



## THIS WEEK IN GLOBAL MARKETS

### South Africa

Name	Level	W%
ALSI	34 387	+1.5
TOP40	30 718	+1.3
FINI 15	9 150	+2.3
RESI 20	56 252	+0.1

### International Indices

Name	Level	W%
FTSE 100	5 901	+2.9
DOW	12 862	+1.6
S&P 500	1 345	+2.2
NIKKEI	8 832	-0.1

### Commodities

Quote	Level	W%
Gold	1 726	-0.7
Platinum	1 623	+0.1
Copper	8 345	-3.2
Oil(Spot)	115	+3.7

### Local Markets - JSE:

The JSE started the week's trade on a negative note as stocks fell for a second day on Monday, giving up nearly 1% as investors booked profits after a January Rally that pushed the JSE broadest index to a string of lifetime highs the week before.

Bidvest came out with a trading statement saying that for the 6 months ended 31 December 2011 the group's HEPS are expected to be between 35% and 40% higher than the results of the comparative period. EPS are also expected to be between 29% and 33% higher.

Month end window dressing helped boost local stocks to their best January performance in six years on Monday, as unit trusts and hedge funds loaded up on rising shares to bolster their portfolios. The JSE ended up at the close however it was off its earlier highs.

Massmart Holdings Ltd came out with a trading statement for the six months to 25 December 2011. The company expects basic EPS to be between 401.8 and 431.1 cents, HEPS to be between 402.4 and 431.6 cents and HEPS excluding forex to be between 374.4 and 405.9 cents. AVI came out with an updated trading statement for the six months ended 31 December 2011. HEPS for continuing operations are expected to increase by 31.5% to 194.4 cents, EPS for continuing operations are expected to increase by 36.0% to 195.1 cents. HEPS for total operations are expected to increase by 30.0% to 194.4 cents and EPS for total operations are expected to increase by 38.2% to 200.8 cents.

Assore Limited came out with a trading statement saying that earnings for the first half of the financial year are anticipated to increase to between R1 997 million and R2 207 million. The increased earnings are anticipated to increase EPS to be between R18.55 and R20.50 per share and HEPS to be between R18.01 and R19.91 per share.

Shares closed at a new record high on Wednesday, gaining more than 1% as positive earnings statements and upbeat economic data from China helped lift resources firms such as Assore.

Mvelaphanda Group Ltd came out with unaudited results for the six month period ended 31 December 2011. The loss from operations narrowed by 63% to R12.5 million. A net attributable profit of R88.2 million was recorded. In addition, headline earnings from continuing operations soared by 314% to 16.7c. Absa Group Limited came out with a trading statement in respect of the year ended 31 December 2011. The Group's HEPS and diluted HEPS for the year ended 31 December 2011 are expected to increase between 18% and 22%. Itatile Ltd came out with a trading statement for the six months ended 31 December 2011 saying that the group's basic EPS and HEPS are expected to be between 20% and 23% higher than the prior comparable period.

The JSE was up at the close on Thursday, as the market's underlying bullish tone continued to drive trade higher.

Sasol Ltd came out with an updated trading statement saying that the increase in EPS and HEPS for the six months ended 31 December 2011 is expected to be between 80% and 90% compared to the prior comparable period.

The JSE closed flat on Friday, coming off session lows but still hampered by the strong currency. The market reacted positively on positive jobs data out of the US.



Exxaro Resources Ltd came out with a trading statement for the year ended 31 December 2011. HEPS are expected to be between 901 cents and 2 140 cents, representing an increase of between 27% and 43% when compared with the comparative period in 2010. Attributable earnings for the year ended 31 December 2011 are expected to be between R 6 964 million and R 7 806 million. This equates to attributable EPS of between 2 001 cents and 2 243 cents, representing an increase of between 33% and 49% when compared with the corresponding period in 2010. Eqstra Holdings Ltd came out with a trading statement and said that the group anticipates EPS to increase by between 53% and 58% and HEPS to increase by between 19% and 24% for the six months ended December 2011.

For the week the ALSI and Top 40 indices were up 1.5% and 1.3% respectively.

#### **US Markets - Wall Street:**

US stocks closed with minor losses Monday as telecommunications and technology stocks advanced, offsetting concern that came with Portugal's soaring borrowing costs. US stocks closed the books on Wall Street's best January in more than a decade, with the indexes mostly slipping after US economic data failed to live up to its billing. US stocks Wednesday rallied to start the month, breaking a string of recent session losses, as manufacturing data in China and Europe overrode any disappointment from below consensus US data. US stocks closed with minor gains for two of the three benchmark indexes Thursday, with investors trading cautiously ahead of Friday's jobs report and as Greece remained apart from its creditors on the terms of a debt restructuring deal. US stocks leapt Friday, propelling the Nasdaq index to an 11 year high, as Wall Street embraced the nation's jobless rate dropping to a three year low.

For the week the Dow Jones and S&P 500 indices were up 1.6% and 2.2% respectively.

#### **Gold Futures:**

Gold futures inched lower Monday, pressured by a higher dollar but shedding losses as the session progressed on lingering concerns about the euro zone. Gold futures on Tuesday ended a seesawing session at their highest in eight weeks, shaking off intermittent weakness to wrap up January with an 11% advance. Gold futures gained Wednesday, pulled higher by rising US stocks and lower dollar and extending their gains to a second consecutive session. Gold futures on Thursday rose to their best level since mid November, finding firmer footing as investors remained concerned about Greece's debt write downs. Gold futures fell \$19 an ounce Friday to log their first decline in four sessions, as positive US economic data lured investors away from the precious market and into stocks.

For the week Gold were down 0.7%.

#### **US Crude Oil:**

Crude oil futures declined Monday as lingering concerns about the euro zone made investors call global oil into question and as the US dollar traded higher. Crude oil futures ended lower Tuesday, as earlier, steep gains rapidly evaporated after the dollar rose and negative US macroeconomic data pulled most markets lower. Crude oil futures ended lower Wednesday as a higher than expected increase in supplies eclipse support coming from rising US stocks, a lower dollar, and mostly positive macroeconomic data. Oil futures on Thursday extended losses into a fifth session as investors remained concerned about a higher than expected increase in US crude inventories and lower demand trends. Crude oil futures closed higher Friday, putting a halt to five-session retreat as positive US economic data and a pull back in the dollar buoyed demand prospects for oil.

For the week spot crude oil prices were up 3.7%.

## MARKET PERFORMANCE

### TOP 3 PERFORMING SECTORS FOR THE WEEK

- *FTSE/JSE Africa Industrial Engineering (+7.83%)*
- *FTSE/JSE Africa Household Goods (+4.49%)*
- *FTSE/JSE Africa Nonlife Insurance (+4.23%)*

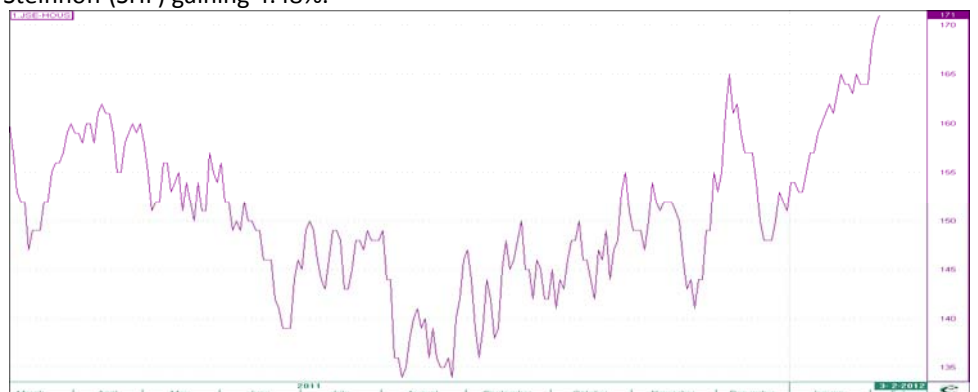
### WORST 2 PERFORMING SECTORS FOR THE WEEK

- *FTSE/JSE Africa Support Services (-1.74%)*
- *FTSE/JSE Africa Oil Production (-0.06%)*

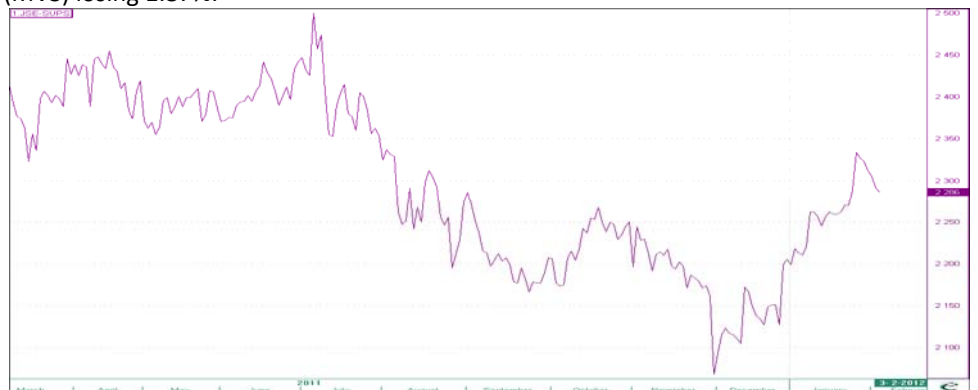
The best performance came from the FTSE/JSE Industrial Engineering Index with Hudaco (HDC) gaining 11.69%.



The second best performance came from the FTSE/JSE Household Goods Index with Steinhoff (SHF) gaining 4.48%.



The worst performing sector was the FTSE/JSE Support Services Index with Mvela Serve (MVS) losing 1.87%.



The second worst performing sector was the FTSE/JSE Oil Production Index with Sasol (SOL) losing 0.06%.



06 February 2012

## COMPANY DISCUSSION

Mik Hannes  
Portfolio Manager

### Mvelaphanda Group Ltd (MVG)

350 cps

#### Market Cap:

R1 979 mil

#### Next FY End to be reported on:

June 2012

#### Year High/ Low:

360cps / 277cps

#### Interim Dividend:

N/A

#### Dividend LDT:

N/A

#### Year to date performance:

+0.00%

#### Year to date performance JSE All Share:

+7.51%

#### Note on Recommendations:

All recommendations are made relative to the broad market segment to which the underlying share belongs, namely Industrials, Financials and Resources.

## Mvelaphanda Group Ltd (MVG)

Mvela Group is a black-controlled company, originally created to house the industrial BEE interests of Tokyo Sexwale.

The company no longer pursues new investments and has embarked on a value unlocking strategy by outright disposals and unbundling of investments to shareholders. In 2010, Mvela unbundled its investments in listed hospital group Life Healthcare and Mvelaserve, which listed on the JSE, to shareholders.

The major remaining investments are:

- Absa Group: indirect 2.28% shareholding held via a 44.7% stake in the Batho Bonke consortium.
- Avusa: 26.474 million shares representing a 22% interest in the company.
- Life Healthcare: after the unbundling and several minor sales, 14.8m shares (1.48%) remain.

In January 2012, listed private equity company Blackstar acquired a 28% shareholding in Mvela from Coronation at 320cps.

#### Interim results

During the past interim period ending December 2011, Mvela continued its value unlocking strategy: during November 2011, its investment of 135.5m shares in Vox Telecom was disposed of at 45cps.

With regard to the equity structure of Mvela, we assume that the (unlisted) options, which are way out-of-the-money, will lapse. In addition, Mvela exercised its right to redeem all remaining perpetual preference shares (MVGP) at the issue price of 1 000cps. The 265 362 preference shares were redeemed for R3m.

#### MVG Intrinsic Net Asset Value – 7 February 2012

	Shares	Share price	Value	Value per MVG share
	million	cps	Rm	cps
<b>Mvela Group (MVG)</b>	529.708	350	1 854	
<b>Mvela Group Options</b>			0	
<b>Total (MVG)</b>	<b>529.708</b>	<b>350</b>	<b>1 854</b>	<b>350</b>
	<b>Share</b>	<b>Share</b>	<b>Value</b>	<b>Value per</b>
	<b>%</b>	<b>cps</b>	<b>Rm</b>	<b>cps</b>
<b>Absa (ASA)</b>	2.28%	14 790	1 236	233
<b>Life Healthcare (LHC)</b>	1.48%	2 109	302	57
<b>Avusa (AVU)</b>	22.0%	2 100	236	45
<b>Group Five (GRF)</b>	10.7%	2 599	88	17
<b>Mvelaserve (MVS)</b>	6.32%	1 050	94	18
<b>Net cash</b>			193	36
<b>Total</b>			<b>2 158</b>	<b>407</b>

The share trades at a 14.1% discount to its intrinsic value.

The investment in Absa is held via Absa's BEE partner, the Batho Bonke consortium. Mvela has a 44.7% shareholding in the Batho Bonke consortium, which represents an indirect 2.28% shareholding in Absa (equivalent to 36 649 300 shares). In terms of the BEE structure, Batho Bonke is prohibited from selling its Absa shares until March 2011.



However, the time line for the unwinding of Batho Bonke is determined by the loan structure, in terms of which repayment of the loan can only take place after June 2012.

At year-end (31 December 2011), Absa's share price was 14 100cps. Mvela's valuation of its stake in Batho Bonke was R1 195m or 226cps (after providing for Capital Gains Tax (CGT)) (the above table shows estimated valuations on 7 February 2012).

**Avusa** was trading at 1 811cps on 31 December 2011. The investment, however, carries debt of R320m, reducing the net asset value to R159m (30cps).

There has been speculation in the press that Blackstar's interest in Mvela is linked to its stake in Avusa. Investors should however bear in mind that the Avusa share is rather illiquid, and that the present share price of 2 100cps is not necessarily representing market value. We believe the Avusa share price is seriously overvalued.

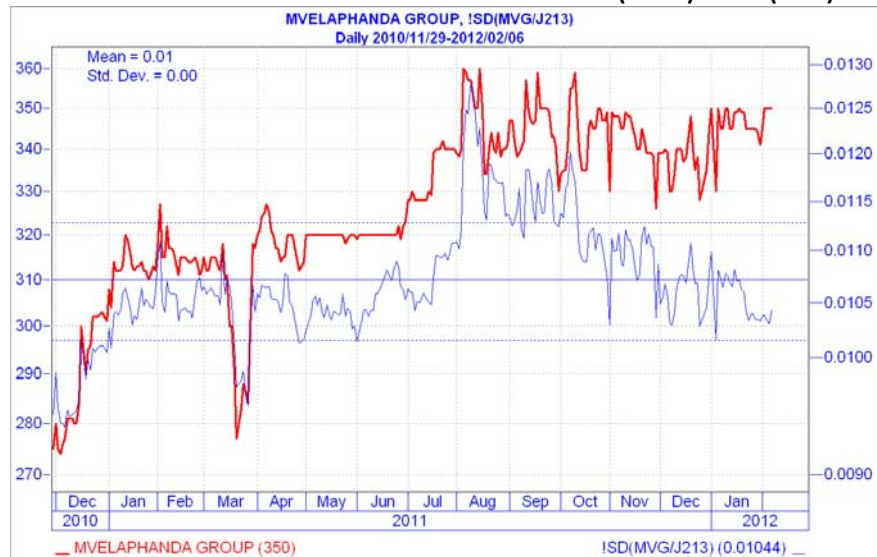
**Mvelaserve** (see Sharetalk letter of 14 November 2011) was trading at 1 010cps on 31 December 2011, placing a value of R90m (17cps) on the investment.

**Life Healthcare:** Mvela entered into a collar collar option transaction (capped at 1 960cps) in respect of 7 million LHC shares out of the 14.8m shares it owns. At year end, the LHC share traded at 2064cps, leading to a net asset value of R256m or 48c per MVG share.

**Group Five** was the smallest investment: at year end, GRF traded at 2 271cps leading to a valuation of R50m or 9c per MVG share. However, the valuation is based on an option-pricing model and increases significantly on relative smaller share price movements. In 2008, the GRF investment was valued at R259m.

Including R193m (36cps) net cash, the net intrinsic value of MVG on 31 December 2011 amounted to 366cps, The MVG share price of 350cps represented a 4.6% discount to NAV.

**MVG Share Price – MVG relative to Financial-Industrial (FINDI) Index (J213)**



Since Coronation was prepared to sell its 28% shareholding in MVG to Blackstar at a discount (320cps in January 2012), we can assume that the upside is rather limited. Group Five, a relative small investment, is the only geared play in the investment portfolio of MVG,

Excluding corporate activity, we can only see limited upward movements in the share prices of its investments. Buy on weakness.



## EARNINGS DIARY

## RESULTS DIARY

This section summarizes the biggest companies that are reporting their results in the next week are: (The following HEPS and EPS are based on consensus).

Company Name	Date	HEPS	EPS
Harmony	06/02	N/A	662.6
Palamin	06/02	N/A	N/A
Randgold Resources	06/02	N/A	N/A
Arcelor Mittal	07/02	N/A	85.3
BHP Billiton	08/02	N/A	2874.6
Sappi	08/02	N/A	N/A
Aquarius	09/02	N/A	112.4
Kumba	09/02	N/A	5440.9
Optimum Coal	09/02	N/A	N/A
Resilient	09/02	N/A	N/A
ABSA	10/10	N/A	1318.6

## DIVIDEND REGISTER

The table below summarize the list of companies whose last day to trade for the dividend is this Friday 10 February 2012. These shares will be trading without the right to participate on the dividends on Monday 13 February 2012.

Company Name	Amount (cps)	LDT	EX-Dividend
Winhold	0.07	10/02	13/02

*Please note that we are always looking for positive feedback on ways that we can improve this product to add value to our clients.*



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