23%); in medium equity Clarus Wealth Accumulator (19,7%); and in low equity Plexus Wealth Conservative Fund (19,3%).

None of these funds is well known to the general public. Koekemoer says in terms of flows, a handful of companies — such as Coronation, Foord and Prudential — dominate. "It sounds like a lot, that there are 1 211 funds, but in reality the industry is highly concentrated with 100 funds accounting for a large majority of the flows." Even within the fund groups, usually only six or seven core funds are marketed.

Investec Asset Management SA boss Thabo Khojane says retail investors are guided to the core range, which includes Diversified Income, Cautious Managed, Opportunity, Equity, Value, Global Franchise and Global Strategic Managed. And even in this small menu, the bestsellers by far are Cautious Managed, Opportunity and Global Franchise — all managed by the so-called quality team run by Clyde Rossouw.

But Koekemoer concedes that a few boutiques are getting some attention, notably Truffle, Harvard House (winner of the Morningstar Award for best general equity fund in March 2015), Anchor and 36One.

Campher says 32% of the inflows into the CIS industry in the 12 months to end-March 2015 came directly from investors. He points out, however, that this does not mean that these investors acted without advice since a number of direct investors pay for advice and then directly implement the choice of portfolio.

Intermediaries contributed 21% of new inflows, while linked investment services providers generated 24% of sales and 23% of sales was received from institutional investors such as pension and provident funds.

Locally registered foreign portfolios held assets under management of R318bn at the end of March 2015, compared to R283bn at the end of December 2014. These foreign portfolios recorded net inflows of R3,6bn for the first quarter of this year, a drop from the R5,8bn in net inflows at the end of December 2014.

Foreign currency unit trust portfolios are denominated in currencies such as the dollar, pound, euro and yen and are offered by foreign unit trust firms. These portfolios can only be actively marketed to SA investors if they are registered with the Financial Services Board. Local investors wanting to invest in them must comply with Reserve Bank regulations and will be using their foreign capital allowance.

There are 363 foreign currency denominated portfolios on sale in SA.

Stephen Cranston

Hetty Zantman

Discontent is in the air

As SA's economic growth prospects stagnate, it is tempting to give way to panic

With growth slowing to a crawl, unemployment spiking to its highest level in more than a decade as well as the risk of escalated load-shedding during winter and the renewed prospect of mining strikes, confidence in SA has sunk to new depths.

SA's collective depression has been fuelled by a president whose disdain for the institutions of public accountability would be laughable if it were not so tragic.

This was supposed to be the bounce-back year when the economy easily achieved growth of 2,5%, just by avoiding a repetition of last year's crippling mining and metals strikes. Instead, the growth implications of the electricity crisis are intensifying.

After a dismal first quarter marked by 22 days of load-shedding and weak initial high-frequency data, several economists revised down their 2015 growth forecasts from around 2,5% to closer to 2%. The most bearish are looking for growth of just 1,5% this year.

The Reserve Bank is clearly worried about the "sluggish" state of the economy, which is being "overshadowed" by the electricity constraint. And it has downgraded its view of SA's short-term growth potential from 2,5% to 2%.

Electricity shortages have led the Reserve Bank to downgrade SA's short-term growth potential

Sowetan

Deutsche Bank puts the costs of load-shedding for stages 1, 2 and 3 at R22bn, R44bn and R88bn respectively. Based on its estimates, load-shedding cut 0,4% off SA's GDP or R15bn in the first quarter. It believes the same, if not worse, is on the cards over the coming winter months. If SA's power is cut for a third of the time, whole-year output losses could amount to R30bn-R105bn, Deutsche estimates.

To reduce the need to load-shed, Eskom is seeking a 25% electricity tariff hike by midyear. Deutsche estimates that a 15%-25% increase in tariffs would cost the economy around R10bn to R16bn respectively, cutting growth by 0,2-0,4 percentage points over the medium term. This implies GDP growth of 2,2% or 2,4% instead of 2,6% up to 2019.

"We are concerned that the economic burden imparted by tighter electricity supplies in general, slow energy reform and lack of communication from the utility and government stakeholders, is increasing rapidly," says Deutsche's SA economist Danelee Masia. Her concern over SA's deepening energy crisis is one of the main reasons she recently slashed her 2015 growth forecast by 0,7 percentage points to 2,1%.

Investec chief economist Annabel Bishop has also recently cut her growth forecast to 2,1% (previously 2,4%). This is mainly because she expects the industrial sector to enter a recession in the first half of the year due to insufficient electricity supply, weak demand and a resumption in labour unrest.

Even after cutting her forecast, she feels the risk remains to the downside, noting that the slide in SA's economic growth, from 5,4% in 2007 to 1,5% in 2014, has been mirrored by a sharp slowdown in gross domestic fixed investment, from 12,8% in 2008 to -0,4% in 2014.

Slower growth has hit tax revenues with the knock-on effect that government consumption expenditure has had to be reined in from 5,8%y/y to 1,9%y/y over the period, with a projected further drop to 0,7% y/y by 2016.

Household consumption expenditure has also deteriorated, dropping to 1,4% y/y in 2014 (below its 10-year average of 3,7%y/y) as households have deleveraged and private sector employment has fallen.

What is striking about this picture is the complete absence of growth drivers on which to pin a recovery: SA's fixed investment prospects are weak and employment growth has stagnated and is likely to remain low. At the same time, high debt levels and tight credit conditions are likely to constrain consumption.

The Times

A strike-prone labour force affects SA's competitiveness

Fiscal and monetary policy too will hinder rather than help growth in the short term as the authorities can no longer delay tightening policy to address the macroeconomic imbalances (the fiscal and current account deficits) that threaten SA's debt sustainability and credit rating.

Higher fuel and income taxes will add to the strain on household budgets this year but worse is likely in store. Davis Tax Committee head, judge Dennis Davis, explains that to have hiked the Vat rate by one percentage point this year would have depressed growth by 0,3%-0,4%. This is why treasury held off for now. A future Vat hike seems inevitable, however, as long as growth continues to disappoint and new policy imperatives, such as the National Health Insurance, have to be funded.

Monetary policy is also in a tightening mode, with the Reserve Bank expected to hike the repo rate by at least 25 basis points this year in order to maintain the yield attraction of the rand once the US Federal Reserve begins normalising rates — probably around September.

Meanwhile, inflation is headed towards a target breach early next year on the weaker rand and the prospect of higher food prices and rising electricity tariffs. Together, the hiking Fed and mounting domestic inflation are expected to push the Reserve Bank into a reluctant hiking cycle over the next 18 months, despite the weakness in the economy.

Though these hikes may be necessary to prevent further rand weakness from fuelling inflation and to keep inflation expectations firmly anchored, it is hard to see how the Bank will be able to do this without further depleting growth and business confidence.

Nor can SA readily export its way to a recovery, given the tepid growth of its key trading partners. China's slowdown in particular has caused commodity demand and prices to tumble, counteracting the expected boost to exports from the weak rand.

The consensus is that the best way for SA to lift the growth rate is to forge ahead with its infrastructure plans while implementing structural reforms that raise the economy's competitiveness, productivity and ease of doing business.

Since 2009, SA has experienced a progressive erosion of the structural underpinnings of economic performance and productivity. Nowhere is this more apparent than in the deterioration in the capabilities of state-owned enterprises like Eskom.

At the same time, government has failed to make SA a welcoming place to do business. Instead of supportive micro policies, SA's competitiveness has been eroded by ageing infrastructure, a rapid rise in the cost of logistics, a complex set of industry regulations, a lack of technical skills and a strike-prone labour market.

Unfortunately, President Jacob Zuma's hands-off leadership style and lack of crisis management has created the sense of an economy operating on auto-pilot, with no-one at the helm to arrest the steady slide in its growth potential and credit worthiness.

As a result, investor confidence has fallen to dangerously low levels and the economy's growth and investment potential has been eroded sharply.

All of this is reflected in the deterioration in SA's credit ratings. Last June, Standard & Poor's cut SA's sovereign credit rating to BBB-, the lowest rung of the investment grade ladder. SA was lucky to hold on to its BBB rating with Fitch on June 5, though the rating agency has retained its negative outlook on the country. It has warned that a downgrade could still occur if SA fails to boost its growth potential by, for instance, achieving only modest structural reforms or introducing policy measures that damage the investment climate.

So far this year, scepticism about SA's ability to raise its growth rate has proven to be well founded. As the economy heads deeper into winter, there is every reason to fear that deeper electricity cuts and simmering labour tensions could flare into open discontent, causing further growth retardation.

Claire Bisseker

King 4 to help better equip directors

Revised codes will aim to tighten governance and address loopholes in King 3

Why do cars have brakes? "So they can go faster." This, according to Ansie Ramalho, former CEO of the Institute of Directors of SA (IoD), is a vivid way of capturing the usefulness of governance codes. In SA they have become known as the King codes, after governance guru, businessman and former judge Mervyn King. Ramalho has left the CEO position at the IoD in order to be the project leader for the latest revision of the codes.

"Speaking of brakes," says Ramalho, "consider the following realities of the SA governance landscape. A fair number of public-sector entities have come to a virtual standstill, with acting CEs holding the fort. In some instances this is a consequence of protracted disciplinary proceedings against an incumbent CE, but in others the reasons for allowing an acting CE to be in charge for extended periods are vaguer.

"Nevertheless, the governance failures in these instances are patently obvious: deficient executive appointment processes; an inability to deal effectively with management oversight and disciplinary issues; lack of clarity on accountability and reporting lines; and lack of succession planning."

Another governance area where brakes have not been applied, to apply the metaphor differently, is that of excessive executive remuneration. "Admittedly, there are underlying systemic issues that worsen the problem. But there is no denying that boards and remuneration committees have to acknowledge their contribution to the escalation of executive pay over the past 20 years," she says. Another key issue is integrated reporting, and King 4 also needs to be aligned and linked with the changing international thinking on responsible investing and with the code for responsible investing in SA.

These are some of the issues that will be addressed as the IoD prepares to facilitate the revision of the King codes. But how will the new version be different?

"The fundamental philosophy and concepts as currently espoused by King 3 will not change and companies should continue following King 3 as it stands," says the IoD. "Simplification and ease of interpretation and access will be a key tenet of King 4. One of the ways that this will be achieved is by clearly differentiating principles from practice recommendations.

"Principles will be stated as higher order objectives. For example, the board should be constituted so that power is balanced and decision-making is objective. A practice by means of which this can be achieved is to have a majority of independent directors on the board."

This is already recommended for listed companies, but may be difficult for smaller unlisted companies. So, different and more appropriate practices will be explored. This approach is intended to put the emphasis on the principle, and the outcome envisaged by the principle, and allows for flexibility of application.

"The purpose of the King 3 update is not to present a compliance hurdle, but rather to equip directors and other officials charged with governance duties to become more nimble in an ever-increasing complex and unpredictable environment," says Ramalho. "SA and the King committee have received many accolades for the progressive thinking and philosophies behind King 3. However, from the vantage point of the IoD, it is clear that not all are partaking and benefiting from this achievement."

She says public entities are using a protocol on governance that is based on an earlier version of King, testimony to the lacklustre reception for King 3. And there are some organisations in the nonprofit sector that think King 3 is "wholly unachievable", due to a lack of resources to meet the perceived requirement for expensive and complicated structures. She says this perception shows that there is a void that needs to be filled.

"It is recognising this that clinched the decision by the King committee to rewrite King 3. We need better regulation, not more," she says.

There have also been corporate developments, locally and globally, that need to be taken into account and provided for in King 4. Greater succinctness and streamlining will position King 4 for accessibility on mobile devices. The aim is to make it possible for companies and other entities to disclose their application on King 4 online.

"The intent is for the drafting process to be widely consultative so that the resultant product is truly for South Africans and by South Africans," says Ramalho. "Our invitation therefore goes to constituents and particularly corporations across all sectors to participate in this endeavour to move us faster towards our goals as a nation."

What will not change in King 4 are the "five fundamental values" included in the first chapter of King 3:

❑ Conscience: A director should act with intellectual honesty and independence of mind in the best interests of the company and all its stakeholders, in accordance with the inclusive stakeholder approach to corporate governance. Conflicts of interest should be avoided.

❑ Inclusivity of stakeholders is essential to achieving sustainability and the legitimate interests and expectations of stakeholders must be taken into account in decision-making and strategy.

❑ Competence: A director should have the knowledge and skills required for governing a company effectively. This competence should be continually developed.

❑ Commitment: A director should be diligent in performing his duties and devote sufficient time to company affairs. Ensuring company performance and compliance requires unwavering dedication and appropriate effort.

❑ Courage: A director should have the courage to take the risks associated with directing and controlling a successful, sustainable enterprise, and also the courage to act with integrity in all board decisions and activities.


Ansie Ramalho

Due to the consultative process to be followed, the IoD envisages that King 4 will be completed in the second half of 2016.

Another area of focus for the IoD has been the competence of directors of boards. Two years ago it launched Chartered Director (SA), a professional designation based on a rigorous qualifying process. The IoD's Michele Serfontein says the project has not been deliberately marketed until now because of the initial focus on internal processes. However, 28 chartered directors (CDs) have been added since the launch, joining the group of senior directors who were awarded the certification without examination in recognition of their long and broad experience on boards.

As at March 26 2015, the register of the 38 individuals awarded the CD (SA) certification included former Sanlam chairman and JSE president Roy Andersen, former Nedbank CEO Tom Boardman, former MTN CEO Thulani Gcabashe, Nedbank chairman Reuel Khoza, Imperial CEO Mark Lamberti, former Reserve Bank governor Tito Mboweni and former SABMiller finance director Malcolm Wyman.

All IoD board members have been, or are going, through the certification process, and more than 90 individuals are registered on the programme. "The benefits are not yet evident," says Serfontein, "given that there are thousands of directors in SA. But we are getting traction. We are benchmarked against the IoD in the UK, and are aiming to get global recognition for the CD (SA). It does take courage to allow assessment of individual board members, but more and more boards are accepting the need for this."

To become a CD, the main criteria are that one needs to be at least 30 years of age, and to have been a practising director of a company or an equivalent office for at least three years. Once registration is approved, the candidate is asked to collate a portfolio of qualifications and experience (PQE), a time-consuming process. Successful candidates proceed to an examination, which is followed by an interview by a CD governing body that is separate from the IoD board.

"The exam is a professional examination that tests insight into the role of director," according to the IoD's guide to the CD (SA) designation. "Though candidates can touch up on their knowledge of underpinning theory and legislation, the examination cannot be passed without experience and insight into this role. Successful candidates are then able to proceed to the peer interview where governing body members are able to finalise the application. The final outcomes of these three assessments are collated and submitted to the governing body for sign-off. Successful candidates are certified and their name is added to the national register of chartered directors. Designees are issued a certificate with a unique CD (SA) number."

Details are available on the IoDSA website at www.iodsa.co.za/chartereddirector. *David Williams*

SERVICES

A commitment to real change

A transformed profession will translate into more faith in the justice system for South Africans

The transformation of the legal profession is not only an economic and moral imperative. But the maintenance of the rule of law is dependent on it. Without a transformed judiciary, the majority of SA's population will have little faith in the justice system.

However, based on research from the Centre for Applied Legal Studies in partnership with the Foundation for Human Rights, the industry still has some way to go. "The top positions in the profession — from senior partners of law firms to senior counsel at the bar and senior members of the judiciary — remain largely homogenous," says the 2013 Legal Fellows Network survey.

"These positions are dominated by white men, with a marked absence of diversity on the basis of race, gender and other marginalising characteristics."

Says Stephen Thomson, managing partner at Thomson Wilks Attorneys: "Good work is being done around employment equity and transformation across the profession.

"However, though the achievement of appropriately representative demographic targets is undoubtedly a vital requirement in the transformation of any industry in SA, true sustainable transformation requires that stakeholders in the legal profession go further than merely meeting equity targets."

The legal profession has a vital part to play in the country's success at redressing inequalities of the past, Thomson says. "It requires more than creating study and job opportunities, but also includes a continued commitment by law firms to assist in the development of newly qualified individuals once they enter the profession."

He says any transformation commitment worth its salt needs to include a dedicated mentorship programme that focuses particularly on providing junior law practitioners with the full benefit of their more senior colleagues' industry experience — particularly hands-on exposure to complex legal issues and challenges.

"If we allow our young graduates to work and survive on mundane and largely administrative tasks such as postponements and unopposed applications, the comprehensive transformation of our profession will take decades longer than it should," he says.

"And though mentorship is obviously aimed at the transfer of skills to young legal professionals, the benefits extend far beyond mere experience. By helping them to become better skilled and more successful, the retention rate of these young professionals by the industry will also improve."


Martin Rhodes

Stephen Thomson

In recognition of this need for mentored exposure of legal juniors to complex litigation challenges, Thomson Wilks Attorneys has designed what it hopes will become the standard for skills-based transformation in the SA legal profession. "The success of this [mentorship] programme is reliant upon the support of the Bar Council which, fortunately, has been receptive to the idea," says Thomson.

Rob Otty, MD at Norton Rose Fulbright SA, says law firms play a far wider role in transforming the economy generally. This is because well trained lawyers who leave law firms most often find themselves in senior positions within the corporate world, where they use the skills and the training they received while employed by the industry to good effect.

"We consider our network of alumni to be part of our transformation story and we believe that our focused training, support and mentorship programmes deliver real value," he says.

He says the law firm's intake of black lawyers has increased year-on-year. "We are fortunate to be in a position to employ a number of trainees and candidate attorneys, and have the resources to provide bespoke and ongoing training to younger lawyers, not only in their period of articles but throughout their careers."

Norton Rose Fulbright has a number of programmes that have been designed specifically for its lawyers. The programmes include international academies, diversity and inclusion programmes, internship programmes and formal mentorship for all the firm's young lawyers.

Otty concedes that younger lawyers do tend to find some practice areas more difficult than others, particularly with regard to finding a work-life balance. "But this is not something specific to black lawyers, it applies to all young lawyers," he says.

He says the law fraternity is constrained by the fact that only admitted attorneys can be equity participants in the business. "This does not, however, mean that we are unable to provide opportunities to a large number of black lawyers and business support staff," he says.

"We do believe that in the future regulation is likely to change to allow broader participation in law firms, particularly to allow law firms to more quickly transform at ownership level."

Safiyya Patel is a partner and the Corporate Business Unit head at Webber Wentzel. As a member of the transformation committee at the law firm, she says empowerment is a key focus area at the organisation. "We strive to accurately reflect the demographics of the SA population within our structure. Our recruitment, training and development initiatives reflect this commitment."

Webber Wentzel is owned by its equity partners, with about 25% being owned by previously disadvantaged individuals. About 40% of the firm's legal staff and 60% of the business services staff are black.

"But transformation for us is not just a numbers game," says Patel. "What is imperative to the transformation agenda is that it has to become part of the culture and values of a firm. Employees must have respect and tolerance for each other. We want our employees to be happy and enthused to come to work every day because that is how one recruits and retains good lawyers."

The firm ensures that the majority of its annual candidate attorney intake comprises previously disadvantaged people. In addition, it engages in a number of guidance and mentoring arrangements; offers bursaries to previously disadvantaged law students at SA universities; and invites law students to take up internship positions at the firm. Webber Wentzel also offers a three-month secondment for previously disadvantaged practitioners through the Law Society of SA's empowerment project.

Patel says one of the biggest challenges to the transformation of the legal sector is ensuring that black lawyers have real opportunities; visibility; exposure; and training in high-value, high-level matters. In some cases, this may entail a shift in long-standing relationships, which both clients and client-relationship lawyers need to understand and accept.

"This may be a difficult process, but it is not impossible. It certainly is an imperative for our firm, as it should be for the rest of the legal sector," she says.

Ruan Jooste

LEGAL ADVISERS AND CORPORATE CLIENTS

- *ABSA LEGAL SERVICES*
  SA Giants: B-Africa (18)
  Top Performers: B-Africa (160)
- *ADAMS & ADAMS*
  SA Giants: Woolies (34)
  Top Performers: Trustco (11), Woolies (38)
- *ALLEN & OVERY LLP (UK)*
  SA Giants: Lonmin (83)
- *BAKER & MCKENZIE*
  SA Giants: Bidvest (8), Adcorp (74), Tharisa (131)
  Top Performers: Bidvest (97), Adcorp (163)
- *BARNARD INC*
  Top Performers: Calgro (1)
- *BERKOWITZ COHEN WARTSKI*
  Top Performers: Gooderson (191)
- *BERNADT VUKIC POTASH & GETZ ATTORNEYS*
  SA Giants: Mr Price (67), Invicta (80)
  Top Performers: Mr Price (13), Trematon (26), Invicta (51), Spurcorp (71)
- *BLAKISTON & CRABB (AUSTRALIA)*
  SA Giants: Gfields (42)
- *BOTOULAS KRAUSE & DA SILVA INC*
  SA Giants: EOH (95)
  Top Performers: EOH (4)
- *BOWMAN GILFILLAN*
  SA Giants: Stanbank (12), Barworld (21), Datatec (27), Nampak (55), Tongaat (63), ARM (84), Clover (90), Hulamin (91), Northam (110), Value (145), DRDGold (153)
  Top Performers: Nampak (91), Datatec (124), Barworld

✧ LEGAL ADVISERS ✧

SERVICES

LEGAL ADVISERS AND CORPORATE CLIENTS

(125), Clover (126), Stanbank (154), Tongaat (173), Value (174), Trnshex (200)

- *BRIAN KAHN INC*
  SA Giants: S Ocean (159)
- *CHRISTELIS ARTEMIDES ATTORNEYS*
  SA Giants: Fambrands (129)
  Top Performers: Fambrands (31)
- *COERTZEN WILLIAMS ATTORNEYS*
  Top Performers: Calgro (1)
- *COGHLAN WELSH & GUEST (ZIMBABWE)*
  Top Performers: Cafca (148)
- *COLLINS NEWMAN & CO (BOTSWANA)*
  SA Giants: Wildrness (161)
  Top Performers: Wildrness (188)
- *COREUS (FRANKFURT)*
  SA Giants: Steinhoff (11)
  Top Performers: Steinhoff (47)
- *COUZYNS INC*
  SA Giants: Omnia (60)
  Top Performers: Omnia (81)
- *COX YEATS ATTORNEYS*
  SA Giants: Tongaat (63), Hulamin (91)
  Top Performers: Tongaat (173)
- *DE CHALAINS*
  SA Giants: BCX (100)
  Top Performers: BCX (178)
- *DLA CLIFFE DEKKER HOFMEYR*
  SA Giants: Richmont (9), Steinhoff (11), Massmart (20), Medclin (43), WBHO (49), Remgro (50), Omnia (60), LifeHC (73), Sunint (76), Metair (94), BCX (100), Net1UEPS (104), DAWN (111), Brimston (147), Atlatsa (152), Sentula (164), Homechoice (170), Petmin (192)
  Top Performers: AEEI (6), Metair (25), Conduit (32), Medclin (33), LifeHC (46), Steinhoff (47), Richmont (60)
- *DEREK H RABIN & ASSOCIATES*
  SA Giants: Itltile (131)
  Top Performers: Itltile (65)
- *DI SIENA ATTORNEYS*
  Top Performers: Micromega (3)
- *ENSafrica (EDWARD NATHAN SONNENBERGS)*
  SA Giants: Sanlam (6), Bidvest (8), Massmart (20), Picknpay (23), Pikwik (24), Nedbank (26), Woolies (34), Gfields (42), Tigbrands (44), Discovery (51), RCLFoods (56), Distell (59), Harmony (64), Grindrod (65), Foschni (69), Truwths (81), Astral (86), HCI (88), Trencor (99), BCX (100)
- *EOH LEGAL SERVICES*
  SA Giants: Exxaro (70)
- *EDELSTEIN-BOSMAN INC*
  Top Performers: Ansys (170)
- *ELVINGER, HOSS & PRUSSEN (LUXEMBOURG)*
  Top Performers: Reinet (122)
- *EVERSHEDS*
  SA Giants: Itltile (131), Workforce (163), Insimbi (196)
  Top Performers: Taste (12), Workforce (39), Itltile (65), Insimbi (149)
- *FALCON & HUME INC ATTORNEYS*
  SA Giants: ELBGroup (138)
  Top Performers: ELBGroup (44)
- *FARBER SABELO EDELSTEIN*
  SA Giants: Growpnt (98)
  Top Performers: Growpnt (109)
- *FASKEN MARTINEAU (INCORPORATED IN SA AS BELL DEWAR)*
  SA Giants: Implats (46), Wildrness (161)
  Top Performers: Wildrness (188)
- *FLUXMANS INC*
  SA Giants: Suprgrp (68), Caxton (108), Winhold (187)
  Top Performers: Alaris (9), Suprgrp (30), Compclear (75), AME (78), Caxton (186)
- *GARLICKE & BOUSFIELD INC*
  SA Giants: Spar (30), Tongaat (63)
  Top Performers: Spar (82), Tongaat (173)
- *GIDE LOYRETTE NOUEL A.A.R.P.I. (PARIS)*
  SA Giants: Steinhoff (11)
  Top Performers: Steinhoff (47)
- *GILDENHUYS MALATJI INC*
  Top Performers: Silverb (199)
- *GIRARD HAYWARD INC*
  SA Giants: York (171)
- *GLYN MARAIS INC*
  SA Giants: Sanlam (6), Growpnt (98), Andulela (200)
  Top Performers: Sanlam (53), Growpnt (109), Invltd (146), Verimark (189)
- *GRAYSTON ELLIOT*
  SA Giants: Zeder (106)
  Top Performers: Zeder (41)
- *HR LEVIN ATTORNEYS*
  SA Giants: Fambrands (129)
  Top Performers: Fambrands (31), Amecor (108)
- *HERBERT SMITH FREEHILLS LLP*
  SA Giants: Lonmin (83)
- *HOGAN LOVELLS*
  Top Performers: Trustco (11)
- *HOWES INC*
  Top Performers: Trustco (11)
- *HUTCHEON ATTORNEYS*
  Top Performers: Adrenna (98)
- *JAVA CAPITAL (PTY) LTD*
  SA Giants: BlueTel (58), Redefine (109), Hyprop (135), Ellies (144), Buildmax (174), Mixtel (175), Redefintl (181), Onelogix (191), Andulela (200)
  Top Performers: Onelogix (8), Kaydav (15), enX (35), Mixtel (63), Hyprop (88), BlueTel (128), Redefine (130)
- *KEITH SUTCLIFFE & ASSOCIATES INC*
  Top Performers: Trustco (11)
- *LEVIN VAN ZYL INC*
  Top Performers: Indeqty (16)
- *LINKLATERS LLP*
  SA Giants: Anglo (3), Steinhoff (11), Gfields (42), Mpact (92), Capco (146)
  Top Performers: Capco (22), Steinhoff (47)
- *LIVINGSTON LEANDY INC*
  SA Giants: Santova (128)
  Top Performers: Santova (10), Crookes (144)
- *M PARTNERS S.A.R.L*
  Top Performers: Brait (36), MAS (140)
- *MARTINI & PATLANSKY ATTORNEYS*
  Top Performers: AME (78)
- *MCPHERSON KRUGER ATTORNEYS*
  SA Giants: Dcentrix (141)
  Top Performers: Dcentrix (192)
- *MICHAEL KRAWITZ & CO*
  Top Performers: Rex True (161), Af & Ovr (166)
- *MILBANK TWEED HADLEY & MCCLOY LLP*
  SA Giants: Steinhoff (11)
- *Top Performers:Steinhoff (47)*
- *MINTER ELLISON (AUSTRALIA)*
  SA Giants: Gfields (42)
- *NORTON ROSE FULBRIGHT SOUTH AFRICA*
  SA Giants: Kumba (33), Omnia (60), ARM (84), Growpnt (98), DAWN (111), Assore (155)
  Top Performers: Omnia (81), Huge (86), Growpnt (109), Sacoil (190), Assore (195)
- *PSG CAPITAL*
  SA Giants: Zeder (106)
  Top Performers: Zeder (41)

A marked change in standards

More informative and transparent reports will strengthen the credibility of audits

New and revised auditor reporting standards released by the International Auditing & Assurance Standards Board (IAASB) will significantly improve auditors' reports for investors and other users of financial statements.

The new and revised standards released by the IAASB in January — after six years of development — come amid increasingly vociferous calls from users of financial statements for more transparent, informative and relevant insights into the audits performed on publicly traded companies.

"Business has over the past few years become more complex and financial reporting has had to evolve, increasing the judgment, estimates and uncertainty underlying the financial statements," says George Tweedy, audit risk leader at Deloitte.

"These standards will enhance the transparency of audits by elevating the conversations that generally take place behind closed doors between management and the audit team into the public domain. That will allow auditors to contextualise some of the numbers, which can only serve to enhance the credibility of the audit as well as the role that auditors play in the fair presentation of financial information that investors use to make decisions," he says.

George Tweedy

Penny Binnie, audit partner at Deloitte, says the auditing process remains largely misunderstood by the general public.

"According to the old standards, auditors were essentially able to give either a pass or fail mark to a company, which didn't really facilitate absolute transparency in terms of the issues that were debated with the client," she says. "The new standards will provide much greater scope for auditors to voice their opinions on key audit matters, which we believe will allow for much more openness and honesty.

"In many of the judgments that an auditor makes there is no absolute answer. There is usually a range of answers and the nuances creep in when there is a difference of opinion in terms of where the auditor's opinion lies versus that of management within that acceptable range. The new and revised standards will allow us to shed more light on these judgments."

The new and revised standards are effective for audits of financial statements for periods ending on or after December 15 2016.

However, auditors are allowed to adopt the standards concerned early. It is expected that the new and revised standards will be adopted by the Independent Regulatory Board for Auditors (IRBA), the local regulator, in May 2016.

The adoption of these standards by IRBA could well assist SA in maintaining its worldwide number one ranking for the strength of its auditing and reporting standards in the "World Economic Forum's Global Competitiveness Report".

Calls have also been made to the local industry to adopt the standards as early as possible. "We certainly believe that there is a lot of merit in being among the earliest adopters of these new and revised standards," says Binnie. "This applies to us as a firm as well as clients and, indeed, the SA auditing profession as a whole."

Julius Mojapelo, project director for Public Sector & Assurance at the SA Institute of Chartered Accountants (Saica), advises that "auditors should appreciate that these standards require timely attention". "Apart from the report itself, the changes will have an effect throughout the audit process and, in particular, the auditor's interaction with those charged with governance such as the board of directors and the audit committee."

The new standards will likely increase the length of a typical audit opinion free of qualifications from one page to four.

Willie Botha, senior executive for Assurance & Practice at Saica adds that the most notable enhancement of audit rules is a new requirement for listed companies, where the auditor has to communicate "key audit matters". Those are matters that the auditor finds are the most significant in the financial statements.

The new standards also enhance the auditors' role in reporting on going concern matters, including disclosures in the financial statements where material uncertainty exists, and require more transparency in terms of disclosure around the audit process.

The auditor's report will now also prominently place the audit opinion and basis for the opinion at the top of the report. It will also include an affirmative statement about the auditor's independence and compliance with other ethical requirements; an enhanced description of the responsibilities of the auditor; and the name of the engagement partner to be disclosed for audits of listed companies.

The code of professional conduct for registered auditors in SA stipulates a signing convention that already requires the disclosure of the engagement partner's name. *Ruan Jooste*

AUDITORS AND CORPORATE CLIENTS

- *AM SMITH & COMPANY INC*
  Top Performers: Johndan (171)
- *BDO NAMIBIA*
  Top Performers: Trustco (11)
- *BDO SA INCORPORATED*
  SA Giants: WBHO (49), Sentula (164), Winhold (187), Andulela (200)
  Top Performers: Trustco (11), Taste (12), Huge (86), Purple (89), Fairvest (96), Ansys (170), WBHO (196)
- *BAKER TILLY SVG*
  SA Giants: Value (145)
  Top Performers: Value (174)
- *DELOITTE*
  SA Giants: Bidvest (8), Steinhoff (11), Imperial (13), Mondi (15), Vodacom (19), Barworld (21), Sappi (22), Nedbank (26), Datatec (27), Amplats (29), Spar (30), Kumba (33), M&R Hld (35), JDGroup (38), ArcMittal (40), Nampak (55), KAP (62), Tongaat (63)
  Top Performers: Adaptit (2), Santova (10), Sabvest (14), Resilient (40), Mondi (42), Steinhoff (47), Oceana (48), Invicta (51), PanAfric (52), Mustek (59), Metrofile (66)
- *DELOITTE LLP*
  SA Giants: Glencore (1), Anglo (3), MondiPlc (16)
  Top Performers: MondiPlc (27)
- *DELOITTE LLP (CANADA)*
  Top Performers: Eastplats (176)
- *ERNST & YOUNG INC*
  SA Giants: Sanlam (6), B-Africa (18), Massmart (20), Anggold (31), Aveng (32), Woolies (34), Telkom (39), Tigbrands (44), Clicks (57), Mr Price (67), Truwths (81), ARM (84), Clover (90)
  Top Performers: Coronat (5), Mr Price (13), Woolies (38), Howden (49), Sanlam (53), Clicks (62), Itltile (65), Granprade (67), Telkom (102)
- *ERNST & YOUNG LLP*
  Top Performers: Invplc (139), Invltd (146)
- *GRANT THORNTON*
  SA Giants: Netcare (41), HCI (88), Hudaco (118), Seardel (122), CIL (132), Hyprop (135), Metmar (140), Argent (151), Vukile (166), Mastdrill (180)
  Top Performers: Indeqty (16), Seardel (24), Conduit (32), Vukile (37), CIL (55), Netcare (61), Hyprop (88), HCI (132), Hudaco (135), Sasfin (155), Gooderson (191)
- *GRANT THORNTON (CPT)*
  Top Performers: AEEI (6)
- *GRANT THORNTON (JHB)*
  SA Giants: Comair (105), Caxton (108), Redefine (109), Ellies (144), Buildmax (174), Niveus (179), MSHolding (194)
  Top Performers: Kaydav (15), enX (35), Sephaku (72), AME (78), Foneworx (79), MSHolding (92), Redefine (130), Comair (134), Caxton (186)
- *HORWATH LEVETON BONER*
  SA Giants: Workforce (163)
  Top Performers: Workforce (39)
- *KPMG AUDIT LLC*
  Top Performers: MAS (140)
- *KPMG AUDIT PLC (UK)*
  SA Giants: Lonmin (83)
- *KPMG INC*
  SA Giants: Stanbank (12), Picknpay (23), Pikwik (24), Nedbank (26), Gfields (42), Altron (48), Sibanye (53), AECI (61), Suprgrp (68), Foschni (69), AVI (82), ARM (84), Growpnt (98), Trencor (99), BCX (100)
  Top Performers: Finbond (7), Alaris (9), Suprgrp (30), AVI (43), ELBGroup (44), Spurcorp (71), Foschni (73), Compclear (75), Interwaste (84), Pergrin (95)
- *KPMG LLP*
  SA Giants: BHPBill (2), OldMutual (28), Redefintl (181)
  Top Performers: OldMutual (74), BHPBill (185)
- *KPMG (CYPRUS)*
  SA Giants: Tharisa (131)
- *MAZARS (GAUTENG) INC*
  SA Giants: EOH (95), Digicor (199)
  Top Performers: EOH (4)
- *MAZARS INC*
  SA Giants: Stefstock (87), Afrimat (150), Morvest (186)
  Top Performers: Afrimat (19), Trematon (26), ISA (99), Spanjaard (103), Amecor (108), Ingenuity (111), Culinan (117), Infrasors (151), Putprop (158), Morvest (172), Bowcalf (177), Orion (181)
- *NEXIA SAB&T*
  Top Performers: Micromega (3), Imbalie (50), AH-Vest (80)
- *PwC (SWITZERLAND)*
  SA Giants: Richmont (9)
  Top Performers: Richmont (60)
- *PwC (ZIMBABWE)*
  Top Performer: Cafca (148)
- *Pwc LLC*
  SA Giant: NEPI (176)
  Top Performer: NEPI (21)
- *PwC LLP*
  SA Giants: BATS (4), SAB (5), Capco (146)
  Top Performers: Capco (22), Diamondcp (57), SAB (69), BATS (83), Intuprop (159)
- *PwC SARL*
  Top Performer: Reinet (122)
- *RSM BETTY & DICKSON*
  SA Giants: Fambrands (129), Nuworld (143)
  Top Performers: Fambrands (31), Adrenna (98), Chrometco (147), Nuworld (168)

SERVICES

A move to right a wrong

To promote investment, SA needs to address lack of certainty with laws

The ink of a new anti-avoidance provision included in tax legislation last year had barely dried in SA law books when national treasury in March decided to scrap it. The new rule would have triggered capital gains tax (CGT) when an SA firm issued shares in exchange, directly or indirectly, for shares in an offshore company.

"The rule was introduced to counter a specific avoidance scheme, which was concocted by an SA company recently. But it may be interpreted so widely that it is applicable to all SA companies issuing shares to acquire foreign entities, even in the absence of any tax avoidance," says Cor Kraamwinkel, international tax director at PwC. "General international practice dictates that the issue of shares should not be a taxable event, so SA's new rule is unique."

But national treasury has admitted that the tax trigger was not the intention of the new rule, and as a result it was announced in the minister of finance's budget speech that the provision would be reviewed. After a public meeting in March, treasury agreed that the collateral damage of the provision was too grave a risk and that amendments to tax law will be made.

That is the good news. What companies are to do in the interim and how treasury intends to address the loophole it intended to redress in the first place is another story. The amendment must first go through the legislative and parliamentary process, which can take months to finalise, and there is no certainty on whether it will be applied retrospectively.

In the interim, it is hoped that national treasury and the SA Revenue Service (Sars) will find a way of facilitating a more restrictive interpretation of the provision in cases where there is clearly no tax avoidance, so as to provide certainty to what are otherwise legitimate business transactions favourable to SA.

Says Deborah Tickle, a partner at KPMG specialising in global corporate tax and transfer pricing: "This is another example of clashing policies when it comes to enacting legislation. Government has stated its desire to increase jobs and grow the economy, but when it comes to the detail, the legislation does not reflect this desire."

SA's tax system is seen in some respects as being one of the best in the world. But it does not promote inward investment, due to complexity and lack of certainty. Geographically, SA is ideally positioned to become the preferred trade and investment gateway destination into the rest of Africa. But, to enhance this positioning, tax legislation should be investor-friendly.

Geoff Kroon, tax director at Deloitte, says the CGT legislation deters foreign firms from using SA as a gateway destination. "Share exchanges of this nature could typically be fairly substantial in value and the imposition of CGT calculated at an effective 18,6% on the value of the shares issued has closed down this form of offshore expansion. The relaxation of the provisions imposing CGT on the initial exchange will be a big relief to taxpayers considering expanding abroad."

The imposition of CGT also counteracts tax rules that were introduced a few years back, which intended to encourage high-paying headquartered jobs to be located in SA as opposed to neighbouring countries.

"The CGT anti-avoidance legislation introduced in 2014 not only deters the creation or enhancement of headquarter companies, but also other multinational investments in respect of all local companies," says Kraamwinkel.

Says Tickle: "The headquarter company regime is beautifully crafted, but its benefits and method of application are difficult to understand. In Mauritius the regime has been the same for many years, while the SA headquarter company has benefits if this and if that. And those may also not apply in, say, three years' time. Hence, when faced with the option for a gateway into Africa through a company that simply has low tax in, say, Mauritius, investors often choose the easily understood and certain route of the island state."

The scrapping of the article 6 foreign tax credit, also announced in the budget speech, further supports this notion. Currently, if a company is headquartered in SA and delivers services to other African countries and has paid a withholding tax there, it could claim a tax credit in SA. In future this will not be possible. "This also counteracts the headquarter regime's aim of positioning senior executives in the country," says Kraamwinkel.

Ruan Jooste

SERVICES

Platform gets even more efficient

Harmonising settlement with international standards will attract foreign investors

The JSE is moving closer to aligning the SA market with global best practice in terms of settlement days, while simultaneously improving efficiency and credibility.

The T+3 project, which refers to the three days it will take to settle a trade, has made great strides and is about to enter its final phase. Currently it takes five days (T+5) for a seller of security to receive payment and the buyer to take ownership on the JSE.

Phase one — which was finalised in July 2013 — introduced a series of technical changes. Phase two — completed in October 2014 — entailed the implementation of the equities clearing system and changes to other JSE systems, including the broker dealer accounting system.

With sights set firmly on the final phase, Leila Fourie, executive director responsible for Post Trade & Information Services at the JSE, says apart from mitigating systemic and settlement risk, T+3 has numerous benefits. These include attracting foreign investors by harmonising settlement with international standards and boosting liquidity as assets are released from the settlement process quicker.

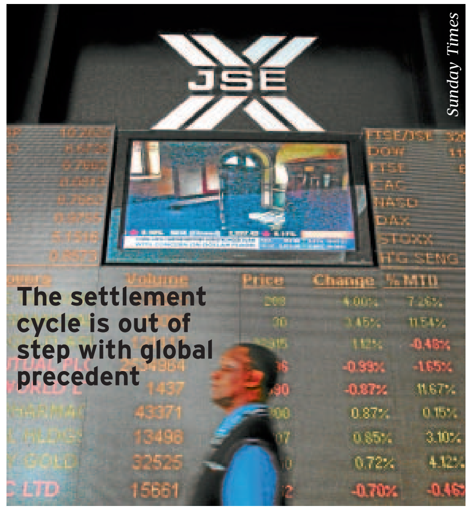
"The mitigation of systemic and settlement risk is a key benefit to the market in that at any point in time, the industry will face only three days of unsettled trades rather than five, thus reducing the value of unsettled trades that might be subject to losses in the event of a default," she says.

The plan to move to T+3 has been on the national financial services radar for some time, but the formal implementation project was not initiated until 2012 due to supporting projects that were required as a result of systems dependencies. The JSE submitted an implementation plan to the Financial Services Board (FSB) in 2012 detailing what was required to move the SA market from T+5 to T+3 in three phases.

The FSB accepted the proposal and mandated the move to T+3 as a licensing requirement.

Phase 3 entails the entire market making changes and Fourie says the market is making excellent progress in delivering these changes with integrated testing across participants due to start in September 2015. "The JSE has announced a go-live date between May and July 2016. Once certain key readiness milestones are confirmed across the market, the final go-live date will be announced," she says.

Prior to the global financial crisis, many markets had already settled on T+3 since 1995. The EU is now considering moving to T+2. The European Commission set up the Harmonisation of Settlement Cycles Working Group in 2009 and recommended a T+2 for certain securities transactions across the EU.



The settlement cycle is out of step with global precedent

Sunday Times

The first trade day on T+2 settlement volumes in some EU countries was in October last year. Some are still in the process of doing so.

"The Central Securities Depositories Regulation came into play on January 1, which is a contributory factor in achieving the wider ambitions of Target 2 Securities, the European Central Bank initiative to streamline Europe's securities settlement structure, which is expected to go live in June," according to an HSBC news brief sent to its clients on financial regulation.

The US changed the settlement cycle for stocks, municipal and corporate bonds from T+5 to T+3 in the mid-1990s. However, over the past 20 years, despite changes in technology, the T+3 settlement cycle over there hasn't changed since then.

The Depository Trust & Clearing Corp

conducted a detailed cost benefit analysis of T+2/T+1 settlement cycles in 2012 and drafted a roadmap to achieve a T+2 cycle by 2016 in the US.

The JSE's settlement cycle is notably out of step with global precedent and it might have missed out on some money-making or cost-cutting opportunities.

"The 2007/2008 global financial crisis and liquidity problems have led to an increased focus on risks in trade clearing and settlement processes. The risk on outstanding exposure to counterparties in the settlement process is dependent on the settlement time and market volatility. Therefore, the need for increased focus on shorter settlement cycles has emerged," says Rakesh Jangili, senior consultant at capital markets solutions group Virtusa, on FTSEglobalmarkets.com.

"Shorter settlement cycles will result in cost savings, due to optimal capital, and reduced risk. Lower clearing fund requirements, as a result of shorter timelines, will result in lower interest costs. The benefit will be even larger in high-volatility periods.

"Tighter timelines provide flexibility to reinvest cash quickly. The settlement process involves credit risk, where counterparties may default prior to completing settlement on the unsettled amount at any given time. The shorter settlement cycle will decrease the amount of outstanding unsettled trades, which in turn would decrease the credit exposure," says Jangili.

"With similar lines of thought, settlement cycles of T+0 may look ideal, but are difficult to achieve, as that would mean the trader must have the full amount of money at hand even before placing a trade. Such a restrictive funding timeline would lead to lower volumes, lower liquidity and lower leverage in markets and might lead to higher settlement failures," he says.

According to a 2011 report by Omgeo, settlement failures were high in both Russian and Israeli markets, which were operating on a T+0 settlement cycle. Since 2013, Russia has been moving to T+2 settlements and Israel moved to a T+1 cycle back in March 2012.

Markets moving to shorter settlement cycles might see more settlement failures if they don't prepare well for the transformation. "The JSE does pride itself on its zero failed-trade record," says Fourie. "That said, we believe that the benefits associated with a move to T+3 outweigh the zero failed-trade track record.

"Much focus has been placed on mitigating actions to reduce the amount of failed trades with the shortening of the settlement cycle."

The JSE is preparing for more failed trades and has introduced the new equities clearing system to allow for the automation and flexibility required to manage higher volumes of failed trades.

The FSB is comfortable with the JSE moves to a T+3 settlement cycle first, before considering a move to a shorter settlement cycle. *Ruan Jooste*

SPONSORS AND CORPORATE CLIENTS

- *ABSA CAPITAL*
  SA Giants: Glencore (1), B-Africa (18), Mastdrill (180)
  Top Performers: B-Africa (160)
- *AFRASIA CORPORATE FINANCE*
  Top Performers: Huge (86)
- *ARBOR CAPITAL SPONSORS*
  SA Giants: Caxton (108), Winhold (187), Cargo (198)
  Top Performers: AME (78), AH-Vest (80), Adrenna (98), Spanjaard (103), Cargo (107), Culinan (117), Bowcalf (177), Orion (181), Caxton (186)
- *BRAVURA CAPITAL*
  SA Giants: Village (158)
  Top Performers: Tradeh (136)
- *BRIDGE CAPITAL ADVISORS*
  SA Giants: Stefstock (87), Iliad (119), Afrimat (150), Advtech (156), Insimbi (196)
  Top Performers: Afrimat (19), Insimbi (149), Infrasors (151), Advtech (152), Iliad (197)
- *DELOITTE SPONSOR SERVICES*
  SA Giants: Adcorp (74), Invicta (80), Pinnacle (96), DAWN (111), Mustek (117), Pergrin (157), Converge (195)
  Top Performers: Invicta (51), Mustek (59), Pinnacle (76), Purple (89), Pergrin (95), Adcorp (163)
- *DEUTSCHE SECURITIES SA*
  SA Giants: Sanlam (6), Sasol (7), MTN Group (10), Stanbank (12), Massmart (20), Anggold (31), M&R Hld (35), Implats (46), Suprgrp (68), Exxaro (70)
  Top Performers: Coronat (5), Suprgrp (30), Sanlam (53), MTN Group (115), Stanbank (154), Tsogo Sun (156)
- *EXCHANGE SPONSORS*
  SA Giants: Wescoal (182)
  Top Performers: Imbalie (50), Wescoal (153), Ansys (170), Gooderson (191)
- *GRINDROD BANK*
  SA Giants: Grindrod (65), Basread (101), ARB (142), Jasco (189), Rolfes (193)
  Top Performers: Calgro (1), Finbond (7), ARB (68), Interwaste (84), Rolfes (94), Grindrod (183), Verimark (189)
- *IJG SECURITIES*
  Top Performers: Trustco (11)
- *INVESTEC BANK*
  SA Giants: Bidvest (8), Picknpay (23), Pikwik (24), Naspers (25), Aspen (45), Altron (48)
  Top Performers: Naspers (20), Seardel (24), Aspen (28), Clicks (62), Santam (85), Bidvest (97), Growpnt (109), Phumelela (110)
- *JPMORGAN CAZENOVE (UK)*
  SA Giants: SAB (5), Barworld (21)
  Top Performers: SAB (69), Barworld (125)
- *JPMORGAN EQUITIES SA*
  SA Giants: B-Africa (18), Barworld (21), Aveng (32), ArcMittal (40), Gfields (42), Tigbrands (44), Sibanye (53),
  Top Performers: Barworld (125), Cityldg (133), Tigbrands (137), Astral (138), B-Africa (160)

More to have access to better care

Low-cost benefit options will expand coverage of previously uncovered sectors

The Council for Medical Schemes (CMS) is in the process of drafting regulations that will set the stage for the provision of affordable health cover to more people. Paresh Prema, GM of the Benefits Management Unit at CMS, says the introduction of these options falls within the mandate of the organisation to regulate the industry by ensuring that more people receive fair and equal access to medical aid.

The broad outline of the regulatory framework was provided in a circular earlier this year, after which the CMS embarked on a consultative process to develop guidelines for the industry. "The guidelines will provide interested parties with the minimum requirements from the CMS in order to introduce low-cost benefit options (LCBOs) into the market," says Prema.

The council has representation from the department of health as well as its full support in this initiative.

The aim of LCBOs is to increase the participation of individuals in the risk pool, which would not have been possible previously.

Challenges to expand coverage to previously uncovered sectors of the market are related to the affordability of the current minimum benefits package and the absence of benefits dealing with health-care needs at a day-to-day level, he says.

Though the Medical Schemes Act allows for schemes to apply for exemptions where a particular provision cannot be complied with, schemes are required to provide exceptional circumstances for the application to be successfully granted. "Over the years, CMS has considered ways to bring about a mechanism that caters to affordability as well as the needs of the market," says Prema.

A consideration has been made by the CMS for the introduction of LCBOs that medical schemes will be allowed to introduce. These will have to be premised on particular principles, which could result in these products being exempt from the provisions of the act, while remaining sustainable.

Prema says the organisation is in the process of consulting with industry, after it introduced the framework in March at the CMS Indaba. "We have received valuable input from industry players that are interested in offering lower-cost health cover, and we hope to release the guidelines for further comment later this year. Further sessions with service providers will then commence to refine the guidelines before they are approved by the council."

He says only about 8,9m lives are covered by medical schemes in the country, which means a huge opportunity exists for the private sector. The soon-to-be-announced demarcation rules for the medical schemes industry will further widen the scope of opportunity.

The regulations will specify which types of health insurance policies, such as top-up cover, are permissible under the long and short-term insurance acts. And those health insurance policies meeting the definition of the business of a medical scheme will be regulated under the


Jonathan Broomberg
Sunday Times

Medical Schemes Act.

Prema says the proposed framework will ensure that low-cost options fall under the Medical Schemes Act, but exempt them from certain provisions to make them more affordable. He says until now the need for lower-cost options was covered by insurance companies. CMS, however, is in a better position to protect members of such products and regulate the industry.

The issue with low-cost benefit providers falling within the ambit of insurance laws is that products they provide may exclude certain individuals due to their risk rating, which includes age, gender and general wellbeing, Prema says.

Discovery Health CEO Jonathan Broomberg says this is a good and greatly needed approach. It will allow hundreds of thousands of low-income individuals to afford well-structured health-care cover through medical schemes. "Providing affordable access to full medical scheme cover is critical, as many low-income households spend a large proportion of their disposable income on private cover without the benefit of risk pooling and insurance, which medical schemes can provide," he says.

The design, registration and marketing of lower-cost products will be handled by the private sector, with CMS playing an oversight role.

Prema says a large part of the economy is employed informally and CMS wants service providers to target this income group. Surveys conducted by CMS in the past indicate that about 6m people fall within this group, which excludes dependants. "This will alleviate a lot of pressure on government resources," he says.

Elsabé Conradie, GM of Stakeholder Relations at CMS, says reaching the whole informal sector will be a challenge. "We will dedicate a lot of time to consumer education," she says. "We are planning to embark on roadshows and to get municipalities and other government departments involved in engaging with the public."

Ruan Jooste

MEDICAL AID SCHEMES/SOCIETIES AND CORPORATE CLIENTS

- *AECI MEDICAL AID SOCIETY*
  SA Giants: AECI (61)
  Top Performers: AECI (127)
- *AFROX MEDICAL AID SOCIETY*
  SA Giants: Afrox (107)
- *ANGLO MEDICAL SCHEME*
  SA Giants: Anglo (3), Mondi (15)
  Top Performers: Mondi (42)
- *ANGLOVAAL GROUP MEDICAL SCHEME*
  SA Giants: AVI (82), ARM (84)
  Top Performers: AVI (43)
- *BUPA (UK)*
  SA Giants: Anglo (3)
- *BANKMED*
  SA Giants: Stanbank (12), B-Africa (18), Net1UEPS (104)
  Top Performers: Stanbank (154), B-Africa (160), Net1UEPS (184)
- *BARLOWORLD MEDICAL SCHEME*
  SA Giants: Barworld (21)
  Top Performers: Barworld (125)
- *BESTMED MEDICAL SCHEME*
  SA Giants: Sanlam (6), Sappi (22), Telkom (39), Harmony (64), Suprgrp (68)
  Top Performers: Suprgrp (30), Sanlam (53), Telkom (102), Sappi (165)
- *BONITAS MEDICAL FUND*
  SA Giants: Vodacom (19), Telkom (39), BlueTel (58), Exxaro (70), Hulamin (91), EOH (95)
  Top Performers: EOH (4), Vodacom (70), Telkom (102), BlueTel (128), Infrasors (151)
- *BUILDING & CONSTRUCTION INDUSTRY MEDICAL AID FUND*
  SA Giants: Stefstock (87)
- *CAPE MEDICAL PLAN*
  SA Giants: Caxton (108), Afrimat (150)
  Top Performers: Afrimat (19), Caxton (186)
- *CHARTERED ACCOUNTANTS (SA) MEDICAL AID FUND*
  SA Giants: MTN Group (10)
  Top Performers: MTN Group (115)
- *COMPCARE WELLNESS MEDICAL SCHEME*
  SA Giants: Basread (101)
- *DISCOVERY HEALTH MEDICAL SCHEME*
  SA Giants: Steinhoff (11), Vodacom (19), Anggold (31), Telkom (39), Gfields (42), Implats (46), Altron (48), WBHO (49), Discovery (51), Sibanye (53), Nampak (55), Clicks (57), BlueTel (58), Omnia (60), KAP (62), Tongaat (63), Mr Price (67), Suprgrp (68), Exxaro (70), Capitec (71), LifeHC (73), Adcorp (74), Reunert (75), Tsogo Sun (78), CMH (79), Invicta (80), Astral (86), Clover (90), Hulamin (91), PSG (93), Metair (94), EOH (95), Pinnacle (96), Growpnt (98), Trencor (99), BCX (100), Raubex (102), Net1UEPS (104), Comair (105), Caxton (108), DAWN (111), EHSV* (112), Oceana (113), Timesmed (114), Mustek (117), Iliad (119), Zurich SA (120), Lewis (121), Seardel (122), Merafe (124), BSI (126), Santova (128), Fambrands (129), Itltile (131), CIL (132), Astrapak (133), ELBGroup (138), Esorfrank (139), Metmar (140), Dcentrix (141), ARB (142), Nuworld (143), Value (145), Afrimat (150), Argent (151), DRDGold (153), JSE (154), Advtech (156), Pergrin (157), Ascendis (157), S Ocean (159), Howden (160), Workforce (163), Keaton (170), York (171), Buildmax (174), Morvest (186), Winhold (187), Cityldg (188), Jasco (189), MSHolding (194), Phumelela (197), Cargo (198)
  Top Performers: Adaptit (2), Micromega (3), EOH (4), AEEI (6), Santova (10), Mr Price (13), PSG (18), Afrimat (19), Capitec (23), Seardel (24), Metair (25), Suprgrp (30), Fambrands (31), Conduit (32), Brait (36), Workforce (39), ELBGroup (44), Discovery (45), LifeHC (46), Steinhoff (47), Oceana (48), Howden (49), Invicta (51), CIL (55), Mustek (59), Clicks (62), Itltile (65), Metrofile (66), ARB (68), Vodacom (70), Spurcorp (71), Compclear (75), Pinnacle (76), AME (78), Omnia (81), Huge (86), Nampak (91), MSHolding (92), Pergrin (95), ISA (99), Trencor (101), Telkom (102), Octodec (105), Cargo (107), Growpnt (109), Phumelela (110), KAP (113), JSE (120), Clover (126), BlueTel (128), Cityldg (133), Comair (134), Astral (138), Crookes (144), Lewis (145), Invltd (146), CMH (150), Infrasors (151), Advtech (152), Sasfin (155), Tsogo Sun (156), Rex True (161), Adcorp (163), Af & Ovr (166), Nuworld (168), Zurich SA (169), Morvest (172), Tongaat (173), Value (174), Bowcalf (177), BCX (178), Reunert (179), Net1UEPS (184), Caxton (186), Verimark (189), Gooderson (191), Dcentrix (192), BSI (193), Rangold (194), WBHO (196), Iliad (197)
- *FEDHEALTH MEDICAL SCHEME*
  SA Giants: Implats (46), Reunert (75), Astral (86), Growpnt (98), Zurich SA (120), Insimbi (196)
  Top Performers: Growpnt (109), Astral (138), Invltd (146), Insimbi (149), Zurich SA (169), Reunert (179)
- *FOSCHINI GROUP MEDICAL AID SCHEME*
  SA Giants: Foschni (69)
  Top Performers: Foschni (73)
- *GEN-HEALTH MEDICAL SCHEME*
  Top Performers: Cafca (148)
- *GENESIS MEDICAL SCHEME*
  SA Giants: Vodacom (19), Reunert (75)
  Top Performers: Vodacom (70), Reunert (179)
- *HORIZON MEDICAL SCHEME*
  SA Giants: Clicks (57)
  Top Performers: Clicks (62)
- *INGWE HEALTH PLAN*
  SA Giants: Telkom (39), Foschni (69), Truwths (81), Mustek (117)
  Top Performers: Mustek (59), Foschni (73), Telkom (102), Truwths (129)
- *LIBERTY MEDICAL SCHEME*
  SA Giants: Lib Hold (36), Converge (195)
  Top Performers: Lib Hold (100), Spanjaard (103)
- *MALCOR MEDICAL SCHEME*
  SA Giants: Aspen (45), Omnia (60)
  Top Performers: Aspen (28), Omnia (81)
- *MASSMART HEALTH PLAN*
  SA Giants: Massmart (20)
  Top Performers: Massmart (162)
- *MEDIHELP*
  SA Giants: Dcentrix (141)
  Top Performers: Dcentrix (192)
- *MEDSHIELD MEDICAL SCHEME*
  Top Performers: Trnshex (200)
- *METROPOLITAN MEDICAL SCHEME*
  SA Giants: Implats (46)
- *MOMENTUM HEALTH*
  SA Giants: Suprgrp (68), Illovo (72), Stefstock (87), Bell (103), Caxton (108), Metmar (140), Marshall (149), Afrimat (150)
  Top Performers: Afrimat (19), Suprgrp (30), Marshall (64), Caxton (186)
- *MOTO HEALTH CARE*
  SA Giants: CMH (79)
  Top Performers: CMH (150)
- *NAMIBIA MEDICAL CARE*
  SA Giants: Exxaro (70)
- *NAMMED MEDICAL AID FUND*
  Top Performers: Nictus (182)
- *NASPERS MEDICAL FUND*
  SA Giants: Naspers (25)
  Top Performers: Naspers (20)
- *NATIONAL MEDICAL PLAN*
  SA Giants: Invicta (80)
  Top Performers: Invicta (51)
- *NEDGROUP MEDICAL AID SCHEME*
  SA Giants: Nedbank (26)
  Top Performers: Nedbank (131)
- *NETCARE MEDICAL SCHEME*
  SA Giants: Netcare (41)
  Top Performers: Netcare (61)
- *OXYGEN MEDICAL SCHEME*
  SA Giants: Caxton (108)
  Top Performers: AME (78), Caxton (186)
- *PHAROS MEDICAL PLAN*
  SA Giants: RCLFoods (56), Exxaro (70)
  Top Performers: RCLFoods (187), Gooderson (191)
- *PICK N PAY MEDICAL SCHEME*
  SA Giants: Picknpay (23), Pikwik (24)
  Top Performers: Pikwik (175), Picknpay (180)
- *PLATINUM HEALTH*
  SA Giants: Amplats (29), Atlatsa (152)
- *PRO SANO MEDICAL SCHEME*
  SA Giants: Telkom (39)
  Top Performers: Telkom (102)
- *QUANTUM MEDICAL AID SOCIETY*
  SA Giants: Sunint (76)
  Top Performers: Sunint (167)
- *REMEDI MEDICAL AID SCHEME*
  SA Giants: Medclin (43), Remgro (50), Distell (59)
  Top Performers: Medclin (33), Remgro (77), Distell (104), Trnshex (200)
- *RESOLUTION HEALTH MEDICAL SCHEME*
  Top Performers: Rex True (161), Af & Ovr (166)
- *RETAIL MEDICAL SCHEME*
  SA Giants: Shoprit (14)
  Top Performers: Shoprit (106)
- *SASOLMED*
  SA Giants: Sasol (7)
  Top Performers: Sasol (157)
- *SISONKE HEALTH MEDICAL SCHEME*
  SA Giants: Sibanye (53)
- *SIZWE MEDICAL FUND*
  SA Giants: Sappi (22), Exxaro (70), DAWN (111), EHSV* (112), Timesmed (114), Adcock (115), Buildmax (174)
  Top Performers: Sappi (165)
- *SA BREWERIES MEDICAL SCHEME*
  SA Giants: SAB (5)
  Top Performers: SAB (69)
- *SPECTRAMED*
  SA Giants: Phumelela (197)
  Top Performers: Phumelela (110)
- *SUREMED HEALTH*
  SA Giants: Northam (110)
- *TIGER BRANDS MEDICAL SCHEME*
  SA Giants: Spar (30), Tigbrands (44), Adcock (115)
  Top Performers: Spar (82), Tigbrands (137)
- *TOPMED MEDICAL SCHEME*
  SA Giants: Sanlam (6)
  Top Performers: Sanlam (53)
- *UMVUZO HEALTH MEDICAL SCHEME*
  SA Giants: Sibanye (53), Exxaro (70), Clover (90), Adcock (115)
  Top Performers: Clover (126)
- *WITBANK COALFIELDS MEDICAL AID SCHEME*
  SA Giants: Exxaro (70)
- *WOOLTRU HEALTHCARE FUND*
  SA Giants: Woolies (34), Truwths (81)
  Top Performers: Woolies (38), Truwths (129)

*Suspended

✥ MEDICAL AID ✥

SERVICES

Mobile is where it's at, for now

But locally there are still plenty of opportunities with traditional media

SA's digital footprint is growing at warp speed, with more people every day using mobile devices to access the Internet. A survey published at the end of last year by ourmobileplanet.com found that 29m South Africans use a mobile phone, with 20,5m of them using a smartphone for Internet access.

The study found that of the country's mobile users, 57% hardly ever use a desktop computer anymore, reinforcing the perspective that mobile is the key to SA's rapidly evolving digital advertising scene.

Market research company eMarketer estimates that in 2015 various kinds of mobile phone activities — such as gaming, social media and voice-calling functions like Skype — will help boost smartphone user growth in SA to the seventh-highest rate worldwide, six percentage points above the global average.

The research house expects slightly slower smartphone user growth in SA in 2015, at 22,8%. "In comparison, growth in the global smartphone audience will slow even more next year, by 8,2 percentage points," it says on its website. "This trend will continue through 2018, when the number of smartphone users worldwide will increase by 7,6%. More smartphones translate into more people using the mobile platform to run searches, utilise content, communicate via social media and conduct transactions."

This means advertisers have had to change the way they target SA consumers.

Ted Dhanik, CEO of engage:BDR, a digital advertising company based in California, writes on Entrepreneur.com that people know a great ad when they see one, but getting that ad to the right people at the right time is an art unto itself. He says as innovation in advertising technology renders old tactics obsolete, it also creates new opportunities to reach your audience.

Globally, mobile is where it's at, and where it will remain for the next few years, and the potential audience in SA is huge as the country boasts a mobile penetration rate of 135%.

However, industry players warn that local online marketers would be foolish to pour all of their efforts and budgets into mobile advertising

Smartphones are becoming key to SA's evolving advertising scene

Vicki Myburgh

alone — especially if they're after the majority of SA consumers.

Mobile, while growing rapidly, is still the smallest revenue stream, accounting for R172m (out of R1,3bn) in 2013. This is according to the inaugural Internet Advertising Revenue Report compiled by PwC for the Internet Advertising Bureau (IAB) of SA.

Even though data prices are coming down, and smartphones are getting cheaper, the huge divide between rich and poor in SA means that the majority of the population (estimated at 70,6%) still use feature phones. But that doesn't mean the feature phone market can't be reached. In the feature phone market digital advertising consists of USSD strings, SMS marketing and over-the-top (OTT) messaging campaigns, along with the basic feature-phone-friendly search and Facebook news feed advertising.

That means global and local advertisers can still reach millions of consumers. A PwC report on the SA entertainment and media industry says Internet advertising will account for an estimated R71,6bn by 2018, accounting for 37,6% of total revenues. Within the Internet segment, mobile Internet access spending will take in the most revenue, adding more than R40bn.

"Internet advertising's anticipated compound annual growth rate of 22,7% will be driven by search and mobile advertising, with Google, the most visited site in the country, holding the vast majority of the SA search market. Mobile advertising will be driven by an increase in smartphone penetration," the report says.

Vicki Myburgh, Entertainment & Media Industries leader for PwC SA, says: "Growth in the SA entertainment and media industry is being driven largely by the Internet and by consumers' love of new technology, in particular mobile technology, such as smartphones and tablets, as well as applications powered by data analytics and cloud services. Technology is increasingly being driven by consumers' needs and expectations."

However, she says even though the future may well be digital in SA, as with the rest of the world, progress in the local entertainment and media market will be gradual and there are still plenty of opportunities for "old" and "traditional" media.

Ruan Jooste

ADVERTISING AGENCIES AND CORPORATE CLIENTS

- *ARTIFACT ADVERTISING*
  Top Performers: Taste (12)
- *BASE TWO*
  SA Giants: B-Africa (18)
  Top Performers: B-Africa (160)
- *BASTION GRAPHICS*
  SA Giants: Aspen (45), Implats (46)
  Top Performers: Aspen (28)
- *BLUE PARROT ADVERTISING*
  SA Giants: Adcock (115)
- *COOLE ADVERTISING & PROMOTIONS*
  SA Giant: Implats (46)
- *CREATIVITY ADVERTISING & DESIGN*
  SA Giant: Iliad (119)
  Top Performer: Iliad (197)
- *DAWN MARKETING & DESIGN*
  SA Giants: DAWN (111)
- *DIESELBROOK BRAND CONSULTING CC*
  SA Giant: Tsogo Sun (78)
  Top Performer: Tsogo Sun (156)
- *dotJWT*
  SA Giants: Altron (48)
- *eCREATIVE DESIGN STUDIO*
  Top Performers: Calgro (1)
- *FCB REDLINE*
  SA Giants: Anggold (31),

ADVERTISING AGENCIES AND CORPORATE CLIENTS

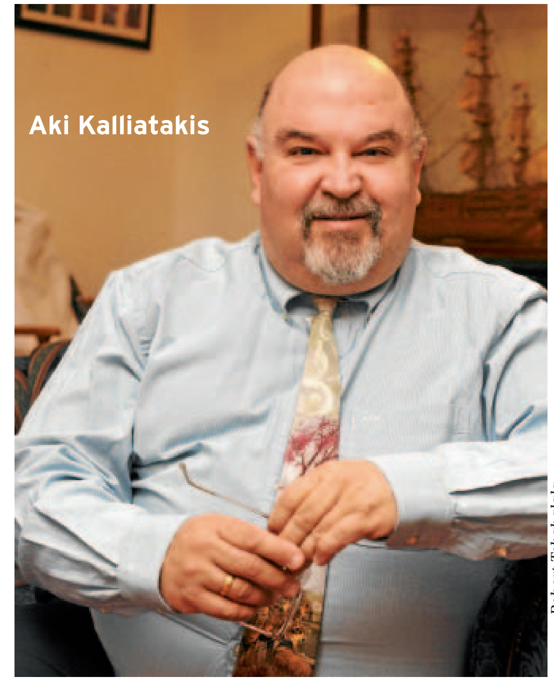
Nampak (55), RCLFoods (56)
Top Performers: Nampak (91), RCLFoods (187)

- *FCB SA*
SA Giants: Firstrand (17), Tigbrands (44), Adcock (115)
Top Performers: Firstrand (54), Tigbrands (137)
- *GAMEPLAN ADVERTISING*
SA Giants: Adcock (115)
- *GLOBAL MOUSE*
SA Giants: Discovery (51)
Top Performers: Discovery (45)
- *GRAPHICOR*
SA Giants: Sovfood (169)
Top Performers: Sovfood (198)
- *GREYMATTER & FINCH*
SA Giants: PSG (93)
Top Performers: PSG (18), Sephaku (72)
- *HKLM*
SA Giants: WBHO (49), AECI (61)
Top Performers: AECI (127), WBHO (196)
- *IDEA ENGINEERS*
SA Giants: Tsogo Sun (78)
Top Performers: Tsogo Sun (156)
- *INCE*
SA Giants: Massmart (20), Altron (48), Suprgrp (68), Illovo (72), Astral (86), Hulamin (91), Metair (94), Santova (128), DRDGold (153)
Top Performers: Santova (10), Metair (25), Suprgrp (30), Astral (138), Massmart (162)
- *INITIATIVE MEDIA SA*
Top Performers: Taste (12)
- *INTIMEDIA*
SA Giants: Growpnt (98)
Top Performers: Growpnt (109)
- *IRELAND DAVENPORT*
SA Giants: Vodacom (19), Altron (48)
Top Performers: Vodacom (70)
- *J WALTER THOMPSON*
SA Giants: Lewis (121)
Top Performers: Lewis (145)
- *JOE PUBLIC*
SA Giants: Nedbank (26), Amplats (29), Clover (90), Adcock (115)
Top Performers: Clover (126), Nedbank (131)
- *KASHAN ADVERTISING*
SA Giants: Argent (151)
- *KING JAMES GROUP*
SA Giants: Sanlam (6), Tigbrands (44), Comair (105)
Top Performers: Sanlam (53), Comair (134), Tigbrands (137)
- *LOWE & PARTNERS SA*
SA Giants: Adcock (115)
- *ME GRAPHICS*
SA Giants: Adcock (115)
- *MARKETING CONCEPTS*
SA Giants: Growpnt (98)
Top Performers: Octodec (105), Growpnt (109)
- *MAXXMEDIA INTERNATIONAL*
SA Giants: Afrimat (150)
Top Performers: Afrimat (19)
- *MCCANN WORLDGROUP*
SA Giants: Zurich SA (120)
Top Performers: Zurich SA (169)
- *MORTIMER HARVEY*
SA Giants: B-Africa (18), Altron (48)
Top Performers: B-Africa (160)
- *NINETY9CENTS*
SA Giants: Shoprit (14), Capitec (71)
Top Performers: Capitec (23), Shoprit (106)
- *OGILVY & MATHER*
SA Giants: Itltile (131)
Top Performers: Itltile (65)
- *OGILVYONE WORLDWIDE*
SA Giants: Sunint (76)
Top Performers: Sunint (167)
- *ONE KINGDOM CREATIVE STUDIO*
SA Giants: BCX (100)
Top Performers: BCX (178)
- *PHD SA*
SA Giants: Capitec (71)
Top Performers: Capitec (23)
- *PATON TUPPER ASSOCIATES*
SA Giants: Tongaat (63)
Top Performers: Tongaat (173)
- *PRIMA PLUS*
Top Performers: Acucap# (121)
- *PRIME MEDIA*
Top Performers: Alaris (9)
- *PURPLE FROG COMMUNICATIONS*
SA Giants: Wildrness (161), Andulela (200)
Top Performers: Wildrness (188), Verimark (189)
- *RED ROCKET DESIGN & ADVERTISING*
Top Performers: Taste (12)
- *SMART STRATEGIC MARKETING*
SA Giants: Dcentrix (141)
Top Performers: Dcentrix (192)
- *SPECTRUM NOTES & PROMOTIONS*
SA Giants: Adcock (115)
- *SWITCH BRANDING & DESIGN*
SA Giants: MTN Group (10)
Top Performers: MTN Group (115), Invplc (139), Invltd (146)
- *TBWA*
SA Giants: Stanbank (12), Spar (30), Tigbrands (44), Cityldg (188)
Top Performers: Spar (82), Cityldg (133), Tigbrands (137), Stanbank (154)
- *TERRANOVA*
SA Giants: Cargo (198)
Top Performers: Cargo (107)
- *THE AGENCY FOR ADVERTISING & MARKETING*
SA Giants: Telkom (39)
Top Performers: Telkom (102)
- *THE FIRE TREE DESIGN COMPANY*
Top Performers: Gooderson (191)
- *THE HARDY BOYS*
SA Giants: RCLFoods (56)
Top Performers: RCLFoods (187)
- *THE JUPITER DRAWING ROOM (JOHANNESBURG)*
SA Giants: B-Africa (18)
Top Performers: B-Africa (160)
- *THE JUPITER DRAWING ROOM (SA)*
SA Giants: Medclin (43)
Top Performers: Medclin (33)
- *THE MEDIASHOP*
SA Giants: Mustek (117)
Top Performers: Mustek (59)
- *THE NEW BLACK*
SA Giants: Growpnt (98)
Top Performers: Growpnt (109)
- *THE RED PHONE*
SA Giants: Nampak (55), AECI (61)
Top Performers: Nampak (91), AECI (127)
- *TROIKA IMAGINEERING WORKS*
SA Giants: Sappi (22)
Top Performers: Sappi (165)
- *VISIONEERS*
SA Giants: Pergrin (157)
Top Performers: Pergrin (95)
- *WISDOM & YOUTH ADVERTISING AGENCY*
SA Giants: Mr Price (67)
Top Performers: Mr Price (13)
- *YOUNG & RUBICAM SA*
SA Giants: Picknpay (23), Pikwik (24)
Top Performers: Pikwik (175), Picknpay (180)

 # Delisted

A new kind of dance

Technology has introduced a different set of challenges to how companies should handle public relations


Aki Kalliatakis

Robert Tshabalala

The eye-witness consumer is a growing risk for business, now that social media can broadcast questionable behaviour by businesses at the touch of a button.

The danger was highlighted recently by an incident at a Braamfontein KFC outlet in Johannesburg, where employees scattered chicken pieces on the ground and hosed them down. The scene was caught on camera and footage was then posted on social media, provoking scathing comments from countless consumers.

A statement issued by KFC said the chicken in the images had not met its quality standards and was never intended to be sold to the public. "The Braamfontein store had set it aside for disposal," read the statement. The KFC statement assured consumers the brand follows strict food disposal processes, adding that KFC had dealt firmly with the store owner and those involved. The store was closed for a few days while the situation was being investigated.

"You can issue denials. You can post your version of events on your website. You can release a press statement. It doesn't matter," says Aki Kalliatakis. managing partner of The Leadership Launchpad, a consultancy dedicated to sustainable improvements in customer service. "By the time you react, considerable reputational damage will have been done. You can't eradicate powerful images with a corporate statement."

Last year Cell C faced a similar challenge when a customer placed a huge banner next to a highway complaining about "useless" service. Cell C took legal action, only for the judge to rule that criticism containing fair comment is protected. The issue received extensive play on social media.

The PR industry has had to be very flexible over the past few years, says Ingrid Lotze, director at join.the.dots and vice-president of the Public Relations Institute of Southern Africa (Prisa). "We've had to be on top of the game, relevant and open to change. There are more

Robert Tshabalala

Keeping the public informed during an extortion campaign enhanced Pick n Pay's reputation

Gallo Images/Sunday Times/Simphiwe Nkwali

Cell C's response to this caused some damage to the firm

vying for the same talent in digital, video, creative, content and other disciplines, and we have to up our game at every turn just to keep up with the advertising and digital agencies that are keen to eat our part of the marketing-mix pie.

"Now we're seeing a move towards content creation in all forms — from digital, video, design, animation and other specialities," she says. "The industry is shifting and morphing to accommodate for brands being their own producers of content. So, there is a renewed focus on content amplification — not just getting it out there, but also maximising it with paid support, promotion and repurposing it."

Lotze says crisis communications is a delicate internal dance that requires the communicators, management, the people at the coalface and the legal department to all be fully informed and appraised of the situation and its risks. Then there's a need to step in time with one another to allow for timeous internal and external communications as well as fast operational responses that address the crisis with precision and immediacy.

"Timing of this dance is critical and the PR practitioners cannot only help with the drafting of the key articulation, official announcements and collateral development. They can also be the vital bridge between all parties and the choreographer in the interplay between all key people involved in the crisis," she says.

She uses Pick n Pay as an example. The company was a victim of an extortion campaign in 2003 when a disgruntled individual placed poisoned products on store shelves. "They kept the public informed as the crisis developed until the blackmailer was caught and the products removed," says Lotze.

The way government handled Nelson Mandela's illness, and the communication of the cause and effects of Eskom's generation problems are examples of what not to do. "Because they do not keep us informed we view them as public enemy number one."

A PR practitioner can usually give all of the advice necessary to deal with a crisis, such as being open and honest, staying transparent throughout the situation and consistently keeping target audiences up to date through the various media channels. "All of this is good and well, but if management does not lead the way, we get situations like Eskom — where all trust is broken," says Lotze.

Ingrid Lotze

In the past, 80% of media coverage and information about the brand was influenced by public relations. "However, a single tweet from a celebrity can do more damage than can be corrected by your entire advertising budget, and it holds the power to either make or break your reputation in under a second," she says. *Ruan Jooste*

PUBLIC RELATIONS AGENCIES AND CORPORATE CLIENTS

- *ANNE DUNN COMMUNICATIONS* **SA Giants:** Tigbrands (44) **Top Performers:** Tigbrands (137)
- *APRIO STRATEGIC COMMUNICATIONS* **SA Giants:** Implats (46), PanAfric (130) **Top Performers:** PanAfric (52)
- *ARIEL ASSOCIATES* **Top Performers:** Cafca (148)
- *ATMOSPHERE COMMUNICATIONS* **SA Giants:** Sanlam (6), Capitec (71), Comair (105) **Top Performers:** Capitec (23), Sanlam (53), Comair (134)
- *BAIRD'S RENAISSANCE* **SA Giants:** EHSV* (112)

❖ PR AGENCIES ❖

SERVICES

PUBLIC RELATIONS AGENCIES AND CORPORATE CLIENTS

- *BELL POTTINGER FINANCIAL & CORPORATE* **SA Giants:** Richmont (9), PanAfric (130) **Top Performers:** PanAfric (52), Richmont (60)
- *BRIAN GIBSON ISSUE MANAGEMENT* **Top Performers:** Rangold (194)
- *BRUNSWICK (SA)* **SA Giants:** Anglo (3), MTN Group (10), B-Africa (18), Massmart (20), Sappi (22), Gfields (42), Omnia (60), Iliad (119), Advtech (156) **Top Performers:** Omnia (81), MTN Group (115), Invltd (146), Advtech (152), B-Africa (160), Massmart (162), Sappi (165), Iliad (197)
- *CALIBRO COMMUNICATIONS* **SA Giants:** Shoprit (14) **Top Performers:** Shoprit (106)
- *CARDEW GROUP (UK)* **SA Giants:** Lonmin (83)
- *CORPORATE IMAGE CONSULTANTS INC* **SA Giants:** Vodacom (19), Picknpay (23), Pikwik (24), Mr Price (67), Oceana (113) **Top Performers:** Mr Price (13), Oceana (48), Granprade (67), Vodacom (70), Pikwik (175), Picknpay (180)
- *DINATLA INDUSTRIES* **SA Giants:** Howden (160) **Top Performers:** Howden (49)
- *ENVISAGE INVESTOR & CORPORATE RELATIONS* **SA Giants:** Esorfrank (139), Afrimat (150), Morvest (186) **Top Performers:** Afrimat (19), Morvest (172)
- *EPIC COMMUNICATIONS* **Top Performers:** Metrofile (66)
- *FCB REDLINE* **SA Giants:** MMI (37), RCLFoods (56) **Top Performers:** MMI (87), RCLFoods (187)
- *FTI CONSULTING* **SA Giants:** Anglo (3), Mondi (15), Redefintl (181) **Top Performers:** Mondi (42)
- *FINSBURY* **SA Giants:** OldMutual (28) **Top Performers:** OldMutual (74)
- *HG STRATEGIC COMMUNICATIONS* **SA Giants:** DAWN (111), Jasco (189)
- *HEIDI ROLFE STRATEGIES* **SA Giants:** DAWN (111)
- *HILL & KNOWLTON STRATEGIES* **SA Giants:** JSE (154) **Top Performers:** JSE (120)
- *HUDSON SANDLER* **SA Giants:** Capco (146) **Top Performers:** Capco (22)
- *INCE* **SA Giants:** Spar (30), Santova (128) **Top Performers:** Santova (10), Spar (82)
- *INSTINCTIF PARTNERS* **SA Giants:** Barworld (21), Illovo (72), Clover (90), Metair (94), Raubex (102), Zurich SA (120), Capco (146) **Top Performers:** Capco (22), Metair (25), Octodec (105), Barworld (125), Clover (126), Intuprop (159), Zurich SA (169), Sacoil (190)
- *INVESTOR COMMUNICATIONS* **SA Giants:** Fambrands (129), Ititile (131) **Top Performers:** Fambrands (31), Ititile (65)
- *JOE PUBLIC* **SA Giants:** Adcock (115)
- *KEYTER RECH INVESTOR SOLUTIONS* **SA Giants:** Suprgrp (68), Astral (86), Stefstock (87), ARB (142), Afrimat (150), Wescoal (182) **Top Performers:** Afrimat (19), Suprgrp (30), ARB (68), Astral (138), Wescoal (153)
- *LANGE STRATEGIC COMMUNICATIONS* **SA Giants:** Foschni (69) **Top Performers:** Foschni (73)
- *LOWE & PARTNERS SA* **SA Giants:** Adcock (115)
- *LUXURY BRANDS CC* **SA Giants:** Ascendis (157)
- *MACMILLAN COMMUNICATIONS* **SA Giants:** Cityldg (188) **Top Performers:** Cityldg (133)
- *MAGNA CARTA* **SA Giants:** Stanbank (12) **Top Performers:** Stanbank (154)
- *MAKINSON COWELL (UK)* **SA Giants:** OldMutual (28) **Top Performers:** OldMutual (74)
- *MARKETING CONCEPTS* **SA Giants:** Growpnt (98), Vukile (166) **Top Performers:** Vukile (37), Growpnt (109)
- *MEROPA COMMUNICATIONS* **SA Giants:** Woolies (34) **Top Performers:** Woolies (38)
- *OGILVY PUBLIC RELATIONS* **SA Giants:** Discovery (51) **Top Performers:** Discovery (45)
- *PR CONNECTIONS* **SA Giants:** Dcentrix (141) **Top Performers:** Dcentrix (192)
- *PR WORX* **Top Performers:** Taste (12)
- *PROOF COMMUNICATION AFRICA* **SA Giants:** Petmin (192)
- *PURPLE FROG COMMUNICATIONS* **SA Giants:** Andulela (200)
- *RUSSELL & ASSOCIATES* **SA Giants:** Northam (110), Atlatsa (152), DRDGold (153), Village (158) **Top Performers:** Diamondcp (57)
- *SERENDIPITY CC* **SA Giants:** Afrox (107)
- *SHAUNEEN BEUKES COMMUNICATIONS* **SA Giants:** Aspen (45) **Top Performers:** Aspen (28)
- *STONE CONSULTING* **SA Giants:** Medclin (43) **Top Performers:** Medclin (33)
- *STRATEGIC PUBLIC RELATIONS GROUP* **SA Giants:** Tsogo Sun (78) **Top Performers:** Tsogo Sun (156)
- *TERRANOVA* **SA Giants:** Cargo (198) **Top Performers:** Cargo (107)
- *THE FIRE TREE DESIGN COMPANY* **Top Performers:** Gooderson (191)
- *THE RED PHONE* **SA Giants:** Nampak (55) **Top Performers:** Nampak (91)
- *TIELLE COMMUNICATIONS* **SA Giants:** Metmar (140) **Top Performers:** Hosp (164)
- *TIER 1 INVESTOR RELATIONS* **SA Giants:** Clicks (57), Lewis (121) **Top Performers:** Clicks (62), Lewis (145)
- *WAGGENER EDSTROM COMMUNICATIONS* **SA Giants:** Mustek (117) **Top Performers:** Mustek (59)
- *WATT COMMUNICATIONS* **Top Performers:** Adaptit (2)

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