

## Aplitec deal is OK for unit trusts

### **THE CITIZEN**

*By Belinda Anderson, Febraury, 2004*

South African unit trust fund managers holding Aplitec shares say there are no obstacles to their holding the share in the form proposed by the company after its delisting from the JSE and relisting in the US.

This is despite the fact that the shares will be held on behalf of SA shareholders who choose the reinvestment option, in a trust rather than by the beneficial owners directly.

Allan Gray chairman Simon Marais said although it would obviously have been better to physically hold the shares, the economic reality was that you would own them: "The trust is simply a mechanism to make that happen."

Marais says Allan Gray is happy with the deal and the way it has been structured, having had detailed discussions with Aplitec CEO Serge Belamant, as well as advisors Brait.

There was nothing that we felt seriously uncomfortable with." He says shareholders can also take comfort from the fact the company directors will be in the same boat – they have indicated they will choose the reinvestment option.

The deal has been structured to comply with the requirements of the Reserve Bank's exchange control department.

Anthony Sedgwick, fund manager at Polaris Capital, which managed the Nedbank Rainmaker Fund, said his fund had converted a number of its international holdings back into local ones after the Bank clamped down on its offshore holdings.

Like Allan Gray, Polaris also intends to choose the Aplitec reinvestment option rather than the 500c in cash. Sedgwick said despite now being an all-local fund, holding shares in the new Aplitec would not be a problem because the asset was ultimately a South African one, which would be converted back and priced in rands.

One of the only requirements is that shareholders must bring the money back into the county if they decide to sell their shares.

Brait CEO Anthony Ball said recently that a proper exit mechanism had been worked out, under which the trust would sell the shares on behalf of shareholders and the money would then come back to them.

Marais says the only risk would be if a number of shareholders decided to sell their shares at the same time. But this would only be an issue for traders, not long-term shareholders such as Allan Gray.

The deal is still subject to various regulatory issues that have pushed the timing out by a few months, and it also required formal shareholder approval. But it already has enough support for the transaction to go ahead.

Belamant says the deal is still on track and there have not been any glitches. It has been delayed as a result of the regulatory issues arising from doing a deal in two different markets. He says the company will release a statement in a few days containing more detail about the mechanisms of the transaction.

Shareholders choosing the reinvestment option will get R1,90 in cash, plus 0,814 NUEP shares (the US-listed vehicle). The NUEP share is trading at \$7,10 on the over-the-counter board in the US, making the reinvestment option theoretically worth more than R40/share. Aplitec shares have risen from less than R5 late last year to around R7 a share currently.



Investors have been sceptical about the huge discrepancy between the two prices. But Marais says he is not entirely sure why. Volumes traded in NUEP recently have been reasonable, suggesting the price is a fair reflection of how the market views the company.

"Sometimes the market gives you a gift and then you have to grab it. You have to walk around and look at it from all angles, but then you have to grab it," says Marais.