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# ecsponent news

## Ecsponent to thrive in 2015!

The year 2015 is set to be one of the very best for Ecsponent - following significant developments in the past two years which have laid the foundation for dynamic growth.

The Ecsponent Group was repositioned, a new brand was established and to crown all, Ecsponent's preference shares were listed on the Johannesburg Stock Exchange (JSE)! And now we are not only talking about the listing of the company, but also the listing of various products provided by Ecsponent.



Euné Engelbrecht, Director

The market capitalisation of Ecsponent increased significantly last year and in 2015 we are going to reap the benefits of many projects which were launched in 2014.

The focus will be on SME (Small and Medium Enterprises) and at least R100 million will go into such projects in South Africa and neighbouring countries.

Over the past two years more than forty SME finance projects have been launched successfully by Ecsponent, which means that the business model has now been thoroughly tested. The time has come to become involved on a larger scale in this market.

The Ecsponent Group consists of 15 different companies, each making a major contribution to the income and growth of the group. Each of the companies had a record year and a good foundation was established to continue in 2015.

Our investors can rest assured with the knowledge that the vast spread of investments reduces the risk significantly in our investment portfolio. Our companies are profit driven and cost effective, securing the best return for our investors. Under the watchful eye of the JSE and the Financial Services Board, investors can have peace of mind.

Regards,

Euné

## Shares, best of its kind

Ecsponent currently offers one of the best listed preference shares in its class, on the preferred stock division of the Johannesburg Stock Exchange (JSE).

"Our preference shares are completely transparent, as investors know exactly which rate is being paid and they know that the company will redeem the investment after five years," says Terence Gregory, CEO of Ecsponent Limited.

What makes investment in Ecsponent's preference shares so attractive, is that they are regulated by both the JSE and the Financial Services Board (FSB) and the financial health of the company is revealed on an ongoing basis.

The auditors of a listed company must be part of the limited

panel of approved auditors of the JSE. They confirm that the published statements of the company accurately reflect the financial results.

Each statement has to comply with the International Financial Reporting Standards, which also includes an opinion of the auditors. This strengthens the control and confirms that the JSE is the most regulated stock exchange in the world. A listed company is also regulated by King III, which has been adopted by the JSE as a listing requirement – not an obligation for unlisted companies.

Moreover, Ecsponent's preference shares can be sold at any time on the JSE and is not fixed for a three to five year period as is the case with many unlisted products.

Ecsponent's listed preference shares also give a very good coupon rate and the fact that the investor pays no fees, ensures that a greater return is paid to investors. Most competitors in the market charge fees and their preference shares are perpetual, which means that it is not redeemed by the company. This is an important factor to take into account.

The past financial year has been excellent for Ecsponent. According to Gregory the number of subsidiaries increased by 200% and the solvency and liquidity ratios are the best in years.

The proceeds that Ecsponent Capital received from its shareholding in Ecsponent Limited was a star performer in their portfolio. It has done so well that Ecsponent Capital decided to convert their shareholder loans into Ecsponent Limited ordinary shares.

At Ecsponent there are four pillars in which the company invests: The growth of subsidiaries; funding of small and medium enterprises; financing; and strategic equity acquisitions. The investments in these pillars are continually managed in order to maintain a balanced portfolio.

Ecsponent Limited offers three investment options or classes which are currently listed on the preference share board of the JSE:

Option 1 – Class A offers a fixed rate of 10% per annum over

five years. Ecsponent is also regulated by the SA Revenue Services (SARS) and therefore pays the dividend withholding tax to them on behalf of the client. The net payable rate is 8.5% per annum.

Option 2 - Class B is a pure growth option and offers a compounded rate of 11.2% per annum. The simple rate is 14% per annum, or 70% if the investment is made for five years. This is a very attractive rate since the Class offers liquidity and can be traded on the preference share board of the JSE.

Option 3 - Class C is a product linked to the prime rate and it is very popular with clients who would like to keep pace with the prime rate. It is forecasted that the prime rate could increase between 3% and 3.5% over the next 5 years.

Investments in Ecsponent's preference shares are strictly managed, and the investment committee decides where the money will be invested.

The management of Ecsponent ensures enough growth takes place so that the shareholders receive their required dividends. This is also monitored by a number of regulatory and legislative bodies.

Ecsponent plans to continue the growth that the company has sustained over the past five years and to provide sound results for its valued stakeholders. 

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## 2014 in a nutshell!

The Johannesburg Stock Exchange exhibited a volatile performance over the last few days of 2014 and the beginning of 2015. There is an old saying: "sell your shares in September and go away until December!" This became increasingly apparent over the respective period.

Many potential causes have been hypothesized, but the main explanation seems to be that investors felt the stock market was overactive and that share prices were overpriced. This supports the possibility that a correction could occur in near future.

As an investor with Ecsponent you can have peace of mind as the market volatility does not affect your investment. Ecsponent has a fixed agreement with you to repay the investment after five years, regardless of what happens to the stock market. Should you require funds during

your investment term, you have the convenience of cashing out your investment through the stock market.

The power crisis in South Africa led to many people reaching for their gas lamps and candles. Hopefully the situation is better managed in 2015. Gross Domestic Product (GDP) growth in the third quarter was low at 1.4%, highlighting the tough local conditions, whilst strikes and the weaker Rand have caused South Africans to become despondent. In addition, the Post Office and South African Airways have not contributed to improving optimism levels.

However there is good news in the form of lower oil prices which in turn have contributed to lower fuel prices and should assist in keeping inflation in check. We are hopeful that this is a sign of good things to come for everyone in 2015. 

