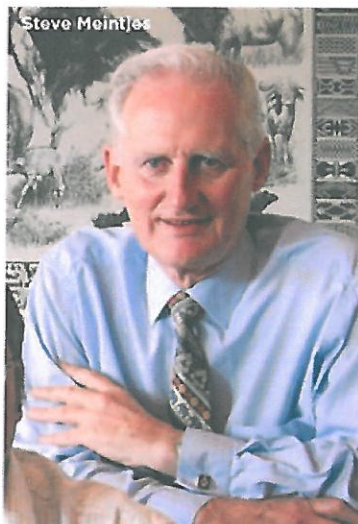


# Traders' Alley

FUND MANAGERS GIVE YOU THE LOW-DOWN



**BUY REMGRO**  
Stockbrokerage Imara SP Reid has advised clients to continue to add this investment holding company to their portfolios. Head of research Steve Meintjes commented: "The current P/E at around 23 times reflects one-off financing costs at Mediclinic and corporate action at RCL Foods. RMIH was affected by the short-term claims cycle at OUTsurance, while Unilever had a tough second half due to new competition in detergents. Other than that, the portfolio remains comprised of established winners, up-and-coming stocks moving onto the radar such as Grindrod, as well as a clutch full of potential winners in the unlisted small caps."



**BUY AFROCENTRIC INVESTMENT CORPORATION**  
Despite a recent sell-off as a result of negative results from its exposure to technology group Jasco, Afrocentric remains a "Buy" according to Thebe

Stockbroking small-caps analyst Keith McLachlan. The analyst has a 12-month price target of R5.88/share, which is a significant premium to the current R4/share where the counter currently trades. McLachlan told clients: "We believe that the market is mispricing Afrocentric shares on the basis of the large overhang of new shares being issued (profit warranty and preference share redemption) that has created valuation uncertainty for most investors. Our valuation has always taken these shares into account and, therefore, we are comfortable that this mispricing just creates a potential investment opportunity, while the overhang of new shares in the market may even offer large blocks of investable script coming to market (in due course)."

**BUY NASPERS'**  
JP Morgan remains 'overweight' in terms of its exposure to the South African technology and media group. The investment banking group has a 12-month price target of R1 063.40/share with a 'sum of the parts' valuation of R937.20/share. JP Morgan says that Naspers is entering a high-growth, high-multiple trading environment and concludes: "Key to our accelerated earnings growth thesis is that the 'rate of change' of (1) development spend growth, and (2) incremental loss growth in the core Internet segment will be lower in FY14E than in prior years. The dilution of positive pay TV/Tencent earnings growth should be less and thus absolute incremental earnings growth at Naspers should be higher, by our estimates. The 59% CAGR [compound annual growth rate] in development spend over the past two years has also created a low base for Naspers earnings to grow off, which, in conjunction with gradual loss reversal in the core Internet

segment and solid Tencent/pay TV earnings growth, underpin a multiyear 33% earnings growth outlook for Naspers based on our estimates."

**BUY AFRICAN BANK INVESTMENTS LIMITED**  
Following a recent trading update from the lender, SBG Securities recently issued a new research note on the counter with a 12-month price target of R26/share. The firm told clients: "At this point, we leave our price target of R26 and Buy recommendation unchanged. However, we highlight that we had previously modelled a rights issue price of R12/share, as we expected the share price to rally post the announcement with the discount being applied to some higher share price. Given that the early gains in the share price have now been given up, we believe that the rights issue price may be closer to R10/share when the details are finally announced."

**SELL CAPITEC**  
FNB Securities says that it remains worried about the prospects for the microlending sector in general, and, in turn, it worries about counters that have exposure to unsecured lending. The firm describes the interim results for the six months ended 31 August 2013 as "impressive", pointing out that headline earnings rose to R971m for the period while active clients rose above the 5m mark. FNB Securities said in a note: "Although this was a good result and Capitec's business mix is shifting away from the unsecured lending space, we remain concerned over its exposure in this area."

*"Finweek is a Media24 publication, which is a subsidiary of Naspers."*