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from the editor

JANA JACOBS

As the *finweek* team put together the December 2019 issue a year ago, I distinctly remember how our markets expert, Maarten Mittner cautioned that we should "expect the unexpected" in 2020.

Little did we know just how bizarre and devastating 2020 would in fact turn out to be.

Now, as we all look forward to putting the year behind us, there is also the nagging reality that the arrival of 2021 is not going to miraculously bring relief with it. The consequences – economic, social and political – of the events that took place over the last 12 months will continue to echo into the new year. It is with this in mind that we compiled this issue of *finweek*. The theme "So, what now?" attempts to explore these consequences as South Africa and the rest of the world face the effects of the Covid-19 pandemic, among the many other events that took place as we battled the virus – which is still not behind us.

In whichever ways the uncertainties of 2021 do play out, it is undoubted that 2020 has irrevocably affected the world and left millions with immeasurable loss. And some of the shifts that have taken place will certainly reshape how we approach many things we have taken for granted in the past.

In the *finweek* microcosm, we spent nearly ten months of the year producing the magazine entirely remotely – something we never imagined we would be able to do. That we were able to weather the storm is testament to an incredible team, but also our wonderful readers.

And, as we enter a new year, there will be some further shifts for *finweek*. As of January 2021, our deputy editor, Jaco Visser, will be taking the reins as acting editor, as I will be embarking on a new journey in 2021. He has become an integral part of the team over the last year and I look forward to this exciting new chapter for *finweek*.

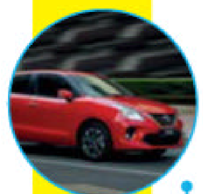
I'd like to thank all our readers for supporting us over the years – especially so in 2020. And the *finweek* team and contributors for the mountains they continue to move daily.

Wishing you and your loved ones a safe and restful festive season. ■

The next issue of finweek *will be on shelves from 21 January 2021.*

Matter of fact: For comprehensive information on the PPS Global Equity Fund, featured in *Fund Focus* in the 5 November issue of *finweek*, please visit: https://www.pps.co.za/invest/invest-offshore

contents



By Johan Fourie

ECONOMY

How technology influences politics

Advances in how we communicate will continue to create opportunities for those who want to sow division.

Social media has changed politics. It is now much easier for leaders to talk directly to their followers. In the US, Barack Obama was one of the first presidents to use social media to bolster support. Donald Trump tweets almost daily to his more than 88m followers.

Twitter and other social media do not only benefit political incumbents. A recent study forthcoming in *Management Science* calculates the additional campaign contributions that politicians, who run for the US Congress, received after they began using Twitter. The authors estimate that "the differential effect of opening a Twitter account in regions with high versus low levels of Twitter penetration, amounts to an increase of 0.7% to 2% in donations for all politicians and 1% to 3.1% for new politicians, who were never elected to the Congress before". When experienced politicians join Twitter, the effects are "negligibly small". This, the authors argue, shows that social media can reduce the barriers to entry in politics.

But this direct line of communication can also have a dark side. History can help us to understand why. The radio, for example, brought major changes to how information and beliefs disseminated in society. A remarkable study by a University of Pittsburgh PhD student, Tianyi Wang, demonstrates the power that this new form of communication yielded. Wang investigates the first populist radio personality in American history, a man by the name of Father Charles Coughlin. In the 1930s, during the Great Depression, Father Coughlin blended populist demagoguery, anti-Semitism and fascist sympathies to create a hugely popular radio programme that attracted tens of millions of listeners. Wang wants to know what the effect of Father Coughlin's populism was on American voters.

To answer this, Wang exploits a unique feature of radio signals: they travel in a straight line and thus cannot go over a mountain or a hill. By comparing people that lived on one side of a hill (with access to Father Coughlin's radio broadcasts) to those on the other side (without access), and controlling for a host of other things, Wang can determine whether Father Coughlin's radio programmes actually changed voting outcomes.

They did. Wang finds that "counties more exposed to Father Coughlin's radio programme displayed lower support for Franklin D Roosevelt in the 1936 presidential elections". The effect was larger in counties with greater numbers of Roman Catholic voters, consistent with Father Coughlin's greater influence on Catholics. But it was not just voting that was affected. Using FBI records, Wang identifies all cities with a local branch of the pro-Nazi German-American Bund in 1940. He then shows that cities with a one standard deviation higher exposure to Father Coughlin's broadcasts in the late 1930s were about nine percentage points more likely to have a local pro-Nazi branch. People in those areas more exposed to the populist's radio programme were also less likely to buy war bonds in 1944, "suggesting that Father Coughlin's isolationist stance likely dampened public support for the war".

These effects were not just temporary. In an extensive series of tests, Wang finds that Father Coughlin's programmes continued to affect Democratic vote shares for more than two decades after it ended. He also finds that individuals in places with more exposure to Father Coughlin's programmes in the 1930s were still more likely to have anti-Semitic views in the 1960s.

It is not just communication technology, like the radio or Twitter, that can ignite populist sentiments. In the mid-1850s, the Know-Nothing Party, the first avowedly nativist political party in the US, gained several legislative seats. The Know-Nothing Party acted like a secret society – its activities included establishing and running lodges in towns, with membership requirements including being a native-born citizen, a Protestant, born of Protestant parents, and not married to a Roman Catholic. In the 1855 election, the party did particularly well in Massachusetts, a state which had experienced a wave of Irish famine immigration and was at the forefront of industrialisation in the US.

In a new NBER working paper, three economists, Marcella Alsan, Katherine Eriksson and Gregory Niemesh, show that voters in towns with more exposure to Irish immigrants were more likely to vote for Know-Nothing candidates. Why were these Irish immigrants moving to Massachusetts? Jobs. By the 1850s, the factory had arrived in Massachusetts, and factory production led to the hollowing out of the skill distribution in manufacturing as skilled workers and artisans were replaced with less-skilled factory operatives. These were often Irish immigrants. This created resentment and provided fertile ground for the Know-Nothing Party to prosper, an early example of how new technology had pushed voters into the arms of populists.

> Perhaps we are now all the slaves of some anonymous, agnostic algorithm, for better or for worse.

That technology can shape our beliefs would not be unfamiliar to South Africans, of course. Only a few years ago did Bell Pottinger fan the flames of hatred and hostility, using Twitter and other internet platforms to launch a propaganda campaign on behalf of the Gupta family. It failed, fortunately. But there is little doubt that new technologies, both in the way we communicate and in the way we produce, will continue to create opportunities for those who want to sow division.

Politics, economics and technology interact in complicated ways. John Maynard Keynes once wrote that "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist." Perhaps that is not entirely true anymore. Perhaps, instead, we are now all the slaves of some anonymous, agnostic algorithm, for better or for worse. ■

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Johan Fourie is professor in economics at Stellenbosch University.

Photo: Shutterstock

By Andile Ntingi

EMPOWERMENT

B-BBEE is buckling under pressure

Pressure from the European Union, and a potential appeals court judgement, may force the government to rethink its empowerment approach.

Just as I thought broad-based black economic empowerment (B-BBEE) policy had been relegated to the backseat of public discourse, it has stormed back into the front seat.

Between 2010 and 2019, the policy went into a lull due to a significant reduction in the number of major B-BBEE equity transactions that were concluded, resulting in news and information about the policy virtually disappearing from mainstream media.

During its heydays, B-BBEE dominated news headlines and many of its beneficiaries, mostly politically connected people, became famous overnight – thanks to the policy helping them to strike riches within a short space of time.

However, the dearth of headline-grabbing B-BBEE deals, where black investors bought shares in JSE-listed companies, did not mean that self-enrichment by the politically connected elite came to an end. It simply migrated from generating wealth in equity transactions into state procurement.

This shift in black wealth accumulation has severely tarnished the image of B-BBEE, as it has often been accompanied by massive corruption and theft of taxpayers' money at state-owned enterprises (SOEs), many of which were fleeced through rigged and inflated tenders.

This corruption is currently at the centre of the probe by deputy chief justice Raymond Zondo, who has been chairing the commission of inquiry into state capture, corruption, fraud, and money laundering since 2018.

Most of this corruption was committed under the pretext of implementing B-BBEE to reverse the racial economic inequality caused by decades of apartheid rule, whereby black people were excluded from meaningful participation in the mainstream economy.

The revelations about the magnitude of corruption and fraud that took place at SOEs has contributed to a rising backlash against B-BBEE, which has unfortunately made a tiny elite fabulously wealthy, while the majority of South Africans are yet to experience a trickle down of the policy's benefits to them.

There is a growing perception that the policy is a failure, and it must be scrapped and replaced with policies that encourage investment and job creation.

The failure of the policy to deepen black participation was laid bare when the minister of small business development, Khumbudzo Ntshavheni, said on 2 September in Parliament that 75% of the disbursed funds from the Covid-19 government-guaranteed credit scheme went to white-owned firms.

The scheme, which has set aside R200bn to assist businesses in distress due to Covid-19 pandemic, has disbursed about R16bn to date.

Ntshavheni's revelation triggered outrage by black business formations and political parties. The legitimacy of B-BBEE is being challenged outside the black business community.

One of the challengers of the policy is business group Sakeliga, which won a legal case on 2 November against the government's preferential procurement regulations of 2017, which the state had put in place to accelerate the slow pace of B-BBEE implementation.

The regulations, which are part of the Preferential Procurement Policy Framework Act (PPPFA), were found by the Supreme Court of Appeal to be invalid and unconstitutional. The regulations are used by government entities to exclude companies that are not 51% black-owned from tendering for state contracts.

Therefore, this ruling means that companies with low black ownership or no black ownership cannot be disqualified from bidding for tenders.

Effectively, it compels state entities to adjudicate and award tenders based on bidders' price competitiveness, competence and value for money, instead of skin colour of the owners of bidding companies.

As we have witnessed in the Zondo inquiry, there are several instances where tenders were awarded irregularly to black-owned companies, but the state never received value for money. We have also heard from the inquiry that large, white-owned corporations have also fleeced the state, but no value for money accrued to the state.

However, going forward it appears there is going to be strong contestation around this ruling, given that the B-BBEE Commission, a division of the department of trade and industry (DTI), believes that the B-BBEE policy trumps preferential procurement regulations when it comes to implementation of the policy.

A few days after the ruling was made, the B-BBEE Commission came out with a statement, saying that the judgment was not a blow to B-BBEE as it was reported.

The commission said state entities will have to use the B-BBEE Act to set qualification criteria for tendering instead of the PPPFA regulations.

The legal pushback against South Africa's race-based procurement laws is not the only matter that the government will deal with going forward. The European Union (EU) has also indicated that it intended to start negotiations with the SA government to discuss rules governing compliance with B-BBEE, which EU companies have flagged as a headache for them.

The EU companies want the skills development component of the B-BBEE scorecard to have a bigger weighting than the ownership component, which many of these companies struggle to comply with. The EU wants the policy to be calibrated to soothe its concerns.

It remains to be seen if the SA government will give in to the EU's request. If SA digs in its heels and refuses to make concessions on B-BBEE to the EU, this might dent the chances of SA attracting more investment from the EU countries.

The reality is that SA is suffering lacklustre economic performance and it needs healthy inflows of foreign investment to climb out of its current recession, which must be overturned if the country is to reduce high unemployment, which climbed to 30.8% in the third quarter of 2020, the highest ever recorded unemployment rate in the country. ■

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Andile Ntingi is the chief executive and co-founder of GetBiz, an e-procurement and tender notification service.

Photo: Shutterstock

The crazy year that was 2020

The new decade literally kicked off with a bang in January 2020, after US President Donald Trump ordered an airstrike that killed Iran's major general Qasem Soleimani and almost triggered World War III. Little did the world know that it would end up fighting a war after all, albeit a different and viral one. As one of the craziest years ever (finally) draws to a close, we take a look at some of the most defining events that shaped 2020.

"OK. WHAT SHOULD WE DO ON **SAA**?"

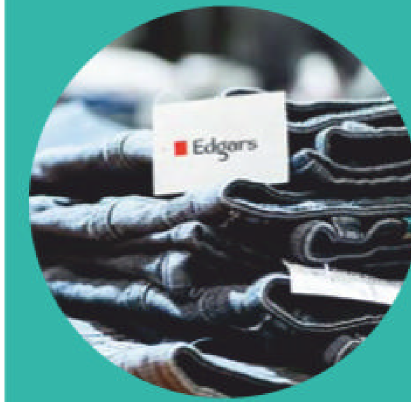
– **Finance minister Tito Mboweni** posted a question on what the state should do with South African Airways on Twitter in November 2020, which was regarded as "disgraceful, reckless, and selfish" of him by the National Union of Metalworkers of South Africa, because the tweet came after yet another bailout of R10.5bn from National Treasury in October. The bailout came against the backdrop of a contracting economy and significantly reduced revenue, draining the public purse even further. Bloomberg reported that government was in talks with potential buyers of a stake in SAA, at the time of publication.

"FRANKLY, WE DID WIN THIS ELECTION."

– **US President Donald Trump** falsely declared an early victory in the US presidential election just after midnight on election day on 3 November. He has since been alleging, without evidence, that Democrats were perpetrating widespread electoral fraud. Aside from undermining US democracy in the eyes of critics, Trump's strategy has been dubbed as ill-fated, since he has no chance of changing the result of the election. US Attorney General Bill Barr told the Associated Press that "we have not seen fraud on a scale that could have affected a different outcome in the election."

"Apartheid was not a crime against humanity."

– In a televised interview with the SABC in February 2020, **former president FW de Klerk** boldly said that apartheid was not a crime against humanity, sparking public outrage. After much outcry from South Africans, the FW de Klerk Foundation agreed in a statement that apartheid was indeed a crime against humanity, as defined by the International Criminal Court, and De Klerk apologised for "quibbling" over the severity of apartheid's human rights violations. Public sentiment towards the former statesman has since not been in his favour, with bouts of indignation still rampant across local social media.



"IT WOULD MAKE A GOOD CASE STUDY OF HOW A DARLING CAN FALL FROM GRACE."

– **Rella Suskin, head of research at Benguela Global Fund Managers,** told Bloomberg that the lockdown was the last straw for Edgars' owner back in June. The giant clothing retailer, however, managed to escape death with the sale of some of its parts to one of SA's leading retail investors, Retailability. The sale included the transfer of approximately 120 stores in SA, together with the businesses conducted therein. The business rescue practitioners said this transaction would save approximately 5 200 jobs.

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IT STILL DOESN'T ADD UP

R500bn

It had the country's tongues wagging, giving the nation sleepless nights, and many still continue to ask what exactly happened to the R500bn that president Cyril Ramaphosa announced as the rescue package to cushion the economic blow of the pandemic back in March. Finance minister Tito Mboweni tweeted that the R500bn had "not been eaten" and outlined how R200bn had gone to the National Credit Guarantee Scheme in the medium-term budget speech and that the rest had gone to health, UIF, job creation initiatives, municipalities and vulnerable households, among others.

CONSPIRACIES GALORE

5G

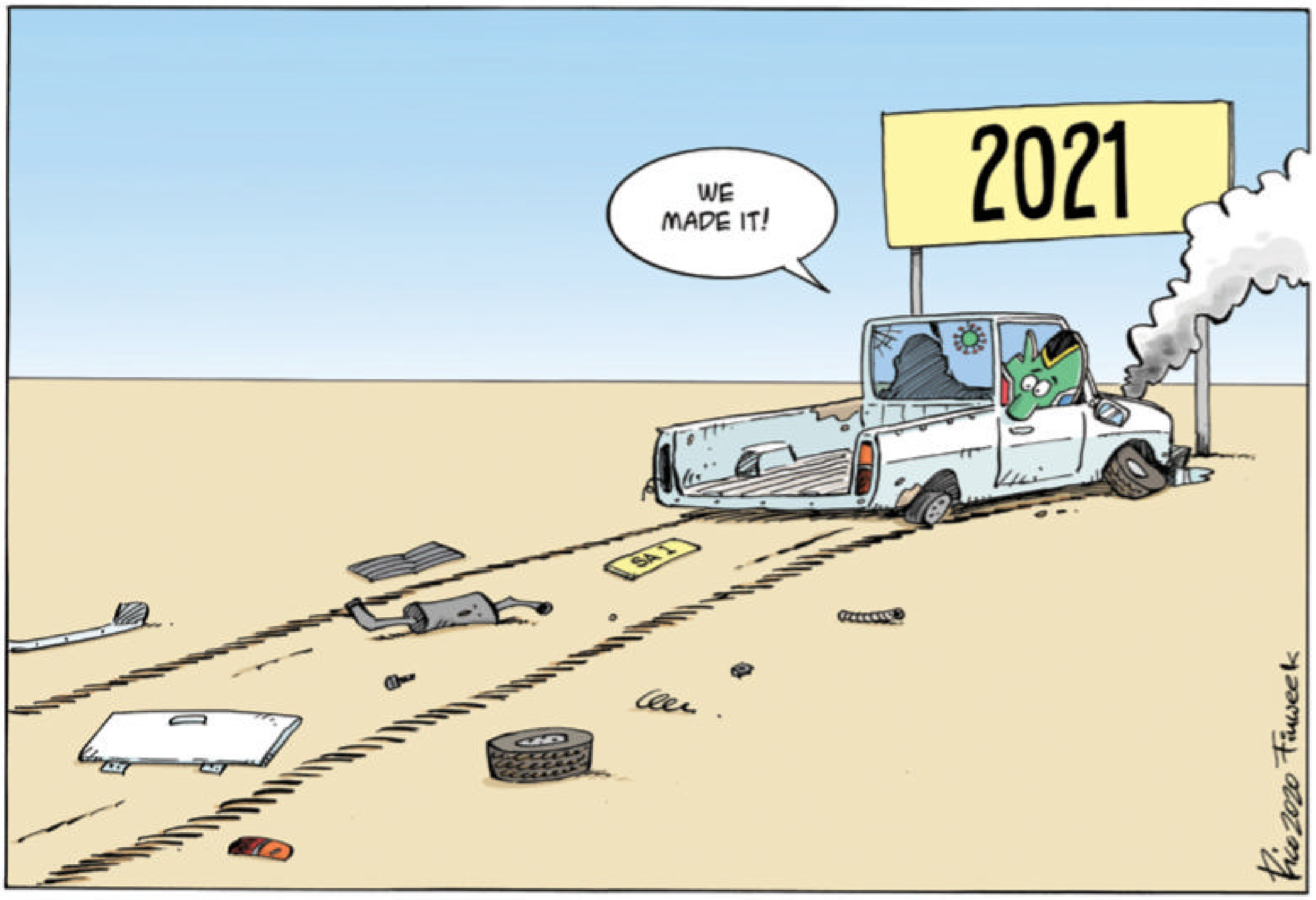
Besides Donald Trump's election fraud conspiracies, another theory was that 5G mobile phone signals transmit the coronavirus or reduce our defences to it. Nevertheless, in 2020, Vodacom and MTN joined the Rain network in offering the newest iteration of mobile data standards, which is around ten times faster than 4G and a 100 times faster than 3G. Communications regulator Icasa said it would invite mobile operators to bid for spectrum for 5G networks from October, with SA's first-ever auctions expected to take place by the end of March 2021.

REPO RATE CUTS

300bps

The South African Reserve Bank (Sarb) slashed the repo rate by 300 basis points in total to 3.5% in 2020, in the face of the Covid-19 economic crisis. Central banks across the globe have been supporting riskier assets, such as stocks and corporate bonds, through vast asset-purchasing programmes and rock-bottom interest rates in response to the economic carnage caused by pandemic. However, Sarb governor Lesetja Kganyago stated that the implied policy rate path of the quarterly projection model indicates no further repo rate cuts in the near term and two increases of 25 basis points in the third and the fourth quarters of 2021.

DOUBLE TAKE BY RICO



THE GOOD

Covid-19 vaccines are finally on the horizon. In early November 2020, pharmaceutical companies Pfizer and BioNTech were the first to announce breakthroughs in their coronavirus vaccine trials. The two pharma companies stated that early data from their final-stage trials cuts the chances of suffering symptoms by more than 90%. The health ministry said SA will probably take its first delivery of coronavirus vaccines by the middle of 2021 after agreeing on an initial payment. They will come from the global vaccine distribution scheme, Covax, that will cover about 10% of the population after Solidarity Fund, a charity organisation, agreed to make the payment of about R327m.

THE UGLY

The pandemic severely hit **SA's economic growth performance,** with GDP now expected to remain below 2019 levels even in 2022, according to Fitch Ratings, after it had further downgraded the country's credit rating to deeper junk with a negative outlook. Though a recovery is on the way as the lockdown was gradually eased during the third quarter, it expects GDP to contract by 7.3% in 2020. The latest numbers from Stats SA also show that business liquidations have increased by 20.8% compared with the same period last year, while unemployment is now at 30.8%.

SASOL'S ANNUS HORRIBILIS

-R91.3bn

Sasol's woes in 2020 were something straight out of a Tarantino film: twists, turns and a bottomless bloodbath. The company reported a loss of R91.3bn for the full year ended 30 June compared with earnings of R6.1bn in the previous year. The share price took a dive to R21.88 in March, exacerbated by falling oil prices, problems at its US-based Lake Charles chemicals project (LCCP) and a $10bn debt burden, to picking up again, to a high of R180 in June – only to fall again. The silver lining on the dark cloud constantly hovering over the chemical giant was the successful completion of its divestment of part of its interest in the LCCP business, at the beginning of December.

THE BAD

The Auditor-General's office issued a scathing report into the **abuse of SA's Covid-19 relief fund**, which revealed overpricing and fraud. In some cases personal protective equipment (PPE) was bought for five times more than the price National Treasury had advised. The Special Investigating Unit (SIU) is also probing allegations of corruption and maladministration surrounding the Unemployment Insurance Fund's (UIF) Covid-19 Temporary Employer/Employee Relief Scheme (Ters). The AG found that, among other things, R1.3bn was paid to companies without them submitting invoices. At the end of November, the National Prosecuting Authority froze R111m from a businessman who allegedly claimed Covid-19 TERS for 6 600 people when he was the only worker. ■

Photos: Gallo/Getty Images | Shutterstock

By David McKay

MINING

Miners brace for new leaders

As some of the world's largest mining companies are seeing a change of guard, David McKay takes a look at what the industry can expect in 2021.

The outlook for some of the JSE's largest mining shares by value in 2021 may have more to do with as yet unnamed management, rather than the incumbents.

That's because a permanent change of management is imminent for two of the bourse's largest gold companies – AngloGold Ashanti and Gold Fields. Glencore, the Swiss-based mining and mineral-marketing behemoth, announced a new CEO during the first week of December. A fourth company, Rio Tinto, is still waiting on the appointment of a new CEO.

The question of who might best fit the corporate mould in these companies also poses questions with equal relevance for the industry at large, especially as the 'shocks' of 2020 become part of investment consciousness in 2021. Here's *finweek*'s take on what to expect for the mining industry next year, as seen through the lens of executive appointment.

Gold Fields

Nick Holland, an accountant and CEO of the company for 13 years, is leaving during 2021 because he reaches the company's mandatory retirement age of 63. Otherwise, you'd get the sense he'd carry on.

Holland will be missed. With his tinged coiffure, and outspoken suit-and-tie combinations, he has successfully locked in sustainable annual production of 2.2m ounces for Gold Fields through prudent organic and acquisition activity. He's also overseen the restructuring of the firm's problematic South Deep mine.

Whoever steps into the breach, however, will have the *quo vadis* question of South Deep – an issue that runs to the heart of whether SA gold mining has a viable, long-term future.

The mine, the last of the large-scale, underground orebodies yielded to humankind by the Witwatersrand, has cost Gold Fields billions without return, current profit-making notwithstanding.

Most of that lost investment was under Holland's watch – he was formerly Gold Fields' chief financial officer (CFO) at the time of South Deep's purchase. One implication of this is that a new CEO may not be as wedded to the operation, which would potentially see the sale or expansion of the mine.

Holland could stay at Gold Fields until September at the latest, but the company's board surely won't keep the market waiting. One alternative theory is that Holland may use 2021 as a swansong year.

The industry-wide issue at heart is whether SA gold mining will lose another of its foundation investors in Gold Fields, given AngloGold sold its extant SA mines to Harmony Gold in September.

Nick Holland
CEO of Gold Fields

AngloGold Ashanti

At the moment, the company is being run by former CFO, Christine Ramon, who's proven adept in the role, overseeing in October an increase in the firm's dividend pay-out rate – a step Ramon acknowledged was long overdue. Ramon is interim CEO owing to the August resignation of Kelvin Dushnisky.

It's understood Ramon is keen for the job at AngloGold permanently, but there's background noise in the company. One 'issue' is that shareholders may prefer an operational, hands-on executive in Ramon's place. The other question is whether AngloGold represents a buy-out opportunity as its share price has significantly underperformed the benchmark 'GDX' exchange-traded fund and peer group companies, such as Barrick Gold.

Consolidation of the world's gold mining sector has been a theme of 2020, following the merger of equals between Barrick and Randgold Resources, as well as Newmont Mining and Goldcorp in 2019. AngloGold as takeout target is speculation that will play out in 2021, with Barrick Gold circling, largely because it seeks full control of the rich Congo mine Kibali, which it shares with AngloGold.

AngloGold as takeout target is speculation that will play out in 2021, with Barrick Gold circling.

Were AngloGold to be absorbed into a rival firm, or subject to a carve up, it would be a shock to the system, but it can't be denied that ownership concentration of the big gold ounces is increasing globally.

Christine Ramon
Interim CEO of
AngloGold Ashanti

Glencore

Ivan Glasenberg, a former race-walker for Israel, and a South African with Johannesburg

Photos: Gallo/Getty Images | anglogoldashanti.com

Gary Nagle will be replacing Glasenberg in 2021. Once he steps into the role, he will have to deal with some of the mining sector's most divisive issues.

roots, is synonymous with Glencore. It was Glasenberg who took the company to its London listing in 2011 – one of the largest initial public offerings the city has seen – propelling himself and his fellow coterie of executives to billionaire status overnight.

With its marketing arm helping to direct strategic attention, Glasenberg has operated Glencore in a way that prefigured the mining sector's current interest in 'value over growth', refusing to build new mines for the sake of capturing market share.

But the group has been subject to a series of investigations, including a corruption inquiry by the US department of justice in 2018 and in 2019 the UK's Serious Fraud Office in respect of the group's business in the Democratic Republic of Congo (DRC), Venezuela and Nigeria, since 2007.

In parallel with these events, Glencore has been gradually refreshing management with younger blood. As a result, most of the so-called 'Billionaire's Club' of the 2011 IPO have taken retirement, with Glasenberg thought to be the last to go. Betting was that Glasenberg would use the firm's 2020 annual results presentation to announce his departure, after more than two decades at the company.

However, in November Glasenberg told Swiss newspaper, *Neue Zürcher Zeitung*, that a new CEO would have to be first introduced to Glencore's customers, which would require extensive travel, currently inhibited by Covid-19-related restrictions.

In December, it was announced that Gary Nagle, a senior trader known to some as 'mini-Ivan', will be replacing Glasenberg in 2021. Once he steps into the role, he will have to deal with some of the mining sector's most divisive issues.

Glencore has pledged to produce no more than 80m tonnes of thermal coal annually, with insistence that it produces metals crucial to decarbonisation in equal volumes. However, increasingly investors are turning their backs on companies with heavy fossil fuel exposure.

Secondly, the moral licence to mine is the critical measure by which mining firms compete against all other asset classes. If this

Ivan Glasenberg
Retiring CEO of Glencore

Jean-Sébastien Jacques
Outgoing CEO of Rio Tinto

Glencore has pledged to produce no more than **80m tonnes** of thermal coal annually, with insistence that it produces metals crucial to decarbonisation in equal volumes.

became apparent in 2020, it would become screamingly critical in 2021.

Therefore, the incumbent at Rio Tinto, the Anglo-Australian diversified mining house may have the most strategically instructive role to play above all other mining groups.

Rio Tinto

Jean-Sébastien Jacques has a lot of time to clean out his desk after his 'sacking' in September, following investor pressure. He will officially leave the company on 31 March unless a successor is appointed before then.

His misstep was to oversee the blowing to smithereens of the 46 000-year old Aboriginal Juukan Gorge caves in Western Australia's Pilbara iron ore fields. While the company had a legal right to blast the area to access new iron ore resources, its failure to understand the sensitivity of the act turns the mining sector's worst possible face to popular regard.

A successor must undertake enormous reputational repair and address the culture at Rio Tinto, nicknamed 'Rio TNT' since the Juukan Gorge blast. Ironically, culture change was high on Jacques' agenda: it was he who issued an infamous 'fit in or bugger off' order in respect of conforming to improved levels of mining safety practice.

As it turns out, it's Jacques himself who is bidding his adieus, but hopes that Rio Tinto chairman, Simon Thompson, a former Anglo American executive, could hire his former boss, Mark Cutifani, seem all but lost as Anglo's leader is set on completing a corporate culture revolution of his own.

Environment, social, and governance (ESG) concerns are the mining sector's greatest challenge. But the other thing about Rio Tinto is that, increasingly, the role of non-executive board members in helping to direct corporate evolution is becoming equally critical. It was investors who forced Jacques' departure, rather than the board.

Interestingly, on this note, it is the function of boards to fill top executive vacancies, which means the robustness and resourcefulness of the boards at AngloGold, Rio Tinto and Gold Fields will be thrown into relief over the coming months. ■

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By Timothy Rangongo

Get your business online

Google South Africa launched free digital tools to help local entrepreneurs move to e-commerce after the pandemic.

The Covid-19 recovery will be digital, reads the title of McKinsey & Company's insights paper on how the pandemic has led to changes in customer behaviour and preferred interactions. Recent data shows that we have vaulted five years forward in consumer and business digital adoption in a matter of a few months, according to McKinsey.

Data from Standard Bank shows that since March 2020 (the beginning of the national lockdown in South Africa), there was an 84% increase in the value of online spend at supermarkets and grocery stores year-on-year, while spending at online general merchandise stores increased by 458%.

These numbers indicate that SA consumers looked to new and safer ways to shop. The bank attests to witnessing this dramatic shift in behaviour around payments during the lockdown period. Businesses that remain digital laggards will be substantially disadvantaged during the recovery, says McKinsey.

"Businesses that remain digital laggards will be substantially disadvantaged during the recovery."

With the rapid uptake in online transactions serving as a backdrop, and wanting to ensure that small businesses are not left behind during the recovery from the Covid-19 pandemic, Google South Africa set up a digital hub containing free, easy-to-use tools for entrepreneurs.

Though small business owners are experts when it comes to local customers, they are often less knowledgeable about finding new markets and discerning culture, buying trends, export legalities, and payment options for their product in other countries, says Alistair Mokoena, Google South Africa country director.

Alistair Mokoena
Country director of Google South Africa

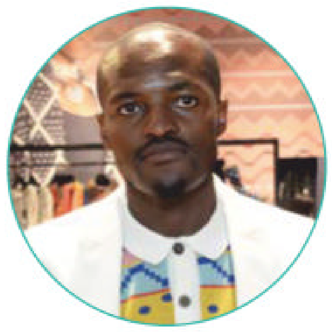
Many small businesses have had to quickly figure out how to pivot their operations to a digital-first approach. Yet, there remains a gap between those who can access these online opportunities and those who can't, says Mokoena.

Marketing kit tool

Google My Business is a platform for businesses to register their profile with the details that we (prospective customers and users) see when we search them on Google. Businesses are verified by Google upon registration, creating legitimacy. As of late, the platform contains a new marketing kit tool described as "your agency in a pocket", according to Claude Blatter-Hendel, Google sub-Saharan Africa's deputy head of ads marketing. The marketing kit is an opportunity for small businesses to create promotional material, such as print-ready flyers and posters, with space to add your own details, such as updated hours or safety measures as the business reopens.

"Google has changed the way that I foresee the future of my brand. Google My Business has led to an increase in people who visit our stores," says Laduma Ngxokolo, fashion designer and founder of MaXhosa by Laduma, a now internationally renowned SA knitwear brand in a case study shared by Google.

According to the study, about 50% of MaXhosa by Laduma's website visitors come from Google and around 7 000 people find the brand via Google My Business monthly.



Laduma Ngxokolo
Fashion designer and founder of MaXhosa by Laduma

Marketing material generated with the online kit can be shared on an enterprise's social media channels. Favourable Google reviews from previous patrons can be turned into posters and shared on social media. The platform has a functionality to design business cards too, that will contain a short Google website address of the business. A website for the business is easy to create. A professional website drives sales, says Blatter-Hendel, adding that consumers will more likely buy from a business that has a website than from one that does not.

Market finder

Another successful small business case study mentioned by the Google team is that of Tshepo Jeans, a lifestyle brand that makes bespoke denim clothing and ready-to-wear products, including masks. The designer and founder, Tshepo Mohlala, is also best-known for making a pair of jeans for the Duchess of Sussex, Meghan Markle, who personally collected them from the Victoria Yards store when she was on a visit to Johannesburg last year.

"Google helped him [Tshepo] gain access to markets via Google My Business," says Mokoena. "Using the tools, Tshepo Jeans has been able to grow its online presence and start connecting with new customers, who are also able to leave reviews, for instance."

Google's market finder tool, which was previously sold as a service to businesses, was made free to help businesses grow internationally, says Blatter-Hendel.

The market finder tool can be used to identify new potential markets, discover helpful operational information that can be used in selling to customers at home and around the world. Users can get tailored recommendations and explore in-depth country-level data and consumer insights provided by Google.

For instance, it can recommend new export markets abroad after the user provides details about their business, including goals. The user will then be able to view various potential markets abroad, including how much people earn in those markets, how often do they go online or how many monthly searches there are for a product or service the user offers.

The tool can also be used to adapt to local markets by providing the right payment and delivery methods, as well as customer care services. ■

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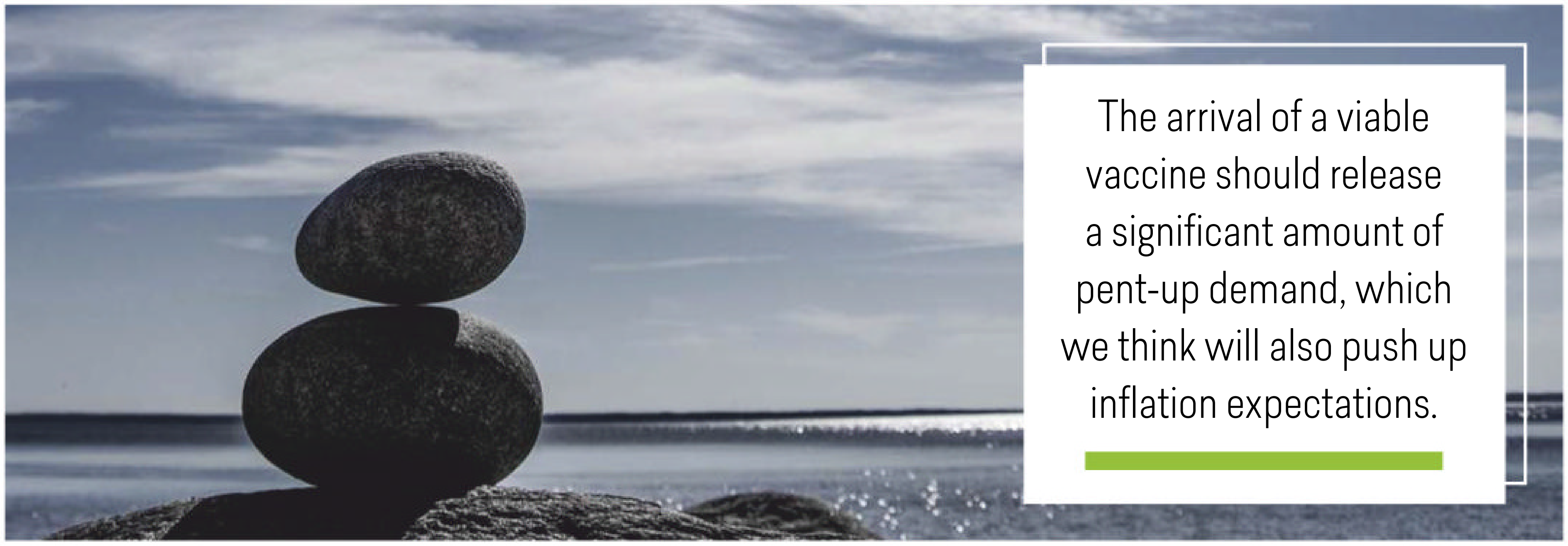
Photos: Gallo/Getty Images | Supplied

By Iain Power

How has the Covid-19 pandemic affected the inflation outlook?

Due to deglobalisation and higher commodity prices, inflationary risks are increasing worldwide.

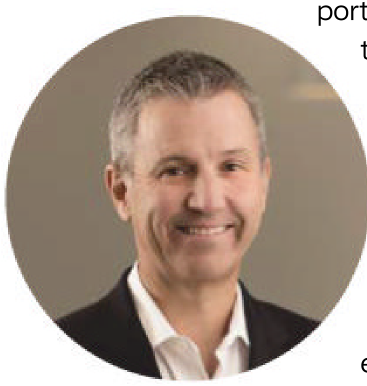


> The arrival of a viable vaccine should release a significant amount of pent-up demand, which we think will also push up inflation expectations.

As the effects of the national lockdown kicked in, we saw record-low levels of inflation in South Africa. In light of the massive stimulus programmes underway worldwide, in an effort to keep economies afloat, the big question facing investors is whether these stimulus programmes will lead to higher inflation rates in the future – and what this means for investment portfolios.

The global outlook

From a global perspective, we believe the effects of demand weakness induced by Covid-19 are likely to be deflationary over the next two to three years. However, inflationary expectations are already incredibly low. Therefore, we think the unprecedented policy measures undertaken by central banks to support the global economy will begin to put upward pressure on inflation expectations, especially once a vaccination programme has been completed and the global economy recovers to growth levels prior to Covid-19.



Iain Power
Fund manager of the Nedgroup Investments Balanced Fund

The arrival of a viable vaccine should release a significant amount of pent-up demand which, we think, will also push up inflation expectations. This risk is currently not being discounted by fixed-income and long-duration equities and, as a result, necessitates a cautious approach when it comes to investing in these securities.

From a cyclical perspective, as the global economy recovers, we expect the US dollar to weaken and commodity prices to rise, which will add to this pressure. Deglobalisation, which has been a growing pattern, is ultimately bad for corporate profitability and is also inflationary. The continuation of this trend will, on the margin, add upward pressure to prices in general over the next decade.

In addition to this, global central banks have clearly stated that they are prepared to let inflation run a little hot before they respond with tighter monetary policy measures. This further increases the probability of inflation moving up over the medium to long term.

What does this mean for investors?

As many of our investors will know, Truffle Asset Management has tilted the Nedgroup Investments Balanced Fund towards a more cyclical portfolio positioning. This means we have increased exposure to both selective domestic and global cyclicals. At the same time, we have reduced exposure to many of the defensive growth names that have done well during the Covid-19 pandemic, but may come under pressure as investors rotate out of growth into more economically sensitive companies, as the global recovery normalises and long-term interest rates rise to more normalised levels.

In addition to the above, Truffle also increased the fund's equity exposure as returns from global bonds, domestic cash and long-duration SA bonds remain unattractive on a risk-adjusted basis. We remain concerned about SA's unsustainable fiscal position, which if left unchecked, will ultimately result in higher inflation over the longer term.

Why the Nedgroup Investments Balanced Fund?

Due to its composition and its ability to hold a different mix of stocks, this fund offers excellent diversification benefits, making it an ideal addition to any portfolio, especially in the volatile markets we are seeing worldwide now. The fund has also proven to be appropriately diversified in a range of markets and has achieved peer-group-leading performance since inception. Visit **www.nedgroupinvestments.com** for more information on the Nedgroup Investments Balanced Fund. ■

Iain Power is the fund manager of the Nedgroup Investments Balanced Fund.

market place

By Simon Brown

Allocating and maintaining your investment capital

Managing your portfolio – from deciding whether to invest directly in shares or through ETFs, to which assets are worth holding on to – takes time and consideration.

The key feature of a long-term portfolio is which assets you hold in it. But there are other considerations that you must also stay on top of.

Firstly, how do you split the portfolio between passively and actively managed assets? I always advocate that at least 50% of a portfolio is held in exchange-traded funds (ETFs) as the core of the portfolio. This removes the risk that you buy horrid stocks. The 50% allocation is a minimum and it can be higher, far higher if one is new to investment, or just want to take on some market risk.

The second question revolves around the allocation of offshore or local assets, either in passive instruments or individual shares. This split is a lot harder, especially as much of our top-40 shares earn their revenue in dollars, making them offshore in a sense. Here the percentage split should likely be more than 50% offshore or earning dollars as South Africa is a tiny speck in the global GDP ratings. I'll do a column on this fact soon.

Importantly, I would include all my real assets in the above calculations; thus, any retirement investments and a second property. I don't include my primary residence and vehicles – those are not investments.

These are the broad principles of a long-term portfolio allocation, but you also need to do maintenance on what's inside the portfolio, and here I don't want to focus on quality, but rather duplications and quantity.

Firstly, duplications refer to where you hold two ETFs tracking the same underlying index. There are many reasons for this happening, and I am comfortable with this situation even if the two ETFs have different total expense ratios (TERs). I say this because selling out of one ETF to buy into the same index, but with a cheaper TER, incurs costs.

I always advocate that at least **50%** of a portfolio is held in exchange-traded funds (ETFs) as the core of the portfolio.

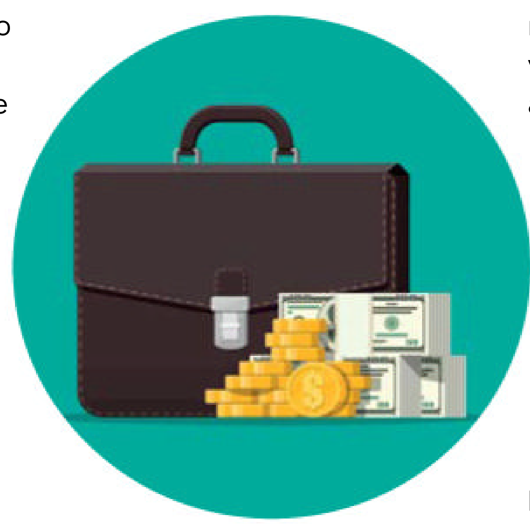


Photo: Shutterstock

So, switching ETFs to save, say 0.3%, may end up costing you 2.5% and it would take eight years for the savings to kick in. And by that time the ETF with the higher TER may have reduced its costs. In this situation I'd just put new money into the cheaper ETF and hang onto the more expensive one.

With individual shares, there are two issues to consider. The first is having too many stocks from a single sector. I always advocate for at most two stocks from a single sector, especially in a small market, such as SA. What is hard to decide is which stocks are the two best (or even better, just the best) if you're not truly on top of the sector and are rather using a shotgun approach by buying all and hoping some will perform. If you have more than two, sit down, dig into all you hold and make a firm decision as to which two you'll hold and sell the others.

The second consideration is tiny holdings that are too small to have any impact on your portfolio's returns. For example, a holding of say 1%, doubles in value and adds 1% to your overall portfolio. There's a lot of work in deciding and monitoring a position, and if you were right – seeing a 1% increase in the portfolio – you need to ask whether it was worth the effort. Either you bought without conviction, so the position was tiny, or the price has collapsed to such an extent that the holding is now tiny. For me, tiny means less than 2.5% in my equity part of my overall portfolio. Below that I must either exit or add to the position.

The key point is that a long-term investment portfolio is not just about buying shares or ETFs. It is also about managing ratios and percentages to make sure that you benefit from the effort in deciding what to buy and ensuring that winning stocks and ETFs create real wealth. ■

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By Moxima Gama

TECHNICAL ANALYSIS

Share picks for 2021

Technical analyst Moxima Gama discusses the four stocks that she believes pose the best upside in the new year.

SASOL

Sasol has burnt its pockets in its colossal chemical investment in Louisiana in the US, dubbed the Lake Charles chemicals project. A series of delays and cost overruns have been the biggest contributor to Sasol's financial woes in recent years. Once the project is complete, it will significantly strengthen Sasol's position in the global chemicals market. The plant is expected to bring a core profit of as much as $200m next year, ramping it up to $1bn from 2022.

On the charts: Sasol's share price is still trading in its long-term bear trend. But after retaining support at 2 075c/share, it's recovering its losses. A move above 15 715c/share should prompt further gains to the resistance trendline of its bear trend.

Go long: Sasol's share price has encountered major resistance at 15 715c/share since June. Therefore, breaching that level would present a good buying opportunity, with potential upside towards the next resistance at 23 390c/share. Continued buying above that level would end the long-term bear trend. Gradual upside towards 38 350c/share would be possible.

Don't go long: A reversal below 15 715c/share would mean Sasol has found a ceiling there. Trading below 10 300c/share would extend the bear trend and support at 7 120c/share could be tested.

The Lake Charles chemicals project plant is expected to bring a core profit of as much as $200m next year, ramping it up to

$1bn

from 2022.

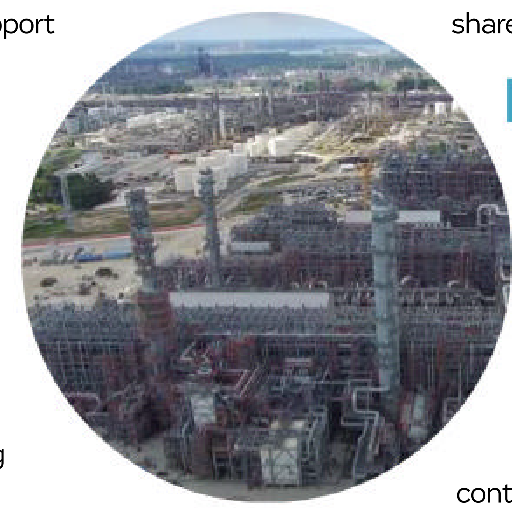
MASSMART

Massmart's loss for the 26 weeks ending 28 June has widened to R1.1bn from R832m a year earlier, as sales at its stores slumped due to the Covid-19 restrictions. Online sales, however, surged by 95% as consumers shy away from shopping in stores. Massmart CEO Mitchell Slape, who was roped in by Walmart in September 2019 and bought R8m in shares with his own money, has been driving a turnaround strategy that involves cost cutting and restructuring Massmart into two divisions.

On the charts: Massmart has been trading in a bear trend since March 2019 and has fallen to lows last tested in 2003. However, it has recently breached the resistance trendline of a steeper bear trend that formed within the larger bear trend – a sign that buyers are resurfacing.

Go long: A buying opportunity was presented above 3 825c/share. Continued upside above that level should see the share price recover its losses towards 6 200c/share. The 8 200c/share level could be tested on sustained optimism.

Don't go long: A reversal below 2 770c/share would mark a change in bullish sentiment. Sellers could then drag the share price back to support at 1 880c/share.



Sasol's Lake Charles chemicals project in Louisiana in the US

Photo: sasolnorthamerica.com

CASHBUILD

Cashbuild's investment strategy, which mainly involves expanding and refurbishing its stores, acquired The Building Co – which includes the Buco and Timbercity chains – from Pepkor for R1bn in a debt-financed deal. This is a big acquisition for the company as it rarely does deals and avoids debt. This move will see Cashbuild take a hold of 160 stores that generate R8.2bn in revenue and R154m in operating profit a year. In a trading statement, Cashbuild reported a 22% rise in profits for the three months to end-September 2020. This figure showed investors that the group was able to weather the storm in a current difficult economy.

On the charts: Cashbuild's share price had broken out of its long-term bull trend in February and plummeted to a low at 7 000c/share. It is now recovering its losses – back into its primary bull trend. If this upside should continue, Cashbuild could retest its all-time high at 52 650c/share in the medium to long term.

Go long: Upside above 23 100c/share means Cashbuild has resumed its primary bull trend. Next resistance is at 32 150c/share. Above that level, increase long positions as Cashbuild's share price could extend its gains towards 40 150c/share.

Don't go long: A reversal through 23 100c/share would mean investors have had a change of heart. Downside to 16 850c/share could ensue and through that level support at 10 000c/share could be retested.

BLUE LABEL TELECOMS

Technology group Blue Label Telecoms is currently seeking a deal with lenders to recapitalise the stricken Cell C mobile operator. Blue wrote off its full equity ownership in Cell C to zero in May 2019 and reported a R390m growth in core headline earnings in 2019 from a R128m loss in the previous year. Spearheading a back-to-basics approach to its business, Blue aims to reduce debt and improve cash generation.

Traditional airtime and data are the group's majority contributors, and will therefore remain its focus. Its non-telecoms product portfolio and its electricity capacity are now contributing to 43% of the group's gross profit.

On the charts: Blue hasn't only broken out of its four-year bear trend, but has also confirmed a positive breakout of an inverted head-and-shoulders formation (a bullish reversal pattern). This positive breakout was confirmed above 325c/share.

Go long: Go long above 325c/share, as upside to the next resistance level at 510c/share should then follow. Increase long positions above that level as the share price could appreciate further to 705c/share. Expect this momentum to continue to 1 050c/share in the medium to long term on continued upside.

Don't go long: Downside through 325c/share would be a bearish move. Support at 150c/share could be retested. ■

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Moxima Gama has been rated as one of the top five technical analysts in South Africa. She has been a technical analyst for 12 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the research team in the Treasury division of CIB.

By Simon Brown

ECONOMY

Where has inflation gone?

Simon Brown believes the worldwide low-inflation environment is here to stay.

I have been trying to understand where inflation has gone, especially in a world awash with cheap stimulus money. Many readers will be thinking that they have plenty of inflation in their monthly budgets. On top of that, medical inflation is well ahead of general household inflation. This is the current reality because nobody spends according to the perfect Stats SA inflation basket. But a lot of things are also cheaper.

Consider the cost of internet access, which typically includes your data bill and the price of the device with which you access the web. The costs of both have been decreasing since we first started using the internet. My first computer in 1995 cost me over R10 000. Today I can get a decent mobile phone, many times more powerful than that first computer, for the same price. My internet dial-up bill in the late 1990s was over R3 000 per month; today I can get high-speed, always-on, uncapped fibre internet access for under R1 000. Twenty years ago, a flight to Cape Town cost me almost R4 000. Now I can get on the plane for about R1 000, if I snag a special.

The evidence is also clear. Inflation in developed markets – even in South Africa and some other emerging markets – has been on the wane. Locally, we have seen the consumer price index coming in at under 6% per year since 2010. In the previous century, double-digit inflation was the norm. Even the US had double-digit inflation in the 1970s and into the early 1980s. Yet now, it's below 2% and, in SA, we have inflation at the lower end of the central bank's target of 3% to 6% per year.

Back in 2008, when Ben Bernanke, then chair of the US Federal Reserve, was proposing massive stimulus to combat the global financial crisis, he said that inflation was the likely response and risk.

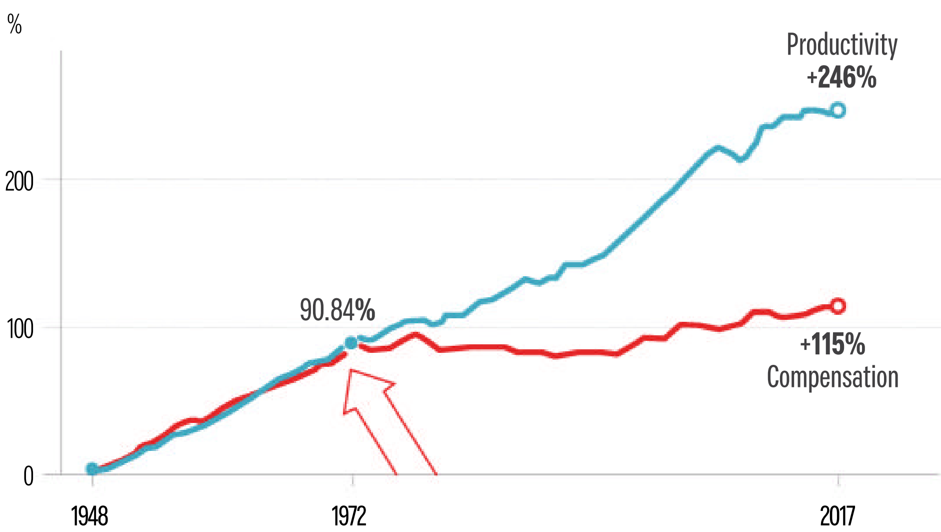
Yet, here we are: After three rounds of US quantitative easing and a pandemic stimulus package, there is still no inflation.

So where has it gone, and is it likely to return?

Where it went, is largely answered by productivity, technological advances and global supply chains. As workers got more productive, things became cheaper. The risk to this is potential deflation. Cheaper goods mean there is more money to spend on other things. So, while some goods are cheaper, we have new ones to buy with the unspent money.

Clothing became cheaper, as it is manufactured for less in the East. This brings me to supply chains. Previously, goods we bought were mostly made relatively close to where we lived. Now they're made anywhere in the world where the required quality can be produced at the cheapest price. Even our food is not all locally produced anymore.

GROWTH IN PRODUCTIVITY AND HOURLY COMPENSATION SINCE 1948



Note: Compensation includes wages and benefits for production and non-supervisory workers.

SOURCE: Economic Policy Institute

There is another important point to consider: As productivity has increased markedly over the last 40 years, wages have not increased by the same amount (see graph). So, the amount of money chasing the cheaper goods remained constant and is not fuelling inflation.

We have, however, seen some inflation during the last decade. But that has been in stock markets, as the 2008 bailout money went into markets rather than being spent by consumers. Cash from the aforementioned pandemic stimulus package is, however, largely being spent; but this is replacing lost income for many, so it is again not adding to inflation.

This leaves us in this odd situation of low global inflation. Inflation may rise a little, but I don't think we're likely to see double-digit inflation any time soon, if ever.

This is a difficult concept to wrap one's head around, but the more I dig, the less likely high inflation seems. And this has implications.

Firstly: Low interest rates are here to stay and, equally, negative yields on sovereign bonds are also likely to remain. Secondly: We've also got to adjust our expectations for salary increases and portfolio returns. It's a new world and, truthfully, mostly a better one. ■

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Locally, we have seen the consumer price index coming in at under 6% per year since 2010. In the previous century, double-digit inflation was the norm.

Photo: Shutterstock

By Schalk Louw

OUTLOOK

Goodbye 2020 ... Hello 2021

Schalk Louw shares his outlook for the largest asset classes available to local investors.

2020 will undoubtedly go down in history as the year of the Covid-19 pandemic. It is therefore with great enthusiasm that I look ahead to what I hope will be a much better 2021. In this issue, I recap the performance of a few asset classes during 2020 and discuss what we might expect of them in 2021.

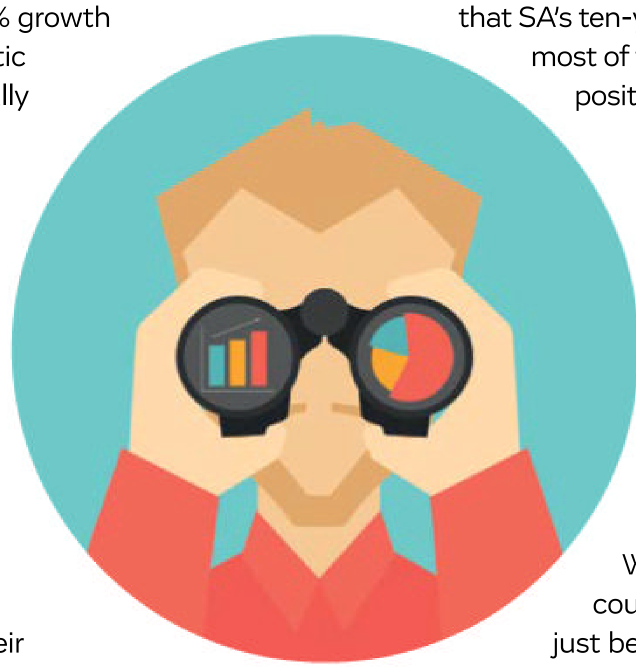
Local shares

What a year it's been for shares. Following the FTSE/JSE All Share Index's (JSE) performance for the five-year period ending 31 December 2019, during which it couldn't even yield returns of 6% per year, all hopes were set on 2020 to be the year of recovery. But global markets saw one of the biggest crashes since 2008 when Covid-19 was declared a pandemic. By 19 March 2020, the JSE was trading 30% lower than at the beginning of 2020.

From 1987 until now, the JSE has only declined by more than 30% on five occasions. Although it was trading at higher levels on all four prior occasions, the recovery experienced during this correction has by far been the most aggressive. As at the time of writing, the JSE was trading in positive territory for the year (see graph).

With financial stimulus slowly finding its way to local shares, and an interest rate environment that will most likely stay low for longer, it's difficult not to get excited about the future of local companies.

The expected 12-month consensus price-to-earnings ratio (P/E) forecast of 14.1 (according to Thomson Reuters) at which the JSE is currently trading, is not expensive. If analysts' (consensus) price targets for JSE companies are 100% correct, it would seem that the JSE (at 56 615 points), still has 26% growth potential. Even if these forecasts are optimistic (and even though this optimism is dramatically discounted), I reckon it remains an attractive investment that justifies an overweight position in your portfolio.

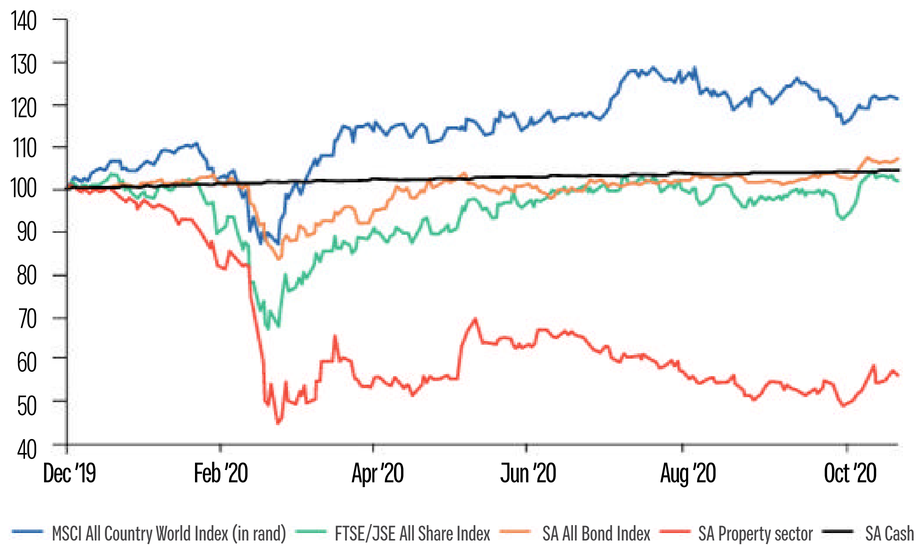


Offshore shares

While offshore shares (MSCI All Country World Index or also the ACWI) experienced the same collapse as local markets, they have recovered even faster than the JSE (especially US companies, which constitute 58% of the ACWI). Many experts feel that the US is currently on the more expensive side. They advise investors to exercise extreme caution, and not base their decisions only on recent returns. After all, the US market traded at similar valuations between 1999 and 2009, and thereafter delivered negative returns for an entire decade.

If analysts' (consensus) price targets for ACWI companies are 100% correct, no growth is forecasted for the next 12 months. If you dig a little deeper, however, you realise that if you exclude the US, there are still many investment opportunities in areas like Europe and Britain, and in emerging countries like China. Therefore, I won't reserve an underweight position for offshore shares in my portfolio (I'd classify myself as neutral), but I most certainly won't let last year's 'winners' take the lead in my portfolio.

YEAR-TO-DATE RETURNS OF THE VARIOUS ASSET CLASSES UNTIL 20 NOVEMBER 2020 (INDEXED TO 100 ON 1 JANUARY 2020)



SOURCES: Schalk Louw and PSG Wealth Old Oak

Bonds

Simply by looking at where the world currently finds itself in the interest rate cycle, I would be very wary to invest in any international bonds right now. Local bonds, however, tell a different story. I believe that SA's ten-year government bond yield now at around 9%, has most of the risks priced in, which justifies an overweight position for the next 12 months.

Property shares

I believe that there are some opportunities starting to emerge in this asset class, both locally and offshore. However, I also think the risks outweigh the possible opportunities and I would remain cautious. For now, I would remain underweight in property shares, at least until we have more certainty regarding this asset class.

Cash

With basically no interest returns in developed countries, and current local money market rates just below 3.5%, cash looks set to deliver negative real growth for investors – if you work according to the International Monetary Fund's expected inflation figure of 3.88% for 2021 (by year-end 4.3%). Considering this, cash will have an underweight position in my portfolio in 2021.

Thank you to all my readers for your loyal and ongoing support during this incredibly challenging year. Rest well and return with renewed enthusiasm in 2021. ■

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Schalk Louw is a portfolio manager at PSG Wealth.

Photo: Shutterstock

By Simon Brown

OVERVIEW

The outlook for SA's four popular investment instruments

As 2020 draws to its bitter close, some respite may lay ahead for local stocks and bonds. The drive to list a diversified basket of offshore-focused exchange-traded funds will likely continue unabated. And the rand? Lest we burn our fingers in ever predicting our volatile currency.

EXCHANGE-TRADED FUNDS

Surge in offshore as ETFs come of age

Exchange-traded funds (ETFs) remain the cornerstone of most investors' portfolios – and 2020 saw the offering of offshore ETFs growing. Several new ones, including global bonds, China and two environmental, social and governance (ESG) ETFs came to the market. The key point here is the ease of investing in offshore ETFs, and specifically offshore technology ETFs, which enabled local investors to benefit from the surge in technological stocks. These tech-ladened ETFs saw returns of around 50% for the year, while vanilla global and US-focused ETFs returned around 20% for the year. This beat the local top-40-focused ETFs, which only managed a much more modest single-digit return. This is not bad considering the pandemic, but well behind the global ETFs. (Suffice to say that the Satrix Top 40* celebrated its 20th year on the JSE in 2020.) This is hugely significant for local investors as, just a decade ago, offshore exposure was hard and expensive – now it's just a few clicks away in your local online share account.

These tech-ladened ETFs saw returns of around 50% for the year, while vanilla global and US-focused ETFs returned around 20% for the year.

Looking towards 2021, we can expect more offshore ETFs to be listed. They will likely focus on single countries and regional areas. I think we'll probably also start seeing some more offshore, smart-beta ETFs.

Smart beta was a trend for 2020, but a negative one as it continued to underperform, and this will likely continue into 2021 – possibly even beyond. Smart beta uses different methodologies to try and generate better returns, using techniques, such as low volatility, value, fundamentals and the like. But, globally, markets have been momentum driven for years now and smart beta is just not working – except of course for momentum smart beta. This should change with time, but people have been saying that for years. Furthermore, in our much smaller market, I am mostly unconvinced by the smart beta theory and I prefer vanilla ETFs.

STOCKS

Sasol may lead the winning pack next year

Turning to individual, locally listed stocks, gold miners had a great year in 2020. A fading gold price in November, however, saw some of the shine come off their returns, with DRDGold leading with a return of over 100%. The top return on the JSE was once again the Rhodium ETF, adding 176% in 2020 at the time of writing. Several smaller stocks managed solid gains, as Purple Group* was up by almost 175%. Results for the year ending August saw the group move into profit as Easy Equities benefitted from the lockdown and experienced a surge of new account openings. Having more than doubled in price during 2020, Purple remains one of my preferred shares for 2021 and beyond. This, as it moves further into profit and starts getting serious cost savings from scale, with over 250 000 active accounts.

There were plenty of losers in 2020, with several going into business rescue, while property and leisure stocks were especially hard hit. Hammerson and City Lodge lost 98% and 95% respectively as both undertook massive rights issues. But perhaps the most spectacular was Sasol, as it has lost over 50% in 2020. To be fair, this was after it rallied 600% from its low of 2 200c in March. That 2 200c was the lowest level this century for Sasol and many traders did extremely well buying at the lows.

Photos: Shutterstock

Sasol's struggles remain as it sells assets to reduce debt, and still has a likely rights issue due in the first half of 2021. The worst-case scenario is a potential $2bn rights issue, which would be the largest ever for a local company. However, I think Sasol can escape with maybe only needing to raise about half of that. It has also managed to offload a large chunk of its Lake Charles chemicals project, which should start generating a profit next year. Coupled with rising oil prices, this could see Sasol be another winner for 2021.

The question is whether leisure and property companies will start a solid recovery in 2021. I think the worst is behind them, but leisure stocks will have another tough year. Occupancy levels for holidays are returning but corporate, conferencing and foreign tourist numbers will remain depressed in 2021. Property stocks are faced with the issue of people working from home. And the fact that while shopping centre foot traffic is returning, bringing with it spending, a second wave of the coronavirus pandemic remains a real risk when our winter returns in April. I continue to avoid both sectors for now.

FIXED-INCOME ASSETS

High-yielding

Locally, our ten-year government bond got hit hard, with both the pandemic and our downgrade into junk, and it traded at a yield of 11.8% in March. The price and yield of a bond are inversely related to each other, meaning that when the price of the bond falls, the yield increases. Thereafter, yields rapidly improved to around 9%, which is around the average for the last five years, but still more expensive than other junk-status nations, such as Brazil with its ten-year bond yielding 7.5%. SA's ten-year yield is still well above the 6% it traded at in 2013. The question that is often asked is: Why is SA trading at yields much higher than junk-status Brazil? This probably has to do with investors' perception that, as a country, SA is soft on corruption. As a rule, investors only really worry about returns, but with sovereign bonds returns must be tempered against risk, hence the high premium on SA government bonds.

Looking to 2021, with a record $18tr of negatively yielding government bonds, we should see some continued support for SA government bonds. But the country's economic challenges are serious, and I don't see significant strength in 2021, with a ten-year yield of 8% about the best we can hope for.

Looking to 2021, with a record

$18tr

of negatively yielding government bonds, we should see some continued support for SA government bonds.

Of note, while the current 9% is bad and means we pay more interest on our growing debt, the 1998 crisis saw our ten-year yield hit 20% before starting a decade-long strengthening that ended with the global financial crisis of 2008/09.

The better news for indebted consumers is of course the interest rate cuts that led to generational lows; our prime interest rate is now at 7%. SA's Monetary Policy Committee has stated that the next move would be to raise the rate in late 2021, but I am not sure that'll happen. Central banks rates across the world are just above zero and in the US, Federal Reserve chairman Jerome Powell says the next move to raise rates will likely only be in 2023. One thing I have learnt over the years is that central bank predictions are usually optimistic.

CURRENCY

Unpredictable as always

Perhaps the craziest feature of a year full of crazy was the rand. It started 2020 at just over R14 for a dollar, then hit R19.35 in early April and was trading at around R15.20 at the time of writing. Looking back over five years (to December 2015 and just ahead of the firing of then finance minister Nhlanhla Nene) the rand remained flat over the period.

Most people are bearish on the rand, expecting it to weaken and, over the long term, it certainly does weaken by a few percentage points per year due to SA's inflation differential. But in the shorter term, the rand has periods of strength that have at times seen it improve by more than half over four or five years. So, the lesson here is simple: When the rand collapses, as it did in April 2020, do not respond as if this is the end of the currency and rush money offshore. Rather wait for the subsequent periods of strength and use that to ship money offshore, but again – no rush. I have a regular schedule to take money offshore and I pretty much stick to it unless the currency is over 20% weaker in the immediately preceding 12 months – in which case I pause.

2020 was a wild year and 2021 will be better, but still wild. Look after yourself, and if you can – somebody else too. ■

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Simon Brown is *finweek's* resident expert on the stock markets and also Founder and director of investment website JustOneLap.com

** The writer holds Satrix Top 40 and Purple Group.*

By Lucas de Lange

JSE

JSE ends 2020 on a better note

Investors are starting to anticipate a recovery in the new year.

The JSE is on its way to closing the year at a much healthier level than it started at. This indicates that market players are anticipating a recovery of most of the bigger shares in 2021.

Some 61% of the top 100 issuers on the JSE, as measured by market cap, are currently lying above their 200-day exponential moving averages (EMAs). In January, only 43% were higher, and the weaker bear trend was in evidence every month until November when there was a recovery, with 51% of them above their EMAs. How woeful March was when lockdown struck the country is evident from the fact that only 4% were strong enough to lie above their EMAs. According to brokers, there were agile market players who benefitted from the collapse by acquiring quality shares at bargain prices. Some shares, such as Discovery and Kumba, have since increased by more than 100%.

The year is also closing amid a major change in the counters that dominate the list of the strongest shares. Two quite unusual companies, the illiquid Textainer and Montauk, are the leaders.

Textainer, registered in Bermuda, is one of the world's largest lessors and managers of standardised shipping containers, which can transport various products. Montauk headed the list in November. This company specialises in renewable biogas energy projects and hopes to list on the Nasdaq early next year, while retaining a secondary listing on the JSE. Textainer has risen by about 90% since the beginning of the year and Montauk by 87%. It is interesting that asset managers, such as Coronation and Prudential have built up positions in both.

African Rainbow Minerals and Northam Platinum are the only two mining shares among the top ten strongest shares, compared to eight at the beginning of the year, with platinum group metals (PGMs) the most notable winners at the time. Sentiment with regard to PGMs is, however, still positive. The World Platinum Investment Council (WPIC) said in a research paper that 2020's deficit could run to a record 1.2m ounces, while a shortage of 224 000 ounces can be expected for 2021, despite an increase in production of some 17%. The demand for PGMs could increase by about 2%, which should be largely attributable to strong investment demand. The CEO of Sibanye-Stillwater, Neal Froneman, is also positive regarding these prospects.

Should they be correct, it means that the current prosperity of platinum companies will continue in 2021. Sibanye's cash flow has been strong for some time, which favours its balance sheet and enables good dividends.

The large British property group, Hammerson, and SA's Redefine Properties, head the list of the weakest shares. Hammerson was severely impacted by problems surrounding Brexit and is being forced to make a rights issue to alleviate debt. Redefine is busy selling properties in a difficult market and has announced that its dividend will be reduced by at least 45%.

That investors are expecting an improvement on the JSE, is apparent from the fact that certain key shares are subject to accumulation. Woolworths is a good example. The graph of its price/volume trend* (PVT) has been rising gradually for some time, which suggests that there is steady buying. This is also the case with certain property shares, such as Hyprop and Vukile. There are apparently expectations that even the depressed property sector could fare better in 2021.

Among the shares that have broken through, especially Nedbank, Dis-Chem and Equites look interesting. The PVTs of all three are positive. Equites surprised in October by declaring a higher dividend. ■

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**PVT is calculated by multiplying the percentage change in a share's price by its volume. The result is expressed in graphic form and the trend is a good indication whether a share is subject to accumulation or distribution.*

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

STRONGEST SHARES*

COMPANY	% ABOVE 200-DAY EMA
TEXTAINER	47
MONTAUK	38.6
ARM	35.2
CARTRACK	34.4
MOTUS	32.1
ALTRON A	29.4
NORTHAM PLATINUM	26.4
MASSMART	23.5
MC GROUP	22.1
ROYAL BAFOKENG PLAT	20.1
MR PRICE	19.7
SUPER GROUP	19.7
CAPITEC	19.1
TRANSACTION CAPITAL	18.7
SIBANYE-STILLWATER	18.1
MPACT	17.1
KUMBA IRON ORE	16.6
ITALTILE	16.1
ANGLO AMERICAN	15.7
IMPALA PLATINUM	15.7
RICHEMONT	15.7
THARISA	15.5
PROSUS	15.1
GLENCORE	15
ABSA GROUP	14.4
PSG KONSULT	13.9
SIRIUS	11.6
ZAMBEZI PLATINUM PREF	11.5
SOUTH32	10.1
AB-INBEV	9.3
BIDVEST	8.9
NASPERS	8.5
CORONATION	8.3
MTN GROUP	8.2
PEPKOR HOLDINGS	8.1
DISCOVERY	8
TFG	7.7
DISTELL	7.1
TRUWORTHS	7.1
HYPROP	7
FIRSTRAND	6.1
STANDARD BANK	5.7
SAPPI	5.4
SPAR	5.3
MONDI	5.2
BIDCORP	4.5
RMI HOLDINGS	3.8
OCEANA	3.4
KAP	3.3
BHP	3.1
TIGER BRANDS	3.1
JSE	3
NEDBANK	3
TELKOM	2.8
SHOPRITE	2.5
PAN AFRICAN RESOURCES	2.4
IMPERIAL	2.2
EQUITES	2.1
ASPEN PHARMACARE	1.6
INVESTEC AUSTRALIA PROPERTY FUND	1.1
DIS-CHEM	0.8
VIVO	0.8

WEAKEST SHARES*

COMPANY	% BELOW 200-DAY EMA
HAMMERSON	-93.7
REDEFINE	-23.5
ANGLOGOLD ASHANTI	-23.3
GOLD FIELDS	-20.7
NAMPAK	-19.7
HARMONY	-19.5
LIFE HEALTHCARE	-15.7
REMGRO	-15.5
CAPITAL & COUNTIES	-14.6
FORTRESS B	-14.4
DRDGOLD	-14.3
NETCARE	-13.1
GROWTHPOINT	-12.5
VUKILE	-12.2
RESILIENT	-10.3
LIBERTY HOLDINGS	-9.6
RHODES	-9.2
ASTRAL	-8.9
INVESTEC LTD	-8.1
BAT	-8.1
SASOL	-6.7
INVESTEC PLC	-6.4
MOMENTUM METROP	-6.3
NEPI ROCKCASTLE	-5.5
REINET	-5
MEDICLINIC	-4.6
AVI	-4
RCL	-4
MERAFE	-3.4
QUILTER	-2.8
SANLAM	-2.6
WOOLWORTHS	-2.4
EXXARO	-2.2
OLD MUTUAL	-2.1
BARLOWORLD	-1.7
PICK N PAY	-1.7
SANTAM	-1.3
VODACOM	-0.6
CLICKS	-0.1

BREAKING THROUGH*

COMPANY	% ABOVE 200-DAY EMA
NEDBANK	3
IMPERIAL	2.2
EQUITES	2.1
ASPEN PHARMACARE	1.6
DIS-CHEM	0.8

**Based on the 100 largest market caps.*

By Maarten Mittner

GLOBAL MARKETS

Big tech set to remain dominant amid muted value recovery

The planned breakup of large technological companies by US competition authorities may support entrepreneurship a little.

Call it the seesaw year. Or a stop-and-go year. Or the year of the two dips. Or the year of the miraculous recovery.

Whatever the choice of words, 2020 will be remembered as a year of exceptional volatility as the global pandemic wreaked havoc on global markets. The trend was for markets to rise on the possibility of greater fiscal stimulus emanating from cash-strapped governments, or the likely development of a successful vaccine. And dipping on any bad news or adverse company results.

Traditional companies were the hardest hit. Big tech companies proved to be the exception.

FAANG stocks (Facebook, Apple, Amazon, Netflix and Google's parent Alphabet) all had a sterling year, shrugging off the adverse macroeconomic environment as an almost insignificant factor. On average they now comprise about a quarter to a third of the market value of American indices. Amazon gained more than 70% and Apple was up 60%, forming a stark contrast with the struggling retail, property and banking sectors. Some banks have recovered, but the Dow ended the year only marginally higher after reaching the magical 30 000-point level. The more globally minded S&P 500 rose 10%. But the Nasdaq rocketed by more than a third.

Capitalism can be a wonderful system to create wealth, but at times it is not so effective in distributing wealth. In the past, concerted governmental efforts were always necessary to tone down the vast accumulation of wealth, benefitting only a handful of individuals, so that a viable middle class could emerge to support a stable society.

2020 proved to be no exception as big tech magnates in some cases doubled their personal wealth, with total wealth gains topping a staggering $1tr amid a classical monopoly background.

The anti-trust steps against big tech companies, announced by the US department of justice at the time of the election in early November, represents a renewed effort to curtail their inherent market power. The aim is to break up big tech companies into more competitive units, reduce their pricing power and open the sector for greater individual entrepreneurship.

Up to now, FAANG market dominance has led to the immediate takeovers of those companies presenting a threat. This boosted valuations on Wall Street, shifting out the smaller players. This may change as it is expected that any anti-trust steps, if successful, would be detrimental for FAANG companies. But markets are seemingly unperturbed. Major asset managers continue to pour money into big tech, despite some stratospheric valuations.

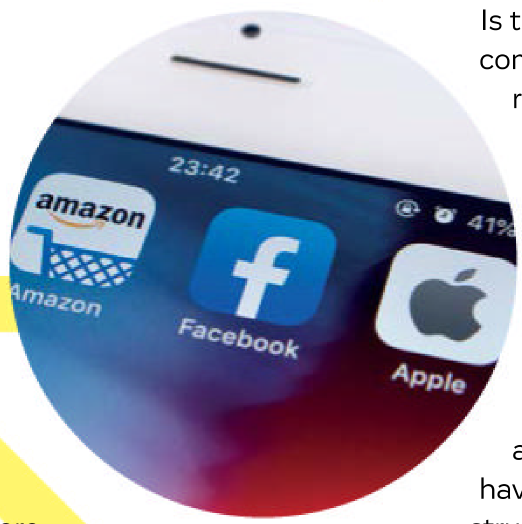

Photo: Shutterstock

Amazon gained more than **70%** and Apple was up **60%**, forming a stark contrast with the struggling retail, property and banking sectors.

Value stocks need to benefit from more fiscal stimulus as some are struggling with huge debt burdens, after companies continued to borrow to remain afloat during the pandemic. However, some market pundits are closely watching company restructuring strategies, involving the selling of struggling assets and reducing liabilities. This could make value companies more attractive going forward, but are unlikely to match further advances by big tech.

Big tech companies are in no need of further stimulus. They are mostly wallowing in cash.

Is there an alternative to big tech? Chinese stocks come to mind, as the Chinese economy continues its remarkable recovery. However, uncertainties in China continue to support a cautious approach. The level of state control and direction fluctuates and could support smaller companies in China. Then again, it might bring lower growth for the big players, such as Alibaba and Ant.

And then there is gold. The dollar price did well since 2018, almost doubling to $2 000 a fine ounce. But since then it has struggled to lift above $2 000 as treasuries and bonds remain the favourite safe-haven investments. Not even a world awash in cash and struggling with a pandemic is enough to support gold to reach higher levels.

Resources have had a relatively good year, despite the platinum price underwhelming. Those brave enough to take a punt on local platinum shares have been handsomely rewarded. But further upside potential has seemingly stalled. Copper remains a winner on strong Chinese demand and supply concerns.

Banks, financials, property and retail have turnaround potential. Present levels may present the best value buying opportunities in a decade. But then again, any recovery could fade early on if not supported by robust reporting numbers. Walmart's market cap of $420bn, compared with Amazon's $1.6tr, is a clear indication of the market's preference.

Don't bet on capital markets either, as the reaction to a more risk-on mode has been muted. The benchmark US ten-year yield has risen from levels around 0.6%, at the height of the pandemic in March, to a present 0.9% but is still way off the 1.9% at the beginning of the year. This means the market is betting on some form of fiscal stimulus being implemented, but not overly so. This scepticism affects most mainstream stocks negatively, but once again, not big tech.

2021 could be the year that big tech reaches new heights. Betting against these counters may not be the best strategy. ■

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NASPERS

Interim results announcement

for the six months ended 30 September 2020

Naspers Limited (Registration number: 1925/001431/06)
(Naspers or the group)
JSE share code: NPN ISIN: ZAE000015889
LSE code: NPSN ISIN: US6315122092

www.naspers.com

COMMENTARY

September 2020 marked the first anniversary of the listing of Prosus on the Euronext Amsterdam stock exchange. This created Europe's largest consumer internet company and a new investment opportunity on the global technology stage, improving the group's access to international internet investors. A year on, ownership of Prosus continues to expand and diversify. The group's recent inclusion in Europe's leading index, the Euro Stoxx 50, is expected to attract additional European investor interest over time.

Given the wide geographical span of our operations and significant mergers and acquisitions (M&A) activity in ecommerce, reported earnings are materially impacted by foreign exchange movements and the effects of acquisitions and disposals. Where relevant in this report, we have adjusted for these effects. These adjustments (pro forma financial information) are quoted in brackets after the equivalent metrics reported under International Financial Reporting Standards (IFRS).

The earnings for the period ended 30 September 2020 compared to 30 September 2019 are impacted by the contribution from the Prosus group post its listing and creation of the free float resulting in a significant non-controlling interest of the group. As at 30 September 2019 we recognised 100% of the earnings compared to 72.66% in the current period.

The following segmental reviews are prepared on an economic-interest basis (which include consolidated subsidiaries and a proportionate consolidation of associates and joint ventures), unless otherwise stated.

SALIENT FEATURES

	Six months ended 30 September 2020 US$'m	Six months ended 30 September 2019 US$'m	Year ended 31 March 2019 US$'m
Revenue	**2 497**	1 730	4 001
Operating loss	**(274)**	(282)	(720)
Earnings per ordinary share (US cents)	**500**	517	709
Headline earnings per ordinary share (US cents)	**404**	324	496
Core headline earnings per ordinary share (US cents)	**363**	379	646

SEGMENTAL REVIEW

The group's financial highlights for the period ended 30 September 2020 are outlined below:

	2019 A IFRS[1] US$'m	Six months ended 30 September 2020: 2020 B Group composition disposal adjustment US$'m	2020 C Group composition acquisition adjustment US$'m	2020 D Foreign currency adjustment US$'m	2020 E Local currency growth US$'m	2020 F[2] IFRS[1] US$'m	2020 G[3] Local currency growth % change	2020 H[4] IFRS % change
Revenue								
Ecommerce	2 089	(229)	262	(238)	970	2 854	**52**	**37**
– Classifieds	596	(38)	140	(43)	(20)	635	**(4)**	**7**
– Payments and Fintech	199	(8)	24	(18)	55	252	**29**	**27**
– Food Delivery	306	(7)	2	(112)	421	610	**>100**	**99**
– Etail	695	(6)	81	(39)	472	1 203	**69**	**73**
– Travel	146	(146)	–	–	–	–	**–**	**(100)**
– Other	147	(24)	15	(26)	42	154	**34**	**5**
Social and internet platforms	8 017	(82)	–	(55)	2 202	10 082	**28**	**26**
– Tencent	7 800	(25)	–	(33)	2 170	9 912	**28**	**27**
– Mail.ru	217	(57)	–	(22)	32	170	**20**	**(22)**
Media	139	–	2	(15)	(42)	84	**(30)**	**(40)**
Corporate segment	(2)	–	–	2	–	–	**–**	**100**
Intersegmental	–	–	–	(1)	–	(1)	**–**	**–**
Group economic interest	10 243	(311)	264	(307)	3 130	13 019	**32**	**27**
Trading profit								
Ecommerce	(433)	46	(35)	(3)	86	(339)	**22**	**22**
– Classifieds	42	16	(21)	(12)	(10)	15	**(17)**	**(64)**
– Payments and Fintech	(38)	3	(2)	(1)	–	(38)	**–**	**–**
– Food Delivery	(283)	3	(1)	3	91	(187)	**33**	**34**
– Etail	(37)	3	(1)	3	42	10	**>100**	**>100**
– Travel	(21)	21	–	–	–	–	**–**	**100**
– Other	(96)	–	(10)	4	(37)	(139)	**(39)**	**(45)**
Social and internet platforms	2 334	(63)	–	(18)	730	2 983	**32**	**28**
– Tencent	2 264	(7)	–	(16)	727	2 968	**32**	**31**
– Mail.ru	70	(56)	–	(2)	3	15	**21**	**(79)**
Media	4	–	–	4	(24)	(16)	**>(100)**	**>(100)**
Corporate segment	(9)	–	(1)	4	(3)	(9)	**(33)**	**–**
Group economic interest	1 896	(17)	(36)	(13)	789	2 619	**42**	**38**

(1) *Figures presented on an economic-interest basis as per the segmental review.*
(2) *A + B + C + D + E.*
(3) *[E/(A + B)] X 100.*
(4) *[(F/A)-1] X 100.*

FINANCIAL REVIEW

The group delivered good results for the first six months ended 30 September 2020, despite Covid-19. Group revenue, measured on an economic-interest basis, was US$13.0bn, reflecting growth of 27% (32%), a meaningful acceleration of 16pp (12pp) over the same period last year. Ecommerce revenues grew 37% (52%) year on year. Tencent grew revenues by a healthy 27% (28%). Group trading profit grew 38% (42%) to US$2.6bn. Tencent's contribution to the group's trading profit improved 31% (32%).

Core headline earnings were US$1.6bn – down 6% (5%). Core headline earnings are largely impacted by reduced earnings contributions in the current year from the Prosus group, post its listing in September 2019 and the creation of the free float resulting in a significant non-controlling interest of the group. As at 30 September 2019 we recognised 100% of the Prosus earnings compared to 72.66% in the current period. The non-controlling interest share in the core headline earnings for the period is US$591m. We refer shareholders to the separate Prosus condensed consolidated interim financial statements which are free of the impacts outlined in this paragraph and outline the good increases in headline earnings and core headline earnings delivered by the group's operations. We remind shareholders that Prosus represents most of the group's operations. Overall, core headline earnings reflect strong performance of the group, driven by improved profitability from our Ecommerce units and the growing contribution from Tencent.

We ended the period with a strong and liquid balance sheet. We had a net cash position of US$4.6bn, comprising US$10.3bn in cash and cash equivalents (including short-term cash investments), net of US$5.7bn in interest-bearing debt (excluding capitalised lease liabilities). We hold an undrawn US$2.5bn revolving credit facility. Overall, we recorded net interest expense for the period of US$41m.

In July 2020, Prosus, Naspers's 72.66%-owned subsidiary, successfully raised more than US$2bn in debt, comprising its longest-dated US dollar offering to date and its debut euro notes offering. The offerings drew strong investor demand, resulting in attractive pricing that reduced the group's average funding cost while extending the blended maturity profile of its outstanding notes to almost 12 years. The proceeds will be used for general corporate purposes, including future M&A activity, and to further augment the company's liquidity. Issuances consisted of 2050 US$1bn 4.027% notes, 2028 €500m 1.593% notes and 2032 €500m 2.031% notes. The group has no debt maturities due until 2025.

Consolidated free cash inflow was US$292m, a significant improvement on the prior year's free cash inflow of US$19m. This reflects growth in our Ecommerce unit's profitability, dividends received from Tencent of US$458m (2019: US$377m) and improved working capital management.

There were no new or amended accounting pronouncements effective from 1 April 2020 with a significant impact on the group's condensed consolidated interim financial statements.

Effective 1 April 2020, the group made a voluntary change to its accounting policy on the subsequent measurement of written put option arrangements with non-controlling shareholders. Subsequent changes in the carrying value of put option liabilities previously recognised in the income statement in "Other finance income/(costs) – net" are now recognised through equity. We believe the change in accounting policy will provide more relevant information about the effects of underlying transactions with non-controlling shareholders. Written put option arrangements are considered equity transactions because the settlement with non-controlling shareholders does not result in losing control over a subsidiary. Furthermore, on initial recognition of the written put option liability, the group simultaneously recognises the non-controlling interest because the risks and rewards of ownership are not deemed to have transferred to the group until the written put option liability is settled.

The group has adopted this change in accounting policy retrospectively, however, the impact is insignificant to the consolidated statement of financial position as all previous remeasurements recognised through the income statement are already accumulated in equity as at the effective date of the change. The previous remeasurements accumulated in retained earnings have been reclassified to the "existing control business combination reserve". Consequently, comparative figures on the statement of financial position have been restated for the reclassification between retained earnings and other reserves. The carrying value of the written put option liabilities and the total equity of the group in the comparative periods remain unchanged. The condensed consolidated income statement and finance income/costs note have been restated for the remeasurement of written put option liabilities as these are now recognised directly in equity.

The company's external auditor has not reviewed or reported on forecasts included in this interim results announcement.

We continue to explore growth opportunities to advance our strategy, expand our ecosystem and position the business for sustainable growth. In our Classifieds segment, we merged letgo and OfferUp, resulting in a business with national reach across the United States (US), well positioned for growth in a highly competitive market. The merger included a new US$120m investment round led by Prosus. Furthermore, we injected our Middle Eastern Classifieds assets into Emerging Markets Property Group (EMPG) and participated in a US$150m financing round that valued the business at over US$1bn. OLX Brazil has subsequently completed the US$520m (BRL2.9bn) acquisition of leading real estate vertical Grupo ZAP, announced in March 2020. In our Payments and Fintech segment, we made an additional investment of US$53m in Remitly to expand its footprint in the US, United Kingdom (UK) and Canada. We participated in Mail.ru's capital raise to fund growth initiatives, investing US$25m. Finally, we are focused on increasing our exposure to edtech (educational technology) by investing US$60m in Eruditus, a global professional higher-education online platform. In November we announced a total investment of US$500m in Churchill Capital Corp II's planned acquisition of Software Luxembourg Holding S.A. (Skillsoft) and Global Knowledge Training LLC (Global Knowledge). The transaction will create the world's leading digital learning company with a comprehensive suite of on-demand and live virtual content.

COVID-19

We started the financial year in April 2020 responding to the onset of the Covid-19 pandemic, which has proven to be a global challenge. Despite the social and economic impact across the world, Naspers remained resilient and performed well in the first half of the current financial year – accelerating revenue growth, improving profitability and cash flow generation, and growing customer numbers as consumers moved online. Ecommerce revenues grew 37% (52%) year on year. Group trading profit grew 38% (42%).

Like most companies, Naspers faced challenges, particularly in countries where government lockdown regulations were extensive and protracted, reducing economic activity. We quickly implemented our contingency plans and we saw a sharp recovery in all of our businesses as lockdown regulations began easing.

Throughout the crisis, we prioritised the health and wellbeing of our employees, safeguarded jobs as far as possible, and protected and positioned our business for the long term. When necessary, we extended support to our partners to ensure the supply chain remained strong, and donated to government Covid-19 response programmes.

After the easing of lockdowns and curfews in many countries in the second quarter, almost all business activities have resumed year-on-year growth. In addition, Tencent remained resilient throughout the pandemic and is performing well. Unfortunately, a second Covid-19 wave is impacting some markets in which we operate, however, we remain confident that the plans we have put in place and our firm financial position will ensure that we manage the potential impacts going forward. Longer term, we believe we will benefit from the acceleration of the underlying trends to online platforms which propel the growth of the consumer internet market, and we will ensure our businesses are positioned to emerge well from the crisis.

Preparation of the short-form results announcement

The preparation of the short-form results announcement was supervised by the group's financial director, Basil Sgourdos CA(SA). These results were made public on 23 November 2020.

ADR programme

Bank of New York Mellon maintains a GlobalBuyDIRECT℠ plan for Naspers Limited. For additional information, please visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department – GlobalBuyDIRECT℠, Church Street Station, PO Box 11258, New York, NY 10286-1258, USA.

Important information

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995 concerning our financial condition, results of operations and businesses. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control and all of which are based on our current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes" or "anticipates", or the negative thereof, or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements and other statements contained in this report regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. Actual events or results may differ materially as a result of risks and uncertainties facing us and our subsidiaries. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. There are a number of factors that could affect our future operations and could cause those results to differ materially from those expressed in the forward-looking statements, including (without limitation): (a) changes to IFRS and associated interpretations, applications and practices as they apply to past, present and future periods; (b) ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; (c) changes in domestic and international regulatory and legislative environments; (d) changes to domestic and international operational, social, economic and political conditions; (e) labour disruptions and industrial action; and (f) the effects of both current and future litigation. The forward-looking statements contained in the report speak only as of the date of the report. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements to reflect events or circumstances after the date of the report or to reflect the occurrence of unanticipated events. We cannot give any assurance that forward-looking statements will prove correct and investors are cautioned not to place undue reliance on any forward-looking statements.

Further information

This short-form results announcement is the responsibility of the directors and is only a summary of the information in the full condensed consolidated interim report. This short-form results announcement was released on 23 November 2020 and the full condensed consolidated interim financial statements can be found on the company's website, www.naspers.com and can be viewed on the JSE link, https://senspdf.jse.co.za/documents/2020/JSE/ISSE/NPN/Interims.pdf. Copies of the full condensed consolidated interim report may also be requested from the company's registered office, at no charge, during office hours. The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been reviewed by PricewaterhouseCoopers Inc., our independent auditor. Their unqualified report is appended to these condensed consolidated interim financial statements available on www.naspers.com. Any investment decision should be based on the full condensed consolidated interim report published on SENS and the company's website. The information in this short-form results announcement has been extracted from the reviewed information published on SENS, but the short-form results announcement itself was not reviewed.

On behalf of the board

Koos Bekker
Chair

Bob van Dijk
Chief executive

Cape Town
21 November 2020

Directors: J P Bekker (chair), B van Dijk (chief executive), E M Choi, H J du Toit, C L Enenstein, D G Eriksson, M Girotra, R C C Jafta, F L N Letele, D Meyer, R Oliveira de Lima, S J Z Pacak, V Sgourdos, M R Sorour, J D T Stofberg, B J van der Ross, Y Xu

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SO, WHAT NOW?

AS WE PUT 2020 BEHIND US, 2021 ISN'T EXPECTED TO LOOK MUCH BETTER (THOUGH A LITTLE).

economy

By Mariam Isa

A TALE OF VACCINES AND CONSTRAINTS ON GROWTH

The outlook for SA's economic growth in 2021 hinges on a rapid increase in power generation and urgently needed reforms. The realisation of both is daunting, to say the least.

The battered global economy is expected to begin its long journey to recovery from the impact of Covid-19 next year, provided that ambitious plans to roll out effective vaccines to billions of people stay on track, reducing the threat of renewed restrictions on activity and alleviating fears of infection.

It already looks like the anticipated bounce in 2021 will be weaker than initially envisaged, following second waves of infections – more severe than the first – which are sweeping across leading economies, like the US, Europe, the UK and Japan. There are concerns that a second wave is imminent in SA, given a surge in infections in the Eastern and Western Cape at the time of going to print.

China has the most promising outlook – it is the only major economy that grew in 2020, because the government's early and tight control of the virus was effective enough to allow lockdowns to be lifted months ago. Even so, it is expected to have expanded by just over 2%, its slowest pace since 1976.

In developing economies, the inoculation of millions of people will lag those of advanced economies, as they will have more limited access to vaccines and are less capable of putting in place the logistics of transportation and storage in cold conditions. Distribution will also be more challenging, particularly in rural areas.

But SA has secured its place at the vaccine table, with an initial R500m commitment to the World Health Organization's COVAX programme, which aims to provide equitable access to proven vaccines against Covid-19 in middle and lower-income countries.

The alliance of 187 countries, which includes high-income members, has already raised more than $2bn and secured deals for hundreds of millions of doses. However, initial funding and supply to developing countries is expected to only support access covering 3% of a targeted 20% of their populations by the end of 2021.

Finance minister Tito Mboweni has said he will allocate another R4.5bn to roll out the vaccine, but details have not been made public and so far, it is unclear what amounts SA is likely to receive. A report from Reuters in late November said that the country will initially be able cover 10% of its population of 58m.

The first people to get inoculated globally and in SA will be frontline healthcare workers and the most vulnerable – the elderly and those with the 'comorbidities', such as obesity, diabetes, and hypertension, which make the likelihood the disease will be fatal far more likely.

Although most people in advanced countries will be inoculated much quicker, developing countries, like SA, have an advantage in that the fatality rate of the virus appears to have been

Tito Mboweni
Minister of finance

Photos: Gallo/Getty Images

> The efficacy of the first two vaccines stands at more than 90%, while the third from AstraZeneca – which is far cheaper and doesn't require such low cold storage temperatures – so far has an efficacy rate of more than 70%.

much lower, as their populations are far younger.

But one issue that has yet to surface is that most major airlines are likely to require their passengers to have been vaccinated, which could make international travel for people from developing countries with lower inoculation rates much more difficult. Australian airline Qantas has already said it will impose that rule.

Optimism over the vaccine's rollout has already buoyed global financial markets, which always reflect expectations of what will happen ahead of the events themselves.

The outlook at this stage is very promising, with global pharmaceutical giants, like Pfizer/BioNTech, Moderna and AstraZeneca – which together with Oxford University carried out some of their trials in SA – all announcing surprisingly high levels of effectiveness in their clinically trialled vaccines in late November.

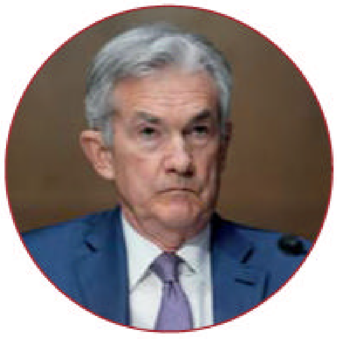
The efficacy of the first two vaccines stands at more than 90%, while the third from AstraZeneca – which is far cheaper and doesn't require such low cold storage temperatures – so far has an efficacy rate of more than 70%.

But it is still early days and the most reliable estimates of large-scale vaccine availability for any country point to the end of the first quarter of 2021, at the earliest.

The International Monetary Fund (IMF), US Federal Reserve chair Jerome Powell and European Central Bank President Christine Lagarde have all warned against premature exuberance on news of successful vaccine trials. In addition to the time required to roll out the vaccine to enough people to reduce the threat of Covid-19 worldwide, second waves will curtail economic activity and there is a risk the virus will mutate, threatening the efficacy of the vaccines.

Reserve Bank governor Lesetja Kganyago aptly said on 27 November that if people want to know how SA's economy will perform next year, it makes more sense to ask an epidemiologist than an economist.

Predictions that SA's economic output will only return to their 2019 levels by 2024 have



Jerome Powell
Chair of the
US Federal Reserve

Even if the employment target is met, the number must be set against expected net job losses of 1.5m in 2020, and an official unemployment rate hovering just above a record 30%.

Christine Lagarde
President of the European
Central Bank

spread dismay. But the fact is that much of the world faces the same predicament – the IMF said in October that the global economy will only achieve that target in 2025.

Nonetheless, SA has been hit harder and will struggle more to recover from Covid-19 than most other countries, mainly because of the structural weaknesses that had pushed it into recession, well before the pandemic struck.

Reforms are more urgent than ever and have been promised by president Cyril Ramaphosa and his administration repeatedly in 2020. But scepticism over implementation runs very deep, given the government's poor track record of delivering on pledges and sticking to timetables.

Cabinet's Economic Reconstruction and Recovery Plan (ERRP), unveiled in October, followed three others – one from treasury, one from Business for South Africa, and one from the country's largest trade union federation, Cosatu.

The ERRP's focus on improving infrastructure with the support of private investment has been welcomed, but is seen as short on detail, while plans for public spending to create 800 000 new jobs were viewed as a bit worrying, given the dire state of government finances.

Even if the employment target is met, the number must be set against expected net job losses of 1.5m in 2020, and an official unemployment rate hovering just above a record 30%. The expanded unemployment rate, which includes people who have given up looking for work, is an alarming 45%.

All of this will increase SA's inequality rate, already one of the highest in the world, push more people into poverty and, according to political economist Moeletsi Mbeki, speed the country's path to what is described as 'low-intensity conflict' or 'insurgency'. This refers to a limited political-military struggle of an aggrieved group against a recognised authority.

This may be a far cry from the country's worsening social unrest, but attacks on rail infrastructure in the Western Cape this year have sparked concern, and the violent torching of trucks in SA's road freight sector over the past two years have been described as an organised and co-ordinated effort to destabilise the transport industry.

Investors are still betting on Ramaphosa staying in power, but Mbeki believes that the president's backing from the ANC is wearing thin as the ruling party's popularity declines, and that local municipal elections taking place late in 2021 are likely to confirm the trend.

The latest poll from global market research company Ipsos showed that support for the ANC had waned to 50% in the third quarter of this year, from 55% a year earlier. The biggest increase was chalked up by the EFF, which saw its support jump to 13% from 8%.

"What is clear is that the EFF is looking for opportunities for violence and confrontation with the authorities. Somewhere down the line someone may fire rubber bullets and, if you have a polictical agenda, that would give you the pretext to start arming some units," Mbeki said.

Things may not get that bad, but as the appeal of the EFF's populist policies grows, the ANC may be forced to go in that direction, and possibly to form an alliance with the more left-wing party, he said. Neither of those outcomes will go down well with investors.

The withdrawal of a Covid-19 grant scheme in January 2021 – which has been extended twice – will lead to unhappiness, which could lead to further social unrest in the form of service delivery protests.

Two of the top global credit rating agencies delivered their verdict on SA's outlook by unexpectedly downgrading the country on 20 November. Now, both S&P and Fitch have the country three notches below investment grade – Fitch with a negative outlook – while Moody's Investors Service, historically the most optimistic, has placed SA two rungs lower than investment grade, with a negative outlook.

Many economists believe that further downgrades are likely next year unless the government gets buy-in from unions for a three-year wage freeze imposed by treasury to check its rising debt trajectory and unsustainable debt service costs. That is seen as very unlikely.

Implementing the most urgent reforms is also crucial. Economists say the biggest obstacles to a pickup in growth are the country's energy constraints, which forced Eskom to impose power cuts in the middle of lockdown, which led to a sharp drop in demand early in 2020.

Economists are pinning their upbeat forecasts for 2021 on an expected influx of private sector investment into renewable energy, which would both bolster Eskom's ageing infrastructure and enable industries, businesses and municipalities to generate more of their own power.

A raft of policy reforms were enacted this year to enable the large-scale deployment of the only technology capable of being constructed rapidly enough to address SA's power woes, but barriers remain.

Targets for an emergency procurement programme and plans to purchase renewable energy from independent power producers have already been pushed out, while steps by government to enable the private sector to generate more of their own electricity are being hampered by red tape at the National Electricity Regulator of SA.

No new generation has been connected to Eskom's deteriorating grid since 2014, and the utility's CEO, André de Ruyter, has repeatedly warned that an official blueprint to install another 11 800MW of by 2030 will not be enough to meet the economy's needs, as a similar amount will be lost when ageing coal-fired plants are decommissioned during that decade.

The timeline for that build programme, outlined in the country's latest Integrated Resource Plan, is yet to be announced.

Plans to restructure Eskom and create an independent transmission system and market operator are also seen as crucial to secure reliable and competitively priced power for the country's economy, but a deadline for full functional and legal separation by the end of 2021 is seen as overly ambitious.

If power constraints remain a cap on growth, structural reforms aimed at boosting private sector investment are not implemented, and public sector wages are not checked, SA will not meet the 2.1% average increase in GDP that treasury has forecast for the next few years. ■

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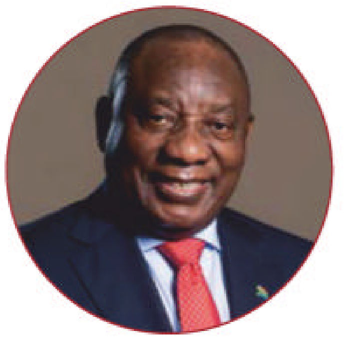
Mariam Isa is a freelance journalist who came to SA in 2000 as chief financial correspondent for Reuters news agency after working in the Middle East, the UK and Sweden, covering topics ranging from war to oil, as well as politics and economics. She joined *Business Day* as economics editor in 2007 and left in 2014 to write on a wider range of subjects for several publications in SA and in the UK.



President Cyril Ramaphosa

André de Ruyter
CEO of Eskom

Photos: Gallo/Getty Images

your portfolio

By Brendan Peacock

MAKING BAD (INVESTMENT) DECISIONS IN A PANDEMIC

Many investors fell into the trap of either selling stocks at depressed prices during the March market rout, or cashing in their pensions.

As a journalist who has won an award for consumer education, having written countless articles punting good financial sense on behalf of the experts I regularly interview, the exercise of looking back on my personal investment portfolio's performance through the Covid-19 period in 2020 induces shame.

The thing is, I've worked for myself for the last two years and the pressure to manage a personal portfolio – which I constructed over and above my paid-up pension from my last period of formal employment and a few retirement annuities – increases exponentially when it's your nest egg rather than a plaything made up of discretionary income.

I bought a textbook on investment management and tried to refine my valuation skills. I learned about portfolio construction, risk management and technical analysis. In some instances, I was lucky – I bought into Aspen right at the bottom, when the market fretted about the company's ballooning debt, doubling my money on the drug maker in less than a year. I sold out of MTN, which is still sliding, and beefed up my Aspen position.

In the first quarter of 2020 I held a tax-free savings account dominated by the Ashburton Global 1200 ETF (which has since changed name to the Global 1200 Equity Fund of Funds ETF), as well as a small discretionary portfolio of shares: Afrimat, Altron, Aspen, Capitec and the CoreShares S&P Global Property ETF.

When lockdown struck hard in June, I took action to try reducing my losses, selling out of Afrimat, Altron, Capitec and the global property ETF. At the same time, I bought some shares at depressed valuations for my wife's account in what have proved to be more astute transactions, but what I wanted was to pare my own losses.

I bulked up on Naspers* and Prosus, held onto Aspen – all companies whose fortunes are not tied to South Africa – and bought more of the Global 1200 ETF. While I did reasonably well through the next six months or so, a simple analysis of the shares I shed will show that I succumbed to the rocky market panic so many financial advice articles decry.

Most of my sales transactions were concluded on 19 June. To that point, I was still 1.6% up on global property but saw the floor falling away; I'd lost 30% on Capitec, I was up 8.8% on Afrimat, 28% up on Altron and probably 10% up on my Global 1200 ETF.

Since that time, I'm up around 8% and 9.4% on Naspers and Prosus respectively, down nearly 13% on Aspen (though still up around 86% from when I got in) and up another 3% on my position in the Global 1200 ETF. By contrast, Afrimat's share is up 36%, Altron was up a further 33% (before it announced the unbundling of Bytes), Capitec is 39% up and the CoreShares Global Property ETF has shed 8.4%. While a lot depends on my weighting of each stock, sticking with a diversified strategy and quality companies through a market crash would have been the most sensible thing to do.

The Association for Savings and Investment

"Small and mid-cap companies in SA were already severely out of favour as the least-favoured portion of an out-of-favour exchange in an out-of-favour country in an out-of-favour emerging markets basket. We thought the sector was already in the basement before lockdown struck."

South Africa (ASISA) fund flow statistics for the third quarter of 2020 bear out similar trends – a massive shift away from equity and balanced funds towards money market and interest-bearing products. From 1 March to the time of writing, the FTSE/JSE All Share Index has gained 1%, so in some respects I can't kick myself too hard. What were the alternatives? Over the same period, the gold price jumped 17% and Bitcoin is up a staggering 118% but, instinctively, I have the stomach for neither, frankly.

Having a little black book full of the names of people a lot smarter than I am, I got on the phone to see just how SA has handled the pandemic affecting their portfolios. First, Michelle Dickens, managing director of credit bureau TPN, told me that if I'd owned an investment property, the buy-to-let market has seen a slight deterioration – much less than 1% – in gross yields. This is surprisingly positive, but rental escalations are now negative across the country in the fourth quarter of 2020.

"The real risk is vacancies, which are in double digits nationally. Until SA sees jobs coming back into the market, vacancies and downscaling will remain higher," she said.

If I'd held a rental property in Centurion or Tshwane, where many professionals and government employees lived, I may have enjoyed a continuous flow of rent from my investment. Sandton, Soweto and Randburg, however, experienced vacancy rates of 19% because of overdevelopment and a downsizing trend. I don't have the stomach for two bonds during such a time, either.

Galileo Capital director Warren Ingram said the blunders he'd seen through lockdown included cashing in on pensions, no matter the investor's age. "It's depressing. We keep saying don't do this, and then it happens again. Another blunder was a wholesale shift out of SA Inc assets into offshore assets, but when the rand was around R18.50 to the dollar."

As usual, we investors tend to view what happens on the JSE as inherently a view of the country and believe that anything offshore must be a better bet. According to Ingram, that is only the case as part of a diversified investment strategy and even then, only around R16.50 to the dollar or below.

"My advice is to be rigid about your rule-based allocation strategy, such as 70% into equities and the rest into cash and bonds, no matter what the market does. Stick to your guns. The people who did really well during the pandemic may have been very lucky. What I do know is that the next five years will not be a repeat of the last five years. Right now, I would not advise chasing the investments that have delivered the best returns over the last five years, like the FAANG [Facebook, Amazon, Apple, Netflix and Google parent, Alphabet] tech companies. I believe the next five-year call is emerging markets, given their demographics and tech-savvy industries," he said.

Michelle Dickens
Managing director of credit bureau TPN

"Anyone holding **90%** FAANGs over the last year may have done well, but it would have been despite themselves – luck, not skill."

Warren Ingram
Director at Galileo Capital

"When I don't know what to do, I go 50-50. In this case, half SA and half offshore, with even a punt on local listed property as a higher-risk play," Ingram said.

Leave it to Keith McLachlan, small and mid-cap specialist and fund manager at AlphaWealth, to drive the final nail of ignominy into the coffins of portfolios too biased towards offshore holdings. "What Covid-19 did was to accelerate trends already in place – the best companies got better, and the worst got worse. Small- and mid-cap companies in SA were already severely out of favour as the least-favoured portion of an out-of-favour exchange in an out-of-favour country in an out-of-favour emerging markets basket. We thought the sector was already in the basement before lockdown struck," McLachlan said.

Incredibly, the recovery of leaner, high-quality small- and mid-cap companies has been spectacular. "The survivors were already so lean, de-geared and focused on cash flow, so they were surprisingly resilient – except for those in high-contact discretionary segments like hotels, casinos and restaurants. The vast majority have come out the other side anticipating a normal year in 2021, with risks normalised. What it showed was that fund managers at this end of the market were pummelled if they did not manage risk.

"Anyone holding 90% FAANGs over the last year may have done well, but it would have been despite themselves – luck, not skill. It would actually be a shocking portfolio. One or two of our counters were decimated, but we acted quickly and cut aggressively. They still sit below our selling prices," he said.

McLachlan agreed with Ingram that emerging markets – in the face of an interest rate collapse in developed markets and an absence of risk-free yield, will induce risk-taking and channel money towards emerging markets. "From a macro perspective, it looks like emerging markets are in a sweet spot, and our forward growth rate looks better than the historic one. It won't be risk-free, and it won't be linear, but assuming the good guys keep winning politically, we may be very well positioned." ■

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By Jacques Claassen

THE SECTOR SET TO BOOST THE ECONOMY

One of the success stories in 2020 was the solid growth in the agricultural sector in the midst of strict lockdown measures and a struggling economy.

In 2020, the agricultural sector's export figures gave welcoming support to the country's balance of payments. In addition, South Africa's agricultural value chain has played a crucial role in stimulating economic growth and social stability in the country, according to the CEO of Agbiz, Dr John Purchase.

Agriculture's GDP should increase by 10% (year-on-year) in 2020. According to the Bureau for Food and Agricultural Policy (BFAP) the expected growth could even be as high as 13%.

This resilient recovery does, however, come off a lower base. In 2019, the agricultural sector contracted in four consecutive quarters, owing to various animal diseases that broke out in the preceding couple of years and serious drought conditions that have since been alleviated in most regions.

In the midst of the devastation caused by the state of lockdown, across virtually the whole economic spectrum, favourable climatic conditions have led to excellent summer grain, winter grain and fruit crops. Firm growth in overall agricultural production could not have come at a better time.

Grain production

Good rainfall has paved the way to produce SA's second largest maize crop ever – an estimated 15.42m tonnes, which is considerably more than the local annual consumption of approximately 11m tonnes. Thus the country could again export maize to several international destinations, among others, South Korea, Japan, Taiwan and Vietnam, which bodes well for the country's trade balance.

Locally, more white maize was milled over the past two to three years for human consumption. "The more local consumers are coming under pressure, the more they move back to a more starch-based diet. Maize meal is one of the cheapest sources of food per portion," according to Luan van der Walt, an economist at Grain SA.

In addition, crop estimates are also pointing to one of the biggest winter grain harvests of the past ten years – which includes an estimated 2.135m tonnes of wheat. "Late spring rains in the Western Cape could, however, have a negative effect on the quality of especially the barley crop," says Corné Louw, senior economist at Grain SA.

In the meantime, the current La Niña weather pattern for the 2020/2021 summer grain season looks very promising. Expectations are that crops will be planted on 2.746m ha. "Should this become a reality, it will be the biggest area on which maize has been planted in SA since the 2012/2013 season," says Louw.

Fruit production

Another big earner of foreign exchange is the fruit industry, which is mainly export driven. In fact, citrus is the biggest contributor to agriculture's gross production value. In 2019, its export earnings were R20bn, which will increase further in 2020.

SA is the world's second biggest exporter of citrus fruit after Spain. According to the Citrus Growers' Association, SA shipped 141.1m cartons (15kg each) in 2020 compared to 117.8m cartons in 2019. This is an increase of close on 20%.

In its latest available Baseline publication for agriculture, BFAP among other things, points out that with the rand having depreciated considerably earlier, a sharp nominal price increase in export citrus is expected in 2020. In fact, the nominal export value of citrus should continue to increase during the next decade, owing to a larger area planted with citrus.

Despite heavy rains and hail late in 2019, as well as drought conditions that continued unabated, the 2019/2020 table grape

Photo: Shutterstock

SA produces more than 50% of the world's Angora wool and 2% of the world's wool, of which the major portion is of a high quality.

crop was about 9.5% bigger than the previous one. It is expected that the nominal net export realisation price of table grapes will increase on average by 3.45% over the next ten years.

Plums, peaches and nectarines also contributed to higher returns early in 2020. Projections indicate higher earnings for these types of fruit in real terms over the next decade, while the market for apples is very stable. Although not as rosy, the performance of pears should also be good. Strong growth is expected in the export value of apricots, although the crops are not always as consistent.

Red meat production

In recent years, SA has become a net exporter of red meat. Exports were briefly interrupted by the outbreak of foot-and-mouth disease in cattle, but were resumed at the beginning of 2020. According to Gerhard Schutte, CEO of the Red Meat Producers' Organisation, only 3.5% of the production is exported compared to 5% before the outbreak of foot-and-mouth disease. BFAP, however, points out that the export potential is about 20%. SA produces quality red meat, and our prices are 30% lower than world prices.

Year-on-year, the producer price of beef is 12% higher than in 2019, and mutton prices were 25% higher this year. Producers earn about 50% of every consumer rand; producers earn R80bn a year, while consumers pay R160bn a year for red meat.

Poultry production

On the other side of the coin, there are a number of agricultural sectors that remains under pressure. Despite the lockdown measures, the poultry industry started making headway late in 2020 with the implementation of the master plan, which was signed by government in 2019 to transform and stabilise this industry, putting it on the road to growth. Izaak Breitenbach, general manager (GM) of the SA Poultry Association's broiler section, says that about R1bn of the industry's promised R1.7bn has already been acquired to increase production capacity of chickens by 8.7% a week by 2022. At the same time, exports from the US, Brazil and the EU led to an outflow of R6.1bn from the country. Government has in the meantime decided on stricter measures to prevent import regulations from being circumvented and to improve food security.

Dairy production

In the dairy industry, the gap between the retail price and the producer price of full cream, fresh milk increased from R5.30 a litre in 2010 to R9.57 in the first nine months of 2020. This is an increase of 81% over the period in the so-called price distribution from farm to fork – which is an indication of the disproportionate margin allocation in the dairy value chain. This only applies to primary dairy products and this unfair gap is even greater when consumers buy cheese and butter.

SA's cumulative production of unprocessed milk is expected to decrease by 0.31% in 2020, owing to producer prices not keeping abreast of international prices. This problem has been evident since 2018, and according to Dr Chris van Dijk, CEO of the Milk Producers' Organisation, this could lead to further problems in the dairy value chain.

Sugar cane production

Low international prices, more imports, sugar tax, climate change and uncertainties regarding land reform all contribute to shrinking sugar cane cultivation. After the drought conditions in 2015/2016, the industry recovered slightly, but it is expected that sugar cane production will drop by 0.7% to 18.5m tonnes, from which two million tonnes of sugar will be produced as opposed to 2.27 tonnes in 2019/2020. According to Trix Trikam, executive director of the SA Sugar Association, the operating income is currently R16bn, while the industry provides 65 000 direct and 270 000 indirect jobs.

Wool production

Covid-19 is also putting pressure on the demand for wool, especially in Europe, according to Deon Saayman, GM of Cape Wools SA. Nevertheless, the sentiment in China is better. SA produces more than 50% of the world's Angora wool and 2% of the world's wool, of which the major portion is of a high quality.

The current wool auction season began on a low note, but prices increased by 21.5% between the third and the 14th auction. Everything, however, depends on to what extent consumer spending will recover in 2021. Should the drought persist in areas of the Eastern and Northern Cape, it will have a negative effect on production.

The game industry

In the aftermath of an extended drought, the lockdown and international travelling restrictions hit the game industry very hard in 2020. According to Richard York, CEO of Wildlife Ranching SA, fewer game auctions were held and about 41% fewer animals were sold at the auctions. The gross turnover of these auctions dropped to 61.6% compared to 2019. Well-known auction houses had to close their doors permanently. In 2016/2017, hunters generated R13.6bn for the industry and in 2020 many hunting destinations were kept afloat only by the local biltong hunters.

After good rains and the relaxation of travelling restrictions, York is cautiously optimistic about 2021, although new challenges could arise. "It will take time to stabilise the game industry."

On close inspection

On close inspection, the agricultural sector has in fact boosted SA's economy in 2020. However, hard work still lies ahead to get those agricultural sectors that are currently under pressure back on track. Likewise, the government, private role players and all sectors have their work cut out to ensure that the economy will bloom and gain healthy weight in the coming years. ■

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entrepreneurship

By Timothy Rangongo

THE YEAR SMALL BUSINESSES SUFFERED

The Covid-19 pandemic brought the fragility of South Africa's SMMEs into sharp relief, with many succumbing to the economic hardship. More needs to be done to ensure this sector thrives.

Running a small-, medium- or micro-enterprise (SMME) in South Africa has been an extreme sport for a few years now. Local SMMEs have been contending with a myriad of hurdles. Operating in a sluggish economy, lack of funding, crime, little or debilitating infrastructure, over-regulation in the form of bureaucratic burdens, labour market rigidities and the scarcity of skills are some of the factors that limit innovation, among many other things.

When SA-born Tesla and SpaceX founder Elon Musk shot up to being the world's second-richest person on the Bloomberg Billionaires Index – with a net worth of around R2tr at the time of publication – the reactionary sentiment from locals on social media was disheartening. Many were of the mind that there is no way he could have achieved this success while still in SA – owing to the morose business environment, particularly the red tape.

For many local businesses that remain ardent in achieving success, Covid-19 – on top of the aforementioned red tape – regrettably proved to be the final straw. And failing enterprises are multiplying daily. One of the most draconian and skewed nails in the proverbial coffin came in the early stages of the national lockdown when government banned e-commerce. This in an age where consumers are increasingly choosing to forgo brick and mortar stores in favour of shopping online. The ban was subsequently lifted after businesses took legal action.

Local brand Rowdy Bags was making 120 units per day, operating two retail outlets (Cape Town and Johannesburg), and had a growing international online audience, before lockdown. "Our sales disappeared during lockdown level 5 – down to almost zero," says Adam Young, managing director of Rowdy Bags. "The first big challenge was initially to overcome despondence over the thought that I might lose the business."

Adam Young
Managing director of Rowdy Bags

Dr Jabulile Msimango-Galawe
Senior lecturer at the Wits Business School

Photos: Supplied

Rise in liquidations

More recently, business liquidations increased by 33.2% in the three months ended October 2020, compared with the same period a year ago, according to Stats SA. It said a year-on-year increase in liquidations of 20.8% was recorded in October 2020.

With SMMEs representing about 98% of SA businesses, employing between 50% and 60% of the country's workforce across all sectors, according to McKinsey, a rise in liquidations also spells bad news for the perpetual unemployment crisis. Loss-of-income earners also means a loss-of-income spenders, who could have been customers to remaining SMMEs.

Though liquidations are somewhat understandable, as the lockdown hit a sector that was already struggling, according to Dr Jabulile Msimango-Galawe, senior lecturer at the Wits Business School, the failure to respond to pre-existing and new challenges faced by SMMEs makes the small business landscape even gloomier in 2021.

A #PayIn30 initiative to commit to paying suppliers within 30 days, which secured the commitment of more than 50 corporates, including Discovery, Aspen Pharmacare, Investec, Massmart, Old Mutual and Naspers* in November, is a case in point.

"What have the big corporates been doing all these years?" asks Msimango-Galawe. After SMMEs battled for more than six months, she says the response could have been "something more

"Unpaid invoices and late payments are some of the things that will stall the recovery of most SMMEs."

than what is required during normal times", such as paying SMMEs in seven days or 48 hours, with an objective of bringing much-needed relief to the cashflow-strained businesses.

"Unpaid invoices and late payments are some of the things that will stall the recovery of most SMMEs. By the time the invoices get paid, if they are paid, the business would have been beyond recovery."

Finding funding

SMMEs have had to fall back on funding from private sources or the government, if lucky enough. Rowdy Bags applied for and received support from the Unemployment Insurance Fund's Covid-19 Temporary Employer-Employee Relief Scheme (UIF TERS) and a loan from the Sukuma Fund, which was established with a R1bn donation from the Rupert family and Remgro, to provide emergency relief to small businesses.

The loan requires no collateral or security requirements and no repayments for the first 12 months; with repayments starting a year after the first of four monthly payments, and the full capital repayable over four years.

At the end of August, FNB had approved over R1.2bn under the government's Covid-19 loan guarantee scheme to help businesses that have been impacted financially by the pandemic, according to Jesse Weinberg, SMME segment head at FNB.

He says R1bn of the total loans approved were to over 3 800 SMMEs, with an annual turnover of up to R60m per year, highlighting the severity of the impact. He says the bank also contributed to approximately R13bn in early invoice settlements that have been paid out by the group to suppliers, of which many are SMMEs.

Nedbank's head of client engagement for small business services and professional banking, Alan Shannon, says there was a significant uptake in payment holidays. "Take-up happened predominantly during the early lockdown stages between mid-March and June; these arrangements essentially came to a close at the end of September."

While the government's R200bn loan guarantee scheme enabled Nedbank to facilitate loans to many of its business clients since its inception in May, demand has not come close to the levels that have been provided for, according to Shannon. ■

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Survival strategies for 2021

Businesses that were quick to diversify and move to industries and products or services that were in demand during this period will be in a better position as we venture into 2021, according to Dr Jabulile Msimango-Galawe, senior lecturer at the Wits Business School.

Going into 2021, four areas where South African SMMEs can take action to mitigate challenges of the crisis, according to McKinsey, are to leverage technology to reach new customers or provide a distinctive value proposition; develop clearer market access strategies; drive efficiency and sales; and develop team skills and capabilities and empower leadership.

"It is tough out there," says Professor Owen Skae, director of the Rhodes Business School. "I would say don't compromise on customer service. Just keep focusing on doing the best you can. Keep thinking of your value proposition and applying lean thinking to what you do."

In addition, he proposes businesses find ways to use technology to develop better systems and processes. "There is a lot of free stuff out there, particularly in cloud-based services that can easily revolutionise how these are managed in the business, from client interface, social media presence, planning, scheduling, billing and so on." Finally, Skae says that finances are going to be a crunch. "Of course, easier said than done. But you have to be so cost conscious and try as best as you can to keep some money aside for the stormy days ahead, but also when the better times return and you have built up some reserves to take advantage of the opportunities that come." ■

How could SMME owners equip themselves better?

Professor Owen Skae, director of the Rhodes Business School, says there is a "fantastic variety" of executive education courses available.

"It provides a great opportunity to rethink, reboot and decide if you want to take the bigger step of plunging into an MBA. Specifically, in relation to SMME owners, they often get pulled into considering the operational aspects of the business (purely due to circumstances of the day-to-day running of it) at the expense of the strategic focus areas."

The opportunity of taking yourself away (metaphorically speaking) from that environment can have profound implications for what you learn and take back, Skae says.

"I have numerous examples, but one that sticks with me is to two doctors who attended a 'Finance for Non-Financial Mangers' course. It inspired them to start a new business direction and they have never looked back. An MBA is a big commitment, but we have had entrepreneurs and small business owners do our MBA." ■


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entrepreneurship

By Glenneis Kriel

FUNDING MADE SIMPLER

Through digital technology, SMEgo users can apply for multiple funding opportunities with a once-off application process.

Serial entrepreneur and lecturer of business strategy at the University of Cape Town, Rowan Spazzoli, has always been aware of how difficult it was for SMMEs to secure financing. He felt driven to do something about this after reading the results of a survey by Phaphama Social Enterprise Development Initiative on the impact of the Covid-19 lockdown on SMMEs.

Of the 233 entrepreneurs who participated in the survey released in April, 95% said they could no longer afford to pay their employees; 50% didn't think their business would survive the lockdown; and 93% didn't have any other income sources.

While various helplines were available, 86% indicated they didn't know where to access emergency funding. The funding application process was also identified as being too complex and time consuming.

Spazzoli explains that business owners must complete and submit heaps of forms and documents for every application they make. To address this, he and Louis Buys, a friend from university with experience in venture building, started working on a solution to streamline the process.

"We did a trial run in April, asking five entrepreneurs to go through the application process, but ended up with 15 applications, which encouragingly showed that we managed to create a system that worked well enough for entrepreneurs to recommend it to others," Spazzoli says.

The solution, SMEgo, officially launched in mid-August, and now has 13 listed funders and over 2 000 registered users. By end-November, it had facilitated 53 major funding dispersals and matched 250 businesses with smaller funds.

The simplification

The platform's technology determines which of the listed funding opportunities would be suitable for the applicant and highlights any outstanding documentation and information that would be required to make an application at these institutions.

To apply for funding via SMEgo, applicants need to complete a high-level questionnaire consisting of ten questions regarding their company. Thereafter, the companies can apply for multiple funds at the same time, which can take less than two hours to complete, depending on how organised the company is.

While 70% of SMEgo's traffic comes from mobile phones, it's easier to apply by using a computer.

"The idea behind the questionnaire is to generate all the information and capture all the documents required to make a blanket application to different financial providers, and to save this information to streamline future applications, so entrepreneurs do not have to prove themselves every time they make an application," Spazzoli says.

Qualifying criteria includes tax compliance, that the business has been in existence for longer than six months and a minimum annual turnover of R400 000.

"This is a first iteration build. In future, we'd like to open the solution to also assist businesses with smaller turnovers and start-up funding, and perhaps throw it open for social enterprise development funding.

"Our main priority now, however, is businesses that are struggling to survive the impact of the Covid-19 lockdown, with the aim to help every business get the funding they need," Spazzoli says.

SMEgo benefits funders, by allowing them to list available funding opportunities on a single platform and reducing their administrative burden by ensuring forms are completed correctly, and that they receive applications from quality leads.

"People tend to think there isn't a lot of financial support available to SMMEs. The truth is that many financial services [companies] struggle to meet their targets due to difficulties in finding businesses that match their investment criteria," he says.

SMME owners can view applications on an online dashboard, but are contacted directly by the financial service providers (FSPs) when an application is approved.

The future

SMEgo has worked diligently to create a highly automated solution. The company also employs a core operations team of three people, who encourage and help entrepreneurs to complete their application.

Constant contact and support for Adri Williams, the managing director of the Khayelitsha Cookie Company, for instance, ensured that she was approved and received funding to help pull the company through these tough economic times, according to Spazzoli. The Khayelitsha Cookie Company, which lost 70% of its business due to the shutdown of airports, was the third company to successfully be approved for funding via the platform.

SMEgo makes money by receiving a referral fee from financial service providers; the service is completely free to SMMEs.

Spazzoli's vision is to turn SMEgo into "the LinkedIn" for SMME owners, where they'll be able to update their business information and link up with mentors and FSPs who would be able to take their business to the next level. By doing this, he hopes to breathe new life into the economy.

"The National Development Plan envisions that by 2030, nine out of ten jobs will be generated by SMMEs, but this won't happen if they don't receive proper financial support," says Spazzoli. ■

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on the money

>> **Art:** Were auctioneers 'conveniently' prepared for the pandemic? *p.42*
>> **Motoring:** How Covid curbed car choices in 2020 *p.44*

ALCOHOLIC BEVERAGE INDUSTRY

By Glenneis Kriel

Brewers and distillers in the aftermath of the pandemic

Local whisky producers and rum distillers look forward to increasing trends, even as craft gin sales mature.

The wine industry was already in financial dire straits when the Covid-19 ban of alcohol sales started, with the number of producers declining from 4 360 to 2 778 and the number of wine cellars declining from 581 to 533 between 2005 to 2019, according to South African Wine Industry Information and Systems.

Charl du Plessis, CEO of Orange River Cellars, says that 2018 and 2019 brought a welcome respite, especially following the three-year drought that started around 2016, but in most cases the recuperation was not enough to get producers and cellars solidly back on their feet.

The ban of alcohol sales has exacerbated the situation, with cellars now struggling to work away this season's wine before the new harvest arrives. "The ban that was supposed to result in more responsible drinking will now probably have the opposite effect by driving down prices and making wine more affordable," Du Plessis says.

The beer industry also suffered severe losses, with numerous craft brewers being forced to close their doors.

According to Craft Brewers Association of South Africa, 63% of the 109 breweries participating in a survey, indicated that they had to retrench staff during May and June, with nearly 70% indicating they had to retrench more than 50% of their employees and eight having to retrench all their staff. Some 76% of the respondents also reported difficulties and delays in sourcing raw material.

The situation is less dire for the craft spirits industry. Hendré Barnard, training and marketing manager at Distillique, explains that beer has a short shelf life and production entails a continuous process that simply cannot be stopped once started. Craft spirits, in contrast, are much more forgiving in terms of production and shelf life.

Charl du Plessis
CEO of Orange River Cellars

Hendré Barnard
Training and marketing manager at Distillique

Photos: Supplied | Shutterstock

"The lockdown has negatively affected and led to a discontinuation of some brands in the spirits industry, but resulted in the actual closure of some craft breweries," Barnard says.

He nevertheless feels that the casualties might not necessarily have been a bad thing for craft beer as an industry: "The craft beer industry for some time now has been plagued by a few mediocre lines, which hopefully have now been eliminated."

Drinking trends

As far as craft spirits trends are concerned, growth in the gin market is slowing as the market matures, whereas the market for rum is still growing steadily. Barnard is excited about growth in the whisky market, knowing three big farmers who are in the process of putting up their own distilleries.

He foresees that the spike in the international absinthe market would soon hit SA, although the uptake should be limited.

In the brandy market, quite a few big producers have supplied smaller producers with stock to deal with the oversupply.

"Some of these producers have added value to the brandy through flavouring, but many have merely repackaged the brandy. While this is an international practice, I think it is unethical as consumers are duped into thinking they are buying a craft product," Barnard says.

New legislation that promised to unlock new spirit styles has not been passed due

vilafonté

to the impact of the Covid-19 pandemic on government processes.

"We were hoping for the legislation to come into force in March this year, but will be happy if it could be published by March 2021," says Barnard.

The amendment, among others things, provides for flavoured vodka and agave spirits, which previously had to be sold as unspecified spirits, as well as a Cape brandy and spirit barrel-aged wine categories. It also proposes the establishment of mampoer as a class of spirit.

Online sales

The Covid-19 outbreak has accelerated the adoption of online sales, with many cellars now having an online presence, either via their own websites or third parties.

"People who were hesitant to buy online have had positive experiences with it during the lockdown and have continued using the channel," says Retief.

Du Plessis, however, counters that the cost of packaging and transporting small volumes of produce to individual buyers is still a deterrent for some cellars, especially those that are far from major cities. In addition, online buyers are extremely price sensitive and always looking for a discount.

"I've heard of people in other industries pretending to drop their prices to capture online sales but doing that would be damaging to your credibility and reputation if you are a major player like us. People can see what your wine is selling for at Makro, which also now offers online sales," Du Plessis says.

For Retief, it is a channel that cannot be ignored. "Direct-to-consumer helps to reduce value chain costs, so prices for us are generally the same as they would have been if sold through other major channels."

Fall of the cans?

Both Retief and Du Plessis feel that Covid-19 has given a death blow to the wine-in-a-can innovation, as this packaging is extremely expensive and the category was in its infancy at the time lockdown started.

"Canned wine is doing well in the US, but it is too expensive for the average SA consumer," Du Plessis says.

In contrast, there has been a revival in the bag-in-the-box wine category, with a sharp increase in the number of premium wines being used in this packaging.

"The box wine has some environmental appeal, with the younger generation associating it with value, quality and convenience. Having Woollies offer boxed wine has also helped to glamourise the category," Retief says. ■

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Photo: Shutterstock

Drinks to try this season:

Wine

R70 to R90: Roodeberg, Alvi's Drift
R50 to R70: Kleine Zalze Chenin Blanc or Hedgehog
Below R50: Tangled Tree, Delush

Brandy

If you're looking for something different from Distell or KWV's old faithfuls, try these:
R800 to R1 200: Tokara XO Potstill Brandy
R400 to R800: Boschendal 10 YO Potstilled Brandy or the Bread + Butter XO
Below R400: Die Mas Pot Still Brandy, Joseph Barry VS or Van Loveren Five's Reserve

Whisky

R800 and above: Boplaas Single Grain 8 YO Whisky (Tawny Cask Finish)
R400 to R800: Three Ships 10 YO Single Malt Whisky
Below R400: Bain's Cape Mountain Whisky

Rum

SA Rum Awards winners, **R300 to R500:**
De Vry Distillery Die Warm Rasta Rum (The Best Rum, Best Column and Potstill, as well as Most Exceptional overall), Mhoba Bushfire Rum (Best Agricole and Best Potstill) or Cape of Storms Fynbos Botanical Rum (Best Flavoured/Spiced)

Gin

SA Craft Gin division winners, around **R400:**
Smith's Citrus Gin (Best London Dry), Pienaar & Son Ugly Gin (Best Citrus and Fruit) or Poetic Licence Fireside Spiced Gin (Best Spiced)

"People who were hesitant to buy online have had positive experiences with it during the lockdown and have continued using the channel."

Between words and seeing

Eben Venter on Lien Botha's annotated photographs

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

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

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

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

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

Sugar Hill (Speeltaal)

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

The Perks of being a Wallflower (Blomtaal)

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

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

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

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

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

By Johan Myburg

Collectors are moving seamlessly to online auctions

Is the secondary art market in South Africa naturally resillient, or were auctioneers simply conveniently prepared for the Covid-19 pandemic, which paralysed large sections of the economy this year?

At the end of 2019, websites and e-catalogues were simply useful additions to art auctions where the real thing could be scrutinised, evaluated, admired, desired and eventually auctioned off. Direct contact was non-negotiable and when the hammer came down on a bid for a significant or expensive work, it was greeted by applause from the audience.

When the hammer and the applause were drowned out by the pandemic, the "additional accessories" came to the fore and the digital domain became the lifeblood of the secondary art market within a matter of a few months.

Three well-known auction houses, Strauss & Co and Aspire Art Auctions, with head offices in Johannesburg, and the London-based Bonhams, all established digital domains years ago and systematically invested more into this, and when the lockdown became a reality, they could seamlessly continue to bring art and the client together.

Giles Peppiatt, Bonhams' director of modern and contemporary art from Africa, admits that he was quite sceptical about this medium at the time in 2019, which "sucks out the drama and personal participation in direct auctions".

"I was one of the people who believed that it was useful to get photos and information on the works quickly and easily to clients; in order to impart background quickly. But I was convinced that no client would ever bid £500 000 online without having physically seen the work. How wrong I was," he says thankfully.

But now the genie is out of the bottle, says Peppiatt, and there's no turning back.

In addition to the fact that they could continue doing business, it is also a fact that Covid-19, with all the hardships and dismay that went hand in hand with the pandemic, did give the secondary market a boost.

"With [all our focus on] an online approach, we extended our client base here and overseas," says Susie Goodman, executive director of Strauss & Co. "We witnessed more and more people entering the secondary market, and art collectors made the transition to digital without any hesitation. In addition, they utilised the slower pace of the state of lockdown to do thorough research into the works of art to be auctioned."

That it is also a younger generation that is investigating and buying art is something that Peppiatt, as well as Ruarc Peffers, Aspire Art Auctions' managing director, point out. "Maybe one can argue that the generation, who is so deft with the technology of 2020 is also the generation interested in contemporary art, which is an indication of the times we live in," says Peffers. "It is especially heartening to see younger buyers with preferences that differ from those of previous generations coming to the fore."

The type of art that attracted quite a lot of interest is works by artists, such as Sydney Kumalo, John Koenakeefe Mohl, Bonnie Ntshalintshali, Ezrom Legae and Noria Mabasa, with private collectors and institutions competing because works by these artists seldom land up at auctions. In addition, interest has eventually been shown in the works of Diederick During and Wopko Jensma, two artists who have been overlooked for many years.

It was nevertheless the grande dame of the SA art world, Irma Stern, who once again reigned supreme at the auctions of Bonhams and Strauss & Co, fetching the highest prices. Bonhams sold Stern's *Watussi Chief's Wife*, 1946, oil on canvas in the original Zanzibar frame (63.2 × 50.5cm) in March for about R9m; while Strauss & Co sold her *Still Life with Lilies*, 1947, oil on canvas (83 x 76.5cm) for R14.8m.

It's been several years that Stern has been ruling the roost and it doesn't look as if she's going to abdicate any time soon.

The most expensive work to be auctioned off by Aspire this year, is Edoardo Villa's *Traverse*, 1957, shaped steel plates, painted and mounted on a base with castors (98 × 42 × 562.5cm). Even though this Villa's estimated selling price was between R2m and R3m, it fetched just under R4.8m.

Over the future, Peppiatt is adamant that "we can no longer return to the format we used before – and auctions with 60 to 100 people in a room could be something of the past, except for charity auctions et al".

Ruarc Peffers
Managing director of Aspire Art Auctions

Giles Peppiatt
Director of modern and contemporary art from Africa at Bonhams

Susie Goodman
Executive director of Strauss & Co

Photos: Supplied

Edoardo Villa, *Traverse*, 1957, shaped steel plates, painted and mounted on a base with castors (98 x 42 x 562.5cm)

South African artists to look out for at auctions

Zanele Muholi, Robert Hodgins and Michael Subotsky – **Giles Peppiatt**
Georgina Gratrix, Phillemon Hlungwani and Nelson Makamo...and of course, William Kentridge – **Susie Goodman**
Teresa Kutala Firmino, Isaac Savale and Syowia Kyambi. Only South Africans? The continent has wonderful talent – **Ruarc Peffers**

For the immediate future it would seem that the trend of digital, streamed and online auctions is here to stay. This is also true of Zoom meetings, videos of three-dimensional tours in galleries and comprehensive catalogue essays that put specific works in context.

This is all good and well, says Peffers, "but I am still looking for that magical replacement for that feeling of personally standing in front of a piece of art work, looking at it. I am still looking for that technical skill or tool that can bring about that feeling of physically standing in the presence of a work such as Jane Alexander's *Butcher Boys*." ■

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Irma Stern, *Watussi Chief's Wife*, 1946, oil on canvas in original Zanzibar frame (63.2 x 50.5cm)

Irma Stern, *Still Life with Lilies*, 1947, oil on canvas (83 x 76.5cm), which sold for R14.8m.

By Glenda Williams

Driving through Covid

In 2020, financial survival played a role in household car choices. With affordability becoming more of a consideration for some, we take a look at some of the options that fit the bill.

Car ownership for South Africans often is as much a status symbol as it is about getting from A to B. But Covid-19 has had a profound impact on their car choices.

For many, who have either lost their jobs or had to endure salary cuts, it has been a race to sell their expensive vehicles and downgrade to a cheaper model. For others, it's been a case of downsizing from a two-car household to a one-car household.

Financial sustainability and uncertainty have dented new car sales and choice. And as households look to protect finances, the shift to used cars has accelerated.

The Toyota Starlet is a product of a formal alliance between Toyota and Suzuki.

Rocketing used-car searches

During the initial stages of lockdown, searches for cars under R50 000 increased by nearly 300%. Now there's an increase in searches for cars priced under R200 000, says George Mienie, CEO of AutoTrader.

"Since 6 May, searches for cars under R50 000 increased by 15%, under R100 000 by 30%, while searches for cars under R200 000 increased by 200%," he says. "At a time when consumers are under pressure, price plays an important role."


George Mienie
CEO of AutoTrader

Often, the purchase of a used car is led by affordability. But brand and quality of SA-produced vehicles also appear to be playing a part. During June and October 2020, the top five cars searched for were the Toyota Hilux, VW Golf, Mercedes-Benz C-Class, BMW 3 Series and Ford Ranger, says Mienie. All but one – the VW Golf – are or were, until recently (BMW 3 Series), built here.

The one-car family

Owning two cars in a family is a luxury that many now may not be able to afford – or need.

"Post-lockdown there was quite a bit of that [downsizing to one car] happening," Mark Dommisse, chairman of the National Automobile Dealers' Association (Nada) tells *finweek*.

"People started questioning the need for a second car, as financial needs changed and working from home became standard practice." Dommisse cites more affordable but well-equipped five-door, five-seater SUVs, such as the Hyundai Tucson, Kia Sportage and Renault Duster as the types of vehicles that one-car families turn to. Sedans, he says, don't feature for the mid-range buyer. "It's all hatchbacks, crossovers and SUVs," he says. The easing of lockdown, however, has brought more certainty and the one-car family trend has tapered off, he adds.

Mienie says that there is no direct data that shows households are favouring or downgrading to a single-car family from a two-car family. "However, the data does show that SA consumers potentially are opting for bigger, more versatile cars. Data shows that searches for double cab bakkies have increased by 33% over sedans and hatchbacks. When taking into consideration the growth of all body type searches combined, double cab is growing 19% faster."


Mark Dommisse
Chairman of Nada

Not breaking the bank

New car buyers focusing on affordability, reliability, practicality, connectivity and safety, could look at some of the following vehicles:

Affordable hatches: One car that won't break the bank, but will get you from A to B safely and comfortably is newcomer, the Toyota Starlet. Generously equipped with safety and infotainment features, this five-door hatchback is spacious, comfortably able to accommodate the average family. Three adult family members were even cajoled into the rear and two large suitcases and an overnight bag made their way into the deep boot.

The Starlet is a great ride and solid on the road. Powered by a spirited, naturally aspirated 1.4-litre engine, it's frugal on fuel with a claimed range of over 700km. I averaged 5.4 litres/100km running the aircon and pushing the revs. It's a cracking (not so) little car, the entry-level Xi 5-speed manual, costing under R205 000.

At under R200 000, the compact but roomy Suzuki Swift and VW's Up! also fit the bill.

Singles or couples looking for a

USED CAR PROS *AND* CONS

Pros

- The single-biggest advantage of buying a used car will always be value for money. One can get a used car for less, with more features.
- A new car depreciates the minute it is driven off the dealer floor. It continues to do this year after year and, after three years, it could have lost up to 60% of its initial value. With a new car, consumers often can't get out of the deal because of the sharp depreciation for the first three years, which often doesn't keep up with the decrease in the amount owed. With a used car, much of the depreciation would have already been experienced and the finance amount could keep closer pace with the value of the vehicle over time.

Cons

- It's been used by someone else. Peace of mind is reduced too (worrying that something could go wrong with the car).
- The novelty value of buying a new car isn't there.

SOURCE: George Mienie, AutoTrader

Photos: Supplied

The South African-built Ford Everest

low-cost, fuel-efficient runabout will have needs met by smaller entry-level vehicles, like the uniquely styled Peugeot 108, the newly launched Toyota Agya or the city slicking Kia Picanto.

Entry-level SUVs/crossovers: Favoured for their spaciousness, ride height and versatility, crossovers and SUVs have spiked in popularity among families. There are some solid offerings that weigh in under R300 000.

The Renault Duster offers space aplenty for the average family. This practical and affordable entry-level SUV is frugal on fuel and more than capable off-road. A sound purchase.

Despite its compact footprint, Honda's new addition, the WR-V, seats five and boot space is a generous 363 litres. This compact SUV boasts an abundance of tech, six airbags and a five-year warranty. Similar offerings come with Haval's H2, though boot space is significantly reduced.

Also consider Ford's spritely and well-equipped, compact 5-door Crossover, the EcoSport.

Large family needs: Commodious seven-seater SUVs that put the least strain on the wallet are the fuel-efficient VW Tiguan Allspace, the SA-built Ford Everest and segment leader Toyota Fortuner – newly facelifted with luxury taken up a notch. These hefty vehicles retail around the mid-R500 000s.

Pickup popularity: Bakkies are hot sellers in SA, with double cabs increasingly popular as family cars. While inexpensive Chinese and Indian models, like the GWM Steed and the not-so-easy-on-the-eye Mahindra Bolero are on offer, locals continue to opt for the proven quality and reliability of locally manufactured bakkies, like the Toyota Hilux and Ford Ranger. Both dominate sales; Toyota's least expensive double cab bakkie fetching around R440 000, while arch-rival Ford Ranger's entry-level double cab is priced a little under R400 000. ■

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The Honda WR-V's raised stance and sporty appearance lend a rugged appeal to the compact SUV.

COMING UP IN 2021

- Focus on the electric vehicle market
- Pivot from ride sharing to personal mobility
- Generation Z's new-found enthusiasm for learning to drive and owning a car
- Virtual test drives, like Digi Cars' Livestore
- Dealership rightsizing and increasing use of digital channels
- Next generation Nissan Navara, soon to be produced on home soil. Two more bakkies, the Mazda BT-50 and GWM P Series also launch. Other new introductions include the Nissan Magnite, an all-new compact SUV and a luxury medium-sized sports sedan, the new Lexus IS.
- BMW's electric SUV, the iX, going into production in the second half of 2021

Piker

On margin

Hamba 2020

This issue's isiZulu word is *ukulahlekelwa*. *Ukulahlekelwa* is loss. The root word is *lahla* – lose or throw away.

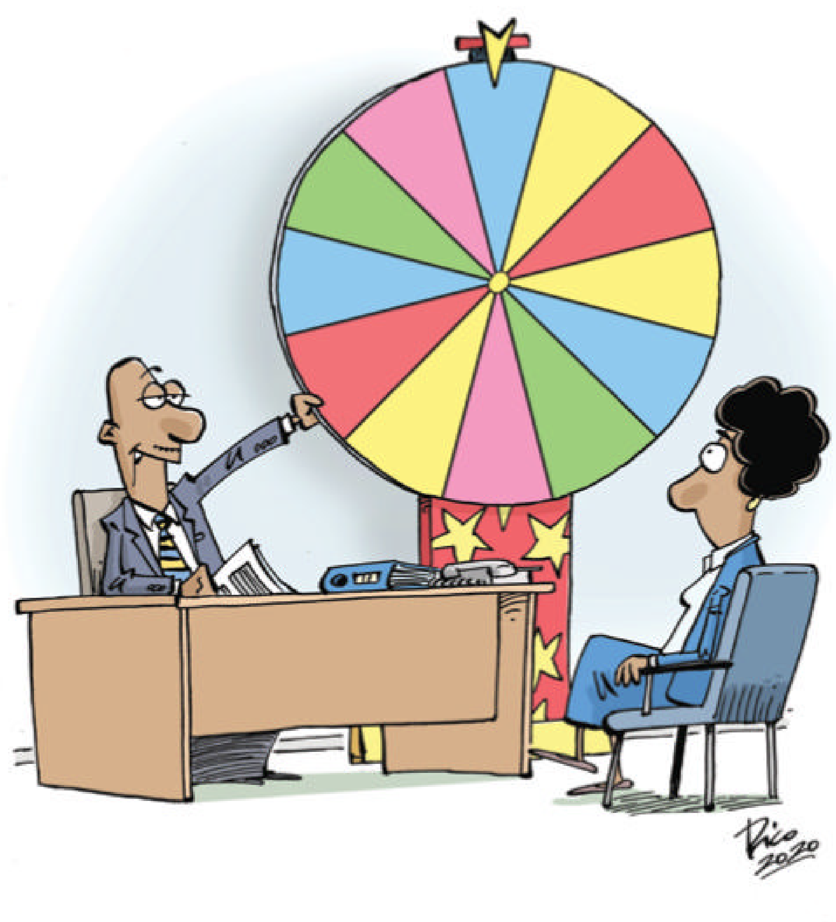
2020's been a year of *ukulahlekelwa*. Big time. At some point, during hard lockdown, I thought I'd even lose my mind. I thought we all would. A collective *ukulahlekelwa*. Then there are people who lost loved ones, jobs, property and more. It's definitely been a tough year, but in *ukulahlekelwa*, we also learned much. We should take these lessons into 2021, so that we go in stronger, no matter what the new year might have in store.

On the other end of the spectrum, you have those who gained. The PPE squad definitely gained millions. But even me, I also gained. Not millions of rand. I gained pounds. Nope, not the currency. That would have been great. But no, that is not my lot in life. I gained weight. So much weight. I want it gone. I want this year gone. *Hamba* 2020.

We don't know what 2021 holds, but I think we'll go in better mentally prepared than we did 2020. A year that, in its utter misery and relentless *ukulahlekelwa*, made us grow up really quickly. I certainly feel much older than I was when the year started. But then that could simply be because my birthday is in December.

Anyway, as we say goodbye to 2020, I wish you a great festive season and a 2021 that isn't all about *ukulahlekelwa*. I hope yours is a year of rebuilding and regaining your strength.

– *Melusi's #everydayzulu* by Melusi Tshabalala



"Let me spin the wheel and see what salary increase we can offer you."

In our final quiz of 2020, we test your general knowledge on some of the events in this crazy year that was. It will be available online via fin24.com/finweek from 14 December.

1. On 11 March, the novel coronavirus (Covid-19) breakout was officially labelled as a pandemic. On what date did SA enter the first 'hard lockdown'?
2. **True or false?** In May, a constitutional court in Taiwan decriminalised adultery.
3. Fill in the missing word. In June, Liverpool FC, won its first Premier League title in _____ years.
4. Tsakani Maluleke is the first woman to hold the position of auditor general in South Africa. In what year was SA's first auditor general office established?
5. In 2020, Apple became the first US company in history to reach a $2tr market cap, doubling in valuation in just over two years. Who is the company's CEO?
6. On what date did the United Kingdom officially withdraw from the European Union?
7. On 4 August, a massive explosion took place at the Beirut port, sparked by the accidental detonation of 2 750 tonnes of ammonium nitrate. Who is the president of Lebanon?
8. **True or false?** On March 9, the Dow Jones Industrial Average Index suffered its worst single-day point drop ever.
9. Prior to Donald Trump, who was the last single-term US president?
   - Gerald Ford
   - George H. W. Bush
   - Jimmy Carter
10. On 19 November, former president Jacob Zuma walked out of the Zondo Commission of Inquiry into State Capture, with the commission's spokesperson saying it has yet to lay a charge against Zuma for doing so. Name the spokesperson.

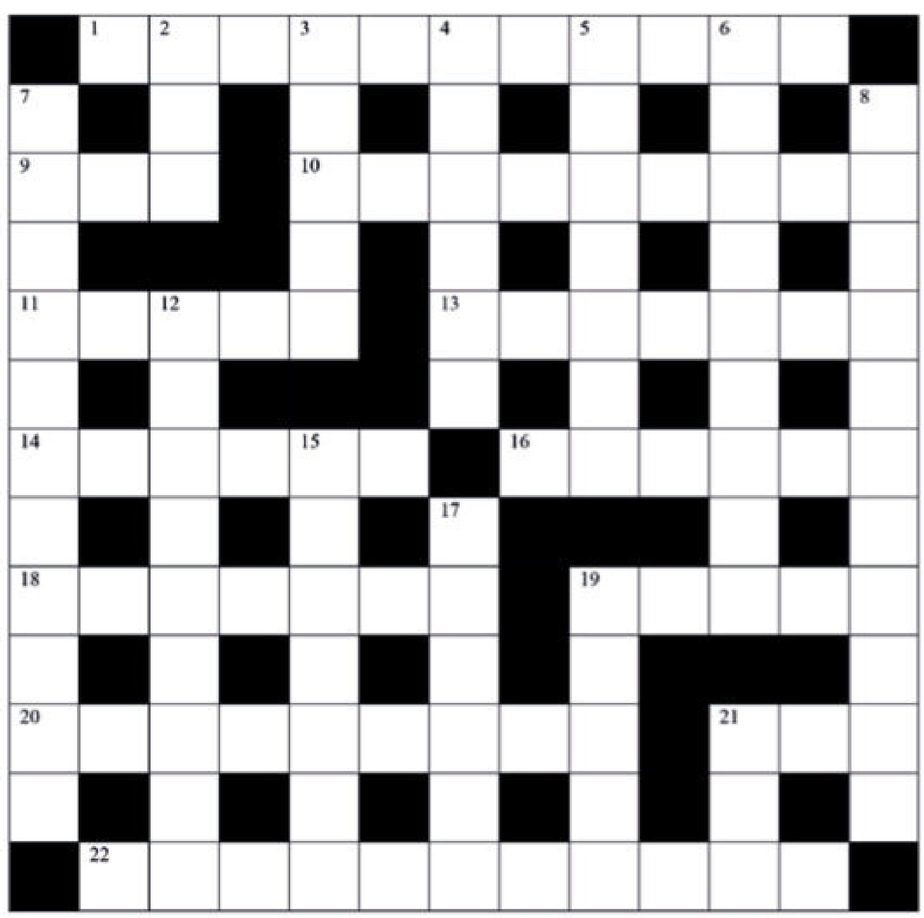
CRYPTIC CROSSWORD NO. 766 JD

ACROSS

1 Had salmon pate prepared in marzipan (6,5)
9 Little bit of cheesecake (3)
10 As put forward by the newspaper editor (9)
11 Copy head office about freelance (2,3)
13 Gold coin initially found by river monster (7)
14 Medieval helmet (3,3)
16 Circles a hundred counterfeit coins (6)
18 Kill eight, say, in frozen water (3,4)
19 Come up with 151 megabytes (5)
20 Violent book underpins a different culture (9)
21 Old men backing jumper (3)
22 The 50s wasn't exactly an adult era. Teddy boys tended to behaviour that was somewhat unrefined (11)

DOWN

2 Run circles around the stage (3)
3 French company look to recall cosmetic acid (5)
4 Reportedly selected from French first draw (6)
5 Gnawed away at toe in frustration (3,4)
6 Opera back in Northern Ireland with Italian conductor (9)
7 Enemy soldier shot in an Ulster street on Sunday (11)
8 Speak to Numbers, say, of Listed People? (7,4)
12 Beg to pay for risky vehicle (5,4)
15 Regularly seeing that stock (2,5)
17 Excise is costly when registered bills are excluded (6)
19 For example, back out of little house in priest's clothing (5)
21 Bemoan the French way (3)



Solution to Crossword NO 765JD

ACROSS: 1 Solo; 3 Commuted; 9 Undergo; 10 Naive; 11 Backward steps; 13 Red-eye; 15 Aristo; 17 Celebrations; 20 Unfed; 21 Oloroso; 22 Salad bar; 23 Levy

DOWN: 1 Stubborn; 2 Ludic; 4 Odours; 5 Ministration; 6 Triceps; 7 Deer; 8 Drowsy-headed; 12 Sob story; 14 Deedful; 16 Arroba; 18 Ozone; 19 Buts