

## Today's highlights

- Nedbank (NED): Solid performance in a challenging environment
- Sun International (SUI): Best to wait and see
- Hulamini (HLM): Lots of factors beyond its control
- Money and credit: Still growing too slowly for GDP and employment growth
- Upcoming dividend dates and corporate actions
- Company calendar – 1 March to 8 March
- Economic calendar – 1 March to 8 March

### Talking point: Chinese tightening starts to have the desired effect

It's so far so good for China's economic stewards, at least according to manufacturing numbers released this morning. The Purchasing Managers Index (PMI) for February fell from January, indicating that policy tightening measures are starting to work, but the reading of 52.2 remains above the key 50 level, indicating for its part that the policy is not jeopardising growth.

However inflation remains a concern for China, with input prices rising sharply, indicating that the authorities may still introduce new measures to tighten monetary policy in the coming months. With a number of countries due to report manufacturing PMI numbers in the next two days, it will be interesting to see how the pricing components of the various manufacturing indices behave. Inflation remains a worry for the world's leading industrialised countries, particularly in the wake of recent oil price shocks; nonetheless, they will be cautious not to react to hastily to what is ultimately a supply side issue, while demand levels are not yet at excessive levels.

### Market highlights

Wall Street gained overnight as a report on personal incomes in January showed solid growth.

The JSE gained almost a percent yesterday, tracking improved global sentiment on equity markets and the US market in particular. Strong gains were seen among mining shares as well as industrials.

Bonds were little changed while the rand continued to make good progress as the US dollar weakened on lowered risk aversion levels.

Improving economic prospects lifted commodity categories, while oil ended a choppy day higher as traders weighed the impact of new supplies against worries that Libyan supplies could be disrupted for a lengthy period.

### Key indicators in a nutshell – Monday 28 February 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	<b>32272.09</b>	0.96%	0.42%	6.63%	0.48%	20.73%
S&P 500	<b>1324.32</b>	0.34%	1.91%	12.18%	5.30%	20.07%
Nikkei	<b>10624.09</b>	0.92%	1.39%	6.91%	3.86%	5.17%
Rand/US \$	<b>6.96</b>	0.75%	1.30%	1.89%	-4.92%	11.07%
Rand/GB Pound	<b>11.31</b>	-0.08%	-0.79%	-2.36%	-8.87%	4.01%
US\$/Euro	<b>1.38</b>	-0.49%	-0.71%	-5.97%	-3.15%	-2.05%
Gold \$/oz.	<b>1411.12</b>	0.11%	7.56%	1.90%	-0.72%	27.62%

### Company results and updates

Merafe reported diluted HEPS for the year to December of 11c, a turnaround from the headline loss per share of 6c reported in 2009. A final dividend of 2cps was declared, unchanged from 2009.

South Ocean recorded a 38.6% increase in HEPS for the year to December, to 33.4c.

KAP International reported HEPS for the six months to December of 13.9c, up from previous interim HEPS of 11c.

Metorex reported a 152% increase in adjusted HEPS for the six months to December to 32c, when compared with the six months to June.

London Finance reported NAV per share for 31 December of 29.4p, up from 23.3p at the end of June last year. An unchanged interim dividend of 0.3p was declared.

Iliad Africa expects to report a decline in HEPS for the year to December of between 26% and 29% (to around 39c). Results are due out on 15 March.

Trencor reported adjusted HEPS for the year to December of 369.4c, an increase of 81%. A final dividend of 100cps was declared, bringing the total for the year to 140cps, from 120cps in 2009.

Cipla Medpro expects to report an increase in HEPS of between 18% and 23% for the year to December, and an increase in normalised HEPS of between 22% and 32%. Cipla Medpro reports on 17 March.

## Daily ideas

### Nedbank (NED): Solid performance in a challenging environment

**Nedbank (R127.80; market cap: R64.5bn; forward PE [F2011, I-Net]: 9.73x):** Nedbank recorded a solid growth in earnings in what it called a challenging environment. The 8.7% growth in earnings was marginally better than management's expectations. During the third quarter management indicated that diluted headline earnings per share could grow between 0% and 8%.

Final	Dec 2010	Dec 2009	% change
Headline earnings (Rm)	4 900	4 277	14.6
Diluted HEPS (cents)	1 069	983	8.7
Tangible NAV per share (cents)	8 160	7 398	10.3
ROE (%)	11.8	11.8	
DPS (cents)	480	440	9.1

Divisional results were mixed with Retail reporting headline earnings of R760m (FY09: loss of R27m), while Nedbank Corporate and Business Banking reported earnings decline of 13.1% and 26.4% respectively. Nedbank Wealth increased headline earnings by 17.9% mainly as a result from the integration of former joint ventures and strong growth in new business in the insurance and asset management businesses.

Overall advances grew 5.5% to R475bn, with the biggest contribution from Nedbank Capital at 12.7%. Margins declined 0.04 percentage points to 3.35% on average interest-earning banking assets. Expectations are that there will be continued pressure on margins as a result of the negative endowment effect.

Nedbank's credit loss ratio declined as expected. The credit loss ratio improved to 1.36% from the restated 1.52% in 2009. The biggest contribution to this decline came from Retail, where the ratio declined from 3.17% in 2009 to 2.67%. In Nedbank Corporate, Nedbank Business Banking and Nedbank Wealth the credit loss ratio remained within the "through the cycle" levels. The high-risk private equity portfolio contributed to the increase in Nedbank Capital's ratio from 0.36% to 1.27%.

Nedbank is still very well capitalised. The total capital adequacy ratio was 15% compared to the group's internal target of 11.5%-13.0% and the regulatory minimum of 9.75%. Nedbank indicated that it can absorb the Basel 3 capital implications, with the capital adequacy ratios remaining above the top end of the current target ranges.

The group indicated that the group is well placed for earnings growth in 2011 and appears confident in meeting medium term targets (see Table 1). **Cobus van den Berg**

**Table 1: Group Targets**

	2010	Medium-term target	2011 outlook
ROE (excl Goodwill)	13.4%	5% above monthly weighted COE	Improving, remaining below target
Efficiency Ratio	55.2%	<50%	Improving, remaining above target
Diluted HEPS growth	8.7%	≥CPI + GDP Growth + 5%	Improving, forecast to exceed target
Credit Loss Ratio	1.36%	0.6% – 1%	Improving, remaining above target
Dividend cover	2.3x	2.25x – 2.75x	Improving, remaining above the top end of the target

Source: Company Reports



Source: I-Net Bridge

### Sun International (SUI): Best to wait and see

**Sun International (R98.50; market cap: R10.9bn; 12m rolling forward PE: 16.5x)** released its interim results for the six month period ending 31 December 2010.

The main highlights are as follows:

Interim	Dec 2010	Dec 2009	% change
Revenue	R4.5bn	R4..1bn	9
HEPS	R1.57	R2.63	(40)
Adjusted HEPS	R2.18	R2.16	1
Interim Dividend	R0.80	-	
NAV	R14.43	R10.52	37
EBITDA	R1.27bn	R1.2bn	5

Revenue was up 9%, with gaming up 8% and Rooms revenue up 14%.

EBITDA was 5% higher while the EBITDA margin declined 1.2 percentage points to 28.3%. The lower margins were due to cost increases being higher than inflation.

Adjusted HEPS was up 1% to R2.18, which includes a R79m forex translation loss. Excluding the impact of foreign exchange losses, adjusted HEPS was up 13%. Sun International trades on a 12 month rolling PE of around 16.5x, which looks expensive.

Management expects hospitality revenue to remain soft for the rest of the year and gaming revenue to stabilise as there are signs of improvement in certain areas.

Sun International is spending capital on existing licences and there are some question marks about exclusivity in the Western Cape, which could affect future profitability. Investors may want to see clarity on these issues before considering the share. I-Net consensus is a hold. **Jared Nestadt**

### Hulamin (HLM): Lots of factors beyond its control

**Hulamin (772c; market cap: R2.4bn; forward PE [F2011, I-Net]: 10.6x)** released results for the year to Dec 2010 with HEPS at 27c, in line with the recent trading update. The results were poor, largely as a result of the strong rand eroding a much improved operational performance.

In addition to the strong rand, Hulammin faced a number of other headwinds: termination of the billet supply from BHP Billiton, weak demand in the extrusions division related to the construction industry, higher operating costs resulting from the startup of the new rolled products expansion project and increased costs related to manpower and electricity.

Final	Dec 2010	Dec 2009	% change
Revenue	5.8bn	4.5bn	29
Operating profit	218m	244	(12)
Headline earnings	75m	92m	(18)
HEPS	27c	37c	(27)

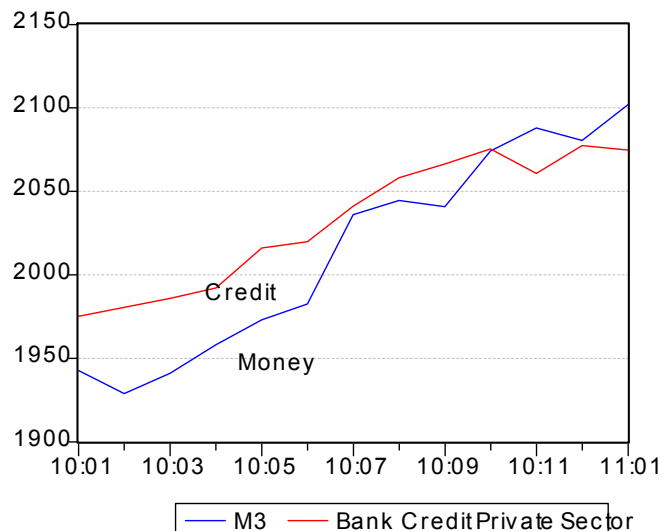
On the positive side, operational improvements lead to cost benefits of some R200m, market conditions improved, resulting in turnover increasing to R5.8bn from R4.5bn, and the group managed to extend the slab supply agreement with BHP Billiton until June 2012. As a result of the R750m rights issue in June last year the debt to equity ratio has improved to 20.8%.

The company is well positioned to benefit from improving international markets as it increases to full capacity but there are many factors beyond its control. It does appear as if these factors are starting to stabilise or improve. Investors might be better off regarding the share as a hold until further evidence of a turnaround. *Philip Maree*

### Money and credit: Still growing too slowly for GDP and employment growth

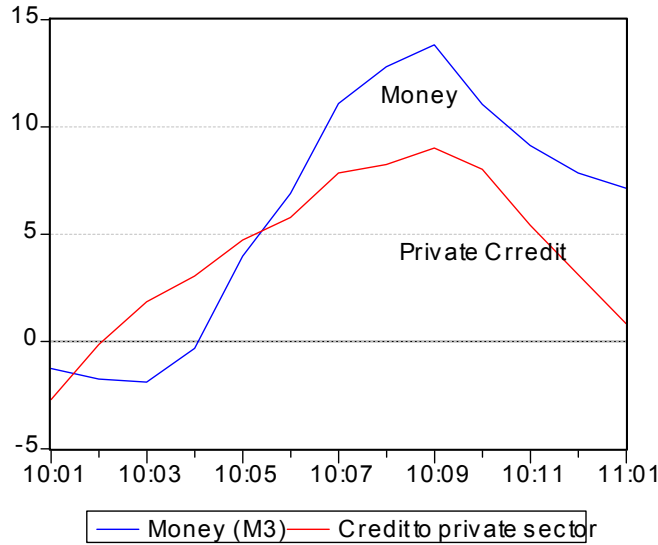
The money and credit statistics released by the Reserve Bank yesterday indicate that while the money supply (broadly measured as M3) is maintaining a satisfactory rate of growth of around 7% per annum on a quarter to quarter basis, credit extended by the banks to the private sector has remained largely unchanged over the past quarter. Not coincidentally, the price of the average home in SA is also largely unchanged over the past year.

#### Money supply (M3) and Bank Credit to Private Sector (Seasonally Adjusted), R'm



Source: Reserve Bank, Investec Wealth and Investment

## Growth in Money Supply (M3) and Bank Credit – quarter to quarter

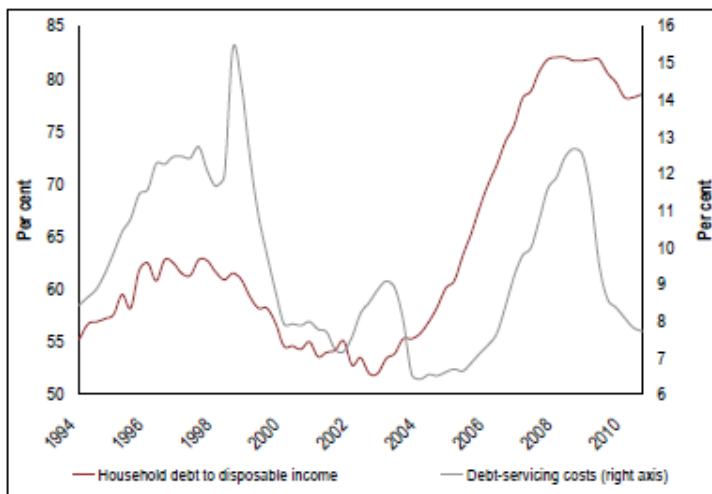


Source: Reserve Bank, Investec Wealth and Investment

It will take an increase in mortgage credit to lift house prices, while it will take an improved housing market to encourage the banks to lend more and for property developers to wish to borrow more. The trends in money and credit supply indicate that short term interest rates are still too high rather than too low to assist the economy to realise its potential output growth. And so policy set interest rates are unlikely to increase any time soon.

The lower level of mortgage interest rates and a significantly lower debt service ratio for the average SA household (See below) still have work to do to revive the housing market and construction activity linked to higher house prices. Perhaps the authorities, now so concerned with employment growth in SA and intending to subsidise employment with tax concessions, should be reminded that house building and renovations are highly labour intensive. **Brian Kantor**

Figure 2.10 Debt-to-disposable-income and debt-service costs, 1994 – 2010



Source: Reserve Bank

## Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/ result
Absa Prefs	4 March	7 March	11 March	14 March	Cash Dividend	R28.876
Anglo Platinum	4 March	7 March	11 March	14 March	Cash Dividend	R6.83
Absa	4 March	7 March	11 March	14 March	Cash Dividend	R2.30
AngloGold Ashanti	4 March	7 March	11 March	18 March	Cash Dividend	R0.80
Assore	4 March	7 March	11 March	14 March	Cash Dividend	R2
BHP Billiton	4 March	7 March	11 March	31 March	Cash Dividend	USD0.46
Digicore	4 March	7 March	11 March	14 March	Cash Dividend	R0.03
Distell	4 March	7 March	11 March	14 March	Cash Dividend	R1.24
Emira	4 March	7 March	11 March	14 March	Interest	R0.5521
Gold Fields	4 March	7 March	11 March	14 March	Cash Dividend	R0.70
Hospitality A	4 March	7 March	11 March	14 March	Interest	R0.6033
Hospitality B	4 March	7 March	11 March	14 March	Interest	R0.3845
Hudaco	4 March	7 March	11 March	4 April	Cash Dividend	R2.35
Imperial	4 March	7 March	11 March	4 April	Cash Dividend	R1.50
Panprop	4 March	7 March	11 March	14 March	Interest	R0.7404
RMB Holdings	4 March		7 March	14 March	Unbundling	1 Rand Merchant Insurance Holdings per RMH
Paracon	4 March	7 March	11 March	14 March	Cash Dividend	R0.10
Simeka Business Group	4 March	7 March	11 March	14 March	Name change	Morvest Business Group (MOR)
SBR002	4 March	7 March	11 March	15 March	Interest	R1.41
Sovereign NPLs	4 March		11 March	14 March	Rights take up	1 SOVN converts to 1 SOV at R4.75 a share
City Lodge	11 March	14 March	18 March	22 March	Cash Dividend	R1.24
Discovery	11 March	14 March	18 March	22 March	Cash Dividend	R0.42
Fountainhead	11 March	14 March	18 March	22 March	Rights issue	16.73288 FPTN per 100 FPT
JOZI03	11 March	14 March	18 March	22 March	Interest	R14.83
Kagiso Media	11 March	14 March	18 March	22 March	Cash Dividend	R0.50
Kumba Iron Ore	11 March	14 March	18 March	22 March	Cash Dividend	R21
Shoprite	11 March	14 March	18 March	22 March	Cash Dividend	R0.88
Truworths	11 March	14 March	18 March	22 March	Cash Dividend	R1.28

Foschini Prefs	17 March	18 March	25 March	28 March	Cash Dividend	R0.065
OneLogix	17 March	18 March	25 March	28 March	Capital Reduction	R0.03
Panprop	17 March	18 March	25 March	28 March	Scheme of arrangement with election	2.38 CPL per PAP (for holders of over 100 PAP)
SA Corporate	17 March	18 March	25 March	28 March	Interest	R0.1418
Foschini Prefs	17 March	18 March	25 March	28 March	Cash Dividend	R0.065
Anglo American	25 March	28 March	1 April	28 April	Cash Dividend and reinvestment plan	R2.8906
Fountainhead NPLs	1 April	4 April	8 April	11 April	Rights take up	1 FPTN converts into 1 FPT on take up at R6 per unit
Glenrand MIB	1 April	4 April	8 April	11 April	Scheme of arrangement	R2
AECI	8 April	11 April	15 April	18 April	Cash Dividend	R1.35
Group Five	8 April	11 April	15 April	18 April	Capital Reduction	R0.52
Mondi	8 April	11 April	15 April	12 May	Cash Dividend and reinvestment plan	R1.61324545
Wilson Bayly Holmes	8 April	11 April	15 April	18 April	Cash Dividend	R1.10
Afrox	14 April	15 April	21 April	26 April	Cash Dividend	R0.08
Mvela Resources	28 April	29 April	6 May	9 May	Unbundling and scheme of arrangement	83.5230 NHM and 9.5980 NHM per 100 MVL
Brimstone	6 May	9 May	13 May	16 May	Cash Dividend	R0.15
Country Bird	6 May	9 May	13 May	16 May	Capital reduction	R0.111

Source: JSE

## Company calendar – 1 March to 8 March

### Tuesday 1 March

Steinhoff interims  
Santam finals

### Wednesday 2 March

Afgri interims  
Hyprop finals

### Thursday 3 March

Standard Bank finals  
Aspen interims  
KAP interims  
Spur interims  
The Don Group AGM

### Monday 7 March

Sasol interims  
AVI interims

### Thursday 3 March

Royal Bafokeng Platinum finals  
Old Mutual finals  
Uranium One finals  
FirstRand interims  
Paracon AGM  
Hyprop shareholder meeting to approve Attfund deal

Source: I-Net, Company updates

## Economic calendar – 1 March to 8 March

<b>Date</b>	<b>International</b>	<b>South Africa</b>
<b>Tuesday 1 March</b>	<b>Japan</b> – January Unemployment <b>Germany</b> – February PMI manufacturing [10h55] <b>Germany</b> – February Unemployment [10h55] <b>EMU</b> – February PMI manufacturing [11h00] <b>EMU</b> – January Unemployment [12h00] <b>UK</b> – February PMI manufacturing [11h30] <b>UK</b> – January M4 money supply [11h30] <b>US</b> – February ISM manufacturing [16h00]	February Kagiso PMI [11h30] February New vehicle sales [11h00]
<b>Wednesday 2 March</b>	<b>US</b> – Beige Book [20h00]	
<b>Thursday 3 March</b>	<b>Japan</b> – February PMI services and composite <b>Germany</b> – February PMI services and composite [10h55] <b>UK</b> – February PMI services [11h30] <b>EMU</b> – February PMI services and composite [11h00] <b>EMU</b> – ECB rate announcement [12h00] <b>EMU</b> – Q4 GDP prelim [12h00] <b>EMU</b> – January Retail sales [12h00] <b>US</b> – Initial jobless claims for previous week [14h30] <b>US</b> – February ISM nonmanufacturing [16h00]	
<b>Friday 4 March</b>	<b>US</b> – February Employment [14h30] <b>US</b> – January Factory orders [16h00]	
<b>Monday 7 March</b>	<b>Japan</b> – January Coincident indicator <b>US</b> – January Consumer credit [21h00]	February Gold and forex reserves [08h00]
<b>Tuesday 8 March</b>	<b>Japan</b> – January Current account <b>Germany</b> – January Industrial orders [13h00]	

Sources: Bloomberg, NAAMSA,



## Key market indicators – Monday 28 February 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32272.09	0.96%	0.42%	6.63%	0.48%	20.73%
JSE Fini 15	8029.64	0.35%	-2.88%	3.23%	-1.73%	6.98%
JSE Indi 25	26302.04	0.88%	-0.67%	3.88%	-1.83%	23.87%
JSE Mining	38694.07	1.54%	2.80%	11.75%	4.03%	23.24%
JSE Resi 20	58987.88	1.29%	3.44%	12.86%	4.77%	24.93%
S&P 500	1324.32	0.34%	1.91%	12.18%	5.30%	20.07%
DJI	12226.34	0.79%	1.97%	11.09%	5.60%	18.46%
NASDAQ	2782.27	0.04%	0.98%	11.37%	4.88%	24.53%
Nikkei	10624.09	0.92%	1.39%	6.91%	3.86%	5.17%
Hang Seng	23338.02	1.42%	-1.86%	1.43%	1.31%	14.40%
FTSE 100	5994.01	-0.12%	0.48%	8.42%	0.39%	13.56%
CAC 40	4110.35	0.14%	1.25%	13.85%	8.03%	12.90%
DAX	7272.32	1.21%	1.63%	8.73%	5.18%	31.45%
ASX-ORD	4923.60	-0.03%	0.34%	5.29%	1.58%	6.69%
JSE All Share (in US\$)	4635.80	1.71%	1.72%	8.64%	-4.47%	34.09%
MS EM Index	1107.77	0.76%	-2.98%	2.97%	-3.79%	20.03%
MS World Index	1351.65	0.77%	2.31%	13.25%	5.59%	20.25%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.96	0.75%	1.30%	1.89%	-4.92%	11.07%
Rand/GB Pound	11.31	-0.08%	-0.79%	-2.36%	-8.87%	4.01%
Rand/Euro	9.61	0.31%	0.64%	-4.08%	-8.02%	8.76%
Rand/Aus \$	7.09	0.64%	-1.64%	-4.01%	-4.75%	-3.44%
Yen/ US \$	81.88	-0.28%	1.22%	2.20%	-0.94%	9.03%
Swiss Franc/US \$	0.93	-0.06%	1.85%	7.97%	0.60%	16.40%
US \$/Euro	1.38	-0.49%	-0.71%	-5.97%	-3.15%	-2.05%
US \$/GB Pound	1.63	-0.95%	-2.12%	-4.28%	-4.04%	-6.33%
US \$/Aus \$	1.02	-0.09%	-2.85%	-5.79%	0.40%	-12.94%
Nominal Effective Exchange Rate (2000 = 100)	75.81	-0.66%	-0.77%	1.23%	7.19%	-6.98%

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
<b>Commodities</b>						
Gold \$/oz.	1411.12	0.11%	7.56%	1.90%	-0.72%	27.62%
Platinum/oz.	1808.5	0.11%	1.40%	8.88%	2.18%	17.93%
Brent Crude \$/bbl	111.95	0.13%	15.02%	29.84%	18.15%	47.59%

Fixed income	Closing yield %
SA R157	7.77
US 2 YEAR	0.72
US 10 YEAR	3.42
UK 2 YEAR	0.77
UK 10 YEAR	3.69
EURO 2 YEAR	1.54
EURO 10 YEAR	3.18

### Feedback

We welcome your feedback. Please email [iso@investec.co.za](mailto:iso@investec.co.za) or call 0861 003 020.

### Unsubscribe

Should you no longer wish to receive this newsletter in future, please reply to this e-mail with the word "unsubscribe" in the subject box.