S1 2018 Earnings Call

Company Participants

- Anton Gildenhuys, Chief Actuary and Chief Risk Officer
- Heinie Werth, Financial Director
- Ian Kirk, Chief Executive Officer
- Junior John Ngulube, Chief Executive Officer of Sanlam Emerging Markets
- Jurie Strydom, Chief Executive of Sanlam Personal Finance
- Mike Brown, Investor Relations
- Robert Roux, Chief Executive Officer of Sanlam Investments

Other Participants

- Francois Du Toit, Analyst
- Larissa Van Deventer, Analyst
- Unidentified Participant

Presentation

Mike Brown {BIO 20312528 <GO>}

Right, so good morning, ladies and gentlemen, I'm Mike Brown from the Investment Analysts Society. We're being hosted today by Sanlam Limited. This is the Interim Results for the period ended 30th June. Sanlam was founded in 1918, so they are a 100 years old, sometime this year. Congratulations in getting to centenary, that's a lot better than most of our Proteas batsman can do is to get a 100 in important games, but it's a big achievements, and Sanlam is not a company that looks like it's 100 years old, it's dynamic, it's growing, it's -- as we will hear this morning. Another anniversary is that you were listed in 1998, so it's 20 years since your listing which is kind of the demutualization of Sanlam, which took place in 1998. So, there is a couple of anniversaries and congratulations to the whole Sanlam team on that.

The -- I'm well aware and I think our members of the society are well aware of how much effort goes into presenting the slides and all the documentation for a presentation of the sort and we really do value that and we value the fact that the whole team from Sanlam comes up from Cape Town through the border post to come and see us and to give us this opportunity and to also be able to network with us. So, with any further ado, I'd like to ask Ian Kirk, the CEO of Sanlam, to come and do the presentation. Thank you very much indeed, Ian.

Ian Kirk {BIO 1778703 <GO>}

Thank you -- thank you, Mike. Good morning, ladies and gentlemen. This is special for us to have you here with us today in the 100 years and the 20 years since the listing. And it's very, very kind for you to spend time and take time out and come and spend that time with us. I know this financial results season is in full swing and many of you are busy with that and then I suppose also there's some counting on down there in the Parliament in Cape Town that probably some of you have had some interest in having -- keeping an eye on that one, so as we are and so thanks for giving us the time.

Let me start by just welcoming one or two of my colleagues who are here, some of the Ex-Co members are here. Anton is with me, Jurie is here, Heinie obviously, and Junior, Vikas is here, and Patrick on the Investor Relations side.

I think also we have some Board -- Temba is here I think, Temba Mvusi. Carl is here and Robert Roux here, I think as well, and then on the Board side, Mathukana Mokoka is here. Mathukana is the new member on the Audit Committee. So she is hired to make sure that the results that they approved the other day are the same ones that we are presenting with you now. And that's what Audit Committees these days have got to do apparently, I'm told.

Okay. So let's get straight into it, I'll talk a little bit about the strategy and the operating environment, I'll do that, then Heinie will take us through the financial review. Junior will then talk about the pan-Africa opportunity. Obviously, you'd be aware of the transaction we announced with SAHAM earlier in the year. So Junior will tell us where we are in terms of that transaction and also the game plan on the assumption that we get to conclude the transaction. Then I'll come back and talk a little bit about strategic priorities and then the outlook.

Now we talk about the strategic review that we do every year, of course, we've just completed it now internally within the Executive and we presented to the Board and the strategy that you see here is the same strategy you see essentially, which we've been following for quite some time. We don't make any apology for that, it's working for us. Of course, we have to make some tweaks here and there, and we've done that and I'll talk a little bit about the priorities that we've picked up for the next six months and certainly for the next 12 months. But the vision is really to lead in the market as we define it, wealth creation management and protection, and to lead a broad base of leadership across a range of stakeholders, that's not just the shareholders and the management in that. And then to get ourselves to a leading position pan-Africa with a meaningful presence as a diversifier, India, Malaysia, a niche role to support the South African and African clients, institutional and retail in the developed market based in the UK.

The strategic intent around sustainable value creation and then the five strategic pillars that we've had for some time. We use those pillars extensively in all the businesses, all 200 businesses now in the Group. And we ensure that all those businesses and all the clusters focus on the five strategic pillars that are listed there and there's been no changes, and as I said, it's working for us and there's no need for change. And the wonderful thing about that I think -- the wonderful opportunity we've had about the solid strategy is that we can continue to ensure that we have alignment with all the people and the people focus on the execution of the strategy and they are not confused about what we are about at Sanlam. And it's wonderful to lead the organization when people actually buy into the delivery of the strategy. And that's -- it's a nice position to be in.

Okay. So it's about -- on the shareholder value side, it's around the RoGEV target, that's the primary measure, which is the risk-free rate plus 4% and that's now running at 13% and we've consistently delivered than that. We did again in the six-month period on the actual basis and even more so on an adjusted basis. That's particularly pleasing, that's the primary measure, and then of course, on the dividend side, you know we have, yes, 87% are institutional shareholders, but 450,000 plus individual shareholders and they wait for that dividend and we've managed to grow the dividend because we drive the dividend out of the cash operating earnings and we continue to drive the cash operating earnings up over time and even though we've invested in the emerging market countries over the last couple of years and lifted it of late, the people and Junior and his team, they understand they also need to deliver those returns in particular on the SAHAM side and we need to get the dividend flow coming through from the emerging markets business, which will drive up the cash operating earnings and therefore will give us the ability to continue to keep growing that dividend, which you'll see over a 10-year period has had a compound growth rate now of 12%.

So we -- that's really those two things, really underpin the investment case in Sanlam. So this is just a little bit of progress that we've made albeit over this -- just over a six-month period and I'd go through the four pillars and -- when one looks at the first six months of the year, we've said it's a satisfactory performance in challenging conditions, I think that's right. It is tough, particularly in South Africa, and we're still 65% in South Africa and stuff in Namibia as well, which is an important market for us. Some of the other countries are looking a little bit better. And, but we have -- we've had solid new business growth in the clusters, the VNB is slightly down, but it's really a mix issue. We've maintained the margins in the products, it's the mix. And then on the employee benefits side and also in the Safrican business because we had a six-month period and some of the planned business didn't actually write in the six months, -- we've -- and we actually mentioned that, we have a substantial pipeline, which came in, in the month of July.

So I think those are all factors in that. So we are pleased with the performance. It's been difficult on the investment flows. First quarter was a little bit easier. We saw some bright spots. But it's actually fallen away as you know with the economy in the second quarter. So it's a bit of a tale of two quarters this first six months, and I'll talk about that just now.

And then on the -- on the diversification, you'll see that SAHAM obviously rebounces significantly in the General Insurance side, it will really lift the General Insurance capability because obviously on the Sanlam side in Emerging Markets, we were mainly life, and then obviously it bounces again around the Rest of Africa, we were -- we were very much focused sort of significantly focused in Namibia, Botswana, and then India, Malaysia. Happy to report on Capitec, a nice start there. We wrote the Credit Life business in the second quarter and then we started in April with the funeral plan rollout and that's going very, very well. So it's very promising and that's nice.

Then on the issue about value through innovation, BrightRock's doing very well. That's something we got into last year, and then also Indie has really helped us. It's a digital business. It's helped us in particular with our partnerships with the banks and with the telcos and with the retailers. So it's really helped us in this -- and Jurie and the team have got those two businesses nicely under control now. And then all other businesses, I would say, are doing nicely on the business intelligence and the Big Data. So the demand for this capability that we've put in place under Anton's direction and control has really helped us and we're now into the sort of business use cases. So I think we're adapting very well in that regard.

On the capital side, a couple of nice things to report on which is always good. We've spoken at length to you about the capital releases on the Sanlam Life side and we've bought through another 1.5 billion in this period and that really helped us because obviously we have capital commitments now with the third phase of SAHAM, and Anton will tell you that now we're really coming to the end of -- on the Sanlam's Life side, but he will also say that within the broader Group, there are further capital opportunities. We raised some capital at favorable terms to derisk SAHAM which is that certainly work for us.

And you'll be pleased to see our -- to see that you know that the commitment on SAHAM Phase III, which is a $1 billion commitment we hedged in December, I had a number of conversations with the shareholders around why we hedged, because at one stage, I think we were 800 million negative on the hedge of December because of the strengthening of the rand post the ANC Elective Conference in December. But now you know we're having -- we are now 2.2 billion positive on the hedge. And so I certainly wouldn't like to be closing out the SAHAM phase for -- looking for $1 billion at $15, $16 to the rand, so it's certainly worked for us. So it's been a good story on the capital.

Right. So let's talk a little bit about the operating environment before I hand over to Heinie. Now, you will see here, obviously, with our diversification, we can't just talk about South Africa, so the global scene, you know it well, so America is doing fine at the moment, bit of a disconnect with Europe and the UK. I haven't got the whole morning to talk about it, but I have my own views as to how long that scenario can work for America. The Rest of Africa looking a little bit better, obviously Nigeria and Angola have some issues on the currency that of course some complications, but things are looking better, the oil prices rising there. Namibia is really in line with South Africa in the struggle. India, Malaysia is the most attractive opportunity that we've got, so things are really looking very, very solid there. We said last year we're into -- looks like we're into a multi-year growth on India investment-led and it's going well.

So now, when we talk about South Africa, of course, and I mentioned it earlier, it's really been in the six-month period with two different quarters. First quarter, things were looking a little bit better. We had better flows on to the Glacier platform. It looks like consumer confidence was up a little bit and investor confidence was up a little bit, but then the second quarter has been very, very difficult, and it's difficult now, and of course, apart from the fact that whilst we reset in December into emerging markets, emerging markets went negative in the second quarter for all the reasons that we know to do with the trade concerns and oil et cetera stuff. As emerging markets came out under pressure, and then of course, South Africa, we had a couple of announcements which created a lot of anxiety with investors, but first, of course, we couldn't resolve the mining charter. The second issue about land and the risk on land withdrawal without compensation causing a lot of concerns and then of course we had NHI which we know -- none of us here would argue against the principle of universal healthcare, but the simple fact is, we have not the money and the essential resource to deliver -- and we don't have the operational resources to deliver, and then of course, the real big problem is these -- the fiscal position, which is clear after many years of mismanagement. Chickens have come home to roost and in particular in the state-owned companies which the state is just not in a position to capitalize those businesses.

So those four things have really caused a lot of complications and investor confidence is down and now everyone is blaming everybody else and we all work -- we have to -- we have no choice, we have to work together with government. Government clearly doesn't have the capability to get us out of the situation. The private sector has some resources, but needs an environment in which policy certainty is there and it's time really for the single-minded focus on inclusive growth getting people off the streets, getting them into work and that any sort of announcements that around popular stuff just doesn't -- just doesn't work because we are not in a position to deliver that kind of thing.

So I think, and I'll come back to have a seat at the end, but it's been a difficult -- difficult period. So I think when one sees the results that we delivered in this time, and again, Heinie, I don't want to steal his thunder, but very, very solid results, really speaking to the strength of the businesses we've got in South Africa and the diversification of the Group is also working for us as well, but difficult times.

So Heinie, I'm going to ask you now to take over and take us through the financials . Thank you.

Heinie Werth {BIO 7529974 <GO>}

Thank you. Well, thank you, Ian. Morning, everybody. I think Ian has done a good job to sketch that it's obviously a very, very volatile period we are in. The year started with a bang in the positive direction and then things started to become realistic and the volatility just continued every which way every week or every day. I'm glad he mentioned it because December-March wasn't a nice period when we were totally out of the money. But having said that, that might change in the next week or five, things are just so volatile. But where the Group is holding out well, is the diversified portfolio, which is really carrying us. I an has referred quite a bit to the economic environment or the political environment and everything.

If you look at four factors that really impact heavily on the other results, not ours, but all economy, the industry. We've seen a spike in the short-term or in the longer-term interest rates towards the end of the six months, so that had a bit of a negative impact on our value of new business and our Group equity value. Then quite a mixed bag, on the exchange rate, for most of the six months, the rand was very strong impacting negatively obviously on the our emerging markets and Sanlam UK returns, but then right at the end, the rand weakened, and that obviously helped us quite a bit on the Group equity value at the end of the period.

Santam, I don't know whether Lize is here, but we're not going to spend too much time on Santam today, they really had excellent results. We didn't have the same catastrophic events that we had last year, not to -- nearly to that same extent and that really helped Santam. The stock exchange, the volatility is causing that we are seeing pressure on the fees in Sanlam Investments and then obviously also the strong rand is impacting on them. So those four factors, a volatile stock exchange, the rand being strong, but then also weak, strong underwriting results at Santam, and the changes in the interest rates had quite a impact on our results.

On the highlights, we exceeded our hurdle rate that we set for ourselves 400 basis points above the risk-free rate. We exceeded that quite well both in absolute terms, but also on adjusting it for to be comparable. Exceptional underwriting performance at Santam, 8.5% compared to the upper end of 6%. We had strong operating growth in Sanlam Emerging Markets and Sanlam Corporate, but on the low lights, we did not do well in East Africa, and Junior in his Africa presentation, I'm sure he will focus a bit on that.

One of the highlights, because every time when we do results, we also get lots of questions on our experience variances and we are glad to say that came out very, very strong for the first six months, and I'll come back to that a bit later.

We've seen good volume flows. The year started off very well. You might recall last year we said retail flows especially on single premiums were not up to scratch. We have really seen a bit of a turnaround on that, on the Glacier side, but that also caused that the mix have changed a bit to lower margin products on the Glacier side. We saw extremely good flows into Sanlam Sky's business, and even if you exclude, we'll show you later, even if we exclude the business we are getting from Capitec from that relationship, a very, very strong performance in Sanlam Sky.

Strong volumes in Sanlam Emerging Markets, which is good because this is where we invest a lot of money. Ian has already referred to the first time contribution of Capitec. We think this relationship is going to help us during these difficult times. And then Ian had referred to it, and this is not like an excuse but it is lumpy business. Last year, the first six months, we had some very good inflows in Safrican. We had a strong pipeline in Sanlam Employee Benefits, and just to put it in perspective, post June, we already had more than 5 billion of flows coming into Sanlam Employee Benefits and where we were lagging in Safrican, we caught up totally in terms of new flows post year-end. But we'll keep that good news in the year-end results, we might need it given this environment, but we just want to tell you it's -- there's good news.

Operating profit per share up 7%. The issue of the new shares obviously, because we don't yet have SAHAM concluded, this had pulled down operating profit per share worth about 1%. Normalized headline earnings up 8%. New business volumes, so volumes overall, I want to say flat, quite a bit of a mix in the business. We have seen a lower growth in our recurring risk premiums, a very solid growth in our recurring saving premiums. But this mix changes caused our value of new business only to be up 1%.

The value of new business, especially in the case of Emerging Markets, were a bit hammered by the strong rand during the period. And then also the increase in interest rates in South Africa right at the end had a quite a bit of the impact on Sanlam Personal Finance and value of new business. So if we put ourselves on a comparable basis to end of December, we would have had about a 6% increase in value of new business, still I want to show you below what we will find acceptable or what we strive as a business for.

Margin slightly down, but not too much of a concern for us at the moment and then fund flows slightly down on last year. Group equity value 61% -- ZAR61, slightly up on last year, but that's obviously post the dividend that we distributed and we therefore really talked about our return on Group equity value exceeding expectations.

Sanlam Personal Finance, I would say, under difficult circumstances, a very good set of results. Volumes are up 8%, but I have referred to Sanlam Sky, Capitec, we got the Credit Life scheme, we started to sell funeral through them, but only in May, June, so very little impact yet from the funeral side, but quite a nice contribution on the Credit Life side and as I've said the rest of Sanlam Sky growing 23% in a extremely competitive market. The recurring premium business in Sanlam Personal Finance also up 29%, but that growth came mostly from saving products.

The risk premiums, recurring risk, more flat, but we had two years of very good growth there. And then Glacier, a bit of a slowdown in the more profitable life investments, but uptick in the, let's call it, the traditional Glacier business. Overall, a nice increase in the net flows. The value of new business however up 6%. If you adjust for interest rate, it would have been 10% on a like-for-like basis, but 6% using the actual interest rate at the end. Sanlam Sky, solid growth there, 20%, and recurring, there was a cost relocation or reallocation between recurring premium business and Glacier which distorts this number. That's why Glacier came out I want to say worse than it really the case is and the recurring premium better. But overall, in difficult times, a good set of results.

Operating profit, I think we cautioned that because of the many new initiatives we are busy with in Sanlam Personal Finance, there's quite a few initiatives in the middle market and in the entry level market. So those new initiatives, if it wasn't for that, our profits would have been 2% positive which is still low, but it is new business strain and investing in the new initiatives and we would expect that profits to emerge gradually over time. So, Sky up 8%, the recurring premium business up 10%, and Glacier mostly because of the cost of relocation -- reallocation down.

The value -- the Group equity value slightly lower than what we would like it, but on a normalized basis, higher than our hurdle rate. Persistency, we'll come back to that as well, when we look at experience variances, but holding out well both in the middle market and the entry level being these difficult times.

Sanlam Emerging Markets, I think it's fair to say it's quite a bit of a mixed bag. The new business volumes up 16%. If we strip out structural activity, it's only up 7%, very good growth in Namibia, you will see it in our value of new business as well. Botswana, last year, we had some strong flows on the investment management side in the first six months, which we didn't have this year, but again, you will see when we get a value of new business, the mix have changed positively again. Rest of Africa, with SAHAM, a very good growth in volumes. India, reasonable good growth, strong growth on the life side, but of slower growth in the general insurance side. Malaysia, still not the turnaround that we want it to be, but you will see on our value of new business also there a nice turnaround.

So overall a positive net funds flow on that side. So on the value of new business side, this does not look good, because minus 9% doesn't look good if you bring it in line with the volumes, but this is where structural growth and had a big impact. Now we had Ghana. Ghana was really a solid business and a solid contributor. So if we adjust for structural activities to be on like-for-like and if we adjust for the currency, VNB is up 10% which is -- it's little bit lower than what we would like it. The minor reason for it being down is East Africa not delivering to expectations, I'm generalizing, but we are not in Uganda and in Kenya, we're not delivering to expectations, but Junior will come back to Africa. India, up nicely. Malaysia, admittedly a small base, but also moved in the right direction.

On the operating profit, a strong performance, I want to say, notwithstanding Namibia being down. Now Namibia is down because we really had strong new business strain in that market. The entry level market is doing extremely well in Namibia. Botswana, profits slightly down, but again, if we looked at the previous page, the value of new business nicely up. Other markets, other than Malaysia, Malaysia, we struggled on our life claims and that pulled us down in that market. But overall, India, now India, I have to say, last year, in the first six months, we were quite conservative in some provisioning, which didn't reoccur, but overall, I would say a solid profit contribution from Sanlam Emerging Markets, and the Group -- the return on Group equity value well exceeding the hurdle rate for this cluster.

Sanlam Investment Group, really a difficult period, we -- last year, we had very good strong inflows in the first six months. This year, on the institutional side, we didn't see it reoccurring, so volumes down, and if you then pull that through to the operating profit of the different businesses, stock market volatility, we told you last time, especially the Steinhoff exposure, of course, that's not basically to meet our benchmarks on the investment side. So we had lost less performance fees over the six months, so in South Africa, the profits are down with 8%, the wealth management cluster holding out well in these markets.

International are down, but that is predominantly also due to the exchange rates and we had some higher tax there that we had to provide for. Specialist Finance or the old Sanlam Capital Markets, which basically now take care of all the Sanlam business, slightly down, but I mean this is a business that is faced with credit and I think it's fair to say we don't have mess-ups there, but it's not the easiest period to be in credit business and we rather took I think some conservatism in our results for the first six months, but the cluster not meeting our hurdle rates for the reasons mentioned.

On this slide, you will see, we basically you can see on the -- how we performed through benchmarks, third-party portfolios are really holding out for reasonably well but below benchmarks and therefore not getting the performance fees from either third parties or from Sanlam. Now the Sanlam looks bad relative to the hurdle, but this is really missing it with a few basis points. It's like missing it with 3 basis points or so. So again, it's not a big issue. But the fact is you miss the hurdle and it impacts on the profits.

Santam, as I said, I don't see Lize. So it's not because she's not here, but they've already done their results, it was so good that we don't have to spend much time on this. So, really a very, very solid set of results due to the -- not but due a lot to the non re-occurrence of the catastrophic events. But really great results.

Sanlam Corporate, decent results, volumes up 25%, recurring risk up 23%, I've already talked about 5 billion of investment flows coming in, in the month of July and August and then profit up 26%. It was the first time inclusion of ABSA, actually some consultants. But even with that, it did not make such a material impact for the last two, three months. So, a very solid growth in operating profit. We do however acknowledge when we look at our competition, and Ian will come back to that, that there's still a lot of scope and opportunities left for this business if we look at ourselves relative to the market out there, but overall achieving hurdles as well during this period.

Putting everything together and looking at the Group realistically, not going to spend too much time on this. We've talked about Sanlam Investments, the only area where volumes are down. For the rest, in all the clusters and all the business lines, our volumes nicely up also on a net basis other than for Sanlam Investments.

Net value of new business only up 1%, but if we put it on a like-for-like basis, it would have been up 6%. Margin slightly down, but when we analyze it in detail, there's no specific area that we're really concerned about. We have seen mix changes as I've said in Sanlam Personal Finance in the middle and more affluent market, but we think some of that will correct given the business we get now from Capitec, the EV business concluded and all of that.

This trend line, we would like to pick up again. So it is slightly down. The new business margin, but we are quite confident that it will pick up in the rest of the year. Operating profit up 8%, consistent currency up 10%. Personal Finance is the one we know it will be low for the next year also, but I think the management team also understand that when we -- the expectations on the value of new business side is quite high.

But overall, we think the Group's performance was satisfactory performance in these volatile times. If we look at our normalized headline earnings up 10%, per share 8% given the shares we issued in the month of March. But we've seen a nice uptick there in our investment return that is because we had more capital and investment during this period. But overall, a satisfactory return on this level.

Group equity value, Personal Finance and Investment cluster slightly below our hurdle rates, however, if you normalize them, they are very close, SPF are then higher than hurdle rate. Personal Finance fall slightly below what we would want it to be. But overall, the Group exceeding the 13% hurdle in actual terms, 13.7%, and also if we normalize it, very solid 18.2% . I have to caution, the 18.2% will not be sustainable for the full year. Of course, the Santam share price ran quite a bit over the first six months and also included in here is the adjustments, the capital releases, with the cost of capital coming out from that.

So we would rather say Anton it should be 1% or 2% lower for the full year, most likely, hopefully not more than 2% but -- So coming to -- closer to the end of my presentation. Group equity value earnings 7.5 billion, the highlight in that is the experience variances, and as you can see on the left hand side, ZAR1 billion. I don't want to say normally we did that in a year, this year, we did it in six months, that will be a bit arrogant because the 1 billion includes on the right hand side, you will see ZAR280 million, because of the capital that we released, we don't have at all to touch, there is no capital charge anymore for that. So please, that is a one-off number. Last year, it was 95 million, this year 280 million, just there may be further Group releases, capital releases over time, but it won't be to this type of level.

But even if you exclude that, a very solid set of experience variances, more than 700 million for the first six months, and again, what we really are pleased about is that it comes from various sources, it's on our working capital profit, its on credit spreads, it's really a variety, and that help it to be a bit more resilient. The only negative, now I showed you earlier, retention persistency is holding out well, but it is in that area where you can see there's pressure on the consumer to really keep the policies on the books. So slight negative adjustment or experience variance there. Given the size of Sanlam, we don't think it's material, but it is something we have to watch carefully.

Over time, we exceeded our hurdles we set for ourselves by quite a margin, and then the story on diversification is continuing, that is where Junior is going to talk a little bit about Africa now. South Africa still remains big in our lives, even post-SAHAM, it will be 65% plus when you look at geographic diversification and that is why the economic situation in South Africa plays such a big impact on our results going forward.

On the line of business, also here, the SAHAM conclusion of that, we still think it will be concluded in towards the end quarter three, quarter four, and that will change this picture going forward. So that's a lot from my side. We really think it is volatile times. We don't think it, we see it, and we believe it is a satisfactory results in quite difficult times. Junior, from that, over to you.

Mike Brown {BIO 20312528 <GO>}

Thank you. Thank you, Heinie.

Junior John Ngulube {BIO 19560361 <GO>}

Thank you very much, Heinie, and welcome. I'm going to share with you our Africa strategy and then within that position, the new SAHAM acquisition that part as well as the continued participation by Santam going forward. Ian has already indicated that diversification is one of our key pillars, and SEM, I would refer to it as a diversified diversifier for the Group.

And obviously, we are active in most of the main countries outside of South Africa. And if you look at the GDP performance of many of the countries relative to South Africa, the five-year period going backwards to 2012, most of them outperformed South Africa. If you look forward, these are all bank figures, to 2022, the same picture pertains, they continue to outperform South Africa. You can also observe a few specific growth regions, I would like to highlight particularly the Francophone countries, they tend to have good GDP numbers, Ivory Coast, Senegal, Mali, Burkina Faso, Cameroon. East Africa also stands out, the likes of Ethiopia although are not there, Tanzania, Kenya, Uganda, good GDP numbers.

We see a strong FDI, Foreign Direct Investment, I think this will continue for a while, for the natural resource-driven economies, the price of oil, I think is going in the right direction for most of them. Therefore, we do see an opportunity going forward in our emerging markets.

A strong GDP growth naturally drives insurance penetration through per capita incomes going up as well as disposable income, this is how it works through the system. We also observe that in mature markets, you tend to have life predominating; in the nascent markets, it's generally your general insurance business. If you look at South Africa, for example, roughly 75% of the total premiums are life, 25% non-life, if you look at the rest of the continent, it tends to be the other way round, 75% general insurance and 25% life, and therefore, one would need to position themselves accordingly, when looking at the space outside of South Africa.

There are a number of drivers for insurance penetration, not least GDP that I've already spoken about. Africa has a very strong what we call demographic dividend, a young and growing population, a workforce for the future, we see strong consumer demand in many of the African countries, and more recently, technology-enabled consumption and here the mobile technology has played a key role. We have Vodafone Pesa in Kenya. Interestingly enough, Zimbabwe's another currency called EcoCash, which is payment through the mobile system, is probably one of the most commonly used. This facilitates, for example, Bank Assurance in some of our key markets, that is very important.

We see also regulatory changes in some of the markets supporting insurance penetration. There are a number of changes in legislation around retirement in a number of countries. We see compulsory insurance being introduced in quite a few countries, for example, countries like Angola, marine on an FOB basis is now compulsory, and there are many such examples where regulation supports insurance penetration. That is the background.

And then if I look at the SAHAM Finances' acquisition, in this context of a growing Rest of Africa -- growing Rest of Africa economies, it is a key component of our pan-African strategy. There are three components there, Sanlam Emerging Markets as you knew it; Santam, our partner; and SAHAM Finances itself. SEM has a very strong life footprint, that's where the business started with some general insurance start-up type businesses. Santam is the repository of general insurance expertise for the Group in South Africa and through the UMAs as we call them the underwriting managing agents, has the specialist classes of business expertise as well as reinsurance. And to complement all this, SAHAM Finances has a very complementary footprint to that of ours. We are in 33 countries on a combined basis and only available in three countries, which is quite exceptional. Their history is in GI business, quite opposite to Sanlam Emerging Markets and their life businesses are also young compared to ours. They have a very strong assistance business and assistance in this case is similar to what the automobile association would offer in South Africa, as well as a strong health business, they have 2.5 million lives that they administer in Morocco alone, another million in the rest of Francophone Africa, so they have the (inaudible) to contribute to the wider Group in this area. And as I've already said, their life businesses are characterized by start-up business.

So if you look at the three partners, there is a lot of complementarity. This gives us opportunities to drive organic growth in our current Sanlam Emerging Markets general insurance businesses under the guidance of SAHAM. The reverse is also true. We will grow SAHAM life businesses with the support of Sanlam Emerging Markets, new products that we'll introduce in our existing markets, assistance and medical, this has already started in East Africa and then we'll work with Santam to drive specialist classes of business. And then Santam will also play a meaningful to grow third-party reinsurance across the continent.

One of the key benefits that we see is in the area of providing a service to multinationals, be they South African multinationals active on the continent or from Europe or elsewhere. Because of our footprint, we're well positioned to provide them with P&C covers as well as employee benefits and have -- within SAHAM, we have SAHAM RE which is an internal reinsurance optimization vehicle, we will continue to use this at SAHAM as well as within our own SEM businesses. It also provides and plays a risk management role for these businesses. So there are a number of other opportunities, and many of them are actually cross synergies that we're highlighting from this transaction.

If I look at our footprint post completion, 33 countries on the continent, it puts us in North Africa, Francophone West Africa, Lusophone countries, the Portuguese-speaking parts, as well as the usual Anglophone countries, Ethiopia looks interesting, maybe Egypt for the future. But when one looks at the footprint, one takes the view that our footprint I would say is largely complete. We now are looking at driving organic growth across the continent, based on a very strong local presence where we aim to be number one, two or three in our main markets with the possibility to offer cover to multinationals as I've already said on a basis that we call the one-stop shop, where a multinational has access to its covers with a single group. That is the benefit we are seeing with respect to our footprint. The transaction itself, we did say it's subject to a number of conditions precedent, including regulatory approvals. We've gone through close to 20 -- we've got to go through 20 regulatory approvals, we're down to a handful, and we are confident that within the timeframe indicated by Heinie, we will close.

In terms of its performance, the investment, if you look at the June value at 9.3 billion compared to 8.2 billion end of 2017, in that six months, it's a 31% return annualized. The rand weakened and contributed 13 percentage points to that 31%. So on an annualized basis, the investment has returned a rand return of 16% compared to a 16% (inaudible). Overall, we've seen pleasing results from Saham, the business, and we have positive expectations on this investment going forward.

Obviously, this is a complex setup on completion, particularly adding the general insurance portion to our current business. While it improves our diversification, it also introduces a bit of a complexity in terms of general insurance business, and this is where our partner, Santam, play a key role. Santam is going to increase its current 7% holding to 10% in Saham Finances; and through time, will realign its current 35% in the Rest of Africa businesses to a similar 10%. And we look to Santam because of the expertise to drive our specialist classes across the continent as well as third-party reinsurance across the continent.

We will also get additional support from the rest of the clusters, particularly Santam and SPF when it comes to our India and Malaysia businesses. This will assist to reduce the demand and bandwidth required of the SEM management. We are also recognizing the riskiness of the portfolio and are elevating the position of Chief Risk Officer within the business, it will be an Ex-Co level position and we believe that will assist us to put our hands around this important investment.

With those few remarks, I think we're well placed to play a leading role as a pan-African financial services player on this continent. Thank you.

Ian Kirk {BIO 1778703 <GO>}

Thank you, Junior. So I think it was important given the significance of the transaction, the third phase of the transaction with SAHAM, what that means to the Group, I think it was important that we share that with you.

And you can see that Junior and the team have been busy with the Santam folks and the Saham folks and we really think we have a unique structure in place and all the skills that are working together. So it's been very encouraging from my side to see the teams working together now. And now, hopefully the whistle will be blown pretty soon with SAHAM will get the necessary approvals before the end of the year and then the team can really run on the field and deliver. And of course, I mean, the unique opportunity is there, we have to deliver that, we also have to manage the risks that you see on a daily basis that come from operating in that territory. So it's great to see that focus.

And also thanks to Heinie, it's a complex set of figures, it's a complex result. But Heinie is not one of those FDs who sits there in the office in the corner and just adds up to the spreadsheets like we hear from time to time. Heinie is not like one of those, so he's really on top of his game there.

So let me close up in terms of the strategic priorities. So South Africa, it's about really trying to get to that leadership position in financial services as we define it. We know where we're ahead, we know where we're behind, we have a game plan to catch up and we have -- we think we have the people in the entry level life business, in the employee benefits business, third-party asset management and in health. Now, in many of those, we have a very strong competitor and we know what we're up against. So it's not going to be easy, it's going to take us a long period of time.

And of course, we have to retain the positions where you see at the top in general insurance, mass affluent Index with Satrix and the middle-income market where I'm very pleased to see in risk, the latest report from one of the big international reinsurers, to say that when you add BrightRock together with Sanlam, we're now number one in risk. And I mean, even it's not long since I got back from Santam and we were running at number four. So that's really quite an achievement, and you can see that we're taking market share in the tough times.

Rest of Africa, obviously, Junior has spoken about, and it's his stronger businesses, life and general, in every territory one, two or I say to Junior one, two or three, I say I'd rather one, two than three, but that's the challenge. And then India, Malaysia, which is wonderful diversifier for us and great opportunity.

Okay. So that's that one, South Africa. But leadership, of course, and I talked about this a lot in the broader sense. Now, certainly, it's true that empowerment's in the DNA of Sanlam and it was really nice to hear message on Tuesday from the Chair of the JSE at our event, our 20-year event, where she spent a lot of time going through the history of Sanlam and talked about the empowerment and what we've achieved. But the pressure is on us in financial services, I don't need to tell you. And therefore, we thought if there was an opportunity where we're going to raise capital, is there's also simultaneously, can we improve the shareholding aspect of empowerment. I know empowerment is obviously broader than that, but the shareholding is very important.

So we at 14% now, we hopefully if we can get the 5% deal away before the end of the year, then that would take us to 19%. And that really does assist, I mean, I hear this from the businesses all the time, particularly the ones that are dealing in the institutional market in South Africa today. It's not just about the financial sector charter where we are a solid level two which is we are on line with the others, but it's actually looking -- the institutional clients, as you know, are looking beyond that all the time. So if we can get up to 19% or maybe one day get even before that.

So today the rules are such that it needs to be broader based, black women, staff, suppliers, so obviously we will include Ubuntu-Botho Investments for a minority position in this. We want to -- we recognize it's a follow-on transaction, shareholders are very sensitive about that, but it will be something that will be voted on by our shareholders, Ubuntu-Botho will not be in a position to vote. So I mean, I think we've got proper governance around this. And it's something we really think is the right thing for the sustainability over the long-term and really positioning us very, very strongly in South Africa, which you've seen for Heinie, remains critical for this Group; it's still at 60%-odd even on a go-forward basis with SAHAM. So hopefully we'll be able to close this out by the end of the year. We just want to -- we signaled this in March and we want to signal it that is still our intent.

SPF, just running through the clusters now, I spoke about this before. The digital transformation is really important, digital by default, not easy for a business that's 100 years old, but the re-imagine project is now working very, very nicely. You can see that what BrightRock is kicking through, what India is doing, what are we doing in MiWayLife, and also what we're doing in the back office. So the challenges are certainly there given the pressure that's on the business. I'm very pleased we've repositioned it and of course it's a case of balancing operating profit growth with those transformation initiatives. I think Jurie and the team have got that under control. I have to constantly remind him that it is the biggest cluster in the business and we are required to pay this dividend and the dividend needs to be with a real growth of 2% to 4%. So I have to keep reminding Jurie of the responsibilities there to keep -- as I do with (Technical Difficulty) the profits come through there as well. So that's really on the SPF side.

Emerging Markets, Junior just spoken a lot about, so I won't go through that. So there is run on the field now with his expanded team and Santam coming in on the specialist side, on the reinsurance side, SAHAM really was showing the expertise in general insurance, and then on the Sanlam side to push through on life insurance and build up the businesses, that in SAHAM are only 14%, and that's really the wonderful opportunity that we've got. You've seen Junior has announced some partnerships with the banks, with the telcos, with the multinational brokers, and interestingly enough with the international insurers. So I think a lot of people are now looking at this footprint and saying, this footprint is available to me and it makes sense and I think that's a wonderful, wonderful opportunity, that's not just about building up the strongest businesses one, two or three in each country, life and general, it's also about making sure that we deliver to those multinationals.

Then on the Investment Group, it's about higher margin alternative asset classes, Robert's busy with that. The third-party inflows on the institutional side, we need to lift the game there. We did -- we had a good year last year and there's a good few months left of the year for Robert and the team to repeat that again. The work done by Sanlam specialized finance in optimizing our balance sheet is very, very important. Glacier Invest, which is the cooperation agreement between SPF and being the Glacier Business and Investment in an effort to improve the returns, obviously, the clients, and obviously the extent of business that goes into our own asset management business.

And then strengthening the turnaround in the UK, which is critically important strategically for us to make sure that we're there for the wealth management and the asset management needs of our African client base and our South African base, and in time, we'll probably have to look at some bolt-ons there, not to build up a big business, but just to make sure we have the right quality of the -- right caliber of people in the business and the right scale to make sure that there is -- returns are there. So lots to do on the Sanlam Investment side.

And Santam, you would have all heard this from Lize; it's a case of -- as with SPF, retaining the market leadership, they have got all the segments, they are the leaders, and then obviously the wonderful opportunity that we have now provided and they will come on board with us, you'll be happy to see the announcement that they are also coming on board with their checkbook and they are making a contribution to the capital requirements that are there. So that's very pleasing to make sure that they're just not talking about the commitment to us, they are actually putting the cash in behind the commitments, so we're all working together for that same purpose; and of course, the challenges they face around the fourth Industrial Revolution, which I'll talk a little bit about later. So let's hope that they can get through the health season and there are no more listeriosis claims over the next six months. I think we've provided enough for that. We've given enough back to that opportunity.

Okay. On the Corporate side, Temba and the team are really doing some great work. They understand the gap on the employee benefits side to the leader. They understand on the healthcare side. We think putting this cluster together is really working for us. Now, the returns are getting better and we have a very solid strategy. We're attracting good people and a lot of client wins that are coming along with that. And of course, in time the opportunity there on the African continent, but it depends, of course, on the development of the capital markets and over time of fund reform. So that's -- we're really on track there.

So the outlook; now, having said what I said about South Africa in the earlier session, I can't say that it's going to be easy for the next four months of the year, it's not going to be easy, it's unlikely to improve over the short-term. Whilst I would say that we should just prioritize on inclusive growth, I think the reality is that probably not that much is going to change for the rest of year, unfortunate though it is. So it's a case of keeping our heads down and doing the stuff and executing on the strategy as we have been and we'll continue to do.

I will say there is a bit of -- there is some, certainty, some positives that we can see. Capitec is working very, very well for us. Some of the mandates are coming through nicely on the Sanlam Sky side and on SEB, SAHAM Finances is a nice opportunity. We are busy with some interesting stuff in India and it comes -- Indian business is doing very, very well now. And of course, we are busy with the -- on the third-party, on the -- the 5% deal wrote on the BBBEE and that stuff.

So we've got lots of work. And of course as well one has to focus on the challenges that we face around the Fourth Industrial Revolution. I have spoken a lot about this and the necessity on the retail market both on Santam side, on the Sanlam life side, and the SEM of making sure that we engage with the clients and we have to have a very good experience with us on the digital side, as well as we improve the efficiencies in our back office operations. The reality, of course, is today that most of the business is still written by intermediaries, but the intermediaries need to join us on this digital journey.

Governance and ethical leadership is so important. I mean , it's almost every day we see another scandal. And these scandals, as we broaden our own business in Sanlam, they also can catch us as well and we have to be very, very careful and it's almost like you're running the business in anticipation of some problem areas. And then the question is, can you anticipate all that stuff and can you ensure that you're strong enough to deal with it and then do you have the people who can actually go and recover the situations for us? So I'd say that it's really nice to be running at Sanlam because we've experienced the ability to recover on a number of occasions whether it's in Rwanda, whether it's in India, whether it's in Steinhoff or whatever. And this is the business and the realities of today, you read every day about whether it's a telco company that gets some significant challenges or whether it's a banking company that's getting significant challenges or it's another corporate failure, this is just the reality of doing business today and how you recover this is very, very important.

So volatility we say is the new norm, but we've survived for 100 years and we are setting ourselves some wonderful targets for the next 100. I may not be around, don't know how many of you in this room will be around, but we're setting up the business for the next 100 years, and that's exciting, I must say. So thanks very much for listening to what we had to say.

I'm now going to ask for any questions. So if we can have any questions, I think first from the here. Maybe if I can just ask my colleagues to join me, Heinie and Junior and Anton. They're always very welcome at this time, so they can handle some of the more challenging questions, which you always present to us.

Any questions from the floor? Larissa, I see you there.

Questions And Answers

Q - Larissa Van Deventer {BIO 21570130 <GO>}

Morning, Ian. Quick question on Capitec. You showed very strong results with and without the Capitec numbers in Sanlam Sky. How big an opportunity do you think Capitec can be both themselves and for Sanlam? And how do you go out against cannibalization both of Sanlam's market share and in the margin erosion?

A - Ian Kirk {BIO 1778703 <GO>}

There will be a small amount of cannibalization and it'll be a very big opportunity. But maybe, Jurie, you can handle that. It's under Jurie's watch, if we can get a mic to Jurie. We must be under budget constraint. Surely, we have one -- more than -- we have more than one mic in the whole room.

A - Junior John Ngulube {BIO 19560361 <GO>}

Francois has the other one.

A - Ian Kirk {BIO 1778703 <GO>}

Okay. Francois grabbed it already. Okay. Good. Probably he brings his own mic.

A - Jurie Strydom {BIO 16239298 <GO>}

Morning, everybody. Larissa, I'm not sure what there is there other than that I think it is a big opportunity. Obviously, they have (inaudible) clients. So we think, when we are kind of cautious at this stage around predictions, but it's going well. So we think it's a model that will work.

As far as the cannibalization is concerned, we are still -- we see ourselves with a lot of growth opportunity from a market share perspective in the entry-level market, particularly from an inflows perspective. So actually the early signs are that the cannibalization or the overlap, should I say, between the new clients we're getting through Capitec and our existing base is actually lower than we expected. It may -- what I say to our teams always of course is that even if there is cannibalization, the reality is that you've got to support innovation and this is what we are doing. This was going to happen with or without Sanlam. So certainly didn't even play a role in our decision to partner. But I think as it's going in the early stages, it's actually -- our concerns around the impact of cannibalization is lower than we expected.

A - Ian Kirk {BIO 1778703 <GO>}

I think, Larissa, realistically if you look at the gap that we have to close in that market, which you know it well, you need all the help that you can get in closing that. And we're very, very pleased to have that initiative on the book now.

Q - Francois Du Toit {BIO 16128719 <GO>}

Hi.

A - Ian Kirk {BIO 1778703 <GO>}

Francois, I know you have your own mic.

Q - Francois Du Toit {BIO 16128719 <GO>}

Francois Du Toit from Citibank. Also firstly on the Capitec opportunity, I think, you've quantified for us the volumes. Do you mind maybe quantifying the new business value contribution or -- and then also maybe just a direction of profit contribution from Capitec in this period; is it still a loss in this period given onboarding cost and so on? That's the first question around Capitec.

Maybe if you don't want to quantify it, because I saw you shake your head a bit there, if you can just --

A - Ian Kirk {BIO 1778703 <GO>}

We'll talk to it without quantifying.

Q - Francois Du Toit {BIO 16128719 <GO>}

So if you can, just confirm that the increase in new business value in Sky is as a result of Capitec, that will be helpful as well.

Then, just I think it's the first time in 15 years that SPF earnings is down, not growing at all. How much of that is because of the market impact? It grew back in 2008, for example, but then you didn't have Glacier and probably not as much equity market exposure as you have now in there. So if you can quantify -- I think it's also the first time after you did your numbers that your contribution from investment variances is negative. So how much of those investment variances is the equity market and how much is also the credit spread impact? I think you mentioned somewhere that annuity contribution wasn't what you had wanted it to be as well.

And then maybe just on SAHAM, again, just talk to -- I know you're not going to give us any numbers the last quarter, because you report a quarter in arrears, the SAHAM numbers.

And then if I may also on SAHAM, we can workout on SAHAM what your net asset value is -- the SAHAM net asset value is, given that you've given us the multiple that you've paid for it. Can you tell us how much of that is tangible net asset value and how much within SAHAM is goodwill, might be something that you have to come back to me on?

Then, on just getting back to, I think, SPF is maybe also, just BrightRock, if you can, again, you've quantified the volumes out of BrightRock and the value of new business, and maybe just a directionality of the earnings from BrightRock as well?

A - Ian Kirk {BIO 1778703 <GO>}

Well, Francois, there's a lot of questions. So Anton, I saw you were looking at him. So that gives me confidence that you've got all that on the Capitec and the SPF, and the operating profit normalization. Heinie, you will deal maybe with SAHAM. And then Jurie, the BrightRock, maybe if you can do that. Okay, Anton?

A - Anton Gildenhuys {BIO 4058523 <GO>}

All right. Thanks, Francois. I actually took some nuts. On the Capitec VNB, that 560-odd million is the Group Credit Life VNB or Group Credit Life premium. For the VNB, we only included one years of profit, we do not assume a repeat. So next year, clearly if it repeats, it will be another contribution to VNB. So the VNB contribution from the Group scheme is actually not that significant in the Sky VNB growth.

In terms of the SPF profit investment variance, that's actually a tax-assessed loss that we capitalized, but with respect to new investment markets towards the middle of the year, we had to write back some of their tax credits. And that contributed to the investment variance, the negative investment variance.

And then on the BrightRock earnings, it's actually quite a contributor to the negative profit growth in SPF, because we pick up a lot of the BrightRock new business strain, which is a key reason for the transaction, where Sanlam can actually fund the growth in BrightRock, that's a contributor there, but Jurie can also add to that.

A - Ian Kirk {BIO 1778703 <GO>}

Okay. Heinie, will you do with the SAHAM?

A - Heinie Werth {BIO 7529974 <GO>}

Okay. Or do you first --

A - Ian Kirk {BIO 1778703 <GO>}

Yeah, on BrightRock -- I think -- are you happy with the direction, the profitability direction relative to the terms, I guess, that we've (Multiple Speakers)?

A - Jurie Strydom {BIO 16239298 <GO>}

So we're very -- we're happy obviously with the progress in the business. We bought the business for growth and it is growing, so we are comfortable with that. I mean, the whole premise of the transaction was that we would support the new business strain in the business as it grows and be a provider of capital, particularly through reinsurance structures. So that's the reason. There's a once-off consolidation of those -- of that operating profit impact into the numbers. I mean, the direction of travel going forward on that, I mean, we do expect the business as it grows to continue to be loss-making for a few years, but obviously the impact is -- the earnings impact is primarily a once-off impact.

A - Heinie Werth {BIO 7529974 <GO>}

Thank you. And Francois, on the earnings, you're right, we do like reporting this, so we have received the results until the end of June. Basically, our agreement with (inaudible) minority we agree it's about 45 days after the half-year. And what I can say is on operating profits are not easy as well, but on operating profit, they've done quite well, I want to say they exceeded our expectations.

The negative in their results is below the line with the Kwanza in Angola came down quite a bit. We're trying the best with the help of some of the bankers to get money quickly out of the country. But basically with the money is in the country, we took a knock on the balance sheet conversion due to the fall in the Kwanza. But overall on operating levels and I want to say most of the big territory is doing very well.

On your question on how much of it is intangible, I think, I am rather going to say we are going to come back to you. The SAHAM was also bought, especially when SAHAM Morocco bought Colina or the other Francophone, so there is an amount of goodwill in the numbers. And obviously, when we conclude the transaction, given that we pay more than the tangible NAV, there will be further goodwill created, but through our valuation exercise, we really put a lot of emphasis to see whether that hold. But to tell you exactly how much of the NAV, I don't know (inaudible) got a number, but I think we can rather come back to you.

A - Ian Kirk {BIO 1778703 <GO>}

Okay.

A - Heinie Werth {BIO 7529974 <GO>}

Did we miss anything, Francois? That was quite a long list.

Q - Francois Du Toit {BIO 16128719 <GO>}

Maybe (Technical Difficulty) transaction, if you can give us any update on pricing, discounting whether that be market pricing that you (Technical Difficulty) any color around that --

A - Ian Kirk {BIO 1778703 <GO>}

Which is it?

A - Heinie Werth {BIO 7529974 <GO>}

On the BEE, the pricing and stuff like that. I would say, Francois, we are -- I have to say I'm spending quite a bit of my time on that, so hope Ian don't mind that I answer on this one. But we've got guidance from our Committee of Independents on what's the maximum dilution we are willing to take or the maximum IFRS2 costs and we are doing lots of works with the banks on coming into that.

We do know where is the minimum price that we are willing to do the deal at. Now why I am hesitating to answer you what price we are looking at is, I mean, you will know we were, let's say, at ZAR87, ZAR92 before the dividends we distributed, we were down at ZAR67, we were back up at ZAR80. But what we rather look at it, we've got a guidance from the Board on what's the maximum dilution. Ian referred to the 5%, he also referred to the possibility of doing BEE on other lower level entities in the Group will make sense. And we are looking at this all holistically on what the maximum is. So the price I want to say -- the final price is also going to be a bit of a function of how much are we willing to to take.

We really hope that during the month -- now it is linked to the conclusion of the SAHAM transaction, we don't want to do this and sit with the cash in the bank for too long. But we -- let's say, if everything is on track, we hope to be in a better position here in later October to give more clearer guidance on this.

A - Ian Kirk {BIO 1778703 <GO>}

But I think the point that I made in my session was we recognize it as a follow-on transaction. So we understand the realities of that as to what's doable and what's not doable from the shareholders side. Okay.

Q - Unidentified Participant

Ian, you mentioned in passing a couple of times in your presentation, Steinhoff, obviously the loans that went into Steinhoff, the credit extension there, as I assume, was collateralized and they have access to the assets in Mayfair and parts of the Steinhoff empire, whatever you had to put aside any capital there in terms of provisions and is there a chance of getting that written back at some point in time, perhaps you could cover that briefly.

A - Ian Kirk {BIO 1778703 <GO>}

No, I mean, we have general stuff, but nothing specific on that one. I have got a lots of colleagues in the room here who are really on top of that one. So the bottom-line is that we're still comfortable with the process that we're involved in the Section 155 process. But maybe, Anton, you can kick off, Mark is also here.

A - Anton Gildenhuys {BIO 4058523 <GO>}

I think, it's important to emphasize that the process is pretty much out of our control at the moment. It is being driven by Independent Non-Executive Directors and the receiver PWC. And the Section 155 documents are in the public domain. So you can read up on that and we believe it's a court sanctioned process to maximize the recovery for creditors. Given the balance sheet of Mayfair, we are confident that we will recover the outstanding amount.

A - Ian Kirk {BIO 1778703 <GO>}

Mark, anything you need to this. Okay. Yeah. A lot of people doing a lot of work on that one, Mike. So, we must thank them for that.

Any other questions here. Any questions from the web?

A - Mike Brown {BIO 20312528 <GO>}

We do have a question from the web. It is from Lagdive [ph] Buthelezi from Business Day.

She said, how much performance fees has SI lost due to not meeting performance benchmarks as a result of Steinhoff exposure. You also said that SI institutional volumes were down. Would you say investors are now skeptical because of your Steinhoff exposure in the past? How much do you expect SPF to lift up volumes and operating profits given the consumer spending might be even more constrained given the recent recession redevelopment?

A - Ian Kirk {BIO 1778703 <GO>}

The first one is for -- on SI, Robert is here. Yeah, maybe you can do with those two questions on the institutional flows and then obviously the impact on performance fees.

A - Robert Roux {BIO 18773329 <GO>}

The impact of performance fees was around about 30 million and it's not only Steinhoff , it's the balance of also -- Steinhoff added impact, but there were factors as well. I can just add underperformance is that the first quarter was tough for us, but we have seen a significant improvement during the second quarter in our performance. And as Heinie has highlighted, there's a few of our -- few of our funds that are sitting very close to their benchmark. So we have to bring them around.

The second question was about the institutional flows. I don't -- I think the institutional flows is chunky, it's always a chunky business, and we have -- we have pipeline in the institutional side. I'm not concerned about specific clients worry about what we've done, that we've added exposure with Steinhoff, I don't think it's got any relevance with that, but institutional side is very tough out there. Not only you will see that in the overall in the market is that institutional inflows aren't that very high at this stage. But we've got a healthy pipeline and working on it. And so, hopefully by the end of the year, it will look a little bit better.

A - Ian Kirk {BIO 1778703 <GO>}

There was one for Jurie on SPF.

A - Jurie Strydom {BIO 16239298 <GO>}

So I think if you look at the -- I think that surprised everyone that it's that we're in tough -- and that it's a tough time for consumers, so it is difficult out there. I think if we separate out the entry level market for the moment from middle and affluent, middle and affluent certainly we saw that the second quarter was tougher than the first quarter. So we reported 8% growth here and we had more growth in the first quarter than the second quarter. So we are expecting that the second half if we are turning back to the second quarter is going to be tough. And so it's -- we are in a difficult environment, we were relatively pleased I think with where we got to at least compared to what's going on in the market from a sales perspective. I think on the entry-level market, actually it's a much more positive story even if you take out Capitec, which will come through in the second half, the core Sky business actually grew it at the risk business at 23% which was very strong and actually we've seen also the market generally in the entry-level market seems to be performing reasonably well. So I guess we'd be a bit more bullish on that one.

A - Ian Kirk {BIO 1778703 <GO>}

Okay. Any other questions from the web? Okay. Any other questions from any other place? Great, thanks very much, those of you who attend our investment presentation, it's in October -- second half of October. So we look forward to seeing some of you there, and then otherwise, we look forward to presenting the year-end results with you early in March next year.

Thank you very much for attending. We appreciate the support. Thank you.