# The Investment Analysts Journal

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# Die Beleggings-ontleders Tydskrif

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# Inhoud

# This issue in brief

**The impact of strategic planning on corporate performance in a turbulent environment**

Strategic planning is concerned with the attainment of long-term corporate objectives. Its business, therefore, is with decision-making that stretches beyond phenomena that are essentially short-term in nature or linked to problems that originate in cyclical fluctuations. By its very nature, the building materials industry is susceptible to marked cyclical variation, yet it is also an industry undergoing important structural change. This paper by Prof G S Andrews, Dean of the Wits Business School, and Carl Grim, summarises the findings of recent research concerning the industry and comes to conclusions that will be of interest even to those not directly involved with its changing fortunes.

**The reasons and objectives for accounting standards as perceived by users, providers and regulators of accounting information**

Accounting information, its availability and reliability, is the very substance of financial analysis. However, availability and reliability in themselves are not enough. Because security evaluation necessarily involves inter-company comparisons, information that is published needs to be homogenised so that comparisons can be facilitated and made more reliable. However, deciding on reporting practices and standards is a complex matter because different users of accounting information have different needs and requirements. In this paper, D K Flynn reports on a study undertaken to identify and examine the views of three primary constituencies in the South African financial system regarding accounting information and the uses to which it is put.

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**A gold share evaluation model**

The subject of this paper by D J Bradfield and G D I Barr is the often erratic relationship between changes in the gold price and changes in the prices of gold shares. Clearly, any "under" valuation or "over" valuation of gold shares in relation to the gold price may create opportunities for profitable arbitrage by traders. However, "under" or "over" valuation may be difficult to determine without a share valuation model, and it is this which the paper sets out to examine. Initial results indicate that the model can be used to beat a naive "buy-and-hold" strategy but any firm conclusion on this needs to be reserved until the model's testing has been extended to include all gold shares quoted on the JSE.

**Hedging and regret minimisation: a policy for the management of foreign currency exposure**

This is another paper by G T D Jones concerning trading in speculative markets. In a previous note he dealt with the role of hedging in the marketing of gold. Here his concern is the management of foreign currency exposure. The matters of both risk and uncertainty are examined in the article and insights are provided which might suprise those whose decision-making is based purely on the use of technical analysis. It is an article, however, all those concerned with the management of corporate funds in today's world will find useful to read.

**The analysis of bank shares**

Richard Jesse has an established reputation as an analyst of banking shares. In this Investment Basics article he deals with a number of important matters that will be of interest to veterans as well as beginners.

# The Investment Analysts Journal

**Twenty-fifth issue**
**May 1985**

To many opponents of apartheid abroad, and it would be quite wrong to lump them all together as a homogeneous group, the idea of economic sanctions against South Africa has a persuasive logic. It would represent an ultimate step, short of military intervention, in the application of political pressure to bring about constitutional change, and political pressure is seen as being necessary (indeed, as being the only effective way) to the achievement of such an objective. Moreover, it would demonstrate, on the part of Western governments, a willingness at least to act consistently with frequently repeated declarations of moral revulsion at a particular racism that refuses to hide its ugly side. Even in South Africa, slogans such as "Apartheid is Evil" and "Apartheid Kills", seen with increasing frequency on our television screens, have become discomforting and not just because the slogans are beginning to exercise their emotive power within the council chambers of governments with which this country has had its traditional and most important links. The slogans, sadly, happen to ring true. This notwithstanding, it is a tragedy that as this issue of the Investment Analysts Journal goes to press, the Congress of the United States is mobilising itself to take its first steps down the sanctions road.

However, for a lot of people who like to think of themselves as fair-minded, the real tragedy lies elsewhere. The Bill now before Congress is more dangerous for what it threatens in the way of future action than for what it contains in the way of its immediate provisions. South Africa will survive embargoes on the sales of Krugerrands and on the flights of the national airline, and the Government itself will be little more than inconvenienced by restrictions on loans and the supply of computer equipment. The real tragedy resides in the fact that at the very time the South African Government has itself come publicly to acknowledge the errors of its former policies and to move, albeit cautiously, away from apartheid, it is being damned more vociferously than ever before.

For those who know South Africa, the actions in the direction of reform already adopted by the National Party have not been easy and have not been pursued without cost within the constituency of the Afrikaner community. This is not to say that all Afrikaners are, or always have been, nationalists, nor is it to say that there has not been significant English-speaking support for successive National Party governments. But in the main, the National Party, until comparatively recently, has been the senior guardian of Afrikaner group interest and has relied for most of its support on Afrikaners who have viewed it as such. A lot of this support has now been forfeited and Mr P W Botha has done what none of his predecessors would have dared to do. For this he deserves praise, not censure, and that remains so despite the controversy which still surrounds the new constitutional dispensation that he has put in place.

# Die Beleggingsontleders Tydskrif

**Vyf en twintigste uitgawe**
**Mei 1985**

Vir baie teenstanders van apartheid in die buiteland (en dit sou heeltemal foutief wees om hulle almal as homogene groep saam te gooi) hou die ekonomiese sanksies teen Suid-Afrika 'n oorredingslogika in. Dit sou 'n uiterste stap, buiten militêre ingryping, in die uitoefening van politieke druk verg om grondwetlike verandering teweeg te bring, en politieke druk word nodig geag (inderdaad, as die enigste doeltreffende manier) om dié doelstelling te bereik. Boonop sou dit 'n bereidwilligheid van die kant van Westerse regerings aandui om minstens konsekwent op te tree deur die gereelde herhaling van uitsprake van morele afkeer van 'n besondere rassisme wat verseg om sy afstootlike gesig te verberg. Selfs in Suid-Afrika het slagspreuke soos 'Apartheid is Boos' en 'Apartheid Maak Dood', wat al hoe meer gereeld op ons televisieskerms gesien word, verontrustend geword, en nie bloot omdat die slagspreuke hulle emosionele beweegkrag begin uitoefen binne die raadskamers van regerings waarmee dié land nog altyd sy tradisionele en belangrikste verbintenisse gehad het. Dis jammer om te sê dat die slagspreuke waarheid inhou. Nietemin is dit 'n tragedie dat, by die ter perse gaan van hierdie uitgawe van Die Beleggingsontleders Tydskrif, die Kongres van die Verenigde State besig is om hom slaggereed te maak om sy eerste stappe langs die weg van sanksies te neem.

Vir talle mense wat glo dat hulle 'n billike uitkyk handhaaf, lê die werklike tragedie egter elders. Die wetsontwerp wat nou voor die Kongres lê, se grootste gevaar lê in die bedreiging wat dit in die vorm van toekomstige optrede inhou, eerder as in die vorm van die onmiddellike bepalings wat dit bevat. Suid-Afrika sal die verbod op die verkope van Krugerrande en op die vlugte van die staatsbeheerde lugdiens oorleef en die Regering self skaars verontrief word deur die beperkings op lenings en die verskaffing van rekenaartoerusting. Die werklike tragedie lê in die feit dat, juis op die tydstip wat die Suid-Afrikaanse Regering sover gekom het om die tekortkominge van sy beleid in die verlede in die openbaar te erken, en om, al is dit behoedsaam, weg te beweeg van apartheid, hy luidrugtiger as ooit tevore verdoem word.

Vir diegene wat Suid-Afrika ken, was die stappe in die rigting van hervorming wat reeds deur die Nasionale Party gedoen is nie maklik nie en het dit geskied met verliese binne die Afrikaanse kiesergemeenskap. Dit wil nie sê dat alle Afrikaners Nasionaliste is of nog altyd was nie, en dit wil ook nie sê dat daar nie aansienlike Engelssprekende steun vir opeenvolgende Nasionale Partyregerings was nie. Maar in hoofsaak was die Nasionale Party tot betreklik onlangs toe die vernaamste bewaker van Afrikanergroepbelange en het hy vir sy ondersteuning grootliks staat gemaak op Afrikaners wat hom as sodanig beskou het. Baie van dié ondersteuning is nou verbeur en mnr P W Botha het gedoen wat nie een van sy voorgangers sou gewaag het om te doen nie. Hiervoor verdien hy lof, nie veroordeling nie, en dit hoort so, ongeag die onenigheid wat nog steeds heers rondom die nuwe grondwetlike bedeling wat hy daargestel het.

As nice as it would be to move **immediately** to a situation of full political participation for all people in South Africa, irrespective of race etc, that is not going to be possible. We live in a real world, not in an ideal one, and the futures which different people imagine for the country often diverge considerably. They have to be reconciled, but reconciliation is not going to be easy without increasing the risk of conflict. We do not want a Northern Ireland in South Africa. Nor do we want a Lebanon. Yet our demographic circumstances are more pregnant with the possibilities of disruption than are the internecine squabbles of both these countries.

Congressman Stephen Solarz, of the House of Representatives' Committee on Foreign Affairs, said recently on television that he thought the majority of blacks in South Africa were supportive of sanctions because they knew that they were intended, ultimately, for their own benefit. This must be seriously questioned. It would be quite wrong to deny that support amongst blacks for the ANC is not widespread, but that should not be taken to mean that the same blacks would go along with ANC sponsored actions that led to the destruction of their jobs. The problem in South Africa today is a shortage of jobs, and this shortage, the rapidly growing black population feel the most keenly. Only a steadily growing economy can have any chance of meeting the challenge it presents. At the bottom line, therefore, the call for sanctions reduces to the advocacy of revolution as an instrument for effecting a transfer of political power because it would envisage putting blacks under such severe economic pressure as to cause them to rise up in rebellion. But there can be no assurance what the consequences of a revolutionary process, once initiated, would be. The example of Cuba, and of Iran also, must warn that the consequences could be quite different from what even Congressman Solarz would intend.

It is worth recording the main measures of reform that have been adopted by the P W Botha government since its assumption of office in 1978. The following can be cited from an investment point of view although not all have a direct investment bearing:

1 the scrapping of sports apartheid (important to the changing of inter-group perceptions);

2 the removal of job reservation and the institution of legitimate black trade unions and the right to strike;

3 the institution of a free foreign exchange market in terms of the recommendations of the De Kock Commission;

4 the removal of exchange control on non-residents;

5 the acceptance of urban blacks as permanent residents and the institution of a system of 99 year leasehold (now under review for extension);

6 the institution of black local authorities and the holding of elections in respect thereof;

7 the abrogation of the 1909 constitution which entrenched a white monopoly in the legislature and the institution of a tricameral parliament including Coloured and Asian representation and the appointment of two non-whites to the Cabinet;

8 the Nkomati Accord which restored normal relations with Mozambique;

9 The Lusaka Agreement, reached with the cooperation of President Kaunda of Zambia, which achieved a phase of direct cooperation between South Africa and Angola;

Hoe gaaf dit ook al sou wees om **onmiddellik** te beweeg na 'n situasie van volle politieke deelname vir almal in Suid-Afrika, ongeag ras, ens, gaan dit nie moontlik wees nie. Ons leef in 'n werklikheidswêreld, nie 'n ideale een nie, en die toekoms wat verskillende mense hulle vir die land voorstel is dikwels taamlik uiteenlopend. Daar moet 'n versoening bewerkstellig word, maar dit gaan nie maklik wees sonder om die risiko van konflik te verhoog nie. Ons wil nie 'n Noord-lerland in Suid-Afrika hê nie. Ons wil ook nie 'n Libanon hê nie. Tog is ons demografiese omstandighede swaarder gelaai met die moontlikhede van uiteenskeuring as die broedertwis van albei dié lande.

Kongreslid Stephen Solarz van die Huis van Verteenwoordigers se Komitee insake Buitelandse Sake het onlangs op televisie die mening uitgespreek dat die meeste swartes in Suid-Afrika sanksies steun omdat hulle weet dat dit uiteindelik tot hulle eie voordeel is. Dit moet ernstig bevraagteken word. Dit sou heeltemal foutief wees om te ontken dat die ANC nie groot aanhang onder die swart gemeenskap geniet nie, maar dit beteken nie dat dieselfde swartes sal saamstem met ANC-ondersteunde optrede wat aanleiding gee tot die verlies van hulle werk nie. Suid-Afrika se huidige probleem is 'n werktekort, en dié tekort tref die snelgroeiende swart bevolking die swaarste. In wese kristalliseer die aandrang op sanksies dus uit as die bepleiting van rewolusie as 'n middel om politieke mag in ander hande te plaas, omdat dit daarop gemik is om swartes onder so 'n geweldige ekonomiese druk te plaas dat dit hulle tot rebellie sal aanspoor. Maar daar kan geen versekering wees van wat die gevolge van 'n rewolusionêre proses, wanneer dit eers ontketen is, sal wees nie. Die voorbeeld van Kuba, en ook van Iran, moet dien as waarskuwing dat die gevolge grootliks kan verskil van wat selfs Kongreslid Solarz in die vooruitsig stel.

Die vernaamste hervormingsmaatreëls wat die P W Botharegering sedert sy bewindsaanvaarding in 1978 ingestel het, dien hier vermeld te word. Die volgende kan uit 'n beleggingsoogpunt aangestip word, hoewel nie al dié punte betrekking het op belegging nie:

1 die afskaffing van sport-apartheid (belangrik vir die verandering van onderlinge groepsbegrip);

2 die uitskakeling van werkreservering en die instelling van wettige swart vakbonde en die reg om te staak;

3 die instelling van 'n vrye valutamark volgens die aanbevelings van die De Kock-kommissie;

4 die afskaffing van deviesebeheer oor buitelanders;

5 die aanvaarding van stedelike swartes as permanente inwoners en die instelling van 'n stelsel van 99-jaarhuurpag (wat tans met die oog op verlenging hersien word);

6 die instelling van swart plaaslike besture en die hou van verkiesings ten opsigte daarvan;

7 die herroeping van die 1909-grondwet wat 'n blankemonopolie in die wetgewing gevestig het en die instelling van 'n driekamerparlement wat Kleurling- en Asiërverteenwoordiging en die aanstelling van twee nie-blankes in die Kabinet ingesluit het;

8 die Nkomati-verdrag wat normale betrekkinge met Mosambiek herstel het;

9 die Lusaka-ooreenkoms, aangegaan met die samewerking van president Kaunda van Zambië, wat 'n fase van regstreekse samewerking tussen Suid-Afrika en Angola bewerkstellig het;

10 the modifying of the Group Areas Act to permit the ownership of commercial property and trading by all race groups in central business districts (CBDs);

11 the suspension of a quota system in respect of the registration of black students at "white" universities and the scrapping of the need for ministerial permission regarding their admission except in the cases of faculties of medicine and dentistry, and departments of surveying;

12 the re-examination of influx control with a view to a better planning of urbanisation and increasing the scope for black permanent residence;

13 the offer of freedom to Nelson Mandela and other imprisoned ANC leaders, subject only to their renunciation of the use of violence, and the setting up of an informal forum for the discussion of political problems with black leaders;

14 the institution of regional councils that will include, via local government participation, representation **by** people of all race groups;

15 the scrapping of the Mixed Marriages Act and section 16 of the Immorality Act which, respectively, barred marriage and sex across the colour line;

16 the scrapping of the Prohibition of Political Interference Act which now allows all political parties to open their membership to people of all races;

17 the redefining of a "scheduled person" in terms of the Mines and Works Act, which will remove a last remaining job reservation provision and will pave the way for blacks to perform some of the functions of blasting certificate holders in the mines;

and

18 the repealing of section 3 of the Physical Planning Act which will permit factory owners in future to employ as many black people as they wish without having to obtain the prior permission of the Minister of Constitutional Development and Planning.

These measures are not mentioned here as paragons of liberal acceptability. One is aware of the controversy that still surrounds many of them. Yet in their totality they amount to much more than change which can be contemptuously dismissed as being only cosmetic. Some of the changes will, almost certainly, have a profound effect, and for the better, on the quality of life and on the widening of the opportunities, political as well as economic, of millions of people. Yet they represent only the beginning of a process that still has a long way to go.

It is very sad that all that has been achieved since 1978 can so quickly be outweighed, in the scale of popular impression, by events such as those at Langa in the eastern Cape which have occurred in recent months. "Apartheid Kills" has become a slogan terrible in its reality, and the country is reaping the consequences. Such events could not have been better executed by official recalcitrants deliberately bent on embarrassing the Government because of their opposition to its policies. But at the end of the day, any government must carry responsibility for its own agents. It would serve President Reagan no use to claim that the fault for the breakdown of a disarmament agreement with the Soviet Union was not his when high-ranking officers in the Pentagon had deliberately sabotaged his undertakings.

Men of goodwill can only hope, with the unfortunate events of recent days, that an early settling of the political dust will allow a better view of what really *important* is happening. Poverty, and even inequality, in

10 die wysiging van die Groepsgebiedewet om die besit van handelseiendom en handel deur alle rassegroepe in sakebuurte toelaatbaar te maak;

11 die opskorting van 'n kwotastelsel ten opsigte van die registrasie van swart studente by 'blanke'-universiteite en die wegdoen met die vereiste van ministeriële toestemming met betrekking tot hulle toelating, in die gevalle van mediese en tandheelkundige fakulteite en landmeetkunde-departemente;

12 die herondersoek van instromingsbeheer met die oog op beter beplanning van verstedeliking en beter vooruitsigte vir permanente inwoning deur swartes;

13 die aanbod van vrylating aan Nelson Mandela en ander ANC-leiers wat gevangenes is, slegs onderworpe daaraan dat hulle die gebruik van geweld afsweer, en die daarstelling van 'n informele forum vir die bespreking van politieke probleme met swart leiers;

14 die instelling van streeksrade wat deur middel van die deelname van plaaslike besture verteenwoordiging **deur** mense van alle rassegroepe sal insluit;

15 die afskaffing van die Wet op Gemengde Huwelike en artikel 16 van die Ontugwet wat onderskeidelik huwelike en geslagsverkeer oor die kleurskeidslyn verbied het;

16 die afskaffing van die Wet op die Verbod op Politieke Inmenging, wat alle politieke partye nou toelaat om hulle lidmaatskap aan mense van alle rasse oop te stel;

17 die heromskrywing van 'n 'geskeduleerde persoon' ooreenkomstig die Wet op Myne en Bedrywe, wat die laaste oorblywende werkreserveringsbepaling sal laat wegval en die weg sal baan vir swartes om sommige van die funksies van Skietsertifikaathouers in die myne te vervul;

en

18 die herroeping van artikel 3 van die Wet op Fisiese Beplanning wat fabriekeienaars in die toekoms sal toelaat om soveel swart mense in diens te neem as wat hulle wil sonder die nodigheid om vooraf die toestemming van die Minister van Staatkundige Ontwikkeling en Beplanning te verkry.

Dié maatreëls word nie hier genoem as toonbeelde van liberale aanvaarbaarheid nie. Ons is terdeë bewus van die geskilpunte wat nog rondom baie van hulle heers. Nietemin verteenwoordig hulle in die geheel veel meer as verandering wat minagtend as bloot vir die vertoon afgemaak kan word. Sommige van die veranderings sal byna sekerlik 'n diepgaande uitwerking hê, en dit ten goede, op die lewensgehalte van en die oopstel van geleenthede, politiek sowel as ekonomies, vir miljoene mense. Maar hulle verteenwoordig nog slegs die begin van 'n proses wat nog ver moet vorder.

Dit is betreurenswaardig dat alles wat sedert 1978 bereik is so gou te lig bevind word wanneer dit opgeweeg word teen die openbare mening wat geskep word deur gebeure soos dié in Langa in die Oos-Kaap wat die afgelope maande voorgeval het. 'Apartheid Maak Dood' het 'n slagspreuk geword wat vreesaanjaend is omdat dit so werklik is, en die land is besig om die wrange vrugte te pluk. Dié gebeure kon nie beter uitgevoer gewees het deur offisiële weerspanniges met die voorbedagte opset om die Regering in die verleentheid te stel omdat hulle sy beleid teenstaan nie. Maar op die ou end moet enige regering verantwoordelikheid aanvaar vir sy eie agente. Dit sal president Reagan niks in die sak bring om te

South Africa are not going to be abolished by edict any more than they were abolished in India, or in other countries of Asia or Africa, in the post-colonial period. South Africa, however, is a rich country, generously endowed with resources that are the envy of the rest of the world. This is one reason why it succeeds in remaining so controversial. It has the capacity not only for survival but for greatness, and this greatness can be realised to the advantage of all its inhabitants. It will only be, if economic growth and development are given maximum encouragement by all those who proclaim their concern for its future.

beweer dat die rede waarom 'n ontwapeningsooreenkoms met die Sowjet-Unie skeef geloop het nie sy fout was nie, omdat sy hooggeplaaste amptenare in die Pentagoon opsetlik sy ondernemings gesaboteer het.

In die lig van die ongelukkige gebeure van die afgelope tyd, kan alle welwillendes maar net hoop dat 'n spoedige bedaring van die politieke onrus 'n beter beeld van werklik belangrike ontwikkelings moontlik sal maak. Armoede, en selfs ongelykheid, in Suid-Afrika kan nie deur middel van verordening uitgewis word nie, net so min as wat dit in die na-koloniale tydperk in Indië of in ander lande van Asië of Afrika uitgewis is. Suid-Afrika is egter 'n ryk land wat mildelik bedeeld is met hulpbronne wat deur die res van die wêreld beny word. Dit is een rede waarom dit so 'n omstrede land bly. Hy het die vermoë om nie net te oorleef nie, maar om grootheid te verwerf, en dié grootheid kan tot voordeel van al sy inwoners verwesenlik word. Dit sal slegs teweeggebring kan word as ekonomiese groei en ontwikkeling die maksimum aanmoediging geniet van diegene wat hulle besorgdheid oor sy toekoms te kenne gee.