

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 39/LM/Apr02

In the large merger between:

Genbel Securities Limited

and

Genbel South Africa Limited

Reasons for Decision

APPROVAL

On 23 July 2002 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Genbel Securities (Pty) Ltd and Genbel South Africa Limited in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is Genbel Securities (Pty) Ltd ("Gensec"), a wholly owned subsidiary of Sanlam Limited ("Sanlam"). While Sanlam has over 30 subsidiaries in South Africa, the only subsidiary that need concern us is Gensec. Gensec is an investment holding company which engages in various activities on behalf of Gensec Bank, one of its subsidiaries.
2. Gensec Bank is an investment bank, engaged in wealth creation, both for its clients and itself through the management of financial risk. It specialises in the wholesale provision of derivative-based risk management products to the savings industry and the arrangement of debt and equity finance for corporates, as well as being a manager of private equity funds.
3. The target firm is Genbel South Africa Limited ("Genbel"), a closed end investment trust. It is a public company, primarily listed under the Investment Trusts sector on the JSE Securities Exchange, with secondary listings on the London, Brussels and Namibian Stock Exchanges. It

engages in the management of assets on behalf of its shareholders. Aimed at the retail investor, it provides a means for the investor to gain exposure to the performance of an underlying security, insofar as retail investors could purchase shares in Genbel, which, by investing in companies with exceptional long-term growth prospects, enables investors to gain access to a diversified portfolio of top-performing shares. It provides an alternative to investors wishing to invest in unit trusts.

Rationale for the Transaction

4. The Board of Directors of Genbel took a decision to discontinue the business of Genbel which was found to be unprofitable. Moreover, the imposition of Capital Gains Tax meant that shareholders of Genbel were effectively being taxed twice, further undermining Genbel's viability.

The Merger Transaction

5. Gensec is acquiring 100% of the issued share capital of Genbel. Post-merger, Genbel will be de-listed and the Genbel shareholders paid out an appropriate cash value for their shares. Prior to the merger Gensec, through Gensec Bank, held 30.38% of Genbel and was its largest shareholder.
6. Genbel will post-merger be wholly owned by Gensec and, though it will retain its portfolio, cease to exist as a vehicle for investors to trade in the market.

Impact on competition

7. Post-merger, Genbel will effectively exit the market as an investment vehicle. This is because although it will continue to exist as a company owning a portfolio of shares, it will have only one shareholder. Since it will cease to have a broad class of shareholders it will no longer compete in the asset management market. Accordingly, no competitive concerns are raised by this transaction.

Conclusion

We conclude that the merger will not lead to a substantial lessening of competition. The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

