

**MINUTES OF THE 50th ANNUAL GENERAL MEETING OF
THE INVESTMENT ANALYSTS SOCIETY
HELD ON TUESDAY 28TH MAY 2019 AT 13h00
AT THE JOHANNESBURG COUNTRY CLUB**

PRESENT

**CHRIS GILMOUR
LUNGILE MALINGA
PETER DU TOIT
JACQUES THERON
MIKE BROWN
MARK INGHAM
INGRID GOODSPEED
IAN CRUICKSHANKS
NOMTHA NGUMBELA**

APOLOGIES

**PHUMZA KHONZEKA
CLEM GOEMAS
PETER DUMINY (provided proxy)
FRED PAYNTER
FRANK REUVERS
BRUCE WILLIAMSON
ANDRE JOUBERT (provided proxy)
ARTHUR THOMPSON**

Chris Gilmour welcomed those present

1) MINUTES

The minutes of the 49th annual general meeting held on 22 May 2018 were confirmed

2) CHAIRMAN'S REPORT

Chairman's Report for the year ended 31 December 2018
Mr Christopher G Gilmour

THE 2018 YEAR IN REVIEW

This is the 50th Annual General Meeting of The Investment Analysts Society of South Africa (NPC) ("IAS"), reporting on its activities for the year ended 31 December 2018.

Overall, for 2018, the IAS has held up well, considering the difficult business and investment landscape, and we have made significant progress in our offerings in a period of transitional change. We have made concerted efforts to implement strategies which will sustain the organisation in the new environment, and we are one of the few investment communication bodies still in existence, compared to several decades previously.

ABOUT THE IAS

The IAS is a non-profit company representing investment professionals in South Africa. Through its auspices, financial results and corporate actions of listed companies and other organisations, or impending listing presentations, are made to members comprising a cross section of the financial community, such as asset and fund managers, equity and credit analysts, corporate financiers and private equity investors. It also provides members with access to relevant services and products and initiatives that further its educational and continuing professional development mandate.

First registered as an “association not for gain” in 1968, it was incorporated in 2014 as such under The Companies Act, and celebrated its 50th anniversary during the year under review.

The Board of Directors manages Society affairs, meeting formally once a month. Board members serve on a voluntary basis and give freely of their time in representing the Society.

The Society maintains an administrative office at West Square, 407 West Avenue, Johannesburg, South Africa.

The IAS maintains and initiates associations with organisations which have common interests and from which our members derive value. The more important are:

- CFA Society South Africa, co-operating in matters that mutually benefit members and the local investment professional community
- The CFA Institute
- SAMREC (the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves): The Society is represented on the Samrec Committee and provides a joint award, with Samrec, to mineral resource companies making best financial results disclosures.

The Executive Officer is Mrs Ann Marie Wood, supported by Mrs Zia De Araujo and Ms Maria Makgato.

The following contributions require mention:

- Chief Financial Officer, Phumzo Khonzeka, who manages the financial affairs of the IAS, including budgeting and monthly reporting of financial performance
- Ransome Russouw Incorporated (Mr Hennie Russouw and colleagues) as independent auditors
- Board members Mark Ingham and Mike Brown, for their responsibility for the Investment Analysts Journal (IAJ)
- The professional editors of the IAJ, Professors Christo Auret and Robert Vivian of Wits, and Professor Doojin Ryu Professor of Sungkyunkwan University, Seoul, Korea; assisted by Liezel du Plooy, and Wits University for its support
- Board member Arthur Thompson for his longstanding contribution, and as he takes a personal health-related sabbatical, while remaining on the board, we wish him well.
- Bruce Williamson from SAMREC for his strategy input.

MEMBERSHIP AND COMPANY PRESENTATIONS

Our two main sources of revenue come from members and companies that use Society services for their results presentations. We have seen declining to indifferent numbers in both, and this is exceptionally concerning, as the asset management industry is shifting in line with structural, social and political global trends.

There has been a constant drop in membership numbers for several years. This can be attributed to analysts changing how they receive information. Globally, time constraints and logistics often mean they are not able, or in fact do not want, to attend physical presentations. Also, consolidation in financial services has taken its toll, along with general cost-cutting by financial institutions, resulting in individual subscriptions not being paid by employers. And listed companies are becoming far more 'generous' with how they distribute and permit access to information, and to far wider audiences than previously.

The downward trend in companies using the IAS as a platform for its results presentations is less predictable but is currently well below that of the recent few years as listed companies perhaps become more complacent on investor communications, or their Investor Relations agencies decide to bring results presentations 'in-house' and manage the entire function using their own stakeholder lists.

In light of these concerning numbers, we have identified the following priorities:

- Develop a compelling offering to JSE-listed companies and Investor Relations agents, so that we are the preferred single delivery mechanism for company presentations, both local and international.
- Relaunch our website which will reflect our mission: To be the preferred go-to, resource for JSE-listed company presentations for IAS members. Alongside this, we need to have a dynamic social media presence, and modernise the traditional offering that we have had for fifty years.
- Develop an App for all devices (PC, Android, IOS). This app will be available for the use of all IASSA members and can be used on tablets and phones. Presentations will be available on the app and can be stored on the device for delayed viewing if desired. Members will be able to ask questions and make notes during presentations using the app.
- Ensure we offer and maximise all channels of communication (Live Presentations, Webcasts, social media, all devices).

Our overall vision is to be regarded by local and international analysts as the essential source for presentations and related financial communication for JSE listed companies, provided through several convenient communications platforms.

- **Membership**

	May '19	2018	'17	'16	'15	'14	'13	'12	'11	'10
Members	1 071	1 317	1 423	1 520	1 550	1 614	1 658	1 705	1 849	1 824

During the year, Subscription Revenue decreased by 3% to R1,101mn from R1,134mn. The membership fee increased by 7.5%, and membership numbers fell by 9%. The 2018 annual membership fee increased to R988.60 incl. VAT (2017: R920) (2019: R1 040).

The Society accepted 84 paid up new members (largely comprising 28 investment analysts, 8 fund/asset managers, 30 corporate financiers, 10 private equity).

By far, most members adhere to IAS behavioural ethos and professional standards. Nevertheless, companies continue to complain to us of 'no shows' at presentations with no prior or belated apologies, as well of instances of attendance without prior acceptance of an invitation. We regularly address this poor behaviour.

The Society declines membership applications when the applicant is considered to not meet admission requirements.

- **Company Results Presentations**

During 2018, the Society hosted 182 presentations by JSE listed companies and other organisations.

	2018	'17	'16	'15	'14	'13	'12	'11	'10
Johannesburg	118	134	153	142	155	133	129	126	92
Cape Town	59	85	89	82	96	90	88	89	76
Durban	5	6	10	5	6	5	7	5	5
Port Elizabeth	0	0	1	0	0	1	1	1	1
Webcasts only	5	1	1	1	0	0	0	0	0
Total	182	226	254	230	257	229	225	221	174

Increasingly and in line with global trends, presentations are accompanied by webcast technology which enables remote access. In some instances, companies are no longer presenting physically, using only webcast/telephonic platforms.

For the year under review, Presentation Income fell slightly from R1mn to R935 292, with Net Profit holding up at R620 764 (2017: R621 239), as gross profit on this activity increased from 62% to 66%. The costs in relation to presentations relate to the reformatting and sending of company invitations to members.

CONTINUOUS PROFESSIONAL DEVELOPMENT (CPD)

Our Education Sub-committee focuses on this aspect of the Society, and educational events are hosted in conjunction with other bodies such as CFA South Africa and the JSE. The

Society does not generate much, if any income, from this activity, and Education Loss for the year was R67 848 (2017: R50 558).

Presentations offered during the year under review included “Pan-European outlook - Risks and Opportunities in Private and Public real estate markets” by Peter Papadakos of Green Street Advisors; and “South Africa 2030” by Frans Cronje, CEO of The Institute of Race Relations in South Africa.

Together with CFA South Africa, events held were “S&P: Embracing Change as Our Opportunity in SA”; and “Evaluating Retirement Strategies” by Prof Javier Estrada, *Professor of Finance at IESE Business School in Barcelona, Spain.*

The Investment Analysts Society is aware of the ongoing requirement for continuous professional development for many of its members. Annual targets for CPD points are now a requirement for Financial Service Providers (FSPs), stockbrokers, accountants and members of certain professional bodies. The IAS now intends issuing CPD points to its members for certain of its services in order to assist with this ongoing requirement.

Mike Brown, IAS Board member, and Ann Marie Wood, Executive Officer, have been mainly instrumental in driving the CPD initiative, working on the following:

- **Recognition by Financial Planning Institute of South Africa (FPI) as a Recognised Continuous Professional Development (CPD) Provider**

The IAS has entered into an agreement with FPI to provide CPD programmes and points under the auspices of this body. The FPI will approve any educational and other events arranged by the IAS as qualifying for CPD points. This will enable the Investment Analysts Society to issue CPD points and programmes on its own to its members and other professionals.

- **Registration with the South African Qualifications Authority (SAQA) as a "Professional Body"**

The IAS has initiated the process to be recognised by SAQA as a professional body, with a suitable designation for its members. This is a lengthy process, but the IAS has the records, structure, history and infrastructure to qualify for such recognition. We will keep members informed on progress.

- **CPD Education, Training and Skills Development Events**

In order to provide relevant CPD points to its members, the Society will focus future education events on:

- Improving research and analytical skills. Rated, experienced investment analysts will be invited to provide comprehensive lecture courses on such skills development. The IAS members consist of a significant number of top analysts who would be asked to share their expertise with younger or less experienced members.
- Increasing knowledge of the operational environment for the financial industry.
- Encouraging readership of IAS Journal articles. In the current 2019 year, the latest IAS Journal has been awarded 6.5 CPD credits.

- **CPD Platforms**

The Society investigated the appointment of a platform that will host, register, record

and test knowledge for the issuing of CPD points and which will then provide CPD certificates for events hosted by the IAS and other professional bodies, with whom it will jointly host events.

Partnering with RegTech provider Black Onyx, post-year end we have launched a digital CPD hub service on the IASSA website, giving members instant access to high quality CPD content and packages which can be accessed off mobile phones, tablets or PCS, and online or offline. Members have been advised of the steps required to register and qualify for CPD points for the various workshops we arrange, in the invitations to such events.

INVESTMENT ANALYSTS JOURNAL (“IAJ/Journal”)

The Journal aims to be a dissemination and discussion platform for researchers in finance, investment, corporate finance, accounting and financial economics, both in South Africa and internationally. It specifically encourages submissions from Africa to focus research throughout the region. From 2017, a special issue was introduced to cater for publishing papers presented at the annual Southern African Finance Association conference. Published by Routledge (Taylor & Francis/ T&F), the Journal is included in the Thomson Reuters Social Science Citation Index and accredited by the South African Department of Higher Education and Training.

Since partnering with T&F (2015 to date), IAJ has been read in more than 80 countries. Currently about 33% of downloads come from Africa, 22% from Europe, 14% from Asia Pacific, and 10% from the USA. The Journal is regularly read in at least 14 African countries, including South Africa, Kenya, Tanzania, Egypt, Nigeria, Zimbabwe, Zambia, Ethiopia, Tunisia, Botswana, Ghana, and Malawi.

From 2016 to 2018 there were 58 peer-reviewed original papers published, with 36 papers having at least one non-South African author (62%). In the Full articles category, 410 manuscripts were submitted in these three years, with a total rejection rate of 86%.

To promote rigorous and appropriate academic research in the investment field the Society continues to sponsor an annual award, currently R25 000, as incentive for research papers published in the IAS journal. Award for best article published in the Investment Analysts Journal during 2017 went to Chien-Feng Huang, Chih-Hsiang Chang, Li-Min Kuo and Tsung-Nan Hsieh for *“The disposition effect, price performance and fundamentals of IPOs: Evidence from Taiwan”*.

For the year under review, Journal activities cost a net R226 914 (2017: net cost R237 808). As the Journal becomes more internationally known, income derived from access by non-IAS members should continue to gradually increase.

EXCELLENCE IN FINANCIAL REPORTING AND COMMUNICATIONS AWARDS

The annual Excellence in Financial Reporting and Communications Awards presentation function was held in June 2018, broadcast live on Business Day TV, and followed by a networking cocktail function attended by Society members and executive management of winning companies.

These awards are made in accordance with marking forms completed by members. To ensure a wide and representative sample of views on how companies report, all members are encouraged to participate, and the results tabulation process is mathematically precise. Categories are regularly refined to ensure the business activity of a company correctly reflects in its categorisation and peer ranking.

Fourteen awards went to listed companies in the main sectors of the JSE for outstanding financial reporting and communications excellence, and for the best presentation to Society members. There are also joint Samrec/IAS awards for reporting in the minerals sector; and for small capitalisation companies.

Tongaat Hulett Limited was overall winner and is also a multi-year award winner. However, in 2019, this company is being investigated for financial reporting irregularities, the outcome to be reported by a PwC forensic audit.

50 TH CELEBRATION

The Society celebrated its 50th anniversary, holding a members' function at which three members – Ian Cruickshanks, Clem Goemans and board member Peter du Toit - were awarded life membership. This event cost R54 893.

HOSTING OF IAS WEBSITE

We are engaging a service provider to develop and host the IAS website and to broaden the reach of the Society to a much wider local and global user base. These plans include the development, hosting and maintenance of a bespoke App for the Society.

IAS NEWSLETTER “COMMUNIQUE”

In order to raise the profile of the Society, we have commenced publishing a regular communicate, reporting on the activities, services and events offered by the IAS. This communication is sent to all IAS members, as well as corporate and other users of the Society's services, and to the media. We are considering the possibility of using an external platform to ensure an even wider audience distribution.

FINANCIAL RESULTS AND POSITION

The year under review saw membership and presentation numbers decline, costs increasing, an operating loss, and a fall in equity markets which affected the value of IAS Satrix investments.

For the year ended 31 December 2018, the society made an operating loss of R420 073(2017: loss R130 451). Administration and management expenses rose by 12,9% from R1,386mn to R1,565mn. Salaries and wages comprise the bulk of IAS expenditure and these rose by 15% to R1,160mn. Our financial results now reflect two years of operating losses, following several years of profits. This is not unusual for an NPC and we are taking steps to redress this profit reversal.

Finance income, comprising interest and dividends, was R165 633 (2017: R169 407), resulting in a net loss after finance income of R254 440 (2017: profit: R38 956) for the year ended.

The devaluation of available-for-sale investments meant an unrealised loss of R379 257 (2017: profit R472 500). This was due to the 12% fall in the JSE equity market during the year under review (2017: significant rise in the value of our Satrix 40 investments.)

After a total loss of R633 697 (comprising operating loss, finance income, and loss on revaluation of investments) (2017: profit R511 456) total reserves reduced to R3 046 413 (2017: increased to R3 680 110).

Total assets as at 31 December 2018 amounted to R4 050 984 (2017: R4 702 636).

Comments:

Chris Gilmour remarked that although there was a drop in membership it was felt that this had bottomed and that steps the Society were taking would pay off.

Mark Ingham commented that the shrinking industry was part of the decline in membership but that the Society with its initiatives would keep abreast of the times and stay relevant.

Nomtha Ngumbela asked if there was a timeline for the App and MI indicated around 3- 6 months – closer to 3. He stated there would be a soft then hard launch.

Ian Cruickshanks commented that there was nothing like the Society elsewhere in the world and had received positive feedback.

The Chairman's report was adopted

PROPOSED
SECONDED

PETER DU TOIT
LUNGILE MALINGA

3) FINANCIALS

The AFS to year end December 2018 were distributed ahead of the meeting and are attached to these minutes. Copies to members are available on request.

Nomtha Ngumbela asked whether there was provision for the App mentioned in the financials and MI confirmed that the Society was partnering with a third party with great skills capability and the cost to IAS would be modest and easily accommodated.

Ingrid Goodspeed commented that the Society's investments would have picked up in accordance with recent trends and Mike Brown confirmed that this was so up until end April this year. Ingrid also asked whether IAS was engaging with other organisations and AMW replied that we had informal discussions with JSE, SAIS, CFA and Actuarial Society. Ingrid suggested interaction with IoD and would provide contacts. In addition as Chris Gilmour and Lungile as IoD members and attended functions could possible engage with IoD on behalf of the Society.

The financials were approved

PROPOSED
SECONDED

JACQUES THERON
PETER DU TOIT

4) AUDITORS

The meeting was asked to confirm the appointment of RANSOME RUSSOUW as auditors. The board was given the authority to approve the audit fee for 2018

PROPOSED
SECONDED

LUNGILE MALINGA
INGRID GOODSPEED

5) ELECTION OF OFFICE BEARERS

To elect three members of the Board in place of

A D THOMPSON
M N INGHAM
C G GILMOUR

The above retire by rotation but are eligible and offer themselves, for re-election

To accept the resignation of the following board members

D M YERUSHALMY
G E ELSTON
J W THERON

The remaining board members are

P R DU TOIT
M F BROWN
L N MALINGA
P A KHONZEKA

PROPOSED
SECONDED

IAN CRUICKSHANKS
INGRID GOODSPEED

6) GENERAL

Ian Cruickshanks expressed his thanks to the Board for being awarded honorary membership – and stated this was a great honour.

Chris Gilmour – as outgoing Chair – welcomed the new Society Chair; Lungile Malinga

Mike Brown offered a vote of thanks to Chris Gilmour who had served as chair for the past 3 years and thanked him for his wisdom and expertise over that time.