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# Stocks for your stocking

## Give the family a sound financial footing by involving them in the exciting game of playing the stock market for fun and profit

NEDBANK Private Wealth released its annual Christmas stock picks with a selection of carefully picked stocks for various family members in 2015.

Last year's selection for the 2013-14 period posted a market-beating performance, returning 23.3% (excluding dividends) over the measurement period against just 4,2% by the all-share index, says the bank. The notable performers were Telkom (+86%), Adapt IT (+39%) and Aspen (+27%). The only laggard in the stocking was Old Mutual, which declined by 10%.

### FOR MUM
**Safari, recommended at 815 cents per share**

For her 10-year wedding anniversary in 2015 mum would like to go on safari. She knows that to make it special she needs to help hubby save up over the next year.

Safari Investments is the perfect stock to invest in to help her realise her dream. This newly listed company develops and manages township shopping centres, currently in Mamelodi, Atteridgeville and Sebokeng.

Outside of South Africa, Safari has a development project in progress in Swakopmund, Namibia. The company intends to distribute 85%-90% of its earnings in any given year, giving mum access to some cash flow to help her plan her trip while she waits for the capital gains. Safari intends to double the portfolio in the next four years.

At the present price (815cps) Safari is also one of the few quality property stocks trading at a discount to NAV (FY 2014: 920cps). We expect the share price to rerate and the discount to narrow over time.

### FOR DAD
**ARB, recommended at 650cps**

ARB Holdings is strategically well positioned to continue benefiting from both organic and acquisitive growth as it looks to expand its presence in the lighting and electrical markets. The group remains under-represented in key target markets, particularly in the Gauteng region. We view the group's ongoing rollup strategy as a good medium-term growth vector. We think a few shares in ARB will light up Dad's festive cheer.

### FOR DAUGHTER
**MDI, recommended at 1300cps**

Master Drilling is a highly specialised South African company that has developed a cost-effective method of drilling large-diameter holes for underground mining. This is a requirement to maintain operations across different kinds of mining, such as gold, copper, iron ore and coal.

About one-third of the company's revenue is domestic, but it has spread its geographic influence and most of its other revenue and earnings come from Latin America, with a small portion from the rest of Africa.

The company has a large order book for work during the 2015 financial year and beyond, indicating that it should continue to grow earnings as its technology becomes more sought after in the mining industry. Its exposure to numerous commodities and geographies effectively lowers potential investment risk. Daughter will enjoy the earnings growth and potential share price growth that we expect from this innovative and well-established company.

### FOR UNCLE
**Quantum, recommended at 320 cps**

Unknown and unloved Quantum Foods presents an exciting opportunity for Uncle, who, after a tough 2014, is getting ready to dust himself off and grab the new year by the horns. After a rough couple of years for domestic egg and poultry producers such as Quantum, things finally appear to be looking up.

Industry consolidation, increased protection against imports and lower raw-material prices all bode well for Quantum's short- to medium-term earnings prospects. While the majority of Quantum's listed peers have already rerated significantly in response to this improved industry outlook Quantum, in our view, still offers value.

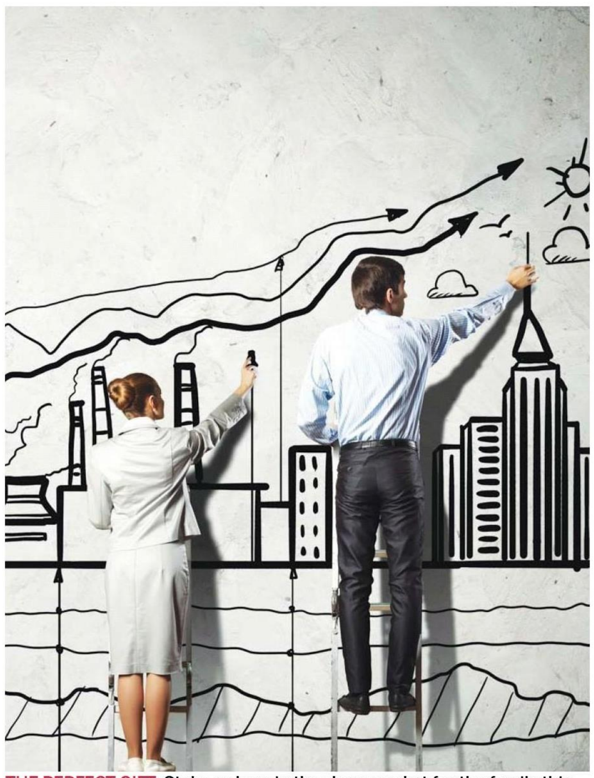
Uncle might want to check his pacemaker before piling into this one, as favourable conditions don't change the fact that the group still operates in a difficult and highly volatile industry. But shrewd investors would know that under the right circumstances even the most cyclical of companies can present great opportunities to make money.

After all, there are no such things as bad assets, only bad prices.

We think 2015 could mark a significant turnaround for Quantum, which is why this share would make a great addition to Uncle's Christmas stocking.

### FOR AUNT
**Sephaku Holdings, recommended at 650cps**

If appears that 2015 will be the year where everything will come together for Sephaku Holdings, which has been in a start-up phase over the past few years. The reported numbers will become clearer from 2015 as the company moves to stable-state production, and the pending share issue as part of its payment for the Métier transaction will be something of the past.



THE PERFECT GIFT: Stake a share in the share market for the family this Christmas. PICTURE: SHUTTERSTOCK

This is likely to result in a reassessment of this counter by the market and a better appreciation of its potential. Early indications are that Sephaku's cement is well received by customers.

An experienced management team, the backing of Dangote Cement (Africa's largest cement player owned by Africa's richest person) and a new, more efficient plant all add to the appeal of this counter. The current internal focus of its largest competitor, PPC, also plays into Sephaku's hands for now, as Sephaku is entering new markets to sell its products. While Sephaku still faces some uncertainties as part of its ramp up, in our view the potential upside is attractive, which makes this a great gift for Aunt's Christmas stocking.

### FOR NEPHEW
**City Lodge Hotel Group, recommended at 12 300cps**

Nephew will receive City Lodge Hotel Group for 2015. The higher-than-usual number of public holidays and strike action saw the occupancies of hotels in City Lodge come under some pressure in 2014. We expect to see a recovery in the growth momentum of hotel occupancies over the next year as local trading conditions improve. Earnings will be given a further boost by the consolidation of the group's two Kenyan hotels; CLH acquired the remaining 50% share of the hotels earlier in the year.

The traction CLH is gaining on its Africa (ex-SA) expansion, together with a pullback in the share price from recent highs, makes the valuation on CLH attractive.

Agreements have been signed for the development of two new hotels in East Africa, Kenya and Tanzania, with more announcements likely to follow in the year ahead. CLH is well positioned for growth, well beyond this Christmas.

### FOR LITTLE SISTER
**TRU, recommended at 6 900 cps**

Little Sister has just landed her first job and wants to spruce up her wardrobe. She will take her salary slip with her to Truworths to open an account. To hedge herself she will also be buying Truworths shares. She knows that there are many people like her who are able to pay their monthly instalments and as a consequence the bad-debt cycle for credit retailers will improve.

She also knows that the ringing of the tills doesn't need to increase dramatically for the positive effect of rising interest income and decreasing bad debts to outweigh any short-term margin pressure. She is also looking forward to some European influence on the group when Jean-Christophe Garbino, the CEO of the French-based Kiabi retail group, takes over as CEO designate in March 2015.

### FOR DAUGHTER-IN-LAW
**Naspers, recommended at R1388.83 per share**

There are various ways in which daughter-in-law can enjoy the extensive product suite that Naspers offers. While watching the latest fashion and entertainment trends on DStv, she can either chat with her friends on WeChat or shop online.

Naspers is a leading broad-based multinational group of e-media, entertainment and e-commerce companies. Most of the businesses are market leaders within their segments.

We expect Tencent to continue to report robust earnings growth, while the pay TV segment continues to deliver solid financial results and strong cash generation.

However, it is the improved financial disclosure on Naspers' e-commerce segment that could result in a rerating in Naspers' share price. Naspers has the capital to back and fund its prime e-commerce assets through their loss-making years. At current prices, Daughter-in-law is purchasing the world's fourth largest e-commerce player virtually for free.

### FOR GRANDFATHER
**Octodec, recommended at 2 293 cps**

Octodec listed on the JSE in 1990 and over the last 10 years has delivered a total compound return to shareholders in excess of 20% pa. Following the recent successful merger with another stellar performer, Premium Properties, the business is set to achieve favourable returns on the 320 properties it owns in the Pretoria and Johannesburg CBDs and surrounding areas. An ongoing strategic focus for the business is its existing large residential portfolio and the continued conversion of office assets into residential units. Management's track record of unlocking the value of properties through development, refurbishment and renewals is unblemished.

With a high first-year income return and a management team with a proven ability to deliver growth, acquiring these return prospects at a discount to NAV is enough to get Grandfather's heart racing!

### FOR NIECE
**ADI, recommended at 810cps**

Although Adapt IT featured in the previous Christmas stocking, we don't think there is any need for Niece to discard this winner in 2015. Following its recent acquisition of cloud-linked business AspiviaUnison, and assuming a reasonable level of performance warranty profitability is achieved over the next 18 months, we believe Niece's purchase of ADI at 810cps should yield at least a 20% return in the year ahead.

In addition, we expect Adapt IT to continue with its IT services rich, acquisition-led strategy in 2015 and more corporate action is likely to boost the share price. Adapt IT also plans a fully paid-up BEE transaction during 2014, with existing staff being among the key role-players in the transaction. With an even greater alignment of shareholder and management interests, Niece should be swinging for the fences with ADI!

### FOR SON
**KEH, recommended at 270cps**

Another year goes by with Eskom still desperate for coal in an effort to keep the lights on. Son did reasonably well out of his Keaton Energy over the past year; however, we believe that the best is still to come. Increasing his exposure to the share should continue to generate above-average market returns going forward. Although Keaton had a troubled birth during the financial crisis, it has maintained steady-state production throughout 2014. The bulk of production is being supplied to Eskom at favourable rates. Coal remains the cheapest source of energy for electrical power generation in South Africa. The company is fast becoming a key mid-tier coal supplier to Eskom, whose demand for coal seems insatiable as it struggles to meet the country's demands for electricity. The recently acquired Moabsvelden asset should start production towards the end of 2015 and once the project is fully developed by FY 2016, we expect the group's production of thermal coal to increase by 50%.

This should be a catalyst to rerate the share, as the company will no longer be dependent on a single colliery for the majority of its production. Keaton Energy is ideal for growing Son, who has a higher-risk profile.

*Edited version of a statement released by Nedbank Private Wealth*