JM BUSHA QUARTERLY BULLETIN

VOLUME 1: *March 2015*

GLOBAL REVIEW

***JOSEPH BUSHA** | MANAGING DIRECTOR*

The Struggle for Power: All we need is energy to power the economy ahead.

The projected world average economic growth is at about 3.3% for 2015, and recent forecast revisions have been downwards. The drop in commodity prices, including oil will not help global economic growth.

Africa's economic growth prospects, which was underpinned by the discovery of new fields for gas and oil in all Africa's economic blocks - East & Central Africa (ECA), SADC and North Africa face some hurdles. Whereas ECA and North Africa resources' extraction projects and tourism are threatened by millitants-induced instability, SADC's threat to sustainable economic growth is energy, *i.e.*, power shortage crisis.

Unfortunately, the struggle for power - whether in the labour movement or political management of countries and not economic solutions, mostly capture the headlines. We believe the solution starts with economic participation by and freedom of, the majority engineered by responsible leadership that thinks ahead of its times.

So, the benefits of economic growth remain elusive to the majority of African people. Little change is experienced during positive economic growth periods, and the worst is felt in negative/slowing growth periods. In SA, SADC's economic powerhouse – ESKOM, the engine that powers the economy is riddled with boadroom leadership squabbles, operational inefficiencies and production problems. Prolonged periods of energy shortages will cause long term damage to any positive economic growth path and reduction in unemployment. The state of Zimbabwe today tells the story of the "Consequences of the lack of infrastructure maintenance, strategic planning and trouble-shooting decisions" in a country.

The solution being proposed to rescue struggling SA state-owned entities is selling part assets. We state that this is not a solution. The problem start with leadership/management indecisions, lack of foresight and deferring the distribution of national benefits to the majority which has always led to retrogression as national debates become unproductive. We become "talking" statues that wait to be moved.

It's time we switch on the power, keep factories producing and keep the lights on for people to see, read and work in order to have sustainable, shared economic growth.

JSE Top 10 Equity Buys 2015				
	Share	Entry Price	Target Price	YtD
1	Mediclinic	10065	13481	21.2%
2	Santam	21500	27837	4.5%
3	Datacentrix	350	447	-7.4%
4	Old Mutual	3470	4290	15.8%
5	Nedbank	24900	30319	-4.1%
6	Anglo	21533	25961	-14.9%
7	Steinhoff	5940	7126	27.6%
8	Illovo	2450	2893	-1.7%
9	Liberty	12269	14419	35.3%
10	Life Healthcare	2450	2893	-1.8%

JM BUSHA PERFORMANCE (3 Years)		
Fund Name	**Return (%)**	**Benchmark (%)**
Cash Plus	6.10%	5.90%
Bond Plus	9.30%	8.65%
Real Return	11.59%	11.20%
Absolute All Class	15.46%	13.46%
Absolute Aggressive	13.61%	13.21%
Diversified Equity	21.26%	20.12%
Afro Fund	11.59%	11.20%

For the latest market insights tune in to 'Business Tonight' on CNBC Africa, DSTV Channel 410, every Monday at 19:00HRS C.A.T, And join Joseph Busha discussing all developments in the financial markets or follow us on Twitter @jmbusha

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Market Performance Summary – Year to date

Equity Indices	Spot	% Change	JSE Top Gainers	Spot (c)	% Change	JSE Top Losers	Spot (c)	% Change
JSE All Share	52205	6.4%	Fortress Income Fund Ltd	3129	78.6%	Aquarius Platinum Ltd	162	-40.7%
JSE RESOURCES	41117	2.3%	Capitec Bank Holdings Ltd	52668	54.9%	Murray & Roberts Holdings Ltd	1372	-35.5%
JSE FINANCIALS	17148	10.9%	EOH Holdings Ltd	15785	45.4%	Kumba Iron Ore Ltd	15498	-35.4%
JSE INDUSTRIALS	65656	6.2%	Rhodes Food Group Pty Ltd	2175	43.8%	Aveng Ltd	1125	-35.3%
NAMIBIA (NSX)	147	10.5%	Cashbuild Ltd	23001	40.1%	Lonmin PLC	2109	-33.3%
ZAMBIA (LUSE)	6099	-0.8%	Liberty Holdings Ltd	16601	35.3%	PPC Ltd	1836	-33.2%
ZIMBABWE (ZSE)	44	-38.7%	Rockcastle Global Real Estate Co Ltd	3274	35.3%	ArcelorMittal South Africa Ltd	1865	-29.4%
DOW JONES	17898	0.4%	Foschini Group Ltd/The	18000	35.1%	Grindrod Ltd	1735	-22.5%
S&P 500	2079	1.0%	PSG Group Ltd	16600	29.9%	Tongaat Hulett Ltd	13481	-22.0%
NASDAQ	4929	4.1%	Dipula Income Fund Ltd	1148	29.0%	Impala Platinum Holdings Ltd	5911	-22.0%
FTSE 100	6794	3.5%	Steinhoff International Holdings Ltd	7581	27.6%	Niveus Investments Ltd	2399	-20.0%
GERMAN DAX	12013	22.5%	Northam Platinum Ltd	4649	26.7%	Raubex Group Ltd	1805	-17.8%
FRENCH CAC	5054	18.3%	Pioneer Foods Ltd	17832	24.7%	Tiger Brands Ltd	30476	-17.2%
NIKKEI 225	19207	10.1%	Resilient Property Income Fund Ltd	10399	23.8%	African Oxygen Ltd	1340	-16.5%
SHANGHAI	3748	15.9%	Mondi PLC	23358	23.3%	Allied Electronics Corp Ltd	1400	-16.2%
HANG SENG	3445	5.4%						
AUSSIE ALL ORDS	5862	8.8%						
Bond Yields	**Spot**	**% Change**	**Currencies**	**Spot**	**% Change**	**Commodities**	**Spot**	**% Change**
SA 2 Year bond	6.37	-1.1%	R / $	12.15	-4.8%	Gold ($/oz)	1190	0.5%
SA 5 Year bond	7.29	0.5%	R / €	13.06	7.2%	Platinum ($/oz)	1139	-5.7%
SA 10 Year bond	7.81	0.8%	€ / $	1.0747	-11.2%	Palladium ($/oz)	734	-7.9%
SA 30 Year bond	8.42	2.6%	$ / ¥	119.98	-0.2%	Silver ($/oz)	17	7.0%
US 10 Year bond	1.94	1.0%	Pula	9.98	4.8%	Brent Crude ($/barrel)	55	-3.4%
US 30 Year bond	2.54	-0.9%	Kenya	92.35	-1.9%	Copper ($/ton)	6107	-4.1%
UK 10 Year bond	1.56	0.9%	Kwacha	7.63	-16.3%	Aluminium ($/ton)	1798	-2.0%
German 10 Year bund	0.19	3.2%	Naira	199.05	-7.8%	Iron Ore ($/ton)	63	-15.2%

How we are positioned given current prices and valuation.

FARAI MAPFINYA | HEAD OF EQUITIES

Farai Mapfinya, takes us through the market performance, valuation and positioning of our portfolios.

Central bank actions and cues, both locally and globally continued to dominate the investment discourse in the 1st quarter of 2015. The US Federal Reserve gave the clearest indication yet that an interest rate hiking cycle was imminent, leading to a rally in the US dollar and material weakness to dollar based commodities. Stock markets flirted with new highs as global growth concerns somewhat dissipated on the perceived US led economic recovery and substantially lower energy prices, following a decline of almost over 50% in the price of Brent crude from a year ago.

The JSE All Share index returned a modest 6.40% during the quarter, albeit with a clear divergence of underlying sector returns across resources, industrial and financial stocks. Financials were the best performers giving a total return of 10.89%, while industrials edged up 6.22% for the quarter. Resource stocks continued to underperform on the back of weak commodity prices and ended the quarter marginally up with a total return of 2.30%.

The divergence of sector returns is even more visible over a rolling 12 month period. While financials, the best performing sector, gave a return of 32.39%, resources declined 21.25% over the same period, a relative under-performance of 53.64% to financials. Industrials gained 23.32% on a total return basis for the same period.

Ultimately in investing, price is what you pay and value is what you get. Over the last quarter, the JSE All Share has re-rated from a 19.3x price to earnings (PE) on the 31st of December to 20.4x as at 31 March 2015. This is the most expensive that the market has ever been in its history. The underlying drivers of this rating are however markedly different. Resources shares have re-rated from 19.2x to 52.3x PE and given the decline in prices, this is a clear reflection of how earnings have been decimated, and are likely at cyclical lows. Meanwhile, financial shares also re-rated from 12.9x to 14.2x PE, but for entirely different reasons.

Financial companies reported broadly positive earnings, and with the price appreciation of the shares, the re-rating is a clear indication of investors willing to pay up higher for the sector. Industrials de-rated marginally from 22.3x PE to 20.6x, a reflection of both an unwillingness to pay up higher and also a function of earnings catching up into the valuation. From a price to book perspective, resources appear the cheapest at 1.19x price to book, followed by financials at 1.88x price to book while industrials remain elevated at 3.58x price to book.

While the pure valuations appear to favour resources, we aim to deliver superior performance by maximising after tax, risk adjusted total return. And by that measure, we still prefer financials over resources shares. We are however finding opportunities to increase cyclical resource shares in our portfolios and remain cautiously optimistic of a cyclical bounce in commodity prices and consequently earnings for resource shares.

TRADER'S CORNER

What role does short-term trading positions play in the overall investment process?

TAAHIR JOOSUB | TRADER

Taahir Joosub *takes us through the in and outs of trading in the context of long term investing.*

Trading is often depicted as a quick and easy way of getting rich. Along with the media's portrayal of big screens, tickers and senior recognisable professionals in the industry – a few people, we think, have the grasp of what real life trading and the trading profession itself entails. We set out to demystify what trading is and isn't in the context of managing money.

Trading was once exclusively reserved for financial firms and professional speculators. With the advent of "do-it-yourself" internet-based electronic trading, secuities trading has become increasingly popular with the proliferation of retail investors. Thus, internet-based electronic trading has brought additional direct market access to investors and speculators alike, with additional money pouring into the markets - boosting short-term market volatility and altering perceptions towards risk exposure.

Trading refers to the buying and selling of financial instruments to captalise on market securities' volatility and mispricing. Trading is conducted for short-term gains ("jobbing") or long-term ("investment") purpose. In this section, we will refer to "short-term trading" as the buying and selling of financial instruments to make capital gains (profits) in the shortest time possible. The holding period coud be minutes, hours, days, weeks or a few months. Trading for investment purposes considers long-term horizons where buying/selling decisions are based on thorough research processes. In investment management process, short-term trading forms the foundation behind tactical asset allocation strategies that enhance long-term strategic asset allocation holdings' return for investors. It encompasses factoring recent macro-economic developments, new company specific information and general market trends in order to ascertain a shorter-term view or trend so as to take advantage of temporary mispricing and movements in securities' prices. Traders often use several strategies to profit from trading ideas which include a multitude of technical patterns and indicators. Short-term trading adds value when applied with discipline, focus and purpose.

At ***JM BUSHA***, we use trading as a tool to enhance portfolio returns through a combination of techniques across the asset classes including derivative overlays on top of our long-term strategic positions.

SHARE FOCUS: SASOL LIMITED

Sasol, a heavy-weight listed stock on the Johannesburg Stock Exchange (JSE) took a battering in its share prices triggered by falling oil prices. Oil revenue is a major contributor to Sasol's total income. The recent sharp decline in oil prices has not filtered into its financials yet. For the financial year ending December 2014, Sasol still posted good results. Volume sales of its fuels and base chemicals were below 5% on average. While EPS was up 53%, normalised EPS was down 23% - a reflection of the tough trading conditions in the last quarter of 2014. HEPS was up 6%. **Will Sasol share performance hold given the current oil price levels?**

Sasol shares reached a closing and trading high of 63226***c*** and 64500***c*** respectivelly in September 2014 before the free-fall decline that started in October 2014 with falling oil prices. Early recovery is unlikely as the oil price is failing to sustain levels above $60 per barrel since the start of of 2015. The following charts tell the story of the share price response to the oil price.

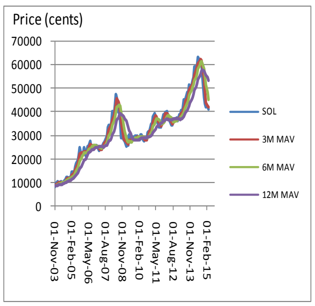


Chart 1: Sasol share price

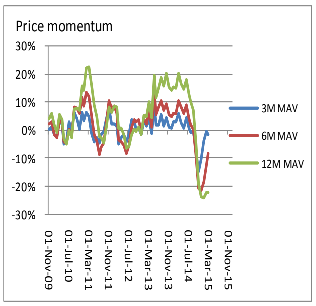


Chart 2: Share price momentum

decline. The price and earnings charts show massive growth over at least three years to 2014, when the share price took a dip in response to oil the price fall. Three and six months moving average earnings flattens at the end relative to the 12-month moving average (12M MAV).

Although the 3M MAV and 6M MAV are indicating some recovering or a turn, the 12M MAV is indicating a flat bottom, meaning the share price might trade in a narrow range for some time before any firm recovery is seen.

Valuations.
We applied the JM BUSHA DEVA model to get target prices for Sasol shares given consensus analysts EPS forecast to 2017. Earnings are expected to decline in the 2015 financial year, and pick up only in 2017 but still vulnerable to oil prices. The valuations below give investors relative entry levels into the stock.

Year	**2015**	**2016**	**2017**
Earnings per share	3872	3414	4133
Target Price (cents)	**37172**	**33160**	**40144**

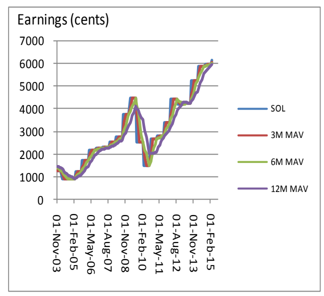


Chart 3: Sasol earnings

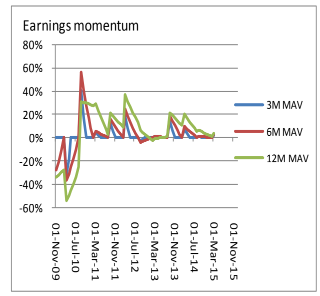
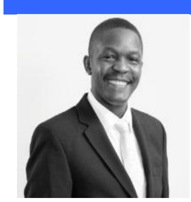


Chart 4: Earnings momentum

Using the closing price of 41217***c*** (31 March 2015), the share is trading at a PE of about 6.70x, much lower than the JSE market average of 15.00x. At 4133***c*** EPS, the target price of 40144***c*** shows the share is trading at a small premium to its fair value. With earnings expected to come under pressure this year, we believe there is downside risk. Support may only come from a much weaker Rand.

HEALTHCHECK: JOHANNESBURG STOCK EXCHANGE ALL SHARE INDEX



Which are the most financially healthy companies on the JSE?

FARAI MAPFINYA | HEAD OF EQUITIES

We analyse the financial health of the companies listed on the JSE and give you our 10 of the best and 10 of the worst on the ALL SHARE INDEX.

As part of our three pronged equity research process at JM BUSHA which entails macro "top down", fundamental bottom up and quantitative research, the team spends considerable amounts of time analysing companies individually.

We assess company business models and strategy, profitability and financial health through individual balance sheet analysis and scenario stress testing. In this section we give a summary of our top 10 and bottom 10 financially healthy companies from our latest balance sheet stress tests for companies on the All Share Index.

In our research we analysed the companies working capital management and trends, the quality of earnings generated by the companies and the equity and capital structure of the balance sheets. We also placed great emphasis on the company's abilities to generate sustainable free cash flows into the future.

Table 4. on the right is a summary of our findings. The higher the score the healthier the balance sheet of the company.

Top 10	Score	Bottom 10	Score
Famous Brands	91.2	Aquarius Platinum	27.7
Mr Price Group	89.3	Harmony Gold	28.4
Truworths	88.6	AngloGold	29.1
Spur Corp Ltd	87.9	Gold Fields Ltd	29.8
AVI Ltd	87.2	Lonmin PLC	33.3
Remgro Ltd	86.5	Sappi Ltd	34.0
Oceana Group	85.8	Sun International	34.7
AfroCentric	85.1	Grindrod Ltd	35.4
Richemont	84.4	Group Five	36.1
Adcorp	83.7	Aveng Ltd	41.7

Table 4. Rank and score**.**

REGIONAL PERSPECTIVES: SADC ECONOMIC PERFORMANCE

SADC: The challenges with mineral based growth

LIMAKATSO LEHOBO | ECONOMIC RESEARCH ANALYST

Limakatso Lehobo *takes us through the economic prospects of the SADC region.*

Growth in the SADC region continues to be significantly spurred by revenue from minerals. However, this will be relatively subdued due to lower global demand. Beneficiation, as a policy, has been mentioned at the route to support Africa's industrialisation and growth plans.

Most of SADC economies are highly dependent on exports of unprocessed or semi-processed mineral products ranging from petroleum oils, gold, platinum, diamonds, copper and copper products, iron ores and coal. In order to maximise economic benefits, several countries have made policy reforms to benefit from the sector. Botswana was the leader in adopting a beneficiation policy framework. Unfortunately the country finds itself back where it started due to regulatory failure on its side. The beneficiation policy did not stipulate that companies should set operations in Botswana in order to be able to buy their diamonds and effect beneficiation. Companies shifted all beneficiation operations to India and Thailand due to higher costs of cutting diamonds and low productivity in Botswana. While cutting costs range from $60 to $120 a carat in Botswana, it ranges from $10 to &50 a carat in India as per De Beers 2014 Diamond Insight Report.

Zimbabwe, Lesotho and Angola with plans for or in early stages of beneficiation have lessons to learn from Botswana, Namibia and South Africa (SA). The latter two are facing the same higher costs of beneficiation as Botswana.

In Zambia, the government has reverted back to their 2014 mining policy from the new tax system that increased mineral royalties to 20% from 6% for open pit and 8% for underground operations, until amicable agreement on tax rates is reached between the stakeholders. This decision was likely to cost thousands of jobs at Lumwana copper mine. On the other hand, South Africa is in the process of finalising its minerals bill.

Beneficiation programs, if successful, could enhance the growth rate of SADC economies. Nonetheless, the main obstacle to regional growth prospects is energy shortages crippling production in Zimbabwe, SA and Tanzania.

Shortages in Zimbabwe are inexplicable given large coal deposits and methane gas which remain untapped. DRC is yet another country with massive unutilised potential to be a major energy supplier in Africa.

Inflation: downward trajectory but upside risks

Inflation is relatively low in most countries with the exception of Malawi and Zambia which recorded 22.1% and 8.7% respectively in January.

Mauritius, Seychelles and Zimbabwe are experiencing outright deflation while DRC recorded inflation of zero. The other countries registered inflation rates within their target bands as can be observed in the chart below. The main drivers of inflation in most of these countries are cost of fuel or transport, food and utilities and currency losses.

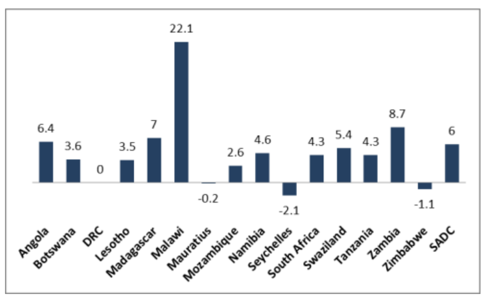


Chart 1: Annual inflation rate (%) for SADC region : January 2015

Inflation is expected to remain on the downward trend in most of these countries. The non-harmonised February figures for the respective countries indicated a decline in the rate of inflation (For instance, Botswana - 2.8%, Lesotho - 2.1%, Malawi - 19.7%, Mozambique - 1.6%, South Africa - 3.9%, Tanzania - 4.2%, and Zambia - 7.4%) with the exception of Angola which registered an increase to 7.7%.

We expect inflation to increase as energy prices rebound. The US dollar remains strong against most currencies and the cost of food is set to increase due to lower agricultural production triggered by flooding in countries such as Mozambique, Malawi and Tanzania and drought or delayed rains in South Africa and Zimbabwe.

Regional currency movements

With the US Federal Reserve expected to hike interest rates from near zero level in mid-2015, the Rand could remain under pressure for the remainder of 2015.

The Rand has weakened to 12.22 against the Dollar and remains vulnerable to US monetary policy decisions. The Mauritian Rupee, Seychelles Rupee and the Pula have also weakened against the dollar.

The Zambian Kwacha entered 2015 relatively weaker due to reduction in supply of foreign exchange to the market following new exchange regulations. The Kwacha has fallen 9% against the dollar since the start of the year following a 13% depreciation in 2014. The Tanzanian Shilling and Angolan Kwanza are also weaker. This development of events has a significant bearing on the trade balance of the respective countries as well as inflationary pressures going into the second quarter.

The Mozambican Metical is also expected to depreciate against the American Dollar. This will further impact the price of inputs. As at 31 March 2014, the Metical was worth 36.46 against the dollar.

DIVIDED, COSATU IS: Economic implications

Two years into democratic rule, trade unions found themselves forced to stand together to fight neoliberal policies which were implemented in South Africa. Neoliberal policies strongly advocate labour market flexibility namely de-regulating the labour market and empowering employers in areas of hiring, firing, wage and use of labour. It has, however, been a tumultuous path that has adversely affected the relations of the tripartite alliance and the economy at large.

The fact that the formal sector is shedding jobs while casual, part-time and sub-contracted employment as well as the informal sector is growing, will pose a challenge to organize workers for unions. By and large, we think these developments will have a much more bearing factor on the politics of the country than real bread and butter issues.

What are the opportunities in Zimbabwe's stock market?

PATRICK SERERE | INVESTMENT ANALYST

Patrick Serere *takes us through the valuation of Zimbabwean equities and the opportunities awaiting.*

Economic Environment

The mid-season dry period has left the country facing imminent hunger, with projections for white maize yields below the required 2 million kgs for internal consumption. Tobacco, Zimbabwe's cash crop, is also facing an uncertain season with poor rains contributing to lower than expected output below last year's 216 million kg. This is worsened by poor leaf quality which is attracting prices as low as 50 cents /kg below the breakeven point of $2/kg. Overall average tobacco prices have fallen 23% to $2.43 per kg.

Deflation continues unabated with the recent annual inflation rate dropping to -1.40% with general market expectations predicting that inflation will be between minus 5%-7% by the end of the year if the Rand also continues to slide beyond R14/US$. While the decline in overall prices is positive for the consumer, some products such as petrol remain overpriced. While other countries are enjoying the decline in petrol prices Zimbaweans are still paying as much as before at $1.48/litre - ranked as the 23rd most expensive price in the world and third in Africa. Bread consumption, a staple for many families in Zimbabwe, has collapsed to 850,000 per day from 1,5 million per day last year reflecting the biting economic decline in the country. The introduction of Bond coins has failed in part to address the liquidity situation as initially thought and the inflow of FDI remains dire as the outcome of the huge Chinese and Russian projects seem to have quietly left the headlines.

As the economy continues to implode, at least 600 workers have been retrenched so far this year adding to the more than 7 000 workers who were retrenched last year. Government is also considering trimming its 550,000 work force this year to be able to afford its overweight wage bill at more than 80% of revenues.

Market review

The industrial index, the major yardstick of performance on the ZSE, has lost 2.73% for the first quarter of 2015 largely due to a string of weak corporate earnings. The outlook is looking dimmer as agriculture, the main driver of the economy is suffering from an unusual 28 day mid-season drought that will significantly reduce output. The mining index has suffered more at -38.74% in just the first quarter as government pushes for forced consolidations in the diamond sector.

While most stock valuations remained cheaper in that period compared to regional peers, the reality of a slowing economy with shrinking demand and the absence of clear growth related reforms has constrained market movements. Without any visible catalyst to reverse the current negative economic outlook, it is good to remember that it's not about timing the market that counts but spending time in the market by holding onto your well selected core positions. The current declining prices present entry points into well-established defensive stocks.

Currently most sectors are under pressure and only a bottom up strategy with liquidity at the centre, provides the best way for constructing portfolios. **Below are our views on the most liquid stocks on the Zimbabwean stock market.**

Delta

•Dominant, monopolistic, healthy operating margins >20%, attractive ROE >30%

•Declining consumer spend has forced consumers to downtrade from clear beer to opaque beer, a lower margin product. We expect Delta to increase capacity in the super chibuku product to support declining turnover.

•In the short term Delta's share price will be under pressure because of both volume and margin decline. Zimbabwe current per capita consumption of clear beer at 15 litres lags behind Africa's weighted average of 29.4 litres with SA the highest at 59 litres. On a valuation basis Delta is trading at a P/E of 13.56x, much below regional peers Zambrew 18.69, Bralirwa 25.95, Sechaba 19.83, Namibia breweries 20.13.

Econet

•Dominant 65% market share in a market with a mobile penetration of 106% and 3 sources of income – namely: voice, broadband and overlays.

•In Zimbabwe voice is saturated. We see growth in broad band (14%) and overlays (10%). Internet penetration in Zimbabwe is relatively high at 47% second only to SA at 53%. However we see declining ARPU's and reduced margins due to reduced tariffs.

•Short term the share trades at a P/E of 8.69x and is under pressure due to earnings reduction and forced infrastructure sharing. Medium term we find that Econet is undervalued relative to its regional peers taking Safaricom, MTN and Sonatel which trades between 13.84x to 25.96x. Also, mobile penetration can deepen further from the current 106%. Mobile penetration in Africa is highest in Botswana at 159%.

Innscor

•Unparralled cash generation with a portfolio of uncorrelated defensive businesses with geographical diversification.

•One of the highest ROE > 30% on the market but still trades below average market multiples.

•Significantly exposed to the Zimbabwean financially stressed consumer. However we expect the management restructuring to mitigate the decline with improved efficiency.

•Innscor is significantly undervalued relative to its peers - Tiger Brands and Pioneer Foods.

OK Zimbabwe

•Well established retailer bearing the harsh economic situation in Zimbabwe. We expect margins to be squeezed but mitigated by a weakening Rand. There is not much value in the short-term. Compared with Spar, Shoprite & Pick&Pay we find that these retailers trade at multiples 23.17x to 36.60x, much higher than OK's multiples of 16.47x.

Natfoods

•Solid infrastructure with current business only operating at 48% capacity utilization. Profitability has been improving however we do not see FY2015 results supporting the current valuation. Earnings to grow by at least 9%, the payout ratio remaining at 33.3% with an RoE above 22% to justify current valuations.

Seedco

•Has a new technical partner who injected fresh capital. We like the business because it is diversified geographically and across products. Technical analysis indicates some marginal upside. In the long-term, we expect to see the results of synergies from the new technical shareholders.

Concluding remarks

The bond market currently gives investors 8%. Adding the round-trip cost of trading shares on the ZSE of 4%, the minimum required return is 12% before loading up the equity risk premium. Investors need to consider whether adding more equity relative to debt instruments is prudent given the valuation and transaction costs in equities.

IN THE SPOTLIGHT: Q & A with David Constable, Chief Executive Officer of SASOL Limited.

Sasol's prospects discussed.

Viean Jugwanth | Investment Analyst**.**

With the sharp decline of Brent Crude Oil prices from levels of $110/barrel as recently as October 2014 to the current level of $58/barrel, South Africa's biggest corporate tax payer, SASOL, saw it's share price drop from a 52 week high of R653 per share to as low as R360 per share before bouncing to current levels of R415. JM BUSHA Investment Analyst, **Viean Jugwanth**, speaks to Sasol President and Chief Executive Officer, David Constable (Pictured right), on the outlook and prospects of the business in a low oil price environment.

Viean Jugwanth: The market is divided on whether there are better prospects in gas or in oil. What is Sasol's strategic position with regards to the two alternatives?

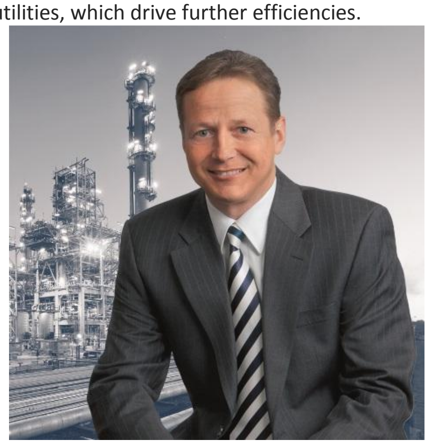
David Constable: "Over the past several years, we have strategically positioned ourselves to advance our gas-based growth programmes concentrated largely in Southern Africa and North America – what we refer to as our dual regional strategy."

"In Southern Africa, the Mozambican gas industry is poised to play an increasingly important role in the domestic energy landscape, diversifying the energy mix in the region while significantly contributing to regional socio-economic development. We have been involved in natural gas production in Mozambique since 2004, and remain the only operator to have monetised natural gas in that country. In addition, we commissioned a 175 megawatt gas-fired power plant in Ressano Garcia, Mozambique together with our partners, the state-owned power utility company EDM. Once fully operational the plant will supply electricity to more than two million Mozambicans, which equates to 8% of the country's current demand.

Regarding downstream oil prospects, Sasol's primary process is still the conversion of coal and gas to liquid fuels and chemicals. The extent of our crude oil production is through a 63,6% interest in the Natref refinery which supplements our synthetic fuels output. In 2013, we declared commerciality on two oil and two gas reservoirs within the Production Sharing Agreement (PSA) area in Mozambique. We submitted our full field development plan for the PSA to the Mozambican authorities on February 25th. We anticipate using the existing Petroleum Production Agreement (PPA) infrastructure as the foundation for phased development of the PSA area.

In North America, through our partnership with Progress Energy in our Canadian shale gas assets, we have deepened our experience in developing these strategic assets. The nature of this operation allows us to quickly ramp up production in response to higher gas prices.

When gas prices are lower, as is currently the case, we would de-risk the asset and focus on projects which benefit from a low gas price. De-risking refers to the drilling of key appraisal wells in previously undrilled areas. Looking at the U.S., we are proceeding with the construction of our $8,9 billion ethane cracker and derivatives complex in Louisiana. The robust project economics benefit from an advantaged site location which expands our existing operations' economies of scale that improve our cost structure and upgraded infrastructure and utilities, which drive further efficiencies.



SASOL CEO: David Constable. **Source: SASOL LTD**

"In response to the current lower oil price environment, we are focusing on enhancing our existing assets and on driving selective growth opportunities to create value."

Our product slate distinguishes our investment from most of the other crackers that have been announced. Our project uniquely combines commodity and specialty products, which will leverage low cost U.S. ethane feedstocks, a by-product from natural gas production.

In a nutshell, in response to the current lower oil price environment, we are focusing on enhancing our existing assets and on driving selective growth opportunities to create value."

Viean Jugwanth: Energy self-sufficiency has been a particularly important issue in the recent past, but specifically for Africa, do you believe gas is the way forward for the continent?

David Constable: "From an exploration perspective, Africa is emerging as the next frontier in the oil and gas industry and is becoming an integral part of the global energy mix. This is especially true for natural gas discoveries in East Africa, where Wood Mackenzie estimates that 100 trillion cubic feet of gas has been discovered in Mozambique and Tanzania to date, ranking the Rovuma Basin as one of the most prolific conventional gas plays in the world.

Natural gas can play an important role in meeting the future energy needs of the continent. As Africa moves towards securing its own energy supply through gas finds, there is significant potential for countries to monetise this gas to supply their economy with much-needed liquid fuels and electricity, while deepening their manufacturing capacity through chemicals production.

We have completed the pre-feasibility study of a gas-to-liquids project in Mozambique based on gas from the Rovuma basin. We are evaluating the results of this study. In addition, in Southern Africa, we are currently exploring for hydrocarbons offshore KwaZulu Natal with the Italian energy company Eni.

A number of key growth projects in our pipeline hinge on monetising natural gas by converting it to liquid fuels, chemicals or electricity. Our $8,9 billion US ethane cracker, Secunda Growth Programme, Mozambique electricity generation, as well as our Sasolburg wax expansion project are some of the significant gas-based projects currently on our agenda."

Viean Jugwanth: Does Sasol see any opportunities in further diversification and possible M&A activity, especially with the uncertainty and risks in oil prices?

David Constable: "We are prioritising the monetisation of natural gas by converting it to high-value product streams. Our Performance Chemicals business makes a variety of products, which are used in a multitude of different applications. These are sold into more than fifty different markets including detergents, cosmetics and personal care products, pharmaceuticals, lubricants and other industrial solvents, products to enhance oil recovery, inks and paints, polyester fibres and resins, and antifreeze. The products from our Performance Chemicals business are mostly higher margin, higher priced products sold into differentiated markets, and are less influenced by the oil price than the more commodity-type chemicals produced in our Base Chemicals business.

We are growing this area of our business. We are doubling our hard wax production in South Africa, with the first phase of this new capacity coming on stream later this year. Also, around a third of the products from our U.S. ethane cracker and derivatives project are in the Performance Chemicals arena. This is one of the reasons why we are so excited about the project, with higher value products adding to the overall returns from this investment.
We continuously assess the performance and strategic fit of our portfolio of assets and businesses, and also consider potential acquisitions that support our strategic agenda and meet our growth objectives.

We have disposed of underperforming assets and assets that are no longer a strategic fit. As specific examples, in Europe, we disposed of our Solvents Germany business. This was driven by the depressed market conditions in that region and enabled us to dispose of an underperforming asset. We have also disposed of smaller business interests in Africa, such as Excel Lesotho, Spring Lights Gas, Price's Candles and Tosas (Sasol's bitumen business) to have a leaner, more focused portfolio."

Viean Jugwanth: With economic headwinds in South Africa, Europe and Asia, how is Sasol positioning itself to sustain performance and achieve growth?

David Constable: "In reaching our goal of delivering shareholder value sustainably, we maintain focus on our dual regional strategy – in Southern Africa and North America. This approach complements our other important business activities in Eurasia, the Middle East and the rest of Africa.

Southern Africa
At a time when South Africa faces electricity supply challenges, our significant investments in our self-generation capacity enables us to generate over 1100 megawatts of power, which plays an important role by taking some pressure off the national grid.
Not only are we an electricity producer, we also operate one of the world's largest underground mining complexes.


Image source: Sasol Ltd

Sasol North America steadily progressing with the advancement for the $8.9-billion ethane cracker and downstream derivatives complex in Lake Charles, Louisiana.

In South Africa, we beneficiate over 40 million tons of coal annually, to produce over five billion litres of liquid fuels. In total, we supply a quarter of South Africa's liquid fuels requirements. In our Energy Business, we have a number of growth projects underway. The R14,2 billion Secunda Growth Programme is nearing completion with 14 of the 19 projects, which include the gas heated exchange reformers, achieving beneficial operation. The completed projects have ensured that the volume and electricity benefits of the programme were fully realised.

On an annual basis, we also produce nearly 7 million tons of chemicals, both from our South African and global operations. This places our chemicals business amongst the 40 largest chemical companies in the world.

We have diversified our chemicals portfolio by driving selected projects that are already delivering results. Specifically, our C3 stabilisation project, which improves propylene extraction, reached beneficial operation in the middle of last year; and an ethylene purification unit in Sasolburg was commissioned last year and will increase ethylene volumes for our polyethylene plants by 47 000 tons.

On a regional basis and in collaboration with our Mozambican partners, over the past 15 years, we have invested more than US$2.1 billion in developing and producing natural gas in Mozambique, and have established a very successful gas industry, which all serves to stimulate intra-regional trade.

In addition, we're commissioning a 175 megawatt gas-fired power plant in Ressano Garcia, Mozambique, together with our partners, the state-owned power utility company EDM.

North America
As mentioned, we are making steady progress with the advancement of our US$8,9 billion ethane cracker and downstream derivatives complex (including infrastructure and utilities) in Lake Charles, Louisiana. Site preparation is underway, and we expect that the plant will achieve beneficial operation during the 2018 calendar year.

Once commissioned, this world-scale petrochemicals complex will roughly triple our chemical production capacity in the United States, enabling Sasol to further strengthen its position in a growing global chemicals market.

On 7 August 2014, Sasol and Ineos Olefins & Polymers USA successfully concluded a toll manufacturing joint venture, Gemini HDPE LLC. Construction of the US$269 million (Sasol's share) high density polyethylene facility commenced and plant start-up is planned towards the end of the 2016 calendar year. The complex is expected to produce 470 kilotons per annum."

Viean Jugwanth: Considering that the US has shown the most promise over the last year and the investment that Sasol has undertaken in terms of the ethane cracker and derivatives complex in Louisiana, what is the impact of a possible interest rate hike cycle on the project?

David Constable: "The project economics of the US ethane cracker are very resilient and have a high capacity to withstand changes in interest rates. Approximately half of the total external project debt raised will be converted from floating to fixed interest rates by way of an interest rate hedge."

Viean Jugwanth: South Africa has an ailing economy that faces many challenges, what role will Sasol play and what difference can it make to mitigate the headwinds facing the country in the medium and long term?

David Constable: "No doubt the local economy faces growth constraints. Enhancing South Africa's investment attractiveness and alleviating the current electricity crisis are top priorities. To take this country forward positively, the public and private sectors must work together on workable and sustainable solutions."

PRODUCT FOCUS: JM BUSHA REAL RETURN FUND

Introduction
Life presents many challenges and opportunities. Central to all is money – i.e., money required to manage one's life. Two questions arise immediately. First, how can money be saved e.g.,for education ,housingand retirement expenses? Second, how much should be saved?
The JM BUSHA Real Return Fund, an absolute return unit trust investment product presents a vehicle for saving money in order to meet future financial needs. You choose what you want to save for! The minimum is R300 per month.

Product Description
The JM BUSHA Real Return Fund is an actively managed and low risk savings fund fully invested in liquid assets. This is a long term investment product suitable for any person, association, trust or legal entity.

Investment Assets
The Fund invests in listed equities, bonds, money market instruments, derivatives and other allowable securities. Equities' dividend income improves after tax free returns.

Product Accessibility
No minimum investment period is required. Although not advisable, clients can withdraw their investments at any time at no cost that's investment banking for you.

Investment Objectives
To produce a real return of 4% pa over 3 year rolling terms

Investment Strategy
As a medium risk balanced fund that seeks real return with capital protection, the strategy is to invest in secure, high yield instruments in order to meet investment objectives on a risk adjusted basis. The portfolio is managed on a core satellite approach.

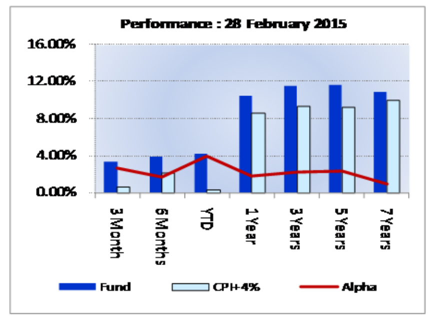
Asset Allocation
Discretionary portfolio structured as a medium risk balanced fund. Asset allocation varies from time to time.
Current:Cash:12.00%, Bonds:48.60%, Equities 39.39%.

How to invest?
There are 3 ways to invest:
(1)Direct lump sum deposits,
(2)Monthly automatic debit order,
(3)Lump sum deposits and monthly debit orders.
Banking Details - please see application form

Salient Features

Target Return:	Inflation +4%
Minimum monthly contribution:	R300
Minimum lump sum:	R1000
Initial fees:	0.00
Exit fees:	0.00
Management fees (inc VAT):	1.25% p.a
Total Expense Ratio:	1.32% p.a
Income declaration dates:	30Jun / 31 Dec
Income payment dates:	07 Jul / 07 Jan
Fund inception date:	1 Oct 2006
NAV (CPU) as at 31/3/15:	149.35cpu
Fund size:	R14.88
Fund Classification:	Domestic AA
Reg. 28 Compliant:	Yes

Historical Performance



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