

The Investment Holding Company. How to evaluate its performance and how to align the interest of its managers and shareholders

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The importance of recognising economic profit or EVA

Owners of businesses could set their managers a straight-forward task. That is to earn a return on their capital they will deploy to exceed the returns shareholders could realistically expect from another firm in the same (risky) line of business. If the managers succeed in this way, that is realise an internal rate of return on the projects they undertake that exceed these required or break even returns, they will be generating an economic profit for their owners. They will have created what is now widely known as Economic Value Added (EVA) in proportion to the amount of capital they put to work. $EVA = I * (r - c)$ where r is the measure of the internal rate of return, c is the required return or as it is sometimes described as the cost of capital and I is the quantum of capital invested.

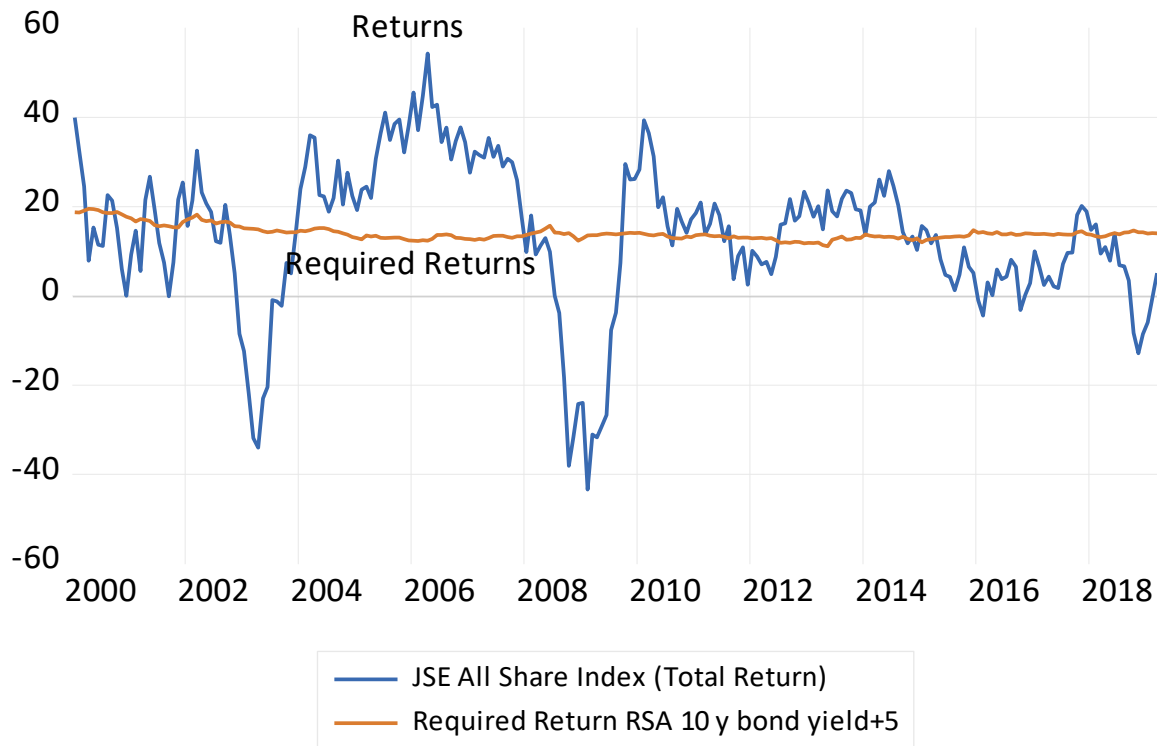
It is the margin between the internal rate of return of the company and the required risk adjusted return, multiplied by the volume of investment undertaken, that makes for EVA and potentially more wealthy owners- not margin alone. The task for managers is to maximise neither margin nor scale – but their combination - EVA. And furthermore to undertake all the EVA enhancing projects they can

recognizes and can fund from internally generated cash or cash raised from outside funders. For firms with lots of potentially EVA adding projects to undertake – negative not positive free cash flow is called for to maximise EVA

For investments today in SA in rands an averagely risky project, given long term RSA interest rates of about 9% p.a. would have to promise a return of more than 14% p.a on average over the next ten years to hope to be EVA accretive. That is earn as much as an investor could hope to earn holding an RSA 10 year bond to maturity (currently yielding approximately 9% p.a) plus an extra 5% as compensation for the risks that the projects may turn out less well than when initiated. Or for the risk that they may be forced to cash out at any time in between at an unpredictable valuation.

The extra 5% is known as the equity risk premium. We show below that the JSE All Share Index since 2000 has earned on average nearly 14% per annum – a little less than adding 5% to the prevailing 10 year bond yields- but with a great deal of variability around the average.

Fig.1 JSE All Share Index- Total and Required Annual Returns (2000-2019)



Source; Bloomberg and Investec Wealth Investment

Table 1; JSE All Share Index; Summary Statistics

Sample: 2000M01 2019M03		
	Total Return	Required Return
Mean	13.72	14.06
Median	15.19	13.71
Maximum	54.28	19.49
Minimum	-43.42	11.13
Std. Dev.	16.52	1.63
Observati	231.00	231.00

Source; Bloomberg and Investec Wealth Investment

Source; Bloomberg and Investec Wealth and Investment

Had an investor in 2000 invested R100 in a fund that tracked the JSE All Share Index and held on to the initial investment and reinvested all dividends received in the Index, the R100 would have been worth approximately R1155 by March 2019. The same R100 invested in the RSA Bond Index would have grown to R682 with all interest income reinvested while a money market fund would have been worth approximately R450 were all interest income also reinvested in the fund. Looking backwards, investors in the average SA company have realised the 5% expected risk premium.

The responsibilities of the managers of an operating company do not include managing the share price

Managers should be held responsible for the actual performance of the firm, best measured we have argued, by its realised EVA – not for its share price and market value. Managers may succeed or fail in generating the internal rate of return targets set for them. But they cannot control the value investors will attach to their enterprise as an ongoing concern from day to day or month to month. They should neither be indulged or punished for share market developments beyond their control. Total share market returns are a poor way to recognise the quality of management.

The value of the firm will be determined by the returns (the true profits correctly calibrated) it will be *expected* to generate. Past performance will only be a guide to such expectations. And expectations can easily change. Furthermore, the rate at which expected profits are discounted to their present value will also depend on developments in the debt

markets. Interest rates, representing a large part of the opportunity cost of investing in a particular firm, may change over the life of company— as may the market wide tolerance for risk -that is the risk premium investors may be demanding at any point in time. All these forces – largely unpredictable from day to day – that drive market values – in a random process- are largely beyond the influence of managers.

Tax rates and regulations may change to the advantage or disadvantage of the firm. Economic policies that influence interest rates and the volatility of share prices and so the value of shares at any point in time may become more or less hostile to the freedoms of the managers seeking profits. Thus more (less) perceived risks for shareholders inevitably requires higher returns as compensation – hence lower(higher) than otherwise share prices that determine the entry price for any investment.

For all the uncertainties that influence the market value of a firm, the better any particular firm is expected to perform, the more value it will tend to attract in the share market from investors willing to buy or sell. The higher the internal rate of return expected from the investment actions of a firm, the more valuable it will become. That is assuming that other forces that act on valuations remaining unchanged.

If the EVA is expected to be highly positive- and to remain so – the firm is likely to be revalued accordingly- that is in advance of the actual realisation of I EVA. And if EVA is expected to remain highly negative it will be devalued accordingly. If EVA is expected to improve or deteriorate such expectations will be immediately market value creating or destroying. If the period of time over which expected EVA positive or negative developments is lengthened or shortened, (known

as the rate at which returns *fade* away under competitive pressures) market values can improve or decline significantly and rapidly.

The market looks forward- market returns and the quality of management are not well related – especially in the shorter run

The share market will always be on the lookout for firms that are under appreciated or over appreciated – given the investor's assessment of their prospects. It is for this reason that the best managed firms – in the sense of being expected to sustain highly EVA positive investments, firms with moats and runways, will command high valuations and vice versa. And higher(lower) starting values make it harder or easier to earn above market returns.

Even the very best managed firms may not provide above average returns, given the high expectations of them reflected in the price investors pay for their shares. And vice versa, even poorly managed firms can provide superior share market returns if their share prices are low enough to discount the poor results expected. If they are managed surprisingly better – but are not necessarily well managed in the sense of their EVA margin - they may well be revalued enough to provide market beating returns.

Because the market is forward looking only surprisingly good or poor performance by a firm and its managers will move the share price. The expected performance is always reflected in the price paid or offered. The firms with the very best managers, in the sense of having been able to realise very substantial EVA, may not be able to provide market beating returns for shareowners over any period of time. Their expected good work may well be fully or even more than fully reflected in the market. The best companies and the worst will be priced to provide normal not exceptional returns. Competition between investors for above normal returns from all listed companies drives

expected returns to the market risk adjusted norms. It is this expected normal returns, adjusted for risk, that becomes the cost of capital used in the EVA calculation.

Applying the reasoning to the closed end investment holding company

Let us then apply this reasoning to a class of business that invests in a variety of other businesses, listed and partly unlisted. These are the listed investment holding companies. What do and should shareholders expect of the managers of these holding companies? Clearly it would be to expect returns on the capital allocated by the holding company to exceed the opportunity cost of the investments they make. In other words the task is to exceed the required returns included in any EVA calculation. If the holding company succeeded in this objective it would add EVA.

A further question then is how should the internal rate of return be measured for a holding company (HC)? Since the investment decisions are all taken at the operating company level and not by the HC, the internal rate of return would have to be represented by changes in the market value of the sum of the listed and unlisted investments of the HC. Some market related valuation procedure would have to be undertaken for unlisted investments.

The problem with such a calculation is that market values of the HC and its investments are highly variable and in any short term may not much be influenced by the managers of operating or holding companies. The HC may however act helpfully as an active investor over the long term to influence the strategy and operations of the operating companies in which it has an important holding. This role as active investor is perhaps the crucial distinction to make between a diversified listed HC and a highly diversified mutual fund.

The business case for a holding company is that it raises permanent capital from its initial shareholders that can be used to buy and hold stakes in operating companies for the long term. The investment case for buying and holding can only be proved over an extended period. Unlike the managers of a mutual fund or exchange traded fund the managers of the holding company cannot be forced to liquidate the investments they may have made. The dissatisfied shareholder in a HC, one who presumably believes in the superior prospects for an alternative investment, has the option is to sell its shares to an investor with a more optimistic expectation of returns.

As with the shares of any listed company it may be presumed that the shares of any holding company will also have a market value intended to provide a competitive, risk adjusted return over time. The more optimistic the expectation of returns to come, the higher will be the entry price and vice versa. And the market value of the HC will be highly variable as would any market related portfolio.

There is however another calculation that can and is often made to measure the value of an HC as an alternative to its market value. That is to estimate what is described as its Net Asset Value (NAV) Many holding companies provide their own estimates of their NAV and when they do not analysts will step into the breach for important holding companies. The calculation of NAV is widely accepted as being the sum of the market value of its listed assets, the (assumed) market value of its unlisted assets as valued by the HC, or an independent analyst, plus any cash less debts held and incurred at head office.

This NAV represents the break- up value of the HC and this sum of parts may well exceed the market value (MV) of the HC, as is very often the case. Market Value may well fall short of its NAV. In other words the company may be worth more dead than alive of which the managers of

the HC would often be reminded of by shareholders – if the value gap was a large one. This difference between what the HC is worth in the share market and what it would be worth if liquidated is often described as a percentage discount $((NAV-MV)/NAV)*100$

Judging the performance of the managers of a holding company

Given the inability of the managers of the HC to control its share price – especially over any period of time shorter than the investment horizon the managers might take when making their allocations of capital- It would seem appropriate to judge the quality of the managers of the holding company by their ability to increase the NAV per share of the holding company over time. The logical object of the HC would then be to increase the NAV of the holding company at a rate at least equal to the cost of capital as included in any EVA calculation. In the case of a SA holding company this would now be at an approximately 14% p.a. The managers of a holding company might also hope to narrow the gap between the MV of the HC and its NAV by the actions they might take as shareholders. An active approach taken by the managers of the HC to their investments might well add value for its shareholders by improving the market value of the underlying listed or unlisted subsidiary companies in which they hold important stakes.

There are essentially three forces that can help explain the observed difference between the NAV and its MV at any point in time. The first force and probably the most significant is the value attached by investors and potential investors to the capital expenditure programme of the HC. It is what we identify as the Net Present Value (NPV) of additional capital expected to be invested by the HC over the future. If the expectation that the HC will only be undertaking EVA positive investments NPV will attain a positive value to add to market value in proportion to the scale of the capital expenditure programme. If

however the capital allocation to be undertaken by the HC is expected to be EVA destructive NPV may well be accorded a large negative value – enough to drag MV down below its NAV - as the NAV grows more or less in line with the additional investments made by the HC.

Secondly the cost of running the Head Office will be a drag on the market value of the HC. The better the HC managers are rewarded and expected to be rewarded in the future – especially in the form of shares or share options on highly favourable terms to managers – the less market value left for shareholders- other things equal. The third force that may be reflected in a MV below NAV would be over optimistic estimates made by the HC of the value of unlisted investments included in its NAV. The market may well attach a lower value to these unlisted investments than the managers record as part of NAV. If growth in NAV is part of the basis for rewarding managers, this may well encourage too sanguine a view of the quality of the unlisted investments.

There is an assumption that MV and NPV and HO are independent of each other. This may not be the case. An increase in the market value of the listed and unlisted assets that strengthen the balance sheet of the holding company and its NAV may well encourage and permit the HC to undertake a more ambitious investment programme (perhaps financed with debt) and enable a more expensive HO. If the market does not share the optimism of the managers of the HO or their interest in growth independently of returns expected such activity might well reduce NPV (make it even more negative) and so widen the difference between NAV and MV

Concluding observations

When the performance of the managers of a HC is to be evaluated for the purpose of determining remuneration at head office level, two factors deserve careful consideration. The ability to grow NAV per share

should be recognised. The target should be to grow NAV at least as rapidly as the return expected from an equivalently risky portfolio of assets. In the long run it may be hoped that NAV and MV would converge as the market comes to appreciate the capabilities of the managers of the HC to consistently add NAV per share.

The second consideration should be the ability of managers, by their actions, to reduce the difference between market value and NAV. This narrowing of the discount- or better still the appearance of a premium - to NAV would be clearly value adding for shareholders- irrespective of the market value of the HC. Such actions should be encouraged by the remuneration practice of the HC.

The size of the discount or more importantly the difference between NAV and MV becomes relevant should and when the holding company be liquidated totally. Or by partially liquidating the HC should it elect to buy back shares in the market. It could also return assets to shareholders by unbundling some but not all of its assets. Listing previously unlisted assets may help enhance the value of unlisted assets on the balance sheet and in the market place. Clearly on liquidation and complete unbundling of the listed assets of the HC, head office costs that have been an important drag on MV, falls away

More important action might be to convince the market that its processes for undertaking additional investments will become much more disciplined and more highly focused on achieving market beating returns. A more disciplined approach to expenses incurred at head office level, to include the size of bonuses paid in shares or cash, could also impress the market and add market value.

For shareholders the benefits of an investment in the shares of a holding company come in the form of total share market returns. It is not the discount but the share price that matters directly. It is very

possible for a holding company to generate market beating returns yet such good returns could well be accompanied by a consistent discount of its market to net asset value. In which case eliminating the discount through liquidating the HC would not have been value adding over the long run.

Appendix; Explaining the difference between Net Asset Value(NAV) and the market value of a holding company (MV) with precise definitions and equations.

In the analysis that follows we show how the gap between NAV and MV can be identified and how it might widen or narrow in response to actions taken by the HC. A little light algebra we hope will clarify the issues and identify the forces driving a discount or premium to NAV

Net Asset Value (NAV) is conventionally defined as the sum of the parts of the assets and debts of the holding company

$$NAV = ML+DU-NDt \dots\dots\dots (1)$$

ML is the market value of the listed assets held by the holding company. DU is the assumed market value of the unlisted assets (shares in subsidiary companies) held by the holding company and NDt is the net debt held on the books of the holding company – that is debt less cash.

DU may be based on an estimate of the directors or as inferred by an analyst using some valuation method- perhaps by multiplying forecast earnings by a multiple taken from some like listed company with a similar risk profile to the unlisted subsidiary. Clearly this estimate is subject to much more uncertainty than the ML that will be known with

complete certainty at any point in time. Thus the greater the proportion of DU on the balance sheet the less confidence may be placed on any estimate of NAV.

The market value of the holding company may be regarded as

$$MV=ML+MU-NDt-HO+NPV-NDt.....(2)$$

That is MV is assumed to depend on all the forces acting on NAV, the market value of its listed investments, ML, the market's estimate of the value of the unlisted assets held MU- which may differ from the value attached to them by the directors of the HC (shown in equation 1 as MD). Of further importance for the market value of the HC will be the assumed negative value to shareholders of head office costs (HO)

Of much greater importance to the market value of the HC is likely to be the market's assessment of the net present value of additional investment and capital raising activity expected to be undertaken by the HC. We describe the expected present value of new business activity by the HC- acquisitions and additional investment in subsidiary companies as NPV. NPV may well be a corded a negative value should the market expect that the outlays of cash made by the HC will not provide a positive EVA. The expected destruction of value will be in proportion to the amount of capital expected to be allocated by the HC in the future

A further force influencing the market value of the holding company would be any liability for capital gains taxes on any realisation of assets. Unbundling would not presumably attract any capital gains for the holding company. These tax considerations are not taken up here

If we subtract the market value MV of the HC from its NAV and substitute equations 1 and 2 into equation 3, the forces common to the NAV and the MV of the HC that is ML and NDt cancel out and we are left with

$$\text{NAV-MV} = (\text{DU-MU}) + \text{HO-NPV} \dots\dots\dots(3)$$

Any more optimistic view of the value of the unlisted assets of the HC held by the directors (DU) that is greater than the market estimate of their value (MU) will widen the difference between NAV and MV. The value of HO (the expected cost of head office including the value of any shares issued to management) will normally be negative (unless fees paid to HO by subsidiary companies more than cancel expenses at HO level) NPV may well also carry a negative value if the investment plans of the HC are not expected to beat their cost of capital. That is are expected to destroy EVA – in proportion to the scale of the HC investment programme. Clearly any improved, less negative (more positive) values attached to HO or to the investment plans of the HC, and also a more positive assessment of the value of the unlisted assets of the HC, would reduce the value gap NAV-MV.

We can conveniently write the Discount as the ratio

$$\text{Disc} = (\text{NAV-MV}/\text{NAV}) * 100 \dots\dots\dots(4)$$

Dividing both sides of equation 3 by NAV = (ML+DU-NDt) will derive a positive discount expressed as

$$\text{Disc} = ((\text{DU-MU}) + \text{HO-NPV}) / (\text{ML} + \text{DU} - \text{NDt}) / 100 \dots\dots\dots(5)$$

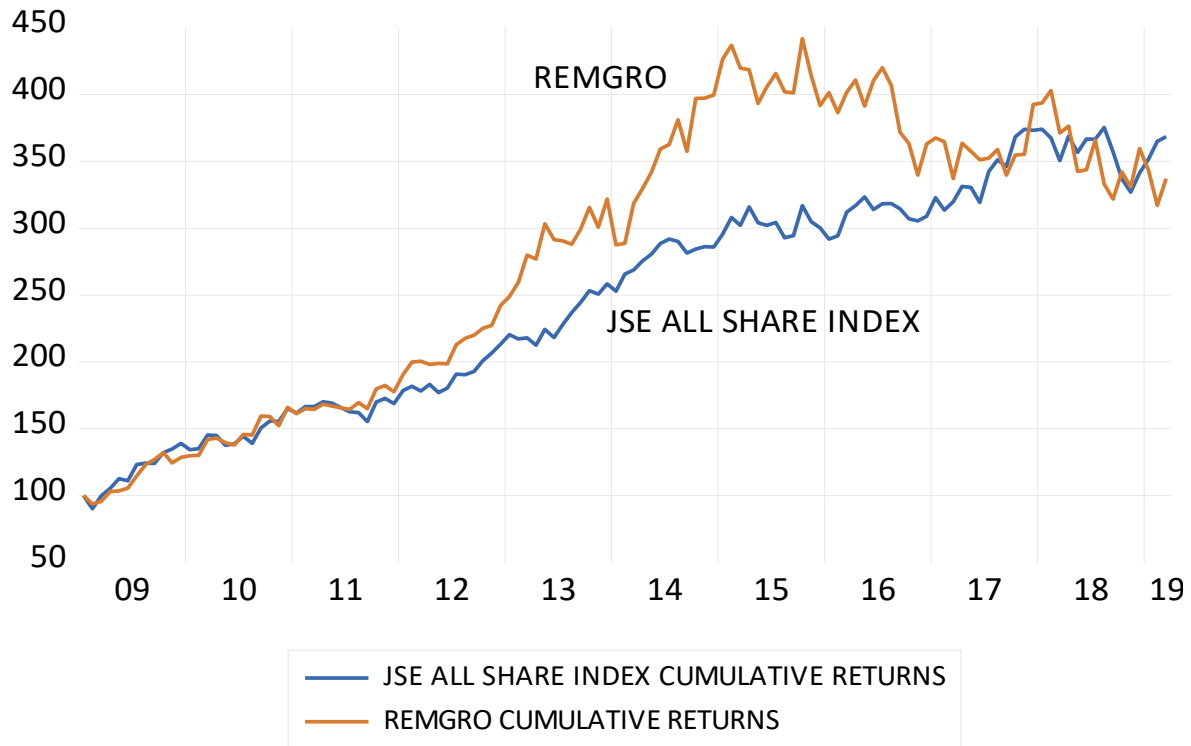
Any decline in the value of numerator of equation 5 will reduce the discount as would any increase in the value of the denominator- that is of NAV. It follows that any narrowing of the difference between the director's and implicit market value attached to the unlisted assets of the HC will reduce the discount as would any reduction in HO expenses. Any improvement in the value attached to the future business of the HC (NPV) – perhaps only if regarded as having become less negative, would also reduce the discount. If the value attached to NPV were significantly positive – enough to compensate for head office costs, the HC might well be valued at a premium to its NPV. The discount could then attain a negative value, that is the discount would become a premium as NAV would be less MV.

An increase in the value of listed assets – other things equal - will not only increase NAV but also reduce the discount as per equation 5. However if the stronger balance sheet is expected to encourage the managers of the HC to undertake additional projects that are expected to have a negative NPV, the increased negative value attached to NPV might well offset the impact of more valuable ML on the discount- causing it to widen rather than narrow.

The track record of some holding companies and other conglomerates on the JSE

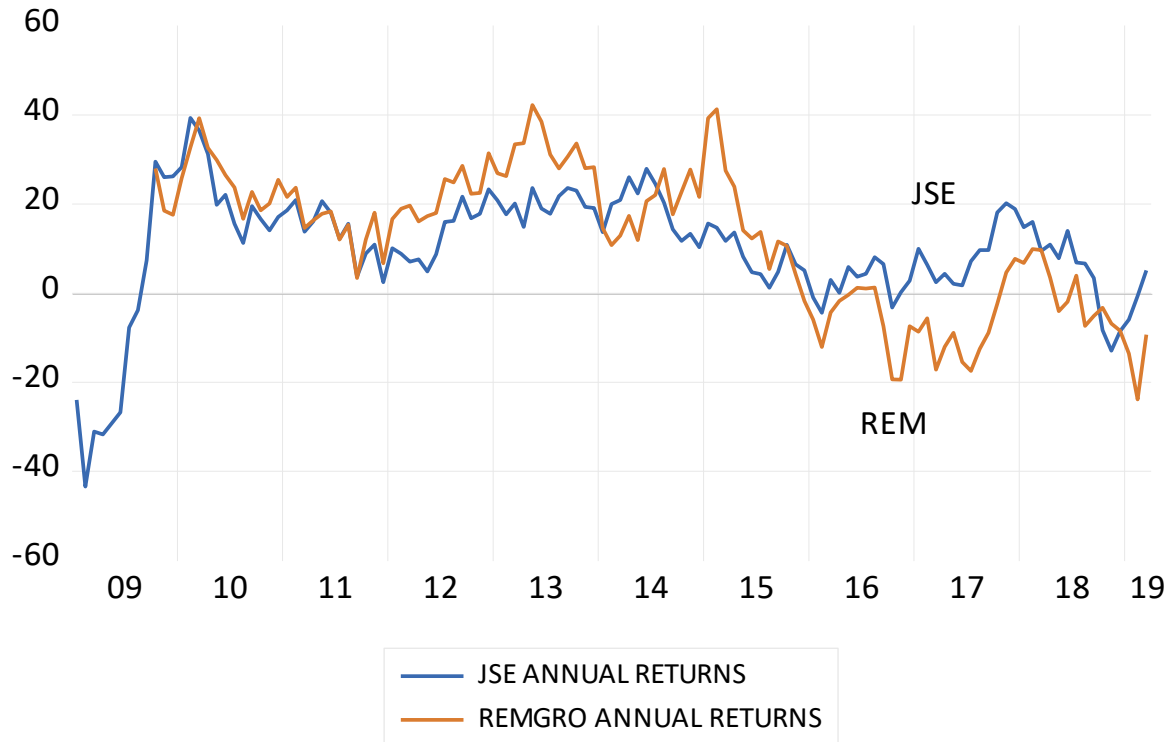
The first holding company to be considered is Remgro. As may be seen in figures two and three, Remgro provided market beating returns between 2009 and 2016. Since then Remgro returns have declined and lagged well behind those provided by the JSE ALSI. Between January 2010 and December 2016 REM returned and average 17.8% p.a. compared to a JSE return that averaged 14.1% p.a. over the same period. Since then to March 2019 REM generates an average negative return of (-5.4%) p.a compared to market wide returns that averaged 6.3% p.a.

Fig.2; The Value of Remgro and the JSE All Share Index (2009=100)



Source; Thane Duff, Investec Wealth and Investment

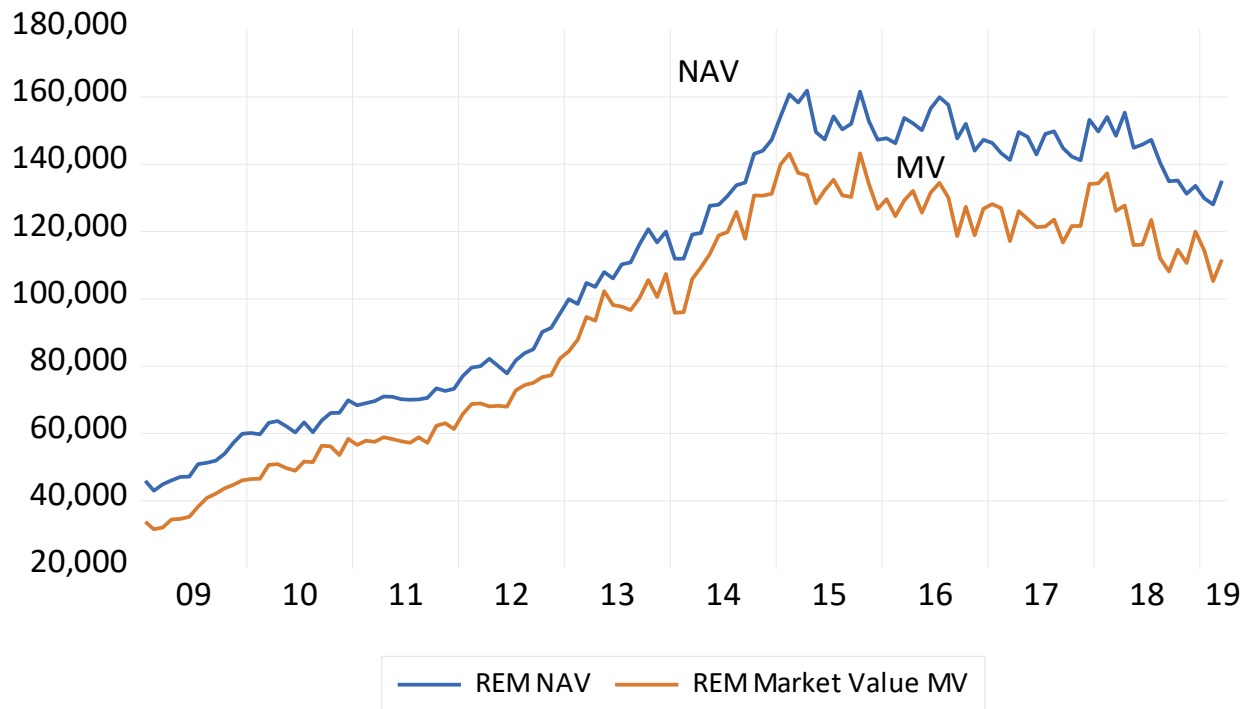
Fig 3; Total annual returns – Remgro and the JSE All Share Index



Source; Thane Duff, Investec Wealth and Investment

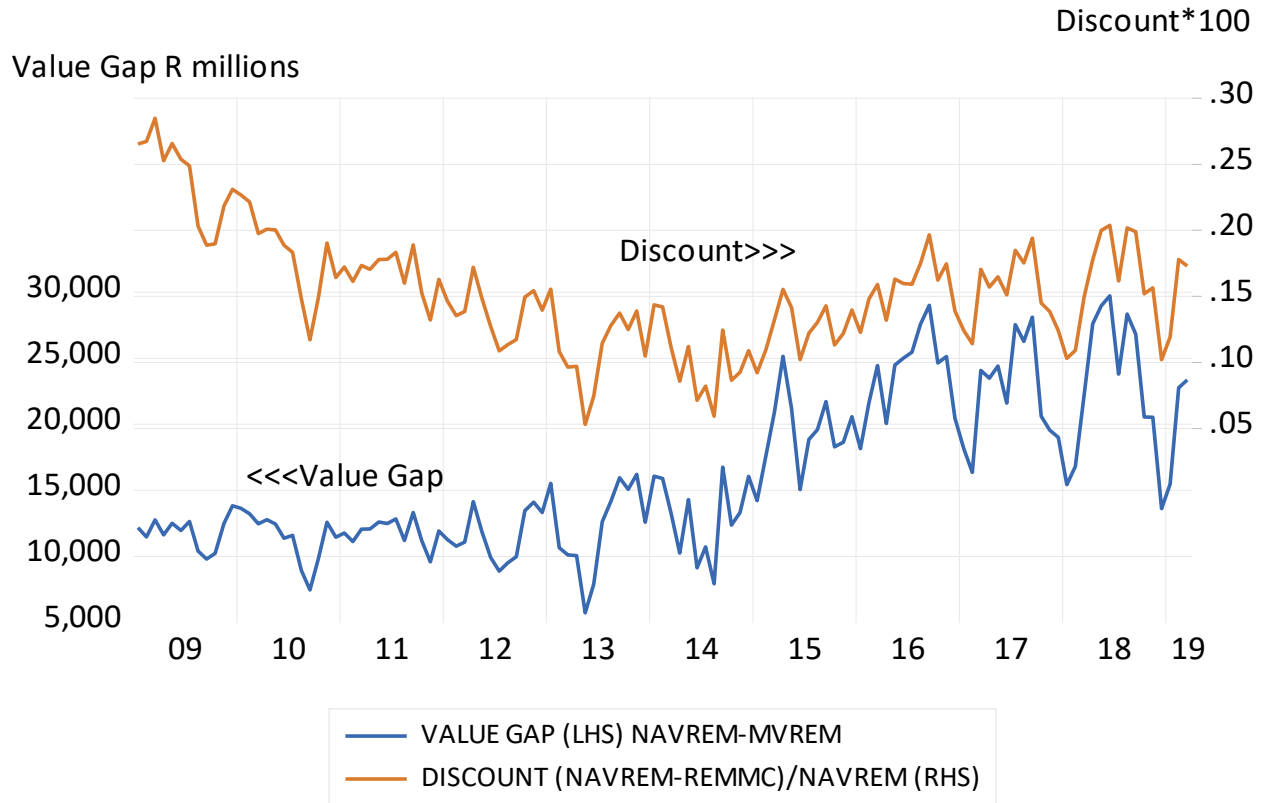
We also show that the REM market value consistently lagged behind its NAV even through the years when REM returns were market beating. The REM discount to NAV has having narrowed until 2014, has widened recently with the absolute value gap (NAV-MV) We use our Investment Wealth and Investment colleague Thane Duff's analysis to identify the REM portfolio and its NAV and to provide some of the flavour of the analysis undertaken of holding companies.

Fig.4;Remgro – NAV and Market Value; R millions



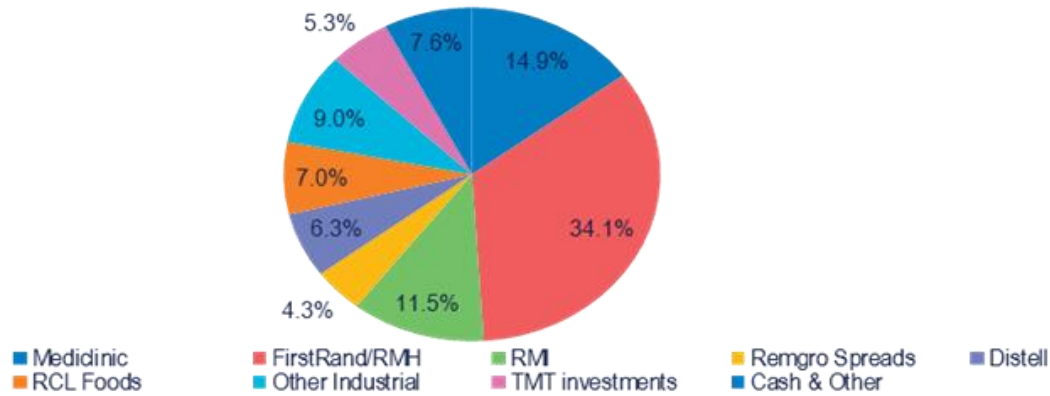
Source; Thane Duff, Investec Wealth and Investment

Fig. 5 Remgro – The value gap- NAV-Market Value(MV) and the discount $(NAV-MV/NAV)*100$



Source; Thane Duff, Investec Wealth and Investment

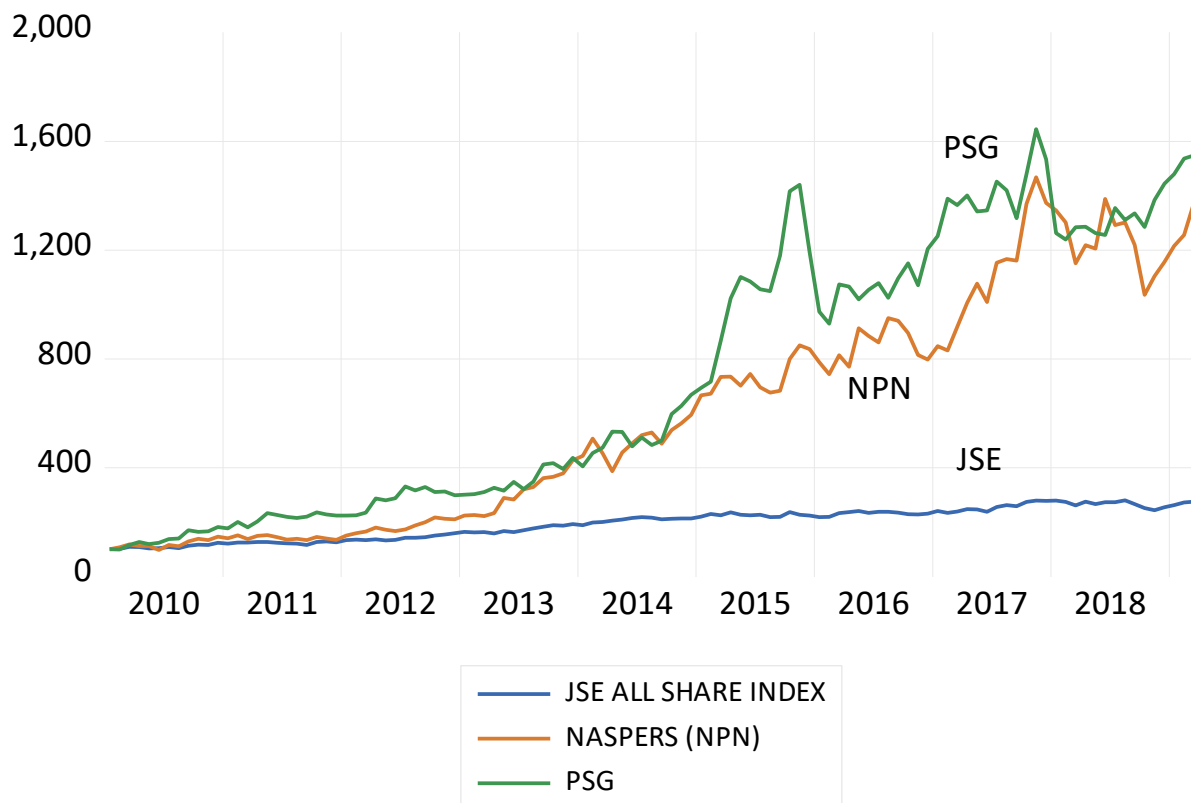
Fig.6 The Remgro Balance Sheet



Source Thane Duff, Investec Wealth and Investment

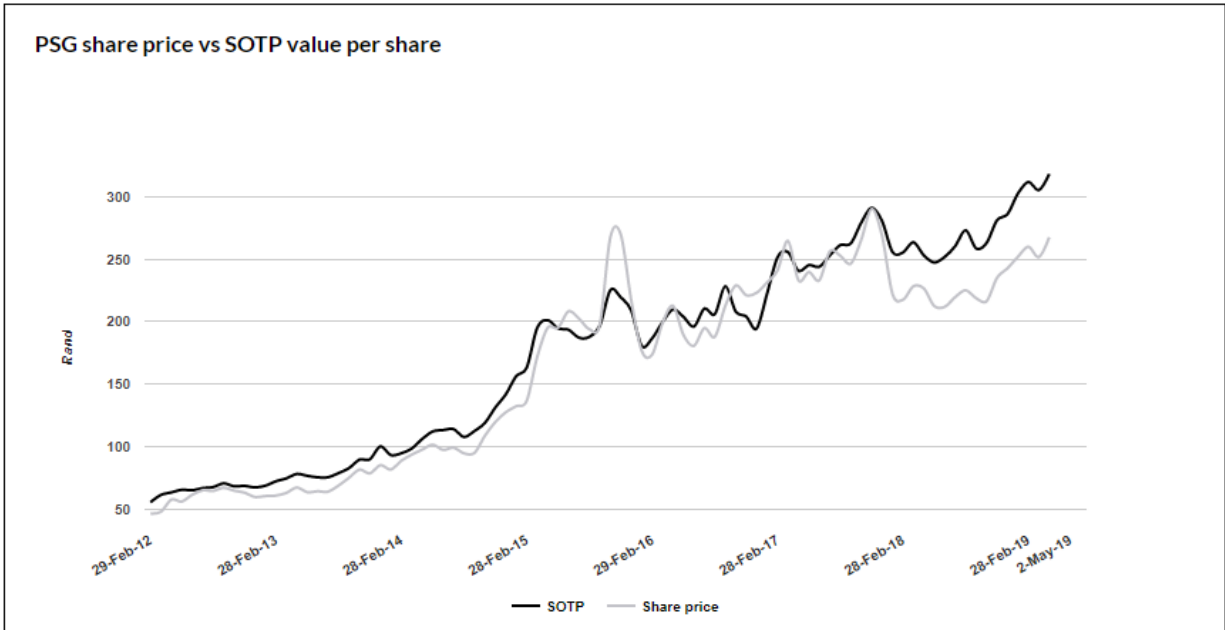
Two of the other holding companies listed on the JSE have provided spectacularly good returns for their shareholders as is shown below. Naspers, the largest by far listed company on the JSE, provided a total return to its shareholders of 1200% since 2010. PSG has done even better for its shareholders who bought in 2010 and have held their shares that have gained 16 times in value. That is the R100 invested in January 2010 would have grown to about R1600 if all dividends received had been reinvested in the shares of PSG

Fig 6; The performance of PSG and Naspers – compared to the JSE All Share Index (Total Returns) (2010=100)



Source; Bloomberg, Investec Wealth and Investment

Fig. 7; PSG Market Value and NVA share (as calculated by the company)



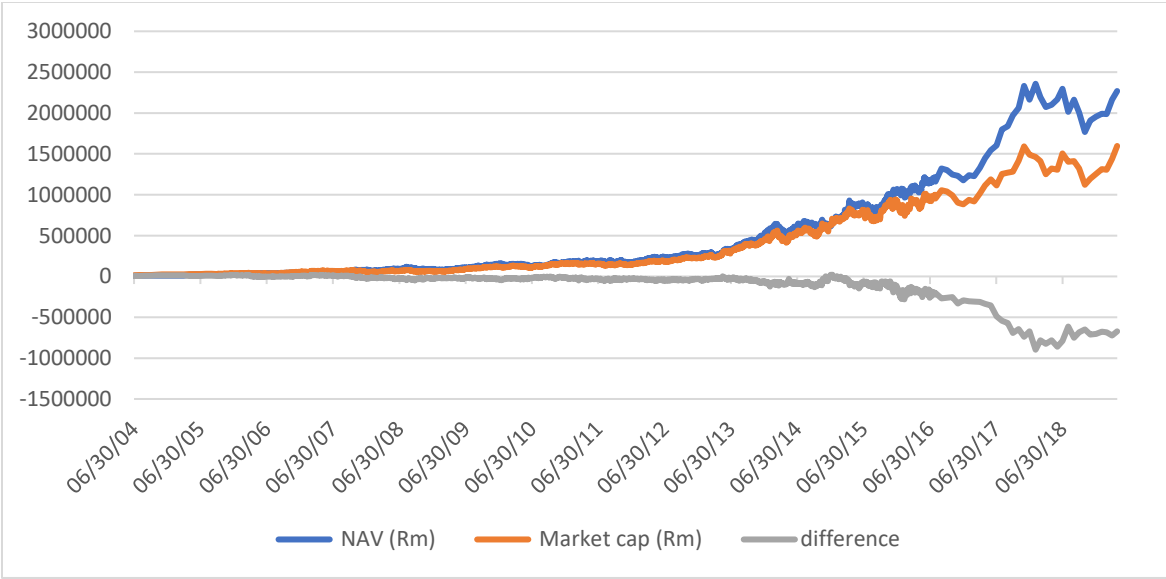
Source; PSG

The market value of NPN however has since 2015 lagged well behind its NAV and the absolute gap between its NAV and MV has risen enormously. Currently the value gap is about R385 as we show below. The discount has widened as the value of its stake in Tencent has continued to grow. This investment by NPN in the Chinese internet company listed in Hong Kong (now a 31% share of Tencent) accounts for almost all of the NAV of NPN. This suggests that the stronger the NPN balance sheet- provided by the holding in Tencent- the more encouragement it provides for the managers of NPN to undertake its

ambitious investment programme – that the market expects to be value destroying. It might also encourage the managers of NPN to be more generous in awarding themselves shares or share options. NPN is a management-controlled company- given the very high voting shares owned by management.

It is a mixture of the cost of the NPN head office- especially in the form of share options granted and negative sentiment about the EVA of its ambitious investment programme, (NPV) that we argue accounts for the value gap. The additional NPN shares issued to management has been running at an annual rate equivalent to close to one per cent of the shares in issue (according to David Smith of Investec Securities) who had estimated the present value of this dilution at about R300b.

Fig. 8; Naspers (NPN) Net Asset Value (NAV) Market value MV and Difference (NAV-MV) R millions



Source; Thane Duff, Investec Wealth and Investment

We indicate some of the investment and capital raising activity of NPN in recent years as compiled by David Smith and as derived from the cash flow statements of NPN- reported by Bloomberg. We also draw on Credit-Suisse Holt data base for estimates of the investment activity of NPN. The sums indicated as invested and the cash raised by NPN are large in absolute terms. Though Holt measures a currently negative return on capital invested by NPN – that is cash flow return on investment (CFROI) having been positive has declined sharply in recent years. And may well be expected to remain negative and even decline further. The recent sale by NPN of 2% of its Tencent holding realised nearly R10 billion as we show below. A large war chest it must be agreed but not perhaps enough, even with dividends to be received from Tencent, plus debt to be raised, to result in value destruction through investment activity over time (negative NPV) of the order of R500b. It suggests perhaps that shareholders attach significant costs to them of the rewards expected to be awarded to managers- who after all control the company through their ownership of the high voting shares.

Naspers Acquisitions; USD Value 2008- 2019

Year	Target	Price (US\$ mn)	% Bought	Proforma ownership	Value (\$m)	EV/EBITDA	EV/Sales
2019	Zooz	80					
	Frontier Car Group	89					
	Dubizzle	190					
	Letgo	190					
	Swiggy	80					
	iFood	400					
	Avito	1,160	29%				
2018	Delivery Hero	1,248	10%				
	Remitly	100					
	MMYT	156					
	Kreditech	99					
	Autotrader	36					
	Takealot	73					
	Swiggy	61					
	Other						
2017	Citrus Pay	130					
	Letgo	100					
	FarmLogs						
	Udemy	70					

2015	Avito	1,200	49%	67%	2,449	64
	LetGo	175				
2014	Flipkart	50				
	Souq.com	115				
	Dubrizzle	89				
	Other	75				
	RedBus	95	100%			
	Avito	75	18%			
	Souq.com	40				
	emag	80				
	Other	124	100%			
	Flipkart	90	100%			
2013	Net Retail	225	100%			
	Fashion Days	54	90%			
	Travel Boutique	20	50%			
	Slando	29	100%			
2012	Markafoni	95	80%			
	7 Pixel	35	85%			
	Other	27	NA			
2011	Other	38	NA			
	Trendsales	21	88%			
	Dineromail	28	78%			
	LevelUp	51	100%			
	Multiply	46	75%			
	OLX	766	72%			
2010	DST	388	29%			
2009	Mail.ru	104	NA			
	Korbitec	21	51%			
	Buscape	342	91%			
	Bankier.pl	19	100%			
	Other	23				
	Allegro	13				
2008	Vatera.hu	23	100%			
	Tradus	1,900	100%			
	Mail.ru	101	10%			
2007	Gadu Gadu	155	97%			
	Mail.ru	26	3%			
	Mixit		30%			
2006	Mail.ru	165	30%			
Total		11,186				

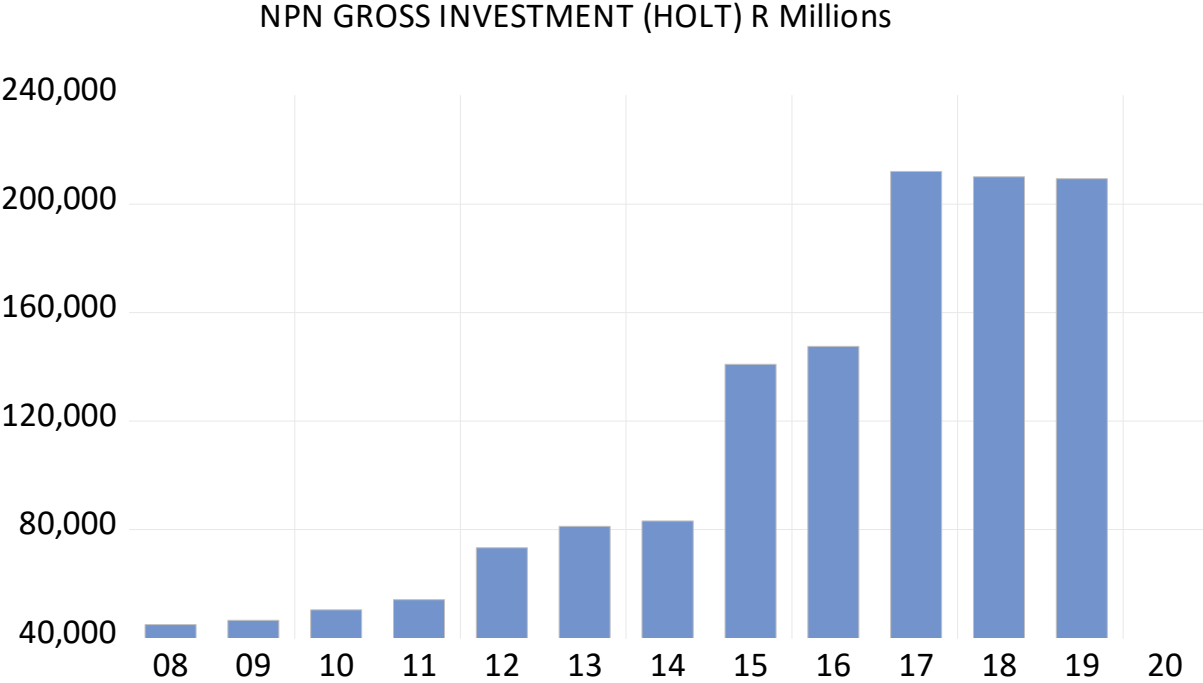
Naspers Disposals

Year	Target	Price (US\$ mn)	% Sold	Proforma ownership
2019	Tencent	9,763	2%	31%
2018	tbogroup	37		
2018	Flipkart	2,200		
2017	Souq	173		
2016	Allegro	3,253	100%	0%

Source;
David
Smith
Investec
Securities

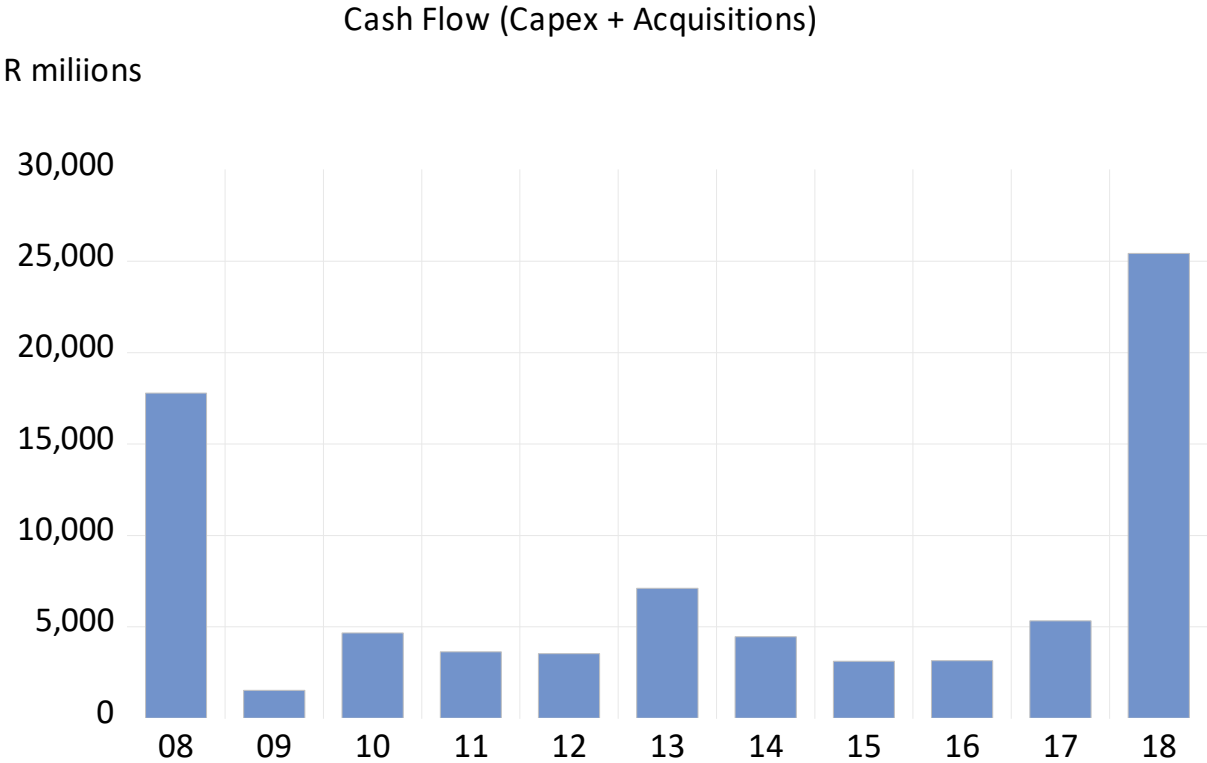
Source David Smith, Investec Securities

Fig.9: Naspers; Gross Investment



Source; Holt and Investec Wealth and Investment

Fig.10; Naspers Cash Invested (2008 2018)



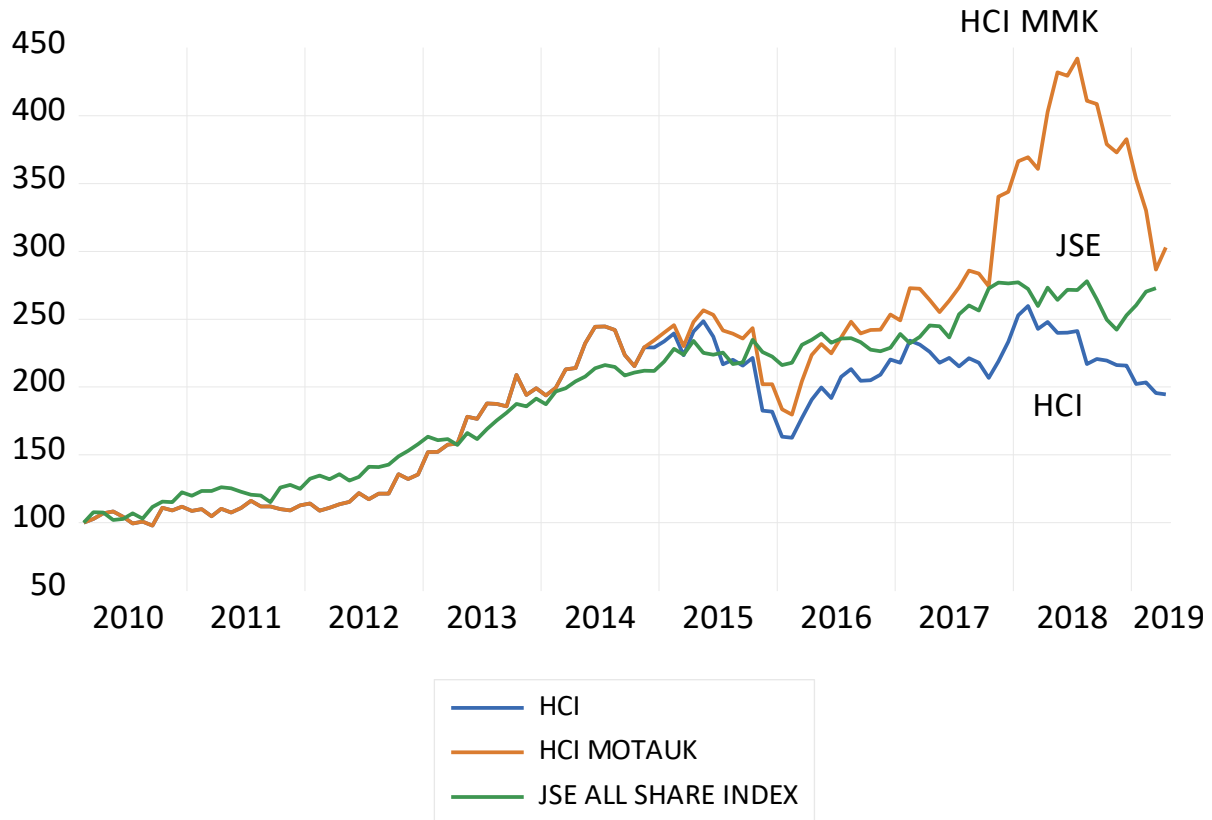
Source; Bloomberg and IWI

The performance of some other JSE listed holding companies and conglomerates since 2010. The case of HCI shows the importance of unbundled assets to the returns provided to shareholders. HCI unbundled its shareholding in Montauk in 2015. Initially unbundled R3

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a share Montauk shares rose to R90 and more in 2018 but have subsequently falling back to about R40 as may be recognised in figure 11. Unbundling represents a partial liquidation of a holding company. Shareholders clearly might prefer a complete liquidation to close the gap between NAV and MV but might still appreciate the share unbundled. The apparent willingness to unbundle rather than invest – when the investment plan is judged as not able to add economic value – could close the gap between NAV and MV. Something shareholders should be willing to reward managers who succeed in this way. Unbundling also turns unlisted assets of uncertain value into listed assets of certain worth. If the market had underestimated the value of the unlisted assets – as revealed by its newly listed shareprice- this in itself will add value for the shareholders receiving the unbundled and listed shares.

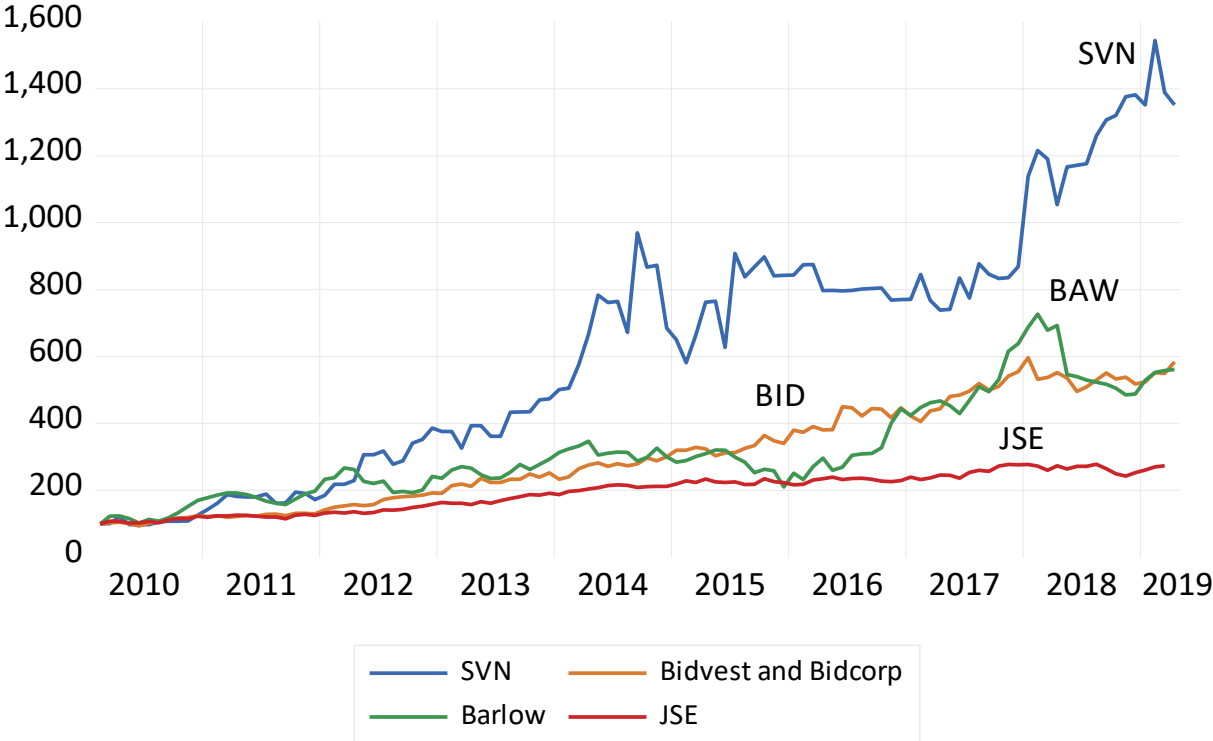
Fig.11; HCI Total Returns (2010=100)



Source; Bloomberg, Investec Wealth and Investment

In figure 12 below we compare the performance of Sabvest (SVN) a holding company with that of two conglomerates also listed on the JSE. As may be seen all have outperformed the JSE by a large margin. Bidvest itself unbundled its off shore investments as Bidcorp. We have combined the two companies Bidvest and Bidcorp – listed on the JSE in 2016 for the purposes of calculated total shareholder returns

Fig. 12: Sabvest, Barlows and Bidvest and Bidcorp (2010=100)



Source; Bloomberg, Investec Wealth and Investment